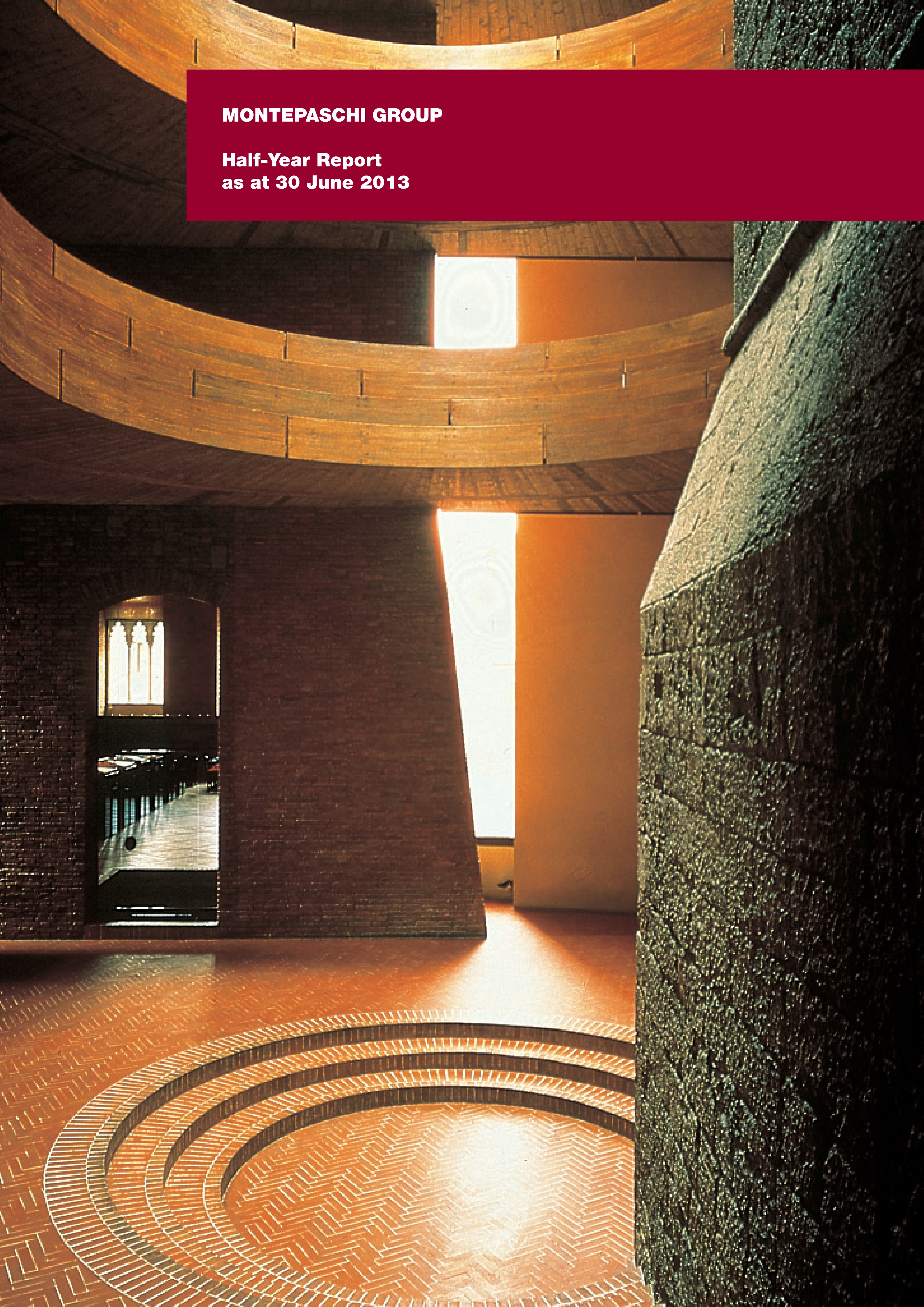
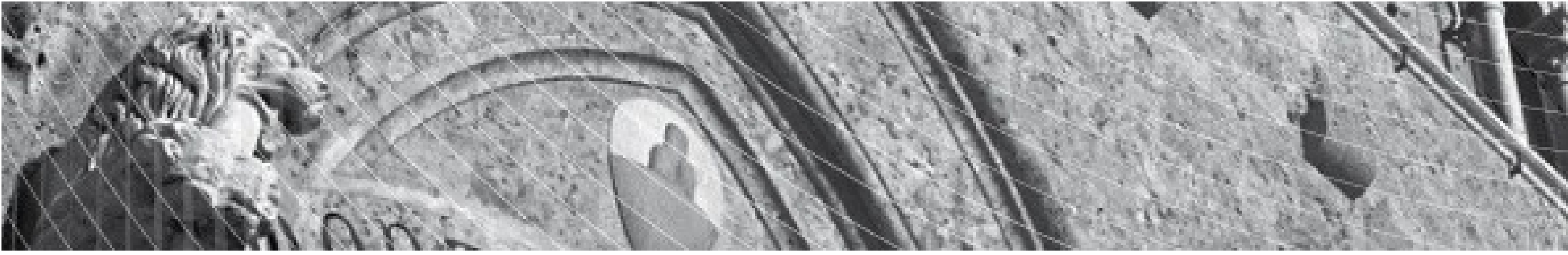
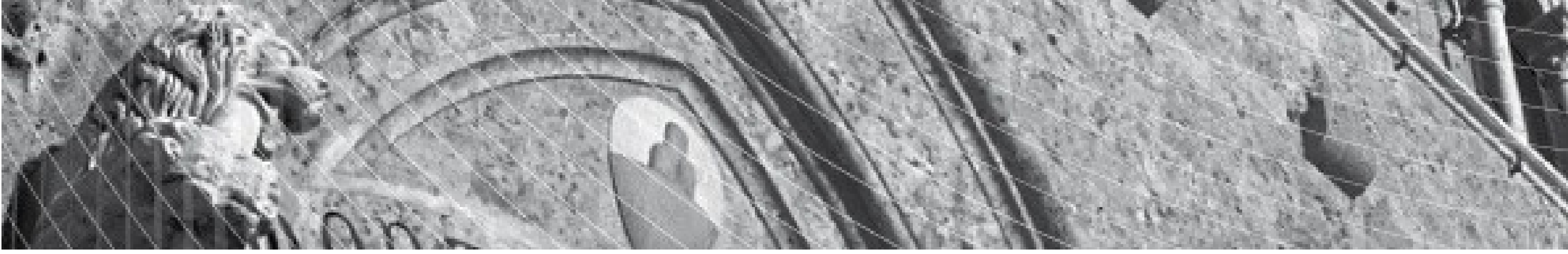
MONTEPASCHI GROUP

Half-Year Report as at 30 June 2013





CONSOLIDATED HALF-YEAR REPORT



HALF-YEAR REPORT ON OPERATIONS

Basis of preparation

The Report on Operations as at 30 June 2013 provides a description of the activities and results which largely characterised the Montepaschi Group's operations in the first half of 2013, both as a whole and in the various business sectors into which consolidated operations are organised.

In particular, the income statement and balance-sheet 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 contains non-financial information providing the details on resources, risk and customer relations that are significant to the Group's current and future performance.

Group Description

The Montepaschi Group is one of the leading Italian banking institutions with 28,473 employees, approx. 5.6 million customers, assets of approx. EUR 215 bn and significant market shares in all the areas of business in which it operates.

The role of the Parent Company is carried out by Banca Monte dei Paschi di Siena SpA. Founded in 1472 as a public pawnbroking establishment (Monte di Pietà), Banca Monte dei Paschi di Siena is a member of FTSE MIB40 with market capitalisation in the region of EUR 2,278 bn as at 30/06/2013.

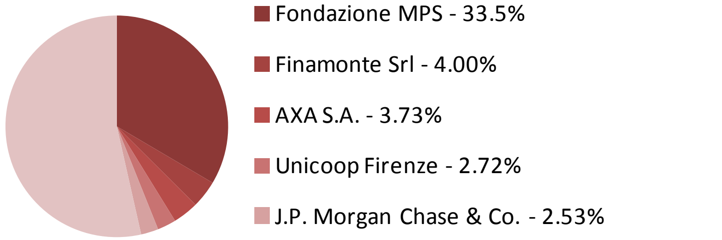
Breakdown as at 30/06/2013	
Employees	28,473
Branches (Italy)	2,392
Customers	approx. 5.6 mln).
Total assets (mln €)	214,918
Shareholders' equity (mln €)	6,631
Income from banking and insurance (mln €)	2,189

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

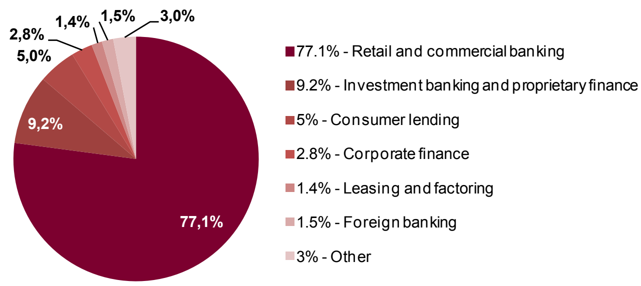
The Group mainly operates in Italy through a network of 2,392 branches, 288 specialised centres and 131 financial advisory offices open to the public.

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.

Breakdown of Bmps share capital as at 18/07/2013



Breakdown of Group revenues by area of business



The graph does not include cancellation of intragroup entries totaling *-876,1 mln of euros*.

Main companies of the Group

Company	Assets
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, asset 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 BoD in compliance with the instructions provided by the Bank of Italy in the interest of the Banking Group's stability.
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.
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, credit cards (option and revolving).
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 products.
MPS FIDUCIARIA	The activity of 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 goods in its capacity as a trustee and act as a protector in trusts.
MPS CONSORZIO OPERATIVO	Consorzio Operativo is the centre for the development and management of ICT systems and the provision of back office administrative services for the various companies of the Group.
MPS IMMOBILIARE	MPS Immobiliare's scope of business includes the custody and management, both ordinary and extraordinary, of real estate by reason of which it may also purchase, sell, exchange and lease properties; activities are carried out primarily for the companies of the Group.
Monte Paschi Banque SA **Banca Monte Paschi Belgio SA**	Group banks supporting business trade and investments by Italian companies abroad.

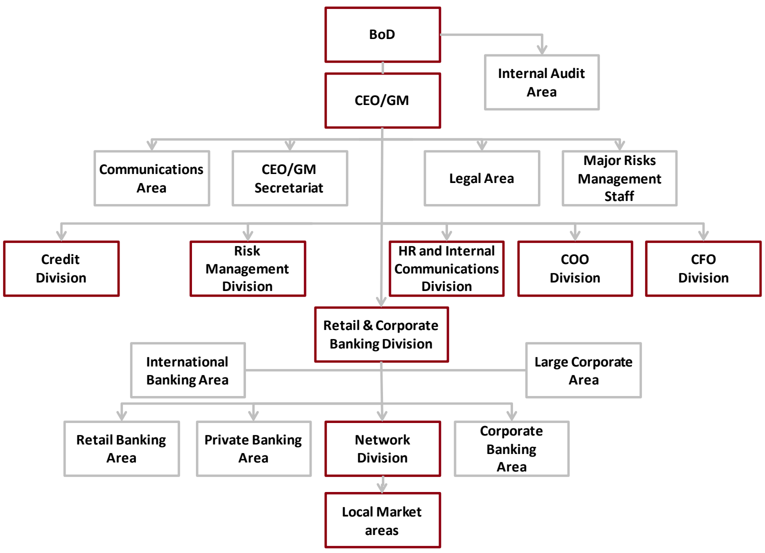
Organisational structure of the Parent Company

The Parent Company is the central management and operational coordinating structure, which also performs operating activities on behalf of the sales & distribution network.

Several changes were made to the structure in the first half of the year, including the:

- set-up of a Major Risk Management staff unit, reporting to the Chief Executive Officer/General Manager;
- set-up of the new Private Banking Area;
- set-up of the Debt Collection Area reporting to the Credit Division, following the merger by absorption of MPS Gestione Crediti Banca;
- transfer of the Compliance Area to the Risk Management Division, which has been renamed the Risk Division;

The bank's organisation chart



- transfer of the Legal Area reporting to the Chief Executive Officer/General Manager and the simultaneous discontinuation of the Compliance & Legal Division.

Major corporate actions

January

- BoD was accorded authority by the Extraordinary shareholders' meeting to increase share capital, in exclusion of the pre-emptive rights of existing shareholders, for up to a maximum of EUR 4.5 bn, at the exclusive service of the bank's option to convert the government-backed New Financial Instruments and/or to increase capital, again in exclusion of the pre-emptive rights of existing shareholders, through the issuance of ordinary shares for an amount of up to Euro 2 bn, at the exclusive service of the interest payments to be made in shares pursuant to the regulations applicable to the New Financial Instruments.
- Draft deeds filed for the merger of Banca Antonveneta and Mps Gestione Crediti Banca into the Parent company.
- Rating agency, Dominion Bond Rating Service (DBRS), initiated coverage on BMPS. Their initial rating was *investment grade*, with long-term rating at 'BBB' with negative outlook and short-term rating at 'R-2 (mid)' with stable outlook. This rating was affirmed on 8 February 2013.

February

- Issuance of government-backed New Financial Instruments completed for a total of EUR 4,071 mln and Tremonti Bonds repaid for an amount of EUR 1,900 mln.
- Banca MPS announced that, pursuant to Law decree no. 95/2012 and as part of commitments taken under the issuance of the New Financial Instruments, no interest will be paid on subordinated financial instruments whose contract includes an option for the Bank not to make any payments to its shareholders if, based on the latest approved Annual Report, the Bank - among other things- did not register any distributable profits or reported a negative operating performance, save for instances involving a legal obligation of payment even in the absence of distributable profits or when the issuer is only entitled to a deferral of interest payment.

March

- Completion of the process for the acceptance in full of all eligible employees' applications for admission to the Solidarity Fund, which sees the release of 1,660 employees earlier than scheduled.
- BoD initiated liability actions and claims for damages in relation to certain structured transactions carried out in previous years.
- Approval of the Report on Corporate Governance and Ownership Structure, prepared in compliance with the guidelines set out in the Corporate Governance Code for listed companies issued by the Italian Stock Exchange and published under the section Investors & Research at www.mps.it).

April

- Signing of Banca Antonveneta's deed of merger.
- On 29 April 2013, the Shareholders' Meeting of the Bank approved: the Annual Report as at 31.12.2012; the election of Mr. Pietro Giovanni Corsa as Deputy Chairman of the Board of Directors; the new Sharehoders' Meeting regulations; the Remuneration Report (prepared pursuant to art. 123-ter of the Consolidated Law on Finance and published under 'Investors & Research' on the corporate website at www.mps.it).
- Shareholders further resolved to take liability action, as proposed by the BoD and brought before the Court of Florence, against former Chairman of the Board of Directors, Giuseppe Mussari, and former General Manager, Antonio Vigni, for all damages sustained and to be sustained by the Bank in relation to the transaction entered into with Nomura Int. Plc and against former General Manager, Antonio Vigni, for all damages sustained and to be sustained by the Bank in relation to the transaction entered into with Deutsche Bank AG.

May

- Moody's downgraded the Bank's long-term rating from 'Ba2' to 'B2', with negative outlook; short-term rating affirmed at 'NP'.
- Signing of MPS Gestione Crediti Banca's deed of merger
- The BoD decided to suspend Mr. Michele Briamonte from the office of Board director following the injunction by the Preliminary Investigations Judge of the Court of Siena banning him from the exercise of his functions as member of the Board of Directors of the Bank on charge of "Abuse of privileged Information".

June

- The BoD approved the Bank's Restructuring Plan which was later submitted by the Ministry of Economy and Finance to the European Commission as required by procedures for the approval of State aid.
- Fitch affirmed the Bank's ratings (particularly long-term rating at 'BBB', short-term rating at 'F3' and Support Rating Floor at 'BBB'), confirming the Bank's systemic importance. The outlook is negative and is reflective of Italy's long-term Issuer Default Rating.
- Further to Banca Monte dei Paschi di Siena S.p.A's request, the ratings agency, Standard & Poor's, communicated their withdrawal of the rating on 14 June 2013. Upon termination of the relationship, the long-term rating was lowered to 'B', with negative outlook, while the short term rating was affirmed at 'B'.

Events after the reporting period

5 July

Termination of shareholders' agreement with the cooperative company *Spoleto-Credito e Servizi Società Cooperativa* concerning the bank's shareholding (for an aggregate of 22,972,924 ordinary shares) in Banca Popolare di Spoleto SpA.

18 July

The Extraordinary and Ordinary Shareholders' Meeting of the Parent Company approved the following amendments to the Articles of Asociation:

- removal of the share ownership ceiling of 4%
- introduction of a maximum limit of two consecutive terms after the first mandate for members of the Board of Directors, with the exception of the outgoing Managing Director;
- adoption of new regulations on "gender quotas";
- Introduction of upper age limits for Members of the Board of Directors, Chairman and Managing Director;
- revocation of Mr. Michele Briamonte from the office of Board director approved;
- Mr. Franco Michelotti elected statutory auditor.

30 July

By notice of 30 July 2013, the public prosecutors of the Court of Siena announced completion of their preliminary investigations relating to criminal proceedings connected with the acquisition of Banca Antonveneta. Market manipulation, obstruction of regulators, misstatement in prospectus, false disclosure, abuse of privileged information are the main offences the previous management has been charged with by the public prosecutors. In their capacity as legal persons investigated upon pursuant to law no. 231 of 8 June 2001, Banca Monte dei Paschi di Siena S.p.A. and JP Morgan Securities Ltd. were notified of the conclusion of preliminary investigations.

Results in brief

In the second quarter of 2013, the **gradual stabilisation of the international economy**, with signs of recovery particularly from the United States and Japan, was countered **by an economic cycle of persisting recession in the Eurozone** where weak domestic demand, low confidence of market players and eroding balance sheets have amplified the depressive effects of fiscal measures and exacerbated market uncertainty. In the second quarter of 2013, intensity of the decline in GDP was lower and the economic situation is expected to stabilise in the last quarter of the year. Nonetheless, **GDP is expected to fall by almost 2% in 2013**. **Unemployment exceeded 12%** and industrial production continued to register a downward trend (-4.2% in May). **Tensions in financial markets have eased** in the wake of developments in the sovereign debt crisis. However, recent concerns over the stability of the Portuguese government and new credit-rating downgrades of European countries (France, Italy) confirmed the **still-heightened uncertainy**: Btp-Bund spread was close to 300 basis points at the end of June (+17 bps at the end of May) though down by approximately 66 basis points as compared to the end of March. The ECB Governing Council provided forward guidance on the future direction of monetary policy by announcing that the key interest rate would remain "at present (0.50%) or lower levels for an extended period of time". Against this backdrop, interest rates have remained just shy of the all-time lows (1-month Euribor at 0.12%).

As far as the **Banking System** is concerned, the fall in loans to households and, to a greater degree, businesses was more pronounced. The trend is reflective of both waning demand and tightening supply, determined by higher risk resulting from prolonged recession. Indeed, the ratio of loans transitioning into doubtful loans continued to climb, reaching 2.8% of total loans (from 2.5% at the end of 2012).

In addition to the difficult scenario outlined above**, the Group was also faced with the** a**dverse media climate** surrounding the structured transactions named "Alexandria", "Santorini" and "Nota Italia" and judicial investigations in connection with the acquisition of Banca Antonveneta which, albeit improving as compared to the end of January, continued to have an influence on the Group's operations in the second quarter.

Against this backdrop, the Management firmly continued to pursue Business Plan targets, thereby achieving, in the second quarter, **growth/consolidation of market share** in all key business segments**, an increase in Direct funding and improvement in the Group's liquidity profile**, with the knock-on effect of sharply increasing Counterbalancing Capacity, which went from EUR 14 bn at the end of March to EUR 21 bn as at 30/06/2013. At the same time, **a sound capital adequacy profile** was maintained with stronger capital ratios as compared to the end of 2012 due to the issue of New Financial Instruments (Monti Bonds) and the reduction in risk-weighted assets (RWAs).

From an income standpoint, the Group registered a **fall in revenues**, driven by net interest income which was affected by the higher cost of funding consequent to policies aimed at expanding direct funding and the reduction in interest-bearing assets. **Containment of operating costs** yielded significantly, having benefitted from the decisive actions taken to optimise spending and the initial effects from the agreements signed with the trade unions at the end of 2012, from which further important benefits are expected in the course of 2013. At the same time, **the cost of credit registered a decline** as a result of the ongoing difficult economic cycle which represents a factor of risk for the entire banking industry.

In particular:

- **total funding** volumes for the Group amounted to approximately **EUR 242 bn,** down 1.8% on the end of March 2013, as a combined result of an upturn in **direct funding** (+1.3%) and downturn in **indirect funding** (-5.5%). As compared to 30 June 2012, total funding witnessed a reduction by 7.6%.
- Group **loans to customers** amounted to **EUR 138 bn**, down 1.7% on the previous quarter and 4.4% on the same period of 2012, as a result of the lower demand for loans due to the recessive economic cylce and a selective credit-granting policy adopted by the Group.
- with respect to loan quality, **non-performing loan coverage was 41.1%**, above the level recorded at the end of 2012 (+70 bps as compared to 31/03/2013), partly on the back of provisioning adjustments to a cluster of doubtful loans, leading to an increase in coverage from 57.9% to 58.1% (+20 bps from 31/03/2013). Substandard loan coverage was slightly down to 20.4% (-50 bps from 31/03/2013).
- With regard to capital ratios, as at 30/06/2013 the **Tier 1 Ratio was at 11.7%** (9.5% as at 31 December 2012) and the **Total Capital Ratio at 16.4%** (13.7% as at 31 December 2012).

- **Net income from banking and insurance** was in the region of **EUR 2,189 mln**, down 13.2% on 1Q 2013 (- EUR 155 mln approximately), and down 22.1% on the same period of last year (-16.2% on a like-for-like basis). **Net interest income** amounted to approx. **EUR 1,084 mln**, down 35.2% (-26.8% on a like-for-like basis) on the same period of the previous year (partly owing to the recognition of interest on NFIs), with Q2 2013 contributing approximately EUR 486 mln, down 18.5% on Q1 2013. **Net fees and commissions** totalled approx. **EUR 849 mln**, up 1.4% on the previous year, driven by an increase in revenues from asset management which more than offset the fall in revenues from lending, with Q2 2013 contributing ca. EUR 417 mln, down 3.3% from the previous quarter.
- The ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a **provisioning rate** of **149 bps**, as against 138 bps in Q1 2013 and 188 bps in 2012.
- **Operating expenses** for the half-year period totalled approximately **EUR1,467 mln**, down 10.5% on the same period of last year (-3.3% as compared to Q1 2013). **Net provisions for risks and charges and other operating expenses/income,** totalled approximately EUR 14.6 mln, up by approx. EUR 3 mln on the previous quarter.
- the consolidated net result before Purchase Price Allocation (PPA) posts a loss of EUR 358.5 mln (vs. a profit of EUR 50 mln in June 2012 and a loss of EUR 92.3 mln as at 31 March 2013). **Considering the effects of PPA, impairments and depreciations, the Group's loss for the period totalled EUR 380 mln** (vs. -EUR 1,552 mln in June 2012 and - EUR 100.7 mln in March 2013).

Implementation of the 2012-2015 Business Plan

In view of the challenging context for both the market and the Group, the management has significantly stepped up the execution of the Business Plan, especially in the areas of cost management, Branch Network structure and overall efficiency. In particular:

- **Capital and governance** - Disposal of Biverbanca and merger by absorption of Banca Antonveneta (effective as of 29/04/2013) and Mps Gestione Crediti Banca (effective as of 13/05/2013) completed; plan to rationalise the equity investments portfolio stepped up; OAACA Project (outsourcing of administrative, accounting and complementary activities): negotiations with the counterparties continue. Risk Management: activities launched for the development of the ALM measurement model (methodologies, systems and actions to boost net interest income).
- **Liquidity** – Structural strengthening of liquidity confirmed, with improvement of counterbalancing capacity and reduction of L/D Ratio.
- **Credit** – Operational functioning of the entire credit supply chain revised (in particular, decision-making powers, portfolio management, Credit Risk Mitigation). New methodology initiated for the allocation and monitoring of the lending budget.
- **Sales & distribution** - New breakdown of the bank's Regional Areas and Local Market Units defined. 360 branches closed since the start of the Plan and closure of the remaining 40 scheduled for September. New sales & distribution governance model for both central and network units defined and new rules and criteria (planning and local marketing) introduced to improve its effectiveness. New internet banking model, the on-line trading system and mobile banking applications consolidated. New acquiring and issuing platforms launched (migration of all retailers carried out). New pricing models and strategies defined. Process underway for the redesigning of advisory services (Advice).
- **Operational excellence** - Organisational models re-defined for Head Office Units, the Network, administrative services and information technology. Paperless processes put in place and Laboratory launched for the "dematerialisation" of accounting statements in the branches. More efficient mechanisms introduced for the management of costs, saving initiatives, internal services and the execution of strategic projects. A single corporate process model integrated with the risk and control system is currently being developed.
- **Human capital** - Scheme to reduce the number of executives in the workforce and related salary levels continued. The plan to release approximately 1,660 resources with the activation of the banking industry's solidarity fund is almost completed. New talent and performance management model launched. Structural and one-off actions implemented for the reduction of labour cost in compliance with Business Plan forecasts (which include the per capita 4-6 day work suspension per year for the period 2013-2015).

Prospects and outlook on operations

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

- the domestic economy, weighted down by the drop in domestic demand and anti-cyclical effects from public finance stabilisation reforms
- financial market tensions.

The Restructuring Plan approved by the BoD on 13 June 2013, as announced on 18 June 2013, is currently being examined by the European Commission as required by the procedure to ensure compatibility of public financial support with the European framework for State Aid.

As compared to the Business Plan approved on 26 June 2012, the Restructuring Plan reflects a more fragile macroeconomic scenario as a result of the persisting economic crisis in Europe, with negative repercussions on revenue generation and loan loss provisions, despite actions already undertaken by management (particularly in terms of cost containment and credit risk reduction). Additional actions are planned regarding cost containment, asset disposal and branch-number reduction, as well as reinforcement of already announced capital management initiatives.

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

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/13

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	30/06/13	30/06/12 (*)	% chg
Income from banking activities	1,932.1	2,507.9	-23.0%
Income from banking and insurance activities	2,189.4	2,810.5	-22.1%
Net operating income	(328.8)	216.0	n.s.
Parent company's net profit (loss) for the period	(380.0)	(1,551.5)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**30/06/13**	**31/12/12**	**% chg**
Direct funding	137,078	135,670	1.0%
Indirect funding	-	114,176	-100.0%
of which: assets under management	-	*44,540*	*-100.0%*
of which: assets under custody	-	*69,636*	*-100.0%*
Loans to customers	138,082	142,015	-2.8%
Group net equity	6,631	6,396	3.7%
KEY CREDIT QUALITY RATIOS (%)	**30/06/13**	**31/12/12**	**Abs. chg**
Net doubtful loans/Loans to Customers	5.8	5.1	0.6
Net substandard loans/Loans to Customers	5.0	4.2	0.8
PROFITABILITY RATIOS (%)	**30/06/13**	**31/12/12**	**Abs. chg**
Cost/Income ratio (**)	67.0	65.9	1.08
Net loan loss provisions / End-of-period loans	1.49	1.88	(0.39)
CAPITAL RATIOS (%) (***)	**30/06/13**	**31/12/12**	**Abs. chg**
Solvency ratio	16.4	13.7	2.7
Tier 1 ratio	11.7	9.5	2.2
INFORMATION ON BMPS STOCK	**30/06/13**	**31/12/12**	
Number of ordinary shares outstanding	11,681,539,706	11,681,539,706	
Price per ordinary share:	**from 31/12/12 to 30/06/13**	**from 31/12/11 to 31/12/12**	**% chg**
average	0.22	0.25	-12.0%
low	0.17	0.16	6.3%
high	0.30	0.42	-28.6%
OPERATING STRUCTURE	**30/06/13**	**31/12/12**	**Abs. chg**
Total head count - end of period (****)	28,473	30,303	(1,830)
Number of branches in Italy	2,392	2,671	(279)
Financial advisory branches	131	138	(7)
Number of branches & representative offices abroad	39	39	-

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.

(**) The figure as at 31/12/2012 is the one published in the Interim Report on Operations which takes into account the application of IAS 19 "Employee benefits".

(***) Figures as at 31/12/2012, already published in the Interim Report on Operations as at 31/03/2013 and takes account of the retrospective change to Tier 1 (reduction by EUR 76 mln) required by the Supervisory Authority on 7 May 2013.

(****) 2012 figures have been restated following extension of the operational monitoring scope to the companies MPS Tenimenti and Magazzini Generali Fiduciari di Mantova.

Key economic-financial indicators

Reclassified accounts

Income Statement and balance sheet reclassification principles

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

Following are the reclassifications made to the consolidated profit and loss account as at 30 June 2013:

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) on financial assets and liabilities designated at fair value". The item incorporates dividends earned on securities held in the Group's securities portfolio (approx. EUR 9.6 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" (approx. EUR 62 mln, corresponding to the share of profit and loss for the period contributed by investments in associates -AXA, Intermonte Sim and Asset Management Holding- consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

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

d) The income statement item "**Personnel expenses**" was reduced by approx. EUR 18 mln in restructuring charges referring to revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012. The amount was reclassified under "Reorganisation costs/One-off charges".

e) **"Other administrative expenses**" in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 132.5 mln) posted under item 220 "Other operating expenses (income)".

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

g) The income statement item "**Restructuring costs/One-off charges**" includes one-off charges for approx. EUR 18 mln associated with revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012 and reclassified out of Personnel expenses (see item d).

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

i) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular **"Interest income"** for approx. EUR 18.3 mln and **Depreciation/amortisation** for approx. EUR 13.8 mln, net of a theoretical tax burden of approx. - EUR 10.6 mln which integrates the item).

With regard to the **Income Statement,** figures for 2012 are those published in the Report on Operations as at 31/03/2013 and also take account of the following aspects:

- Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) with retrospective correction of errors in the accounting representation:
  - of transactions "Alexandria", "Santorini" and "Nota Italia", which impacted the following reclassified items: Net interest income; Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities;
  - as a result of audits conducted on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel, which had an impact on the following reclassifed items: Personnel expenses, Net provisions for risks and charges and Other operating income (expense)

- Restatement of prior period accounts in compliance with IAS 19 "Employee benefits";
- Figures of all quarters of 2012 were restated in compliance with IAS 19 "Employee benefits" only, with effects on the reclassified P&L item "Personnel expenses".

By decree of 8 February 2013, the Ministry of Economy and Finance determined the dissolution of Banca Popolare di Spoleto's management and control bodies, with significant influence over the company thus ceasing to exist; as at 31/03/2013, the investment was classified as Available For Sale. Considering that this element of discontinuity does not cause any significant misinterpretations of the Group's data, prior periods were not restated; the effect was indicated in the Notes to the Financial Statements, when necessary.

Reported below are the major reclassifications made to the consolidated **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 "Changes in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets and groups of assets held for sale and discontinued operations" and item 160 "Other assets";

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 "Changes in value of macro-hedged financial liabilities", item 80 "Tax liabilities", item 90 "Liabilities associated with groups of assets held for sale and discontinued operations" and item 100 "Other liabilities".

With regard to the reclassified **Balance sheet**, figures for 2012 are those published in the Consolidated Report on Operations as at 31/03/2013 and take account of the effects from the retrospective correction of errors in the Parent Company's accounting representation of transactions "Alexandria", "Santorini" and "Nota Italia", as well as of errors revealed by audits conducted by the Parent Company on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel. The above had an impact on the following reclassified items: Loans to customers/Deposits from customers, Other Assets/Liabilities, Deposits from banks, Financial liabilities held for trading.

Figures of all quarters of 2012 were also restated in compliance with IAS 19 "Employee benefits" only, with effects on the following reclassified balance-sheet aggregates: Other assets/Other liabilities, Provision for staff severance pay, Pension funds, Group net equity.

As previously described, Banca Popolare di Spoleto was classified as Available for Sale as at 31/03/2013. Considering that this element of discontinuity does not cause any significant misinterpretations of the Group's accounts, prior periods were not restated; the effect was indicated in the notes, when necessary.

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The reconciliation between the reclassified statements and the financial statements is enclosed in the "Annexes" section.

Reclassified income statement (EUR mln)

Montepaschi Group	30/06/13	30/06/12 (*)	Change Abs.	Change %
Net interest income	1.083,5	1.671,1	(587,6)	-35,2%
Net fee and commission income	848,6	836,9	11,7	1,4%
Income from banking activities	**1.932,1**	**2.507,9**	**(575,9)**	**-23,0%**
Dividends, similar income and gains (losses) on investments	65,8	39,1	26,7	68,4%
Net profit (loss) from trading	196,3	258,4	(62,1)	-24,0%
Net profit (loss) from hedging	(4,9)	5,1	(9,9)	n.s.
Income from banking and insurance activities	**2.189,4**	**2.810,5**	**(621,1)**	**-22,1%**
Net impairment losses (reversals) on:	**(1.051,1)**	**(954,6)**	**(96,4)**	**10,1%**
a) loans	(1.029,0)	(839,0)	(190,0)	22,7%
b) financial assets	(22,0)	(115,6)	93,6	-80,9%
Net income from financial and insurance activities	**1.138,3**	**1.855,8**	**(717,6)**	**-38,7%**
Administrative expenses:	(1.393,7)	(1.548,7)	155,1	-10,0%
a) personnel expenses	(908,8)	(1.030,2)	121,4	-11,8%
b) other administrative expenses	(484,9)	(518,6)	33,7	-6,5%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(73,4)	(91,1)	17,6	-19,4%
Operating expenses	**(1.467,1)**	**(1.639,8)**	**172,7**	**-10,5%**
Net operating income	**(328,8)**	**216,0**	**(544,9)**	**n.s.**
Net provisions for risks and charges and other operating expenses/income	14,6	(94,4)	108,9	n.s.
Gains (losses) on investments	(30,8)	(1,8)	(29,0)	n.s.
Restructuring charges / One-off charges	(17,6)	(21,1)	3,5	n.s.
Gains (losses) on disposal of investments	(1,7)	0,8	(2,5)	n.s.
Profit (loss) before tax from continuing operations	**(364,4)**	**99,6**	**(464,0)**	**n.s.**
Tax expense (recovery) on income from continuing operations	6,0	(55,4)	61,4	n.s.
Profit (loss) after tax from continuing operations	**(358,4)**	**44,2**	**(402,6)**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	10,7	(10,7)	n.s.
Net profit (loss) for the period including non-controlling interests	**(358,4)**	**54,8**	**(413,2)**	**n.s.**
Net profit (loss) attributable to non-controlling interests	(0,1)	(4,4)	4,3	n.s.
Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding	**(358,5)**	**50,5**	**(408,9)**	**n.s.**
PPA (Purchase Price Allocation)	(21,5)	(27,6)	6,1	-22,2%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-	(1.574,3)	1.574,3	n.s.
Parent company's net profit (loss) for the period	**(380,0)**	**(1.551,5)**	**1.171,5**	**n.s.**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.

Quarterly trend in reclassified income statement (EUR mln)

Montepaschi Group	2013 2Q	2013 1Q	2012 (*) 4Q	2012 (*) 3Q	2012 (*) 2Q	2012 (*) 1Q	31/12/12
Net interest income	486,5	597,0	434,5	724,1	788,5	882,6	2.829,6
Net fee and commission income	417,3	431,3	382,9	413,1	412,6	424,3	1.632,8
Income from banking activities	**903,7**	**1.028,3**	**817,4**	**1.137,1**	**1.201,0**	**1.306,9**	**4.462,4**
Dividends, similar income and gains (losses) on investments	38,6	27,2	18,5	17,5	28,5	10,6	75,1
Net profit (loss) from trading	75,5	120,8	(59,2)	255,1	76,5	182,0	454,3
Net profit (loss) from hedging	(0,9)	(4,0)	1,6	(3,6)	1,9	3,2	3,1
Income from banking and insurance activities	**1.017,0**	**1.172,3**	**778,3**	**1.406,2**	**1.307,8**	**1.502,7**	**4.994,9**
Net impairment losses (reversals) on:	(556,6)	(494,5)	(1.464,8)	(474,8)	(518,8)	(435,8)	-2.894,2
a) loans	(544,8)	(484,2)	(1.371,6)	(461,0)	(408,7)	(430,3)	-2.671,6
b) financial assets	(11,7)	(10,3)	(93,2)	(13,8)	(110,1)	(5,5)	-222,6
Net income from financial and insurance activities	**460,4**	**677,8**	**(686,5)**	**931,4**	**789,0**	**1.066,8**	**2.100,7**
Administrative expenses:	(686,3)	(707,3)	(772,9)	(772,6)	(780,7)	(768,0)	-3.094,2
a) personnel expenses	(439,2)	(469,6)	(470,6)	(485,8)	(525,7)	(504,5)	-1.986,5
b) other administrative expenses	(247,1)	(237,8)	(302,3)	(286,8)	(255,0)	(263,5)	-1.107,7
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(35,1)	(38,3)	(59,2)	(48,5)	(45,7)	(45,4)	-198,8
Operating expenses	**(721,4)**	**(745,7)**	**(832,0)**	**(821,1)**	**(826,4)**	**(813,4)**	**-3.293,0**
Net operating income	**(261,0)**	**(67,9)**	**(1.518,5)**	**110,3**	**(37,4)**	**253,4**	**-1.192,2**
Net provisions for risks and charges and other operating expenses/income	8,8	5,8	(184,7)	(47,1)	(66,0)	(28,3)	-326,2
Gains (losses) on investments	(32,2)	1,4	(57,8)	1,5	(5,8)	4,0	-58,1
Restructuring charges / One off charges	(17,6)	-	(278,2)	(11,7)	(20,0)	(1,1)	-311,0
Gains (losses) on disposal of investments	(1,9)	0,2	0,1	6,4	0,6	0,3	7,3
Profit (loss) before tax from continuing operations	**(303,9)**	**(60,5)**	**(2.039,2)**	**59,4**	**(128,7)**	**228,3**	**-1.880,3**
Tax expense (recovery) on income from continuing operations	37,7	(31,7)	516,5	(76,9)	71,8	(127,2)	384,2
Profit (loss) after tax from continuing operations	**(266,2)**	**(92,2)**	**(1.522,7)**	**(17,5)**	**(56,9)**	**101,1**	**-1.496,0**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	(3,0)	3,2	6,6	4,0	10,8
Net profit (loss) for the period including non-controlling interests	**(266,2)**	**(92,2)**	**(1.525,7)**	**(14,3)**	**(50,2)**	**105,1**	**-1.485,2**
Net profit (loss) attributable to non-controlling interests	(0,0)	(0,0)	27,0	(1,1)	(2,7)	(1,7)	21,6
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(266,2)**	**(92,3)**	**(1.498,7)**	**(15,4)**	**(52,9)**	**103,4**	**-1.463,7**
PPA (Purchase Price Allocation)	(13,0)	(8,5)	(11,7)	(10,9)	(13,3)	(14,4)	-50,2
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-	-	(80,0)	-	(1.574,3)	-	-1.654,4
Parent company's net profit (loss) for the period	**(279,3)**	**(100,7)**	**(1.590,5)**	**(26,3)**	**(1.640,5)**	**89,0**	**-3.168,3**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, 2012 figures were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.

Reclassified balance sheet (EUR mln)

ASSETS	30/06/13	31/12/12	30/06/12	Chg. Y/Y	
				abs.	%
Cash and cash equivalents	684	2.433	678	6	0,9%
Receivables :				-	
a) Loans to customers	138.082	142.015	144.462	(6.380)	-4,4%
b) Loans to banks	12.240	11.225	17.130	(4.890)	-28,5%
Financial assets held for trading	50.702	49.163	51.565	(863)	-1,7%
Financial assets held to maturity	-	-	0,002	(0,002)	n.s.
Equity investments	971	1.040	931	39	4,2%
Property, plant and equipment / Intangible assets	2.465	2.526	2.685	(220)	-8,2%
of which:				-	
a) goodwill	*670*	*670*	*670*	*(0)*	0,0%
Other assets	9.775	10.485	14.717	(4.942)	-33,6%
Total assets	**214.918**	**218.887**	**232.168**	**(17.250)**	**-7,4%**

LIABILITIES	30/06/13	31/12/12	30/06/12	Chg. Y/Y	
				abs.	%
Payables					
a) Deposits from customers and securities issued	137.078	135.670	132.673	4.405	3,3%
b) Deposits from banks	41.665	43.323	46.995	(5.330)	-11,3%
Financial liabilities held for trading	19.677	21.517	30.161	(10.484)	-34,8%
Provisions for specific use				-	
a) Provisions for staff severance indemnities	269	317	320	(51)	-16,0%
b) Pensions and other post retirement benefit obligations	48	48	40	8	18,9%
c) Other provisions	1.207	1.401	939	268	28,5%
Other liabilities	8.340	10.213	11.977	(3.637)	-30,4%
Group net equity	6.631	6.396	8.840	(2.209)	-25,0%
a) Valuation reserves	(1.714)	(2.285)	(3.359)	1.645	-49,0%
c) Equity instruments carried at equity	3	3	1.903	(1.900)	-99,8%
d) Reserves	1.263	4.131	4.133	(2.871)	-69,5%
e) Share premium	-	255	255	(255)	n.s.
f) Share capital	7.485	7.485	7.485	-	
g) Treasury shares (-)	(25)	(25)	(25)	0	-0,5%
h) Net profit (loss) for the year	(380)	(3.168)	(1.552)	1.172	-75,5%
Non-controlling interests	3	3	223	(220)	-98,7%
Total Liabilities and Shareholders' Equity	**214.918**	**218.887**	**232.168**	**(17.250)**	**-7,4%**

Reclassified balance sheet- Quarterly Trend (EUR mln)

ASSETS	30/06/13	31/03/13	31/12/12	30/09/12	30/06/12	31/03/12
Cash and cash equivalents	684	697	2,433	750	678	676
Receivables :						
a) Loans to customers	138,082	140,510	142,015	145,329	144,462	146,628
b) Loans to banks	12,240	13,676	11,225	12,371	17,130	14,877
Financial assets held for trading	50,702	47,732	49,163	47,704	51,565	52,341
Financial assets held to maturity	-	-	-	0	0	0
Equity investments	971	1,029	1,040	972	931	940
Property, plant and equipment / Intangible assets	2,465	2,496	2,526	2,662	2,685	4,369
of which:						
a) goodwill	*670*	*670*	*670*	*670*	*670*	*2,216*
Other assets	9,775	10,088	10,485	14,316	14,717	10,895
Total assets	**214,918**	**216,227**	**218,887**	**224,102**	**232,168**	**230,726**

LIABILITIES	30/06/13	31/03/13	31/12/12	30/09/12	30/06/12	31/03/12
Payables						
a) Deposits from customers and securities issued	137,078	135,311	135,670	135,570	132,673	137,604
b) Deposits from banks	41,665	42,677	43,323	41,327	46,995	45,173
Financial liabilities held for trading	19,677	20,914	21,517	24,301	30,161	26,399
Provisions for specific use	-	-	-	-	-	-
a) Provisions for staff severance indemnities	269	291	317	321	320	335
b) Pensions and other post retirement benefit obligations	48	40	48	39	40	193
c) Other provisions	1,207	1,124	1,401	961	939	1,000
Other liabilities	8,340	9,597	10,213	12,061	11,977	8,329
Group net equity	6,631	6,271	6,396	9,294	8,840	11,459
a) Valuation reserves	(1,714)	(2,309)	(2,285)	(2,880)	(3,359)	(2,441)
c) Equity instruments carried at equity	3	3	3	1,903	1,903	1,903
d) Reserves	1,263	962	4,131	4,133	4,133	1,083
e) Share premium	-	255	255	255	255	3,366
f) Share capital	7,485	7,485	7,485	7,485	7,485	7,485
g) Treasury shares (-)	(25)	(25)	(25)	(25)	(25)	(25)
h) Net profit (loss) for the period	(380)	(101)	(3,168)	(1,578)	(1,552)	89
Non-controlling interests	3	3	3	230	223	234
Total Liabilities and Shareholders' Equity	**214,918**	**216,227**	**218,887**	**224,102**	**232,168**	**230,726**

Balance Sheet

Direct funding

As at 30 June 2013, **total funding** volumes for the Group amounted to approximately **EUR 242 bn**, down 1.8% on the end of March 2013, as a combined result of an upturn in direct funding (+1.3%) and downturn in indirect funding (-5.5%). As compared to 30 June 2012, total funding witnessed a reduction by 7.6%.

Background
On the whole, the signs of weakness in direct funding were confirmed; a good performance for deposits offset the sharp drop in bonds.
In June, the average return on bank funding dipped slightly (1.96% vs. 2.08% in June 2012) while bond yields remained stable.
As for asset management, mutual funds and individual managed accounts are consolidating the growth in net inflows which began 5 months ago.
New life bancassurance fell by 3.3% YoY in the first quarter. Unit-linked policies and Pension Funds increased while all other categories registered a decline, including traditional policies, which continue to rank first in terms of customer satisfaction and are targeted at corporate customers.

Customer funding (EUR mln)	30/06/13	31/03/13	31/12/12	(*) 30/06/12	Chg % vs 31/03/13	Chg % vs 30/06/12
Direct funding	**137.078**	**135.311**	**135.670**	**132.673**	**1,3%**	**3,3%**
Indirect funding	**104.434**	**110.515**	**114.176**	**128.738**	**-5,5%**	**-18,9%**
assets under management	*42.828*	*43.820*	*44.540*	*44.286*	*-2,3%*	*-3,3%*
assets under custody	*61.606*	*66.695*	*69.636*	*84.452*	*-7,6%*	*-27,1%*
Total funding	**241.512**	**245.826**	**249.846**	**261.411**	**-1,8%**	**-7,6%**

*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).

More specifically:

- **Direct funding** for the Group, totalling approximately **EUR 137 bn**, increased by 1.3% as compared to 31/03/2013 and 3.3% with respect to June 2012, with market share growing to 7.2% (as at May 2013, latest data available), up 30 bps compared to end 2012. In Q2 2013, the aggregate benefitted from a strong growth in **current accounts** (+8.8% on 31/03/13) and **time deposits** (+5.3%), primarily driven by the product "Conto Italiano di Deposito", while a downtrend was registered in **bonds** (-4.5%). A downturn was also recorded in sale & repurchase agreements (-9.8%), almost entirely representing a form of guaranteed funding on the institutional market. "Other forms of direct funding" includes approx. EUR 4 bn in New Financial Instruments (NFIs) issued in favour of the Ministry of Economy and Finance[1].

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

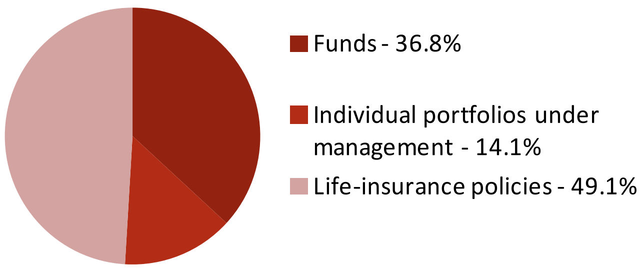
[1] On 28 February 2013, Banca Monte dei Paschi di Siena S.p.A. completed the issuance of New Financial Instruments provided for by articles 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended (the "New Financial Instruments"). In particular, the Ministry of Economy and Finance subscribed to New Financial Instruments issued by the Bank for a total of EUR 4.071 bn, of which EUR 1.9 bn allocated to the full repayment of the Tremonti Bonds already issued by the Bank in 2009 (and included, as of end December 2012, in "Other forms of direct funding") and EUR 0.171 bn, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 December 2012, in consideration of the Bank's negative results as at 31 December 2012. From a Capital Adequacy standpoint, although included in Direct Funding, NFIs qualify as Core Tier 1, by reason of their subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions.

Direct funding (EUR mln)								
				(*)	Change Q/Q		Change Y/Y	
Type of transaction	30/06/13	31/03/13	31/12/12	30/06/12	Abs.	%	Abs.	%
Current accounts	57,536	52,892	56,006	56,928	4,644	8.8%	607	1.1%
Time deposits	8,766	8,324	5,802	3,743	442	5.3%	5,023	134.2%
Reverse repurchase agreements	14,868	16,482	13,839	8,877	(1,614)	-9.8%	5,991	67.5%
Bonds	45,958	48,113	52,115	57,096	(2,155)	-4.5%	(11,138)	-19.5%
Other types of direct funding (**)	9,950	9,501	7,908	6,027	449	4.7%	3,922	65.1%
Total	**137,078**	**135,311**	**135,670**	**132,673**	**1,767**	**1.3%**	**4,405**	**3.3%**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).
(**) 31/12/12 includes 1.9 bn in Tremonti Bonds As of 31/03/13 (inclusive), 4.071 bn in NFIs is posted.

- As at 30/06/2013, **indirect funding** for the Group, totalling **EUR 104 bn**, was down 5.5% from 31/03/2013 and 18.9% as compared to 30/06/2012.

Assets Under Management breakdown



- More specifically:
  - **Asset management** closed the six-month period with volumes totalling approximately **EUR 43 bn**, down 2.3% on the end of March 2013 and 3.3% on 30/06/2012, mainly on account of net AM outflows in connection with the adverse media climate surrounding the highly publicised judicial cases involving the Group.

    A breakdown of the aggregate shows:
    - **an insurance component** of approx. **EUR 21 bn** (-3.5% compared to the previous quarter; -7,1% from 30/06/2012), benefitting from insurance premiums collected in the period for an amount of approximately EUR 2.5 bn, driven by Unit-Linked products;
    - **Mutual investment funds and open-end collective investment schemes (Sicavs)**, amounting to approximately EUR 16 bn, broadly in line with previous quarter levels (-0.4%) and up 2.2% on June 2012;
    - **Wealth Management**, with funds totalling approximately EUR 6 bn (-2.5% from 31/03/13; -3% from 30/06/12).
  - **Assets under custody**, amounting to EUR 62 bn, registered a fall of 7.6% compared to 31/03/2013 (-27.1% on the same period of last year) owing principally to movements in shares under custody by some of the Group's Key Clients with impact, however, not being significant.

Loans to customers

At the end of June 2013, Group **loans to customers** amounted to approx. **EUR 138 bn, down 1.7% on the previous quarter and 4.4% on the same period of 2012.** This result is to be seen in correlation with both the decline in demand for loans as a result of the recessive economic cycle, which has particularly penalised current accounts and loans, and particularly selective credit-granting policies adopted by the Group. The Group's market share of total loans was confirmed to be at approximately 7.3% (as at May 2013, latest data available).

Background

Bank loans to businesses and households, though remaining well above the total amount of customer deposits, continued to downtrend. The causes can be identified in plummeting investments and the collapse of real estate sales as well as a more attentive focus on credit risk by banks.

Doubtful loans continued to rise within a negative macroeconomic scenario which sees longer delays in payments among companies; in May doubtful loans totalled EUR 135 bn (+ 18.3% y/y) with the "net doubtful loans over total loans ratio" standing at 3.6% vs. 2.71% in the same month of 2012, the highest figure since April 2011.

The weighted average interest rate on total loans to households and non-financial businesses stood at 3.75% in June (-4 bps since year-end) continuing on its downward trend.

Loans to customers (EUR mln)

Type of transaction	30/06/13	31/03/13	31/12/12	(*) 30/06/12	Chg vs 31/03/2013 Abs.	Chg vs 31/03/2013 %	Chg vs 31/12/2012 Abs.	Chg vs 31/12/2012 %
Current accounts	12,028	12,626	13,099	13,570	(598)	-4.7%	(1,071)	-8.2%
Mortgages	69,231	70,515	72,329	76,756	(1,284)	-1.8%	(3,098)	-4.3%
Other forms of lending	31,807	34,262	34,770	34,596	(2,454)	-7.2%	(2,963)	-8.5%
Repurchase agreements	3,835	2,246	2,199	508	1,589	70.8%	1,635	74.4%
Securities lending	2,142	2,182	2,221	3,016	(40)	-1.8%	(79)	-3.6%
Non performing loans	19,039	18,681	17,397	16,016	358	1.9%	1,643	9.4%
Total	**138,082**	**140,510**	**142,015**	**144,462**	**(2,428)**	**-1.7%**	**(3,933)**	**-2.8%**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).

As for special-purpose loans, EUR 386 mln worth of new loans were granted by MPS Capital Services in the first six months of 2013, down 42.1% on the previous year, with Q2 contributing approximately EUR 265 mln.

Revenues from leasing contracts totalled approximately EUR 291 mln as at 30 June 2013 (-40.4% YoY), with Q2 contributing ca. EUR 156 mln, up 15.4% on Q1 2013. Factoring turnover totalled approximately EUR 3.2 bn, down by 23.9% on the previous year (EUR 1.6 bn contributed to in Q2 2013; -2.3% Q/Q).

In consumer credit, Consum.it, loan disbursements in the first half of 2013 totalled approximately EUR 976 mln (-19.1% YoY), with Q2 contributing approximately EUR 423 mln, down 23.5% as compared to the previous quarter, owing to the downturn in personal loans.

Special purpose loans and corporate finance (EUR mln)		**30/06/13**	**2Q2013**	**1Q2013**	**30/06/12 (*)**	**Chg 2Q2013 vs 1Q2013 Abs.**	**Chg 2Q2013 vs 1Q2013 %**	**Chg Y/Y Abs.**	**Chg Y/Y %**
MPS Capital Services (disbursements)		385.9	265.3	120.6	666.4	144.7	120.0%	-280.5	-42.1%
MPS Leasing & Factoring		3,488.3	1,736.1	1,752.2	4,689.0	-16.1	-0.9%	-1,200.7	-25.6%
incl.:	*leases negotiated*	*290.8*	*155.8*	*135.0*	*488.2*	*20.8*	*15.4%*	*-197.4*	*-40.4%*
	factoring turnover	*3,197.4*	*1,580.3*	*1,617.1*	*4,200.8*	*-36.9*	*-2.3%*	*-1,003.3*	*-23.9%*
Consumit (disbursements)		975.5	422.9	552.6	1,206.5	-129.7	-23.5%	-231.0	-19.1%

(*) Amounts shown are net of operating flows channeled through Biverbanca (sold on 28/12/12)

Non-performing loans

As at the end of June 2013, the Group's net exposure to non-performing loans totalled approx. **EUR 19 bn**, accounting for 13.8% of total Loans to Customers.

During the second quarter, volumes for this aggregate increased by EUR 358 mln, **showing a slowdown** on the EUR 1,284 mln increase of Q1 2013. In particular, an increase was registered in doubtful loans (+ EUR 331 mln vs. + EUR 357 mln in Q1 2013) and substandard loans (+ EUR 333 mln vs + EUR 576 mln in Q1 2013), partly offset by a reduction in past-due exposures (- EUR 254 mln which, instead, had shown an increase by EUR +376 mln in the previous quarter). A slight decrease was also noticed in restructured loans (- EUR 52 mln, vs. - EUR 25 mln in Q1 2013).

Loans to customers								
Risk category - Net book values	**30/06/13**	**31/03/13**	**31/12/12**	**30/06/12**	**weight %**	**weight %**	**weight %**	**weight %**
(EUR mln)				(*)	**30/06/13**	**31/03/13**	**31/12/12**	**30/06/12**
A) Non performing loans	**19,039**	**18,681**	**17,397**	**16,016**	**13.8**	**13.3**	**12.2**	**11.1**
a1) Doubtful loans	7,987	7,656	7,299	6,991	**5.8**	**5.4**	5.1	4.8
a2) Substandard loans	6,872	6,539	5,963	4,993	**5.0**	**4.7**	4.2	3.5
a3) Restructured	1,322	1,374	1,399	1,575	**1.0**	**1.0**	1.0	1.1
a4) Past due	2,859	3,112	2,737	2,457	**2.1**	**2.2**	1.9	1.7
B) Performing loans	**119,043**	**121,829**	**124,618**	**128,446**	**86.2**	**86.7**	**87.8**	**88.9**
Total customer loans	**138,082**	**140,510**	**142,015**	**144,462**	**100.0**	**100.0**	**100.0**	**100.0**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).

As at June 2013, **non-performing loan coverage was at 41.1%**, above the level recorded at the end of 2012 (+70 bps as compared to 31/03/2013), partly on the back of provisioning adjustments to a cluster of doubtful loans, leading to an increase in doubtful loan coverage from 57.9% to 58.1% (+20 bps as compared to 31/03/2013). Substandard loan coverage was slightly down to 20.4% (-50 bps as compared to 31/03/2013).

Provisioning ratios				
	30/06/13	31/03/13	31/12/12	30/06/2012 (*)
"provisions for NPLs " / "gross NPLs"	41,1%	40,4%	41,0%	39,2%
"provisions for substandard loans" / "gross substandard loans"	20,4%	20,9%	21,9%	21,6%
"provisions for doubtful loans" / "gross doubtful loans"	58,1%	57,9%	57,9%	55,2%

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).

The table below reports the figures for the Group's major companies, within which Parent Company BMPS shows a provisioning to doubtful loans ratio of approximately 61%, reflecting the more limited provisioning for medium-long term loans. generally backed by collaterals. This is particularly evident in MPS Capital Services, characterized mailny by the disbursement of mortgage loans, which showed lower levels of doubtful loan coverage (40.7%).

Npls and Net Substandard loans by business unit					
Risk category - Net values at 30/06/2013	**Group**	**BMPS**	**MPS Capital Services Banca per le Imprese**	**MPS Leasing & Factoring**	**Consum.it**
(EUR mln)					
Net doubtful loans	7,987	5,467	1,944	353	163
% of total customer loans	5.78%	4.13%	14.35%	5.08%	2.85%
"loan loss provisions" / "gross doubtful loans"	**58.1%**	**60.9%**	**40.7%**	**60.5%**	**80.2%**
Net sub standard loans	6,872	5,383	933	479	74
% of total customer loans	4.98%	4.06%	6.89%	6.89%	1.29%
"loan loss provisions" / "gross substandard loans"	**20.4%**	**21.0%**	**14.2%**	**19.6%**	**42.2%**

With regard to **gross performing loans,** coverage continued to stand at 0.58%, in line with the previous year.

As to the management of the doubtful loans portfolio, it should be noted that **debt collections** since the start of the year amounted to **approx. EUR 192 mln** (-22.7% y/y) of which EUR 104 mln in 2Q13 (+18.8% on 1Q13).

With a view to increasing coverage of high-risk ordinary loans and distressed loans, the Business Plan provides for their centralised management by the regional Areas in the aim of a more timely and direct tracking of these positions. Direct management of Distressed Credit Risk by specialists in the relevant Regional Areas, although not different from the way risk is managed by the Network, is geared towards a more specific and specialised tracking of positions which should result in more incisive risk management actions. Procedures for powers of approval are being reviewed in order to ensure greater control of overdrawn amounts in the aim to equate these approvals with the authorisation of new credit facilities and increase awareness and responsibility of all players involved in these activities.

The Group's securities and derivatives portfolio

As at 30 June 2013, the Group's securities and derivatives portfolio, amounting to ca. EUR 40.5 bn, was up by approx. EUR 2.5 bn on 31/03/2013. Trends in the second quarter are primarily to be seen in correlation with the temporary purchase of government bonds in the HFT portfolio of the subsidiary, MPS Capital Services, in its capacity as primary dealer in government securities. These purchases, made upon settlement of the end-of-June auctions, were almost entirely placed back on the market as early as in the first part of July. The securities portfolio benefitted from the increase in value of fair-valued securities brought about by narrower Italian spreads which impacted primarily on the portfolio of Government Bonds classified as AFS, while the downturn in the L&R segment was primarily attributable to securities reaching natural maturity.

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

MONTEPASCHI GROUP	**30/06/13**	**31/03/13**	**31/12/12**	**30/06/12**	**Chg Q/Q**		**Chg Y/Y**	
Type of portfolio				(*)	**Abs.**	**%**	**Abs.**	**%**
Held For Trading (HFT) [1]	11.487	9.344	9.568	9.740	2.144	22,9%	1.747	17,9%
Available For Sale (AFS) [2]	26.159	25.566	25.649	22.293	593	2,3%	3.865	17,3%
Loans & Receivable (L&R) [3]	2.861	3.085	3.216	4.301	(224)	-7,3%	(1.439)	-33,5%
Total	**40.507**	**37.995**	**38.433**	**36.334**	**2.513**	**6,6%**	**4.173**	**11,5%**

(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".

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).

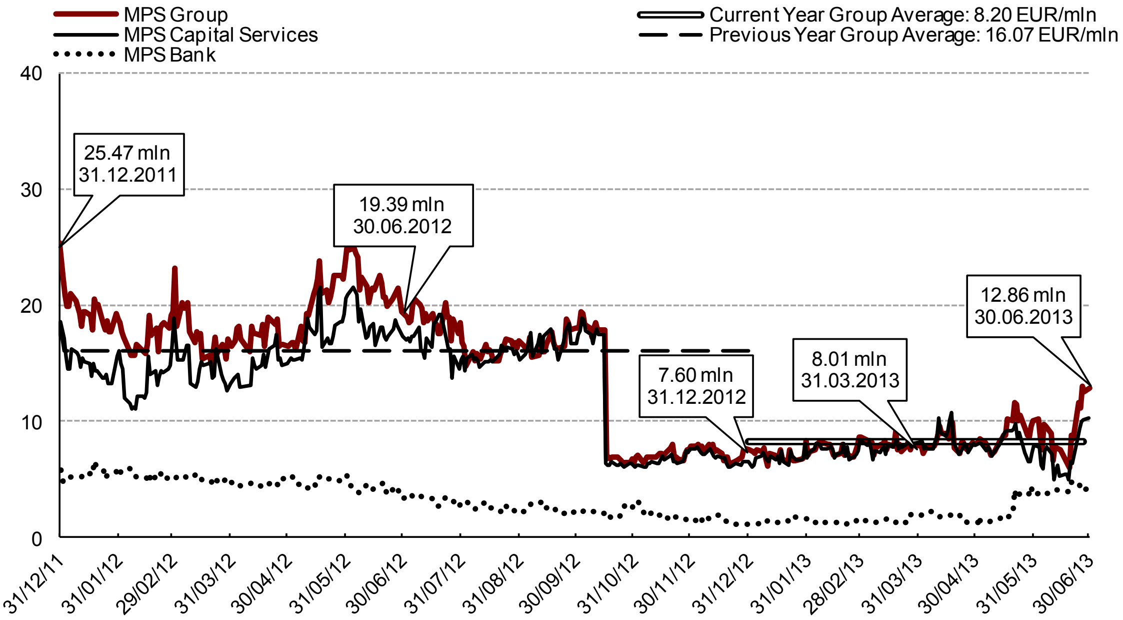
In the six-month period, portfolio optimisation activities continued through the disposal of capital gain-generating financial assets and the simultaneous repurchase of securities not hedged against rate risk. Moreover, as part of a more general strategy to reduce financial assets and related risks, activities continued with a view to reducing investments in corporate bonds, deleveraging the Hedge Fund portfolio and downsizing the portfolio invested in shares of components classified as AFS. The principles underlying the divestment process consisted in pursuing the disposal of illiquid, non-marketable assets with the ECB, whose marginal lending rate was higher than the expected coupon or dividend return.

The Group's Regulatory Trading Book

Market risk in the Group's Regulatory Trading Book showed an overall stable trend in Var during the first five months of the year. The volatility of risk measures in June, on the other hand, is linked to the trading activities of subsidiary MPS Capital Services, mainly in long futures and interest rate future options. VaR, totalling EUR 12.86 mln as at 30/06/2013, still remained well below the average level registered in the course of the previous year.

MPS Group: Trading Book

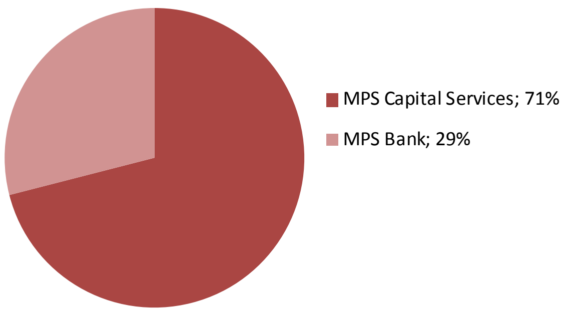
- VaR 99% 1 day in EUR/mln -



With regard to legal entities, the Group's market risks continue to be concentrated on MPS Capital Services and the Parent Company.

MPS Group: Trading Book

VaR by Bank as at 30/06/2013



MPS Capital Services accounted for 71% of overall risk, the Parent Company accounted for 29%.

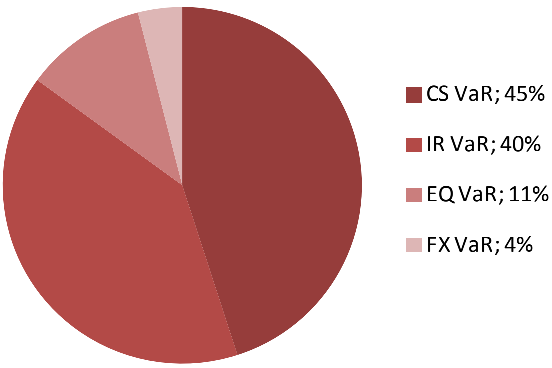
Market risk in MP Ireland's Regulatory Trading Book, was completely eliminated following early redemption in April 2013 of the only security held in the portfolio and closure of the associated derivative.

A breakdown of VaR by risk factor as at 30/06/2013 shows that the Group's portfolio was divided as follows; 45% allocated to Credit Spread risk factors (CS VaR), 40% absorbed by interest rate risk factors (IR VaR), 11% absorbed by equity risk factors (EQ VaR) and the remaining 4% came from foreign exchange risk (FX VaR).

During the half-year period, the Group's VaR ranged between a low of EUR 6.05 mln recorded on 19/06/2013 and a high of EUR 12.99 mln on 26/06/2013. On average, Group VaR was EUR 8.20 mln. The figure as at the end of June 2013 was EUR 12.86 mln.

MPS Group: Trading Book

VaR by Risk Factor as at 30/06/2013



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

	VaR	Date
End of Period	12.86	30/06/2013
Min	6.05	19/06/2013
Max	12.99	26/06/2013
Average	8.20	

Interbank position

As at 30 June 2013, the Group's net interbank position stood at EUR 30 bn in funding, largely stable on levels in March but down by approx. EUR 4 bn from the end of 2012. The figure is almost entirely due to ECB exposure, consisting of two three-year Longer Term Refinancing Operations (LTROs), totalling EUR 29 bn, while the net balance of other exposures amounted to EUR 1 bn.

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

	30/06/13	31/03/13	31/12/12	(**) 30/06/12	Change Q/Q Abs.	Change Q/Q %	Change Y/Y Abs.	Change Y/Y %
Loans to banks	12.988	14.386	11.935	18.205	(1.398)	-9,7%	(5.217)	-28,7%
Deposits from banks	42.932	43.876	45.725	48.741	(943)	-2,2%	(5.808)	-11,9%
Net position (*)	**(29.944)**	**(29.490)**	**(33.790)**	**(30.535)**	**(454)**	**1,5%**	**591**	**-1,9%**

(*) Loans to/deposits from banks include loans to/from banks included under Financial assets/liabilities held for trading.

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors).

At the end of June 2013, the operational liquidity position had an **unencumbered Counterbalancing Capacity** of approx. EUR 21 bn, against EUR 14 bn at the end of March 2013 and EUR 16.5 bn at the end of December 2012. The improvement is largely the result of lending/funding performance as well as a lower BTP-Bund spread.

Shareholders' equity

As at 30/06/2013, the Group's shareholders' equity and non-controlling interests came to around EUR 6.6 bn, up EUR 360 mln on the first quarter of 2013 and EUR 235 mln from the end of 2012. Changes in the quarter were largely affected by losses for the period (approx. - EUR 279 mln and) but benefitted from the increase in valuation reserves (approx. + EUR 600 mln) mainly owing to the tighter spread on the Italian Republic's creditworthiness.

Reclassified Balance Sheet (EUR mln)

ASSETS	30/06/13	31/03/13 (*)	31/12/12 (*)	Chg vs 31/03/2013 Abs.	Chg vs 31/03/2013 %	Chg vs 31/12/2012 Abs.	Chg vs 31/12/2012 %
Group net equity	6,631	6,271	6,396	360	5.7%	235	3.7%
a) Valuation reserves	(1,714)	(2,309)	(2,285)	594	-25.7%	570	-25.0%
c) Equity instruments carried at equity	3	3	3	-		-	
d) Reserves	1,263	962	4,131	300	31.2%	(2,868)	-69.4%
e) Share premium	-	255	255	(255)	-100.0%	(255)	-100.0%
f) Share capital	7,485	7,485	7,485	-		-	
g) Treasury shares (-)	(25)	(25)	(25)	-		-	
h) Net profit (loss) for the period	(380)	(101)	(3,168)	(279)	277.3%	2,788	-88.0%
Non-controlling interests	3	3	3	(0)	-2.0%	(0)	-0.2%
Total Liabilities and Shareholders' Equity	**6,634**	**6,274**	**6,399**	**360**	**5.7%**	**235**	**3.7%**

(*) Figures published in the Interim Report on Operations as at 31/03/2013.

Capital adequacy

Capital for regulatory purposes and capital ratios

Regulatory Capital was estimated on the basis of calculation metrics introduced by the Basel Accord (i.e. Advanced Internal Rating Based (IRB) and Advanced Measurement Approach (AMA) methodologies for legal entities and portfolios that are subject to validation). Comparative data as at 31December 2012 reported in this document was restated and differs from data published in the year-end Report on Operations because the Bank was requested by the Supervisory Authority on 7 May 2013 to implement a retrospective change to Tier 1, which reduced it by EUR 76 mln.

Background

Against a background of ongoing crisis, Italian banks continued with their corporate policies to contain costs, improve risk management and expand their capital base.

New Bank of Italy supervisory regulations were adopted regarding the internal control systems of banks, with the identification of a "tolerated risk" for each decision adopted, offer of new products, launch of new activities and entry into new markets.

At the end of June, Directive 36/2013/EU and Regulation 575/2013 transposing Basel 3 rules were published in the EU Official Gazette. They will come into force by 01/01/14.

The creation of a single EU banking supervisor is continuing at a rapid pace and in June the Eurogroup reached an agreement whereby ESM funds may be directly used to recapitalise banks under certain conditions, upon activation of single supervisory mechanisms, balance sheet assessments and asset quality review. Moreover, the European Economic and Financial Affairs Council (ECOFIN) has reached an agreement regarding the rules for the recovery and resolution of struggling banks, which will become fully operational in 2018.

Regulatory capital (EUR mln)

	30/06/13	31/12/2012	Chg %
Core Tier 1	9,665	8,237	17.3%
Tier 1 capital	10,270	8,841	16.2%
Tier 2 capital	4,117	4,446	-7.4%
Items to be deducted	-	564	n.s.
Total regulatory capital	14,387	12,724	13.1%
Risk Weighted Assets	87,804	92,828	-5.4%
Tier 1 Ratio	11.0%	8.9%	2.1%
Tier 1 Ratio	11.7%	9.5%	2.2%
Total Capital Ratio	16.4%	13.7%	2.7%

As at 30/06/2013 the Group's regulatory capital registered a notable increase as compared to December 2012, owing to both the increase in regulatory capital and reduction in risk-weighted assets (RWAs).

More specifically, the growth in Core Tier 1 by EUR 1,428 mln was primarily due to the issue of New Financial Instruments (Monti Bonds) which, net of Tremonti Bond repayment (EUR 1,900 mln), provided additional capital in the amount of EUR 2,171 mln. The following key factors, on the other hand, contributed to reducing Core Tier 1 capital: P&L loss for the period (- EUR 380 mln), higher deductions (-EUR 280 mln) relating to investments in insurance companies (held prior to 20/07/2006) following expiry of the transitional rule which allowed for their overall deduction from total Regulatory Capital (now 50% from Tier 1 and 50% from Tier 2) as well as the increase in prudential filters (- EUR 97 mln) mainly in relation to Deferred Tax Assets (DTAs) from multiple tax deduction of goodwill (Notice of 09/05/2013 by the Supervisory Authorities) and the fair value adjustments on Tier 1 securities. Deductions from the surplus of expected losses against value adjustments was largely stable (- EUR 23 mln).

The reduction in Tier 2 registered for the half-year period (- EUR 329 mln) was mainly due to the aforementioned increases in deductions on investments in insurance companies and, to a lesser degree, the decrease in valuation reserves (-EUR 25 mln) and changes in the surplus of expected losses against value adjustments (- EUR 23 mln).

As already indicated, the elements to be deducted from Tier 1 and Tier 2 were set to zero due to the loss of the transitional rule which allowed for their overall deduction from total Regulatory Capital.

Risk-weighted assets (RWAs) showed an overall reduction of - EUR 5 bn in the first half of the year; this was driven by a significant reduction in credit and counterparty risk (- EUR 3.4 bn in RWAs), market risk (- EUR 0.7 bn in RWAs) and a lower Basel 1 Floor (- EUR 2.4 bn in RWAs), which went from EUR 5.9 bn in December 2012 to EUR 3.5 bn as at 30/06/2013; on the other hand, RWAs linked to operational risk increased by EUR 1.4 bn owing to the impact of operational losses - linked to the events subjected to restatement of accounts - on AMA risk measurements.

Capital strengthening and EBA alignment processes

The exercise conducted by the EBA in the second half of 2011 (aimed at restoring confidence in the European banking sector following tensions in the sovereign bond markets), which concluded with the verification of data as at 30 June 2012, showed a residual capital shortfall for the Group of EUR 1,728 mln. In agreement with the Italian Supervisory Authority and Ministry of Economy and Finance, Banca Mps has identified, as a measure to plug the shortfall, recourse to "State-aid measures" (pursuant to Legislative Decree no. 87 "Urgent measures for increased efficiency, value creation and disposal of public assets and rationalisation of corporate assets of companies in the banking industry" of 27/06/2012), ie. government-backed financial instruments subscribed by the Ministry of Economy and Finance (MEF) and included in Common Equity Tier 1 capital.

On 28 February 2013, the issuance of New Financial Instruments was completed, as provided for by articles 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended. The Ministry of Economy and Finance (MEF) subscribed to New Financial Instruments issued by the bank for a total value of EUR 4,071 mln, of which EUR 1,900 mln allocated to the full repayment of the Tremonti Bonds already issued by the bank in 2009, and EUR 171 mln, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 December 2012, in consideration of the negative results for 2012. Authorisation of the transaction is conditional to submission to and approval by the European Commission of a Restructuring Plan, approved by the BoD on 13 June 2013 and submitted to the MEF on 17 June 2013.

The Restructuring Plan is currently being examined by the European Commission as required by the procedure to ensure compatibility of public financial support with the European framework for State Aid.

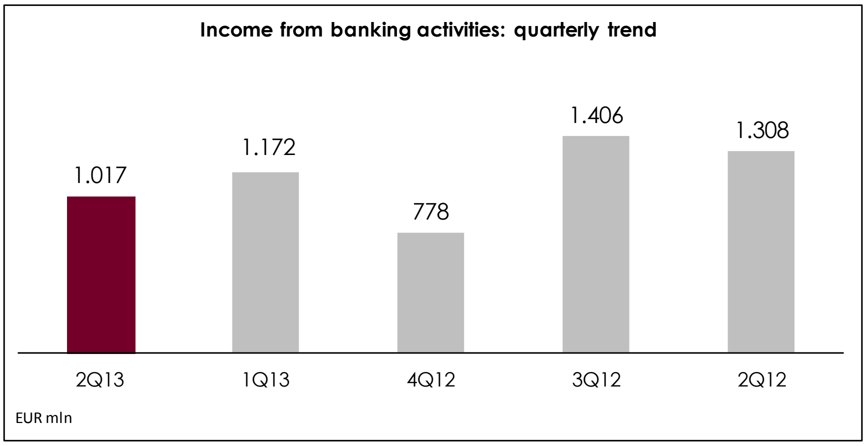
Income statement

Trends in operating income: net income from banking and insurance

As at 30 June 2013, the Group's **net income from banking and insurance** was in the region of EUR 2,189 mln, down 13.2% on 1Q 2013 (- EUR 155 mln approximately), and down 22.1% on the same period of last year.

Financial and insurance income (EUR mln)								
				(*)	Chg 2Q2013 vs 1Q2013		Chg Y/Y	
	30/06/13	2Q13	1Q13	30/06/12	Abs.	%	Abs.	%
Net interest income	1.083,5	486,5	597,0	1.671,1	(110,6)	-18,5%	(587,6)	-35,2%
Net fee and commission income	848,6	417,3	431,3	836,9	(14,0)	-3,3%	11,7	1,4%
Income from banking activities	**1.932,1**	**903,7**	**1.028,3**	**2.507,9**	**(124,6)**	**-12,1%**	**(575,9)**	**-23,0%**
Dividends, similar income and gains (losses) on equity investments	65,8	38,6	27,2	39,1	11,4	42,0%	26,7	68,4%
Net trading income (loss) / valuation of financial assets	196,3	75,5	120,8	258,4	(45,2)	-37,5%	(62,1)	-24,0%
net profit (loss) from hedging	(4,9)	(0,9)	(4,0)	5,1	3,1	-77,8%	(9,9)	n.s.
Financial and insurance income	**2.189,4**	**1.017,0**	**1.172,3**	**2.810,5**	**(155,3)**	**-13,2%**	**(621,1)**	**-22,1%**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.



A closer look at the aggregate reveals the following:

- **Net interest income** amounted to approx. **EUR 1,084 mln**, down 35.2% on the same period of the previous year (-26.8% on a like-for-like basis[2]), with Q2 2013 contributing approximately EUR 486 mln, down 18.5% on Q1 2013. Trends in the aggregate during the second quarter of 2013 are primarily to be viewed as a joint effect of (i) policies aimed at expanding direct funding in execution of the liquidity profile improvement programme and in response to the adverse media climate arising from the highly-publicised judicial cases involving the Group; (ii) reduction in interest-bearing loans in a still-recessive economic context; (iii) higher costs (ca. -EUR 30 mln) in connection with the issuance of New Financial Instruments on 28 February 2013[3]. These factors led to a reduction in interest rate spread, mainly due to the higher cost of funding and a shift towards more expensive

[2] For a correct analysis of changes in the aggregate with respect to the previous year, it is noted that some elements of discontinuity, partly relating to events of prior periods under accrual accounting, emerged in the 4th quarter of 2012, including: a) recognition of interest on Tremonti Bonds for the entire amount relating to 2012, b) elimination of the 'urgent facility' fee and revised methods for calculation of interest payable on overdrawn amounts, c) changes in criteria for consolidation of Banca Popolare di Spoleto following loss of "significant influence".

[3] It should be noted that the issuance of NFIs led to an increase in outstanding instruments subscribed by the Treasury, from EUR 1.9 bn to EUR 4.071 bn (as highlighted in the Paragraph "Direct funding") and an interest expense of approx. EUR 152 mln as at 30 June 2013, of which roughly EUR 60 mln as of 1 March 2013.

forms of funding, which was compounded by a "negative volume effect" owing to the contraction in lending and funding volumes with Customers;

- **Net fees and commissions** totalled approx. **EUR 849 mln**, up 1.4% on the previous year, driven by an increase in revenues from asset management (particularly distribution of third-party services and transaction order receipt and transmission), which more than offset the fall in revenues from lending due to lower volumes. The contribution of Q2 2013, totalling ca. EUR 417 mln, shows a moderate contraction as compared with the previous quarter (-3.3%) in correlation with above-cited loan fees, while other fee and commission income showed a substantially stable trend;
- **Net profit/loss from trading/valuation/repurchase of financial assets/liabilities** as at 30/06/2013 totalled approximately EUR 196 mln, a decline as compared to the same period of 2012 (-EUR 62 mln; -24%), with Q2 2013 contributing approx. EUR 76 mln (vs. EUR 121 mln in Q1 2013), and included:
  - **Net profit from trading** amounting to EUR 122 mln, up on the same period of last year (+11%), as a result of opportunities offered by the financial markets and in spite of Credit Value Adjustments against counterparty risk in the fair value of non-collateralised OTC derivatives (for a negative amount of approx. EUR 26.5 mln in the six-month period). The contribution of Q2 2013, totalling ca. EUR 59 mln, is substantially in line with Q1 2013 levels (approx. EUR 64 mln);
  - **Gains (losses) on disposal/repurchase of loans, financial assets and liabilities available for sale**, totalling approximately EUR 52 mln (+ EUR 18 mln on June 2012), mainly attributable to the planned optimisation of the AFS securities portfolio. Q2 2013 contributed roughly EUR 28 mln (+ EUR 3.5 mln on Q1 2013);
  - **Net profit (loss) on financial assets and liabilities designated at fair value** amounting to EUR 22.7 mln, as against + EUR 115 mln as at June 2012, when the Group benefitted from the reduction in market price of an equity instrument tendered in the public exchange offer last year. The result was negative by approx. EUR 11 mln in Q2 2013 (vs. + EUR 33 mln in Q1 2013) due to the revaluation of this liability.

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

	30/06/13	2Q13	1Q13	(*) 30/06/12	Chg 2Q2013 vs 1Q2013 Abs.	%	Chg Y/Y Abs.	%
Net profit (loss) from trading	122,2	58,7	63,5	110,0	(4,8)	-7,6%	12,1	11,0%
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	51,5	27,5	24,0	33,1	3,5	14,7%	18,4	55,4%
Net profit (loss) from financial assets and liabilities designated at fair value	22,7	(10,6)	33,3	115,3	(43,9)	n.s.	(92,6)	-80,3%
Net profit (loss) from trading	**196,3**	**75,5**	**120,8**	**258,4**	**(45,2)**	**-37,5%**	**(62,1)**	**-24,0%**

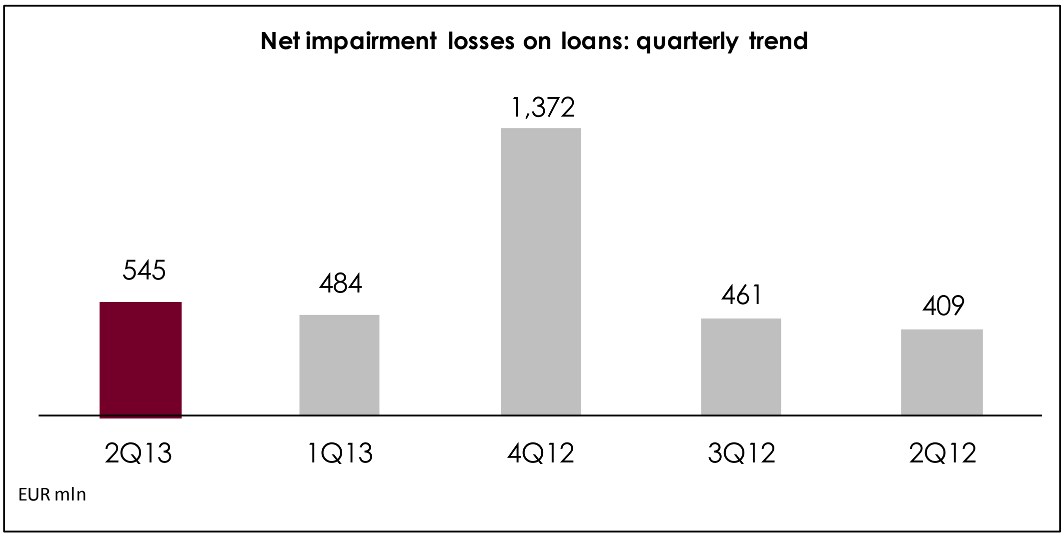
(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.

Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains (losses) on investments:** approx. **EUR 66 mln** (ca. EUR 39 mln as at 30/06/12), with Q2 2013 contributing approx. EUR 39 mln. These results are primarily attributable to gains from equity investments consolidated at equity, with AXA-MPS insurance contribution amounting to approx. EUR 56 mln (+ EUR 21 mln on 30/06/2012).
- **Net hedging income:** negative by **roughly EUR 5 mln** with almost no contribution in Q2 2013.

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

Against revenues from the disbursement of loans, in H1 2013 the Group posted approx. EUR 1,029 mln in net impairment losses on loans (+22.7% on 30/06/2012), with Q2 2013 contributing roughly EUR 545 mln (12.5% on the previous quarter). The amount is to be traced back to both the trendline in gross non-performing loans (+ EUR 1 bn in Q2 2013) and worsening prospects for recovery of certain defaulted loans as a result of the prolonged recessive phase of the economic cycle. Within the Group's unchanged policy of conservative provisioning, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning rate of 149 bps, as against 138 bps in Q1 2013 and 188 bps in 2012.



Net impairment losses on financial assets totalled roughly **- EUR 22 mln** (vs. - EUR 116 mln as at 30/06/2012; - EUR 10 mln in Q1 2013) mainly due to the depreciation of equity investments and units in UCITS classified in the AFS portfolio.

As a consequence, **income from banking and insurance totalled approx. EUR 1,138 mln** (ca. EUR 1,856 mln as at 30/06/2012; -38.7%), with Q2 2013 contributing approx. EUR 460 mln (-32.1% on the previous quarter).

Operating costs: operating expenses

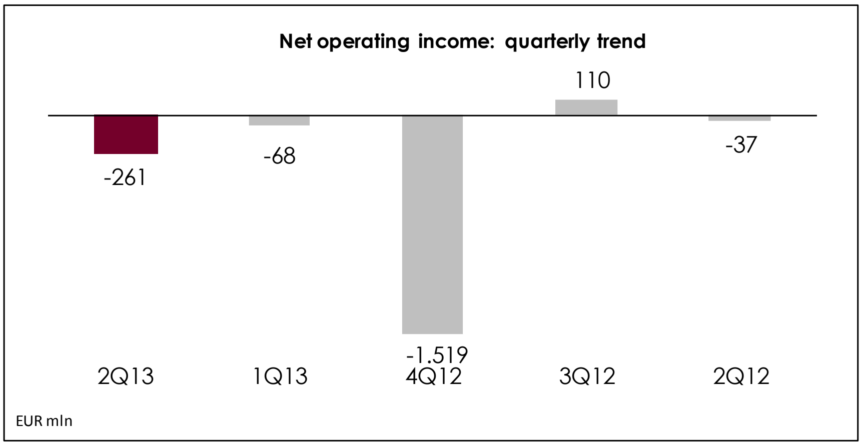
Operating expenses totalled approximately **EUR 1,467** mln as at 30 June 2013, down 10.5% on the same period of last year (-3.3% as compared to Q1 2013).

Operating expenses (EUR mln)	30/06/13	2Q13	1Q13	(*) 30/06/12	Chg 2Q2013 vs 1Q2013 Abs.	%	Chg Y/Y Abs.	%
Personnel expenses	908,8	439,2	469,6	1.030,2	(30,3)	-6,5%	(121,4)	-11,8%
Other administrative expenses (*)	484,9	247,1	237,8	518,6	9,3	3,9%	(33,7)	-6,5%
Administrative expenses	1.393,7	686,3	707,3	**1.548,7**	**(21,0)**	**-3,0%**	**(155,1)**	**-10,0%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	73,4	35,1	38,3	91,1	(3,2)	-8,5%	(17,6)	-19,4%
Operating expenses	**1.467,1**	**721,4**	**745,7**	**1.639,8**	**(24,3)**	**-3,3%**	**(172,7)**	**-10,5%**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.

More specifically:

- **Administrative expenses** stood at approx. EUR 1,394 mln , down 10% from June 2012, with Q 2 2013 contriubting approx. EUR 687 mln, a fall of 3% on Q1 2013:
  - **Personnel expenses,** totalling approximately **EUR 909 mln**, were down 11.8% on 30/06/2012 and 6.5% on the previous quarter due to headcount reduction and agreements with the unions signed at the end of 2012 which are expected to release further benefits during 2013 primarily on account of the early retirement schemes put in place in the second quarter;
  - **Other administrative expenses** (net of customer expense recovery), totalling approx. **EUR 485 mln**, down 6.5% from June 2012, with more pronounced reductions for business trips, communications and sponsorships, advisory and Facility Management. A QoQ comparison, however, shows a 3.9% increase in the aggregate mainly on account of a step-up in implementing the Action Plan included in the 2012-15 Business Plan (with impacts on outsourcing and ICT) and higher litigation-related legal expenses.
- **Net adjustments to tangible and intangible assets** were in the region of **EUR 73.4 mln, down 19.4% as compared to the same period of last year,** on the back of write-downs of intangibles in 2012.



On the back of these factors, the **Net Operating Income** was approximately - EUR 329 mln (vs. +EUR 215.7 mln in June 2012, and -EUR 68 mln in Q1 2013). Cost/income stood at 67% (vs. 65.9% as at 31/12/2012), owing to reduced baseline revenues, as against falling operating expenses.

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

Profit for the period included:

- **Net provisions for risks and charges and other operating expenses/income,** totalling approximately EUR 14.6 mln, up by approx. EUR 3 mln on the previous quarter. As at 30 June 2013, the aggregate included approx. - EUR 45 mln in provisions for risks and charges, covering primarily lawsuits and claw-back actions; Other operating expenses (income), for an amount of + EUR 60 mln, including not only revenues from the "fast-track credit facility fee" but also charges in connection with lawsuit settlement and write-downs on improvements of third-party goods;
- **Gains (losses) on investments,** showing a net negative balance of about EUR 31 mln, primarily attributable to decreases in fair value, recognised at equity, of investments in associates.
- **Restructuring costs/One-off charges,** amounting to ca. EUR 18 mln, associated with revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012.
- **Gains (losses) on disposal of investments**, for an amount of approximately - EUR 1.7 mln.

On the back of these components, a **loss** before tax from continuing operations of **approximately EUR 364 mln** was posted in H1 2013 (vs. a profit before tax of EUR 99.6 mln in June 2012 and a loss of EUR 61 mln in March 2013).

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

	30/06/13	2Q13	1Q13	(*) 30/06/12	Chg 2Q2013 vs 1Q2013 Abs.	%	Chg Y/Y Abs.	%
Net operating income	**(328,8)**	**(261,0)**	**(67,9)**	**216,0**	**(193,1)**	**n.s.**	**(544,9)**	**n.s.**
Net provisions for risks and charges and other operating expenses/income	14,6	8,8	5,8	(94,4)	3,0	51,3%	108,9	n.s.
Gains (losses) from Investments	(30,8)	(32,2)	1,4	(1,8)	(33,6)	n.s.	(29,0)	n.s.
Restructuring charges / One off charges	(17,6)	(17,6)	-	(21,1)	(17,6)	n.s.	3,5	-16,5%
Gains (losses) on disposal of investments	(1,7)	(1,9)	0,2	0,8	(2,1)	n.s.	(2,5)	n.s.
Profit (Loss) before tax from continuing operations	**(364,4)**	**(303,9)**	**(60,5)**	**99,6**	**(243,4)**	**n.s.**	**(464,0)**	**n.s.**

(*) As was done for the Consolidated Financial Statements as at 31/12/2012, figures as at 30/06/2012 were restated to take account of changes made in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors). Figures also take account of the application of IAS 19 "Employee benefits" in the Interim Report on Operations as at 31/03/2013.

Tax expense (recovery) on income from continuing operations amounted to approximately + EUR 6 mln (vs. ca. -EUR 56 mln as at 30/06/12).

The consolidated net result before Purchase Price Allocation (PPA), impairment of goodwill/intangibles and writedown on investment in AM Holding posts a loss of EUR 358.5 mln (vs. a profit of EUR 50 mln in June 2012 and a loss of EUR 92.3 mln as at 31 March 2013). Considering the effects of PPA, impairment losses and writedowns, the Group's loss for the period totalled EUR 380 mln (vs. -EUR 1,552 mln in June 2012 and - EUR 100.7 mln in March 2013).

***

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

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	5,301,700	(400,401)
including Parent Company's valuation reserves	*(1,708,606)*	-
Impact of line-by-line consolidation of subsidiaries	1,055,807	61,051
Impact of associates	136,282	54,836
Reversal of dividends from subsidiaries	-	(103,896)
Other adjustments	143,204	8,431
Subsidiaries' valuation reserves	(5,742)	-
Consolidated balance	**6,631,251**	**(379,979)**
including valuation reserves	*(1,708,606)*	

Results by operating segment

Identification of operating segments

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

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

Segment reporting process

With a view to more accurately defining the performance of the various business units in relation to the Group's overall results, rules for calculating the internal cost of funding (Internal Transfer Rates) have been updated as of the start of 2013 in accordance with the most recent national regulatory guidance and international guidelines, which led to a reduction in net interest income from Banking Book owing largely to the higher cost of demand deposits in Retail and Corporate Banking.

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Operating segments in the first half of 2013.

SEGMENT REPORTING Primary segment	Retail banking		Corporate banking		Total		Corporate Center		Total MPS Group	
(EUR mln)	30/06/13	Chg % Y/Y	30/06/13	Chg % Y/Y	30/06/13	Chg % Y/Y	30/06/13	Chg % Y/Y	30/06/13	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Income from banking and insurance	2.031,4	18,5%	924,2	-16,4%	2.955,6	4,9%	(766,2)	n.s.	2.189,4	-22,1%
Net impairment losses (reversals) on loans and financial assets	(358,5)	-10,5%	(727,4)	39,8%	-1.085,9	17,9%	34,8	n.s.	(1.051,1)	10,1%
Operating expenses	(1.080,8)	-13,8%	(307,3)	-11,6%	-1.388,1	-13,3%	(79,0)	n.s.	(1.467,1)	-10,5%
Net operating income	592,1	n.s.	-110,5	-146,6%	481,6	62,9%	(810,4)	n.s.	(328,8)	n.s.
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	57.876	-5,3%	59.504	-10,3%	117.380	-7,9%	12.715	26,8%	130.095	-5,4%
Deposits from customers and debt securities issued(*)	70.072	-3,5%	25.293	23,2%	95.364	2,3%	41.714	5,6%	137.078	3,3%
Indirect funding	63.691	-7,1%	22.339	-42,4%	86.030	-19,9%	18.404	-13,9%	104.434	-18,9%
Assets under management	*39.137*	*-3,3%*	*1.334*	*-9,1%*	40.471	*-3,5%*	*2.357*	*0,8%*	*42.828*	*-3,3%*
Assets under custody	*24.554*	*-12,6%*	*21.005*	*-43,7%*	45.559	*-30,3%*	*16.046*	*-15,8%*	*61.606*	*-27,1%*

(*)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).

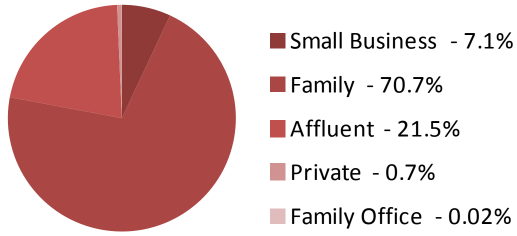
"N.B.: Y/Y changes are on a like-for-like basis in that figures for comparison as at 30/062012 were restated to include changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors). 1H12 values for P&L items "Operating Expenses" and "Net Operating Income" also take account of the application of IAS 19 "Employee benefits".
It should be noted that the comparative data has been restated to reflect the effects from the merger by absorption of MPS Gestione Crediti Banca into the Parent Company. As a result, the cost of bad debt collection management activities has been transferred from fee and commission expense to operating expenses.

Retail & Corporate Banking Division

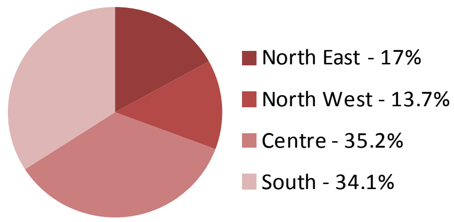
Retail banking

Areas of business	Target customers
▪ Funding, lending and provision of financial and non-financial services (including through electronic payment instruments) to Retail customers. ▪ Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (including through the subsidiary, MPS Fiduciaria) and financial advisory. ▪ Consumer credit (through the subsidiary, Consum.it).	Retail customers amount to approximately5.2 mln.

Retail customers: breakdown by type



Retail customers: breakdown by geography



Retail Banking also includes customers managed by the financial advisory network (approx. 110 thousand customers, partly shared with the Network).

Profit & loss and balance sheet results

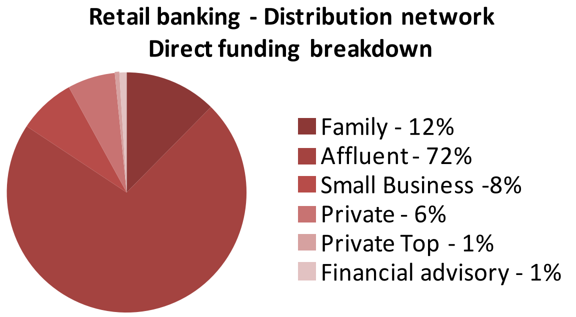
As at 30/06/2013 **total funding from Retail banking customers** stood at approx. **EUR 134 bn**, down 1.2% from the previous quarter and 5.3% from 30/06/2012. **Direct funding**, which came to approx. **EUR 70 bn**, was substantially in line with levels in the first quarter and was mainly from current account products, especially time deposits. A year-on-year comparison, shows an overall fall in volumes of approx. 3.5% (around EUR 2.6 bn) distributed among the various customer segments, particularly Affluent.

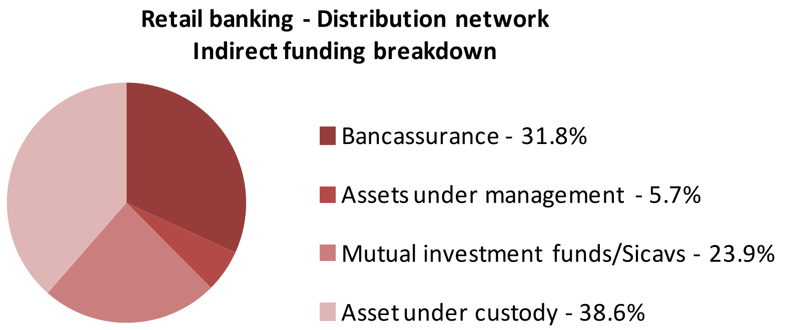
Indirect funding, amounting to approx. **EUR 64 bn**, fell by 2.2% from 31/03/2013 owing to the decline in assets under management, especially bancassurance, with Funds remaining substantially stable. As compared to 30/06/2012. the aggregate registered a downturn of 7.1% due to the reduction in assets under custody.

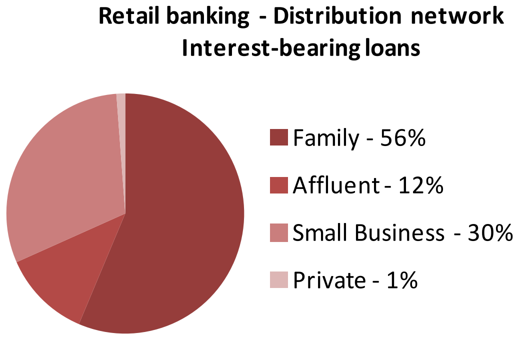
With regard to credit management, **"interest-bearing loans"**, which stood in the region of **EUR 58 bn**, were down from both 31/03/2013 (-2.5%) and from the previous year (-5.3%) primarily on the back of a lower demand for medium/long term credit by households and small businesses, reflective of the continuing difficult economic situation.

RETAIL BANKING - BALANCE SHEET AGGREGATES

(Eur mln)	30/06/13	31/03/13	30/06/12	Chg %Q/Q	Chg %Y/Y
Deposits from customers and debt securities issued - Distribution Network	**70,072**	**70,279**	**72,650**	**-0.3%**	**-3.5%**
Assets under management	*39,137*	*40,113*	*40,479*	*-2.4%*	*-3.3%*
Assets under custody	*24,554*	*25,022*	*28,084*	*-1.9%*	*-12.6%*
Indirect Funding - Distribution Network	**63,691**	**65,135**	**68,563**	**-2.2%**	**-7.1%**
Total Funding - Distribution Network	**133,763**	**135,414**	**141,214**	**-1.2%**	**-5.3%**
Interest-Bearing Loans to Customers	**57,876**	**59,385**	**61,096**	**-2.5%**	**-5.3%**







With regard to profit and loss, Retail banking achieved **total revenues** of approx. **EUR 2,031 mln** in the first half of 2013, up 18.5% on the same period in 2012. The aggregate registers:

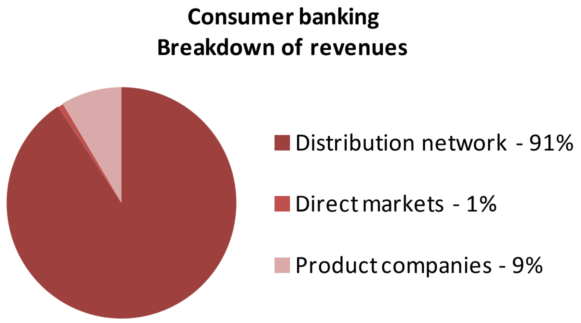
- a rise in net interest income (+32.9%), owing to the innovations cited above (new Internal Transfer Rates) which rewards the stability of retail customers in the area of demand deposits;
- an increase in net fee and commission income (+4.5%), boosted by positive trends in revenues from the placement of wealth management products;
- a reduction in "other revenues".

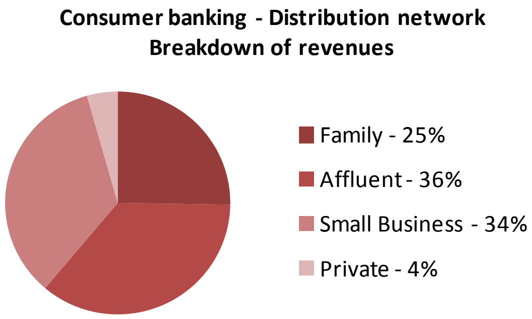
As for cost components, there was a reduction in both net impairment losses (reversals) on loans and financial assets (-10.5%) and in operating expenses (-13.8%).

As a result of the above components, in the first half of 2013 the Retail banking division posted a **Net Operating Income of approx. EUR 592.1 mln (profit of EUR 58.6 mln in 2Q12)**, with a **cost-to-income ratio of 53.2%.**

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	30/06/13	(*) 30/06/12	Chg %Y/Y
Net interest income	*1.273,2*	*958,0*	*32,9%*
Net fee and commission income	*679,3*	*650,2*	*4,5%*
Other income	*78,9*	*105,4*	*-25,2%*
INCOME FROM BANKING AND INSURANCE	**2.031,4**	**1.713,7**	**18,5%**
Net impairment losses (reversals) on loans and financial assets	*(358,5)*	*(400,8)*	*-10,5%*
Operating expenses	*(1.080,8)*	*(1.254,4)*	*-13,8%*
NET OPERATING INCOME	**592,1**	***58,6***	**n.s.**

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





PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	30/06/13	30/06/12	Chg %Y/Y
CONSUM.IT (net profit for the period)	2.7	5.0	-45.9%
MPS FIDUCIARIA (net profit for the period)	0.5	0.6	-19.6%

Key initiatives

In the first half of the year, business actions mainly aimed to step up cross-selling opportunities, especially in the insurance sector, and further develop advisory support to clients while maintaining a strong focus on customer care, one of the objectives being to prevent the risk of attrition caused by media events which have recently concerned the Group.

Implementation of the 2012-2015 Business Plan continued through a significant number of activities aimed at innovating business products and processes, particularly in the following areas:

<u>Rationalisation of the Sales & Distribution network</u>

With a view to increasing operational efficiency and sales force effectiveness in the branches:

- the organisation and geographic distribution of the Bank's Regional Areas and Local Market Units have been redesigned;
- 260 branches were closed (360 since the start of the Plan) and closure of the remaining 40 is scheduled for September. Customers and staff of the branches closed have been transferred to nearby branches.
- rationalisation of the Specialised Centres has been put underway with the opening, among other things, of 6 new locations dedicated to Private customers.

Business productivity

A new sales and distribution governance model for central and network units was defined and the application of new planning and regional marketing strategies was put underway in order to better tap into the specific potential of a given customer profile and socio-economic background in all regional areas.

Marketing Factory and Multichannels

With a view to strengthening the role of marketing and reinforcing the channels of access to banking services, activities were largely focused on:

- rethinking the Retail customers service model;
- improving the customer information base and the use of the "customer lifecylce concept" to achieve more effective customer segmentation for marketing purposes;
- relaunching the web-banking platform (new Internet Banking; new Trading On Line; new Mobile Banking features and apps);
- strengthening Direct Marketing in the insurance sector with implementation of the first internal Telemarketing unit;
- executing innovative sales promotions (for example: "Un Monte di Risparmi" to encourage customers to transfer securities and UCITs held in other banks to the Group; "Il Gusto del Risparmio" co-marketed with Lavazza, to engage current customers in the Group's customer-acquisition objectives).

Bancassurance

The Group's offering in the bancassurance segment was further developed with the:

- issue of investment products from the lines "AXA-MPS Valore Performance" (principal-protected Unit Linked) and "AXA-MPS Valore Selezione" (Unit Linked which allows Affluent customers to subscribe to multibrand external funds). Both offers attracted good levels of funding;
- direct distribution of pension products isued by AXA-MPS Financial, with no insurance broker-related costs and greater business efficiency than in the past,
- launch of "AXAMPS Protezione Business", which simplifies and streamlines the range of protection for companies, especially small-sized businesses;
- enrichment of the product catalogue with the Direct Marketing channel.

E-money, Payments and Collections

Relaunch of the e-money sector was supported by activities, such as the:

- launch of the new acquiring platform (migration of all retailers completed).
- marketing of the Group's credit card – CartaMontepaschi, with numerous innovations in terms of products (contactless technology, Chip & PIN and a single PIN for use both as a domestic debt card and an international credit card) and services (24x7 contact centre, new online Portals for Cardholders and Businesses, new Loyalty program called "Montepaschi Club").

Asset management and Advice

In order to strengthen the Group's competitive positioning in the asset management segments:

- the partnership with Anima was enhanced with a wider offer of coupon bonds;
- advisory activities for investment services were stepped up through the increasingly widespread use of the dedicated platform MPS Advice;

- the catalogue of Wealth Managed accounts with Prior Consent (GPA Plus) - already active for the Private and Financial Advisory markets with 236 mandates already assigned as at the end of the half-year period - was extended to the Affluent customer segment.

Private Banking

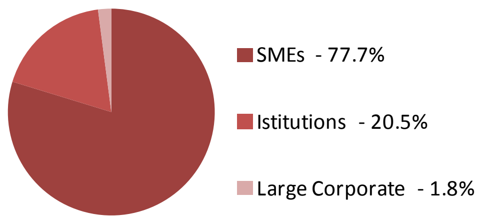
Relaunch of the Private Banking business segment was supported by:

- an all-round organisational review of the specific operational supply chain and strengthening of the network of specialised relationship managers, including through market recruitment actions;
- business actions focussing on customised portfolio management, multibrand offerings, increasing volumes and customer loyalty. Activities were also rolled out to the financial advisory network;
- development of commissions, especially in the areas of protection, e-money and protection/pension, strengthening of sales levers available to the network, promotions for customers including through the use of direct e-mailing and text messaging, network contests;
- bond issuances of the Group and, to a smaller degree, placement of Certificates, from both MPS and third-party issuers;
- pursuit of synergies with other business segments, with an acquisition-oriented approach. In particular, Private Banking growth opportunities were sought among entrepreneurs who are already Group customers) in their role as representatives of their companies;
- implementation of diamond investment services, completing the range of non-financial offerings.

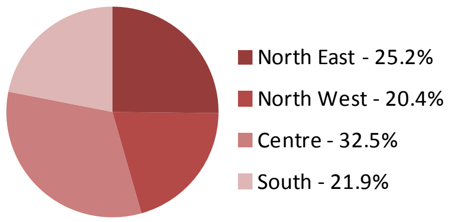
Corporate Banking

Areas of business	Target customers
▪ Lending and offer of financial products and services to businesses, including through strategic partnerships with trade associations and Confidi credit guarantee consortia. ▪ Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring). ▪ Corporate finance – medium-long term credit facilities, corporate finance, capital markets and structured finance). ▪ Products and services issued by the bank's foreign branches to support business expansion and investments by Italian companies abroad.	Corporate Banking customers amount to approximately 71 thousand.

Corporate Customers: breakdown by type



Corporate customers: breakdown by geography



Profit & loss and balance sheet results

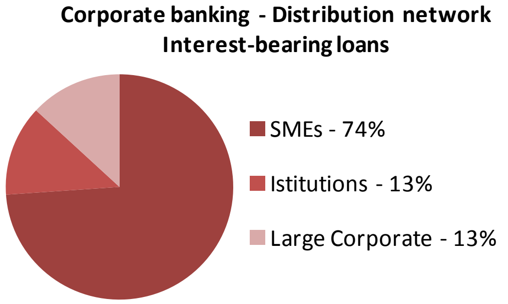
As at 30 June 2013, volumes of **total funding with Corporate banking customers** amounted to approx. **EUR 48 bn**, down 1.5% on 31/03/2013 and 19.7% on the same period of last year. **Direct funding**, which came to approx. **EUR 25 bn**, grew 19% from the first quarter of 2013 and 23.2% on the end of 2012 as a result of the intense campaign for funding in the manufacturing industry.

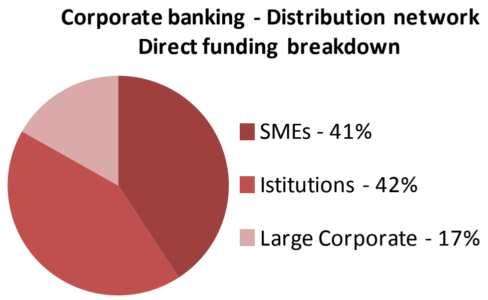
Indirect funding, consisting largely in assets under custody, stood at approx. **EUR 22 bn** at the end of the half-year period, (-17.6% from 31/03/2013; -42.4% as compared to 30/06/2012), having been affected to a considerable extent by the changes in deposits from some of the Group's Key Clients, with impact, however, not being significant.

With regard to lending, at the end of June 2013 **interest-bearing loans** stood at EUR 60 bn, down from both 31/03/2013 (-4.1%) and 30/06/2012 (-10.3%), in line with industry trends which reflect the low demand for credit.

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	30/06/13	31/03/13	30/06/12	Chg % Q/Q	Chg % Y/Y
Deposits form customers and debt securities issued - Distribution Network	**25,293**	**21,260**	**20,527**	**19.0%**	**23.2%**
Assets under management	*1,334*	*1,335*	*1,468*	*0.0%*	*-9.1%*
Assets under custody	*21,005*	*25,775*	*37,320*	*-18.5%*	*-43.7%*
Indirect Funding - Distribution Network	**22,339**	**27,110**	**38,788**	**-17.6%**	**-42.4%**
Total Funding - Distribution Network	**47,632**	**48,370**	**59,315**	**-1.5%**	**-19.7%**
Interest-Bearing Loans to Customers	**59,504**	**62,038**	**66,352**	**-4.1%**	**-10.3%**



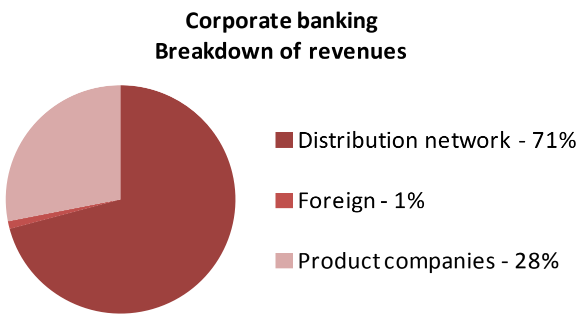


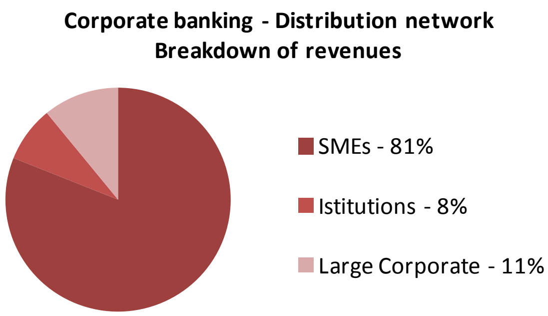
With regard to profit and loss aggregates, in the first half of 2013 **total revenues** for the Corporate Banking division came to approx. **EUR 924 mln** (-16.4% y/y) with net interest income falling 19.3% as a result of both the aforementioned innovations in the Internal Transfer Rates and the contraction in business volumes. Net fee and commission income shrunk 3.2%, largely reflecting the gradual slowdown in lending transactions. A 26.3% downturn was registered for other revenues, affected by the implementation of actions aimed at improving liquidity profiles.

Net operating income totalled approx. - **EUR 110.5 mln** reflecting higher net impairment losses on loans and financial assets compared to the previous year (+39.8%) while operating costs have fallen (-11.6%). **The Corporate Banking cost to-income ratio stands at 33.3%.**

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	30/06/13	(*) 30/06/12	Chg % Y/Y
Net interest income	*555,2*	*688,2*	*-19,3%*
Net fee and commission income	*259,2*	*267,8*	*-3,2%*
Other income	*109,8*	*149,0*	*-26,3%*
INCOME FROM BANKING AND INSURANCE	**924,2**	**1.105,0**	**-16,4%**
Net impairment losses (reversals) on loans and financial assets	*(727,4)*	*(520,5)*	*39,8%*
Operating expenses	*(307,3)*	*(347,5)*	*-11,6%*
NET OPERATING INCOME	**(110,5)**	**237,0**	**n.s.**

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





PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	30/06/13	30/06/12	Chg %Y/Y
MPS Capital Services	61.6	89.6	-31.3%
MPS Leasing & Factoring	(14.5)	(0.3)	n.s.

Key initiatives

- Cassa Depositi e Prestiti loans which made it possible to support the investments of several business customers and meet their need to increase working capital, under favourable terms & conditions.
- Advances, of various types, on receivables owed to companies by the Public Administration.
- Crescita di Valore (Value Growth) - initiative launched in June with the aim of rebalancing lending/funding positions having negative added value, starting from the 150 most critical cases for which direct tracking by the relevant Head Office units has been decided.
- Mpsponsor-Minibond - the Group has encouraged the creation of a closed investment fund whose assets are to be primarily invested in minibonds issued by corporate clients, suitable from both a legal and creditworthiness standpoint. Management of the fund has been outsourced to Finanziaria Internazionale Investment SGR. The Group will subscribe a portion of the fund, assist customers in the phases of issuance and subscription by the fund and contribute to placement of the relevant shares with qualified traders.
- Hedging derivatives - a standard method has been defined for the management of post-sales in the event of changes in the underlying risk or hedging purpose ceasing to exist.
- Institutional Market - with a view to expanding the customerbase and increasing customer loyalty, a special focus was placed on the Institutional client category, "Courts"; the service “IncassiPiù” was expanded, registering an increase in “Public Utilities” customers; funding repricing initiatives were put in place, especially for "Finanical Institution" customers.
- Credit Guarantee and Funding agencies – with the aim of remixing the loan book through the use of subsidised funds and risk mitigation instruments, a credit ceiling was introduced for SME customers with medium-high credit standing, in conjunction with the use of funding from the Cassa Depositi e Prestiti (Deposits and Loans Fund).
- “Corporate services and marketing models”: theactivities of this project continued with the designing of a new SME service model which provides for: inclusion of professional figures to oversee risk and coordinate/support business activities; restructuring of specialised Centres; portfolio optimisation; a complete review of organisational, sales & distribution and lending processes;
- International Banking - corporate customer operations were supported in international markets through more customised offers.

MPS Capital Services

Corporate finance

- Project Financing - despite the difficult economic and financial scenario, consolidated operations within the sectors of infrastructure, utilities and renewable energy were maintained. In particular, the followingdeals were completed: 1) the “Brebemi” (Brescia-Bergamo-Milano) maxi-loan, a project financing structured as a syndicate loan of five leading domestic banks and institutions, including EIB, CDP and SACE, for the construction of a new motorway between Brescia and Milan; 2) support for the construction of a new hospital in Garbagnate Milanese (Milan) with a loan of EUR 13.1 mln.
- Syndication – an arrangement was signed for the construction and management of two thermoelectric power plants in L’Aquila and Sedegliano (UD).
- M&A - MPS Capital Services was the Mandated Lead Arranger in the acquisition of the Caffita Group, one of the leading market players in the production and marketing of coffee capsules and machines.

Investment banking

- With regard to the stock market, Mps Capital Services acted as the Guarantor in a major Public Sale and Exchange Transaction and continued its role as Nominated Adviser on behalf of a company listed on Italy's Alternative Capital Market (AIM Italia – *Mercato Alternativo del Capitale*).
- In the bonds market, MPS Capital Services acted as Co-Lead Manager, both in the syndicated issuances of Italian Government Bonds (BTPs) and in the issue of a high yield senior secured bond.

Private equity

Private Equity activities, supporting the development of small and medium businesses with strong growth potential, are mainly carried out through the associate company, MPS VENTURE SGR. During the period, activities of the AM company focused on the management of existing investments for an original total amount of approx. EUR 352 mln.

Subsidised financing

Continuation of activities as "Manager" of main national public aid for research and industrialisation on behalf of the Ministry of Economic Development and the Ministry of Education, Universities and Research, as well as operations launched at the end of 2012 as part of the 'temporary consortium of companies' (it. RTI), created with MCC-Banca del Mezzogiorno as lead arranger to manage the Guarantee Fund for SMEs, which sees Mps Capital Services involved in the promotion and development of subsidised financing.

MPS Leasing & Factoring

Through its Parent Company, MPS Leasing&Factoring hasjoined the Fourth Agreement between the Italian Banking Association (ABI) and the Cassa Depositi e Prestiti (CDP), thereby having the possibility to draw from the specific credit-ceiling pool for the financing of leasing transactions under favourable terms & conditions.

Factoring activities continued over the half-year period with advances on receivables owed to companies by the Public Administration through the use of loan acquisitions, with and without recourse (public debtors).

The Corporate Centre

Reporting scope

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

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

Key initiatives

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

Equity investments

In the first half of 2013, the process of rationalisation of the Group's equity investment portfolio continued. Following are the main transactions effected during the period:

Transactions carried out by the Parent Company:

<u>Subscription to capital raising/injection and increases in equity investments</u>

The Parent Company acquired further shares in Prima Holding 2 SpA – increasing its investment from 27.83% to 28.34%, following exercise of the call option provided for in the co-investment agreement in relation to exiting managers.

<u>Merger by absorption</u>

- Banca Antonveneta SpA, effective as of 29/04/2013;
- MPS Gestione Crediti Banca SpA, effective as of 13/05/2013.

<u>Disposal of equity investments</u>

- The Parent Company disposed of its 0.76% shareholding in United Bank of Africa Plc (UBA).
- Following conclusion of the liquidation procedure, the investments held in Mantegna Finance Srl (100%) and Eurochianti Scrl (4.37%) were disposed of .

Transactions by other Group companies

- MPS Capital Services SpA disposed of its investment in RE.GE.IM. *Realizzazioni e Gestioni Immobili di Qualità SpA* (40% of share capital).
- In April, Monte Paschi Invest, a subsidiary company of Monte Paschi Banque, was cancelled from the Companies Register.

Management of non-financial strategic resources

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

Operational efficiency

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

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

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

Innovation in the business model

- Organisational restructuring of the Parent Company (Headquarters and Sales & Distribution network) and simplification / streamlining of the corporate structure: Regional Areas were reduced from 12 to 8, Local Market Units from 115 to 62 and plans were initiated for the closure of 400 branches (closure of the remaining 40 has already been scheduled for September).
- Optimised use of the Headquarters through space management measures. Specifically, 32 properties have already been released with a further 28 being released in 2013.
- Value creation from real estate with the expected sale of 236 properties which are currently in the asset disposal catalogue (43 were sold in 2012 and 15 in the course of 2013).

Indicators	**30/06/2013**	31/12/2012	30/6/2012
Cost/Income ratio (%)	**67.0**	65.9	58.4
Personnel expenses (EUR/mln)	**908.8**	1,988.4	1030.2
Other administrative expenses (EUR/mln)	**484.9**	1,107.7	518.6
Frequency of workplace accidents*	**0.96**	0.63	0.88
Energy consumption (GJoule)	**540,303**	1,048,606	488,697
Paper consumption (T)	**1,556**	3,480	2,018
CO_2 emissions (T)**	**13,785**	21,048	9,331

**Number of accidents/total hours worked x 200.000.*
***The figure includes "scope 1" and "scope 2" greenhouse gas emissions according to the international GHG Protocol classification.*

- Redesign of accounting, administrative, management and operating systems for the Headquarters and the Sales & distribution network. In particular, an ad hoc organisational Division was set up and several actions were planned to improve operational efficiency and related risk monitoring.
- Development and distribution of advanced communication tools to deliver "paperless" operations management.

Cost optimisation

Consolidation of initiatives launched in the first quarter to eliminate non-indispensable administrative expenses, including sponsorships:

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

Environmental sustainability

The Group's direct impact on the environment is monitored through an ad hoc management system compliant with ISO14001. In particular, a number of actions were developed over the first half of the year to reduce the consumption of paper and energy and raise awareness of such objectives among employees.

The social-environmental performance of all major vendors was also reviewed. Assessments were carried out by a specialised independent company and showed a general improvement with higher-than-benchmark ratings.

Enhanced environmental performance in operations and associated cost saving benefits will be pursued through the implementation of a specific 2013-14 Sustainability Plan.

Reduced paper consumption

Total paper consumption decreased by 23% compared to the first half of 2012.

The reduction is largely attributable to the launch of the "Paperless Bank" project. Key measures undertaken include:

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

In addition, there was a further increase in the use of recycled paper for in-house printing (26%).

Energy savings and the carbon footprint

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

The objective of the 2015 Business Plan is to reduce electricity consumption by approx. 59 thousand MWh with estimated cost savings in the region of EUR 16.7 mln. In the first half of the year, 86 thousand MWh was consumed, with a reduction of 9.5% as compared to the same period in 2012. Total consumption was 540,303 GJ with heating oil and methane increasing as compared to the first half of 2012.

In the first half of the year, 13,785 tonnes of CO_2 were produced equal to 449 Kg per employee.

The energy management function, certified according tot he specific voluntary standard UNI CEI 11339, implements annual plans for the reduction of energy consumption which, over the half-year period, specifically regarded:

- completing the replacement of obsolete air conditioning systems.
- verifying and optimising the settings of air conditioning systems.

- further upgrading of IT equipment with attention paid to the relative levels of desktop consumption and virtualisation; the acquisition of Energy Efficiency Certificates (a.k.a. white certificates) for savings guaranteed by the use of the stand-by mode in approx. 30 thousand PCs within the Group, against energy savings of 3,227,157 kWh;
- optimisation of the Data-Center and related technological systems;
- reinforcement of monitoring systems;
- space management activities;

Furthermore, mobility management initiatives continued with a further reduction in the company car fleet by almost 600 vehicles.

Raising employee awareness

An extensive and structured campaign was carried out to raise employee awareness on the environmental impact of day-to-day activities and the behaviours to adopt in the work place to minimise them:

- issue-based newsletters on: operating procedures to reduce paper consumption, use of advanced communication systems, use of environmentally friendly products, correct management of the workplace, energy savings, sustainable solutions to facilitate work-home commutes and business travel, cleaning services and separate waste collection, etc.;
- on-line communciations via a dedicated Section on the Corporate Intranet;
- short messages and behavioural advice displayed directly on PC monitors during standby.

Health & safety in the workplace

The Group's Safety Policy is implemented through a specific organisational model in compliance with OHSAS 18001.

In the first half of the year, prevention and protection particularly focused on:

- completion of the new IT system for more efficient monitoring of safety matters;
- the monitoring of health and safety risks in the branches through checks for the presence of radon (the detection campaign is nearing completion) and asbestos (project underway);
- subjective analyses of work-related stress risk put underway;
- training of approx. 1,800 employees and internal communications on safety in the workplace and accident prevention.
- the implementation of a new robbery prevention system, partly through technological solutions for handling cash and monitoring personal safety in the branches.

During the half-year period, there were 103 accidents on the workplace. The frequency of accidents has risen slightly but remains low. It will continue to be monitored though there is no need for corrective actions to be taken at structural level.

There were 105 robberies (+12% from the first half of 2012). Related risks were also discussed with the worker representatives who, at their meetings with the company, highlighted the need for further risk mitigation measures to be put in place.

Human Resources

The Group employed 28,473 people as at 30/06/2013, Since the start of the year, on a like-for-like basis, there have been 23 new hires and 1,853 terminations, of which 276 Early Retirements and 1,384 through the banking industry's Solidarity Fund. The first half of the year also registered the release of 61 Executives, now accounting for 1.4% of total headcount, well below the industry average (2.1%).

Another important aspect in the first half of the year was the redistribution of the Group's workforce in favour of structures having direct contact with customers, which rose from 65.4% at the start of the year to 66.8% (figure does not include the international banking division).

Indicators	**30/06/201**	31/12/2012	30/6/2012
Headcount*	**28,473**	**30,303**	**30,469**
Operational location (%)			
Head Offices	**31.3**	32.8	31.0
Italy Network	**66.8**	65.4	67.4
Foreign Network	**1.9**	1.8	1.6
Professional/occupational level			
Executives	**1.4**	1.5	1.6
Middle Managers	**38.2**	38.8	38.4
Other	**60.4**	59.7	60.0
Other indicators			
Training per capita (hours)	**13**	36	18
Training costs (Millions of euro)	**1.0**	4.8	2.7
Female staff (%)	**46.1**	45.1	44.8
Female executives (%)	**5.7**	5.2	5.0
Rate of absence (%)**	**7.2**	7.3	7.6

**2012 figures have been restated following extension of the operational monitoring scope to the companies MPS Tenimenti and Magazzini Generali Fiduciari di Mantova.*
*** Days absent (excluding holidays, maternity/paternity leave, study leave) to total days worked during the year.*

Human resource development and management strategy

Activities in the half-year period focused on the implementation and rollout of the Group's new Talent & Performance Management system (T&PM), intended to support the increases in productivity and employee engagement levels on the Group's strategic objectives.

Having identified - with the engagement of all corporate roles - the "Group DNA" (ie. the 9 basic behaviours for the concrete implementation of corporate values), the new performance evaluation process was set in operation, which focuses on "how" to achieve company objectives and "to what extent" they are achieved (ie. the effective monitoring of activities). Manager-employee interviews were thus carried out with the consequent definition of an agreed Action Plan for each individual, focusing on the main quali-quantative and behavioural objectives for the year.

In the first half of the year, the initial stages of the process were initiated: 70% of personnel completed the optional self appraisal and a Plan of Action was identified with 94% of resources. All key initiatives were supported by targeted Training and Communication events.

Upon completion of the T&PM project, “People Roadmap” was launched with the aim of promoting the 9 core behaviours of the new "Group DNA" and defining/systematising (including with the release of supporting IT applications) the main development and training initiatives with other phases of the new evaluation process. Activities supporting change management will also continue with integrated training and communication initiatives able to strengthen the promotion of a management culture based on merit, transparency and engagement.

Training

In addition to the ensuring basic technical and managerial skills, training focused on supporting the key Business Plan Projects, investing in modular training programmes designed and contextualised according to the specific needs emerging in this phase of profound change for the Group.

Key objectives of the training programmes put underway in the first half of the year include:

People

- contribute to the acceleration of professional development and resource motivation.

Business

- oversee the quality of relationships with customers, through the increase of professional and technical skills and effective behaviours for proper relationship management;
- raise employee awareness on monitoring profitability of non-interest income;
- monitor cross-selling activities in the Protection segment;
- consolidate credit knowledge and expertise to favour the advanced management of bank/customer relations and mitigate the elements of risk;
- strenghten technical skills in the Private segment.

Compliance, Security, Health and Safety

- ensure compliance with regulatory provisions (training for sellers of insurance policies, anti-money laundering, health and safety).

Training activities focused particularly on the following subjects:

- pension, protection, savings;
- lending and problem loan management;
- an introduction to finance for sales and distribution roles;
- refresher courses on the key regulatory framework for banking activities;
- managerial skills for branch managers in relation to the introduction of the new talent and performance management system.

With an investment of approximately EUR 1 mln, 13 hours of training were delivered on average to each Group employee. With regard to the Parent Company, training involved 91% of the personnel for a total of 343,660 hours (64% classroom-based and 36% online). Training effectiveness was high, with an average satisfaction index of 5.1 on a scale of 1 to 6.

Equal opportunities

The gradual implementation of HR professional development policies continues to be inspired by principles of equal opportunities, in line with the existing contractual policies (work-life-balance contractual measures in addition to -or as an improvement of- those provided for under the law and the national labour agreement; support for post-maternity leave reintegration and professional retraining; analysis of Equal Opportunities issues in collaboration with trade unions through an ad hoc Joint Commission).

The percentage of female staff totalled approximately 46% as at 30/06/2013; the percentage of female executives, albeit still low, stood at 5.7% for this half-year period.

Organisational restructuring and managing impact on personnel

During the six-month period, implementation continued of the operational management actions, in part consequential to the agreement reached with the unions, for the management of repercussions on personnel arising from the Business Plan, with particular reference to the implementation of the banking industry's Solidarity Fund.

In particular, focus was placed on personnel repercussions resulting from some major M&A/organisational events, including:

- merger of Banca Antonveneta with subsequent creation of the Antonveneta Regional Area, organised into 10 Local Market Units operating in the Veneto, Friuli and Trentino;
- merger of MPS Gestione Crediti Banca and creation of the new Credit Management Area as part of the Parent Company's Credit Division for coordination of pertaining activities.
- distribution network optimisation project (in course of completion) which led to operational efficiency gains for approximately 400 resources;
- setup of the Administrative, Accounting and Complementary Activities Division as part of the Parent Company's Chief Operating Officer Division, with the objective of increasing the efficiency of these activities. For this purpose, all activities carried out by the Parent Company, Group Operating Consortium and other Group entities have been centralised into this new Division. Ensuing from this was the concurrent reorganisation of the Consortium for all remaining activities, with a focus on the IT segment.

Against this background, significant mobility of personnel was registered (over 3,600 resources), caused by the priority need to replace outflows from the Branch Network and Specialised Centres (approximately 40% of the Early Retirement/Solidarity Fund scheme). These actions were funded by recouping resources from branch closures and requalifying personnel released by central and outer Head Office units (approximately 350) to front-line roles . Personnel mobility took account of the skills, motivation, aspiration and training needs of resources involved.

Industrial relations

The six-month period was characterised by ongoing dialogue between the Parties to consider the repercussions on personnel arising from the Business Plan. Failure to subscribe to the Group's Business Plan and Second-level Bargaining Agreement by certain union organisations caused a division of the parties at the negotiating table, at least for what concerns the issues closely connected to it, thus weighing down the trade union climate.

Together with the trade union signatories of the Business Plan Agreement, it was possible to accept a number of employee applications for admission to the industrial Solidarity Fund in excess of the number set in the Business Plan. This enabled the outflow of an additional 660 resources who will become eligible for retirement by 2017.

Despite these critical situations, numerous agreements have been entered into with the trade union parties. Some of these agreements were adhered to by all trade unions represented in the Company, some others by the 'core group' of trade union signatories of the Business Plan Agreement (in any case accounting for the majority).

Procedures relating to the merger of Banca Antonveneta and MPS Gestione Crediti Banca into the Parent Company and disposal of branches have been brought to completion with all trade unions, as per the timetable set out in the Business Plan.

An agreement, even though only with part of the trade unions, has been reached on the legal and contractual procedure for centralisation in the Parent Company of the Group's administrative, accounting and ancillary activities, with the concurrent transfer of business unit from the Operating Consortium to the Parent Company.

Agreements were finalised for the 2013 Training plan and specific training paths financed by the dedicated Fund of the banking industry.

The customerbase

The customerbase

The Group has approximately 5.6 mln customers:

- approx. 5.3 million are managed by the distribution network;
- approximately 300 thousand customers are managed exclusively by Consum.it, the Group company specialised in consumer loans, and by the Financial Advisory Network.

As of the beginning of 2013 it has been decided that more stringent requirements are to be applied to monitor the the customerbase volume, excluding the so-called "active-status customers" from the scope of analysis. The figure as at 30/06/2013 is thus not comparable with the one reported in the Consolidated Annual Report as at 31/12/2012.

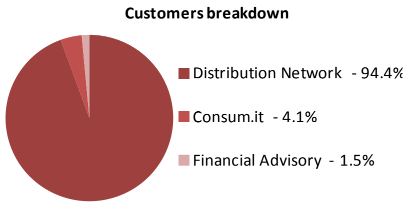
Retail & Corporate customers are evenly distributed across the country. They are sub-divided into customer clusters, each of which is associated with an ad hoc service model.

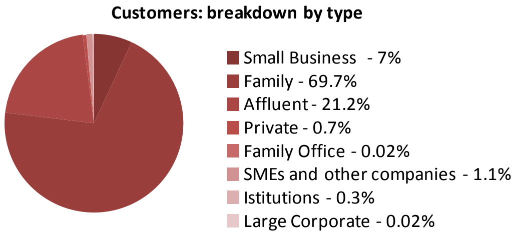
Indicators	30/06/2013	31/12/2012	30/6/2012
Branches in Italy	**2,392**	2,671	2,793
ATMs	**3,083**	3,426	3,485
Active remote* banking users	**909,354**	869,976	848,921
Acquisition (%)**	**2.3**	5.3	3.2
Retention (%)**	**97.3**	94.3	97.1
Complaints received	**5,603**	9,740	5,070
Complaints-average response time (days)***	**26**	23	18

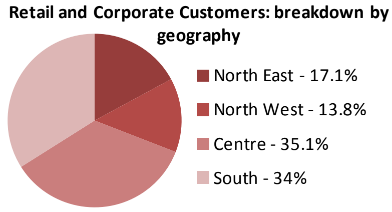
**Data as at 31/12/2012 and as at 30/06/2012 was restated to allow for a like-for-like comparison subsequent to the use of a new IT system as of 2013.*

***Data as at 31/12/2012 and as at 30/06/2012 was restated to take account of the merger of Banca Antonveneta in April.*

****Complaints managed with regular procedure regarding disputes about investment services, complex issues and amounts exceeding 10 thousand euros. Data as at 30/06/2012 referring to total number of claims.*







The retention rate registered an overall improvement, whereas the acquisition rate showed an downturn in retail customers and a slight upturn in corporate customers.

Distribution channels

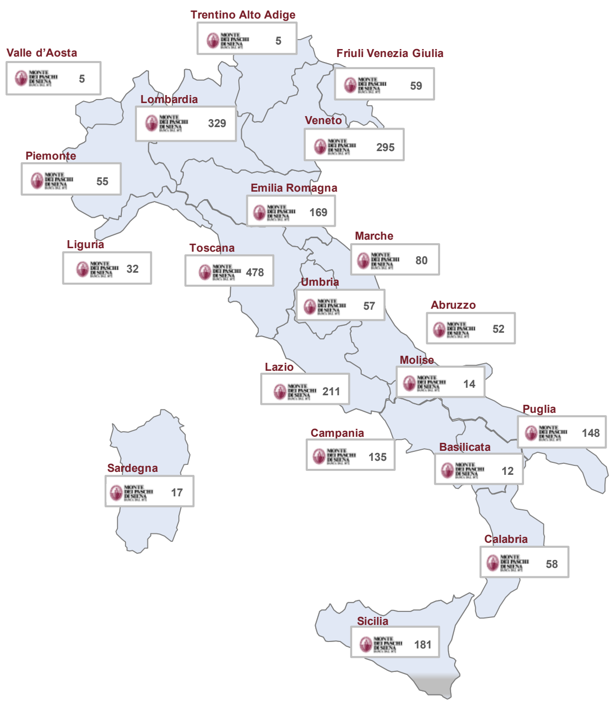
Customers are served through an integrated combination of "physical" and "remote" distribution channels.

Physical channels

In Italy there are 2,392 branches, 288 specialised centres dedicated to SME customers (131), Private customers (91) and Institutions (66), and 3,083 ATMs. Operations include a further 729 Financial Advisors supported by 131offices across the country.

The distribution network relaunch and optimisation project continued: 360 branches have been closed since launch of the Business Plan, with the remaining 40 scheduled to be closed in September.

Branches in Italy at 30/06/2013 – *Total number 2.392*



The organisational structure of the Foreign Network remains unchanged and includes: 4 operational branches (London, New York, Hong Kong and Shanghai), 10 representative offices located in various “target areas” (EU, Central-Eastern Europe, North Africa, India and China), 2 banks under foreign law - MP Belgio (8 branches), MP Banque (17 branches).

Remote channels

Active customers of multichannel services amounted to 909,354 as at 30/06/2013 (+7.1% year-on-year).

Key developments:

- Paskey Internet Banking: roll out of new Internet Banking platform to all Group customers completed;
- applications rolled out for integrated information on AXA-MPS policies;
- Paskey Mercati Online: new online trading platform rolled out;
- Android tablet platform rolled out;
- 8 marketing initiatives launched for the development of Integrated Multichannels with a good return in terms of sales, transactions and download of new applications by customers.

Customer Satisfaction

Management systems

Customer satisfaction is monitored and managed primarily through a cohesive system of tools and processes which make up an important framework of reference for sales and organisational functions in the implementation of their plans for improvement. This system includes:

- customer care channels for direct banking services;
- customer relationship management in the branches;
- after-sales and contact center services – relationship managers and customers may receive clarification and assistance, with feedback given through dedicated phone lines and e-mail addresses;
- the Quality Tableau de Bord (Dashboard) – indicators are monitored to track good performance in asset management, fraud prevention in payment cards (limited number of cases reported; average refund time to be improved); shortfalls persist in average time of access to credit, frequency of contacts with customers and contact centre services (the latter due to roll out of the new Paskey service which generates a high number of requests for assistance);
- periodic sample surveys.

Customer satisfaction surveys

Methodology

Customer satisfaction surveys are aimed at measuring the degree of customer satisfaction in general terms, at the level of regional Market Areas, local Market Units and service model. On a sample basis, the surveys are conducted through the use of questionnaires. The customer sample size is usually determined as a multiple of the target number of questionnaires to be collected. In turn, the number of questionnaires depends on the intended scope of analysis (e.g. service model, regional size, products). For each scope of analysis, a Customer Perception Index (CPI) is determined as the weighted average of Satisfaction, Price/Quality, Loyalty and ‘Word of Mouth’ on a 20:100 scale. The survey also measures the level of satisfaction for some specific elements in scope, including for example operational, relational, reputational aspects together with assessments of products and services.

Survey findings allow for the identification of areas of vulnerability that require the adoption of corrective actions to increase the level of customer service. The identification of priority actions may also reveal the opportunity for further analysis through one or more additional surveys focussing for example on a specific customer segment, product, geography.

Data analysis and improvement plans

Findings from the 2012 survey on Retail customers were processed during the six-month period. Furthermore, preliminary activities for the 2013 survey were completed. The survey will be conducted in the second half of the year on all customer segments (Retail, Private and Corporate).

The 2012 survey was conducted via web on a sample of approximately 130,000 customers, who were invited to participate through an email communication containing a link to the on-line questionnaire.

Results reveal a CPI of 70.2, down by approximately 8 points from the previous survey, partly on account of the different channel used to interact with the customer for data collection (from telephone to the web). More specifically:

- 'Spread the word'/referral ability (propensity to recommend the Bank to friends/acquaintances): 74.4;
- Satisfaction (customer's overall perception of quality): 73.7;
- Loyalty (propensity to select the Bank again): 71.3;
- Price/Quality (product value for money vs. quality of service): 58.2.

Strengths include: quality of branch service and efficiency/reliability of remote channels. More critical opinions were expressed on the product offering, clarity of terms and conditions and suitability of proposals. To address these issues, specific actions have been launched as part of sales plans and Business Plan projects (e.g. service model review, new methods of sales process management, product range optimisation and enhancement, improvement and optimisation of the offering for specific segments, stepped up roll-out of MPS Advice).

Complaints management

In the six-month period, 5,603 new complaints were received: as compared to the same period of last year, an 11% increase was registered primarily owing to problems with current account services, mainly in connection with claims for compound interest and conditions for the application of fast-track credit facility fees.

Average resolution time through ordinary internal procedures was below the limits set by Bank of Italy (26 vs 30 days). In order to increase overall efficiency in the management of customer complaints and reduce response times, procedures were simplified (for minor disputes and amounts below 5 thousand euros) and accelerated (in more complex cases and for amounts between 5 and 10 thousand euros). In these cases, the average resolution time stood at 13 and 18 days respectively. Additional efficiency gains are expected from the forthcoming integration of supporting documents and further insight acquired by the Network into the Complaints software application.

A further 363 complaints were sent by customers to independent bodies (vs. 384 in the first half of 2012), while 156 claims were settled by Alternative Dispure Resolution procedures (1,031 in the first half of 2012).

Reputation and corporate social responsibility

Reputation

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

The effects of these events on reputation have not yet been systematically quantified.

Corporate social responsibility

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

Reviews of the Group's sustainability ratings conducted by specialised agencies during the six-month period revealed some gaps with respect to the industry's best practices. As a result, inclusion of BMPS stock in the FTSE4Good series was confirmed, while the stock was excluded from the Ethibel Investment Register.

The gaps were internally assessed to define possible actions for improvement to be adopted.

For further information, please see the Sustainability section on our corporate website www.mps.it.

Social added value

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

Financial education

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

- BancAscuola - 8 meetings/events in high schools;
- ConsumerLab at home - 3 meetings/debates held at various Group locations with a view to promoting exchanges between employees, consumer associations and customers on the more heartfelt banking and financial issues, also by opening ad-hoc information desks to the public. Five additional events will be launched during the year.

Educationals on economic and financial themes, particularly on the "Culture of Prevention (Protection/Pension)", were organised through the internet and social networks (Facebook, Twitter, YouTube) and included the use of videos. Among these are the Blog and Wiki of 'Previsionari' (www.previsionari.it), a shared platform of AXA MPS which was specifically designed for this purpose.

Social welfare

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

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

- the sponsoring of non-profit initiatives and organisations that are active in the fields of culture, solidarity, voluntary service and environmental protection (9 initiatives in the first half of the year).
- Donations towards research, medical and hospital services, social welfare, humanitarian programmes (approx. EUR 0.1 mln);
- contributions towards social projects promoted by local government bodies with whom the Bank has a business relationship (approx. EUR 0.8 mln).

Other contributions included:

- Funds raised through donations made by customers and other voluntary contributors through various channels (specifically set-up current accounts, branches, ATMs, etc.). In particular, donations to various solidarity projects selected as part of the traditional Christmas fund-raising initiative, were finalised during the six-month period.
- shareholding in the capital of Microcredito di Solidarietà Spa (40%) to whom the bank provides operational support through the payment of administrative expenses, the provision of loans and the collection of repayments.

Governance & Control systems

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

Corporate Governance

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

BoD of parent company	as at 30/06/2013
Directors	12
Average age	53
Female directors	2
Executives	1
Independent directors	5
Directors representing non-controlling interests	6
Executive Committee	yes
Executive Committee members	6
Chief Executive Officer	1
BoD internal committees	
-Appointments and Remuneration	yes
-Control and Risk	yes
-Independent directors	yes
-Strategy and Sustainability	yes

Major changes in the Corporate Governance system and amendments to the Articles of Association

January

At the Extraordinary Shareholders' Meeting of 25 January 2013 amendments were made to art. 6 of the Articles of Association with the introduction of the following paragraph 9: *"By resolution of the Extraordinary Shareholders' Meeting on 25 January 2013, the Board of Directors was accorded authority to (i) increase capital, in one tranche, with exclusion of pre-emptive rights, pursuant to articles 2443 and 2441, para. 5 of the Civil Code, through the issuance of ordinary shares for an amount of up to Euro 4,500,000,000.00,including any share premium, at the exclusive service of the exercise of the Bank's right to convert the New Financial Instruments provided for by Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012, as subsequently amended; and/or (ii) to increase capital, in one or more tranches, with exclusion of the pre-emptive rights of existing shareholders, pursuant to articles 2443 and 2441, para. 5 of the Civil Code, through the issuance of ordinary shares for an amount of up to Euro 2,000,000,000.00, including any share premium, at the exclusive service of the interest payments to be made in shares pursuant to the regulations applicable to the New Financial Instruments as set forth in Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012, as subsequently amended. Said power can be exercised for a maximum period of 5 (five) years effective as of the date of the above resolution of the Shareholders' Meeting of 25 January 2013.*

When exercising such power, the Board of Directors shall be entitled – inter alia – to set the price of issue of newly-issued ordinary shares (including any share premium) in compliance with the above-mentioned limits as set out in the Board of Directors' Report to the Shareholders' Meeting under the applicable regulations".

April

As announced in the Interim Report on Operations as at 31 March 2013, the Ordinary Shareholder' Meeting of 29 April 2013, approved the election of Mr. Pietro Giovanni Corsa as Deputy Chairman of the Board of Directors, further to the resignation of Mr. Turiddo Campaini who has remained in office as a Director.

As a result, changes were also made to the composition of the Executive Committee, which now consists of: Alessandro Profumo, Chairman; Marco Turchi, Deputy Chairman; Pietro Giovanni Corsa, Deputy Chairman; Alberto Giovanni Aleotti, Director; Lorenzo Gorgoni, Director and Fabrizio Viola, Managing Director.

In particular, following adoption of the December 2011 issue of the Corporate Governance Code for listed companies, Mr. Fabrizio Viola was appointed by the Board of Directors on 20 December 2012 as “Director in charge of the internal control and risk management system”, as set out in the “Report on Corporate Governance and Ownership Structure” approved by the BoD on 28 March 2013.

May

- On 14 May 2013, the Board of Directors appointed Mr. Arturo Betunio “Chief Reporting Officer” effective 10 June 2013, date of his hiring as Head of Administration and Control.
- On 22 May 2013 an injunction was served on Board member Michele Briamonte by the Preliminary Investigations Judge of the Court of Siena banning him from the exercise of his functions as member of the Board of Directors of the Bank. Further to the injunction, on 28 May 2013, the BoD decided to suspend Mr. Briamonte for two months from the office of Board director, pursuant to art. 6 of Regulation no. 161/1998 of the Italian Ministry of Treasury, Budget and Economic Planning, concerning requirements of professional experience and integrity of bank representatives.
- Mr. Gianni Tarozzi's letter of resignation from the position of alternate auditor was received on 28 May 2013.

June

On 13 June 2013, the Board of Directors resolved that the Extraordinary and Ordinary Shareholders' Meetings be held in Siena on 18 and 19 July 2013, on first and second call respectively, with the Extraordinary session's agenda including a proposed resolution on Amendments to articles 9, 13, 15, 16, 17, 18, 21, 22, 26 and 27 of the Articles of Association and the Ordinary session's agenda including, under item 1) Potential measures to be taken pursuant to art. 6, para. 2 of Regulation no. 161 of 18 March 1998 of the Italian Ministry of the Treasury, Budget and Economic Planning, concerning requirements of professional experience and integrity of bank representatives, with regard to the reinstatement or revocation of Mr. Michele Briamonte and, under item 2) Appointment of an alternate auditor to the Board of Statutory Auditors.

Main activities of the Parent Company's Board of Directors

January

- Guidelines for the Online Bank Project approved.
- Investments Disposal Plan defined, in a logic of deleveraging and consistent risk-return profile.

February

- Issuance of new government-backed Financial Instruments completed for a total of EUR 4,071 million.
- New Private Banking Area set up.
- As part of the management renewal initiatives in place, hiring of new Head of Legal and new Head of On-line banking.
- Completion of the process for the acceptance in full of all eligible employees' applications for admission to the Solidarity Fund, for a total of 1,660 early-retirement outflows, with consequent activation of mobility processes to ensure prompt and suitable coverage of organisational positions.
- Liability actions and claims for damages lodged against the Bank's former management as well as against Nomura and Deutsche Bank in relation to certain structured transactions carried out in previous years.

March

- Restament of prior-year accounts upon approval of the Draft Annual Report for 2012 due to errors in the accounting treatment of the structured transactions named “Alexandria”, “Santorini”, “Nota Italia”, and personnel costs.

April

- Hiring of the new Head of Administration and Control, entrusted also with the role of Chief Reporting Officer in May.
- Appointment of new Head of Credit Division.
- Merger of Banca Antonveneta, with consequent creation of the Antonveneta Regional Area in BMPS as part of BMPS' (only) Branch Network.
- Elimination of the Compliance and Legal Division with ensuing reorganisation of the Legal Area and Risk Division.
- Launch of the MPSponsor Minibond Project.

May

- Merger of MPS Gestione Crediti Banca in BMPS, with consequent creation of the new Credit Management Area as part of the Credit Division and rationalisation of activities and units.
- Suspension of Mr. Michele Briamonte from the office of director declared by the Board.

June

- Approval of the ”Restructuring Plan” to be submitted to the European Commission, as required by procedures connected with the subscription of New Financial Instruments by the Ministry of Economy and Finance.
- Approval of proposed amendments to the Articles of Association for submission to the Shareholders' Meeting of 18 July.

Assessment of Board of Directors' Performance

In line with international best practices and provisions of the Corporate Governance Code, the Board of Directors proceeded with a self-assessment of the performance of the Board and its Committees in 2012 (Board Review 2012). The objective of the review was to make a structured assessment of the Board of Directors' operational effectiveness and identify improvement opportunities for the Board to best accomplish its role of providing direction and control to a complex organisation.

The 2012 Board Review followed the methodology of direct interviews with Board members on the size, composition and operating practices of the Board and its Committees. The interviews were conducted by senior consultants from Spencer Stuart which, for both qualitative and economic reasons, was considered the most appropriate company for this task. Furthermore, the BoD meeting minutes were reviewed to gain insight into the Board's internal dynamics.

A substantially positive picture emerged from the interviews: Board members emphasised that the wide variety of issues addressed saw their utmost engagement, a positive approach, and an open and frank dialogue. With regard to the areas for improvement that emerged from the interviews, the Board has defined an Action Plan, with a view to increasing the operational effectiveness of the Board and its Committees and enabling members to best fulfil their role.

Related-party transactions

Information on major Related-party transactions may be found in Part H of the Notes to the Financial Statements.

Compliance and business ethics

Policy

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

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

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

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

Indicators	**31/03/2013**
Compliance - VaSCo (scale: 1-6)	
Anti-usury	4.46
Transparency in banking transactions	4.04
Privacy	3.70
Administrative responsibilities	3.52
Transactions with related and associated parties	4.15
Market abuse	5.23
MiFID Directive	3.98
Anti-money laundering and counter-terrorism	2.85
Consumer protection	3.92

The review of the Compliance assessment model (VaSCo) was completed in the first quarter of 2013. The system scores and weights were expanded and remodulated on a scale consistent with the assessment methodology used by the Bank of Italy for their inspections and final synthetic scores. The scale of assessment has changed with scoring levels increasing from 5 to 6.
For these reasons, a like-for-like comparison between 1Q2013 data and prior data is not possible.

The compliance management system

The Compliance Function of the Parent Company (Compliance Area) oversees and governs the compliance process and adherence to supervisory rules and regulations across the Group. The Area also has the operational task of: managing claims and Alternative Dispute Resolution with customers; assessing the quality of services provided; overseeing the application of legal obligations in relation to anti-money laundering and counter-terrorism (Know-your- customer checks strengthened).

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

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

The main improvement actions undertaken during the period included the:

- update of internal rules on the management and control of non-compliance risk in order to further extend their scope of application and align them with new guidelines for the drafting of regulations;
- review of Model 231/2001 and the Group's Code of Ethics, in course of completion;
- strengthening of anti-money laundering, development of dedicated IT tools, higher number of dedicated resources;
- development of synergies with the Internal Audit and Risk Management functions with a view to increasing the effectiveness of compliance checks, partly through remote monitoring techniques.

Non-compliance

Within the regulatory areas having the greatest impact on the Group's activities, two sanction measures were received for violations of anti-money laundering rules, referring to different timeframes for the same Branch. The sanctions, for a total amount of EUR 1,242,738, were challenged by the Bank through an appeal filed with the competent Court in Rome.

The Group's activities were, in some cases, found to be non-compliant with regulations regarding the sale of products and services, leading to a total cost of approximately EUR 3.8 mln. In addition, 5,603 complaints were received during the first half of the year and 5,444 claims were settled for a total cost of approximately EUR 4.7 mln.

Legal proceedings

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

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

It should also be noted that:

- in accordance with notifications by the judicial authorities, investigations are currently being conducted by the magistrates into financial transactions for funding of the acquisition of Banca Antonveneta and existing loans to the Monte dei Paschi di Siena Foundation. In this regard, the Parent Company initiated, against members of the previous management and third parties involved in the same investigations, a series of preliminary actions for compensation of damages, conditional upon positive developments in the civil lawsuits already instituted and any potential criminal lawsuits the Bank may file or in which it may claim damages as a civil party. On the other hand, as part of the same civil proceedings instituted by the Parent Company for liability actions and claims for damages, it cannot be excluded that the Parent Company may possibly be claimed against for further damages in a cross-action, which may reduce, even significantly, the prospects for compensation in its favour. The Parent Company is claimed against for compensation of damages by investors who entered into financial transactions connected with the capital strengthening initiatives put in place by the Bank in prior years. These claims were lodged on the basis of purportedly inaccurate disclosure of information by the Bank in the course of the transactions;
- on 28/1/2013 Codacons filed an appeal with the Lazio Regional Administrative Court (TAR) seeking annulment of the resolution whereby the Executive Board of the Bank of Italy gave the go-ahead for the issue of “Monti bonds” in favour of the Bank. On 22/02/2013 the Court rejected Condacons' appeal. On 2/3/2013 Condacons lodged a new appeal with the Regional Administrative Court, disputing the measure with which the Ministry of the Economy completed the issuance of “Monti bonds”;
- whereas the Italian Antitrust Authority (“AGCM”), with its resolution of 15 July 2009, had initiated proceedings to ascertain whether art. 81 of the EC Treaty had been breached by some companies and banking institutions[4] including Banca MPS, the latter has rejected all commitments undertaken in the meantime by all parties involved, as it considered them inappropriate to solve the anti-competitive concerns focused upon in the proceedings. In this regard, AGCM imposed on Banca MPS an administrative fine of EUR 910 thousand with the order to abstain "from applying the rules of the circuit to which the license agreements are referred, and of contractual clauses with merchants which restrict competitive freedom in the Acquiring market." The proceeding has been appealed against before the first section of the Regional Administrative Court of Lazio, which accepted the appeal on 11 July 2011, partly declaring the challenged deeds null and void. In turn, AGCM has lodged an appeal, requesting a review of the case. The hearing has not yet been set.

[4] Namely: MasterCard Incorporated, MasterCard International Incorporated, MasterCard Europe Srl, Banca Nazionale del Lavoro SpA, Banca Sella Holding SpA, Barclays Bank Plc., Deutsche Bank SpA, Intesa San Paolo SpA, ICBPI S.p.A., Unicredit SpA and BMPS.

Remuneration policies

During the first half of the year, the implementation of remuneration policies remained largely in line with 2012 market trends, aimed at delivering the strategic objectives set out in the 2012-2015 Business Plan, with particular focus on those relating to the improvement of the Group's efficiency and productivity profile.

Measures falling within this scope include the remuneration cost containment actions introduced with the Agreement of 19/12/2012 (e.g. work suspension; overtime reduction, easier access to part-time work and extended leave, suspension of per diem allowances in the refunding of work missions), reduction in the Gross Annual Salary of highest-remunerated Executives (an initiative for the overall duration of one year, as of July 2012), re-alignment of Executives' remuneration with their post-reorganisation roles in the company, also in line with market standards.

During the six-month period, actions for the Group's management reduction/turnover continued, with evident effects on the cost of labour: the contracts for the Group's newly hired managers, drafted in accordance with the policies approved by the Shareholders' Meeting, are reflective of an overall economic value that is significantly lower than the amount granted to executives no longer in office.

At the beginning of the year, the short-term incentive system was reviewed: "Work by Objectives" ("WBO") is the incentive lever that, inspired by the value of teamwork, attaches importance to each person's contribution to achieving corporate goals. Despite the particular circumstances, in order to reward employees for their commitment to pursuing the company relaunch objectives and compatibly with the plan for the Bank's growth and capital strengthening, the WbO performance management model has been introduced exclusively for the sales and distribution units in 2013, on condition thatthe pre-set requirements of applicability and overall sustainability are in place.

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

Integrated risk and capital management

Risk governance and management models

Risk governance system

The risk governance system adopted by the Group is characterised in particular by a clear-cut distinction of roles and responsibilities of the different functions at first, second and third levels of control. During the first half of 2013, the organisational structure was further improved with a view to ensuring greater forcefulness to the Group's internal control system and to the effectiveness of the entire risk management and control process.

- The Board of Directors of the Parent Company defines strategic guidelines and risk management policies and, at least once a year, sets the overall level of risk appetite for the Group also quantitatively in terms of Economic Capital.
- The Board of Statutory Auditors and the Internal Control Committee evaluate the level of efficiency and adequacy of the Internal Controls Systems with particular regard to risk control.
- 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 setting up and maintaining an effective system of internal control and risk management;
- General Management is responsible for ensuring compliance with risk policies and procedures.
- The Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels; proposes the allocation of capital to be submitted to the BoD for approval; evaluates the risk profile reached and therefore the capital consumption (Regulatory and Economic) at both Group level and for each individual company of the Group; analyses risk-return performance indicators.
- The Finance and Liquidity Committee formulates the principles and strategic guidelines relating to proprietary finance; it resolves upon and submits proposals regarding exposure to interest rate and liquidity risk in the banking book and defines capital management actions.
- 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 the compliance of operations and risk trends (also through on-site inspections) and at assessing the efficiency of the overall internal control system with a view to improving the effectiveness and efficiency of the organisation.
- The Risk Division, reporting directly to the Chief Executive Officer, has the task of ensuring the overall functioning of the risk management system; it supervises capital adequacy assessments and the definition of risk appetite; it defines strategic guidelines for loan portfolios; it is tasked with monitoring compliance and anti-money laundering. The Risk Division also ensures the necessary reporting flows to the Group's Top Management and Governance bodies. In the Parent Company's new organisational structure launched in May 2013, the Risk Division includes the Risk Management Area and the Compliance Area.
- The Risk Management Area defines the integrated methods of risk measurement/analysis and ensures they are constantly monitored. It develops the internal risk models and monitors compliance with the operational limits set by the BoD.
- The Compliance Area performs the functions of ensuring control of compliance and anti-money laundering, processes customers' out-of-court claims and assesses the quality of customer service. The Area also validates rules and regulations from a compliance perspective.
- The Business Control Units (BCUs) which are internal to the Group banks and main areas of business of the Parent Company, carry out conformity checks on transactions and are the first level of organisational supervision of operations within the more general system of Internal Controls. Since 2012, the BCUs of the Group Finance Area have been allocated to the Risk Management Area.

Requirements of autonomy and independence of the Risk Division

Autonomy and independence of the Risk Division are ensured by requirements which include:

- the appointment/revocation and definition of remuneration for the Head of the Risk Division by the BoD on the advice of the Director in charge of the Internal Control and Risk Management System, in agreement with the Chairman of the Board of Directors, following the favourable opinion of the Control and Risk Committee, having obtained the opinion of the Board of Statutory Auditors and with the support of the Human Resources and Internal Communications Division.

Activities relating to the international Regulatory framework

- Pillar 1: since 2008, the Group has used internal models validated by the Bank of Italy for the measurement and management of credit risk (AIRB - Advanced Internal Rating Based) and operational risk (AMA - Advanced Measurement Approach). Over time, these models have been further developed and their scope of application extended to Group entities originally not included in the initial scope of validation; furthermore, activities continued to be put in place to improve the internal models for market and counterparty risks. In 2012, authorisation was given to extend the use of the AIRB to Group company, MPS Leasing&Factoring for credit risk.
- Pillar 2: a number of actions were undertaken during the year to further improve the Group's Internal Capital Adequacy Assessment Process (ICAAP) which was disclosed to the Bank of Italy as required.
- Pillar 3: public disclosure is provided on a quarterly basis through the Group's internet site at www.mps.it/Investor+Relations and is continuously updated in accordance with regulatory developments.

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

An analysis of the Group's Economic Capital

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

Key risks for the Group

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

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

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

Risk assessment models

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

Internally-developed measurement models are mainly used. They are based on a Value-at-risk (VaR) approach.

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

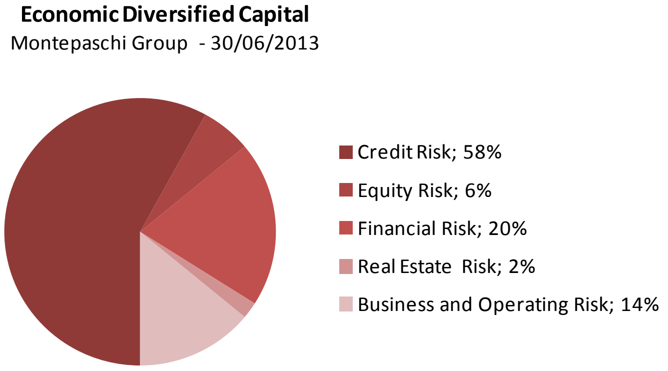
The table below illustrates the salient features of the individual internal models adopted by risk type, with the final column showing their processing within a logic of risk integration for the purpose of calculating Economic Capital.

Risk measurement models - key features

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

Other measurable risk factors of significance (e.g. Issuer Risk, UCITS risk) are included in the Economic Capital, on an add-on, non-diversified basis. Their quantification for Economic Capital purposes is carried out on the basis of methodologies borrowed from the regulatory supervisory approaches

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



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

Value Based Management

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

Structured Credit products

Management Models

The Group allocates a part of its capital to equity investments, with the following objectives:

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

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

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

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

In particular:

- Positions in securities, mainly taken in the form of cash instruments, have a total book value of EUR 1,217.82 mln, accounting for approximately 0.57% of consolidated assets, broken down as follows: EUR 992.23 mln (82%) posted to Item 60 "Loans to banks" and 70 "Loans to customers"; EUR 208.09 mln (17%) to Item 20 "Financial assets held for trading" and EUR 17.5 mln (1%) to Item 40 "Financial assets available for sale". It should be noted that not all structured credit products embed credit derivatives which need to be separated from their host contract for IAS/IFRS purposes. For this reason, they differ from the "Structured securities" reported in the Notes to the Financial Statements;
- Derivative positions, held through credit derivatives on standardised indices, have a total book value of EUR -11.97 mln.

Positions in securities

As at 30/06/2013, positions in securities on structured credit products amounted to a nominal value of EUR 1,313.68, for a total book value of EUR 1,217.82 mln.

The positions are mainly allocated to the Banking Book (book value of 1,082.58 mln; 89% of the total) with a prevalence for CLN structures (53%) followed by CDOs (25%) and ABSs and Leveraged Finance to a lower degree (22%).

Investments in the Regulatory Trading Portfolio, for a book value of approx. EUR 135.24 mln (11% of the total), consist of CDOs (61%) and ABSs (39%).

Operations in the first half of 2013 generated a positive P&L impact of EUR 24.31 mln.

Structured Credit products: total exposure

Securities positions

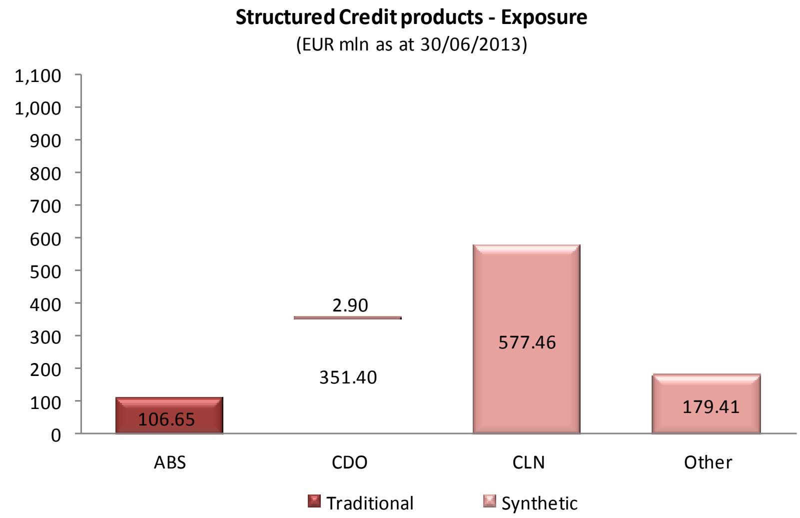
(EUR mln as at 30/06/2013)

Classification	Instrument Category	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
Banking Book	ABS	58.38	53.78	0.64	0.22	0.39
	CDO	289.86	271.93	-0.84	-0.26	0.02
	CLN	583.54	577.46	19.96	-7.79	0.00
	Leveraged Finance	200.00	179.41	0.00	3.28	0.00
	Banking Book Total	**1,131.78**	**1,082.58**	**19.76**	**-4.55**	**0.41**
Trading Book	ABS	60.41	52.87	1.00	0.88	0.00
	CDO	121.49	82.37	10.43	-3.21	0.00
	Trading Book Total	**181.90**	**135.24**	**11.43**	**-2.33**	**0.00**
Structured Credit products total - 30/06/2013		**1,313.68**	**1,217.82**	**31.19**	**-6.88**	**0.41**

The data is divided into macro-categories of structured credit products and includes nominal amount, risk exposure and P&L impact for the first half of 2013. More specifically, for the risk exposure of positions in securities, the tables report the book value which reflects economic loss in the event of default with a very conservative estimated recovery of zero. "Realised expense and income" consist in losses and profits from trading for the period of reference. "Devaluations and revaluations with a P&L effect show the change in book value directly posted to P&L. In the case of instruments classified as Available For Sale (AFS), devaluations and revaluations show the change in book value posted under net equity reserve.

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

Main changes in the first half of 2013: in January, the Parent Company restructured the "Nota Italia" notes by removing the component linked to Italy's sovereign risk. Restructuring involved settlement of the derivative payable.



Traditional Structure: investments in funded structures which do not embed credit derivatives.
Synthetic Structure: funded and unfunded structures which embed credit derivatives.
Traditional structures account for 38% and synthetic for 62% of total risk exposure.

Structured Credit products
(EUR mln as at 30/06/2013)

Rating	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	2.32	2.15	-0.15	0.00	0.00
AA+	11.50	11.01	0.06	0.07	0.00
AA-	200.00	179.41	0.00	3.28	0.00
A+	0.42	0.39	-1.13	0.05	0.00
A	9.10	9.08	0.18	-0.02	0.00
A-	490.55	509.89	21.11	-8.77	-0.02
BBB+	85.97	67.82	0.70	1.18	0.41
BBB	109.70	83.76	0.07	0.70	0.00
BBB-	195.23	194.36	-0.73	0.00	0.00
BB+	0.00	0.00	0.39	0.00	0.00
B	0.00	0.00	5.49	0.00	0.00
B-	57.56	55.46	0.64	0.00	0.00
CCC-	17.51	1.24	4.55	0.10	0.00
CC	105.14	79.47	0.00	-3.21	0.00
Not Rated	28.68	23.78	0.01	-0.26	0.02
Total	**1,313.68**	**1,217.82**	**31.19**	**-6.88**	**0.41**

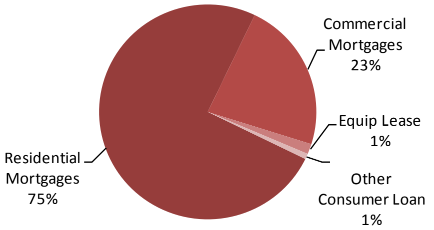
84% of nominal exposures is made up by Investment Grade Securities (with rating up to BBB-) with Subinvestment Grade or Non Rated securities making up the remaining 16%.

ABS Exposures

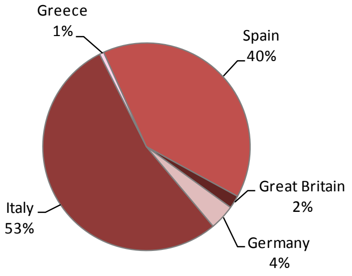
ABS Exposure
(EUR mln as at 30/06/2013)

Classification	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
RMBS	81.85	79.49	0.61	-0.16	0.39
CMBS	32.33	24.63	0.37	1.26	0
Other ABS	4.61	2.53	0.66	0	0
Total	**118.79**	**106.65**	**1.64**	**1.10**	**0.39**

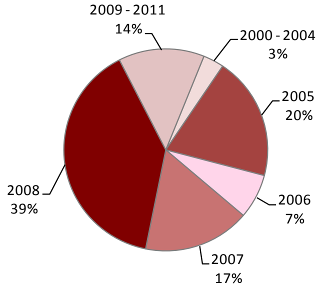
Breakdown of underlying assets by segment



Breakdown of underlying assets by geography



Breakdown of underlying assets by vintage



98% of the book value refers to positions with underlying residential and commercial mortgages which make up 75% and 23% respectively.

In terms of book value, 53% of ABS exposures are allocated to Italian underlying assets, 40% to Spanish, 2% to British and 4% to German. A negligible residual percentage engages Greek underlying assets and those originated by US vehicles.

CDO Exposures

Breakdown by type of product and tranche seniority
(EUR/mln as at 30/06/2013)

Classification	Seniority	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CBO	JUNIOR	4.58	3.39	0.00	-0.27	0.00
CBO	SENIOR	105.14	79.47	0.39	-3.21	0.00
CDO di ABS	SENIOR	265.56	249.23	-0.85	0.00	0.00
CLO	MEZZANINE	19.72	19.31	0.01	0.01	0.02
Managed CDO	MEZZANINE	1.35	0.00	0.00	0.00	0.00
Managed CDO	SENIOR	15.00	2.90	10.04	0.00	0.00
Total		**411.35**	**354.30**	**9.59**	**-3.47**	**0.02**

The main category is represented by ABS CDOs (70%). Senior tranches make up approx. 94% of the entire portfolio. There are no positions with underlying assets originated by US vehicles.

CLN exposures and Leveraged Finance

The nominal value of CLN exposures as at 30/06/2013 was EUR 583.54 mln (entirely contained in the Banking Book), a decrease with respect to the end of 2012 following the sale of a security in May for a nominal amount of EUR 100 mln.

CLN Exposure
(EUR mln as at 30/06/2013)

Classification	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPE CLN	583.54	577.46	19.96	-7.79	0.00
Total	**583.54**	**577.46**	**19.96**	**-7.79**	**0.00**

As at 30/06/2013, there was only one security classified as a Leveraged Loan (LL) for a total nominal amount of EUT 200 mln.

Leveraged Finance
(EUR mln as at 30/06/2013)

Classification	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
LL	200.00	179.41	0.00	3.28	0.00
Total	**200.00**	**179.41**	**0.00**	**3.28**	**0.00**

Credit Derivative Positions

Credit Index Positions
(EUR mln as at 30/06/2013)

Index	Nominal	Risk Exposure	Profit/Loss
CDX Investment grade	26.26	-6.76	0.00
iTraxx Europe	36.83	-3.24	-0.59
iTraxx Crossover	15.00	0.13	0.00
iTraxx Financial Senior	-15.00	0.22	-1.02
iTraxx Sovereing WE	-160.60	-1.18	0.00
iTraxx Financial Sub	-10.00	-1.15	0.00
iTraxx Hivol	0.00	0.01	0.00
Total	**-107.51**	**-11.97**	**-1.61**

All exposures embed derivatives on standardised credit indices and are all posted to the Trading Book. More specifically, there are positions on indices such as iTraxx (European market) and CDX (US market and emerging markets). Positions with a negative nominal value mitigate the overall portfolio risk since they benefit from creditworthiness deterioration of underlying assets, as represented by the widening of credit spreads. Positions with a positive nominal value are added, in terms of risk exposure, to the securities portfolio. Overall, derivative exposures came to a notional amount of EUR -107.51 mln for a book value of EUR -11.97 mln as at 30/06/2013. Trading in the first half of 2013 generated a limited negative P&L impact of EUR 1.61 mln.

Glossary of terms

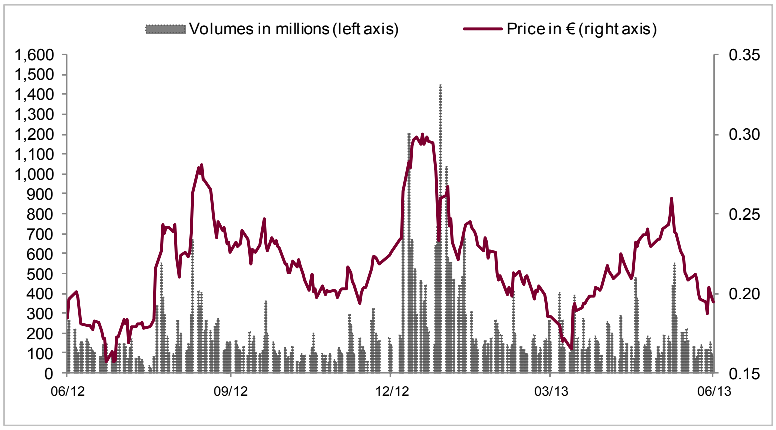
Account	Description	Definition
ABS	Asset Backed Security	Security which guarantees reimbursement and coupon flows based on income generated by a set of financial assets. Typically, they are broken down into RMBS and CMBS.
AFS	Available For Sale	IAS category used to classify assets available for sale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

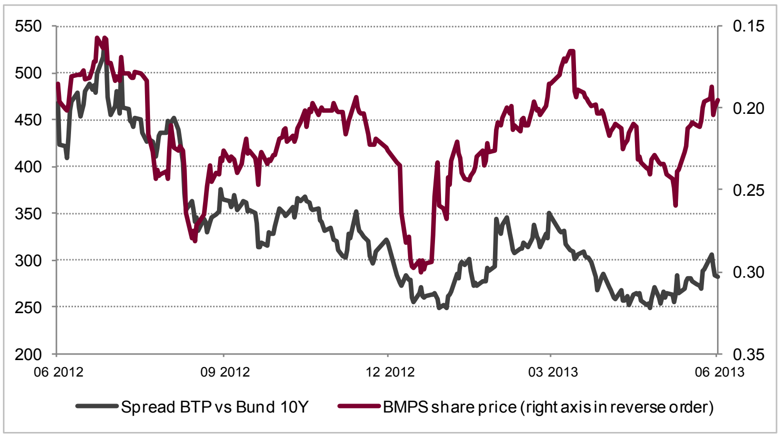
BMPS share price

Share price and trends

Uncertainty in the financial markets persists, with the 10-year Btp-Bund spread again in the region of 300 bps. Against this backdrop, BMPS shares closed the first half of 2013 at EUR 0.195 with a performance of -13.6% on the end of 2012, compared with an average fall of 17.3% for main competitors[5]. Banking sector indices were also down (DJ EURO STOXX BANKS -9.8% and FTSE IT BANKS -9.4%).

BMPS SHARE PRICE (from 30/06/2012 to 30/06/2013)





BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12//2012 to 30/06/2013)

Average	0.22
Lowest	0.17
Highest	0.30

In the first half of 2013 the number of BMPS shares traded on a daily basis averaged approx. 256.6 million with a peak of 1,449.2 million in January and a low of 56.7 million in April.

[5] Sample includes Unicredit, Intesa Sanpaolo, Unione di Banche Italiane, Banco Popolare, Banca Popolare di Milano, Banca Popolare dell'Emilia Romagna

MONTHLY VOLUMES OF SHARES TRADED

2013 volumes summary (EUR mln)

January	12,797
February	5,305
March	3,176
April	3,927
May	3,591
June	3,676

Ratings

BMPS ratings	Short-term debt	Outlook	Long-term debt	Outlook	Latest update
DBRS	R-2 (mid)	Stable	BBB	Negative	8 February 2013
Moody's	NP	-	B2	Negative	9 May 2013
Fitch Ratings	F3	-	BBB	Negative	20 June 2013

Following are the credit ratings assigned as at 30 June 2013:

- 08/02/2013 - DBRS affirmed its rating of 18/01/2013 when it initiated ratings coverage on BMPS. The rating was affirmed at investment grade, with long-term rating at 'BBB' with negative outlook and short-term rating at 'R-2 (mid)' with stable outlook.
- 09/05/2013 - Moody's downgraded the Issuer's long-term rating from 'Ba2' to 'B2', with negative outlook; short-term rating affirmed at 'NP'.
- 20/06/2013 - Fitch Ratings affirmed the ratings assigned to the issuer, particularly the long-term rating at 'BBB' and the short-term rating at 'F3'. The outlook is negative and is reflective of Italy's long-term Issuer Default Rating.

Further to Banca Monte dei Paschi di Siena S.p.A's request, the ratings agency, Standard & Poor's, communicated their withdrawal of the rating on 14 June 2013. Upon termination of the relationship, the long-term rating was lowered to 'B', with negative outlook, while the short term rating was affirmed at 'B'.

Investor relations

During the first half of the year, the investor relations team continued to focus on its interaction with retail and institutional investors, equity and fixed income analysts and rating agencies so as to ensure the constant flow of information to the market.
In the early months of 2013, the financial community focused its attention on the 2012 full-year results (presented in March) and those for the first quarter of 2013 (presented in May). Attention was also placed on the issuance of New Financial Instruments subscribed to by the Ministry of Economy and Finance in February 2013.

ANNEXES

Reconciliation between reclassified accounts and financial statement forms

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 June 2013 and related accounting tables

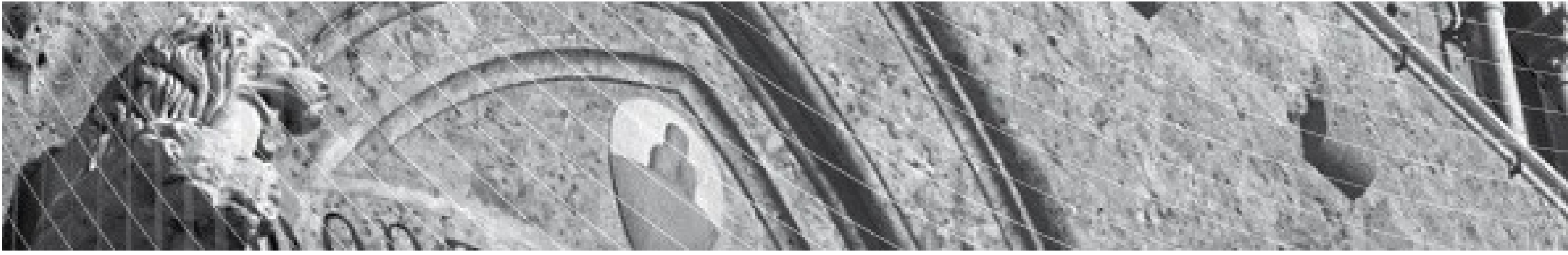
	Accounts in the Profit and Loss Statement - Montepaschi Group	30/06/2013 Accounting	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification of personnel expenses: early retirement charges	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	30/06/2013 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	3,069.2	-	-	-	-	18.3	-	
20	Interest expense and similar charges	(2,004.0)	-	-	-	-	-	-	
30	**Net interest income**	**1,065.1**	**-**	**-**	**-**	**-**	**18.3**	1,083.5	Net interest income
40	Fee and commission income	1,057.9	-	-	-	-	-	-	
50	Fee and commission expense	(209.3)	-	-	-	-	-	-	
60	**Net fee and commission income**	**848.6**	**-**	**-**	**-**	**-**	**-**	848.6	Net fee and commission income
								1,932.1	**Income from banking activities**
70	Dividends and similar income	13.1	(9.6)	62.3	-	-	-	65.8	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	112.6	9.6	-	-	-	-	-	
100	Gains/losses on disposal/repurchase of:	51.5	-	-	-	-	-	-	
	a) loans	*(1.7)*	-	-	-	-	-	-	
	b) financial assets available for sale	*53.3*	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	
	d) financial liabilities	*(0.1)*	-	-	-	-	-	-	
110	Net profit (loss) from financial assets and liabilities designated at fair value	22.7	-	-	-	-	-	-	
		-	-	-	-	-	-	196.3	Net profit (loss) from trading
90	Net profit (loss) from hedging	(4.9)	-	-	-	-	-	(4.9)	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2,108.7**	**-**	**62.3**	**-**	**-**	**18.3**	**2,189.4**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	**(1,051.1)**	**-**	-	**-**	**-**	**-**	(1,051.1)	Net impairment losses (reversals) on:
	a) loans	(1,029.0)	-	-	-	-	-	(1,029.0)	a) loans
	b) financial assets available for sale	*(18.8)*	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	
	d) other financial transactions	*(3.3)*	-	-	-	-	-	-	
			-	-	-	-	-	(22.0)	b) financial assets
140	**Net income from banking activities**	**1,057.7**	**-**	**62.3**	**-**	**-**	**18.3**	-	
150	Net premiums	-	-	-	-	-	-	-	
160	Other income/expenses (net) from insurance activities	-	-	-	-	-	-	-	
170	**Net income from financial and insurance activities**	**1,057.7**	**-**	**62.3**	**-**	**-**	**18.3**	**1,138.3**	**Net income from financial and insurance activities**
180	Administrative expenses:	(1,543.8)	-	-	17.6	132.5	-	(1,393.7)	Administrative expenses
	a) personnel expenses	(926.4)	-	-	17.6	-	-	(908.8)	a) Personnel expenses
	b) other administrative expenses	(617.4)	-	-	-	132.5	-	(484.9)	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	(38.4)	-	-	-	-	-	-	
210	Net adjustments to (recoveries on) intangible assets	(48.8)	-	-	-	-	13.8	-	
			-	-	-	-	-	(73.4)	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets
230	**Operating expenses**	**(1,631.0)**	**-**	**-**	**-**	**-**	**13.8**	**(1,467.1)**	**Operating expenses**
		-	**-**	**-**	**-**	**-**	**-**	**(328.8)**	**Net operating income**
190	Net provisions for risks and charges	(45.0)	-	-	-	-	-	-	
220	Other operating expenses/income	192.1	-	-	-	(132.5)	-	-	
		-	-	-	-	-	-	14.6	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	31.4	-	(62.3)	-	-	-	(30.8)	Gains (losses) on investments
		-	-	-	(17.6)	-	-	(17.6)	Restructuring charges
260	Impairment on goodwill	-	-	-	-	-	-	-	Impairment on goodwill
270	Gains (losses) on disposal of investments	(1.7)	-	-	-	-	-	(1.7)	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**(396.5)**	**-**	**-**	**-**	**-**	**32.1**	**(364.4)**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	16.6	-	-	-	-	(10.6)	6.0	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**(379.9)**	**-**	**-**	**-**	**-**	**21.5**	**(358.4)**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-	-	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**(379.9)**	**-**	**-**	**-**	**-**	**21.5**	**(358.4)**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	(0.1)	-	-	-	-	-	(0.1)	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**(380.0)**	**-**	**-**	**-**	**-**	**21.5**	**(358.5)**	**Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding**
		-	-	-	-	-	(21.5)	(21.5)	PPA (Purchase Price Allocation)
		-	-	-	-	-	-	-	Impairment on goodwill, intangibles and writedown of investment in AM Holding
								(380.0)	**Parent company's net profit (loss) for the period**

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 June 2012 and related accounting tables

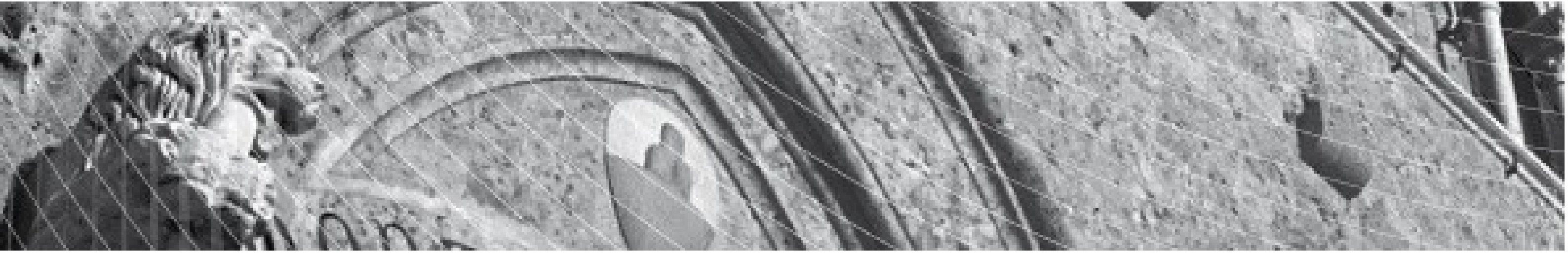
	Accounts in the Profit and Loss Statement - Montepaschi Group	30/06/2012 Accounting	Impairment of goodwill, intangibles and writedown of investment in AM Holding	Reclassification of personnel expenses: early retirement charges	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification of L&R securities to Financial Assets.	Costs relating to financial plans	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	Economic effects from allocation of BAV acquisition costs to MPS IMMOBILIARE (PPA ex BAV Real Estate)	Economic effects from allocation of BAV acquisition costs (PPA)	30/06/2012 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	3,584.7	-	-	-	-	-	-	-	15.1	-	8.4	-	
20	Interest expense and similar charges	(1,937.1)	-	-	-	-	-	-	-	-	-	-	-	
30	**Net interest income**	**1,647.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.1**	**-**	**8.4**	1,671.1	Net interest income
40	Fee and commission income	1,028.0	-	-	-	-	-	-	-	-	-	-	-	
50	Fee and commission expense	(191.1)	-	-	-	-	-	-	-	-	-	-	-	
60	**Net fee and commission income**	**836.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	836.9	Net fee and commission income
													2,507.9	**Income from banking activities**
70	Dividends and similar income	57.9	-	-	(55.2)	36.3	-	-	-	-	-	-	39.1	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	54.9	-	-	55.2	-	-	-	-	-	-	-	-	
100	Gains/losses on disposal/repurchase of:	33.1	-	-	-	-	-	-	-	-	-	-	-	
	a) loans	*4.5*	-	-	-	-	-	-	-	-	-	-	-	
	b) financial assets available for sale	*32.1*	-	-	-	-	-	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	-	-	-	-	-	
	d) financial liabilities	*(3.6)*	-	-	-	-	-	-	-	-	-	-	-	
110	Net profit (loss) from financial assets and liabilities designated at fair value	115.3	-	-	-	-		-	-	-	-	-	-	
													258.4	Net profit (loss) from trading
90	Net profit (loss) from hedging	5.1	-	-	-	-	-	-	-	-	-	-	5.1	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2,750.7**	**-**	**-**	**-**	**36.3**	**-**	**-**	**-**	**15.1**	**-**	**8.4**	**2,810.5**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	**(956.2)**	**-**	**-**	**-**	**-**	**-**	1.6	**-**	**-**	**-**	**-**	(954.6)	Net impairment losses (reversals) on:
	a) loans	(849.9)	-	-	-	-	9.3	1.6	-	-	-	-	(839.0)	a) loans
	b) financial assets available for sale	*(92.1)*	-	-	-	-	(9.3)	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	-	-	-	-	-	
	d) other financial transactions	*(14.3)*	-	-	-	-	-	-	-	-	-	-	-	
													(115.6)	b) financial assets
140	**Net income from banking activities**	**1,794.5**	**-**	**-**	**-**	**36.3**	**-**	**1.6**	**-**	**15.1**	**-**	**8.4**	-	
150	Net premiums	-	-	-	-	-	-	-	-	-	-	-	-	
160	Other income/expenses (net) from insurance activities	-	-	-	-	-	-	-	-	-	-	-	-	
170	**Net income from financial and insurance activities**	**1,794.5**	**-**	**-**	**-**	**36.3**	**-**	**1.6**	**-**	**15.1**	**-**	**8.4**	**1,855.8**	**Net income from financial and insurance activities**
180	Administrative expenses:	(1,715.3)	-	21.1	-	-	-	-	145.5	-	-	-	(1,548.7)	Administrative expenses
	a) personnel expenses	(1,051.2)	-	21.1	-	-	-	-	-	-	-	-	(1,030.2)	a) Personnel expenses
	b) other administrative expenses	(664.1)	-	-	-	-	-	-	145.5	-	-	-	(518.6)	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	(35.6)	-	-	-	-	-	-	-	-	1.8	-	-	
210	Net adjustments to (recoveries on) intangible assets	(120.5)	47.5	-	-	-	-	-	-	8.7	-	7.0	-	
													(91.1)	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible
230	**Operating expenses**	**(1,871.4)**	**47.5**	**-**	**-**	**-**	**-**	**(1.6)**	**-**	**8.7**	**1.8**	**7.0**	**(1,639.8)**	**Operating expenses**
		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**216.0**	**Net operating income**
190	Net provisions for risks and charges	(50.0)	-	-	-	-	-	-	-	-	-	-	-	
220	Other operating expenses/income	102.7	-	-	-	-	-	(1.6)	(145.5)	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	(94.4)	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	20.2	14.3	-	-	(36.3)	-	-	-	-	-	-	(1.8)	Gains (losses) on investments
		-	-	(21.1)	-	-	-	-	-	-	-	-	(21.1)	Restructuring charges
260	Impairment on goodwill	(1,528.0)	1,528.0	-	-	-	-	-	-	-	-	-	-	Impairment on goodwill
270	Gains (losses) on disposal of investments	0.8	-	-	-	-	-	-	-	-	-	-	0.8	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**(1,531.2)**	**1,589.8**	**-**	**-**	**-**	**-**	**-**	**-**	**23.7**	**1.8**	**15.4**	**99.6**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	(26.6)	(15.5)	-	-	-	-	-	-	(7.8)	(0.6)	(4.9)	(55.4)	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**(1,557.8)**	**1,574.3**	**-**	**-**	**-**	**-**	**-**	**-**	**15.9**	**1.2**	**10.5**	**44.2**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10.7	-	-	-	-	-	-	-	-	-	-	10.7	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**(1,547.1)**	**1,574.3**	**-**	**-**	**-**	**-**	**-**	**-**	**15.9**	**1.2**	**10.5**	**54.8**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	(4.4)	-	-	-	-	-	-	-	-	-	-	(4.4)	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**(1,551.5)**	**1,574.3**	**-**	**-**	**-**	**-**	**-**	**-**	**15.9**	**1.2**	**10.5**	**50.5**	**Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding**
		-	**-**	-	-	-	-	-	-	(15.9)	(1.2)	(10.5)	(27.6)	PPA (Purchase Price Allocation)
		-	**(1,574.3)**	-	-	-	-	-	-	-	-	-	(1,574.3)	Impairment on goodwill, intangibles and writedown of investment in AM Holding
		(1,617.1)											**(1,551.5)**	**Parent company's net profit (loss) for the period**

Balance-sheet Items - Assets	30/06/13	31/12/12	Reclassified balance-sheet items - Assets
	684	**2,433**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	684	2,433	
			Loans and receivables
	138,082	**142,015**	**a) Loans to customers**
Item 70 – Loans to customers	138,082	142,015	
	12,240	**11,225**	**b) Loans to banks**
Item 60 – Loans to banks	12,240	11,225	
	50,702	**49,163**	**Held to maturity investments**
Item 20 – Financial assets held for trading	24,543	23,514	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	26,159	25,649	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	971	**1,040**	**Investments**
Item 100 – Equity investments	971	1,040	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	2,465	**2,526**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	1,305	1,334	
Item 130 – Intangible assets	1,160	1,192	
	9,775	**10,485**	**Other assets**
Item 80 – Hedging Derivatives	416	551	
Item 90 – Change in value of macro-hedged financial assets (+/-)	81	119	
Item 140 – Tax assets	5,457	6,128	
Item 150 – Non-current assets held for sale and discontinued operations	13	12	
Item 160 – Other assets	3,808	3,675	
Total Assets	**214,918**	**218,887**	**Total Assets**

Balance-sheet Items - Liabilities	30/06/13	31/12/12	Reclassified balance-sheet items - Liabilities
			Deposits
	137,078	**135,670**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	86,611	81,303	
Item 30 – Debt securities issued	38,788	39,940	
Item 50 – Financial liabilities designated at fair value	11,679	14,428	
	41,665	**43,323**	**b) Deposits from banks**
Item 10 – Deposits from banks	41,665	43,323	
	19,677	**21,517**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	19,677	21,517	
			Provisions for specific use
Item 110 – Provision for employee severance pay	269	317	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	48	48	
Item 120 - Provisions for risks and charges - b) other provisions	1,207	1,401	
	8,340	**10,213**	**Other liabilities**
Item 60 – Hedging Derivatives	4,366	5,575	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	39	164	
Item 90 – Liabilities associated to disposal groups held for sale	-	-	
Item 100 – Other liabilities	3,935	4,473	
	-	**-**	**Insurance reserves**
Item 130 – Insurance Reserves	-	-	
	6,631	**6,396**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	(1,714)	(2,285)	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	3	3	c) Capital instruments
Item 170 – Reserves	1,263	4,131	d) Reserves
Item 180 – Share premium reserve	-	255	e) Share premium reserves
Item 190 – Share Capital	7,485	7,485	f) Share capital
Item 200 – Treasury shares (-)	(25)	(25)	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	(380)	(3,168)	h) Profit (loss) for the period
	3	**3**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	3	3	
Total liabilities and shareholders' equity	**214,918**	**218,887**	**Total liabilities and shareholders' equity**



HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS: TABLES

Consolidated balance sheet

(in units of EUR)

	Assets	30 06 2013	31 12 2012*
10	Cash and cash equivalents	683,652,768	2,432,879,857
20	Financial assets held for trading	24,543,097,054	23,514,203,879
40	Financial assets available for sale	26,158,881,825	25,648,740,633
60	Loans to banks	12,239,690,472	11,224,988,612
70	Loans to customers	138,081,990,728	142,015,160,914
80	Hedging derivatives	416,128,975	551,093,100
90	Change in value of macro-hedged financial assets (+/-)	81,076,736	119,157,001
100	Equity investments	970,617,919	1,040,102,072
120	Property, plant and equipment	1,304,595,344	1,334,478,778
130	Intangible assets	1,159,974,762	1,191,502,071
	of which: goodwill	669,691,855	669,701,061
140	Tax assets	5,457,255,158	6,127,776,683
	a) current	*1,284,014,454*	912,438,405
	b) deferred	*4,173,240,704*	5,215,338,278
	of wich under law 214/2011	*2,113,256,773*	2,796,914,621
150	Non-current assets and groups of assets held for sale and discontinued operations	12,941,845	12,460,932
160	Other assets	3,807,709,923	3,674,803,451
	Total Assets	**214,917,613,509**	**218,887,347,983**

** As described in the section " Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*

follows: Consolidated balance sheet

(in units of EUR)

	Liabilities and Shareholders' Equity	30 06 2013	31 12 2012*
10	Deposits from banks	41,665,355,198	43,322,955,546
20	Deposits from customers	86,611,056,937	81,302,684,839
30	Debt securities issued	38,787,672,766	39,939,623,998
40	Financial liabilities held for trading	19,676,544,871	21,516,900,054
50	Financial liabilities designated at fair value	11,679,066,697	14,427,857,893
60	Hedging derivatives	4,366,229,769	5,574,797,946
80	Tax liabilities	38,747,226	164,469,717
	a) current	*28,353,130*	*115,312,040*
	b) deferred	*10,394,096*	*49,157,677*
100	Other liabilities	3,935,048,645	4,473,466,725
110	Provision for employee severance pay	269,095,320	317,352,200
120	Provisions for risks and charges:	1,254,694,833	1,448,562,626
	a) post-employment benefits	*47,605,604*	*47,971,097*
	b) other provisions	*1,207,089,229*	*1,400,591,529*
140	Valuation reserves	(1,714,347,470)	(2,284,792,763)
160	Equity instruments carried at equity	3,002,406	3,002,406
170	Reserves	1,262,600,047	4,130,772,398
180	Share premium	-	255,099,524
190	Share capital	7,484,508,171	7,484,508,171
200	Treasury shares (-)	(24,532,421)	(24,532,421)
210	Non-controlling interests (+/-)	2,849,943	2,855,856
220	Profit (loss) for the period (+/-)	(379,979,429)	(3,168,236,733)
	Total Liabilities and Shareholders' Equity	**214,917,613,509**	**218,887,347,983**

** As described in the section " Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*

Consolidated income statement

(in units of EUR)

		30 06 2013	30 06 2012*
10	Interest income and similar revenues	3,069,163,227	3,584,650,795
20	Interest expense and similar charges	(2,004,020,418)	(1,937,054,759)
30	**Net interest income**	**1,065,142,809**	**1,647,596,036**
40	Fee and commission income	1,057,942,768	1,027,959,107
50	Fee and commission expense	(209,339,121)	(191,096,387)
60	**Net fee and commission income**	**848,603,647**	**836,862,720**
70	Dividends and similar income	13,140,816	57,936,908
80	Net profit (loss) from trading	112,569,965	54,874,056
90	Net profit (loss) from hedging	(4,861,097)	5,058,086
100	Gains/losses on disposal/repurchase of:	51,469,431	33,118,546
	a) loans	*(1,672,050)*	*4,545,162*
	b) financial assets available for sale	*53,266,586*	*32,147,667*
	d) financial liabilities	*(125,105)*	*(3,574,283)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	22,682,314	115,262,491
120	**Net interest and other banking income**	**2,108,747,885**	**2,750,708,843**
130	Net impairment losses(reversals) on	(1,051,083,718)	(956,237,662)
	a) loans	*(1,029,038,754)*	*(849,852,798)*
	b) financial assets available for sale	*(18,792,669)*	*(92,121,274)*
	d) other financial transactions	*(3,252,295)*	*(14,263,590)*
140	**Net income from banking activities**	**1,057,664,167**	**1,794,471,181**
180	Administrative expenses:	(1,543,763,826)	(1,715,291,675)
	a) personnel expenses	*(926,369,275)*	*(1,051,229,603)*
	b) other administrative expenses	*(617,394,551)*	*(664,062,072)*
190	Net provisions for risks and charges	(44,973,205)	(50,010,755)
200	Net adjustments to (recoveries on) property, plant and equipment	(38,404,487)	(35,593,740)
210	Net adjustments to (recoveries on) intangible assets	(48,811,735)	(120,549,889)
220	Other operating expenses/income	192,052,011	102,731,829
230	**Operating expenses**	**(1,483,901,242)**	**(1,818,714,230)**
240	Gains (losses) on investments	31,434,688	20,186,359
260	Impairment on goodwill	-	(1,528,000,000)
270	Gains (losses) on disposal of investments	(1,673,648)	824,453
280	**Profit (loss) before tax from continuing operations**	**(396,476,035)**	**(1,531,232,237)**
290	Tax expense (recovery) on income from continuing operations	16,583,480	(26,577,512)
300	**Profit (loss) after tax from continuing operations**	**(379,892,555)**	**(1,557,809,749)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	10,671,273
320	**Profit (loss) for the period**	**(379,892,555)**	**(1,547,138,476)**
330	Profit (loss) for the period attributable to non-controlling interests	86,874	4,388,540
340	**Parent company's net profit (loss) for the period**	**(379,979,429)**	**(1,551,527,016)**

		30 06 2013	30 06 2012*
	Basic Earnings per Share (Basic EPS)	**(0.033)**	**(0.142)**
	of continuing operations	(0.033)	(0.143)
	of groups of assets held for sale and discontinued operations	-	0.001
	Diluted Earnings per Share (Diluted EPS)	**(0.033)**	**(0.142)**
	of continuing operations	(0.033)	(0.143)
	of groups of assets held for sale and discontinued operations	**-**	**0.001**

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

a) *changes arising from first-time application of Revisions to IAS 19 "Employee Benefits";*
b) *changes arising from the retrospective correction of errors identified during preparation of the 2012 accounts, which is referenced to for further details.*

Consolidated Statement of comprehensive income

(in units of EUR)

	Items	30 06 2013	30 06 2012*
10	**Profit (loss) for the period**	**(379,892,555)**	**(1,547,138,476)**
	Other comprehensive income after tax not recycled to profit and loss	**(4,039,098)**	**(2,988,000)**
20	Property, plant and equipment	-	-
30	Intangible assets	-	-
40	Actuarial gains (losses) on defined benefit plans	(4,039,098)	(2,988,000)
50	Non current assets held for sale	-	-
60	Share of valuation reserves of equity-accounted investments	-	-
	Other comprehensive income after tax recycled to profit and loss	**619,869,057**	**545,702,753**
70	Hedges on foreign investments	-	-
80	Exchange differences	204,305	1,244,600
90	Cash flow hedges	41,283,105	(24,645,316)
100	Financial assets available for sale	581,239,821	521,043,267
110	Non current assets held for sale	-	34,452,578
120	Share of valuation reserves of equity-accounted investments	(2,858,174)	13,607,624
130	**Total other comprehensive income after tax**	**615,829,959**	**542,714,753**
140	**Total comprehensive income (Item 10+130)**	**235,937,404**	**(1,004,423,723)**
150	Consolidated comprehensive income attributable to non-controlling interests	92,524	11,372,956
160	**Consolidated comprehensive income attributable to Parent Company**	**235,844,880**	**(1,015,796,679)**

** As described in the section " Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*

Consolidated statement of Changes in shareholders' Equity

(in units of EUR)

	Balance as at 31.12.2012*	Changes in opening balances	Balance as at 1/1/2013	Allocation of profit from prior year: Reserves	Allocation of profit from prior year: Dividends and other payout	Changes during the year: Changes in reserves	Changes during the year: Issue of new shares	Changes during the year: Purchase of treasury shares	Changes during the year: Extraordinary distribution of dividends	Changes during the year: Changes in equity instruments	Changes during the year: Treasury shares derivatives	Changes during the year: Stock options	Changes during the year: Otehr changes	Changes during the year: Total comprehensive income for 30/06/2013	Total equity as at 30/06/2013	Group equity as at 30/06/2013	Non-controlling interests as at 30/06/2013
Share capital:	7.485.338.511	-	7.485.338.511	-	-	-	-	-	-	-	-	-	(1.955)	-	7.485.336.556	7.484.508.171	828.385
a) ordinary shares	7.485.338.511	-	7.485.338.511	-	-	-	-	-	-	-	-	-	(1.955)	-	7.485.336.556	7.484.508.171	828.385
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	255.310.585	-	255.310.585	(255.099.524)	-	-	-	-	-	-	-	-	-	-	211.061	-	211.061
Reserves:	4.152.945.232	-	4.152.945.232	(2.889.439.678)	-	(413.422)	-	-	-	-	-	-	-	-	1.263.092.132	1.262.600.047	492.085
a) from profits	4.150.990.111	-	4.150.990.111	(1.942.915.108)	-	(413.422)	-	-	-	-	-	-	-	-	2.207.661.581	2.207.169.496	492.085
b) other	1.955.121	-	1.955.121	(946.524.570)	-	-	-	-	-	-	-	-	-	-	(944.569.449)	(944.569.449)	-
Valuation reserves	(2.283.566.875)	-	(2.283.566.875)	(45.379.016)	-	-	-	-	-	-	-	-	-	615.829.959	(1.713.115.932)	(1.714.347.470)	1.231.538
Equity instruments	3.002.406	-	3.002.406	-	-	-	-	-	-	-	-	-	-	-	3.002.406	3.002.406	-
Treasury shares	(24.532.421)	-	(24.532.421)	-	-	-	-	-	-	-	-	-	-	-	(24.532.421)	(24.532.421)	-
Net profit (loss) for the period	(3.189.820.999)	-	(3.189.820.999)	3.189.918.218	(97.219)	-	-	-	-	-	-	-	-	(379.832.555)	(379.832.555)	(379.979.429)	86.874
Total equity	6.398.676.439	-	6.398.676.439	-	(97.219)	(413.422)	-	-	-	-	-	-	(1.955)	235.937.404	6.634.101.247	6.631.251.303	2.849.943
Group equity	6.395.820.583	-	6.395.820.583	-	-	(414.160)	-	-	-	-	-	-	-	235.844.880	6.631.251.303	-	X
Non-controlling interests	2.855.856	-	2.855.856	-	(97.219)	738	-	-	-	-	-	-	(1.955)	92.524	2.849.944	X	-

With respect to published accounts, prior period balances are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits", described in the section " Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) which is referenced to for further details.

As at 30 June 2013, the Group's net equity including non-controlling interests and profit for the period amounted to EUR 6,634.1 mln, as compared to EUR 6,398.7 mln as at 31 December 2012.

The Parent Company's profit for the period is -EUR 380.0 mln, whereas the profit for the period attributable to non-controlling interests is +EUR 0.1 mln.

The parent company's share of the EUR 3,189.9 mln Group loss for 2012 was absorbed, as approved by the Shareholders' Meeting of 29 April 2012, by using share premiums for an amount of EUR 255.1 mln, retained earnings for a total of EUR 1,942.9 mln, other reserves for an amount of EUR 946.5 mln and valuation reserves for a total of EUR 45.4 mln.

(in units of EUR)

	Balance as at 31/12/2011	Changes in opening balances	Balance as at 1/1/2012*	Allocation of profit from prior year		Changes during the year								Total equity as at 30 06 2012	Group equity 30 06 2012	Non-controlling interests as at 30 06 2012
						Changes in reserves	Shareholders' equity transactions						Total comprehensive income at 30 06 2012			
				Reserves	Dividends and other payout		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Treasury shares derivatives	Stock options				
Share capital:	6.782.520.700	-	6.782.520.700	-	-	-	752.092.117	-	-	-	-	-	-	7.534.612.817	7.484.508.171	50.104.646
a) ordinary shares	6.313.022.356	-	6.313.022.356	-	-	-	1.221.590.461	-	-	-	-	-	-	7.534.612.817	7.484.508.171	50.104.646
b) other shares	469.498.344	-	469.498.344	-	-	-	(469.498.344)	-	-	-	-	-	-	-	-	-
Share premium	4.131.276.419	-	4.131.276.419	-3.110.509.186	-	(6.657)	(752.261.506)	-	-	-	-	-	-	268.499.070	255.099.524	13.399.546
Reserves:	5.843.262.357	-	5.843.262.357	(1.593.042.956)	-	(58.720.273)	-	-	-	-	-	-	-	4.191.499.128	4.131.076.096	60.423.032
a) from profits	5.841.307.236	-	5.841.307.236	-1.593.042.956	-	(58.741.319)	-	-	-	-	-	-	-	4.189.522.961	4.129.099.929	60.423.032
b) other	1.955.121	-	1.955.121	-	-	21.046	-	-	-	-	-	-	-	1.976.167	1.976.167	-
Valuation reserves	(3.754.940.895)	(52.095.210)	(3.807.036.105)	-	-	-	-	-	-	-	-	-	543.047.829	(3.263.988.276)	(3.358.323.205)	94.334.929
Equity instruments	1.903.002.406	-	1.903.002.406	-	-	-	-	-	-	-	-	-	-	1.903.002.406	1.903.002.406	-
Treasury shares	(26.460.508)	-	(26.460.508)	-	-	-	3.601.395	(1.791.295)	-	-	-	-	-	(24.650.408)	(24.650.408)	-
Net profit (loss) for the period	(4.697.804.117)	2.298.808	(4.695.505.309)	4.703.552.142	(5.748.025)	-	-	-	-	-	-	-	(1.547.138.477)	(1.544.839.669)	(1.549.228.209)	4.388.540
Group equity	10.180.856.362	(49.796.402)	10.131.059.960	-	(5.748.025)	(58.726.930)	3.432.006	(1.791.295)	-	-	-	-	(1.004.090.648)	9.064.135.068	8.841.484.375	222.650.693
Group equity	9.963.654.554	(49.796.402)	9.913.858.152	-	-	(58.720.273)	3.601.395	(1.791.295)	-	-	-	-	(1.015.463.604)	8.841.484.375		X
Non-controlling interests	217.201.808	-	217.201.808	-	(5.748.025)	(6.657)	(169.389)	-	-	-	-	-	11.372.956	222.650.693	X	

With respect to published accounts, prior period balances are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits", described in the section " Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) which is referenced to for further details.

As at 30 June 2012, the Group's net equity including non-controlling interests and profit for the period amounted to EUR 9,064.1 mln, as compared to EUR 10,131.1 mln as at 1 January 2012.
The Parent Company's profit for the period is -EUR 1,549.2 mln, whereas the profit for the period attributable to non-controlling interests is +EUR 4.4 mln.
The parent company's share of the EUR 4,695.5 mln Group loss for 2011 was absorbed by using reserves, as approved by the Shareholders' Meeting of 27 April 2012.
The column "Dividends and other distributions" shows dividends paid out to third parties by subsidiary Biver for an amount of EUR 5.7 mln.

Following is a list of major equity transactions occurring in the period.

A. Conversion of savings shares into ordinary shares approved by the Shareholders' Meeting of 1 February 2012, leading to an increase in ordinary shares in the column "Issue of new shares" and a corresponding decrease in "other shares" by EUR 12.6 mln;
B. The sale by the shareholder, Monte dei Paschi di Siena Foundation, of its preferred shares, resulting in the automatic conversion into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares". Such conversion involved an increase in ordinary shares and a corresponding decrease in other shares by EUR 456.9 mln.
C. Capital increase without consideration approved by the Shareholders Meeting on 1 February 2012 by way of capitalisation of the share premium for an amount of EUR 752.3 mln recognised upon issuance of the "2008 F.R.E.S.H." notes. The capital increase resulted in an increase in ordinary shares in the column "Issue of new shares" and a decrease in share premiums by EUR 752.3 mln.

Consolidated cash flow statement: indirect method

(in units of EUR)

A. OPERATING ACTIVITIES	30 06 2013	30 06 2012*
1. Cash flow from operations	**326,042,686**	**1,430,222,233**
profit (loss) for the period (+/-)	(379,892,555)	(1,547,138,477)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(490,647,514)	141,330,747
Net profit (loss) from hedging	4,861,097	(5,276,760)
net impairment losses/reversals	1,028,621,781	2,544,325,125
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	87,216,222	156,143,630
net provisions for risks and charges and other costs/revenues (+/-)	55,744,687	59,794,609
tax espense (recovery) on income from continuing operations	(16,583,481)	26,577,512
net losses/reversal on impairment on proups of assets held for sale and discontinued operations, after tax (+/-)	-	14,771,463
other adjustments	36,722,449	39,694,384
2. Cash flow from (used in) financial assets	**2,618,687,139**	**6,851,661,541**
financial assets held for trading	(696,867,165)	3,115,661,433
financial assets designated at fair value	-	38,412,959
financial assets available for sale	347,882,146	1,029,545,986
sales/repayment of financial assets held to maturity	-	-
loans to banks: on demand	(1,013,910,229)	3,546,708,126
loans to customers	2,928,384,808	(978,882,429)
hedging derivatives	-	-
other assets	1,053,197,579	100,215,466
3. Cash flow from (used in) financial liabilities	**(4,748,652,754)**	**(8,348,407,779)**
deposits from banks: on demand	(1,657,600,347)	(114,737,683)
depostits from customers	5,308,372,098	(7,824,226,696)
debt securities issued	(1,151,951,232)	1,363,773,495
financial liabilities held for trading	(1,821,047,178)	3,643,322,529
financial liabilities designated at fair value	(2,609,477,699)	(4,929,254,075)
hedging derivatives	-	-
other liabilities	(2,816,948,396)	(487,285,349)
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**(1,803,922,929)**	**(66,524,005)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**77,172,592**	**9,804,291**
sales of equity investments	-	58,814
dividends collected on equity investments	68,773,496	8,565,004
sales/repayment of financial assets held to maturity	7,682,900	-
sales of property, plant and equipment	716,196	1,180,473
sales of intangible assets	-	-
sales of subsidiaries and undertakings	-	-
2. Cash flow used in	**(25,373,372)**	**(61,246,099)**
purchase of property, plant and equipment	(7,959,157)	(35,515,742)
purchase of intangible assets	(17,414,215)	(25,730,357)
Net cash flow from (used in) investment activities	**51,799,220**	**(51,441,808)**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	-	1,810,100
dividend distribution and other	2,896,620	(62,604,499)
issue of new shares	-	-
Net cash flow from (used in) funding activities	**2,896,620**	**(60,794,399)**
	-	-
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**(1,749,227,089)**	**(178,760,212)**

Reconciliation

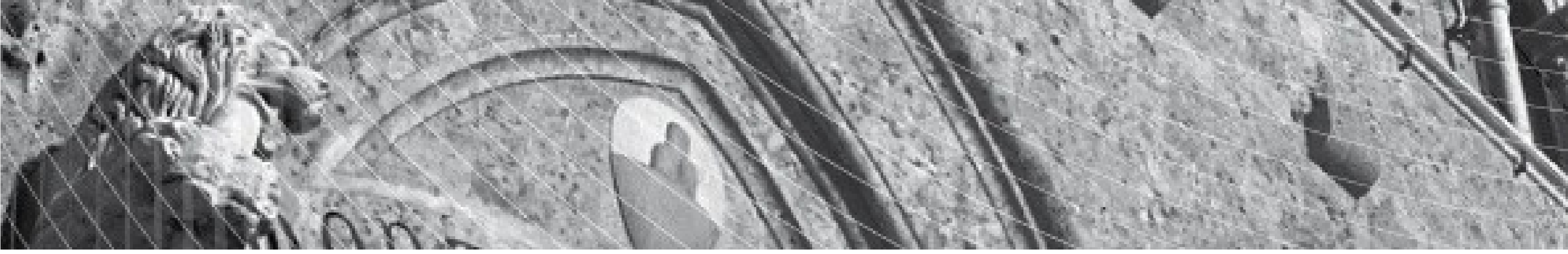
(in units of EUR)

Accounts	**30 06 2013**	**30 06 2012***
Cash and cash equivalents at beginning of period	2,432,879,857	877,783,821
Net increase (decrease) in cash and cash equivalents	(1,749,227,089)	(178,760,212)
Cash and cash equivalents at end of period	683,652,768	699,023,609

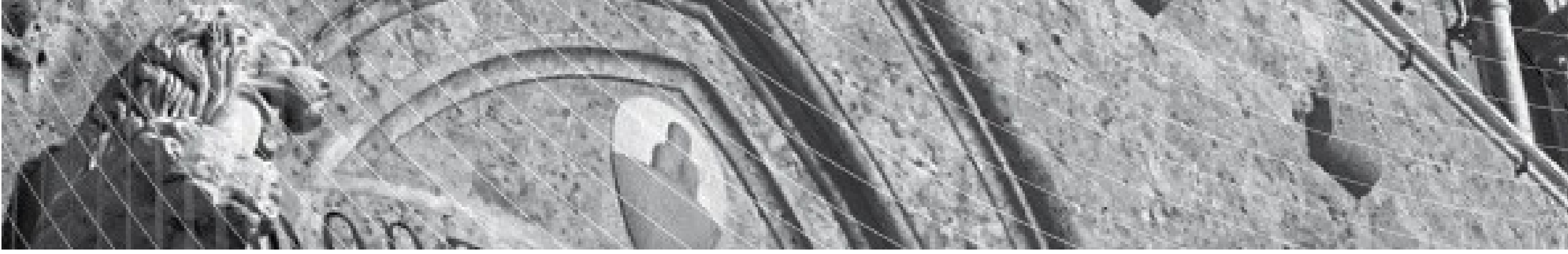
**As described in the section " Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of :*

a) changes arising from first-time application of Revisions to IAS 19 "Employee Benefits";
b) changes arising from the retrospective correction of errors identified during preparation of the 2012 accounts, which is referenced to for further details.

"Cash and cash equivalents at end of period", as at 30 June 2012, amounting to EUR 699,023,610 includes item 10 of the balance sheet "Cash and cash equivalents" for an amount of EUR 677,610,507 and an additional EUR 21,413,103 included in line "Other assets" of item 150 of the balance sheet "Non-current assets and groups of assets held for sale and discontinued operations".



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

Introduction

As of this half-year condensed consolidated financial statements, the Group has for the first time adopted **the amended "Employee benefits" standard, IAS 19**, endorsed by the European Commission under Regulation no. 475/2012 of 5 June 2012 and effective for annual periods beginning on or after 1 January 2013.

The most significant change in the amended IAS 19 standard is the introduction of a new approach to the recognition of actuarial gains and losses arising from defined benefit plans for which three alternative choices of recognition were possible under IAS 19, prior to the amendment:

1) full recognition through profit and loss;
2) full recognition in other comprehensive income;
3) recognition through profit and loss of the portion exceeding 10% of the greater of the defined benefit obligation or the fair value of plan assets ("corridor method").

As part of its accounting policies, the Group had adopted the 'corridor method'. As amended, the standard will require the use of one accounting method only, consisting in the recognition of all actuarial gains and losses arising from defined benefit plans in other comprehensive income (OCI); the items recognised in OCI will not be recycled through profit or loss.

The revised standard also requires interest expense or income to be calculated on the net defined benefit liability (asset) by applying the discount rate (used to measure the defined benefit obligation) to the net defined benefit liability (asset). For this purpose, account is taken of contributions and benefits paid during the reporting period. The Net interest component so calculated measures changes in the net defined benefit asset or liability due to the time value of money.

In accordance with IAS 8, the retrospective application of revised IAS 19 had a negative impact of EUR 55.9 mln on the Group's net equity as at 31/12/2012, net of tax effect. Prior period accounts have been re-calculated to retrospectively reflect the changes introduced by the amendment. Reported below are the comparative statements of balance sheet and P&L accounts which were restated to reflect the impact arising from the retrospective application of revised IAS 19.

Moreover, it is noted that comparative data as at 30 June 2012 reported in the profit and loss account, comprehensive income statement and cash flow statement was restated to also take account of the retrospective correction of errors identified during preparation of the 2012 accounts, in relation to transactions 'Alexandria', 'Santorini', 'Nota Italia' and personnel expenses. For further details on the correction of these errors, see section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the Notes to the 2012 Financial Statements.

Balance sheet

	Assets	01 01 2012	First application of revised IAS 19	01 01 2012 (restated)
10	Cash and cash equivalents	877,784	-	877,784
20	Financial assets held for trading	32,539,184	-	32,539,184
30	Financial assets designated at fair value	38,231	-	38,231
40	Financial assets available for sale	22,904,656	-	22,904,656
50	Financial assets held to maturity	2	-	2
60	Loans to banks	20,695,447	-	20,695,447
70	Loans to customers	146,609,097	-	146,609,097
80	Hedging derivatives	363,351	-	363,351
90	Change in value of macro-hedged financial assets (+/-)	76,310	-	76,310
100	Equity investments	894,642	-	894,642
120	Property, plant and equipment	1,384,965	-	1,384,965
130	Intangible assets	2,980,416	-	2,980,416
	of which: goodwill	2,216,339	-	2,216,339
140	Tax assets	7,316,044	2,568	7,318,612
	a) current	550,694	-	550,694
	b) deferred	6,765,351	2,568	6,767,919
	under Law 214/2011	3,631,060	-	3,631,060
150	Non-current assets and groups of assets held for sale and discontinued operations	2,158	-	2,158
160	Other assets	4,111,589	-	4,111,589
	Total Assets	**240,793,876**	**2,568**	**240,796,444**

	Assets	31 12 2012	First application of revised IAS 19	31 12 2012 (restated)
10	Cash and cash equivalents	2,432,880	-	2,432,880
20	Financial assets held for trading	23,514,204	-	23,514,204
40	Financial assets available for sale	25,648,741	-	25,648,741
60	Loans to banks	11,224,989	-	11,224,989
70	Loans to customers	142,015,161	-	142,015,161
80	Hedging derivatives	551,093	-	551,093
90	Change in value of macro-hedged financial assets (+/-)	119,157	-	119,157
100	Equity investments	1,040,102	-	1,040,102
120	Property, plant and equipment	1,334,479	-	1,334,479
130	Intangible assets	1,191,502	-	1,191,502
	of which: goodwill	*669,701*	-	*669,701*
140	Tax assets	6,122,598	5,178	6,127,777
	a) current	*912,438*	-	*912,438*
	b) deferred	*5,210,160*	*5,178*	*5,215,338*
	under Law 214/2011	*2,796,915*	-	*2,796,915*
150	Non-current assets and groups of assets held for sale and discontinued operations	12,461	-	12,461
160	Other assets	3,674,803	-	3,674,803
	Total Assets	**218,882,170**	**5,178**	**218,887,348**

	Liabilities and Shareholders' Equity	01 01 2012	First application of revised IAS 19	01 01 2012 (restated)
10	Deposits from banks	47,120,764	-	47,120,764
20	Deposits from customers	84,294,736	-	84,294,736
30	Debt securities issued	39,814,649	-	39,814,649
40	Financial liabilities held for trading	26,514,882	-	26,514,882
50	Financial liabilities designated at fair value	22,498,694	-	22,498,694
60	Hedging derivatives	4,359,400	-	4,359,400
80	Tax liabilities	319,109	(16,318)	302,791
	a) current	218,244	(16,318)	201,926
	b) deferred	100,864	-	100,864
100	Other liabilities	4,216,613	-	4,216,613
110	Provision for employee severance pay	265,905	68,683	334,588
120	Provisions for risks and charges:	1,208,267	-	1,208,267
	a) post-employment benefits	192,596	-	192,596
	b) other provisions	1,015,672	-	1,015,672
140	Valuation reserves	(3,842,291)	(52,095)	(3,894,387)
160	Equity instruments carried at equity	1,903,002	-	1,903,002
170	Reserves	5,773,627	-	5,773,627
180	Share premium	4,117,870	-	4,117,870
190	Share capital	6,732,247	-	6,732,247
200	Treasury shares (-)	(26,461)	-	(26,461)
210	Non-controlling interests (+/-)	217,202	-	217,202
220	Profit (loss) for the period (+/-)	(4,694,339)	2,299	(4,692,041)
	Total Liabilities and Shareholders' Equity	**240,793,876**	**2,568**	**240,796,444**

	Liabilities and Shareholders' Equity	31 12 2012	First application of revised IAS 19	31 12 2012 (restated)
10	Deposits from banks	43,322,956	-	43,322,956
20	Deposits from customers	81,302,685	-	81,302,685
30	Debt securities issued	39,939,624	-	39,939,624
40	Financial liabilities held for trading	21,516,900	-	21,516,900
50	Financial liabilities designated at fair value	14,427,858	-	14,427,858
60	Hedging derivatives	5,574,798	-	5,574,798
80	Tax liabilities	180,506	(16,036)	164,470
	a) current	131,348	(16,036)	115,312
	b) deferred	49,158	-	49,158
100	Other liabilities	4,480,350	(6,883)	4,473,467
110	Provision for employee severance pay	241,633	75,719	317,352
120	Provisions for risks and charges:	1,440,250	8,313	1,448,563
	a) post-employment benefits	39,658	8,313	47,971
	b) other provisions	1,400,592	-	1,400,592
140	Valuation reserves	(2,224,461)	(60,331)	(2,284,793)
160	Equity instruments carried at equity	3,002	-	3,002
170	Reserves	4,128,474	2,299	4,130,772
180	Share premium	255,100	-	255,100
190	Share capital	7,484,508	-	7,484,508
200	Treasury shares (-)	(24,532)	-	(24,532)
210	Non-controlling interests (+/-)	2,856	-	2,856
220	Profit (loss) for the period (+/-)	(3,170,335)	2,098	(3,168,237)
	Total Liabilities and Shareholders' Equity	**218,882,170**	**5,178**	**218,887,348**

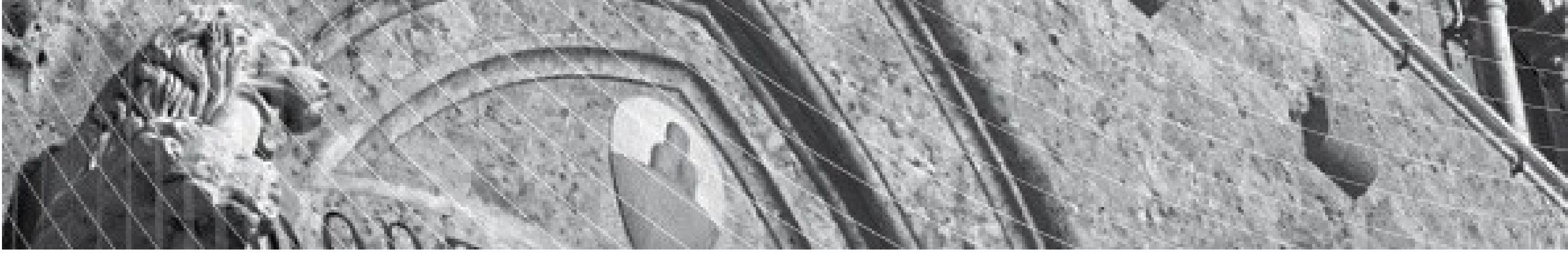
Income statement

	Items	30 06 2012	Restatement adjustments	First application of revised IAS 19	30 06 2012 (restated)
10	Interest income and similar revenues	3,584,318	333	-	3,584,651
20	Interest expense and similar charges	(1,954,065)	17,011	-	(1,937,055)
30	**Net interest income**	**1,630,252**	**17,344**	**-**	**1,647,596**
40	Fee and commission income	1,027,959	-	-	1,027,959
50	Fee and commission expense	(191,096)	-	-	(191,096)
60	**Net fee and commission income**	**836,863**	**-**	**-**	**836,863**
70	Dividends and similar income	57,937	-	-	57,937
80	Net profit (loss) from trading	68,274	(13,400)	-	54,874
90	Net profit (loss) from hedging	5,058	-	-	5,058
100	Gains/losses on disposal/repurchase of:	33,119	-	-	33,119
	a) loans	*4,545*	-	-	*4,545*
	b) financial assets available for sale	*32,148*	-	-	*32,148*
	d) financial liabilities	*(3,574)*	-	-	*(3,574)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	115,262	-	-	115,262
120	**Net interest and other banking income**	**2,746,765**	**3,944**	**-**	**2,750,709**
130	Net impairment losses(reversals) on	(956,238)	-	-	(956,238)
	a) loans	*(849,853)*	-	-	*(849,853)*
	b) financial assets available for sale	*(92,121)*	-	-	*(92,121)*
	d) other financial transactions	*(14,264)*	-	-	*(14,264)*
140	**Net income from banking activities**	**1,790,527**	**3,944**	**-**	**1,794,471**
180	Administrative expenses:	(1,744,839)	28,100	1,447	(1,715,292)
	a) personnel expenses	*(1,080,777)*	*28,100*	*1,447*	*(1,051,230)*
	b) other administrative expenses	*(664,062)*	-	-	*(664,062)*
190	Net provisions for risks and charges	(61,411)	11,400	-	(50,011)
200	Net adjustments to (recoveries on) property, plant and equipment	(35,594)	-	-	(35,594)
210	Net adjustments to (recoveries on) intangible assets	(120,550)	-	-	(120,550)
220	Other operating expenses/income	80,532	22,200	-	102,732
230	**Operating expenses**	**(1,881,862)**	**61,700**	**1,447**	**(1,818,714)**
240	Gains (losses) on investments	20,186	-	-	20,186
260	Impairment on goodwill	(1,528,000)	-	-	(1,528,000)
270	Gains (losses) on disposal of investments	824	-	-	824
280	**Profit (loss) before tax from continuing operations**	**(1,598,323)**	**65,644**	**1,447**	**(1,531,232)**
290	Tax expense (recovery) on income from continuing operations	(25,107)	(1,072)	(398)	(26,578)
300	**Profit (loss) after tax from continuing operations**	**(1,623,431)**	**64,572**	**1,049**	**(1,557,810)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10,671	-	-	10,671
320	**Profit (loss) for the period**	**(1,612,760)**	**64,572**	**1,049**	**(1,547,138)**
330	Profit (loss) for the period attributable to non-controlling interests	4,389	-	-	4,389
340	**Parent company's net profit (loss) for the period**	**(1,617,148)**	**64,572**	**1,049**	**(1,551,527)**

		30 06 2012	Restatement adjustments	First application of revised IAS 19	30 06 2012 (restated)
	Basic Earnings per Share (Basic EPS)	**(0.148)**	**(0.006)**	**-**	**(0.142)**
	of continuing operations	(0.149)	(0.006)	-	(0.143)
	of groups of assets held for sale and discontinued operations	0.001	-	-	0.001
	Diluted Earnings per Share (Diluted EPS)	**(0.148)**	**(0.006)**	**-**	**(0.142)**
	of continuing operations	(0.149)	(0.006)	-	(0.143)
	of groups of assets held for sale and discontinued operations	0.001	-	-	0.001

Statement of comprehensive income

	Items	30 06 2012	Restatement adjustments	First application of revised IAS 19	30 06 2012 (restated)
10	**Profit (loss) for the period**	**(1,612,760)**	**64,572**	**1,049**	**(1,547,139)**
	Other comprehensive income after tax not recycled to profit and loss	**-**	**-**	**(2,988)**	**(2,988)**
20	Property, plant and equipment	-	-	-	-
30	Intangible assets	-	-	-	-
40	Actuarial gains (losses) on defined benefit plans	-	-	(2,988)	(2,988)
50	Non current assets held for sale	-	-	-	-
60	Share of valuation reserves of equity-accounted investments	-	-	-	-
	Other comprehensive income after tax recycled to profit and loss	**546,037**	**(333)**	**-**	**545,704**
70	Hedges on foreign investments	-	-	-	-
80	Exchange differences	1,245	-	-	1,245
90	Cash flow hedges	(24,645)	-	-	(24,645)
100	Financial assets available for sale	521,376	(333)	-	521,043
110	Non current assets held for sale	34,453	-	-	34,453
120	Share of valuation reserves of equity-accounted investments	13,608	-	-	13,608
130	**Total other comprehensive income after tax**	**546,037**	**(333)**	**(2,988)**	**542,716**
140	**Total comprehensive income (Item 10+130)**	**(1,066,723)**	**64,239**	**(1,939)**	**(1,004,423)**
150	Consolidated comprehensive income attributable to non-controlling interests	11,373	-	-	11,373
160	**Consolidated comprehensive income attributable to Parent Company**	**(1,078,096)**	**64,239**	**(1,939)**	**(1,015,796)**



Part A – Accounting Policies

A.1 – General

Pursuant to art. 154-ter paragraph 3 of the Consolidated Law on Finance, the Montepaschi Group Condensed Consolidated Half-Year Report as at 30 June 2013 was prepared in accordance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission and effective at the time this half-year report was prepared, pursuant to EC Regulation no. 1606 of 19 July 2002.

In particular, the interim condensed consolidated financial statements as at 30 June 2013 was prepared in compliance with IAS 34 "Interim Financial Reporting" and in relation with provisions implementing art. 9 of Legislative Decree no. 38/2005. 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 Condensed Consolidated Half-Year Report are the same as those used for the preparation of the Consolidated Full-Year Report as at 31 December 2012, 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 2013.

As of this half-year condensed consolidated financial statements, the Group has for the first time adopted **the amended "Employee benefits" standard, IAS 19**, endorsed by the European Commission under Regulation no. 475/2012 of 5 June 2012 and effective for annual periods beginning on or after 1 January 2013, the effects of which are illustrated in the previous section.

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

In May 2011, the IASB issued the new accounting standard, **IFRS 13 "Fair Value Measurement"**. IFRS 13 establishes a single source of guidance for all fair value measurements so far required by the IFRSs, eliminating existing inconsistencies. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (exit price). The notion introduced by IFRS 13 is that fair value is a *market based* rather than an *entity specific* measurement. IFRS 13 also requires an entity to disclose information that helps users assess both (i) the valuation techniques and inputs used to measure assets and liabilities designated at fair value on a recurring or non-recurring basis after initial recognition, and (ii) the effect on profit or loss or other comprehensive income of fair value measurements that use significant unobservable inputs. The principle was endorsed by the European Commission with Regulation no. 1255/2012 on 11 December 2012 and is mandatorily to be applied for annual periods beginning on or after 1 January 2013. The adoption of the new standard has had no impact on the balance sheet and P&L of the Group. However, additional disclosure of qualitative and quantitative information on fair-value hierarchy and valuation techniques is now required.

In June 2011, the International Accounting Standard Board (IASB) published the **amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"**. The major amendment to IAS 1 introduces the requirement to present separately in OCI items that could be reclassified (or 'recycled') to profit or loss under certain circumstances (sale, impairment) from items which will never be reclassified. The principle was endorsed by the European Commission with Regulation no. 475/2012 on 5 June 2012 and is mandatorily to be applied for annual periods beginning on or after 1 July 2012. The adoption of the new standard has had no impact on the balance sheet and P&L of the Group; the statement of comprehensive income in the condensed consolidated report was adjusted to the new provisions of IAS 1.

Going concern

The Condensed Consolidated Half-Year Report was prepared based on a going concern assumption.

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Bank reasonably expects to continue operating in the foreseeable future and has therefore prepared the condensed consolidated half-year report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario affords no doubt as to the company's ability to continue operating as a going concern, as more extensively illustrated in the Interim Report on Operations and in consideration of the Restructuring Plan approved by the BoD on 13 June 2013 which is currently being examined by the European Commission.

The assessment criteria adopted are consistent with this assumption and reflect the generally accepted principles of accrual accounting, relevance and materiality of information and priority of economic substance over juridical form. These criteria did not undergo any amendments with respect to the previous financial period.

Risks and uncertainties relating to the use of estimates

In accordance with the IFRSs, management is required to formulate assessments, estimates and forecasts which 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 balance sheet. Estimates and related forecasts are based on past experience or other factors deemed reasonable at the time of preparing the financial results 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 book value recognised for the most significant items posted in the half-year condensed consolidated financial statements as at 30 June 2013, in accordance with the afore-mentioned 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 present values entered in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

For further details, see 2012 Annual Report.

Scope of consolidation

The half-year condensed consolidated financial statements 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 them being going concerns or wound-up companies, or of whether the equity investment consists in a *merchant banking* transaction. Similarly, special purpose entities/vehicles (SPEs/SPVs) are included when the requirement of actual control recurs, even if there is no stake in the company.

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

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2012 Consolidated Financial Statements, Part A "Accounting Policies".

Changes to the scope of consolidation

During the period, the following companies were removed from the scope of consolidation:

- "Mantegna Finance S.r.l." and "Monte Paschi Invest France S.p.A.S." as they were discontinued following liquidation;
- "Banca Antonveneta S.p.A." and "MPS Gestione Crediti Banca S.p.A." as they were merged into the Parent Company.

30 06 2013

		Name	Registered Office	Type of relationship (*)	Ownership Relationship		Available votes % (**)
					Held by	Shareholding %	
A		**Companies**					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena				
		A.1 Fully consolidated companies					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	1	A.0	99,921	99,921
A.2		MPS LEASING E FACTORING BANCA PER I SERVIZI	Siena	1	A.0	100,000	
A.3		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100,000	
A.4		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100,000	
A.5		CONSUM.IT S.p.a.	Florence	1	A.0	100,000	
A.6		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI	Siena	1	A.0	100,000	
A.7		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100,000	
A.8		G.IMM ASTOR S.r.l.	Lecce	1	A.0	52,000	
A.9		AIACE REOCO S.r.l.	Siena	1	A.0	100,000	
A.10		ENEA REOCO S.r.l.	Siena	1	A.0	100,000	
A.11		CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	1	A.0	99,820	99,940
				0	A.1	0,060	
				0	A.2	0,030	
				0	A.5	0,030	
A.12		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	1	A.0	100,000	
A.13		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	100,000	
A.14		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	
A.15		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100,000	
A.16		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	100,000	
	16.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR	Paris	0	A.16	100,000	
	16.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	0	A.16	100,000	
A.17		MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	1	A.0	99,200	100,000
				0	A.16	0,800	
A.18		MPS COVERED BOND S.r.l.	Conegliano	1	A.0	90,000	
A.19		MPS COVERED BOND 2 S.r.l.	Conegliano	1	A.0	90,000	
A.20		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60,000	
A.21		ANTONVENETA CAPITAL L.L.C. I	Delaware	1	A.0	100,000	
A.22		ANTONVENETA CAPITAL L.L.C. II	Delaware	1	A.0	100,000	
A.23		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100,000	
A.24		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100,000	
		A.2. Proportionately consolidated companies					
A.25		INTEGRA S.p.a.	Florence	7	A.5	50,000	
		Book value: 50% of nominal value					

(*) Type of relationship:
1 majority of voting rights at ordinary shareholders' meetings
2 dominant influence at ordinary shareholders' meetings
3 agreements with other shareholders
4 other forms of control
5 unified management under art. 26. 1. of Leg. Decree 87/92
6 unified management under art. 26. 2. of Leg. Decree 87/92
7 joint control
8 significant influence
(**) Voting rights are disclosed only if different from the percentage of ownership.

A.2 – The main items of the accounts

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

A.3 – Information on Fair Value

A.3.1 Portfolio transfers

A.3.1.1 Reclassified financial assets: book value, fair value and effect on comprehensive income

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 30 06 2013 (4)	Fair value at 30 06 2013 (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	55,355	55,355	1,981	137	1,981	1,697
Debt Securities	Trading	Loans to banks	34,608	30,676	3,228	556	(3)	440
Debt Securities	Trading	Loans to customers	452,852	380,505	(674)	8,383	(421)	8,481
Debt Securities	Available for sale	Loans to banks	47,273	45,151	(97)	1,365	125	771
Debt Securities	Available for sale	Loans to customers	1,011,551	731,665	60,200	12,014	(808)	9,298
Total			**1,601,639**	**1,243,352**	**64,638**	**22,455**	**874**	**20,687**

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 30.06.2013, the table also reports (columns 6 and 7) profit and loss results in terms of “value relevance” and “other” (profit/loss and interest from disposal), which the same financial instruments would have produced for the Group in the first half of 2013 had they not been transferred in 2008.

Columns 8 and 9, on the other hand, contain the profit and loss results in terms of “value relevance” and other” profit/loss and interest) from disposal) which the Group actually posted for these instruments in the first half of 2013.

A.3.2 Fair Value Hierarchy

In addition to the information provided in the latest Annual Report, which is referenced to for further details, it is noted that -regardless of whether measurement techniques adopted use non-observable market inputs- the Group deemed it appropriate and prudential to have Level 3 of the Fair Value hierarchy include any instruments not listed in active markets which are complex by their financial structure or for which there is no clear measurement method recognised as standard in the market and adjustable based on observable prices of comparable structures.

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

The processes used to measure level 3 instruments are based on a shared analysis of the types of instruments and underlying risk parameters by the Group's Business functions and Risk Management. The analysis is completed with the formulation of a pricing model and/or a model for determination of non-observable market inputs which is subject to final validation by Risk Management. At different time intervals depending on the type of instruments (though commonly on a monthly basis) on the back of directly observable market inputs, the Group's Business functions proceed with determining the non-observable market inputs and measuring instruments of level 3. The Risk Management function, based on a shared methodological approach, proceeds with the final validation of fair value. In support of this activity and with a view to ensuring an adequate level of 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.

No significant changes are reported with regard to measurement techniques adopted.

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.3.2.1 Accounting portfolios: breakdown by fair value levels

	30 06 2013				31 12 2012			
	Level1	Level 2	Level 3	Total	Level1	Level 2	Level 3	Total
1. Financial assets held for trading	8,782,536	15,654,528	106,033	24,543,097	6,879,782	16,525,317	109,105	23,514,204
2. Financial assets designated at fair value	-	-	-	-	-	-	-	-
3. Financial assets available for sale	24,488,828	1,516,562	153,492	26,158,882	23,927,910	1,530,060	190,771	25,648,741
4. Hedging derivatives	-	416,129	-	416,129	-	551,093	-	551,093
Total	**33,271,364**	**17,587,219**	**259,525**	**51,118,108**	**30,807,692**	**18,606,470**	**299,876**	**49,714,038**
1. Financial liabilities held for trading	3,543,796	16,081,870	50,879	19,676,545	3,701,525	17,770,377	44,998	21,516,900
2. Financial liabilities designated at fair value	-	11,679,067	-	11,679,067	-	14,427,858	-	14,427,858
3. Hedging derivatives	-	4,366,230	-	4,366,230	-	5,574,798	-	5,574,798
Total	**3,543,796**	**32,127,167**	**50,879**	**35,721,842**	**3,701,525**	**37,773,033**	**44,998**	**41,519,556**

A.3.2.2 Annual changes of financial assets designated at fair value (level 3)

30 06 2013

	FINANCIAL ASSETS			
	Held for trading	At fair value	Available for sale	Hedging derivatives
1. Opening balance	**109,105**	**-**	**190,771**	**-**
2. Increases	**32,906**	**-**	**70,676**	**-**
2.1 Purchases	-	-	62,326	-
2.2 Profits posted to:	13,112	-	6,972	-
2.2.1 Profit and Loss	13,112	-	1,448	-
- *of which capital gains*	3,068	-	-	-
2.2.2 Equity	X	X	5,524	-
2.3 Transfers from other levels	-	-	-	-
2.4. Other increases	19,794	-	1,378	-
3. Decreases	**35,978**	**-**	**107,955**	**-**
3.1 Sales	11,000	-	104,309	-
3.2 Redemptions	23,195	-	896	-
3.3 Losses posted to:	1,310	-	858	-
3.3.1 Profit and Loss	1,310	-	247	-
- *of which capital losses*	1,293	-	-	-
3.3.2 Equity	X	X	611	-
3.4 Transfers to other levels	-	-	-	-
3.5. Other decreases	473	-	1,892	-
IFRS 5 "Discontinuing operations"	-	-	-	-
4. Closing balance	**106,033**	**-**	**153,492**	**-**

A.3.2.3 Annual changes of financial liabilities designated at fair value (level 3)

30 06 2013

	FINANCIAL ASSETS		
	Held for trading	At fair value	Hedging derivatives
1. Opening balance	**44,998**	**-**	**-**
2. Increases	**15,740**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	15,518	-	-
2.2.1 Profit and Loss	15,518	-	-
- of which capital gains	14,043	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4. Other increases	222	-	-
3. Decreases	**9,859**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits posted to:	9,859	-	-
3.3.1 Profit and Loss	9,859	-	-
- of which capital losses	8,557	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**50,879**	**-**	**-**

A.3.4.1 a Fair value level 2: measurement techniques and inputs used

Items	Fair value 30 06 2013							Type	Valuation technique(s)	Inputs used
	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives			
Debt securities	602,405	-	277,208	X	-	11,679,067	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
								Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves +inputs necessary to measure optional component
								Bonds	Market price*	Market price*
Equity instruments	9	-	790,649	X	X	X	X		Market price*	Market price*
Units in UCITS	160,288	-	448,705	X	X	X	X		Market price*	Market price*
Loans/deposits	5,167,830	-	-	X	8,399,807	X	X		External Pricing/other methods	Periodic repricing
Financial derivatives	8,427,389	X	X	415,272	6,366,372	X	4,366,204	IR/Asset/Currency	Discounted Cash Flow	Curva dei tassi, Curve CDS, Basi(yield), Curve Inflazione, Tassi di cambio, Correlazione Tassi
								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
								Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
								Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs
								Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto Correlation, Equity/Equity correlation
								Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface),Model inputs,Quanto correlation, Equity/Equitycorrelation
								Tasso Plain	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 derivatives	1,296,607	X	X	857	1,315,691	X	26	Credit Index	Market price*	Market price*
								Default swaps	Discounted Cash Flow	CDS curves, Interest rate curve
								Cdo tranche	Discounted Cash Flow	Market price*, Basis, CDS curves, Base Correlation, interest rate curve
Total assets	**15,654,528**	**-**	**1,516,562**	**416,129**						
Total liabilities					**16,081,870**	**11,679,067**	**4,366,230**			

*: prices for identical financial instruments quoted on non-active markets (IFRS 13 para. 82, section b).

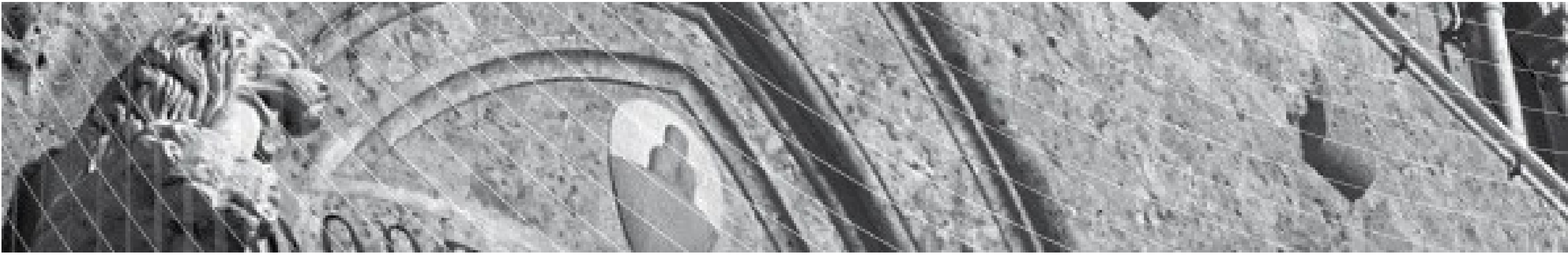
A.3.4.1 b Fair value level 3: measurement techniques and inputs used

Type of financial instruments	Fair value as at 30 06 2013							Type	Valuation technique(s)	Unobservable inputs	Range (weighted average)
	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives				
Debt securities	75,751	-	102,397	X	-	-	X	Bonds	Discounted Cash Flow	Liquidity base	0-100 bps; 0.25-0.75
								Bonds	Fair value of Collateral	Collataral components	1-5 multiplying factor; benchmark base
								Bonds	External Pricing	Offered quotes	0-5 €mln
Equity instruments	29,959	-	51,095	X	X	X	X		External Pricing	Offered quotes	bid-ask spread 1 point
Financial derivatives	323	X	X	-	50,088	X	-	Equity Exotic	Option Pricing Model	Risk Model - Smile dynamics	None
								Buyback agreements	Option Pricing Model	Percentage of buyback from secondary market, Share of buyback manageable under the agreement	3.40%-4.80%, 70%-100%
Credit derivatives	-	X	X	-	791	X	-	Cdo tranche	Discounted Cash Flow	Base Correlation of basket components , underlying CDS levels	0.25-0.75; -10%/+50%
Total assets	**106,033**	**-**	**153,492**	**-**							
Total liabilities					**50,879**	**-**	**-**				

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

The most significant changes in fair value for Debt securities, with unobservable inputs consisting in Cash Flow Base and Credit Correlation, essentially arise from perpetual securities, EIRLES TWO TV 05/49, for a notional amount of EUR 95 mln. Their classification in level 3 depends on the fact that fair value measurement is obtained by also using unobservable inputs and own internal assumptions; in particular, the assumptions are about interrelationships between the credit standing of DeutscheBank and France Telecom and the application of a risk premium (i.e., the price for bearing the uncertainty inherent in the cash flows). The securities' fair value is negatively affected by both an increase in the cash flow base used and a decreased correlation in credit standing between the two afore-mentioned institutions. The securities' fair value was measured under different combinations of unobservable inputs: 0.25, 0.50 and 0.75 for credit correlation; 0 bps, 50 bps and 100 bps for cash flow base. Fair value measurement as at 28/06/2013 was obtained by using a 0.35 correlation and a 50 bps cash flow base. In consideration of the above, the worst case is with a correlation of 0.25 and cash flow base of 100 bps; the best case is with a correlation of 0.75 and cash flow base of 0 bps. In the former case, a negative change of EUR 8 mln would be recognised as compared to fair value as at 30 June 2013; in the latter case, the change would be positive and would amount to EUR 13 mln.

The most significant changes in fair value for Financial derivatives (buyback agreements), with unobservable inputs consisting in "Percentage of buyback from secondary market" and "Share of buyback manageable under the agreement ", arise from one derivative embedded in the backup liquidity provider agreement for Casaforte securities. The agreement, entered into with an external counterparty, binds the latter to provide, in lieu of MPS Capital Services, a secondary market for the securities under pre-determined contractual conditions, should the MPS Group hold more than 10% of the nominal amount. As a consequence, the fair value of this derivative depends on assumptions about the percentage of buyback from the secondary market for Casaforte securities and the percentage (exceeding 10%) which is considered manageable under market conditions (i.e. avoiding recourse to the liquidity provider agreement, whose pre-set terms are more burdensome than market conditions). The derivative fair value as at 30 June 2013 was measured assuming a six-monthly percentage of buyback from the market of 4.10% and a share of buyback manageable under market conditions of 90%. If the derivative is remeasured under the assumption of (i) buyback ranging from 3.40% to 4.80% and (ii) the share of "buyback manageable under market conditions" being comprised between 70% and 100%, with the worst and best case for fair value being a combination of "4.80%-70%" and "3.40%-100%", the value of the derivative is reduced by EUR 27 mln in the former case and increased by EUR 20 mln in latter.



Part B – Information on the consolidated balance sheet

Assets

Liabilities

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 30 06 2013				Total 31/12/2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A. Balance sheet assets								
1. Debt securities	8,468,374	602,405	75,751	9,146,530	6,558,706	982,311	80,137	7,621,154
2. Equity instruments	70,945	9	29,959	100,913	111,504	1.00	27,667	139,172
3. Units in UCITS	19,925	160,288	-	180,213	14,202	221,774	-	235,976
4. Loans	-	5,167,830	-	5,167,830	-	3,180,442	-	3,180,442
Total (A)	**8,559,244**	**5,930,532**	**105,710**	**14,595,486**	**6,684,412**	**4,384,528**	**107,804**	**11,176,744**
B. Derivatives								
1. Financial derivatives:	223,292	8,427,389	323	8,651,004	195,370	10,555,188	1,301	10,751,859
2. Credit derivatives:	-	1,296,607	-	1,296,607	-	1,585,601	-	1,585,601
Total (B)	**223,292**	**9,723,996**	**323**	**9,947,611**	**195,370**	**12,140,789**	**1,301**	**12,337,460**
Total (A+B)	**8,782,536**	**15,654,528**	**106,033**	**24,543,097**	**6,879,782**	**16,525,317**	**109,105**	**23,514,204**

Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by type

Items/Amounts	30 06 2013				31 12 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	24,460,730	277,208	102,397	24,840,335	23,885,848	248,582	143,585	24,278,015
2. Equity instruments	27,576	790,649	51,095	869,320	41,585	789,142	47,186	877,913
3. Units in UCITS	522	448,705	-	449,227	477	492,336	-	492,813
4. Loans	-	-	-	-	-	-	-	-
Total	**24,488,828**	**1,516,562**	**153,492**	**26,158,882**	**23,927,910**	**1,530,060**	**190,771**	**25,648,741**

Section 6 – Loans to banks – Item 60

6.1 Loans to banks: breakdown by type

Type of transaction / Amount	Total 30 06 2013	Total 31 12 2012
A. Loans to central banks	**3,447,273**	**630,545**
1. Time deposits	17,000	16,000
2. Compulsory reserve	3,430,273	590,102
3. Reverse repurchase agreements	-	-
4. Other	-	24,443
B. Loans to banks	**8,792,417**	**10,594,444**
1. Current accounts and demand deposits	343,687	553,003
2. Time deposits	2,794,726	3,382,682
3. Other loans:	4,937,291	5,666,643
3.1 Reverse repurchase agreements	1,380,819	1,218,713
3.2 Finance leases	-	-
3.3 Other	3,556,472	4,447,930
4. Debt securities	716,713	992,116
Total (book value)	**12,239,690**	**11,224,989**
Total (fair value)	**12,192,548**	**11,158,025**

The portfolio of "Loans to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory reserve with the Bank of Italy, which, as at 30.06.2013, amounted to EUR 3430.2 mln. In accordance with regulations on average maintenance, 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.

Line "3.3 Other loans – Other" includes EUR 934.6 mln in collateral pledged for the *long term repo* and *asset swap* transaction with Deutsche Bank, illustrated in the section"Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" in the 2012 Financial Statements; the amount of collateral was EUR 959.8 mln as at 31 December 2012.

Section 7 – Loans to customers – Item 70

7.1 Loans to customers: breakdown by type

Type of transaction / Amount	30 06 2013				31 12 2012			
	Performing	Non performing		Total	Performing	Non performing		Total
		Purchased	Others			Purchased	Others	
1. Current accounts	12,028,163	540	3,853,470	15,882,173	13,098,750	-	3,639,314	16,738,064
2. Reverse repurchase agreements	3,834,524	-	-	3,834,524	2,199,150	-	-	2,199,150
3. Mortgages	69,230,613	3,686	10,525,397	79,759,696	72,328,840	-	9,357,257	81,686,097
4. Credit cards, personal loans and fifth-of-salary backed loans	3,610,938	-	249,635	3,860,573	3,421,925	-	196,694	3,618,619
5. Financial leasing	4,197,446	-	985,698	5,183,144	4,279,896	-	972,402	5,252,298
6. Factoring	1,289,493	-	111,918	1,401,411	1,573,046	-	91,619	1,664,665
7. Other transactions	22,709,450	282	3,306,258	26,015,990	25,495,592	-	3,136,923	28,632,515
of which leased assets under construction	183,414	-	60,484	243,898	*215,655*	-	*74,428*	*290,083*
8. Debt securities	2,141,961	-	2,519	2,144,480	2,221,223	-	2,530	2,223,753
Total (book value)	**119,042,588**	**4,508**	**19,034,895**	**138,081,991**	**124,618,422**	**-**	**17,396,739**	**142,015,161**
Total (fair value)	**121,648,751**	**4,508**	**19,034,895**	**140,688,154**	**127,757,382**	**-**	**17,396,739**	**145,154,121**

Line 7 "Other transactions" includes the *repo facility* with Nomura for an amount of EUR 2,000.0 mln (unchanged from 31 December 2012).

The item includes EUR 1,657.5 mln in collateral pledged for the *long term repo* and *asset swap* transaction with Nomura, illustrated in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" in the 2012 Financial Statements; the amount of collateral was EUR 1,911.2 mln as at 31 December 2012.

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type

Asset / Amount	30/06/13			31 12 2012		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**669,692**	**669,692**	**x**	**669,701**	**669,701**
A.1.1 group	x	669,692	669,692	x	669,701	669,701
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**490,283**	**-**	**490,283**	**521,801**	**-**	**521,801**
A.2.1 Assets carried at cost:	490,283	-	490,283	521,801	-	521,801
a) Internally generated intangible assets	101,018	-	101,018	101,872	-	101,872
b) other assets	389,265	-	389,265	419,929	-	419,929
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**490,283**	**669,692**	**1,159,975**	**521,801**	**669,701**	**1,191,502**

All of the Group's intangible assets are measured at cost and comprise goodwill, intangible assets resulting from the acquisition of former Banca Antonveneta S.p.A. and software. All intangible assets recognised in the financial statements have a finite useful life, except for goodwill.

Goodwill posted to assets is not systematically amortised but tested for impairment ("Impairment Test"). The test performed did not result in any impairment losses.

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

- core deposits totalling EUR 117.8 mln, from enhancement of on-demand funding (current accounts and savings deposits) of the merged bank;
- core overdrafts totalling EUR 31.2 mln, from enhancement of non-revolving credit facilities in the current account of the merged bank;
- assets under management and assets under custody in the amount of EUR 12 mln, arising from enhancement of AUM and AUC of the merged bank.

An analysis was carried out on the variables that lie at the basis of the value of the above-mentioned intangible assets associated with customer relationships which resulted in no need for impairment testing.

Line "A.2.1 Assets carried at cost – b) Other assets" includes software for an amount of EUR 329.3 mln.

Impairment testing of Group goodwill

IAS 36 sets out the principles for recognition and reporting of impairment for certain types of assets, including goodwill, illustrating the principles that an enterprise must follow to make sure that the carrying amount of its assets is not higher than their recoverable amount.

IAS 36 defines recoverable amount as the higher of:

- fair value less costs to sell - the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal;
- value in use - the present value of estimated future cash flows expected to arise from the continuing use of an asset or from a cash-generating unit.

IAS 36 requires the carrying amount of goodwill to be compared with the recoverable amount whenever there is an indication that the asset may have been impaired and in any case at least once a year at the balance sheet date (impairment test).

The recoverable amount of goodwill is estimated with reference to the cash-generating unit (CGU), since goodwill is not able to generate cash flows independently from an asset.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets, which the Group is able to recognise separately in its management reporting system.

In accordance with IAS 36 and considering the aforementioned considerations, the impairment test carried out on goodwill as shown in the Group's consolidated financial statements comprised the following activities:

1) Identification of goodwill;
2) Identification of Cash-Generating Units and allocation of goodwill to the Cash-Generating Units identified;
3) Impairment test results;
4) Sensitivity analysis of the results of the impairment test compared with changes in the underlying assumptions.

1) Identification of goodwill

The impairment test was carried out on goodwill; no other indefinite-life intangible assets are recognised in the financial statements.

2) Identification of cash-generating units and allocation of goodwill to the cash-generating units identified

According to IAS 36, each cash generating unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined by IFRS 8 ("Operating Segments").

As for the impairment test at 31 December 2012, the Group's goodwill was tested by identifying those CGUs into which the Group's operations can be separated and analysing the cash flows that these will be able to generate in future years, based on an approach consistent with Segment Reporting at the balance sheet date, which is in turn reflected in Management Reporting.

For the purpose of primary reporting of profit and loss/balance-sheet data, the Group has adopted a business approach opting for results to be broken down by the business segments in which the Group operates: Consumer Banking (Retail and Private Customers), Corporate Banking (Corporate Customers) and the Corporate Centre (residual central operations). The Group's performance and planning development are monitored based on a model that splits the business into these various operating segments.

Accordingly, two cash-generating units have been identified; CGUs have been reduced from 4 to 2 as compared to 2012, to take account of the Nuova BAV merger into BMPS: In particular, the two CGUs have the following scope of business:

1. "**CGU - Consumer**" composed of:
   - retail customers from BMPS, former Nuova BAV, and Consum.it branches;
   - typically private customers of BMPS and former Nuova BAV branches as well as other private clients from other Group entities;
2. "**CGU Corporate**", composed of typically corporate clients of BMPS, former Nuova BAV and foreign branches, Key Clients, MPS Leasing & Factoring and MPS Capital Services;

The process of allocating goodwill to individual cash-generating units was carried out in 2008 taking into account the effects of the acquisition of Banca Antonveneta and synergies arising from business combinations.

Goodwill tested for impairment in consolidated financial statements: 670 *(in EUR/mln, amounts rounded off)*	
1. CGU Consumer Goodwill allocated: 670	2. CGU Corporate Goodwill allocated: 0

Under IAS 36, if a corporate asset cannot be allocated on a reasonable and consistent basis to the cash-generating units identified, it should be tested for impairment by identifying the smallest group of cash-generating units – a sort of "higher" cash-generating unit – to which it can be allocated. In this specific case, the test focused on those corporate assets which were not included in individual CGUs' segment reporting, with a view to identifying some drivers enabling their allocation to the CGUs. Subsequent to the allocation, an estimate was made of the Montepaschi Group's overall recoverable value so as to confirm the applicability of the 'Central Residual Expenses'/Residual CGU' allocation by comparing the total value of the CGUs with the overall value of the Group. The Residual CGU was also allocated on the basis of the actions and objectives set out in the Business Plan for the different business areas.

It is noted that, since the Corporate CGU has no allocated goodwill, it does not require to be tested for impairment; its carrying value and recoverable amount was established, as specified below, for the sole purpose of re-allocating the Residual CGU and verifying the allocated value.

3) Impairment test results

The Group's goodwill as at 30 June 2013 was tested for impairment by identifying the recoverable amount of the individual cash-generating units as the value in use. The recoverable amount of the CGUs was determined partly with the assistance of a leading consultancy firm (hereinafter the Consultant).

The recoverable amount of the CGUs was estimated by discounting future distributable cash flows. Although the Corporate CGU has no allocated goodwill,its value in use was estimated for the purpose of allocating the Residual CGU and verifying its allocated value.

The 2013-2017 economic and financial projections for the CGUs identified were based on hypotheses consistent with the assumptions contained in the Montepaschi Group's Restructuring Plan approved by the BoD. With a view to obtaining a medium-term assessment of the Group's earning capacity and value creation irrespective of current macroeconomic uncertainties and one-off components associated with the restructuring plan, projections of future revenues were extended, for assessment purposes, until 2022. The extension was obtained through extrapolation at growth rates on a decreasing scale to terminal value,

CGUs

The recoverable amount was estimated on the basis of the following methodological steps:

1. determination of the CGU's value in use by discounting future distributable cash flows, based on the afore-mentioned formula.

$$W = \sum_{=1} \frac{F_t}{(1+\ )^t} + \ 'T_a$$

where:

F_t =cash flows distributable to shareholders over the selected time horizon based on the economic and financial projections made, maintaining a satisfactory level of capitalisation.

i = discounting rate represented by the cost of equity (ke).

VT_a = present terminal value ("Terminal Value") calculated as the value of a perpetual yield estimated based on an economically sustainable normalised cash flow consistent with the long-term growth rate ("g").

For an estimate of distributable cash flows, reference was made to the CGU's 2013-2017 economic and financial projections, as extended until 2022.

To discount cash flows distributable to shareholders, the cost of equity was used, that is the return on equity required by investors/shareholders for investments with similar risk characteristics. This rate was estimated using the Capital Asset Pricing Model ("CAPM"), based on the following formula:

$$k_e = R_f + Beta * (R_m - R_f)$$

where:

Rf = risk-free rate (factoring in the country risk) of 4.75% identified as the yearly average yield of 10-year bonds issued by the Italian government (source: Bloomberg).

Beta = correlation factor between actual share performance and overall performance of the reference market (measurement of the volatility of a stock relative to the market), equivalent to 1.06 (for BMPS beta, source: Bloomberg)

R_m - R_f = risk premium required by the market which, in line with assessment practices, is set at 5.0%.

The Terminal Value was determined based on the following formula:

$$VT = \text{normalised distributable cash flow} / (k_e - g)$$

where:

g is the long-term growth rate.

The normalised distributable cash flow until 2022 was considered for calculation of the Terminal value.

The recoverable value was determined based on parameters representing the actual level of risk/return for the individual cash-generating unit. Specifically, the valuation parameters used were based on the following assumptions:

a) capital ratio: target capital coverage ratio of 8%, allowing all capital needs of the CGUs to be met;
b) cost of equity (ke): discounting rates were determined using estimates that reflect the specific risk of CGUs (CGU Consumer: 10.1%; CGU Corporate: 11.1%);
c) long-term growth rate (g): it was estimated at 2.0% based on forecasts by leading econometric institutions (ERC, IMF, Prometeia).

The value in use of the CGUs was estimated by taking account of their reallocation to the 'Residual CGU/Central expenses' component relating to the ALM action scheduled in the Restructuring Plan.

2. Allocation to the CGUs of the 'Residual CGU/Central Expenses' components, which had not previously been included in the estimate under item 1 above, based on reasonable drivers, consistent with the characteristics of the individual CGUs.
3. Determination of the MPS Group's recoverable value by discounting distributable cash flows, based on: the Restructuring Plan and extension thereof until 2022; a target supervisory ratio (Core Tier 1) consistent with the requirements set forth by the new supervisory regulations of Basel 3 (8%) and a 10.1% ratio in line with the Group's cost of equity, according to current market parameters and a long-term growth rate of 2.0%.

The main parameters used to determine the recoverable amount of cash-generating units as at 30 June are shown below.

CGUs	**Measurement criteria**		
	k_e	g	Capital ratio
Consumer	10.1%	2.0%	8.0%

The tests described above show that the recoverable value of the Consumer CGU is higher than its respective carrying value by an amount of EUR 1,889 mln.

4) Sensitivity of impairment test results to changes in the underlying assumptions.

In order to better assess the sensitivity of impairment test results to changes in the underlying assumptions, sensitivity analyses were carried out considering a +50 bps shift in the discount rate.

The following table shows the results of the sensitivity analysis carried out on the Consumer CGU, expressed as the difference between the recoverable amount and the carrying amount in absolute and percentage terms.

Sensitivity analysis *(amounts rounded off)* *In EUR/mln*	**Difference of recoverable vs. carrying amount**	
	Threshold discount rate (in absolute terms)	**Discount rate (%)**
CGU Consumer	+1.475	35.3%

In conclusion, no impairment losses on goodwill emerge from impairment testing as at 30 June 2013.

LIABILITIES

Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: breakdown

Type of transaction / Group item	Total 30 06 2013	Total 31 12 2012
1. Deposits from central banks	**29,645,729**	**32,629,223**
2. Deposits from banks	**12,019,626**	**10,693,733**
2.1 Current accounts and demand deposits	2,752,198	1,526,328
2.2 Time deposits	337,460	904,436
2.3 Loans	8,367,074	7,570,501
2.3.1. Repurchase agreements	5,925,461	5,101,926
2.3.2 Other	2,441,613	2,468,575
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	562,894	692,468
Total	**41,665,355**	**43,322,956**
Fair Value	**41,880,441**	**43,420,905**

"Deposits from central banks" include EUR 29,000 mln (unchanged as compared to 31 December 2012) for long-term refinancing operations (LTROs). carried out as part of Eurosystem financing, guaranteed by securities pledged by the Parent Company (which include government-backed securities issued and simultaneously repurchased by the Parent Company for EUR 13,000 mln using the *pooling mechanism.*

Line "2.3.1 Repurchase agreements" includes EUR 2,483.4 mln (EUR 2,489.7 mln as at 31 December 2012) relating to the *long term repo* transaction entered into as part of the "Santorini" deal, which was restated in the 2012 Financial Statements.

Section 2 – Deposits from customers – Item 20

2.1 Deposits from customers: breakdown

Type of transaction / Group item	Total 30 06 2013	Total 31 12 2012
1. Current accounts and demand deposits	57,535,644	56,006,293
2. Time deposits	8,766,232	5,801,946
3. Loans	18,977,942	18,072,358
3.1 Repurchase agreements	14,867,985	13,838,635
3.2 Other	4,109,957	4,233,723
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1,331,239	1,422,088
Total	**86,611,057**	**81,302,685**
Fair Value	**86,579,669**	**81,324,140**

The line "Repurchase agreements" includes EUR 3,372.5 mln (EUR 3,378.6 mln as at 31 December 2012) relating to the *long term repo* transaction entered into with Nomura, which was restated in the 2012 Financial Statements.

Section 3 – Debt securities issued – item 30

3.1 Debt securities issued: breakdown

Type of Securities/ Amounts	Total 30 06 2013					Total 31 12 2012				
	Book value	Fair Value				Book value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
A. Listed securities										
1. Bonds	34,279,182	13,797,183	19,985,265	-	33,782,448	37,687,277	16,192,940	21,061,396	-	37,254,336
2, Other securities	4,508,491	1,840	325,473	4,222,964	4,550,277	2,252,347	-	394,134	1,900,000	2,294,134
Total	38,787,673	13,799,023	20,310,738	4,222,964	38,332,725	39,939,624	16,192,940	21,455,530	1,900,000	39,548,470

Line "2. "Other securities" includes the New Financial Instruments issued by the bank and subscribed to by the Ministry of Economy and Finance for EUR 4,223.0 mln (of which 4,071mln in underwriting and the balance in accrued interest).

Section 4 – Financial liabilities held for trading – Item 40

4.1. Financial liabilities held for trading: breakdown

Type of transaction/ Group item	Total 30 06 2013						Total 31 12 2012					
	NV	Fair value				FV*	NV	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	4,424,824	3,280,570	1,277,373	-	4,557,943	4,557,943	4,709,205	2,376,682	2,416,349	-	4,793,031	4,793,031
2. Deposits from customers	7,229,375	108,215	7,122,434	-	7,230,649	7,230,649	5,870,694	1,154,001	4,804,257	-	5,958,258	5,958,258
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Total A	**11,654,199**	**3,388,785**	**8,399,807**	**-**	**11,788,592**	**11,788,592**	**10,579,899**	**3,530,683**	**7,220,606**	**-**	**10,751,289**	**10,751,289**
B. Derivatives												
1. Financial derivatives	X	155,011	6,366,372	50,088	6,571,471	X	X	170,842	8,777,037	40,923	8,988,802	X
2. Credit derivatives	X	-	1,315,691	791	1,316,482	X	X	-	1,772,734	4,075	1,776,809	X
Total B	**X**	**155,011**	**7,682,063**	**50,879**	**7,887,953**	**X**	**X**	**170,842**	**10,549,771**	**44,998**	**10,765,611**	**X**
Total (A+B)	**X**	**3,543,796**	**16,081,870**	**50,879**	**19,676,545**	**X**	**X**	**3,701,525**	**17,770,377**	**44,998**	**21,516,900**	**X**

FV = fair value

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

NV = nominal or notional value

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

5.1 Financial liabilities designated at fair value: breakdown

Type of transaction / Amount	Total 30 06 2013						Total 31 12 2012					
	NV	Fair value				FV*	VN	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities issued	11,450,044	-	11,679,067	-	11,679,067	11,861,913	14,008,997	-	14,427,858	-	14,427,858	14,560,446
Total	**11,450,044**	**-**	**11,679,067**	**-**	**11,679,067**	**11,861,913**	**14,008,997**	**-**	**14,427,858**	**-**	**14,427,858**	**14,560,446**

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

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 30 06 2013	Total 31 12 2012*
1. Pensions and other post retirement benefit obligations	47,606	47,971
2. Other provisions for risks and charges	1,207,089	1,400,592
2.1 legal disputes	427,185	387,846
2.2 personnel expenses	46,531	291,887
2.3 other	733,373	720,859
Total	**1,254,695**	**1,448,563**

** As described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*

The reduction in line "2.2 Personnel expenses" is due to the reclassification under "Other liabilities" of provisions to the Solidarity Fund taken in 2012 as part of gradual execution of the planned early retirement scheme.

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

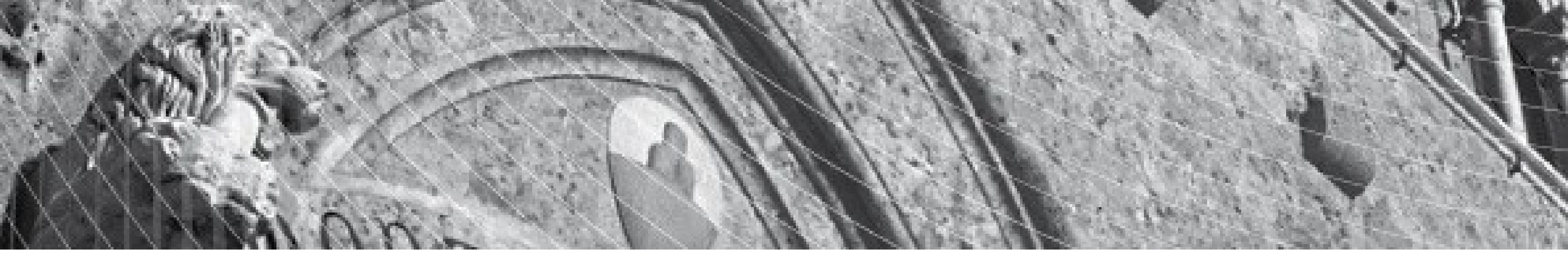
15.2 Share capital - Parent company's number of shares: annual changes

Item/Type	30 06 2013			31 12 2012		
	Ordinary	Preferred	Savings	Ordinary	Preferred	Savings
A.Shares outstanding as at the beginning of the year	11,681,539,706	-	-	10,980,795,908	681,879,458	18,864,340
- fully paid	11,681,539,706	-	-	10,980,795,908	681,879,458	18,864,340
- not fully paid	-	-	-	-	-	-
A.1 Treasury shares (-)	54,495,378	-	-	54,232,440	-	-
A.2 Shares outstanding: opening balance	**11,627,044,328**	**-**	**-**	**10,926,563,468**	**681,879,458**	**18,864,340**
B. Increases	-	-	-	708,980,860	-	-
B.1 New issues	-	-	-	-	-	-
- against payment:	-	-	-	-	-	-
- business combinations	-	-	-	-	-	-
- bonds converted	-	-	-	-	-	-
- warrants exercised	-	-	-	-	-	-
- other	-	-	-	-	-	-
- without payment:	-	-	-	-	-	-
- to employees	-	-	-	-	-	-
- to directors	-	-	-	-	-	-
- other	-	-	-	-	-	-
B.2 Sale of treasury shares	-	-	-	8,237,062	-	-
B.3 Other increases	-	-	-	700,743,798	-	-
C. Decreases	**-**	**-**	**-**	**8,500,000**	**681,879,458**	**18,864,340**
C.1 Cancellation	-	-	-	-	-	-
C.2 Purchase of treasury	-	-	-	8,500,000	-	-
C.3 Business transferred	-	-	-	-	-	-
C.4 Other decreases	-	-	-	-	681,879,458	18,864,340
D. Shares outstanding: closing balance	**11,627,044,328**	**-**	**-**	**11,627,044,328**	**-**	**-**
D.1 Treasury shares (+)	54,495,378	-	-	54,495,378	-	-
D.2 Shares outstanding as at the end of the year	11,681,539,706	-	-	11,681,539,706	-	-
- fully paid	11,681,539,706	-	-	11,681,539,706	-	-
- not fully paid	-	-	-	-	-	-

Section 16 – Non-controlling interests - Item 210

16.1 Non-controlling interests: breakdown

Items/Amounts	Total 30 06 2013	Total 31 12 2012
1) Share capital	828	830
2) Share premium reserve	211	211
3) Reserves	492	22,173
4) (Treasury shares)	-	-
5) Valuation reserves	1,232	1,226
6) Equity instruments	-	-
7) Profit (loss) for the period - Non-controlling interests	87	(21,584)
Total	**2,850**	**2,856**



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 30 06 2013	Total 30 06 2012
1. Financial assets held for trading	59,685	8,770	97,768	166,223	191,949
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	427,628	-	-	427,628	428,103
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	11,748	36,713	167	48,628	86,450
6. Loans to customers	33,780	2,382,367	6,183	2,422,330	2,872,242
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	4,354	4,354	5,907
Total	**532,841**	**2,427,850**	**108,472**	**3,069,163**	**3,584,651**

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

1.4 Interest expense and similar charges: breakdown

Item/Type	Deposits	Securities	Other transactions	Total 30 06 2013	Total 30 06 2012
1. Deposits from central banks	(110,948)	x	-	(110,948)	(174,153)
2. Deposits from banks	(121,384)	x	(1,418)	(122,802)	(113,641)
3. Deposits from customers	(492,747)	x	-	(492,747)	(425,728)
4. Debt securities issued	x	(881,943)	(31)	(881,974)	(795,428)
5. Financial liabilities held for trading	(5,412)	-	-	(5,412)	(20,991)
6. Financial liabilities designated at fair value	-	(159,139)	-	(159,139)	(235,062)
7. Other liabilities	x	x	(3,363)	(3,363)	(4,340)
8. Hedging derivatives	x	x	(227,635)	(227,635)	(167,712)
Total	**(730,491)**	**(1,041,082)**	**(232,447)**	**(2,004,020)**	**(1,937,055)**

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

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

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 30 06 2013	Total 30 06 2012
a) guarantees issued	45,263	43,334
b) credit derivatives	-	-
c) management, brokerage and advisory services:	419,657	378,265
1. trading of financial instruments	10,724	10,208
2. currency trading	2,748	3,012
3. asset management	24,893	24,251
3.1 individual accounts	24,893	24,251
3.2. collective investment schemes	-	-
4. custody and administration of securities	5,467	4,679
5. custodian bank	-	838
6. placement of securities	3,391	16,818
7. client instructions	37,861	33,044
8. advisory on	10,222	8,842
8.1 investments	62	1,907
8.2 financial structure	10,160	6,935
9. distribution of third-party services	324,351	276,573
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	135,681	125,225
9.3 other products	188,670	151,348
d) collection and payment services	102,518	84,566
e) servicing of securitisations	62	373
f) factoring transaction services	8,984	10,640
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	330,187	355,958
j) other services	151,272	154,823
Total	**1,057,943**	**1,027,959**

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

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 30 06 2013	Total 30 06 2012
a) guarantees received	(51,397)	(50,176)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(55,419)	(50,435)
1. trading of financial instruments	(11,136)	(12,161)
2. currency trading	(69)	(78)
3. asset management:	(714)	(708)
3.1 own portfolio	(7)	-
3.2 third-party portfolios	(707)	(708)
4. custody and administration of securities	(5,010)	(7,455)
5. placement of financial instruments	(154)	(2,198)
6. off-site marketing of financial instruments, products and services	(38,336)	(27,835)
d) collection and payment services	(22,710)	(8,394)
e) other services	(79,813)	(82,091)
Total	**(209,339)**	**(191,096)**

Commissions on “guarantees received” refer, for an amount of EUR 50.9 mln (vs. EUR 49.7 mln as at 30 June 2012), to the guarantee issued by the Italian Government on securities issued and concurrently repurchased by the Parent Company for an amount of EUR 13,000 mln, against lending transactions in the Eurosystem.

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

3.1 Dividends and similar income: breakdown

Item/Income	30 06 2013			30 06 2012		
	Dividends	Income from units in UCITS	Total	Dividends	Income from units in UCITS	Total
A. Financial assets held for trading	2,145	51	2,196	51,680	203	51,883
B. Financial assets available for sale	6,313	4,632	10,945	6,022	32	6,054
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	-	x	-	-	x	-
Total	**8,458**	**4,683**	**13,141**	**57,702**	**235**	**57,937**

4.1 Net profit (loss) from trading: breakdown

Transactions / P&L items	Capital Gains (A)	Trading Profit (B)	Capital Losses (C)	Trading Losses (D)	Net Profit (Loss) (A+B)-(C+D) 30 06 2013	Net Profit (Loss) (A+B)-(C+D) 30 06 2012
1. Financial assets held for trading	34,871	104,358	(64,349)	(131,151)	(56,271)	32,549
2. Financial liabilities held for trading	22,139	28,578	(2,831)	(35,441)	12,445	(105,542)
3. Other financial assets and liabilities: exchange differences	x	x	x	x	15,398	17,160
4. Derivatives	2,347,616	6,039,684	(1,866,623)	(6,423,647)	140,998	110,707
Total	**2,404,626**	**6,172,620**	**(1,933,803)**	**(6,590,239)**	**112,570**	**54,874**

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

6.1 Gains (losses) on disposal / repurchase: breakdown

Items / P&L items	Total 30 06 2013			Total 30 06 2012		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans to banks	450	(1,048)	(598)	6,348	(2,826)	3,522
2. Loans to customers	1,613	(2,687)	(1,074)	2,264	(1,241)	1,023
3. Financial assets available for sale	62,810	(9,543)	53,267	42,141	(9,993)	32,148
3.1 Debt securities issued	*46,081*	*(8,756)*	*37,325*	*8,364*	*(4,530)*	*3,834*
3.2 Equity instruments	*13,829*	*(9)*	*13,820*	*26,269*	*(357)*	*25,912*
3.3 Units of UCITS	*2,900*	*(778)*	*2,122*	*7,508*	*(5,106)*	*2,402*
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**64,873**	**(13,278)**	**51,595**	**50,753**	**(14,060)**	**36,693**
1. Financial liabilities	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	9,465	(9,590)	(125)	221	(3,795)	(3,574)
Total liabilities	**9,465**	**(9,590)**	**(125)**	**221**	**(3,795)**	**(3,574)**

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

Transactions / P&L items	Capital Gains (A)	Gains following disposal (B)	Capital Losses (C)	Losses following disposal (D)	Net Profit (Loss) (A +B)-(C +D) 30 06 2013	Net Profit (Loss) (A +B)-(C +D) 30 06 2012
1. Financial assets	-	-	-	-	-	-
2. Financial liabilities	152,522	15,148	(13,209)	(962)	153,499	57,710
3. Financial assets and liabilities in foreign currency: exchange differences	x	x	x	x		
4. Credit and financial derivatives	14,602	94,349	(134,091)	(105,677)	(130,817)	57,552
Total	**167,124**	**109,497**	**(147,300)**	**(106,639)**	**22,682**	**115,262**

Line "2. Financial liabilities" includes capital gains for an amount of EUR 47.5 mln on the subordinated Tier 1 instrument, Preferred Capital I LLC, reflecting changes in the issuer's credit standing.

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

8.1 Net impairment losses (reversals) on loans: breakdown

Transactions / P&L items	Value adjustments			Write-back				Total	Total
	Specific		Portfolio	Specific		Portfolio			
	Write-off	Others		A	B	A	B	30 06 2013	30 06 2012
A. Loans to banks	-	(141)	(123)	74	235	-	747	792	(10,156)
- Loans	-	(141)	(106)	74	235	-	104	166	(902)
- Debt securities	-	-	(17)	-	-	-	643	626	(9,254)
B. Loans to customers	(14,376)	(1,435,684)	(22,444)	229,226	185,602	-	27,845	(1,029,831)	(839,697)
Non-performing loans purchased	-	(3,261)	-	-	1,603	-	-	(1,658)	-
- Loans	-	(3,261)	-	-	1,603	-	-	(1,658)	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other receivables	(14,376)	(1,432,423)	(22,444)	229,226	183,999	-	27,845	(1,028,173)	(839,697)
- Loans	(14,376)	(1,432,423)	(22,246)	229,226	183,999	-	27,845	(1,027,975)	(837,835)
- Debt securities	-	-	(198)	-	-	-	-	(198)	(1,862)
C. Total	**(14,376)**	**(1,435,825)**	**(22,567)**	**229,300**	**185,837**	**-**	**28,592**	**(1,029,039)**	**(849,853)**

Key

A = From interest

B = Other reversals

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

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of Expense / Area	Total 30 06 2013	Total 30 06 2012
1. Employees	(922,464)	(1,045,151)
a) wages and salaries	(655,963)	(727,621)
b) social-welfare charges	(179,445)	(206,660)
c) severance pay	(23,531)	(37,262)
d) social security expenses	-	-
e) provision for staff severance pay	(1,261)	(3,093)
f) pension fund and similar obligations:	(1,018)	(3,547)
- defined contribution	(180)	(990)
- defined benefit	(838)	(2,557)
g) contributions to external pension funds:	(11,126)	(14,253)
- defined contribution	(8,919)	(13,558)
- defined benefit	(2,207)	(695)
h) costs related to share-based payments	-	-
i) other employee benefits	(50,120)	(52,715)
2. Other staff	(1,522)	(3,116)
3. Directors and Statutory Auditors	(2,367)	(2,963)
4. Retired personnel	(16)	-
Total	**(926,369)**	**(1,051,230)**

Line i) “Other employee benefits” includes employee incentives for employment termination for an amount of EUR 17.6 mln..

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

11.5 Other administrative expenses: breakdown

Items/Amounts	30 06 2013	30 06 2012
Stamp duties	(85,966)	(100,952)
Indirect taxes and duties	(17,885)	(18,505)
Municipal immovable property tax	(4,670)	(3,215)
Subscription and purchase of publications	(200)	(513)
Property rentals	(131,104)	(134,484)
Cleaning service contracts	(9,573)	(13,344)
Insurance	(10,581)	(11,366)
Rentals	(24,188)	(23,706)
Remuneration of external professionals	(39,603)	(47,920)
Third-party data processing	(32,053)	(33,519)
Title searches and land registry surveys	(1,386)	(3,133)
Lease of equipment	(42,792)	(27,057)
Utilities	(25,391)	(23,623)
Maintenance of movable and immovable properties (used in the business)	(14,268)	(13,282)
Data transmission rental	(13,034)	(13,444)
Postage	(25,201)	(28,657)
Advertising, sponsorships and promotions	(9,132)	(16,977)
Membership dues	(2,632)	(3,475)
Reimbursement of employee car and travel expenses	(4,749)	(16,327)
Security services	(18,878)	(23,877)
Software	(18,866)	(26,564)
Corporate entertainment expenses	(590)	(962)
Expenses for non-rented investment real estate	(652)	(844)
Printing and stationery	(3,500)	(4,776)
Telephone, telefax and telegraph	(3,961)	(6,011)
Transportation	(19,619)	(21,371)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(2,942)	(3,396)
Others	(53,979)	(42,762)
Total	**(617,395)**	**(664,062)**

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

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

12.1 Net provisions for risks and charges: breakdown

Items/Amounts	30 06 2013				30 06 2012			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(55,432)	(9,731)	(37,731)	(102,894)	(18,489)	10,479	(44,485)	(52,495)
Write-backs	9,791	1,689	46,441	57,921	1,197	-	1,287	2,484
Total	**(45,641)**	**(8,042)**	**8,710**	**(44,973)**	**(17,292)**	**10,479**	**(43,198)**	**(50,011)**

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

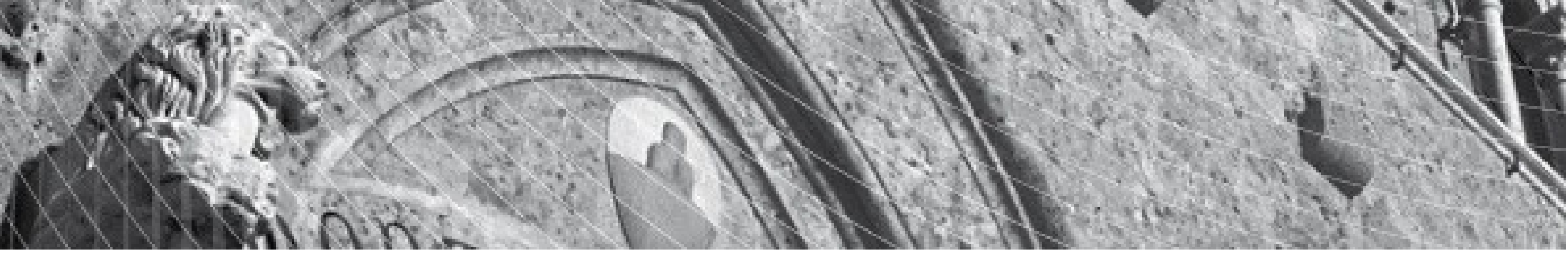
15.1 Other operating expenses: breakdown

Items/Amounts	Total 30/06/13	Total 30 06 2012
Costs of robberies	(3,087)	(3,741)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(8,492)	(11,247)
Other expenses on real estate (real estate inventory)	(135)	-
Cost of financial lease transactions	(5,520)	(6,374)
Other	(21,233)	(56,081)
Total	**(38,467)**	**(77,443)**

15.2 Other operating income: breakdown

Items/Amounts	Total 30 06 2013	Total 30 06 2012
Rents from investment real estate	5,997	8,923
Other revenues from real estate (real estate inventory)	997	-
Recovery of taxes	86,468	100,855
Recovery of insurance premiums	6,737	6,624
Income from financial lease transaction	4,192	3,889
Other	126,128	59,884
Total	**230,519**	**180,175**

In its circular letter of January 2013, the Bank of Italy speciied that the "Fast-track credit facility fee" should be recognised under "Other operating income", line "Other". In 2012, the "Fast-track credit facility fee" replaced other revenues which were previously recognised under item 10 of the income statement "Interest income and similar revenues".



Part E – Information on risks and hedging policies

As required by law (BoI Circular no. 263 of 27 December 2006, Title IV), the Basel 2 Pillar 3 disclosure will be published on the Montepaschi Group's website www.mps.it/Investor+Relations.

Section 1 – Credit Risk

Qualitative Information

1. General

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

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

2. Credit risk management policies

2.1 Organisational aspects

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

The model was recently modified (25/06/2013) by the Parent Company's Board of Directors for the purpose of optimising the P&L/Balance Sheet performance of an area that has always been strategic so as to address the findings received from Supervisory Authorities.

In particular, the main changes introduced concern:

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

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

The Credit Division is organised into the following units:

- Credit Division Staff;
- Credit Performance Monitoring staff;
- 'Credit Facilities' Area, which comprises the 'Loan Disbursement' service, ''Credit Quality" service and "Distressed Credit Risk Management" service;
- 'Specialised Credit Processes and Services' Area, made up of the 'Special-purpose Loans and Securitisations' service and the 'Credit Policies and Rating Agencies Coordination' service.
- Group Risk and Loan Restructuring Area, including the "Special Intervention Staff", "Groups and Country Risk Monitoring service" and "Loan Restructuring service".
- Debt Collection Area (former -MPS Gestione Crediti Banca Spa, merged into BMPS on 06/05/2013, effective as of 12/05/2013) which includes the Debt Collection Area Staff, Small Ticket and Arrears Management

service, Debt Collection Support service, Debt Collection and Monitoring Strategies service and Debt Collection service.

The Credit Division Staff carries out operational and clerical support activities for the Head of the division and his reporting units. It has direct responsibility over the hierarchically reporting units and is accountable for the achievement of objectives assigned within its scope of reference.

The setting up of the Credit Facility Area allows for an easier transmission of credit-related input to the Network's outer units (branches and specialised centres) as well as centralised control over loans granted.

The Specialised Credit Processes and Systems Area is constantly engaged in activities for the development and update of Network processes dedicated to post-disbursement assessment and monitoring phases as well as supply of post-disbursement services for real-estate loans and servicing activities for securitisations and covered bonds.

Within the Group Risk and Restructuring Area, in the first half of 2013 the specific Loan Restructuring service continued its strong commitment to following up on the restructuring of corporate clients in financial difficulty. Particular focus was given to the operational consequences of new debt crisis solution tools for companies which were introduced by recent bankruptcy law amendments. In this context, following the merger of Banca Antonveneta, the Loan Restructuring service launched a pilot expansion of the scope of intervention for amounts lower than EUR 4 mln in its specific Sectoral Unit (coinciding with the new Regional Market Unit of Antonveneta).

The Debt Collection Area has made it possible to centralise in one single unit all out-of-court debt collection activities for “non performing” loans (previously mandated to the merged entity, MPS GCB).

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units. Moreover, for an ever more accurate monitoring, the following initiatives have been put in place: 1) new decision-making units have been introduced in the Regional Areas, filled by the new roles of “Decision-makers in charge”; 2) the loan disbursement process has seen the introduction of an automatic check for consistency of the proposed facility with credit policies in place; 3) the Credit Monitoring process originally introduced in 2012 has been strengthened/improved by expanding the scope of positions which can be mass-managed through collection and by shortening the 'arrears tolerance time' for mortgage loans; 4) the method of assessment for Retail customers has been revised to enable transition from a system based on traditional indicators (instalment-to-income ratio, LTV, Duration) assessed by “steps of risk indicator analysis” (transaction risk and customer risk) to an "integrated score" system, which introduces the concept of actual sustainability of the application.

2.2. Management, measurement and control systems

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

Basel 2 requires the Group to adopt the following credit risk measures needed to calculate regulatory capital (AIRB approach): Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The new methodology with the greatest impact on risk measurements is "Probability of Default”, which is a reflection of the borrower’s rating and expresses its ability to meet obligations assumed over a time horizon of one year. Thus, a rating is a probability-based approach to risk assessment representing a projection of portfolio quality that becomes part of daily processes for: credit facility assessment, loan management, pricing, allocation to reserves and management reporting.

The statutory adoption of risk criteria has made it possible for the Bank to obtain significant operational advantages, both in terms of higher accuracy in credit budgeting forecasts and in terms of a more effective monitoring of credit aggregates: based on 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 are conceived of as a function of the specific nature of the 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 effective loan management. 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 both prospective borrowers (first-time lending models based on financial and demographic information taken from outside databases) and existing borrowers (for which behavioural models have also been used, which incorporate internal performance data).

With a view to increasing the levels of efficiency in managing internal ratings, the current scope of activity of the Rating Agencies has been reviewed for them to become a single point of reference for all units on rating issues. The new role of the [internal] Rating Agencies will allow for a closer interaction with the Network to make assistance more effective, generate more synergies and enable a more efficient transfer of knowledge. For this purpose, the hypothesis has been formulated that 8 "main" Rating Agencies be established (one for each Regional Area), reported to by additional "decentralised" Rating Agencies to cover the local market.

2.2.1 Credit policies

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

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

In 2013, the document describing 'credit policy guidelines" by geo-sectoral clusters of business has been updated. In particular, it sets out strategies for the growth and requalification of lending.

In 2013, the loan book requalification initiatives launched in 2012 were maintained in place and considered structural:

- Credit scoring and rating review, attaching priority to high-risk positions with a view to identifying those accounts which, despite signs of risk, have the fundamentals for a renewal of credit lines and financial support.
- 'Requalification' / downsizing of loans to riskier counterparties when the credit scoring and rating review makes it advisable to proceed with a reduction in exposure.
- Increased credit assessment intervention on past due positions, by activating a "Problem Loan Front Line" task force to support the Network;
- Screening of new loans disbursed for net growth objectives to be achieved consistently with the need to safeguard the prospective quality of the loan book.

2.2.2 Disbursement processes

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

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

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

The assessment and approval methods implemented in the P.E.F. reflect the principles and rules of the internal rating system. Thus, methods differ depending on whether the customer is an individual/consumer (retail) or a business (a corporation with revenues under € 2.5 million, or a corporation with revenues over € 2.5 million) and on whether the customer is a prospect or existing customer.

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

In 2013, modifications were made to loan assessment and approval processes for Retail customers. Credit risk assumption processes were further adjusted to support the organisational changes affecting both network and head office units. .

2.2.3 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 factors in -and is reflective of- 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:

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

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

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

Other features designed to implement the innovations set out in the Business Plan are being rolled out, including tools (new flows, new operating lists) in support of centralised management for certain types of problem loans in the Regional Areas. Moreover, another function is due for release shortly. Known as the "Action Report", this function allows for the creation of a virtual dossier in which to enter and track the most important operating actions carried out on positions monitored over time.

2.3 Credit risk mitigation techniques

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Non-performing financial assets

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

As previously stated in paragraph 2.1, a specific session was added to the Parent Company's Credit Committee in 2013 for the purpose of collectively validating the fairness of assessments and doubtful amounts for preparation of financial statements by the Loan Performance Monitoring Staff with regard to Non-performing, Watchlist and Restructured loan books of the Networks and Group companies.

After the merger of the MPS Group company, "Gestione Crediti Banca Spa", the Debt Collection Area was set up to carry out all specialised activities on non-performing loans, thus assigning the whole process of non-performing loan management back to the Credit Division.

Quantitative Information

A. CREDIT QUALITY

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

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

Portfolio/quality	Banking Group					Other companies		Total
	Doubtful loans	Substandard loans	Restructured	Past-due	Other assets	Impaired	Other	
1. Financial assets held for trading	9,904	31,369	10,910	44,621	24,165,167	-	-	24,261,971
2. Financial assets available for sale	113	2,304	7,689	-	24,830,229	-	-	24,840,335
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Loans to banks	1,882	2,646	-	-	12,235,162	-	-	12,239,690
5. Loans to customers	7,986,771	6,872,330	1,321,687	2,858,615	119,042,588	-	-	138,081,991
6. Financial assets designated at fair value	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	416,129	-	-	416,129
Total 30 06 2013	**7,998,670**	**6,908,649**	**1,340,286**	**2,903,236**	**180,689,275**	**-**	**-**	**199,840,116**
Total 31 12 2012	**7,304,576**	**6,010,625**	**1,421,709**	**2,753,148**	**183,718,257**	**-**	**-**	**201,208,315**

A.1.2 Breakdown of credit exposure by portfolios and credit quality (gross and net values)

Portfolio/quality	Non performing assets			Performing			Total (net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	129,959	33,155	96,804	x	x	24,165,167	24,261,971
2. Financial assets available for sale	22,198	12,092	10,106	24,830,229	-	24,830,229	24,840,335
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	41,361	36,833	4,528	12,252,203	17,041	12,235,162	12,239,690
5. Loans to customers	32,328,486	13,289,083	19,039,403	119,738,905	696,317	119,042,588	138,081,991
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	416,129	416,129
Total A	32,522,004	13,371,163	19,150,841	156,821,337	713,358	180,689,275	199,840,116
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	x	x	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
Total B	-	-	-	-	-	-	-
Total 30 06 2013	**32,522,004**	**13,371,163**	**19,150,841**	**156,821,337**	**713,358**	**180,689,275**	**199,840,116**
Total 31 12 2012	**29,682,951**	**12,192,893**	**17,490,058**	**160,840,509**	**733,167**	**183,718,257**	**201,208,315**

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

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	27,507	25,512	x	1,995
b) Substandard loans	19,616	14,649	x	4,967
c) Restructured loans	-	-	x	-
d) Past due	-	-	x	-
e) Other assets	14,179,577	x	17,041	14,162,536
Total A	**14,226,700**	**40,161**	**17,041**	**14,169,498**

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

30 06 2013

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	19,084,511	11,095,751	x	7,988,760
b) Substandard loans	8,628,493	1,756,163	x	6,872,330
c) Restructured loans	1,581,346	251,970	x	1,329,376
d) Past due	3,052,578	193,963	x	2,858,615
e) Other assets	156,954,115	x	696,317	156,257,798
Total A	**189,301,043**	**13,297,847**	**696,317**	**175,306,879**

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 30 June 2013. 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 reported.

(EUR/mln)

COUNTRY	DEBT SECURITIES					L&R	CREDIT DERIVATIVES
	Financial assets held for trading		Financial assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value= book value	Nominal	Fair value= book value	Book value	Book value	Nominal
Argentina	3.58	2.45	-	-	-	-	-
Austria	- 20.89	- 23.30	-	-	-	-	- 38.22
Belgium	(11.83)	(13.23)	39.25	43.09	-	-	- 0.01
Bosnia	0.01	0.01	-	-	-	-	-
Brazil	1.49	2.28	-	-	-	-	-
China	-	-	-	-	-	-	- 3.33
Croatia	1.45	1.58	10.00	11.79	-	-	-
Denmark	-	-	-	-	-	-	- 0.01
Ecuador	0.02	0.00	-	-	-	-	-
Philippines	0.05	0.08	-	-	-	-	-
Finland	-	-	-	-	-	-	0.01
France	- 13.67	- 14.74	-	-	-	-	- 0.01
Germany	(66.61)	(67.48)	-	-	-	-	(0.01)
Greece	0.01	0.01	-	-	-	-	-
Hong Kong	-	-	24.64	24.63	-	-	-
Ireland	0.00	0.00	-	-	-	-	(0.01)
Italy	5,166.02	5,176.41	22,424.96	23,404.71	444.96	3,850.16	1,082.10
Latvia	-	-	10.00	10.86	-	-	-
Lithuania	0.38	0.41	10.00	10.43	-	-	-
Mexico	- 0.13	- 0.17	-	-	-	-	-
Norway	-	-	-	-	-	-	(0.01)
The Netherlands	3.05	3.28	-	-	-	-	(0.01)
Poland	-	-	10.00	11.02	-	-	-
Portugal	-	-	165.00	165.83	-	-	0.01
United Kingdom	0.08	0.09	-	-	-	-	0.01
Romania	0.20	0.21	10.00	10.68	-	-	-
Russia	0.35	0.61	-	-	4.80	-	-
Slovakia	0.96	0.90	-	-	-	-	-
Spain	0.01	0.01	220.00	233.31	-	-	(0.01)
United States	0.42	0.47	-	-	-	-	-
Sweden	-	-	-	-	-	-	(0.01)
Turkey	0.03	0.03	10.00	10.93	-	-	-
Ukraine	0.76	0.77	-	-	-	-	-
Hungary	2.63	2.92	10.00	10.45	5.00	-	-
Venezuela	0.68	0.60	-	-	-	-	-
Total 30 06 2013	**5,069.08**	**5,074.20**	**22,943.85**	**23,947.73**	**454.76**	**3,850.16**	**1,040.54**
Total 31 12 2012	**2,964.84**	**3,064.32**	**22,289.08**	**23,312.36**	**472.86**	**3,931.79**	**1,383.94**

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

In particular, securities classified as "Financial assets available for sale - AFS" and "Financial assets held for trading - HFT" were measured at the fair value of the consideration receivable as at 30 June 2013. Loans and securities included in the L&R portfolio are recognised at amortised cost.

The overall exposure consists almost entirely in Italian debt and is concentrated under the AFS accounting category.

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. Exposures to these countries have been reduced as compared to their level as at 31 December 2012.

AFS securities: Italy	30 06 2013	31 12 2012
Book value	23,404.7	22,729.9
AFS reserve (after tax)	(1,952.7)	(2,529.7)
of which: hedging effect (after tax)	(2,338.8)	(2,933.1)

Credit derivatives - Italy	30 06 2013	31 12 2012
Purchase of protection		
Nominal	(3,958.2)	(3,932.5)
Positive fair value	738.6	873.9
Negative fair value	-	-
Sale of protection		
Nominal	5,040.3	5,317.4
Positive fair value	-	-
Negative fair value	(952.7)	(1,317.5)

D. CREDIT RISK MEASUREMENT MODELS

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

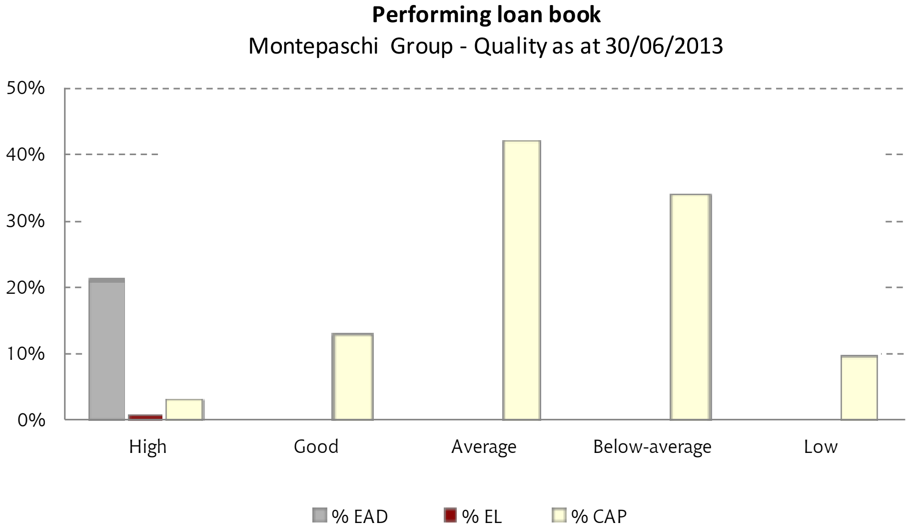
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined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

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

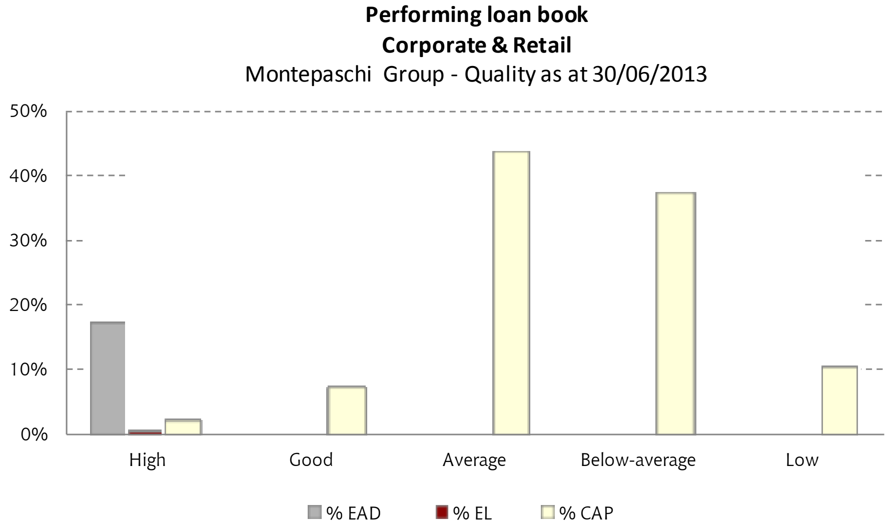
The model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographical area, business area, rating class and continental areas. Other information derived from the Credit Portfolio Model concerns "what-if" analyses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

In accordance with the provisions of the Second Pillar of the Basel Accord, the Montepaschi Group is committed to the continuous development of methodologies and models in order to assess the impact on the loan book of stress conditions produced using sensitivity analyses with respect to individual risk factors or scenario analyses.

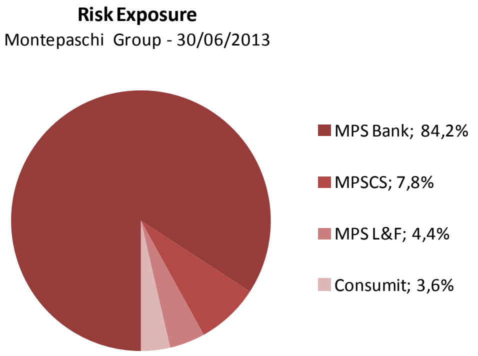
The chart below provides a credit quality breakdown of the Montepaschi Group portfolio as at 30/06/2013 (excluding financial asset positions). The following graph shows that about 49% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



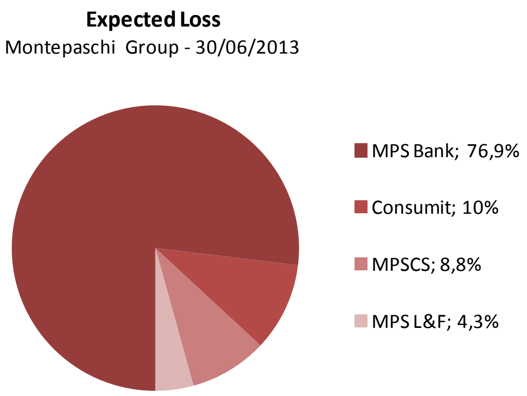
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 30/06/2013, high or good quality exposure accounted for approximately 39% of total exposure.



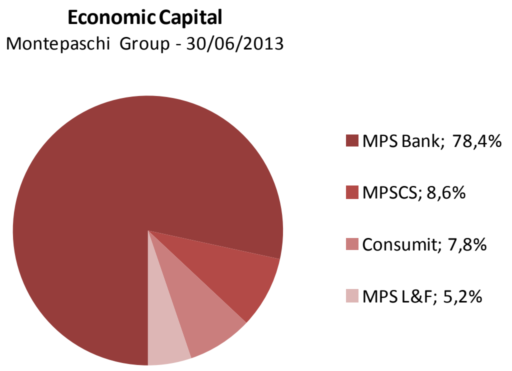
The following chart shows that the retail bank (Prent Company) contributes approximately 84.2% of the total Montepaschi Group's exposure to risk, whereas the companies MPS Capital Services, MPS L&F, and Consum.it account for the remaining 15.8%.



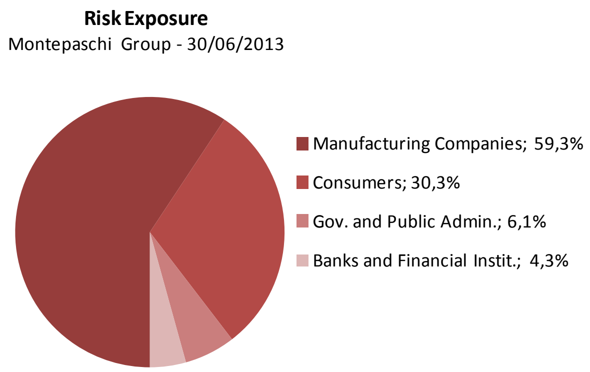
With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 76.9%, followed by Consum.it and MPS Capital Services (10% and 8.8% respectively), while the remainder (4.3%) is assigned to cover the risks of MPS Leasing & Factoring.



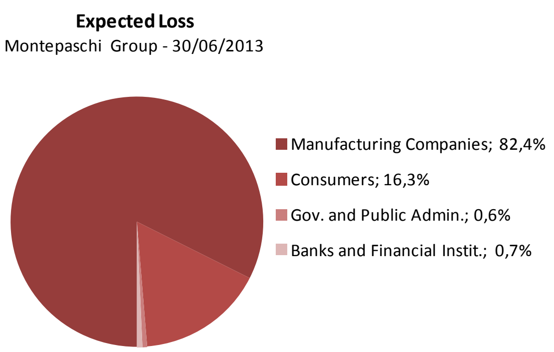
Most of the overall amount of Economic Capital to cover credit risk is absorbed by the Parent Bank (about 78.4%), followed by MPS Capital Services and Consum.it (8.6% and 7.8% respectively) with the remaining 5.2% absorbed by MPS Leasing e Factoring.

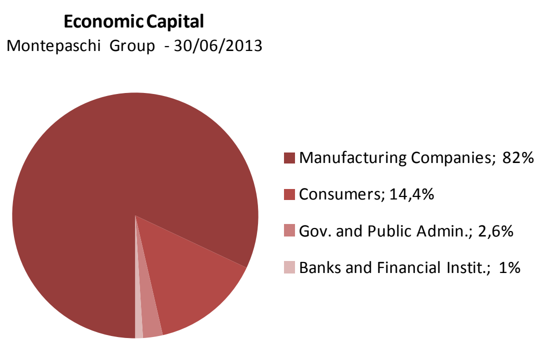


An analysis conducted at the end of the first half of 2013 shows that the Group's risk exposure is mainly toward “Manufacturing Companies” (59.3% of total loans disbursed) and “Households” (30.3%). The remaining portion is broken down between "Government and Public Administration" and "Banks and Financial Institutions", respectively at 6.1% and 4.3%.

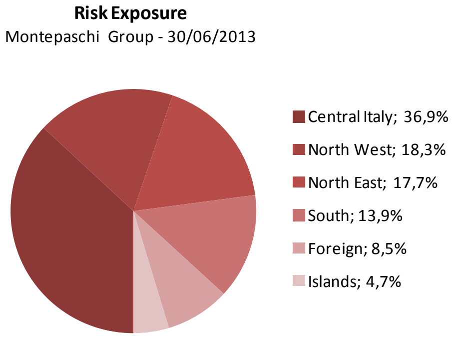


In terms of risk measures, the analysis reveals that Manufacturing Companies account for 82.4% of Expected Loss and 82% of Economic Capital. The portion for “Households” comes to 16.3% for Expected Loss and 14.4% for Economic Capital.

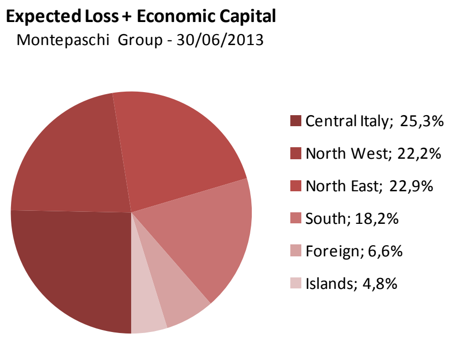




An analysis of the geographical breakdown of Group customers shows that exposure to risk is primarily concentrated in Italy's Central regions (36.9%), followed by the North West and North East (18.3% and 17.7%), Southern Italy (13.9%), foreign countries (8.5%) and Italy's islands (4.7%).

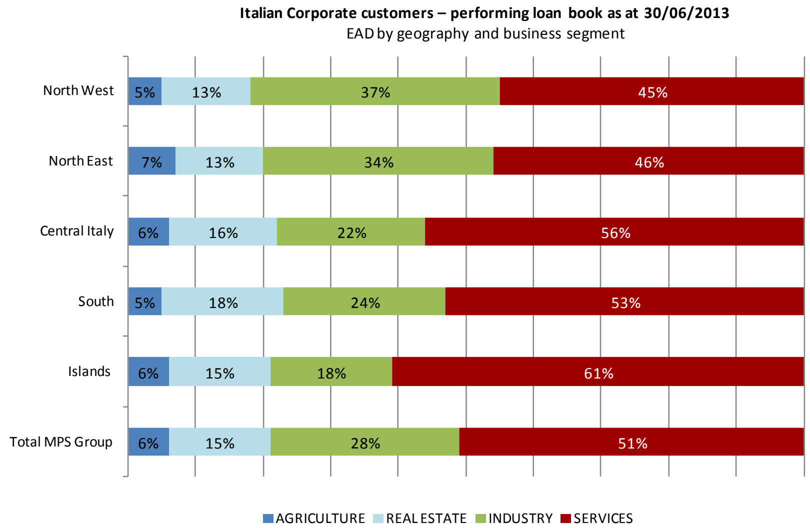


Overall risk measures (Expected Loss + Economic Capital) are also higher (25.3%) in central Italy due to the greater concentration of loans in that area. Next in the ranking are North-Eastern Italy (22.9%), the North-West (22.2%), the South (18.2%), Italy's islands (6.6%) and Foreign countries (4.8%)

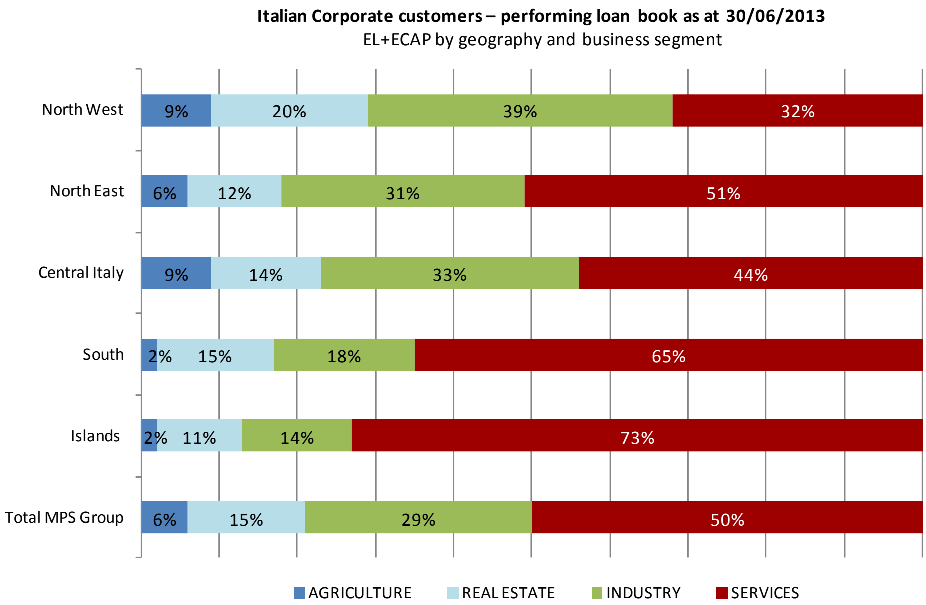


Lastly, the following graphs show a percentage breakdown for Italian corporate customers of Default Exposure and overall risk measures (Expected Loss + Economic Capital) by Geographic Areas and Business Sectors.

The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the Group's total exposure, the share of Services accounts for 51% and is followed by Industry (28%), Building (15%) and Agriculture (6%).



Overall risk measures, defined as the sum of Expected Loss and Economic Capital, are also higher for the Services business sector in all Geographic Areas, with the exception of the North West of Italy where the Industrial sector accounts for the largest share (39%).



Section 2 – Market risk

2.1 Interest rate and price risk – regulatory trading book

Market risks in the trading book

The Montepaschi Group's Regulatory Trading Portfolio (RTP), or Trading Book, is made up of all the Regulatory Trading Books managed by the Parent Bank (BMPS), MPS Capital Services (MPSCS) and, to a smaller extent, by the Irish subsidiary Monte Paschi Ireland. The portfolios of the other subsidiaries are immune to market risk since they only contain their own bonds held to service retail customers. Trading in derivatives, which are brokered on behalf of the same customers, also calls for risk to be centralised at, and managed by, MPSCS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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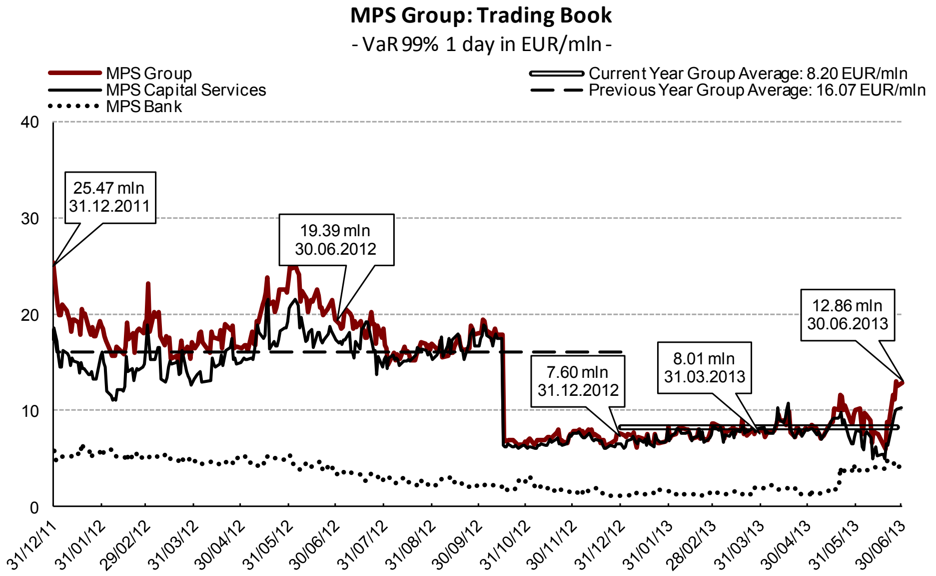
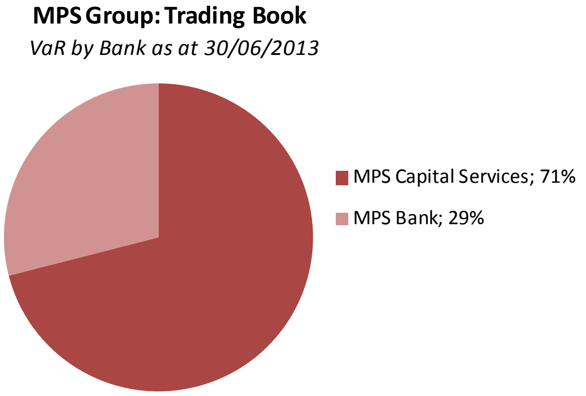
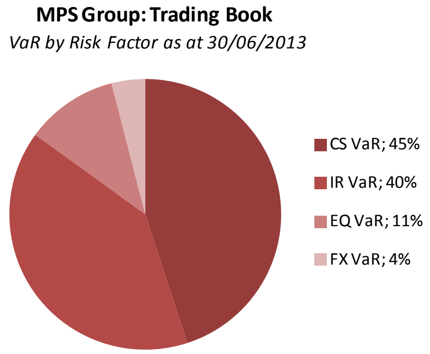
In the first half of 2013, market risk in the Group's Regulatory Trading Book in terms of VaR showed an overall stable trend in the first five months of the year. Volatility in risk measures for the month of June is instead connected with trading activities carried out by the subsidiary, MPSCS, primarily in long futures and interest rate future options Amounting to EUR 12.86 mln as at 30/06/2013, VaR for the the first half of 2013 remained well below the average level registered in the course of the previous year.



With regard to legal entities, the Group's market risks continue to be concentrated on MPSCS and the Parent Company, with MPSCS accounting for 71% and the Parent Company for 29% of overall risk.
The market risks of MP Ireland's regulatory Trading Book, in terms of VaR, were fully eliminated following early repayment in April 2013 of the only type of securities held in the the portfolio and termination of the derivative connected thereto.



A breakdown of VaR by risk factors as at 30/06/2013 shows that 45% of the Group's portfolio was allocated to Credit Spread risk factors (CS VaR), 40% was absorbed by interest rate risk factors (IR VaR), 11% was absorbed by equity risk factors (EQ VaR) and the remaining 4% by foreign exchange risk (FX VaR).



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

	VaR	Date
End of Period	12.86	30/06/2013
Min	6.05	19/06/2013
Max	12.99	26/06/2013
Average	8.20	

During the first half of 2013, the Group's VaR ranged between a low of EUR 6.05 mln recorded on 19/06/2013 and a high of EUR 12.99 mln on 26/06/2013. On average, Group VaR was EUR 8.20 mln. The end-June 2013 figure was EUR 12.86 mln.

Qualitative Information

A. General

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

A.1 Interest rate risk

With reference specifically to the Parent Bank, the Finance, Treasury & Capital Management Area (FTCMA) within the CFO division has been the Business Area in charge of trading since May 2012. The Global Markets Division carries out trading activities for MPSCS.

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

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

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

A.2 Price risk

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

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

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

Quantitative Information

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

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

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

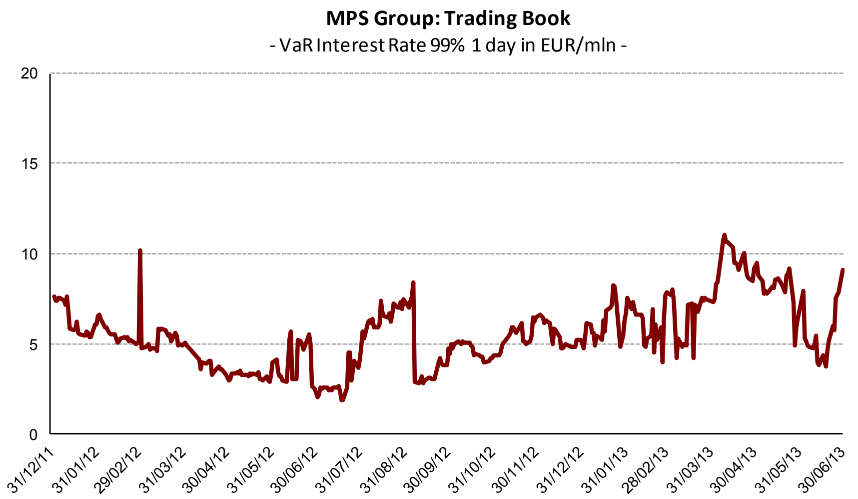
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

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

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

3.1 Interest rate risk

Each business unit of the Group operates independently on the basis of the objectives and powers it has been assigned. Positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (covering 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 overall 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.



Trends in Interest Rate VaR during the six-month period were affected by MPSCS trading primarily in long futures and interest rate future options.

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

	VaR	Date
End of Period	9.14	30/06/2013
Min	3.76	19/06/2013
Max	11.01	10/04/2013
Average	6.94	

Simulations include the following interest rate risk scenarios:

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

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

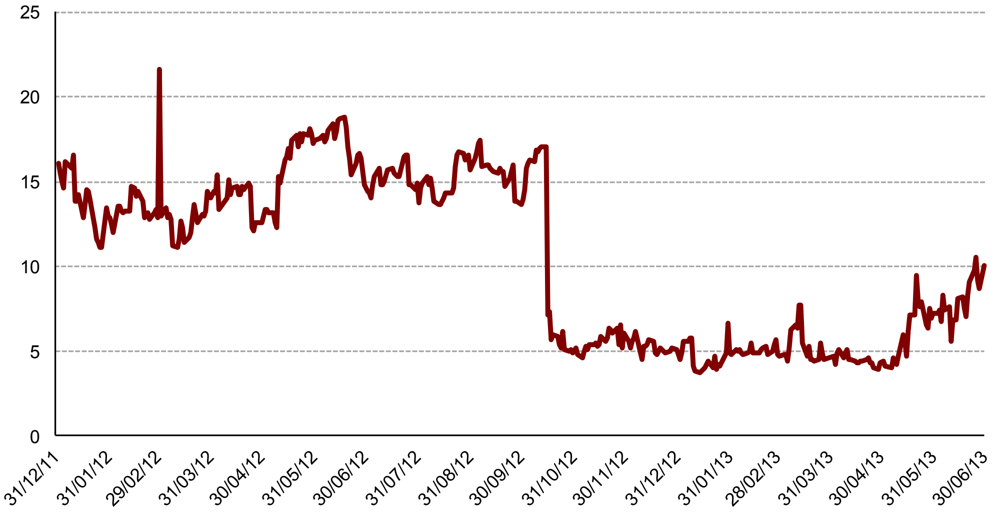
EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	41,39
Interest Rate	-100bp all Interest Rate Curves	(52,44)
Interest Rate	+1% all Interest Rate Volatility	0,10

The mismatch between the +100 bps and -100 bps scenarios is mainly attributable to subsidiary MPSCS by reason of convexity of securities held, non-linear rate positions and floor applied in the -100 bps stress scenario as a consequence of low-level interest rates.

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.

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



The trend in Credit Spread VaR in the first months of 2013 is connected with tensions on credit spreads in the Euro area. In the second part of the six-month period, volatility in risk measures was primarily connected with trading activities carried out by the subsidiary, MPSCS, 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	10.10	30/06/2013
Min	3.77	14/01/2013
Max	10.52	25/06/2013
Average	5.61	

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.

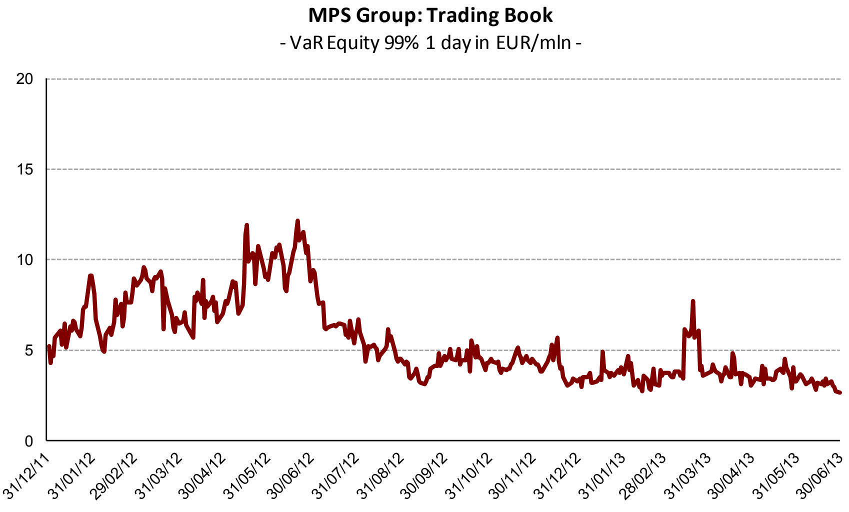
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	(0,24)

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 operational relevance for the purpose of risk management analyses, even though it is the overall VaR diversified among risk factors and portfolios that is used by the operating units. Below is information on the Group's diversified Equity VaR.



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

	VaR	Date
End of Period	2.59	30/06/2013
Min	2.59	30/06/2013
Max	7.67	21/03/2013
Average	3.67	

There are three simulated price scenarios:

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

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

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	0,44
Equity	-1% Equity Prices (prices, indices, basket)	(0,23)
Equity	+1% Equity Volatility	0,07

2.2 Interest rate risk and price risk in the banking book

Qualitative Information

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

A.1 Interest rate risk

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

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

The Montepaschi Group is committed to the continual updating of risk measurement methodologies by gradually fine-tuning the estimation models so as to include all major factors that progressively modify the interest rate risk profile of the banking book. The Group adopts an interest rate risk governance and management system which, in accordance with the provisions of the Supervisory Authority, avails itself of:

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

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

- definition of the 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.

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

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

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

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

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

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

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

A.2 Price risk

The price risk in the Montepaschi 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.

The Montepaschi Group's equity investment portfolio includes approximately 238 equity investments in companies outside the Group, with approximately 76% of the amount being concentrated in 10 investments. The unit value of the remaining investments is rather limited (approximately 174 equity investments, in fact, are valued at less than EUR 1 mln, accounting for 2% of the overall portfolio). There are approximately 22 equity investments relative to the portfolio of MPSCS; these account for 4% of the overall value of the portfolio.

Trading in UCITs is carried out exclusively through the direct purchase of funds/SICAVs, with no use being made of derivative contracts.

Quantitative Information

2.2.1 Banking book: breakdown of financial assets and liabilities by residual life (repricing date)

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

2.2.2 Banking book: internal models and other sensitivity analysis methods

2.2.2.1 Interest rate risk

The sensitivity of the Montepaschi Group, at the end of June 2013, was indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to - EUR 1,036.4 mln as at the end of June 2013 (vs. EUR 1,072.7 mln for a shift of -100bp). However, if benchmarked against Regulatory Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

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

2.2.2.2 Price risk

The instrument used to measure the price risk of the equity investments portfolio is Value-at-Risk (VaR), which represents the loss that the portfolio in question, valued at Fair Value, could experience in the timeframe of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (unlike the one used for the Trading Book) is a simulation model which uses the Monte Carlo approach, based on series of market yields for listed companies and time series of sector-based indices for unlisted ones. The VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted at period-end to approximately 23% of the portfolio Fair Value, with risk concentrated in the 8 most significant investments.

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

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

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

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

MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	19.25
Equity	-1% Equity Prices (prices, indices, basket)	(19,25)
Equity	+1% Equity Volatility	0,00

The impact of the equity investments portfolio on the scenario analysis total is approximately 63%.

2.3 Foreign exchange risk

Qualitative Information

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

Hedging of exchange rate risk

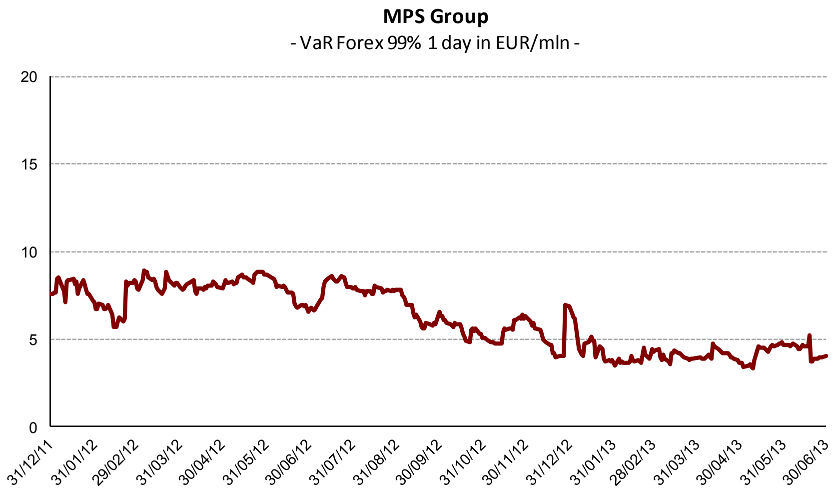
Foreign exchange operations are mainly based on short-term trading, with a systematic balance of transactions originated by the franchise and retail banks which automatically feed into the Group's position.

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

Quantitative Information

2.3.1 Internal models and other methodologies for sensitivity analysis

Exchange risk is monitored in terms of VaR and scenario analysis (for the methodology see the paragraph "Market Risk Management Model for the Trading Book"). Shown below is information relative to the Group's diversified Forex VaR.



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

	VaR	Date
End of Period	4.07	30/06/2013
Min	3.36	09/05/2013
Max	6.48	02/01/2013
Average	4.21	

The following scenarios were used for foreign exchange rate simulations:

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

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

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	0,41	0,19	**0,60**
Forex	-1% Exchange rate against EUR	(0,39)	(0,19)	**(0,58)**
Forex	+1% Forex Volatility	0,13	0,00	**0,13**

Section 3 – Liquidity risk

Qualitative Information

A. Liquidity risk: general information, operational processes and measurement methods

As part of the overall revision process of models and processes, the Montepaschi Group has revised the approach for the identification, measurement and management of Liquidity Risk (*Group Liquidity Risk Framework*).

Group Liquidity Risk Framework

The **Group's Liquidity Risk Framework** is intended as the set of tools, methodologies, organisational and governance setups which ensures both compliance with national and international regulations and adequate liquidity risk governance in the short and medium/long term, under business as usual and stress conditions.

Management of the Group's **Operating Liquidity** is intended to ensure the Group is in a position to meet cash payment obligations in the short term. The essential condition for a normal course of business in banking is the maintenance of a sustainable imbalance between cash inflows and outflows in the short term. The benchmark metric in this respect is the difference between net cumulative cashflows and *Counterbalacing Capacity*, i.e. reserve of liquidity in response to stress conditions over a short time horizon.

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

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

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

Liquidity limits

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

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

In order to immediately identify the emergence of vulnerabilities in the Bank's position, the Group has developed a range of **Early Warnings**, classified as generic 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.

Section 4 – Operational risk

Qualitative Information

A. Operational risk: general information, operational processes and measurement methods

General information and Framework structure

By an administrative ruling dated 12 June 2008, the Bank of Italy authorised the Montepaschi Group to use internal models for the determination of capital requirements for credit and operational risks.

The adoption of the advanced model (AMA) calls for a major organisational and cultural mindset change for banks, which are necessarily required to:

1. adopt an internal organisation which defines the roles of the corporate bodies and functions involved in the operational risk management process;

2. establish a control function for data gathering and storing, capital requirement calculation, risk profile assessment and reporting;

3. perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;

4. delegate the internal auditing body to perform periodic audits on the Operational Risk management system;

5. ensure over time that the system is actually made use of in the usual course of business (use test).

For this purpose, the Montepaschi Group has adopted an integrated system of operational risk management, i.e. an internal framework built around a governance model that involves all companies included in the AMA model scope of application. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

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

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

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

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

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

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

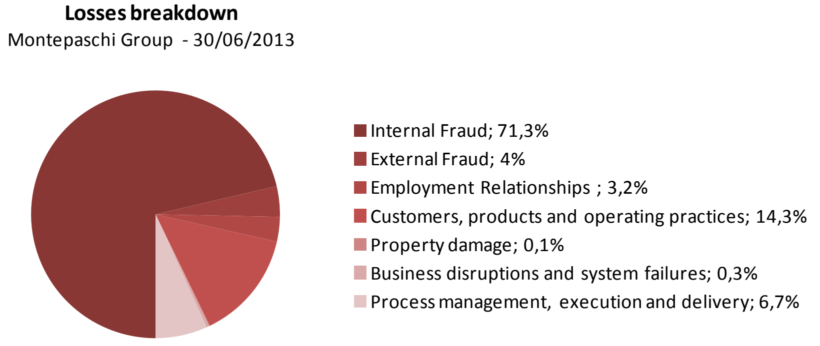
The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, while the foundation models are used for remaining components and foreign companies. As at 30/06/2013, internal model coverage in terms of total banking income exceeds 95%.

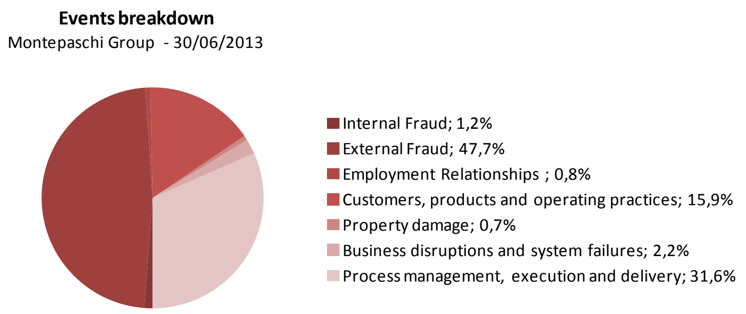
ORM has also set up a reporting system which ensures timely information on operational risks for the Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are regularly submitted to the Risk Committee and governing bodies.

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

Quantitative Information

The percentage breakdown of events and operational losses recognised in the first half of 2013 is reported below, divided into various risk classes.





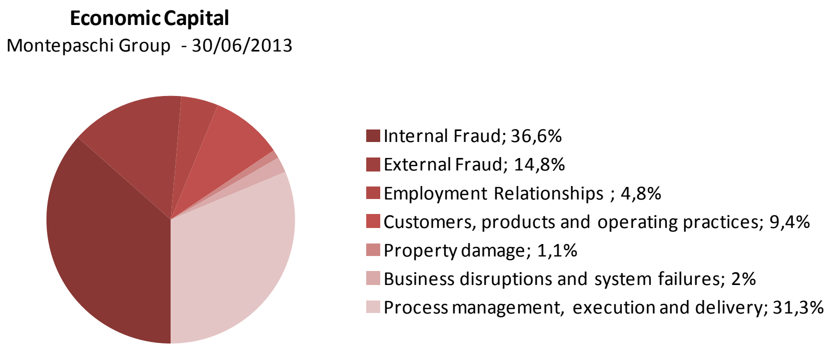
Further to the issues which the Group was recently involved in, Risk Management carried out in-depth reviews of the events which were restated in the financial statements. The analyses led to the identification of operating losses which had a significant impact in terms of items classified under the Event Type "Internal fraud".

As at 30/06/2013, the overall number of operational risk events was stable as compared to the first quarter of 2013, while an increase in losses was registered attributable to some events for a material amount (connected with referenced internal fraud episodes and some litigation cases in progress).

Net of the new events for a material amount classified under the Event Type "Internal fraud", the types of event with the greatest impact on the profit and loss statement remain attributable to non-fulfilment of professional obligations with customers" (under "Customers, products and operating practices", which accounts for 46% of total, net of the afore-mentioned major events) and operational and process management shortfalls (under "Process management, execution and delivery", which accounts for 22% of total, net of the afore-mentioned major events).

With regard to "non-fulfilment of professional obligations with customers", risk events are primarily associated with claims (legal actions, complaints) due to the application of compound interest, sale of financial plans (For You and My Way) and placement of bonds issued by countries or companies later in default (Argentina, Parmalat, etc). It follows that a large part of the operational risk events in this class have a prior date of occurrence (before 2005), but still have accounting effects on current financial periods.

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



Following completion of the analyses carried out in the first half of the year, the Group has factored in the losses arising from restated accounts in its economic capital and regulatory capital requirement relating to the month of June. In particular, the most significant impact was from the Event Type "Internal Fraud".

On account of these events, the overall Economic Capital as at 30/06/2013 was up 18% on the previous quarter. The share of the Event Type "Internal Fraud" increased from 25.0% to 36.6%.

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

Main types of legal action

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

The main sub-categories refer to claims regarding the application of compound interest, placement of bonds issued by countries or companies later in default, sale of financial plans and management of loan positions.

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

Major pending cases

Civil lawsuit brought before the Court of Milan

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

Civil lawsuit brought before the Court of Florence

The lawsuit concerns a claim for compensation for alleged damages due to contractual liability brought by the plaintiff against the Bank jointly with other credit institutions. A ruling by the Court not yet covered by final judgment has rejected the claims against the Bank.

Civil lawsuit brought before the Court of Salerno

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

Civil lawsuit brought before the Court of Brescia.

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

Arbitration proceeding brought before the Arbitration Chamber in Milan

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

Appeal lodged with the Regional Administrative Court of Lazio

The appeal was lodged against the Bank with the Regional Administrative Court of Lazio by associations of consumers and users seeking annullment of deeds relating to the procedure for the issuance of New Financial Instruments (Monti Bonds) for the Bank. The Regional Administrative Court of Lazio and the Italian State Council rejected all petitions for precautionary measures submitted by the parties. Still pending is only an additional proceeding filed by a consumer group with the Regional Administrative Court of Lazio seeking annullment of the deeds which formalised the procedure for the issuance of Monti Bonds subsequent to the first ruling favourable to the Bank by the Regional Administrative Court of Lazio.

Civil lawsuit brought before the Court of Palmi.

This case, where BMPS is sued together with other credit institutions, seeks the assessment of alleged damage suffered by the plaintiff, as a result of purported usury-like interest. The case is still in the initial phase.

Class action brought before the Court of Florence

Judgment passed, pursuant to art. 140 bis of the Consumer Code, by a Consumer Group acting under special power of attorney on behalf of certain investors/shareholders of the Bank to seek compensation for alleged damage suffered by investors who entered into financial transactions connected with the Bank's capital strengthening initiatives in previous financial years. The claims for damages were lodged on the basis of purportedly inaccurate disclosure of information by the Issuer in the course of the transactions. The case is still in the initial phase of judgment. It is noted that, although not material in amount, other individual actions have been brought against the Bank for similar reasons.

Risks from tax disputes

As lately reported in the Notes to the Financial Statements as at 31.12.2012, on 31.05.2012, the Parent Company was notified an official tax audit report concerning disposal of a BMPS shareholding in 2006.

The statement of facts in the report assumes that the shareholding was sold in 2005, and not in 2006: consequently, the realised capital gain would not have qualified for the 'participation exemption' regime.

Since criminally relevant claims are also associated to this subject matter, the State Tax Authority – even though the ordinary terms for assessment of the year claimed have expired - may serve a notice of assessment by reason of twice the afore-mentioned ordinary terms.

Should the Revenue Agency decide to serve the notice of assessment, the Parent Company, supported by the opinions of dependable consultants, deems the risk of losing unlikely.

In July 2013, the Revenue Agency notified two notices of assessment (one for the subsidiary, Consumit SpA, and the vehicle, Consum.it Securisation s.r.l.; the other for the Parent Company and the same vehicle, Consum.it Securisation s.r.l.) in relation to the registry tax on two different deeds concerning the same securitisation transaction. The Company, supported by the opinions of dependable consultants, deems the risk of losing unlikely.

Financial risks of investment services

Introduction

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

Wealth risk management process and methods

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

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

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

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

The Parent Company's strategic choice was to combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enhance the role played by relationship managers.

All investment products (both Group and third-party), included in the catalogue of products offered to Group customers are subject, within a codified product management/development and distribution process, to a specific quali-quantitative multivariate risk assessment, including, market, credit and liquidity/complexity risk factors. A consistent quantitative assessment is also made for financial instruments purchased directly by customers and managed in portfolios under custody.

Risk assessments are pegged to specific risk classes identified with explanatory keys, which are available to customers in information brochures regarding securities placed and which therefore represent one of the guiding criteria on the basis of which the verifications of appropriateness and compliance provided for by European MiFID regulations and Consob Regulation 16190 are made. The 2009 inter-association guidelines on illiquid financial products are also complied with.

In addition to the above, Group customers are regularly informed over time about changes in the risk of the financial instruments they hold, so as to ensure the necessary informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of investments held.

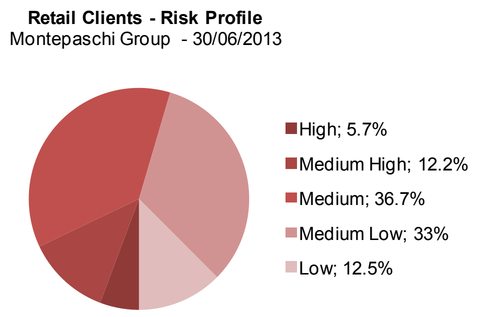
The activities described cover the entire distribution scope of the branch network of Banca MPS and the Financial Advisory network (in addition to MPS Capital Services for the role it plays in the supply-chain process).

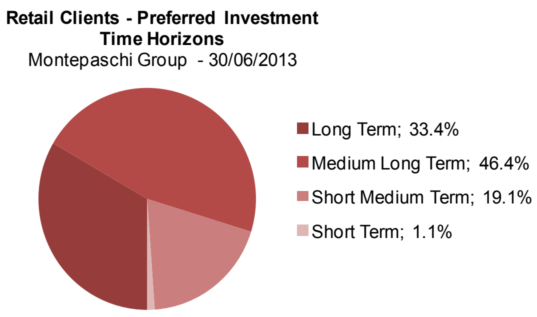
For increased protection of customer investments, the Wealth Risk Management function monitors the list of highest-risk issuers/entities (a.k.a. Money Laundering List or MLR) with the objective of identifying companies undergoing a temporary critical phase, associated primarily with specific macroeconomic,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

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

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

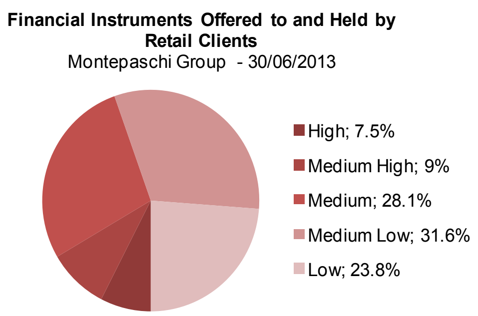
The results of questionnaires filled out by Group customers confirm a very conservative approach to financial investments. Group customers in the "Consumers" macro-segment, namely retail customers representing almost the entire customer base of the Group, have long shown a substantially risk-averting investment propensity. At the end of June 2013, slightly less than half of profiled customers were in fact concentrated in largely conservative (minimum and limited investment) profiles, primarily over medium and long time horizons.



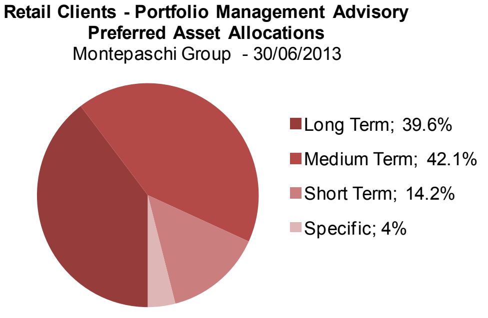


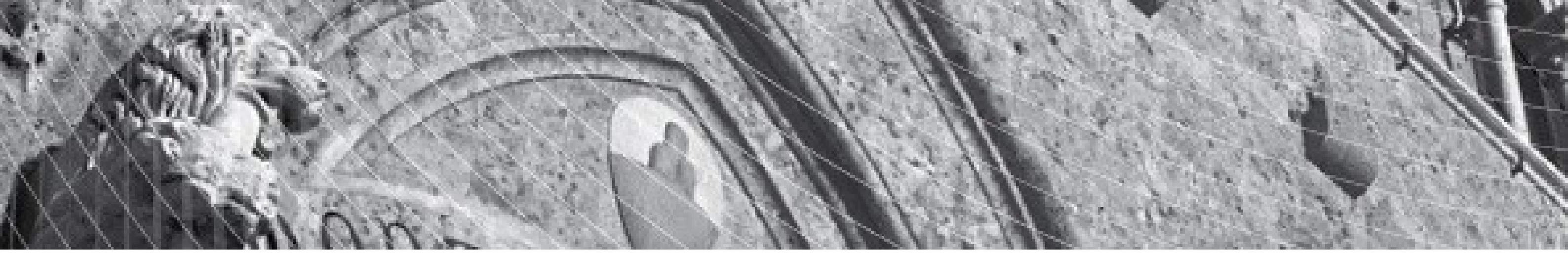
Against these premises, the risk of investment products was inevitably fraffected by market trends in the period. Although financial markets in the leading advanced economies outside the Eurozone showed a substantially positive trend in the first six months of the year, markets in the Eurozone had a more fluctuating and discontinuous performance. The sovereign risk component, although declining in incidence in the first part of the year, gained momentum again in the last two months of the period, making the risk assessment of investment products still strongly conditional upon credit risk in particular.

As a consequence of still-highly volatile financial markets, products included in the Group's catalogue and held by "Consumer/Retail" customers showed on average a higher risk profile distribution as at the end of the first half of 2013, with respect to the end of 2012, although still concentrated on medium-low classes in terms of invested amounts.



As at the end of June 2013, the portfolios held by Consumer/Retail customers on the basis of formalised advanced advisory proposals were mainly distributed into the recommended medium-to-long term Asset Allocation (AA) macro-classes, with a minimum percentage of assets allocated over specific time horizons.





Part F – Information on consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

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

The Group is subject to the capital adequacy requirements set out by the Basel Committee in accordance with the rules defined by the Bank of Italy ("New prudential supervisory instructions for banks," 13th update of Circular 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 15th update of Circular No. 155/91). In Circular no. 263, the Bank of Italy underlines that supervisory instructions are primarily for consolidated reports; based on such rules, the regulatory capital to risk weighted assets ratio must be at least 8% on a consolidated level. Compliance with the requirement on a consolidated basis is verified every three months by the Bank of Italy.

Along with observance of mandatory minimum capital ratios ("Pillar One"), regulations require the use of internal methodologies intended for determining the Group's current and future capital adequacy ("Pillar Two"), which thus takes on a more comprehensive connotation aimed at the overall verification of capital needs and sources actually available, in line with the Parent Company's strategy and growth objectives.

B. Quantitative information

B.1 Consolidated equity: breakdown by business areas

30 06 2013

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	7,485,337	337,018	266,327	(603,345)	7,485,337
Share premium	211	-	161,470	(161,470)	211
Reserves	1,263,092	296,750	16,380	(313,130)	1,263,092
Equity instruments	3,002	-	-	-	3,002
Treasury shares (-)	(24,532)	-	-	-	(24,532)
Valuation reserves	(1,713,116)	43,692	3,300	(46,992)	(1,713,116)
- Financial assets available for sale	(1,456,730)	-	-	-	(1,456,730)
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(238,923)	-	-	-	(238,923)
- Exchange difference	(2,116)	-	-	-	(2,116)
- Non-current assets held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(64,370)	-	-	-	(64,370)
- Share of valuation reserves of equity investments valued at equity	36,496	39,806	(3,310)	(36,496)	36,496
- Special revaluation laws	12,527	3,886	6,610	(10,496)	12,527
Profit (loss) for the year - Group and minority interests	(379,893)	55,689	(10,165)	(45,524)	(379,893)
Net equity	**6,634,101**	**733,149**	**437,312**	**(1,170,461)**	**6,634,101**

Section 2 - Regulatory capital and ratios

2.1 The regulatory framework - scope of application

Regulatory capital is determined based on supervisory instructions issued by the Bank of Italy ("New Regulations for the Prudential Supervision of Banks", update no. 13 of Circular no. 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 15th update of Circular No. 155/91).

"New Regulations for the Prudential Supervision of Banks" allow banks and banking groups -upon prior authorisation by the Bank of Italy- to determine capital requirements by adopting internal measurement models.

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

2.2 Regulatory capital

A. Qualitative Information

Regulatory capital differs from net accounting equity as determined on the basis of IAS/IFRS international accounting principles, since Supervisory regulations are aimed at safeguarding capital quality and reducing potential volatility induced by the application of the IAS/IFRS principles.

The items that make up regulatory capital must therefore be fully available to the Group, so they may be used without limitation to hedge risks and corporate losses. These components need to be stable and their amount is cleared of any tax charges.

Regulatory capital is made up of core capital and supplementary capital. Both core (Tier 1) and supplementary (Tier 2) capital are determined by the algebraic sum of their positive and negative items, upon prior consideration of the so-called "prudential filters". This expression is understood as all those positive and negative items adjusting regulatory capital, introduced by supervisory authorities with the express purpose of reducing potential capital volatility. Deductible items, determined as will be explained below, must be deducted from core and supplementary capital (50% from Tier 1 and 50% from Tier 2).

The following table illustrates the constituents of Tier 1 and Tier 2, with a focus on the Group's most relevant aspects.

With regard to Tier 1, its positive items include paid up capital, share premium, profit and capital reserves, innovative and non-innovative capital instruments and profit for the period; added to these items are the positive prudential filters represented by the issuance of the New Financial Instruments. These instruments were issued by Banca Monte dei Paschi di Siena S.p.A. on 28 February 2013 pursuant to article 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended. In particular, the Ministry of Economy and Finance subscribed to the New Financial Instruments 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. From a Capital Adequacy standpoint, although included in the Liabilities for the purpose of the Financial Statements, the NFIs qualify as Core Tier 1, by reason of their subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions.

The characteristics of the New Financial Instruments include:

1. BMPS may not distribute any dividends until approval of the Plan by the European Commission;

2. the NFIs are financial instruments which may be converted into ordinary shares by the issuer and are characterised by 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 share capital and reserves, by reducing the nominal value;

3. the NFIs are perpetual instruments and BMPS has the right to redeem them subject to the prior authorisation by the Bank of Italy; the Prospectus specifically lays down that repayment will occur at the greater of the following values:

    a. an increasing percentage of the nominal value over time (100% by 30 June 2015, then increased by 5% every two years up to a maximum of 160%);

    b. the product of shares underlying the NFIs and the price paid in the event of a takeover bid on BMPS after the subscription date;

    c. the product of shares underling the NFIs and the price received by the MPS Foundation in the event that over 10% of its shareholding is sold over a period of 12 months.

4. the NFIs have no rights under art. 2351 of the Civil Code and are convertible into shares upon the request of the issuer (art. 23-decies para.1); in particular, the Prospectus provides that in the event of conversion, the MEF is to be assigned a number of shares equal to the ratio between the nominal value of the NFIs and the Theoretic Ex Rights Price (TERP) discounted by 30%; the TERP is positively related to the market value of BMPS shares;

5. interest on NFIs is paid in cash up to the amount of net profit for the year gross of the same interest, tax effect and net of provisions for statutory reserves;

6. any interest in excess of this threshold is paid through the issue of new shares at market value or, for 2013 interest, through the issue of additional NFIs for the equivalent nominal value;

7. with regard to interest payment on NFIs, the Prospectus provides that:

    a. interest on NFIs is calculated on a pro rata basis by applying a fixed rate of 9% to the nominal value for the first year (2013) with a subsequent step up of half a point every 2 years until the 15% cap is reached;

    b. subject to the exceptions provided for in 2013 and 2014, interest that is not covered by net profit (loss) for the year is to be paid through the allocation of a number of shares equal to the number of shares in issue multiplied by the interest due and market capitalisation of the Bank (average of 10 days prior to the date of the BoD which approved the financial statements) ratio net of the same interest;

    c. in the event of loss for the year, no dividends shall be paid out under any circumstances.

The issuance of the NFIs is consequential to the *shortfall* revealed by the exercise conducted by the EBA on the capital requirements of Europe's major banks in the second half of 2011. The exercise revealed the Montepaschi Group’s need for temporary and provisional capital strengthening in the amount of EUR 3,267 mln aimed at achieving a 9% (EBA) Core Tier 1 by the end of June 2012. In determining this target value, the exercise also included the lower valuation -as at 30 September 2011 - of exposures to sovereign issuers so as to take account of market concerns over sovereign debt risk.

Consequently, the Montepaschi Group developed a plan of actions aimed at strengthening capital, which led to determining an overall shortfall of EUR 2,000 mln, net of Tremonti bonds. Identified actions, aimed at further strengthening the Group's capital, lie at the basis of the Restructuring Plan approved by the BoD on 13 June 2013.

Tier 1 capital also includes the original capital gain of EUR 405 mln generated in 2010 from the real estate transaction (Casaforte) and computed for prudential purposes as of 30 September 2011, following the finalisation of a backup liquidity provider contract for the Casaforte Class A notes with a Group-external counterparty. A prudential filter of EUR 49 mln was applied to this capital gain and additional capital requirements were calculated for an amount of EUR 16 mln, pursuant to the relevant supervisory regulations.

The negative items in Tier 1, on the other hand, include treasury shares in the portfolio, intangible assets (including goodwill), any losses posted in previous periods and in the current one, and the net negative balance of the reserves for AFS assets. As far as regulatory capital treatment of AFS reserves is concerned, an 'early offset' of balances applies, calculated net of tax where applicable, from reserves for debt securities on the one hand and reserves for equity securities and units in UCITS on the other. Each of the two net balances calculated as above is in fact fully deducted, if negative, from Tier 1, whereas it is 50% included, if positive, in Tier 2. This 'asymmetric' treatment was the only approach applicable by Italian banks to AFS reserves until 2009. In 2010, the Bank of Italy with the "Prudential filters for regulatory capital" set forth on 18 May 2010, introduced - in exclusive respect of debt securities issued by EU central governments- the possibility to opt for the alternative approach (so-called 'symmetrical' treatment) provided for by CEBS in its guidelines which includes full neutralisation of AFS reserves for regulatory capital purposes. The possibility for Italian banks to opt for the symmetrical approach has entailed the 'sterilisation' of the impact of negative and positive AFS reserves built up as of 2010 for debt securities issued by EU central governments. The Montepaschi Group opted for 'symmetrical' treatment.

With regard to negative items in Tier 1, it is noted that on 7 May 2013 the Bank of Italy communicated the adoption of specific provisions against Banca Monte dei Paschi di Siena under articles 53 and 67 of Legislative Decree no. 385/93 for regulatory treatment of the transaction known as Fresh 2008. In particular, the Bank was requested to exclude from Tier 1 the share of Fresh notes falling under the indemnity issued by the Bank. The negative impact on core capital as at 30 June 2013 amounted to EUR 76 mln.

Moreover, as of 2013, 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 core capital and largely 'sterilised' by a prudential filter with opposite sign, determined by taking account of the “corridor method” adopted until 31 December 2012. With the introduction of the CRR/CRD IV package, this filter is expected to be phased out in the next 5 years, thus leading to full recognition of the effects of valuation reserves in core capital. Prudential treatment follows the amendments to IAS 19 and, therefore, the elimination of the corridor method.

It should be noted that the negative prudential filters for Tier 1 include the net accrued capital gain (write-down of liabilities), after tax, relative to hybrid capital instruments and subordinated debt issued by the Group, classified among financial liabilities valued at fair value and accounted for in Tier 2.

Furthermore, in May 2013, the Bank of Italy gave clarifications about prudential treatment of deferred tax assets connected with multiple tax alignments on the same goodwill. Law Decree no. 225 of 29 December 2010, converted into Law no. 10 of 26 February 2011, introduced special tax treatment for Deferred Tax Assets – DTA concerning write-downs of loans, goodwill and other intangible assets. With regard to DTAs, the Bank of Italy has pointed out that recognition in regulatory capital of benefits connected with tax realignment subsequent to initial realignment of the same goodwill, only applies when related DTAs are converted into current tax assets. For this purpose, the share of DTAs calculated on the same goodwill will have to be deducted from core capital, net of the substitute tax paid, only for the part referring to DTAs subsequent to the initial one. With reference to DTAs recognised up to the financial year ending 31 December 2012, sterilisation of the positive effects on Core Tier 1 is allowed to be spread over a period of 5 years, recognising, every year, 1/5 of the DTA amount as at 31 December 2012 under the negative elements of Core Tier 1, net of the amount reversed to profit and loss or converted to tax credit every year.

The overall Tier 1 capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted. Deductibles include:

- equity investments and other items (innovative capital instruments, hybrid equity instruments and subordinated debt) issued by banks and financial corporations not fully or proportionately consolidated, which are deducted 50% from Tier 1 and 50% from Tier 2.
- the difference between expected loss and net impairment losses, as measured for the regulatory portfolio by banks authorised to the use of internal models for the determination of capital requirements in view of credit risks; in particular, if expected loss exceeds impairment losses, the difference is deducted 50% from Tier 1 and 50% from Tier 2; if the expected loss is lower than net impairment losses, the difference is included in Tier 2 within the limit of 0.6% of credit risk weighted assets;
- the equity investments held in insurance companies and subordinate debt issued by such companies, which are deducted 50% from Tier 1 and 50% from Tier 2.

As far as supplementary (Tier 2) capital is concerned, the positive items it is made up of include valuation reserves, hybrid capital instruments, subordinated debt and the positive net balance of reserves for AFS assets. Negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserves included among the positive items of supplementary capital; in fact, these reserves are included up to 50% in supplementary capital.

The overall supplementary capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, determined according to the criteria described above.

In particular, the following is noted:

- profits and losses not realised on cash flow hedges, recognised in a dedicated equity reserve, are not included in regulatory capital;
- as for fair-value-option liabilities of natural hedges, both capital gains and capital losses recorded in profit and loss and not realised, are fully relevant except for the component arising from changes in creditworthiness;

the equity investment in Banca d'Italia is not considered for the purpose of quantifying capital. As a consequence, the respective capital gain deriving from valuation at fair value is not computed in the AFS reserves.

B. Quantitative information

	30 06 2013	31 12 2012
A. Tier I before prudential filters	**7,444,363**	**7,851,697**
B. Tier I prudential filters	3,903,586	1,764,883
B1 - Positive IAS/IFRS prudential filters	4,128,110	1,900,000
B2 - Negative IAS/IFRS prudential filters	(224,524)	(135,117)
C. Tier I capital gross of items to be deducted (A+B)	**11,347,949**	**9,616,580**
D. Items to be deducted from Tier I	(1,078,382)	(775,210)
E. Total TIER 1 (C - D)	**10,269,567**	**8,841,370**
F. Tier II before prudential filters	**5,293,622**	**5,322,111**
G. Tier II prudential filters	(98,053)	(100,875)
G1. - Positive IAS/IFRS prudential filters	-	-
G1. - Negative IAS/IFRS prudential filters	(98,053)	(100,875)
H. Tier 2 gross of items to be deducted (F + G)	**5,195,569**	**5,221,237**
I. Items to be deducted from Tier II	(1,078,382)	(775,210)
L. Total TIER 2 (H - I)	**4,117,187**	**4,446,027**
M. Items to be deducted from Tier I and Tier II	-	(563,560)
N. Capital for regulatory purposes (E+L - M)	**14,386,754**	**12,723,837**
O. Tier III capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER III (N+O)	**14,386,754**	**12,723,837**

Comparative data as at 31December 2012 reported in this document differs from data published in the Financial Statements as at 31 December 2012 because the Bank was requested by the Supervisory Authority on 7 May 2013 to implement a retrospective change to Tier 1, which reduced it by EUR 76 mln. The retrospective change refers to regulatory treatment of the 'Fresh 2008' transaction.

2.3 Capital adequacy

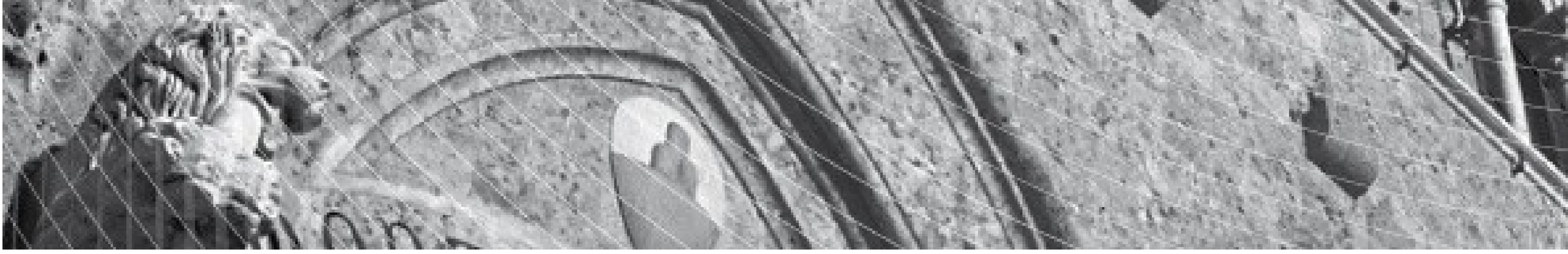
A. Qualitative Information

Qualitative information regarding the Group's capital adequacy assessment process is included in Section 1 of this Part F.

B. Quantitative information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	30 06 2013	31 12 2012	30 06 2013	31 12 2012
A. RISK ASSETS				
A.1 Credit and counterparty risk (*)	**209,209,844**	**218,616,186**	**69,169,516**	**72,545,621**
1. Standardized Approach	86,195,334	90,860,801	31,457,741	32,186,038
2. 2 Internal rating-based (IRB) approach	122,652,969	127,372,474	36,438,827	39,075,008
2.1.Foundation	-	-	-	-
2.2 Advanced	122,652,969	127,372,474	36,438,827	39,075,008
3. Securitisations	361,541	382,911	1,272,948	1,284,575
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**5,533,561**	**5,803,651**
B.2 Market risk			**429,239**	**483,831**
1. Standardized Approach			429,239	483,831
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational Risk			**783,209**	**667,791**
1. Foundation			31,404	31,404
2. Standardized Approach			-	-
3. Advanced			751,805	636,387
B.4 Other prudential requirements			-	-
B.5 Other calculation elements			**278,350**	**470,968**
of which impaired			278,350	470,968
of which intra-group adjustments			-	-
B.6 Total prudential requirements (3)			**7,024,359**	**7,426,240**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			87,804,488	92,828,000
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			11.70%	9.52%
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)			16.38%	13.71%

Comparative data as at 31 December 2012 reported in this document differs from data published in the Financial Statements as at 31 December 2012 because the Bank was requested by the Supervisory Authority on 7 May 2013 to implement a retrospective change to Tier 1, which reduced it by EUR 76 mln. The retrospective change refers to regulatory treatment of the 'Fresh 2008' transaction.



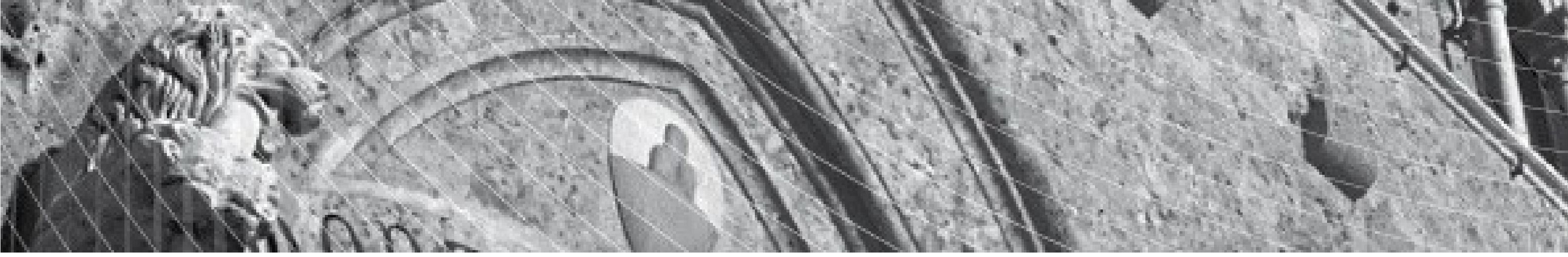
Part G – Business combinations

Section 1 – Business combinations during the period

1.1 - Business combinations

Transactions included in the scope of application of the international accounting standard IFRS 3 "Business combinations".

No business combinations were completed in the first half of 2013.



Part H – Related-party transactions

1 Remuneration of directors, statutory auditors and key management personnel

items/Amounts	Total 30 06 2013	Total 30 06 2012
Short-term benefits	3,555	5,354
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	1,140	-
Share-based payments	-	-
Other compensation	-	-
Total compensation paid to key management personnel	**4,695**	**5,354**

Considering instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Bank 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.

2. Related-party transactions

"Regulations containing provisions relating to transactions with related parties" (the **Regulations**) was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

This regulatory framework combines into a new and comprehensive set of Regulations all principles regarding prompt and periodic disclosure obligations; it implements articles 114 and 154-ter of the Consolidated Law on Finance, supersedes the rules previously set out by Consob's Issuer Regulations and implements the provisions under Article 2391-bis of the Civil Code.

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 of the following directors: Prof. Angelo Dringoli (Chairman), Prof. Paola Demartini, Prof.ssa Tania Groppi, all qualifying as independent pursuant to the principles and criteria of the Corporate Governance Code of listed companies (latest version: December 2011), which BMPS adhered to by its resolution of 20 December 2012, 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. The regulatory framework of the Bank of Italy (which applies to: banks authorised to operate in Italy, on an individual basis; and banking groups, on a consolidated basis) entered into force on 31 December 2012 and regards both compliance with prudential individual or consolidated limits and the application of deliberative procedures for risk assets and conflicts of interest in relation to Associated Parties.

In this regard, by resolution of the Board of Directors of the Parent Company of 26 June 2012 and in compliance with regulatory provisions, approval was given to the "Deliberative Procedures governing transactions with Associated Parties" and, at the same time, the decision was made to review the "Procedures governing transactions with Related Parties"; both translate the contents of the Directive into practice and illustrate the organisational choices and solutions identified by the MPS Group for alignment with existing regulations.

The Procedures were published on the Parent Company's website and are therefore available in full-text version at the following links:

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedura+in+materia+di+operazioni+con+parti+correlate.htm

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedure+in+materia+di+operazioni+con+soggetti+collegati.htm

In compliance with the Bank of Italy's supervisory provisions, the Boards of Directors of Italian subsidiaries of the Montepaschi Group have approved their decision-making procedures; the Parent Company has also provided instructions and guidance for the foreign banks and non-banking entities of the Group, for adoption by no later than 31 December 2012.

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In the first half of 2013, the Montepaschi Group did not conduct any transactions which by nature, consideration, mode or time of implementation might have had effects on the safeguarding of corporate assets or the completeness and accuracy of information, including accounting information, relating to the Montepaschi Bank and Group and that may therefore have involved obligations of market disclosure pursuant to Consob Regulation no. 17221/2010.

Information is provided below regarding certain related-party transactions effected by the Montepaschi banking group in the first half of 2013, which deserve specific mention.

Most of the following transactions were approved by the Board of Directors of the Parent Company or of other Group companies and were conducted on the basis of assessments of mutual economic advantage.

January 2013

- On 24.01.2013, the Parent Company's Board of Directors resolved to approve the request received from SANSEDONI SIENA SPA for a 12-month suspension of payment of principal (for a total amount of EUR 12 mln; Parent Company's share of total: EUR 6.305 mln) in relation to two outstanding mortgage loan agreements for an overall amount of EUR 120 mln and consequent extension of their final maturity from 28.05.2020 to 28.05.2021 ; the request was made by the Company in accordance with the Agreement "New measures for credit to SMEs", signed by the Italian Banking Association on 28 February 2012. The transaction in question falls within the scope of application of Consob regulation no. 17221/2010, insofar as the company is subject to the significant influence of the Parent Company; the transaction qualifies as an ordinary transaction of minor relevance.
- On 24.01.2013, the Parent Company's Board of Directors resolved to approve the request for a 12-month suspension of payment of principal on a construction mortgage loan (with funds advanced during construction) for an original amount of EUR 40 mln (outstanding debt: EUR 32.8 mln), and consequent extension of final maturity from 23.12.2013 to 23.12.2014 in favour of SVILUPPO ED INTERVENTI IMMOBILIARI SRL; the request was made by the Company in accordance with the Agreement "New measures for credit to SMEs", signed by the Italian Banking Association on 28 February 2012. The transaction in question falls within the scope of application of Consob regulation no. 17221/2010, insofar as the company is controlled by Sansedoni Siena Spa, which is in turn subject to the significant influence of the Parent Company; the transaction qualifies as an ordinary transaction of minor relevance.

March 2013

- On 28.03.2013, the Parent Company's Board of Directors approved the ordinary renewal, with a reduction in outstanding amounts, of INTERMONTE SIM SPA's facilities totalling EUR 207 mln; the transaction in question falls within the scope of application of regulations on Related-Party Transactions insofar as the company is subject to the significant influence of the Parent Company.

April 2013

- On 17.04.2013, BMPS granted renewal of credit lines for an amount of EUR 21 mln to MARINELLA SPA, a company subject to BMPS'significant influence by reason of a 25% shareholding;
- By resolution of 17.04.2013, the Parent Company's Board of Directors granted NEWCOLLE SRL the extension of existing loans for a total amount of EUR 10.4 mln under the same terms, together with a one-year extension of credit facilities for a total exposure of EUR 29.8 mln; the company is a related party insofar as it is 49% owned directly by the Bank;
- On occasion of the same meeting on 17.04.2013, the Parent Company's Board of Directors approved the renewal and increase of SANSEDONI SIENA Spa's credit facilities for a total of EUR 43 mln; as previously stated, the company qualifies as a related party since it is subject to the Parent Company's significant influence.

June 2013

- On 26.06.2013, the Parent Company granted renewal of credit lines for an amount of EUR 5.646 mln to INTERPORTO TOSCANO A. VESPUCCI SPA, a company subject to the significant influence of Mps Capital Services Banca per le Imprese Spa.

2.a Associates

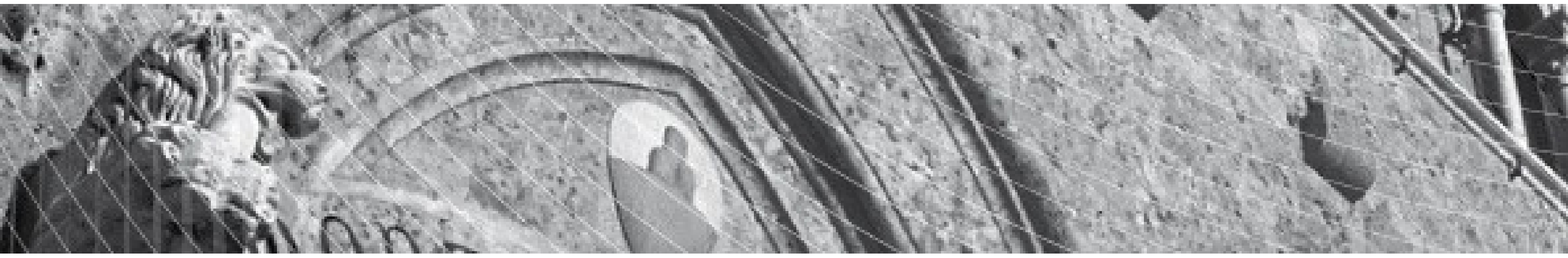
30 06 2013

items/Amounts	Amounts	% on Consolidated
Total financial assets	680,606	0.34%
Total other assets	409	0.01%
Total financial liabilities	550,702	0.27%
Total other liabilities	-	0.00%
Guaranties issue	62,437	
Guaranties riceived	776,184	

2.b Transactions involving Key Management Personnel and other related parties

30 06 2013

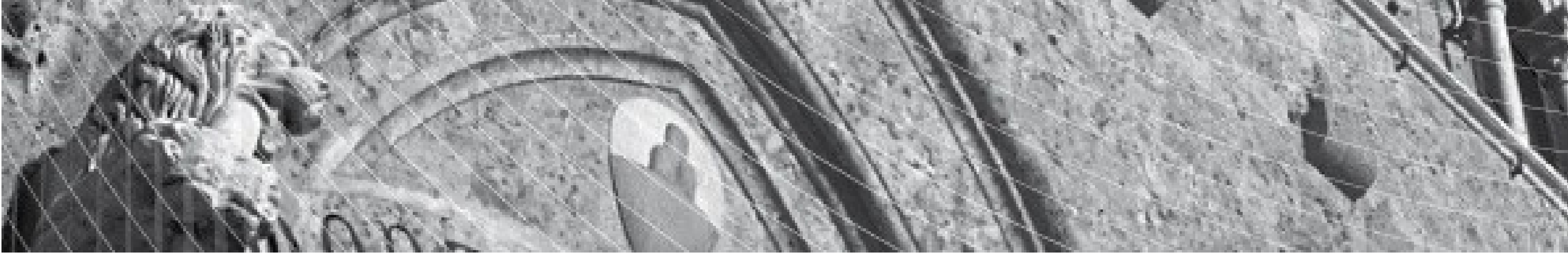
items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	196	40,049	0.02%
Total financial liabilities	1,468	120,370	0.06%
Total functioning costs	4,695	-	
Guarantees issued	-	8,482	
Guarantees received	386	36,898	



Part I – Share-based payments

Remuneration agreements for "key employees"

No variable remuneration is planned to be paid to the 'key employees'.



Part L – Segment reporting

This section of the Notes to the Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS 8 "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 on operating segments to be drafted on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates in the following **areas of business**:

- ***Retail and commercial banking***: includes lending activities, traditional banking services, the offering of banking and insurance products through the strategic partnership with AXA, financial advisory services, wealth management and investment products through its associate, AM Holding;
- ***Leasing and Factoring***: includes the offering of leasing and factoring packages for businesses, artisans and professionals;
- **Consumer credit**: special purpose loans, personal loans, *option* and *revolving* credit cards;
- **Corporate finance**: mid- and long-term lending, *corporate finance*, *capital markets* and structured finance;
- ***Investment banking***: *trading* and *global markets*;
- ***Foreign banking***: products and services in support of market expansion and investments of Italian companies abroad.

Operations in the business areas are conducted by the following **operating units** of the Group:

- **distribution network**, comprising the branches and specialised centres of Banca Monte dei Paschi di Siena;
- **product factories**, i.e. Group banks and companies expressly dedicated to developing specialised financial instruments to offer on the market, particularly including: Consum.it (consumer credit company), MPS Capital Services (specialised in corporate finance, capital markets and structured finance), MPS Leasing&Factoring (specialised in leasing and factoring services for businesses);
- **foreign network**, geographically present in all major financial and economic centres as well as in emerging countries with the highest rates of growth and/or key relations with Italy. It includes the foreign units of Banca Monte dei Paschi di Siena (4 operational branches, 10 representative offices) and 2 banks under foreign law (MP Belgium: 8 branches; MPS Banque: 17 branches).

The Group also includes **service operations** dedicated to the management of IT and telecommunications (Group Operating Consortium), and value creation from the Group's real estate assets (MPS Immobiliare).

For the purpose of **identifying the Operating Segments** provided for by IFRS 8, the Montepaschi Group has adopted the business approach. Profit & loss/balance sheet data is then aggregated based on criteria including business area and operating unit of reference, relevance and strategic importance of operations involved, cluster of clients served. These aggregation criteria, into which reporting for the highest decision-making levels is organised, enabled the identification of two operating segments: the **Retail&Corporate Banking Division**, subdivided into the Retail banking and Corporate banking areas, and the **Corporate Center**. More specifically:

The Operating Segments identified as at 30 June 2013 are:

- **Retail&Corporate Banking Division / "Retail banking" area**: includes the P&L/balance sheet results of the Family, Affluent, Small Business, Private client clusters of Banca Monte dei Paschi di Siena; results of trust and consumer credit services provided respectively by MPS Fiduciaria and Consum.it; results of the financial advisory business.

- **Retail&Corporate Banking Division / "Corporate banking" area**: includes the P&L/balance sheet results of the Corporate, Institutional and Public Administration customers of Banca Monte dei Paschi di Siena; results of the corporate finance business of MPS Capital Services and the business of MPS Leasing & Factoring. The results of Banca Monte dei Paschi di Siena's foreign branches are also included in this Operating Segment.
- **Corporate Center**: Besides cancellations of intragroup entries, this Operating Segment incorporates the results of the following business centres:
  - ✓ banks under foreign law (MP Banque and MPS Belgio);
  - ✓ service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Group Operating Consortium) and value creation from the Group's real estate assets (MPS Immobiliare);
  - ✓ companies consolidated at equity and held for sale;
  - ✓ operating units, including by way of example proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

In 2001 the Montepaschi Group introduced and gradually implemented Value Based operational management instruments, with the objective of monitoring profitability by business areas and units. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Income statement criteria by operating segment

The net operating income by operating segments was constructed based on the following criteria:

- **Net interest income**: in relation to the business centres of Banca Monte dei Paschi di Siena, it is calculated by way of contribution on the basis of internal transfer rates broken down by products and maturities. With reference to non-divisionalised entities, net interest income is the difference between "interest income and similar revenues" and "interest expense and similar charges".
- **Net fee and commission income** is determined by direct allocation of commissions to the operating segments.
- **Net impairment losses/reversals on loans**, are allocated to the operating segments which originated them.
- **Operating expenses** include administrative expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. The operating expenses of non-divisionalised entities (mono-segments) are directly allocated to their corresponding Operating Segments while, 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 the Business Centres on the basis of the unique functional position of the resources, or, if this is not possible, in relation to specific criteria relating to the operations performed.

Balance-sheet criteria by business segment

Balance-sheet aggregates were defined by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to the income/expenses allocated to each segment. In particular:

- ''Interest-bearing' **loans and advances 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) with respect to both lending/funding and financial transactions.
Income for 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, for the purpose of consistent disclosure of information, account was taken of the Group's organisational structure as at 30 June 2013. Group P&L and balance-sheet results as at 30 June 2013 are therefore presented below on the basis of the above-described operating segments:

SEGMENT REPORTING	Retail & Corporate Banking division			Corporate Center	Total MPS Group
Primary segment	Retail banking	Corporate banking	Total		
(million of Euro)	30/06/13	30/06/13	30/06/13	30/06/13	30/06/13
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	2,031.4	924.2	2,955.6	(766.2)	2,189.4
Net impairment losses (reversals) on loans and financial assets	(358.5)	(727.4)	(1,085.9)	34.8	(1,051.1)
Operating expenses	(1,080.8)	(307.3)	(1,388.1)	(79.0)	(1,467.1)
Net operating income	592.1	(110.5)	481.6	(810.4)	(328.8)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	57,876	59,504	117,380	12,715	130,095
Deposits from customers and debt securities issued	72,510	39,431	111,941	25,137	137,078

With respect to accounts published in the Consolidated Report on Operations as at 30 June 2012, prior period balances are reflective of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors).

The rules for determining the internal cost of funding (Internal Transfer Rates, ITRs) were updated at the beginning of 2013, in compliance with the most recent Italian regulatory recommendations and international guidelines.

SEGMENT REPORTING	Retail & Corporate Banking division			Corporate Center	Total MPS Group
Primary segment	Retail banking	Corporate banking	Total		
(million of Euro)	30/06/12	30/06/12	30/06/12	30/06/12	30/06/12
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	1,706.2	1,101.2	2,807.3	(0.8)	2,806.5
Net impairment losses (reversals) on loans and financial assets	(400.8)	(520.5)	(921.2)	(33.4)	(954.6)
Operating expenses	(1,246.8)	(343.7)	(1,590.5)	(78.9)	(1,669.4)
Net operating income	58.6	237.0	295.6	(113.1)	182.5
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	61,096	66,352	127,447	10,023	137,470
Deposits from customers and debt securities issued	78,218	36,458	114,676	17,724	132,399

For a like-for-like comparison of operations between the first half of 2013 and 2012, see section “*Segment reporting”* in the Half-Year Report as at 30 June 2013.

CERTIFICATION OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned, Alessandro Profumo, as Chairman of the Board of Directors, and Arturo Betunio, as Financial Reporting Officer, of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, do hereby certify the:
   - appropriateness with respect to the company's profile, and
   - factual application of administrative and accounting procedures for preparation of the condensed consolidated financial statements for the first half of 2013.
2. In this respect, the following major aspects have emerged:
   - a comprehensive Group-internal reorganisation process is underway and runs in parallel with an extensive overhaul of the Group's IT systems and administrative/accounting procedures;
   - migration of accounting to the new SAP accounting system was completed at the end of 2012. The ensuing adjustments to the administrative and accounting procedures are still being finalised;
   - as part of the review of the Financial Reporting Officer's model adopted by the Group, actions for improvement of processes and related controls are being implemented to increase the reliability of existing administrative and accounting procedures.

   The assessments conducted and results achieved were impacted by the above factors.
3. It is also certified that:

   3.1 the half-year condensed consolidated financial statements as at 30 June 2013:
   - were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation No. 1606/2002/EC of 19 July 2002;
   - are consistent with the underlying documentary evidence and accounting records;
   - are suitable to provide a true and fair representation of the capital, economic and financial situation of the issuer and group of companies included within the scope of consolidation.

   3.2 the interim report on operations includes a reliable analysis of the significant events in the first six months of the financial year and their impact on the half-year condensed consolidated financial statements, as well as a description of major risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information regarding related-party transactions of major relevance.

Siena, 7 August 2013

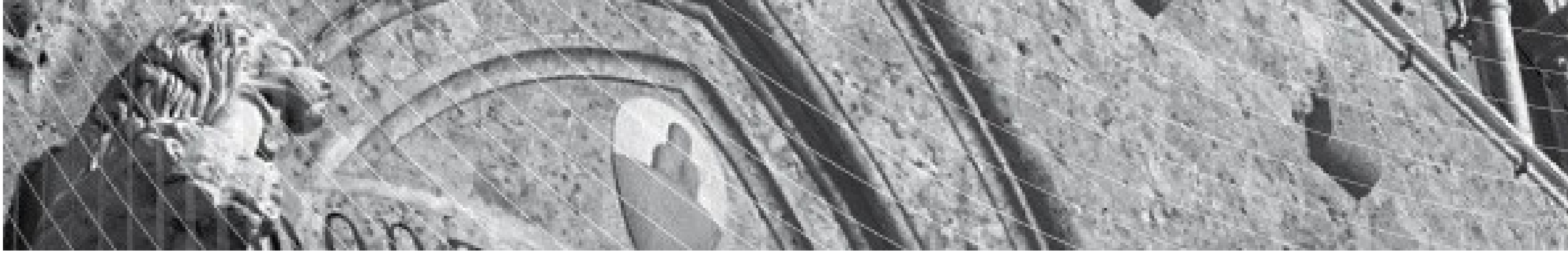
On behalf of the Board of Directors

The Chairman

ALESSANDRO PROFUMO

The Financial Reporting Officer

ARTURO BETUNIO



AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG

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Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

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

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity and the statement of cash flows and the related explanatory notes, of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group") as of June 30, 2013. Management of Banca Monte dei Paschi di Siena S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we express on the annual consolidated financial statements.

   The interim condensed consolidated financial statements include, for comparative purposes, the corresponding figures of the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year. As described in the explanatory notes, Management restated comparative data related to the consolidated financial statements of the prior year and to the interim condensed consolidated financial statements of the corresponding period of the prior year, on which we issued our auditors' report and our auditors' review report on April 5, 2013 and August 29, 2012 respectively. We have examined the criteria applied to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of issuance of our review report.

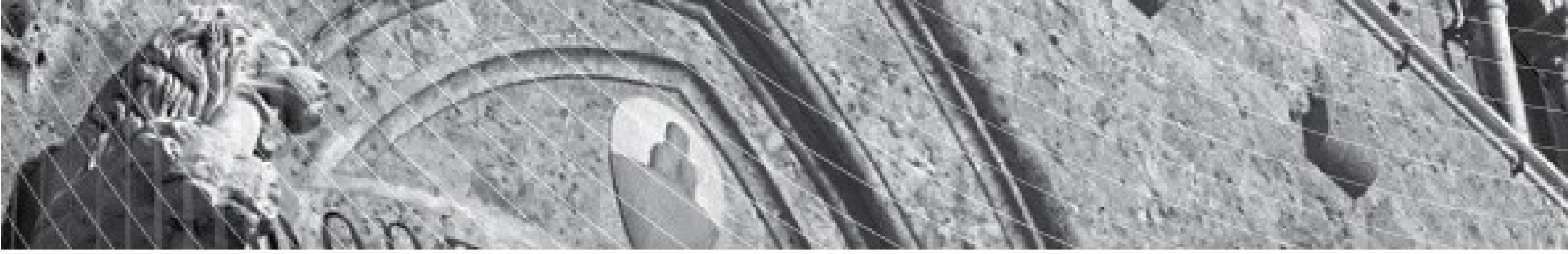
3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Montepaschi Group as of June 30, 2013 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

4. As described in the Half-Year Report On Operations and referred to in the explanatory notes, following the subscription by the Ministry of Economy and Finance on February 28, 2013 of "New Financial Instruments" issued by the parent company, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. approved the Restructuring Plan on June 13, 2013. The Restructuring Plan is currently being examined by the European Commission as required by the procedure to check compatibility of public financial support with the European framework for State Aid. Based on the expected evolution of the Montepaschi Group following the completion of the Restructuring Plan, and on the assessments carried out on the current and prospective capital adequacy of the Group, the Management do not foresee any element which could cast doubt on the ability to continue as a going concern.

Milan, August 9, 2013

Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers



ANNEXES

Pro-forma statements for the accounting of major long-term structured repos as synthetic derivatives

Introduction

Below are the pro-forma balance sheet, profit and loss account and comprehensive income statements (the "Pro-forma statements") as at 30 June 2013, which report the estimated accounting effects of "long-term structured repos" (the "Transactions") if they had been classified as synthetic derivatives.

The pro-forma statements have been prepared on the basis of the annual report ending 31 December 2012 and half-year condensed reports as at 30 June 2012 and 30 June 2013, 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 major transactions, preparers of financial statements should carefully consider the need for an adequate description, including by the use of pro-forma statements, of the effects on financial statements that would arise from a re-classification of transactions as synthetic derivatives, after tax, compared with previous year accounts.

The following statements summarise the balance sheet and profit and loss impacts which would result from a potential recognition of the two long-term *repos* "Alexandria" and "Santorini" as *credit default swap*s.

For a description of the Transactions' recognition and measurement criteria used in the preparation of the half-year condensed financial report as at 30 June 2013, see details in the Annex to the 2012 Annual Report.

Reported in the pro-forma statements below are:

- in the first column ("31 12 2012", "30 06 2012 and "30 06 2013"): balance sheet as at 31 December 2012 and 30 June 2013, profit and loss account and comprehensive income statement as at 30 June 2012 and 30 June 2013;
- in the second column ("pro-forma impact of LTR classified as CDS"): pro-forma adjustments estimated to be made to the accounts, had the Parent Company classified the Transactions as synthetic derivatives;
- in the third and last column ("31 12 2012 pro-forma", "30 06 2012 pro-forma" and "30 06 2013 pro-forma"): estimated pro-forma balance sheet as at 31 December 2012 and 30 June 2013, pro-forma profit and loss account and pro-forma comprehensive income statement for the first half of 2012 and or the first half of 2013.

Furthermore, for an accurate interpretation of information underlying the pro-forma figures, the following aspects should be considered:

- the accounting representations are based on assumptions; therefore, pro-forma figures are not necessarily coinciding with those that would have ensued, had the Transactions (and related profit & loss and balance sheet effects) been realised as at the dates considered for preparation of the pro-forma accounts;
- pro-forma data was prepared in such a way as to only represent an estimate of the separable and objectively measurable effects of the Transactions.

In the pro-forma accounting treatment as a synthetic derivative, the purchase of securities and its financing through a long term repo agreement are represented and measured as Credit Default Swaps (sale of protection on the risk of the Italian government, i.e. issuer of the bonds); similarly, the difference between fixed coupons of bonds held and the interest rate paid on the repos entered into to finance the transaction is represented as a premium earned on the sale of protection.

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

- balance sheet:
  - recognition of the CDS at Fair Value under "Financial liabilities held for trading" instead of:
    - securities classified as "Financial assets available for sale" and corresponding valuation reserves, gross of the *hedge accounting* component;
    - "Deposits from banks" and "Deposits from customers" which represent the liabilities associated with the *long term repos*;
  - reclassification of Interest rate swaps from "hedging derivatives" to "Financial liabilities held for trading";
  - ensuing tax effects.

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

In brief, an estimate of transactions treated as synthetic derivatives produces significantly different impacts on the income statement by reason of changes in the *fair value* of Credit Default Swaps and reclassification of Interest Rate Swaps to trading. By contrast, the impact on shareholders' equity is significantly mitigated by the elimination of negative AFS reserves produced by 'open balances' accounting, as described in the statement of comprehensive income.

It is noted that, by reason of the different accounting classification of individual items, the Transactions' accounting treatment as CDSs entails a modification to the scope of the two regulatory portfolios (trading book and banking book), with resulting differences, essentially of an offsetting nature, in the VAR of the individual portfolios. As a result, this different representation does not generate any differential impacts on the Group's overall VaR.

Pro-forma balance sheet

	Assets	31 12 2012*	pro-forma impact of LTRO classified as CDS	31 12 2012* pro-forma	30 06 2013	pro-forma impact of LTRO classified as CDS	30 06 2013 pro-forma
10	Cash and cash equivalents	2,432,880	-	2,432,880	683,653	-	683,653
20	Financial assets held for trading	23,514,204	-	23,514,204	24,543,097	-	24,543,097
40	Financial assets available for sale	25,648,741	(5,370,455)	20,278,286	26,158,882	(5,422,122)	20,736,760
60	Loans to banks	11,224,989	-	11,224,989	12,239,690	-	12,239,690
70	Loans to customers	142,015,161	-	142,015,161	138,081,991	-	138,081,991
80	Hedging derivatives	551,093	-	551,093	416,129	-	416,129
90	Change in value of macro-hedged financial assets (+/-)	119,157	-	119,157	81,077	-	81,077
100	Equity investments	1,040,102	-	1,040,102	970,618	-	970,618
120	Property, plant and equipment	1,334,479	-	1,334,479	1,304,595	-	1,304,595
130	Intangible assets	1,191,502	-	1,191,502	1,159,975	-	1,159,975
140	Tax assets	6,127,777	(30,615)	6,097,162	5,457,255	(20,048)	5,437,207
150	Non-current assets and groups of assets held for sale and discontinued operations	12,461	-	12,461	12,942	-	12,942
160	Other assets	3,674,803	-	3,674,803	3,807,710	-	3,807,710
	Total assets	**218,887,348**	**(5,401,070)**	**213,486,279**	**214,917,614**	**(5,442,170)**	**209,475,444**

	Liabilities and Shareholders' Equity	31 12 2012*	pro-forma impact of LTRO classified as CDS	31 12 2012* pro-forma	30 06 2013	pro-forma impact of LTRO classified as CDS	30 06 2013 pro-forma
10	Deposits from banks	43,322,956	(2,489,709)	40,833,247	41,665,355	(2,483,419)	39,181,936
20	Deposits from customers	81,302,685	(3,378,623)	77,924,062	86,611,057	(3,372,530)	83,238,527
30	Debt securities issued	39,939,624	-	39,939,624	38,787,673	-	38,787,673
40	Financial liabilities held for trading	21,516,900	2,382,552	23,899,452	19,676,545	2,037,984	21,714,529
50	Financial liabilities designated at fair value	14,427,858	-	14,427,858	11,679,067	-	11,679,067
60	Hedging derivatives	5,574,798	(1,767,052)	3,807,746	4,366,230	(1,441,984)	2,924,246
80	Tax liabilities	164,470	(44,038)	120,432	38,747	(47,943)	(9,196)
100	Other liabilities	4,473,467	-	4,473,467	3,935,049	-	3,935,049
110	Provision for employee severance pay	317,352	-	317,352	269,095	-	269,095
120	Provisions for risks and charges:	1,448,563	-	1,448,563	1,254,695	-	1,254,695
140	Valuation reserves	(2,284,793)	1,197,031	(1,087,762)	(1,714,347)	929,172	(785,175)
160	Equity instruments carried at equity	3,002	-	3,002	3,002	-	3,002
170	Reserves	4,130,772	(1,556,955)	2,573,817	1,262,600	(1,301,231)	(38,631)
180	Share premium	255,100	-	255,100	-	-	-
190	Share capital	7,484,508	-	7,484,508	7,484,508	-	7,484,508
200	Treasury shares (-)	(24,532)	-	(24,532)	(24,532)	-	(24,532)
210	Non-controlling interests (+/-)	2,856	-	2,856	2,850	-	2,850
220	Profit (loss) for the period (+/-)	(3,168,237)	255,724	(2,912,513)	(379,980)	237,781	(142,199)
	Total Liabilities and Shareholders' Equity	**218,887,348**	**(5,401,070)**	**213,486,279**	**214,917,614**	**(5,442,170)**	**209,475,444**

** As described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*

Pro-forma income statement

	Items	30 06 2012*	pro-forma impact of LTRO classified as CDS	30 06 2012* pro-forma	30 06 2013	pro-forma impact of LTRO classified as CDS	30 06 2013 pro-forma
10	Interest income and similar revenues	3,584,651	(127,551)	3,457,100	3,069,163	(99,096)	2,970,067
20	Interest expense and similar charges	(1,937,055)	114,125	(1,822,930)	(2,004,020)	90,905	(1,913,115)
30	**Net interest income**	**1,647,596**	**(13,426)**	**1,634,170**	**1,065,143**	**(8,191)**	**1,056,952**
40	Fee and commission income	1,027,959	-	1,027,959	1,057,943	-	1,057,943
50	Fee and commission expense	(191,096)	-	(191,096)	(209,339)	-	(209,339)
60	**Net fee and commission income**	**836,863**	**-**	**836,863**	**848,604**	**-**	**848,604**
70	Dividends and similar income	57,937	-	57,937	13,141	-	13,141
80	Net profit (loss) from trading	54,874	(52,796)	2,078	112,570	363,097	475,667
90	Net profit (loss) from hedging	5,058	1,005	6,063	(4,861)	(560)	(5,421)
100	Gains/losses on disposal/repurchase of:	33,119	-	33,119	51,470	-	51,470
110	Net profit (loss) from financial assets and liabilities designated at fair value	115,262	-	115,262	22,682	-	22,682
120	**Net interest and other banking income**	**2,750,709**	**(65,217)**	**2,685,492**	**2,108,749**	**354,346**	**2,463,095**
130	Net impairment losses(reversals)	(956,238)	-	(956,238)	(1,051,084)	-	(1,051,084)
140	**Net income from banking activities**	**1,794,471**	**(65,217)**	**1,729,254**	**1,057,665**	**354,346**	**1,412,011**
180	Administrative expenses:	(1,715,292)	-	(1,715,292)	(1,543,764)	-	(1,543,764)
190	Net provisions for risks and charges	(50,011)	-	(50,011)	(44,973)	-	(44,973)
200	Net losses/reversals on impairment of property, plant and equipment	(35,594)	-	(35,594)	(38,404)	-	(38,404)
210	Net adjustments to (recoveries on) intangible assets	(120,550)	-	(120,550)	(48,812)	-	(48,812)
220	Other operating expenses/income	102,732	-	102,732	192,052	-	192,052
230	**Operating expenses**	**(1,818,714)**	**-**	**(1,818,715)**	**(1,483,902)**	**-**	**(1,483,902)**
240	Gains (losses) on investments	20,186	-	20,186	31,435	-	31,435
260	Impairment on goodwill	(1,528,000)	-	(1,528,000)	-	-	-
270	Gains (losses) on disposal of investments	824	-	824	(1,674)	-	(1,674)
280	**Profit (loss) before tax from continuing operations**	**(1,531,232)**	**(65,217)**	**(1,596,451)**	**(396,476)**	**354,346**	**(42,130)**
290	Tax expense (recovery) on income from continuing operations	(26,578)	21,144	(5,434)	16,583	(116,565)	(99,982)
300	**Profit (loss) after tax from continuing operations**	**(1,557,810)**	**(44,073)**	**(1,601,885)**	**(379,893)**	**237,781**	**(142,112)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10,671	-	10,671	-	-	-
320	**Profit (loss) for the period**	**(1,547,138)**	**(44,073)**	**(1,591,214)**	**(379,893)**	**237,781**	**(142,112)**
330	Profit (loss) for the period attributable to non-controlling interests	4,389	-	4,389	87	-	87
340	**Parent company's net profit (loss) for the period**	**(1,551,527)**	**(44,073)**	**(1,595,603)**	**(379,980)**	**237,781**	**(142,199)**

** As described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*

Pro-forma consolidated statement of comprehensive income

	Items	30 06 2012 *	pro-forma impact of LTRO classified as CDS	30 06 2012* pro-forma	30 06 2013	pro-forma impact of LTRO classified as CDS	30 06 2013 pro-forma
10	**Profit (loss) for the period**	**(1,547,138)**	**(44,073)**	**(1,591,211)**	**(379,893)**	**237,781**	**(142,112)**
	Other comprehensive income after tax not recycled to profit and loss	**(2,988)**	**-**	**(2,988)**	**(4,039)**	**-**	**(4,039)**
20	Property, plant and equipment	-	-	-	-	-	-
30	Intangible assets	-	-	-	-	-	-
40	Actuarial gains (losses) on defined benefit plans	(2,988)	-	(2,988)	(4,039)	-	(4,039)
50	Non current assets held for sale	-	-	-	-	-	-
60	Share of valuation reserves of equity-accounted investments	-	-	-	-	-	-
	Other comprehensive income after tax recycled to profit and loss	**545,704**	**(18,199)**	**527,505**	**619,869**	**(267,859)**	**352,010**
70	Hedges on foreign investments	-	-	-	-	-	-
80	Exchange differences	1,245	-	1,245	204	-	204
90	Cash flow hedges	(24,645)	-	(24,645)	41,283	-	41,283
100	Financial assets available for sale	521,043	(18,199)	502,844	581,240	(267,859)	313,381
110	Non current assets held for sale	34,453	-	34,453	-	-	-
120	Share of valuation reserves of equity-accounted investments	13,608	-	13,608	(2,858)	-	(2,858)
130	**Total other comprehensive income after tax**	**542,716**	**(18,199)**	**524,517**	**615,830**	**(267,859)**	**347,971**
140	**Total comprehensive income (Item 10+130)**	**(1,004,422)**	**(62,272)**	**(1,066,694)**	**235,937**	**(30,078)**	**205,859**
150	Consolidated comprehensive income attributable to non-controlling interests	11,373	-	11,373	93	-	93
160	**Consolidated comprehensive income attributable to Parent Company**	**(1,015,795)**	**(62,272)**	**(1,078,067)**	**235,844**	**(30,078)**	**205,766**

** As described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details, prior period balances -with respect to published accounts- are reflective of changes arising from first-time application of Revisions to IAS 19 "Employee Benefits".*