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

2009 ANNUAL REPORT

Report and Consolidated Financial Statements of the Monte dei Paschi di Siena Group for 2009

Banca Monte dei Paschi di Siena S.p.a.

Capital stock: € 4,502,410,157.20 fully paid in

Recorded on the Siena Company Register – Registration no. and tax code 00884060526

Member of the Interbank Deposit Protection Fund. Recorded in the Bank Register under No. 5274

Monte dei Paschi di Siena Banking Group, recorded in the Register of Banking Groups

NOTICE TO CONVENE ORDINARY SHAREHOLDERS’ MEETING

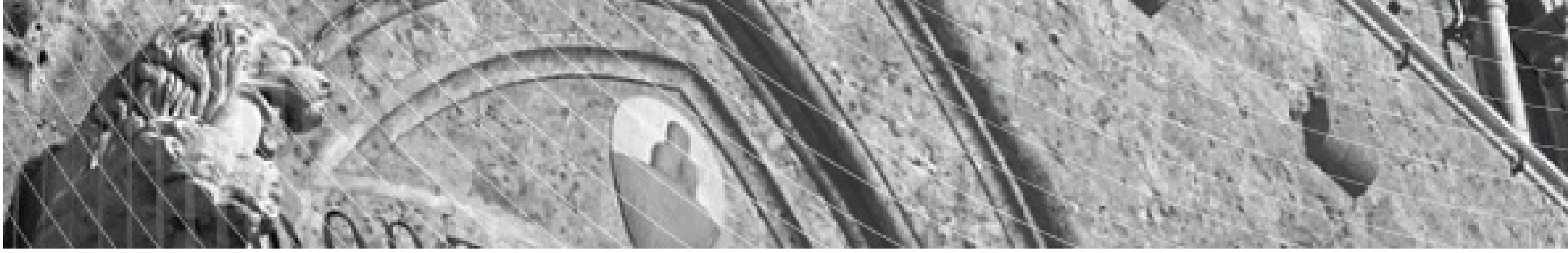
The shareholders of Banca Monte dei Paschi di Siena S.p.A. are called to attend the Ordinary Shareholders' Meeting on 27 April 2010 at 9.00 AM at Viale Mazzini, 23, Siena, and if necessary, a second meeting on 28 April 2010, at the same time and place, to vote on the following

AGENDA

1) Company and consolidated financial statements as at 31 December 2009;

2) Resolutions concerning the purchase and sale of treasury shares pursuant to Articles 2357 and 2357-ter of the Civil Code

Excerpt from Official Gazette No. 34 of 20/3/2010



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CORPORATE OFFICERS, SENIOR MANAGEMENT AND AUDITORS

BOARD OF DIRECTORS

Giuseppe Mussari	*Chairman*
Francesco Gaetano Caltagirone	*Deputy Chairman*
Ernesto Rabizzi	*Deputy Chairman*
Fabio Borghi	*Director*
Turiddo Campaini	*Director*
Massimiliano Capece Minutolo	*Director*
Graziano Costantini	*Director*
Frederic Marie De Courtois	*Director*
Lorenzo Gorgoni	*Director*
Alfredo Monaci	*Director*
Andrea Pisaneschi	*Director*
Carlo Querci	*Director*

BOARDS OF STATUTORY AUDITORS

Tommaso Di Tanno	*Chairman*
Marco Turchi	*Acting Auditor*
Paola Serpi	*Acting Auditor (*)*
Luigi Liaci	*Substitute Auditor*
Francesco Bonelli	*Substitute Auditor (°)*

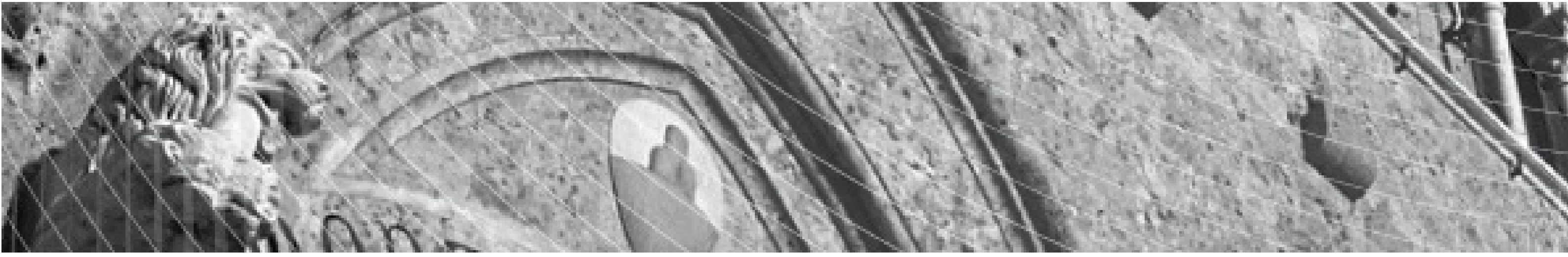
(*) On 16/11/2009 replaced outgoing Acting Auditor Leonardo Pizzichi and confirmed by the Shareholders' Meeting of 29/3/2010
(°) nominated by the Shareholders' Meeting of 29/3/2010

SENIOR MANAGEMENT

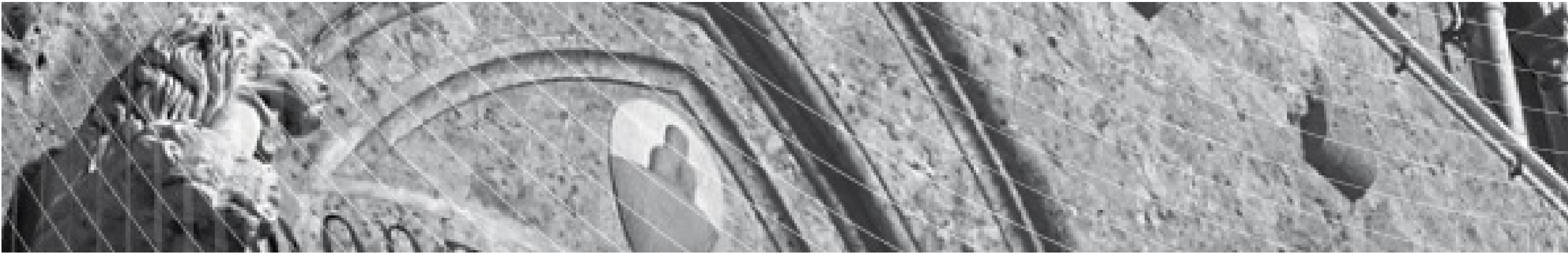
Antonio Vigni	*CEO*
Fabrizio Rossi	*Deputy CEO*
Antonio Marino	*Assistant CEO*
Marco Massacesi	*Assistant CEO (starting 12/2/2010)*
Giuseppe Menzi	*Assistant CEO*
Nicolino Romito	*Assistant CEO*

(*) Marco Morelli was Assistant CEO until 15/3/2010

INDEPENDENT AUDITORS **KPMG S.p.A.**



CONSOLIDATED REPORT ON OPERATIONS



2009 Group results in brief

In 2009 the Montepaschi Group achieved results which consolidated and improved its competitive positioning despite persisting difficulties in the market, particularly as a consequence of the real economy crisis. In this connection, the Group continued with its **support initiatives and actions for households and businesses** aimed at mitigating the effects of the unfavourable market situation and **guaranteeing continuity to the Group's credit offer**.

At the same time, activities of **corporate integration and organisational rationalisation were brought to completion**, including integration of 600 ex-Banca Antonveneta branches into BMPS, set up of Nuova Banca Antonveneta, merger of Banca Toscana into BMPS, definition of the new geographical structure, organisational streamlining of the Parent Company. All of this enabled the Group to **achieve all operational objectives set out in the 2008/2011 Business Plan earlier than expected**. These processes saw a significant deployment of **human resources and technological infrastructures**, heavily involving both the Head Office and the Distribution Network; over 3000 resources were directly involved in the finalisation of the above-mentioned processes whereby over 1600 branches were integrated.

Within this context, however, the Montepaschi Group still succeeded in reaching sales results which brought about a further expansion of its market share.

More specifically:

- With respect to funding aggregates, **total stocks** came to 288 bln, **up by more than 15 bln (+5.7%) on 2008, mainly due to direct funding** (+9.1% YoY; market share at 7.16%, +4 bps YoY). **Assets under management picked up by 5.2% compared to 31/12/08**. With regard to **product placement**, flows came to over 22 bln, **up by over 11 bln on the previous year**, also the result of an **increase in life insurance policies and bond deposits** accompanied by a significant **decline in outflows for individual and collective asset management**.
- with regard to credit management, as at 31 December 2009 the volume of **loans** for the Montepaschi Group came to approximately 152 bln, **up 4.9% on 31/12/2008** (market share at 8.02%, +37 bps YoY). **Flows channelled to Specialised Credit Companies** came to approximately 10 bln (-28% YoY) with signs of recovery in Q4 (+22% Q409 on Q309), although the demand for loans in the banking system in general was still low. **Mortgage loans negotiated by the Sales Network directly** came to over 14 bln thus confirming an upward trend for these products (5.6 bln in revenues in Q4; Q409 +61.6% on Q309). With regard to **credit quality**, non-performing loans accounted for approximately 3% of total loans as at 31 December 2009.
- **The Group's total number of customers exceeded 6.3 mln.**

As a result of the above-described trends, the Montepaschi Group recorded a Net Operating Income at 31 December 2009 of approx. EUR 532 mln (856 mln as at 31/12/2008 restated on a like-for-like basis[1]) which, in terms of revenues and credit assets, reflected the difficulties that still persist within the economic-financial scenario and consequent impact on interest rate levels. Against this complex backdrop, the Group nevertheless directed its efforts at increasing its "operational efficiency" achieving a significant reduction in Operating Expenses (-6.5%) and improving its cost/income ratio (-3 p.p.).

Consolidated net profit for the year before *Purchase Price Allocation*[2] (PPA) came to approximately 354 mln. Net profit for the year stood at approximately EUR 220 mln.

With regard to corporate material events, 2009 saw a disposal of undertaking involving 403 branches being transferred from Banca Monte dei Paschi di Siena to Nuova Banca Antonveneta (as of 1 January 2009), the merger by absorption of the subsididiary Banca Toscana into Banca Monte dei Paschi di Siena (which took place on 30 March 2009 with all accounting and fiscal effects as of 1/1/2009) as well as the sale of 15 branches by the Parent Company to Banca Popolare di Puglia e Basilicata (the agreement was signed in the third quarter of 2009) in perfect alignment with the Group's asset disposal plan and Antitrust guidance.

On 30 December 2009 Banca Monte dei Paschi di Siena issued convertible financial "instruments" in favour of the Italian Ministry for the Economy and Finance, the so-called "Tremonti Bonds" **pursuant to art. 12 of Law Decree no. 185 of 29 November 2008, converted into Law no. 2 of 28 January 2009. In terms of capital adequacy, the issue of these**

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1 *It should be noted that the analysis of profit and loss for the Montepaschi Group as at 31/12/2009 uses the 2008 restated income statement as a basis for comparison, even when this is not specifically espressed (further details can be found in point 2 of the Income Statement tables).*

2 *Purchase Price Allocation: fair value valuation of the main potential assets and liabilities purchased.*

instruments led to an increase of around 155 bps in Tier 1 capital and in the Total Capital Ratio as well as an increase of EUR 1.9 bln in free capital.

As for **regulatory ratios**, a TIER I Ratio BIS II of 7.5% was recorded as at 31 December 2009 (vs. 5.1% at the end of 2008) with a BIS II solvency ratio of 11.9% (as compared to 9.3% at the end of 2008).

MPS GROUP – reclassification principles for operating purposes

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. In particular, the major changes introduced to the income statement of the two financial years involve aggregations and reclassifications of accounts for the purpose of providing a clearer view of Group performance. Following are the major changes as at 31 December 2009 (additional details are provided in the comparative statements reported in the "Annexes" section):

a) "**Net fees and commissions**" includes commissions which were accounted for under "Interest income" (165.1 mln) until 30/06/2009. Moreover, the account is reported net of the value related to the effects arising from the write-off of a large credit exposure (approx. 10 mln) which, in consideration of the nature of the transaction, was reclassified under "Net value adjustments due to impairment of loans;

b) "**Net profit/loss from trading/valuation of financial assets**" in the reclassified income statement, includes the items under Account 80 (Net profit/loss from trading), Account 100 (Profit/loss from the sale or repurchase of loans, financial assets available for sale and held upon maturity and financial liabilities) and Account 110 (Net profit/loss from financial assets and liabilities designated at fair value). This account includes the values of dividends from securities transactions closely associated with the trading component (approx. EUR 310 mln as at 31/12/09) and is adjusted for the "cost of funding" of said transactions (approx. EUR 8 mln) which was eliminated from "interest expense and similar charges". In addition, the aggregate was purged of the loss (37.5 mln) on earlier terminated derivative contracts associated with the completion of a non-performing loan securitization transaction. For the sake of consistency, the economic result arising from the derivative contracts was posted through profit and loss to "Net value adjustments due to impairment of loans";

c) "**Dividends, similar income and Profit (loss) from equity investments**" in the reclassified income statement incorporates account 70 "Dividends and similar income" and a portion of account 240 "Profit (loss) from equity investments" (approx. EUR 99 million as at 31 December 2009) corresponding to the contribution to the income statement that is 'guaranteed' by the portion of profit arising from equity investments related thereto (valued at equity), with particular regard to insurance companies; dividends from some trading transactions, as outlined under item b) above, have been eliminated from the aggregate;

d) The account "**Net value adjustments due to impairment of loans**" in the reclassified income statement was determined by reclassifying charges for an amount of about EUR 39 mln (namely, value adjustments to junior notes: approx. 33 mln and charges in relation to financial plans: approx. 6 mln), which are more properly classified under "Net provisions for risks and charges and other operating income/charges". The account also incorporates the effects arising from both the write-off of a credit exposure (see item a) above) and completion of a securitization transaction (see item b) above). Additionally, 4.6 mln worth of losses arising from disposal of loans were reclassified out of "Profit/loss from disposal of loans" into this account in a logic of recovery, managing them in a similar way to loan value adjustments;

e) The account "**Personnel expenses**" in the reclassified income statement was curtailed by approx. EUR 59 mln related primarily to the Retirement Incentive scheme and Solidarity Fund involving resources from companies that have been merged by and into the Parent Bank. The amount was reclassified under "Integration costs";

f) "**Other administrative expenses**" in the reclassified income statement was integrated with the portion of stamp duty and client expense recovery (approx. EUR 292 million) posted in the balance sheet under Account 220 "Other operating charges/income". In addition, the aggregate was purged of EUR 28 mln worth of "One-off charges" which were reclassified under the "Integration costs" incurred within the framework of the re-organization process set out in the 2008-2011Business Plan;

g) The account "**Net provisions for risks and charges and other operating income/charges**" in the reclassified income statement incorporates Account 190 "Net provisions for risks and charges" and Account 220 "Other operating charges/income ", net of stamp duty and client expense recovery as described in the previous paragraphs;

h) "**Integration costs**" in the reclassified income statement includes the "One-off charges" associated with the reorganization process which were reclassified out of **Personnel expenses** (approx. 59 mln) and **Other administrative expenses** (approx. 28 mln);

i) "**Profit (loss) from equity investments**" is net of components reclassified into "Dividends and similar income" (see item c);

j) The effects of PPA (Purchase Price Allocation (PPA) were reclassified out of other accounts (in particular **"Interest income" of approx. 121 mln and depreciation/amortization of approx. EUR 80 mln with a related tax burden of approx. 64 mln (which integrates the account) into one single account named "Net economic effects of the Purchase Price Allocation"**.

In addition to these reclassifications and in continuing to provide a clearer view of Group performance with specific regard to **Asset Management** companies in the wake of their disposal and consequent loss of control, it was necessary to integrate the amount of 2009 **net fees and commissions** (which, however, were classified and grouped into one specific account in the accounting statements as set out in IFRS 59) with approximately EUR 23 mln from fees and commissions of the first quarter (prior to disposal of the aforementioned equity investments) which, all other things being equal, will be considered as income from third parties rather than an intragroup P&L component. Said initiatives had an impact on the account of the reclassified income statement "**Profit (loss) from discontinuing operations after taxes**".

Following are the major reclassifications of the balance-sheet:

k) "**Tradable Financial assets**" on the assets side of the reclassified balance-sheet includes Account 20 (Financial assets held for trading), Account 30 (Financial assets designated at fair value) and Account 40 (Financial assets available for sale);

l) "**Other assets**" on the assets side of the reclassified balance-sheet incorporates Account 80 (Hedging derivatives), Account 90 (Value adjustments to financial assets subject to macro-hedging), Account 140 (Tax assets), Account 150 (Non-current assets held for sale and discontinued operations) and Account 160 (Other assets);

m) "**Due to customers and securities**" on the liabilities side of the reclassified balance-sheet includes Account 20 (Due to customers), Account 30 (Outstanding securities) and Account 50 (Financial liabilities designated at fair value);

n) "**Other liabilities**" on the liabilities side of the reclassified balance-sheet incorporates Account 60 (Hedging derivatives), Account 70 (Value adjustments on assets of financial liabilities subject to macro-hedging), Account 80 (Tax liabilities), Account 90 (Liabilities from groups of assets held for sale) and Account 100 (Other liabilities).

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Reconciliation of the reclassified financial statements and the accounting tables may be referred to in the section "Annexes".

Reclassified accounts

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/12/2009

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

Montepaschi Group			
• INCOME STATEMENT FIGURES (in millions of euros)	**31/12/2009**	**31/12/2008** Recalculated (1)	**% chg** (1)
Income from banking activities	5,531.6	5,944.8	-7.0%
Financial and insurance income (loss)	5,707.3	5,834.8	-2.2%
Net operating income	532.4	856.4	-37.8%
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**31/12/2009**	**31/12/2008**	**% chg**
Direct funding	155,391	142,466	9.1
Indirect funding	132,217	129,518	2.1
of which: assets under management	*48,783*	*46,362*	5.2
of which: assets under custody	*83,434*	*83,156*	0.3
Customer loans	152,413	145,353	4.9
Group net equity	17,175	14,824	15.9
• KEY LOAN QUALITY RATIOS (%)	**31/12/2009**	**31/12/2008**	
Net non-performing loans/Customer loans	3.05	2.49	
Net watchlist loans/Customer loans	2.47	1.77	
• PROFITABILITY RATIOS (%)	**31/12/2009**	**31/12/2008**	
Cost/Income ratio	64.2	67.2	Recalculated (1)
R.O.E. (on average equity)(2)	1.46	8.1	
R.O.E. (on year-end equity)(3)	1.49	11.9	
Net adjustments to loans / Year-end investments	0.96	0.73	
• CAPITAL RATIOS (%)	**31/12/2009**	**31/12/2008**	
Solvency ratio	11.9	9.3	
Tier 1 ratio	7.5	5.1	
• INFORMATION ON BMPS STOCK	**31/12/2009**	**31/12/2008**	
Number of ordinary shares outstanding	5,569,271,362	5,545,952,280	
Number of preference shares outstanding	1,131,879,458	1,131,879,458	
Number of savings shares outstanding	18,864,340	18,864,340	
Price per ordinary share:	**from the 31/12/08** to the **31/12/09**	**from the 31/12/07** to the **31/12/08**	
average	1.24	1.97	
low	0.77	1.22	
high	1.62	2.98	
• OPERATING STRUCTURE	**31/12/2009**	**31/12/2008**	**Abs. chg**
Total head count - year-end	32,003	32,867	-864
Number of branches in Italy	3,088	3,104	-16
Financial advisor branches	163	167	-4
Number of branches & rep. offices abroad	41	39	2

(1) The 2008 comparison data were reconstructed using the accounting results from Banca Antonveneta from the start of 2008 (12 months) and financing costs related to the acquisition of this Bank as if they were incurred at the beginning of the year. The "line by line" values were also separated for Intermonte following the transfer in the second half of 2008, posting them under "profits/loss of discontinued operations" The economic data in the "reconstructed data" column are not fully and directly comparable with the accounting results from financial year 2008 (which include Antonveneta values starting on the effective acquisition date - 7 months) but allowing the evolution of the main values of the Group's profit and loss statement involved in the acquisition of the Banca Cantonveneta Group to be more completely and adequately evaluated during the same financial period.

(2) R.O.E. on average equity: this is the ratio between the net profit share and average between the shareholders' equity (including the profit) at the end of the previous year and for the current year. For the calculation as at 31/12/2009, the repercussions on the equity following the issuance of financial instruments at the end of 2009, underwritten by the Ministry of the Treasury, ("Tremoni Bond") were excluded.

(3) R.O.E. on end-of-year equity: this is the ratio between the net profit share and shareholders' equity at the end of the previous year minus profits paid to shareholders.

■ **INCOME STATEMENT RESTATED ACCORDING TO OPERATING CRITERIA** (in millions of euros)

Montepaschi Group	31/12/2009 (*)	31/12/2008 (1) (*)	Change Ins.	Change %	31/12/2008 Proforma (2)(*)	% chg on a like for like basis (2)
Net interest income	**3,638.4**	**3,904.8**	**-266.4**	**-6.8%**	3,814.7	**-4.6%**
Net commission income	1,893.2	2,150.5	-257.2	-12.0%	2,130.1	-11.1%
Income from banking activities	**5,531.6**	**6,055.3**	**-523.7**	**-8.6%**	**5,944.8**	**-7.0%**
Dividends, similar income and profits (losses) from equity investments	**110.4**	**14.9**	**95.5**	n.s.	14.9	n.s.
Net result from realisation/valuation of financial assets	66.8	-113.4	180.2	n.s.	-120.7	n.s.
Net gain (loss) from hedging	-1.5	-4.3	2.8	-65.9%	-4.3	-65.9%
Financial and insurance income (loss)	**5,707.3**	**5,952.5**	**-245.2**	**-4.1%**	**5,834.8**	**-2.2%**
Net adjustments for impairment of:	**-1,510.2**	**-1,059.9**	**-450.2**	42.5%	-1,059.9	42.5%
a) loans	-1,466.0	-1,065.2	-400.8	37.6%	-1,065.2	37.6%
b) financial assets	-44.1	5.3	-49.5	n.s.	5.3	n.s.
Net financial and insurance income (loss)	**4,197.1**	**4,892.6**	**-695.4**	**-14.2%**	**4,774.9**	**-12.1%**
Administrative expenses:	-3,501.8	-3,775.1	273.3	-7.2%	-3,762.1	-6.9%
a) personnel expenses	-2,290.2	-2,449.2	159.0	-6.5%	-2,442.3	-6.2%
b) other administrative expenses	-1,211.6	-1,325.9	114.3	-8.6%	-1,319.8	-8.2%
Net adjustments to the value of tangible and intangible fixed assets	-163.0	-156.5	-6.5	4.1%	-156.4	4.2%
Operating expenses	**-3,664.8**	**-3,931.6**	**266.9**	**-6.8%**	**-3,918.4**	**-6.5%**
Net operating income	**532.4**	**960.9**	**-428.6**	**-44.6%**	**856.4**	**-37.8%**
Net provisions for risks and liabilities and Other operating income/costs	-220.2	-186.7	-33.5	18.0%	-186.2	18.2%
Income (loss) on equity investments	-2.7	175.8	-178.5		176.5	n.s.
Integration costs	-86.8	-321.9	235.1		-321.9	-73.0%
Goodwill impairment		-542.3	542.3	n.s.	-542.3	n.s.
Gains (losses) from disposal of investments	42.26	27.9	14.3	51.3%	27.9	51.3%
Gain (loss) from current operations before taxes	**265.0**	**113.9**	**151.1**	**n.s.**	**10.6**	**n.s.**
Taxes on income for the year from current operations	-101.7	844.7	-946.3	n.s.	878.6	n.s.
Gain (loss) from current operations after taxes	**163.3**	**958.6**	**-795.3**	**-83.0%**	**889.2**	**-81.6%**
Gain (loss) on fixed assets due for disposal, net of taxes	195.5	70.9	124.6	n.s.	79.5	n.s.
Minority interests in profit (loss) for the year	-4.5	-9.6	5.1	-53.4%	-9.6	-53.4%
Net profit (loss) for the year	**354.3**	**1,019.8**	**-665.5**	**-65.3%**	**959.0**	**-63.1%**
Minority interests in profit (loss) for the year	-134.2	-66.8	-67.4	n.s.	-66.8	n.s.
Net profit (loss) for the year	**220.1**	**953.0**	**-732.9**	**n.s.**	**892.2**	**n.s.**

(*) In order to make a proper analysis of trends possible, comparison data relating to net interest income and net fees and commissions were reported on a pro-forma basis to take account of some adjustments to revenues, with no impact on basic income.

(1) The data as at al 31/12/08 consider the accounting results from Banca Antonveneta from the start of 2008 (12 months) while the official accounting schemes include the values of Banca Antonveneta in 2008 starting from the effective acquisition date (7 months). It is also noted that the proportional financial repercussions of the acquisition of Banca Antonveneta were not considered for the first 5 months of 2008.

(2) The 2008 comparison data were reconstructed using the accounting results from Banca Antonveneta from the start of 2008 (12 months) and financing costs related to the acquisition of this Bank as if they were incurred at the beginning of the year. The "line by line" values were also separated for Intermonte following the transfer in the second half of 2008, posting them under "profits/loss of discontinued operations". The economic data in the "reconstructed data" column are not fully and directly comparable with the accounting results from financial year 2008 (which include Antonveneta values starting on the effective acquisition date - 7 months) but allowing the evolution of the main values of the Group's profit and loss statement involved in the acquisition of the Banca Cantonveneta Group to be more completely and adequately evaluated during the same financial period.

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING CRITERIA (in millions of euros)

	2009 (*)				2008 (1) (*)				Quarterly Avg.	Quarterly Avg.
Montepaschi Group	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**2009**	**2008**
Net interest income	889.6	913.3	909.6	925.9	980.5	944.6	1,006.4	973.2	**909.6**	**976.2**
Net commission income	465.7	476.4	469.3	481.9	486.8	529.9	563.3	570.4	473.3	537.6
Income from banking activities	**1,355.3**	**1,389.7**	**1,378.9**	**1,407.8**	**1,467.4**	**1,474.5**	**1,569.8**	**1,543.6**	**1,382.9**	**1,513.8**
Dividends, similar income and profits (losses) from equity investments	24.1	19.6	45.4	21.2	-39.3	20.2	21.2	12.7	27.6	3.7
Net result from realisation/valuation of financial assets	-20.8	8.3	31.5	47.8	-167.5	-1.6	80.6	-24.9	16.7	-28.3
Net gain (loss) from hedging	8.1	-10.3	-5.8	6.5	3.3	0.0	-0.4	-7.2	-0.4	-1.1
Financial and insurance income (loss)	**1,366.8**	**1,407.3**	**1,450.0**	**1,483.3**	**1,264.0**	**1,493.1**	**1,671.2**	**1,524.2**	**1,426.8**	**1,488.1**
Net adjustments for impairment of:	**-440.4**	**-360.0**	**-405.3**	**-304.4**	**-427.2**	**-189.3**	**-223.5**	**-220.0**	**-377.5**	**-265.0**
a) loans	-428.3	-351.0	-400.1	-286.6	-424.0	-189.6	-235.5	-216.1	-366.5	-266.3
b) financial assets	-12.2	-9.0	-5.2	-17.8	-3.2	0.3	12.0	-3.9	-11.0	1.3
Net financial and insurance income (loss)	**926.3**	**1,047.3**	**1,044.7**	**1,178.9**	**836.8**	**1,303.8**	**1,447.7**	**1,304.2**	**1,049.3**	**1,223.1**
Administrative expenses:	-983.2	-844.9	-821.9	-851.8	-1,018.2	-920.8	-928.7	-907.4	-875.4	-943.8
a) personnel expenses	-614.8	-563.6	-537.4	-574.4	-652.4	-595.4	-599.4	-602.0	-572.6	-612.3
b) other administrative expenses	-368.5	-281.2	-284.5	-277.4	-365.8	-325.4	-329.3	-305.5	-302.9	-331.5
Net adjustments to the value of tangible and intangible fixed assets	-45.9	-39.7	-39.4	-38.0	-36.8	-40.7	-39.5	-39.7	-40.7	-39.1
Operating expenses	**-1,029.1**	**-884.6**	**-861.3**	**-889.8**	**-1,054.9**	**-961.4**	**-968.2**	**-947.1**	**-916.2**	**-982.9**
Net operating income	**-102.8**	**162.7**	**183.4**	**289.1**	**-218.1**	**342.4**	**479.5**	**357.1**	**133.1**	**240.2**
Net provisions for risks and liabilities and Other operating income/costs	-154.7	-30.7	-24.1	-10.7	-153.8	-12.7	-39.4	19.2	-55.1	-46.7
Income (loss) on equity investments	0.3	0.1	-5.0	1.9	-0.9	-23.5	200.3		-0.7	44.0
Integration costs	-54.8		-27.6	-4.3	-162.2	-21.4	-138.3		-21.7	-80.5
Goodwill impairment					-399.6	-4.5	-41.5	-96.6		-135.6
Gains (losses) from disposal of investments	-4.58	46.83	0.00	0.00	0.1	0.01	20.16	7.68	10.6	7.0
Gain (loss) from current operations before taxes	**-316.6**	**179.0**	**126.6**	**276.0**	**-934.5**	**280.3**	**480.7**	**287.4**	**66.2**	**28.5**
Taxes on income for the year from current operations	167.0	-74.7	-58.0	-135.9	1,245.8	-126.4	-158.9	-115.8	-25.4	211.2
Gain (loss) from current operations after taxes	**-149.6**	**104.2**	**68.6**	**140.1**	**311.2**	**153.9**	**321.8**	**171.6**	**40.8**	**239.6**
Gain (loss) on fixed assets due for disposal, net of taxes	0.2	-0.3	1.7	193.8	5.0	-15.6	76.2	5.4	48.9	17.7
Minority interests in profit (loss) for the year	-0.9	-1.0	-2.5	-0.1	1.3	1.4	-7.1	-5.3	-1.1	-2.4
Net profit (loss) for the year	**-150.3**	**103.0**	**67.8**	**333.9**	**317.5**	**139.7**	**390.9**	**171.7**	**88.6**	**255.0**
Minority interests in profit (loss) for the year	-31.0	-33.6	-36.3	-33.3	**-35.7**	**-21.0**	**-10.2**		**-33.5**	**-16.7**
Net profit (loss) for the year	**-181.3**	**69.3**	**31.5**	**300.6**	**281.9**	**118.7**	**380.8**	**171.7**	**55.0**	**238.3**

(*) In order to make a proper analysis of trends possible, comparison data relating to net interest income and net fees and commissions were reported on a pro-forma basis to take account of some adjustments to revenues, with no impact on basic income.

(1) The data in 2008 consider the accounting results from Banca Antonveneta from the start of 2008 (12 months) while the official accounting schemes include the values of Banca Antonveneta in 2008 starting from the effective acquisition date (7 months). It is also noted that the proportional financial repercussions of the acquisition of Banca Antonveneta were not considered for the first 5 months of 2008.

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING CRITERIA (in millions of euros)

	2009 (*)				**2008** Recalculated (2) (*)				**Quarterly Avg.**	**Quarterly Avg.**
Montepaschi Group	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**2009**	**2008**
Net interest income	889.6	913.3	909.6	925.9	980.5	943.5	972.6	918.0	**909.6**	**953.7**
Net commission income	465.7	476.4	469.3	481.9	486.8	529.9	554.2	559.2	473.3	532.5
Income from banking activities	**1,355.3**	**1,389.7**	**1,378.9**	**1,407.8**	**1,467.4**	**1,473.4**	**1,526.8**	**1,477.2**	**1,382.9**	**1,486.2**
Dividends, similar income and profits (losses) from equity investments	24.1	19.6	45.4	21.2	-39.3	20.2	21.2	12.7	27.6	3.7
Net result from realisation/valuation of financial assets	-20.8	8.3	31.5	47.8	-167.5	-1.6	73.1	-24.6	16.7	-30.2
Net gain (loss) from hedging	8.1	-10.3	-5.8	6.5	3.3	0.0	-0.4	-7.2	-0.4	-1.1
Financial and insurance income (loss)	**1,366.8**	**1,407.3**	**1,450.0**	**1,483.3**	**1,264.0**	**1,492.0**	**1,620.7**	**1,458.0**	**1,426.8**	**1,458.7**
Net adjustments for impairment of:	**-440.4**	**-360.0**	**-405.3**	**-304.4**	**-427.2**	**-189.3**	**-223.5**	**-220.0**	**-377.5**	**-265.0**
a) loans	-428.3	-351.0	-400.1	-286.6	-424.0	-189.6	-235.5	-216.1	-366.5	-266.3
b) financial assets	-12.2	-9.0	-5.2	-17.8	-3.2	0.3	12.0	-3.9	-11.0	1.3
Net financial and insurance income (loss)	**926.3**	**1,047.3**	**1,044.7**	**1,178.9**	**836.8**	**1,302.7**	**1,397.2**	**1,238.0**	**1,049.3**	**1,193.7**
Administrative expenses:	-983.2	-844.9	-821.9	-851.8	-1,018.2	-920.7	-921.9	-901.3	-875.4	-940.5
a) personnel expenses	-614.8	-563.6	-537.4	-574.4	-652.4	-595.4	-595.8	-598.7	-572.6	-610.6
b) other administrative expenses	-368.5	-281.2	-284.5	-277.4	-365.8	-325.3	-326.1	-302.6	-302.9	-329.9
Net adjustments to the value of tangible and intangible fixed assets	-45.9	-39.7	-39.4	-38.0	-36.8	-40.7	-39.4	-39.6	-40.7	-39.1
Operating expenses	**-1,029.1**	**-884.6**	**-861.3**	**-889.8**	**-1,054.9**	**-961.3**	**-961.3**	**-940.9**	**-916.2**	**-979.6**
Net operating income	**-102.8**	**162.7**	**183.4**	**289.1**	**-218.1**	**341.4**	**436.0**	**297.2**	**133.1**	**214.1**

(*) In order to make a proper analysis of trends possible, comparison data relating to net interest income and net fees and commissions were reported on a pro-forma basis to take account of some adjustments to revenues, with no impact on basic income.

(2) (*) The 2008 figures used for comparison purposes were restated to take Antonveneta into account as of the beginning of 2008 (12 months) and to take into consideration the costs of loans associated with the Antonveneta acquisition as if they had been incurred since the beginning of the year. Restatement also included the line-by-line purging of Intermonte accounts which were recognized under "Profit (loss) from groups of assets held for sale after tax" following the disposal of Intermonte in H2 2008. The income statement values in the "restated data" column are therefore not fully and directly comparable with the accounting results of 2008, which include Antonveneta's values as of the date of actual acquisition – 7 months. However, they make it possible to better appreciate the trends in the main accounts of the Group's income statement which was affected by the acquisition of the Banca Antonveneta Group in the same year.

Montepaschi Group

■ **RECLASSIFIED BALANCE SHEET** (in millions of euros)

ASSETS	31/12/2009	31/12/2008 (°)	% chg
Cash and cash equivalents	1,296	1,026	26.2
Loans and receivables :			
a) Customer loans	152,413	145,353	4.9
b) Due from banks	10,328	17,616	-41.4
Financial assets held for trading	38,676	26,974	43.4
Held to maturity investments	0	0	8.6
Equity investments	742	583	27.3
Underwriting reserves/reinsurers			
Tangible and intangible fixed assets	10,395	10,559	-1.6
of which:			
a) goodwill	*6,619*	*6,709*	*-1.3*
Other assets	10,965	11,685	-6.2
Total assets	**224,815**	**213,796**	**5.2**

LIABILITIES	31/12/2009	31/12/2008 (°)	% chg
Payables			
a) Due to customers and securities	155,391	142,466	9.1
b) Due to banks	22,758	27,209	-16.4
Financial liabilities from trading	19,481	18,967	2.7
Provisions for specific use			
a) Provisions for employee leaving indemnities	304	540	-43.6
b) Reserve for retirement benefits	458	430	6.6
c) Other reserves	911	922	-1.2
Other liabilities	8,055	8,159	-1.3
Underwriting reserves			
Group portion of shareholders' equity	17,175	14,824	15.9
a) Valuation reserves	721	401	79.6
b) Reimbursable shares			
c) Capital instruments	1,949	47	n.s.
d) Reserves	5,766	4,909	17.5
e) Share premium	4,048	4,094	-1.1
f) Share capital	4,502	4,487	0.3
g) Treasury shares (-)	-32	-37	-13.2
h) Net profit (loss) for the year	220	923	-76.1
Minority interests in shareholders' equity	281	279	0.8
Total liabilities and shareholders' equity	**224,815**	**213,796**	**5.2**

(°) Historical data published in 2008 Report

Montepaschi Group

RECLASSIFIED BALANCE SHEET - QUARTERLY TREND (in millions of euros)

ASSETS	31/12/2009	30/09/2009	30/06/2009	31/03/2009	31/12/2008 (°)	30/09/2008 (°)	30/06/2008 (°)	31/03/2008 (°)
Cash and cash equivalents	1,296	682	798	860	1,026	678	807	536
Loans and receivables :								
a) Customer loans	152,413	146,208	145,111	144,708	145,353	144,496	139,909	107,749
b) Due from banks	10,328	13,401	13,017	11,935	17,616	17,331	14,553	11,708
Financial assets held for trading	38,676	38,749	32,707	28,946	26,974	25,067	27,677	30,726
Held to maturity investments	0	0	0	0	0	0	0	0
Equity investments	742	725	721	597	583	614	548	817
Underwriting reserves/reinsurers								
Tangible and intangible fixed assets	10,395	10,428	10,468	10,489	10,559	10,621	10,655	3,127
of which:								
a) goodwill	*6,619*	*6,648*	*6,670*	*6,670*	*6,709*	*7,633*	*7,673*	*961*
Other assets	10,965	8,868	9,241	10,086	11,685	11,584	12,381	7,799
Total assets	**224,815**	**219,061**	**212,062**	**207,621**	**213,796**	**210,391**	**206,529**	**162,463**

LIABILITIES	31/12/2009	30/09/2009	30/06/2009	31/03/2009	31/12/2008 (°)	30/09/2008 (°)	30/06/2008 (°)	31/03/2008 (°)
Payables								
a) Due to customers and securities (°)	155,391	155,816	147,635	139,309	142,466	142,425	139,000	110,447
b) Due to banks	22,758	19,294	21,826	23,395	27,209	25,609	27,218	15,613
Financial liabilities from trading	19,481	20,674	18,710	20,609	18,967	15,605	13,298	18,506
Provisions for specific use								
a) Provisions for employee leaving indemnities	304	340	347	504	540	553	564	366
b) Reserve for retirement benefits	458	456	441	436	430	445	452	417
c) Other reserves	911	888	886	910	922	843	817	488
Other liabilities	8,055	5,924	6,820	7,159	8,159	10,492	10,702	7,723
Underwriting reserves								
Group portion of shareholders' equity	17,175	15,391	15,124	15,019	14,824	14,185	14,159	8,644
a) Valuation reserves	721	646	513	303	401	206	337	433
b) Reimbursable shares								
c) Capital instruments	1,949	52	47	47	47	79	79	70
d) Reserves	5,766	5,789	5,768	5,857	4,909	4,824	4,787	5,433
e) Share premium	4,048	4,041	4,035	4,094	4,094	3,991	3,998	547
f) Share capital	4,502	4,487	4,487	4,487	4,487	4,451	4,451	2,032
g) Treasury shares (-)	-32	-25	-57	-70	-37	-8	-15	-61
h) Net profit (loss) for the year	220	401	332	301	923	641	522	190
Minority interests in shareholders' equity	281	280	273	279	279	236	319	259
Total liabilities and shareholders' equity	**224,815**	**219,061**	**212,062**	**207,621**	**213,796**	**210,391**	**206,529**	**162,463**

(°) Historical data published in 2008 Report

Macroeconomic and banking scenario

Macroeconomic trends

In 2009 the global economy, in general, was still in the throes of a major and severe recession ending the year with a 1% fall in GDP. Within this context, China and other emerging Asian countries continued to grow while the USA showed stronger signs of recovery compared to the Eurozone and Japan. By the end of the year, however, all mature economies had shown signs of improvement with GDP and industrial production on the rise as well as an increase in consumer and business confidence. **Nevertheless, this limited recovery did not prevent the drop in International trade from exceeding 10% for the year**.

There is no doubt that the global bounce-back is linked to the extraordinary stimulus packages. Monetary policy was highly accomodative with **interest rates at an all-time low** both in the more industrialised countries and in the emerging markets. Budgets of the Central Banks and Governments became particularly weighted-down as a result of demand-sustaining policies. **Signs of self-sustained recovery, however, are still very weak** and there are fears of an upturn in inflation in the mid-term and a further decline in the job market. This calls for a prudent approach with regard to timing and methods used to adopt differentiated exit strategies and withdraw emergency stimulus money from the economy.

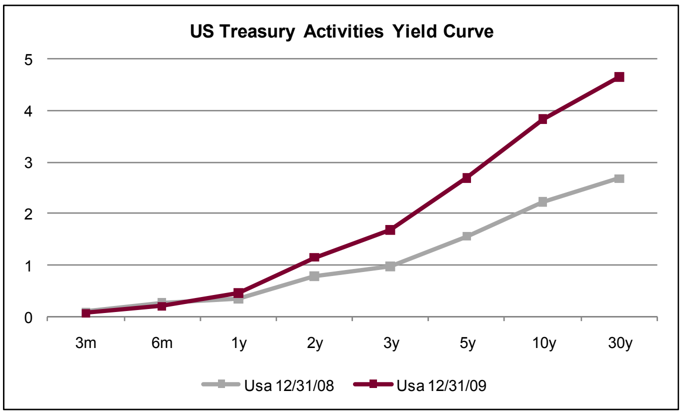
GROWTH RATES IN THE LEADING ECONOMIES

	2009	2010	2011
World	-1.0	4.0	4.1
Usa	-2.4	2.4	2.5
Eurozone	-4.0	1.0	1.4
Italy	-4.9	0.7	1.0
Japan	-5.3	1.2	1.7
China	8.6	9.5	8.8

Source: BMPS Research&Intelligence Service

With regard to the USA, in 2009 its GDP suffered a drop of 2.4% though there were some signs of growth in Q309 (+0.6% QoQ) but above all in the final quarter with a QoQ increase at +1.4%. Q409 also saw a rise of 8.6% in investments that were heavily penalised during the crisis (-23.3% in 2009) while there was a milder recovery for household spending (+0.5% QoQ) with further growth expected once the job market picks up again; it should be noted that the **unemployment rate** for 2009 **came to 10%**.

In the USA, the short-term zero interest-rate policy encouraged an upturn in benchmark returns, as shown by the slightly wider spread on the 2-10 year term which shifted from 144 to 270 bps. The gradual return to a neutral monetary policy should "flatten" the interest rate curve in 2010. **In December Fed also confirmed the interest rate on Fed Funds to be between 0% and 0.25%**, reiterating that the cost of money will remain exceptionally low for still some time to come without providing any guarantees as to the timing and sequence of interest rate increases[3].

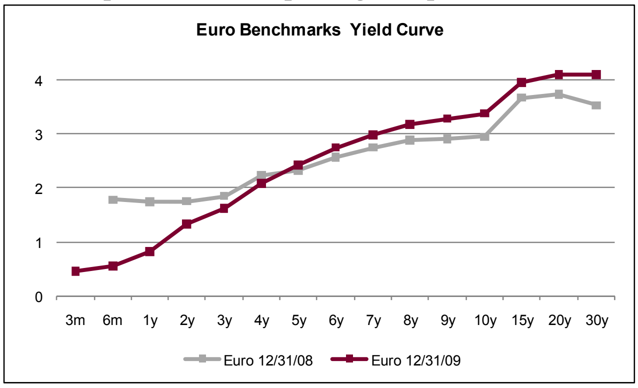


As mentioned above, **China's relentless growth continued among the Emerging Countries.** Its consumption is advancing at rates multiple times higher than those of the Western economies. This is further supported by the Peking Government which, in addition to the stimulus policies and reforms, plans to implement new initiatives aimed at re-balancing domestic demand which still shows a bias towards investments. **It is by now apparent that China (most likely in 2010) will overtake the Japanese economy** whose GDP experienced a sharp fall in 2009 though some respite was given by tax policies and by the fact that demand was stabilizing in other Asian countries**. India's performance should also be noted (GDP up 6.5% in 2009)** with a significant contribution from the re-launch of its manufacturing industry.

The Euro area, where an approximate 4% fall in GDP was recorded for 2009, saw a pause in recession in Q309 (+0.4% QoQ). However, from the slower growth posted at year-end (+0.1% Q/Q), it became clear that it is difficult for the economy to recover at a satisfying pace of development. The 27 member-EU showed a similar trend (-4.1% fall in 2009) with GDP showing a downward shift from +0.3% in Q309 (-0-3% Q209) to +0.1% in Q409.

3 *On 18 February 2010 the Federal Reserve raised the discount rate by 25 basis points from 0.50% to 0.75%. On the other hand, the Fed Funds rate remained unchanged, and, according to the US Central Bank, "should remain the same for a certain period of time".*

After lowering the benchmark interest rates from 2.5% to 1% in the first five months of the year, the ECB repeatedly affirmed its opinion that the rate was at an **appropriate level**, stating that inflation was under control and growth still uncertain. Furthermore, the ECB just as strongly **reiterated the importance of respecting the provisions of the Stability and Growth Pact**. The European union has however announced it may intervene in concrete terms with concerted measures aimed at maintaining (if necessary) stability within the Euro area as a whole after Greece's debt crisis concerns. The highly accomodative monetary policy has resulted in a steeper benchmark rate curve in the Euro area, made more evident by a similar trend -though opposite in sign- in the two year period (down 43 bps between the end of 2008 and 2009) and ten-year period (up by more than 40 bps). It is predicted that the flattening of the curve will be very gradual and will depend on how long it will take for a neutral monetary policy to be reinstated.



GDP in Italy fell by 4.9% for the year, having been held back by the decline in investments (-13%) and in exports (approx. -15%), though a more stable trend was recorded for consumption (-1%). The faint signs of recovery registered in Q309 (+0.6% QoQ) were immediately halted in the following period (-0.2% QoQ). **A similar performance was recorded for industrial production**, which dropped 17.5% for the year, though it did pick up in Q309, +4.4% QoQ but then fell again in Q409 when it posted -0.8%. **The OECD Composite Leading Indicator registered a growth for Italy**: in December +0.8% QoQ (+14.7% YoY) while the ISAE (Institute for Studies and Economic Analyses) recorded a manufacturing business confidence index of 82.6, the highest since June 2008. **The unemployment rate shows a significant upward trend, closing the year at 8.5%**. By reflex, the saving propensity of households increased from 14.5% of disposable income in Q108 to 15.4% in Q309. **Italian export has stopped falling since mid-2009** but its fluctuating performance does not yet seem to have fully captured the global trend; this less intensive response reflects the typical product specialisation and geographical distribution of "Made in Italy". The trade balance deficit did narrow, however, with an overall improvement from -11.5 to -4.1 mln, despite a worse performance compared to other EU countries. **The average annual inflation rate came to +0.8% in 2009** (+3.5% in 2008).

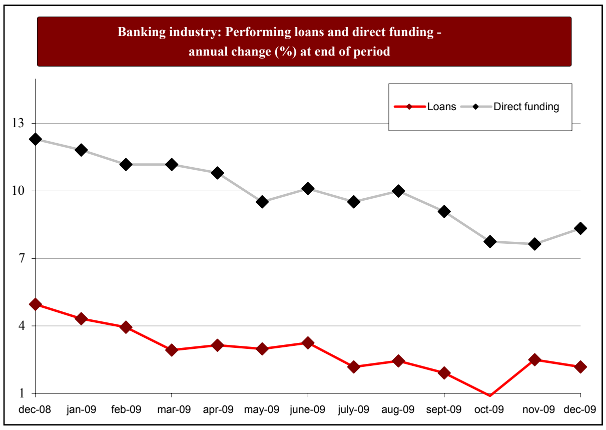
The main stock markets rallied strongly as of the end of March although this has recently slowed down (eg. from 31/03/2009 to 31/12/2009 Nikkei +31%, FTSE MIB +46%, Dow Jones +37%, S&P 500 +40%, Dax +46%). Since the start of the year, the MSWorld index has risen by almost 20%; the New York Stock Exchange has witnessed an increase of over 24% in its market prices against the approximate +20% for EuroStoxx and Tokyo. The **issue of corporate bonds** reached record levels in the second half of 2009. Risk indicators show a fall for European countries with larger public debts: **the spread on return on government bonds compared to the German benchmark and the price of CDs are higher than before the crisis** and have begun to rise again; Greece, in particular, has spreads at record-level after having been downgraded by S&P and Fitch. With regard to Italy, the market remains confident in terms of restoring balanced public accounts. However, spreads and CDs have suffered the effects of the Greek situation.

In the foreign currency markets **depreciation of the dollar began to lose momentum at the end of the year, a sign of the stronger economic upturn in the USA** and growing concerns about Greece's public debt. A similar performance was also observed in the Euro's weakness against the Yen. Nevertheless, **compared to the start of the year, the EURO was up 3% against the dollar and 5% against the Yen as at 31 December 2009**.

Banking activity

Subsequent to the slowdown in traded volumes and reduction in the spread between bank rates, the **decline in interest rates** in 2009 was partly offset by the **growth in profit from trading and from the value of securities in the trading portfolio** thanks to the recovery of the financial markets. On the other hand, the **net commissions component** saw a downward trend as a result of the decline in assets under management for the year (mutual funds and individual managed accounts). Partly due to the **steady increase in writedowns to the loan portfolio** resulting from the plunge in credit quality, Italian banks recorded a substantial fall in profits compared to 2008.

For further details, a closer look at balance-sheet aggregates shows that **direct funding** (including funds from the "Cassa Depositi e Prestiti", Deposits and Loans Fund) **has continued to increase significantly (+ 8.4% YoY as at December)**, though less than in 2008 (+12.3*%)*. The slowdown is due to a less dynamic performance for bonds (+ 10.7% against +19.8% in December 2008) and to a decline in repos. On the other hand, **an upward trend was recorded in current account deposits** (+11.7% compared to +7.4% in 2008), confirming a preference for more liquid instruments by households as a consequence of the sharp fall in interest rates and still-highly volatile financial markets.



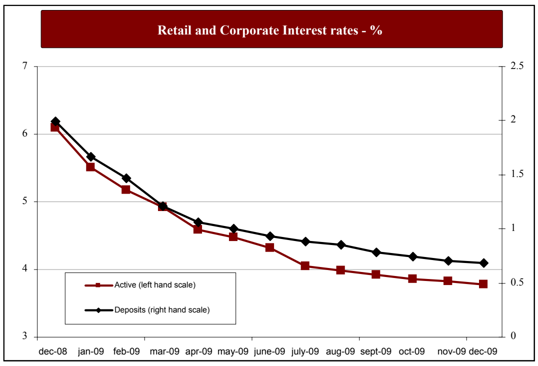
With regard to assets under management, the total stock of **mutual funds** has picked up again as of the third quarter, closing the year at **+6.8% YoY, having benefitted from the improved financial markets but also from the fact that savers have shown a return to this type of instrument.** More specifically, outflows from mutual funds have decreased to 2.9 bln as opposed to over 143 bln in 2008. As for the performance of mutual fund by category, a positive performance was posted for various instruments (shares were up a staggering +31.5% against -56.6% in 2008) while a negative trend was seen for balanced funds (-3.8%) and, above all, for hedge funds (-24.4%).

The new production of bancassurance rose significantly (+45.4% compared to 2008), as a result of the high demand for guaranteed-revenue products, in this case leading to an increase in traditional policies which more than quadrupled. On the other hand, there was a sharp fall for funding from linked products which came to 18% of the total (against 60% for last year).

With regard to lending, bank loans stopped slowing down in the last few months of 2009: **growth of loans for the year came to +2.2% in December** (+4.9% in December 2008) after hitting its lowest level in October (+0.9%). In addition to the positive contribution coming from consumer households (+6.9% in December, up on the previous months primarily as a result of the **upturn in consumer loans**), lending **to smaller-scale businesses,** family businesses, held firm and showed a 1.9% increase in December against 0.3% at the end of 2008. Loans to **non-financial businesses**, instead, ended with a fall in growth rate for the year of **-2.4%.** The figure confirms the **continuing weakness of the economy, characterised by widespread uncertainties regarding timing and intensity of recovery**. A **breakdown by duration reveals that** loans to non-financial businesses continued to be sustained by the **mid-long term component (+1.8% in December) mainly attributable to debt restructuring transactions**.

In 2009, the credit quality deterioration process became more pronounced. In the last 4 quarters leading up to September 2009, **flows from new adjusted non-performing loans accounted for an annualized 1.85% of total loans (rate of decay) against 1.07% for the same period in the previous year**. Increased deterioration of credit quality affected businesses especially the manufacturing ones: the rate of decay of loans to non-financial businesses, in fact, climbed to over 3%, the highest in the last 10 years. In terms of **loan inventories**, **non-performing loans increased by a yearly rate of 42.8%** (as at December), mainly as a result of the increase in NPLS registered with manufacturing companies (+43.6%) and consumer households in the last part of the year: +39.8% as at December 2009.

In the second half of 2009, **bank interest rates confirmed the downward trend that began at the end of 2008**, though at a more contained pace compared to previous months, reflecting market rate fluctuations. The **average interest rate on loans to households and businesses** (short and mid-long term) came to a 4.4% yearly average (6.3% in 2008), that of **deposits** shrunk to 1% (2.2% in 2008). Consequently, a substantial fall in bank interest rate spreads was recorded in 2009.



The regulatory framework

Against this backdrop, the banks took charge of the difficult situation that the crisis is causing to businesses and households through a **package of measures designed** by both **the individual banks and the banking system in general**. With regard to businesses, an agreement **known as the "Avviso Comune" (Common Avis)** was signed between the Ministry of Economy, ABI (Italian Banking Association) and Italian Trade Associations: Advantages include extending the duration of short-term loans by up to 270 days and suspending payment of mortgage loan principals for 12 months. This was followed by a **grace period for household debt**: from 1 February 2010 to 31 January 2011 households who have undergone adverse events (particularly relating to the job market) in 2009-2010 can **request suspension of their mortgage instalment for up to 12 months**.

In addition to these specific initiatives implemented by the banking system, **anti-crisis measures were also introduced by the Government in support of businesses**. It should be noted that **Law 2/2009** (the so-called anti-crisis decree) provided for the financial strengthening of the "Confidi" system, ie. a nationwide mutual guarantee scheme for the industrial, commercial and craft sector (through re-financing of the Guarantee Fund) and the broadening of the operational scope for the Cassa Depositi e Prestiti (**Deposits and Loans Fund)**. Furthermore, the Law set out the **limits and methodologies regarding the application of a commission on maximum overdrafts on current accounts, which is only admissible in the presence of full contractual transparency and under specific circumstances**. Moreover, with regard to the new commission on funds disbursed a maximum limit was determined (0.5% of the credit facility per quarter).

At the beginning of July **Law Decree no. 78/2009**, which was also aimed at countering the effects of the economic crisis, **was passed and later converted into** Law no. 102/2009. The most significant measure adopted was the introduction of tax reliefs on investments in new machinery and equipment (the **Tremonti ter**), which involves excluding 50% of the cost for purchases made between July 2009 and June 2010 from the corporate income. The decree also includes the so-called "tax shield" ie. a tax amnesty plan involving the **repatriation of residents' funds held abroad and not disclosed to the Italian tax authority**, against payment of a 5% one-off tax on repatriated funds.

The developments in **consumer class** actions are another important aspect: "class actions" aimed at protecting consumers may be filed against offences committed after 15 August 2009 (date on which the so-called Development Bill, subsequently Law. 99/2009, came into force) even though the starting date for the procedure of compensation for damages has been set at 1 January 2010. The class action claim is submitted by individual members of the 'class' itself or by a consumer association to the ordinary court – which then decides as a collegiate body – in the capital city of the region where the company has its registered office.

The **more specific measures in support of small and medium businesses** also include the **Agreement between the Cassa depositi e prestiti (Cdp**, Deposits and Loans Fund**)* and Abi (Italian Banking Association)**, enacted at the end of May 2009; this is a EUR 8 bln lending plan for banks, to be channelled towards the SMEs with the application of two spread ranges above the Euribor calculated by taking into account the economic, financial and capital structures of the banks. At the same time, the **SACE guarantee** was "liberalised", releasing it from loans to exports with the aim of reducing the costs for the banking system in the granting of loans to SMEs. With regard to the **Guarantee Fund for SMEs**, funds for appropriation in 2009, were increased to 1.5 bln allowing guarantees to be issued for an amount of approx. 23 bln (with a multiplying factor that is 16 times the total amount of the fund); the maximum amount guaranteed was raised from 0.5 mln to 1.5 mln and was extended to craft enterprises.

Among the several new regulations enacted in this period, **measures were also introduced in support of the banking system** at a time when the financial markets were experiencing a seriously turbulent situation: a series of actions have been adopted, some of which aimed at guaranteeing the banks' funding capacity, others, at **strengthening their capital structure**. Of significance was also the ministerial decree of 25 February implementing art.12 of Law Decree 185/2008, which saw the introduction of the so-called **"Tremonti bonds"**. Up to the end of 2009, the Treasury could underwrite financial instruments – with no voting rights – issued by listed banks, convertible into ordinary shares, callable at any time by the issuer and accounted for under Core Tier 1capital.

Among the measures more directly involving banks was also the provision **of July 2009 introduced by Banca d'Italia on transparency in banking and financial services and transactions** (contracts for deposits, current accounts, mortgages, leasing and factoring), which came into force on 1 January 2010 as well as the new **European Payment Services Directive 2007/64/CE**, which was transposed into the Italian regulatory framework on 22 January 2010 and which is intended to provide a pan-European framework with regard to execution times for money transfers, value dates and transparency criteria in order to protect consumers and businesses.

As part of the complex **process of reform of Banking supervision at both European and International levels**, a consultation document was published at the end of 2009 on the reform of **Basel 2**, the purpose of which was to align regulations with the developments in the financial markets starting from the criteria for the regulatory capital of banks.

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Domestic sales and customer portfolio

In 2009 the Montepaschi Group achieved sales results which consolidated and improved its competitive positioning despite persisting difficulties in the market, particularly as a consequence of the real economy crisis. In this connection, the Group continued with its **support initiatives and actions for households and businesses** aimed at mitigating the effects of the unfavourable market situation and **guaranteeing continuity to the Group's credit offer** (for further details please refer to the chapter ("Segment Reporting: Sales and Marketing, Research and Development")). The sales performance benefitted from the **structural reorganisation processes well underway** with the aim of **streamlining and rationalising the distribution and governance models** both for the Distribution Networks (merger with Banca Toscana and Banca Antonveneta into Banca Monte dei Paschi di Siena) as well as for the Parent Company. There follows a description of the main aspects of the sales activity within the asset and credit management segments:

Wealth management

As far as **Wealth Management** is concerned, the Group's Sales Network achieved placements for over EUR 22 bln as at 31/12/2009, **up by more than 11 bln compared to the previous year**. Results for the year benefitted from the rise in **life insurance products** and **bond deposits**, accompanied by a significant **decline in outflows from individual and collective asset management** which has been picking up again since the second quarter of 2009, after a negative trend had been recorded for two years.

The table below reports a breakdown of the placement flows of the main products/services distributed by the Group:

■ Product Placements

in million of euros		31/12/2009	31/12/2008
Bonds	including:	18,210	16,483
	Linear	15,814	14,638
	Structured	2,396	1,845
Life-insurance policies	including:	4,764	3,255
	Ordinary	3,073	1,087
	Index Linked	947	1,199
	Unit Linked (**)	744	970
Individual portfolios under management		-614	-2,766
Mutual funds/SICAVs (*)		-185	-6,113
Total		**22,174**	**10,859**

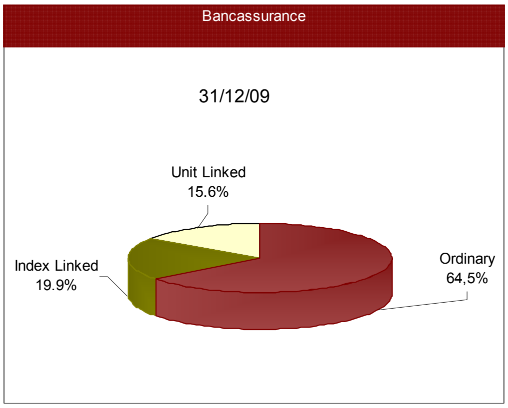
(*) Multimanager Mutual funds/SICAVs sold directely to customers don't included into other product

(**) In the year 2009 the Unit Linked policies include Multiramo policies.

More specifically:

- Flows on new **bonds** placed in 2009 came to 18.2 bln, up by more than 10% on the previous year and mainly concentrated in the "plain" segment;
- **Individual and collective asset management** recorded negative flows for approximately EUR 800 mln, against 9bln worth of outflows in 2009. In particular:
  - ✓ **Mutual investment funds/Sicavs** showed a negative net funding of approx. EUR 185 mln, an improvement on the previous year when outflows in excess of EUR 6 bln were posted;
  - ✓ Inflows from **Individual Managed Accounts** came to EUR –614 mln (against an outflow of almost EUR 3 bln in the previous year);

- as for **life insurance products,** premiums collected as at 31/12/2009 stood at approximately EUR 4.8 bln, up by over 46% compared to 31/12/08, mainly the result of **Traditional Policies**. A decline on the previous year was recorded for Index-Linked and Unit-Linked policies, though the latter did pick up in the second half of the year. The Group's market share came to 7.76% (8.03% at the end of 2008; 7.26% as at 30/9/2009). An analysis of the premiums collected at 31/12/2009 shows that the traditional policies by far make up the largest share (64.5%), followed by Index-Linked (19.9%) and Unit- Linked (15.6%) policies.



Credit management

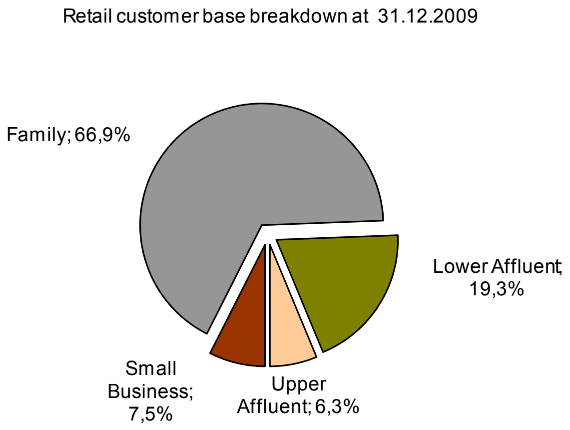
Despite the still-critical situation within the real economy, in 2009 the Montepaschi Group guaranteed adequate credit support to customers without, however, forsaking its more traditionally prudent approach to risk. In fact, against a demand for lending which was still weak within the Italian banking system, flows channelled to **Specialised Credit Companies** came to over 10 bln for the year (-28% YoY), with a steadlily rising trend (Q409 flows +22% on Q309). A further breakdown shows that at 31/12/09 **new corporate loans** came to EUR 7.6 bln (11.2 bln as at 31/12/2008), while **consumer loans** came to EUR 2.6 bln (EUR 2.9 bln as at 31/12/2008), a fall mainly due to "specific-purpose" loans. **Loans issued to customers directly by the Sales Network** amounted to over EUR 14 bln thus reiterating the upward trend (EUR 5.6 bln in Q4; +61.6% Q409 vs. Q309). This was also the result of family-targeted products launched in the course of the year (for further details please refer to the chapter "Segment-Reporting: Sales and Marketing, Research and Development").

Specialised credit and corporate financial products

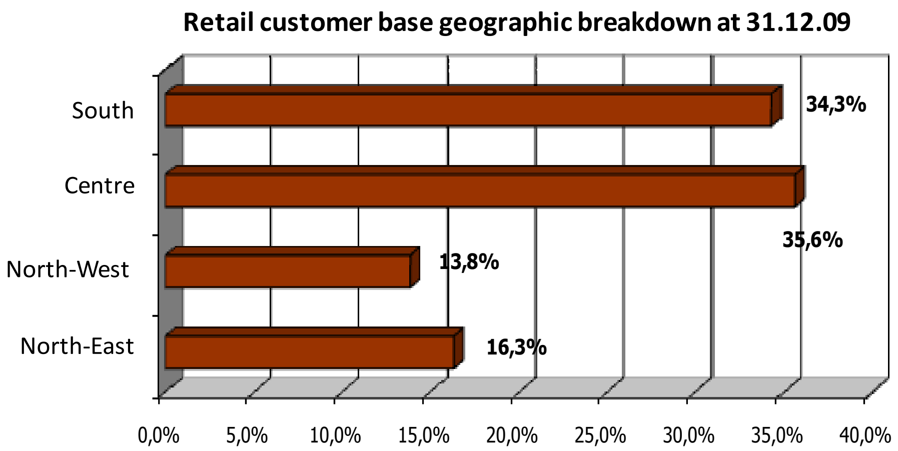
in million of euros	31/12/2009	31/12/2008
MPS Capital Services Banca per le Imprese		
disbursements	1,752	3,616
MPS Leasing & Factoring		
incl.: new leases executed	1,383	1,792
factoring turnover	4,464	5,826
Consumit		
disbursements	2,608	2,948

Customer portfolio

At 31 December 2009 the number of **Group customers stood at over EUR 6.3 mln**[4], 5.8 million of whom were managed by the Sales Network[5]. A further analysis of the 5.8 million provides the following breakdown; 98.0% is represented by Retail Customers, 0.6% by Private Customers and the remaining 1.4% by Corporate Customers. Of the more than **5.6 million Retail Customers,** the **Family segment**, which makes up the largest share, accounts for 67% of total customers, followed by Lower Affluent (19.3%), Small Business (7.5%) and Upper Affluent (6.3%).



The **breakdown of Retail Customers by geographical area** confirms the Group's **long-standing presence in Central (35.6%) and Southern (34.3%) Italy**.



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4 *The figure includes customers of Banca Monte dei Paschi di Siena, Banca Antonveneta, MPS Banca Personale, Biverbanca and those managed directly by Consumit.*

5 *Banca Monte dei Paschi di Siena, Banca Antonveneta and MPS Banca Personale.*

With regard to **Corporate Customers**, SMEs account for approx. 83% and Institutions for 17% of the total. As for "businesses", the **breakdown by sector** confirms the Group's strong footprint in the more traditional **Made in Italy sectors**: Textile and Clothing, Food and Mechanics:

Corporate customers % by business sector at 31.12.09

	Customers (*)	Retail(**)	Corporate
Agriculture	4.8	5.1	3.0
Public utilities	0.4	0.3	1.1
Manufacturing: extraction and chemical	1.9	1.5	4.1
Metallurgy and Mechanical	7.0	6.3	11.3
Food, clothing, leathers and textiles	9.9	9.3	13.5
Bulding and construction	11.5	11.9	9.8
Wholesale distribution	8.4	7.8	12.0
Retail distribution	20.0	22.1	9.0
Transport and communications	3.5	3.5	3.5
Banking, insurance and services	12.2	11.8	13.8
Public Administration	5.9	6.4	3.2
Non-classified	14.4	14.0	15.8
total	100	100	100

(*) Weighted average of percentages in individual Retail and Corporate markets

(**) Small Business customers

Balance-sheet aggregates

Business in the above-described fields of asset management and lending on the one hand and sales activities carried out by the foreign network on the other, contributed to main balance sheet aggregates as follows:

Funding aggregates

As at 31 December 2009 overall funding came to approx. EUR 288 bln with a growth of almost EUR 16 bln compared to 2008 (+5.7%) mainly as a result of the contribution from direct funding. Assets under management continued to pick up with an increase of 5.2% on 31/12/08, which was largely the result of the upward trend in insurance premium collections.

CUSTOMER FUNDING (in millions of euros)

	31/12/2009	31/12/2008	% chg. vs 31/12/2008	% weight 31/12/2009
Direct customer funding	**155,391**	**142,466**	**9.1%**	***54.0%***
Indirect customer funding	**132,217**	**129,518**	**2.1%**	***46.0%***
assets under management	*48,783*	*46,362*	5.2%	*17.0%*
assets under custody	*83,434*	*83,156*	0.3%	*29.0%*
Total customer funding	**287,608**	**271,984**	**5.7%**	***100.0%***

Direct funding amounted to approx. EUR 155 bln, up by EUR 13 bln compared to 31 December 2008 (+9.1%). The growth in the aggregate was mainly driven by **Consumer and Corporate Clients** (+6.9 bln compared to 2008) with a major input coming from bonds and other "on-demand" instruments and a lesser contribution from **Institutional clients** with whom the Group carried out short-term funding transactions at low interest rates. The Group's market share at 31 December 2009, therefore, stood at 7.16% (+4 bps YoY). The table below contains a breakdown of funding by operating segment (for further details please refer to the chapter *"Segment-Reporting: Sales and Marketing, Research and Development"*):

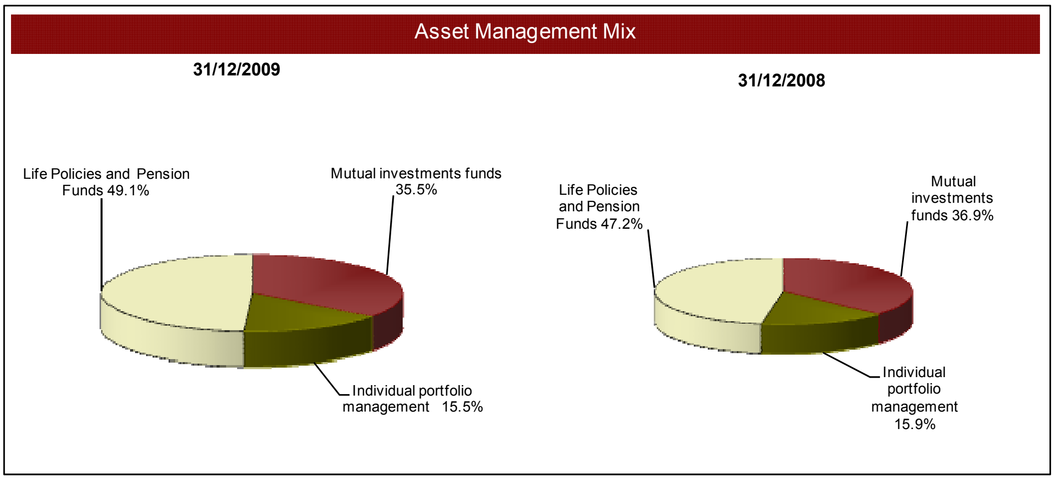
Commercial funding

(in millions of euro)

		% weight	
	31/12/09	31/12/09	31/12/08
Retail and Private Banking	87,446	56.3%	57.6%
Corporate Banking	49,152	31.6%	29.3%
Corporate Center	18,793	12.1%	13.1%
Total	**155,391**	**100.0%**	**100.0%**

As far as **indirect funding** is concerned, volumes posted at 31 December 2009 amounted to EUR 132 bln, up 2.1% on the previous year and can be broken down as follows:

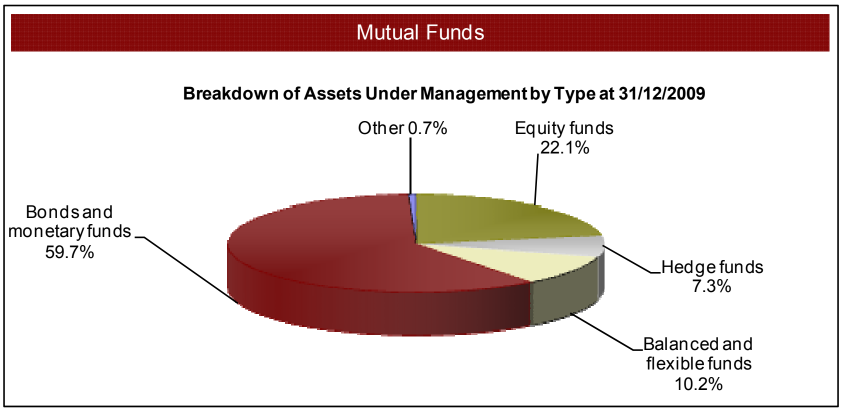
- **assets under management**: came to approx. EUR 49 bln, up +5.2% YoY. A further breakdown of volumes – according to a Mifid-based approach structurally aimed at selecting the best investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) – shows that the prevailing segment is that of **pension funds and life insurance policies**, whose market share increased further on 31/12/08;



More specifically:

- with regard to the **insurance sector**, technical reserves relating to the Group's Sales Network totalled 24 bln (+9.3 YoY), a result driven by traditional policies;
- Individual Managed Acounts came to approx. 8 bln (+2.5% on 31/12/08) with a market share of 4.31% as at 30/9;
- **Mutual Investment Funds/ Sicavs** amounted to over 17 bln, an increase of 1.2% compared to 31/12/2008. The market share for the Group stood at 3.67%, down on the previous year by 21bps.

  The graph below shows a breakdown by type of assets under management which, compared to 31 December 2008, saw an increase in equity funds and balanced funds and a fall in bonds and hedge funds.



- Finally, **assets under custody** came to over EUR 83 bln (+0.3% compared to 31/12/2008).

Lending aggregates

The MPS Group sales activity

With regard to **credit management**, the decline in the demand for loans registered by the banking system in general translated into a moderate lending level for the Montepaschi Group, whose **volumes stood at approx 152 bln as at 31 December 2009**, up 4.9% as compared to the previous year particularly as a result of medium/long-term components which increased by 17.5% (in terms of average volumes), thus more than offsetting the downturn in other components. As a consequence, the Group's lending market share reached 8.02% as at 31 December 2009, up 37 bps as compared to 31/12/2008.

Following is a breakdown of loans by business segment which highlights the still-relevant weight of the Corporate component:

Customer loans
(in millions of euro)

		% weight	
	31/12/09	31/12/09	31/12/08
Retail and Private Banking	59,506	40.3%	39.7%
Corporate Banking	70,836	47.9%	51.6%
Corporate Center	17,419	11.8%	8.7%
Total	**147,760**	**100.0%**	**100.0%**

Credit quality

Against this background, the difficulties of the macroeconomic scenario reverberated on the level of impaired loans which grew by approximately 2.9 bln on 2008 in terms of net exposure, reaching an overall amount of **approx. 10 bln** (accounting for approximately 6.7% of total customer loans). Impaired loan provisions continued to be commensurate and in line with the Montepaschi Group's traditional coverage levels (about 40%).

BREAKDOWN OF CUSTOMER LOANS BY RISK

Risk category - Net book values *in million EUR*	**31/12/09**	**31/12/08**	**Inc. % 31/12/09**	**Inc. % 31/12/08**
A) Impaired loans	**10,221**	**7,342**	**6.71**	**5.05**
a1) Non-performing loans	4,653	3,613	3.05	2.49
a2) Watchlist loans	3,758	2,578	2.47	1.77
a3) Restructured loans	701	197	0.46	0.14
a4) Past due	1,109	954	0.73	0.66
B) Performing loans	**142,192**	**138,011**	**93.29**	**94.95**
Total customer loans	**152,413**	**145,353**	**100.00**	**100.00**

In particular, the percentage of provisions covering **gross NPLs** alone stood at 56% and rose to 59% when considering the Group's Retail Banks (whose impaired loans have already been subject to direct amortization and whose medium/long-term components are mostly secured by real collaterals). Finally, portfolio value adjustments on gross performing loans were in line with the aggregate value of reference (0.6%).

PROVISIONING RATIOS

	31/12/2009	**31/12/2008**	**31/12/2007 historical**
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**40.4%**	**43.0%**	**39.4%**
"provisions for watchlist loans"/"gross watchlist loans"	**19.6%**	**21.6%**	**23.4%**
"provisions for NPLs"/"gross NPLs"	**56.0%**	**56.8%**	**51.6%**

The table below reports some credit quality indicators for the Group's major business units:

BREKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 31/12/09	Gruppo	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
in million EUR							
Non-performing loans	4,653	2,632	591	1,127	120	87	47
% weight on customer loans	3.05%	2.0%	4.6%	8.6%	2.1%	1.5%	2.1%
"loan loss provisions"/"gross NPLs"	**56.0%**	**58.6%**	**58.2%**	**35.7%**	**70.4%**	**78.2%**	**63.5%**
Watchlist loans	3,758.2	2,374.9	371.1	591.0	239.2	76.1	40.4
% weight on customer loans	2.47%	1.8%	2.9%	4.5%	4.1%	1.3%	1.8%
"loan loss provisions"/"gross watchlist loans"	**19.6%**	**21.4%**	**13.1%**	**11.1%**	**17.3%**	**38.1%**	**23.2%**

It should also be noted that the positive management of the NPL portfolio mandated to MPS Gestione Crediti Banca **translated into recoveries for a total amount of 556.1 mln at Group level**.

Lending process optimization

In the course of the fourth quarter of 2009, activities aimed at updating the disbursement process continued. Among other aspects, they involved modifying the scope of decision-making powers for the Retail and Small Business segments, the main objective being to improve customer response time and decision-making efficiency. As part of the review of the credit monitoring process ('lending performance management system'), aimed at improving the post-disbursement quality of the credit portfolio, the loan arrears management system in use at Banca Monte dei Paschi was extended to Banca Antonveneta's geographical areas of competence.

December 2009 also saw the completion of the activities initially put in place in the course of 2008 with a view to extending to Banca Antonveneta's customer portfolio the internal models used for the assessment of capital absorbed by credit risk (AIRB) which, in compliance with Basel II requirements, were submitted to the Bank of Italy for validation.

Income statement aggregates[6]

As at 31 December 2009, the Montepaschi Group recorded a Net Operating Income of approx. EUR 532 mln (856 mln as at 31/12/2008 restated on a like-for-like basis) which, in terms of revenues and credit assets, reflected the difficulties that still persist within the economic-financial scenario and consequent impact on interest rate levels. Against this complex backdrop, the Group nevertheless directed its efforts at increasing its "operational efficiency", achieving a significant reduction in Operating Expenses (-6.5%) and improving its cost/income ratio (-3 p.p.).

1) Operating income

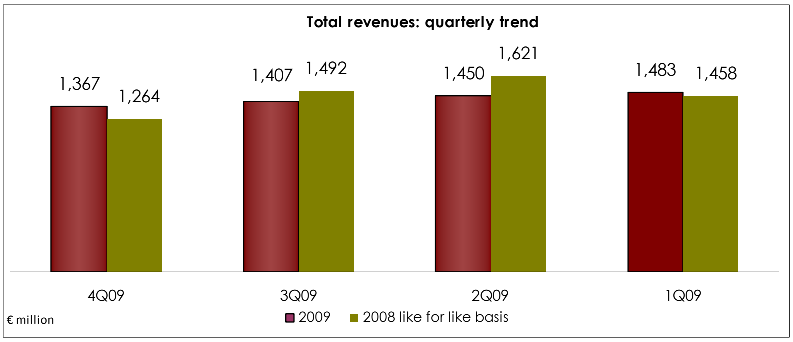
NET INCOME FROM BANKING AND INSURANCE ACTIVITIES

As regards the development of total revenues from banking and other services, **income from banking and insurance activities** stood at EUR **5,707.3 mln** at 31 December 2009 (vs. 5,835 mln at 31 December 2008) which, as shown in the table below, includes a **basic income** (i.e. sum of net interest income and net fees and commissions) totalling approx. EUR **5,532 mln** (vs. EUR 5,945 mln as at 31 December 2008):

Financial and insurance income (loss)

	31/12/2009	Like for like basis 31/12/2008	2009 vs 2008 Abs. chg.	% chg.
Net interest income	3,638.4	3,814.7	-176.3	-4.6%
Net commission income	1,893.2	2,130.1	-236.9	-11.1%
Income from banking activities	**5,531.6**	**5,944.8**	**-413.2**	**-7.0%**
Dividends, similar income and profits (losses) from equity investments	110.4	14.9	95.5	n.s.
Net result from realisation/valuation of financial assets	66.8	-120.7	187.4	n.s.
Net gain (loss) from hedging	-1.5	-4.3	2.8	-65.9%
Financial and insurance income (loss)	**5,707.3**	**5,834.8**	**-127.5**	**-2.2%**

The **quarterly trend in net income from banking and insurance activities** is illustrated below:



Following are the trends of the main aggregates:

- **Interest income** in the amount of EUR **3,638 mln**, was down 4.6% from 31 December 2008, less than was originally expected as a result of the interest rate reduction; the overall trend is also reflective of the scrupolous use of the risk/return paradigm by the sales network. The fourth quarter contribution was EUR 890 mln (with respect to 913 mln in the third quarter of 2009), thus confirming the forecast of a moderate reduction due to extremely low interest rates. The aggregate performance was driven by an increasing input from **Finance,** based on the portfolio strategies set out during the year, hedging policies put in place and low-rate financing opportunities made available. Conversely, "**interest income from core business"** declined as a result of a **reduced contribution from direct funding,** which should be seen in the light of the downturn in interest rates and accompanying **stagnation in lending**. These trends translated into **a drop in profitability for Consumer Banking** (due to the share of direct deposits share out of total customer loans), accompanied by a **growing input from Corporate Banking** (driven further by lending);
- **Net fees and commissions** came to approx. EUR **1,893 mln** (from roughly 2,130 as at 31 December 2008). The aggregate suffered the negative effects of the current economic situation, which impacted the **revenues from services**, primarily as a result of the decline in demand for loans and related transactions. On the **asset management** side, asset management fees and commissions, although on the decrease YoY, have been picking up again since the second half of 2009, partly as a result of a favourable trend in placements;

[6] *The analysis of profit and loss for the Montepaschi Group as at 31/12/2009 (notes, tables and graphs) uses the 2008 restated income statement as a basis for comparison, even when this is not specifically espressed (further details can be found in point 2 of the Income Statement tables).*

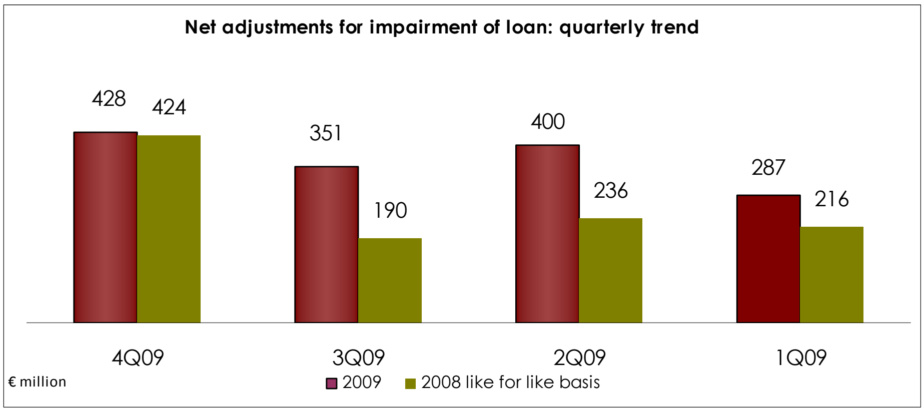
- The account **dividends, similar income and profit (loss) from equity investments,** totalled approximately EUR **110 mln**, an increase on the same period of the previous year (+96 mln) driven by a higher revenue contribution from equity investments (mainly AXA-MPS, approx. +100 mln as compared to 2008).
- **Net income from trading/valuation of financial assets** stood at **approx. EUR 67 mln**, a significant improvement on 2008, when an adverse balance of -121 mln was posted. As shown in the table below, the **progress in trading** (EUR 18 mln as compared to -273 mln as at 31/12/2008) was outweighed by the downturn in **"Net profit (loss) on financial assets and liabilities designated at fair value"** (-22 mln as compared to +73 mln as at 31/12/2008). 2008 witnessed a worsening of creditworthiness with a positive impact which however did not reoccur in 2009.

Net result from realisation/valutation of financial assets (in millions of euros)

		Like for like basis	2009 vs 2008	
	31/12/2009	31/12/2008	Abs. chg.	% chg.
Net Profit from trading	17.8	-272.5	290.3	n.s.
Profit/loss from loans, available for sale financial assets and financial liabilities	70.8	78.7	-7.8	-10.0%
Fair Value financial assets and liabilities	-21.9	73.2	-95.0	n.s.
Net result from realisation/valuation of financial assets	**66.8**	**-120.7**	**187.4**	**n.s.**

THE COST OF CREDIT: NET VALUE ADJUSTMENTS DUE TO IMPAIRMENT OF LOANS AND FINANCIAL ASSETS

With reference to income from loan disbursements, the Group posted **net value adjustments due to impairment of loans and financial assets for an amount of EUR 1,466 mln** as at 31 December 2009 (approx. 1,065 mln as at 31/12/2008). Such amount reflects a provisioning rate of 96 bps (73 bps as at 31/12/2008; 95 bps as at 30/9/2009), which continues to be impacted by the difficult economic situation and is reflective of the Group's unchanged policy of prudential provisioning.



"**Net value adjustments due to impairment of financial assets**" **was negative by approx. EUR 44 mln**, due to the depreciation of AFS stock that became impaired (roughly 31 mln) and other financial transactions (approx. 13 mln). The value adjustments to AFS stock refer primarily to listed securities and, similarly to last year, were made on the basis of an internal policy that is extremely rigorous and fully compliant with the international accounting standards.

As a consequence, **Income from banking and insurance activities stood at EUR 4,197 mln (vs. approx. 4,775 mln as at 31/12/2008).**

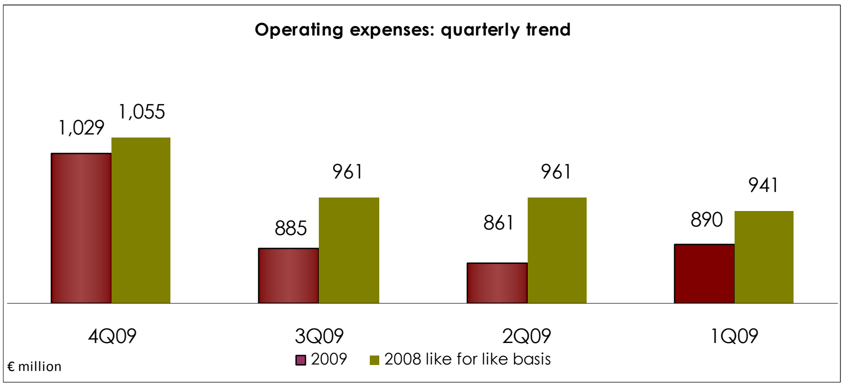
COST OF OPERATION: OPERATING EXPENSES

The strict policy aimed at structural cost containment, which has long been adopted by the Group, made it possible to obtain **a 6.5% reduction in operating expenses during the year as compared to 31/12/2008**, although still maintaining the focus on ongoing investment for growth:

Operating expenses (in millions of euros)

	31/12/2009	Like for like basis 31/12/2008	2009 vs 2008 Abs. chg.	% chg.
Personnel expenses	2,290.2	2,442.3	-152.1	-6.2%
Other administrative expenses	1,211.6	1,319.8	-108.2	-8.2%
Administrative expenses	**3,501.8**	**3,762.1**	**-260.3**	**-6.9%**
Net adjustments to the value of tangible and intangible fixed assets	163.0	156.4	6.6	4.2%
Operating expenses	**3,664.8**	**3,918.4**	**-253.6**	**-6.5%**

A graph of the quarterly trend in operating expenses is shown below:



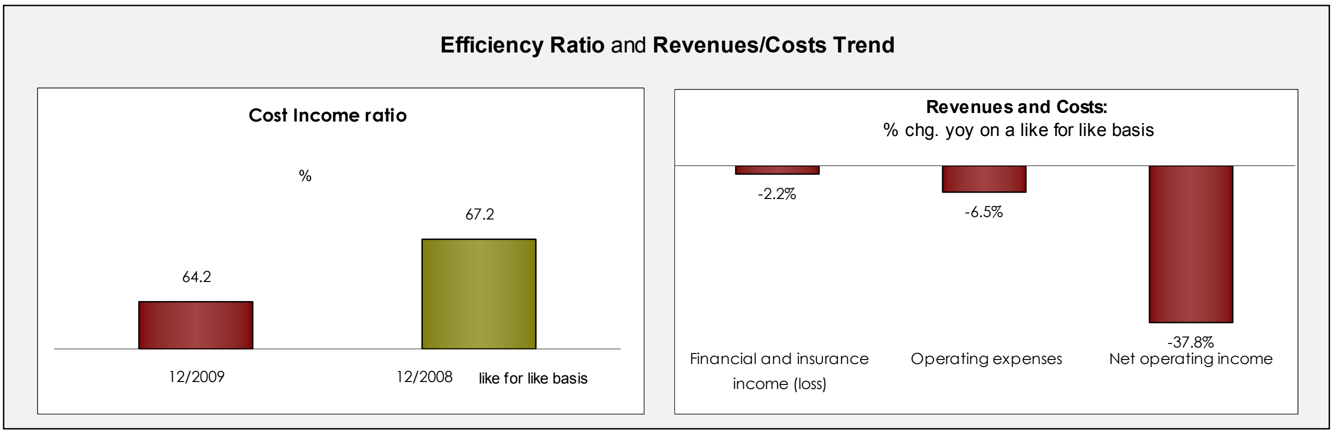
In particular:

A) Administrative expenses were down **6.9% as compared to the same period of 2008 on a like-for-like basis,** due to:

- **Personnel expenses** amounting to approx. EUR **2,290 mln**, down 6.2% on 31 December 2008 (2,442 mln). This reduction is a structural benefit associated to the headcount reduction and reorganization process implemented as of the second half of 2008;
- **Other administrative expenses** (net of stamp duties and customer expense recoveries) totalled approximately EUR **1,212 mln**, down 8.2% on the same period of 2008. The year-on-year reduction is structural and was made possible by the cost synergies obtained as a result of the reorganization processes and cost management actions implemented which allowed costs to be reduced, particularly in the areas of logistics/procurement, land registry surveys, database enquiries and legal.

B) Value adjustments on tangible and intangible assets stood at approx. EUR 163 mln, up 4.2% as compared to 2008, primarily as a result of the ICT investments made in the 2008/2009 period with a view to integrating Banca Antonveneta and BiverBanca in the Group IT system.

As a result of the above, the Net Operating Income came to approximately EUR 532 mln (856 mln as at 31 December 2008). The cost/income ratio stood at 64.2% (up by approximately 3 percentage points as compared to the 67.2% ratio registered at the end of 2008).



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

Net profit also included:

- the negative balance of **Net provisions for risks and charges and other operating income/expenses** amounting to – EUR 220 mln (vs. -186 mln as at 31 December 2008) of which EUR -134 mln worth of provisions to the fund for risks and charges (covering primarily legal disputes, revocatory actions and impairment losses on junior notes) and roughly -86 mln worth of other net operating expenses, part of which consisting primarily in legal actions and improvements on third-party assets;
- **a balance of –EUR 2.7 mln in gains/losses on equity investments** as compared to 176.5 mln in the same period of last year, which benefitted from the capital gains associated with the disposal of Banca Depositaria, Fontanafredda and Finsoe;
- **"one-off" charges for an amount of EUR 87 mln**, associated with the reorganization process set out in the Business Plan. These charges consist in IT costs and other expenses for an amount of EUR 28 mln, and "one-off" personnel expenses for an amount of approx. EUR 59 mln. The latter are primarily attributable to the early Retirement Incentive Scheme and Solidarity Fund which involved resources dismissed by the banks merged into the Parent Company. The residual portion reflects the expenses incurred for the 'task force' (personnel working off site) that has been put in place with a view to completing the IT and organizational integration of Banca Antonveneta within the Group;
- **profit from disposal of investments for an amount of EUR 42 mln** in relation to the capital gain arising from the disposal of undertaking (15 bank branches) to the Banca Popolare di Puglia e Basilicata.

Against this background, **operating income before tax stood at approx. EUR 265 mln (as compared to approximately 10.6 mln in the same period of 2008).**

Gain (loss) from current operations before taxes (in million of euros)

	31/12/2009	Like for like basis 31/12/2008	2009 vs 2008 Abs. chg.	% chg.
Net operating income	**532.4**	**856.4**	**-324.1**	**-37.8%**
Net provisions for risks and liabilities and Other operating income/costs	-220.2	-186.2	-34.0	18.2%
Income (loss) on equity investments	-2.7	176.5	-179.2	n.s.
Integration costs	-86.8	-321.9	235.1	-73.0%
Goodwill impairment		-542.3	542.3	n.s.
Gains (losses) from disposal of investments	42.3	27.9	14.3	51.3%
Gain (loss) from current operations before taxes	**265.0**	**10.6**	**254.4**	**n.s.**

Finally, to complete the section on income:

- **Tax expense (income) on profit (loss) from continuing operations** was negative by approximately EUR 102 mln (as compared to a value of abt. EUR +879 mln as at 31 December 2008) as a **balance between the 109 mln positive effect attributable to the recognition of Banca Antonveneta's goodwill (pursuant to art. 15 of Legislative Decree no. 185/08) and the 211 mln negative value of the corporate income tax (IRES) and regional productivity tax (IRAP)**, 44 mln of which attributable to the non-deductibility of interest expense introduced by the so-called "Robin Tax". As a consequence of the above, the tax rate for the period was approx. 38.4%.
- **Gains (losses) from groups of assets held for sale after taxes** amounted to approx. EUR 196 mln, mainly resulting from capital gains associated to the disposal of Mps Asset Management Sgr S.p.A., ABN AMRO Asset Management and other Group asset management companies to Clessidra.

The consolidated net profit of the Montepaschi Group before Purchase Price Allocation (PPA) stood at approx. EUR 354 mln (as compared to approx. EUR 959 mln as at 31 December 2008). Considering the net effects of PPA, the value was EUR 220 mln.

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

Reconciliation between Parent Company and Consolidated Shareholders' Equity and Net Profit (Loss) for the year		
Amounts €/000	**Shareholders' equity**	**Net profit (loss)**
Balance as as per Parent Company's Accounts	16,589,927	165,504
including Parent Company's valuation reserves	*454,464*	
Effect of line-by-line consolidation of subsidiaries	622,552	760,398
Effect of affiliates	164,901	94,059
Reversal of dividends from subsidiaries	0	-269,434
Effect of write off of depreciation / revaluation of equity investments	0	20,211
Effect of reversal of infra-group disposals	-431,153	-536,505
Effect of reversal of capitalised fees	-38,799	3,246
Other adjustments	1,197	-17,365
Subsidiaries' valuation reserves	*266,123*	0
Consolidated shareholders' equity and net profit (loss) for the year	**17,174,748**	**220,114**

Segment reporting: sales and marketing, research and development

In order to identify its reportable operating segments as provided for by **IFRS 8**, the MONTEPASCHI Group adopted a *business approach* that selected the main business sectors into which the Group's business operations are organized (and whose results are periodically reported) as the basis of representation for a breakdown of its income/capital aggregates.

On the basis of this approach, a **breakdown of the results** achieved by the operating segments of the MONTEPASCHI Group **as at 31 December 2009** is reported in the following table. Data was aggregated according to the existing organizational setup.
In this connection, data concerning the divisional Business Areas as at 31 December 2008 was restated on the basis of the criteria used as at 31 December 2009, taking account of the:

a) post-reorganization setup of the "*Direzione Commerciale Privati*" (*Consumer Banking business area*) which comprises all activities previously carried out by the areas of Commercial Banking/Distribution Network and Private Banking/Wealth Managemen;
b) disposal, in the second half of 2008, of the majority stake held in Intermonte, with subsequent subtraction of its results from the Group's "Corporate Center";
c) inclusion of MPS Commerciale Leasing S.p.A. in the scope of the "Direzione Commerciale Corporate" (Corporate Banking business area) as opposed to the Corporate Center.

It should be noted that, with an approach similar to the one adopted in the past, BiverBanca was allocated to the Corporate Center since it has not yet undergone divisionalization.

SEGMENT REPORTING

(in millions of euro)

2009 DECEMBER	Retail and Private Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Centre	% chg yoy	Total Reclassified Group	% chg yoy
INCOME AGGREGATES								
Net Financial income (loss)	3,214.2	-17.1%	1,945.9	12.4%	547.2	139.2%	5,707.3	-2.2%
Net adjustments for impairment of loans and financial assets	577.4	28.7%	858.3	41.2%	74.4	n.s.	1,510.2	42.5%
Operating expenses	2,399.3	-6.7%	637.6	-5.1%	627.9	-7.1%	3,664.8	-6.5%
Net operating income	237.5	-72.2%	449.9	-0.3%	-155.0	-65.6%	532.4	-37.8%
CAPITAL AGGREGATES								
Performing loans	59,505.6	5.8%	70,836.0	-3.2%	17,418.8	41.4%	147,760.4	4.2%
Due to customers and securities	87,446.2	6.5%	49,151.9	17.8%	18,792.9	0.8%	155,391.0	9.1%
Assets under management	43,288.5	5.6%	2,498.5	-4.9%	2,996.2	9.7%	48,783.3	5.2%
PROFITABILITY RATIOS								
Cost Income	74.6%		32.8%				64.2%	
Raroc	13.7%		9.2%				4.7%	

(*) The 2008 comparison data were reconstructed using the accounting results from Banca Antonveneta from the start of 2008 (12 months) and financing costs related to the acquisition of this Bank as if they were incurred at the beginning of the year. The "line by line" values were also separated for Intermonte following the transfer in the second half of 2008, posting them under "profits/loss of groups of assets held for sale net of taxes". The economic data in the "reconstructed data" column are not fully and directly comparable with the accounting results from financial year 2008 (which include Antonveneta values starting on the effective acquisition date - 7 months) but allowing the evolution of the main values of the Group's profit and loss statement involved in the acquisition of the Banca Cantonveneta Group to be more completely and adequately evaluated during the same financial period.

The major business aspects concerning the afore-mentioned operating segments in 2009 will be reported in the following pages.

Consumer banking

Sales & Marketing and Product/Service Innovation

In 2009, Management **focused on product innovation and sales initiatives in support of households and small businesses**. The aim was to contain the effects deriving from the economic and financial situation which had struck consumption leading to an increased saving propensity on the part of households and an upsurge in the demand for loans. This was carried out **without forsaking customer service quality, product innovation and rationalization** in response to both the requests coming from the network and the customers and to national and international best practices.

Within this framework, retail initiatives regarding **households** were aimed at:

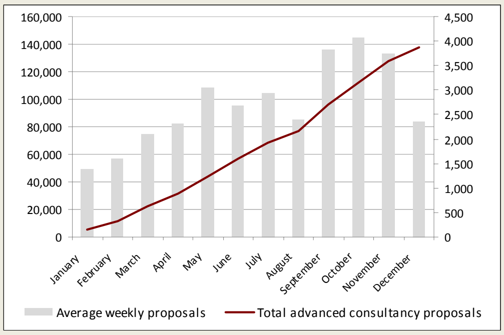
- **providing economic support** to households in difficulty with the launch of the “Combatti la crisi” (**Fight the Crisis)** plan which allowed approximately 10,000 households to temporarily suspend payment of their mortgage instalments (total value of mortgages suspended came to around EUR 1bln);
- **guaranteeing continuity to the flow of loans disbursed** particularly for Mortgages but also through the **promotion of personal loans** (using campaigns to offer “pre-accepted” loans through Consum.it) and the launch of the **“fifth-of-salary/pension backed loans”** for pensioners and public servants;
- **safeguarding purchasing power and savings potential** through: **a) a simple and transparent offer** that is in line with the customer’s needs, investment profile and investment timeframe **b) greater promotion of recurring deposit schemes (UCITS and Insurance saving plans; c) increasing network and customer awareness on protection strategies** with targeted promotion of **damage insurance products** (“Pensarci Prima è meglio” and “L’Unione che ti protegge”).

The sales and marketing activity for **Small Businesses** focused on **boosting loans while developing and monitoring their quality** and was accompanied by a specific **crisis-relief package**: an articulated comprehensive proposal of measures **supporting customers by responding to the various business needs arising from the economic situation (suspension of instalments, debt renegotiation, loan extension, etc.)**. Furthermore, the Group signed **ABI’s “Avviso Comune”** (Common Avis), thus officially committing to helping businesses who experience temporary financial difficulties. Support-aimed operating measures were issued **in addition to those that had already been planned and implemented by the Group to help businesses fight the current crisis**.

With regard to the **affluent** market, the sales and marketing plan for 2009 saw the further consolidation of the **“Metodo” (methods) logics** which allowed 19 new sales initiatives to be launched, generating approximately 1 mln customer contacts. Furthermore, this was followed by direct **collaboration with the Advice specialists** to nurture an advisory-based approach within the Network and the use of the Advice platform as a single operating environment. In 2009, 24.5% of total Affluent customer volumes were processed through the platform and the number of proposals made came to 120.000. As for the number of customers, it should be noted that important initiatives were introduced in **support of customer acquisition, all-inclusive current accounts were promoted in favour of new customers or non-account holders and the Mortgage Protection Campaign** recorded excellent results in terms of new customers both for first home loans andsubrogation of loans from competitors.

MPS ADVICE – PROFESSIONAL ADVISORY MODEL

A widespread use of the advanced advisory model represents the MPS Group's strategic cornerstone for increasing the level of investment services and customer satisfaction when it comes to Wealth Management.
In 2009 the MPS Group successfuly completed its gradual implementation of the new MPS Advice platform, released in 2008, in the three markets of Affluent, Private and Financial Advisors.



Over 130,000 advanced advisory proposals were made to customers in 2009, thus recording a very significant growth trend in alignment with the implementation plan.
With specific regard to the Affluent market, advisory services through MPS Advice covered 24.5% of volumes proving effective both in terms of asset mix and funding growth (10 times higher than from clients managed with the traditional approach).

A good recovery for the year was recorded for the **Private** segment (5.2% increase in stock) due to the upturn in the financial markets as of the second quarter and to the opportunities offered by the Tax-Shield Ter plan, the effective implementation of which consisted in providing the Network with qualified training, developing tailored investment solutions, lending facilities and trustee services, setting up a team of dedicated specialists and organising internal and external communication initiatives (6 Road Shows organized in collaboration with Il Sole 24 Ore, Italy's leading financial daily). Within the current market scenario, the offer of investment products privileged **low risk and non-complex solutions** (linear, step-up and mixed-rate bonds, traditional life policies) consistent with the predominantly conservative approach and low risk appetite of customers.

With regard to **product innovation**, the Wealth Management segment saw the launch of new managed accounts with prior consent called **GPA Premium** aimed at Private Customers and Family Offices. As for **Funds and Sicavs**, initiatives continued with the new partner Prima SGR with the objective of defining the new offer for 2010 and the actions aimed at streamlining the current range of products for the next financial year. In the third quarter, two new segments were launched within the Irish range Bright Oak, "Bond 2013" and "Market Neutral Europe", both delegated to Prima SGR. The former is a bonds segment which offers customers the possibility of receiving an annual coupon amount linked to coupon inflows on the bonds in which the fund has invested. Bright Oak "Market Neutral Europe", instead, is intended to generate a total return in the mid-term while at the same time minimising the correlation with the underlying stock market, through a combination of investments in a diversified European securities portfolio and investments in derivative instruments (forward and future contracts).

In 2009, the **Life Insurance** segment completed its review of the product range as contained in the Joint Venture agreement while maintaining a competitive offer in all markets with the launch of 21 new products (of which 2 PIPs, 10 ILs, 2 "tax-shield" dedicated products) and the re-styling of a further 4. Throughout 2009, focus was given to the placement of Index-linked policies which, after the regulatory changes introduced as of 1 November, underwent significant structural modification without, however, recording a fall in funding.

In 2009, an increasing interest in **consumer protection products** was shown by customers. The average production of policies went from 2,500 a month in the first quarter to an average of 25,000 policies a month in the last. The sharp rise experienced in this segment, which was still at the kick-off stage at Banking System level, resulted from a combination of several factors, the most relevant among which included a highly-focused informative training path for resources in addition to the compulsory Isvap training and specific attention to Consumer Protection which allowed customer relationship managers to further their knowledge on the subject.

In 2009, the **Mortgages** segment saw the release of Mutuo MPS Protezione **(MPS Protection Mortgage)**, a capped adjustable rate mortgage for new disbursements (which was particularly successful in that it allowed mortgage holders to benefit from the favourable reduction in market interest rates while at the same time guaranteeing them the safety of a maximum interest rate ("cap" on their instalments) and SostiMutuo targeting customers interested in subrogating a mortgage issued by a financial insitute not belonging to the Montepaschi Group.

Operating results

Consumer banking (Retail and Private) posted EUR 158 bln in **total funding** at year-end, up 0.5% compared to 31/12/2008, owing to the positive contribution of **direct funding** (EUR87 bln; +6.5% YoY), mainly from "on-demand products" and the placement of bonds, and of **assets under management** (EUR 43 bln; +5.6% YoY) in which the segments of insurance and mutual funds performed particularly well.

Credit management saw an increase in **loans** (+5.8% compared to 31/12/2008), especially in the second half of the year. This coincided with an upturn in mid-long term loans whose positive performance, further boosted by the launch of new products, was in contrast to the negative trends recorded in the market.

In terms of Profit and Loss, total revenues as at 31 December 2009 came to EUR 3.2 bln, down 17% on the previous year due to the decline in net interest income (-20%) and net commission income (-14%). Net Operating Income, therefore, totalled EUR 238 mln, down 72.2% compared to the previous year particularly as a result of loan adjustments. The cost-to-income ratio for the sector stands at 74.6%.

Retail and Private Banking

(in million of euros)	31/12/2009	% chg yoy
INCOME AGGREGATES		
Net interest income	1,825.7	-20.3%
Net commission income	1,351.5	-13.5%
Financial income (loss)	37.0	69.1%
Net Financial income (loss)	**3,214.2**	**-17.1%**
Net adjustments for impairment of loans and financial assets	577.4	28.7%
Operating expenses	2,399.3	-6.7%
Net operating income	**237.5**	**-72.2%**
CAPITAL AGGREGATES		
Performing loans	59,505.6	5.8%
Due to customers and securities	87,446.2	6.5%
Assets under management	43,288.5	5.6%

With regard to the activities and performance of the companies falling within the Consumer banking division, the following should be noted:

- **Consum.it** posted a profit for the year of EUR 6.1 mln (5.5 mln as at 31/12/08);
- **Banca Popolare di Spoleto** (26% share holding consolidated proportionately) posted approx. EUR 8 mln in net income (10.6 mln as at 31/12/2008);
- **MPS Banca Personale** incurred losses amounting to EUR 15.5 mln (-15.8 mln as at 31/12/2008);
- **Monte Paschi Monaco S.A.M.**, a company governed by Monegasque Law specialised in Private banking, posted profits before tax of approx. EUR 0.6 mln, a fall on the EUR 2 mln result recorded at 31 December2008.

Corporate banking

Sales & Marketing and Product/Service Innovation

With the real economy in the throes of a serious crisis throughout 2009, **the Montepaschi Group supported businesses in difficulty through various initiatives**, both autonomously and through specific agreements made within the Italian banking system in general. The set of measures implemented, both at domestic and regional level, were **welcomed by customers and produced significant volumes both in terms of new transactions and value.**

A SUPPORT PACKAGE FOR SMEs

Among the crisis relief measures promoted by the Montepaschi Group was the support package (initially it was meant to last up to 31/12/2009 but was then extended to 30/6/2010). Particular focus is given to the following proposals aimed at over 60,000 beneficiary companies:

- **FORZA 5 and FORZA 3** – A short-term credit facility for up to EUR 1 mln whose aim is to finance investment recovery. Particular features include a bonus of up to 200 basis points, expendable for 12 months and usable for any existing account with the Montepaschi Group on the condition that, upon maturity, the company shows it has maintained all employees present at the time the contract was stipulated.
- **MADE IN ITALY** – Short-term bridge financing for Italian companies exporting goods and services on a regular basis, including those belonging to the hotel and tourism industries. It includes a bonus discount of 25% of the spread applied on any account opened with a bank belonging to the Montepaschi Group if the company shows it has exported to new oulet markets in an amount not falling below 10% of the export turnover achieved in the previous year.
- **PROROGATIO** – Extension – upon request and for up to 6 months – of the maturity of advances on receivables owed to companies by the Public Administration and chanelled through the bank provided that all valid certification pursuant to current regulations is supplied.
- **INVESTO PLUS** – Mid/long term credit line for company partners of up to EUR 1 mln with gradual amortisation aimed at company recapitalisation through the increase of capital.
- **INSIEME PLUS** – Mid/long term credit line of up to EUR 2.5 mln with gradual amortisation of capital, aimed at debt work-outs and recapitalisation plans.
- **TIME OUT** – A grace period for instalment payments of principal for a maximum of 12 months on mid/long term, secured or unsecured loans.

The **initiatives implemented by the Montepaschi Group to mitigate the effects of the unfavourable economic situation** (see panel below) were aimed at all Italian companies particularly the more virtuous and socially responsible, who are attentive to the promotional policies adopted for Made in Italy products and who are protective of their workforce.

With regard to the initiatives outlined by the banking system in general, the measures contained in the agreement between ABI (Italian Banking Association), the Ministry of Economy and Finance and the Business Associations (the **"Avviso Comune" or "Common Avis")** were launched and involved the suspension of instalment payments of principal for mortgages and leasing transactions as well as the extension of maturities by up to 270 days on short-term lending for advances on receivables considered "certain". The agreement also contained a specific business loan for companies intending to launch a capital strengthening plan.

Government measures relating to the crisis-relief plans led, among other things, to the **refinancing of the Guarantee Fund for SMEs managed by the Medio Credito Centrale** (MCC), in relation to which the **Montepaschi Group approved an operating limit of EUR 500 mln**.

Under the Memorandum of Understanding signed at the end of 2008 with the **Region of Tuscany**, Banca MPS joined the "**Economic Emergency" plan** which sees Fidi Toscana as issuer of first-time guarantees on two types of financing; recapitalization and liquidity. As part of the plan's implementation, in June 2009 an agreement was signed with the Region of Tuscany for the **"Suspension of payments owed by companies"** whereby it became possible to suspend the payment of mortgage and leasing instalments for up to a maximum of 12 months.

In the course of the year, **initiatives were also set out to formalise an agreement with SACE (Italian export credit insurance agency) with the purpose of guaranteeing loans issued to SMEs by the Montepaschi Group with funding from the Cassa Depositi e Prestiti**. The initiative is currently being finalized and is expected to be implemented in the first quarter of 2010.

In collaboration with the Ministry of Tourism, part of the credit system, Trade Associations (Confturismo-Confcommercio, Federturismo-Confindustria and Assoturismo-Confesercenti) and Confidi, the initiative, "Italia & turismo" was created and promoted **at national level** for the disbursement of mid-long term credit specifically in support of companies operating in the tourism sector. **The Montepaschi Group formally joined the project on 5 November 2009, offering customers two specifically-designed products and a maximum limit of EUR 500 mln**.

As for **product innovation** protection was guaranteed for customers belonging to the SME and institutional service model through tailored products differentiated according to the needs and purchase propensity of the micro-segments involved. The following initiatiatives were put in place in 2009:

✓ With regard to **loan products**; in addition to those reported above as part of the crisis-relief plan, 2009 also saw the launch of the following products:

- "Mutuo Flessibile **(Flexible Mortgage)**", a mid-long term loan which gives Companies the possibility for the entire duration of the loan to suspend instalment payments for up to one year. The product was made available to the Branch Network as of September;
- As part of the wider **Tax Shield** plan, specialty products have been made available to customers ("Prestito Partecipativo Insieme", "Prestito Partecipativo Partner", "Investo finanziamento per i soci") and the new "Scudo Fiscale – finanziamento imprese" marketed as of mid September;
- In order to offer immediate financing to boost company investments in circulating capital, the **"Montepaschi Working Capital"** was launched. The product has been marketed by Banca Antonveneta as of November.

✓ With regard to **liquidity management**:

- Placement of short-term, floating-rate **linear bonds** whose features (issuer/liquidity) ensure businesses have access to a new management tool for their cash surplus;
- restyling of **"time deposits"**, available as of the end of February;
- **insurance policies** with guaranteed minimum capital and return for capitalization transactions: **Axa-Mps Investimento Top, Axa-Mps Investimento Più and Axa-Mps Investimento Flessibile (ex Propensione)**. As for life insurance, the **Iride Corporate** policy was maintained, a contract which was created so as to allow companies to have access to adequate financial liquidity in order to face the consequences deriving from the loss of key persons to death.

IL PROGETTO DISTRETTI

The project has the objective of assessing the potential of the **Italian industrial clusters** and developing customised marketing initiatives in compliance with the specific requirements of companies for the purpose of improving their performance. Agreements were signed with the following in 2009:

- **Assonave** (leading trade association which represents the greater part of the Italian shipbuilding industry by joining together, in particular, construction and repair sites, diesel engine producers, naval research companies);
- **Confindustria Genova (Confederation of Italian Industry – city of Genoa);**
- **Federazione Distretti Italiani (Federation of Italian clusters);**
- **Distretto del Veneto dell'abbigliamento VeronaProntoModa (the Veneto Region's clothing district – Verona Pronto Moda;**
- **Distretto della Calzatura del Brenta (The Rviera del Brenta Footwear district)**.

Corporate finance

Against the difficult economic backdrop of 2009, activities within the corporate finance area, carried out by **MPS Capital Services Banca per le Imprese** (MPSCS), suffered the effects of the low demand in investments by businesses particularly in the first half of the year, though moderate signs of recovery were recorded in the third and, above all, the fourth quarters.

Within this context, the initiatives developed in the various operating segments consisted in break-through solutions that supplemented the traditional credit offer paying the utmost attention to evaluating credit line applications both in terms of borrower quality (rating) and against the economic conditions of the transaction in the aim of obtaining a balanced loan portfolio.

With a specific regard to the **utilities sector,** activities aimed at promoting MPSCS in the market continued for all areas (water, energy, gas and refuse). Special focus was given to the rise in operations for **Renewable Energy** [7], **Shipping Finance** [8] and **Real Estate** [9].

Regarding **Acquisition Financing**, where MPSCS executed the roles of MLA (Mandated Lead Arranger) or JLA (Joint Lead Arranger), the following activities were carried out in 2009:

- the takeover of the CEBI-Cerved-Lince Group (management software services – corporate, sales and financial information – for businesses) by the private equity operators, Bain Capital and Clessidra;
- the acquisition of new distribution chains by SGM Distribuzione (wholesale and retail marketing of household appliances and electronic consumables), a subsidiary owned by the private equity operator, Rhone Capital;
- the acquisition of the pharmaceutical companies Istituto *Gentili* and *Neopharmed* (companies owned by the Multinational Group Merck Sharp & Dohme) by the Italian group Mediolanum Farmaceutici.
- Financing of Initial Public Offering in support of “Industria e Innovazione” in order to produce a voluntary public offering to purchase all shares of Realty Vailog;
- capex financing in support of Cogetech in order to partially meet the financial requirement attached to the authorisations for new VLTs (Video Lottery Terminals) issued by AAMS, the Italian State Monopoly Authority;
- acquisition financing in support of the Lucietto Family in order to partially meet the financial requirement attached to the Gieminox family buy-out.

Advisory M&A activity continued through the management of already-existing mandates relating to transactions for both private and public customers concerning one-off corporate finance initiatives. 3 mandates are currently in force.

Private Equity activity (supporting the development of small and medium businesses with strong growth potential) was mainly carried out through MPS Venture SGR, a subsidiary of MPS Capital Services S.p.A.. The company manages 6 closed-end investment funds reserved to professional investors for a subscribed total of EUR 360 mln.

In 2009 MPS Venture SGR acquired 8.25% of IMER International S.p.A. (based in Poggibonsi) via the Siena Venture Fund and 13.7% of Tutti S.p.A. via the MPS Venture 2 Fund (special-purpose vehicle for the acquisition of 100% of Esaote S.p.A.). With regard to divestitures, the Siena Venture Fund’s entire shareholdings in StarFly S.r.l. (29%) and in Segis S.p.A. (41%) were sold as was the MPS Venture 1 Fund’s shareholding in Esaote S.p.A. (10.8%). In the fourth quarter, MPS Venture SGR funds made follow-on investments in the affiliate companies Casa di Cura San Rossore S.p.A. and IGS Riva and acquired a 13.7% stake in the special-purpose vehicle Tutti S.p.A.. At the same time, the share holding in Esaote S.p.A. was sold.

In 2009 debt **“Syndication” secured financing to** 13 deals (for a total amount of EUR 394,990,000 –MPSCS portioncame toEUR 149,903,000) in which MPSCS acted as Mandated Lead Arranger.

OPERATING RESULTS

The Corporate banking division saw a significant increase in **total funding** (EUR 85 bln; +15.8% on 31/12/2008), partially due to **direct** funding (which came to approx. 49 bln; +18% YoY), but mainly on account of **indirect** funding (approx 36 bln; +11.6% YoY) which benefitted from the new volumes brought in by the **Institutional** and **Large Corporate** segments. **Loans** came to 70.8 bln, down on 2008 (-3.2%) having felt the effects of the decline in demand for loans by manufacturing businesses.

Profit & Loss for Corporate banking as at 31 dicembre 2009 posted total revenues in excess of EUR 1.9 bln, up on the previous year by 12.4% thanks to the positive performance of interest income (+12.9%) and other income (+127%). Net commission income showed a relatively stable trend (+0.8%). Net Operating Income came to

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7 *Several important transactions were concluded in 2009 among which were: loan for wind farms in Puglia and in Sicily; loan for photovoltaic plants in the regions of Umbria, Puglia and Piemonte; two loans for bridges as preliminary in the construction of a district heating plant in the City of Milan and a wind farm in Sicily; participation as Mandated Lead Arranger in a pool with otyher eight banks aimed at constructing a CHP plant generated fuelled with natural gas.*

8 *Six lending transactions were executed in 2009 (three of which were in the last quarter) in favour of shipping groups for the purchase of ships. The European Investment Ban also took part in one of the transaction.*

9 *Transactions executed in the course of the year included the following: loan for the construction of a large-scale outlet in Abruzzo; contribution to the real estate portfolio made up by the operating assets of a leading Italian banking group and, in the last quarter, a similar lending transaction on operational real estate of a large insurance company; refinancing plus new financing of an asset- restructuring transaction for a large, international real-estate group; loan for a bridge in a marina in Campania.*

approx. 450 mln, substantially stable compared to the previous year (-0.3%), penalised by the increase in loan adjustments. The cost-to-income ratio came to 32.8%.

Corporate Banking

(in million of euros)	31/12/2009	% chg yoy
INCOME AGGREGATES		
Net interest income	1,352.1	12.9%
Net commission income	491.4	0.8%
Financial income (loss)	102.3	126.5%
Net Financial income (loss)	**1,945.9**	**12.4%**
Net adjustments for impairment of loans and financial assets	858.3	41.2%
Operating expenses	637.6	-5.1%
Net operating income	**449.9**	**-0.3%**
CAPITAL AGGREGATES		
Performing loans	70,836.0	-3.2%
Due to customers and securities	49,151.9	17.8%
Assets under management	2,498.5	-4.9%

With regard to activities and results delivered by companies pertaining to the Corporate banking division, the following are highlighted:

- **MPS Capital Services Banca per le Imprese the Corporate and Investment Bank of the MPS group)**: posted a net profit of approx. EUR 49.8 mln (approx. 38.1 mln as at 31 December 2008);
- **Mps Leasing & Factoring – Banca per i Servizi Finanziari alle imprese (the Bank for financial services to businesses)**: posted a net profit of approx. EUR 1.6 mln for 2009 (13.2 mln as at 31 December 2008);
- **Mps Commerciale Leasing**: closed the year with a positive result compared to the 2.2 mln loss recorded for 31 December 2008.

With regard to branches abroad:

- **Monte Paschi Banque**; net income from banking activities came to approx. EUR 46 mln (approx. 56 mln as at 31/12/08);
- **Monte Paschi Belgio**; posted revenues for EUR 23 mln (approx. 21 mln as at 31/12/2008).

Corporate Center

The **Corporate Center** is an aggregation of: **a)** all operating units which, individually, fall below the benchmarks required for primary reporting; **b)** the Group's head office units (including governance and support, proprietary finance, equity investments and segments of divisionalised entities, under which ALM, treasury and capital management activities are of particular importance), and finally **c)** service Units providing support to Group units (particularly with regard to collection of doubtful loans, real estate management and IT systems management and development, all reporting to the "Direzione Governo Crediti Immobili e Cost Management" (Credit, Real Estate and Cost Management Area) and to the development and management of IT systems (reporting to the "Human Resources and Organisation" Area). The Corporate Centre also incorporates the results of Biverbanca (pending the alignment of its service models to those of other retail banks within the Group), the profit & loss of companies consolidated with the net equity method and those held for sale, as well as cancellations of intragroup entries.

Group finance

Banca Monte dei Paschi di Siena's finance activity is currently divided into two areas of resposibility, ie. Proprietary Finance and Group Treasury & Capital Management).

PROPRIETARY FINANCE

Expectations for economic growth in the first quarter of 2009 were fairly negative and, consequently, the stock market was heavily penalized. However, as of mid-March a sudden reversal of trends was recorded in the stock market for raw materials and corporate spreads, mainly due to two sets of reasons: on the one hand, there were significant cash injections by world central banks combined with the formal commitment by FED to maintain benchmark rates at an exceptionally contained level for an extended period of time; on the other, there were also massive intervention plans from governments of the leading world countries among which the USA and China.

Long-term government bond rates both in the Usa and in the Eurozone, showed a bullish trend in the first part of the year and a bearish one in the second. The German 10-year bonds reached a maximum for the year of 3.75% in June 2009, subsequently falling to approx. 3.10% in October and closing the year on 3.38%.

In 2009 the **yield curve** was strongly impacted by the significant cash injections by the central banks which served to keep short-term interest rates low. In the Usa the 2-10 year spread on government bonds reached 285 bps in December 2009, up from the 160 bps at the start of the year. A similar though less pronounced performance was seen in the Eurozone where the same spread reached 205 bps at year-end.

With regard to the **stock market**, a sharp fall was seen in the primary world listings in the first two months of the year. From March 2009, however, the trend shifted upwards and continued to rise until December. In 2009, the performance of the S&P500 index in local currency came to approx. +24%, against +36% for the DJ Stoxx600 index and approx. +19% for the Japanese Nikkei225. The upturn was even stronger for the emerging stock markets: +74.5% for the relative MSCI index.

Against this backdgrop, **the Group's assets held for trading came to approx. 24 bln at the end of December (21.8 bln at December 2008). Financial liabilities held for trading were also up by 514 mln since the start of the year. These performances are mainly attributable to the operations of MPS Capital Services.**

■ **FINANCIAL ASSETS FOR TRADING PURPOSES** (end-of-period, in EUR million)

	Parent Company	Montepaschi GROUP		abs. Chg	
	31/12/2009	31/12/2009	31/12/2008	yoy	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**8,799**	**23,507**	**21,798**	**1,709**	**7.8%**

■ **FINANCIAL LIABILITIES FOR TRADING PURPOSES** (end-of-period, in EUR million)

	Parent Company	Montepaschi GROUP		abs. Chg	
	31/12/2009	31/12/2009	31/12/2008	yoy	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**3,967**	**19,481**	**18,967**	**514**	**2.7%**

Financial assets available for sale, on the other hand, came to EUR 15 bln (5 bln at December 2008) incorporating investments made in the course of the year to seize interesting yield opportunities on low-risk Securities.

■ **FINANCIAL ASSETS AVAILABLE FOR SALE** (end-of-period, in EUR million)

	Parent Company	Montepaschi GROUP		abs. Chg	
	31/12/2009	31/12/2009	31/12/2008	yoy	%
Financial assets available for sale	**13,600**	**14,909**	**4,996**	**9,913**	**198.4%**

TREASURY

Despite the slowdown experienced in interbank trading as a result of the concerns over credit and counterparty risk, the Montepaschi group recorded adequate cash levels and limited risks thanks to the accurate management of commercial flows from the Group's retail banks and the attentive management of related interest rate risk. The recourse to the interbank market was extrememly limited in terms of volumes and restricted only to certain periods in the first part of the year. With regard to *liquidity settlement*, the utmost importance was attached to the optimization of cash flows management. An analysis of interbank positions (see table below) shows that the **consolidated net interbank difference between loans and advances to banks and deposits from banks came to 12.4 bln in funding, an increase of 2.8 bln compared to the end of 2008),** to be correlated to the funding policies aimed at exploiting the opportunities from funding at low-interest rates as an alternative to more expensive bond funding with institutional counterparties.

■ **INTERBANK BALANCES** (end-of-period; in EUR million)

	Parent Company	Montepaschi GROUP			
	31/12/2009	31/12/2009	31/12/2008	abs. Chg	
				yoy	%
Amounts due from banks	17,818	10,328	17,616	(7,288)	-41.4%
Amounts due to banks	25,837	22,758	27,209	(4,451)	-16.4%
Net borrowing position	**(8,018)**	**(12,430)**	**(9,593)**	**(2,837)**	**29.6%**

In view of the above, at the end of December the short-term and structural liquidity position was adequate with wide margins of availability. In particular, **the total counterbalancing capacity eligible for up to 3 months and after application of haircuts, came to approx. 16 bln, of which a non-committed amount of approx. 6.4 bln**. At the same date, the Group had a surplus on the ROB account (with respect to the amount due) of approx. 0.7 bln and, consequently, a counterbalancing capacity of approx. 7 bln.

ALM

In 2009 Domestic Bond Funding grew with respect to the previous year, achieving approx. € 13.96 bln, for a total of 129 new issues for Retail, Corporate and Private customers of the Group. Funding volumes from the placement of structured bonds stood at approx. 13.37% of the total while the issue of plain vanilla bonds accounted for 86.63% (the equivalent of € 12.09 bln) distributed across 116 transactions. In terms of duration, operations focused on maturities of less than six years.

International market activities, mainly directed at institutional investors, were affected by the adverse market cycle. The issues placed in the market as part of the Debt Issuance Programme came to an approximate total of € 2.90 bln. Among these were the issue of five-year unsecured senior notes for a nominal € 1 bln, effected in April 2009 and the Lower Tier II issue for an amount of € 500 mln in March 2009.

For the purpose of broadening the range of money market tools and diversifying the sources of funding by type of investor and geographical area of reference, the Group set up a Programme for the issue of French Certificates of Deposits with an issuable amount of up to € 5 bln. As at 31 December 2009, the programme recorded € 2.75 bln in deposits. Recourse to the issue of short-term International certificates of deposit, as at 31 December 2009, confirmed the use of the *Euro Programme CD*'s for € 4 bln for the London branch and € 342 mln for the New York branch.

Group equity investments

In line with the guidelines of the Group Business Plan, in 2009 the Group continued the process of reorganisation of its equity investments portfolio.

Following are the main transactions effected in 2009:

New equity investments

Of particular noteworthiness is the acquisition by the Parent Company of new shareholdings in the following companies: Tethys S.p.A., Lauro Quarantatre S.p.A. (currently Prima Holding S.p.A.), Lauro Quarantacinque S.p.A. (currently Prima Holding 2 S.p.A.), Bios S.p.A..

Capital increase/reinstatement transactions and equity investment growth

In addition to the subscription of capital increase for the subsidiary, **La Cittadella S.p.A.** and the investee **Immobiliare Novoli S.p.A.**, the more significant initiatives by the Parent Company in 2009 consisted in the following:

- subscription of capital increase for **Banca Popolare di Spoleto S.p.A.**, increasing the share holding from 25.93% to 26%;
- subscription of capital increase for the subsidiary, **MPS Capital Services Banca per le Imprese S.p.A.**;

- subscription of capital increase for the subsidiary, **Banca Monte Paschi Belgio SA**;
- acquisition of the residual 2% of **Antenore Finance S.p.A.**;
- acquisition of the residual 2% of **Theano Finance S.p.A.**;
- capital increase for the Aeroporto di Siena S.p.A., subscribed in April 2008;
- allocation for prospective capital increase in favour of Fidi Toscana S.p.A..

Disposal/Sale of equity investments

In 2009 Banca Monte dei Paschi di Siena:

- sold its 3.3% shareholding in Banca Italease S.p.A., agreeing to the takeover bid launched by Banco Popolare;
- sold its 98% shareholding in Istituto Giotto Finance S.p.A.;
- pursuant to the agreement signed with the partner, Clessidra, management was sold a portion of ordinary and preferred shares without voting right in the capital of Prima Holding 2 S.p.A. (former Lauro Quarantacinque S.p.A.). Upon completion of the transaction, the Parent Company held 27.32% of share capital while voting rights came to 31.61%;
- sold its 5% shareholding in Murgia Sviluppo S.p.A.;
- sold its 17% share holding in Selene S.r.l..

The initiatives described above are in addition to the disposal of non-strategic equity investments initiated by the Parent Company in the first half of the year (see 2009 Mid-Year Report) and consisted in: (i) the sale of 75% of the share capital in Marinella S.p.A.; (ii) the reorgansiation of the Group's asset management companies (this transaction led to the disposal of the entire share capital of ABN AMRO Asset Management Italy SGR and Monte Paschi Asset Management SGR S.p.A.); (iii) the sale of part of its shareholding in Fidi Toscana S.p.A. to the subsidiary, MPS Investments S.p.A.; (iv) the disposal of its shareholding in SI Holding S.p.A.; (v) the disposal of its shareholding in Istituto Centrale delle Banche Popolari Italiane S.p.A..

Finally, the following intiatives were also undertaken by the Montepaschi Group in 2009:

- **MPS Capital Services**: (i) sold its 16.6% shareholding in **Volorosso S.p.A.**; (ii) acquired a 21.66% shareholding in **Moncada Solar Equipment S.r.l.**; (iii) subscribed to the capital increase for **Marina di Stabia S.p.A.**, increasing its shareholding from 15.83% to 16.31%; (iv) sold a total of 489,000 shares in **Kerself S.p.A.** on the market, decreasing its shareholding from 2.12% to 1.02%; (v) sold its 20.03% shareholding in **Immobiliare VE.GA. S.p.A.**; (vi) agreed to the founding of **Immobiliare Centro Milano S.p.A.**, subscribing to 33.33% of its share capital.
- **MPS Investments**: (i) acquired the 45% stake held by MPAM in the share capital of **Fabrica Immobiliare SGR S.p.A.**; (ii) acquired the15% stake held by MPAM in the share capital of **Total Return SGR S.p.A.**; (iii) sold the 0.56% shareholding in **Finaosta S.p.A.**; (iv) sold a 2.85% stake in the share capital of **e-MID SIM S.p.A.**; (v) increased its shareholding in **Fidi Toscana S.p.A.** (now 14.17%) by acquiring a further 8.99% from the Parent Company; (vi) exercised the right of conversion of the € 7 mln convertible bond loan issued by **EDI.B. SpAk** and underwritten in July 2008, thus acquiring a 20% stake in the issuer's capital; (vii) sold its 46.28% shareholding in **Cestud S.p.A.**, fully depreciated; (viii) sold its 5.82% shareholding in **Ambiente e Territorio S.r.l.**; (ix) sold its 1.15% shareholding ing **CEVALCO S.p.A.**; (x) sold its 1.99% shareholding in **CE.P.I.M. S.p.A.**; (xi) subscribed to the capital increase for **CISFI S.p.A.,** increasing its shareholding from1.27% to 9.78%; (xii) participated in the injection of capital for **G.A.L. Terre del Primitivo Scarl**, subscribing to an unopted stake of 5.79%; (xiii) sold its 0.16% shareholding in **S.F.I.R.S. S.p.A.**; (xiv) allocated € 1.6 mln for prospective capital increase in favour of **Fidi Toscana S.p.A.**.
- **Banca Antonveneta**: (i) acquired a 9.09% shareholding in **GAL Patavino Scrl**; (ii) acquired an 8.33% shareholding in **GAL Bassa Padovana Scrl**.
- **BiverBanca**: (i) joined the **Montepaschi Group's Operating Consortium**, migrating its entire IT system and subscribing to part of the consortium's fund; (ii) agreed to the founding of **Terre del Sesia Scrl**, subscribing to a 10% shareholding.
- **Agrisviluppo**: acquired a 17.48% shareholding in **Latteria Sociale Mantova Società Cooperativa Agricola**; (ii) acquired an 11.86% shareholding in **Consorzio Agrario Lombardo Veneto Società Cooperativa a r.l.**; (iii) acquired an 8.09% shareholding in **Terre d'Oltrepo' Società Cooperativa a r.l.**.

In addition:

- As of 1/1/09 the transfer by Banca Monte dei Paschi di Siena S.p.A. to Banca Antonveneta S.p.A. (former Nuova Banca Antonveneta S.p.A.) of banking undertakings including 403 branches, 9 SME Centres, 4 Private Centres, 6 Institutional client Centres and 3 Geographical Areas in North-Eastern Italy, mainly resulting from the merger by absorption of Banca Antonveneta S.p.A. into BMPS, as well as 9 equity investments;
- The merger by absorption of Banca Toscana S.p.A. into Banca Monte dei Paschi di Siena S.p.A. effective as of 30 March 2009;
- The merger by absorption of Agricola Poggio Bonelli S.p.A. into MPS Tenimenti Fontanafredda and Chigi Saracini S.p.A. effective as of 30 June 2009. Subsequent to the transaction, the absorbing company was renamed as *MPS Tenimenti Poggio Bonelli e Chigi Saracini Società Agricola S.p.A.*, acquiring the status of agricultural enterprise which meant it was scoped out of the Montepaschi banking Group;
- The merger by absorption of Antonveneta Immobiliare S.p.A., La Cittadella S.p.A. and Salvemini S.r.l. into MPS Immobiliare S.p.A. effective as of 31 December 2009.

Integrated risk and capital management[10]

The risk management process

The Montepaschi Group attaches the utmost importance to the process of identifying, monitoring measuring and controlling risk. The risk management process within the Group was further enhanced in 2009 with the gradual extension of the advanced management and reporting models to the various entitities within the Group.

The fundamental principles of the Montepaschi Group's Risk Management process are based on a clear-cut distinction of the roles and responsibilities of the different functions at first, second and third levels of control.

The Board of Directors of the Parent Company is responsible for defining strategic guidelines and risk management policies at least on a yearly basis and setting the overall level of risk appetite for the Group also quantitatively in terms of Economic Capital. The Board of Statutory Auditors and the Internal Controls Committee are responsible for evaluating the level of efficiency and adequacy of the Internal Controls Systems with particular regard to risk control.

Top 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. The Risk Committee of the Parent Company is also responsible for assessing initiatives for capital allocation and submitting them to the Board of Directors and assessing (Regulatory and Economic) capital consumption at Group level and for each strategic business area and/or company of the Group as well as the trends of risk/return performance indicators. The Finance Committee of the Parent Company has the task of setting the principles of – and providing strategic guidance for – Proprietary Finance. Moreover, it monitors the interest rate and liquidity risk exposure of the Bank's portfolio and defines Capital Management actions required.

The Internal Controls Area of the Parent Company is responsible for defining the rules pertaining to the internal control system and ensuring they are applied and complied with.

The Risk Management Area of the Parent Company defines integrated analysis methodologies needed to measure overall risks so as to guarantee they are accurately measured and constantly monitored. It quantifies Economic Capital consumption as well as the minimum amount of capital to be held to cover all existing risks. The Area produces control reports and ensures compliance with the operational limits set by the Board of Directors on the basis of internally-developed models. At the end of October 2009, the responsibility of measuring, monitoring and controlling risk relating to investment services/products offered to or held by the customer was given to the Risk Management Area. Previously, the task had been allocated to Wealth Risk Management, under the Private division.

The Business Control Units which are internal to the business and operating units of the Parent Company and Group subsidiaries, carry out conformity checks on the transactions they are responsible for and are the first level of organisational supervision of operations within the more general system of Internal Controls.

From an overall organisational and governance point of view with regard to Group risk, it should be noted that in 2009 the Risk Management Area was made to report directly to the Chief Executive Officer and the Chairman of the Board of Directors while maintaining a functional connection with the CFO also. The change was in alignment with regulatory dispositions and International best practices and aims at guaranteeing greater autonomy and forcefulness to risk management actions and to the effectiveness of the entire risk management and control process. As a consequence of the re-allocation, new risk information flows were designed for the Group's Top Management (Chairman, Chief Executive Officer and Internal Controls Committee) and for the Board of Directors in addition to the already-existing reporting flows.

[10] *For additional details on Risk Management methodologies and models see Notes to Financial Statements – Part E – Information on Risks and Associated Hedging Policies.*

Among the types of risk which the Montepaschi Group may incur in its day-to-day operations, the main ones include:

- credit risk,
- counterparty risk,
- issuer risk,
- concentration risk,
- market risk (price, interest rate and currency exchange) in relation to the Trading Book,
- interest rate risk for the Banking Book (Asset & Liability Management – ALM),
- liquidity risk,
- equity investments risk,
- UCITS risk (alternative funds),
- operational risk,
- business risk,
- real estate risk,
- reputational risk.

Basel 2-associated activites

In accordance with the principles contained in the New Accord on Capital Adequacy (Basel II) in relation to First Pillar risks, in the first half of 2008 the Montepaschi Group completed its work on the internal models for credit and operational risks. Pursuant to Circular Letter 263/2006 of the Bank of Italy, on 12 June 2008 the Montepaschi Group was officially authorized to use the advanced models for the measurement and management of credit risk (AIRB – Advanced Internal Rating Based) and operational risk (AMA – Advanced Measurement Approach) as of the first consolidated report at 30/06/2008.

Throughout 2009 work continued on the completion and extension of these models to those entities not included in the initial scope of validation as did the activities aimed at improving the internal market and counterparty risk models. With a more specific regard to operational risk, the use of the AMA model was extended to Banca Antonveneta leading to significant improvements in efficiency in terms of economic and regulatory capital.

Furthermore, activities continued in relation to Second Pillar compliance. The first quarter of 2009 saw the completion of methodological and organisational activities aimed at coordinating the optimisation and control of all processes relating to the ongoing self-assessment of the Group's Internal Capital Adequacy Assessment Process (ICAAP). As per regulations a comprehensive report (ICAAP document) was prepared in April and submitted to the Supervisory Authority.

With regard to the Third Pillar, the Public Disclosure document is a highly-effective summary through which the Market is provided with all the relevant information as to activities implemented, capital adequacy and risk exposure as well as a general description of the systems used to identify, measure and manage such risks. The Montepaschi Group, a class 1 bank under Supervisory classifications, fulfilled the obligation of quarterly disclosure as instructed in Supervisory regulations. In order to ensure compliance with the disclosure commitments contained in the regulations, specific planning initiatives were put forth with the objective of optimising the drafting and timely publication of the document as well as the relevant organisational processes. The work group, coordinated by the Risk Management Area, under the responsibility of the relevant manager in charge, has seen the cooperation of all the Group's main functions. The report is published on the Montepaschi Group website (www.mps.it/Investor+Relations) and is regulary updated on the basis of the current regulatory framework.

An analysis of the Montepaschi 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 generated by the simultaneous exposure to different types of risk.

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

The Risk Management Area periodically quantifies the Economic Capital for each type of risk, mainly on the basis of internally-developed models for each risk factor. The methodologies are largely developed with a Value-at-Risk (VaR) approach and are thus aimed at determining the maximum loss the Group may incur within a specific holding period and within a pre-set confidence interval.

For certain risk factors and specific portfolio categories (Credit Risk and Operational Risk in particular), the models were officially validated by the Supervisory Authorities for regulatory purposes. The outputs from the models developed internally for the different risk factors (validated and operational) constitute the main tool for the day-to-day control and monitoring of the risk exposures generated in these areas and for the control of operational limits and delegated powers in accordance with the guidelines given and approved by the Parent Company.

With regard to credit risk, most of the input for the Credit Portfolio Model – also under continuous methodological development – originates from the internal models used for reporting purposes which, in conjunction with additional information and fine-tuning, aim to measure risk from a strictly operational logic. In terms of Operational Risks, the model's output at Group-level is re-allocated on the basis of the historical loss criteria, the estimate provided by t*op management* as well as the gross income and is used for operating purposes. Furthermore, the Overall Economic Capital also contains the sensitivity shift in economic value from the internal Asset & Liability model which, in the past year, was continuously fine-tuned following an improvement in the representation and measurement of core deposits and behavioural patterns (prepayment risk). Business risk is currently measured as a risk factor in relation to the rigidity of the cost structure with respect to the changes in the business structures caused by external market components and internal strategies opted for. Equity investment risk is the risk resulting from the volatility of market valuations in relation to the equity investments held in the portfolio and not deducted from net equity. Real estate risk is the risk of incurring potential losses resulting from unexpected changes in the real estate portfolio.

As mentioned above, liquidity risk – which saw significant developments in its monitoring procedure – is not included in the quantification of Economic Capital. Nevertheless, the Montepaschi Group established operational limits as well as a formal liquidity risk management policy both for situations of business-as-usual and those of market stress. More specifically, on the basis of pre-determined tolerance thresholds, specific contingency plans were set out and formalized, ready to be activated should the need arise. Specific mitigation policies were defined in relation to other risks which cannot be measured using a quantitative approach (e.g. reputational risk).

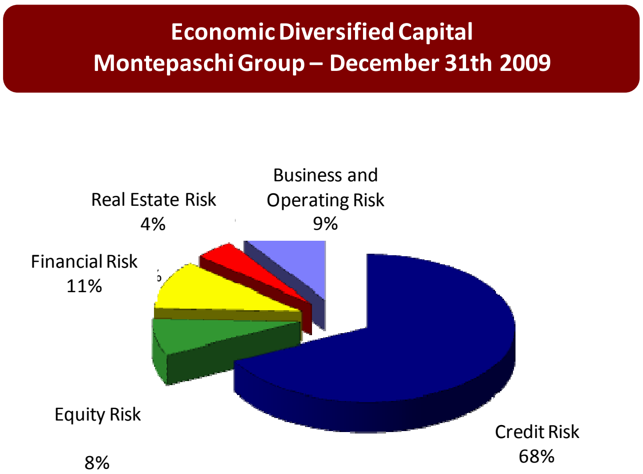
The Economic Capital by risk factor, therefore, results from the corresponding operating metrics of risk quantification. VaR measurements by risk factor maintain their own "individual" validity in accordance with current regulations and International best practisces and are established with differentiated holding periods and confidence intervals.

The Overall Economic Capital results from the combined measurement of each risk factor listed. The measurements are standardised both in terms of yearly holding basis and selected confidence interval – in line with the rating assigned to the Montepaschi Group by the official rating agencies – and are subject to intra-risk and inter-risk diversification processes. The final output shows the Group's Overall Economic Capital or Overall Internal Capital for the different types of risk along with the weight of intra-risk diversification with respect to the *building block approach* which does not involve quantification.

The total of these macro risk-factors, which directly impact the Group's net equity, is subject to regular measurement by the Parent Company's Risk Management Area which prepares all the periodical documentation for the Parent Company's Risk Committee and for the Board of Directors.

Finally, Planning & Control is responsible for reporting results adjusted by risk and determining the specific value creation in a risk-adjusted logic using metrics of measurement consistent with income and absorbed economic capital. Moreover, it reformulates the risk measures received from the Risk Management Area for the Group's individual legal entities and business units. The allocation of capital, in terms of balance, forecasts and periodical monitoring, is also determined by Planning & Control in conjunction with the corporate bodies of each legal entity, with specific reports prepared according to the individual business lines of the banks included in the scope of consolidation. The reports are submitted to the Parent Company's Risk Committee for approval.

As at 31 December 2009, the Overall Diversified Economic Capital of the Montepaschi Group (excluding intragroup operations) could be broken down as follows; credit risk (68%, including counterparty risk, issuer risk and concentration risk), equity investments risk (8%), operational and business risks (9%). The working capital against financial risks (mainly consisting of typical trading book and ALM Banking Book risks) amounts to approx. 11% of the Overall Economic Capital. Capital against real estate risk comes to 4%.



Further information on the nature, control and monitoring of the individual types of risk is provided in Part E of the Notes to the Financial Statements.

Additional information on investments considered high-risk by the market

This paragraph contains additional information on (i) investments which are considered by the market to be high-risk as a result of the 2007 financial crisis caused by the default of vehicles containing US sub-prime mortgages and (ii) increased trading in derivatives with the bank's own customerbase.

These same issues were previously analysed in the Financial Stability Forum Report of 7 April 2008[11] which showed how market turbulence had increased the need for financial companies to disclose their exposures in what the market considered as increasing-risk instruments. The issues were subsequently considered in the International accounting standards, IAS/IFRS[12], and in the two joint documents by the Bank of Italy, Consob and Isvap[13] in February 2009 and March 2010 respectively.

In general, the Montepaschi Groups is exposed to two main aggregates: (i) financial positions with direct exposures to *subprime*, Alt-A and *monoline insurer* segments, directly impacted by the crisis and (ii) all other financial positions of structured credit which may suffer as a result of the general crisis in the financial markets.

The positions in the first aggregate are basically negligible. As of 31 December 2009:

- there is only one type of subprime mortgage-backed securities in a notional amount of € 50 mln, almost entirely devalued by the end of 2008;
- there are no leveraged finance exposures;
- the monoline insurer exposure is minimal (nominal amount approx. € 0.65 mln);
- there are no exposures or guarantees on conduit loans and SIVs.

With regard to the second aggregate, in particular to third-party structured products held in the portfolio, as at 31 December 2009:

- approx. 91% of these exposures were investment grade, in line with 31 December 2008;
- the book value of existing stock amounts to approx. € 1.875 mln, down 7% on December 2008.

***

The following information is based on the report provided by the Montepaschi Group as at 31 December 2008 in response to Consob request no.8069681 of 23 July 2008, and includes disclosure on:

- investments in consolidated *Special Purpose Entities* and structured credit products;
- *fair value* of structured credit products;
- derivatives traded with customers.

11 *Financial Stability Forum, "Rafforzare la solidità dei mercati e degli intermediari", 7 april 2008.*
12 *See amendment to IFRS 7 incorporated in Europe with EC Regulation 1165 of 27November 2009 on fair value hierarchy.*
13 *Banca d'Italia, Consob and Isvap, "Information to be provided in the financial reports in relation to business continuity, financial risks, checks for the reduction of assets value and uncertainty in the use of estimates", 6 February 2009.*
Banca d'Italia, Consob and Isvap, "Information to be provided in the financial reports in relation to impairment tests, on contractual clauses of financial debts, on debt restructuring and on fair value hierarchy", 4 March 2010.

Investments in consolidated Special Purpose Entities and structured products

Consolidated SPEs (Special Purpose Entities)

Business Model description – objectives and strategies

Foreword

The accounting of securitisation transactions effected by the Group before the International accounting standards came into force differs from the accounting of transactions effected thereafter.

The loans underlying pre-IAS transactions were derecognised from the transferor's financial statements which only include credit enhancements, if any, executed by the transferor.

Any consolidation of the Special Purpose Entities (SPEs) relating to these transactions only takes their working capital into account; transferred loans, posted "under the line" in the SPE's financial statements, were not consolidated in the Group's financial statements. Upon the first-time application of the International accounting standards, the Group availed itself of the option not to post the assets underlying transactions effected prior to 1 January 2004, which were derecognized on the basis of the previous national standards; The assets, therefore, have never been included in the consolidated financial statements, even in those cases where they would not have been derecognized if the IAS 39 regarding derecognition had been applied.

With regard to transactions carried out after the enactment of IASs, all notes issued by the SPEs were underwritten by the originator (the Parent Company), maintaining almost all risks and benefits of the transferred portfolio. These securitisation transactions, therefore, do not comply with IAS 39 requirements for derecognition. The underlying loans were not derecognised from the originator's financial statements and, as a result, are still posted to assets in the balance sheet, namely as assets sold but not derecognised. Disposal transactions did not have an economic impact on the financial statements of the originator and, for the purpose of calculating capital absorption, loans have remained under the Group's weighted assets as if they had never been sold.

Following is an outline of the Group's main securitisation transactions, broken down into securitisation of performing loans, securitisation of non-performing loans and securitisation of other assets:

- securitisation of performing loans:
  - Siena Mortgages 02 – 3 S.r.l.
  - Siena Mortgages 03 – 4 S.r.l.
  - MPS Asset Securitization S.p.A. (repurchased on 5/11/2009)
  - Siena Mortgages 07-5 S.p.A.
  - Siena Mortgages 07 – 5 S.p.A. second portion
  - Mantegna Finance S.r.l.
  - Mantegna Finance II S.r.l.
  - Spoleto Mortgages S.r.l.
  - Giotto Finance S.p.A. (repurchased on il 14/4/2009)
  - Giotto Finance 2 S.p.A.
  - Siena Mortgages 09 – 6 S.r.l.
  - Siena Mortgages 09 – 6 S.r.l. second portion
- securitisation of non-performing loans:
  - Ulisse 2 S.p.A.
  - Siena Mortgages 00 – 1 S.p.A. (repurchased on 30/9/2009)
- securitisation of other assets:
  - Gonzaga Finance S.r.l.
  - Vintage Capital S.r.l.

Securitisation transactions of performing assets were structured with the aim of improving liquidity risk management and were centred around optimising credit portfolio management, diversifying lending sources, reducing related costs and matching the maturities of assets and liabilities.

Securitisations remained stable, an opinion also shared by the rating agencies who did not readjust the ratings originally assigned to the classes of notes issued.

The portfolio securitised through Siena Mortgages comprises real estate-backed loans issued by both the Parent Company and by other banks within the Group, while Mantegna Finance S.r.l. and Mantegna Finance II S.r.l. were originated from Banca Agricola Mantovana S.p.A. and Spoleto Mortgages S.r.l. from Banca Popolare di Spoleto S.p.A.. Subsequent to the merger by absorption of BAV in December 2008, the Parent Company took over in Banca Antonveneta as Servicer of 2 securitisations, Giotto and Giotto 2 S.p.A.. Giotto Finance S.p.A. was repurchased in April 2009.

With regard to the securitisation of non-performing assets, the Ulisse 2 S.p.A. portfolio consists of short-term unsecured loans from the Parent Company. The securititstation has shown a more than satisfactory trend with total collections exceeding the original estimates set out in the Cumulative Business Plan.

On 30 September 2009 the Parent Company reacquired Siena Mortgages 00 – 1 whose portfolio was sold at the end of 2007.

Internal systems of risk measurement and control

The trend of the transactions is steadily monitored through the periodical (quarterly and half-yearly) recording of remaining principal repayment flows, default and bad debt positions (in relation to non-performing securitisations).

Organisation and Management reporting system

The Montepaschi Group set up a specific unit within the Parent Company's Credit Policies and Control area, responsible for coordinating performing securitisations; non-performing securitisations are managed by a separate unit of the subsidiary, MPS Gestione Crediti S.p.A.. Furthermore, specific Group Directive requires a half-yearly report to be submitted to the Top Management showing the performance of transactions executed by the Banking Group over a given period.

Securitisation transactions in 2009

With a view to delivering economic benefits in the management of reserve assets, particularly with regard to those that are readily liquidable, as of 2007 four performing residential mortgage loan transactions have been carried out.

The category includes the two performing loans transactions effected in December 2007 and March 2008 (Siena Mortgages 07-5 S.p.A. and Siena Mortgages 07–5 S.p.A., second portion) for a total amount of approx. € 8.5 bln.

Two further transactions were carried out in 2009 through the vehicle company, Siena Mortgages 09–6, for the nominal amount of € 8.5 bln. These transactions released "eligible" assets, that create a significant safety margin and improve BMPS's liquidity position.

On 20 February 2009 the first of the two securitisation transactions for the year was carried out with a portfolio containing 45,781 performing, real-estate backed loans of BMPS (considering the former branches of Banca Agricola Mantovana, Banca Antonveneta and Banca Toscana that have been merged into BMPS) in the land and construction area, regularly paid as the date of valuation of the disposed portfolio (broken down as follows: 1,657 modular rates, 20,791 floating rate and 23,333 fixed rate mortgages) for a residual debt of € 4,436 mln.

In order to finance the acquisition, the vehicle company (Siena Mortgages 09 – 6 S.r.l.) issued Residential Mortgages Backed Floating Rate Notes as follows:

Securities Class A1 (rating Fitch AAA)	for a total consideration of	€ 3,851,300,000
Securities Class B (rating Fitch A)	for a total consideration of	€ 403,700,000
Securities Class C (rating Fitch BBB-)	for a total consideration of	€ 181,450,000
	Total	€ 4,436,450,000

Furthermore, the Group set up a cash reserve of EUR 106.70 mln corresponding to class D junior securities.

93% of the vehicle company Siena Mortgages 09 – 6 is held by, Stichting Giglio, a Foundation governed by Dutch law, while the remaining 7% is held by Banca Monte dei Paschi di Siena. This structure guarantees the vehicle company's independence.

On 26 June 2009 an additional securitisation transaction for € 4.1 bln was finalized, involving 44,148 performing loans in the name of natural persons. Siena Mortgages 09 – 6 S.r.l. was used again as the transferee of the transaction assets and issuer of RMBS notes. The mortgage loan transaction structure was the same as with the afore-mentioned transactions (Siena Mortgages 07/5 1st and 2nd portion and Siena Mortgages 09/6).

The AAA rated portion accounts for approx. 85% of total assets sold and is structured so as to be included by the ECB in the list of "eligible" instruments.

In order to finance the acquisition, the vehicle company Siena Mortgages 09 – 6 S.r.l.) issued Residential mortgage backed Floating Rate Notes as follows:

Securities Class A1 (rating Fitch AAA)	for a total consideration of	€ 3,466,000,000
Securities Class B (rating Fitch A)	for a total consideration of	€ 447,100,000
Securities Class C (rating Fitch BBB-)	for a total consideration of	€ 188,650,000
	Total	€ 4,101,750,000

Furthermore, the Group set up a cash reserve of EUR 103.50 mln corresponding to class D junior securities.

Description of exposures

The following table shows net exposures in relation to securitisation transactions effected after 1 January 2004 (without derecognition), represented by the book value of underlying loans sold and not derecognised from the originator's accounts. The exposures are almost entirely allocated to Italian underlying assets.

Underlying Assets for Group Securitizations without derecognition

Value in Eur/mln

Securitization	Derecognition	Underlying Type	Year	Financial Report Item	Nominal	Underlyng Assets
Siena Mortgages 00 1 *	NO	Non performing receivables	2007	Receivables - Customer Loans	-	-
Siena Mortgages 07 5 / 07 5 Bis	NO	Mortages	2007 / 08	Receivables - Customer Loans	8,578.40	6,395.81
Siena Mortgages 09 6 /09 6 Bis	NO	Mortages	2009	Receivables - Customer Loans	8,538.20	7,026.55
Total					**17,116.60**	**13,422.36**

* Siena Mortgages 00 1 was repurchased in September 2009.

The exposures reported above account for approx. 6% of consolidated assets as at 31.12.2009.

The following table shows cash exposures (mainly represented by the various forms of credit enhancement) as well as the net value of underlying assets as at 31 December 2009, in relation to securitization transactions prior to 2004. No exposure to subprime loans or related financial products is reported.

Group Securitizations : Total Exposure

Value in Eur/mln

Securitization	Underlying Sector	Year	Sintethic vs Traditional	Cash Exposure	Adjustments	Underlying Assets
Giotto Finance *	Performing mortgage loans	2001	Traditional	-	-	-
Giotto Finance 2	Performing mortgage loans	2003	Traditional	45.68	-4.95	200.31
Gonzaga Finance	Bonds	2000	Traditional	0.00	0.00	0.07
Mantegna Finance	Mortgages	2001	Traditional	9.15	-0.85	96.23
Mantegna Finance II	Mortgages	2002	Traditional	7.83	-0.86	73.76
MPS Asset Securitization (MAS) **	Performing Loans	2002	Traditional	-	-	-
Siena Mortgages 02 3	Mortgages	2002	Traditional	0.00	0.00	450.92
Siena Mortgages 03 4	Mortgages	2003	Traditional	33.15	-11.80	602.36
Spoleto Mortgages	Performing Loans	2003	Traditional	0.00	0.00	62.98
Ulisse 4	Non Performing Loans	2001	Traditional	0.00	0.00	14.39
Ulisse 2	Non Performing Loans	2001	Traditional	36.71	-30.92	175.35
Vintage Capital	Bonds & Credit Derivatives	2000	Traditional	0.82	-0.12	n.d.
Total				**133.35**	**-49.50**	**1,676.37**

* Giotto Finance was repurchased in April 2009.

** MAS was repurchased in November 2009.

The above-cited companies – fully consolidated by the Montepaschi Group – are securitisation vehicles with the Group in the role of originator. The Montepaschi Group has not acted as a sponsor of any securitisation transactions.

P&L Impact

Own securitisations in 2009 had an adverse P&L impact of € 49.50 mln., mainly posted to account 130 a) Net losses/recoveries on impairment of: loans in the consolidated income statement.

Structured products

Business model description – objectives and strategies

A portion of the Montepaschi Group's capital is allocated to stock market investments, an area in which the Group pursues a multitude of objectives. In particular, the Group aims to:

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

In pursuing the above objectives, the Group set up a specifically dedicated unit within the Finance Area of the Parent Company. The scope of operations within the financial markets tends to be as broad as possible so as to draw the maximum benefit from risk diversification and reduced exposure to specific sectors of the stock market. For this purpose, in addition to typical investment acitivities in government bonds, securities and forex markets, 2002 also saw the launch of targeted activity on the market of corporate bonds and credit derivatives.

The specifically dedicated unit followed market pattern developments over time, making investments in structured bonds as well. These investments are compliant with the above-mentioned process of diversification. Financial technology has actually made it possible over time to take positions on specific credit risk components such as correlation and recovery through structured bonds.

The investment process, for this area too, starts with the specific analyses and evaluations made by the traders in a bottom-up logic. The process is included in the overall monitoring of portfolio risks. In other terms, positions are taken following an analysis by traders and within the maximum risk profile of the portfolios.

All operations in securities markets are subject to risk limits set by the Board of Directors that are monitored daily by the Business Control Unit and the Parent Bank's Central Risk Management Unit. These are stop-loss and risk limits, which also include, in particular, nominal limits for maximum exposure for major issuer categories broken down by rating.

The information provided below relates to the entire Montepaschi Group. For the purposes of this report, the category of Structured Credit Products is intended in a broad sense and refers – in keeping with the instructions initially provided by the Financial Stability Forum (currently the Financial Stability Board) – to investments in securities issued by special-purpose vehicles outside the Montepaschi Group and not included in the aforementioned disclosure concerning Consolidated SPEs, and to structured credit derivatives. For the sake of reporting clarity, an annex provides a brief description of the various types of investments and acronyms used in this paragraph.

Exposure reported is broken down by "long positions" and "short positions" on the books at 31 December 2009. "Long positions" are mainly taken in the form of cash instruments, while "short positions" are held through credit derivatives on indices.

Impact on the bank's activities

The overall book value of long positions in structured credit products, amounting to EUR 1,875.59 mln, accounts for 0.83% of consolidated assets.

This is allocated as follows:

- under account 20 "Financial assets held for trading" in the amount of EUR 279.55 mln, or 15% of total long positions;
- under account 40 "Financial assets held for sale" in the amount of EUR 122.85 mln, or approx. 7% of total long positions;
- under account 60 "Loans and advances to banks" and 70 "Loans and advances to customers" in the amount of EUR 1,473.19 mln, or 78% of total long positions.

The total book value of net short positions in credit derivatives on indices is EUR -28.35 mln.

Description of Long Positions

The information provided is divided into macro-categories of structured credit products and includes the nominal amount, risk exposure and P&L impact for 2009. In particular, in relation to the risk exposure of long positions, the tables show the book value which is indicative of the economic loss in case of default with an estimated recovery of zero. Expense and income consist in trading losses and profits for the period of reference, devaluations and revaluations show the change in book value posted under net equity reserve for instruments classified as Available for Sale (AFS).

All amounts are expressed in EUR million.

It should be noted that subsequent to the Reclassification of financial assets in the second half of 2008, a part of these products (previously classified as HFT or AFS) was transferred to L&R, with a consequent change in their book value recognition. More specific to this section, the P&L impact of L&R positions do not take account of the "latent" capital gains/losses which would have been recorded if the portfolio had not been transferred.

Overall, at Group level, long positions in structured products amount to a nominal value of € 2.17 bln, equivalent to a book value of approx. € 1.88 bln.

With reference to classification for Supervisory purposes, the positions are mainly allocated to the Banking Book (98% in terms of book value) and, in a smaller degree, to the Trading Book (approx. 2%).

With regard to the Banking Book (total nominal value approx. EUR 2.08 bln and a book value of approx. EUR 1.83 bln), there is a prevalence in CLNs which amount to approx. 54%, followed by CDOs which come to approx. 39%. The remaining 7% refers to ABSs and Dynamic Managed Portfolios.

The Trading Book, on the other hand, contains investments for a nominal value of approx. EUR 0.09 bln (book value of € 0.04 bln), approx. 26% of which is represented by ABSs and 74% by CDOs.

Montepaschi Group
Credit Structured Products: Total Exposure
Long positions
(EUR/mln as of 31.12.2009)

Classification	Instrument Category	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
Banking Book	ABS	42.82	25.24	-2.93	0.00	-0.87
	CDO	896.97	720.59	-4.56	-19.70	0.03
	CLN	1038.57	988.01	0.00	23.86	1.22
	Dynamic Managed Portfolio	100.00	104.50	-0.69	11.03	0.00
	Banking Book Total	**2078.36**	**1838.34**	**-8.18**	**15.19**	**0.38**
Trading Book	ABS	40.80	27.73	2.40	0.43	0.00
	CDO	46.70	9.52	0.53	-11.16	0.00
	Trading Book Total	**87.50**	**37.25**	**2.93**	**-10.73**	**0.00**
Credit Structured Products Total - 31.12.2009		**2165.86**	**1875.59**	**-5.25**	**4.46**	**0.38**
Credit Structured Products Total - 31.12.2008		**2432.29**	**2009.18**			

Due to the relative insignificance of the positions in the Regulatory Trading Portfolio, the analysis reports the details of all positions without, however, breaking them down by supervisory criteria.

The table below provides a product breakdown of long exposures by type of structure (synthetic, semi-synthetic or traditional). A traditional structure involves investments in funded structures which do not include credit derivatives. A synthetic structure, on the other hand, involves unfunded and funded structures which include credit derivatives. Finally, a semi-synthetic structure involves investments which include both traditional and synthetic instruments.

As a whole, synthetic structures account for 52% and traditional for 48% of the total.

Credit Structured Products Exposure

EUR/mln

Classification		Synthetic/ Traditional	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	ABS	TRADITIONAL	15.00	3.45	-0.37	0.07	0.11
	CMBS	TRADITIONAL	21.50	15.36	-1.64	-0.80	-0.95
	RMBS	SYNTHETIC	1.50	1.32	0.01	-0.08	0.00
	RMBS	TRADITIONAL	45.62	32.84	1.47	1.24	-0.03
ABS Total			**83.62**	**52.97**	**-0.53**	**0.43**	**-0.87**
CDO	CBO	TRADITIONAL	50.30	50.14	0.00	-0.01	0.00
	CDO	SYNTHETIC	35.00	6.45	0.00	-5.02	0.00
	CDO di ABS	TRADITIONAL	490.40	404.78	0.00	0.00	0.00
	CDO2	TRADITIONAL	0.00	0.00	-4.47	0.00	0.00
	CDO3	SYNTHETIC	17.35	8.11	0.00	3.51	0.00
	CLO	SYNTHETIC	8.50	6.14	0.00	0.00	0.00
	CLO	TRADITIONAL	68.72	54.42	-0.08	-0.46	0.03
	LSS	SYNTHETIC	20.00	19.98	0.00	5.64	0.00
	Managed CDO	SYNTHETIC	43.40	7.93	0.00	-10.69	0.00
	SCDO	SYNTHETIC	0.00	0.00	0.52	0.00	0.00
	SLCDO	SYNTHETIC	210.00	172.16	0.00	-23.83	0.00
CDO Total			**943.67**	**730.11**	**-4.03**	**-30.86**	**0.03**
CLN	SPE CLN	SYNTHETIC	638.57	653.26	0.00	23.86	1.22
	CLN Basket	TRADITIONAL	400.00	334.75	0.00	0.00	0.00
CLN Total			**1,038.57**	**988.01**	**0.00**	**23.86**	**1.22**
Dynamic Ptf.	CPPI	SYNTHETIC	0.00	0.00	-0.69	0.00	0.00
	SPI	SYNTHETIC	100.00	104.50	0.00	11.03	0.00
Dynamic Managed Portfolio Total			**100.00**	**104.50**	**-0.69**	**11.03**	**0.00**
Total			**2,165.86**	**1,875.59**	**-5.25**	**4.46**	**0.38**

Following is the breakdown of long positions by rating.

Credit Structured Products Exposure

(EUR/mln)

Rating	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	150.74	134.10	1.07	10.84	0.11
AA+	400.00	334.75	0.00	0.00	0.00
AA	19.88	14.73	-0.17	0.15	-0.07
AA-	219.72	183.21	-5.02	-25.96	-0.03
A+	599.07	612.22	-0.36	21.97	1.34
A	402.55	368.63	-0.48	3.51	-0.19
A-	0.00	0.00	0.54	0.00	0.00
BBB+	105.00	102.00	0.00	4.02	0.00
BBB	73.50	69.01	-0.14	0.00	0.00
BB+	7.00	4.57	0.00	0.00	0.01
BB	31.00	10.39	0.00	0.00	-0.91
BB-	2.00	1.62	0.00	0.00	0.00
B+	2.00	1.67	0.00	0.00	0.00
B	18.50	5.46	0.00	-4.76	0.12
CCC+	0.00	0.00	0.00	0.00	0.00
CCC	20.00	19.98	0.00	5.64	0.00
CCC-	67.50	5.87	0.00	-5.37	0.00
CC	47.40	7.38	0.00	-5.58	0.00
Not Available	0.00	0.00	-0.69	0.00	0.00
Total	**2165.86**	**1875.59**	**-5.25**	**4.46**	**0.38**

Overall, 91% of nominal exposures is made up by Investment Grade Securities (with rating up to BBB-) with Subinvestment Grade securities making up the remaining 9%.

ABS exposures

The following information concerning ABS is provided in relation to geographical area, segment of underlying assets, vintage and average maturity of underlying assets.

The following table contains a breakdown of underlying assets by geographical area. It should be noted that there are no positions with underlying assets originated by US vehicles.

ABS Exposure

(EUR/mln)

Classification	Underlying region	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	Great Britain	0	0	0.02	0	0
	Italy	13.5	2.09	-0.39	0.07	0.11
	Spain	1.5	1.36	0	0	0
ABS Total		**15.00**	**3.45**	**-0.37**	**0.07**	**0.11**
CMBS	France	0	0	-0.14	0	0
	Germany	9.5	6.4	0	0	-1
	Germany Switzerla	0	0	-0.38	0	0
	Italy	7	4.63	-1.13	-0.22	0.05
	Netherlands	5	4.33	0	-0.58	0
	Spain	0	0	0.01	0	0
CMBS Total		**21.50**	**15.36**	**-1.64**	**-0.80**	**-0.95**
RMBS	Australia	2	1.93	-0.04	0	0
	Germany	1.5	1.32	0.01	-0.08	0
	Great Britain	11.5	7.41	0.12	1.28	-0.03
	Italy	11	6.96	1.91	0.26	0
	Netherlands	14.3	13.44	0.15	-0.03	0
	Portugal	5.3	1.5	0.02	-0.27	0
	Spain	1.52	1.6	-0.69	0	0
RMBS Total		**47.12**	**34.16**	**1.48**	**1.16**	**-0.03**
Total		**83.62**	**52.97**	**-0.53**	**0.43**	**-0.87**

The exposures for underlying assets include 38% Italian, 23% Dutch, 14% English and 13% German.

The following table shows a breakdown of ABS exposures by segment of underlying assets.

ABS Exposure

(EUR/mln)

Classification	Underlying Sector	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	Credit Card	0	0	0.02	0	0
	Equip Lease	13.5	2.09	0.02	0.07	0.11
	Life Policy Loans	0	0	0.01	0	0
	Other Consumer Loan	1.5	1.36	0	0	0
	Public Sector Loans	0	0	0.06	0	0
	Trade Receivable	0	0	-0.48	0	0
ABS Total		**15.00**	**3.45**	**-0.37**	**0.07**	**0.11**
CMBS	Commercial Mortgage:	21.5	15.36	-1.64	-0.8	-0.95
CMBS Total		**21.50**	**15.36**	**-1.64**	**-0.80**	**-0.95**
RMBS	Residential Mortgages	47.12	34.16	1.48	1.16	-0.03
RMBS Total		**47.12**	**34.16**	**1.48**	**1.16**	**-0.03**
Total		**83.62**	**52.97**	**-0.53**	**0.43**	**-0.87**

Overall, 82% of the book value refers to positions with underlying residential and commercial mortgages which make up 56% and 26% respectively. The remaining 28% includes ABS positions with underlying assets in other segments (mainly public sector loans).

The following table contains a breakdown of ABS underlying assets by vintage.

ABS Exposure

(EUR/mln)

Classification	Vintage	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	1999	0.00	0.00	0.01	0.00	0.00
	2000	1.50	1.36	0.00	0.00	0.00
	2002	12.00	2.05	0.02	0.00	0.11
	2003	0.00	0.00	0.01	0.00	0.00
	2004	1.50	0.04	0.06	0.07	0.00
	2005	0.00	0.00	0.01	0.00	0.00
	2006	0.00	0.00	-0.48	0.00	0.00
ABS Total		**15.00**	**3.45**	**-0.37**	**0.07**	**0.11**
CMBS	2004	0.00	0.00	-0.14	0.00	0.00
	2005	3.50	2.63	-1.36	0.00	0.12
	2006	3.50	2.00	-0.14	-0.22	-0.07
	2007	14.50	10.73	0.00	-0.58	-1.00
CMBS Total		**21.50**	**15.36**	**-1.64**	**-0.80**	**-0.95**
RMBS	2000	0.94	1.18	0.00	0.00	0.00
	2001	0.58	0.42	0.00	0.00	0.00
	2003	5.30	1.50	0.12	-0.27	0.00
	2004	11.00	7.05	-0.09	1.20	-0.03
	2005	0.00	0.00	0.16	0.00	0.00
	2006	5.30	4.60	-0.03	0.00	0.00
	2007	14.00	9.75	1.32	0.26	0.00
	2009	7.00	6.98	0.00	-0.03	0.00
	2008	3.00	2.68	0.00	0.00	0.00
RMBS Total		**47.12**	**34.16**	**1.48**	**1.16**	**-0.03**
Total		**83.62**	**52.97**	**-0.53**	**0.43**	**-0.87**

Finally, the breakdown below contains the average maturity of the assets underlying ABS positions. 75% of nominal positions includes underlying assets with an average maturity not exceeding 4 years. The remaining 25% include underlying assets with an average maturity between 5 and 6 years.

ABS Exposure

(EUR/mln)

Classification	Average maturity (years)	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	0	1.50	0.04	0.09	0.07	0.00
	1	10.00	1.74	0.00	0.00	0.08
	2	3.50	1.67	0.01	0.00	0.03
	5	0.00	0.00	0.01	0.00	0.00
	6	0.00	0.00	-0.48	0.00	0.00
ABS Total		**15.00**	**3.45**	**-0.37**	**0.07**	**0.11**
CMBS	0	5.00	4.33	0.00	-0.58	0.00
	1	3.50	2.63	-0.37	0.00	0.12
	2	4.00	1.70	-0.42	-0.22	-0.81
	3	9.00	6.70	-0.06	0.00	-0.26
	4	0.00	0.00	-0.03	0.00	0.00
	6	0.00	0.00	-0.14	0.00	0.00
	7	0.00	0.00	-0.62	0.00	0.00
CMBS Total		**21.50**	**15.36**	**-1.64**	**-0.80**	**-0.95**
RMBS	0	8.80	4.75	0.15	-0.35	0.00
	1	0.94	1.18	0.00	0.00	0.00
	2	6.00	5.12	-0.06	-0.01	-0.32
	3	4.30	3.78	0.09	0.00	0.00
	4	6.50	3.46	0.97	1.28	0.29
	5	19.58	15.05	0.35	0.24	0.00
	6	1.00	0.82	-0.02	0.00	0.00
RMBS Total		**47.12**	**34.16**	**1.48**	**1.16**	**-0.03**
Total		**83.62**	**52.97**	**-0.53**	**0.43**	**-0.87**

CDO exposures

The information concerning CDOs is reported on the basis of product type and tranche seniority. In terms of geographical breakdown of the portfolios, it should be noted that the composition of most structures is mixed with the exception of the EIRLES TV DE45 (ABS CDOs) position which is entirely linked to US subprime underlying assets.

CDO Exposure

(EUR/mln)

Classification	Seniority	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CBO	SENIOR	50.30	50.14	0.00	-0.01	0.00
CDO	MEZZANINE	35.00	6.45	0.00	-5.02	0.00
CDO di ABS	MEZZANINE	50.00	1.26	0.00	0.00	0.00
CDO di ABS	SENIOR	440.40	403.52	0.00	0.00	0.00
CDO2	SENIOR	0.00	0.00	-4.47	0.00	0.00
CDO3	SENIOR	17.35	8.11	0.00	3.51	0.00
CLO	JUNIOR	2.00	1.67	0.00	0.00	0.00
CLO	MEZZANINE	48.72	41.43	-0.11	-0.46	0.00
CLO	SENIOR	26.50	17.46	0.03	0.00	0.03
LSS	SENIOR	20.00	19.98	0.00	5.64	0.00
Managed CDO	MEZZANINE	6.40	0.63	0.00	-0.17	0.00
Managed CDO	SENIOR	37.00	7.30	0.00	-10.52	0.00
SCDO	MEZZANINE	0.00	0.00	0.52	0.00	0.00
SLCDO	SENIOR	210.00	172.16	0.00	-23.83	0.00
Total		**943.67**	**730.11**	**-4.03**	**-30.86**	**0.03**

On the whole, the main category is represented by ABS CDOs which account for 52% of the total. Next are the Synthetic Loan CDOs (SLCDO) which account for 22%. With regard to seniority, senior tranches make up approx. 85% of the entire CDO portfolio, followed by mezzanine tranches which constitute 15%, while junior tranches are negligible.

Dynamic Managed Portfolio and SPE CLN exposures

Both types of exposures are only contained in the banking book.

In particular, the portfolio as at 31 December 2009 included investments in a nominal amount of EUR 100 mln with underlying managed portfolios (CPPIs and SPIs) and CLNs issued by SPEs in a nominal amount of EUR 1,038.57 mln.

Dynamic Managed Portfolio Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CPPI	0.00	0.00	-0.69	0.00	0.00
SPI	100.00	104.50	0.00	11.03	0.00
Total	**100.00**	**104.50**	**-0.69**	**11.03**	**0.00**

CLN Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPE CLN	638.57	653.26	0.00	23.86	1.22
CLN Basket	400.00	334.75	0.00	0.00	0.00
Total	**1038.57**	**988.01**	**0.00**	**23.86**	**1.22**

US subprime and Alt-A exposures

Given the marginal relevance of US subprime and Alt-A exposures, no tables are reported. The only position is represented by EIRLES TV DE45 (ABS CDOs), entirely linked with US subprime underlying assets which was almost entirely depreciated as at the end of 2008. The position, however, is included in the above tables.

Monoline exposures

The Montepaschi Group has no direct, but only limited indirect, exposures to monoline insurers. These exposures are linked to CDO positions already included in the above tables. The estimated indirect exposure to mono-line insurers within the above-cited CDOs is approx EUR 0.65mln (nominal value).

Description of "Short Positions"

Details are provided below on short-positions which, by their very nature and purpose, mitigate the overall bond portfolio risk since they benefit from the deterioration of creditworthiness of underlying assets, as represented by the expansion of related credit spreads.

All exposures include derivatives on standardised credit indices and are all attributable to the Trading Book. More specifically, there are positions on indices such as iTraxx (European market) and CDX (US market).

Overall, short exposures came to a notional amount of EUR -460.57 mln for a book value of EUR -28.35 as at 31 December 2009.

Credit Index: Short Position
(EUR/mln)

Index	Nominal	Exposure	Profit/Loss
CDX NA IG	1.90	-6.19	-4.23
iTraxx Europe	-477.13	-14.51	-10.55
iTraxx Europe Crossover	0.00	-7.48	-23.09
iTraxx Europe Senior Financials	-8.00	-0.44	1.63
iTraxx Europe Subordinated Financials	40.00	0.53	0.66
iTraxx Europe Sovereign	-17.34	-0.26	-0.22
Total	**-460.57**	**-28.35**	**-35.80**

Leveraged Finance

Previous leveraged finance exposures as at 31.12.2009 (nominal value of EUR 13.3 mln as at 30.06.2009) no longer feature among the assets of the Montepaschi Group.

Disclosure of the fair value of structured products

In 2009 the Montepaschi Group adopted an **internal Fair Value Policy** which contains the regulations for the valuation of financial instruments and describes the fair value assessment process, ie. the set of activities needed for classification under the International accounting rules (*Fair Value Hierarchy*) and for the determination and verification of *pricing* on the basis of criteria which, in turn, are regulated by a specific internal regulatory document.

The measurement of fair value of a financial instrument is regulated by IAS 39, while the analysis of the fair value hierarchy is carried out at three levels (*Fair Value Hierarchy: Active Market, Comparable Approach and Mark to Model*), and follows the instructions issued by IASB.

In terms of organisational process, portfolio valuation for financial statement purposes involves the first and second level control functions – on the basis of their respective responsibilities. Results are then submitted to Top Management.

The current section only concerns third-party structured credit instruments held for investment purposes and include both long and short positions as defined previously. For an overall analysis of the *Fair Value Hierarchy* in the Financial Statements, please refer to Part A of the Notes to the Financial Statements.

In compliance with the accounting reclassification of certain positions in the second half of 2008, the investments made by the Montepaschi Group are now classified not only as HFT and AFS – for which a fair value valuation is carried out in alignment with the IAS/IFRS – but also as L&R and are thus valued at amortised cost. As a result, the fair value principle is no longer applied to the whole scope of structured instruments, but only to the instruments contemplating the fair value valuation also for financial statement purposes.

Still with regard to book values, approx. 9% of the long positions valued at fair value are attributable to valuations based on observable inputs (Level 2), which are deemed liquid and reliable. 91%, on the other hand, are associated with valuation models which also use non-directly observable criteria (Level 3). All short positions on index derivatives are valued on the basis of liquid and observable inputs (Level 2). There are no positions of structured credit designated at fair value that refer to Level 1.

Montepaschi Group
Fair Value Disclosure - Credit Structured Products
(EUR/mln as of 31.12.2009)

Long Position

Financial Report item	Evaluation Criterion		Exposure	%
Item 70, 60 assets (L&R)	**Amortized cost**		**1473.19**	
Item 20,40 assets (HFT, AFS)	**Fair Value**			
		Level 2 - Observable inputs	43.76	11%
		Level 3 - Not observable Inputs (models)	358.64	89%
		Total FV evaluation position	**402.40**	**100%**
Total long position			**1875.59**	

Short Position

Financial Report item	Evaluation Criterion		Exposure	%
Item 20 assets 40 liabilities (HFT)	**Fair Value**	Level 2 - Observable inputs	**-28.35**	**100%**
Total short position			**-28.35**	

Derivatives with customers and related counterparty risk

The estimation of Counterparty Risk on Over the Counter (OTC) derivatives with customers is based on fair value determination.

OTC derivatives are comprised in level 2 of the *Fair Value Hierarchy* on the basis of which fair value is calculated through proprietary valuation methods and assessment models fed by parameters available on the market. The models used are shared by the *Operating Units* and the *Risk Management and Quantitative Analysis functions*. These models are subject to periodic review so as to guarantee constant alignment between the model approach adopted and prevailing domestic and internal best practices. Furthermore, the pricing models for OTC derivatives with customers are consistent with the methodological criteria used by the MPS Group for the valuation of its own positions.

The Montepaschi Group's trading in OTC derivatives with customers, which began in 2002 following a specific resolution by the Board of Directors, mainly involves transactions aimed at covering interest rate, exchange rate, equity and commodity risk. Trading operations mainly target companies while those involving Public Institutions and Local Insitutions are currently on hold, pending completion of the regulatory framework of reference. The main products traded are interest rate swaps, caps, floors, collars, forward contracts, currency options, synthetic forward contracts on forex and commodities, commodity swaps, commodity options and combinations of these basic instruments.

In general, products offered to customers share a series of features which are common to a large part of trading. In particular, traded products:

- are not speculative;
- are only intended to hedge risk;
- are linked with an underlying position, although they remain contractually and administratively separate;
- only have a limited level of complexity;
- do not provide financial leverage with respect to the overall position hedged.

With regard to intrinsic risk, traded products are divided into simple (*Plain Vanilla*) and structured products (*Non Plain Vanilla* and mixed strategies). The vanilla and non-vanilla product categories are placed to customers according to their different investment profiles. From a high-level, technical point of view, the Montepaschi Group defines *Plain Vanilla* as linear interest rate hedging contracts and options purchased by customers with underlying interest rates, foreign exchange rates and commodities ie. all instruments characterised by a very simple structure and full-hedging financial logic. On the other hand, Non Plain Vanilla, in very broad terms, involves products not pertaining to previous categories in that they also contain minimal *exotic* features (e.g. digital payment profiles, barriers, etc.) or that result as having several basic financial components. In compliance with EU MIFID Directive and its transposition into national regulations on plain vanilla OTC derivatives, the Montepaschi Group has extended trading to former "qualified traders" (who are now included under retail customers). However, the offer is mainly targeted at corporate customers classified by default or on request as "Professional", with transactions recorded in both kinds of products. The sale of these instruments, nevertheless, occurs almost exclusively on an adequacy basis, upon prior verification of the hedging purpose.

Trading in OTC derivatives involves, first of all, the assumption of market risk by the Group, defined as exposure in terms of potential loss that may be recorded on positions held subsequent to unfavourable variations in specific market parameters (ie. risk factors). The main risk factors for OTC derivatives include: interest rate, forex rate, indices, commodities and related volatility and correlations. At the same time, the Bank also assumes the risk that the counterparty of a derivative-based transaction is in default prior to settlement (counterparty risk).

Trading in derivatives with customers – with the exception of customers of Biverbanca – involves the centralisation of the product factory and market risk monitoring in MPS Capital Services, whereas the allocation, management and monitoring of counterparty risk with customers lie with the Group's Retail Banks.

OTC derivatives, including those traded with the customers, are subject to collective valuation of credit risk, as is the case with other technical forms. This valuation is developed by categories of similar exposures in terms of credit risk. The relative percentages of loss are estimated taking account of historical series' (based on elements which are observable at the date of valuation) which provide an estimate of the expected loss for each category. In particular, Probability of Default (PD) and Loss Given Default (LGD) are the risk parameters used in collective valuations. With regard to Corporate and retail counterparts, the PD and LGD estimated by the internal models are used as provided for by circular letter 263 issued by the Bank of Italy in December 2006. The PD obtained from the external rating assigned by the rating agencies and the LGD of the Foundation method (45%) are used for other counterparties.

Montepaschi Group customers with OTC derivatives amount to almost 7,000 and contracts signed represent a limited share of all business operations.

As at 31.12.09 the net fair value of the products is, on the whole, positive for the Montepaschi Group standing at approx. € 579 mln with a notional amount of approx. € 22.4 bln. This result is mostly determined by interest rate operations which have a positive value of approx. € 567 mln and, to a lesser degree, by forex operations with a positive value of approx. € 12 mln.

The part of the portfolio relating to structured products comes to a fair value of approx. € 232 mln (for a notional amount of almost €11.3 bln), while the overall value of simple transactions comes to approx. € 347 mln (with a notional amount of almost € 11.1 bln).

A separate analysis of assets (positive fair values for the Group) and liabilities (negative fair values for the Group) results in the following breakdown:

The total positive fair value amounts to approx. € 664 mln, relating to transactions with almost 3,800 customers in the overall notional amount of almost € 19.2 bln. Within this framework, simple transactions amount to approx. € 419 mln (notional value approx. € 8.5 bln), while structured transactions come to € 245 mln (notional value almost € 10.7 bln). With regard to type of underlying asset, the fair value is made up by interest rate transactions for almost € 627 mln, forex transactions for almost € 31 mln and equities and commodities transactions for approx. € 6 mln.

The total negative fair value amounts to approx. € 85 mln, relating to transactions with approx. 3,500 customers in the overall notional amount of € 3.2 bln. Within this frame work, simple transactions amount to approx. € 72 mln (notional value of almost € 2.6 bln), while structured transactions come to € 13 mln (notional value approx. € 604 mln). With regard to type of underlying asset, the fair value is made up by interest rate transactions for approx. € 60 mln, forex transaction for almost € 19 mln and commodities transactions for the remaining portion.

As for customers who traded structured products, the cumulative exposure against the total of positive fair values with customers, shows that the position with respect to the top twenty customers accounts for approx. 40% of the total, while the percentage of exposure in relation to the top fifty amounts to approx. 56% reaching 69% for the top one hundred customers.

Appendix: Glossary of term

Following is a short glossary of the terms used in this paragraph, with the relevant acronyms used in the tables.

Account	Description	Definition
ABS	Asset Backed Security	Security which guarantees the reimbursement and income flows based on income generated for a group of financial assets. Typically, they are broken down into RMBS and CMBS.
AFS	Available For Sale	IAS category used to classify the assets available for sale.
CBO	Collateralized Bond Obligation	CDO in which the portfolio of underlying positions is composed primarily of Bonds.
CDO	Collateralized Debt Obligation	Securities issued based on differentiated risk classes with various tranches following the securitisation of a portfolio of debt instruments incorporating the credit risk. Typically characterised by the presence of a financial lever.
CDO of ABS	CDO of ABS	CDO in which the portfolio of underlying positions is composed primarily of ABS.
CDO2	CDO Squared	CDO in which the portfolio of underlying positions is composed primarily of other CDO.
CDO3	CDO Cubed	CDO in which the portfolio of underlying positions is composed primarily of CDO squared.
CLN	Credit Linked Note	Security with a credit derivative, typically a credit default swap (CDS).
CLO	Collateralized Loan Obligation	CDO in which the portfolio of underlying positions is composed primarily of loans.
CMBS	Commercial Mortgage 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 underlying data.
Dynamic Managed Portfolio	Dynamic Managed Portfolio	Product with dynamic management, like CPPI/SPI.
HFT	Held For Trading	IAS category used to classify the assets and liability for trading.
L&R	Loans & Receivables	IAS category used to classify the credits.
LSS	Leveraged Super Senior	CDO through which the investor is exposed to the entire super senior tranche through a derivative contract that is characterised by a lever effect.
Managed CDO	Managed CDO	CDO in which the portfolio of underlying positions is managed.
Monoline insurer	Monoline insurer	Insurance companies specialised in guaranteeing interest payments and the nominal value of bonds if the issuer defaults. They are thus named because they generally guarantee service for only one industrial sector.
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 Mortgage Backed Securities	ABS with underlying residential mortgages.
SCDO	Synthetic CDO	CDO in which the portfolio of underlying positions is composed primarily of credit default swap (CDS).
Seniority	Seniority	Subordination level of the security repayment, generally divided into Super Senior, Senior, Mezzanine and Junior.
SLCDO	Synthetic Loan CDO	CDO in which the portfolio of underlying positions is composed primarily of Synthetic Loan CDS.
SPE	Special Purpose Entity	corporate vehicle incorporated to attain specific objectives, primarily to isolate financial risks. The asset is composed of a portfolio, the profits of which are used for the bonds issued.
SPE CLN	SPE Credit Linked Note	CLN issued by SPE.
SPI	Synthetic Portfolio Insurance	Synthetic version of CPPI, obtained through derivatives.
Vintage	Vintage	Commonly understood as the year of origination for the underlying commitments of a structured loan.

Capital for regulatory purposes and capital ratios

The capital for regulatory purposes and capital ratios are calculated on the basis of balance sheet and profit and loss results, as determined by IAS/IFRS and the Supervisory Instructions of the Bank of Italy issued by the 12th update to Circular Letter 155/91 "Reporting Instructions on capital for regulatory purposes and prudential requirements". The capital for regulatory purposes is calculated as the sum of positive and negative components in accordance with their capital quality. The positive components should be fully available to the bank for them to be used in the calculation of capital absorption.

As of 2008, prudential requirements are calculated pursuant to the Accord known as Basel 2. In addition, a notice received in June 2008 athorised the Parent Company to use internal models in determining the Bank's and the Group's capital requirements in relation to credit and operational risks. Internal models may be applied in compliance with certain qualitative and quantitative limits set forth in the Supervisory Regulations. In particular, limits ("floors") have been set, for which any capital savings achieved through internal models are subject to ceilings to be benchmarked against the requirements calculated under the previous Basel 1 regulations. Such limitations are expected to be eliminated in the future, taking into account the continuous fine-tuning and consolidation of the internal models adopted which, in fact, allowed the MPS Group to lower its floor level on Basel 1 requirements from 95% to 90% in 2009.

That being said, the Consolidated capital for regulatory purposes of the Montepaschi Group amounted to approx EUR 14,380 million at the end of 2009 (see tables and comments in Part F of the Notes to the Financial Statements).

Capital for Regulatory Purposes - Amounts in millions of euro

	31/12/2009	*31/12/2008*	*% chg*
Tier I capital	9,093	6,798	33.76%
Tier II capital	5,697	5,525	3.11%
Deductions	410	328	25.09%
Capital for Regulatory Purposes (before Tier III capital)	14,380	11,996	19.88%
Total Capital for Regulatory Purposes	14,380	12,340	16.53%

With regard to capital ratios, as at 31 December 2009 the TIER I Ratio BIS II was estimated at 7.5% (5.1% at the end of 2008) with a BIS II solvency ratio at about 11.9% (9.3% at the end of 2008).

In particular, **Tier I** capital came to approx. EUR 9,093 mln, up by approx. EUR 2,295 mln on 2008). The rise was due to both the issue of Bonds for Public Subscription ("Tremonti Bonds") for EUR 1,900 mln which took place towards the end of 2009, and the increase in reserves along with the capitalisation of profits; also taken into account were the reduction in intangibile elements and the negative filters on available-for-sale securities, both of which were positive effects that absorbed the increase in the Expected Loss Delta.

Tier II capital stood at approx. EUR 5,697 mln, up on the EUR 5,525 mln at the end of 2008 due to the issue of Tier 2 Subordinated Loans, excluding computable maturities and amortizations, and the increase in positive reserves on securities available for sale. The elements to be deducted from Tier I and Tier II capital total approx. 410 mln, a rise of approx. 80 mln on 2008, mainly as a result of the increasing capital of the affiliated insurance companies.

As a result, the **total capital for regulatory purposes** came to approx. 14,380 mln, a decisive increase compared to the 12,340 mln in the previous year, resulting not only from the above-described factors, but also from the non-computability of Tier 3 Capital following the maturity of the Tier 3 Subordinated Loan of 500 mln in Q2 2009 (used to cover market risks in the amount of approx. 344 mln as at 31.12.08).

As at 31 December 2009, **Risk Weighted Assets** (RWA) came to approx. 120,899 mln (approx. 132,408 mln as at 31 December 2008). The decrease is mainly attributable to the implementation of optimisation initiatives on operating requirements (eg. extension of the scope of application of AMA methods to Operational Risks), a more careful management of asset developments, the application of a 90% floor to BIS 1 capital requirements (from 95% as at 31 December 2008).

For details on capital adequacy, please refer to Part F of the Notes to the Financial Statements.

The operating structure

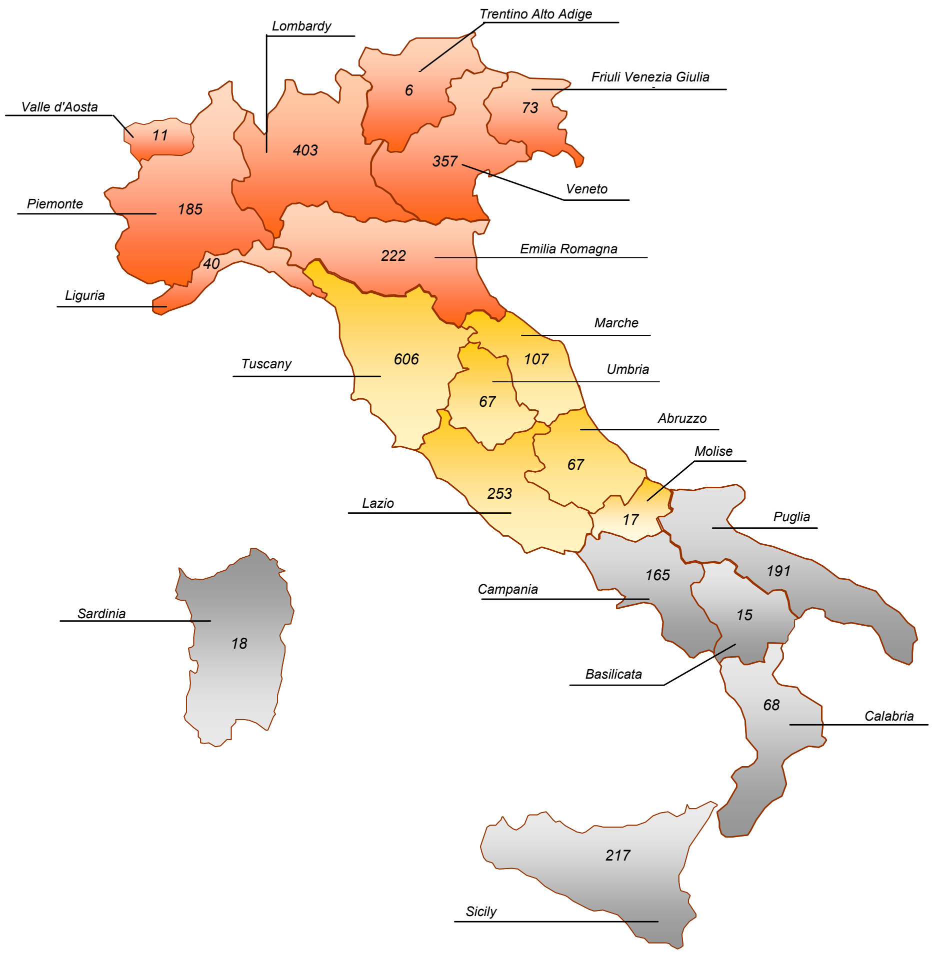
The chapter outlining the development of operations for the different business areas included a description of research and development initiatives. This section of the report on operations provides **information on the development of the operating structure** with a particular regard to the **distribution channels, payment systems and human resources**.

Distribution channels

In 2009 the Montepaschi Group continued its activity geared towards **developing and streamlining its distribution channels**, focusing both on growing the traditional network and **strengthening the direct channels (internet banking, phone banking, ATMs) and integrating them with the branch network**. The strategic objective aimed to increasingly expand the use of direct channels, making access to these channels more simple and effective. For this reason, the Group saw to the widespread expansion of the "multichannel credentials", ie. one mode of access to all direct channels of the Montepaschi Group.

In 2009 the Montepaschi Group's distribution network underwent various changes due to the opening and closure of branches and the sale of a further 15 branches by the Parent Company to Banca Popolare di Puglia e Basilicata as the asset disposal plan and Antitrust guidelines. As at 31 December 2009, therefore, the Montepaschi Group consisted of **3,088 branches nationwide**[14], as illustrated in the following breakdown by region, geographical area and bank of reference:

DOMESTIC BRANCHES OF THE MONTEPASCHI GROUP



[14] *Number of reports to the Bank of Italy's Regulatory Institute.*

BRANCH DISTRIBUTION BY GEOGRAPHICAL AREA AT 31.12.2009(*)

Northern Italy	1,297	weight 42.00%
Central Italy	1,117	weight 36.17%
Southern Italy and island	674	weight 21.83%
TOTAL	**3,088**	

* Report to the Supervisory Department at Banca d'Italia.

Montepaschi GROUP BRANCHES AT 31.12.2009(*)

Banca MPS	2,585
Banca Antonveneta	395
Biverbanca	108
TOTAL	**3,088**

* Report to the Supervisory Department at Banca d'Italia. The comparison with 2008 is not significant given the corporate reorganisation that occurred during 2009.

Specific customer segments (SMEs, Institutions and Private) have been delegated by the Group to **253 specialised business centers**. Subsequent to the adoption of the new service model, the centres for Small Medium Enterprises were under review in the third quarter of 2009.

The Group's distribution network also relies on **836 financial advisors and 163 financial advisory offices open to the public of MPS Banca Personale**.

The table below summarises the Distribution Network of the Montepaschi Group:

Montepaschi GROUP DISTRIBUTION NETWORK

Channel	31.12.2009	31.12.2008
Domestic branches*	3,088	3,104
Financial Promoters Offices	163	167
Total domestic sales outlets	3,251	3,271
Foreign branches	41	39
SME Business centres	113	119
Institutional Business Centres	50	37
Private Business Centres	90	73

* Report to the Supervisory Department at Banca d'Italia. The data does not include the specialised units at MPS Capital Services Banca per l'Impresa.

With regard to **innovative channels**, the Group continued with its process of transformation of the branch from a traditional channel to an **advanced customer relations centre**: the increasing use of innovative channels by Montepaschi Group customers is, today, an affirmed, dynamic and continuously-developing reality.

In 2009 **customer-targeted initiatives by the Group were aimed at the promotion of telematic service**s, with a particular focus on integrated multi-channels whose interfacing services were improved and implemented with new, additional features. In terms of **Consumer banking, contracts at 31/12/2009 exceeded 1,350,000** among which there was a prevalence of integrated multichannel contracts (over 636,000) followed by Internet Banking contracts (over 471,000). In the final quarter of the year, approx. 80,000 new contracts were registered, mainly of the integrated multichannels type. With regard to **Corporate banking**, on the other hand, the **number of contracts registered as at 31/12/2009 exceeded 37,200** (over 32,000 Internet Corporate Banking contracts). Approx. 200 new contracts were signed in the last quarter.

Furthermore, in 2009 the Group completed the migration of its **ATMs** to Microcircuit technology in its ever-increasing aim of keeping fraud at a minimum. In addition, the installation of remote ATMs continued in locations of high commercial interest. **Montepaschi Group ATMs totalled 3,635 as at 31 December 2009**.

The direct foreign network

The direct network of the Montepaschi Group has a strong footprint 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, for the purpose of:

- **providing Italian customers with a wide service network** in support of foreign trade and internationalisation;
- **capturing trade finance flows**;
- **taking part in the economic activities of developed or high-growth markets** so as to diversify the income base, using a prudential approach.

The Montepaschi Group International network is made up of operational branches, representative offices and Italian desks aimed at ensuring the best possible commercial and financial support in the relevant markets:
The **branches,** located in London, New York, Hong Kong and Shanghai, operate with a twofold objective; (i) to increase commercial activity – in alliance with the group's domestic network – aimed at supporting Italian customers operating in foreign markets, and (ii) be present in the major financial markets with a view to diversifying the credit portfolio and provisioning sources for treasury liquidity, through *wholesale banking*;
The **Representative Offices**, 11 in total, located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China), are functional areas of support which interact with the domestic networks to assist Italian companies in their commercial and manufacturing internationalization activities;
Italian Desks (no. 2), so-called "light-weight" structures, located in countries with a strong commercial appeal for Italian companies (Rumania and Spain). They have the task of supporting customers who operate in these markets.

MPS WITHOUT FRONTIERS

Package of retail services offered to foreign immigrants, legally resident in Italy, through which c/a holders can carry out money transfers to their own country on concessional terms with no commissions payable on pre-defined amounts.

To support this packet, and with the objective of creating synergies in managing funds remitted to the countries of origin of foreign immigrants, agreements were made with: Banka Credins (Albania), Compagnie Bancarie de l'Afrique Occidentale – CBAO (Senegal), Attijariwafa Bank (Marocco).

In the first half of 2009 **collaboration agreements** were signed with the following foreign Banks:
Banco de Santander – The agreement aims to provide assistance to Montepaschi Group customers operating in **South America**. A strategic operational alliance which enables the Group to support companies in their expansion in one of the most interesting areas of business development, leveraging a key player like Santander, leading bank in the Latin-American market with a strong foothold in the 8 major countries. The collaboration with Santander was also extended to **Spain**, with an agreement that involves setting up an MPS Desk within the Santander branch in Valencia aimed at furthering commercial initiatives especially with respect to Spanish companies with Italian capital, with the support of the partner bank. In **Portugal**, on the other hand, an agreement was signed with the Santander subsidiary, Totta.

Raiffeisen Zentralbank Oesterreich AG (RZB) – The agreement was signed for the purpose of increasing its presence in the markets of Eastern Europe and the Confederation of Independent States (CIS), supporting our customers in their internalisation process. **RZB** is the third-largest bank in Austria and is the central institution of Austrian cooperative banks. As a result of its strong involvement in Eastern Europe (EEC), the remarkable development of its operations in the area and its appeal to customers, the bank is now one of the leading players in the region. RZB is located in 15 countries including CIS, the Balkans and Central Eastern countries.

Banca Transilvania – With a view to consolidating its operations in Rumania, the Group renewed and increased its collaboration with **Banca Transilvania**, where the Montepaschi Group has a desk, in order to assist customers in the Romanian market and encourage access to the banking services offered by the partner bank.

Société Générale – In North Africa, the Société Générale Group boasts a leading position in Maghreb due to the direct and consolidated presence of its subsidiaries and its extensive distribution network in each of the countries. Having signed the framework agreement with the Head Office in Paris, there followed further operational agreements with the subsidiaries of the respective countries so as to understand better the specific needs of the individual markets: National Société Générale Bank (**Egypt**), Société Générale Algérie (**Algeria**) and Union Internationale des Banques (**Tunisia**). These operational agreements enforce our ability to support and provide services in the North African areas where we are already present.

Payment and collection systems

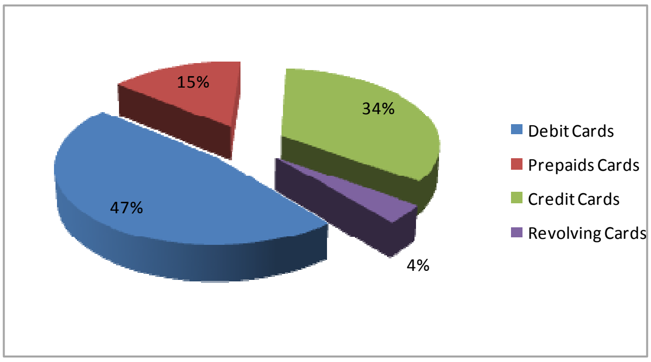
The initiatives undertaken in 2009 in relation to payment and collections systems mainly focused on adjustments for compliance with the new banking rules and on the development of the new collection and payment systems in line with the **Single Euro Payments Area (SEPA)** subsequent to the adherence by the banks of the MPS Group to the new European schemes.

Pending the enactment in 2010 of the new **European Payment Services Directive (PSD)**, an analysis of the individual services was carried out, which made it possible to identify the areas of intervention and launch the implementation activities concerning all contractual, commercial, functional and operational aspects involved.

The Group also continued to develop its other SEPA-targeted activities, completing the technical requirements for the "European bank transfer" (SEPA Credit Transfer) to be rolled out on all channels with the original estimated date of release being postponed to the first quarter of 2010. The Group also completed work on its new sales offer and on the processes relating to the new "European Collection" system, SEPA Direct Debit, released in November 2009.

With regard to **P.O.S. payments**, the number of terminals for the Group saw a fall in 2009 though still remained **in excess of 136,000 units**. The loss was mainly due to the closure of various businesses as a result of the economic crisis as well as the sale of 15 branches by the Parent Company to Banca Popolare di Puglia e Basilicata. It should be noted that as of 1/1/2009 the Montepaschi Group manages its own acquiring service, **MPShop**, also for the acceptance of international cards such as VISA, VISA Electron, V-Pay, Mastercard and Maestro (in addition to the PagoBANCOMAT cards). For this reason, 2009 saw activity gradually intensifying on the contractual migration of POS positions from the acquirer CartaSi to **MPShop**.

At the end of 2009 **MPS Group circulating payment cards** (distributed by Banca Monte dei Paschi di Siena, MPS Banca Personale, Banca Antonveneta and BiverBanca) totalled **3,263,166**, up 0.8% on 31.12.2008.



The trend in the number of cards held in the portfolio was impacted by the activities carried out on individual types of card for the year: (i) streamlining and "cleansing" of low/non used cards or of cards with potential risk (reduction of **Charge Cards**); (ii) release of Visa Electron chip-embedded products and new distribution methods for cards immediately issued to customers by the operator (increase in **Debit Cards**); (iii) excellent performance for SPIDER, KRYSTAL Best card and "ethical" personalised cards (increase in **Pre-paid cards**).

Among the more significant events of 2009, the following should be particularly noted:

- the sale of Consum.it cards as part of "all-inclusive" accounts;
- the release, by Consumit, of the **"Unica" Card for Employees** (marketed as of Februrary) and of the **Monofunctional Gold "Unica" Card** (marketed as of July);
- the integration of the products catalogue of the BMPS Network with the "ethical" pre-paid cards such as those for the Meyer Hospital in Florence, AVIS, LIPU, 'operation Smile', among others, marketed by the former Banca Toscana (merged into BMPS at the end of March 2009);
- the **business agreement with American Express** for the marketing of their Green, Gold, Platinum and Business cards for Banca Monte dei pachi di Siena, Banca Antonveneta and BiverBanca;
- the across-the-network marketing activity for the new issues and renewals of the **Mondo Card Plus Visa Electron with chip-embedded technology and OLI** (On Line to Issuer) authorization mode which allows the issuing bank to approve payments and withdrawals in real time, both in Italy and abroad, subject to standard controls on card validity and soundness as well as current account balance. The card meets SEPA requirements through the Bancomat/Pagobancomat International circuit.

Human Resources and Organisational Development

Ahead of the guidelines set out in the 2008-11 Business Plan, in 2009 the management and organisation of human resources were oriented towards the following priorities:

- completion of **Group restructuring**, through corporate mergers, centralisation of back office activities and review of the operating processes;
- delivery of **efficiency objectives and further reduction/relocation of personnel**, with consequent effects in terms of lower structural costs and growth of the front-to-back ratio;
- definition and rapid roll out of the **new management model**, which involves the univocal responsibility of the Parent Company in relation to all operating **personnel** with benefits on the head office/network ratio;
- ***post-integration*** **cultural standardisation of the Network**, especially through the exchange of resources covering roles of responsibility, the activation of service models and appropriate training for their proper application;
- **consolidation of professional quality**, with priority given to front-end roles, through an accurate review of responsibilities, mapping of individual skill, targeted training and implementation of development plans/career paths aimed at ensuring planned coverage of organisational roles identified and management turnover.

As for one-off and additional initiatives put in place by the Group to effectively counter the **effects of the economic crisis on credit quality, consistent and targeted measures were implemented in terms of both organisation** (changes to the organization, reinforcement of structure and activities), **and of human resources** (reinforcement of network staff in terms of number and quality).

Specific focus was given to the Network with a view to accelerating the **standardisation of commercial, operational and risk monitoring behaviours of former Banca Antonveneta resources**, through a series of combined initiatives: the interchanging of resources (particularly branch managers), training, supervised on-the-job training and organised branch visitis..

❑ HEADCOUNT

As at 31 December 2009, the **Group** headcount in terms of actual "workforce"[15] came to **32,003, a reduction of 2,185 resources with respect to 31/12/2007** (baseline of the 2008-11 Business Plan).

MPS GROUP STAFF

	31/12/07(*)	31/12/2008	31/12/2009
Workforce	34,188	32,867	32,003
On a payroll	34,246	32,951	32,047

(*) Baseline Business Plan 2008-11, **Biverbanca** (**696 employees**) and **Banca Antonveneta** (**9.383 employees**) workforce included.

More specifically:

- **Outflows of personnel** came to **3,447** (approx. 98% of the total planned for the period 2008-11), of which **2,355** high seniority staff accepting the **Early Retirment and Solidarity Fund Package**. Total outflows from 01/01/09 to 31/12/09 came to 1,636;
- **New-recruits** came **to 1,346**, the majority of whom were assigned to the Network (639 in 2009);
- **Professional conversion from Head Offices to the Network of 700 resources** (mainly with regard to Banca Antonveneta), through individual training paths structured into a sequence of operational and learning experiences;
- **Outflow** of **84 resources** as a result of asset disposals[16].

The front-office to total staff ratio was substantially stable with respect to the start of the year, coming to 64% as compared to 62% as at 31/12/2007 and a goal of 67% estimated by the end of the Plan.

The table below shows a breakdown of the MPS Group workforce by operational location:

MPS GROUP WORKFORCE: DISLOCATION BY STRUCTURE

STRUCTURE	31/12/2007(1)	% OF TOTAL	31/12/2008	% OF TOTAL	31/12/2009	% OF TOTAL
Network & Call Center	**21,365**	**62%**	**21,088**	**64%**	**20,339**	**64%**
Head Quarter	**12,823**	**38%**	**11,779**	**36%**	**11,664**	**36%**
- H.O. Italian Banks	*8,155*	*24%*	*6,675*	*20%*	*6,592*	*21%*
- Product Companies	*1,460*	*4%*	*1,223*	*4%*	*1,272*	*4%*
- Service Companies	*2,470*	*7%*	*3,143*	*10%*	*3,048*	*10%*
- Other Activities (2)	*738*	*2%*	*738*	*2%*	*752*	*2%*
TOTAL	**34,188**	**100%**	**32,867**	**100%**	**32,003**	**100%**

(1) Baseline Business Plan 2008-11, **Biverbanca** (**696 employees**) and **Banca Antonveneta** (**9.383 employees**) workforce included.
(2) Foreign branches and representative offices and others activities.

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[15] *Value obtained by deducting from the payroll all resources seconded to non-Group companies and those belonging to Professional Area Band I working short-time (cleaning staff).*
[16] *Disposal of SGR (Asset Management Company), elimination of Intermento SIM from Group consolidation area, entry of AXA SIM, etc..*

The table below shows a breakdown of the MPS Group workforce by professional position:

BREAKDOWN OF STAFF BY JOB CATEGORY

CATEGORY	ACTUAL NUMBER	% OF TOTAL WORKFORCE
Executives	565	1.8%
Managers	11,319	35.4%
Other Professional Areas	20,119	62.9%
TOTAL	**32,003**	**100%**

Personnel with University degrees account for 31% of the total, with the highest incidence for Executives (approx. 47%).

MPS GROUP WORKFORCE: EMPLOYEES BY QUALIFICATION

QUALIFICATION	% OF TOTAL
Degree	30.8%
High school	59.5%
Others	9.7%
TOTAL	**100%**

MPS GROUP WORKFORCE: MIX OF CREDENTIALS

AGE	% FEMALE	% MALE	% OF TOTAL
up to 30 years	6.6%	5.1%	11.7%
31 to 40 years	16.1%	12.3%	28.4%
41 to 50 years	15.1%	19.4%	34.5%
over 50 years	6.4%	19.0%	25.4%
TOTAL	**44.2%**	**55.8%**	**100%**

MPS GROUP WORKFORCE: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% FEMALE	% MALE	% OF TOTAL
up to 10 years	28.9%	35.7%	64.6%
11 to 20 years	6.7%	6.7%	13.3%
21 to 30 years	7.0%	8.1%	15.1%
over 30 years	1.6%	5.3%	7.0%
TOTAL	**44.2%**	**55.8%**	**100%**

The average age at Group-level (following the acquisitions of Banca Antonveneta and Biverbanca) is 42.8 years, in line with the Bank Industry average (42.5)[17]; women make up 44.2% of personnel (vs. 42.1%).

[17] *"2009 Report on the job market in the financial industry – Remuneration system and incentives in Italian and European bank", Bancaria Editrice.*

❑ OPERATIONAL STRATEGIES

DEVELOPMENT OF HUMAN RESOURCES

With regard to the strategic frame work described previously, the more significant intiatives for the period were those concerning:

- the III issue of **career paths**[18], which uses the **PaschiRisorse system** as a key tool for planning and monitoring the individual skills of each role and checking the levels of suitability of an individual employee with respect to a set profile. As a whole, the paths involve around **600 resources** across the Group.
- **Internal selection process** aimed at identifying young resources with highly specialised qualifications to be assigned to the more innovative strategic functions (credit processes and models, compliance, risk management, etc.);
- the regular use of a **self-develpment "workshop"** as part of the **resource enhancement** plan so as to gain insight into individual skills with the aim of strengthening employee know-how, direct professional growth and create a pool of resources from which the future management of the Group will be generated. So far, approx. 340 employees have been identified by the initiative;
- the **mapping of the managerial qualities** of Executives and Middle-Managers who hold positions of high responsibility in both the Network and Head Offices in order to support operating strategies and develop **continuity plans** (approx. 500).

TRAINING

On the basis of the **Annual Training Plan**, outlining all the training initiatives planned for the year in terms of guidelines, objectives, timing, content, target personnel, method (classroom, on-line, structured on-the-job training), financial and organisational sustainability (man days estimated), the activities carried out in 2009 targeted four main macro-areas:

- training in **service models** for former **Banca Antonveneta personnel** (classroom courses involved over 2,000 resources operating in the Network, including Branch and Client Managers; in addition, a "dedicated" task force was used to complete their on-the-job training);
- **reinforcement of loan management skills** for network staff, both in terms of business opportunities and of risk monitoring;
- **individual role-based training** (for new hires and throughout subsequent development), through the updating of the GRAF19 and PAFI[20];
- **training in insurance and social security** with a focus on the segments of "life insurance" and "damages" in addition to Isvap regulations;
- **specific training** (pricing, safety and security, MiFID, compliance, etc.).

In addition, a training course on the new personnel management and development system was launched during the year for Human Resource Managers (around 60 employees involved in total).

Total hours of training for the year came to over 1 million, with a Group per capita of around 37 hours.

INDUSTRIAL RELATIONS

Industrial relations were characterised by a period of ongoing dialogue with the Unions with regard to:

- the implementation of centralisation projects set forth in the Business Plan, with a specific focus on the **merger by absorption of Banca Toscana** into Banca Monte dei Paschi di Siena, achieving expected efficiency objectives (within a framework of skills optimization based on the demands of the Network and Parent Company);
- asset disposal (transfer of Monte Paschi Asset Management SGR to Clessidra, sale of 15 branches to Banca Popolare di Puglia e Basilicata);
- corporate reorganisation (ABN Amro Asset Management SGR and MPS Leasing & Factoring);
- launch of trade union procedures for the standardisation of work contracts of the banks merged into Banca Monte dei Paschi di Siena.

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18 *"Vertical" paths regulate upgrading to target positions up to second-level managers. "Horizontal" paths encourage skill integration in relation to same-level positions.*
19 *Guida per Ruoli alle Azioni Formative (A Guide to Roles Training Actions)*
20 *Programmazione delle Attività Formative Individual (Individual Training Action Plan).*

ORGANISATION

The main projects coordinated by Organisation in 2009 were:

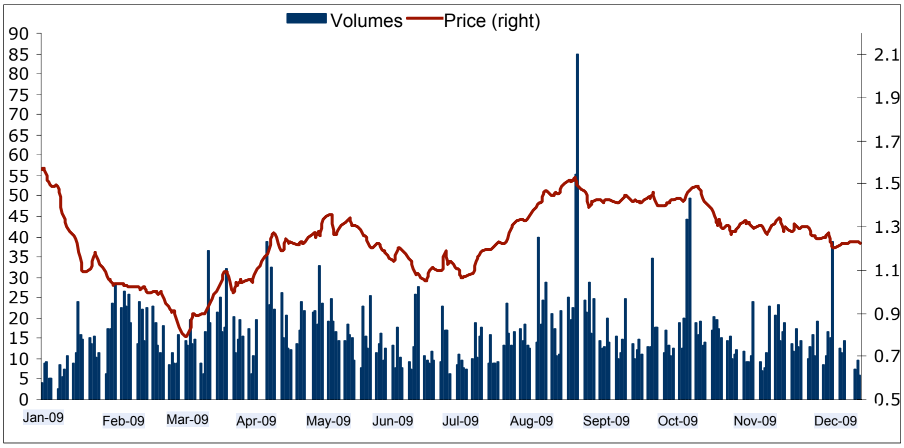
- completion of the **Group's new organisational model** (set-up, responsibilities and sizing) and issue of **rules for interaction among operating units** (regulations and guidelines regarding the exercise of responsibilities in relation to corporate processes);
- in support of the absorption of **Banca Toscana** and **ABN AMRO Asset Management SGR, analysis, guidance and coordination** for the implementation of the other **projects contained in the Business Plan**;
- **full integration of the distribution units of the merged Banks** (Banca Agricola Mantovana, Banca Toscana and Banca Antonveneta), through targeted initiatives of operational alignment, development of service models and commercial relaunching;
- implementation of the **plan to streamline the Network back-office** by centralising activities/resources on the Montepaschi Group Operations Consortium with the aim of achieving a higher level of operational efficiency and improving the quality of service to customers;
- **rationalisation of the branch network** by optimising geographic footprint with the gradual elimination of overlapping branches and making the most out of the potential of the Group's current areas of 'settlement';
- the start-up and continuation of **significant projects of organisational adjustment and transformation as set forth in the Business Plan** and according to the requirements of external regulations (roll out of new SME service model, new centralised Documents centre, review of payment and collection services for alignment with the guidelines of the new P.S.D. Directive – *Payment Services Directive*).

BMPS shares, Shareholders' base and Credit Ratings

SHARE PRICES

After massive sales at the start of the year, the stock market picked up again as of mid-March 2009 allowing major stock market indices to edge higher with respect to the end of 2008 (Dow Jones +18.8%, S&P 500 +23.5%, FTSE MIB +19.5%, DJ Euro Stoxx Banks +48.9%). BMPS shares stood at 1.228 euro at year-end (-19.5%) after a better performance in 2008 when compared to both the Italian banking system (approx. 8 percentage points) and the European system (approx. 14 percentage points).

BMPS SHARE PRICE (from 31/12/08 to 31/12/09)



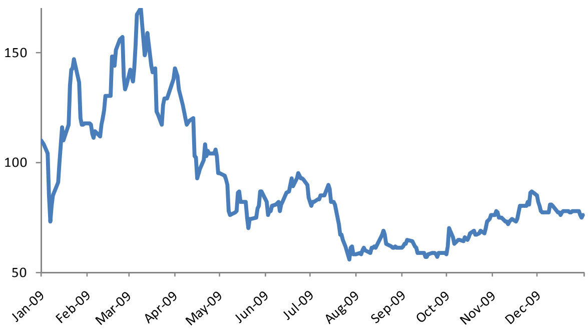
Source Thomson Reuters

BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/08 to 31/12/09)

Average	1.24
Low	0.77
High	1.62

Well-performing BMPS' CDS (5Y Senior) confirmed to be among the lowest levels within the Italian and European banking systems, closing the year on 76 bps (112 bps at the end of 2008).

TREND OF BMPS CDS (5Y Senior) (from 31/12/08 to 31/12/09)



Source Bloomberg

CAPITALISATION AND SHAREHOLDERS' BASE

At the end of December 2009, BMPS' market value, calculated on the basis of 6,701,150,820 (ordinary and preferred) outstanding shares was approximately 8.2 bln euro.

SUMMARY OF REFERENCE PRICES AND CAPITALIZATION

	31.12.08	31.12.09
Price (euro)	1.53	1.15
N. ordinary shares	5,545,952,280	5,569,271,362
N. preferred shares	1,131,879,458	1,131,879,458
N. savings shares	18,864,340	18,864,340
Capitalization (ord + pref) (euro mln)	10,217	8,229

With regard to the bank's shareholders' base, on the basis of reporting pursant to art. 120 Legislative Decree 58/98 to the Italian Securities Commission (Consob) and BMPS, the major shareholders were: the MPS Foundation (majority shareholder with 45.68% of the ordinary share capital; JP Morgan Chase with 5.54%; Axa S.A. with 4.56%; Caltagirone Francesco Gaetano with 4.45%; Unicoop Firenze with 3.32%.

MAIN SHAREHOLDERS in compliance with art. 120 D.Lgs. n. 58/98	
Fondazione MPS	45.68%
JP Morgan Chase	5.54%
Axa S.A.	4.56%
Caltagirone Francesco Gaetano	4.45%
Unicoop Firenze – Società cooperativa	3.32%

VOLUMES

In 2009 the number of BMPS shares traded on a daily basis averaged approx. 16.4 million with a peak of 84.9 million in August and a low of 2.7 million in January.

MONTHLY VOLUMES OF SHARES TRADED

2009 VOLUMES SUMMARY

	(in millions)
January	212
February	390
March	360
April	384
May	370
June	285
July	291
August	514
September	363
October	417
November	293
December	276

CREDIT RATINGS

Following are the credit ratings assigned as at 31 December 2009:

Rating Agencies	Short-term debt	Long-term debt
Moody's Investors Service	P – 1	A1
Standard & Poor's	A – 2	A-
Fitch Ratings	F – 1	A

It should be noted that on 1 July 2009, in conjunction with an extensive review of the Italian credit industry ratings, Moody's Investors' Service downgraded the mid-long term rating of the Issuer from Aa3 to A1 with a stable outlook; financial strength was downgraded from C to C- with a negative outlook.

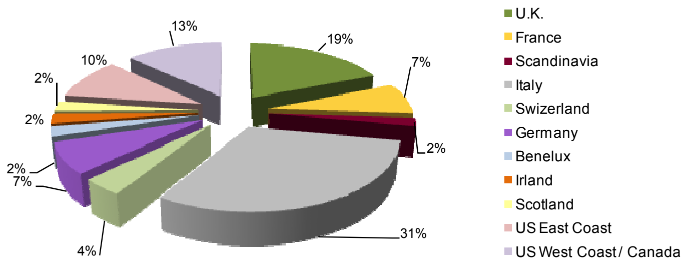
On 17 August 2009, Fitch Ratings confirmed the short and long term rating assigned to Banca Monte dei Paschi di Siena S.p.A. "A/F -1" with a stable outlook.

In addition, in August 2009 the Fitch Rating for the subsidiary, MPS Gestione Crediti was increased (RSS2-, CSS2- from the previous RSS3+, CSS3+).

On 1 October 2009, Standard & Poor's modified the short and long term rating assigned to Banca Monte dei Paschi di Siena S.p.A. from "A/A-1" to "A-/A-2" with a stable outlook.

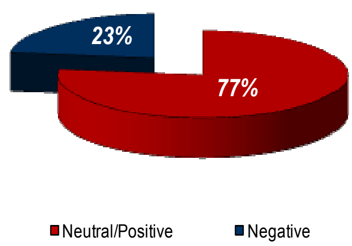
INVESTOR RELATIONS IN 2009

Following on from 2008, in 2009 the Investor Relation team's interaction with the financial community was highly proactive. As a whole, over 50 days of meetings were held in the year between the top management of the Montepaschi Group and institutional investors from 15 different countries. Following is a geographical breakdown (in %) of days dedicated to roadshows/marketing:



GUIDANCE ON MPS SHARES

With regard to guidance on BMPS shares, as at 31 December 2009, 77% of analysts covering BMPS shares maintained a neutral/positive outlook whereas 23% expressed a negative one.



Communications

In 2009, in addition to completing the internal communications initiatives and those targeting the financial markets (see paragraph "Investor Relations in 2009"), the Montepaschi Group intensified its institutional and commercial communications, media relations management and its activities of sponsorship and promotion, all with the twofold objective of enhancing and monitoring the corporate image and brand.

In terms of internal communications, in addition to the usual support provided to the units/companies of the Group, initiatives also included the publication of the electronic newsletters **Filodiretto7** (weekly) and **Filodiretto30** (monthly), providing all employees of the Montepaschi Group with the latest information. On the other hand, **Filodiretto Advice**, containing an insight into operational and commercial issues, is aimed at operators using the advisory services platform, MPS Advice. Furthermore, with the purpose of increasing awareness and providing a specific focus on exceptional news items or events within the Group, the afore-mentione house organs are further supplemented by the newsletters **Filodiretto7 Special Edition and Filodiretto1**.
As for **Corporate television, MONTEPASCHI Channel**, in 2009 the Group included several new productions among its listings and established itself as a centre of production offering multimedia support to the entire Group. Listings were enhanced with dedicated programmes and existing ones were restyled. **MPS BP Channel**, the Corporate TV channel aimed at the approximate 840 financial advisors of MPS Banca Personale, confirmed itself as being highly appreciated by colleagues
Press reviews for the network are published on the company intranet site both at national and local level with the latter being broken down into 3 geographical areas, Northern, Central and Southern Italy.

In terms of **media communications**, the Montepaschi Group intensified its relations with the main national and local newspapers to ensure coverage of major "company events"; in 2009 these included: delivery of the 2008 Annual Report and announcement of new appointments within the Group, the joint press conference with Clessidra for the launch of Prima SGR, the presentation of the anti-crisis measures for the Corporate segment, company mergers by absorption of Banca Toscana and MPS Banca Personale, the kick-off of the new company's TV commercial, "Una storia italiana" ("An Italian Story").
Particular importance was attached to **local communication** aimed at promoting the image of the Montepaschi Group at regional level through the widespread distribution of information through local newspapers, TV, radio and websites.
As for **institutional communication, a new advertising campaign** was developed with Marco Bellocchio as director with the aim of increasing brand awareness, strengthening the company's market positioning and leveraging on the brand's strong image (reassurance, confidence and soundness). Strategic communication concerned all the main media channels (TV and radio) and was boosted further by the important web-oriented initiatives carried out by the Parent Company which involved the launch of a dedicated site www.unastoriaitaliana.it and the brand portal on YouTube as a result of the strategic collaboration agreement with Google.

Several sponsorships were provided in 2009 with a view to consolidating and developing commercial and business relations with the major players in the relevant sectors. **Sales promotion activities were also put in place as were prize competitions**. Sponsorships included:

- **cultural**
  - ✓ the exhibition "*100 years of the Vivo Aqueduct*" at Siena's City Hall which provided some interesting insight from both a historical and technical perspective into the construction of the city's aqueduct and its subsequent management;
  - ✓ the itinerant exhibition for the "150th anniversay of the newspaper *La Nazione*", in conjunction with the publishing company 'Poligrafici editore' which involved all the main branches of Banca Monte dei Paschi in Tuscany;
  - ✓ the 2009 *Summer Festival*, the traditional show in the town square in Lucca with all the current leading international and Italian pop musicians;
  - ✓ supporting the *Teatro Povero di Monticchiello*, an original popular theatre which went from being a local expression of art to achieving nationwide success as a result of its originality and the quality of its plays over the years;
  - ✓ the 4th edition of the *Festa del Documentario* ("Documentary Festival"), showing a collection of short movies by young directors in Siena;
  - ✓ supporting the Siena Jazz Foundation *La Città Aromatica* ("The Aromatic City"), a traditional summer music and song event in Siena.

- **sports**
  In addition to the long-standing relations with A.C. Siena football club, Mens Sana Basket, A.C. Arezzo football club, Baseball Club Orioles Grosseto, Libertas Tennis Table Siena, Viadana Rugby, the Virtus Poggibonsi sporting association, Colle Basket, Colligiana Calcio, Poggibonsi Basket, Mantova Calcio, Viadana Calcio, Basket Bancole, Top Team Volley Mantova, the following are of particular note:

  ✓ sponsorship of the GEAS female basketball team, Milan
  ✓ agreement finalised with Siena's female football sporting association
  ✓ sponsorship of the Italian Federation of Canoeing and Kayaking.

  The more significant events included:
  ✓ the cycling race, Monte Paschi *Strade bianche professionisti*;
  ✓ the International horserace – "La Bagnaia";
  ✓ the World Cup Skiing stage events in Val Gardena (Gröden) and Cortina;
  ✓ the 35th edition of the Rome Half-Marathon;
  ✓ the male tournament, ATP Challenger Tour organized by the Orbetello Tennis Club;
  ✓ the MPS Golf tournament in Punta Ala and Argentario.

- **social**
  ✓ The Montepaschi Group sponsored "La Fabbrica del Sorriso 2009", a fund-raising initiative in support of solidarity projects in favour of children in need in both Italy and the world. Promoted by Mediafriends, the fund-raising event took place in March and was extended to 12 April by the Montepaschi Group through several ad hoc initiatives throughout Italy.
  ✓ Sponsorship of the "Summer Olympics of the Heart" continued. In 2009 funds were raised in support of the project, "Friendship Power", aimed at developing activities within the Multi-purpose Centre for childhood assistance, schooling and training in Moralagawattha – Pilana, Thelapythia and Thakola in Sri Lanka.
  ✓ With regard to the Italian Red Cross 150th anniversary celebrations, the Montepaschi Group renewed its support of the social issues dealt with by the I.R.C. by sponsoring the celebratory event.

- **economic**
  Among the numerous initiatives undertaken, of particular importance was the sponsorship of Promosiena, a special agency of the Chamber of Commerce which is specifically dedicated to the promotion of local businesses in the main foreign markets. The Group also confirmed its long-standing sponsorship of *Enoteca Italiana*, an Italian Wine Institute which aims to develop and promote the great Italian wines and the Italian wine industry in general.

The **prize competitions** and promotions sponsored in 2009 included "Pensarci prima è meglio" ("It's better to prevent") and "L'unione che ti protegge" ("The alliance that protects you") based on protection issues and carried out in conjunction with the insurance company, AXA-MPS. In terms of **online** communication, a special prize competition was designed around Banca Monte dei Paschi's advertising campaign and launched on the web-site www.unastoriaitaliana.it.

With regard to **special initiatives**, the year saw the launch of fund-raising activities to re-build the areas struck by the earthquake in Abruzzo as well as a similar charity initiative during the Christmas period in favour of solidarity projects carried out by local associations and socially useful not-for-profit organisations operating in the main Italian cities.

Corporate Governance and other information

Pursuant to art. 2497 of the Civil Code, Banca Monte dei Paschi di Siena directs and coordinates the activities of its direct and indirect subsidiaries, including companies which, under current regulations, do not belong the Banking Group.

The information relating to the transactions and relations between the Bank/Group and related parties can be found in Part H of the Notes to the Financial Statements.

The information relating to the Corporate Governance system and to the ownership structure of Banca Monte dei Paschi di Siena – prepared in accordance with art. 123 bis of the Consolidated Law of Finance – may be referred to in the separate "Report on Corporate Governance" which, following approval by the Board of Directors, will be published and available on the Bank's internet site, www.mps.it under the section http://english.mps.it/Investor+Relations/Corporate+Governance/.

The Corporate Social Responsibility of the Montepaschi Group

This chapter summarises the main initiatives put in place by the Montepaschi Group in 2009 within the area of **Corporate Social Responsibility** (CSR)[21]. Such initiatives were developed by attaching special importance to Customers and Personnel (whose expectations and related fulfillment rank high in the scale of values of the Group), **Society** and the **Environment**.

The adoption of a comprehensive model for measuring CSR performance has led **to specific evaluation indicators being identified at Group level** for each of the categories of development cited above, thus incorporating the non-financial performance variables of sustainability within the more complex system of planning, control and reporting. The main indicators monitored (see table below) show a generally positive performance for the Group, also confirmed by the inclusion of BMPS shares in the most important financial indexes of sustainability: **Dow Jones Sustainability Indexes** (Stoxx and, as of this year, also World) and **FTSE4Good Index Series** (Europe and World).

Objectives		**Performance Indicators**	**2009**	**2008**
Employees	Developing human capital, optimising the quality of work and the satisfaction-motivation of employees	▪ Employee perception index (scale 20-100)	65.2	64.5
		▪ Turnover (%)	0.45	0.97
		▪ Per capita training (days)	4.74	6.8
		▪ Women executives-managers (%)	29.6	26.5
		▪ Female employees (%)	44.2	43.2
Customers	Increase customer satisfaction by being on the "customers' side" with simplicity and transparency	▪ Customer perception index (scale 20-100)	73.5	73
		▪ Client retention (%)	93.9	95.3
		▪ Complaints (no.)	11,267	10,258
Company	Developing services for "less evolved," low-income clients experiencing economic difficulties	▪ Microcredits (no.)	312	158
		▪ Migrant banking (% clients)	4.7	4.4
		▪ Suspended mortgages – retail customers (no.)	8,200	--
		▪ Suspended mortgages – companies (no.)	6,858	--
	Improving the supply chain's performance	▪ Rating supplier sustainability (scale 1-10)	4.7	--
		▪ "Green" purchases (%)	4	--
Environment	Reducing the consumption of resources and the environmental impact of operations	▪ Energy consumption (TEP - Ton of Equivalent Petroleum) per capita	2.03	1.99
		▪ CO2 emissions (kg) per capita	1,226	1,858
		▪ Report Card (kg) per capita	75	103
	Developing businesses in the green economy markets	▪ Financing for renewable energies (millions)	379	320
	Increasing the environmental quality of credit	▪ Mid-low environmental risk for specialised credit transactions (%)	77	--
		▪ Mid-low environmental risk for loans to large companies (%)	67	--

As in the past, CSR actions continued to be implemented by the Group in its search for the right balance between regulatory compliance, competitive choices, consistency with the Code of Ethics and with the various stakeholder views, and involved the following areas:

[21] *For additional information on this topic please refer to the Annual Report on Corporate Social Responsibility for the Montepaschi Group, which can be found – together with further commentaries and continuous updates – on our website www.mps.it under "Our values".*

RISK CONTROL, TRANSPARENCY AND MARKET ETHICS

The economic crisis has revealed the importance of systemic responsibilities of banks. In terms of sustainability, one of the objectives is to mitigate the effects of such risks on the real economy. For this reason, it is necessary to ensure that appropriate measures of governance, planning and control are in place so as to guarantee correct and transparent market behaviours.

Although under this respect no responsibility is attributable to the Montepaschi Group in virtue of its traditionally prudential approach to financial management, the Group -in compliance with the Code of Ethics and in continuous alignment with the Italian Government and Supervisory Authorities- has:

- responded promptly to the new regulatory requirements for corporate governance and risk management;
- strengthened its risk management and control systems as well as the level of capital needed for risk coverage;
- further developed policies in relation to remuneration, confirming its propensity towards long-term sustainable objectives.

RESPONSIBILITIES IN LENDING AND FINANCIAL PRODUCTS DISTRIBUTION

Within a continuing difficult market scenario, particularly in terms of real economy, the Montepaschi Group:

- confimed its support to households and businesses in financial difficulties with specific measures designed to mitigate the impact of the crisis (see "Segment Reporting, Sales & Marketing policies and Research & Development");
- continued lending to customers without relinquishing its traditionally prudential approach in its selection of risk. In particular, in its continuous alignment with the rating models developed under the Basel 2 provisions, the Group has endeavoured to reconcile as much as possible its aim of optimising the quality of loans with the need of businesses to be granted financing so as to further continue and develop their activities;
- worked towards ensuring terms and conditions of service capable of further improving the levels of protection and expanding customer choices, also through the prompt implementation of the new transparency rules.

The Group has operated with careful consideration, actively taking part in the development of public-social policies and industry guidance in these areas, while maintaining a constant dialogue with market participants in order to evaluate the effectiveness of its actions.

Relations with the Italian Government, the Italian Banking Association (ABI), and trade and consumer associations have been particularly intense, with the aim of effectively responding to the economic crisis. The solutions proposed to the more vulnerable classes of customers have often pioneered new banking system agreements with similar objecives and contents.

CUSTOMER SATISFACTION AND REPUTATION

The following aspects were confirmed as having priority:

- assurance of customer service quality and customer satisfaction;
- control of risks and opportunities related to the company's reputation.

SUPPLY CHAIN MANAGEMENT

Considering the large number of suppliers and volumes of goods and services purchased, paying attention to their sustainability profiles is, for the Group, both a social responsibility and an important opportunity to improve operations. Since the start of 2009 a new supply chain management policy was introduced as per the criteria of sustainability, which committed the Group to:

- **involve suppliers in the Group's cost management objectives, evaluating them also from an environmental and social performance perspective** (the initiative will gradually involve all suppliers listed in the Group's Register and will be repeated on a three year basis);
- **minimise the environmental impact from the lifecycle of goods and services purchased** by significantly expanding the product catalogue and volumes of "green" purchases, with cost savings too (approx. 13 million Euro);
- **avoid failure to comply with the principles of business ethics** by defining criteria for the exclusion of products, services and suppliers (goods not in conformity with the minimum standards of health, safety and environmental protection; suppliers who do not respect human right, labour and environmental protection laws, etc.).

IMPACT OF BUSINESS ON SOCIETY AND THE ENVIRONMENT

Among the measures implemented by reason of their strong social, non-profit, reputational content, which often have indirect, long-term effects on the company's core business, the following should be included:

- **anti-crisis solutions for clients in difficulty** (see "*Segment Reporting, Sales and Marketing policies and Research and Development*");
- **education and awareness-increasing projects aimed at a more informed and responsible use of banking services used, as part of the Consumer Lab** (distribution of several basic information guides through the Group's network, consumer association channels and the web; several info-sharing and training sessions were introduced to the Network in order to analyse, both internally and with consumers, the "more heated" topics within customer-bank relations;
- **the development of an offer that favours the access to credit and other banking services by the more vulnerable sections of society**, by:
  - promoting the use of direct-banking services and broadening the range of transactions that can be effected, even without a current account;
  - increasing the percentage of immigrant clients (currently at 4.7%), thanks to the Group's consolidated specialised service model *Paschi Without Frontiers*;
  - significant intensification of the activities of the Group's company Microcredito di Solidarietà (255 small loans; there were fewer than 100 in the previous year), extending the target area taking the number of counselling centres in Tuscany to 29 (15 in 2008), reducing the interest rate from 4.5% to 2%;
  - joining the agreement between the Italian Banking Association and the Italian Bishops Conference under the auspices of which small loans will be disbursed to people facing particular hardships;
  - defining specific agreements with the local institutions to finance the needs of young people, university students and redundant workers.
- **social solidarity and contribution to managing humanitarian emergencies.**
  - confirmation of non-profit initiatives through charity and donations, without any direct economic purpose, for approx. 12 million.
  - promotion of various fund-raising activities for approx. 2.5 million (see chapter on "Communications"), also in connection with sales and marketing campaigns and with the sale of pre-paid cards combined with an "ethical" purpose.
  - ensurance of various forms of financial assistance to clients and populations struck by natural disasters (the earthquake in Abruzzo, the floods in Messina and Northern Tuscany).
- **"Ethical" disclosure and traceability of loans**
  - Confirmation of the Goup's internal policy which excluds arms trade involvement and draws to a close residual lending transactions so far dealt with by Banca Antonveneta within the framework of Law no. 185/1990.
  - Introduction of a new asset allocation policy for complementary pension funds of Parent Company's employees as of 1.1.2010, which incorporates ESG (Environment, Society, Governance) criteria in all investment lines of the funds.
  - Definition of a new "ethical" category of investment products placed by the Network (at present, it includes approximately ten funds which are mainly invested in Renewable Energy and Environmental sectors).
  - Development of a rating and assessment system which will allow customers to be informed on the sustainability level of the funds offered.
- **Environmental management of operations and business**

  Within an organisational and procedural framework that has conformed to standard ISO 14001 since 2002 (which currently covers over 80% of branches in Italy), the environment-protection initiatives implemented by the Montepaschi Group have mainly focused on the following:
  - **energy savings** by renovating and improving the efficiency of ICT equipment and adopting the eco-compatibility standard upon development/restructuring of the Group's branches;
  - **increasing the use of renewable energy sources** by extending this type of energy supply to Banca Antonveneta;
  - **optimising the management of consumables** through the increased use of eco-compatible paper and further regeneration and reutilisation of toner cartridges;
  - **reducing CO2 emissions** by encouraging employees to use for work purposes the Group's pool of company cars, that has progressively been expanded with ever more fuel-efficient, low-emission vehicles. Policies have been put in place for the rationalisation of the supply of consumables to reduce trips by suppliers of the Group to a minimum;

- **developing credit and investment policies which award environment-friendly processes and products**. This has led to over 1000 projects being financed in the renewable energy sector (photovoltaic and wind in particular) with a significant increase in volumes on the previous year (+18.5%), partly as a result of commercial agreements and targeted communication initiatives across the country.

Major events in 2009

Below is a summary of the more significant events of the Montepaschi Group in 2009:

- ✓ a disposal of undertaking, as of 1/1/09, which involved the transfer by Banca Monte dei Paschi di Siena S.p.A. of 403 branches, 9 SME centres, 4 Private centres, 6 Institutional client centres and 3 Geographical areas in North-Eastern Italy to Banca Antonveneta S.p.A. (former Nuova Banca Antonveneta S.p.A.), mainly arising from the merger of Banca Antonveneta S.p.A. into BMPS as well as from 9 shareholdings;
- ✓ merger by absorption of Banca Toscana S.p.A. into Banca Monte dei Paschi di Siena S.p.A. on 30 March 2009;
- ✓ merger by absorption of Agricola Poggio Bonelli S.p.A. into MPS Tenimenti Fontanafredda e Chigi Saracini S.p.A. effective as of 30 June 2009. Subsequent to the transaction, the merging company was renamed as MPS Tenimenti Poggio Bonelli e Chigi Saracini Società Agricola S.p.A. and, having acquired the status of an agricultural enterprise, its exclusion from the Montepaschi Banking Group was applied for and obtained;
- ✓ in October, the Board of Directors of the Parent Company opted for the merger by absorption of MPS Banca Personale and MPS SIM into Banca Monte dei Paschi di Siena. The transactions have already been approved by the Bank of Italy and will be completed in 2010;
- ✓ disposal of branches: in alignment with the asset disposal plan and Antitrust guidelines, the second half of 2009 saw the sale of 15 branches of Banca Monte dei Paschi di Siena to Banca Popolare di Puglia e Basilicata (7 in Lombardy, 6 in Piedmont and 2 in Lazio). Furthermore, in December a sale and purchase agreement was signed between Intesa SanPaolo and Banca Monte dei Paschi di Siena for the sale of 50 branches of Banca Monte dei Paschi di Siena to Banca Cassa di Rispamio di Firenze – Gruppo Intesa SanPaolo. As at 30 September 2009, the branches involved in this sale and purchase transaction had approx. 1.3 bln euro in total customer deposits, approx. 0.8 bln in indirect funding and around 1.5 bln euro in loans to customers. Once the relevant authorizations are obtained and prior trade union procedures are successfully completed, the transaction is expected to have and impact of 15 basis points on the Tier 1 ratio of Banca Monte dei Paschi di Siena.

As previously described in the section "*Management of Group equity investments*" and in alignment with the Group Business Plan, in 2009 the Group continued with its disposal of non-strategic investments. In particular, the sale of 75% of the share capital of Marinella S.p.A. was completed as was the sale of SI Holding. In addition, the Group Asset Management Companies underwent re-organisation which led to the sale of the entire share capital of ABN Amro Asset Management Italy SGR S.p.A. (AAA) and Monte Paschi Asset Management SGR S.p.A. (MPAM) and to the definition of a new partnership with Clessidra Sgr, which was finalised in April and which has the objective of developing an independent Asset Management company that will eventually hold a leading position in the Italian market. Through this partnership, MPS intends to fully and consistently comply with the new regulatory framework regarding conflicts of interest and to respond to the renovation of the Asset Management industry as required by the market. As part of the process of reorganisation, upon **selling its controlling interest in the Group AM companies (MPAM and AAA)**, the Group completed the transfer of all individual portfolio management activities to the Parent Company with the integration of AAA into the Bank's Assets Management Area.

With a view to ensuring sufficient lending to the economy and adequate levels of capital in the banking system, the **Government** issued **Law Decree 185/08** consisting in a series of measures designed to support the economy and, in particular, protect the stability of the financial system, safeguard household savings and facilitate lending to the manufacturing sector.

Pursuant to art. 12 of Law Decree no. 185 of 29 November 2008, converted and amended by Law Decree no. 2 of 28 January 2009 (hereinafter "Law Decree no. 185"), **the Montepaschi Group issued convertible financial "instruments" (Tremonti Bonds)** subscribed by the **Ministry of Economy and Finance on 30 December 2009**.

To this regard, the Montepaschi Group took the decision to join the initative and signed the Memorandum of Understanding, thus committing to:

- adopting a code of ethics which regulates the remuneration of top management and market participants;
- providing customers with sufficient disclosure of actions implemented to honour obligations and commitments undertaken;
- placing additional credit facilities in the amount of EUR 10 bln (i.e a 4.5% yearly average) at the disposal of small and medium Italian businesses from 1 January 2010 to 31 December 2012, compared to EUR 70.2 bln in loans disbursed on average in the previous two years (30 June 2007 – 30 June 2009) while upholding adequate credit quality standards;

- implementing activities in support of SMEs and households through specifically designed products (for example, suspension of mortgage instalments without additional charges for natural persons who have applied for Redundancy Benefits). More specifically, Banca Monte dei Paschi:
  - ✓ **contributes EUR 28.5 mln** (1.5% of the issue value of the Tremonti Bonds) to the **Central Guarantee Fund for SMEs** (under art. 11 of Law Decree 185/08). The Fund will favour access to credit facilities for guaranteed SMEs, which will further benefit from **more favourable economic terms and conditions being applied to them, ie. the lowest credit risk of the transaction will be taken into account**;
  - ✓ **facilitates access to liquidity to companies that hold credit positions towards Public Administration**, subject to acceptance and certification of the amount owed by the Public Administration;
  - ✓ **offers customers the possibility of suspending payment of mortgage instalments on the acquisition of a main home for a 12 month period** in those situations where the subscriber or another member of the same household is on an income-support aimed benefit due to temporary loss of work, has been made redundant or meets the requirements for receiving a one-off benefit under article 19 paragraph 2 Law Decree no. 185/08;
  - ✓ **considers advancing part of the extraordinary redudancy benefits** for those workers who are have been impacted by the processes of company restructuring, reorganisation or close-down.

Events after the balance sheet date

The following are the more significant events occurring after the closure of the 2009 financial year:

- on **15 January 2010** Banca Monte dei Paschi di Siena and Banca Carige signed a sales and purchase agreement for the sale of a 22 branches of Banca Monte dei Paschi di Siena to the Carige Group for a consideration of EUR 130 mln. As at 30 September 2009 the branches had approx. EUR 1,537 mln in total customer deposits and approx. EUR 840 mln in loans. The successful completion of the transaction, subject to all relative authorisations being granted, will have an impact of 10 bps on Banca Monte dei Paschi di Siena's Tier 1.
- on **10 February 2010** AXA and Banca Monte dei Paschi di Siena extended their bancassurance agreement to the distribution network comprising 1,000 former Banca Antonveneta branches for a total consideration of € 240 mln.
- **15 February 2010** saw the early redemption of the securitisation transaction, "Siena Mortgages 02-3 S.r.l.", named after the vehicle company used in the sale of the multi-originator portfolio, consisting in performing mortgage loans, secured by first mortgages on residential properties.

Outlook on operations

The 2009 Annual Report was prepared within a forward-looking framework of business continuity since the uncertain climate arising from the current economic scenario does not give rise to any doubts with regard to the company's ability to continue operating as a going concern; these conclusions were drawn also on the basis of evidence from financial-economic forecasts and projections developed in support of "impairment testing".

Within this framework the Montepaschi Group will continue its commitment to rapidly implementing the reorganisation plan and capitalise on the strategies decided upon in the past two years (optimisation of the distribution line, joint ventures in the insurance and asset management sectors, disposal of non-strategic assets) by focusing further on the Group's core business and activities aimed at increasing the efficiency of cost allocation, continuing to adopt rigorous budgeting policies when it comes to risk assessment.

More specifically:

- With regard to capital soundness and financial strength, following the subscription by the Department of Treasury of the Tremonti bonds issued by Banca Monte dei Paschi di Siena, the Montepaschi Group saw a gain of approximately 155 bps on its Tier 1 and Total Capital Ratio as well as an overall increase of 1.9 bln in free capital;
- the short-term and structural liquidity position is in line with the positive outlook of development for the Group in spite of the financial crisis;
- in terms of comprehensive income for the Group, forecasts developed in support of impairment testing (although forecasting is always characterized by uncertainty) point to sustainable operating results and a taxable income adequate for credit recovery of prepaid taxes.

Annexes

Montepaschi Group

Reconciliation between Management Figures and Financial Statements

Montepaschi Group - Profit and Loss Comparison Reclassified as at 31 December 2009 and the Related Accounting Statement

	Accounts in the Profit and Loss Statement - MPS Group	31/12/09 - Accounting	Cost of financing for sophisticated securities transactions	Economic effects on the allocation of the BAV acquisition cost in BMPS	Economic effects on the allocation of the BAV acquisition cost	Economic effects on the allocation of the Biverbanca acquisition cost	Fee and commissions collected as at 30/06/09	Adjustments to all general fees and commissions	Asset Management Business Contribution (SGR + AAA) until 31/03/09, reclassified as Profit (loss) after tax from discontinued operations	Dividends for sophisticated securities transactions	Reclassification of Profits from Investments	Effects of the repayment of securitizations	Reclassification of losses from the sale of loans	Reclassification of write downs of Junior exposures	Reclassification of expenses for funded plans	Recovery of stamp duty and customers' expenses	Integration fees	31/12/2009 - Reclassification	Reclassified Accounts in the Profit and Loss Statement - MPS Group
10	Interest and similar income	7,097.5		66.7	42.5	10.0	-165.1												
20	Interest and similar expense	-3,422.7	8.0			1.6													
30	**Net interest income**	**3,674.8**	**8.0**	**66.7**	**42.5**	**11.5**	**-165.1**											3,638.4	Net interest income
40	Commission income	1,934.7					165.1		-0.6										
50	Commission expense	-239.5						9.9	23.6										
60	**Net commission income**	**1,695.3**					**165.1**	**9.9**	**23.0**									1,893.2	Net commission income
																		5,531.6	**Income from banking activities**
70	Dividends and similar income	322.1								-310.4	98.7							110.4	Dividends and similar income
80	Net profit (loss) from trading	-322.1	-8.0							310.4		37.5							
100	Profit (loss) on disposal of	66.2				0.0							4.6						
	a) loans	9.9											4.6						
	b) financial assets available for sale	*68.1*				*0.0*													
	c) held to maturity investments																		
	d) financial liabilities	*-11.7*																	
110	Net profit (loss) from financial assets and liabilities designated at fair value	-21.9																	
																		66.8	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	-1.5																-1.5	Net profit (loss) from hedging
120	**Net interest and other banking income**	**5,412.9**		**66.7**	**42.5**	**11.5**		**9.9**	**23.0**		**98.7**	**37.5**	**4.6**					**5,707.3**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-1,496.9**						**-9.9**				**-37.5**	**-4.6**	**32.7**	**6.0**			-1,510.2	Net adjustments for impairment of
	a) loans	-1,452.7						-9.9				-37.5	-4.6	32.7	6.0			-1,466.0	a) loans
	b) financial assets available for sale	*-31.2*																	
	c) held to maturity investments																		
	d) other financial operations	*-13.0*																	
																		-44.1	b) financial assets
140	**Net income from banking activities**	**3,916.0**		**66.7**	**42.5**	**11.5**			**23.0**		**98.7**			**32.7**	**6.0**				
150	Net premiums																		
160	Other income/expenses (net) from insurance activities																		
170	**Net income from financial and insurance activities**	**3,916.0**		**66.7**	**42.5**	**11.5**			**23.0**		**98.7**			**32.7**	**6.0**			**4,197.1**	**Net income from financial and insurance activities**
180	Administrative expenses	-3,881.3				0.7										292.0	86.8	-3,501.8	Administrative expenses
	a) Personnel expenses	-2,350.2				0.7											59.3	-2,290.2	a) Personnel expenses
	b) Other administrative expenses	-1,531.1														292.0	27.5	-1,211.6	b) Other administrative expenses
200	Net adjustments on property and equipment	-105.6				1.1													
210	Net adjustments on intangible assets	-137.0		42.1	28.9	7.5													
																		-163.0	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-4,010.9**		**42.1**	**28.9**	**6.9**								**-32.7**	**-6.0**			**-3,664.8**	**Operating expenses**
																		532.4	**Net operating income**
190	Net provisions for risks and charges	-98.9				-2.5								-32.7					
220	Other operating income/expenses	212.0													-6.0	-292.0			
																		-220.2	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	96.1									-98.7							-2.7	Gains (losses) on equity investments
																	-86.8	-86.8	Integration fees
250	Net result of the tangible and intangible assets carried at fair value																		Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill																		Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	42.3																42.3	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**43.4**		**108.7**	**71.4**	**18.4**			**23.0**									**265.0**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	-30.5		-34.8	-22.9	-6.7			-6.8									-101.7	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**12.9**		**73.9**	**48.6**	**11.7**			**16.2**									**163.3**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	211.7							-16.2									195.5	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**224.6**		**73.9**	**48.6**	**11.7**												**358.8**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	-4.5																-4.5	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**220.1**		**73.9**	**48.6**	**11.7**												**354.3**	**Net profit for the year before PPA**
				-73.9	**-48.6**	**-11.7**												-134.2	Net economic repercussions of the "purchase price allocation"
																		220.1	**Net Profit for the year**

Montepaschi Group - Profit and Loss Comparison Reclassified as at 31 December 2008 and the Related Accounting Statement

	Accounts in the Profit and Loss Statement - MPS Group	31/12/08 - Accounting	Cost of financing for sophisticated securities transactions	Economic effects on the allocation of the BAV acquisition cost	Economic effects on the allocation of the Biverbanca acquisition cost	Fee and commissions collected as at 31/12/08	Split of Banca M. Parma reclassified as Profit (loss) after tax from discontinued operations	Asset Management Business Contribution (SGR + AAA), reclassified as Profit (loss) after tax from discontinued operations	Dividends for sophisticated securities transactions	Reclassification of Profits from Investments	Reclassification of profits from the sale of loans	Write downs of Junior exposures	Reclassification of expenses for funded plans	Reclassification of Net adjustment losses on financial assets available for sale	Recovery of stamp duty and customers' expenses	Integration fees	Antonveneta Group from 01/01/08 to 31/05/08	31/12/2008 - Reclassification	Reclassified Accounts in the Profit and Loss Statement - MPS Group
10	Interest and similar income	10,316.0		59.8	10.3	-363.9	-52.3										981.6		
20	Interest and similar expense	-6,564.7	23.3		2.1		26.7										-534.1		
30	**Net interest income**	**3,751.3**	**23.3**	**59.8**	**12.4**	**-363.9**	**-25.6**										**447.5**	3,904.8	Net interest income
40	Commission income	1,663.5				363.9	-7.7	-1.1									253.5		
50	Commission expense	-214.8					0.6	128.6									-36.0		
60	**Net commission income**	**1,448.7**				**363.9**	**-7.2**	**127.5**									**217.5**	2,150.5	Net commission income
																		6,055.3	**Income from banking activities**
70	Dividends and similar income	619.5					-0.1		-585.5	-30.3							11.4	14.9	Dividends and similar income
80	Net profit (loss) from trading	-828.8	-23.3				1.1		585.5								0.2		
100	Profit (loss) on disposal of	78.8					-0.1				-4.5						4.4		
	a) loans	*3.0*									*-4.5*								
	b) financial assets available for sale	*78.1*					*0.0*										*3.2*		
	c) held to maturity investments																		
	d) financial liabilities	*-2.4*					*-0.1*										*1.3*		
110	Net profit (loss) from financial assets and liabilities designated at fair value	73.0															*0.2*		
																		-113.4	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	-1.8					-0.1										-2.4	-4.3	Net profit (loss) from hedging
120	**Net interest and other banking income**	**5,140.7**		**59.8**	**12.4**		**-32.0**	**127.5**		**-30.3**	**-4.5**						**678.9**	**5,952.5**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-1,360.0**					**3.5**				**4.5**	**43.5**	**7.6**	361.3			-120.3	-1,059.9	Net adjustments for impairment of
	a) loans	-1,002.3					3.3				4.5	43.5	7.6				-121.9	-1,065.2	a) loans
	b) financial assets available for sale	*-361.3*					*0.0*							361.3					
	c) held to maturity investments																		
	d) other financial operations	3.6					*0.2*										*1.5*		
																		5.3	b) financial assets
140	**Net income from banking activities**	**3,780.7**		**59.8**	**12.4**		**-28.5**	**127.5**		**-30.3**		**43.5**	**7.6**	**361.3**			**558.6**		
150	Net premiums																		
160	Other income/expenses (net) from insurance activities																		
170	**Net income from financial and insurance activities**	**3,780.7**		**59.8**	**12.4**		**-28.5**	**127.5**		**-30.3**		**43.5**	**7.6**	**361.3**			**558.6**	**4,892.6**	**Net income from financial and insurance activities**
180	Administrative expenses	-3,885.1					23.4								262.1	238.3	-413.9	-3,775.1	Administrative expenses
	a) Personnel expenses	-2,348.2					13.4									152.9	-267.3	-2,449.2	a) Personnel expenses
	b) Other administrative expenses	-1,536.9					10.0								262.1	85.5	-146.6	-1,325.9	b) Other administrative expenses
200	Net adjustments on property and equipment	-89.1		0.7	1.1		0.6										-13.0		
210	Net adjustments on intangible assets	-101.6		41.4	7.5		0.1									2.1	-6.2		
																		-156.5	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-3,895.6**		**17.8**	**8.5**		**21.8**					**-43.5**	**-7.6**				**-541.6**	**-3,931.6**	**Operating expenses**
																		960.9	**Net operating income**
190	Net provisions for risks and charges	-154.1		-24.3			1.5					-43.5	-7.6				-33.1		
220	Other operating income/expenses	334.2					-3.8								-262.1		6.0		
																		-186.7	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	145.5								30.3								175.8	Gains (losses) on equity investments
																-240.4	-81.4	-321.9	Integration fees
250	Net result of the tangible and intangible assets carried at fair value																		Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill	-150.9												-361.3			-30.1	-542.3	Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	28.0					-0.1										0.0	27.9	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**-92.3**		**77.6**	**20.9**		**-6.8**	**127.5**									**-13.1**	**113.9**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	929.8		-25.0	-6.8		3.7	-34.3									-22.8	844.7	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**837.6**		**52.6**	**14.2**		**-3.0**	**93.2**									**-35.9**	**958.6**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	93.5					3.0	-93.2									67.5	70.9	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**931.1**		**52.6**	**14.2**												**31.6**	**1,029.5**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	-8.4															-1.3	-9.6	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**922.8**		**52.6**	**14.2**												**30.3**	**1,019.8**	**Net profit for the year before PPA**
				-52.6	**-14.2**													-66.8	Net economic repercussions of the "purchase price allocation"
																		953.0	**Net Profit for the year**

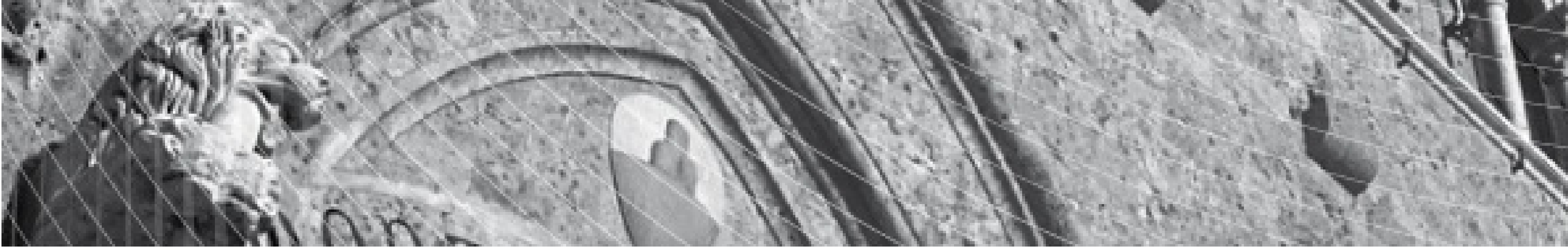
Montepaschi Group - "Reconstructed" Profit and Loss Comparison Reclassified as at 31 December 2008 and the Related Accounting Statement

	Accounts in the Profit and Loss Statement - MPS Group	31/12/08 - Accounting	Cost of financing for sophisticated securities transactions	Economic effects on the allocation of the BAV acquisition cost	Economic effects on the allocation of the Biverbanca acquisition cost	Fee and commissions collected as at 31/12/08	Split of Banca M. Parma reclassified as Profit (loss) after tax from discontinued operations	Asset Management Business Contribution (SGR + AAA), reclassified as Profit (loss) after tax from discontinued operations	Dividends for sophisticated securities transactions	Reclassification of Profits from Investments	Reclassification of profits from the sale of loans	Write downs of Junior exposures	Reclassification of expenses for funded plans	Reclassification of Net adjustment losses on financial assets available for sale	Recovery of stamp duty and customers' expenses	Integration fees	Antonveneta Group from 01/01/08 to 31/05/08	Cost of financing related to the acquisition of BAV from 01/01/08 to 31/05/08	Split of Intermonte reclassified as Profit (loss) after tax from discontinued operations	31/12/2008 - Reconstructed Reclassification	Reclassified Accounts in the Profit and Loss Statement - MPS Group
10	Interest and similar income	10,316.0		59.8	10.3	-363.9	-52.3										981.6		-7.3		
20	Interest and similar expense	-6,564.7	23.3		2.1		26.7										-534.1	-90.0	7.2		
30	**Net interest income**	**3,751.3**	**23.3**	**59.8**	**12.4**	**-363.9**	**-25.6**										**447.5**	**-90.0**	**-0.1**	3,814.7	Net interest income
40	Commission income	1,663.5				363.9	-7.7	-1.1									253.5		-22.6		
50	Commission expense	-214.8					0.6	128.6									-36.0		2.2		
60	**Net commission income**	**1,448.7**				**363.9**	**-7.2**	**127.5**									**217.5**		**-20.3**	2,130.1	Net commission income
																		-90.0	**-20.4**	**5,944.8**	**Income from banking activities**
70	Dividends and similar income	619.5					-0.1		-585.5	-30.3							11.4			14.9	Dividends and similar income
80	Net profit (loss) from trading	-828.8	-23.3				1.1		585.5								0.2		-7.3		
100	Profit (loss) on disposal of	78.8					-0.1				-4.5						4.4				
	a) loans	*3.0*									-4.5										
	b) financial assets available for sale	*78.1*					*0.0*										*3.2*				
	c) held to maturity investments																				
	d) financial liabilities	*-2.4*					*-0.1*										*1.3*				
110	Net profit (loss) from financial assets and liabilities designated at fair value	73.0															0.2				
																				-120.7	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	-1.8					-0.1										-2.4			-4.3	Net profit (loss) from hedging
120	**Net interest and other banking income**	**5,140.7**		**59.8**	**12.4**		**-32.0**	**127.5**		**-30.3**	**-4.5**						**678.9**	**-90.0**	**-27.7**	**5,834.8**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-1,360.0**					**3.5**				**4.5**	**43.5**	**7.6**	**361.3**			-120.3			-1,059.9	Net adjustments for impairment of
	a) loans	-1,002.3					3.3				4.5	43.5	7.6				-121.9			-1,065.2	a) loans
	b) financial assets available for sale	*-361.3*					*0.0*							*361.3*							
	c) held to maturity investments																				
	d) other financial operations	3.6					0.2										*1.5*				
																				5.3	b) financial assets
140	**Net income from banking activities**	**3,780.7**		**59.8**	**12.4**		**-28.5**	**127.5**		**-30.3**		**43.5**	**7.6**	**361.3**			**558.6**	**-90.0**	**-27.7**		
150	Net premiums																				
160	Other income/expenses (net) from insurance activities																				
170	**Net income from financial and insurance activities**	**3,780.7**		**59.8**	**12.4**		**-28.5**	**127.5**		**-30.3**		**43.5**	**7.6**	**361.3**			**558.6**	**-90.0**	**-27.7**	**4,774.9**	**Net income from financial and insurance activities**
180	Administrative expenses	-3,885.1					23.4								262.1	238.3	-413.9		13.0	-3,762.1	Administrative expenses
	a) Personnel expenses	-2,348.2					13.4									152.9	-267.3		6.9	-2,442.3	a) Personnel expenses
	b) Other administrative expenses	-1,536.9					10.0								262.1	85.5	-146.6		6.1	-1,319.8	b) Other administrative expenses
200	Net adjustments on property and equipment	-89.1		0.7	1.1		0.6										-13.0		0.1		
210	Net adjustments on intangible assets	-101.6		41.4	7.5		0.1									2.1	-6.2		0.0		
																				-156.4	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-3,895.6**		**17.8**	**8.5**		**21.8**					**-43.5**	**-7.6**				**-541.6**		**13.7**	**-3,918.4**	**Operating expenses**
																		-90.0	**-14.1**	**856.4**	**Net operating income**
190	Net provisions for risks and charges	-154.1		-24.3			1.5					-43.5	-7.6				-33.1		0.0		
220	Other operating income/expenses	334.2					-3.8								-262.1		6.0		0.4		
																				-186.2	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	145.5								30.3									0.7	176.5	Gains (losses) on equity investments
																-240.4	-81.4			-321.9	Integration fees
250	Net result of the tangible and intangible assets carried at fair value																				Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill	-150.9												-361.3			-30.1			-542.3	Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	28.0					-0.1										0.0			27.9	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**-92.3**		**77.6**	**20.9**		**-6.8**	**127.5**									**-13.1**	**-90.0**	**-13.3**	**10.6**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	929.8		-25.0	-6.8		3.7	-34.3									-22.8	29.2	4.8	878.6	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**837.6**		**52.6**	**14.2**		**-3.0**	**93.2**									**-35.9**	**-60.8**	**-8.6**	**889.2**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	93.5					3.0	-93.2									67.5		8.6	79.5	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**931.1**		**52.6**	**14.2**												**31.6**	**-60.8**		**968.7**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	-8.4															-1.3			-9.6	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**922.8**		**52.6**	**14.2**												**30.3**	**-60.8**		**959.0**	**Net profit for the year before PPA**
				-52.6	**-14.2**															-66.8	Net economic repercussions of the "purchase price allocation"
																				892.2	**Net Profit for the year**

RECONCILIATION BETWEEN RECLASSIFIED CONSOLIDATED BALANCE SHEETS FOR 2009 AND 2008 AND RELATED FINANCIAL STATEMENTS

Reclassified balance-sheet accounts - Assets	31/12/2009	31/12/2008	Balance-sheet accounts - Assets
	1,296	**1,026**	**Cash and cash equivalents**
Account 10 - Cash and cash equivalents	1,296	1,026	
			Loans and receivables
	152,413	**145,353**	**a) Customer loans**
Account 70 - Customers loans	152,413	145,353	
	10,328	**17,616**	**b) Due from banks**
Account 60 - Due from banks	10,328	17,616	
	38,676	**26,974**	**Held to maturity investments**
Account 20 - Financial assets held for trading	23,507	21,798	
Account 30 - Financial assets designated at fair value	260	180	
Account 40 - Financial assets available for sale	14,909	4,996	
	0	**0**	**Financial assets held to maturity**
Account 50 - Held to maturity investments	0	0	
	742	**583**	**Investments**
Account 100 - Investments	742	583	
	-	**-**	**Reinsurers' technical reserves**
Account 110 - Reinsurers' technical reserves	-	-	
	10,395	**10,559**	**Tangible and intangible fixed assets**
Account 120 - Property and equipment	2,733	2,793	
Account 130 - Intangible assets	7,662	7,766	
	10,965	**11,685**	**Other assets**
Account 80 - Hedging Derivatives	199	99	
Account 90 - Change in value of macro-hedged financial assets (+/-)	32	31	
Account 140 - Fiscal assets	4,377	4,180	
Account 150 - Non-current assets and discontinued operations	129	272	
Account 160 - Other assets	6,229	7,103	
Total Assets	**224,815**	**213,796**	**Total assets**

Reclassified balance-sheet accounts - Liabilities	31/12/2009	31/12/2008	Balance-sheet accounts - Liabilities
			Deposits
	155,391	**142,466**	**a) Due to customers and securities**
Account 20 - Customer deposits	91,133	81,596	
Account 30 - Securities issued	42,559	47,158	
Account 50 - Financial liabilities designated at fair value	21,699	13,712	
	22,758	**27,209**	**b) Due to banks**
Account 10 - Due to banks	22,758	27,209	
	19,481	**18,967**	**Financial liabilities held for trading**
Account 40 - Financial liabilities held for trading	19,481	18,967	
			Provisions for specific use
Account 110 - Provision for employee severance pay	304	540	
Account 120 Provisions for risks and changes - **a**) pension and similar obligations	458	430	
Account 120 Provisions for risks and changes - **b**) other provisions	911	922	
	8,055	**8,159**	**Other liabilities**
Account 60 - Hedging Derivatives	932	390	
Account 70 - Change in value of macro-hedged financial liabilities (+/-)	-	-	
Account 80 - Tax liabilities	341	1,399	
Account 90 - Liabilities associated to disposal groups held for sale		45	
Account 100 - Other liabilities	6,782	6,325	
			Insurance reserves
Account 130 - Insurance Reserves			
	17,175	**14,824**	**Group portion of shareholders' equity**
Account 140 - Valuation reserves	721	401	a) Valuation reserves
Account 150 - Redeemable shares	-	-	b) Redeemable shares
Account 160 - Equity instruments	1,949	47	c) Capital instruments
Account 170 - Reserves	5,766	4,909	d) Reserves
Account 180 - Share premium reserve	4,048	4,094	e) Share premium reserve
Account 190 - Share Capital	4,502	4,487	f) Share capital
Account 200 - Treasury shares (-)	-32	-37	g) Treasury shares (-)
Account 220 - Profit (loss) for the year (+/-)	220	923	h) Profit (loss) for the year
	281	**279**	**Minority interests in shareholders' equity**
Account 210 - Minority interests (+/-)	281	279	
Total liabilities and shareholders' equity	**224,815**	**213,796**	**Total liabilities and shareholders' equity**



CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet: *Asset*

(Euros)

	Assets	31/12/2009	31/12/2008
10	Cash and cash equivalents	1,295,586,779	1,026,368,224
20	Financial assets held for trading	23,506,522,746	21,797,695,397
30	Financial assets designated at fair value	260,418,460	180,037,943
40	Financial assets available for sale	14,909,189,684	4,996,021,136
50	Held to maturity investments	3,113	2,867
60	Loans and advances to banks	10,327,520,615	17,615,715,668
70	Loans and advances to customers	152,413,440,750	145,353,189,754
80	Hedging derivatives	198,702,637	99,160,129
90	Change in value of macro-hedged financial assets (+/-)	32,039,046	31,102,587
100	Equity investments	742,170,498	583,028,120
120	Property and equipment	2,733,043,104	2,792,580,036
130	Intangible assets	7,661,629,206	7,765,931,945
	of which: goodwill	*6,619,478,893*	*6,708,545,822*
140	Tax assets	4,377,044,696	4,180,434,932
	a) current	*619,296,168*	*604,372,499*
	b) deferred	*3,757,748,528*	*3,576,062,433*
150	Non-current assets held for sale and discontinued operations	129,165,143	272,091,502
160	Other assets	6,228,501,692	7,102,616,334
	Total Assets	**224,814,978,169**	**213,795,976,574**

Balance Sheet: *Liabilities*

(Euros)

	Liabilities and Shareholders' Equity	31/12/2009	31/12/2008
10	Deposits from banks	22,757,742,753	27,208,645,978
20	Deposits from customers	91,132,820,120	81,596,414,386
30	Securities issued	42,559,083,505	47,157,555,961
40	Financial liabilities held for trading	19,481,338,417	18,967,188,840
50	Financial liabilities designated at fair value	21,699,056,443	13,711,900,007
60	Hedging derivatives	931,554,179	389,889,284
80	Tax liabilities	341,425,636	1,399,193,303
	a) current	230,259,485	*1,283,515,253*
	b) deferred	111,166,151	*115,678,050*
90	Liabilities associated with non current assets held for sale and discontinued operations	-	45,384,071
100	Other liabilities	6,782,237,039	6,324,870,383
110	Provision for employee severance pay	304,496,882	539,822,794
120	Provisions for risks and charges:	1,369,213,566	1,352,022,438
	a) pension and similar obligations	458,133,053	*429,819,893*
	b) other provisions	911,080,513	*922,202,545*
140	Valuation reserves	720,587,188	401,169,657
160	Equity instruments	1,949,365,486	46,871,091
170	Reserves	5,766,022,280	4,909,020,124
180	Share premium	4,048,328,020	4,094,436,080
190	Share capital	4,502,410,157	4,486,786,372
200	Treasury shares (-)	(32,079,360)	(36,962,960)
210	Minority interests (+/-)	281,261,541	279,016,681
220	Profit (loss) for the year (+/-)	220,114,317	922,752,084
	Total Liabilities and Shareholders' Equity	**224,814,978,169**	**213,795,976,574**

Income Statement

(Euros)

	Items	2009	2008
10	Interest and similar income	7,097,531,213	10,316,025,034
20	Interest and similar expense	(3,422,747,419)	(6,564,689,920)
30	**Net interest income**	**3,674,783,794**	**3,751,335,114**
40	Commission income	1,934,747,004	1,663,520,249
50	Commission expense	(239,483,499)	(214,781,863)
60	**Net commission income**	**1,695,263,505**	**1,448,738,386**
70	Dividends and similar income	322,053,618	619,475,001
80	Net profit (loss) from trading	(322,102,761)	(828,804,425)
90	Net profit (loss) from hedging	(1,464,978)	(1,807,018)
100	Profit (loss) from sale or repurchase of:	66,229,366	78,806,549
	a) loans and receivables	*9,885,876*	*3,034,270*
	b) financial assets available for sale	*68,087,208*	*78,136,942*
	d) financial liabilities	*(11,743,718)*	*(2,364,663)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	(21,870,456)	72,974,889
120	**Net interest and other banking income**	**5,412,892,088**	**5,140,718,496**
130	Net losses/recoveries on impairment of:	(1,496,858,383)	(1,359,971,786)
	a) loans and receivables	*(1,452,709,813)*	*(1,002,281,117)*
	b) financial assets available for sale	*(31,184,498)*	*(361,298,172)*
	d) other financial transactions	*(12,964,072)*	*3,607,503*
140	**Net income from banking activities**	**3,916,033,705**	**3,780,746,710**
180	Administrative expenses:	(3,881,334,184)	(3,885,056,975)
	a) personnel expenses	*(2,350,236,537)*	*(2,348,181,329)*
	b) other administrative expenses	*(1,531,097,647)*	*(1,536,875,646)*
190	Net provisions for risks and charges	(98,948,147)	(154,106,113)
200	Net adjustments to/recoveries on property and equipment	(105,646,070)	(89,127,117)
210	Net adjustments to/recoveries on intangible assets	(136,963,255)	(101,586,668)
220	Other operating income/expenses	211,956,137	334,234,617
230	**Operating expenses**	**(4,010,935,519)**	**(3,895,642,256)**
240	Gains (losses) on equity investments	96,073,309	145,500,620
260	Impairment of goodwill	-	(150,854,000)
270	Profit (loss) on disposal of investments	42,262,769	27,985,155
280	**Profit (loss) before tax from continuing operations**	**43,434,264**	**(92,263,771)**
290	Taxes on income from continuing operations	(30,508,796)	929,848,471
300	**Profit (loss) after tax from continuing operations**	**12,925,468**	**837,584,700**
310	Profit (loss) after tax from discontinued operations	211,689,217	93,524,402
320	**Profit (loss) for the year**	**224,614,685**	**931,109,102**
330	Profit (loss) for the year attributable to minority interests	4,500,368	8,357,018
340	**Parent company's net profit (loss) for the year**	**220,114,317**	**922,752,084**

		31 12 2009	31 12 2008
	Basic Earnings per Share (Basic EPS)	**0.033**	**0.181**
	of continuing operations	0.001	0.156
	of discontinued operations	0.032	0.025
	Diluted Earnings per Share (Diluted EPS)	**0.033**	**0.175**
	of continuing operations	0.001	0.152
	of discontinued operations	0.032	0.023

Statement of comprehensive income

(Euros)

	Items	2009	2008
10	**Profit (loss) for the year**	**224,614,685**	**931,108,941**
	Other comprehensive income, net of tax		
20	Financial assets available for sale	345,798,707	68,698,199
60	Cash flow hedges	(28,255,613)	(188,570,628)
70	Exchange differences	(1,007,700)	965,096
100	Share of valuation reserves of equity accounted investments	54,657,113	5,524,651
110	**Total other comprehensive income, net of tax**	**371,192,507**	**(113,382,682)**
120	**Total comprehensive income (Captions 10 + 110)**	**595,807,192**	**817,726,259**
130	Consolidated comprehensive income attributable to minority interests	5,787,188	25,751,169
140	**Consolidated comprehensive income attributable to Parent Company**	**590,020,004**	**791,975,090**

Statement of changes in shareholders' equity

	Balance as at 31 12 2008	Change in opening balance	Balance as at 01 01 2009	Allocation of profit of prior year		Changes during the year								Group net equity 31 12 2009	Minority interests net equity 31 12 2009
							Shareholders' equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of	Change in equity instruments	Treasury shares derivatives	Stock options	Total comprehensive income for 2009		
Share capital:	4,538,144,681	-	4,538,144,681			5,618	15,623,785							4,502,410,157	51,363,927
a) ordinary shares	3,767,146,337	-	3,767,146,337			5,618	15,623,785							3,731,411,813	51,363,927
b) other shares	770,998,344	-	770,998,344											770,998,344	-
Share premium	4,094,591,727	-	4,094,591,727			(92,029,097)	46,108,060							4,048,328,020	342,670
Reserves:	4,992,555,654	-	4,992,555,654	822,661,002		37,552,009								5,766,022,280	86,746,385
a) from profits	5,097,440,654	-	5,097,440,654	822,661,002		37,552,009								5,870,907,280	86,746,385
b) other	(104,885,000)	-	(104,885,000)											(104,885,000)	-
Valuation reserves	536,780,120	-	536,780,120			(49,077,227)							371,192,507	720,587,188	138,308,212
Equity instruments	46,871,091	-	46,871,091							1,902,494,395				1,949,365,486	-
Treasury shares	(36,963,247)	-	(36,963,247)				102,198,035	(97,314,169)						(32,079,360)	(21)
Net profit (loss) for the period	931,109,102	-	931,109,102	(822,661,002)	(108,448,100)								224,614,685	220,114,317	4,500,368
Group net equity	14,824,072,447	-	14,824,072,447		(98,589,457)	(109,864,747)	163,929,880	(97,314,434)		1,902,494,395			590,020,004	17,174,748,088	-
Minority interests net equity	279,016,681	-	279,016,681		(9,858,643)	6,316,050		265					5,787,188	-	281,261,541

In 2009, the Group's net equity increased by EUR 2,352.9, coming to EUR 17,456 mln. As compared to EUR 15,103.1 mln as at the end of 2008.

The most relevant increase was registered in equity instruments, up by an overall EUR 1,902.5 mln, of which EUR 1,900 mln. in "Tremonti -Bonds" issued by the Parent Company with a view to improving the regulatory capital position of the Group and supporting lending to the business community, small and medium enterprises in particular. Equity instruments are negatively impacted by the partial conversion of EUR 6.4 mln in Convertible Preferred Securities issued on 30/12/2003 and positively influenced by recognition of deferred taxes in the amount of EUR 8.9 mln in light of the latest legal updates on the matter.

In the course of 2009, 23,319,082 ordinary shares were issued for partial conversion of the Convertible Preferred Securities issued on 30/12/2003. The capital increase arising from the conversion led to an increase in net equity of EUR 61.3 mln, of which 15.6 mln in shareholders' equity and EUR 45.7 mln in share premium; the account also saw a EUR 0.4 mln increase in minority interests. At the same time, as stated above, the equity instruments were down by EUR 6.4 mln as a result of the portion of options exercised.

Treasury shares saw a reduction by EUR 4.8 mln; profit/loss from trading is included in the share premium which also incorporates the yearly fee paid to JPMorgan on account of the dividend entitlement acquired by Parent Company BMPS on the ordinary shares subscribed by J.P.Morgan following the increase in shareholders' equity in 2008.

The profit for 2008, totalling EUR 931.9 mln, of which EUR 922.8 mln for the Group and 8.3 mln for minorities, was distributed for an amount of EUR 108.4 mln, of which EUR 98.6 mln by the Parent Company, as per profit distribution approved by the Shareholders' Meeting on 29 April 2009 and EUR 9.8 mln by Group companies to minorities; the positive difference relating to the reserves, coming to EUR 860.2 mln, is accounted for by profit transferred to capital in the amount of EUR 824 mln and by the partial conversion of Convertible Preferred Securities issued on 30/12/2003 for an amount of 3.2 mln. The amount is curtailed by EUR 20.9 mln after tax, in contribution to the Guarantee Fund for loans to small medium enterprises, pursuant to art. 11 of Italian Legislative Decree no. 185/08, concerning the issue of "Tremonti – Bonds".

The positive change in reserves is accounted for by the capital increase without consideration carried out by one of the Group's subsidiaries using revaluation reserves as well as by the impact of deconsolidation of a number of subsidiaries which were disposed of during the year. Revenue reserves include EUR 32.1 mln in restricted reserves for n amount equal to the total of treasury shares.

Valuation reserves register an overall positive change amounting to EUR 322 mln, of which EUR 398 mln in valuation reserves of assets "available for sale" following the recovery in financial markets, a negative change of EUR 28.3 mln in valuation reserves for "cashflow hedges" (in this connection it should be noted that the Parent Company has pursued an active policy of rate risk hedging using cashflow hedges of long-term "variable" liabilities, the main item of which being related to Upper Tier II issued upon acquisition of Banca Antonveneta in the nominal amount of EUR 2.16 bln), a negative change of EUR 47.7 mln in "other" valuation reserves primarily accounted for by the capital increase without consideration carried out by a number of Group subsidiaries using revaluation reserves as well as by the impact of deconsolidation of a number of subsidiaries which were disposed of during the year.

	Balance as at 31 12 2007	Change in opening balance	Balance as at 01012008	Allocation of profit of prior year		Changes during the year								Group net equity 31 12 2008	Minority interests net equity 31 12 2008
						Changes in reserves	Shareholders' equity transactions						Total comprehensive income for 2008		
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options			
Share capital:	2,085,117,380		2,085,117,380			(1,892,593)	2,454,919,894							4,486,786,372	51,358,309
a) ordinary shares	1,699,618,208		1,699,618,208			(1,892,593)	2,069,420,722							3,715,788,028	51,358,309
b) other shares	385,499,172		385,499,172				385,499,172							770,998,344	-
Share premium	566,267,751		566,267,751			(6,940,241)	3,535,264,217							4,094,436,080	155,647
Reserves:	4,099,108,278		4,099,108,278	812,893,648	-	78,139,858	2,413,870							4,909,020,124	83,535,530
a) from profits	4,203,993,278		4,203,993,278	812,893,648		78,139,858	2,413,870							5,013,905,124	83,535,530
b) other	(104,885,000)		(104,885,000)											(104,885,000)	
Valuation reserves	761,704,005		761,704,005			(111,760,202)							(113,163,683)	401,169,657	135,610,463
Equity instruments	70,411,547		70,411,547				(23,540,456)							46,871,091	
Treasury shares	(96,629,450)		(96,629,450)				149,758,656	(90,092,453)						(36,962,961)	(286)
Net profit (loss) for the period	1,453,199,715		1,453,199,715	(812,893,648)	(640,223,075)								931,109,102	922,752,084	8,357,018
Group net equity	8,649,217,144		8,649,217,144		(640,223,075)	(463,533)	6,118,811,989	(90,092,167)					786,822,089	14,824,072,447	
Minority interests net equity	289,962,082		289,962,082		(82,992)	(41,989,484)	4,192	(286)					31,123,169		279,016,681

As at 31December 2008, the Group's net equity including profit for the year came to EUR 14,824 mln, as compared to EUR 8,649.2 mln at the end of 2007, up by 6,184.86 mln.

In particular, the increase in shareholders' capital and share premium amounted respectively to EUR 2,454.9 mln, (of which EUR 2,419.4 mln accounted for by the afore-mentioned rights issue following the acquisition of the Antonveneta Group and EUR 35.5 mln attributable to the partial conversion of the Convertible Preferred Securities issued on 30/12/2003) and EUR 3,535.2 mln (of which EUR 3,477.6 mln attributable to the purchase of the Antonveneta Group, EUR 103.8 mln accounted for by the partial conversion of the Convertible Preferred Securities and EUR 46.2 referred to the negative effect arising from treasury share trading). The share premium increase (EUR 3,522.6 mln) is inclusive of costs and expenses related to the capital increase transaction.

Profit for 2007, totalling EUR 1,437.6 mln, was distributed for an amount of EUR 640.2 mln, as per profit distribution approved by the Shareholders' Meeting on 24 April 2010; the positive difference relating to the reserves, coming to EUR 112.8 mln, è riconducibile principalmente all'aumento gratuito di capitale sociale effettuato da alcune controllate del Gruppo mediante utilizzo di riserve di rivalutazione oltre che all'effetto di deconsolidamento di alcune controllate cedute nel corso dell'esercizio. Le riserve di utili includono 36,9 mln di euro di riserve indisponibili pari all'ammontare delle azioni proprie. Is primarily accounted for by the capital increase without consideration carried out by a number of Group subsidiaries using revaluation reserves as well as by the impact of deconsolidation of a number of subsidiaries which were disposed of during the year.

A negative change is registered in valuation reserves for an amount of EUR 225.5 mln, of which + EUR 75 mln as a result of the offsetting effect of the positive change in fair value of the stake held in the Bank of Italy, in addition to other minor positive effects and to the negative fair value impact from certain debt and equity securities due to the negative trends in the financial markets (and yet to an extent not justifying the need for a writedown to be taken through profit and loss una svalutazione a conto economic), EUR 192 mln accounted for by the negative change in cash flow hedge reserves, (in particular, the Parent Company has pursued an active policy of interest rate risk hedging using cashflow hedges of long-term "variable" liabilities, the main item of which being related to Upper Tier II issued upon acquisition of Banca Antonveneta in the nominal amount of EUR 2.16 bln), EUR 106 mln in "other" valuation reserves primarily accounted for by the capital increase without consideration carried out by a number of Group subsidiaries using revaluation reserves.

Equity instruments dropped by approximately EUR 23.5 mln on account of the partial conversion of Convertible Preferred Securities.

Treasury shares decreased by EUR 59.6 mln, with profit/loss from trading included in the share premium.

Net equity attributable to minority interests was down by EUR 10.9 mln, a result negatively impacted (EUR 42 mln) by the loss of control of Intermonte Sim S.p.A. and disposal of the 1.78% stake in the share capital of subsidiary Biverbanca S.p.a. to the Fondazione Cassa di Risparmio di Biella. On the other hand, it was positively influenced by the positive fair value change in the stake held in the Bank of Italy (approximately EUR 25 mln).

Consolidated statement of cash flows: indirect method

(Euros)

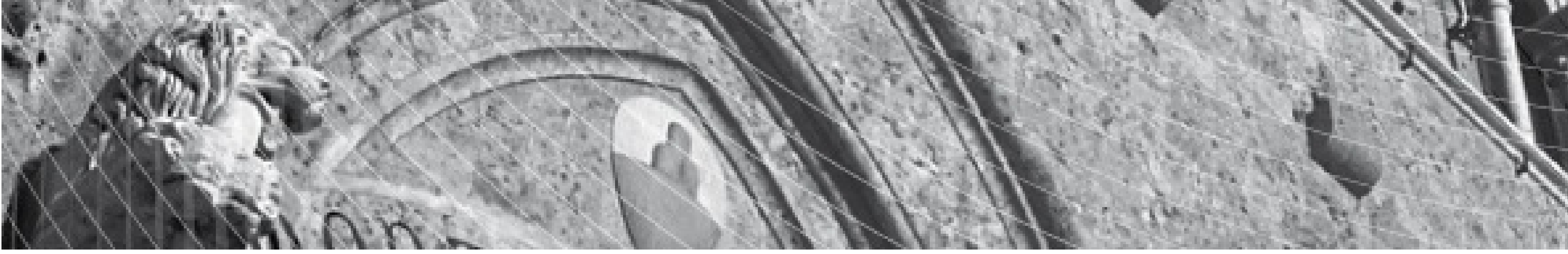
A. OPERATING ACTIVITIES	31 12 2009	31 12 2008
1. Cash flow from operations	**2,284,358,952**	**2,638,787,564**
profit (loss) for the year (+/-)	224,614,685	931,109,101
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	133,476,202	189,989,553
capital gains/losses on hedging transactions (+/-)	1,464,978	1,807,018
net losses/recoveries on impairment (+/-)	1,582,046,386	1,991,899,329
net adjustments to/net recoveries on property and equipment and intangible assets (+/-)	242,609,325	190,713,785
net provisions for risks and charges and other costs/revenues (+/-)	172,417,446	268,691,594
net premiums to be collected	-	
other insurance revenues/charges to be collected	-	
tax not paid (+)	30,508,796	(929,848,471)
net adjustments to/net recoveries on discontinued operations, net of tax effect (+/-)	1,246,393	9,585,672
other adjustments	(104,025,259)	(15,160,017)
2. Cash flow from (used in) financial assets	**(29,816,068,327)**	**(11,182,343,734)**
financial assets held for trading	(18,931,008,887)	(11,872,028,225)
financial assets designated at fair value	(80,380,517)	(1,969,730,943)
financial assets available for sale	(9,422,033,000)	(243,933,774)
sales/repayment of held to maturity investments	(246)	-
loans and advances to banks: on demand	6,791,854,772	152
loans and advances to banks: other	-	3,845,507,436
loans and advances to customers	(8,589,698,134)	(6,104,928,484)
hedging derivatives	-	-
other assets	415,197,685	5,162,770,104
3. Cash flow from (used in) financial liabilities	**25,476,527,750**	**18,315,889,172**
deposits from banks: on demand	(4,422,710,838)	2,828,746,319
deposits from banks: other	-	-
customer accounts	9,536,425,489	1,886,575,532
securities issued	(4,537,143,269)	1,187,358,882
financial liabilities held for trading	18,096,849,770	15,061,743,902
financial liabilities designated at fair value	7,830,335,198	(101,763,740)
hedging derivatives	-	-
other liabilities	(1,027,228,600)	(2,546,771,723)
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**(2,055,181,625)**	**9,772,333,002**

B. INVESTING ACTIVITIES		
1. Cash flow from:	**795,683,034**	**1,031,650,145**
sales of equity investments	45,029,622	327,233,235
dividends collected on equity investments	9,718,647	40,176,486
sales/repayment of held to maturity investments	-	-
sales of property and equipment	1,525,402	112,799,639
sales of intangible assets	65,952,696	43,109,785
sales of subsidiaries and divisions	673,456,667	508,331,000
2. Cash flow used in	**(271,965,367)**	**(16,008,226,227)**
purchase of equity investments	(70,290,318)	(9,998,743,036)
purchase of held to maturity investments	-	-
purchase of property and equipment	(75,024,834)	(99,951,331)
purchase of intangible assets	(126,650,215)	(6,137,973,795)
purchase of subsidiaries and divisions	-	228,441,935
Net cash flow from (used in) investing activities	**523,717,667**	**(14,976,576,082)**
C. FINANCING ACTIVITIES		
issue/purchase of treasury shares	9,130,613	13,533,723
issue/purchase of equity instruments	1,900,000,000	-
dividend distribution and other	(108,448,100)	(640,377,297)
issue of new shares	-	6,036,370,668
Net cash flow from (used in) financing activities	**1,800,682,513**	**5,409,527,094**
TOTAL NET CASH FLOW	**269,218,555**	**205,284,014**

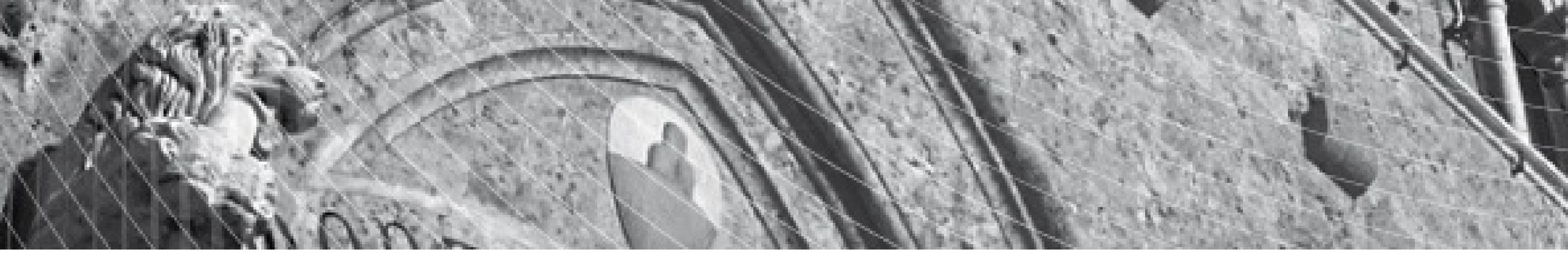
Reconciliation

(Euros)

Captions	31 12 2009	31 12 2008
Cash and cash equivalents at beginning of period	1,026,368,224	821,090,140
Net increase (decrease) in cash and cash equivalents	269,218,555	205,284,014
Cash and cash equivalents: foreign exchange effects	-	-
Cash and cash equivalents at end of period	1,295,586,779	1,026,374,154



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Part A – Accounting Policies

A.1 – General

Section 1 – Statement of compliance with the international accounting standards

Pursuant to Legislative Decree no. 38 of 28 February2005, these consolidated Accounts were prepared in accordance with the international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission, pursuant to EC Regulation no. 1606 of 19 July 2002 which was effective at the time the Accounts were approved.

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

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

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

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

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

The Bank's Management may also take account of:

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

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

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

Section 2 – Preparation criteria

The Balance Sheet has been prepared in accordance with the IAS/IFRS International accounting standards issued by the *International Accounting Standards Board* (IASB) including the interpretations issued by the *International Financial Reporting Interpretations Committee* (IFRIC), as endorsed by the European Union and mandatorily applied in the 2009 financial year. The provisions contained in Circular Letter No. 262 issued by the Bank of Italy concerning the formats and rules for preparing separate and consolidated financial statements for the banks and the Group were also applied, as amended by the addendum of 18 November 2009 (hereinafter the "circular letter 262, as amended").

The consolidated financial statements consist of the:

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

The Consolidated Financial Statements are integrated with the Directors' Report on Group Operations. The consolidated financial statements are prepared with transparency and provide a true and fair view of the balance-sheet, financial position and profit and loss statement for the year.

If the information required by the international accounting standards and the provisions contained in "Circular Letter no. 262, as amended" do not suffice to provide a true and fair, relevant, reliable, comparable and intelligible view of the Group's performance, the notes to the consolidated financial statements provide the necessary supplementary information.

The balance-sheet, profit and loss statement and statement of consolidated comprehensive income consist of accounts (marked with numbers), subaccounts (marked with letters) and further details, under "including" in the accounts and sub-accounts. Accounts, sub-accounts and their details are part of the financial statements.

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

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

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

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

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

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

Items of a different nature or with different allocation were recognised separately, unless they were considered irrelevant. All amounts shown in the consolidated financial statement were adjusted so as to reflect any events subsequent to the date of closing which, according to IAS 10, make it mandatory to make an adjustment. Subsequent events which do not imply an adjustment and therefore reflect circumstances which occurred after the date of closing are subject to reporting in section 3 of the notes to the financial statements when they are relevant and likely to have an influence on the users' economic decisions.

Section 3 – Scope and methods of consolidation

Scope of consolidation

The consolidated financial statements include the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of them being going concerns or wound-up companies, or of whether the equity investment consists in a *merchant banking* transaction. Similarly, special purpose entities/vehicles (SPEs/SPVs) are included when the requirement of actual control recurs, even if there is no stake in the company.

Companies are considered subsidiaries when the Parent Company, directly or indirectly, holds more than half of their voting rights. However, the concept of control goes beyond the percentage interest held in the investee and is defined as the power to appoint the majority of directors of the company or govern its financial or operating policies for the purpose of obtaining benefits from its activity.

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

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

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

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

Methods of consolidation

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

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

Intragroup assets, liabilities, income and expenses are eliminated.

The income and expenses of a subsidiary purchased during the period are included in the consolidated financial statements as of the date of purchase. On the other hand, the income and expenses of a subsidiary sold are included in the consolidated financial statements up to the date of disposal, i.e. when the Parent ceases to contro the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its book value as at the date of disposal (including foreign exchange differences recognised in net equity upon consolidation) is recognised in profit and loss.

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

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

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

The equity method is a method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net equity of the associate (investee). If an investor's share of losses of an associate equals or exceeds its "interest in the associate", the investor discontinues recognising its share of further losses unless the investor has incurred specific legal obligations or made payments on behalf in favour of the associate.

The investee's profit/loss for the year is recognised in account 240 "Gains (losses) on equity investments" of the consolidated profit and loss statement, Unrealised profits resulting from upstream (associate to investor) and downstream (investor to associate) transactions are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated as well, unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements processed for line-by-line and proportionate consolidation include the financial statements as at 31 December 2009, as approved by the Boards of Directors of the respective companies. The companies subject to the Group's significant influence are valued by applying the equity method on the basis of the latest financial statements or reports available.

In the course of 2009, the following changes were made by the Parent Company to the scope of consolidation:

- the subsidiary Marinella S.p.A. was sold in February 2009, with the Parent Company maintaining a 25% stake in it;
- the subsidiaries Monte Paschi Asset Management SGR S.p.A. and ABN AMRO Asset Management Italy SGR S.p.A. were sold in March 2009, following Parent Company's 100% concentration of their capital and take over from Monte Paschi Asset Management SGR S.p.A. of the subsidiary Fabrica S.p.A., currently held by the subsidiary MPS Investments S.p.A.;
- the subsidiary Santorini was placed in liquidation in June 2009;
- the associate Si Holding S.p.A was sold in June;
- the final sale and purchase agreement providing for disposal of 15 bank branches located in the regions of Lazio, Lombardy and Piedmont was signed with Banca Popolare di Puglia e Basilicata s.c.a.r.l. at the end of September, leading to a capital gain of EUR 42.2 mln.

Investement in associates and joint ventures (proportionate consolidation)

31 12 2009

		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	99.918	99.919
					A.36	0.001	
	1.1	MPS VENTURE SGR S.p.a.	Florence	1	A.1	70.000	
A.2		MPS BANCA PERSONALE S.p.a.	Lecce	1	A.0	100.000	
A.3		MPS GESTIONE CREDITI S.p.a.	Siena	1	A.0	100.000	
A.4		MPS LEASING E FACTORING S.p.a.	Siena	1	A.0	100.000	
	4.1	MPS COMMERCIALE LEASING S.p.a.	Siena	1	A.4	100.000	
A.5		BANCA ANTONVENETA S.p.a.	Padua	1	A.0	100.000	
A.6		BIVERBANCA CASSA RISP. BIELLA E VERCELLI S.p.a.	Biella	1	A.0	59.000	
A.7		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100.000	
A.8		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100.000	
A.9		MPS INVESTMENTS S.p.a.	Milan	1	A.0	100.000	
A.10		MPS SIM S.p.a.	Milan	1	A.0	100.000	
A.11		CONSUM.IT S.p.a.	Siena	1	A.0	100.000	
	11.1	INTEGRA S.p.a.	Florence	1	A.11	50.000	
A.12		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI S.p.a.	Siena	1	A.0	100.000	
A.13		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100.000	
A.14		G.IMM.ASTOR Srl	Lecce	1	A.0	52.000	
A.15		PASCHI GESTIONI IMMOBILIARI S.p.a.	Siena	1	A.0	100.000	
A.16		PERIMETRO GEST. PROP. IMM. S.c.p.a.	Siena	9	A.0	9.956	11.500
					A.1	0.142	
					A.2	0.110	
					A.3	0.044	
					A.4	0.057	
					A.8	0.014	
					A.9	0.011	
					A.11	0.025	
					A.13	0.002	
					A.15	0.068	
					A.17	1.071	
A.17		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99.790	100.000
					A.1	0.060	
					A.2	0.060	
					A.3	0.030	
					A.4	0.030	
					A.5	0.030	
					A.6	0.030	

		Name	Registered Office	Type of relationship (*)	Ownership relationship		Available % votes
					Held by	Shareholding (%)	
A.18		AGRISVILUPPO S.p.a.	Mantua	1	A.0	98.224	99.068
					A.9	0.844	
A.19		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantua	1	A.0	100.000	
A.20		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	A.0	100.000	
A.21		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	
A.22		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	
A.23		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	100.000	
	23.1	MONTE PASCHI CONSEILL FRANCE	Paris		A.23	100.000	
	23.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		A.23	100.000	
	23.3	M.P. ASSURANCE S.A.	Paris		A.23	99.400	
	23.4	IMMOBILIARE VICTOR HUGO	Paris		A.23	100.000	
	23.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.23	99.997	
A.24		MONTEPASCHI LUXEMBOURG LTD	Brussels	1	A.0	99.200	100.000
					A.23	0.800	
A.25		ULISSE S.p.a.	Milan	1	A.0	100.000	
A.26		ULISSE 2 S.p.a.	Milan	1	A.0	60.000	
A.27		SIENA MORTGAGES 00-01 S.p.a.	Milan	1	A.0	100.000	
A.28		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60.000	
A.29		ANTENORE FINANCE S.p.a.	Padua	1	A.0	100.000	
A.30		ANTONVENETA CAPITAL LLC I	Delaware	1	A.0	100.000	
A.31		ANTONVENETA CAPITAL LLC II	Delaware	1	A.0	100.000	
A.32		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100.000	
A.33		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100.000	
A.34		GIOTTO FINANCE 2 S.p.a.	Padua	1	A.0	98.000	
A.35		THEANO FINANCE S.p.a.	Padua	1	A.0	100.000	
		A.2 Proportionately consolidated companies					
A.36		BANCA POPOLARE DI SPOLETO S.p.a.	Spoleto	1	A.0	26.005	
		(book value: 26.005% of notional 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 Decree 87/92
6 unified management under art. 26.2 of Decree 87/92
7 joint control
8 connection
9 majority of risks and benefits (SIC 12)
(**)Voting rights are disclosed only if different from the percentage of ownership.

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

Section 4 – Events after the Balance Sheet Date

IAS10 "Events after the Balance Sheet Date" expressly regulates il trattamento da adottare of al those events, whether favourable or unfavourable, which have occurred between the balance sheet date and the date of approval of the financial statements by the Board of Directors. The standard draws a distinction between events after the balance sheet that involve adjustments to the amounts recognised in the financial statements and events after the balance sheet that do not involve adjustments although they may require disclosure of additional information if they are considered significant or relevant.

Wih regard to the ability of continuing as a going concern, it is noted that, in compliance with the provisions set forth in Document no. 4 of 3 March 2010 jointly issued by the Bank of Italy, Consob (the Italian Securities and Exchange Commission) and Isvap (the Supervisory Authority for Private Insurance Companies) concerning "Disclosure in financial reports on tests for impairment, clauses of debt contracts, debt restructuring and fair value hierarchy", which makes reference to previous Document no. 2 jointly issued by the same Authorities on 6 February 2009, the Group has a reasonable expectation that the company will continue in operational existence for the foreseeable future ed has, therefore, used the going concern basis in preparing the financial statements. The uncertainties arising from the current economic situation, although impacting on the 2009 results, do not cast any doubts on the ability of the company to continue as a going concern. More detailed information on the main difficulties and variables of the financial market is dioscloséd in the Directors' Report on Operations.

Section 5 – Other Matters

List of key IAS/IFRS international accounting principles and related SIC/IFRIC interpretations for mandatory application in the 2009 financial statements

Here follows a list of the international IAS/IFRS accounting principles and related SIC/IFRIC interpretations for which application in the 2009 financial statements is mandatory. The international accounting standards and interpretations endorsed before October 2008 have been incorporated in a single text, namely Regulation (EC) no. 1126/2008.

The list reports all of the amendments the application of which is mandatory as of 2009. In particular, the column "Improvements to the International Accounting Principles" highlights the most significant amendments introduced by the IASB as part of its project to improve the accounting principles by means of actions that do not affect their overall set up.

List of the IAS/IFRS international accounting principles for mandatory application in the 2009 financial statements

Accounting standards		Amendments mandatorily effective as of 2009	
		"Improvements to the International Accounting Standards" (Reg. EC no. 70/09)	Other amendments
IAS 1	Presentation of financial statements	S	Overall review of Regulation (EC) no. 1274/08, Amendment of Reg. EC no. 53/09
IAS 2	Inventories		
IAS 7	Cash-flow statement		
IAS 8	Accounting policies, changes in accounting estimates and errors		
IAS 10	Events after the balance sheet date		
IAS 11	Contruction contracts		
IAS 12	Income taxes		
IAS 14	Segment reporting (superseded by IFRS 8 as of 1 January 2009)		
IAS 16	Property, plant and equipment	S	
IAS 17	Leases		
IAS 18	Revenue		
IAS 19	Employee benefits	S	
IAS 20	Accounting for government grants and disclosure of government assistance	S	
IAS 21	The effects of changes in foreign exchange rates		
IAS 23	Borrowing costs	S	Overall review of Regulation (EC) 1260/08
IAS 24	Related party disclosures		
IAS 26	Accounting and reporting of retirement benefit plans		
IAS 27	Consolidated and separate financial statements		Amendment of Reg. EC no. 69/09
IAS 28	Investments in associates	S	
IAS 29	Financial reporting in hyperinflationary economies	S	
IAS 31	Interests in joint ventures	S	

Interpretations which must be applied to the 2009 financial statements

Interpretations		interpretation to be applied in 2009 for the first time
SIC 7	Introduction of the Euro	
SIC 10	Government assistance - no specific relation to operating activities	
SIC 12	Consolidation — special purpose entities	
SIC 13	Jointly controlled entities — non-monetary contributions by venturers	
SIC 15	Operating leases — incentives	
SIC 21	Income taxes — recovery of revalued non-depreciable assets	
SIC 25	Income taxes — changes in the tax status of an entity or its shareholders	
SIC 27	Evaluating the substance of transactions involving the legal form of a lease	
SIC 29	Disclosure — service concession arrangements	
SIC 31	Revenue — barter transactions involving advertising services	
SIC 32	Attività immateriali – Costi connessi a siti web	
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	
IFRIC 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment	
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial reporting in hyperinflationary economies	
IFRIC 8	Scope of IFRS 2	
IFRIC 9	Reassessment of embedded derivatives	
IFRIC 10	Interim financial reporting and impairment	
IFRIC 11	Group and treasury share transactions	
IFRIC 13	Programmi di fidelizzazione della clientela	Reg. EC no. 1262/08
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	Reg. EC no. 1263/08

The key amendments to the accounting standards and intepretations which are mandatorily effective as of financial year 2009 include the following:

On 30 November 2006 the International Accounting Standards Board (IASB) issued International Financial Reporting Standard **IFRS 8 – Operating Segments**, which shall be effective for accounting periods beginning on or after 1 January 2009 in replacement of IAS 14 – Segment Reporting. The new standard requires the entity to base segment reporting information upon the same information that management uses for operational decision-making (so called *management approach*). Therefore, IFRS 8 requires that operating segments be identified based on the internal reports which are regularly reviewed by management for the purpose of resource allocation and performance management. The adoption of IFRS 8 will have no material impact on the Group's financial statements inasmuch as the segment reporting information, which was provided in the previous financial years pursuant to IAS 14, had already been based on management reporting. The new standard was endorsed by the European Commission with Regulation (EC) no. 1358/2007 on 21 November 2007.

On 29 March 2007, IASB issued a revision of IAS 23 – Borrowing costs which shall be applied as of 1 January 2009. The revised standard removes the option of recognising immediately as an expense on the profit and loss account those borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The standard is to be applied prospectively to borrowing costs relating to capitalised assets as of 1 January 2009. The standard was endorsed with Regulation (EC) no. 1260/2008 by the European Commission on 10 December 2008.

On 6 September 2007, IASB issued a revision of **IAS 1 – Presentation of financial statements**, which shall be applied as of 1 January 2009. The revised standard requires that all changes arising from transactions with shareholders to be presented in a statement of changes in shareholders' equity. All changes resulting from transactions with non-shareholders must be reported in a single "statement of comprehensive income" or in two statements (income statement and "statement of other comprehensive income"). Under no circumstances can the changes arising from transactions with non-shareholders be reported in the statement of changes in shareholders' equity. The standard was endorsed by the European Commission with Regulation (EC) no. 1274/2008 on 17 December 2008.

The Bank of Italy has adopted these amendments with "Circular no. 262, as amended", selecting the second method of presentation envisaged by the revised standard, that is to say by reporting all changes resulting from transactions with non-shareholders must be reported in two separate statements (income statement and statement of other comprehensive income).

On 17 January 2008 IASB published an amendment to **IFRS 2 – Share-based payment** with regard to vesting conditions and cancellations based on which vesting conditions are restricted to service and performance condition sin accounting for share-based payments.

The amendment also clarifies that cancellations by parties other than the entity shall be accounted for in the same way as cancellations by the entity. The amendment is effective as of 1 January 2009 and was endorsed by the European Commission with Regulation (EC) no. 1261/2008 on 16 December 2008.

On 14 February 2008, IASB issued an amendment to **IAS 32 – Financial instruments: Presentation** and to **IAS 1 – Presentation of financial statements** concerning "*Puttable* instruments and obligations arising on liquidation". In particular, the standard requires entities to classify *puttable* financial instruments and instruments that create an obligation for the entity to deliver a share of net assets to a thir party on liquidation, as equity instruments. This amendment is effective as of 1 January 2009. The revised standard was endorsed by the European Commission with Reg. (EC) no. 53/2009 on 21 January 2009.

On 22 May 2008 IASB published amendments to **IFRS 1 – First-time adoption of International Financial Reporting Standards** and **IAS 27 – Consolidated and separate financial statements**, dealing with the measurement of the "Cost of investments in subsidiaries, jointly controlled entities and associates". The amendment allows first-time adopters, in their separate financial statements and in addition to existing criteria, to use a *deemed cost* option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The deemed cost of such an investment shall be its fair value at the date of transition of the separate financial statements to IAS/IFRSs or its carrying amount accounting to previous standards (i.e. IT GAAP). First-time adopters may select either option on an individual basis.

The amendment also involves IAS 27 and, in particular, recognition of dividends and equity investments in separate financial statements; with this amendment, distribution of profits, including pre-acquisition profits, are recognised in profit and loss in the separate financial statements upon vesting of dividend rights.

The requirement for an entity to recognise pre-acquisition profits of subsidiaries as a reduction of the cost of the investment no longer applies. On the other hand, a new impairment indicator was introduced in IAS 36 for recognition of equity investments to take account of this aspect. This amendment is effective as of 1 January 2009. The standard was endorsed by the European Commission with Reg. (EC) no. 69/2009 on 23 January 2009.

On 5 March 2009, the International Accounting Standard Board (IASB) issued amendments to **IFRS 7 – Financial instruments: disclosures** to improve disclosure about fair value measurements and liquidity risks associated with financial instruments. The amendment enhances fair value and liquidity risk disclosure requirements, by introducing a three-level fair value hierarchy similar to that which is requie under US GAAP (SFAS 157) based on the observability of inputs used in the valuation technique. The three-level hierarchy is only introduced for the purpose of disclosure and is not used for the valuation of financial instruments, pending an overall review of IAS 39. These amendments, endorsed with Reg. (EC) no. 1165/2009 shall be applied for annual periods beginning on or after 1 January 2009. However, entities will not be required to provide comparative disclosures in the first year of application.

The Bank of Italy has adopted these amendments in the templates of "Circula no. 262, as amended".

On 22 May 2008, IASB issued a set of IFRS amendments under its **"Improvements to IFRSs"** project **("Improvements")**; here follows a list of the amendments that, according to the IASB, will imply a change in the presentation, recognition and measurement of items in the financial statement. Terminology or editorial changes that have no or minimal effect on accounting are not included in the list. The amendments were endorsed by the European Commission with Reg. (EC) no. 70/2009 on 23 January 2009.

- **IAS 1 – Presentation of financial statements** (revised in 2007): the amendment, which is effective for annual periods beginning on or after 1 January 2009, clarifies that not all assets and liabilities classified as "held for trading" according to IAS 39 should be classified as current assets or liabilities; for instance, derivative instruments expected to be held for more than twelve months will have to be presented as non current assets or liabilities even though, for valuation purposes, they had been classified as "held for trading" under IAS 39.
- **IAS 16 – Property, plant and equipment**: the amendment, which is effective for annual periods beginning on or after 1 January 2009, requires entities whose core business is *renting,* to transfer assets, formerly held for rental, to inventory when they cease to be rented and become held for sale. Consequently, the proceeds from the subsequent sale of such assets shall be recognised as revenue. Cash payments to manufacture or acquire assets for rental to others, and cash receipts from the subsequent sales of such assets should be reported in the statement of cash flows as cash flows from operating (and not from investing) activities.
- **IAS 19 – Employee benefits**: the amendment, applicable prospectively as of 1 January 2009 to changes in benefits that occur on or after this date, clarifies the definition of cost/return of past service and prescribes that, gains or losses on plan curtailments to be immediately presented in profit or loss should only include the reduction in benefits for future service, whereas the effect of any reduction for past service should be considered as a negative past service cost. Additionally, the Board reformulated the definition of short-term and long-term benefits and amended the definition of return on assets requiring this item to be posted net of any administration costs unless they are included in the value of the obligation.
- **IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance**: the amendment which requires prospective application as of 1 January 2009, provides for benefits of government loans at a below-market rate of interest to be treated as government grants thus following the recognition principles outlined in IAS 20.
- **IAS 23 – Borrowing costs**: the amendment, effective as of 1 January 2009, has reconsidered the definition of borrowing costs, by making explicit reference to the effective interest method outlined in IAS 39.
- **IAS 28 – Investments in associates**: the amendment, which cab be applied prospectively as of 1 January 2009, requires that, after applying the equity method, an impairment loss on an investment in associate should not be allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate, but rather to the overall value of the investee. Accordingly, any reversal of that impairment loss shall be recognised in full.
- **IAS 28 – Investments in associates, and IAS 31 – Interests in joint ventures**: these amendments, which is effective for annual periods beginning on or after 1 January 2009, impose additional disclosure requirements for investments in associates and joint ventures according to IAS 39. Accordingly, amendments were made to IFRS 7 – Financial instruments: Disclosures and IAS 32 – Financial instruments: presentation.
- **IAS 29 – Financial reporting in hyperinflationary economies**: the previous version of the standard did not reflect the fact that certain assets or liabilities may be recognised in the balance sheet at current cost rather than at historical cost. The amendment, which was introduced to consider these circumstances, is effective for annual periods beginning on or after 1 January 2009.
- **IAS 36 – Impairment of assets**: the amendment, effective as of 1 January 2009, requires that additional information be disclosed even when the entity determines the recoverable amount of cash generating units as fair value less costs to sell and uses discounted estimates of future cash flows to calculate such an amount.
- **IAS 38 – Intangible assets**: the amendment, effective as of 1 January 2009, requires that advertising and promotional costs be recognised in profit or loss. Additionally, the standard specifies that, if an entity incurs costs that will generate future economic benefits without recognition of intangible assets, these costs shall be recognised in profit or loss at the time when the entity has the right to 'access' the intangible asset, if this involves the purchase of assets, or when the service is provided, if it regards the purchase of services. In addition, the standard was amended to allow businesses to implement the "production unit method" to amortise intangible assets with finite useful lives.
- **IAS 39 – Financial instruments: recognition and measurement**. The amendment, effective for annual periods beginning on or after 1 January 2009, clarifies that:
  - if a change in estimated cash flows occurs, the effective interest rate to be used for recalculation of the asset's carrying value by discounting the estimated future cash flows, is either the original effective interest rate or the interest rate that is recalculated upon termination of a fair value hedging relationship;
  - derivatives previously designated as hedging instruments in cash flow or net investment hedges that cease to be used as such are not subject to the prohibition of financial instruments being reclassified to the "held for trading" portfolio;
  - derivatives previously classified as "held for trading" that are designated as hedging instruments in cash flow or net investment hedges are not subject to the prohibition of financial instruments being reclassified out of the "held for trading" portfolio;
  - reference to designation of a hedging instrument by business sector should be eliminated siano eliminati i riferimenti alla designazione di uno strumento di copertura di settore, to avoid conflict with the new IFRS 8 – Operating segments.

- **IAS 40 – Investment property**: The amendment, effective prospectively for annual periods beginning on or after 1 January 2009, clarifies that investmet property being built is scoped out of IAS 16 and included in the scope of IAS 40.

On 28 June 2007, IFRIC issued the interpretation **IFRIC 13 – Customer loyalty programmes**. The interpretation regulates the accounting treatment of customer loyalty programmes, in which “credits” or “points” are awarded to customers based on goods and services purchased from the entity which, subject to meeting any further qualifying conditions, they are entitled to redeem for gifts and other free or discounted goods or services. The consideration allocated to the award credits is recognised as a liability on the balance sheet to reflect a reduction in revenues over the period during which “points” are granted; recognition of deferred revenues occurs when award credits are redeemed. Upon redemption, the liability is derecognised. The interpretation, effective for annual periods beginning on or after 1 January 2009, was endorsed by the Europena Commission on 16 December 2008with regulation no. 1262/2008.

IAS/IFRS international accounting standards and related SIC/IFRIC interpretations approved by the European Commission, the application of which is mandatory from 31 December 2009.

Pursuant to IAS 8 paragraphs 30 and 31, please note that up to 31 January 2010 the European Commission approved some principles and interpretations issued by the IASB, the application of which is required from 31 December 2009. In these cases the Group did not opt, in any of these cases, for early application. These principles and interpretations are shown below.

IFRS 3 Business combinations and IAS 27 Consolidated and separate financial statements. On 10 January 2008, the IASB issued an updated version of IFRS 3 – Business combinations, and amended IAS 27 – Consolidated and separate financial statements. The main changes to IFRS 3 relate to the removal of the obligation to value subsidiaries' individual assets and liabilities at fair value in any subsequent acquisition, in the event of gradual acquisition of subsidiaries. In addition, if a company does not acquire a 100% interest, non-controlling interests' share of net equity may either be valued at fair value (full goodwill), or using the method currently provided for by IFRS 3. The revised version of the standard also provides for all business combination-related costs to be posted to the profit and loss account and liabilities for conditional payments to be recorded on the acquisition date.

In the amendment to IAS 27, however, the IASB stated that any changes in a stake not resulting in loss of control should be treated as equity transactions and so have a contra-entry in net equity. In addition, when a holding company sells its controlling interest in a company but still holds a shareholding in the company, it shall value the stake held at fair value on the balance sheet and post any profits or losses resulting from the loss of control to the profit and loss statement. Finally, the amendment to IAS 27 requires all losses attributable to non-controlling interests to be allocated to non-controlling interests' share of net equity, including when the losses exceed their capital interest in the company. The new rules must be applied on a prospective basis (for IFRS 3) and retroactively (for IAS 27) to business combinations from 1 January 2010, for financial statements with annual closing. These amendments were approved by the European Commission with the issue of Regulations 494/2009 and 495/2009.

IAS 32 Financial instruments: presentation. In October 2009, the IASB issued an amendment stating that rights issued on a pro-rata basis to all existing shareholders of the same class for a fixed amount of currency should be classed as equity, regardless of the currency in which the exercise price is denominated.

The amendment, approved by the European Commission with Regulation 1293/2009, is applicable to financial statements for financial years commencing on 1 February 2010 or later.

IAS 39 Financial instruments: recognition and measurement. On 31 July 2008, the IASB issued an amendment to IAS 39 entitled "Eligible hedged items", on the basis of which clarification was given that inflation risk may only be hedged under certain conditions and that a purchased option cannot be designated in its entirety (intrinsic and time value) to hedge a one-sided risk of a forecast transaction because it does not generate a perfectly effective hedge.

The amendment, approved by the European Commission with Regulation 839/2009, must be applied to the first financial year commencing after 30 June 2009.

IAS 39 Financial instruments: recognition and measurement and IFRIC 9 Reassessment of embedded derivatives. On 12 March 2009 the IASB issued an amendment to IAS 39 and IFRIC 9 known as "Embedded derivatives". The amendment clarified the accounting treatment of embedded derivatives for entities that applied the amendment to IAS 39 "Reclassification of financial assets" issued and approved in 2008. The amendment makes clear that, for instruments reclassified under the category "Fair value through profit and loss" checks should be made for the presence of any embedded derivatives, which, if conditions apply, must be separated from the host contract and accounted for separately. The amendment should be applied retrospectively from financial years ending after 30 June 2009. The amendment was approved by the European Commission under Regulation 1171/2009.

IFRS 1 First-time adoption of International Financial Reporting Standards. On 24 November 2008, the IASB issued a new version of IFRS 1 First-time adoption of International Financial Reporting Standards. The new version of the standard is a restructured version of the previous version which has been amended on numerous occasions over the years. The new version must be applied from 1 January 2010. The European Commission concluded the approval process by issuing Regulation 1136/2009.

"Improvements to international accounting standards". On 22 May 2008, the IASB issued a set of amendments to IFRS ("Improvements"), approved with Regulation 70/2009. The only amendment for which mandatory application is required for financial statements commencing on 1 January 2010 is listed below. All other amendments approved under Commission Regulation 70/2009 came into force in 2009 and are listed above.

- **IFRS 5 – Non-current assets held for sale and discontinued operations**: the amendment, which the entity must apply for financial years commencing from 1 July 2009, states that if a company is committed to a plan to sell a subsidiary that involves loss of control over said subsidiary, all the subsidiary's assets and liabilities should be reclassified as assets held for sale, regardless of whether the company will retain a non-controlling interest after the sale.

On 30 November 2006, the IFRIC issued the interpretation **IFRIC 12 – Service concession arrangements**. The interpretation relates to concessions granted to private operators by governments or other public sector bodies to develop, manage and maintain infrastructure assets. The interpretation distinguishes between two scenarios, i.e. one in which the entity receives a financial asset with the aim of constructing/upgrading the infrastructure and one in which the entity receives an intangible asset consisting of the right to charge for the use of the infrastructure. In both cases, the financial/intangible asset is initially measured at fair value but then follows the rules of measurement specific to the reference class. The interpretation, applicable from 1 January 2010, was approved by the European Commission on 26 March 2009 under Regulation 254/2009.

On 3 July 2008, the IFRIC issued interpretation **IFRIC 15 – Agreements for the construction of real estate.** The interpretation introduces a distinction for real estate under construction by type of contract/agreement. In essence, it introduces a distinction between the case in which the developer is supplying a construction service and the one in which the developer is selling goods. In the first case, the entity supplying the service recognises revenue on the basis of the percentage of completion of the construction (IAS 11); in the second, the income is posted when control of the goods is lost. The interpretation, approved by the European Commission under Regulation 636/2009, must be applied from 1 January 2010.

On 3 July 2008, the IFRIC issued interpretation **IFRIC 16 – Hedges of a net investment in a foreign operation**, which made it clear that, for accounting purposes, it is possible to hedge the exchange rate risk of subsidiaries, companies subject to significant influence and joint ventures. In particular, the risk that can be hedged relates to the exchange difference between the functional currency of the foreign entity and the functional currency of the parent company. The interpretation also clarifies the fact that in the case of hedges of a net investment in a foreign operation, the hedging instrument may be held by any company belonging to the group and that, in the event of the stake being sold, IAS 21 – The effects of changes in foreign exchange rates must be applied to determine the value to be reclassified from net equity to profit and loss. The interpretation must be applied to financial statements commencing after 30 June 2009. The interpretation was approved by the European Commission under Regulation 460/2009.

IFRIC 17 Distributions of non-cash assets to owners. On 27 November 2008, the IFRIC issued interpretation IFRIC 17 which governs the distribution of non-cash dividends (e.g. real estate, companies, equity investments etc.). In particular, it specifies that in these cases the assets distributed as dividends must be measured at fair value at the time of distribution and any difference between fair value and book value must be posted to profit and loss. The interpretation does not apply to asset distributions which a) relate to entities under common control, b) do not treat shareholders of the same class equally or c) relate to a stake in a subsidiary where there is no loss of control. If applicable, the distribution may previously be classified under IFRS 5; in this case IFRS 5 rules shall apply up until payment of the dividend. The interpretation, which must be applied from 1 January 2010, was approved by the European Commission under Regulation 1142/2009.

IFRIC 18 Transfers of assets from customers. On 29 January 2009, the IFRIC issued interpretation IFRIC 18, which governs the accounting treatment of property, plant and equipment received from customers and used to connect said customers to a network and/or to supply goods and services. Assuming that the entity receives an asset that can be defined as such (i.e. the entity has control over said asset), the entity recognises the property at fair value (IAS 16). With regard to this asset, the entity recognises income in relation to the duration of the services supplied to the customer. If a deadline is not set for the supply of the services, the period during which the income is recognised cannot exceed the useful life of the property transferred. If the service simply ends with connection to a network, the income is recognised upon the occasion of said connection. The interpretation, which must be applied to financial statements for financial years commencing after 31 October 2009, was approved by the European Commission under Regulation 1164/2009.

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

The start date for mandatory application of these standards and interpretations which is, in any event, after 31 December 2009, is not shown as this will be determined on a definitive basis, for companies residing in European Union countries, by approval regulations.

"Improvements to international accounting standards" Project. Within this scope of this project, on 16 April 2009, the IASB issued a set of amendments to IFRS. Those amendments indicated by the IASB as involving a change in the presentation, recognition and measurement of balance sheet items are listed below, leaving aside, however, those that will only result in terminological or publication changes with minimal effects in terms of accounting.

- **IFRS 1 – First-time adoption of International Financial Reporting Standard**s. The amendment to IFRS 1 adds two additional exemptions for first-time adopters (one for companies exploring and evaluating mineral resources and the other for those required to determine whether an agreement contains a lease).
- **IFRS 2 – Share-based payments**. Payments in shares arising from business combinations involving entities under joint control and joint ventures.
- **IFRS 5 – Non-current assets held for sale and discontinued operations**: clarification was given on mandatory disclosures.
- **IFRS 8 – Operating segments**: clarification was given that assets relating to each segment must be only be shown if these assets are included in reporting to management.
- **IAS 1 – Presentation of financial statements:** clarification was given that liabilities that issuers are obliged to repay, at the option of the holder, via the issue of their own capital instruments within 12 months of the balance sheet date must not be classified as current liabilities.
- **IAS 7 – Statement of Cash Flows**: clarification was given that only expenses recognised as assets in the statement of assets and liabilities can be classified as cash flows arising from investing activities.
- **IAS 17 – Leases**: the standard was amended, stating that land leases should always be classified as operating leases where the contract does not provide for transfer of ownership at the end of said contract. Following the amendment, when a lease contract relates to both land and buildings, an entity must verify classification as an operating or financial lease for both elements on the basis of the rules provided for by paragraphs 7-13 of the standard, taking into consideration the fact that one major factor is that land normally has an indefinite economic life.
- **IAS 24 – Related party disclosures**: in November 2009, the IASB revised IAS 24, seeking to update and, above all, clarify disclosure for government controlled entities and for parent company/subsidiary relations when preparing cash flow statements.
- **IAS 36 – Impairment of assets:** clarification was given, in the definition of a "cash-generating unit" (CGU), that for the purposes of Impairment Tests, a CGU may not be larger than a business segment as defined in para. 5 of IFRS 8, prior to the business combination permitted by para. 12 of the same standard.
- **IAS 38 – Intangible assets**: some clarifications were given on measuring intangible assets in business combination agreements, in line with the changes made to IFRS 3 under the 2008 review.
- **IAS 39 – Financial instruments: recognition and measurement**: changes were made to prepayment options and cash flow hedging in relation to forward contracts arising from business combination agreements. As regards forward contracts arising from business combination agreements, paragraph 2 g) of IAS 39 specified that contracts stipulated between a purchaser and a vendor in a business combination to buy or sell an acquiree at a later date, would be excluded from the scope of IAS 39. The amendment in question made it clear that this exemption is limited to forward contracts between a purchaser and a vendor shareholder to buy/sell an acquiree that result in a business combination and that are settled at a later date whilst awaiting the necessary authorisations and the completion of legal processes. As regards prepayment options, it was specified that options whose exercise price does not compensate the lender for lost interest for the period corresponding to the remaining term of the contract must be separated from the host contract. As regards cash flow hedging, the wording used to illustrate the criteria for reclassification of gains and losses on hedging instruments to profit and loss has been changed.
- **IFRIC 9 – Reassessment of embedded derivatives:** further to revision of IFRS 3, it was necessary to confirm that the aim of the interpretation is still the same but the amendment clarifies that this standard does not apply to implicit derivatives in contracts acquired in a business combination, a combination of entities under joint control or a joint venture. The acquisition of affiliated companies is excluded from the scope of this interpretation. If the entity avails itself of early application of the revised IFRS 3 then this interpretation also complies by providing appropriate reporting.
- **IFRIC 16 – Hedges of a net investment in a foreign operation:** in hedges of a net investment in a foreign operation, the hedging instrument may be owned by one or more companies within a group, provided that IAS 39 requirements are met.

IFRS 2 – Share-based payments. The amendment, issued by IASB on 18 June 2009, clarifies how agreements under which a subsidiary receives goods or services from employees or suppliers who are paid by the parent company (or by another Group entity) which takes on the obligation to transfer cash or other assets for an amount based on the price of the shares of the subsidiary or of the parent company, fall within the scope of the standard. An entity which receives goods or services as share-based payments must account for those goods or services no matter which group entity settles the transaction and no matter whether the transaction is settled in shares or in cash..

IFRS 9 – Financial instruments. In response to requests to simplify accounting standards applicable to financial instruments from both political organisations and international institutions, the IASB has launched a project to replace the current IAS 39. The project in question can be broken down into three separate phases: classification and measurement of financial assets, amortised cost and impairment, hedge accounting.

In addition to these three phases, in March 2009, the Board published an ED on Derecognition which amends IAS 39 and IFRS 7. The IASB plans to complete the review of these standards in the second half of 2010 so as to complete the more onerous project of replacing IAS 39 by the end of the same year.

With regard to the first phase, on 12 November 2009, the IASB issued the accounting standard IFRS 9 – Financial instruments, which must be adopted from 1 January 2013. The new accounting standard relates to the classification and measurement of financial assets. Portfolio categories were reduced to three (amortised cost, fair value with changes to profit and loss and fair value through other comprehensive income for equity instruments). HTM and AFS categories were removed. Rules for classifying the three categories in question were changed, including those relating to the Fair Value Option (FVO). IFRS 9 uses a unique method to determine whether a financial asset should be measured at amortised cost or at fair value. The method is based on the entity’s business model and on the contractual features of the cash flow of the financial assets. The new standard also requires use of a unique impairment method. The new IFRS has not been approved by the European Commission which has postponed the process until completion of the other phases.

IFRIC 14 – Amendment “Prepayments of a minimum funding requirement”. On 26 November 2009, the IASB corrected IFRIC 14 so that, in some cases, the amendment permits entities subject to minimum funding to recognise voluntary prepayments of minimum funding requirements as assets.

IFRIC 19 – Extinguishing financial liabilities with equity instruments. On 26 November 2009, the IASB clarified procedures for measuring transactions in which an entity renegotiates the terms of a debt by totally, or partially, extinguishing the liability by issuing equity instruments subscribed for by the creditor (these transactions are often known as “debt for equity swaps”). The interpretation does not apply to transactions in which the creditor is a direct, or indirect shareholder of the debtor, in which the creditor and the debtor are controlled by the same company before and after the transaction or in which the transaction was planned for in the original clauses of the contract. The interpretation clarifies that equity instruments issued must be measured at fair value and that they represent the consideration paid to extinguish the liabilities. The difference between the fair value of the equity instruments issued and the book value of the liability extinguished must be accounted for through the profit and loss statement.

A2 – The main items of the accounts

Accounting standards

This chapter contains the Accounting standards in relation to the main assets and liabilities items of the balance sheet, which were adopted for the preparation of the consolidated financial statements as at 31 December 2009.

1. Financial assets held for trading

a) recognition criteria

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

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

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

b) classification criteria

This category includes debt Securities and equities purchased mainly for the purpose of obtaining short-term profits arising from price changes and the positive value of derivative contracts other than those designated as hedging instruments. Derivative contracts also include the derivatives embedded in combined financial instruments which are subject to separate accounting.

c) measurement criteria

After initial recognition financial assets held for trading are recorded at *fair value*, with changes posted as a contra-entry to the profit and loss statement.

Market quotations are used to determine the fair value of the financial instruments listed in an active market. Failing an active market, generally accepted valuation methods and models were used which are based on market elements such as: methods based on the valuation of listed instruments which have similar characteristics, discounting of future cash flows, models of determination of the prices of options, values measured in recent comparable transactions, etc.

Equities and derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost, adjusted for any value reduction losses. Such losses are not reinstated.

d) derecognition criteria

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

e) revenue recognition criteria

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

2. Financial assets available for sale

a) recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and equities and on the date of disbursement for loans.

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

b) classification criteria

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

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

c) measurement criteria

After initial recognition, Financial assets available for sale are measured at fair value, with interest being recognized in the income statement as resulting from the application of the amortized cost and related foreign exchange effect, and with appropriation to a specific net equity reserve of the gains or losses arising from changes in fair value net of the related tax effect, except losses due to impairment. Foreign exchange fluctuations in relation to equities are posted to the specific net equity reserve. Equities, for which it is not possible to determine a reliable fair value, are maintained at cost, adjusted for any impairment losses.

Financial assets available for sale are reviewed for objective evidence of impairment at each balance sheet and interim reporting date. Indicators of a likely impairment are, for instance, remarkable financial difficulties of the issuer, non-fulfilment or defaults in payments of interest or principal, the possibility that the borrowe is declared bankrupt or submitted to other forms of insolvency proceedings, the disappearance of an active market for the assets. In particular, as far as equities listed on active markets are concerned, a market price as at the date of the financial statements lower than the original purchasing cost of at least 30% or a market value lower than the cost lasting more than 12 months are considered an objective evidence of value reduction. If further reductions occur in the following financial years they are directly posted to profit and loss.

The amount of any value adjustment shown following the impairment test is recorded in the profit and loss statement as an expense for the year. If the reasons for impairment cease to exist, following an event which occurred after registration of impairment, value recoveries are posted through net equity in the case of equities, and through profit and loss in the case of debt securities.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the financial flows arising from the financial assets or when the financial assets are sold and all related risks and benefits are transferred.

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

e) revenue recognition criteria

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

- account “100 – Gains/Losses on purchase/disposal of: b) financial assets available for sale”, in case of a disposal;
- account “130 – Net losses/recoveries on impairment of: b) financial assets available for sale”, in case of measurement of an impairment loss.

If the reasons for impairment cease to exist, following an event which occurred after the impairment was recognised, value recoveries are posted through profit and loss in the case of loans or debt securities, and through net equity in the case of equities.

3. Held to maturity investments

a) recognition criteria

Initial recognition of the financial asset occurs at the date of settlement. Upon initial recognition, financial assets classified in this category are recorded at *fair value*, which is usually the price paid including transaction costs or revenues directly attributable to the financial assets.

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

b) classification criteria

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group has the positive intention and ability to hold to maturity. If it is no longer appropriate to keep an investment to maturity as a result of a change in the Group's intention and ability to hold it as such, the investment is reclassified among assets available for sale.

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

c) revenue recognition criteria

After initial recognition at its fair value, a held-to-maturity financial asset is measured at amortised cost using the effective interest method, adjusted so as to take account of the effects resulting from any impairment losses.
The result of the application of this method is posted through profit and loss under account "10 – Interest income and similar revenues".

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

Assets are tested for *impairment* at annual and interim reporting dates.

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

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

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the financial flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred.
As at 31 December 2009, in compliance with the guidelines adopted with a specific Framework resolution, the Group holds a negligible quantity of financial instruments classified in this category.

4. Loans and receivables

a) recognition criteria

Recognition in the financial statements occurs:

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

The initial value is quantified on the basis of the fair value of the financial instrument, which is usually the amount disbursed or the subscription price, including the costs/income directly attributable to the instrument and determinable since the beginning of the transaction, even though they are settled later. This does not include costs which have these characteristics but are subject to repayment by the debtor or which can be encompassed in ordinary internal administrative expenses.

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

b) classification criteria

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

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

c) income component measurement and valuation criteria

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

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

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

In 2008, the Bank of Italy broadened the definition of doubtful debt to include loans more than 270 days past due.

Classification takes place independently, except for loans more than 180 days past due and the doubtful part of loans more than 270 days past due, which are measured using automated procedures.

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

NPLs, doubtful debt and restructured loans are subject to analytical valuation; loans more than 180 days past due, loans subject to country risk and performing loans are subject to collective valuation. In accordance with the Bank of Italy's recent amendment to Circular 262/2005, however, data for loans more than 180 days past due are subject to analytical valuation in the tables in the notes to the financial statements.

With reference to the receivables subject to analytical valuation, the value adjustment of each receivable is equal to the difference between its book value upon valuation (amortised cost) and the current value of expected future financial flows, calculated using the original effective interest rate.

Expected financial flows take account of the expected recovery time, the estimated realisable value of any guarantees and the costs which are likely to be incurred for credit recovery.

The value adjustment is posted to the profit and loss statement under item 130 – "Net write downs/write-backs due to impairment". The adjustment component attributable to the discounting of financial flows is calculated on an accrual basis in accordance with the effective interest rate method and posted under write-backs.

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

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

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

- segmentation of the loan portfolio by:
- customer segments (billing);
- economic business sectors;
- geographic location;
- determination of the loss rate of individual portfolio segments, using the historical experience of the Group as reference.

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

d) derecognition criteria

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

If it is not possible to ascertain a substantial transfer of risks and benefits, the receivables are derecognised where no kind of control has been maintained thereof. If such control has been kept, even partly, the receivables should continue to be recognised to the extent of residual involvement, as measured by the exposure to the changes in value of the receivables sold and to the changes in their financial flows.

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

5. Financial assets measured at fair value

a) recognition criteria

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

Upon the initial valuation, financial assets are measured at fair value, which usually corresponds to the amount paid, without considering any costs or income from the transaction directly attributable to the instrument itself, which are posted to the profit and loss statement.

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

b) classification criteria

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

1. the determination of fair value allows for the elimination or reduction of significant misrepresentations of the financial instruments on the profit and loss statement and balance sheet; or
2. the management and/or measurement of a group of financial instruments at fair value through profit or loss is consistent with an investment or risk management strategy documented as such by senior management; or
3. there is an instrument containing an implicit derivative which significantly amends the cash flows of the host instrument and would otherwise have been removed.

c) measurement criteria

Following the initial valuation, the assets are measured at fair value.

Market quotations are used for determining the fair value of the financial instruments listed in an active market.

If there is no active market, generally accepted measurement models and estimation methods are used that are based on market data, such as: methods based on measuring similar listed instruments, discounting future cash flows, models for determining option prices, values measured in recent similar transactions.

d) derecognition criteria

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

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

At 31 December 2009, the Group held in this category only financial instruments servicing internal pension funds.

e) income component measurement criteria

Profits and losses resulting from any changes in the fair value of the financial assets are posted under item 110 "Net profit/loss from financial assets and liabilities measured at fair value" in the profit and loss statement.

Income derivative instruments associated with the fair value option are treated similarly, with their impact recorded under item 110 "Net profit/loss from financial assets and liabilities measured at fair value".

6. Hedging transactions

a) recognition criteria – purposes

Risk-hedging transactions aim to neutralise any potential losses detectable in a specific element or group of elements, and attributable to a specific risk, with the profits detectable in a different element or group of elements, should that particular risk manifest itself.

b) classification criteria – types of hedging

IAS 39 contemplates the following types of hedging:

- fair value hedging, with the objective of hedging exposure to changes in the fair value of a balance-sheet item attributable to a specific risk;
- cash flow hedging, with the objective of hedging exposure to changes in the future financial flows attributable to specific risks associated with balance-sheet items;
- hedging of a foreign-currency investment, which refers to hedging the risks of an investment in a foreign company denominated in a foreign currency.

At the end of the accounting principles, a specific section is provided detailing the application issues and policies adopted by the Group with reference to hedging transactions. These issues are also addressed in section E of the notes to the financial statements relating to risk management, as well as in sections B and C relating to the balance sheet and profit and loss statement. The hedging policies actually adopted by the Group are explained, with particular attention to the "natural hedge" fair value option instrument which was adopted in significant cases as an alternative to hedge accounting. In particular, fair value option and cash flow hedge techniques were adopted mainly in the accounting management of liability hedges, while the fair value hedge was adopted mainly for asset hedges, whether specific hedges on fixed-rate securities and mortgages or macrohedges on fixed-rate loans.

c) income component measurement and valuation criteria

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedging, the change in the fair value of the item hedged is offset by the change in the fair value of the hedging instrument. Such set-off is in the profit and loss statement under item 90 "Net profit/loss from hedging transactions" through recognition of value changes, with reference both to the hedged item (as regards the changes produced by the underlying risk factor) and the hedging instrument. Any difference, i.e. the partial ineffectiveness of hedging, consequently represents the net economic effect;

- in the case of cash flow hedging, the changes in fair value of the derivative are posted to a specific shareholders' equity reserve with reference to the effective portion of the hedge, and are posted to the profit and loss statement under item 90 "Net profit/loss from hedging transactions" only when the change in fair value of the hedging instrument does not offset the change in financial flows of the hedged transaction;
- the hedging of a foreign currency investment is posted in the same way as cash flow hedges.

A hedging transaction should be founded on a pre-established risk management strategy and consistent with risk management policies adopted. In addition, the derivative instrument is indicated as hedging if there is formal documentation of the relation between the hedged instrument and the hedging instrument, and if it is effective when the hedging starts and, prospectively, during its entire life.

The effectiveness of hedging depends on the extent to which the changes in fair value of the hedged instrument or the relative expected financial flows are offset by the fair value changes of the hedging instrument. Therefore, effectiveness is measured by the comparison of said changes, taking into account the purpose pursued by the company when the hedging was activated.

The hedging is effective (in the range of 80-125%) when the changes in fair value (or in the cash flows) of the hedging instrument neutralise the changes in the hedged instrument almost totally, with reference to the risk factor being hedged.

Effectiveness is assessed at year-end by using:

- forward-looking tests, which justify the application of hedge accounting since they show its expected effectiveness;
- retrospective tests, which show the degree of hedging effectiveness achieved during the period under review.

Derivative instruments which are considered as hedging from an economic viewpoint because they are operationally linked with financial liabilities measured at fair value (fair value option) are classified among trading derivatives; the respective positive and negative differentials or margins accrued until the end of the reporting period are recognised, in accordance with their hedging purpose, as interest income and interest expense. Valuation profits and losses are posted in the P&L statement under item 110 "Net profit/loss from financial assets and liabilities measured at fair value".

d) derecognition criteria – ineffectiveness

If the controls do not confirm the effectiveness of hedging, both retrospectively and prospectively, hedging transactions are no longer reported in accordance with the above criteria and the hedging derivative contract is reclassified under trading instruments. The financial instrument subject to hedging is valued again in accordance with its original category; any reserves from cash flow hedges are posted to the profit and loss statement using the amortised cost method for the residual life of the instrument.

Any hedging links cease to exist when the derivative matures or is sold or exercised, or the hedged item is sold or matures or is repaid.

7. Equity investments

a) recognition criteria

This item includes equity investments:

- subject to significant influence, valued using the net equity method;
- held in subsidiaries for which the consolidation of the balance sheet and profit and loss statement was not deemed significant with respect to the consolidated financial statements.

The item does not include net equity-method valuation of equity investments under joint control since they are consolidated using the proportional method.

b) classification criteria

For classification purposes in this item, subsidiaries are considered as companies where the Bank has the power of determining financial and operational policies for the purpose of obtaining benefits therefrom. This occurs when more than half of the voting rights are held directly and/or indirectly or in the presence of other conditions of de facto control, such as the appointment of the majority of the directors.

Subsidiaries for which consolidation of the balance sheet and profit and loss statement is not significant with respect to the consolidated financial statements, and where the Bank has the power of determining financial and operational policies for the purpose of obtaining benefits therefrom, may be classified in this item. This occurs when more than half of the voting rights are held directly and/or indirectly or in the presence of other conditions of de facto control, such as the appointment of the majority of the directors.

Companies with contractual agreements, shareholders' pacts or agreements of a different nature for the joint management of business and the appointment of the directors are considered as jointly controlled entities.

Associates include (i) companies where a share of 20% or higher of voting rights is held, and (ii) companies which – owing to specific legal ties such as the participation in shareholders' pacts – have to be considered as subject to significant influence.

These classifications are made irrespective of legal status. Any potential voting rights which can be currently exercised are considered in the calculation of voting rights.

c) income component measurement and valuation criteria

Given the above, the item broadly contains the valuation of equity investments using the net equity method. This method contemplates the initial posting of the investment at cost and its subsequent adjustment on the basis of the stake held in the shareholders' equity of the partially owned company.

The pro-rata amount of the profit/loss for the year of the partially owned company is posted to item 240 "Profits/losses from equity investments" in the consolidated profit and loss statement.

d) derecognition criteria

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

8. Property, plant and equipment

a) recognition criteria

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

Extraordinary maintenance expenses which involve an increase in future economic benefits are posted as an increase in the value of the assets. The other ordinary maintenance expenses are posted to the profit and loss statement. Financial expenses are recorded in accordance with IAS 23.

b) classification criteria

Property, plant and equipment comprises: land, capital real estate, property investments, plants, fixtures and fittings and equipment of any kind.

Capital real estate is defined as real estate owned by the Group and used for the production and supply of services, or for administrative purposes. Property investments are defined as real estate owned by the Group for the purpose of collecting rent and/or held for the appreciation of invested capital.

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

There were assets held under leasing at the end of 2009.

c) income component measurement and valuation criteria

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

They are systematically depreciated over their useful life on a straight-line basis, except for land and works of art which have an indefinite useful life and cannot be depreciated. The useful life of property, plant and equipment subject to depreciation is periodically reviewed. In case of an adjustment of initial estimates, the relative depreciation allowance is amended accordingly. The depreciation rates and the subsequent useful life expected for the main categories of assets are reported in the specific sections of the notes to the financial statements.

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

The presence of such signs originates a comparison between the book value of the assets and their salvage value, which is the higher of the fair value, net of any selling costs, and the value-in-use of the assets, i.e. the current value of future flows produced by the assets. Any adjustments are posted to the profit and loss statement under item 170 "Net write-downs/write-backs on property, plant and equipment". Periodic depreciation is reported in the same item.

Where the reasons for impairment are no longer present, a write-back – which shall not exceed the value the assets would have had, net of the depreciation calculated, without prior impairment – is made.

d) derecognition criteria

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

9. Intangible assets

a) recognition criteria

Intangible assets incorporate non-monetary, identifiable and non-material assets held for use over several years or indefinitely. They are posted at cost, adjusted by any additional charges only if the future economic benefits attributable to the assets are expected to be realised and if the cost of the assets can be reliably determined. The cost of intangible assets is otherwise posted to the profit and loss statement in the year it was incurred. Goodwill is posted among assets when it results from a business combination transaction in accordance with the principles of determination indicated by IFRS 3, as a residual surplus between the overall cost incurred for the transaction and the net fair value of the assets and liabilities purchased (i.e. companies or business units).

If the cost incurred is lower than the fair value of the assets and liabilities purchased, badwill is posted directly to the profit and loss statement.

b) income component classification, measurement and valuation criteria

The cost of intangible fixed assets is amortised on a straight-line basis according to their useful life. If the useful life is indefinite, there is no amortisation, but the adequacy of the book value of the assets is checked periodically. Intangible assets arising from an internally developed software purchased by third parties are amortised on a straight-line basis starting from completion and the implementation of the applications according to their useful life. Where there is evidence of impairment, the salvage value of the assets is estimated at year-end. The amount of the loss shown in the profit and loss statement is equal to the difference between the book value of the assets and the salvage value.

Posted goodwill is not subject to amortisation, but its book value is checked annually (or more frequently) where there are signs of impairment. To this end, the units producing the financial flows to which goodwill is attributable are identified.

The amount of any reduction of value is determined on the basis of the difference between the book value of goodwill and its salvage value, if lower. Said salvage value is the higher of the fair value of the cash-generating unit, net of any selling costs, and the respective value-in-use, represented by the present value of estimated cash flows for the years of operation of the cash-generating unit and those resulting from its disposal at the end of useful life. The resulting value adjustments are posted to the profit and loss statement under item 210 "Net adjustments to / recoveries on intangible assets". Periodic amortisation is reported in the same item. No subsequent write-backs are posted, since this is not admitted.

c) derecognition criteria

Intangible fixed assets are eliminated from the balance sheet upon their disposal and if no future economic benefits are expected.

10. Non-current assets held for sale

a) recognition criteria

Non-current assets and disposal groups held for sale are initially valued at the lower of the book value and the fair value net of selling costs.

b) classification criteria

This item includes non-current assets and disposal groups held for sale when the book value is to be recovered mainly through a highly likely sale rather than continual use.

c) income component measurement and valuation criteria

Following the initial valuation, non-current assets and disposal groups held for sale are valued at the lower of the book value and the fair value net of selling costs. Related income and expenditure, net of the tax effect, are shown in the P&L statement under a separate item if they relate to discontinued operations.

In this specific case, it is also necessary to record the same economic information in a separate item for the previous periods presented in the financial statements, reclassifying the profit and loss statements as a result.

Any process of amortisation is stopped when non-current assets are classified as non-current assets held for sale.

d) derecognition criteria

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

11. Current and deferred tax

a) recognition criteria

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

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

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

In particular, current taxation includes the net balance of current liabilities for the year and current tax assets with the Financial Administration, as represented by tax advances and other withholding tax receivables or for tax credits for which reimbursement has been requested from the competent tax authorities. Tax receivables transferred as a guarantee of own debts shall also be recorded within this scope.

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

Prepaid tax assets are shown in the balance sheet in the extent to which they are likely to be recovered on the basis of the capacity of the company involved or all of the participating companies – as a result of exercising the option concerning "fiscal consolidation" – to generate a positive taxable income on an ongoing basis. Deferred tax liabilities are shown in the balance sheet, with the sole exception of tax suspension reserves, since the volume of available reserves already subject to taxation reasonably implies that no transactions involving taxation will be carried out. Prepaid and deferred taxes are posted to the balance sheet by offsetting each tax for each year, taking account of the expected repayment schedule.

Prepaid taxes for the years in which deductible temporary differences are higher than taxable temporary differences are posted to the assets side of the balance sheet, under deferred tax assets. Deferred taxes for the years in which taxable temporary differences are higher than deductible temporary differences are posted to the liabilities side of the balance sheet, under deferred tax liabilities.

b) classification and valuation criteria

Prepaid and deferred tax assets and liabilities are systematically valued to take into account any changes in regulations or tax rates, and any different subjective situations of Group companies. In addition, the tax reserve is adjusted to cover the charges which might result from already notified tax assessments or litigation pending with the tax authorities.

With reference to fiscal consolidation of the parent company and participating subsidiaries, contracts have been stipulated to regulate offsetting flows in relation to the transfers of tax profits and losses. Such flows are determined by administering the applicable IRES tax rate to the taxable income of participating companies. The offsetting flow for companies with fiscal losses – calculated as above – is recognised by the consolidating company to the consolidated company insofar as the consolidated company, were it not a participant of fiscal consolidation, might have used the losses within the five-year period established by law. Offsetting flows so determined are posted as receivables and payables with companies participating in fiscal consolidation, classified under other assets and other liabilities, offsetting item 290 "Income tax for the year on continuing operations".

c) income component measurement criteria

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

12. Provisions for risks and charges

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

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

Whenever time is important, the provisions are discounted back.

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

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

Sub-item 120 "Provisions for risks and charges: pension funds and similar obligations" includes appropriations in compliance with IAS 19 "Employee benefits" for the purpose of balancing the technical deficit of defined-benefit complementary pension funds. Pension plans are either defined-benefit or defined-contribution schemes. The charges borne by the employer for defined-contribution plans are pre-established; charges for defined-benefit schemes are estimated and shall take account of any shortfall in contributions or return on assets where the contributions are invested.

For defined-benefit schemes, the actuarial values required by the application of the above principle are determined by an external actuary in accordance with the projected unit credit method. In particular, the obligation is calculated as the sum of the following values:

- average current value of pension benefits (determined for active employees only on the basis of completed years of service and taking account of possible future salary increases);
- less the current value of any assets servicing the scheme;
- less (or plus) any actuarial loss or profit not shown in the balance sheet, on the basis of the so-called "corridor" method.

According to the corridor method, the actuarial profits and/or losses – defined as the difference between the book value of the liabilities and the current value of the Group's commitments at the end of the period – shall be posted to the balance sheet only when they exceed the higher value of 10% of the average current value of pension benefits and 10% of the current value of the assets of the pension fund. Any surplus is posted to the profit and loss statement in line with the average residual working life of active employees, or during the year in the case of retired employees.

The provision for the year posted to the profit and loss statement equals the sum of annual interest accrued on the average current value of pension benefits at the beginning of the year, the average current value of benefits accrued by active employees during the year, and actuarial profits and losses in compliance with the corridor method, net of the expected annual return of the assets invested by the fund.

Sub-item 120 "Provisions for risks and charges: other provisions" includes any appropriations to cover expected losses for actions filed against the Bank, including clawback actions, estimated expenses in relation to customers' claims for securities brokerage, and other estimated expenses in relation to legal or implicit obligations existing at the end of the period. Where the appropriations are valued analytically, the amounts appropriated are used directly to cover charges actually incurred.

13. Payables and debt securities issued

a) recognition criteria

Such financial liabilities are first posted upon receipt of the sums raised or upon the issue of debt securities.

This is done on the basis of the fair value of the liabilities, which is usually equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to each funding or issue transaction and not repaid by the creditor. Internal administrative costs are excluded. The fair value of the financial liabilities (if any) not issued under market conditions is subject to specific estimate and the difference with respect to the amount collected is directly posted to the profit and loss statement, only when the requirements of IAS 39 are met.

b) classification criteria

Payables with banks and customers, and securities issued, include different types of funding (both interbank and from customers) and money collected through certificates of deposit and outstanding bonds, net of any repurchase. All securities that are not subject to "natural" hedging through derivatives, which are classified under liabilities measured at fair value, are classified in debt securities issued.

Floating-rate securities subject to cash flow hedging are exceptions; despite being hedged by derivatives, they are still classified under debt securities issued. The issues that are not subject to hedging include some that are index-linked. In these limited and residual cases, the implicit derivative component that was classified under trading assets or liabilities measured at fair value was stripped.

The item also incorporates payables booked by the lessee in relation to any stipulated financial lease transactions. The financial statements to 31 December 2009 do not include financial lease transactions.

c) income component measurement and valuation criteria

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

Short-term liabilities for which time is a negligible factor are an exception, and are posted at collected value.

If the requirements of IAS 39 are met, any derivative incorporated in structured instruments is separated from the host contract and measured at fair value as a trading asset or liability. In this case, the host contract is posted at amortised cost.

d) derecognition criteria

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

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

In compliance with the provisions of IAS 32, any potential commitment to buy treasury shares as a result of the issue of put options is shown in the balance sheet under financial liabilities, offset by the reduction of shareholders' equity in the amount of the current value of the repayment sum established contractually. At the end of 2008, there were no put options sold on treasury shares of the Parent company.

14. Financial liabilities held for trading

a) recognition criteria

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

Upon initial valuation, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the profit and loss statement. This item incorporates any implicit derivatives existing in sophisticated contracts to which they are not closely associated. Having the characteristics of derivatives, these are stripped from the host contract and posted at fair value. The applicable accounting criteria are administered to the primary contract.

b) classification criteria

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

The sub-items "Payables with banks" and "Payables with customers" also incorporate uncovered short positions on securities.

c) measurement criteria

Following the initial valuation, financial liabilities held for trading are measured at fair value, *with the changes being posted as a contra entry in the profit and loss statement*.

Market quotations are used for determining the fair value of the financial instruments listed in an active market. If there is no active market, generally accepted measurement models and estimation methods are used that are based on market data, such as: methods based on measuring similar listed instruments, discounting future cash flows, models for determining option prices, values measured in recent similar transactions.

d) derecognition criteria

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

e) income component measurement criteria

Profits and losses resulting from any changes in the fair value of financial liabilities are posted under item 80 "Net profits/losses from trading" in the profit and loss statement, except for profits and losses on fair value option liability derivatives, which are classified under item 110 "Net profits/losses from financial assets and liabilities measured at fair value".

15. Financial liabilities measured at fair value

a) recognition criteria

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

The fair value option (FVO) applies to all financial assets and liabilities which would have caused misrepresentation on the profit and loss statement and balance sheet had they been otherwise classified, and to all instruments which are managed and measured using a fair value logic. In particular, liabilities measured at fair value include fixed-income and structured funding instruments with a market risk subject to systematic hedging through derivative contracts. The fair value of the financial liabilities (if any) not issued under market conditions is subject to specific estimate and the difference with respect to the amount collected is directly posted to the profit and loss statement, only when the requirements of IAS 39 are met.

b) classification criteria

This category includes financial liabilities intended for measurement at fair value through profit or loss when:

1. the determination of fair value allows for the elimination or reduction of significant misrepresentations of the financial instruments on the profit and loss statement and balance sheet; or
2. the management and/or measurement of a group of financial instruments at fair value through profit or loss is consistent with an investment or risk management strategy documented as such by senior management; or
3. there is an instrument containing an implicit derivative which significantly amends the cash flows of the host instrument and must be stripped.

In particular, the parent company has made provision to classify under this item financial liabilities subject to "natural hedging" through derivative instruments. These are bonds and structured and fixed-rate certificates of deposit, for which the market risk is subject to systematic hedging through derivative contracts, with the exception of securities issued at a floating rate subject to cash flow hedging, which are instead classified under debt securities issued. In order to further enhance reporting and transparency on how the fair value option is used, specific detailed tables are provided in the corresponding sections of the notes to the financial statements, both for the profit and loss statement and the balance sheet, which further illustrate the methods and strategies of use of the fair value option by the parent company. For item 17 "Other information", a specific chapter is also inserted on the technical hedging methods, with particular attention to use of the fair value option.

c) measurement criteria

Following the initial valuation, financial liabilities are measured at fair value.

Market quotations are used for determining the fair value of the financial instruments listed in an active market.

If there is no active market, generally accepted measurement models and estimation methods are used that are based on market data, such as: methods based on measuring similar listed instruments, discounting future cash flows, models for determining option prices, values measured in recent similar transactions.

d) derecognition criteria

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

e) income component measurement criteria

Profits and losses resulting from any changes in the fair value of the financial liabilities are posted under item 110 "Net profits/losses from financial assets and liabilities measured at fair value" in the profit and loss statement. Fair value option liability derivative instruments are posted to the same item.

16. Foreign-currency transactions

a) recognition criteria

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

b) income component classification, valuation, measurement and derecognition criteria

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

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

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

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

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

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

17. Insurance assets and liabilities

Reinsurers' technical reserves

This item includes the reinsurers' obligations resulting from reinsurance transactions based on contracts regulated by IFRS 4. Deposits from reinsurers with ceding undertakings are not included. Reinsurers' technical reserves are determined on the basis of the existing agreements in accordance with the principles concerning actuarial reserves, subject to different valuation in relation to credit recovery. At 31 December 2009, asset item 110 "Reinsurers' technical reserves" was empty following the loss of control of the insurance companies and the switch from full consolidation to the equity method. These reserves were not present in the 2008 financial statements either.

Life insurance technical reserves

In compliance with the provisions of IFRS 4, any contracts issued are subject to prior analysis for the purpose of identifying the applicable accounting principle for each of them. To this end, each life insurance policy has been broken down into its tariff components (so-called "coverage"), which have been classified as insurance forms or investment forms on the basis of the extent of the underlying insurance risk borne by the companies.

As a result, the following choices were made:

Insurance products: these include first-branch temporary life insurance policies, life annuity policies and comprehensive policies pursuant to IFRS 4.2 with guaranteed annuity conversion ratios upon issue. As stated, for such products IFRS 4 substantially confirms the applicability of national insurance standards, which, in summary, provide for:

- the posting of gross premiums to the profit and loss statement under income; they include all amounts accrued during the year as a result of stipulating insurance contracts, net of cancellations. Similarly, the premiums assigned to reinsurers are posted as costs for the year;

- with respect to gross-premium income, the amount of the obligations in relation to insured parties – calculated analytically for each contract using the prospective valuation method on the basis of the demographic/financial hypotheses currently adopted by the market – is appropriated to actuarial reserves.

Separately managed financial products: such products, which include most first-branch life insurance policies and comprehensive policies as well as fifth-branch capitalisation policies, are characterised by discretional profit-sharing. Therefore, they are posted in accordance with the following provisions of IFRS 4:

the products are recorded to the financial statements in a manner broadly similar to local accounting principles. This means that the premiums, payments and changes in technical reserves are posted to the profit and loss statement;

the products are valued using shadow accounting. This means that the differences between the book value and market value, with reference to available-for-sale securities, and for the component pertaining to the insured parties, are allocated to technical reserves. The difference between the book value and market value for the component pertaining to the insurance companies is allocated to shareholders' equity. However, if the securities are measured according to the fair value option, the difference between the book value and the market value is shown in the profit and loss statement with a change in technical reserves for the portion pertaining to the insured parties.

Financial products not included under separate management, and therefore with no discretionary profit-sharing: these products, essentially comprising index and unit-linked policies as well as specific asset policies not included under separate management, are booked pursuant to IAS 39. Any insurance component embedded in index and unit-linked products is subject to independent valuation (so-called unbundling).

Technical reserves incorporate only the liabilities arising from insurance contracts issued as per point a); financial instruments as per point b) (financial liabilities with discretional profit-sharing); and the insurance component of unit- and index-linked contracts. Additional information on the accounting system of the instruments as per point c) is provided in the section covering financial liabilities measured at fair value.
Insurance contracts and financial contracts with discretional profit-sharing are valued in accordance with existing practices, pursuant to IFRS 4.25.

The liabilities of associate Axa MPS Vita are determined in accordance with Legislative Decree no. 174 of 17 March 1995 and Legislative Decree no. 173 of 26 May 1997.

Such liabilities are posted including any reinsurance assignments.

The item also includes reserves set aside following the liability adequacy test pursuant to IFRS 4.15, deferred liabilities with insured parties (IFRS 4.30 and IFRS 4.34: shadow accounting) and reserves for amounts payable.

Actuarial reserves and reserves for operating expenses

Actuarial reserves for pure premiums and the reserves for operating expenses, in relation to insurance products and financial products with discretional profit-sharing, are determined on a contract-by-contract basis in accordance with the actuarial calculation principles pursuant to Art. 25 of Legislative Decree no. 174/1995 and using the demographic, financial and loading criteria adopted for the calculation of premiums. Actuarial reserves of pure premiums include the portions of premium accrued during the year and any revaluations made in enforcement of contractual clauses.

In any case, the amount of actuarial reserves is not lower than the amount calculated according to the conditions of guaranteed minimum or at surrender value, if contemplated.

Additional reserves as per Art. 25.12 of Legislative Decree 174/1995 are determined on the basis of ISVAP Regulation nos. 1380 of 21 December 1999 and 1801 of 21 February 2001.

Additional reserves as per Art. 30.4 of Legislative Decree 174/1995 in relation to the insurance component of index- and unit-linked contracts (as represented by the additional temporary life insurance, long-term care, dread disease and disability coverage) are set up on the basis of the actuarial calculation principles pursuant to Art. 25 of said Decree.

Shadow accounting

The current practice has been modified in accordance with the provisions of IFRS 4.30 for the purpose of taking into account any capital gains identified but not realised on the assets which have a direct impact on the measurement of insurance liabilities, by the same standards as realised capital gains. The relative adjustments to insurance liabilities are shown under shareholders' equity if unrealised capital gains are posted under shareholders' equity; if not, they are posted to the profit and loss statement under "amounts paid and changes in technical reserves".

Technical reserves are derecognised when the obligation indicated in the contract has been fulfilled, eliminated or has expired.

Property and casualty insurance technical reserves

In accordance with IFRS 4, property and casualty reserves are determined on the basis of applicable principles, except for some supplementary reserves and equalisation reserves. From this viewpoint, the principle of ultimate cost underlying the existing method is broadly compliant with the liability adequacy test (LAT) required by IFRS 4 for the purpose of ensuring the adequacy of reserves.

Property and casualty reserves include premium reserves, claims reserves and other reserves.

Premium reserve

The premium reserve on the risks of direct insurance policies, as per Legislative Decree 173/1997, includes the portions of premium pertaining to subsequent years, calculated for each contract on an accrual basis in accordance with posted gross premiums, less acquisition commissions and other directly chargeable acquisition costs pursuant to Art. 32 of the above Decree.

The premium reserve also incorporates the premium reserve for unexpired risks.

This consists of the amount to be allocated to cover business risks after the end of the year for the purpose of paying all damages and expenses resulting from insurance contracts stipulated before that date.

Such risks are estimated on a case-by-case basis by class of insurance coverage with reference to the claims-premiums ratio pertaining to the current generation. The reserve is calculated by applying said ratio to the reserve for portions of premium. The unexpired risks reserve – as contemplated by the empirical method indicated by ISVAP circular no. 360/D of 21 January 1999 – consists of the difference between the amount so determined and the sum of the reserve for portions of premium plus the premiums which shall be due in compliance with stipulated contracts (expiring instalments), net of acquisition commissions and other acquisition expenses, limited to directly chargeable costs. The bail bond insurance premium reserve is calculated pursuant to Art. 2.1 of ISVAP Regulation no. 1978 G of 4 December 2001.

Claims reserve

Claims reserves are determined in an analytical manner through the examination of all claims existing at the end of the year, using statistical methods of evaluation for objective elements, so as to enable the amount allocated to the reserve, as provided for by Art. 33 of Legislative Decree 173/1997, as for the ultimate cost, to meet all future foreseeable claims expenses, including settlement costs.

The claims presumed to have occurred during the year and not registered by the end of the reporting period are charged to the claims reserve in compliance with the provisions of Art. 26 of Legislative Decree 175/1995 and Art. 5 of ISVAP Regulation no. 1059/G of 4 December 1998.

Profits and losses resulting from any changes in the value of technical reserves are shown in the profit and loss statement under “balance of other insurance income and charges”.

Liability adequacy test

Pursuant to IAS/IFRS, the adequacy of insurance liabilities is tested using current estimates of future financial flows arising from insurance contracts and financial instruments as per IFRS 4.2. If these tests show that the book value of insurance liabilities is inadequate, the entire shortfall is posted to the profit and loss statement under “balance of other insurance income and charges” as per IFRS 4.15.

At 31 December 2009, insurance equity investments were valued using the net equity method.

18. Other information

Other significant items

Other significant items from the Group’s financial statements are described below.

Cash and cash equivalents

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

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

Value adjustment of macrohedged financial assets and liabilities

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

Other assets

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

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

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

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

Severance pay

Employee severance pay is a defined-benefit allowance subsequent to the employment relationship; therefore its actuarial value must be estimated for purposes of the financial statements. This estimate is carried out using the projected unit credit method, which predicts future disbursements on the basis of statistical historical analysis and the demographic curve, and the financial discounting of such flows according to market interest rates.

The costs accrued during the year for servicing the plan are posted to the profit and loss statement under Item 180 a) "Personnel expenses" as the net amount of contributions paid, non-posted contributions pertaining to previous years, expected income from assets servicing the plan, financial charges and actuarial profits/losses. Actuarial profits and losses – the difference between the balance-sheet value of the liabilities and the current value of the obligation at the end of the year – are computed using the "corridor" method, which means the excess of accrued actuarial profits/losses at the end of the previous year compared with the higher of 10% of the current value of the benefits generated by the plan and 10% of the fair value of the assets servicing the plan. Such excess is also compared to the expected average working life of the participants in the plan. After the reform of supplementary pension funds as per Legislative Decree No. 252 of 5 December 2005, severance pay quotas accrued to 31 December 2006 remain with each company of the Group, while severance pay quotas accrued after 1 January 2007, at the discretion of the employee, are assigned to supplementary pension funds or are maintained at the individual companies, which will provide for their transfer to the Treasury Fund managed by INPS.

Other liabilities

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

It includes, for example:

- payment agreements that must be classified as debts according to IFRS 2;
- debts connected with payment for provision of goods and services;
- accrued liabilities other than those to be capitalised to the respective financial liabilities.

Other significant accounting practices

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

Treasury shares

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

Share-based payments

The existing stock-granting plan contemplates the purchase and allocation on an annual basis to employees of a certain number of shares of Gruppo Monte dei Paschi di Siena S.p.A., with a value corresponding to the amount recognised as part of the company's bonus structure.

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

Dividends and income/cost recognition

Revenues are recognised upon attainment, or:

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

In particular:

- interest is recognised on a pro-rata basis, in accordance with the contractual interest rate or the effective interest rate where amortised cost is applied;
- interest on arrears is posted to the profit and loss statement only upon actual collection;
- dividends are shown in the profit and loss statement upon resolution of their distribution, i.e. when their payment is due;
- commissions for service income are posted in the period when said services were rendered, on the basis of existing contractual agreements;
- income resulting from the brokerage or issue of financial instruments, as determined by the difference between the transaction price and the fair value of the instrument, is posted to the profit and loss statement when the transaction is recorded if the fair value can be determined with reference to recent observable parameters or transactions existing in the market where the instrument is traded. Income is otherwise spread over a period of time taking into account the term and the nature of the instrument;
- portfolio management fees are recognised based on the duration of service;
- costs are recorded to the profit and loss statement when the relative revenues are posted; costs that are not related to revenues are immediately recorded to the profit and loss statement.

Business combinations

A business combination is defined as the transfer of control of a company (or of a group of assets and integrated goods, conducted and managed as a unit). For this purpose, control is considered to have been transferred, either when more than half of the voting rights are acquired, or in the event that, even without acquiring more than half of the voting rights of another entity, control of the latter is obtained, since, as a result of the combination, power is held:

- over more than half of the voting rights of the other entity by virtue of agreements with other investors;
- to make the management and financial decisions of the entity by virtue of articles of association or an agreement;
- to appoint or remove the majority of executive board members;
- to obtain the majority of voting rights at executive board meetings.

A business combination may give rise to an investment link between the acquiring parent company and the acquired subsidiary. In these cases, the acquirer applies IFRS 3 to the consolidated financial statements while posting the acquired interest to its individual financial statements as an equity interest in a subsidiary, consequently applying IAS 27 “Consolidated and separate financial statements”.

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

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

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

The cost of a business combination must be determined as the sum of:

- the fair value, on the date of exchange, of the assets sold, of the liabilities incurred or assumed, and of the equity instruments issued by the acquirer in exchange for control;
- any ancillary expense directly attributable to the business combination.

In cash transactions (or when payment is provided for using cash-equivalent financial instruments), the price is what is agreed on accordingly, possibly discounted in the event of a medium- or long-term instalment plan; in the event that payment occurs by means of an instrument other than cash, thus by means of issuing equity instruments, the price is equal to the fair value of the means of payment net of costs directly attributable to the equity issue.

Included in the price of the business combination on the date of acquisition are adjustments subject to future events, if provided for by the agreements and only in the event that they are probable, determinable in a reliable manner and realised within 12 months of the date of acquisition of control.

In order to determine the cost of the business combination, the above price also includes the external costs incurred for completion of the transaction, such as, for example, the professional fees paid to auditors, experts and legal advisors, the costs for expert opinions and account auditing, preparation of information documents required by regulations, as well as consulting fees incurred to identify potential acquisition targets, if it is established in the contract that payment will take place only in the event of a positive outcome of the combination. Future costs that are predicted to be incurred following the acquisition of control are not attributable to the business combination inasmuch as they do not represent liabilities incurred or assumed by the acquirer in exchange for control of the acquired entity (for example, costs for organisational, IT and legal consulting that concern operational integration and not the acquisition itself), integration costs, trading costs and issuing of financial liabilities insofar as they constitute an integral part of the issue of the liabilities pursuant to IAS 39.

Business combination transactions are recorded using the "acquisition method", which provides for posting to the financial statements:

- the assets, liabilities and potential liabilities of the acquired entity at their respective fair values on the date of acquisition, including any identifiable intangible assets not already posted to the financial statements of the acquired entity;
- the goodwill determined as the difference between the cost of the business combination and the net fair value of the assets, liabilities and identifiable potential liabilities; any positive surplus between the net fair value of the assets, liabilities and potential liabilities acquired and the cost of the business combination is posted to the profit and loss statement.

The fair value of the assets, liabilities and potential liabilities of the acquired entity may be identified provisionally prior to the end of the year in which the combination is realised and must be completed within twelve months of the date of acquisition.

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

Business combinations under common control

Business combinations between entities under common control do not fall under IFRS 3. In the absence of a point of reference, as indicated in Section 1 "Declaration of conformity with international accounting standards", such transactions are posted to the accounts considering their economic significance to be specified on the basis of cash flow impact on the Group. With regard to these considerations, the following cases can thus be identified:

a) transactions with no significant influence on future cash flows: these are recognised using the pooling of interest method. Therefore, in the financial statements of the seller, the difference between the sale price and the book value is posted as an increase/decrease in shareholders' equity. Exclusively in the event of acquisition or transfer of a controlling interest, the equity investment is posted at acquisition cost in the acquirer/transferee's financial statements for the year;
b) transactions with a significant influence on future cash flows: these are measured at fair value, i.e. the amount exchanged. Any difference between the transaction price and the book value is posted to the profit and loss statement.

Amortised cost

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

The effective interest rate is the rate which makes the current value of future contractual payment or collection cash flows, until maturity or a subsequent price recalculation date, equal to the net book value of the financial assets or liabilities. To calculate the current value, the effective interest rate is applied to estimated future collection or payment flows over the entire useful life of the financial assets or liabilities – or for a shorter period if certain conditions are met (for example, a change to market rates).

The effective interest rate shall be redetermined where the financial assets or liabilities have been subject to fair value hedging that is no longer in force.

In cases in which it is not possible to reliably estimate the cash flows or expected life, the Group uses the cash flows laid down contractually for the entire contractual term.

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

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

Valuation at amortised cost is applied to receivables, held-to-maturity financial assets, available-for-sale financial assets, payables and debt securities in issue.

The financial assets and liabilities traded under market conditions are initially posted at their fair value, which normally corresponds to the amount disbursed or paid including, for instruments valued at amortised cost, the directly attributable transaction and commission costs such as fees and commissions paid to agents, consultants, brokers and operators, as well as contributions withheld by regulatory organisations and stock exchanges, and transfer rates and charges. These expenses, which must be directly attributable to the individual financial assets or liabilities, impact the original actual return and make the effective interest rate associated with the transaction different from the contractual interest rate. Calculation of the amortised cost does not include costs that the Group must incur regardless of the transaction (for example, administrative, stationery and advertising costs), which, even though they are specifically attributable to the transaction, occur in the normal practice of managing loans (for example, activities aimed at disbursement).

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

Guarantees issued

Adjustments due to any deterioration in the guarantees issued are posted to Item 100 “Other liabilities”. Impairment losses are posted to Item 130 d) “Net write-downs/write-backs for impairment of other financial transactions” in the profit and loss statement.

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

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

Securitisations

Securitised loans completed prior to the first-time application (FTA) of international accounting standards are not reported in the financial statements inasmuch as the Group has made use of the optional exemption provided for by IFRS 1, which permits not reposting financial assets/liabilities sold or eliminated prior to 1 January 2004. The relative junior securities underwritten have been classified among the receivables.

For transactions completed later than this date, where receivables were sold to vehicle companies and in which - even with formal transfer of legal ownership of the receivables - control over the financial flows deriving therefrom and most risks and benefits are maintained, the loans that are the object of the transaction are not eliminated.

Therefore, the receivables sold are maintained in the financial statements as a payable with the vehicle company net of the securities issued by the company itself and repurchased by the seller. The profit and loss statement also reflects the same accounting criteria.

Substitute tax and recognition of tax value of goodwill

Goodwill is an asset that, if posted the financial statements as a result of merger, transfer or spin-off transactions, is not recognised for tax purposes. Given the residual nature of goodwill, IFRS 3 “Business Combinations” expressly forbids the posting of deferred tax liabilities against the difference between the book value and the tax value of goodwill upon initial recognition. This said, Legislative Decree 185/2008 provides for recognising goodwill for tax purposes by paying a substitute tax at a rate of 16%. Payment of the substitute tax reconciles the tax value to the book value and allows for tax amortisation of goodwill over nine years. International accounting standards do not explicitly cover this issue. Therefore, as indicated in Section 1 “Declaration of conformity with international accounting standards”, senior management had to define an accounting policy in accordance with the criteria established and essentially aimed at ensuring substantial representation of the effects of the transaction. At the conclusion of this process, the Group recorded the substitute tax (cost) and the tax deduction (revenue) in a single item on the profit and loss statement for 2008. The balance-sheet revenue contra-entry is an asset subsequently amortised through profit or loss, thereby eliminating any interference with the tax rate recorded in the financial statements. The accounting criteria adopted takes into account analysis from evaluations conducted by the banking industry body (ABI) and the standard-setter (OIC).

During 2009, subsidiary Banca Antonveneta S.p.A. resolved to partially ‘release’ the goodwill posted following the transfer of the banking business unit by the parent company on 1 January 2009. This transaction, which was recorded in the financial statements using the method described above, produced a negative overall impact of € 109.1mln on the consolidated profit and loss statement, as detailed in Section 20 of Part C of the notes to the financial statements.

Accounting for hedge transactions – adopting the fair value option in the MPS Group

In its financial risk management policy, relating to financial instruments included in the banking book, the Group has preferred using the fair value option accounting technique with respect to the alternative methods of hedging provided for by

IAS 39, particularly fair value hedging and cash flow hedging. This decision is strictly linked to the actual methods with which the Group realises its own hedging policies, tending to do so by assets, managing the overall exposure to the market.

More specifically, the fair value option was adopted to represent operational hedges realised by means of trading derivative financial instruments to hedge fixed-rate certificates of deposit and fixed-rate or structured bonds, both on an individual and consolidated basis (accounting mismatch). In fact, the operations of the Group dictate that issuing companies of the MPS Group individually stipulate microhedging derivative contracts for issued funding instruments with subsidiary MPS Capital Services S.p.A. (eliminated from the consolidated financial statements), which in turn manages by assets the Group's overall exposure to the market. This approach does not maintain a clear relation between the derivative stipulated between Group companies and that traded to the market. This management can be faithfully represented in the financial statements by adopting the fair value option introduced by the new international accounting standards, designating a group of financial assets or financial liabilities managed at fair value through profit or loss.

The scope of application of the fair value option, in the main, concerns three types of financial debt instruments:

- plain vanilla issues represented by bonds and fixed-rate certificates of deposit;
- structured issues represented by bonds whose payoff is tied to an equity component;
- structured issues represented by bonds whose payoff is determined by interest rate- or inflation-linked derivatives.

The use of the fair value option, while best representing the hedge activities performed by the Group, has introduced certain elements of greater complexity compared with the other forms of hedging provided for by IAS 39, such as the need to manage the creditworthiness of the issuer and to define and specify methodologies for determining the fair value of the issued securities.

In accordance with IAS 39, adopting the fair value option necessitates the liabilities being measured at fair value while also taking into account changes in own creditworthiness. This element is considered in the valuation process; to this end, the portfolio of financial instruments designated for the purpose of the fair value option has been determined using methods consistent with those adopted for all other financial instruments owned by the Group and measured at fair value. These are explained at greater length in the following paragraph.

From the perspective of prudential supervision, the fair value option was subject to attention from supervisory bodies, orientated towards controlling the potentially distorting effects deriving from posting to the profit and loss statement changes in the issuer's own creditworthiness and, consequently, in the quality of equity. These reflections led the supervisory bodies to identify and isolate the effects deriving from changes in own creditworthiness, which are expressly excluded from the calculation of regulatory capital. Consequently, the Group shall ensure that its own regulatory capital is cleansed of effects deriving from changes in own creditworthiness, in compliance with the instructions provided by Banca d'Italia regarding prudential filters.

IAS 39 dictates that a financial instrument can be posted among assets or liabilities measured at fair value irrevocably upon initial recognition. The fair value option cannot therefore be used for hedges on funding instruments issued before the decision to implement the hedge; hedge accounting must be used in these cases.

There are, moreover, portfolios and asset classes for which using the fair value option would make it harder to manage and measure the items, for example in relation to hedging asset items. With reference to these cases, therefore, the Group considered it more correct and consistent to adopt formal hedge accounting relations than use the fair value option. In particular, the Group has used the technique of micro fair value hedging to hedge quotas of commercial assets valued at amortised cost (loans, mortgages) and the (available for sale) securities portfolio, while using the macro fair value hedge for certain hedges of commercial assets and the cash flow hedge for hedging a limited portion of variable-rate funding instruments. The fair value option on the asset side of the balance sheet was therefore only marginally adopted with respect to the securities portfolio of the defined-contribution internal pension fund of the former Banca Toscana, which was incorporated by the Parent Bank in the first half of 2009.

In 2009, the OIC issued Operating Guide no. 4 on accounting management of reserves and profit distribution pursuant to Legislative Decree no. 38 of 28 February 2008. In the context of this guide, the supervisory authorities (Banca d'Italia/Consob/Isvap) also identify as non-distributable capital gains those that are posted to the profit and loss statement using the fair value option and not yet realised. The Group has followed this rule to the letter, considering only capital gains and not capital losses, underlining that all the Group's liability operations are exclusively for the purposes of hedging.

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

The financial crisis which gradually overlapped the economic crisis has had many consequences for the company, notably on its financial planning (literally on the business plans for its loans). The huge volatility on the still-active financial markets, the reduction in transactions on inactive financial markets and the lack of future prospects create specific conditions that influenced the preparation of these financial statements, especially in relation to estimates required by accounting standards that can have a significant impact on the balance sheet and profit and loss statement, as well as on information on potential assets and liabilities reported in the financial statements. Arriving at these estimates involves using available information and adopting subjective valuations. By their nature, the estimates and assumptions used can vary from one year to the next. It is therefore possible that in subsequent years the current values posted to the financial statements may differ significantly owing to changes in the subjective valuations used. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

The main cases for which senior management wants to use mostly subjective valuations are:

- the use of valuation models to measure the fair value of financial instruments not listed in active markets;
- the quantification of impairment losses on loans and, more generally, other financial assets;
- the assessment of the fairness of the value of equity investments, goodwill, other intangible assets and property, plant and equipment.

The most important qualitative issues subject to elements of discretion are described below for each case. The actual technical and conceptual solutions used by the group are analysed in more detail in the individual sections of the notes to the balance sheet and the profit and loss statement, where the contents of each item in the financial statements are described.

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

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

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

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

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

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

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

Impairment is valued on an individual basis for financial assets that present objective evidence of impairment losses, and collectively for financial assets for which there is no such objective evidence or for which individual valuation did not determine a value adjustment. Collective valuation is based on identifying homogenous risk classes of financial assets with reference to the characteristics of the debtor/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.

Receivables with customers and banks which have been classified as non-performing, doubtful or restructured according to the definitions of Banca d'Italia are valued individually. The amount of the loss is equal to the difference between the book value of the receivable upon valuation (amortised cost) and the current value of expected future financial flows, calculated using the original effective interest rate; predicted cash flows take into account expected recovery times, presumable salvage value of any guarantees and costs likely to be incurred for the recovery of credit exposure. The amount of the loss is indicated in the profit and loss statement under Item 130 a) "Net write-downs/write-backs on loan impairment".

The individual valuation of the aforementioned impaired loans requires defining repayment schedules for each position, in order to determine the cash flows deemed to be recoverable. In this regard, the valuation process used by the Group has identified dimensional thresholds below which construction of automatic theoretical repayment schedules are required. Such thresholds are fixed in accordance with bands characterised by limited exposure in relation to the total and by a large number of positions.

Receivables with no individually identified objective evidence of impairment loss are subject to collective valuation. This valuation occurs by categories of receivables that are homogenous in terms of credit risk, indicating capacity of the debtor to repay the sums contractually owed. The segmentation drivers used for this purpose consist of: Economic sector, geographic location and customer segments (billing); on the basis of the latter indicator, the main segments of the portfolio are differentiated as follows:

- Retail
- Small and Medium Enterprise Retail
- Small and Medium Enterprise Corporate
- Corporate
- Large Corporate
- Banks
- Other

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

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

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

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

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

However, the existence of a negative return is not in itself sufficient to determine a write-down in the profit and loss statement.

The nature and number of assumptions used to identify impairment factors and quantify write-downs and write-backs are elements of uncertainty in estimation. For equity instruments listed in active markets, objective evidence of impairment occurs when the market price at the end of the reporting period is at least 30% lower than the original acquisition cost or when market value is lower than the cost for a period of more than 12 months. If there are further reductions in subsequent years, these are directly charged to the profit and loss statement.

More information on the possible scenarios can be found in Section 4 of "Assets" in the notes to the financial statements.

Assessment of the fairness of the value of equity investments, goodwill and other intangible assets

Equity investments

The impairment process involves determining the recoverable value, represented by the greater of the fair value net of selling costs and the value-in-use. The value-in-use is the current value of the projected financial flows coming from the impaired asset; it reflects the estimate of the projected financial flows from the asset, the estimate of possible changes in the amount and/or in the timing of the financial flows, the financial time value, the price of offsetting the riskiness of the asset and other factors that can influence the valuation, by market operators, of the projected financial flows coming from the asset. Numerous assumptions are therefore required to estimate the fairness of the recognition value of equity investments.

Goodwill

Goodwill posted following acquisitions is subjected to an impairment test at least once a year and whenever there are signs of impairment. For testing purposes, once the goodwill has been allocated to cash-generating units (CGUs), the book value is compared with the recoverable value of said units pursuant to paragraph 9 “Intangible assets”. The discounted cash flow (DCF) method is normally used to determine the recoverable value of the CGUs. To this end, senior management has estimated CGU cash flows; these are dependent on several factors, including cost and revenue growth rates, that themselves depend on changes to the real economy, customer behaviour, competition and other factors. Numerous assumptions are therefore required to estimate the fairness of the recognition value of goodwill; it follows that the result of this verification inevitably entails some uncertainty. The relevant information in Section 12 of “Assets” in the notes to the financial statements provides more details on this subject.

Other property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with a defined useful life are subjected to an impairment test if there is an indication that their book value can no longer be recovered. The recoverable value is determined with reference to the fair value of the asset net of disposal charges or with reference to the value-in-use if it is determinable and if it is greater than the fair value.

As regards real estate, fair value is primarily determined on the basis of an expert valuation. This expert valuation will be repeated periodically whenever a change in the trend of the real estate market is ascertained that causes previously determined estimates to appear invalid. The loss in value is reported only if the fair value net of selling costs, or the value-in-use, is less than the book value for a continuous period of three years. For the other property, plant and equipment and intangible fixed assets (other than goodwill), it is assumed that the book value normally corresponds to the value-in-use, inasmuch as it is determined by an amortisation process estimated on the basis of the actual contribution of the asset to the production process, and inasmuch as the determination of fair value is extremely arbitrary. The two values will diverge, giving rise to impairment, in the event of damages, removal from the production process or other similar non-recurring circumstances.

The nature and number of assumptions are also elements of uncertainty for these values and for subsequent verifications. More information on the possible scenarios can be found in Sections 12 and 13 of “Assets” in the notes to the financial statements..

A.3 Information on fair value

A.3.1 Portfolio transfers

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

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 31 12 2009 (4)	Fair value at 31 12 2009 (5)	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance (6)	Other (7)	Value-relevance (8)	Other (9)
Debt securities	Trading	Loans and advances to customers	636,216	628,610	38,855	34,826		40,519
Debt securities	Trading	Loans and advances to banks	200,517	194,810	24,672	(496)		8,558
Debt securities	Available for sale	Loans and advances to customers	1,548,915	1,492,758	153,883	47,299	1,327	70,872
Debt securities	Available for sale	Loans and advances to banks	723,782	717,689	38,839	5,917	9,427	9,450
Debt securities	Trading	Available for sale	9,092	9,092	284	1,095	214	724
UCITS	Trading	Available for sale	393,908	393,907	43,904	(8)	43,904	-
Total			**3,512,430**	**3,436,866**	**300,437**	**88,633**	**54,872**	**130,123**

During the previous year, the Group applied "Reclassification of financial assets", with which the IASB amended IAS 39 and IFRS 7 in October 2008 by introducing the possibility of reclassifying portfolios in unusual circumstances such as the crisis in the markets that emerged in the second half of 2008.
On the basis of this amendment, some Group companies transferred the following securities portfolios in the second half of 2008, shown below at their historical transfer values:

1) debt securities in the amount of € 1,029.3 mln from the AFS portfolio to loans and advances to banks;

2) debt securities in the amount of € 1,392.7 mln from the AFS portfolio to loans and advances to customers;

3) debt securities in the amount of € 180.9 mln from the trading portfolio to loans and advances to banks;

4) debt securities in the amount of € 826.8 mln from the trading portfolio to loans and advances to customers;

5) quotas of UCITS in the amount of € 481.4 mln from the trading portfolio to the AFS portfolio.

As well as the book value and fair value at 31 December 2009 of the financial instruments reclassified in 2008, the above table shows (in columns 6 and 7) the economic results, both value-relevant and other types (interest and profit/loss on realisation), that such instruments would have brought to the Bank in 2009 if they had not been transferred in 2008. Columns 8 and 9 display the economic results, both value-relevant and other types (interest and profit/loss on realisation), which the Bank actually recorded on such instruments in 2009.

As a result of the partial recovery in market values in 2009, the hypothetical net capital gains (column 6) of € 300.4 mln are higher than those actually recorded for 2009 (€ 54.9 mln, see column 8) by € 245.6 mln. This potentially positive outcome is due to the fact that, if reclassification had not taken place in 2008, fair value measurement of these securities at the end of 2008 would have brought about higher capital losses than those actually recognised as a result of the reclassification. The € 245.5 mln of extra capital gains would have been recorded as € 182 mln in the AFS reserves in shareholders' equity and € 63.5 mln as trading income on the profit and loss statement.

In addition, the reclassification in 2008 of bonds originally classified as AFS financial instruments meant that the relative negative reserve on the date of reclassification, equal to € 228.4 mln, was recorded pursuant to paragraph 50F of IAS 39. More particularly, the negative AFS reserve was gradually eliminated by temporal distribution related to the residual life of the underlying securities, measured as a direct reduction of interest income. This negative impact on net interest income was offset by the positive effect of the amortised cost mechanism on the securities, which gradually brings the maturity value in line with the nominal value. The residual reserve at the end of 2009 was € 131 mln.

A.3.1.2 Reclassification of financial assets: effects on comprehensive income prior to transfer

A.3.1.3 Transfer of held-for-trading financial assets

A.3.1.4 Effective interest rate and expected cash flows from reclassified financial assets

Tables A.3.1.2, A.3.1.3 and A.3.1.4 have not been compiled because no financial assets were reclassified during the year.

A.3.2 Fair value hierarchy

Fair value hierarchy, introduced by the IASB through IFRS 7 amendment "Additional disclosures" of March 2009 (see page 130), must be applied to all financial instruments measured at fair value on the balance sheet.

IAS 39 defines fair value as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

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

<u>Level 1</u>

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

IAS 39 defines a financial instrument as quoted in an active market when:

a) the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, authorised body or regulatory agency;

b) the quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

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

The definition in IAS 39 dictates that the active market concept is particular to the individual financial instrument being measured and not to the market on which it is listed; the fact that a financial instrument is quoted in a regulated market is therefore not in itself sufficient for said instrument to be defined as listed in an active market.

<u>Levels 2 and 3</u>

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

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

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

Level 2 inputs are as follows:

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

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

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

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

A.3.2.1 Accounting portfolios: breakdown by fair value levels

	31 12 2009				31 12 2008		
Assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**Total**	**L1**	**L2 and L3**	**Total**
1. Financial assets held for trading	6,464,507	16,732,052	309,964	23,506,523	9,459,260	12,338,435	21,797,695
2. Financial assets designated at fair value	249,687	10,731	-	260,418	117,388	62,650	180,038
3. Financial assets available for sale	12,171,088	2,516,454	221,647	14,909,189	3,097,281	1,898,740	4,996,021
4. Hedging derivatives		198,703	-	198,703	-	99,160	99,160
Total	**18,885,282**	**19,457,940**	**531,611**	**38,874,833**	**12,673,929**	**14,398,985**	**27,072,914**
1. Financial liabilities held for trading	1,631,801	17,757,665	91,872	19,481,338	8,810,756	10,156,433	18,967,189
2. Financial liabilities designated at fair value	-	21,699,056	-	21,699,056	335,489	13,376,411	13,711,900
3. Hedging derivatives	-	931,554	-	931,554	-	389,889	389,889
Total	**1,631,801**	**40,388,275**	**91,872**	**42,111,948**	**9,146,245**	**23,922,733**	**33,068,978**

Legend

L1 = Level 1

L2 = Level 2

L3 = Level 3

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that requires significant adjustment based on non-observable data, or that requires internal assumptions and estimations of future cash flows. In addition, the Group deemed it right and prudent to include within level 3, leaving aside the observability of the market data for necessary inputs, instruments not listed in active markets which are complex by their financial structure or by the inability to use a clear measurement method recognised as standard in the market and which can be calibrated 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 there were suitable measurement models that had observable market inputs (e.g. credit default swap curves) or quotations provided by primary counterparties, the lack of a liquid market on correlations in the wake of the financial crisis meant that subjective estimates had to be used in this category. Given the complexity of the structures, the Group decided to classify these instruments in level 3, in the absence of an active market, leaving aside the observability of input parameters significant for their measurement using the mark-to-model approach.

Another category of financial instruments classified in level 3 comprises some types of exotic option, mainly multi-asset and path-dependent options on equity instruments. The subjectiveness of measuring such instruments lies mainly in choosing an appropriate pricing model rather than in the availability of input parameters often inductively inferable from the quotations of comparable instruments. For example, these instruments depend significantly on estimates regarding the future development of certain market parameters, such as the volatility surface of underlying securities. Essentially, the type of payoff means that estimation of fair value of such instruments must take into account not only current market conditions (often observable) but also speculation on future development of the market implied by the model used.

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

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

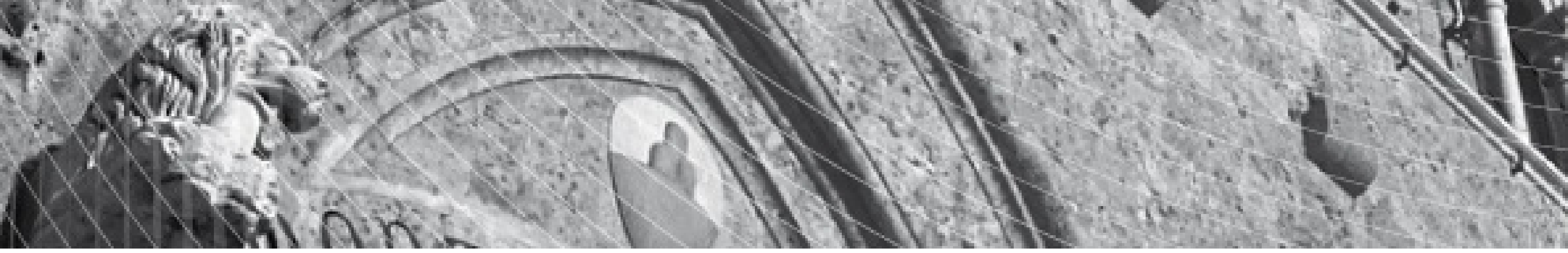
This table was not compiled for 2009 because it was the first year of applying the fair value hierarchy (see IFRS 7 para. 44G).

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

This table was not compiled for 2009 because it was the first year of applying the fair value hierarchy (see IFRS 7 para. 44G).

A.3.3 Information on "day one profit/loss"

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



Part B – Information about the balance sheet

Assets

Liabilities

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(in thousands of EUR)

	Total 31/12/2009	Total 31/12/2008
a) Cash	764,175	924,285
b) Demand deposits with central banks	531,412	102,083
Total	**1,295,587**	**1,026,368**

The item "demand deposits with central banks" does not include the compulsory reserve, which is shown in asset Item 60 "Loans and receivables with banks".

The increase in demand deposits with central banks is due to a temporary use of liquidity in the form of deposits with central banks.

Section 2 – Held-for-trading financial assets – Item 20

2.1 Held-for-trading financial assets: breakdown by product

(in thousands of EUR)

Items/Amounts	Total 31 12 2009				Total 31 12 2008		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2 and 3	Total
A. Balance sheet assets							
1. Debt securities	5,690,215	1,299,463	286,802	7,276,480	3,748,424	1,784,653	5,533,077
1.1 Structured securities	5,127	193,655	246,978	445,760	39,134	382,780	421,914
1.2 Other debt securities	5,685,088	1,105,808	39,824	6,830,720	3,709,290	1,401,873	5,111,163
2. Equity instruments	198,846	4,573	110	203,529	115,824	25,460	141,284
3. Units in UCITS	85,985	38,228		124,213	8,267	12,353	20,620
4. Loans	-	6,281,189	-	6,281,189	5,138,251	512,230	5,650,481
4.1 Repurchase agreements	-	3,358,518	-	3,358,518	2,346,978	-	2,346,978
4.2 Other	-	2,922,671	-	2,922,671	2,791,273	512,230	3,303,503
Total (A)	**5,975,046**	**7,623,453**	**286,912**	**13,885,411**	**9,010,766**	**2,334,696**	**11,345,462**
B. Derivatives							
1. Financial derivatives:	489,461	8,712,711	22,879	9,225,051	448,494	9,494,633	9,943,127
1.1 held for trading	489,461	8,633,293	22,879	9,145,633	448,494	9,393,573	9,842,067
1.2 fair value option	-	79,418	-	79,418	-	101,060	101,060
1.3 other	-	-	-	-	-	-	-
2. Credit derivatives:	-	395,888	173	396,061	-	509,106	509,106
2.1 held for trading	-	395,888	173	396,061	-	509,106	509,106
2.2 fair value option	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-
Total (B)	**489,461**	**9,108,599**	**23,052**	**9,621,112**	**448,494**	**10,003,739**	**10,452,233**
Total (A+B)	**6,464,507**	**16,732,052**	**309,964**	**23,506,523**	**9,459,260**	**12,338,435**	**21,797,695**

Item 20 "Held-for-trading financial assets" includes:

a) cash assets acquired mainly for short-term gain;

b) financial assets deriving from derivative contracts other than those formally designated as hedging instruments.

The criteria adopted for classifying financial instruments in the three-level fair value hierarchy are described in Section A.3 "Information on fair value" of Part A "Accounting policies" in the notes to the financial statements.

The amendment to Banca d'Italia Circular 262 of 18 November 2009, with respect to the reporting formats used in the financial statements to 31 December 2008, provided for elimination of the line relating to financial assets sold but not derecognised; these are now assigned to the relevant technical forms. Pursuant to IAS 39 provisions on derecognition, these assets may not be derecognised, even if they have been legally transferred, insofar as the Group has substantially retained the risks and benefits thereof. As a result of this amendment, lines 1.1 and 1.2 also include debt securities committed in liability repurchase agreements carried out for own securities posted to the trading portfolio.

The comparison data at 31 December 2008 has therefore been reclassified to conform to the above changes.

There was a total increase of € 2,539.0 mln, or 22.4%, in cash assets compared with 2008: Debt securities increased by € 1,743.4 mln, equity instruments by € 62.2 mln, UCITS by € 103.6 mln and loans by € 630.7 mln.

The increase, owing mainly to debt securities and loans, is related to payables with banks and with customers in liabilities table 4.1 "Held-for-trading financial liabilities" and refers to a rise in repo transactions carried out by subsidiary MPS Capital Services – Banca per le Imprese S.p.A.

Debt securities include level 3 securities in the amount of € 287 mln, mainly comprising structured credit products.

In line 4.2 "Loans – other", the figure for 31 December 2008 includes the presumable realisable value of the receivable relating to derivative positions held with the Lehman group in the amount of € 9.3 mln. This receivable was classified among loans and receivables with customers in the 2009 financial statements, in accordance with new guidelines from Banca d'Italia.

Derivatives connected with fair value option instruments are also included in the trading portfolio: these hedge the risks of fair value measurement, namely interest-rate fluctuation and the presence of implicit optional components in structured securities issued. The fair value of such derivatives is shown in line B.1.2 "Fair value option" if carried out directly with external counterparties, while it is shown as a share of trading derivatives (line 1.1) where FVO hedging initially carried out with subsidiary MPS Capital Services has necessitated externalisation of risk.

It should be noted that, for fair value option derivatives agreed by Group companies with the subsidiary MPS Capital Services, the internal risk control teams perform regular tests at consolidated level in order to verify the natural hedge.

Overall, taking into account contracts stipulated with MPS Capital Services, the Group's FVO derivatives amounted to € 1,010.3 mln.

2.1.a Breakdown of debt securities: structured securities

(in thousands of EUR)

Structured debt securities	Total 31 12 2009	Total 31 12 2008
Index Linked	30,347	190,052
Reverse convertible	-	-
Convertible	6,791	314
Credit linked notes	242,600	87,550
Equity Linked	75,536	97,223
Step - up, Step down	2,201	353
Dual Currency	-	-
Drop Lock	-	-
Target redemption note	754	
Cap Floater	-	208
Reverse Floater	22	332
Corridor	-	-
Commodity	12,098	15,239
Fund Linked	35,022	-
Inflat	2,141	-
Other	38,248	30,643
Total	**445,760**	**421,914**

The table adds detail to what is shown in table 2.1 and shows the main types of structured securities in the trading portfolio. Implicit derivatives were not separated from these securities, which were measured at fair value with direct recognition to the profit and loss statement of value changes. The overall position in structured securities remained largely stable during the year.

2.1.b Derivative receivables – fair value option method

(in thousands of EUR)

Items/Amounts	31 12 2009		
	Natural hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis *of fair value*
Financial derivatives	79,418	x	-
Credit derivatives	-	x	-
Total	**79,418**	**x**	**-**

This is a breakdown of previous table 2.1 and shows the book value (fair value) of hedging derivatives of the fair value option instruments, by method of use, between Group companies and external counterparties.

Both at the end of 2009 and the end of 2008, all fair value option derivatives posted to the trading portfolio were attributable to the natural and systematic hedging of fixed-rate structured bonds issued by the Group.

These derivatives are conventionally classified in the trading portfolio. From the viewpoint of reporting in the profit and loss statement, they comply with regulations similar to those which govern hedging derivatives: positive and negative differentials or margins settled or accrued up to the end of the reporting period are registered under interest income and expense. Valuation profits and losses are posted under Item 110 “Net profit/loss from financial assets and liabilities measured at fair value” in the profit and loss statement, with reporting consistent to that used for fair value option funding instruments.

(in thousands of EUR)

Items/Amounts	31 12 2008		
	Natural hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis *of fair value*
Financial derivatives	101,060	x	-
Credit derivatives	-	x	-
Total	**101,060**	**x**	**-**

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

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
A. Balance sheet assets		
1. Debt securities	7,276,482	5,533,077
a) Governments and Central banks	4,275,657	1,819,898
b) Other public entities	49,694	31,879
c) Banks	1,985,156	2,458,165
d) Other issuers	965,975	1,223,135
2. Equity instruments	203,529	141,284
a) Banks	8,724	14,792
b) Other issuers:	194,805	126,492
- insurance companies	17,263	4,608
- financial companies	8,819	12,103
- non-financial companies	168,723	109,781
- other	-	-
3. Units in UCITS	124,213	20,620
4. Loans	6,281,187	5,650,481
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	1,117,517	1,828,754
d) Other entities	5,163,670	3,821,727
Total (A)	**13,885,411**	**11,345,462**
B. Derivatives		
a) Banks	7,602,158	8,696,977
- fair value	-	-
b) Customers	2,018,954	1,755,256
- fair value	-	-
Total (B)	**9,621,112**	**10,452,233**
Total (A+B)	**23,506,523**	**21,797,695**

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

In line 4 d) "Loans – other entities", the figure for 31 December 2008 includes the presumable realisable value of the receivable relating to derivative positions held with the Lehman group in the amount of € 9.3 mln. This receivable was classified among loans and receivables with customers in the 2009 financial statements, in accordance with new guidelines from Banca d'Italia.

The debt securities portfolio was restructured during the year, with a decrease in the weighting of securities issued by banks and other issuers and an increase in the weighting of securities issued by governments and central banks (almost exclusively Italian government securities).

2.2.a Units in UCITS: Breakdown by main categories

(in thousands of EUR)

Categories/Amounts	Total 31 12 2009	Total 31 12 2008
Equity	10,580	1,060
Bonds	13,102	7
Balanced	45,852	17,738
Liquidity	-	-
Flexible	38,228	-
Speculative	-	-
Real estate	-	1,815
Other	16,451	-
Total	**124,213**	**20,620**

The table adds detail to what is shown in table 2.2 and shows the main types of investments in UCITS, held in the trading portfolio.

2.3 Financial assets held for trading: annual changes

(in thousands of EUR)

Changes/Underlying assets	Debt securities	Equity instruments	Units in UCITS	Loans	Total
A. Opening balance	**5,533,077**	**141,284**	**20,620**	**5,650,481**	**11,345,462**
B. Increases	97,232,754	9,919,845	465,674	267,197,338	374,815,611
B1. Purchases	95,829,793	9,695,444	446,773	267,129,116	373,101,126
of which					
Business combinations	-	-	-	-	-
B2. Positive changes in fair value	85,132	34,233	12,332	3,790	135,487
B3. Other increases	1,317,829	190,168	6,569	64,432	1,578,998
C. Decreases	**95,489,351**	**9,857,600**	**362,081**	**266,566,630**	**372,275,662**
C1. Sales	89,611,850	9,592,145	361,691	266,512,232	366,077,918
of which					
Business combinations	-	-	-	-	-
C2. Redemptions	5,426,915	-	-	-	5,426,915
C3. Negative changes in fair value	71,384	9,453	-	557	81,394
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other increases	379,202	256,002	390	53,841	689,435
IFRS 5 "discontinuing operations"	-	-	-	-	-
D. Closing balance	**7,276,480**	**203,529**	**124,213**	**6,281,189**	**13,885,411**

The opening balance of debt securities included € 1,306.6 mln relating to assets sold but not derecognised, which, in the financial statements to 31 December 2008, in accordance with Banca d'Italia regulations in force at the time (see the note under Table 2.1 in this section), were excluded from this table.

Lines B3 and C5 include trading profits and losses, accruals on issue discounts and on coupon interest, effects of exchange-rate fluctuations and any initial (C5) and final (B3) uncovered short positions.

Section 3 – Financial assets measured at fair value – Item 30

3.1 Financial assets measured at fair value: breakdown by product

Items/Amounts	31 12 2009				31 12 2008		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2 and 3	Total
1. Debt securities	28,832	10,731	-	39,563	9,712	-	9,712
1.1 Structured securities	-	-	-	-	-	-	-
1.2 Other debt securities	28,832	10,731	-	39,563	9,712	-	9,712
2. Equity instruments	-	-	-	-	-	-	-
of which valued at cost	-	-	-	-	-	-	-
3. Units in UCITS	220,855	-	-	220,855	107,676	62,650	170,326
4. Loans	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-
Total	**249,687**	**10,731**	**-**	**260,418**	**117,388**	**62,650**	**180,038**
Cost	**249,344**	**10,457**	**-**	**259,801**	**125,664**	**60,755**	**186,419**

All financial assets shown in the table refer to securities of the pension fund of former subsidiaries Banca Toscana S.p.A. and Banca Antonveneta S.p.A. The defined-benefit section accounted for € 39.6 mln (line 1.2) and the defined-contribution section for € 220.9 mln (line 3).

The income components of these assets do not feature in the Group's profit and loss statement because they service pension plans.

Sufficient information is provided in Part B – Section 12 and Part C – Section 9 of the notes to the financial statements.

3.2 Financial assets measured at fair value: breakdown by borrower/issuer

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
1. Debt securities	**39,563**	**9,712**
a) Governments and Central banks	28,832	-
b) Other public entities	-	-
c) Banks	10,731	9,712
d) Other issuers	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Units in UCITS	**220,855**	**170,326**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**260,418**	**180,038**

The breakdown by borrower/issuer was carried out in accordance with criteria of classification by economic activity group and sector laid down by Banca d'Italia.

3.2.a Units in UCITS: Breakdown by main categories

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Equity	72,472	35,908
Bonds	134,265	47,610
Balanced	14,118	56,679
Liquidity	-	11,122
Flexible	-	19,007
Reserved	-	-
Speculative	-	-
Real estate	-	-
Other	-	-
Total	**220,855**	**170,326**

The table adds detail to what is shown in table 3.2 and shows the main types of investments in UCITS, held in the portfolio of assets measured at fair value.

3.3 Financial assets measured at fair value: annual changes

(in thousands of EUR)

	Debt securities	Equity instruments	Units in UCITS	Loans	Total
A. Opening balance	**9,712**	**-**	**170,326**	**-**	**180,038**
B. Increases	**30,739**	**-**	**72,119**	**-**	**102,858**
B1. Purchases	-	-	38,524	-	38,524
B2. Positive changes in fair value	1,474	-	31,366	-	32,840
B3. Other increases	29,265	-	2,229	-	31,494
C. Decreases	**888**	**-**	**21,590**	**-**	**22,478**
C1. Sales	521	-	21,291	-	21,812
C2. Redemptions	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-
C4. Other increases	367	-	299	-	666
D. Closing balance	**39,563**	**-**	**220,855**	**-**	**260,418**

Section 4 – Available-for-sale financial assets – Item 40

4.1 Available-for-sale financial assets: breakdown by product

(in thousands of EUR)

Items/Amounts	31 12 2009				31 12 2008		
	Level 1	Level 2	Level 3	Total	Level 1	Level 2 and 3	Total
1. Debt securities	11,850,129	456,245	220,947	12,527,321	2,828,303	109,290	2,937,593
1.1 Structured securities	26,541	15,074	-	41,615	41,396	8,368	49,764
1.2 Other debt securities	11,823,588	441,171	220,947	12,485,706	2,786,907	100,922	2,887,829
2. Equity instruments	248,977	1,289,940	-	1,538,917	196,203	1,247,604	1,443,807
2.1 Designated at fair value	248,977	1,279,508	-	1,528,485	196,203	1,225,892	1,422,095
2.2. Carried at cost	-	10,432	-	10,432	-	21,712	21,712
3. Units in UCITS	72,220	770,032	700	842,952	64,144	550,477	614,621
4. Loans	-	-	-	-	-	-	-
Total	**12,171,326**	**2,516,217**	**221,647**	**14,909,190**	**3,088,650**	**1,907,371**	**4,996,021**

The portfolio of available-for-sale financial assets includes

a) bonds and UCITS not held for trading;

b) equity investments whose shareholding is lower than the controlling or associate interests.

The criteria adopted for classifying financial instruments in the three-level fair value hierarchy are described in Section A.3 “Information on fair value” of Part A “Accounting policies” in the notes to the financial statements.

The amendment to Banca d’Italia Circular 262 of 18 November 2009, with respect to the reporting formats used in the financial statements to 31 December 2008, provided for elimination of the line relating to financial assets sold but not derecognised; these are now assigned to the relevant technical forms. Pursuant to IAS 39 provisions on derecognition, these assets may not be derecognised, even if they have been legally transferred, insofar as the Group has substantially retained the risks and benefits thereof. As a result of this amendment, lines 1.1 and 1.2 include debt securities committed in liability repurchase agreements carried out for own securities posted to the available-for-sale portfolio.

The comparison data at 31 December 2008 has therefore been reclassified to conform to the above changes.

All the assets are measured at fair value, except for a small amount of equity instruments, equal to € 10.4 mln; these are retained at costs because it is not possible to reliably determine a fair value for them.

Line 1 “Debt securities” includes, for 31 December 2009 and 31 December 2008, securities committed in liability repurchase agreements. In the financial statements for 2008, the balance of said securities, equal to € 2,068.44 mln, was classified among “assets sold but not derecognised” in this item, in accordance with Banca d’Italia regulations at the time.

At 31 December 2009, line 1 “Debt securities” also includes the presumable realisable value of securities issued by the Lehman Group, equal to € 5.6 mln; these were recorded as the same amount at 31 December 2008. In sub-item 1.2 “Other debt securities”, the € 220.9 mln in level 3 refers to a structured credit product in the amount of € 114.4 mln and a standard measured security in the amount of € 104.0 mln.

The significant increase in debt securities was almost entirely due to asset swaps on Italian government securities, aimed at achieving a financial return over several years; the government securities involved in these swaps were subjected to fair value hedging, as shown below table 4.3 in this section.

The overall amount in the equity portfolio at the end of the year, after the recognition of impairment losses of € 26.1 mln booked to Item 130 in the profit and loss statement “Net write-downs/write-backs for impairment”, was € 1,538.9 mln, of which € 1,363.8 mln related to equity investments and € 175.2 mln to other equity instruments.

The equity investments of € 1,363.8 mln included those in Banca d’Italia (€ 795 mln), Credito Sportivo (€ 80 mln), SSB (€ 21.4 mln), Spoleto Crediti e Servizi (€ 35.3 mln), Sansedoni (€ 51.6 mln), Sorgenia (€ 47.7 mln), Hopa (€ 19.7 mln) and Sorin (€ 45.9 mln).

4.1.a Breakdown of debt securities: structured securities

(in thousands of EUR)

Structured debt securities	Total 31 12 2009	Total 31 12 2008
Index Linked		
Reverse convertible		
Convertible		
Credit linked notes	-	
Equity Linked		
Step - up, Step down	-	
Dual Currency		
Drop Lock		
Target redemption note		
Cap Floater		
Reverse Floater	-	
Corridor		
Commodity		
Fund Linked		
Inflation	7,329	
Other	34,286	49,764
Total	**41,615**	**49,764**

4.1.b Available-for-sale financial assets – Breakdown of equity securities

(in thousands of EUR)

Name	31 12 2009		31 12 2008	
	% ownership	Book value	% ownership	Book value
Acque Blu Arno Basso S.p.A.	8.00	2,285	8.00	1,543
Acque Blu Fiorentine S.p.A.	8.00	5,155	8.00	4,840
Aeroporto di Firenze S.p.A.	4.89	6,357	4.89	7,601
Alerion Industries S.p.A.	7.95	21,961	7.95	19,261
Armorlite	3.47	560	3.48	2,818
Banca d'Italia	4.60	794,969	4.60	794,969
Banca Italease	-	-	3.33	12,494
Bassilichi S.p.A.	11.74	3,734	11.47	3,734
Cantine Cooperative riunite soc. coop. Agr.	0.19	1,498	0.19	1,498
Cedacri SpA	5.48	7,176	5.48	7,532
Centro Affari e Convegni Arezzo S.r.l.	6.93	2,328	7.25	2,327
Compagnia Investimenti e Sviluppo C.I.S. S.p.A.	4.16	3,993	4.17	3,875
Consorzio Etruria S.c.a.r.l.	14.75	1,795	16.29	1,742
Consorzio Granterre Caseifici e allevam. sociEtà coop. Agricola	1.47	1,500	1.35	1,500
Consorzio Latterie Soc. Mantov.Virgilio soc. agricola coop.	3.93	3,000	3.94	3,000
Cooperativa Italiana di Ristorazione	8.94	1,290	8.94	1,290
Cosecon SpA	-	-	10.01	5,100
CRIF S.p.A.	-	-	2.39	1,010
Firenze Parcheggi S.p.A.	6.38	4,939	16.46	4,939
Finanziaria Regionale Friuli Venezia Giulia	1.61	7,079	0.79	7,058
Fin.ser SpA	15.00	2,381	15.00	2,724
Hopa	14.25	19,685	14.25	19,685
Immobiliare Novoli SpA	8.33	7,898	8.33	7,039
Industria e innovazione SpA	5.26	5,000	5.26	5,000
Iniziative Immobiliari S.r.l.	13.87	1,404	13.87	1,475
Istituto Centrale delle Banche Popol. Italiane SpA	0.08	40	2.44	10,372
Istituto per il Credito Sportivo	10.81	79,981	10.81	79,608
Kerself SpA	1.02	1,561	3.86	6,665
LSE London Stock Exchange (former Borsa Italiana)	0.34	7,428	0.34	4,982
Marina di Stabia SpA	16.31	6,606	15.83	5,191
Ombrone S.p.A.	14.99	1,260	14.99	2,907
Palladio Finanziaria SpA	0.47	27	0.47	2,450
Porto Industriale di Livorno S.p.A.	15.96	3,262	15.96	2,235
Reno De Medici S.p.A.	0.78	720	0.78	444
Riscossione Sicilia SpA	40.00	6,400	40.00	6,400
Sansedoni S.p.A.	15.70	51,538	15.71	51,538
S.S.B. S.p.A.	0.06	21,410	5.78	21,410
Serit Sicilia SpA	40.00	4,160	40.00	4,160
SITEBA Sistemi Telematici Bancari S.p.A.	6.16	1,355	6.16	1,356
SNIA S.p.A.	2.16	369	2.16	436
Società Italiana per le Imprese all'Estero	1.05	2,682	1.06	2,682
Società Aeroporto toscano Galileo Galilei SpA	3.97	4,151	3.96	3,353
Società cooperativa Bilanciai Campogalliano	-	-	11.84	8,366
Sofinco S.p.A.	3.57	2,691	3.57	2,741
Sorgenia S.p.A.	1.17	47,736	1.23	42,920
Sorin SpA	7.31	45,935	7.32	15,928
Spoleto Credito e Servizi S.c.a.r.l.	29.08	35,325	29.09	35,325
S.T.A. SpA	15.00	4,337	15.00	2,710
S.T.B. Società delle Terme e del Benessere SpA	13.70	4,617	13.71	4,624
Telecom Italia	0.10	15,559	0.11	16,434
Trixia srl	15.00	1,185	15.00	4,259
Unipeg Soc. Coop. Agricola	0.31	2,800	0.31	2,828
Veneto Sviluppo	8.62	5,406	4.22	4,746
Visa Inc.	0.10	3,752	0.07	2,392
Other minor investments	N/A	95,503	N/A	47,824
Finance portfolio	N/A	175,134	N/A	122,467
Total		**1,538,917**		**1,443,807**

The table shows the main equity investments classified in the portfolio of available-for-sale financial assets. Voting rights at companies incorporated as limited liability co-operatives are per capita, so there is no associate relationship.

4.2 Available-for-sale financial assets: breakdown by borrower/issuer

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
1. Debt securities	**12,527,321**	**2,937,593**
a) Governments and Central banks	11,627,942	2,486,871
b) Other public entities	78	12,045
c) Banks	599,303	252,465
d) Other issuers	299,998	186,212
2. Equity instruments	**1,538,917**	**1,443,806**
a) Banks	883,566	945,331
b) Other issuers:	655,351	498,475
- insurance companies		1
- financial companies	124,994	154,422
- non-financial companies	504,971	344,044
- other	25,386	8
3. Units in UCITS	**842,952**	**614,621**
4. Loans	-	-
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**14,909,190**	**4,996,021**

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

Line 1 "Debt securities – d) other issuers" includes, for 31 December 2009 and 31 December 2008, the presumable realisable value of positions in securities with the Lehman Group, in the amount of € 5.6 mln.

The balance of debt securities issued by governments and central banks, equal to € 11,627,900 mln, consists primarily of Italian government securities.

4.2.a Units in UCITS: Breakdown by main categories

(in thousands of EUR)

Categories/Amounts	Total 31 12 2009	Total 31 12 2008
Equity	238,776	232,954
Bonds	7,298	16,435
Balanced	286,580	258,892
Liquidity	-	-
Flexible	91,433	-
Reserved	700	477
Speculative	95,786	80,707
Real estate	45,584	24,721
Other	76,795	435
Total	**842,952**	**614,621**

The table adds detail to what is shown in line 3 "Units in UCITS" in Table 4.2 and shows the main types of investments in UCITS, held in the Bank's available-for-sale portfolio (banking book). These are mainly quotas in private-equity funds and therefore investments targeting a medium-term return.

4.3 Available-for-sale financial assets: micro-hedged assets

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
1. Financial assets subject to micro-hedging of fair value	8,360,945	278,488
a) interest rate risk	8,149,578	246,263
b) price risk	-	-
c) foreign exchange risk	-	-
d) credit risk	82,021	16,141
e) multiple risks	129,346	16,084
2. Financial assets subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**8,360,945**	**278,488**

The table shows the share of the available-for-sale portfolio which, at year-end, was subjected to micro-hedging.

In 2009, there was a rise in fair value micro-hedge transactions, carried out for the most part by the parent company. At 31 December 2009, there were:

- interest-rate-risk hedges on:
  - fixed-rate Italian government securities (BTP) in the amount of € 5,941.4 mln;
  - inflation-linked Italian government securities (BTPi) in the amount of € 2,182.9 mln;
  - other fixed-rate securities in the amount of € 25.3 mln;
- credit risk hedges, performed by acquiring protection through credit default swaps, on bank-issued securities in the amount of € 82 mln;
- there was also a multi-risk hedge on one bank-issued security, which was hedged against credit risk by a credit default swap and against interest-rate risk by an interest rate swap.

All existing hedges at the end of 2009 complied with the hedging requirements and forward-looking and retrospective tests pursuant to IAS 39.

4.4 Available-for-sale financial assets: annual changes

(in thousands of EUR)

Items/Amounts	Debt securities	Equity instruments	Units in UCITS	Loans	Total
A. Opening balance	**2,937,593**	**1,443,807**	**614,621**	**-**	**4,996,021**
B. Increases	**17,134,269**	**743,227**	**501,645**	**-**	**18,379,141**
B1. Purchases	16,353,099	556,746	421,361	-	17,331,206
of which					
Business combinations	-	-	-	-	-
B2. Increases in fair value	381,238	65,274	63,826	-	510,338
B3. Write-backs	413	25,339	4,887	-	30,639
- posted to profit and loss	-	-	-	-	-
- posted to net equity	*413*	*25,339*	*4,887*	-	30,639
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other decreases	399,519	95,868	11,571	-	506,958
C. Decreases	**7,544,541**	**648,117**	**273,314**	**-**	**8,465,972**
C1. Sales	7,275,289	550,950	227,268	-	8,053,507
C2. Redemptions	109,436	516	1,244	-	111,196
C3. Decreases in fair value	6,363	32,833	36,825	-	76,021
C4. Write-downs due to impairment	413	26,105	4,887	-	31,405
- posted to profit and loss	413	26,105	4,887	-	31,405
- posted to net equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other decreases	153,040	37,713	3,090	-	193,843
IFRS 5 "discontinuing operations"	-	-	-	-	-
D. Closing balance	**12,527,321**	**1,538,917**	**842,952**	**-**	**14,909,190**

The opening balance of debt securities included € 2,068,400 mln relating to assets sold but not derecognised (see the note under table 4.1 in this section), which, in the financial statements to 31 December 2008, in accordance with Banca d'Italia regulations in force at the time, were excluded from this table.

Line B1 " Purchases" features:

- in the "Debt securities" column, primarily purchases of Italian government securities and, to a lesser extent, bank bonds;
- in the "Equity instruments" column, purchases of shares in industrial companies (in the amount of around € 385 mln), insurance companies (€ 75 mln) and financial companies (€ 45 mln);
- in the "Units in UCITS" column, subscription of quotas in private-equity funds in the amount of € 225 mln.

Line B.3 "Write-backs – posted to net equity" includes the reversal of negative net equity reserves of impaired securities; in terms of profit and loss, these reserves are posted to line C.4 "Write-downs due to impairment" of the table.

Line C.1 "Sales" features:

- in the "Debt securities" column, sales of Italian government securities in the amount of € 6,400 mln;
- in the "Equity instruments" column, sales of shares primarily in industrial companies;
- in the "Units of UCITS" column, sales of hedge funds.

The "Equity instruments" column of line C.4 "Write-downs due to impairment – posted to profit and loss" includes impairment write-downs carried out in 2009 in the amount of € 26.1 mln. The largest of these include: Banca Italease S.p.A. (€ 4.3 mln), Telecom Italia S.p.A. (€ 2.3 mln), HSBC HLDGS (€ 4 mln), Volkswagen AG (€ 1.7 mln), Armorlite S.p.A. (€ 2.3 mln), Aedes S.p.A. (€ 3.8 mln) and Induxia S.p.A. (€ 1.8 mln).

Line C6 " Other decreases" includes negative exchange-rate differences and losses on disposals.

Section 5 – Held-to-maturity financial assets – Item 50

5.1 Held-to-maturity financial assets: breakdown by type

	31 12 2009					31 12 2008			
	BV	FV				BV	FV		
		Level 1	Level 2	Level 3	Total		Level 1	Level 2 and 3	Total
1. Debt securities	3	3	-	-	3	3	-	3	3
1.1 Structured securities									
1.2 Other debt securities	3	3			3	3		3	3
2. Loans	-	-	-	-		-	-		
Total	**3**	**3**	**-**	**-**	**3**	**3**	**-**	**3**	**3**

5.2 Held-to-maturity financial assets: breakdown by borrower/issuer

(in thousands of EUR)

Type of transaction / Amount	Total 31 12 2009	Total 31 12 2008
1. Debt securities	**3**	**3**
a) Governments and Central banks	3	3
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**3**	**3**
Total *fair value*	**3**	**3**

5.3 Micro-hedged held-to-maturity financial assets

There are no figures available because there were no micro-hedged held-to-maturity financial assets, either in the year under review or the previous year.

5.4 Held-to-maturity financial assets: annual changes

(in thousands of EUR)

	Debt securities	Loans	Total
A. Opening balance	**3**	**-**	**3**
B. Increases	**-**	**-**	**-**
B1 Purchases			
B2 Write-backs			
B3 Transfers from other portfolios			
B4 Other changes			
C. Decreases	**-**	**-**	**-**
C1 Sales			
C2 Redemptions			
C3 Write-downs			
C4 Transfers to other portfolios			
C5 Other changes			
D. Closing balance	**3**	**-**	**3**

Section 6 – Loans and receivables with banks – Item 60

6.1. Loans and receivables with banks: breakdown by type

(in thousands of EUR)

Type of transaction / Amount	Total 31 12 2009	Total 31 12 2008
A. Loans and advances to central banks	**1,349,986**	**7,103,434**
1. Time deposits	16,000	15,000
2. Compulsory reserve	1,329,167	7,004,877
3. Repurchase agreements	-	81,252
4. Other	4,819	2,305
B. Loans and advances to banks	**8,977,535**	**10,512,282**
1. Current accounts and demand deposits	747,809	1,523,189
2. Time deposits	625,167	2,177,942
3. Other loans:	5,724,651	5,439,903
3.1 Repurchase agreements	207,416	154,066
3.2 Finance leases	-	-
3.3 Other	5,517,235	5,285,837
4. Debt securities	1,879,908	1,371,248
4.1 Structured securities	30,697	9,048
4.2 Other debt securities	1,849,211	1,362,200
Total (book value)	**10,327,521**	**17,615,716**
Total (fair value)	**9,970,384**	**17,522,724**

Loans and advances to banks	31 12 2009	31 12 2008
Impaired assets	23,538	32,126

The portfolio of loans and receivables with banks includes loans and deposits, other than the movable part of the bond reserve with Banca d'Italia, which, at year-end, amounted to € 1,329.2 mln. In accordance with regulations on average maintenance, the exact balance of the bond reserve is subject to substantial changes in relation to the Group's contingent cash flow requirements.

Banks also include international entities of a banking nature subjected to zero weighting in accordance with prudential regulatory regulations on counterparty and credit risk standard methodology.

Debt securities includes € 924.3 mln of securities which were reclassified in 2008 to loans and receivables with banks from the trading and available-for-sale portfolios, in accordance with the amendment "Reclassification of financial assets" to IAS 39, issued by the IASB in October 2008. Further information on the effects of this reclassification can be found in paragraph A.3.1 "Portfolio transfers" of Part A "Accounting policies" of the notes to the financial statements.

The collective write-down was applied to the securities portfolio and to the other loans and receivables with banks that were performing at the end of 2009.

Loans and receivables with banks includes exposure to eastern European countries in the amount of € 266 mln, of which € 104 mln is secured. These are almost exclusively positions held with foreign banks; exposure to customers is minimal. Of this € 266 mln, the main exposures were to Turkey (€ 91 mln), Russia (€ 105 mln) and Belarus (€ 35 mln). At 31 December 2009, the Group had exposures to Portugal (€ 11 mln), Ireland (€ 181 mln), Greece (€ 28 mln) and Spain (€ 106 mln).

The Group's total exposure to Dubai at the end of 2009 was € 8.7 mln, all to banks in the emirate.

Write-downs against Icelandic banks amounted to around € 24 mln, approximately 66% of exposure.

6.2. Loans and receivables with banks: micro-hedged assets

(in thousands of EUR)

Type of transaction / Amount	Total 31 12 2009	Total 31 12 2008
1. Loans subject to micro-hedging of fair value	132,866	54,769
a) interest rate risk	89,104	54,769
b) exchange risk	-	-
c) credit risk	43,762	-
d) multiple risks	-	-
2. Loans subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**132,866**	**54,769**

At 31 December 2009, the following fair value micro-hedges were applied to loans and receivables with banks:

- interest-rate-risk hedges on:
  - fixed-rate securities in the amount of € 89.1 mln;
- credit risk hedges, performed by acquiring protection through credit default swaps, on debt securities in the amount of € 43.8 mln;

6.3 Finance leases

This table was not compiled because the Group had no finance leases in the period under review or in the previous year.

Section 7 – Loans and receivables with customers – Item 70

7.1. Loans and receivables with customers: breakdown by type

(in thousands of EUR)

Type of transaction / Amount	31 12 2009			31 12 2008		
	Performing	Impaired	Total	Performing	Impaired	Total
1. Current accounts	17,360,774	2,130,924	19,491,698	20,426,601	1,492,964	21,919,565
2. Repurchase agreements	5,435,151	1,967	5,437,118	268,226	-	268,226
3. Mortgages	76,322,069	5,189,319	81,511,388	71,189,643	2,193,239	73,382,882
4. Credit cards, personal loans and fifth-of-salary backed loans	2,954,861	114,434	3,069,295	2,940,530	72,560	3,013,090
5. Financial leasing	4,196,048	469,285	4,665,333	4,586,735	239,391	4,826,126
6. Factoring	1,310,037	80,364	1,390,401	1,154,130	49,568	1,203,698
7. Other transactions	30,566,482	2,233,678	32,800,160	34,622,478	3,294,629	37,917,107
8. Debt securities	4,046,778	1,270	4,048,048	2,822,496	-	2,822,496
8.1 Structured securities	3,694	-	3,694	788,980	-	788,980
8.2 Other debt securities	4,043,084	1,270	4,044,354	2,033,516	-	2,033,516
Total (book value)	**142,192,200**	**10,221,241**	**152,413,441**	**138,010,839**	**7,342,351**	**145,353,190**
Total (fair value)	**143,996,820**	**10,221,241**	**154,218,061**	**140,173,563**	**7,342,351**	**147,515,914**

The portfolio of loans and receivables with customers includes all loans to ordinary customers and part of the banking book securities portfolio.

The amendment to Banca d'Italia Circular 262 of 18 November 2009, with respect to the reporting formats used in the financial statements to 31 December 2008, brought about two important changes in how data in this table are presented. These changes are described below.

a) The first change concerns the cancellation of the line containing the total of impaired financial assets: These are now posted in a separate column and assigned to the relevant technical forms.

b) The second change concerns the cancellation of the line relating to financial assets sold but not derecognised, which are now assigned to the relevant technical forms. Pursuant to IAS 39 provisions on derecognition, these assets may not be derecognised, even if they have been legally transferred, insofar as the Group has substantially retained the risks and benefits thereof. As a result of this change:

> i. line 3 "Mortgages" contains residential mortgage loans transferred through securitisation transactions in which the parent company underwrote fully the notes issued by the vehicle company (transactions aimed at strengthening the parent company's counterbalancing capacity);
>
> ii. lines 8.1 and 8.2 include securities committed in liability repurchase agreements carried out for own securities posted to the portfolio of loans and receivables with customers.

The comparison data at 31 December 2008 has therefore been reclassified to conform to the above changes.

Loans and receivables with customers also includes loans with a different purpose to those connected with the payment for goods and services; these are classified among other assets.

The item "Repurchase agreements" includes accounts of € 5,415.2 mln with Cassa di Compensazione e Garanzia S.p.A.

Debt securities includes € 2,185.1 mln of securities that were reclassified in 2008 to loans and receivables with customers from the trading and available-for-sale portfolios, in accordance with the amendment "Reclassification of financial assets" to IAS 39, issued by the IASB in October 2008. Further information on the effects of this reclassification can be found in paragraph A.3.1 "Portfolio transfers" of Part A "Accounting policies" of the notes to the financial statements.

During the year, subordinate securities issued by insurance companies were purchased in the amount of € 392 mln.

The securities portfolio also includes underwritten ABS arising from own securitisation and other bonds issued by regional public bodies (BOC).

The collective write-down was applied to the securities portfolio and to the other loans and receivables with customers that were performing at the end of 2009.

The "Impaired" column includes non-performing loans, doubtful loans including those more than 270 days past due, restructured and past-due exposures, according to Banca d'Italia definitions. Details of these exposures can be found in the section on credit quality in Part E of the notes to the financial statements.

7.2. Loans and receivables with customers: breakdown by borrower/issuer

(in thousands of EUR)

Type of transaction / Amo	31 12 2009			31 12 2008		
	Performing	Impaired	Total	Performing	Impaired	Total
1. Debt securities:	**4,046,778**	**1,270**	**4,048,048**	**2,822,496**	**-**	**2,822,496**
a) Governments	212,055	-	212,055	222,546	-	222,546
b) Other public entities	241,292	-	241,292	136,722	-	136,722
c) Other issuers	3,593,431	1,270	3,594,701	2,463,228	-	2,463,228
- non-financial companies	189,968	1,270	191,238	204,282	-	204,282
- financial companies	2,822,252		2,822,252	2,167,546	-	2,167,546
- insurance companies	581,211	-	581,211	91,400	-	91,400
- other	-	-	-	-	-	-
2. Loans to:	**138,145,422**	**10,219,971**	**148,365,393**	**135,188,343**	**7,342,351**	**142,530,694**
a) Governments	1,358,821	12	1,358,833	1,623,547	-	1,623,547
b) Other public entities	3,542,861	450	3,543,311	3,475,188	21,807	3,496,995
c) Other entities	133,243,740	10,219,509	143,463,249	130,089,608	7,320,544	137,410,152
Total	**142,192,200**	**10,221,241**	**152,413,441**	**138,010,839**	**7,342,351**	**145,353,190**

The breakdown by borrower/issuer was carried out in accordance with criteria of classification by economic activity group and sector laid down by Banca d'Italia.

7.3. Loans and receivables with customers: micro-hedged assets

Type of transaction/Amount	Total 31 12 2009	Total 31 12 2008
1. Loans subject to micro-hedging of fair value	1,500,655	1,459,886
a) interest rate risk	825,849	965,451
b) exchange risk	453,710	465,678
c) credit risk	159,532	13,017
d) multiple risks	61,564	15,740
2. Loans subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**1,500,655**	**1,459,886**

At 31 December 2009, the following fair value microhedges were applied to loans and receivables with customers:

- interest-rate-risk hedges on:
  - fixed-rate debt securities issued by the Italian government in the amount of € 193 mln;
  - fixed-rate debt securities issued by financial companies in the amount of € 20.5 mln;
  - fixed-rate debt securities issued by other companies in the amount of € 171.8 mln;
  - fixed-rate mortgages disbursed to customers in the amount of € 440.5 mln;
- exchange-rate hedges on debt securities issued by financial companies in the amount of € 453.7 mln;
- credit risk hedges performed by acquiring protection through credit default swaps on:
  - fixed-rate debt securities issued by financial companies in the amount of € 60.3 mln;
  - fixed-rate debt securities issued by other companies in the amount of € 99.3 mln;
- a multi-risk hedge (rate and foreign exchange) on a Greek government security in the amount of € 13.9 mln;
- multi-risk hedges (interest rate and credit) on:
  - fixed-rate debt securities issued by insurance companies in the amount of € 42 mln;
  - fixed-rate debt securities issued by other companies in the amount of € 5.6 mln;

7.4 Finance leases

7.4.a. Loans and receivables with customers: reconciliation of future minimum lease payments receivable

(in thousands of EUR)

Items/Amounts	Total 31 12 2009		Total 31 12 2008	
	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Up to 1 year	1,080,835	879,928	1,433,042	1,236,430
From 1 to 5 years	2,153,463	1,740,199	2,442,687	1,973,656
Over 5 years	2,491,882	1,987,256	1,902,777	1,509,764
Total	**5,726,180**	**4,607,383**	**5,778,506**	**4,719,850**
Deferred financial income	(1,118,797)	-	(1,058,655)	-
Loan loss reserve	(149,670)	(149,670)	117,815	117,816
Loans and advances in the balance sheet	**4,457,713**	**4,457,713**	**4,837,666**	**4,837,666**

7.4.b. Loans and receivables with customers: unsecured residual value of assets under finance lease

(in thousands of EUR)

Items/Amounts	Total	
	31 12 2009	31 12 2008
Unguaranteed residual value of assets leased under finance leases	726,721	707,578

Section 8 – Hedging derivatives – Item 80

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

(in thousands of EUR)

	FV 31 12 2009				NV Total 31 12 2009	FV 31 12 2008			NV Total 31 12 2008
	Level 1	Level 2	Level 3	Total		Level 1	Level 2 and 3	Total	
A. Financial derivatives	**-**	**192,429**	**-**	**192,429**	**9,906,076**	**-**	**99,160**	**99,160**	**1,618,189**
1) Fair value	-	192,429	-	192,429	9,906,076	-	99,160	99,160	1,618,189
2) Cash flows	-	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**6,274**	**-**	**6,274**	**185,860**	**-**	**-**	**-**	**-**
1) Fair value	-	6,274	-	6,274	185,860	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-	-
Total	**-**	**198,703**	**-**	**198,703**	**10,091,936**	**-**	**99,160**	**99,160**	**1,618,189**

Legend
FV = Fair value
NV = Nominal or notional value

The table shows the positive fair value of hedging derivatives.

It displays the positive book value (fair value) of hedging derivatives for hedges carried out through hedge accounting. Hedge accounting is used for the accounting of hedges of financial instruments posted in balance sheet items which do not provide for measurement at fair value offsetting the profit and loss statement: in particular, hedges of all financial assets and liabilities other than those represented by securities are all managed through hedge accounting.

Hedges of financial liabilities represented by securities are normally managed through the fair value option. The fair value option has been adopted systematically for fixed-rate and structured debt securities issued by the Group, for which the risk of changes to fair value has been hedged by derivatives upon issue, with the aim of maintaining the hedge for the contractual duration of the hedged securities; derivatives used as part of the fair value option are classified in the trading portfolio.

Hedge accounting is used for securities issued by the Group for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

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

8.2. Hedging derivatives: breakdown by hedged portfolio and type of hedging (book value)

31 12 2009
(in thousands of EUR)

Transaction/Type of hedge	Fair Value						Cash flow hedge		Investments Foreign	Total
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	risk Rate	risk Exchange	risk Credit	risk Price	multiple risks					
1. Financial assets available for sale	58	-	224	-	-	x	-	x	x	282
2. Loans and receivables	4,720	53,692	6,050	x	-	x	-	x	x	64,462
3. Held to maturity investments	x	-	-	x	-	x	-	x	x	-
4. Portfolio	-	-	-	-	-	-	-	-	x	-
5. Other transactions	x	x	x	x	x	x	x	x	-	-
Total assets	**4,778**	**53,692**	**6,274**	**-**	**-**	**-**	**-**	**-**	**-**	**64,744**
1. Financial liabilities	128,882	-	-	x	-	x	5,077	x	x	133,959
2. Portfolio	-	-	-	-	-	-	-	-	x	-
Total liabilities	**128,882**	**-**	**-**	**-**	**-**	**-**	**5,077**	**-**	**-**	**133,959**
1. Expected transactions	x	x	x	x	x	x		x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x		x	-	-	-
Total	**133,660**	**53,692**	**6,274**	**-**	**-**	**-**	**5,077**	**-**	**-**	**198,703**

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

In particular, fair value micro-hedging was used to hedge against interest-rate risk on fixed-rate mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable changes to interest rates. The exchange risk column shows the positive fair value of cross currency swaps used to hedge foreign-exchange risk on unlisted bonds classified among loans and receivables.

Fair value micro-hedging was also applied to the credit risk of bonds classified in the available-for-sale portfolio or among receivables; these hedges were performed by acquiring protection through credit default swaps.

Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities represented by securities for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Cash flow hedges were implemented in the case of some specific floating-rate bond issues, for the purpose of stabilising their flows through interest rate swaps.

Forward-looking and retrospective tests performed in 2009 in accordance with IAS 39 confirmed the hedging operations to be solid and correct.

More information on hedged assets and liabilities can be found in the relevant tables in Part B "Information on the balance sheet" of the notes to the financial statements.

31 12 2008

(in thousands of EUR)

Transaction/Type of hedge	Fair Value						Cash flow hedge		Investments Foreign	Total
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	risk Rate	risk Exchange	risk Credit	risk Price	multiple risks					
1. Financial assets available for sale	-			-		x		x	x	-
2. Loans and receivables	1,927	51,611		x		x		x	x	53,538
3. Held to maturity investments	x			x		x		x	x	-
4. Portfolio	-								x	-
5. Other transactions	x	x	x	x	x	x	x	x		-
Total assets	**1,927**	**51,611**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53,538**
1. Financial liabilities	38,549			x		x	7,073	x	x	45,622
2. Portfolio									x	-
Total liabilities	**38,549**	**-**	**-**		**-**	**-**	**7,073**	**-**	**x**	**45,622**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x		x		-	-
Total	**40,476**	**51,611**	**-**	**-**	**-**	**-**	**7,073**	**-**	**-**	**99,160**

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

9.1 Change in value of hedged assets: breakdown by portfolio

(in thousands of EUR)

Changes in value of hedged assets / Group components	Total 31 12 2009	Total 31 12 2008
1. Positive changes	**32,232**	**31,779**
1.1 of specific portfolios:	32,232	31,779
a) loans and receivables	32,232	31,779
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative changes	**193**	**677**
2.1 of specific portfolios:	(574)	-
a) loans and receivables	(574)	-
b) financial assets available for sale	-	-
2.2 overall	767	677
Total	**32,039**	**31,102**

The value adjustment affected a fixed-rate mortgage portfolio that was fair value macro-hedged with derivatives (interest rate swaps) to protect it from possible fluctuations due to interest-rate risk. As it is macrohedging, any profit/loss on the hedged item attributable to the risk being hedged may not adjust the value of said item (unlike in microhedging), but it must be displayed in this separate asset item. The amounts in this item must be removed from the balance sheet when the relevant assets or liabilities are derecognised.

The positive or negative fair value of the corresponding hedging derivatives is shown respectively in asset Table 8.2 or liability Table 6.2, both entitled "Hedging derivatives: breakdown by hedged portfolio and type of hedging", in the "Macro-hedging" column.

9.2 Assets macro-hedged against interest-rate risk: breakdown

(in thousands of EUR)

Hedged assets	Total 31 12 2009	Total 31 12 2008
1. Loans and receivables	361,028	260,493
2. Assets available for sale	-	-
3. Portfolio	-	-
Total	**361,028**	**260,493**

The table shows the book value (amortised cost) of a group of fixed-rate mortgages, in the amount of € 233.5 mln, disbursed by the Parent Bank and included in Item 70 "Loans and receivables with customers", which was macro-hedged against interest-rate risk as per Table 9.1, and of mortgages underlying the financial plans of subsidiary Banca Personale, also fair value macro-hedged in the amount of € 127.5 mln.

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

Section 10 – Equity investments – Item 100

10.1 Equity investments in entities under common control (measured using the equity method) and in companies subject to significant influence: information on shareholdings

Company name	Registered Office	Type of relationship (*)	Ownership relationship		Avail. % votes
			Held by	Shareholding (%)	
Axa Mps Assicurazioni Vita S.p.a.	Rome	8	MPS Investments S.p.a.	50.000	50.000
Axa Mps Financial Limited	Dublin	8	Axa Mps Assicurazioni Vita	100.000	100.000
Quadrifoglio Vita S.p.a.	Bologna	8	Axa Mps Assicurazioni Vita	100.000	100.000
Axa Mps Assicurazioni Danni S.p.a.	Rome	8	MPS Investments S.p.a.	50.000	50.000
Beta Prima S.r.l	Siena	8	MPS Investments S.p.a.	34.069	34.069
BioFund S.p.a.	Siena	8	MPS Investments S.p.a.	13.676	13.676
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	Rome	8	MPS Investments S.p.a.	46.281	46.281
EDI.B. S.p.a.	Gubbio	8	MPS Investments S.p.a.	19.000	19.000
Fabbrica Immobiliare SGR S.p.a.	Rome	8	MPS Investments S.p.a.	45.000	45.000
Intermonte SIM S.p.a.	Milan	8	MPS Investments S.p.a.	20.000	20.000
J.P.P. Euro Securities	Delaware	8	Intermonte SIM S.p.a.	100.000	100.000
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Investments S.p.a.	49.002	49.002
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	MPS Investments S.p.a.	20.000	20.000
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Investments S.p.a.	49.500	49.500
Aeroporto di Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21.380	21.380
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9.000	30.500
		8	MPS Investments S.p.a.	18.000	
		8	Banca Monte Paschi Belgio	3.500	
Fidi Toscana S.p.a.	Florence	8	Banca Monte dei Paschi di Siena	15.000	29.179
		8	MPS Investments S.p.a.	14.179	
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40.000	40.000
Società Italiana di Monitoraggio S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	12.889	12.889
Uno a Erre S.p.a.	Arezzo	8	Banca Monte dei Paschi di Siena	19.584	19.584
Le Robinie S.r.l.	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20.000	20.000
Prima Holding 2 S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	27.330	27.330
Prima Holding S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	30.990	30.990
		8	Prima Holding 2 S.p.a.	6.100	
Marinella S.p.a.	Marinella di Sarzana	8	Banca Monte dei Paschi di Siena	25.000	25.000
Antonveneta Vita S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50.000	50.000
Antonveneta Assicurazioni S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50.000	50.000
Padova 2000 Iniziative Immobiliari S.p.a.	Padua	8	Banca Monte dei Paschi di Siena	45.010	45.010
CO.E.M. Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	40.197	40.197
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Capital Services S.p.a.	36.303	36.303
Immobiliare Centro Milano S.p.a.	Milan	8	MPS Capital Services S.p.a.	33.333	33.333
Newco S.p.a.	Naples	8	MPS Capital Services S.p.a.	3.610	3.610
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Capital Services S.p.a.	29.000	29.000
Agricola Merse S.r.l.	Milan	8	MPS Capital Services S.p.a.	20.000	20.000

(X) Type of relationship: 8 associate relationship.

10.2 Equity investments in entities under common control and in companies subject to significant influence: accounting information

(in thousands of EUR)

Company name	Total assets	Total revenues	Profit (Loss)	Net equity	Consolidated book value		Fair Value
					31 12 2009	31 12 2008	
A. Companies valued at net equity							
A.1 Companies valued at net equity - jointly controlled							
A.2 Companies valued at net equity - under significant influence							
Axa Mps Assicurazioni Vita S.p.a. (1)	x	x	45,278	728,533	324,450	231,452	
Axa Mps Financial Limited (1)	x	x	33,304	148,309	85,032	68,508	
Quadrifoglio Vita S.p.a. (1)	x	x	41,077	83,085	62,082	33,589	
Axa Mps Assicurazioni Danni S.p.a.	x	x	15,208	44,172	32,006	27,797	
Beta Prima S.r.l	x	x	130	576	286	242	
BioFund S.p.a.	x	x	(621)	5,693	694	775	
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	x	x	-	29	-	-	
EDI.B. S.p.a.	x	x	-	20,430	7,000	-	
Fabbrica Immobiliare SGR S.p.a.	x	x	181	7,559	3,483	3,402	
Intermonte SIM S.p.a.	x	x	19,853	43,879	12,430	10,579	
J.P.P. Euro Securities	x	x	83	2,578	370	370	
NewColle S.r.l.	x	x	(222)	4,870	2,278	2,387	
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	x	x	(153)	805	138	169	
Società Incremento Chianciano Terme S.p.a.	x	x	(1,825)	5,012	1,578	2,481	
Aeroporto di Siena S.p.a.	x	x	(49)	20,067	4,280	1,810	
Crossing Europe GEIE	x	x	(40)	46	22	35	
Fidi Toscana S.p.a.	x	x	-	112,644	32,976	29,620	
Microcredito di Solidarietà	x	x	(9)	1,422	565	569	
Società Italiana di Monitoraggio	x	x	(177)	872	90	112	
Uno a Erre S.p.a.	x	x	-	8,154	1,597	1,597	
Le Robinie S.r.l.	x	x	(145)	4,150	801	446	
Prima Holding 2 S.p.a.	x	x	(54)	13,005	-	-	
Prima Holding S.p.a.	x	x	(305)	213,647	-	-	
Marinella S.p.a.	x	x	(619)	40,630	10,003	-	
Antonveneta Vita S.p.a.	x	x	20,955	142,309	107,475	111,674	
Antonveneta Assicurazioni S.p.a.	x	x	(3,596)	16,711	6,357	7,273	
Padova 2000 Iniziative Immobiliari S.p.a.	x	x	179	175	81	-	
Costruzioni Ecologiche Moderne S.p.a.	x	x	(218)	18,531	28,642	28,729	
Interporto Toscano Amerigo Vespucci S.p.a.	x	x	806	19,667	10,725	10,433	
Immobiliare Centro Milano S.p.a.	x	x	(14)	920	302	-	
Newco S.p.a.	x	x	-	-	-	1,985	
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	x	x	787	7,701	2,602	2,374	
Agricola Merse S.r.l.	x	x	(3,974)	35,562	3,825	4,620	
B. Proportionately consolidated companies							
Banca Popolare di Spoleto S.p.A.	2,851,598	189,962	7,993	203,931	x	x	x
Integra S.p.a.	13,390	1,707	11	1,749	x	x	x
Total	**2,864,988**	**191,669**	**173,824**	**1,957,423**	**742,170**	**583,028**	

(1) As shown in Table 10.1, AXA MPS Financial Limited and Quadrifoglio Vita are subsidiaries of AXA MPS Assicurazioni Vita The AXA MPS Assicurazioni Vita group therefore has an overall book value of € 471 mln, corresponding to the sum of the book values of the three equity investments.

10.3 Equity investments: annual changes

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
A. Opening balance	**583,028**	**820,080**
B. Increases	**177,326**	**170,397**
B.1 Purchases	-	47,594
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	177,326	122,803
C. Decreases	**(18,184)**	**(407,449)**
C.1 Sales	(14,024)	(292,529)
C.2 Write-downs		-
C.4 Other changes	(4,160)	(114,920)
D. Closing balance	**742,170**	**583,028**
E. Total revaluation	**-**	**-**
F. Total write-downs	**-**	**-**

The change relates to associates or companies subject to significant influence valued using the equity method. The other positive and negative changes include profits and losses arising from this measurement.

The other decreases also include the amount of dividends distributed by the equity investments.

The measurement of associates shown above includes goodwill, pursuant to IAS 28. The main embedded goodwill, shown below, refers to insurance associates Axa MPS Assicurazioni Vita, Axa MPS Assicurazioni Danni and Antonveneta Vita.

Embedded goodwill	31 12 2009	31 12 2008
Antonveneta Vita	39,651	39,651
Axa Mps Assicurazioni Vita S.p.A.	46,796	46,796
Axa Mps Assicurazioni Danni S.p.a.	2,316	2,316
Other minor amounts	6,411	18,839
Total	**95,174**	**107,602**

In accordance with IAS 28 “Investments in associates” and IAS 36 (to which IAS 28 refers), impairment tests were carried out on the main insurance associates of the Group in consideration of the size of these assets and the peculiarities of the sector in which they operate. The following equity investments were subjected to an impairment test:

- AXA MPS Assicurazioni Danni S.p.A. (AXA MPS Danni);
- AXA MPS Assicurazioni Vita S.p.A. (AXA MPS Vita);
- Antonveneta Assicurazioni S.p.A. (Antonveneta Assicurazioni);
- Antoniana Veneta Popolare Vita S.p.A. (Antonveneta Vita).

With reference to how impairment losses on investments in associates are determined, IAS 28 states that the impairment is verified, pursuant to IAS 36, by comparing the recoverable value with the carrying value of the equity investment.

Carrying value of equity investments at consolidated level *(in € m, amounts rounded off)*	**31/12/09**
AXA MPS Danni	32
Gruppo AXA MPS Vita	471(*)
Antonveneta Assicurazioni	6.4
Antonveneta Vita	107

(*) Includes the carrying values of Quadrifoglio Vita (€ 62 mln) and AXA MPS Financial (€ 85 mln) because the company's recoverable value was determined taking these subsidiaries into account.

The recoverable value of equity investments in insurance associates was determined with the assistance of a leading consultancy firm (Consultant).

For life insurers, the appraisal value method was used, which estimates the value of an insurance company as the sum of its embedded value (amount of adjusted shareholders' equity and of outstanding insurance policies) and its new business value (current value of future life insurance business). In accordance with professional measurement practices and doctrine, this method was applied to value life insurance companies.

When applying the appraisal value method, parameters were agreed with the Consultant to represent the company's risk/return level. In particular, the following were considered:

- a cost of equity of 8.9%, estimated using a risk-free rate of return of 4.1%, a premium for market risk of 5% and beta of 0.96 calculated using a panel of listed European companies operating exclusively in the field of life insurance (source: Bloomberg);
- a long-term growth rate of 2%, on the basis of inflation forecasts from the leading econometric analysis institutes (ERC, IMF, Prometeia). The growth rate is thus lower than the market rate.

For property and casualty insurers, the free cash flow to equity method is used, known in the English-speaking world as the dividend discount model (FCFE-DDM) (a description can be found in the section on goodwill impairment testing). The recoverable value of Antonveneta Danni was equal to its shareholders' equity at 31 December 2009.

The DDM-FCFE model was used on the basis of economic and financial forecasts provided by the Parent Bank and of the following parameters agreed with the Consultant:

- a target solvency ratio of 150%;
- a cost of equity of 8.7%, estimated using a risk-free rate of return of 4.1%, a premium for market risk of 5% and beta of 0.93 calculated using a panel of listed European companies operating exclusively in the field of life insurance (source: Bloomberg);
- a long-term growth rate of 2%.

In order to best appraise the sensitivity of the impairment test results with respect to changes in the base assumptions, several sensitivity tests were performed by changing the discount rate, the long-term growth rate and some underlying assumptions for the insurance company's economic and financial forecasts (return on investments, loss ratio).

The results of the impairment test showed that the recoverable values of the equity investments analysed were not lower than their respective carrying values.

Section 11 – Reinsurers' technical reserves – Item 110

This section is not applicable because the insurance equity investments of the Group are associates.

Section 12 – Property and equipment – Item 120

12.1. Property and equipment: breakdown of assets valued at cost

(in thousands of EUR)

Asset / Amount	Total 31 12 2009	Total 31 12 2008
A. Assets used in the business		
1.1 owned	**2,549,401**	**2,662,606**
a) land	1,042,549	1,096,239
b) buildings	1,206,348	1,254,333
c) furniture and furnishings	75,430	77,868
d) electronic systems	25,827	27,181
e) other	199,247	206,985
1.2 Leased	**-**	**174**
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	174
Total A	**2,549,401**	**2,662,780**
B. Assets held for investment		
2.1 owned	183,642	129,800
a) land	94,481	70,118
b) buildings	89,161	59,682
2.2 Leased	-	**-**
a) land	-	-
b) buildings	-	-
Total B	**183,642**	**129,800**
Total (A+B)	**2,733,043**	**2,792,580**

The depreciation column shows the amount of depreciation for the period in relation to all property and equipment. Property and equipment with a finite useful life are tested for impairment. The test is carried out by comparing the carrying amount with the recoverable amount of each asset. The recoverable amount may be represented either by fair value net of disposal charges or by value in use if this can be determined and if it is greater than the fair value. In this specific case the Group has arranged, as at the end of each financial year, to measure the fair value of its property portfolio. The valuation is performed by Paschi Gestioni Immobiliari S.p.A., a Group company specialising in asset management. Fair value at 31 December 2009 was tested by a "desk" update of the valuations originally carried out by an independent expert during the preparation of the 2005 financial statements, on first-time adoption of international accounting standards. For buildings resulting from the acquisition of the Antonveneta Group, independent valuations carried out for the purchase price allocation and completed at the end of May 2008 were used as the basis for fair value. These valuations were revised using revaluation/impairment coefficients taken from a database supplied by a leading external consultant. These coefficients have been tested, analysed and validated by the technical department of Paschi Gestioni Immobiliari S.p.A., taking into account both the intended purpose and the geographical location of each building. In calculating fair value at 31/12/2009, consideration was given to any negative signs from property market forecasts. Specifically the Group, in calculating fair value at 31/12/2009, decided to apply a 30% revaluation coefficient and to give full consideration to negative coefficients.

The comparison between the fair value thus determined and the carrying amount resulted in a € 621,000 impairment loss being recognised at 31/12/2009, of which € 475,000 related to buildings used in the business and € 146,000 to buildings held for investment. The calculation of fair value of the entire property portfolio showed a total gain on buildings used in the business of € 536.5 mln and on buildings held for investment of € 41 mln. Regarding the other property and equipment used in the business (other than buildings), no extraordinary negative market factors were thought to exist such as might result in a need to recognise impairment losses.

12.1.a Property and equipment: leased property held for investment

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Leased property held for investment	386	480

12.2. Property and equipment: breakdown of assets measured at fair value or revalued

The Group does not own property and equipment measured at fair value or revalued in accordance with IAS 40.

12.3 Property and equipment used in the business: annual changes

(in thousands of EUR)

	Land	Buildings	Furniture	Electronic systems	Other	Total 31 12 2009	Total 31 12 2008
A. Gross opening balance	**1,097,950**	**1,522,975**	**368,239**	**429,968**	**620,921**	**4,040,053**	**3,468,389**
A.1 Total net decreases	1,711	268,642	290,371	402,787	413,762	**1,377,273**	1,088,146
A.2 Net opening balance	**1,096,239**	**1,254,333**	**77,868**	**27,181**	**207,159**	**2,662,780**	**2,380,243**
B. Increases	**8,654**	**52,294**	**19,853**	**14,762**	**51,204**	**146,767**	935,346
B.1 Purchases	447	9,551	19,850	10,021	27,523	**67,392**	869,914
- Business combinations	-	-	-	-	-	**-**	789,589
B.2 Capitalized expenditure on improvements	-	1,565	-	-	-	**1,565**	18,606
B.3 Write-backs	-	-	-	-	-	**-**	-
B.4 Increases in fair value booked to:	-	-	-	-	-	**-**	-
a) shareholders' equity	-	-	-	-	-	**-**	-
b) profit and loss	-	-	-	-	-	**-**	-
B.5 Positive exchange differences	-	514	-	-	-	**514**	92
B.6 Transfers from properties held for investment	6,816	3,858	-	-	-	**10,674**	265
B.7 Other increases	1,391	36,806	3	4,741	23,681	**66,622**	46,469
C. Decreases	**49,058**	**90,602**	**22,291**	**16,116**	**59,116**	**237,183**	**650,749**
C.1 Sales	140	170	152	1,067	128	**1,657**	35,201
C.2 Depreciation	-	46,016	21,502	14,936	18,450	**100,904**	87,732
C.3 Impairment losses booked to:	30	417	24	-	4	**475**	-
a) shareholders' equity	-	-	-	-	-	**-**	-
b) profit and loss	30	417	24	-	4	**475**	-
C.4 Decreases in fair value booked to:	-	-	-	-	-	**-**	-
a) shareholders' equity	-	-	-	-	-	**-**	-
b) profit and loss	-	-	-	-	-	**-**	-
C.5 Negative exchange differences	-	128	-	-	-	**128**	402
C.6 Transfers to:	48,888	43,871	-	-	-	**92,759**	17,216
a) property and equipment held for investment	48,888	43,871	-	-	-	**92,759**	12,449
b) assets held for sale	-	-	-	-	-	**-**	4,767
C.7 Other decreases	-	-	613	113	40,534	**41,260**	510,198
IFRS5 "Discontinuing operations"	13,286	9,677	-	-	-	**22,963**	2,060
D. Net closing balance	**1,042,549**	**1,206,348**	**75,430**	**25,827**	**199,247**	**2,549,401**	**2,662,780**
D.1 Total net decreases	1,741	145,044	344,202	452,668	333,514	**1,277,169**	1,377,273
D.2 Gross closing balance	**1,044,290**	**1,351,392**	**419,632**	**478,495**	**532,761**	**3,826,570**	**4,040,053**
E. Carried at cost							

The table illustrates the Group's property assets used in the business. Buildings are measured at cost and depreciated based on their expected useful life.

The comparison between fair value and carrying amount led to an impairment loss of € 475,000 being recognised at 31/12/2009.

Lines A.1 and D.1 – Total net decreases include amounts relating to total depreciation booked.

Sub-account E – Designated at fair value has been left blank on the instructions of Banca d'Italia, as this only needs to be completed for assets accounted for at fair value.

12.4 Property and equipment held for investment: annual changes

(in thousands of EUR)

	Total 31 12 2009		Total 31 12 2008	
	Land	Buildings	Land	Buildings
A. Opening balance	**65,838**	**63,962**	**23,794**	**25,728**
B. Increases	**53,326**	**46,537**	**47,643**	**42,292**
B.1 Purchases	3,908	2,158	42,306	26,203
Business combinations			*42,210*	*26,046*
B.2 Capitalised expenditure on improvements	-		-	766
B.3 Increases in fair value	-	-	-	-
B.4 Write-backs	x	x	x	x
B.5 Positive exchange differences	-	-	-	-
B.6 Transfers from property used in the business	48,888	43,871	4,069	8,380
B.7 Other increases	530	508	1,268	6,943
C. Decreases	**24,683**	**21,338**	**5,599**	**3,979**
C.1 Sales	11	18	51	76
C.2 Depreciation	-	4,121	-	2,521
C.3 Decreases in fair value	x	x	x	x
C.4 Impairment losses	-	146	-	-
C.5 Negative exchange differences	-	-	-	-
C.6 Transfers to other asset portfolios	24,374	15,802	-	264
a) properties used in the business	6,816	3,858	-	-
b) non-current assets held for sale	17,558	11,944	-	-
C.7 Other decreases	298	1,251	5,548	1,118
IFRS5 "Discontinuing operations"	-		-	(79)
D. Closing balance	**94,481**	**89,161**	**65,838**	**63,962**
D.1 Total net decreases	-	16,906	-	7,354
D.2 Gross closing balance	94,481	106,067	65,838	71,316
E. Designated at fair value	**108,916**	**116,024**	**73,221**	**69,408**

The table illustrates the Group's property assets held for investment. Buildings are measured at cost and depreciated based on their expected useful life.

The comparison between fair value and carrying amount led to an impairment loss of € 146,000 being recognised at 31/12/2009.

12.5 Commitments to purchase property and equipment

(in thousands of EUR)

Items	Total 31 12 2009	Total 31 12 2008
Commitments to purchase property and equipment	125	1,289

12.6 Property and equipment: depreciation rates

Main categories of property and equipment	%
Land and works of art	0%
Buildings	3%
Furniture and furnishings	10-12%
Alarm and video systems	15-30%
Electronic and ordinary office equipment	20-25%
Electronic data processing equipment	20-50%

The table shows the depreciation rates used for the main categories of property and equipment.

Land and works of art are not depreciated since they have an indefinite useful life.

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type of asset

(in thousands of EUR)

Asset / Amount	Total 31 12 2009			Total 31 12 2008		
	Finite life	Indefinite life	Total	Finite life	Indefinite life	Total
A.1 Goodwill	**x**	**6,619,479**	**6,619,479**	**x**	**6,708,546**	**6,708,546**
A.1.1 group	x	6,619,479	6,619,479	x	6,708,546	6,708,546
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**1,042,150**	**-**	**1,042,150**	**1,057,386**	**-**	**1,057,386**
A.2.1 Assets carried at cost:	1,042,150	-	1,042,150	1,057,386	-	1,057,386
a) Internally generated intangible assets	681	-	681	656	-	656
b) other assets	1,041,469	-	1,041,469	1,056,730	-	1,056,730
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**1,042,150**	**6,619,479**	**7,661,629**	**1,057,386**	**6,708,546**	**7,765,932**

All of the Group's intangible assets are measured at cost and, in addition to goodwill, relate to intangible assets resulting from the merger with Banca Antonveneta S.p.A. All intangible assets recognised in the financial statements have a finite useful life.

Goodwill posted to assets and totalling € 6,619.5 mln is not systematically amortised but is tested for impairment at year-end. For details of changes in this account, see " Table 13.2 Intangible assets: annual changes" in this section.

During the preparation of the 2009 financial statements, goodwill recognised was tested for recoverability and impairment. In accordance with Document 4 published by Banca d'Italia/CONSOB/ISVAP on 3 March 2010 and IAS 36, "Impairment of Assets", a special chapter has been inserted below describing the procedure followed to test the recoverability of goodwill.

Impairment test on the Group's goodwill

Introduction

IAS 36 sets out the principles for the recognition and reporting of impairment of any type of asset, including goodwill, illustrating the principles that an enterprise must follow in order to ensure 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.

For the 2009 financial statements, the impairment test was again carried out in a complex environment characterised by the continuing crisis affecting global economies from September 2008 onwards and the contraction in bond spreads following the policies adopted by central banks to tackle the crisis.

Share prices have now bounced back from the lows seen in March 2009, but are still far from pre-crisis levels. In this context, MPS shares are around 50% higher than the low reached on 9 March 2009. However, in the current market, banking stocks in general are suffering due to the continuing macroeconomic uncertainty, historically low interest rates and highly uncertain regulatory environment. In this environment, market prices and the multipliers which derive from them cannot fully reflect the value of listed companies based on future growth opportunities and the ability to create sustainable value over the medium term.

In a market such as this it is also important to make a distinction between impairment losses which are essentially endogenous and affect only a few business sectors, and impairment losses that are primarily exogenous (and so generated by the current financial crisis) and tend to affect all business sectors.

As part of the impairment test process, an update was made to the Group's 2009-2013 economic and financial projections, used in the impairment test carried out at 31 December 2008. The new projections were prepared over a five-year forecasting period (2010-2014), taking into account the evidence derived from the new macroeconomic scenario, which suggests a delay in achieving the objectives underlying previous forecasts without compromising the strategic guidelines set out in the 2008-2011 Business Plan (and therefore business and efficiency strategies remain essentially unchanged).

The impairment test was therefore carried out taking into account the validity of the strategic initiatives set out in the 2008-2011 Business Plan and the 2010-2014 economic and financial projections previously approved by the parent company's Board of Directors.

In accordance with IAS 36 and considering the aforementioned points, the impairment test carried out on goodwill as shown in the Group's consolidated financial statements at 31 December 2009 made provision for the following:

1) Identification of goodwill
2) Identification of cash-generating units and allocation of goodwill to the cash-generating units identified
3) Determination of the recoverable amount of the cash-generating units
4) Sensitivity analysis of the results of the impairment test compared with changes in the underlying assumptions
5) Conclusions

1. Identification of goodwill

The impairment test was carried out on goodwill reported in the financial statements of the MPS Group at 31 December 2009, equivalent to € 6,619 mln, bearing in mind that no other intangible assets with an indefinite useful life were present.

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

IAS 36 states that each unit or group of units to which goodwill is allocated represent 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 2008, the Group's goodwill was tested by identifying those units into which the Group's operations can be separated and analysing the cash flows that these will be able to generate in future years, based on an approach consistent with segment reporting at the balance sheet date, which in turn reflects the management reporting.

The Group has adopted a business approach, choosing, for the purpose of primary reporting of income/balance-sheet data, a breakdown of results in accordance with the business sectors in which the Group itself operates: Consumer Banking (Retail and Private Customers), Corporate Banking (Corporate Customers) and Corporate Centre (residual central operations). The Group's performance and the development of the plan are monitored based on a model that splits the business into these various operating segments.

Accordingly, five cash-generating units have been identified in line with that carried out in the previous financial year:

- **"MPS Consumer Banking"**, composed:
  - of retail customers from BMPS branches, including branches of the former Banca Agricola Mantovana ("ex-BAM") and Banca Toscana ("ex-BT"), 600 branches of the former Banca Antonveneta ("ex-BAV") not transferred to Nuova Banca Antonveneta ("Nuova BAV"), Consum.it and Banca Popolare di Spoleto;
  - of typically private customers of BMPS branches, including ex-BAM and ex-BT branches and 600 ex-BAV branches, and MPS Monaco, MPS Banca Personale, MPS Fiduciaria, Management and Wealth Management.

  For the impairment test at 31 December 2008, retail and private operations were amalgamated into the Consumer Banking CGU, as in 2009, all operations previously handled by Commercial Banking/Distribution Network and Private Banking/Wealth Management merged to form Consumer Banking.
- **"MPS Corporate Banking"**, composed of typically corporate clients of BMPS branches, including ex-BAM and ex-BT branches, and 600 ex-BAV branches, overseas branches, Key Clients, MPS Leasing & Factoring, MPS Capital Services, MP Belgio and MP Banque.
- **"Nuova BAV Consumer Banking"**, composed of:
  - retail customers from 393 Nuova BAV branches;
  - customers from eight Nuova BAV private banking centres.

  The retail and private banking operations of BAV have been amalgamated into the Consumer Banking CGU, as for MPS.
- **"Nuova BAV Corporate Banking"**, composed of clients from 23 Nuova BAV corporate banking centres.
- **"Cassa di Risparmio di Biella e Vercelli** ("Biverbanca")**"**, composed of Biverbanca, whose customers are mainly retail.

Investments in associate insurance companies, which in the previous period were treated as part of the insurance CGU, were accounted for separately during the impairment test of investments in associates carried out in accordance with IAS 28, paragraph 33. Information about the valuation of these investments can be found in Part B, Section 10, "Investments" of the Notes to the Financial Statements.

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 the synergies arising from the business combinations.

Compared with 2008, as a result of the amalgamation of Private banking and Retail banking operations into the new Consumer Banking CGU (of both BMPS and Nuova BAV), the related goodwill allocated has also been combined. Goodwill allocated to the MPS Consumer Banking CGU has been reduced compared with the value at 31 December 2008 (MPS Retail CGU + MPS Private CGU) by around € 89 mln, mainly due to disposals completed in 2009, including the transfer of branches to Banca Popolare della Puglia and Basilicata and the sale of the asset management business, which led to this being partially derecognised.

Goodwill subject to impairment test in consolidated financial statements: 6,619 (*€ millions, rounded off values*)	
Goodwill related to MPS CGUs: 4,995	
1. Private CGUs Goodwill allocated: 4,990	2. Corporate CGUs Goodwill allocated: 5

Goodwill related to Nuova BAV CGUs: 1,417	
3. Nuova BAV Private CGUs Goodwill allocated: 1,053	4. Nuova BAV Corporate CGUs Goodwill allocated: 364

5. Biverbanca CGUs Goodwill allocated: 207

(*) The goodwill of the Corporate Banking CGU is relatively insignificant since it incurred an impairment loss of € 150 mln in 2008.

To establish whether corporate assets which cannot be allocated on a reasonable and consistent basis to the cash-generating units identified have been impaired, an estimate has been made of the recoverable amount of the Group as a whole. IAS 36 in fact states that if a corporate asset cannot be allocated on a reasonable and consistent basis to the cash-generating unit identified, it must be tested by identifying the smallest group of cash-generating units – a sort of "higher" cash-generating unit – to which it can be allocated. In this case, the higher cash-generating unit has been identified as the entire Group.

3. Determination of the recoverable amount of cash-generating units

The Group's goodwill at 31 December 2009 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 MPS Group and cash-generating units was determined partly with the help of a leading consultant. The recoverable amount of the cash-generating units was estimated using the Free Cash Flow to Equity (FCFE) method, known in the Anglo-Saxon world as the Dividend Discount Model (FCFE-DDM) in the Excess Capital version. This method determines, in line with the method adopted in 2008, the value of a business based on the future cash flows that it will be able to distribute to its shareholders, without dipping into the assets necessary to support the planned development and in accordance with the capital requirements imposed by the regulator, discounted at a rate that reflects the specific capital risk.

In order to test corporate assets, an estimate is made of the recoverable amount of the Group as a whole (identified as the value in use) using the FCFE-DDM, bearing in mind that in the current market, penalised by non-structural factors and the high level of forecasting uncertainty, fair value does not fully reflect the structural profitability and benefits of the industrial measures implemented.

To determine the recoverable amount, reference is made to the Group's 2010-2014 economic and financial projections (and the CGUs identified)[1]. These projections have been prepared in consideration of:

- 2009 actual data and 2010 forecasts;
- the market scenario until 2014, prepared in February 2010 based on internal and external sources, such as forecasts from leading economic think tanks (CER, IMF, Prometeia, Banca d'Italia, etc.);
- the effect of the actions/synergies forecast in the Business Plan, reviewed in the subsequent period in order to implement the strategic decisions taken in the meantime, including the impact of disposals.

The main underlying assumptions of the Group's 2010-2014 economic and financial projections are shown in the table below:

Turnover and income trends	**2009 - 2014 CAGR**	
Total lending to customers	+5.8%	
Total deposits	+5.3%	
Asset management	+8.0%	
Net income from financial operations	+7.0%	
Personnel costs	-0.8%	
Other administrative costs	-0.2%	
Profitability indicators	**2009**	**2014P**
Mark down	0.39%	1.22%
Mark up	2.03%	1.76%
Credit cost[2]	113 bps	68 bps
Cost / Income	64.2%	44.8%

[1] *In order to determine the recoverable amount, the effects of the Purchase Price Allocation are taken into account in relation to the acquisition of Banca Antonveneta and Biverbanca and the capital contribution allocated to individual cash-generating units.*
[2] *Ratio between income statement adjustments and average lending (Commercial Banking + Biverbanca volumes).*

The 2010-2014 economic and financial projections of the CGUs identified were based on assumptions consistent with the 2010-2014 economic and financial projections of the MPS Group.

CGU

The recoverable amount of the cash-generating units and of the Group was determined using the FCFE-DDM, based on the following formula:

$$W = \sum_{t=1}^{n} \frac{DIV_t}{(1+i)^t} + VT_a$$

where:

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

i = discounting rate represented by the cost of risk capital (k_e).

VT_a = present 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*").

To estimate the cash flows distributable to shareholders, reference is made to the Group's 2010-2014 economic and financial projections.

To discount cash flows distributable to shareholders the cost of risk capital was used, equivalent to 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:

R_f = the risk-free rate, equivalent to the return on risk-free investments identified as the average yield of 10-year Treasury bonds issued by the Italian government, or around 4.1% (source: Bloomberg).

Beta = correlation factor between effective share performance and total performance of the reference market (measurement of the volatility of a stock relative to the market), equivalent to 0.94 (source: Bloomberg)

R_m - R_f = risk premium required by the market, usually considered to be 5.0%.

Terminal value was determined based on the following formula:

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

where g is the long-term growth rate.

The FCFE-DDM was applied based on the parameters identified together with the consultant and which represented the actual level of risk/return for the individual cash-generating unit. Specifically, the valuation parameters used were based on the following assumptions:

- capital ratio: for the test to determine the recoverable amount of the entire Group, a target Core Tier 1 Ratio was used of 6.5%. This is the threshold value above which, for the purposes of the model, the distribution of excess capital is possible. For Biverbanca, in view of the fact that the CGU is a consolidated legal entity within a banking group, a 25% reduction in the individual capital requirement was considered (by reducing RWA by 25% and maintaining the value of the target Core Tier 1 Ratio at 8.0%). For other cash-generating units, a target capital coverage ratio of 8% was used in order to meet the entire capital needs of the CGU.
- Cost of capital (ke): for the test to determine the recoverable value of the entire Group, a rate of 8.8% was used in line with the cost of capital of the MPS Group itself, according to current market parameters. When testing the recoverable amount of individual cash-generating units, the rates were determined using estimates that reflect their specific risk.
- Long-term growth rate (g): this was estimated at 2% based on the inflation forecasts of leading economic think tanks (CER, IMF, Prometeia).

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

CGUs *(€ millions, rounded off values)*	**Assessment parameters**		
	k_e(*)	g(*)	Capital ratio
MPS Private	8.8%(*)	2.0%(*)	8.0%
MPS Corporate	9.8%(*)	2.0%(*)	8.0%
Nuova BAV Private	8.8%(*)	2.0%(*)	8.0%
Nuova BAV Corporate	9.8%(*)	2.0%(*)	8.0%
Biverbanca (59%)	8.5%(*)	2.0%(*)	8.0%

(*): Amounts approved by consultant.

4. Sensitivity analysis of the results of the impairment test compared with changes in the underlying assumptions

In order to better assess the sensitivity of the results of the impairment test in relation to changes in the underlying assumptions, certain sensitivity analyses were carried out based on the following:

- for cash-generating units, for the Group and for controlling interests (Banca Antonveneta and Biverbanca), a more negative macroeconomic scenario than the one illustrated in the economic/financial projections;
- for cash-generating units, a test carried out considering the Group's regulatory capital as the operating capital, instead of economic capital;
- for cash-generating units, for the Group and for controlling interests (Banca Antonveneta and Biverbanca), a change in the discounting rate (+0.5%);
- for Banca Antonveneta as a whole, the entire regulatory capital requirement on a consolidated basis (excluding the individual 25% reduction);
- the capital ratio (+0.5%) used in the estimate of the recoverable amount of the MPS Group.

The following table shows the results of the sensitivity analysis of cash-generating units, expressed in terms of the difference between the recoverable amount and the carrying amount in absolute terms and in percentage terms.

Sensitivity analysis *(€ millions, rounded off values)*	**Change in recoverable delta value vs. carrying value (consolidated level)**					
	Scenario analysis		**Regulatory capital**		**Discount rate**	
	Absolute amount	**%**	**Absolute amount**	**%**	**Absolute amount**	**%**
MPS Private CGUs	2,797	+37%	4,182	+54%	3,369	+44%
MPS Corporate CGUs	-27	-1%	-47	-1%	163	+4%
Nuova BAV Private CGUs	653	+47%	831	+53%	693	+50%
Nuova BAV Corporate CGUs	22	+3%	44	+5%	35	+4%
Biverbanca CGUs (59%)	-6	-1%	n/a.	n/a.	5	+1

At Group level, the valuation and sensitivity analysis carried out show that the Group's recoverable amounts are not less than the carrying amount.

Finally, an analysis was carried out of the threshold level of Ke for tests on individual cash-generating units, the results of which are summarised in the following table:

	Threshold discount rate
MPS Private CGUs	12.0%
MPS Corporate CGUs	10.5%
Nuova BAV Private CGUs	12.2%
Nuova BAV Corporate CGUs	10.6%
Biverbanca CGUs (59%)	9.0%

5. Conclusions

The results of the impairment test show that the recoverable amounts of the cash-generating units identified are not less than the corresponding carrying amounts.

Taking into account the analyses and evidence described above, no value adjustment was made to consolidated goodwill. For one thing it is considered that, as already shown, the market price of BMPS in the current market, penalised by non-structural factors and by the high level of forecasting uncertainty, does not fully reflect the structural profitability and benefits of the industrial measures implemented. In fact, in the current market banking stocks in general are suffering from the continuing macroeconomic uncertainty, historically low interest rates and highly uncertain regulatory framework. In this environment, market prices and the multipliers that derive from them cannot fully reflect the value of listed companies in general, and Montepaschi Group in particular, based on future growth opportunities and the ability to create sustainable value over the medium term.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total	Total
		finite life	indefinite life	finite life	indefinite life	31 12 2009	31 12 2008
A Opening balance	**6,858,546**	**4,626**	**-**	**1,610,817**	**-**	**8,473,989**	**1,631,314**
A.1 Total net decreases	150,000	3,970	-	554,087	-	708,057	501,829
A.2 Net opening balance	**6,708,546**	**656**	**-**	**1,056,730**	**-**	**7,765,932**	**1,129,485**
B. Increases	**-**	**598**	**-**	**131,366**	**-**	**131,964**	
B.1 Purchases		598		126,052		126,650	6,960,976
- Business						-	794,377
combinations							-
B.2 Increases in internally generated intangible assets	x					-	-
B.3 Write-backs	x					-	-
B.4 Increases in fair value	x	-	-	-	-	-	-
- to net equity	x	-	-	-	-	-	-
- to profit and loss	x	-	-	-	-	-	-
B.5 Positive exchange differences						-	-
B.6 Other increases	-			5,314		5,314	5,521
C. Decreases	**89,067**	**573**		**146,627**		**236,267**	
C.1 Sales	60,346			5,607		65,953	45,933
- Disposals and one-off transactions						-	44,814
C.2 Write-downs		573		136,390		136,963	253,463
- Depreciation		566		135,039		135,605	103,108
- Write-downs		7		1,351		1,358	150,355
+ net equity						-	-
+ profit and loss						-	150,355
C.3 Decreases in fair value		-	-	-	-	-	-
- to net equity	x					-	-
- to profit and loss	x					-	-
C.4 Transfers to non-current assets held for sale						-	-
C.5 Negative exchange differences						-	3
C.6 Other decreases	28,721			4,630		33,351	25,778
IFRS5 "Discontinuing operations"						-	(4,875)
D. Net closing balance	**6,619,479**	**681**	**-**	**1,041,469**	**-**	**7,661,629**	**7,765,931**
D.1 Total net value adjustments	150,000	4,543	-	665,365	-	819,908	708,057
E. Gross closing balance	**6,769,479**	**5,224**	**-**	**1,706,834**	**-**	**8,481,537**	**8,473,988**
F. Carried at cost							

Line A.1, Total net decreases, and line D.1, Total net value adjustments, show the opening and closing balances for total amortisation recorded for intangible assets with a finite life.

In the goodwill column, line C.1, Sales concerns the € 38.5 mln reduction in goodwill from the asset management business following the disposal of companies owned by MP Asset Management S.p.A. and AAA S.p.A., in addition to 13 of the 15 branches, which were sold to Banca Popolare della Puglia e Basilicata S.p.A. for € 22 mln.

In the "Other intangible assets: other – finite life" column, line C.2, Write-downs mainly consists of the depreciation charge for the period relating to intangibles recognised following the acquisition of Banca Antonveneta S.p.A.

Line C.6, Other decreases, refers to the reduction in goodwill as a result of existing contractual agreements.

Sub-account F, Carried at cost, has been left blank on the instructions of Banca d'Italia, as this only needs to be completed for assets recognised at fair value.

13.3 Intangible assets: depreciation rates

Main categories of intangible assets	%	residual depreciation period
Software	20.00%	
Concessions and other licenses	20.00%	
Banca Antonveneta S.p.a. trademark	10.00%	8
Core deposits - current accounts	8.33 - 9.10	9-10
Core deposits - deposits	6.70 - 7.14	12-13
Core overdrafts	8.33 - 9.10	9-10
Assets under management	11.10%	8

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

At 31 December 2009, there were no:

- revalued intangible fixed assets;
- intangible fixed assets acquired through government concessions (IAS, par. 44);
- intangible fixed assets offered as loan collateral;
- commitments to purchase intangible assets;
- fully amortised intangible assets still in use.

Section 14 – Tax Assets and Liabilities – Item 140 (Assets) and Item 80 (Liabilities)

14.1 Deferred tax assets: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Receivables (including securitisations)	833,732	737,299
Other financial instruments	79,962	72,975
Goodwill	2,033,857	1,809,789
Multi-annual costs	13,647	9,984
Tangible and intangible assets	14,893	4,217
Corporate entertainment expenses	352	867
Personnel expenses	38,423	68,204
Tax losses	10,658	8,612
Other	741,833	770,416
Financial instruments - valuation reserves	138,082	167,177
Deferred tax assets (gross)	**3,905,439**	**3,649,542**
Offsetting with deferred tax liabilities	147,690	73,480
Deferred tax assets (net)	**3,757,749**	**3,576,062**

Deferred tax assets in the "Receivables" line include tax assets for value adjustments which were not deducted in prior years since they exceeded the limit indicated in Article 106 of the Income Tax Act (TUIR). Such adjustments will be deductible in subsequent periods on the basis of the straight-line ($1/18^{th}$) method.

"Goodwill" includes tax assets recognised following the release, pursuant to article 15 of Decree-Law No 185/2008, of goodwill from the mergers with Banca Agricola Mantovana S.p.A. and Banca Antonveneta S.p.A. in 2008, and the transfer of the banking arm of the business from the parent company to Nuova Banca Antonveneta, completed on 1 January 2009.

The "Other" line includes tax assets relating to other cases, such as those recognised on provisions for risks and charges in respect of deductible costs.

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

14.2 Deferred tax liabilities: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Capital gains to be divided into installments	282	13,343
Goodwill	4,848	2,805
Tangible and intangible assets	40,595	28,493
Financial instruments	27,471	30,865
Personnel expenses	5,885	7,582
Other	32,843	59,308
Financial instruments - valuation reserves	146,932	46,759
Deferred tax liabilities (gross)	**258,856**	**189,157**
Offsetting with deferred tax assets	147,690	73,479
Deferred tax liabilities (net)	**111,166**	**115,678**

The line "Financial instruments – valuation reserves" includes the tax liability relating to financial instruments classified in the portfolio of available-for-sale financial assets and cash flow hedge derivatives. The increase in tax liabilities in this line mainly refers to the positive valuation set aside for bonds and units of UCITS

"Other" includes taxes relating to the alignment during consolidation of the various recognition criteria for commission on intercompany consumer credit adopted by consolidated companies.

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

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
1. Opening balance	**3,463,748**	**846,069**
2. Increases	**592,446**	**3,247,098**
Business combinations		402,341
2.1 Deferred tax assets arising during the year	539,237	380,728
a) relating to previous years	1,124	1,147
b) due to changes in accounting principles	-	-
c) write-backs	-	2,008
d) other	538,113	377,573
2.2 New taxes or increases in tax rates	5,460	4,765
2.3) Other increases	47,749	2,459,264
3. Decreases	**323,726**	**626,283**
Disposals and one-off transactions		-
3.1 Deferred tax assets derecognised during the year	170,905	451,712
a) reversals	169,322	451,708
b) write-downs of non-recoverable items		-
c) changes in accounting principles		4
d) other	1,583	-
3.2 Reduction in tax rates		1
3.3 Other decreases	152,821	174,570
IFRS5 "Discontinuing operations"	-	(3,136)
4. Closing balance	**3,732,468**	**3,463,748**

The table illustrates the tax assets that will be absorbed in subsequent periods with an offsetting entry to profit and loss.

Among the main tax assets resulting from the year as referred to in line 2.1, € 222.4 mln relates to the partial release of goodwill recognised by Banca Antonveneta following the transfer of the business by the parent company on 1 January 2009. The remainder is mainly due to the write-down of loans exceeding the deductible threshold and to amounts set aside and taxed during the year.

The taxes derecognised during the year as referred to in line 3.1 mainly relate to the use in 2009 of funds taxed in previous years and to the write-down of loans in previous periods, for the portion deductible in 2009.

The amounts reported in lines 2.3 "Other increases" and 3.3 "Other decreases" mainly relate to the reclassification under tax assets and current taxes, as described in the notes beneath Table 20.1 "Tax expense (income) on profit (loss) from continuing operations" in Part C.

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

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
1. Opening balance	**104,163**	**472,553**
2. Increases	**24,094**	**695,049**
Business combinations		166,500
2.1 Deferred tax liabilities arising during the year	10,954	30,925
a) relating to previous years	273	414
b) due to changes in accounting principles		-
c) other	10,681	30,511
2.2 New taxes or increases in tax rates		6
2.3) Other increases	13,140	497,618
3. Decreases	**18,351**	**1,061,701**
Disposals and one-off transactions		-
3.1 Deferred taxes derecognised during the year	12,857	307,613
a) reversals	10,877	233,497
b) due to changes in accounting principles	-	-
c) other	1,980	74,116
3.2 Reduction in tax rates	-	5
3.3 Other decreases	5,494	754,083
IFRS5 "Discontinuing operations"	-	(1,738)
4. Closing balance	**109,906**	**104,163**

This table illustrates the tax liabilities which will be absorbed in subsequent years with an offsetting entry to profit and loss.

Line 2.1, “Deferred tax liabilities arising during the year”, mainly relates to the off-balance sheet deduction of the goodwill depreciation expense recognised for business acquisitions completed in previous years by the parent company, as well as the alignment, during consolidation, of the various recognition criteria for commission on consumer credit adopted by consolidated companies.

Line 3.1, “Deferred taxes derecognised during the year”, essentially refers to the depreciation of intangible assets recognised in the consolidated financial statements following the acquisition of Cassa di Risparmio di Biella e Vercelli.

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

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
1. Opening balance	**185,793**	**23,625**
2. Increases	**59,918**	**227,449**
Business combinations		2,033
2.1 Deferred tax assets arising during the year	33,872	217,854
a) relating to previous years	1,263	-
b) due to changes in accounting principles	-	-
c) other	32,609	217,854
2.2 New taxes or increases in tax rates	-	-
2.3) Other increases	26,046	7,562
3. Decreases	**72,741**	**65,281**
3.1 Deferred tax assets derecognised during the year	48,459	56,765
a) reversals	48,252	56,765
b) write-downs of non-recoverable items		-
c) due to changes in accounting principles		-
d) other	207	-
3.2 Reduction in tax rates		-
3.3 Other decreases	24,282	8,516
4. Closing balance	**172,970**	**185,793**

The changes chiefly relate to taxes recognised on changes in net equity reserves relating to cash flow hedge derivatives, financial instruments classified in portfolios of available-for-sale financial assets, and those originally in the portfolio of available-for-sale financial assets and reclassified in 2008 in the portfolio of loans and advances to customers and loans and advances to banks.

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

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
1. Opening balance	**84,994**	**29,023**
2. Increases	**113,455**	**75,364**
Business combinations	-	17,162
2.1 Deferred tax liabilities arising during the year	92,284	29,573
a) relating to previous years	-	276
b) due to changes in accounting principles	-	-
c) other	92,284	29,297
2.2 New taxes or increases in tax rates	-	840
2.3) Other increases	21,171	27,789
3. Decreases	**49,498**	**19,393**
3.1 Deferred tax liabilities derecognised during the year	6,343	13,025
a) reversals	6,251	12,878
b) due to changes in accounting principles	-	-
c) other	92	147
3.2 Reduction in tax rates	-	-
3.3 Other decreases	43,155	6,368
IFRS5 discontinuing operations	-	-
4. Closing balance	**148,951**	**84,994**

The changes mainly relate to the taxes recognised on the change in net equity reserves relating to financial instruments classified in portfolios of available-for-sale financial assets, in addition to cash flow hedge derivatives. Tax liabilities during the year mainly relate to the positive valuation set aside for bonds and units of UCITS.

14.7 Other information

Current tax assets

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Prepayments of corporate income tax (IRES)	16,629	140,993
Prepayments of regional tax on productivity (IRAP)	138,274	160,755
Other tax credits and withholdings	742,118	768,879
Gross current tax assets	**897,021**	**1,070,627**
Offsetting with current tax liabilities	277,725	466,255
Net current tax assets	**619,296**	**604,372**

Corporate income tax (IRES) and regional tax on productivity (IRAP) refer to payments on account made in respect of taxes due for the year. In 2009 the parent company made no payments on account in respect of IRES since the credit from the previous consolidated tax return which can be used as a set-off was higher than the payment on account due for 2009.

“Other tax credits and withholdings” mostly consist of income tax credits due to be refunded, IRES/IRAP credits resulting from prior tax returns which can be used as a set-off, and withholdings incurred and deductible during the year.

Current tax liabilities

(in thousands of EUR)

Items/Amounts	31 12 2009			31 12 2008		
	Booked to Net Equity	Booked to Profit and Loss	Total	Booked to Net Equity	Booked to Profit and Loss	Total
Corporate income tax (IRES) payables	(6,398)	202,189	195,791	2,727	283,712	286,439
Regional productivity tax (IRAP) payables	3,957	140,265	144,222	3,045	181,303	184,348
Other current income tax payables	1,304	166,667	167,971	9,011	1,269,972	1,278,983
Gross current tax payables	**(1,137)**	**509,121**	**507,984**	**14,783**	**1,734,987**	**1,749,770**
Offsetting with current tax assets	3,993	273,732	277,725	3	466,252	466,255
Net current tax payables	**(5,130)**	**235,389**	**230,259**	**14,780**	**1,268,735**	**1,283,515**

The total amount of tax owed to the tax authority is represented by the algebraic sum of current taxes generated by fiscally significant entries carried through profit and loss and net equity. “Other current income tax payables” mainly relate to the residual instalments of substitute taxes following the release of the off-balance sheet deductions provided by Article 1, paragraph 48 of Act No 244/2007 in previous years, and to the substitute tax on goodwill released in 2009 by the subsidiary Banca Antonveneta, in accordance with Article 15 of Decree-Law No 185/08. Current tax liabilities also take into account the ongoing tax dispute.

Section 15 – Non-current assets held for sale and disposal groups held for sale and associated liabilities – Item 150 (assets) and Item 90 (liabilities)

15.1 Non-current assets and disposal groups held for sale: breakdown by type of asset

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
A. Individual assets		
A.1 Financial assets		-
A.2 Equity investments		28,607
A.3 Property and equipment	129,165	104,487
A.4 Intangible assets		-
A.5 Other non-current assets		-
Total A	**129,165**	**133,094**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading		8,552
B.2 Financial assets designated at fair value		-
B.3 Financial assets held for sale		270
B.4 Held to maturity investments		-
B.5 Loans and advances to banks		19,359
B.6 Loans and advances to customers		36,039
B.7 Equity investments		-
B.8 Property and equipment		47,804
B.9 Intangible assets		4,874
B.10 Other assets		22,099
Total B	-	**138,997**
C. Liabilities associated with individual assets held for sale		
C.1 Payables		-
C.2 Securities		-
C.3 Other liabilities		-
Total C	-	-
D. Liabilities included in disposal groups held for sale		
D.1 Deposits from banks		3,539
D.2 Deposits from customers		6,761
D.3 Securities issued		-
D.4 Financial liabilities held for trading		-
D.5 Financial liabilities designated at fair value		-
D.6 Provisions		927
D.7 Other liabilities		34,157
Total D	-	**45,384**

Individual assets held for sale include buildings owned by the subsidiary MPS Immobiliare worth € 129.2 mln. The carrying amount is less than the estimated realisable value. The fair value calculation carried out for these buildings for the purposes of testing for any impairment indicated a total capital gain of € 15.3 mln.

15.2. Other information

At 31 December 2009 no asset groups had been reclassified under “Non-current assets and disposal groups”.

For the transactions reclassified in the 2008 financial statements, individual transactions are shown. The results are reported in Section 16, “Gains (losses) on equity investments – Account 240” in Part C of the notes to the financial statements.

15.2.1 IFRS 5 transactions in the 2008 financial statements realised in 2009 with external counterparties

Disposal of the investment in Marinella S.p.A.

On 24 February 2009, a 75% stake in the subsidiary Marinella S.p.A. was sold to improve the local area by developing residential, marine and agricultural infrastructure. A capital gain of € 1.0 mln was realised on the transaction.

Disposal of investments in Monte Paschi Asset Management Sgr S.p.A. and ABN Amro Asset Management Italy Sgr S.p.A.

On 31 March 2009, the sale was completed of the subsidiaries Monte Paschi Asset Management Sgr and ABN Amro Asset Managemente Italy Sgr to Prima Holding S.p.A. In 2008 these subsidiaries had been consolidated by the parent company as part of the restructuring of the asset management business, aimed at creating a new separate asset management division specialising in active management in the alternative and traditional segments. A total capital gain of € 187.7 mln was realised on the sale of these investments.

Disposal of the investment in SI Holding S.p.A.

Following the planned review of the e-money business model, on 29 June 2009 the investment in SI Holding S.p.A. was sold to Banca Mediolanum, realising a capital gain of € 16.6 mln.

Section 16 – Other assets – Item 160

16.1 Other assets: breakdown

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
Tax credits from the Revenue and other tax levying authorities	536,590	293,416
Third party cheques held at the cashier's for collection	392,926	648,440
Cheques drawn on the Company held at the cashier's for collection	13,596	18,051
Gold, silver and precious metals	251	155
Property inventory	27,135	26,985
Inventory of other assets	-	-
Items in transit between branches	265,581	717,849
Items in processing	1,912,218	2,059,519
Assets related to non-banking management accounts	-	-
Receivables associated with the provision of goods and services	38,092	23,010
Improvements and incremental costs on third party assets other than those included under property and equipment	6,177	12,649
Accrued income not attributable to a separate account	505,915	551,213
Prepaid expenses not attributable to a separate account	11,945	42,084
Biological assets	4,568	4,500
Other	2,513,508	2,704,745
Total	**6,228,502**	**7,102,616**

The lines “Items in processing” and “Other” include transactions which were completed in early 2010.

LIABILITIES

Section 1 – Deposits from banks – Item 10

Deposits from banks: breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 31 12 2009	Total 31 12 2008
1. Deposits from central banks	**9,002,458**	**1,561,086**
2. Deposits from banks	**13,755,285**	**25,647,560**
2.1 Current accounts and demand deposits	3,292,504	6,352,989
2.2 Time deposits	3,910,433	10,793,361
2.3 Loans	6,131,372	8,143,034
2.3.1. Reverse repurchase agreements	4,465,255	4,780,947
2.3.2 Other	1,666,117	3,362,087
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	420,976	358,176
Total	**22,757,743**	**27,208,646**
Fair Value	**22,763,658**	**27,208,646**

Deposits from banks are valued at cost or amortised cost, since no item is the subject of fair value hedging.

Deposits from central banks at 31/12/2009, significantly higher than the previous year, mainly consist of:

- reverse repurchase transactions with Banca d'Italia on "self-securitisation" securities (€ 7,345 mln);
- other secured loans and advances (€ 1,184.2 mln), again with Banca d'Italia.

The total for item 2, "Deposits from banks", was down € 11,892 mln compared with 31/12/2008. This decrease, equivalent to around € 5 mln, is due to the replacement of funding received through the interbank lending system, with funding consisting of securities (see liability account 50).

Item 2.3.1, "Deposits from banks – reverse repurchase agreements" includes the financial liabilities arising from reverse repurchase transactions with banks on own securities and on securities made available through repurchase transactions.

1.2 Detail of Account 10 "Deposits from banks": subordinated liabilities

(in thousands of EUR)

Type/Item	Issue Date	Maturity Date	Currency	Interest Rate	Book Balance 31 12 2009	Book Balance 31 12 2008
ABN AMRO Bank Subordinated Loan Agreement A.	10/10/2006	10/10/2016	EUR	floating	403,789	405,169
Total					**403,789**	**405,169**

1.3 Detail of Account 10 "Deposits from banks": structured liabilities

This table has not been completed since the Group has no liabilities of this kind either for the current year or for the previous year.

1.4 Deposits from banks subject to micro-hedging

This table has not been completed since the Group has no liabilities of this kind either for the current year or for the previous year.

1.5 Amounts payable under finance leases

This table has not been completed since the Group has no liabilities of this kind either for the current year or for the previous year.

Section 2 – Deposits from customers– Item 20

2.1 Deposits from customers: breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 31 12 2009	Total 31 12 2008
1. Current accounts and demand deposits	65,700,647	64,115,071
2. Time deposits	4,588,331	3,858,393
3. Loans	18,346,674	9,989,176
3.1 Reverse repurchase agreements	13,892,500	5,661,353
3.2 Other	4,454,174	4,327,823
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	2,497,168	3,633,774
Total	**91,132,820**	**81,596,414**
Fair Value	**91,132,820**	**81,596,414**

Deposit from customers are valued at cost or at amortised cost, except for liabilities subject to micro-hedges as indicated in Table 2.4 of this section.

The "Reverse repurchase agreements" item contains the financial liabilities arising from reverse repurchase transactions with customers on own securities and on securities made available through repurchase transactions. At 31/12/2009, this item included transactions with Cassa di Compensazione e Garanzia S.p.A. totalling € 8,230.4 mln and transactions with leading international counterparties totalling € 3,173.0 mln.

Detail of Account 20 "Deposits from customers": subordinated liabilities

This table has not been completed since the Group has no liabilities of this kind either for the current year or for the previous year.

2.3 Detail of Account 20 "Deposits from customers": structured liabilities

This table has not been completed since the Group has no liabilities of this kind either for the current year or for the previous year.

2.4 Details of Account 20 "Deposit from customers": liabilities subject to micro-hedging

(in thousands of EUR)

Type of transaction / Amount	Total 31 12 2009	Total 31 12 2008
1. Liabilities subject to micro-hedging of fair value:	69,088	25,583
a) interest rate risk	69,088	25,583
b) exchange risk	-	-
c) multiple risks	-	-
2. Liabilities subject to micro-hedging of cash flows:	-	-
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-
Total	**69,088**	**25,583**

This table contains a breakdown of Table 2.1 and shows the carrying amount of two liabilities subject to a fair value hedge on the interest-rate risk. The carrying amount corresponds to the amortised cost adjusted by changes in fair value for the specific risk hedged.

2.5 Amounts payable under finance leases

This table has not been completed since the Group has no liabilities of this kind either for the current year or for the previous year.

Section 3 – Debt securities issued – Item 30

3.1 Debt securities issued: product breakdown

(in thousands of EUR)

Type of securities/Amounts	Total 31 12 2009					Total 31 12 2008			
	Book value	Fair Value				Book value	Fair Value		
		Level 1	Level 2	Level 3	Total		Level 1	Level 2 and 3	Total
A. Listed securities									
1. Bonds	33,603,175	-	34,201,556	-	34,201,556	42,110,631	54,908	41,861,226	41,916,134
1.1 structured	29,637	-	29,637	-	29,637	52,302	-	52,665	52,665
1.2 other	33,573,538	-	34,171,919	-	34,171,919	42,058,329	54,908	41,808,561	41,863,469
2. Other securities	8,955,909	-	9,039,478	-	9,039,478	5,046,925	28,017	5,102,489	5,130,506
2.1 structured	-	-	-	-	-	-	-	-	-
2.2 other	8,955,909	-	9,039,478	-	9,039,478	5,046,925	28,017	5,102,489	5,130,506
Total	**42,559,084**	-	**43,241,034**	-	**43,241,034**	**47,157,556**	**82,925**	**46,963,715**	**47,046,640**

The table shows the funding represented by securities, which includes not only bonds but outstanding certificates of deposit and expired CDs to be repaid.

All liabilities are valued at cost or at amortised cost, except for the items subject to fair value hedging indicated in Table 3.3 of this section.

Liabilities do not include bonds and repurchased CDs.

The fair value column indicates the theoretical market value of the financial instruments at the balance sheet date.

The carrying amount of "Other securities" has increased by € 3,909 mln; this latest increase is due to the CDs issued by foreign subsidiaries in partial replacement of interbank funding (see note below Table 2.1, "Deposit from customers: product breakdown").

3.1.a Debt securities issued: details of structured liabilities

(in thousands of EUR)

Item/Amount	Total 31 12 2009	Total 31 12 2008
Index Linked	29,637	37,054
Unit Linked		
Equity Linked		2,644
Step - up, Step down		
Dual Currency		
Drop Lock		
Target redemption note		
Cap Floater		
Floor Floater		
Reverse Floater		
Reverse convertible		
Convertible		
Credit linked notes		
Corridor		
Fund Linked		
Commodity		
Inflation		
Other		12,604
Total	**29,637**	**52,302**

This breakdown of Table 3.1 details all structured securities where the derivative was separated and valued independently, according to the major types of securities issued.

3.1.b Fair value of derivatives embedded in structured securities issued

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Fair value of derivatives embedded in structured securities issued	734	1,013

The table shows the fair value of derivatives embedded in structured securities which were separated from the host instrument and were classified in the trading portfolio measured at fair value. For regulatory purposes, such derivatives are considered as part of the banking book and are not included in the trading portfolio for regulatory purposes, except where they are actually held for trading.

3.2 Details of Account 30 “Debt securities issued”: subordinated securities

(in thousands of EUR)

Type Regulatory	Name	Issue Date	Maturity Date	Currency	Interest Rate	Book value 31 12 2009	Book value 31 12 2008
A) Tier I	PREFERRED SECURITIES 1st portion	21/12/00	(a)	EUR	floating	79,944	79,873
A) Tier I	PREFERRED SECURITIES 2nd portion	27/06/01	(a)	EUR	floating	213,548	220,075
A) Tier I	F.R.E.S.H.	30/12/2003	30/12/2033	EUR	floating	438,306	491,271
			Total A) Tier I			**731,798**	**791,219**
B) Tier II Upper	B ANT. POP VE CV S1%	01/07/99	01/07/09	EUR	fixed	-	44,579
B) Tier II Upper	BMPS 4875 SUB 2016	31/05/06	31/05/16	EUR	fixed	764,385	764,722
B) Tier II Upper	BMPS 5.75 SUB 2016	31/05/06	30/09/16	GBP	fixed	226,741	212,224
B) Tier II Upper	PASCHI SUB TV 08/18	15/05/08	15/05/18	EUR	floating	2,163,447	2,127,653
			Total B) Tier II Upper			**3,154,573**	**3,149,178**
C) Tier II Lower	BC ANTONVE SUB TV 18	30/04/08	30/04/18	EUR	floating	1,687	4,880
C) Tier II Lower	BCA ANTONVE 02-12 TV	01/11/02	01/11/12	EUR	floating	43,035	59,608
C) Tier II Lower	BCA M P S 2014 TV	01/06/04	01/06/14	EUR	floating	0	245,653
C) Tier II Lower	BMPS TV 05/15	30/06/05	30/06/15	EUR	floating	344,640	347,546
C) Tier II Lower	BMPS 7.44 08/16	30/06/08	30/12/16	EUR	fixed	247,748	247,519
C) Tier II Lower	BMPS 7 09/19	04/03/09	04/03/19	EUR	fixed	527,208	-
C) Tier II Lower	BMPS TV 05/17	30/11/05	30/11/17	EUR	floating	498,442	496,372
C) Tier II Lower	BMPS TV SUB 08/18	31/10/08	31/10/18	EUR	floating	109,958	96,369
C) Tier II Lower	BMPS/BAM 17 SUB TV	29/06/07	29/06/17	EUR	floating	4	10
C) Tier II Lower	BMPSBAM 17STCLSB S43	14/12/07	14/12/17	EUR	floating	50	111
C) Tier II Lower	MPS 03/15 4,50	24/09/03	24/09/15	EUR	fixed	592,754	589,154
C) Tier II Lower	MPS TV 05/18	20/12/05	15/01/18	EUR	floating	142,261	150,866
C) Tier II Lower	MPS Capital Services	30/09/2003	30/09/2013	EUR	floating	5,620	7,100
C) Tier II Lower	MPS Leasing e Factoring	30/12/2002	30/12/2009	EUR	floating	-	8,807
C) Tier II Lower	MPS Capital Services	30/09/2003	30/09/2013	EUR	floating	263	1,117
C) Tier II Lower	MPS Capital Services	22/12/2003	22/12/2013	EUR	floating	20	52
C) Tier II Lower	MPS Capital Services	30/06/2005	30/06/2015	EUR	floating	2	-
C) Tier II Lower	Banca Popolare di Spoleto	28/06/2002	28/06/2009	EUR	floating	-	7,632
C) Tier II Lower	Banca Popolare di Spoleto	30/12/2004	30/12/2009	EUR	floating	-	779
C) Tier II Lower	Banca Popolare di Spoleto	07/12/2005	07/12/2015	EUR	floating	7,798	7,796
C) Tier II Lower	Banca Popolare di Spoleto	15/04/2008	15/04/2018	EUR	floating	2,140	2,162
C) Tier II Lower	Banca Popolare di Spoleto	18/04/2008	18/04/2018	EUR	floating	2,834	2,857
			C) Tier II Lower			**2,526,464**	**2,276,390**
D) Tier III	BMPS TV AP09 SUB III	24/10/2006	24/04/2009	EUR	floating	-	496,427
			Total D) Tier III			**-**	**496,427**
			Total			**6,412,835**	**6,713,214**

This breakdown of Table 3.1 details all outstanding subordinated securities as at 31 December 2009 and their major characteristics. For regulatory prudential purposes, such liabilities can be calculated as part of Tier 2 capital (see Part F, Section 2, “Regulatory capital”).

(a) Securities are irredeemable. Only the parent company has the option of the total or partial redemption of exercisable notes from 21 December 2010 and 27 June 2011 respectively.

(b) The amount relates to funding through the issue, by the vehicle “MPS Preferred Capital II LLC”, of the innovative equity instrument Floating Rate Equity-linked Subordinated Hybrid (FRESH). The amount is reported net of the implicit derivative component, recorded on equity instruments, which has been classified under balance sheet liabilities in account 50, “Equity instruments”. The reduction compared with 31/12/2008 is due to the partial exercise of the conversion option resulting in the paid issue of a total of 23,319,082 ordinary shares for the capital increase authorised to service the Convertible Preferred Securities. For prudential purposes this loan, as an innovative capital instrument, counts as Tier 1 capital (see Section 2, “Capital” and the regulatory coefficients in Part F of these notes to the financial statements).

3.3 Details of Account 30 "Debt securities issued": securities subject to micro-hedging

(in thousands of EUR)

Type of transaction / Amount	Total 31 12 2009	Total 31 12 2008
1. Securities subject to micro-hedging of fair value:	**9,554,677**	**251,047**
a) interest rate risk	9,554,677	251,047
b) exchange risk	-	-
c) multiple risks	-	-
2. Securities subject to micro-hedging of cash flows:	**2,391,864**	**2,172,779**
a) interest rate risk	2,164,177	2,172,779
b) exchange risk	227,687	-
c) other		-
Total	**11,946,541**	**2,423,826**

The table shows outstanding securities which are subject to micro-hedging.

Securities issued by Group companies before the hedging decision was made and for which the hedge is not intended to last for the entire contractual period of the issue itself are subject to fair value hedging on the interest-rate risk.

Financial flows realised with OTC derivative contracts are also hedged. With regard to item "a) Interest-rate risk", the figure of € 2,164.2 mln relates to the hedging, via an interest rate swap, of a single variable-rate Upper Tier II 2008-2018 subordinated issue with a nominal value of € 2,160.6 mln. With regard to item "b) Exchange risk", the figure of € 227.7 mln relates to the hedging, via a cross-currency swap, of a single subordinated fixed-rate issue in sterling.

As a result of the hedging of financial flows, the fair value of derivative contracts is posted to a specific net equity reserve.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown

(in thousands of EUR)

Type of transaction/ Group item	Total 31 12 2009						Total 31 12 2008				
	NV	FV				FV*	NV	FV			FV*
		L1	L2	L3	Total			L1	L2 and L3	Total	
A. Balance-sheet liabilities											
1. Deposits from banks	1,100,543	20,870	1,079,673	-	1,100,543	1,100,543	1,710,442	1,716,287	175	1,716,462	1,711,275
2. Deposits from customers	8,977,972	1,107,034	7,871,123	-	8,978,157	8,967,342	6,289,786	6,289,133	-	6,289,133	6,289,133
3. Debt securities	22,686	22,686	-	-	22,686	22,686	514,115	470,642	45,809	516,451	516,451
3.1 Bonds	-	-	-	-	-	-	445,715	402,188	45,809	447,997	447,997
3.1.1 Structured	-	-	-	-	-	X	13,115	-	13,115	13,115	13,115
3.1.2 Other	-	-	-	-	-	X	432,600	402,188	32,694	434,882	434,882
3.2 Other securities	22,686	22,686	-	-	22,686	22,686	68,400	68,454	-	68,454	68,264
3.2.1 Structured	-	-	-	-	-	X	-	-	-	-	-
3.2.2 Other	22,686	22,686	-	-	22,686	22,686	68,400	68,454	-	68,454	68,454
Total A	**10,101,201**	**1,150,590**	**8,950,796**	**-**	**10,101,386**	**10,090,571**	**8,514,343**	**8,476,062**	**45,984**	**8,522,046**	**8,516,859**
B. Derivatives											
1. Financial derivatives	-	481,211	8,379,918	10,108	8,871,237	-	-	334,694	9,631,539	9,966,233	-
1.1 Trading	X	481,211	8,377,548	10,108	8,868,867	X	X	334,694	9,608,559	9,943,253	X
1.2 Fair value option (FVO)	X	-	1,636	-	1,636	X	X	-	21,966	21,966	X
1.3 Other	X	-	734	-	734	X	X	-	1,014	1,014	X
2. Credit derivatives	-	-	426,951	81,764	508,715	-	-	-	478,910	478,910	-
2.1 Trading	X	-	426,951	-	426,951	X	X	-	412,892	412,892	X
2.2 Fair value option (FVO)	X	-	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	81,764	81,764	X	X	-	66,018	66,018	X
Total B	**X**	**481,211**	**8,806,869**	**91,872**	**9,379,952**	**X**	**X**	**334,694**	**10,110,449**	**10,445,143**	**X**
Total (A+B)	**X**	**1,631,801**	**17,757,665**	**91,872**	**19,481,338**	**X**	**X**	**8,810,756**	**10,156,433**	**18,967,189**	**X**

Legend
FV = Fair value
FV = Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue*
NV = Nominal or Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Item 40, “Financial liabilities held for trading”, includes:

a) balance-sheet liabilities mainly issued for short-term profit;

b) financial liabilities which originate from derivatives other than those formally designated as hedges.

The criteria adopted for the classification of financial instruments in the three levels of the “fair value hierarchy” are indicated in Section A.3, “Information on fair value” of Part A, “Accounting policies” of the notes to the financial statements.

The increase in “Deposits from banks” and “Deposit from customers” relates to that of “Debt securities” and “Loans” in Table 2.1, “Held-for-trading financial assets”, and relates to the increase in repurchase transactions by the subsidiary MPS Capital Services – Banca per le Imprese S.p.A.

Derivatives associated with instruments which adopted the fair value option are classified in the trading portfolio: these cover the risks of the fund designated at fair value arising from possible interest rate fluctuations and the presence of implicit optional components in the structured securities issued. The fair value of these derivatives is shown in the table in line B1.2, “Fair value option”, if made directly with the Group’s external counterparties, but is represented by a portion of the held-for-trading derivatives (line 1.1) whenever the FVO hedge originally carried out with the subsidiary MPS Capital Services requires the risk to be outsourced.

For FVO derivatives arranged by Group companies with the subsidiary MPS Capital Services, it is worth noting that the relevant internal structures responsible for risk management perform suitable tests at consolidated level in order periodically to test the strength of the hedge established from the perspective of a natural hedge. Overall, and taking into account the contracts signed with MPS Capital Services, the total amount of FVO derivatives established within the Group is € 110.7 mln.

In the “Level 3” column, line B.2.3, “Credit derivatives – other” includes two protection agreements implicit in bonds classified in the loan portfolio, recognised at fair value and reported separately in the trading portfolio.

4.2 Detail of Item 40 “Financial liabilities held for trading”: subordinated liabilities

The Group has not issued subordinated liabilities classified in the trading portfolio.

4.3 Detail of Item 40 “Financial liabilities held for trading”: structured liabilities

The Group has not issued structured liabilities classified in the trading portfolio.

4.4 Balance-sheet financial liabilities (excluding “technical overdrafts”) held for trading: annual changes

(in thousands of EUR)

	Deposits from banks	Deposits from customers	Securities issued	Total 31 12 2009
A. Opening balance	**1,716,376**	**6,247,996**	**516,452**	**8,480,824**
B. Increases	**126,985,257**	**943,227,874**	**-**	**1,070,213,131**
B.1 Issues	-	-	-	-
B.2 Sales	126,979,426	943,205,667	-	1,070,185,093
B.3 Increases in fair value	-	-	-	-
B.4 Other increases	5,831	22,207	-	28,038
C. Decreases	**127,649,024**	**941,595,998**	**493,766**	**1,069,738,788**
C.1 Purchases	127,640,748	941,594,266	-	1,069,235,014
C.2 Redemptions	-	-	-	-
C.3 Decreases in fair value	-	-	-	-
C.4 Other decreases	8,276	1,732	493,766	503,774
D. Closing balance	**1,052,609**	**7,879,872**	**22,686**	**8,955,167**

For the “Deposits from banks” and “Deposit from customers” columns, the change in the item does not include technical overdrafts.

4.4.a Derivatives payable – Fair Value Option method

(in thousands of EUR)

Items/Amounts	31 12 2009			31 12 2008		
	Natural hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis of fair value	Natural hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis of fair value
Financial derivatives	1,636	-	-	21,966	-	-
Credit derivatives	-	-	-	-	-	-
Total	**1,636**	**-**	**-**	**21,966**	**-**	**-**

This is a breakdown of table 4.1 above and shows the carrying amount (fair value) of hedging derivatives which have adopted the fair value option, distinguishing between the various modes of use.

As of 31 December 2009, all fair value option derivatives recognised in the trading portfolio are attributable to the natural and systematic hedging of fixed-rate structured bonds issued by the Group.

By convention, such derivatives are classified in the trading portfolio. However, in terms of their representation in the profit and loss statement, they comply with rules similar to the rules applicable to hedging derivatives: positive and negative spreads settled or accrued until the balance sheet date are recorded under interest income and expense, while valuation profits and losses are posted under Item 110, "Net profit (loss) on financial assets and liabilities designated at fair value" in the profit and loss statement.

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

5.1 Financial liabilities designated at fair value: breakdown

(in thousands of EUR)

Type of transaction / Amount	Total 31 12 2009						Total 31 12 2008				
	NV	FV				FV*	NV	FV			FV*
		L1	L2	L3	Total			L1	L2 and L3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X	-	-	-	-	-
1.2 Other	-	-	-	-	-	X	-	-	-	-	-
2. Deposits from customers	-	-	-	-		-	-	-	-	-	-
1.1 Structured	-	-	-	-		X	-	-	-	-	-
1.2 Other	-	-	-	-		X	-	-	-		-
3. Debt securities	21,974,391	-	21,699,056	-	21,699,056	21,482,531	13,649,895	335,489	13,376,411	13,711,900	13,712,174
3.1 Structured	507,371	-	524,777	-	524,777	X	1,035,355	5,651	1,006,348	1,011,999	1,012,111
3.2 Other	21,467,020	-	21,174,279	-	21,174,279	X	12,614,540	329,838	12,370,063	12,699,901	12,700,063
Total	**21,974,391**	**-**	**21,699,056**	**-**	**21,699,056**	**21,482,531**	**13,649,895**	**335,489**	**13,376,411**	**13,711,900**	**13,712,174**

Legend

FV = *Fair value*

FV* = *Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue*

NV = Nominal or Notional Value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The table shows the financial liabilities represented by fixed-rate and structured bonds which have been classified at fair value and are systematically subject to hedging, through derivative contracts, of the risk of interest rate fluctuations and the risk resulting from implicit options. As stated by the IASB and in the “Supervisory guidance on the use of the fair value option”, issued by the Basel Committee on Banking Supervision, the fair value option might represent an alternative or additional instrument to hedge accounting, available to the banks for the purpose of determining their own risk hedging strategies.

As a result of the adoption of the fair value option on funding instruments, in general the Parent Bank Banca Monte dei Paschi di Siena and its subsidiaries (the commercial banks) were able to obtain a more significant accounting view consistent with the actual approach to risk hedging, by simultaneously reducing the complexity of administrative management and ensuring a more reliable measurement of the financial instruments. Funding subject to hedging with derivative instruments is thus designated at fair value, in accordance with all the relative hedging derivatives which have been classified, for the purposes of the financial statements, under specific detail accounts of the trading portfolio.

Positive and negative spreads or margins in relation to derivative contracts settled or accrued until the balance sheet date are recorded in the profit and loss statement under interest income and expense, while valuation profits and losses are posted under Item 110, “Net profit (loss) on financial assets and liabilities designated at fair value”, in compliance with the reporting used for funding instruments which adopted the fair value option. When adopting the FVO, the Group took into account the fact that this accounting approach, unlike the hedge accounting technique, measures any value differences on bonds due to any changes in its credit rating. Since almost all the bond portfolio is placed with non-institutional customers, in the absence of an active market, the fair value of the bonds is determined through valuation techniques. The fair value is determined, as already said, by taking into account the credit rating component, as well as the commercial spread.

With reference to liabilities quoted in active markets, the fair value is the market value, and changes in its credit rating can be observed directly. Any value differences resulting from changes in its credit rating are monitored closely, since they cannot be included in regulatory capital. When adopting the FVO, the Group complied with the recommendations and directives issued by the Basel Committee.

5.1.a Financial liabilities designated at fair value: Fair Value Option method

(in thousands of EUR)

Items/Amounts	31 12 2009			31 12 2008		
	Deposits from banks	Deposits from customers	Debt securities	Deposits from banks	Deposits from customers	Debt securities
Natural hedges through derivatives	-	-	21,699,056	-	-	13,711,900
Natural hedges through other financial instruments	-	-		-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally on the basis of fair value	-	-	-	-	-	-
Structured financial instruments	-	-	-	-	-	-
Total	**-**	**-**	**21,699,056**	**-**	**-**	**13,711,900**

This is a breakdown of table 5.1 above and shows the carrying amount (fair value) of liabilities where the fair value option has been adopted, distinguishing between the various modes of use. In particular, as of 31 December 2009, all liabilities designated at fair value were attributable to natural hedging, since these are bonds subject to systematic hedging with derivative contracts. The adoption of fair value for the bonds was necessary for the purpose of ensuring consistency of the valuation criteria adopted for derivative contracts and bonds, in order to avoid any possible accounting misrepresentation.

The risk of interest rate fluctuations and the risks resulting from any optional components implicit in structured securities, both of which exist in fair value funding, are systematically hedged by derivative contracts. Such contracts are classified in the trading portfolio by convention, but – in terms of their representation in the profit and loss statement – they comply with rules similar to the rules in place for hedge accounting derivatives, in view of the management function of financial hedging instruments. Positive and negative spreads or margins settled or accrued until the balance sheet date are recorded under interest income and expense, while valuation profits and losses are posted under item 110 of the profit and loss statement, “Net profit (loss) on financial assets and liabilities designated at fair value”, in compliance with the reporting used for funding instruments which adopted the fair value option.

5.2 Breakdown of Account 50: subordinated liabilities

(in thousands of EUR)

Type Regulatory	Name	Issue Date	Maturity Date	Currency	Interest Rate	Book value 31 12 2009	Book value 31 12 2008
A) Tier I	PASCHI 01/31 7,59 SUB	07/02/01	07/02/31	EUR	fixed	351,439	340,291
					Total A) Tier I	**351,439**	**340,291**
C) Tier II Lower	MPS 99/09.5	12/03/99	13/03/09	EUR	fixed	0	436,359
C) Tier II Lower	PASCHI 22/2015 INDEX	07/07/00	07/07/15	EUR	floating	37,215	37,079
C) Tier II Lower	PASCHI 00/15 IND.	20/07/00	20/07/15	EUR	floating	28,694	32,965
					C) Tier II Lower	**65,909**	**506,403**
					Total	**417,348**	**846,694**

The table shows subordinated financial liabilities designated at fair value, with their main characteristics. For the purpose of quantifying regulatory capital, subordinated liabilities are not designated at fair value, but on the basis of the amount which was actually collected (see Part F, Section 2, “Regulatory capital”). In 2009 new issues were finalised as part of the portfolio of financial liabilities designated at fair value.

5.3 Financial liabilities designated at fair value: annual changes

(in thousands of EUR)

	Deposits from banks	Deposits from customers	Securities issued	Total 31 12 2009
A. Opening balance			**13,711,900**	**13,711,900**
B. Increases			**15,541,092**	**15,554,738**
B.1 Issues			14,361,531	14,361,531
B.2 Sales			273,398	273,398
B.3 Increases in fair value			224,524	238,170
B.4 Other increases			681,639	681,639
C. Decreases			**7,553,936**	**7,567,582**
C.1 Purchases			1,469,315	1,469,315
C.2 Redemptions			4,632,872	4,632,872
C.3 Decreases in fair value			56,593	70,239
C.4 Other decreases			1,395,156	1,395,156
D. Closing balance	**-**	**-**	**21,699,056**	**21,699,056**

The table shows the changes made during the year with respect to the main types of liabilities in the portfolio designated at fair value.

In 2009 there was a significant increase in securities classified in the "fair value option"; this is due to the fact that the Group, in the current climate of low interest rates, has systematically hedged fixed-rate securities issued during the year against interest-rate risk.

Item B3, "Increases in fair value", shows the increase in liabilities, resulting in the recognition of a corresponding capital loss in the profit and loss statement (Section 7, Table 7.1 of the profit and loss statement). Item C3, "Decreases in fair value", shows a decrease in liabilities, and thus the recognition of a corresponding capital gain in the profit and loss statement (Section 7, Table 7.1 of the profit and loss statement).

Items B4 and C4 include gains and losses from repurchase, in addition to accruals on issue discounts and coupon interest and the effects of exchange rate fluctuations.

5.3.a Financial liabilities designated at fair value: structured liabilities

(in thousands of EUR)

Item/Amount	Total 31 12 2009	Total 31 12 2008
Index Linked	283,261	811,822
Unit Linked	-	-
Equity Linked	59,652	84,834
Step - up, Step down	-	-
Dual Currency	-	-
Drop Lock	-	-
Target redemption note	-	-
Cap Floater	-	15,444
Floor Floater	-	-
Reverse Floater	-	-
Reverse convertible	-	-
Convertible	-	-
Credit linked notes	-	-
Corridor	-	-
Fund Linked	-	-
Commodity	78,564	-
Commodities linked	-	81,632
Inflat	93,712	-
Other	9,588	18,267
Total	**524,777**	**1,011,999**

The table indicates the main types of structured bonds issued by the Group and measured at fair value. Since bonds are measured at fair value, the implicit derivative is not reported separately.

The reduction in volumes compared with those at 31/12/2009 is due to some issues maturing.

Section 6 – Hedging derivatives – Item 60

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

(in thousands of EUR)

	31 12 2009				NV Total 31 12 2009	31 12 2008			NV Total 31 12 2008
	Level 1	Level 2	Level 3	Total		Level 1	Level 2 and 3	Total	
A. Financial derivatives	**-**	**925,178**	**-**	**925,178**	**15,411,893**	**-**	**388,800**	**388,800**	**3,384,767**
1) Fair value	-	591,693	-	591,693	12,706,864	-	388,800	388,800	3,384,767
2) Cash flows	-	333,485	-	333,485	2,705,029	-	-	-	-
3) Foreign investments	-	-	-			-	-	-	-
B. Credit derivatives	**-**	**6,376**	**-**	**6,376**	**161,750**	**-**	**1,089**	**1,089**	**44,264**
1) Fair value	-	6,376	-	6,376	161,750	-	1,089	1,089	44,264
2) Cash flows	-	-	-	-		-	-	-	-
Total	**-**	**931,554**	**-**	**931,554**	**15,573,643**	**-**	**389,889**	**389,889**	**3,429,031**

Legend

NV = Nominal or Notional Value

L1 = Level 1

L2 = Level 2

L3 = Level 3

In general, with reference to the hedging policies adopted by the Group, the fair value option is considered best able to represent the operations and management strategies adopted by Risk Management. Specifically, the fair value option has been systematically adopted with regard to the classification of structured and fixed-rate bonds where the risk of fluctuations in interest rates is hedged by the Group using derivative instruments. All funding subject to hedging with derivative instruments is thus designated at fair value, in accordance with all related hedging derivatives which have been classified, for the purposes of the financial statements, under specific detail accounts of the trading portfolio.

Conversely, hedge accounting is used more with reference to specific transactions mostly oriented to the hedging of financial instruments posted to the assets side of the balance sheet. The table therefore shows the fair value for hedging derivatives for hedges established using hedge accounting.

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedging

31 12 2009
(in thousands of EUR)

Transaction/Type of hedge	Fair Value						Cash flow hedge		Foreign investments	Total
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	354,929	-	1,019	-	5,568	x	-	x	x	361,516
2. Loans and receivables	142,814	-	5,357	x	2,372	x	-	x	x	150,543
3. Held to maturity investments	x	-	-	x	-	x	-	x	x	-
4. Portfolio	-	-	-	-	-	16,246	-	-	x	16,246
5. Other transactions						x		x		-
Total assets	**497,743**	**-**	**6,376**	**-**	**7,940**	**16,246**	**-**	**-**	**-**	**528,305**
1. Financial liabilities	69,764	-	-	x	-	x	333,485	x	x	403,249
2. Portfolio	x	x	x	x	x		x		x	-
Total liabilities	**69,764**	**-**	**-**	**-**	**-**	**-**	**333,485**	**-**		**403,249**
1. Expected transactions	x	x	x	x	x	x		x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x		x			-
Total	**567,507**	**-**	**6,376**	**-**	**7,940**	**16,246**	**333,485**	**-**	**-**	**931,554**

The table shows the negative fair values of hedging derivatives, classified by hedged assets or liabilities and the type of hedging implemented. In particular, fair value hedge has been used as protection from the risk of interest rate fluctuations of a portion of the fixed-rate bond portfolio carried on the assets side of the balance sheet, held for purposes other than trading, and allocated to the available-for-sale portfolio (asset swap). It has also been adopted for micro-hedging of fixed-rate mortgage loans with the aim of protecting them from any possible adverse changes in interest rates and for the financial plans of the subsidiary Banca Personale. Macro-hedging was adopted for the same purposes but for a broader loan portfolio.

Although less significant, fair value hedges on exchange rate and interest rate risk are also shown (presented as hedges for several risks) for securities classified in the loan portfolio and fair value hedges on the credit risk for securities classified in the available-for-sale portfolio and in the loan portfolio.

As to financial liabilities, cash flow hedge was implemented in the case of some specific floating-rate bond issues for the purpose of stabilising their flows through interest rate swaps.

31 12 2008
(in thousands of EUR)

Transaction/Type of hedge	Fair Value						Cash flow hedge		Foreign investments	Total
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	59,927	-	448	-	-	-	-	x	x	60,375
2. Loans and receivables	93,321	-	641	x	3,093	-	-	x	x	97,055
3. Held to maturity investments	x	-	-	x	-	-	-	x	x	-
4. Portfolio	-	-	-	-	-	11,449	-	-	x	11,449
5. Other transactions						x			x	-
Total assets	**153,248**	**-**	**1,089**	**-**	**3,093**	**11,449**	**-**	**-**	**-**	**168,879**
1. Financial liabilities	5,779	-	-	x	-	x	215,231	x	x	221,010
2. Portfolio	-	-	-	-	-	-	-	-	x	-
Total liabilities	**5,779**	**-**	**-**	**-**	**-**	**-**	**215,231**	**-**	**-**	**221,010**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**159,027**	**-**	**-**	**-**	**3,093**	**-**	**215,231**	**-**	**-**	**389,889**

Section 7 – Changes in value of macro-hedged financial liabilities – Item 70

This item has not been completed since no macro-hedges have been established on financial liabilities.

Section 8 – Tax liabilities – Item 80

See Section 14 of Assets.

Section 9 – Liabilities associated with individual assets classified as held for sale – Item 90

See Section 15 of Assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
Due to the Revenue and other tax levying authorities	299,735	400,451
Due to social security authorities	266,290	108,477
Amounts available to customers	281,787	139,545
Liabilities related to share-based payments	18,407	34,417
Other amounts due to employees	57,441	110,613
Items in transit between branches	143,726	484,293
Items undergoing processing	1,637,908	1,440,528
Assets related to non-banking management accounts	-	-
Payables in relation to the payment of supplies of goods and services	454,936	466,080
Guarantees issued	-	31,558
Credit derivatives	-	2,000
Irrevocable commitments to disburse funds	-	-
Accrued expenses not attributable to a separate account	427,869	497,773
Unearned revenues not attributable to a separate account	76,737	88,986
Other	3,117,401	2,520,149
Total	**6,782,237**	**6,324,870**

The sub-accounts “Items in processing” and “Other” include transactions which were completed in early 2010.

Section 11 – Provision for employee severance pay – Item 110

11.1 Provision for staff severance pay: annual changes

	Total 31 12 2009	Total 31 12 2008
A. Opening balance	**539,823**	**367,909**
B. Increases	**153,526**	**299,388**
Business combinations	-	226,911
B.1 Provision for the year	15,900	27,045
B.2 Other increases	137,626	45,432
C. Decreases	**388,852**	**125,606**
C.1 Severance payments	249,679	70,932
C.2 Other decreases	139,173	54,674
IFRS5 "Discontinuing operations"	-	(1,868)
D. Closing balance	**304,497**	**539,823**

While staff severance pay is considered as a defined benefit fund for the purpose of international accounting standards, any changes in relation to actuarial valuations are detailed under Section 12.3 of the liabilities side, in addition to the changes in relation to the Group's defined benefit pension funds.

The provision for the year, as clarified by the Bank of Italy, does not include amounts which, as a result of the reform introduced by Legislative Decree No 252 of 5 December 2005, are paid directly by the Group, depending on the various employee options, to complementary pension schemes or to the treasury fund managed directly by the INPS. These items are recognised as staff costs under "Payments to complementary pension funds: defined contribution".

More specifically, line C.1, "Settlements" includes the total severance pay settled during the year for retirement and sundry advances (e.g. for share purchases or personal reasons), and for the sale of 15 branches to Banca Popolare di Puglia e Basilicata.

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

(in thousands of EUR)

Item/Amount	Total 31 12 2009	Total 31 12 2008
1. Pensions and other post retirement benefit obligations	458,133	429,820
2. Other provisions for risks and charges	911,081	922,202
2.1 legal disputes	328,410	260,001
2.2 personnel expenses	27,265	39,255
2.3 other	555,406	622,946
Total	**1,369,214**	**1,352,022**

In the context of provisions for risks and charges, item 2.2.1 indicates that € 328.4 mln has been set aside for the risks of legal disputes ongoing at the end of the 2009 financial year.

12.2 Provisions for risks and charges: annual changes

(in thousands of EUR)

Item/Amount	Total 31 12 2009		Total 31 12 2008	
	Pensions and other post retirement benefit obligations	Other provisions	Pensions and other post retirement benefit obligations	Other provisions
A. Opening balance	**429,820**	**922,202**	**427,748**	**625,525**
Business combinations			30,786	337,144
B. Increases	**66,817**	**136,967**	**47,365**	**268,454**
B.1 Provision for the year	19,234	118,825	24,345	202,305
B.2 Changes due to the time value of money	8,000	17,249	8,460	20,713
B.3 Changes due to discount rate changes	-	337	2,756	1,183
B.4 Other increases	39,583	556	11,804	44,253
C. Decreases	**38,504**	**148,088**	**76,079**	**307,994**
C.1 Use during the year	37,717	110,626	37,057	158,994
C.2 Changes due to discount rate changes	787	-	-	-
C.3 Other decreases	-	37,462	39,022	149,000
IFRS5 "Discontinuing operations"			-	(927)
D. Closing balance	**458,133**	**911,081**	**429,820**	**922,202**

Under increases, in Item B2, "Changes due to the time value of money", the "Other provisions" column shows the amount of "time value" accrued during the year due to the expected imminent maturity of the estimated liability as € 17.2 mln.

Under decreases, in Item C.1, "Use during the year", the "Other provisions" column shows the direct use of provisions for risks and charges for agreements and settlements made during the period as € 110.6 mln. These include the final settlement of disputes between the former Banca Antonveneta and the Parmalat Group for around € 23.0 mln, coverage of expired insurance policies taken out by customers with underlying Lehman securities for € 16.4 mln, and the payment of charges of € 13.6 mln connected with the rescission of IT service agreements taken out by the former Banca Antonveneta S.p.A.

Item C.3, "Other decreases", in the "Other provisions" column, includes write-backs due to surplus provisions in relation to the charges effectively incurred.

Again with reference to the "Other provisions" column, the net provision for the year recorded in Item 160 of the profit and loss statement corresponds to the combined totals for B1, B2 and C3, shown in the table. Item C1 does not affect the provision for the year since this represents direct use of the fund for amounts effectively paid.

12.3 Defined benefit pension and other post retirement plans

12.3.1 Illustration of the funds

The information required by IAS 19 for defined benefit plans can be found below, where the Group substantially assumes the actuarial and investment risks, including those relating to staff severance pay provisions.

For complementary defined benefit pension funds, the actuarial values required by IAS 19, "Employee Benefits", are determined by an independent actuary using the Projected Unit Credit Method. This is described in more detail in "Part A – Accounting Policies" of the notes to the financial statements.

The defined benefit funds in which the Group has a joint and several obligation are either internal funds or external complementary pension funds.

<u>*Internal funds:*</u>

- Complementary pension provision for staff in the former tax collection division of Banca Monte dei Paschi di Siena S.p.A. This is a complementary pension fund designed to provide staff in retirement with complementary pension provision in the form of a defined benefit (annuity). Banca Monte dei Paschi S.p.A. contributes to the fund for staff who are members of the defined benefit plan.

- National insurance (INPS) for ex-Banca Operaia di Bologna staff. The fund is intended to supplement and replace benefits paid out under compulsory pension schemes for ex-employees – active and retired – of Banca Operaia di Bologna. The fund regulations allow INPS benefits to be supplemented based on a percentage of the final salary, calculated using specific rates for each grade. A comparison between the mathematical reserve calculated by the independent actuary and the fund value has shown that the fund has a surplus compared with the amount necessary to cover future obligations to members, for the period until the number of beneficiaries has been exhausted.

- Pension provision for ex-Banca di Credito Popolare e Cooperativo di Reggio Emilia staff. The sole aim of the fund is to supplement compulsory schemes in order to guarantee higher levels of insurance cover for former employees of Banca di Credito Popolare and Cooperativo di Reggio Emilia, as the direct beneficiaries of a life annuity or as the surviving spouse of a former employee. The fund value has been adjusted based on the mathematical reserve calculated by the independent actuary, necessary to cover the present value of future obligations towards members of the fund, for the period until the number of beneficiaries has been exhausted.

- Pension provision for ex-Banca Popolare Veneta staff. The fund is intended to supplement INPS pensions for employees already in retirement as of 7 December 1989 and their beneficiaries, in accordance with the legislation and agreements of 4 February 1956 and 1 January 1982 (for management personnel). The fund, to which only the parent company contributes, provides comprehensive cover for retired personnel indexed to the "current" salary of an employee of the same grade.

- Pension provision for ex-Banca Nazionale Agricoltura staff. This is an accumulation fund designed to supplement the INPS pension for employees already in retirement as at 1 October 2000, the date on which BNA merged with Antonveneta, or who will retire after that time, not having exercised their right, under the agreements of 12 September 2000, to transfer their contributions to the Banca Antonveneta company pension scheme.

- Complementary pension provision for ex-Banca Toscana staff. This is a complementary defined benefit pension fund reserved for personnel who as of 01/01/1999 had already retired and for active employees hired before 27/04/1993 who have expressed an interest in remaining with this plan. The company's contribution is determined based on the mathematical reserve calculated by an independent actuary at the end of each financial year.

- Complementary pension provision for retired employees of MPS Capital Services Banca per le Imprese S.p.A. This fund was set up to supplement the state pension through periodic payments based on contributions made by the company to align the capital with the mathematical reserves estimated annually by an independent actuary.

- Complementary pension provision for staff of Cassa di Risparmio di Biella Vercelli S.p.A. The pension fund was set up for commitments made towards retired employees who are entitled to periodic benefits as part of a complementary pension scheme as the direct beneficiaries of a life annuity or as the surviving spouse of a former employee. The fund is fully funded by the parent company and is invested together with the company's assets.

<u>*External funds*</u>

- "Cassa di Previdenza Aziendale per il Personale del Monte dei Paschi di Siena", a legal entity with separate assets and asset management. The fund, reserved for current and retired employees of the Parent Bank hired prior to 31/12/1990, is divided into two separate and independent plans, the first a defined contribution plan and the second a defined benefit plan. Information about the defined benefit plan can be found in the tables below.

- Pension fund for ex-Banca Agricola Mantovana S.p.A. staff – Complementary defined benefit pension fund. The sole purpose of the fund is to provide beneficiaries with additional benefits to compulsory general insurance, in order to provide the highest levels of insurance cover. The fund value is consistent with the mathematical reserve calculated by the independent actuary, necessary to cover the present value of future obligations towards pensioners who have remained with the defined benefit scheme.

The internal fund statements can be found in the appendices to the financial statements, as required by the Bank of Italy.

12.3.2 Changes in the use of pension funds and staff severance pay provisions during the year

(in thousands of EUR)

Items/Amounts	Total 31 12 2009			Total 31 12 2008		
	Defined-benefit company pension funds		Provision for staff severance pay	Defined-benefit company pension funds		Provision for staff severance pay
	Internal pension plans	External pension plans		Internal pension plans	External pension plans	
Opening balance	**226,533**	**444,478**	**553,930**	**200,012**	**481,407**	**349,479**
Increases	**12,509**	**35,559**	**47,567**	**55,898**	**24,664**	**329,173**
Business combinations				30,786	-	226,911
Current service cost	231	2,568	2,147	320	2,271	6,119
Financial charges	8,000	19,550	13,743	5,900	21,186	18,155
Participants' contributions to plan				4	-	40
Actuarial losses	3,985	13,441	19,149	7,442	103	34,790
Negative exchange differences				-	-	-
Past service cost	256			565	-	157
Other increases	37	0	12,528	10,881	1,104	43,001
Decreases	**31,182**	**35,426**	**254,313**	**29,378**	**61,593**	**126,594**
Benefits paid	20,549	35,426	226,983	20,758	36,278	70,836
Past service cost				-	-	-
Actuarial gains	1,653			-	24,211	2,583
Positive exchange differences				-	-	-
Effect of any plan curtailments				-	-	-
Effect of any plan settlements				-	-	-
Other decreases	8,980	0	27,330	8,620	1,104	53,175
Closing balance	**207,860**	**444,611**	**347,184**	**226,532**	**444,478**	**552,058**

The table shows the movements for the year with reference to internal funds, external funds and staff severance pay provisions which, according to international accounting standards, come under the heading of defined contribution funds. The closing balance represents the theoretical gross liabilities in relation to the fund, taking account of actuarial profits and losses which have not been posted due to the application of the "corridor" method.

12.3.2a Defined-benefit obligations: breakdown

(in thousands of EUR)

Items/Amounts	31 12 2009		
	Internal pension plans	External pension plans	Provision for staff severance pay
a) Unfunded plans	67,563		347,184
b) Funded plans	140,297	444,611	
Total	**207,860**	**444,611**	**347,184**

(in thousands of EUR)

Items/Amounts	31 12 2008		
	Internal pension plans	External pension plans	Provision for staff severance pay
a) Unfunded plans	100,392		552,058
b) Funded plans	126,140	444,478	
Total	**226,532**	**444,478**	**552,058**

The table highlights the distinction made by defined benefit plans between funded and unfunded plans.

Plans are funded when separate assets exist to cover liabilities.

12.3.3 Changes to plan assets during the year and other information

(in thousands of EUR)

Items/Amounts	31 12 2009		31 12 2008
	Defined-benefit company pension funds		
	Internal pension plans	External pension plans	
Opening balance	**-**	**452,183**	**503,462**
Increases	**155,973**	**54,057**	**47,780**
Expected return of plan-servicing assets	6,690	19,846	22,104
Actuarial gains	1,498	-	24,314
Positive exchange differences	-	-	-
Group contributions to plan	143	268	231
Participants' contributions to plan	-	-	-
Other decreases	147,642	33,943	1,131
Decreases	**13,406**	**48,867**	**99,060**
Actuarial losses	-	13,441	-
Negative exchange differences	-	-	-
Benefits paid	13,406	35,426	36,278
Effect of any plan settlements	-	-	-
Other decreases	-	-	62,782

The table illustrates the total assets servicing funded defined benefit plans and movements during the year. These mainly consist of assets relating to the pension fund for ex-Banca Agricola Mantovana S.p.A. staff, the pension fund for ex-Banca Toscana S.p.A. staff and the company pension scheme for employees of Monte dei Paschi di Siena (defined benefit plan), which on the whole are surplus in relation to obligations at year-end.

12.3.3.a Fair value of plan assets: breakdown

(in thousands of EUR)

Items/Amounts	31 12 2009				31 12 2008	
	Internal pension plans		External pension plans			
	Own financial instruments/ Assets used by the Group	Overall	Own financial instruments/ Assets used by the Group	Overall	Own financial instruments/ Assets used by the Group	Overall
Equity instruments	x		x	4,887	x	6,179
of which: own instruments	-		4,703		*5,863*	
Debt instruments	x	39,564	x	237,878	x	248,726
of which: own instruments	-	x	13,454	x	*16,053*	x
Property	x	-	x	77,906	x	81,651
of which: immovables used by the Group		x		x		x
Insurance management accounts	x		x		x	
of which: own instruments		x		x		x
Other assets	x	103,003	x	136,702	x	115,626
of which: other assets used by the Group	103,003	x	22,536		*29,245*	x
Total	x	**142,567**	**x**	**457,373**	x	**452,182**
of which: own instruments/assets used by the Group	103,003		40,693		51,161	x

This provides a detailed illustration of plan assets at year-end, and thus of the assets of the funds indicated in Table 12.3.3, by the main asset classes (financial and non-financial). Other assets mainly consist of investments in mutual funds and UCITS.

12.3.4 Reconciliation of present value of staff pension and severance pay provisions to present value of plan-servicing assets and to assets and liabilities recognised in the balance sheet

(in thousands of EUR)

Items/Amounts	Total 31 12 2009		
	Defined-benefit pension and other post retirement plans		Provision for staff severance pay
	Internal pension plans	External pension plans	
Present value of defined-benefit obligations (+)	207,860	444,611	347,184
Fair value of plan assets (-)	(142,567)	457,373	0
Fund status	**65,293**	**(12,762)**	**347,184**
Unrecognised cumulative actuarial gains/losses (+/-)	8,979	0	(42,687)
Unrecognised past service cost (-)	0	0	0
Effect of asset ceiling	0	12,762	0
Fair value of assets refundable by third parties (-)	142,567	0	0
Assets recognised in the Balance Sheet	**142,567**		
Liabilities recognised in the Balance Sheet	216,839	0	304,497

This table enables a reconciliation between the present value of the funds, as per the independent actuary's estimate, and the present value of liabilities recognised in the financial statements. As a result of the application of the "corridor" method, actuarial gains and losses are posted to the balance sheet only when they exceed the higher of 10% of the present value of the defined benefit obligation and 10% of the fair value of any assets servicing the plan.

With reference to internal and external pension funds, actuarial gains and losses are recognised immediately, as these funds are almost exclusively intended for retired staff, with a small number of active employees.

For internal plans in particular, the line "Fair value of plan assets" shows assets relating to the pension fund for ex-Banca Agricola Mantovana S.p.A. and ex-Banca Toscana S.p.A. staff.

(in thousands of EUR)

Items/Amounts	Total 31 12 2008		
	Defined-benefit pension and other post retirement plans		Provision for staff severance pay
	Internal pension plans	External pension plans	
Present value of defined-benefit obligations (+)	226,532	444,479	552,058
Fair value of plan assets (-)	x	452,183	x
Fund status	**226,532**	**(7,704)**	**552,058**
Unrecognised cumulative actuarial gains/losses (+/-)	-	-	(12,235)
Unrecognised past service cost (-)	-	-	-
Effect of asset ceiling	x	7,704	x
Fair value of assets refundable by third parties (-)	-	-	x
Assets recognised in the Balance Sheet	-	-	x
Liabilities recognised in the Balance Sheet	**226,532**	**-**	**539,823**

12.3.5 Main actuarial assumptions used

Main actuarial assumptions / Discount rates	Total 31 12 2009			Total 31 12 2008		
	Defined benefit pension and other post retirement plans		Provision for staff severance pay	Defined benefit pension and other post retirement plans		Provision for staff severance pay
	Internal pension plans	External pension plans		Internal pension plans	External pension plans	
Discount rates	4.40%	4.40%	16.48%	4.40%-4.60%	4.40%	3.92% - 4.72%
Expected return on plan-servicing assets	4.40%	4.40%	x	x	4.40%	x
Expected remuneration increase rate	1.00%	2.50%	8.25%	1.80%-2.25%	2.65%-4.72%	1.8% - 2.78%

12.3.6 Comparative data

(in thousands of EUR)

Items/Amounts	31 12 2009			31 12 2008		
	Defined-benefit company pension funds		Provision for staff severance pay	Defined-benefit company pension funds		Provision for staff severance pay
	Internal pension plans	External pension plans		Internal pension plans	External pension plans	
Present value of funds (+)	207,860	444,611	374,184	226,532	444,479	552,058
Fair value of plan assets (-)	142,567	457,373		x	452,183	X
Fund status (±)	65,293	(12,762)	374,184	226,532	(7,704)	552,058
Experience-based adjustments to plan liabilities						
Experience-based adjustments to plan assets		13,441		x	24,314	x

12.4 Other provisions for risks and charges

No other funds are present.

Section 13 – Insurance reserves – Item 130

The tables in this section have not been completed as no data is present for the current year or for the previous year.

Section 14 – Reimbursable shares – Item 150

The tables in this section have not been completed as no data is present for the current year or for the previous year.

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

15.1 "Share capital" and "Treasury shares": composition

15.1.a "Share capital": breakdown

(in thousands of EUR)

Items/Amounts	31 12 2009				31 12 2008			
	Par value per share	Par value of fully paid shares	Par value of not fully paid shares		Par value per share	Par value of fully paid shares	Par value of not fully paid shares	
			Paid	Not Paid			Paid	Not Paid
Ordinary shares	0.67	3,731,412			0.67	3,715,788		
Preferred shares	0.67	758,359			0.67	758,359		
Savings shares	0.67	12,639			0.67	12,639		
Total share capital		**4,502,410**				**4,486,786**		

The Parent Bank's fully paid-up share capital amounts to € 4,502,410,157 and consists of three categories of shares: ordinary, preferred and savings.

Ordinary and preferred shares are registered and indivisible. All of them are voting shares. Preferred shares do not allow holders to vote at ordinary meetings. Savings shares are indivisible and may be registered or bearer shares, according to the shareholder's preference. Savings shares have no voting rights, and are preferred shares in relation to profit distribution and capital repayment.
Information on the number of fully paid-up shares can be found under Table 14.2, "Share capital – number of shares: annual changes".
In September 2009 the Group issued 23,319,082 ordinary shares with an increase in nominal value of € 15.6 mln in relation to the capital increase already approved, servicing the partial conversion of the Convertible Preferred Securities. The directors have issued shares in favour of the holders of Convertible Preferred Securities who requested the conversion in September 2009. The regulations stipulate that the conversion request can be submitted by the bond holders in September of each year (from 2004 to 2010), and thereafter at any time, or within one month following the automatic conversion or conversion in the event of repayment of the Convertible Preferred Securities.
In September 2009, the amount converted represented 8.76% of the original nominal value of the loan.

15.1.b Treasury shares: breakdown

(in thousands of EUR)

Items/Amounts	31 12 2009		31 12 2008	
	Par Value	Book Balance	Par Value	Book Balance
Ordinary shares	16,097	(32,079)	16,155	(36,963)
Preferred shares	-	-	-	-
Savings shares	-	-	-	-
Total share capital	**16,097**	**(32,079)**	**16,155**	**(36,963)**

Under international accounting standards, any repurchase of treasury shares is treated as a capital repayment. For this reason, the valuable consideration paid on the share repurchase is ideally deducted directly from net equity.

15.2 Share capital – number of parent company shares: annual changes

Item/Type		31 12 2009		31 12 2008	
		Ordinary	Other	Ordinary	Other
A.	**Shares outstanding as at the beginning of the year**				
	- fully paid	5,545,952,280	1,150,743,798	2,457,264,636	575,371,899
	- not fully paid	-	-	-	-
A.1	Treasury shares (-)	24,476,588	-	20,004,265	-
A.2	**Shares outstanding: opening balance**	**5,521,475,692**	**1,150,743,798**	**2,437,260,371**	**575,371,899**
B.	**Increases**	**101,886,919**	-	**3,141,341,569**	**575,371,899**
B.1	New issues	23,319,082	-	3,088,687,644	-
	- against payment:	23,319,082	-	3,088,687,644	575,371,899
	- business combinations	-	-	-	-
	- bonds converted	-	-	52,965,994	-
	- warrants exercised	-	-	-	-
	- other	23,319,082	-	3,035,721,650	575,371,899
	- without payment:	-	-	-	-
	- to employees	-	-	-	-
	- to directors	-	-	-	-
	- other	-	-	-	-
B.2	Sale of treasury shares	78,567,837	-	52,653,925	-
B.3	Other increases	-	-	-	-
C.	**Decreases**	**78,222,513**	**-**	**57,126,248**	**-**
C.1	Cancellation	-	-	-	-
C.2	Purchase of treasury shares	78,222,513	-	57,126,248	-
C.3	Business transferred	-	-	-	-
C.4	Other decreases	-	-	-	-
D.	**Shares outstanding: closing balance**	**5,545,140,098**	**1,150,743,798**	**5,521,475,692**	**1,150,743,798**
D.1	Treasury shares (+)	24,131,264		24,476,588	
D.2	Shares outstanding as at the end of the year	5,569,271,362	1,150,743,798	5,545,952,280	1,150,743,798
	- fully paid	5,569,271,362	1,150,743,798	5,545,952,280	1,150,743,798
	- not fully paid				

The Parent Bank's share capital consists of 5,569,271,362 ordinary shares with a par value of € 0.67 each, 1,131,879,458 preferred shares with a par value of € 0.67 each and 18,864,340 savings shares with a par value of € 0.67 each.

In 2009 the Group issued a further 23,319,082 ordinary shares in relation to the capital increase already approved, servicing the partial conversion of the Convertible Preferred Securities.

The Ordinary General Meeting of 29 April 2009 renewed, pursuant to Article 2357 of the Italian Civil Code, the authorisation to purchase treasury shares subject to a maximum amount of € 70 mln.

15.3 Share capital: other information

Of the 295,236,070 ordinary shares representing a total nominal value of € 197,808,166.90, there is a restriction on the distribution of dividends since the Parent Bank has acquired the usufruct on these shares.

15.3a Equity instruments: breakdown and annual changes

(in thousands of EUR)

	Total 31 12 2009		Total 31 12 2008	
	Equity component of convertible bonds	Other equity instruments	Equity component of convertible bonds	Other equity instruments
A. Opening balance	**46,871**	-	**70,412**	-
B. Increases	**8,928**	**1,900,000**	**-**	**-**
B.1 New issues		1,900,000	-	-
B.2 Sales	-	-	-	-
B.3 Other increases	8,928	-	-	-
C. Decreases	**6,434**	**-**	**23,541**	**-**
C.1 Redemptions	-	-	-	-
C.2 Repurchases	-	-	-	-
C.3 Other decreases	6,434	-	23,541	-
D. Closing balance	**49,365**	**1,900,000**	**46,871**	**-**

The Item "Equity instruments" includes the equity component of bonds issued by the parent company and convertible into treasury shares.

The total for "Equity instruments" has increased by € 1,902.4 mln. Of this, € 1,900 mln is due to the issue of the "Tremonti bonds", equity instruments aimed at increasing the amount of regulatory capital of the Parent Bank and supporting the economy, particularly SMEs.

The Item "Equity instruments" also includes, in the "Equity component of convertible bonds" column, the equity component of bonds issued and convertible into treasury shares. This mainly concerns the value determined on issue of the Convertible Preferred Securities in relation to the implicit option which, according to IAS 32, must be separate from the bond instrument since it is deemed to represent the equity component. The decrease of € 6.4 mln is due to the transfer to the extraordinary reserve of the implicit option which was exercised by holders of bonds effectively converted in 2009, while the increase of € 8.9 mln relates to the adjustment of the tax effect, reflecting the latest interpretations on the subject.

15.4 Share capital: other information

See Section F, "Information on consolidated equity" of these notes to the financial statements.

15.5. Other information

See Section F, "Information on consolidated equity" of these notes to the financial statements.

Section 16 – Minority interests – Item 210

16.1 Minority interests: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
1) Share capital	51,364	51,358
2) Share premium reserve	343	155
3) Reserves	86,747	83,534
4) (Treasury shares)	-	-
5) Valuation reserves	138,308	135,613
6) Equity instruments	-	-
7) Profit (loss) for the year - Minority interests	4,500	8,357
Total	**281,262**	**279,017**

Minority interests are unchanged from 2008.

Other information

1 Guarantees given and commitments

(in thousands of EUR)

Transactions	Amount 31 12 2009	Amount 31 12 2008
1) Financial guarantees given to	4,495,166	4,664,213
a) Banks	651,347	205,577
b) Customers	3,843,819	4,458,636
2) Commercial guarantees given to	5,815,860	6,345,252
a) Banks	308,883	406,822
b) Customers	5,506,977	5,938,430
3) Irrevocable commitments to disburse funds	10,488,756	10,779,270
a) Banks	1,075,962	1,232,801
i) usage certain	966,055	1,043,514
ii) usage uncertain	109,907	189,287
b) Customers	9,412,794	9,546,469
i) usage certain	3,054,528	2,624,938
ii) usage uncertain	6,358,266	6,921,531
4) Underlying commitments on credit derivatives: sales of protection	13,183,674	5,913,251
5) Assets pledged as collateral for third-party commitments	25,246	29,056
6) Other commitments	525,453	538,040
Total	**34,534,155**	**28,269,082**

2 Assets used to guarantee own liabilities and commitments

(in thousands of EUR)

Portfolios	31 12 2009	31 12 2008
1. Financial assets held for trading	4,982,105	4,374,177
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	5,610,589	2,168,214
4. Held to maturity investments	-	-
5. Loans and advances to banks	6,033,148	6,198,454
6. Loans and advances to customers	2,032,748	1,773,726
7. Property and equipment	-	-

The table shows, under other guarantees, the amount of securities offered as a guarantee for reverse repurchase agreements, advances to the Bank of Italy and a deposit for the issue of banker's drafts and loans guaranteeing refinancing operations with the Bank of Italy (Securitised Bank Assets), as referred to in Item 6 "Loans and advances to customers".

3 Operating lease information

3.1 Future minimum lease payments due under operating leases

(in thousands of EUR)

Items/Amounts	31 12 2009	31 12 2008
Up to 1 year	672	781
From 1 to 5 years	527	832
Over 5 years	-	-
Future minimum lease payments due	**1,199**	**1,613**

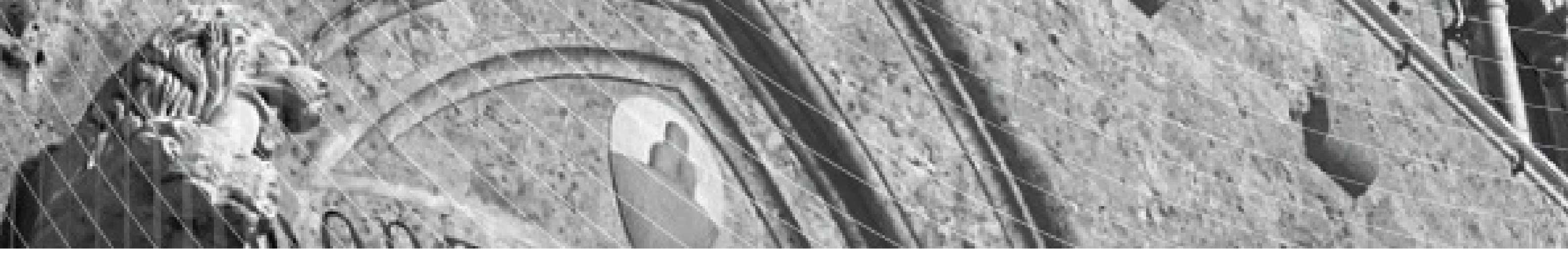
4 Breakdown of investments in unit-linked and index-linked policies

There is no data in the current financial statements or in those for the previous period.

5 Asset management and trading on behalf of third parties

(in thousands of EUR)

Type of services	Amounts 31 12 2009	Amounts 31 12 2008
1. Trading of financial instruments on behalf of third parties	**29,003,435**	**21,811,040**
a) Purchases	14,564,806	10,904,876
1. Settled	14,465,884	10,898,390
2. Unsettled	98,922	6,486
b) Sales	14,438,629	10,906,164
1. Settled	14,339,707	10,899,678
2. Unsettled	98,922	6,486
2. Asset management accounts	**7,328,450**	**6,695,183**
a) individual	6,197,666	5,697,873
b) collective	1,130,784	997,310
3. Custody and administration of securities	**273,745,656**	**391,857,127**
a) third party securities on deposit associated with custodian bank transactions (excluding asset management)	451,217	1,798,207
1. Securities issued by companies included in consolidation	0	10,560
2. Other securities	451,217	1,787,647
b) Other third party securities on deposit (excluding asset management)	127,786,601	177,074,665
1. Securities issued by companies included in consolidation	41,003,142	36,476,045
2. Other securities	86,783,459	140,598,620
c) third party securities deposited with third parties	100,089,961	170,336,795
d) own securities deposited with third parties	45,417,877	42,647,460
4. Other transactions	**2,280,999**	**1,830,037**
4.1 Credit collection on behalf of third parties: debit and credit adjustments	(198,470)	(373,107)
a) Debit adjustments	15,497,630	18,152,287
1. current accounts	66,531	58,787
2. banking book	13,333,615	15,350,211
3. cash	25	137
4. other accounts	2,097,459	2,743,152
b) Credit adjustments	15,696,100	18,525,394
1. current accounts	238,846	257,031
2. transfer of bills and notes	15,457,254	18,268,363
3. other accounts	-	-
4.2 Other transactions	2,479,469	2,203,144
a) Third party portfolios for collection	2,062,751	1,849,922
b) Tax collection service	-	-
Uncollected tax bills payable with advance tax obligation	-	-
Installments payable and already advanced to tax levying authorities	-	-
Uncollected tax bills payable without advance tax obligation	-	-
c) Other	416,718	353,222



Part C – Information on the consolidated profit and loss statement

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

Interest income and similar revenues: breakdown

(in thousands of EUR)

Item/Type	Debt securities	Loans	ther transactior	Total 31 12 2009	Total 31 12 2008
1. Financial assets held for trading	174,177	67,182	281,024	522,383	988,628
2. Financial assets designated at fair value	-	-	-	-	-
3. Financial assets available for sale	253,980	-	-	253,980	83,257
4. Held to maturity investments	-	-	-	-	1
5. Loans and advances to banks	62,728	143,946	268	206,942	1,029,748
6. Loans and advances to customers	162,477	5,907,561	23,984	6,094,022	8,183,606
7. Hedging derivatives	x	x	-	-	14,282
8. Other assets	x	x	20,204	20,204	16,503
Total	**653,362**	**6,118,689**	**325,480**	**7,097,531**	**10,316,025**

Compared to the financial statements at 31/12/2008, the update to the Bank of Italy Circular 262 of 18 November 2009 makes two important changes to the reporting of data contained in this table; these changes are described below.

The first change relates to interest on impaired financial assets, which are no longer reported in a dedicated column of the table but are recognised based on their original technical form.

The second consists of the removal of the line relating to interest on financial assets sold but not derecognised, which are now included in the line relating to the portfolios in which these assets continue to be recognised. In accordance with the requirements of IAS 39 on derecognition, these assets, despite being legally sold, cannot be derecognised since the Group has substantially retained the risks and rewards of ownership. As a result of this change:

- in the "Debt securities" column, interest is recorded on own securities used in reverse repurchase transactions;
- line 6, "Loans and advances to customers", in the "Loans" column, includes interest generated by the residential mortgages assigned via the securitisation transactions in which the Parent Bank fully subscribed the notes issued by the vehicle (transactions aimed at increasing the Group's "counterbalancing capacity").

The comparison data for 31/12/2008 has therefore been restated in line with the aforementioned changes.

Line 1, "Financial assets held for trading", in the "Other transactions" column, includes the positive net total of spreads relating to derivatives connected with financial liabilities designated at fair value (fair value option), equivalent to € 281.0 mln.

Lines 5 and 6, "Loans and advances to banks" and "Loans and advances to customers", in the "Debt securities" column, include interest receivable on own securities not listed on active markets and classified in these portfolios. Some of the securities which at 31/12/2009 are classified in the "Loans and advances to banks" and "Loans and advances to customers" portfolios were reclassified in 2008 from the trading and available-for-sale portfolios.

In line 7, "Hedging derivatives", in the "Other transactions" column, the amount indicated is zero because the difference between positive and negative spreads concerning derivatives classified as hedging derivatives according to hedge accounting rules is negative. Therefore, this difference has been recorded in Table 1.4, "Interest expense and similar charges: breakdown", and details are given in Table 1.5, "Interest expense and similar charges": spreads on hedging transactions" on page 271 of this section.

Line 8, "Other assets", in the "Other transactions" column, shows interest accrued on tax credits and other residual assets.

Interest other than that recognised in "write-backs" and accrued during the year on positions that are classified as "impaired" totalled € 501.4 mln. This interest is calculated for financial assets measured at amortised cost according to the effective interest rate method and is entered in different columns based on their original technical form. Interest on arrears accrued during the year is posted under interest income only with respect to the portion actually recovered. The portion of interest on arrears not recovered is written down and deducted directly from interest accrued. Any amounts recovered in subsequent years are treated as a write-back on the receivables and recognised in Item 130 of the profit and loss statement, "Net value adjustments due to impairment of loans".

1.1.a Interest income and similar revenues: spreads on hedging derivatives associated with use of fair value option

(in thousands of EUR)

Items	Total 31 12 2009	Total 31 12 2008
Spreads	281,024	(81,331)

The table shows details of Table 1.1 above, "Interest income and similar revenues". This specifically details the net spreads relating to hedging contracts on financial liabilities designated at fair value (fair value option), which in Table 1.1 are reported in line 1, "Financial assets held for trading" under "Other transactions".

1.2 Interest income and similar revenues: spreads on hedging transactions

Information on spreads relating to hedging transactions is illustrated in Table 1.5.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in foreign currency

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Interest income from financial assets denominated in foreign currency	109,994	312,031

1.3.2 Interest income from financial leasing transactions

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Interest income from financial leasing transactions	143,429	240,677

1.4 Interest expense and similar charges: breakdown

(in thousands of EUR)

Item/Type	Deposits	Securities	Other transactions	Total 31 12 2009	Total 31 12 2008
1. Deposits from central banks	(94,448)	x	-	(94,448)	(46,060)
2. Deposits from banks	(400,471)	x	-	(400,471)	(1,545,853)
3. Deposits from customers	(533,474)	x	(9,318)	(542,792)	(1,593,038)
4. Securities issued	x	(1,605,291)	-	(1,605,291)	(2,120,007)
5. Financial liabilities held for trading	(58,946)	-	(8,794)	(67,740)	(760,494)
6. Financial liabilities designated at fair val	-	(565,238)	-	(565,238)	(493,463)
7. Other liabilities	x	x	(7,085)	(7,085)	(5,775)
8. Hedging derivatives	x	x	(139,682)	(139,682)	-
Total	**(1,087,339)**	**(2,170,529)**	**(164,879)**	**(3,422,747)**	**(6,564,690)**

The update to the Bank of Italy Circular 262 of 18 November 2009 has altered the way in which interest expense on assets sold and not derecognised is reported, as reflected in the changes made to Table 1.1 of this section. As a result of this change, the line relating to liabilities for assets sold but not derecognised has been removed from the table. Consequently, the interest paid by the Group on liabilities recognised for reverse repurchase transactions on own securities is recognised in the “Deposits” column in lines 1 “Deposits from central banks”, 2 “Deposits from banks” or 3 “Deposits from customers”, depending on the classification of the counterparty to the transaction.

The comparison data for 31/12/2008 has therefore been restated in line with the aforementioned changes.

Lines 2, “Deposits from banks” and 3, “Deposits from customers”, in the “Deposits” column, also include interest on liabilities for reverse repurchase transactions realised on own securities:

- the expense relating to liabilities arising from the assignment of tax credits not derecognised in accordance with IAS 39 on derecognition of financial assets;
- the expense relating to liabilities arising from reverse repurchase transactions realised on securities obtained through repurchase transactions.

Line 4, “Securities issued”, indicates the interest expense accrued during the year on bonds and certificates of deposit valued at amortised cost.

Line 5, “Financial liabilities held for trading”, in the “Other transactions” column, includes the negative net total of € 8.8 mln, relating to:

1) positive and negative spreads and margins on derivative contracts associated with interest-bearing financial assets and liabilities, classified in the trading portfolio;

2) margins between the forward exchange rate established in the outright contracts and the spot exchange rate current on execution of the contracts.

In case 1) this mainly consists of interest-rate swaps linked to fixed-rate debt securities classified in the trading portfolio, and in case 2) of outright and forex swaps. Total spreads relating to hedging contracts on financial liabilities designated at fair value (fair value option), positive in the current year, have been posted to interest income.

Line 6, “Financial liabilities designated at fair value”, includes interest expense accrued on structured fixed-rate bonds issued and systematically hedged by derivative contracts.

1.4.a Interest expense and similar charges: spreads on hedging derivatives associated with use of fair value option

See notes to Table 1.1.a.

1.5 Interest expense and similar charges: spreads on hedging transactions

Items	Total 31 12 2009	Total 31 12 2008
A. Positive spreads on hedging transactions	291,749	237,223
B. Negative spreads on hedging transactions	(431,431)	(222,941)
C. Balance (A+B)	**(139,682)**	**14,282**

Total net spreads at 31/12/2009 were -€ 139.7 mln, compared with € 14.2 mln at 31/12/2008.

In accordance with the hedging objectives and the consequent minimisation of risks on the banking book, the Group establishes both fair value hedges and cash flow hedges on its liabilities.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currency

(in thousands of EUR)

Item/Amount	Total 31 12 2009	Total 31 12 2008
Interest expense on financial liabilities denominated in foreign currency	(562,778)	(527,413)

1.6.2 Interest expense on liabilities from financial leasing transactions

This table has not been completed since no data is present either for the current year or for the previous year.

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

2.1 Fee and commission income: breakdown

(in thousands of EUR)

Type of service / Amount	Total 31 12 2009	Total 31 12 2008
a) guarantees issued	65,437	68,701
b) credit derivatives	-	-
c) management, brokerage and advisory services:	720,397	709,340
1. trading of financial instruments	10,977	32,741
2. currency trading	40,285	43,219
3. asset management	50,416	59,068
3.1 individual accounts	50,416	59,068
3.2. collective investment schemes	-	-
4. custody and administration of securities	17,433	25,923
5. custodian bank	3,892	5,592
6. placement of securities	24,273	47,831
7. client instructions	62,273	49,414
8. advisory on	7,090	7,204
8.1 investments	1,781	-
8.2 financial structure	5,309	-
9. distribution of third-party services	503,758	438,348
9.1. asset management	-	54
9.1.1 individual accounts	-	11
9.1.2 collective investment schemes	-	44
9.2 insurance products	169,913	118,495
9.3 other products	333,845	319,798
d) collection and payment services	188,131	204,807
e) servicing of securitisations	26,924	35,792
f) factoring transaction services	17,660	19,951
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	675,221	-
j) other services	240,977	624,930
Total	**1,934,747**	**1,663,520**

Item i), "current account keeping", contains the new "credit fee" introduced pursuant to Article 2 of Decree Law No 185 of 29/11/2008, converted with amendments into Act No 2 of 28/01/2009.

2.2 Fee and commission expense: breakdown

(in thousands of EUR)

Type of service / Amount	Total 31 12 2009	Total 31 12 2008
a) guarantees received	(1,054)	(667)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(76,000)	(72,641)
1. trading of financial instruments	(20,400)	(16,011)
2. currency trading	(267)	(422)
3. asset management:	(1,792)	(2,696)
3.1 own portfolio	(8)	(27)
3.2 third-party portfolios	(1,784)	(2,669)
4. custody and administration of securities	(11,442)	(13,282)
5. placement of financial instruments	(2,257)	(8,096)
6. off-site marketing of financial instruments, products and services	(39,842)	(32,135)
d) collection and payment services	(18,837)	(30,073)
e) other services	(143,592)	(111,400)
Total	**(239,483)**	**(214,782)**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(in thousands of EUR)

Item/Income	31 12 2009			31 12 2008		
	Dividends	Income from units in UCITS	Total	Dividends	Income from units in UCITS	Total
A. Financial assets held for trading	304,585	3	304,588	578,111	155	578,266
B. Financial assets available for sale	15,696	1,770	17,466	27,305	13,904	41,209
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	-	-	-	-	-	-
Total	**320,281**	**1,773**	**322,054**	**605,416**	**14,059**	**619,475**

The table shows the amount of dividends received on shares traded within the trading portfolio and on minority holdings classified in the portfolio of available-for-sale assets.

Conversely, dividends relating to the Group's subsidiaries and associates, consolidated according to the acquisition or equity method, are excluded.

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

4.1 Net profit (loss) from trading: breakdown

(in thousands of EUR)

Transactions / P&L items	Capital gains (A)	Trading Profit (B)	Capital losses (C)	Trading Losses (D)	Net Profit (Loss) [(A+B) - (C+D)] 31 12 2009	Net Profit (Loss) [(A+B) - (C+D)] 31 12 2008
1. Financial assets held for trading	**142,076**	**299,484**	**(110,307)**	**(192,426)**	**138,827**	**(954,383)**
1.1 Debt securities	91,927	140,458	(102,657)	(54,472)	75,256	(220,029)
1.2 Equity instruments	34,025	150,592	(7,093)	(129,703)	47,821	(711,434)
1.3 Units of UCITS	12,334	4,215	-	(312)	16,237	(18,136)
1.4 Loans	3,790	-	(557)	-	3,233	-
1.5 Other	-	4,219	-	(7,939)	(3,720)	(4,784)
2. Financial liabilities held for trading	**3,086**	**22,976**	**(2,371)**	**(49,367)**	**(25,676)**	**(1,348)**
2.1 Debt securities	2,878	8,349	-	(13,033)	(1,806)	(6,930)
2.2 Deposits	-	-	-	-	-	-
2.3 Other	208	14,627	(2,371)	(36,334)	(23,870)	5,582
3. Other financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**37,539**	**94,202**
4. Derivatives	**3,150,785**	**14,100,156**	**(3,341,600)**	**(14,362,336)**	**(472,793)**	**32,725**
4.1 Financial derivatives:	2,678,755	13,830,607	(2,842,722)	(14,062,749)	(415,907)	(41,668)
- on debt securities and interest rate:	2,189,337	12,155,155	(2,250,770)	(12,148,638)	(54,916)	79,002
- on equity instruments and stock inc	468,225	1,548,362	(564,038)	(1,803,113)	(350,564)	(54,921)
- on currency and gold	-	-	-	-	(19,798)	(77,931)
- other	21,193	127,090	(27,914)	(110,998)	9,371	12,182
4.2 Credit derivatives	472,030	269,549	(498,878)	(299,587)	(56,886)	74,393
Total	**3,295,947**	**14,422,616**	**(3,454,278)**	**(14,604,129)**	**(322,103)**	**(828,804)**

The table shows the profit and loss attributable to the portfolio of financial assets and liabilities held for trading, except for derivative contracts hedging financial instruments which adopted the fair value option, for which the valuation results are indicated in Part C, Section 7, “Net profit (loss) on financial assets and liabilities designated at fair value – Account 110” on page 278 of these notes to the financial statements.

Group 1, “Financial assets held for trading”, includes the positive contribution of equity instruments (line 1.2) of € 47.8 mln, mostly obtained from the sale of foreign shares.

In line 3, “Other financial assets and liabilities: exchange differences”, the positive or negative balance of any changes in value of financial assets and liabilities denominated in currencies other than the trading currencies has been indicated in accordance with standard practice. For trading instruments, the effect resulting from any changes due to foreign exchange is not reported separately.

Group 4, “Derivatives”, shows a closing balance of -€ 472.8 mln; of this, € 350.6 mln is represented by the net loss on financial derivatives on equity instruments and stock indices, mainly attributable to options and futures activity.

Section 5 – Net profit (loss) from hedging – Item 90

5.1 Net profit (loss) from hedging activities: breakdown

(in thousands of EUR)

P&L items/Values	Total 31 12 2009	Total 31 12 2008
A. Gains on:		
A.1 Fair value hedging instruments	195,847	36,228
A.2 Hedged financial assets (fair value)	222,224	264,621
A.3 Hedged financial liabilities (fair value)	17,350	1,615
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in foreign currency	-	-
Total gains on hedging activities (A)	**435,421**	**302,464**
B. Losses on:		
B.1 Fair value hedging instruments	(320,132)	(265,035)
B.2 Hedged financial assets (fair value)	(109,099)	(10,340)
B.3 Hedged financial liabilities (fair value)	(7,655)	(28,896)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in foreign currency	-	-
Total losses on hedging activities (B)	**(436,886)**	**(304,271)**
C. Net profit (loss) from hedging activities (A - B)	**(1,465)**	**(1,807)**

The table shows the net profit/loss from hedging activities. It therefore includes the realised income components posted to the profit and loss statement resulting from the valuation of assets and liabilities subject to hedging, and the relative hedging derivative contracts, including any foreign exchange differences. During the year, other hedging transactions were carried out against adverse changes in interest rate risk, exchange risk and credit risk, mainly bonds classified in the available-for-sale portfolio and debt securities issued by the Group and posted to Item 30, "Securities issued". In the latter case, the decision to use hedge accounting rather than the fair value option used to manage macro-hedges for the Group's bond issues was due to the fact that the hedging decision was taken after the securities were issued; IAS 39 actually states that the fair value option must be irrevocably applied when the financial instrument is recognised for the first time.

For information on hedging derivatives, the gains and losses on which are indicated in lines A.1 and B.1 of this table, see Section 8, "Hedging derivatives – Account 80" (p. 197) and Section 6, "Hedging derivatives – Account 60" (p. 245) in Part B of the notes to the financial statements.

For information about hedged financial assets, the gains and losses on which are indicated in lines A.2 and B.2 of the table, see the following tables in Part B.

- 4.3 Financial assets available for sale: assets subject to micro-hedging (p. 187);
- 6.2. Loans and advances to banks: assets subject to micro-hedging (p. 192);
- 7.3. Loans and advances to customers: assets subject to micro-hedging (p. 195);
- 9.2 Banking group assets subject to macro-hedging of interest rate risk (p. 200);

For information about hedged financial liabilities, the gains and losses on which are reported in lines A.3 and B.3 of the table, see the following tables in Part B:

- 1.4 Deposits from banks subject to micro-hedging (p. 231);
- 2.4 Deposit from customers subject to micro-hedging (p. 233);
- 3.3 Details of Item 30, "Debt securities issued: securities subject to micro-hedging (p. 237).

Section 6 – Gains (losses) on disposals/repurchases – Item 100

6.1 Gains (losses) on disposals/repurchases: breakdown

(in thousands of EUR)

Items / P&L items	Total 31 12 2009			Total 31 12 2008		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans and advances to banks	1,570	-	1,570	-	-	-
2. Loans and advances to customers	13,955	(5,639)	8,316	4,831	(1,797)	3,034
3. Financial assets available for sale	153,117	(85,030)	68,087	92,325	(14,189)	78,136
3.1 Debt securities	92,231	(70,918)	21,313	20,147	(1,863)	18,284
3.2 Equity instruments	54,995	(11,142)	43,853	72,178	(7,059)	65,119
3.3 Units of UCITS	5,891	(2,970)	2,921	-	(5,267)	(5,267)
3.4 Loans		-	-	-	-	-
4. Held to maturity investments	-	-	-	-	-	-
Total assets	**168,642**	**(90,669)**	**77,973**	**97,156**	**(15,986)**	**81,170**
1. Financial liabilities						
1. Deposits from banks	-	-	-	60	(42)	18
2. Deposits from customers	-	-	-	-	-	-
3. Securities issued	8,929	(20,673)	(11,744)	1,285	(3,668)	(2,383)
Total liabilities	**8,929**	**(20,673)**	**(11,744)**	**1,345**	**(3,710)**	**(2,365)**

The table shows the net profit/loss arising on the disposal of financial assets other than those held for trading and those designated at fair value, and the net profit/loss arising on the repurchase of own financial liabilities.

With regard to financial liabilities, international accounting standards require a substance-over-form approach to be taken with the repurchase of own liabilities, which are therefore treated as an advance repayment with derecognition of the financial instrument and subsequent realisation of gains or losses on repurchase.

The gains realised on the customer loans referred to in Item 2 are mainly linked to bonds (Capitalia S.p.A. for € 3.4 mln, AXA SA for € 2.3 mln, Citigroup for € 2.1 mln, and BNP Paribas for € 0.8 mln).

With regard to available-for-sale financial assets, the gains indicated in Item 3.1, "Debt securities" mainly consist of:

- government bonds (BTP) and floating-rate notes (CCT) for € 57.0 mln;
- securities issued by insurance companies for € 9.0 mln;
- securities issued by banks for € 2.2 mln.

In Item 3.2, "Equity instruments", the main disposals which realised gains consisted of insurance securities (€ 8.5 mln), bank securities (€ 3.2 mln), securities of non-financial companies (€ 6.7 mln) and other securities of non-financial companies (€ 20.6 mln).

Conversely, losses were mainly realised on securities of non-financial companies (€ 6.7 mln), banks (€ 2.1 mln) and financial companies (€ 1.5 mln).

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

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

(in thousands of EUR)

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)] 31 12 2009	Net Profit (Loss) [(A+B) - (C+D)] 31 12 2008
1. Financial assets	**-**	**-**	**-**	**-**	**-**	
1.1 Debt securities	-	-	-	-	-	
1.2 Equity instruments	-	-		-	-	
1.3 Units of UCITS		-			-	
1.4 Loans				-	-	
2. Financial liabilities	**56,611**	**40,929**	**(213,432)**	**(25,792)**	**(141,684)**	**(388,058)**
2.1 Debt securities	56,611	40,929	(213,432)	(25,792)	(141,684)	(388,058)
2.2. Deposits from banks					-	
2.3. Deposits from customers					-	
3. Financial assets and liabilities denominated in foreign currency: exchange differences	x	x	x	x	-	
4. Credit and financial derivatives	**304,924**	**83,472**	**(123,261)**	**(145,321)**	**119,814**	**461,033**
Total	**361,535**	**124,401**	**(336,693)**	**(171,113)**	**(21,870)**	**72,975**

This item includes capital gains and losses originating from the fair-value measurement of financial liabilities classified in the fair value option portfolio and the related hedging derivative contracts. The Group has classified structured and fixed-rate bonds issued and systematically subject to hedging in the portfolio of liabilities designated at fair value. The allocation of such instruments to the FVO portfolio satisfies the need to ensure consistency of the valuation criteria adopted for the liabilities with the corresponding derivatives from the perspective of a “natural hedge”, and therefore the need for a significant reduction in the misrepresentation which would otherwise derive from a valuation based on non-uniform accounting criteria. The net loss of € 21.9 mln includes the positive impact of changes in credit rating totalling € 8.3 mln.

With reference to the amount of capital gains recognised under financial liabilities in column A, line 2.1, “Debt securities”, equivalent to € 56.6 mln, Group companies, by applying the interpretation published by the Italian accounting standards board (OIC) in Operating Guidance No 4, “Operating guidance for the accounting treatment of rules on the distribution of profits and reserves pursuant to Legislative Decree No 38 of 28 February 2005”, approved by the regulator, will arrange, when distributing profits, to set aside this amount, net of the tax effect, in a non-distributable reserve within the meaning of Article 6 of Legislative Decree No 38 of 28 February 2005.

7.1.a Net profit (loss) on financial assets and liabilities designated at fair value using the fair value option

(in thousands of EUR)

Type/Item	Capital Gains	Gains following disposal	Capital Losses	Losses following disposal	Net Profit (Loss)	
					31 12 2009	31 12 2008
Assets	**-**	**-**	**-**	**-**	**-**	
Natural hedges through derivatives	-	-	-	-	-	-
Natural hedges through other financial instruments	-	-	-	-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally on a fair value basis		-			-	-
Structured financial instruments		-			-	-
Liabilities	**56,611**	**40,929**	**(213,432)**	**(25,792)**	**(141,684)**	**(388,058)**
Natural hedges through derivatives	56,611	40,929	(213,432)	(25,792)	(141,684)	(388,058)
Natural hedges through other financial instruments	-	-	-	-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally on a fair value basis	-	-	-	-	-	-
Structured financial instruments	-	-	-	-	-	-
Financial derivatives	**304,924**	**83,472**	**(123,261)**	**(145,321)**	**119,814**	
Natural hedges	296,122	83,472	(122,879)	(145,313)	111,402	461,033
Other types of accounting mismatches	-	-			-	-
Financial asset portfolios managed internally on a fair value basis	8,802	-	(382)	(8)	8,412	
Credit derivatives	**-**	**-**	**-**	**-**		
Natural hedges	-	-	-	-		
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally on a fair value basis						
Total	**361,535**	**124,401**	**(336,693)**	**(171,113)**	**(21,870)**	**72,975**

The Group has classified structured and fixed-rate bonds issued and systematically subject to hedging using derivative contracts in the portfolio of liabilities designated at fair value. The allocation of such instruments to the FVO portfolio satisfies the need to ensure consistency of the valuation criteria adopted for the liabilities with the corresponding derivatives from the perspective of a "natural hedge", and therefore the need for a significant reduction in the misrepresentation which would otherwise derive from a valuation based on non-uniform accounting criteria. The table therefore shows that the impact of gains realised by the Group on financial assets and liabilities designated at fair value are all due to hedging transactions.

7.1.b Changes in fair value of fair valued financial liabilities due to changes in own credit risk

31 12 2009
(in thousands of €)

Type/items	In the year			Cumulative		
	Capital losses	Capital gains	Net profit/loss	Capital losses	Capital gains	Net profit/loss
Changes in fair value of own creditworthiness on FVO liabilities	-	8,283	8,283		38,947	38,947

Changes in fair value of liabilities issued due to changes in credit rating are protected for the purposes of the quantification of regulatory capital.

Section 8 – Net losses/recoveries on impairment – Item 130

8.1 Net value adjustments due to impairment of loans: breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments			Write-backs				Total 31 12 2009	Total 31 12 2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Loans and advances to banks	-	(13,410)	(2,166)	384	3,759	-	2,509	(8,924)	(19,238)
- Loans		(5,410)	(1,202)	384	3,759		2,369	(100)	(18,843)
- Debt securities		(8,000)	(964)				140	(8,824)	(395)
B. Loans and advances to customers	(131,462)	(1,797,019)	(127,249)	240,157	317,041	22	54,724	(1,443,786)	(983,043)
- Loans	(131,462)	(1,797,019)	(94,558)	240,157	317,041	22	54,053	(1,411,766)	(975,054)
- Debt securities			(32,690)				671	(32,019)	(7,989)
C. Total	**(131,462)**	**(1,810,429)**	**(129,415)**	**240,541**	**320,800**	**22**	**57,233**	**(1,452,710)**	**(1,002,281)**

Legend
A = From interest
B = Other write-backs

This item includes value adjustments and write-backs recognised for the impairment of financial instruments allocated to the portfolios of loans and advances to customers and loans and advances to banks. In particular, the "Write-offs" column shows losses recorded in relation to the derecognition of financial instruments, whereas the "Other" column includes specific write-downs on impaired loans subject to analytical valuation. Portfolio value adjustments are quantified with reference to performing financial instruments.

Line A, "Loans and advances to banks", shows, in the "Loans" line, specific write-downs of € 5.4 mln, € 5.0 mln of which consists of positions with Icelandic banks, showing a residual net exposure at 31/12/2009 of € 10.4 mln and an average adjustment percentage of over 66%. The "Debt securities" line includes the write-down of foreign bank securities (Iceland) totalling € 1.0 mln.

Column A (specific write-backs) incorporates the write-backs represented by interest released on impaired positions valued at amortised cost and interest on arrears recovered and written down in the year in which it was accrued.

For further information on loans and advances to banks and customers, see Section 1, "Credit risk", on page 302 of Part E of the notes to the financial statements.

8.2 Net value adjustments due to impairment of available-for- sale financial assets: breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments Specific		Write-backs Specific		Total 31 12 2009	Total 31 12 2008
	Write-offs	Other	A	B		
A. Debt securities	-	(413)	-		(413)	(19,354)
B. Equity instruments	(257)	(25,627)	x	x	(25,884)	(315,926)
C. Units in UCITS	-	(4,887)	x	-	(4,887)	(26,018)
D. Loans to banks	-	-	-	-	-	
E. Loans to customers	-	-	-	-	-	
F. Total	**(257)**	**(30,927)**	**-**	**-**	**(31,184)**	**(361,298)**

Legend
A = From interest
B = Other write-backs

A specific characteristic of securities classified as available-for-sale financial assets is that they are designated at fair value and allocated directly to capital gains or losses in a special equity reserve; this does not apply to impairment losses, which must be carried to profit and loss. IAS 39 expressly states that at the end of each reporting period, an assessment must be carried out of whether there is any objective evidence that assets have been impaired such that it may not be possible to recover the carrying amount of the assets themselves. In these cases, the capital loss must be carried directly to profit and loss by cancelling the corresponding equity reserve.

The Group, pending a possible revision of the impairment rules currently set out in IAS 39, which do not take into account the current exceptional nature of the international markets, has defined stringent rules based on a conservative and prudent approach. Specifically, equity instruments listed on active markets are written down in profit and loss where there is a significant or prolonged reduction in fair value. IAS/IFRS do not indicate thresholds to establish whether the decline is prolonged or significant, therefore each company generally has its own internal policy for identifying these thresholds. The Group has decided to recognise impairment in profit and loss if either of the following are present:

- a value at the balance sheet date which is at least 30% less than the book value;
- a valuation which is below the book value and this continues for at least 12 consecutive months.

With regard to equity instruments not listed on active markets, the valuation is carried out by analysing the fundamentals of the companies issuing the equity instruments. In this case, the impairment loss is recognised in profit and loss only in the presence of an actual deterioration in the fundamentals themselves, for example due to a significant fall in the company's net equity, or following the launch of a debt restructuring plan by the issuer. For equity instruments not listed on active markets, any impairment loss to be recorded in the profit and loss statement must always match the aggregate loss in the balance sheet for that particular net equity reserve. The only discretionary element for equity instruments listed on active markets therefore relates to the measurement of fair value.

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

As a result of the application of these rules, the Group has reported in profit and loss at 31/12 2009 impairment losses totalling € 30.9 mln, mainly relating to shares. The most significant write-downs concern the listed companies Banca Italease S.p.A. for € 4.3 mln, Telecom Italia S.p.A. for € 2.3 mln, HSBC HLDGS for € 4 mln, Volkswagen AG for € 1.7 mln and Aedes S.p.A. for €3.8 mln, and the unlisted companies Armorlite S.p.A. for € 2.3 mln and Induxia S.p.A. for € 1.8 mln.

For the residual amount of the net equity reserve on available-for-sale financial assets, see Table B.2, "Valuation reserves for available-for-sale financial assets: breakdown", in Part F of the notes to the financial statements.

B.3 Valuation reserves for available-for-sale financial assets: annual changes" on page 397 in Part F of the notes to the financial statements.

8.3 Net value adjustments due to impairment of held-to-maturity financial assets: breakdown

No figures are present for the current year or for the previous year.

8.4 Net value adjustments due to impairment of other financial transactions: breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments			Write-backs				Total 31 12 2009	Total 31 12 2008
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees issued	(9,724)	(2,876)	(5,052)	-	1,398	-	762	(15,492)	4,607
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse	-	(17)	(281)	-	-	-	-	(298)	-
D. Other transactions	(1,001)	(300)	-		4,127	-	-	2,826	(1,000)
E. Total	**(10,725)**	**(3,193)**	**(5,333)**	**-**	**5,525**	**-**	**762**	**(12,964)**	**3,607**

Legend

A = From interest
B = Other write-backs

This item shows value adjustments/write-backs relating to guarantees issued, in order to cover the expected loss in the event that these are executed with an offsetting entry to Item 120, “Provisions for risks and charges” on the liabilities side of the balance sheet.

Section 9 – Net premiums – Item 150

The tables in this section have not been completed since the Group has no net premiums either for the current year or for the previous year.

Section 10 – Other income/expense (net) from insurance activities – Item 160

The tables in this section have not been completed since the Group has no insurance activities either for the current year or for the previous year.

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

(in thousands of EUR)

Type of Expense / Area	Total 31 12 2009	Total 31 12 2008
1. Employees	(2,328,576)	(2,308,498)
a) wages and salaries	(1,568,429)	(1,538,991)
b) social-welfare charges	(401,405)	(387,874)
c) severance pay	(102,619)	(3,082)
d) social security expenses	(15)	(24)
e) provision for staff severance pay	(15,901)	(25,812)
f) pension and similar obligations:	(9,138)	(26,529)
- defined contribution	(6,507)	(19,292)
- defined benefit	(2,631)	(7,237)
g) contributions to external pension funds:	(50,254)	(119,820)
- defined contribution	(49,985)	(119,291)
- defined benefit	(269)	(529)
h) costs related to share-based payments	(23,482)	(37,204)
i) other employee benefits	(157,333)	(169,162)
2. Other staff	(12,039)	(8,793)
3. Directors and Statutory Auditors	(9,621)	(14,444)
4. Retired personnel	-	(16,446)
Total	**(2,350,236)**	**(2,348,181)**

The item "pension and similar obligations" includes amounts set aside for internal funds, while the item "contributions to external pension funds" includes contributions paid and adjustments made to external pension funds.

The provision for staff severance pay for the year, as indicated by the Bank of Italy, does not include amounts which, following the reform introduced by Legislative Decree No 252 of 5 December 2005, are paid directly by the Parent Bank, depending on the options chosen by employees, to complementary pension funds or to the central fund managed directly by the INPS. These items are recognised in personnel expenses, "contributions to external pension funds: defined contribution".

Costs related to share-based payments include the liability in respect of the employees' stock granting plan.

The item "Other employee benefits" includes early retirement benefits of € 120.6 mln.

11.2 Average number of employees by category

Category / Average Number	31 12 2009	31 12 2008
Employees:	32,384	33,776
a) executives	560	609
b) middle managers	11,291	11,204
c) remaining staff	20,533	21,963
Other personnel	91	197
Total	**32,475**	**33,973**

11.3 Defined-benefit company pension funds: total cost

(in thousands of EUR)

Items/Amounts	Total 31 12 2009			Total 31 12 2008		
	Defined-benefit company pension funds		Provision for staff severance pay	Defined-benefit company pension funds		Provision for staff severance pay
	Internal pension plans	External pension plans		Internal pension plans	External pension plans	
Current service cost (+)	(231)	(2,567)	(2,147)	(320)	(2,271)	(6,119)
Financial charges (+)	(8,000)	(19,550)	(13,743)	(5,900)	(21,186)	(18,155)
Expected return on plan assets (-)	6,690	19,846	-	-	22,104	-
Third party reimbursements (-)	-	-	-	5,805	-	-
Actuarial gains and losses (±)	(834)	(13,441)	(9)	(6,559)	24,108	-
Social security cost in relation to past employment service (+)	(256)	-	-	(565)	-	(116)
Effect of any plan curtailments (±)	-	-	-	-	-	-
Effect of any plan settlements (±)	-	-	-	-	-	-
Effect of recognition of assets (+)	-	-	-	-	-	-
Total	**(2,631)**	**(15,712)**	**(15,899)**	**(7,539)**	**22,755**	**(24,390)**

11.4 Other employee benefits

The Group has no other employee benefits.

11.5 Other administrative expenses: breakdown

(in thousands of EUR)

Items/Amounts	31 12 2009	31 12 2008
Stamp duties	(233,830)	(207,565)
Indirect taxes and duties	(29,715)	(45,543)
Municipal immovable property tax	(9,290)	(8,272)
Subscription and purchase of publications	(1,853)	(2,323)
Property rentals	(159,769)	(107,745)
Cleaning service contracts	(27,628)	(22,192)
Insurance	(88,775)	(66,590)
Rentals	(51,266)	(47,910)
Remuneration of external professionals	(128,660)	(164,439)
Third-party data processing	(69,038)	(88,237)
Title searches and land registry surveys	(11,222)	(14,455)
Lease of equipment	(54,634)	(26,352)
Utilities	(45,116)	(40,188)
Maintenance of movable and immovable properties (used in the business)	(73,783)	(73,472)
Data transmission rental	(47,390)	(41,829)
Postage	(64,639)	(60,733)
Advertising	(57,483)	(58,261)
Membership dues	(8,920)	(6,845)
Reimbursement of employee car and travel expenses	(28,824)	(34,742)
Security services	(38,296)	(36,639)
Software	(101,662)	(118,890)
Expenses for services supplied by MPS Group companies and entities	(2,893)	(18,641)
Corporate entertainment expenses	(6,352)	(9,280)
Expenses for non-rented investment real estate	(1,124)	(249)
Printing and stationery	(13,148)	(13,498)
Telephone, telefax and telegraph	(22,585)	(28,038)
Transportation	(51,226)	(43,891)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(21,613)	(24,490)
Integration costs	(27,494)	(85,459)
Other	(52,870)	(40,108)
Total	**(1,531,098)**	**(1,536,876)**

11.5.a Information on operating leases

(in thousands of EUR)

Items/Amounts	31 12 2009	31 12 2008
Minimum lease payments	(142)	(129)
Contingent lease payments recognised as expense in the period	-	-
Rent from subleases	-	-
Total	**(142)**	**(129)**

11.5.b Integration expenses

(in thousands of EUR)

Type of expense/amounts	31 12 2009	31 12 2008
Personnel costs	59,283	152,891
- departure incentives	58,816	144,730
- other personnel costs	467	8,161
Other administrative costs	27,494	85,458
- data processing and IT services	8,000	29,432
- professional consultancy fees and other costs	19,494	56,026
Total	**86,777**	**238,349**

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

12.1 Net provisions for risks and charges: breakdown

(in thousands of EUR)

Items/Amounts	31 12 2009				31 12 2008			
	Personnel costs	Legal disputes	Other	Total	Personnel costs	Legal disputes	Other	Total
Provisions for the year	(1,625)	(77,424)	(57,360)	(136,409)	(4,257)	(50,131)	(170,027)	(224,415)
Write-backs	2,237	7,081	28,143	37,461	581	26,239	43,489	70,309
Total	**612**	**(70,343)**	**(29,217)**	**(98,948)**	**(3,676)**	**(23,892)**	**(126,538)**	**(154,106)**

Provisions for the year are negative at € 136.4 mln; of this, € 77.4 mln relates to legal disputes.

Write-backs include € 37.4 mln from surplus provisions set aside in relation to the charges actually incurred.

Section 13 – Net value adjustments/write-backs on property and equipment – Item 200

13.1 Net value adjustments on property and equipment: breakdown

Assets / P&L items	Amortization (A)	Impairment losses (B)	Write-backs (C)	Net profit (loss) (A + B - C) 31 12 2009	Net profit (loss) (A + B - C) 31 12 2008
Property and equipment					
A.1 Owned	(105,025)	(621)	-	(105,646)	(88,992)
- used in the business	(100,904)	(475)	-	(101,379)	(87,260)
- held for investment	(4,121)	(146)	-	(4,267)	(1,732)
A.2 Leased	-	-	-	-	(135)
- used in the business	-	-	-	-	(135)
- held for investment	-	-	-	-	-
Total	**(105,025)**	**(621)**	**-**	**(105,646)**	**(89,127)**

The depreciation column shows the amount of depreciation for the period for all property and equipment.

Property and equipment with a finite life are tested for impairment. The test is carried out by comparing the carrying amount with the recoverable amount of each asset. The recoverable value may be represented either by fair value net of disposal charges or by value in use, if it can be determined and if it is greater than the fair value. In this specific case the Group has arranged, as at the end of each financial year, to measure the fair value of its property portfolio. The valuation is performed by Paschi Gestioni Immobiliari S.p.A., a Group company specialising in asset management. Fair value at 31 December 2009 was tested by a desk-based update of the valuations originally carried out by an independent expert during the preparation of the 2005 financial statements, on first-time adoption of international accounting standards. For buildings resulting from the acquisition of the Antonveneta Group, independent valuations carried out for the purchase price allocation and completed at the end of May 2008 were used as the basis for fair value. These valuations were revised using revaluation/impairment coefficients taken from a database supplied by a leading external consultant. These coefficients have been tested, analysed and validated by the technical department of Paschi Gestioni Immobiliari S.p.A., taking into account both the intended purpose and the geographical location of each building. In determining fair value at 31 December 2009, consideration was given to any negative signs from property market forecasts. In determining fair value at 31/12/2009, the Group decided to reduce the positive revaluation coefficients recorded in 2009 by 70% and to give full consideration to negative coefficients.

The comparison between fair value thus determined and carrying amount has resulted in an impairment loss of € 621,000 being recognised at 31/12/2009 on investment property.

Regarding the other property and equipment used in the business (other than buildings), on a going-concern basis, no extraordinary negative market factors were thought to exist such as might result in a need to recognise impairment losses.

Section 14 – Net value adjustments/write-backs on intangible assets – Item 210

14.1 Net value adjustments on intangible assets: breakdown

Assets / P&L items	Amortization (A)	Impairment losses (B)	Write-backs (C)	Net profit (loss) (A + B - C) 31 12 2009	Net profit (loss) (A + B - C) 31 12 2008
Intangible assets					
A.1 Owned	(135,605)	(1,358)	-	(136,963)	(101,587)
- generated internally by the compa	(565)	(7)		(572)	(136)
- other	(135,040)	(1,351)		(136,391)	(101,451)
A.2 Leased				-	
Total	**(135,605)**	**(1,358)**	**-**	**(136,963)**	**(101,587)**

This item mainly relates to the amortisation of software held by the MPS Group Operating Consortium and to the amortisation of finite-life intangible assets identified during the PPA process for the subsidiaries Biverbanca (€ 7.5 mln) and Banca Antonveneta S.p.A. (€ 71 mln).

Compared with 31 December 2008, depreciation and amortisation has increased by € 36 mln, mainly due to intangible assets resulting from the acquisition of Banca Antonveneta, which was amortised from the acquisition date in 2008, so only for seven months of that year but for 12 months of 2009.

Section 15 – Other operating expenses and income – Item 220

15.1 Other operating expenses: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Exceptional write-downs of assets not attributable to a separate account	(895)	(1,786)
Contingent liabilities not attributable to a separate account	(14,787)	(45,677)
Passive lawsuits	(2,770)	(6,624)
Cost of robberies	(6,149)	(9,659)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(27,381)	(25,040)
Other real estate inventory/management costs	(583)	(296)
Other	(111,901)	(62,151)
Total	**(164,466)**	**(151,233)**

The decrease in "contingent liabilities not attributable to a separate account" is due to the fact that the figure on 31 December 2008 was affected by the initial application of Law 166 of 27 October 2008 regarding dormant relationships, including amounts for banker's drafts totalling € 18.8 mln, which had not been collected by the required deadline.

15.2 Other operating income: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Exceptional write-downs of liabilities not attributable to a separate account	107	40
Contingent assets not attributable to a separate account	30,289	25,043
Insurance reimbursements	49	76
Rents from investment real estate	6	542
Rents from real estate used in the business	2,342	1,943
Other revenues from real estate inventory/management	441	1,652
Recovery of taxes	193,327	189,302
Recovery of insurance premiums	39,590	22,542
Other third-party charges	6,089	5,207
Other	104,182	239,121
Total	**376,422**	**485,468**

Tax recoveries were mainly related to the stamp duty on current accounts and securities deposited and to the substitute tax on medium-term loans.

Section 16 – Gains (losses) on equity investments – Item 240

16.1 Gains (losses) on equity investments: breakdown

(in thousands of EUR)

P&L items/Sectors	Total 31 12 2009	Total 31 12 2008
1) Jointly owned companies		
A. Income	-	90,200
1. Revaluations	-	-
2. Gains on disposal	-	90,200
3. Write-backs	-	-
4. Other income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**-**	**90,200**
2) Companies subject to significant influence		
A. Income	131,835	31,911
1. Revaluations	115,412	29,942
2. Gains on disposal	16,423	1,969
3. Write-backs	-	-
4. Other income	-	-
B. Expense	(18,184)	(143,567)
1. Write-downs	(4,160)	(102,327)
2. Impairment losses	(14,024)	-
3. Losses on disposal	-	(41,240)
4. Other expenses	-	-
Net Profit (Loss)	**113,651**	**(111,656)**
3) Subsidiaries		
A. Income	84	224,922
1. Revaluations	-	-
2. Gains on disposal	4	224,922
3. Write-backs	80	-
4. Other income	-	-
B. Expense	(17,662)	(57,965)
1. Write-downs	-	(25,615)
2. Impairment losses	-	-
3. Losses on disposal	(17,662)	(32,350)
4. Other expenses	-	-
Net Profit (Loss)	**(17,578)**	**166,957**
Total	**96,073**	**145,501**

Net income for the year totalling € 96 mln is largely due to the valuation of affiliated companies using the net equity method.

Gains on disposal of companies subject to significant influence, totalling € 16.4 mln before the tax impact of € 4.5 mln, were largely for the disposal of the affiliate Si Holding S.p.A., while losses from the disposal of subsidiaries, totalling € 17.7 mln, were largely due to the deconsolidation of the subsidiary Santorini Ltd following its liquidation.

Section 17 – Net result of the valuation of tangible and intangible assets carried at fair value – Item 250

The tables for this section were not presented since for the current year and the year for comparison, there were no tangible and intangible assets carried at fair value.

Section 18 – Impairment of goodwill – Item 260

18.1 Impairment of goodwill: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 12 2009	Total 31 12 2008
Impairment of goodwill	-	(150,854)

As an asset with an indefinite or unlimited useful life, at the end of each year, goodwill is tested with respect to the existence or recoverability of the amount posted to the financial statements. The performance of the test did not result in the reporting of any impairment of goodwill allocated to the various CGUs (cash generating units). For additional information concerning the methods for conducting "impairment tests", see the appropriate section in Part B of the Notes to the Financial Statements – Information on the Balance Sheet – Section 13 of Assets – Intangible Assets: Breakdown by asset type.

Section 19 – Gains (losses) on disposal of investments – Item 270

19.1 Gains (losses) on disposals of investments: breakdown

(in thousands of EUR)

P&L items/Sectors	Total 31 12 2009	Total 31 12 2008
A. Property	46	27,824
- Gains on disposal	46	27,824
- Losses on disposal	-	-
B. Other assets	42,217	161
- Gains on disposal	42,249	269
- Losses on disposal	(32)	(108)
Net Profit (Loss)	**42,263**	**27,985**

The net profit of € 42.2 mln generated in 2009 concerned the sale of the banking business unit (15 branches) to Banca Popolare di Puglia e Basilicata S.c.a.r.l.

It should be noted that this sale was a part of the plan prepared following the issuance of Regulation No. 18327 of 7 May 2008 by the Antitrust Authority authorising the acquisition of Banca Antonveneta. This regulation called for the disposal of a number of branch offices in the provinces in which there were overlapping businesses for the purposes of the limits set in the area of competition.

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

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

(in thousands of EUR)

P&L items/Sectors	Total 31 12 2009	Total 31 12 2008
1. Current tax (-)	(458,313)	(1,729,912)
2. Adjustments to current tax of prior years (+/-)	140,911	-
3. Reduction of current tax for the year (+)	11	-
4. Changes in prepaid taxes (+/-)	277,532	1,850,635
5. Changes in deferred taxes (+/-)	9,350	809,125
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**(30,509)**	**929,848**

Current taxes also included € 113.3 mln in substitute tax pursuant to Decree Law No. 185/2008 related to the partial exemption for the goodwill reported in the subsidiary Banca Antonveneta.

The amount indicated in Item 2 "Adjustments to current tax of prior years" was mainly the result of reclassifications of deferred taxes (mainly deferred tax assets) to current taxes, and thus, there was no impact on the profit and loss statement. These reclassifications were generated by regulatory and ministerial clarifications that were made in 2009 after the approval of the financial statements for 2008, on tax reforms for IRES (for those subject to IAS) and IRAP introduced by Law No. 244 of 24 December 2007, which entered into force on 1 January 2008, and on regulations related to FTA mismatching exemptions as set forth in Decree Law No. 185 of 29/11/2008. This item also included the income generated in 2009 following the presentation of the claim for reimbursement of IRES due to the deduction of 10% of IRAP pursuant to Article 6 of Decree Law No. 185 of 29/11/2008.

The line item "Change in prepaid taxes" includes € 222.4 mln in taxes arising during the year in relation to the partial exemption of the goodwill reported for the subsidiary Banca Antonveneta following the transfer of the business unit carried out by the Parent Bank.

20.2 Reconciliation of theoretical tax charge to actual tax charge

(in thousands of EUR)

Items/Amounts	31 12 2009	31 12 2008
(A) Pre-tax profit (loss) from continuing operations	43,434	(92,264)
(B) Pre-tax profit (loss) from groups of assets held for sale	226,283	98,747
(A+B) Pre-tax profit (loss)	**269,717**	**6,483**
Current rate of corporate income tax (IRES)	27.5	27.5
Theoretical tax rate	**(74,172)**	**(1,783)**
Permanent differences	149,840	94,869
Other	(13,142)	1,001,296
Regional tax on productivity (IRAP) - ordinary rate	(107,628)	(169,757)
Income taxes for the year	**(45,102)**	**924,625**
of which:		
Taxes on income from continuing operations	(30,508)	929,848
Taxes on the income of groups of assets held for sale	(14,594)	(5,223)

The item "Permanent differences" represents the amount of changes made to the profit reported in the profit and loss statement to determine profit subject to IRES taxation. With respect to decreases, the amount was related mainly to the portion of dividends exempt from taxation (Art. 89 of the Consolidated Act on Income Tax), and to the capital gains on the disposal of existing PEX equity investments (Art. 87 of the Consolidated Act on Income Tax) and with respect to increases, the amount was related to total non-deductible interest expense (Art. 96, para. 5-bis of the Consolidated Act on Income Tax) and writedowns of PEX equity investments.

The item "Other" includes income of € 95.5 mln for IRES purposes arising as a result of the partial exemption of the goodwill reported by Nuova Banca Antonveneta (currently Banca Antonveneta) following the transfer of the business unit carried out by the Parent Bank during the year. The amount consists of the difference between the nominal rate (27.5%) and the substitute tax rate (16%) applied to the amount subject to the exemption.

The same income for IRAP purposes was € 13.5 mln.

Section 21 – Gains (losses) on groups of assets held for sale, after tax – Item 310

21.1Profit (loss) after tax from discontinuing operations: composition

(in thousands of EUR)

P&L items/Sectors	Total 31 12 2009	Total 31 12 2008
1. Income	47,942	265,603
2. Expense	(23,686)	(107,170)
3. Profit (loss) from valuation of groups of assets and related liabilities	(580)	-
4. Profit (loss) from disposal	202,607	(59,686)
5. Taxes and duties	(14,594)	(5,223)
Profit (Loss)	**211,689**	**93,524**

Following the conclusion of activities under way at 31/12/2008, in March 2009, the Group completed the sale of the subsidiaries Monte Paschi Asset Management SGR S.p.A. and ABN AMRO Asset Management Italy SGR S.p.A., which resulted in a profit from disposal of € 187.6 mln after taxes.

In February 2009 negotiations were also concluded regarding the disposal of the controlling interest in Marinella S.p.A., which resulted in a profit from disposal of about € 1 mln after taxes.

21.2 Breakdown of income taxes on groups of assets/liabilities held for sale

(in thousands of EUR)

	Total 31 12 2009	Total 31 12 2008
1. Current taxes (-)	(14,594)	(7,237)
2. Changes in prepaid taxes (+/-)	-	(30)
3. Changes in deferred taxes (+/-)	-	2,044
4. Income taxes for the period (-1 +/-2 +/-3)	(14,594)	(5,223)

The amount shown in the table corresponds to the tax impact from the disposal of the subsidiaries Monte Paschi Asset Management SGR S.p.A., ABN AMRO Asset Management Italy SGR S.p.A. and Marinella, which were concluded in 2009.

Section 22 – Profit (loss) for the year attributable to minority interests – Item 330

The tables for this section were not presented since for the current year and the year for comparison, there was no profit (loss) for the year attributable to minority interests for the Group.

Section 24 – Earnings per Share (EPS)

24.1 Reconciliation of weighted average number of ordinary shares outstanding

(No. of shares)

Items/Amounts	31 12 2009	31 12 2008
Weighted average number of ordinary shares outstanding (+)	5,518,511,838	4,194,162,102
Dilutive effect from put options sold (+)	-	-
Dilutive effect from ordinary shares to be assigned as a result of treasury share-based payments (+)	14,994,767	16,022,729
Dilutive effect from convertible liabilities (+)	-	244,257,560
Dilutive effect from convertible liabilities (+)	-	-
Weighted average number of ordinary shares outstanding by diluted earnings per share	**5,533,506,605**	**4,454,442,391**

24.2.a Reconciliation of net profit (loss) for the year – numerator for basic earnings per share

(in thousands of EUR)

Item/Amount	31 12 2009			31 12 2008		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Net Profit (Loss)	8,425	211,689	220,114	963,598	125,622	1,089,220
Profit (loss) attributable to other types of shares	1,476	37,074	38,550	171,231	22,323	193,554
Net profit (loss) attributable to ordinary shares - numerator for basic earnings per share	**6,949**	**174,615**	**181,564**	**792,367**	**103,299**	**895,666**

24.2.b Reconciliation of net profit (loss) for the year – numerator for diluted earnings per share

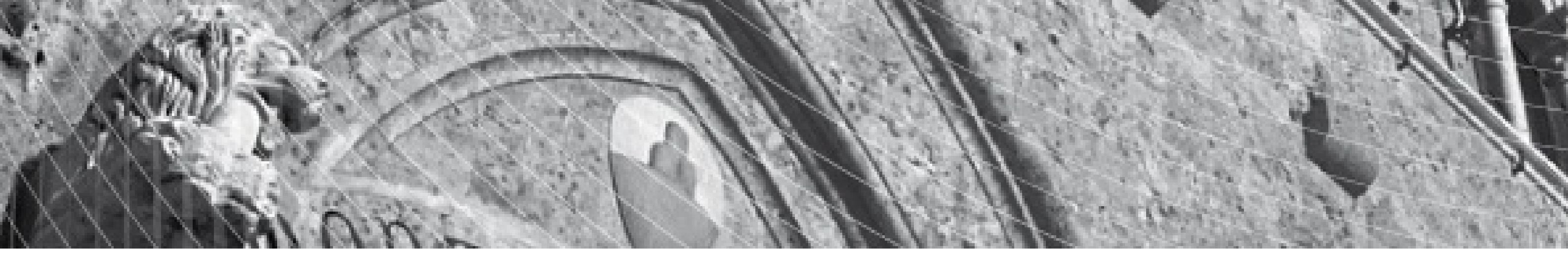
(in thousands of EUR)

Item/Amount	31 12 2009			31 12 2008		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Net Profit (Loss)	8,425	211,689	220,114	963,598	125,622	1,089,220
Dilutive effect from convertible liabilities			-	22,517	-	22,517
Profit (loss) attributable to other types of shares	(1,475)	(37,074)	(38,549)	171,231	22,323	193,554
Dilutive effect from convertible liabilities	-	-	-	-		
Interest expenses on convertible instruments (+)			-	-	-	-
Other (+/-)			-	-	-	-
Net profit (loss) attributable to ordinary shares - numerator for diluted earnings per share	**6,950**	**174,615**	**181,565**	**814,884**	**103,299**	**918,183**

24.2.c Basic and diluted earnings per share

(in EUR)

Item/Amount	31 12 2009			31 12 2008		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Basic Earnings per Share	0.001	0.032	0.033	0.189	0.025	0.214
Diluted Earnings per Share	0.001	0.032	0.033	0.183	0.023	0.206



Part D – Consolidated comprehensive income

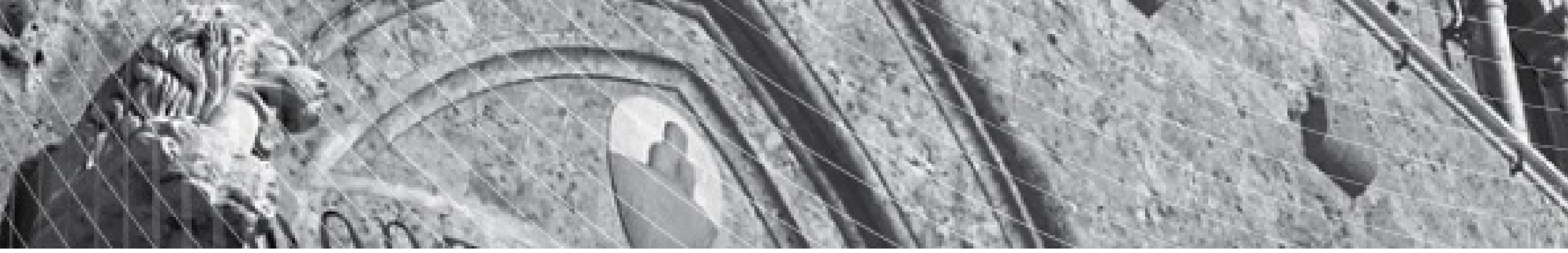
Statement of Consolidated Comprehensive Income

(in thousands of EUR)

	Items	Gross	Income tax	Net
10.	**Profit (loss) for the year**	**256,178**	**31,563**	**224,615**
	Other income components			
20.	Financial assets available for sale:	471,076	125,278	345,798
	a) changes in fair value	262,875	82,624	180,251
	b) reversal to profit and loss	145,231	41,034	104,197
	- impairment provisions	30,330	4,623	25,707
	- realised net gains/losses	114,901	36,411	78,490
	c) other changes	62,970	1,620	61,350
30.	Property and equipment	-	-	-
40.	Intangible assets	-	-	-
50.	Hedges of foreign investments:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit and loss	-	-	-
	c) other changes	-	-	-
60.	Cash flow hedges:	(41,167)	(12,911)	(28,256)
	a) changes in fair value	(43,831)	(13,763)	(30,068)
	b) reversal to profit and loss	-	-	-
	c) other changes	2,664	852	1,812
70.	Exchange differences:	(1,469)	(461)	(1,008)
	a) changes in fair value	-	-	-
	b) reversal to profit and loss	-	-	-
	c) other changes	(1,469)	(461)	(1,008)
80.	Non-current assets classified as held for sale	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit and loss	-	-	-
	c) other changes	-	-	-
90.	Actuarial gains (losses) on defined benefit plans	-	-	-
100.	Share of valuation reserves of equity accounted investments:	79,675	25,017	54,658
	a) changes in fair value	226,043	70,977	155,066
	b) reversal to profit and loss	(1,834)	(576)	(1,258)
	- impairment provisions	-		-
	- realised net gains/losses	(1,834)	(576)	(1,258)
	c) other changes	(144,534)	(45,384)	(99,150)
110.	**Other income components**	**508,115**	**136,923**	**371,192**
120.	**Total comprehensive income (Account 10 + 110)**	**764,293**	**168,486**	**595,807**
130.	Consolidated comprehensive income attributable to minority interests	10,268	4,481	5,787
140.	**Consolidated comprehensive income attributable to Parent Company**	**754,025**	**164,005**	**590,020**

Among other things, international accounting standards provide the option of allocating financial instruments to portfolios to which accounting criteria apply which call for the allocation of costs and revenues directly to specific shareholders' equity reserves rather than to the profit and loss statement. Thus, the statement of comprehensive income gives a view of the global result achieved by taking account of income components accrued and realised during the year, which are directly posted to shareholders' equity, and instead neutralises components accrued and posted to shareholders' equity in prior years, but which are subject to posting to the profit and loss statement (re-transfer) during the year upon their actual sale.

In 2009, income was mainly affected by the valuation of "assets available for sale". The items of this table that summarise this impact are Item 20 "Financial assets available for sale", which shows an amount of € 345.8 mln after taxes, and Item 100 "Share of valuation reserves of equity accounted investments", which shows an amount of € 54.7 mln after taxes.



Part E – Risks and hedging policies

Note: As required by law (BI Circular No. 263 of 27 December 2006, Title IV), it should be noted that the public disclosure (Third Pillar of Basel 2) will be published on the Montepaschi Group's website www.mps.it/Investor+Relations.

Section 1 – Credit risk

Qualitative information

1. General aspects

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Bank, the top priority of the Group is to improve the quality of the managed loan portfolio and to consequently reduce credit costs. In particular, credit priorities are focused on the following main goals:

- a further improvement in loan portfolio quality, including through lending policies aimed at guiding loan approval and management;
- the implementation of credit risk management tools and processes through the use of the internal AIRB model in compliance with Basel 2 standards;
- the adoption of all measures necessary to comply with the Group's obligations in the area of initiatives to support households and businesses as a result of the current economic crisis;
- improving non-performing loan recovery management including from a business perspective.

2. Credit risk management policies

2.1 Organisational aspects

There are three macro management levels for loan approval, management and monitoring within the MPS Group: the first one is at the Parent Bank level through the Credit Policies and Control Area which covers guidelines and strategic management; the second level can be found at the Credit Network/Credit Management offices of each bank of the banking Group, and finally the third level is focused on the peripheral network of the Main Branches of the Group and their associated branches in the specific offices dealing with credit risks. In particular, the Credit Policies and Control Area:

- defines loan portfolio development policies and draws up guidelines for credit quality management;
- defines risk limits for countries and foreign counterparties and the guidelines and general performance necessary for the use of country and lending limits for foreign banks in the area of the Group's Trade Finance business;
- is responsible for optimising portfolio quality by minimising the overall cost of credit risk through:
  a) the development of credit processes (approval, monitoring and recovery);
  b) the integration of credit risk measures (PD, LGD, EAD) in the credit process;
  c) the coordination and management of the process of monitoring the Group's main risks;
  d) the tracking of economic groups experiencing financial difficulties and related turnaround plans;

- together with other assigned areas, defines general guidelines and performance for the securitisation of performing and non-performing loans;
- under its independent authority, it approves or proposes loans to the component body by expressing its substantiated opinion;
- it assigns ratings to "companies" with revenues over € 2.5 mln;
- it monitors changes in loan aggregates.

In 2009 this area continued to update loan approval and customer monitoring processes.

The performance of loan approval processes was tested confirming the established approaches used. At the same time, measures were taken to refine the post-disbursement monitoring process, which has put an increased emphasis on obtaining early signs of critical situations and promptly reassessing risks. Operating procedures were established for the advance review of assigned process ratings if there are symptoms of a possible deterioration in the customer's risk profile.

The processes outlined by the Parent Bank are advised to all banks, which have a special unit authorised to make and oversee loans, through well defined structures which are duly delegated through a discretionary limit system authorised by the Board of Directors and adopted by the individual banks in accordance with current regulations on this matter.

All the involved structures are called to grant/manage credit lines within specified delegated authorities, on the basis of criteria related to the subdivision and the risk level of the customers, as well as to monitor credit risks, using appropriate procedures (based on the internal rating system) to determine the creditworthiness, to open the dossier, to follow up on changes in the account and to foresee any emerging non-performing loans.

Credit quality, which is determined in accordance with the regulatory instructions, is constantly monitored by central and outlying units. In addition to normal existing units, the branch network organisation already has a Loan and Market Quality Manager who is responsible for guaranteeing loan quality and ensuring that problem loans are properly managed in local areas.

The management and recovery of doubtful loans are assigned to the competent company of the Group (MPS Gestione Crediti Banca S.p.A.) specialising in this area.

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 regulatory authorities for the calculation of capital requirements using the Advanced IRB System (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 to default (EAD). The new methodology that has the greatest impact on risk measurements is “probability of default”, which is a reflection of the borrower’s rating, meaning its ability to meet obligations assumed over a time horizon of one year. Thus, a rating is a probability-based approach to risk assessment, and represents a projection of portfolio quality that forms a part of daily processes of credit facility assessment, loan management and pricing, and the procedures used to determine loan loss provisions and also appears in reports used by management.

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

The rating assignment process helps to improve the effectiveness of loan management since it is a transparent and standard aid used for lending decisions and for the determination of pricing as a function of risk. In order to comply with the separation requirements of the regulatory instructions, specialised structures have been identified (Credit Facility Workshop Departments) whose managers have been given decision-making autonomy to assign ratings to borrowers with revenues over € 2.5 million. For borrowers with revenues under € 2.5 million, ratings are assigned and updated using an automated process.

In order to ensure that the MPS Group’s assessments of legal and financial relationships are objective and unambiguous, an *ad hoc* process is used called “Related Customer Groups” which makes it possible to establish and update the mapping of these relationships using automated process rules that process objective data taken from official internal and external sources. The process is directly supervised by a unit authorised by the Credit Policies and Control Area which monitors the quality and consistency of the database, which is kept up-to-date by outlying structures (Credit Facility Workshop Departments) of individual banks. This unit has exclusive decision-making powers over groups where there are positions shared by several banks with a significant overall lending limit.

2.2.1 Credit policies

In 2009 there were further refinements in the process of determining credit policies which began in the previous year and was based on individual portfolio assessments.

In fact, only after adopting the advanced approach to new supervisory regulations was it possible to use this methodology in a management context including, most notably, the establishment of guidelines for assuming credit risks.

The work was broken down into three phases:

- analysis of the current portfolio
- assessment of trends
- determination of credit policy measures.

Procedural refinements continued with respect to tools used to assess the loan portfolio. The analysis of the "as-is" portfolio was supplemented by a study on default rates observed recently. This made it possible to take a further step forward in identifying criteria for diversifying credit policy guidelines for the coming year. The current portfolio is analysed with the aim of identifying the main factors that contribute to risk and the most effective measures to contain anticipated losses. In addition, the portfolio's "degree of rigidity" was assessed; this is affected by the level of medium and long-term exposure and the existence of sector concentrations which could affect the portfolio's quality.

An estimate was performed of the trend of the loan portfolio and cost of credit for 2010 given certain sales and risk targets.

Thus, the determination of credit policy measures is guided by the need to reconcile the portfolio's projected risk trends with the restrictions of economic capital and expected loss assigned to credit risk as a part of the capital allocation process.

Operating guidelines are determined on new loans and the management of existing loans broken down by customer segment, counterparty risk, economic sector and type. Finally, the targets approved by the Board of Directors are advised to the branch network through the budget process.

During the year, the Group's directive concerning country risk management was prepared. Among other things, it governs and enhances the process of determining country risk credit policies. In addition, the Parent Bank's Credit Committee approved and issued new guidelines concerning the lending activities of our foreign branches with clear targets in terms of portfolio volumes, geographic breakdown, term, borrower type and rating, and the return on capital absorbed.

2.2.2 Loan approval processes

Loan approval 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 operating requirements;
- assessing creditworthiness, including through the assignment of internal ratings to all borrowers;
- improving customer response time.

The procedure available to the branch network and general management, which has been delegated to manage all phases of the loan approval process, is the Electronic Loan File (*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. In 2009, the main activities focused on:

- the specific nature of applications and approval of loans providing support to households and businesses as a result of the economic crisis (mainly "fighting the crisis" and "joint notices");
- issuance and revision of related rules (this is necessary even following the Group's establishment of rules);
- optimisation of systems to obtain information from outside systems (Italian Central Credit and Financial Statement Register) and supplementation of information in preliminary assessments;
- measures to change quality-assessment questionnaires, especially for Large Corporate customers, with the aim of obtaining and assessing corporate information for the current period and eliminating redundant information generated by the introduction of new rating models.

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 regulatory institute, the P.E.F. was designed to use the unambiguous rating when borrowers have relationships with several MPS Group banks. In terms of activities aimed at complying with AIRB requirements, the assignment of approval authorities in the loan approval process based on risk-based approaches is one of the key elements in meeting the experience requirements dictated by the Bank of Italy. These approaches, which call for identifying decision-making bodies with additional powers for higher levels of loan-related risk, made it possible to achieve regulatory and operational advantages.

2.2.3 Monitoring processes

As to post-approval credit portfolio management and monitoring, the "Trend Management" process continues to be used by the branch network on the basis of the forecasting ability of rating models and is able to monitor changes in the Group's loan portfolio over time, while focusing the attention of relationship managers only on customers who statistically have a medium to high likelihood of default within one year.

The "Trend Management" is based on an early warning system acting through four subprocesses:

- "System Supervision", which focuses and directs monitoring activities on major risk positions. Using this process, the Group uses forecasts to safeguard the performing loan portfolio with the aim of diagnosing problems in advance using measures to upgrade the portfolio;
- "Operating Management" which is responsible for monitoring the loan portfolio daily to identify any abnormal internal and external events and the potential risk index in order to anticipate deterioration occurring within a month that has not been reflected in the rating. The process uses a computer application that flags abnormalities for operators and points them in the direction of management measures that differ as a function of the severity of the deterioration;
- "Default Loan Management" is the process that identifies for the branch network all situations where credit limits have been exceeded. For certain positions of a modest amount without sales targets, it is possible to manage the recovery process externally by assigning management duties to a specialised management bureau. The process was fully implemented in 2009.
- "Simplified Renewals" with the aim (for positions with limited risk) of automatically extending existing loans from year to year for internal purposes.

In 2009 measures were taken to refine the post-disbursement monitoring process, which has put an increased emphasis on obtaining early signs of critical situations and promptly reassessing risks.

Finally, in response to the need to place a greater emphasis on corporate customers experiencing financial difficulties (a phenomenon which rose at a troubling rate in the industry), the area centralised all activities aimed at tracking positions being restructured using new tools to address the crisis offered by the bankruptcy law (Art. 67(3)(d), and Art. 182-bis (1.f)). Centralised management is mandatory when exposure at the banking group level is over € 5 mln and there are several loan agreements. However, the number of files being tracked is significant, which is consistent with the trend seen in the industry, which is not showing signs of slowing.

Quantitative information

A. CREDIT QUALITY

A.1 Impaired and performing loans: amounts, value adjustments, movements, breakdown by business sector and geographical area

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

(in thousands of EUR)

Portfolio/quality	Banking Group					Other companies		Total
	Non-performing loans	Watchlist loans	Restructured	Past-due	Other assets	Impaired	Other	
1. Financial assets held for trading	3,779	1,980	1,512	6	23,171,504	-	-	23,178,781
2. Financial assets available for sale	5,519	-	-	-	12,521,803	-	-	12,527,322
3. Held to maturity investments	-	-	-	-	3	-	-	3
4. Loans and advances to banks	9,797	14,520	-	20	10,303,183	-	-	10,327,520
5. Loans and advances to customers	4,653,018	3,758,154	701,346	1,108,724	142,192,199	-	-	152,413,441
6. Financial assets designated at fair value	-	-	-	-	39,564	-	-	39,564
7. Financial assets held for sale	-	-	-	-		-		-
8. Hedging derivatives	-	-	-	-	198,703	-	-	198,703
Total 31/12/2009	**4,672,113**	**3,774,654**	**702,858**	**1,108,750**	**188,426,959**	**-**	**-**	**198,685,334**
Total 31/12/2008	**3,641,972**	**2,595,420**	**196,909**	**955,522**	**182,716,215**	**-**	**5**	**190,106,043**

With regard to the various portfolios of financial assets, the table provides a breakdown by credit quality using the definition for deteriorated exposure dictated by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items "Loans and advances to banks" and "Loans and advances to customers" include not only loans but also other types of assets (securities, etc.). All amounts are book values, and thus, adjusted for any related doubtful amounts.

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

(in thousands of EUR)

Portfolio/quality	Impaired 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	7,278		7,278	x	x	23,171,504	23,178,782
2. Financial assets available for sale	24,021	18,502	5,519	12,521,803		12,521,803	12,527,322
3. Held to maturity investments				3		3	3
4. Loans and advances to banks	82,323	57,986	24,337	10,315,252	12,069	10,303,183	10,327,520
5. Loans and advances to customers	17,152,937	6,931,696	10,221,241	143,004,918	812,718	142,192,199	152,413,440
6. Financial assets designated at fair value				x	x	39,564	39,564
7. Financial assets held for sale							-
8. Hedging derivatives				x	x	198,703	198,703
Total A	17,266,559	7,008,184	10,258,375	165,841,976	824,787	188,426,959	198,685,334
B. Other consolidated companies							
1. Financial assets held for trading				x	x		
2. Financial assets available for sale				-		-	-
3. Held to maturity investments							
4. Loans and advances to banks				-		-	-
5. Loans and advances to customers							
6. Financial assets designated at fair value				x	x		
7. Financial assets held for sale						-	-
8. Hedging derivatives				x	x		
Total B	-	-	-	-	-	-	-
Total 31/12/2009	17,266,559	7,008,184	10,258,375	165,841,976	824,787	188,426,959	198,685,334
Total 31/12/2008	13,006,889	5,613,109	7,393,780	161,817,329	1,168,636	182,712,262	190,106,042

With regard to the various portfolios of financial assets, the table provides a breakdown by credit quality using the definition for deteriorated exposure dictated by the Bank of Italy and adopted for the purposes of the financial statements.
Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items "Loans and advances to banks" and "Loans and advances to customers" include not only loans but also other types of assets (securities, etc.).
All amounts are book values, and stated before and after doubtful amounts.

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

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Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	54,143	42,070	x	12,073
b) Watchlist loans	37,448	22,928	x	14,520
c) Restructured loans	-	-	x	-
d) Past due	21	1	x	20
e) Other assets	14,026,316	X	12,069	14,014,247
Total A	**14,117,928**	**64,999**	**12,069**	**14,040,860**
B. Off-balance-sheet exposure				
a) Impaired	3,344	212	x	3,133
b) other	7,885,903	x	1,246	7,884,657
Total B	**7,889,247**	**212**	**1,246**	**7,887,790**
Total (A+B)	**22,007,175**	**65,211**	**13,315**	**21,928,650**

With regard to dealings with banks, the table provides a breakdown by credit quality using the definition for deteriorated exposure dictated by the Bank of Italy and adopted for the purposes of the financial statements.
Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (securities, etc.).

Thus, all balance-sheet exposure is stated at book values, before and after doubtful amounts. In particular, balance-sheet exposure encompasses all financial assets related to banks taken from financial statement Item 20 "Held-for-trading financial assets," Item 30 "Financial assets measured at fair value," Item 40 "Available-for-sale financial assets and Item 60 "Loans and advances to banks" with the exception of derivative contracts which are considered off-balance-sheet items in this section.
Off-balance-sheet exposure includes all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) which involve the assumption of credit risk, and they are valued using the measurement criteria dictated by the Bank of Italy.

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Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	67,312	49,675	x	17,637
b) Watchlist loans	37,220	20,281	x	16,939
c) Restructured loans	-	-	x	-
d) Past due	1,739	87	x	1,652
e) Other assets	22,873,038	X	87,809	22,785,229
Total A	**22,979,309**	**70,043**	**87,809**	**22,821,457**
B. Off-balance-sheet exposure				
a) Impaired	3,125	370	-	2,755
b) other	6,384,901	X	1,147	6,383,754
Total B	**6,388,026**	**370**	**1,147**	**6,386,509**
Total (A+B)	**29,367,335**	**70,413**	**88,956**	**29,207,966**

A.1.4 Banking Group – Balance-sheet exposure to banks: changes in gross impaired loans

31 12 2009

(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**67,312**	**37,220**	**-**	**1,739**
- of which: sold but not derecognised	-	-	-	-
B. Increases	**6,076**	**13,566**	**-**	**45**
B.1 transfers from performing loans	6,000	13,219		4
B.2 transfers from other impaired loans	-	-	-	
B.3 other increases	76	347	-	41
C. Other decreases	**19,244**	**13,338**	**-**	**1,763**
C.1 transfers to performing loans	-	-	-	1,763
C.2 write-offs	-	-	-	-
C.3 collections	9,074	13,338	-	-
C.4 amounts realised upon disposal of positions	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	-	-	-
C.6 other decreases	10,170	-	-	-
D. Gross exposure, closing balance	**54,144**	**37,448**	**-**	**21**
- of which: sold but not derecognised	-	-	-	-

With regard to dealings with banks, the table shows changes in deteriorated exposure that was subject to country risk during the year.
Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (securities, etc.). Balance-sheet exposure is reported at book value.

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(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**6,506**	**-**	**-**	**-**
- of which: sold but not derecognised	-	-	-	-
B. Increases	**60,875**	**37,220**	**-**	**1,751**
B.1 transfers from performing loans	6,140	-	-	-
B.2 transfers from other impaired loans		37,220		1,727
B.3 other increases	54,735	-	-	-
C. Other decreases	**69**	**-**	**-**	**12**
C.1 transfers to performing loans	-	-	-	12
C.2 write-offs	-	-	-	-
C.3 collections	69	-	-	-
C.4 amounts realised upon disposal of positions	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	-	-	-
C.6 other decreases	-	-	-	-
D. Gross exposure, closing balance	**67,312**	**37,220**	**-**	**1,739**
- of which: sold but not derecognised	-	-	-	-

A.1.5 Banking Group – Balance-sheet exposure to banks: changes in overall value adjustments

31 12 2009

(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**49,675**	**20,281**	**-**	**87**
- of which: sold but not derecognised	-	-	-	-
B. Increases	**7,656**	**6,163**	**-**	**86**
B.1 value adjustments	6,253	6,163		-
B.2 transfers from other categories of impaired exposures	-	-	-	-
B.3 other increases	1,403	-		86
C. Other decreases	***15,261***	***3,516***	**-**	***172***
C.1 write-backs from valuation	540	52	-	86
C.2 write-backs from collection	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other categories of impaired exposure	-	-	-	-
C.5 other decreases	14,721	3,464	-	86
D. Closing balance of overall adjustments	***42,070***	***22,928***	**-**	***1***
- of which: sold but not derecognised	-	-	-	-

With regard to bank dealings, the table shows changes in overall value adjustments on deteriorated exposure during the year.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (securities, etc.). Balance-sheet value adjustments are expressed at book value.

31 12 2008

(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**4,350**	**-**	**-**	**-**
- of which: sold but not derecognised	-	-	-	-
B. Increases	**45,943**	**20,281**	**-**	**87**
B.1 value adjustments	1,358	20,281	-	87
B.2 transfers from other categories of impaired exposures	-	-	-	-
B.3 other increases	44,585	-		
C. Other decreases	**618**	**-**	**-**	**-**
C.1 write-backs from valuation	618	-	-	-
C.2 write-backs from collection	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other categories of impaired exposure	-	-	-	-
C.5 other decreases	-	-	-	-
D. Closing balance of overall adjustments	**49,675**	**20,281**	**-**	**87**
- of which: sold but not derecognised	-	-	-	-

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

31 12 2009

(in thousands of EUR)

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	10,598,327	5,938,301	x	4,660,026
b) Watchlist loans	4,672,432	914,279	x	3,758,153
c) Restructured loans	726,042	24,696	x	701,346
d) Past due	1,176,633	67,909	x	1,108,724
e) Other assets	165,412,483	x	815,933	164,596,550
Total A	**182,585,917**	**6,945,185**	**815,933**	**174,824,799**
B. Off-balance-sheet exposure				
a) impaired	215,774	25,600	x	190,174
b) other	27,701,103	x	27,969	27,673,133
Total B	**27,916,877**	**25,600**	**27,969**	**27,863,307**
Total (A+B)	**210,502,794**	**6,970,785**	**843,902**	**202,688,106**

The table provides a breakdown by credit quality using the definition for deteriorated exposure dictated by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items "Loans and advances to banks" and "Loans and advances to customers" include not only loans but also other types of assets (securities, etc.). All amounts are book values, and stated before and after doubtful amounts.

Please see the report on operations for a quantification and report of capital coverage ratios only for lending relationships.

Thus, all balance-sheet exposure is stated at book values, before and after doubtful amounts. In particular, balance-sheet exposure summarises all financial assets related to customers taken from financial statement Item 20 "Held-for-trading financial assets," Item 30 "Financial assets measured at fair value," Item 40 "Available-for-sale financial assets and Item 70 "Loans and advances to customers" with the exception of derivative contracts which are considered off-balance-sheet items in this section.

Off-balance-sheet exposure includes all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) that involve the assumption of credit risk, and they are valued using the measurement criteria dictated by the Bank of Italy.

Balance-sheet exposure also includes loans sold but not derecognised in relation to performing and non-performing securitisation transactions.

Off-balance-sheet exposure includes all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) that involve the assumption of credit risk, and they are valued using the measurement criteria dictated by the Bank of Italy.

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(in thousands of EUR)

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	8,380,239	4,755,904	x	3,624,335
b) Watchlist loans	3,288,418	709,938	x	2,578,480
c) Restructured loans	208,280	11,371	x	196,909
d) Past due	1,019,724	65,855	x	953,869
e) Other assets	150,460,421	x	1,080,828	149,379,593
Total A	**163,357,082**	**5,543,068**	**1,080,828**	**156,733,186**
B. Off-balance-sheet exposure				
a) impaired	145,426	15,103	9,282	121,041
b) other	25,145,555	x	21,119	25,124,436
Total B	**25,290,981**	**15,103**	**30,401**	**25,245,477**
Total (A+B)	**188,648,063**	**5,558,171**	**1,111,229**	**181,978,663**

A.1.7 Banking Group – Balance-sheet exposure to customers: changes in gross impaired loans

31 12 2009

(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**8,380,239**	**3,288,418**	**208,280**	**1,019,724**
- of which: sold but not derecognised	1,435,191	6,564	-	25,756
B. Increases	**3,056,338**	**3,172,705**	**706,170**	**1,358,171**
B.1 transfers from performing loans	1,415,170	2,277,055	616,866	1,045,480
B.2 transfers from other impaired loans	1,068,607	473,939	41,368	14,252
B.3 other increases	572,561	421,711	47,936	298,439
C. Other decreases	**838,250**	**1,788,689**	**188,408**	**1,201,261**
C.1 transfers to performing loans	23,601	151,627	5,897	265,843
C.2 write-offs	165,266	106,187	3,082	4,830
C.3 collections	580,550	628,331	146,526	229,773
C.4 amounts realised upon disposal of positions	2,574	3,002	-	1,289
C.5 transfers to other categories of impaired exposure	7,245	892,614	32,852	568,326
C.6 other decreases	59,014	6,928	51	131,200
D. Gross exposure, closing balance	**10,598,327**	**4,672,434**	**726,042**	**1,176,634**
- of which: sold but not derecognised	9,286	39,466	-	44,829

With regard to dealings with customers, the table shows changes in deteriorated exposure during the year. In particular, write-offs include reductions due to loan redemptions. Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (securities, etc.). Balance-sheet exposure is expressed at book value.

Item C.2 “Write-offs” also includes write-offs of positions that have been completely amortised.

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(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**4,142,866**	**1,570,487**	**137,775**	**625,120**
- of which: sold but not derecognised	1,542,687	-	-	974
B. Increases	**5,606,135**	**3,035,670**	**269,233**	**1,247,390**
B.1 transfers from performing loans	753,070	1,116,955	42,681	579,754
B.2 transfers from other impaired loans	694,066	317,034	6,380	-
B.3 other increases	4,158,999	1,601,681	220,172	667,636
C. Other decreases	**1,368,762**	**1,317,739**	**198,728**	**852,786**
C.1 transfers to performing loans	26,091	77,389	9,413	230,202
C.2 write-offs	252,705	39,980	-	1,797
C.3 collections	839,520	525,929	50,322	241,363
C.4 amounts realised upon disposal of positions	50,488	445	-	-
C.5 transfers to other categories of impaired exposure	1,429	557,282	96,896	361,874
C.6 other decreases	198,529	116,714	42,097	17,550
D. Gross exposure, closing balance	**8,380,239**	**3,288,418**	**208,280**	**1,019,724**
- of which: sold but not derecognised	-	-	-	-

A.1.8 Banking Group – Balance-sheet exposure to customers: changes in overall value adjustments

31 12 2009

(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**4,755,904**	**709,938**	**11,371**	**65,855**
- of which: sold but not derecognised	760,411	757	-	1,288
B. Increases	**1,786,035**	**678,335**	**25,542**	**61,659**
B.1 value adjustments	1,334,965	616,338	24,769	50,246
B.2 transfers from other categories of impaired exposures	235,405	6,518	773	10,048
B.3 other increases	215,665	55,479	-	1,365
C. Other decreases	**603,638**	**473,994**	**12,218**	**59,605**
C.1 write-backs from valuation	335,035	128,189	7,979	36,275
C.2 write-backs from collection	62,211	21,675	237	1,065
C.3 write-offs	189,873	106,187	3,082	4,830
C.4 transfers to other categories of impaired exposures	1,092	212,155	920	16,914
C.5 other decreases	15,427	5,788	-	521
D. Closing balance of overall adjustments	**5,938,301**	**914,279**	**24,695**	**67,909**
- of which: sold but not derecognised	2,339	3,848	-	2,241

With regard to customer dealings, the table shows changes in overall value adjustments on deteriorated exposure subject to country risk during the year.

Item C.2 “Write-offs” also includes write-offs of positions that have been completely amortised.

31 12 2008

(in thousands of EUR)

Source / Categories	Non-performing loans	Watchlist loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**2,138,743**	**367,743**	**7,246**	**44,094**
- of which: sold but not derecognised	803,516		-	78
B. Increases	**3,487,455**	**704,115**	**25,711**	**75,457**
B.1 value adjustments	1,186,679	466,743	5,369	45,604
B.2 transfers from other categories of impaired exposures	137,068	9,462	186	-
B.3 other increases	2,163,708	227,910	20,156	29,853
C. Other decreases	**870,294**	**361,920**	**21,586**	**53,696**
C.1 write-backs from valuation	180,165	99,463	13,337	38,249
C.2 write-backs from collection	260,388	54,453	1,946	2,580
C.3 write-offs	251,140	39,981	-	1,797
C.4 transfers to other categories of impaired exposures	698	131,354	5,718	8,946
C.5 other decreases	177,903	36,669	585	2,124
D. Closing balance of overall adjustments	**4,755,904**	**709,938**	**11,371**	**65,855**
- of which: sold but not derecognised	760,411	757	-	1,288

A.2 Classification of exposure by external and internal ratings

A.2.1 Banking group – Breakdown of balance sheet and off-balance sheet exposure by external ratings (book values)

31 12 2009

(in thousands of EUR)

Exposures	External rating classes						No rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Balance-sheet exposure	**22,836,130**	**20,838,511**	**2,007,178**	**119,796**	**52,647**	**17,135**	**142,994,263**	**188,865,660**
B. Derivatives	**4,421,958**	**4,712,988**	**2,547,780**	**632,355**	**137,979**	**27,186**	**4,175,380**	**16,655,626**
B.1 Financial derivatives	810,084	411,030	70,013	272	7	-	1,648,555	2,939,961
B.2 Credit derivatives	3,611,874	4,301,958	2,477,767	632,083	137,972	27,186	2,526,825	13,715,665
C. Guarantees issued	**548,898**	**648,716**	**326,876**	**23,962**	**11,688**	**-**	**8,790,869**	**10,351,009**
D. Commitments to disburse	**287,658**	**125,676**	**88,021**	**256**	**-**	**-**	**8,242,851**	**8,744,462**
Total	**28,094,644**	**26,325,891**	**4,969,855**	**776,369**	**202,314**	**44,321**	**164,203,363**	**224,616,757**

classe 1=AAA/AA-

classe 2=A+/A-

classe 3=BBB+/BBB-

classe 4=BB+/BB-

classe 5=B+/B-

classe 6=Inferiore a B-

External rating categories used to complete the table are those used by Standard & Poor's. The exposure shown is that reported in the financial statements in Table A.1.3 (exposure to banks) and A.1.6 (exposure to customers) above. If more than one external rating is assigned, the criteria used for selecting the rating are those dictated by the Bank of Italy (if there are two ratings, the lower of the two is used, and if there are three or more ratings assigned, the second highest rating is selected). To ensure the significance of the information, internal decoding tables were used to convert the classification provided by the various rating agencies to the classification used by Standard & Poor's.

External ratings cover about 27% of total exposure. Ninety percent of exposure covered by external ratings is with customers with a credit rating equivalent to S&P categories between AAA and A-.

From a combined analysis of internal ratings (thus, limited only to portfolios that are subject to a possible validation) and external ratings, it was shown that about 49.5% of total loan exposure is covered by an external rating or a rating from an internal model, and the remainder of about 50.5% is not rated.

31 12 2008

(in thousands of EUR)

Exposures	External rating classes						No rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Balance-sheet exposure	**11,901,322**	**22,433,245**	**1,742,962**	**188,459**	**88,749**	**23,372**	**143,176,536**	**179,554,645**
B. Derivatives	**3,306,587**	**2,422,120**	**1,191,842**	**209,858**	**132,161**	**37,402**	**2,080,940**	**9,380,910**
B.1 Financial derivatives	2,036,046	509,857	2,363	202	-	1	489,690	3,038,159
B.2 Credit derivatives	1,270,541	1,912,263	1,189,479	209,656	132,161	37,401	1,591,250	6,342,751
C. Guarantees issued	**443,366**	**222,846**	**304,003**	**8,352**	**49,451**	**-**	**10,352,570**	**11,380,588**
D. Commitments to disburse	**2,681,172**	**757,837**	**56,029**	**3,331**	**-**	**2**	**7,372,117**	**10,870,488**
Total	**18,332,447**	**25,836,048**	**3,294,836**	**410,000**	**270,361**	**60,776**	**162,982,163**	**211,186,631**

A.2.2 Banking Group – Distribution of balance-sheet and off-balance sheet exposure according to internal ratings (book values)

31 12 2009
(in thousands of EUR)

Exposures	Internal rating classes								
	High quality	Average quality	Fair quality	Mediocre quality	Poor quality	Default	Group administrative default	No rating	Total
A. Balance-sheet exposure	**11,339,706**	**25,012,135**	**35,607,518**	**14,663,106**	**3,115,823**	**6,343,001**	**2,254,343**	**90,530,028**	**188,865,660**
B. Derivatives	**110,666**	**317,348**	**298,445**	**119,365**	**28,356**	**69**	**6,108**	**15,775,269**	**16,655,626**
B.1 Financial derivatives	16,458	128,113	254,211	119,365	28,356	69	6,108	2,387,281	2,939,961
B.2 Credit derivatives	94,208	189,235	44,234	-	-	-	-	13,387,988	13,715,665
C. Guarantees issued	**1,424,026**	**2,490,122**	**2,564,969**	**489,690**	**117,489**	**108,376**	**22,800**	**3,133,537**	**10,351,009**
D. Commitments to disburse funds	**274,136**	**889,787**	**2,613,749**	**722,982**	**117,489**	**228**	**40,852**	**4,085,239**	**8,744,462**
Total	**13,148,534**	**28,709,392**	**41,084,681**	**15,995,143**	**3,379,157**	**6,451,674**	**2,324,103**	**113,524,073**	**224,616,757**

The table provides a breakdown of customers of the MPS Group by risk categories assigned on the basis of ratings provided by internal models. For this purpose, exposure (borrowers) is only reported for which an internal rating is periodically recorded for models/legal entities/portfolios which have been subject to the validation process of the regulatory authorities without any decoding from official ratings to internal ratings especially with regard to the customer segments “Banks,” “Non-banking financial institutions,” and “Governments and Public Administrations”. Thus, based on this proviso, exposure related to the latter segments, even if covered by official ratings, was reported as “unrated” in the internal rating models.

The table shows that 11.8% of exposure with an internal rating comes from High Quality customers (Master Scale categories AAA and A1), 25.8% from Medium Quality Customers (Master Scale categories A2, A3 and B1), 37% from customers with Adequate Quality (Master Scale categories B2, B3, C1 and C2), 14.4% from customer with Mediocre Quality (Master Scale categories C3, D1, D2 and D3) and 3% from customers with Poor Quality (Master Scale categories E1, E2 and E3). Customers rated as Investment Grade (Master Scale categories AAA-B1) accounted for 37.7% of total exposure with an internal rating.

Unrated exposure totalled about € 114 mln, or 51% of the overall portfolio total reported.

31 12 2008
(in thousands of EUR)

Exposures	Internal rating classes								
	High quality	Average quality	Fair quality	Mediocre quality	Poor quality	Default	Group administrative default	No rating	Total
A. Balance-sheet exposure	**5,527,674**	**36,974,254**	**41,973,759**	**16,904,332**	**2,161,785**	**6,120,642**	**1,107,448**	**68,784,748**	**179,554,642**
B. Derivatives	**97,538**	**221,979**	**223,856**	**79,220**	**10,131**	**7,461**	**463**	**8,740,263**	**9,380,911**
B.1 Financial derivatives	33,919	109,959	223,856	79,220	10,131	7,461	463	2,573,151	3,038,160
B.2 Credit derivatives	63,619	112,020	-	-	-	-	-	6,167,112	6,342,751
C. Guarantees issued	**1,586,916**	**3,411,565**	**2,915,027**	**716,686**	**28,271**	**84,401**	**75,396**	**2,562,325**	**11,380,587**
D. Commitments to disburse funds	**232,648**	**1,012,212**	**3,272,836**	**987,580**	**49,644**	**22,220**	**3,960**	**5,289,391**	**10,870,491**
Total	**7,444,776**	**41,620,010**	**48,385,478**	**18,687,818**	**2,249,831**	**6,234,724**	**1,187,267**	**85,376,727**	**211,186,631**

A.3 Distribution of secured exposure by type of collateral

A.3.1 Banking Group – Secured credit exposure to banks

31 12 2009
(in thousands of EUR)

	Amount of Net Exposure	Real guarantees (1)			Personal guarantees (2)									Total 31 12 2009 (1) + (2)
					Credit derivatives					Unsecured signature loans				
						Other derivatives								
		Property	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**45,961**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**11,000**	**-**	**35,000**	**1,088**	**47,088**
1.1 totally secured	45,418									11,000		35,000	794	46,794
- of which impaired														
1.2 partially secured	543												294	294
- of which impaired														
2. Secured off-balance sheet exposures:	**530,852**	**-**	**27,787**	**442,745**	**-**	**-**		**-**	**-**	**-**	**-**	**168**	**115**	**470,815**
2.1 totally secured	322,047		18,696	303,201				-				112	37	322,046
- of which impaired														
2.2 partially secured	208,805		9,090	139,545				-				56	77	148,768
- of which impaired														

The table shows the amount of balance-sheet exposure to banks that is partially or fully secured. Thus, the table does not correspond to total financial statement exposure since it excludes the unsecured portion. As in the case of tables above, balance-sheet exposure to banks includes not only loans but all financial assets with the exclusion of derivative contracts. As regards guarantees, the economic categories to which the guarantors (in the case of guaranteed loans) and sellers of protection (in the case of credit derivatives) belong are identified making reference to the classification criteria specified in the brochure on the "classification of customers by sectors and groups of economic activity" published by the Bank of Italy. The amount shown in the column with exposure amounts is the net exposure. The exposure amount includes performing and non-performing securitisation transactions, the loans for which have not been derecognised.

The fair value of security estimated on the reporting date is shown in the column for collateral security and guarantees; if such information is not available, the contractual value is provided.

31 12 2008
(in thousands of EUR)

	Amount of Net Exposure	Collaterals			Personal guarantees									Total 31 12 2008
					Credit derivatives					Unsecured signature loans				
						Other derivatives								
		Property	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**3,469**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**59**	**1,500**	**1,559**
1.1 totally secured	327											59	268	327
- of which impaired														
1.2 partially secured	3,142												1,232	1,232
- of which impaired														
2. Secured off-balance sheet exposures:	**863,696**	**-**	**5,400**	**374,900**	**-**	**-**		**-**	**-**	**-**	**-**	**107**	**-**	**380,407**
2.1 totally secured	112,547	-	-	112,547				-		-	-	-	-	112,547
- of which impaired														
2.2 partially secured	751,149	-	5,400	262,353				-		-	-	107	-	267,860
- of which impaired														

A.3.2 Banking Group – Secured credit exposure to customers

31 12 2009
(in thousands of EUR)

	Amount of Net Exposure	Real guarantees (1)			Personal guarantees (2)									Total 31 12 2009 (1) + (2)
					Credit derivatives					Unsecured signature loans				
						Other derivatives								
		Property	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**87,643,829**	**63,008,975**	**3,418,022**	**317,989**	**-**	**-**		**-**	**-**	**1,993**	**122,974**	**198,851**	**18,845,029**	**85,913,833**
1.1 totally secured	83,874,614	62,767,847	3,032,013	217,223						1,326	113,268	177,052	17,327,046	83,635,775
- of which impaired	5,857,349	4,338,044	267,248	8,320						1,205	1,952	2,757	1,233,933	5,853,459
1.2 partially secured	3,769,215	241,127	386,009	100,767						666	9,706	21,799	1,517,983	2,278,057
- of which impaired	412,228	84,305	21,007	2,928							491	5,645	219,869	334,245
2. Secured off-balance sheet exposures:	**5,915,015**	**1,180,061**	**194,161**	**168,183**	**-**	**-**		**-**	**-**	**102**	**7,796**	**143,154**	**3,748,948**	**5,442,405**
2.1 totally secured	4,971,639	1,161,542	147,806	122,863				-		48	6,190	94,421	3,435,903	4,968,773
- of which impaired	58,783	21,550	610	1,358									36,888	60,406
2.2 partially secured	943,376	18,520	46,355	45,320				-		55	1,605	48,733	313,044	473,632
- of which impaired	12,468		544	627									6,703	7,874

The table shows the amount of off-balance-sheet exposure to customers, including derivative contracts, which is fully or partially secured. As regards guarantees, the economic categories to which the guarantors (in the case of guaranteed loans) and sellers of protection (in the case of credit derivatives) belong are identified making reference to the classification criteria specified in the brochure on the "classification of customers by sectors and groups of economic activity" published by the Bank of Italy.

The "Amount of exposure" column indicates net exposure amounts.

The columns indicating the amounts of collateral security and guarantees provide the fair value of the security estimated on the reporting date, or, in the absence of this information, the contractual value of such security.

31 12 2008
(in thousands of EUR)

	Amount of Net Exposure	Collaterals			Personal guarantees									Total 31 12 2008
					Credit derivatives					Unsecured signature loans				
						Other derivatives								
		Property	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**86,147,847**	**59,686,824**	**3,082,229**	**351,473**	**-**	**-**		**-**	**-**	**2,153**	**106,212**	**61,684**	**20,966,490**	**84,257,065**
1.1 totally secured	81,767,119	59,433,138	2,406,966	259,704						1,166	88,220	47,211	19,285,411	81,521,816
- of which impaired														
1.2 partially secured	4,380,728	253,686	675,263	91,769						987	17,992	14,473	1,681,079	2,735,249
- of which impaired														
2. Secured off-balance sheet exposures:	**9,693,551**	**1,135,096**	**213,688**	**177,823**	**-**	**-**		**-**	**-**	**48**	**11,947**	**124,359**	**3,927,046**	**5,590,007**
2.1 totally secured	5,153,585	1,124,638	164,018	116,208				-		48	5,717	73,488	3,661,448	5,145,565
- of which impaired														
2.2 partially secured	4,539,966	10,458	49,670	61,615				-		-	6,230	50,871	265,598	444,442
- of which impaired														

B. DISTRIBUTION AND CONCENTRATION OF LOANS

B.1 Banking Group – Distribution by sector of balance-sheet and off-balance-sheet loan exposure to customers (book values)

31 12 2009
(in thousands of EUR)

Exposure/Customers	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance-sheet exposure																		
A.1 Non performing loans		27	X	438	127	X	28,313	106,458	X	10	3	X	3,841,865	4,855,997	X	789,399	975,687	X
A.2 Watchlist loans			X	11	33	X	28,390	46,762	X	14	6	X	3,080,167	700,061	X	649,571	167,417	X
A.3 Restructured loans			X			X			X			X	700,273	24,638	X	1,073	57	X
A.4 Past due	12	-	X			X	1,769	83	X			X	761,841	41,577	X	345,102	26,251	X
A.5 Other exposures	17,532,810	X	557	3,831,776	X	2,159	16,573,575	X	19,006	795,854	X	1,516	83,484,908	X	668,020	44,050,428		124,675
Total A	17,532,822	27	557	3,832,225	160	2,159	16,632,047	153,303	19,006	795,878	9	1,516	91,869,054	5,622,273	668,020	45,835,573	1,169,412	124,675
B. Off-balance-sheet exposures																		
B.1 Non-performing loans			X			X	958	239	X			X	78,544	19,598	X	348	45	X
B.2 Watchlist loans			X			X	1,305	2	X			X	53,926	3,217	X	1,304	62	X
B.3 Other impaired assets			X			X	5,014	265	X			X	47,534	2,129	X	1,239	43	X
B.4 Other exposures	982,094	X		339,946	X	20	3,650,845	X	943	1,161,358	X	143	20,059,594	X	26,467	1,479,297	X	396
Total B	982,094	-	-	339,946	-	20	3,658,122	506	943	1,161,358	-	143	20,239,598	24,944	26,467	1,482,188	150	396
Total (A+B) 31/12/2009	18,514,916	27	557	4,172,171	160	2,179	20,290,169	153,809	19,949	1,957,236	9	1,659	112,108,652	5,647,217	694,487	47,317,761	1,169,562	125,071

31 12 2008

(in thousands of EUR)

Exposure/Customers	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance-sheet exposure																		
A.1 Non performing loans	-	25		274	264		39,674	56,239		315	783		2,971,199	3,947,700	9,316	612,873	597,273	144,303
A.2 Watchlist loans	1	2		4,526	4,464		155,097	67,914		476	119		1,886,762	493,123	599	531,619	120,957	22,760
A.3 Restructured loans							-	-					191,752	10,800	-	5,157	571	-
A.4 Past due	-			37	2		13,112	90	-	289	11		578,058	31,455	924	362,373	20,612	12,761
A.5 Other exposures	4,680,796	x	371	3,660,964	x	1,543	9,774,259	x	53,803	213,198	x	44	89,819,331	x	918,286	41,231,047	x	106,778
Total A	4,680,797	27	371	3,665,801	4,730	1,543	9,982,142	124,243	53,803	214,278	913	44	95,447,102	4,483,078	929,125	42,743,069	739,413	286,602
B. Off-balance-sheet exposures																		
B.1 Non-performing loans							797	199					86,493	12,427	9,133	525	135	
B.2 Watchlist loans							26	-					20,228	1,391	149	1,018	68	
B.3 Other impaired assets							9						9,393	619	-	2,553	264	
B.4 Other exposures	2,144,260	X	1,144	467,050	X	388	5,772,573	X	6,587	496,387	X	207	14,445,369	X	10,177	1,798,797	X	2,616
Total B	2,144,260	-	1,144	467,050	-	388	5,773,405	199	6,587	496,387	-	207	14,561,483	14,437	19,459	1,802,893	467	2,616
Total (A+B) 31/12/2009	6,825,057	27	1,515	4,132,851	4,730	1,931	15,755,547	124,442	60,390	710,665	913	251	110,008,585	4,497,515	948,584	44,545,962	739,880	289,218

B.2 Banking Group – Distribution by geographic area of balance-sheet and off-balance-sheet loan exposure to customers (book values)

(in thousands of EUR)

Exposure / Geographic Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure										
A.1 Non performing loans	4,608,419	5,823,463	43,539	79,381	7,760	31,385	92	2,749	215	1,323
A.2 Watchlist loans	3,687,996	879,484	69,394	34,272	655	53	109	469	-	-
A.3 Restructured loans	701,346	24,696	-	-	-	-	-	-	-	-
A.4 Past due	1,106,177	67,787	2,054	109	447	10	21	1	26	1
A.5 Other exposures	139,020,657	807,303	25,605,444	6,072	803,824	1,573	147,808	657	691,616	329
Total A	**149,124,595**	**7,602,733**	**25,720,431**	**119,834**	**812,686**	**33,021**	**148,030**	**3,876**	**691,857**	**1,653**
B. Off-balance-sheet exposures										
B.1 Non-performing loans	79,334	19,754	-	-	516	129	-	-	-	-
B.2 Watchlist loans	56,504	3,281	-	-	31	-	-	-	-	-
B.3 Other impaired assets	46,062	2,059	7,724	377	2	-	-	-	-	-
B.4 Other exposures	16,342,234	27,659	9,681,563	181	1,532,693	105	41,544	24	75,099	-
Total B	**16,524,134**	**52,753**	**9,689,287**	**558**	**1,533,242**	**234**	**41,544**	**24**	**75,099**	**-**
Total (A+B) 31/12/2009	**165,648,729**	**7,655,486**	**35,409,718**	**120,392**	**2,345,928**	**33,255**	**189,574**	**3,900**	**766,956**	**1,653**
Total (A+B) 31/12/2009	**168,418,831**	**6,551,861**	**10,398,558**	**101,818**	**2,191,899**	**10,015**	**290,750**	**4,102**	**678,626**	**1,601**

B.3 Banking Group – Distribution by geographic area of balance-sheet and off-balance-sheet loan exposure to banks (book values)

(in thousands of EUR)

Exposure / Geographic Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure										
A.1 Non performing loans	-	6,000	9,457	11,991	2,492	23,968	-	-	123	110
A.2 Watchlist loans	-	-	12,971	22,336	-	-	1,549	592	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due	19	-	-	-	-	-	-	-	-	-
A.5 Other exposures	6,025,087	9,224	6,719,388	2,341	518,362	85	407,103	376	344,306	40
Total A	**6,025,106**	**15,224**	**6,741,816**	**36,668**	**520,854**	**24,053**	**408,652**	**968**	**344,429**	**150**
B. Off-balance-sheet exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	2,078	156	-	-
B.3 Other impaired assets	1,054	55	-	-	-	-		-	-	-
B.4 Other exposures	2,618,854	501	4,639,738	532	390,479	15	71,063	69	164,524	130
Total B	**2,619,908**	**556**	**4,639,738**	**532**	**390,479**	**15**	**73,141**	**225**	**164,524**	**130**
Total (A+B) 31/12/2009	**8,645,014**	**15,780**	**11,381,554**	**37,200**	**911,333**	**24,068**	**481,793**	**1,193**	**508,953**	**280**
Total (A+B) 31/12/2009	**15,649,305**	**87,042**	**11,972,894**	**47,483**	**865,023**	**24,106**	**481,771**	**443**	**238,978**	**289**

Balance-sheet exposure to banks reported in the table is the same as that reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) which involve the assumption of credit risk, and that are valued using the measurement criteria dictated by the Bank of Italy.

Amounts are stated before and after doubtful amounts.

Exposure is broken down geographically by the country of residence of the borrower.

The table includes loans sold but not derecognised under performing and non-performing securitisation transactions.

B.4 Major risks

Item/Amount	31 12 2009	31 12 2008
a) Amount	-	-
b) Number	-	-

There are no positions that can be classified as "Major Risks" in accordance with current supervisory regulations.

C. SECURITISATION AND ASSET SALE TRANSACTIONS

C.1 Securitisation transactions

Qualitative information

Structures, processes and goals

In keeping with the organisational model established at the Group level for the administration and management of risks, securitisation risk is governed by a specific Group directive.

The Parent Bank's Group Balance Sheet Management Department establishes general practices and coordinates the securitisation of bonds held in the Group's portfolio. The criteria and rules for managing securitisation transactions are instead determined by the Parent Bank's Credit Policies and Control Area. To be specific, the Group has established a special unit in this area, called the Special Loan and Securitisation Department, which is responsible for establishing operational guidelines and general practices for the securitisation of performing loans, looks after related aspects and performance requirements associated with servicing activities and monitors the performance of existing transactions through monthly and quarterly reports on collections of remaining principal, delinquencies and disputed positions (the latter two are obviously for performing securitisation transactions), positions in arrears, and ratings of senior, mezzanine and junior securities by the Special Loan and Securitisation Department.

In coordination with other originator banks, the Parent Bank's Special Loan and Securitisation Department prepares tables summarising data on portfolios sold (the "total report"), and summaries of audits of multi-originator transactions. In addition, as a part of its management of critical situations, it provides reports to the relevant units on cases where there may be potential risks for noteholders.

The Parent Bank's Financial Statement and Tax Department provides support, for the purposes of preparing the financial statements, in identifying any impairment on the Group's securities resulting from its securitisation transactions.

As the third-level control body, the Internal Control Area uses sampling procedures to periodically validate whether the degree of recoverability attributed to loans sold is accurate, and as a result, whether the fair value of the securities issued is accurate, and it also verifies whether line checks assigned to various structures have been carried out with the proper identification of roles and responsibilities. It also verifies: the compliance of reporting/accounting procedures with current regulations with the collaboration, as necessary, of other structures; the existence of any conflicts of interest with respect to security holders; and compliance, using sampling, with the obligations of Law 197/91 and subsequent revisions.

On the other hand, the management of operations connected with non-performing loan securitisations is carried out by a special unit established within MPS Gestione Crediti S.p.A.

In addition, a special Group Directive specifies that a half-yearly report must be sent to the Top Management in relation to the performance of transactions completed by the Banking Group over time.

Performing securitisation transactions were structured with the aim of deriving economic advantages regarding the optimisation of loan portfolio management and the diversification of sources of funding, the reduction of the cost of funding and the alignment of the natural maturities of assets and liabilities.

Securitisation transactions are performing normally; this opinion is also shared by the rating agencies that revised the ratings originally assigned to the classes of notes issued.

The portfolio securitised through the Siena Mortgages S.r.l. special-purpose vehicles consists of mortgage loans originated by Group banks. Mantegna Finance S.r.l. and Mantegna Finance II S.r.l. were established by Banca Agricola Mantovana S.p.A. (now merged into the Parent Bank), and Spoleto Mortgages S.r.l. was established by Banca Popolare di Spoleto S.p.A. With regard to securitisations involving non-performing assets, it should be noted that the portfolio of Ulisse 2 S.p.A. consists of short-term, unsecured loans that were also originated by the Parent Bank.

Redemption of securitisation transactions

In 2009 three securitisation transactions were redeemed in advance.

1. On 14 April 2009 the Giotto Finance S.p.A. securitisation was redeemed with the resulting repurchase of remaining loans; the securitisation covered performing loans originated by Banca Antonveneta S.p.A. The repurchase transaction resulted in the reporting of a gain of € 5.1 mln.
2. On 30 September 2009 the Siena Mortgages 00-1 S.p.A. securitisation, which was sold and not derecognised, was redeemed in advance. This transaction originated in 2007 as a result of the sale of a portfolio consisting of non-performing loans belonging to Banca Monte dei Paschi di Siena S.p.A., Banca Toscana S.p.A. and Banca Agricola Mantovana S.p.A. The repurchase transaction had no impact on financial statements.
3. On 5 November 2009, the MPS Assets Securitisation S.p.A. securitisation was repurchased. This is a multi-originator securitisation of a portfolio that originally consisted of 97,000 personal loans secured by liens on financial instruments, with maturities from 15 to 30 years in the form of zero-coupon bonds and units of mutual funds. The repurchase transaction resulted in a breakeven situation.

Securitisation transactions at 31/12/2009

As at 31/12/2009 securitisations of assets sold but not derecognised were as follows:

1. **Siena Mortgages 07-5, 1st tranche**

On 21 December 2007 the Parent Bank finalised the securitisation of performing loans consisting of a portfolio of 57,968 residential mortgages for a total of € 5,162 mln, of which there was a balance of € 3,777 mln of assets sold but not derecognised as at 31/12/2009.

The Siena Mortgages S.p.A. special-purpose vehicle is 93% owned by Stichting Giglio S.p.A. and 7% owned by the Parent Bank. This structure makes it possible to maintain the vehicle's independence.

Residential mortgage-backed floating-rate notes (RMBS) were issued to fund the acquisition in the following tranches:

• Class A1 securities	(rating AAA)	for a total of €	4,765,900,000
• Class B securities	(rating A)	for a total of €	157,450,000
• Class B securities	(rating BBB)	for a total of €	239,000,000
• Class D securities	(unrated)	for a total of €	123,983,000

A cash reserve of € 123.9 mln was established which corresponds to the Class D Junior securities issue.

In 2009 senior securities totalling € 1,172 mln were redeemed leaving € 3,593 mln, equal to 75% of the securities originally issued.

2. **Siena Mortgages 07-5, 2nd tranche**

On 31 March 2008 the Parent Bank finalised the securitisation of performing loans consisting of a portfolio of 41,888 residential mortgages for a total of € 3,461 mln and a remaining life of about 20 years in the context of diversifying and developing available funding and capital management instruments. In terms of geographic profile, 46% of the mortgages are concentrated in central Italy, while northern and southern Italy each represent 27% of the total.

At 31/12/2009 there was a balance of € 2,703 mln in loans sold but not derecognised.

For these loans, an existing special-purpose vehicle, Siena Mortgages 07-5 S.p.A. was used; it had already been used for the securitisation of performing residential mortgages which was completed in December 2007.

Residential mortgage-backed floating-rate notes (RMBS) were issued to fund the acquisition in the following tranches:

• Class A1 securities	(rating AAA)	for a total of €	3,129,400,000
• Class B securities	(rating A)	for a total of €	108,300,000
• Class B securities	(rating BBB)	for a total of €	178,300,000
• Class D securities	(unrated)	for a total of €	82,066,000

A cash reserve of € 82 mln was established which corresponds to the Class D Junior securities.

In 2009 senior securities totalling € 619 mln were repaid leaving € 2,510 mln, equal to 75% of the securities originally issued.

The specific features of the securitisations sold but not derecognised do not allow for the derecognition of risk assets for the purposes of calculating prudential ratios. Thus, for the purposes of calculating capital absorption, the loans were maintained in the Group's weighted assets as if they had never been sold. The notes issued were fully underwritten by the originator, Banca MPS. The full underwriting of the notes also entails, from a balance sheet perspective, the essential retention of the risks and benefits of the portfolio sold. In accordance with the rules of IAS 39 concerning derecognition, the loans sold were derecognised.

Thus, these sale transactions had no economic impact on the company financial statements, and the sale price was set at the book value of the existing loans on the sale date. The loans continue to be reported under asset Item 70 "Loans and advances to customers," while the underwritten notes are not reported.

Although the direct and full underwriting by the seller, Banca MPS, of the notes issued by the vehicle did not generate any direct cash from the market at that time, it still provided the Group with securities that could be used for refinancing transactions at the ECB and for repo transactions, thereby improving its safety margin and its liquidity risk position. In fact, securities that can be allocated with an AAA rating represent the Group's main core for covering short-term obligations using instruments that can be readily liquidated.

As at 31/12/2009 securitisations of assets sold and derecognised were as follows:

The portfolio securitised through the **Siena Mortgages 02-3 S.p.A. and Siena Mortgages 03-4 S.p.A.** special-purpose vehicles consists of mortgage loans originated by Group banks.

Siena Mortgages 02-3 S.p.A. is a securitisation carried out in 2002, the remaining debt balance for which is € 475 mln; 52% of mortgages have been repaid.

Siena Mortgages 03-4 S.p.A. was established in 2003 and has a remaining debt balance of € 602 mln; 33% of mortgages have been repaid.

It should be noted that in 2009 € 9.2 mln in excess spreads were collected for the Siena Mortgages 02-3 transaction, whose receivable for excess spreads had already been totally settled in previous years. For this reason, the amount was allocated, in the 2009 financial statements, to the profit and loss statement under Item 130 "Value adjustments and recoveries" as a recovery.

Other securitisation transactions involving residential mortgages are **Mantegna Finance S.r.l.** and **Mantegna Finance II S.r.l.**, which were originated by Banca Mantovana S.p.A., which has now merged into Banca Monte dei Paschi di Siena S.p.A.

Mantegna Finance S.r.l. dates back to 2001, has a remaining debt balance of € 96 mln, and 68% of mortgages have been repaid. Mantegna Finance II S.r.l. is a transaction that was completed in 2002 with 52% of mortgages repaid and a remaining debt balance of € 73.7 mln.

In addition, Banca Agricola Mantovana S.p.A. originated the **Gonzaga Finance S.r.l.** securitisation of securities in 2000. Original loans sold totalled € 748.6 mln, and the remaining debt balance at 31/12/2009 was € 119.8 mln.

The **Giotto Finance 2 S.p.A.** securitisation of performing mortgages provided to individuals has a remaining debt balance of € 200.3 mln, since 43% of mortgages have been repaid. Since the securitised assets were a "true sale," they were no longer included in the assets of the former Banca Antonveneta S.p.A. which included the related junior notes that were fully underwritten by the bank.

The **Segesta Finance S.r.l.** securitisation (which was originated in 2000 by the former Banca 121 S.p.A., currently MPS Banca Personale S.p.A.) is still on the books with a remaining debt balance of € 48.8 mln, while the total amount of loans sold was € 355.3 mln.

With regard to securitisations involving non-performing assets, it should be noted that the portfolio of **Ulisse 2 S.p.A.** consists of short-term, unsecured loans which were originated by the Parent Bank. The securitisation dates back to 2001, has a remaining debt balance of € 175.3 mln, and original debt of €748.6 mln.

The performance of the securitisation has been more than satisfactory. In fact, as of the reporting date, cumulative recoveries were far in excess of expectations projected in the original Cumulative Business plan.

Finally, there are the **Ulisse 4** and **Spoleto Mortgages** securitisations that were carried out by Banca Popolare di Spoleto, a bank included in the basis of consolidation at 26.005% based on the proportional principle. **Ulisse 4** is a securitisation of non-performing loans that originated in 2001; its remaining debt balance is € 14 mln. At 31/12/2009 the special-purpose vehicle had repaid all senior notes. **Spoleto Mortgages** is a securitisation of performing loans that originated in 2003; its remaining debt balance was € 71 mln. At 31/12/2009 the special-purpose vehicle had repaid 71.6% of senior notes.

Securitisation transactions completed in 2009

In order to increase available eligible assets, in 2009 the Group completed two securitisation transactions through the special-purpose vehicle Siena Mortgages 09-6 S.r.l. that were broken down into two tranches.

The **first tranche** was finalised on 20 February 2009 through the sale of a portfolio of performing mortgages forming a part of the real estate and building areas for a total of € 4,400 mln, of which a balance of € 4,040 mln remained as at 31/12/2009.

The special-purpose vehicle Siena Mortgages 09 – 6 S.r.l. is 93% owned by Stichting Giglio, a foundation under Dutch law, and the remaining 7% is owned by the Parent Bank. This structure makes it possible to ensure the vehicle's independence.

Residential mortgage-backed floating-rate notes (RMBS) were issued to fund the acquisition in the following tranches:

- Class A1 securities (rating AAA) for a total of € 3,851,300,000.00
- Class B securities rating A) for a total of € 403,700,000.00
- Class C securities (rating BBB-) for a total of € 181,450,000.00
- Class D securities (unrated) € 106,700,000.00

The first tranche, which was finalised in February, was followed by another securitisation transaction of **Siena Mortgages 09-6 S.r.l., 2nd tranche**, on 26 June 2009 for a total of € 4,101 mln.

The portfolio consisted of 44,148 performing mortgages of the Parent Bank (including positions from the former branches of Banca Agricola Mantovana S.p.A., Banca Antonveneta S.p.A. and Banca Toscana S.p.A., which have now been absorbed), again in the real estate and building areas, with all instalment payments current as of the valuation date of the portfolio sold (broken down as follows: modular-rate mortgages: 14,755; variable-rate mortgages: 13,791; and fixed-rate mortgages: 15,602).

To fund the acquisition, the special purpose vehicle (Siena Mortgages 09 – 6 S.r.l.) issued residential mortgage-backed floating-rate notes (RMBS) in the following tranches:

- Class A1 securities (rating AAA) for a total of € 3,466,000,000.00
- Class B securities (rating A) for a total of € 447,100,000.00
- Class C securities (rating BBB-) for a total of € 188,650,000.00
- Class D securities (unrated) € 103,502,000.00

In 2009 the Parent Bank initiated a process to sell bank branches. The first 15 branches were sold to Banca Popolare di Puglia e Basilicata (transaction finalised on 30 September 2009). Negotiations are under way for the sale of a further 135 bank branches.

Since the assets being transferred also included a portion of loans securitised under the first and second tranches of the “Siena Mortgages 09-6” transactions, in November 2009 a total of € 900 mln in loans were repurchased, related to about 9,780 residential mortgages which had already been securitised.

As a result, the remaining debt balance of the second tranche of the Siena Mortgages 09-6 securitisation was reduced to € 2,985 mln on the reporting date.

Quantitative information

C.1.1 Banking Group – Exposure arising from securitisation transactions broken down by quality of the underlying assets

31 12 2009

(in thousands of EUR)

Quality of underlying assets/ Exposures	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:																		
a) Impaired	-	-	-	-	72,812	41,166	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	13,540,030	13,540,150	1,928,476	1,928,395	555,695	535,872	-	-	-	-	-	-	-	-	-	-	1,146	1,146
B. With third-party underlying assets:																		
a) Impaired	64,127	55,877	796	625	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	571,762	558,816	58,359	56,802	6,395	6,463	-	-	-	-	-	-	-	-	-	-	-	-

The table indicates exposure assumed by the Group in relation to its own and third-party securitisation transactions, with and without guarantees and other forms of credit enhancement.

31 12 2008

(in thousands of EUR)

Quality of underlying assets/ Exposures	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:																		
a) Impaired	373,709	373,709			193,130	156,127												
b) Other	8,020,196	8,020,155	713,613	709,629	482,746	451,784						-						
B. With third-party underlying assets:																		
a) Impaired	66,741	65,373	2,568	803														
b) Other	431,376	408,837	403,147	305,522	33,885	23,699												

C.1.2 Banking Group – Exposure arising from major "own" securitisation transactions broken down by type of securitised assets and exposure

31 12 2009

(in thousands of EUR)

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs
A. Fully derecognised																		
A.1 Mantegna Finance																		
- mortgage loans					9,150	(850)												
A.2 Mantegna Finance II																		
- mortgage loans	2,884		-		7,832	(862)												
A.3 Siena Mortgages 03-4																		
- mortgage loans	34,870	124	6,706	8	36,077	(11,735)												
A.4 Vintage Capital																		
- bonds and credit derivatives			1,482	(122)														
A.5 Ulisse 2																		
- non-performing loans					36,713	(30,917)												
A.6 Siena Mortgages 02-3																		
- mortgage loans	31,905	(5)	4,929	27														
A,7 Gonzaga Finance																		
- bonds and credit derivatives					21,283													
A,8 Spoleto Mortgages																		
- landed mortgage loans secured by 1st mortgage	237				940	1											1,146	
A,9Ulisse 4																		
- non-performing loans					4,454													
A,10 Giotto Finance 2 Sp.a.																		
- performing loans					45,679	(1,739)												
B. Partially derecognised																		
C. Not derecognised																		
A.11 Siena Mortgages 07-5																		
- mortgage loans	6,127,451		687,541		205,409	(640)												
A.12 Siena Mortgages 09-6 Srl																		
- mortgage loans	7,342,803		1,227,738		209,501	(652)												

The table indicates the exposure assumed by the Group in relation to each of its securitisation transactions, and also reports the contractual type of assets sold. The column labelled "Net adjustments/recoveries" indicates the amount of any value adjustments or recoveries during the year as well as writedowns and revaluations posted to the profit and loss statement or directly to a shareholders' equity reserve.

Sub-item A "Fully derecognised" includes the Group's securitisation transactions put in place before 1 January 2004 for which the Group has taken advantage of the exemption from the requirements to comply with IAS/IFRS, as permitted by IFRS 1 at the time of the initial application of international accounting standards. As a result of this exemption, the Group was allowed to exclude these transactions from the reporting of financial assets and liabilities sold and derecognised, based on previous national accounting standards, provided such derecognition did not meet the requirements set by IAS 39.

31 12 2008

(in thousands of EUR)

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs
A. Fully derecognised																		
A.1 Mantegna Finance																		
- mortgage loans			4,972	(3,561)	10,809													
A.2 Mantegna Finance II																		
- mortgage loans	752	(41)	-		8,335	(862)												
A.3 M.P.S. Asset Securitization																		
- performing loans			-	-	47,069	(21,585)												
A.4 Siena Mortgages 03-4																		
- mortgage loans			3,001	(423)	41,363	(9,927)												
A.5 Vintage Capital																		
- bonds and credit derivatives			6,133															
A.6 Ulisse 2																		
- non-performing loans					84,770	(36,886)												
A.7 Spoleto Mortgages																		
- landed mortgage loans secured by 1st mortgage on residential property					2,115													
A.8 Ulisse 4																		
- non-performing loans					4,440	(117)												
A.9 Giotto Finance SPA																		
- performing loans					80,133	(3,349)												
A.10 Giotto Finance 2 SPA																		
- performing loans					47,932	(3,215)												
B. Partially derecognised																		
C. Not derecognised																		
A.11 Siena Mortgages 07-5																		
- mortgage loans	8,019,403		695,523		206,049													
A.12 Siena Mortgages 00-1																		
- non-performing loans	373,709				66,917													

C.1.3 Banking Group – Exposure arising from major "third-party" securitisation transactions classified by type of securitised assets and exposure

Type of underlying asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/write-backs	Book value	Write-downs/write-backs	Book value	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs
A.1 AGRI 1A TV DE15	308	(461)																
- Leasing																		
A.2 AQUA 2B 12 TV			1,325	(458)														
- Consumer loans																		
A.3 AIREM TV SE66			336	(7)														
- Residential mortgages																		
A.4 AMSTEL CORPORATE LOAN OFFERING BV	4,475		16,856	(35)														
- Residential mortgages																		
A.5 ARENAA1 TV NO41	1,994	(6)																
- Residential mortgages																		
A.6 ARENAA2 TV NO41	4,988	(16)																
- Residential mortgages																		
A.7 ARMS II EURO FUNDS VI			1,927															
- Residential mortgages																		
A.8 ATLAN TV JA36	1,503	(268)																
- Residential mortgages																		
A.9 BPMO TV JL44	2,893	(44)																
- Residential mortgages																		
A.10 COLOMBO Srl			16,745															
- Residential mortgages																		
A.11 CORDUSIO TVDE23	4,073	300																
- Residential mortgages																		
A.12 CLOVERIE TVSE14	302	(385)																
Bonds																		
A.13 CREDF3 A1 TVMR15	269	(12)																
- Bonds																		
A.14 DOLOM TV DE17	1,739	(36)																
- Leasing																		
A.15 EMPYR TV AP13	1,300	(2,269)																
- Bonds																		

Type of underlying asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/write-backs	Book value	Write-downs/write-backs	Book value	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs
A.16 ENTASI Srl	49,871	(11)																
- Non-performing loans																		
A.17 FIPFD TV JL 14	2,659	(1,355)																
- Non-residential mortgages																		
A.18 GRANITE MASTER ISSUER P.l.c.			824															
- Residential mortgages																		
A.19 GRANITE TV MR44			2,972	1,283														
- Residential mortgages																		
A.20 GRANITE TV JN11			489	(1,026)														
- Residential mortgages																		
A.21 GREYL TV MR14	3,753	(4,755)																
- Bonds																		
A.22 HIPO TV JN06			424	(40)														
- Leasing																		
A.23 INTESA TV DE17	39	74																
- Leasing																		
A.24 KENMORE TV AP14			625	(171)														
- Bonds																		
A.25 LAMBDA FINANCE B.V.	3,778		4,485		1,669													
- Residential mortgages																		
A.26 LUDGATE FUNDING P.l.c.	2,790																	
- Residential mortgages																		
A.27 MONTE 2008 B.V.	403,516																	
- Residential mortgages																		
A.28 PATAG ZC DE16	99,517	(6,908)																
- Bonds																		
A.29 PATAGONIA FINANCE s.a.					3,178	68												
- Bonds																		
A.30 PREP2TVDE14	2,934	(377)																
- SME loans																		

Type of underlying asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/write-backs	Book value	Write-downs/write-backs	Book value	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs	Net exposure	Write-downs/write-backs
A.31 PREPS TV AU12	4,601	(156)																
- SME loans																		
A.32 PREPS TV MR16	1,720	(44)																
- SME loans																		
A.33 PROVI B TV NO45			1,318	(80)														
- Residential mortgages																		
A.34 PTRMO1A TV DE12	953	(216)																
- Non-residential mortgages																		
A.35 PTRMO1B TV DE12	1,048	(30)																
- Non-residential mortgages																		
A.36 QUALITY PARKING B.V.	4,333	(578)																
- Commercial loans																		
A.37 RUTLNDRY TV JN13	961	(1,474)																
- Bonds																		
A.38 Santander Financiacion 1 Fondo De Titulizacion de Activos			1,363															
- Residential mortgages																		
A.39 SEMPER FINANCE 2007-1 G.M.B.H.	2,198				1,616													
- Residential mortgages																		
A.40 SHAMR TV JN12	989	(1,625)																
- Bonds																		
A.41 SMILE 2005 SYNTHETIC B.V.			2,022	(2)														
- Residential mortgages																		
A.42 STICH TV MY82	2,679	(2)																
- Residential mortgages																		
A.43 STICHING MEMPHIS 2006-I			3,787	(3)														
- Residential mortgages																		
A.44 TDA 28 Fondo de Titulizacion de Activos			1,179															
- Residential mortgages																		
A.45 TITAN TV AP17			751	(1,187)														
- Non-residential mortgages																		
A.46 WINDER TV OC19	1,836	(541)																
- Non-residential mortgages																		

The table indicates the exposure assumed by the Group in relation to each of the third-party securitisation transactions, and also reports the contractual type of assets sold. The column labelled “Net adjustments/recoveries” indicates the amount of any value adjustments or recoveries during the year as well as writedowns and revaluations posted to the profit and loss statement or directly to a shareholders’ equity reserve in the case of available-for-sale securities.

C.1.4 Banking Group – Exposure arising from securitisation transactions broken down by portfolio and type

(in thousands of EUR)

Exposure/portfolio	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Held to maturity investments	Loans	Total 31 12 2009	Total 31 12 2008
1. Balance-sheet exposure	**194,690**	**-**	**18,846**	**-**	**706,787**	**923,049**	**1,154,039**
- Senior	148,814	-	16,846	-	519,528	685,188	474,963
- Mezzanine	9,338	-	2,000	-	56,590	70,654	320,431
- Junior	36,538	-	-	-	130,669	167,207	358,645
2. Off-balance-sheet exposur	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

The table indicates the Group's exposure in relation to each of its own and third-party securitisation transactions, and also reports the financial statement portfolios where such assets have been allocated. All assets related to the Group's securitisation transactions have been fully derecognised, and thus exposure is represented by various forms of existing credit support (excess spreads, junior notes, etc.).

The two performing and non-performing securitisation transactions carried out by the Parent Bank (Siena 07-5 and Siena 00-1) which were not derecognised were not indicated in this table in accordance with the instructions for compiling the table provided by the Bank of Italy.

C.1.5 Banking Group – Securitised assets underlying junior securities or other forms of credit enhancement

31 12 2009

Asset / Amount	Traditional securitisations	Synthetic secularisations
A. With own underlying assets:	**14,675,693**	**-**
A.1 Fully derecognised	1,168,256	-
1. Non-performing loans	206,032	x
2. Watchlist loans	-	x
3. Restructured loans	-	x
4. Past-due	-	x
5. Other assets	962,224	x
A.2 Partially derecognised	-	-
1. Non-performing loans	-	x
2. Watchlist loans	-	x
3. Restructured loans	-	x
4. Past-due	-	x
5. Other assets	-	x
A.3 Not derecognised	13,507,437	-
1. Non-performing loans	6,903	-
2. Watchlist loans	35,586	-
3. Restructured loans	-	-
4. Past-due	42,587	-
5. Other assets	13,422,361	-
B. With third-party underlying assets:	**503,823**	**-**
B.1 Non-performing loans	1,859	-
B.2 Watchlist loans	584	-
B.3 Restructured loans	-	-
B.4 Past due	165	-
B.5 Other assets	501,215	-

The table indicates, in terms of junior securities and other forms of credit enhancement held, the amount of the existing portfolio of securitised assets on the reporting date broken down as a function of the quality of the securitised assets and their origin (Group or third-party assets). In the case of "multi-originator" securitisation transactions, the underlying assets were separated between those of the Group and third-parties in proportion to the weighting of junior exposure and other forms of credit enhancement out of total assets being securitised. Siena Mortgages 03-4 is the multi-originator securitisation. The portions of its risk assets related to junior exposure held by the Group were broken down into Group and third-party assets.

31 12 2008

Asset / Amount	Traditional securitisations	Synthetic secularisations
A. With own underlying assets:	**10,079,313**	**-**
A.1 Fully derecognised	1,801,237	-
1. Non-performing loans	201,664	x
2. Watchlist loans		x
3. Restructured loans		x
4. Past-due		x
5. Other assets	1,599,573	x
A.2 Partially derecognised	-	-
1. Non-performing loans		x
2. Watchlist loans		x
3. Restructured loans		x
4. Past-due		x
5. Other assets		x
A.3 Not derecognised	8,278,076	-
1. Non-performing loans	674,781	-
2. Watchlist loans	5,806	-
3. Restructured loans		-
4. Past-due	24,468	-
5. Other assets	7,573,021	-
B. With third-party underlying assets:	**586,360**	**-**
B.1 Non-performing loans	701	-
B.2 Watchlist loans	452	-
B.3 Restructured loans		-
B.4 Past due	139	-
B.5 Other assets	585,068	-

C.1.6 Banking Group – Stakes in special purpose vehicles

Name	Registered Office	Stake %
Siena Mortgages 02-3 S.p.A.	Conegliano (TV) - Via V. Alfieri n.1	9.1%
Siena Mortgages 03-4 S.p.A.	Roma - Via E. Duse n. 53	6.0%
Siena Mortgages 07-5 S.p.A.	Roma - Via E. Duse n. 53	7.0%
Siena Mortgages 09-6 S.p.A.	Conegliano (TV) - Via V. Alfieri n.1	7.0%
Mantegna Finance Srl	Mantova - Corso V. Emanuele 2	7.0%
Mantegna Finance II Srl	Mantova - Corso V. Emanuele 2	7.0%
Ulisse 2 S.p.a.	Milano - Via Pontaccio n. 10	60.0%
Giotto Finance II	PD - Via Porciglia n. 14	98.0%

This table shows the stakes held in vehicle companies. These are all interests in special-purpose vehicles for the Group’s securitisation transactions. The table does not include interests in special-purpose vehicles that no longer have securitised portfolios.

C.1.7 Banking group – Servicer activities – Collections of securitised loans and redemptions of securities issued by special-purpose vehicles

31 12 2009

(in thousands of EUR)

Servicer	Special Purpose Vehicle	Securitised assets (year-end data)		Loans collected during the year		Percentage of securities redeemed (year-end data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing loans	Impaired assets	Performing loans	Impaired assets	Performing loans
BMPS	Ulisse2 S.p.A	175,305	-	59,258		100.00%		100.00%		21.42%	
BMPS	Siena Mortgages 02-3 S.r.l.	14,475	436,443	-	127,483		69.18%				
BMPS	Siena Mortgages 03-4 S.r.l.	20,470	581,893	-	179,368		54.26%				
BMPS	Siena Mortgages 07-5 S.p.A..	62,461	6,418,427	-	1,205,894		22.69%				
BMPS	Siena Mortgages 09-6 S.p.A..	22,692	7,003,857	-	854,036						
BMPS	Mantegna I Srl	2,082	94,144	-	36,974		79.66%				
BMPS	Mantegna II Srl	4,387	69,369	-	27,508		70.51%				
BMPS	Segesta Finance Srl	-	25,400	-	1,180		100.00%				
BMPS	Gonzaga Finance Srl	-	67,000	-	131,000		89.56%				
BMPS	Giotto Finance II	-	200,312	-	53,837		90.31%				
	Total 31/12/2009	**301,872**	**14,896,845**	**59,258**	**2,617,280**						
	Total 31/12/2008	**981,333**	**10,380,206**	**208,986**	**2,351,978**						

The table shows own securitisations where the Parent Bank plays the role of servicer. With reference to multi-originator securitisation transactions, the originator banks are in charge of servicing in relation to the portion of loans sold.

C.1.8 Banking Group – Subsidiary special-purpose vehicles

A summary of the securitisation transactions of the subsidiary special-purpose vehicles Ulisse 2 S.p.A. and Giotto Finance S.p.A. is provided in the section on qualitative information.

C.2 Sales transactions

C.2.1 Banking Group – Financial assets sold but not derecognised

(in thousands of EUR)

Type/portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial assets held to maturity			Loans and advances to banks			Loans and advances to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31 12 2009	31 12 2008
A. Balance-sheet assets	4,600,518	-	-	-	-	-	5,909,017	-	-	-	-	-	54,417	-	-	13,617,950	-	-	24,181,902	12,538,862
1. Debt securities	4,600,266	-	-	-	-	-	5,909,017						54,417			110,513			10,674,213	4,260,786
2. Equity instruments	252	-	-	-	-	-				x	x	x	x	x	x	x	x	x	252	
3. UCITS		-	-	-	-	-				x	x	x	x	x	x	x	x	x		
4. Loans		-	-	-	-	-										13,507,437			13,507,437	8,278,076
B. Derivatives	-			x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
Total 31/12/2009	4,600,518						5,909,017						54,417			13,617,950			24,181,902	12,538,862
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,077	-	-	85,077	
Total 31/12/2008	1,297,242						2,068,368						97,223			9,076,029			-	12,538,862
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	705,055	-	-		705,055

Legend:

A = financial assets sold and fully reported (book value)

B = financial assets sold and partially reported (book value)

C = financial assets sold and partially reported (whole value)

The table reports the book value of financial assets sold but not derecognised, and still partially or fully reported in balance sheet assets. These are assets (securities) sold in relation to repos received, and performing and impaired loans securitised without derecognition which were carried out in 2007, 2008 and 2009. All assets involved in securitisation transactions that originated in years preceding 2007 were derecognised.

C.2.1.B – Types of sales transactions related to non-derecognised financial assets

(in thousands of EUR)

Item/Amount	Total 31 12 2009	Total 31 12 2008
Reverse repurchase agreements	10,674,465	4,260,786
Securitisations	13,507,437	8,278,077
Securities loans	-	-
Sales	-	-
Total	**24,181,902**	**12,538,863**

C.2.2 Banking Group – Financial liabilities relating to financial assets sold but not derecognised

(in thousands of EUR)

Liabilities/Asset Portfolios	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Held to maturity investments	Loans and advances to banks	Loans and advances to customers	Total
1. Deposits from customers	**924,613**	**-**	**1,983,702**	**-**	**62,410**	**4,787,587**	**7,758,312**
a) relating to fully recognised assets	924,613	-	1,983,702	-	62,410	4,787,587	7,758,312
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from banks	**1,307,125**	**-**	**3,062,335**	**-**	**-**	**7,406,076**	**11,775,536**
a) relating to fully recognised assets	1,307,125	-	3,062,335	-	-	7,406,076	11,775,536
b) relating to partially recognised assets	-	-	-	-	-	-	-
3. Securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31/12/2009	**2,231,738**	**-**	**5,046,037**	**-**	**62,410**	**12,193,663**	**19,533,848**
Total 31/12/2008	**1,065,525**	**-**	**1,616,708**	**-**	**95,403**	**7,664,664**	**10,442,300**

The table indicates the book value of financial liabilities posted as balancing entries to financial assets sold and not fully or partially derecognised from balance sheet assets. This category only involves liabilities reported in relation to repos received.

C.3 Banking Group – Covered bond transactions

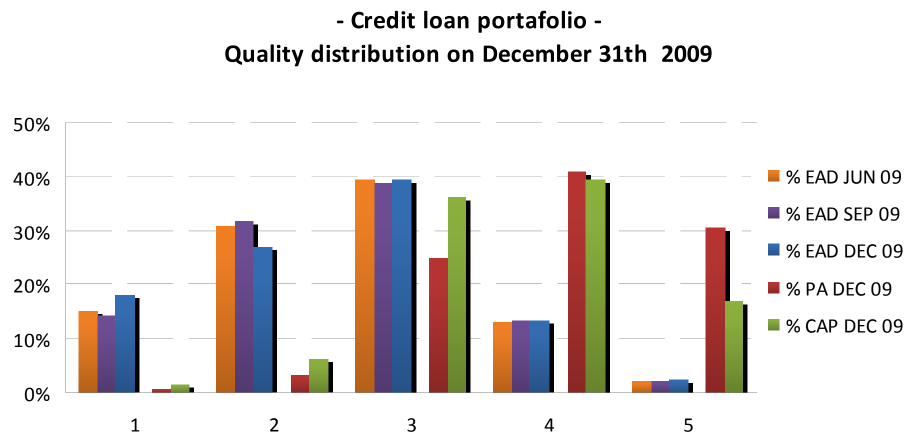
The Group did not issue securities of this type in 2009.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

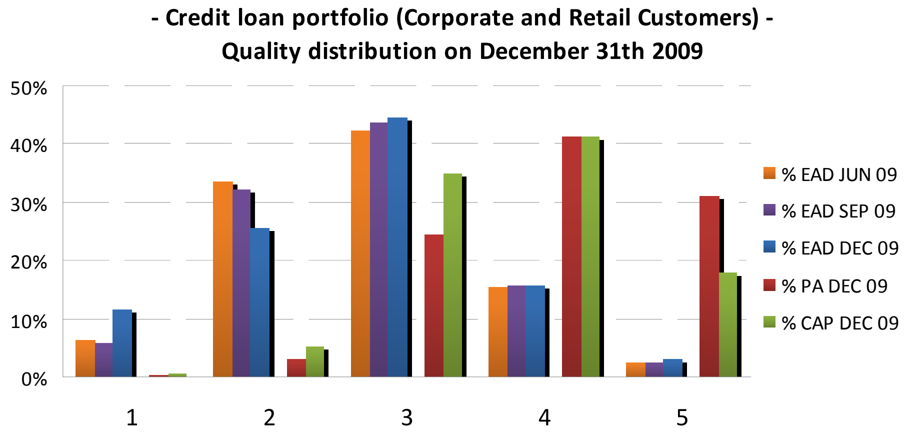
Credit risk is analysed using the Credit Portfolio Model, which was developed internally at the Parent Bank, and produces detailed outputs in the form of classical risk measures such as expected loss, unexpected loss and inter-risk diversified economic capital with a time horizon of one year and a confidence interval calibrated to the official rating assigned to the Group. There are several inputs: probability of default, LGD rates, number and types of security supporting the lending relationship, internal management EAD coefficients and correlation matrices. The latter component, which is based on internal estimates (and which is periodically fine tuned in order to introduce more advanced measurement methods), makes it possible to quantify, for individual positions, the diversification/concentration components among the positions contained in the portfolio. The economic capital calculation approach is based on Credit-VaR measurement systems and uses methods consistent with the best practices in the industry. The portfolio model's output provides detailed measures for individual positions (making it possible to show the change in credit risk over time, based on various ways of combining the variables to be analysed, by legal entity, customer type, geographic area, economic sector, rating category, continental area, etc.) as well as the absorbed operating capital component, and indicates the impact of diversification as compared to a building-block approach. 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 security and in available amounts under lines of credit in order to quantify the levels of expected loss and economic capital if the underlying (hypothetical or historical) assumptions prove to be true.

In accordance with the provisions of the Second Pillar of Basel 2, the Montepaschi Group is committed to the continuing development of methodologies and models in order to assess the impact on the loan portfolio of stress conditions produced using sensitivity analyses with respect to individual risk factors or through scenario analyses.

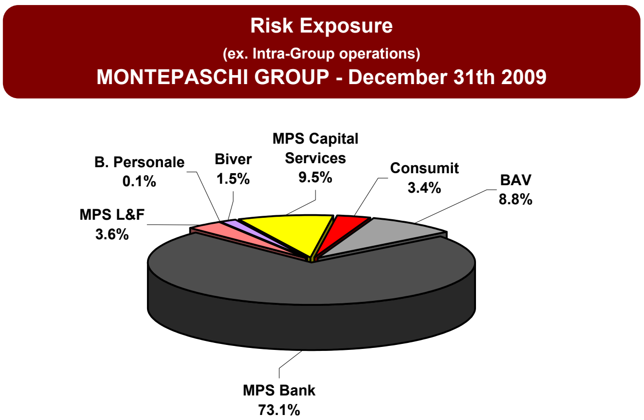
The chart below provides a distribution of the credit quality of the Montepaschi Group portfolio (excluding financial asset positions). From the description below, it can be seen that about 45% of risk exposure is to customers with high and good quality. It should be noted that the ranking below also includes exposure to banks, government agencies and unsupervised financial and banking institutions. As borrowers, these entities are assigned a credit assessment as a part of the portfolio monitoring process, even if such assessment is related to exposure that is not included in the area being validated. This assessment is assigned using official ratings, if any, or appropriate benchmark values that have been determined internally.



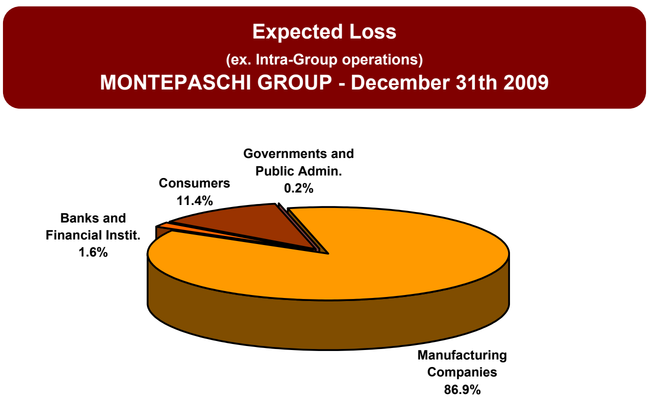
On the other hand, the following chart indicates the distribution of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal models related to the parameters PD and LGD). It should be noted that as at 31 December 2009, exposure of a high or good quality represented about 37% of total exposure.

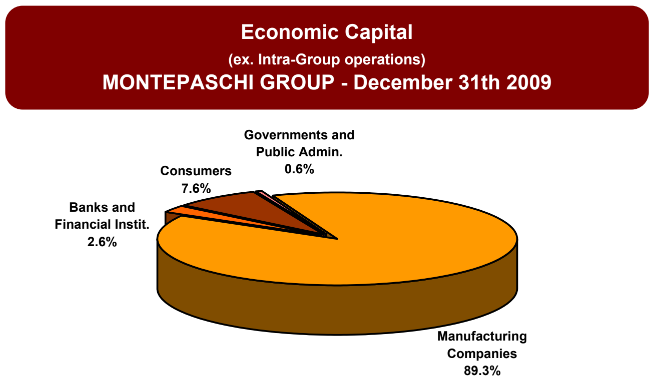


This chart shows the percentage contribution, in terms of exposure to risk, of the three commercial banks (Banca MPS, Banca Antonveneta and BiverBanca), which account for about 83% of the total Montepaschi Group, as well as the companies MPS L&F, MPS Capital Services, Consumit and MPS Banca Personale, which account for the remaining 17%.



With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 71.6% followed by Banca Antonveneta with 10.8% and MPS Capital Services and Consumit (7.2% and 5.4% respectively), while the remainder (5%) is assigned to cover the risks of MPS Leasing e Factoring, BiverBanca and MPS Banca Personale. Most of the overall amount of economic capital to cover credit risk is absorbed by the Parent Bank (about 70.4%), followed by the remaining commercial banks, Banca Antonveneta and BiverBanca (12.9%) with the remainder (16.7%) absorbed by the other legal entities.

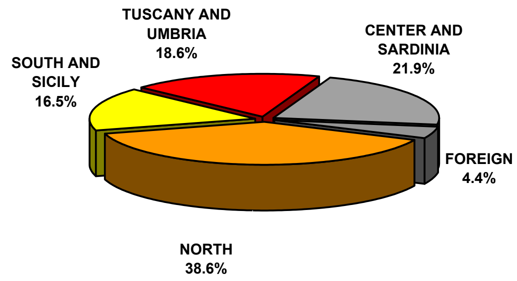




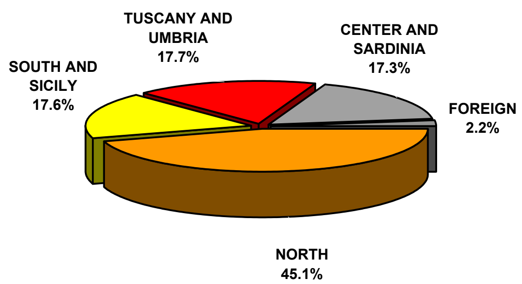
An analysis of the geographic distribution of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in regions in the North (38.6%) followed by those in central Italy and Sardinia (21.9%), Tuscany and Umbria (18.6%), southern Italy and Sicily (16.5%). The remainder (4.4%) is from abroad.

Overall risk measures (expected loss + economic capital) are also higher (45.1%) in northern Italy due to the greater concentration of loans in that area. Next in the ranking are Tuscany and Umbria (17.7%), southern Italy and Sicily (17.6%) central Italy and Sardinia (17.3%), while the remainder (2.2%) comes from the contribution of foreign customers to risk measures.

Risk Exposure
(ex. Intra-Group operations)
MONTEPASCHI GROUP - December 31th 2009

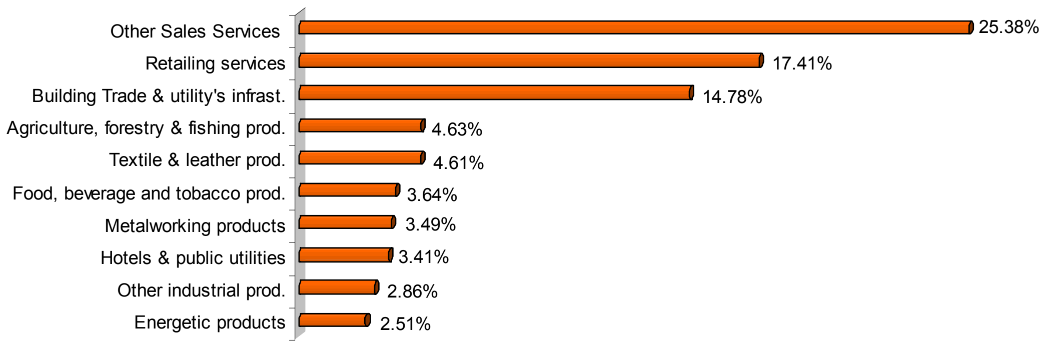


Risk measurement %
(Expected Loss + Economic Capital)
MONTEPASCHI GROUP - December 31th 2009



Lastly, a breakdown of exposure of the top 10 business sectors, based on the Bank of Italy ranking – which account for 83% of overall lending to corporate customers – shows that "Other Sale Services", "Trade Services" and "Building and Public Works" absorb most risk measurements (25.38%, 17.41% and 14.78%, respectively) and together account for 57.6% of total risk measurements. These are followed by "Agricultural products, forestry and fishing", "Textiles, leather and shoes", and "Metal products" which together represent 12.9% of total expected loss and economic capital.

% Risk measures (Expected Loss + Economic Capital)
December 31th 2009



Section 2 – Market risks

2.1 Interest rate and price risk – regulatory trading portfolio

Market risks affecting the trading portfolio

Market risk management model concerning the Trading Portfolio

The Montepaschi Group's Regulatory Trading Portfolio (RTP), or Trading Book, is made up of all the Regulatory Trading Portfolios managed by the Parent Bank (BMPS), MPS Capital Services (MPSCS) and the remaining portfolios managed by BiverBanca and the Irish subsidiary Monte Paschi Ireland. The addition of Banca Antonveneta to the Group in 2008 had no effect on this area since the management approach used called for centralising all market risks at BMPS and MPSCS. The portfolios of the other commercial subsidiaries are immune to market risk since they only contain their own bonds held to service retail customers. Operations involving derivatives, which are brokered on behalf of the same customers, also call for risk to be centralised at, and managed by MPSCS.

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

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

Operating limits to trading activities, which are established by the Board of Directors of BMPS, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios and monthly and annual stop losses. In particular, 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 category

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 daily management reporting flow on market risks is periodically transmitted to the Risk Committee, the Chairman and to the Board of Directors of the Parent Bank within the Risk Management Report, which keeps Top Management and other senior management areas up to date on the overall risk profile of the Montepaschi Group.

The large categories 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 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, including with respect to other dimensions of analysis:

organisational/management analysis of portfolios,

analysis by financial instrument,

analysis by risk family.

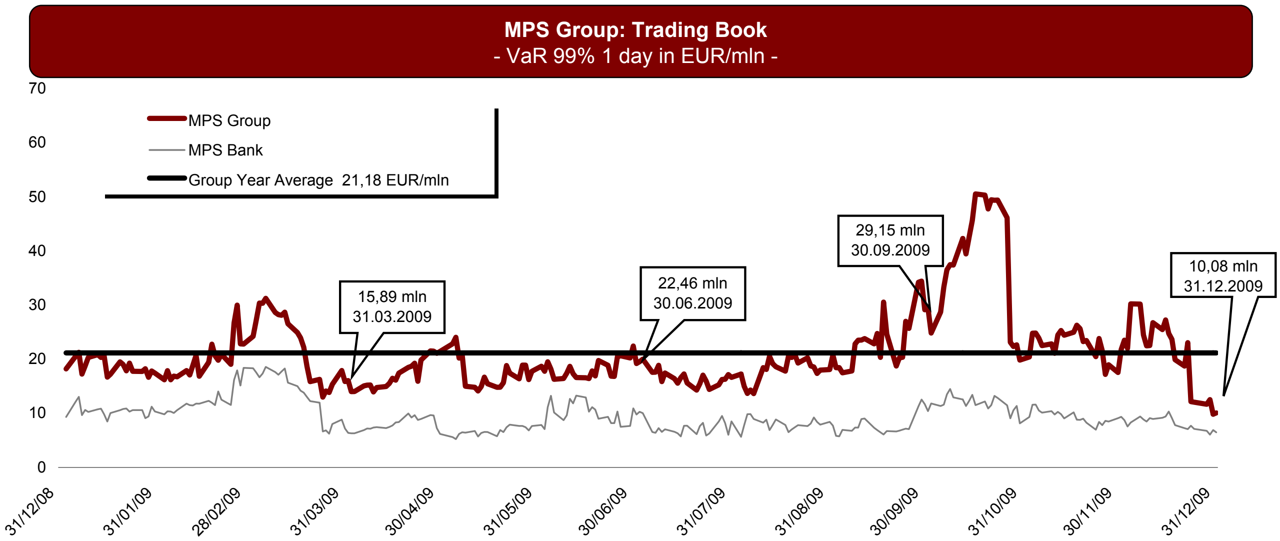
It is then possible to assess VaR along each combination of these dimensions in order to facility highly detailed analyses of phenomena involving the portfolios.

The following risk factors have been 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 components produces 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 with 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 essentially the entire Montepaschi Group in order to get an overview of all the effects of diversification that can be generated among the various banks in terms of the specific joint position achieved by the various business units.

Lastly, scenario analyses are regularly conducted on various risk factors with different degrees of detail.

In 2009, in terms of a 99% average VaR for 1 day, the market risks of the Group's Regulatory Trading Portfolio were about € 21 mln with the exception of a high reached in October, which was due to trading activities carried out by the subsidiary MPS Capital Services, and which was later reabsorbed. At 31/12/2009 the Group's VaR was € 10 mln[24].

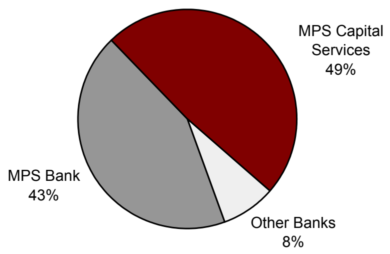


With regard to legal entities, the Group's market risks have been consistently concentrated at Banca MPS and MPS Capital Services.

[24] *Compared to previous financial statements, this year VaR is being reported solely with respect to the Regulatory Trading Portfolio. Exposure related to the Banking Portfolio is covered in the section "Interest Rate Risk and Price Risk – Banking Portfolio" and expressed in terms of sensitivity.*

MPS Group VaR
Trading Book

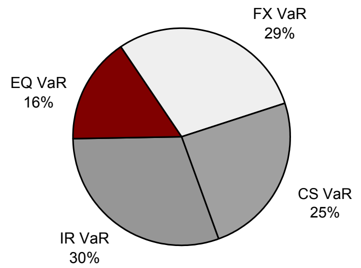
VaR Breakdown per Bank: 31.12.2009



At the end of 2009, the Parent Bank contributed 43% of overall risk, MPS Capital Services about 49% of the total, and the remaining 8% was attributable to the other banks.

MPS Group VaR
Trading Book

VaR Breakdown per Risk Factor: 31.12.2009



A breakdown of VaR by risk factors as at 31/12/2009 shows that the Group's portfolio was well diversified with about 30% allocated to interest rate risk factors (IR VaR), 29% absorbed by foreign exchange risk factors (FX VaR), 25% absorbed by credit spread risk factors (CS VaR) and the remaining 16% came from equity risk factors (EQ VaR).

During the year, the Group's VaR ranged between a low of € 9.84 mln recorded on 30 December and a high of € 50.56 mln on 16 October. On average, VaR was € 21.18 mln during the year. The exact end-of-year figure was € 10.08 mln.

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

	VaR	Date
End of Period	10.08	31/12/2009
Min	9.84	30/12/2009
Max	50.56	16/10/2009
Average	21.18	

Qualitative information

A. General aspects

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

A.1 Interest rate risk

With reference to the Parent Bank, the Finance Area and the Treasury and Capital Management Area are the Business Areas in charge of trading for the Parent Bank. The Global Markets Area carries out trading activities for MPS Capital Services.

The Finance Area 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 limits delegated in terms of monthly and yearly VaR and Stop Loss.

The management of the interest rate risk of the Trading Portfolio is supplemented by the activity of the Centralised Treasury Unit of the Treasury and Capital Management Area, which operates in the short-term portion of the main interest rate curves, mostly through bonds and listed derivatives.

With reference to the credit risk existing in the trading portfolio, securities positions are generally managed through the purchase or sale of bonds issued by corporates, and by creating synthetic positions in derivatives. The activity is oriented to achieving a long or short position on each issuer, or a long or short exposure in specific product sectors. 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 Finance Area which manages a proprietary portfolio and takes trading positions on equities, Stock Exchange indexes and commodities. In general, equities positions are taken both through the purchase/sale of equities and 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 limits delegated for monthly and yearly VaR and Stop Loss. Similarly, the Global Markets Area carries out trading activities for MPS Capital Services.

B. Management processes and measurement methods for interest rate and price risk.

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 "The model for managing market risks affecting the trading portfolio".

Quantitative information

1 Regulatory trading portfolio: distribution by remaining term (repricing date) of balance-sheet financial assets and liabilities and financial derivatives

This table has not been prepared since a sensitivity analysis has been provided on the sensitivity of the regulatory trading portfolio to interest rate and price risk based on internal models.

2 Regulatory trading portfolio: distribution of exposure in equity securities and stock indexes by main country of market listing

This table has not been prepared since a sensitivity analysis has been provided on the sensitivity of the regulatory trading portfolio to interest rate and price risk based on internal models.

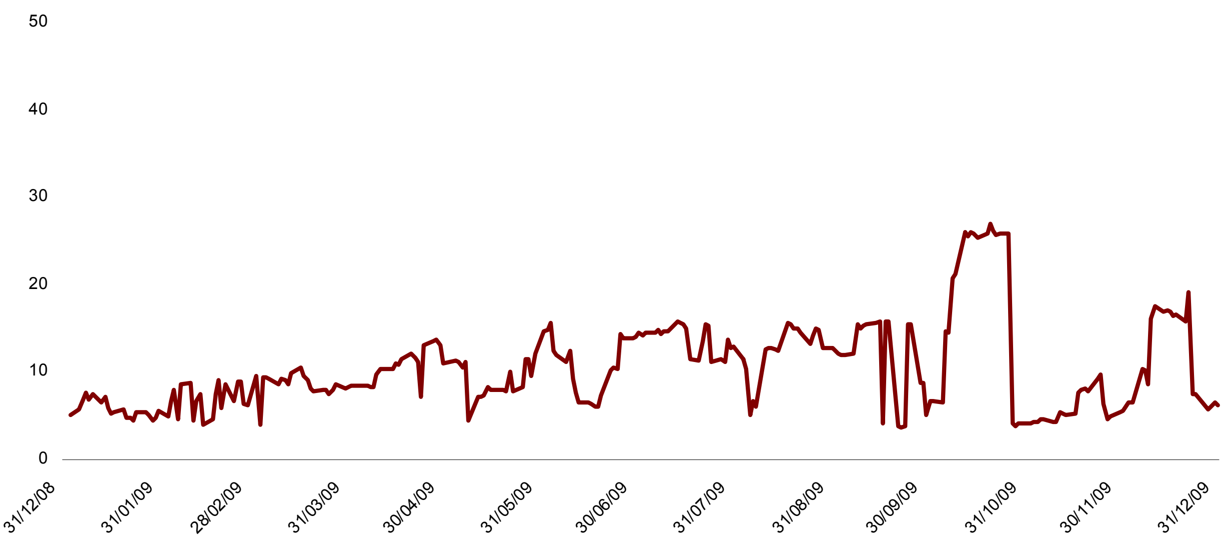
3 Regulatory trading portfolio: internal models and other methodologies for sensitivity analysis

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

3.1 Interest rate risk

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

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



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

	VaR	Data
End of Period	6.16	31/12/2009
Min	3.67	22/09/2009
Max	27.01	20/10/2009
Average	10.44	

Simulations include four interest rate risk scenarios:

- Parallel shift of +100 bp in relation to all interest rate curves,
- Parallel shift of -100 bp in relation to all interest rate curves,
- Parallel shift of +1% in relation to all surfaces of volatility of all interest rate curves.

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

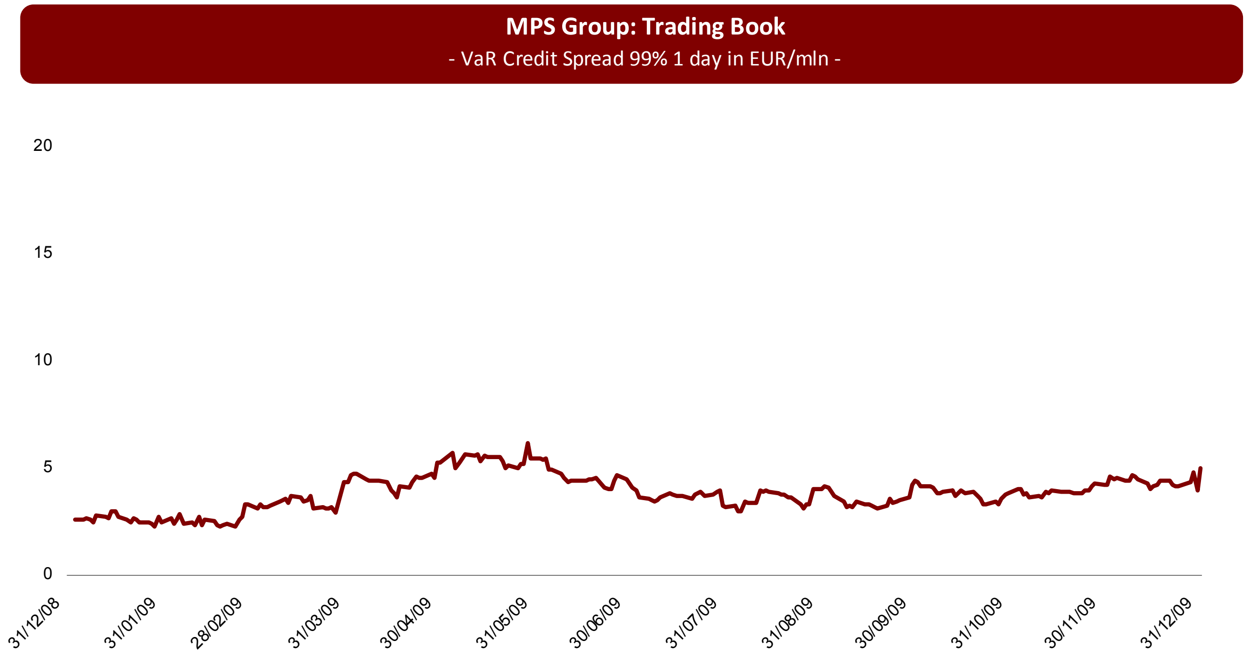
■ MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	-27.78
Interest Rate	-100bp all Interest Rate Curves	46.05
Interest Rate	+1% all Interest Rate Volatility	-0.31

The asymmetry between the +100 bps and -100 bps scenarios is due to portfolios with non-linear positions, primarily caps and floors and swaptions.

Upon completing the interest rate risk analysis, details are also provided on the credit spread risk of the Montepaschi Group's Trading Portfolio tied to the volatility of the credit spreads of issuers. The VaR by risk factor (specifically, Credit Spread VaR) has management relevance for the purpose of risk management analyses, even though the global VaR diversified among all risk factors and portfolios is used by the operating units.



■ MPS Group: Trading Book

VaR Credit Spread 99% 1 day in EUR/mln

	VaR	Data
End of Period	5.00	31/12/2009
Min	2.25	23/02/2009
Max	6.15	28/05/2009
Average	3.83	

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

- parallel shift of +1 bp in all credit spreads.

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

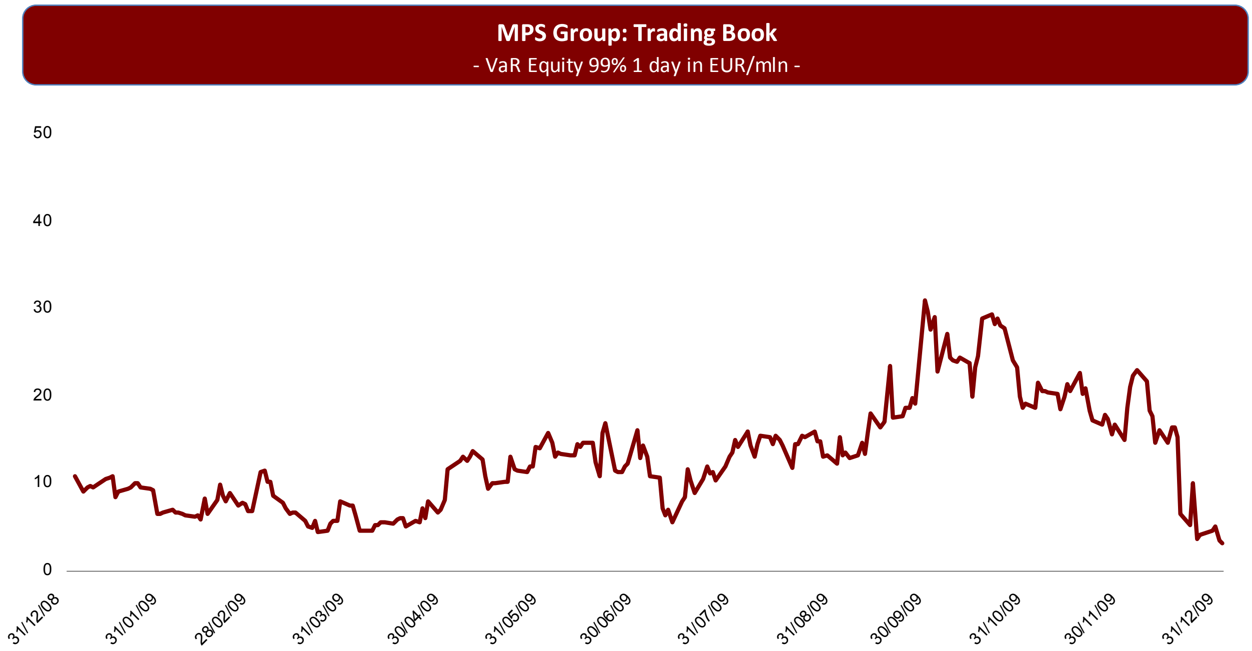
■ MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	-0.61

3.2 Price risk

Each business unit within the MPS Group operates independently on the basis of the objectives and authorities assigned to it. The positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (covering more than price risk, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions based on risk factors that are not perfectly correlated. The VaR by risk factor (specifically, Equity VaR) has management relevance for the purpose of risk management analyses, even though the global VaR diversified among risk factor and portfolios 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	Data
End of Period	3.25	31/12/2009
Min	3.25	31/12/2009
Max	31.02	28/09/2009
Average	13.03	

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.

The positions related to the Trading Portfolio are all classified as HFT for accounting purposes, with changes in market value posted directly to the profit and loss statement. 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)	-0.36
Equity	-1% Equity Prices (prices, indices, basket)	0.30
Equity	+1% Equity Volatility	-0.39

2.2 Interest rate risk and price risk on the consolidated banking book

Qualitative information

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

A.1 Interest Rate Risk

The term "Banking Book" refers, in accordance with international best practices, to all of the non-trading operations of the Parent Bank in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches, and derivative instruments providing for risk hedging. The definition of the scope of the Banking Book (in line with that for the regulatory book) and the process of centralising the management of ALM are contained in a resolution by the Board of Directors of the Parent Bank, aimed at centralising Asset & Liability Management and at operational limits in view of the interest rate risk of the Group Banking Book as approved previously in September 2007 and updated last October to adjust the overall framework to the changed share ownership structure, as well as to develop the approach in keeping with the format outlined in the regulatory provisions (Banca d'Italia Circ. 263).

The operational and strategic choices for the Banking Book, adopted by the Finance Committee and monitored by the Risks Committee of the Parent Bank, 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 what is required in the "second pillar" of Basel II.

The risk measures of the commercial banks in the Montepaschi Group are prepared using, among other things, a model for valuation of demand items or core deposits, whose characteristics of stability and partial insensitivity to variations in interest rates are described in systems with a statistical/predictive model (*replicating portfolio*), which takes into consideration a significant historical series of customer behaviours in the past. In addition, the Montepaschi Group's ALM model includes within rate risk measurements a behavioural model which takes into account the phenomenon of mortgage prepayment (so-called prepayment risk). Loan prepayment rates and in particular home mortgage prepayment rates have become potentially more unstable due to a series of concomitant factors, such as, for example, the greater volatility of the rate curve due to the recent crisis.

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

- a quantitative model, on the basis of which the exposure to interest rate risk of the Group and the individual companies/structures thereof is calculated, in terms of risk indicators;
- risk monitoring processes, aimed at ongoing verification of observance of 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 interventions.

Within the above system, the Parent Bank centralises the responsibility for:

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

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

The Group companies included in the area of application are responsible for observing the rate risk policies and limits defined by the Parent Bank and the capital requirements imposed by the competent Regulatory Authorities.

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

Specifically, within the Area, the Centralised Treasury Department manages short-term rate risk and liquidity risk for the Group. In particular, the Group Balance Sheet Management Department manages structural rate risk and maturity transformation risk (structural liquidity) for the Group. In addition, the Area carries out monitoring and hedging management activities consistent with accounting policies, involving individual oversight for the formation of the internal rates of the "network" (BMPS and other Group companies) for the Euro and for foreign currency transactions with maturities beyond the short term, proposing to the Finance Committee the economic conditions for access to funds by Group companies. It also manages the Group's funding needs, proposing new bond issues and centralising the administrative tasks for Group bond issues.

The Montepaschi Group, and within it therefore Banca MPS, manages interest rate risk by portfolio. Hedging derivatives are underwritten within the Group with MPS Capital Services Banca per le Imprese, which in turn manages the overall exposure to the market by aggregation. This approach, however, does not enable an unambiguous relationship to be maintained between the underwritten derivative of each individual Group company and the one in the market.

Such management can be faithfully represented by the adoption of the Fair Value Option (introduced by the new international accounting standards – IAS 39) designating a group of financial assets or of financial liabilities at fair value which have an impact on the profit and loss statement. This approach is adopted by the MPS Bank for the financial liabilities hedged at fair-value for standardised portfolios. The Fair Value Option used concerns the accounting mismatch between an item measured at Fair Value and an item measured according to other accounting criteria.

Portfolios and asset classes exist for which the use of the Fair Value Option increases the complexity in the management or in the assessment of the items, in particular for hedging asset items. Should such a case occur, the Banca MPS has adopted formal IAS-compliant coverage accounts.

In particular, the principle types of IAS-compliant hedging are the following:

- Micro Fair Value Hedge: hedging of commercial assets (loans/mortgage loans classified as Loans and Receivables) of Banca MPS and its Foreign Branches and the securities portfolio of Banca MPS and its Foreign Branches (classified as Loans and Receivables and Available for Sale, respectively);
- Macro Fair Value Hedge: hedging of commercial assets (loans/mortgage loans classified as Loans and Receivables);
- Micro Cash Flow Hedge: hedging of a limited portion of variable-rate deposits.

A.2 Price Risk

The price risk of the Banking Portfolio of MPS Group is measured in relation to equity positions mostly held for strategic or institutional/instrumental purposes. The relevant portfolio for such purposes is made up mainly of equity investments, alternate funds (hedge funds), AFS shares and the remainder is made up of derivatives.

The MPS Group equity investment portfolio includes approximately 300 equity investments in companies outside the Group and approximately 70% of the amount is concentrated in 7 investments. The unit value of the remaining investment is rather small (approximately 180 equity investments, in fact, are valued at less than € 1 mln, representing 1.5% of the overall portfolio). There are approximately 20 equity investments relative to the portfolio of MPS Capital Services Banca per le Imprese; these account for 2.4% of the overall value of the portfolio.

The activity with mutual funds is carried out exclusively through the direct purchase of the funds/SICAVs, with no derivative contracts.

Quantitative information

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

This table is not being prepared since an analysis of the banking portfolio's sensitivity to interest-rate risk and price risk is being provided based on internal models.

2.2.2. Banking portfolio: internal models and other sensitivity analysis methodologies

2.1 Interest rate Risk

The sensitivity of the Montepaschi Group, at the end of 2009, suggests a profile of exposure to a rate hike risk. The amount of the economic value at risk due to a parallel shift of the rate curve of +100 bp was equal over the course of 2009 on average to approximately -579 €/mln and at the end of 2009, it stood at -669 €/mln (+774 €/mln for a shift of -100bp). However, these values, compared with the Regulatory Capital, are below the level considered as the attention threshold (set at 20% for a rate shock of 200 bp) by the New Capital Accord (Basel II).

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 (contrary to the one used for the Trading Portfolio) is a parameter model based on the traditional approach of the variance-covariance matrix. To estimate price volatility, historical series of market yields for listed companies and historical series of sector-based indices for unlisted ones are used. It is noted that the portfolio taken into consideration by the analyses includes all the equity investments held by all companies in the Montepaschi Group in external companies, or in companies which do no consolidate either fully or proportionately. The VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 26% of the Fair Value of the portfolio, with the risk concentrated in the seven 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 shares held by each Company.

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

With reference to the alternate funds component, the internal measurement system uses a measurement based on the regulatory approach for the determination of Economic Capital.

Additionally, shown below is a scenario analysis which includes all the equity investments, the hedge funds and the other directional positions assumed, based on instructions from the Board of Directors or attributable managerially to the Banking Portfolio by the Parent Bank's Finance Area (e.g. AFS securities) and which are not included in the scenario analyses relative to the price risk of the Trading Portfolio reported previously.

■ MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	26.22
Equity	-1% Equity Prices (prices, indices, basket)	-26.22
Equity	+1% Equity Volatility	0.00

The impact of the equity investments portfolio on the scenario analysis total is approximately 60%.

2.3 Exchange risk

Qualitative information

A. General aspects, management procedures and measurement methods for exchange rate risk.

Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the commercial banks which automatically fuel the Group's position.

Trading activity is carried out primarily by the Centralised Treasury Department of the Treasury & Capital Management Area in the forex options section. The foreign branches maintained modest forex positions exclusively originated by funds available for commercial purposes. The notable turnover on cash and OTC derivatives activated remained in a straight line in terms of risk with careful and continual use of delegations. Foreign currency equity investments are typically financed by funds raised, denominated in the same currency, with no foreign exchange risk.

Quantitative information

2.3.1. Distribution by currency of denomination of assets, liabilities and derivatives

31 12 2009

(in thousands of EUR)

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**5,095,133**	**403,023**	**302,669**	**68,409**	**290,418**	**191,305**
A.1 Debt securities	1,025,019	139,558	48,167	74	-	6,572
A.2 Equity securities	428,824	108,184	78,865	1,304	4,153	21,962
A.3 Loans to banks	2,007,353	122,615	77,597	6,730	135,079	122,864
A.4 Loans to customers	1,633,937	32,666	98,040	60,301	151,186	39,907
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**32,987**	**18,191**	**1,333**	**812**	**3,858**	**3,893**
C. Financial liabilities	**5,344,405**	**903,815**	**55,277**	**116,228**	**198,173**	**508,067**
C.1 Deposits from banks	3,596,936	113,679	49,699	105,332	121,266	425,716
C.2 Deposits from customers	902,079	101,025	5,578	4,293	2,828	74,743
C.3 Debt securities	845,390	689,111	-	6,603	74,079	7,608
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**84,153**	**69,059**	**157**	**9**	**308**	**2,515**
E. Financial derivatives	**332,556**	**695,631**	**(122,891)**	**49,596**	**(66,945)**	**341,562**
- Options	274,390	(290,912)	(24,669)	-	(44,987)	9,316
+ Long positions	1,040,545	260,041	256,763	-	12,126	22,113
+ Short positions	766,155	550,953	281,432	-	57,113	12,797
- Other	58,166	986,543	(98,222)	49,596	(21,958)	332,246
+ Long positions	5,935,793	2,117,869	863,841	208,756	1,092,487	1,906,666
+ Short positions	5,877,627	1,131,326	962,063	159,160	1,114,445	1,574,420
Total assets	**12,104,458**	**2,799,124**	**1,424,606**	**277,978**	**1,398,888**	**2,123,977**
Total liabilities	**12,072,340**	**2,655,153**	**1,298,929**	**275,397**	**1,370,039**	**2,097,799**
Difference (+/-)	**32,118**	**143,971**	**125,677**	**2,581**	**28,849**	**26,178**

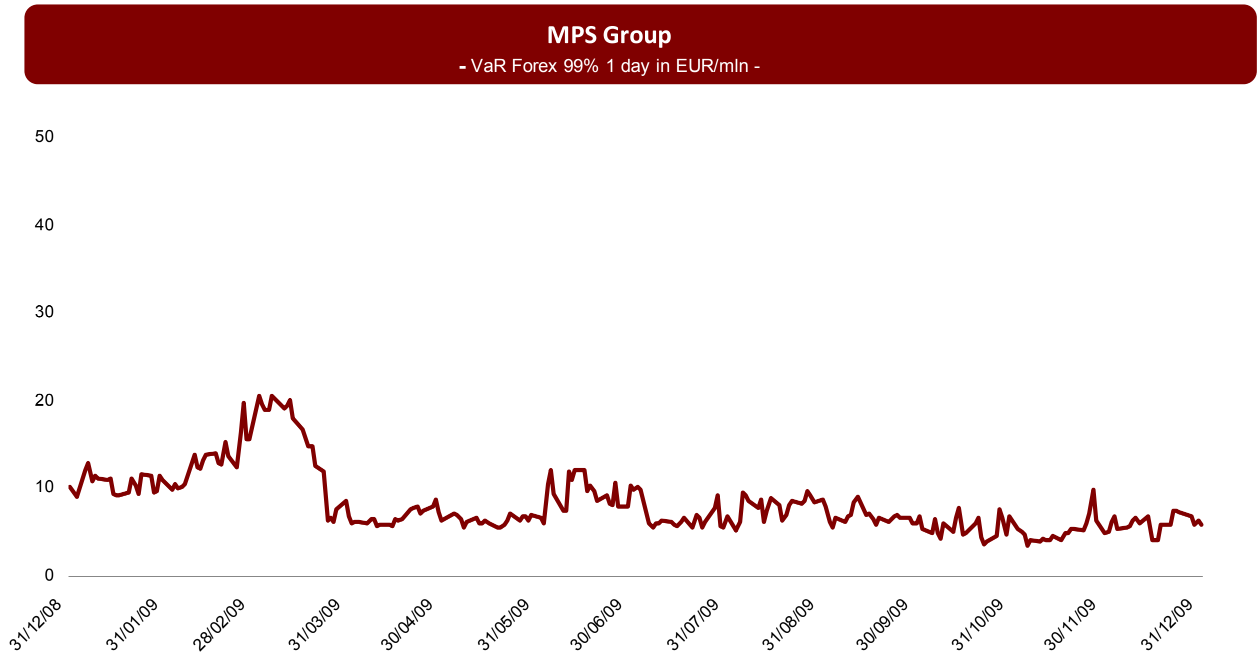
31 12 2008

(in thousands of EUR)

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**3,648,957**	**315,607**	**525,464**	**24,411**	**497,067**	**124,480**
A.1 Debt securities	599,815	2,770	50,057	-	-	6,043
A.2 Equity securities	152,257	15,878	19,002	1,079	10,010	14,855
A.3 Loans to banks	1,849,872	281,303	362,655	18,625	319,715	86,577
A.4 Loans to customers	1,047,013	15,656	93,750	4,707	167,342	17,005
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**336**	**102**	**17**	**15**	**94**	**162**
C. Financial liabilities	**3,167,549**	**385,366**	**166,531**	**18,263**	**257,326**	**204,451**
C.1 Deposits from banks	2,049,172	122,497	149,568	12,186	196,154	180,939
C.2 Deposit from customer	1,080,301	44,453	16,962	6,077	7,058	23,512
C.3 Debt securities	19,412	218,373			53,772	
C.4 Other financial liabilities	18,664	43	1		342	
D. Other liabilities						
E. Financial derivatives	**24,910,727**	**6,995,081**	**7,808,633**	**51,910**	**3,080,356**	**2,967,873**
- Options	6,855,218	2,466,558	4,224,600	21,678	487,539	271,487
+ Long positions	3,372,358	1,009,739	2,240,223	10,839	304,555	157,119
+ Short positions	3,482,860	1,456,819	1,984,377	10,839	182,984	114,368
- Other	18,055,509	4,528,523	3,584,033	30,232	2,592,817	2,696,386
+ Long positions	9,670,983	2,733,133	1,817,909	11,729	1,113,493	1,403,559
+ Short positions	8,384,526	1,795,390	1,766,124	18,503	1,479,324	1,292,827
Total assets	**16,692,634**	**4,058,581**	**4,583,613**	**46,994**	**1,915,209**	**1,685,320**
Total liabilities	**15,034,935**	**3,637,575**	**3,917,032**	**47,605**	**1,919,634**	**1,611,646**
Difference (+/-)	**1,657,699**	**421,006**	**666,581**	**(611)**	**(4,425)**	**73,674**

2.3.2 Internal models and other methodologies for sensitivity analysis

Exchange risk is monitored in terms of VaR and scenario analysis (for the methodology see the paragraph "The model for management of market risks inherent to the trading portfolio"). Shown below is the information relative to the Group's diversified Forex VaR.



MPS Group
VaR Forex 99% 1 day in EUR/mln

	VaR	Data
End of Period	5.84	31/12/2009
Min	3.50	05/11/2009
Max	20.62	06/03/2009
Average	8.31	

The following are scenarios simulated in relation to foreign exchange rates:

- +1% of all foreign exchange rates with respect to EUR
- -1% of all foreign exchange rates with respect to EUR
- +1% of all volatility surfaces of all foreign exchange rates

The impact on net operating income and profit/loss for the year was estimated taking account only of HFT positions, which post any Market Value changes directly to the Profit and Loss Statement. The effect on shareholders' equity is estimated instead with reference to all other positions. The total effect results from 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	-0.28	0.36	**0.08**
Forex	-1% Exchange rate against EUR	0.14	-0.36	**-0.22**
Forex	+1% Forex Volatility	-0.16	0.00	**-0.16**

2.4 Derivatives

A. Financial derivatives

In the following tables, derivatives have been distinguished between derivatives classified in the regulatory trading portfolio and those relative to the banking book, according to the provisions of Banca d'Italia for prudential oversight. The classification made for purposes of the financial statements according to international accounting standards is different with the only distinction being that between trading derivatives and hedging derivatives for hedge accounting.

The Regulatory Classification is fundamental for more accurately distinguishing instruments actually intended for trading and therefore for generating absorption of capital for market risk, rather than those intended for other purposes, which are included under the rules of absorption for credit risk.

In particular, for Banca Monte dei Paschi, the derivatives included in the Regulatory trading portfolio correspond to those present in the regular trading book, with the exception of derivatives connected with instruments for which the fair value option has been adopted, which represent instruments for hedging market risks on deposits valued at fair value and derivatives separate from or operationally connected to other financial instruments in the banking book.

Among these contracts, we must also mention the presence of credit derivatives (credit default swap), classified in the regular trading portfolio, but which from an operational standpoint are intended to hedge a loan portfolio against insolvency risk and are therefore considered part of the banking book.

The activity of the MPS Group in Over The Counter (OTC) derivatives with customers, begun in 2002 following a specific resolution by the Board of Directors, provides mainly for transactions made for purposes of hedging rate, exchange and commodity risk. The main products traded are interest rate swaps, caps, floors, collars, forward contracts, currency options, currency swaps, commodity options and combinations of such basic instruments.

As far as the products offered to customers, in general there is a series of common characteristics which characterise a large part of the transactions. Specifically, the products traded:

- are not of a speculative nature;

- are associated with an underlying position, though remaining contractually and administratively separate from it;

- even though officially speaking these are not plain vanilla positions (defined as structured), they nevertheless have limited elements of complexity;

- they are not characterised by financial leverage.

The derivatives trading carried out with customers centralises the product factor and the market risk protection within MPS Capital Services, with allocation, management and protection of counterparty credit risk for customers in the bank's networks. This trading, in fact, provides for the assumption of market risk, characterised as the exposure in terms of potential loss which could occur on the positions held following unfavourable changes in market parameters (risk factors). The main risk factors to which such trading is subject are: interest rates, exchange rates, indices, commodities and the respective volatilities and correlations. At the same time, the Bank assumes the risk that the counterparty of a transaction involving a derivative instrument could default prior to the settlement of the transaction (counterparty risk).

In general, the fair value of OTC financial instruments, which are not listed directly on active markets, is calculated through methods of estimation and valuation models. In particular, when determining fair value, the following general criteria are used: valuation of listed instruments that have similar characteristics, calculation of discounted cash flow, models for determining the price of options and values noted in recent comparable transactions. The methods used in any case are consistent with market practice.

The valuations are made taking all relevant risk factors for each type of financial instrument into account; these risk factors may be detected directly or indirectly on the market. In the former case, these are values directly observable from transactions made on the market; in the latter case, the values are inferred from market prices, through the use of appropriate mathematical and financial techniques and methods (such as the determination of the implied volatility of the price of a listed option). The valuation models used in calculating the fair value of derivative contracts are shared by Risk Management, Quantitative Analysis and the Operating Units.

Such models are subject to periodic evaluation for purposes of continually changing the method of calculation of fair value; all this is so that the model approach adopted is continually in line with the prevailing domestic and international best practice. In addition, the method for estimating summary market parameters (volatility, correlations, etc.) are also periodically subject to review and to change.

OTC derivatives, including those traded with customers, similarly to the other technical forms, are subjective to overall valuation in credit terms. This evaluation, developed based on a Risk Management model, is done per category of homogeneous exposures in terms of credit risk. The respective loss percentages are estimated taking into account historic sequences (based on observable elements at the valuation date) which enable the amount of the expected loss in each category to be estimated. In particular, the risk parameters used in the overall valuation are Probability of Default (PD) and Loss Given Default (LGD). For corporate and retail counterparties, the PD and the LGD estimated by internal models are used, as provided for by Circular 263 issued by Banca d'Italia in December 2006.

A.1 Regulatory trading book: end of reporting period notional amounts and averages

(in thousands of EUR)

Underlying asset/Type of derivative	Total 31 12 2009		Total 31 12 2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**348,331,322**	**152,265,702**	**252,603,169**	**16,486,300**
a) Options	90,711,478	144,511,401	7,044,806	-
b) Swaps	257,522,297	-	244,885,389	-
c) Forward	454	-	-	-
d) Futures	-	7,754,301	-	12,000,514
e) Other	97,093	-	672,974	4,485,786
2. Equity securities and stock indices	**21,267,478**	**4,247,226**	**18,493,311**	**2,883,503**
a) Options	20,977,358	3,997,899	2,146,020	5,735
b) Swaps	290,120	-	-	-
c) Forward	-	2,615	-	-
d) Futures	-	246,712	-	258,372
e) Other	-	-	16,347,291	2,619,396
3. Exchange rates and gold	**29,596,108**	**-**	**31,221,945**	**-**
a) Options	12,993,849	-	9,330,422	-
b) Swaps	1,688,485	-	1,675,354	-
c) Forward	14,805,378	-	-	-
d) Futures	-	-	-	-
e) Other	108,396	-	20,216,169	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**320,810**	**277,218**	**324,343**	**-**
Total	**399,515,718**	**156,790,146**	**302,642,768**	**19,369,803**
Average amounts	**543,257,015**	**120,910,455**	**142,232,088**	**4,265,340**

A.2 Banking book: end of reporting period notional amounts and averages

A.2.1 Hedging

Underlying asset/Type of derivative	Total 31 12 2009		Total 31 12 2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**21,901,009**	**-**	**5,693,315**	**-**
a) Options	32,562	-	33,003	-
b) Swaps	21,868,447	-	5,660,312	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**805,358**	**-**	**1,958,808**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	510,329	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) CCS	805,358	-	1,448,479	-
4. Commodities	-	-	**-**	-
5. Other underlying	**-**	**-**	**-**	**-**
Total	**22,706,367**	**-**	**7,652,123**	**-**
Average amounts	**12,578,345**	**-**	**3,949,835**	**-**

A.2.2 Other derivatives

(in thousands of EUR)

Underlying asset/Type of derivative	Total 31 12 2009		Total 31 12 2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**10,994,885**	**-**	**12,969,115**	**-**
a) Options	251,645	-	306,524	-
b) Swaps	10,705,113	-	12,620,792	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	38,127	-	41,799	-
2. Equity securities and stock indices	**575,660**	**-**	**817,300**	**-**
a) Options	575,660	-	806,081	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	11,219	-
3. Exchange rates and gold	**-**	**-**	**296,784**	**-**
a) Options	-	-	1,755	-
b) Swaps	-	-	295,029	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	**-**	-
5. Other underlying	**-**	**-**	**-**	**-**
Total	**11,570,545**	**-**	**14,083,199**	**-**
Average amounts	**33,583,137**	**-**	**34,557,243**	**-**

A.3 Financial derivatives: positive gross fair value – breakdown by product

(in thousands of EUR)

Portfolios/Types of derivatives	Positive Fair Value			
	Total 31 12 2009		Total 31 12 2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**8,549,339**	**483,432**	**9,707,452**	**316,885**
a) Options	1,071,911	187,565	-	-
b) Interest rate swaps	7,351,050	-	-	-
c) Cross currency swaps	106,072	-	-	-
d) Equity swaps	12,586	-	-	-
e) Forward	7,016	266,038	-	-
d) Futures	-	29,829	-	-
g) Other	704	-	-	-
B. Banking book - Hedging	**187,351**	**-**	**-**	**-**
a) Options	116	-	-	-
b) Interest rate swaps	133,504	-	-	-
c) Cross currency swaps	53,731	-	-	-
d) Equity swaps		-	-	-
e) Forward		-	-	-
d) Futures		-	-	-
g) Other		-	-	-
C. Banking book - Other derivatives	**195,444**	**-**	**-**	**-**
a) Options	12,359	-	-	-
b) Interest rate swaps	179,846	-	-	-
c) Cross currency swaps		-	-	-
d) Equity swaps		-	-	-
e) Forward		-	-	-
d) Futures		-	-	-
g) Other	3,239	-	-	-
Total	**8,932,134**	**483,432**	**9,707,452**	**316,885**

A.4 Financial derivatives: negative gross fair value – breakdown by product

(in thousands of EUR)

Portfolios/Types of derivatives	Positive Fair Value			
	Total 31 12 2009		Total 31 12 2008	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**8,467,750**	**475,273**	**11,715,899**	**332,456**
a) Options	1,375,307	245,045	-	-
b) Interest rate swaps	6,946,936	-	-	-
c) Cross currency swaps	81,271	-	-	-
d) Equity swaps	57,277	-	-	-
e) Forward	6,959	210,505	-	-
d) Futures	-	19,723	-	-
g) Other	-	-	-	-
B. Banking book - Hedging	**724,786**	**-**	**-**	**-**
a) Options	2,305	-	-	-
b) Interest rate swaps	642,693	-	-	-
c) Cross currency swaps	79,788	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**126,444**	**-**	**-**	**-**
a) Options	8,643	-	-	-
b) Interest rate swaps	117,801	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**9,318,980**	**475,273**	**11,715,899**	**332,456**

A.5 OTC financial derivatives: regulatory trading portfolio – notional values, positive and negative gross fair value per counterparty – contracts not included in clearing agreements

31 12 2009

(in thousands of EUR)

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rate							
- notional amount		1,409,485	2,440,765	16,184,661	66,786	18,197,110	906,967
- fair value positivo		22,207	66,557	16,802		473,756	6,564
- fair value negativo		8,542	27,499	915	1,208	65,654	14,441
- future exposure		16,503	12,719	113,240	334	140,338	8,182
2) Equity securities and stock indices							
- notional amount			348,398	96,001	7,509,715	124,807	
- fair value positivo			1,029		16,423	10,664	
- fair value negativo			7,963	21,520	150,947	10,112	
- future exposure			27,964	7,680	600,693	7,917	
3) Exchange rates and gold							
- notional amount	1	24	13,210,872	735,762	3,538	2,330,021	52,949
- fair value positivo			254,904	1,624		109,318	638
- fair value negativo			189,361	11,701		26,330	1,225
- future exposure			134,389	4,699		30,036	472
4) Other amounts							
- notional amount							
- fair value positivo							
- fair value negativo							
- future exposure							

A.6 OTC financial derivatives: regulatory trading portfolio – notional values, positive and negative gross fair value per counterparty – contracts included in clearing agreements

31 12 2009
(in thousands of EUR)

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rate							
- notional amount			279,997,308	27,671,239	751,613		8,818,004
- fair value positivo			6,760,523	578,318	9,627		327,960
- fair value negativo			6,701,632	742,960	3,501		298,404
2) Equity securities and stock indices							
- notional amount			10,085,830	2,607,441	240,350		24,452
- fair value positivo			160,463	60,950	65		1,377
- fair value negativo			245,190	105,436	13,569		4,858
3) Exchange rates and gold							
- notional amount			13,043,145	109,403			2,377
- fair value positivo			110,922	1,761			6
- fair value negativo			119,648	675			63
4) Other amounts							
- notional amount			245,147	75,663			
- fair value positivo			20,932	3,808			
- fair value negativo			15,174	3,301			

A.7 OTC financial derivatives: banking book – notional values, positive and negative gross fair value per counterparty – contracts not included in clearing agreements

31 12 2009

(in thousands of EUR)

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rate							
- notional amount			1,788,781		2,678		29,865
- fair value positivo			39,519				
- fair value negativo			77,424		926		735
- future exposure			17,304		40		104
2) Equity securities and stock indices							
- notional amount			140,032		99,568		
- fair value positivo							
- fair value negativo			1,220				
- future exposure			14,003		9,957		
3) Exchange rates and gold							
- notional amount				99,264		8,438	694
- fair value positivo				179		69	
- fair value negativo						56	
- future exposure				993		84	
4) Other amounts							
- notional amount							
- fair value positivo							
- fair value negativo							
- future exposure							

A.8 OTC financial derivatives: banking book – notional values, positive and negative gross fair value – contracts included in clearing agreements

31 12 2009
(in thousands of EUR)

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rate							
- notional amount			26,597,311	4,413,437			38,734
- fair value positivo			277,805	3,162			812
- fair value negativo			582,346	205,940			
2) Equity securities and stock indices							
- notional amount			716,232	4,028			
- fair value positivo			6,231	357			
- fair value negativo			46,197				
3) Exchange rates and gold							
- notional amount			805,358				
- fair value positivo			53,731				
- fair value negativo			79,788				
4) Other amounts							
- notional amount							
- fair value positivo							
- fair value negativo							

A.9 Residual term of "over the counter" financial derivatives: notional value

(in thousands of EUR)

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	**109,135,292**	**193,269,386**	**96,600,944**	**399,005,622**
A.1 Financial derivatives on debt securities and interest rates	76,429,359	177,863,375	94,038,588	348,331,322
A.2 Financial derivatives on equity securities and stock indices	4,918,015	13,855,418	2,092,345	20,865,778
A.3 Financial derivatives on exchange rates and gold	27,554,732	1,462,969	470,011	29,487,712
A.4 Financial derivatives on other underlying assets	233,186	87,624	-	320,810
B. Banking book	**9,376,507**	**11,721,259**	**13,671,743**	**34,769,509**
B.1 Financial derivatives on debt securities and interest rates	8,458,725	11,521,259	12,915,911	32,895,895
B.2 Financial derivatives on equity securities and stock indices	4,028	200,000	755,832	959,860
B.3 Financial derivatives on exchange rates and gold	913,754	-	-	913,754
B.4 Financial derivatives on other underlying assets	-	-	-	-
Total 31 12 2009	**118,511,799**	**204,990,645**	**110,272,687**	**433,775,131**
Total 31 12 2008	**147,925,402**	**206,515,445**	**100,880,863**	**455,321,710**

This table shows the residual term of financial derivatives determined with reference to the contractual maturity of such derivatives.

A.10 OTC financial derivatives: counterparty risk/financial risk – internal models

At this time the Group does not have EPE models either for internal managerial purposes or for reporting purposes.

B. Credit derivatives

B1. Credit derivatives: end of reporting period notional values and averages

31 12 2009
(in thousands of EUR)

Transaction categories	Regulatory trading book		Banking book	
	with one counterparty	with multiple counterparties (basket)	with one counterparty	with multiple counterparties (basket)
1. Purchases of protection	**3,988,944**	**9,509,001**	**347,610**	**-**
a) Credit default products	3,988,944	9,509,001	347,610	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Other	-	-	-	-
Total 31/12/2009	**3,988,944**	**9,509,001**	**347,610**	**-**
Average amounts 31/12/2009	**6,965,718**	**3,082,478**	**219,695**	**17,836**
Total 31/12/2008	**3,401,761**	**2,845,943**	**44,264**	**-**
2. Sales of protection	**4,068,510**	**9,115,165**	**-**	**-**
a) Credit default products	4,068,510	9,115,165	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Other	-	-	-	-
Total 31/12/2009	**4,068,510**	**9,115,165**	**-**	**-**
Average amounts 31/12/2009	**6,418,536**	**2,859,930**	**-**	**531,507**
Total 31/12/2008	**3,435,969**	**2,477,283**	**-**	**-**

The table shows the notional value of the credit derivatives in existence on 31 December 2009. Derivatives included in the regulatory trading portfolio are those included for regulatory purposes in calculating capital requirements for market risk, while the remaining credit derivatives are included in other operations.

In particular, other operations also include some CDS (credit default swaps) classified in the regular trading portfolio for accounting purposes, but which from an operational standpoint are intended to cover a loan portfolio from insolvency risk and are therefore considered part of the banking book.

B2. OTC credit derivatives: positive gross fair value – breakdown by product

(in thousands of EUR)

Portfolios/Types of derivatives	Positive Fair Value	
	Total 31 12 2009	Total 31 12 2008
A. Regulatory trading book	**396,062**	**-**
a) Credit default products	396,062	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. Banking book	**6,274**	**-**
a) Credit default products	6,274	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**402,336**	**509,107**

B3. OTC credit derivatives: negative gross fair value – breakdown by product

(in thousands of EUR)

Portfolios/Types of derivatives	Negative Fair Value	
	Total 31 12 2009	Total 31 12 2008
A. Regulatory trading book	**508,715**	**-**
a) Credit default products	426,951	-
b) Credit spread products		-
c) Total rate of return swap		-
d) Other	81,764	-
B. Banking book	**6,376**	**-**
a) Credit default products	6,376	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**515,091**	**479,999**

B.4 OTC credit derivatives: gross fair value (positive and negative) per counterparty – contracts not included in clearing agreements

31 12 2009
(in thousands of EUR)

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Purchases of protection	-	-	1,595,696	273,443	-	-	10,077
- notional amount			1,511,836	255,942			10,000
- fair value positivo			24,276	3,883			
- fair value negativo			24,611	4,510			27
- future exposure			34,973	9,108			50
2) Sales of protection	-	-	1,179,063	460,882	-	-	519,568
- notional amount			1,119,730	366,154			500,000
- fair value positivo			18,335	124			
- fair value negativo			11,384	78,008			19,568
- future exposure			29,614	16,596			
Banking book							
1) Purchases of protection	-	-	341,066	19,196	-	-	-
- notional amount			328,935	18,676			
- fair value positivo			6,268	7			
- fair value negativo			5,863	513			
2) Sales of protection	-	-	-	-	-	-	-
- notional amount							
- fair value positivo							
- fair value negativo							

B.5 OTC credit derivatives: gross fair value (positive and negative) per counterparty – contracts included in clearing agreements

31 12 2009

(in thousands of EUR)

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Purchases of protection	-	-	9,802,035	2,280,084	-	-	-
- notional amount			9,519,359	2,200,808			
- fair value positivo			93,429	14,232			
- fair value negativo			189,247	65,044			
- future exposure							
2) Sales of protection	-	-	9,305,573	2,250,316	-	-	-
- notional amount			9,018,476	2,179,315			
- fair value positivo			181,216	60,566			
- fair value negativo			105,881	10,435			
- future exposure							
Banking book							
1) Purchases of protection	-	-	-	-	-	-	-
- notional amount							
- fair value positivo							
- fair value negativo							
2) Sales of protection	-	-	-	-	-	-	-
- notional amount							
- fair value positivo							
- fair value negativo							

B6. Credit derivatives' residual term: notional values

(in thousands of EUR)

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	893,118	22,217,897	3,570,604	26,681,619
A.1 Credit derivatives with qualified reference obligation	755,262	16,783,809	2,894,006	20,433,077
A.2 Credit derivatives with non-qualified reference obligation	137,856	5,434,088	676,598	6,248,542
B. Banking book	-	212,814	134,797	347,611
B.1 Credit derivatives with qualified reference obligation	-	111,177	129,310	240,487
B.2 Credit derivatives with non-qualified reference obligation	-	101,637	5,487	107,124
Total 31/12/2009	**893,118**	**22,430,711**	**3,705,401**	**27,029,230**
Total 31/12/2008	**2,190,742**	**6,783,322**	**3,231,156**	**12,205,220**

B.7 Credit derivatives: counterparty risk/financial risk under internal models

At this time, the Group does not have EPE models either for internal operational purposes or for reporting purposes.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure per counterparty

31 12 2009
(in thousands of EUR)

	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Financial derivatives, bilateral agreements							
- fair value positivo	-	-		-	-	-	-
- fair value negativo	-	-		-	-	-	-
- future exposure	-	-		-	-	-	-
- net counterparty risk	-	-		-	-	-	-
2) Credit derivatives, bilateral agreements							
- fair value positivo	-	-	-	-	-	-	-
- fair value negativo	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) "Cross product" agreements							
- fair value positivo	-	-	773,392	26,048		-	26,718
- fair value negativo	-	-	1,071,519	438,113	7,377	-	-
- future exposure	-	-	1,249,550	184,376	28,753	-	-
- net counterparty risk	-	-	1,572,417	163,636	28,753	-	26,718

Section 3. Liquidity risk

Qualitative information

A General aspects, management procedures and measurement methods for liquidity risk

The Group adopts a governance and management system for liquidity risk which, in accordance with the provisions of the Regulatory Authority, pursues the following objectives:

- ensure the solvency of the Group and all its subsidiaries, both under the normal course of business, as well as in crisis conditions;
- optimise the cost of funding in relation to current and future market conditions;
- adopt and maintain risk mitigation instruments.
- Within the above system, the following responsibilities are centralised in **the Parent Bank**:
- definition of the Group's policies for liquidity management and control of the respective risk;
- coordination of the implementation of these policies at companies included within the scope in question;
- governance of the Group's short-, medium- and long-term liquidity position, both overall and at the individual company level, through centralised operational management;
- governance and management of liquidity risk, both short- and long-term, guaranteeing, as lender of last resort for all subsidiaries, the solvency of the latter.

In its governance function, the Parent Bank therefore defines criteria, policies, responsibilities, processes, limits and instruments for managing liquidity risk, both under the normal course of business, as well as in liquidity stress and/or crisis conditions, formalising the Group's liquidity policy and liquidity contingency plan.

The **Group Companies** included in the scope of application, to the extent that they exhibit a liquidity risk deemed significant, are responsible for observing the liquidity policies and limits defined by the Parent Bank and the capital requirements set by the competent Regulatory Authorities.

Monitoring of the overall structural liquidity profile is done on the basis of quantification of mismatches, per settlement date, of maturing cash flows. Items of an optional nature have representative models consistent with those used for rate risk.

The planning of the funding policy Group-wide (funding plan) is coordinated and directed by the Treasury and Capital Management Area (in cooperation with the Planning Area), which:

- submits the plan of the initiatives to be taken in the financial markets to the Finance Committee for approval, with the objective of achieving the objectives set by the business plan and in accordance with capital management requirements
- coordinates the MPS Group banks' access to domestic and international long-term and short-term capital markets, as well as access to the European Central Bank re-finance transactions and centralised management of statutory reserves
- makes projections on future liquidity, on the basis of different market scenarios.

Quantitative information

3.1. Time breakdown by contractual residual maturity of financial assets and liabilities

31 12 2009
(in thousands of EUR)

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	33,436,405	11,380,994	2,234,600	5,102,192	7,172,059	13,926,932	11,827,387	41,590,341	58,644,139	2,713,236
A.1 Government securities	3	-	104,019	7	576,139	525,083	1,354,779	4,359,500	8,808,610	-
A.2 Other debt securities	507,311	9,015	27,362	116,859	226,354	510,800	670,601	4,300,114	3,684,733	5,358
A.3 Units in UCITS	910,477	158	-	-	-	2,595	-	136,659	138,128	-
A.4 Loans	32,018,614	11,371,821	2,103,219	4,985,326	6,369,566	12,888,454	9,802,007	32,794,068	46,012,668	2,707,878
- Banks	4,889,057	3,117,513	39,643	209,603	223,153	471,922	357,152	150,545	87,219	6,120
- Customers	27,129,557	8,254,308	2,063,576	4,775,723	6,146,413	12,416,532	9,444,855	32,643,523	45,925,449	2,701,758
Balance-sheet liabilities	71,837,407	12,213,802	8,981,777	9,165,251	15,796,538	6,863,732	10,933,988	38,227,024	10,680,755	1,396,884
B.1 Deposits and current accounts	69,113,649	3,330,511	2,336,736	1,456,959	1,624,378	343,194	293,810	718,289	981,566	282,790
- Banks	3,363,592	1,356,408	1,382,505	527,621	1,362,065	288,718	90,296	636,699	810,512	282,790
- Customers	65,750,057	1,974,103	954,231	929,338	262,313	54,476	203,514	81,590	171,054	-
B.2 Debt securities	213,755	487,959	718,569	3,228,790	6,090,155	2,019,920	4,380,104	37,124,407	8,846,425	1,114,088
B.3 Other liabilities	2,510,003	8,395,332	5,926,472	4,479,502	8,082,005	4,500,618	6,260,074	384,328	852,764	6
Off-balance-sheet transactions	22,301,028	4,192,217	5,567,516	6,703,942	13,853,690	32,822,094	14,326,431	58,263,189	44,249,036	697,982
C.1 Financial derivatives with exchange of principal	758,314	3,889,184	3,428,817	6,112,677	11,714,970	9,427,476	7,912,809	3,502,281	1,951,494	3,547
- long positions	469,245	1,657,992	1,688,765	3,089,089	5,993,877	4,899,380	3,817,636	1,962,620	940,409	1,181
- short positions	289,069	2,231,192	1,740,052	3,023,588	5,721,093	4,528,096	4,095,173	1,539,661	1,011,085	2,366
C.2 Financial derivatives without exchange of principal	3,416,465	180,483	245,764	582,964	1,966,407	23,082,272	5,631,683	32,785,167	33,214,237	7,229
- long positions	376,630	160,579	231,098	508,632	1,756,271	10,557,838	5,142,303	31,270,141	31,323,700	-
- short positions	3,039,835	19,904	14,666	74,332	210,136	12,524,434	489,380	1,515,026	1,890,537	7,229
C.3 Deposits and borrowings to be received	900,324	122,241	1,888,093	6,471	73,262	14,196	-	-	-	-
- long positions	898,798	-	601,689	-	1,783	24	-	-	-	-
- short positions	1,526	122,241	1,286,404	6,471	71,479	14,172	-	-	-	-
C.4 Irrevocable commitments to disburse funds	7,578,843	309	4,842	1,830	92,097	289,244	740,291	21,857,152	8,980,750	512,532
- long positions	991,840	309	4,842	1,830	56,597	167,044	397,932	11,188,143	6,966,143	473,125
- short positions	6,587,003	-	-	-	35,500	122,200	342,359	10,669,009	2,014,607	39,407
C.5 Financial guarantees given	9,647,082	-	-	-	6,954	8,906	41,648	118,589	102,555	174,674

Section 4. Operational risks

Qualitative information

A. General aspects, management procedures and measurement methods for operational risk

General aspects and structure of the framework

In an administrative ruling dated 12 June 2008, Banca d'Italia authorised the Montepaschi Group to use internal models for the determination of capital requirements in view of credit and operational risks.

The adoption of the model put forth (AMA) requires an organisational and cultural revolution within the banks, which must necessarily:

1. Equip themselves with an internal organisation which defines roles in the corporate bodies and functions involved in the process of managing operational risk;
2. Equip themselves with a control function for gathering and storing data, the calculation of the requirement, the evaluation of the risk profile and the reporting;
3. Perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;
4. Delegate to the internal audit body to perform periodic audits of the management system for Operating Risks;
5. Guarantee over time that the system is actually used by corporate management (use test).

For this purpose, the Montepaschi Group has equipped itself with an integrated management system for operational risk, an internal framework built on a governance model which involves all the companies belonging to the scope of application of the AMA model. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

The advanced approach is designed so as to match all major qualitative and quantitative (LDA-Scenario mixed model) information sources (information or data).

The quantitative component (Loss Distribution Approach) is based on the collection, analysis and statistical modelling of internal and external historical data of loss (provided by the DIPO consortium – *Database Italiano Perdite Operative*)

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of significant scenarios. In this framework, the companies in the AMA area are involved in the identification of processes and risks to be assessed, in risk evaluation by those responsible for the processes for such risks, the identification of possible mitigation plans, the sharing of scenarios with the H.O. units in relation to the priorities and the technical-economic feasibility of mitigation actions.

Next is a phase for monitoring the progress of the implementation of the initiatives provided for and the observance of objectives and deadlines.

The framework identifies Group Operational Risk Management (ORM) as the operational risk control function (located within the Parent Bank's Risk Management).

The Parent Bank's ORM calculates the capital required to hedge operational risks by the use of different components of the model (internal data, external data, contextual and control factors, qualitative analyses), supports decision-making by Top Management from the standpoint of creating value by containment, mitigation and transfer of the risks detected, and as it does for other companies within the area, it gathers internal loss data and data from the risk identification phase to be evaluated in qualitative analyses.

ORM has also prepared a reporting system which ensures timely information on operational risks for Top Management, which transforms the strategic principles of the management system into special operating policies. Reports are submitted regularly to the Risks Committee.

Over time, the adoption of the AMA model has ensured more conscious management of operational risk, in fact guaranteeing a progressive reduction of the Company's operational risk.

Changes over the last year

The new aspects compared to the previous financial year concern the completion of the roll-out of the model put forward at Banca Antonveneta. These roll-out activities involved an acceleration sought by the Parent Bank to more effectively identify and monitor the risks associated with extending procedures and systems to a new company, therefore enabling greater awareness of the new component in the Montepaschi Group's risk profile.

The roll-out activities involved an extension of the qualitative and quantitative components of the approach put forward at the 623 branches acquired from Banca Monte dei Paschi and at the new Banca Antonveneta, which as of 1 January 2009 has a network made up of the remaining 403 branches.

In 2009, the Group completed an important project for rationalising the insurance plans inherited from the different extraordinary operations carried out in recent years. Consequently, the policies were redefined to ensure greater coverage both in terms of events, as well as in expanding the scope. The deductibles and maximum limits were therefore adjusted to make the transfer of operational risks more effective.

Quantitative information

The percentage breakdown of operational losses, recorded in 2009, is reported, divided into the following risk classes:

Internal Fraud: Losses due to unauthorised activities, fraud, misappropriation or violations of laws, regulations or corporate directives that involve at least one internal resource of the Group;

External fraud: Losses due to fraud, misappropriation or violations of laws by parties external to the Group;

Employment Relationships and Occupational Safety: Losses deriving from acts contrary to the laws or agreements on employment, occupational health and safety, payment of compensation for personal injury or episodes of discrimination or failure to apply equal conditions;

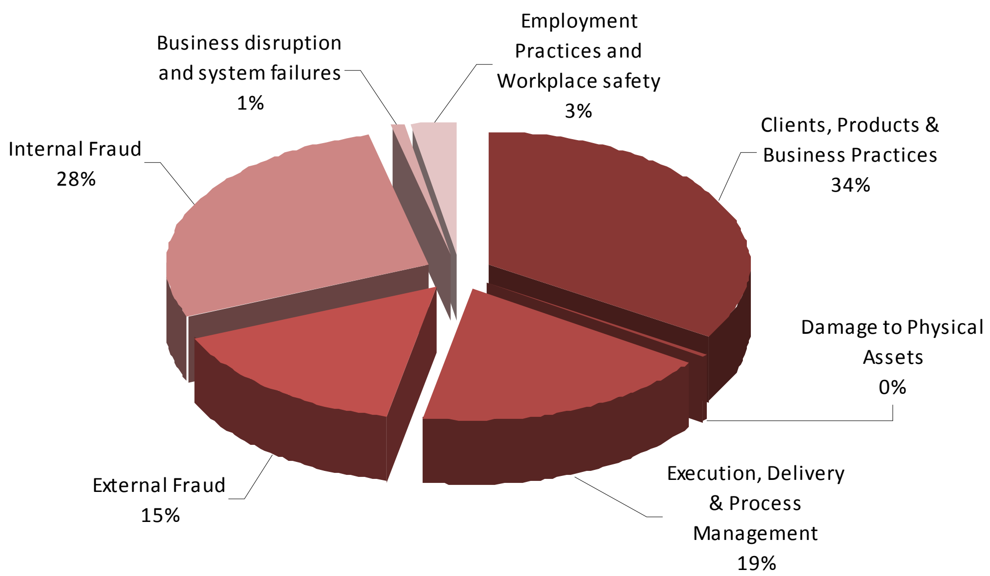
Customers, products and operating practices: Losses deriving from default on professional obligations to customers or on the nature and characteristics of the product or service provided;

Property damage: Losses deriving from external events, such as natural catastrophes, terrorism or acts of vandalism:

Interruptions of operations and system dysfunctions: Losses due to interruptions of operations or system dysfunctions or unavailability;

Execution, delivery and management of processes: Losses due to deficiencies in the completion of operations or in the management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

% breakdown of losses



Compared to 2008, there was a decrease in operational risk events, confirming a positive trend already noted in previous years.

The type of event with the greatest impact on the profit and loss statement remains the one attributable to "violation of professional obligations to customers", which covers approximately one third of the entire amount of losses.

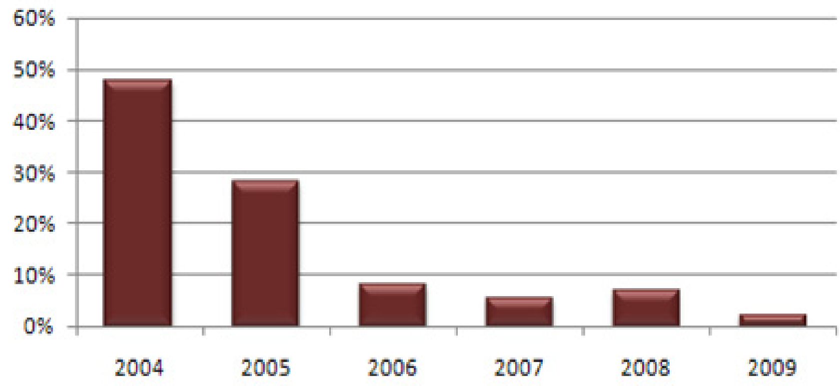
Noteworthy in this class of risk are disputes with customers relative to:

Sales of For you and My way Financial Plans, Argentina Bonds, Cirio, Parmalat and structured products;

Application of compound interest.

It follows that a large part of the operational risk events have a date of occurrence prior to 2002, but have accounting effects still on the 2009 financial year. The phenomena are nevertheless in a phase of progressive resolution, as shown by the graph which illustrates the progress of disputes relative to the placement of financial plans and securities in default from 2004 to 2009 in percentage terms to the overall number.

Loss Distribution % 2007-2009



Compared to 2008, there was a decrease in the percentage weight of "External Fraud," which stood at 15%. In this connection, mitigation activities continued, aimed at containing the phenomenon of credit fraud, which has taken on a significant weight even at the systemic level. Among these, we can mention the review of the third-party intermediary agreement process, the centralisation of selection and control activities, and the development of management and monitoring IT systems. Such activities also allow for effective control of the quality of the credit disbursed through that channel.

In a general context of reduction of operating losses, compared to 2008, the increase in the internal fraud component associated in any event with a single important episode, becomes relevant.

Principal types of legal actions

The cases brought against Banca Monte Paschi for the most part can be grouped into sub-categories, characterised individually by a common denominator represented by alleged critical elements of products, operations, services or relationships for which or in which the companies played the role of disbursement or placement entities.

The main sub-categories refer to claims regarding:

1) Compound interest;
2) The placement of bonds issued by countries or companies later in default (Argentina bonds, Cerruti, Parmalat, Cirio, Lehman Brothers);
3) The placement of financial plans;
4) The placement of structured products.

Compound interest. Following the change in the tendency of the Court of Cassation on the lawfulness of the practice of capitalising interest payable accrued on current accounts quarterly, as of 1999, there was a progressive increase in cases brought by holders of current accounts for the return of interest payable as a result of quarterly compounding. The disputes, which concern cases from before April 2000 – the effective date of Legislative Decree No. 342/1999, which legalised the quarterly capitalisation of interest, making it subject to application to both debit, as well as credit accounts – were managed in 2009 as in the past, by evaluating the legal arguments usable, to the extent that they are shared by the doctrine and by some case law on the merits, as the basis for the operation challenged. Alongside, appropriate provisions were made on the balance sheet.

Bond placements. In managing these disputes, the Group has sought to find settlement solutions in cases with significant defence issues. Considering the progressive expiration of the statutes of limitations, it can be inferred that the incidence of such cases and the respective losses will gradually decrease.

Financial plan placement. For this type of case, in relation to which, as for the others, the appropriate provisions have been made on the balance sheet, there was a slight increase of conciliation solutions in 2009. Regarding the cases closed with a judgment over the year, those in which the Group lost stood well below the 50% threshold.

Structured products placement. For this type of cases as well, the trend to conciliation also remained significant in 2009. The disputes continue to be managed, as in the past, by using legal arguments allowed by the current jurisprudential framework and evaluating all factual items which may be invoked in defence.

Other pending litigation

Pending cases regarding the application of anti-money laundering provisions In 2009, several administrative proceedings were pending against the Group concerning the application of anti-money laundering regulations.

Civil case entered under General Roster No. 35638 05 at the Court of Turin. The case involves a dispute relative to the service of a protest and the resulting claim for damages. The Court of Turin rejected the claim, ordering the plaintiffs to pay the defendant Group court costs. Likewise, the appeal filed by the opposing party was denied, ordering it to pay costs. The case is currently pending before the Court of Cassation.

Civil case entered under General Roster No. 4806 08 RG at the Court of Florence. The case concerns a claim for compensation for alleged damages due to contractual liability brought by Cooperativa Toscana Tabacchi a r.l. in l.c.a. against the Group jointly with other credit institutions.

Civil case brought before the Court of Salerno with a summon served on 27/6/2007. This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff company Fatrotek s.r.l., as a result of an alleged unlawful report at the Central Risk Office.

Actions under way brought by the Trustee in Bankruptcy of Casillo Grani and Italsemole. In 1999, the Trustee of the companies in question brought several cases, directed both against B.N.A. (later Antonveneta, now BMPS), as well as against BMPS, aimed at obtaining compensation for damages due to the alleged wrongful granting of credit, quantified in the amount of the non-bank credits admitted to the liabilities of the insolvent. These claims were rejected due to the trustee's lack of standing as a plaintiff or the insolvent declared its waiver of continuing with the action. At the same time, the Trustee of the same companies also filed actions for revocation pursuant to Art. 67 II Bankruptcy Act concerning remittances considered as settlement. These disputes underwent complicated procedural steps in relation to some pre-trial matters and are currently at different stages of procedural development. In particular, to date, the case relative to the Italsemole position, as well as the one relative to the Casillo Grani position against B.N.A., after the respective decisions of the Court of Cassation, are being resumed before the Court of Appeal of Bari, while the Casillo Grani position against BMPS is still pending a decision by the Supreme Court.

Action for liability against former directors and statutory auditors of Cassa di Risparmio di Prato. This case formerly brought by the C.R. Prato and then continued by BMPS as the absorbing bank concerns an action for liability against former directors and statutory auditors of the Cassa.

Group of actions in existence brought by Coop Costruttori A.c.a. r.l. in a.s. and currently under way:

1) action brought pursuant to Art. 67 Bankruptcy Act (322 gcp) whereby the trustee in bankruptcy requests the revocation of all payments made by the company on two current accounts in the year prior to the declaration of the state of insolvency, alleging that the remittances were made with the current account overdrawn.
2) action brought pursuant to Art. 67 I and II Bankruptcy Act (GCP 458) whereby the trustee in bankruptcy of the company Coop Costruttori requests the revocation of all credit assignment contracts carried out by Coop Costruttori, arguing that, in the former case, the advances granted – for which the credits were assigned as security – were used by the company to cover previous exposures or, in the latter case, they all took place in the year before the declaration of insolvency, to the extent that, since future credits were involved, the time when the credits came into existence should be looked at.
3) action brought pursuant to Art. 67 I and II Bankruptcy Act (GCP 457). The action brought and the claims made are the same as the above. The only difference is that in the action in question the trustee in bankruptcy revoked a payment made by an assignee.
4) action brought pursuant to Art. 44 Bankruptcy Act (GCP 459) whereby the trustee in bankruptcy of the company requests the return of all amounts that were allegedly credited to the accounts of the Coop Costruttori by third parties subsequent to the date of declaration of insolvency.
5) action for revocation (GCP 462) whereby the proceedings by the trustees in bankruptcy of the insolvents Coop Costruttori A. c.a. r.l. in a.s., Cir Costruttori srl in a.s. and Il Progresso srl in a.s. request the revocation of the mortgage loan contract granted by BAPV to Coop Costruttori, as well as the revocation of all mortgage guarantees on properties of the companies Coop Costruttori, Cir and Il Progresso.

Group of actions in existence brought by CIR Costruzioni Srl. This action brought (gcp 481) by the Extraordinary Administrators requests the revocation of credit assignments to F.E.R. Srl made prior to admission to the extraordinary administration proceeding. The case is still in the examining phase.

Group of actions in existence brought by the Volare group and under way:

1) action brought (gcp 330) by the administrators of Volare Airlines S.p.A. to seek the revocation pursuant to Art. 67 Bankruptcy Act of remittances that went into the current account in the name of the company in the previous year, considering them as settlements.
2) action brought (gcp 329) by the administrators of Volare Group S.p.A. to seek the revocation pursuant to Art. 67 Bankruptcy Act of remittances that went into the current account in the name of the company in the previous year, considering them as settlements.

3) action brought (gcp 328) by the administrators of Air Europe S.p.A. in a.s. to seek the revocation pursuant to Art. 67 Bankruptcy Act of remittances that went into the current account in the name of the company in the previous year, considering them as settlements.

Group of actions in existence brought by Cavirivest S.p.A. in a.s. and under way:

1) action brought (gcp 31) by administrators seeking revocation of settlement items posted in the current account in the year prior to the declaration of insolvency. The case was won by the Parent Bank on first instance with a judgment on 23/4/04 declaring the extraordinary administration as lacking in procedural standing (an exception raised by the Parent Bank). The case is now pending appeal before the Court of Appeal of Venice

2) action brought (gcp 32) by administrators seeking revocation of settlement items posted in the current account in the year prior to the declaration of insolvency. The case was won by the Parent Bank on first instance with a judgment on 25/7/02 declaring the extraordinary administration as lacking procedural standing (exception raised by the Parent Bank). In a judgment on 13/2/09, the Court of Appeal of Venice, rejecting the Parent Bank's argument, found against the Parent Bank, which then filed an appeal for Cassation against the judgment.

Action in existence brought by Calzaturificio Bettin. The action brought (gcp 19) by the trustee in bankruptcy to seek the revocation pursuant to Art. 67 Bankruptcy Act of remittances to current account and export advances made in the year prior to the declaration of bankruptcy. The judgment on first instance concluded with an order against the Parent Bank. On 14/2/2008, the Court of Appeal of Venice upheld the judgment on first instance. The trustee in bankruptcy has not yet requested the payment owed equal to the provision.

Financial risks inherent in investment services (wealth risk management)

Wealth risk management procedure and methods

Wealth Risk Management is to be understood as all activities for measurement and monitoring, as well as procedures for control of the risks and yields inherent to the investment services/products offered to customers.

These activities particularly concern the operational and managerial procedures, the tools and methods aimed at ensuring overall consistency between the customer's propensity for risk and his expectations in terms of yield with the risk profile inherent to the products, managements and portfolios held by him in order to prevent and minimise the occurrence of such reputational risks identifiable as deteriorating the relationship of trust between customers and the Bank.

Within the Parent Bank, the organisational responsibility for overseeing Group-wide measurement, monitoring and control activities relative to the financial risks inherent in investment services/products was withdrawn in late October 2009 from Wealth Risk Management, in staff at the Private Commercial Division, and incorporated into the Operational Risks Department at Risk Management Area, thus ensuring single governance of the direct and indirect risks which the Group incurs during the course of its operations.

All investment products (both Group and third-party), included in the catalogue of products offered to Group customers are subject, within a codified production-distribution line process, to a specific multivariate quali-quantitative risk analysis, including market, credit and liquidity risk factors.

The risk valuations are pegged to specific risk classes identified with specific legends, which are available to customers within information brochures regarding securities being placed and which therefore represent one of the guiding criteria on the basis of which the verifications of appropriateness and compliance provided for by the European MiFID regulations and by Consob Regulation 16190 are made. The same quantitative evaluation is also made for financial instruments purchased directly by customers and managed in administrative dossiers. Group customers are regularly informed of changes in the risk of the financial instruments held, so as to ensure timely informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of the investments held.

For OTC derivatives, offered exclusively to clients which are legal entities based on an advisory service aimed at hedging exposures already in existence and ascertained, risk classes and ad hoc valuation and monitoring methods are defined.

The activities described cover the entire scope of the MPS Group, specifically Banca Monte dei Paschi di Siena, Banca Antonveneta, Biverbanca and MPS Banca Personale.

In 2009, the regulatory instructions contained in Consob Communiqué No. 9019104 dated 2 March 2009, known as "Level 3 – Illiquid financial products," were transposed and made operational. The bank also transposed the instructions issued as part of the "Inter-association guidelines for the application of Consob Level 3 measures for illiquid financial products", published in early August and to the preparation of which it contributed actively.

The interfunctional technical body, "Customer Protection", activated in early July 2009, operates with the objective of identifying companies characterised by a particular temporary critical state, associated primarily with specific macroeconomic, corporate and/or sector-related situations or by a lack of sufficient market information, in order to characterise the financial instruments issued by them at a maximum level of risk which makes it impossible to offer them on an advisory basis and makes them inappropriate in terms of suitability.

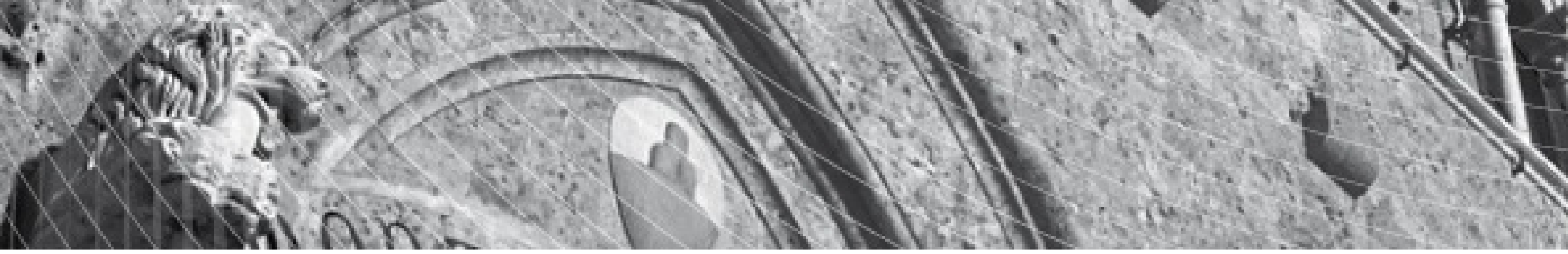
Reputational risks in operations inherent in investment services/products

Reputational risk is identified in general terms as the possibility that one or more given events may negatively alter the consideration, esteem or image and therefore the reputation which a party has within the economic or social system in which it operates, primarily with those who hold some form of interest in it. Reputation therefore becomes particularly relevant in the case of banks, for which a relationship of trust is an integral part of the end products and services provided to their customers. It is evident how reputation, and thus the risks associated with it, presents particular difficulties for an objective quantitative evaluation.

As far as operations relative to the production and sale of investment products and services to customers (therefore including financial advisory, asset allocation, portfolio management, etc.), the category of events associated with innovative business scenarios or situations not typically associated with a sufficiently broad record of data to describe both the distribution of probability and the average impact in terms of damage takes on special importance. This is the direct consequence of the high innovation component which characterises the business itself, due to the need geared toward offering the customer new investment opportunities in a timely fashion both through proprietary or captive products, as well as through access to catalogues of third-party products under open architecture terms.

Phenomena such as mis-selling, the inappropriateness of the risk of the portfolio or the individual products to the customer's socio-behavioural profile, the overall financial risk borne by the customer, the complexity or the imperfect contracting of investment products and services are phenomena which potentially lie at the origin of reputational risks that must be subject to monitoring/management.

Identifying and monitoring such phenomena therefore provide a basis for preventive intervention with respect to the generation of reputational events, encouraging a proactive and conscious management logic beyond mitigation and merely prudential provisions. The organisational choice at the end of 2009 to centralise the overall protection and governance of both operational risks and risks inherent to investment services/products within the Operational Risks Department, is therefore aimed at encouraging awareness and an integrated management of the processes which potentially generate reputational risks for the Group.



Part F – Information on consolidated capital

Section 1 – Consolidated capital

A. Qualitative information

The capital management activity involves all the policies and choices necessary to define the size of the capital and the optimum combination between different alternate capitalization instruments, so as to ensure that the amount of capital and the correlated ratios are consistent with the risk profile assumed and so as to observe regulatory requirements. From this standpoint, Group-wide capital management has become increasingly more fundamental and strategic, taking into account that the quality and the size of the capital resources of the individual companies that from part of it are defined in keeping with the more general objectives of the Group itself.

The Group is subject to the capital adequacy requirements established by the Basel Committee according to the rules defined by Banca d'Italia ("New prudential oversight provisions for banks," Circular 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 12th update of Circular No. 155/91).

Based on such rules, the ratio between capital and weighted assets at risk must be at least 8% on a consolidated level; compliance with the requirement on a consolidated basis is verified every six months by Banca d'Italia. At the individual level, for banks belonging to a banking group, it is provided that the requirements in terms of credit, market, counterparty and operational risk are reduced by 25%, subject to meeting the abovementioned overall capital requirement of 8% on a consolidated basis.

Along with the observance of mandatory minimum capital ratios ("pillar one"), the regulations require the use of internal methodologies intended for determining current and future capital adequacy ("pillar two"). The existence, along with the mandatory minimum ratios, of "pillar two" in fact expands the concept of capital adequacy, which takes on a more global connotation aimed at overall verification of capital needs and the sources actually available, consistent with the strategic and developmental objectives of the Group itself.

For purposes of ensuring continual and effective oversight of all aspects of capital adequacy, the Group recently made a Capital Adequacy Function, in order to:

- coordinate in an ongoing fashion the different activities carried out by other functions which directly or indirectly generate different impacts on current and future capitalisation levels, both in terms of operations and regulations;
- monitor in an ongoing fashion the level of risk and capital;
- activate effective capital management procedures.

All this is in accordance with formalised rules of governance, in line with the regulations in question provided for by Banca d'Italia and consistent with the Group's strategic and operational development. In fact, the Group has defined an independent internal process for evaluating its current and future capital adequacy, based on methodologies applied to prepare the different information contained in the consolidated ICAAP (Internal Capital Adequacy Assessment Process) report; these methodologies are aimed at both the determination of overall internal capital in terms of a wider number of risks compared to those in "pillar one", as well as at the identification of overall capital, using Available Financial Resources (AFR) logics.

In this context, considering the transversality and pervasiveness that this process takes both with reference to the functions of the Parent Bank and the individual legal entities, the Board of Administration of the Parent Bank approved a specific internal directive on ICAAP and additional guidelines for self-assessment of risk management processes deemed material and significant; the resulting output of this process contributes to the final evaluation of capital adequacy.

The CFO is responsible for the ICAAP process, while the Capital Adequacy function coordinates the different functions which participate in it and it materially makes the content of the report. Since the ICAAP also requires an evaluation of future capital adequacy, the Group has equipped itself with a structured capital simulation process, whereby it estimates future capital requirements and the associated regulatory capital ratios, the overall internal capital and the future AFR. In addition, the outputs produced are redetermined subjecting the input variables to stress conditions, based on a hypothetical recessive scenario and prepared by the competent functions. Through this scenario, which identifies the shocked levels of some macroeconomic and financial variables, the impacts produced are broken down for all profit-and-loss and balance sheet items and risk factors, so as to determine the overall impact on capital ratios and evaluate the sustainability of the correlated contingency plans.

In addition to what is described above, a further method of monitoring capital adequacy is the activity of capital targeting – both regulatory and operational – which the Group has adopted, together with the Capital Planning activity, for several years now. These activities are the basis of the Risk Appetite and Capital Allocation process.

The Capital Planning activity is geared toward identifying the dynamics of capital and regulatory ratios, in keeping with the development of the Group's activities, on both a current and future basis, and taking into account changes in the market and in regulations.

The Capital Allocation activity, on the other hand, allows for making allocation of the internal capital to the Group's different business areas and territorial divisions, to which risk-adjusted income components are also allocated. All this is aimed at determining the creation of value and the performance of each business unit, which allows for guiding value creation objectives by implementing risk-return remixing procedures among the different risk-taking entities or portfolios. For this latter purpose, with the "Value Creation" Project, carried out by the Capital Adequacy function, a systematic analysis was begun of the added value with individual customers, aimed – through active management by the commercial network of inefficient capital positions – at reducing the operational absorption of internal capital, containing the associated capital requirements and, in general, maximising the yield on portfolio assets.

Periodic activity of monitoring the regulatory ratios (“pillar one”) and the operational capital indices (“pillar two”), together with spatial and temporal analyses of individual events that impact the types of risk measured, allow for intervening promptly either through appropriate activities for redirecting the underlying operational activities or through actions on capital aggregates. All this is aimed at observance of the adequacy indices set in the Business Plan and in the annual Risk Appetite.

Furthermore, a multi-period Capital Planning framework allows for evaluating the degree to which the Group’s growth targets have been achieved, while the development of scenario or what-if instruments on capital adequacy levels, together with monitoring the degree of achievement of capitalisation objectives, allows for an ex-ante understanding of specific operational policies and extraordinary operations.

In terms of action plans, observance of capital adequacy is sought through several levers, including of course those centred on the composition and level of capital (capital increases, convertible bonds, subordinate bonds, etc.), policies for optimisation and mitigation of all types of risks, such as, for example, those based on managing loans in keeping with the implied risk reflected by the type of counterparty or product, and, lastly, on policies for generating financing internally and correlated payout policies.

B. Quantitative information

Shareholders’ equity at 31 December 2009 amounted to € 17,456 mln and increased significantly compared to the € 15,103 mln recorded at the end of 2008 (+ 15.58%). With reference to the individual components of capital, the main changes were due to capital instruments, which increased following the issuance of the “Tremonti bond” in the amount of € 1,900 mln and due to retained earnings as a result of the capitalisation of a large part of the 2008 profit.

B.1 Consolidated capital: breakdown by type of company

31 12 2009
(in thousands of EUR)

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	4,553,774	334,767	126,847	(461,614)	4,553,774
Share premium	4,048,671	24,650	527	(25,177)	4,048,671
Reserves	5,852,769	158,075	3,779	(161,854)	5,852,769
Equity instruments	1,949,365	-	-	-	1,949,365
Treasury shares (-)	(32,079)	-	-	-	(32,079)
Valuation reserves	-	-	-	-	-
- Financial assets available for sale	951,565	-	-	-	951,565
- Property and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(207,389)	-	-	-	(207,389)
- Exchange difference	(5,729)	-	-	-	(5,729)
- Non-current assets held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
- Share of valuation reserves of equity accounted investments	62,532	60,182	2,350	(62,532)	62,532
- Special revaluation laws	57,916	3,886	6,610	(10,496)	57,916
Profit (loss) for the year - Group and minority interests	224,615	76,113	(3,142)	(72,971)	224,615
Net equity	**17,456,010**	**657,673**	**136,971**	**(794,644)**	**17,456,010**

B.2 Valuation reserves for financial assets available for sale: breakdown

Asset / Amount	Banking Group		Insurance companies		Other companies		Consolidation cancellations and adjustments		TOTAL	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	242,438	(111,777)	69,316		2,490	(140)	(71,807)	140	242,437	(111,777)
2. Equity instruments	918,640	(20,265)	1,177	(10,312)			(1,177)	10,312	918,640	(20,265)
3. Units in UCITS	30,894	(45,833)							30,894	(45,833)
4. Loans										
Total 31 12 2009	**1,191,972**	**(177,875)**	**70,493**	**(10,312)**	**2,490**	**(140)**	**(72,984)**	**10,452**	**1,191,972**	**(177,875)**
Total 31 12 2008	**955,011**	**(346,895)**	**8,251**	**(2,726)**	**-**	**-**	**-**	**-**	**963,262**	**(349,621)**

With reference to net valuation reserves for the portfolio available for sale, the table shows the gap with the distinction between capital gains and capital losses for debt securities, equities and shares of UCITS.

The breakdown of reserves by class of financial instrument is relevant especially for purposes of the quantification of filters on regulatory capital. All the amounts indicated are net of tax effects, if any.

The negative reserves for debt securities include reserves in the amount of € 96.4 mln for securities reclassified, pursuant to the amendment made by the IASB to accounting standards IAS 39 and IFRS 7, from the portfolio available for sale to the loan portfolio. The balance of these reserves was crystallized on the date of reclassification and is subject to recognition on the profit and loss statement, decreasing interest income, on the basis of the residual life of the reclassified securities.

The positive reserves on equity securities which derive from valuation at fair value show capital gains net of any deferred taxes on the equity investments in Banca d'Italia in the amount of € 606.9 mln, the Istituto per il Credito Sportivo in the amount of € 49.8 mln, SORIN S.p.A. in the amount of € 29.6 mln, S.S.B. in the amount of € 13.1 mln, Alerion Industries S.p.A. in the amount of € 12.3 mln and Sorgenia S.p.A. in the amount of € 11 mln. A more detailed list is included in Table B.4 below. In observance of provisions issued for prudential purposes, the capital gain on the equity investment in Banca d'Italia is not computed in the regulatory capital.

B.3 Valuation reserves for financial assets available for sale: annual changes

(in thousands of EUR)

	Debt securities	Equity securities	Units in UCITS	Loans
1. Opening balance	**(195,424)**	**848,608**	**(39,544)**	**-**
2. Increases	**421,412**	**96,141**	**45,248**	**-**
2.1 Increases in fair value	344,547	64,030	40,806	-
2.2 Reversal to profit and loss of negative reserves	76,809	28,787	4,442	-
- due to impairment	413	22,532	3,307	-
- following disposal	76,396	6,255	1,135	-
2.3 Other changes	56	3,324	-	-
3. Decreases	**95,327**	**46,375**	**20,642**	**-**
3.1 Decreases in fair value	6,115	29,229	17,609	
3.2 impairment provisions	-	545	-	-
3.3 Reversal to profit and loss of positive reserves: following disposal	282	6,273	-	-
3.4 Other changes	88,930	10,328	3,033	-
4. Closing balance	**130,661**	**898,374**	**(14,938)**	**-**

The amounts indicated in this table are net of tax effects, if any.

Line 2.1 "Increases in fair value" includes, under the column "Debt securities", the revaluation mainly of Italian sovereign bonds belonging to the Banking Group and insurance companies. The column "Equity securities", reports the revaluation of SORIN S.p.A. in the amount of €29.6 mln, Sorgenia S.p.A in the amount of € 4.6 mln and Alerion industries in the amount of €2.7 mln. The column "Shares of UCITS" primarily shows the revaluations of membership units in private equity investment firms.

Line 2.2 "Transfer of negative reserves to the profit and loss statement", sub-item "due to impairment", shows the amount, net of tax effects, of the impairment losses entered, gross of tax effects, under Item 130 b) "Impairment losses on financial assets available for sale" in the profit and loss statement.

In this regard, for Tier I listed capital instruments, the Group considers the presence of a market price on the date of the financial statements which is at least 30% lower than the original purchase price or the prolonged presence for more than 12 months of a market value lower than cost as objective evidence of impairment. If further reductions take place in subsequent financial years, these are charged directly to the profit and loss statement

In line 2.2 –"Transfer of negative reserves to the profit and loss statement", sub-item "due to realisation", the column "Debt securities" includes €29.2 mln transferred to the profit and loss statement, decreasing interest income, from negative reserves for securities available for sale transferred to the loan portfolio, pursuant to the amendment to IAS 39 and IFRS 7 issued by the IASB in October 2008.

In line 3.1 "Reductions of fair value" the amount of € 29.2 mln indicated in the column "Equity securities" is made up almost entirely of the portion accrued in 2008 of the impairment losses indicated in line 2.2 of this table. The amount of € 17.6 mln indicated in the column "Shares of UCITS" is made up of reductions of fair value of hedge funds in the amount of € 6.3 mln and of € 11.3 mln in membership units in private equity firms, charged to reserves under shareholders' equity.

In line 3.4 "Other changes," an amount of €78.4 mln for reserves for debt securities is attributable to application by the insurance companies of an accounting method known as shadow accounting.

Table B.4 below reports in detail the movement relative to the equity securities column with evidence of the change in the valuation reserves for the main equity investments held.

B.4 Valuation reserves for financial assets available for sale: annual changes on equity securities

(in thousands of EUR)

items/Amounts	01/01/2009	Increases				Reductions			31 12 2009
		due to impairment	following disposal	Other	Fair value increases	following disposal	Fair value reductions	Other	
Alerion Industries	9,682	-	-	-	2,662	-	-	-	12,344
Banca d'Italia	606,885	-	-	-	-	-	-	-	606,885
Istituto per il Credito Sportivo	49,481	-	-	-	354	-	-	-	49,835
Sansedoni S.p.A.	7,800	-	-	-	-	-	-	-	7,800
S.S.B. S.p.a.	13,123	-	-	-	-	-	-	-	13,123
Sorgenia S.p.A.	6,473	-	-	-	4,562	-	-	-	11,035
SORIN S.p.a.	-	-	-	-	29,595	-	-	-	29,595
Spoleto Cr.Serv.Ragg.	5,044	-	-	-	-	-	-	-	5,044
Other Group companies	23,673	15,250	115	490	13,912	(6,269)	(21,194)	(10,328)	15,649
Equity securities - Finance	(10,809)	6,737	6,086	3,033	12,945	-	(7,895)	-	10,097
Equity securities - third parties	137,057	-	54	-	-	(4)	(140)	-	136,967
Total	**848,409**	**21,987**	**6,255**	**3,523**	**64,030**	**(6,273)**	**(29,229)**	**(10,328)**	**898,374**

Section 2 – Capital and bank regulatory ratios

2.1 Scope of application of the regulations

Regulatory capital and capital ratios are computed on the basis of financial statements values calculated applying the IAS/IFRS international accounting standard and taking into account regulatory instructions issued by Banca d'Italia with the 12th update of Circular No. 155/91 "Instructions on how to prepare reports on capital for regulatory purposes and prudential ratios". The capital for regulatory purposes is calculated by adding positive and negative components according to the quality of their capital. Positive components must be fully available to the bank so that they can be used in capital absorption calculations.

Since 2008, the Group has calculated prudential requirements pursuant to the accord known as Basel II; in addition, in a notice received in June 2008, the Parent Bank was authorised to use internal models for the determination of both individual and Group capital requirements in view of credit and operational risks.

The application of internal models is allowed regarding some qualitative and quantitative limits from regulatory provisions. In particular, limits are established (so-called "floors"), whereby any savings on capital obtained with the internal models is subject to maximums to be parameterised with respect to the requirements calculated based on the previous regulations (Basel I). It is provided that this limitation on the benefits may be removed in future years taking into account also the progressive further refinement and consolidation of the internal models adopted.

The subsidiary MPS Tenimenti S.p.A., which does not belong to the Banking Group, is valued for regulatory purposes by the equity method at the time of full consolidation applied at the level of the consolidated financial statements.

1 2.2 Bank regulatory capital

A. Qualitative information

Regulatory capital differs from shareholders' equity determined based on the application of IAS/IFRS international accounting standards, since regulatory provisions seek to safeguard the quality of capital and reduce the potential volatility caused by the application of IAS/IFRS.

The items comprising regulatory capital must therefore be fully available to the Group, in order to be able to be used without limitation for hedging risks and corporate losses. These items must be stable and their respective amount must be clear of any tax charges.

Regulatory capital is made up of basic capital and supplemental capital. Both basic (Tier 1), as well as supplemental capital (Tier 2) are determined by the algebraic sum of the positive items and the negative items comprising it, upon consideration of so-called "prudential filters". This expression is understood as all those positive and negative items adjusting regulatory capital, introduced by regulatory authorities with the express purpose of reducing the potential volatility of capital. Items to be deducted, which are determined as will be explained below, must be subtracted from the basic capital and from the supplemental capital (50% from Tier 1 and 50% from Tier 2).

Described below are the items that make up the basic capital and the supplemental capital, with reference to the aspects most important for the Group.

With regards to basic capital, the positive elements comprising it include the capital paid-up, issue premiums, profit and capital reserves, innovative and non-innovative capital instruments and retained earnings. Added to these items are the positive prudential filters represented by the issuance of so-called "Tremonti bonds". In fact, the Group has participated in the initiative brought about by the Ministry of Economy and Finance, aimed at ensuring an adequate flow of financing to the economy and an adequate level of capitalisation of the banking system. Pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, converted, with amendment, by Law No. 2 of 28 January 2009 ("Legislative Decree No. 183"), on 30 December 2009 the Group issued "Convertible financial instruments" ("Tremonti bonds") subscribed by the Minister of Economy and Finance (MEF). The process for the issuance of the Tremonti bonds involved the Group in some activities aimed at fulfilment of the commitments assumed with the signing of a "Memorandum of understanding." In short, with the signing of the Memorandum of Understanding the group agreed to:

- make € 10 bln in financial resources available to small- and mid-sized companies over the next three years;
- start up activities in support of small- and mid-sized enterprises and families through specific products (new or existing);
- have a code of ethics governing the compensation of corporate top managers and market traders;
- provide adequate disclosure among its customers of the initiatives undertaken to implement the commitments signed.

The negative items in the basic capital, on the other hand, include treasury shares in the portfolio, intangible assets (including goodwill), any losses posted in previous years and in the current one, and the negative balance of the reserves for assets available for sale. Among the negative prudential filters noted in the basic capital, it is worth mentioning:

- the 50% decrease in net profits, already computed entirely in the basic capital, recognised on the 2008 and 2009 profit and loss statements as a result of the accounting treatment of substitute tax due to the tax deduction for goodwill (regulations provide that such filters must be reduced by 1/8 per year in the years after the deduction);

- the net accrued capital gain (write-down of liabilities), net of tax effects, relative to hybrid capitalisation instruments and subordinated debt issued by the Group, classified among financial liabilities valued at fair value and computed in the supplemental capital.

The overall basic capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, the criteria for the determination of which is indicated below

- equity investments and other items (innovative capital instruments, hybrid capitalisation instruments and subordinate debt) issued by banks and financial firms not fully or proportionately consolidated are deducted 50% from the basic capital and 50% from the supplementary capital. The regulations previously in force provided instead for deducting that aggregate from the sum of the basic capital and the supplementary capital;
- the use of internal models for the determination of capital requirements in view of credit risks entails identifying in the regulatory capital the difference between expected losses and net impairment losses; if the expected losses exceed the impairment losses, the difference is deducted 50% from the basic capital and 50% from the supplementary capital; if the expected losses are lower than the net impairment losses, the difference is computed in the supplementary capital within the limit of 0.6% of assets weighted by credit risk.
- the equity investments held in insurance companies and the subordinate debt issued by such companies are deducted 50% from the basic capital and 50% from the supplementary capital when they have been acquired after 20/07/2006; if they were acquired prior to that date, on the other hand, they continue to be deducted from the sum of the basic and supplementary capital until 31/12/2012.

As far as supplementary capital is concerned, the positive items comprising it include valuation reserves, hybrid capitalisation instruments, subordinate debt and the positive net balance of reserves for assets available for sale. The negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserve computed among the positive items of the supplementary capital; in fact, these reserves are computed 50% in the supplementary capital.

The overall supplementary capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, determined according to the criteria described above.

As far as prudential filters are concerned, it is also worth mentioning the following:

- for hedging transactions, the profits and losses not realised on cash flow hedges, recognised in the appropriate reserve under shareholders' equity, are not computed in the regulatory capital;
- as to fair value option liabilities of natural hedge both unrealised capital gains and capital losses recorded in the profit and loss account are fully relevant except for the component due to changes in its creditworthiness
- the equity investment in Banca d'Italia is not considered for purposes of quantifying capital and therefore the respective capital gain deriving from valuation at fair value is not computed in the reserves for instruments available for sale.

The following tables report the main contractual features of innovative and non-innovative instruments which are included in the computation of Tier 1 capital, together with capital and reserves, as well as the hybrid capitalisation instruments and subordinated debt which are included in Tier 2 capital.

1. Tier I capital

The main characteristics of the instruments included in the computation of Tier 1 capital are reported herein, and in particular the innovative equity instruments issued by the Parent Bank

31 12 2009

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Curr.	Original amount in currency units	Contribution to regulatory capital (EUR/000)
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid Strument)	Euribor 3m + 0.88%	NO	31/12/2003	N.A.	(a)	EUR	700,000,000	470,596
Capital Preferred Securities Ist portion	Euribor 3m + 3.75%	YES	21/12/2000	N.A.	(b)	EUR	80,000,000	80,000
Capital Preferred Securities 2nd portion	Euribor 3m + 3.10%	YES	27/06/2001	N.A.	(b)	EUR	220,000,000	220,000
Preferred Capital I LLC	7.59% fixed; as of 7/2/11 Euribor 3m+220b.p.	YES	07/02/2001	07/02/1931	(c)	EUR	350,000,000	350,000
Tremonti Bonds	8.50%	YES	30/12/2009	N.A.	(D)	EUR	1,900,000,000	1,900,000
Total Preference share and equity instruments (Tier I)								**3,020,596**

a) The innovative capital instrument F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid Instruments) issued by the vehicle "MPS Preferred Capital II LLC", with an original nominal value of € 700 mln, is a perpetual instrument and no redemption or step-up clauses are provided for, but it is convertible into shares. In September of each year from 2004 to 2009 inclusive and, in any case, at any time, as of 1 September 2010, the instruments are convertible at the investor's initiative. There is also an automatic conversion clause if after the seventh year from issuance the reference price of ordinary shares exceeds a pre-defined value. The return is not cumulative with the option of not paying the return itself if in the previous financial year the Bank did not have any distributable profit and/or did not pay any dividend to the shareholders. The unpaid return is considered definitely forfeited. The rights of the holders of the instruments are guaranteed on a subordinated basis. In case of liquidation of the Parent Bank, the rights of the investors will remain subordinated to the rights of all creditors of the Parent Bank not equally subordinated, including the holders of securities included in Tier 2 capital; however they will have priority over the rights of shareholders of the Parent Bank. Due to these features, the instruments can be computed in core Tier I. The structure provided for the establishment of a limited liability company and of a business trust which issued convertible preferred securities and convertible trust securities, respectively. The Parent Bank underwrote an on-lending contract as a contract of subordinated deposit. The conditions of the on-lending contract are substantially the same as the conditions of the convertible preferred securities. In 2009, a partial conversion took place in a nominal amount of € 61.3 mln.

b) The securities are not redeemable. Only the issuer has the right to full or partial redemption of the notes, and this right may be exercised after 21/03/2011 and 27/01/2011, respectively.

c) The "preference shares (CPS)", with a par value of € 350 mln, are for a thirty-year term, except that they may be extended based on a subsequent agreement, and they may not be redeemed at the subscriber's request but only at the initiative of the issuer Banca Monte dei Paschi di Siena S.p.A., once 10 years has elapsed from issuance or upon authorization from Banca d'Italia.

d) The so-called "Tremonti Bonds" are "Convertible financial instruments" issued by the Parent Bank pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, converted, with amendments, by Law No. 2 of 28 January 2009 ("Legislative Decree No. 185") on 30 December 2009 and subscribed by the Ministry of Economy and Finance (MEF). Interest is paid annually at a fixed rate of 8.5% until 2010.

These instruments are intended to improve the Group's regulatory capital and to support economic development with a special focus on small- to mid-sized enterprises.

2. Tier 2 capital

The table below reports the main features of the instruments included in the computation of Tier 2 capital and in particular hybrid capitalisation instruments and subordinate liabilities.

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Curr.	Original amount in currency units	Contribution to regulatory capital (EUR/000)
Subordinated bond loan	4.875% fixed	NO	31 05 2006	31 05 2016	N.A.	EUR	750,000,000	743,331
Subordinated bond loan	5.750% fixed	NO	31 05 2006	30 09 2016	N.A.	GBP	200,000,000	294,055
Subordinated bond loan	Euribor 6m+2.50%	NO	15 05 2008	15 05 2018	N.A.	EUR	2,160,558,000	2,154,592
Total hybrid instruments (Upper Tier II)								**3,191,978**
Subordinated bond loan	CMS Convexity Notes	NO	07 07 2000	07 07 2015	N.A.	EUR	30,000,000	30,000
Subordinated bond loan	CMS Volatility Notes	NO	20 07 2000	20 07 2015	N.A.	EUR	25,000,000	25,000
Subordinated bond loan	4.50% fixed until 24/09/2010; later Euribor 3m+1.20%	YES	24 09 2003	24 09 2015	24 09 2010	EUR	600,000,000	585,505
Subordinated bond loan	Euribor 3m + 0.40 % until 30/06/2010; later Euribor 3m+1%	YES	30 06 2005	30 06 2015	30 06 2010	EUR	350,000,000	340,770
Subordinated bond loan	Euribor 3m+0.40 % until 30/04/2013; later Euribor 3m+1%	YES	30 11 2005	30 11 2017	30 11 2012	EUR	500,000,000	497,961
Subordinated bond loan	Euribor 3m+0.40% until 30/04/2013; later Euribor 3m+1%	YES	20 12 2005	15 01 2018	15 01 2013	EUR	150,000,000	141,895
Subordinated bond loan	7.44% fixed	NO	30 06 2008	30 12 2016	N.A.	EUR	250,000,000	247,697
Subordinated bond loan	Euribor 3m+0.60% until 30/04/2013; later Euribor 3m+0.90%	YES	01 11 2002	01 11 2012	01 11 2007	EUR	75,000,000	43,035
Subordinated bond loan	Euribor 6m+0.33% until 30/04/2013; later Euribor 6m+0.93%	YES	29 06 2007	29 06 2017	29 06 2012	EUR	50,000,000	50
Subordinated bond loan	Euribor 3m+1.40% until 30/04/2013; later Euribor 3m+2%	YES	30 04 2008	30 04 2018	30 04 2013	EUR	450,000,000	1,687
Subordinated debt	Euribor 3m+2.8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	400,000,000	400,000
Subordinated bond loan	6.4% until 31/10/2013; later Euribor 3m + 3%	YES	31 10 2008	31 10 2018	31 10 2013	EUR	100,000,000	102,078
Subordinated bond loan	7% fixed	NO	04 03 2009	04 03 2019	N.A.	EUR	500,000,000	496,879
Bond loan	floating	NO	30 09 2003	30 09 2013	30 09 2008	EUR	73,000,000	263
Bond loan	floating	NO	30 09 2003	30 09 2013	30 09 2008	EUR	7,000,000	5,620
Bond loan	floating	NO	22 12 2003	22 12 2013	22 12 2008	EUR	50,000,000	0
Bond loan	floating	NO	30 06 2005	30 06 2015	unexpected	EUR	50,000,000	0
Bond loan	Euribor 6m+0.60%	NO	07 12 2005	07 12 2015	unexpected	EUR	7,785,900	7,786
Bond loan	Euribor 6m+0.60%	YES	15 04 2008	15 04 2018	15 04 2013	EUR	2,140,116	2,140
Bond loan	Euribor 6m+0.60%	YES	18 04 2008	18 04 2018	18 04 2013	EUR	2,834,378	2,834
Total hybrid instruments (Upper Tier II)								**2,931,200**
Total								**6,123,178**

3. Tier 3 capital

At the end of 2009, there were no instruments included in the computation of Tier 3 capital.

B. Quantitative information

	31 12 2009	31 12 2008
		(in thousands of EUR)
A. Tier I before prudential filters	**8,231,299**	**8,005,478**
B. Tier I prudential filters	**1,430,361**	**(679,653)**
B1 - Positive IAS/IFRS prudential filters	1,900,000	54
B2 - Negative IAS/IFRS prudential filters	(469,639)	(679,707)
C. Tier I capital gross of items to be deducted (A+B)	**9,661,660**	**7,325,825**
D. Items to be deducted from Tier I	**(568,233)**	**(527,439)**
E. Total TIER 1 (C - D)	**9,093,427**	**6,798,386**
F. Tier II before prudential filters	**6,343,974**	**6,058,695**
G. Tier II prudential filters	**(78,923)**	**(6,069)**
G1. - Positive IAS/IFRS prudential filters	-	-
G2. - Negative IAS/IFRS prudential filters	(78,923)	(6,069)
H. Tier 2 gross of items to be deducted (F + G)	**6,265,051**	**6,052,626**
I. Items to be deducted from Tier II	**(568,233)**	**(527,439)**
L. Total TIER 2 (H - I)	**5,696,818**	**5,525,187**
M. Items to be deducted from Tier I and Tier II	**(409,818)**	**(327,583)**
N. Capital for regulatory purposes (E+L - M)	**14,380,427**	**11,995,990**
O. Tier III capital (TIER 3)	**-**	**344,395**
P. Regulatory capital inclusive of TIER III (N+O)	**14,380,427**	**12,340,385**

The regulatory capital of the MPS Group has been calculated taking into account the effects deriving from the application of IAS/IFRS international accounting standards, based on the provisions of the 12th update of Banca d'Italia Circular No. 155 "Instructions for the preparation of reports on regulatory capital and prudential ratios".

In 2009, the Tier 1 capital increased by € 2,295 mln, totalling € 9,093.4 mln, compared to € 6,798.4 mln at the end of 2008.

The most significant increase was in the "other positive filters" item, which included the issuance of the "Tremonti bond" in the amount of € 1,900 mln, intended to improve the Group's regulatory capital. The Tier 1 capital was also positively influenced by the near-total capitalisation of the profit for the year in the amount of € 224.4 mln, the reduction of goodwill by approximately € 101.5 mln as a result of the disposal of the asset management activity, the sale of the banking business (15 branches) of Banca Popolare della Puglia e Basilicata, and the effects deriving from pre-existing contractual agreements, the improvement of the valuation reserves for assets available for sale, which went from negative at 31 December 2008, and therefore subject to deduction from Tier 1 capital, to positive in 2009, contributing 50% to the make-up of Tier 2 capital. On the other hand, it was negatively influenced by the annual fee paid to J.P.Morgan on account of the acquisition by the Parent Bank BMPS of the right of enjoyment of the ordinary shares subscribed by J.P. Morgan following the increase in share capital implemented in 2008 and the contribution to the guarantee fund for the financing disbursed to small- and mid-sized enterprises, in accordance with Art. 11 of Legislative Decree No. 185/08, recognised following the issuance of the "Tremonti bond", in addition to the negative filter of 50% quantified on the net profit recognised on the 2009 profit and loss statement deriving from the accounting treatment of substitute tax due to the tax deduction for goodwill made by the subsidiary Banca Antonveneta.

For the sake of completeness, it is to be recalled that 23,319,082 ordinary shares were issued in 2009 for the partial conversion of the convertible preferred securities issued on 30/12/2003. The conversion involved an increase of share capital and an issue premium of € 61.3 mln corresponding to a reduction of non-innovative capital instruments in the same amount.

In 2009, Tier 2 capital increased by € 171.6 mln, reaching € 5,696.8 mln compared to € 5,525.2 million at the end of 2008; the increase is attributable mainly to the issuance of a lower Tier 2 security in the amount of € 500 mln, net of early redemption on 1 June 2009 of the lower Tier 2 in the amount of € 250 mln, in addition to the maturity of the subordinated upper Tier 2 in the amount of € 44.4 mln.

At 31 December 2009, there were no subordinate Tier 3 securities.

The regulatory capital quantified at 31 December 2009 also takes into account the items introduced by banks which apply internal models for the determination of capital requirements in view of credit and operational risks. Among such corrections we must mention the adjustments to be made directly to capital due to the differences resulting between overall impairment losses on loans and the respective expected losses quantified according to the criteria of internal models. For the Group, since the expected losses exceed the net impairment losses, the difference was deducted by 50% from Tier 1 capital and 50% from Tier 2 capital (lines D and I).

The amount reported may show differences, albeit though not significant ones, compared to those in the final report to the Regulatory Authority considering the difference in the timing of the approval of the financial statements and the date of submission of the report to Regulators referring to 31 December.

2.3 Capital adequacy

A. Qualitative information

The qualitative information regarding the Group's capital adequacy evaluation process is included in Section 1 of this Part F.

B. Quantitative information

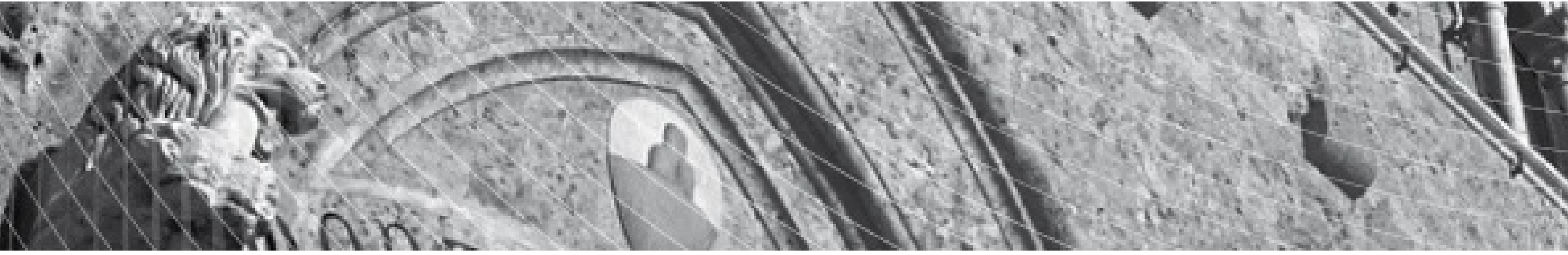
Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 12 2009	31 12 2008	31 12 2009	31 12 2008
A. RISK ASSETS				
A.1 Credit and counterparty risk (*)	**279,114,766**	**271,496,629**	**117,649,606**	**128,883,975**
1. Standardized Approach	190,530,757	184,241,848	80,200,737	89,782,319
2. 2 Internal rating-based (IRB) approach	88,054,170	87,033,939	36,977,136	38,784,513
2.1.Foundation	-	-	-	-
2.2 Advanced	88,054,170	87,033,939	36,977,136	38,784,513
3. Securitisations	529,839	220,842	471,733	317,144
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**9,411,968**	**10,310,718**
B.2 Market risk			**580,144**	**482,346**
1. Standardized Approach			580,144	482,292
2. Internal models			-	-
3. Concentration risk			-	54
B.3 Operational Risk			**702,258**	**756,197**
1. Foundation			53,714	59,076
2. Standardized Approach			-	216,481
3. Advanced			648,544	480,640
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**(1,022,428)**	**(956,594)**
of which impaired			49,961	513,705
of which intra-group adjustments			(1,072,389)	(1,470,299)
B.6 Total prudential requirements (3)			**9,671,942**	**10,592,667**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			120,899,275	132,408,338
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			7.52	5.13
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)			11.89	9.32

(*) The amount of the non-weighted figures for 31/12/2008 has been redetermined in accordance with new instructions provided in update No. 1 dated 18/11/2009 of Circular 262, relative to financial statements, in order to make the required information fully comparable.

Total risk-weighted assets as of 31 December 2009 amounted to € 120,899 mln, reporting a decrease (-8.7%) compared to the end of the previous financial year. This contraction is due mainly to the application of a floor level of 90% compared to the previous level set at 95%. In addition, for some significant aggregates, the dynamic of allocation of assets at risk entailed a different modulation of them with a shift toward those less at-risk. Increased observance of the trends for the period, as far as the risk measures underlying regulatory models, completes the picture of the factors that mark out the conditions for the genesis of the number relative to the level of risk-weighted assets.

At the end of 2009, the Tier 1 capital ratio was 7.52%, while the total capital ratio was 11.89%. Without applying the limitation of the 90% floor, the Tier 1 capital ratio would be 7.56%, while the Total capital ratio would be 11.96%.

The amounts reported here may shows differences, albeit though not significant ones, compared to those in the final report to the Regulatory Authorities taking into account the difference in the timing of the approval process for the financial statements and the date of submission of the report to the Regulator referring to 31 December



Parte G – Business or business unit combination transactions

Section 1 – Business combinations during the year

1.1 Business combinations

Transactions included under the scope of application of the international accounting standard IFRS 3 "Business combinations".

In 2009, no business or business unit combination transactions were completed that would make accounting standard IFRS 3 applicable.

However, the following transactions are reported below for informational purposes:

Transactions within the Group (business combination between entities under common control)

Transactions carried out by the Parent Bank:

- contribution of a banking business unit including 403 branches to Nuova Banca Antonveneta S.p.A.;
- merger by absorption of subsidiary Banca Toscana S.p.A. completed on 30 March 2009.

Transactions carried out by subsidiaries:

- by the subsidiary MPS Tenimenti S.p.A.
- merger by absorption of subsidiary Agricola Poggio Bonelli S.p.A. into direct parent MPS Tenimenti S.p.A.

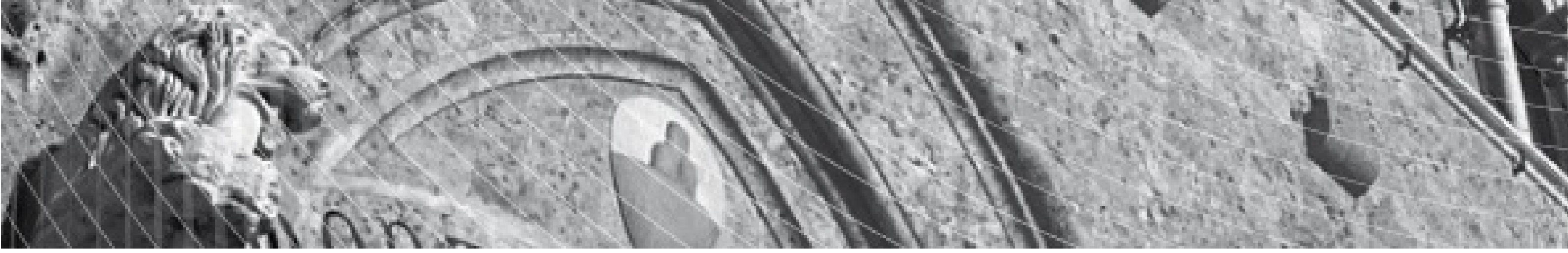
Transactions with entities consolidated in accordance with SIC 12

Transactions carried out by subsidiaries:

- by the subsidiary MPS Immobiliare S.p.A.
  - the contribution of a real estate business unit to the company Perimetro Gestione Proprietà Immobiliari S.C.p.A., subject to full consolidation at 31/12/2009 in accordance with SIC 12.

Section 2 – Transactions completed after the end of the year

For a description of the transactions in question, please refer to the Report by the Directors on the Consolidated Financial Statements in the Chapter "Significant events occurring after the end of the financial year".



Part H – Related-party transactions

1. Information on the compensation of directors, statutory auditors, officers and managers with strategic responsibility

(in thousands of EUR)

items/Amounts	Total 31 12 2009	Total 31 12 2008
Short-term benefits	11,429	11,062
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	147
Share-based payments	-	-
Other compensation	238	433
Total compensation paid to key management personnel	**11,667**	**11,642**

Considering the instructions provided by accounting standard IAS 24 and in light of the current organisational structure, not only Directors, Statutory Auditors, the General Manager and the Assistant General Managers, but also Managers with strategic responsibility have been included.

2. Information on related party transactions

The Parent Company's Code of Conduct for related party transactions ("**Code**"), originally approved in 2003, was amended to its current version in 2006 in accordance with revisions made to reference regulations. In view of the adoption of EC Regulation No. 2238/2004 of 19 December 2004 concerning International Accounting Standards, CONSOB amended the Issuers' Regulation referencing (EC) Regulation No. 1606/2002 of the European Parliament and Council (hereinafter referred to as **IAS 24**) with respect to the definition of related parties.

Said transactions (i.e. transactions carried out by the Parent Company - including through subsidiaries - with related parties) are broken down into: *Ordinary transactions* (with no particular distinctive features), *Significant transactions* (which imply an obligation of disclosure to the market pursuant to art. 71-*bis* of the "Issuers' Regulation" adopted by CONSOB resolution 11971), *Relevant transactions* (which cannot be considered to be Significant Transactions, but have atypical and/or unusual features).

It was decided that Ordinary Transactions shall be approved in accordance with the powers established by the existing system of decision-making authorities adopted by the Bank. Significant Transactions and Relevant Transactions fall under the responsibility of the Board of Directors (subject to the emergency powers provided by the Parent Company's Articles of Association).

If dictated by the nature, the value or the additional characteristics of the transactions, the Board of Directors may decide that its assessments need to be supported by the opinions of one or more independent advisors covering the economic terms and/or the technical structure and/or the legal aspects of the transactions.

In relation to transactions to be conducted with the Bank's Related Parties, Subsidiaries have incorporated the code adopted by the Parent Company, adapting it to the structure of their decision-making levels, with appropriate, prompt notices to be given to the Parent Company in relation to said transactions.

In 2009, the Montepaschi Group did not conduct any **Significant Transactions**, i.e. transactions which by nature, consideration, mode or time of implementation might have effects on the safeguarding of company assets or the completeness and accuracy of information, including accounting information, relating to BMPS and to the MPS Group and therefore involve obligations of market disclosure pursuant to art. 71-*bis* of CONSOB Regulation No.11971.

Over the same period, the Montepaschi Group conducted some transactions to be considered as Relevant Transactions in accordance with the aforementioned Code, which are listed below together with other transactions which, although classed as Ordinary Transactions, are worthy of specific mention.

All transactions approved by the Board of Directors of the Parent Company or of other Group companies, were conducted on the basis of assessments of mutual economic benefit and under market conditions.

January 2009

- ✓ renewal of ordinary lines of credit amounting to € 60,150 K to Axa Mps Assicurazioni Vita S.p.A. Please note that Axa Mps Assicurazioni Vita S.p.A. is an indirect related party of BMPS S.p.A., insofar as said BMPS exercises significant influence over this company via MPS Investments S.p.A. which has a 50% capital interest in Axa Mps Assicurazioni Vita S.p.A.
- ✓ renewal of ordinary lines of credit amounting to € 104,000 K to Axa Mps Financial Ltd – London. Please note that Axa Mps Financial Ltd, whose capital is 100% owned by Axa Mps Assicurazioni Vita S.p.A., is an indirect related party of BMPS.
- ✓ extension of lines of credit amounting to € 16,000 K to Sansedoni S.p.A. Please note that Sansedoni S.p.A. is an indirect related party of BMPS S.p.A. insofar as it is a company over which the MPS Foundation – in turn a related party of the BMPS Group, insofar as it has a substantial holding in BMPS sufficient to be able to exercise, pursuant to art. 2359 of the Italian Civil Code, a significant influence over BMPS - exercises a significant influence pursuant to art. 2359 of the Italian Civil Code (48% holding) and one in which BMPS itself has a significant interest (16%).
- ✓ renewal of existing ordinary loans amounting to € 658,521 K to Se.Ri. T. Sicilia S.p.A.. The transaction, relating to loans of an ordinary nature, is a relevant transaction by virtue of its amount.

April 2009

- ✓ extension of ordinary lines of credit by virtue of the issue of financial guarantees of € 4,646 K and new lines of credit amounting to € 19,241 K issued to Fabrica Immobiliare SGR S.p.A. and to the Funds managed by said company. Fabrica Immobiliare SGR S.p.A. is an indirect related party of BMPS S.p.A., insofar as said BMPS exercises a significant influence over this company via MPS Investments S.p.A. which owns 45% of Fabrica Immobiliare's capital. Please note, amongst other things, that the Deputy Chairman of the BMPS Board of Directors, Francesco Gaetano Caltagirone [Eng.], indirectly controls Fincal 2000 S.p.A., a company which owns 40% of Fabrica Immobiliare.
- ✓ new lines of credit amounting to € 49,500 K to Cementir Holding S.p.A. Cementir Holding S.p.A. can be considered an indirect related party of BMPS, insofar as it is indirectly controlled by Francesco Gaetano Caltagirone, Vice Chairman of the BMPS Board of Directors.
- ✓ extension of ordinary lines of credit amounting to € 9,500 K to Sansedoni S.p.A. With regard to the nature of the related party transaction, the aforementioned considerations on Sansedoni S.p.A. shall apply.

May 2009

- ✓ renewal with the addition of lines of credit in a different technical format amounting to € 16,046 K to Alcar S.r.L. The loans, being of an ordinary nature, are relevant transactions by virtue of their amount. The company is controlled by the Montinari Group, some of whose representatives hold offices in Montepaschi Group company bodies.

June 2009

- ✓ issue by BMPS S.p.A. of a Zero Coupon bond maturing on 23 June 2012 with a nominal value of € 21,450 K, fully subscribed by Compagnia Quadrifoglio Vita S.p.A., 100% owned by AXA MPS Assicurazioni Vita S.p.A. With regard to the nature of the related party transaction, the aforementioned considerations on Axa Mps Assicurazioni Vita S.p.A. shall apply.
- ✓ € 14,000 K mortgage loan granted to the Forma Urbis Fund managed by Fabrica Immobiliare SGR S.p.A. With regard to the nature of the related party transaction, the aforementioned considerations on Fabrica Immobiliare SGR S.p.A. shall apply.

July 2009

- ✓ renewal with the addition of ordinary lines of credit in a different technical format amounting to € 10,000 K to Interporto Toscano A. Vespucci S.p.A. The company can be defined as an indirect related party of BMPS S.p.A., insofar as said BMPS exercises a significant influence over it, indirectly owning 36.3% (via the subsidiary MPS Capital Services Banca per l'Impresa S.p.A.,) of the share capital.
- ✓ renewal with the addition of lines of credit in a different technical format amounting to € 5,657 K to Siena Biotech S.p.A. The company can be defined as an indirect related party of BMPS S.p.A., insofar as it is 95% owned by the Monte dei Paschi di Siena Foundation, a related part of the BMPS Group as stated above, and for the remaining 5%, by Sansedoni S.p.A., a company also to be considered as an indirect related party.

August 2009

- ✓ renewal of a financial line of credit until 30 June 2010 of € 420,000 K to Prima SGR S.p.A.. The company is a related party of BMPS S.p.A., insofar as BMPS has a 33% capital interest in Prima SGR.
- ✓ a new line of credit of € 39,400 K, which can be used in various technical forms, granted to Fabrica Immobiliare S.r.L. and the Immobiliare Pitagora, Etrusca Distribuzione and Socrate Funds, managed by said Fabrica Immobiliare. With regard to the nature of the related party transaction, the aforementioned considerations on Fabrica Immobiliare SGR S.p.A. shall apply.
- ✓ ordinary review of loans of € 13,050 to Sansedoni S.p.A. With regard to the nature of the related party transaction, the aforementioned considerations on Sansedoni S.p.A. shall apply.

October 2009

- ✓ loan and guaranteed advance of, respectively, € 10,000 K and € 5,000 K, to Immobiliare Novoli S.p.A., a company over which BMPS exercised a significant influence by means of a direct and indirect capital interest in the company excess of 20%.

November 2009

- ✓ ordinary loans to the Socrate closed-end real-estate fund, managed by Fabrica Immobiliare of € 35,100 K. With regard to the nature of the related party transaction, the aforementioned considerations on Fabrica Immobiliare shall apply.
- ✓ decision taken by the Board of Directors of the subsidiary Antonveneta Immobiliare S.p.A. (subsequently acquired by MPS Immobiliare S.p.A., a Montepaschi Group company) to sell some property in Rome to IMMO 2006 S.r.L. for a total of € 37,580 K. IMMO 2006 S.r.L. is a related party of BMPS insofar as the Vice Chairman, Francesco Gaetano Caltagirone, indirectly controls IMMO 2006 S.r.L.. Arrangements will be made by the subsidiary MPS Immobiliare S.p.A. for the deeds of transfer to be formalised and signed in 2010.

2.a Affiliated companies

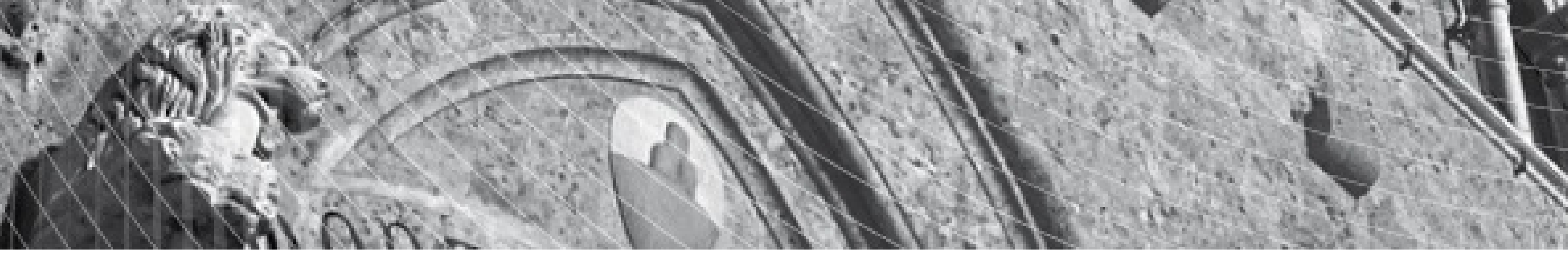
31 12 2009
(in thousands of EUR)

items/Amounts	Amounts	% on consolidated
Total financial assets	408,175	0.20
Total other assets	5,836	0.00
Total financial liabilities	155,799	0.08
Total other liabilities	19,629	0.29
Guarantees issued	2,570	
Guarantees received	108,765	

2.b Transactions with key management personnel and other related parties

31 12 2009
(in thousands of EUR)

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	2,816	729,543	0.36
Total financial liabilities	6,122	2,218,798	1.12
Total functioning costs	11,667	-	
Guarantees issued	-	267,897	
Guarantees received	1,157	263,723	



Part I – Payment agreements based on equity instruments

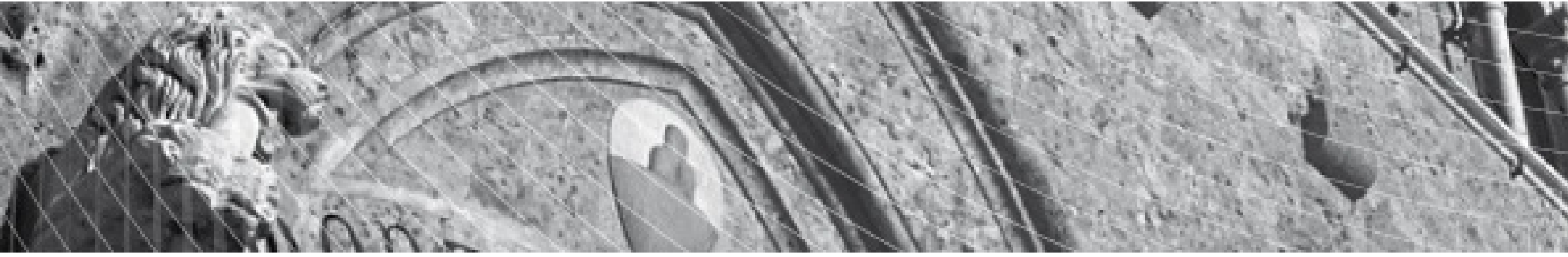
There are no Group payment agreements based on equity instruments according to the technical definition provided by the international accounting standard IFRS2 "Share-based payment". For the sake of completeness of disclosure, in line with balance sheets for previous financial years, a brief description is, however, given below of the main characteristics of the plan to assign ordinary Banca Monte dei Paschi di Siena S.p.A. shares, free of charge, to employees by means of stock granting.

STOCK GRANTING

One of the main points of the 2001 Supplementary Corporate Labour Contract in relation to the Professional Areas and Managerial Categories was the provision that a percentage of the "Corporate Bonus", calculated on the basis of budget objectives achieved, is expected to be disbursed as stock granting, through the free assignment of ordinary BMPS S.p.A. shares, graded according to professional areas, levels and categories. Said disbursement also concerns Executives. This instrument aims at increasing the staff motivation in the achievement of corporate objectives and enhancing staff involvement.

An estimate of the charge corresponding to the value of the shares assigned to employees is posted to the profit and loss statement for the year accrual, under personnel expenses. The total cost allocated for 2009 amounted to approximately € 23.5 mln. Shares will actually be assigned to employees over the course of the next financial year.

In 2009, shares were assigned to employees for service given in 2008. The offer relates to all employees with a permanent employment contract or with a training and employment contract in 2008 (as for previous years) as well as, given the recent changes brought in by the "Labour market reform" (known as the "Biagi Law"): access-to-work contracts.



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 IAS 14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates all over Italy and in the major international financial centres, with operations ranging from traditional lending (i.e. short-/medium-/long-term loans to retail and corporate customers, leasing, factoring, consumer credit) to asset management, bancassurance and social welfare products, private banking, investment banking and corporate finance. As of 2001 the Montepaschi Group introduced and gradually implemented Value Based management control instruments, with the objective of monitoring profitability by business area and unit. The Value Based Management system adopted by the Group proved to be appropriate for the management of the identification rules of the business segments, and the review of segment reporting regulations. In addition, the system meets the regulatory requirements with respect to the correlation between management reporting for internal purpose and the data used for external reporting.

Within the context, for the purposes of identifying the operating segments provided for by the new IFRS 8 accounting standard, the Montepaschi Group adopted the business approach, selecting the main business segments in relation to consolidated operations as the primary reporting basis for the breakdown of income/capital data, the results of which are periodically reported at the highest decision-making level. This breakdown results from logical aggregations of data of different legal entities;

- **"divisionalised"** (Banca Monte dei Paschi di Siena and Banca Antonveneta);
- **"non divisionalised"** (product companies and other banks);
- **"service units"** which provide services and support within the Group.

As a result of the restructuring carried out in June 2009, on 31/12/2009 the Group can be broken down into the following business segments:

- **Private Commercial;**
- **Corporate Commercial;**
- **Real Estate Loan and Cost Management;**
- **Human Resources and Organisation.**

Consequently, the segments identified for the purposes of the operating representation of the Group's results, also defined on the basis of criteria of business representativeness/predominance, are as follows: **Private Commercial, Corporate Commercial and Corporate Centre which include, amongst other things, "Real Estate Loan and Cost Management" and "Human Resources and Organisation" activities.**

The Commercial segments include segmentation of divisionalised Bank customers (**Retail, Private, Corporate and Key Clients**) and the values of non-segmented legal entities (**product companies and other banks**), reflecting internal reporting, based on the Group's rules of governance (in line with the positions and hierarchical relations resulting from the Group's organisational structure as at 31/12/2009).

In particular:

PRIVATE COMMERCIAL

The Private Commercial segment, born out of the reorganisation of the Parent Bank at the end of June 2009, has focused on activities previously performed within the context of the former Commercial Banking/Distribution Network and the former Private Banking/Wealth Management segments.

More specifically, Private Commercial is responsible for:

- funding operations and supplies financial and non-financial services (also through the management of electronic payment instruments) to Retail customers of divisionalised entities (including small businesses) and those of non-divisionalised companies dealing with consumer credit, as well as the pro-rata interests of the Banca Popolare di Spoleto;
- the supply of a customised and exclusive range of products/services to Private customers, in order to meet the most sophisticated requirements in terms of asset management and financial planning, including advice on non-strictly financial services (i.e. tax planning, real estate, art & legal advisory) and financial promotion.

CORPORATE COMMERCIAL

Corporate Commercial is responsible for managing operations with **Corporate and Key Clients** of the divisionalised entities and the **product companies** operating in the areas of **short-/medium-/long-term corporate loans, corporate finance, leasing and factoring, investment banking and financial engineering, equity capital markets and brokerage**.

This *operating segment* also covers **operations carried out by foreign subsidiaries and foreign banks**, apart from the company governed by Monegasque law which, specialising in private client management, comes under the Private Commercial segment.

CORPORATE CENTER

The Corporate Centre is an aggregation of: a) operating units which, on an individual basis, are below the benchmarks required for primary reporting; b) the Group's H.O. units (i.e. governance and support functions, business finance, the management of equity investments and capital segments of divisionalised entities where, ALM, treasury and capital management activities are particularly important) and c) service units supporting Group units, with particular regard to units in charge of managing bad debt recovery, real estate management (reporting to Capital, Cost and Investment Governance) and to the development and management of IT systems (reporting to Human Resources and Organisation). The Corporate Centre incorporates Biverbanca results (whilst awaiting adjustment of said Bank's service models to conform to those of the Group's other commercial banks), profitability from companies consolidated with the net equity method and those in the process of being sold, as well as eliminations in relation to intragroup items.

Profit and loss statement criteria by business segment

The composition of net operating result by business segment is based on the following criteria:

- **Interest margin**, in relation to divisionalised entity segments, is calculated by contribution on the basis of internal transfer rates by product and maturity. With reference to the Group's other entities, interest margin is represented by the difference between "interest and similar income" and "interest and similar expense".
- **Net commissions** are determined by direct allocation of real commissions to the business segments.
- **Net value adjustments/recoveries on loan impairment**, are allocated to the business segments which originated them. With reference to divisionalised entity segments, the balance sheet aggregate is allocated on the basis of the expected loss to each individual business segment.
- **Operating expenses** include administrative expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. As regards non-divisionalised Entities (monosegment), total operating expenses converge on the corresponding business segments. As regards, however, divisionalised companies (Banca Monte dei Paschi di Siena and Banca Antonveneta) a cost allocation model is adopted. This model, with reference to "other administrative expenses and net value adjustments to tangible and intangible assets", allocates costs to business centres on the basis of a set of pre-identified services, allocating costs which cannot reasonably attributed to business centres to the Corporate Centre. With reference, however, to personnel costs, the model allocates cost to Business Centres on the basis of the unique functional position of the resources, or, if this is not possible, in relation to specific criteria relating to the operations performed.

Basic criteria for the statement of capital aggregates by business segment

Capital aggregates are represented 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 income/expenses assigned to each segment.

In particular:

- **Customer loans** are the assets used for the segment operations, directly attributable to the segment itself;

- **Customer deposits and outstanding securities** are the liabilities resulting from segment operations directly attributable to the segment itself.

Transactions between business segments

Income and the results of each segment include the transfers between business segments. These transfers are reported in accordance with the best practice accepted by the market (i.e. the method of ordinary market value or the method of cost increased by a proper margin) both with respect to commercial and financial transactions.

The income of each business segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are executed between entities belonging to the same business segment, the respective balances are eliminated within such segment. The balances of intragroup transactions are not shown separately, in line with the internal reporting system used by the Montepaschi Group.

Drafting principles

In accordance with the recommendations of the IFRS 8 accounting standard, for the purposes of consistent disclosure of information, the changes made to the organisational structure (described above) were taken into consideration, as well as the following aspects:

- migrations of clients between segments due, in particular, to the merger with Banca Antonveneta, which also involved the implementation/fine-tuning of the cost allocation model;
- further implementation of models for calculating the expected loss on the basis of which, as stated in the profit and loss criteria, credit value adjustments are distributed between business segments.

Below is a breakdown of MPS Group economic results/capital aggregates as at 31/12/2009, on the basis of the aforementioned business segment:

SEGMENT REPORTING

(in millions of euro)

2009 DECEMBER	Retail and Private Banking	Corporate Banking	Corporate Center	Total Reclassified Group
INCOME AGGREGATES				
Net Financial income (loss)	3,214.2	1,945.9	547.2	5,707.3
Net adjustments for impairment of loans and financial assets	577.4	858.3	74.4	1,510.2
Operating expenses	2,399.3	637.6	627.9	3,664.8
Net operating income	237.5	449.9	-155.0	532.4
CAPITAL AGGREGATES				
Performing loans	59,505.6	70,836.0	17,418.8	147,760.4
Due to customers and securities	87,446.2	49,151.9	18,792.9	155,391.0

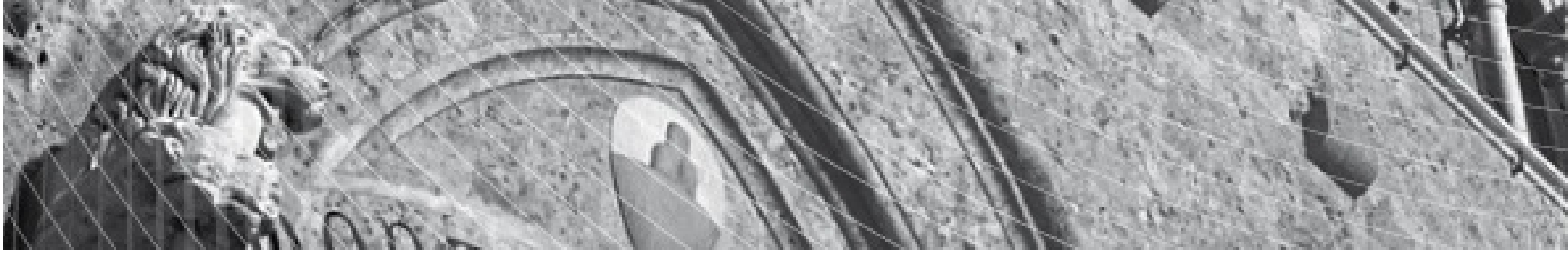
The table below shows **historic data** as at 31/12/2008 (cf. Financial report as at 31 December 2008):

SEGMENT REPORTING

(in millions of euro)

2008 DECEMBER	Commercial Banking/ Distribution network	Private Banking/ Wealth Management	Corporate Banking/ Capital Markets	Corporate Center	Total Reclassified Group
INCOME AGGREGATES					
Net Financial income (loss)	3,240.0	180.1	1,618.9	234.5	5,273.6
Net adjustments for impairment of loans and financial assets	374.0	6.8	527.7	31.0	939.6
Operating expenses	2,070.9	139.2	753.9	534.5	3,498.5
Net operating income	795.0	34.0	337.3	-330.9	835.5
CAPITAL AGGREGATES					
Performing loans	55,585.3	854.9	74,636.8	10,663.2	141,740.1
Due to customers and securities	74,004.4	8,188.5	42,171.0	18,102.0	142,465.9

For a uniform comparison of operations in 2008/2009 please refer to the Report on operations in the chapter "*Segment reporting, sales and marketing policy and research and development*".



CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation No 11971 of 14 May 1999, as subsequently amended and supplemented

1. The undersigned Giuseppe Mussari, as Chairman of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A., and Daniele Bigi, as Chief Financial Officer, hereby certify, taking into account also Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No 58 of 24 February 1998:

– the adequacy in view of the company's characteristics, and
– the effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for financial year 2009.

2. The adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 December 2009 was assessed based on an internal model developed by Banca Monte dei Paschi di Siena S.p.A. in accordance with the Internal Control – Integrated Framework models produced by the Committee of Sponsoring Organisations of the Treadway Commission, as well as the Cobit Framework for the IT component, which are generally accepted benchmarks.

3. They also certify that:

3.1 the consolidated financial statements:

– have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, and with measures promulgated to implement Article 9 of Legislative Decree No 38 of 28 February 2005;
– are consistent with the accounting records and ledgers;
– give a true and fair view of the assets, results of operations and cash flow of the issuer and of the companies included within the scope of consolidation.

The management report includes a reliable analysis of the performance and results of operations as well as the financial position of the issuer and of all companies included within the scope of consolidation. It also describes the key risks and uncertainties to which they are exposed.

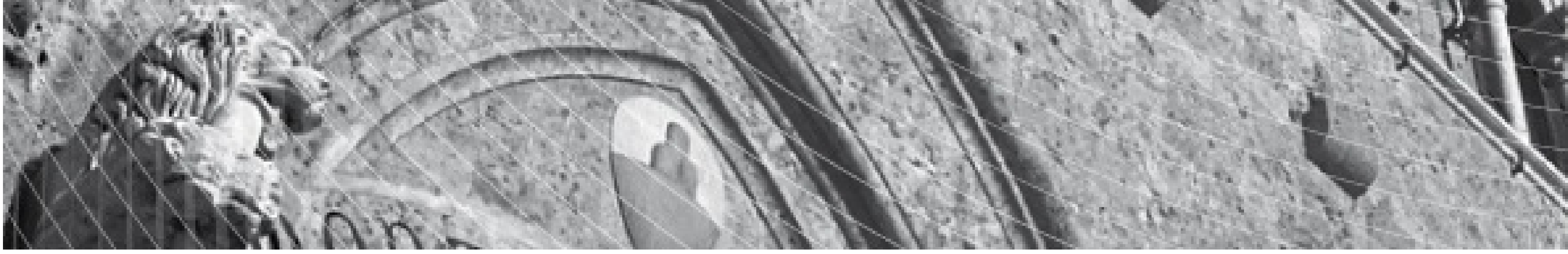
Siena, 25 March 2010

For the Board of Directors
The Chairman

Giuseppe Mussari

The Chief Financial Officer

Daniele Bigi



AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG S.p.A.
Revisione e organizzazione contabile
Viale Niccolò Machiavelli, 29
50125 FIRENZE FI

Telefono +39 055 213391
Telefax +39 055 215824
e-mail it-fmauditaly@kpmg.it

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

Report of the auditors in accordance with article 156 of Legislative decree no. 58 of 24 February 1998 (now article 14 of Legislative decree no. 39 of 27 January 2010)

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

1 We have audited the consolidated financial statements of the MONTEPASCHI Group as at and for the year ended 31 December 2009, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

We carried out our audit of the consolidated financial statements as at and for the year ended 31 December 2009 in compliance with legislation ruling during the year.

Reference should be made to the report dated 9 April 2009 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes that have been restated to reflect the changes in the presentation of financial statements introduced by IAS 1.

3 In our opinion, the consolidated financial statements of the MONTEPASCHI Group as at and for the year ended 31 December 2009 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the MONTEPASCHI Group as at 31 December 2009, the results of its operations and its cash flows for the year then ended.

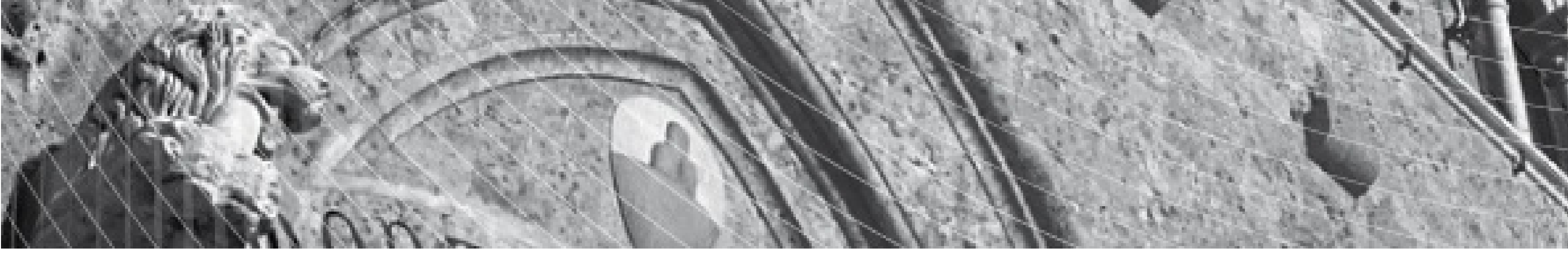
4 The directors of Monte dei Paschi di Siena S.p.A. are responsible for the preparation of a report on operations and a report on the corporate governance and shareholding structure, published in the *Investors & Research – Investor Relations – Corporate Governance – Corporate Governance Reports* section of Monte dei Paschi di Siena S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the MONTEPASCHI Group as at and for the year ended 31 December 2009.

Florence, 9 April 2010

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit



ANNEXES

Disclosure of payments to Auditors

With the aim of making reporting on the Parent Company's relations with its own Auditors more transparent, CONSOB, with its resolutions No. 15915 of 3 May 2007 and No. 15960 of 30 May 2007, implemented the delegation of authority contained in art.160 of the Financial Consolidation Act (Regulation of incompatibility), introducing Part III, Section VI, of the Issuers' Regulation, Part I-*bis* (Incompatibility) which contains articles from 149-bis to 149-duodecies.

With this amendment CONSOB chose to include this information in the documents accompanying the financial statements with a mandatory requirement to disclose payments received for auditing and other services supplied by the Auditors or by entities forming part of their network.

The table below shows all payments made to the Auditors and to others forming part of its network, broken down by type of service.

Payments made to the Auditors and to entities belonging to its network (pursuant to art.149 duodecies of CONSOB resolution No. 15915 of 3 May 2007)

31 12 2009

(in thousands of EUR)

Type of services	Service provider	Subsidiary	Total
Auditing	KPMG S.p.A.	Banca MPS S.p.A.	1,114.74
Auditing	KPMG S.p.A.	MPS Banca Personale S.p.A.	205.00
Auditing	KPMG S.p.A.	Monte Paschi Banque S. A.	221.10
Auditing	KPMG S.p.A.	Montepaschi Conseil	4.49
Auditing	KPMG S.p.A.	Montepaschi Invest	8.90
Auditing	KPMG S.p.A.	MP Assurance	7.50
Auditing	KPMG S.p.A.	MPS Gestione Crediti S.p.A.	27.60
Auditing	KPMG S.p.A.	Banca Popolare Spoleto	30.67
Auditing	KPMG S.p.A.	Consorzio Operativo Mps	173.00
Auditing	KPMG S.p.A.	Banca Antonveneta	172.00
Auditing	KPMG S.p.A.	MPS Investments S.p.a.	34.00
Auditing	KPMG Luxembourg	Monte Paschi Luxembourg	8.50
Auditing	KPMG Dublin S.p.A.	Monte Paschi Ireland Ltd.	62.20
Certification	KPMG S.p.A.	Banca MPS S.p.A.	500.90
Certification	KPMG S.p.A.	Consorzio Operativo Mps	218.00
Tax advisory services	Studio Ass. Consul. Legale e Tributaria S.p.A.	Banca MPS S.p.A.	10.00
Tax advisory services	Studio Ass. Consul. Legale e Tributaria S.p.A.	MPS Capital Services	48.00
Tax advisory services	Studio Ass. Consul. Legale e Tributaria S.p.A.	Consorzio Operativo Mps	44.00
Tax advisory services	Studio Ass. Consul. Legale e Tributaria S.p.A.	MPS Investments S.p.a.	3.00
Other services: Monitoring of securitisation servicing	KPMG S.p.A.	Banca Popolare Spoleto	6.58
Other services: Administrative services	KPMG Fides Servizi di Amministrazione S.p.A.	Banca MPS S.p.A.	4.70
Other services: Development of control models	KPMG Advisory S.p.A.	Banca MPS S.p.A.	854.00
Other services: Advisory	KPMG Advisory S.p.A.	Banca MPS S.p.A.	221.80
Other services: E-Finance consulting	KPMG Advisory S.p.A.	Banca MPS S.p.A.	6.00
Other services: E-Finance consulting	KPMG Advisory S.p.A.	Banca Popolare Spoleto	71.62
Other services	KPMG S.p.A.	MPS Gestione Crediti S.p.A.	14.30
Other services	KPMG S.p.A.	Monte Paschi Banque S. A.	1.80
Other services	KPMG S.p.A.	MP Assurance	1.87
Other services	KPMG S.p.A.	MPS Investments S.p.a.	92.00
Other services: Fees for tax return (unified and 770 tax return forms)	KPMG S.p.A.	MPS Banca Personale S.p.A.	2.00
Other services: Fees for tax return (unified and 770 tax return forms)	KPMG S.p.A.	MPS Gestione Crediti S.p.A.	1.00
			4,171.26

Fees are net of VAT and ancillary expenses.

PENSION FUNDS – defined benefit sections free of plan-servicing assets

Pension Fund "Complementary pension provision for ex-Tax Collection Concessions staff"

Accounting statement as at 31.12.2009

Opening balance as at 31/12/2008	25,929,030
Increases	895,580
- Provision for the year	895,580
Decreases	(2,461,989)
- Benefits paid	(2,461,989)
Closing balance as at 31/12/2009	24,362,621

Pension Fund " Complementary pension provision for ex-Banca Operaia di Bologna staff"

Accounting statement as at 31.12.2009

Opening balance as at 31/12/2008	8,857,432
Increases	36,460
- Provision for the year	-
- Other increases	36,460
Decreases	(1,309,607)
- Benefits paid	(590,826)
- Other decreases	(718,780)
Closing balance as at 31/12/2009	7,584,285

Pension Fund "Complementary pension provision for ex-Banca di Credito Popolare e Cooperativo of Reggio Emilia staff"

Accounting statement as at 31.12.2009

Opening balance as at 31/12/2008	627,696
Increases	-
- Provision for the year	-
Decreases	(46,508)
- Benefits paid	(38,545)
- Other decreases	(7,963)
Closing balance as at 31/12/2009	581,188

Pension Fund " Complementary pension provision for ex-Banca Popolare Veneta staff"

Accounting statement as at 31.12.2009

Opening balance as at 31/12/2008	2,000,000
Increases	43,909
- Provision for the year	43,909
Decreases	(261,932)
- Benefits paid	(261,932)
Closing balance as at 31/12/2009	1,781,977

Pension Fund "Complementary pension provision for ex-MPS Capital Services Banca per l'imprese S.p.A. staff"

Accounting statement as at 31.12.2009

Opening balance as at 31/12/2008	7,057,823
Increases	256,202
- Provision for the year	256,202
Decreases	(605,107)
- Benefits paid	(605,107)
Closing balance as at 31/12/2009	6,708,918

Pension Fund "Complementary pension provision for ex-Cassa di risparmio di Biella e Vercelli S.p.A. staff"

Accounting statement as at 31.12.2009

Opening balance as at 31/12/2008	28,483,854
Increases	3,094,885
- Provision for the year	-
- Other increases	3,094,885
Decreases	(3,543,429)
- Benefits paid	(2,756,772)
- Other decreases	(786,658)
Closing balance as at 31/12/2009	28,035,310

PENSION FUNDS – defined benefit and contribution sections with plan-servicing assets

Pension Fund "Complementary pension provision for ex-BNA staff" – Defined benefit section –

BALANCE SHEET

	Assets	31 12 2009	31 12 2008	Changes
10	**Direct investments**	**29,305,869**	**28,560,365**	**745,504**
	a) Deposits	473,610	380,960	92,650
	b) Receivables from repo transactions			
	c) Securities issued by Governments and other international institutions			0
	d) Listed debt securities	28,489,075	27,830,679	658,396
	e) Listed equity securities			
	f) Unlisted debt securities			
	g) Unlisted equity securities			
	h) Units of UCITS			
	i) Options purchased			
	l) Accrued income and prepayments	343,184	348,726	-5,542
	m) Profit guarantees released to pension fund			
	n) Other assets from financial activities			
	o) Accrued income not yet received			
20	**Managed investments**			
30	**Profit guarantees on individual accounts**			
40	**Assets from administrative activities**			
50	**Tax receivables**			
	TOTAL ASSETS	**29,305,869**	**28,560,365**	**745,504**
10	**Liabilities from social security**			
20	**Liabilities from financial activities**			
30	**Profit guarantees on individual accounts**			
40	**Liabilities from administrative activities**			
50	**Tax payables**	261,861	0	261,861
	TOTAL LIABILITIES	**261,861**	**0**	**261,861**
100	**Net assets available for payment of benefits**	**29,044,008**	**28,560,365**	
	Net assets available for payment of benefits in previous year	28,560,365	29,113,750	
	Changes in net assets available for payment of benefits	**483,643**	**-553,385**	

PROFIT AND LOSS STATEMENT

		31 12 2009	31 12 2008	Changes
10	**Balance of social security management**	**(1,513,870)**	**(1,536,662)**	**22,792**
	a) Contributions for benefits			
	b) Advances			
	c) Transfers and redemptions			
	d) Transfers to annuities			
	e) Payments in capital			
	f) Premiums for additional benefits			
	g) Payments in annuities	(1,513,870)	(1,536,662)	22,792
	h) Other payments			
20	**Profit (loss) from direct financial activities**	**2,380,554**	**1,101,636**	**1,278,918**
	a) Interest and profit on bonds and government securities	1,156,642	1,049,995	106,647
	b) Interest on cash equivalents	51,044	51,641	(597)
	c) Profits and losses from financial transactions	1,172,868		1,172,868
	d) Interest (expense) from repo transactions			
	e) Pension fund profit guarantee difference			
	d) Contingent assets			
	g) Forfeitures charged to the participants			
	h) Kickbacks from UCITS			
	i) Commission expense			
30	**Profit (loss) from indirect financial activities**			
40	**Operating expenses**			
	a) Management companies			
	b) Custodian bank			
	c) insurance policy			
	d) 'State supervision' contribution			
50	**Financial and insurance income (loss) (20 +30 + 40)**	**2,380,554**	**1,101,636**	**1,278,918**
60	**Balance from administrative activities**			
	a) General and administrative expenses			
70	**Changes in net assets available for**			
	payment of benefits before substitute tax (10+50+60)	**866,684**	**(435,026)**	**1,301,710**
80	**Substitute tax**	**(383,041)**	**(118,360)**	**(264,681)**
	a) Substitute tax for 2008	(121,180)		
	b) Substitute tax for 2009	(261,861)		
	Changes in net assets available for payment of benefits (70+80)	**483,643**	**(553,385)**	

Pension Fund "Complementary pension provision for ex-Banca Toscana staff" - Defined benefit section -

BALANCE SHEET

	Assets	31 12 2009	31 12 2008	Changes
10	**Direct investments**	**113,522,875**	**119,081,948**	**(5,559,073)**
	a) Deposits	102,791,407	109,096,296	(6,304,889)
	b) Receivables from repo transactions			
	c) Securities issued by Governments and other international institutions			0
	d) Listed debt securities			
	e) Listed equity securities			
	f) Unlisted debt securities	10,457,128	9,712,061	745,067
	g) Unlisted equity securities			
	h) Units of UCITS			
	i) Options purchased			
	l) Accrued income and prepayments	274,340	273,591	749
	m) Profit guarantees released to pension fund			
	n) Other assets from financial activities			
	o) Accrued income not yet received			
20	**Managed investments**			
30	**Profit guarantees on individual accounts**			
40	**Assets from administrative activities**			
50	**Tax receivables**			
	TOTAL ASSETS	**113,522,875**	**119,081,948**	**(5,559,073)**
	Liabilities	**31 12 2009**	**31 12 2008**	**Changes**
10	**Liabilities from social security**			
20	**Liabilities from financial activities**			
30	**Profit guarantees on individual accounts**			
40	**Liabilities from administrative activities**			
50	**Tax payables**			
	TOTAL LIABILITIES			
100	**Net assets available for payment of benefits**	**113,522,875**	**119,081,948**	
	Net assets available for payment of benefits in previous year	119,081,948	0	
	Changes in net assets available for payment of benefits	**(5,559,073)**	**(6,100,215)**	

PROFIT AND LOSS STATEMENT

		31 12 2009	31 12 2008	Changes
10	**Balance of social security management**	**(11,749,666)**	**(10,778,686)**	**(970,980)**
	a) Contributions for benefits	142,476	2,203,168	(2,060,692)
	b) Advances			
	c) Transfers and redemptions			
	d) Transfers to annuities			
	e) Payments in capital		(1,008,900)	1,008,900
	f) Premiums for additional benefits			
	g) Payments in annuities	(11,892,142)	(11,972,954)	80,812
	h) Other payments			
20	**Profit (loss) from direct financial activities**	**6,191,695**	**4,679,812**	**1,511,883**
	a) Dividends and interest	5,446,627	5,898,308	(451,681)
	b) Profits and losses from financial transactions	745,068	(1,218,496)	1,963,564
	c) Fees and commissions on stock lending			
	d) Proits and losses rom repo transactions			
	e) Pension fund profit guarantee difference			
	d) Contingent assets			-
	g) Forfeitures charged to the participants			
	h) Kickbacks from UCITS			
	i) Commission expense			
30	**Profit (loss) from indirect financial activities**			
40	**Operating expenses**	**(1,102)**	**(1,341)**	**239**
	a) Management companies			
	b) Custodian bank			
	c) insurance policy			
	d) 'State supervision' contribution	(1,102)	(1,341)	**239**
50	**Financial and insurance income (loss) (20 +30 + 40)**	**6,190,593**	**4,678,471**	**1,512,122**
60	**Balance from administrative activities**	**-**	**-**	**-**
	a) General and administrative expenses			
70	**Changes in net assets available for**			
	payment of benefits before substitute tax (10+50+60)	**(5,559,073)**	**(6,100,215)**	**541,142**
80	**Substitute tax**			
	Changes in net assets available for payment of benefits (70+80)	**(5,559,073)**	**(6,100,215)**	

Pension Fund "Complementary pension provision for ex-Banca Toscana staff" - defined contribution section -

BALANCE SHEET

	Assets	31.12/2009	31.12/2008	Changes
10	**Direct investments**	**239,558,259**	**199,774,203**	**39,784,056**
	a) Deposits	17,683,995	28,797,656	(11,113,661)
	b) Receivables from repo transactions			
	c) Securities issued by Governments and other international institutions			
	d) Listed debt securities			
	e) Listed equity securities			
	f) Unlisted debt securities			
	g) Unlisted equity securities			
	h) Units of UCITS	220,854,733	170,325,884	50,528,849
	i) Options purchased			
	l) Accrued income and prepayments			
	m) Profit guarantees released to pension fund			
	n) Other assets from financial activities			
	o) Accrued income not yet received			
	p) Secured insurance policy	1,019,531	650,663	368,868
20	**Managed investments**			
30	**Profit guarantees on individual accounts**			
40	**Assets from administrative activities**	-	-	-
	a) Cash and bank deposits			
	b) Intangible fixed assets			
	c) Tangible fixed assets			
	d) Other assets from administrative activities			
50	**Tax receivables**	1,735,445	3,512,894	-1,777,449
	TOTAL ASSETS	**241,293,704**	**203,287,097**	**38,006,607**
	Liabilities	**31 12 2009**	**31 12 2008**	**Changes**
10	**Liabilities from social security**			
20	**Liabilities from financial activities**			
30	**Profit guarantees on individual accounts**			
40	**Liabilities from administrative activities**			
50	**Tax payables**			-
	TOTAL LIABILITIES			
100	**Net assets available for payment of benefits**	**241,293,704**	**203,287,097**	
	Net assets available for payment of benefits in previous year	203,287,097	227,107,055	
	Changes in net assets available for payment of benefits	**38,006,607**	**-23,819,958**	

PROFIT AND LOSS STATEMENT

		31 12 2009	31 12 2008	Changes
10	**Balance of social security management**	**5,402,571**	**4,602,549**	**800,022**
	a) Contributions for benefits	20,799,533	21,504,953	(705,420)
	b) Advances	(3,894,795)	(8,391,474)	4,496,679
	c) Transfers and redemptions	(4,210,542)	(3,721,376)	(489,166)
	d) Transfers to annuities	-	-	-
	e) Payments in capital	(7,291,625)	(4,789,554)	(2,502,071)
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	-	-	-
	h) Other decreases	-	-	**-**
20	**Profit (loss) from direct financial activities**	**36,644,500**	**(31,926,244)**	**68,570,744**
	a) Dividends and interest	190,292	1,024,173	(833,881)
	b) Profits and losses from financial transactions	33,324,848	(33,812,420)	67,137,268
	c) Fees and commissions on stock lending	-	-	-
	d) Proits and losses rom repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	d) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	906,437	907,651	**(1,214)**
	i) Commission expense	(29,340)	(45,648)	**16,308**
	l) Tax receivables on revenues from mutual funds	2,252,263		**2,252,263**
30	**Profit (loss) from indirect financial activities**			
40	**Operating expenses**	**(10,752)**	**(9,637)**	**(1,115)**
	a) Management companies	-	-	
	b) Custodian bank	-	-	
	c) insurance policy	-	-	
	d) 'State supervision' contribution	(10,752)	(9,637)	**(1,115)**
50	**Financial and insurance income (loss) (20 +30 + 40)**	**36,633,748**	**(31,935,881)**	**68,569,629**
60	**Balance from administrative activities**	**-**		**-**
	a) General and administrative expenses	-	-	-
70	**Changes in net assets available for payment of benefits before substitute tax (10+50+60)**	**42,036,319**	**(27,333,332)**	**69,369,651**
80	**Substitute tax**	**(4,029,712)**	**3,512,894**	**(7,542,606)**
	Changes in net assets available for payment of benefits (70+80)	**38,006,607**	**(23,820,438)**	

Significant interests in unlisted companies as at 31/12/2009 held by Banca Monte dei Paschi di Siena S.p.A. direct and/or via Group companies pursuant to art. 120, paragraph three of Legislative Decree No. 58 of 24/02/98 and articles 125 and 126 of CONSOB resolution No. 11971 of 14/05/99

	Investee	Registered Office	City	Investor	Ownership			Pledge		Total		
					no. shares/stake	Shareholding (%)	% of voting rights	no. shares/stake	Shareholding (%)	Group shares/stake	Shareholding (%)	% of voting rights
1	AEROPORTO DI SIENA SPA	SOVICILLE	YES	Banca Monte dei Paschi di Siena S.p.a.	11,974,581	21.38	21.38			11,974,581	21.38	21.38
2	AGENZIA PER LA TRASFORMAZIONE TERRITORIALE IN VENETO S.P.A.	BAGNOLI DI SOPRA	PD	BANCA ANTONVENETA S.P.A.	360,133	10.01	10.01			360,133	10.01	10.01
3	AGRICOLA FAVA SRL	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.				1	50.00	1	50.00	50.00
4	AGRICOLA MERSE S.R.L.	ASSAGO	MI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	5,000,000	20.00	20.00			5,000,000	20.00	20.00
5	AGRIFORM SOCIETA' COOPERATIVA AGRICOLA	SOMMACAMPAGNA	VR	AGRISVILUPPO S.P.A.	1,000,000	14.92	12.00			1,000,000	14.92	12.00
6	AGRISVILUPPO S.P.A.	MANTUA	MN	Banca Monte dei Paschi di Siena S.p.a.	66,301	98.22	98.22			66,871	99.07	99.07
				MPS INVESTMENTS S.P.A.	570	0.84	0.84					
7	ALEXA SPA	FLORENCE	FI	MPS INVESTMENTS S.P.A.	1,430,000	11.00	11.00			1,430,000	11.00	11.00
8	ANTENORE FINANCE SOCIETA' DI CARTOLARIZZAZIONE S.P.A. CON SIGLA ANTENORE FINANCE S.P.A	PADUA	PD	Banca Monte dei Paschi di Siena S.p.a.	100	100.00	100.00			100	100.00	100.00
9	ANTONIANA VENETA POPOLARE ASSICURAZIONI S.P.A.	TRIESTE	TS	Banca Monte dei Paschi di Siena S.p.a.	6,700,000	50.00	50.00			6,700,000	50.00	50.00
10	ANTONIANA VENETA POPOLARE VITA S.P.A.	TRIESTE	TS	Banca Monte dei Paschi di Siena S.p.a.	50,000,000	50.00	50.00			50,000,000	50.00	50.00
11	ANTONVENETA CAPITAL L.L.C. I	DELAWARE 19801STATI UNITI D		Banca Monte dei Paschi di Siena S.p.a.	10	100.00	100.00			10	100.00	100.00
12	ANTONVENETA CAPITAL L.L.C. II	USA		Banca Monte dei Paschi di Siena S.p.a.	10	100.00	100.00			10	100.00	100.00
13	ANTONVENETA CAPITAL TRUST I	USA		Banca Monte dei Paschi di Siena S.p.a.	5	100.00	100.00			5	100.00	100.00
14	ANTONVENETA CAPITAL TRUST II	USA		Banca Monte dei Paschi di Siena S.p.a.	5	100.00	100.00			5	100.00	100.00
15	AXA MPS ASSICURAZIONI DANNI SOCIETA' PER AZIONI	ROME	RM	MPS INVESTMENTS S.P.A.	1,250,000	50.00	50.00			1,250,000	50.00	50.00
16	AXA MPS ASSICURAZIONI DANNI SOCIETA' PER AZIONI	ROME	RM	MPS INVESTMENTS S.P.A.	24,950,000	50.00	50.00			24,950,000	50.00	50.00
17	AZ S.P.A.	SCHIO	VI	BANCA ANTONVENETA S.P.A.				735,000	49.00	735,000	49.00	49.00
18	BANCA ANTONVENETA S.P.A.	PADUA	PD	Banca Monte dei Paschi di Siena S.p.a.	1,006,300,000	100.00	100.00			1,006,300,000	100.00	100.00
19	BANCA MONTE PASCHI BELGIO S.A.	1040 BRUXELLES BELGIQUE		Banca Monte dei Paschi di Siena S.p.a.	307,914	100.00	100.00			307,914	100.00	100.00
20	BASSILICHI S.P.A.	MONTERIGGIONI	YES	MPS INVESTMENTS S.P.A.	92,660	11.74	11.74			92,660	11.74	11.74
21	BELL S.A.R.L. IN LIQUIDATION	LUXEMBOURG		Banca Monte dei Paschi di Siena S.p.a.	201,741	17.94	17.94			201,741	17.94	17.94
22	BETA PRIMA S.R.L.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.				220,534	20.84	581,021	54.91	54.91
				MPS INVESTMENTS S.P.A.	360,487	34.07	34.07					
23	BIO PALACE SRL	PADUA	PD	BANCA ANTONVENETA S.P.A.				91,800	100.00	91,800	100.00	100.00
24	BIOFUND S.P.A.	SIENA	YES	MPS INVESTMENTS S.P.A.	800,000	13.68	13.68			800,000	13.68	13.68
25	BIOMASSE SICILIA S.P.A.	ENNA	EN	Banca Monte dei Paschi di Siena S.p.a.				76,000	95.00	76,000	95.00	95.00
26	CAMPOVERDE S.P.A. AGRICOLA	CASTROVILLARI	CS	Banca Monte dei Paschi di Siena S.p.a.				5,200,000	27.44	5,200,000	27.44	27.44
27	CANTINE RIUNITE & CIV SOCIETA' COOPERATIVA AGRICOLA	CAMPEGINE	RE	AGRISVILUPPO S.P.A.	149,772,530	12.13	0.19			149,772,530	12.13	0.19
28	CASEIFICIO SOCIALE DEL PARCO SOCIETA' COOPERATIVA	RAMISETO	RE	AGRISVILUPPO S.P.A.	400	29.49	3.03			400	29.49	3.03
29	CASSA DI RISPARMIO DI BIELLA E VERCELLI S.P.A.	BIELLA	BI	Banca Monte dei Paschi di Siena S.p.a.	69,325,111	59.00	59.00			69,325,111	59.00	59.00
30	CE.MI. 91 SRL	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.				10,000	100.00	10,000	100.00	100.00

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31	CENTRO SPORTIVO PETRARCA IMPIANTI RUGBY PADOVA S.P.A.	PADUA	PD	BANCA ANTONVENETA S.P.A.	1,020	12.18	12.18			1,020	12.18	12.18
32	CIRENE FINANCE SRL	CONEGLIANO	TV	Banca Monte dei Paschi di Siena S.p.a.	6,000	60.00	60.00			6,000	60.00	60.00
33	CISFI SPA	NAPLES	NA	Banca Monte dei Paschi di Siena S.p.a.				674,035	1.68	4,608,046	11.46	11.46
				MPS INVESTMENTS S.P.A.	3,934,011	9.79	9.79					
34	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE SPA IN	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.	8,304,093	40.20	40.20			18,799,032	91.00	91.00
				Banca Monte dei Paschi di Siena S.p.a.				10,494,939	50.80			
35	COLLE PROMOZIONE S.P.A.	COLLE DI VAL D ELSA	YES	MPS INVESTMENTS S.P.A.	2,400	12.00	12.00			2,400	12.00	12.00
36	COMMERFIN SOCIETA' CONSORTILE PER AZIONI	ROME	RM	MPS INVESTMENTS S.P.A.	303,798	15.00	15.00			303,798	15.00	15.00
37	CONSORZIO AGRARIO DI SIENA SOCIETA' COOPERATIVA A RESPONSABILITA' LIMITATA	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	1,427	50.00	0.05			1,427	50.00	0.05
38	CONSORZIO AGRARIO LOMBARDO VENETO SOC. COOP. A R.L.	VERONA	VR	AGRISVILUPPO S.P.A.	200	11.87	0.02			200	11.87	0.02
39	CONSORZIO CASALASCO DEL POMODORO SOCIETA' AGRICOLA COOPERATIVA	RIVAROLO DEL RE	CR	AGRISVILUPPO S.P.A.	2,000	10.52	4.13			2,000	10.52	4.13
40	CONSORZIO ETRURIA SOCIETA' COOPERATIVA A R.L.	MONTELUPO FIORENTINO	FI	Banca Monte dei Paschi di Siena S.p.a.	1,675,495	14.76	0.00			1,675,495	14.76	0.00
41	CONSORZIO INTERREGIONALE ORTOFRUTTICOLI SOC. COOP. A R.L.	PARMA	PR	AGRISVILUPPO S.P.A.	1,000	16.67	13.04			1,000	16.67	13.04
42	CONSORZIO LATTERIE SOCIALI MANTOVANE VIRGILIO SOCIETA' AGRICOLA COOPERATIVA	MANTUA	MN	AGRISVILUPPO S.P.A.	120,000	34.29	3.94			120,000	34.29	3.94
43	CONSORZIO TRIVENETO SPA	PADUA	PD	Banca Monte dei Paschi di Siena S.p.a.	218,400	10.13	10.13			218,400	10.13	10.13
44	CONSUM.IT S.P.A.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	357,000,000	100.00	100.00			357,000,000	100.00	100.00
45	DAICAP SOCIETA' CONSORTILE PER AZIONI IN LIQUIDAZIONE	FOGGIA	FG	Banca Monte dei Paschi di Siena S.p.a.	220	11.00	11.00			220	11.00	11.00
46	DELO SOVIM ORGANISMO DI ATTESTAZIONE SPA	FLORENCE	FI	MPS INVESTMENTS S.P.A.	17,147	12.05	12.05			17,147	12.05	12.05
47	DOCUTEL COMMUNICATION SERVICES SPA	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	75,000	15.00	15.00			75,000	15.00	15.00
48	ECO PISANA SRL	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.				10,000	100.00	10,000	100.00	100.00
49	EDI.B. SPA	GUBBIO	PG	MPS INVESTMENTS S.P.A.	268,576	19.00	19.00			268,576	19.00	19.00
50	EUROBIC TOSCANA SUD S.P.A.	POGGIBONSI	YES	Banca Monte dei Paschi di Siena S.p.a.	278,293	18.49	18.49			278,293	18.49	18.49
51	EUROPROGETTI & FINANZA S.P.A. IN LIQUIDATION	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.	1,900,000	10.11	10.11			1,900,000	10.11	10.11
52	FABRICA IMMOBILIARE SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A.	ROME	RM	MPS INVESTMENTS S.P.A.	32,400	45.00	45.00			32,400	45.00	45.00
53	FIDI TOSCANA S.P.A.	FLORENCE	FI	Banca Monte dei Paschi di Siena S.p.a.	251,625	15.00	15.00			489,462	29.18	29.18
				MPS INVESTMENTS S.P.A.	237,837	14.18	14.18					
54	FIN.SER. S.p.a.	PADUA	PD	BANCA ANTONVENETA S.P.A.	1,500	15.00	15.00			1,500	15.00	15.00
55	FINVETRO SRL	MONSELICE	PD	BANCA ANTONVENETA S.P.A.				19,531	100.00	19,531	100.00	100.00
56	FIRENZE PARCHEGGI S.P.A.	FLORENCE	FI	Banca Monte dei Paschi di Siena S.p.a.	31,651	6.39	6.39			81,568	16.46	16.46
				MPS INVESTMENTS S.P.A.	49,917	10.07	10.07					
57	G B S GROUP S.P.A.	PADUA	PD	BANCA ANTONVENETA S.P.A.				5,120,000	51.20	5,120,000	51.20	51.20

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58	G.A.L. MONTAGNE BIELLESI SOCIETA' CONSORTILE A RESP. LIMITATA	CASAPINTA	BI	CASSA DI RISPARMIO DI BIELLA E VERCELLI S.P.A.	3,000	10.34	10.34			3,000	10.34	10.34
59	G.IMM.ASTOR S.R.L.	LECCE	LE	Banca Monte dei Paschi di Siena S.p.a.	988,000	52.00	52.00			988,000	52.00	52.00
60	G.P. MORRO SRL	MONTECOSARO	MC	Banca Monte dei Paschi di Siena S.p.a.				10,400	100.00	10,400	100.00	100.00
61	GE.CO.ER SRL	POGGIBONSI	YES	Banca Monte dei Paschi di Siena S.p.a.				90,000	100.00	90,000	100.00	100.00
62	GIOTTO FINANCE 2 SOCIETA' DI CARTOLARIZZAZIONE S.P.A. CON SIGLA GIOTTO FINANCE 2 S.P.A.	PADUA	PD	Banca Monte dei Paschi di Siena S.p.a.	98	98.00	98.00			98	98.00	98.00
63	GOVONI SIM BIANCA SPA	CASUMARO	FE	Banca Monte dei Paschi di Siena S.p.a.				595,700	11.91	595,700	11.91	11.91
64	GROSSETO SVILUPPO S.P.A.	GROSSETO	GR	Banca Monte dei Paschi di Siena S.p.a.	6,268	5.00	5.00			19,580	15.62	15.62
				MPS INVESTMENTS S.P.A.	13,312	10.62	10.62					
65	HOPA SOCIETA PER AZIONI HOLDING DI PARTECIPAZIONI AZIENDALI IN SIGLA HOPA S.P.A.	BRESCIA	BS	Banca Monte dei Paschi di Siena S.p.a.	196,852,757	14.25	14.25			196,852,757	14.25	14.25
66	HOTEL AMBRA SRL	CORTINA D'AMPEZZO	BL	BANCA ANTONVENETA S.P.A.				30,500	50.00	30,500	50.00	50.00
67	I.CASA SRL	Milan	MI	Banca Monte dei Paschi di Siena S.p.a.				90,000	100.00	90,000	100.00	100.00
68	IMMOBILIARE CENTRO MILANO S.P.A.	MILAN	MI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	40,000	33.33	33.33			40,000	33.33	33.33
69	IMMOBILIARE PARMA SRL	PARMA	PR	Banca Monte dei Paschi di Siena S.p.a.				3,000	15.00	3,000	15.00	15.00
70	IMMOBILIERE VICTOR HUGO S.C.I.	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	99	99.00	99.00			100	100.00	100.00
				MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SIMPLIFIEE	1	1.00	1.00					
71	IMPIANTI S.R.L. IN LIQUIDATION	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	17,189	18.49	18.49			17,189	18.49	18.49
72	INDUSTRIA E INNOVAZIONE SPA	MILAN	MI	MPS INVESTMENTS S.P.A.	5,000,000	12.22	12.22			5,000,000	12.22	12.22
73	INDUSTRIA ELETTRICA INDEL SOCIETA' PER AZIONI IN LIQUIDAZIONE	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	2,616,000	14.95	14.95			2,616,000	14.95	14.95
74	INDUXIA S.R.L.	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	6,000	15.00	15.00			6,000	15.00	15.00
75	INIZIATIVE IMMOBILIARI SRL	MILAN	MI	MPS INVESTMENTS S.P.A.	693,463	13.87	13.87			693,463	13.87	13.87
76	INSEDIAMENTI PRODUTTIVI PIEMONTE SETTENTRIONALE S.P.A. NORDIND S.P.A	VERCELLI	VC	CASSA DI RISPARMIO DI BIELLA E VERCELLI S.P.A.	2,280	12.76	12.76			2,280	12.76	12.76
77	INTEGRA SPA	FLORENCE	FI	CONSUM.IT S.P.A.	10,000	50.00	50.00			10,000	50.00	50.00
78	INTERMONTE SIM S.P.A.	MILAN	MI	MPS INVESTMENTS S.P.A.	8,000,000	20.00	20.00			8,000,000	20.00	20.00
79	INTERPORTO TOSCANO A. VESPUCCI	COLLESALVETTI	LI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	8,264	36.30	36.30			8,264	36.30	36.30
80	ITALCARNI SOCIETA' COOPERATIVA AGRICOLA	CARPI	MO	AGRISVILUPPO S.P.A.	2,000	11.83	1.98			2,000	11.83	1.98
81	JOINT PROJECT SRL	BELLUNO	BL	BANCA ANTONVENETA S.P.A.				9,184	34.01	9,184	34.01	34.01
82	7 SRL	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.				118,000	100.00	118,000	100.00	100.00
83	LATTERIA SOCIALE MANTOVA SOCIETA' AGRICOLA COOPERATIVA	PORTO MANTOVANO	MN	AGRISVILUPPO S.P.A.	20,000	17.48	1.14			20,000	17.48	1.14
84	LE ROBINIE SPA	REGGIO NELL'EMILIA	RE	Banca Monte dei Paschi di Siena S.p.a.	830,000	20.00	20.00			830,000	20.00	20.00
85	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA SOCIETA' PER AZIONI	MANTUA	MN	Banca Monte dei Paschi di Siena S.p.a.	1,938,324	100.00	100.00			1,938,324	100.00	100.00
86	MARINA DI STABIA S.P.A.	CASTELLAMMARE DI STABIA	NA	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	12,791	16.32	16.32			12,791	16.32	16.32
87	MARINELLA S.P.A.	SARZANA	SP	Banca Monte dei Paschi di Siena S.p.a.	4,924,600	25.00	25.00			4,924,600	25.00	25.00

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88	MICROCREDITO DI SOLIDARIETA' SPA	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	40,000,000	40.00	40.00			40,000,000	40.00	40.00
89	MONCADA SOLAR EQUIPMENT S.R.L.	ARAGONA	AG	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	26,000	21.67	21.67			26,000	21.67	21.67
90	MONTE DEI PASCHI DI SIENA LEASING & FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.P.A.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	287,965,745	100.00	100.00			287,965,745	100.00	100.00
91	MONTE PASCHI ASSURANCES FRANCE SOCIETE ANONYME	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	994	99.40	99.40			994	99.40	99.40
92	MONTE PASCHI BANQUE S.A.	FRANCE		Banca Monte dei Paschi di Siena S.p.a.	3,449,992	100.00	100.00			3,449,992	100.00	100.00
93	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SIMPLIFIEE	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	2,500	100.00	100.00			2,500	100.00	100.00
94	MONTE PASCHI FIDUCIARIA S.P.A.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	2,500,000	100.00	100.00			2,500,000	100.00	100.00
95	MONTE PASCHI INVEST FRANCE SOCIETE PAR ACTIONS SIMPLIFIEE	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	15,000	100.00	100.00			15,000	100.00	100.00
96	MONTE PASCHI IRELAND LTD	DUBLIN 1 IRELAND		Banca Monte dei Paschi di Siena S.p.a.	300,000	100.00	100.00			300,000	100.00	100.00
97	MONTE PASCHI MONACO S.A.M.	PRINC. DE MONACO		MONTE PASCHI BANQUE S.A.	149,996	100.00	100.00			149,996	100.00	100.00
98	MONTEPASCHI LUXEMBOURG S.A.	L 2163 LUXEMBOURG		Banca Monte dei Paschi di Siena S.p.a.	124	99.20	99.20			125	100.00	100.00
				MONTE PASCHI BANQUE S.A.	1	0.80	0.80					
99	MPS BANCA PERSONALE S.P.A.	LECCE	LE	Banca Monte dei Paschi di Siena S.p.a.	125,000,000	100.00	100.00			125,000,000	100.00	100.00
100	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	FLORENCE	FI	Banca Monte dei Paschi di Siena S.p.a.	891,013,590	99.92	99.92			891,013,590	99.92	99.92
101	MPS COMMERCIALE LEASING S.P.A.	SIENA	YES	MONTE DEI PASCHI DI SIENA LEASING & FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.P.A.	25,000,000	100.00	100.00			25,000,000	100.00	100.00
102	MPS GESTIONE CREDITI BANCA S.P.A.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	100,000	100.00	100.00			100,000	100.00	100.00
103	MPS IMMOBILIARE SPA	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	1,444,835,295	100.00	100.00			1,444,835,295	100.00	100.00
104	MPS INVESTMENTS S.P.A.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	1,089,990,070	100.00	100.00			1,089,990,070	100.00	100.00
105	MPS PREFERRED CAPITAL I LLC	WILMINGTON DELAWAR 19801		Banca Monte dei Paschi di Siena S.p.a.	1,000	100.00	100.00			1,000	100.00	100.00
106	MPS PREFERRED CAPITAL II LLC	NEW YORK NY 10022		Banca Monte dei Paschi di Siena S.p.a.	110	100.00	100.00			110	100.00	100.00
107	MPS SIM SOCIETA' D'INTERMEDIAZIONE MOBILIARE S.P.A.	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	1,370,641	100.00	100.00			1,370,641	100.00	100.00
108	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.P.A.	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	55,690,500	100.00	100.00			55,690,500	100.00	100.00
109	MPS VENTURE SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A.	FLORENCE	FI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	5,250,000	70.00	70.00			5,250,000	70.00	70.00
110	NEWCOLLE SRL	COLLE DI VAL D'ELSA	YES	MPS INVESTMENTS S.P.A.	2,577,503	49.00	49.00			2,577,503	49.00	49.00
111	OMBRONE SPA	ROME	RM	MPS INVESTMENTS S.P.A.	974,350	14.99	14.99			974,350	14.99	14.99
112	PADOVA 2000 INIZIATIVE IMMOBILIARI S.R.L.	PADUA	PD	BANCA ANTONVENETA S.P.A.	90,020	45.01	45.01			90,020	45.01	45.01
113	PASCHI GESTIONI IMMOBILIARI SPA	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	20,000	100.00	100.00			20,000	100.00	100.00
114	PASTIS CENTRO NAZIONALE PER LA RICERCA E LO SVILUPPO DEI MATERIALI SOCIETA' CONSORTILE PER AZIONI	BRINDISI	BR	Banca Monte dei Paschi di Siena S.p.a.	1,761	10.06	10.06			1,761	10.06	10.06

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					no. shares/stake	Shareholding (%)	% of voting rights	no. shares/stake	Shareholding (%)	Group shares/stake	Shareholding (%)	% of voting rights
115	PERIMETRO GESTIONE PROPRIETA' IMMOBILIARI SOCIETA' CONSORTILE PER AZIONI	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	15,522	9.82	9.96			15,329	25.35	11.50
				CONSORZIO OPERATIVO GRUPPO MPS	1,429	0.90	1.07					
				CONSUM.IT S.P.A.	33	0.02	0.02					
				MONTE DEI PASCHI DI SIENA LEASING & FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.P.A.	76	0.05	0.06					
				MONTE PASCHI FIDUCIARIA S.P.A.	18	0.01	0.01					
				MPS BANCA PERSONALE S.P.A.	146	0.09	0.11					
				MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	189	0.12	0.14					
				MPS GESTIONE CREDITI BANCA S.P.A.	59	0.04	0.04					
				MPS IMMOBILIARE SPA	3	14.23	0.00					
				MPS INVESTMENTS S.P.A.	15	0.01	0.01					
				PASCHI GESTIONI IMMOBILIARI SPA	90	0.06	0.07					
116	PETTINATURA BIELLESE S.P.A.	VIGLIANO BIELLESE	BI	CASSA DI RISPARMIO DI BIELLA E VERCELLI S.P.A.				5,013,830	28.84	5,013,830	28.84	28.84
117	PIETRISCO DEL TICINO SRL	SAN GIORGIO PIACENTINO	PC	BANCA ANTONVENETA S.P.A.				10,712	100.00	10,712	100.00	100.00
118	PORTO INDUSTRIALE DI LIVORNO S.P.A.	LIVORNO	LI	MPS INVESTMENTS S.P.A.	849,600	15.96	15.96			849,600	15.96	15.96
119	PRIMA HOLDING 2 S.P.A.	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	123,280	27.32	31.61			123,280	27.32	31.61
120	PRIMA HOLDING S.P.A.	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.	929,535	30.99	30.99			929,535	30.99	30.99
121	PROGEO SOCIETA' COOPERATIVA AGRICOLA	REGGIO EMILIA	RE	AGRISVILUPPO S.P.A.	64,500,000	19.31	0.03			64,500,000	19.31	0.03
122	PROGETTI S.R.L.	PRATO	PO	Banca Monte dei Paschi di Siena S.p.a.	7,350	7.50	7.50			14,700	15.00	15.00
				MPS INVESTMENTS S.P.A.	7,350	7.50	7.50					
123	PROMOZIONE E SVILUPPO VAL DI CECINA SRL.	CECINA	LI	Banca Monte dei Paschi di Siena S.p.a.	16,919	17.90	17.90			16,919	17.90	17.90
124	RES TIPICA INCOMUNE S.C.A.R.L. IN LIQUIDATION	ROME	RM	MPS INVESTMENTS S.P.A.	77,500	14.05	14.05			77,500	14.05	14.05
125	RISCOSSIONE SICILIA SPA	PALERMO	PA	Banca Monte dei Paschi di Siena S.p.a.	6,400,000	40.00	40.00			6,400,000	40.00	40.00
126	S.E.I. SERVIZI ENERGETICI INTEGRATI S.P.A.	SETTIMO TORINESE	TO	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	3,753,750	13.08	13.08			3,753,750	13.08	13.08
127	S.I.T. FINANZIARIA DI SVILUPPO PER L'INNOVAZIONE TECNOLOGICA	ROME	RM	MPS INVESTMENTS S.P.A.	400	20.00	20.00			400	20.00	20.00
128	S.T.A. SPA	FLORENCE	FI	MPS INVESTMENTS S.P.A.	1,936,026	15.00	15.00			1,936,026	15.00	15.00
129	S.T.B. SOCIETA' DELLE TERME E DEL BENESSERE S.P.A.	PRATO	PO	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	3,946,650	13.71	13.71			3,946,650	13.71	13.71
130	SAN PAOLO ACQUE S.R.L. IN LIQUIDATION	CORIGLIANO D'OTRANTO	LE	Banca Monte dei Paschi di Siena S.p.a.	1	100.00	100.00			1	100.00	100.00
131	SANSEDONI SPA	SIENA	YES	Banca Monte dei Paschi di Siena S.p.a.	65,156,920	15.71	15.71			65,156,920	15.71	15.71
132	SERIN SERVIZI INDUSTRIALI SOCIETA' PER AZIONI FALLITA	SISSA	PR	Banca Monte dei Paschi di Siena S.p.a.	2,589,000	50.00	50.00			2,589,000	50.00	50.00
133	SERIT SICILIA SPA	PALERMO	PA	Banca Monte dei Paschi di Siena S.p.a.	8,000,000	40.00	40.00			8,000,000	40.00	40.00
134	SIENA AMBIENTE SPA	POGGIBONSI	YES	MPS INVESTMENTS S.P.A.	7,770	14.00	14.00			7,770	14.00	14.00
135	SIENA MORTGAGES 00 1 S.P.A.	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	100,000	100.00	100.00			100,000	100.00	100.00
136	SOCIETA' DI PROMOZIONE DEL MERCATO ALTERNATIVO DEL CAPITALE PRO MAC	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	519,480	10.39	10.39			519,480	10.39	10.39

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137	SOCIETA' INCREMENTO CHIANCIANO TERME SPA	CHIANCIANO TERME	YES	MPS INVESTMENTS S.P.A.	2,524,500	49.50	49.50			2,524,500	49.50	49.50
138	SOCIETA' ITALIANA DI MONITORAGGIO S.P.A.	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.	1,160,000	12.89	12.89			1,160,000	12.89	12.89
139	SOCIETA PER LO SVILUPPO DEL BASSO TAVOLIERE SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA IN LIQUID	FOGGIA	FG	Banca Monte dei Paschi di Siena S.p.a.	4,000	13.33	13.33			4,000	13.33	13.33
140	SOVAGRI SOCIETA' CONSORTILE PER AZIONI IN LIQUIDAZIONE	NAPLES	NA	Banca Monte dei Paschi di Siena S.p.a.	320,000	16.00	16.00			320,000	16.00	16.00
141	SPOLETO CREDITO E SERVIZI SOC. COOP. A R.L.	SPOLETO	PG	Banca Monte dei Paschi di Siena S.p.a.	750,000	29.09	0.01			750,000	29.09	0.01
142	STAR - STAMPA TESSUTI ARTISTICI SPA	OLTRONA DI SAN MAMETTE	CO	CASSA DI RISPARMIO DI BIELLA E VERCELLI S.P.A.				300,000	60.00	300,000	60.00	60.00
143	SVILUPPO IMPRESE CENTRO ITALIA SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A.	FLORENCE	FI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	2,900	29.00	29.00			2,900	29.00	29.00
144	TARANTO SVILUPPO SOCIETA' CONSORTILE S.P.A.	TARANTO	TA	Banca Monte dei Paschi di Siena S.p.a.	15,000	15.00	15.00			15,000	15.00	15.00
145	TECOR SRL	ROME	RM	Banca Monte dei Paschi di Siena S.p.a.				10,300	100.00	10,300	100.00	100.00
146	TEKSUD SPA IN LIQUIDAZIONE	Caltagirone	CT	Banca Monte dei Paschi di Siena S.p.a.				271,000	15.80	271,000	15.80	15.80
147	TETHYS SPA	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	5,000,000	16.67	16.67			5,000,000	16.67	16.67
148	THEANO FINANCE SPA	PADUA	PD	Banca Monte dei Paschi di Siena S.p.a.	100	100.00	100.00			100	100.00	100.00
149	TICINESE DUE SRL IN LIQUIDAZIONE	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.				12,000	60.00	12,000	60.00	60.00
150	TOTAL RETURN SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A.	MANTUA	MN	MPS INVESTMENTS S.P.A.	157,500	15.00	15.00			157,500	15.00	15.00
151	TRA.IN S.P.A.	SIENA	YES	MPS INVESTMENTS S.P.A.	170,183	13.82	13.82			170,183	13.82	13.82
152	TRIXIA S.R.L.	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	181,455	15.00	15.00			181,455	15.00	15.00
153	ULISSE 2 SPA	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	600	60.00	60.00			600	60.00	60.00
154	ULISSE S.P.A. in liquidazione	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.	100,000	100.00	100.00			100,000	100.00	100.00
155	UNIPEG SOCIETA' COOPERATIVA AGRICOLA	REGGIO EMILIA	RE	AGRISVILUPPO S.P.A.	282,800,000	17.39	0.31			282,800,000	17.39	0.31
156	UNO A ERRE ITALIA S.P.A. ABBREVIATA IN UNOAERRE S.P.A.	AREZZO	AR	Banca Monte dei Paschi di Siena S.p.a.	159,683,468	19.58	19.58			159,683,468	19.58	19.58
157	VALDARNO SVILUPPO SPA	MONTEVARCHI	AR	MPS INVESTMENTS S.P.A.	3,581	12.57	12.57			3,581	12.57	12.57
158	VARESINA REAL ESTATE SRL	MILAN	MI	Banca Monte dei Paschi di Siena S.p.a.				10,000	100.00	10,000	100.00	100.00
159	VIMEC SPA	BRESSO	MI	Banca Monte dei Paschi di Siena S.p.a.				300,000	100.00	300,000	100.00	100.00
160	VIRGINIA SRL	Modena	MO	Banca Monte dei Paschi di Siena S.p.a.				1	29.48	1	29.48	29.48