



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472



1H and 2Q2010 Results Presentation*

* Revised version: It is noted that, owing to a misprint in slide 31 of our H1 2010 Presentation, changes in our Securities and Derivatives portfolio as compared to March 2010 -and footnote thereto- were mistakenly reported, whereas end-of-period total is confirmed. No reclassifications were carried out among portfolios during the period.

1H and 2Q2010 Highlights



Commercial activity

Increasing volumes:

- ✓ Direct Funding: **+8.8%** YoY, **+3.5%** QoQ
- ✓ Loans: **+7.1%** YoY, **+3%** QoQ
- ✓ Mortgage inflows: **€8.7 bn (+73% YoY)**
- ✓ Net new customers: **> 37,000**

Gaining market share:

- ✓ Direct Funding (7.69%): **+51 bps** vs Dec 09
- ✓ Direct Funding (net of bond) (8.13%): **+78 bps** vs Dec 09
- ✓ Mortgages: **+32 bps** vs Dec 09
- ✓ Leasing: **+65bps** vs Dec 09

Revenues

- ✓ **NII: +4.4%** QoQ
- ✓ **Fees: stable** QoQ, **+3.7%** 1H10/1H09

- ✓ **1H Basic Income: +0.4%** YoY, with a strong acceleration in 2Q (**+2.7%** QoQ)

Cost Control

- ✓ **Operating costs: -3.5%** YoY, **-3.4%** QoQ
- ✓ **Cost/Income: 60.2%** (vs 64.2% in Dec 09)

- ✓ **Personnel: 361 gross outflows in 1H**
- ✓ **Front Office/Total staff: 67%**

Risk and Capital Management

- ✓ **LPP: 77 bps**, with provisions declining 7.8% QoQ
- ✓ **Collections: +15%** YoY

- ✓ **NPL coverage: 56.5%** (**+70 bps** vs March), with NPL flows decreasing 20% in 2Q vs 1Q
- ✓ **Tier 1 at 7.8%** (+c30bps vs March)

1H and 2Q10 Results



1H and 2Q10 P&L (mln €)

	2Q10	2Q10/1Q10	2Q10/2Q09	1H10	1H10/1H09
Net Interest Income	924.8	+4.4%	+1.7%	1,810.6	-1.4%
Net Fees	492.7	-0.2%	+5.0%	986.6	+3.7%
Basic income	1,417.5	+2.7%	+2.8%	2,797.2	+0.4%
Total Revenues	1,386.1	-2.7%	-4.4%	2,810.2	-4.2%
Operating Costs	-830.6	-3.4%	-3.6%	-1,690.4	-3.5%
Personnel costs	-516.6	-7.2%	-3.9%	-1,073.1	-3.5%
Other admin expenses	-271.9	+3.3%	-4.4%	-535.0	-4.8%
Loan Loss Provisions	-283.0	-7.8%	-29.3%	-590.0	-14.1%
Net Operating Income	254.1	-1.0%	+38.5%	510.8	+8.1%
Taxes	-177.1	<i>n.m.</i>	<i>n.m.</i>	-220.4	+13.7%
Gains on Asset Disposal	184.2	<i>n.m.</i>	<i>n.m.</i>	184.2	<i>n.m.</i>
Purchase Price Allocation	-29.6	<i>n.m.</i>	<i>n.m.</i>	-57.2	-17.7%
Net income	118.9	-16.4%	<i>n.m.</i>	261.2	-21.4%



Commercial activity

P&L analysis

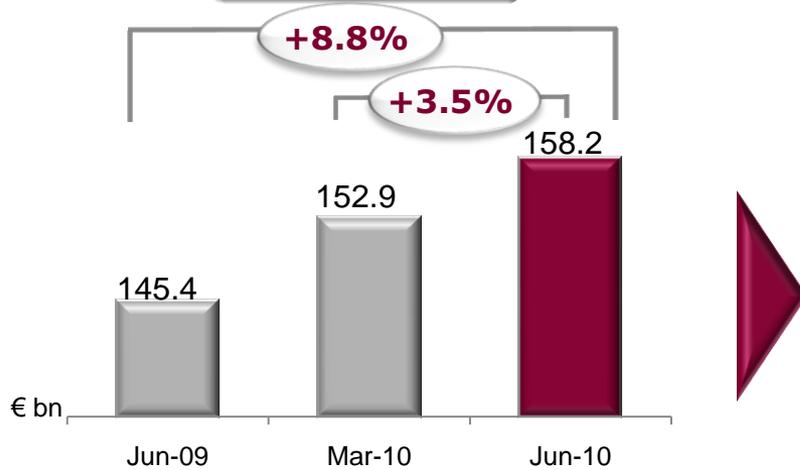
Risk and Capital Management

- ✓ **Strong commercial activity: a further increase in commercial volumes and market shares**
 - ✓ **Direct Funding: +8.8% YoY, +3.5% QoQ, with +51bps market share since Dec 09; AUM stock: +9.6% YoY**
 - ✓ **WM flows: €11.4bn, with a strong increase in Bancassurance inflows (+54% YoY)**
 - ✓ **Loans: +7.1% YoY, +3% QoQ**
 - ✓ **Mortgage inflows: €8.7bn (+73% YoY), with +32bps market share since Dec 09, with a strong contribution to customers acquisition and to cross selling**
 - ✓ **>37,000 net new customers in 1H10, +28,000 new current accounts**

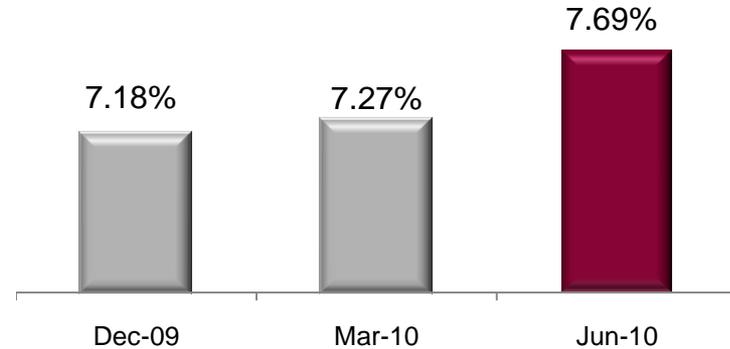
Funding volumes and market shares on the rise



Direct Funding*



Direct Funding: market share*

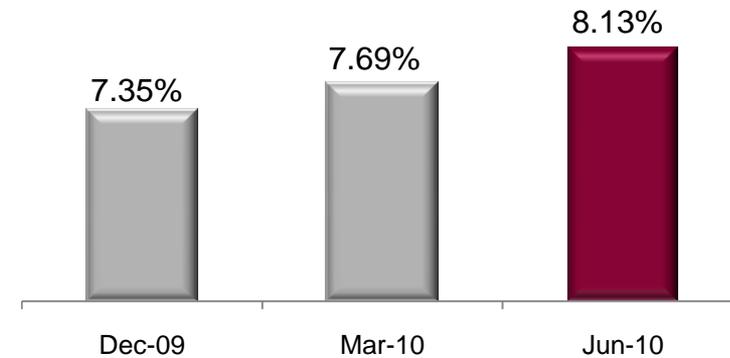


Recent Current Account launched



+28,000 new current accounts opened in 1H

Direct Funding (net of bond): market share*

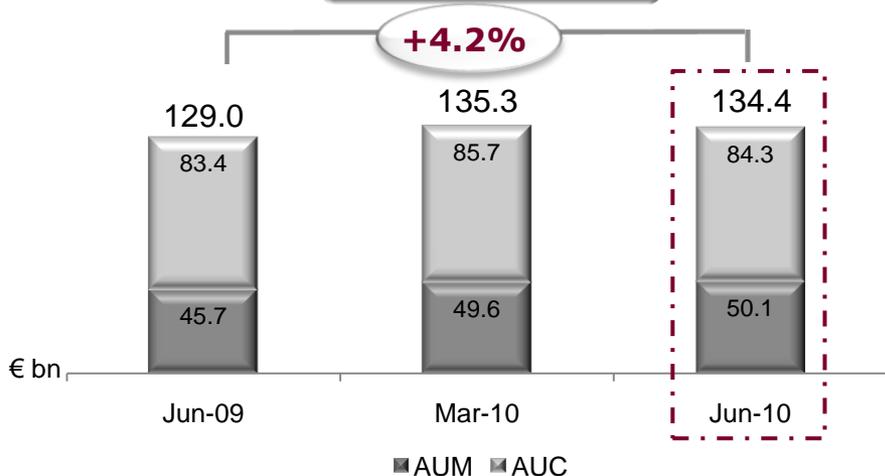


* Net of the contribution from branches sold to Intesa San Paolo and Carige

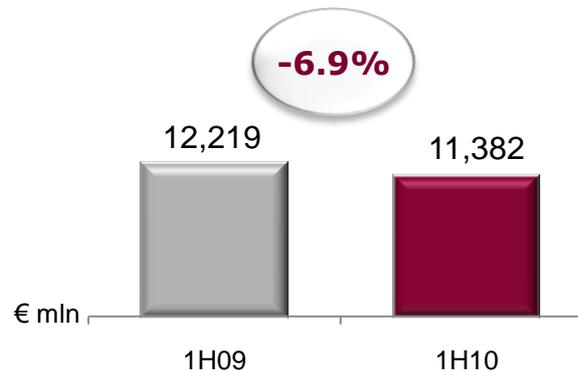
WM inflows driven by Bancassurance



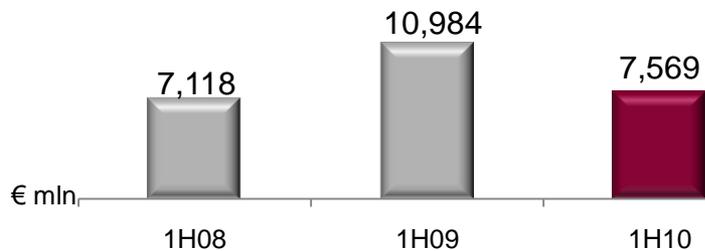
Indirect Funding*



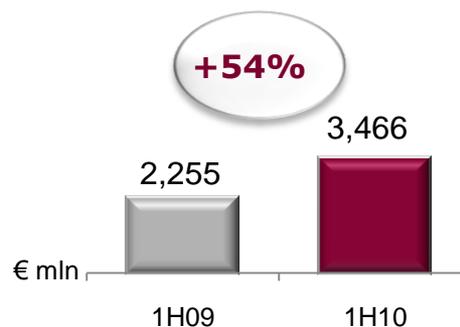
WM inflows (Bonds, Bancassurance and Mutual Funds)



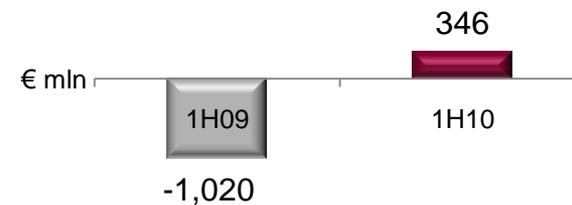
Bonds



Bancassurance

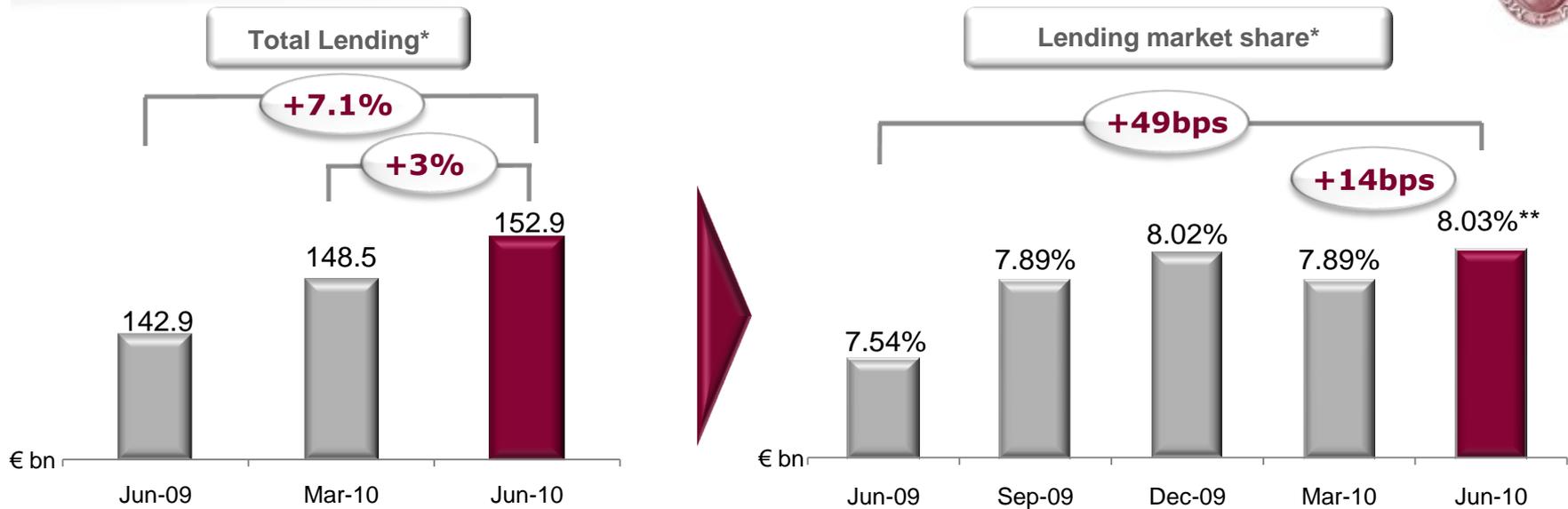


Mutual Funds

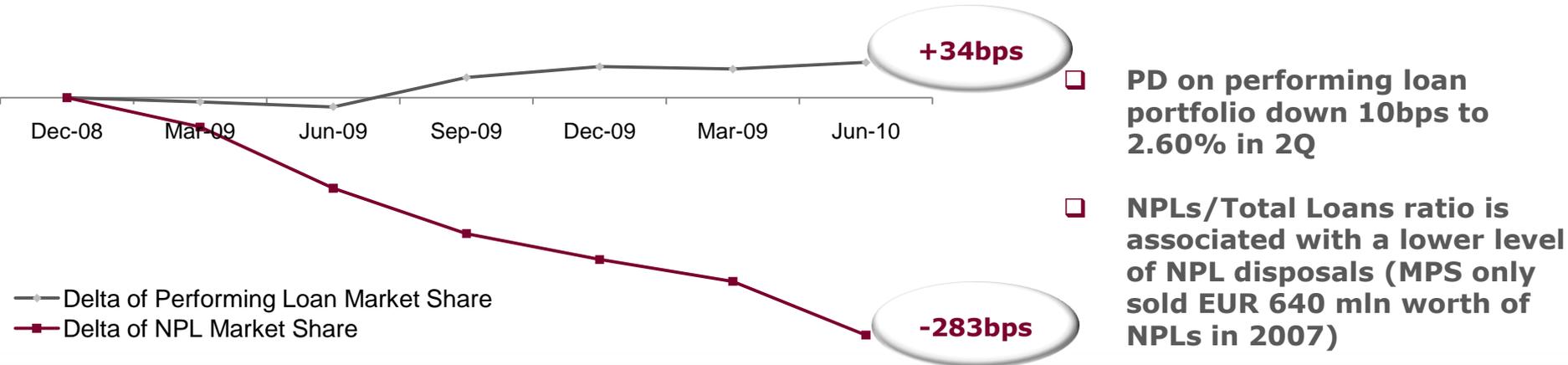


* Net of the contribution from branches sold to Intesa San Paolo and Carige

Increasing lending volumes are strongly focused on quality...



Market share of Performing and Non Performing Loans



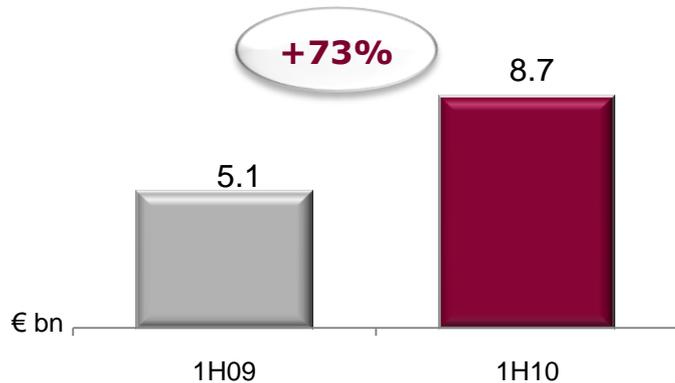
* Net of the contribution from branches sold to Intesa San Paolo and Carige

**Effective Jun10, a new methodology for loan market share calculation has been introduced, whereby the loan component also includes securitised loans. With this new calculation methodology, MPS's market share is 7.78%. Consistently with historical data, the market share would be 8.03%.

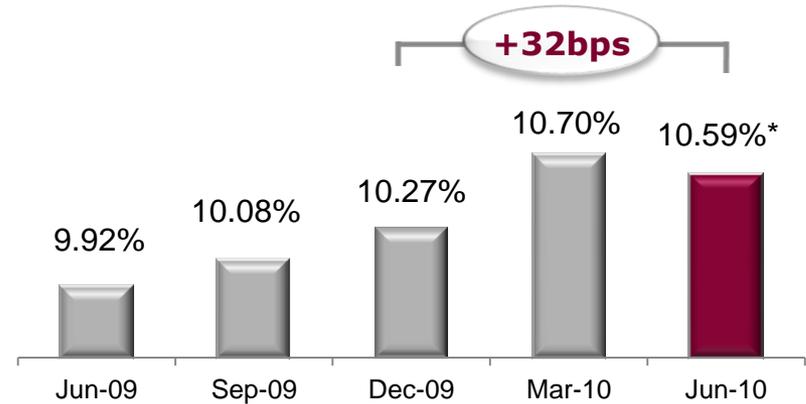
... and driven by positive mortgage inflows



Mortgage inflows



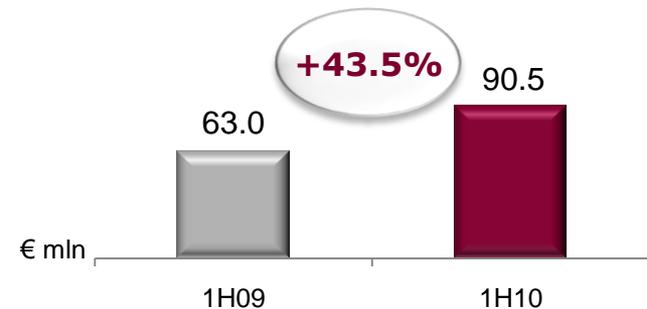
Mortgages market share



- ❑ Inflows driven by MPS Mutuo Protezione (with Cap)
- ❑ Strong contribution to the acquisition of new customers (> 37,000 in 1H): 34% of the flows to new customers and opportunity for cross selling
- ❑ Average L/V of the new flows: <60%



Opportunity for cross selling: Protection products (Life/P&C)

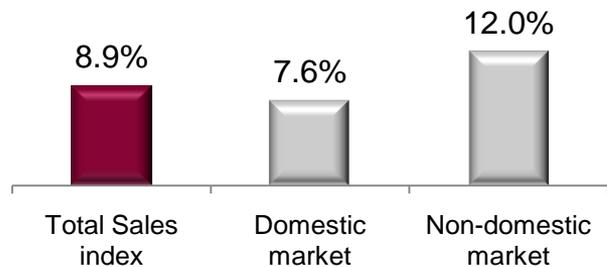


* Effective Jun10, a new methodology for loan market share calculation has been introduced, whereby the loan component also includes securitised loans. With this new calculation methodology, MPS's market share is 9.24%. Consistently with historical data, the market share would be 10.59%.

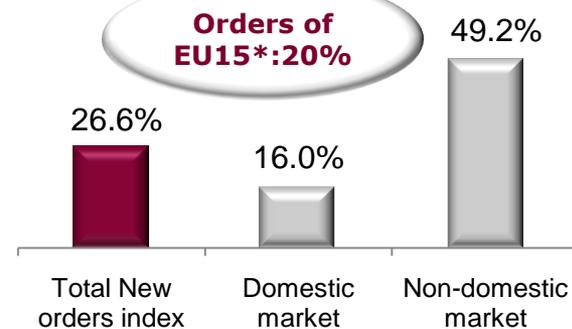
The positive signs in the macroeconomic environment ...



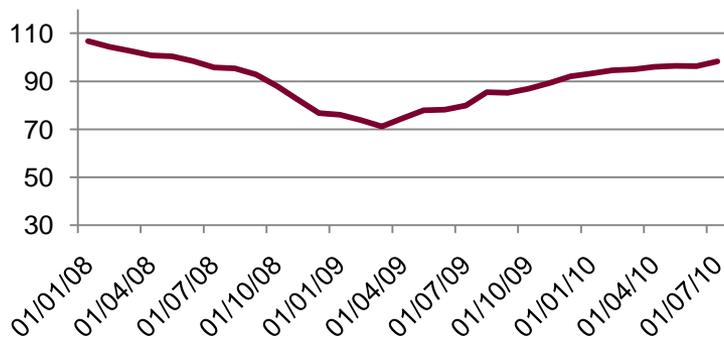
Sales (May 2010 – YoY)*



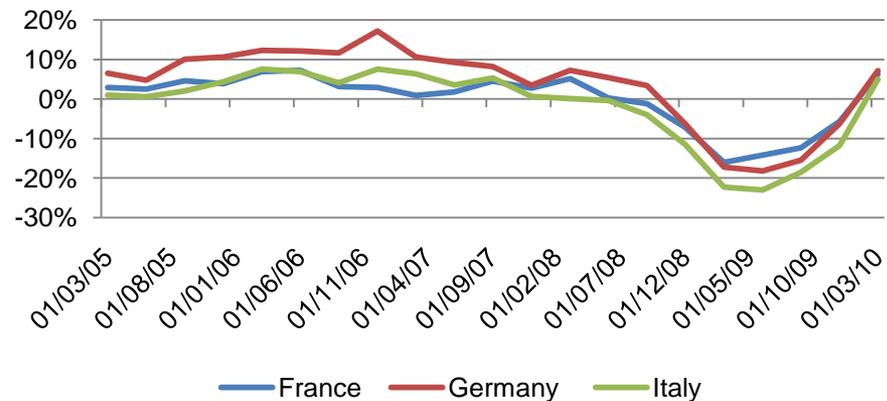
Orders (May 2010 – YoY)*



Business Confidence in Italy*



Euro Zone: Export



* Industrial turnover and new orders indices (base 2005=100). Source: Istat, Eurostat, Isae

... with different impacts on retail and corporate segments



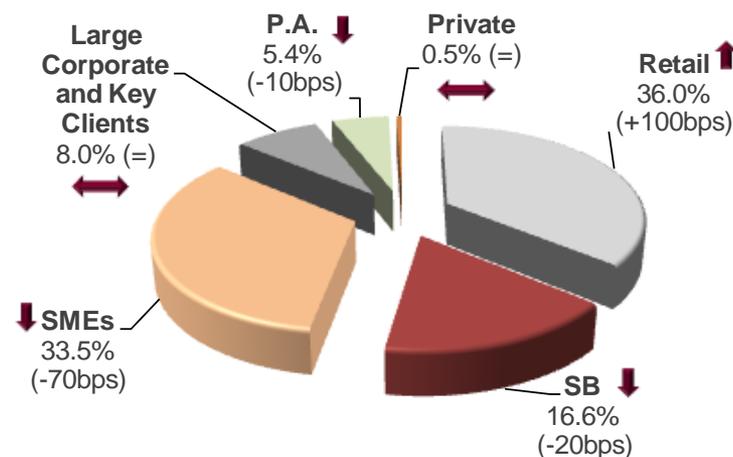
Retail

- ❑ Retail Loans: +16.6% YoY, driven by Mortgages (stock at c€40bn*)
- ❑ Strong increase of the weight of Retail in the loan book (+100bps YoY at 36%)

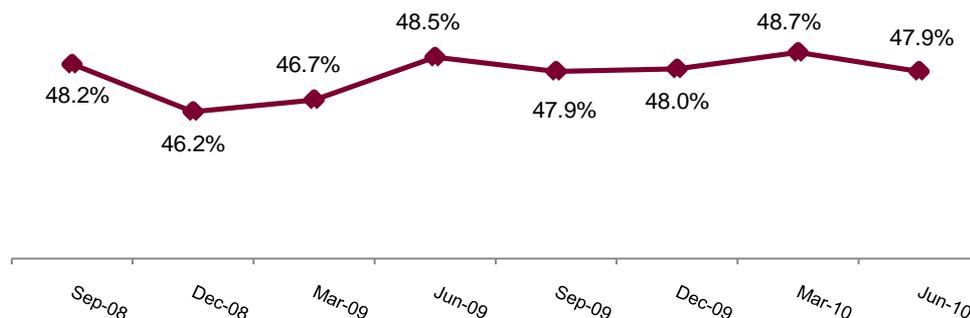
Corporate

- ❑ Positive macropicture have not yet completely translated into demand for credit from businesses: Corporate loans flat YoY
- ❑ Specialised Corporate loans**: +8% annualized
- ❑ 600 net new corporate customers since Dec 09
- ❑ Drawn/Undrawn ratio stable in the range of 46-49%

Loan portfolio breakdown: June10 vs June09



Drawn/Undrawn ratio

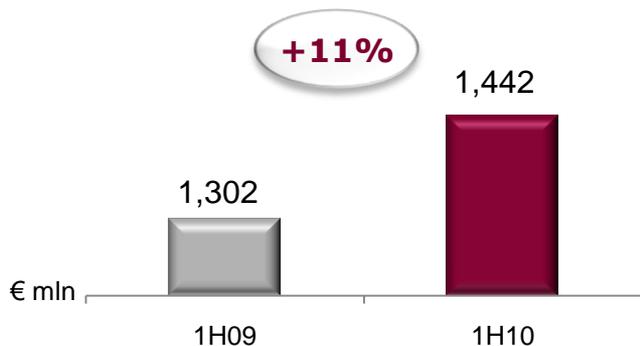


* Of which €35.5bn from Banca MPS and €4.2bn from Antonveneta
 ** MPS Capital Services M/L term loans, Factoring and Leasing QoQ increase annualized

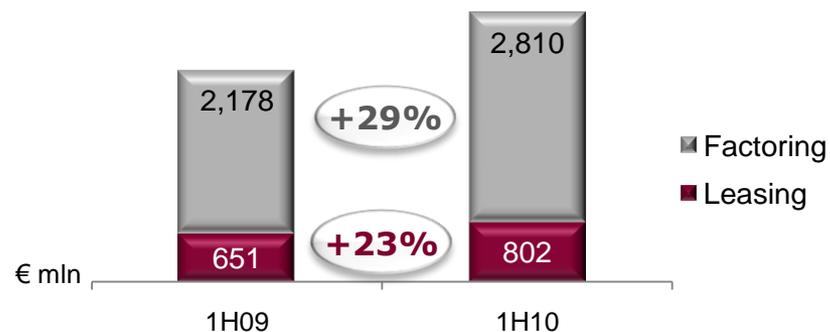
Upturn in other Lending flows and market shares



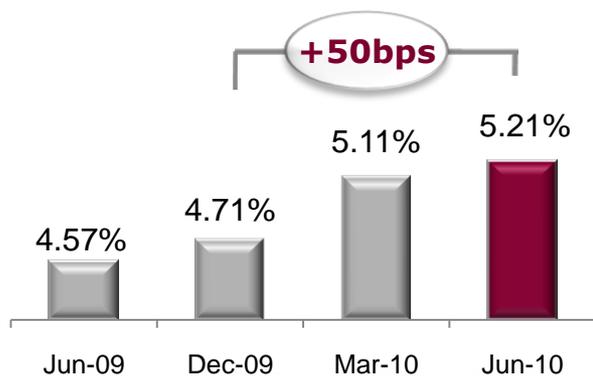
Consum.it flows



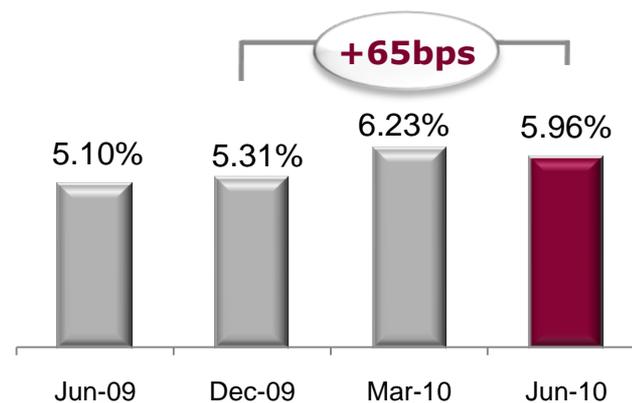
Leasing & Factoring flows



Consumer credit market share



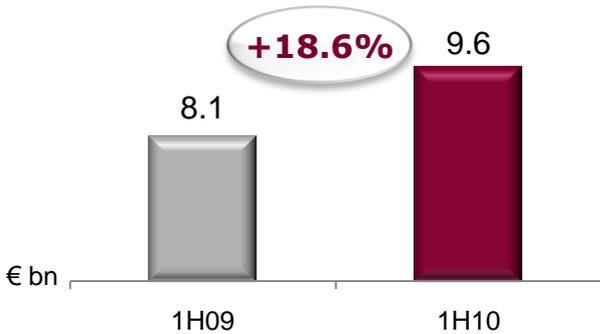
Leasing market share



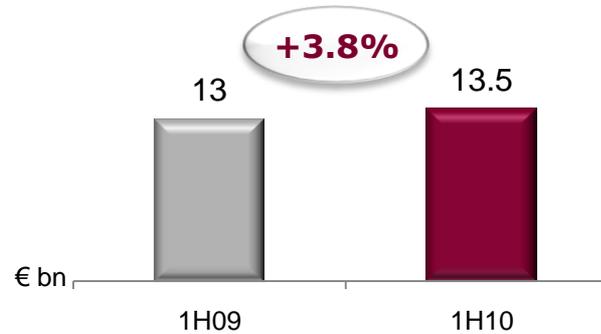
Commercial restructuring is yielding excellent results



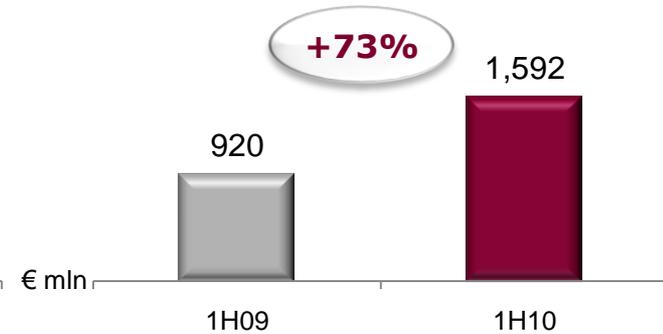
Direct Funding



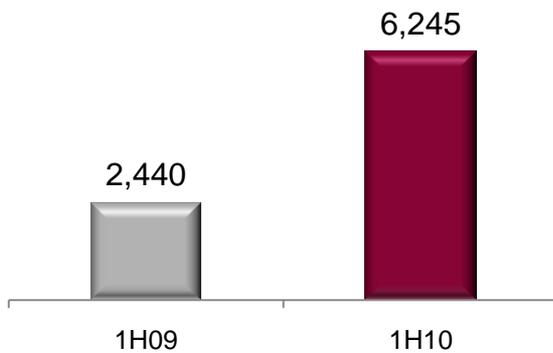
Loans



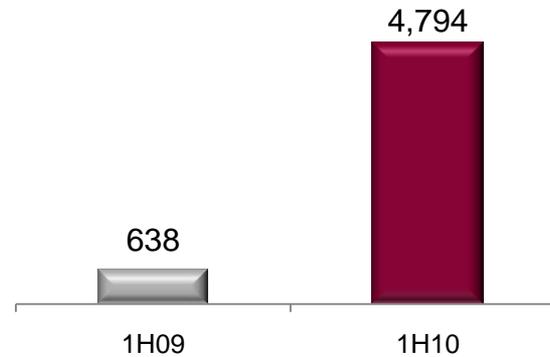
WM Flows



New current accounts



Net new customers



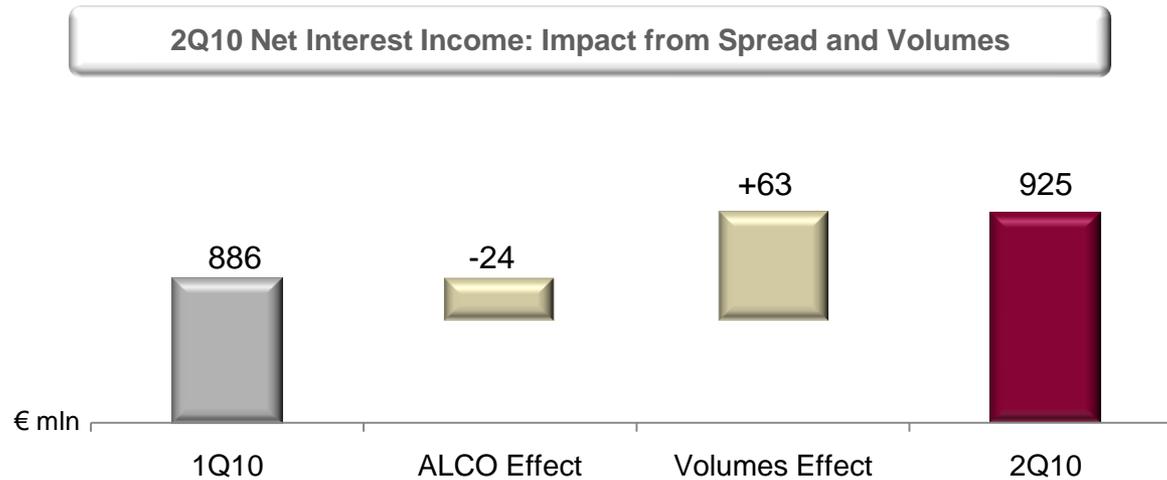
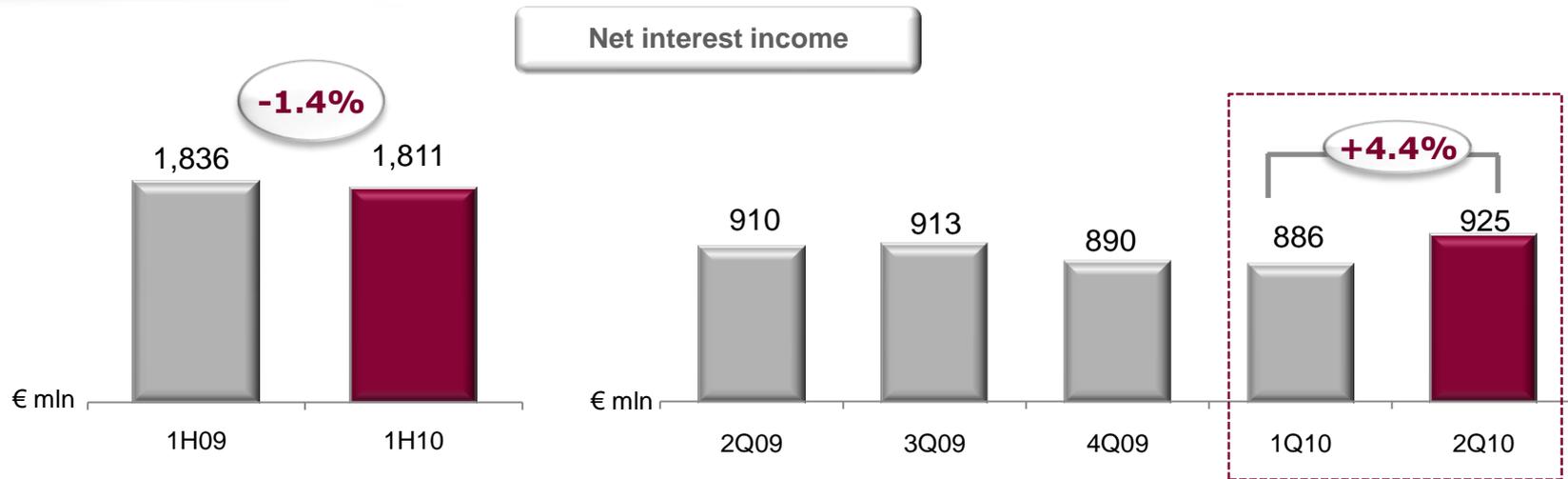
**Front office/
Total staff:
90%**



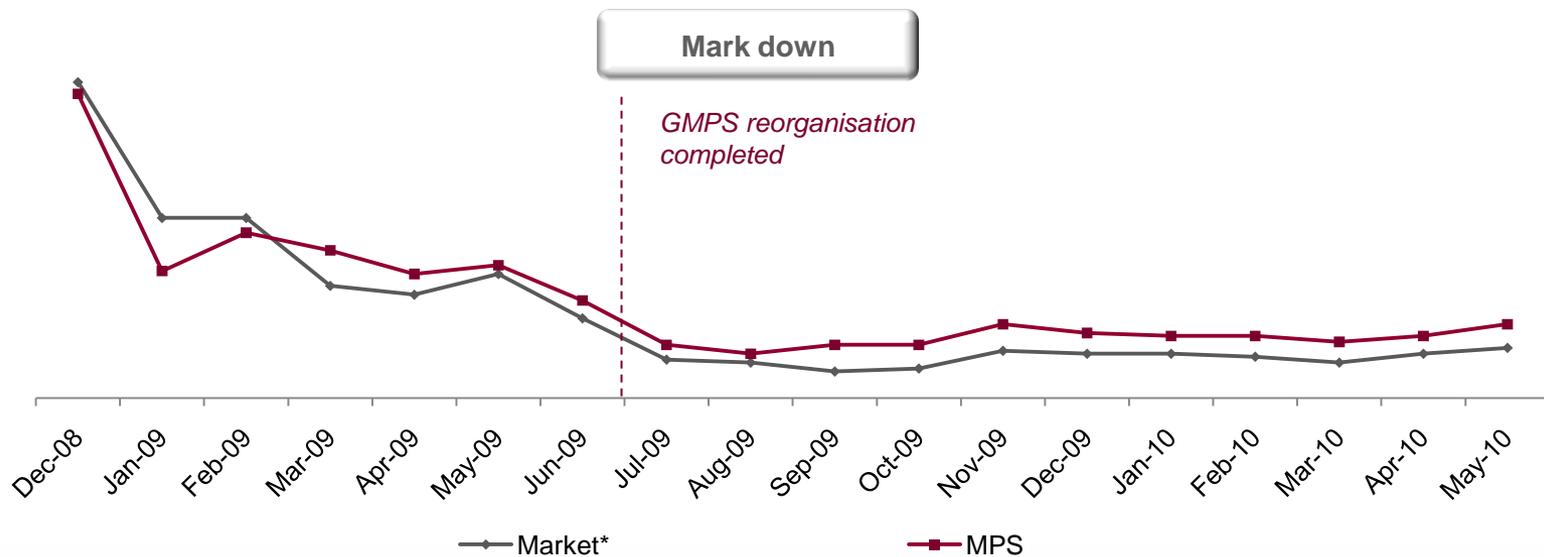
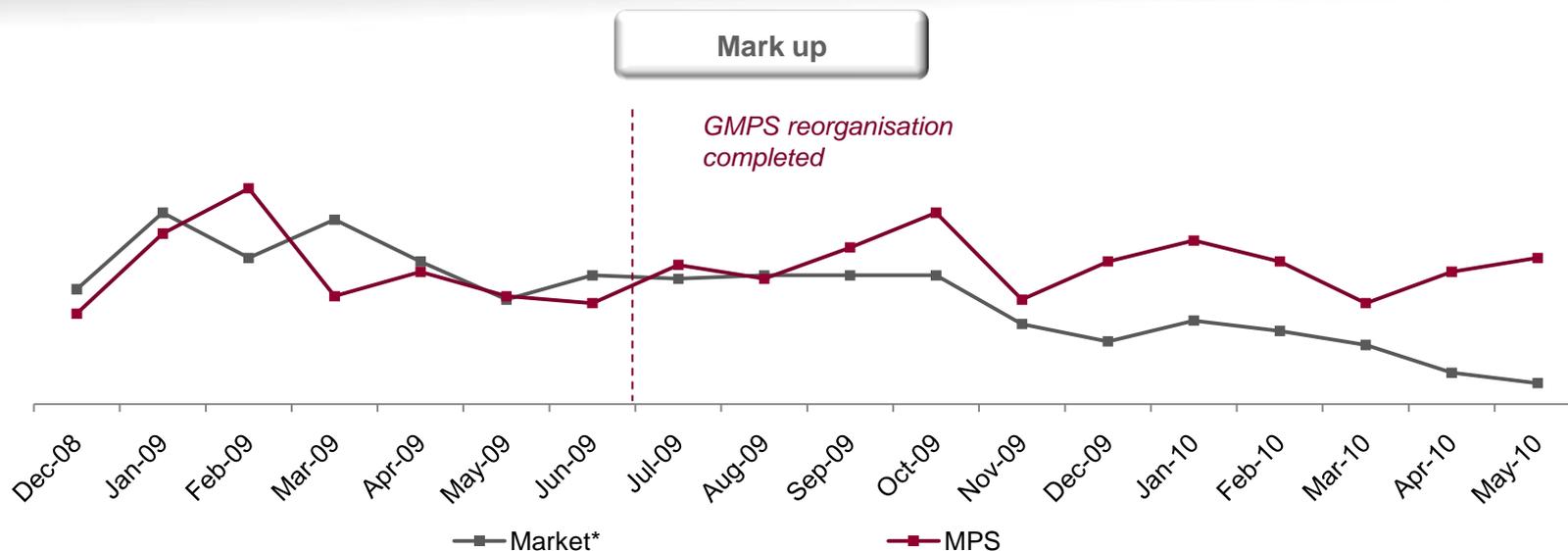
- ✓ **Resilient revenues, with Basic Income at an all-time high in the last 6 quarters**
 - ✓ NII: +4.4% QoQ, driven by the volume effect
 - ✓ Fees stable QoQ, +3.7% 1H10 vs 1H09

- ✓ **Confirmed the attention to cost control: ongoing structural cost base reduction is ongoing**
 - ✓ Operating costs: -3.5% YoY, -3.4% QoQ
 - ✓ C/I at 60.2% (-400bps since Dec 2009)
 - ✓ Personnel: 361 gross outflows in 1H, with Front office/Total staff ratio at 67%

A focus on Net interest income



A focus on Commercial Mark up and Mark down

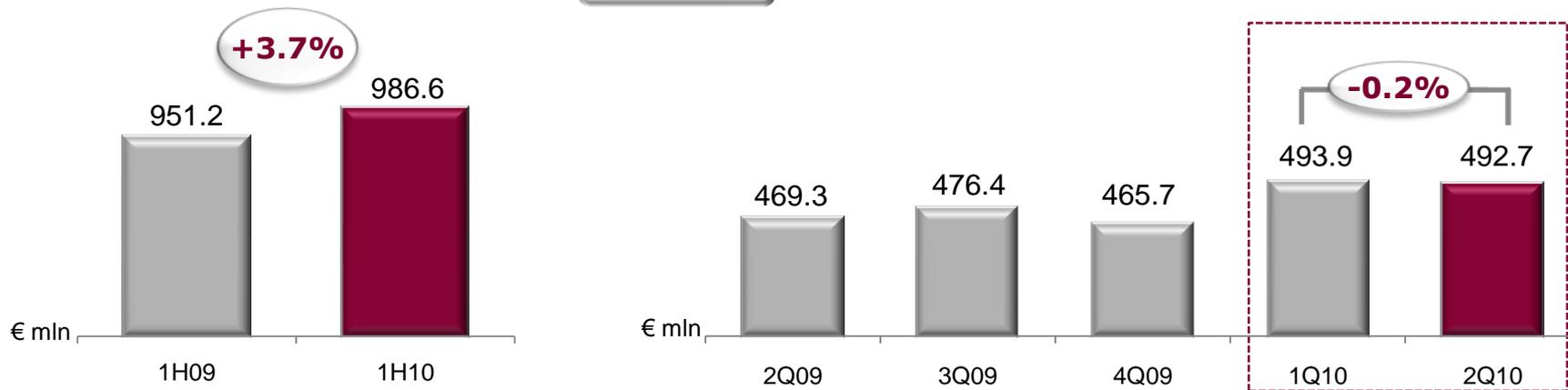


* "Matrice" Bank of Italy

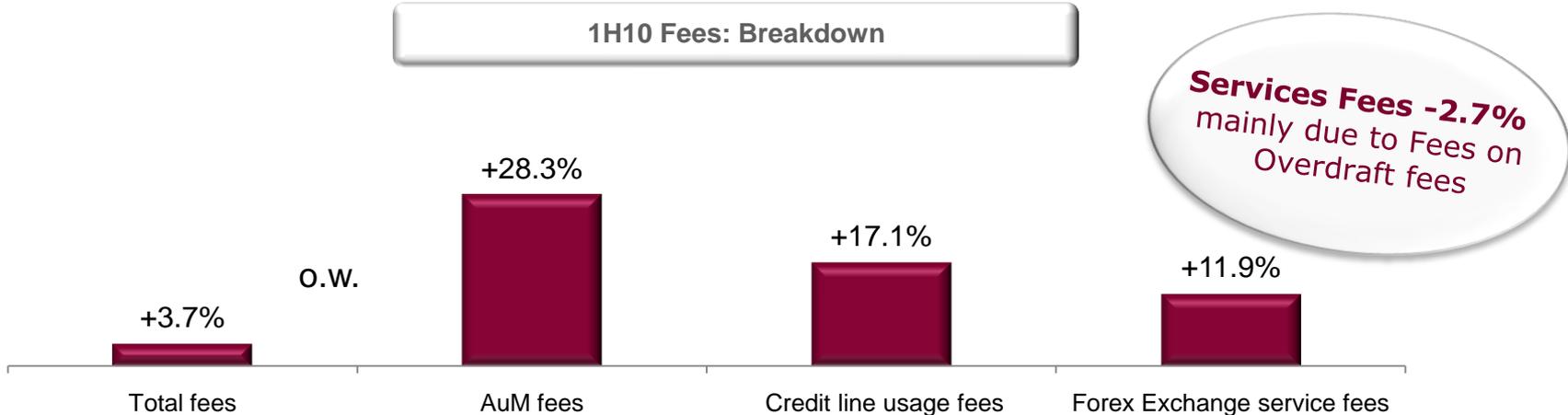
Fees: stable at the good 1Q level



Fees



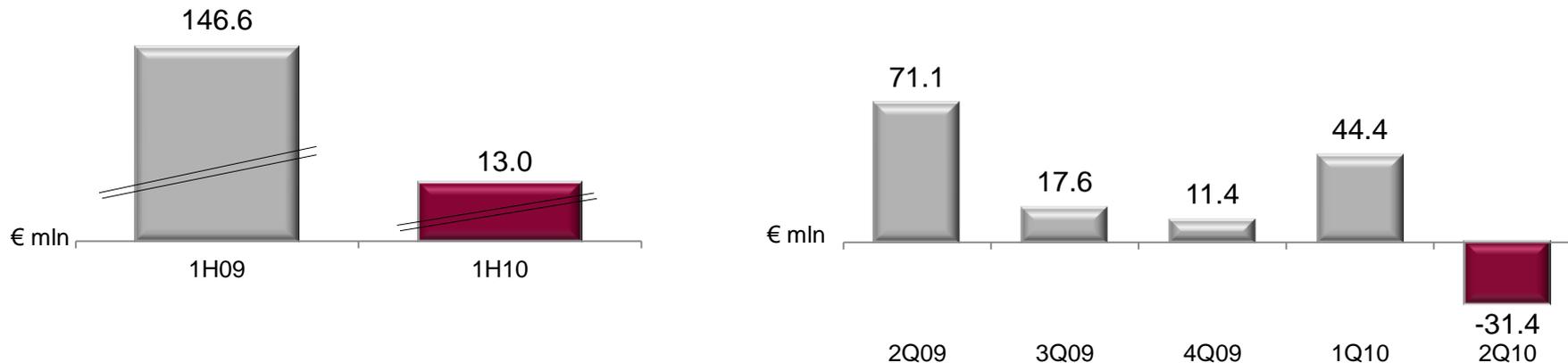
1H10 Fees: Breakdown



Other Revenues affected by market volatility



Other revenues

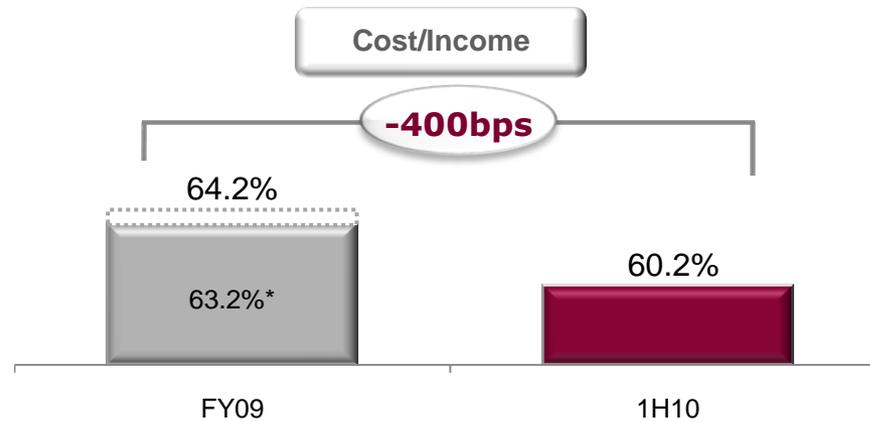
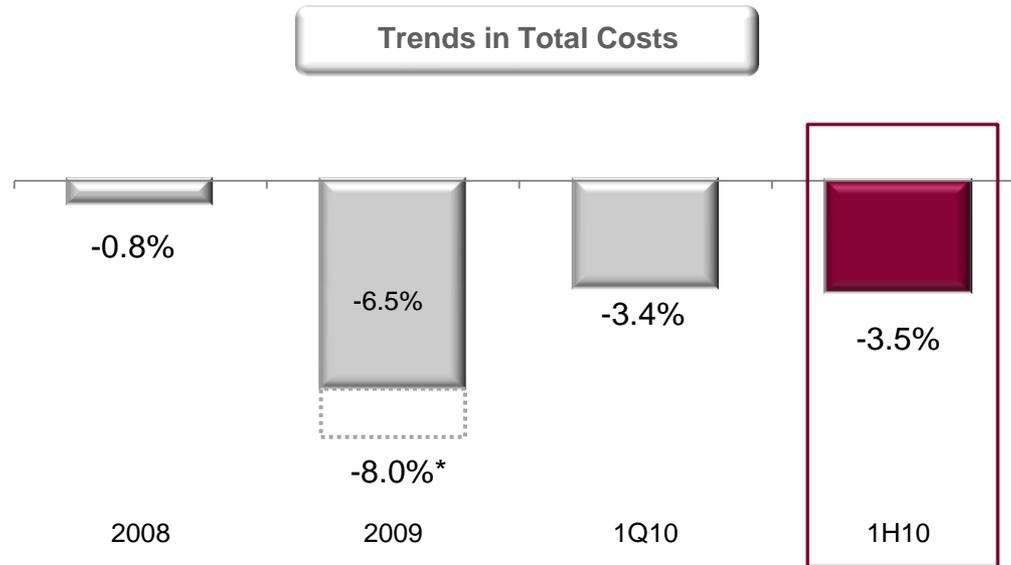


2Q10 Other revenues: details (€mln)

Dividends and other income from equity investments	15.7
Net profit (loss) from trading/valuation of fin. assets	-53.4
Hedging	6.3

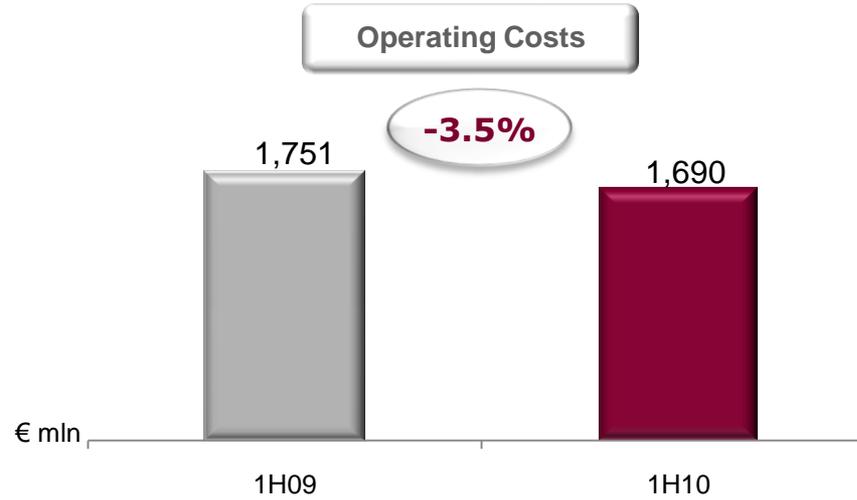
The aggregate reflects the sovereign debt crisis which impacted the market value of the bond portfolio (-68mln in Q2); on the other hand, a positive contribution came from "Gains/losses on disposal of loans, AFS financial assets and financial liabilities", mainly on the back of capital gains from realisation of securities classified as AFS and L&R.

Operating costs: a further containment

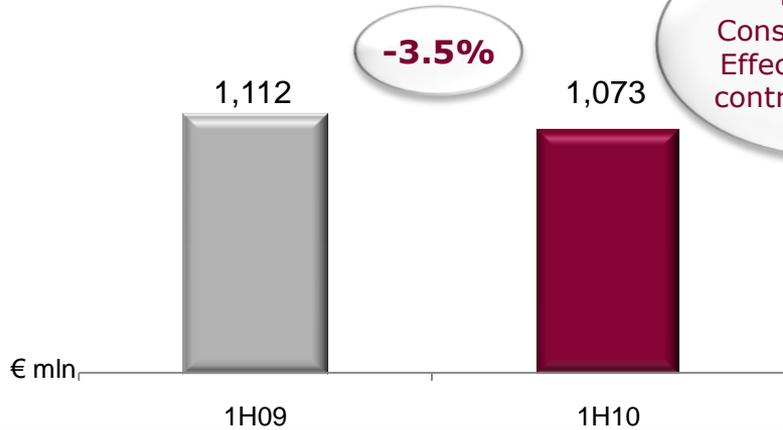


* Net of € 60mIn in early retirement one-offs classified as Personnel Expenses

Strong and sustainable cost reduction

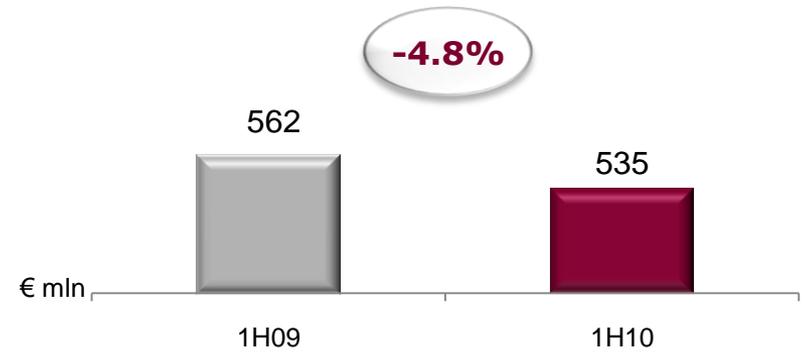


Personnel Expenses

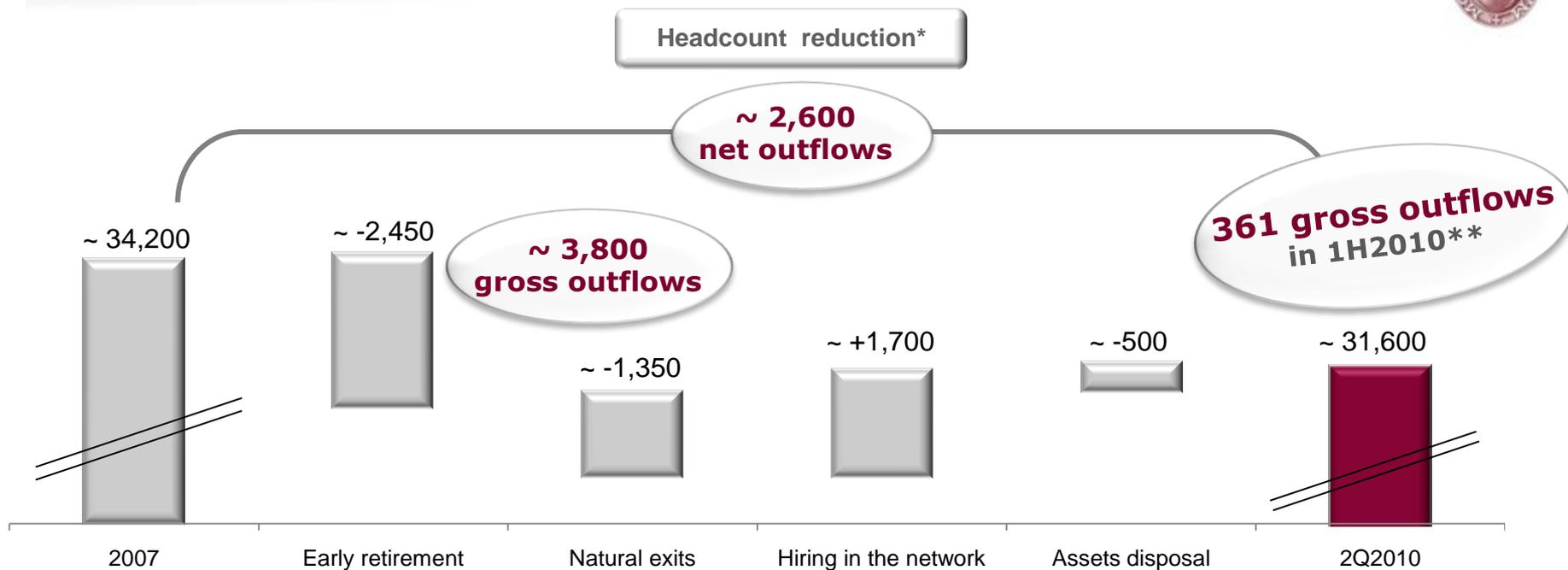


-5.75%
Considering the Effect of labour contract renewal

Other Administrative Expenses



Human resources



- ❑ **Net outflows: target fully achieved in 2009, two years ahead of schedule**
- ❑ **361 gross outflows in 1H**
- ❑ **Front office/Total staff ratio at 67%, +400bps since Dec 2007**

€35,000
Difference between avg cost of outflows and avg cost of new hirings

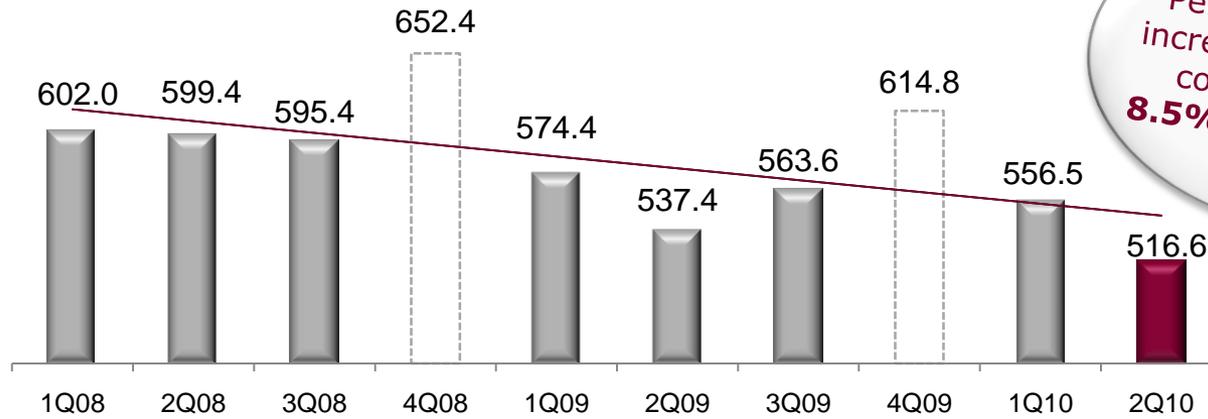
* FTE. 2007 figures include Antonveneta (9.383) and Biver (696)

** Excluding the exits (391 resources) due to the disposal of branches to Intesa and Carige. In the 1H, 361 young people were hired in the network

The positive effects of reorganization on costs

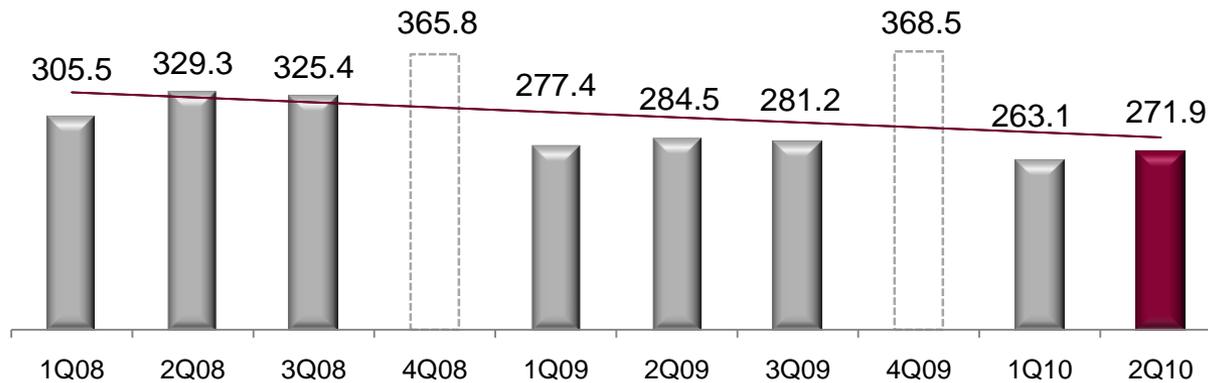


Personnel Expenses (€mln)



Personnel expenses increase due to labour contract renewal: **8.5% since Dec 2007**

Other Administrative Expenses (€mln)





Commercial activity

P&L analysis

**Risk and Capital
Management**

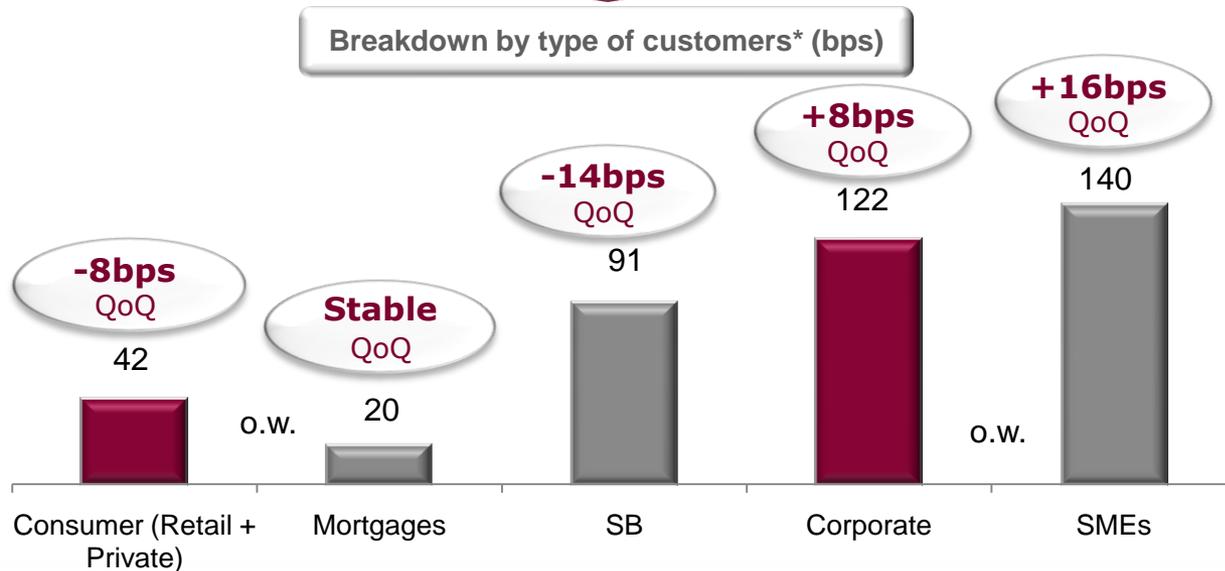
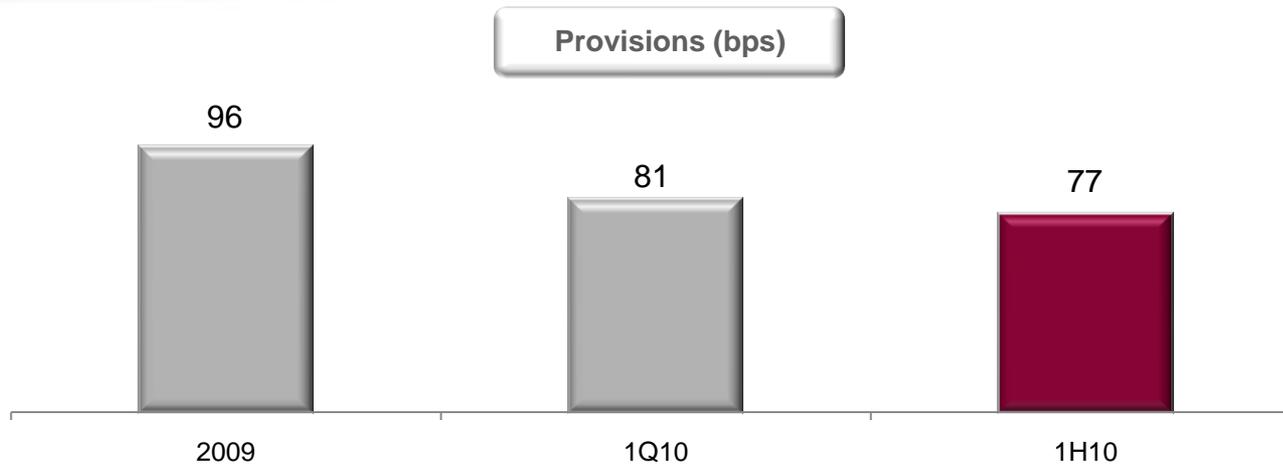
✓ **Asset quality in control:**

- Cost of credit: 77bps
- Increasing NPL coverage: +70bps since March
- NPL flows: -20% QoQ
- Collections: +15% YoY, with MPS Gestione Crediti's rating upgraded by Fitch Ratings and the above average rating by S&P

✓ **Monitoring of capital and liquidity position:**

- Loan/Deposit ratio stable at 0.97
- Institutional bonds expiring in September 2010: €0.6bn
- Tier 1 Ratio at 7.8% (+c30bps vs March); Total Capital Ratio at 12.2%

Provisions towards a normalised level

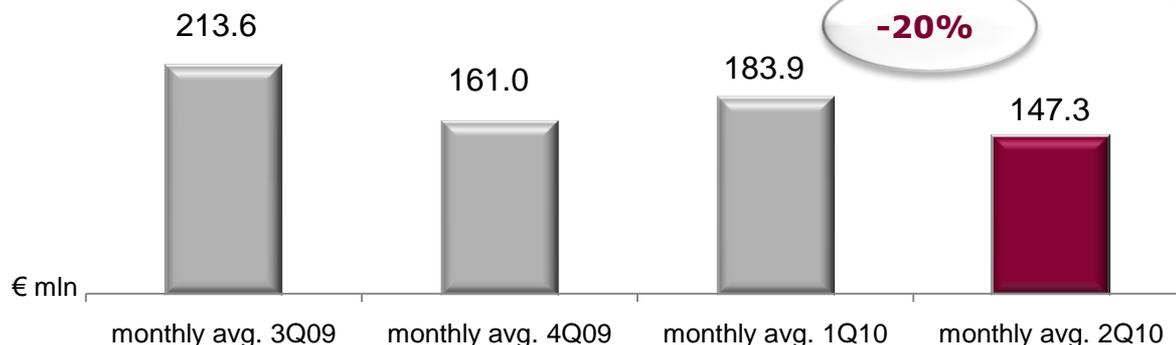


* Provisions calculated on loans disbursed at Branch Network level

A focus on NPLs inflows



NPLs: monthly inflows



Impaired loan generation ratio*
at 1.01%:
-30bps vs March

1H10 NPL flows
-6.3% YoY



- ❑ NPL inflows from performing loan portfolio: -7.7%
- ❑ NPL inflows from other doubtful loans: -5.2%

NPL flows breakdown: main sources

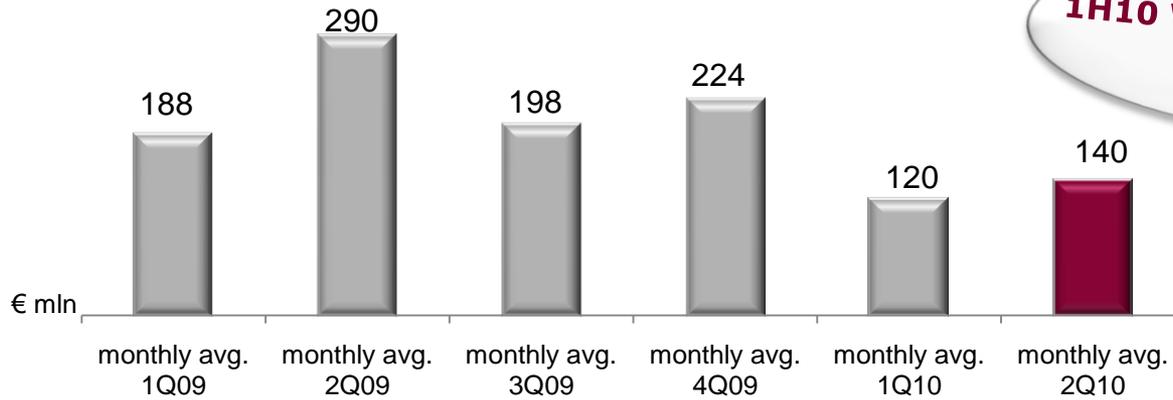
Other marketable services	34.0%
Commercial services, recoveries and repairs	11.6%
Building and Public Works	7.8%
Textile products, leather and footwear	7.1%
Rubber and plastic products	3.0%
Agriculture	2.9%

* NPL and Watchlist loan flows over total loans as of March. Figures are referred to the commercial network. Operating data

A focus on Watchlist loans* inflows

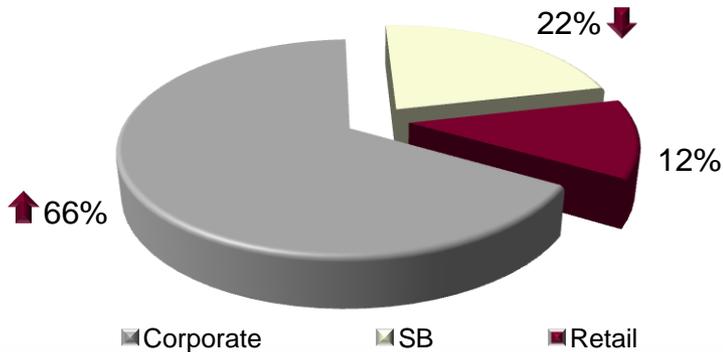


Watchlist loans: monthly inflows**

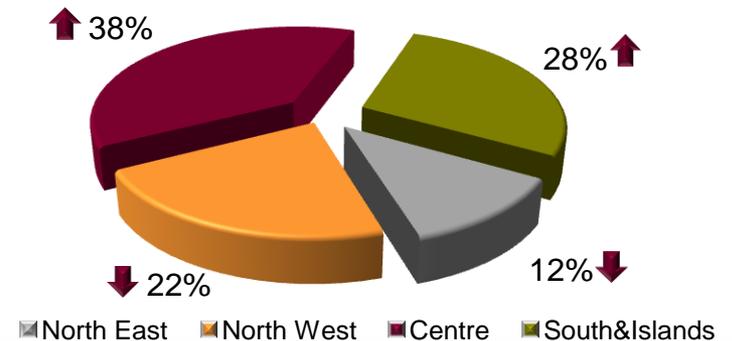


1H10 Watchlist loan flows: -46% YoY

Flows of Watchlist loans: breakdown by type of customer



Flows of Watchlist loans: breakdown by geographical areas



* Watchlist and "under special administration"
 ** Excluding MPS Capital Services and Biver

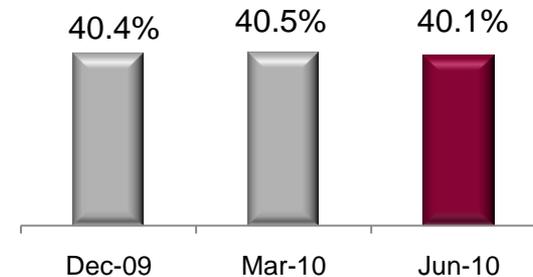
Minor increase in impaired loans. Good coverage level



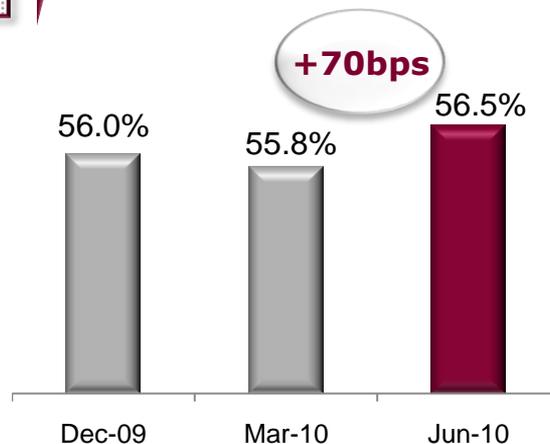
NPL, Watchlist, Restructured and Past Due Loan stock (€ mln)

	Gross	Net
NPL vs March 10	11,525 +3.8%	5,018 +2.3%
Watchlist vs March 10	5,263 +6.3%	4,289 +7.1%
Restructured** vs March 10	1,278 +55.9%	1,232 +55.4%
Past Due vs March 10	811 -14.3%	759 -15.0%

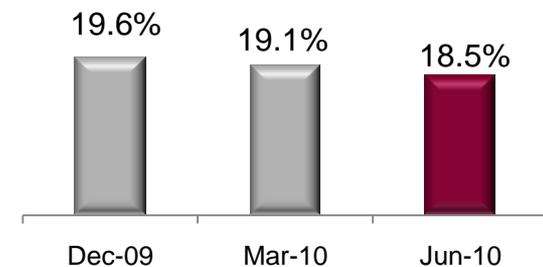
Impaired loans coverage



NPLs coverage



Watchlist coverage*

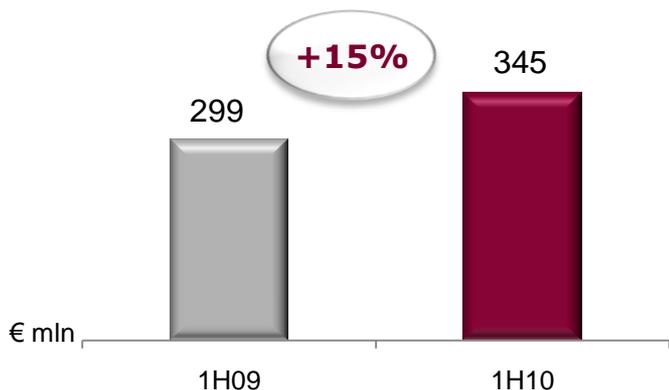


* The coverage ratio is affected by operational administrative factors, i.e. inclusion of so-called "incaglio oggettivo"

** Several loan restructuring agreements, for some time under analysis by the Bank and the Banking System, were finalized in the second quarter



Collections



Operating figures related to MPS Gestione Crediti

- ❑ 22 branches
- ❑ 107,799 applications processed for a Net Book Value of € 5,466.5 mln
- ❑ Cost income down from 74.6% in 1H09 to 64.6% in 1H10.
- ❑ ROE at 27.48% in 1H2010 vs 14.8% 1H2009

Rating upgrades

FitchRatings

Fitch upgrades MPSGCB's Italian Residential and Commercial Mortgage Special Servicer ratings to 'RSS2' / 'CSS2'

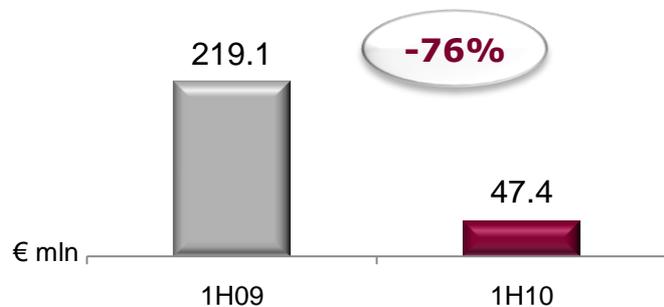
"The upgrades are based on the further consolidation of MPSGCB's organizational structure over the last 12 months, which has increased overall efficiency and operational control"

STANDARD
& POOR'S

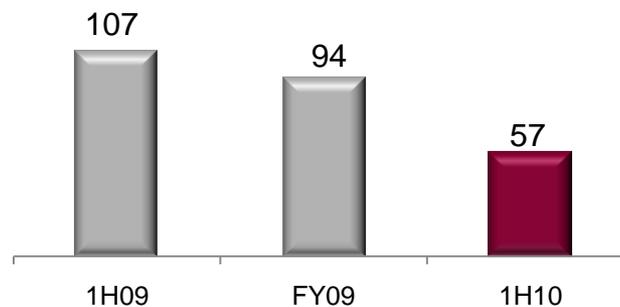
S&P's assigns ABOVE AVERAGE ranking to MPS Gestione Crediti



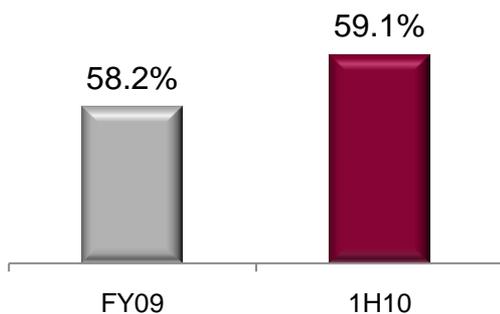
Impaired loans 6M net flows



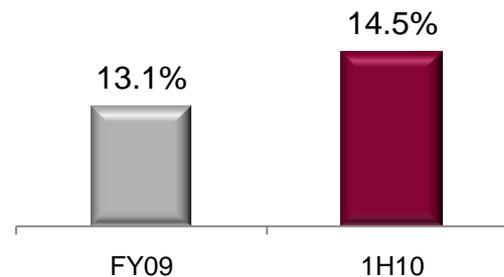
Cost of credit (bps)



NPL Coverage



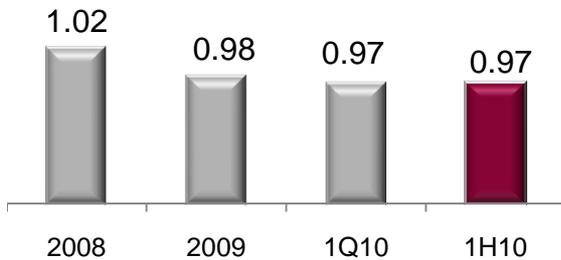
Watchlist Loan Coverage



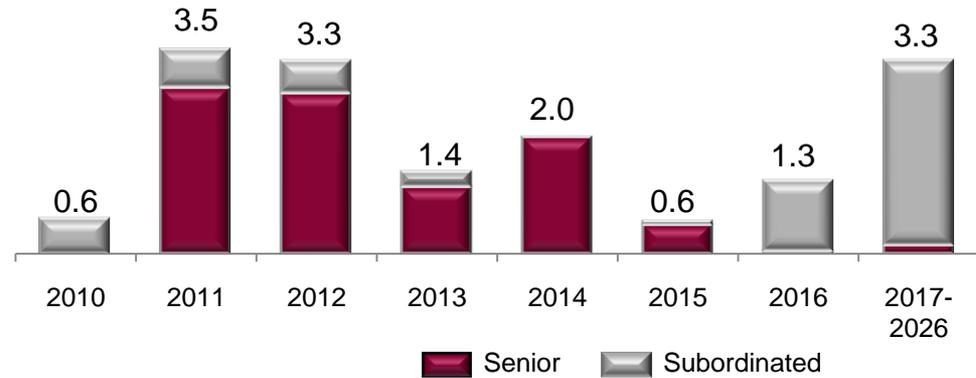
A snapshot of our liquidity position



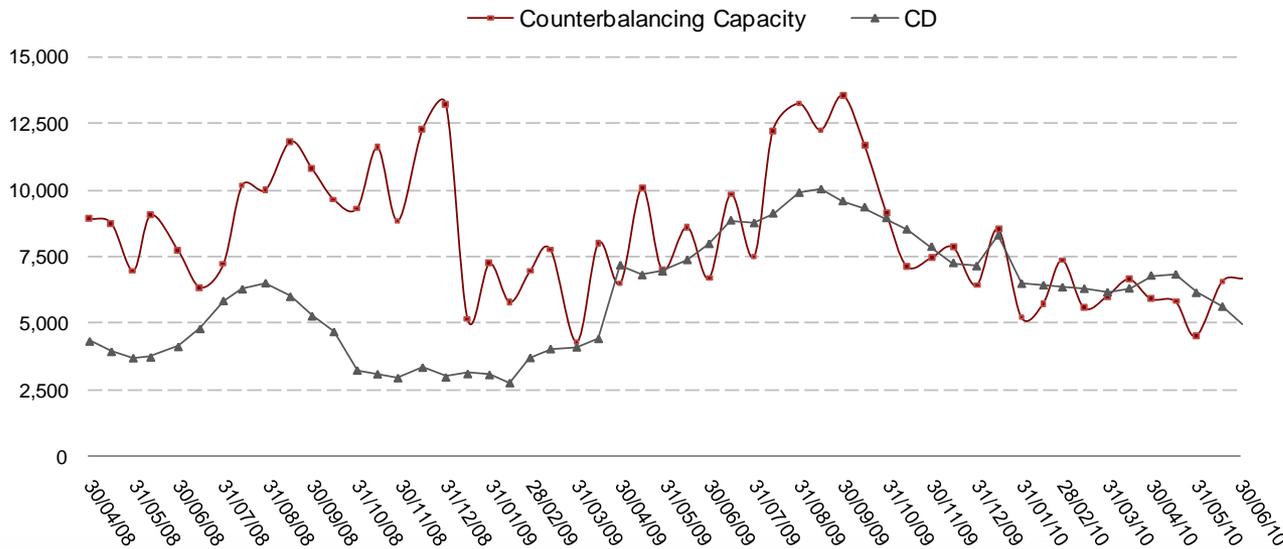
Loan/Deposit ratio



Maturity of Bonds from 2010 (€ bn)*



CD Programme and Counterbalancing Capacity** (€ mln)



- L/D ratio improving to 0.97 from 0.98 in Dec 09
- Institutional bonds expiring in September 2010: €0.6bn
- Interbanking exposure slightly down (c€200mln) vs March

* Institutional bonds

** The Counterbalancing capacity is the total amount of assets immediately available for use in order to face liquidity needs

A focus on Securities and Derivatives (1/2)



The Securities and Derivatives Portfolio*

<i>Market Value (€ mln)</i>	30 June 2010
HFT	16,229
AFS	15,437
L&R	3,159
Total Portfolio	34,824

+ €10.7 bn

NII-boosting portfolio expansion (vs Dec 09) of which:

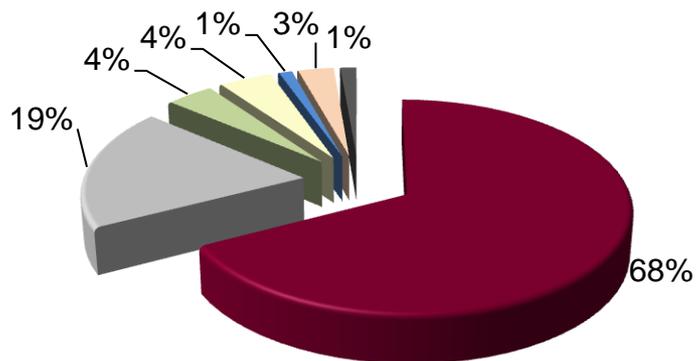
- ❑ **+ €8.4 bn on HFT portfolio:** Italian government bonds with upcoming maturity (80% within 2011)
- ❑ **+ €2.5 bn on AFS portfolio:** Long Term maturity Italian government bonds. This includes mainly Italian long-term government bonds (BTPs in particular) which, while being exposed to counterparty risk (mainly "Italy's country risk"), are hedged from adverse interest rate fluctuations through a dedicated hedge accounting policy.
- ❑ **Slight L&R portfolio contraction**

* Banca MPS and MPS Capital Services portfolio, excluding repurchase agreements and Money Market

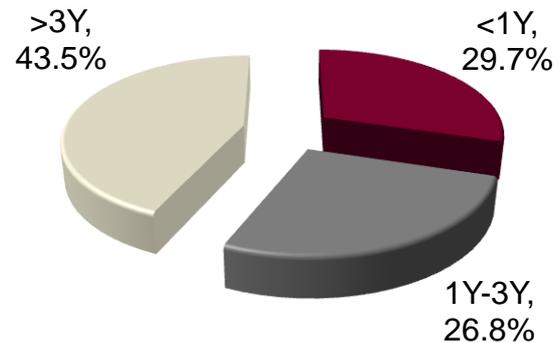
A focus on Securities and Derivatives (2/2)



Portfolio Breakdown*

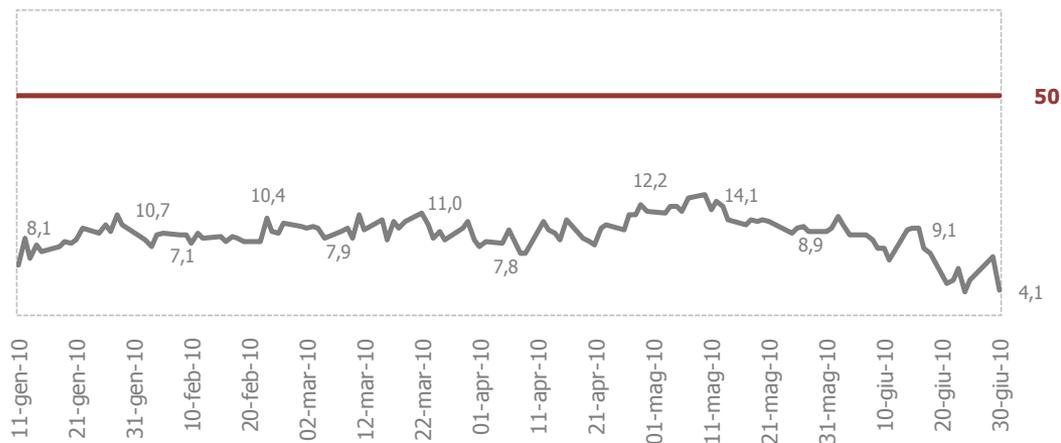


Italy Govies: Breakdown by Maturity



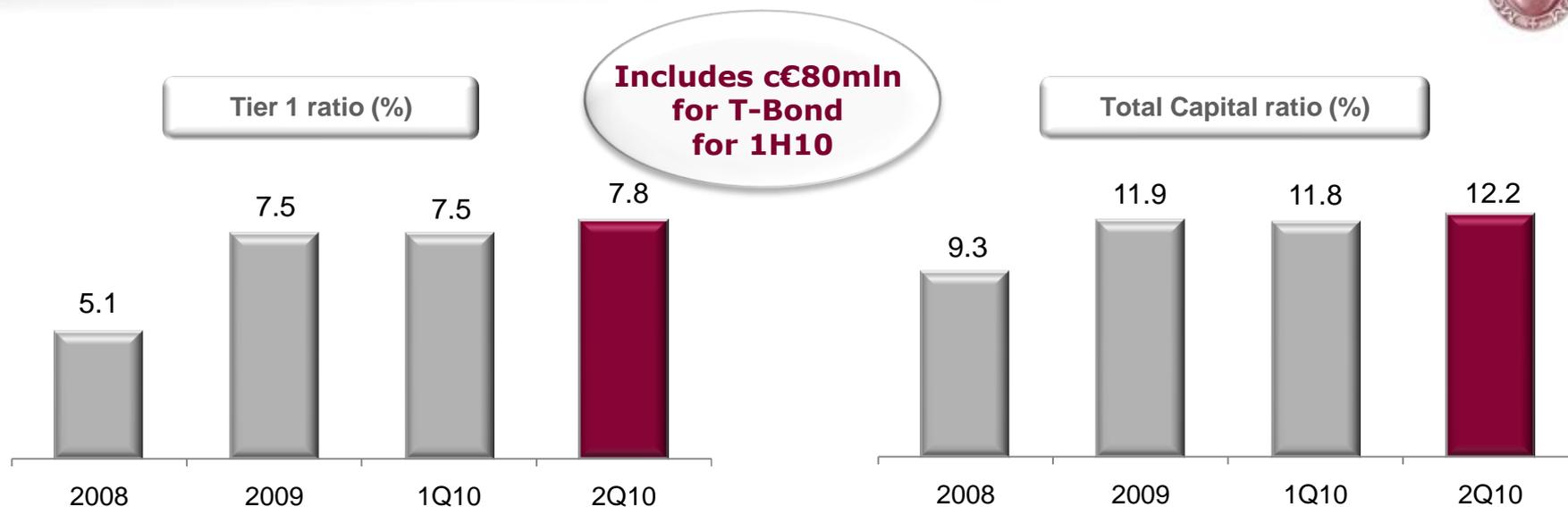
- Italian Government Bond
- Bonds Financial Sector
- Subordinated Bonds Financial Sectors
- Equities
- Foreign Government Bonds
- Corporate Bonds
- Other

VAR Evolution trading book



* Banca MPS and MPS Capital Services portfolio, excluding repurchase agreements and Money Market

Capital position being strengthened



- ❑ Tier 1 up c30bps vs March, notwithstanding the increase of assets
- ❑ Further significant improvement expected from actions underway
- ❑ RWA at €120.2bn (-€1.7bn vs March)

Authorization obtained from Supervisory Authorities to extend AIRB models to all Antonveneta and former Antonveneta branches (merged into the Parent Company) and lower floor from 90% to 85% effective for supervisory reporting as of 30/09/2010



Conclusions and guidance

- ❑ **The positive commercial performance shown in the first six months leads us to look confidently to the second part of the year. In particular:**
 - ❑ **Q2 NII is considered as a structural basis for the remaining part of the year**
 - ❑ **Excellent results achieved in cost containment (exceeding year-start forecasts) make it possible for the previously issued -2% guidance on costs for FY10 to be superseded (now expected to be at least -3.5%)**
 - ❑ **With respect to the cost of credit, NPL flows showed a better than budgeted trend.**



**Thank you for your
attention**

Q&A



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Declaration of the Financial Reporting Officer

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Daniele Bigi, declares that the accounting information contained in this document corresponds to the underlying documentary evidence and accounting records.

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