GRUPPO **MONTEPASCHI**

Quarterly Report as at 30 September 2011

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Q3 Group results in brief

In the face of further deterioration in the economic and financial climate, in Q3 2011 the Montepaschi Group consolidated its capital base and achieved significant expansion in terms of basic income, driven in particular by net interest income, while continuing to improve its cost of credit and operational efficiency. In particular:

- As at 30 September 2011 total funding volumes for the Group came to approximately EUR **295 bln** (+0.7% YoY) thanks to the increase in direct funding which absorbed the downturn in assets under management and custody, particularly penalised in Q3 2011 by the strong depreciation of financial assets due to the sovereign debt crisis. More specifically, **direct funding**, totalling approx. **EUR 161 bln**, was up 4.1% on 30/09/2010 (-3.3% from 30/6/2011; +1.6% on 31/12/2010), with **consumer and corporate funding up by EUR 2.1 bln from 31/12/2010 (+1.9%)** though down by approx. 1 bln compared to the end of June 2011, propped up in the first nine months of the year by EUR 11.3 bln from the placement of bonds. **Funding from institutional customers has also grown since the start of the year**, in the form of both mid/long term issuances and short-term market instruments. The Group's **market share** in direct funding stood at **7.92% in August, in line with the end of 2010**. **Indirect funding** at the end of the period totalled approx. EUR **134 bln**, registering a fall on both 30/06/2011 and 30/09/2010 (-6% and -3.1% respectively) with **assets under management** (approx. 48 bln) particularly affected by the sharp drop in the value of financial assets in the quarter, while **assets under custody** (approx. 87 bln) was weighted down by the changes in Key Clients' deposits.
- With regard to credit management, as at 30/09/2011 **Group "Loans and advances to customers",** totalling **EUR 156 bln**, were **up 2.1% from 30 September 2010**, reflecting a **mild fall on 30/06/2011** (-0.9%; -1.4 bln), with a **market share** in August of **7.67%, slightly up as compared to 2010-end figures**.
- With respect to **credit quality**, the "net NPLs over total loans ratio" came to 4.07% as at 30 September 2011 with **coverage of impaired loans** climbing 20 bps on 30/06/2011, standing at **40.9%**. With respect to **NPLs**, coverage stood at **55.2%** (vs 56% as at 31/12/2010), while the watchlist loan coverage ratio came to **20.6%** (vs 21.1% as at 31/12/2010).
- The Group's customerbase stood at approx. 6.2 million.

As a result of the above, **the Montepaschi Group's basic income experienced an upturn in Q3 2011 (+4.2% on Q2 2011), returning to the levels witnessed at the start of the year thanks to the rise in net interest income (+7% on Q2 2011) and a stable performance for net fees and commissions (-0.6% on Q2 2011)**, despite the summer period's seasonal tendencies. Tensions in the financial markets, due mostly to the escalating sovereign debt crisis, have had negative repercussions on trading and on the valuation of the Group's portfolios. **The cost of credit continued to improve (provisioning rate[1] at 72 bps against 74 bps at the end of 2010) as did operational efficiency with the cost/income ratio standing at 59.7% (vs. 61.6% as at 31/12/2010)**.

The Montepaschi Group's net profit for the period before Purchase Price Allocation (PPA) came to EUR 380.5 mln (EUR 439.9 mln as at 30/09/2010). **Considering the net effects of PPA, net profit for the period came to EUR 303.5 mln (vs. 356.9 mln in the first nine months of 2010).**

With regard to capital ratios, as at 30 September 2011, the **Tier I ratio BIS II was estimated at 11.1%** (8.4% at the end of 2010) with a **BIS II solvency ratio at 15.5%** (12.9% at the end of 2010).

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[1] Provisioning rate: ratio between annualised net adjustments due to impairment of loans and customer loans at the end of the period (Account 70 in the Balance Sheet).

Basis of preparation for the half-year report on operations

The quarterly report on operations gives an account of the performance and results of the Montepaschi Group, both as a whole and in the various business sectors into which consolidated operations are organised.

To allow for a better understanding of how the major factors of value creation were developed for the Group and for all its stakeholders (both in the short and long term), the report integrates economic and financial aspects with qualitative and non-financial components.

These non-financial components particularly include the main activities and results achieved by the Group in implementing *Corporate Social Responsibility* (CSR) objectives relating to Customer relations, Personnel management and the impact of business on Society and the Environment. For additional information on this topic please refer to the Annual Report on Corporate Social Responsibility which can be found on our website www.mps.it under "Our Values".

Group profile

The **Montepaschi Group**, whose banking activities date back to 1472 , is one of the leading banking and credit institutions on the Italian financial scene. The Montepaschi Group operates all over Italy and in the major international markets, 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 (through equity interest in AM Holding), private banking, investment banking and corporate finance. Furthermore, the Group ensures the provision of bancassurance and pension products through its strategic partnership with AXA.

The Montepaschi Group's mission is structured along the following guidelines:

- ✓ **to create value for shareholders**, in both the short and long term, giving priority to customer satisfaction, the professional development of resources and the interest of all stakeholders;
- ✓ **to be a continuously evolving model of reference in the Italian banking scenario**, affirming the Montepaschi Group's leading position as a domestic Group with a European vocation;
- ✓ **to promote a sense of belonging to the Group among employees**, **while at the same time valuing cultural differences** and maintaining the **strong foothold of each Group company in the area** in which it operates.

A distinctive feature of the Montepaschi Group - partially a consequence of the strong local roots of its banking companies - is to combine **the pursuit of growth and value creation objectives,** typical of any market-oriented undertaking, with **the system of values expressed by the areas and communities of reference.** To this end, the Group has promoted an innovation strategy in support of development, characterized by a proactive role geared toward opening up new opportunities for its customers and the areas in which it operates.

OWNERSHIP

In the Montepaschi Group, the role of Parent Company is assumed by **Banca Monte dei Paschi di Siena SpA** (BMPS), a public company listed on the Italian Stock Exchange. As of September 1999, it has been included in the FTSE MIB Index, the main benchmark index of the Italian equity markets. BMPS' market value, calculated on the basis of 11,525,977,254 (ordinary and preferred) outstanding shares as at 30 September 2011, stood at EUR 5 bln.

BENCHMARK PRICE AND CAPITALISATION	**30/09/11**
Price (euro)	0,42
No. ordinary shares	10.844.097.796
No. preferred shares	681.879.458
No. savings shares	18.864.340
Capitalisation (ord + pref) (euro mln)	4.831

According to data from the shareholder register, and on the basis of other notifications received pursuant to current legislation and other information available as at 30 September 2011, shareholders who either directly and/or indirectly own financial assets in an amount exceeding 2% of BMPS's share capital with the right to vote at ordinary meetings, are as follows: **MPS Foundation** (45.97%), **Francesco GaetanoCaltagirone** (4.43%), **AXA S.A.** (4.01%), **Unicoop Firenze** (2.94%) and **JP Morgan Chase** (2.72%).

THE BRAND

Banca Monte dei Paschi di Siena is a strong brand that stands for tradition, stability and *Italianness*, with positive implications in terms of innovation and customer-orientation developed over recent years.

The brand, or corporate image and reputation that it represents, is a key driver in the choices of customers and in the long-term performance of the Group. For this reason, it is at the very heart of the Group's integrated communication strategy and supports product marketing. The promotion of the brand "1472" continued with the aim of highlighting one of the Group's distinctive features - its date of birth - as part of a project to consolidate the bank's local presence and reach out to new generations. Roll-out of the territory-based communications campaign continued, aimed at enhancing the Group's image in all local socio-economic contexts and strengthen its market penetration.

The brand's importance and reputation are continuously monitored through both quantitative and qualitative analyses of coverage of the Group by the press, television and the web, for countermeasures to be promptly adopted if necessary. The brand awareness and reputation indices, measured by Demoskopea through ad-hoc surveys, continued to reflect values in line with those of 2010.

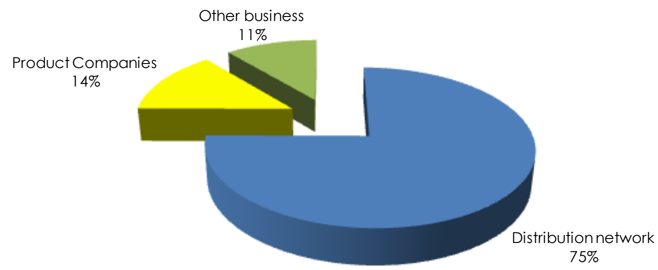
ORGANISATIONAL STRUCTURE

As at 30/09/2011 the Montepaschi Group's organisational structure, reflective of the integrated and multi-market approach to financial, credit and insurance activities, included the following setup:

- ✓ **Central management and operational coordination** by **Banca Monte dei Paschi di Siena** which, in addition to its consumer banking activities, in its role as Parent Company, is also responsible for the comprehensive direction, governance and control of the subsidiaries;
- ✓ **Production,** consisting of the Group's banks and financial companies which are specifically dedicated to the development of specialised financial instruments for the market (a.k.a Product Companies). Among these, particular mention is made of: **Consum.it** (consumer credit company), **MPS Capital Services** (specialised in corporate finance, capital markets and structured finance), **MPS Leasing&Factoring** (specialised in leasing and factoring services for businesses).
- ✓ **Distribution,** mainly consisting in the franchise of **Banca Monte dei Paschi di Siena**, **Banca Antonveneta** (distributed across the Triveneto area, and fully-owned by the Group), and **Biverbanca** (a market leader in the provinces of Biella and Vercelli, 60.42% owned by Banca Monte dei Paschi di Siena). The Group also counts on the distribution network of Banca Popolare di Spoleto (percentage of ownership: 26.005%), proportionately consolidated, whose operations are mainly concentrated in the Umbria Region.
- ✓ A **service organisation**, made up of the companies in the Group that oversee the IT and telecommunication systems (**MPS Group Operating consortium**) and manage non-performing loans (**MPS Gestione Crediti Banca**);
- ✓ A **foreign network** that is geographically present in all major financial markets.

The table below shows the percentage in which each of these organisations contributed to Group revenues:

Contribution to Group income from banking and insurance



GEOGRAPHIC FOOTPRINT AND INTEGRATED MULTI-CHANNELS

The Montepaschi Group operates in a logic of developing and streamlining its distribution channels, focusing both on growing the traditional network and strengthening the innovative channels on the basis of an integrated approach, with a view to **making the branch a highly-evolved centre of customer relations**. The table below summarises the Distribution Network of the Montepaschi Group as at 30 September 2011:

Montepaschi Group distribution network

Distribution channel	30/09/11	30/06/11	31/03/11	31/12/10
Domestic branches(*)	2.914	2.915	2.917	2.918
Financial Advisory Offices	141	142	148	151
Total domestic points of sale	*3.055*	*3.057*	*3.065*	*3.069*
SME Centres	136	117	117	116
Institutional Client Centres	55	50	50	51
Private Client Centres	84	88	88	89
Foreign branches(**)	40	40	41	41
ATM	3.620	3.622	3.610	3.574
Multichannel contracts - Consumer	1.552.927	1.633.858	1.582.266	1.522.528
Multichannel contracts - Corporate	37.200	39.232	39.278	38.961

(*) as reported to the Bank of Italy. Data not inclusive of the specialised units of 'MPS Capital Services Banca per l'impresa'.

(**) Data refers to bank branches, representative offices and foreign banks.

The Montepaschi Group totalled **2,914 branches nationwide**[2] for a market share of approximately 8.7%[3], as illustrated in the following breakdown by region, geographical area and bank of reference:

2 Number of reports to the Bank of Italy

3 As at 30/06/2011

Montepaschi Group domestic branches at 30.09.2011(*)

	MONTE DEI PASCHI DI SIENA	ANTONVENETA	BIVERBANCA	Total	Inc. %	Market share(**)
Emilia Romagna	207	-	-	207	7,1%	5,9%
Friuli Venezia Giulia	6	66	-	72	2,5%	7,7%
Liguria	38	-	-	38	1,3%	3,9%
Lombardia	387	-	1	388	13,3%	5,9%
Piemonte	67	-	116	183	6,3%	6,8%
Trentino Alto Adige	4	2	-	6	0,2%	0,6%
Valle d'Aosta	6	-	5	11	0,4%	11,0%
Veneto	44	311	-	355	12,2%	9,8%
Northern Italy	**759**	**379**	**122**	**1.260**	**43,2%**	**6,5%**
Abruzzo	63	-	-	63	2,2%	9,0%
Lazio	238	-	-	238	8,2%	8,6%
Marche	98	-	-	98	3,4%	8,2%
Molise	15	-	-	15	0,5%	10,3%
Toscana	530	-	-	530	18,2%	20,9%
Umbria	67	-	-	67	2,3%	11,4%
Central Italy	**1.011**	**0**	**0**	**1.011**	**34,7%**	**12,8%**
Basilicata	14	-	-	14	0,5%	5,6%
Calabria	64	-	-	64	2,2%	12,4%
Campania	160	-	-	160	5,5%	9,7%
Puglia	181	-	-	181	6,2%	12,8%
Sardegna	18	-	-	18	0,6%	2,7%
Sicilia	206	-	-	206	7,1%	11,8%
Southern Italy and island	**643**	**0**	**0**	**643**	**22,1%**	**10,3%**
Total	**2.413**	**379**	**122**	**2.914**	**100,0%**	**8,7%**

(*) as reported to the Bank of Italy
(**) At 30/06/2011

The Montepaschi Group's sales and distribution network is also supported nationwide by **844 Personal Financial Bankers**[4], who carry out their activities through 141 financial offices open to the public.

For what concerns the development of relations with and management of specific customer segments, the Group has a total of **275 specialised business centres** dedicated to Small and Medium Enterprises (136 centres), Institutions (55 centres) and Private customers (84 centres).

Internationally, the Montepaschi Group has a foreign network geographically distributed across all major financial markets, 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 revenue base, using a prudential approach.

4 Financial advisors subject to agency agreements

The foreign network is structured as follows: **4 operational branches** located in London, New York, Hong Kong and Shanghai, **11 representative offices** located in various "target areas (EU, Central-Eastern Europe, North Africa, India and China, **2 banks under foreign law**: MP Belgium (8 branches), MPS Banque (17 branches), **2 Italian Desks** in Spain and Romania.

Montepaschi Group **ATMs** totalled **3,620** as at 30 September 2011, of which 3,128 in traditional branches (2,864 in locations with a separate entrance that can also be accessed outside branch-hours) and 492 installed in public places with high operational potential (351) and inside organisations/companies (141). The number off **cash-in machines** was increased to **378** (2 more with respect to 30/06/2011), with 203 located in self-service areas.

In addition to its physical presence in the area, through the branch network and the ATM distribution channel, the Montepaschi Group maintains its customer relations by its use, among other things, of **innovative channels** whose development is aimed at bolstering telematic services especially through the promotion of integrated multi-channels which, within one single package, include *Internet Banking*, *Mobile Banking* and Phone Banking services. In Q3 2011 **telematic contracts came to approx. 50,000**, higher than the average levels registered in recent quarters despite a "natural" decline owing to the seasonal tendencies of the summer period. The number of contracts at the end of the period, **in excess of 1,590,000** (-5% on 30/06/2011), incorporates the effects associated with the "technical" phase-out, over the summer period, of terminals no longer in operation, without which a quarterly growth of 3% would have been registered. With a specific regard to the **Integrated multi-channel**, which remains the telematic segment's flagship product, contracts for the reporting period of reference **came to over 57,000** with '**stock' in excess of 1,081,000** (+0.7% from 30/06/2011; +5.4% excluding the effects of the "technical" phase-out.).

In the third quarter, the project continued on the **innovation of on-line products and services** offered to customers aimed at improving web user experience, raise service quality and increase the acquisition of new customers. In particular, work continued on the implementation of the new Internet Banking (including the Trading OnLine form – TOL) and Mobile Banking platforms, the new iPad application and two applications for Android smartphones and tablets. Other developments underway involve the expansion of multichannel-based banking relationships and related digitalisation of documents (On-line documents). The **PasKey mobile banking service** registered a rise in total customer transactions for the quarter (+24% vs. Q2 2011) which utilises the "query" functions to request, primarily, current account statements and the status of stock market orders and "order-entry" functions to top up mobile phones and prepaid cards.

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 **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 is available on the Bank's internet site, www.mps.it under the section Investor & Research > Corporate Governance.

With regard to **Related-party transactions** in 2010, the "Regulations containing provisions relating to transactions with related parties" (the Regulation) was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

The new framework combines into a new and comprehensive Regulation all principles regarding prompt and periodic disclosure obligations pursuant to articles 114 and 154-ter of the Consolidated Law on Finance and superseding the rules already set out by Consob's Issuer Regulations, and principles pursuant to Article 2391-bis of the Civil Code.

Banca Monte dei Paschi di Siena has complied with the new regulations as set forth in the "Procedures for Related-party transactions", published on the bank's internet site at:

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedura+in+materia+di+operazioni+con+parti+correlate.htm.

Notes to the financial statements

General

Pursuant to art. 154 ter paragraph 5 of the Consolidated Law on Finance, this consolidated interim report on operations as at 30 September 2011 was prepared in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and effective at the time the current document was prepared, as provided for by EC Regulation No.1606 of 19 July 2002.

The international and accounting principles have been applied with reference to the "Framework for the preparation and presentation of financial statements" (hereinafter Framework).

The accounting principles used for the preparation of this Consolidated Interim Report are the same as those used for the preparation of the Consolidated Annual Report as at 31 December 2010, which should be referred to for further details. These principles are supplemented by the information that follows, which refer to IAS/IFRS International principles and related SIC/IFRIC interpretations as endorsed by the European Commission until 30 September 2011, the application of which will become mandatory as of this interim report;

IAS 24 Related Party Disclosures. The revised principle issued by IASB in November 2009 was endorsed by the European Commission under Regulation no. 632/2010 on 20 July 2010.

The main novelties introduced by the new principle, which supersedes the currently effective one, include:

- the principle of 'symmetrical relationships' between each of the related parties' financial statements;
- same rules applied to natural persons and corporate entities for the purpose of related party transactions; the inclusion of commitments among outstanding balances with related parties;
- clarification was given that related parties include an associate's subsidiaries and the subsidiaries of a jointly controlled entity;
- the scope of parties related to parent companies includes the subsidiaries of the investor that has significant influence over the associate;
- government-related entities are exempt from certain disclosure requirements.

With a view to guaranteeing consistency between the International accounting principles, the adoption of IAS 24 (as revised) entails amendments to **IFRS 8 Operating Segments.**

The new principle will be effective for annual periods beginning on or after 1 January 2011.

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 under Regulation 1293/2009 of 23 December 2009, is applicable to financial statements for financial years beginning on or after 1 February 2010.

IFRS 1 - Limited Exemption from Comparative IFRS 7 disclosures for first-time adopters. On 28 January 2010 the IASB issued an amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 disclosures for first-time adopters". IFRS first-time adoption companies would be required to restate comparative information under IFRS 7 about fair value measurements and liquidity risk for periods ending 31 December 2009. The amendment to IFRS 1 is intended to prevent the potential use of elements that become known at a later point of time and ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, enabling them to use the same transitional provisions that Amendments to IFRS 7 "Improving Disclosures about Financial Instruments " (introduced in March 2009) provides to current IFRS preparers. The adoption of IFRS 1 entails amendments to **IFRS 7 - Financial Instruments - Additional disclosures** for the purpose of consistency. Regulation no. 574/2010 of 30 June 2010 requires the entity to apply this amendment as of financial reports beginning on or after 1 July 2010.

On 15 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published amendments to **IFRIC 14 - Prepayments of a Minimum Funding Requirement.** The aim of the amendments is to remove an unintended consequence of IFRIC 14 in cases where an entity subject to a minimum funding requirement makes an early payment of contributions where under certain circumstances the entity making such a prepayment would be required to recognise an expense. In the case where a defined benefit plan is subject to a minimum funding requirement, the amendment to IFRIC 14 prescribes to treat this prepayment, like any other prepayment, as an asset.

Endorsed by the European Commission under Regulation no. 633/2010 of 19 July 2010, this interpretation will be effective for annual periods beginning on or after 1 January 2011.

On 26 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published interpretation **IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments**. 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 profit and loss. The adoption of IFRIC 19 entails amendments to **IFRS 1 First-time adoption of International Financial Reporting Standards** for the purpose of consistency.

Endorsed by the European Commission under Regulation no. 662/2010 of 23 July 2010, this interpretation must be applied in annual periods beginning on or after 1 July 2010.

"Improvements to the international accounting standards" (2010). Within the scope of this project, the IASB issued a set of amendments to the IFRSs on 6 May 2010. The 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. The amendments were approved by the European Commission with Regulation 149/2011 of 18 February 2011.

- **IFRS 1 – Changes in accounting policies upon first time adoption of the IFRS**. If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions, it shall explain the changes between its first IFRS interim financial report (in accordance with IAS 34) and its first IFRS financial statements and it shall update the reconciliations between previous principles and IFRSs. IAS 8's requirements about changes in accounting policies do not apply in an entity's first IFRS financial statements.
- **IFRS 1 – First-time adoption of IFRSs: use of event-driven fair value measurements as deemed cost.** In accordance with IFRS 1, a first-time adopter may use as deemed cost the event-driven fair value measurements (arising from an event such as an initial public offering) that local regulations admit for financial statement purposes. The event must occur at or before the date of transition to IFRSs. The amendment allows for the event-driven fair value measurement to be used as deemed cost even when it occurs after the date of transition to IFRSs but during the period covered by the first IFRS financial statements. An entity shall recognise the resulting adjustments to equity.
- **IFRS 1 – First-time adoption of IFRSs: deemed cost for assets used in operations subject to rate regulation.** For items of property, plant and equipment or intangible assets used in operations subject to rate regulation, first-time adopters may use the carrying amount determined under previous accounting principles

as deemed cost. The carrying amount shall be tested for impairment in accordance with IAS 36. An entity applying this option shall disclose it in its financial statements.

- **IFRS 3 – Business combinations: measurement of non-controlling interests.** IFRS 3 sets out that non-controlling interests may be measured at either fair value or based on the proportionate share in the recognised amounts of the acquiree's identifiable net assets. The amendment modifies the principle by restricting the option only to non-controlling interests that are "present ownership interests" and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation; in all other cases, non-controlling interest must be valued at their fair value at their acquisition date, unless other IFRSs provide for different evaluation criteria.
- **IFRS 3 – Business combinations: Un-replaced and voluntarily replaced share-based payment awards.** The amendment clarifies that the provisions set out by IFRS 2 for the evaluation of share-based payments also apply to the share-based payments of the acquiree that are not replaced. The amendment specifies that when share-based payment awards are replaced in a business combination, the requirements set out for the allocation of market-based measures of replacement awards, between consideration transferred and post-combination remuneration cost, apply to all replacement awards regardless of whether the acquirer is obliged to replace awards or not. Recognition of all of the market-based measure of replacement awards as remuneration cost applies to all cases in which the acquiree's share-based incentive would have expired as a consequence of the business combination and the acquirer has replaced acquiree awards without the obligation to do so.
- **IFRS 3 - Business combinations: Contingent consideration.** The amendment clarifies that IAS 32, IAS 39 and IFRS 7 do not apply to contingent liabilities arising from business combinations with an acquisition date prior to the application of IFRS 3 (2008).
- **IFRS 7 - Financial Instruments: Disclosures.** The amendment emphasises the interaction between quantitative and qualitative disclosures for users to provide a comprehensive overview of the nature and extent of risks associated with financial instruments. Clarification was also given that the requirement to provide disclosure of the amount that represents the maximum exposure of financial instruments to credit risk has been limited to those financial assets whose carrying amount does not reflect the maximum exposure to credit risk. Finally, the amendment has removed the requirement to specifically disclose the carrying amount of financial assets whose terms have been renegotiated to avoid becoming past due or impaired. The obligation to provide information on the fair value of collateral and other forms of guarantee regarding expired or devalued financial assets was also eliminated; to replace such information, a description has been requested of the mitigation of credit risk generated by collateral and other forms of guarantee.
- **IAS 1 – Statement of changes in equity.** The amendment clarifies that an entity shall present, for each component of equity (other comprehensive income), a reconciliation between the carrying amount at the beginning and the end of the period in the statement of changes in equity or in the notes to the financial statements.
- **IAS 27 – Consolidated and Separate Financial Statements: Transition requirements arising as a result of amendments to IAS 27 (2008).** The amendment clarifies that an entity shall apply amendments to IAS 21, IAS 28 and IAS 31 arising as a result of IAS 27 (2008) prospectively, with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31 which shall be applied retrospectively.
- **IAS 34 – Interim Financial Reporting: significant events and transactions.** The amendment emphasises the principle set out in IAS 34 according to which disclosure on significant events and transactions should include an update on the relevant information presented in the most recent annual financial report. It also provides guidance on how this principle should be applied with respect to financial instruments and their fair value.

- **IFRIC 13 – Customer loyalty programmes: fair value of award credits.** The amendment clarifies that the fair value of the award credits shall take into account, as appropriate: i) the amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and ii) the proportion of award credits that are not expected to be redeemed by customers.

The introduction of the new principles, amendments and interpretations listed above, did not have any significant effects on the results of this quarterly report.

The comparative data in the income statement as at 30 September 2011 has been reclassified as a result of having applied the clarifications provided by the Bank of Italy in their notice of 16 February 2011.

* * * * *

All IAS/IFRS and SIC/IFRIC interpretations endorsed to date by the European Commission are subject to mandatory application in the present report; thus there are no standards or interpretations approved to date which may be subject to early adoption.

It should also be noted that on the date subsequent to publication of the Financial Statements as at 31 December 2010, IASB issued several new standards and revised some of the existing ones. These standards have not yet been endorsed by the European Commission and are thus not applicable to the current Consolidated Interim Report on Operations.

The new principles are as follows:

- IFRS 10 - Consolidated Financial Statements;
- IFRS 11 - Joint Arrangements;
- IFRS 12 - Disclosure of Interests in Other Entities;
- IFRS 13 - Fair Value Measurement.

Instead, revised versions of existing standards include the following:

- IAS 19 – Employee benefits:
- IAS 27 – Separate Financial Statements (the part of IAS 27 regarding the Consolidated Financial Statements has been merged into the new IFRS 10);
- IAS 28 – Investments in Associates and Joint Ventures (compared to the current IAS 28 this also regulates the application of the equity method to joint ventures, currently governed by IAS 31 which has been removed).

An amendment to IAS 1, "Presentation of Financial Statements", has also been published.

Scope of consolidation

The Consolidated interim 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.

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

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2010 Consolidated Financial Statements, Part A "Accounting Policies".

Changes to the scope of consolidation

During the period, the following changes were made to the scope of consolidation with respect to the scope as at 31 December 2010:

- Through the subsidiary MPS Gestione Crediti, the companies, AIACE Reoco s.r.l. and ENEA Reoco s.r.l., have become part of the scope of consolidation. The companies were established in April and are fully owned by the subsidiary;
- The indirect subsidiary Monte Paschi Monaco S.A.M. is no longer part of the scope of consolidation since it was sold on 30 June 2011;
- The vehicle company, Siena Mortgages 03-4 S.r.l., became part of the scope of consolidation in the third quarter with, as per shareholders' agreement, the acquisition of all shares by the Parent Company upon closure of the related securitisation;
- With regard to Group corporate transactions it should be noted that the merger by absorption of MPS Commerciale Leasing SpA, wholly-owned by MPS Leasing & Factoring, into MPS Leasing & Factoring was completed in May.

Reclassified financial assets

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 30.09.2011, the table also reports (columns 6 and 7) financial results in terms of “value relevance” and “other” (realised profit/loss and interest), which the same financial instruments would have produced for the Group in the first quarter of 2011 had they not been transferred in 2008.

Columns 8 and 9, on the other hand, contain the financial results in terms of “value relevance” and “other” (realised profit/loss and interest) which the Group actually posted for these instruments from 1/1/2011 to 30/9/2011.

(in thousands of EUR)

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 30/09/2011 (4)	Fair value at 30/09/2011 (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	560.632	423.482	(50.361)	18.696	7.684	16.660
Debt Securities	Trading	Loans and advances to banks	116.884	107.143	2.044	2.207	100	4.247
Debt Securities	Available for sale	Loans and advances to customers	1.549.601	1.171.848	(177.689)	4.011	(3.959)	9.770
Debt Securities	Available for sale	Loans and advances to banks	370.629	356.548	(921)	5.210	175	7.391
Debt Securities	Trading	Available for sale	5.605	5.605	(106)	90	(110)	92
UCITS	Trading	Available for sale	302.428	302.428	(846)	1.551	(846)	(485)
Total			**2.905.778**	**2.367.052**	**(227.879)**	**31.766**	**3.044**	**37.675**

Reclassified accounts

MPS GROUP RECLASSIFICATION PRINCIPLES

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. The figures for 2010 comparison are those published in the consolidated Report on Operations as at 31/12/10:

Following are the reclassifications made to the consolidated profit and loss account as at 30 September 2011:

a) **“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 "Gains (losses) on disposals / repurchases of loans, available-for-sale or held-to-maturity financial assets and financial liabilities" and Account 110 "Profit (loss) on financial assets and liabilities designated at fair value". The account incorporates values relating to dividends earned on securities held in the trading book (approx. EUR 97 mln as at 30/09/2011).

b) **“Dividends, similar income and gains (losses) on equity investments”** in the reclassified income statement incorporates account 70 “Dividends and similar income” and a portion of account 240 “Gains (losses) on equity investments” (approx. EUR 56 million as at 30/09/2011) corresponding to the contribution to profit and loss for the period coming from the portion of profit arising from investments in associates (valued at equity). Dividends earned on securities held in the trading book, as outlined under item a) above, have also been eliminated from the aggregate;

c) **“Net value adjustments due to impairment of loans”** in the reclassified income statement was determined by excluding the loss provision taken in connection with the Greek government bonds (approx. EUR 10.2 mln vs. a nominal value of EUR 12 mln) which was allocated to “Net value adjustments due to impairment of financial assets” for the purpose of a better representation of the cost of credit irrespective of the accounting classification of this financial instrument. Furthermore, the aggregate excludes charges relating to financial plans (EUR 3 mln), which are more properly classified under “Net provisions for risks and charges and other operating income/expenses”.

d) **“Net value adjustments due to impairment of financial assets”** includes the items under Account 130b “Available-for-sale financial assets”, 130c “Held-to-maturity financial assets ” and 130d ”Other financial transactions” as well as the loss provision taken in connection with the Greek government bonds (approx. EUR 10.2 mln) referred to under item c) above;

e) the income statement account “**Personal expenses**” was reduced by EUR 15.7 mln, referrring to costs associated with the facilitated terms and conditions of early-retirement schemes for staff in view of the organisational restructuring of Banca Monte dei Paschi di Siena. The amount was reclassified under“Integration costs / One-off charges”;

f) **“Other administrative expenses”** in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 211 million) posted under Account 220 *“Other operating income/expenses”;*

g) The account **“Net provisions for risks and charges and other operating income/expenses”** in the reclassified income statement incorporates Account 190 “*Net provisions for risks and charges”* and Account 220 “*Other operating income/expenses*". It also includes value adjustments to financial plans described under item c) above and excludes stamp duty and client expense recovery as described under item f);

h) The account “**Integration costs/One-off Charges**” includes “One-off charges” of EUR 15.7 mln associated with the facilitated terms and conditions of early-retirement schemes for staff in view of the organisational restructuring of Banca Monte dei Paschi di Siena and reclassified out of Personnel expenses.

i) “**Gains (losses) on equity investments**” is cleared of components reclassified as “Dividends and similar income" (see item b);

j) The effects of Purchase Price Allocation (PPA) were reclassified out of other accounts (in particular "**Interest income**" for approx. EUR 42 mln and depreciation/**amortization** for approx. EUR 61 mln, with a related theoretical tax burden of approx. EUR -26 mln which integrates the account) into one single account named "**Net effects of Purchase Price Allocation**".

Following are the major reclassifications made to the consolidated **Balance Sheet:**

k) **"Tradable financial assets"** on the assets side of the reclassified balance-sheet includes Account 20 "*Held-for-Trading financial assets*", Account 30 "*Financial assets designated at fair value*" and Account 40 "*Available-for-Sale financial assets*";

l) **"Other assets"** on the assets side of the reclassified balance-sheet incorporates Account 80 "*Hedging derivatives*", Account 90 "*Changes in value of macro-hedged financial assets*", Account 140 "*Tax assets*", Account 150 "*Non-current assets held for sale and discontinued operations*" and Account 160 "*Other assets*";

m) **"Deposits from customers and debt securities issued"** on the liabilities side of the reclassified balance-sheet includes Account 20 "*Deposits from customers*", Account 30 "*Debt securities* issued" 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 "Changes in value of macro-hedged financial liabilities", Account 80 "Tax liabilities", Account 90 "Liabilities included in discontinued operations" and Account 100 "Other liabilities".

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/09/11

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
• INCOME STATEMENT FIGURES (in EUR mln)	**30/09/11**	**30/09/10** (1)	**% chg**
Income from banking activities	3.960,6	4.113,4	-3,7%
Income from financial and insurance activities	4.239,1	4.165,1	1,8%
Net operating income	773,6	756,9	2,2%
Net profit (loss) for the year	303,5	356,9	-15,0%
• BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/09/11**	**31/12/10**	**% chg**
Direct funding	161.078	158.486	1,6%
Indirect funding	134.284	144.919	-7,3%
of which: assets under management	*47.665*	*50.547*	-5,7%
of which: assets under custody	*86.619*	*94.372*	-8,2%
Customer loans	155.901	156.238	-0,2%
Group net equity	16.527	17.156	-3,7%
• KEY LOAN QUALITY RATIOS (%)	**30/09/11**	**31/12/10**	
Net non-performing loans/Customer loans	4,07	3,51	
Net watchlist loans/Customer loans	2,74	2,57	
• PROFITABILITY RATIOS (%)	**30/09/11**	**31/12/10**	
Cost/Income ratio	59,7	61,6	
R.O.E. (on average equity) (2)	2,40	5,74	
R.O.E. (on end-of-period equity)(3)	2,38	5,74	
Net adjustments to loans / End-of-period investments	0,72	0,74	
• CAPITAL RATIOS (%)	**30/09/11**	**31/12/10**	
Solvency ratio	15,5	12,9	
Tier 1 ratio	11,1	8,4	
• INFORMATION ON BMPS STOCK	**30/09/11**	**31/12/10**	
Number of ordinary shares outstanding	10.844.097.796	5.569.271.362	
Number of preference shares outstanding	681.879.458	1.131.879.458	
Number of savings shares outstanding	18.864.340	18.864.340	
Price per ordinary share:	from **31/12/10** to **30/09/11**	from **31/12/09** to **31/12/10**	
average	0,65	1,02	
low	0,37	0,82	
high	0,86	1,33	
• OPERATING STRUCTURE	**30/09/11**	**31/12/10**	**Abs. chg**
Total head count - end of period	31.204	31.495	-291
Number of branches in Italy	2.914	2.918	-4
Financial advisory branches	141	151	-10
Number of branches & representative offices abroad	40	41	-1

(1) Figures as at 30/09/2010 are based on quarterly data published in the Consolidated Report on Operations as at 31/12/10, which take account of the changes brought about to the Group's operating scope subsequent to the divestiture of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and operations discontinued at the end of 2010 (MP Monaco SAM and MPS Venture SpA).

(2) R.O.E. on average net equity: net income for the period / average between net equity at the end of the previous year (inclusive of net income and valuation reserves) and net equity for the current year.

(3) R.O.E. on end-of-period equity: net equity for the period / net equity at the end of the previous year (inclusive of valuation reserves) purged of shareholder's payout.

■ **RECLASSIFIED INCOME STATEMENT (in EUR mln)**

MPS Group	30/09/11	30/09/10 (1)	Change Ins.	Change %
Net interest income	2.572,1	2.690,9	-118,7	-4,4%
Net commissions	1.388,5	1.422,6	-34,1	-2,4%
Income from banking activities	**3.960,6**	**4.113,4**	**-152,8**	**-3,7%**
Dividends, similar income and gains (losses) on equity investments	62,8	59,6	3,2	5,3%
Net profit (loss) from trading/valuation of financial assets	216,8	-17,4	234,2	n.s.
Net profit (loss) from hedging	-1,1	9,5	-10,6	-111,2%
Income from financial and insurance activities	**4.239,1**	**4.165,1**	**74,0**	**1,8%**
Net adjustments for impairment of:	**-936,5**	**-898,2**	**-38,4**	4,3%
a) loans	-840,5	-871,5	31,0	-3,6%
b) financial assets	-96,0	-26,7	-69,3	n.s.
Net income from financial and insurance activities	**3.302,6**	**3.267,0**	**35,6**	**1,1%**
Administrative expenses:	-2.407,5	-2.387,2	-20,3	0,9%
a) personnel expenses	-1.587,8	-1.613,9	26,1	-1,6%
b) other administrative expenses	-819,7	-773,3	-46,4	6,0%
Net adjustments to tangible and intangible fixed assets	-121,5	-122,9	1,4	-1,1%
Operating expenses	**-2.529,0**	**-2.510,1**	**-18,9**	**0,8%**
Net operating income	**773,6**	**756,9**	**16,7**	**2,2%**
Net provisions for risks and charges and other operating income/expenses	-174,4	-166,5	-7,9	4,7%
Profit (loss) on equity investments	-14,8	-27,3	12,5	-45,8%
Integration costs / one-off charges	-15,7	-8,8	-6,9	78,8%
P&L figures for branches sold		21,8	-21,8	-100,0%
Gains (losses) from disposal of investments	34,3	181,9	-147,6	-81,1%
Profit (loss) before tax from continuing operations	**603,0**	**758,0**	**-155,0**	**-20,5%**
Taxes on income from continuing operations	-232,6	-319,8	87,2	-27,3%
Profit (loss) after tax from continuing operations	**370,4**	**438,3**	**-67,8**	**-15,5%**
Profit (loss) after tax from disposal groups held for sale	13,8	1,8	12,0	n.s.
Net profit (loss) for the period including minority interests	**384,2**	**440,1**	**-55,9**	**-12,7%**
Net profit (loss) attributable to minority interests	-3,7	-0,2	-3,5	n.s.
Net profit (loss) pre PPA	**380,5**	**439,9**	**-59,4**	**-13,5%**
PPA (Purchase Price Allocation)	-77,0	-83,0	6,0	-7,3%
Net profit (loss) for the year	**303,5**	**356,9**	**-53,4**	**-15,0%**

(1) Figures as at 30/09/2010 are based on quarterly data published in the Consolidated Report on Operations as at 31/12/10, which take account of the changes brought about to the Group's operating scope subsequent to the divestiture of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and operations discontinued at the end of 2010 (MP Monaco SAM and MPS Venture SpA).

Earnings per share (in EUR)	**30/09/11**	**30/09/10**
Basic	**0,023**	**0,034**
Diluted	**0,023**	**0,034**

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	2011			2010 (1)			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	875,7	818,7	877,7	900,8	906,5	912,7	871,7
Net commissions	456,5	459,3	472,7	489,0	459,1	482,9	480,5
Income from banking activities	**1.332,2**	**1.278,0**	**1.350,4**	**1.389,8**	**1.365,7**	**1.395,6**	**1.352,1**
Dividends, similar income and gains (losses) on equity investments	15,4	20,1	27,4	32,2	29,5	15,7	14,4
Net result from realisation/valuation of financial assets	-5,6	118,5	103,9	-5,7	16,3	-53,4	19,7
Net profit (loss) from hedging	-0,8	-1,1	0,9	-10,1	-3,5	6,3	6,7
Income from financial and insurance activities	**1.341,1**	**1.415,4**	**1.482,6**	**1.406,2**	**1.408,0**	**1.364,2**	**1.392,9**
Net adjustments for impairment of:	**-342,9**	**-314,9**	**-278,7**	**-296,1**	**-289,1**	**-301,3**	**-307,7**
a) loans	-271,2	-294,8	-274,6	-284,1	-281,5	-283,0	-307,0
b) financial assets	-71,8	-20,1	-4,1	-12,0	-7,6	-18,3	-0,7
Net income from financial and insurance activities	**998,2**	**1.100,5**	**1.203,9**	**1.110,1**	**1.118,9**	**1.062,9**	**1.085,2**
Administrative expenses:	-795,3	-798,4	-813,7	-868,7	-805,2	-775,9	-806,1
a) personnel expenses	-526,1	-518,1	-543,5	-597,4	-537,1	-518,7	-558,1
b) other administrative expenses	-269,2	-280,3	-270,2	-271,4	-268,1	-257,2	-247,9
Net adjustments to tangible and intangible fixed assets	-40,8	-39,2	-41,5	-52,3	-40,8	-42,1	-40,0
Operating expenses	**-836,2**	**-837,6**	**-855,2**	**-921,1**	**-846,0**	**-817,9**	**-846,1**
Net operating income	**162,0**	**262,9**	**348,7**	**189,0**	**272,9**	**245,0**	**239,1**
Net provisions for risks and charges and other operating income/expenses	-66,1	-69,7	-38,6	-26,7	-32,8	-92,2	-41,5
Profit (loss) on equity investments	-7,8	-7,1	0,1	578,8	-7,8	-19,3	-0,2
Integration costs / one-off charges	-15,7			-10,7	-6,1	-2,7	
P&L figures for branches sold						9,2	12,6
Gains (losses) from disposal of investments	33,9	0,3	0,1	0,5	-2,3	184,2	0,0
Profit (loss) before tax from continuing operations	**106,3**	**186,4**	**310,3**	**730,8**	**223,9**	**324,1**	**210,1**
Taxes on income from current operations	-45,1	-42,4	-145,0	-73,1	-100,8	-176,8	-42,3
Profit (loss) after tax from continuing operations	**61,2**	**144,0**	**165,3**	**657,7**	**123,1**	**147,3**	**167,9**
Profit (loss) after tax from disposal groups held for sale	2,9	8,1	2,8	-0,2	-0,5	-0,3	2,6
Net profit (loss) for the period including minority interests	**64,1**	**152,0**	**168,1**	**657,6**	**122,6**	**147,0**	**170,5**
Net profit (loss) attributable to minority interests	-1,0	-0,8	-1,9	-1,3	-1,1	1,4	-0,5
Net profit (loss) pre PPA	**63,1**	**151,3**	**166,1**	**656,2**	**121,5**	**148,5**	**169,9**
PPA (Purchase Price Allocation)	-20,9	-30,2	-25,8	-27,6	-25,8	-29,6	-27,7
Net profit (loss) for the year	**42,2**	**121,1**	**140,3**	**628,6**	**95,8**	**118,9**	**142,2**

(1) Data published in the Consolidated Report on Operations as at 31/12/10, which take account of the changes brought about to the Group's operating scope subsequent to the divestiture of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and operations discontinued at the end of 2010 (MP Monaco SAM and MPS Venture SpA).

Montepaschi Group

RECLASSIFIED BALANCE SHEET (in EUR mln)

ASSETS	30/09/11	31/12/10	30/09/10 (1)	Chg. 30/09/11 vs 31/12/10 abs.	%	Chg. 30/09/11 vs 30/09/10 abs.	%
Cash and cash equivalents	760	2.411	724	-1.651	-68,5%	36	5,0%
Receivables :							
a) Loans and advances to customers	155.901	156.238	152.704	-336	-0,2%	3.198	2,1%
b) Loans and advances to banks	16.956	9.710	12.606	7.246	74,6%	4.350	34,5%
Financial assets held for trading	60.893	55.973	54.691	4.920	8,8%	6.202	11,3%
Financial assets held to maturity	0	0	0	0	-20,1%	0	-20,1%
Equity investments	873	908	774	-34	-3,8%	99	12,8%
Tangible and intangible fixed assets	8.949	8.959	10.179	-9	-0,1%	-1.229	-12,1%
of which:							
a) goodwill	*6.474*	*6.474*	*6.474*				
Other assets	10.410	10.081	10.845	328	3,3%	-435	-4,0%
Total assets	**254.743**	**244.279**	**242.522**	**10.464**	**4,3%**	**12.221**	**5,0%**

LIABILITIES	30/09/11	31/12/10	30/09/10 (1)	Chg. 30/09/11 vs 31/12/10 abs.	%	Chg. 30/09/11 vs 30/09/10 abs.	%
Payables							
a) Due to customers and securities	161.078	158.486	154.673	2.592	1,6%	6.404	4,1%
b) Deposits from banks	33.216	28.334	29.626	4.881	17,2%	3.590	12,1%
Financial liabilities held for trading	32.282	30.383	29.474	1.899	6,2%	2.808	9,5%
Provisions for specific use							
a) Provisions for staff severance indemnities	268	287	293	-19	-6,7%	-25	-8,5%
b) Pensions and other post retirement benefit obligations	196	436	449	-240	-55,0%	-253	-56,4%
c) Other provisions	942	882	964	59	6,7%	-22	-2,3%
Other liabilities	9.994	8.043	10.377	1.951	24,3%	-384	-3,7%
Group net equity	16.527	17.156	16.397	-630	-3,7%	129	0,8%
a) Valuation reserves	-2.809	-146	-287	-2.662	1821,5%	-2.521	n.s.
b) Redeemable shares							
c) Equity instruments	1.933	1.949	1.949	-16	-0,8%	-16	-0,8%
d) Reserves	6.558	5.900	5.904	657	11,1%	654	11,1%
e) Share premium	3.917	3.990	3.990	-73	-1,8%	-73	-1,8%
f) Share capital	6.654	4.502	4.502	2.152	47,8%	2.152	47,8%
g) Treasury shares (-)	-30	-25	-18	-6	23,4%	-13	72,3%
h) Net profit (loss) for the year	304	985	357	-682	-69,2%	-53	-15,0%
Minority interests	240	270	267	-29	-10,9%	-27	-10,1%
Total Liabilities and Shareholders' Equity	**254.743**	**244.279**	**242.522**	**10.464**	**4,3%**	**12.221**	**5,0%**

(1) Data published in the Consolidated Report on Operations as at 31/12/10.

Montepaschi Group

■ **RECLASSIFIED BALANCE SHEET- Quarterly Trend (in EUR mln)**

ASSETS	**30/09/11**	**30/06/11**	**31/03/11**	**31/12/10** (1)	**30/09/10** (1)	**30/06/10** (1)	**31/03/10** (1)
Cash and cash equivalents	760	979	850	2.411	724	853	781
Receivables:							
a) Loans and advances to customers	155.901	157.275	154.664	156.238	152.704	152.850	148.457
b) Loans and advances to banks	16.956	10.793	10.420	9.710	12.606	13.662	10.474
Financial assets held for trading	60.893	55.773	46.938	55.973	54.691	58.752	47.855
Financial assets held to maturity	0	0	0	0	0	0	0
Equity investments	873	916	926	908	774	732	759
Tangible and intangible fixed assets	8.949	8.936	8.943	8.959	10.179	10.201	10.374
of which:							
a) goodwill	*6.474*	*6.474*	*6.474*	*6.474*	*6.474*	*6.474*	*6.619*
Other assets	10.410	9.220	9.385	10.081	10.845	10.518	11.601
Total assets	**254.743**	**243.892**	**232.126**	**244.279**	**242.522**	**247.567**	**230.301**

LIABILITIES	**30/09/11**	**30/06/11**	**31/03/11**	**31/12/10** (1)	**30/09/10** (1)	**30/06/10** (1)	**31/03/10** (1)
Payables							
a) Customer accounts and securities	161.078	166.493	160.361	158.486	154.673	157.980	152.670
b) Deposits from banks	33.216	23.219	22.360	28.334	29.626	28.593	25.628
Financial liabilities held for trading	32.282	26.985	22.145	30.383	29.474	33.210	23.188
Provisions for specific use							
a) Provisions for staff severance indemnities	268	287	288	287	293	298	304
b) Pensions and other post retirement benefit obligations	196	199	202	436	449	450	459
c) Other provisions	942	898	888	882	964	962	920
Other liabilities	9.994	8.567	8.110	8.043	10.377	9.459	9.684
Group Companies	16.527	16.979	17.497	17.156	16.397	16.345	17.167
a) Valuation reserves	-2.809	-193	53	-146	-287	-219	580
b) Redeemable shares							
c) Equity instruments	1.933	1.933	1.949	1.949	1.949	1.949	1.949
d) Reserves	6.558	6.558	6.887	5.900	5.904	5.903	5.986
e) Share premium	3.917	3.938	3.989	3.990	3.990	3.996	4.048
f) Share capital	6.654	4.502	4.502	4.502	4.502	4.502	4.502
g) Treasury shares (-)	-30	-21	-23	-25	-18	-49	-40
h) Net profit (loss) for the year	304	261	140	985	357	261	142
Minority interests	240	265	273	270	267	270	282
Total Liabilities and Shareholders' Equity	**254.743**	**243.892**	**232.126**	**244.279**	**242.522**	**247.567**	**230.301**

(1) Data published in the Consolidated Report on Operations as at 31/12/10.

Macroeconomic environment

Global economic growth prospects have suffered a sharp slowdown over recent months, dampened particularly by the **escalating sovereign debt crisis** that also threatens to engulf some of the advanced economies which, till now, have been deemed as safe. Performances, however, have been different from area to area, being also influenced by other critical elements which **raise the degree of uncertainty and volatility** and make **recession fears** look increasingly well-founded.

In the **Euro Area**, GDP growth has weakened, affected by the disappearance of temporary factors that constituted a driving force at the start of the year and, above all, by the spread of the **sovereign debt crisis** in the markets coupled with a slowdown in global trade. Added to this were the tough **budget consolidation plans** launched in the European countries to avert the risk of default and, above all, the **lack of cohesive policies at EU level** on how to face this challenging predicament. Uncertainty prevails regarding future developments, despite the agreement to replenish the European Financial Stability Facility (EFSF), bailout Greece and support the banking system. As a consequence, the IMF has forecast a slowdown, given also the **still-struggling job market** and **high inflation**. The German "growth engine" is also expected to shift into lower gear as a result of the predicted fall in exports.

GROWTH RATES IN THE LEADING ECONOMIES (GDP Y/Y)

		Projections	
	2010	2011	2012
World	5,1%	4,0%	4,0%
Advanced Economies	3,1%	1,6%	1,9%
Germany	3,6%	2,7%	1,3%
France	1,4%	1,7%	1,4%
Italy	1,3%	0,6%	0,3%
Eurozone	1,8%	1,6%	1,1%
Usa	3,0%	1,5%	1,8%
Japan	4,0%	-0,5%	2,3%
Emerging Economies	7,3%	6,4%	6,1%
China	10,3%	9,5%	9,0%
India	10,1%	7,8%	7,5%

Source: FMI WEO Update, September 2011

Italy has been especially hard-hit by the crisis due to its **high public debt**, the heavy reliance of economic activity on the performance of international trade **as well as weak growth prospects in the medium term**. The IMF has estimated a **GDP growth of less than 0.5%** in the period 2011/2012. The likely expansion of financial measures already launched by the Government to meet its objective of a balanced budget by 2013, threatens to weigh heavily on Italy's recovery in the coming years unless accompanied by structural reforms that will allow for higher growth.

The **USA,** grappling with problems of high deficits (for the first time in history, the country has lost its triple-A rating), registered a **slowdown**, with employment being the main critical factor. However, efforts by FED to support growth, have prompted the IMF to conclude that the **slackening pace will be lower than previously feared.**

Though continuing to advance at a sustained rate, a **slight "cooling"** was also registered in the **growth of the Asian economies**.

MACROECONOMIC TRENDS

Growth in the **Unites States** is currently experiencing a sharp slowdown though it may result as being less severe than previously feared. In fact, **GDP for the second quarter was revised upwards** (1.3% compared to the estimated 1%) and a **slight improvement has been forecast for the second half of the year.** However, **growth remains weak and uncertain** so much so that FED has confirmed **the cost of money will remain at low levels (0-0.25%) at least until the first half of 2013**, and has undertaken market actions aimed at lowering medium/long term interest rates. The FED Chairman has also opened up to the possibility of new accomodative measures by the monetary authorities (QE3) and drawn attention to the risks arising from the debt crisis in Europe.

Hindering growth are the **persisting tensions in the job market** (the unemployment rate in September was confirmed at 9.1% for the third consecutive month), with the 450 billion dollars worth plan unveiled by the US president to spur employment, meeting resistance from Congress. Growth has also been affected by **waning**

domestic demand and a real estate sector which is **still slow to stabilise**; furthermore, the problem of **high federal debt may also re-emerge** (in August S&P downgraded the credit rating for the US, which for the first time in history lost its triple-A standing). **Production figures for August reflect the weakness of U.S. recovery but underline the attempt at consolidation**: industrial production climbed 3.4% YoY, the same increase as in July, and, furthermore, despite slightly negative monthly variations, **orders for durable and manufactured goods are registering an upward trend.** The rise in certain leading indicators in September (primarily, PMI Chicago, ISM manufacturing) point to a **slight improvement for the closing months of 2011**. However, inflationary pressures are increasing (**the Consumer Price Index rose to 3.8% in August**), continuing the upward trend observed since the start of the year.

Growth among the **emerging countries** continues to be led by **China** (followed by India) which, according to IMF will grow **9.5%** in 2011 on account of the positive trend in exports that rose at an average of over 20% in the first nine months of the year. However, some investment houses expect a **slightly steeper downturn in the next two years** (with interest rates remaining just under 9%) when considering developments in the real estate market, the critical situation surrounding public accounts in certain regions of China, inflation which continued to stand at over 6% in September and episodes of *shadow financing*[5]: it is likely, therefore, that the country will head toward a soft landing.

As to the **Euro Area**, the IMF has **revised downwards its growth forecast** for 2011 (from 2% estimated in June to +1.6%), with some analysts even suggesting a risk of recession for 2012. Fears of a severe slowdown are justified by the **falling pace for GDP in the second quarter of the year** (from +2.4% to +1.6%), ZEW and IFO which, as at September, continued to plummet, SME manufacturing well below the target of 50, industrial orders on the decline in July, despite the fact that production in August returned to a more positive performance (+5.3% YoY). In Germany, exports (though up from August) appear to be on a slowing trend.

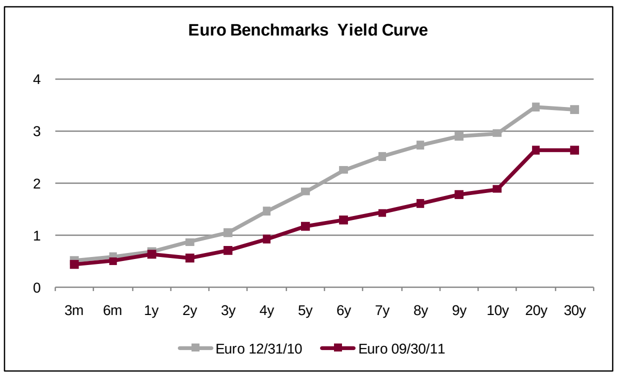
As for the Euro Area, in addition to the weak consumption figures (-1% YoY for retail sales in August), the rebound in inflation (+3% YoY as at September) and an unemployment rate of around 10%, the heavy austerity plans launched by the national governments and the uncertainty surrounding the debt crisis have had a negative impact on the real economy. In the meantime, Troika officials (EU, IMF, ECB) gave the go-ahead for a new tranche of aid to Greece (operational from November) despite the fact that markets have been affected by the likelihood of a controlled default of Greece. In such a situation of uncertainty, European leaders have focussed on the **need to safeguard banks from the consequences of the crisis by favouring their recapitalisation.** At the same time, the world's major central banks have ensured dollar liquidity to the main credit institutions in order to cover their needs until the end of the year, while the banking giant Dexia received a joint Franco-Belgian bailout. The markets have responded positively to these efforts and have begun to grow again as of the beginning of October. The escalating debt crisis and increasing fears of contagion to Spain and Italy, which strongly marked the recently-concluded quarter, have affected EU peripheral government bond yields that are now under pressure again despite purchases by the ECB.

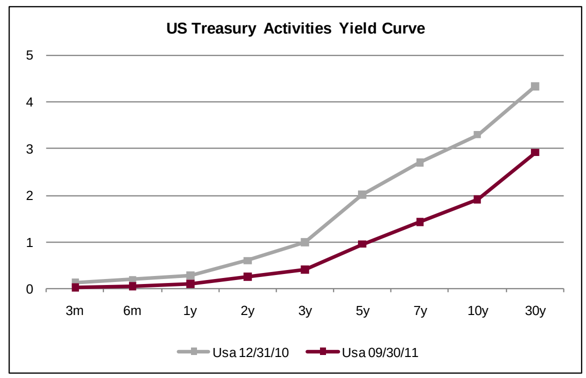
As regards **Italy**, forecasts for the period 2011-2012 are not encouraging, with the IMF expecting the current slowdown to continue at a **growth rate of less than 0.5%**. The good result for industrial production in August (+4.7% vs. -1.1% in July) is not sufficient to invert the current trend, which continues to be weighted down by the modest growth in GDP (0.8% in Q2 2011), leading indicators below the contraction threshold, a negative trend for retail sales and a youth unemployment rate that remains high (27.6% in August). Pressures on pricing continue with inflation up to 3% in September according to the NIC index (its highest level in almost three years), partly as a result of the increase in VAT, the consequences of which will be especially felt in October. The indications from the rating agencies also highlight Italy's "delicate" situation: **S&P downgrades the Italian debt** from “A+” to “A” with a negative outlook, fearing that the Government will fail to implement the reforms necessary to consolidate public accounts without excessively burdening a growth trend that has already been weighted down. **Moody’s and Fitch also downgraded Italy** (the former modified the rating from “AA2” to “A2”, and the latter from “A+” to

[5] A strongly growing phenomenon in China, consisting in the borrowing of money by small and medium businesses from non-bank lenders (eg. companies, associations, families, etc).

“AA-“). Moreover, **investment houses are increasingly pointing to a fall for Italian GDP in 2012**: back in September, Citigroup and Morgan Stanley estimated a 0.3% drop for next year. To avoid possible Italian contagion, following the release of financial measures in July, it became necessary to approve an additional strategy, known as the "Ferragosto manoeuvre", for the purpose of achieving a balanced budget by 2013. Among the main measures included in the manoeuvre are: the 1% increase in VAT (from 20% to 21%), the introduction of a "solidarity" contribution (equal to 3% of income in excess of EUR 300,000 per year) and tougher action against tax evasion.

Weak U.S. recovery and, above all, concerns regarding (the stronghold sustainability? of) European peripheral debt have shifted the preferences of investors towards financial assets believed to be safer, with yields on the German 10-year bonds reaching all-time lows (below 1.75% in mid-September) before subsequently picking up slightly. In Q3 2011, **interest rates** in Europe fell rapidly over the medium-long term period, with a shallower 2-10Y curve as compared to the start of the year. The FED's accommodative policy has further flattened the US yield curve, with long-term interet rates expected to decline further. As of July, the U.S. libor began to rise on key maturities.





In the **money market**, interest rates continued to rise on key maturities (at the end of September, the 1 month Euribor increased to 1.356% from 0.782% at the end of 2010). High inflation, which is expected by the Authorities to remain above 2% over the next few months, has prompted the ECB to keep the cost of money unaltered at 1.5%. Against this backdrop of high uncertainty, **the president of the ECB**, having noted that growth in the Euro Area is subject to heightened downside risk, **has announced a series of unconventional measures** in addition to those already in place: to this end, the Governing Council has introduced **two new long term refinancing operations** (fixed rate with full allotment), one in October and one in December with maturities at 12 and 13 months respectively, as well as a **further 6 three-month refinancing auctions** (the last at the end of June 2012). Furthermore, the ECB decided to launch a new programme as of November for the purchase of 40 bln euros worth of covered bonds, in both the primary and secondary markets. Markets were expecting a cut in interest rates by the ECB at its meeting in October, and continue to point to interest rates between 1 and 1.25% at least through 2012, although the introduction of the extraordinary measures mentioned above may still generate downward pressure on monetary rates. Among the priorities advocated for by the president of the ECB, in addition to the need for many national governments to implement measures for the consolidation of public accounts, the importance of recapitalisation was underlined for those banks which find it difficult to re-finance themselves on the market.

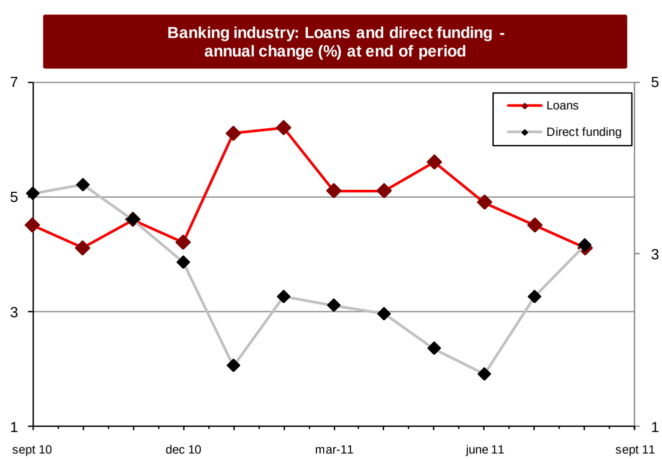
Leading **global markets** in the first 9 months of 2011 performed negatively, weighted down as they were - especially over the summer period - by uncertainties surrounding the developments of the debt crisis in Europe and the global economic slowdown: from 31/12/2010 to 30/09/2011 the Dow Jones index lost around 6%, S&P 500 was down by approx. 10% and the Nikkei by over 16%. The performance was even more disappointing in Europe with the DAX falling by approx. 20% and FTSE Mib by almost 27%. In early October, the efforts by European leaders to safeguard the banking system from the risk of contagion, in addition to the full ratification of the European Financial Stability Facility (EFSF) (including the possibility to extend precautionary credit to countries in difficulty, finance crisis-hit banks and purchase public debt on the market), have partly reassured the markets. However, a new phase of high uncertainty has emerged recently in the wake of the escalating debt crisis (a referendum was even proposed in Athens to confirm the new bailout plan) and there are new fears of contagion. In November, the spread between Italian 10Y and German 10Y government bonds reached new record highs since the introduction of the single currency, exceeding the 480 basis points, with the yield on the 10Y BTP Italian government bond regained the levels of early August, coming to 6.4%. The Italian 5-year CDS (Credit Default Swaps) climbed back close to its highest ever level, exceeding 500 bps.

In the **currencies market**, the Euro suffered heavily as a result of the debt crisis, losing ground against all major currencies. In September, the euro/dollar cross rate returned to the levels registered a year and a half ago (at around 1.34) before rebounding slightly. The Swiss National Bank has established an exchange rate at a minimum of 1.2 francs against the euro. Pressure is still being exerted on the Chinese government for it to intervene to appreciate the yuan.

BANKING AND POSITIONING OF THE MONTEPASCHI GROUP

Against an external backdrop of substantial stagnation for the real economy, **in the third quarter of 2011, subsequent to fluctuations of varying extent and direction, volumes traded by banks (loans and direct deposits) returned to levels similar to those at the end of 2010** (around +4% for loans and +3% for funding). Interest rates continued the upward trend started in mid-2010, enhanced by the rise in the ECB benchmark rate (which went from from 1% to the current 1.5%, thanks to two 25bp increases at the beginning of April and at the beginning of July) and by tensions relating to the problem of public debt in Europe.

Direct funding, having maintained a YoY growth profile at around +2% in the first half of 2011, **climbed to over +3% in August**, propped up in particular by repurchasing agreements which, after having experienced a downfall (from +83.5% YoY at the end of 2010 to +6.6% in June) were back to over +20%. Deposit growth continued to be stagnant with **current accounts declining further** (over 2% for the year), while **there was an increase, albeit lower than earlier in the year, for deposits with agreed maturity and those redeemable at notice** (6% and over 3% respectively). **The volume of bonds increased** by almost 40 bln compared to December 2010 (+4.5% for the year). **The Montepaschi Group's market share in direct funding stood at 7.92% in August, in line with the end of 2010.**



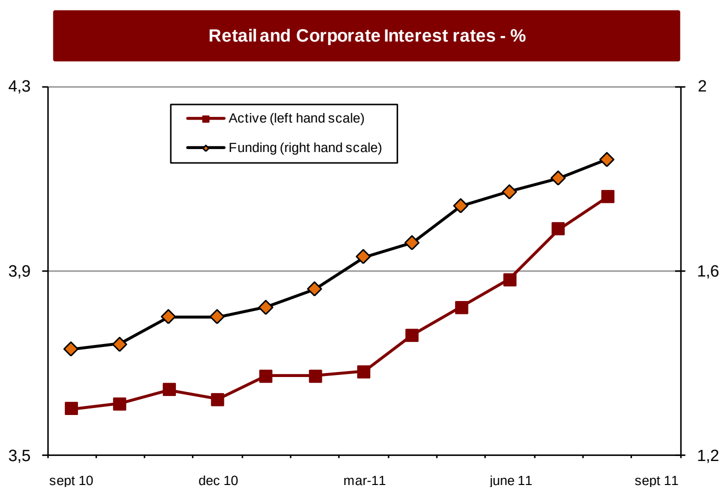
Asset management volumes registered a drop of 3.5% from the end of 2010, a reflection, above all, of the limited growth in new deposits and the extremely cautious approach of households. A further breakdown reveals that bond and liquidity funds continue toprevail (55.7% of total fund assets), followed by equity (20.6%) and flexible funds (15.1%).

The **negative trend** continued for net inflows on **mutual funds** which exceeded 3 bln in total in July and August and 9 bln in cumulative terms since the start of the year. Net outflows primarily affected bond and liquidity funds (-7.3 bln overall) but also equity and hedge funds (-2.5 bln); a slight improvement was registered for balanced and flexible funds (+700 mln). **In June, the market share for funds placed by the Group's network (calculated on the basis of inventories) totalled 4.83%, in line with levels registered in the previous two quarters.**

In the first eight months of 2011, **assets under management registered a negative net funding** (- 5.5 bln), reflecting the prudent approach of savers. Assets under management slid by over 9% both on an annual basis and as compared to the end of 2010. As for other products under management, there was a **slowdown in new bancassurance production** which, although exceeding 40 bln in the first eight months of the year, registered a fall of approx. 26% on the same period in 2010. The result reflects the sharp drop in sales of traditional and index-linked products, while the placement of unit-linked policies experienced a mild upturn (+2.2%). **AXA-MPS's market share stands close to 6%.**

Having touched almost 6% in the early months of the year, **the year-on-year trend in lending dropped** to +4.1% in August, a level similar to the average registered in the second half of 2010. The momentum described was determined almost exclusively by the **short-term component** (which from a yoy +5.2% in December rose to +10% in the first two months of 2011 before falling again to approx. +7%) compared to a **steadier trend for loans with maturity over 1 year**, which remained relatively stable at +3.5% yoy (from +3.6% in the final quarter of 2010). **Lending to the manufacturing sector has remained at around +3% since the start of the year** (from +0.9% at the end of 2010), reflecting the divergent trends between loans to non-financial companies (which grew from +0.1% to +3%) and loans to family businesses (which fell from +8.3% to +4.1%). Against this backdrop, there was a slowdown in the growth of loans to consumer households (which stood at just over +4% from an average of +7% in the second half of 2010), a reflection, among other things, of the lower growth in home mortgages (from +7.7% as at December 2010 to +5.1%). **The Montepaschi Group's market share for loans in August totalled 7.67%**, slightly up on the value registered at the end of 2010.

Between January (which saw discontinuity in the time series) and August, the **stock of non-performing loans increased** by EUR 9.2 bln, approximately 10% of the total aggregate. The ratio of non-performing loans to total loans climbed to 2.8% (2.4% at the end of 2010). In the first half of the year, **the rate of decay came to 1.8%,** down by two-tenths of a point from the last quarter of 2010.



Interest rates continued the upward trend started in mid-2010, registering an increase of 44 bps on loans and 34 bps on direct funding in the first eight months of the year, which consequently led to a wider spread. The increase was more intensive for short-term loans (+73 bps in 2011 until now) and for repurchase agreements (liabilities; +57 bps); it should also be noted that there was an increase in bond rates (+35 bps on existing volumes). The **mark-up**, measured in reference to short-term loans and the one-month Euribor, **returned above the average levels registered in the second half of 2010,** standing at 3.33 percentage points in August. The **mark-down on deposits continued to increase**, expanding to 40 bps (from values of around zero in H2 2010).

THE REGULATORY FRAMEWORK

By agreement between the Italian Banking Association and 13 consumer associations, the **deadline was extended until 31 January 2012 for submission of applications for the 12-month suspension of mortgage repayments on the purchase of a first home** for households who have experienced an adverse event: job loss, temporary lay-off, death or lack of self-sufficiency. As at 31 May 2011, 46,308 mortgages had been suspended for a total of EUR 5.5 bln, with a benefit of approximately 339 mln in terms of liquidity available to the families concerned. **Businesses have been given the option to extend their repayment plans on loans benefitting from the suspension of payments under the "Joint Notice" initiative;** the extension may be granted applying the same interest rates set out in the original contract and does not involve any fees or charges.

Law no. 10 of 26 February 2011 (**Milleproroghe**) introduced banks/financial companies with the option that, in the event of losses for the period, deferred tax assets arising from write-downs of receivables not yet deducted and the amortisation of goodwill and other intangible assets can be transformed into tax credits that can be transferred or used to offset tax liabilities. **This assessment lays the groundwork - pursuant to Basel III - for eliminating the need to deduct deferred tax assets from capital for prudential purposes, removing a competitive disadvantage for Italian banks when calculating Tier 1 capital.** Deferred tax assets may only be included for up to a limit of 10% of "common equity" (15% combined with other types of assets). This item has a significant weight in the accounts of Italian banks, not only because of the deferred deductibility of write-downs of loans to customers, but also because of goodwill of extraordinary transactions. **The "Milleproroghe" decree also envisages tax reforms for mutual funds under Italian law, through the changeover (effective as of 1 July 2011) from a regime charged to the fund,** according to which it is the Sgr (investment company) that directly witholds 12.5% tax on the value increase that accrues daily, **to taxation charged to the underwriter on the actual variation in value** at the time of divestment compared to the underwriting date. This will put an end to the misalignment between th tax regime of Italian funds (as well as the historic Luxembourg funds) and the one envisaged for harmonised foreign funds.

The new **architecture of the European supervisory system**, which became effective at the beginning of 2011, is based on two fundamental elements: a **European Systemic Risk Board** (ESRB) and a **European System of Financial Supervision** (ESFS), in which there are three separate supervisory authorities for banks (European Banking Authority, EBA), insurance (European Insurance and Occupational Pensions Authority, EIOPA) and securities markets (European Securities and Markets Authority, ESMA) which bring together the supervisory leaders of the different EU countries for the respective sectors. ESRB is responsible for analysing the European financial system, reporting any threat to financial stability and providing recommendations on policies aimed at containing these risks. The recommendations are not binding in nature but national and European authorities to whom these recommendations are addressed will have to report on any related follow-up actions undertaken. The powers of the new prudential authorities (EBA, EIOPA ed ESMA) are extensive: develop binding technical rules, applicable across the European Union; take decisions (also binding) to resolve disputes among national authorities; ask national authorities to adopt measures for coping with emergency situations threatening financial stability; intervene in cases of incorrect application of rules.

With regard to **Law 106/2011 approved on 12 July**, it should be noted that, among the standards having an impact on banks, there is one giving persons with an ISEE (Equivalent Economic Situation Indicator) not exceeding EUR 35 thousand, the **possibility to renegotiate mortgages for the purchase or renovation of homes whose initial value was no more than EUR 200 thousand**, shifting from a variable to a fixed interest rate and agreeing upon an extension of up to 5 years for the repayment schedule. As for new loans to businesses, **banks no longer have the possibility to unilaterally modify contractual terms of new loans granted,** unless conditions permitting such amendments are defined and set forth from the outset of the contract. Moreover, banks will be able to issue **"savings securities for the Southern economy"** for up to a maximum of 600 mln per year, with a preferential preferred? tax rate on interest (5%) and maturity over 18 months. As part of payment services, it is expected that, as of 1 January 2012, the beneficiary's account will be credited within one day of receiving the transfer order (two days for paper-based orders). The procedure for calculating the **anti-usury threshold rate** was revised and will be equal to the average bank rate increased by one quarter 25%?, to which an extra margin of four percentage points will be added (previously, the threshold was equal to the average rate increased by one half 50%?). Finally, **certain rules on project financing were amended** to specifically provide for the use of leasing on public works under construction and measures were introduced **to promote access by SMEs to microcredit.**

Moreover, Law decree 98/2011 of 6 July ("Urgent measures for financial stabilisation"), transposed into **law 111/201**, now includes some standards of direct interest to banks. More specifically, **a new mechanism was introduced for calculating the stamp duty on notices relating to securities deposits with banks**, which sees an increase (from the current EUR 34.2 per year) for all deposits with securities totalling over EUR 50 thousand. The increase was staggered according to the value of securities: from EUR 70 to 680 up to 2012 and from EUR 230 to 1,100 as of 2013. An additional tax measure was introduced, which saw the **increase in the regional productivity tax (IRAP) to 4.65% for banks** and to 5.9% for insurance companies (previously 3.9%) **as of fiscal year 2011**. Finally, the decree includes **tax benefits for "Venture Capital funds"**, investing at least 75% of funds in unlisted companies, during the stages of start-up, seed, launch of business or product development.

Legislative Decree 138/2011, ratified to **law 148/2011** in mid-September, includes, among other things, the decision to standardise **(20% as of 2012) the tax rate on capital gains and other financial income**, with the exception of income from Italian and foreign government bonds, postal bonds and long-term saving plans specifically established, which continue to be taxed at 12.5%; profit from pension fund management will continue to be taxed at 11%. In addition, a stamp duty of 2% was introduced on money transfers made through banks and financial/money transfer agencies to foreign countries and the **limit on cash transactions** and bearer passbook balance**was lowered to EUR 2,500**.

Major events in Q3 2011

Below is a summary of the most significant events of the Montepaschi Group in the third quarter of 2011:

- On **15 July 2011** the results of the "2011 EU-wide Stress Tests" were disclosed, which were conducted by the the European Banking Authority (EBA), in cooperation with the European Central Bank (ECB), the European Commission (EC), the European Systemic Risk Board (ESRB) and national supervisory authorities. The EU-wide stress test, carried out across 90 banks covering over 65% of the EU banking system total assets, had the purpose of assessing the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions. Following completion of the EU-wide stress test, the results determined that "*Banca Monte dei Paschi di Siena meets the capital benchmark set out for the purpose of the stress test and will continue to ensure that appropriate capital level is maintained*".

- **20 July 2011** saw the successful completion of the pre-emptive rights issue relating to the capital increase approved by the Board of Directors of Banca Monte dei Paschi di Siena on 7 and 16 June 2011, by virtue of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of 6 June 2011. In the period from 20 June 2011 through 8 July 2011, 6,694,944,400 pre-emptive rights were exercised and therefore 4,820,359,968 newly-issued ordinary shares of Banca Monte dei Paschi di Siena were underwritten, making up 99.91% of the total number of shares offered to shareholders, for an overall equivalent amount of approximately EUR 2,149,880,545.73. All 6,203,425 pre-emptive rights that were left unexercised at the end of the rights offering period were sold in the first market session on 13 July 2011 by Banca Monte dei Paschi di Siena through Mediobanca - Banca di Credito Finanziario S.p.A., pursuant to art. 2441, para. 3 of the Italian Civil Code and were subsequently exercised by 20 July 2011 with the subscription for 4,466,466 newly issued ordinary shares, making up 0.09 % of the total number of shares offered, for an overall equivalent amount of EUR 1,992,043.83. The capital increase was thus completed with the subscription of all 4,824,826,434 newly issued ordinary shares, accounting for approx. 41.79% of the new share capital, for an overall equivalent amount of EUR 2,151,872,589.56 without the Guarantee Consortium having to step in.

  As announced in the Prospectus, the shareholders, Fondazione Monte dei Paschi di Siena and Gruppo AXA, fulfilled the commitments they had undertaken with Banca Monte dei Paschi di Siena by subscribing to the new ordinary shares, respectively for no less than 48% and 3.77% of the company's rights issue.

  Banca Monte dei Paschi di Siena's new share capital therefore amounts to EUR 6,654,282,746.76, represented by 11,544,841,594 shares, of which 10,844,097,796 ordinary, 681,879,458 preferred and 18,864,340 savings shares, with no indication of par value.

- On **26 August 2011**, the International ratings agency Standard & Poor's published the update to its Credit Opinion of the MPS Group, leaving previously assigned ratings ('A-'/'A2') and stable outlook unchanged.

- On **15 September 2011,** Fitch Ratings confirmed Banca Monte dei Paschi di Siena's long-term rating at 'A-' and its short-term rating at 'F2' and revised its outlook from stable to negative. The ratings of Banca Antonveneta were also confirmed ('A-' / 'F2') with outlook revised from stable to negative.

- On **23 September 2011,** Banca Monte dei Paschi di Siena SpA resolved to increase the spread on Preferred Securities issued by Antonveneta Capital Trust II for an amount of EUR € 220,000,000 (ISIN XS0131739236) and not call the instrument at its first call date (planned for 27/09/2011). The new 3-month EURIBOR spread will stand at 630 basis points and will be applicable as of the first call dates (27/12/2011), thus replacing the spread which was contractually provided for. The spread is therefore in line with the level set out for the other two issues of MPS Group's Preferred Securities, not called on 7 February 2011 and 21 March 2011, whose spread on 3-month EURIBOR was increased to 630 bp.

  The decision is reflective of the extraordinary circumstances attributable to tensions in the market and persisting uncertainty in the current regulatory framework. The spread increase will become effective upon prior adoption of all required resolutions by the issuers' governing bodies and upon execution of all formalities provided for by contractual obligations as well as by the applicable rules and regulations in force.

- In confirmation of Banca Monte dei Paschi di Siena's leading role in the field of corporate social responsibility, on **19 September 2011** BMPS was included in the STOXX® Global ESG Leaders indices, the innovative series of indices selected on the basis of environmential, social and governance-related performances. The series consists of three indices respectively specialisingin environment, society and governance, and one global index which looks at overall performance. The global index comprises 293 securities listed worldwide, 26 of which in the banking sector. Among these, 14 Italian companies are included in the index. The indices are managed by STOXX, the owner of well-known financial indices such as EURO STOXX50, and are based on evaluations by the rating agency, ESG Sustainalytics. The admission of BMPS, which followed a selection process involving 1,800 companies listed worldwide, is a testimony to the commitment the bank has always shown towards issues of sustainability.
- On **30 September 2011**, the contract was signed for the sale of a property unit in Rome, which once housed the central tax collection agency. The property, located opposite Rome's Coliseum between via dei Normanni, Via Labicana and Via San Giovanni in Laterano and occupying a surface area of approx. 36,000 square metres, was sold by the Montepaschi Group to a closed-end real estate fund managed by Mittel R.E. Sgr S.p.A.. The transaction resulted in a Tier 1 increase of 3 basis points.
- As of **30 September 2011**, Banca Monte dei Paschi di Siena has been able to fully recognise the Tier 1 benefits arising from its real estate deal with an increase of approx. 40 bps in Tier 1. The third and last step required for these benefits to be obtained consisted in the negotiation and execution of a 'support liquidity provider

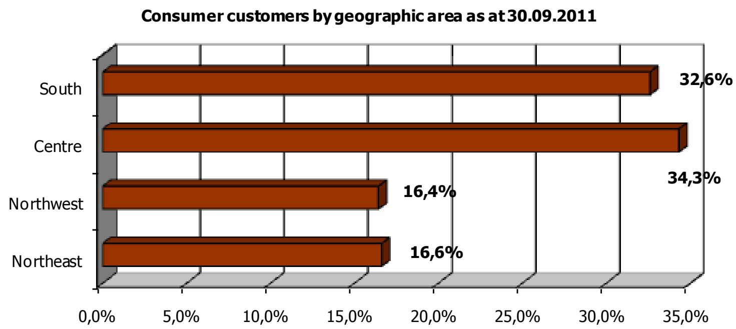
  agreement' between Banca Mps, Mps Capital Services and Banca IMI, enabling the MontepaschiGroup to dispose of holdings above 10% of the total value of Class A securities. If such conditions apply, the Montepaschi Group will, by this agreement, be able to assure the liquidability of Class A notes on the "De@l Done Trading" system through the operations of MPS Capital Services, which will have the possibility to avail itself of Banca IMI's liquidity provider.

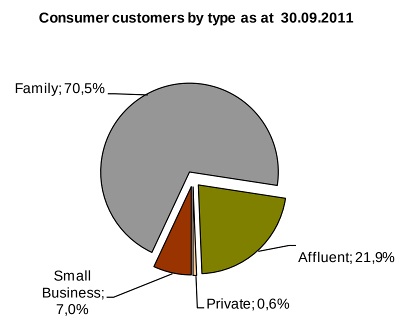
Customer operations

CUSTOMER PORTFOLIO

The Montepaschi Group performs its banking activities with **approx. 6.2 million customers**[6], **approx. 5.9 million of whom are managed by the Distribution Networks** of Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca **and through the Financial Advisor**y channel. Consumer and corporate customers are classified into segments, each with a specific service model applied so as to better meet the needs and demands expressed by clients:

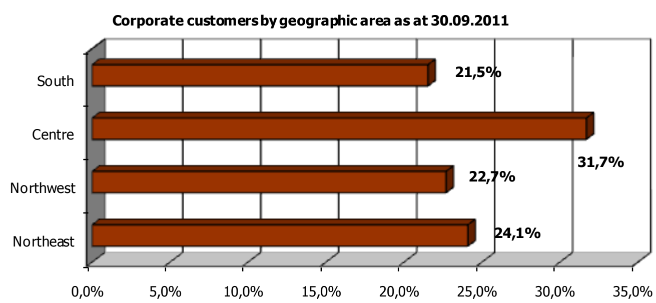
- **Consumer**: includes **over 5.7 million customers,** distributed across the country with a stronger presence in the areas of central Italy (34.3%). Within this client segment, the largest share (70.5%) is made up by Consumer households (**Family**), who mainly apply for loans (consumer credit and mortgages) and investment services for smaller portfolios. This is followed by clients with larger portfolios (21.9%) who require a more customised approach (**Affluent**), Small Businesses and high-standing (**Private**) customers who make up 7% and 0.6% respectively.

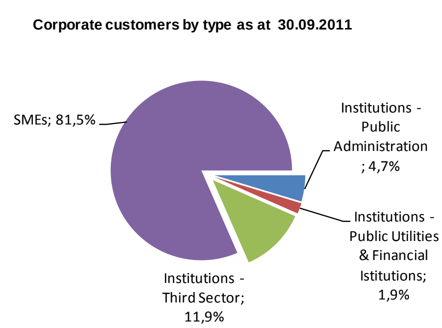




A closer look at the breakdown of "Consumer" customers (natural persons) by **age group** reveals that the largest represented group is the range between 41 and 55 years of age (accounting for 30%) followed by the over-65s (22%). **Immigrant clients**[7] make up 5.4% of customers at group level with a greater incidence in Banca Antonveneta compared to Parent Company and Biverbanca.

- **Corporate**: This segment consists in nearly **77,000 customers**, including SMEs (approx. 82%) and Institutions (18%), mainly concentrated in the regions of Northern Italy (46.8%) but with a significant portion in Central Italy as well (31.7%).



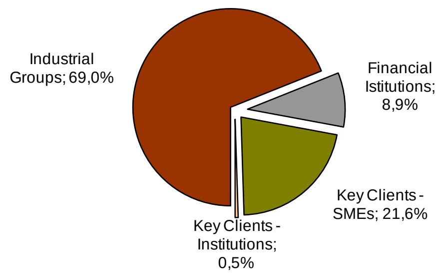


A separate service model is reserved for almost 1,600 corporate clients made up by **Large Corporate groups** with an annual turnover of at least EUR 200 mln or otherwise having specific needs and special operating complexity.

[6] The figure includes customers of Banca Monte dei Paschi di Siena, Banca Antonveneta, Biverbanca and those managed directly by Consumit.

[7] Customers with a place of birth in high-emigration countries, according to the classification of the Italian Banking Association.

Key Clients as at 30.09.2011



Knowing the customer's level of satisfaction and the factors it is determined by, is fundamental in developing the Group's business policies. The major indicators monitored are: **customer loyalty** (length of relationship), **acquisition** and **retention rates**, **customer satisfaction** and **complaints.**

In terms of **banking seniority** it emerged that over 60% of consumer and corporate customers have had a relationship with the Group for at least 11 years, with the portion of lower seniority (1-3 years) greater for Corporate than for Consumer. Among the products offered by the Group, the current account remains the most popular instrument among customers, with a higher penetration for Corporate than for Consumer customers. It should be highlighted that 16.3% of Consumer customers holds a mid-long term mortgage/loan and 28.6% has a damage insurance policy.

In the first nine months of 2011, the Group's **Acquisition** rate stood at **3.8%**, down from last year largely owing to the persisting difficulties in the economic and financial environment. It should be highlighted that, among the retail banks, a countertrend was witnessed for Biverbanca, which registered an upturn as compared to 30/09/2010.

The **Retention rate** continued to hold steady, standing at **96.9%** at the end of September (96.4% registered as at 30/09/2010).

The **customer satisfaction** level in relation to quality of products and services provided by the Group is monitored through periodic surveys (including so-called internal clients, ie. branch employees) as well as the analysis of performance/operational efficiency indicators, using internal measurement and control systems.

Within this area was the Group's ongoing collaboration with 15 leading Consumer Associations (**Consumer Lab**). A further five counselling centres ('corners') were established in the quarter (in addition to the 6 already operational in the first half of the year) with a branch employee and a representative from the Associations available to customers, and all those interested, to answer questions and openly address the more heartfelt banking and financial issues.

A good performance was also observed for **claims** which came to 2,282 in the quarter[8], down by almost 7% on Q2 2011, confirming the positive trend recorded at the start of the year. The **average response time**, calculated on the basis of results from Banca Monte dei Paschi di Siena and Banca Antonveneta (which provide sufficient representation), is equal to **19 days** compared to the maximum of 30 days set by the Bankit regulation on transparency.

[8] The figure refers to the representative sample constituted by Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca.

FUNDING

As at 30 September 2011 total funding volumes for the Group came to approximately EUR **295 bln, up** 0.7% YoY thanks to the increase in direct funding (+4.1%) which absorbed the downturn in assets under management and custody, particularly penalised in Q3 2011 by the strong depreciation of financial assets due to the sovereign debt crisis.

■ **CUSTOMER FUNDING** (in millions of euros)

	30/09/11	30/06/11	31/03/11	31/12/10	30/09/10	**Chg. %** vs 30/06/11	**Chg. %** vs 31/12/10	**Chg. %** vs 30/09/10
Direct funding	**161.078**	**166.493**	**160.361**	**158.486**	**154.673**	**-3,3%**	**1,6%**	**4,1%**
Indirect funding	**134.284**	**142.919**	**147.840**	**144.919**	**138.631**	**-6,0%**	**-7,3%**	**-3,1%**
assets under management	*47.665*	*49.375*	*49.938*	*50.547*	*50.738*	-3,5%	-5,7%	-6,1%
assets under custody	*86.619*	*93.543*	*97.902*	*94.372*	*87.893*	-7,4%	-8,2%	-1,4%
Total funding	**295.362**	**309.412**	**308.202**	**303.405**	**293.304**	**-4,5%**	**-2,7%**	**0,7%**

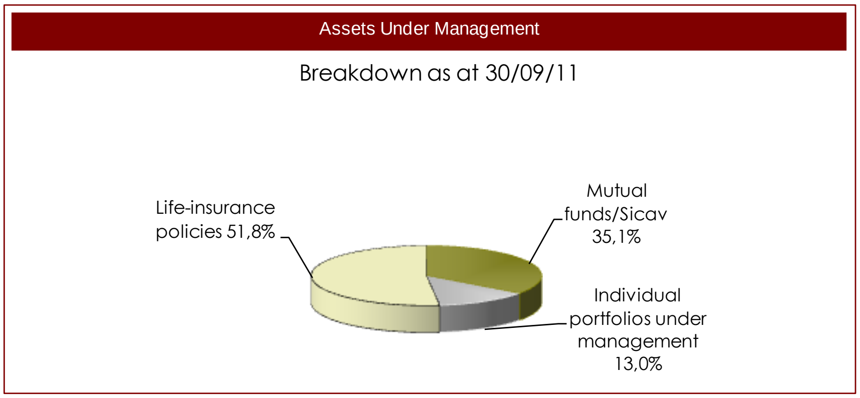
More specifically:

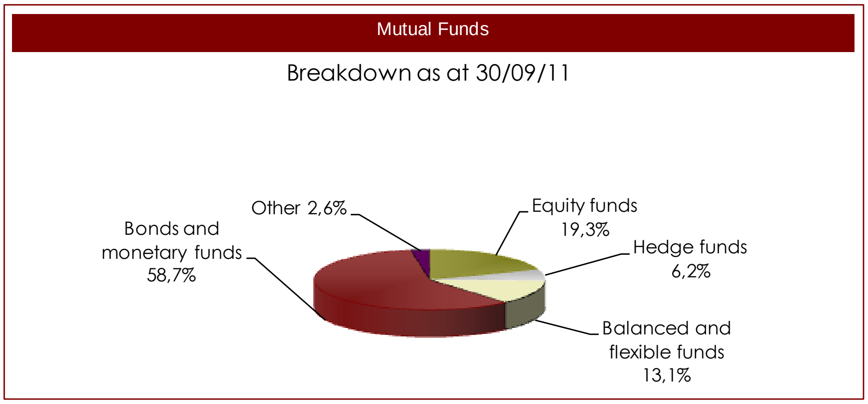
- ✓ **Direct funding**, totalling EUR 161 bln, **registered an increase of 4.1% from 30/09/2010** (-3.3% from 30/6/2011; +1.6% from 31/12/2010). The aggregate includes **funding from consumer and corporate customers**, propped up in the first nine months of the year by approx. EUR 11.3 bln in bond placements, which increased by 2.1 bln (+1.9%) on 31/12/2010 though down by approx. 1bln compared to the end of June 2011. Funding from institutional customers has also grown since the start of the year in the form of both mid/long term issuances (approx. 4.6 bln euros worth of bonds and covered bonds have been placed so far) and short-term market instruments (particularly CDs and repos with the 'Cassa di Compensazione e Garanzia' clearing house which fell by approx. 4 bln in the third quarter of 2011). **The Group's market share in direct funding stood at 7.92% in August**, in line with the end of 2010.

Direct funding (€/mln)

Type of transaction	30/09/11	30/06/11	31/03/11	31/12/10	Q/Q Change Abs.	Q/Q Change %	Y/Y Change Abs.	Y/Y Change %
Current accounts	65.502	65.356	65.178	65.774	146	0,2%	-271	-0,4%
Time deposits	2.246	2.188	2.232	3.292	57	2,6%	-1.046	-31,8%
Reverse repurchase agreements	21.571	23.033	18.319	18.741	-1.462	-6,3%	2.830	15,1%
Bonds	59.479	60.666	60.334	56.550	-1.187	-2,0%	2.929	5,2%
Other types of direct funding	12.280	15.250	14.298	14.130	-2.970	-19,5%	-1.850	-13,1%
Total	**161.078**	**166.493**	**160.361**	**158.486**	**-5.415**	**-3,3%**	**2.592**	**1,6%**

- ✓ **Indirect funding** at the end of the period came to approx. EUR **134 bln**, down on both 30/06/2011 and 30/09/2010 (-6% and -3.1% respectively). The aggregate includes:
  - o **assets under management,** amounting to approx. **EUR 48 bln,** down 3.5% as compared to 30/06/2011 (-6.1% YoY), primarily due to a significant depreciation of financial assets in the quarter and, in a lesser degree, to negative net funding (approx. EUR -350 mln in Q3). More specifically,**mutual investment funds/Sicavs** (volumes totalling EUR **16.7 bln**; -5.7% from 30/06/2011; -5.7% from 30/09/2010) registered a negative net funding of 196 mln for the quarter, while **assets under management** (**6.2 bln**; -4.9% from 30/06/2011; -10.5% from 30/09/2010) were penalised by the steady outflows registered since the start of the year. In the **insurance segment,** as at 30 September 2011, the Montepaschi Group's technical reserves amounted to approx. EUR **24.7 bln** (-1.5% on 30/06/2011; -5.1% on 30/09/2010) with premiums collected in the quarter exceeding one billion, boosted by Index-linked policies (approx. EUR 590 mln in Q3 2011 vs. approx. EUR 300 mln in Q2 2011).





- As for assets under custody volumes totalled approx. EUR **87 bln**, down 7.4% from 30/06/2011 and 1.4% on the previous year, on the back of changes in Large Corprate Groups' deposits (- EUR 5.7 bln) and the negative market effects on assets held under custody for customers.

LENDING

As at 30/09/2011 **Group "Loans and advances to customers",** totalling approx. **156 bln**, registered a **growth of 2.1% on the previous year,** though slightly down compared to **30/06/2011** (-0.9%; -1.4 bln). The **Group's market share** in August came to **7.67%**, slightly up as compared to 2010-end figures. The aggregate includes 'active loans' to consumer/corporate customers, which came to approx. EUR 136 bln, registering a slight decrease (-1.1%) from 30/06/2011, primarily due to 'Other Loans' and, to a more limited extent, 'Mortgages', with new contracts for the period totalling EUR 4.7 bln.

Loans and advances to customers (€/mln)

Type of transaction	30/09/11	30/06/11	31/03/11	31/12/10	Q/Q Change Abs.	Q/Q Change %	Change vs 31/12/2010 Abs.	Change vs 31/12/2010 %
Consumer/Corporate loans	135.956	137.508	137.821	138.694	-1.552	-1,1%	-2.738	-2,0%
Current accounts	*16.407*	*16.233*	*16.848*	*15.214*	*174*	*1,1%*	*1.193*	*7,8%*
Mortgages	*82.171*	*82.789*	*83.810*	*84.383*	*-618*	*-0,7%*	*-2.211*	*-2,6%*
Other forms of lending	*37.378*	*38.486*	*37.163*	*39.098*	*-1.109*	*-2,9%*	*-1.720*	*-4,4%*
Other loans	6.715	6.914	4.841	6.163	-199	-2,9%	552	9,0%
Impaired loans	13.231	12.853	12.002	11.381	378	2,9%	1.850	16,3%
Total	**155.901**	**157.275**	**154.664**	**156.238**	**-1.374**	**-0,9%**	**-336**	**-0,2%**

As for **specialised credit** disbursed by the Group through dedicated product companies, **new flows** in the third quarter totalled **3.5 bln** (-12.6% on Q2 011) with the total figure since the start of the year climbing to EUR 11.6 bln (+28.9% from 30/09/2010). As for **small business and corporate lending**, which totalled **EUR 2.9 bln** in the quarter (-12% QoQ), disbursements by MPS Capital Services grew by almost 15% to stand at 458 mln (1.6 bln the total as at 30/09/2011, +8% YoY). MPS Leasing & Factoring, on the other hand, registered a slowdown with leasing contracts totalling EUR 343 mln (-16.5% QoQ) and factoring turnover exceeding EUR 2 bln (-15.6%). With regard to **consumer loans,** total disbursements by Consumit in Q3 2011 came to EUR 615 mln, down 15.2% on Q2 2011, reflective of a falling trend for personal loans and special-purpose loans. A slight increase was registered for m'honey card disbursements.

Special purpose loans and corporate finance

EUR mln	30/09/11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	30/09/10	Chg. 3Q11 vs 2Q11 Ins.	Chg. 3Q11 vs 2Q11 %	Chg. YoY Ins.	Chg. YoY %
MPS Capital Services (disbursements)	**1.587**	**458**	**398**	**731**	**597**	**381**	**699**	**390**	**1.470**	**59**	**14,8%**	**117**	**8,0%**
MPS Leasing & Factoring	**7.958**	**2.435**	**2.890**	**2.632**	**2.589**	**1.807**	**1.876**	**1.736**	**5.418**	**-455**	**-15,8%**	**2.539**	**46,9%**
incl.: leases negotiated	1.014	343	410	261	321	276	448	354	1.078	-68	-16,5%	-64	-6,0%
factoring turnover	6.944	2.093	2.480	2.371	2.268	1.531	1.428	1.382	4.340	-388	-15,6%	2.604	60,0%
Consumit (disbursements)	**2.024**	**615**	**725**	**684**	**638**	**642**	**742**	**700**	**2.083**	**-110**	**-15,2%**	**-59**	**-2,8%**
Total	**11.569**	**3.508**	**4.014**	**4.047**	**3.824**	**2.829**	**3.317**	**2.826**	**8.972**	**-506**	**-12,6%**	**2.597**	**28,9%**

Credit quality

As at 30 September 2011, the Montepaschi Group's net exposure to impaired loans totalled EUR **13,231 mln**, a rise of approximately 378 mln compared to the end of June (+1.9 bln on 31/12/2010), with the ratio of impaired loans over total Customer Loans rising to 8.49%. The rise in non-performing loans began to slow down in the third quarter (+293 mln against +450 mln in Q2 2011) **as did the increase in past dues** (+12 mln against +234 mln in Q2 2011), while watchlist loans suffered a more significant increase compared to Q2 2011 (+101 mln). On the contrary, a fall was registered for **restructured loans**, which **in Q3 dropped** by approximately -28 mln (against a growth of EUR 101 mln in Q2 2011).

With regard to the quality of **performing loans**, as at 30/09/2011 the ***average probability of default*** **came to 2.26%** (2.21% as at 31/12/2010).

CUSTOMER LOANS BY RISK

Risk category - Net book values *in million EUR*	30/09/11	30/06/11	31/03/11	31/12/10	30/09/10	weight % 30/09/11	weight % 30/06/11	weight % 31/03/11	weight % 31/12/10	weight % 30/09/10
A) Impaired loans	**13.231**	**12.853**	**12.002**	**11.381**	**11.579**	**8,49**	**8,17**	**7,76**	**7,28**	**7,58**
a1) Non-performing loans	6.348	6.055	5.605	5.485	5.292	4,07	3,85	3,62	3,51	3,47
a2) Watchlist loans	4.269	4.168	4.102	4.015	4.159	2,74	2,65	2,65	2,57	2,72
a3) Restructured loans	1.443	1.472	1.370	1.249	1.184	0,93	0,94	0,89	0,80	0,78
a4) Past due	1.171	1.158	925	632	944	0,75	0,74	0,60	0,40	0,62
B) Performing loans	**142.671**	**144.422**	**142.662**	**144.857**	**141.124**	**91,51**	**91,83**	**92,24**	**92,72**	**92,42**
Total customer loans	**155.901**	**157.275**	**154.664**	**156.238**	**152.704**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**

At the end of September 2011, **coverage of impaired loans** grew by approx. 20bps from 30/06/2011, coming to 40.9%, continuing to be commensurate and in line with the Montepaschi Group’s traditional coverage levels. With respect to **NPLs**, coverage stood at 55.2% (vs 56% as at 31/12/2010), while the **watchlist loan** coverage ratio came to 20.6% (vs 21.1% as at 31/12/2010).

PROVISIONING RATIOS

	30/09/11	30/06/11	31/03/11	31/12/10	30/09/10
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**40,9%**	**40,7%**	**41,4%**	**41,8%**	**40,6%**
"provisions for watchlist loans" / "gross watchlist loans"	**20,6%**	**20,3%**	**20,8%**	**21,1%**	**19,7%**
"provisions for NPLs" / "gross NPLs"	**55,2%**	**55,4%**	**56,2%**	**56,0%**	**56,1%**

The table below reports the figures for the Group's major companies, within which Banca Monte dei Paschi di Siena and Banca Antonveneta show a provisioning ratio for non-performing loans which, on average, stands at around 58.6%. For an accurate interpretation of the details contained in the table, it should be noted that NPLs under litigation are normally written down by direct amortisation also, while mid-long term loans are generally supported by collaterals thus requiring more limited provisioning. This is particularly evident in MPS Capital Services (NPL coverage came to 33.5%), whose business is mainly characterised by the disbursement of mortgage loans:

NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/09/2011 *in million EUR*	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
Non-performing loans	6.348	3.564	631	1.623	230	157	71
% of total customer loans	4,07%	2,7%	4,5%	11,2%	3,1%	2,6%	3,1%
"loan loss provisions" / "gross NPLs"	**55,2%**	**58,5%**	**59,2%**	**33,5%**	**62,5%**	**75,2%**	**63,9%**
Watchlist loans	4.269	2.861	209	601	433	72	59
% of total customer loans	2,74%	2,1%	1,5%	4,1%	5,8%	1,2%	2,6%
"loan loss provisions" / "gross watchlist loans"	**20,6%**	**21,9%**	**20,6%**	**14,6%**	**17,0%**	**37,0%**	**18,0%**

With regard to gross **performing loans,** provisions continued to stand at around 0.6%, substantially in line with levels as at 31/12/2010.

Finally, with regard to the management of the NPL portfolio mandated to MPS Gestione Crediti Banca, it should be noted that **recoveries** as at 30 September 2011 **totalled 388.5 mln** (-15.0% YoY), 115.3 mln of which in the third quarter (-9.4% on Q2 2011).

Group Income Statement

In the third quarter of 2011, the Montepaschi Group registered a pick up in basic income (+4.2% on 2Q2011) which returned to year-start levels on the back of the increase in net operating income (+7% on 2Q2011) and stable net fees and commissions (-0.6% on 2Q2011), despite the typical seasonality of the summer period. Tensions in the financial markets due mostly to the escalating sovereign debt crisis had negative repercussions on profit from trading and valuation of the Group's portfolios. Performance continues to improve in both cost of credit (provisioning rate at 72 bps vs 74 at the end of 2010) and operating efficiency with cost/income ratio at 59.7% (as compared to 61.6% as at 31/12/2010).

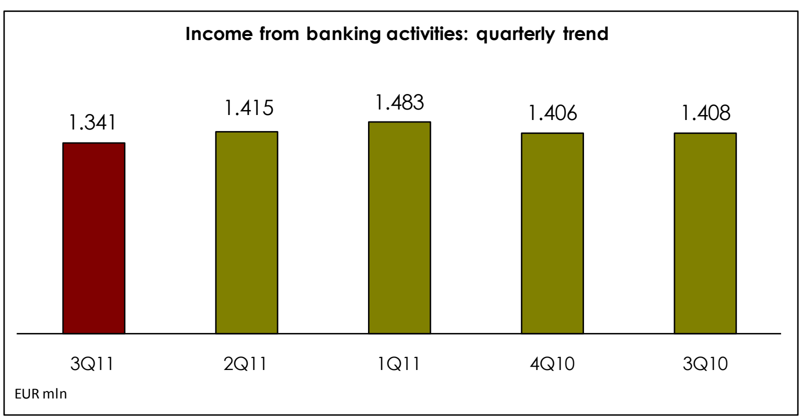
1) Operating income

TRENDS IN OPERATING INCOME: NET INCOME FROM BANKING AND INSURANCE ACTIVITIES:

As at 30 September 2011, the Group's income statement posted approx. **EUR 4,239 mln** in **income from banking and insurance** (+1.8% on 30/09/2010) with **Q3 contributing** approx. **EUR 1,341 mln**, i.e. -5.3% on the previous quarter, due to a downturn in other revenues induced by the crisis in the financial markets.

FINANCIAL AND INSURANCE INCOME (EUR mln)

						Chg. 3Q11 vs 2Q11		Chg. YoY	
	30/09/11	3Q11	2Q11	1Q11	30/09/10	Abs.	%	Abs.	%
Net interest income	2.572,1	875,7	818,7	877,7	2.690,9	57,0	7,0%	-118,7	-4,4%
Net commissions	1.388,5	456,5	459,3	472,7	1.422,6	-2,8	-0,6%	-34,1	-2,4%
Income from banking activities	**3.960,6**	**1.332,2**	**1.278,0**	**1.350,4**	**4.113,4**	**54,2**	**4,2%**	**-152,8**	**-3,7%**
Dividends, similar income and gains (losses) on equity investments	62,8	15,4	20,1	27,4	59,6	-4,7	-23,4%	3,2	5,3%
Net profit (loss) from trading/valuation of financial assets	216,8	-5,6	118,5	103,9	-17,4	-124,1	n.s.	234,2	n.s.
Net profit (loss) from hedging	-1,1	-0,8	-1,1	0,9	9,5	0,3	-26,8%	-10,6	n.s.
Financial and insurance income	**4.239,1**	**1.341,1**	**1.415,4**	**1.482,6**	**4.165,1**	**-74,3**	**-5,3%**	**74,0**	**1,8%**



A closer look at the aggregate reveals the following:

- **Income from banking activities** at period-end stood at approx. **EUR 3,961 mln** (around 4,113 mln as at 30/09/2010; -3.7%) with **Q3 2011 contributing around 1,332 mln, up 4.2% on the previous quarter**. More specifically:

- **Net interest income**: Net interest income as of the beginning of the year came to EUR 2,572 mln (vs. EUR 2,691 mln as at 30/09/2010), with **Q3 contributing approx. EUR 876 mln, up 7% on Q2 2011**. The result benefitted from the repricing of short to medium-long term loans, strategic investments in government bonds made in Q2 2011 and a lower increase in the cost of funding than in the previous quarter.
- **Net fees and commissions**: in the region of **EUR 1,389 mln** (vs. approx. EUR 1,423 mln as at 30/09/2010; -2.4%). Despite the slowdown in business which is typical of the summer season, Q3 contribution (EUR 457 mln) remained in line with the levels of Q2 2011 (-0.6%). Net fees for the quarter benefitted from a positive performance in **commissions from placement of asset management products** (driven primarily by index-linked policies) and a stronger revenue input from traditional services (lending, securities and payments).

➢ **Net profit/loss from trading/valuation of financial assets** since the beginning of the year stood at **EUR 217 mln** (vs. - EUR 17.4 mln in the first nine months of 2010) with a negative impact of EUR 5.6 mln in Q3. A breakdown of the aggregate for the quarter reveals:

- a negative performance in **trading** (- EUR 38 mln vs. + EUR 25.5 mln in Q2) which was affected by tensions in the financial markets due mostly to the sovereign debt escalating in the summer period;
- a **positive input from disposals / repurchases of loans, available-for-sale financial assets and liabilities** (EUR 11 mln) mainly arising from gains on AFS investments, including Sorin in particular. In the comparison with the previous quarter, it should be considered that profit for EUR 96.6 mln in Q2 2011 also included the positive effects from Banca Monte dei Paschi di Siena's buyback of the irredeemable F.R.E.S.H. notes, as part of the Group's capital increase.
- a **positive Profit (loss) on financial assets and liabilities** designated at fair value (EUR 22 mln, vs. -3.6 mln in Q2 2011), which incorporates value adjustments to certain BMPS bonds placed with institutional customers, for the portion not entirely hedged against risk and bears the brunt of widening spreads on Italian bonds which are also having a negative impact on bank liabilities.

NET RESULT FROM REALISATION/VALUTATION OF FINANCIAL ASSETS (in millions of euros)

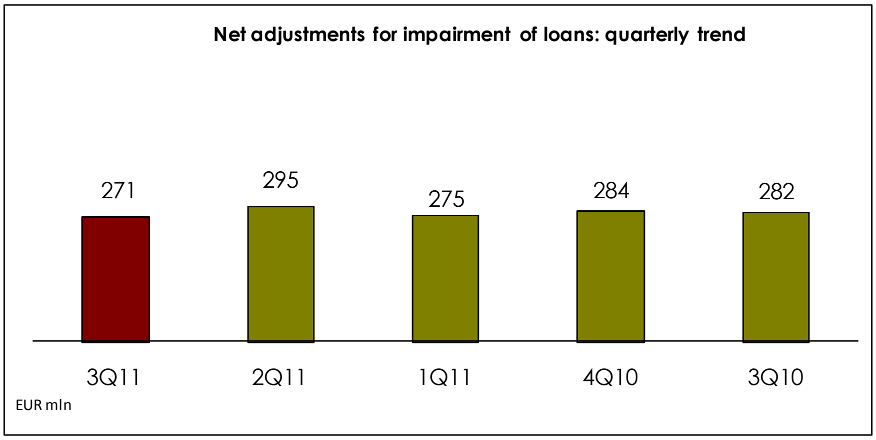
	30/09/11	3Q11	2Q11	1Q11	30/09/10	Chg. 3Q11 vs 2Q11 Abs.	%	Chg. YoY Abs.	%
Net profit (loss) from trading	71,8	-37,8	25,5	84,1	-29,1	-63,3	n.s.	100,9	n.s.
Gains (losses) on disposal of loans, available for sale financial assets and financial liabilities	147,3	10,7	96,6	40,1	49,6	-85,9	-88,9%	97,7	n.s.
Net profit (loss) on financial assets and liabilities designated at fair value	-2,4	21,5	-3,6	-20,3	-37,9	25,1	n.s.	35,5	-93,7%
Net profit (loss) from trading/valuation of financial assets	**216,8**	**-5,6**	**118,5**	**103,9**	**-17,4**	**-124,1**	**n.s.**	**234,2**	**n.s.**

Net income from banking and insurance activities also includes:

- **Dividends,similar income and gains/losses on equity investments** totalling EUR **62.8 mln** (EUR 59.6 mln as at 30/09/2010), with the third quarter contributing EUR 15.4 mln, primarily attributable to gains from equity investments consolidated at equity, within which insurance accounted for approx. EUR 11 mln in the quarter.
- **Net income from hedging** for the nine month period came to approx. **-EUR 1.1 mln** (vs. +9.5 million as at 30/09/2010).

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

As a result of income from credit disbursements, in the first nine months of 2011 **the Group saw a 3.6% reduction in provisions on impaired loans as compared to 30 September 2010**, with Q3 2011 contributing around EUR 271 mln, less than in the previous quarter . The ratio between adjustments for the year and customer loans at year end is expressive of a provisioning rate of 72 bps, vs. 74 bps at the end of 2010, within a consistently rigorous framework in terms of provisions.



Net value adjustments due to impairment of financial assets amounted to **- EUR 96 mln** (- EUR 26.7 mln as at 30/09/2010; with Q3 accounting for - EUR 72 mln) primarily due to depreciation of listed AFS stock that became impaired. The value includes impairment of the only type of Greek Government bonds held for an amount of approx. EUR 10 mln, of which approx. EUR 3 mln in the third quarter (nominal value: EUR 12 mln).

As a consequence, **income from banking and insurance stood at approx. EUR 3,303 mln** (vs EUR 3,267 mln as at 30/09/2010; +1.1%), with Q3 2011 contributing approximately EUR 998 mln (-9.3% on the previous quarter).

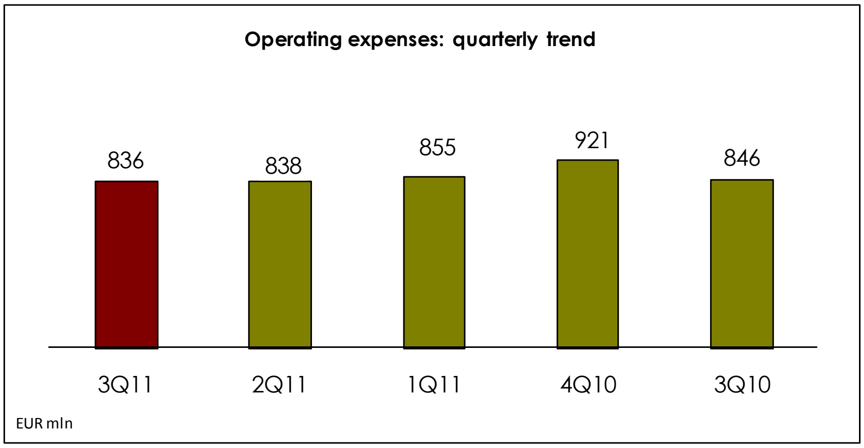
COST OF OPERATIONS: OPERATING EXPENSES

As at 30 September 2011 **operating expenses** totalled **EUR 2,529 mln**, substantially in line with last year level (+0.8%, -0.2% on Q2 2011). The amount of operating expenses includes increases arising from the transaction for value creation from part of the Group's real estate properties used in the business. Excluding these increases, YoY operating expenses would be down, thus confirming the focus the Montepaschi Group is placing on the structural containment of costs.

OPERATING EXPENSES (EUR mln)

						Chg. 3Q11 vs 2Q11		Chg. YoY	
	30/09/11	3Q11	2Q11	1Q11	30/09/10	Abs.	%	Abs.	%
Personnel expenses	1.587,8	526,1	518,1	543,5	1.613,9	8,0	1,5%	-26,1	-1,6%
Other administrative expenses(*)	819,7	269,2	280,3	270,2	773,3	-11,1	-4,0%	46,4	6,0%
Administrative expenses	**2.407,5**	**795,3**	**798,4**	**813,7**	**2.387,2**	**-3,1**	**-0,4%**	**20,3**	**0,9%**
Net adjustments to tangible and intangible assets	121,5	40,8	39,2	41,5	122,9	1,6	4,2%	-1,4	-1,1%
Operating expenses	**2.529,0**	**836,2**	**837,6**	**855,2**	**2.510,1**	**-1,5**	**-0,2%**	**18,9**	**0,8%**

of which 93,8 million in higher rental fees resulting from demerger of "Consorzio Perimetro Gestione Proprietà Immobiliari S.c.p.a."



In particular:

A) **Administrative expenses** amounted to approx. EUR 2,408 mln (+0.9% YoY; -0.4% QoQ) due to:

- **personnel expenses**, amounting to approx. **EUR 1,588 mln**, **down 1.6%** on 30 September 2010. This item benefitted from the structural effects of the headcount reduction and redeployment process and actions aimed to step up spending efficiency;
- **other administrative expenses** (after stamp duty and customer expense recovery) came to **EUR 820 mln,** an increase on the same period of the previous year as a result of the recent deal for value creation from property used in the business finalised at the end of 2010 (subsequent to the demerger of the consortium company "Consorzio Perimetro Gestione Proprietà Immobiliari S.c.p.a."), excluding which the aggregate would have shown a downturn of 6.1% as evidence of the cost synergies obtained from reorganisation and cost management actions.

B) **net value adjustments to property, plant and equipment and intangible assets** amounted to approx. **-EUR 122 mln,** down 1.1% compared to 30 September 2010.

On the back of these factors, the Net Operating Income totalled approximately EUR 774 mln, up 2.2% on 30 September 2010 (approx. EUR 757 mln), with Q3 contributing approx. EUR 162 mln. The cost-to-income ratio stood at 59.7%, down 190 bps as compared to the value recorded at the end of 2010.

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

Net profit also included:

- **Net provisions for risks and charges and other operating income/expenses** showing a negative balance of - EUR 174 mln (approx. - EUR 167 mln as at 30/09/2010) with Q3 contributing - EUR 66 mln (- EUR 69.7 mln in the second quarter of the year). The account incorporates -EUR 114 mln in provisions to the fund for risks and charges (covering primarily legal disputes and claw-back actions) and roughly -EUR 60 mln worth of net operating expenses (consisting primarily in legal actions and improvement on third-party assets).
- A balance of -EUR 14.8 mln in **Gains/losses on equity investments**.
- "**Integration costs / One-off charges**" for an amount of -EUR 15.7 mln in early retirement incentives for employees following the organisational restructuring of Banca Monte dei Paschi di Siena.

- **Profit/loss from disposal of investments,** amounting to EUR 34 mln, primarily accounted for by the capital gain arising from the sale of a commercial office building in via dei Normanni, Rome (for further details, see Major events in Q3 2011"). As at 30/09/2010, this item totalled EUR 182 mln and included capital gains from disposal of banking business (72 branches of Banca Monte dei Paschi di Siena).

Due to these components, **profit (loss) before tax from continuing operations stood at approx. 603 mln**, with 106 mln contributed in Q3 2011. For a comparison with the same period of the previous year, it should be noted that, as at 30/09/2010, this item benefitted from the EUR 182 mln capital gain arising from disposal of banking business (72 branches of Banca Monte dei Paschi di Siena).

PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (in EUR mln)

						Chg. 3Q11 vs 2Q11		Chg. YoY	
	30/09/11	3Q11	2Q11	1Q11	30/09/10	Abs.	%	Abs.	%
Net operating income	**773,6**	**162,0**	**262,9**	**348,7**	**756,9**	**-100,9**	**-38,4%**	**16,7**	**2,2%**
Net provisions to reserves for risks and charges and other operating income (expense)	-174,4	-66,1	-69,7	-38,6	-166,5	3,6	-5,2%	-7,9	4,7%
Gains (losses) from equity Investments	-14,8	-7,8	-7,1	0,1	-27,3	-0,7	10,4%	12,5	-45,8%
Integration costs / one-off charges	-15,7	-15,7			-8,8	-15,7		-6,9	78,8%
Profit (Loss) from disposal of branches					21,8			-21,8	n.s.
Gains (losses) from disposal of investments	34,3	33,9	0,3	0,1	181,9	33,5	n.s.	-147,6	-81,1%
Profit (Loss) before tax from continuing operations	**603,0**	**106,3**	**186,4**	**310,3**	**758,0**	**-80,1**	**-43,0%**	**-155,0**	**-20,5%**

Finally, to complete the section on income:

- **Income taxes** for the period amounted to approx. - EUR 233 mln (vs. approx. -319.8 mln as at 30 September 2010). The amount was positively affected by the increase in the regional productivity tax (IRAP) whose effects were accounted for in June and tax deductions of goodwill of subsidiaries pursuant to Law Decree no. 98 of 6/7/2011 for an amount of approx. EUR 52 mln; The tax rate for the period was approx. 38.6%.
- **Profit (loss) after tax from discontinued operations** totalled + EUR 13.8 mln and essentially included the amounts of the capital gain arising from the disposal of MPS Monaco SAM.

The Montepaschi Group's net profit for the period before Purchase Price Allocation (PPA) came to EUR 380.5 mln (EUR 439.9 mln as at 30/09/2010). Considering the net effects of PPA, net profit for the period came to EUR 303.5 mln (vs. 356.9 mln in the first nine months of 2010).

Segment Reporting

In the interest of identifying 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 to the highest decision-making levels) as the basis of representation for a breakdown of its profit and loss/balance sheet aggregates.

On the basis of this approach, a **breakdown of the results achieved by the operating segments** of the Montepaschi Group as at 30 September 2011 is reported in the following table. Data was aggregated according to the existing organisational setup.

At the end of June 2011, the scope of reference for Consumer Banking was altered to no longer include the results of Banca Popolare di Spoleto (consolidated using the proportional method), which are now allocated to the Corporate Center. In view of this change, comparative data for 2010 has been restated on a like-for-like basis. It should again be noted that Biverbanca remains allocated to the Corporate Centre.

SEGMENT REPORTING - Primary segment
(EUR mln)

September 2011	Consumer Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy
PROFIT AND LOSS AGGREGATES								
Financial and insurance income	2.324,8	3,3%	1.437,8	-3,5%	476,5	12,3%	4.239,1	1,8%
Net value adjustments due to impairment of loans and financial assets	323,3	-6,5%	590,9	11,0%	22,4	n.s.	936,5	4,3%
Operating expenses	1.627,8	-2,3%	441,4	-3,9%	459,7	19,8%	2.529,0	0,8%
Net operating income	373,7	56,6%	405,5	-18,6%	-5,6	n.s	773,6	2,2%
BALANCE SHEET AGGREGATES								
Active loans and advances to customers	64.044	-0,5%	72.884	-0,1%	12.626	24,0%	149.554	1,4%
Customer accounts and securities - Distribution network	76.956	-0,4%	26.076	6,9%	58.046	3,0%	161.078	2,0%
Indirect funding - Distribution network	67.762	-4,5%	39.101	7,7%	27.422	-27,2%	134.284	-7,3%
Assets under management	42.315	-6,3%	2.033	-16,0%	3.317	12,5%	47.665	-5,7%
Assets under custody	25.447	-1,3%	37.068	9,4%	24.104	-30,6%	86.619	-8,2%
PROFITABILITY RATIOS								
Cost Income	70,0%		30,7%				59,7%	
Raroc	15,2%		12,2%		-		6,8%	

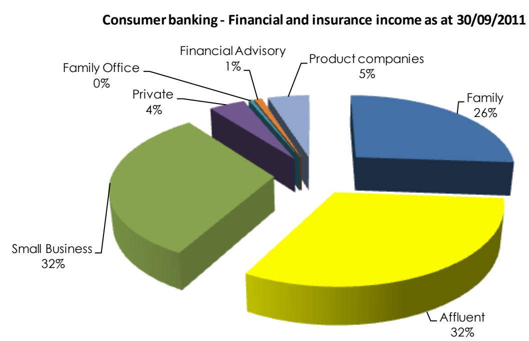
The major business aspects concerning the operating segments in the third quarter of 2011 will be reported in the following pages.

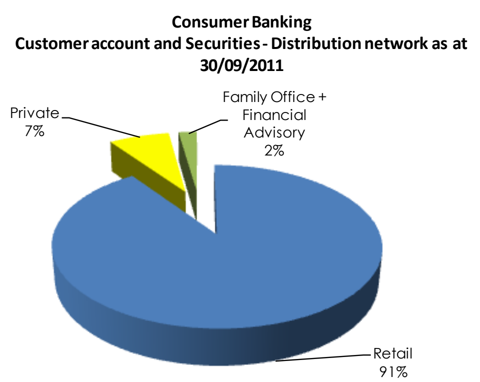
Consumer Banking

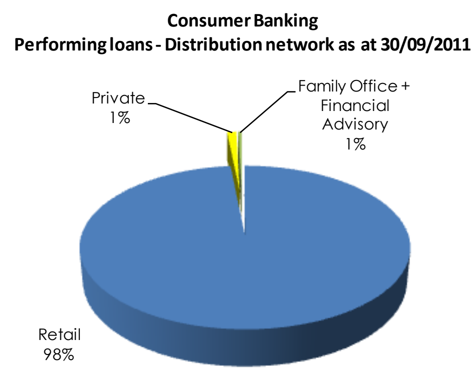
Consumer Banking is responsible for:

- funding from and provision of financial and non- financial services (among other things through the management of electronic payment instruments) to Retail customers (Family, Affluent and Small Business segments) of the divisionalised entities and Consum.it;
- the supply of a customised and exclusive range of products/services to Private customers, in order to meet their 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 advisory.

Consumer Banking	% of Group total	YoY
PROFIT AND LOSS AGGREGATES		
Financial and insurance income (loss)	**54,8%**	3,3%
Net operating income	**48,3%**	56,6%
BALANCE SHEET AGGREGATES		
Deposits from customers and securities distribution network	**47,8%**	-0,4%
Indirect customer funding distribution network	**50,5%**	-4,5%
Active loans and advances to customers	**42,8%**	-0,5%







Activities carried out by the Division

The activities carried out by the Consumer Banking division in the third quarter of 2011 are an integral part of the 2011-2015 Business Plan. Designed to enhance the customer's central role, they were conceived of on the basis of a '360-degree advisory' model capable of making the most of the multibrand opportunities on offer as well as of partnerships with product companies, both in Protection and Consumer Credit. A careful analysis of customer needs made it possible to promote sales and distribution initiatives which translated into an integrated range of offerings designed to improve Bank-Customer relationships in view of mutually advantageous growth and achievement of corporate development objectives.

Retail customers

- **"Family"** segment: Sales and distribution planning focused, on the one hand, on value creation through **cross-selling** actions. On the other, it pursued the **expansion of the customer base** by marketing ad-hoc products (e.g. "Tre per Tre") aimed at meeting customer needs in terms of education on saving, e-money and protection. A special focus was placed on **Protection and Pension** as well as on a careful **review of the catalogue of loans to households** with a view to providing a more effective offering of solutions. Within the framework of the "Family Plan" initiative conducted in synergy with Monte dei Paschi's "Fight the Crisis" plan, nearly 6,000 mortgage loans were suspended as at the end of September, for an overall outstanding debt of approx. EUR 600 mln. As at 30 September 2011, approximately 2,000 loans were granted in the area of "photovoltaics and environment", whereas 'microcredit loans for families and young people" (driven in particular by the New-Born Fund) totalled 740. During the third quarter, the Montepaschi Group has adopted the provisions set forth in the Italian "Development Decree" on the re-negotiation of mortgage loans and joined the government programme **'Diamogli Futuro'** promoted by the Italian Banking Association and the Ministry for Youth policies to concretely help people under 35 purchase their first home.

- **"Affluent"** segment: The third quarter of 2011 saw the consolidation of the advisory approach and sales planning which were structured in the first part of the year along the following lines of development:
  - ✓ Method campaigns used to implement MIFID compliance initiatives designed to monitor funding, requalify portfolios and promote protection and insurance;
  - ✓ wider use of the Advice advisory platform (over 20% of total Affluent volumes are already managed through the advanced advisory approach);
  - ✓ product placement fully aligned with market advisory platforms, again in accordance with MIFID.

- **"Small Business"** segment: The Montepaschi Group has ensured adequate support to small businesses particularly by means of **short-term consumer loans**, both as part of the usual sales and distribution planning and through more specific actions for higher-rating positions as well as by continuing to promote the "Joint Notice" initiative envisaging the suspension of instalment payment of principal on medium-long term loans: as at 30 September, 7,238 loans had been suspended at Group level, for a total outstanding debt of approx. EUR 1,243 mln. During the third quarter, the Montepaschi Group adopted the provisions set forth in the Italian "Development Decree" on the portability of mortgages subscribed to by businesses.. The AXA-MPS **Personal and Property Protection** insurance offering was confirmed by developing sales and distribution processes designed to present the best-suited solutions for businesses in the most effective way, with a view to increasingly meet their needs. For this purpose, initiatives were put in place to extend the use of P&C protection policies providing coverage for damage caused to the property of the business as well as for personal damage suffered by the 'key man', enriching the wide AXA MPS range with new products for SMEs during the year, such as the recently developed **Business Injury policy** for protection from occupational risk.

- **"Private"** segment: In line with the strategic decision to foster a more widespread use of advanced advisory services and ensure the appropriate follow-up on and contact with customers, a set of integrated activities were put in place during the quarter, focusing on the quality and competitiveness of the range of products and services offered to Private clients. In particular, the Intergenerational Transition initiative was further developed for the purpose of both acquiring non-customer prospective heirs and planning the clients' property transfer partly in view of a gradual re-generation of the customer base. The organisational introduction of the Local

Market Units made it possible to focus increasingly on an integrated management of relations, aimed at establishing advantageous synergies primarily for businesses.

Family Office customers

Family Office involves the “direct management” of the customer so as to create and consolidate long-term relations with high-worth families while offering a tailored service that covers all of their financial and non-financial assets and provides "value-protection" through careful planning of inter-generational transfers.

The most significant advisory and commercial initiatives undertaken in the third quarter were intended to increase efficiency in target customers' wealth management by attaching priority to three areas of action: Managed Accounts, UCITS and Bancassurance. Important innovations have been achieved in the area of *Private Insurance* products and services[9] thanks to the strategic partnership between AXA and MPS.

Excellent operating coverage is also guaranteed for non-listed assets through very high-standing international partners

Financial Advisory

In the third quarter, the Financial Advisory Network achieved significant results in terms of growth in AUM volumes and improvement of competitive positioning. This led to an increase in the average total assets managed by each financial advisor, which grew more than proportionally with respect to the same aggregate at banking system level[10].

The attainment of these results was made possible by the following initiatives implemented during the period under consideration:

- marketing activities focusing on the recruitment of financial advisors with a high level of expertise and seniority (62 new recruitments in the first nine months of 2011);
- requalification of customer portfolios;
- careful monitoring of the Network's overall ways of operation.

Product/service innovation

Contoonline was restyled with multiple new features compared to its previous version: it can now only be subscribed to on line by new customers and it is free of charge for transactions from remote channels, in line with the multichannel product strategy providing for different fees to be charged depending on the use of innovative channels or branch service. **Conto Zip** continued to show an excellent performance, with 52,547 accounts opened

E-MONEY– Collection and payment services

As at 30 September 2011, circulating **payment cards** of Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca remained stable at around **3.3 mln** despite the replacement of cards, reflecting the high level of Group customer loyalty. A further breakdown reveals a prevalence for **debit cards (47%)** followed by **charge cards (32%)**, while pre-paid and revolving credit cards accounted for 18% and 3% respectively.

The results achieved from activities for the **prevention and monitoring of card fraud** in the first nine months of 2011 show a year-on-year reduction of 50% in the number of debit card fraud cases and 80% in the related amounts (a benefit of approx. EUR 8.9 mln), a demonstration of the highly effective monitoring and prevention tools implemented by the Group and the gradual migration towards credit cards with chip-embedded technology (completed in September).

As to the **POS system**, the number of terminals totalled 124,000 at the end of September, slightly below the volumes registered as at 30/06/2011, owing to the difficult economic and financial cycle which forced several business activities to close down.

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[9] Main initiatives include:

- ✓ Launch of **Melody Premium**: an evolution of the 'Melody' policy for the Family Office channel with an admission threshold of EUR 5 mln, offering the highest degree of contractual and investment flexibility allowing also for direct asset allocation and asset manager selection.
- ✓ Restyling of **Melody Advanced**, with lower admission threshold and launch of a new line investing in the market of raw materials.
- ✓ **“Finestra sul mercato“,** an agreement that makes it possible to execute orders and/or trade foreign currencies through direct access to the trading desks of the Group company, MPS Capital Services;
- ✓ **Proactive financial advice for customers** through interactive conference calls, documentary formats, on-demand analysis, performance and risk monitoring;
- ✓ **Non-financial advice**: advisory on investments in diamonds is now provided through a partnership with Intermarket Diamond Business.

[10] Source: Assoreti

by new customers of BMPS and BAV as at the end of August. **The product obtained the important 'Cerchio d'Oro' award for Financial Innovation promoted by AIFIN.**

With regard to extending the professional advisory model to financial investments, the roll-out of the new **MPS Advic**e platform has been completed. The tool is now available to all of the Group's retail banks. In the first nine months of 2011, nearly **180,000 advanced advisory proposals** were formalised, up significantly on September 2010 (+19%).

As evidence of the Group's strategic propensity for an advisory approach, new activities were planned for 2011 in order to expand the forms of access to the Group's advisory services and functionally enrich or consolidate the Advice platform. These activities were developed within the 'Advisory' scope of the Mifid project; in particular, the process aimed at making sure that investment services and trading are in compliance with the requirement of appropriateness was completed, providing for **product placement to be mandatorily accompanied by advisory support**.

In a global market context that continues to be difficult and extremely uncertain for customers, the range of products offered by the preferred partner, Prima Funds, was further enriched with the release of a new Bond segment with periodic pay-out of coupons (Bond 2016 Multicorporate 2) and three new segments with secured capital at maturity (Protetto 100 Cedola BRIC 2016, Protetto 100 Energia Pulita and Protetto 100 Cedola BRIC 2016/2). Additionally, in line with the Group's multi-brand positioning, intense activity continued for the purpose of guaranteeing a constantly competitive and innovative range of products and services. To this end, the existing catalogue has been enriched with new vehicles (e.g. Ubs Equity Sicav, Fidelity Fast) and new investment houses for the markets of Financial Advisory (Aviva Investors, Swiss & Global) and Family Office (Carmignac, Lemanik and Russell Inv). With the intent to meet the needs of a particularly demanding and knowledgeable customer segment, the 'GP Istituzionali' wealth management account by Prima Sgr was released for placement with "Institutional clients and Foundations" and "Large Corporate and Key Clients".

The catalogue of products offered by **Financial Advisors** was supplemented with the new product GPA TOP (Managed Accounts with prior assent highly integrated with the advisory platform MPS Advice) to allow for a better engagement of customers in the strategic management of their investments.

Finally, with regard to the **Paschi Face project,** work continued on the creation of **other advisory-based sales processes**. In particular, 'functional requirements' for transactional and lending products were conceived of -and are now being developed- for the purpose of guiding relationship managers in identifying the products that are best suited for the customer profile (through a dedicated questionnaire) so as to meet customer needs through the integration of advisory services with matching products. The objective is to present the customer with a final document summarising the items discussed with the relationship manager of his choice, before any purchase of selected products is formalised.

As for **Life insurance**, the marketing of Unit-Linked policies available during certain time windows continued based on a Dynamic Protection Insurance (DPI) approach, which saw the release of two policies (**Dynamic Protection Asia 2018 and Dynamic Protection Real Assent 2018**) in July and September. With regard to Index-linked policies, the distribution of two new products was launched, relating to the Asian (Corea and Japan in particular) and Scandinavian markets.

In the third quarter, the **Property and Casualty Insurance** segment was characterised by the release of **'AXA MPS Business Injury Protection'**, an insurance policy providing coverage for both occupational and non-occupational injuries, and '**AXA MPS Injury Protection'**, specifically designed for Family and Affluent current account holders.

Analysis of the balance sheet and income statement

As at 30 September 2011, volumes of **total funding registered by the distribution network** for the Consumer banking division came to approx. **EUR 145 bln** down by nearly EUR 3.5 bln (-2.4%) on the same period of last year. In the third quarter, **direct funding** volumes were down 1.2% (approx. - EUR 950 mln) on 30/06/2011 totalling **EUR 77 bln**, in line with the levels registered in the previous year (-0.4%). The aggregate was particularly affected by lower deposits from Family clients, which was partially offset by higher volumes in the Affluent segment. **Indirect funding**, totalling approx. **EUR 68 bln** (-4.5% YoY), saw a reduction by approx. EUR 3 bln in the quarter, partly on the back of a significant depreciation of financial assets following the market crisis.

'Active' loans to customers, amounting to approx. **EUR 64 bln**, continued to reflect levels in line with those as at 30 September 2011 (-0.6%) and as at 30 September 2010 (-0.5%), with the Family segment showing a more pronounced growth in mortgage loans in Q3 2011.

In terms of profit and loss, Consumer Banking's **Net Operating Income** as at 30 September amounted to roughly **EUR 374 mln** (+56.6% YoY), with **Q3 contributing approx. EUR 128 mln**, a lower input than in Q2 2011. **Basic income was up 2.8% YoY (+2.8% QoQ)** thanks to an upturn in net interest income (+5.5% YoY; +4.3% QoQ). This upturn was primarily driven by repricing of retail mortgage loans and recent trends in net fees and commissions (-0.7% YoY) which, despite the period's typical seasonality, were up 0.8% on Q2 2011, particularly as a result of marketing of index-linked policies. Loan loss provisions are shrinking mainly as a result of the curtailment of existing Past Due loans.

As a result of the above, as at 30 September 2011 the cost-income ratio for Consumer Banking stood at 70%.

Consumer banking

(EUR mln)	30/09/11	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	1.345,3	5,5%
Net fees and commissions	954,0	-0,7%
Other income	25,5	73,6%
Income from banking and insurance	**2.324,8**	**3,3%**
Net value adjustments due to impairment of loans and financial assets	323,3	-6,5%
Operating expenses	1.627,8	-2,3%
Net operating income	**373,7**	**56,6%**
CAPITAL AGGREGATES		
Active loans and advances to customers	64.043,9	-0,5%
Customer accounts and securities - Distribution network	76.956,1	-0,4%
Indirect funding - Distribution network	67.761,7	-4,5%
Assets under management	42.314,9	-6,3%
Assets under custody	25.446,8	-1,3%

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 period of EUR 28.6 mln (20.8 mln as at 30 September 2010);
- **MP Fiduciaria** posted a profit for the period of EUR 1 mln (1.1 mln in the first nine months of 2010);

Corporate Banking

The Corporate banking division oversees the Group's business strategies targeted to Small/Medium Enterprises, Institutions and Public Administration as well as Corporate Clients consisting in Large Corporate groups with an annual turnover of at least EUR 200 mln or otherwise characterised by specific needs and special operational complexity.

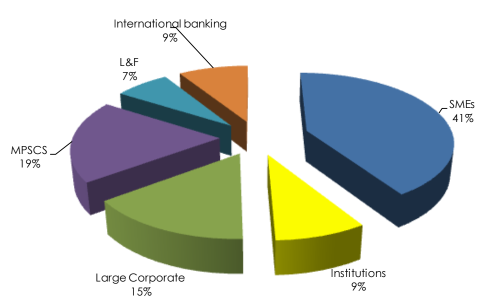
The Montepaschi Group is active in corporate banking through its offer of numerous financial products and services associated with lending and forms of strategic collaboration with trade associations and Confidi credit guarantee consortia.

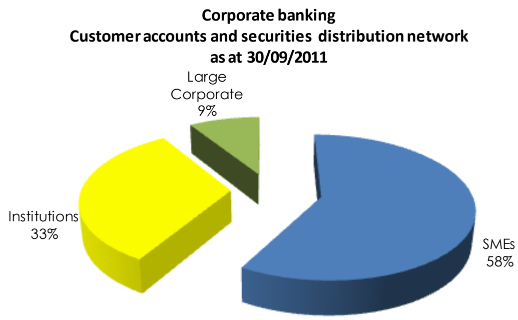
The placement of products and delivery of services to target customers are ensured through the Group's **distribution network** which, for more highly-specialised offerings, relies on the support of the **product companies** who report directly to the division: MPS Capital Services (corporate finance, capital markets and structured finance) and MPS Leasing & Factoring (specialised in the offer of leasing and factoring for businesses).

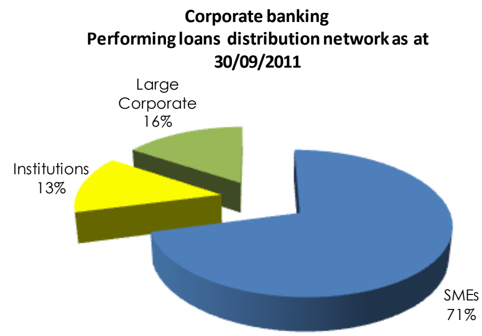
The Corporate banking division is also responsible for the **activities carried out by banks and branches abroad** to support the operations of domestic customers in the foreign markets (especially in emerging or developing countries), with particular reference to the development and completion of internationalisation projects for Small and Medium Enterprises.

Corporate banking	% of Group total	YoY
PROFIT AND LOSS AGGREGATES		
Financial and insurance income (loss)	**33,9%**	-3,5%
Net operating income	**52,4%**	-18,6%
BALANCE SHEET AGGREGATES		
Deposits from customers and securities distribution network	**16,2%**	6,9%
Indirect customer funding distribution network	**29,1%**	7,7%
Active loans and advances to customers	**48,7%**	-0,1%

Corporate banking - Financial and insurance income as at 30/09/2011







Activities carried out by the Division

Influenced by an escalation of the sovereign debt crisis in peripheral EU countries and worsening credit market conditions, the sales and distribution activity of the Corporate Banking division in the third quarter of 2011 focused on the following main areas of development, as a way to reconcile the need for support expressed by the manufacturing industry with the division's growth objectives:

- **increasing the capital base**, with a special focus on growth in direct funding;
- **expanding the share of wallet in lending**, by increasing high credit standing customers' utilisation of unused lines of corporate credit;
- rationalising the use of **funding from the Loan and Deposit Fund (Cassa Depositi e Prestiti, CDP) and the European Investment Bank (EIB)**;
- **extending the duration of the most important anti-crisis measures**, by continuing to take part in initiatives reiterated by the banking system or re-proposing products developed autonomously by the Group;
- **offering higher value-added 'export finance' products** and services, also designed to hedge against country and trade risk in the most appealing emerging markets, with a view to providing best support to businesses in their internationalisation process;
- **optimising the product catalogue** to make it increasingly consistent with SMEs' investment and protection needs.

<u>SMEs</u>

On 18 July 2011, Banca Monte dei Paschi di Siena Spa, in its capacity as the Parent Company of a Banking Group, MPS Capital Services SpA and the European Investment Bank (EIB) entered into a Loan Agreement ("Italia MID-CAP III/E") amounting to EUR 20 mln, for the funding of loans to Mid Cap companies (unlisted mid-sized businesses). The agreement is part of a set of initiatives designed to favour credit access through agreements with Funding Institutions.

Despite expiry of the"Joint Notice" initiative on 31 July 2011, the Montepaschi Group decided to extend until 31 December 2011 some of the actions included in the 'support package for SMEs' made available to customers in 2009. In particular, the "Time Out"[11] and "Prorogatio"[12] products have been extended.

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[11] A grace period for instalment payments of principal for a maximum of 12 months on mid/long term, secured or unsecured loans.

[12] Extension, upon request and for up to 6 months, of the maturity of advances on receivables owed to companies by the Public Administration and channelled through the Bank provided that valid certification pursuant to current regulations is supplied.

As a result of the renewal of the memorandum of understanding “Progetto Italia & Turismo”, an initiative launched by the Ministry of Tourism in collaboration with part of the credit system, trade associations (Confturismo-Confcommercio, Federturismo-Confindustria and Assoturismo-Confesercenti) and the Confidi credit guarantee consortia, the amount of credit made available by the Group during the quarter was increased to EUR 700 mln. These resources are accessible to businesses through the combined offer of a Confidi guarantee with a product (“Tourinvest”) specifically designed to support investments for the requalification and growth of the tourism industry, with a special focus on the processes of combination, value creation, generational turnover, energy savings and compliance with safety regulations (L.626). The following areas of intervention in the memorandum are currently being developed, with implementation scheduled for the fourth quarter of 2011:

- ✓ favouring access to credit for small-sized tourism businesses;
- ✓ higher flexibility in the type of loans made available, with short-term business terms applied to consider the seasonal nature of tourism.

As far as **product/service innovation** is concerned, the following more significant initiatives are highlighted:

- ✓ **CDP Credit Facility**: In September, a new version was released for the product which allows the Group's retail banks to access funds made available to the Italian banking system by the Loan and Deposit Fund (Cassa Depositi e Prestiti, CDP) through what is known as the “Plafond Stabile”, i.e. an ongoing, indefinite-duration funding mechanism for banks. The product was restyled in terms of loan repayment time and eligibility of applicants, with the scope now extended to agri-food businesses.
- ✓ '**Sovvenzione 2011**': A new SMEs short-term credit facility with predetermined duration until 2 January 2012, whose first marketing phase was completed by the end of September. Amounting as a minimum to EUR 100,000.00, the loan is made available on top of unused financial credit lines, with one-time repayment of principal and interest at maturity.
- ✓ **Agreements on photovoltaic and micro-wind plants**: During the third quarter, the groundwork was laid for an extension/re-negotiation of existing agreements with main industrial operators (Enel.si, Acea, Beghelli, Proit, Albatech, Metalco). Moreover, on 15 September 2011, the first 'micro-wind power' agreement was signed with the company, Tozzi Nord, to provide financial support to Corporate clients for investments in small-sized wind power installations.
- ✓ **Terramica:** Exclusively designed for agricultural businesses, the financial package has been enriched with additional products targeting:

  - businesses operating in agro-energy;
  - advance payment of EU farm subsidies under the Common Agricultural Policy (CAP) for 2013;
  - businesses operating in the cereal, wine and olive oil sectors;
  - short, medium and long term loans for agritourism businesses.

  An amount of EUR 500 mln (approved in July 2011) was earmarked to sustain and foster the initiatives set out as part of the package .

<u>Institutions and Public Administration</u>

The services included in the “Ordinativo Informatico Locale – OIL" project for the adoption of electronic payment and collection practices in Italian public schools were extended to a second school complex in September. Developed by the Italian Banking Association on the initiative of the Italian Ministry of Education, University and Research (it. MIUR), the project is aimed at facilitating the use of ICT in the public schools the bank provides Treasury services to.

The importance of this initiative, which targets the Public Administration/Public Schools client segment, was further enhanced following decision by the Ministry as per circular letter no. 6366 of 05.08.2001 to make the use of electronic payment and collection systems mandatory as of September 2011, with the obligation for this tool to be included in future tenders.

The Montepaschi Group is committed to supplying all public schools which it provides Treasury services to with the **Paschi in Tesoreria** product, that has long been included in the catalogue and positively used by other public institutions. The product will be offered together with the **Digital Signature Kit** for a complete automation of the Bank-School interface so as to eliminate manual transactions and operational risks associated with this service.

The massive rollout of the project, which was started up in the course of the first quarter of 2011, is planned for the final part of the year.

Activities carried out by MPS Capital Services

In the third quarter of 2011, MPS Capital Services (MPSCS) focused its **Project Financing** activities primarily on renewable energy[13], which was marked by a certain level of dynamism after the slowdown it had registered in the first part of the year due to the uncertainties arising from regulatory changes in the system of incentives.

In relation to **Loan Syndication** activities, MPSCS has placed 2 loan syndication deals on the market (totalling approx. EUR 60 mln – MPSCS share approx. EUR 17 mln), in which MPSCS participated as Loan Syndicate Leader and Arranger. At the end of the third quarter, a further 4 transactions were under syndication for a total of EUR 167.2 mln (MPSCS contributing 61.3 mln). One of these (amounting to EUR 28 mln with MPSCS contributing EUR 16 mln) was effected in the course of the third quarter.

In its capacity as **arranger** on behalf of Banca Monte dei Paschi di Siena, in Q3 2011 MPS Capital Services successfully arranged a syndicated transaction (including stipulation) for a total of EUR 4 mln. On the basis of mandates signed by the customer, 4 lending transactions totalling EUR 228 mln were also being arranged at the end of the quarter.

In the area of **Equity and Debt Capital Markets**, MPS Capital Services assisted as Advisor the company Risanamento S.p.A in relation to the issue of bonds mandatorily convertible into newly-issued ordinary shares upon maturity in 2014. Despite the difficult economic cycle, heightened by the sovereign debt crisis in the European periphery and the subsequent decline in credit market conditions, in Q3 MPS Capital Services:

- ✓ acted as coordinator for the Montepaschi Group's placement activities in the initial public offering and underwriting of six-year maturity bonds issued by Eni S.p.A and targeting Italian investors in two tranches, one at fixed rate and the other at variable rate.
- ✓ obtained a mandate for the private placement of one type of bond issued by a company not listed on regulated markets.

International banking

A spur to operations with foreign countries has been given through several channels, sharing one common factor: the extensive development of existing business relations and the search for new customers, providing services aimed at supporting the internationalisation of SMEs in addition to products in the catalogue.

Within this area, activities continued in relation to the Agreement with SACE (Italian export credit insurance agency) concerning a **medium-term financing plan** in support of costs and investments in the SMEs internationalisation process with a first-demand SACE guarantee of up to 70%; in particular, it should be noted that in July 2011, the

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[13] The more significant financing transactions completed by MPS Capital Services in the quarter included:
- the creation of a portfolio of 10 plants at sites located in five Italian regions, for a total installed power of 77.1 MWp (MPS Capital Services was Mandated Lead Arranger, Technical Bank and Facilities Agent in the transaction);
- the installation of a photovoltaic plant in Campania (23.6 MWp) and in Puglia (6.2 MWp);
- the instalaltion of a wind turbine in Puglia with a capacity of 44.2 MWe.

current non-rotating ceiling of an original EUR 60 mln - intended for this operation and depleted in the first half of 2011 - was increased to EUR 90 mln, with the Agreement extended for a further 2 years.

Preliminary activities continued towards the definition of a further agreement with SACE for the release of guarantees against **short-term loans** to small and medium enterprises supplying the foreign market. The agreement should be finalised during the fourth quarter of 2011.

It should be noted that, in the third quarter of 2011, credit export transactions with SACE amounted to approx. EUR 9.2 mln (of which EUR 5.6 mln attributable to Banca Monte dei Paschi di Siena and 3.6 mln to Banca Antonveneta).

As for foreign trade flows, volumes of commercial/financial trading regulated by the Montepaschi Group's retail banks in the third quarter of 2011 (Source: ESTAT, findings refer to all service models excluding Large Groups) registered an increase of approx. +6.5% as compared to the same period in 2010.

Analysis of the balance sheet and income statement

As at 30 September 2011, volumes of **total funding with Consumer and Corporate customers** amounted to approx. **EUR 65 bln**, up 7.4% on the previous year although down 9.4% on 30/06/2011. **Direct funding**, totalling approx. **EUR 26 bln**, remained largely in line with levels as at 30 June while there was a 6.9% increase (+1.7 bln) on the previous year owing to the rise in volumes from Institutional and SME customers. **Indirect funding** fell to approximately **EUR 39 bln** (-15.2% on 30/06/2011 due to operations of Large Corporate Groups and market-cycle effects) but remained above the levels recorded at the end of September 2010 (+7.7%).

'Active' loans came to approx. **EUR 73 bln**, stable on both 30/06/2011 and on the previous year, with lending for the third quarter registering a rise of approx. EUR 520 mln (+1.5%) in volumes of lending to Small and Medium Enterprises and a drop of approximately EUR 339 mln (-4.2%) in loans to Large Corporate customers.

With reference to profit and loss aggregates, in the first nine months of the year **Net Operating Income** for the Division stood at approx. **EUR 406 mln** (-18.6% YoY), with **Q3 contributing over 91 mln**, down 13.4% on the previous quarter owing to the downturn recorded for other revenues, weighted down by the trading activities of MPS Capital Services. The aggregate reflects an **improvement in basic income** for the quarter, boosted by the growth in interest income (+4.1% QoQ) and substantially stable net fees and commissions (-1.2% QoQ). The cost-income ratio for this division stands at 30.7%.

Corporate Banking

(EUR mln)	30/09/11	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	982,1	-1,4%
Net fees and commissions	412,1	-1,3%
Other income	43,6	-42,9%
Income from banking and insurance	**1.437,8**	**-3,5%**
Net value adjustments due to impairment of loans and financial assets	590,9	11,0%
Operating expenses	441,4	-3,9%
Net operating income	**405,5**	**-18,6%**
CAPITAL AGGREGATES		
Active loans and advances to customers	72.884,0	-0,1%
Customer accounts and securities - Distribution network	26.075,9	6,9%
Indirect funding - Distribution network	39.100,7	7,7%
Assets under management	2.032,5	-16,0%
Assets under custody	37.068,2	9,4%

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

- **MPS Capital Services Banca per le Imprese:** posted a net profit for the period of approx. EUR 50 mln (approx. 85 mln as at 30/09/2010);
- **Mps Leasing & Factoring[14]:** posted a net profit of approx. EUR 13.5 mln as at 30 September 2011 (consolidated result of approx. 6 mln in the first nine months of 2010);

With regard to the Group's banks abroad:

- **Monte Paschi Banque**: posted a net income from banking activities of approx. 38 mln (approx. 34 mln as at 30 September 2010);
- **Monte Paschi Belgio**: posted revenues for 18 mln (approx. 16 mln as at 30/09/2010), achieving a net profit for the year of approx. 3 mln.

[14] The merger by aborption of MPS Commerciale Leasing SpA into MPS Leasing & Factoring SpA was completed in the second quarter of 2011 (with legal effect as of 1 May 2011).

Corporate Center

The **Corporate Center** is an aggregation of:

a) operating units which, on an individual basis, are 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, which include in particular ALM, Treasury and Capital Management);

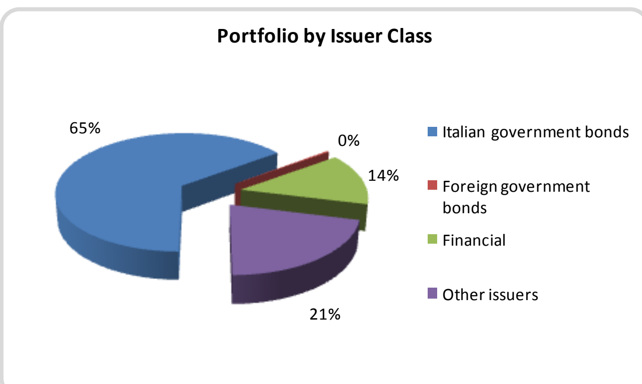
c) service units providing support to Group units, particularly with regard to collection of doubtful loans (reporting to the Credit Governance Area), real estate management, and IT systems management and development (all reporting to the "Human Resources, Organisations, Property and Facility Management" division).

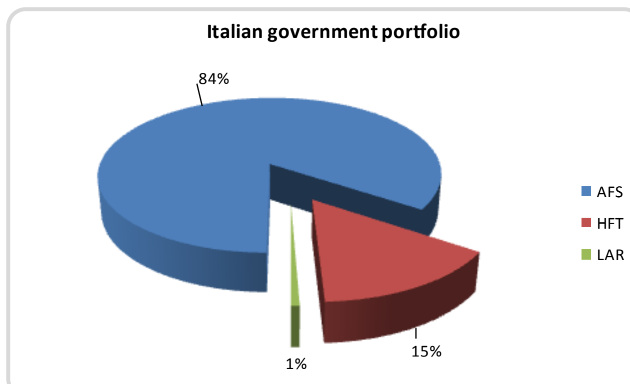
The Corporate Centre also incorporates the results of Biverbanca (not yet reporting to the bank's divisions), the pro-rata interest of Banca Popolare di Spoleto (included under Consumer banking until 31/03/2011), the profit & loss of companies consolidated at equity and those held for sale, as well as cancellations of intragroup entries.

GROUP FINANCE

Proprietary Finance

As at the end of September 2011, the **Group's portfolio of securities and derivatives** came to EU**R 38.5 bln** with Italian government bonds, net of short positions, accounting for approx. 65% (approx. EUR 25 bln)[15] in line with the previous quarter, mainly included under accounting category AFS (84%) and, to a lesser degree, under HFT (15%). The breakdown reflects the Group's strategic aim of boosting interest income.





As for developments in volumes, the stock of the Group's securities portfolio remained in line with levels as at 30/06/2011, with the HFT component associated with trading by MPS Capital Services growing by approx. 1 bln, and the AFS accounting category decreasing by the same amount:

PORTFOLIO OF TREASURY SECURITIES AND DERIVATIVES (€/million)

MONTEPASCHI GROUP Type of portfolio	30/09/11	30/06/11	31/03/11	31/12/10	30/09/10	Chg. vs 31/12/10		Chg. vs 30/09/10	
						Abs.	%	Abs.	%
Held For Trading (HFT) (1)	10.723	9.744	6.464	10.132	11.015	591	5,8%	-292	-2,7%
Available For Sale (AFS) (2)	23.980	24.935	21.642	21.802	19.578	2.178	10,0%	4.401	22,5%
Loans & Receivable (L&R) (3)	3.824	3.750	3.832	4.378	3.977	-554	-12,7%	-153	-3,9%
Total	**38.526**	**38.430**	**31.939**	**36.312**	**34.571**	**2.215**	**6,1%**	**3.956**	**11,4%**

(1) "Financial Assets Held for Trading" excluding "Loans" and net of the value of derivatives recognised under "Financial Liabilities held for Trading"

(2) "Financial Assets Held for Sale" excluding "Loans", including Equity Investments.

(3) Securities classified as "Loans and Receivables" posted to "Loans and advances to Customers".

15 The nominal value of Government Bonds, net of short positions, came to EUR 27.4 bln while the value of active positions alone stood at EUR 28.7 bln.

Regarding the treatment of market risk in the *Group's "Regulatory Trading Book", which is operationally monitored using VaR (Value-at-Risk), please refer to the chapter on "Integrated risk and capital management"*.

NET INTERBANK POSITION AND LIQUIDITY MANAGEMENT

As at 30/09/2011, the **Group's interbank position**, which stood at **EUR 14.7 bln**, continued to rise, registering a rise of approx. EUR 4.6 bln on the end of June following the increasing use of interbank funding. The performance is primarily due to the fall in direct funding, within which (as shown in the paragraph on Funding) there was a decline in short-term market funding (in particular institutional CDs and funding through the Cassa di Compensazione e Garanzia clearing house) compared to a substantially stable position for customer funding. In substance, a shift in market funding was obtained in the third quarter by replacing institutional funding with "interbank" funding.

INTERBANK BALANCES (end-of-period; EUR mln)

	30/09/11	30/06/11	31/03/11	31/12/10	30/09/10	Chg. vs 30/06/11		Chg. vs 30/09/10	
						Abs.	%	Abs.	%
Loans and advances to banks	19.811	14.917	14.913	15.211	15.909	4.894	32,8%	3.902	24,5%
Deposits from banks	34.534	25.024	24.536	30.619	31.738	9.510	38,0%	2.796	8,8%
Net borrowing position (*)	**-14.723**	**-10.107**	**-9.623**	**-15.407**	**-15.829**	**-4.616**	**45,7%**	**1.106**	**-7,0%**

(*) Loans and advances to banks/customer accounts are inclusive of loans to/from banks comprised in financial assets/liabilities held for trading.

At the end of September 2011 the short-term and structural liquidity position showed a **non-committed counterbalancing capacity of approx. EUR 5.4 bln**.

Moreover, as at 30 September, **the Banking Book interest rate sensitivity significantly decreased**, and its ratio to the regulatory capital was well below the Basel II attention threshold, thanks to the mitigation strategies implemented by the Group both with regard to assets (especially by hedging the optional component of capped mortgages), and to liabilities (with a sharp reduction in the shift of medium-to-long term funding from fixed to variable rate).

Group equity investments

In the third quarter of 2011, the Group continued the rationalisation of its equity investment portfolio. The following transactions were completed by **Banca Monte dei Paschi di Siena**:

- acquisition of a 3.30% stake in La Ferroviaria Italiana SpA, as a result of final entitlement in liquidation of Alexa SpA;
- acquisition of a 16% stake in Società Gestione Crediti Delta SpA, a newly-established company originating from the Delta Group's Restructuring Plan;
- increase from 10% to 100% in the investment held in Siena Mortgages 03-4 Srl which thus becomes part of the Montepaschi Banking Group;
- subscription of capital increase for Immobiliare Novoli SpA, keeping shareholding unaltered at 8.33%;
- sale of a part of its stake in Sorin SpA, reducing its shareholding from 6.71% to 5.73%;
- divestment of the 11% shareholding in Alexa SpA, following conclusion of the liquidation procedure;
- divestment of the 25% shareholding in Pedemontana Veneta SpA;
- divestment of the 0.004% shareholding in Visa Inc.;

Similar initiatives were also undertaken by other Companies of the Montepaschi Group during the period. More specifically:

- **Banca Antonveneta** exercised its right of withdrawal from FIN.SER. SpA (15% shareholding);
- **Agrisviluppo** exercised its right of withdrawal from the cooperative Cantine Riunite & Civ: Società Cooperativa Agricola (11.33% shareholding);
- **Monte Paschi Banque SA** sold its 100% shareholding in Monte Paschi Monaco SAM. The Monegasque bank, therefore, is no longer part of the Montepaschi Group;
- **MPS Capital Services SpA** has: (i) acquired a 3.31% shareholding in Arkimedica SpA; (ii) acquired a 2.82% shareholding in Bioera SpA; (iii) acquired a 30% shareholding in DBI-FAU Srl.

Transactions listed incorporate the changes brought about to the Group's equity investments portfolio in the first half of the year, as described in the Financial Report as at 30 June 2011.

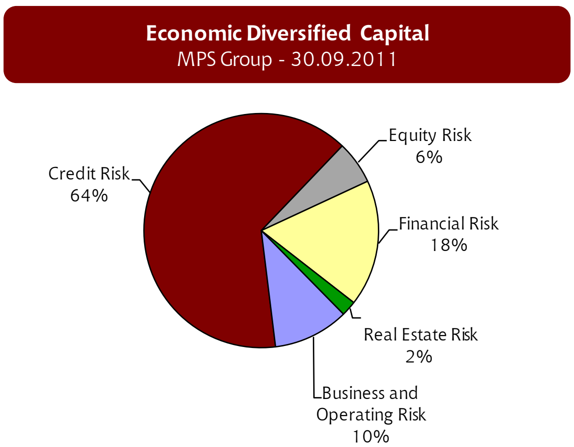
Integrated risk and capital management

The Risk Measurement and Control Process

Please refer to the relative chapter in the Consolidated Financial Report and to Part E of the Consolidated Notes to the Financial Statements as at 31.12.2010, and to the Half-Year Financial Report as at 30.06.2011, for a description of the Group's internal risk measurement and control process. Following is an outline of the main results obtained from the analysis of the Montepaschi Group's Economic Capital and Risks as at 30.09.2011.

An analysis of the Montepaschi Group's Economic Capital

As at 30 September 2011, the Overall Economic Capital of the Montepaschi Group was broken down as follows: credit risk (64% including counterparty risk, issuer risk and concentration risk), equity investments risk (6%), operational and business risks (10%) and real estate risk (2%). The working capital against financial risks (mainly consisting in the typical risks of the Trading Book and ALM Banking Book) amounts to approx. 18% of the Overall Economic Capital.



Credit Risk

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

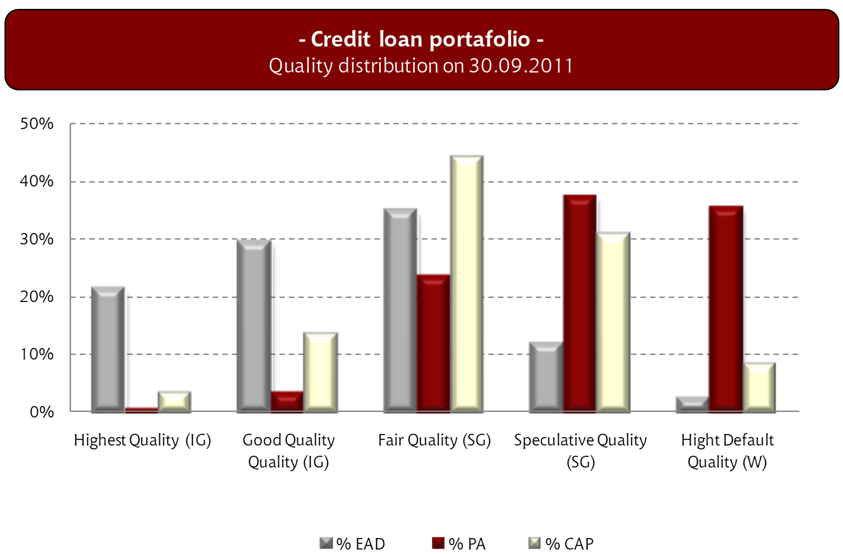
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined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

The portfolio model output provides detailed measures for individual positions as well as the absorbed operating capital component and indicates the impact of diversification as compared to a building-block approach.

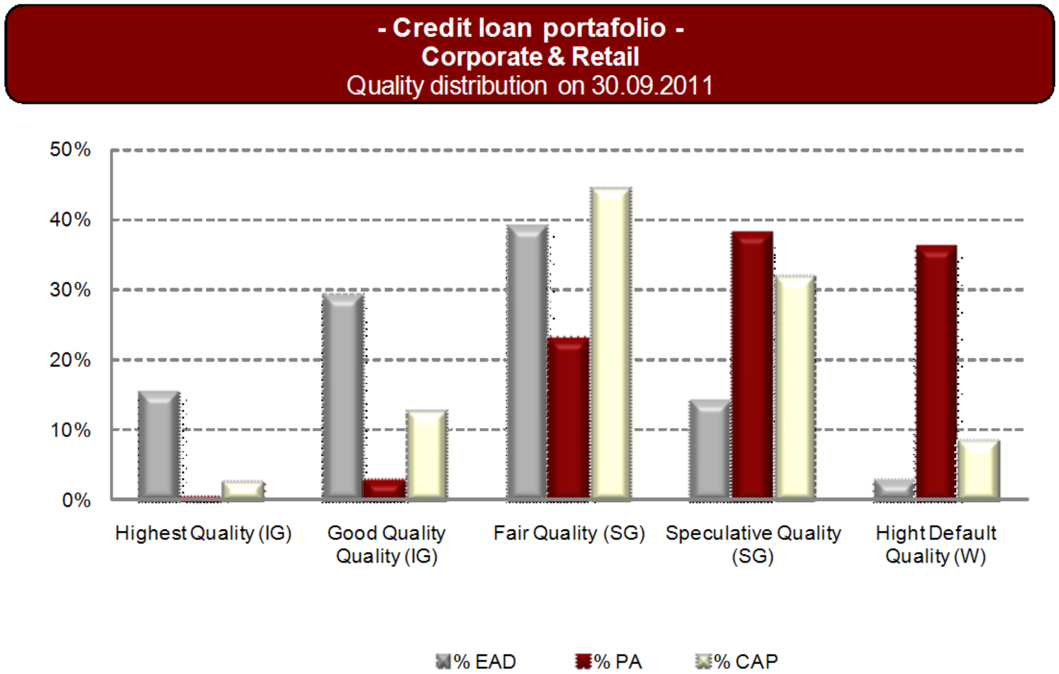
The model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographic area, business area, rating class and continental areas. Other information derived from the Credit Portfolio Model concerns "what-if" analyses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

In accordance with the provisions of the Second Pillar of Basel 2, the Montepaschi Group is committed to the continuous 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.

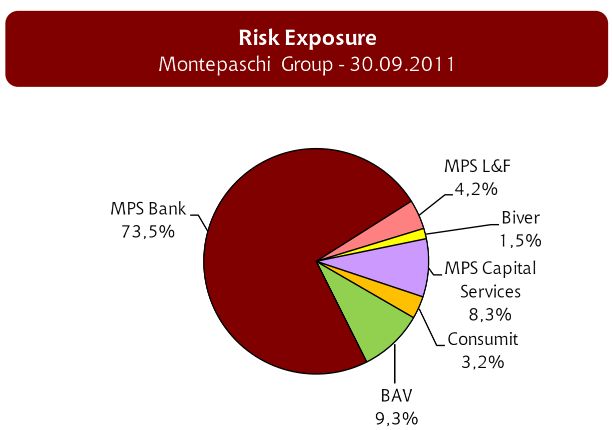
The chart below provides a breakdown of the credit quality of the Montepaschi Group portfolio as at 30 September 2011 (excluding financial asset positions). The description below shows that about 51% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



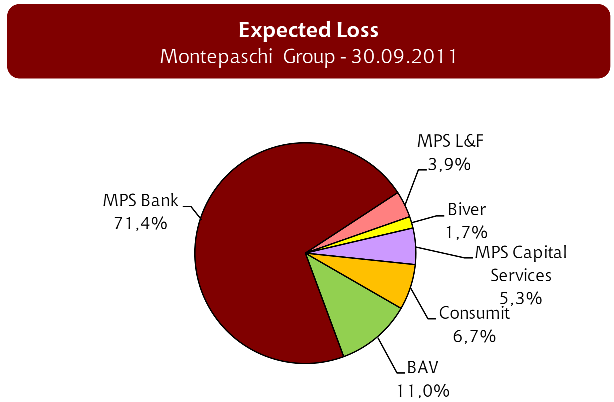
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). It should be noted that as at 30 September 2011, exposure of a high or good quality accounted for 44% of total Consumer and Corporate exposure.



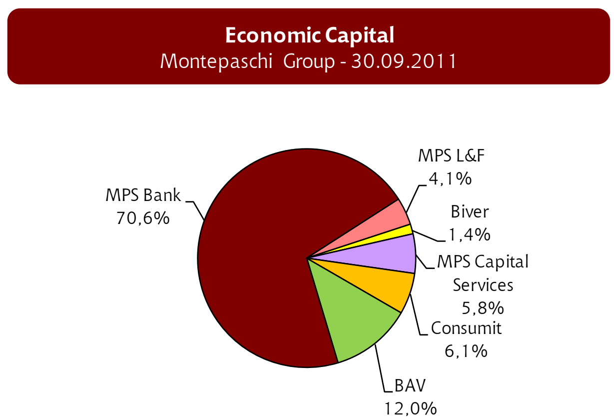
The following chart shows that the three retail banks (Banca MPS, Banca Antonveneta and BiverBanca) contribute to approximately 84% of the total Montepaschi Group's exposure to risk, whereas the companies MPS L&F, MPS Capital Services and Consum.it account for the remaining 16%.



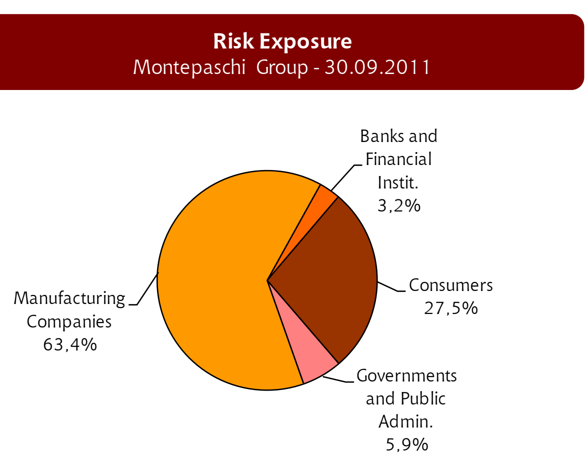
With regard to risk measures, the highest percentage of Expected Loss is attributable to the Parent Bank (71.2%), followed by Banca Antonveneta with 11% and Consum.it and MPS Capital Services (6.7% and 5.3% respectively), with the remainder (5.6%) assigned to cover the risks of MPS Leasing & Factoring and BiverBanca.



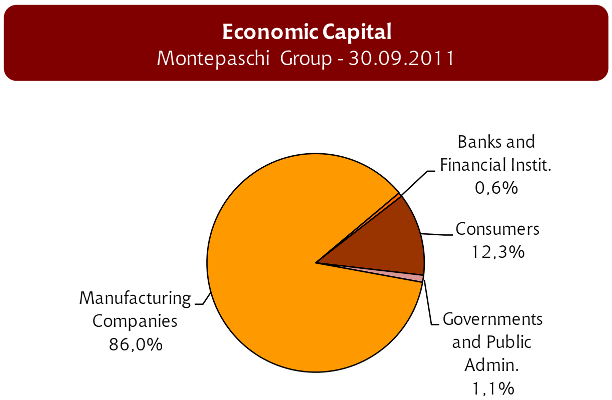
Most of the overall amount of Economic Capital to cover credit risk is absorbed by the Parent Bank (about 70.6%), followed by Banca Antonveneta and Consum.it (12% and 6.1% respectively) with the remaining 11.3% absorbed by the other legal entities.

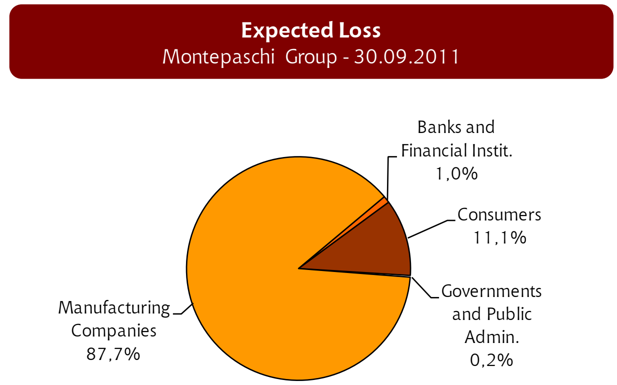


An analysis conducted as at 30 September 2011 shows that the risk exposure of the Montepaschi Group is mainly toward “Manufacturing Companies” (63.4% of total loans disbursed) and “Households” (27.5%). The remaining portion is broken down between "Government and Public Administration", which makes up 5.9% and "Banks and Financial Institutions" for 3.2%.

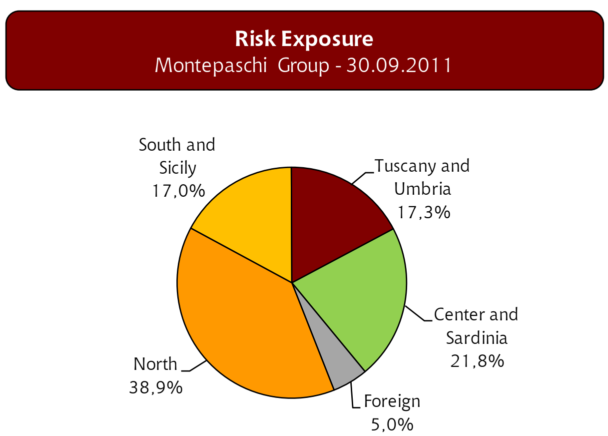


In terms of risk measures, it should be noted that Manufacturing Companies account for 87.7% of the Expected Loss and 86% of the Economic Capital. The portion for "Households" comes to 11.1% for Expected Loss and 12.3% for Economic Capital respectively.

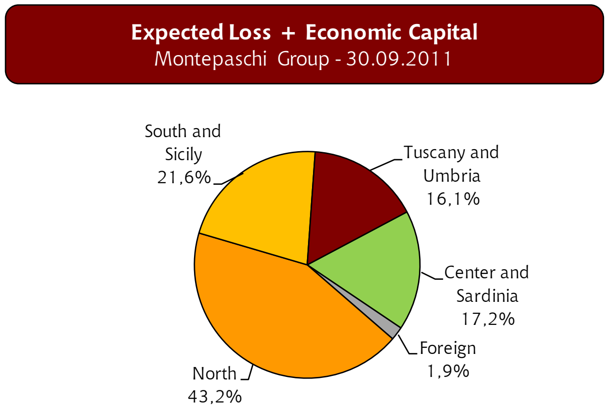




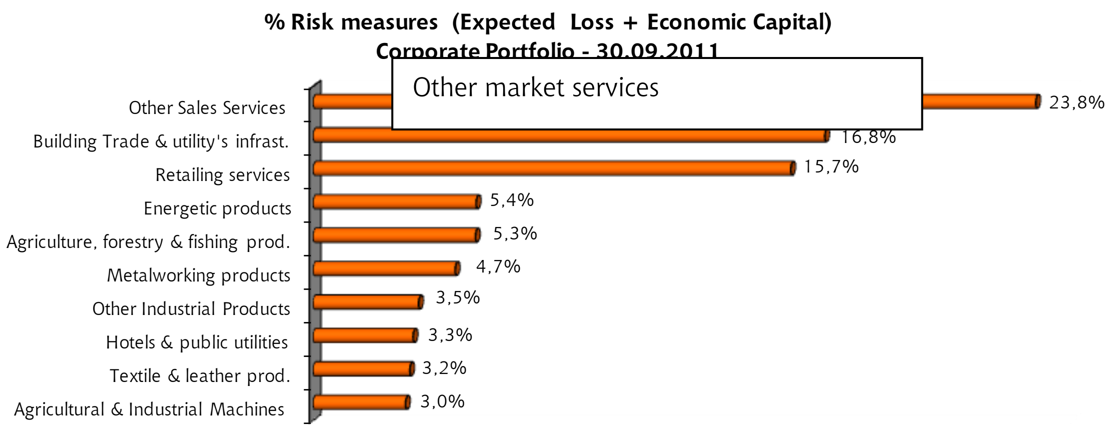
An analysis of the geographic breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Northern regions (38.9%) followed by Central Italy and Sardinia (21.8%), Tuscany and Umbria (17.3%), Southern Italy and Sicily (17%). The remainder (5%) is from abroad.



Overall risk measures (Expected Loss + Economic Capital) are also higher (43.2%) in northern Italy due to the greater concentration of loans in that area. Next in the ranking are Southern Italy and Sicily (21.6%), Central Italy and Sardinia (17.2%) and Tuscany and Umbria (16.1%), while the remaining 1.9% comes from foreign customers.



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 Market Services”, “Building and Public Works” and "Trade Services" absorb most risk measures (23.8%, 16.8% and 15.7%, respectively) and together account for 56.3% of total risk measures. These are followed by “Energy products”, “Agriculture, forestry and fishing products”, and “Metal products” which together account for 15.4% of total Expected Loss and Economic Capital.



Equity investments risk

At the end of the third quarter of 2011 the VaR for equity investments (calculated in terms of a 99% VaR for a 1-quarter holding period) accounted for 23% of the portfolio fair value.

Interest rate risk - Banking Book

The sensitivity of the Montepaschi Group, at the end of Q3 2011, is indicative of asset-sensitive exposure to rate risk, particularly in the event of rate hikes. The amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to - EUR 873 mln (958 EUR/mln for a shift of -100bp) as at 30 September 2011. However, if benchmarked against Regulatory Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

Liquidity Risk

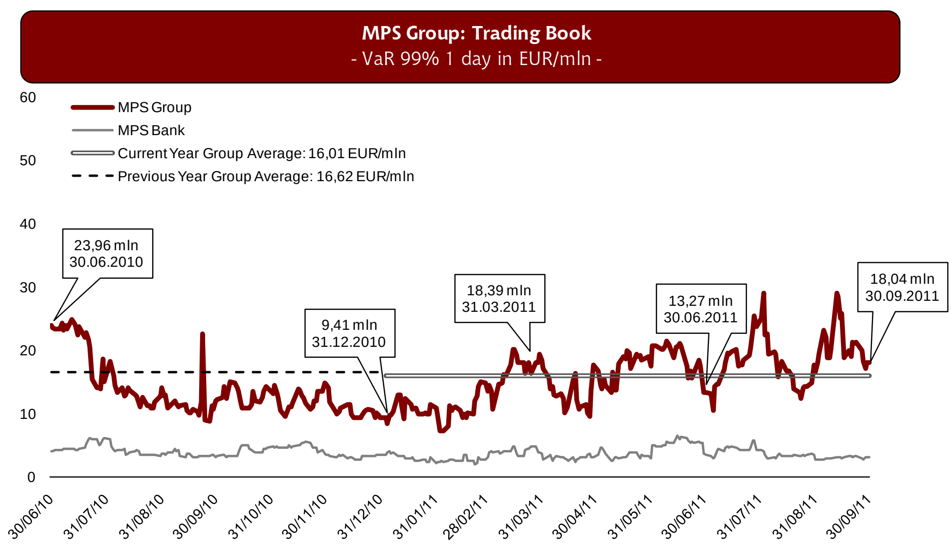
The overall structural liquidity profile is monitored by quantifying the mismatches of cash flows coming due, by maturity date. Items of an optional nature have representative models consistent with those used for interest rate risk.

Planning of the funding policy Group-wide (Funding Plan) is coordinated and steered 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 a view to achieving the objectives set by the business plan and in accordance with capital management requirements;
- coordinates access to domestic and International long- and short-term capital markets for all the banks belonging to the Group, as well as access to the European Central Bank re-financing transactions and centralised management of statutory reserves;
- makes projections on future liquidity on the basis of different market scenarios.

Market Risk - Regulatory Trading Book

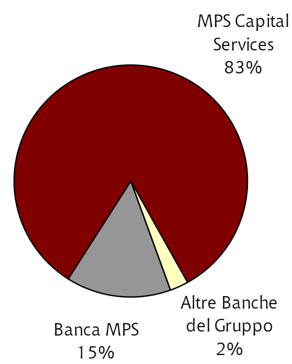
In the first nine months of 2011, market risk in the Regulatory Trading Book in terms of VaR showed an upward trend, standing at EUR 18.04 mln at the end of September. The trend is largely attributable to the growing volatility of the financial markets, sparked by the tensions surrounding the sovereign debt crisis in peripheral European countries. The average VaR for the Group, which amounted to EUR 16.01 mln up to the third quarter of 2011, has largely returned to the average annual levels of 2010 (EUR 16.62 mln).



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

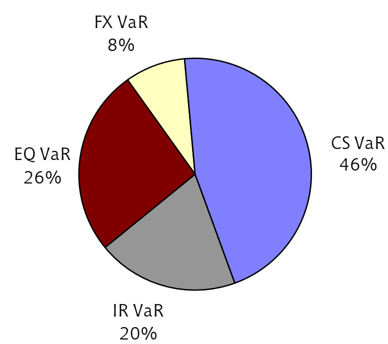
At the end of September 2011, MPS Capital Services accounted for 83% of overall risk, the Parent Company for approx. 15% while the remaining 2% was attributable to other banks.

MPS Group VaR by bank as at 30.09.2011
Trading Book



A breakdown of VaR by risk factors as at 30 September 2011 shows that 46% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR); 26% was absorbed by equity risk factors (EQ VaR); 20% was absorbed by interest rate risk factors (IR VaR) and the remaining 8% by foreign exchange risk factors (FX VaR).

MPS Group VaR by Risk Factor as at 30.09.2011
Trading Book



During the third quarter of 2011, the Group's VaR ranged between a low of EUR 7.19 mln recorded on 3 February and a high of EUR 29.12 mln on 12 September. The Group's average VaR stood at EUR 16.01 mln in the third quarter of 2011.

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

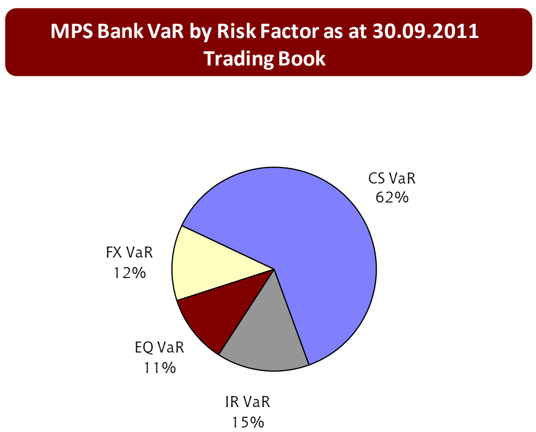
	VaR	Date
End of Period	18,04	30/09/2011
Min	7,19	03/02/2011
Max	29,12	12/09/2011
Average	16,01	

During the first nine months of 2011, the Group's VaR ranged between a low of EUR 1.97 mln recorded on 22 February and a high of EUR 6.45 mln on 15 June. The VaR recorded until Q3 2011 stood at an average of EUR 3.57 mln. The end-of-period figure as at 30 September 2011 was EUR 3.15 mln.

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

	VaR	Date
End of Period	3,15	30/09/2011
Min	1,97	22/02/2011
Max	6,45	15/06/2011
Average	3,57	

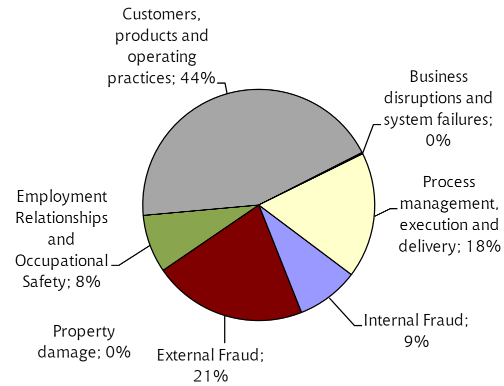
A breakdown of VaR by risk factors as at 30 September 2011 shows that 62% of the Group's portfolio was allocated to risk factors such as credit spread (CS VaR), 15% was absorbed by interest rate risk factors (IR VaR), 12% was absorbed by foreign exchange risk factors (FX VaR) and the remaining 11% by equity risk factors (EQ VaR).



Operational risk

The percentage breakdown of operational losses, accounted for in 2011, is reported below, divided into various risk classes:

Breakdown of Events
Montepaschi Group - 30.09.2011



With respect to the same period in 2010, a decrease was recorded both in the number of operational risk events and in the extent of losses incurred, confirming the positive trend already observed in previous years.

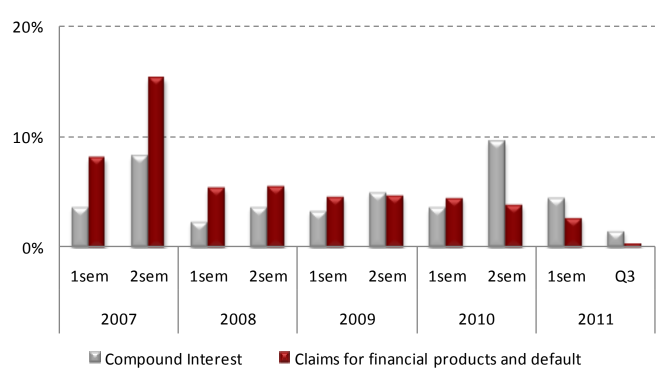
The type of event with the greatest impact on the profit and loss statement remains the one attributable to “non-fulfilment of professional obligations with customers” (44% of total losses) and "external fraud" (21% of total).

With regard to “non-fulfilment of professional obligations with customers”, the risk is primarily associated with litigation on the following issues:

- application of compound interest;
- selling of Argentinian, Cirio, Parmalat bonds and For you and My way Financial Plans.

It follows that a large part of the operational risk events have a date of occurrence prior to 2003, but still have accounting effects on the 2010 and 2011 financial years. These risk events are nevertheless being gradually resolved, as shown by the graph which illustrates the progress of legal actions filed in relation with placement of financial plans, defaulting securities and compound interest from 2007 to the third quarter of 2011 as a percentage of the total number.

Montepaschi Group: Loss (2007-2011)



Regulatory capital and capital ratios

In continuity with the approach adopted at the end of 2010, **regulatory capital** was estimated on the basis of calculation metrics introduced by Basel 2 (Advanced Internal Rating Based (IRB) and Advanced Measurement Approach (AMA) methodologies for legal entities and portfolios that are subject to validation).

As at 30/09/2011 the Group's regulatory capital amounted to approx. EUR 16,650.8 mln, with an estimated **Tier 1 of 11.1%** (8.4% as at 31 December 2010) and **Total Capital Ratio of 15.5%** (12.9% as at 31 December 2010).

Regulatory capital (EUR mln)	***30/09/11***	***30/06/11***	***31/03/11***	***31/12/10***	***Chg. %***
Tier I capital	11.883	9.408	9.738	9.142	29,97%
Tier II capital	5.252	5.353	5.446	5.456	-3,74%
Items to be deducted	484	479	477	455	6,35%
Total regulatory capital (before Tier III)	16.651	14.282	14.707	14.144	17,72%
Total regulatory capital	16.651	14.282	14.707	14.144	17,72%
Tier 1 Ratio	11,1%	8,9%	9,1%	8,4%	
Total Capital Ratio	15,5%	13,5%	13,8%	12,9%	

More specifically, **Tier 1** came to approx. EUR 11,883 mln, an increase by approx. 2,740 mln on the figure at the end of 2010, largely due to the positive effect from the capital increase completed in July 2011 and the increase in reserves (excluding the accounting of Tremonti Bond coupons), resulting from the capitalisation of earnings and the elimination of prudential filters on tax deduction of Goodwill.

Tier 1 and regulatory capital also include the capital gain arising from the deconsolidation of the company Consorzio Perimetro Gestione Proprietà Immobiliari, as well as that arising from disposal of a building in Rome which once housed the central tax collection agency.

Tier II stood at approx. EUR 5,252 mln, a slight fall of approx. EUR 204 mln from the value of EUR 5,456 mln registered at the end of 2010.

The **elements to be deducted from Tier I and Tier II** totalled aapprox. 484 mln (vs. 455 as at 31 December 2010), mainly as a result of the change in value of the insurance investees.

As a result, **total regulatory capital** came to approx. EUR 16,651 mln, an increase of approx. 2507 mln compared to 31/12/10, resulting from the above-described factors.

As to **Risk Weighted Assets (RWA),** a decrease was registered of approx. 1.59% owing to a reduction in credit risk, associated with the overall trend in assets and their continuing shift towards less risky and/or more collateralised forms of lending, and a reduction in operational risk, which are partly offset by an increase in market and counterparty risk.

Organisational set-up / processes and management of human resources

Priority was given to the **organisational redesigning of Banca Monte dei Paschi di Siena** (approved by the Board of Directors on 17 December 2010) through a set of initiatives, carefully planned in both timing and methods of implementation, aimed at achieving **significant improvements in terms of effectiveness** (governance, geographic footprint, competitive edge) **and efficiency** (streamlining central functions, shortening the operational supply chain).

In addition to **restructuring of the Banking Group** (which included activities previously carried out by the BMPS Network division), the **Network also underwent reorganisation**, with the creation of the **Local Market Units**, which also encompassed resources previously engaged in the Regional Areas and Head Office functions (eg. Loan Labs), with a view to strengthening market coverage, enhancing relations with businesses and households and achieving expansion in the socio-economic areas of reference. Likewise, the organisational layout of the Regional Areas and Departments was improved and the new credit disbursement processes were launched.

In connection with the above, the effort aimed at boosting the efficiency of the operational architecture and system continued, **with a comprehensive revision of processes - according to an industry-based logic - to contain costs, improve resource deployment and the service delivered to customers in terms of quality, speed and transparency.**

Within this framework, the following are noted:

- The **acceleration** of plans to **streamline Head Office Units** and complete staffing of Local Market Units with a view to achieving balance with respect to the need for operational efficiency;
- **the alignment of operating processes** with the new organisational model framework, both for the Central and Network units, with the aim of sustaining the key elements of the strategy pursued (decentralisation of responsibilities, less time spent on administrative tasks, focus on business objectives);
- roll-out of the **"PaschiFace" Programme** with:
    - completion of major branch processes for Branch Managers (e.g. sales planning and monitoring; operational, lending and management approvals; and controls), functional to the activities of the Affluent- and Family- customer relationship managers;
    - initial roll out to Network roles that perform specific support tasks (help desk and dedicated on-site contacts);
    - initial re-planning of additional activities assigned to Branch Managers and Relationship Managers, with a focus on the Small Business segment and its "prospects" (registration and management, filling in of small business form, cash flow collection and payment, bills, ...);
- further initiatives aimed at **leveraging the central role of 'Branch managers',** expanding their decision-making scope as a powerful tool for commercial development in their respective regions of operation, while also reducing time spent on "administrative" activities.
- continuing with the analysis and planning of **Back Office rationalisation** through centralisation and optimisation of operating processes, with a view to improving services, increasing efficiency of resources employed and ensuring a higher degree of control over the underlying operational risks;

❑ HEADCOUNT

After a reduction of 2,693 employees in the 2008/10[16] period, mainly regarding Head Office units,

HEADCOUNT OVER TIME

	31/12/07	31/12/08	31/12/09	31/12/10	30/09/11
Head Office units	12.956	11.908	10.973	10.200	9.593
Distribution network	21.232	20.959	21.030	21.295	21.611 [17]
TOTAL	**34.188**	**32.867**	**32.003**	**31.495**	**31.204**

in the third quarter of 2011 the Group's headcount reported a further decline of 291 resources with respect to the beginning of the year, with 'actual workforce'[18] totalling 31,204:

HEADCOUNT FOR THE PERIOD

	31/12/10	30/09/11
Total employees	31.495	31.204

There were 420 outflows (of which about 80% from Head Office units), 181 hirings (almost all allocated to branches) and 52 "changes in Group scope" due to asset disposal[19].

EMPLOYEE TURNOVER

	From 31/12/10 to 30/09/11
Hirings	181
Outflows	-420
Change in Group scope	-52
TOTAL	**-291**

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

EMPLOYEES BY OPERATING UNITS

MACROSTRUCTURE	30/09/11	% OF TOTAL
Local Business Functions	21.611	69%
Administrative and Operating Functions, of which:	8.685	28%
Headquarters		
Italian Banks	*2.705*	*9%*
Local market Areas	*1.367*	*4%*
Local market units	*1.397*	*4%*
Consorzio Operativo Gruppo Montepaschi	*2.860*	*9%*
MPS Gestione Crediti Banca	*356*	*1%*
Product Companies	908	3%
TOTAL	**31.204**	**100%**

16 Net of asset disposals, workforce decreased by 2,221 employees.

17 Call Center, Local Market Units, Branches, SME-, Institutional- and Private Centres, together with additional front-office units across the country.

18 Value obtained by deducting from personnel on payroll (31,255) all resources seconded to non-Group companies and those belonging to Professional Area Band I working short-time (18 cleaning staff).

19 Removal of the companies, Monte Paschi Monaco SAM and MPS Venture SGR S.p.A. from the Group's scope of consolidation.

As a result of the organisational redesign completed in July, there was a further shift from Head Office units (e.g. Loan Labs, Regional Areas, etc.) towards the Network of approx. 700 resources, bringing the front office to total staff ratio to 70%. This was also impacted by the process of workforce "reconversion" from administrative to commercial functions (approx. 265 employees since the beginning of the year).

Part of this framework includes the transfer of 184 resources from the Parent Company to the local market functions, which will be increased further in the fourth quarter of the year.

The table below shows a breakdown of the MPS Group workforce by job category:

NUMBER OF EMPLOYEES BY CATEGORY

CATEGORY	30/09/11	% OF TOTAL	% IN THE BANKING SYSTEM
Executives	510	1,6%	2,2%
Managers	11.573	37,1%	37,9%
Remaining employees	19.121	61,3%	59,8%
TOTAL	**31.204**	**100%**	**100%**

The average age of staff stood at around 43.8 years, just above the System average (43.6) but lower than that of the leading Italian groups (44.6).

❑ OPERATING STRATEGIES

HUMAN RESOURCES DEVELOPMENT AND TRAINING

Within the strategic framework outlined in the introduction, the goals pursued involve **developing and enhancing human resources** (employees and managers), initiating processes of **professional and geographical mobility** (aimed at ensuring the best possible coverage of organisational positions) and **industrialising knowledge** (to drive "business continuity plans"), while **training** focussed on the **quality of front-end commercial behaviour , credit monitoring** and **protection/pension** planning, with strong, specific attention being given to the **role of the Branch Manager**.

The following were significant factors on the "development" side during the reporting period:

- the **mapping of management positions** within the Network (Heads of Local Market Units and Segments) and Head Office units aimed at outlining their "projectability" profiles;
- the launch for staff of the Banca Monte dei Paschi di Siena network of the annual session of the **Professional Skills Review (PaschiRisorse)**, a fundamental **planning and monitoring** tool used to define the skills distinctive to each role and test individuals' competency according to the established profile that also provides support for the other processes related to human resource growth;
- implementation of **professional career paths**[20], involving approximately 900 resources in total; It should be noted that the 2011 edition is underway, which will also see the implementation of new systems and tools for identifying suitable resources and setting out plans for their professional development;
- the increasing use of the **independent Self-development workshop,** which aims to support individual aptitudes in order to reinforce individuals' behaviour, steer their professional growth and create a systematic channel for meeting the Group's future management needs (the initiative has thus far involved over 1,600 resources);

[20] Vertical paths regulate upgrading to target positions up to second-level managers, whereas horizontal paths encourage skill integration in same-level positions.

- The introduction of a **new human resources management model for Banca MPS's head office units**, based on the role of the HR Director who carries out structural activities aimed at increasing the level of know-how of individual employees and building pathways of professional enhancement (continuity plans);
- the launch of an internal selection process ('Stage') for resources worthy of promotion to the role of Middle Manager, within a context of professional/territorial mobility, and development of high-potential specialist profiles.

Following rollout of major operational (hirings, transfers, etc.) and administrative processes (payroll) on the new **Human Resources Information System (PaschiPeople)**, the update of the *time & labour* segment is also nearing completion. It should also be noted that, as part of this, the "Reporting Track" was also launched.

All **training** activities, in accordance with the path established in the **2010-12 Plan**[21], were revised in light of new needs arising from changes in the market and strategic objectives outlined in the new Business Plan "Ambition 2015". Priority initiatives target the following main areas:

- the **development of relationship skills** for both roles with a commercial component (managers of affluent and small business clients, etc.) and roles of a managerial nature, in terms of a proactive approach to commercial contact with clients;
- **strengthening the qualification levels of credit management resources** (both in terms of risk monitoring and in developing business opportunities), through, among other things, the certification of skills relevant to dedicated Network and Central Unit roles (the "**Credit Academy**" project). In this context, new training courses are underway for branch managers and deputy branch managers, team heads and leaders, etc. **concerning the new management and monitoring process**;
- **the expansion of training programmes for business-critical roles** (branch managers and key Network roles) and **alignment of "role qualifying/compulsory" training** with statutory provisions (ISVAP, money laundering, Legislative Decree 231 on Corporate Liability, Transparency, Privacy, Workplace Safety[22], Patti Chiari, etc.). On this front, mention is made of the specialised path "**Obiettivo Protezione**" ("Objective: Protection") developed in close collaboration with **AXA-MPS**; until today, it has involved approx. 1,000 placement agents from 6 Regional Areas, to which a further 1,500 will be added in the course of the year;
- **role-specific training**, aimed at key Network positions and focused on planning, commercial effectiveness and developing leadership and team management skills through a series of classroom sessions.
- **the launch of a detailed training plan on CSR issues**[23] aimed at increasing the skills and level of internal engagement, useful to continuing the CSR strategy in the coming years.

For **newly-appointed branch managers**, a professional tutorship initiative was also launched, based on **"masters of the trade"** (persons with extensive experience in issuing loans, managing risks and ensuring commercial coverage of local areas).

At the same time, **management training on Local Market Units** began, within which the aspect of quality and consistency of behaviours of the entire LMU was given particular prominence (including Credit Coordinators and Credit Sector Specialists) when it comes to governance, mentoring and coaching of Branch managers and other "front end" resources (Branches and Centres).

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[21] The Plan outlines all the training initiatives scheduled for the three-year period 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).

[22] It should be noted that **MPS Capital Services**, obtained certification during the year for its Occupational Health and Safety Management System in accordance with **standard OHSAS 18001**. The certification is in addition to those already in place since 2008 in Banca MPS and the Operating Consortium.

[23] Corporate Social Responsibility.

The set of initiatives was also inspired by the aim to strengthen **engagement** (intended as *involvement* and *sense of belonging*), **starting by actively listening to the professional and personal needs of employees within their units of operation**.

Over 960 thousand hours of training[24], have been delivered in total since the beginning of the year, with a Group per capita average of over 31 hours.

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On 29 April 2011, the Parent Company's Shareholders' Meeting approved the new compensation policy aimed at the bank's alignment with the new supervisory rules issued by the Bank of Italy on 31 March 2011 ("Rules on compensation and incentive policies and practices for banks and banking groups). By that means, the Shareholders' Meeting mandated the Board of Directors to implement the principles set out in the new policy and report to the Shareholders on a regular basis.

Guidance contained in the supervisory regulations are aimed at favouring an appropriate balance between the fixed and variable components of compensation and having it connected with actual performance over time, no longer by implementing a medium-long term plan but using specific postponement mechanisms for all employees whose professional activity has or may have considerable impact on the risk profile (a.k.a. "key employees").

In the course of operational implementation, the BoD – with a special resolution – approved the new structure of variable compensation for "higher-profile personnel" (Top Management and Risk Takers).

For further information, please refer to Part I of the Notes to the Half-Year Report as at 30/06/2011 - "Share-based payments".

INDUSTRIAL RELATIONS AND PENSION FUNDS

As of the beginning of the year, the following major consultation-based procedures were set up and completed with the Unions in a close time sequence:

1. **contractual procedure** (pursuant to articles 15 and 18 of the National Collective Labour Agreement, it. CCNL) to be followed **for major restructuring efforts** (see resolution of 10/3/2011), including the afore-mentioned re-organisation of the Bank;
2. **Law procedure** (law no. 223/91) enabling implementation of the 2011 **"Mandatory Retirement" initiative** for redundant personnel in Head Office units (resolution of 21/4/2011);
3. procedure aimed at **reorganising regional areas**, completed on 6 July 2011 which, at the end of a pilot-phase in the area of Northern Tuscany, enabled the setting up of **100 Local Market Units**. A powerful leverage to intensify market presence, these units enhance the value of relations with businesses and households and allow for the bank's 'growth in extension' in the social and economic contexts in which they operate;
4. the procedure relating to the end of the pilot-phase for the **Lazio Region Corporate Project**, aimed at strengthening the interaction processes within the supply chains, not only at bank- level but Group-wide;
5. procedure aimed at **redefining the credit organisational setup and processes**, to improve risk assessment and control and reduce response time for customers. The union agreement on this procedure was signed on 28 April 2011 to make implementation possible in the afore-mentioned regional area and was endorsed on 05/07/11.

Finally, it should be noted that an agreement was reached for the launch of the **1st phase of the PaschiFace Platform** which sees the involvement of over 200 branches across all Regional Areas. The PaschiFace Platform will, over time, replace the applications that are currently present in the Group-wide IT system. The application of new features will be supported by specific multimedia training courses for all resources affected by the new releases.

[24] over 20% of which on line.

Within this context, which also involved major **'mobility chain'** efforts to ensure the best filling of organisational positions and enhancement of human resources' value, the level of 'industrial relations' played an extremely important role, facilitating the implementation of such a far-reaching, complex and markedly innovative plan.

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Activities continued on the **"Standardisation of the Company Pension Scheme"** relating to the centralisation (as of 01/01/2011) of the **defined-benefit Supplementary pension funds** for employees of Banca Toscana, Banca Agricola Mantovana and Banca Antonveneta to **Banca Monte dei Paschi di Siena's company pension scheme for employees**. Plans were also identified for the Supplementary pension fund for Banca Toscana S.p.A. employees"[25], as a "container" of the defined-benefit supplementary pension schemes of the banks that were merged.

[25] For this purpose, the fund will have to acquire legal recognition as a Foundation and financial independence from Banca Monte dei Paschi di Siena.

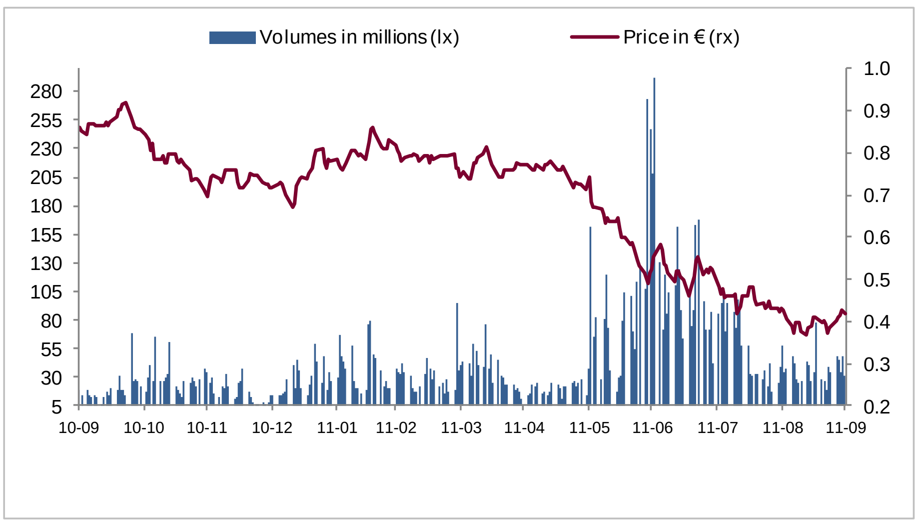
Market values and Investor Relations

SHARE PRICES[26]

The first nine months of 2011 were characterised by high volatility for all major stock markets: positive performance in the first months of the year and strong sales especially in the third quarter (particularly in the Euro Area periphery) due to the heightened tensions relating to the sustainability of sovereign debt. Indeed, strong sales in the past three months led to a decline for all major indices which reported values, as at 30 September 2011, below those registered at the end of 2010 (FTSE MIB -26.5%, CAC -22.6%, DAX -20.4%, S&P 500 -10.1%, Dow Jones -5.7%). A negative sign was registered for the banking sector by the Italian index, FTSE IT BANKS and the European index, DJ EURO STOXX BANKS, which close the nine-month period at -39.8% and -34.8% respectively from the end of 2010.

Within this scenario, BMPS stock stood at EUR 0.419 as at 30 September 2011 (-41.7% compared to the end of 2010) reflecting a performance that was essentially in line with the average of major Italian banks (an average decline of 44%, with Unicredit posting -48.2%, Intesa -37.5%, Banco Popolare -49.1%, UBI -54.3%, Popolare Milano -28.6%).

BMPS SHARE PRICE (from 30/09/2010 to 30/09/11)



BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/2010 to 30/09/2011)

Average	0,65
Lowest	0,37
Highest	0,86

VOLUMES

26 An adjustment factor of 0.84501816 was applied to BMPS share prices following completion of the pre-emptive rights issue relating to the capital increase approved by the Board of Directors of Banca Monte dei Paschi di Siena on 7 and 16 June 2011, by virtue of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of 6 June 2011, and completed with the total subscription of shares offered on 20 July 2011 (for further information, please refer to the dedicated section in the corporate website http://www.mps.it/Investor+Relations/AumentoCapitalePianoImpresa/).

In the first nine months of 2011 BMPS shares traded on a daily basis averaged approx. 51 million with a peak of 292.2 million in July and a low of 10.2 million in May.

MONTHLY VOLUMES OF SHARES TRADED

2011 volumes summary (€/mln)	
January	602
February	767
March	730
April	692
May	463
June	2.211
July	2.312
August	1.251
September	813

CREDIT RATINGS

The table below summarises the assessments of the rating agencies as at 30 September 2011 and illustrates that, on 15 September 2011, the rating agency Fitch affirmed Banca Monte dei Paschi's long-term rating at "A-" and short-term rating at "F2" and revised its outlook from stable to negative (Antonveneta's rating of A-/F2 also confirmed and outlook revised from stable to negative):

Rating Agencies	Short-term debt	Long-term debt
Moody's Investors Service	P - 1	A2
Standard & Poor's	A - 2	A-
Fitch Ratings	F - 2	A-

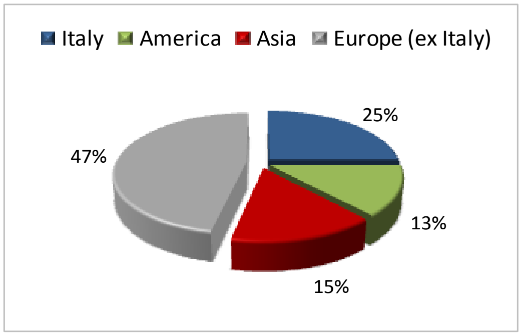
Feedback from socially responsible finance operators regarding BMPS was positive:

- following the review of Corporate Social Responsibility ratings by financial analysts of the two leading European rating agencies (SAM, Vigeo), Banca Monte dei Paschi di Siena's continues to be ranked as excellent among the European banks;
- in terms of financial markets, BMPS's inclusion in the Dow Jones Sustainability Indices and the specialist indices, Ethibel and ASPI, was confirmed. Furthermore, it was admitted to the new sustainability indices, STOXX Global ESG Leaders;
- In view, among other things, of the afore-mentioned positive reviews by financial info providers, Banca Monte dei Paschi di Siena confirms its solid basis of socially responsible investors, with investments up slightly from the prior report.

INVESTOR RELATIONS IN 9M 2011

Following on from 2010, in the third quarter of 2011 the Investor Relation team's interaction with the financial community was highly proactive. Since the start of the year around 60 days of meetings were held between the Top Management of the Montepaschi Group and institutional investors from 18 different countries.

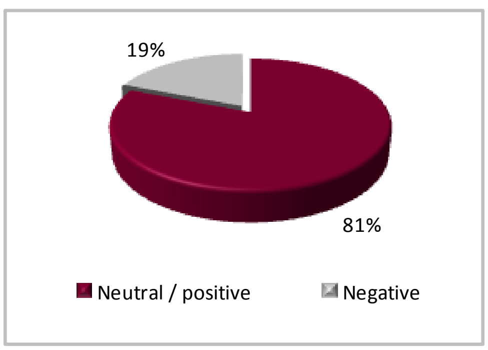
Following is a geographical breakdown (in %) of days dedicated to roadshows/marketing up to 30 September 2011:



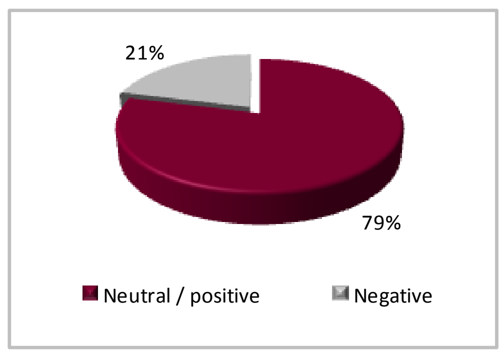
GUIDANCE ON MPS SHARES

With regard to guidance on MPS shares, as at 30 September 2011, 81% of analysts covering MPS shares maintained a positive/neutral outlook (in particular 32% recommended purchase), with 19% expressing a negative one. This was an improvement on the situation as at December 2010, when proportions were 79% and 21% respectively.

September 2011



December 2010



Social and environmental programmes

In addition to the Corporate Social Responsibility (CSR) initiatives cited above (see those regarding the Customerbase, Human Resources and - for what concerns the green finance offering – the Corporate banking division), the Group's actions during the quarter were aimed chiefly at implementing strategic priorities in relation to CSR and involved the following main lines of development:

Financial services for the more vulnerable sections of society

- The Montepaschi Group took part in the G20 round-table discussion on **migrant remittances**, which had the international goal of reducing the global average cost of sending remittances from the current 10% to 5% over the next 5 years. This is an important step forward for "Paschi Without Frontiers", a commercial approach launched in 1998 to follow the ongoing developments in the financial needs of immigrant customers. The mainstay of the offer proposed to the migrant customer involves no charge being applied to remittances within the agreed limit of EUR 250 per transaction.

Creation of social value

- The Montepaschi Group took part in the project, "**Social Innovation**". Promoted by the Sodalitas Foundation, the project aims to help non-profit organisations in developing the skills and tools necessary to appropriately and effectively present their social business plans to potential sponsors (banks, foundations, companies, etc.).
- With a view to contributing to the expansion of CSR among Italian businesses, the Group took part in the initiative developed by the Italian Banking Association in agreement with Confindustria and the Ministry for Economic Development, which aims to develop the management and **reporting of CSR aspects by SMEs** through a greater consideration of these elements in credit scoring systems. To this end, specific metrics were designed, which will be used, subsequent to a pilot phase, in the internal models of qualitative credit analysis.
- In a study carried out by the European Sustainable Investment Forum (Eurosif), Banca Monte dei Paschi di Siena was identified as Italy's best practice in the sustainability of **its two employee pension funds**. Indeed, the funds have, for some time now, followed a socially responsible approach, having gradually integrated non-financial analyses (environmental, social and governance-related) with the strategic management of investment portfolios.
- The Group continued to lend its support to fund-raising initiatives, such as the project launched by ACRA for the construction of a network of aqueducts in Senegal.
- In addition, during its participation at the eighteenth edition of Perugia's Eurochocolate festival, Banca Monte dei Paschi di Siena established a new way of providing a contribution to Avis (the Italian blood donor association). It will be possible to sign up, free of charge, for a prepaid top-up credit card. For each top-up, the bank will waive its commission fee and donate 1 euro to AVIS.

Eco-sustainability

- As part of the **project Paschi FACE**, designed to improve the performance of IT systems and the accessibility to information within the network, the necessary re-shaping of the workplace also saw the renovation of equipment used in the business and the installation of low-consumption devices. The project is part of a broader plan to optimise IT systems according to criteria of efficiency and sustainability.
- The catalogue of **eco-sustainable office supplies** has been expanded further and has been made available for internal use. Particularly successful is the use of recycled paper.
- MPS Tenimenti, the company that manages the Group's agricultural properties, has installed and activated a large photovoltaic system (3,310 m^2 with a capacity of 220 kW) in order to ensure that the estate's local production activities are completely eco-sustainable.
- As part of the "**sustainable mobility**" project, in continuity with the activities already carried out in the majority of Italian districts in which Banca Monte dei Paschi di Siena operates, the analysis of employee

commuting habits in the area of Lecce was completed, as a further point of reference to identify and help implement possible solutions for improvement.

Events after 30 September 2011

The following are the most significant events occurring after the closure of the period as at 30 September 2011:

- **October 2011**: Following downgrade of Italy's sovereign debt rating, International ratings agency Moody's lowered its rating on Banca Monte dei Paschi from A2/P-1 to Baa1/P-2 with a stable outlook. The Bank Financial Strength Rating was affirmed at D+ with a stable outlook.
- **October 2011**: Following downgrade of Italy's sovereign debt rating on 7 October, International ratings agency Fitch lowered its rating on Banca Monte dei Paschi from 'A-' to 'BBB+' with a negative outlook. The short-term rating was confirmed at F2 as was the individual rating at? 'B/C'.
- Following downgrade of Italy's sovereign debt rating, on **18 October 2011**, the international rating agency S&P lowered its long-term rating of Banca Monte dei Paschi di Siena from "A-" to "BBB+". The short-term rating of "A-2" and stable outlook were affirmed.
- **October 2011** - In collaboration with national Supervisory Authorities, the European Banking Authority (EBA) conducted a new EU-wide simulation exercise – subsequent to and different from the stress test performed in July 2011 – to estimate, for Europe's 70 major banks, an additional, **extraordinary** and **temporary** capital buffer necessary to come to terms with exposure to sovereign debt, given existing market conditions. The stress test conducted by the EBA in July was aimed at estimating the demand for capital under different macro-economic shocks, whereas the objective of the EBA exercise in October was to estimate the capital requirement associated with depreciations arising from the valuation of sovereign debt exposures **under the market conditions as at September 2011**. The EBA exercise was conducted by setting a target **Core Tier 1 ratio of 9%**, while the threshold in the July stress test was at 5%. The new level is not intended to increase the capital ratios set out in Basel 3, but should be considered as an extraordinary and temporary buffer to address current market difficulties. The Core Tier 1 definition adopted was the same as the one used for the stress test in July and only comprises highest-quality capital instruments, including those issued by governments to support banks (i.e. Tremonti Bonds), except for 2003 and 2008 F.R.E.S.H. notes. Consequently, the purpose of the EBA exercise is to determine, for each bank assessed, the capital *buffer* required to address sovereign debt risk and any capital *shortfall* to meet the current Core Tier 1 target at 9%, inclusive of buffer against sovereign debt risk. The outcome of the EBA exercise on the Montepaschi Group revealed a *buffer* of EUR 3,394 mln and a capital ***shortfall* of EUR 3,091 mln.** This data shall be considered preliminary, as it was extrapolated based on the situation as at June 2011. Final data will be based on status as at September 2011. The capital shortfall of the Montepaschi Group, which was preliminarily estimated at **EUR 3,091 mln**, may be reduced as a result of the following conditions:
  - inclusion of 2008 F.r.e.s.h. notes, for an amount of EUR 950 mln[27];
  - conversion of 2003 F.r.e.s.h. notes, for an amount of EUR 290 mln;
  - exclusion of Negative Reserves for Rate Risk Hedging Derivatives on Italian government securities[27];
  - additional capital management and optimisation actions deemed worth pursuing as per the timetable and in compliance with eligibility requirements.

[27] The actions are contingent upon the outcome of discussions with Supervisory Authorities.

Outlook on operations

The **slowdown in world economic growth** persisting in the the third quarter of the year and **tensions over sovereign debt** resulting in a large-scale crisis which is severely affecting the performance of global financial markets and the activities of the banking system in general, are evidence of a macroeconomic scenario that continues to be particularly complex and uncertain in its future developments.

The Montepaschi Group intends to pursue its strategies by operating along the guidelines set forth in the strategic plan.

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

Equity investments

Reported below is the table "Investments in associates and joint ventures (proportionate consolidation").

30 09 2011

		Denominazione imprese	Sede	Tipo di rapporto (*)	Rapporto di partecipazione		Disponib. Voti % (**)
					Impresa partecipante	Quota %	
A		**Imprese**					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena				
		A.1 Consolidate integralmente					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Firenze	1	A.0	99,918	99,919
					A.29	0,001	
	1.1	MPS VENTURE SGR S.p.a. (1)	Firenze	1	A.1	70,000	
A.2		MPS GESTIONE CREDITI BANCA S.p.a.	Siena	1	A.0	100,000	
	2.1	AIACE REOCO S.r.l.	Siena	1	A.2	100,000	
	2.2	ENEA REOCO S.r.l.	Siena	1	A.2	100,000	
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	1	A.0	100,000	
A.4		BANCA ANTONVENETA S.p.a.	Padova	1	A.0	100,000	
A.5		BIVERBANCA CASSA DI RISPARMIO DI BIELLA E VERCELLI S.p.a.	Biella	1	A.0	60,419	
A.6		MONTE PASCHI IRELAND LTD	Dublino	1	A.0	100,000	
A.7		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100,000	
A.8		CONSUM.IT S.p.a.	Firenze	1	A.0	100,000	
A.9		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Siena	1	A.0	100,000	
A.10		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100,000	
A.11		G.IMM ASTOR S.r.l.	Lecce	1	A.0	52,000	
A.12		CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	1	A.0	99,730	99,940
					A.1	0,060	
					A.2	0,030	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
					A.8	0,030	
A.13		AGRISVILUPPO S.p.a.	Mantova	1	A.0	99,068	
A.14		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantova	1	A.0	100,000	
A.15		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	100,000	
A.16		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	
A.17		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100,000	
A.18		MONTE PASCHI BANQUE S.A.	Parigi	1	A.0	100,000	
	18.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Parigi		A.18	100,000	
	18.2	MONTE PASCHI INVEST FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Parigi		A.18	100,000	
	18.3	MONTE PASCHI ASSURANCES FRANCE S.A.	Parigi		A.18	99,400	
	18.4	IMMOBILIERE VICTOR HUGO S.C.I.	Parigi		A.18	100,000	

Denominazione imprese			Sede	Tipo di rapporto (*)	Rapporto di partecipazione		Disponib. Voti % (**)
					Impresa partecipante	Quota %	
A.19		MONTEPASCHI LUXEMBOURG S.A.	Lussemburgo	1	A.0	99,200	
					A.18	0,800	
A.20		ULISSE 2 S.p.a.	Milano	1	A.0	100,000	
A.21		MPS COVERED BOND S.r.l.	Conegliano	1	A.0	90,000	
A.22		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60,000	
A.23		ANTONVENETA CAPITAL L.L.C. I	Delaware	1	A.0	100,000	
A.24		ANTONVENETA CAPITAL L.L.C. II	Delaware	1	A.0	100,000	
A.25		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100,000	
A.26		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100,000	
A.27		GIOTTO FINANCE 2 S.p.a.	Padova	1	A.0	100,000	
A.28		SIENA MORTGAGES 03-4 S.r.l.	Roma	1	A.0	100,000	
		A.2 Imprese consolidate proporzionalmente					
A.29		BANCA POPOLARE DI SPOLETO S.p.a.	Spoleto	7	A.0	26,005	
		valori di bilancio al 26,005% del nominale					
A.30		INTEGRA S.p.a.	Firenze	7	A.8	50,000	
		valori di bilancio al 50% del nominale					

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

(1) Assets and liabilities pertaining to the investments in MPS Venture SGR have been reclassified to item 150 under discontinued operations.

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 Quarterly Report as at 30 September 2011 corresponds to the underlying documentary evidence and accounting records.

Daniele Bigi
The Financial Reporting Officer

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