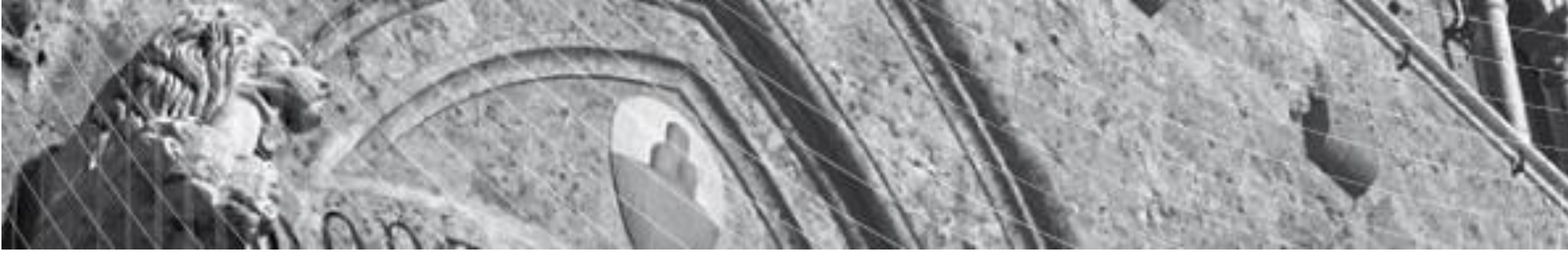
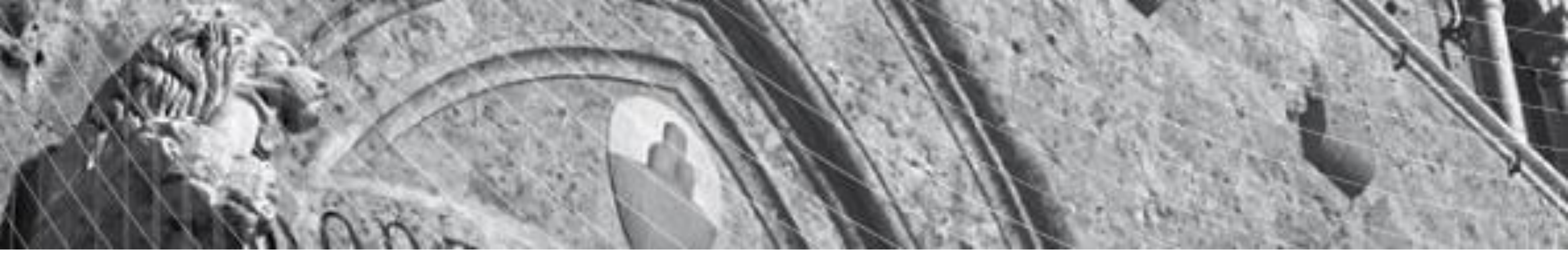
MONTEPASCHI GROUP

Half - Year Report

As at 30 June 2011



MONTEPASCHI GROUP CONSOLIDATED HALF-YEAR REPORT FOR 2011



HALF-YEAR REPORT ON OPERATIONS

H1 Group results in brief

In the first half of 2011, the Montepaschi Group succeeded in growing its capital base despite the continuing complexities of the economic and financial environment. The Group improved its competitive positioning in the key business areas in which it operates, although it felt the repercussions of the economic framework on its P&L. In particular:

- ✓ As at 30 June 2011, **total funding volumes** for the Group stood at approximately **EUR 309 bln, up 0.4% on 31 March and 5.8%** on the previous year, owing to the positive trends in direct funding which allowed the Group to absorb the downturn in assets under custody, mainly attributable to fluctuations in volumes from institutional customers (and therefore having low P&L impact). More specifically, **direct funding**, which came to approx. **EUR 166 bln, was up 3.8% on 31/03/2011 and 5.4% on the previous year,** increasing the Group's market share which grew to 8.12% (+42 bps from March) in May 2011. The aggregate includes **direct funding from corporate customers** which was propped up in the first half of the year by over EUR 9 bln in bond placements, increasing by 3.1 bln (+2.7%) on 31/12/2010 and 1.5 bln (+1.2%) on 31/03/2011. **Funding from institutional customers** was also on the rise in the form of both mid/long term issuances (approx. 4.6 bln Euros worth of bonds and covered bonds were placed in the first half of the year) and short-term market instruments. **Indirect funding** at the end of the half-year period stood at approx. **EUR 143 bln** (-3.3% on 31 march; +6.3% on the previous year) with a moderate decrease in assets under management while assets under custody picked up on the previous year.
- ✓ With regard to credit management, the Group's "**Loans and advances to customers**" at the end of June 2011stood at approx. **EUR 157 bln, up by 2.6 bln (+1.7%) on Q1 2011 and 4.4 bln (+2.9%) YoY**, with market share rising to 8% in May, an improvement of approx. 16 bps on the result registered at the end of 2010. "Active" loans to consumer/corporate customers, which came to approx. EUR 138 bln at period-end, were stable on 31 March 2011 but up on the previous year (+0.7%). A decrease in mortgage loans was registered in Q2 (-1.2% on 31/03/2011), although volumes remained higher compared to 30 June 2010 (+2.2%), with new contracts for the half-year period totalling EUR 3.5 bln (8.7 bln in H1 2010). As for **'special purpose' loans, which are disbursed by the Group through dedicated product companies**, new flows in 1H 2011 exceeded EUR 8 bln (up 31.2% on the previous year), with Q2 2011 contributing approximately EUR 4 billion (-0.8& QoQ). **Small business and corporate credit**, which came to approx. **EUR 6.7 bln** (+41.5% YoY; -2.2 QoQ), registered a growth of over 57% in leasing contracts negotiated in the second quarter coming to EUR 671 mln (vs. 802 mln as at 30/06/2010) while the factoring turnover stood at EUR 4.9 bln at the end of the six-month period (+72.7% YoY; +4.6% QoQ). More specifically, disbursements by MPS Capital Services - in excess of EUR 1.1 bln - showed improvement on the previous year (+3.7%) but registered a QoQ fall of 45.5%. With regard to **consumer loans,** total disbursements by Consumit in H1 2011 came to **EUR 1.4 bln** (-2.3% on same period last year) with Q2 contributing 725 mln (+6.1% on Q1 2011) with a decline on the previous year for special-purpose loans (stable QoQ) and personal loans (+5.2% in Q2 2011) while m'honey card disbursements picked up (+23.1%YoY; +17.9%QoQ). **As for credit quality**, "net NPLs over total loans as at 30 June 2011 came to 3.85%, while the provisioning rate[1] stood at 72 bps.
- ✓ **The Group's customerbase exceeded 6.2 million.**

As a result of the above, the Montepaschi Group achieved a Net Operating Income of EUR 612 mln, up by 26.3% on the previous year, with Q2 2011 contributing approx. 263 mln (-24.6% from the previous quarter). In a still-turbulent market context, rendered more complex by the escalating sovereign debt crisis, the Group continued to pursue the liquidity risk-reducing strategies put underway in Q1 2011, and confirmed a better cost-of-credit performance (provisioning at 72bps against 74 bps at the end of 2010) and in terms of operational efficiency with a cost-to-income ratio of 58.4%, down 320 bps as compared to 31/12/2010.

The consolidated net profit of the Montepaschi Group before Purchase Price Allocation (PPA) stood at approx. EUR 317.4 mln (EUR 318.4 mln as at 30 June 2010). Considering the net effects of PPA, net profit for the period came to EUR 261.4 mln (vs. 261.2 mln in H1 2010).

With regard to **capital ratios, a**s at 30 June 2011, the Tier I ratio BIS II was estimated at 8.9% (8,4% at the end of 2010) with a BIS II solvency ratio at 13.5% (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

The Half-Year Report on Operations has been prepared in accordance with the provisions of Article 2428 of the Civil Code (as amended by Decree 32/2007) and 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 (both in the short and long term) for the Group and for all its stakeholders developed over the reporting period, the report includes economic and financial aspects with qualitative and extra-accounting 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 across 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 to 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 relevant 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 stimulating 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 and subsequent to the increase in capital completed on 20 July 2011, stood at EUR 6 bln.

BENCHMARK PRICE AND CAPITALISATION	30/06/2011(*)
Price (euro)	0,523
No. ordinary shares	10.844.097.796
No. preferred shares	681.879.458
No. savings shares	18.864.340
Capitalisation (ord + pref) (euro mln)	6.028

(*) Market capitalisation as at 30 June 2011 was calculated based on the Group's new shareholders' capital (and consequent number of shares) following the capital increase completed on 20 July 2011. Prior to the capital increase, the number of shares totalled 6,720,015,160, of which 5,569,271,362 ordinary, 1,131,879,458 preferred and 18,864,340 savings shares.

According to the shareholder register, supplemented by other notifications received in compliance with current legislation and other information available as at 17 June 2011 (filing with Consob of the Prospectus on the capital increase pre-emptive rights issue approved by the Montepaschi Group's Board of Directors on 7 and 16 June 2011, by virtue of the authority granted by the Extraordinary Shareholders' Meeting of 6 June 2011), shareholders directly and/or indirectly owning financial instruments amounting to over 2% of BMPS' share capital with voting rights, are as follows: the **MPS Foundation** (majority shareholder with 42.27%), **JP Morgan Chase** (5.12%), **Caltagirone Francesco Gaetano** (4.45%), **AXA S.A.** (4.22%) and **Unicoop Firenze** (3.08%).

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. More specifically, in the first half of the year, 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 continued of the territory-based communications campaign created to enhance the Group's image in all local socio-economic contexts and strengthen its depth of penetration.

The brand's importance and reputation are continuously monitored through both quantitative and qualitative analyses of the Group's exposure in the press, on television and on the web, in order to intervene promptly with any protective measures that may be deemed necessary.

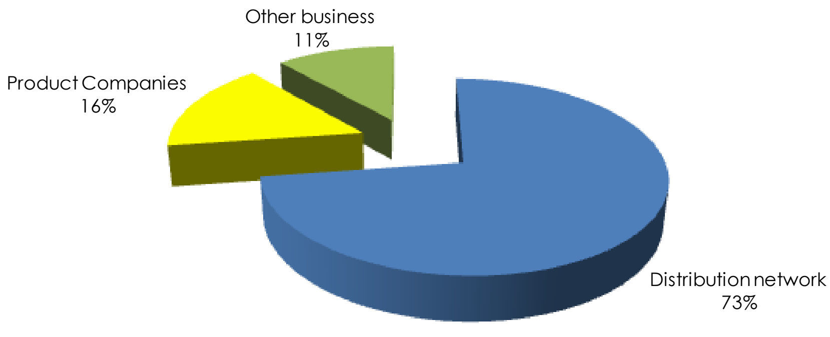
In the first few months of 2011, the brand awareness and reputation indices, measured by Demoskopea through ad-hoc surveys, continued to reflect values in line with those of 2010

ORGANISATIONAL STRUCTURE

As at 30/06/2011 the Montepaschi Group's organisational structure, reflective of the integrated and multi-market approach to financial, credit and insurance activities, included the following setup:

- ✓ a **central managing and operational coordinating unit** , headed 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;
- ✓ a **production unit**, consisting of the Group's banks and financial companies which are specifically dedicated to the development of specialised financial instruments to offer 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).
- ✓ A **distribution structure,** mainly composed by the banking networks of **Banca Monte dei Paschi di Siena**, **Banca Antonveneta** (distributed across the Triveneto area, operational as of 1 January 2009 and fully-owned by the Group), and **Biverbanca** (a local bank, 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 unit**, 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.

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 (internet banking, phone banking, ATMs) with a view to **making the branch a highly-evolved centre for customer relations**. The table below summarises the Distribution Network of the Montepaschi Group as at 30 June 2011:

Montepaschi Group distribution network

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

As at 30 June 2011, the Montepaschi Group totalled **2,915 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:

Montepaschi Group domestic branches at 30.06.2011(*)

	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%	9,1%
Lazio	238	-	-	238	8,2%	8,6%
Marche	98	-	-	98	3,4%	8,1%
Molise	15	-	-	15	0,5%	10,3%
Toscana	531	-	-	531	18,2%	20,9%
Umbria	67	-	-	67	2,3%	11,4%
Central Italy	**1.012**	**0**	**0**	**1.012**	**34,7%**	**12,8%**
Basilicata	14	-	-	14	0,5%	5,6%
Calabria	64	-	-	64	2,2%	12,5%
Campania	160	-	-	160	5,5%	9,8%
Puglia	181	-	-	181	6,2%	12,8%
Sardegna	18	-	-	18	0,6%	2,7%
Sicilia	206	-	-	206	7,1%	11,7%
Southern Italy and island	**643**	**0**	**0**	**643**	**22,1%**	**10,3%**
Total	**2.414**	**379**	**122**	**2.915**	**100,0%**	**8,7%**

* as reported to the Bank of Italy

** At 31/03/2011

[2] Number of reports to the Bank of Italy

The Montepaschi Group's sales and distribution network is also supported by **859 Personal Financial Bankers** nationwide[4], who carry out their activities through 142 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 **255 specialised business centres** dedicated to Small and Medium Enterprises (117 centres), Institutions (50 centres) and to Private customers (88 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.

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 governed by foreign law**: MP Belgium (8 branches), MPS Banque (17 branches), **2 Italian Desks** in Spain and Romania.

Montepaschi Group **ATMs** totalled **3,622 as at 30 June 2011**, of which 3,128 in traditional branches (2,865 in locations with a separate entrance that can also be accessed outside branch-hours) and 494 installed in public places with high operational potential (352) and in organisations/companies (142). **In the first six months of the year** the number of ATMs **increased by 48** units following a development policy implemented by the Group for the gradual installation of new "cash-in" machines, which aims to give a sharp boost to the migration of low added-value transactions (7.5% of deposits in May were made using the new ATMs, an increase of approx. 30 bps compared to April). As part of its "migration" towards this new function, 44 new ATMs were installed in the first half of 2011 and 70 "traditional" ATMs in self-service areas were replaced, bringing **the total number of cash-in machines to 376**.

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 that undergo continuous fine-tuning. Contracts for the telematic segment registered an **annual growth of 17.6%,** exceeding 1,673,000. These included, approx. **1,074,000 integrated multi-channel contracts (+35% on 30 June 2010),** with over 146 thousand new contracts underwritten in the first half of the year, 68 thousand of which in Q2 2011. Existing Consumer banking contracts amounted to approx. 1,582,000 (146,300 underwritten in the first six months of 2011), whereas Corporate banking contracts came to over 39,200 (309 underwritten in the period).

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[3] As at 31/03/2011

[4] Financial advisors subject to agency agreements

Corporate Governance and other information

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

The information relating to the transactions and relations between the Bank/Group and related parties can be found in Part H of the Half-Year Report.

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 http://english.mps.it/Investor+Relations/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 .

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 (for further details, see "*Annexes: Montepaschi Group – Reconciliation of reclassified accounts and accounting tables*").

Following are the reclassifications made to the consolidated profit and loss account as at 30 June 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 "Net 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 87 mln as at 31/06/2011).

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 44 million as at 30/06/2011) 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 bond (approx. EUR 7.4 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 1 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 bond (approx. EUR 7.4 mln) referred to under item c) above;

e) **"Other administrative expenses"** in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 161 million) posted under Account 220 "*Other operating income/expenses";*

f) 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 e) above;

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

h) The effects of *Purchase Price Allocation* (PPA) were reclassified out of other accounts (in particular "***Interest income"*** for approx. EUR 40 mln and **depreciation/amortization** for approx. EUR 41 mln, with a related theoretical tax burden of approx. EUR -25 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:**

i) **"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*";

j) **"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*";

k) **"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*";

l) "**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 disposal groups held for sale" and Account 100 "Other liabilities".

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The accounting statements and the comparative statements of the reclassified consolidated income statement and balance-sheet are enclosed with the "Annexes" section.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/11

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
• INCOME STATEMENT FIGURES (in EUR mln)	**30/06/11**	**30/06/10 (1)**	**% chg**
Income from banking activities	2.628,4	2.747,7	-4,3%
Income from financial and insurance activities	2.898,0	2.757,1	5,1%
Net operating income	611,6	484,0	26,3%
Net profit (loss) for the year	261,4	261,2	0,1%
• BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/06/11**	**31/12/10**	**% chg**
Direct funding	166.493	158.486	5,1%
Indirect funding	142.919	144.919	-1,4%
of which: assets under management	*49.375*	*50.547*	-2,3%
of which: assets under custody	*93.543*	*94.372*	-0,9%
Customer loans	157.275	156.238	0,7%
Group net equity	16.979	17.156	-1,0%
• KEY LOAN QUALITY RATIOS (%)	**30/06/11**	**31/12/10**	
Net non-performing loans/Customer loans	3,85	3,51	
Net watchlist loans/Customer loans	2,65	2,57	
• PROFITABILITY RATIOS (%)	**30/06/11**	**31/12/10**	
Cost/Income ratio	58,4	61,6	
R.O.E. (on average equity) (2)	3,06	5,74	
R.O.E. (on end-of-period equity) (3)	3,05	5,74	
Net adjustments to loans / End-of-period investments	0,72	0,74	
• CAPITAL RATIOS (%)	**30/06/11**	**31/12/10**	
Solvency ratio	13,5	12,9	
Tier 1 ratio	8,9	8,4	
• INFORMATION ON BMPS STOCK	**30/06/11 (4)**	**31/12/10**	
Number of ordinary shares outstanding	6.019.271.362	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 the **31/12/10** to the **30/06/11**	from the **31/12/09** to the **31/12/10**	
average	0,74	1,02	
low	0,49	0,82	
high	0,86	1,33	
• OPERATING STRUCTURE	**30/06/11**	**31/12/10**	**Abs. chg**
Total head count - end of period	31.201	31.495	-294
Number of branches in Italy	2.915	2.918	-3
Financial advisory branches	142	151	-9
Number of branches & representative offices abroad	40	41	-1

(1) Figures as at 30/06/2010 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.

(4) Subsequent to the capital increase completed on 20 July 2011, ordinary shares total 10,844,097,796, preferred shares number 681.879.458 and savings shares total 18,864,340.

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

MPS Group	30/06/11	30/06/10 (1)	Change Ins.	Change %
Net interest income	1.696,4	1.784,3	-87,9	-4,9%
Net commissions	932,0	963,4	-31,4	-3,3%
Income from banking activities	**2.628,4**	**2.747,7**	**-119,3**	**-4,3%**
Dividends, similar income and gains (losses) on equity investments	47,4	30,1	17,3	57,5%
Net profit (loss) from trading/valuation of financial assets	222,4	-33,7	256,1	n.s.
Net profit (loss) from hedging	-0,2	12,9	-13,2	-101,9%
Income from financial and insurance activities	**2.898,0**	**2.757,1**	**140,9**	**5,1%**
Net adjustments for impairment of:	**-593,6**	**-609,0**	**15,4**	-2,5%
a) loans	-569,4	-590,0	20,6	-3,5%
b) financial assets	-24,2	-19,0	-5,2	27,1%
Net income from financial and insurance activities	**2.304,4**	**2.148,1**	**156,3**	**7,3%**
Administrative expenses:	-1.612,2	-1.581,9	-30,2	1,9%
a) personnel expenses	-1.061,6	-1.076,8	15,1	-1,4%
b) other administrative expenses	-550,5	-505,2	-45,4	9,0%
Net adjustments to tangible and intangible fixed assets	-80,7	-82,1	1,4	-1,7%
Operating expenses	**-1.692,9**	**-1.664,0**	**-28,8**	**1,7%**
Net operating income	**611,6**	**484,0**	**127,5**	**26,3%**
Net provisions for risks and charges and other operating income/expenses	-108,3	-133,7	25,4	-19,0%
Profit (loss) on equity investments	-7,0	-19,5	12,5	-64,1%
Integration costs / one-off charges		-2,7	2,7	-100,0%
P&L figures for branches sold		21,8	-21,8	-100,0%
Gains (losses) from disposal of investments	0,4	184,2	-183,8	-99,8%
Profit (loss) before tax from continuing operations	**496,7**	**534,2**	**-37,5**	**-7,0%**
Taxes on income from continuing operations	-187,4	-219,0	31,6	-14,4%
Profit (loss) after tax from continuing operations	**309,3**	**315,2**	**-5,9**	**-1,9%**
Profit (loss) after tax from disposal groups held for sale	10,9	2,3	8,6	n.s.
Net profit (loss) for the period including minority interests	**320,1**	**317,5**	**2,7**	**0,8%**
Net profit (loss) attributable to minority interests	-2,7	0,9	-3,6	n.s.
Net profit (loss) pre PPA	**317,4**	**318,4**	**-1,0**	**-0,3%**
PPA (Purchase Price Allocation)	-56,1	-57,2	1,2	-2,1%
Net profit (loss) for the year	**261,4**	**261,2**	**0,2**	**0,1%**

(1) Figures as at 30/06/2010 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).

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	2011		2010 (1)			
	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	818,7	877,7	900,8	906,5	912,7	871,7
Net commissions	459,3	472,7	489,0	459,1	482,9	480,5
Income from banking activities	**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	20,1	27,4	32,2	29,5	15,7	14,4
Net result from realisation/valuation of financial assets	118,5	103,9	-5,7	16,3	-53,4	19,7
Net profit (loss) from hedging	-1,1	0,9	-10,1	-3,5	6,3	6,7
Income from financial and insurance activities	**1.415,4**	**1.482,6**	**1.406,2**	**1.408,0**	**1.364,2**	**1.392,9**
Net adjustments for impairment of:	**-314,9**	**-278,7**	**-296,1**	**-289,1**	**-301,3**	**-307,7**
a) loans	-294,8	-274,6	-284,1	-281,5	-283,0	-307,0
b) financial assets	-20,1	-4,1	-12,0	-7,6	-18,3	-0,7
Net income from financial and insurance activities	**1.100,5**	**1.203,9**	**1.110,1**	**1.118,9**	**1.062,9**	**1.085,2**
Administrative expenses:	-798,4	-813,7	-868,7	-805,2	-775,9	-806,1
a) personnel expenses	-518,1	-543,5	-597,4	-537,1	-518,7	-558,1
b) other administrative expenses	-280,3	-270,2	-271,4	-268,1	-257,2	-247,9
Net adjustments to tangible and intangible fixed assets	-39,2	-41,5	-52,3	-40,8	-42,1	-40,0
Operating expenses	**-837,6**	**-855,2**	**-921,1**	**-846,0**	**-817,9**	**-846,1**
Net operating income	**262,9**	**348,7**	**189,0**	**272,9**	**245,0**	**239,1**
Net provisions for risks and charges and other operating income/expenses	-69,7	-38,6	-26,7	-32,8	-92,2	-41,5
Profit (loss) on equity investments	-7,1	0,1	578,8	-7,8	-19,3	-0,2
Integration costs / one-off charges			-10,7	-6,1	-2,7	
P&L figures for branches sold					9,2	12,6
Gains (losses) from disposal of investments	0,3	0,1	0,5	-2,3	184,2	0,0
Profit (loss) before tax from continuing operations	**186,4**	**310,3**	**730,8**	**223,9**	**324,1**	**210,1**
Taxes on income from current operations	-42,4	-145,0	-73,1	-100,8	-176,8	-42,3
Profit (loss) after tax from continuing operations	**144,0**	**165,3**	**657,7**	**123,1**	**147,3**	**167,9**
Profit (loss) after tax from disposal groups held for sale	8,1	2,8	-0,2	-0,5	-0,3	2,6
Net profit (loss) for the period including minority interests	**152,0**	**168,1**	**657,6**	**122,6**	**147,0**	**170,5**
Net profit (loss) attributable to minority interests	-0,8	-1,9	-1,3	-1,1	1,4	-0,5
Net profit (loss) pre PPA	**151,3**	**166,1**	**656,2**	**121,5**	**148,5**	**169,9**
PPA (Purchase Price Allocation)	-30,2	-25,8	-27,6	-25,8	-29,6	-27,7
Net profit (loss) for the year	**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	30/06/11	31/12/10	30/06/10 (1)	Chg. 30/06/11 vs 31/12/10 abs.	%	Chg. 30/06/11 vs 30/06/10 abs.	%
Cash and cash equivalents	979	2.411	853	-1.432	-59,4%	125	14,7%
Receivables :							
a) Loans and advances to customers	157.275	156.238	152.850	1.038	0,7%	4.425	2,9%
b) Loans and advances to banks	10.793	9.710	13.662	1.083	11,2%	-2.868	-21,0%
Financial assets held for trading	55.773	55.973	58.752	-200	-0,4%	-2.979	-5,1%
Financial assets held to maturity	0	0	0	0	-10,6%	0	-9,7%
Equity investments	916	908	732	8	0,9%	184	25,2%
Tangible and intangible fixed assets	8.936	8.959	10.201	-23	-0,3%	-1.265	-12,4%
of which:							
a) goodwill	*6.474*	*6.474*	*6.474*				
Other assets	9.220	10.081	10.518	-861	-8,5%	-1.297	-12,3%
Total assets	**243.892**	**244.279**	**247.567**	**-387**	**-0,2%**	**-3.675**	**-1,5%**

LIABILITIES	30/06/11	31/12/10	30/06/10 (1)	Chg. 30/06/11 vs 31/12/10 abs.	%	Chg. 30/06/11 vs 30/06/10 abs.	%
Payables							
a) Due to customers and securities	166.493	158.486	157.980	8.007	5,1%	8.513	5,4%
b) Deposits from banks	23.219	28.334	28.593	-5.116	-18,1%	-5.374	-18,8%
Financial liabilities held for trading	26.985	30.383	33.210	-3.399	-11,2%	-6.225	-18,7%
Provisions for specific use							
a) Provisions for staff severance indemnities	287	287	298	0	-0,2%	-11	-3,8%
b) Pensions and other post retirement benefit obligations	199	436	450	-237	-54,4%	-251	-55,8%
c) Other provisions	898	882	962	16	1,8%	-64	-6,6%
Other liabilities	8.567	8.043	9.459	524	6,5%	-892	-9,4%
Group net equity	16.979	17.156	16.345	-177	-1,0%	634	3,9%
a) Valuation reserves	-193	-146	-219	-47	32,0%	26	-11,8%
b) Redeemable shares							
c) Equity instruments	1.933	1.949	1.949	-16	-0,8%	-16	-0,8%
d) Reserves	6.558	5.900	5.903	658	11,1%	655	11,1%
e) Share premium	3.938	3.990	3.996	-52	-1,3%	-58	-1,5%
f) Share capital	4.502	4.502	4.502				
g) Treasury shares (-)	-21	-25	-49	4	-14,4%	28	-56,8%
h) Net profit (loss) for the year	261	985	261	-724	-73,5%	0	0,1%
Minority interests	265	270	270	-5	-1,8%	-5	-1,9%
Total Liabilities and Shareholders' Equity	**243.892**	**244.279**	**247.567**	**-387**	**-0,2%**	**-3.675**	**-1,5%**

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

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

Non-financial KPIs

During the period, the following activities were carried out in order to attain structural and CSR-oriented consolidation of the management systems for qualitative and non-financial business components that have a significant impact on the sustainability of the group's economic performance:

- The CSR strategy for the next five years was set out. The Strategy is part of the Group's broader Business Plan which supports the objective of increasing the value created for all stakeholders as well as the company's reputation.
- A detailed training plan on CSR issues was launched.
- There was further development of the Sustainability tree - the accounting, assessment and reporting model for non-financial performances - with a view to making it progressively available for relevant use in the various stages of the corporate management cycle.

Below are some of the key indicators included in the Sustainability Tree that are already subject to monitoring:

Objectives	Performance indicators	30/06/11	30/06/10
HUMAN RESOURCES	employee perception index (scale 20-100)	69,2	65,2
	turnover[1] (%)	0,24	0,18
	absenteeism rate[2]	4,47	4,15
	training per employee (hours)	25,0	25,0
	women executives-managers (%)	36,1	35,1
	female employees (%)	44,8	44,4
CUSTOMERS	care score index (scale 20-100)	65,9	62,8
	retention (%)	97,8	97,3
	acquisition (%)	2,7	3,2
	Claims[3] (no)	4.914	5.459
	Claims (average days of answer)	19	48
SOCIETY	microcredits (no.)	470	322
	migrant banking (customers %)	5,4	5
	social aid[4] (EUR mln)	11,67	10,37
	supplier sustainability rating (scale 1-10)	4,7	4,9
ENVIRONMENT	energy consumption (TEP – Ton of Equivalent Petroleum) per capita	0,73	0,74
	CO_2 emission[5] per capita (kg)	393	374
	paper[6] per capita (kg)	34,5	40,8
	green purchases[7] (%)	4,1	3
	financing for energy and environment (millions of euro)	619	408

(1) Turnover: ratio between the number of voluntary outflows and total headcount

(2) Absenteeism rate:days of absence due to sickness and accidents out of average annual working daysi

(3) Claims: data is not inclusive of joint account holders filing claims for compound interest and cloning of credit/debit cards.

(4) Social aid: includes social-purpose contributions in the form of donations and sponsorships

(5) CO_2 Emissions: includes greenhouse gas emissions under "scope 1" and "scope 2" according to the International classification,GHG Protocol.

(6) Paper consumption: the figure does not include paper used for customer-communication

(7) Green purchases: percentage of total costs for supplies relating to the procurement of products and services with low environmental impact.

* Data refers to surveys carried out by BMPS in 2009 and 2010. Findings for 2011 are currently being processed.

** at 31/12/2010.

Macroeconomic and banking scenario

Following the general economic revival of 2010, with recovery driven by the sharp upturn in international trade flows, **signs of a slowdown in worldwide growth emerged in the first half of 2011** with performances being different from area to area.

In the Eurozone, where Germany confirmed its role as "Europe's growth engine", economic recovery was consolidated (the IMF estimates GDP at 2% for 2011) though remained hampered by several factors which may influence its future developments, including in particular: tough **budget consolidation plans** launched to avert the risk of default; the escalating **sovereign debt crisis** which, since the close of the period, has extended to fully include Italy; the lack of clear cohesive EU policies regarding the bailout of Greece; a **job market that continues to struggle** and **high inflation**. As for **Italy,** the IMF has forecast a **1% increase for GDP in 2011.** However, the financial measures recently launched by the Government to meet its objective of a balanced budget by 2014, are likely to affect the country's recovery over the next few years unless they are accompanied by structural reforms that allow for higher growth.

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

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

Source: FMI WEO Update, June 2011

The USA is facing **slow economic growth**, with unemployment being the main vulnerability, together with a high public debt. As a result, in August its AAA credit rating was downgraded by Standard & Poor's to AA+.

Though continuing to advance at a sustained rate, **growth in the Asian economies has also shown signs of "cooling"** following a series of restrictive measures taken by several Monetary authorities to abate inflation. According to the IMF the **Japanese economy**, wrought by the earthquake and Fukushima crisis, **will be able to recover** from this year's slump as of 2012.

Macroeconomic trends

Following the marked recovery of the second half of 2010, GDP in the **U.S.** fell 1.9% in Q1 2011(+3.1% before), with a year-end forecast estimated between 2.7% and 2.9% by FED and at 2.5% by FMI. U.S. recovery was hampered by persisting tensions in the job market (the unemployment rate soared to 9.2% in June), weak domestic demand, a still-unstable property sector and high levels of federal debt. Production figures for May reflected the lower intensity for U.S. recovery with industrial production climbing just 3.4% (as compared to +4.7% registered in April). Nevertheless, the performance of certain leading indicators (positive in June) points to a slight improvement in the second half of 2011, although the situation remains uncertain. Inflationary pressures also intensified with CPI rising to 3.6% YoY in June. Within this scenario FED, which revised downwards its outlook for U.S. economic growth for both the current year and the year ahead , left the "target range" for the Federal Funds rate unchanged, continuing to stand between 0 and 0.25%. Bernanke himself stressed that recovery will be slower than expected and that monetary policy will remain accommodative "for a long time to come", opening the door to a new round of quantitative easing to bolster the economy (the previous quantitative easing plan drew to a close at the end of June), specifying however that, for the meantime, such an action would be compromised by "run-away" inflation: In this way, the markets put off a first rate hike by FED to mid-2012.

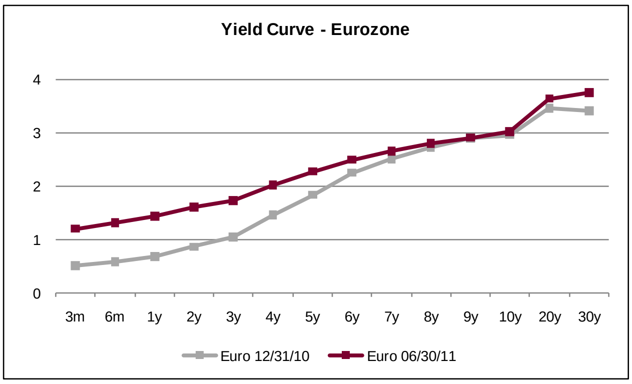
Growth among the emerging countries continues to be led by China (followed by India) which, according to IMF will grow 9.6% in 2011 on account of the positive trend in exports which, on average, continued to expand at rates above 20% YoY in the first half of 2011. Inflation, however, gives cause for concern (CPI in June at 6.4% YoY) with the Beijing Monetary Authority tightening its policies more than once (in terms of interest rates, the bank reserve requirement ratio, control of capital inflows, property tax) in an attempt to contain inflation. It would appear that such an approach is not set to be changed in the short term, with the risk that economic growth may suffer an excessive "cool-down".

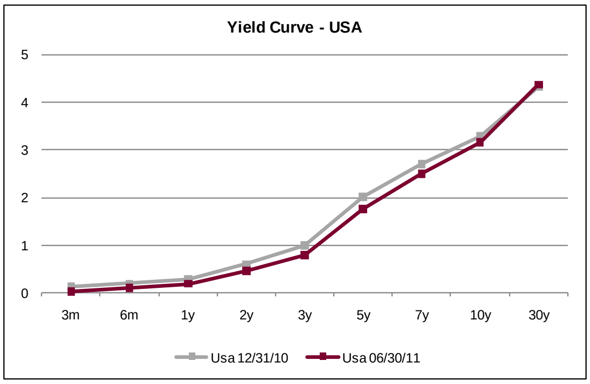
For the **Eurozone,** the IMF has revised upward its growth forecast for 2011 (from +1.6% estimated in April to +2%) thanks to the rise in GDP in the first quarter of the year (+2.5% YoY against a previous +2%) and to the driving force of Germany. In May, however, German industrial production slowed down with orders from foreign demand stalling; moreover the ZEW index for June returned negative after more than two years, portending a decrease in industrial production in the second half of the year. In addition to the weakness in consumption (-1.9% YoY for retail sales in May), inflation which continues to be high (+2.7% YoY in June) and an unemployment rate of around 10%, it is, above all, the fears over a worsening debt crisis that cast a shadow on economic revival. Despite the approval of the details regarding the European mechanism of financial stabilisation by the Eurogroup and the launch of new austerity plans by the Greek Government, once again the lack of cohesive policies at EU level gives rise to uncertainties in the markets. The debate over the "technical configuration" to be given to the new financial aid plan in favour of Athens (approx. €110bln), the downgrade to “junk status” for Greek, Irish and Portuguese bonds and fears of a "spread" to Spain and Italy, contribute to mounting fears and volatility. In the second quarter, the 10Y intra-euro area spread to the German bund began to widen again, reaching new highs for all peripheral countries (Greece's rose above 1500 bps). The same countries also had a similar trend for 5-year CDSs (Credit Default Swaps).

Following recovery in 2010, **Italian growth is currently faltering**, as confirmed by the GDP result for the first quarter of 2011 (at 1% YoY from 1.5% in the previous quarter). ***IMF estimates point to the continuation of a flat growth trend for the rest of the year***. This is also confirmed by production figures for May which, though positive, have shown to have slackened (+1.8% YoY for IP from +3.8% in April). The main leading indicators, which were all down in June, forecast weakness in the future despite some unexpected hints of revival in consumption (+2.5% YoY for retail sales in April). Although unemployment showed a slight drop in the first five months of 2011 (yet still higher than 8.1% on average), youth unemployment climbed back close to 29% in May. Pressures on pricing continue with inflation in June standing at 2.7% YoY. "Weak" economic growth is coupled with market fears over a possible contagion in Italy in the wake of the escalating debt crisis in the Eurozone (**S&P’s outlook on Italy revised to negative**). To ensure breakeven of the budget deficit is achieved by 2014, the Italian Government has approved financial measures in the amount of EUR 80 bln for the period 2011-2014. Although Italy has one of the highest public deficits in Europe, the impact of private Italian debt is among the lowest in the EU, so much so that if public debt and private debt are considered overall as a percentage of GDP, the ratio is in line with the European average. Nevertheless, the pursuit of a strict policy on accounts by the Italian government is necessarily required by the markets.

In the money market, interest rates in Q2 2011 continued to rise on key maturities (at the end of June, the 1 month Euribor increased to 1.325% from 0.782% at the end of 2010). In the meantime, stress test results have been published: out of 90 financial institutions analysed, 5 Spanish banks, 2 Greek banks and one Austrian bank did not pass the test. The ongoing risk of an upward price shift has prompted the Monetary Authority to increase the cost of money by 25 bps in April and a further 25 bps in July, bringing the current benchmark rate to 1.5%. Following the meeting on 4 August 2011 and the decision to reinstate anti-crisis measures with reactivation of the 6-month term refinancing auctions, the Euribor began to fall again with futures contracts including the possibility of an unchanged benchmark rate up to the end of 2012. ECB president, Trichet, on Greece's debt crisis, underlined the need to avoid whatever would trigger a credit event or selective default and did not comment on the possibility of issuing Eurobonds as a tool against contagion.

The feeble US recovery, tensions in North African countries, the violent earthquake in Japan and, above all, mounting fears over peripheral debt have prompted an investor shift towards safer financial assets, which in turn has contributed to the sliding yield on German 10-year bonds that has more or less returned to values at the start of the year. In the first half of 2011, **interest rates in Europe saw a sharper rise for the short-term component,** following the first restrictive measures by the ECB, with a flatter trend registered for the 2-10Y term. In America, the continuation of the FED's accommodative policy meant the Libor fell on key maturities. **The U.S. benchmark rate curve remains virtually unchanged.**





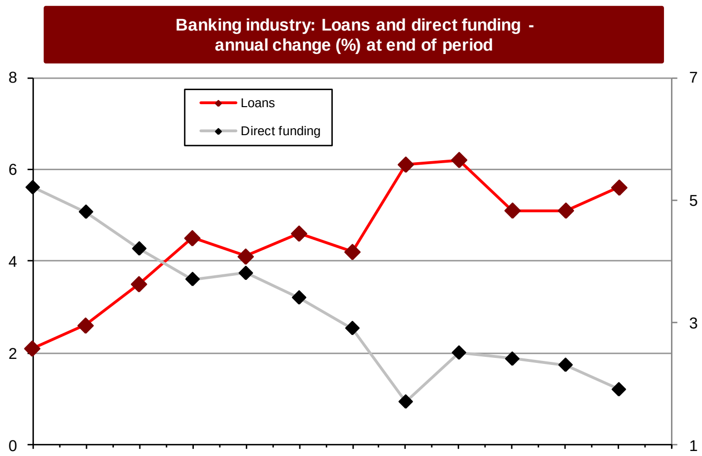
In the first half of 2011 the **major world markets** registered different performances: Dow Jones +6.4%, S&P 500 +3.8%, Dax more than +5.5%, continuing the upward trend that began in the second half of 2010, while the Nikkei (-5.6% in the first half of 2011) was heavily impacted by the earthquake and the Fukushima nuclear disaster. The performance of the FTSE Mib 6 month index was disappointing (-1.2%) owing to the recapitalisation processes that affected several Italian banks and, especially, the escalating sovereign debt crisis whose consequences are a cause of mounting concern. At the beginning of July, the political uncertainty that affected approval of the Italian financial measures, put the Italian stock market under pressure from speculators. Indeed the spread between the 10Y Italian bond and the 10Y German bund reached its highest level (nearing 350 bps) while the yield on the 10Y BTP surpassed 6% for the first time since 1997. A record high for the 5Y CDS also, which rose to over 315 bps.

On **currency markets**, the Euro reacted to the tightening policies of the ECB, rising against all major currencies. The euro/dollar cross rate reached its highest level since the end of 2009, ie. 1.45 as at 30 June; the Euro also climbed against the yen. Recent developments in the debt crisis, however, have affected the single currency which, in the first weeks of July, lost ground against major currencies. Pressure is still being exerted on the Beijing government for it to devalue the yuan.

Banking and positioning of the Montepaschi Group

New deposits remained limited in the first half of 2011 while there was a surge in lending, especially short-term loans. **Interest rates continue the upward trend** started in mid-2010, accentuated by the changes made to the monetary policy framework by the ECB, which increased the rate of reference by 25 bps at the beginning of April and July, from 1% to 1.5%. **The capital strengthening plan for banks continued**, driven by both the market and the supervisory authorities, with Italian credit institutes raising approx. EUR 10 bln in capital overall.

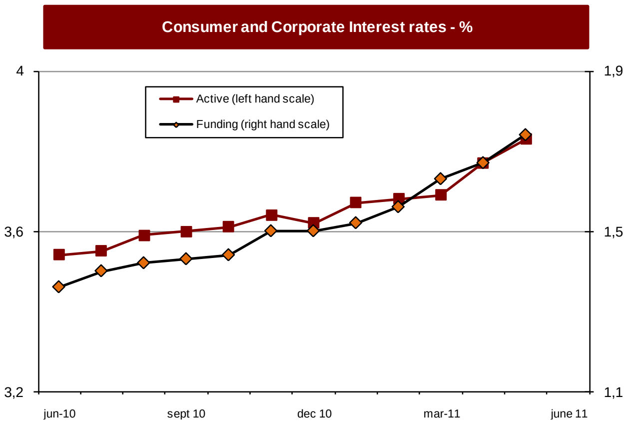
Following the downturn registered in the second half of 2010 and which continued up to January, the annual increase in **direct funding** has now levelled off at around **+2%**. **Growth in deposits continued to slow down** (+0.4% in May against +6% in the final quarter of 2010), driven chiefly by the poor performance of repurchase agreements, though there was a year-on-year increase by almost 20% in May (+83.5% at the end of 2010). A **fall was also registered for current accounts**, which have been on a growing downward trend since November 2010 (from -0.9% to -3.5%). The decline is significant for financial companies while households remained substantially stable. Against this backdrop, **bond volumes increased** (almost +39 bln on the end of the previous year), seeing a return to significant growth rates for the year (+4.1% in May), following the dip registered in the second half of 2010. **The Montepaschi Group's market share for direct funding stood at over 8% in May.**



Mutual fund flows in H1 continued on the downward trend seen in the closing months of 2010. Net funding was negative by over EUR 10 bln and was concentrated in bond and liquidity funds (-10.4 bln), against moderately positive balances for flexible, balanced and equity funds (+1.4 bln in total). Volumes of assets under management slumped 2.5% on the end of 2010 with a prevalence still being seen for bond and liquidity funds (53.4% of total fund assets), followed by equity (23.2%) and flexible funds (16%). **The market share for funds placed by the Group's network (calculated on the basis of inventories) totalled 4.87% (in March)**, confirming the upward trend started in the second quarter of 2010.

Asset management also began the year with negative net funding (-1.6 bln in the first quarter for the retail market), a reflection of the cautious stance adopted by savers. Assets under management slid by over 2% 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** business which, in the first five months of the year, remained below 20 bln, registering a fall of over 30% 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 remained largely stable. **AXA-MPS's market share on new premiums stands close to 6%.**

The performance of the bank lending sector improved, standing over +5% on an annual basis compared to the average +4% registered in the second half of 2010. The trend was driven almost exclusively by short-term products (from +5.2% for the year in December to approx. +9% in the first half of 2011), including primarily inventory and working capital loans for businesses, with greater stability for loans maturing beyond 1 year which, nevertheless, totalled around +4% on an annual basis (from +3.6% last December). **Loans to the manufacturing sector increased significantly**, growing to over 5% on an annual basis (from +2.3% at the end of 2010), driven by lending to both non-financial companies (from +1.6% to +5.3%) and family-owned businesses (from +9.2% to +11%). Against this backdrop, there was **a slowdown in the growth of loans to consumer households**, which nonetheless remained above +6% (from an average +7.9% in H2 2010): the lower rise in home mortgages (from +7.7% in December 2010 to +6.2%) was not, in fact, compensated by a stronger performance in loans for other purposes (from +8.7% to +10.5%). **The Group's market share came to 8% in April and May**, higher than in the closing months of 2010.



Between January (which saw discontinuity in the time series) and May, the stock of **non-performing loans** increased by EUR 5.2 bln, less than in the previous four months (6.7 bln). In the first quarter, flows from new adjusted non-performing loans[5] showed signs of faltering with a rate of decay standing at 1.8%, down by a tenth of a point on the last quarter of 2010.

Bank interest rates continue to follow the reversal of trends that began in H2 2010, showing a significant increase. During the first five months of the year, there was an improvement of 21bps for the rate on loans and 24 bps for direct funding, with a slight reduction of spread. The increase was more intensive for short-term loans (+36 bps in five months) and for repurchase agreements (liabilities;+34 bps); it should also be noted that there was an increase in bond rates (+25 bps on volumes). The **mark-up**, measured in reference to short-term loans and the one-month Euribor, **fell against the average levels registered in the second half of 2010,** dropping to 3.18 percentage points vs. 3.26%. In contrast, the **mark-down on deposits continued to increase**, expanding to 30 bps in May (from values of around zero in H2 2010).

The regulatory framework

A number of initiatives promoted by the government and banks to relaunch and support the economy were extended to 31 July. With regard to households, the main initiative involves the 12-month suspension of mortgage repayments for the purchase of a first home in the event of unfavourable conditions: job loss, temporary layoff, death or lack of self-sufficiency. As for **businesses, the extension involves a grace period on debts of small and medium-sized enterprises.** Two important innovations were introduced in this area: for customers who had already used the grace period, the option to restructure was given with a two to three year extension on the mortgage loan and smaller installments. Furthermore, rate risk hedging has been envisaged through the use of derivatives, which should allow companies that have stipulated variable-rate loans to switch either to a fixed rate or a capped rate mortgage.

Law no. 10 of 26 February 2011 (known as the **Milleproroghe decree**) 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 which in turn may be transferred or used to offset tax liabilities. **This assessment lays the groundwork - pursuant to Basel III - for eliminating the need to deduct deferred taxes 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 the deduction of the 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 matures daily, **to taxation charged to the underwriter on the actual variation in value** at the time of divestment compared to the

[5] ie. the total amount of loans granted to customers with a significant portion of their exposure classified as non-performing.

underwriting date. This will put an end to the misalignment between the 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 and 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 7 July**, it should be noted that, among the impact standards for 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 plan. As for 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 bonds for the Southern economy"** for up to a maximum of 600 mln per year, with a preferential 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, 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). Finally, **certain rules on project financing have been 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") 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 security 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"**, i.e. those that invest at least 75% of funding in unlisted companies, during the stages of start-up, seed, launch of business or product development.

Economic and social trends

Over several years now, a number of important patterns and trends have emerged, impacting not only the social and economic fabric, but also the operations of banks in terms of organisational structure and product range adjustment.

Demographics point to a growth in population accompanied by an increase in senior citizens and foreigners. Indeed, 2010 saw a rise in the population residing in Italy to over 60.6 million, a 6.5% increase since the beginning of the century. This growth is ascribable to the negative natural balance being offset by a decisive contribution from the migration influx; foreign nationals have more than trebled in absolute terms compared to 2000, accounting for 7.5% of the population (2.4% in 2001), partly as a result of regularisation and integration rules. The number of citizens over the age of 64 has seen an increase from 18.4% to 20.3% in the past ten years, against a decline in the working-age population (15-64 years) which has fallen from 67.3% to 65.7%. **Aging of the population exerts increasing pressure on public spending, with a potentially strong impact on the balance of pension schemes and social protection, and gives growing importance to private pension funds and to insurance products designed to protect the person.**

With regard to **equal opportunities** in the job market, the female employment rate in 2010 came to 46.1%, a significant increase on the 37.8% at the beginning of the 90s but still over 20 percentage points lower than that of males. The Italian rate remains among the lowest in the EU and still far from the goal set out by the Lisbon Strategy (60%). Wide gaps are seen across the country with 54.8% in Central-Northern Italy while Southern Italy continues to remain at 30.5%, reflecting the different social, cultural and economic fabric as well as the local policies implemented. To promote female employment, recruitment incentives were made use of as were training schemes and gender balance initiatives in the Public Administration and measures to support female entrepreneurs; work-life balance is fundamental and is especially affected by the presence of adequate childcare and the availability of financial contributions used to pay this. The importance of these aspects is confirmed by the fact that women with part-time jobs make up 30% of those employed against 6% for men. **Female staff in the banking system is close to 43%** of the total compared to 40.7% of the total employed in other sectors of activity.

The weight of the underground economy, i.e. the part of production of goods and services linked to tax and social security fraud, remains high (16,9% according to the latest Istat figures[6]), although it has lowered since the beginning of the century (18.7%). The most important part of the issue concerns the underreporting of revenue and the swelling of income-generation costs, however the practice of undocumented employment also plays a substantial role, with irregular workers amounting to almost 3 million. The underground economy does not include illegal activities and has a higher incidence in the agricultural sector (over 30% of added value for the sector) than in the tertiary sector (approx. 20%) and industry (12.4%).

[6] Istat reveals a "range" of estimates: the ones reported are the intermediate values.

Major events in H1 2011

Below is a summary of the most significant events of the Montepaschi Group in the first half of 2011:

- **On 18 January 2011** Banca Monte dei Paschi di Siena S.p.A. communicated its decision to increase the spread on preferred securities issued by Mps Capital Trust I for an amount of €350,000,000 (ISIN XS0121342827) and Antonveneta Capital Trust I for an amount of €80,000,000 (ISIN XS0122238115) (the "Preferred Securities"), opting not to call these instruments at their first call dates (respectively, 7 February 2011 and 21 March 2011). The decision was reflective of the extraordinary circumstances attributable to the utmost uncertainty in the current legal and regulatory framework, which does not yet provide for clear guidance on new issues of capital instruments eligible for inclusion in the Bank's Tier 1. In consideration of market expectations, however, the Bank resolved to increase the spread applicable to the Preferred Securities. Even under the extraordinary circumstances underlying its decision not to call the Preferred Securities at their first call date, the Bank attests its willingness to take investors' expectations into the highest account, consistently with its long-standing strategy of proximity and commitment to the market.
- **On 2 February 2011** Banca Monte dei Paschi di Siena successfully completed the issue of covered bonds targeted to the Euromarket, as part of the EUR 10 bln programme announced at the end of June 2010 and entirely backed by residential mortgage loans of the Montepaschi Group. The 7-year fixed rate EUR 1 bln transaction is targeted at qualified institutional investors and financial intermediaries. Managing banks in the transaction were Credit Suisse, JP Morgan, Mediobanca, Mps Capital Services, Natixis and Nomura as Joint Lead Managers and Book Runners. The transaction pays a 5% annual coupon, yielding 5.056%, equivalent to the 7-year Euro mid-swap rate increased by a spread of 185 basis points. On the back of the significant interest shown by investors, the order book exceeded EUR 1.3 billion in a few hours. The bond offering was placed with 89 institutional investors, mostly from Italy (38%), Germany and Austria (25%), France (11%), UK (8%), BeNeLux (6%), and Switzerland (5%), with significant interest shown by almost all Eurozone countries. As for the type of investors, fund managers accounted for 31% of the total issue, followed by banks (23%), insurance companies (8%), government agencies (5%) and pension funds (4%).
- **On 9 March 2011** Banca Monte dei Paschi di Siena successfully completed the issue of covered bonds targeted to the Euromarket, as part of the EUR 10 bln programme announced at the end of June 2010 and entirely backed by residential mortgage loans of the Montepaschi Group. The 5.5-year, fixed-rate, EUR 1.25 bln offering is targeted at qualified institutional investors and financial intermediaries. Managing banks in the transaction were Banca IMI, LBBV, Mediobanca, Mps Capital Services, Rbs and UBS as Joint Lead Managers and Book Runners. The transaction pays a 4.875% annual coupon, yielding 4.882%, equivalent to the interpolated mid-swap rate increased by a spread of 180 basis points. On the back of the significant interest shown by investors, the order book exceeded EUR 1.4 billion in a few hours. The bond offering was placed with 95 institutional investors, mostly from Italy (34%), Germany and Austria (26%), UK (16%), France (14%), Scandinavia (6%), Spain (2%) BeNeLux (1%), and others (1%), with significant interest shown by almost all Eurozone countries. As for the type of investors, banks represented 63% of the final allocation, followed by fund managers (29%), insurance companies (5%) and hedge funds (3%).
- On **11 April 2011** the Board of Directors of Banca Monte dei Paschi di Siena SpA approved the **Montepaschi Group's 2011-2015 Business Plan**, based upon four fundamental levers:
  - tap the potential of the Group's distribution network;
  - identify new business opportunities
  - improve the organisational setup's effectiveness and efficiency;
  - achieve optimal capital and liquidity management.

  In line with the Business Plan, during the same session the Board of Directors of Banca Monte dei Paschi di Siena also approved the proposed **capital increase** of up to EUR 2 bln to be offered to shareholders on a pre-emptive rights basis through the issue of ordinary shares with the same dividend entitlement as shares outstanding as at the date of issue, to be offered pre-emptively to holders of ordinary, preference and savings shares. The capital raising was carried out to:

  - create the conditions for the future redemption of the financial instruments governed by art.12 of Law Decree n. 185/08, underwritten by the Ministry for the Economy and Finance in December 2009 (Tremonti Bonds), in an amount of EUR 1.9 bln, after obtaining approval from the Bank of Italy;

- enable earlier alignment with the more stringent requirements set out by Basel III and strengthen capital in service of the new Business Plan, thereby allowing the Group to seize the opportunities deriving from future economic growth.

In addition to the capital raising mentioned above, approval was given for a further increase in capital of up to EUR 471 mln, to be used for the buyback of irredeemable Floating Rate Equity-linked Subordinated Hybrid notes convertible into Banca Mps ordinary shares that had been issued by the subsidiary Mps Capital Trust LLC II in December 2003 and were outstanding for an overall nominal amount of EUR 471 mln (the " 2003 Fresh" notes).

Following the announcement of the capital increase and the presentation of the 2011-2015 Business Plan, the international agency **Standard & Poor's improved the Bank's individual rating to "A-" from "BBB+" and also increased its rating of subordinated notes from "BB+" to "BBB-". S&P also affirmed its long- and short-term rating (A-/A-2) with a stable outlook.**

Significant events affecting the Montepaschi Group in the second quarter of 2011 included:

- the merger of MPS Commerciale Leasing SpA into MPS Leasing & Factoring SpA, with legal effect as of 1 May 2011;
- the incorporation on 7 April 2011 of Aiace REOCO S.r.l. and Enea REOCO S.r.l., fully-owned subsidiaries of MPS Gestione Crediti Banca SpA that engage in real-estate transactions, typically associated with debt recovery, with the aim of maximising the value of the properties pledged as collateral for loans, by acquiring them (either out of court or at auction) and subsequently reselling them.

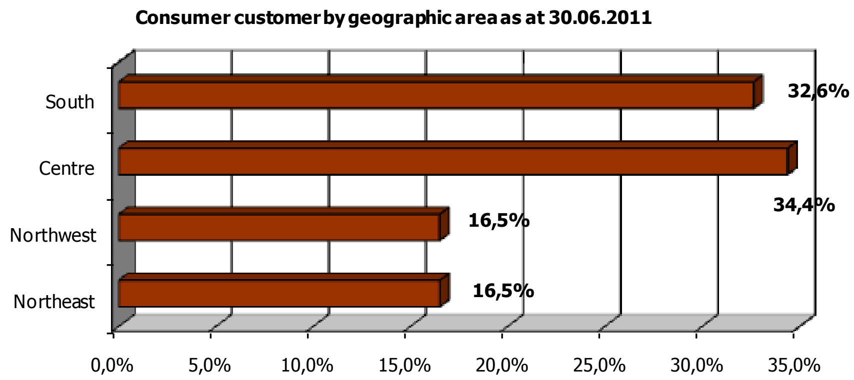
Customerbase and customer satisfaction

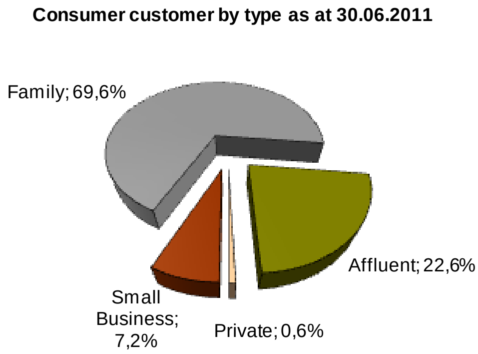
The Montepaschi Group performs its banking activities with **over 6.2 million customers**[7]**, approx. 5.9 million of whom are managed by the Distribution Networks** of Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca **and through the Financial Advisory channel.**

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 Customers

Includes **over 5.7 million customers,** distributed across the country with a stronger presence in the areas of central Italy. **Within this client segment, the largest share (69.6%) 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 (22.6%) who require a more customised approach (**Affluent**), **Small Businesses** and high-standing (**Private**) customers who make up 7.2% 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 over 30%. **Immigrant clients**[8] make up 5.37% (5.16% as at 31/12/2010) of customers at Group level with a greater incidence in Banca Antonveneta compared to Parent Company and Biverbanca.

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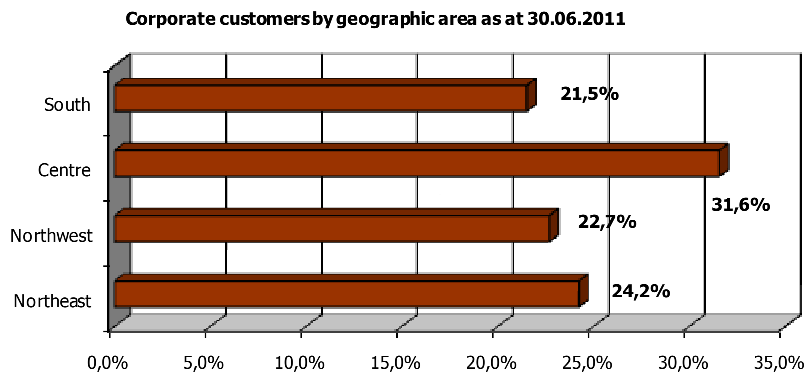
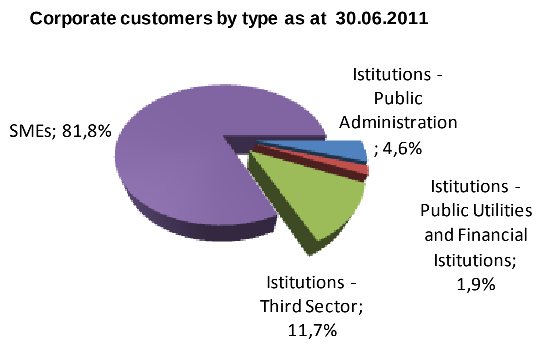
7 *The figure includes customers of Banca Monte dei Paschi di Siena, Banca Antonveneta, Biverbanca and those managed directly by Consumit.* The merger by absorption of Banca Personale into Banca Monte dei Paschi di Siena took place on 16/4/2010 with accounting/tax implications effective as of 1 January 2010.

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

Corporate customers:

This segment consists in nearly **78,600 customers**, including SMEs (approx. 82%) and Institutions (18%), mainly concentrated in the regions of Northern Italy (46.5%) but with a significant portion in Central Italy as well (31.7%).





As for **businesses**, the breakdown by sector reflects the Group's stronger footprint in trade, construction, services and the more traditional *Made in Italy* sectors (manufacturing, textile and clothing and food).

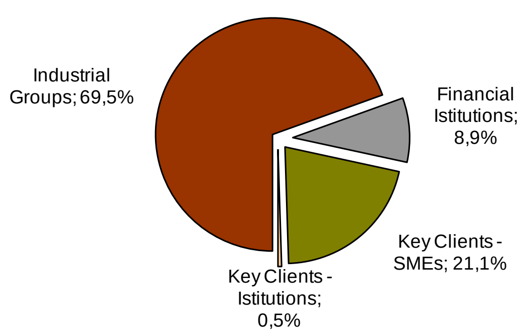
Corporate customers % by business sector at 30.06.2011

	Customers (*)	Retail (**)	Corporate
Retail distribution	19,5	21,8	8,0
Building and construction	11,7	12,0	10,4
Banking, insurance and services	10,9	10,8	11,1
Food, clothing, leather and textiles	9,0	8,5	12,1
Wholesale distribution	8,6	8,0	12,4
Public Administration	7,7	8,0	6,0
Metallurgy and Mechanical	6,7	6,0	10,4
Agriculture, hunting and fishing	4,9	5,2	3,8
Transport and communications	3,3	3,3	3,4
Manufacturing: extraction and chemicals	1,8	1,4	4,0
Public utilities	0,6	0,4	1,6
Non-classified	*15,1*	*14,7*	*16,9*
Total	**100**	**100**	**100**

(*) Weighted average of incidence of rates of individual Consumer and Corporate business segments

(**) "Small Business" customers registered as legal entities

A separate service model is reserved for over 1,600 key 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.



Knowing the customer's level of satisfaction and the factors which determine this 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, reflecting a higher turnover linked to the company's business cycle. 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, who hold a large share of Savings Deposits. It should be highlighted that 16.3% of Consumer customers holds a mid-long term mortgage/loan and 28.2% has a damage insurance policy.

The Group's **Retention** rate stood at **97.8% as at 30/06/2011**, an improvement on the rate recorded for the same period in 2010 and 2009. The **Acquisition** rate, which came to **2.7%**, is still feeling the brunt of the difficult economic cycle, falling from the previous year to around the levels registered at the end of June 2009.

CUSTOMER SATISFACTION

Customer satisfaction levels in relation to quality of products and services provided by the Group are monitored through periodic surveys (including so-called internal clients, i.e. branch employees) as well as the analysis of performance-operational efficiency indicators.

Internal systems measuring and controlling the levels of service to customers were further developed in the first half of the year.

Work also continued on Consumer Lab, the Group's ongoing collaboration with 15 leading Consumer Associations.

Complaints show good progress. In the first half of the year, 4,914 complaints were recorded (-10% on the same period in 2010) with an average response time that continued to decrease: 19 days (48 and 26 respectively in the first and second half of 2010).

Consumer Lab in the first half of the year

Consumer Lab at home – 4 events were held in branches of the Group (a further 6 have been planned by the end of 2011) in order for employees, associations and customers to exchange their views on the more "heartfelt" banking and financial issues (the supplementary pension was a pivotal issue) by opening, among other things, an ad-hoc three-day "information corner" for the

Montepaschi and the Associations listen to Consumers - 6 councelling centres have been made available to the public in various branches of the Group (a further 9 have been planned by the end of 2011). For a period of one month (8 working days), a branch employee and a representative from Associations were available to customers and all those interested to answer questions and openly address the more heartfelt banking and financial issues.

Products Lab - the issue of supplementary pensions was tackled and, in particular, the opportunity was agreed upon with the Associations to both integrate the specific features developed by the insurance company AXA-MPS into the advisory platform (Advice) and make the output available to customers. This additional feature will provide customers with a clearer view of their global position, in accordance with MiFID requirements.

BancAscuola – a project of financial education for students who have already turned 18, involving 12 schools across the country

Funding and lending

In the first half of 2011, the Montepaschi Group succeeded in growing its capital base despite the continuing complexity of the economic and financial environment, thanks to an effective sales and distribution strategy. The Group maintained continuity in its offer of credit through a variety of initiatives, partly through banking system agreements and partly through projects developed independently, while improving its competitive positioning in all the main areas of business in which it operates.

Funding

As at 30 June 2011, total funding volumes for the Group stood at approximately EUR 309 bln, up 0.4% on 31 March and 5.8% on the previous year, owing to the positive trends in direct funding which allowed the Group to absorb the downturn in assets under custody, mainly attributable to fluctuations in volumes from institutional customers (and therefore having low P&L impact).

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

	30/06/11	31/03/11	31/12/10	30/06/10	Chg. % vs 31/03/11	Chg. % vs 31/12/10	Chg. % vs 30/06/10
Direct funding	**166.493**	**160.361**	**158.486**	**157.980**	**3,8%**	**5,1%**	**5,4%**
Indirect funding	**142.919**	**147.840**	**144.919**	**134.401**	**-3,3%**	**-1,4%**	**6,3%**
assets under management	*49.375*	*49.938*	*50.547*	*50.060*	-1,1%	-2,3%	-1,4%
assets under custody	*93.543*	*97.902*	*94.372*	*84.341*	-4,5%	-0,9%	10,9%
Total funding	**309.412**	**308.202**	**303.405**	**292.382**	**0,4%**	**2,0%**	**5,8%**

More specifically:

- ✓ **Direct funding**, which came to approx. **EUR 166 bln, was up 3.8% on 31/03/2011 and 5.4% on the previous year,** increasing the Group's market share which grew to 8.12% (+42 bps from March) in May 2011. The aggregate includes **direct funding from corporate customers** which was propped up in the first half of the year by over EUR 9 bln in bond placements, increasing by 3.1 bln (+2.7%) on 31/12/2010 and 1.5 bln (+1.2%) on 31/03/2011. **Funding from institutional customers** was also on the rise in the form of both mid/long term issuances (approx. 4.6 bln Euros worth of bonds and covered bonds were placed in the first half of the year) and short-term market instruments. The following table shows a breakdown of major types of direct funding from customers:

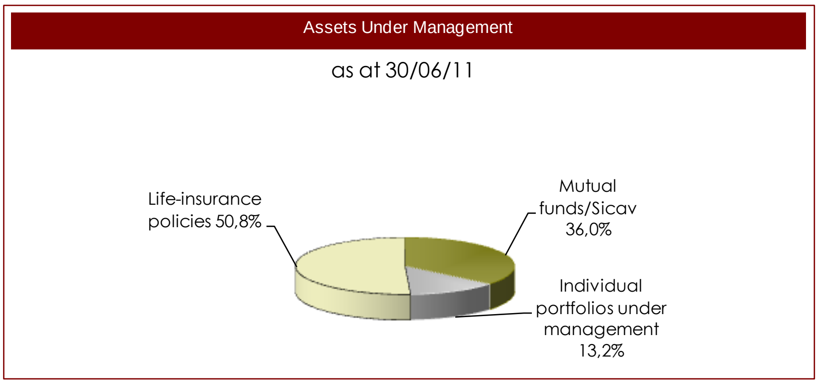
Direct funding (€/mln)

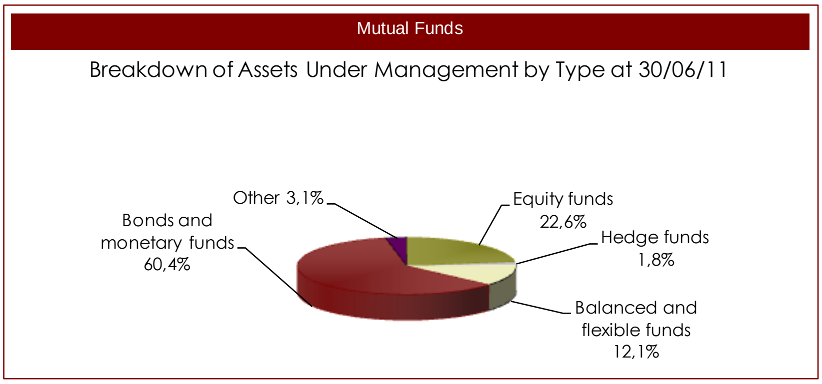
Type of transaction	30/06/11	31/03/11	31/12/10	30/06/10	Q/Q Change Abs.	Q/Q Change %	Y/Y Change Abs.	Y/Y Change %
Current accounts	65.356	65.178	65.774	66.896	178	0,3%	-1.540	-2,3%
Time deposits	2.188	2.232	3.292	4.384	-44	-2,0%	-2.196	-50,1%
Reverse repurchase agreements	23.033	18.319	18.741	18.715	4.714	25,7%	4.318	23,1%
Bonds	60.666	60.334	56.550	54.818	331	0,5%	5.848	10,7%
Other types of direct funding	15.250	14.298	14.130	13.167	952	6,7%	2.082	15,8%
Total	**166.493**	**160.361**	**158.486**	**157.980**	**6.132**	**3,8%**	**8.513**	**5,4%**

- ✓ **Indirect funding** at the end of the period totalled approx. EUR 143 bln, down 3.3% on 31 March but up 6.3% on the previous year. The aggregate includes:

assets under management, which amounted to EUR 49.4 bln, a slight fall on both the previous quarter and on 30/06/2010 (-1.1% and -1.4% respectively). A further breakdown of volumes – according to a Mifid-based approach structurally aimed at selecting the most suitable investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) – **shows that the prevailing segment is that of life insurance policies, Funds and Sicavs.** in the **insurance segment**, the Montepaschi Group's technical reserves amounted to approx. EUR 25 bln (-1.5% QoQ; -1.7% YoY) with premiums collected during the half-year period contributing 2 billion, mainly consisting in unit-linked policies (936 mln) and, to a lesser degree, in index-linked and traditional policies (565 mln and 511 mln respectively).

Individual Managed Accounts dropped to EUR 6.5 bln due to ouflows of approx. 286 mln registered in the half-year period, while **mutual funds/Sicavs,** amounting to approx. 17.8 bln, remained in line with March levels (-0.3%) but increased by 2.1% on the previous year as a result of 231 million in net funding, which was in contrast to the trends recorded for the Banking System where redemptions have prevailed since August 2010. Within this area, lower-risk funds account for more than 72% of the segment (Monetary and Bond funds 60.4%; Flexible and Balanced Funds 12.1%).





- **<u>Assets under custody</u>**: volumes amounted to approx. 94 billion at the end of the period (-4.5% on Q1 2011) with a rise of almost 11% on 30/06/2010 mainly benefitting from performance of deposits in the Key Clients segment.

Lending

The Group's “**Loans and advances to customers**” at the end of June 2011stood at approx. **EUR 157 bln, up by 2.6 bln (+1.7%) on Q1 2011 and 4.4 bln (+2.9%) YoY**, with a market share rising to 8% in May, an improvement of approx. 16 bps on the result registered at the end of 2010.

Loans and advances to customers (€/mln)

Type of transaction	30/06/11	31/03/11	31/12/10	30/06/10	Q/Q Change		Y/Y Change	
					Abs.	%	Abs.	%
Consumer/Corporate loans	137.508	137.821	138.694	136.525	-313	-0,2%	983	0,7%
Current accounts	*16.233*	*16.848*	*15.214*	*16.650*	*-615*	*-3,7%*	*-417*	*-2,5%*
Mortgages	*82.789*	*83.810*	*84.383*	*80.995*	*-1.021*	*-1,2%*	*1.794*	*2,2%*
Other forms of lending	*38.486*	*37.163*	*39.098*	*38.880*	*1.323*	*3,6%*	*-394*	*-1,0%*
Other loans	6.914	4.841	6.163	5.035	2.073	42,8%	1.879	37,3%
Impaired loans	12.853	12.002	11.381	11.290	851	7,1%	1.563	13,8%
Total	**157.275**	**154.664**	**156.238**	**152.850**	**2.611**	**1,7%**	**4.425**	**2,9%**

"Active" loans to consumer/corporate customers, which came to approx. EUR 138 bln at period-end, were stable on 31 March 2011 but up on the previous year (+0.7%). A decrease in mortgage loans was registered in Q2 (-1.2% on 31/03/2011), although volumes remained higher compared to 30 June 2010 (+2.2%), with new contracts for the half-year period totalling EUR 3.5 bln (8.7 bln in H1 2010).

Special purpose loans and corporate finance

EUR mln	30/06/11	2°Q11	1°Q11	4°Q10	3°Q10	2°Q10	1°Q10	30/06/10	Chg. 2°Q11 vs 1°Q11		Chg. YoY	
									Ins.	%	Ins.	%
MPS Capital Services (disbursements)	**1.130**	**398**	**731**	**597**	**381**	**699**	**390**	**1.089**	**-333**	**-45,5%**	**41**	**3,7%**
MPS Leasing & Factoring	**5.522**	**2.890**	**2.632**	**2.589**	**1.807**	**1.876**	**1.736**	**3.612**	**259**	**9,8%**	**1.911**	**52,9%**
incl.: leases negotiated	671	410	261	321	276	448	354	802	149	57,2%	-131	-16,3%
factoring turnover	4.851	2.480	2.371	2.268	1.531	1.428	1.382	2.810	109	4,6%	2.041	72,7%
Consumit (disbursements)	**1.409**	**725**	**684**	**638**	**642**	**742**	**700**	**1.442**	**42**	**6,1%**	**-33**	**-2,3%**
Total	**8.061**	**4.014**	**4.047**	**3.824**	**2.829**	**3.317**	**2.826**	**6.143**	**-33**	**-0,8%**	**1.919**	**31,2%**

As for **‘special purpose’ loans**, which are disbursed by the Group through dedicated product companies, **new flows** in 1H 2011 exceeded **EUR 8 bln** (up 31.2% on the previous year), with Q2 2011 contributing approximately EUR 4 billion (-0.8& QoQ). **Small business and corporate credit**, which came to approx. **EUR 6.7 bln** (+41.5% YoY; -2.2 QoQ), registered a growth of over 57% in leasing contracts negotiated in the second quarter coming to EUR 671 mln (vs. 802 mln as at 30/06/2010) while the factoring turnover stood at EUR 4.9 bln at the end of the six-month period (+72.7% YoY; +4.6% QoQ). More specifically, disbursements by MPS Capital Services - in excess of EUR 1.1 bln - showed improvement on the previous year (+3.7%) but registered a QoQ fall of 45.5%.

With regard to **consumer loans,** total disbursements by Consumit in H1 2011 came to **EUR 1.4 bln** (-2.3% on same period last year) with Q2 contributing 725 mln (+6.1% on Q1 2011) with a decline on the previous year for special-purpose loans (stable QoQ) and personal loans (+5.2% in Q2 2011) while m'honey card disbursements picked up (+23.1%YoY; +17.9%QoQ).

Credit quality

As at 30 June 2010, the Montepaschi Group's net exposure to **impaired loans totalled EUR 12,853 mln**, a rise of approximately 851 mln compared to March (+1.5 bln on 31/12/2010), with the ratio of impaired loans over total Customer Loans rising to 8.17%. In Q2 011 the trend for the aggregate was particularly weighted down by the increase in NPLs (+450 mln), while other categories of impaired loans registered a more limited growth, lower than in Q1.

With regard to the quality of **performing loans**, as at 30/06/2011 the ***average probability of default* came to 2.09%,** down 15 bps on 31 March (-12 bps on 31/12/2010).

CUSTOMER LOANS BY RISK

Risk category - Net book values	30/06/11	31/03/11	31/12/10	30/06/10	weight % 30/06/11	weight % 31/03/11	weight % 31/12/10	weight % 30/06/10
in million EUR								
A) Impaired loans	**12.853**	**12.002**	**11.381**	**11.299**	**8,17**	**7,76**	**7,28**	**7,39**
a1) Non-performing loans	6.055	5.605	5.485	5.018	3,85	3,62	3,51	3,28
a2) Watchlist loans	4.168	4.102	4.015	4.289	2,65	2,65	2,57	2,81
a3) Restructured loans	1.472	1.370	1.249	1.232	0,94	0,89	0,80	0,81
a4) Past due	1.158	925	632	759	0,74	0,60	0,40	0,50
B) Performing loans	**144.422**	**142.662**	**144.857**	**141.551**	**91,83**	**92,24**	**92,72**	**92,61**
Total customer loans	**157.275**	**154.664**	**156.238**	**152.850**	**100,00**	**100,00**	**100,00**	**100,00**

As at 30 June 2010, **coverage of impaired loans came to 40.7%**, growing by approx. 60 bps on 30/06/2010, continuing to be commensurate and in line with the Montepaschi Group's traditional coverage levels. With respect to **NPLs,** coverage stood at 55.4% (vs 56% as at 31/12/2010), while the watchlist loan coverage ratio came to 20.3% (vs 21.1% as at 31/12/2010), +180bps from June 2010..

PROVISIONING RATIOS

	30/06/11	31/03/11	31/12/10	30/06/10
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**40,7%**	**41,4%**	**41,8%**	**40,1%**
"provisions for watchlist loans" / "gross watchlist loans"	**20,3%**	**20,8%**	**21,1%**	**18,5%**
"provisions for NPLs" / "gross NPLs"	**55,4%**	**56,2%**	**56,0%**	**56,5%**

The table below reports the figures for the Group's major companies, within which BMPS and BAV show a provisioning ratio for non-performing loans which, on average, stands at around 58.9%. 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 33.7%), whose business is mainly characterised by the disbursement of mortgage loans:

NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/06/2011	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
in million EUR							
Non-performing loans	6.055	3.397	616	1.533	213	144	68
% of total customer loans	3,85%	2,5%	4,5%	10,2%	2,9%	2,3%	2,8%
"loan loss provisions" / "gross NPLs"	**55,4%**	**58,8%**	**59,3%**	**33,7%**	**63,5%**	**75,1%**	**64,4%**
Watchlist loans	4.168	2.736	220	644	408	74	54
% of total customer loans	2,65%	2,0%	1,6%	4,3%	5,5%	1,2%	2,3%
"loan loss provisions" / "gross watchlist loans"	**20,3%**	**21,8%**	**18,6%**	**14,0%**	**17,5%**	**35,5%**	**19,3%**

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** in H1 2011 **totalled 273.1 mln** (-20.7% YoY), 127.3 mln of which were in the second quarter (-12.6% on Q1 2011).

Group income statement

In the first half of 2011, the Montepaschi Group achieved a Net Operating Income of EUR 612 mln, up by 26.3% on the previous year, with Q2 2011 contributing approx. 263 mln (-24.6% from the previous quarter). In a still-turbulent market context, rendered more complex by the escalating sovereign debt crisis, the Group continued to pursue the liquidity risk-reducing strategies put underway in Q1 2011, and confirmed a better cost-of-credit performance (provisioning at 72bps against 74 bps at the end of 2010) and in terms of operational efficiency with a cost-to-income ratio of 58.4%, down 320 bps as compared to 31/12/2010.

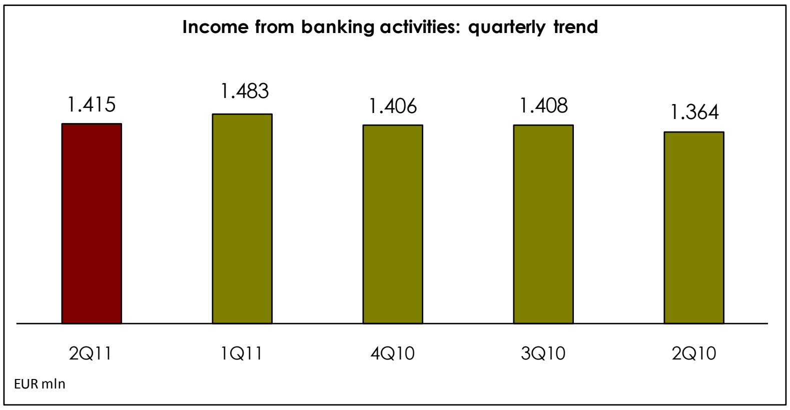
1) Operating income

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

With regard to the development of total revenues from banking and other services, **income from banking and insurance stood at EUR 2,898 mln at 30 June 2011, up 5.1% on the same period of the previous year. Revenues in Q2 2011** came to approx.**EUR 1,415 mln**, up by 3.8% on Q2 2010 although down 4.5% compared to Q1 2011 due to the trend for basic income, which was offset by net profit (loss) from trading/valuation of financial assets that was essentially similar to the high results of the first quarter.

FINANCIAL AND INSURANCE INCOME (EUR mln)

	30/06/11	2Q11	1Q11	30/06/10	Chg. 2Q11 vs 1Q11		Chg. 1H11 vs 1H10	
					Abs.	%	Abs.	%
Net interest income	1.696,4	818,7	877,7	1.784,3	-59,0	-6,7%	-87,9	-4,9%
Net commissions	932,0	459,3	472,7	963,4	-13,4	-2,8%	-31,4	-3,3%
Income from banking activities	**2.628,4**	**1.278,0**	**1.350,4**	**2.747,7**	**-72,4**	**-5,4%**	**-119,3**	**-4,3%**
Dividends, similar income and gains (losses) on equity investments	47,4	20,1	27,4	30,1	-7,3	-26,7%	17,3	57,5%
Net profit (loss) from trading/valuation of financial assets	222,4	118,5	103,9	-33,7	14,6	14,1%	256,1	n.s.
Net profit (loss) from hedging	-0,2	-1,1	0,9	12,9	-2,0	n.s.	-13,2	n.s.
Financial and insurance income	**2.898,0**	**1.415,4**	**1.482,6**	**2.757,1**	**-67,1**	**-4,5%**	**140,9**	**5,1%**



A closer look at the aggregate reveals the following:

- **Income from banking activities** at period-end stood at approx. **EUR 2,628 mln** (around 2,748 mln at the end of H1 2010; -4.3%) with Q2 2011 contributing around 1,278 mln, down 5.4% on Q1 2011. More specifically:

- **Net interest income** was approx. **EUR 1,696 mln, down** 4.9% on the previous year with Q2 2011 contributing around EUR 819 mln, falling by -6.7% on the previous quarter. Within the aggregate, an upward trend was registered for net interest income from the **consumer and corporate business** owing to the improvement in the mark-down on funding prompted by higher interest rates. By contrast, **financial components** (banking book, Asset & Liability Management) experienced a slow-down, primarily as a result of the actions implemented to improve the Group's liquidity position - through the replacement of interbank funding with both medium-to-long term funding from consumer/institutional customers - which led to an increase in the *cost of funding*.
- **net fees and commissions** amounted to approx. **EUR 9**32 mln (approx. 963 mln as at 30/06/2010; -2.8% on Q1 2011). The aggregate was affected by a lower demand for financial products by customers - who opted more for direct funding products- and low lending volumes.

➢ **Net profit/loss from trading/valuation of financial assets since the beginning of the year stood at EUR 222.4 mln (vs. -33.7 mln for the same period in 2010) thanks to a contribution of approximately EUR 119 mln in 2Q 2011, up 14.1% on the previous quarter.** Breaking the aggregate down, **trading** accounts for EUR 109.6 mln, thanks to a good result of EUR 25.5 mln in Q2 2011. **"Gains (losses) on disposals / repurchases of loans, available-for-sale financial assets and financial liabilities"** amounted to EUR 137 mln (EUR 36.3 mln as at 30/06/2010), and was partly driven by the positive effects from Banca Monte dei Paschi di Siena's buyback of the irredeemable Floating Rate Equity-linked Subordinated Hybrid notes, as part of the Group's capital increase (impact of approx. EUR 76 mln). Finally, **net profit (loss) on financial assets/liabilities designated at fair value** came to -23.9 mln (-24.8 mln as at 30/06/2010), weighted down by the increase in liabilities of BMPS bonds, placed with institutional customers, for the part not completely hedged against risk.

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

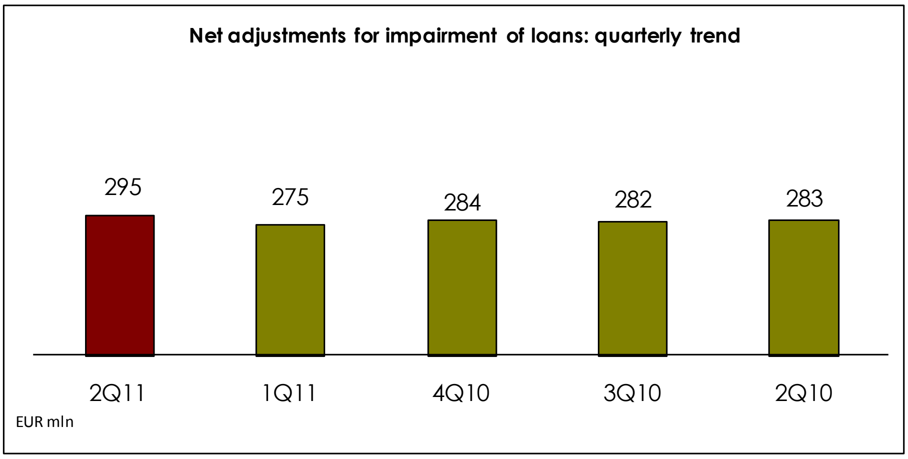
	30/06/11	2Q11	1Q11	30/06/10	Chg. 2Q11 vs 1Q11 Abs.	%	Chg. 1H11 vs 1H10 Abs.	%
Net profit (loss) from trading	109,6	25,5	84,1	-45,2	-58,6	-69,6%	154,8	n.s.
Gains (losses) on disposal of loans, available for sale financial assets and financial liabilities	136,6	96,6	40,1	36,3	56,5	n.s.	100,4	n.s.
Net profit (loss) on financial assets and liabilities designated at fair value	-23,9	-3,6	-20,3	-24,8	16,7	-82,3%	0,9	-3,8%
Net profit (loss) from trading/valuation of financial assets	**222,4**	**118,5**	**103,9**	**-33,7**	**14,6**	**14,1%**	**256,1**	**n.s.**

Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains/losses on equity investments** totalling **EUR 47.4 mln** (EUR 30.1 mln as at 30/06/2010), with Q2 2011 contributing EUR 20.1 mln), primarily attributable to gains from equity investments consolidated at equity. The largest share was from insurance (AXA-MPS: approx. EUR 32 mln, Antonveneta Vita: approx. EUR 6 mln) and asset management (approx. EUR 1.8 mln).
- **Net profit (loss) from hedging:** coming to - **EUR** -0.2 mln (+12.9 mln as at 30/06/2010).

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

As a result of income from credit disbursements, in H1 2011 the Group ***achieved*** **reduction in net value adjustments on impaired loans, which fell 3.5% from 30 June 2010,** coming to approx. EUR 569 mln with Q2 2011 contributing around 295 mln. The ratio between adjustments for the year and customer loans at year end show a *provisioning rate* of 72 bps, lower than the one registered at the end of 2010, within a consistently rigorous framework in terms of provisions.



Net value adjustments due to impairment of financial assets was negative by approx. EUR 24.2 mln (-19 mln as at 30/06/2010) mainly due to depreciation of AFS stock that became impaired and other financial transactions. The value includes the impairment of the only Greek Government bond in the portfolio for an amount of approx. EUR 7 mln (nominal value: EUR 12 mln).

As a consequence, **<u>income from banking and insurance activities</u> stood at approx. EUR 2,304 mln** (approx. 2,148 mln as at 30/06/2010; +7.3%), with Q2 2011 contributing approx. EUR 1,101 mln (-8.6% on the previous quarter).

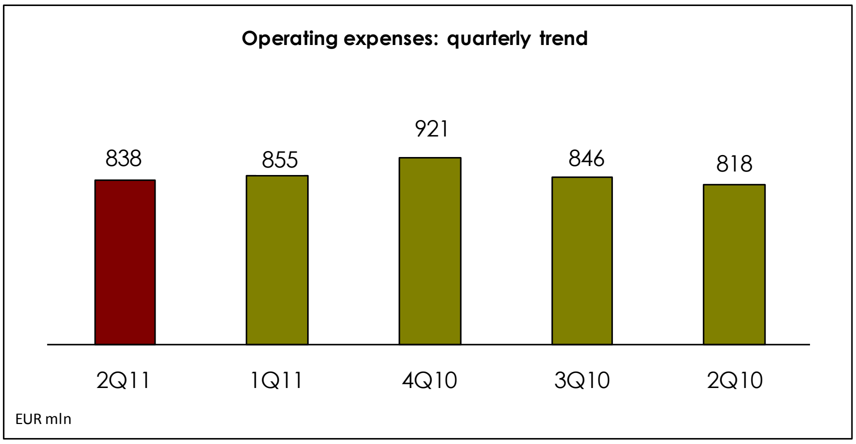
COST OF OPERATIONS: OPERATING EXPENSES

As at 30 June 2011, **operating expenses** stood at approx. **EUR 1,693 mln**, essentially in line with the same period of the previous year (+1.7%; - 2.1% on Q1 2011), confirming the focus the Montepaschi Group is placing on the structural containment of costs:

OPERATING EXPENSES (EUR mln)

	30/06/11	2Q11	1Q11	30/06/10	Chg. 2Q11 vs 1Q11 Abs.	%	Chg. 1H11 vs 1H10 Abs.	%
Personnel expenses	1.061,6	518,1	543,5	1.076,8	-25,4	-4,7%	-15,1	-1,4%
Other administrative expenses[(*)]	550,5	280,3	270,2	505,2	10,2	3,8%	45,4	9,0%
Administrative expenses	**1.612,2**	**798,4**	**813,7**	**1.581,9**	**-15,3**	**-1,9%**	**30,2**	**1,9%**
Net adjustments to tangible and intangible assets	80,7	39,2	41,5	82,1	-2,3	-5,6%	-1,4	-1,7%
Operating expenses	**1.692,9**	**837,6**	**855,2**	**1.664,0**	**-17,6**	**-2,1%**	**28,8**	**1,7%**

of which 62,4 million in higher rental fees resulting from demerger of "Consorzio Perimetro Gestione Proprietà Immobiliari S.c.p.a."



More specifically:

A) **Administrative expenses** amounted to approx. EUR 1,612 mln (+1.9% YoY; -1.9% QoQ) due to:

- **personnel expenses**, amounting to approx. **EUR 1,062 mln**, **down 1.4%** on 30 June 2010. This item benefitted from the structural effects of the process of headcount reduction and rearrangement and actions aimed to step up efficiency in managing spending aggregates;
- **other administrative expenses** (after stamp duty and customer expense recovery) came to **EUR 551 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."), net of which the aggregate would have shown a downturn of 3.4% as evidence of the cost synergies obtained from reorganisation and cost management actions.

B) **net value adjustments to tangible and intangible assets** amounted to approx. **EUR -81 mln,** down 1.7% compared to 30 June 2010.

As a result of the above, the Net Operating Income came to approximately EUR 612 mln, an increase of 26.3% on 30 June 2010 (approx. EUR 484 mln), with Q2 contributing approx. EUR 263 mln. The cost-to-income ratio stood at 58.4%, down 320 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:

- a negative balance for **net provisions for risks and charges and other operating income/expenses**, improving by 19% on 30/06/2010, coming to approx.-EUR 108 mln. The account incorporates approx. EUR 60 mln in provisions to the fund for risks and charges (covering primarily legal disputes and claw-back actions) and roughly -EUR 48 mln worth of net operating expenses (consisting primarily in legal actions and improvement on third-party assets).
- a balance of -7 mln in **Gains/losses on equity investments** primarily attributable to the depreciation of Antonveneta Vita SpA.
- **Profit/loss from disposal of investments** for an amount of approx. EUR 0.4 mln.

Against this background, **profit before tax from continuing operations stood at approx. 497 mln** (approx. 534 mln in the same quarter of 2010), with revenues of 186 mln in Q2 2011.

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

	30/06/11	2Q11	1Q11	30/06/10	Chg. 2Q11 vs 1Q11 Abs.	Chg. 2Q11 vs 1Q11 %	Chg. 1H11 vs 1H10 Abs.	Chg. 1H11 vs 1H10 %
Net operating income	**611,6**	**262,9**	**348,7**	**484,0**	**-85,8**	**-24,6%**	**127,5**	**26,3%**
Net provisions to reserves for risks and charges and other operating income (expense)	-108,3	-69,7	-38,6	-133,7	-31,1	80,6%	25,4	-19,0%
Profit (Loss) from disposal of branches	-7,0	-7,1	0,1	-19,5	-7,2	n.s.	12,5	-64,1%
Integration costs				-2,7			2,7	n.s.
Gains (losses) from disposal of investments				21,8			-21,8	n.s.
Gains (losses) from disposal of investments	0,4	0,3	0,1	184,2	0,2	n.s.	-183,8	n.s.
Profit (Loss) before tax from continuing operations	**496,7**	**186,4**	**310,3**	**534,2**	**-123,9**	**-39,9%**	**-37,5**	**-7,0%**

Finally, to complete the section on income:

- **tax expense (income) on profit (loss) from continuing operations** amounted to approx. -EUR 187 mln (vs. approx. -219 mln as at 30 June 2010). The amount was positively affected (EUR 45 mln) by the increase in the regional productivity tax (IRAP), resulting as a sum of a negative impact on current tax liabilities and a positive impact on deferred tax. The tax rate for the period was approx. 37%.
- **Gains (losses) after tax from groups of assets held for sale** totalled + EUR 10.9 mln and essentially included the amounts of the capital gain arising from the disposal of MPS Monaco SAM (approx. EUR 8 mln).

The consolidated net profit of the Montepaschi Group before Purchase Price Allocation (PPA) stood at approx. EUR 317.4 mln (EUR 318.4 mln as at 30/06/ 2010). Considering the net effects of PPA, net profit for the period came to EUR 261.4 mln (vs. 261.2 mln in H1 2010).

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Following is a reconciliation between Parent Company and Consolidated Net Equity and Profit for the period, in compliance with Consob instructions.

Reconciliation between Parent Company and Consolidated Net Equity and Profit(Loss) for the period

Amounts €/000	**Shareholders' equity**	**Net profit (loss)**
Balance as per Parent Company's Accounts	15.447.619	258.704
including Parent Company's valuation reserves	*-312.157*	
Impact of line-by-line consolidation of subsidiaries	1.318.777	203.884
Impact of affiliates	99.605	39.060
Other adjustments	-6.329	-6.175
Subsidiaries' valutation reserves	119.267	
Consolidated balance	**16.978.939**	**261.378**

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 income/capital aggregates.

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

Compared to the situation illustrated in the Financial Report as at 31 March 2011, the scope of reference for the Consumer Banking area has been 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)

June 2011	Consumer Banking	% chg yoy	Corporate Banking		% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy
PROFIT AND LOSS AGGREGATES									
Income from banking and insurance	1.531,2	0,4%	1.024,2	1.003,3	2,1%	342,6	49,4%	2.898,0	5,1%
Net value adjustments due to impairment of loans and financial assets	197,0	-11,1%	415,9	377,4	10,2%	-19,2	n.s.	593,6	-2,5%
Operating expenses	1.088,4	-1,3%	294,0	303,8	-3,2%	310,4	20,5%	1.692,9	1,7%
Net operating income	245,8	22,8%	314,3	322,1	-2,4%	51,5	n.s	611,6	26,3%
BALANCE SHEET AGGREGATES									
Active loans and advances to customers	64.462	2,5%	73.139	72.481,3	0,9%	13.620	9,4%	151.220	2,3%
Customer accounts and securities distribution network	77.902	0,0%	25.814	49.466,0	5,5%	62.777	12,9%	166.493	5,4%
Indirect funding distribution network	70.742	1,0%	45.528	33.930,9	34,2%	26.649	-12,4%	142.919	6,3%
Assets under management	44.028	-1,0%	2.138	2.480,8	-13,8%	3.210	3,6%	49.375	-1,4%
Assets under custody	26.715	4,5%	43.390	31.450,1	38,0%	23.439	-14,2%	93.543	10,9%
PROFITABILITY RATIOS									
Cost Income	71,1%		28,7%	30,3%				58,4%	
Raroc	13,9%		14,4%			-		8,8%	

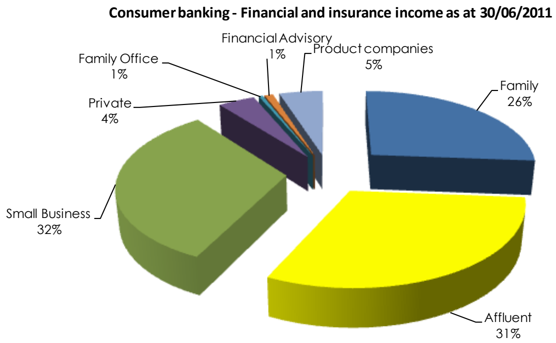
The major business aspects concerning the operating segments in the first half of 2011 will be reported in the following pages.

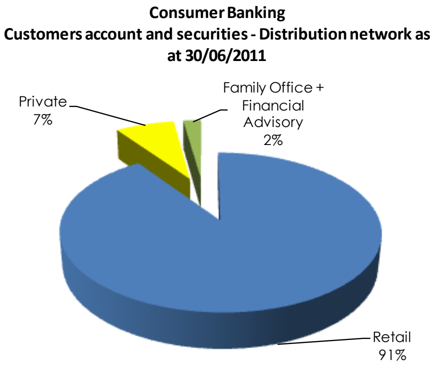
Consumer banking

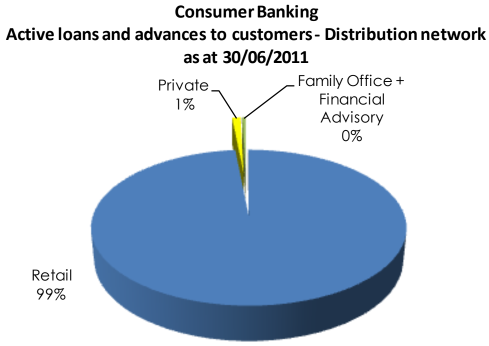
Consumer Banking is responsible for:

- 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)	**52,8%**	0,4%
Net operating income	**40,2%**	22,8%
BALANCE SHEET AGGREGATES		
Customer accounts and securities - Distribution network	**49,8%**	0,0%
Indirect funding - Distribution network	**49,5%**	1,0%
Active loans and advances to customers	**46,9%**	2,5%







Activities carried out by the Division

The strategic objective of the Division is to establish itself as the bank of choice for all Consumer customers through a "customer relationship management" model that hinges upon expert skills and a production/distribution structure focused on creating value for customers. Its widespread footprint throughout the country combined with an excellent distribution network and a high-quality, fully comprehensive service to customers, are intended to facilitate the consolidation and development of relations in the retail market as well as strategic partnerships in the world of production, both at domestic and international level.

Retail customers

- **"Family" segment**: The activities carried out by the Division with regard to this customer segment focused on the development of Core Banking through cross-selling actions and the marketing of ad-hoc products (**MpsContoZip**[9] and **CC Insieme**[10]). The latter product, specifically for "non-profit" customers, provides for the possibility to anticipate public contributions (such as the "5 per mil" tax donation) in advance and have access to facilitated terms and conditions on the collection of membership fees/dues. In the first half of the year, efforts continued with regard to insurance (Protection and Pension Schemes) and, in particular, financial inclusion and migrant banking, with the Group joining initiatives introduced by the banking system (new ABI-CEI Microcredit plan).
- **"Affluent"** segment: The advisory model and sales & distribution plan aimed at this customer segment have been structured along the following lines of development:
  - **Method campaigns**: implementation of initiatives designed to monitor funding (remix and growth), develop the core bank and promote the culture of Protection.
  - **"Advice"** advisory platform: At the end of May, the percentage of assets managed through the advanced advisory approach grew to 19.7% of total Affluent volumes, improving by more than two percentage points from the result registered at the end of December (17.1%).
  - **Product placement**, maximising the value of the advisory model, also in view of the new MiFID 2 regulations.
- The **"Small Business"** segment: The sales and distribution development and cross-selling strategies were enhanced with the support of a new Customer Relationship Management (CRM) model developed according to the probability of acquiring/meeting demands. In terms of lending, there were positive effects thanks to the **Cosvig-Confesercenti agreement** (by the Guarantee Consortium of the Italian Confederation of Commerce and Tourism) for the granting of loans to small businesses (with the support of SME guarantee fund). Specific initiatives were also put in place to **boost Tourism, Trade and Agriculture**, supported by packages comprising financial offers and dedicated services bid packages and through the development of relations with the Trade Associations (a framework agreement was signed in June with R.ETE. Imprese Italia). In terms of **services,** initiatives continued regarding the circulation and use of **POS terminals**; in March, large-scale incentives were launched for the use of electronic channels as an alternative to physical and paper-based methods. Special attention was also paid to the **Axa-MPS insurance offer for Personal and Asset Protection.**
- **"Private" segment**: the 2011 setup was fully rolled out, envisaging specific activities for each of the following strategic directions: **'development in extension', containment of attrition, in-depth improvement/optimization of asset mix.** The crucial role of **Private Advisory Specialists** was also confirmed with their activities being concentrated on developing the advisory model and on supporting Private Bankers in Wealth Management with prior consent (GPA). As for Funds and Sicavs, the range of products offered by Prima Funds was further enriched with the release of a new Bond segment with periodic payment of coupons (Bond 2016 Multicorporate 2) and two new segments with secured capital at maturity (Protetto 100 Cedola BRIC 2016 Protetto 100 Energia Pulita).

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9 A modular and dynamic "all inclusive" current account for new consumer banking customers. A basic package not only comprising the classic current account, but also the payment card as an indispensable tool in the use of multichannel services (internet, telephone and mobile). Intended as a channel for bank access, the package includes use of the current account "Dove sei, quando vuoi" "wherever and whenever" and direct debit standing orders. The modular structure of the account offers the customer the opportunity to customise his/her current account, either immediately or over time, by choosing products/services on the basis of his/her own needs.

10 The product, specifically for "non-profit" customers, provides for the possibility to be granted public contributions (such as the "5 per mil" tax donation) in advance have access to facilitated terms and conditions on the collection of membership fees/dues.

Family Office customers

Family Office specifically 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.

In H1 2011, advisory and customer relationship development activities continued at a heightened pace on both new and prospective customers, with the **organisation of specific events and conferences.** In this area, it is worth recalling the initiatives on "inter-generational" transition in Italy, organised in Florence, Naples, Milan and Rome with Confindustria and with the participation of Atema, Aidaf and the European School of Economics. The range of **operating products/operating instruments** offered to customers was also developed[11].

Important results have been achieved in the area of **Private-Insurance advisory and product and service innovation**. Thanks to the strategic partnership with AxA, the Montepaschi group can now offer its customers an array of **private insurance policies for listed assets** aligned with the finest market standards and with extremely high levels of customisation. Excellent coverage is nevertheless guaranteed for **non-listed assets** through very high-standing international partners.

Financial Advisory

Operations in this area included:

- marketing activity focused on recruiting high-standing Financial Advisors;
- commercial actions resulting in the launch of new operating systems and processes;
- support for the Financial Advisory network in the requalification of customer portfolios;
- development of internal marketing.

Products/services offered to customers saw the release of a dedicated modular package and the "marketing of ancillary services for wealth analysis and investment monitoring", which add a key link in the advanced advisory process provided by the financial advisor through the Personal Advice platform. Furthermore, an extensive process of change was initiated in the area of information technology, with a special focus on the roll-out of the tool, "Paschi Face".

Product/service innovation

The pursuit of a high-standing level when it comes to financial services advisory is one of the Montepaschi Group's key strategic objectives. To this end, as of 2008 the Group has gradually implemented the **platform Advice**, adapting it to the needs of the various customer targets through: (i) the integration and centralisation of the "payment order functions"; (ii) **extension of the Advice model to the areas of Protection and Pension Schemes** (to this end, a new service, **MPS Protection Advice**, was launched). Finally, with regard to the **project, Paschi Face,** work continued on the creation of other advisory-based sales processes.

As for developments regarding the range of Life insurance products offered, **Unit-Linked** policies available during certain time windows continued to be marketed with the distribution of the product **Accumulator Investimento 01 2010** extended and the launch of the product **Accumulator Rendimento Top Tranche**. Moreover, a product managed with the DPI (Dynamic Protection Insurance) technique was launched. Linked to the emerging countries, the product called **Dynamic Protection Emerging Markets 2018 enables investors to participate in the performance of emerging markets while protecting their invested capital.** With regard to **Index-linked** policies, the distribution of three new products was launched, relating to the Australian, American and Swiss stock

[11] Main initiatives include:

- ✓ **GPA Premium evolution FO**, which presents fewer limits of concentration and greater operating flexibility;
- ✓ **Customised Managed Accounts (GPA)**, for complete customisation of underlying products even though in pre-determined areas;
- ✓ **"Finestra sul mercato" ("A window on the market") agreements,** through which it is possible to execute orders and/or trade foreign currencies through direct access to the trading desks of the Group company, MPS Capital Services Banca per le Imprese;
- ✓ **Business on the secondary market**, with the possibility of negotiating retail/institutional corporate issuances from the first day of quarter allocation;
- ✓ **Placement of new investment firms** such as Carmignac, M&G and Lemanik;
- ✓ **Proactive financial advice for customers** through interactive conference calls, documentary formats, on-demand analysis, performance and risk monitoring;
- ✓ **Non-financial advice** regarding fiduciary and trust services, tax optimisation, private art collections.

markets respectively. The offer of life insurance was further enriched with a new policy offering term life insurance, called **AXA MPS Vita Sicura Plus**, which, together with AXA MPS Vita Sicura and AXA MPS Assicura Manager completes the Group's range of temporary life insurance products. On 1 June 2011, the long process of **updating the Group's pension product offering** was completed with the launch of two new pension funds: **AXA MPS Previdenza per te** (the former Paschi Previdenza) focussing on personal options and **AXA MPS Previdenza in azienda** (the former Kaleido) focussing on collective schemes.

In the **Damage Insurance** segment, the **Direct Marketing sales approach was established** for the insurance product "**AXA MPS Pronto Tutela**", a policy which provides a per diem allowance in the event of hospitalisation due to injury, together with significant coverage for the reimbursement of any legal fees incurred and additional indemnities.

Especially targeted at **professionals and small businesses**, a policy is soon to be released providing coverage for Small Business and SME customers in the event of either "on-duty" or "off-duty" **injury.** Finally, the distribution base of the fire insurance policy "**AXA MPS Mutuo Sicuro Incendio**" was broadened, by extending the product to mortgages that are already being amortised.

As for e-money, the **prevention and monitoring of payment card fraud** in the first half of the year continued along the positive trends established in 2010, showing a further decrease in claims for refund from customers, both in terms of number and average amount claimed. As a result of stronger enforcement actions, defrauded amounts in the first six months of 2011 registered an annual fall of approx. 55%.

The replacement of magnetic-strip **debit cards** with new-generation chip-based cards, which provide greater security for payment/withdrawal transactions, neared conclusion, while replacement of **pre-paid cards** will be completed in the second half of the year.

As at 30 June 2011 **circulating payment cards** (distributed by Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca) remained stable at around **3.3 million** despite the replacement of cards, reflecting Group customers' high level of loyalty. A breakdown of the aggregate reveals a prevalence for **debit cards (47%)** followed by **charge cards(32%)**, while prepaid and revolving credit cards account for 18% and 3% respectively.

With regards to **POS**, the number of terminals remained more or less stable in the first half of the year (at approx. 130.000 units) despite several business activities closing down as a result of the ongoing economic and market distress. The migration of terminals to the new service, MPShop, has almost been completed while actions for migration of existing virtual POSs to the "direct-acquisition" platform are also underway; moreover, procedures relating to legal or circuit requirements were aligned (e.g. Law Decree 141, TDES, PCI-DSS etc.) with the objective of ensuring full compliance of the offering within the required time.

Analysis of the balance sheet and income statement

At the end of H1, volumes of **total funding** registered by the **distribution network** for the Consumer banking division came to approx. **EUR 149 bln**, in line with levels from the previous year (+0.5% corresponding to approx. EUR +688 mln). The aggregate includes **direct funding**, mainly from on-demand items and the placement of bonds, which grew by approx. 700 mln in Q2 2011, reaching around EUR 78 bln at the end of the period, which was in line with levels from the previous year. **Indirect funding,** amounting to approx. **EUR 71 bln** (+700 mln YoY), was propped up by the positive performance of Assets under Custody (+4.5% YoY at EUR +1.2 bln) which absorbed the dip recorded for Assets under Management (-454 mln on 30/06/2010).

With regard to credit management, active loans, which stood at EUR 64 bln, registered a growth of 2.5% on the previous year due to the performance of the mid-long term component which was boosted by the Group's Retail products in support of households and small businesses.

In terms of profit and loss, in H1 2011 Consumer Banking's **Net Operating Income amounted to approx. EUR 246 mln**, up by 22.8%. The following items contributed to this result:

- **basic income increased** by 0.4% YoY, with an improvement in net interest income(+2,3%) thanks to interest rate growth which had a positive impact on the mark-down of funding. Instead, net fee and commission income worsened, largely owing to the fall in income from placement of financial products and trading in securities.
- **the cost component decreased** as a result of year-on-year reduction in net value adjustments due to impairment of loans and financial assets (-11.1%) and operating expenses (-1.3 YoY).

As a result of the above, as at 30 June 2011 the *cost-income* ratio for Consumer Banking stood at 71.1%.

Consumer banking

(EUR mln)	30/06/11	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	878,0	2,3%
Net fees and commissions	636,2	-3,4%
Other income	17,0	138,5%
Income from banking and insurance	**1.531,2**	**0,4%**
Net value adjustments due to impairment of loans and financial assets	197,0	-11,1%
Operating expenses	1.088,4	-1,3%
Net operating income	**245,8**	**22,8%**
CAPITAL AGGREGATES		
Active loans and advances to customers	64.462,0	2,5%
Customer accounts and securities distribution network	77.902,0	0,0%
Indirect funding distribution network	70.742,4	1,0%
Assets under management	44.027,7	-1,0%
Assets under custody	26.714,7	4,5%

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 21 mln (9 mln as at 30 June 2010);
- **MP Fiduciaria** posted a profit for the period of EUR 0.8 mln (0.7 mln in the first half 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 complexities.

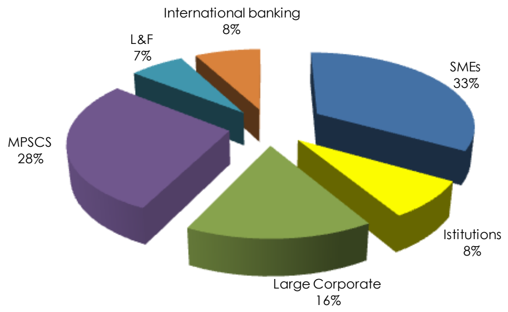
The Montepaschi Group is active in corporate banking through its offer of numerous financial products and services associated with lending and forms of strategic collaboration with trade associations and Confidi credit guarantee consortia.

The placement of products and delivery of services to customer targets 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).

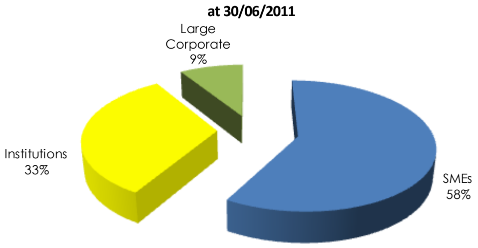
The Corporate banking division is also responsible for **the activities carried out by banks and branches abroad** to support the operations of domestic customers in the foreign markets (especially in emerging or developing countries), with particular reference to the development and completion of internationalisation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

Corporate banking	% of Group total	YoY
PROFIT AND LOSS AGGREGATES		
Financial and insurance income (loss)	**35,3%**	-2,1%
Net operating income	**51,4%**	-2,4%
BALANCE SHEET AGGREGATES		
Customer accounts and securities - Distribution network	**27,1%**	5,5%
Indirect funding - Distribution network	**32,3%**	34,2%
Active loans and advances to customers	**53,2%**	0,9%

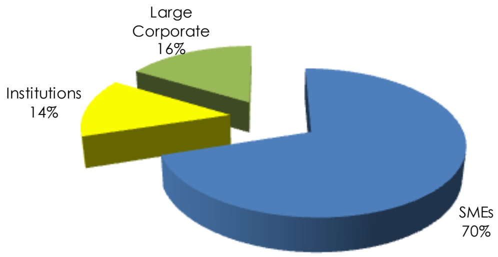
Corporate banking - Financial and insurance income as at 30/06/2011



Corporate banking
Customer accounts and securities - Distribution network as at 30/06/2011



Corporate banking
Active loans and advances to customers - Distribution network as at 30/06/2011



Activities carried out by the Division

In a macroeconomic setting that continues to be difficult, especially in light of the recent sovereign debt crisis of certain Eurozone member countries, several important initiatives that had been promoted and launched on the onset of the most serious economic and financial crisis of recent years were extended and, in some cases re-adjusted in H1 2011, with a view to supporting the manufacturing industry. These initiatives, to which the Montepaschi Group has adhered, have been implemented throughout the entire banking system. However, there are also independently developed projects that have confirmed the Group's ability to combine the need for development with its focus on the demands of customers.

Initiatives developed independently by the Montepaschi Group to support businesses include the extension to 31 July 2011 of the **"SME Support Package"** and the "**Support Package for Businesses in the Province of Siena"**, both of which expired on 31 January 2011.

With regard to **banking system initiatives**, the following should be especially noted:

- **Agreement for Credit to SMEs**[12], signed on 16 February 2011 by ABI, the Presidency of the Council of Ministers, the Ministry of Economy and Finance and the main Trade Associations. The agreement replicates the model of the "Joint Announcement" (an initiative that expired on 31 January 2011), which the Group joined in April.
- **Third ABI-CDP Agreement**: To complete the range of loans already offered as part of the Agreement(disbursement of 3, 5 and 7 year loans), on 31 March 2011 a new Agreement was signed with the Loan and Deposit Fund (Cassa Depositi e Prestiti, CDP), which will permit access to a new line of credit dedicated to supporting the disbursement of ten-year loans for SMEs through funding allocated by the CDP.
- **EIB-Montepaschi Group Agreement MPS Global Renewable Energy Loan FL**: On 13 April 2011, the European Investment Bank (EIB) and the Montepaschi Group signed an agreement for the financing of small and medium-sized projects in the sector of renewable energy sources and energy efficiency. The agreement, part of a series of initiatives to promote access to credit through agreements with Entities providing Funding and Guarantees, consists in EUR 200 mln in total EIB funding put at the disposal of MPS Capital Services.
- **Project, "Italy and Tourism"** [13], aimed at identifying financial resources to be put at the disposal of companies operating in the tourism and hospitality industry, within which the Group has provided its customers with a credit line totalling EUR 500 mln (750 mln as of the third quarter) usable by businesses through the combination of a Confidi guarantee and the product "Tourinvest", specifically designed with the objective of supporting investments in the upgrade and development of the tourism industry, with a special focus on the processes of aggregation, business value creation, generational turnover, energy savings and compliance with safety regulations (L.626).
- **ABI-Italian Stock Exchange collaboration agreement** signed with a view, among other things, to raising awareness among banks - and by consequence, the system of Small and Medium Enterprises - as to the opportunities for listing on the financial markets. In addition to the above, the parties aim to facilitate developments in the financial structure of businesses through the definition (together with the other affiliated banks) of a further agreement whereby, on a discretionary basis, banks may grant specific credit lines in favour of newly-listed companies. Under the agreement signed by the Montepaschi Group on 17 June 2011, a specific product will be made available to the Group's Network of Banks in the third quarter in the form of a medium-long term loan whose amount will be proportional (at the discretion of the bank) to the amount of capital raised during the public offering phase.

In terms of **product/service innovation**, the following key initiatives were implemented in the **SME segment** in the first six months of 2011:

- ✓ **Financial Risk Management** The range of raw materials that can be hedged by customers was extended. The raw materials that are now used for hedging include gold, diesel oil, jet fuel, wheat, cotton, cocoa and coffee.

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[12] New agreement signed on 16 February 2011 by ABI, the Presidency of the Council of Ministers, the Ministry of Economy and Finance and the main Trade Associations.

[13] Agreement put underway in June 2009 by the Ministry of tourism in collaboration with part of the credit system, Trade Associations (Confturismo-Confcommercio, Federturismo-Confindustria and Assoturismo-Confesercenti) and the relative Confidi structures. The Group, which had already joined the agreement at the time, renewed its participation in the project in June 2011.

- ✓ In May, companies were offered the "restyled" product “Montepaschi Avviso Comune”, now called “**Montepaschi per la Crescita**” (Montepachi for growth), designed to finance businesses that launch a capital strengthening process, in line with the provisions contained in "Agreement for Credit to SMEs".
- ✓ On 5 May, the Ministry of Economic Development issued a new decree introducing the Government's "Fourth Energy Bill", with which several novelties are introduced regarding incentives for the production of energy from photovoltaic sources. In light of the provisions set by the Decree, efforts were made to adapt and relaunch the product, **Welcome Energy,** intending it exclusively for the funding of "small systems", revising the maximum amount eligible for funding (increased to EUR 2 mln) and reducing the mandatory threshold of due diligence to EUR 1.5 mln.
- ✓ In terms of Mixed Products, June saw the start-up of the marketing campaign for **”Co**rporate Acceptance", an MPS-branded redesigning of the traditional bankers' acceptance. The instrument is intended to provide companies with sources of financing alternative to bank credit and "sophisticated" savers with a profitable and highly-guaranteed form of investment.

The ongoing search for quality and innovation underlying the Montepaschi Group's product range offering, is also demonstrated by the **“Special Mention for Local Support” awarded by the Italian Banking Association for the product “Time Out” during the first** edition of “Awards for innovation in banking services” at the ABI Lab forum held in Milan on 24 March 2011. The Group was recognised for “*pioneering the introduction of a series of anti-crisis measures and, in particular, a suspension of instalment payment of principal for medium- and long-term loans*”.

As for the development of **products/services** especially designed for the customer segment **“Institutions”**, the new service called **Paskey Tribunalionline** was rolled out in March. It can be used through internet banking and was specifically thought of for receivers, bankruptcy judges and clerks of court. Through the use of digital signatures, Paskey Tribunalionline digitalises banking transactions connected with receiverships and enforcement procedures on property. The product makes it possible to monitor current accounts opened at Banca Monte dei Paschi di Siena and other banks, and to handle current accounts held at the Parent Company through the creation of payment orders underwritten with a digital signature. Through the electronic signature, interaction with the bank benefits from the advantages connected with the use of computerised procedures that guarantee the integrity of information exchanged, as well as authenticity and non-repudiation of documents.

With reference to **participation in the tenders announced by public institutions**, the following can be reported for H1 2011:

- ✓ **Region of Tuscany:** Banca Monte dei Paschi di Siena participated in the tender for provision of treasury services to the Region of Tuscany and was awarded the contract as the Lead Bank of the 'temporary consortium of companies (it. RTI) in which the following participated: BNL, CRF, BPEL, CRSMI, CRPP.
- ✓ **INPS:** In February the negotiated tender phase called by INPS (National Social Security Institute) to award the pension payment service in Italy was concluded with the signing of a new agreement. Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca participated in the tender as a consortium, and were awarded the payment service for a large number of pensions defined by INPS also on a regional basis.

Activities carried out by the Product Companies

MPS Capital Services

In the first half of 2011, MPS Capital Service continued to focus its ***Project Financing*** activities on infrastructures[14], utilities and renewable energy[15], as well as in the Real Estate and Shipping Finance industries[16]. The general economic and financial scenario was marked by a certain level of dynamism regarding infrastructures, but a decisive slowdown in the sector of renewable energy (as noted in Q1 2011) in connection with uncertainties arising from regulatory changes in the system of incentives.

In the ***Acquisition Financing*** sector, activities were chiefly aimed at evaluating and structuring important industrial acquisitions. In this connection, the company assumed the role of MLA (Mandated Lead Arranger) in one of the major deals within the Italian mid-corporate sector, which has led to the creation of the second largest Italian-capital domestic group in the market for the provision of temporary employment services, with a business turnover of over EUR 425 mln.

In relation to ***Loan Syndication*** activities, at the end of the half-year period, MPS Capital Services had placed 6 loan syndication deals on the market (totalling approx. EUR 232 mln – MPSCS share approx. EUR 102 mln), in which MPSCS participated as Loan Syndicate Leader and Arranger. In its capacity as ***arranger*** on behalf of the Parent Company, in the first half of 2011 MPS Capital Services organised 5 syndicated transactions(four of which stipulated and two of which already disbursed) for a total of approx. EUR 58 mln (MPS Group's share approx. EUR 15 mln). Moreover, as part of its ***Syndication Desk*** activities, MPS Capital Services was involved as Joint Lead Manager & Bookrunner and was responsible, on behalf of the Ministry of Economy and Finance, for a new issuance of inflation-linked Italian treasury bonds (BTPei) worth EUR 3 bln. MPSCS was the only Italian bank in the bond placement consortium made up by 5 Joint Lead Managers. The first half of the year also saw MPSCS's participation in four major syndicated bond issues as Co-Lead Manager: 3 EFSF, 1 Banca delle Marche, 1 HSBC, 1 Morgan Stanley. These operations were instrumental in strengthening the image and reputation of MPSCS in the area of syndicated primary-bond transactions

In H1 2011, the **equity** primary market in Europe was characterised by a number of recapitalizations by banks, aimed at capital strengthening. On the Italian market, MPS Capital Services took part, as Joint Global Coordinator and Joint Bookrunner, in the capital increase of Banca Monte dei Paschi di Siena, and as Co-Lead Manager in the capital increase of Intesa Sanpaolo and Banco Popolare. On an international level, MPS Capital Services operated as Co-manager in the capital increase of Commerzbank and as Co-Lead Manager in that of Piraeus Bank; furthermore, it acted as Co-bookrunner for the capital increase of Falck Renewables. As for public offerings, in Q2 2011 MPS Capital Services acted as Co-bookrunner in the listing of Salvatore Ferragamo, currently the only Italian initial public offering in 2011.

With regard to ***Debt Capital Market***s, in the first half of 2011 MPS Capital Services operated as Joint Lead Manager and Joint Bookrunner in the most important transaction by an Italian investment-grade company during the year, the 10Y senior issue of Terna S.p.A., for a total issued amount of € 1,250 mln.

In terms of ***Capital Markets Solutions*** in the first half of 2011, MPS Capital Services oversaw restructuring of the securitisation of the residential mortgage loans portfolio (RMBS) of the Group CR Cesena (former Unibanca), in compliance with ECB requirements.

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[14] Finalisation of a syndicated loan aimed at completing the segments coplanar to the urban stretch of the A14 (Roma Est area), extraordinary maintenance of the viaducts damaged by the 2009 earthquake, and upgrades of tunnels.

[15] Implementation of a portfolio of 62 photovoltaic plants at sites located in eleven Italian regions, for a total installed power of 143.7 MWp; the loan, disbursed by a pool of 10 banks, includes cash advances worth approx. EUR 520.8 mln and unsecured lines of credit for approx. EUR 72 mln. Also in the photovoltaic sector, another transaction was finalised for the construction of two plants for a total of 2.35 MWp in Campania, a fixed ground installation of 4.97 MWp in Molise and a plant of 9.8MWp in Apulia. In the wind power sector, a transaction was completed in the second quarter for a plant of 23.8MWe in Sicily.

[16] 3 lending transaction were executed in favour of shipping groups for the purchase of bulk carriers (liquid and dry cargo) as well as a ship for transport and assistance to oil platforms.

MPS Leasing & Factoring

MPS Leasing & Factoring, a company of the Group specialising in leasing and factoring services for businesses, merged its subsidiary MPS Commerciale Leasing in Q2 2011.

In March 2010, MPS Leasing & Factoring - as lead arranger in a leasing company syndicate (UBI Leasing, Agrileasing, Credemleasing, ABF Leasing and Credito Piemontese) - won the tender to fund the construction of the new administration and institutional offices in the region of Piedmont, for a total amount of over EUR 250 mln. The public leasing contract was signed by MPS Leasing & Factoring (as representative of the syndicate) on 30 May in Turin.

International banking

The impetus for operations with foreign countries has been pursued 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%.

It should be noted that, in the half-year period, credit export transactions with SACE amounted to approx. EUR 53.6 mln (of which EUR 34.7 mln attributable to Banca Monte dei Paschi di Siena and 18.9 mln to Banca Antonveneta).

Partly the result of a specifically-targeted marketing campaign to increase foreign trade flows, volumes of commercial/financial trading items regulated by the Montepaschi Group's retail banks in the first six months of the year, registered a 14% increase on the same period in 2010[17].

Finally, it should also be noted that the business collaboration agreement with Transilvania Bank was renewed in the first quarter of 2011.

[17] Source ESTAT, survey on all service models, excluding Large Groups.

Analysis of the balance sheet and income statement

As at 30 June 2011. volumes of **total funding with Consumer and Corporate customers** amounted to approx. EUR 71 bln, up 22.2% on the previous year. The figure includes **direct funding**, amounting to **EUR 25.8 bln,** which increased 5.5% YoY, driven by "on-demand" items. **Indirect funding**, boosted by assets under custody, stood at approx. **EUR 46 bln** at the end of the period (+34.2% on 30/06/2010), benefitting from the volumes brought in by Large Corporate customers. With regard to lending, at the end of the half-year period **active loans** for the Division amounted to approx. **EUR 73 bln**, stable on Q1 2011 though up by almost one percentage point as compared to the previous year, mainly due to the performance of mid-long term loans by special-purpose credit companies and Factoring.

With reference to profit and loss aggregates, in H1 2011 **Net Operating Income** for the Division stood at approx. **EUR 314 mln** (-2.4% YoY), weighted down by the growth in net value adjustments due to impairment of loans. Net income from banking and insurance grew 2.1% YoY, coming to approx. EUR 1,024 mln, largely owing to the trading activities of Mps Capital Services. The cost-income ratio of the Corporate banking division stood at 28.7% at the end of June.

Corporate Banking

(EUR mln)	30/06/11	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	645,3	-4,5%
Net fees and commissions	280,0	-2,1%
Other income	98,8	138,1%
Income from banking and insurance	**1.024,2**	**2,1%**
Net value adjustments due to impairment of loans and financial assets	415,9	10,2%
Operating expenses	294,0	-3,2%
Net operating income	**314,3**	**-2,4%**
CAPITAL AGGREGATES		
Active loans and advances to customers	73.138,8	0,9%
Customer accounts and securities distribution network	25.814,3	5,5%
Indirect funding distribution network	45.527,7	34,2%
Assets under management	2.137,9	-13,8%
Assets under custody	43.389,8	38,0%

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 of approx. EUR 69 mln (approx. 50 mln in the first half of 2010);
- **Mps Leasing & Factoring**[18]**:** posted a net profit of approx. EUR 10 mln as at 30 June 2011(approx. 4 mln in the first half of 2010);

With regard to the Group's banks abroad:

- **Monte Paschi Banque**: posted total revenues of approx. EUR 25 mln as at 30 June 2011(approx. 23 mln in the first half of 2010);
- **Monte Paschi Belgium**: posted revenues for 11.2 mln (approx. 10.7 mln as at 30/06/2010), achieving a net profit for the year of approx. 2 mln.

[18] 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).

The 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);

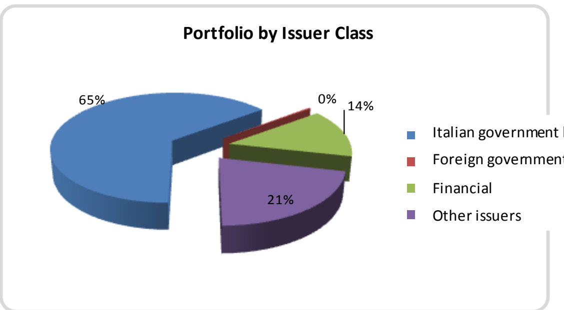
c) service units providing support to Group units, particularly with regard to collection of doubtful loans (reporting to the Credit Governance Area), real estate management, and IT systems management and development (all reporting to the "Human Resources, Property and Facility Management area).

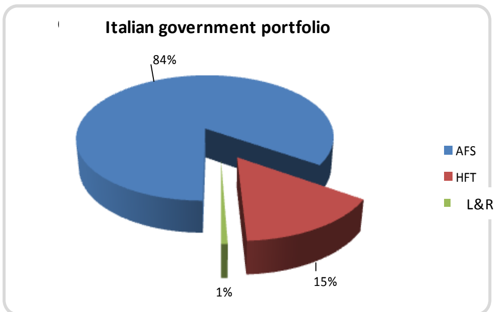
The Corporate Centre also incorporates the results of Biverbanca (not yet reporting to the bank's divisions), the pro-rata interest of Banca Popolare di Spoleto (included under Consumer banking until 31/03/2011), the profit & loss of companies consolidated at equity and those held for sale, as well as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

GROUP FINANCE

PROPRIETARY FINANCE

As at the end of June 2011, **the Group's portfolio of Securities and derivatives came to EUR 38.4 bln** with Italian government bonds (approx. EUR 25 bln) accounting for approx. 65%, 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 through investments, both strategic and short-term, within a market framework that continues to be characterised by a steep yield curve.





As for developments in volumes, the securities portfolio stood at just below the values registered for the same period in the previous year, growing approx. EUR 2 bln on 31/12/2010 with investments concentrated in the accounting category, AFS.

PORTFOLIO OF TREASURY SECURITIES AND DERIVATIVES

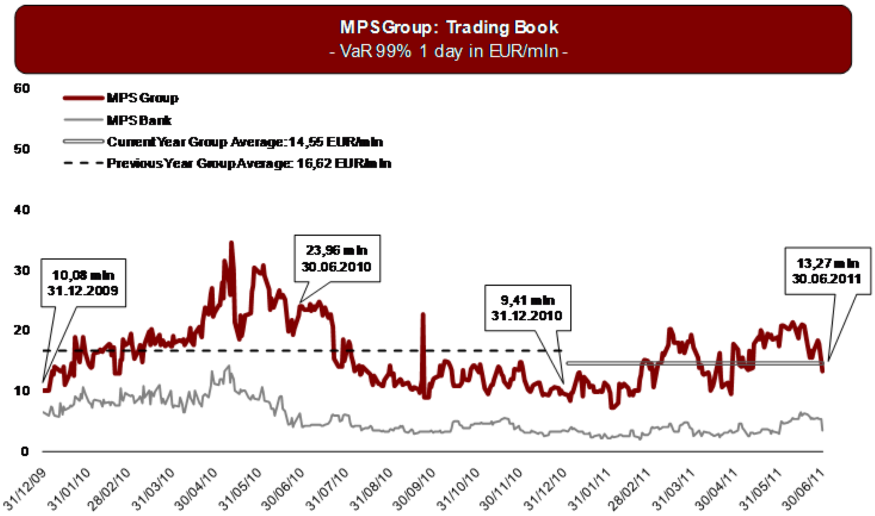
MONTEPASCHI GROUP Type of portfolio	30/06/11	31/03/11	31/12/10	30/06/10	Chg. vs 31/12/10		Chg. vs 30/06/10	
					Abs.	%	Abs.	%
Held For Trading (HFT) (1)	9.744	6.464	10.132	16.391	-388	-3,8%	-6.647	-40,6%
Available For Sale (AFS) (2)	24.935	21.642	21.802	18.370	3.134	14,4%	6.565	35,7%
Loans & Receivable (L&R) (3)	3.750	3.832	4.378	4.162	-628	-14,3%	-412	-9,9%
Total	**38.430**	**31.939**	**36.312**	**38.923**	**2.118**	**5,8%**	**-493**	**-1,3%**

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

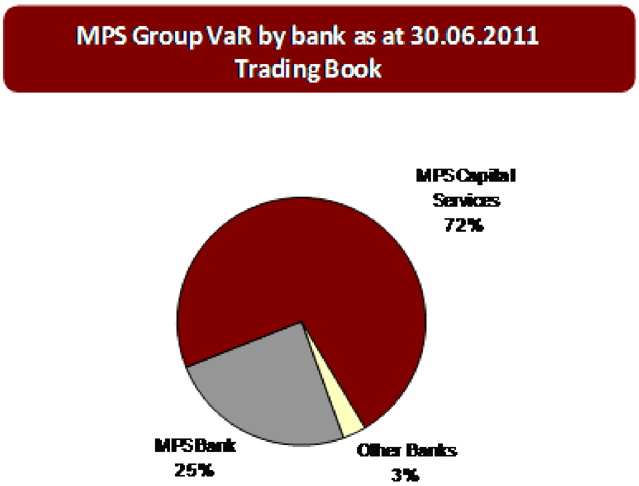
(2) "Financial Assets Held for Sale" excluding "Loans", including Equity Investments.

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

With regard to the Group's Regulatory Trading Book in the first half of 2011, **market risk** in terms of VaR (Value at Risk)[19] reflected, on the whole, a growing trend, standing at **EUR 13.27 mln** at the end of June 2011, up by approx. EUR 4 mln on the figure at the end of 2010, largely owing to trading activities by the subsidiary, MPS Capital Services. The Group's average VaR came to EUR 14.55 mln in the first half of 2011, below the annual average of 2010 (EUR 16.62 mln). The fluctuations in VaR in the first half of the year are attributable to trading transactions on Interest Rate derivatives (futures and options on bond futures), bonds (short-medium term Italian government bonds) and Equity derivatives (futures and options on major market indices), mainly traded by the subsidiary, MPS Capital Services.

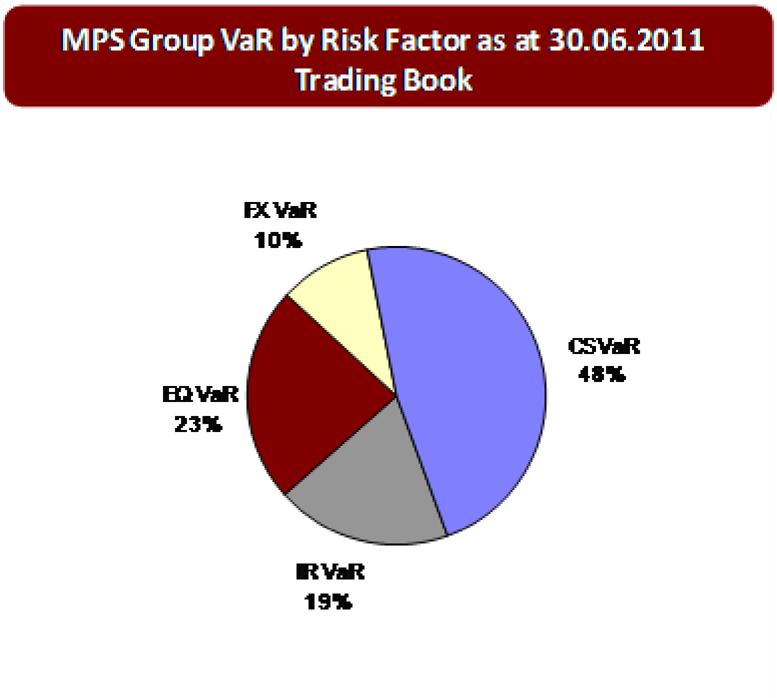


A look at the Group's legal entities shows that market risk continues to be concentrated in MPS Capital Services (72% of total risk) and Banca Monte dei Paschi di Siena (approx. 25%), with the remaining part attributable to other banks (3%).



A breakdown of VaR by risk factors as at 30 June 2011 shows that 48% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 23% was absorbed by equity risk factors (EQ VaR), 19% was absorbed by interest rate risk factors (IR VaR) and the remaining 10% by foreign exchange risk factors (FX VaR).

19 Market risk in the Group's "Regulatory Trading Book", is operationally monitored using VaR (Value-at-Risk), as further explained in the Notes to the Financial Statements – Part E – Risks and hedging policies).



During the first half of 2011, the Group's VaR ranged between a low of EUR 7.19 mln recorded on 3 February and a high of EUR 21.42 mln on 9 June. The Group's average VaR stood at EUR 14.55 mln in the first half of 2011.

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

	VaR	Date
End of Period	13,27	30/06/2011
Min	7,19	03/02/2011
Max	21,42	09/06/2011
Average	14,55	

NET INTERBANK POSITION AND LIQUIDITY MANAGEMENT

At the end of June 2011, the Group reported a notable improvement in the **net interbank position which amounted to approx. EUR 10 bln in funding**, recovering more than 5 bln on the level registered at the end of 2010 by leveraging on both direct funding from ordinary customers and medium-long term funding from institutional partners. Compared to the end of March, the situation remained substantially stable. The trend is the result of the approach adopted by the Group, aimed at attaining the **gradual "independence" of short-term funding with market counterparties** in order to contain the liquidity risk profiles, in a still-uncertain climate.

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

	30/06/11	31/03/11	31/12/10	30/06/10	Chg. vs 31/03/10 Abs.	Chg. vs 31/03/10 %	Chg. vs 30/06/10 Abs.	Chg. vs 30/06/10 %
Loans and advances to banks	14.917	14.913	15.211	15.898	4	0,0%	-981	-6,2%
Deposits from banks	25.024	24.536	30.619	31.146	488	2,0%	-6.122	-19,7%
Net borrowing position (*)	**-10.107**	**-9.623**	**-15.407**	**-15.248**	**-484**	**5,0%**	**5.141**	**-33,7%**

(*) 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 June 2011 the short-term and structural liquidity position showed a **non-committed counterbalancing capacity of approx. EUR 8.3 bln**(approx EUR 7 bln as at 31/12/2010).

Moreover, in H1 2011, **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

The process of rationalisation of the Group's equity investment portfolio, implemented in H1 2011, saw **Banca Monte dei Paschi di Siena** involved in the following major transactions:

- acquisition of a 1.57% stake in Net Insurance SpA, an insurance company specialising in property and casualty insurance, by subscribing to a share capital increase;
- acquisition of a 3.007% stake in Risanamento SpA as a result of subscription to the share capital increase carried out as part of the company's restructuring plan;
- payment of the final tranche in the share capital of Aeroporto di Siena Spa, subscribed to in April 2008;
- increase in the investment held in Prima Holding 2 SpA, from 27.32% to 27.84%;
- subscription of capital increase for Soggetto Intermediario Locale Appennino Centrale Scrl, increasing the shareholding from 1.34% to 3.44%;
- subscription of capital increase for Terme di Chianciano S.p.A., increasing the shareholding from 33.97% to 48.86%;
- divestment of the 0.316% shareholding in the London Stock Exchange GRP PLC;
- divestment of the 17.94% shareholding in Bell Sarl, under liquidation, following dissolution and wind-up the company;
- divestment of the 0.75% shareholding in Bic Ligura ScpA;
- sale of a part of its stake in Sorin SpA, reducing its shareholding from 7.19% to 6.71%; Part of the sale was completed by 30 June 2011 and part at the beginning of July 2011, registering a capital gain of EUR 3.4 mln and EUR 6.9 mln respectively;
- disposal of a part of its stake in Tethys SpA, reducing its shareholding from 16.66% to 8.33%;

Finally, the initiatives undertaken by the other Companies of the Montepaschi Group in the first half the year were as follows:

- **Biverbanca**: (i) sold its 0.018% stake in the London Stock Exchange GRP PLC; (ii) sold its 3% stake in Promovalsesia Scrl, under liquidation, following the dissolution and termination of the company;
- **Agrisviluppo** exercised its right of withdrawal from the following cooperatives: Caseificio Sociale del Parco (28.67% shareholding); Consorzio Interregionale Ortofrutticoli (16.66% shareholding); Italcarni (11.85% shareholding) and Progeo (19.13% shareholding);
- the incorporation on 7 April 2011 Aiace REOCO S.r.l. and Enea REOCO S.r.l., fully-owned subsidiaries of **MPS Gestione Crediti Banca SpA**, that engage in real-estate transactions, typically associated with debt recovery, with the aim of maximising the value of the properties pledged as collateral for loans by acquiring them (either out of court or at auction) and subsequently reselling them.

Finally, at group-level, the merger of MPS Commerciale Leasing SpA into MPS Leasing & Factoring SpA was formalised , with legal effect as of 1 May 2011;

Integrated risk and capital management

The Risk Management Process

The Montepaschi Group attaches the utmost importance to the process of identifying, monitoring measuring and controlling risk. The risk management process within the Group has been further enhanced in recent years with the gradual extension of the advanced models to the various entities within the Group for operational and reporting purposes [20].

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

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

Top Management is responsible for ensuring compliance with risk policies and procedures. The Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels. The Risk Committee of the Parent Company is also responsible for assessing initiatives for capital allocation and submitting them to the Board of Directors and assessing (Regulatory and Economic) capital consumption at Group level and for each strategic business area and/or company of the Group as well as the trends of risk/return performance indicators. The Finance Committee of the Parent Company has the task of setting the principles of – and providing strategic guidance for – Proprietary Finance. Furthermore, it deliberates and submits proposals concerning the interest rate and liquidity risk exposure of the Banking Book and defines Capital Management actions required.

The 'Internal Controls' area has the task of performing an independent and objective "assurance" and advising activity, aimed both at monitoring the compliance of operations and risk trends (also through on-site inspections) and at assessing the efficiency of the overall internal control system with a view to improving the effectiveness and efficiency of the organisation.

The Risk Management Area of the Parent Company defines integrated analysis methodologies needed to measure overall risks so as to guarantee they are accurately measured and constantly monitored. It also quantifies Economic Capital consumption as well as the minimum amount of capital to be held to cover all existing risks. The Area produces control reports and ensures compliance with the operational limits set by the Board of Directors on the basis of internally-developed models. The Risk Management area is also responsible for measuring, monitoring and controlling the risk and performances relating to investment services/products offered to or held by the customers.

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

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

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

- credit risk,
- counterparty risk,
- issuer risk,
- concentration risk,
- market risk (price, interest rate and foreign exchange) in relation to the Trading Book,
- interest rate risk for the Banking Book (Asset & Liability Management - ALM),
- liquidity risk,

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

- equity investments risk,
- UCITs risk (alternative funds),
- operational risk,
- business risk,
- real-estate risk,
- reputational risk.

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

Basel 2-associated activities

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

Throughout the year work continued on the completion and extension of these models to those entities not included in the initial scope of validation as did the activities aimed at improving the internal market and counterparty risk models.

Furthermore, activities continued in relation to Second Pillar compliance. The first half of 2010 saw the completion of methodological and organisational activities aimed at coordinating the optimisation and control of all processes relating to the ongoing self-assessment of the Group's Internal Capital Adequacy Assessment Process (ICAAP). As per regulations a comprehensive ICAAP report was prepared in April and submitted to the Supervisory Authority.

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

An analysis of the Montepaschi Group's Economic Capital

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

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

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

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

With regard to credit risk, most of the input for the Credit Portfolio Model – also under continuous methodological development – originates from the internal models used for reporting purposes which, in conjunction with additional information and fine-tuning, aim to measure risk from a strictly operational logic. In terms of Operational

Risks, the model's output at Group-level is re-allocated on the basis of historical loss criteria, the estimate provided by top management as well as the gross income and is used for operating purposes. Furthermore, the Overall Economic Capital also contains information on the sensitivity shift in economic value resulting from the internal Asset & Liability model which, in the past year, was continuously fine-tuned following an improvement in the representation and measurement of core deposits, behavioural patterns (prepayment risk) and related options. Business risk is currently measured as a risk factor in relation to the rigidity of the cost structure with respect to the changes in the business structures caused by external market components and internal strategies opted for. Equity investment risk is the risk resulting from the volatility of market valuations in relation to the equity investments held in the portfolio. Real estate risk is the risk of incurring potential losses resulting from unexpected changes in the real estate portfolio.

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

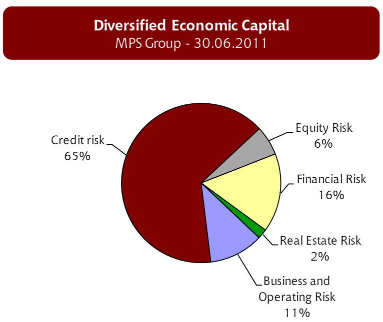
The Economic Capital by risk factor, therefore, results from the corresponding operating metrics of risk quantification. VaR measurements by risk factor maintain their own "individual" validity in accordance with current regulations and International best practices and are established with differentiated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

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

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

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

As at 30 June 2011, the Overall Economic Capital of the Montepaschi Group (excluding intra-group operations) was broken down as follows; credit risk (65% including counterparty risk, issuer risk and concentration risk), equity investments risk (6%), operational and business risks (11%). The working capital against financial risk (mainly consisting in typical trading book and ALM Banking Book) comes to approx. 16% of the Overall Economic Capital. Capital against real estate risk comes to 2%.



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

Additional information on investments considered high-risk by the market

Introduction

This paragraph contains additional information on investments which are considered by the market to be high-risk as a result of the 2007 financial crisis caused by the default of vehicles containing US sub-prime mortgages.

These same issues were previously analysed in the Financial Stability Forum Report of 7 April 2008[21] which showed how market turbulence had increased the need for financial companies to disclose their exposures in what the market considered as increasing-risk instruments. The issues were subsequently considered in the International accounting standards, IAS/IFRS[22] and in the two joint documents by the Bank of Italy, Consob and Isvap[23] in 2009 and 2010 respectively.

On a general level, two major aggregates may be defined: the first refers to financial positions with direct exposures to subprime, Alt-A and monoline insurer segments, directly impacted by the crisis, while the second to all other financial positions of structured credit which may suffer as a result of the general crisis in the financial markets.

In the first aggregate, positions are substantially irrelevant. As at 30-06-2011;

- there are no *subprime* exposures,
- there are no leveraged finance exposures;
- there are no exposures or guarantees on conduit loans and SIVs.
- there are no monoline insurers,

With regard to the second aggregate, in particular to third-party structured products held in the portfolio, as at 30/06/2011, it should be noted that:

- the book value of existing positions (cash) amounts to approx. EUR 2,149 mln, an increase of approx. 9% on December 2010 Approx. 97% of these exposures were investment grade (vs. 95% in December 2010),
- net exposures in credit derivatives on standardised credit indices came to a nominal EUR 44.60 mln (book value of approx. EUR -0.29 mln).

***

The following information is in line with the guidelines set out by Consob request no. 8069681 of 23 July 2008.

Credit Structured products

Business Model description – objectives and strategies

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

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

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

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21 Financial Stability Forum, "Rafforzare la solidità dei mercati e degli intermediari", 7 april 2008.

22 See amendment to IFRS 7 incorporated in Europe with EC Regulation no. 1165 of 27 November 2009 on fair value hierarchy.

23 Banca d'Italia, Consob and Isvap, "Information to be provided in the financial reports in relation to business continuity, financial risks, checks for the reduction of assets value and uncertainty in the use of estimates", 6 February 2009.

Bank of Italy, Consob and Isvap, "Disclosure in financial reports on asset impairment tests, financial debt contract clauses, debt restructuring and fair value hierarchy", 4 March 2010.

The specifically dedicated unit followed market pattern developments over time, making investments in structured bonds as well. These investments are compliant with the above-mentioned process of diversification. Financial technology has actually made it possible over time to take positions on specific credit risk components such as correlation and recovery through structured bonds. A specialist desk was also set up within MPS Capital Services to support this Parent Company structure.

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

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

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

For the purpose of this analysis, the exposures reported have been distinguished between "positions in securities" and "positions in derivatives" at Group-level as at 30 June 2011. "Positions in securities" are mainly taken in the form of *cash* instruments, while "positions in derivatives" are held through credit derivatives on standardised indices.

Significance for the bank's activities

The overall book value of securities positions in structured credit products, amounting to EUR 2,148.69 mln, accounts for approx. 0.9% of consolidated assets.

The definition of structured credit product used in this section does not correspond to the definition of structured debt security considered for accounting purposes insofar as not all structured credit products embed credit derivatives, which need to be separated [from their host contract] for IAS/IFRS purposes.

The book value of structured products is allocated as follows:

- under account 20 "Held-for-trading financial assets" in the amount of EUR 438.87 mln, or 20% of total long positions;
- under account 40 "Financial assets held for sale" in the amount of EUR 124.3 mln, or approx. 6% of total long positions;
- under account 60 "Loans and advances to banks" and 70 "Loans and advances to customers" in the amount of EUR 1,585.52 mln, or 74% of total positions.

The total book value of net positions in credit derivatives on indices is EUR -0.29 mln.

Description of securities positions

The information provided is divided into macro-categories of structured credit products and includes the nominal amount, risk exposure and P&L impact for the first half of 2011. More specifically, for the risk exposure of securities positions, the tables report the book value which reflects economic loss in the event of default with a very conservative estimated recovery of zero. Realised expense and income consist in losses and profits from trading for the period of reference; devaluations and revaluations with a P&L effect show the change in book value directly posted to P&L, whereas, in the case of instruments classified as Available for Sale (AFS), devaluations and revaluations show the change in book value posted under net equity reserve. All amounts are expressed in EUR million.

Overall, at Group level, securities positions in structured credit products amount to a nominal value of 2,253.12 €/mln, equivalent to a book value of approx. 2,148.69 €/mln.

With reference to classification for Supervisory purposes, the positions are mainly allocated to the Banking Book (90% of book value) and, in a smaller degree, to the Trading Book (approx. 10%).

With regard to the Banking Book (book value of approx. 1,923.79 €/mln), there is a prevalence in CLNs which account for approx. 55%, followed by CDOs which come to approx. 32%. The remaining 13% refers to ABSs and Dynamic Managed Portfolios.

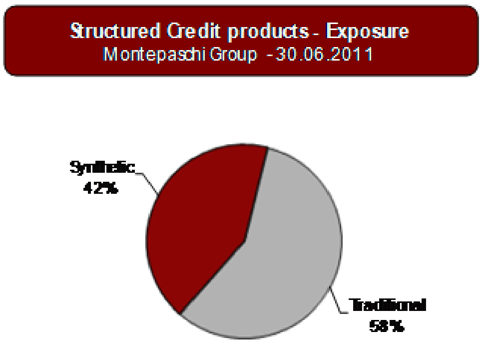
The Trading Book, on the other hand, contains investments for a book value of 224.90 €/mln, approx. 94% of which is accounted for by ABSs and 6% by CDOs.

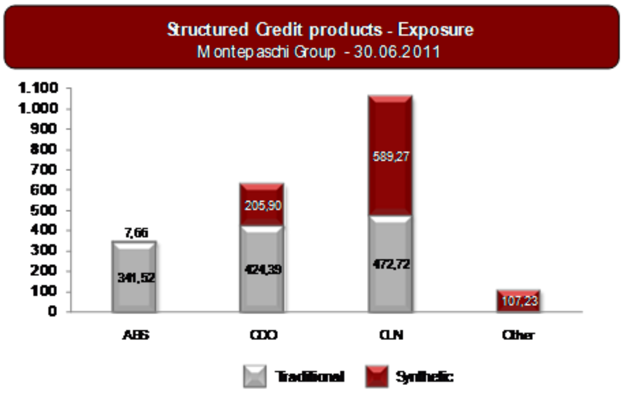
Montepaschi Group
Structured Credit products: total exposure
Securities positions
(EUR/mln of 30.06.2011)

Classification	Instrument Category	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
Banking Book	ABS	143,92	137,73	0,13	0,00	0,34
	CDO	707,75	616,84	-0,53	27,33	0,85
	CLN	1037,12	1061,99	0,00	-14,75	-7,66
	Dynamic Managed Portfolio	100,00	107,23	0,00	-0,37	0,00
	Banking Book Total	**1988,79**	**1923,79**	**-0,40**	**12,21**	**-6,47**
Trading Book	ABS	219,38	211,45	0,88	0,21	0,00
	CDO	44,95	13,45	0,00	-0,94	0,00
	Trading Book Total	**264,33**	**224,90**	**0,88**	**-0,73**	**0,00**
Structured Credit products total - 30.06.2011		**2253,12**	**2148,69**	**0,48**	**11,48**	**-6,47**
Structured Credit products total - 31.12.2010		2177,51	1967,33			

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

The table below provides a product breakdown of exposures by type of structure (synthetic or traditional) and by type of product (ABS, CDO, CLN, other). A traditional structure involves investments in *funded* structures which do not embed credit derivatives, whereas a synthetic structure involves *unfunded* and *funded* structures which include credit derivatives. As a whole, traditional structures account for 58% and synthetic for 42% of total risk exposure.





Following is the breakdown of securities positions by rating.

Structured Credit products
(EUR/mln)

Rating	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	391,96	396,15	0,65	-0,24	0,00
AA+	28,35	25,20	-0,17	0,28	0,03
AA	406,45	373,15	0,52	0,00	0,14
AA-	231,27	183,88	0,01	26,64	0,00
A+	596,77	652,76	0,00	-14,76	-7,66
A	335,31	306,71	0,01	0,49	0,00
A-	16,72	16,74	0,00	0,00	0,00
BBB+	99,65	99,96	0,20	0,01	0,00
BBB	75,45	72,01	0,05	-0,04	0,00
BB+	21,52	9,10	0,00	-0,45	0,00
BB	14,00	0,06	0,00	0,00	0,00
BB-	2,00	1,54	0,00	0,00	0,00
B+	2,00	1,66	0,00	0,00	0,00
B	6,29	5,03	-0,82	0,00	0,85
CCC	6,00	0,99	0,00	-0,09	0,00
CCC-	13,38	3,30	0,00	-0,21	0,17
CC	6,00	0,45	0,03	-0,15	0,00
C	0,00	0,00	0,00	0,00	0,00
Totale	**2253,12**	**2148,69**	**0,48**	**11,48**	**-6,47**

Overall, 97% of nominal exposures is made up by Investment Grade Securities (with rating up to BBB-) with Subinvestment Grade securities making up the remaining 3%.

ABS exposures

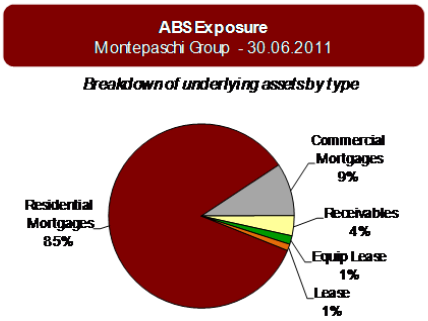
The following information concerning ABSs is provided in relation to geographical area, segment, and vintage of underlying assets.

ABS Exposure

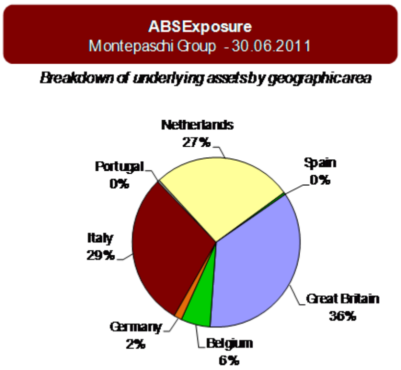
(EUR/mln)

Classification	Nominal	Exposure	Realized	Unrealized	Effect on Net
Other ABS	22,41	20,90	0,21	-0,04	0,00
CMBS	39,02	33,38	0,74	-0,15	0,28
RMBS	301,87	294,90	0,06	0,40	0,06
Total	**363,30**	**349,18**	**1,01**	**0,21**	**0,34**

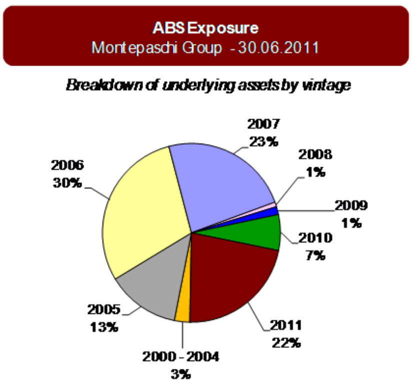
Overall, 94% of the book value refers to positions with underlying residential and commercial mortgages which make up 85% and 9% respectively. The remaining 6% includes ABS positions with underlying assets in other segments.



A geographical breakdown reveals that, in terms of book value, 36% of ABS exposures are allocated to British underlying assets, 29% to Italian, 27% to Dutch, 6% to Belgian and 2% to German. A negligible residual percentage engages Spanish and Portuguese underlying assets. It should be noted that there are no positions with underlying assets originated by US vehicles.



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



CDO exposures

The information concerning CDOs is reported on the basis of product type and tranche seniority.

CDO Exposure
(EUR/mln)

Classification	Seniority	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CDO di ABS	SENIOR	382,71	345,52	-0,04	0,00	0,00
CBO	SENIOR	57,95	57,10	0,00	-0,04	0,00
CDO3	SENIOR	17,30	10,85	0,00	0,49	0,00
CLO	JUNIOR	2,00	1,66	0,00	0,00	0,00
CLO	MEZZANINE	40,80	38,60	0,10	0,00	0,00
CLO	SENIOR	14,94	13,35	-0,82	0,00	0,85
Managed CDO	MEZZANINE	0,00	0,00	0,03	0,00	0,00
Managed CDO	SENIOR	37,00	6,30	0,20	-0,90	0,00
SLCDO	SENIOR	200,00	156,91	0,00	26,84	0,00
Total		**752,70**	**630,29**	**-0,53**	**26,39**	**0,85**

On the whole, the main category is represented by ABS CDOs which account for 55% of the total. Next are the Synthetic Loan CDOs (SLCDO) which account for 25%. With regard to seniority, senior tranches make up approx. 94% of the entire CDO portfolio, followed by mezzanine tranches which constitute 6%, while junior tranches are negligible. In terms of geographical breakdown of the portfolios, it should be noted that there are no positions with underlying assets originated by US vehicles.

Dynamic Managed Portfolio and SPE CLN exposures

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

In particular, the portfolio as at 30 June 2011 included investments in a nominal amount of EUR 100 mln with underlying managed portfolios (SPIs) and CLNs in a nominal amount of EUR 1037,12 mln.

Dynamic Managed Portfolio Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPI	100,00	107,23	0,00	-0,37	0,00
Total	**100,00**	**107,23**	**0,00**	**-0,37**	**0,00**

CLN Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPE CLN	637,12	694,47	0,00	-14,75	-7,66
CLN Basket	400,00	367,52	0,00	0,00	0,00
Total	**1037,12**	**1061,99**	**0,00**	**-14,75**	**-7,66**

Description of credit derivative positions

Details of positions in derivatives are reported below.

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

Positions with a negative nominal value mitigate the overall portfolio risk since they benefit from the deterioration of creditworthiness of underlying assets, as represented by the expansion of related credit spreads.

Overall, derivative exposures came to a notional amount of EUR 44.60 mln for a book value of EUR -0.29 mln as at 30 June 2011. Operations in the first half of 2011 generated a positive P&L impact of 0.87 €/mln.

Credit Index Positions
(EUR/mln)

Index	Nominal	Exposure	Profit/Loss
CDX NA IG	21,39	-7,59	1,40
iTraxx Europe	193,72	-1,70	0,04
iTraxx Europe Crossover	0,00	0,00	-0,19
iTraxx Europe Senior Financials	11,00	0,58	-0,41
iTraxx Europe Sovereign	-166,06	7,88	-0,24
iTraxx Europe Subordinated Financials	-3,00	0,23	0,09
iTraxx High Volatility Europe	0,00	0,00	0,00
iTraxx Sovereign Emerging	-6,92	0,22	0,09
MCDX Municipal Single Name	-5,54	0,09	0,09
Total	**44,60**	**-0,29**	**0,87**

Appendix: Glossary of terms

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

Account	Description	Definition
ABS	Asset Backed Security	Security which guarantees reimbursement and coupon flows based on income generated by a set of financial assets. Typically, they are broken down into RMBS and CMBS.
AFS	Available For Sale	IAS category used to classify assets available for sale
CBO	Collateralized Bond Obligation	CDO in which the portfolio of underlying positions primarily consists in bonds.
CDO	Collateralized Debt Obligation	Securities issued in differentiated risk classes with payment in order of seniority (tranches), subsequent to the securitisation of a portfolio of credit-risk embedding securities. Typically characterised by a certain degree of financial leverage.
CDO of ABS	CDO of ABS	CDO in which the portfolio of underlying positions primarily consists in ABSs.
CDO2	CDO Squared	CDO in which the portfolio of underlying positions primarily consists in other CDOs.
CDO3	CDO Cubed	CDO in which the portfolio of underlying positions primarily consists in CDO squared.
CLN	Credit Linked Note	Security embedding a credit derivative, typically a credit default swap (CDS).
CLN Basket	Basket Credit Linked Note	a CLN which references a basket of underlying entities (multiple single name CDSs, or one or multiple basket CDSs)
CLO	Collateralized Loan Obligation	CDO in which the portfolio of underlying positions primarily consists in loans.
CMBS	Commercial Mortage Backed Securities	ABS with underlying commercial mortgages.
CPPI	Constant Proportion Portfolio Insurance	Guaranteed capital security that incorporates a dynamic trading strategy in order to participate in the performance of a certain underlying asset
Dynamic Managed Portfolio	Dynamic Managed Portfolio	Products with dynamically managed underlying assets such as CPPI/SPI.
HFT	Held For Trading	IAS category used to classify assets and liabilities held for trading
L&R	Loans & Receivables	IAS category used to classify loans and receivables
LSS	Leveraged Super Senior	CDO through which the investor becomes exposed to the entire super senior tranche through a derivative contract characterised by a leverage effect.
Managed CDO	Managed CDO	CDO in which the portfolio of underlying positions is managed.
Monoline insurer	Monoline insurer	Insurance companies specialised in guaranteeing payment of interests and notional of bonds in the event of issuer default. They are thus named because they generally apply to one industrial sector only.
Other ABS	Other Asset Backed Security	Titolo che garantisce il rimborso e i flussi cedolari sulla base di proventi generati da un insieme di altre attività: prestiti al consumo e leasing, che includono solitamente prestiti finalizzati al consumo (ad esempio auto, carte di credito), prestiti agli studenti, attività di finanziamento per il leasing, ecc.
RMBS	Residential Mortage Backed Securities	ABS with underlying residential mortgages.
SCDO	Synthetic CDO	CDO whose portfolio of underlying positions primarily consists in credit default swaps (CDS).
Seniority	Seniority	Level of subordination in the repayment of securities, generally broken down into Super Senior, Senior, Mezzanine and Junior.
SLCDO	Synthetic Loan CDO	CDO whose portfolio of underlying positions primarily consists in Synthetic Loan CDS.
SPE	Special Purpose Entity	corporate vehicle incorporated to attain specific objectives, primarily to isolate financial risks. Assets consist in a portfolio whose profits are used for the servicing of bond loans issued.
SPE CLN	SPE Crediti Linked Note	CLN issued by a SPE.
SPI	Synthetic Portfolio Insurance	Synthetic version of a CPPI, obtained through derivatives.
Vintage	Vintage	Commonly understood as the year of origination for the assets underlying a structured credit product.

Regulatory capital and capital ratios

In continuity with the approach adopted at the end of 2010, r**egulatory 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 30/06/2011 the Group's regulatory capital amounted to approx. EUR 14,282.3 mln, with an estimated **Tier 1 of 8.9%** (8.4% as at 31 December 2010) and **Total Capital Ratio of 13.5%** (12.9% as at 31 December 2010).

Regulatory capital (EUR mln)

	30/06/11	***31/03/11***	***31/12/10***	***Chg. %***
Tier I capital	9.408	9.738	9.142	2,91%
Tier II capital	5.353	5.446	5.456	-1,88%
Items to be deducted	479	477	455	5,38%
Total regulatory capital (before Tier III)	14.282	14.707	14.144	0,98%
Total regulatory capital	14.282	14.707	14.144	0,98%
Tier 1 Ratio	8,9%	9,1%	8,4%	
Total Capital Ratio	13,5%	13,8%	12,9%	

More specifically, **Tier 1** came to approx. EUR 9,408 mln, an increase by approx. 266 mln on the figure at the end of 2010, largely due to the positive effect from the increase in reserves (excluding the accounting of Tremonti Bond coupons), resulting from the capitalisation of earnings and the elimination of prudential filters linked to Goodwill deduction.

It should be remembered that Tier 1 capital and regulatory capital do not yet include the EUR 405.5 mln capital gain arising from the deconsolidation of the company *Consorzio Perimetro Gestione Proprietà Immobiliari*, occurring at the end of 2010

Tier II stood at approx. EUR 5,353 mln, a slight fall of approx. EUR 103 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 approx. 479 mln (vs. 455 as at 31 December 2010), mainly as a result of the change in value of the affiliated insurance companies.

As a result, **total regulatory capital** came to approx. EUR 14,282 mln, an increase of approx. 138 mln compared to 31/12/10, resulting from the above-described factors.

As to **Risk Weighted Assets (RWA),** a decrease was registered of approx.3.16% owing to the overall trend in assets and their continuing shift towards less risky and/or more collateralised forms of lending. It should be noted that the amount of risk-weighted assets as at 30 June 2011 also included the assets of *Consorzio Perimetro Gestione Proprietà Immobiliari*, in a manner consistent with the approach taken to calculate regulatory capital.

Organisational developments

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 the creation of a set of initiatives, planned with the relevant implementation times and methods, aimed at achieving **significant improvements in terms of efficacy** (governance, geographic footprint, competitive ability) **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 (e.g. 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 structures of the Regional Areas and Departments were improved and the new credit disbursement processes were launched.

In connection with the above, the effort aimed at boosting the efficiency of the architecture and operating system continued, **with the structural revision of processes - as per industrial 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 alignment of operating processes** with the new organisational model framework, both for the Central and Network structures, with the aim of supporting the key principles of the strategy (decentralisation of responsibilities, lower absorption on administrative tasks, focus on business objectives);
- roll-out of the **Programme "PaschiFace"** with:
  - the completed redesign of major branch processes for Branch Managers ((e.g. sales planning and monitoring, operational, lending and management authorisations and controls), functional to the activities of the Affluent- and Family- CRM managers;
  - planning of Paschi Face rollout across the entire network in the second half of 2011 and preparation of start-up support (dedicated help desks and local 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, ...);
- 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;
- further initiatives aimed at leveraging the central role of 'Branch managers', expanding their decision-making scope as a powerful tool for commercial development in the relevant local areas, while also reducing time spent on "administrative" activities.

Human Resources

❑ HEADCOUNT

After a reduction of 2,693 employees in the 2008/10[24]period, mainly regarding Head Office units,

HEADCOUNT OVER TIME

	31/12/07	31/12/08	31/12/09	31/12/10	30/06/11
Head Office units	12.956	11.908	10.973	10.200	9.940
Distribution network	21.232	20.959	21.030	21.295	21.261
TOTAL	**34.188**	**32.867**	**32.003**	**31.495**	**31.201**

in H1 2011 the group's headcount reported a further decline of 294 resources, with effective workforce[25] totalling 31,201:

HEADCOUNT FOR THE PERIOD

	31/12/10	30/06/11
Total employees	31.495	31.201

There were 363 outflows (of which over 80% from Head Office units), 110 hirings (almost all allocated to branches) and 41 "changes in Group scope" due to asset disposal[26].

EMPLOYEE TURNOVER

	From 31/12/10 to 30/06/11
Hirings	110
Outflows	-363
Change in Group scope	-41
TOTAL	**-294**

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

EMPLOYEES BY OPERATING UNITS

MACROSTRUCTURE	30/06/11	% OF TOTAL
Local Business Functions	21.261	68%
Administrative and Operating Functions, of which:	9.042	29%
Headquarters		
Italian Banks	*2.799*	*9%*
Local market Areas	*976*	*3%*
Local market units	*2.047*	*7%*
Consorzio Operativo Gruppo Montepaschi	*2.856*	*9%*
MPS Gestione Crediti Banca	*364*	*1%*
Product Companies	898	3%
TOTAL	**31.201**	**100%**

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 and distribution functions (approx. 70 employees since the start of the year).

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

25 Value obtained by deducting from personnel on payroll (31,239) all resources seconded to non-Group companies and those belonging to Professional Area Band I working short-time (18 cleaning staff).

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

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

NUMBER OF EMPLOYEES BY CATEGORY

CATEGORY	30/06/11	% OF TOTAL	% IN THE BANKING SYSTEM
Executives	517	1,7%	2,2%
Managers	11.565	37,1%	37,9%
Remaining employees	19.119	61,3%	59,8%
TOTAL	**31.201**	**100%**	**100%**

The average age of staff stood at around 43.6 years, just above the System average (43.3) but lower than that of the leading Italian groups (44.4).

❑ OPERATING STRATEGIES

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").

HUMAN RESOURCES DEVELOPMENT AND TRAINING

Within the strategic framework outlined in the introduction, the goals pursued involve **developing and maximising 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 commercial behaviour at the front end, 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**[27], involving approximately 800 resources in total;

EQUAL OPPORTUNITIES

Corporate policies reflect the increasing importance and sense of responsibility the Group attaches to the issue of equal opportunities with a view to identifying solutions aimed at enhancing professional skills and improving the quality of life of employees.

In recent years, positive indices in this area have been determined by several factors, including:

- ✓ The presence of women in leadership roles (**36.1%**, up from 35.1% at the end of 2010 and from 33.8% as at 31/12/09), particularly within the Branch Network;
- ✓ **Women occupy 30.6% of managerial positions** (more specifically, they account for 4.5% of Executives and 31.8% of Middle Managers), a slight increase on last year (+0.3%).

FEMALE EMPLOYEES IN MANAGERIAL POSITIONS/CAREER ADVANCEMENT (%)	30/06/11	2010	2009	2008
Female employees	44.8	44.5	44.2	43.2
Executives	4.5	4.4	4.4	3.8
Middle Management	31.8	31.5	30.9	27.7

As to the opportunities offered by the company to reconcile work and private life, the percentage of part-time female employees stood at 15.6% whereas that of male employees came to 0.7%.

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

- the increasing use of the **independent self-development workshop,** which aims to support individual aptitudes in order to reinforce individuals' behaviour, guide their professional growth and create an organic channel for meeting the Group's future management needs (the initiative has thus far involved over 1400 resources);

Following rollout of major operational (hirings, transfers, etc.) and administrative process (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 the "Reporting Track" was also launched in the first half of the year.

All **training** activities, in accordance with the path established in the **2010-12 Plan**[28], were revised in light of the 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 the 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, Patti Chiari, etc.). On this front, mention is made to the specialised path "**Obiettivo Protezione**" ("Objective: Protection") developed in close collaboration with **AXAMPS**; 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 efficacy and developing leadership and team management skills through a series of classroom sessions.

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).

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.

Total hours of training since the start of the year came to almost 770 million, with a Group per capita of around 25 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").

For further information, please refer to Part I of the Notes to the Financial Statements - "Share-based payments".

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[28] The Plan outlines all the training initiatives planned for the next three years 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).

INDUSTRIAL RELATIONS AND PENSION FUNDS

During the six-month period, the following relevant consultation-based procedures were set up and completed in a close time sequence with the Unions:

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. procedure aimed at r**edefining 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.

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.

Finally, it should be noted that 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”[29], as a "container " of the defined-benefit supplementary pension schemes of the banks that were merged.

[29] For this purpose, the fundwill have to acquire legal recognition as a Foundation and financial independency from Banca Monte dei Paschi di Siena.

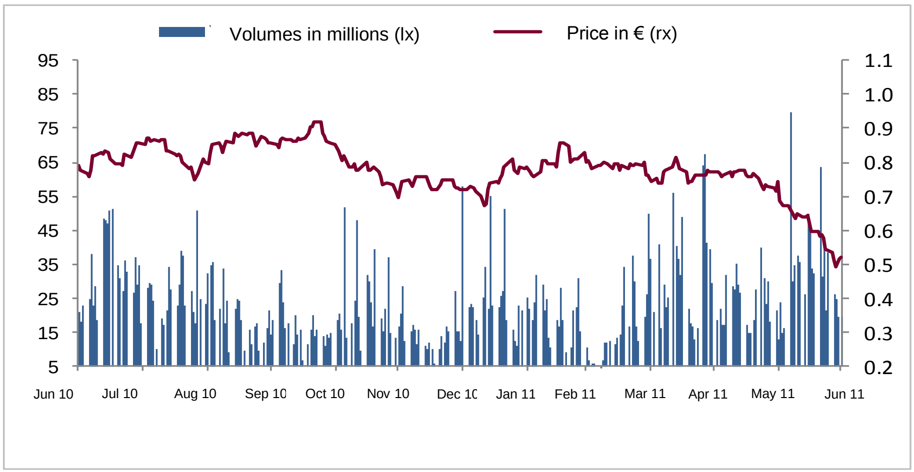
Market values and Investor Relations

SHARE PRICES[30]

The first half of 2011 was characterised by high volatility for all major stock markets with good performance in the first part of the year and widespread sales as of the latter part of the second quarter, mainly in the peripheral countries of the Euroarea driven by tensions related to the sustainability of their sovereign debt. All major exchanges, therefore, reported H1 values which were, on average, above those recorded at the end of 2010 though there were some differentiations (FTSE MIB +0.1%, Dow Jones +7.2%, S&P 500 +5.0%, DAX +6.7%) A negative performance, on the other hand, for the Italian banking sector (FTSE IT BANKS -9.4%) which was seriously affected by the tensions on sovereign debt mentioned above. The European banking index fell just below parity (DJ EURO STOXX BANKS -0.3%).

Within this scenario, BMPS stock stood at EUR 0.523 as at 30 June 2011 (-27.3% compared to the end of 2010) reflecting a performance that was essentially in line with the average of the major Italian banks (an average decline of 23.8% with Unicredit -5.7%, Intesa -3.6%, Banco Popolare -35.3%, UBI -36.7%, Popolare Milano -37.8%), following on a 2010 in which BMPS had outperformed its main Italian competitors by more than 5 percentage points.

BMPS SHARE PRICE (from 30/06/10 to 30/06/11)



BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/2010 to 30/06/2011)

Average	0,74
Lowest	0,49
Highest	0,86

Volumes

In the first six months of 2011 BMPS shares traded on a daily basis averaged approx. 43 million with a peak of 273.4 million in June and a low of 10.2 million in May.

MONTHLY VOLUMES OF SHARES TRADED

2011 volumes summary (€/mln)	
January	602
February	766
March	730
April	691
May	462
June	2.210

30 An adjustment factor of 0.84501816 was applied to BMPS share prices following the 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/).

Credit ratings

Following are the credit ratings assigned as at 30 June 2011:

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-

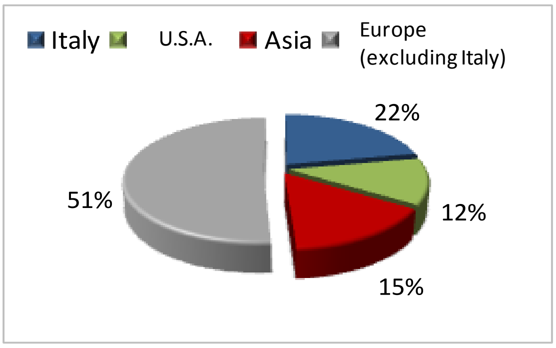
On 12 April 2011, the international agency Standard & Poor's improved the Bank's individual rating to A- from BBB+ and also increased its rating of subordinated notes from "BB+" to "BBB-".

On 23 June 2011, Moody's placed the long term debt and deposit ratings of 16 Italian banks (including BMPS) and the short-term of 8 Italian banks (including BMPS) on review for possible downgrade. The reassessment came in the wake of the decision announced by the agency on 17 June that Italy's Aa2 sovereign rating was placed on review for possible downgrade. On that occasion, Moody's also changed the outlook on the long term rating of an additional 13 banks from stable to negative.

Investor Relations in the first six months of 2011

Following on from 2010, in the first half of 2011 the Investor Relation team's interaction with the financial community was highly proactive. Since the start of the year around 51 days of meetings were held between the top management of the Montepaschi Group and institutional investors from 18 different countries.

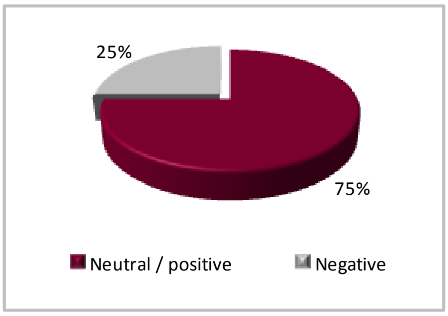
Following is a geographical breakdown (in %) of days dedicated to roadshows/marketing up to 30 June 2011:



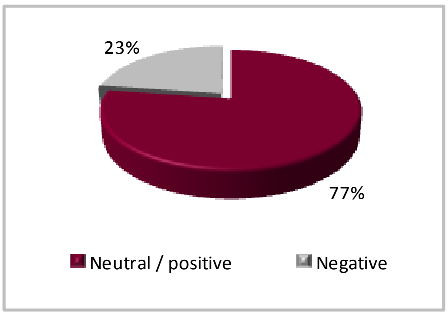
Guidance on MPS shares

With regard to guidance on MPS shares, as at 30 June 2011, 77% of analysts covering MPS shares maintained a neutral/positive outlook (in particular 29% recommended purchase), with 23% expressing a negative one. This was an improvement on the situation in the first half of 2010, where the proportions were 75% and 25% respectively.

June 2010



June 2011



Social added value

Financial services for the more vulnerable sections of society

Main initiatives in the first half of the year included:

- **Anti-crisis measures continued for consumer-households and businesses**:
  - The “Fight the crisis” plan, which included and expanded the **Family Plan** subsequently promoted by the Italian Banking Association, allowed several customers to suspend their mortgage repayments for up to 12 months (approx. 6 thousand transactions in the first half of the year). Additional borrowers also benefitted from a similar suspension through the use of the national Gasparrini Solidarity Fund (180 loans). While the possibility to suspend repayments on personal loans for 6 months involved approximately 4 thousand accounts.
  - Measures targeted at **businesses** were reformulated. More specifically, 21,441 mortgages were suspended over two years, amounting to an outstanding debt of EUR 8.6 bln.
- The Group continued to implement the consolidated **sales and marketing plan targeting immigrant customers** (Paschi without Frontiers) with special emphasis being placed on the more predominant communities present in Italy (Senegal, Philippines, China, Morocco, Romania). On the issue of accessibility to financial services for foreign citizens, Montepaschi took part in the creation and distribution of an ad-hoc Guide, "Welcome to the bank", released by the Italian Banking Association and organised a seminar for interested parties and social partners called “New Italians: from integration to interaction”.
- Loans were issued to young people for university education, including Masters and post-graduate courses, through a specific plan, "Tuttofare Giovani" (100 transaction for approx. EUR 240 thousand); loans were also issued in collaboration with the Tuscany Region to support young entrepreneurs.
- **Operations in the area of microcredit were intensified:**
  - The Group's specialised company, Microcredito di Solidarietà Spa, approved 125 loan applications for EUR 412 thousand in total.
  - 320 loans (a total of EUR 2.3 mln) were issued through the New-born Fund, allocated for legal guardians of children born between 2009 and 2011.
  - A further 23 loans were granted to households and businesses as part of the special agreements with the Tuscany Region (Microcredito Regione Toscana and SMOAT).
  - The agreement between the Italian Banking Association and the Italian Bishops Conference was renewed, enabling the Group to further develop its activities in this area.

Though keeping its traditional conservative stance, the Group continued to focus its attention on customers characterised, on average, by weak parameters of "bankability" (immigrants, young people, atypical workers, micro-enterprises, etc.), with the percentage of credit applications accepted in line with those from other customers (approx. 60%) who, instead, provide more guarantees.

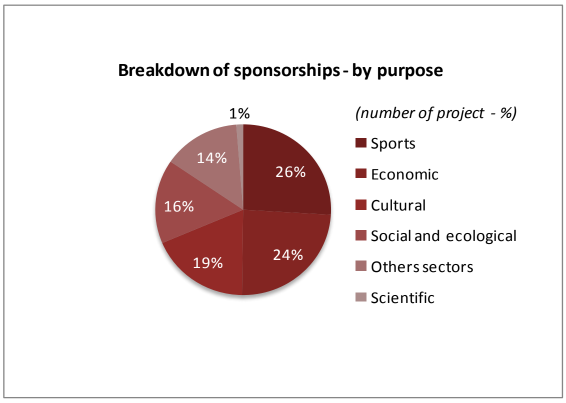
This was also made possible by targeted commercial offers and campaigns which had a positive impact on the customerbase overall, as observed for the customer segment comprising immigrants from high-emigration countries (which went from 5% to 5.4% of total customers in one year).

Similar results also arise from microcredit activities with expected indirect effects on corporate reputation at local level.

Promoting and supporting the creation of social value in the local communities

Main initiatives in the first half of the year included:

- EUR 11.67 mln was issued in favour of initiatives and organisations promoting social cohesion and solidarity. The contributions were made through sponsorships, donations and gifts to Local Authorities as part of Treasury and Cash services. More specifically, there were 239 sponsorships, of which 16% had a direct social purpose.
- The Group took part in several **fund-raising campaigns:**
  - Support of "La Fabbrica del Sorriso" by MediaFriends was confirmed also in its 2011 edition.
  - Together with ACRA (Association for Rural Cooperation in Africa and Latin America) the Group also lent its support to projects for the developments of Senegal's network of aqueducts. Furthermore, it donated 10% of revenues from the sale of products from the 1472 range of products (wines, olive oils and clothing) to ACRA.
  - It established a partnership with Canguro Onlus Flights Aid, an association that organises humanitarian missions bringing relief and support to people in need through its Air Hospital.



Sponsorships by purpose

Main events for the period included:
- The 5th edition of the Documentary Festival.
- The "Bobbio film festival".
- The horserace,"La Bagnaia".
- The event, Cortina Incontra, and other promotional activities promoting the candidature of Cortina for the World Alpine Ski championships in 2017.
- The Health Festival.
- Girogustando.
- The Green Social Festival.
- The Masters in Communications Publitalia '80.
- The Masters in Communications at IULM university.

- 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, which aims to develop the management and reporting of CSR issues by SMEs through a greater consideration of these aspects in credit scoring systems. To this end, there will be the integration of internal qualitative assessment models, which have long included an analysis of environmental risk in business and management processes: more specifically, 3,661 environmentally-certified customers were registered in the customer portfolio at the end of June (4.7% of total businesses).

Disbursements for social purposes grew by 12.4% on the same period in 2010. This reflects a direct contribution of the Group's business to the creation of social added value with expected indirect impact on the company's reputation locally.

Eco-sustainable solutions

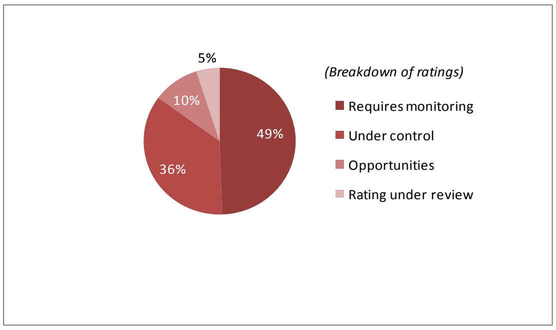
Reducing consumption of natural resources and environmental impacts in collaboration with vendors

Main initiatives in the first half of the year included:

- A strategy to be implemented over the next two years was outlined for the management and control of greenhouse gas emissions that directly originate from the Group's activities or that are partly attributable to them. The strategy was presented with the publication of the Group's **first Carbon Footprint Report**, which contains a summary of the major monitoring indicators extracted from a specific database developed during the period in accordance with relevant international standards (GHG Protocol and ISO 14064).
- Work continued on the plan started a while back to increase energy efficiency in the workplace, which included the innovative design of the "Ecological Branch" and the "Solar-powered ATM": the creation of a branch having these features was put underway in the first half of the year; one is located in Via Cairoli in Milan and the other in San Gusmè, in the province of Siena.
- A high utilization rate was confirmed for energy from renewable sources (98%; one percentage point more than the result at the end of the year).
- Further progress was made in the implementation of the **mobility management** plan. Initiatives carried out included:
  - the further development of eco-sustainability parameters for the composition and gradual improvement of the company car fleet; among other things, through participation in Mercedes' E-Mobility Italy Plan, 5 electric cars were rented (Smart models) and made available at several branches of the Bank
  - Analysis of employee home-work commuting needs was completed. Activities involved approx. 11 thousand people in the 7 cities concerned (Siena, Rome, Florence, Milan, Padua, Mantua and Lecce) and consisted in initial data collection through a questionnaire, followed by 16 focus groups with a representative sample reflecting the different "mobility" needs identified.
  - As part of an overall review of the hotel-operator agreements, 200 hotels located in 14 major Italian cities were also “environmentally” classified. The environmental assessment focused on 16 specific parameters making up 6% of the overall evaluation.
  - In collaboration with the vendor, Bassilichi&Base, a “Green Charter” was set out, containing the good rules of conduct and eco-sustainable guidelines to be considered in business and day-to-day activities. The Charter will be circulated for the purpose of raising awareness among companies providing Security Services and Transportation of valuables for the Group.
- Several internal projects continued to be implemented with the aim of **significantly reducing paper consumption**:
  - The project for the "Reorganisation and rationalisation of printing equipment" neared completion, particularly with the discontinuance of printers linked to the individual work station in favour of multi-functional front/rear printing equipment .
  - A preliminary analysis was performed on paper consumption in the offices of the Operating Consortium as part of the project, “Paperless”.

Vendor sustainability

The plan “Sustainability in the supply chain” continued in the first half of the year. Launched in 2009, the project aims to incorporate social and environmental considerations into traditional economic evaluations including cost-benefit and procurement processes, with particular focus on the practices implemented by vendors to manage their CSR issues. To analyse these practices, an initial assessment is carried out that allocates vendors with a rating between 1 and 10. Subsequently, individual plans for improvement are agreed upon with vendors. These activities are managed and monitored by the Bank through an ad hoc web portal developed by the specialised company, Ecovadis.



Since the start of the project:

- 200 companies were analysed: the average rating as at 30/6/2011 was of 4.7, slightly lower than the figure at the end of 2010 (4.9).
- 56 improvement plans were set out for a total of 636 corrective actions.

- The project "Fax Service" was completed with the discontinuance of all fax machines deemed unnecessary.

- **The catalogue of eco-sustainable products was further enriched** and put at the disposal of the various offices for purchase selection. Indeed, items of eco-sustainable stationary, paper, forms and IT consumables grew to 209 (vs. 199 at the end of 2010). More specifically, there was a sharp rise in the use of recycled paper which now accounts for 17% of the total and, on a more general level, in eco-friendly paper which came to 93% of all paper used for internal purposes.

A significant reduction in electricity consumption was achieved (falling below the threshold of 1 million kWh, -5.7% versus the first half of 2010), only partially offset by the increased use of methane gas.

Overall, however, this led to a slight increase in direct CO2e emissions (Scopes 1 and 2 of international standards).). Improvements are expected in the second half of the year, partly the result of the increasing importance being attached to mobility management.

The sustainable procurement policy has, on the other hand, produced positive results, including for instance a marked reduction in paper consumption). Moreover, in overall terms, the share of "green" purchases out of the total expenditure for products and services increased by one percentage point on the first half of 2010, rising to 4.1%.

The above-cited performance parameters have long been part of cost management evaluations. On the other hand, methods are being studied to assess their indirect economic impact on society.

Developing our offer of green finance products

Main initiatives in the first half of the year included:

- Although the semester was characterised by a period of regulatory ambiguity attached to the launch of the government's new incentive scheme (the Fourth Energy Bill), the Group confirmed and further **consolidated its footprint in the renewable energy market**, financing the construction of 4,311 plants for a total value of EUR 619 mln. Of particular importance is the transaction that Mps Capital Services led in the photovoltaic industry: it was the largest transaction of its kind in Italy with 62 plants in various regions, for a total installed capacity of 147MWp.
- An agreement was signed with EIB (European Investment Bank) to finance - under favourable terms - the creation of medium and small-sized plants for the production of renewable energy and optimise energy consumption in the production cycles. To this end, Mps Capital Services will subsequently be able to obtain and provide EUR 200 mln to its customers.

- Over EUR 9.7 mln was disbursed for approx. 200 actions as part of the offer, "Terramica", which is aimed at agricultural businesses interested in investing in eco-friendly processes and equipment.
- Two "green economy" investment products were placed, thereby supporting the promotion and development of this sector: 1) the fund "Prima Protetto Energia Pulita", which invests in the "S&P Global Clean Energy" index, made up of 30 leading companies that operate in the renewable energy business; 2) the "Credit Suisse Green Economy" bond, which guarantees full repayment of the investment at maturity, with a possible increase linked to the average performance achieved by a portfolio of 5 stocks in the renewable energy sector.

A YoY increase of 51.7% was registered on the level of lending aimed at environmental investments and operations (renewable energy, energy efficiency, green construction, etc.). In this way, the Group confirms and consolidates its market leadership in Italy, with the environmental business accounting for 3-4% of total lending to customers and promising returns in terms of corporate image.

Events after 30 June 2011

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

- On **15 July 2011** the results of the "2011 EU-wide Stress Tests" were disclosed, which were conducted by 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, assesses the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions.
  The assumptions and methodology were established to assess banks' capital adequacy against a 5% Core Tier 1 capital benchmark and are intended to restore confidence in the resilience of the banks tested. The adverse stress test scenario was set by the ECB and covers a two-year time horizon (2011-2012). The stress test has been carried out using a static balance sheet assumption as at December 2010. The stress test does not take into account future business strategies and management actions and is not a forecast of Banca Monte dei Paschi di Siena profits.
  As a result of the assumed shock, the estimated consolidated Core Tier 1 capital ratio of Banca Monte dei Paschi di Siena would increase to 6.3% under the adverse scenario in 2012 compared to 5.8% as of end of 2010. This result incorporates the effects of the measures announced and fully committed up to 30 April 2011 and does not take into account future mitigating actions planned by Banca Monte dei Paschi di Siena.
  Taking account of the "other measures" recognised by the Supervisory Authority as instruments that are already in place and can ensure full "loss-absorption", Banca Monte dei Paschi di Siena's capital ratio under stress conditions comes to 8.8% if shares underlying the 2008 FRESH notes (approx. 85bps) and contribution from the Tremonti bonds (168 bps) are factored in. Net of the latter input, if short-term repayment was assumed and benefits expected from the real estate value creation deal (approx. 40 bps) were factored in, the ratio would come to 7.6%.
  Following completion of the EU-wide stress test, the results determine 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 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.

Outlook on operations

The slowdown in world economic growth recorded in the first half of the year and the recent tensions over sovereign debt resulting in a large-scale crisis severely affecting the performance of global financial markets and the activities of the banking system, confirm a macroeconomic scenario that continues to be particularly complex and uncertain as regards 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 the consolidated annual 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.

MONTEPASCHI GROUP

RECONCILIATION BETWEEN RECLASSIFIED ACCOUNTS AND ACCOUNTING TABLES

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 June 2011 and related accounting tables

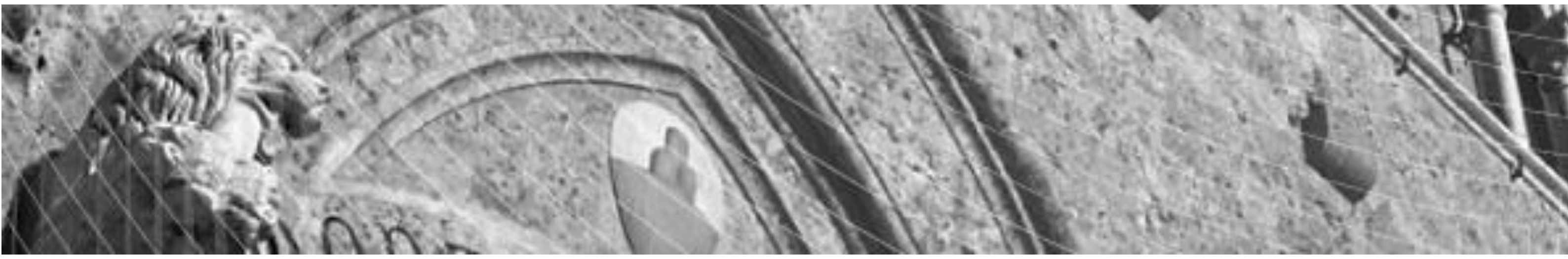
	Accounts in the Profit and Loss Statement - Montepaschi Group	30/06/2011 Accounting	Reclassification for impairment of Greek Government bond classified as L&R	ECONOMIC EFFECTS FROM ALLOCATION OF BAV ACQUISITION COSTS TO BMPS	ECONOMIC EFFECTS FROM ALLOCATION OF BAV ACQUISITION COSTS	ECONOMIC EFFECTS FROM ALLOCATION OF BAV ACQUISITION COSTS TO MPS IMMOBILIARE (PPA EX BAV REAL ESTATE)	ECONOMIC EFFECTS FROM ALLOCATION OF BIVERBANCA ACQUISITION COSTS	DIVIDENDS ON TRADING OF SECURITIES	PORTION OF PROFIT FROM EQUITY INVESTMENTS	COSTS RELATING TO FINANCIAL PLANS	RECOVERY OF STAMP DUTY AND CUSTOMERS' EXPENSES	30/06/2011 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest and similar income	3.492,6		27,8	8,9		2,8						
20	Interest and similar expense	-1.836,2					0,5						
30	**Net interest income**	**1.656,4**		**27,8**	**8,9**		**3,3**					1.696,4	Net interest income
40	Commission income	1.049,3											
50	Commission expense	-117,3											
60	**Net commission income**	**932,0**										932,0	Net commission income
												2.628,4	**Income from banking activities**
70	Dividends and similar income	90,6						-87,3	44,2			47,4	Dividends and similar income
80	Net profit (loss) from trading	22,3						87,3					
100	Profit (loss) on disposal of	136,6											
	a) loans	*22,7*											
	b) financial assets available for sale	*38,9*											
	c) held to maturity investments												
	d) financial liabilities	*75,1*											
110	Net profit (loss) from financial assets and liabilities designated at fair value	-23,9											
												222,4	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	-0,2										-0,2	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2.813,8**		**27,8**	**8,9**		**3,3**		**44,2**			**2.898,0**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-595,1**					0,4			1,1		-593,6	Net adjustments for impairment of
	a) loans	*-577,8*	7,4							1,1		-569,4	a) loans
	b) financial assets available for sale	*-16,0*	-7,4				0,4						
	c) held to maturity investments												
	d) other financial operations	*-1,2*											
												-24,2	b) financial assets
140	**Net income from banking activities**	**2.218,7**		**27,8**	**8,9**		**3,7**		**44,2**	**1,1**			
150	Net premiums												
160	Other income/expenses (net) from insurance activities												
170	**Net income from financial and insurance activities**	**2.218,7**		**27,8**	**8,9**		**3,7**		**44,2**	**1,1**		**2.304,4**	**Net income from financial and insurance activities**
180	Administrative expenses	-1.773,2									161,1	-1.612,2	Administrative expenses
	a) Personnel expenses	-1.061,6										-1.061,6	a) Personnel expenses
	b) Other administrative expenses	-711,6									161,1	-550,5	b) Other administrative expenses
200	Net adjustments on property and equipment	-36,0				1,8	0,5						
210	Net adjustments on intangible assets	-85,4		20,6	14,1		3,7						
												-80,7	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-1.840,8**		**20,6**	**14,1**	**1,8**	**4,2**			**-1,1**		**-1.692,9**	**Operating expenses**
												611,6	**Net operating income**
190	Net provisions for risks and charges	-60,3											
220	Other operating income/expenses	114,2								-1,1	-161,1		
												-108,3	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	37,2							-44,2			-7,0	Gains (losses) on equity investments
250	Net result of the tangible and intangible assets carried at fair value												Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill												Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	0,4										0,4	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**415,5**		**48,4**	**23,0**	**1,8**	**7,9**					**496,7**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	-162,3		-15,6	-7,4	-0,6	-1,5					-187,4	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**253,2**		**32,8**	**15,6**	**1,3**	**6,4**					**309,3**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	10,9										10,9	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**264,1**		**32,8**	**15,6**	**1,3**	**6,4**					**320,1**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	-2,7										-2,7	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**261,4**		**32,8**	**15,6**	**1,3**	**6,4**					**317,4**	**Net profit for the year before PPA**
				-32,8	**-15,6**	**-1,3**	**-6,4**					-56,1	Net economic repercussions of the "purchase price allocation"
												261,4	**Net Profit for the year**

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 June 2010 and related accounting tables

	Accounts in the Profit and Loss Statement - Montepaschi Group	30/06/2010 Accounting	Branch disposal effects (22 branches to CARIGE and 50 to Intesa-SanPaolo Group)	ESTIMATED DISPOSAL OF INVESTMENT IN MP MONACO SAM	ESTIMATED DISPOSAL OF INVESTMENT IN MPS VENTURE SPA	DIVIDENDS ON TRADING OF SECURITIES	ECONOMIC EFFECTS FROM ALLOCATION OF BAV ACQUISITION COSTS TO BMPS	ECONOMIC EFFECTS FROM ALLOCATION OF BAV ACQUISITION COSTS	ECONOMIC EFFECTS FROM ALLOCATION OF BIVERBANCA ACQUISITION COSTS	ECONOMIC EFFECTS FROM ALLOCATION OF BAV ACQUISITION COSTS TO MPS IMMOBILIARE (PPA EX BAV REAL ESTATE)	PORTION OF PROFIT FROM EQUITY INVESTMENTS	Reclassification of integration costs	LOSS ON DISPOSAL OF LOANS	Reclassification of write downs of Junior exposures	COSTS RELATING TO FINANCIAL PLANS	RECOVERY OF STAMP DUTY AND CUSTOMERS' EXPENSES	30/06/2010 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest and similar income	3.167,9	-26,0	-0,8			26,5	14,0	3,3									
20	Interest and similar expense	-1.401,6		0,5					0,6									
30	**Net interest income**	**1.766,2**	**-26,0**	**-0,3**			**26,5**	**14,0**	**3,9**								1.784,3	Net interest income
40	Commission income	1.105,8	-17,6	-3,2	-2,6													
50	Commission expense	-119,3		0,2	0,0													
60	**Net commission income**	**986,6**	**-17,6**	**-3,0**	**-2,6**												963,4	Net commission income
																	2.747,7	**Income from banking activities**
70	Dividends and similar income	261,4			-3,5	-251,2					23,4						30,1	Dividends and similar income
80	Net profit (loss) from trading	-296,4	-0,1	0,1		251,2												
100	Profit (loss) on disposal of	27,6		-0,2									8,9					
	a) loans	*5,0*											8,9					
	b) financial assets available for sale	33,2		-0,2														
	c) held to maturity investments																	
	d) financial liabilities	-10,6																
110	Net profit (loss) from financial assets and liabilities designated at fair value	-24,8																
																	-33,7	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	12,9															12,9	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2.733,5**	**-43,7**	**-3,3**	**-6,1**		**26,5**	**14,0**	**3,9**		**23,4**		**8,9**				**2.757,1**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-618,5**		**0,0**									**-8,9**	**15,0**	**3,3**		-609,0	Net adjustments for impairment of
	a) loans	-599,4		0,0									-8,9	15,0	3,3		-590,0	a) loans
	b) financial assets available for sale	*-17,7*																
	c) held to maturity investments																	
	d) other financial operations	-1,3																
																	-19,0	b) financial assets
140	**Net income from banking activities**	**2.115,1**	**-43,7**	**-3,3**	**-6,1**		**26,5**	**14,0**	**3,9**		**23,4**			**15,0**	**3,3**			
150	Net premiums																	
160	Other income/expenses (net) from insurance activities																	
170	**Net income from financial and insurance activities**	**2.115,1**	**-43,7**	**-3,3**	**-6,1**		**26,5**	**14,0**	**3,9**		**23,4**			**15,0**	**3,3**		**2.148,1**	**Net income from financial and insurance activities**
180	Administrative expenses	-1.776,3	21,9	3,4	0,9							2,7				165,5	-1.581,9	Administrative expenses
	a) Personnel expenses	-1.092,6	13,5	1,9	0,4												-1.076,8	a) Personnel expenses
	b) Other administrative expenses	-683,7	8,4	1,5	0,5							2,7				165,5	-505,2	b) Other administrative expenses
200	Net adjustments on property and equipment	-49,7		0,0	0,0				0,5	0,2								
210	Net adjustments on intangible assets	-72,1		0,2	0,0		20,8	14,3	3,7									
																	-82,1	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-1.847,9**	**21,9**	**3,6**	**0,8**		**20,8**	**14,3**	**4,2**	**0,2**				**-15,0**	**-3,3**		**-1.664,0**	**Operating expenses**
																	484,0	**Net operating income**
190	Net provisions for risks and charges	-81,2		0,0										-15,0				
220	Other operating income/expenses	131,4		0,0	-0,1										-3,3	-165,5		
																	-133,7	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	4,0									-23,4						-19,5	Gains (losses) on equity investments
												-2,7					-2,7	Integration costs
			21,8														21,8	P&L figures for branches sold
250	Net result of the tangible and intangible assets carried at fair value																	Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill																	Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	184,2															184,2	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**455,3**		**0,3**	**-5,3**		**47,2**	**28,4**	**8,1**	**0,2**							**534,2**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	-193,8			1,4		-15,1	-8,9	-2,6								-219,0	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**261,5**		**0,3**	**-3,9**		**32,1**	**19,5**	**5,5**	**0,2**							**315,2**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	-1,3		-0,3	3,9												2,3	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**260,2**					**32,1**	**19,5**	**5,5**	**0,2**							**317,5**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	0,9															0,9	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**261,2**					**32,1**	**19,5**	**5,5**	**0,2**							**318,4**	**Net profit for the year before PPA**
							-32,1	**-19,5**	**-5,5**	**-0,2**							-57,2	Net economic repercussions of the "purchase price allocation"
																	261,2	**Net Profit for the year**

Balance-sheet accounts - Assets	30/06/11	31/12/10	Reclassified balance-sheet accounts - Assets
	979	**2.411**	**Cash and cash equivalents**
Account 10 – Cash and cash equivalents	979	2.411	
			Loans and receivables
	157.275	**156.238**	**a) Loans and advances to customers**
Account 70 – Loans and advances to customers	157.275	156.238	
	10.793	**9.710**	**b) Loans and advances to banks**
Account 60 – Loans and advances to banks	10.793	9.710	
	55.773	**55.973**	**Held to maturity investments**
Account 20 – Financial assets held for trading	30.798	33.924	
Account 30 – Financial assets designated at fair value	40	247	
Account 40 – Financial assets available for sale	24.935	21.802	
	0	**0**	**Financial assets held to maturity**
Account 50 – Held to maturity investments	0	0	
	916	**908**	**Investments**
Account 100 – Equity investments	916	908	
	-	-	**Reinsurers' technical reserves**
Account 110 – Reinsurers's technical reserves	-	-	
	8.936	**8.959**	**Tangible and intangible fixed assets**
Account 120 – Property and equipment	1.394	1.407	
Account 130 – Intangible assets	7.542	7.552	
	9.220	**10.081**	**Other assets**
Account 80 – Hedging Derivatives	264	313	
Account 90 – Change in value of macro-hedged financial assets (+/-)	15	18	
Account 140 – Fiscal assets	4.727	4.784	
Account 150 – Non-current assets and discontinued operations	97	162	
Account 160 – Other assets	4.117	4.805	
Total Assets	**243.892**	**244.279**	**Total Assets**

Balance-sheet accounts - Liabilities	30/06/11	31/12/10	Reclassified balance-sheet accounts - Liabilities
			Deposits
	166.493	**158.486**	**a) Customers accounts and securities**
Account 20 – Customer accounts	101.078	97.770	
Account 30 – Securities issued	41.792	35.247	
Account 50 – Financial liabilities designated at fair value	23.623	25.469	
	23.219	**28.334**	**b) Deposits from banks**
Account 10 – Deposits from banks	23.219	28.334	
	26.985	**30.383**	**Financial liabilities held for trading**
Account 40 – Financial liabilities held for trading	26.985	30.383	
			Provisions for specific use
Account 110 – Provision for employee severance pay	287	287	
Account 120 - Provisions for risks and changes - a) pension and similar obligations	199	436	
Account 120 - Provisions for risks and changes - b) other provisions	898	882	
	8.567	**8.043**	**Other liabilities**
Account 60 – Hedging Derivatives	1.756	1.737	
Account 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Account 80 – Tax liabilities	245	234	
Account 90 – Liabilities associated to disposal groups held for sale	2	213	
Account 100 – Othe liabilities	6.564	5.860	
			Insurance reserves
Account 130 – Insurance Reserves			
	16.979	**17.156**	**Group portion of shareholders' equity**
Account 140 – Valuation reserves	-193	-146	a) Valuation reserves
Account 150 – Redeemable shares	-	-	b) Redeemable shares
Account 160 – Equity instruments	1.933	1.949	c) Capital instruments
Account 170 – Reserves	6.558	5.900	d) Reserves
Account 180 – Share premium reserve	3.938	3.990	e) Share premium reserves
Account 190 – Share Capital	4.502	4.502	f) Share capital
Account 200 – Treasury shares (-)	-21	-25	g) Treasury shares (-)
Account 220 – Profit (loss) for the year (+/-)	261	985	h) Profit (loss) for the year
	265	**270**	**Minority interests in shareholders' equity**
Account 210 – Minority interests (+/-)	265	270	
Total liabilities and shareholders' equity	**243.892**	**244.279**	**Total liabilities and shareholders' equity**



HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENT

Consolidated Balance Sheet

(in units of EUR)

		30 06 2011	31 12 2010
10	Cash and cash equivalents	978.615.050	2.411.030.871
20	Financial assets held for trading	30.797.913.408	33.924.199.884
30	Financial assets designated at fair value	39.538.884	247.143.224
40	Financial assets available for sale	24.935.400.923	21.801.514.587
50	Financial assets held to maturity	2.811	3.145
60	Loans and advances to banks	10.793.352.442	9.709.879.900
70	Loans and advances to customers	157.275.113.293	156.237.581.051
80	Hedging derivatives	263.998.063	313.412.270
90	Change in value of macro-hedged financial assets (+/-)	14.941.530	17.655.459
100	Equity investments	915.945.754	907.528.633
120	Tangible assets	1.393.553.245	1.407.077.388
130	Intangible assets	7.542.267.420	7.551.613.476
	of which: goodwill	6.473.778.893	*6.473.778.893*
140	Tax assets	4.726.839.958	4.783.787.667
	a) current	*639.440.800*	*669.908.700*
	b) deferred	*4.087.399.158*	*4.113.878.967*
150	Non-current assets and groups of assets held for sale	97.219.647	161.772.082
160	Other assets	4.117.318.797	4.804.736.576
	Total Assets	**243.892.021.225**	**244.278.936.213**

follows: Consolidated Balance Sheet

(in units of EUR)

	Liabilities and Shareholders' Equity	30 06 2011	31 12 2010
10	Deposits from banks	23.218.876.667	28.334.436.031
20	Customer accounts	101.078.305.358	97.769.565.012
30	Debt securities in issue	41.791.745.481	35.246.717.364
40	Held-for-trading financial liabilities	26.984.976.919	30.383.499.655
50	Financial liabilities designated at fair value through profit and loss	23.622.986.989	25.469.490.484
60	Hedging derivatives	1.756.330.457	1.736.529.777
80	Tax liabilities	245.119.393	233.879.224
	a) current	*139.178.494*	*128.725.497*
	b) deferred	*105.940.899*	*105.153.727*
90	Liabilities associated with individual assets held for sale	1.985.714	213.399.701
100	Other liabilities	6.563.944.522	5.859.531.209
110	Provision for employee severance pay	287.029.749	287.475.591
120	Provisions for risks and charges:	1.096.974.192	1.318.361.942
	a) pension fund and similar obligations	*198.913.953*	*435.918.857*
	b) other provisions	*898.060.239*	*882.443.085*
140	Valuation reserves	(192.890.285)	(146.164.752)
160	Equity instruments	1.933.402.426	1.949.365.486
170	Reserves	6.558.107.492	5.900.424.511
180	Share premium account	3.937.601.393	3.989.501.914
190	Share capital	4.502.410.157	4.502.410.157
200	Treasury shares (-)	(21.070.222)	(24.612.663)
210	Minority interests (+/-)	264.806.481	269.628.250
220	Profit (loss) for the period (+/-)	261.378.342	985.497.320
	Total Liabilities and Shareholders' Equity	**243.892.021.225**	**244.278.936.213**

Consolidated Income Statement

(in units of EUR)

		30 06 2011	30 06 2010
10	Interest income and similar revenues	3.492.627.515	3.167.867.171
20	Interest expense and similar charges	(1.836.238.417)	(1.401.642.796)
30	**Net interest income**	**1.656.389.098**	**1.766.224.375**
40	Fee and commission income	1.049.313.022	1.105.844.279
50	Fee and commission expense	(117.330.116)	(119.257.159)
60	**Net commissions**	**931.982.906**	**986.587.120**
70	Dividends and similar income	90.555.387	261.447.371
80	Net profit (loss) from trading	22.301.455	(296.430.872)
90	Net profit (loss) from hedging	(243.215)	12.942.632
100	Gain/losses on disposal/repurchase of:	136.649.595	27.585.772
	a) loans and receivables	*22.710.259*	*5.008.466*
	b) financial assets available for sale	*38.863.950*	*33.210.751*
	d) financial liabilities	*75.075.386*	*(10.633.445)*
110	Net profit (loss) from financial assets and liabilities designated at fair value through profit and loss	(23.874.883)	(24.820.930)
120	**Net interest and other banking income**	**2.813.760.343**	**2.733.535.468**
130	Net impairment losses/reversal on:	(595.102.042)	(618.476.249)
	a) loans and receivables	*(577.828.847)*	*(599.439.422)*
	b) financial assets available for sale	*(16.046.591)*	*(17.693.203)*
	d) other financial transactions	*(1.226.604)*	*(1.343.624)*
140	**Net income from banking activities**	**2.218.658.301**	**2.115.059.219**
180	Administrative expenses:	(1.773.241.574)	(1.776.286.356)
	a) personnel expenses	*(1.061.648.119)*	*(1.092.150.079)*
	b) other administrative expenses	*(711.593.455)*	*(684.136.277)*
190	Net provisions for risks and charges	(60.322.643)	(81.191.172)
200	Net value adjustments/write-backs on property, plant and equipment	(35.971.992)	(49.706.240)
210	Net value adjustments/write-backs on intangible assets	(85.405.268)	(72.133.235)
220	Other operating income/expenses	114.156.307	131.398.804
230	**Operating expenses**	**(1.840.785.170)**	**(1.847.918.199)**
240	Gains (losses) on equity investments	37.224.422	3.979.995
270	Gain (losses) on disposal of investments	426.367	184.203.776
280	**Profit (loss) before tax from continuing operations**	**415.523.920**	**455.324.791**
290	Taxes expense (income) on profit (loss) from continuing operations	(162.334.077)	(193.781.322)
300	**Profit (loss) after tax from continuing operations**	**253.189.843**	**261.543.469**
310	Profit (loss) after tax from groups of assets held for sale	10.874.234	(1.322.727)
320	**Profit (loss) for the period**	**264.064.077**	**260.220.742**
330	Profit (loss) for the period attributable to minority interests	2.685.735	(931.153)
340	**Parent company's net profit (loss) for the period**	**261.378.342**	**261.151.895**
		30/06/11	**30/06/10**
	Basic Earnings per Share (Basic EPS)	**0,028**	**0,026**
	of continuing operations	0,027	0,027
	of groups of assets held for sale	0,001	- 0,001
	Diluted Earnings per Share (Diluted EPS)	**0,028**	**0,026**
	of continuing operations	0,027	0,027
	of groups of assets held for sale	0,001	- 0,001

The automatic conversion of 450 million preferred shares into a corresponding number of ordinary shares, following sale by the shareholder, Monte dei Paschi di Siena Foundation, to an institutional investor has not produced any substantial changes in EPS determination. Having the sale been completed at the beginning of June 2011, it did in fact only marginally influence the weighted average of ordinary shares.

Consolidated Statement of Comprehensive Income

(in units of EUR)

	Items	30 06 2011	30 06 2010
10	**Profit (loss) for the period**	**264.064.077**	**260.220.742**
	Other comprehensive income, net of tax		
20	Financial assets available for sale	(62.705.125)	(885.542.511)
60	Cash flow hedges	35.907.278	(64.797.296)
70	Exchange differences	(3.044.799)	6.681.498
80	Non-current assets held for sale	(180.022)	-
100	Share of valuation reserves of equity investments valued at equity	(17.724.343)	3.523.282
110	**Total other comprehensive income, net of tax**	**(47.747.011)**	**(940.135.027)**
120	**Total comprehensive income (Account 10 + 110)**	**216.317.066**	**(679.914.285)**
130	Consolidated comprehensive income attributable to minority interests	1.664.231	(1.873.741)
140	**Consolidated comprehensive income attributable to Parent Company**	**214.652.835**	**(678.040.544)**

Statement of Changes in Consolidated Shareholders' Equity

(In unità di euro)

	Balances as at 31/12/2010	Changes in opening balances	Balances as at 01/01/2011	Allocation of profit from prior year		Changes during the period								Group Equity for 30/06/2011	Minority Interests 30/06/2011
						Changes in reserves	Shareholders' equity transaction						Total Comprehensive Income for 30/06/2011		
				Reserves	Dividends and other distributions		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options			
Share capital:	4.553.214.457	-	4.553.214.457	-		-	77.599	-	-	-	-	-	-	4.502.410.157	50.881.899
a) ordinary shares	3.782.216.113	-	3.782.216.113	-		-	301.577.599	-	-	-	-	-	-	4.032.911.813	50.881.899
b) other shares	770.998.344	-	770.998.344	-		-	(301.500.000)	-	-	-	-	-	-	469.498.344	-
Share premium account	4.002.908.117	-	4.002.908.117	-		(51.172.500)	(728.021)		-	-	-	-	-	3.937.601.393	13.406.203
Reserves:	5.976.447.289	-	5.976.447.289	812.655.382		(160.049.967)	-	-	-	-	-	-	-	6.558.107.492	70.945.212
a) from profits	6.081.332.289	-	6.081.332.289	812.655.382	-	(161.833.362)	-	-	-	-	-	-	-	6.661.209.097	70.945.212
b) other	(104.885.000)	-	(104.885.000)	-	-	1.783.395	-	-	-	-	-	-	-	(103.101.605)	-
Valuation reserves	(18.255.253)	-	(18.255.253)	-	-	(589)	-	-	-	-	-	-	(47.747.011)	(192.890.285)	126.887.432
Equity instruments	1.949.365.486	-	1.949.365.486	-	-	-	-	-	-	(15.963.060)	-	-	-	1.933.402.426	-
Treasury shares	(24.612.663)	-	(24.612.663)	-	-	-	4.924.659	(1.382.218)	-	-	-	-	-	(21.070.222)	-
Net profit (loss) for the period	986.982.790	-	986.982.790	(812.655.382)	(174.327.408)	-	-	-	-	-	-	-	264.064.077	261.378.342	2.685.735
Group equity	17.156.421.972	-	17.156.421.972	-	(167.763.782)	(211.223.082)	4.196.638	(1.382.218)	-	(15.963.060)	-	-	214.652.835	16.978.939.303	X
Minority interests	269.628.250	-	269.628.250	-	(6.563.626)	26	77.599	-	-	-	-	-	1.664.231	X	264.806.481

As at 30 June 2011, the Group's shareholders' equity including minority interests and profit for the period came to EUR 17,243.7 mln, as compared to EUR 17,426 mln. as at 31 December 2010.

Profit for the period amounted to EUR 264.1 mln, of which 261.4 mln for the Group and 2.7 mln in minority interests.

Group's profit for 2010, totalling EUR 987 mln, of which EUR 985.5 mln for the Group and EUR 1.5 mln for minorities, was distributed for an amount of EUR 167.8 mln, as per profit distribution approved by the Shareholders' Meeting on 29 April 2011.

The increase in "ordinary shares" and corresponding decrease in "other shares" by EUR 301.5 mln reported in the coulmn "Issue of new shares" is attributable to the sale of 450 million preferred shares by the shareholder, Monte dei Paschi di Siena Foundation, to an institutional investor at the beginning of June 2011. This resulted in the automatic conversion of the preferred shares into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares".

The overall change in reserves, amounting to EUR 652.6 mln is primarily accounted for by profit transferred to capital as at 31.12.2010 (EUR 812.6) mln, after payment of the "Tremonti – Bond" coupon (EUR 161.5 mln). Revenue reserves include EUR 21.1 mln in restricted reserves for an amount equal to the total of treasury shares.

The annual fee paid to J.P. Morgan on account of the acquisition by the Parent Bank BMPS of the right of usufruct of the ordinary shares subscribed by J.P. following the increase in shareholders' equity in 2008 is included under "Share premium" in the column "Changes in reserves".

Negative changes in equity instruments, totalling EUR 16.0 mln, are the consequence of the tender offer launched by Mediobanca, on behalf of the issuer, for the purchase of 2003 F.R.E.S.H. notes issued by the subsidiary Mps Capital Trust LLC II and convertible into Bmps ordinary shares. This decrease is offset by the increase in "Reserves b) other" for an equal amount; this item was further reduced by EUR 13.3 mln due to the allocation of the amount paid for the repurchase of the notes (see notes to item 100 of the Income Statement) in addition to a tax effect of EUR 0.9 mln.

Treasury shares saw a reduction by EUR 3.5 mln; profit/loss from trading (-EUR 0.7 mln) is included in the share premium.

Valuation reserves register an overall negative change amounting to EUR 47.7 mln, of which a negative change of EUR 80.4 mln in valuation reserves of assets “available for sale” , a positive change of EUR 35.9 mln in valuation reserves for “cashflow hedges”, a negative change of EUR 3.2 mln in “other” valuation reserves primarily accounted for by foreign exchange differences.

Net equity attributable to minority interests was down by EUR 4.8 mln, primarily as a result of dividend payout (-EUR 6.5 mln) and comprehensive profit for the period (+EUR 1.7 mln).

(In units of EUR)

	Balances as at 31/12/2009	Changes in opening balances	Balances as at 01/01/2010	Allocation of profit from prior year		Changes during the period								Group equity 30/06/2010	Minority interests 30/06/2010
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Total comprehensive income at 30/06/2010		
Share capital:	4.553.774.084	-	4.553.774.084	-	-	(1.644.615)	-	-	-	-	-	-	-	4.502.410.157	49.718.512
a) ordinary shares	3.792.775.740	-	3.792.775.740	-	-	(1.644.615)	-	-	-	-	-	-	-	3.731.411.613	49.718.312
b) other shares	770.998.344	-	770.998.344	-	-	-	-	-	-	-	-	-	-	770.998.344	-
Share premium account	4.048.670.690	-	4.048.670.690	-	-	(52.078.601)	(605.014)	-	-	-	-	-	-	3.995.643.205	342.670
Reserves:	5.652.768.665	-	5.652.768.665	215.030.376	-	(80.853.218)	-	-	-	-	-	-	-	6.500.895.364	69.475.464
a) from profits	5.357.653.665	-	5.357.653.665	215.030.376	-	(80.853.218)	-	-	-	-	-	-	-	6.605.890.364	69.475.464
b) other	(104.985.000)	-	(104.985.000)	-	-	-	-	-	-	-	-	-	-	(104.985.000)	-
Valuation reserves	858.895.400	-	858.895.400	-	-	1.054	-	-	-	-	-	-	(940.135.027)	(219.605.341)	137.366.656
Equity instruments	1.843.365.496	-	1.843.365.496	-	-	-	-	-	-	-	-	-	-	1.843.365.496	-
Treasury shares	(32.078.361)	-	(32.078.361)	-	-	-	6.082.363	(22.755.214)	-	-	-	-	-	(48.751.612)	-
Net profit (loss) for the period	224.614.665	-	224.614.665	(215.030.376)	(9.584.309)	-	-	-	-	-	-	-	260.220.742	(301.216.210)	(331.153)
Group equity	17.174.748.066	-	17.174.748.066	-	(1.808.643)	(133.011.753)	5.452.114	(22.755.214)	-	-	-	-	(679.040.544)	16.170.626.909	X
Minority interests	261.261.541	-	261.261.541	-	(7.775.666)	(1.664.026)	25.655	-	-	-	-	-	(1.673.741)	X	259.973.161

.As at 30 June 2010, the Group's net equity including profit for the year came to EUR 16,614,6 mln, as compared to EUR 17,456 mln. at the end of 2009.

Profit for 2009, totalling EUR 224.6 mln. of which 220.1 mln. for the Group and EUR 4.5 mln. for minority shareholders, was distributed for an amount of EUR 9.6 mln, of which EUR 0.2 mln. by the Parent Company, as per profit distribution approved by the Shareholders' Meeting on 27 April 2010 and EUR 1.6 mln. in donations and liberalities by one of the subsidiaries and EUR 7.8 mln. distributed as dividends by the companies of the Group to minorities.

The positive change in reserves relating to reserves comes to EUR 134.1 mln. EUR 215 mln. is accounted for by capitalised profit for 2009 and EUR 80.9 mln. by payment of the coupon related to the "Tremonti – Bonds". Profit reserves, totalling EUR 6,008.3 mln, include EUR 48.8 mln in available reserves equal to the total of existing treasury shares as at 30 June 2010.

Treasury shares rose by EUR 16.7 mln. Profit/loss from trading in treasury shares is included in the share premium which, in the "Changes in reserves" column, also incorporates the yearly fee paid to JPMorgan on account of the dividend entitlement acquired on the ordinary shares subscribed by JP Morgan following the increase in shareholders' equity in 2008.

A negative change is registered in valuation reserves for an amount of EUR 940.1 mln, of which EUR 881 mln relating to the valuation reserves "financial assets available for sale", especially following the decline in creditworthiness of Italian government bonds.

Net equity attributable to minority interests was down by EUR 6.2 mln, mainly on the back of the distribution of ordinary dividends from Profit for 2009

Consolidated Statement of Cash Flows – Indirect Method

(in units of EUR)

A. OPERATING ACTIVITIES	30 06 2011	30 06 2010
1. Cash flow from operations	**1.271.750.334**	**1.000.224.421**
profit (loss) for the period (+/-)	264.064.077	260.220.742
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(62.695.592)	(76.594.672)
capital gains/losses on hedging transactions (+/-)	243.214	(12.942.632)
net value adjustments/write-backs due to impairment (+/-)	660.447.369	726.408.627
net value adjustments/write-backs on tangible and intangible assets (+/-)	121.377.260	121.839.475
net provisions for risks and charges and other costs/revenues (+/-)	79.990.815	86.285.655
net premiums to be collected	-	-
other insurance revenues/charges to be collected	-	-
tax not paid (+)	162.334.077	193.781.321
net value adjustments/write-backs on groups of assets held for sale, after tax (+/-)	1.367.037	-
other adjustments	44.622.077	(298.774.095)
2. Cash flow from (used in) financial assets	**(2.530.639.302)**	**(25.800.138.713)**
financial assets held for trading	3.074.209.248	(16.545.825.255)
financial assets designated at fair value	207.604.340	5.204.672
financial assets available for sale	(3.268.221.828)	(4.713.501.937)
sales/repayment of financial assets held to maturity	-	-
loans and advances to banks: on demand	(1.079.467.998)	(3.337.421.400)
loans and advances to banks: other	-	-
loans and advances to customers	(1.683.621.662)	(1.172.322.101)
hedging derivatives	-	-
other assets	218.858.598	(36.272.692)
3. Cash flow from (used in) financial liabilities	**289.820.995**	**24.210.014.264**
deposits from banks: on demand	(5.115.559.365)	5.835.288.703
deposits from banks: other	-	-
customer accounts	3.308.740.346	5.494.830.761
securities in issue	6.545.028.117	(5.125.708.766)
financial liabilities held for trading	(3.286.984.604)	13.736.087.984
financial liabilities designated at fair value	(1.843.268.807)	2.466.779.235
hedging derivatives	-	-
other liabilities	681.865.308	1.802.736.347
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**(969.067.973)**	**(589.900.028)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**33.692.871**	**376.257.071**
sales of equity investments	-	4.826
dividends collected on equity investments	13.785.120	12.294.553
sales/repayment of financial assets held to maturity	-	-
sales of tangible assets	976.339	33.957.692
sales of intangible assets	(598.588)	-
sales of subsidiaries and undertakings	19.530.000	330.000.000
2. Cash flow used in	**(98.344.422)**	**(69.357.375)**
purchase of equity investments	-	(3.160.187)
purchase of financial assets held to maturity	-	-
purchase of tangible assets	(22.191.574)	(1.051.521)
purchase of intangible assets	(76.152.848)	(65.145.667)
purchase of subsidiaries and undertakings	-	-
Net cash flow from (used in) investment activities	**(64.651.551)**	**306.899.696**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	3.542.441	(16.672.253)
issue/purchase of equity instruments	-	-
dividend distribution and other	(402.239.041)	(142.635.469)
issue of new shares	-	-
Net cash flow from (used in) funding activities	**(398.696.600)**	**(159.307.722)**

NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**(1.432.416.124)**	**(442.308.054)**

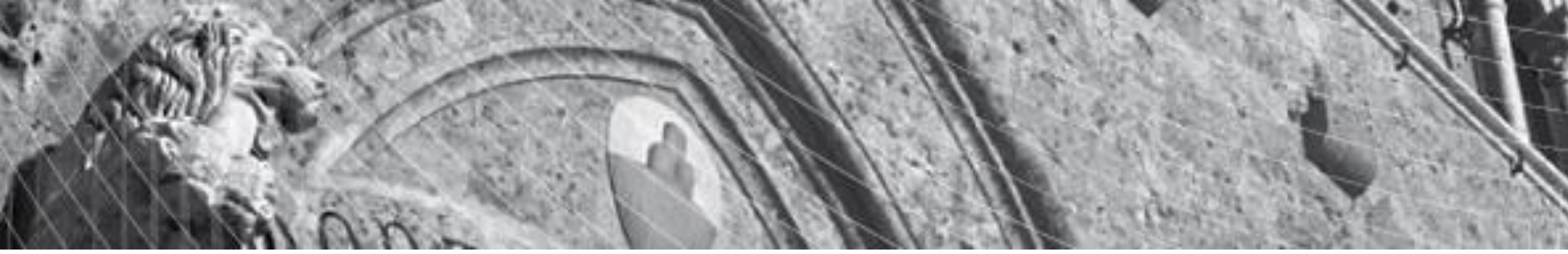
Reconciliation

(in units of EUR)

Accounts	30 06 2011	30 06 2010
Cash and cash equivalents at beginning of period	2.411.031.271	1.295.586.779
Net increase (decrease) in cash and cash equivalents	(1.432.416.124)	(442.308.054)
Cash and cash equivalents: foreign exchange effects	-	-
Cash and cash equivalents at end of period	978.615.147	853.278.725

"Cash and cash equivalents at beginning of period", amounting to EUR 2,411,031,271 includes account 10 of the balance sheet as at 31.12.2010 "Cash and cash equivalents" for an amount of EUR 2,411,030,871 and an additional EUR 400, included in line "Other assets" of item 150 of the balance sheet as at 31.12.2010 "Non-current assets held for sale and discontinued operations". "Cash and cash equivalents at end of period", amounting to EUR 978,615,146 includes account 10 of the balance sheet "Cash and cash equivalents" for an amount of EUR 978,615,050 and an additional EUR 96, included in line "Other assets" of item 150 of the balance sheet "Non-current assets held for sale and discontinued operations".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Part A – Accounting Policies

A.1 – General

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

In particular, the interim condensed consolidated financial report as at 30 June 2011 was prepared in compliance with IAS 34 "Interim Financial Reporting" and in relation with provisions implementing art. 9 of Legislative Decree no. 38/2005. The international 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 Condensed Consolidated Half-Year 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. The accounting principles are further integrated with the information below, which makes reference to the international IAS/IFRS standards and related SIC/IFRIC interpretations as endorsed by the European Commission until 30 June 2011, the application of which is mandatory as of this half-year 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; commitments are required to be included 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 endorsed 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 to 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 interests shall be fair valued on the date of acquisition, unless different valuation criteria are provided for by other IFRSs.

- **IFRS 3 – Business Combinations: Un-replaced and Voluntarily Replaced Share-Based Payment Awards.** The amendment clarifies that the provisions set out in IFRS 2 for share-based payments also apply to 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 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 restricted to financial assets whose carrying amount does not best 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 amendment has also removed the requirement for disclosure of the fair value of collateral held and other credit enhancements in respect of financial assets that are past due or impaired. In replacement of this disclosure, IFRS 7 now requires a description of the credit risk mitigation effects arising from collateral held and other credit enhancements.

- **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: 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 half-year report.

Comparative profit and loss data as at 30 June 2011 was restated further to clarifying instructions issued by the Bank of Italy with its communication of 16 February 2011.

Qualitative information on major changes in profit and loss, balance sheet and cash flow aggregates occurring during the fist half of the year is contained in the Half-Year Report on Operations.

This Condensed Consolidated Half-Year Report is intended to highlight major events and changes occurring after the date of the latest approved Annual Report, which the user is assumed to have access to.

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All IAS/IFRS International accounting standards and related SIC/IFRIC interpretations endorsed by the European Commission as at today, are mandatorily applicable as of this half-year report; no standards or interpretations endorsed as at today shall therefore allow for early adoption.

It is further noted that, after publication of the Annual Report as at 31 December 2010, IASB issued new and revised standards. These standards have not yet been endorsed by the European Commission and are therefore not applicable to this Condensed Consolidated Half-Year Report.

The new standards are:

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

The IASB revised the following existing standards:

- IAS 19 – Employee benefits;
- IAS 27 – Separate Financial Statements (the part of IAS 27 on Consolidated Financial Statements is now included in new IFRS 10);
- IAS 28 – Investments in associates and joint ventures (as compared to the current IAS 28, the revised version sets out the requirements for the application of the equity method to joint ventures, so far regulated by IAS 31, which has been eliminated);

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

Going concern

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

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Bank reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated half-year report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario does not give rise to any doubts with regard to the company's ability to continue operating as a going concern.

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

Risks and uncertainties relating to the use of estimates

In accordance with the IFRSs, management is required to formulate assessments, estimates and forecasts which may have an influence on the application of the accounting principles as well as on the amounts of assets and liabilities and costs and revenues recognised in the balance sheet. Estimates and related forecasts are based on past experience or other factors deemed reasonable at the time of preparing the financial results and were made to estimate the carrying value of assets and liabilities that cannot be easily inferred from other sources.

In particular, estimates were used in support of the book value recognised for the most significant items posted in the half-year condensed consolidated financial report as at 30 June 2011, in accordance with the afore-mentioned accounting principles and regulatory provisions. The production of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the present values entered in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

Goodwill, totalling EUR 6,474 mln as at 30 June 2011, was tested to determine whether impairment indicators existed pursuant to IAS36 that would make it necessary to recalculate the recoverable amount of the CGUs. The methodological criteria at the basis of these tests were the same as those used for the 2010 Annual Report, which is referenced to for further details. The impairment tests did not reveal any such critical factors that would impact significantly on the recoverable value of the various CGUs as determined in view of the impairment test of the 2010 Balance Sheet. The analyses included a verification of the impairment testing process using discount rates as at 30 June 2011 and updating the projections underlying the 2010 impairment test with subsequently approved data contained in the 2011-2015 Business Plan. The Business Plan data was set out in a logic of perfect continuity with analytical cash flow forecasts used for the impairment testing of the 2010 Balance Sheet. It is noted that market values, represented by stock quote and market cap, continue to be lower than net accounting equity. As was observed in the 2010 Annual Report, market value is distinguished by characteristics that make it differ from a fundamental appraisal practice such as use value. Therefore, a situation persists in which banking stocks in general are suffering ongoing macroeconomic uncertainty and fear over Italy's debt sustainability. In this environment, stock market prices cannot fully reflect the value of listed companies based on future growth opportunities and the ability to create sustainable value over the medium term. It should become established practice for the 2011 balance sheet impairment tests to factor in the macroeconomic scenario and financial market situation which are expected to consolidate in the next months.

Scope of consolidation

The half-year condensed consolidated financial report includes the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of 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., incorporated in April and wholly owned by the afore-mentioned subsidiary, were included in the scope of consolidation;
- the indirect subsidiary Monte Paschi Monaco S.A.M. was taken out of the scope of consolidation, as it was sold on 30 June 2011;
- as far as internal M&As are concerned, it is noted that the merger by absorption by and into MPS Leasing & Factoring of MPS Commerciale Leasing SpA was completed in May. Prior to this transaction, the company was already wholly controlled by MPS Leasing & Factoring.

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

Investments in Associates and Joint Ventures (proportionate consolidation)

30 06 2011

		Name	Registered Office	Type of relationship	Ownership Relationship		Available votes !%
					Held by	Shareholding %	
A		**Companies**					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena				
		A.1 Fully consolidated companies					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Firenze	1	A.0	99,918	99,919
					A.28	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	

		Name	Registered Office	Type of relationship	Ownership Relationship		Available votes !%
					Held by	Shareholding %	
A.19		MONTEPASCHI LUXEMBOURG S.A.	Lussemburgo	1	A.0	99,200	100,000
					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.2 Proportionately consolidated companies					
A.28		BANCA POPOLARE DI SPOLETO S.p.a.	Spoleto	7	A.0	26,005	
		book value at 26,005% of notional value					
A.29		INTEGRA S.p.a.	Firenze	7	A.8	50,000	
		book value at 50% of notional value					

(*) Type of relationship:
1 majority of voting rights at ordinary shareholders' meetings
2 dominant influence at ordinary shareholders' meetings
3 agreements with other shareholders
4 other forms of control
5 unified management under art. 26. 1. of 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 disposal groups of assets held for sale.

A.2 – Main Items of the Accounts

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

A.3 – Fair Value Disclosure

A.3.1 Portfolio Transfers

A.3.1.1 Reclassified Financial Assets: Book Value, Fair Value and Effect on Comprehensive Income

(in thousands of EUR)

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 30/06/2011 (4)	Fair value at 30/06/2011 (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	Loan and advances to customers	582.276	509.127	9.383	11.753	695	10.503
Debt Securities	Trading	Loan and advances to banks	111.530	108.033	2.719	927	101	3.064
Debt Securities	Available for sale	Loan and advances to banks	1.488.966	1.363.112	48.823	9.864	585	13.253
Debt Securities	Available for sale	Loan and advances to banks	406.801	403.581	4.252	4.589	90	5.366
Debt Securities	Trading	Available for sale	5.755	5.755	44	46	42	47
UCITS	Trading	Available for sale	358.435	358.435	12.190	942	12.190	1.621
Total			**2.953.763**	**2.748.043**	**77.411**	**28.121**	**13.703**	**33.854**

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 30.06.2011, 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 half of 2011 had they not been transferred in 2008.

Columns 8 and 9, on the other hand, contain the profit and loss results in terms of "value relevance" and other" (realised profit/loss and interest) which the Group actually posted for these instruments in the first half of 2011.

A.3.1.2 Reclassified Financial Assets: Effects on Comprehensive Income prior to Transfer

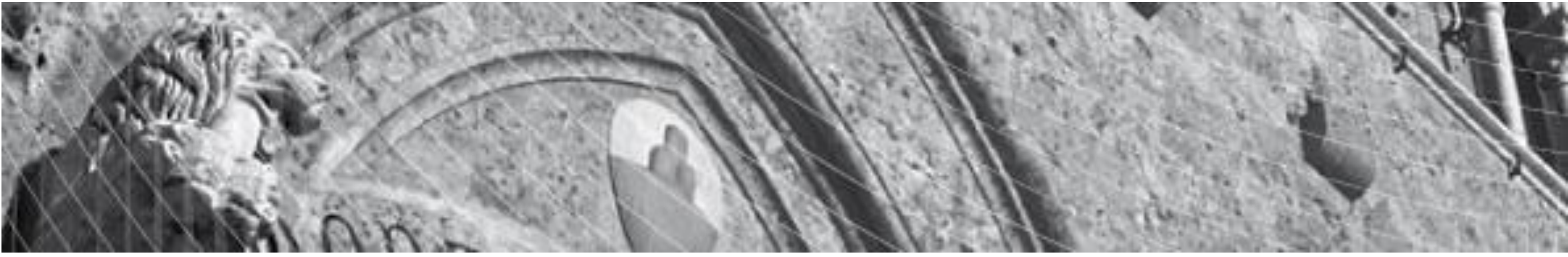
A.3.1.3 Transfer of Held-For-Trading Financial Assets

A.3.1.4 Effective Interest Rate and Expected Cash Flows from Reclassified Financial Assets

Tables A.3.1.2, A.3.1.3 and A.3.1.4 were left blank because no financial assets were reclassified during the year.

A.3.2 Fair Value Hierarchy

There were no transfers between levels of fair value measurements during the period.



Part B – Consolidated Balance Sheet

Assets

Liabilities

Section 2 - Held-For-Trading Financial Assets - Item 20

2.1 Held-For- Trading Financial Assets: Breakdown

(in thousands of EUR)

Items/Amounts	Total 30/06/2011				Total 31/12/2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A. Balance sheet assets								
1. Debt securities	7.025.646	995.392	294.450	8.315.488	7.656.436	826.871	313.181	8.796.488
2. Equity instruments	310.069	34	104	310.207	255.885	-	104	255.989
3. Units in UCITS	146.292	407.016	-	553.308	90.516	327.254	-	417.770
4. Loans	-	11.686.831	-	11.686.831	-	12.823.231	-	12.823.231
4.1 Repurchase agreements	-	9.096.998	-	9.096.998	-	8.896.057	-	8.896.057
4.2 Other	-	2.589.833	-	2.589.833	-	3.927.174	-	3.927.174
Total (A)	**7.482.007**	**13.089.273**	**294.554**	**20.865.834**	**8.002.837**	**13.977.356**	**313.285**	**22.293.478**
B. Derivatives								
1. Financial derivatives:	145.135	8.644.145	5.616	8.794.896	138.550	10.396.409	10.194	10.545.153
2. Credit derivatives:	-	1.137.183	-	1.137.183	-	1.085.549	20	1.085.569
Total (B)	**145.135**	**9.781.328**	**5.616**	**9.932.079**	**138.550**	**11.481.958**	**10.214**	**11.630.722**
Total (A+B)	**7.627.142**	**22.870.601**	**300.170**	**30.797.913**	**8.141.387**	**25.459.314**	**323.499**	**33.924.200**

The overall decrease for this item, totalling approximately EUR 3,020 mln should be considered as correlated to the decrease in item 40 (Liabilities) "Financial liabilities held for trading" the overall balance of which saw a decline of approximately EUR 3,292 mln.

Section 3 - Financial Assets designated at Fair Value - Item 30

3.1 Financial Assets designated at Fair Value: Breakdown by Type

(in thousands of EUR)

Items/Amounts	30 06 2011				31 12 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	27.406	12.133	-	39.539	27.551	11.949	-	39.500
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	27.406	12.133	-	39.539	27.551	11.949	-	39.500
2. Equity instruments	-	-	-	-	-	-	-	-
of which valued at cost	-	-	-	-	-	-	-	-
3. Units in UCITS	-	-	-	-	207.643	-	-	207.643
4. Loans	-	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total	**27.406**	**12.133**	**-**	**39.539**	**235.194**	**11.949**	**-**	**247.143**

Within the framework of the standardisation of the MPS Group's Funds, the shares of UCITS servicing the internal pension fund of former subsidiary Banca Toscana were transferred, effective as of 1.1.201, to the external defined-benefit "Supplementary Pension Fund for Banca MPS Employees who became such after 1.1.1991". This transfer did not entail any amendments to the Fund Regulations.

Section 4 - Available-For-Sale Financial Assets - Item 40

4.1 Available-For-Sale Financial Assets: Breakdown by Type

(in thousands of EUR)

Items/Amounts	30 06 2011				31 12 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	22.261.331	123.824	241.764	22.626.919	18.991.480	235.898	248.532	19.475.910
2. Equity instruments	279.539	1.243.108	-	1.522.647	318.093	1.257.388	-	1.575.481
3. Units in UCITS	42.499	743.336	-	785.835	2.669	747.455	-	750.124
4. Loans	-	-	-	-	-	-	-	-
Total	**22.583.369**	**2.110.268**	**241.764**	**24.935.401**	**19.312.242**	**2.240.741**	**248.532**	**21.801.515**

The increase in the line "Debt securities", "Level 1" column, amounting to approximately EUR 3,270 mln is primarily attributable to net purchases of Italian government securities, most of which were subject to micro-hedging of fair value (interest rate risk).

The line "Equity instruments" includes, in column “Level 2”, securities measured at cost for an amount of approx. EUR 11.7 mln.

Section 6 - Loans and Advances to Banks - Item 60

6.1 Loans and Advances to Banks: Breakdown by Type

(in thousands of EUR)

Type of transaction / Amount	Total 30 06 2011	Total 31 12 2010
A. Loans and advances to central banks	**888.637**	**261.103**
1. Time deposits	16.000	16.000
2. Compulsory reserve	867.333	233.793
3. Repurchase agreements	-	-
4. Other	5.304	11.310
B. Loans and advances to banks	**9.904.715**	**9.448.777**
1. Current accounts and demand deposits	385.819	669.933
2. Time deposits	250.446	230.675
3. Other loans:	7.553.341	6.662.353
3.1 Repurchase agreements	2.061.470	1.038.678
3.2 Finance leases	-	-
3.3 Other	5.491.871	5.623.675
4. Debt securities	1.715.109	1.885.816
4.1 Structured securities	-	-
4.2 Other debt securities	1.715.109	1.885.816
Total (book value)	**10.793.352**	**9.709.880**

Loans and advances to banks	30 06 2011	31 12 2010
Impaired assets	10.983	14.338

The portfolio of "Loans and advances to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory reserve with the Bank of Italy, which, as at 30.06.2011, amounted to EUR 867.3 mln. In accordance with regulations on average maintenance, the end-of-period balance of the compulsory reserve may be subject to substantial changes in relation to the Group's contingent cash flow requirements.

The increase in repurchase agreements (assets) in line 3.1, (EUR 1,022 mln), should be considered as correlated with the increase in line 2.3.1 of item 10 "Deposits from banks" in the Liabilities.

Section 7- Loans and Advances to Customers - Item 70

7.1 Loans and Advances to Customers: Breakdown by Type

(in thousands of EUR)

Type of transaction / Amount	30 06 2011			31 12 2010		
	Performing	Impaired	Total	Performing	Impaired	Total
1. Current accounts	16.232.857	2.730.234	18.963.091	15.213.770	2.360.668	17.574.438
2. Repurchase agreements	3.165.098	-	3.165.098	1.786.053	1.180	1.787.233
3. Mortgages	82.788.851	6.522.023	89.310.874	84.382.703	5.702.932	90.085.635
4. Credit cards, personal loans and fifth-of-salary backed loans	3.273.517	156.633	3.430.150	3.108.863	144.230	3.253.093
5. Financial leasing	4.271.032	678.696	4.949.728	4.333.134	598.994	4.932.128
6. Factoring	1.553.752	130.734	1.684.486	1.598.115	125.290	1.723.405
7. Other transactions	29.387.983	2.633.368	32.021.351	30.057.533	2.446.081	32.503.614
8. Debt securities	3.749.049	1.286	3.750.335	4.376.754	1.281	4.378.035
Total (book value)	**144.422.139**	**12.852.974**	**157.275.113**	**144.856.925**	**11.380.656**	**156.237.581**

Section 10 – Equity investments – Item 100

10.1 Equity Investments in Entities subject to Joint Control (valued at Equity) and under Significant Influence: Information on Shareholders' Equity

Company Name	Registered Office	Type of relationship	Ownership Relationship		Avail. % votes	Amounts (€000)	
			Held by	Share holding %		30 06 2011	31 12 2010
AD.Impresa S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	20,000		22	37
Aereoporto di Siena S.p.a.	Sovicille (SI)	8	Banca Monte dei Paschi di Siena	21,380		3.518	3.518
Antonveneta Assicurazioni S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50,000		6.882	6.353
Antonveneta Vita S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50,000		76.289	81.301
Asset Management Holding S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	22,240		156.607	154.820
			Prima Holding 2 S.p.a.	4,380		-	-
Axa Mps Assicurazioni Danni S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	50,000		28.469	30.927
Beta Prima S.r.l.	Sovicille (SI)	8	Banca Monte dei Paschi di Siena	34,069		274	274
Bio Fund S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	13,676		630	653
Casalboccone Roma S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	21,750		26	26
CO.E.M. Costruzioni Ecologiche Moderne S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	40,197		27.343	25.142
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	28,800	32,500	36	36
			Banca Monte Paschi Belgio	3,700		-	-
EDI.B. S.p.a.	Gubbio (PG)	8	Banca Monte dei Paschi di Siena	18,052		6.546	6.732
Fabrica Immobiliare SGR S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	49,990		6.135	6.135
Fidi Toscana S.p.a.	Firenze	8	Banca Monte dei Paschi di Siena	29,179		31.745	31.745
Gruppo Axa Mps Assicurazioni Vita S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	50,000		463.507	454.235
Industria e Innovazione S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	7,110	58,13 (**)	4.076	3.700
Intermonte SIM S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	17,650		13.824	12.979
J.P.P. Euro Securities Inc.	New York (NY)	8	Intermonte SIM S.p.a.	100,000		338	410
Le Robinie S.p.A.	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20,000		801	801
Marinella S.p.a.	Marinella di Sarzana (SP)	8	Banca Monte dei Paschi di Siena	25,000		9.844	10.003
Microcredito di Solidarietà S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	40,000		575	569
NewColle S.r.l.	Colle V.Elsa (SI)	8	Banca Monte dei Paschi di Siena	49,002		2.174	2.174
Prima Holding 2 S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	27,840		3.588	3.522
Realizzazioni e Bonifiche Arezzo S.p.a.	Arezzo	8	Banca Monte dei Paschi di Siena	19,584		-	-
Sansedoni Siena S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	21,750		47.912	47.912
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.A.	Roma	8	Banca Monte dei Paschi di Siena	19,969		135	138
Società Italiana di Monitoraggio S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	12,889		99	90
Terme di Chianciano S.p.a.	Chianciano T. (SI)	8	Banca Monte dei Paschi di Siena	48,870		3.189	1.477
Agricola Merse S.r.l.	Assago (MI)	8	MPS Capital Services S.p.a.	20,000		5.169	5.580
Immobiliare Centro Milano S.p.a.	Milano	8	MPS Capital Services S.p.a.	33,333		107	107
Interporto Toscano A.Vespucci S.p.a. Livorno-Guasticce	Collesalvetti (LI)	8	MPS Capital Services S.p.a.	36,303		9.931	9.930
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Firenze	8	MPS Capital Services S.p.a.	29,000		2.496	2.523
Re.Ge.Im. Realizzazione e Gestione Immobili di Qualità S.p.a.	Roma	8	MPS Capital Services S.p.a.	40,000		3.659	3.680
Totale						**915.946**	**907.529**

(*) Type of relationship: 8 Companies under significant influence

(**) The interest in 'Industria e Innovazione' was included among investments in companies under significant influence because the Parent Company, which held 7.11%, entered into a shareholders' agreement requiring majority (and not unanimous) resolution approval, obtaining 58.13% of voting rights.

Pursuant t art. 2361 of the Civil Code, it is noted that the Parent Company holds a 28.8% shareholding (32.5% at Group level) in Crossing Europe EEIG, a European Economic Interest Group whose members are jointly and severally liable without limitation for the Group's liabilities. The EEIG is intended to facilitate its members' activity, both in their respective countries and internationally (particularly in Eastern European and Mediterranean countries), through the development of an offering of services for SMEs, and participation in major financial projects sponsored by EU programmes.

Section 12 - Property, Plant and Equipment - Item 120

12.1 Property, Plant and Equipment: Breakdown of Assets valued at Cost

(in thousands of EUR)

Asset / Amount	Total 30 06 2011	Total 31 12 2010
A. Assets used in the business		
1.1 owned	**1.175.725**	**1.197.577**
a) land	433.648	437.031
b) buildings	450.929	463.438
c) furniture and furnishings	60.870	69.104
d) electronic systems	20.115	21.196
e) other	210.163	206.808
1.2 Leased	-	**-**
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1.175.725**	**1.197.577**
B. Assets held for investment	-	-
2.1 owned	**217.828**	**209.500**
a) land	116.275	110.300
b) buildings	101.553	99.200
2.2 Leased	-	-
a) land	-	-
b) buildings	-	-
Total B	**217.828**	**209.500**
Total (A+B)	**1.393.553**	**1.407.077**

Section 13 - Intangible Assets - Item 130

13.1 Intangible Assets: Breakdown by Type of Asset

(in thousands of EUR)

Asset / Amount	Total 30 06 2011			Total 31 12 2010		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**6.473.779**	**6.473.779**	**x**	**6.473.779**	**6.473.779**
A.1.1 group	x	6.473.779	6.473.779	x	6.473.779	6.473.779
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**1.068.488**	**-**	**1.068.488**	**1.077.834**	**-**	**1.077.834**
A.2.1 Assets carried at cost:	1.068.488	-	1.068.488	1.077.834	-	1.077.834
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	1.068.488	-	1.068.488	1.077.834	-	1.077.834
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**1.068.488**	**6.473.779**	**7.542.267**	**1.077.834**	**6.473.779**	**7.551.613**

The assessment for impairment indicators pursuant to IAS 36 is referred to under paragraph “Risks and uncertainties relating to the use of estimates” in “Part A - Accounting Policies”.

Section 14 - Tax Assets and Liabilities – Item 140 (Assets) and Item 80 (Liabilities)

14.1 Deferred Tax Assets: Breakdown

(in thousands of EUR)

Items/Amounts	Total 30 06 2011	Total 31 12 2010
Receivables (including securitisations)	915.799	908.109
Other financial instruments	49.194	42.970
Goodwill	2.043.865	2.133.006
Multi-annual costs	13.957	13.579
Tangible and intangible assets	17.571	16.944
Corporate entertainment expenses	67	132
Personnel expenses	29.895	30.155
Tax losses	10.899	25.904
Other	663.442	632.882
Financial instruments - valuation reserves	498.490	479.383
Deferred tax assets (gross)	**4.243.179**	**4.283.064**
Offsetting with deferred tax liabilities	155.780	169.185
Deferred tax assets (net)	**4.087.399**	**4.113.879**

14.2 Deferred Tax Liabilities: Breakdown

(in thousands of EUR)

Items/Amounts	Total 30 06 2011	Total 31 12 2010
Capital gains to be divided into installments	70.367	80.998
Goodwill	471	397
Tangible and intangible assets	37.081	39.788
Financial instruments	23.029	25.308
Personnel expenses	5.230	5.254
Other	40.911	35.990
Financial instruments - valuation reserves	84.632	86.604
Deferred tax liabilities (gross)	**261.721**	**274.339**
Offsetting with deferred tax assets	155.780	169.185
Deferred tax liabilities (net)	**105.941**	**105.154**

14.7 Other Information

Current Tax Assets

(in thousands of EUR)

Items/Amounts	Total 30 06 2011	Total 31 12 2010
Prepayments of corporate income tax (IRES and IRAP)	70.563	130.808
Other tax credits and withholdings	669.089	677.288
Gross current tax assets	**739.652**	**808.096**
Offsetting with current tax liabilities	100.211	138.187
Net current tax assets	**639.441**	**669.909**

Current Tax Liabilities

(in thousands of EUR)

Items/Amounts	30 06 2011			31 12 2010		
	Booked to net equity	Booled to profit & loss	Total	Booked to net equity	Booled to profit & loss	Total
Corporate income tax (IRES) payables	18.374	220.007	238.381	(764)	258.273	257.509
Other current income tax payables	16	992	1.008	-	9.403	9.403
Gross current tax payables	**18.390**	**220.999**	**239.389**	**(764)**	**267.676**	**266.912**
Offsetting with current tax assets	1.864	98.347	100.211	362	137.825	138.187
Net current tax payables	**16.526**	**122.652**	**139.178**	**(1.126)**	**129.851**	**128.725**

Section 15 - Non-current assets held for sale and discontinued operations and Associated Liabilities - Item 150 (Assets) and 90 (Liabilities)

15.1 Non-current assets held for sale and discontinued operations: Breakdown by Type of Asset

(in thousands of EUR)

	Total 30 06 2011	Total 31 12 2010
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	95.997	95.997
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**95.997**	**95.997**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value	-	-
B.3 Financial assets held for sale	30	278
B.4 Financial assets held to maturity	-	-
B.5 Loans and advances to banks	-	10.414
B.6 Loans and advances to customers	-	41.456
B.7 Equity investments	-	-
B.8 Tangible assets	43	120
B.9 Intangible assets	-	688
B.10 Other assets	1.150	12.819
Total B	**1.223**	**65.775**
C. Liabilities associated with individual assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
D. Liabilities included in disposal groups held for sale		
D.1 Deposits from banks	-	19
D.2 Customer accounts	-	207.547
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value	-	-
D.6 Provisions	14	1.922
D.7 Other liabilities	1.972	3.912
Total D	**1.986**	**213.400**

Individual assets held for sale include buildings owned by the subsidiary MPS Immobiliare.

Following transactions under way as at 30.06.2011 which will lead to the loss of control of MPS Venture SGR S.p.a., the latter entity was considered under disposal groups held for sale.

LIABILITIES

Section 1 - Deposits from Banks - Item 10

1.1 Deposits from Banks: Breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 30 06 2011	Total 31 12 2010
1. Deposits from central banks	**7.391.933**	**14.330.704**
2. Deposits from banks	**15.826.944**	**14.003.732**
2.1 Current accounts and demand deposits	2.670.123	3.749.944
2.2 Time deposits	2.434.337	1.509.950
2.3 Loans	10.251.818	8.341.402
2.3.1. Reverse repurchase agreements	7.033.518	5.353.242
2.3.2 Other	3.218.300	2.988.160
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	470.666	402.436
Total	**23.218.877**	**28.334.436**

The decrease in line 1 "Deposits from central banks" (EUR 6,939 mln), is attributable to the shift in funding to medium-long term funding forms (see increase in item 30 "Debt securities issued" of the Liabilites).

The increase in repurchase agreements (assets) in line 2.3.1, (EUR 1,680 mln), should be considered as correlated with the increase in line 3.1 of item 60 "Loans and advances to banks" in the Assets.

Section 2 - Deposits from customers- Item 20

2.1 Deposits from customers: breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 30 06 2011	Total 31 12 2010
1. Current accounts and demand deposits	65.356.387	65.773.530
2. Time deposits	2.188.347	3.291.639
3. Loans	31.755.187	26.899.153
3.1. Reverse repurchase agreements	23.032.988	18.741.067
3.2 Other	8.722.199	8.158.086
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1.778.384	1.805.243
Total	**101.078.305**	**97.769.565**

The increase in item 20 “Deposits from customers” is primarily due to repurchase agreements for funding purposes; line 3.1 is in fact up by EUR 4,291.9 mln. This increase is essentially attributable to the Parent Company's repos with the clearing house 'Cassa di Compensazione e Garanzia', which acts as a central counterparty, increasing from EUR 14,372.9 mln at year end to EUR 18,449.2 mln as at 30.06.2011.

Section 3 - Debt Securities issued - Item 30

3.1 Debt Securities issued: Product Breakdown

(in thousands of EUR)

Type of Securities/ Amounts	Total 30 06 2011					Total 31 12 2010				
	Book value	Fair Value				Book value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
A. Listed securities										
1. Bonds	37.042.770	15.318.855	22.189.099	-	37.507.954	31.080.108	14.957.878	16.301.806	-	31.259.684
2, Other securities	4.748.975	-	4.340.280	-	4.340.280	4.166.609	-	4.208.386	-	4.208.386
Total	**41.791.745**	**15.318.855**	**26.529.379**	**-**	**41.848.234**	**35.246.717**	**14.957.878**	**20.510.192**	**-**	**35.468.070**

The reason for the increase in line "1. Bonds" (EUR 5,963 mln) lies primarily in the positive balance between new issues in 2011 and bonds maturing in the same period.

Among the issuances in the period, mention should be made of two covered bond issues for a total amount of EUR 2,720 mln and an issue of senior notes for a nominal amount of EUR 1,750 mln. The three afore-mentioned issues are at a fixed rate.

Section 4 - Held-For-Trading Financial Liabilities - Item 40

4.1 Held-For- Trading Financial Liabilities: Breakdown

(in thousands of EUR)

Type of transaction/ Group item	Total 30 06 2011						Total 31 12 2010					
	NV	FV				FV*	NV	FV				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	1.846.220	81.199	1.724.154	-	1.805.353	1.805.353	2.284.451	440.991	1.843.460	-	2.284.451	2.284.451
2. Customer accounts	15.978.757	1.673.462	14.139.127	-	15.812.589	15.812.589	17.127.308	236.788	16.893.321	-	17.130.109	17.130.109
3. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Total A	**17.824.977**	**1.754.661**	**15.863.281**	**-**	**17.617.942**	**17.617.942**	**19.411.759**	**677.779**	**18.736.781**	**-**	**19.414.560**	**19.414.560**
B. Derivatives												
1. Financial derivatives	X	152.440	7.998.433	29.766	8.180.639	X	X	143.601	9.621.396	29.838	9.794.835	X
2. Credit derivatives	X	-	1.157.358	29.038	1.186.396	X	X	-	1.106.091	68.014	1.174.105	X
Total B	**X**	**152.440**	**9.155.791**	**58.804**	**9.367.035**	**X**	**X**	**143.601**	**10.727.487**	**97.852**	**10.968.940**	**X**
Total (A+B)	**X**	**1.907.101**	**25.019.072**	**58.804**	**26.984.977**	**X**	**X**	**821.380**	**29.464.268**	**97.852**	**30.383.500**	**X**

FV = fair value

FV* = calculated fair value

NV = nominal or notional value

The overall decrease for this item, totalling approximately EUR 3,292 mln should be considered as correlated with the decrease in item 20 (Assets) "Financial assets held for trading" the overall balance of which saw a decline of approximately EUR 3,020 mln.

Section 5 - Financial Liabilities designated at Fair Value - Item 50

5.1 Financial Liabilities designated at Fair Value: Breakdown

(in thousands of EUR)

Type of transaction / Amount	Total 30 06 2011						Total 31 12 2010					
	NV	FV				FV*	NV	FV				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
2. Customer accounts	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	23.756.188	-	23.622.987	-	23.622.987	23.660.837	25.441.920	-	25.469.490	-	25.469.490	25.478.604
Total	**23.756.188**	**-**	**23.622.987**	**-**	**23.622.987**	**23.660.837**	**25.441.920**	**-**	**25.469.490**	**-**	**25.469.490**	**25.478.604**

FV = fair value

FV* = calculated fair value

VN = nominal or notional value

Section 12 - Provisions for Risks and Charges - Item 120

12.1 Provisions for Risks and Charges: Breakdown

(in thousands of EUR)

Item/Amount	Total 30 06 2011	Total 31 12 2010
1. Pensions and other post retirement benefit obligations	198.914	435.919
2. Other provisions for risks and charges	898.060	882.443
2.1 legal disputes	358.840	346.786
2.2 personnel expenses	32.034	35.614
2.3 other	507.186	500.043
Total	**1.096.974**	**1.318.362**

As of 1.1.2011, line 1 "Pensions and other post retirement benefit obligations" no longer includes the assets of the defined-benefit section of the supplementary pension fund of former subsidiary Banca Toscana, which was transferred to the external defined-benefit "Supplementary Pension Fund for Banca MPS Employees who became such after 1.1.1991" within the framework of the standardisation of the MPS Group Funds. This transfer did not entail any amendments to the Fund Regulations.

Section 15 – Group Shareholders' Equity – Items 140,160,170,180,190,200 and 220

15.2 Shareholders' Equity - Parent Company's Number of Shares: Annual Changes

Item/Type	30 06 2011			31 12 2010		
	Ordinary	Preferred	Savings	Ordinary	Preferred	Savings
A. Shares outstanding as at the beginning of the year	5.569.271362	1131879.458	18.864.340	5.569.271362	1131879.458	18.864.340
- fully paid	5.569.271362	1131879.458	18.864.340	5.569.271362	1131879.458	18.864.340
- not fully paid	-	-	-	-	-	-
A.1 Treasury shares (-)	21911474	-	-	24.131264	-	-
A.2 Shares outstanding: opening balance	**5.547.359.888**	**1.131.879.458**	**18.864.340**	**5.545.140.098**	**1.131.879.458**	**18.864.340**
B. Increases	454.406.334	-	-	33.015.934	-	-
B.1 New issues	-	-	-	-	-	-
- against payment:	-	-	-	-	-	-
- business combinations	-	-	-	-	-	-
- bonds converted	-	-	-	-	-	-
- warrants exercised	-	-	-	-	-	-
- other	-	-	-	-	-	-
- without payment:	-	-	-	-	-	-
- to employees	-	-	-	-	-	-
- to directors	-	-	-	-	-	-
- other	-	-	-	-	-	-
B.2 Sale of treasury shares	4.406.334	-	-	33.015.934	-	-
B.3 Other increases	450.000.000	-	-	-	-	-
C. Decreases	**1.500.000**	**450.000.000**	**-**	**30.796.144**	**-**	**-**
C.1 Cancellation	-	-	-	-	-	-
C.2 Purchase of treasury shares	1.500.000	-	-	30.796.144	-	-
C.3 Business transferred	-	-	-	-	-	-
C.4 Other decreases	-	450.000.000	-	-	-	-
D. Shares outstanding: closing balance	**6.000.266.222**	**681.879.458**	**18.864.340**	**5.547.359.888**	**1.131.879.458**	**18.864.340**
D.1 Treasury shares (+)	19.005.140	-	-	21911474	-	-
D.2 Shares outstanding as at the end of the year	6.019.271362	681879.458	18.864.340	5.569.271362	1131879.458	18.864.340
- fully paid	6.019.271362	681879.458	18.864.340	5.569.271362	1131879.458	18.864.340
- not fully paid	-	-	-	-	-	-

The sale of 450 million preferred sharesby the shareholder, Monte dei Paschi di Siena Foundation, to an institutional investor for an amount of EUR 301.5 mln at the beginning of June 2011 resulted in the automatic conversion of the preferred shares into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares".

Section 16 - Minority interests - Account 210

16.1 Minority interests: breakdown and annual changes

(in thousands of EUR)

Items/Amounts	Total 30 06 2011	Total 31 12 2010
1) Share capital	50.882	50.804
2) Share premium reserve	13.406	13.406
3) Reserves	70.945	76.023
4) (Treasury shares)	-	-
5) Valuation reserves	126.887	127.910
6) Equity instruments	-	-
7) Profit (loss) for the year - Minority interests	2.686	1.485
Total	**264.806**	**269.628**

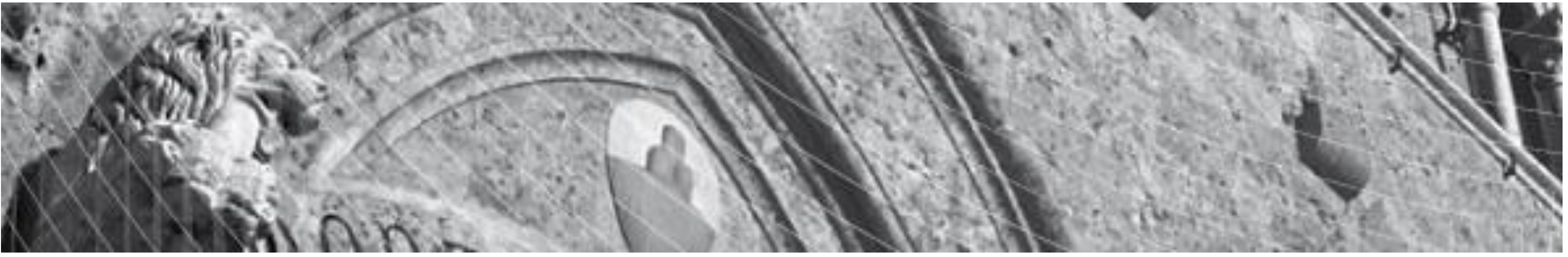
Other information

3 Operating lease information

3.1 Future minimum operating lease payments

(in thousands of EUR)

Items/Amounts	30 06 2011
Up to 1 year	101.901
From 1 to 5 years	405.915
Over 5 years	1.722.950
Future minimum lease payments due	**2.230.765**
non-cancellable future minimum lease payments receivable	28.994



Part C – Consolidated Income Statement

Section 1 - Interest Income/Expense and Similar Revenues/Charges - Items 10 and 20

1.1 Interest Income and Similar Revenues: Breakdown

(in thousand of eur)

Item/Type	Debt securities	Loans	Other transactions	Total 30 06 2011	Total 30 06 2010
1. Financial assets held for trading	83.263	70.089	153.148	306.500	406.579
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	339.324	-	-	339.324	236.289
4. Financial assets held to maturity	-	-	-	-	-
5. Loans and advances to banks	32.461	62.721	651	95.833	59.902
6. Loans and advances to customers	56.004	2.675.971	11.305	2.743.280	2.459.467
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	7.691	7.691	5.630
Total	**511.052**	**2.808.781**	**172.795**	**3.492.628**	**3.167.867**

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

1.4 Interest Expense and Similar Charges: Breakdown

(in thousands of EUR)

Item/Type	Deposits	Securities	Other transactions	Total 30 06 2011	Total 30 06 2010
1. Deposits from central banks	(49.948)	x	-	(49.948)	(42.418)
2. Deposits from banks	(137.512)	x	(3.641)	(141.153)	(108.547)
3. Customer accounts	(418.146)	x	-	(418.146)	(141.861)
4. Securities in issue	x	(694.857)	(142)	(694.999)	(587.488)
5. Financial liabilities held for trading	(72.620)	-	(2.396)	(75.016)	(37.318)
6. Financial liabilities designated at fair value	-	(318.861)	-	(318.861)	(334.214)
7. Other liabilities	x	x	(4.187)	(4.187)	(5.773)
8. Hedging derivatives	x	x	(133.928)	(133.928)	(144.024)
Total	**(678.226)**	**(1.013.718)**	**(144.294)**	**(1.836.238)**	**(1.401.643)**

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

Section 2 - Fee and Commission Income/Expense - Items 40 and 50

2.1 Fee and Commission Income: Breakdown

(in thousands of EUR)

Type of service / Amount	Total 30 06 2011	Total 30 06 2010
a) guarantees issued	40.422	37.599
b) credit derivatives	-	-
c) management, brokerage and advisory services:	417.867	454.334
1. trading of financial instruments	7.273	5.744
2. currency trading	23.060	21.300
3. asset management	26.729	27.128
3.1 individual accounts	26.729	27.128
3.2. collective investment schemes	-	-
4. custody and administration of securities	5.862	8.643
5. custodian bank	853	1.041
6. placement of securities	36.733	73.198
7. client instructions	27.437	30.182
8. advisory on	9.720	8.281
8.1 investments	712	1.048
8.2 financial structure	9.008	7.233
9. distribution of third-party services	280.200	278.817
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	107.970	98.487
9.3 other products	172.230	180.330
d) collection and payment services	69.019	92.899
e) servicing of securitisations	493	2.895
f) factoring transaction services	11.293	8.576
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	353.150	370.523
j) other services	157.069	139.018
Total	**1.049.313**	**1.105.844**

2.2 Fee and Commission Expense: Breakdown

(in thousands of EUR)

Type of service / Amount	Total 30 06 2011	Total 30 06 2010
a) guarantees received	(284)	(603)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(45.017)	(41.208)
1. trading of financial instruments	(9.896)	(10.096)
2. currency trading	(119)	(177)
3. asset management:	(680)	(953)
3.1 own portfolio	-	(2)
3.2 third-party portfolios	(680)	(951)
4. custody and administration of securities	(7.691)	(4.946)
5. placement of financial instruments	(225)	(1.148)
6. off-site marketing of financial instruments, products and services	(26.406)	(23.888)
d) collection and payment services	(9.297)	(8.685)
e) other services	(62.732)	(68.761)
Total	**(117.330)**	**(119.257)**

Section 6 - Gains (Losses) on Disposals / Repurchases - Item 100

6.1 Gains (Losses) On Disposals / Repurchases: Breakdown

(in thousands of EUR)

Items / P&L items	Total 30/06/2011			Total 30/06/2010		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans and advances to banks	16.751	(2.312)	14.439	62	(57)	5
2. Loans and advances to customers	10.441	(2.170)	8.271	17.872	(12.869)	5.003
3. Financial assets available for sale	62.598	(23.734)	38.864	45.580	(12.369)	33.211
3.1 Debt securities	25.420	(18.873)	6.547	13.208	(3.148)	10.060
3.2 Equity instruments	30.405	(2.193)	28.212	23.182	(1.521)	21.661
3.3 Units of UCITS	6.773	(2.668)	4.105	9.190	(7.700)	1.490
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**89.790**	**(28.216)**	**61.574**	**63.514**	**(25.295)**	**38.219**
1. Financial liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Customer accounts	-	-	-	-	-	-
3. Securities in issue	77.945	(2.870)	75.075	2.914	(13.547)	(10.633)
Total liabilities	**77.945**	**(2.870)**	**75.075**	**2.914**	**(13.547)**	**(10.633)**

Gains amounting to EUR 77.9 mln posted to line "3. Securities in issue" under “Financial liabilities”, include EUR 75.7 mln arising from cancellation of the nominal EUR 152 mln liability connected with the F.R.E.S.H. notes issued in December 2003 by the subsidiary MPS Capital Trust LLC II. The cancellation of this liability, to an extent proportional to the subscriptions for the tender offer launched by Mediobanca on behalf of the issuer, was made effective upon posting of a short-term liability with Mediobanca for an amount equal to the pre-agreed buyback consideration. For the sake of completeness, it should be noticed that the value of this short-term liability was determined by separation of principal, estimated at EUR 13 mln, according to a logic in line with that used for the issuance, and recognised directly as reduction in equity.

Section 8 - Net Impairment Losses/Reversals on Loans - Item 130

8.1 Net Impairment Losses/Reversals on Loans: Breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments			Write-back				Total	Total
	Specific		Portfolio	Specific		Portfolio		30 06 2011	30 06 2010
	Write-off	Others		A	B	A	B		
A. Loans and advances to banks	-	(2.029)	(188)	107	1.267	-	4.848	4.005	(3.112)
- Loans	-	(1.584)	(6)	107	1.267	-	4.822	4.606	(2.842)
- Debt securities	-	(445)	(182)	-	-	-	26	(601)	(270)
B. Loans and advances to customers	(21.587)	(1.004.100)	(33.556)	177.992	253.220	11	46.186	(581.834)	(596.327)
- Loans	(21.587)	(1.004.100)	(24.726)	177.992	253.220	11	45.932	(573.258)	(598.335)
- Debt securities	-	-	(8.830)	-	-	-	254	(8.576)	2.008
C. Total	**(21.587)**	**(1.006.129)**	**(33.744)**	**178.099**	**254.487**	**11**	**51.034**	**(577.829)**	**(599.439)**

Key

A = From interest

B = Other reversals

8.2 Net Impairment Losses/Reversals on Available-For-Sale Financial Assets: Breakdown

(in thousands of EUR)

Transactions / P&L items	Value Adjustments		Write-backs		Total	Total
	Specific		Specific			
	Write-off	Others	A	B	30 06 2011	30 06 2010
A. Debt securities	-	(1.882)	-	-	(1.882)	(220)
B. Equity instruments	-	(13.202)	x	x	(13.202)	(16.926)
C. Units in UCITS	-	(963)	x	-	(963)	(547)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(16.047)**	**-**	**-**	**(16.047)**	**(17.693)**

Key

A = From interest

B = Other reversals

8.4 Net Impairment Losses/Reversals on Other Financial Transactions: Breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		30 06 2011	30 06 2010
	Write-offs	Others		A	B	A	B		
A. Guarantees issued	-	(2.582)	(1.346)	-	1.173	-	3.655	900	(1.375)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	(29)	-	-	139	-	743	853	-
D. Other transactions	-	(2.980)	-	-	-	-	-	(2.980)	31
E. Total	**-**	**(5.591)**	**(1.346)**	**-**	**1.312**	**-**	**4.398**	**(1.227)**	**(1.344)**

Key

A = From interest

B = Other reversals

Section 12 - Net Provisions for Risks and Charges - Item 190

12.1 Net Provisions for Risks and Charges: Breakdown

(in thousands of EUR)

Items/Amounts	30 06 2011				30 06 2010			
	Personnel costs	Legal disputes	Others	Total	Personnel costs	Legal disputes	Others	Total
Provisions for the year	(31.758)	(185)	(37.285)	(69.228)	(22.309)	-	(61.505)	(83.814)
Write-backs	3.204	3.689	2.012	8.905	155	-	2.468	2.623
Total	**(28.554)**	**3.504**	**(35.273)**	**(60.323)**	**(22.154)**	**-**	**(59.037)**	**(81.191)**

Section 14 - Net Impairment Losses/Reversals on Intangible Assets - Item 210

14.1 Net Impairment Losses/Reversals on Intangible Assets: Breakdown

(in thousands of EUR)

Assets / P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (loss) (a+b-c) 30 06 2011	Net profit (loss) (a +b-c) 30 06 2010
Intangible assets					
A.1 Owned	(85.405)	-	-	(85.405)	(72.133)
- generated internally by the company	-	-	-	-	(183)
- other	(85.405)	-	-	(85.405)	(71.950)
A.2 Leased	-	-	-	-	-
Total	**(85.405)**	**-**	**-**	**(85.405)**	**(72.133)**

Section 16 - Gains (Losses) on Equity Investments - Item 240

16.1 Gains (Losses) on Equity Investments: Breakdown

(in thousands of EUR)

P&L items/Sectors	Total 30 06 2011	Total 30 06 2010
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	45.993	24.745
1. Revaluations	45.708	24.105
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	285	640
B. Expense	(7.689)	(20.794)
1. Write-downs	(2.677)	(2.794)
2. Impairment losses	(5.012)	(18.000)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**38.304**	**3.951**
3) Subsidiaries		
A. Income	-	29
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	29
4. Other income	-	-
B. Expense	(1.080)	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	(1.080)	-
Net Profit (Loss)	**(1.080)**	**29**
Total	**37.224**	**3.980**

Under "Income" and "Expense", the lines "Revaluations" and "Write-downs" respectively refer to gains and losses arising from valuation at equity of entities subject to significant influence.

Section 20 - Tax Expense (Income) on Profit (Loss) from Continuing Operations - Item 290

20.1 Tax Expense (Income) on Profit (Loss) from Continuing Operations: Breakdown

(in thousands of EUR)

P&L items/Sectors	Total	
	30 06 2011	30 06 2010
1. Current tax (-)	(127.332)	(286.308)
2. Adjustments to current tax of prior years (+/-)	12.168	37.388
3. Reduction of current tax for the year (+)	-	1.429
4. Changes in prepaid taxes (+/-)	(56.315)	66.599
5. Changes in deferred taxes (+/-)	9.145	(12.889)
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**(162.334)**	**(193.781)**

20.2 Reconciliation of Theoretical Tax Charge to Actual Tax Charge

(in thousands of EUR)

Items/Amounts	30 06 2011	30 06 2010
(A) Pre-tax profit (loss) from continuing operations	415.524	455.325
(B) Pre-tax profit (loss) from groups of assets held for sale	12.273	(1.323)
(A+B) Pre-tax profit (loss)	**427.797**	**454.002**
Current rate of corporate income tax (IRES)	27,5	27,5
Theoretical tax rate	**(117.644)**	**(124.851)**
Permanent differences	(5.177)	(73.839)
Other	(3.343)	78.646
Regional tax on productivity (IRAP) - ordinary rate	(37.569)	(73.737)
Income taxes for the year	**(163.733)**	**(193.781)**
of which:		
Taxes on income from continuing operations	(162.334)	(193.781)
Taxes on the income of groups of assets held for sale	(1.399)	-

Section 21 - Profit (Loss) After Tax From Discontinued Operations - Item 310

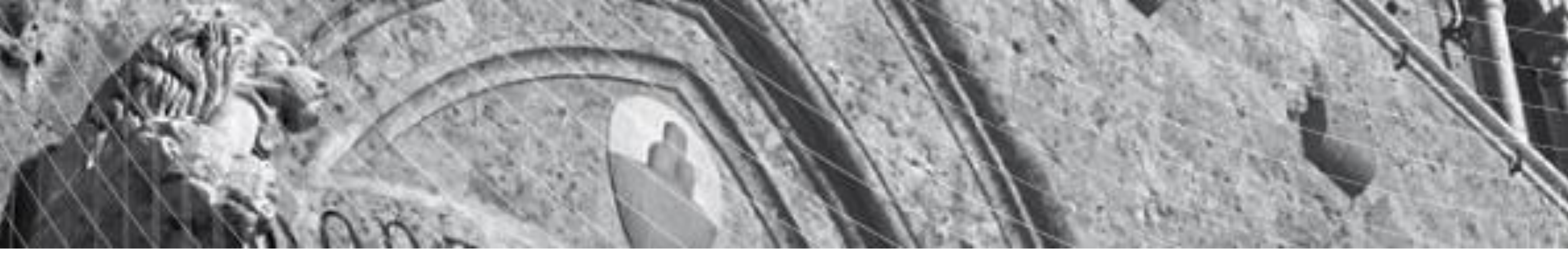
21.1 Profit (Loss) After Tax from Groups of Assets/Liabilities Held For Sale: Breakdown

(in thousands of EUR)

P&L items/Sectors	Total	
	30 06 2011	30 06 2010
1. Income	8.785	-
2. Expense	(4.810)	-
3. Profit (loss) from valuation of groups of assets and related liabilities	(216)	-
4. Profit (loss) from disposal	8.514	(1.323)
5. Taxes and duties	(1.399)	-
Profit (Loss)	**10.874**	**(1.323)**

Following transactions under way as at 30.06.2011 which will lead to the loss of control of MPS Venture SGR S.p.a., the latter entity was considered under disposal groups held for sale. As a result, profit and loss data, net of intragroup relations, were reclassified to item 310 "Profit (loss) after tax from groups of assets held for sale".

The amount posted to line "Profit (loss) from disposal" is attributable to divestment of subsidiary Monte Paschi Monaco S.A.M. for a cash-settled consideration of EUR 19.5 mln.



Part E – Risks and Hedging Policies

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

Section 1 – Credit Risk

Qualitative Information

1. General

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Bank, the top priority of the Group is to improve the quality of the managed loan portfolio and to consequently reduce credit costs.

More specifically, in particular through Credit Policies and Planning, Credit Governance sets out the strategic guidelines for the loan portfolio, both at Group level and for each individual subsidiary. The Group's credit activity is managed with a view to monitoring risk and enhancing growth opportunities, through the development of credit policies and systems aimed at making the most of trend data in connection with individual borrowers, against a background of in-depth knowledge and strategic management of positions (credit culture)

2. Credit Risk Management Policies

2.1 Organisational Aspects

During the first half of 2011, further to Parent Company's reorganisation, the Credit Governance division was also reconfigured with a special focus on the Group Risk and Restructuring Area (as described below), with a view to better coming to terms with a continuously evolving external context and further optimising the Group's internal organisational processes, through the setting up of increasingly specialised units whose tasks are defined within the Credit Policies area.

Credit Governance is organised into the following units:

- Model and Credit System Validation (staff unit);
- Credit Performance Monitoring (staff unit);
- Credit Policies and Planning Area, including the "Special-purpose Loans and Securitisations service", the "Credit Policies and Quality service" and the "Loan Lab Coordination service"; The latter is reported to by the local Loan Lab Departments;
- Group Risk and Restructuring Area, which includes the 'Groups and Country Risk Monitoring' service (which has taken over part of the activities of the former "Foreign Counterparties and Financial Institutions Credit service") and the "Loan Restructuring" service.

In the first half of 2011, in light of the persisting issue of corporate customers experiencing financial difficulties, the Group Risk and Restructuring Area through its specific Loan Restructuring "service" continued its strong commitment.

At the same time, Credit Policies and Planning continued to update the customer loan disbursement and monitoring processes in the first half of 2011.

The processes outlined by the Parent Company are advised to all banks, which have a special Function authorised to make and oversee loans, through well defined structures which are duly delegated through a discretionary limit system authorised by the Board of Directors and adopted by the individual banks in accordance with current regulations on this matter.

All units involved, within their areas of competence as defined on the basis of customer segmentation and customer risk profiles, are called to grant/manage credit and monitor credit risk, using appropriate procedures (based on the internal rating system) to determine the borrower's creditworthiness, file the credit facility application, follow up on changes in the account over time and predict any emerging non-performing situations.

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units. In addition to normal existing units, the branch network organisation already includes a Loan and Market Quality Manager who is responsible for guaranteeing loan quality and ensuring that problem loans are properly managed in local areas.

The management and recovery of doubtful loans are assigned by the banks to the Group company (specialising in this area (MPS Gestione Crediti Banca S.p.A.).

2.2. Management, Measurement and Control Systems

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

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

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

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

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

2.2.1 Credit Policies

During the period, there were further refinements in the process of determining credit policies which began in 2008 and is based on analytical portfolio estimates. In fact, only after adopting the advanced approach to new supervisory regulations was it possible to use this methodology in an operational management context including, most notably, the definition of guidelines for assuming credit risks.

More specifically, the first half of 2011 saw finalisation and formalisation of all activities kicked off during the budgeting process for 2011, coordinated by the Planning Area.

All loan book data and breakdowns were produced that had been requested by the Supervisory Authority to carry out the EBA stress tests on the loan book.

The loan book forecasts for 2011 ('development over time' and 'targets') have been developed. These estimates are the result of a well-established model which is subject to regular methodological fine-tuning and upgrading cycles and is organised into the following phases:

- analysis of the current portfolio, which has the aim of singling out the main factors that contribute to risk and identifying the most effective measures to contain expected loss. In addition, the portfolio's "degree of rigidity" is assessed; this is affected by the level of medium and long-term exposure and the existence of sectoral concentrations which could affect portfolio quality;
- estimate of the loan portfolio trend and cost of credit for 2011 given certain sales and risk targets in the absence of credit policies;

- definition of credit policy measures deemed necessary to contain cost of credit and future risk; thus, the determination of credit policy actions is guided by the need to reconcile the portfolio's projected risk trends with the restrictions of Economic Capital and Expected Loss assigned to credit risk as part of the Capital Allocation process. In operational terms, for the allocation of new disbursements and the management of existing credit facilities, guidance is formulated on the basis of the assigned rating, customer segment, business sector, geographical area and type of facility.

2.2.2 Disbursement Processes

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

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

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

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

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

Thanks to the project "revision of credit organisation and processes", new decision-making powers have been defined for both the Group's outer units and local market areas (from Area Managers to individual decision-makers) and credit rating "sectors" have been set up within the local market units. The test carried out in the pilot area of "Northern Tuscany" at the end of the six-month period was completed successfully and will be extended to all of Banca MPS in a very short time.

During this period, the Bank adhered to all initiatives in 'support of customers in financial difficulty' introduced by the Italian Banking Association (ABI) in response to the economic crisis, by adjusting its loan disbursement and special tracking procedures for the various types of customers concerned.

2.2.3 Monitoring Processes

As to post-disbursement management and monitoring of the credit portfolio, the "Loan Performance Management" process continues to be used by the branch network which, on the basis of the forecasting features of rating models, makes it possible to monitor changes in the Bank's loan portfolio over time, while focusing the attention of relationship managers only on customers who statistically have a medium to high likelihood of default within one year.

"Loan Performance Management" is based on an Early Warning system leveraging four subprocesses:

- "System Surveillance", which focuses and directs monitoring activities on major risk positions. With this process, the Group uses forecasts to safeguard the performing loan portfolio with the aim of diagnosing problems in advance using measures to upgrade the portfolio;

- "Operational Management" which makes it possible to monitor the loan portfolio daily so as to identify any abnormal internal and external events indicative of potential risk with a view to anticipating deterioration occurring within a month that has not been reflected in the rating. The process uses an IT application that flags irregularities for operators and points them in the direction of operational measures that differ according to problem severity;
- "Default Loan Management" is the process that identifies for the branch network all situations where credit limits have been exceeded. For certain positions of a relatively low amount without sales targets, it is possible to manage the recovery process externally by mandating this task to a specialised credit collection bureau;
- "Simplified Renewals" (for positions with limited risk) are aimed at automatically extending existing loans from year to year for internal purposes.

In the first half of 2011, additional measures were taken to refine the post-disbursement monitoring process, which has increasingly focused on intercepting early signs of critical situations and promptly reassessing risks. In particular, the new credit monitoring process -which entailed the scrutiny of some of the original assumptions on account of results obtained from the review of the credit monitoring processes (loan performance management)- was brought to completion, with a view to improving the post-disbursement quality of the credit portfolio. Within this framework, together with the Knowledge Management and Training Service, the training plan "Credit Monitoring: Basic Principles" has been rolled out. Under this plan, over 5,000 employees received classroom training in the first six months of 2011.

The production of daily and monthly reports for the Top Management continued to carefully track both the incoming and existing credit flows, with a special focus on credit quality and more detailed insight into its components. In particular, the procedure for the daily reporting of watchlist and non-performing flows was further finetuned. Finally, support was granted -as is the common practice- to the auditing firm and to the "Financial Statements and Accounting" department (service) for the purpose of financial statement auditing, as well as to Investor Relations for the preparation of reports requested by the Top Management for meetings with analysts and rating companies.

In conclusion, as indicated in the paragraph concerning the organisational setup, the overall tracking of positions undergoing restructuring was centralised - as per the new tools for debt crisis solution set out by the Bankruptcy Act (art. 67, par. 3, lett. d, art. 182 bis)- into a dedicated "Group Risk and Restructuring Area", which includes a special "Restructuring service" staffed with highly qualified teams of specialists. Centralised management is mandatory when exposure at Banking Group level exceeds EUR 5 mln. Numerous agreements have been signed and a high number of files are being tracked.

Impaired Financial Assets

Credit Governance oversees the process for the definition, updating and usage of *non-performing* loan assessment criteria, availing itself of the Loan Performance Monitoring Staff. Within its area of competence, the Staff ensures appropriate implementation of the operating rules and processes of assessment; it operationally coordinates the Functions involved in the various steps of the process, verifies and organises data and information received, defines and validates the criteria to be used on a yearly basis and monitors the economic impact monthly.

Quantitative Information

A. Credit Quality

A.1 Impaired and Performing Loans: Amounts, Value Adjustments, Changes, Breakdown by Business Sector and Geographical Area

A.1.3 Banking Group - Balance Sheet and Off-Balance Sheet Exposure to Banks: Gross and Net Values

30 06 2011
(in thousands of EUR)

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	44.938	39.903	x	5.035
b) Watchlist loans	30.513	21.171	x	9.342
c) Restructured loans	-	-	x	-
d) Past due	83	22	x	61
e) Other assets	17.270.334	x	11.235	17.259.099
Total A	**17.345.868**	**61.096**	**11.235**	**17.273.537**
B. Off-balance-sheet exposure				
a) Impaired	2.719	170	x	2.549
b) other	11.268.229	x	535	11.267.694
Total B	**11.270.948**	**170**	**535**	**11.270.243**
Total (A+B)	**28.616.816**	**61.266**	**11.770**	**28.543.780**

A.1.6 Banking Group - Balance Sheet and Off-Balance Sheet Exposure to Customers: Gross and Net Amounts

30 06 2011
(in thousands of EUR)

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	13.605.849	7.542.339	x	6.063.510
b) Watchlist loans	5.229.318	1.061.107	x	4.168.211
c) Restructured loans	1.657.304	173.122	x	1.484.182
d) Past due	1.232.777	74.332	x	1.158.445
e) Other assets	181.387.598	x	798.179	180.589.419
Total A	**203.112.846**	**8.850.900**	**798.179**	**193.463.767**
B. Off-balance-sheet exposure				
a) impaired	260.908	31.983	x	228.925
b) other	43.135.885	x	33.721	43.102.164
Total B	**43.396.793**	**31.983**	**33.721**	**43.331.089**
Total (A+B)	**246.509.639**	**8.882.883**	**831.900**	**236.794.856**

Exposure to Sovereign Debt Risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds and credit derivatives as at 30 June 2011. The exposures are broken down by accounting categories. For securities included in the Loan Book, the book value (amortised cost) is also reported.

The overall exposure amounts to approx. EUR 27 bln, consists almost entirely in Italian debt and is concentrated in the Parent Company under the AFS accounting category.

(in EUR/mil)

	Debt securities							Credit derivatives	
	Held-for-trading financial assets		Available-for-sale financial assets		Loans			Held-for-trading financial assets	TOTAL
	Nominal	Market value = book value	Nominal	Market value = book value	Nominal	Market value	Book value	Nominal	Nominal
Argentina	6,72	5,15	-	-	-	-	-	-	6,72
Austria	0,15	0,16	-	-	-	-	-	7,16	7,31
Belgio	0,04	0,04	24,00	23,98	-	-	-	7,86	31,90
Bosnia	0,01	0,01	-	-	-	-	-	-	0,01
Brasile	2,38	2,63	-	-	-	-	-	-	2,38
Bulgaria	-	-	-	-	-	-	-	(12,21)	(12,21)
Canada	-	-	-	-	-	-	-	-	-
Cina	-	-	-	-	-	-	-	(20,75)	(20,75)
Croazia	0,04	0,04	10,00	10,86	-	-	-	(1,83)	8,21
Danimarca	-	-	-	-	-	-	-	3,01	3,01
Ecuador	0,03	0,00	-	-	-	-	-	-	0,03
Emirati arabi Uniti	-	-	-	-	-	-	-	(3,31)	(3,31)
Filippine	0,22	0,23	-	-	-	-	-	-	0,22
Finlandia	-	-	-	-	-	-	-	(10,13)	(10,13)
Francia	3,43	3,84	-	-	-	-	-	(51,75)	(48,32)
Georgia	0,45	0,33	-	-	-	-	-	-	0,45
Germania	29,15	31,64	-	-	-	-	-	(24,06)	5,09
Grecia	0,07	0,05	-	-	12,04	8,47	9,51	1,63	13,74
Irlanda	-	-	-	-	-	-	-	10,63	10,63
Israele	-	-	-	-	-	-	-	(1,48)	(1,48)
Italia	5.613,89	5.634,50	20.841,20	20.939,64	162,18	166,21	196,22	(7,42)	26.609,84
Lettonia	-	-	10,00	10,28	-	-	-	-	10,00
Lituania	-	-	10,00	11,87	-	-	-	(1,76)	8,24
Messico	0,82	0,76	-	-	-	-	-	-	0,82
Norvegia	-	-	-	-	-	-	-	(10,13)	(10,13)
Olanda	0,16	0,17	-	-	-	-	-	-	0,16
Perù	1,00	0,66	-	-	-	-	-	-	1,00
Polonia	-	-	10,00	10,09	-	-	-	(1,90)	8,10
Portogallo	0,18	0,14	215,00	167,53	-	-	-	45,57	260,75
Qatar	-	-	-	-	-	-	-	(1,83)	(1,83)
Regno Unito	0,40	0,50	-	-	-	-	-	-	0,40
Romania	0,27	0,28	10,00	10,18	-	-	-	(5,29)	4,98
Russia	0,06	0,05	-	-	4,48	5,29	4,97	(2,52)	2,02
Spagna	0,01	0,01	220,00	220,41	-	-	-	16,67	236,68
Stati Uniti	1,29	0,97	-	-	-	-	-	-	1,29
Sud Africa	-	-	-	-	-	-	-	(2,04)	(2,04)
Turchia	0,34	0,40	10,00	10,41	-	-	-	7,86	18,20
Ukraina	0,35	0,26	-	-	-	-	-	15,40	15,75
Ungheria	13,00	14,35	10,00	10,23	5,00	5,02	5,09	(2,04)	25,96
Venezuela	3,48	3,19	-	-	-	-	-	-	3,48
TOTALE	**5.677,93**	**5.700,34**	**21.370,20**	**21.425,49**	**183,70**	**184,98**	**215,79**	**(44,66)**	**27.187,17**

These financial instruments were measured according to the standards applicable to the category they belong to. In particular, securities and derivatives classified as "Available-For-Sale financial assets - AFS" and "Held-For-Trading financial assets - HFT" were measured at the fair value of the consideration receivable as at 30 June 2011.

With regard to the financial crisis that has recently struck Greece, it is noted that the Group's exposure to Greek debt was assessed on the basis of the EU action plan set out in July last year. In particular, mention should be made of the definition of a plan to swap or roll over existing Greek government bonds maturing by 2020 with new 15- and 30-year maturity Greek government bonds. Additionally, four options of private sector intervention have been included in the plan, offering a package of instruments with different maturities, rates and guarantees for new bonds. It is estimated that these actions will cause a 21 percent NPV loss on creditors' bond holdings.

In the wake of these action plans and NPV loss estimates, a EUR 7.4 mln impairment loss was taken on the only type of bond held and classified under "Loans and Receivables".

Consolidated P&L impact after tax was approximately EUR 5 mln.

D.CREDIT RISK MEASUREMENT MODELS

Credit risk is analysed using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss and 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).

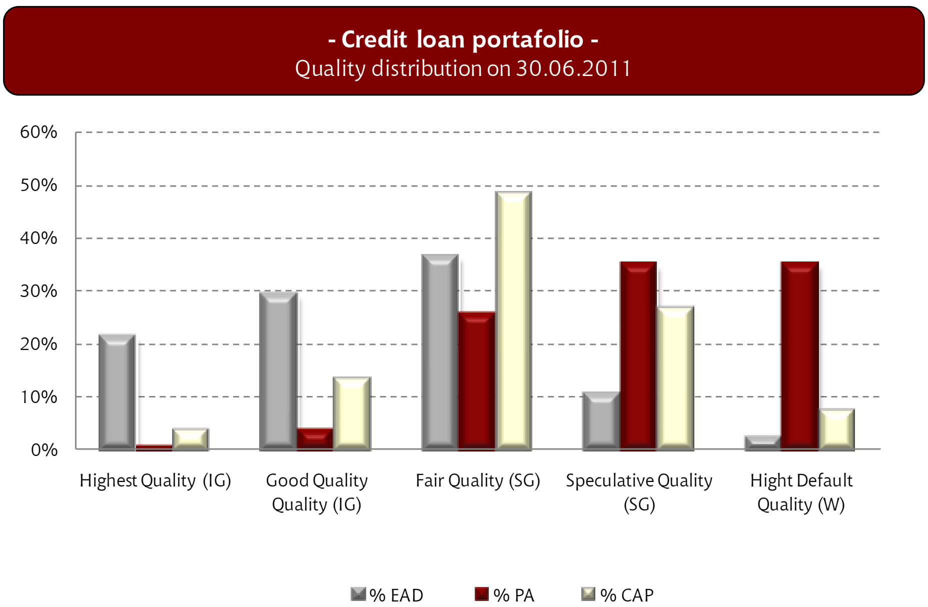
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined 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.

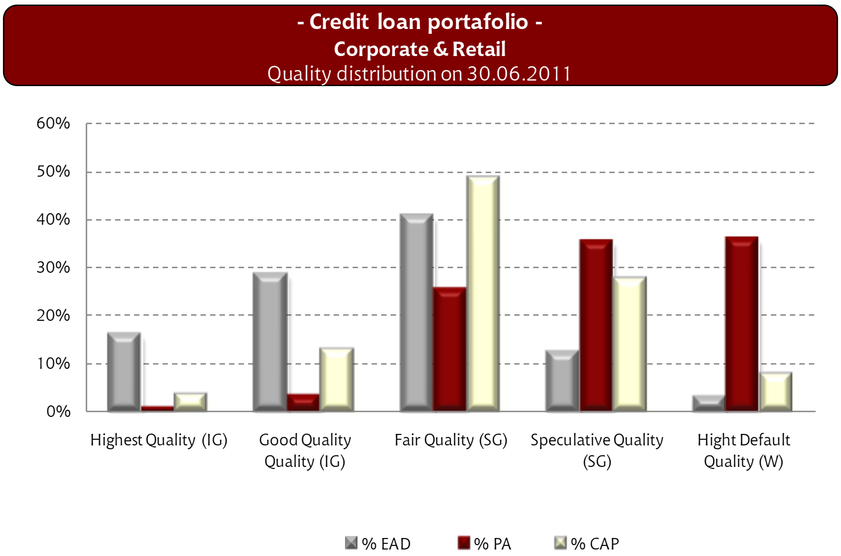
The model evidences the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographic area, economic sector, rating class and continental area. Other information derived from the Credit Portfolio Model concerns "what-if" analyses 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 if the underlying (discretionary or trend-based) assumptions prove to be true.

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.

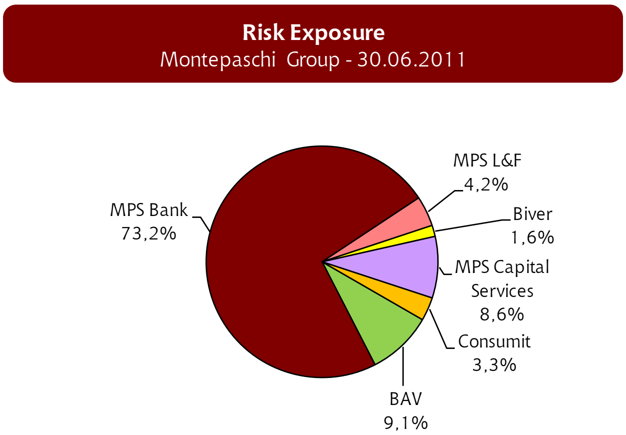
The chart below provides a distribution of the credit quality of the Montepaschi Group portfolio as at 30 June 2011 (excluding financial asset positions). The description below shows that about 51% of risk exposure is to high and good quality customers. It should be noted that the ranking below also 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.



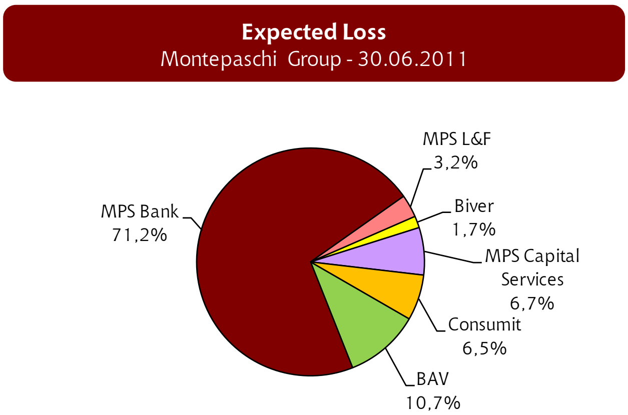
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). It should be noted that as at 30 June 2011, exposure of a high or good quality accounted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



The following chart shows that the three retail banks (Banca MPS, Banca Antonveneta and BiverBanca) contribute 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%.

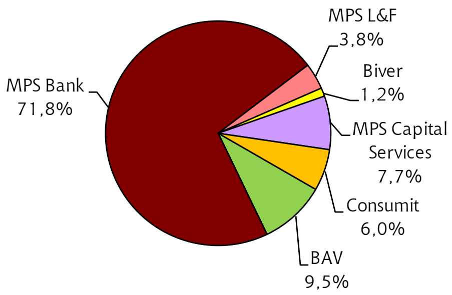


With regard to risk measures, the highest percentage of Expected Loss is attributable to the Parent Bank at 71.2% followed by Banca Antonveneta with 10.7% and MPS Capital Services and Consum.it (6.7% and 6.5% respectively), with the remainder (4.9%) assigned to cover the risks of MPS L&F and BiverBanca.



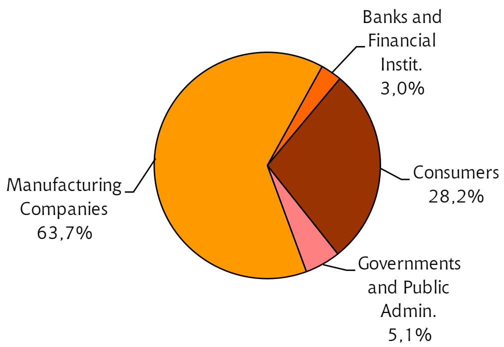
Most of the overall amount of Economic Capital to cover credit risk is absorbed by the Parent Bank (about 71.8%), followed by Banca Antonveneta and MPS Capital Services (9.5% and 7.7% respectively) with the remaining 11% absorbed by the other legal entities.

Economic Capital
Montepaschi Group - 30.06.2011



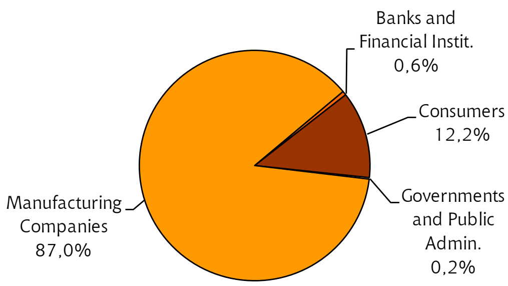
An analysis conducted at the end of 2011 shows that the risk exposure of the Montepaschi Group is mainly toward “Manufacturing Companies” (63.7% of total loans disbursed) and “Households” (28.2%). The remaining portion is broken down between "Government and Public Administration", which makes up 5.1% and "Banks and Financial Institutions" for 3%.

Risk Exposure
Montepaschi Group - 30.06.2011

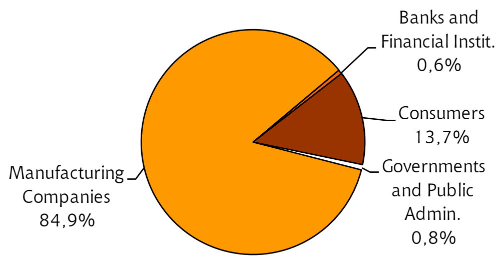


In terms of risk measures, it should be noted that Manufacturing Companies account for 87% of the Expected Loss and 84.9% of the Economic Capital. The portion for “Households” comes to 12.2% for Expected Loss and 13.7% for Economic Capital.

Expected Loss
Montepaschi Group - 30.06.2011

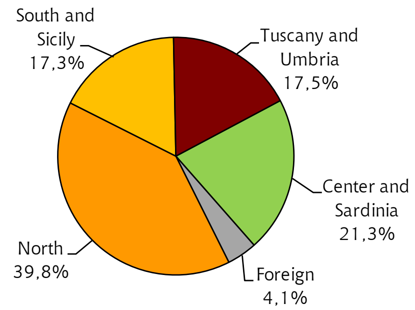


Economic Capital
Montepaschi Group - 30.06.2011



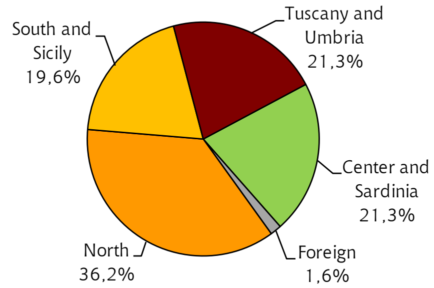
An analysis of the geographic breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Northern regions (39.8%) followed by Central Italy and Sardinia (21.3%), Tuscany and Umbria (17.5%), Southern Italy and Sicily (17.3%). The remainder (4.1%) is from abroad.

Risk Exposure
Montepaschi Group - 30.06.2011



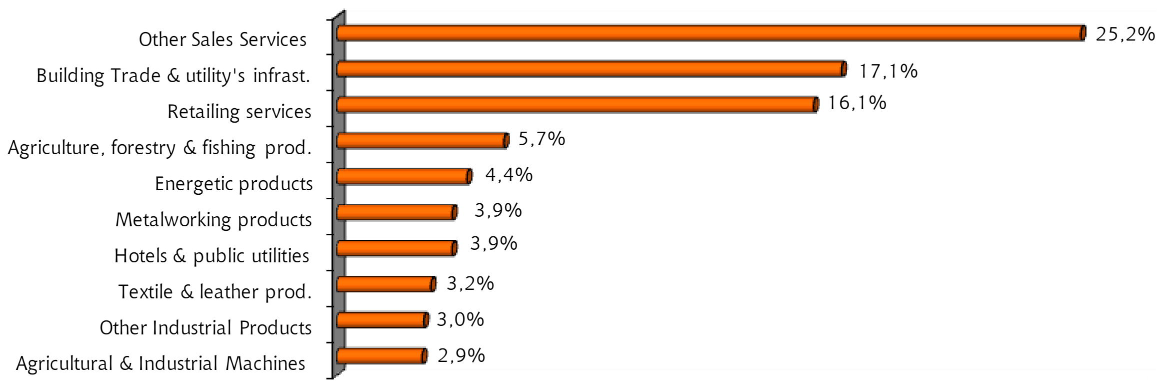
Overall risk measures (expected loss + economic capital) are also higher (36.2%) in northern Italy due to the greater concentration of loans in that area. Next in the ranking are Tuscany and Umbria, Central Italy and Sardinia (both 21.3%), Southern Italy and Sicily (19.6%), while the remaining 1.6% comes from foreign customers.

Expected Loss + Economic Capital
Montepaschi Group - 30.06.2011



Lastly, a breakdown of exposure of the top 10 business sectors, based on the Bank of Italy ranking – which account for 83% of overall lending to corporate customers – shows that "Other Sale Services", "Trade Services" and "Building and Public Works" absorb most risk measures (25.2%, 17.1% and 16.1%, respectively) and together account for 58.4% of total risk measures. These are followed by "Agricultural products, forestry and fishing", "Energy products", and "Metal products" which together account for 14% of total Expected Loss and Economic Capital.

% Risk measures (Expected Loss + Economic Capital)
Corporate Portfolio - 30.06.2011



Section 2 – Market Risks

2.1 Interest Rate and Price Risk – Regulatory Trading Book

Market Risks affecting the Trading Book

Market Risk Management Model for the Trading Book

The Montepaschi Group's Regulatory Trading Portfolio (RTP), or Trading Book, is made up of all the Regulatory Trading Portfolios managed by the Parent Bank (BMPS), MPS Capital Services (MPSCS) and, to a smaller extent, by BiverBanca and the Irish subsidiary Monte Paschi Ireland. The addition of Banca Antonveneta to the Group in 2008 had no effect on this area since the management approach in use called for centralising all market risks at BMPS and MPSCS. The portfolios of the other retail subsidiaries are immune to market risk since they only contain their own bonds held to service *retail* customers. Operations involving derivatives, which are brokered in favour of the same customers, also call for risk to be centralised at -and managed by- MPSCS.

The market risks of the *trading book* of both the Parent Company and the other Group entities (which are relevant as independent *market risk taking centres*), are monitored in terms of Value-at-Risk (VaR) for operational purposes. The Group's Finance Committee is responsible for directing and coordinating the overall process of managing the Group's proprietary finance thereby ensuring that the management strategies of the various business units are consistent.
The Montepaschi Group Trading Book is subject to daily monitoring and reporting by the Risk Management Area of the Parent Company on the basis of proprietary systems. VaR for management purposes is calculated separately from the operating units, using the internal model of risk measurement implemented by the Risk Management Unit in keeping with international principles of *best practice*. However, the Group uses the standardised methodology in the area of market risks solely for reporting purposes.

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

VaR is calculated with a 99% confidence interval and a holding period of 1 business day. The Group adopts the method of historical simulation with daily full revaluation of all basic positions, out of 500 historical entries of risk factors (lookback period) with daily scrolling. The VaR calculated in this manner takes account of all diversification effects of risk factors, portfolios and types of instruments traded. It is not necessary to assume, a priori, any functional form in the distribution of asset returns, and the correlations of different financial instruments are implicitly captured by the VaR model on the basis of the combined time trend of risk factors. The daily management reporting flow on market risks is periodically transmitted to the Risk Committee, the Chairman and the Board of Directors of the Parent Company within the Risk Management Report, which keeps Top Management and other senior management areas up to date on the overall risk profile of the Montepaschi Group.

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

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

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

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

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

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

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

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

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

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

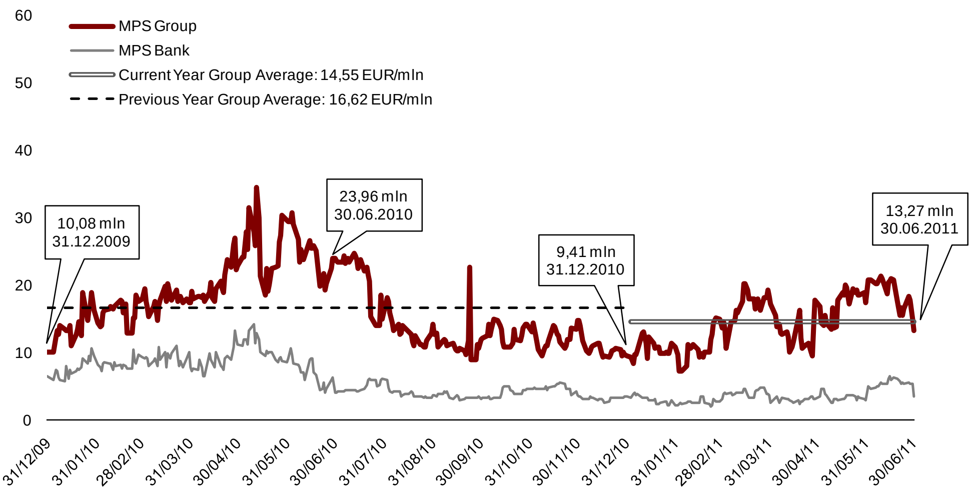
Trend-based scenarios are defined on the basis of real situations of market disruption previously recorded. Such scenarios are identified based on a timeframe in which risk factors were subjected to stress. No particular scenarios are required with regard to the correlation among risk factors since trend-based data for the period identified is used.

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

***

In the first half of 2011, market risk in the Regulatory Trading Book showed an overall upturn in terms of VaR and stood at EUR 13.27 mln as at the end of June 2011, up EUR 4 mln on the end of 2010, primarily on account of MPSCS trading activities. In the first half of 2011, the average Group VaR came to EUR 14.55 mln, a level below the 2010 average (EUR 16.62 mln). VaR fluctuations in the six month period can be traced back to trading in Interest Rate derivatives (futures and bond futures options), bonds (short-term Italian government bonds) and Equity derivatives (futures e options on major market indices), primarily by subsidiary MPSCS.

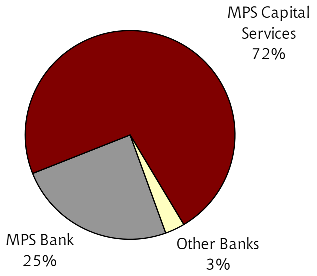
MPS Group: Trading Book
- VaR 99% 1 day in EUR/mln -



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

MPS Group VaR
Trading Book

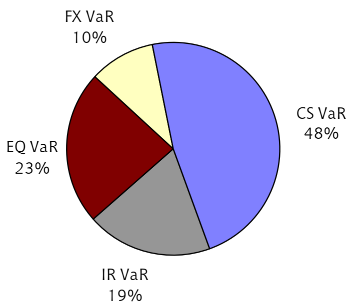
VaR Breakdown per Bank: 30.06.2011



As at the end of June 2010, MPSCS accounted for 72% of overall risk, the Parent Company contributed approx. 25% while the remaining 3% was attributable to the other banks.

MPS Group VaR
Trading Book

VaR Breakdown per Risk Factor: 30.06.2011



A breakdown of VaR by risk factors as at 30-06-2011 shows that 48% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 23% was absorbed by equity risk factors (EQ VaR), 19% was absorbed by interest rate risk factors (IR VaR) and the remaining 10% by foreign exchange risk factors (FX VaR).

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

	VaR	Date
End of Period	13,27	30/06/2011
Min	7,19	03/02/2011
Max	21,42	09/06/2011
Average	14,55	

During the first six months of the year, the Group's VaR ranged between a low of EUR 7.19 mln recorded on 3 February and a high of EUR 21.42 mln on 9 June. The Group's average VaR for the first half of 2011 was EUR 14.55 mln.

Qualitative Information

A. General Aspects

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

A.1 Interest Rate Risk

With reference specifically to the Parent Bank, the Finance division and Treasury & Capital Management Area are the Business Areas in charge of trading. The Global Markets Area carries out trading activities for MPSCS.

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

The management of interest rate risk in the Trading Book is supplemented by the activity of the Centralised Treasury Unit of the Treasury and Capital Management Area, which operates in the short-term portion of the main interest rate curves, mostly through bonds and listed derivatives.

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

A.2 Price Risk

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

B. Interest Rate and Price Risk: Operational Procedures and Measurement Methods

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

Quantitative Information

1. Regulatory Trading Book: Breakdown of Balance Sheet Assets/Liabilities and Financial Derivatives by Residual Life (Repricing Date)

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

2. Regulatory Trading Book: Breakdown of Exposures in Equity Instruments and Stock Indices by Major Countries of the Listing Market

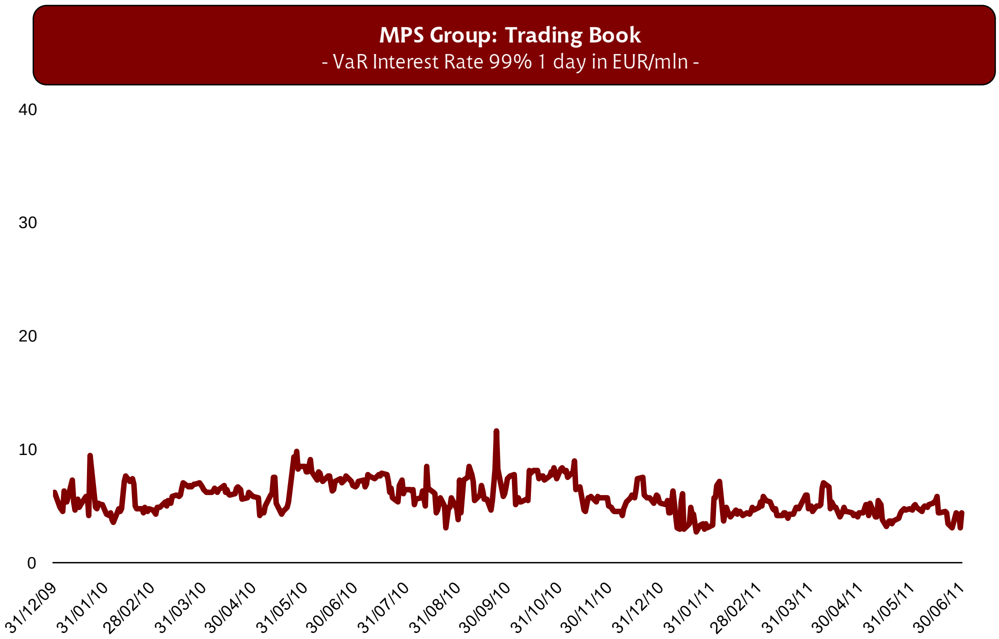
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

3. Regulatory Trading Book: Internal Models and other Methodologies for Sensitivity Analysis

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

3.1 Interest rate risk

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



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

	VaR	Date
End of Period	4,40	30/06/2011
Min	2,69	21/01/2011
Max	7,17	04/02/2011
Average	4,54	

Simulations include four interest rate risk scenarios:

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

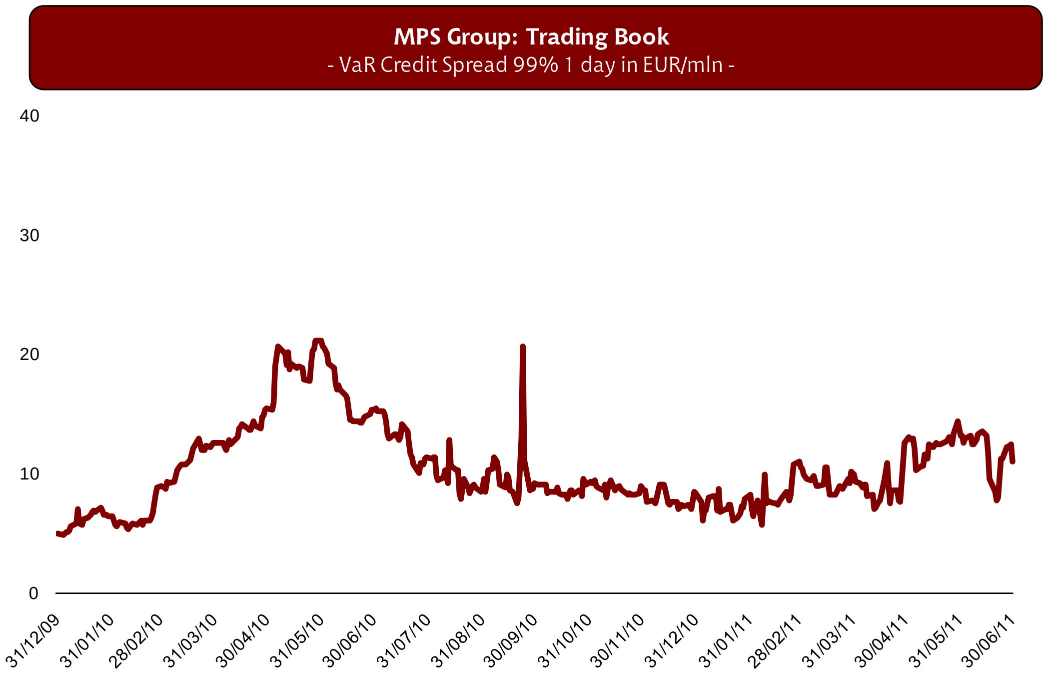
All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	-17,00
Interest Rate	-100bp all Interest Rate Curves	15,52
Interest Rate	+1% all Interest Rate Volatility	-0,38

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



MPS Group: Trading Book

VaR Credit Spread 99% 1 day in EUR/mln

	VaR	Date
End of Period	10,97	30/06/2011
Min	5,64	07/02/2011
Max	14,38	30/05/2011
Average	9,62	

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

- +1 bp parallel shift for all credit spreads.

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

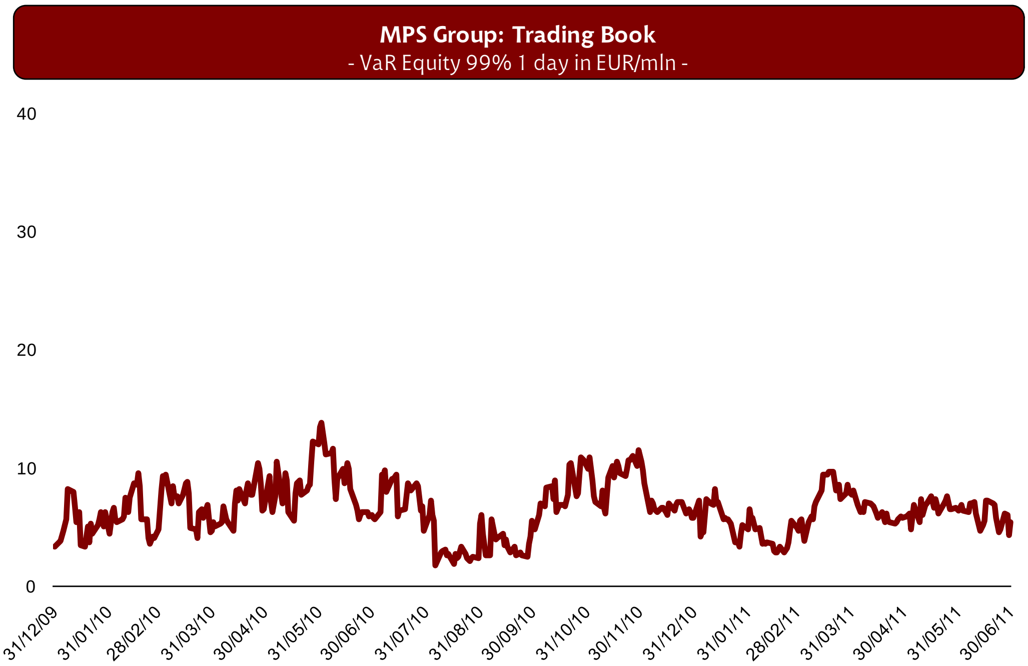
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	-1,04

3.2 Price Risk

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



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

	VaR	Date
End of Period	5,38	30/06/2011
Min	2,78	17/02/2011
Max	9,61	18/03/2011
Average	6,02	

There are three simulated price scenarios:

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

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

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	1,76
Equity	-1% Equity Prices (prices, indices, basket)	-1,42
Equity	+1% Equity Volatility	-0,54

2.2 Interest Rate Risk and Price Risk for the Banking Book

Qualitative Information

A. General Aspects, Management Procedures and Measurement Methods for Interest Rate Risk and Price Risk

A.1 Interest Rate Risk

In accordance with international best practices, the Banking Book refers to all of the commercial operations of the Bank in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches and hedging derivatives of reference. The definition of the scope of the Banking Book (in line with that for the regulatory book) and the ALM centralisation process are contained in a resolution by the Board of Directors of the Parent Bank - approved in September 2007 and updated in October 2009 - to adjust the overall framework to the changed corporate structure and develop the approach in compliance with the guidelines set forth in the regulatory provisions (Bank of Italy Circ. 263). The resolution sets the rules for the centralisation of Asset & Liability Management under the parent company's Treasury and Capital Management Area and the definition and monitoring of operating limits against interest rate risk in the Montepaschi Group's Banking Book.

The operational and strategic choices for the Banking Book, adopted by the Finance Committee and monitored by the Risk Committee of the Parent Company, are based first on exposure to interest rate risk for a variation in the economic value of the assets and liabilities of the Banking Book by applying a parallel shift of 25bp, 100bp and 200bp, the latter in accordance with the requirements set out in the "second pillar" of Basel 2.

The risk measurements of the retail banks in the Montepaschi Group are prepared by using, among other things, a model for the valuation of demand items or core deposits, whose characteristics of stability and partial insensitivity to interest rate changes are described in the systems with a statistical/predictive model (replicating portfolio), which takes into consideration a significant time series of past customer behaviours. In addition, the Montepaschi Group's ALM model includes, within rate risk measurements, a behavioural model which takes into account the aspect of mortgage prepayment (so-called prepayment risk). Loan prepayment rates and, in particular, home mortgage prepayment rates have become potentially more unstable due to a series of concomitant factors, such as the greater volatility of the rate curve due to the recent crisis.

The Montepaschi Group is committed to the continual updating of risk measurement methodologies by gradually fine-tuning the estimation models so as to include all major factors that progressively modify the interest rate risk profile of the banking book. Notably, significant developments in the risk profile characteristics can be observed at this stage owing to recent regulatory changes, number of contractual options, operating practices adopted and changes in behavioural patterns, all of which make the risk profile more dependent on market performance and especially interest rates and their volatility. In the first half of 2011, the Group carefully monitored the various cases, particularly in relation to products with contractual options such as capped mortgages.

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

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

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

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

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

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

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

Specifically, within this Area, the Centralised Treasury Service manages the short-term rate risk and liquidity risk for the Group. In particular, the Group Balance Sheet Management Service manages structural rate risk and maturity transformation risk (structural liquidity) for the Group. In addition, the Area carries out hedge monitoring and management activities consistent with accounting policies, involving individual oversight for definition of the internal rates of the "network" (BMPS and other Group companies) for Euro and foreign currency transactions with maturities beyond the short term, proposing economic terms and conditions for accessing funds by Group companies to the Finance Committee. It also manages the Group's funding needs, proposing new bond issues and centralising the administrative tasks for Group bond issues.

The Montepaschi Group, and within it therefore Banca MPS, manages interest rate risk by portfolio. Hedging derivatives are underwritten within the Group with MPSCS, which in turn manages the overall exposure to the market by aggregation. This approach, however, does not provide for a direct relationship to be maintained between the underwritten derivative of each individual Group company and the market.

Such management can be faithfully represented by the adoption of the Fair Value Option (introduced by the new international accounting standards – IAS 39) designating a group of financial assets or of financial liabilities at fair value which have an impact on the profit and loss statement. This approach is adopted by Banca MPS for the financial liabilities hedged at fair-value for standardised portfolios. The Fair Value Option used concerns the accounting mismatch between an item measured at Fair Value and an item measured according to other accounting criteria.

Portfolios and asset classes exist for which the use of the Fair Value Option increases the complexity in the management or in the assessment of the items, in particular for hedging asset items. Should such a case occur, the Montepaschi Group and, by extension Banca MPS, adopts formal IAS-compliant hedging relationships.

In particular, the main types of IAS-compliant hedging are as follows:

- Micro Fair Value Hedge: hedging of non-trading assets (loans/mortgage loans classified as Loans and Receivables) of Banca MPS and its Foreign Branches and the securities portfolio of Banca MPS and its Foreign Branches (classified as Loans and Receivables and Available for Sale, respectively);
- Macro Fair Value Hege: hedging of non-trading assets (loans/mortgage loans classified as Loans and Receivables);
- Micro Cash Flow Hedge: hedging of a limited portion of variable-rate deposits.

A.2 Price Risk

The price risk in the MPS Group's Banking Book is measured in relation to equity positions mostly held for strategic or institutional/instrumental purposes. For such purposes, the portfolio is primarily made up of equity investments, alternative funds (hedge funds), AFS securities and, to a smaller extent, derivatives.

The MPS Group equity investment portfolio includes approximately 300 equity investments in companies outside the Group, with approximately 70% of the amount being concentrated in 8 investments. The unit value of the remaining investments is rather limited (approximately 200 equity investments, in fact, are valued at less than EUR 1 mln, accounting for 2% of the overall portfolio). There are approximately 20 equity investments relative to the portfolio of MPSCS Banca per le Imprese; these account for 3% of the overall value of the portfolio.

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

Quantitative Information

2.2.1 Banking Book: Breakdown of Financial Assets and Liabilities by Residual Life (Repricing Date)

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

2.2.2 Banking Book: Internal Models and other Sensitivity Analysis Methods

2.1 Interest Rate Risk

The sensitivity of the Montepaschi Group, at the end of H1 2011, is indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to - EUR 834 mln (870 EUR/mln for a shift of -100bp) in the first half of the year, down on the end of 2010 as a result of the risk mitigation strategies adopted by the Montepaschi Group. However, if benchmarked against Regulatory Capital, these values are significantly below the level considered as the attention threshold by the Bank of Italy.

2.2 Price Risk

The instrument used to measure the price risk of the equity investments portfolio is Value-at-Risk (VaR), which represents the loss that the portfolio in question, valued at Fair Value, could experience in the timeframe of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (unlike the one used for the Trading Book) is a simulation model based on series of market yields for listed companies and time series of sector-based indices for unlisted ones. It is noted that the portfolio taken into consideration by the analyses includes all the equity investments held by all companies in the Montepaschi Group in external companies, or in companies which do no consolidate either fully or proportionately. The VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 23% of the portfolio Fair Value, with risk concentrated in the 8 most significant investments.

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

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

With reference to the alternative funds component, the internal measurement system uses a measurement based on the regulatory approach for the determination of the Economic Capital.

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

MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	27,77
Equity	-1% Equity Prices (prices, indices, basket)	-27,77
Equity	+1% Equity Volatility	0,00

The impact of the equity investments portfolio on the scenario analysis total is approximately 50%.

2.3 Foreign Exchange Risk

Qualitative Information

A. Exchange Rate Risk: General Information, Operational Procedures and Measurement Methods Hedging of Exchange Rate Risk

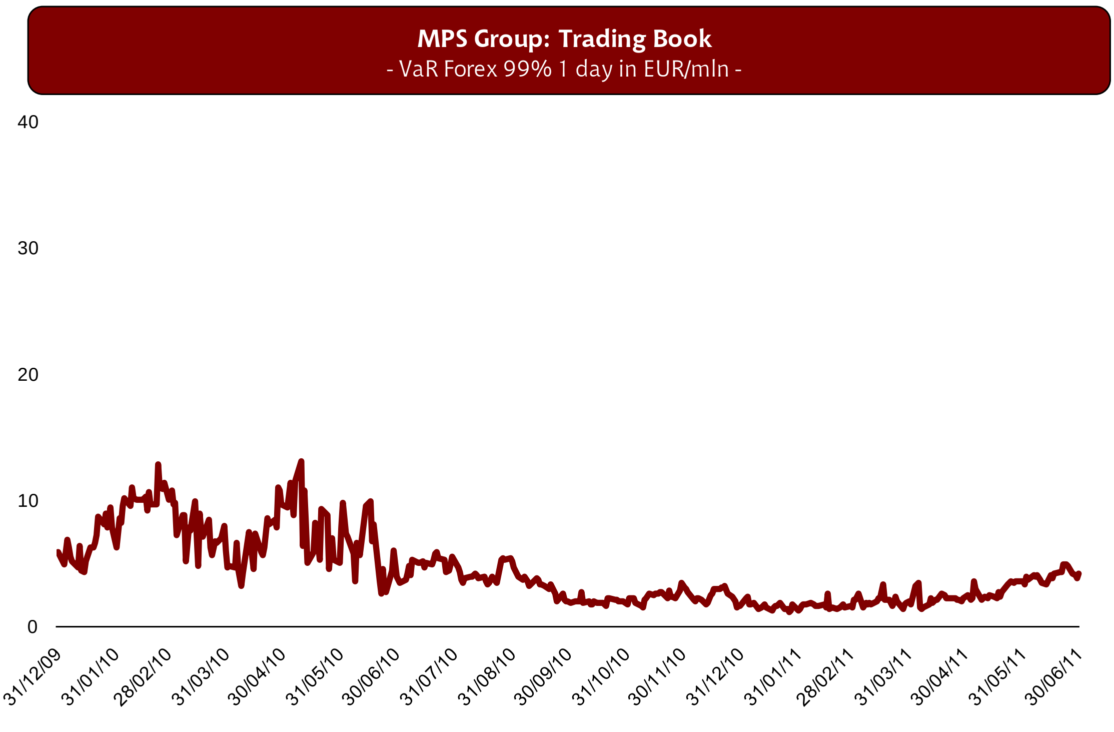
Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the retail banks which automatically feeds into the Group's position.

Trading is mainly carried out by the Centralised Treasury *Service* of the Treasury & Capital Management Area of the Parent Company; trading in the FX options segment is carried out by MPSCS, with active management of foreign exchange risk. The foreign branches of BMPS maintained modest forex positions exclusively originated by funds available for commercial purposes. In terms of risk, the notable turnover on cash and OTC derivatives in the Group's portfolios remained in a straight line with ongoing and careful use of delegated powers. Foreign currency equity investments are typically financed by funds raised, denominated in the same currency, with no foreign exchange risk.

Quantitative Information

2.3.1 Internal Models and other Methodologies for Sensitivity Analysis

Exchange risk is monitored in terms of VaR and scenario analysis (for the methodology see the paragraph "Market Risk Management Model for the Trading Book"). Shown below is the information relative to the Group's diversified Forex VaR.



MPS Group

VaR Forex 99% 1 day in EUR/mln

	VaR	Date
End of Period	4,22	30/06/2011
Min	1,15	26/01/2011
Max	4,86	22/06/2011
Average	2,37	

The following are scenarios simulated in relation to foreign exchange rates:

- +1% for all foreign exchange rates with respect to EUR
- -1% for all foreign exchange rates with respect to EUR
- +1% for all volatility surfaces of all foreign exchange rates

The impact on total banking income and profit/loss for the year was estimated taking account only of HFT positions, which post Market Value changes directly to Profit and Loss. The effect on equity, instead, is estimated with reference to all other positions. The total effect is the result of the algebraic sum of the two components. Below is a summary of the scenario analyses.

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	-1,54	-1,12	**-2,66**
Forex	-1% Exchange rate against EUR	1,54	1,12	**2,65**
Forex	+1% Forex Volatility	0,06	0,00	**0,06**

Section 3 – Liquidity Risk

Qualitative Information

A Liquidity Risk: General Information, Operational Procedures and Measurement Methods

The Group adopts a liquidity risk governance and management system which, in accordance with the provisions of the Supervisory Authority, pursues the following objectives:

- ensure the solvency of the Group and all its subsidiaries, both under the normal course of business and n crisis conditions;
- optimise the cost of funding in relation to current and future market conditions;
- adopt and maintain risk mitigation instruments.

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

- definition of Group policies for liquidity management and liquidity risk control;
- coordination of Group policies' implementation by the companies included in the scope;
- governance of the Group's short-, mid- and long-term liquidity position, both overall and at individual company level, through centralised operational management;
- short- and long-term governance and management of liquidity risk, guaranteeing, as ultimate lender for all subsidiaries, the solvency of the latter.

In its governance function, the Parent Bank therefore defines criteria, policies, responsibilities, processes, limits and instruments for managing liquidity risk, both in business as usual and in liquidity stress and/or crisis conditions, formalising the Group's Liquidity Policy and Liquidity Contingency Plan.

The **Group Companies** included in the scope of application, to the extent that they show a liquidity risk deemed significant, are responsible for abiding by the liquidity policies and limits defined by the Parent Bank and the capital requirements set by the relevant Supervisory Authorities.

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.

The 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.

Section 4 – Operational Risk

Qualitative Information

A. Operational Risk: General Information, Operational Procedures and Measurement Methods

General Information and Framework Structure

By an administrative ruling dated 12 June 2008, the Bank of Italy authorised the Montepaschi Group to use internal models for the determination of capital requirements for credit and operational risks.

The adoption of the advanced model (AMA) calls for a major organisational and cultural mindset change for banks, which are necessarily required to:

1. adopt an internal organisation which defines the roles of the corporate bodies and functions involved in the operational risk management process;
2. establish a control function for data gathering and storing, capital requirement calculation, risk profile assessment and reporting;
3. perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;
4. delegate the internal auditing body to perform periodic audits of the Operational Risk management system;
5. make sure over time that the system is actually made use of in the usual course of business (use test).

For this purpose, the Montepaschi Group has adopted an integrated system for operational risk management, i.e. an internal framework built around a governance model that involves all companies included in the AMA model scope of application. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

The advanced approach is designed to integrate all major qualitative and quantitative (LDA-Scenario mixed model) information sources (information or data).

The quantitative Loss Distribution Approach component is based on the collection, analysis and statistical modelling of internal and external time series of loss data (from the Italian Database of Operational Losses, DIPO).

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of relevant scenarios. In this framework, the companies included in the AMA scope area are involved in the identification of the processes and risks to be assessed; assessment of risks by process managers in charge; identification of possible mitigation plans; discussion of priorities and technical-economic feasibility of mitigating actions during scenario-sharing sessions with Head Office functions.

Next is a phase for monitoring progress on the implementation of actions scheduled and compliance with objectives and deadlines.

The Framework identifies Group Operational Risk Management (ORM) as the operational risk control function (within Parent Bank Risk Management).

The Parent Bank's ORM calculates the capital required to hedge operational risks by the use of different components of the model (internal data, external data, contextual and control factors, qualitative analyses), supports decision-making by Top Management from the standpoint of creating value by containment, mitigation and transfer of the risks detected, and as it does for other companies included in the scope, it gathers internal loss data and identifies the risks to be evaluated in qualitative analyses.

ORM has also set up a reporting system which ensures timely information on operational risks for Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are submitted regularly to the Risk Committee.

Over time, the adoption of the AMA model has ensured better-informed management of operational risk, guaranteeing a material progressive reduction of the Company's operational risk.

The first half of 2011 saw completion of the initiatives put in place to extend the advanced model for operational risk measurement and management to Biverbanca, the possible adoption of which by the Montepaschi Group is pending formal approval by the Bank of Italy.

Quantitative Information

The percentage breakdown of operational losses, accounted for in 2010, is reported below, divided into the following risk classes:

Internal Fraud: Losses arising from unauthorised activities, fraud, embezzlement or violation of laws, regulations or corporate directives that involve at least one internal resource of the Group;

External Fraud: Losses due to fraud, embezzlement or violation of laws by subjects external to the Group;

Employment Relationships and Occupational Safety: Losses arising from actions in breach of employment, occupational health and safety laws and agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;

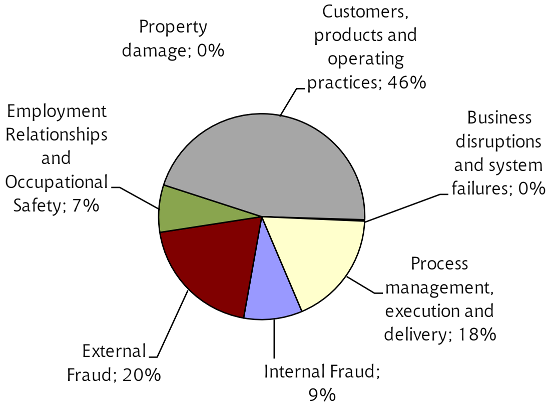
Customers, products and operating practices: Losses arising from non-fulfilment of professional obligations with customers or from the nature and characteristics of the product or service provided;

Property damage: Losses arising from external events, including natural disasters, acts of terrorism or vandalism;

Business disruptions and system failures: Losses due to business disruption or system failures or interruption;

Process management, execution and delivery: Losses arising from operational and process management shortfalls, as well from transactions with business counterparties, vendors and suppliers.

Breakdown of Events
Montepaschi Group - 30.06.2011



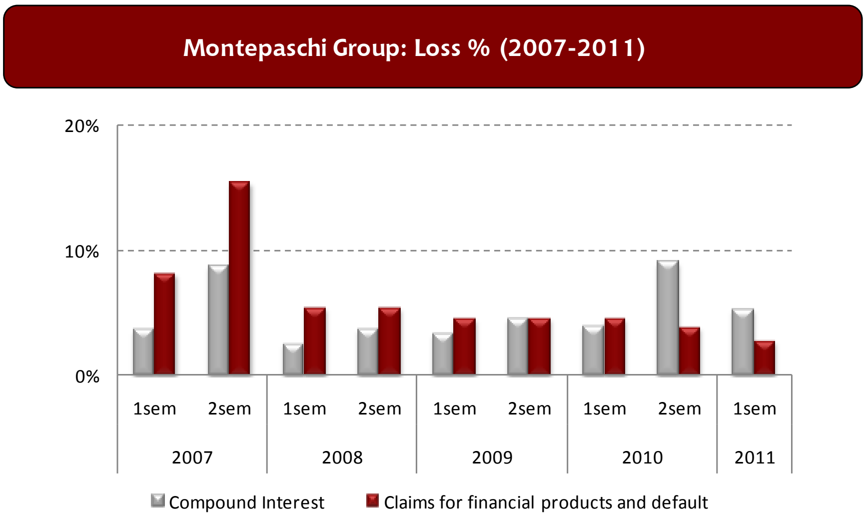
The graph above reports losses accounted for and new provisions taken in the first half of 2011. With respect to the same period in 2010, a noticeable decrease was recorded both in the number of operational risk events and in the extent of losses incurred, confirming the positive trend already observed in previous years.

The types of events with the greatest impact on the profit and loss statementare those attributable to "non-fulfilment of professional obligations with customers", which accounts for 46% of the entire amount of losses, external fraud (20% of total) and process management, execution and delivery (18% of total). With regard to "Process management, execution and delivery", the figure is affected by the filing of some legal actions for a considerable amount.

With respect to "Non-fulfilment of professional obligations with customers", the risk is primarily associated with consumer litigation on the following issues:

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

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 2011 financial year. 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 first half of 2011 as a percentage of the total number.



With regard to "External Fraud", which accounts for 20% of the total, mitigation activities continued, aimed at containing credit fraud, which has taken on a significant weight even at Banking system level. Among these, the following are noted: review of the third-party intermediary agreement process, centralisation of selection and control activities and development of IT management and monitoring systems. These activities will also allow effective control of the quality of credit disbursed through this channel.

Main Types of Legal Action

The suits brought against Banca Monte Paschi can, for the most part, be grouped into sub-categories, individually characterised by a common denominator consisting in alleged vulnerabilities in products, operations, services or relationships for which or in which the Bank acted as a disbursement or placement entity.

The main sub-categories (in order of relevance) refer to claims regarding:

1. compound interest;
2. placement of bonds issued by countries or companies later in default;
3. placement of financial plans;

These three subcategories account for the largest share of total loss from legal actions. In dealing with these cases, the Group continues to be pursuing dispute settlement solutions.

Major Pending Cases

Civil lawsuit brought before the Court of Florence

The lawsuit concerns a claim for compensation for alleged damages due to contractual liability brought by the plaintiff against the Bank jointly with other credit institutions.

Civil lawsuit brought before the Court of Salerno

This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register.

Civil Lawsuit brought before the Court of Milan

This lawsuit, where BMPS is sued together with other persons assumed to be jointly liable for the damage caused by participation in a turnaround plan, ensues from a lawsuit brought against a defendant in bankruptcy proceedings involving companies in which today's plaintiff used to be a member of the Board of Directors.

Civil Lawsuit brought before the Court of Turin.

The case involves a dispute relative to inclusion in the register of protested bills and the resulting claim for damages. The Court of Turin rejected the claim, ordering the plaintiffs to pay the defendant Group court costs. Likewise, the appeal filed by the opposing party was denied, ordering it to pay costs. The case is currently pending before the Court of Cassation.

Actions brought by Trustees in Bankruptcy of Plaintiff Companies.

In 1999, the Trustee of the plaintiff companies in question brought several cases against both B.N.A. (later Antonveneta, now BMPS), and against BMPS, aimed at obtaining compensation for damages due to the alleged wrongful granting of credit, quantified in an amount equal to the non-bank receivables included in liabilities in the bankruptcy proceedings. These claims were rejected due to the trustee's lack of legal standing, i.e. the proceedings ascertained his waiver of continuing with the action. At the same time, the Trustee of the same companies also filed clawback actions pursuant to Art. 67 II Bankruptcy Act concerning remittances for settlement. These disputes underwent complicated proceedings in relation to some pre-trial matters and are currently at different stages of development. In particular, to date, the cases relative to the positions against B.N.A., after the respective decisions by the Court of Cassation, are being resumed before the Court of Appeal of Bari, while the position against BMPS is still pending a decision by the Supreme Court.

Civil Lawsuit brought before the Court of Reggio Emilia.

This lawsuit sees BMPS sued together with other parties by multiple plaintiffs.

The plaintiff companies and their directors took legal action to obtain compensation for damages allegedly due to the irregular and wrongful management of the application for credit they submitted to the Bank, which is assumed to have caused the companies' insolvency.

Civil Lawsuit brought before the Court of Pescara.

This lawsuit sees BMPS and the banking industry sued together with other parties by multiple plaintiffs to obtain compensation for damages ensuing from the alleged misbehaviour of the Bank, which is assumed to have favoured certain guarantee-pledging shareholders to the detriment of others.

Civil Lawsuit brought before the Court of Rome.

This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of foreign-currency advanced receivables transactions.

Action for Liability against the former Directors and Statutory Auditors of a Credit Institution merged by BMPS.

This case formerly brought by the plaintiff and then continued by BMPS as the merging bank, refers to an action for liability against former directors and statutory auditors of the plaintiff bank. A settlement agreement was reached with some of the appearing parties. The Court then ruled that the proceedings should continue against the remaining parties.

Pending Cases regarding the Application of Anti-Money Laundering Provisions

Some administrative proceedings concerning the application of anti-money laundering regulations are still pending.

Financial Risks inherent in Investment Services

Wealth Risk Management Process and Methods

The term "investment services" refers to operations with customers in the area of placement services; order execution, receipt and transmission; proprietary trading; portfolio management; investment advice.

The risks associated with this type of operations are directly or indirectly reflective of the risks incurred by customers. Controlling these risks is the main way to prevent the occurrence of potential operational and/or reputational risks (identifiable in the deterioration of the relationship of trust between Bank and customers), which, in turn, may have repercussions on regulatory capital or consumption of economic capital.

The control of risk inherent in investment services is particularly aimed at achieving the twofold objective of protecting customers and preventing any potential repercussions on the Group in terms of operational and reputational risk.

Organisationally, the Montepaschi Group opted for a centralised model which identifies under "wealth risk management" the overall set of operational and management processes as well as the measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and their return expectations on the one hand, and the risk inherent in investment services/products offered to -or in any case held by- customers on the other.

Within the Parent Bank, the organisational responsibility for overseeing Group-wide measurement, monitoring and control activities relative to the financial risks inherent in investment services/products is an integral part of the scope of responsibility of Group integrated Risk Management. This is to ensure single governance of the direct and indirect risks which the Group incurs during the course of its operations. Within the Risk Management Area, this task is allocated to the Wealth Risk Management service.

All investment products (both Group and third-party), included in the catalogue of products offered to Group customers are subject, within a codified production-distribution supply-chain management process, to a specific multivariate quali-quantitative risk assessment, including, market, credit and liquidity risk factors. The same quantitative evaluation is also made for financial instruments purchased directly by customers and managed in portfolios under custody.

The risk assessments are pegged to specific risk classes identified with explanatory keys, which are available to customers within information brochures regarding securities being placed and which therefore represent one of the guiding criteria on the basis of which the verifications of appropriateness and compliance provided for by the European MiFID regulations and by Consob Regulation 16190 are made. The same quantitative assessment is also made for financial instruments purchased directly by customers and managed in portfolios under custody. Group customers are regularly informed of changes in the risk of the financial instruments held, so as to ensure timely informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of the investments held.

The activities described cover the entire scope of the MPS Group, (Banca MPS, Banca Antonveneta and Biverbanca, in addition to MPSCS for the role it plays in the supply-chain process).

The Wealth Risk Management function also monitors the list of highest-risk issuers/entities (so called Money Laundering List or MLR) with the objective of identifying companies undergoing a temporary critical phase, associated primarily with specific macroeconomic, corporate and/or sector-related situations or by a lack of sufficient market information. Inclusion in the MLR list makes the financial instruments issued by these issuers/entities impossible to be offered on an advisory basis and inappropriate in terms of suitability.

Customer Risk Profile: Suitability and Risk of Investment Products

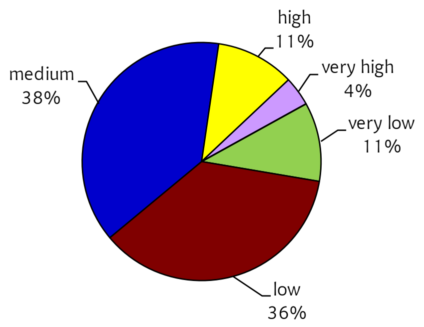
The wealth risk management function is mandated to set out and monitor role descriptions concerning appropriateness and suitability analyses for trading in individual financial instruments and investment portfolios through the "advanced" advice platform.

In particular, the wealth management function supervises both the operating practices used to measure the information collected through the MiFID questionnaire from the customer account (i.e. customer's knowledge and expertise, investment objectives, time horizon and financial situation) against the risk of the product/portfolio the customer is purchasing, in order to determine the suitability of transactions.

The Group's strategic choice was to combine advisory with the placement of financial products so as to ensure the highest level of protection for the investor and, at the same time, enrich the role played by relationship managers. Two types of advisory service are offered by the Bank: 'transactional advisory' aimed at verifying the adequacy of individual investment transactions and 'advanced portfolio advisory' aimed at verifying the adequacy of a set of transactions making up the investment portfolio of a customer.

A breakdown of Group customers by the different risk profiles, as determined on the basis of evidence emerging from questionnaires collected as of the MiFID effective date (2 November 2007) reveals that concentration is more on medium-low risk profiles. In particular, approximately 85% of customers was entered through the questionnaire can be broken down into "minimal", "limited" and "moderate" risk profiles, thus confirming the conservative behaviour of customers in financial investments.

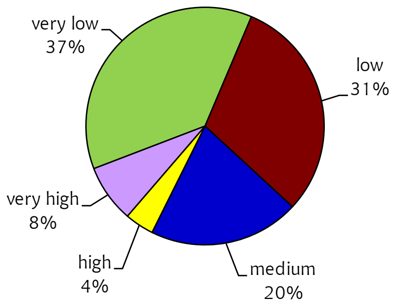
Montepaschi Group Customer's Risk Profile
30.06.2011



In line with the customers' risk profile, Group offerings to customers showed a similar breakdown of products at the end of the six-month period, falling within lower-risk classes.

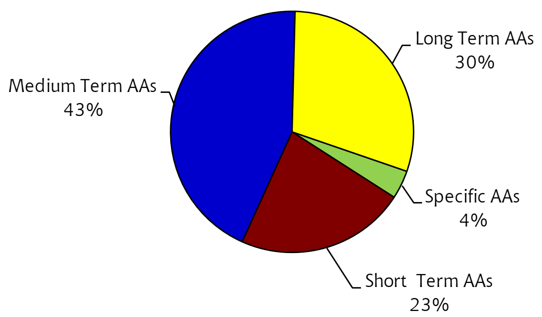
Investment Services / Products Offered to Customers
Montepaschi Group - 30.06.2011

Breakdown by Risk Classes



Similarly, customers holding at least one portfolio who received a formalised advisory proposal, are concentrated primarily in recommended forms of short-medium term Asset Allocation (AA).

Adviced Optimum Asset Allocations
Montepaschi Group - 30.06.2011



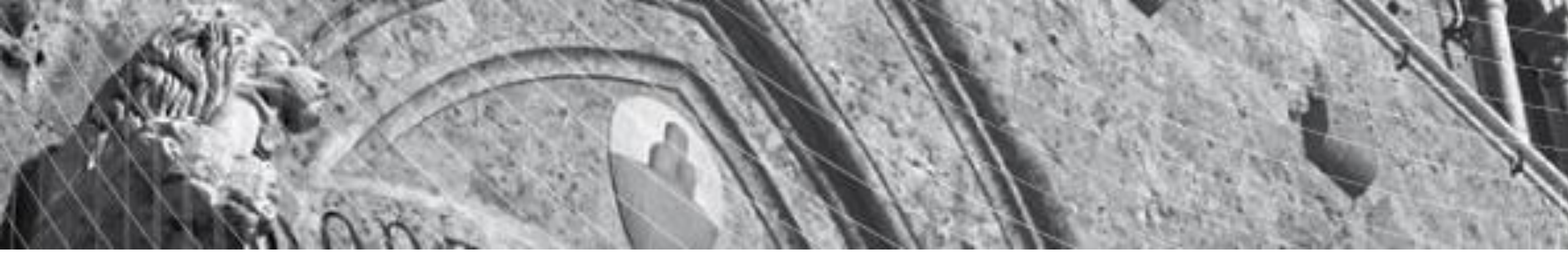
Risks from Tax Disputes

For tax purposes, Monte dei Paschi di Siena falls into the category of “large taxpayers” and is thus subject to more stringent checks by the tax authorities. Against this backdrop, Monte dei Paschi was subjected to audits by the Regional Tax Directorate responsible for some below-described transactions completed in the 2002-2008 period, which resulted in the serving of official tax audit reports in relation to which Monte dei Paschi has received some notifices of assessment.

The notifications were issued to Monte dei Paschi di Siena both individually and in its capacity as the merging company of Banca Toscana, Banca Agricola Mantovana, “old" Banca Antonveneta, Intermonte SIM and other entities which are, or used to be, part of the Group and for which indemnity clauses were entered in the relevant transfer agreements.

In particular, disputed transactions refer to the trading of securities in periods straddling dividend payout dates and repurchase agreements in foreign securities. Specifically, undue tax benefits are claimed, although they were obtained by legitimate application of existing rules and regulations (so-called "abuse of law"). The tax amount claimed in the notices of assessment in relation to trading in securities and repo transactions totals approx. EUR 357 mln, in addition to sanctions for about EUR 575 mln and interest payable. The official tax audit reports not yet leading to notices of assessment refer to similar transactions which are alleged to have resulted in EUR 248 mln worth of tax savings. As compared to the annual report as at 31/12/2010 and quarterly report as at 31/03/2011, a reduction was registered in the amounts claimed in the notices of assessment on the back of a 'self-protecting notice of re-assessment' (it. *atto di autotutela*) served by the Revenue Authority, while at the end of the six-month period new official tax audit reports were notified.

The notices of assessment have been duly appealed. Monte dei Paschi di Siena, corroborated by evidence provided by dependable consultants, believes that the behaviour was correct as to its substance and deems the risk of losing remote. In consideration of the complexity of the subject, providing disclosure of this information was considered appropriate.



Part F – Consolidated Shareholders' Equity

Section 1 - Consolidated Shareholders' Equity

The capital management activity involves all the policies and choices necessary to define the amount of capital and the optimum combination between different alternative capital instruments, so as to ensure that the amount of capital and the correlated ratios are consistent with the risk profile assumed and compliant with regulatory requirements. From this standpoint, group-wide capital management has become increasingly more fundamental and strategic, taking into account that the quality and sizing of capital resources of Group companies are defined within the more general objectives of the Group itself.

The Group is subject to the capital adequacy requirements set out by the Basel Committee according to the rules defined by the Bank of Italy ("New Regulations for the Prudential Supervision of Banks" Circular 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 13th update of Circular No. 155/91). In Circular no. 263, the Bank of Italy underlines that supervisory instructions are primarily for consolidated reports; based on such rules, the ratio between regulatory capital and risk weighted assets must be at least 8% on a consolidated level. Compliance with the requirement on a consolidated basis is verified every three months by the Bank of Italy.

Along with abidance by mandatory minimum capital requirements ("Pillar One"), the regulations require the use of internal methodologies intended for determining the Group's current and future capital adequacy ("Pillar Two"), which thus takes on a more global connotation aimed at the overall verification of capital needs and sources actually available, in line with the Bank's strategic and developmental objectives.

To ensure the ongoing and effective assessment of capital adequacy, the Group's Capital Adequacy function plays a direct role of coordination.

B. Quantitative Information

Shareholders' equity at 30 June 2010 amounted to EUR 17,243.7 mln; for developments with respect to 31 December 2010, please refer to the consolidated statement of changes in shareholders' equity as at 30 June 2011.

B.1 Consolidated Shareholders' Equity: Breakdown by Business Areas

30 06 2011
(in thousands of EUR)

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	4.553.292	319.018	180.366	(499.384)	4.553.292
Share premium	3.951.008	-	127.042	(127.042)	3.951.008
Reserves	6.629.053	239.824	(24.999)	(214.826)	6.629.052
Equity instruments	1.933.402	-	-	-	1.933.402
Treasury shares (-)	(21.070)	-	-	-	(21.070)
Valuation reserves	(66.003)	8.571	7.189	(15.760)	(66.003)
- Financial assets available for sale	45.880	-	-	-	45.880
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(168.730)	-	-	-	(168.730)
- Exchange difference	(5.775)	-	-	-	(5.775)
- Non-current assets held for sale	21	-	-	-	21
- Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
- Share of valuation reserves of equity investments valued at equity	4.685	4.685	-	(4.685)	4.685
- Special revaluation laws	57.916	3.886	7.189	(11.075)	57.916
Profit (loss) for the year - Group and minority interests	264.064	35.884	1.710	(37.594)	264.064
Net equity	**17.243.746**	**603.297**	**291.308**	**(894.606)**	**17.243.745**

Section 2 - Shareholders' Equity and Regulatory Capital Ratios

2.1 The Regulatory Framework - Scope of Application

Regulatory capital is determined based on supervisory instructions issued by the Bank of Italy ("New Regulations for the Prudential Supervision of Banks", update no. 7 of Circular no. 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 13th update of Circular No. 155/91).

The "New Regulations for the Prudential Supervision of Banks" allow banks and banking groups -upon prior authorisation by the Bank of Italy- to determine capital requirements by adopting internal measurement models.

In June 2008, the Montepaschi Group was authorised to use advanced internal rating-based (AIRB) approaches for the determination of capital requirements for credit risk in relation to retail and corporate portfolios and Advanced Measurement Approaches (AMA) for operational risks.

2.2 Regulatory Capital

A. Qualitative Information

The regulatory capital differs from net accounting equity as determined on the basis of IAS/IFRS international accounting principles, since Supervisory regulations are aimed at safeguarding capital quality and reducing potential volatility induced by the application of the IAS/IFRS principles.

The items that make up regulatory capital must therefore be fully available to the Group, so they may be used without limitation to hedge risks and corporate losses. These components need to be stable and their amount is stripped of any tax charges.

Regulatory capital is made up of core capital and supplementary capital. Both core (Tier 1) and supplementary (Tier 2) capital are determined by the algebraic sum of their positive and negative items, upon prior consideration of the so-called "prudential filters". This expression is understood as all those positive and negative items adjusting regulatory capital, introduced by supervisory authorities with the express purpose of reducing potential capital volatility. The deductible items, determined as will be explained below, must be deducted from core and supplementary capital (50% from Tier 1 and 50% from Tier 2).

The following table illustrates the constituents of Tier 1 and Tier 2, with a focus on the Group's most relevant aspects.

With regard to Tier 1, its positive items include paid up capital, share premium, profit and capital reserves, innovative and non-innovative capital instruments and retained earnings; added to these items are the positive prudential filters represented by the issuance of so-called "Tremonti bonds". In fact, the Parent Company has joined the initiative put in place by the Ministry of Economy and Finance, aimed at ensuring an adequate flow of financing to the economy and an adequate level of capitalisation to the banking system. Pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, transposed, as amended, into Law no. 2 of 28 January 2009 ("Legislative Decree No. 185"), on 30 December 2009 the Parent Company issued "Convertible financial instruments" ("Tremonti bonds") subscribed by the Ministry of Economy and Finance (MEF). The process for the issuance of the Tremonti bonds involved the Group in a number of activities aimed at fulfilling the commitments undertaken upon signing of the "Memorandum of understanding." In short, by signing the Memorandum of Understanding the Parent Company undertook to:

- make EUR 10 bln in financial resources available to small- and mid-sized companies over the next three years;
- start up activities in support of small- and mid-sized enterprises and families through specific products (new or existing);
- have a code of ethics governing the compensation of corporate top managers and market traders;
- provide adequate disclosure among its customers of the initiatives undertaken to implement the commitments signed.

The negative items in Tier 1, on the other hand, include treasury shares in the portfolio, intangible assets (including goodwill), any losses posted in previous periods and in the current one, and the negative balance of the reserves for AFS assets. As far as regulatory capital treatment of AFS reserves is concerned, 'early offset' of balances applies, calculated net of tax where applicable, from reserves for debt securities on the one hand and reserves for equity securities and units in UCITS on the other. Each of the two net balances calculated as above is in fact fully deducted, if negative, from Tier 1, whereas it is 50% included, if positive, in Tier 2. This 'asymmetric' treatment was the only approach applicable by Italian banks to AFS reserves until 2009. In 2010, the Bank of Italy with the regulation "Prudential filters for regulatory capital" set forth on 18 May 2010, introduced - in exclusive respect of debt securities issued by EU central governments- the possibility to opt for the alternative approach (so-called 'symmetrical' treatment) provided for by CEBS in its guidelines which includes full neutralisation of AFS reserves for regulatory capital purposes. The possibility for Italian banks to opt for the symmetrical approach entails 'sterilisation' of the impact of negative and positive AFS reserves built up as of 2010 for debt securities issued by EU central governments. The Montepaschi Group opted for 'symmetrical' treatment.

It should be noted that the negative prudential filters related to the MPS Group's Tier 1 include the net accrued capital gain (write-down of liabilities), after tax, relative to hybrid capital instruments and subordinated debt issued by the Group, classified among financial liabilities valued at fair value and accounted for in Tier 2.
Also noteworthy is the fact that, by way of communique no. 0292468/11 of 4 April 2011, the Bank of Italy has made it possible to eliminate the negative prudential filter on 50% of the net savings that had already been fully included in Tier 1 and posted to profit and loss as a result of the accounting treatment of the tax deduction of goodwill pursuant to art. 15 of legislative decree no. 185/2008 ("Urgent measures to support families, labour, employment and enterprises") which was transposed into law no. 2 of 28 January 2009.

The overall Tier 1 capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, the criteria for the determination of which is indicated below:

- equity investments and other items (innovative capital instruments, hybrid equity instruments and subordinate debt) issued by banks and financial corporations not fully or proportionately consolidated are deducted 50% from Tier 1 capital and 50% from Tier 2 capital. The regulations previously in force provided, instead, for deduction of the aggregate from the sum of Tier 1 and Tier 2 capital;
- the use of internal models for the determination of capital requirements in view of credit risks entails allocating to regulatory capital the difference between expected loss and net impairment losses; if expected loss exceeds impairment losses, the difference is deducted 50% from Tier 1 and 50% from Tier 2 capital; if the expected loss is lower than net impairment losses, the difference is included in Tier 2 within the limit of 0.6% of credit risk weighted assets;
- the equity investments held in insurance companies and the subordinate debt issued by such companies are deducted 50 % from Tier 1 and 50% from Tier 2 if they were acquired after 20/07/2006; on the other hand, if they were acquired prior to that date, they continue to be deducted from the sum of core and supplementary capital until 31/12/2012.

As far as supplementary (Tier 2) capital is concerned, the positive items it is made up of include valuation reserves, hybrid capital instruments, subordinated debt and the positive net balance of reserves for AFS assets. Negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserves computed among the positive items of supplementary capital; in fact, these reserves are included up to 50% in supplementary capital.

The overall supplementary capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, determined according to the criteria described above.

As far as prudential filters are concerned, the following is also worth mentioning:

- for hedging transactions, profits and losses not realised on cash flow hedges, recognised in a dedicated equity reserve, are not included in regulatory capital;
- as for fair-value-option liabilities of natural hedges, both capital gains and capital losses recorded in profit and loss and not realised, are fully relevant except for the component arising from changes in creditworthiness;
- the equity investment in Banca d'Italia is not considered for the purpose of quantifying capital. As a consequence, the respective capital gain deriving from valuation at fair value is not computed in the reserves for AFS instruments .

The following tables report the main contractual features of innovative and non-innovative instruments which are included in the computation of Tier 1 capital, together with capital and reserves, as well as the hybrid capital instruments and subordinated debt which are included in Tier 2 capital.

1. Tier 1

The following table reports the main characteristics of the instruments included in Tier 1.

30 06 2011
(in thousands of EUR)

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR/000)
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid)	Euribor 3m + 88 bps.	NO	30/12/03	N.A.	(a)	EUR	700.000.000	318.422
Capital Preferred Securities I^ tranche	Euribor 3m + 375 bps.; as of 21/3/2011 Euribor	YES	21/12/00	N.A.	(b)	EUR	80.000.000	80.000
Capital Preferred Securities II^ tranche	Euribor 3m + 310 bps.; as of 27/9/2011 Euribor	YES	27/06/01	N.A.	(b)	EUR	220.000.000	220.000
Preferred Capital I LLC	7,99% fix as of 7/2/11 Euribor 3m+ 390 bps.	YES	07/02/01	N.A.	(c)	EUR	350.000.000	350.000
"Tremonti bond"	8,50%	YES	30/12/09	N.A.	(d)	EUR	1.900.000.000	1.900.000
Total Preference share and equity instruments (Tier I)								**2.868.422**

a) The non-innovative capital instrument F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid notes) issued by the vehicle "MPS Preferred Capital II LLC", at an original nominal value of € 700 mln, is a perpetual instrument and as such contains no redemption or step-up clauses but is convertible into shares. In September of each year from 2004 through 2009 and at any time as of 1 September 2010, the instruments are convertible upon the investor's initiative.

In addition, an automatic conversion clause is provided for in the event that, after the seventh year from date of issue, the reference price of the ordinary shares should exceed a set amount. Payment is not cumulative and the option of non-payment exists if in the previous financial year the Parent Company did not have any distributable profits and/or did not pay out any dividends to the shareholders. Any unpaid consideration shall be considered as forfeited. The rights of the note holders are guaranteed on a subordinated basis. In the event of liquidation of the Parent Bank, the rights of the investors will be subordinated to all of the Parent Bank's creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Parent Bank's shareholders. In virtue of these characteristics, these instruments are eligible for inclusion in core Tier. Within the overall structure, a limited liability company and a business trust were set up, which have respectively issued convertible preferred and convertible trust securities. The bank has underwritten a subordinated on-lending agreement. The conditions of the on-lending agreement are substantially the same as the conditions of the convertible preferred securities.

During the first half of 2011, following the tender offer launched by Mediobanca on behalf of the issuer, the F.R.E.S.H. notes were down by EUR 152.2 mln, an amount corresponding to the nominal value of subscriptions to the offer.

b) Capital Preferred Securities are unredeemable securities. Only the issuer has the right to full or partial redemption of the notes, and this right may be exercised after 21/03/2011 and 27/09/2011, respectively. As was communicated to the market on 18 January 2011, the Parent Company decided not to exercise this right on the 1st tranche as at 21.03.2011 and increase to 630 bps the spread which was originally set at 562.5 bps.

c) The Preferred Capital Shares I LLC, nominally valued at EUR 350 mln, are unredeemable. As was communicated to the market on 18 January 2011, the Parent Company decided not to exercise the call option on these instruments and increase to 630 bps the spread which was originally set at 390 bps.

d) The "Tremonti Bonds" are "Convertible financial instruments" issued by the Parent Bank pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, transposed, as amended, into Law no. 2 of 28 January 2009 (Law Decree no. 185") on 30 December 2009 and subscribed by the Ministry of Economy and Finance (MEF). Interest is paid annually on the basis of a fixed 8.5% rate until 2012. These instruments are designed to strengthen the Group's regulatory capital position and support economic development with a particular focus on small-medium enterprises.

2. Tier 2

The following tables report the main contractual features of instruments included in the calculation of Tier II capital, with a special focus on hybrid capital instruments and subordinated liabilities.

30 06 2011
(in thousands of EUR)

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR/000)
Subordinate board loan	4,875% fixed rate	NO	31 05 2006	31 05 2016	N.A.	EUR	750.000.000	746.062
Subordinate board loan	5,750% fixed rate	NO	31 05 2006	30 09 2016	N.A.	GBP	200.000.000	294.210
Subordinate board loan	Euribor 6m+2,50%	NO	15 05 2008	15 05 2018	N.A.	EUR	2.160.558.000	2.152.643
Total hybrid instruments (Upper Tier II)								**3.192.915**
Subordinate board loan	CMS Convexity Notes	NO	07 07 2000	07 07 2015	N.A.	EUR	30.000.000	30.000
Subordinate board loan	CMS Volatility Notes	NO	20 07 2000	20 07 2015	N.A.	EUR	25.000.000	25.000
Subordinate board loan	5,6% fisso	NO	09 09 2010	09 09 2020	N.A.	EUR	500.000.000	493.520
Subordinate board loan	Euribor 3m+0,40 % fino al 30/11/2012, poi Euribor 3m+1%	YES	30 11 2005	30 11 2017	30 11 2012	EUR	500.000.000	494.642
Subordinate board loan	Euribor 3m+0,40% fino al 15/01/13, poi Euribor 3m+1%	YES	20 12 2005	15 01 2018	15 01 2013	EUR	150.000.000	143.456
Subordinate board loan	7,44% fixed rate	NO	30 06 2008	30 12 2016	N.A.	EUR	250.000.000	247.855
Subordinate board loan	3m Euribor +0.60% up to 1/11/07; then 3m Euribor +0,90%	YES	01 11 2002	01 11 2012	01 11 2007	EUR	75.000.000	27.450
Subordinate board loan	Euribor 3m+1,40% up to 30/04/2013, then Euribor 3m+2%	YES	30 04 2008	30 04 2018	30 04 2013	EUR	450.000.000	40
ABN AMRO subordinated	Euribor 3m+2,8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	400.000.000	400.000
Subordinate board loan	Euribor 6m +0,33% up to 29/06/2012, then Euribor 6m +0,93%	YES	29 06 2007	29 06 2017	29 06 2012	EUR	50.000.000	0
Subordinate board loan	Euribor 6m +1,10% up to 29/06/2012, then Euribor 6m +0,93%	YES	14 12 2007	14 12 2017	14 12 2012	EUR	50.000.000	5
Subordinate board loan	6,4% up to 31/10/2013, then Euribor 3m +3%	YES	31 10 2008	31 10 2018	31 10 2013	EUR	100.000.000	112.018
Board loan	7% fixed rate	NO	04 03 2009	04 03 2019	N.A.	EUR	500.000.000	500.000
Board loan	5% fixed rate	NO	21 04 2010	21 04 2020	N.A.	EUR	500.000.000	496.629
Board loan	floating rate	NO	30 09 2003	30 09 2013	30 09 2008	EUR	7.000.000	4.200
Board loan	Euribor 3m+2,8%	NO	07 12 2005	07 12 2015	N.A.	EUR	7.801.500	6.244
Board loan	Euribor 6m+0,60%	YES	15/04/08	18/04/18	15/04/13	EUR	3.900.750	2.139
Board loan	Euribor 6m+0,60%	YES	18/04/08	18/04/18	18/04/13	EUR	11.702.250	2.830
Total hybrid instruments (Upper Tier II)								**2.986.028**
Total								**6.178.943**

3. Tier 3

At 30 June 2011, there were no subordinate Tier 3 securities.

B. Quantitative Information

(in thousands of EUR)

	30 06 2011	31 12 2010
A. Tier I before prudential filters	**8.459.128**	**8.558.137**
B. Tier I prudential filters	1.907.169	1.444.962
B1 - Positive IAS/IFRS prudential filters	1.907.169	1.907.123
B2 - Negative IAS/IFRS prudential filters	-	(462.161)
C. Tier I capital gross of items to be deducted (A+B)	**10.366.297**	**10.003.099**
D. Items to be deducted from Tier I	(958.145)	(860.698)
E. Total TIER 1 (C - D)	**9.408.152**	**9.142.401**
F. Tier II before prudential filters	**6.380.824**	**6.401.585**
G. Tier II prudential filters	(69.334)	(85.049)
G1. - Positive IAS/IFRS prudential filters	-	-
G2. - Negative IAS/IFRS prudential filters	(69.334)	(85.049)
H. Tier 2 gross of items to be deducted (F + G)	**6.311.490**	**6.316.536**
I. Items to be deducted from Tier II	(958.145)	(860.698)
L. Total TIER 2 (H - I)	**5.353.345**	**5.455.838**
M. Items to be deducted from Tier I and Tier II	(479.170)	(454.700)
N. Capital for regulatory purposes (E+L - M)	**14.282.327**	**14.143.539**
O. Tier III capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER III (N+O)	**14.282.327**	**14.143.539**

The regulatory capital of the MPS Group has been calculated taking into account the effects deriving from the application of IAS/IFRS international accounting standards, based on the provisions of the 13th update of Bank of Italy's Circular No. 155 "Instructions for preparing reports on regulatory capital and prudential ratios".

In the first half of 2011, Tier 1 increased by EUR 265.8 mln, totalling EUR 9,408.2 mln, compared to EUR 9,142.4 mln at the end of 2010.

The increase was positively influenced by the profit for the period and the elimination of the prudential filter on tax deduction of goodwill (see para. 2.2 Regulatory Capital - A. Qualitatitve information); by contrast, it was negatively influenced by payment of the "Tremonti bond" coupon; the annual fee paid to J.P.Morgan. on account of the right of usufruct over shares (see notes to the "Statement of Changes in Consolidated Shareholders' Equity"); reduction in 2003 innovative capital instruments (F.R.E.S.H.) by nominal EUR 152.2 mln, following the tender offer launched by Mediobanca on behalf of the issuer; an increase in the expected loss delta.

In the first half of 2011, Tier 2 decreased by EUR 102.5 mln, totalling EUR 5,353.3 mln, compared to EUR 5,455.8 mln at the end of 2010.

The capital gain arising from the demerger of the consortium Perimetro Gestione Proprietà Immobiliari occurring at the end of 2010, has not yet been included in Tier 1 and regulatory capital (its calculation was updated as at 30.06.2011 for prudential purposes only) because not all conditions required for prudential inclusion had yet been fulfilled as at 30 June 2011.

Under the measures set forth by the Bank of Italy on 18 May 2010 regarding prudential filters for regulatory capital, the Group opted for the symmetrical treatment of revaluation reserves relating to debt securities issued by Central Governments of EU countries held in the "Available for Sale" portfolio. Consequently, with regard to these securities, the impact of changes in AFS reserves upon regulatory capital as of 1 January 2010, amounting to approximately EUR 879 mln, has been completed sterilized.

As at 30 June 2011, no Tier III subordinated securities were to be reported.

The amounts reported may show differences, albeit not significant, compared to those contained in final reporting to the Supervisory Authority in light of the timing difference between the approval of the Half-Year condensed consolidated financial statements and the date of submission of Supervisory reports referring to the period as at 30 June 2011.

2.3 Capital Adequacy

A. Qualitative Information

The qualitative information regarding the Group's capital adequacy evaluation process is included in Section 1 of this Part F.

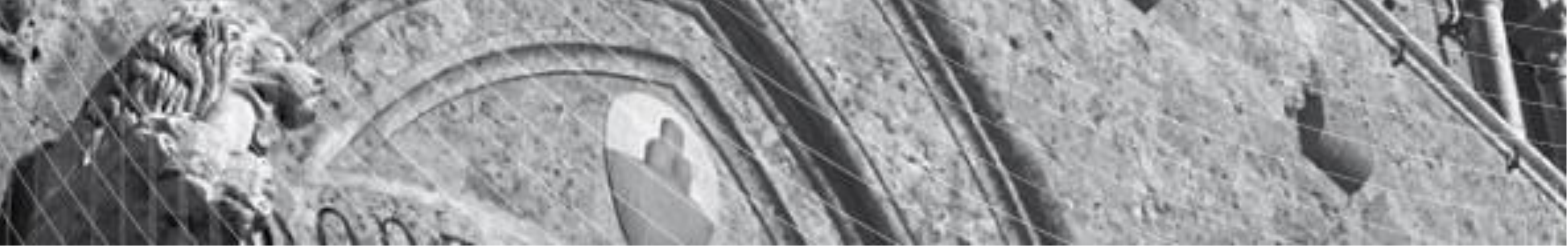
B. Quantitative Information

(in thousands of EUR)

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	30 06 2011	31 12 2010	30 06 2011	31 12 2010
A. RISK ASSETS				
A.1 Credit and counterparty risk	**306.743.980**	**300.029.128**	**102.546.963**	**105.803.977**
1. Standardized Approach	180.639.666	173.092.717	55.583.346	55.518.127
2. 2 Internal rating-based (IRB) approach	125.458.969	126.375.236	46.430.628	49.780.979
2.1.Foundation	-	-	-	-
2.2 Advanced	125.458.969	126.375.236	46.430.628	49.780.979
3. Securitisations	645.345	561.175	532.989	504.871
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**8.203.757**	**8.464.318**
B.2 Market risk			**555.904**	**504.848**
1. Standardized Approach			555.904	504.848
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational Risk			**671.656**	**693.017**
1. Foundation			52.016	52.016
2. Standardized Approach			-	-
3. Advanced			619.640	641.001
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**(968.068)**	**(923.127)**
of which impaired			-	-
of which intra-group adjustments			(968.068)	(923.127)
B.6 Total prudential requirements (3)			**8.463.249**	**8.739.056**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			105.790.613	109.238.200
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			8,89%	8,37%
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)			13,50%	12,95%

Total risk-weighted assets as at 30 June 2011 amounted to EUR 105,791 mln. The amount reflects an approximate 3 percentage point contraction in risk-weighted assets with respect to the end of 2010. The amount of non-risk-weighted assets is tendentially stable. This trend reflects a shift in the allocation of risk assets to lower risk and/or more collateralised assets as a result of lending models that increasingly factor in stricter regulatory requirements in their traditional target functions. The amount of *risk weighted assets* as at 30 June still includes the assets of the consortium Perimetro Gestione Proprietà Immobiliari, in line with the approach followed for the calculation of regulatory capital because not all of the formal pre-conditions required for the prudential recognition of the effects arising from the transaction had yet materialised as at that date.

As at 30 june 2011, the Tier 1 capital ratio was 8.9%, while the total capital ratio was 13.5%.



Part G – Business Combinations

Section 1 – Business Combinations during the Period

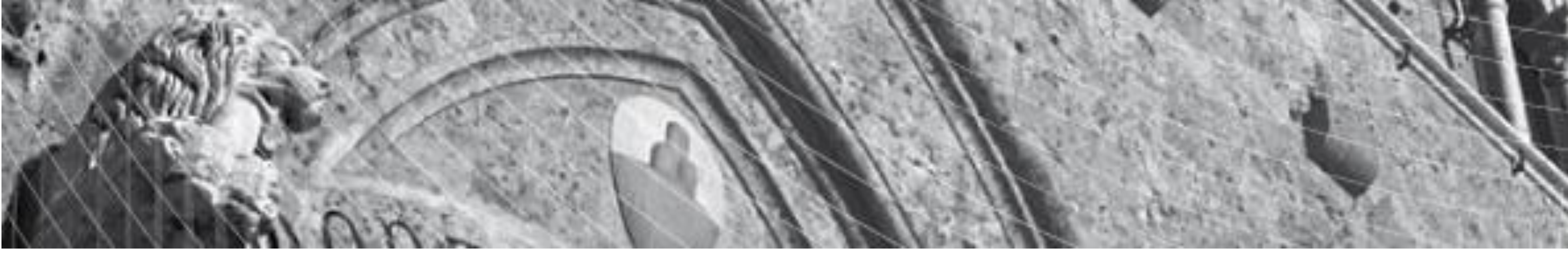
1.1 - Business Combinations

Transactions included in the Scope of Application of the International Accounting Standard IFRS 3 "Business Combinations".

During the first six months of 2011, no business or business unit combination transactions were completed that would make accounting standard IFRS 3 applicable.

However, for the sake of completeness, mention is made again of the following transaction:

- in April, merger by absorption by and into "MPS Leasing & Factoring" of its wholly controlled subsidiary "MPS Commerciale Leasing" (combination of entities or businesses under common control).



Part H – Related-Party Transactions

1 Compensation of Directors, Auditors, Executives and Managers with Strategic Responsibility

(in thousands of EUR)

items/Amounts	Total	
	30 06 2011	30 06 2010
Short-term benefits	5.247	3.923
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	104	202
Total compensation paid to key management personnel	**5.351**	**4.125**

Considering the instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Bank has decided for the disclosure scope to include not only Directors, Statutory Auditors, the General Manager and Deputy General Managers, but also Managers with strategic responsibility.

2. Related-Party Transactions

"Regulations containing Provisions relating to Transactions with Related Parties" (the **Regulations**) was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

The new framework combines into a new and comprehensive set of Regulations all principles regarding prompt and periodic disclosure obligations in execution, *inter alia*, of articles 114 and 154-ter of the Consolidated Law on Finance, superseding the rules already set out in Consob's Issuer Regulations, and implementing the provisions of Article 2391-bis of the Civil Code.

The Regulations goes alongside self-regulation, such as article 9 of the self-regulatory code for listed companies – Directors' interest and related party transactions – which establishes criteria for substantial and procedural correctness in managing transactions with related parties.

The subject is also governed by more bank-specific regulations such as art. 53 of the Consolidated **Law on Banking** (it. Testo Unico Bancario, TUB), which sets out the terms and conditions for the assumption of risks in relation to those who, either directly or indirectly, may exercise influence over the Parent Company's or the Banking Group's operations or over any persons related to these, as well as art. 136 also of the Consolidated Law on Banking pertaining to the obligations of bank representatives.

During its meeting on 10 November 2010, the Board of Directors of the Parent Company reviewed the procedures for related-party transactions laid down in the Regulations.

On occasion of the same meeting, the Board set up a Committee of Parent Company's Independent Directors (the **Committee**), appointing three members in the person of directors Mr. Carlo Querci, Mr. Graziano Costantini and Mr. Massimiliano Capece Minutolo, qualifying as independent pursuant to the principles and criteria of the Self-Regulatory Code for Listed Companies.

On 25 November 2010, the Parent Company's Board of Directors resolved to approve:

- "Group Directive on related-party transactions" (the **Directive**), which sets out the model for related-party transactions establishing roles and responsibilities of internal relevant functions and related implementing processes;
- the "Procedure for related-party transactions" (the **Procedure**), which, translating the contents of the Directive into practice, illustrates the organisational choices and solutions identified by the Group for alignment with Consob regulations.

The Procedure was published on the Parent Company's website and is therefore available in full-text version at the following link:

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

The Directive and Procedure became effective on 1 January 2011, without prejudice for **disclosure obligations** applicable to major transactions as of 1 December 2010.

In the first half of 2011, the Montepaschi Group did not carry out any transactions defined as "of major relevance" pursuant to the Regulation - they being understood as transactions exceeding the threshold limits set out in Annex 3 to the Regulation.

Similarly, no transactions other than major relevance transactions were carried out by the Bank or its subsidiaries, which might have had effects on the Bank's corporate assets or consolidated results.

Information is provided below regarding the only related-party transaction effected by the Montepaschi Group over the same period which deserves specific mention.

All related-party transactions approved by the Board of Directors were completed on the back of profitable economic conditions for the Bank and meet Consob requirements of economic convenience and formal and substantive legitimacy.

May 2011

- ✓ On 26 May 2011, the Board of Directors of the Issuer resolved that a lease agreement at current market conditions be entered into with the company Beatrice S.r.l. (a related party for BMPS according to IAS 24 in that it is 100% controlled by Sansedoni Siena S.p.A. in which the Issuer has a 21.754% shareholding), with regard to the building in via del Corso, Florence, which currently hosts one of Bank branches. The duration of the lease agreement is '15+6' years for a total of approximately EUR 21 mln, until 30.06.2026, which is the first possible date for the lessee to exercise his right of rescission. The total amount is the result of yearly fees (currently EUR 1,392,571.48) plus VAT and ancillary expenses, with revaluation based on 100% of the annual ISTAT index increase. On top of that are ancillary terms and recognition of EUR 400,000 plus VAT in the 2014 budget for partial contribution to the restructuring of the branch.

2.a Associates

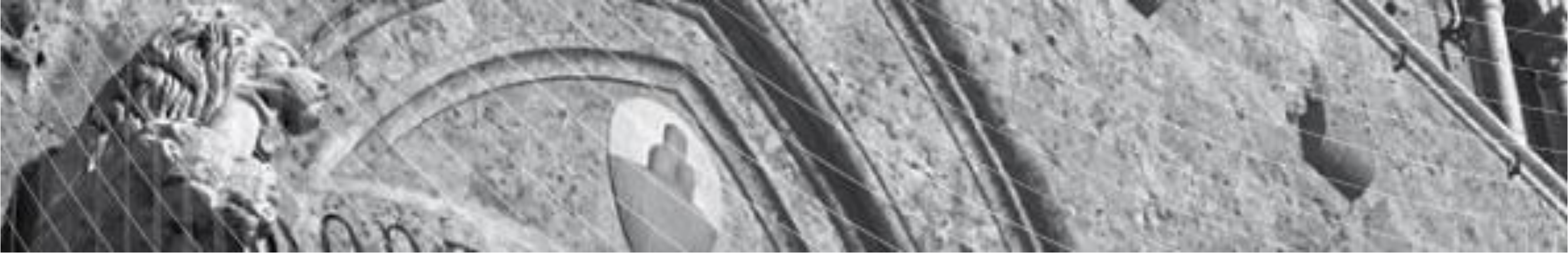
30 06 2011
(in thousands of EUR)

items/Amounts	Amounts	% on Consolidated
Total financial assets	764.062	0,34%
Total other assets	3.146	0,08%
Total financial liabilities	1.341.389	0,61%
Total other liabilities	39.198	0,60%
Guaranties issue	129.230	1,15%
Guaranties riceived	1.231.886	-

2.b Transactions involving Managers with Strategic Responsibility and other Related Parties

30 06 2011
(in thousands of EUR)

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	2.027	415.970	0,19%
Total financial liabilities	5.643	1.153.415	0,53%
Total functioning costs	5.351	9	-
Guarantees issued	7	271.906	2,42%
Guarantees received	3.150	386.301	-



Part I – Share-based Payments

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 is 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").

Against this background, alignment with the new supervisory regulations has led first and foremost to identifying the scope of 'key employees'. The variable compensation for these employees shall meet prescribed requirements (disbursement timing, modes and methods) in terms of maximum potential value as a percentage of fixed compensation (Gross Annual Salary).

The core concepts of the approved plan include:

- bonus quantification (definition of "variable component" structure, maximum potential value as a percentage of Gross Annual Salary, parametres to determine bonus absolute value, identification of risk-adjustment indicators, identification of indicators and practices for the adoption of clawback provisions);
- bonus payout timing and methods:
  - first portion "up-front", equal to 40% of variable compensation: of which, 50% settled in cash and 50% awarded in shares subject to a 2-year retention period, conditioned upon employees still being in service;
  - second portion "postponed", making up 60% of variable compensation: of which, 33% settled in cash and 67% awarded in shares subject to a 3-year retention period and 1 additional lockup year, with the amount conditioned upon the indicators and practices for the adoption of clawback provisions applicable to the results achieved during the 3-year retention period.

The table below summarizes the methods for payout of the variable component of compensation for Top Managers and other Risk Takers:

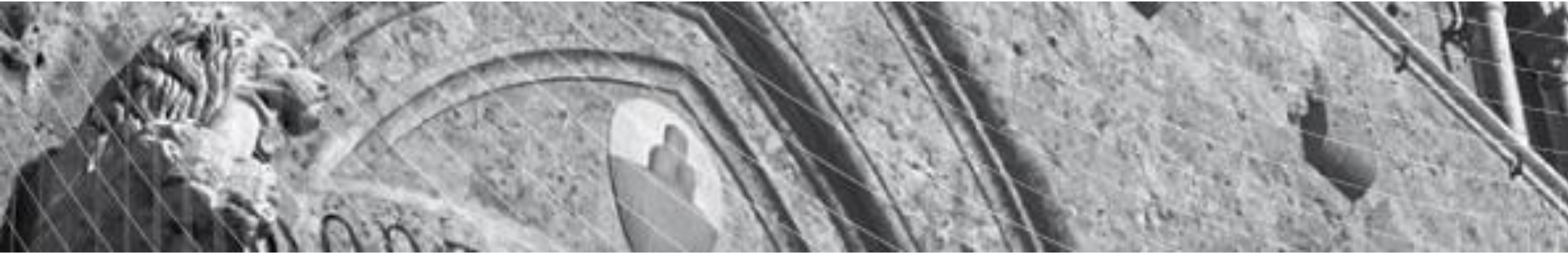
SHARES

Key personnelCluster	Variable component structure					
	Max variable component % of gross annual salary	Postponement		Pay-out		Time
TOP MANAGEMENT	Up to max 150%	UP-FRONT	40%	CASH	1/2	cash
				SHARES	1/2	Up to 2 years
		Postponed	60%	CASH	1/3	Up to 3 years
				SHARES	2/3	Up to 3y+1 lock up
OTHER RISK TAKERS	Up to max 80%	UP-FRONT	50%	CASH	1/2	cash
				SHARES	1/2	Up to 2 years
		Postponed	50%	CASH	1/3	Up to 3 years
				SHARES	2/3	Up to 3y+1 lock up

Since the compensation plan provides for part of the compensation to be settled in cash and part of it to be awarded in Parent Company's shares for a corresponding amount, this transaction shall be subject to the following accounting treatment:

- the cash-settled portion of compensation falls within the scope of application of IAS 19 "Employee Benefits";
- the portion awarded in shares (both cash-settled and deferred) falls within the scope of application of IFRS 2 "Share-based Payment" in that it concerns *equity-settled share-based payment transactions*.

Within this framework, in July 2011 the Parent Company's Board of Directors set out the rules which will govern the Top Management incentive system for 2011. No impact on the six-month report has yet ensued, since the *grant date* is subsequent to the Half-Year reporting date.



Part L – Segment Reporting

This section of the Notes to the Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS 8 "Operating Segments".

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS 14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group Operations by Business Segment

The Montepaschi Group operates all over Italy and in the major international 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. As of 2001 the Montepaschi Group introduced and gradually implemented *Value Based* management control instruments, with the objective of monitoring profitability by business area and unit. The *Value Based Management* system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Within this context, for the purpose of identifying the operating segments provided for by the new IFRS 8, the Montepaschi Group adopted the *business approach*, selecting the main business segments of consolidated operations as the primary reporting basis for the breakdown of profit and loss/balance sheet data, the results of which are periodically reported at the highest decision-making level. This breakdown results from logical aggregations of data from different legal entities;

- **"divisionalised"** (Banca Monte dei Paschi di Siena and Banca Antonveneta);
- **"non-divisionalised"** (product companies and other banks);
- **"service units"** which provide services and support within the Group.

As at 0/06/2011 the Montepaschi Group can be broken down into the following business segments:

- **Consumer banking;**
- **Corporate Banking;**
- **Credit Governance;**
- **Human Resources, Organisation, Property and Facility Management**.

Consequently, the segments identified for the purpose of the operating representation of the Group's results, also defined on the basis of criteria of business 'representativeness' / 'predominance', are as follows: **Consumer banking, Corporate banking and the Corporate Centre which includes, among other things, "Credit Governance" and "Human Resources, Organisation, Property and Facility Management".**

The Consumer and Corporate divisions include segmentation of divisionalised Bank customers (**Retail, Private, Family Office, Financial Advisory, Corporate and Large Corporate)** and figures from non-segmented legal entities **(product companies and other banks**), reflecting internal reporting, based on the Group's rules of governance (in line with the functional and hierarchical reporting relations resulting from the Group's organisational structure as at 30/06/2011).

In particular:

<u>Consumer Banking;</u>

Consumer Banking is responsible for:

- attracting funds and supplying financial and non-financial services (also through the management of electronic payment instruments) to Retail customers of divisionalised entities (including small businesses) and those of non-divisionalised companies dealing with consumer credit;
- the supply of a customised and exclusive suite 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 promotion.

Corporate Banking;

Corporate Banking is responsible for managing operations with Corporate and Key Clients of the divisionalised entities and the product companies operating in the areas of short-/medium-/long-term corporate loans, corporate finance, leasing and factoring, investment banking and financial engineering, equity capital markets and brokerage. This *operating segment* also covers operations carried out by foreign subsidiaries and foreign banks.

Corporate Center

The Corporate Centre is an aggregation of:

a) operating units which, on an individual basis, are below the benchmarks required for primary reporting;

b) the Group's 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 division), real estate management, and IT management and development (all reporting to the "Human Resources, Organisation, Property and Facility Management division).

The Corporate Centre also incorporates the results of Biverbanca, the pro-rata interests of the Banca Popolare di Spoleto (previously allocated to the Consumer Banking division), the profit & loss of companies consolidated at equity and those held for sale, as well as cancellations of intragroup entries.

Profit and Loss Statement Criteria by Business Segment

The net operating income by business segment was constructed based on the following criteria:

- **Net interest income**, in relation to segments of divisionalised entities, is calculated by way of contribution on the basis of internal transfer rates broken down by product and maturity. With reference to other Group entities, net interest income is represented by the difference between "interest income and similar revenues" and "interest expense and similar charges".
- **Net fees and commissions** are determined by direct allocation of real commissions to the operating segments.
- **Net impairment losses/reversals on loans**, are allocated to the operating segments which originated them.
- **Operating expenses** include administrative expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. As regards non-divisionalised entities (mono-segments), total operating expenses are allocated to the corresponding business segments. As regards, however, divisionalised companies (Banca Monte dei Paschi di Siena and Banca Antonveneta) a cost allocation model is adopted. This model, with reference to "other administrative expenses and net value adjustments to tangible and intangible assets", reverses costs to *business centres* on the basis of a set of pre-identified services, allocating to the Corporate Centre those costs which cannot reasonably be attributed to business centres. With reference, however, to "Personnel costs", the model allocates costs to the *business centres* on the basis of the functional position of the resources, or, if this is not possible, in relation to specific criteria relating to the operations performed.

Criteria for the Definition of Capital Aggregates by Business Segment

Capital aggregates are represented by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to income/expenses allocated to each segment. In particular:

- **'Active' loans and advances to customers** are the *assets* used for the operations of a business segment, which are directly attributable to the segment itself;
- **Deposits from customersand debt securities issued** are the liabilities arising from the operations of a business segment, which are directly attributable to the segment itself.

Transactions between Operating Segments

Each segment's income and results include transfers between operating segments. These transfers are reported in accordance with the *best practices* accepted by the market (i.e. the method of fair value or the method of cost increased by a proper margin) both with respect to commercial and financial transactions.
The income of each business segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are made between entities belonging to the same operating segment, the respective balances are eliminated within such segment. The balances of intragroup transactions are not shown separately, in line with the internal reporting system used by the Montepaschi Group.

Preparation Criteria

In accordance with the recommendations of IFRS 8, for the purposes of consistent disclosure of information, account was taken of the Group's organisational structure as at 30/06/2011, which differs from the situation as at 31/03/2011 due to the different allocation of the Banca Popolare di Spoleto, which is no longer attributed to the Consumer Banking division but to the Corporate Centre.

Below is a breakdown of the MPS Group's P&L/balance sheet aggregates as at 30/06/2011, on the basis of the afore-mentioned operating segments:

SEGMENT REPORTING
(in million of Euro)

June 2011	Consumer Banking	Corporate Banking	Corporate Center	Total Reclassified Group
PROFIT AND LOSS AGGREGATES				
Financial and insurance income	**1.531,2**	**1.024,2**	**342,6**	**2.898,0**
Net value adjustments due to impairment of loans and financial assets	197,0	415,9	-19,2	593,6
Operating expenses	1.088,4	294,0	310,4	1.692,9
Net operating income	**245,8**	**314,3**	**51,5**	**611,6**
BALANCE SHEET AGGREGATES				
Active loans and advances to customers	64.462,0	73.138,8	13.619,5	151.220,4
Customer accounts and securities	82.955,1	49.167,6	34.370,3	166.493,0

The table below shows **historical data** as at 30/06/2011 (see Half-Year Report as at 30 June 2010):

SEGMENT REPORTING

(in million of Euro)

June 2010	Consumer Banking	Corporate Banking	Corporate Center	Total Reclassified Group
PROFIT AND LOSS AGGREGATES				
Financial and insurance income	**1.545,5**	**1.004,1**	**260,6**	**2.810,2**
Net value adjustments due to impairment of loans and financial assets	224,5	379,4	5,1	609,0
Operating expenses	1.114,6	299,1	276,7	1.690,4
Net operating income	**206,3**	**325,6**	**-21,1**	**510,8**
BALANCE SHEET AGGREGATES				
Active loans and advances to customers	62.928,6	72.739,8	12.194,4	147.862,8
Customer accounts and securities	84.709,7	49.143,5	24.378,7	158.232,0

For a like-for-like comparison of operations in the first half of 2011/2010 please refer to the section "*Segment reporting*".

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CERTIFICATION PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Giuseppe Mussari, as Chairman of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A., and Daniele Bigi, as Financial Reporting Officer of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No 58 of 24 February 1998, hereby certify:

- appropriateness with respect to the company's profile, and
- effective application

of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the first half of 2011.

2. The appropriateness of the administrative and accounting procedures used in the preparation of the condensed consolidated financial statements as at 30 June 2011 was assessed based on an internal model developed by Banca Monte dei Paschi di Siena S.p.A. in accordance with the *Internal Control – Integrated Framework* produced by the *Committee of Sponsoring Organisations of the Treadway Commission*, as well as the *Cobit Framework* for the IT section, which are generally accepted benchmarks.

3. The undersigned also certify that:

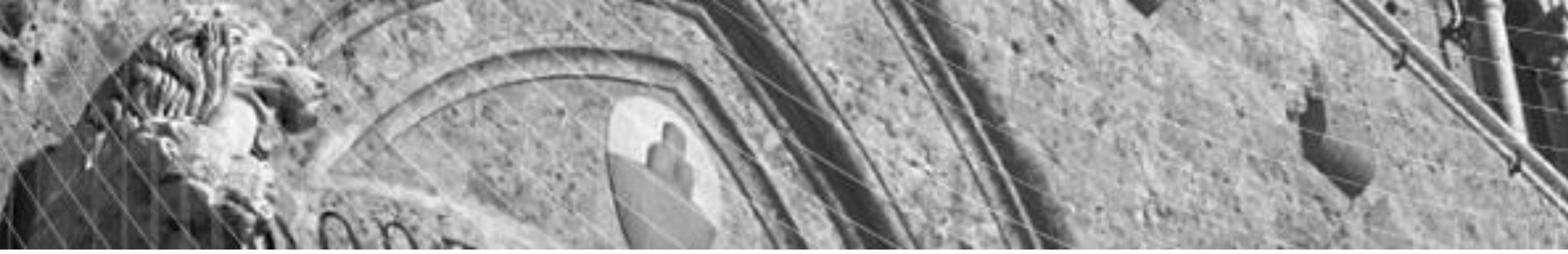
3.1 the condensed consolidated financial statements:

- have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to European Parliament and with provisions implementing Article 9 of Legislative Decree no. 38 of 28 February 2005;
- are consistent with the underlying documentary evidence and accounting records;
- give a true and fair representation of the balance sheet, profit and loss and cash flows of the issuer and of the companies included within the scope of consolidation.

3.2 The mid-year report on operations includes a reliable analysis of the significant events in the first six months of the financial year and their impact on the half-year condensed consolidated financial statements as well as a description of the key risks and uncertainties for the remaining six months of the financial year. The mid-year report on operations also includes a reliable analysis of information regarding significant transactions with related parties.

Siena, 26 August 2011

On behalf of the Board of Directors	*The Financial Reporting Officer*
The Chairman	
Giuseppe Mussari	*Daniele Bigi*



AUDITORS' REPORT ON THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Banca Monte dei Paschi di Siena S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity and the statement of cash flows and the related explanatory notes, of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group") as of June 30, 2011. Management of Banca Monte dei Paschi di Siena S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   The consolidated financial statements of the prior year and the interim condensed **consolidated** financial statements of the corresponding period of the prior year, have been, respectively, audited and reviewed by other auditors. Accordingly, reference should be made to the reports of the other auditors issued on April 7, 2011 and on August 27, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Montepaschi Group as of June 30, 2011 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 26, 2011

Reconta Ernst & Young S.p.A.
Signed by: Massimo Colli, Partner

This report has been translated into the English language solely for the convenience of international readers