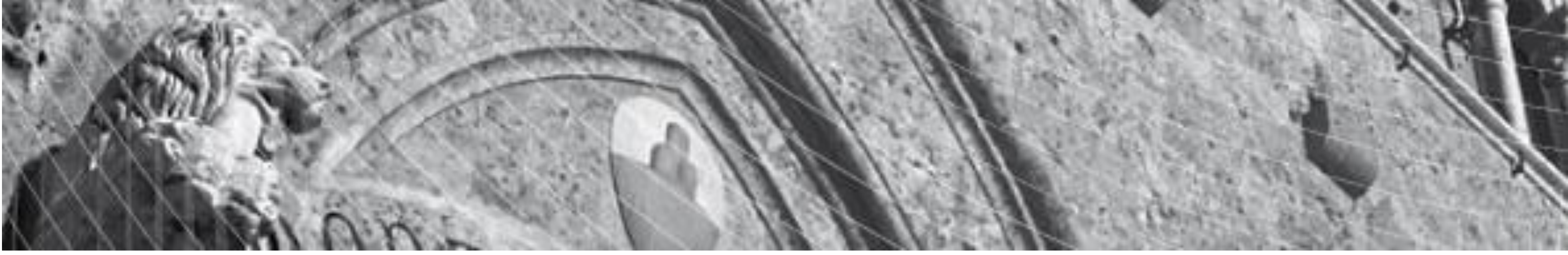
MONTEPASCHI GROUP

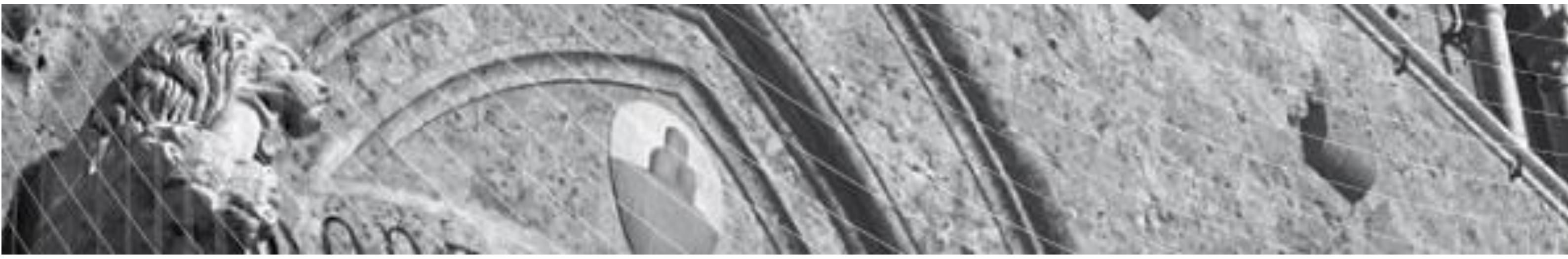
Quarterly Report

31 March 2011



CONSOLIDATED QUARTERLY REPORT

This is an English translation of the Italian original "Resoconto Intermedio di Gestione 31 marzo 2011" and has been prepared solely for the convenience of the reader. The Italian version takes precedence and will be made available to interested readers upon request to Banca Monte Paschi Siena S.p.a.



REPORT ON OPERATIONS

2011 Group's First Quarter Results In Brief

In Q1 2011, despite the scenario still marked by uncertainty, the **Montepaschi Group developed its capital base while focusing its business on the needs of households and enterprises**. The initiatives implemented allowed the Group to **increase its customer base** and **improve/consolidate its competitive position in all of its main business areas**. Moreover, the Group guaranteed continuity to its offer of credit, supporting its customers by both taking part in banking system initiatives and developing projects independently. In detail:

- At the end of March 2011, the Group's **total funding volumes** amounted to approx. EUR 308 bln, up 1.6% compared to 31/12/2010 and 7% compared to the previous year like for like[1], with a significant development both as regards the direct and indirect funding. **Direct funding** amounted to approx. **EUR 160 billion, up 1.2% compared to 31/12/2010, and 5% compared to the previous year** like for like, with the Group's **market share** hitting **7.62**% as at February 2011. The evolution is attributable both to the contribution of consumer/corporate customers, for which new specifically targeted bond placements were made totalling approx. EUR 5.4 billion, and to the contribution of institutional customers, to which medium/long-term issues were made in the amount of approx. EUR 2.4 bln (including approx. EUR 2.3 bln in covered bonds), whereas short-term funding decreased. **Indirect funding** totalled approx. **EUR 148 billion, up** 2% compared to year-end 2010 and 9.2% compared to the previous year like for like. Within this aggregate, assets under custody improved (+3.7% QoQ; +14.2% YoY), whereas assets under management decreased (-1.2% QoQ; +0.6% YoY).
- With reference to credit management, at 31 March 2011 "**Loans to customers**" of the Group amounted to approx. EUR **155 bln, up** by 4.2% compared to the previous year like for like (-1% compared to 31/12/2010) with a **market share** that at February 2011 amounted to **7.89%** (7.84% at 31/12/2010). **"Active" loans to consumer/corporate customers** amounted to approx. EUR **138 bln** at the end of the quarter, virtually stable compared to 31/12/2010, with a **significant growth of current accounts** (+10.7% compared to 31/12/2010) and **mortgages in line** with those at year-end 2010, whereas other technical forms of financing declined (repurchase agreements and securities). **New loans issued by the Group through dedicated product companies** exceeded EUR 4 bln, up 5.8% compared to Q4 2010 and 43.2% compared to the previous year. **Small business and corporate loans**, which amounted to approx. **EUR 3.4 bln**, registered a step-up in disbursements by both MPS Capital Services (+22.5% QoQ; +87.4% YoY) and MPS Leasing & Factoring (+1.6% QoQ; +51.7% YoY), the latter attributable primarily to Factoring. With reference to **consumer** credit, in Q1 2011 Consum.it issued **EUR 684 bln** on the whole, improving by 7.2% the result achieved in Q4 2010, although to a lower extent than the level reached in the same period of the previous year (-2.3%); within this aggregate, personal loans improved, whereas special-purpose loans decreased. With respect to **credit quality**, the "net NPLs over total loans" ratio amounted to 3.62% as at 31 March 2011, with a fall in the provisioning [2] rate to 71 bps.

✓ **The Group's customer base exceeded 6.2 mln.**

Due to the above-mentioned scenario, **in Q1 2011 the Montepaschi Group's Net Operating Income rose significantly to approx. EUR 349 mln, up by 84.5% compared to Q4 2010 and 45.8% QoQ. This growth was favoured by the resilience of primary income, which remained stable compared to the previous year, and in line with Q4 2010 on same number of days basis, and especially by the sharp growth in profit from trading/valuation of financial assets. The cost of credit further improved, reducing provisioning to 71 bps (-3 bps compared to year-end 2010), and operating expenses, with the ensuing decline in the cost/income ratio, which as at the end of March 2011 was 57.7%, down by 390 bps compared to 31/12/2010.**

[1] *To compare homogeneous data, funding and lending volumes as at 31/03/2010 have been restated to take into account the effects of the disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi) and the relevant assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture SpA).*

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

The consolidated net income before Purchase Price Allocation (PPA) stood at EUR 166.1 mln (EUR 169.9 mln as at 31/03/2010). Considering the net effects of PPA, net income for the period amounted to EUR 140.3 mln (vs. 142.2 mln for Q1 2010).

With regard to **regulatory capital ratios**, as at 31 March 2011, the TIER I Ratio BIS II was estimated at 9.1% (vs. 8.4% at the end of 2010) with an expected BIS II solvency ratio of 13.8% (vs. 12.9% at year-end 2010).

Preparation Criteria for the Report on Operations

The Report on Operations was prepared in accordance with art. 2428 of the Italian 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 segments into which consolidated operations are organised.

To allow for a better understanding of how the major drivers of value creation (both in the short and long term) for the Group and all its stakeholders developed over the reporting period, the report includes operating and financial aspects with qualitative and extra-accounting components.

The Annual Report on Corporate Social Responsibility, which is available in the section "Our Values" on the website www.mps.it provides an account of non-financial elements of Corporate Social Responsibility (CSR).

Structural Profiles of the Group

The **Montepaschi Group**, whose banking activities date back to 1472, is one of the leading banking and credit institutions on the Italian financial scene. The Montepaschi Group operates all over Italy and in the major international markets, with operations ranging from traditional lending (i.e., short-/medium-/long-term loans to retail and corporate customers, leasing, factoring, consumer credit) to asset management (through its 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.

Ownership structure

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 was included in the FTSE MIB Index, the main benchmark index of the Italian equity markets.

SUMMARY OF REFERENCE PRICE AND CAPITALIZATION	31/03/11	31/12/10
Price (euro)	0,881	0,851
No. ordinary shares	5.569.271.362	5.569.271.362
No. preferred shares	1.131.879.458	1.131.879.458
No. savings shares	18.864.340	18.864.340
Capitalization (ord + pref) (euro mln)	5.904	5.703

On the basis of reporting to the Italian Securities Commission (Consob) and BMPS pursuant to art. 120 of Legislative Decree 58/98, the major shareholders of BMPS were **MPS Foundation** (majority shareholder with 45.68% of the ordinary share capital), **JP Morgan Chase** (5.54%), **Caltagirone Francesco Gaetano** (4.81%), **AXA S.A.** (4.56%), and **Unicoop Firenze** (3.32%).

Organisational structure

As at 31/03/2011 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 for the market (a.k.a. Product Companies). Among these, particular mention is made of: **Consum.it** (consumer credit company), **MPS Capital Services Banca per le Imprese** (specialised in activities of 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** and **Biverbanca**;
- ✓ A **service unit**, made up of the Group companies 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 the major financial centres.

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 31 March 2011:

Montepaschi Group distribution network

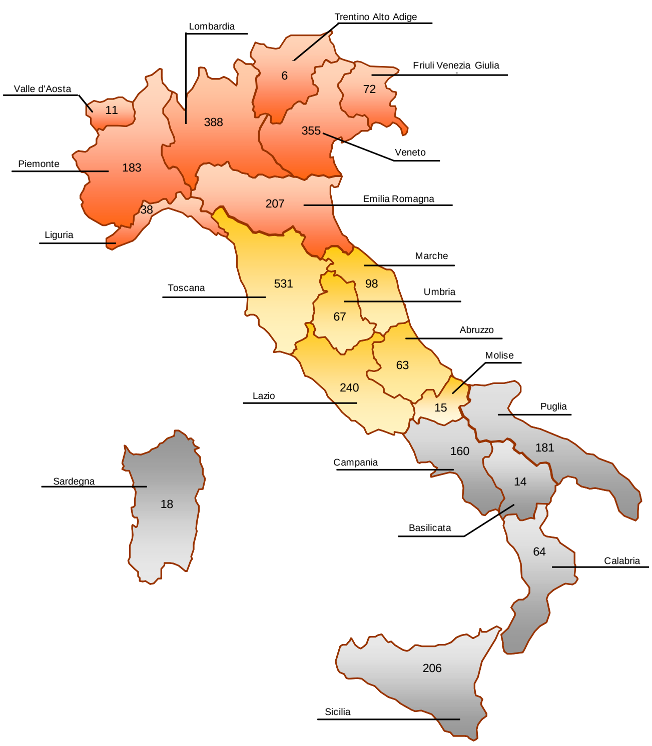
Distribution channel	31/03/11	31/12/10
Domestic branches(*)	2.917	2.918
Financial Advisory Offices	148	151
Total domestic points of sale	*3.065*	*3.069*
SME Centres	117	116
Institutional Client Centres	50	51
Private Client Centres	88	89
Foreign branches(**)	41	41
ATM	3.610	3.574
Consumer multi-channel contracts	1.582.266	1.522.528
Corporate multi-channel contracts	39.278	38.961

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

(**) The data include operational branches, representative offices and foreign banks.

As at 31 March 2011, the Montepaschi group totalled **2,917 branches[3] countrywide** for a market share of approximately 8.71%, as illustrated in the following breakdown by region, geographical area and bank of reference:

MONTEPASCHI GROUP - DOMESTIC BRANCHES



[3] *Number of reports to the Bank of Italy.*

BRANCH DISTRIBUTION BY GEOGRAPHICAL AREA AT 31.03.2011(*)

	N°	Inc. %	Market Share (**)
Northern Italy	1.260	43,20%	3,76%
Central Italy	1.014	34,76%	3,02%
Southern Italy and Islands	643	22,04%	1,92%
TOTAL	**2.917**	**100,00%**	**8,71%**

(*) as reported to the Bank of Italy's Supervisory Department

(**) At 31/12/2010

Montepaschi Group branches at 31.03.2011(*)

Banca Monte dei Paschi di Siena	2.416
Banca Antonveneta	379
Biverbanca	122
Total Montepaschi Group	**2.917**

* as reported to the Bank of Italy's Supervisory Department

The Montepaschi Group's traditional distribution network is integrated by 858 **Personal Financial Bankers**[4] countrywide, who carry out their activities through 148 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-sized Enterprises (117 centres), Institutions (50 centres) and to Private customers (88 centres).

Internationally, the Montepaschi Group has a **foreign network** geographically distributed across all the major Stock markets, as well as in emerging countries with the highest rates of growth and/or key relations with Italy. 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), **3 banks governed by foreign law**: MP Monaco SAM[5] (1 branch), MP Belgio (8 branches), MPS Banque (17 branches), **2 Italian Desks** in Spain and Romania.

The **ATM** distribution channel continues to develop thanks to the gradual deployment of new "cash-in" machines which aims to give a sharp boost to the migration of low added-value transactions. The traditional ATMs are mainly located in areas not served by bank branches or in public places having high operational potential, with a view to expanding the Group's local footprint and offering customers a more widespread service. Against this background, **in Q1 2011 a total of 89 new machines** were deployed, of which 53 to replace traditional machines in self-service areas. **At the end of 2011, the Group's ATMs totalled 3,610 machines**.

In addition to its physical presence in the area, the Montepaschi Group makes use 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 that undergo continuous fine-tuning.

As at the end of March 2011, the telematic segment accounted for approx. **1,622,000 contracts**, including over 1 mln integrated multi-channels and over 60,000 new contracts underwritten in Q1 2011. Existing **Consumer banking** contracts amounted to approx. 1,582,000 (more than 59,700 underwritten in Q1 2011), whereas **Corporate banking** contracts were almost 39,300 (more than 300 underwritten in Q1 2011).

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4 *Financial Advisors under agency contract.*

5 *The company MP Monaco SAM was classified as held for sale at the end of 2010.*

Corporate Governance and Other Information

Pursuant to art. 2497 of the Italian 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 Group and related parties can be found in Part H of the Quarterly 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 on Finance — may be referred to in the separate "Report on Corporate Governance" available on the Bank's website: www.mps.it under the section Investor & Research > Corporate Governance.

With regard to **Related party transactions** in 2010, the "Regulations containing provisions relating to related party transactions" (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 art. 2391-bis of the Italian Civil Code.

The Regulation goes alongside self-regulation standards, such as art. 9 of the Corporate Governance Code for Listed Companies — Directors' interests and related party transactions — which establishes criteria for substantial and procedural correctness in managing related party transactions.

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 corporate website at:

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

Reclassified Accounts

Mps Group reclassification criteria

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 Report on Operations as at 31 December 2010 (for further details, see "Annexes: *Montepaschi Group – Reconciliation of reclassified accounts and accounting tables*").

The main reclassifications made to the profit and loss account as at 31 March 2011 are listed below:

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 on some securities transactions, inasmuch as they are closely connected with the trading component (approx. EUR 9 mln as at 31/03/2011).

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 27.4 mln as at 31/03/2011) corresponding to the contribution to the income statement that is 'guaranteed' by the portion of profit arising from equity investments in associates (valued at equity). Dividends from some trading transactions, as outlined under item a) above, have been eliminated from the aggregate.

c) "**Net value adjustments due to impairment of loans**" in the reclassified income statement was determined by excluding charges relating to financial plans (EUR 0.7 mln), which are more properly classified under "Net provisions for risks and charges and other operating income/expenses".

d) "**Other administrative expenses**" in the reclassified income statement was deducted of the amount of stamp duty and customer expense recovery (approx. EUR 70 mln) posted under Account 220 "Other operating income/expenses".

e) 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 customer expense recovery as described under item d) above.

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

g) The effects of the Purchase Price Allocation (PPA) were reclassified out of other accounts (in particular "**Interest income**" for approx. 17 mln and **depreciation/amortisation** for approx. EUR 20.3 mln with a related theoretical tax burden of approx. EUR -12 mln which integrate the account" into one single account named "**Net effects of Purchase Price Allocation**".

The main reclassifications made to the consolidated **Balance Sheet** are listed below:

h) "**Tradable Financial assets**" on the assets side of the reclassified balance sheet include Account 20 "Held-for-trading financial assets", Account 30 "Financial assets designated at fair value" and Account 40 "Available-for-sale financial assets";

i) "**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 and groups of assets held for sale" and Account 160 "Other assets";

j) “**Customer accounts and securities**” on the liabilities side of the reclassified balance sheet includes Account 20 "Customer accounts", Account 30 "Debt securities in issue" and Account 50 "Financial liabilities designated at fair value";

k) “**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 in the “Annexes” section.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/03/11

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
• INCOME STATEMENT FIGURES (in EUR mln)	31/03/11	31/03/10 (1)	% chg
Income from banking activities	1.350,4	1.352,1	-0,1%
Income from financial and insurance activities	1.482,6	1.392,9	6,4%
Net operating income	348,7	239,1	45,8%
Net profit (loss) for the period	140,3	142,2	-1,4%
• BALANCE SHEET FIGURES AND INDICATORS (in EUR mln	31/03/11	31/12/10	% chg
Direct funding	160.361	158.486	1,2%
Indirect funding	147.840	144.919	2,0%
of which: assets under management	*49.938*	*50.547*	-1,2%
of which: assets under custody	*97.902*	*94.372*	3,7%
Customer loans	154.664	156.238	-1,0%
Group net equity	17.497	17.156	2,0%
• KEY LOAN QUALITY RATIOS (%)	31/03/11	31/12/10	
Net non-performing loans/Customer loans	3,62	3,51	
Net watchlist loans/Customer loans	2,65	2,57	
• PROFITABILITY RATIOS (%)	31/03/11	31/12/10	
Cost/Income ratio	57,7	61,6	
R.O.E. (on average equity) (2)	3,24	5,74	
R.O.E. (on end-of-period equity)(3)	3,30	5,74	
Net adjustments to loans / End-of-period investments	0,71	0,74	
• CAPITAL RATIOS (%)	31/03/11	31/12/10	
Solvency ratio	13,8	12,9	
Tier 1 ratio	9,1	8,4	
• INFORMATION ON BMPS STOCK	31/03/11	31/12/10	
Number of ordinary shares outstanding	5.569.271.362	5.569.271.362	
Number of preference shares outstanding	1.131.879.458	1.131.879.458	
Number of savings shares outstanding	18.864.340	18.864.340	
Price per ordinary share:	from the **31/12/10** to the **31/03/11**	from the **31/12/09** to the **31/12/10**	
average	0,92	1,02	
low	0,73	0,82	
high	1,02	1,33	
• OPERATING STRUCTURE	31/03/11	31/12/10	Abs. chg
Total head count - end of period	31.405	31.495	-90
Number of branches in Italy	2.917	2.918	-1
Financial advisory branches	148	151	-3
Number of branches & representative offices abroad	41	41	

(1)Values published in the Consolidated Report on Operations as at 31 December 2010, which takes account of changes to the scope of operations following disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture S.p.A.).

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

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

MPS Group	31/03/11	31/03/10 (1)	Change Ins.	Change %
Net interest income	877,7	871,7	6,1	0,7%
Net commissions	472,7	480,5	-7,8	-1,6%
Income from banking activities	**1.350,4**	**1.352,1**	**-1,7**	**-0,1%**
Dividends, similar income and gains (losses) on equity investments	**27,4**	**14,4**	**13,0**	89,9%
Net profit (loss) from trading/valuation of financial assets	103,9	19,7	84,2	n.s.
Net profit (loss) from hedging	0,9	6,7	-5,8	-86,9%
Income from financial and insurance activities	**1.482,6**	**1.392,9**	**89,7**	**6,4%**
Net adjustments for impairment of:	**-278,7**	**-307,7**	**29,0**	-9,4%
a) loans	-274,6	-307,0	32,4	-10,5%
b) financial assets	-4,1	-0,7	-3,3	n.s.
Net income from financial and insurance activities	**1.203,9**	**1.085,2**	**118,7**	**10,9%**
Administrative expenses:	-813,7	-806,1	-7,6	0,9%
a) personnel expenses	-543,5	-558,1	14,6	-2,6%
b) other administrative expenses	-270,2	-247,9	-22,2	9,0%
Net adjustments to tangible and intangible fixed assets	-41,5	-40,0	-1,5	3,7%
Operating expenses	**-855,2**	**-846,1**	**-9,1**	**1,1%**
Net operating income	**348,7**	**239,1**	**109,6**	**45,8%**
Net provisions for risks and charges and other operating income/expenses	-38,6	-41,5	2,9	-6,9%
Profit (loss) on equity investments	0,1	-0,2	0,3	n.s.
P&L figures for branches sold		12,6	-12,6	-100,0%
Gains (losses) from disposal of investments	0,1	0,0	0,1	n.s.
Profit (loss) before tax from continuing operations	**310,3**	**210,1**	**100,2**	**47,7%**
Taxes on income from continuing operations	-145,0	-42,3	-102,7	n.s.
Profit (loss) after tax from continuing operations	**165,3**	**167,9**	**-2,6**	**-1,5%**
Profit (loss) after tax from disposal groups held for sale	2,8	2,6	0,2	7,4%
Net profit (loss) for the period including minority interests	**168,1**	**170,5**	**-2,4**	**-1,4%**
Net profit (loss) attributable to minority interests	-1,9	-0,5	-1,4	n.s.
Net profit (loss) pre PPA	**166,1**	**169,9**	**-3,8**	**-2,2%**
PPA (Purchase Price Allocation)	-25,8	-27,7	1,9	-6,8%
Net profit (loss) for the period	**140,3**	**142,2**	**-1,9**	**-1,4%**

(1) Values published in the Consolidated Report on Operations as at 31 December 2010, which takes account of changes to the scope of operations following disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture S.p.A.).

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

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

(1) Values published in the Consolidated Report on Operations as at 31 December 2010, which takes account of changes to the scope of operations following disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture S.p.A.).

Montepaschi Group

RECLASSIFIED BALANCE SHEET (in EUR mln)

ASSETS	31/03/11	31/12/10	31/03/10 (1)	Chg. 31/03/11 vs 31/12/10 abs.	%	Chg. 31/03/11 vs 31/03/10 abs.	%
Cash and cash equivalents	850	2.411	781	-1.561	-64,8%	69	8,8%
Receivables :							
a) Loans and advances to customers	154.664	156.238	148.457	-1.573	-1,0%	6.207	4,2%
b) Loans and advances to banks	10.420	9.710	10.474	710	7,3%	-54	-0,5%
Financial assets held for trading	46.938	55.973	47.855	-9.035	-16,1%	-917	-1,9%
Financial assets held to maturity	0	0	0	0	-2,1%	0	-1,9%
Equity investments	926	908	759	18	2,0%	166	21,9%
Tangible and intangible fixed assets	8.943	8.959	10.374	-15	-0,2%	-1.431	-13,8%
of which:							
a) goodwill	*6.474*	*6.474*	*6.619*	*0*	0,0%	*-146*	-2,2%
Other assets	9.385	10.081	11.601	-696	-6,9%	-2.215	-19,1%
Total assets	**232.126**	**244.279**	**230.301**	**-12.153**	**-5,0%**	**1.825**	**0,8%**

LIABILITIES	31/03/11	31/12/10	31/03/10 (1)	Chg. 31/03/11 vs 31/12/10 abs.	%	Chg. 31/03/11 vs 31/03/10 abs.	%
Payables							
a) Due to customers and securities	160.361	158.486	152.670	1.876	1,2%	7.691	5,0%
b) Deposits from banks	22.360	28.334	25.628	-5.974	-21,1%	-3.268	-12,8%
Financial liabilities held for trading	22.145	30.383	23.188	-8.238	-27,1%	-1.043	-4,5%
Provisions for specific use							
a) Provisions for staff severance indemnities	288	287	304	1	0,3%	-15	-5,0%
b) Pensions and other post retirement benefit obligations	202	436	459	-234	-53,6%	-257	-55,9%
c) Other provisions	888	882	920	6	0,6%	-32	-3,5%
Other liabilities	8.110	8.043	9.684	67	0,8%	-1.573	-16,2%
Group net equity	17.497	17.156	17.167	341	2,0%	330	1,9%
a) Valuation reserves	53	-146	580	199	-136,1%	-527	-90,9%
b) Redeemable shares							
c) Equity instruments	1.949	1.949	1.949	0	0,0%	0	0,0%
d) Reserves	6.887	5.900	5.986	986	16,7%	901	15,0%
e) Share premium	3.989	3.990	4.048	0	0,0%	-58	-1,4%
f) Share capital	4.502	4.502	4.502	0	0,0%	0	0,0%
g) Treasury shares (-)	-23	-25	-40	1	-5,2%	17	-42,1%
h) Net profit (loss) for the period	140	985	142	-845	-85,8%	-2	-1,4%
Minority interests	273	270	282	3	1,1%	-9	-3,2%
Total Liabilities and Shareholders' Equity	**232.126**	**244.279**	**230.301**	**-12.153**	**-5,0%**	**1.825**	**0,8%**

(1) Values published in the Consolidated Report on Operations as at 31 December 2010.

Montepaschi Group

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

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

LIABILITIES	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	160.361	158.486	154.673	157.980	152.670
b) Deposits from banks	22.360	28.334	29.626	28.593	25.628
Financial liabilities held for trading	22.145	30.383	29.474	33.210	23.188
Provisions for specific use					
a) Provisions for staff severance indemnities	288	287	293	298	304
b) Pensions and other post retirement benefit obligations	202	436	449	450	459
c) Other provisions	888	882	964	962	920
Other liabilities	8.110	8.043	10.377	9.459	9.684
Group Companies	17.497	17.156	16.397	16.345	17.167
a) Valuation reserves	53	-146	-287	-219	580
b) Redeemable shares					
c) Equity instruments	1.949	1.949	1.949	1.949	1.949
d) Reserves	6.887	5.900	5.904	5.903	5.986
e) Share premium	3.989	3.990	3.990	3.996	4.048
f) Share capital	4.502	4.502	4.502	4.502	4.502
g) Treasury shares (-)	-23	-25	-18	-49	-40
h) Net profit (loss) for the period	140	985	357	261	142
Minority interests	273	270	267	270	282
Total Liabilities and Shareholders' Equity	**232.126**	**244.279**	**242.522**	**247.567**	**230.301**

(1) Values published in the Consolidated Report on Operations as at 31 December 2010.

Macroeconomic and Banking Scenario

Macroeconomic trends

The world economy continued to regain ground in Q1 2011 thanks to the substantial recovery of international trade flows. However, new factors of uncertainty, including the recent earthquake in Japan and the political instability of many North African countries, have created insecurities. **Development nevertheless continued to be characterised by differentiated dynamics**, as underscored by the IMF's recent World Economic Outlook. In fact, although the institute has confirmed the **estimate of + 4.4% for gross world product** and **+6.5% for the GDP of emerging economies in 2011, it has formulated more modest forecasts for the United States and Japan** (respectively +2.8% and +1.4% versus the previous estimates of +3% and +1.6%). **Economic recovery in the Eurozone has been consolidated**, with **Germany confirming its role as "Europe's growth engine"** (2.5% increase in Germany's GDP in 2011). Nevertheless, the tough plans launched by several European countries to lower public debt, the role of the EFSF (*European Financial Stability Facility*), the request for new stress tests, the results of which will be published in June, employment tensions and the recent spike in the cost of raw materials make caution essential. **The growth estimates for Italy have risen slightly** (the IMF estimates a 1.1% increase in GDP for 2011, compared to the January forecast of 1%), although the figures for Q1 2011 confirm a certain amount of deceleration in production.

Taking a detailed look at the GDP of the various geographical areas of the world, **US growth was consolidated** following significant recovery in the second half of 2010. The IMF has recently lowered the **estimates for 2011**, maintaining them at the same level as 2010 (+2.8%), given the **difficulties of the real-estate industry** and the high level of **federal debt**.

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

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

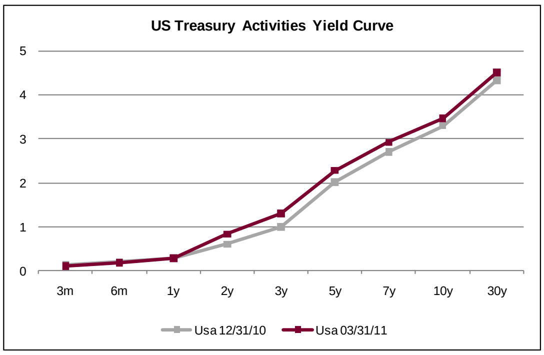
Source: FMI WEO Update, April 2011

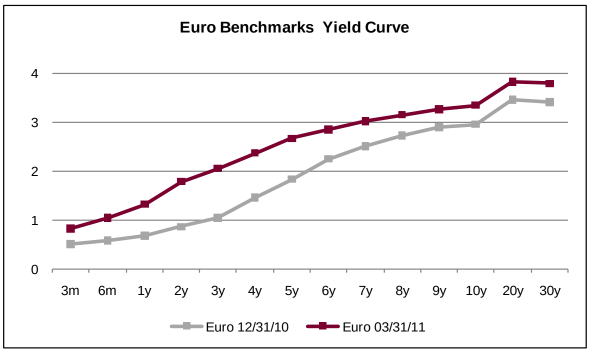
The **Beige Book released in April** reveals that the events affecting Japan may have greater repercussions than expected on sales and production, although **economic activity continues to show signs of improvement**. Nevertheless, the Fed maintained the same rates (with Fed Funds always between 0 and 0.25%) and confirmed non-conventional economic stimulus measures (known as "quantitative easing"), so that markets currently expect that the Fed will not increase its rates until early 2012.

Recovery continues among **emerging countries**, led by **China** (closely followed by India), which — according to the IMF — will grow in 2011 at a rate of close to 9.6% thanks to positive export trends (+35.8% YoY in March). Nevertheless, there are concerns about inflation (4.9% in February 2011) and the **Beijing Monetary Authority has intervened several times**, using the instruments at its disposal, in an attempt to contain **CPI at approx. 4%.**

For the **Eurozone** the IMF has slightly **raised its growth estimates for 2011** (+1.6% compared to +1.5% estimated in January), expecting a slowdown compared to +1.7% in 2010. Industrial production in the first two months of the year stalled somewhat (+6.8% YoY compared to +8.1% YoY in the previous quarter), although new industrial orders continued to recover, climbing by 20.9% YoY compared to +19.2% in December. **Retail sales are still weak**: in the first 2 months of 2011 the average increase was 0.3% YoY, compared to 0.6% YoY for Q4 2010. Economic growth continued to be influenced by the delicate situation in the Eurozone's peripheral areas (particularly Portugal and Ireland), the risk premium for which grew significantly in Q1 2011. **Unemployment rates continue to be high**, though they dropped slightly in Q1 2011. Due to spiralling energy prices, **estimated inflation in March rose to 2.6% YoY, thus pushing the ECB to increase the cost of money by 25 bps.** Though Trichet declared that there will not be a series of increases, market expectations are moving towards benchmark rates of 2% by the end of 2011. According to the ECB, the economic figures demonstrate that the economy of the Eurozone is in a positive "momentum" that benefits from the recovery of world trade, and economic prospects remain balanced, albeit in a context of "**great uncertainty**".

In Q1 2011, the **money market** was characterised by a general rate increase across all maturities, with the one-month rate exceeding 1%. The growing funding needs of "core" countries have nevertheless had an impact on yields. The **government benchmark rates of the Eurozone** have grown again for both the long and short term. As at the end of March, the ten-year rate approached 3.40%, returning to the levels of January 2010. The pressure of interest rates was felt on short-term rates, thus narrowing the yield curve. **The spread on the yield of public securities** widened again, above all for countries facing possible debt restructuring (Ireland and Portugal), where the CDS price approached maximum levels again. Greece's CDS is stable at maximum levels, while those of Spain and Italy decreased (respectively -54 bps and -38 bps).

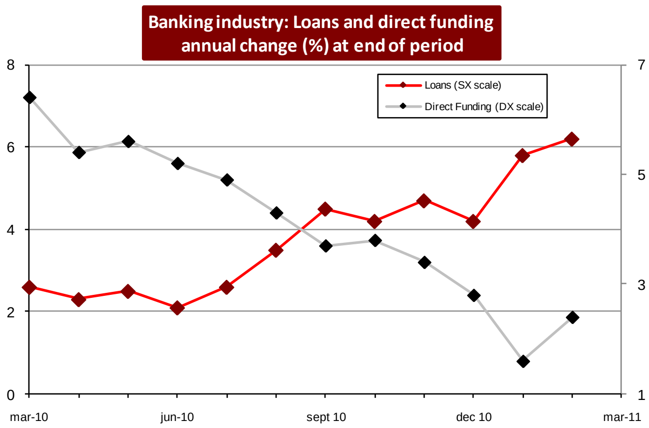




In **Italy** the most recent figures published by ISTAT, the National Statistics Institute, have set growth for 2010 at +**1.3% (vs -5.2% in 2009).** The estimates of the IMF nevertheless envisage a slowdown in 2011 (GDP at +1.1%), also confirmed by the trend of industrial output, which in February showed a change of +2.3% YoY (vs +3.5% YoY in the previous estimate). **The main leading indicators for March were uncertain**, although **the service industry seems to have positive prospects**. Nevertheless, **consumption remained weak** (-1.2% YoY for retail sales in January). Several factors of uncertainty remain, such as **high inflation (+2.5% YoY in March)** and the job market, which seems to have overcome the most acute phase but nevertheless saw an **8.4% unemployment rate** in February. Thanks to a **strict policy for public accounts** the IMF envisages that 2010 should close with a marked decrease in net debt as a percentage of GDP (-4.5% versus -5.3%), while ISTAT has estimated that the target of dropping below 3% will be reached in 2012. As expected, however, the debt-to-GDP ratio has risen (from 116% in 2009 to approximately 118.5% in 2010, again according to ISTAT), although the country has one of the lowest rates of private indebtedness in the EU. In fact, considering public debt plus private debt as a percentage of GDP, this ratio is aligned with the average European figure, a factor that has spared Italy from having its sovereign rating cut, unlike Greece, Ireland, Portugal and Spain.

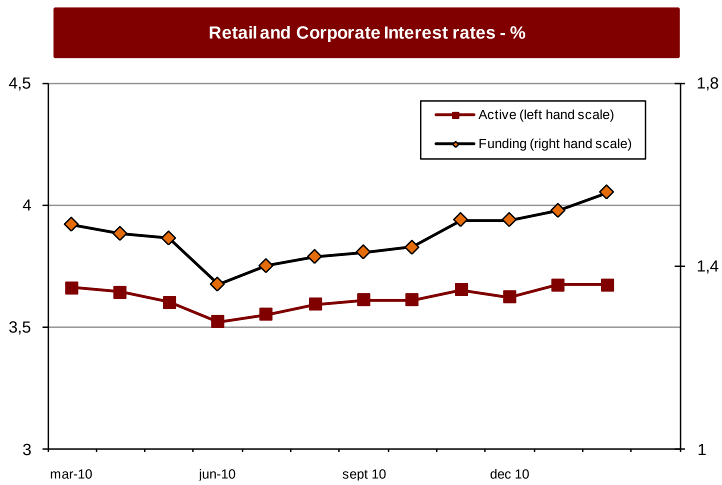
Following the "turmoil" on exchange lists in 2010, the main world markets proved to be positive in Q1 2011 (from 31/12/2010 to 31/03/2011: Dow Jones +6%; S&P500 +5%; Dax more than +2%, FTSE Mib +7%), continuing the upward trend that began at the end of last year. The Japanese lists have suffered (Nikkei -5% in Q1 2011), heavily influenced by the earthquake and the nuclear disaster of Fukushima. **The Italian stock market saw recapitalisation processes that are affecting several banking institutes, alongside FIAT's manoeuvres to gain a majority stake in Chrysler and Lactalis's bid to take over Parmalat.** On **currency markets** the expectation of a change in monetary policy by the ECB generated **significant appreciation of the euro** to the main currencies. The euro/dollar cross rate reached its high in 15 months, crossing at 1.42 on 31 March. With respect to the yen, the euro has reached its highest levels in about one year. Pressure is still being exerted on the Beijing government for it to intervene to depreciate the yuan.

Banking and positioning of the Montepaschi Group



The first few months of 2011 appear to have witnessed the continuation of the trend towards a lower household savings rate and a **moderate increase in lending, especially short-term loans, driven by the timid economic recovery.** Interest rates remained on the uptrend that began in mid-2010 — an uptrend that should be accentuated by the change in the ECB's monetary policy stance that took the form of a 25 basis point increase in its official rate in early April.

During the first two months of 2011, direct funding continued to undergo the slowdown seen in the previous year, bringing the annual growth rate to approx. 2%. Deposits slowed (approx. +4% compared to the approx. +6% in Q4 2010), driven chiefly by the less dynamic performance of repurchase agreements, which nonetheless yielded growth of approx. 50% on an annual basis. During the same period, there was renewed growth of bond volumes (+4 bln compared to year-end), although the annual change remained on a slight decrease (-0.5%). **The Group's share of direct funding remained above 7.6%**, slightly higher than the average level for the previous year.



In Q1 2011, mutual fund flows continued to follow the same trend as seen in the final months of the previous year. Net funding was negative by over EUR 6 bln and was concentrated in bond and money-market funds; inventories decreased by a mere 0.6%, reflecting the positive returns achieved. **In other asset management products, there was a slowdown in new bancassurance business**, which failed to exceed 10 bln in the first two months of the year, down more than 10% compared to the same period of 2010. The result reflects the decline in sales of traditional and index-linked products, while the placement of unit-linked products grew.

In the first two months of 2011, the performance of the bank lending sector improved to approx. +6% on an annual basis compared to the average of +4.5% for Q4 2010. However, the trend was influenced by a historical discontinuity relating to non-performing loans. Excluding that factor, loan growth amounted to approx. +4.5%, still an improvement over the final months of 2010, when it was below 4%. Loans to businesses showed a significant improvement in performance, growing by over 3% on an annual basis (up from +0.9% as at the end of 2010), driven primarily by loans to non-financial companies. During the same period, there was a slowdown in the growth of loans to consumer households, which nonetheless remained approx. +5%. **The Group's share of the loan market stood at 7.89% in February, up 5 basis points compared to December 2010.**

Bank interest rates continued to follow the reversal of trends that began in H2 2010, increasing significantly. During the first two months of the year, the improvement was nearly identical (5-6 basis points) for the rate on both loans and direct funding. The changes were most significant for short-term loans (+14 basis points in two months) and bank bonds (+9 basis points).

The mark-up, measured in reference to short-term loans and the one-month Euribor, **remained near the average for H2 2010**, coming to 3.25 percentage points. In contrast, the mark-down on deposits continued to increase, expanding to nearly 20 basis points (from an average of 13 in Q4 2010).

Regulatory framework

Several initiatives promoted by the government and banks to counter the crisis and to relaunch and support the economy have been extended until 31 July. With regard to households, the main initiative involves the 12-month suspension of mortgage payments for those purchasing their first home in the event of unfavourable conditions: job loss, layoffs, death or lack of self-sufficiency. **With regard to businesses, the extension involves a grace period for SMEs**. **Two important innovations have been introduced:** with regard to existing loans, 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 loans at a variable rate to switch either to a fixed rate or a capped rate mortgage.

Law 107/2011 (known as the "**Milleproroghe**") introduced the option that, in the event of losses for the year, deferred tax assets can be transformed into tax credits that can be transferred or used to offset tax liabilities. **This assessment lays the groundwork — pursuant to Basel III — for eliminating the need to deduct deferred taxes for prudential purposes, removing a competitive disadvantage for Italian banks for the purposes of calculating Common Equity.** Deferred tax assets may only be included for up to a limit of 10% (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 1 July 2011) from a regime charged to the fund**, according to which it is the Sgr (investment company) that directly withholds the 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 underwriting date. Thus, the daily fund quotes will be gross of taxes and this will put an end to the misalignment between the tax regime of Italian funds (as well as historic Luxembourg funds) and the one envisaged for harmonised foreign funds.

European banking regulations were further strengthened, starting with the institutional supervisory framework in order to reinforce forms of coordination and cooperation. **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 for Financial Supervision (ESFS), in which — in addition to the ESRB — there will also be 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.

The ESRB is responsible for analysing the European financial system, reporting any threat to financial stability and making recommendations on policies aimed at minimising such risks. The recommendations are not legally binding, but can be made public, and the national and European authorities to which they are addressed will have to disclose the actions they have undertaken in their regard, according to the "act or explain" principle. **The powers of the new micro-prudential authorities (EBA, EIOPA and ESMA) are especially far-reaching** and involve developing binding technical regulations directly applicable throughout the European Union; making decisions — also binding — to settle disputes among national authorities; asking national authorities to take steps to face emergency situations for financial stability; intervening in the event of incorrect application of European regulations.

Significant Events for the First Quarter of 2011

Below is a summary of the more significant events of the Montepaschi Group in Q1 2011:

- On **18 January 2011**, Banca Monte dei Paschi di Siena S.p.A. announced its decision to increase the spread on preferred securities issued by Mps Capital Trust I for an amount of EUR 350,000,000 (ISIN XS0121342827) and Antonveneta Capital Trust I for an amount of EUR 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 and prudential legal and regulatory framework, which does not yet provide for clear guidance on new issues of capital instruments eligible as Tier 1. The issue of instruments at least equivalent in regulatory quality to Preferred Securities, will be conditional upon definition — by the relevant European and Italian Authorities — of the qualifying conditions for hybrid capital instruments to be eligible for inclusion in the banks' Tier 1 capital, based on guidance contained in the document issued by the Basel Committee on 16 December 2010 "Basel III: A global regulatory framework for more resilient banks and banking systems". In this connection it is noted that, pursuant to the Italian supervisory framework, redemption of Preferred Securities would be subject to their prior and full replacement with at least equivalent-quality instruments. For an accurate reflection of market expectations, however, the Bank has in the meantime 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 bln 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%). The issue is a confirmation of the adeptness of Banca Monte dei Paschi di Siena to place benchmark-sized covered bond issues.

- On **9 March 2011**, Banca Monte dei Paschi di Siena successfully completed the issue of covered bonds targeted to the Euromarket, the third issue 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, LBBW, 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 bln 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%), other (1%), with significant interest shown by almost all Eurozone countries. As for the type of investors, banks accounted for 63% of the total issue, followed by fund managers (29%), insurance companies (5%) and speculative funds (3%). The issue is a confirmation of the adeptness of Banca Monte dei Paschi di Siena to place benchmark-sized covered bond issues.

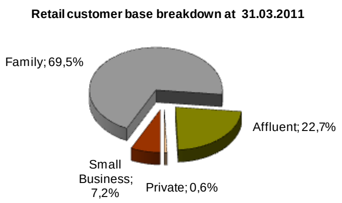
Customer Operations

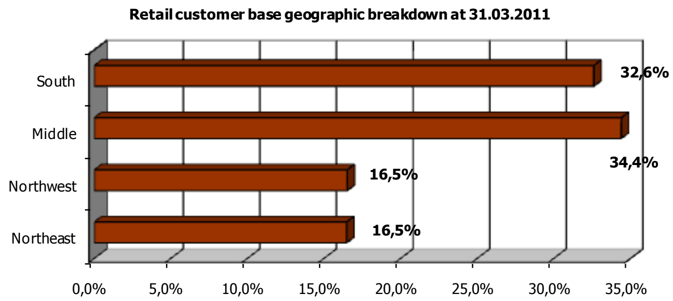
In Q1 2011, against the backdrop of a market scenario that remained uncertain, the Montepaschi Group **developed its capital base while always placing the needs of households and businesses at the heart of its sales and distribution activity.** The initiatives implemented allowed the Group to **consolidate its customer base** and **improve/consolidate its competitive position** in all of its main areas of business. Moreover, **the Group guaranteed continuity to its offer of credit**, supporting its customers by both taking part in banking system initiatives as well as developing projects independently.

Customer portfolio

The Montepaschi Group performs its banking activities with **over 6.2 mln customers**,[6] approximately 5.9 mln of which managed by the Distribution Networks of Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca, and through the channel of Financial Advisors. Specifically, Group customers are broken down as follows.

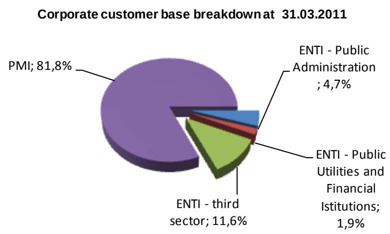
- ✓ **Consumer customers** consists of over 5.7 mln customers that are distributed evenly throughout the country, with the *Family* segment accounting for 69.5%. This is followed by 22.7% with more substantial portfolios requiring customised management (*Affluent*), whereas SMEs (*Small Business*) and high-standing customers (*Private*) account for 7.2% and 0.6%, respectively.

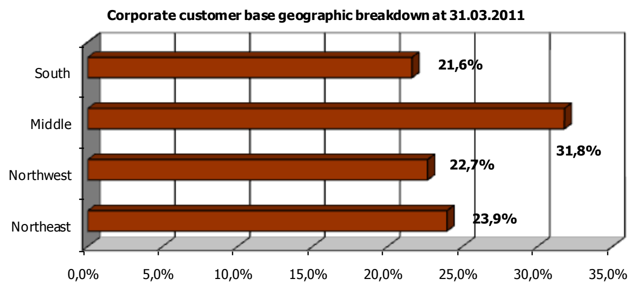




The overview of the Group's Consumer customers is completed by the **Family Office** segment (over 1,300 customers) represented by households and entrepreneurs targeted by the Montepaschi Group with evolved solutions to develop asset portfolios (overall but also in terms of complexity), integrating asset management with a broad range of financial and non-financial consulting services.

- ✓ **Corporate customers**: Consist of over 78,700 customers, including SMEs (approx. 82%) and Institutions (18%), mainly concentrated in the regions of Northern Italy (46.6%) but with a significant portion in Central Italy as well (31.8%).

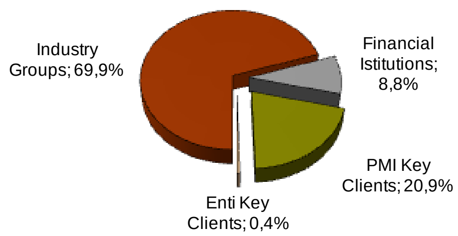




In the area of Corporate Customers, a special service model has been reserved for **Key Clients** (nearly 1,600 units) represented by a specific clientele selected through a mix of quantitative criteria based almost exclusively on size (turnover is considered for enterprises) and qualitative criteria, i.e., tied to the customers' operating complexity and their specific needs (also independently of turnover).

6 *The figure includes customers of Banca Monte dei Paschi di Siena, Banca Antonveneta, Biverbanca and those managed directly by Consum.it.*

Key Clients customer base breakdown at 31.03.2011



Funding aggregates[7]

As at the end of March 2011, the Group's total funding volumes amounted to approx. EUR 308 bln, up 1.6% compared to 31/12/2010 and 7% compared to the previous year like for like, with significant growth trends for both direct and indirect funding.

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

	31/03/11	31/12/10	(*) 31/03/10	Chg. % vs 31/12/10	Chg. % vs 31/03/10	%weight 31/03/11
Direct customer funding	**160.361**	**158.486**	**152.670**	**1,2%**	**5,0%**	**52,0%**
Indirect customer funding	**147.840**	**144.919**	**135.333**	**2,0%**	**9,2%**	**48,0%**
assets under management	*49.938*	*50.547*	*49.641*	-1,2%	0,6%	16,2%
assets under custody	*97.902*	*94.372*	*85.692*	3,7%	14,2%	31,8%
Total customer funding	**308.202**	**303.405**	**288.003**	**1,6%**	**7,0%**	**100,0%**

(*) Volumes were "restated" to take account of changes to the scope of operations following disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture S.p.A.).

More specifically:

- **Direct funding** amounted to approx. EUR 160 billion, **up 1.2% compared to 31/12/2010**, and 5**% compared to the previous year** like for like, with the Group's **market share** hitting **7.62%** as at February 2011. The trend recorded for the aggregate, as compared to the end of 2010, is mainly attributable to bonds placed with **consumer/corporate customers** (gross placements in the amount of approx. EUR 5.4 bln) and **institutional customers** (EUR 2.4 bln in medium-long term issues, including EUR 2.3 bln in Covered Bonds). Repurchase agreements with market counterparties decreased, whereas other forms of direct funding increased:

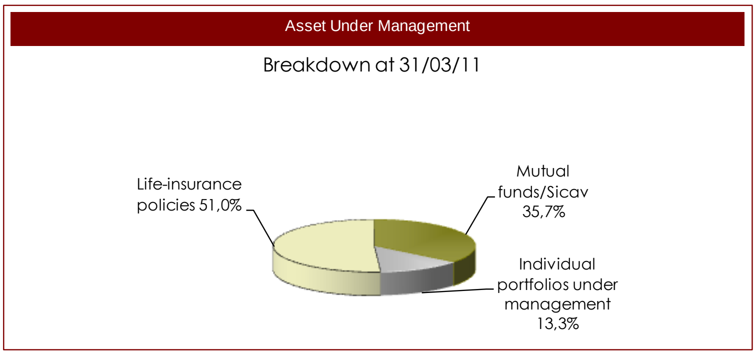
Direct customer funding (€/mln)

Type of transaction	31/03/11	31/12/10	Change Abs.	Change %
Current accounts	65.178	65.774	-595	-0,9%
Time deposits	2.232	3.292	-1.060	-32,2%
Reverse repurchase agreements	18.319	18.741	-422	-2,3%
Bond	60.334	56.550	3.785	6,7%
Other type of direct customer funding	14.298	14.130	168	1,2%
Total	**160.361**	**158.486**	**1.876**	**1,2%**

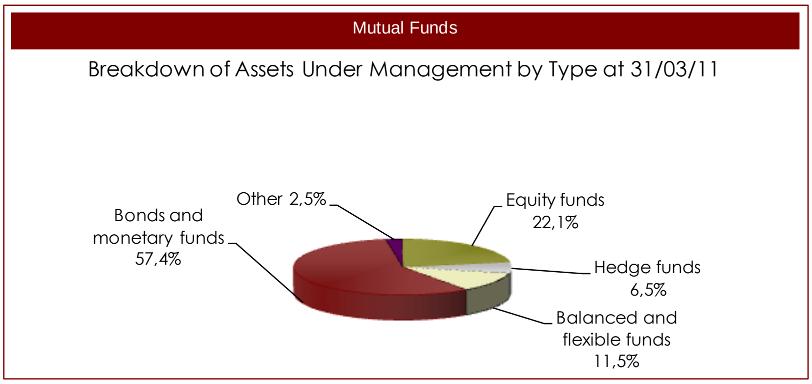
- **Indirect funding** totalled approx. EUR 148 bln, up 2% on 2010 year-end volumes and 9.2% YoY on a like-for-like basis. A breakdown of the aggregate shows:
  - **Assets under management** up 0.6% YoY to approx. EUR 50 bln on a like-for-like basis (-1.2% compared to 31/12/2010). A further breakdown of volumes — according to a Mifid-based approach structurally aimed at selecting the best investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) — shows

[7] *To enable a like-for-like comparison, funding volumes as at 31/03/2010 have been restated to take into account the effects of the disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi) and the relevant assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture SpA).*

that the **prevailing segments are life insurance policies** (accounting for 51% of the aggregate) **and Funds and Sicavs** (35.7%).



In the **insurance segment**, the Montepaschi Group's technical reserves amounted to approx. EUR 25 bln at 31/03/2011, stable at the levels of the end of 2010 (-0.7%), with premiums written during the quarter contributing more than 1 bln, an improvement over Q4 2010 (+42.5%) owing to the positive performance of unit-linked and index-linked policies. **Individual portfolios under management** stood at approx. 7 bln (+0.2% compared to 31/12/2010) and continued to show net outflows at the quarterly level, while improving on Q4 2010 (-140 mln compared to -397 mln in Q4 2010). **Mutual funds/Sicavs** amounted to approx. 18 bln, -2.3% compared to 31/12/2010, with net funding of EUR 56 mln (+72.9% compared to Q4 2010). In this segment, the funds with the lowest risk level accounted for approx. 69% (bonds and monetary funds: 57.4%; balanced and flexible funds: 11.5%).



- **Assets under custody**: at the end of 2011, assets under custody amounted to approx. EUR 98 bln, up 3.7% compared to 31/12/2010 (+14.2% YoY), mainly thanks to movements on Key Clients deposits.

Lending aggregates[8]

As at the end of March 2011, the Group's "**Loans and receivables with customers**" amounted to approx. **EUR 155 bln, up 4.2% YoY like for like** (-1% compared to 31/12/2010), with a market share of 7.89% as at February 2011 (vs. 7.84% as at 31/12/2010).

8 *To enable a like-for-like comparison, lending volumes as at 31/03/2010 have been restated to take into account the effects of the disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi) and the relevant assets held for sale at the end of (MP Monaco SAM and MPS Venture SpA).*

Loans and receivables with customers (€/mln)

Type of transaction		31/03/11	31/12/10	Change Abs.	Change %
Commercial loans		137.821	138.694	-873	-0,6%
	Current accounts	*16.848*	*15.214*	*1.635*	*10,7%*
	Mortgages	*83.810*	*84.383*	*-573*	*-0,7%*
	Other financings	*37.163*	*39.098*	*-1.934*	*-4,9%*
Other loans		4.841	6.163	-1.322	-21,4%
Impaired loans		12.002	11.381	621	5,5%
Total		**154.664**	**156.238**	**-1.573**	**-1,0%**

"Active" loans from consumer/corporate customers amounted to approx. **EUR 138 bln** at the end of the quarter, virtually stable compared to 31/12/2010, with a significant growth of **current accounts** (**+10.7**% compared to 31/12/2010) and mortgages in line with those at year-end 2010. Other technical forms of financing declined (repurchase agreements and securities) shown in item "Other loans".

Special purpose loans and corporate finance

EUR mln	31/03/11	4°Q10	3°Q10	2°Q10	1°Q10	31/03/10	Chg. 1°Q11 vs 4°Q10 Ins.	Chg. 1°Q11 vs 4°Q10 %	Chg. YoY Ins.	Chg. YoY %
MPS Capital Services (disbursements)	**731**	**597**	**381**	**699**	**390**	**390**	**134**	**22,5%**	**341**	**87,4%**
MPS Leasing & Factoring	**2.632**	**2.589**	**1.807**	**1.876**	**1.736**	**1.736**	**43**	**1,6%**	**896**	**51,7%**
incl.: leases negotiated	261	321	276	448	354	354	-60	-18,7%	-93	-26,2%
factoring turnover	2.371	2.268	1.531	1.428	1.382	1.382	103	4,5%	989	71,6%
Consumit (disbursements)	**684**	**638**	**642**	**742**	**700**	**700**	**46**	**7,2%**	**-16**	**-2,3%**
Total	**4.047**	**3.824**	**2.829**	**3.317**	**2.826**	**2.826**	**223**	**5,8%**	**1.221**	**43,2%**

As for '**special purpose' loans**, which are disbursed by the Group through dedicated product companies, total **new flows** in Q1 2011 **exceeded EUR 4 bln** (up 5.8% on Q4 2010 and 43.2% YoY). **Small business and corporate loans**, which amounted to approx. EUR **3.4 bln**, registered a step-up in disbursements by both MPS Capital Services (+22.5% QoQ; +87.4% YoY) and MPS Leasing & Factoring (+1.6% QoQ; +51.7% YoY), the latter attributable primarily to Factoring. With reference to **consumer credit**, in Q1 2011 Consum.it issued **EUR 684 bln** on the whole, improving by 7.2% the result achieved in Q4 2010, although to a lower extent than the level reached in the same period of the previous year (-2.3%); within this aggregate, personal loans improved, whereas special-purpose loans decreased.

Credit quality

At 31 March 2011, the Montepaschi Group recorded a net exposure in terms of **impaired loans amounting to EUR 12,002 mln**, up EUR 621 mln compared to year-end 2010, with a **total ratio to Loans to customers of 7.76% (7.28% at the end of December 2010)**.

With reference to the quality of the **performing loan portfolio**, at the end of March 2011 **average probability of default was 2.24%,** increasing by 3 bps compared to 31/12/2010.

BREAKDOWN OF CUSTOMER LOANS BY RISK

Risk category - Net book values *in million EUR*	31/03/11	31/12/10	31/03/10 (*)	weight % 31/03/11	weight % 31/12/10	weight % 31/03/10
A) Impaired loans	**12.002**	**11.381**	**10.596**	**7,76**	**7,28**	**7,14**
a1) Non-performing loans	5.605	5.485	4.908	3,62	3,51	3,31
a2) Watchlist loans	4.102	4.015	4.004	2,65	2,57	2,70
a3) Restructured loans	1.370	1.249	793	0,89	0,80	0,53
a4) Past due	925	632	892	0,60	0,40	0,60
B) Performing loans	**142.662**	**144.857**	**137.861**	**92,24**	**92,72**	**92,86**
Total customer loans	**154.664**	**156.238**	**148.457**	**100,00**	**100,00**	**100,00**

(*)Values published in the Consolidated Report on Operations as at 31 December 2010, which takes account of changes to the scope of operations following disposal of banking business in 2010 (72 branches of Banca Monte dei Paschi di Siena) and assets held for sale at the end of 2010 (MP Monaco SAM and MPS Venture S.p.A.).

As at 31 March 2011, **impaired loans coverage** was 41.4%, up on the previous year and slightly lower than on 31/12/2010, thus remaining in line with the Montepaschi Group's traditional coverage levels. With respect to **NPLs**, coverage stood at 56.2% (vs 56.0% as at 31/12/2010), while the **watchlist loan** coverage ratio amounted to 20.8% (vs 21.1% as at 31/12/2010).

PROVISIONING RATIOS

	31/03/11	31/12/10	31/03/10
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**41,4%**	**41,8%**	**40,5%**
"provisions for watchlist loans" / "gross watchlist loans"	**20,8%**	**21,1%**	**19,1%**
"provisions for NPLs" / "gross NPLs"	**56,2%**	**56,0%**	**55,8%**

The table below reports the figures for the major companies of the Group, within which Banca Monte dei Paschi di Siena and Banca Antonveneta show a provisioning ratio for non-performing loans which, on average, stands at approx. 59.7%. For an accurate interpretation of the details contained in the table, it should be noted that NPLs under litigation are normally written down also by direct amortisation, while mid-long term loans are generally supported by collateral thus requiring more limited provisioning. This is particularly evident in MPS Capital Services (NPL coverage amounted to 33.6%), whose business is mainly characterised by the disbursement of mortgage loans:

BREAKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 31/03/2011 *in million EUR*	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
Non-performing loans	5.605	3.115	599	1.437	175	135	60
% weight on customer loans	3,62%	2,3%	4,4%	9,5%	2,7%	2,2%	2,5%
"loan loss provisions" / "gross NPLs"	**56,2%**	**60,1%**	**59,2%**	**33,6%**	**66,1%**	**74,0%**	**65,2%**
Watchlist loans	4.102	2.676	228	658	304	80	58
% weight on customer loans	2,65%	2,0%	1,7%	4,4%	4,6%	1,3%	2,5%
"loan loss provisions" / "gross watchlist loans"	**20,8%**	**21,9%**	**18,8%**	**15,8%**	**18,2%**	**34,0%**	**26,2%**

With regard to **gross performing loans**, provisions were 0.56%, in line with 31/12/2010.

Lastly, turning to the management of the non-performing loan portfolio, contracted to MPS Gestione Crediti Banca, **a total of 145.8 mln in recoveries** were completed in Q1 2011, down 15.5% compared to Q4 2010 and 11.8% compared to the same period of the previous year.

Income Statement Aggregates

In Q1 2011 the Montepaschi Group's Net Operating Result rose significantly to approx. EUR 349 mln, up by 84.5% compared to Q4 2010 and 45.8% YoY. This growth was favoured by the resilience of basic income, which remained stable compared to the previous year, and in line with Q4 2010 on like-for-like number of days basis, and especially by the sharp growth in profit from trading/valuation of financial assets. The cost of credit further improved, reducing provisioning to 71 bps (-3 bps compared to year-end 2010), and operating expenses, with the ensuing decline in the cost/income ratio, which at the end of March 2011 was 57.7%, down by 390 bps compared to 31/12/2010.

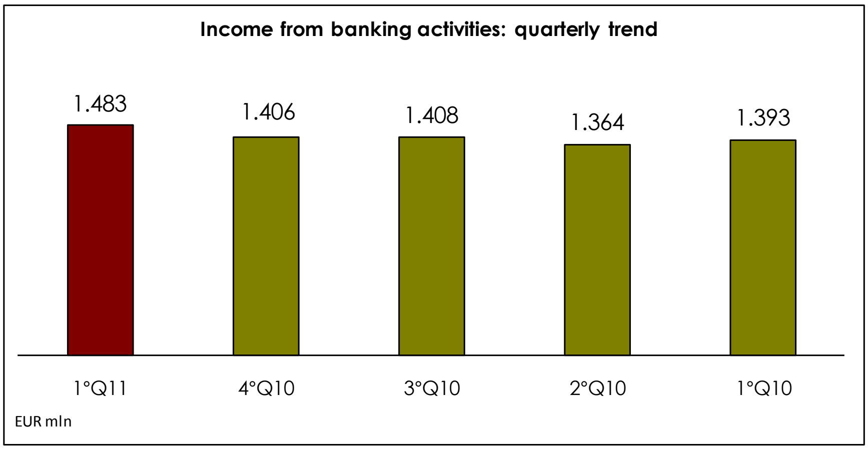
1) Operating income

DEVELOPMENT OF OPERATING INCOME: NET INCOME FROM BANKING AND INSURANCE ACTIVITIES

At the level of total revenues from banking and other services, **income from banking and insurance activities** stood at approx. EUR **1,483 mln**, up 5.4% compared to Q4 2010 and 6.4% compared to the same period of the previous year. During the quarter, the aggregate benefited from financial income and the resilience of basic income.

FINANCIAL AND INSURANCE INCOME (EUR mln)

	1°Q11	4°Q10	3°Q10	2°Q10	1°Q10	Chg. 1°Q11 vs 4°Q10 Abs.	Chg. 1°Q11 vs 4°Q10 %	Chg. 1°Q11 vs 1°Q10 Abs.	Chg. 1°Q11 vs 1°Q10 %
Net interest income	877,7	900,8	906,5	912,7	871,7	-23,1	-2,6%	6,1	0,7%
Net commissions	472,7	489,0	459,1	482,9	480,5	-16,3	-3,3%	-7,8	-1,6%
Income from banking activities	**1.350,4**	**1.389,8**	**1.365,7**	**1.395,6**	**1.352,1**	**-39,4**	**-2,8%**	**-1,7**	**-0,1%**
Dividends, similar income and gains (losses) on equity investments	27,4	32,2	29,5	15,7	14,4	-4,8	-15,0%	13,0	89,9%
Net profit (loss) from trading/valuation of financial assets	103,9	-5,7	16,3	-53,4	19,7	109,6	n.s.	84,2	n.s.
Net profit (loss) from hedging	0,9	-10,1	-3,5	6,3	6,7	11,0	n.s.	-5,8	-86,9%
Financial and insurance income	**1.482,6**	**1.406,2**	**1.408,0**	**1.364,2**	**1.392,9**	**76,4**	**5,4%**	**89,7**	**6,4%**



A closer look at the individual components of the aggregate reveals the following:

- **Income from banking activities** at the end of March 2011 amounted to approx. EUR **1,350 mln** (approx. EUR 1,352 mln for Q1 2010; -0.1%), virtually in line with the previous quarter on a like-for-like number of days basis. More specifically:
  - **Net interest income** was approx. EUR **878 mln**, with a slight improvement compared to the previous year (+0.7%), although moderately declining compared to Q4 2010, mainly due to the lower number of days in the quarter (with an effect of approx. EUR –20 mln); on a like-for-like basis, the amount would have been largely stable. Within the aggregate, the **consumer and**

corporate business component recovered, thanks to the increase in interest rates, which improved the mark-down on funding. By contrast, the **financial components** (banking book, Asset & Liability Management) declined, primarily as a result of the decrease in the Group's banking book due positions mainly classified as HFT.

- **Net commissions** amounted to approx. EUR **473 mln** (EUR 481 mln as at 31/03/2010 -1.6%; -3.3% compared to Q4 2010). The aggregate was affected by a lower demand for financial products by customers -who opted more for direct funding products- and a slow-down in lending volumes due to a still sluggish market.

➢ **Net profit/loss from trading/valuation of financial assets** amounted to EUR **103.9 mln** as at 31 march 2011(19.7 mln as at 31/03/2010), sharply increasing compared to a negative EUR 5.7 mln for Q4 2010. In detail, **Net profit/loss from trading** amounted to approx. EUR 84 mln for the quarter (EUR 22.6 mln for Q1 2010; -23.1 mln for Q4 2010), as market opportunities were seized to realise gains of positions and reduce portfolio stocks. **Gains/losses on disposal of loans, available for sale financial assets and liabilities** also reported a good performance at EUR 40.1 mln for the quarter (compared to EUR 15.8 mln as at 31/03/2010 and EUR 9.8 mln for Q4 2010), mainly driven by the disposal of capital-gain-generating AFS securities. A negative result was recorded for **"net profit (loss) on financial assets/liabilities designated at fair value**", which amounted to EUR -20.3 mln (-18.7 mln for Q1 2010; EUR 7.5 mln for Q4 2010), weighted down by the increase in liabilities of BMPS bonds placed with institutional investors, for the part not completely hedged against risk.

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

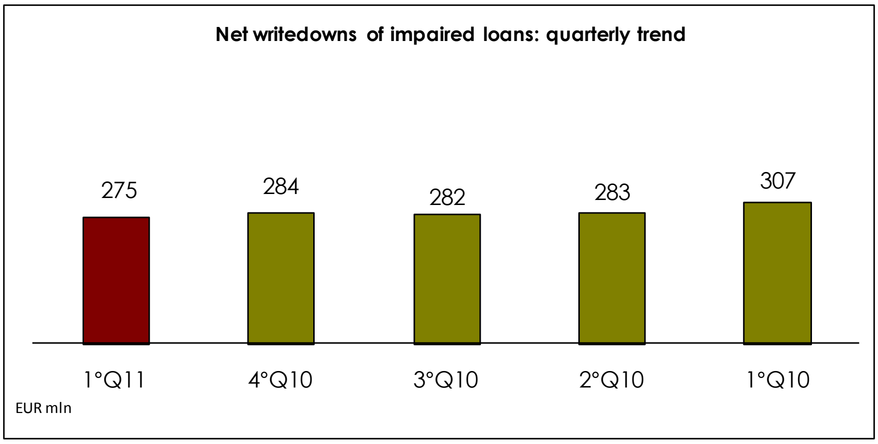
	1°Q11	4°Q10	3°Q10	2°Q10	1°Q10	Chg. 1°Q11 vs 4°Q10 Abs.	%	Chg. 1°Q11 vs 1°Q10 Abs.	%
Net profit (loss) from trading	84,1	-23,1	16,1	-67,8	22,6	107,2	n.s.	61,5	n.s.
Gains (losses) on disposal of loans, available for sale financial assets and financial liabilities	40,1	9,8	13,3	20,5	15,8	30,3	n.s.	24,3	n.s.
Net profit (loss) on financial assets and liabilities designated at fair value	-20,3	7,5	-13,1	-6,1	-18,7	-27,8	n.s.	-1,6	8,4%
Net profit (loss) from trading/valuation of financial assets	**103,9**	**-5,7**	**16,3**	**-53,4**	**19,7**	**109,6**	**n.s.**	**84,2**	**n.s.**

Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains/losses on equity investments**: a balance of EUR **27.4 mln** (14.4 mln as at 31/03/2010 and 32.2 mln in Q4 2010). For the most part, the item includes gains on equity investments consolidated at equity, among which a positive performance was shown in the quarter by the insurance segment, with AXA-MPS contributing approx. 22 mln.
- **Net profit (loss) from hedging: a profit balance of EUR 0.9 mln** (6.7 mln for Q1 2010), improving compared to the previous quarter which recorded a loss balance of EUR 10.1 mln.

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

With reference to lending volumes, for Q1 2011 the Montepaschi group confirmed its downtrend in credit cost, recognising net write-downs of impaired loans of approx. EUR 275 mln in the income statement, down 3.3% compared to the previous quarter and down 10.5% compared to Q1 2010. The ratio of annualised loan loss provisions over total customer loans is expressive of a provisioning rate of 71 bps, down by 3 bps on 31/12/2010 and 10 bps on Q1 2010, within the Group's unchanged policy of prudential provisioning.



"**Net value adjustments due to impairment of financial assets**", **negative by approx. EUR 4.1 mln** (vs -0.7 mln as at 31/03/2010; -12 mln in Q4 2010) partly on account of depreciation of impaired listed equity securities classified as AFS.

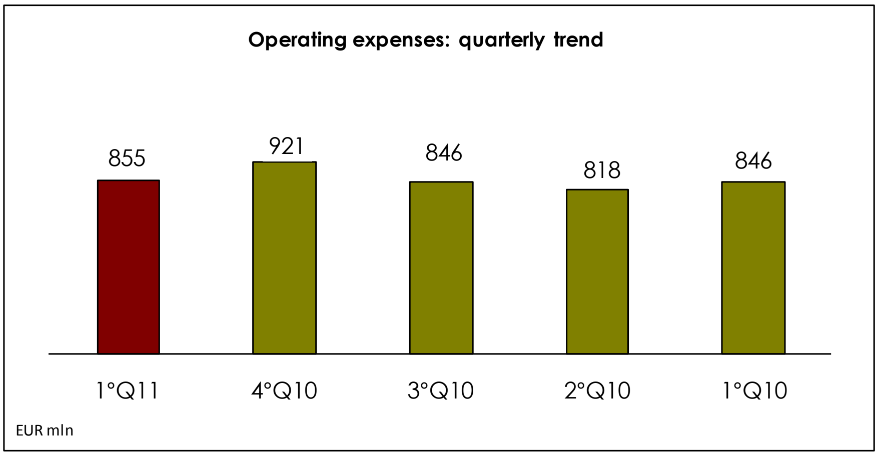
As a result of the above, **income from banking and insurance amounted to approx. EUR 1,204 mln** (vs approx. EUR 1,085 mln last year; +10.9%), up 8.5% compared to the previous quarter.

COST OF OPERATION: OPERATING EXPENSES

In Q1 2011, **operating expenses** amounted to approx. EUR **855 mln**, largely in line with the previous year (+1.1%; -7.2% vs Q4 2010), which confirms the Montepaschi Group's focus on structural cost containment:

OPERATING EXPENSES (EUR mln)

						Chg. 1°Q11 vs 4°Q10		Chg. 1°Q11 vs 1°Q10	
	1°Q11	4°Q10	3°Q10	2°Q10	1°Q10	Abs.	%	Abs.	%
Personnel expenses	543,5	597,4	537,1	518,7	558,1	-53,8	-9,0%	-14,6	-2,6%
Other administrative expenses	270,2	271,4	268,1	257,2	247,9	-1,2	-0,4%	22,2	9,0%
Administrative expenses	**813,7**	**868,7**	**805,2**	**775,9**	**806,1**	**-55,0**	**-6,3%**	**7,6**	**0,9%**
Net adjustments to tangible and intangible assets	41,5	52,3	40,8	42,1	40,0	-10,8	-20,7%	1,5	3,7%
Operating expenses	**855,2**	**921,1**	**846,0**	**817,9**	**846,1**	**-65,9**	**-7,2%**	**9,1**	**1,1%**



In particular:

A) **Administrative expenses** amounted to EUR 814 mln (+0.9% YoY; -6.3% QoQ) due to:

- **Personnel expenses**, amounting to approx. EUR **544 mln** (-2.6 YoY; -9% QoQ). This item benefited 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** (approx. EUR **270 mln** after stamp duty and customer expense recovery), increased compared to previous year as a result of the recent deal for value creation from property used in the business finalised at the end of 2010, net of which the aggregate would have shown a downturn compared to the end of 2010 as evidence of the cost synergies obtained from reorganisation and cost management actions.

B) **Net adjustments to tangible and intangible assets** amounted to approx. **EUR -42 mln**, down 20.7% compared to Q4 2010 (+3.7% YoY).

As a result of the above, Net Operating Income was approx. EUR 349 mln, up 45.8% on 31/03/2010 and 84.5% on Q4 2010. The Cost/Income ratio was 57.7%, with a significant improvement (+390 bps) compared to 31/12/2010.

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

Net income also included:

- **Net provisions for risks and charges and other operating income/expenses** improving the negative balance by 6.9% YoY (-44.4% QoQ) to approximately -EUR 39 mln. The account incorporates approx. -EUR 26 mln in provisions to the fund for risks and charges (covering primarily legal disputes and claw-back actions) and roughly -EUR 13 mln worth of net operating expenses (consisting primarily in legal actions and improvement on third-party assets).
- **Gains (losses) on equity investments** amounted to EUR 0.1 mln (EUR -0.2 mln as at 31/03/2010);
- **Gains (losses) on disposal of investments** amounted to EUR 0.1 mln (0.5 mln for Q4 2010).

As a result of the above, **profit before tax from continuing operations amounted to approx. EUR 310 mln** (210.1 mln in Q1 2010).

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

						Chg. 1°Q11 vs 4°Q10		Chg. 1°Q11 vs 1°Q10	
	1°Q11	4°Q10	3°Q10	2°Q10	1°Q10	Abs.	%	Abs.	%
Net operating income	**348,7**	**189,0**	**272,9**	**245,0**	**239,1**	**159,7**	**84,5%**	**109,6**	**45,8%**
Net provisions to reserves for risks and charges and other operating income (expense)	-38,6	-26,7	-32,8	-92,2	-41,5	-11,9	44,4%	2,9	-6,9%
Gains (losses) from equity Investments	0,1	578,8	-7,8	-19,3	-0,2	-578,7	n.s.	0,3	n.s.
Integration costs		-10,7	-6,1	-2,7		10,7	n.s.		
Gains (losses) from disposal of investments				9,2	12,6			-12,6	n.s.
Gains (losses) from disposal of investments	0,1	0,5	-2,3	184,2	0,0	-0,4	-78,2%	0,1	n.s.
Gain (loss) from current operations before taxes	**310,3**	**730,8**	**223,9**	**324,1**	**210,1**	**-420,5**	**-57,5%**	**100,2**	**47,7%**

Finally, net income also includes:

- **Tax expense on profit from continuing operations** was negative by approx. EUR -145 mln (-42.3 mln as at 31 March 2010, which had benefited from a reduction in taxes by approx. 70 mln as a result of the application of Legislative Decree 185/08). Tax rate for the period was approx. 46.6%.
- **Profit from discontinued operations after taxes** amounted to EUR 2.8 mln.

Consolidated net income of the Montepaschi Group before Purchase Price Allocation (PPA) stood at EUR 166.1 mln (EUR 169.9 mln as at 31 March 2010). Considering the net effects of PPA, net income for the period amounted to EUR 140.3 mln (EUR 142.2 mln for Q1 2010).

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

Reconciliation between Parent Company and Consolidated Shareholders' Equity and Net Profit (Loss)

Amounts €/000	Shareholders' equity	Net profit (loss)
Balance as as per Parent Company's Accounts	15.820.106	-1.083
including Parent Company's valuation reserves	*-72.773*	
Effect of line-by-line consolidation of subsidiaries	1.520.092	118.970
Effect of affiliates	102.117	27.456
Other adjustments	-70.353	-5.017
Subsidiaries' valutation reserves	125.482	
Consolidated balance	**17.497.444**	**140.326**

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 organised (and whose results are periodically reported) as the basis of representation for a breakdown of its income/capital aggregates.

Based on this approach, **a breakdown of the results achieved** by the operating segments of the Montepaschi Group **as at 31 March 2011** is reported in the following table. Data was aggregated according to the existing organisational setup.

It should be noted that Biverbanca remains allocated to the Corporate Centre since it has not yet undergone divisionalisation.

SEGMENT REPORTING - Primary segment
(EUR mln)

march 2011	Consumer Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy
PROFIT AND LOSS AGGREGATES								
Financial and insurance income	763,9	0,4%	542,2	6,4%	176,5	43,9%	1.482,6	6,4%
Net value adjustments due to impairment of loans and financial assets	102,5	-14,7%	185,2	6,4%	-9,0	n.s.	278,7	-9,4%
Operating expenses	555,7	-1,8%	148,0	-1,6%	151,5	16,8%	855,2	1,1%
Net operating income	105,7	41,7%	209,0	13,0%	34,0	n.s	348,7	45,8%
BALANCE SHEET AGGREGATES								
Active loans and advances to customers	65.697	7,1%	72.749	0,4%	10.614	-39,5%	149.059	-1,5%
Customer accounts and securities	83.159	-0,8%	49.669	-0,6%	27.534	11,6%	160.361	1,2%
Indirect customer funding	71.784	1,4%	46.682	23,5%	29.375	-19,1%	147.840	2,0%
Assets under management	44.710	1,3%	2.099	-19,6%	3.129	-17,4%	49.938	-1,2%
Assets under custody	27.074	1,5%	44.582	26,6%	26.246	-19,3%	97.902	3,7%
PROFITABILITY RATIOS								
Cost Income	72,7%		27,3%				57,7%	
Raroc	11,72%		15,0%		-		8,8%	

The main business aspects of Q1 2011 for each of these operating segments are reported in the following pages.

Consumer Banking

SALES & DISTRIBUTION AND PRODUCT/SERVICE INNOVATION

Consumer Banking has developed a funding and lending policy for 2011 in which strategic objectives include that of **becoming the "bank of choice" for the Group's target customers**, through a relationship management model based on specialised expertise and a production/distribution structure optimised and oriented towards **creating value for customers**. The course of action also includes activities aimed at **streamlining/integrating the product catalogue** - with a broader offering that is more adept at **seizing the best opportunities for development** - as well as initiatives **supporting households and small businesses in financial difficulty, sustaining them** through today's challenging economic and financial climate.

In keeping with these lines of development, the initiatives that Consumer Banking targeted at the various customer segments in Q1 2011were as follows:

Retail customers

- With regard to the "**Family**" customer segment, sales initiatives were mainly geared towards:
  - **developing the core bank**, thanks to cross-selling actions mainly targeted to key customers of Consum.it and marketing of the product **MpsContoZip**,[9] enhanced by member-get-member activities;
  - **supporting the growth of direct funding**, through specific solutions aimed at tapping into customers' investment needs;
  - **promoting the culture of protection**, also through the aid of new instruments made available to account managers. In this connection, rollout of the **Motor project**, aimed at selling motor insurance in the branches, continued.
- The **"Affluent"** segment: The period saw the ongoing consolidation and implementation of the advisory model and sales & distribution plan already developed in 2010, structured along the following lines:
  - **Method** campaigns consisting in initiatives designed to monitor funding (remix and growth), develop the core bank and promote the culture of protection, with novelties such as the introduction of "full potential" targets and the articulation of local initiatives.
  - **"Advice"** advisory platform, promoted by the network of local Affluent Advisory specialists as well as specific initiatives aimed at profiling "Upper Affluent" customers within the Advice environment.
  - **Product** placement, maximising the value of the advisory model, also in view of the new MiFID 2 regulations.
- The "**Small Business**" segment: Q1 2011 saw the introduction of numerous innovations in terms of creating and developing sales and marketing actions targeted at this customer group. Specific campaigns were aimed at **increasing direct funding** (time deposits, repurchase agreements, Certificates of Deposit and limited duration bonds), whereas in terms of lending there were positive effects thanks to the **Cosvig-Confesercenti** agreement for the granting of loans to small businesses (with the support of the SME guarantee fund). Specific initiatives were also strengthened to **support Tourism and Agriculture** and, as part of operational developments with trade associations, great importance was given to the **promotion of the card co-branded with Confesercenti**. 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 new-generation "cash-in" ATMs**.** Special attention was also paid to the **Axa-MPS insurance offer for Personal and Asset Protection.**
- **"Private"** Segment: the 2011 setup was fully activated, envisaging specific activities for each of the following strategic directions: **in-extension growth, containment of attrition, in-depth growth/optimisation of asset mix and control of profitability in the different areas**. In particular, activities focused on the increasing deployment of advanced advisory services and on promoting the

9 Modular and dynamic current account package for new Private customers. This is a basic set composed not only of the traditional current account, but also the debit card as a key instrument in order to use the multichannel service (Internet, telephone and mobile) as a way to access the bank, and use the "Dove sei, quando vuoi" current account and automatic debit of utility bills. The modular structure of the account offers customers the chance to customise their current account — immediately or at a later date — by choosing products/services to meet their needs.

overall economic balance of operations by increasing the funding capacity on the market. 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.

During the quarter, the system-based initiative **"Plan for families" (Piano Famiglie) continued** (suspension of the mortgage repayment plan for borrowers in financial difficulty). In compliance with the framework agreement, the term for submitting requests was extended to 31 July 2011. As at 31 March approx. 7,900 loans had been suspended for an outstanding debt of EUR 850 mln.

Despite recent amendments to the regulatory framework, which currently sets 31 May 2011 as the deadline for completing installations in order to benefit from the incentives of the "Conto Energia 3" programme, the Montepaschi Group has decided not to suspend **disbursements aimed at boosting the installation of photovoltaic systems.** The Group, therefore, continues to be sensitive towards actions which, among other things, promote environmental protection as part of the Groupìs Corporate Social Responsibility (CSR) policy.

Furthermore, intense activities continued regarding implementation of the new provisions of Title I of Legislative Decree 141/2010 on consumer credit, which will take effect as of 1 June 2011.

Family Office customers

In Q1 2011, advisory and relationship activities continued at a heightened pace on both new and prospective customers, with the **organisation of specific events and conventions**. 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. It is important to emphasise that a direct relationship was established with potential customers during the meetings in Rome, which were attended by the musician Ennio Morricone, and at the roundtables organised in Turin and Bari with the top executives of the Group's main partners.

Excellent results were also achieved in the **development of a range of products /operating instruments** offered to customers during this period, the most notable of which are:

- ✓ **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 in pre-determined areas;
- ✓ **Lombard Financing,** with collateral deposit of securities;
- ✓ **"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.

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

The Financial Advisory network, integrated into the Group in April 2010, reported a significant increase in assets under management in Q1 2011 (approx. +19% compared to 31/03/2010), confirming the uptrend registered in its first three months of operations, placing itself in contrast with the performance of competitors in the sector and improving its market share[10] to 2.534% in December 2010 (2.152% in December 2009). The results were partly due to the following measures taken by the business unit:

- 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;
- careful monitoring of the Network's overall dynamics; and
- development of internal marketing.

In addition, a far-reaching process of change was initiated in the area of information technology, with a special focus on the roll-out of the Paschi Face tool.

Product/service innovation

As further evidence of the Group's strategic focus on advisory, new activities have been planned with the aim of improving the way advisory services are provided and expanding the features offered by the Advice platform (MiFID 2 Advisory Project).

The main changes currently in progress consist in completing the integration of order submission features, with a special focus on insurance policies, in order to develop the Advice platform as the sole order submission tool used by the distribution networks (the **Order Centralisation Platform** project) and increase the business (in compliance with the requirement of appropriateness) through the **required combination of advisory with product placement services.**

The quarter also saw the continuation of steps aimed at offering **additional advisory services** involving advanced reporting on personal wealth analysis and investment monitoring.

Early 2011 marked the inception of activities aimed at distributing advisory services intended to extend the Advice approach to customer needs in the areas of Protection and Retirement Planning. A new service known as **MPS Advice Protezione** was launched as part of this process, with the aim of offering advice regarding protection from personal and financial risks, yielding highly positive results (more than 10,000 offers formally submitted during the first two months after launch). In the area of Pension Planning, in late March 2011 a pilot project was launched for the new service **MPS Advice Previdenza** (involving 60 branches of Banca Monte dei Paschi di Siena). The service relies on a dedicated application and guided commercial processes to quantify the customer's pension gap and offer advice on how to optimise the customer's position through tailored solutions.

In the **Funds and Sicavs** segment**,** the line of products offered by the Group's main partner, Prima Funds, was further expanded through the release of a new bond segment with periodic payment of coupons (**Bond 2016 Multicorporate 2**) and a new sub-fund featuring guaranteed principal at maturity (**Protetto 100 Cedola BRIC 2016)**. In keeping with the Group's multi-brand positioning, intensive activity continued to ensure an increasingly competitive and innovative offering. To this end, the catalogue of products available to Family Office customers was expanded by the addition of two new investment firms, while Private and Family Office customers were provided access to the **Fidelity FAST** Sicav, which makes use of particularly innovative management techniques.

In Q1 2011, the **Life Insurance** segment continued to benefit from the distribution of **unit-linked** policies available during certain time windows. In detail, the distribution of the product known as **Accumulator Investimento 01 2010** was extended to early March, and the product '**Accumulator Rendimento Top Tranche'** was launched. In the area of **index-linked** policies, the distribution of two new products began, one related to the Australian equity market and the other to the U.S. equity market. In addition, **the entire line of 'yield to maturity', index- and unit-linked policies was thoroughly restyled**, resulting

10 *Source: Assoreti.*

in the elimination of the minimum guaranteed rate of return as well as a decrease in costs borne by customers (management fees and surrender penalties).

Rounding off the product development activity carried out in 2010, and with the aim of boosting growth in the protection business, direct marketing of the insurance product **AXA MPS Pronto Tutela** was successfully resumed within the **P&C (property and casualty) Insurance** segment. Pilot-testing of the in-branch distribution of the motor liability policy **AXA MPS Guidare Protetti** also continued.

E-money

The **prevention and monitoring of payment card fraud** continued through a specific, dedicated platform and back-office unit that support customers by blocking their cards in cases of suspected fraud and then informing them promptly. A toll-free number is available for transaction problems on international circuits. The positive results achieved in 2010 in terms of fewer requests (-30% compared to the previous year) and a decrease in the average amount of reimbursements (-50%) continued into the first few months of 2011 owing to the enhancement of preventative measures.

The replacement of magnetic-strip **ATM cards** with new-generation chip-based cards, which provide greater security for payment/withdrawal transactions, neared completion, while roll-out for **prepaid cards** is scheduled for late April 2011. Finally, work began on multi-function chip-embedded Cartasì **credit cards.**

As at 31 March 2011, the stock of **payment cards** distributed by Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca amounted to **approx. 3.2 mln units** (essentially stable compared to the end of 2010), with a preponderance of **debit cards (47%)**, followed by **charge credit cards (33%).** Prepaid and revolving credit cards accounted for 17% and 3%, respectively.

OPERATING RESULTS

At 31 March 2011, Consumer Banking reported **total funding** of approx. EUR **155 bln**, in line with year-end 2010 and 31/03/2010. **Direct funding**, mainly from on-demand items and the placement of bonds, improved by EUR 444 mln compared to year-end 2010 (-668 mln compared to the previous year; -0.8%), reaching approx. EUR **83 bln. Indirect funding** amounted to approx. **EUR 72 bln,** stable compared to 31/12/2010 but increasing by approx. 1 bln compared to the previous year (+1.4%), thanks to the positive performance of Assets under Custody and the development of Assets under Management year-on-year, which was supported by insurance products, as well as mutual funds and SICAVs.

With reference to credit management, **active loans** amounted to approx. EUR **66 bln**, virtually stable compared to 31/12/2010 (+522 mln; +0.8%), with a sharp increase compared to the previous year (+4.4 bln; +7.1%) thanks to mid-long term loans driven by the Group's retail products targeted to households and small enterprises.

In terms of profit and loss, in Q1 2011 Consumer Banking's **Net Operating Income amounted to approx. EUR 106 mln**, significantly increasing compared to the previous year (+41.7%). The following items contributed to this result:

- **basic income** increased by 0.2% YoY, an improvement in net interest income, thanks to interest rate growth which had a positive impact on the mark-down on funding. Instead, net commissions worsened mainly due to the performance of income from the placement of financial products and traditional services.
- **the cost component decreased** due to a year-on-year reduction in net value adjustments due to impairment of loans and financial assets (-14.7%) and operating expenses (-1,8% YoY).

As a result of the above, at 31 March 2011 the Cost/Income ratio in Consumer Banking was 72.7%.

Consumer banking

(EUR mln)	31/03/11	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	434,3	1,0%
Net commissions	323,2	-1,0%
Financial and insurance income	6,4	37,5%
Net Financial income (loss)	**763,9**	**0,4%**
Net value adjustments due to impairment of loans and financial assets	102,5	-14,7%
Operating expenses	555,7	-1,8%
Net operating income	**105,7**	**41,7%**
CAPITAL AGGREGATES		
Performing loans	65.696,8	7,1%
Due to customers and securities	83.159,1	-0,8%
Indirect customer funding	71.783,7	1,4%
Assets under management	44.709,8	1,3%
Assets under custody	27.073,9	1,5%

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

- **Consum.it** reported net income for the quarter of EUR 13.4 mln (EUR 3.6 mln in Q1 2010);
- **MP Fiduciaria** reported net income of approx. EUR 0.4 mln, in line with the previous year;
- **Banca Popolare di Spoleto** (26% shareholding consolidated proportionately) reported net income of EUR 0.9 mln (1.7 mln as at 31/03/2010).

Corporate Banking

SALES & DISTRIBUTION AND PRODUCT/SERVICE INNOVATION

In a macroeconomic setting that continues to be difficult despite timid signs of improvement, **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 Q1 2011**, with a view to supporting the productive fabric**.

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. The recent "Special Mention for Local Support" Prize, awarded by the Italian Banking Association for the product "Time Out", bears witness to this approach and to the ongoing search for quality and innovation underlying the product range. The award was given during the first "Prize for Innovation in Banking Services" at the ABI Lab forum held in Milan on 24 March 2011, when the Group was recognised for "*introducing a series of anti-crisis measures and, in particular, a suspension of instalment payments of principal for medium- and long-term loans*".

Regarding Banking **system initiatives**, on 16 February 2011 the ABI, the Presidency of the Council of Ministers, the Ministry of Economy and Finance, and the main trade associations signed a new agreement called **"Agreement for Credit to SMEs"**, which replicates the model of the "Joint Announcement" (an initiative that expired on 31 January 2011) and simultaneously introduces new measures. Specifically, the agreement is aimed at:

- ✓ Extending the deadline of the "Joint Announcement", while maintaining the same content;
- ✓ Defining a phase-out plan for the "Joint Announcement" measure that would make it possible to minimise its impact on businesses;
- ✓ Supporting companies that still have liquidity problems;
- ✓ Envisaging new funding possibilities for those who have already embarked on a path of growth, to be accompanied by capital-strengthening processes.

In March, the **Montepaschi Group passed a resolution to adhere to the new agreement**, committing itself to making the following initiatives available to SMEs:

- ✓ Deadline extension to 31 July 2011 to apply for benefits set out in the Joint Announcement, confirming all contents;
- ✓ Possibility of extending the life of medium- and long-term loans that are up to date with payments and not in default, which benefited from suspension pursuant to the Joint Announcement, for a period equal to the residual life of the loan and, in any case, no longer than two years for unsecured loans and three years for mortgage loans;
- ✓ For businesses that benefit from coverage from the Guarantee Fund of SMEs or Ismea, the possibility of confirming original contractual terms when rescheduling;
- ✓ The possibility of combining debt rescheduling with rate-management instruments closely correlated with the underlying loans;
- ✓ Modification of a specific financial product currently in the catalogue as "Montepaschi Avviso Comune", to be renamed for financing businesses that launch a capital strengthening process.

The Montepaschi Group's adherence to the new agreement will be finalised in Q2 2011 and its additional measures will be made available to customers.

Among the initiatives developed independently by the Montepaschi Group to support companies, one of the most important is 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.

In terms of **product/service innovation** the following main initiatives were conducted for SMEs in the early months of 2011:

- ✓ **Financial Risk Management:** Extension of the range of raw materials that can be hedged by customers was completed. Progressive increase in demand among client companies for derivatives that can contain the risks tied to price fluctuations for raw materials used in their production and distribution processes led to the expansion of the range of raw materials that can be used as hedging by our Group, in order to make it as comprehensive as possible. The raw materials that are now used for hedging include gold, diesel oil, jet fuel, wheat, cotton, cocoa and coffee.

- ✓ **CDP (Cassa Depositi e Prestiti - Deposits and Loans Fund):** the Financing Contract with the CDP was signed on 31 March 2011, as part of the Third ABI-CDP Agreement, which will permit access to a new line of credit dedicated to supporting the disbursement of ten-year loans to SMEs who apply for them, through funding allocated by the CDP. This contract is in addition to those that had been undersigned previously, which permitted the disbursement of three-, five- and seven-year loans. In Q2 2011, this product will be made available to customers.

CORPORATE FINANCE

The activities that are part of the corporate finance area are conducted for the Montepaschi Group by the subsidiary **MPS Capital Services Banca per le Imprese** (MPSCS), which provides state-of-the-art solutions aimed at integrating the traditional credit offering, while paying the utmost attention to evaluating requests for lines of credit with the aim of maintaining a balanced lending portfolio.

In Q1 2011, MPSCS continued to focus its **Project Financing** activities on infrastructures, utilities and renewable energy, the Real Estate and Shipping Finance industries. The general economic and financial scenario is marked by a certain level of dynamism regarding infrastructures, but a decisive slowdown in the sector of renewable energy, connected with uncertainties arising from regulatory changes in the system of incentives. The most significant transactions are described below:

- ✓ **Renewable Energy:** implementation of a portfolio of 62 photovoltaic plants at sites located in 11 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 installations for a total of 2.35 MWpn.
- ✓ **Infrastructures:** resumption of activities in this area led to the finalisation of a pooled loan aimed at completing the segments coplanar to the urban segment of the A14 (Roma Est area), extraordinary maintenance of the viaducts damaged by the 2009 earthquake, and upgrades of tunnels.
- ✓ **Shipping Finance:** during the quarter, three loan transactions were finalised with shipping groups for the purchase of bulk carriers (liquid and dry cargo) as well as a ship for transport and assistance to oil platforms.

In Q1 2011, the activity of MPS Capital Services in the **Acquisition Financing** sector was aimed mainly at evaluating and structuring important industrial acquisitions.

As at the end of the first quarter of 2011, in relation to **Loan Syndication** activities MPS Capital Services placed two loan syndication deals on the market (totalling EUR 17,600,000; the MPSCS share is EUR 6,400,00), in which MPSCS participated as Loan Syndicate Leader and Arranger. Both transactions were finalised (signing+ funding) during the quarter. Furthermore, as at the end of the first quarter 13 other transactions were in the syndication phase, for a further sum of EUR 509,000,000 (MPSCS share EUR 193,350,000). Of these, two transactions (worth EUR 150,000,000 – MPSCS share EUR 60,000,000) were added during the quarter, whereas the other ones were from the previous period.

In its capacity as an **arranger** on behalf of the Parent Company, MPS Capital Services organised two pool transactions (both of which stipulated and one of which already disbursed) at the end of Q1 for a total of over EUR 30 mln.

In Q1 2011, as part of its **Syndication Desk** activities, MPS Capital Services was also involved in the role of Co-Lead Manager in four syndicated bond issues:

- EFSF at a fixed rate for a sum of EUR 5 bln and maturing in July 2016;
- Banca delle Marche at a variable rate for a sum of EUR 225 mln and maturing in 2013;
- HSBC at a variable rate for a sum of USD 450 mln, as a subordinated lower tier-two issue maturing in February 2021;

- Morgan Stanley at a fixed rate for a sum of EUR 1.5 bln and maturing in February 2016;

In Q1 2011, MPS Capital Services participated in various transactions on the **Equity Capital Market.** In detail:

i. it operated as a co-bookrunner in a guarantee consortium for the capital increase of EUR 130 mln by Falck Renewables;

ii. it operated as co-lead manager in a guarantee consortium for the capital increase of EUR 2 mln by Banco Popolare, aimed at reinforcing the bank group's capital position;

iii. it operated as co-lead manager in a guarantee consortium for the capital increase of approximately EUR 800 mln promoted by Piraeus Bank, for reinforcing the Greek banking group's capital position.

INSTITUTIONS SEGMENT

With regard to the development of **products/services** designed for this particular customer segment, the new service called **Paskey Tribunalionline** was distributed in March. It can be used through Internet banking and is dedicated to receivers, bankruptcy judges and clerks of court. Through the use of digital signatures, Paskey Tribunalionline digitalises banking operations 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. The dialogue with the bank benefits from advantages connected with the use of computerised procedures, with the guarantee of the integrity of information being exchanged, authenticity and the non-repudiation of documents, thanks to the application of the digital signature. More specifically, PasKey Tribunalionline permits the following:

- ✓ less paperwork and the ensuing elimination of related operating risks;
- ✓ streamlined bureaucratic procedures under the responsibility of professionals and clerks of court, for example by simplifying reporting obligations;
- ✓ rapid and safe communication among the main parties that interface with this procedure;
- ✓ management of all the accounts of the various assigned procedures through a single application;
- ✓ less time to close the procedure;
- ✓ the alignment of banking activities with the operating procedures of the On-line Civil Trial.

With reference to **participation in the tenders announced by public institutions**, the following can be reported for Q1 2011:

- ✓ **Region of Tuscany:** Banca Monte dei Paschi di Siena participated in the tender to provide treasury services to the Region of Tuscany and was awarded the contract as the Lead Bank of the consortium 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 signature of the new agreement. Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca participated in the tender as a consortium, which was awarded the payment service for a large number of pensions defined by INPS also on a regional basis.

OPERATING RESULTS

In Q1 2011, total funding for the Corporate Banking division sharply increased to approx. EUR **96 bln** as at 31/03/2011, up 6.3% on 31/12/2010 and 9.7% on previous year volumes. Within this aggregate, direct funding amounted to approx. EUR 50 bln, up by 5.7% compared to year-end (-0.6% on the previous year), thanks to the contribution of corporate customers which grew approx. EUR 1.4 bln in the quarter as a result of the development of on-demand items. **Indirect funding** (approx. EUR **47 bln**; +6.8% QoQ; +23.5% YoY) was driven by Assets under Custody, which mainly benefitted from changes in some Key Client deposits.

With reference to lending, as at the end of March 2011 **active loans** of this Division amounted to approx. EUR 73 bln, stable compared to 31/03/2010 (+0.4%), with a decline by 2.9% compared to year-end 2010 mainly due to the performance of short-term loans.

With reference to profit and loss aggregates, in Q1 2011 Corporate Banking improved its **Net Operating Income** by 13% to approx. EUR **209 mln (+13% on the previous year)** at 31 March 2011. Basic income, amounting to approx. EUR 468 mln (-1% on previous year) was negatively impacted by a decrease in net interest income (-2.2%), which was partly offset by net commissions (+1.6%) driven by income from Foreign Trade services. ‛Other income’ doubled compared to the previous year, mainly thanks to the results of MPS Capital Services. With reference to costs, **operating expenses decreased (-1.6% YoY)** whereas **net value adjustments due to impairment of loans and financial assets** increased **(+6.4% YoY).** The Cost/Income ratio of Corporate Banking was 27.3% as at the end of March 2011.

Corporate Banking

(EUR mln)	31/03/11	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	432,2	-0,7%
Net commissions	194,0	1,7%
Financial and insurance income	94,3	124,7%
Net Financial income (loss)	**720,6**	**7,9%**
Net value adjustments due to impairment of loans and financial assets	281,3	14,8%
Operating expenses	198,7	0,3%
Net operating income	**240,6**	**6,9%**
CAPITAL AGGREGATES		
Performing loans	72.748,5	0,4%
Due to customers and securities	49.668,8	-0,6%
Indirect customer funding	48.061,4	29,5%
Assets under management	2.148,1	-17,6%
Assets under custody	45.913,3	33,1%

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

- **MPS Capital Services Banca per le Imprese** reported net income of approx. EUR 54 mln (approx. 26 mln for Q1 2010);
- **Mps Leasing & Factoring** and **MPS Commerciale Leasing** reported net income of EUR 4.4 mln as at March 31, 2011 (approx. 2 mln for Q1 2010);

With regard to the Group’s banks abroad:

- **Monte Paschi Banque** reported a net financial income of EUR 12.6 mln (approx. EUR 11 mln for Q1 2010);
- **Monte Paschi Belgio** reported income of EUR 4.8 mln (EUR 5.6 mln as at 31/03/2010), with net income for the period of EUR 1.1 mln.

The Corporate Center

The Corporate Centre is the operating segment that includes:

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).

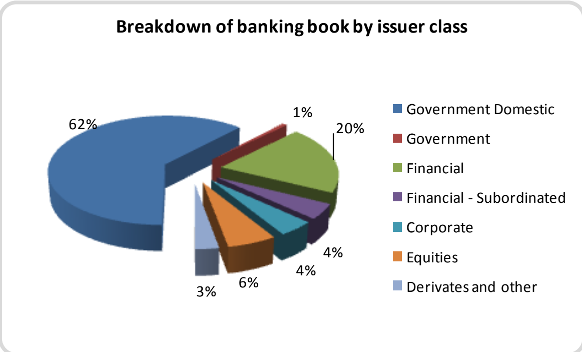
c) service Units providing support to Group units, particularly with regard to collection of doubtful loans (reporting to the Credit Management division), real estate management and IT systems management and development, all reporting to the "Human Resources, Organisation, Property and Facility Management"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

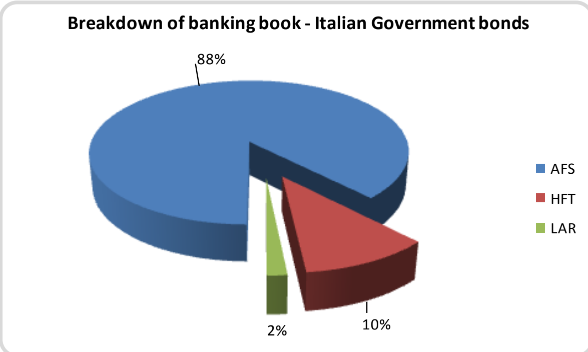
The Corporate Centre also incorporates the results of Biverbanca (not yet reporting to the bank's divisions), the profit & loss of companies consolidated with the equity method and those held for sale, as well as cancellations of intragroup entries.

Group finance

CHANGES IN THE BANKING BOOK

As at 31 March 2011, **the Group's portfolio of proprietary securities and derivatives amounted to EUR 31.9 bln** and was 62% made up of Italian government securities, mainly recognised as AFS (88%), and to a lesser extent as HFT (10%)[11].





In Q1 2011, the Group's banking book decreased by EUR 4.4 bln, mainly in the HFT component, due to maturities of government securities and the realisation of capital gain- generating positions, which particularly influenced MPS Capital Services and Banca Monte dei Paschi di Siena.

PORTFOLIO OF OWNED ASSETS (end-of-period data in EUR mln)

MONTEPASCHI GROUP Type of portfolio	31/03/11	31/12/10	Chg. vs 31/12/10 Abs.	 %
Held For Trading (HFT) (1)	6.464	10.132	-3.668	-36,2%
Available For Sale (AFS) (2)	21.642	21.802	-159	-0,7%
Loans & Receivable (L&R) (3)	3.832	4.378	-546	-12,5%
Total	**31.939**	**36.312**	**-4.372**	**-12,0%**

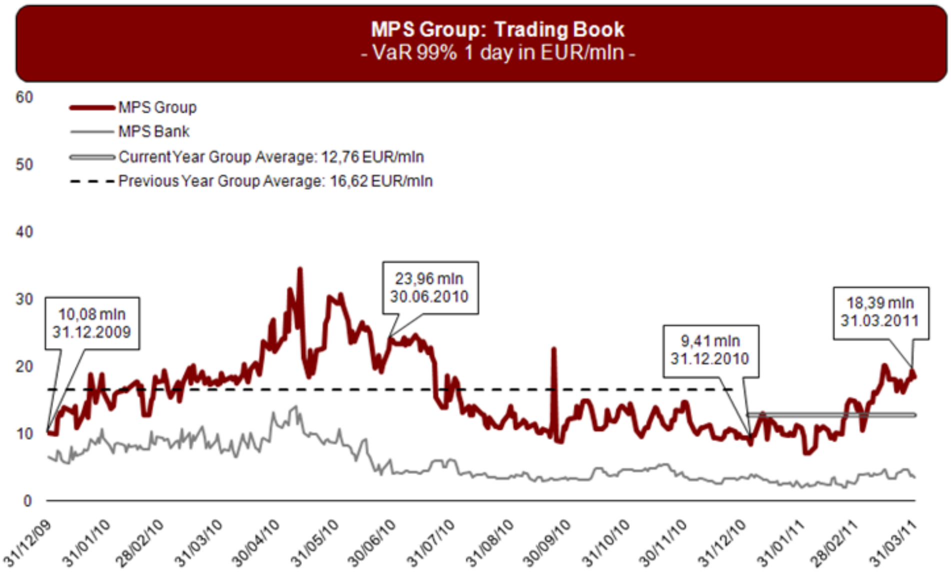
(1) "Financial Assets Held for Trading" excluding "Loans" and net of the value of derivatives recognised under "Financial Liabilities held for Trading"

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

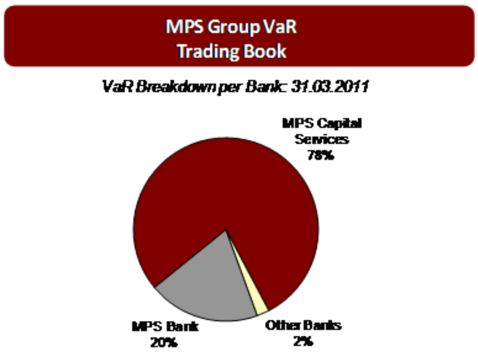
(3) assets classified as "Loans & Receivables" enrolled into the Customer Loans.

11 *The percentage composition of the securities and derivatives portfolio was determined by analysing only the portfolios of Banca Monte dei Paschi and Mps Capital Services, which however make up almost 95% of the Group's entire securities portfolio.*

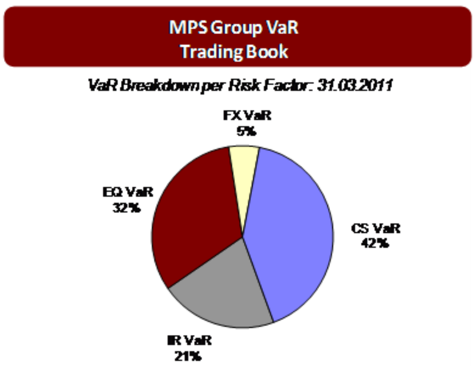
With reference to VaR (Value at Risk)of the Group's Trading Book, as at the end of March 2011 **market risks amounted to EUR 18.39 mln** up by approx. EUR 9 mln compared to year-end 2010. The VaR increase for the quarter is attributable to equity derivative transactions (futures and options on the main market indices) and interest rate transactions (long futures and options on long futures) of the subsidiary MPS Capital Services. The Group's average VaR was EUR 12.76 mln for Q1 2011, below yearly average for 2010 (EUR 16.62 mln).



A look at the Group's legal entities shows that market risk continues to be concentrated in MPS Capital Services (78% of total risk) and Banca Monte dei Paschi di Siena (approx. 20%), with the remaining part attributable to other banks (2%).



A breakdown of VaR by risk factors as at 31 March 2011 shows that 42% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 32% was absorbed by equity risk factors (EQ VaR), 21% was absorbed by interest rate risk factors (IR VaR) and the remaining 5% by foreign exchange risk factors (FX VaR).



In Q1 2011, Group VaR ranged from a minimum of EUR 7.19 mln as at 3 February to a maximum of EUR 20.14 mln as at 15 March. In Q1 2011, the average Group VaR was EUR 12.76 mln.

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

	VaR	Date
End of Period	18,39	31/03/2011
Min	7,19	03/02/2011
Max	20,14	15/03/2011
Average	12,76	

NET INTERBANK POSITION AND LIQUIDITY MANAGEMENT

In Q1 2011, the Group reported a notable improvement in the **net interbank position**, with net borrowing down to approx. **9.6 bln**, marking an improvement of approx. 6 bln compared to the end of 2010. This performance reflected the Group's strategy which aimed at increasing direct funding from consumer/corporate customers and supporting funding activities performed with institutional partners in the medium/long term, through the issue of Covered Bonds (approx. EUR 2.3 bln in Q1 2011).

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

	31/03/11	31/12/10	Change Abs.	Change %
Loans and advances to banks	14.913	15.211	-298	-2,0%
Deposits from banks	24.536	30.619	-6.082	-19,9%
Net borrowing position (*)	**-9.623**	**-15.407**	**5.784**	**-37,5%**

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

As at the end of March 2011, the short-term and structural liquidity position showed a **non-committed counterbalancing capacity of approx. EUR 10 bln** compared to EUR 6.6 bln at year-end 2010.

Moreover, in Q1 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 regards to assets (especially by hedging the optional component of capped mortgages), and to liabilities (with a sharp reduction in the shift of medium-to-long term funding from fixed to variable rate).

GROUP EQUITY INVESTMENTS

In Q1 2011, the process of rationalisation of the Group's equity investment portfolio continued. The main transactions effected for the period are listed below:

New equity investments

The **Parent Company** acquired the following equity investments:

- a 1.57% stake in Net Insurance SpA (an insurance company specialising in property and casualty insurance) by subscribing to a share capital increase;
- 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.

Disposal/Sale of equity investments

From year-start **Banca Monte dei Paschi di Siena**:

- sold its 0.316% stake in the London Stock Exchange GRP PLC.

Finally, the initiatives undertaken by the **other Companies of the Montepaschi Group** in the quarter were as follows:

- **Biverbanca** sold its 0.018% stake in the London Stock Exchange GRP PLC.

Integrated Risk and Capital Management [12]

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.

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 business, control and internal audit functions.

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, respectively, for evaluating and overseeing 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 of the Parent Company establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels. The Risk Committee is also responsible for submitting proposals for capital allocation to the Board of Directors and assessing the risk profile achieved and therefore the (Regulatory and Economic) capital consumption at Group level and for each individual 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 resolves upon 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 is vested with the responsibility of guaranteeing an independent and impartial assurance and consultancy activity, in order to both oversee the operational regularity and risk management — even through on-site audits — and evaluate the functioning of the whole 'Internal Controls' System, thus also pursuing the improvement of organisational effectiveness and efficiency.

The Risk Management Area of the Parent Company defines integrated analysis methodologies needed to measure overall risks incurred so as to guarantee they are accurately measured and constantly monitored. It also quantifies Economic Capital, i.e. 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 risk and performances relating to investment products/services offered to or held by the customers.

The local Business Control Units, which are internal to the business and operating units of the Parent Company and Group subsidiaries, carry out procedural checks on transactions 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 H1 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 Chief Financial Officer. The change was in line 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, General Manager and 'Internal Controls' Committee) and for the Board of Directors in addition to the already-existing reporting flows.

12 *Further information on methods and models of risk management are availabel in Part E – Risks and associated hedging policies*

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

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

Basel II-associated activities

In accordance with the principles contained in the New Accord on Capital Adequacy (Basel II) in relation to First Pillar risks, in H1 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 authorised 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 as at 30/06/2008.

In Q1 2011, work continued on the completion and extension of these models to 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. Q1 2011 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).

With regard to Pillar 3, 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. 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 replenish 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 within a specific holding period and within a pre-set confidence interval.

For certain risk factors and specific portfolio categories (Credit Risk and Operational Risk in particular), the models were officially validated by the Supervisory Authorities for regulatory purposes. The outputs from the models developed internally for the different risk factors (validated and operational) constitute the main tool for the day-to-day control and monitoring of the risk exposures generated in these areas and for the control of 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 the 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 on-demand items, behavioural patterns (prepayment risk) and embedded 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 those of market stress. More specifically, on the basis of pre-determined tolerance thresholds, specific contingency plans were set out and formalised, 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 generally differentiated holding periods and confidence intervals.

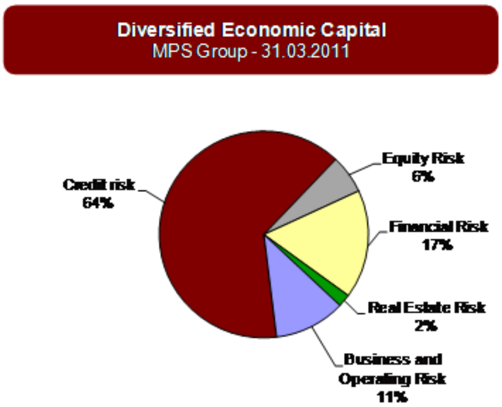
The Overall Economic Capital results from the combined measurement of each risk factor listed; the measurements are standardised both in terms of time horizons (yearly holding period) and selected confidence interval — in line with the rating assigned to the Montepaschi Group by the official rating agencies — 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, also adapting the risk measures established by the Risk Management Area to the individual legal entities and business units. The allocation of capital, in terms of balance, forecasts and periodical monitoring, is also determined by Planning & Control in conjunction with the corporate bodies of each legal entity, with specific reports prepared according to the individual business lines of the banks included in the scope of consolidation and submitted to the Risk Committee of the Parent Company for approval.

As at 31 March 2011, the Overall Economic Capital of the Montepaschi Group (excluding intra-group operations) was broken down as follows: credit risk (64% 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) amounted to approx. 17% of the Overall Economic Capital. Capital against real estate risk was 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.



Regulatory Capital and Capital Ratios

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

According to **estimated figures, as at 31/03/2011 Group's regulatory capital** amounted to approx. EUR 14,707 mln, with an estimated Tier 1 of 9.1% (8.4% as at 31 December 2010), and **Total Capital Ratio** of 13.8% (12.9% as at 31 December 2010).

In Q1 2011, Tier 1 increased by approx. EUR 595 mln amounting to EUR 9,738 mln, compared to approx. EUR 9,142 mln at the end of 2010. The increase was supported by net income for the year and the elimination of the prudential filters on the tax deduction of Goodwill. By contrast, Tier 2 decreased by approx. EUR 10 mln in the reporting period, reaching EUR 5,446 mln compared to EUR 5,456 mln as at year-end 2010.

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

Estimates indicate a decrease in risk-weighted assets of approx. 2.14% owing to the shift towards less risky and/or more collateralized assets. It should be noted that the amount of risk-weighted assets as at 31 March 2011 also included the assets of Consorzio Perimetro Gestione Proprietà Immobiliari, in a manner consistent with the approach taken to calculating regulatory capital.

Regulatory capital (EUR mln)

	31/03/11	*31/12/10*	*Chg. %*
Tier I capital	9.738	9.142	6,51%
Tier II capital	5.446	5.456	-0,18%
Items to be deducted	477	455	4,93%
Total regulatory capital (before Tier III)	14.707	14.144	3,98%
Total regulatory capital	14.707	14.144	3,98%
Tier 1 Ratio	9,1%	8,4%	
Total Capital Ratio	13,8%	12,9%	

Human Resources, Organisation, Property and Facility Management

A top priority of the Group's operating guidelines is the **redesigning of the Bank's organisational structure** (approved by the BoD on 17 December 2010) through a series of initiatives according to a planned schedule and methods of implementation, with the aim of achieving **significant improvements at the level of both efficacy** (governance, local service and the ability to compete) **and efficiency** (streamlining of central functions and shortening of operational 'supply chains').

The main steps in the process currently pursued include restructuring the Parent Company (to eliminate the Network division) and setting up Local Market Units with new loan disbursement and monitoring procedures and the gradual roll-out (mainly in the second half of the year) of new operational practices in the branch (the Paschi Face technological architecture).

❑ HEADCOUNT

After a reduction of 2,693 employees in the 2008/2010[13] period mainly regarding Head Office units, in Q1 2011 the Group's headcount reported a further decline of 90 resources compared to the beginning of the year, with effective workforce[14] totalling **31,405**:

EVOLUTION PERSONNEL

	31/12/07	31/12/08	31/12/09	31/12/10
Headquarters	12.956	11.908	10.973	10.200
Branches & Call Center	21.232	20.959	21.030	21.295
TOTAL	**34.188** (*)	**32.867**	**32.003**	**31.495**

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

MONTEPASCHI GROUP EMPLOYEES

	31/12/10	31/03/11
Total employees	31.495	31.405

There were 49 outflows (equally distributed between Network and Head Office), 16 hirings (almost all allocated to the Branches), 57 "Changes in Group scope" due to asset disposal[15].

DETAILS ON EMPLOYEE TURNOVER

Progressive values	From 31/12/10 to 31/03/11
Hirings	16
Exits	-49
Change in Group Perimeter	-57
TOTAL	**-90**

13 *Net of asset diposals, workforce decreased by 2,221 employees.*

14 *Value obtained by deducting from personnel on payroll (31,461) all resources seconded to non-Group companies and those belonging to Professional Area Band I working short-time (18 cleaning staff)*

15 *The companies MP Monaco SAM and MPS Venture SpA were included in discontinued assets at year-end 2010.*

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

EMPLOYEES BY STRUCTURE

MACROSTRUCTURE	31/03/11	% OF TOTAL
Geographical Business Functions(*)	22.951	73%
Amministrative and Operating Functions, of which:	7.567	24%
Headquarters	*4.298*	*14%*
Consorzio Operativo Gruppo Montepaschi	*2.904*	*9%*
MPS Gestione Crediti Banca	*365*	*1%*
Product Companies(**)	887	3%
TOTAL	**31.405**	**100%**

(*) Branches & Call Center.

(**) MPS Capital Services Banca per le Imprese, Consum.it, MPS Leasing & Factoring, MPS Commerciale Leasing, Monte Paschi Ireland and MPS Fiduciaria.

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

NUMBER OF EMPLOYEES BY CATEGORY

CATEGORY	31/03/11	% OF TOTAL
Executives	531	1,7%
Managers	11.675	37,2%
Remaining employees	19.199	61,1%
TOTAL	**31.405**	**100%**

❑ OPERATING STRATEGIES

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** focused on the **quality of commercial behaviour at the front end**, credit monitoring and **protection/pension planning**, with strong, specific attention 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 2010/11 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 **career paths**[16], involving approx. 800 resources;
- 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 1300 resources);
- development of the new **Human Resource IT system** (**Paschi People**) with the objective of creating a single, integrated system built around the employee and based upon planning logics, thus guaranteeing the highest level of transparency, traceability and security of data in all connected processes (increasing the levels of automation, access and reporting) and improved employee communications.

16 *Vertical path lead growth to target roles up to the second level of middle managersi, whereas horizontal ones favour integration of expertises in equal-level roles.*

All **training** activities, in accordance with the path established in the **2010/12 Plan,** which 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). 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;
- **consolidating the professionalisation 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 Head Office roles (the "**Credit Academy**" project). In this context, new training courses were launched 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, **AXA-MPS protection/pension planning**, money laundering, Legislative Decree 231, transparency, privacy, workplace safety, Patti Chiari, etc.);
- **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 providing commercial coverage of local areas).

Total **hours of training** for the year amounted to **over 200 thousand**, with a Group per capita of approx. 10 hours.

ORGANISATION

Concurrently with the **organisational restructuring process,** the Bank has continued to pursue measures aimed at increasing the efficiency of its operational architecture and mechanisms, involving an **organic revision of processes from a business standpoint** to **contain costs and improve resource allocation and customer service in terms of quality, speed and security**.

The following items are worthy of mention in this regard:

- the completion of the first phase of the **PaschiFace Programme** involving redesigning the main branch network processes for Branch Managers (e.g., commercial planning and monitoring, operational, lending and management authorisations and controls) or functional to the activity of Managers of Affluent and Family clients;
- further initiatives aimed at **restoring the central role of Branch Managers** and decision-making authority as a powerful tool for commercial development in local areas, while also reducing their time spent in "administrative" activities;
- the **revision of the Branch distribution model and current Service Models** (the Small Branches project has been launched in this area);
- the **transformation of back office into post-sales support units**, continuing with the centralisation process until branches have no back office and ample access to Web applications;
- the **organisational rationalisation of the Group's Operating Consortium** involving a revision of the operating model, a technological refresh and the adoption of new sourcing policies;
- the implementation of the **new Accounting and Management Information System (COMETA)** in support of financial reporting and purchasing cycle processes in order to reduce the time required to generate financial statements (fast closing), systematically and structurally improve the quality of key data, effectively and efficiently organise the accounting process and increase the representational and control potential of accounting trends.

COSTS, PROPERTY AND FACILITY MANAGEMENT

In these areas the following actions will be continued:

- optimising aggregate cost captions while at the same time developing a **culture of savings and total quality** with the goal of increasing customer satisfaction;
- **revising the Group's supply chain** according to a competitive supply and demand scheme, including the concept of managing an 'internal market' aimed at maximising the existing level of synergy;
- **space management**, towards the objective of converting additional floor space from use in operations to available-for-sale investment property, and an analysis of opportunities for reallocation of leased operating properties in light of geo-marketing analyses and renegotiation of rent.

In that context, Q1 2011 saw the follow-up to the **ARIBA Spend Management Platform**, for which the strategic sourcing and spending visibility modules are currently fully operational and the contract management and Group's new Supplier Register system are undergoing consolidation.

An investigation of current needs has been completed in the **Mobility Management** arena, with a particular focus on the commuting of employees working in major Italian cities.

In work relating to the Workplace Health and Safety Management System and Environmental Management System, the audit conducted by the certifying entity, **RINA Services S.p.A.**, was brought to a positive conclusion.

INDUSTRIAL RELATIONS AND PENSION FUNDS

During the quarter, labour relations were characterised by union procedures governed by **articles 15 and 18** of the current **National Collective Labour Agreement** and **articles 4 and 24 of Law 223/91**, each of which culminated in the signing of a specific agreement. Those procedures involved a review of the consequences and repercussions for employees of implementation of the organisational restructuring project for the Bank's Head Office Units and were concluded by the launch of a Compulsory Redundancy initiative — cited above — aimed at personnel assigned to Head Office Units.

In other developments relating to organisational restructuring, and the reorganisation of the Bank's Local Market Units in particular, the union procedure for the process was initiated.

Lastly, we report that the Group continued with extraordinary activity relating to implementation of the **Company Retirement Planning Harmonisation** process involving centralisation (effective 01/01/11) with the **pension fund for employees of Banca Monte dei Paschi di Siena** of the **defined-contribution** complementary pension schemes of Banca Toscana, Banca Agricola Mantovana and Banca Antonveneta, as well as the identification of the Supplementary Pension Fund for Employees of Banca Toscana S.p.A.[17], as the 'container' for the foregoing merged banks' defined-benefit complementary pension programmes of a supplemental nature.

17 *To that end, the fund is to be transformed into a legal entity, in the form of a foundation, and have its assets segregated from those of Banca Monte dei Paschi di Siena.*

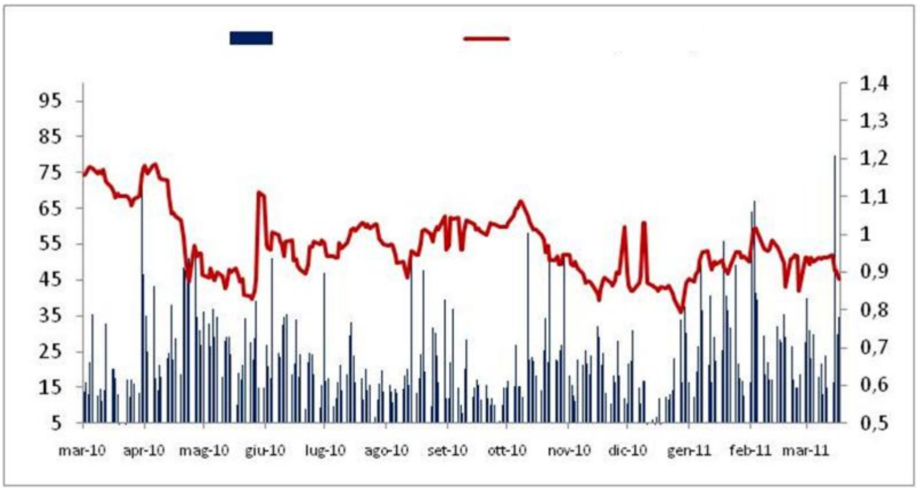
Market values and investor relations activity

SHARE PRICES

Q1 2011 was characterised by essentially positive performances by all major exchanges (FTSE MIB +7.7%; Dow Jones +6.4%; S&P 500 +5.4%; DAX +1.8%) as well as both the Italian and European banking segments (FTSE IT BANKS +5.4%; DJ EURO STOXX BANKS +7.0%).

Within this scenario, BMPS stock stood at EUR 0.851 as at 31 March 2011 (+3.5% compared to the end of 2010), outperforming the average for the main Italian banks (an average decline of 1.1%, with Unicredit +12.7%, Intesa +2.9%, Banco Popolare -14.4%, UBI -7.9% and Popolare Milano +1.2%), following on a 2010 in which BMPS had already outperformed its main Italian competitors by more than five percentage points.

BMPS SHARE PRICE (from 31/03/10 to 31/03/11)



BMPS SHARE PRICE: STATISTICAL SUMMARY (from 12/31/2010 to 03/31/2011)

Average	0,92
Lowest	0,73
Highest	1,02

VOLUMES

In Q1 2011, BMPS shares traded on a daily basis averaged approx. 27.7 mln, with a peak of 79.9 mln in March and a low of 11.5 mln in February.

MONTHLY VOLUMES OF SHARES TRADED

2011 volumes summary (€/mln)

January	509
February	648
March	617

RATINGS

Following are the credit ratings assigned as at 31 March 2011:

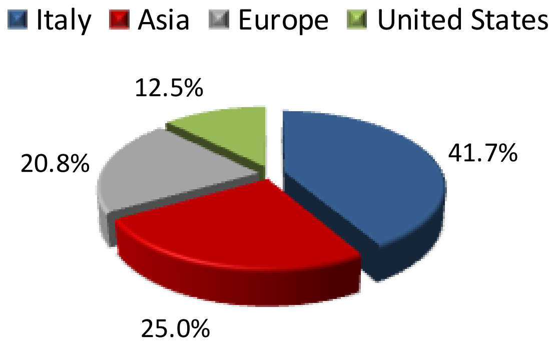
Rating Agencies	Short-term debt	Long-term debt
Moody's Investors Service	P - 1	A2
Standard & Poor's	A - 2	A-
Fitch Ratings	F - 2	A-

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

INVESTOR RELATIONS IN THE FIRST QUARTER OF 2011

In Q1 2011, the Investor Relations team engaged in highly pro-active interactions with the financial community, continuing the approach taken in 2010. Since the beginning of the year, the Montepaschi Group's top management has held approximately 24 days of meetings with institutional investors in ten different countries.

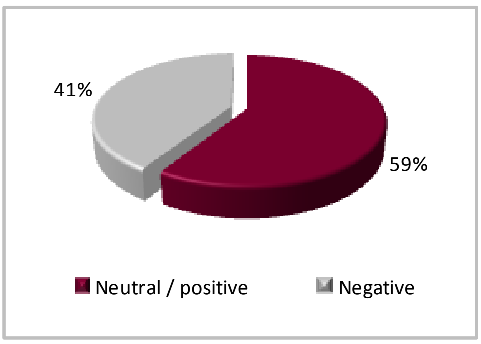
Following is a geographical breakdown (in %) of days dedicated to roadshows/marketing up to 31 March 2011:



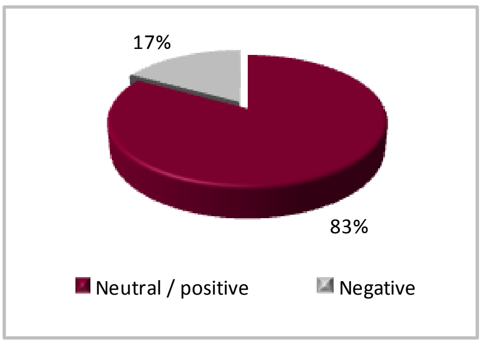
GUIDANCE ON BMPS SHARES

In guidance on MPS shares, as at 31 March 2011 83% of analysts who cover the stock had a positive/neutral opinion (in particular, 31% issued a buy recommendation) and 17% a negative opinion, a significantimprovement compared to the situation in Q1 2010, when the percentages were 59% and 41%, respectively.

MARCH 2010



MARCH 2011



Communications

In Q1 2011, corporate and commercial communications were implemented to enhance the company image and increase the brand's communicational effectiveness. To this end, the area intensified and monitored **media relations**, coordinated **in-house communications** and **advertising** activities, and managed **sponsorship and promotional** work.

External communications activities focused on managing and circulating news regarding the main company events. In the area of local communications the Bank's visibility was strengthened through the extensive distribution of information via local newspapers, television, radio and websites. As to public relations, the corporate and commercial events of the Montepaschi Group were organised and economic roadshows were planned in collaboration with major publishing groups. Numerous initiatives were conducted on a corporate level, including: management and promotion — through national and international media — of the results of the Montepaschi Group's 2010 Financial Report, with the simultaneous monitoring of the conference call to present the information to the financial community, with subsequent circulation of the financial data of Banca Antonveneta and BiverBanca with the local press; media organisation and management of the launch of the 1472 line of clothing as part of the broader communications project associating the Bank's historic seal with a space in which to discuss fashion, wine, food, the local area, talent and solidarity; press management of the awards received by Banca Monte dei Paschi as part of prestigious initiatives, such as the innovation award *Cerchio d'Oro dell'Innovazione Finanziaria* and the *2011 Randstad Award*; the support given to the Bancascuola project organised by the Montepaschi Group and Consumer Associations to prepare students for the proper management of economic aspects and for handling the interpretation of banking and financial issues with greater awareness. Media promotion of the new Axa MPS advertising campaign entitled "Progetti", dedicated on protection solutions and directed by film director Paolo Virzì, was particularly relevant. During the reporting period, 66 press releases were written and circulated.

With regard to **internal communications**, the Group's established **editorial activities** continued with publication of the house organs *Filodiretto 7*, *Filodiretto 30*, *Filodiretto Advice* and periodical newsletters. In the area of **commercial communications**, the methods through which information regarding campaigns and products is produced and circulated are being reviewed. With reference to the Paschi Face Project, training videos were made regarding individual issues, with publishing support to accompany each issue. With regard to *Progetto 1472*, internal communications activities were managed regarding aspects connected with the sale of 1472 products and awareness of the project as a whole. The **press review** dedicated to the network was divided into national, local and theme-based categories for in-depth examination of material tied to financial promotion, consumer credit and the initiatives of the Family Office. Several daily economic and financial programmes were redefined for the **Montepaschi Channel, the corporate television channel**. As far as the **corporate Intranet** is concerned, new implementations were released and several portals were reorganised, including that of the agribusiness staff. Internal communications were also part of the training programme for new recruits.

In terms of **advertising and image-related initiatives**, in addition to institutional brand protection and product activities, authorisation and implementation processes were carried out for mailings and information supplied to customers. In the area of **advertising campaigns**, the strategy was developed for the upcoming TV commercial entitled "Conto italiano", which will replace the one by Marco Bellocchio expiring in November 2011. The corporate campaign has been planned in conjunction with AXA MPS, to be aired on the main national television networks as well as several local ones. The programming is part of more extensive planning of the Bank's commercial. Regarding the **product campaigns**, ads were placed in national dailies, including *La Stampa*, *L'Unità*, *Libero*, *Il Manifesto*, *Il Tempo*, *Gambero Rosso*, *Liberazione*, *La Padania*, *Il Giornale* and *QN*, and the main weeklies, i.e., *Panorama*, *L'Espresso* and *Il Mondo*. Furthermore, the mandatory ads required by the Legal Area, the Organisation Area and the Group networks were also placed. Regarding *Progetto 1472*, the presentation and sale of fashion items branded 1472 were featured on the 1472 website, and planning was completed for the labels and packaging of oil and vinsanto wine branded 1472, designed as prestige and gift items. **Internet** initiatives included: development of the iPad version of PasKey Mobile Banking; development of the new version of continuity of the website tied to the campaign entitled "An Italian Story" **www.unastoriaitaliana.it** for the launch of the new AXA MPS campaign; collaboration to guarantee full operation for the pension plan portal **www.axa-mps.it/previsio** and to update the website tied to the 1472 brand **www.mille472.it** *and e-commerce processes.* In the area of **Social Networks,** project maintenance was conducted regarding the presence of Banca Monte dei Paschi on Facebook, Twitter and YouTube. Four tutorial videos were published for PasKey Mobile Banking on the YouTube Brand Channel, and a project was developed to shift the Group's presence on social networks from an experimental phase to becoming part of its corporate strategy.

In the area of **social responsibility**, strategic CSR issues were developed as part of the new Group Business Plan. Direct support was provided to analysts from the Vigeo and EcoVadis rating agencies for the revision of the specific sustainability rating of Banca Monte dei Paschi di Siena. During the quarter, BMps stock was confirmed as a component of the FTSE4Good Index Series and was included in the Carbon Disclosure Leadership Index (the only Italian bank).

Different **sponsorships** were implemented and various initiatives were activated, aimed at consolidating and developing commercial and business relations with leading operators in the reference sectors, along with commercial promotion initiatives and prize contests. The main events included:

- In the **cultural sector**, support for an overall package of works in favour of the municipal administration of Siena, such as Città Aromatica and the events of Siena Jazz. The Group also supported the Teatro Povero di Monticchiello, the Documentary Festival (now in its 5th year) and the Marco Bellocchio Association for the 15th Bobbio Film Festival. The collaborations launched last year with the Politeama Theatre of Poggibonsi and with the Municipality of Colle Val d'Elsa for the 2010/11 season of the Teatro del Popolo continued;
- as far as **sports** are concerned, in addition to the consolidated relationships with A.C. Siena, Mens Sana Basketball and Atletico Arezzo, there were also initiatives in favour of the Mantova football team, the Viadana football team, the Aironi rugby team, the Bancole basketball team, Top Team Volley Mantova, GEAS women's basketball team Milan, the Women's Football Association — Siena, Fidal Toscana, Atletica 2005 Valdelsa, UISP Atletica Siena and the Vultur Voltrese football team. With regard to events, the Group supported the Montepaschi Strade Bianche Professionisti bicycle race and the 12th Montepaschi Grand Prix;
- in the **social sector**, the many initiatives sponsored by Banca Monte dei Paschi di Siena included celebrations of the beatification of John Paul II;
- in the **economic sector**, the Group supported Promosiena, Enoteca Italiana and the Girogustando initiative.

Sponsorships included coordination of the activities to collect donations, notably support for the Fabbrica del Sorriso 2011, a charitable project for children in difficult living conditions around the world, the ACRA Association for the construction of waterworks in Senegal, and the planning of contests in prize awards such as the "Axa Mps sicuro e premiato" contest, "Conto Zip, vantaggi e omaggi" and "Più Mastercard, più vinci".

Events After 31 March 2011

On 11 April 2011, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. approved the **Montepaschi Group's 2011-2015 Business Plan**. The Plan calls for a scenario of decisive change for the Bank, the key factors of which are a **sharp improvement in the return on investment**, a **return to full profitability** and **significant benefits for all stakeholders**. The goals set out in the plan, in the form of the main targets, include a common equity ratio of 9.3% (Basel III pro forma[18)] in 2015, 2011-2015 dividends in excess of EUR 2 bln, a cost/income ratio of 44% and a ROTE of greater than 15%. In addition to reaching these earnings milestones, the Bank's aspiration is to present itself to the market in 2015 as an innovative institution by introducing further factors that increase and diversify the potential of its business model.

The **new Monte dei Paschi di Siena** will be a bank that serves households and businesses, centred on relations with customers and employees, with a particular focus on protection products and the ability to meet the needs of all segments of the public.

It will achieve these goals through **four fundamental levers**:

- ✓ **tapping the potential of the Montepaschi Group network** by closing the **internal productivity gap** within Group networks, taking a full advisory approach, optimising the ratio of risk to return on loans and developing services with the aim of expanding the base for fee inflows, expanding the protection business, developing the investment and corporate banking business of MPS Capital Services and diversifying revenue streams by exploiting the Group's existing potential;
- ✓ **identifying new business opportunities**, the effects of which have been omitted from the income statement, despite representing approx. EUR 100 mln in potential additional revenues;
- ✓ **improving the structure's efficacy and efficiency** with a new reorganisation phase, following that approved in December 2010, aimed at developing branches by decentralising operating powers, simplifying the marketing system, streamlining decision-making processes, strengthening the front office and further rationalising Head Office units; and
- ✓ **achieving optimal capital and liquidity management** by undertaking a capital increase in order to qualify for the redemption of EUR 1.9 bln in Tremonti Bonds and engage in capital-market transactions (buy-back of the FRESH 2003 notes) in addition to ALM optimisation measures. The above will result in a positive impact in terms of rating, access to capital markets and funding.

In line with the Strategic Plan, during its session of 11 April 2011 the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. also approved the proposed **capital increase of up to EUR 2 bln to be offered with pre-emptive rights to shareholders**. The transaction will provide the Parent Company with the required speed and flexibility of execution in securing fresh capital, allowing it to seize the more favourable conditions of a market characterised by uncertainty and volatility. The transaction will take the form of the issue of ordinary shares with the same dividend rights as outstanding shares as at the date of issue, to be offered with pre-emptive rights to holders of ordinary, preference and savings shares.

The capital increase will allow the Bank to:

- ✓ lay the foundation for the future redemption of the financial instruments governed by art. 12 of Law Decree 185/08, underwritten by the Ministry for the Economy and Finance in December 2009 (known as "Tremonti Bonds"), in an amount of EUR 1.9 bln, after obtaining approval from the Bank of Italy; and
- ✓ achieve earlier compliance with the stricter capital requirements set by Basel III and strengthen capital in service of the new strategic plan, thereby allowing the Group to seize the opportunities deriving from future economic growth.

18 Full-impact Basel 3, without considering the benefit of approx. 40bps provided by the transaction aimed at maximising the value of part of the portfolio of non-investment properties undertaken in 2010. It includes the shares held by J.P. Morgan, which represent the assets underlying the FRESH 2008 notes.

The transaction is assumed to be completed by the end of the current year, in accordance with the technical timetable and contingent upon receipt of the required authorisation.

In addition to the foregoing capital increase, the Board of Directors has approved an **additional capital increase of up to EUR 471 mln** to be used to repurchase the irredeemable floating-rate equity-linked subordinated hybrid notes convertible into ordinary shares of Banca MPS issued in December 2003 by the subsidiary MPS Capital Trust LLC, II, which remained outstanding in the total nominal amount of approx. EUR 471 mln (the "FRESH 2003" notes).

The instruments will be repurchased at a price equal to 44% of their nominal value. The capital increase in support of the buy-back will thus be approved up to EUR 471 mln to match the nominal value of the securities that the Bank is to repurchase.

From a Basel III standpoint, the repurchase will allow the Bank to strengthen the quantity and quality of its capital by replacing the instruments in question with newly issued ordinary shares deriving from the concurrent capital increase.

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 raised its rating of the subordinated notes to BBB- from BB+. S&P also confirmed the long- and short-term rating (A-/A-2) with a stable outlook**.

Significant events affecting the Montepaschi Group after the end of the quarter also included:

- ✓ the merger of MPS Commerciale Leasing S.p.A. into MPS Leasing & Factoring S.p.A., with legal effect from 1 May 2011; and
- ✓ 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 S.p.A. that engage in real-estate transactions, typically associated with debt recovery, with the aim of maximising the value of the properties that serve as collateral for the loans in question by acquiring properties (either out of court or at auction) and subsequently reselling them.

Outlook on Operations

Despite a macroeconomic and financial scenario that shows signs of continuing uncertainty, due in part to the sovereign debt crisis affecting several European countries and recent political tensions in the North African area, **the Montepaschi Group intends to pursue its strategies of market penetration and resumption of full profitability by improving its return on equity**. In light of the above, the Group recently approved its business plan for 2011-2015, which also contemplates the proposed capital increase approved in April by the Parent Company's Board of Directors, aimed not only at supporting the initiatives set out in the Plan, but also at laying the foundations for the possible future repayment of the financial instruments known as "Tremonti Bonds" and achieving early compliance with the stricter capital requirements of Basel III.

The above measures are all functional to seizing opportunities deriving from future economic growth, combining the need to **understand and anticipate the needs of households and businesses** with a focus on the changes demanded by the market. Assuming that the current developments gradually continue to wind down, it may be confirmed that the Group will be in a position to achieve the levels of improvement identified in the Plan scenario.

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 Group reasonably expects to continue operating** in the foreseeable future and has therefore prepared its quarterly 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.

ANNEXES

MONTEPASCHI GROUP

RECONCILIATION BETWEEN RECLASSIFIED ACCOUNTS AND ACCOUNTING TABLES

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 31 March 2011 and related accounting tables

	Accounts in the Profit and Loss Statement - Montepaschi Group	31/03/2011 Accounting	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	LOSS ON DISPOSAL OF LOANS	COSTS RELATING TO FINANCIAL PLANS	RECOVERY OF STAMP DUTY AND CUSTOMERS' EXPENSES	31/03/2011 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest and similar income	1.692,0	10,6	5,2		0,9							
20	Interest and similar expense	-831,4				0,3							
30	**Net interest income**	**860,7**	**10,6**	**5,2**		**1,2**						877,7	Net interest income
40	Commission income	530,2											
50	Commission expense	-57,5											
60	**Net commission income**	**472,7**										472,7	Net commission income
												1.350,4	**Income from banking activities**
70	Dividends and similar income	9,0					-9,0	27,4				27,4	Dividends and similar income
80	Net profit (loss) from trading	75,1					9,0						
100	Profit (loss) on disposal of	40,1											
	a) loans	9,8											
	b) financial assets available for sale	30,6											
	c) held to maturity investments												
	d) financial liabilities	-0,3											
110	Net profit (loss) from financial assets and liabilities designated at fair value	-20,3											
												103,9	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	0,9										0,9	Net profit (loss) from hedging
120	**Net interest and other banking income**	**1.438,2**	**10,6**	**5,2**		**1,2**		**27,4**				**1.482,6**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-279,8**				0,4				**0,7**		-278,7	Net adjustments for impairment of
	a) loans	-275,3								0,7		-274,6	a) loans
	b) financial assets available for sale	-3,2				0,4							
	c) held to maturity investments												
	d) other financial operations	-1,3											
												-4,1	b) financial assets
140	**Net income from banking activities**	**1.158,4**	**10,6**	**5,2**		**1,6**		**27,4**		**0,7**			
150	Net premiums												
160	Other income/expenses (net) from insurance activities												
170	**Net income from financial and insurance activities**	**1.158,4**	**10,6**	**5,2**		**1,6**		**27,4**		**0,7**		**1.203,9**	**Net income from financial and insurance activities**
180	Administrative expenses	-883,4									69,6	-813,7	Administrative expenses
	a) Personnel expenses	-543,5										-543,5	a) Personnel expenses
	b) Other administrative expenses	-339,8									69,6	-270,2	b) Other administrative expenses
200	Net adjustments on property and equipment	-18,2			0,9	0,2							
210	Net adjustments on intangible assets	-43,6	10,3	7,0		1,9							
												-41,5	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-913,5**	**10,3**	**7,0**	**0,9**	**2,1**				**-0,7**		**-855,2**	**Operating expenses**
												348,7	**Net operating income**
190	Net provisions for risks and charges	-25,7											
220	Other operating income/expenses	57,4								-0,7	-69,6		
												-38,6	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	27,5						-27,4				0,1	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	0,1										0,1	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**272,5**	**20,9**	**12,2**	**0,9**	**3,7**						**310,3**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	-133,0	-6,7	-3,9	-0,3	-1,1						-145,0	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**139,5**	**14,2**	**8,3**	**0,6**	**2,7**						**165,3**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	2,8										2,8	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the period**	**142,3**	**14,2**	**8,3**	**0,6**	**2,7**						**168,1**	**Profit (loss) for the period**
330	Profit (loss) for the period attributable to minority interests	-1,9										-1,9	Profit (loss) for the period attributable to minority interests
340	**Parent company's net profit (loss) for the period**	**140,3**	**14,2**	**8,3**	**0,6**	**2,7**						**166,1**	**Net profit for the period before PPA**
			-14,2	**-8,3**	**-0,6**	**-2,7**						-25,8	Net economic repercussions of the "purchase price allocation"
												140,3	**Net Profit for t the period**

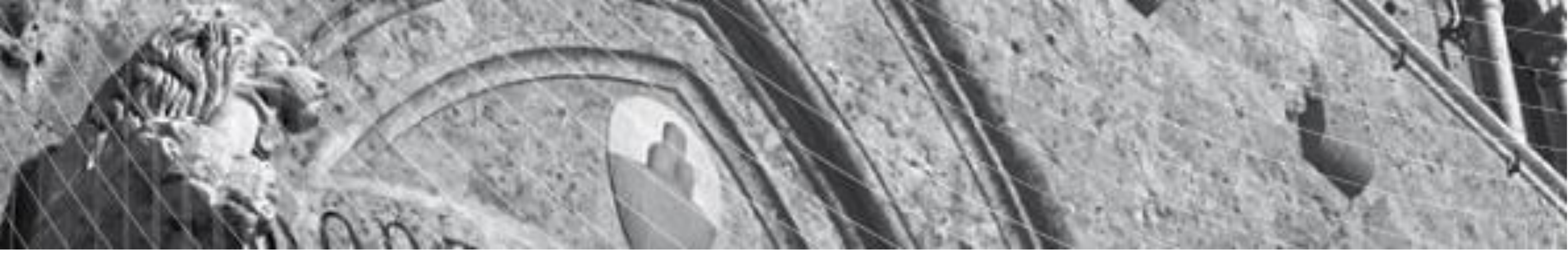
Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 31 March 2010 and related accounting tables

Accounts in the Profit and Loss Statement - Montepaschi Group	31/03/2010 Accounting	Estimated disposal of investment in MP Monaco SAM	Estimated disposal of investment in MPS Venture SPA	Cost of lending on complex trading transactions	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	Fees and commissions collected as at 30.06.07	Commissions adjusted to write-down of a large credit exposure	Income from asset management (GBP + AAA) up to 31.03.07 reclassified under gains/losses on groups of assets held for sale	Dividends on complex trading transactions	Reclassification of profit from equity investments	Effects from extinguished securitisation positions	Reclassification of losses from disposal of loans	Reclassification of write-downs on junior notes	Reclassification of costs relating to financial plans	Recovery of stamp duty and customer expenses
10 Interest and similar income	1.555,9	-14,0	-0,5			11,9	7,7	1,1									
20 Interest and similar expense	-691,1		0,3					0,3									
30 **Net interest income**	864,8	-14,0	-0,2			11,9	7,7	1,4						871,7	Net interest income		
40 Commission income	548,4	-9,9	-2,0	-1,6													
50 Commission expense	-54,7		0,1	0,0													
60 **Net commission income**	493,9	-9,9	-1,9	-1,6										480,5	Net commission income		
														1.352,1	**Income from banking activities**		
70 Dividends and similar income	21,9			-3,5	-17,6				13,6					14,4	Dividends and similar income		
80 Net profit (loss) from trading	5,1	-0,1	0,1		17,6												
100 Profit (loss) on disposal of	12,7		-0,1							3,1							
a) loans	4,6									3,1							
b) financial assets available for sale	13,8		-0,1														
c) held to maturity investments																	
d) financial liabilities	-5,7																
110 Net profit (loss) from financial assets and liabilities designated at fair value	-18,7																
														19,7	Net result from realisation/valuation of financial assets		
90 Net profit (loss) from hedging	6,7													6,7	Net profit (loss) from hedging		
120 **Net interest and other banking income**	1.386,4	-24,0	-2,2	-5,1		11,9	7,7	1,4	13,6	3,1				1.392,9	**Net financial income (loss)**		
130 Net adjustments for impairment of	-318,5		0,0							-3,1	8,0	3,0		-307,7	Net adjustments for impairment of		
a) loans	-314,8		0,0							-3,1	8,0	3,0		-307,0	a) loans		
b) financial assets available for sale	-1,0																
c) held to maturity investments																	
d) other financial operations	0,2																
														-0,7	b) financial assets		
140 **Net income from banking activities**	1.070,9	-24,0	-2,2	-5,1		11,9	7,7	1,4	13,6		8,0	3,0					
150 Net premiums																	
160 Other income/expenses (net) from insurance activities																	
170 **Net income from financial and insurance activities**	1.070,9	-24,0	0,7	-5,1		11,9	7,7	1,4	13,6		8,0	3,0		1.085,2	**Net income from financial and insurance activities**		
180 Administrative expenses	-876,1	11,3	1,7	0,5									76,4	-806,1	Administrative expenses		
a) Personnel expenses	-566,3	7,0	0,9	0,2										-558,1	a) Personnel expenses		
b) Other administrative expenses	-329,8	4,3	0,8	0,3									76,4	-247,9	b) Other administrative expenses		
200 Net adjustments on property and equipment	-20,8		0,0	0,0				0,2									
210 Net adjustments on intangible assets	-39,1		0,1	0,0		10,4	7,2	1,9									
														-40,0	Net adjustments to the value of tangible and intangible fixed assets		
230 **Operating expenses**	-909,9	11,3	1,8	0,5		10,4	7,2	2,1			-8,0	-3,0		-846,1	**Operating expenses**		
														239,1	**Net operating income**		
190 Net provisions for risks and charges	-24,1		0,0								-8,0						
220 Other operating income/expenses	70,1		0,0	0,0								-3,0	-76,4				
														-41,5	Net provisions for risks and liabilities and Other operating income/costs		
240 Gains (losses) on equity investments	13,8								-13,6					-0,2	Gains (losses) on equity investments		
															Integration costs		
		12,6												12,6	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	0,0													0,0	Profit (loss) on disposal of investments		
280 **Profit (loss) before tax from continuing operations**	174,4		-0,4	-4,6		22,3	14,9	3,5						210,1	**Profit (loss) before tax from continuing operations**		
290 Taxes on income from continuing operations	-30,3			1,1		-7,1	-4,8	-1,1						-42,3	Taxes on income from continuing operations		
300 **Profit (loss) after tax from continuing operations**	144,1		-0,4	-3,5		15,2	10,1	2,4						167,9	**Profit (loss) after tax from continuing operations**		
310 Profit (loss) after tax from discontinued operations	-1,3		0,4	3,5										2,6	Profit (loss) after tax from discontinued operations		
320 **Profit (loss) for the period**	142,8					15,2	10,1	2,4						170,5	**Profit (loss) for the period**		
330 Profit (loss) for the year attributable to minority interests	-0,5													-0,5	Profit (loss) for the year attributable to minority interests		
340 **Parent company's net profit (loss) for the period**	142,2					15,2	10,1	2,4						169,9	**Net profit for the year before PPA**		
						-15,2	-10,1	-2,4						-27,7	Net economic repercussions of the "purchase price allocation"		
														142,2	**Net Profit for the period**		

RECONCILIATION BETWEEN RECLASSIFIED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2011 AND 31 DECEMBER 2010 AND RELATED ACCOUNTING TABLES

Balance-sheet accounts - Assets	31/03/11	31/12/10	Reclassified balance-sheet accounts - Assets
	850	**2.411**	**Cash and cash equivalents**
Account 10 ? Cash and cash equivalents	850	2.411	
			Loans and receivables
	154.664	**156.238**	**a) Customer loans**
Account 70 ? Customer loans	154.664	156.238	
	10.420	**9.710**	**b) Due from banks**
Account 60 ? Due from banks	10.420	9.710	
	46.938	**55.973**	**Held to maturity investments**
Account 20 ? Financial assets held for trading	25.256	33.924	
Account 30 ? Financial assets designated at fair value	39	247	
Account 40 ? Financial assets available for sale	21.642	21.802	
	0	**0**	**Financial assets held to maturity**
Account 50 ? Held to maturity investments	0	0	
	926	**908**	**Investments**
Account 100 ? Investments	926	908	
	-	-	**Reinsurers' technical reserves**
Account 110 ? Reinsurers's technical reserves	-	-	
	8.943	**8.959**	**Tangible and intangible fixed assets**
Account 120 ? Property and equipment	1.404	1.407	
Account 130 ? Intangible assets	7.539	7.552	
	9.385	**10.081**	**Other assets**
Account 80 ? Hedging Derivatives	287	313	
Account 90 ? Change in value of macro-hedged financial assets (+/-)	11	18	
Account 140 ? Fiscal assets	4.565	4.784	
Account 150 ? Non-current assets and discontinued operations	153	162	
Account 160 ? Other assets	4.369	4.805	
Total Assets	**232.126**	**244.279**	**Total Assets**

Balance-sheet accounts - Liabilities	31/03/11	31/12/10	Reclassified balance-sheet accounts - Liabilities
			Deposits
	160.361	**158.486**	**a) Due to customers and securities**
Account 20 ? Customer deposits	95.775	97.770	
Account 30 ? Securities issued	40.344	35.247	
Account 50 ? Financial liabilities designated at fair value	24.243	25.469	
	22.360	**28.334**	**b) Due to banks**
Account 10 ? Due to banks	22.360	28.334	
	22.145	**30.383**	**Financial liabilities held for trading**
Account 40 ? Financial liabilities held for trading	22.145	30.383	
			Provisions for specific use
Account 110 ? Provision for employee severance pay	288	287	
Account 120 - Provisions for risks and changes - a) pension and similar obligations	202	436	
Account 120 - Provisions for risks and changes - b) other provisions	888	882	
	8.110	**8.043**	**Other liabilities**
Account 60 ? Hedging Derivatives	1.438	1.737	
Account 70 ? Change in value of macro-hedged financial liabilities (+/-)	-	-	
Account 80 ? Tax liabilities	247	234	
Account 90 ? Liabilities associated to disposal groups held for sale	294	213	
Account 100 ? Othe liabilities	6.131	5.860	
			Insurance reserves
Account 130 ? Insurance Reserves			
	17.497	**17.156**	**Group portion of shareholders' equity**
Account 140 ? Valuation reserves	53	-146	a) Valuation reserves
Account 150 ? Redeemable shares	-	-	b) Redeemable shares
Account 160 ? Equity instruments	1.949	1.949	c) Capital instruments
Account 170 ? Reserves	6.887	5.900	d) Reserves
Account 180 ? Share premium reserve	3.989	3.990	e) Share premium reserves
Account 190 ? Share Capital	4.502	4.502	f) Share capital
Account 200 ? Treasury shares (-)	-23	-25	g) Treasury shares (-)
Account 220 ? Profit (loss) for the period (+/-)	140	985	h) Profit (loss) for the period
	273	**270**	**Minority interests in shareholders' equity**
Account 210 ? Minority interests (+/-)	273	270	
Total liabilities and shareholders' equity	**232.126**	**244.279**	**Total liabilities and shareholders' equity**



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet

(in units of EUR)

		31 03 2011	31 12 2010
10	Cash and cash equivalents	849.696.280	2.411.030.871
20	Financial assets held for trading	25.255.971.522	33.924.199.884
30	Financial assets designated at fair value	39.466.798	247.143.224
40	Financial assets available for sale	21.642.412.291	21.801.514.587
50	Financial assets held to maturity	3.077	3.145
60	Loans and advances to banks	10.419.801.773	9.709.879.900
70	Loans and advances to customers	154.664.136.950	156.237.581.051
80	Hedging derivatives	287.287.185	313.412.270
90	Change in value of macro-hedged financial assets (+/-)	10.991.146	17.655.459
100	Equity investments	925.546.325	907.528.633
120	Tangible assets	1.403.904.304	1.407.077.388
130	Intangible assets	7.539.393.522	7.551.613.476
	of which: goodwill	6.473.778.893	*6.473.778.893*
140	Tax assets	4.564.921.977	4.783.787.667
	a) current	*613.445.515*	*669.908.700*
	b) deferred	*3.951.476.462*	*4.113.878.967*
150	Non-current assets and groups of assets held for sale	152.868.843	161.772.082
160	Other assets	4.369.364.773	4.804.736.576
	Total Assets	**232.125.766.766**	**244.278.936.213**

follows: Condensed Consolidated Balance Sheet

(in units of EUR)

	Liabilities and Shareholders' Equity	31 03 2011	31 12 2010
10	Deposits from banks	22.360.096.493	28.334.436.031
20	Customer accounts	95.774.977.333	97.769.565.012
30	Debt securities in issue	40.343.755.487	35.246.717.364
40	Held-for-trading financial liabilities	22.145.033.728	30.383.499.655
50	Financial liabilities designated at fair value through profit and loss	24.242.607.070	25.469.490.484
60	Hedging derivatives	1.437.698.797	1.736.529.777
80	Tax liabilities	247.098.789	233.879.224
	a) current	*142.214.813*	*128.725.497*
	b) deferred	*104.883.976*	*105.153.727*
90	Liabilities associated with individual assets held for sale	294.420.331	213.399.701
100	Other liabilities	6.131.212.200	5.859.531.209
110	Provision for employee severance pay	288.451.951	287.475.591
120	Provisions for risks and charges:	1.090.312.682	1.318.361.942
	a) pension fund and similar obligations	*202.320.650*	*435.918.857*
	b) other provisions	*887.992.032*	*882.443.085*
140	Valuation reserves	52.708.800	(146.164.752)
160	Equity instruments	1.949.365.486	1.949.365.486
170	Reserves	6.886.700.819	5.900.424.511
180	Share premium account	3.989.264.615	3.989.501.914
190	Share capital	4.502.410.157	4.502.410.157
200	Treasury shares (-)	(23.332.146)	(24.612.663)
210	Minority interests (+/-)	272.658.600	269.628.250
220	Profit (loss) for the period (+/-)	140.325.574	985.497.320
	Total Liabilities and Shareholders' Equity	**232.125.766.766**	**244.278.936.213**

Condensed Consolidated Income Statement

(in units of EUR)

		31 03 2011	31 03 2010
10	Interest income and similar revenues	1.692.034.385	1.555.868.104
20	Interest expense and similar charges	(831.354.840)	(691.059.732)
30	**Net interest income**	**860.679.545**	**864.808.372**
40	Fee and commission income	530.215.563	548.565.266
50	Fee and commission expense	(57.512.474)	(54.661.774)
60	**Net commissions**	**472.703.089**	**493.903.492**
70	Dividends and similar income	8.961.162	21.918.674
80	Net profit (loss) from trading	75.144.630	5.083.327
90	Net profit (loss) from hedging	874.938	6.689.480
100	Gain/losses on disposal/repurchase of:	40.084.242	12.694.018
	a) loans and receivables	*9.801.596*	*4.583.647*
	b) financial assets available for sale	*30.569.008*	*13.783.808*
	d) financial liabilities	*(286.362)*	*(5.673.437)*
110	Net profit (loss) from financial assets and liabilities designated at fair value through profit and loss	(20.287.001)	(18.710.175)
120	**Net interest and other banking income**	**1.438.160.605**	**1.386.387.188**
130	Net impairment losses/reversal on:	(279.774.333)	(315.524.387)
	a) loans and receivables	*(275.297.539)*	*(315.056.394)*
	b) financial assets available for sale	*(3.200.700)*	*(950.926)*
	d) other financial transactions	*(1.276.094)*	*482.933*
140	**Net income from banking activities**	**1.158.386.272**	**1.070.862.801**
180	Administrative expenses:	(883.363.947)	(896.058.343)
	a) personnel expenses	*(543.547.343)*	*(560.151.272)*
	b) other administrative expenses	*(339.816.604)*	*(335.907.071)*
190	Net provisions for risks and charges	(25.685.235)	(24.057.681)
200	Net value adjustments/write-backs on property, plant and equipment	(18.242.941)	(20.751.421)
210	Net value adjustments/write-backs on intangible assets	(43.570.728)	(39.131.791)
220	Other operating income/expenses	57.411.080	70.050.612
230	**Operating expenses**	**(913.451.771)**	**(909.948.624)**
240	Gains (losses) on equity investments	27.456.330	13.472.874
270	Gain (losses) on disposal of investments	111.643	14.035
280	**Profit (loss) before tax from continuing operations**	**272.502.474**	**174.401.086**
290	Taxes expense (income) on profit (loss) from continuing operations	(133.020.858)	(30.315.840)
300	**Profit (loss) after tax from continuing operations**	**139.481.616**	**144.085.246**
310	Profit (loss) after tax from groups of assets held for sale	2.778.840	(1.322.727)
320	**Profit (loss) for the period**	**142.260.456**	**142.762.519**
330	Profit (loss) for the period attributable to minority interests	1.934.882	514.945
340	**Parent company's net profit (loss) for the period**	**140.325.574**	**142.247.574**

		31/03/11	31/03/10
	Basic Earnings per Share (Basic EPS)	**0,015**	**0,015**
	of continuing operations	0,014	0,015
	of groups of assets held for sale	0,001	-
	Diluted Earnings per Share (Diluted EPS)	**0,015**	**0,015**
	of continuing operations	0,014	0,015
	of groups of assets held for sale	0,001	-

Condensed Consolidated Statement of Comprehensive Income

(in units of EUR)

	Items	31 03 2011	31 03 2010
10	**Profit (loss) for the period**	**142.260.456**	**142.762.519**
	Other comprehensive income, net of tax		
20	Financial assets available for sale	161.733.191	(122.119.378)
60	Cash flow hedges	52.861.674	(33.454.220)
70	Exchange differences	(2.403.738)	2.501.514
80	Non-current assets held for sale	(185.133)	-
100	Share of valuation reserves of equity investments valued at equity	(12.114.935)	12.522.779
110	**Total other comprehensive income, net of tax**	**199.891.059**	**(140.549.305)**
120	**Total comprehensive income (Account 10 + 110)**	**342.151.515**	**2.213.214**
130	Consolidated comprehensive income attributable to minority interests	2.951.799	522.846
140	**Consolidated comprehensive income attributable to Parent Company**	**339.199.716**	**1.690.368**

Condensed Consolidated Statement of Changes in Shareholders' Equity

(in units of EUR)

	Balance as at 31/12/2010	Changes in opening balances	Balance as at 01/01/2011	Allocation of profit from prior year		Changes during the period								Group equity 31 03 2011	Minority interests 31 03 2011
							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 for 31 03 2011		
Share capital:	4.553.214.457	-	4.553.214.457	-	-	-	78.049	-	-	-	-	-	-	4.502.410.157	50.882.349
a) ordinary shares	3.782.216.113	-	3.782.216.113	-	-	-	78.049	-	-	-	-	-	-	3.731.411.813	50.882.349
b) other shares	770.998.344	-	770.998.344	-	-	-	-	-	-	-	-	-	-	770.998.344	-
Share premium account	4.002.908.117	-	4.002.908.117	-	-	-	(237.299)	-	-	-	-	-	-	3.989.264.615	13.406.203
Reserves:	5.976.447.289	-	5.976.447.289	986.982.790	-	780.485	-	-	-	-	-	-	-	6.886.701.815	77.508.749
a) from profits	6.081.332.289	-	6.081.332.289	986.982.790	-	500	-	-	-	-	-	-	-	6.990.806.830	77.508.749
b) other	(104.885.000)	-	(104.885.000)	-	-	779.985	-	-	-	-	-	-	-	(104.105.015)	-
Valuation reserves	(18.255.253)	-	(18.255.253)	-	-	(590)	-	-	-	-	-	-	199.891.059	52.708.800	128.926.416
Equity instruments	1.949.365.486	-	1.949.365.486	-	-	-	-	-	-	-	-	-	-	1.949.365.486	-
Treasury shares	(24.612.663)	-	(24.612.663)	-	-	-	2.668.159	(1.387.642)	-	-	-	-	-	(23.332.146)	-
Net profit (loss) for the period	986.982.790	-	986.982.790	(986.982.790)	-	-	-	-	-	-	-	-	142.260.456	140.325.574	1.934.882
Group equity	17.156.421.972	-	17.156.421.972	-	-	778.400	2.430.855	(1.387.642)	-	-	-	-	339.199.716	17.497.443.301	X
Minority interests	269.628.250	-	269.628.250	-	-	495	78.054	-	-	-	-	-	2.951.799	X	272.658.599

As at 31 March 2011, the Group's shareholders' equity, comprehensive of minority interests and including net income for the year , amounted to EUR 17,770 mln, as compared to EUR 17,426 mln as at 31 December 2010.

In Q1 2011, net income amounted to EUR 142.2 mln, of which EUR 140.3 mln pertaining to the Group and EUR di 1.9 mln to minority interests.

Total increase in reserves amounting to EUR 987.7 mln, was primarily driven by the capitalisation of profit, which was of EUR 986.9 mln as at 31/12/2010. Revenue reserves include EUR 23.3 mln in restricted reserves for n amount equal to total treasury shares.

Treasury shares decreased by EUR 1.3 mln; the results obtained through trading of treasury shares (EUR -0.2 mln) is included in the share premium account.

Valuation reserves reported increased by EUR 199.9 mln, including a positive EUR 149.6 mln regarding valuation reserves "held for sale", a gain of EUR 52.9 mln in valuation reserves for "cash flows coverage", a loss of EUR 2.6 mln in "other" valuation reserves primarily due to the exchange differences.

Minority interests increased by approx. EUR 3 mln as a result of the overall profitability of the period.

(in units of EUR)

	Balance as at 31/12/2009	Changes in opening balances	Balance as at 01/01/2010	Allocation of profit from prior year		Changes during the period								Group equity 31/03/2010	Minority interests 31/03/2010
							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 31/03/2010		
Share capital:	4.553.774.084	-	4.553.774.084	-	-	-	-	-	-	-	-	-	-	4.502.410.157	51.363.927
a) ordinary shares	3.782.775.740	-	3.782.775.740	-	-	-	-	-	-	-	-	-	-	3.731.411.813	51.363.927
b) other shares	770.998.344	-	770.998.344	-	-	-	-	-	-	-	-	-	-	770.998.344	-
Share premium account	4.048.065.676	-	4.048.670.690	-	-	-	(605.014)	-	-	-	-	-	-	4.047.723.006	342.670
Reserves:	5.852.768.665	-	5.852.768.665	221.966.583	-	2.383.491	-	-	-	-	-	-	-	5.985.871.018	91.247.721
a) from profits	5.957.653.665	-	5.957.653.665	221.966.583	-	2.383.491	-	-	-	-	-	-	-	6.090.756.018	91.247.721
b) other	(104.885.000)	-	(104.885.000)	-	-	-	-	-	-	-	-	-	-	(104.885.000)	-
Valuation reserves	858.895.400	-	858.895.400	-	-	1.055	-	-	-	-	-	-	(140.549.305)	580.029.993	138.317.157
Equity instruments	1.949.365.486	-	1.949.365.486	-	-	-	-	-	-	-	-	-	-	1.949.365.486	-
Treasury shares	(32.079.381)	-	(32.079.381)	-	-	-	6.062.261	(14.296.747)	-	-	-	-	-	(40.313.850)	(17)
Net profit (loss) for the period	224.614.685	-	224.614.685	(221.966.583)	(2.648.102)	-	-	-	-	-	-	-	142.762.519	142.247.574	514.945
Group equity	17.174.748.088	-	17.174.748.088	-	(1.808.643)	1.543.075	5.457.243	(14.296.747)	-	-	-	-	1.690.368	17.167.333.384	X
Minority interests	281.261.541	-	281.261.541	-	(839.459)	841.471	4	-	-	-	-	-	522.846	X	281.786.403

As at 31 March 2010, the Group's shareholders' equity including net income for the year amounted to EUR 17,448.1 mln, as compared to EUR 17,455.9 mln as at 31 December 2009.

Net income for Q1 2011 amounted to EUR 142.8 mln, of which EUR 142.2 mln pertaining to the Group and EUR di 0.6 mln to minority interests.

Reserves increased by EUR 224.3 mln mainly as a result of the capitalisation of the profit, which was of EUR 222 mln as at 31/12/2009. Reserves from profits include EUR 40.3 mln in restricted reserves for an amount equal to the total of treasury shares.

Treasury shares increased by EUR 8.2 mln; the result from trading of treasury shares (EUR -0.6 mln) is included in the share premium account.

Valuation reserves decreased by EUR 140.5 mln, including a negative change of EUR 109.6 mln regarding valuation reserves "held for sale", a negative change of EUR 33.4 mln in valuation reserves for "cash flows coverage", an increase of EUR 2.5 mln in "other" valuation reserves primarily due to the exchange gains.

Minority interests increased by approx. EUR 0.5 mln as a result of the overall profitability of the period.

Condensed Consolidated Statement of Cash Flows: Indirect Method

(in units of EUR)

A. OPERATING ACTIVITIES	31 03 2011	31 03 2010
1. Cash flow from operations	**702.921.433**	**548.565.836**
profit (loss) for the period (+/-)	142.260.456	142.762.519
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	5.550.823	(21.388.898)
capital gains/losses on hedging transactions (+/-)	(874.938)	(6.689.480)
net value adjustments/write-backs due to impairment (+/-)	279.774.333	315.524.387
net value adjustments/write-backs on tangible and intangible assets (+/-)	61.813.669	59.883.212
net provisions for risks and charges and other costs/revenues (+/-)	28.505.249	34.783.697
net premiums to be collected	-	-
other insurance revenues/charges to be collected	-	-
tax not paid (+)	133.020.857	30.315.840
net value adjustments/write-backs on groups of assets held for sale, after tax (+/-)	1.142.390	-
other adjustments	51.728.594	(6.625.441)
2. Cash flow from (used in) financial assets	**10.124.553.283**	**(6.874.354.044)**
financial assets held for trading	8.664.451.344	(8.156.783.024)
financial assets designated at fair value	207.676.426	(4.096.967)
financial assets available for sale	372.255.971	(1.180.775.934)
sales/repayment of financial assets held to maturity	-	-
loans and advances to banks: on demand	(705.794.900)	(182.902.979)
loans and advances to banks: other	-	-
loans and advances to customers	1.294.914.833	1.331.375.044
hedging derivatives	-	-
other assets	291.049.609	1.318.829.816
3. Cash flow from (used in) financial liabilities	**(12.362.149.891)**	**5.841.217.070**
deposits from banks: on demand	(5.924.207.267)	2.870.082.544
deposits from banks: other	-	-
customer accounts	(1.965.491.621)	3.219.444.436
securities in issue	5.097.038.123	(3.903.404.162)
financial liabilities held for trading	(8.238.465.926)	3.706.121.978
financial liabilities designated at fair value	(1.228.657.219)	340.078.004
hedging derivatives	-	-
other liabilities	(102.365.981)	(391.105.730)
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**(1.534.675.175)**	**(484.571.138)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**281.961**	**2.487.775**
sales of equity investments	-	-
dividends collected on equity investments	-	2.487.744
sales/repayment of financial assets held to maturity	-	-
sales of tangible assets	207.061	31
sales of intangible assets	74.900	-
sales of subsidiaries and undertakings	-	-
2. Cash flow used in	**(34.480.856)**	**(24.176.066)**
purchase of equity investments	-	-
purchase of financial assets held to maturity	-	-
purchase of tangible assets	(3.034.406)	(1.159.105)
purchase of intangible assets	(31.446.450)	(23.016.961)
purchase of subsidiaries and undertakings	-	-
Net cash flow from (used in) investment activities	**(34.198.895)**	**(21.688.291)**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	1.280.517	(8.238.626)
issue/purchase of equity instruments	-	-
dividend distribution and other	-	-
issue of new shares	-	-
Net cash flow from (used in) funding activities	**1.280.517**	**(8.238.626)**

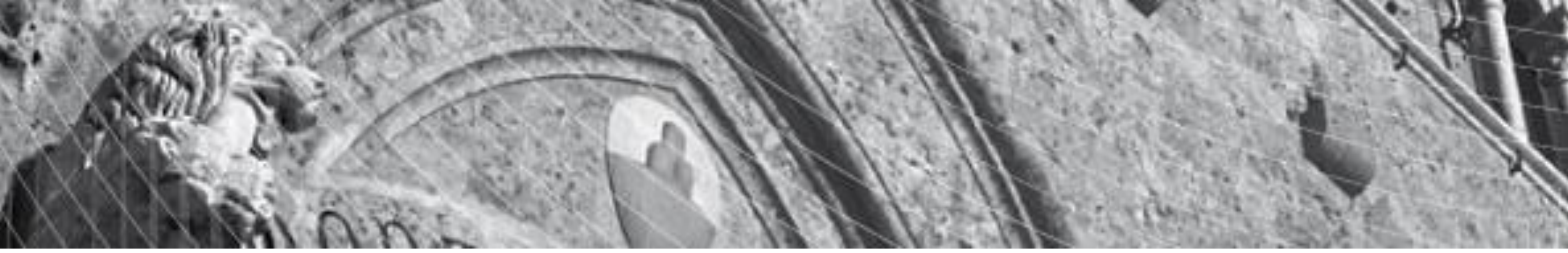
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**(1.567.593.553)**	**(514.498.055)**

Reconciliation

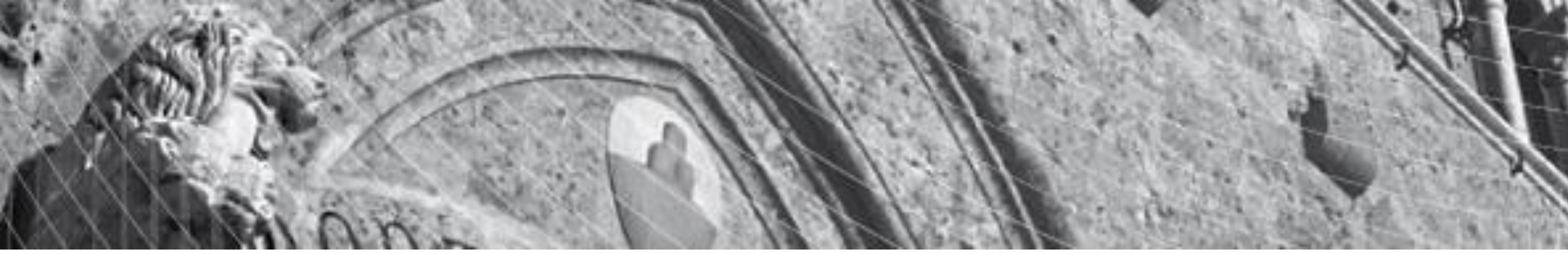
(in units of EUR)

Accounts	31 03 2011	31 03 2010
Cash and cash equivalents at beginning of period	2.418.810.617	1.295.586.779
Net increase (decrease) in cash and cash equivalents	(1.567.593.553)	(514.498.055)
Cash and cash equivalents: foreign exchange effects	-	-
Cash and cash equivalents at end of period	851.217.064	781.088.724

The item “Cash and cash equivalents at beginning of period” amounted to EUR 2,418,810,617 and includes item “10 cash and cash equivalents” amounting to EUR 2,411,030,871 as at 31/12/2010 and further cash of EUR 7,779,746, included in “Other assets” as at 31/12/2010 under item “150 Non-current assets and disposal groups held for sale”.
The item “Cash and cash equivalents at end of period” amounted to EUR 851,217,064 and includes item “10 cash and cash equivalents” amounting to EUR 849,696,280 as at 31/12/2010 and further cash of EUR 1,520,784 , included in “Other assets” as at 31/12/2010 under item “150 Non-current assets and disposal groups held for sale”.



NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS



Part A – Accounting Policies

A.1 – General

The interim Consolidated Financial Statements (here in after "Consolidated Quarterly Report") of the Monte dei Paschi Group as at 31 March 2011 was prepared in accordance with art. 154-*ter,* paragraphs 5 and 6 of the Consolidated Law on Finance (TUF), IAS 34 Interim Financial Reporting and provisions enacting art. 9 of Legislative Decree 38/2005.

The accounting standards used for the preparation of this Consolidated Quarterly Report are the same as those used for the preparation of the Consolidated Annual Report as at 31 December 2010, if applicable, which should be referred to for further details, in addition to the following information relating to:

A. IASs/IFRSs and related SICs/IFRICs as endorsed by the European Commission until 31 March 2011, the application of which will become mandatory as of this quarterly report;

B. the accounting standards, amendments and interpretations endorsed by no later than 31 March 2011, the application of which will become effective subsequent to this quarterly report and which, unless otherwise provided on a case-by-case basis, were not subject to early application (pursuant to paragraph 30 of IAS 8).

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

This consolidated quarterly report was extraordinarily prepared in accordance with IAS 34, to be included in the Prospectus which is currently being prepared for the share capital increase proposed by the Parent Company. The preparation of this consolidated quarterly report shall not change the definition of "interim period for financial disclosures", which is still the half-year period.

Comparison figures of the income statement as at 31 March 2010 were reclassified as a result of the application of the Bank of Italy's clarifications as per its Notice dated 16 February 2011.

A. IASs/IFRSs and Related SICs/IFRICs with mandatory application as of the current consolidated quarterly report

IAS 24 Related Party Disclosures. The revised standard 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 standard, 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 included among outstanding balances with related parties;
- clarification on related parties: in detail, 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 among the international accounting standards, the adoption of IAS 24 (as revised) entails amendments to **IFRS 8 Operating Segments.**

The new standard 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". All first-time adopters of IFRSs are bound to restate comparative information under IFRS 7 about fair value measurements and liquidity risk for periods ending 31 December 2009. The amendment 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 the amendment to IRFS 1 entails the following amendments to **IFRS 7 Financial Instruments: Disclosures** for consistency purposes. 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 IFRIC published **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 consistency purposes.

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.

Project "Improvements to the International Accounting Standards" (2010). Within the scope of this project, the IASB issued a set of amendments to the IFRSs on 6 May 2010. The amendments indicated by the IASB as involving a change in the presentation, recognition and measurement of balance sheet items are listed below, leaving aside, however, those that will only result in terminological or publication changes with minimal effects in terms of accounting. The amendments were approved by the European Commission with Regulation 149/2011 of 18 February 2011.

- **IFRS 1 – Changes in Accounting Policies upon First-time Adoption of the IFRS.** If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions, it shall explain the changes between its first IFRS interim financial report (in accordance with IAS 34) and its first IFRS financial statements and it shall update the reconciliations between previous standards and IFRSs. IAS 8 requirements about changes in accounting policies do not apply to an entity's first IFRS financial statements.

- **IFRS 1 — First-time Adoption of International Financial Reporting Standards: 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 International Financial Reporting Standards. Deemed Cost for items 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 standards as deemed cost. The carrying value is required to be tested for impairment in accordance with IAS 36. In such a case, the entity is required to disclose the use of such option in the financial statements.

- **IFRS 3 – Business Combinations. Measuring 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 restricts 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.

- **IFRS 3 – Business Combinations: Share-based Payments Not Replaced or Voluntarily Replaced**. The amendment clarifies that the provisions set out for the acquirer's awards exchanged for acquiree's awards 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.

- **IFRS 3 – Business Combinations: Contingent Consideration.** The amendment clarifies that IAS 32, IAS 39 and IFRS 7 do not apply to contingent liabilities arising from business combinations with an acquisition date prior to the application of IFRS 3 (2008).

- **IFRS 7 Financial Instruments: Disclosures.** The amendment emphasises the interaction between quantitative and qualitative disclosures for users to provide a comprehensive overview of the nature and extent of risks associated with financial instruments. Clarification was also given that the requirement to provide disclosure of the amount that represents the maximum exposure of financial instruments to credit risk has been removed for financial assets whose carrying amount best reflects 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.

- **IAS 1 – Statement of Changes in Equity.** The amendment clarifies that an entity shall present, for 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: Interim Measures Consequent to the 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 standard should be applied with respect to financial instruments and their fair value.

- **IFRIC 13 – Customer Loyalty Programmes: Fair Value of Award Credits.** It clarifies that the fair value of award credits should take into account: i) the amount of discounts of incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and ii) any expected forfeitures.

Going Concern

The Consolidated Quarterly 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 Group reasonably expects to continue operating in the foreseeable future and has therefore prepared this consolidated quarterly interim 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 accounting policies adopted are consistent with this assumption and reflect the principles of accrual accounting, relevance and materiality of information and priority of economic substance over juridical form. These criteria did not undergo any amendments with respect to the previous financial year report.

Risks and Uncertainties Relating to the Use of Estimates

In accordance with the IFRSs, management is required to formulate assessments, estimates and assumptions which may have an influence on the application of the accounting standards as well as on the amounts of assets/liabilities and costs/revenues recognised in the financial statement. Estimates and related hypothesis are based on past experience and 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 detail, estimates were used in support of the book value recognised for the most significant items subject to assestment in the consolidated quarterly report as at 31 March 2011, in accordance with the aforementioned accounting standards 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.

Scope of Consolidation

The consolidated quarterly report includes the financial and economic results of the Parent Company and its direct and indirect subsidiaries. In detail, 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 companies under liquidation, 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 there were no significant changes in the scope of consolidation compared to 31 December 2010. The table "Investments in subsidiaries and joint ventures (proportionate consolidation)" is provided below.

Investments in subsidiaries and joint ventures (proportionate consolidation)

31 03 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	
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	1	A.0	100,000	
	3.1	MPS COMMERCIALE LEASING S.p.a.	Siena	1	A.3	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	60,420	
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.	Calenzano (FI)	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	
	18,5	MONTE PASCHI MONACO S.A.M. (1)	Montecarlo		A.18	99,997	

		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 Srl	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 Spa	Spoleto	7	A.0	26,005	
		book value at 26,005% of notional value					
A,29		INTEGRA Spa	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 Decree 87/92
6 unified management under art. 26.2 of Decree 87/92
7 joint control
(**)Voting rights are disclosed only if different from the percentage of ownership.

- Assets and liabilities pertaining to the investments in MPS Venture SGR and MONTE PASCHI MONACO S.A.M. 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 Disclosure of fair value

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 31 12 2010 (4)	Fair value at 31 12 2010 (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	592.359	523.618	12.866	6.613	398	5.299
Debt Securities	Trading	Loan and advances to banks	110.791	109.387	3.928	39	84	1.914
Debt Securities	Available for sale	Crediti verso clientela	1.498.237	1.364.012	38.855	5.098	1.209	6.114
Debt Securities	Available for sale	Loan and advances to banks	475.029	474.033	(1.828)	(1.780)	173	2.168
Debt Securities	Trading	Available for sale	5.799	5.799	88	31	87	29
UCITS	Trading	Available for sale	367.870	367.870	13.430	501	13.430	770
Total			**3.050.085**	**2.844.719**	**67.339**	**10.502**	**15.381**	**16.294**

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 31.03.2011, 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 Q1 2011 had they not been transferred in 2008.

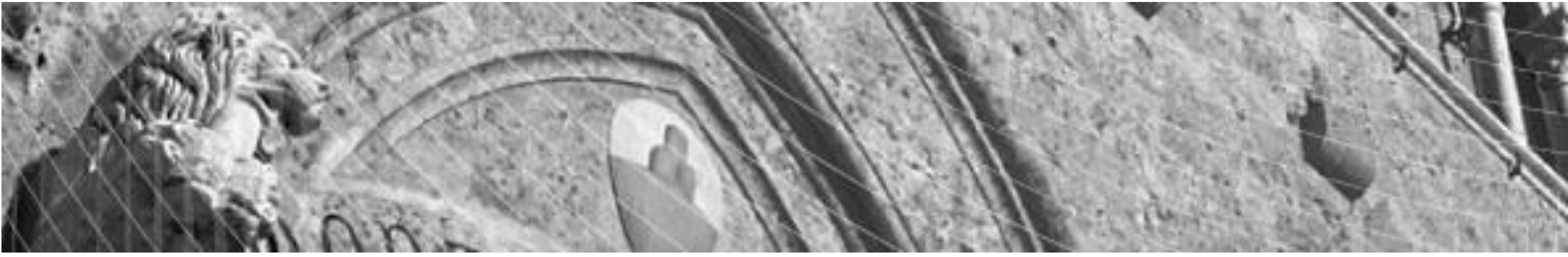
Columns 8 and 9, on the other hand, contain the financial results in terms of "value relevance" and other (realised profit/loss and interest) which the Group actually posted for these instruments in Q1 2011.

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.



Part B –Condensed 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 31/03/2011				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	4.214.775	859.529	297.239	5.371.543	7.656.436	826.871	313.181	8.796.488
2. Equity instruments	324.356	424	104	324.884	255.885	-	104	255.989
3. Units in UCITS	123.949	381.288	-	505.237	90.516	327.254	-	417.770
4. Loans	-	9.615.333	-	9.615.333	-	12.823.231	-	12.823.231
4.1 Repurchase agreements	-	6.694.243	-	6.694.243	-	8.896.057	-	8.896.057
4.2 Other	-	2.921.090	-	2.921.090	-	3.927.174	-	3.927.174
Total (A)	**4.663.080**	**10.856.574**	**297.343**	**15.816.997**	**8.002.837**	**13.977.356**	**313.285**	**22.293.478**
B. Derivatives								
1. Financial derivatives:	140.162	8.352.327	9.540	8.502.029	138.550	10.396.409	10.194	10.545.153
2. Credit derivatives:	-	936.946	-	936.946	-	1.085.549	20	1.085.569
Total (B)	**140.162**	**9.289.273**	**9.540**	**9.438.975**	**138.550**	**11.481.958**	**10.214**	**11.630.722**
Total (A+B)	**4.803.242**	**20.145.847**	**306.883**	**25.255.972**	**8.141.387**	**25.459.314**	**323.499**	**33.924.200**

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	31 03 2011				31 12 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	27.528	11.939	-	39.467	27.551	11.949	-	39.500
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	27.528	11.939	-	39.467	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	**27.528**	**11.939**	**-**	**39.467**	**235.194**	**11.949**	**-**	**247.143**

As part of the process aimed at harmonising the MPS Group's pension funds, effective as of 1/1/2011, units in UCITs underlying the internal pension fund of the former subsidiary Banca Toscana have been transferred to the external defined-benefit "Supplementary Pension Fund for Employees of Banca MPS employed as of 01/01/1991".

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	31 03 2011				31 12 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	18.829.351	248.400	238.850	19.316.601	18.991.480	235.898	248.532	19.475.910
2. Equity instruments	269.149	1.255.556	-	1.524.705	318.093	1.257.388	-	1.575.481
3. Units in UCITS	37.535	763.571	-	801.106	2.669	747.455	-	750.124
4. Loans	-	-	-	-	-	-	-	-
Total	**19.136.035**	**2.267.527**	**238.850**	**21.642.412**	**19.312.242**	**2.240.741**	**248.532**	**21.801.515**

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 31 03 2011	Total 31 12 2010
A. Loans and advances to central banks	**612.583**	**261.103**
1. Time deposits	16.000	16.000
2. Compulsory reserve	590.919	233.793
3. Repurchase agreements	-	-
4. Other	5.664	11.310
B. Loans and advances to banks	**9.807.219**	**9.448.777**
1. Current accounts and demand deposits	318.732	669.933
2. Time deposits	259.760	230.675
3. Other loans:	7.358.316	6.662.353
3.1 Repurchase agreements	2.055.375	1.038.678
3.2 Finance leases	-	-
3.3 Other	5.302.941	5.623.675
4. Debt securities	1.870.411	1.885.816
4.1 Structured securities	-	-
4.2 Other debt securities	1.870.411	1.885.816
Total (book value)	**10.419.802**	**9.709.880**

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	31 03 2011			31 12 2010		
	Performing	Impaired	Total	Performing	Impaired	Total
1. Current accounts	16.848.315	2.533.773	19.382.088	15.213.770	2.360.668	17.574.438
2. Repurchase agreements	998.689	1.533	1.000.222	1.786.053	1.180	1.787.233
3. Mortgages	83.809.748	6.087.760	89.897.508	84.382.703	5.702.932	90.085.635
4. Credit cards, personal loans and fifth-of-salary backed loans	3.182.207	156.220	3.338.427	3.108.863	144.230	3.253.093
5. Financial leasing	4.314.744	558.078	4.872.822	4.333.134	598.994	4.932.128
6. Factoring	1.595.839	131.618	1.727.457	1.598.115	125.290	1.723.405
7. Other transactions	28.081.658	2.531.463	30.613.121	30.057.533	2.446.081	32.503.614
8. Debt securities	3.831.209	1.283	3.832.492	4.376.754	1.281	4.378.035
Total (book value)	**142.662.409**	**12.001.728**	**154.664.137**	**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 %		31 03 2011	31 12 2010
A.D.Impresa S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	20,000		37	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		6.464	6.353
Antonveneta Vita S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50,000		82.237	81.301
Asset Management Holding S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	22,240	26,620	156.631	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		33.140	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		26.620	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		462.116	454.235
Industria e Innovazione S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	7,110	58,130	4.119	3.700
Intermonte SIM S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	17,650		15.782	12.979
J.P.P. Euro Securities Inc.	New York (NY)	8	Intermonte SIM S.p.a.	100,000		342	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 Sarza	8	Banca Monte dei Paschi di Siena	25,000		10.003	10.003
Microcredito di Solidarietà S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	40,000		570	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	27,330		3.522	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	33,971		2.289	1.477
Agricola Merse S.r.l.	Assago (MI)	8	MPS Capital Services S.p.a.	20,000		5.349	5.580
Immobiliare Centro Milano S.p.a.	Milano	8	MPS Capital Services S.p.a.	33,333		138	107
Interporto Toscano A.Vespucci S.p.a. Livorno-Guasticce	Collesalvetti (LI)	8	MPS Capital Services S.p.a.	36,303		10.022	9.930
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Firenze	8	MPS Capital Services S.p.a.	29,000		2.472	2.523
Re.Ge.Im. Realizzazione e Gestione Immobili di Qualità S.p.a.	Roma	8	MPS Capital Services S.p.a.	40,000		3.662	3.680
Totale						**925.546**	**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 to 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 31 03 2011	Total 31 12 2010
A. Assets used in the business		
1.1 owned	**1.192.232**	**1.197.577**
a) land	437.031	437.031
b) buildings	459.194	463.438
c) furniture and furnishings	66.838	69.104
d) electronic systems	20.939	21.196
e) other	208.230	206.808
1.2 Leased	-	**-**
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1.192.232**	**1.197.577**
B. Assets held for investment	-	-
2.1 owned	211.672	209.500
a) land	113.346	110.300
b) buildings	98.326	99.200
2.2 Leased	-	-
a) land	-	-
b) buildings	-	-
Total B	**211.672**	**209.500**
Total (A+B)	**1.403.904**	**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 31 03 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	**1.065.615**	**-**	**1.065.615**	**1.077.834**	**-**	**1.077.834**
A.2.1 Assets carried at cost:	1.065.615	-	1.065.615	1.077.834	-	1.077.834
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	1.065.615	-	1.065.615	1.077.834	-	1.077.834
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**1.065.615**	**6.473.779**	**7.539.394**	**1.077.834**	**6.473.779**	**7.551.613**

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

14.1 Deferred tax assets: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 03 2011	Total 31 12 2010
Receivables (including securitisations)	900.095	908.109
Other financial instruments	44.514	42.970
Goodwill	2.074.721	2.133.006
Multi-annual costs	13.575	13.579
Tangible and intangible assets	16.523	16.944
Corporate entertainment expenses	101	132
Personnel expenses	30.012	30.155
Tax losses	25.904	25.904
Other	626.710	632.882
Financial instruments - valuation reserves	383.369	479.383
Deferred tax assets (gross)	**4.115.524**	**4.283.064**
Offsetting with deferred tax liabilities	164.048	169.185
Deferred tax assets (net)	**3.951.476**	**4.113.879**

14.2 Deferred tax liabilities: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 03 2011	Total 31 12 2010
Capital gains to be divided into installments	75.610	80.998
Goodwill	428	397
Tangible and intangible assets	36.604	39.788
Financial instruments	24.677	25.308
Personnel expenses	5.220	5.254
Other	39.488	35.990
Financial instruments - valuation reserves	86.905	86.604
Deferred tax liabilities (gross)	**268.932**	**274.339**
Offsetting with deferred tax assets	164.048	169.185
Deferred tax liabilities (net)	**104.884**	**105.154**

Section 15 - Non-current assets and disposal groups held for sale and associated liabilities- Items 150 (assets) and 90 (liabilities)

15.1 Non-current assets and disposal groups held for sale: breakdown by type of asset

(in thousands of EUR)

	Total 31 03 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	23	278
B.4 Financial assets held to maturity	-	-
B.5 Loans and advances to banks	11.769	10.414
B.6 Loans and advances to customers	39.760	41.456
B.7 Equity investments	-	-
B.8 Tangible assets	109	120
B.9 Intangible assets	590	688
B.10 Other assets	4.621	12.819
Total B	**56.872**	**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	50.151	19
D.2 Customer accounts	236.643	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	1.919	1.922
D.7 Other liabilities	5.707	3.912
Total D	**294.420**	**213.400**

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

Due to transactions underway as at 31/03/2011 which will lead to the 100% disposal of subsidiary Monte Paschi Monaco S.A.M. and loss of control of MPS Venture SGR S.p.a., the latter entities were considered as disposal groups held for sale.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 31 03 2011	Total 31 12 2010
1. Deposits from central banks	**7.977.298**	**14.330.704**
2. Deposits from banks	**14.382.798**	**14.003.732**
2.1 Current accounts and demand deposits	2.794.320	3.749.944
2.2 Time deposits	1.386.552	1.509.950
2.3 Loans	9.831.240	8.341.402
2.3.1. Reverse repurchase agreements	6.750.678	5.353.242
2.3.2 Other	3.080.562	2.988.160
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	370.686	402.436
Total	**22.360.096**	**28.334.436**

Section 2 - Customer accounts - Item 20

2.1 Customer accounts: breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 31 03 2011	Total 31 12 2010
1. Current accounts and demand deposits	65.178.064	65.773.530
2. Time deposits	2.231.989	3.291.639
3. Loans	26.573.471	26.899.153
3.1. Reverse repurchase agreements	18.319.235	18.741.067
3.2 Other	8.254.236	8.158.086
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1.791.453	1.805.243
Total	**95.774.977**	**97.769.565**

Section 3 - Debt securities in issue - Account 30

3.1 Debt securities in issue: product breakdown

(in thousands of EUR)

Type of Securities/ Amounts	Total 31 03 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	36.091.726	16.548.350	19.503.549	-	36.051.899	31.080.108	14.957.878	16.301.806	-	31.259.684
2, Other securities	4.252.029	-	4.293.816	-	4.293.816	4.166.609	-	4.208.386	-	4.208.386
Total	**40.343.755**	**16.548.350**	**23.797.365**	**-**	**40.345.715**	**35.246.717**	**14.957.878**	**20.510.192**	**-**	**35.468.070**

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 31 03 2011					Total 31 12 2010				
	NV	FV				NV	FV			
		Level 1	Level 2	Level 3	Total		Livello 1	Livello 2	Livello 3	Total
A. Balance-sheet liabilities										
1. Deposits from banks	2.176.317	60.691	2.115.626	-	2.176.317	2.284.451	440.991	1.843.460	-	2.284.451
2. Customer accounts	10.780.880	1.031.325	9.761.117	-	10.792.442	17.127.308	236.788	16.893.321	-	17.130.109
3. Debt securities	-	-	-	-	-	-	-	-	-	0
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	0
Total A	**12.957.197**	**1.092.016**	**11.876.743**	**-**	**12.968.759**	**19.411.759**	**677.779**	**18.736.781**	**-**	**19.414.560**
B. Derivatives										
1. Financial derivatives	X	155.123	7.963.326	32.066	8.150.515	X	143.601	9.621.396	29.838	9.794.835
2. Credit derivatives	X	-	962.467	63.293	1.025.760	X	-	1.106.091	68.014	1.174.105
Total B	**X**	**155.123**	**8.925.793**	**95.359**	**9.176.275**	**X**	**143.601**	**10.727.487**	**97.852**	**10.968.940**
Total (A+B)	**X**	**1.247.139**	**20.802.536**	**95.359**	**22.145.034**	**X**	**821.380**	**29.464.268**	**97.852**	**30.383.500**

FV = fair value

NV= nominal or notional value

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

5.1 Financial liabilities designated at fair value: breakdown

(in thousands of EUR)

Type of transaction / Amount	Total 31 03 2011					Total 31 12 2010				
	NV	FV				NV	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	24.507.112	-	24.242.607	-	24.242.607	25.441.920	-	25.469.490	-	25.469.490
Total	**24.507.112**	**-**	**24.242.607**	**-**	**24.242.607**	**25.441.920**	**-**	**25.469.490**	**-**	**25.469.490**

FV = fair value

NV= 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 31 03 2011	Total 31 12 2010
1. Pensions and other post retirement benefit obligations	202.321	435.919
2. Other provisions for risks and charges	887.992	882.443
2.1 legal disputes	352.576	346.786
2.2 personnel expenses	31.778	35.614
2.3 other	503.638	500.043
Total	**1.090.313**	**1.318.362**

As of 1/01/2011, item 1 "Pensions and other post retirement benefit obligations" no longer includes the amount of the defined-contribution supplementary pension fund of the former subsidiary Banca Toscana, which was transferred to the external defined-contribution "Supplementary Pension Fund for Employees of Banca MPS employed as of 01/01/1991", as part of the process aimed at harmonising the MPS Group's pension funds.

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

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

Item/Type	31 03 2011			31 12 2010		
	Ordinary	Preferred	Savings	Ordinary	Preferred	Savings
A. Shares outstanding as at the beginning of the year	5.569.271.362	1.131.879.458	18.864.340	5.569.271.362	1.131.879.458	18.864.340
- fully paid	5.569.271.362	1.131.879.458	18.864.340	5.569.271.362	1.131.879.458	18.864.340
- not fully paid	-	-	-	-	-	-
A.1 Treasury shares (-)	21.911.474	-	-	24.131.264	-	-
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	2.406.334	-	-	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	2.406.334	-	-	33.015.934	-	-
B.3 Other increases	-	-	-	-	-	-
C. Decreases	**1.500.000**	**-**	**-**	**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	-	-	-	-	-	-
D. Shares outstanding: closing balance	**5.548.266.222**	**1.131.879.458**	**18.864.340**	**5.547.359.888**	**1.131.879.458**	**18.864.340**
D.1 Treasury shares (+)	21.005.140	-	-	21.911.474	-	-
D.2 Shares outstanding as at the end of the year	5.569.271.362	1.131.879.458	18.864.340	5.569.271.362	1.131.879.458	18.864.340
- fully paid	5.569.271.362	1.131.879.458	18.864.340	5.569.271.362	1.131.879.458	18.864.340
- not fully paid	-	-	-	-	-	-

Section 16 - Minority interests - Item 210

16.1 Minority interests: breakdown

(in thousands of EUR)

Items/Amounts	Total 31 03 2011	Total 31 12 2010
1) Share capital	50.882	50.804
2) Share premium reserve	13.406	13.406
3) Reserves	77.510	76.023
4) (Treasury shares)	-	-
5) Valuation reserves	128.926	127.910
6) Equity instruments	-	-
7) Profit (loss) for the year - Minority interests	1.935	1.485
Total	**272.659**	**269.628**

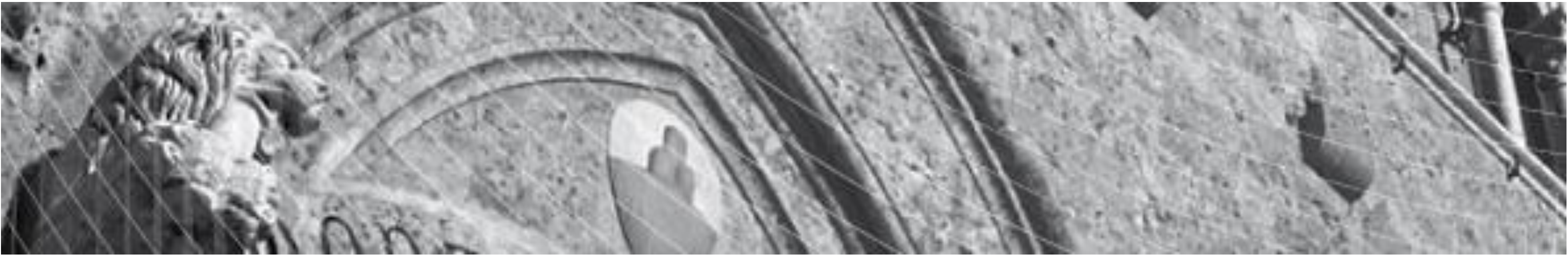
Other Information

3 Operating leases

3.1 Future minimum operating lease payments

(in thousands of EUR)

Items/Amounts	31 12 2010
Up to 1 year	101.350
From 1 to 5 years	506.750
Over 5 years	1.621.600
Future minimum lease payments due	**2.229.700**
non-cancellable future minimum lease payments receivable	26.431



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 31 03 2011	Total 31 12 2010
1. Financial assets held for trading	45.097	23.920	86.799	155.816	183.584
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	158.596	-	-	158.596	105.953
4. Financial assets held to maturity	-	-	-	-	-
5. Loans and advances to banks	14.704	26.588	486	41.778	34.861
6. Loans and advances to customers	26.044	1.300.518	5.752	1.332.314	1.228.679
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	3.530	3.530	2.791
Total	**244.441**	**1.351.026**	**96.567**	**1.692.034**	**1.555.868**

1.4 Interest expense and similar charges: breakdown

(in thousands of EUR)

Item/Type	Deposits	Securities	Other transactions	Total 31 03 2011	Total 31 03 2010
1. Deposits from central banks	(24.412)	x	-	(24.412)	(20.897)
2. Deposits from banks	(72.168)	x	-	(72.168)	(46.077)
3. Customer accounts	(173.259)	x	-	(173.259)	(73.092)
4. Securities in issue	x	(307.602)	(72)	(307.674)	(296.219)
5. Financial liabilities held for trading	(24.446)	-	(94)	(24.540)	(19.991)
6. Financial liabilities designated at fair value	-	(166.581)	-	(166.581)	(158.771)
7. Other liabilities	x	x	(2.102)	(2.102)	(3.173)
8. Hedging derivatives	x	x	(60.619)	(60.619)	(72.840)
Total	**(294.285)**	**(474.183)**	**(62.887)**	**(831.355)**	**(691.060)**

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

2.1 Fee and commission income: breakdown

(in thousands of EUR)

Type of service / Amount	Total 31 03 2011	Total 31 12 2010
a) guarantees issued	19.787	17.631
b) credit derivatives	-	-
c) management, brokerage and advisory services:	213.310	224.676
1. trading of financial instruments	2.698	1.894
2. currency trading	11.422	10.270
3. asset management	13.619	13.241
3.1 individual accounts	13.619	13.241
3.2. collective investment schemes	-	-
4. custody and administration of securities	3.056	4.271
5. custodian bank	433	536
6. placement of securities	19.308	33.475
7. client instructions	15.599	14.118
8. advisory on	4.893	5.293
8.1 investments	296	616
8.2 financial structure	4.597	4.677
9. distribution of third-party services	142.282	141.578
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	55.014	46.459
9.3 other products	87.268	95.119
d) collection and payment services	34.187	37.363
e) servicing of securitisations	391	3.238
f) factoring transaction services	5.310	4.313
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	176.614	191.330
j) other services	80.617	70.014
Total	**530.216**	**548.565**

2.2 Fee and commission expense: breakdown

(in thousands of EUR)

Type of service / Amount	Total 31 03 2011	Total 31 03 2010
a) guarantees received	(165)	(453)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(23.649)	(19.401)
1. trading of financial instruments	(4.650)	(4.200)
2. currency trading	(64)	(94)
3. asset management:	(619)	(818)
3.1 own portfolio	-	(2)
3.2 third-party portfolios	(619)	(816)
4. custody and administration of securities	(4.325)	(2.073)
5. placement of financial instruments	(224)	(14)
6. off-site marketing of financial instruments, products and services	(13.767)	(12.202)
d) collection and payment services	(4.239)	(4.221)
e) other services	(29.459)	(30.587)
Total	**(57.512)**	**(54.662)**

Section 8 - Net impairment losses / reversals - Item 130

8.1 Net impairment losses / reversals on loans: breakdown

(in thousands of EUR)

Transactions / P&L items	Total 31 03 2011	Total 31 12 2010
A. Loans and advances to banks	5.482	(533)
- Loans	5.663	(19)
- Debt securities	(181)	(514)
B. Loans and advances to customers	(280.780)	(314.523)
- Loans	(281.238)	(305.745)
- Debt securities	458	(8.778)
C. Total	**(275.298)**	**(315.056)**

8.2 Net impairment losses / reversals on available-for- sale financial assets: breakdown

(in thousands of EUR)

Transactions / P&L items	Total 31 03 2011	Total 31 12 2010
A. Debt securities	(42)	-
B. Equity instruments	(2.800)	(862)
C. Units in UCITS	(359)	(89)
D. Loans to banks	-	-
E. Loans to customers	-	-
F. Total	**(3.201)**	**(951)**

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	Total 31 03 2011	Total 31 12 2010
A. Guarantees issued	(368)	1.175
B. Credit derivatives	-	-
C. Commitments to disburse funds	685	(687)
D. Other transactions	(1.593)	(5)
E. Total	**(1.276)**	**483**

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

12.1 Net provisions for risks and charges: breakdown

(in thousands of EUR)

Items/Amounts	31 03 2011				31 03 2010			
	Personnel costs	Legal disputes	Others	Total	Personnel costs	Legal disputes	Others	Total
Provisions for the year	(14.865)	(93)	(20.860)	(35.818)	(7.234)	(1.625)	(25.476)	(34.335)
Write-backs	3.248	3.809	3.075	10.132	2.514	-	7.763	10.277
Total	**(11.617)**	**3.716**	**(17.785)**	**(25.686)**	**(4.720)**	**(1.625)**	**(17.713)**	**(24.058)**

Section 14 - Net value adjustments/write-backs on intangible assets - Item 210

14.1 Net value adjustments 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) 31 03 2011	Net profit (loss) (a +b-c) 31 12 2010
Intangible assets					
A.1 Owned	(43.571)	-	-	(43.571)	(39.132)
- generated internally by the company	-	-	-	-	-
- other	(43.571)	-	-	(43.571)	(39.132)
A.2 Leased	-	-	-	-	-
Total	**(43.571)**	**-**	**-**	**(43.571)**	**(39.132)**

Section 16 - Gains (losses) on equity investments - Item 240

16.1 Gains (losses) on equity investments: breakdown

(in thousands of EUR)

P&L items/Sectors	Total 31 03 2011	Total 31 03 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	28.851	17.008
1. Revaluations	28.715	16.712
2. Gains on disposal	136	296
3. Write-backs	-	-
4. Other income	-	-
B. Expense	(1.395)	(3.535)
1. Write-downs	(1.395)	(3.535)
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**27.456**	**13.473**
3) Subsidiaries		
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)	**-**	**-**
Total	**27.456**	**13.473**

Section 20 - Tax expense (income) on profit (loss) from continuing operations - Item 290

20.1 Tax expense (income) on profit (loss) from continuing operations: breakdown

(in thousands of EUR)

P&L items/Sectors	Total	
	31 03 2011	31 03 2010
1. Current tax (-)	(69.654)	(191.150)
2. Adjustments to current tax of prior years (+/-)	2.742	-
3. Reduction of current tax for the year (+)	-	-
4. Changes in prepaid taxes (+/-)	(71.414)	161.134
5. Changes in deferred taxes (+/-)	5.305	(300)
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**(133.021)**	**(30.316)**

20.2 Reconciliation of theoretical tax charge to actual tax charge

(in thousands of EUR)

Items/Amounts	31 03 2011	31 12 2010
(A) Pre-tax profit (loss) from continuing operations	272.502	174.401
(B) Pre-tax profit (loss) from groups of assets held for sale	3.810	(1.323)
(A+B) Pre-tax profit (loss)	**276.312**	**173.078**
Current rate of corporate income tax (IRES)	27,5	27,5
Theoretical tax rate	**(75.986)**	**(47.596)**
Permanent differences	(11.681)	(9.735)
Other	(3.709)	51.330
Regional tax on productivity (IRAP) - ordinary rate	(42.676)	(24.315)
Income taxes for the year	**(134.052)**	**(30.316)**
of which:	-	-
Taxes on income from continuing operations	(133.021)	(30.316)
Taxes on the income of groups of assets held for sale	(1.031)	-

Section 21 - Profit (loss) after tax on groups of assets held for sale - Item 310

21.1 Profit (loss) after tax on groups of assets/liabilities held for sale: breakdown

(in thousands of EUR)

P&L items/Sectors	Total	
	31 03 2011	31 03 2010
1. Income	6.351	-
2. Expense	(2.457)	-
3. Profit (loss) from valuation of groups of assets and related liabilities	(111)	-
4. Profit (loss) from disposal	27	(1.323)
5. Taxes and duties	(1.031)	-
Profit (Loss)	**2.779**	**(1.323)**

Part E – Risks and Hedging Policies

Note: As required by law (BoI Circular No. 263 of 27 December 2006, Title IV), it should be 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 information

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Company, the Group's top priority continues to be that of improving the quality of the loan portfolio and consequently reducing credit costs.

More specifically, primarily 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

Within the framework of the Parent Company's reorganisation, the Credit Governance area was established in 2010 with a view to further optimising the Group's internal organisational processes, bringing them up to speed with external developments. It was in fact deemed appropriate to strengthen the credit department by centralising the supervision of credit policies and control of lending quality into the Credit Governance Area, in light of the increasingly strategic role credit governance has been playing in the last few years against a still-uncertain macroeconomic background.
Credit Governance is organised into the following units:

- Model and Credit System Validation (staff unit);
- Credit performance monitoring (a staff unit which used to be a "service" in the previous organisation), charged with monitoring credit quality, occurring events, as well as timeliness and effectiveness of initiatives promoted by the distribution networks and group companies;
- Credit Policies and Planning Area, which includes the Special-purpose Loans and Securitisation *service*, the "Credit Policies and Quality *service"*, and the "Loan Lab Coordination" *service, reported to by* Local Loan Lab Departments;
- The Group Risk and Restructuring Area, including the "Foreign Counterparties and Financial Institutions Lending" service, "Groups Monitoring" service and "Loan Restructuring" service.

The two Areas derive from the aforementioned Credit Policies and Planning Area, with a view to creating increasingly more specialised units, with well-defined credit policy tasks.
In detail, the Group Risk and Restructuring Area was set up in response to the need for a greater emphasis on corporate customers experiencing financial difficulties (a problem which, in 2010, was further exacerbated across the system as compared to the already high levels of 2009). The organisation of this Area includes a specific Loan Restructuring "service".
At the same time, in Q1 2011 Credit Policies and Planning continued to update the customer loan disbursement and monitoring processes. More specifically, several activities were put in place to:

- improve operating procedures for the advance review of assigned process ratings whenever there are symptoms of a possible deterioration in the customer risk profile;
- optimise systems to obtain information from external databases (Italian Central Credit Register and Company Accounts Data service);
- produce quality-assessment questionnaires, especially for Corporate customers, with the aim of obtaining and assessing corporate information for the current period and eliminating redundant information generated by the introduction of new rating models;
- review the methodology for the processing of expired or invalid internal ratings.

Performance verification of loan disbursement processes confirmed the validity of approaches used. At the same time, measures were undertaken to refine the post-disbursement monitoring process, which was increasingly focused on intercepting early signs of critical situations and promptly reassessing risks.

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 lines and monitor credit risks, 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 existing regular 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 non-performing loans are assigned 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 II 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, which represents a projection of portfolio quality that becomes part of daily processes of loan assessment, management and pricing, as well as of the procedures used to determine loan loss provisions and of reports used by management.

The statutory adoption of risk parameterscriteria has made it possible 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 borrower rating as a decision-making driver, and they are conceived on the basis 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 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

In Q1 2011, actions initiated during the 2011 budgeting process, coordinated by the Planning Area, have been finalised and made official.

In February, the regulation on credit policy guidelines for 2011 was issued. In Q1 2011, the EBA stress test was carried out on the loan portfolio.

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 operating 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 mln, or a corporation with revenues over EUR 2.5 mln) 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 powers in the loan disbursement process based on risk-based approaches is one of the key elements in meeting the expertise requirements mandated by the Bank of Italy. These approaches, which escalate to decision-making bodies having higher levels of power in the event of higher levels of risk underlying the credit facility, made it possible to achieve regulatory and operational advantages.

Activities were put in place for the revision of credit processes: new decision-making powers are being considered for both the Group's outer units and local areas (from Area Managers to individual decision-makers) and credit assessment "sectors" are being set up within the local head offices. For test purposes, a pilot project was launched in the Northern Tuscany area.
Initiatives with Consum.it and MPS leasing and factoring continued and concerned the necessary measures to be adopted for credit processes, with a view to including the above-mentioned companies in the scope of AIRB.
The first phase was launched of a project aimed at designing the new evaluation system for Retail customers (Consumers), which will help comply with the credit risk evaluation processes upon disbursement and measure the risk using the AIRB approach.

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. Using this process, the Bank 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 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.

Since H2 2010, measures have been taken to refine the post-disbursement monitoring process, which has increasingly focused on intercepting early signs of any critical situations and promptly reassessing risks. In Q4 2010, 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 process ('lending performance management system')- was brought to completion, with a view to improving the post-disbursement quality of the credit portfolio. In Q1 2011, 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 will receive classroom training in the first six months of 2011.

As mentioned in the section on organisational structures, the Group Risk and Restructuring Area, which is charged with the management of restructurings, includes a special Restructuring Service made of highly specialised teams and deals with all the positions under restructuring using the new crisis solution instruments introduced by the law on bankruptcy (art. 67, paragraph 3(d), art. 182-bis). Centralised management is mandatory when exposure at Banking Group level exceeds EUR 5 mln. Many agreements have been reached and a considerable number of operations are being monitored.

Impaired financial assets

The Credit Management Area manages the definition, updating and use of parameters to assess non-performing loans through the Lending Trend Monitoring Staff, set up in 2010. The Staff monitors the correct application of operating rules and the relevant processes, checks and organises the data and information it receives, defines and approves the parameters to be used on a yearly basis and monitors the economic impacts monthly.

In the course of 2010, the Lending Trend Monitoring Staff, assisted by the consultant Deloitte and in collaboration with MPS GCB and other Parent Company Functions, completed the "Non-Performing Loans Assessment Project" which is intended to revise the methodologies for assessing the Group's non-performing loans and define new operating rules, processes and accountabilities. In particular, with regard to non-performing loans, current organisational "streams of work" and information flows with MPS GCB were analysed, statistical adjustment and automated assessment models reviewed and new procedures/controls implemented.

Quantitative information

A. CREDIT QUALITY

A.1 Impaired and performing loans: amounts, value adjustments, movements, 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.

3103 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	44.796	39.707	x	5.089
b) Watchlist loans	37.110	28.460	x	8.650
c) Restructured loans	-	-	x	-
d) Past due	300	88	x	212
e) Other assets	17.121.530	x	10.506	17.111.024
Total A	**17.203.736**	**68.255**	**10.506**	**17.124.975**
B. Off-balance-sheet exposure				
a) Impaired	2.814	178	x	2.636
b) other	10.471.584	x	582	10.471.002
Total B	**10.474.398**	**178**	**582**	**10.473.638**
Total (A+B)	**27.678.134**	**68.433**	**11.088**	**27.598.613**

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

3103 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	12.937.308	7.216.538	x	5.720.770
b) Watchlist loans	5.176.388	1.074.518	x	4.101.870
c) Restructured loans	1.501.995	131.520	x	1.370.475
d) Past due	987.235	62.733	x	924.502
e) Other assets	171.045.964	x	810.070	170.235.894
Total A	**191.648.890**	**8.485.309**	**810.070**	**182.353.511**
B. Off-balance-sheet exposure				
a) impaired	248.262	33.496	x	214.766
b) other	44.521.687	x	33.176	44.488.511
Total B	**44.769.949**	**33.496**	**33.176**	**44.703.277**
Total (A+B)	**236.418.839**	**8.518.805**	**843.246**	**227.056.788**

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 several 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).

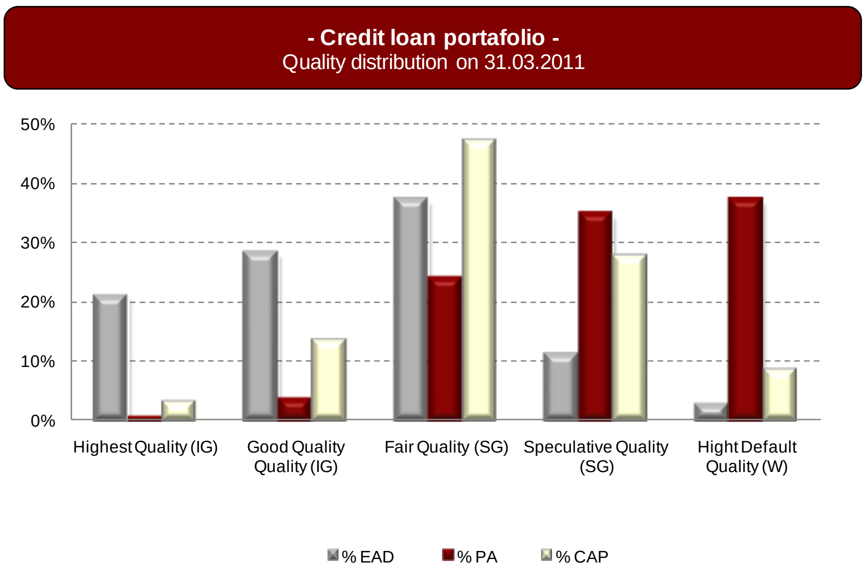
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined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

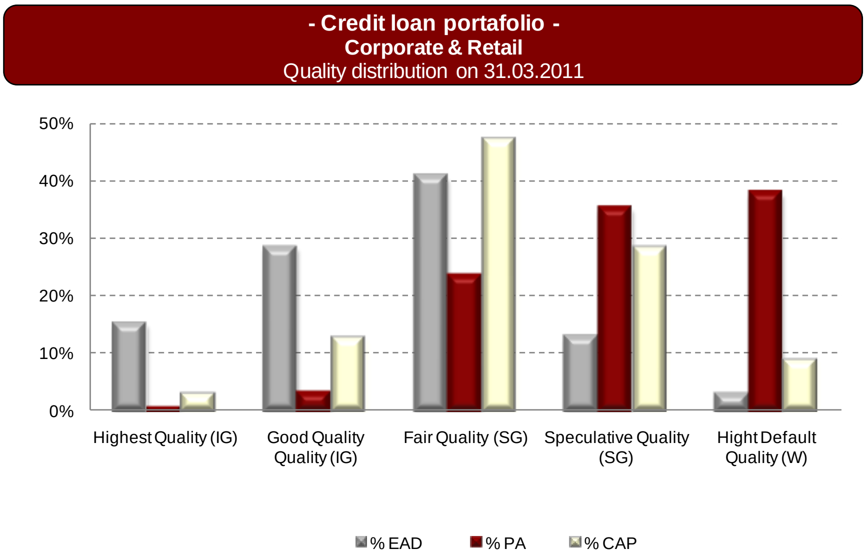
The model highlights the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographic area, economic sector, rating class and continental area. Other information derived from the Credit Portfolio Model concerns "what-if" analyses 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 II, 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.

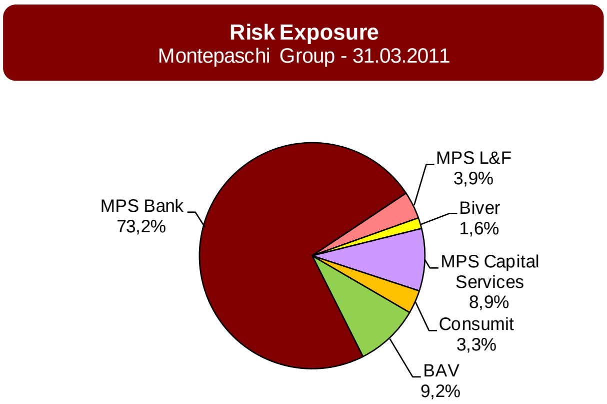
The chart below provides a distribution of the credit quality of the Montepaschi Group portfolio as at 31 March 2011 (excluding financial asset positions). The description below shows that approx. 49% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



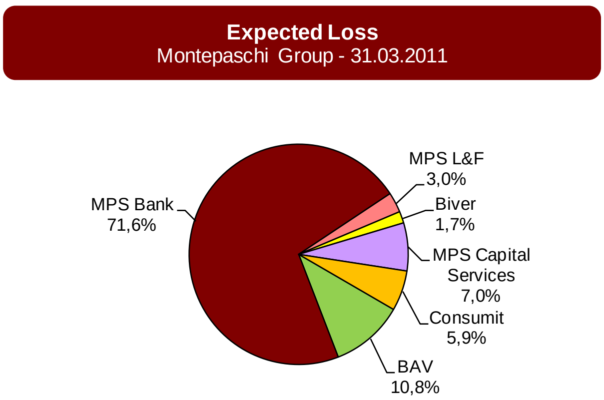
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). It should be noted that as at 31 March 2011, exposure of a high or good quality accounted for approx. 44% of total exposure.



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

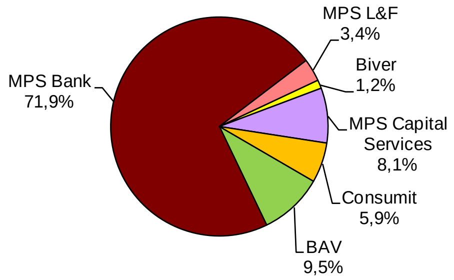


With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Company at 71.6% followed by Banca Antonveneta with 10.8% and MPS Capital Services and Consum.it (7% and 5.9% respectively), while the remainder (4.7%) is assigned to cover the risks of MPS Leasing & Factoring and Biverbanca.



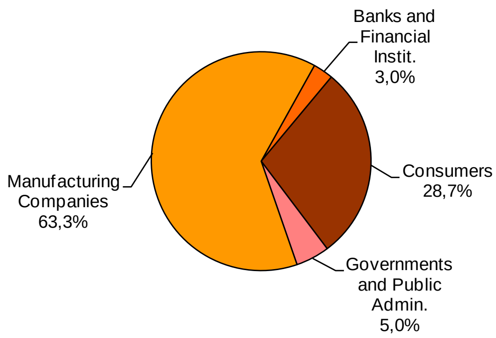
Most of the overall amount of economic capital to cover credit risk is absorbed by the Parent Company (approx. 71.9%), followed by Banca Antonveneta and MPS Capital Services (9.5% and 8.1%, respectively) with the remaining 10.5% absorbed by the other legal entities.

Economic Capital
Montepaschi Group - 31.03.2011



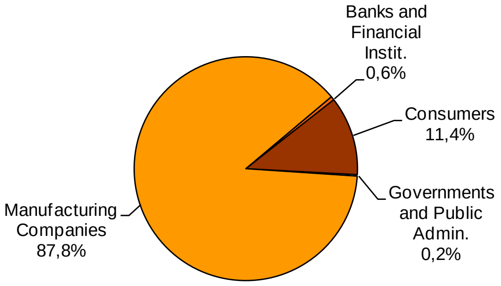
An analysis conducted as at the end of Q1 2011 shows that the risk exposure of the Montepaschi Group is mainly toward "Manufacturing Companies" (63.3% of total loans disbursed) and "Households" (28.7%). The remaining portion is broken down between "Government and Public Administration", which makes up 5% and "Banks and Financial Institutions" for 3%.

Risk Exposure
Montepaschi Group - 31.03.2011

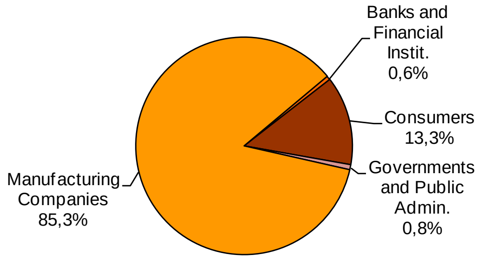


In terms of risk measures, it should be noted that Manufacturing Companies account for 87.8% of the Expected Loss and 85.3% of the Economic Capital. The portion for the "Family" segment amounted to 11.4% for Expected Loss and 13.3% for Economic Capital respectively.

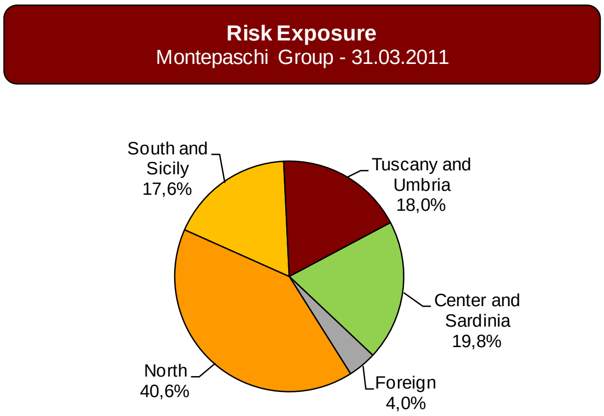
Expected Loss
Montepaschi Group - 31.03.2011



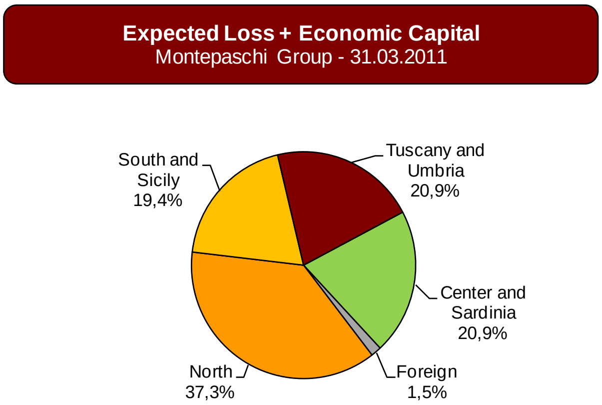
Economic Capital
Montepaschi Group - 31.03.2011



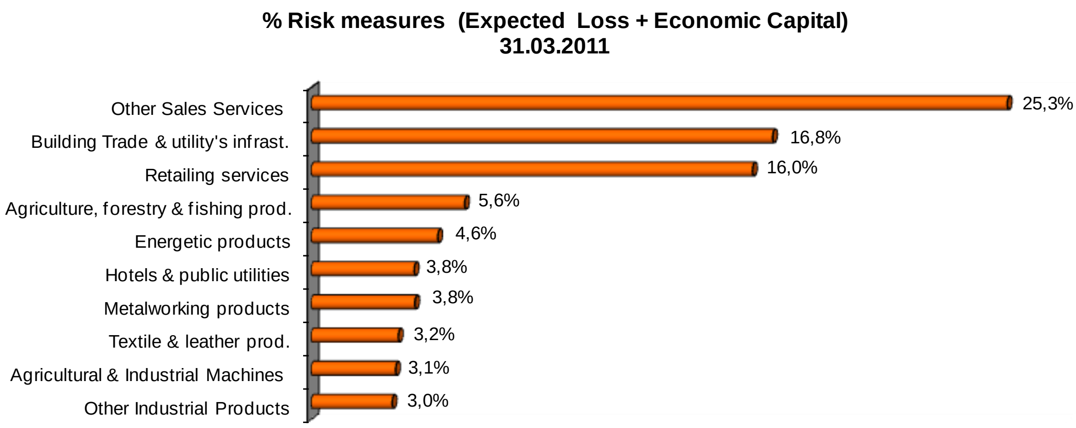
An analysis of the geographic breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Northern regions (40.6%) followed by Central Italy and Sardinia (19.8%), Tuscany and Umbria (18%), Southern Italy and Sicily (17.6%). The remainder (4%) is from abroad.



Overall risk measures (expected loss + economic capital) are also higher (37.3%) in Northern Italy due to the greater concentration of loans in that area. Next in the ranking are Tuscany and Umbria and Central Italy including Sardinia (both at 20.9%), Southern Italy including Sicily (19.4%), while the remainder (1.5%) comes from foreign customers.



Lastly, a breakdown of exposure of the top 10 business sectors, based on the Bank of Italy ranking — which account for 83.5% of overall lending to corporate customers — shows that "Other Sale Services", "Building and Public Works" and "Trade Services" absorb most risk measurements (25.3%, 16.8% and 16%, respectively) and together account for 58.1% of total risk measurements. These are followed by "Agriculture, forestry and fishing", "energy products" and "Hotels, Restaurants and Catering" which together make up 14% of total Expected Loss and Economic Capital.



Section 2 – Market risks

2.1 Interest rate and price risk – regulatory trading book

Market risks affecting the trading book

Market risk management model concerning the trading book

The Montepaschi Group's Regulatory Trading Book (RTB) — or simply trading book — is made up of all the Regulatory Trading Books managed by the Parent Company (BMPS), MPS Capital Services (MPSCS) and, to a residual 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 on behalf 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 companies (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 the main international best practices. However, the Group uses the standardised methodology in the area of market risks solely for reporting purposes.

Operating limits to trading activities, which are established by the 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 detail, the trading book's credit risk in addition to being included in VaR computations and in the respective limits for the credit spread risk component, is also subject to specific operating limits for issuer and bond concentration risk which specify maximum notional amounts by type of guarantor and rating category

VaR is calculated with a 99% confidence interval and a holding period of 1 business day. The Group adopts the method of historical simulation with daily full revaluation of all basic positions, out of 500 historical entries of risk factors (lookback period) with daily scrolling. The VaR calculated in this manner takes account of all diversification effects of risk factors, portfolios and types of instruments traded. It is not necessary to assume, a priori, any functional form in the distribution of asset returns, and the correlations of different financial instruments are implicitly captured by the VaR model on the basis of the combined time trend of risk factors. The daily management reporting flow on market risks is periodically transmitted to the Risk Committee, the Chairman and 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 large categories of risk factors covered by the Internal Market Risk Model are IR, EQ, FX and CS as described below:

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

VaR (or diversified or net VaR) is calculated and broken down daily for internal management purposes, 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 phenomena involving the portfolios.

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

The model enables the production of diversified VaR metrics for the whole 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 development 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 several shocks that simultaneously affect all types of risk factors.

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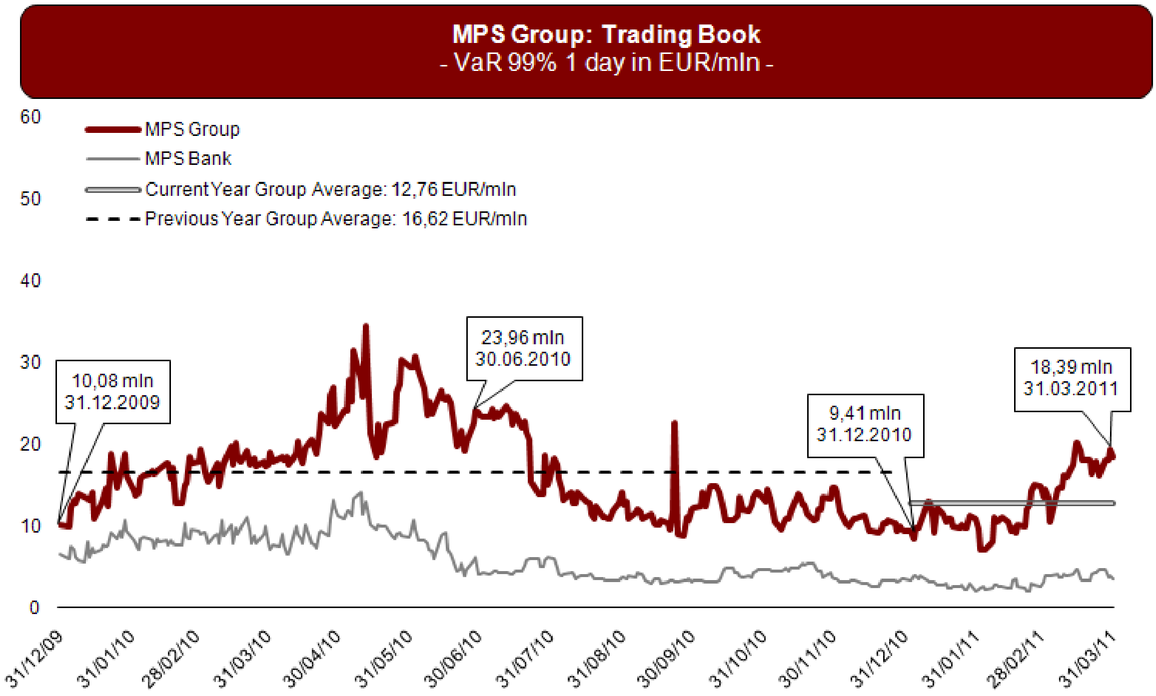
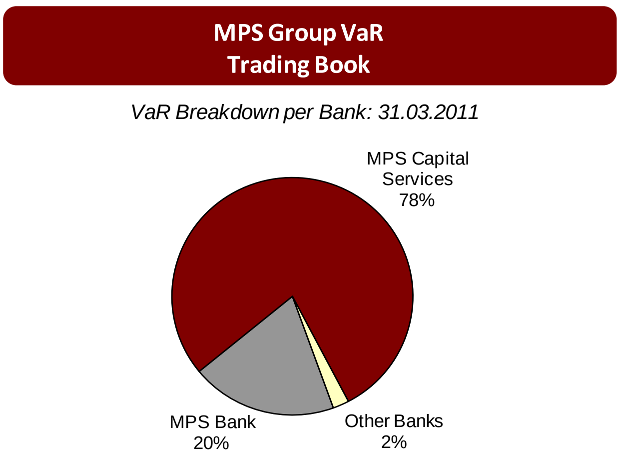
In VaR terms, in Q1 2011 market risks of the Group's Trading Portfolio showed an overall increasing trend and as at the end of March 2011 amounted to EUR 18.39 mln, up approx. EUR 9 mln compared to the year-end 2010 figure. The VaR increase for the quarter is attributable to transactions in equity derivatives (futures and options on the main market indices) and interest rate derivatives (long futures and options on long futures) of the subsidiary MPS CS. The Group's average VaR was EUR 12.76 mln for Q1 2011, below the yearly average for 2010 (EUR 16.62 mln).



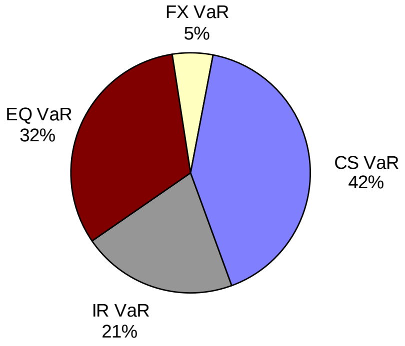
With regard to legal entities, the Group's market risks continue to be concentrated on MPS Capital Services and Banca MPS.



As at the end of March 2011, MPS Capital Services accounted for 78% of overall risk, the Parent Company approx. 20% while the remaining 2% was attributable to other banks.

MPS Group VaR
Trading Book

VaR Breakdown per Risk Factor: 31.03.2011



A breakdown of VaR by risk factors as at 31/03/2011 shows that 42% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 32% was absorbed by equity risk factors (EQ VaR), 21% was absorbed by interest rate risk factors (IR VaR) and the remaining 5% by foreign exchange risk factors (FX VaR).

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

	VaR	Date
End of Period	18,39	31/03/2011
Min	7,19	03/02/2011
Max	20,14	15/03/2011
Average	12,76	

In Q1 2011, Group VaR ranged from a minimum of EUR 7.19 mln as at 3 February to a maximum of EUR 20.14 mln as at 15 March. The Group's average VaR for Q1 2011 was EUR 12.76 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 Company, the Finance Area and the Treasury and Capital Management Area are the Business Areas in charge of trading for the Parent Company. The Global Markets Area carries out trading activities for MPS Capital Services.

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

The management of 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 Company's trading activity with respect to price risk is the Finance Area which manages a proprietary portfolio and takes trading positions on equities, Stock Exchange indexes and commodities. In general, positions on capital 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 limits delegated for monthly and yearly VaR and Stop Loss. Similarly, the Global Markets Area carries out trading activities for MPS Capital Services.

B. Interest rate and price risk: risk management 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 "The model for managing market risks affecting the trading book".

Quantitative Information

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

This table has not been prepared since a sensitivity analysis has been provided on the sensitivity of the regulatory trading book to interest rate and price risk based on internal models.

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

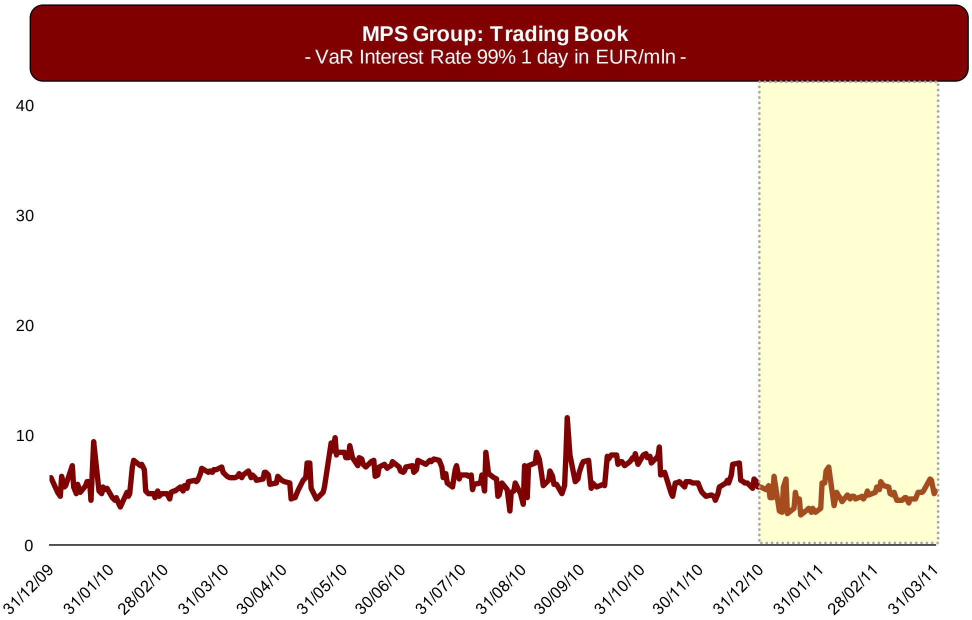
This table has not been prepared since a sensitivity analysis has been provided on the sensitivity of the regulatory trading book to interest rate and price risk based on internal models.

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



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

	VaR	Date
End of Period	4,99	31/03/2011
Min	2,69	21/01/2011
Max	7,17	04/02/2011
Average	4,54	

Simulations include four interest rate risk scenarios:

- parallel shift of +100 bp in relation to all interest rate curves;
- parallel shift of -100 bp in relation to all interest rate curves;
- parallel shift of +1% in relation to all surfaces of volatility of all interest rate curves.

The positions related to the Trading Book are all classified as HFT for accounting purposes, with changes in market value recognised directly to the income statement. Below is the overall effect of the scenario analyses.

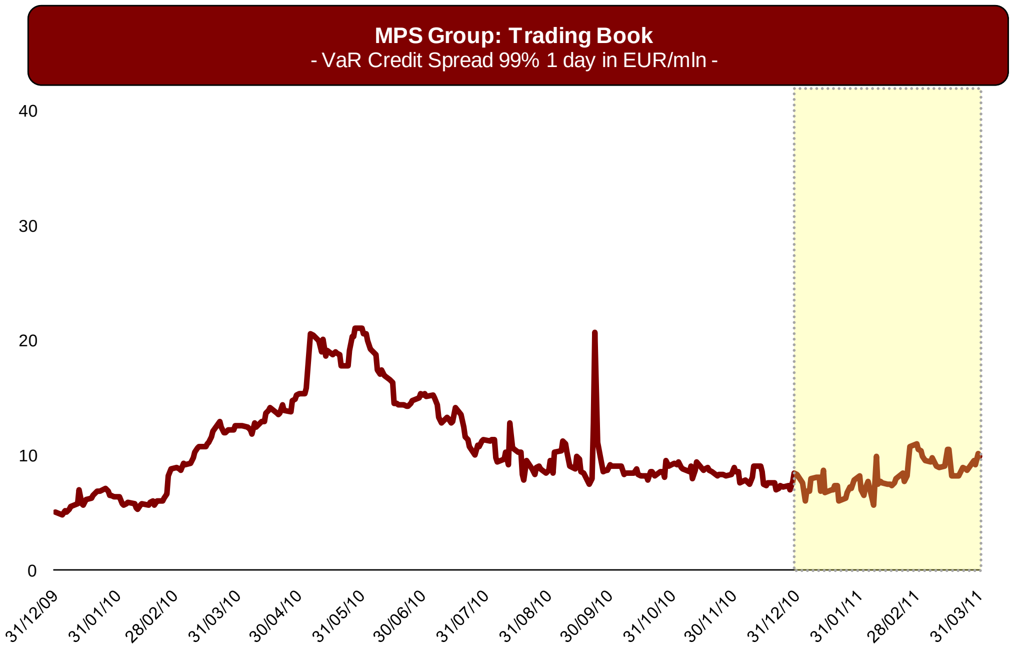
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	-39,24
Interest Rate	-100bp all Interest Rate Curves	26,49
Interest Rate	+1% all Interest Rate Volatility	-0,41

Compared to 31 December 2010, the asymmetry between the +100bp and -100bp scenarios decreased due to the differing positions taken in options on futures by the subsidiary MPS Capital Services.

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 the credit spreads of issuers. The VaR by risk factor (specifically, Credit Spread VaR) has management relevance for the purpose of risk management analyses, even though the global VaR diversified among all risk factors and portfolios is used by the operating units.



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

	VaR	Date
End of Period	9,88	31/03/2011
Min	5,64	07/02/2011
Max	11,02	28/02/2011
Average	8,25	

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

- parallel shift of +1 bp in all credit spreads.

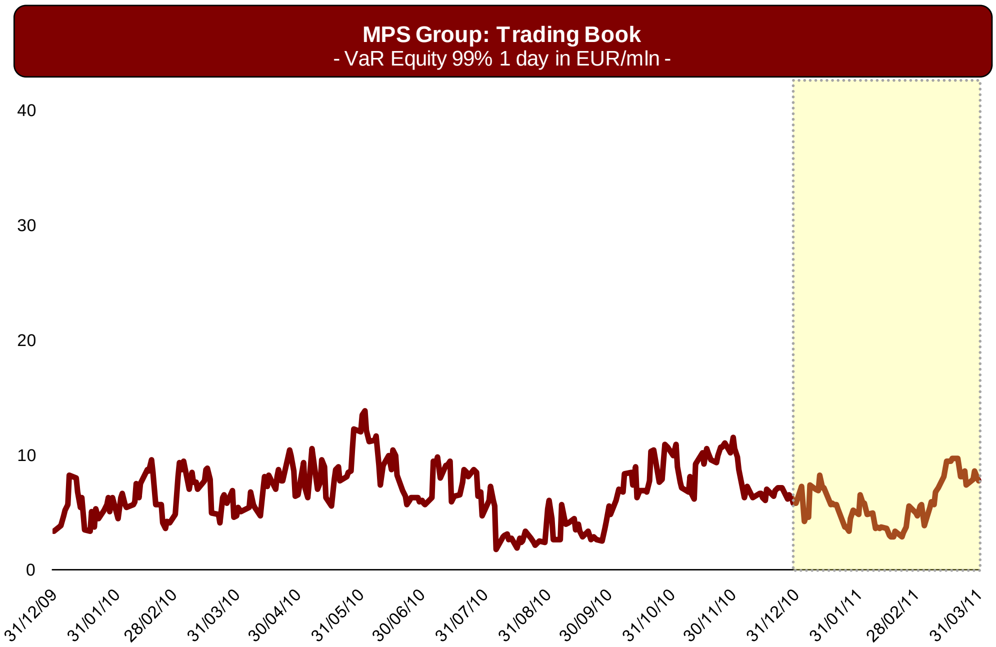
The positions related to the Trading Book are all classified as HFT for accounting purposes, with changes in market value recognised directly in the income statement. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book
EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	-0,63

3.2 Price risk

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



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

	VaR	Date
End of Period	7,68	31/03/2011
Min	2,78	17/02/2011
Max	9,61	18/03/2011
Average	5,77	

There are three simulated price scenarios:

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

The positions related to the Trading Book are all classified as HFT for accounting purposes, with changes in market value recognised directly in the income statement. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	1,64
Equity	-1% Equity Prices (prices, indices, basket)	-1,70
Equity	+1% Equity Volatility	-0,56

2.2 Interest rate risk and price risk on the consolidated banking book

Qualitative Information

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

A.1 Interest rate risk

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 Company — 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 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 II.

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 phenomenon of mortgage prepayment (so-called prepayment risk). Loan prepayment rates and, in particular, home mortgage prepayment rates have become potentially more unstable due to a series of concomitant factors, such as 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 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, growing 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 Q1 2011, the Group continued to monitor the various cases, particularly in relation to the growing popularity of 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 Company:

- definition of the policy 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 Company 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 liquidity policies and limits defined by the Parent Company and the capital requirements set by the relevant Regulatory Authorities.

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

Specifically, within this Area, the Centralised Treasury Service manages 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 MPS Capital Services Banca per le Imprese, which in turn manages the overall exposure to the market by aggregation. This approach, however, does not enable 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 income 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 Montepsachi 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 commercial assets (loans/mortgage loans classified as Loans and Receivables) of Banca MPS and its Foreign Branches and the securities portfolio of Banca MPS and its Foreign Branches (classified as Loans and Receivables and Available for Sale, respectively);
- Macro Fair Value Hedge: hedging of commercial assets (loans/mortgage loans classified as Loans and Receivables);
- Micro Cash Flow Hedge: hedging of a limited portion of variable-rate deposits.

A.2 Price risk

The price risk 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 9 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 1.9% of the overall portfolio). There are approx. 20 equity investments relative to the portfolio of MPS Capital Services Banca per le Imprese; these account for 2.8% of the overall value of the portfolio.

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

Quantitative information

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

This table 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 portfolio: internal models and other sensitivity analysis methodologies

2.1 Interest rate risk

The sensitivity of the Montepaschi Group at the end of Q1 2011 showed a profile of exposure to the asset sensitive interest rate risk and therefore to the risk in case of interest rate increase. The amount of economic value at risk in the event of a +100bp parallel shift of the rate curve amounted to EUR -878 mln (EUR 874 mln for a shift of -100bp) as at 31 March 2011. However, if benchmarked against the Regulatory Capital, these values are 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 investment 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 (which is different from that used for the Trading Book) is the Monte Carlo simulation method. VaR was calculated using a different method than that used until 2010 to make it consistent with the analysis carried out for ICAAP purposes. To estimate price volatility, the time series of market yields for listed companies and the time series of sector-based indices for unlisted ones are used. It should be 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 not consolidate either fully or proportionately. at the end of Q1 2011, the VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted to approx. 23% of the fair value of the portfolio, with the risk concentrated in the eight 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 Company'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 Economic Capital.

In addition, 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 Company's Finance Area (e.g. AFS securities) but are not included in the above-mentioned 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)	27,73
Equity	-1% Equity Prices (prices, indices, basket)	-27,73
Equity	+1% Equity Volatility	0,00

The impact of the equity investment portfolio on the total of the above-mentioned scenario analysis is approx. 51%.

2.3 Foreign exchange risk

Qualitative Information

A. Exchange rate risk: general information, risk management procedures and measurement methods

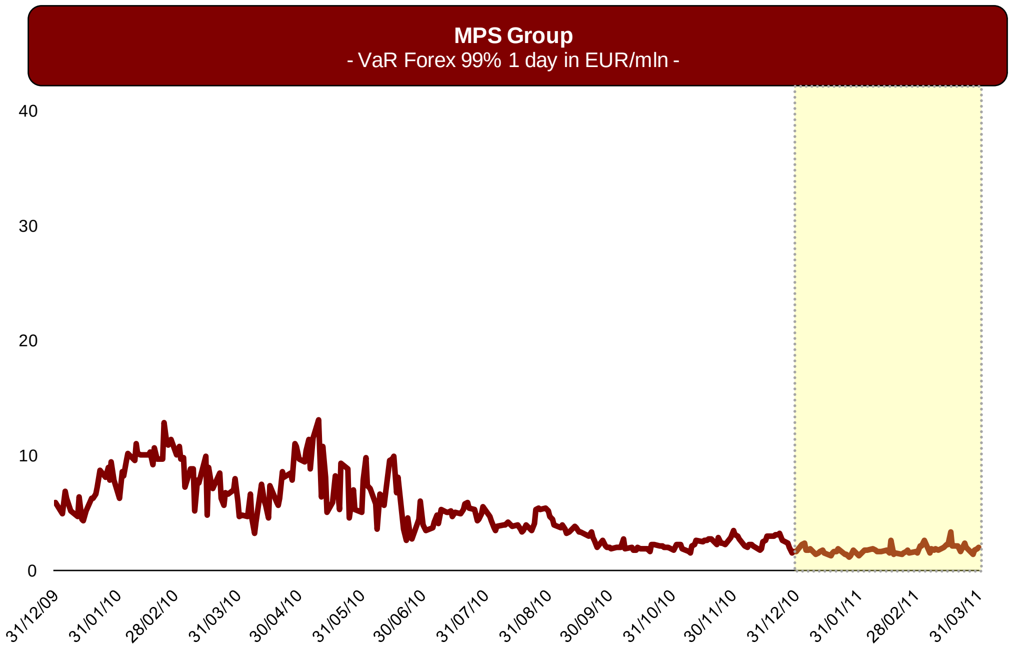
Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the retail banks which automatically feeds into the Group's position.

Trading activities in the FX options segment are mainly carried out by the Centralised Treasury Service of the Treasury & Capital Management Area. The foreign branches maintained modest forex positions exclusively originated by funds available for commercial purposes. In terms of risk, the notable turnover on cash and OTC derivatives remained in a straight line with ongoing and careful use of delegation 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	1,95	31/03/2011
Min	1,15	26/01/2011
Max	3,35	17/03/2011
Average	1,74	

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 net operating income and profit/loss for the year was estimated taking account only of HFT positions, which recognise Market Value changes directly in the income statement. The effect on shareholders' equity, instead, is estimated with reference to all other positions. The total effect results from the algebraic sum of the two components. Below is a summary of the scenario analyses.

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	0,35	-0,83	**-0,48**
Forex	-1% Exchange rate against EUR	-0,31	0,83	**0,52**
Forex	+1% Forex Volatility	0,06	0,00	**0,06**

Section 3 - Liquidity Risk

Qualitative Information

A Liquidity risk: general information, risk management 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, as well as in crisis conditions;
- optimise the cost of funding in relation to current and future market conditions;
- adopt and maintain risk mitigation instruments.

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

- 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-, mid- 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 Company 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 exhibit a liquidity risk deemed significant, are responsible for abiding by the liquidity policies and limits defined by the Parent Company 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 risks

Qualitative Information

A Operational risk: general information, risk management 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 management system for Operating Risks;
5. make sure over time that the system is actually used 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 so as 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 statistical collection, analysis and modelling of internal and external historical 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 are involved in process and risk identification, risk evaluation by process managers, identification of possible mitigation plans, discussion (in scenario-sharing sessions) of priorities and technical-economic feasibility of mitigating actions.

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 Company Risk Management).

The Parent Company'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 special operating policies. Reports are submitted regularly to the Risks 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.

Since 30 June 2009, Banca Antonveneta has been authorised to apply the advanced model, the roll-out of which involved extending the advanced approach's qualitative and quantitative components to the branches acquired from Banca Monte dei Paschi and the new Banca Antonveneta, which effective 1 January 2009 has been operating a network made up of the remaining branches.

Quantitative information

The percentage breakdown of operational losses, recorded in Q1 2011, 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;

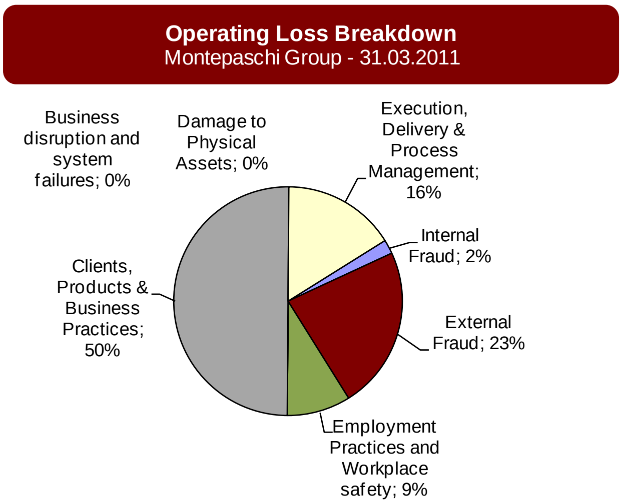
Employment relationships and occupational safety: Losses arising from actions in breach of employment, occupational health and safety laws and agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;

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.



Compared to the same period of 2010, both the number of operating risk events and losses decreased, confirming the positive trend that had already been recorded in the previous years.

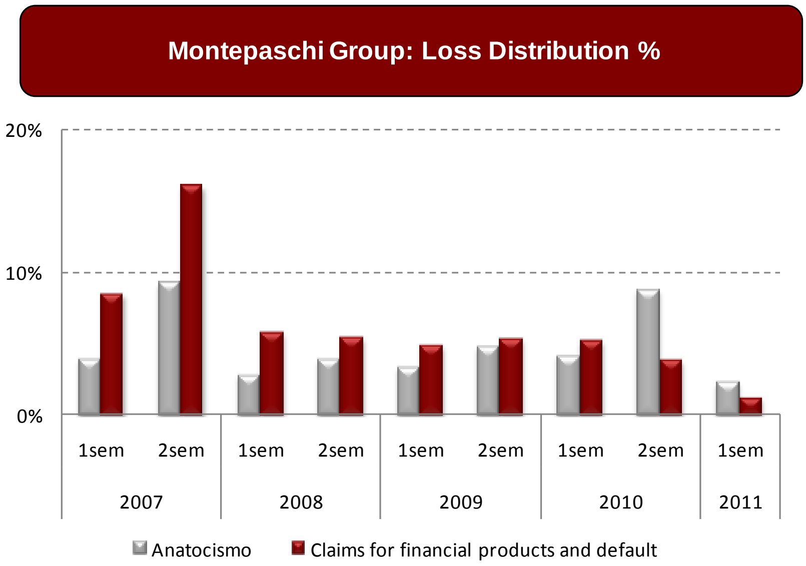
The types of event with the greatest impact on the income statement are those attributable to "non-fulfilment of professional obligations with customers" (50% of the entire amount of losses) and external fraud (23% of the entire amount of losses).

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

1. sales of For you and My way Financial Plans, Bonds (Argentina, Cirio, Parmalat) and structured products;

2. Application of compound interest.

It follows that the majority of operating risk events have a date of occurrence prior to 2003, although they continue to yield accounting effects in 2010 and 2011. However, the events are gradually being settled, as shown in the following chart, which presents the trend in disputes relating to the placements of financial plans, defaulted securities and compound interest from 2007 to Q1 2011 as a percentage of the total.



With regard to "External Fraud" (23% of the total), mitigatng actions continued, aimed at containing credit fraud in particular, which has taken on a significant weight even at Banking system level. Among the initiatives undertaken, 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.

Main types of legal action

The cases brought against the Montepaschi Group for the most part can be grouped into sub-categories, characterised individually by a common denominator consisted in alleged critical elements of products, operations, services or relationships for which or in which the companies acted as disbursement or placement entities.

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

- compound interest;
- non-compliance with money laundering regulations;
- placement of bonds issued by countries or companies later in default;
- placement of financial plans.

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

Significant lawsuits

Lawsuits concerning application of money laundering regulations
As at 31 March 2011, administrative procedures were pending against the Bank concerning t the application of money laundering regulations

Civil lawsuit brought before the Court in 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 in 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 in Milan
This suit, in which BMPS has been named a defendant along with other parties allegedly liable for damages due to having participated in a restructuring plan, was brought by a party that had in turn been sued by the bankruptcy procedure for the company at which the claimant in the suit in question is a member of the governing body.

Civil lawsuit brought before the Court in 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 companies in question brought several cases, directed both against B.N.A. (later Antonveneta, now BMPS), as well as against BMPS, aimed at obtaining compensation for damages due to the alleged wrongful granting of credit, quantified in the amount of the non-bank receivables admitted to the liabilities of the insolvent. 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 actions for revocation 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 in Reggio Emilia
The suit in question was brought by several claimants against the Bank and another defendant.
The companies that brought the suit and their directors are seeking compensation for the damages they purportedly sustained due to the allegedly irregular and illegitimate handling of the loan application submitted to the Bank that is argued to have resulted in the companies' insolvency.

Civil lawsuit brought before the Court in Pescara
The suit in question was brought by several claimants that have sued the Bank, along with other financial institutions and parties, seeking compensation for damages purportedly resulting from the Bank's conduct, which is alleged to have favoured certain guarantor-shareholders of a company over others.

Civil lawsuit brought before the Court in 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 directors and statutory auditors of a Credit Institution merged into BMPS.
This case formerly brought by the plaintiff and then continued by BMPS as the merging bank concerns 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.

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 2002-2007 period, which resulted in the notification of some official tax audit reports in relation to which the Monte dei Paschi has received some notice of assessment.

The notifications were issued to the Monte dei Paschi di Siena both individually and in its capacity as the merging company of Banca Toscana, Banca Agricola Mantovana and "old" Banca Antonveneta, among others.

In particular, disputed transactions refer to the trading of securities in periods straddling dividend payout dates and repurchase agreements in foreign bonds. Specifically, undue tax benefits are claimed, although they were obtained by legitimate application of existing rules and regulations (so-called "abuse of right").

The tax amount claimed in the notices of assessment in relation to trading in securities and repo transactions totals approx. EUR 377 mln, in addition to sanctions for about EUR 575 mln and interest. The official tax audit reports not yet leading to notices of assessment refer to similar transactions which are alleged to have resulted in EUR 130 mln worth of tax savings. The notices of assessment have been duly impreached. Monte dei Paschi di Siena, corroborated by the opinion of authoritative 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, it was considered appropriate to provide disclosure of this information.

Financial risks related to 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 Grop's risks related to this kind of operations are a direct and indirect consequence of the Clients' risks. Controlling these risks is thus 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 the regulatory capital or economic capital consumption.

Organisationally, the MPS Group opted for a centralised model which identifies under "wealth risk management" the overall set of activities for the measurement and monitoring of both operational and reputational risks, as well as of risks inherent in investment services/products offered to — or in any case held by — its customers and uses the term "wealth risk management" to identify the organisational unit responsible for this area of business within the Parent Company.

Wealth risk management activities particularly concern the operational processes, tools and methods aimed at ensuring overall consistency between the customer's risk profile and risk/return expectations with the risk profile of the products, managed accounts and portfolios held in order to prevent and minimise reputational impact.

Within the Parent Company, 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 comprehensive 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 a responsibility of 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/complexity 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 specific legends, which are available to customers within information sheets regarding securities being placed and which therefore represent one of the guiding criteria on the basis of which the verifications of appropriateness and compliance provided for by the

European MiFID regulations and by Consob Regulation 16190 are made. The same quantitative evaluation is also made for financial instruments purchased directly by customers and managed in 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 above-mentioned operations cover the overall scope of the MPS Group (Banca MPS, Banca Antonveneta and Biverbanca, as well as MPS Capital Services for its role in the supply-chain process).

The inter-functional technical body "Customer Protection" operates, under the responsibility of the Wealth Management Function, 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, in order to assign a maximum level of risk to the financial instruments issued by them, which makes it impossible to offer them on an advisory basis and makes them inappropriate in terms of suitability.

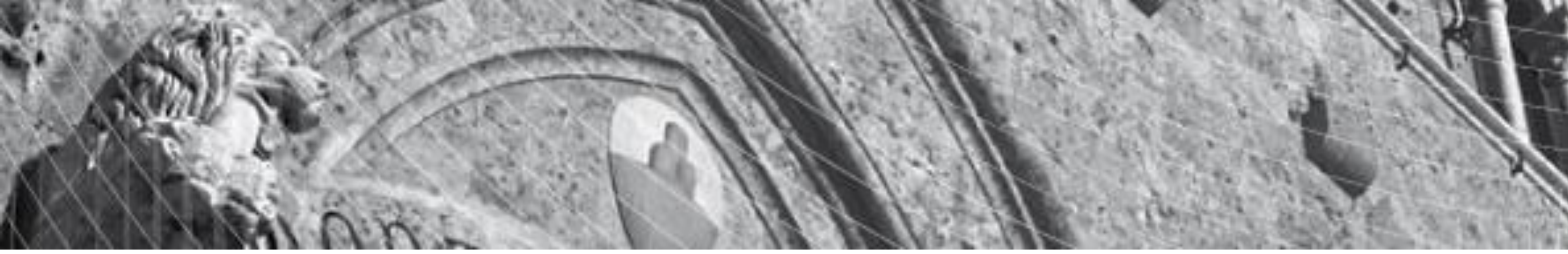
Customer risk profile: suitability and risk of investment products

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 risk management function supervises both the operating practices used to measure the information available 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/service the customer is purchasing, as well as the criteria to determine the appropriateness/suitability of transactions.

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 the Group's customers are concentrated within the medium-low risk appetite bracket, which is associated with a conservative attitude towards financial investments.

In line with the customers' risk profile, Group offerings to customers show a similar breakdown of products, mainly consisting in lower-risk classes.



Part F – Information on Consolidated Capital

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 the 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 in accordance with the rules defined by the Bank of Italy ("New prudential supervisory instructions for banks," Circular 263 of 27 December 2006, as amended, and "Instructions for preparing reports on regulatory capital and prudential ratios", 13th update of Circular No. 155/91). In Circular 263, the Bank of Italy emphasises that prudential regulations are primarily for consolidated reports. Based on such regulations, the ratio of capital to risk-weighted assets must be at least 8% on a consolidated level. Compliance with the requirement on a consolidated basis is verified every six months by the Bank of Italy.

In addition to meeting compulsory minimum capital ratio requirements ("First Pillar"), the regulations require the use of internal methods to determine the Group's present and prospective capital adequacy ("Second Pillar"), thereby construing the latter in a more global sense, oriented towards an overall review of capital requirements and effectively available resources, in accordance with the Bank's strategic and growth goals.

In order to ensure that capital adequacy is constantly monitored, the Capital Adequacy function plays the direct coordinating role within the Group for which it was set up. Among its various other activities, the above function In 2010 was responsible for the following:

- preparing the ICAAP Report with the aid of the relevant functions in order to assess the Group's capital adequacy according to the rules set out by Circular 263, as mentioned above. In that context, the Group has implemented a structured process for simulating all aggregates needed for an assessment of present and prospective adequacy (total internal capital, available financial resources and capital ratios), while also subjecting the outputs to stress conditions on the basis of a recessive scenario assumed by the relevant functions and evaluating the sustainability of the correlated contingency plans;
- developing a proposed risk appetite, capital allocation and risk-adjusted budget for 2011;
- providing support for the goodwill impairment test;
- providing support for the drafting of the 2011-2015 Business Plan;
- interpreting, analysing and estimating the impacts of Basel III, developing forecasting models aimed at highlighting the contributions of individual items being reviewed and participating in the various industry-wide initiatives on the issue;
- continuing with the Value Creation programme aimed at analysing the added value generated by the business at various levels (legal entity, customer segment, product type, etc.) so as to identify positions incapable of generating value according to risk-adjusted metrics and report those positions to the relevant operational functions so that the appropriate corrective measures are taken, thereby increasing the efficiency of capital absorbed for operational and regulatory purposes.

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 Prudential Regulatory Provisions for Banks", seventh update to Circular 263 of 27 December 2006, and Instructions for Preparing Reports on Regulatory Capital and Prudential Ratios, 13th update to Circular 155/91).

The "New Prudential Regulatory Provisions for Banks" allow banks and banking groups to determine their capital requirements through the use of internal measurement systems after obtaining authorisation from the Bank of Italy.

In June 2008, the Montepaschi Group was authorised to use the Advanced Internal Rating Based (AIRB) approach to determine capital requirements for credit risk associated in relation to the 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, since Supervisory regulations are aimed at safeguarding capital quality and reducing the potential volatility induced by IAS/IFRS application.

The items comprising 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), as well as supplementary capital (Tier 2) are determined by the algebraic sum of their positive items 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 the potential capital volatility . The deductible items, determined as will be explained below, must be subtracted 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 primarily by the issuance of so-called "Tremonti bonds". In fact, the Parent Company has participated in the initiative brought about by the Ministry of Economy and Finance, aimed at ensuring an adequate flow of financing to the economy and an adequate level of capitalisation 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 Parent Company in a series of activities aimed at fulfilment of the commitments undertaken upon signing of a "Memorandum of understanding." In short, by signing the Memorandum of Understanding the Parent Company undertook to:

- make EUR 10 mln 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 years and in the current one, and the negative balance of the reserves for assets available for sale (AFS). As far as regulatory capital treatment of AFS reserves is concerned, the rule calls for the 'advance offsetting' of balances, 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 thus determined is in effect deducted in its entirety, where negative, from Tier 1 capital, while 50% of the amount is added, where positive, to Tier 2 capital. This treatment, known as the "asymmetric" approach, was the only method that Italian banks were allowed to apply to AFS reserves until 2009. In 2010 the Bank of Italy, in the document Regulatory Capital — Prudential Filters of 18 May 2010, - 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 the 'sterilisation' of the impact of negative and positive AFS reserves built up as of 2010 for debt securities issued by EU central governments. The Montepaschi Group opted for 'symmetrical' treatment.

Amongst the prudential filters in Tier 1 capital of the MPS Group, noteworthy is 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 included in Tier 2.
It should also be noted that in notice 0292468/11 of 4 April 2011, the Bank of Italy allowed banks to eliminate the negative prudential filter of 50% of net benefits (previously included in tier 1 capital in their entirety) recognised through profit and loss due to the accounting treatment of substitute tax for tax deduction of goodwill pursuant to art. 15 of Law Decree 185/2008 (Urgent Measures in Support of Families, Labour, Employment and Enterprises), transposed into Law 2 of 28 January 2009.

The overall basic capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, the criteria for the determination of which is indicated below

- equity investments and other items (innovative capital instruments, hybrid capital instruments and subordinate debt) issued by banks and financial firms not fully or proportionately consolidated are deducted 50% from the core capital and 50% from the supplementary capital. The regulations previously in force provided instead for deduction of the aggregate from the sum of core and supplementary capital;
- the use of internal models for the determination of capital requirements in view of credit risks entails identifying in the regulatory capital the difference between expected losses and net impairment losses; if the expected losses exceed impairment losses, the difference is deducted 50% from Tier 1 and 50% from Tier 2 capital; if expected losses are lower than net impairment losses, the difference is computed in Tier 2 capital 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 when they have been acquired after 20/07/2006; if they were acquired prior to that date, on the other hand, they continue to be deducted from the sum of the core and supplementary capital until 31/12/2012.

As far as supplementary 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 assets available for sale. Negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserve computed among the positive items of the supplementary capital; in fact, these reserves are computed 50% in the supplementary capital.

The overall supplementary capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, determined according to the criteria described above.

As far as prudential filters are concerned, it is also worth mentioning the following:

- for hedging transactions, the profits and losses not realised on cash flow hedges, recognised in the appropriate reserve under shareholders' equity, are not computed in the regulatory capital;
- as to fair-value-option liabilities of natural hedge, both unrealised capital gains and capital losses recognised through profit and loss are fully relevant except for the component arising from changes in creditworthiness;
- the equity investment in the Bank of Italy is not considered for purposes of quantifying capital and therefore the respective capital gain deriving from valuation at fair value is not computed in the reserves for instruments available for sale.

The following tables report the main contractual features of innovative and non-innovative instruments which are included in the calculation 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 I capital

The following is a presentation of the main characteristics of instruments eligible for inclusion in Tier 1 capital.

3103 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	470.596
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)								**3.020.596**

a) The 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 Company, the rights of the investors will be subordinated to all of the Parent Company'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 an on-lending contract in the form of a subordinated deposit agreement. The conditions of the on-lending contract are substantially the same as the conditions of the convertible preferred securities.

No conversion occurred in the course of 2010.

b) Capital Preferred Securities are irredeemable. Only the issuer is entitled 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 discloseded 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 irredeemable. As was disclosed to the market on 18 January 2011, the Parent Company elected 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 so-called "Tremonti Bonds" are "Convertible financial instruments" issued by the Parent Bank pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, converted, with amendments, by Law No. 2 of 28 January 2009 ("Legislative Decree No. 185") on 30 December 2009 and subscribed by the Ministry of Economy and Finance (MEF). Interest is paid annually 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.

e) .

Tier 2 capital

The table below reports the main features of instruments included in the calculation of Tier 2 capital, with a special focus on hybrid capital instruments and subordinate liabilities.

3103 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	3105 2006	3105 2016	N.A.	EUR	750.000.000	739.878
Subordinate board loan	5,750% fixed rate	NO	3105 2006	30 09 2016	N.A.	GBP	200.000.000	293.876
Subordinate board loan	Euribor 6m+2,50%	NO	15 05 2008	15 05 2018	N.A.	EUR	2.160.558.000	2.151953
Total hybrid instruments (Upper Tier II)								**3.185.707**
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	493.444
Subordinate board loan	Euribor 3m+0,40 % fino al 30/11/2012, poi Euribor 3m+1%	YES	30 112005	30 112017	30 112012	EUR	500.000.000	494.033
Subordinate board loan	Euribor 3m+0,40% fino al 15/01/13, poi Euribor 3m+1%	YES	20 12 2005	15 012018	15 012013	EUR	150.000.000	136.913
Subordinate board loan	7,44% fixed rate	NO	30 06 2008	30 12 2016	N.A.	EUR	250.000.000	247.833
Subordinate board loan	3m Euribor +0.60% up to 1/11/07; then 3m Euribor +0,90%	YES	01112002	01112012	01112007	EUR	75.000.000	27.667
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	5
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	3110 2008	3110 2018	3110 2013	EUR	100.000.000	110.296
Board loan	7% fixed rate	NO	04 03 2009	04 03 2019	N.A.	EUR	500.000.000	498.497
Board loan	5% fixed rate	NO	2104 2010	2104 2020	N.A.	EUR	500.000.000	491460
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	7.801500	6.242
Board loan	Euribor 6m+0,60%	YES	15/04/08	18/04/18	15/04/13	EUR	3.900.750	2.127
Board loan	Euribor 6m+0,60%	YES	18/04/08	18/04/18	18/04/13	EUR	11702.250	2.823
Total hybrid instruments (Upper Tier II)								**2.970.585**
Total								**6.156.292**

3. Tier 3 capital

As at 31/03/2011, there were no instruments eligible for inclusion of Tier 3 capital.

B. Quantitative information

(in thousands of EUR)

	31 03 2011	31 12 2010
A. Tier I before prudential filters	**8.696.456**	**8.558.137**
B. Tier I prudential filters	1.903.478	1.444.962
B1 - Positive IAS/IFRS prudential filters	1.903.478	1.907.123
B2 - Negative IAS/IFRS prudential filters	-	(462.161)
C. Tier I capital gross of items to be deducted (A+B)	**10.599.934**	**10.003.099**
D. Items to be deducted from Tier I	(862.090)	(860.698)
E. Total TIER 1 (C - D)	**9.737.844**	**9.142.401**
F. Tier II before prudential filters	6.396.160	**6.401.585**
G. Tier II prudential filters	(88.006)	(85.049)
\	-	-
G1. - Negative IAS/IFRS prudential filters	(88.006)	(85.049)
H. Tier 2 gross of items to be deducted (F + G)	**6.308.154**	**6.316.536**
I. Items to be deducted from Tier II	(862.090)	(860.698)
L. Total TIER 2 (H - I)	**5.446.064**	**5.455.838**
M. Items to be deducted from Tier I and Tier II	(477.136)	(454.700)
N. Capital for regulatory purposes (E+L - M)	**14.706.772**	**14.143.539**
O. Tier III capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER III (N+O)	**14.706.772**	**14.143.539**

The Group's regulatory capital has been calculated taking account of the effects arising 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 the preparation of reports on regulatory capital and prudential ratios”.

In Q1 2011, Tier 1 increased by EUR 595.4 mln, totalling EUR 9,737.8 mln, compared to EUR 9,142.4 mln at year-end 2010.

The increase was positively affected by the net income for the period and the elimination of the prudential filter relating to tax deduction of goodwill (refer to paragraph 2.2 Regulatory Capital - A. Qualitative Information).

In Q1 2011, Tier 2 capital decreased by EUR 9.8 mln, totalling EUR 5,446.1 mln, compared to EUR 5,455.8 mln as at the end of 2010..

Tier 1 and regulatory capital do not yet include the gain from deconsolidation of the company Consorzio Perimetro Gestione Proprietà Immobiliari at the end of 2010, amounting to EUR 405.5 mln, as not all the conditions required for prudential recognition had yet occurred as at 31 March 2011.

Pursuant to the provision of 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 EUR 697 mln, has been completed sterilised.

As at 31 March 2011, there were no subordinate Tier 3 securities.

The amount reported may show fine-tuning, though not to a significant extent, compared to that in the final report to the Supervisory Authority considering the difference in the timing for the approval of the Interim Report and the date of submission of the report to Regulators ast at 31 March 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.

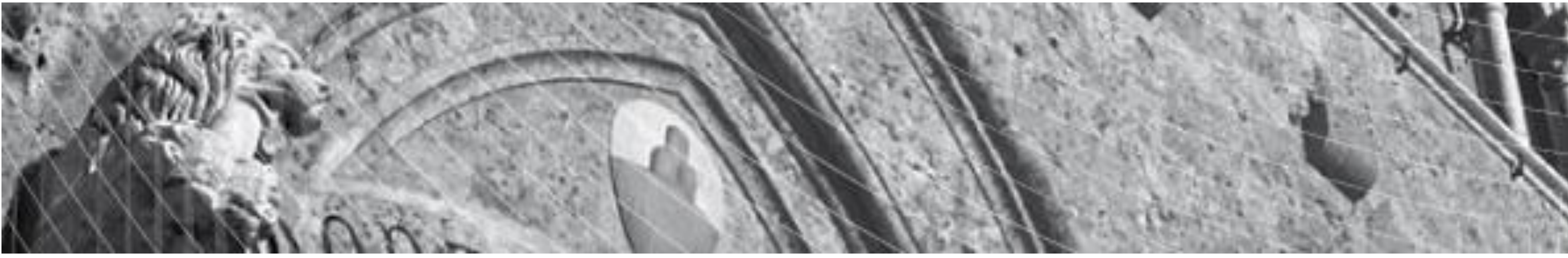
B. Quantitative information

(in thousands of EUR)

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 03 2011	31 12 2010	31 03 2011	31 12 2010
A. RISK ASSETS				
A.1 Credit and counterparty risk	**302.400.757**	**300.029.128**	**104.329.802**	**105.803.977**
1. Standardized Approach	177.313.332	173.092.717	56.482.654	55.518.127
2. 2 Internal rating-based (IRB) approach	124.437.399	126.375.236	47.323.136	49.780.979
2.1.Foundation	-	-	-	-
2.2 Advanced	124.437.399	126.375.236	47.323.136	49.780.979
3. Securitisations	650.026	561.175	524.012	504.871
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**8.346.384**	**8.464.318**
B.2 Market risk			**551.139**	**504.848**
1. Standardized Approach			551.139	504.848
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational Risk			**669.506**	**693.017**
1. Foundation			52.016	52.016
2. Standardized Approach			-	-
3. Advanced			617.490	641.001
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**(1.015.085)**	**(923.127)**
of which impaired			-	-
of which intra-group adjustments			(1.015.085)	(923.127)
B.6 Total prudential requirements (3)			**8.551.944**	**8.739.056**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			106.899.300	109.238.200
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			9,11%	8,37%
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)			13,76%	12,95%

Total risk-weighted assets amounted to EUR 106,899 mln as at 31 March 2011. The table shows a slight decline of approx. two percentage points in risk-weighted assets compared to the end of the previous year and an essentially stable non-weighted asset figure. The above trend is the result of 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 31 March continued to include the assets of Consorzio Perimetro Gestione Proprietà Immobiliari, in accordance with the approach taken to calculate regulatory capital, because not all conditions required for prudential recognition had materialised as at that date.

At 31 March 2011, the Tier 1 capital ratio was 9.1%, while the total capital ratio was 13.8%.



Part H – Related Party Transactions

1 Compensation of directors, auditors, executives and key management personnel

(in thousands of EUR)

items/Amounts	Total	
	31 03 2011	31 12 2010
Short-term benefits	2.202	9.226
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	55	219
Total compensation paid to key management personnel	**2.257**	**9.445**

Considering the instructions provided by IAS 24 and in light of the current organisational structure, the Bank decided to include in the scope of disclosure not only Directors, Statutory Auditors, the General Manager and the Assistant General Managers, but also Key Management Personnel.

2. Related-party transactions

"**Regulations containing provisions relating to related party transactions**" (hereinafter 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 art. 2391-bis of the Italian Civil Code.

The Regulation goes alongside the self-regulation, such as art. 9 of the Corporate Governance code for listed companies — Directors' interest and related party transactions — which establishes criteria for substantial and procedural fairness 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.

In the meeting held on 10 November 2010, the Board of Directors of the Parent Company reviewed the procedures for related-party transactions laid down in the Regulations..

In the same meeting, the Board of Directors set up the Independent Directors Committee of the Parent Company (the **Committee**), appointing three Directors, Carlo Querci, Graziano Costantini and Massimiliano Capece Minutolo, who were recognised as independent in application of the principles and criteria established in the Corporate Governance Code for Listed Companies.

On 25 November 2010, the Parent Company's Board of Directors approved:

- the Group Directive on Related Party Transactions (the "**Directive**"), which sets out the model for managing transactions, along with the roles and responsibilities of the internal relevant functions and related implementing processes; and
- 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 to the **disclosure requirements** applicable to the most significant transactions as of 1 December 2010.

In Q1 2011, the Montepaschi Group did not undertake transactions that may be identified pursuant to the Regulation as transactions of "major significance," which are defined as transactions that exceed the thresholds set out in Annex 3 to the Regulation.

In a like manner, the Parent Company and its subsidiaries did not undertake any transactions that had a significant influence on the Bank's consolidated financial position or earnings despite not qualifying as transactions of major significance.

All approved transactions with related parties, none of which deserves specific mention due to its amount or characteristics, were undertaken according to economic conditions profitable to the Bank and thus meet the requirements of expedience and formal and substantial appropriateness set out in Consob regulations.

2.a Associates

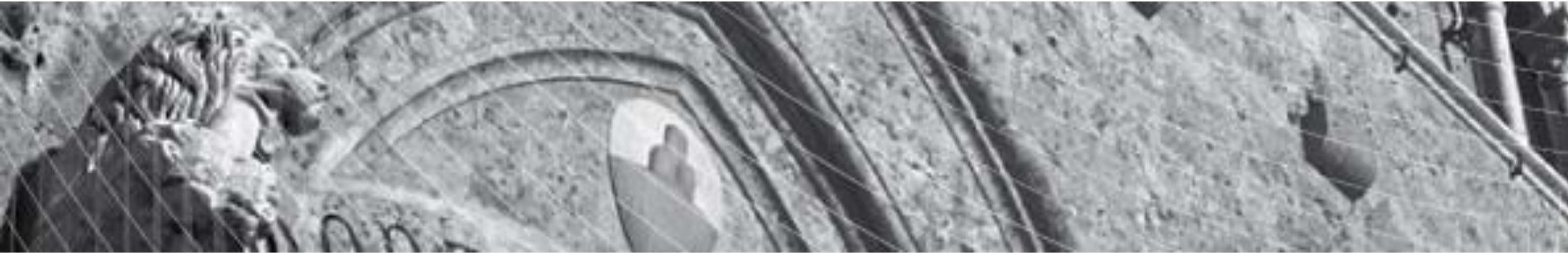
3103 2011
(in thousands of EUR)

items/Amounts	Amounts	% on Consolidated
Total financial assets	1.228.886	0,58%
Total other assets	21.743	0,50%
Total financial liabilities	1.723.653	0,84%
Total other liabilities	33.240	0,54%
Guaranties issue	128.853	1,25%
Guaranties riceived	478.683	-

2.b Transactions with key management personnel and other related parties

3103 2011
(in thousands of EUR)

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	2.301	327.507	0,16%
Total financial liabilities	4.332	585.554	0,29%
Total functioning costs	2.257	-	-
Guarantees issued	7	311.556	3,02%
Guarantees received	1.304	237.357	-



Part L – Segment Reporting

This section of the Notes to the Consolidated Financial Statements is prepared in accordance with the IAS/IFRS, 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.

Operations of the Montepaschi Group 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 social welfare 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 the business segments and the review of segment reporting principles set out by existing regulations, as well as to meet the regulatory requirements for the reconciliation of management reporting for internal purpose with the data used for external reporting.

Within this context, for the purposes of identifying the operating segments provided for by the new IFRS 8, the Montepaschi Group adopted the business approach, selecting the main business segments in relation to consolidated operations as the primary reporting basis for the breakdown of income/capital data, the results of which are periodically reported at the highest decision-making level. This breakdown results from logical aggregations of data of different legal entities:

- "**divisionalised**" (Banca Monte dei Paschi di Siena and Banca Antonveneta);
- "**non divisionalised**" (product companies and other banks);
- "**service units**" which provide services and support within the Group.

As at 31/03/2011, the Montepaschi Group was structured in the following business segments:

- **Consumer Banking**;
- **Corporate Banking;**
- **Credit Management;**
- **Human Resources, Organisation, Property and Facility Management.**

Consequently, the segments identified for the purposes of the operating representation of the Group's results, also defined on the basis of criteria of business representativeness/predominance, are as follows: **Consumer banking, Corporate banking and the Corporate Centre which includes, among other things, "Credit management" and "Human resources, Organisation, Property and Facility Management".**

The business segments include segmentation of divisionalised Bank customers (**Retail**, **Private**, **Family Office**, **Financial advisory services**, **Corporate and Key Clients**) 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 relations resulting from the Group's organisational structure as at 31/03/2011).

In detail:

CONSUMER BANKING

Consumer Banking is charged with:

- 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, as well as the pro-rata interests of the Banca Popolare di Spoleto;

- the supply of a customised and exclusive range of products/services to Private customers, in order to meet 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, apart from the company governed by Monegasque law which, specialising in Private customer management, comes under Consumer Banking.

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 Management Area), real estate management, and IT systems management and development (all reporting to the "Human Resources, Organisation, Property and Facility Management area).

The Corporate Centre also incorporates the results of Biverbanca, the profit and loss of companies consolidated using the equity method and those held for sale, as well as cancellations of intragroup entries.

Income statement criteria by business segment

The composition of net operating result by business segment is based on the following criteria:

- **Net interest income**, in relation to divisionalised entity segments, is calculated by contribution on the basis of internal transfer rates by product and maturity. With reference to the Group's other entities, interest margin is represented by the difference between "interest and similar income" and "interest and similar expense".
- **Net commissions** are determined by direct allocation of real commissions to the business segments.
- **Net value adjustments/writebacks on loan impairment** are allocated to the business segments which originated them. Since the beginning of 2011, the provisions of divisionalised companies also reflect the actual item recognised.
- **Operating expenses** include administrative expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. As regards non-divisionalised entities (monosegment), total operating expenses converge on the corresponding business segments. As regards, however, divisionalised companies (Banca Monte dei Paschi di Siena and Banca Antonveneta) a cost allocation model is adopted. This model, with reference to "Other administrative expenses" and "Net value adjustments to tangible and intangible assets", allocates costs to business centres on the basis of a set of pre-identified services, allocating to the Corporate Centre those costs which cannot reasonably be attributed to business centres. With reference to personnel costs, the model allocates cost to Business Centres on the basis of the unique functional position of the resources, or, if this is not possible, in relation to specific criteria relating to the operations performed.

Basic criteria for the statement of capital aggregates by business segment

Capital aggregates are represented by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to income/expenses assigned to each segment. In particular:

- **Active loans to customers** are the assets used for the segment operations, directly attributable to the segment itself;
- **Customer accounts and debt securities in issue** are the liabilities resulting from segment operations directly attributable to the segment itself.

Transactions between business segments

Income and results of each segment include the transfers between business segments. These transfers are reported in accordance with the best practices accepted by the market (i.e., the method of ordinary market value or the method of cost increased by a proper margin) both with respect to commercial and financial transactions.

The income of each business segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are executed between entities belonging to the same business segment, the respective balances are eliminated within such segment. The balances of intragroup transactions are not shown separately, in line with the internal reporting system used by the Montepaschi Group.

Drafting principles

Pursuant to the recommendations of the IFRS 8, for consistency purposes in the disclosure of data, the Group's organisational structure as at 31/03/2011 was taken into consideration and has not changed compared to the situation at 31/12/2010. By contrast, the criteria adopted to allocate "**Net value adjustments/writebacks due to impairment of loans**" to business segments changed.

Below is a breakdown of the MPS Group's P&L/capital aggregates as at 31/03/2011, based on the aforementioned business segments:

SEGMENT REPORTING
(in millions of euro)

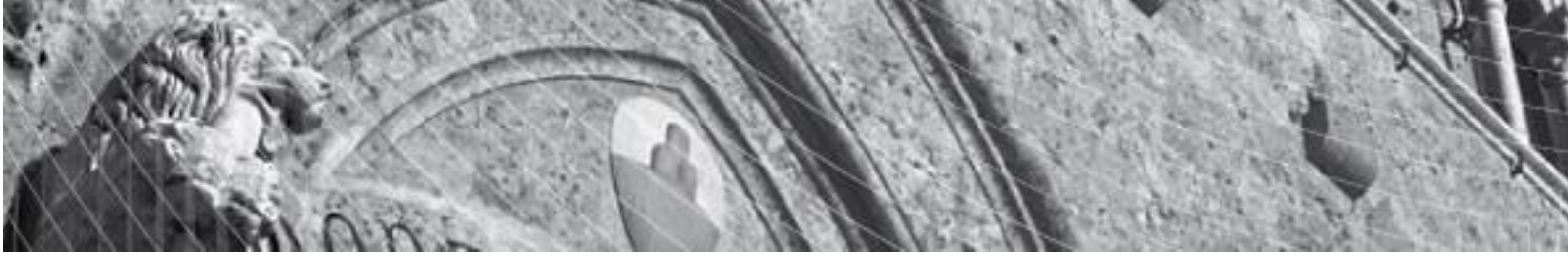
2011 MARCH	Consumer Banking	Corporate Banking	Corporate Center	Total Reclassified Group
PROFIT AND LOSS AGGREGATES				
Financial and insurance income	**763,9**	**542,2**	**176,5**	**1.482,6**
Net value adjustments due to impairment of loans and financial assets	102,5	185,2	-9,0	278,7
Operating expenses	555,7	148,0	151,5	855,2
Net operating income	**105,7**	**209,0**	**34,0**	**348,7**
BALANCE SHEET AGGREGATES				
Active loans and advances to customers	65.696,8	72.748,5	10.613,9	149.059,3
Customer account and securities	83.159,1	49.668,8	27.533,5	160.361,3

The following table shows **historical data** as at 31/03/2010 (cf. Quarterly Report as at 31 March 2010):

SEGMENT REPORTING
(in millions of euro)

2010MARCH	Consumer Banking	Corporate Banking	Corporate Center	Total Reclassified Group
PROFIT AND LOSS AGGREGATES				
Financial and insurance income	**789,8**	**513,8**	**120,5**	**1.424,2**
Net value adjustments due to impairment of loans and financial assets	123,7	174,6	9,4	307,7
Operating expenses	591,3	155,2	113,3	859,8
Net operating income	**74,9**	**184,0**	**-2,2**	**256,7**
BALANCE SHEET AGGREGATES				
Active loans and advances to customers	62.447,1	72.702,3	10.746,6	145.896,0
Customer account and securities	86.129,9	49.669,0	19.224,9	155.023,8

For a like-for-like comparison of operations in Q1 2011/ Q1 2010, please refer to the section "Segment Reporting" in the Condensed Interim Consolidated financial Statements as at 31 March 2011.



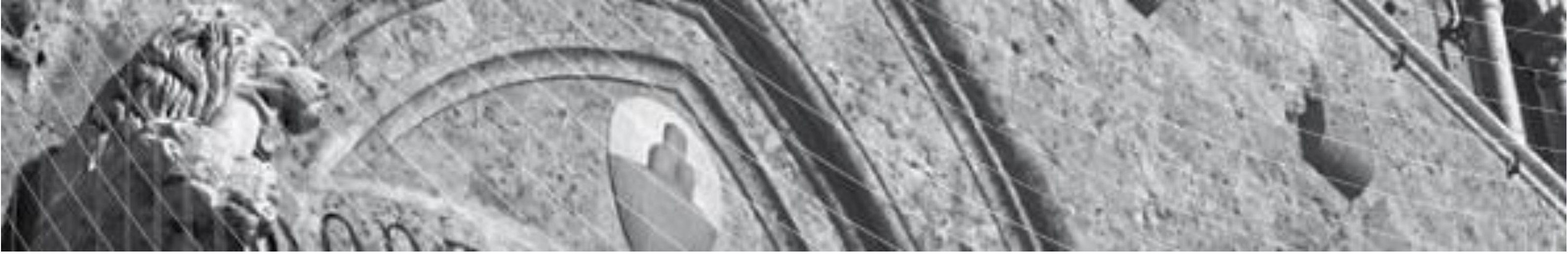
DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, art. 154-*bis* of the Consolidated Law on Finance, the Financial Reporting Officer of Banca Monte dei Paschi di Siena S.p.A., Daniele Bigi, declares that the accounting information contained in this Consolidated Quarterly Report as at 31 March 2011 corresponds to the underlying documentary evidence and accounting records.

Financial Reporting Officer

Daniele Bigi

Siena, 12 May 2011



INDEPENDENT AUDITORS' LIMITED REVIEW ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Auditors' report on review of condensed interim consolidated financial statements

To the shareholders of
Banca Monte dei Paschi di Siena S.p.A.

1 We have reviewed the condensed interim consolidated financial statements of the Montepaschi Group as at and for the three months ended 31 March 2011, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to prepare this report based on our review. These condensed interim consolidated financial statements have been prepared for the purposes of their inclusion in the prospectus to be published in connection with the share capital increase of Banca Monte dei Paschi di Siena S.p.A..

2 We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

With regard to the comparative figures relative to the annual consolidated financial statements of the previous year, reference should be made to our report dated 7 April 2011.

We have not reviewed the comparative figures relative to the first quarter of the previous year and included in these condensed interim consolidated financial statements. Therefore, our conclusions set out herein do not extend to such data.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Montepaschi Group as at and for the three months ended 31 March 2011 have not been prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Florence, 18 May 2011

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit