MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

GRUPPO **MONTEPASCHI**

Quarterly Report as at 30 September 2010

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GROUP RESULTS IN BRIEF AS AT 30 SEPTEMBER 2010

In 2010 the Montepaschi Group has operated within a scenario that continues to be unfavourable, affected by a still-uncertain economic cycle and by interest rate levels which, despite an upturn, remain at low values. Within this framework, the Group continued with its plan to **optimise the distribution network structure** and **enhance the efficiency of its organisational setup,** engaging a significant portion of human resources and technological infrastructures. At the same time, the Group maintained a high focus on the development of sales and distribution activities, **consolidating the capital base for funding and lending** and **achieving positive results in terms of income**. More specifically:

- With regard to <u>funding aggregates,</u> **total funding volumes**[1] for the Group came to approximately **EUR 294 bln**, substantially stable on 30/06/2010 and up on previous year's "restated" figures (+2.4%). The aggregate saw a decline in direct funding with respect to the previous quarter (-2.1% QoQ), while it was slightly higher when compared to 2009 (+0.8%). Indirect funding (+3.1% QoQ; +4.3% YoY) was boosted by both assets under custody (+4.2% QoQ; +2.7% YoY) as well as assets under management (+1.4% QoQ; +7.1% YoY), with the latter being driven by funding from insurance premiums and collective investment schemes;

- With regard to <u>credit management</u>, **lending for the Group came to approx. EUR 153 bln,** stable on June levels and up by approx. EUR 8.8 bln with respect to volumes recorded for the same period of the previous year on a "restated basis" (+6.1%). The increase achieved in Q3 was mainly due to the performance of the mid-long term component, boosted above all by Retail residential mortgages, while loans with market counteparties decreased. As at the end of August 2010, the Montepaschi Group held a 7.97% market share in lending (8.03% in June).
  Lending trends in the third quarter benefitted from **new mortgage loans negotiated for an amount of approx. EUR 3.6 bln** (4.2 bln in Q2 2010), mainly concentrated in the Retail market. The accumulative flow of mortgage contracts since the start of the year stood at EUR 12.3 bln, up 44% on the same period of the previous year. As for **special-purpose loans** disbursed by the Group through dedicated product companies, **new flows** in the third quarter totalled **EUR 2.8 bln** (3.3 bln in Q2 2010). **Small business and corporate credit flows**, which came to **EUR 2.2 bln** (2.6 bln in Q2 2010), registered a slowdown in disbursements by MPS Capital Services whereas flows for MPS Leasing & Factoring were essentially stable with an increase in Factoring turnover but a fall for Leasing. With regard to **consumer loans**, total disbursements by Consumit in the quarter came to approx. **EUR 642 mln** (742 mln in Q22010), having been weighted down by the falling trend for personal and special-purpose loans. With respect to **credit quality**, the "net NPLs over total loans" ratio came to 3.5% as at 30 September 2010 with a fall in the *provisioning rate*[2] to 76 bps.

- **The Group's customerbase stood at approximately 6.3 million**.

In view of the above, as at 30 September 2010 the Montepaschi Group achieved a Net Operating Income of approx. EUR 762 mln, a significant improvement on the same period of the previous year (+31.4%), with Q3 2010 contributing approx. EUR 273 mln, an 11.4% increase that consolidates the upward trend observed for trading activities, cost of credit and operational efficiency.

[1] Volumes as at 30/09/2010 were "restated" with historical data excluding the volumes from the branches sold by Banca Monte dei Paschi di Siena to the Carige Group and the Intesa Group in the second quarter of 2010 (22 and 50 branches respectively).

[2] *Provisioning rate:* ratio between annualized net value adjustments due to impairment of loans and loans and advances to customers at the end of the period (Account 70 of the Balance Sheet.)

The consolidated net income before Purchase Price Allocation[3] (PPA) stood at EUR 439.9 mln. Taking account of the net effects of PPA, the net accounting profit for the period totalled EUR 356.9 mln.

With regard to **regulatory capital ratios,** as at 30 September 2010, the TIER I Ratio BIS II came to 8.4% (7.5% at the end of 2009) with a BIS II solvency ratio of 12.9% (vs. 11.9% at the end of 2009).

[3] Purchase Price Allocation: designation at fair value of main potential assets and liabilities acquired.

EXPLANATORY NOTES

Pursuant to art. 154 ter of the Consolidated Law on Finance, this consolidated interim report on operations as at 30 September 2010 was prepared in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and effective at the time the current document was prepared, as provided for by EC Regulation No.1606 of 19 July 2002.

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

This interim report has been prepared according to the same accounting policy used for the Consolidated 2009 Annual Report, which may be referred to for further details along with the information contained herein on the IAS/IFRS International accounting principles and related SIC/IFRIC interpretations, as endorsed by the European Commission up to 30 September and necessarily applicable as of 1 January 2010.

The new principles, amendments and interpretations introduced have implied no significant impact on the interim report results.

The International accounting standards (IAS/IFRS) and related SIC/IFRIC interpretations endorsed by the European Commission and necessarily applicable as of the current Consolidated Interim Report.

IAS 39 Financial instruments: recognition and measurement. On 31 July 2008, the IASB issued an amendment to IAS 39 entitled "Eligible hedged items", on the basis of which clarification was given that inflation risk may only be hedged under certain conditions and that a purchased option cannot be designated in its entirety (intrinsic and time value) to hedge a one-sided risk of a forecast transaction because it does not generate a perfectly effective hedge. The amendment, approved by the European Commission with Regulation 839/2009, must be applied to the first financial year commencing after 30 June 2009.

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

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

IFRS 1 Additional exemptions for first time adopters. On 24 June 2010 Regulation no. 550/2010 was issued, amending Regulation no. 1126/2008 adopting certain international accounting standards in accordance with Regulation no. 1606/2002 on the application of international accounting standards. The amendment will be effective for annual periods beginning on or after 1 January 2010. The amendment addresses particular situations in which the retrospective application of IFRSs would cause undue cost or effort in the transition process to first-time adopters. The amendment introduces two exemptions: i) it exempts entities using the full cost method from retrospective application of IFRSs, in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", for oil and gas assets; ii) it exempts entities with existing leasing contracts from reassessing the classification of those contracts at a different date in accordance with IFRIC 4 "Determining whether an Arrangement contains a Lease", when the application of their national accounting requirements produced the same result.

IFRS 2 – Share-based payments. The amendment, issued by IASB on 18 June 2009, clarifies how agreements under which a subsidiary receives goods or services from employees or suppliers who are paid by the parent company (or by another Group entity) which takes on the obligation to transfer cash or other assets for an amount based on the price of the shares of the subsidiary or of the parent company, fall within the scope of the standard. An entity which receives goods or services as share-based payments must account for those goods or services no matter which group entity settles the transaction and no matter whether the transaction is settled in shares or in cash. The amendment was approved by the European Commission with Regulation 244/2010 and is effective for annual periods beginning on or after 1 January 2010.

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

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

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

- **IFRS 5 – Non-current assets held for sale and discontinued operations:** the amendment, which the entity must apply for financial years commencing after 30 June 2009, states that if a company is committed to a plan to sell a subsidiary that involves loss of control over said subsidiary, all the subsidiary's assets and liabilities should be reclassified as assets held for sale, regardless of whether the company will retain a non-controlling interest after the sale.

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

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

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

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

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

"Improvements to international accounting standards" Project. Within the scope of this project, on 16 April 2009, the IASB issued a set of amendments to the IFRSs. Those amendments indicated by the IASB as involving a change in the presentation, recognition and measurement of balance sheet items are listed below, leaving aside, however, those that will only result in terminological or publication changes with minimal effects in terms of accounting. The changes were approved by the European Commission under Regulation 243/2010.

- **IFRS 2 – Share-based payments**. The scope of application no longer includes payments in shares deriving from business combinations involving entities under joint control and joint ventures. Effective for annual periods beginning on or after 1 July 2009 .
- **IFRS 5 – Non-current assets held for sale and discontinued operations:** clarification was given on mandatory disclosure. Effective for annual periods beginning on or after 1 January 2010.
- **IFRS 8 – Operating segments**: clarification was given that assets relating to each segment must be only be shown if these assets are included in management reporting. Effective for annual periods beginning on or after 1 January 2010.
- **IAS 1 – Presentation of financial statements**: clarification was given that liabilities that issuers are obliged to repay, at the option of the holder, via the issue of their own capital instruments within 12 months of the balance sheet date must not be classified as current liabilities. Effective for annual periods beginning on or after 1 January 2010.
- **IAS 7 – Statement of Cash Flows**: clarification was given that only expenses recognised as assets in the statement of assets and liabilities can be classified as cash flows arising from investing activities. Effective for annual periods beginning on or after 1 January 2010.
- **IAS 17 – Leases**: the standard was amended, stating that land leases should always be classified as operating leases where the contract does not provide for transfer of ownership at the end of said contract. Following the amendment, when a lease contract relates to both land and buildings, an entity must verify classification as an operating or financial lease separately for both elements on the basis of the rules provided for by paragraphs 7-13 of the standard, taking into consideration the fact that one major factor is that land normally has an indefinite economic life. Effective for annual periods beginning on or after 1 January 2010.
- **IAS 36 – Impairment of assets:** clarification was given, in the definition of a "cash-generating unit" (CGU), that for the purposes of Impairment Tests, a CGU may not be larger than a business segment as defined in para. 5 of IFRS 8, prior to the business combination permitted by para. 12 of the same standard. Effective for annual periods beginning on or after 1 January 2010.
- **IAS 38 – Intangible assets**: some clarifications were given on measuring intangible assets in business combination agreements, in line with the changes made to IFRS 3 under the 2008 review. Effective for annual periods beginning on or after 1 July 2009.
- **IAS 39 – Financial instruments: recognition and measurement**: changes were made to forward contracts arising from business combinations, prepayment options and cash flow hedging. As regards forward contracts arising from business combination agreements, paragraph 2 g) of IAS 39 specified that contracts stipulated between a purchaser and a vendor in a business combination to buy or sell an acquiree at a later date, would be excluded from the scope of IAS 39. The amendment in question made it clear that this exemption is limited to forward contracts between a purchaser and a vendor shareholder to buy/sell an acquiree that result in a business combination and that are settled at a later date whilst awaiting the necessary authorisations and the completion of legal processes. As regards prepayment options, it was specified that options whose exercise price does not compensate the lender for lost interest for the period corresponding to the remaining term of the contract must be separated from the host contract. As regards cash flow hedging, the wording used to illustrate the criteria for reclassification of gains and losses on hedging instruments to profit and loss has been changed.

- **IFRIC 9 – Reassessment of embedded derivatives**. Further to revision of IFRS 3, it was necessary to confirm that the aim of the interpretation is still the same but the amendment clarifies that this standard does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities under joint control or a joint venture. The acquisition of affiliated companies is excluded from the scope of this interpretation. If the entity avails itself of early application of the revised IFRS 3 then this interpretation also complies by providing appropriate reporting. Effective for annual periods beginning on or after 1 July 2009.
- **IFRIC 16 – Hedges of a net investment in a foreign operation:** in hedges of a net investment in a foreign operation, the hedging instrument may be owned by one or more companies within a group, provided that IAS 39 requirements are met. Effective for annual periods beginning on or after 1 July 2009.

IAS/IFRS international accounting principles and related SIC/IFRIC interpretations endorsed by the European Commission as at 30 September 2010, the application of which will become effective subsequent to this interim 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).

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

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

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

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

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

IAS 32 Financial Instruments: Presentation. In October 2009, the IASB issued an amendment stating that rights issued on a pro-rata basis to all existing shareholders of the same class for a fixed amount of currency should be classified 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", because first-time adopters of IFRSs do not benefit from the exemption 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 in 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. Regulation no. 574/2010 of 30 June 2010 requires the entity to apply this amendment as of financial reports beginning on or after 1 July 2010.

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

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

On 26 November 2009, the International Financial Reporting Interpretations Committee (IFRIC) published interpretation **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments,** aimed at providing guidance on how to account for equity instruments issued by an entity (debtor) in order to settle, in full or in part, a financial liability, following renegotiation of its terms.

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.

Scope of consolidation

The consolidated quarterly financial statements as at 30 September 2010 include the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IASs/IFRSs, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of them being going concerns or wound-up companies, or of whether the equity investment consists in a merchant banking transaction. Similarly, special purpose entities/vehicles (SPEs/SPVs) are included when the requirement of actual control recurs, even if there is no stake in the company.

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

With regard to the consolidation methods, please refer to the Notes to the Consolidated Financial Statements of the 2009 Annual Report, Part A "Accounting Policies".

Changes to the scope of consolidation

During the period, the following changes were made to the scope of consolidation with respect to the scope as at 31 December 2009:

Parent Company:

- within the framework of the Covered Bond Programme targeted to the Euromarket, the Parent Company acquired a 90% stake in the MPS Covered Bond Srl vehicle in May 2010, which has been fully consolidated.

Subsidiaries:

- at the end of June, Group subsidiary, Banca Antonveneta, increased its shareholding in the company *Padova 2000* from 45.01% to 100%, which was subsequently consolidated in full.

Group corporate transactions include:

- the merger by absorption of Banca Personale S.p.a. into the Parent Company in April;
- the merger by absorption of MPS SIM S.p.a., ANTENORE S.p.a. and THEANO S.p.a. into the Parent Company in May;
- the merger by absorption of ULISSE S.p.a. and SIENA MORTGAGES 00–01 S.p.a. into the Parent Company in June.
- In July, following the repurchase of receivables sold to the securitisation vehicle, GIOTTO FINANCE 2 S.p.a., the parent company increased its shareholding in this vehicle to 100%.

RECLASSIFIED FINANCIAL ASSETS

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value as at 30 09 2010 (4)	Fair value as at 30 09 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	Loans and advances to customers	659.634	566.786	6.899	17.288	37	24.713
Debt securities	Trading	Loans and advances to banks	193.674	186.874	12.388	2.957	4	5.595
Debt securities	Available for sale	Loans and advances to customers	1.550.839	1.404.792	-27.675	24.173	1.328	26.965
Debt securities	Available for sale	Loans and advances to banks	576.918	576.708	6.497	3.588	-178	6.090
Debt securities	Trading	Available for sale	5.755	5.755	-93	48	-96	53
UCITS	Trading	Available for sale	362.936	362.936	6.469	306	6.470	-5.817
Total			**3.349.756**	**3.103.851**	**4.485**	**48.360**	**7.565**	**57.599**

In addition to the book value and fair value as at 30 September 2010 of the financial instruments reclassified in 2008, the above table shows (in columns 6 and 7) the economic results, both value-relevant and other types (interest and profit/loss on realisation), that such instruments would have brought to the Bank in the first nine months of 2010 if they had not been transferred in 2008. Columns 8 and 9 display the economic results, both value-relevant and other types (interest and profit/loss on realisation), which the Group actually recorded on such instruments from 1.1.2010 to 30.9.2010.

MPS GROUP RECLASSIFICATION PRINCIPLES

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. In particular, with regard to the **income statement of the two periods under comparison**, in addition to the usual aggregations and reclassifications of accounts, for the purpose of providing a clearer picture of group performance, 2010 and 2009 period-end and quarterly financial results were restated to take account of the changes brought about to the operating scope subsequent to the disposal of Banca Monte dei Paschi di Siena branches in 2010 (sale of 22 branches to the Carige Group on 30/5/2010; sale of 50 branches to the Intesa Sanpaolo Group on 14/06/10). Restated values were obtained by reclassifying the historical data with the appropriate values relating to these branches. P&L figures relative to the branches sold were re-grouped under a single accounting item.

Following are the major changes as at **30 September 2010**:

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 disposal/repurchase of loans, financial assets available for sale or held to maturity 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 267 mln as at 30/09/2010). Furthermore, the aggregate was stripped of losses arising from disposal of loans (approx. EUR 9 mln), which were reclassified out of Account 100 "(Gains (losses) on disposal of loans";

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 53 million as at 30/09/2010) corresponding to the contribution to the income statement that is 'guaranteed' by the portion of profit arising from equity investments related thereto (valued at equity). 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 5 mln), which are more properly classified under "Net provisions for risks and charges and other operating income/expenses". Additionally, 9 mln worth of losses arising from disposal of loans were reclassified out of Account 100 a) "Gains/losses on disposal of loans" into this account in a logic of recovery, managing them in a similar way to loan value adjustments; as of the third quarter, value adjustments to junior notes are no longer reclassified;

d) **"Other administrative expenses"** in the reclassified income statement was integrated with the portion of stamp duty and client expense recovery (approx. EUR 235 million) posted to balance sheet under Account 220 *"Other operating income/expenses"*. In addition, the aggregate was stripped of approx. 9 mln worth of one-off charges which were reclassified as "**Integration costs/One-off charges**" incurred within the framework of the re-organization process set out in the 2008-2011 Business Plan;

e) The account **"Net provisions for risks and charges and other operating income/expenses"** in the reclassified income statement incorporates balance-sheet Account 190 "Net provisions for risks and charges" and Account 220 "Other operating income/expenses". It also includes value adjustments to financial plans for an amount of EUR 5 mln described under item c) above and excludes stamp duty and client expense recovery as described under item d) above;

f) "**Integration costs/one-off charges**" in the reclassified income statement includes the "One-off charges" associated with the organizational rearrangement process, once reclassified out of "**Other administrative expenses**" (approx. 9 mln);

g) Income statement figures (revenues and costs) relating to the branches of Banca Monte dei Paschi di Siena sold in the course of 2010 (22 branches to the CARIGE Group and 50 branches to the Intesa-SanPaolo Group) were posted under a single account called "**P&L figures on branches sold**" and no longer under the specific accounts concerned (**Interest income**: approx. 26 mln, **Net commissions**: approx 18 mln; **Net income from trading/valuation of financial assets**: 0.1 mln; **Administrative costs**: approx. 22 mln).

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

i) Purchase Price Allocation (PPA) effects were reclassified out of other accounts (in particular "**Interest income**" for approx. EUR 58 mln and **depreciation/amortisation** for approx. EUR 62 mln (with a related theoretical tax burden of approx. 38 mln) which integrate the account) into one single account named "**Net effects of Purchase Price Allocation**" .

With regard to capital aggregates, for the purpose of providing a clearer picture of performance trends, in addition to the usual reclassifications carried out on the consolidated **balance sheet, "Loans and advances to customers"** and **"Customer accounts and securities"** were also restated to take account of the branches sold. More specifically, "**Loans and advances to customers"** and "**Customer accounts and securities"** were respectively included under **"Other assets**" and "**Other liabilities"** in relation to all periods in 2009 and up to 31/3/2010. Reclassification details are as follows:

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

k) **"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*";

l) **"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*";

m) "**Other liabilities**" on the liabilities side of the reclassified balance-sheet incorporate 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".

RECLASSIFIED ACCOUNTS

CONSOLIDATED REPORT ON OPERATIONS

Highlights as at 30/09/10

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
• INCOME STATEMENT FIGURES (in EUR mln)	**30/09/10 (*)**	**30/09/09 (*)**	**% chg**
Income from banking activities	4.121,4	4.095,4	0,6%
Income from financial and insurance activities	4.176,7	4.259,2	-1,9%
Net operating income	761,9	580,0	31,4%
Net profit (loss) for the period	356,9	401,4	-11,1%
• BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/09/10**	**31/12/09 (*)**	**% chg**
Direct funding	154.901	153.187	1,1
Indirect funding	138.631	130.878	5,9
of which: assets under management	*50.738*	*47.941*	5,8
of which: assets under custody	*87.893*	*82.937*	6,0
Loans and advances to customers	152.737	150.109	1,8
Group net equity	16.397	17.175	-4,5
• KEY LOAN QUALITY RATIOS (%)	**30/09/10**	**(*) 31/12/09**	
Net non-performing loans/Customer loans	3,46	3,10	
Net watchlist loans/Customer loans	2,72	2,50	
• PROFITABILITY RATIOS (%)	**30/09/10**	**(*) 31/12/09**	
Cost/Income ratio	60,3	64,8	
R.O.E. (on average equity)	2,83	1,46	
R.O.E. (on end-of-period equity)	2,77	1,49	
Net adjustments to loans / End-of-period investments	0,76	0,98	
• CAPITAL RATIOS (%)	**30/09/10**	**31/12/09**	
Solvency ratio	12,9	11,9	
Tier 1 ratio	8,4	7,5	
• INFORMATION ON BMPS STOCK	**30/09/10**	**31/12/09**	
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 **31/12/09** to **30/09/10**	from **31/12/08** to **31/12/09**	
average	1,05	1,24	
low	0,83	0,77	
high	1,33	1,62	
• OPERATING STRUCTURE	**30/09/10**	**30/09/09 (*)**	**Abs. chg**
Total headcount - end of period	31.591	32.122	-531
Number of branches in Italy	2.939	3.037	-98
Financial advisory branches	146	163	-17
Number of branches & representative offices abroad	41	39	2

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

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

(*) Data was restated to take account of the changes brought about to the scope of operations subsequent to the disposal of Banca Monte dei Paschi di Siena branches in 2010 (see section on "MPS Group Reclassification Principles").

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

MPS Group	30/09/10 Restated (*)	30/09/09 Restated (*)	Change Abs.	Change %
Net interest income	2.691,2	2.698,6	-7,3	-0,3%
Net fees and commissions	1.430,1	1.396,9	33,2	2,4%
Income from banking activities	**4.121,4**	**4.095,4**	**25,9**	**0,6%**
Dividends, similar income and gains (losses) on equity investments	63,1	86,2	-23,1	-26,8%
Net profit (loss) from trading/valuation of financial assets	-17,3	87,1	-104,4	-119,9%
Net profit (loss) from hedging	9,5	-9,6	19,1	n.s.
Income from financial and insurance activities	**4.176,7**	**4.259,2**	**-82,5**	**-1,9%**
Net adjustments for impairment of:	**-898,2**	**-1.069,7**	**171,5**	-16,0%
a) loans	-871,5	-1.037,7	166,2	-16,0%
b) financial assets	-26,7	-32,0	5,3	-16,7%
Net income from financial and insurance activities	**3.278,5**	**3.189,5**	**89,0**	**2,8%**
Administrative expenses:	-2.393,4	-2.492,4	99,0	-4,0%
a) personnel expenses	-1.588,2	-1.659,3	71,1	-4,3%
b) other administrative expenses	-805,2	-833,1	27,9	-3,3%
Net adjustments to tangible and intangible fixed assets	-123,3	-117,1	-6,2	5,3%
Operating expenses	**-2.516,7**	**-2.609,5**	**92,8**	**-3,6%**
Net operating income	**761,9**	**580,0**	**181,9**	**31,4%**
Net provisions for risks and charges and other operating income/expenses	-166,5	-65,5	-101,0	n.s.
Profit (loss) on equity investments	-27,3	-3,0	-24,3	n.s.
Integration costs / one-off charges	-8,8	-31,9	23,2	-72,5%
P&L figures for branches sold	21,8	55,2	-33,4	-60,5%
Gains (losses) from disposal of investments	181,9	46,8	135,0	n.s.
Profit (loss) before tax from continuing operations	**763,0**	**581,6**	**181,4**	**31,2%**
Taxes on income from continuing operations	-321,6	-268,6	-53,0	19,7%
Profit (loss) after tax from continuing operations	**441,4**	**312,9**	**128,5**	**41,1%**
Profit (loss) after tax from disposal groups held for sale	-1,3	195,3	-196,6	-100,7%
Net profit (loss) for the period including minority interests	**440,1**	**508,2**	**-68,1**	**-13,4%**
Net profit (loss) attributable to minority interests	-0,2	-3,6	3,5	-95,4%
Net profit (loss) pre PPA	**439,9**	**504,6**	**-64,7**	**-12,8%**
PPA (Purchase Price Allocation)	-83,0	-103,2	20,2	-19,5%
Net profit (loss) for the period	**356,9**	**401,4**	**-44,5**	**-11,1%**

(*) see section on the "Montepaschi Group reclassification principles".

Earnings Per Share (in euro)	30/09/10	30/09/09
Basic	**0,034**	**0,059**
Diluted	**0,034**	**0,059**

RECLASSIFIED INCOME STATEMENT - Quarterly Trend (in EUR mln)

	2010 (*)			2009 (*)			
MPS Group	**3rd quarter**	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**
Net interest income	906,6	912,8	871,9	874,2	898,6	892,6	907,3
Net fees and commissions	461,2	485,0	484,0	455,8	466,7	458,9	471,3
Income from banking activities	**1.367,8**	**1.397,8**	**1.355,8**	**1.330,1**	**1.365,3**	**1.351,5**	**1.378,7**
Dividends, similar income and gains (losses) on equity investments	29,5	15,7	17,9	24,1	19,6	45,4	21,2
Net profit (loss) from trading/valuation of financial assets	16,3	-53,4	19,7	-20,9	8,2	31,3	47,6
Net profit (loss) from hedging	-3,5	6,3	6,7	8,1	-10,3	-5,8	6,5
Income from financial and insurance activities	**1.410,2**	**1.366,4**	**1.400,2**	**1.341,5**	**1.382,8**	**1.422,5**	**1.453,9**
Net adjustments for impairment of:	**-289,1**	**-301,3**	**-307,7**	**-440,4**	**-360,0**	**-405,3**	**-304,4**
a) loans	-281,5	-283,0	-307,0	-428,3	-351,0	-400,1	-286,6
b) financial assets	-7,6	-18,3	-0,7	-12,2	-9,0	-5,2	-17,8
Net income from financial and insurance activities	**1.121,0**	**1.065,0**	**1.092,5**	**901,0**	**1.022,8**	**1.017,2**	**1.149,5**
Administrative expenses:	-807,2	-777,9	-808,3	-974,5	-836,1	-813,2	-843,1
a) personnel expenses	-528,6	-510,1	-549,5	-609,4	-558,2	-532,1	-569,0
b) other administrative expenses	-278,6	-267,8	-258,7	-365,1	-277,9	-281,1	-274,1
Net adjustments to tangible and intangible fixed assets	-40,9	-42,2	-40,1	-45,9	-39,7	-39,4	-38,0
Operating expenses	**-848,1**	**-820,1**	**-848,4**	**-1.020,4**	**-875,9**	**-852,6**	**-881,1**
Net operating income	**272,9**	**244,9**	**244,0**	**-119,4**	**146,9**	**164,6**	**268,5**
Net provisions for risks and charges and other operating income/expenses	-32,9	-92,2	-41,4	-154,7	-30,7	-24,1	-10,7
Profit (loss) on equity investments	-7,8	-19,3	-0,2	0,3	0,1	-5,0	1,9
Integration costs / one-off charges	-6,1	-2,7		-54,8		-27,6	-4,3
P&L figures for branches sold		9,2	12,6	16,5	15,8	18,8	20,6
Gains (losses) from disposal of investments	-2,3	184,2	0,0	-4,6	46,83	0,00	0,00
Profit (loss) before tax from continuing operations	**223,8**	**324,1**	**215,1**	**-316,6**	**179,0**	**126,6**	**276,0**
Taxes on income from continuing operations	-101,2	-177,1	-43,4	167,0	-74,7	-58,0	-135,9
Profit (loss) after tax from continuing operations	**122,6**	**147,0**	**171,8**	**-149,6**	**104,2**	**68,6**	**140,1**
Profit (loss) after tax from disposal groups held for sale			-1,3	0,2	-0,3	1,7	193,8
Net profit (loss) for the period including minority interests	**122,6**	**147,0**	**170,5**	**-149,4**	**104,0**	**70,3**	**333,9**
Net profit (loss) attributable to minority interests	-1,1	1,4	-0,5	-0,9	-1,0	-2,5	-0,1
Net profit (loss) pre PPA	**121,5**	**148,5**	**169,9**	**-150,3**	**103,0**	**67,8**	**333,9**
PPA (Purchase Price Allocation)	-25,8	-29,6	-27,7	**-31,0**	**-33,6**	**-36,3**	**-33,3**
Net profit (loss) for the period	**95,8**	**118,9**	**142,2**	**-181,3**	**69,3**	**31,5**	**300,6**

(*) All quarters of 2009 and the first two quarters of 2010 were restated to take account of the changes brought about to the scope of operations subsequent to the disposal of Banca Monte dei Paschi di Siena branches in 2010 (see section on "MPS Group Reclassification Principles").

Montepaschi Group

■ **RECLASSIFIED BALANCE SHEET (in EUR mln)**

ASSETS	**30/09/10**	**30/09/09 (*)**	**% chg**
Cash and cash equivalents	724	682	6,1
Receivables :			
a) Loans and advances to customers	152.737	143.903	6,1
b) Loans and advances to banks	12.606	13.401	-5,9
Financial assets held for trading	54.691	38.749	41,1
Financial assets held to maturity	0	0	1,3
Equity investments	774	725	6,8
Tangible and intangible fixed assets	10.179	10.428	-2,4
of which:			
a) goodwill	*6.474*	*6.648*	*-2,6*
Other assets	10.812	11.173	-3,2
Total assets	**242.522**	**219.061**	**10,7**

LIABILITIES	**30/09/10**	**30/09/09 (*)**	**% chg**
Payables			
a) Customer accounts and securities	154.901	153.612	0,8
b) Deposits from banks	29.626	19.294	53,6
Financial liabilities held for trading	29.474	20.674	42,6
Provisions for specific use			
a) Provisions for staff severance indemnities	293	340	-13,7
b) Pensions and other post retirement benefit obligations	449	456	-1,5
c) Other provisions	964	888	8,6
Other liabilities	10.150	8.127	24,9
Group net equity	16.397	15.391	6,5
a) Valuation reserves	-287	646	-144,4
b) Redeemable shares			
c) Equity instruments	1.949	52	n.s.
d) Reserves	5.904	5.789	2,0
e) Share premium	3.990	4.041	-1,3
f) Share capital	4.502	4.487	0,3
g) Treasury shares (-)	-18	-25	-29,3
h) Net profit (loss) for the year	357	401	-11,1
Minority interests	267	280	-4,5
Total Liabilities and Shareholders' Equity	**242.522**	**219.061**	**10,7**

(*) “Loans and advances to customers” and “Customer accounts and securities” were cleared of volumes attributable to Banca Monte dei Paschi di Siena branches sold in 2010. More specifically, these amounts were respectively re-allocated to “Other assets” and “Other liabilities” (see section on the "MPS Group reclassification principles")

Montepaschi Group

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

ASSETS	**30/09/10**	**30/06/10**	**31/03/10** (*)	**31/12/09** (*)	**30/09/09** (*)	**30/06/09** (*)	**31/03/09** (*)
Cash and cash equivalents	724	853	781	1.296	682	798	860
Receivables:							
a) Loans and advances to customers	152.737	152.881	148.489	150.109	143.903	142.806	142.403
b) Loans and advances to banks	12.606	13.662	10.474	10.328	13.401	13.017	11.935
Financial assets held for trading	54.691	58.752	47.855	38.676	38.749	32.707	28.946
Financial assets held to maturity	0	0	0	0	0	0	0
Equity investments	774	732	759	742	725	721	597
Tangible and intangible fixed assets	10.179	10.201	10.374	10.395	10.428	10.468	10.489
of which:							
a) goodwill	*6.474*	*6.474*	*6.619*	*6.619*	*6.648*	*6.670*	*6.670*
Other assets	10.812	10.487	11.569	13.270	11.173	11.545	12.390
Total assets	**242.522**	**247.567**	**230.301**	**224.815**	**219.061**	**212.062**	**207.621**

LIABILITIES	**30/09/10**	**30/06/10**	**31/03/10** (*)	**31/12/09** (*)	**30/09/09** (*)	**30/06/09** (*)	**31/03/09** (*)
Payables							
a) Customer accounts and securities	154.901	158.232	152.912	153.187	153.612	145.431	137.105
b) Deposits from banks	29.626	28.593	25.628	22.758	19.294	21.826	23.395
Financial liabilities held for trading	29.474	33.210	23.188	19.481	20.674	18.710	20.609
Provisions for specific use							
a) Provisions for staff severance indemnities	293	298	304	304	340	347	504
b) Pensions and other post retirement benefit obligations	449	450	459	458	456	441	436
c) Other provisions	964	962	920	911	888	886	910
Other liabilities	10.150	9.207	9.441	10.259	8.127	9.024	9.363
Group Companies	16.397	16.345	17.167	17.175	15.391	15.124	15.019
a) Valuation reserves	-287	-219	580	721	646	513	303
b) Redeemable shares							
c) Equity instruments	1.949	1.949	1.949	1.949	52	47	47
d) Reserves	5.904	5.903	5.986	5.766	5.789	5.768	5.857
e) Share premium	3.990	3.996	4.048	4.048	4.041	4.035	4.094
f) Share capital	4.502	4.502	4.502	4.502	4.487	4.487	4.487
g) Treasury shares (-)	-18	-49	-40	-32	-25	-57	-70
h) Net profit (loss) for the year	357	261	142	220	401	332	301
Minority interests	267	270	282	281	280	273	279
Total Liabilities and Shareholders' Equity	**242.522**	**247.567**	**230.301**	**224.815**	**219.061**	**212.062**	**207.621**

(*) "Loans and advances to customers" and "Customer accounts and securities" were cleared of volumes attributable to Banca Monte dei Paschi di Siena branches sold in 2010. More specifically, these amounts were respectively re-allocated to "Other assets" and "Other liabilities" (see secction on the "MPS Group reclassification principles")

MACROECONOMIC AND BANKING SCENARIO

MACROECONOMIC TRENDS

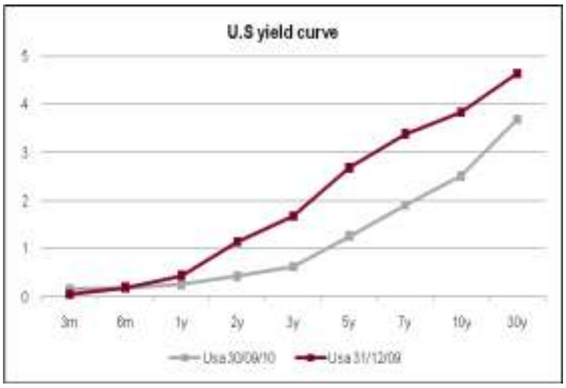
The macroeconomic figures for the third quarter of 2010 show a two-speed growth pattern: **the emerging countries are advancing at a high-growth rate** while among the mature economies, **the USA is losing steam** and it is now a foregone certainty that further extraordinary stimulus will be provided by FED to support growth. In Asia, China continued to expand at a very sustained pace, though slightly slower than in the past. **Economic recovery in the Eurozone held up** with **Germany** reaffirmed as **"Europe's growth locomotive"**. Nevertheless, the fiscal consolidation plans launched by the European countries to avert the risk of default (in conjunction with the extraordinary bailout measures put in place by international organisations) together with fears surrounding the soundness of the European banking system (which, in the future, will have to absorb the impact of the new Basel III capital requirements), still lead to the **European recovery** being considered as **"uncertain"**. Furthermore, the expansion of foreign trade, which had previously pushed the global economy out of the crisis, may be weighted down by the **recent tensions in the currency market.** Inflation is under control for what concerns the mature economies, while tensions are predicted for the emerging markets. In short, **global economic revival** has been confirmed, **albeit at different paces**, as was clearly evidenced in IMF's recent *World Economic Outlook*. The institute significantly **lowered its estimates for U.S. growth in the current biennium** and raised those in relation to the Eurozone. Forecasts for Italian GDP in 2010 were also raised while they were lowered in relation to 2011. Expansion for Asia was confirmed.

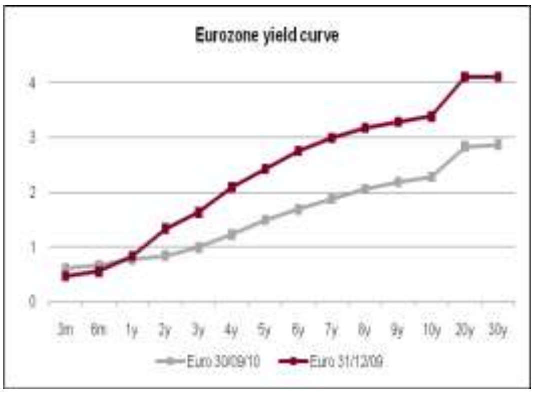
Growth rates in the leading economies			
		Proiezioni	
	2009	2010	2011
World	-0,6%	4,8%	4,2%
Mature economies	-3,2%	2,7%	2,2%
Germany	-4,7%	3,3%	2,0%
France	-2,5%	1,6%	1,6%
Italy	-5,0%	1,0%	1,0%
Eurozone	-4,1%	1,7%	1,5%
Usa	-2,6%	2,6%	2,3%
Japan	-5,2%	2,8%	1,5%
Emerging e Developing	2,5%	7,1%	6,4%
China	9,1%	10,5%	9,6%
India	5,7%	9,7%	8,4%

Source: FMI, October 2010

With regard to the **USA**, the second quarter saw a 1.7% upturn in GDP QoQ, mainly owing to personal consumption which climbed 2.2%. However, **signs pointing to a slow recovery subsist**: in August, **industrial production slackened** (+0.2% as compared to July when the increase on the previous month came to +0.6%) with factory orders falling more than expected and a decline for manufacturing confirmed by major leading indicators in September. **Inflation was under control** (1.1% in August compared to 1.2% for the previous month) while **the U.S. real estate market showed signs of stabilisation. The rate of recovery was also burdened by the persisting tensions in the job market:** the unemployment rate in September stood at 9.6% with an unexpected reduction of 95.000 employees in the non-agricultural sector. In its latest World Economic Outlook, the IMF **lowered its estimates for U.S. growth in the current biennium** (GDP from 3.3% to 2.6% in 2010 and from 2.9% to 2.3% in 2011).

During the meeting of the Federal Open Market Committee (FOMC) of the 21 September 2010, FED **not only kept interest rates unaltered** (between 0% and 0.25%) but also provided guidelines on the introduction of **further non-conventional, economy-stimulating measures** (*quantitative easing*), which are likely to be formalized at the next meeting in November and consisting in a new **massive *asset purchase program***. Uncertainties as to the rate of economic recovery, concerns over the European debt and speculation surrounding the increasing difficulties within the banking system have generated a shift for investments towards lower-risk countries with a consequent **fall in returns, particularly in the mid-long term, with 2Y USA hitting new all-time lows** (0.335% at the start of October). The situation was slightly better for 3M. The U.S. yield curve continues to flatten with a 2-10 year spread which continues to fall (almost 70 bps lower than at the end of 2009).





China continues to lead among the emerging countries (with **India** following suite at a steady pace) with exports, despite a slight slowdown, climbing over 30% YoY. Chinese industrial production remained vigorous (+13.9% YoY in August) and manufacturing SMEs picked up in September (53.8 from the previous 51.7). **China's GDP in Q2 2010 was confirmed, up 10.3% YoY** (**slowing down** from the 11.9% recorded for the first quarter of 2010). In addition to the reforms launched at the start of the year to stimulate consumption, the Beijing government granted greater flexibility of the yuan against the dollar by abandoning its fixed pegging policy thus allowing an appreciation of the currency, which reached its highest levels against the green-back since its revaluation in July 2005.

In the Euro area, the QoQ variation in GDP for the second quarter **came to +1%, reaffirming that economical revival is underway. Germany was tagged "Europe's growth locomotive"** owing to its good performance in terms of orders (+20.3% YoY) and industrial production (+10.7% YoY) in August. **Economic recovery remained affected by the situation of the peripheral countries** which manifested obvious difficulties of growth in Q2 2010 (Ireland -1.2% QoQ, Greece -1.8% QoQ, Portugal +0.3% QoQ), weighted down by the perplexities regarding their public accounts that were reflected in the downgrading of Spain's and Ireland's *sovereign rating*. **Consumption continued to be weak**, while **YoY inflation remained stable at 1.6% YoY. The labour market came under pressure** (unemployment stuck at 10.1% in August); however, in confirmation of the **greater momentum for export-driven economic recovery in Europe, IMF significantly raised growth estimates for the Eurozone (taking them from 1% to 1.7% for 2010 and from 1.3% to 1.5% for 2011)**.

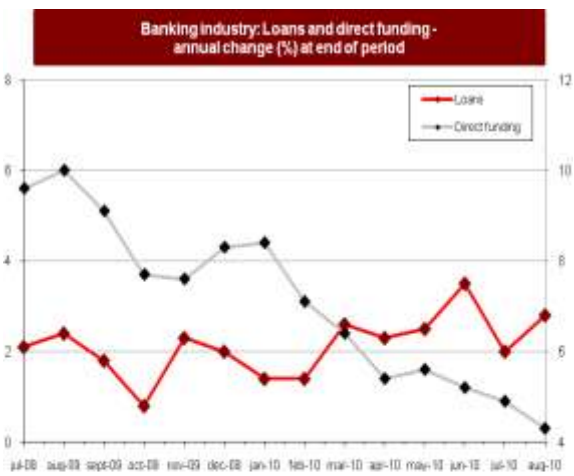
In **Italy**, economic recovery continued as testified by **the upward revision of 2Q2010 GDP** (**+1.3% YoY; +0.5% QoQ**). All the various components contributed to growth positively with a slight pickup for investments (+0.6% YoY), while consumption continued to be weak. Positive signs came from **industrial production which, in August, exceeded expectations** (+1.6% on July, compared to an expected growth of around 0.1%) and from leading indicators (manufacturing SMEs and services in September) which reported an improvement. **Despite the fact that corporate confidence in September experienced an unexpected fall**, a survey carried out by the Institute for Studies and Economic Analysis showed a rise in expected production for the future, particularly for Southern and **Central Italy.** As for the labour market, **unemployment fell in August** (from 8.4% to 8.2%) but the number of **"discouraged workers" increased**. **Inflation at September remained stable** (+1.6% preliminary YoY), while retail sales in July remained "at a standstill" even though consumer confidence registered in September pointed to a possible upturn for consumption in the future. Despite the debt-to-GDP ratio in the second quarter falling to 6.1%, as compared to 8.8% in the previous quarter, the IMF issued a **"warning" in relation to the Italian public debt.** The institute **increased its prediction for GDP in 2010 (from +0.9% to +1%), cutting growth, however, for 2011 (from +1.1% to +1%)**.

The main stock markets began to stabilise after suffering heavy losses in the first six months of 2010 (from 31/12/09 to 30/09/10 Dow Jones +3%, S&P 500 +2%, Dax +4%). European markets continued to be impacted by the **deterioration in risk indicators for European countries with larger deficits, fears that the austerity plans may undermine global economic recovery** and uncertainties regarding the **well-being of European banking institutes** (high costs sustained by the Irish government for the recapitalization of the Anglo Irish Bank) which, moreover, will have to come to terms with the **new capital requirements (Basel III).** The Italian stock market, within which the banking sector has a very high share, felt the impact (in the first 9 months of 2010, FTSE Mib index dropped 13%). The Japanese stock market continued to face difficulties (from 31/12/09 to 30/09/10 the Nikkei lost ground by 13%), penalised by the strong appreciation of the yen against the dollar which was particularly detrimental to exporters.

As expected, the **ECB kept interest rates unchanged** at 1%, deeming the level appropriate. Monetary authorities **were not concerned** by inflation but economic growth, though continuing, showed some signs of uncertainty. Monetary policy continues to be accommodating, although **non-conventional measures are still necessary for the moment.** Refinancing auctions of credit institutions with the ECB in the Eurozone will remain in place for unlimited amounts and the bonds repurchasing program will continue. Investors' shift toward lower-risk countries persists, with a main focus on the "long-term" component of the interest rate curve and a consequent reduction in spreads on 2-10 year terms. At the end of September, the Euroarea's 10-year benchmark yield fell to 2.28% (vs. 3.39% at the end of 2009).

In the currencies market, after the upturn for the dollar in the first part of the year, **the Euro regained considerable ground against the greenback** as of June, **climbing back to around $1.39, on a par with levels at the start of 2010.** Although Italian exports' elasticity to exchange rate changes is not of little regard, the recent strength of the Euro will have a negative impact upon Italian sales abroad which, however, will be more than offset by a demand-driven increase. From a quantitative survey conducted by the BMPS Research Area on Italy's foreign trade in the 2000s, it emerges that the elasticity of Italian export with respect to the real effective exchange rate is not negligible and comes to 0.4. Indeed, assuming a $/€ exchange rate at 1.45, the effect (on the decline) for exports may be estimated at around 0.7% for next year, while the increase brought about by foreign demand is set at a real +2.7%.

Despite the Bank of Japan's attempts to moderate the Yen (intervening on the foreign exchange market for the first time since 2004), the **Japanese currency continues to appreciate** against the dollar (with cross rate now standing at 82). Pressure is still being exerted on the Beijing government for it to intervene to devalue the yuan.



BANKING

The trends recorded in the previous months of the year continued in the third quarter, both in terms of direct funding (on the decline as of the second half of 2009) and lending, which continued to show signs of gradual recovery. On the other hand, a trend reversal was observed for banking interest rates after the fall registered in the first half of the year; **spreads showed a slight decrease as compared to levels at the end of 2009 (2.11 percentage points), standing at 2 percentage points in August.** The performance of wealth management flows was partly boosted by **the repatriation of funds linked to the third edition of the Tax Shield Plan** within a context of uncertainty and prevailing risk aversion in which choices made by depositors continued to show a preference towards **safeguarding their capital.**

Direct funding experienced a significant slowdown, coming to 4.3% in August, from +8.3% at the end of 2009**,** with divergent trends between bonds and deposits. **Indeed, deposits were higher**, **(with a YoY change at August of 7.6%, against 6.7% at year end)** mainly as a result of the signs of recovery shown for repos, boosted further by a search for more interesting returns on liquid instruments. **Bonds, on the other hand, slowed down significantly**, from an annual +10.7% in December 2009 to a fall of **-0.2% in August**. **The Group's market share** in direct funding confirmed the positive signs previously observed, **positioning itself above 7.5%** in August (vs. 7.18% at the end of 2009).

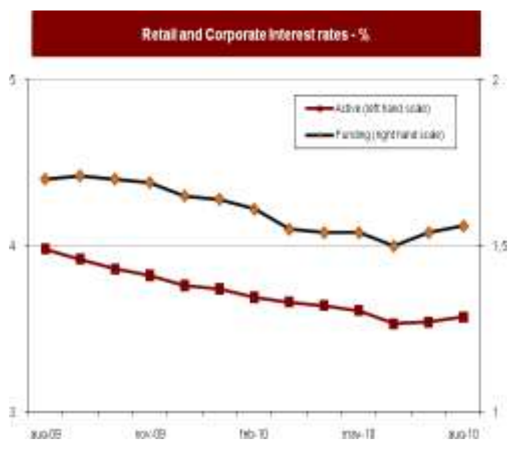
The slowdown for direct funding was offset by **the performance of assets under management**.

The new production of bancassurance products exceeded 37 bln in August, with an increase for the year of 32.6%. The placement of traditional policies slowed down (+11.5%) following the boom in 2009 (+210% as at December). Significant signs of recovery were shown for unit-linked products which, compared to the same period in 2009, more than doubled. Index-linked products also picked up, making up less than 10% of total flows.

Flows from mutual funds showed an uptrend in the first nine months of 2010, **with cumulative net funds since the start of the year at over 4.5 bln**. The trend reversal therefore seems to have been confirmed following the negative performance in 2009. Figures from September recorded a **shift from monetary products** (-22.8% as at September) **to bonds** (up approx. 18%). Furthermore, a returning interest was observed in **flexible products (+12.8%) and balanced products (+13.3%).** The market share for Group-distributed products was stable with respect to 2009, standing at 4.8% (data as at June).

Assets under management in Q2 showed an increase in volumes of approx. 16%, **reversing the negative trend of 2009**.

Lending showed some signs of growth, standing at over 2% a year as of March (+2.8% in August) following the stagnation of the winter months. The lack of growth in lending to non-financial businesses appears to be in line with a financial demand that has changed on the back of the weakened economy, as testified by the downturn in short-term loans (-3.8% in August), and the growth in mid-long term loans (+1.2% in August). Some signs of growth in demand from businesses were seen in recent months, mainly due to debt restructuring needs and demand for working capital and only partly due to the need for funds for industrial investments. Demand for loans from consumer households remained high, driven by home mortgages (+8.2% in August against +5.5% at the end of 2009), which reflected the signs of recovery for real estate purchases and the introduction of some recent regulatory measures (such as mortgage portability and the suspension of instalment repayments). **The Group's market share came to approx. 8%, substantially stable compared to figures at the end of 2009.**



Credit quality continued to be affected by the difficult economic scenario. According to the latest data released by the Bank of Italy, in Q2 2010 the impairment ratio came to 1.92% (1.55% in the same period of 2009), slightly lower than in Q1 2010 (1.95%). With regard to stocks of non-performing loans, a slight fall was registered for the manufacturing sectors (shifting from +38.6% at the end of 2009 to +31%) while a slight rise was seen for households.

Against a steady ECB interest rate of 1% and higher monetary market interest rates, with the 1 month Euribor in September standing at higher levels than those registered at the end of 2009 (0.63 against 0.48), bank interest rates more or less steadied, following the decline recorded in the first half of the year. **Nevertheless, the average interest rate on loans lost 43 bps (as at August 2010), standing at 3.57%**, while that of deposits fell to 1.56% (-14 bps).

The mark-up, measured on short-term loans and on the 1 month Euribor, came to 3.9% in August, down on the end of 2009 (4.3%). This was conditioned by the fact that interest rates on the interbank market remained very low, reflecting situations of ample liquidity fostered by ECB intervention. In August, a moderate upward trend was recorded in the mark-down, which climbed to 34 bps against 16 bps in 2009.

THE REGULATORY FRAMEWORK

Both the government and the banking system continued to promote initiatives aimed at combating the crisis and relaunching and supporting the economy. **Households** who have undergone adverse events (job loss, layoffs, death or no self-sufficiency) can request suspension of their mortgage instalments for up to 12 months. Benefits **for businesses** include the suspension of repayments of principal for mortgages for up to 12 months; suspension of repayments of principal for leasing transactions (property or equity) for 6 or 12 months. As a consequence, the repayment schedule is extended by a period equal to the suspension time. The Italian Banking Association has extended access to this procedure until **31 January 2011.**

Italy's **"summer budget package" (Legislative Decree no. 78)** enforced by the Government, included a number of **measures targeting more directly banks, businesses and households.** In particular, the following are worth noting: measures concerning the modernisation of Public Administration payments (art. 4); limits to cash amounts and bearer saving books (art. 20); real estate investment funds (art. 31); tax regime of EU companies in Italy (art. 41) for the promotion of investments; tax benefits for Southern Italy (art. 40) and 'zero-burocracy' zones (art. 43), with the renewed aim of encouraging new economic initiatives in Italy's Southern regions through administrative simplification; insolvency proceedings (art. 48) aimed at relaunching pre-bankruptcy agreements, restructuring plans and clean-up efforts; measures for the prevention of traditional bankruptcy proceedings; start-up of business activities (art. 49), with the start-of-business statement (it. *dichiarazione di inizio attività*, DIA) being replaced by a certified commencement notice (it. *segnalazione certificata di inizio attività*, Scia).

Additionally, the 'summer budget package' (art. 42) reasserted the Government focus on the organisational model of "**corporate networking**", considering it as a tool that, in times of recovery, may stand out as a major driver. To this effect, the Government introduced a measure entailing tax, administrative and financial benefits, as well as the possibility to negotiate agreements with the Italian Banking Association according to the terms and conditions set out by the Ministry of Economy and Finance.

EU ministers gave the go ahead to the reform of financial supervision whereby, as from January 2011, four new authorities mandated to supervise banks, insurance companies and the markets will become operational (ESRB, EBA, ESMA e EIOPA).

As from 2011, the European Commission will submit proposals to amend the European Markets in Financial Instruments Directive (MIFID), **regulations on transparency** (disclosure of corporate information) and on **financial crimes (market abuse**). The objective of new European regulations on **derivatives, short selling and CDSs** (expected to become effective in 2012) is to curb speculation affecting the markets in recent years. New regulations will be focused on issues including **transparency, product traceability, tracking of transactions, strengthening of market supervision powers.** A distinction will be made between derivatives used by companies to hedge against foreign exchange risks and those managed by financial players.

Following completion of the consultation phase, a draft Basel 3 document was prepared, which will be **presented by the 27 central bankers making up the Basel Committee at the G20 summit in November**. The reform is centred upon: a qualitative and quantitative increase of minimum capital requirements; the introduction of **liquidity requirements**; the setting of a **minimum threshold for the capital/total assets ratio;** the introduction of counter-cycle buffers; an **increase in capital requirements** for market risks and securitisation exposures. The new parameters (including proposals to increase: **Common**

Equity[4] Tier 1 to 4.5%, capital conservation buffer by a further 2.50%, the Tier 1 ratio to 6%, Total Capital -including capital conservation buffer- to 10.50%) will be fully effective no earlier than in 2019. In the meantime, however, the proposal under discussion is for Common Equity Tier 1 to be at 3.5% and Tier 1 at 4.5% as of 2013.

[4] Book value of a company's equity calculated by excluding capital instruments other than common stock minus Basel 3 deductions (e.g. goodwill, other intangibles, etc.).

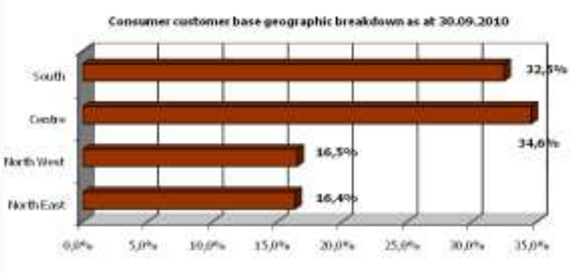
CUSTOMER OPERATIONS

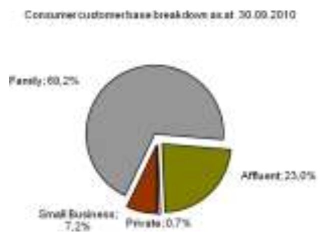
While still in the throes of a difficult economic cycle, **the Montepaschi Group continued with its plan for development** in the third quarter of 2010**, reaffirming its focus on the real needs of households and businesses** which have always been a key driver when it comes to planning sales and distribution activities and an indispensable point of reference upon which service levels and types of products offered are based. In view of these commitments, 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. The positive results achieved in the Q3 2010 allowed the Montepaschi Group to **consolidate its capital base from funding and lending** and **continue to grow its customerbase.**

CUSTOMER PORTFOLIO

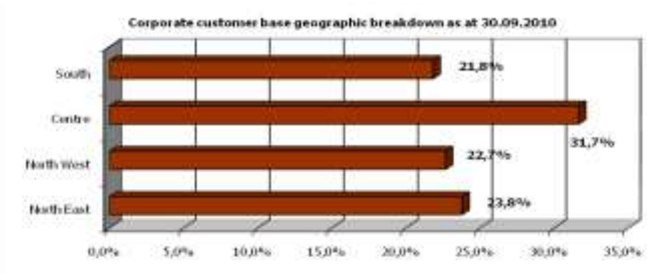
The Montepaschi Group carries out its banking activities with **almost 6.3 million customers**[5]**, 5.9 million of whom are managed by the Distribution Network**[6] further broken down as follows:

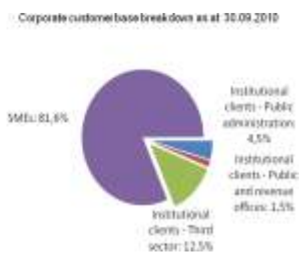
- ✓ **Consumer:** Includes **over 5.7 million customers** evenly distributed across the country (Northern Italy 32.9%, Central Italy 34.6%, Southern Italy 32.5%) and falling under the segments, **Family** (69.2%), **Affluent** (23%), **Small Business** (7.2%) and **Private** (0.7%).





- ✓ **Corporate:** Consists in over **78,000 customers,** including SMEs (approx. 82%) and Institutions (18%), mainly concentrated in the regions of Northern Italy (46.5%) but with a significant portion in Central Italy as well (31.7%). A separate segment is made up of Large Corporate customers (approx. 1,500 units) which primarily contain the large industrial groups.





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

[6] Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca.

FUNDING AGGREGATES

As at 30 September 2010 total funding volumes[7] for the Group came to approximately 294 bln, substantially stable on 30/06/2010 and up on previous year's "restated" figures (+2.4%). The aggregate saw a decline in direct funding with respect to the previous quarter (-2.1% Q/Q), while it was slightly higher when compared to 2009 (+0.8%). Indirect funding (+3.1% QoQ; +4.3% YoY) was boosted by both assets under custody (+4.2% QoQ; +2.7% YoY) as well as assets under management (+1.4% QoQ; +7.1% YoY), with the latter being driven by funding from insurance premiums and collective investment schemes.

CUSTOMER FUNDING (EUR mln)

	30/09/10	30/06/10	Restated (*) 30/09/09	% chg. vs 30/06/10	% chg. vs 30/09/09 "restated"
Direct customer funding	**154.901**	**158.232**	**153.612**	**-2,1%**	**0,8%**
Indirect customer funding	**138.631**	**134.401**	**132.973**	**3,1%**	**4,3%**
assets under management	50.738	50.060	47.390	1,4%	7,1%
assts under custody	87.893	84.341	85.583	4,2%	2,7%
Total customer funding	**293.531**	**292.633**	**286.585**	**0,3%**	**2,4%**

(*) Volumes as at 30/09/2009 were restated, with historical data excluding the volumes pertaining to branches sold in the course of the second quarter of 2010 to the CARIGE Group and the Intesa-SanPaolo Group (22 and 50 branches respectively). As at 30/09/2009 these branches had EUR 3,543 mln in total funding, of which EUR 2,204 mln in direct funding and EUR 1,339 mln in direct funding.

Direct funding came to approx. EUR 155 bln, down 3.3 bln on 30/06/2010 (-2.1%) but up approx. 1% as compared to previous year "restated" figures, with the Group's market share at the end of August standing at 7.56% (7.69% as at 30/06/2010). The trend recorded for the aggregate in Q3 2010 is mainly due to the fall in short-term market funding with institutional counterparties (approx. -4 bln), partially offset by the increase in bonds with institutional counterparties (issuance of approx. 1bln in Covered Bonds). Direct funding from business activities with Consumer and Corporate customers was also down slightly. The table below contains a breakdown of funding by operating segment (for further details, please refer to the chapter "Segment reporting"):

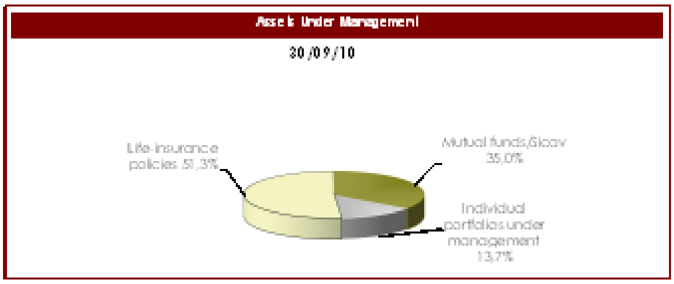
Direct funding by operating segment
(EUR mln)

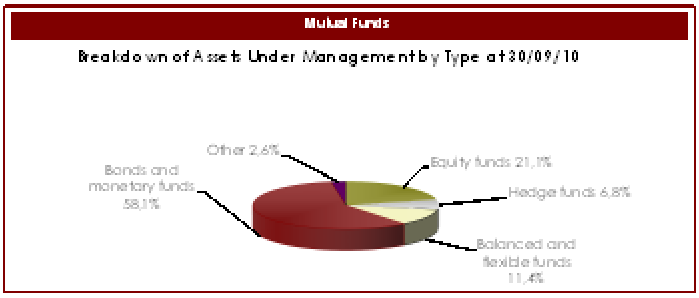
	30/09/10	% share 30/09/10
Consumer Banking	83.896	54,2%
Corporate Banking	49.278	31,8%
Corporate Center	21.727	14,0%
Group Total	**154.901**	**100,0%**

As far as **indirect funding** is concerned, volumes posted at 30 September 2010 amounted to **approx. EUR 139 bln**, up on both 30/06/2010 (+4.2 bln; +3.1%) and on the previous year "restated" figures (+5.7 bln; +4.3%). An analysis of the individual aggregates shows:

❖ **Assets under management**: came to approx. EUR 51 bln, up on 30/06/2010 (+677 mln) and a 7.1% rise with respect to 30/09/2009 "restated" (+3.3 bln). A further breakdown of volumes – according to a Mifid-based approach structurally aimed at selecting the best investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) – shows that the prevailing segment is that of life insurance policies, Funds and Sicavs. With regard to the **insurance sector**, technical reserves relating to the Group came to EUR 26 bln, a result driven by traditional policies. Individual **managed accounts** recorded volumes of approx. 7 bln, while **Mutual Investment Funds/Sicavs** amounted to approx. 18 bln with a shift towards equity funds.

[7] Volumes as at 30/09/2010 were "restated" with historical data excluding the effects from branches sold by Banca Monte dei Paschi di Siena in the second quarter of 2010.





- **Assets under custody**: at the end of September 2010 volumes came to approx. EUR 88 bln with a 4.2% increase on June (+2.7% on the previous year's "restated" figures).

The overall funding volumes described above were boosted in Q3 2010 by **new placements with inflows of EUR 3.6 bln** (4.4 bln in Q2 2010), reflecting the slowdown in funding and lending activities that is typical of the summer period. Volumes in Q3 2010 was marked by a slight fall for the **bonds segment** while **insurance policies** and **individual and collective portfolios under management** experienced a steeper drop. As a result of these trends, as at 30 September 2010 total flows from funding products stood at approx. EUR 15 bln (-15.7% on the previous year) and were broken down by product category as follows:

Wealth Management products

EUR mln	30/09/10	3°Q10	2°Q10	1°Q10	30/09/09	Chg. 3°Q10 vs 2°Q10 Ins.	Chg. 3°Q10 vs 2°Q10 %	Chg. YoY Ins.	Chg. YoY %
Bonds including:	**10.373**	**2.804**	**2.941**	**4.629**	**14.895**	**-136**	**-4,6%**	**-4.521**	**-30,4%**
Linear	7.835	2.540	2.178	3.117	12.815	362	16,6%	-4.980	-38,9%
Structured	2.538	264	762	1.512	2.080	-498	-65,3%	459	22,1%
Life-insurance policies including:	**4.399**	**933**	**1.286**	**2.180**	**3.591**	**-353**	**-27,5%**	**808**	**22,5%**
Ordinary (1)	2.703	560	721	1.422	2.248	-161	-22,3%	455	20,3%
Index Linked	675	116	223	336	866	-107	-48,1%	-191	-22,0%
Unit Linked (2)	1.021	257	342	422	477	-85	-24,9%	544	113,9%
Individual portfolios under management	**-353**	**-220**	**-119**	**-15**	**-396**	**-101**	**-84,6%**	**42**	**10,7%**
Mutual funds/Sicav (3)	**548**	**68**	**272**	**208**	**-327**	**-204**	**-75,0%**	**875**	**267,4%**
Total	**14.967**	**3.586**	**4.380**	**7.002**	**17.763**	**-794**	**-18,1%**	**-2.796**	**-15,7%**

(1) Social security products included

(2) Inclusive of multiline insurance policies

(3) Group and Multimanager funds sold directly to customers (i.e. not included in other financial instruments)

Flows of new bonds in Q3 2010 came to **EUR 2.8 bln** (2.9 bln in Q2) with a rise in the "plain" segment (+16.6% QoQ) but a downturn recorded for structured products (-65.3%).

With regard to **Bancassurance**, **premiums collected in Q3 came to EUR 0.9 bln** (1.3 bln in Q2 2010) boosted mainly by traditional insurance (**59.9%** of the total compared to 56.1% registered in Q2 2010) followed by **Unit-Linked policies** (making up **27.6%** against 26.6% in

Q2 2010). **Index-linked policies** decreased compared to the previous quarter, coming to **12.5%**.

Individual and collective asset management recorded negative flows in the quarter for approximately EUR **152 mln** (+153 mln in Q2 2010). More specifically:

- ✓ **Mutual investment funds/sicavs** performed better contributing approx. 68 mln worth of funding (272 mln in Q2 2010);
- ✓ **Assets under management** were negative by 220 mln, down on the previous quarter when outflows came to approx. 119 mln.

LENDING AGGREGATES

As at the end of September 2010 lending[8] for the Group came to approx. EUR 153 bln, stable on June levels and up 8.8 bln compared to volumes registered for the same period of the previous year "on a restated operating basis" (+6.1%). The result for Q3 was mainly due to the increase in the mid-long term component, boosted above all by Retail residential mortgages, while loans with market counterparties decreased. As at the end of August 2010, the Montepaschi Group held a 7.97% market share in lending, down by 6 bps compared to June (when it stood at 8.03%).

Following is a breakdown of **active loans** (representing stock of loans net of non-performing loans) by operating segment which highlights the still-relevant weight of the Corporate component:

Active customer loans by operating segment

(EUR mln)

		% share
	30/09/10	30/09/10
Consumer Banking	64.652	43,8%
Corporate Banking	73.041	49,5%
Corporate Center	9.752	6,6%
Group Total	**147.445**	**100,0%**

Lending trends in the third quarter benefitted from **new mortgage loans negotiated for an amount of approx. EUR 3.6 bln** (4.2 bln in Q2 2010), mainly concentrated in the Retail market. The accumulative flow of mortgage contracts since the start of the year stood at EUR 12.3 bln, up 44% on the same period of the previous year.

As for **special-purpose loans** disbursed by the Group through dedicated product companies, **new flows** in the third quarter totalled **EUR 2.8 bln** (3.3 bln in Q2 2010). **Small business and corporate loans**, which came to **EUR 2.2 bln** (2.6 bln in Q2 2010), registered a slowdown in disbursements by MPS Capital Services whereas flows for MPS Leasing & Factoring were essentially stable with an increase in Factoring turnover but a fall for Leasing. With regard to **consumer loans**, total disbursements by Consumit in the quarter came to approx. **EUR 642 mln** (742 mln in Q22010), having been weighted down by the falling trend for personal and special-purpose loans.

Special purpose loans and corporate finance

EUR mln			30/09/10	3°Q10	2°Q10	1°Q10	30/09/09	Chg. 3°Q10 vs 2°Q10 Ins.	Chg. 3°Q10 vs 2°Q10 %	Chg. YoY Ins.	Chg. YoY %
MPS Capital Services			**1.470**	**381**	**699**	**390**	**1.346**	**-318**	**-45,5%**	**125**	**9,3%**
		disbursements	1.470	381	699	390	1.346	-318	-45,5%	125	9,3%
MPS Leasing & Factoring			**5.418**	**1.807**	**1.876**	**1.736**	**4.018**	**-69**	**-3,7%**	**1.400**	**34,8%**
	incl.:	leases negotiated	1.078	276	448	354	969	-172	-38,3%	109	11,3%
		factoring turnover	4.340	1.531	1.428	1.382	3.050	102	7,2%	1.291	42,3%
Consumit			**2.083**	**642**	**742**	**700**	**1.950**	**-100**	**-13,5%**	**133**	**6,8%**
		disbursements	2.083	642	742	700	1.950	-100	-13,5%	133	6,8%
Total			**8.972**	**2.829**	**3.317**	**2.826**	**7.315**	# **-487**	**-14,7%**	**1.658**	**22,7%**

[8] Volumes as at 30/09/2009 were "restated" with historical data excluding the volumes pertaining to the branches sold in the course of the second quarter 2010 to the CARIGE Group (22 branches) and the Intesa-San Paolo Group (50 branches). As at 30/09/2009 loans for these branches stood at EUR 2,305 mln.

CREDIT QUALITY

As for credit quality, as at 30 September 2010, the Montepaschi Group recorded a net exposure of **11.6 bln in terms of impaired loans**, a rise of approximately 280 mln compared to June (+1.4 bln on 31/12/2009 on a like-for-like basis), with the ratio of impaired loans over total Customer Loans rising to 7.58%. In Q3 the aggregate was weighted down by the increase in **NPLs** (approx. +274 mln) and **past dues** (approx. +185 mln), partially offset by the lower amounts for **watchlist loans** (approx. -130 mln) and **restructured loans** (approx. -48 mln). As for **performing loans**, the average probability of default improved by 5 bps in the third quarter, coming to **2.16%** compared to 2.21% in June.

■ BREAKDOWN OF CUSTOMER LOANS BY RISK

Risk category - Net book values *EUR mln*	30/09/10	30/06/10	31/03/10 (*)	31/12/09 (*)	% 30/09/10	% 30/06/10	% 31/03/10	% 31/12/09
A) Impaired loans	**11.579**	**11.299**	**10.596**	**10.221**	**7,58**	**7,39**	**7,14**	**6,81**
a1) Non-performing loans	5.292	5.018	4.908	4.653	3,46	3,28	3,31	3,10
a2) Watchlist loans	4.159	4.289	4.004	3.758	2,72	2,81	2,70	2,50
a3) Restructured loans	1.184	1.232	793	701	0,78	0,81	0,53	0,47
a4) Past due	944	759	892	1.109	0,62	0,50	0,60	0,74
B) Performing loans	**141.158**	**141.582**	**137.893**	**139.888**	**92,42**	**92,61**	**92,86**	**93,19**
Total customer loans	**152.737**	**152.881**	**148.489**	**150.109**	**100,00**	**100,00**	**100,00**	**100,00**

(*) Volumes of performing loans as at 31/3/2010 and 31/12/2009 were purged of values attributable to Banca Monte dei Paschi di Siena branches sold in 2010.

At the end of September **coverage of impaired loans** came to 40.6%, continuing to be commensurate and in line with the Montepaschi Group's traditional coverage levels. With regard to NPLs, coverage remained at June-levels with value adjustments standing at 56.1%

PROVISIONING RATIOS

	30/09/10	30/06/10	31/03/10	31/12/09
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**40,6%**	**40,1%**	**40,5%**	**40,4%**
"provisions for watchlist loans"/"gross watchlist loans"	**19,7%**	**18,5%**	**19,1%**	**19,6%**
"provisions for NPLs"/"gross NPLs"	**56,1%**	**56,5%**	**55,8%**	**56,0%**

The table below reports the figures for the major companies of the Group, within which BMPS and BAV show a provisioning ratio for non-performing loans which, on average, stands at around 59.5%. 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 collaterals thus requiring more limited provisioning. This is particularly evident in MPS Capital Services (NPL coverage came to 33%), 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 30/09/10 *EUR mln*	Gruppo	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
Non-performing loans	5.292	2.878	609	1.392	174	122	53
% share of customer loans	3,46%	2,1%	4,4%	10,3%	2,9%	2,0%	2,4%
"loan loss provisions"/"gross NPLs"	**56,1%**	**59,7%**	**58,9%**	**33,0%**	**65,2%**	**77,4%**	**65,8%**
Watchlist loans	4.159,0	2.732,2	305,6	624,2	255,9	77,1	66,2
% share of customer loans	2,72%	2,0%	2,2%	4,6%	4,3%	1,3%	3,0%
"loan loss provisions"/"gross watchlist loans"	**19,7%**	**20,4%**	**15,9%**	**16,6%**	**18,3%**	**37,6%**	**19,5%**

With regard to gross **performing loans,** provisions continued to stand at around 0.6%, substantially in line with levels as at 31/12/2009.

Finally, it should also be noted that the positive management of the NPL portfolio mandated to MPS Gestione Crediti Banca translated into **recoveries for a total amount of 457.1 mln at Group level** (+5% YoY), 112.5 mln of which were achieved in the third quarter (-37.3% on Q2 2010).

INCOME STATEMENT AGGREGATES[9]

As at 30 September 2010 the Montepaschi Group achieved a Net Operating Income of approx. EUR 762 mln, a significant improvement on the same period of the previous year (+31.4%), with Q3 2010 contributing approx. EUR 273 mln, an 11.4% QoQ increase that consolidates the upward trend observed for banking and insurance activities, cost of credit and operational efficiency.

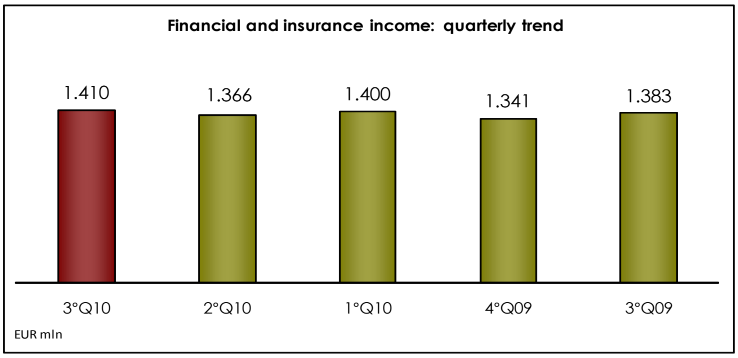
1) OPERATING INCOME

NET INCOME FROM BANKING AND INSURANCE ACTIVITIES

As regards the development of total revenues from banking and other services, **income from banking and insurance activities** stood at **EUR 4,177 mln** as at 30 September 2010 (approx. EUR 4,259 mln at 30 September 2009) with a **yield in Q3 of around 1.410 mln**, up **3.2% on Q2 2010**. The figure was positively influenced by an **upturn in performance for trading and valuation of financial assets as the Group**, despite a still-volatile scenario, **benefitted from the slight improvement in financial market conditions and sovereign debt**, repositioning itself at Q1 2010 levels.

■ **FINANCIAL AND INSURANCE INCOME (EUR mln)**

	30/09/10	3°Q10	2°Q10	1°Q10	30/09/09	Chg. 3°Q10 vs 2°Q10 Abs	Chg. 3°Q10 vs 2°Q10 %	Chg. YoY Abs	Chg. YoY %
Net interest income	2.691,2	906,6	912,8	871,9	2.698,6	-6,2	-0,7%	-7,3	-0,3%
Net fees and commissions	1.430,1	461,2	485,0	484,0	1.396,9	-23,8	-4,9%	33,2	2,4%
Income from banking activities	**4.121,4**	**1.367,8**	**1.397,8**	**1.355,8**	**4.095,4**	**-30,0**	**-2,1%**	**25,9**	**0,6%**
Dividends, similar income and gains (losses) on equity investments	63,1	29,5	15,7	17,9	86,2	13,8	87,7%	-23,1	-26,8%
Net profit (loss) from trading/valuation of financial assets	-17,3	16,3	-53,4	19,7	87,1	69,7	n.s.	-104,4	n.s.
Net profit (loss) from hedging	9,5	-3,5	6,3	6,7	-9,6	-9,7	n.s.	19,1	n.s.
Financial and insurance income	**4.176,7**	**1.410,2**	**1.366,4**	**1.400,2**	**4.259,2**	**43,8**	**3,2%**	**-82,5**	**-1,9%**



A closer look at the aggregate reveals the following:

- as at 30 September **income from banking activities** stood at **approx. EUR 4,121 mln** (approx. 4,095 mln in the previous year; +0,6%) with a yield in Q3 of approx. 1,368 mln, down 2.1% on Q2 2010. More specifically:
  - **net interest income** : came to approx. **EUR 2,691 mln** against approx. 2,699 mln in the previous year. Q3 2010 contributed around 907 mln, substantially stable on the previous quarter. The aggregate for the quarter includes an improvement in the funding and lending component and a lesser contribution from banking book, assets & liabilities management and finance.

[9] 2010 and 2009 period-end and quarterly financial results were restated to take account of the changes brought about to the operating scope subsequent to the disposal of Banca Monte dei Paschi di Siena branches in 2010 (sale of 22 branches to the Carige Group on 30/05/10; sale of 50 branches to the Intesa Sanpaolo Group on 14/06/10 – see section "MPS Group reclassification principles").

- **<u>net fees and commissions</u>**: approx. **1,430 mln, up 2.4% as compared to 30 September 2009. Q3 2010** contributed approx. **461 mln**, down 4.9% on Q2 2010. The fall is mainly due to the lesser contribution from placement/brokerage fees as well as loan servicing, largely linked to the reduction in funding and lending activities that is typical of the quarter. Fees on foreign transactions, on the other hand, continued to grow as did those on payment services;

- **<u>Net profit/loss from trading/valuation of financial assets</u>** stood at -17.3 mln as at 30 September (87.1 mln as at 30/09/2009) with Q3 contributing 16.3 mln, a decisive improvement on Q2 2010. A breakdown of the aggregate for the quarter reveals an upturn in "net profit/loss from trading" which returned to a positive 16 mln (-29.3 mln as of the start of the year). A positive balance was also shown under "*Gains/losses on disposal of loans, available for sale financial assets and liabilities*" which came to +13.4 mln in Q3 2010 (accumulative figure of + 49.9 mln as at 30/09/2010) mainly on the back of capital gains from disposal of securities classified as AFS and L&R. *"Net income from assets/liabilities designated at fair value"* was negative (-13.1 mln for the quarter; accumulative figure of -37.9 mln since the start of the year), weighted down by the increase in liabilities of BMPS bonds for the part not completely covered against risk.

■ **Net profit (loss) from trading/valutation of financial assets (EUR mln)**

	30/09/10	3°Q10	2°Q10	1°Q10	30/09/09	Chg. 3°Q10 vs 2°Q10 Abs	Chg. 3°Q10 vs 2°Q10 %	Chg. YoY Abs	Chg. YoY %
Net profit (loss) from trading	-29,3	16,0	-67,9	22,6	41,3	83,9	n.s.	-70,6	n.s.
Gains (losses) on disposal of loans, available for sale financial assets and financial liabilities	49,9	13,4	20,7	15,8	47,6	-7,2	-34,9%	2,3	4,9%
Net profit (loss) on financial assets and liabilities designated at fair value	-37,9	-13,1	-6,1	-18,7	-1,8	-7,0	n.s.	-36,2	n.s.
Net profit (loss) from trading/valuation of financial assets	**-17,3**	**16,3**	**-53,4**	**19,7**	**87,1**	**69,7**	**n.s.**	**-104,4**	**n.s.**

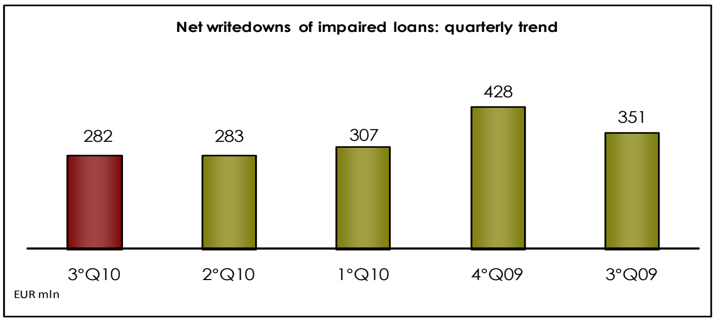
Net income from banking and insurance activities also includes:

- **<u>Dividends, similar income and gains/losses from equity investments</u>**: positive balance for **63.1 mln** (86.2 mln as at 30/09/2009) with revenues in Q3 2010 of 29.5 mln mainly owing to the performance of the insurance segment (of which AXA-MPS contributed 17 mln against 4.8 ln in Q2 2010).
- **<u>Net income from hedging</u>:** came to **EUR 9.5 mln**(-9.6 mln as at 30/09/2009).

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

With reference to income from loan disbursements, in the first nine months of the year **net value adjustment due to impairment of loans** stood at approx. **EUR 872 mln** (approx. 1,038 mln as at 30 September 2009) with Q3 contributing approx. 282 mln, in line with values registered in the previous quarter. The amount reflects a *provisioning rate*[10] of 76 bps(approx. 77 bps as at 30/06/2010; approx. 98 bps as at 31/12/2009 recalculated) owing to the Group's rigorous policy of prudential provisioning within a difficult economic cycle.

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



Net value adjustments due to impairment of financial assets was negative by EUR 26.7 mln (-32 mln as at 30/09/2009); in Q3 2010 the total amount came to -7.6 mln which was mainly related to the depreciation of AFS stock subject to impairment.

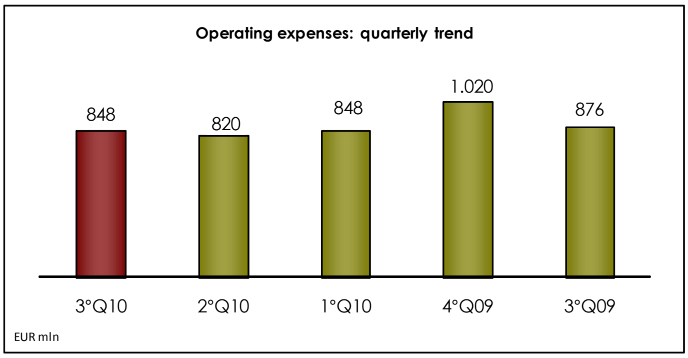
As a consequence, **<u>income from banking and insurance activities</u> stood at approx. EUR 3,279 mln** (approx. 3,190 mln as at 30/09/2009; +2.8%) with Q3 contributing approx. EUR 1,121 mln (+5.3% QoQ).

COST OF OPERATIONS: OPERATING EXPENSES

As at 30 September 2010, **operating expenses** stood at approx. **EUR 2,517 mln**, down 3.6% on the previous year, confirming the focus the Montepaschi Group is placing on the structural containment of costs:

■ **Operating expenses (EUR mln)**

	30/09/10	3°Q10	2°Q10	1°Q10	30/09/09	Chg. 3°Q10 vs 2°Q10 Abs	Chg. 3°Q10 vs 2°Q10 %	Chg. YoY Abs	Chg. YoY %
Personnel expenses	1.588,2	528,6	510,1	549,5	1.659,3	18,5	3,6%	-71,1	-4,3%
Other administrative expenses	805,2	278,6	267,8	258,7	833,1	10,8	4,0%	-27,9	-3,3%
Administrative expenses	**2.393,4**	**807,2**	**777,9**	**808,3**	**2.492,4**	**29,3**	**3,8%**	**-99,0**	**-4,0%**
Net adjustments to tangible and intangible assets	123,3	40,9	42,2	40,1	117,1	-1,2	-2,9%	6,2	5,3%
Operating expenses	**2.516,7**	**848,1**	**820,1**	**848,4**	**2.609,5**	**28,0**	**3,4%**	**-92,8**	**-3,6%**



<u>More specifically:</u>

A) **<u>Administrative expenses</u>** were down 4.0% YoY due to:

- **Personnel expenses**, amounting to approx. **1,588 mln, down 4.3%** on 30 September 2009. Performance in this area benefits from the structural effects of the headcount reduction and reorganisation processes put underway as of mid 2008;
- **other administrative expenses** (net of stamp duties and customer expense recoveries), totalling **EUR 805 mln, down 3.3%** on the previous year mainly as a result of cost synergies obtained from the reorganization processes put in place and the cost management measures adopted.

B) **<u>Net value adjustment to tangible and intangible assets</u>** stood at approx. **EUR 123 mln,** up 5.3% as compared to 30 September 2009 primarily as a result of the ICT investments made in the 2008/2009 period.

As a result of the above, the Net Operating Income came to approximately EUR 762 mln, an increase of 31.4% on 30 September 2009 (when the figure stood at approx. 580 mln), with Q3 contributing approx. 273 mln, up 11.4% on the previous quarter. The cost-to-income ratio stood at 60.3%, in line with levels as at June 2010 (60.2%).

2) NON-OPERATING INCOME, TAX AND NET PROFIT FOR THE YEAR

Net profit also included:

- the negative balance of **<u>Net provisions for risks and charges and other operating income/expenses</u>** amounting to approx. EUR -167 mln (approx. -66 mln as at 30/09/2009) with Q3 contributing -32.9 mln (-92.2 mln in the second quarter of the year). Since the beginning of the year, the account has been made up by approx. -102 mln in provisions to the fund for risks and charges (primarily covering legal disputes, revocatory actions and operating losses on a non-performing position of a subsidiary) and roughly -64 mln worth of net operating expenses (particularly in relation to legal actions and improvements on third-party assets);
- a balance of -27.3 mln in **<u>Gains/losses on equity investments</u>** primarily attributable to the depreciation of Antonveneta Vita SpA;
- "**<u>one-off charges</u>**" for an amount of EUR -8.8 mln linked to the disposal of assets;
- **<u>Profit/loss from disposal of branches</u>** was positive by EUR 21.8 mln and includes the profit and loss data relevant to the 72 branches of Banca Monte dei Paschi di Siena sold in the course of 2010, eliminated from the accounts: "Interest income", "Net fees and commissions", "Net income from trading/valuation of financial assets", "Administrative expenses";
- **<u>Profit/loss on disposal of investments</u>** for an amount of approx. EUR 182 mln, of which 173 mln (net of related goodwill) attributable to capital gains arising from the disposal of 72 branches to the Carige Group and to the Intesa-SanPaolo Group (22 and 50 respectively).

Against this background, **profit before tax from continuing operations stood at approx. 763 mln** (approx. 582 mln in the same quarter of the previous year) with revenues of approx. EUR 224 mln in Q3 (324 mln in Q2).

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

	30/09/10	3°Q10	2°Q10	1°Q10	30/09/09	Chg. 3°Q10 vs 2°Q10 Abs	Chg. 3°Q10 vs 2°Q10 %	Chg. YoY Abs	Chg. YoY %
Net operating income	**761,9**	**272,9**	**244,9**	**244,0**	**580,0**	**27,9**	**11,4%**	**181,9**	**31,4%**
Net provisions to reserves for risks and charges and other operating income (expense)	-166,5	-32,9	-92,2	-41,4	-65,5	59,4	-64,4%	-101,0	n.s.
Gains (losses) from equity Investments	-27,3	-7,8	-19,3	-0,2	-3,0	11,5	-59,4%	-24,3	n.s.
Integration costs / one-off charges	-8,8	-6,1	-2,7		-31,9	-3,4	n.s.	23,2	-72,5%
P&L figures for branches sold	21,8		9,2	12,6	55,2	-9,2	n.s.	-33,4	-60,5%
Gains (losses) from disposal of investments	181,9	-2,3	184,2	0,0	46,8	-186,5	n.s.	135,0	n.s.
Profit (loss) before tax from continuing operations	**763,0**	**223,8**	**324,1**	**215,1**	**581,6**	**-100,3**	**-30,9%**	**181,4**	**31,2%**

Finally, to complete the section on profit & loss:

- **Tax expense (income) on profit (loss) from continuing operations** was negative by approximately EUR 322 mln (approx. -269 mln as at 30 September 2009). The "tax rate" for the period was approx. EUR 42%.

- **Gains (losses) after tax from groups of assets held for sale**, negative by EUR 1.3 mln, against a gain of 195.3 mln as at 30/09/2009 arising from the disposal of asset management companies.

The consolidated net profit of the Montepaschi Group before Purchase Price Allocation (PPA) stood at approx. EUR 439.9 mln (504.6 mln as at 30/09/2009 resulting from capital gains on the sale of the AM segment). Considering the net effects of PPA, net profit for the period came to EUR 356.9 mln (vs. 401.4 mln as at 30 September 2009).

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.

On the basis of this approach, a **breakdown of the results achieved by the operating segments** of the Montepaschi Group **as at 30 September 2010** 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)

September 2010	Consumer Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy
PROFIT AND LOSS AGGREGATES								
Financial and insurance income	2.283,4	-2,9%	1.491,1	0,0%	402,2	-3,2%	4.176,7	-1,9%
Net value adjustments due to impairment of loans and financial assets	349,4	-13,9%	547,9	-11,0%	0,8	n.s.	898,2	-16,0%
Operating expenses	1.686,5	-4,7%	451,1	-5,8%	379,0	4,8%	2.516,7	-3,6%
Net operating income	247,4	39,5%	492,0	23,9%	22,4	n.s	761,9	31,4%
BALANCE SHEET AGGREGATES								
Active loans and advances to customers	64.652	16,8%	73.041	1,3%	9.752	-18,7%	147.445	5,7%
Customer accounts and securities	83.896	0,8%	49.278	-2,5%	21.727	9,3%	154.901	0,8%
Indirect funding from customers	71.813	1,6%	36.888	4,3%	29.930	11,1%	138.631	4,3%
Assets under Management	45.499	8,4%	2.420	-4,0%	2.819	-2,4%	50.738	7,1%
Assets under Custody	26.313	-8,3%	34.468	5,0%	27.111	12,7%	87.893	2,7%
PROFITABILITY RATIOS								
Cost / Income	73,9%		30,3%		94,2%		60,3%	
Raroc	11,67%		11,66%		-		5,7%	

All data in the table is pro-forma to reflect changes to the scope of consolidation (see section on "*MPS group reclassification principles*"). As is usual, the major business aspects of Q3 2010 for each of these operating segments are reported in the following pages.

CONSUMER BANKING

FUNDING/LENDING POLICY AND PRODUCT/SERVICE INNOVATION

In the third quarter of 2010 the Consumer banking division confirmed the business policies defined in the first part of the year to **best satisfy the needs of households and small businesses** and, in a still-critical economic scenario, guarantee **continuity to the offer of credit,** in full alignment with the commitments undertaken with the Ministry of Economy and Finance. Against this backdrop, the Group coordinated a series of initiatives, appropriately differentiated by "Customer segment", so as to ensure effective support to the Network in its customer relations activities and to further the achievement of pre-set economic and capital targets. More specifically:

<u>Retail customers</u>

- ✓ <u>**"Family"** segment</u>**:** Activities focussed on the objectives of **increasing customerbase** and **improving cross-selling indices**, especially through ad-hoc campaigns on current accounts and the development of business with customers of the Group's consumer credit company, Consumit. **Support to families in difficulty** ("Fight the Crisis" and the Italian Banking Association's "Plan for families") continued as did the **promotion of a "culture of protection"** (increased penetration of person and property damage insurance) through the campaign "Protetto e Premiato" (Protected and Rewarded). With regard to **financial inclusion,** the agreement between the **Italian Banking Association and the Italian Bishops' Conference** was put underway as was the signing of new protocols at both national level (**Fondo Giovanardi**) as well as regional (**Microcredit Fund** for Tuscany, **Fund for Young Professionals**, **Fund for students**) in addition to initiatives developed in conjunction with the Group's investee, "Società di Microcredito".
- ✓ <u>"**Affluent**" segment</u>: several business initiatives were coordinated at regional level (the **Metodo** campaigns) which saw the involvement of over one million customers. With regard to instruments supporting customer relations, the start-up phase for the **Advisory Platform** was completed thanks also to the strong commitment of the Advisory Specialists who have the twofold role of supporting the Network units (Regional Areas, Local Headquarters and Branches) and channelling feedback from the market of reference. As for products, a series of initiatives were put underway in relation to the **AXA-MPS** and **Consumit** catalogue.
- ✓ "<u>**Small Business**</u>" segment: initiatives in support of **small businesses** continued, encouraging the use of business loans and favouring the disbursement of new credit lines. Particular focus was given to **businesses with mid-high growth potential** interested in new industrial investments (quality, research, innovation) as well as companies operating in the **Tourism and Agricultural sectors** for which a specific range of lending products was created (in particular mid-long term loans and leases) in addition to services. Promotion of the **Fight the Crisis** plan in favour of small and medium enterprises in temporary financial distress continued in the quarter as did the **"Common Avis"** between the Italian Banking Association and the Ministry for Economy and Finance.

<u>Private customers</u>

Operations were characterised through a **rigorous scheduling of sales and distribution initiatives** as well as the widespread use of **advanced advisory services** with a view to improving the quality and value of customer relations. Within this framework, a crucial role was carried out by **Private Advisory Specialists** who focussed on further developing the advisory model, deploying technical-commercial training sessions, supporting **Private Bankers** and optimising the portfolio of managed accounts (**GPA**). Moreover, targeted initiatives continued for each strategic 'track' of segment development: 'development in extension', containment of attrition, in-depth improvement/optimization of asset mix.

<u>Family Office customers</u>

This target of customers, which falls under the scope of the **Family Office Area** (set up in 2010 in consistency with the strategic guidelines contained in the 2008-2011 Business Plan) specifically involves the "**direct management**" of the customer so as to create and consolidate **long term relations with high-worth families** while offering a **tailored service** that covers all of their (financial and non-financial) assets and provides "value-protection" through careful planning of inter-generational transfers. Sales and distribution actions are supported by an organizational structure (**centres and "light offices"**) set up across the country with **resources selected from the network**, further specialized and supported by **advisory specialists who are dedicated** to analyzing the demands of customers and the proposals of targeted solutions. For this purpose, **potential agreements with the sector's leading professionals** have been identified with the aim of broadening and fine-tuning the advice on offer and meeting more specific customer demands. In terms of **"value proposition"**, a **distinctive range of offers** was created, based upon a highly-customised advisory approach for potential integration with the complementary services of MPS Fiduciaria which broaden and complete the offer. With regard to assets managed by the Family Office Area, **GPA Premium Evolution** is the most up-to-date product providing greater flexibility in the management and transfer of financial instruments. As for trading, a **priority access channel** was defined with MPS Capital Services Banca per l'Impresa with a view to maximising the efficiency of operational management and achieving better service overall.

With regard to **product/service innovation** and, more specifically, the development of the professional advisory model, the Montepaschi Group successfully completed the process extending the use of the new **MPS Advice platform** launched in 2008, to the three markets, Affluent, Private and Financial Advisory. The third quarter also saw the extension of the platform to Biverbanca and the Family Office market, including the delivery of additional advisory services for advanced reporting (asset portfolio analysis and monitoring of financial investments).

As for <u>Asset Management</u>, the GP Alta Gamma catalogue - characterised by its high level of customisation – was completed and enriched with the new products, "**Alta Gamma Defensive**", dedicated to Private, Corporate and Family Office customers.

With regard to <u>Funds and Sicavs</u> in the third quarter, the range of products offered by Prima Funds was further enriched with the launch of **"Prima Funds Bond 2015 Multicorporate Dinamico"**, held-to-maturity corporate bonds with distribution of profits. As for offers directed at Financial Advisory customers, the placement of "**Sicav Nextam"** was launched and the release of "**Sicav M&G**" is imminent. Finally, the range of products distributed by Biverbanca was integrated with those from the investment house, **Fidelity,** while the different phases of release for other Sicavs already placed through Banca MPS's Private Network are currently being implemented.

With regard to the <u>insurance</u> segment, the catalogue of life insurance products was integrated with a new edition of the traditional policy, **AXA-MPS Investimento Sicuro**, while damage insurance policies were enriched with the launch of the product, **AXA MPS Mutuo Sicuro Business** targeted at companies as the Group's offer of insurance against the risk of fire and explosion on property under mortgage or pledged as loan collaterals. In the course of the third quarter, the launch of Index-linked products continued while Unit-linked products included the **Unit Melody Advanced** dedicated to the Private market (a Unit-linked policy associated to a Dedicated Internal Fund for individual customers).

OPERATING RESULTS

As at 30 September 2010 Consumer banking posted approx. EUR 156 bln in **total funding**, stable with respect to June levels (+0.1%) but on a rise when compared to the previous year (+1.3%). **Direct funding**, approx. EUR 84 bln, was stable as compared to both 30/06/2010 (-0.8%) and the previous year (+0.8%) and remained concentrated in "on-demand" items and the placement of bonds. As for **indirect funding** (approx. 72 bln; +1.3%

on 30/06/2010; +1.6% on 30/09/2009), a more significant increase was observed for assets under management (approx. 45 bln; +1.6% on 30/06/2010; +8.4% on 30/09/2009) driven by Mutual Funds and SICAVs as well as Bancassurance. With reagard to credit management, **active loans**, which stood at EUR 64.7 bln, were up 2.7% on the previous quarter and 16.8% on 30/09/2009, boosted by mid-long term loans as a result, among other things, of the Group's new Retail products in support of households and small businesses.

In terms of Profit and Loss, total revenues as at 30 September 2010 came to approx. 2.283 mln (-2.9% YoY) with Q3 contributing approx. 738 mln, a decline on the previous quarter (-5%). The net operating income totalled approximately EUR 247 mln, up 39.5% compared to the previous year owing to lower loan loss provisions and to the reduction in operating expenses. The cost-to-income ratio for this segment stands at 73.9%.

Consumer banking

(EUR mln)	30/09/10	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	1.293,7	-3,9%
Net fees and commissions	974,5	-0,9%
Financial and insurance income	15,1	-31,5%
Net Financial income (loss)	**2.283,4**	**-2,9%**
Net value adjustments due to impairment of loans and financial assets	349,4	-13,9%
Operating expenses	1.686,5	-4,7%
Net operating income	**247,4**	**39,5%**
BALANCE SHEET AGGREGATES		
Active loans ad advances to customers	64.652,0	16,8%
Customer accounts and securities	83.896,5	0,8%
Indirect funding from customers	71.812,6	1,6%
Assets under Management	45.499,2	8,4%
Assets under Custody	26.313,4	-8,3%

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

- **Consum.it** posted a profit for the period of approx. EUR 20.8 mln (9.3 mln as at 30/09/2009);
- **Banca Popolare di Spoleto** (26% shareholding consolidated proportionately) posted EUR 5.7 mln in net income (7.3 mln as at 30/09/2009).
- **Monte Paschi Monaco S.A.M.,** a company incorporated under Monegasque law specialised in Private banking, posted profits before tax of EUR 0.9 mln (1 mln as at the end of September 2009).

CORPORATE BANKING

FUNDING/LENDING POLICY AND PRODUCT/SERVICE INNOVATION

The Corporate banking division continued with its efforts to support the manufacturing business of **Small and Medium Enterprises**, ensuring continuity to the Group's offer of credit through ad-hoc agreements with mutual guarantee institutions. Among the initiatives put in place in the third quarter, the following are reported specifically:

- Renewal of the **Agreement for the issue of SACE guarantees** against mid-term loans granted to SMEs in support of business internalisation processes;
- Signing of the **agreement with Eurofidi** for the issue of first-demand guarantees under a Group ceiling of 320 million;
- Implementation of the operating process allowing loans to be granted to SMEs against funding from ***Cassa Depositi e Prestiti* and Bei**[11].

To this end, an important contribution also came from the "**Corporate Platform**", the pilot project of which was launched in the region of Lazio at the start of the year. In addition to managing the activities related to existing agreements[12], the Group also signed an **Agreement promoted by the City of Rome** to facilitate the access to credit for local micro-businesses and SMEs, through the release of a first-demand guarantee by Banca Impresa Lazio (local guarantees agency) for 60% of the loan disbursed (8 million euros have already been allocated as part of a year-end figure of approx. 130 million). Banca Monte Paschi has given its commitment with an **operational ceiling of 25 million euros** as well as more favourable economic terms and conditions. The initiative covers a wide range of demands: loans for manufacturing investments, consolidation of short-term liabilities, loans to restore company liquidity, financing of working capital, issue of sureties.

In terms of **product policies,** the third quarter saw special focus being given to **funding** instruments, with a preference for "Repos" and "Time-deposits" which best meet the needs expressed by companies oriented towards forms of readily convertible investments and guaranteed capital investments. With regard to **loans,** the task of product revision (adjustment to modified operating and economic conditions) and innovation included:

- ✓ **CDP (Cassa Depositi e Prestiti) loans**, aimed at supporting initiatives relating to future and/or current investments, or investments designed to meet the demand for increased working capital;
- ✓ **Credit on current account with mortgage**, characterised by the flexible use of mortgaged amount with the option to recover the drawn amount;
- ✓ **Advance in favour of non-profit social organisations, Lega Coop and Confcooperative from the Province of Siena**, an initiative whose purpose is to promote the sale of credit and contributions owed by Public Bodies.

With regard to **Financial Risk Management**, the overall revision process of the product range on offer was concluded with the development of a **Derivative Product Catalogue,** aimed at simplifying and standardizing the offer and bringing it into alignment with new regulatory and market needs.

As to **Key Clients,** business policies were developed through the requalification of credit support granted to customers and a revision of their relevant economic profiles. In spite of

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[11] On 28 June 2010, Banca Monte dei Paschi di Siena, enforcing BoD resolution of 10 May 2010, signed a financing agreement with *Cassa Depositi e Prestiti (CDP)* in the amount of € 317,041,500 on behalf of The Group, usable until 28 February 2011 and intended for the disbursement of loans in favour of Small and Medium businesses. The initiative, named "Provvista CDP Seconda Tranche" (CDP funding – Second tranche), which follows up on a similar action introduced in 2009, arises from specific legislation issued to support the business system in our country, committed to overcoming today's difficult economic cyle; the measures allow *Cassa Depositi e Prestiti* to use funds deriving from postal deposits and make them available to banks in their granting of credit lines to SMEs.

[12] With regard to initiatives already put under way, an agreement was signed with **Banca Impresa Lazio** which, against the allocation of regional funds, involves the guarantee of the latter (60% of the share capital) on new mid-long term loans issued by BMPS to businesses of the Lazio Region under a ceiling of € 50 mln.

this, the various investment opportunities were not overlooked and all were considered worth exploring notwithstanding the particularly negative economic market cycle. Among these, it should be noted that the Group took part in significant syndicated lending transactions, also as Arranger, for a total of almost Euro 3 million (BMPS share was approx. 246 million).

As for the implementation of project initiatives under the Group's 2008-2011 Business Plan, activities continued for the transfer of customer relations as outlined in the **"Project for the Migration of Large Corporates",** which looks to centralise additional Corporate relations presenting the necessary qualitative and quantitative requirements, in the aim of guaranteeing a service that is best suited to the demands of high-standing customers. The initiative is expected to be completed by the end of Q1 2011.

CORPORATE FINANCE

Activities within the Corporate Finance area, carried out by MPS Capital Services in Q3 2010, were set out according to a business policy that was centred around four main guidelines:

- reinforcement of specialist skills for the distribution network;
- actions targeted to individual customer segments in synergy with the Parent Company;
- broadening further the range of highly-specialised advisory products on offer;
- careful monitoring of credit quality.

Among the initiatives put in place in the period, those that should be particularly noted include **Project Financing** transactions in the *infrastructural sector* (both Civil and Health), *utilities* (owing to the widespread activities aimed at promoting MPSCS in the market in the areas of water, energy, gas and refuse, with special focus being given to **increasing operation in the sector of renewable energy sources**)[13] as well as *Real Estate* (regeneration of urban areas and large real estate projects).

In addition to the important initiatives carried out in **Acquisition Financing** and **Private Equity**[14], MPS Capital Services also acted as MLA (Mandated Lead Arranger) and joint arranger in **"Syndication"** activities, placing 6 lending transactions on the market for a total amount of EUR 188 mln (MPS Capital Services contributing 57 mln). As at 30 September 2010 a further 15 transactions were under syndication for a total of EUR 459 mln (MPS Capital Services contributing 199.75 mln).

OPERATING RESULTS

Total funding for the Corporate banking division stood at approximately EUR 86 bln as at 30 September 2010, up 3% on Q2 2010 (+1.3% on September 2009). The figure includes **direct funding**, approx. 49 bln, which remained stable compared to values as at June 2010 but was lower year-on-year (-2.5%) due to the lesser contribution of funding with market counterparties. Funding volumes with customers were steady as compared to June and up by approximately 12% YoY, driven in the quarter by the growth recorded for the mid/long term component. **Indirect funding** (approx. 37 bln; +4.3% YoY), boosted by assets under custody, benefitted above all from the market impact upon deposits from Large Corporate Customers. As at 30 September 2010 **active loans** came to approximatley EUR 73 bln, stable on Q2 2010 but up by 1.26% on the previous year with increases recorded for the mid-long term components.

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[13] In the third quarter of 2010, in-pool lending transactions were completed with other Credit institutions for: three wind turbines, one of which in Apulia with a power capacity of 66 MWe, one in Sicily with a power capacity of 22.1 MWe and one in Sardinia with a power capacity of 138 MWe.

[14] Transactions effected in the third quarter of 2010 include the completed sale of the shareholding in Diamont, an investment with an IRR of approximately 29%.

Profit & Loss for the Corporate banking division as at 30 September 2010 posted total revenues of approx. EUR 1,491 mln, stable against the previous year, with Q3 contributing approx. 487 mln, down 1.4% on Q2. The aggregate includes the YoY increase in net commissions (+10.3%) while a fall was experienced for interest income (-3.4%) and other revenues (-5%). Net operating income came to approx. EUR 492 mln (+23.9% YoY) on the back of the decline in loan value adjustments and the drop in operating expenses. The cost-to-income ratio came to 30.3%.

Corporate Banking

(EUR mln)	30/09/10	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	996,9	-3,4%
Net fees and commissions	417,9	10,3%
Financial and insurance income	76,4	-5,0%
Net Financial income (loss)	**1.491,1**	**0,0%**
Net value adjustments due to impairment of loans and financial assets	547,9	-11,0%
Operating expenses	451,1	-5,8%
Net operating income	**492,0**	**23,9%**
BALANCE SHEET AGGREGATES		
Active loans and advances to customers	73.040,9	1,26%
Customer accounts and securities	49.277,9	-2,5%
Indirect funding from customers	36.887,7	4,3%
Assets under Management	2.419,7	-4,0%
Assets under Custody	34.468,0	5,0%

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:** posted a net profit for the period of approx. EUR 85 mln (approx. EUR 46 mln as at 30 September 2009);
- **Mps Leasing & Factoring:** achieved a net profit of almost EUR 2 mln at the end of September 2010 as compared to a substantial breakeven registered for the same period in the previous year;
- **Mps Commerciale Leasing:** closed the first nine months of 2010 with a net profit of approx. EUR 4 mln.

With regard to branches abroad:

- **Monte Paschi Banque** net income from banking activities exceeded EUR 34 mln, in line with the result obtained last year**;**
- **Monte Paschi Belgium** posted revenues for approx. EUR 16 mln (approx. 17 mln as at 30/09/2009).

The Corporate Centre

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

a) all operating units which, individually, fall below the disclosure requirements required for primary reporting;

b) the Group's central units (including governance and support, proprietary finance, equity investments and segments of divisionalised entities, which include in particular ALM, treasury and capital management activities);

c) service units providing support to Group units, particularly with regard to collection of doubtful loans (reporting to the Credit Management unit), real estate management, and IT systems management and development, all reporting to the "Human Resources, Organisation, Real Estate and Logistics" 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 net equity method and those held for sale, as well as cancellations of intragroup entries.

GROUP FINANCE

PROPRIETARY FINANCE

As at 30 September 2010, **the Group's portfolio of Securities and derivatives came to approx. EUR 35 bln**, down by almost EUR 4.4 bln with respect to 30/06/2010 (+7.8 bln since the start of the year). More specifically:

- HFT Portfolio: -5.4 bln on 30/06/10 mainly attributable to MPS Capital Services (-3.5 bln) and to Banca Monte dei Paschi di Siena (-1.9 bln). The change is consequent to maturing government bonds and to the disposal of capital gain-generating positions with a simultaneous risk profile reduction.
- AFS Portfolio: +1.2 bln on 30/06/2010 pertaining to Banca Monte dei Paschi di Siena and Biverbanca (mainly consisting in government bonds).

The exposure of the Group's Securities and derivatives portfolio is mainly concentrated in Italian government bonds (over 60% of the entire portfolio). The breakdown by accounting category shows:

- **AFS**: approx. 74% of the total of Italian government bonds. These are securities aimed at boosting interest income, covered by "interest rate risk" through an ad-hoc hedge-accounting policy though still exposed to counterparty risk;
- **HFT**: approx. 25% of total Italian government bonds. These are short-term securities, made up for over 90% by bonds intended to boost interest and trading income which are held by the parent company and by MPS Capital Services and will come to maturity by 2012.

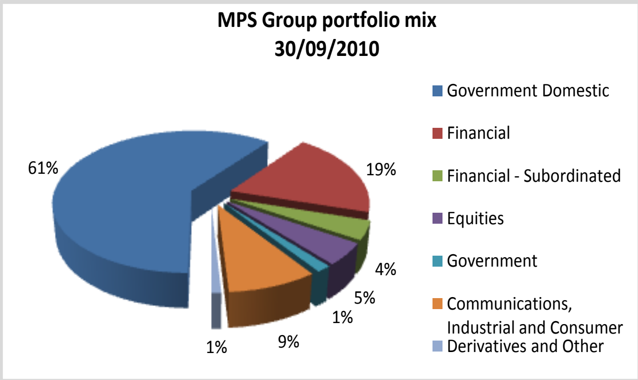
PORTFOLIO OF OWNED ASSETS (end-of-period data in EUR mln)

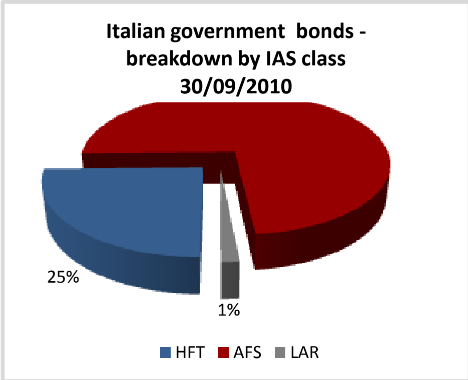
MONTEPASCHI GROUP Type of portfolio	30/09/10	30/06/10	31/12/09	Chg. vs 31/12/09 Abs.	%
Held For Trading (HFT) [1]	11.015	16.391	7.845	3.170	40,4%
Available For Sale (AFS) [2]	19.578	18.370	14.909	4.669	31,3%
Loans & Receivable (L&R) [3]	3.977	4.162	4.048	-71	-1,8%
Total	**34.571**	**38.923**	**26.803**	**7.768**	**29,0%**

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

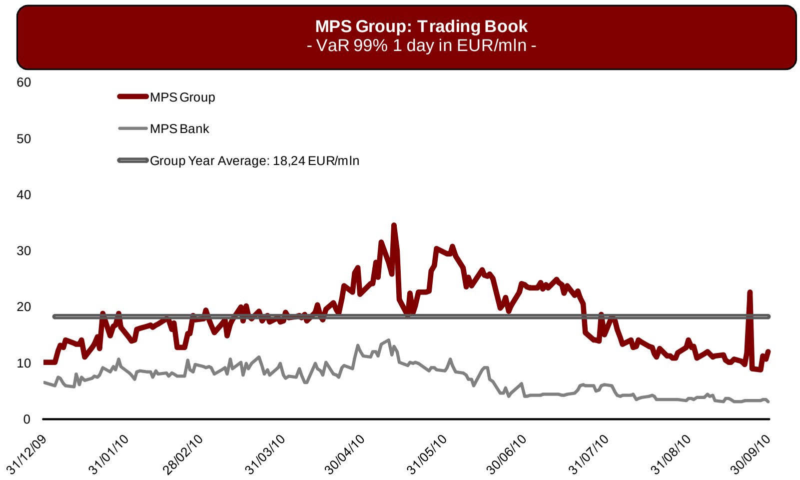
(2) "Financial Assets Held for Sale" excluding "Loans", including Equity Investments.

(3) Assets classified as "Loans & Receivables".

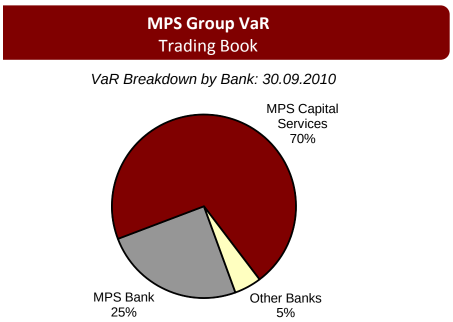




With regard to the Group's Regulatory Trading Book for the quarter, **market risk in terms of Var (Value at Risk)[15], showed a decreasing trend overall** standing at EUR 11.96 mln at the end of September, down by approximately EUR 12 mln with respect to June, mainly reflecting the reduction in portfolio volumes:

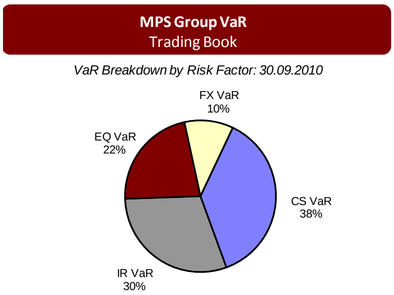


A look at the Group's legal entities shows that market risk continues to be concentrated in MPS Capital Services (70% of total risk at the end of September 2010) and Banca Monte dei Paschi di Siena (approx. 25%), with the remaining part attributable to other banks (5%).



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

A breakdown of VaR by risk factors as at 30/09/2010 shows that the Group's portfolio was divided as follows: approx. 38% allocated to Credit Spread risk factors (CS VaR), 30% to interest rate risk factors (IR VaR), 22% to equity risk factors (EQ VaR) and the remaining 10% to foreign exchange risk (FX VaR).



In the first nine months of 2010 the Parent Company's VaR ranged between a low of EUR 3.01 mln recorded on 17 September and a high of EUR 14.13 mln on 10 May. On average, VaR was EUR 7.06 mln during the quarter. The end-of-period figure as at 30 September 2010 came to EUR 3.12 mln.

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

	VaR	Data
End of Period	3,12	30/09/2010
Min	3,01	17/09/2010
Max	14,13	10/05/2010
Average	7,06	

THE NET INTERBANK POSITION AND LIQUIDITY MANAGEMENT

In Q3 2010 the Montepaschi Group continued to ensure the required level of liquidity making the most of all channels at its disposal for the short-term portion of the curve. Within this context, internal behavioural rules aimed at an increasingly efficient monitoring of flows from business activities have led to a particular focus on *liquidity settlement* and cash forecasts with the aim of further improving the management of the Group's financial and business flows.

Against this backdrop, **the consolidated net interbank difference came to 17 bln in funding as at 30 September 2010,** (+2 bln as compared to June) due to the concentration of payments due from companies at the end of September, which was characterized by a significant use of credit lines/liquid amounts available in current accounts. The situation returned to normal at the beginning of October with corporate deposits reverting back to usual levels.

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

	MONTEPASCHI GROUP					
	30/09/10	**30/06/10**	**31/03/10**	**31/12/09**	Change Abs vs 31/12/09	%
Loans and advances to banks	12.606	13.662	10.474	10.328	2.278	22,1%
Deposits from banks	29.626	28.593	25.628	22.758	6.868	30,2%
Net borrowing position	**(17.020)**	**(14.931)**	**(15.154)**	**(12.430)**	**(2.501)**	**20,1%**

At the end of September 2010 the short-term and structural liquidity position showed a **non-committed counterbalancing capacity of approx. EUR 9 bln** against EUR 5.1 bln in the previous quarter.

With a view to improving the Group's liquidity position, recourse was taken to the "€10.000.000.000 Covered Bond Programme" with a first public issue of 3-year term notes for EUR 1 bln effected in the second quarter of the year and a subsequent issue for the same amount at the end of September. The institutional "unsecured" money market continued to be characterised by lower volumes and all "collateralisation" or securitisation activities were maintained, including the PCT General Collateral market, the main source of financing for the securities portfolio and the Collateralised Interbank Market. Funding for the Group was boosted further by the recourse made to the issue of short-term International certificates of deposit (as at the end of September 2010, EUR 3.7 bln had been used as part of the Euro CD programme).

ALM

In the third quarter of 2010, ALM activities were focussed on prudent management of the interest rate risk profile, through both hedging derivatives and through initiatives on the domestic and International market.

Domestic bond funding saw 24 new releases of "plain vanilla" products for the Retail, Corporate and Private customers of the Group, for an amount exceeding 3.1 bln in total. In terms of duration, operations focused mainly on maturities of less than five years.

International market activities, directed at qualified institutional investors, were mainly carried out through issuances under the *€ 50,000,000,000 Debt Issuance Programme*. Of particular note are two subordinated Lower Tier II transactions for EUR 150 mln and EUR 500 mln, carried out in August and September respectively, in substitution of subordinated notes maturing in the period.

GROUP EQUITY INVESTMENTS

In the third quarter of 2010, the Group continued with its reorganisation of the equity investment portfolio. The following transactions were completed by Banca Monte dei Paschi di Siena for the divestiture/disposal of non-strategic investments:

- divestiture of its 0.17% shareholding in CA.RI.CE.SE. Srl;
- divestiture of its 1.20% shareholding in Centrosim SpA;
- disposal of a part of its stake in Siena Mortgages 10 7 Srl, reducing its shareholding from 9.1% to 7%;
- divestiture of its 10.39% shareholding in Società di Promozione del Mercato Alternativo del Capitale SpA.

Similar initiatives by other companies of the Montepaschi Group in the period include the sale of the 8.11% shareholding held in *Cooperativa Italiana Ristorazione* by MPS Investments.

Transactions listed incorporate the changes brought about to the Group's equity investments portfolio in the first half of the year, as described in the Financial Report as at 30 June 2010.

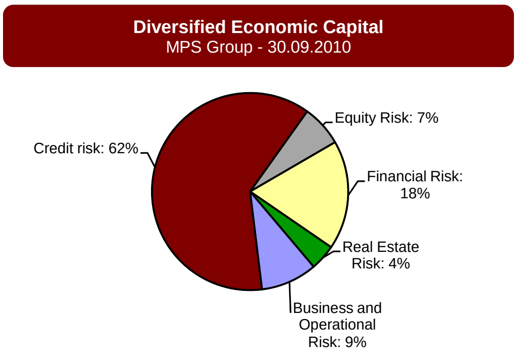
INTEGRATED RISK AND CAPITAL MANAGEMENT

THE RISK MEASUREMENT AND CONTROL PROCESS

Please refer to the relative chapter in the Consolidated Financial Report and to Part E of the Consolidated Notes to the Financial Statements as at 31.12.2009 for a description of the Group's internal risk measurement and control process. Following is an outline of the main results obtained from the analysis of the Montepaschi Group's Economic Capital and Risks as at 30.09.2010.

ANALYSIS OF ECONOMIC CAPITAL

As at 30 September 2010 the Overall Economic Capital of the Montepaschi Group was broken down as follows; credit risk (62% including counterparty risk, issuer risk and concentration risk), equity investments risk (7%), operational and business risks (9%) and real estate risk (4%). The working capital against financial risks (consisting of typical trading book and ALM Banking Book) amounted to approx. 18% of the Overall Economic Capital.



CREDIT RISK

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

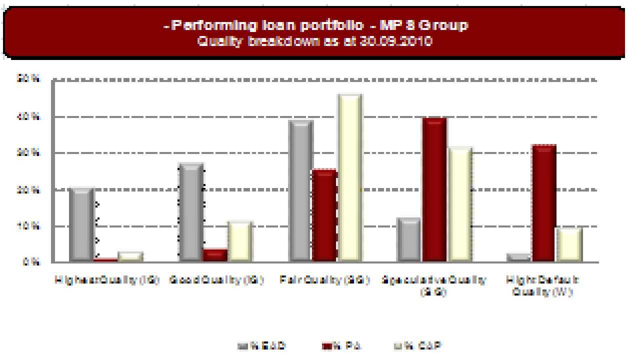
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined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

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

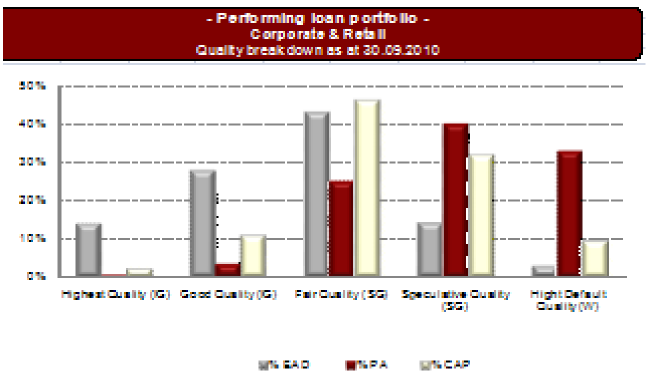
The model evidences the change in credit risk over time based on the various combinations of the variables under analysis, by legal entity, customer type, geographic area, economic sector, rating class and continental area. Other information derived from the Credit Portfolio Model concerns "what-if"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

In accordance with the provisions of the Second Pillar of Basel 2, the Montepaschi Group is committed to the continuous development of methodologies and models in order to assess the impact on the loan portfolio of stress conditions produced using sensitivity analyses with respect to individual risk factors or through scenario analyses.

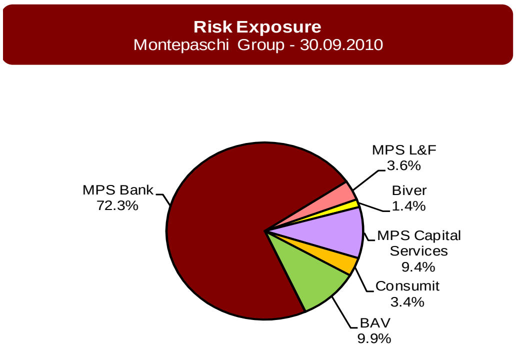
The chart below provides a breakdown of the credit quality of the Montepaschi Group portfolio (excluding financial asset positions). The analysis shows that around 47% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government 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 indicates a breakdown of credit quality only for Corporate and Retail portfolios (whose PD and LGD parameters are determined through the use of internal models which, for the large part, have been validated by Supervisory authorities). It should be noted that as at 30 September 2010, exposure of a high or good quality accounted for about 41% of total Corporate and Retail exposure.

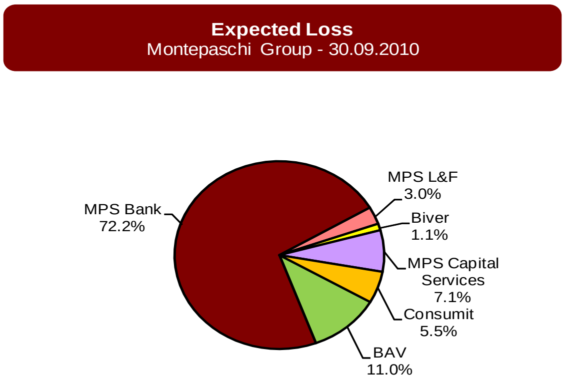


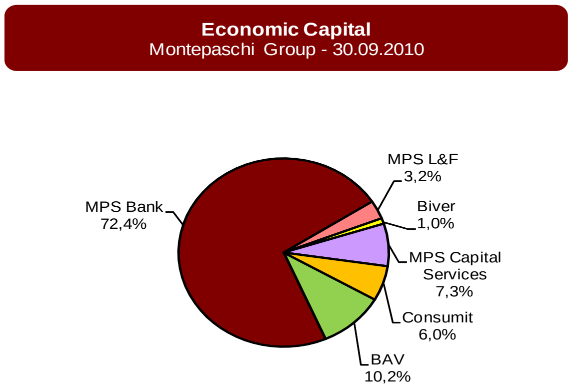
The following chart shows that the three retail banks (Banca MPS, Banca Antonveneta and BiverBanca) contribute to approximately 83.6% of the total Montepaschi Group's exposure to risk, whereas the companies MPS L&F, MPS Capital Services, Consumit and MPS Banca Personale, account for the remaining 16.4%.



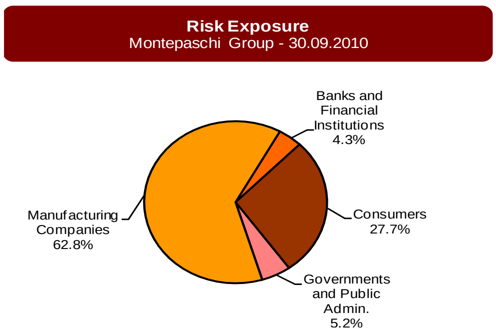
With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 72.2% followed by Banca Antonveneta with 11% and MPS Capital Services and Consumit (7.1% and 5.5% respectively), while the remainder (4.2%) is assigned to cover the risks of MPS Leasing & Factoring and BiverBanca.

Most of the overall amount of economic capital to cover credit risk is absorbed by the Parent Bank (about 72.4%), followed by Banca Antonveneta and MPS Capital Services (10.2% and 7.3% respectively) with the remaining 10.1% absorbed by the other legal entities.

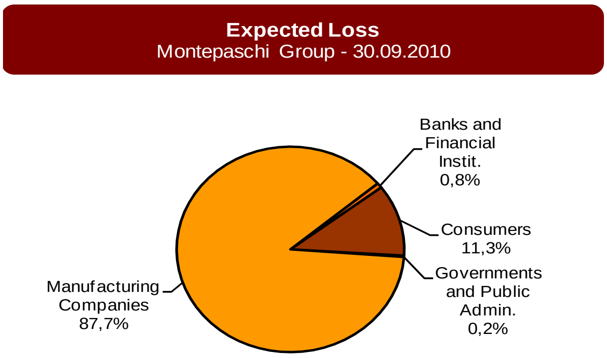


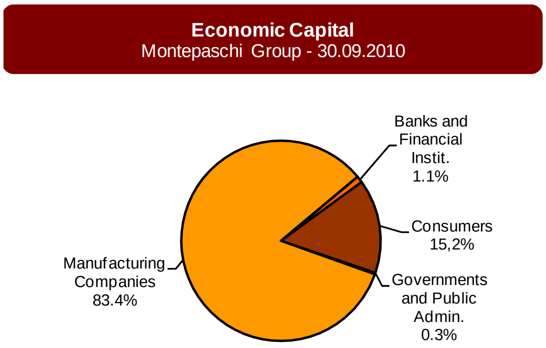


An analysis as at 30 September 2010 shows how the risk exposure of the Montepaschi Group is mainly toward "Manufacturing Companies" (62.8% of total loans disbursed) and "Households" (27.7%). The remaining portion is broken down between "Government and Public Administration" which makes up 5.2% and "Banks and Financial Institutions" for 4.3%.

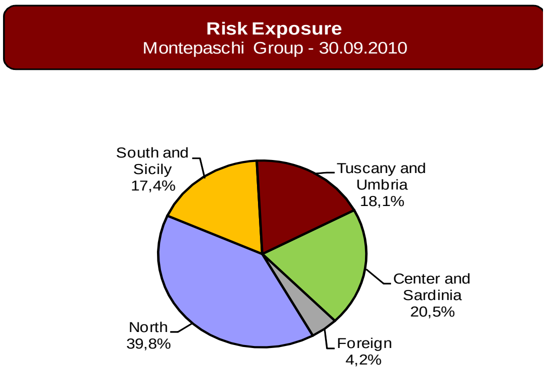


In terms of risk measures, it should be noted that Manufacturing Companies account for 87.7% of the Expected Loss and 83.4% of the Economic Capital. The portion for "Households" comes to 11.3% for Expected Loss and 15.2% for Economic Capital.

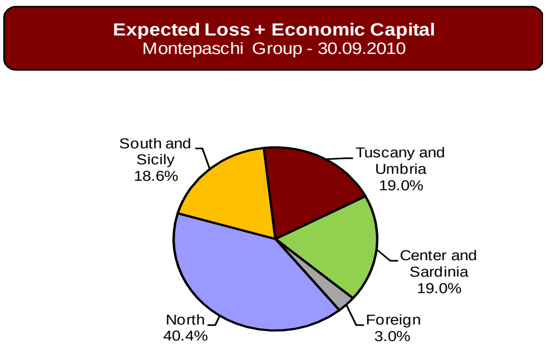




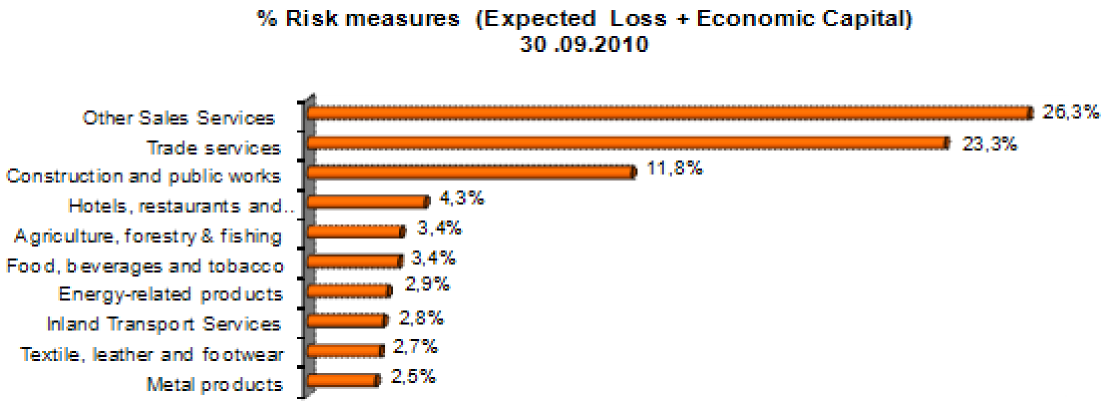
An analysis of the geographic breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Northern regions (39.8%) followed by Central Italy and Sardinia (20.5%), Tuscany and Umbria (18.1%), Southern Italy and Sicily (17.4%). The remaining 4.2% is from abroad.



Overall risk measures (Expected Loss + Economic Capital) are mainly accounted for by the greater concentration of loans in northern Italy (40.4%). Next in the ranking are Tuscany and Umbria (19%), Central Italy and Sardinia (19%), Southern Italy and Sicily (18.6%), while the remaining 3% comes from foreign customers.



Lastly, a breakdown of exposure of the top 10 business sectors, based on the Bank of Italy ranking – which account for 83% of overall lending to corporate customers – shows that "Other Sales Services" (26.3%) "Trade Services" (23.3%) and "Construction and Public Works" (11.8%) together account for 61.4% of total risk measures. These are followed by "Hotels, Restaurants and Catering", "Agriculture, forestry and fishing", "Food, beverage and tobacco" which together make up 11.1% of total Expected Loss and Economic Capital.



EQUITY INVESTMENT RISK

At the end of the third quarter of 2010 the VaR for equity investments (calculated in terms of a 99% VaR for a 1-quarter holding period) accounted for 22% of the portfolio fair value.

INTEREST RATE RISK - BANKING BOOK

The sensitivity of the Montepaschi Group, at the end of Q3 2010, suggests a profile of risk exposure to rate hikes. The amount of the economic value at risk in the event of a 100bp parallel shift of the rate curve came to approx. 12.6% of consolidated Tier 1 as at the end of September. However, if benchmarked against the Regulatory Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

LIQUIDITY RISK

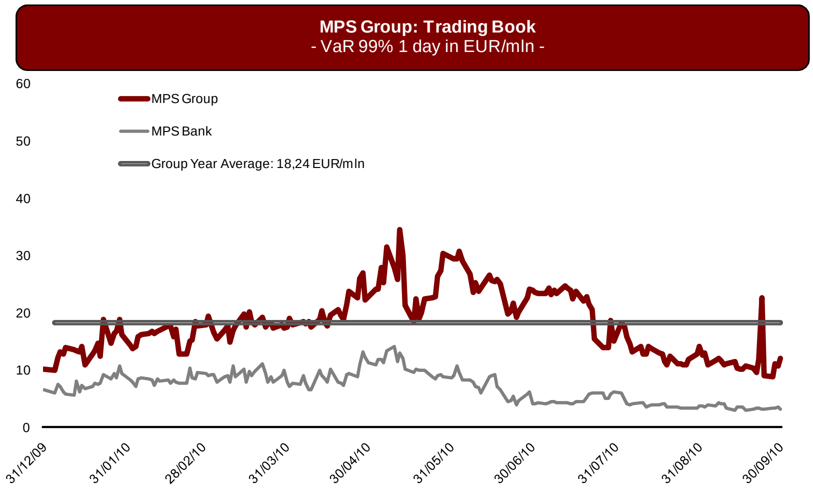
The overall structural liquidity profile is monitored on the basis of quantification of mismatches of maturing cash flows, by settlement date. Items of an optional nature have representative models consistent with those used for rate risk.

The planning of the funding policy Group-wide (Funding Plan) is coordinated and directed by the Treasury and Capital Management Area (in cooperation with the Planning Area), which:

- submits the plan of the initiatives to be taken in the financial markets to the Finance Committee for approval, with a view to achieving the objectives set by the business plan and in accordance with capital management requirements;
- coordinates the MPS Group banks' access to domestic and international long-term and short-term capital markets, as well as access to the European Central Bank re-financing transactions and centralised management of statutory reserves;
- makes projections on future liquidity, simulating different market scenarios.

MARKET RISKS – TRADING BOOK

In the first nine months of 2010, market risk in the Regulatory Trading Book in terms of VaR stood at an average of EUR 18.24 €/mln, fluctuating between a low of EUR 8.84 mln recorded on 27 September and a high of EUR 34.44 mln on 12 May. The performance was largely due to the trading activities carried out by the subsidiary, MPS Capital Services. The Group's VaR came to EUR 11.96 mln as at 30 September 2010.



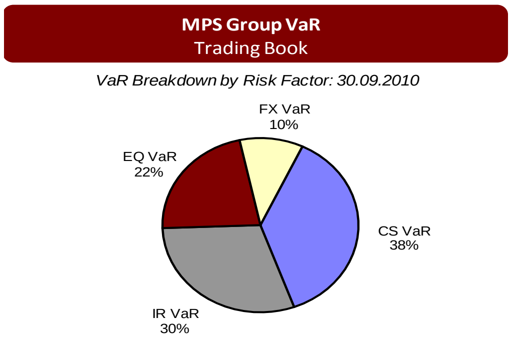
MPS Group: Trading Book
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	11,96	30/09/2010
Min	8,84	27/09/2010
Max	34,44	12/05/2010
Average	18,24	

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

As at 30 September 2010 MPS Capital Services accounted for 70% of overall risk, the Parent Company contributed approx. 25% while the remaining 5% was attributable to the other banks.

A breakdown of VaR by risk factors as at 30-09-2010 shows that 38% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 30% was absorbed by interest rate risk factors (IR VaR), 22% was absorbed by equity risk factors (EQ VaR) and the remaining 10% by foreign exchange risk factors (FX VaR).

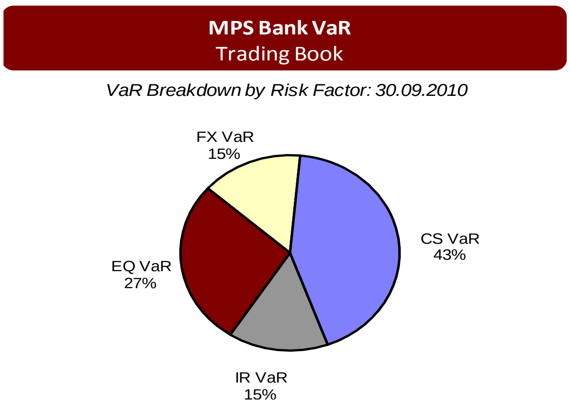


During the first nine months of 2010, the Group's VaR ranged between a low of EUR 3.01 mln recorded on 17 September and a high of EUR 14.13 mln on 10 May. The VaR recorded in Q3 2010 stood at an average of EUR 7.06 mln. The end-of-period figure as at 30 September 2010 was EUR 3.12 mln.

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

	VaR	Data
End of Period	3,12	30/09/2010
Min	3,01	17/09/2010
Max	14,13	10/05/2010
Average	7,06	

A breakdown of VaR by risk factor as at 30/09/2010 shows that 43% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 27% was absorbed by Equity Risk factors (EQ VaR) and the remaining 15% by Interest Rate risk factors (IR VaR) and Foreign Exchange risk factors.



OPERATIONAL RISKS

The Montepaschi Group has implemented an integrated management system for operational risk which is built on a governance model involving all the companies of the Group identified as belonging to the scope of application. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, including Banca AntonVeneta and the branches merged into Banca MPS, with the exception of BiverBanca, for which a specific roll-out plan was put underway. The foundation approach is adopted on a permanent basis for foreign companies and special-purpose vehicles.

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 component (Loss Distribution Approach) is based on the collection, analysis and statistical modelling of time series of internal and external data on loss (provided by the DIPO consortium – Database Italiano Perdite Operative). The model involves the classification of operational losses into categories that are as homogeneous as possible and the subsequent calculation of Value at Risk at 99.9%, by adopting Extreme Value Theory techniques. The estimation of occurrence frequency is exclusively based upon internal data.

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 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 mitigation actions.

With regard to activities carried out in the quarter, it should be noted that Assessment and Scenario sharing sessions were completed and followed up by the onset of Scenario analyses and setup of validation activities in line with the practices and methodologies of the MPS Group.

REGULATORY CAPITAL AND REQUIREMENTS

On 25 August 2010, the Montepaschi Group obtained authorisation by the Supervisory Authorities for the extension of internal models for the quantification of capital requirements for credit risk to all Antonveneta and former Antonveneta branches merged into the Parent Company and a floor reduction from 90% to 85% as of 30.09.2010.

As at 30/09/2010 the **Group's Regulatory Capital was estimated** at EUR 14,438 mln, with **Tier 1 at 8.4%** (7.5% at the end of December 2009) and a Total Capital Ratio at 12.9% (11.9% at the end of December 2009).

In terms of RWAs, the estimates produced showed a slight fall of 7.5% with respect to December 2009.

Regulatory capital (EUR mln)

	30/09/10	*30/06/10*	*31/12/09*
Tier I capital	9.340	9.332	9.093
Tier II capital	5.503	5.677	5.697
Items to be deducted	405	390	410
Total regulatory capital (before Tier III)	**14.438**	**14.619**	**14.380**
Total regulatory capital	**14.438**	**14.619**	**14.380**

THE OPERATING STRUCTURE

The chapter outlining the development of operations for the different business areas ("*Segment reporting*") included a description of sales & distribution policies and product/service innovation initiatives. This section of the report on operations provides **information on the development of the Group's operating set-up** with particular regard to the **distribution channels, payment systems** and **human resources**.

DISTRIBUTION CHANNELS

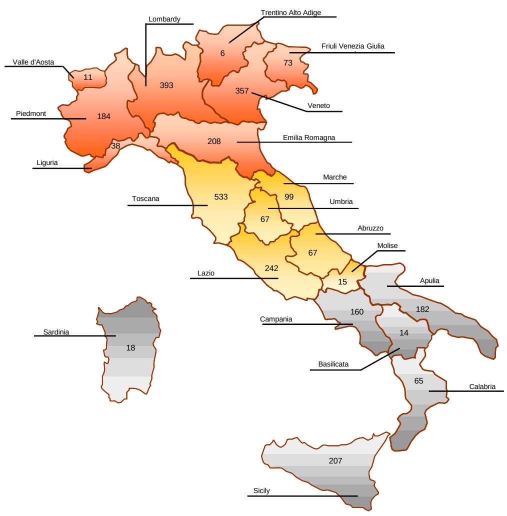
The Montepaschi Group operates in a logic of developing and streamlining its distribution channels, focusing both on growing the traditional network and strengthening the innovative channels (internet banking, phone banking, ATMs) with a view to making the branch a highly-evolved centre for customer relations.

The Montepaschi Group's **traditional distribution network** underwent significant changes in the past two years mainly due to the following events:

- ✓ **major corporate transactions** such as the acquisition of Biverbanca and Banca Antoveneta and the merger by absorption of Banca Toscana and Banca Agricola Mantovana into the Parent Company;
- ✓ **implementation of the asset disposal plan**, defined in compliance with the recommendations from the Antitrust Authority which involved the disposal of three undertakings consisting in a total of 87 Banca Monte dei Paschi di Siena branches;
- ✓ **optimisation of local foothold** with initiatives implemented as of Q3 2010, aimed at increasing productivity and improving sales and distribution efficiency overall. Project developments in the quarter involved the closure of 74 branches which were particularly overlapping with other points of operation; subsequent phases will include the completion of optimisation actions and the gradual re-opening of units previously closed, with the aim of preserving the configuration of the Network overall and in the local regions.

As at 30 September 2010, the Montepaschi Group totalled **2,939 branches nationwide**[16] as illustrated in the following breakdown by region, geographical area and bank of reference:

MONTEPASCHI GROUP DOMESTIC BRANCHES



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[16] Number of reports to the Bank of Italy's Supervisory Institute

BRANCH DISTRIBUTION BY GEOGRAPHICAL AREA AT 30.09.2010(*)

Northern Italy	1.270	share 43.21%
Central Italy	1.023	share 34.81%
Southern Italy and islands	646	share 21.98%
TOTAL	**2.939**	

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

MONTEPASCHI GROUP BRANCHES AS AT 30.09.2010(*)

Banca Monte dei Paschi di Siena	2.435
Banca Antonveneta	395
Biverbanca	109
Total Montepaschi Group	**2.939**

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

Specific customer segments (SMEs, Institutions and Private) have been delegated by the Group to **257 specialised business centers**.

The Group's distribution network also relies on **827 financial advisors and 146 financial advisory offices open to the public nationwide**.

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

MONTEPASCHI GROUP DISTRIBUTION NETWORK

Distribution channel	30.09.2010	30.06.2010	31.03.2010	31.12.2009
Domestic branches*	2.939	3.014	3.088	3.088
Financial Advisory Offices	146	148	155	163
Total domestic points of sale	*3.085*	*3.162*	*3.243*	*3.251*
Foreign branches	41	41	41	41
SME Centres	115	115	113	113
Institutional Client Centres	51	51	50	50
Private Client Centres	90	90	91	90

* 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'.

With regard to **innovative channels**, the third quarter saw the Group's widespread commitment to the promotion of telematic services with a particular focus on **integrated multi-channels** which, within one single package, include *Internet Banking*, *Mobile Banking* and *Phone Banking* services, whose functions are in continuous evolution.[17] In the third quarter, **Consumer banking customers** contributed to the development of the telematic segment with **almost 92,000 contracts** (over 66,000 Integrated Multi-channel contracts) taking the result at the end of the period to over 1,477,500 units (an increase of almost 126,000 contracts since the start of the year). A positive contribution was also observed from **Corporate banking customers** who, with **more than 1,120 contracts** in the quarter, take the total number of contracts to 38,600 (+1,300 contracts since the start of the year).

As far as **ATMs** are concerned, the third quarter continued with the plan for the installation and implementation of "cash-in" machines which, since the start of the year, have reached a total of 205, of which 38 installed in *Self Service* areas. Considering the discontinuation of ATMs belonging to branches included within the scope of distribution network optimisation, **Montepaschi Group ATMs totalled 3,567 as at 30 September 2010**.

THE DIRECT FOREIGN NETWORK

The direct network of the Montepaschi Group has a strong footprint in all major financial and economic centres as well as in emerging countries with the highest rates of growth and/or key relations with Italy, for the purpose of:

- ✓ **providing Italian customers with a wide service** network in support of foreign trade and internationalisation;

[17] Recently-introduced novelties include the launch of the service, Paskey Mobile Banking, which allows customers to effect all main inquiries and payment orders using smartphones

- ✓ **capturing trade finance flows**;
- ✓ **taking part in the economic activities of developed or high-growth markets** so as to diversify the income base, using a prudential approach.

The Montepaschi Group International network is made up of:

- ✓ **4 operational branches**, located in London, New York, Hong Kong and Shanghai;
- ✓ **11 Representative Offices** located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China);
- ✓ **2 Italian Desks**, in Spain and Romania;
- ✓ **3 foreign banks**: MP Monaco SAM (1 branch), MP Belgium (8 branches), MPS Banque (17 branches).

Correspondent Banking activities focussed on the following aspects:

- ✓ more efficient and effective foreign correspondent relations management, with particular regard to the European Payments system, through the successful completion of several agreements regarding charges on money transfers;
- ✓ development of interbanking relations with a focus on counterparties who operate in geographical areas with higher growth potential, in a logic of trade finance origination;
- ✓ increased work flows that can be initiated from abroad, with specific actions in areas of special commercial interest carried out in agreement with the relevant network units.

Since the start of the year, the **following business agreements and activities were carried out**:

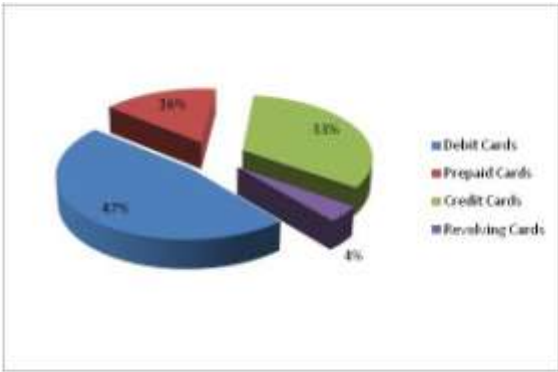
- ✓ **"One Stop Guarantee Programme"** with Standard Chartered Bank, London, for the management of guarantees to be issued by order of Montepaschi group customers to Sub-Saharan Africa and Asia where Standard Chartered Bank has its own branches or subsidiaries. The agreement offers several advantages, among which a pre-set pricing by Country, the identification of a single interlocutor and the exoneration from withholding tax on orders;
- ✓ "Risk sharing" with ANZ (Australia) and Banque Misr (Egypt) on the basis of which several significant transactions were executed in favour of Group customers;
- ✓ "**Forfeiting**" with China Construction Bank (China) supporting transactions for the discounting of documentary credit without recourse, effected by our branch in Shanghai.
- ✓ **Renewal of business agreement with Banco do Brasil** in relation to the management of migrants' remittances;
- ✓ **Updating of major agreements with correspondent banks**, particularly regarding the terms and conditions to be applied to products and services, partly as a result of the new European Payment Services Directive (PSD).

PAYMENT AND COLLECTION SYSTEMS

Policies implemented by the Group in relation to **preventing and countering fraud on payment cards** included, in the third quarter, the ongoing replacement all magnetic stripe debit cards with latest generation chip-embedded cards which ensure higher levels of security on transactions. With a view to reducing the impact upon the Network and Customers to a minimum and complete the entire process by the end of the year, the replacement plan - involving approx. 800,000 cards (approx. 450,000 cards have already been replaced, of which approx. 150,000 in Q3 2010) - was broken down into various phases, each with different methods for the delivery and activation of new cards according to the type of product.

Fraud monitoring and prevention activities were reinforced in the quarter thanks to the consolidation of the Back Office structure, initiated in the first part of the year, which sees the use of a specific software platform which makes it is possible to monitor transactions in real time and disable credit cards in the event of suspected fraud, notifying the customer beforehand through a text message. As of the end of July, the Back Office structure also includes a counter-fraud unit available to customers for any questions or inquiries regarding card-reactivation. Fraud prevention, initially applied to debit cards alone, was gradually extended to include credit cards also.

Continuing with the logic of achieving greater security, July saw the release of the international debit card, **MPSEuroshop – VPAY** which, due to its use with international circuit chip alone, ensures higher levels of fraud protection.



MPS Group circulating payment cards[18] stood at approx. **3,260,000**, slightly up on the number of cards registered as at the end of June 2010 and substantially in line with the situation as at 31/12/2009. July/August saw an increase in **prepaid cards (+1,9%)** owing to the performance of Spider and Kristal Best, as well as **debit cards (+1.1%)**, while the number of **credit cards** remained stable**.**

With regard to **P.O.S. payments**, the percentage of positions subject to contractual migration from CartaSì to MPShop[19] reached approx. 80% as at the end of September, confirming the development of the operational plan which is expected to be completed by the end of the year.

With regard to **product innovation**, activities continued on the release of chip-embedded cards by the end of the year, for both prepaid cards and the multi-functional Consumit and CartaSi cards. As for “cobranded” cards, the ARI card was released in conjunction with the association “Audax Randonneur Italia” with the aim of promoting cycling and sightseeing tours.

Compliance-adjustment activities were implemented in the quarter in relation to the new system rules gradually introduced by the **Payment Service Directive (PSD)** with necessary procedural changes and additions being effected to comply with the new regulatory approach. Furthermore, activities continued to be developed regarding the **Single Euro Payments Area (SEPA)** with a review of procedures for the European collection system, SEPA Direct Debit, which is already available to customers. Finally, an analysis was started to implement additional features on SEPA services (Direct Debit and Credit Transfer) with the assessment of possible strategies for the migration of domestic services.

[18] Cards distributed by Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca.

[19] This is the “acquiring” service, managed independently by the Montepaschi Group as of 1/1/2010, which allows the acceptance of the International circuit cards, VISA, VISA Electron, V-Pay, Mastercard and Maestro in addition to the PagoBANCOMAT cards.

Human resources, organisation, logistics and real estate

Having completed Group restructuring in 2009, plans and activities for 2010 have been oriented towards the following priorities:

- **optimisation of the Central Units organisational setup,** increasing the levels of internal efficiency and governance effectiveness, according to the principles of simplification, single accountability and concentration on 'greater business value' activities (dynamic cost-benefit assessment);
- **innovation of operational "processes",** with priority being given to the Network, for the purpose of making all market-targeted activities simpler, faster and more transparent, thus improving service quality along the guidelines of Bank-Customer and Bank-Employee relations. The **focal point is the *branch*** with specific regard to enhancing the **role of the Branch Manager**;
- **roll-out of the new human resources management/development model** (structured, "portfolio-based" HR tracking at regional level) geared towards strengthening the development processes for the best resources in conformity with planning logics: 'industrialisation' of knowledge-related processes and professional career paths aimed at ensuring coverage of roles with high business impact; training focused on behavioural quality, credit and groundwork for the role of Branch Manager;
- **strengthening the levels of cost management,** by structurally reducing costs (providing the same level of service), achieving economies of scale/scope, streamlining "spending" oversight processes and resource management.

❑ HEADCOUNT

As at 30/09/2010 the **Group** headcount in terms of actual "workforce"[20] came to **31,591** units:

MONTEPASCHI GROUP HEADCOUNT

	31/12/07(*)	31/12/09	30/09/10
Total worforce	34.188	32.003	31.591

(*) 2008-11 Baseline Business Plan: Banca Antonveneta (9,383 employees) and Biverbanca (696 employees) included.

With respect to the "baseline" contained in the business plan (31/12/2007), the **total reduction of resources climbed to -2,597** and **-2,127** purged of the effects from "**asset disposal**"[21], and was mainly focused on the Head Office Structures (-2.087).

In 2010, **management policies** have been **geared towards substantial consolidation,** as a fundamental condition to develop professional skills and encourage the integration of cultures within the new organizational structure. Flows since the start of the year included 425 outflows (evenly distributed between the Network and Head Offices[22] and set to increase in the final part of the year following the expected participation in Early retirement plans) and 399 new hires, channelled almost entirely to the Branch Network.

20 Value obtained by deducting from personnel on payroll (31,607) all resources seconded to the non-Group companies and those belonging to Professional Area Band I working part-time (19 cleaning staff).

21 This includes the disposal of branches to the Groups Carige and Intesa-SanPaolo (22 and 50 branches respectively for an approximate total of 400 resources.)

22 Parent Company, Head Office and Regional Sales Network Areas and Product and Service companies.

EMPLOYEE TURNOVER

Progressive values	From 31/12/07 to 30/09/10	From 31/12/09 to 30/09/10
Hirings	1.745	399
Outflows	-3.872	-425
Differences due to changes in Group scope	-470	-386
TOTAL	**-2.597**	**-412**

A total of **772 resources**[23] have been **requalified** from Head Office to **network roles** (**+70 since the start of the year**), fuelling the process of workforce 'reconversion' from central units and improving the front office to total staff ratio, now standing at 67%.

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

EMPLOYEES BY OPERATIONAL LOCATION

ITALY	31/12/07	% OF TOTAL	31/12/09	% OF TOTAL	30/09/10	% OF TOTAL
Headquarters (1)	12.360	36,8%	10.392	33,1%	10.273	33,1%
Network(2)	21.232	63,2%	21.030	66,9%	20.748	66,9%
TOTAL	**33.592**	**100%**	**31.422**	**100%**	**31.021**	**100%**
Foreign Branches and Representative Offices	596		581		570	
TOTAL GROUP	**34.188**		**32.003**		**31.591**	

(1) Parent Company, Headquarters of Retail Banks, Regional Areas and Product/Service Companies

(2) Local Head Offices, Branches, Centres, call centres and other front-office units

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

BREAKDOWN OF STAFF BY PROFESSIONAL CATEGORY

CATEGORY	30/09/10	% OF TOTAL
Executives	555	1,8%
Middle managers	11.380	36,0%
Other professional categories	19.656	62,2%
TOTAL	**31.591**	**100%**

Personnel with University degrees account for 32.1% of the total with the highest incidence for Executives (approx. 48.5%).

The average age within the Group is 43.1 (Banking system[24] 42.5) while the percentage of women comes to 44.3% (System 42.1%).

❑ HR OPERATING STRATEGIES

DEVELOPMENT OF HUMAN RESOURCES

With regard to the strategic framework described previously, the most significant initiatives for the period were those concerning:

- the 2009/10 issue of the '**PaschiRisorse**' **Skills Assessment**, a key **planning and monitoring** tool used to define the distinctive skills of each individual role and check the levels of suitability of an individual employee with respect to a set profile. Furthermore,

23 750 resources was the objective contained in the 2008/11 Business Plan.

24 "2009 Report on the job market in the financial industry – Remuneration and cost of labour in Italian and European banks", Bancaria Editrice.

the tool **supports** all other processes linked to the enhancement and development of personnel;

- implementation of **career paths**[25], involving around 800 resources across the Group;
- increasing use of the **self-development "workshop"** as part of the **resource enhancement** plan so as to gain insight into individual skills with the aim of strengthening employee know-how, direct professional growth and create a pool of resources from which the future management of the Group will be generated. So far, approx. 580 employees have been identified by the initiative;
- development of the new **Human Resources IT system** 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, accessibility and reporting) and improved employee communications.

TRAINING

The **2010-12 Training Plan** was drawn up at the beginning of the year, outlining 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:

- **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 Central Unit roles (the "Credit Academy" project);
- **developing relationship skills** of both relationship roles (Affluent, Small Business Managers, etc.) and managerial roles with a focus on team management and engagement (Branch Managers and other coordinating roles).

Furthermore, rollout of initiatives from the previous Plans continue, including **expansion of training offer for business-critical roles** (Branch Managers and key Network roles) and **alignment of "role qualifying/mandatory" training** with statutory provisions (ISVAP, Money Laundering, Leg. Decree 231, Transparency, Privacy, Workplace Safety, *Patti Chiari*, etc.).

Implementation of the initiatives in these priority areas has begun; **total hours of training for the year came to approximately 1 million**, with a Group per capita average of around 32 hours.

An important initiative within this area is the **"masters of the trade"**, involving **professional tutorship for new branch managers** according to a gradual "experiential learning" approach.

ORGANISATION

The main projects coordinated by Organisation (structures and processes) were:

- merger by absorption of **MPS Banca Personale into Banca Monte dei Paschi di Siena** (effective as of 19/04/10), with the simultaneous establishment of the **Financial Advisory Business Unit** within the Consumer banking division;[26]
- organisational restructuring of **Group Finance**, the expected benefits of which include: increasing the efficiency of the Group Proprietary Finance governance model;

25 Vertical paths regulate upgrading to target positions up to the second-level middle managers. Horizontal paths encourage skill integration in same-level positions.

26 The "Financial Advisory" channel is currently being fine-tuned with the aim of achieving plan objectives.

adopting standardized organisational models and processes for the Parent Company and its subsidiaries; full enhancement of the (risk-adjusted) performance review; reinforcement of the internal controls system through an overall revision of the internal rules and process controls as well as *middle-office* activities; achieving economies of scale by centralising and streamlining back-office activities;

- **reinforcement of the overall credit segment** through the set-up of the new *Direzione Governo del Credito* (Credit Management) area and start-up of the project for a **comprehensive revision** of credit **processes** with the simultaneous review of the organisational set-up of the 'Regional Areas' with a view to better risk monitoring and improved efficiency levels (e.g. faster decision-making, etc.);
- launch of the plan to **review the application architecture of the network with** the simultaneous **redesigning of all business processes in a logic of in-depth innovation** (the **Paschi FACE project**), with the objective of creating a platform that improves Bank-Customer relations at all stages through simplified use, integrated functions and rationalisation of tools available to the network units;
- **simplification of network processes** with a view to enhancing the role of the branch manager by giving him/her greater managerial leverage and centralising lower-added-value operations to the Group's Operating Consortium. This will improve the front-to-back office ratio and allow a higher level of operational efficiency to be achieved, with the ultimate intent of raising the quality of service to customers;
- Implementation of a new **Accounting and Operational IT system** to enable the upgrading of the organisational set-up and technological architectures in support of budgeting and purchasing cycle processes;
- New method of **collateral management** with **Bankit** (*pooling*).

COSTS AND LOGISTICS

The quarter saw the continuation of the in-depth organisational and functional review undertaken by the Costs & Logistics Area with the aim of ensuring the **highest level of operational efficiency and effectiveness**, as well as compliance with current health and *cost & space management rules and regulations*.

Initiatives included:

- *follow up* activities in relation to the **Spend Management Platform, ARIBA**;
- introduction of SISTRI, a **Waste Tracking Control System** which, under the regulations of the Ministry for the Environment, Land and Sea, will be in force as of 1 October;
- **Project for the digitalisation of documents,** which includes all activities aimed at making communications to customers accessible through digital channels;
- The Group's ***corporate social responsibility* vendor qualification plan**;
- **Extension** of **guidelines** issued by the National Institute for Occupational Safety and Prevention (ISPESL) on the risk of **work-related stress** to all companies of the Group (legislative decree no. 81/2008 and following).

In the period in question, activities in this area were subject to checks – all positively concluded – by the certifying body **RINA Services S.p.A.** regarding the "Occupational Health and Safety Management System" – OKSAS 18001 and the "Environmental Management System" - ISO 14001.

INDUSTRIAL RELATIONS

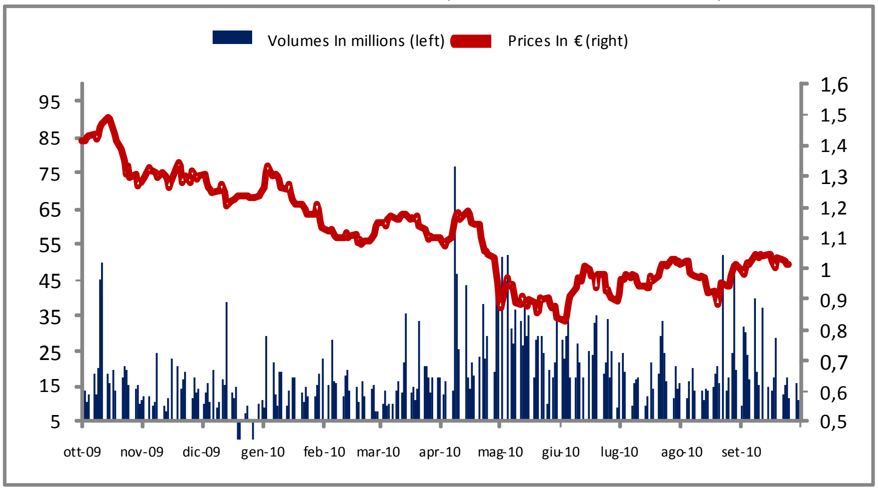
Industrial relations mainly focussed on the procedures relating to the merger of MPS Banca Personale into the Parent Company and to the aforementioned **disposal of branches** to **the Groups CARIGE** and **Intesa-SanPaolo**.

BMPS SHARES, SHAREHOLDERS' BASE AND CREDIT RATINGS

SHARE PRICES

BMPS stock closed the first nine months of 2010 at EUR 1.016 (-17.3% compared to the end of 2009), reporting a performance that was better than average Italian banking stock prices (FTSE MIB Banche -19.6%) and in line with the European one (DJ Euro Stoxx Banks - 16.9%) against a backdrop that was characterised by a highly volatile stock market (massive sales in the first two months of the year, good – though hampered – recovery as of mid-year) and that saw major stock market indices registering haphazard performances. More specifically, positive values were recorded for the US and German indices as at 30 September 2010 (as compared to the end of 2009) (Dow Jones +3.5%, S&P 500 +2.3%, DAX +4.6%) while a drop was registered for the peripheral Euroarea as well as for the Italian banking system (FTSE MIB -11.8%).

BMPS SHARE PERFORMANCE (from 30/09/09 to 30/09/10)



■ **BMPS SHARES PRICE: STATISTICAL SUMMARY** (from 31/12/09 to 30/09/10)

Average	1.05
Lowest	0.83
Highest	1.33

CAPITALISATION AND SHAREHOLDERS' BASE

As at the end of September 2010, BMPS' market value, calculated on the basis of 6,701,150,820 (ordinary and preferred) outstanding shares was approximately EUR 6.8 bln.

■ **SUMMARY OF REFERENCE PRICES AND CAPITALISATION**

	12.31.09	09.30.10
Price (euro)	1.23	1.016
No. ordinary shares	5,569,271,362	5,569,271,362
N. preferred shares	1,131,879,458	1,131,879,458
N. savings shares	18,864,340	18,864,340
Capitalisation (ord + priv) (euro mln)	8,229	6,808

With regard to the bank's shareholders' base, on the basis of reporting to the Italian Securities Commission (Consob) and BMPS pursuant to art. 120 of Legislative Decree no.

58/98, the major shareholders were: the MPS Foundation (majority shareholder with 45.68% of the ordinary share capital); JP Morgan Chase with 5.54%; Axa S.A. with 4.56%; Caltagirone Francesco Gaetano with 4.52%; Unicoop Firenze with 3.32%.

MAIN SHAREHOLDERS pursuant to art. 120 of Law Decree no. 58/98	
Fondazione MPS	45.68%
JP Morgan Chase	5.54%
Axa S.A.	4.56%
Caltagirone Francesco Gaetano	4.52%
Unicoop Firenze – Società cooperativa	3.32%

VOLUMES

In the first nine months of 2010 BMPS shares traded on a daily basis averaged approx. 20.9 million with a peak of 76.5 million in April and a low of 6.3 million in February.

- **MONTHLY VOLUMES OF SHARES TRADED**

2010 VOLUMES SUMMARY

	(in millions)
January	302
Febrary	302
March	384
April	524
May	692
June	282
July	406
August	368
September	490

CREDIT RATINGS

Following are the credit ratings assigned as at 30 September 2010:

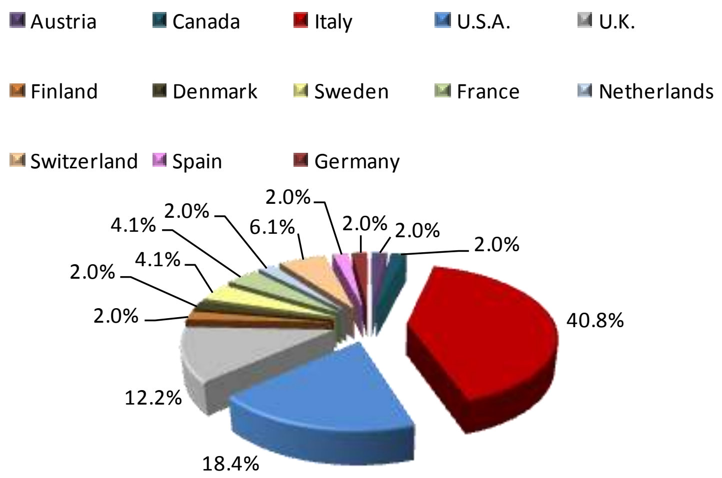
Rating Agencies	Short-term debt	Long-term Debt
Moody's Investor Services	P - 1	A1
Standard & Poor's	A - 2	A-
Fitch Rating's	F - 2	A-

On 21 September 2010, Fitch Ratings modified its long and short term rating of Banca Monte dei Paschi di Siena S.p.A. from "A/F1" to "A-/F2". The outlook has been confirmed as stable.

INVESTOR RELATIONS IN THE FIRST NINE MONTHS OF 2010

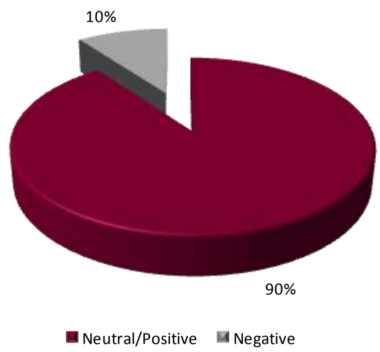
Following on from 2009 and the first half of 2010, in the third quarter the Investor Relation team's interaction with the financial community was highly proactive. Since the start of the year around 50 days of meetings were held between the top management of the Montepaschi Group and institutional investors from 13 different countries.

Following is a geographical breakdown (in %) of days dedicated to roadshows/marketing up to 30 September 2010:



GUIDANCE ON MPS SHARES

With regard to guidance on BMPS shares as at 30 September 2010, 90% of analysts covering BMPS shares maintained a neutral/positive outlook whereas 10% expressed a negative one.



COMMUNICATIONS

Institutional and commercial communication activities set by the Montepaschi Group in the third quarter were oriented as follows:

EXTERNAL COMMUNICATIONS

In addition to covering the major "**corporate facts**"[27] of the quarter, the period also saw the continuation of initiatives aimed at developing local communications to increase MPS brand awareness and enhance initiatives in support of the regional areas through a widespread distribution of information via local TV, radio and websites. In terms of external relations, the organisation of the Montepaschi Group's institutional and promotional events was overseen and relations with publishing groups were developed for the planning and implementation of business roadshows (carried out in conjunction with *Il Sole 24Ore* and Class) and other activities in the regions.

INTERNAL COMMUNICATIONS

The well-established House Organs publication activities continued to provide all employees with the latest news regarding the Group. The publication of **Filodiretto 7, Filodiretto 30, Filodiretto Advice** is further supplemented by the **newsletters** dedicated to the issues dealt with by Family Office, the Research Area. Financial advisory services and Knowledge Experience. National and local **press reviews for the network** are published on the company intranet site with a geographic breakdown into Northern, Central and Southern Italy. As for **Corporate television,** the **Montepaschi Channel** was enhanced with the introduction of the weekly news format, MONTEPASCHI TG, with the simultaneous transmission of texts for hearing-impaired colleagues. With regard to **Company intranet,** the third quarter saw the launch of channels for the management of soft loans facilitated by PromoFirenze, new "Alternative Networks" channel in addition to the implementation of theme channels such as that of the Financial Advisory Business Unit which was born of the merger by absorption of MP Banca Personale SpA into Banca Monte dei Paschi di Siena SpA.

SPONSORSHIP

With regard to **sponsorships**, various initiatives were developed with a view to consolidating and developing commercial and business relations with major players in the relevant sectors. Main sponsorships in the quarter included:

- **Culture:** Città Aromatica, an event enjoyed by residents, which saw the participation of fans from across the country and beyond; Banca Monte dei Paschi di Siena confirmed its support of the Teatro Povero di Monticchiello, an original folk-theatre experience whose local success achieved national recognition; Play Art Arezzo, an important international event directly evolving from Arezzo Wave, promoted and sponsored, amongst others, by the Region of Tuscany and the Province of Arezzo; Italian Konzert Opera, named after IKO, a well-known opera producer from Arezzo, which the Group has had the possibility to partner with on a rich programme of summer events held in the most famous tourist resorts and in major Italian cities.

- **Sports:** in addition to the long-standing relations with A.C. Siena football club, Mens Sana Basket and sponsorship of Viadana Rugby (which, together with other companies from the region of Emilia, led to the creation of Montepaschi Aironi Rugby), more recent sponsorships were approved including: A.C. Arezzo, Top Team Volley Mantova, Siena's female football sporting association, "La Bagnaia" international horse contest(a highly prestigious and important event, born from the bank's contribution as well as that of the editorial group, SPE)

[27] Initiatives included: the organisation of press conferences for the presentation of mid-year results to the media; disclosure to the press of the approval received from Antitrust in relation to the sale of 87 branches; disclosure to the press, together with Bankitalia and other credit institutions involved, of positive "stress test" results; media coverage of Mps renewed inclusion in the Dow Jones Sustainability Index, the only bank to do so among the top 23 performances; several cultural, social and artistic initiatives undertaken by the Montepaschi Group.

- **Trade**: *Cristallo di Toscana* - Promotional Event, an initiative which, in a moment of particular crisis, proposes to support the industrial Know-how of crystal-design and production in Tuscany; *30° di Capital*, an event celebrating 30 years since the birth of this trade magazine, which translated into a series of debates and business-promotional activities both through newspapers and television; this year, the *Festival della Salute* held in Viareggio in September was sponsored by the Parent Company in light of the growing reputation and effective communication this health-centred festival achieved,; Mantova Expo, reaffirming the Group's commitment to *Gonzaga's* Trade Fair 'Fiera Millenaria'.

Coordination and management of contests and/or prize competitions included "Axa Mps Sicuro e Premiato" ("Protected and Rewarded") and the initiative "La solidarietà rende il Natale splendente" ("Solidarity makes Christmas bright") consisting in a series of charity fundraising initiatives.

ADVERTISING AND BRAND

In addition to activities aimed at safeguarding the institutional brands and products of the Montepaschi Group, authorisation and implementation processes were carried out for mailings and other communications to customers. The second stage of the institutional campaign in the main national and local television networks was planned. In the absence of structured press campaigns for the period, a series of initiatives involving ads promoting Group products were put in place. Major sponsorships were also established with publishing companies (Piemme, Editoriale 2000) in addition to a series of market initiatives. Registration was effected for the NC Award in relation to the institutional advertising campaign and the events for the corporate segment, "The bank meets the city". Registration was also effected for the "Media Key – Press & Outdoor Award" in the "Large formats" category with the maxi bill posted on the scaffold constructed for the renovation of the *Palazzo Ducale* next to the Bridge of Sighs in Venice. Finally, through the group's advertising agency, registration was indirectly effected for Italy's major Advertising & Communications Grand Prix Award.

MAJOR EVENTS IN Q3 2010

Below is a summary of the most significant events of the Montepaschi Group in the third quarter of 2010:

- In response to the decision taken by the Italian Banking Association to extend "Common Avis" initiatives, on **14 July 2010** the Montepaschi Group confirmed its support package for SMEs until 31 January 2011. The package consists in the following products aimed at specific target customers: **Made in Italy**[28] (for Italian companies exporting goods and services), **Forza 5 and Forza 3**[29] (for companies who show greater protection of their workforce), **Prorogatio**[30] (for companies suffering from lack of liquidity due to late payments by the Public Administration), **Insieme Plus**[31] / **Investo Plus**[32] (for companies whose undercapitalisation penalizes their credit worthiness and rating). Finally, the range of initiatives re-confirmed by the Group is completed by the grace period for instalment payment of principal for a maximum of 12 months on mid/long term, secured or unsecured loans (**Time Out**), which pioneered an approach later adopted at national level through the "Common Avis".
- On **20 July 2010** Banca Monte dei Paschi di Siena, Banca Popolare di Milano and Clessidra Sgr, via Lauro Quarantadue S.p.A., on behalf of the Clessidra Capital Partners II fund, agreed upon the text of a memorandum of understanding for the development of a strategic alliance in asset management, with a view to creating the largest independent asset manager in Italy and one of the largest in Europe. The project is aimed at the integration of the asset management companies Anima Sgr and Prima Sgr which, as at 31 March 2010, managed over EUR 41 bln worth of volumes with a cumulative distribution network of over 4,000 bank branches and approximately 200 agreements with placement agents. The transaction is subject to regulatory approvals.
- On **23 July 2010** the results of the "Stress Tests" were disclosed, which were mandated by the Economic and Financial Affairs Council (ECOFIN) and coordinated by the Committee of European Banking Supervisors (CEBS) in collaboration with the European Central Bank (ECB), national supervisory authorities and the European Commission, to assess the resilience of the European banking system and the banks' ability to absorb any further potential credit and market risk shocks, including sovereign debt risk. The exercise was conducted individually on a sample of 91 EU banks in 20 member states, representing at least 50% of the total consolidated assets of the national banking sector in each of the 27 member states and using (baseline and adverse) macroeconomic scenarios for 2010 and 2011, which were developed in close cooperation with the ECB and EU Commission. According to the Montepaschi Group, the outcome of the "Stress Test" highlighted that, under the shock conditions assumed to occur in the adverse scenario, the estimated (consolidated) Tier1 ratio would be 6.8% in 2011, compared to 7.5 as at the end of 2009. The additional sovereign debt risk scenario would have a further impact of 0.6 percentage points on the estimated Tier 1 ratio, which would therefore come to 6.2% at the end of 2011, compared to a regulatory minimum of 4%. The "Stress Test" results determine a buffer of Tier 1 of EUR 235 mln as against the 6% threshold agreed upon for stress test purposes only. It is confirmed that the Montepaschi Group passed the stress test exercise even under test conditions that were detrimental to the Group's asset structure, as they were simulated on the basis of a particularly negative scenario, reflective of the 5.1% GDP decline in 2009. The Bank confirms its commitment to improving profit from continuing operations, maintaining risk levels

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28 Short-term bridge financing which includes a bonus discount of 25% of the spread applied on any account opened with a bank belonging to the Montepaschi Group if the company shows it has exported to new outlet markets in an amount not falling below 10% of the export turnover achieved in the previous year.

29 A short-term credit facility for up to EUR 1 mln whose aim is to finance investment recovery. Distinctive features include a bonus of up to 200 basis points, expendable for 12 months and usable for any existing account with the Bank on the condition that, upon maturity, the company shows it has maintained all employees present at the date the contract was stipulated.

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

31 Mid/long term credit line of up to EUR 2.5 mln with gradual amortisation of capital, aimed at debt work-outs and recapitalisation plans.

32 Mid/long term credit line for company partners of up to EUR 1 mln with gradual amortisation aimed at company recapitalisation through capital increase.

under stringent control and further rationalising current equity investments, consistently with its business strategy and with a view to further optimising the capital position achieved.

- On **30 July 2010** Standard & Poor's Ratings Services assigned an ABOVE AVERAGE ranking to MPS Gestione Crediti Banca SpA as *special servicer* on residential and commercial mortgage loans in Italy. Outlook is stable.
- On **18 August 2010** Fitch Ratings raised its rating of MPS Gestione Crediti Banca as Italian *special servicer* on residential and commercial mortgage loans as follows:
  - Rating for "Special Servicer on residential mortgage loans in Italy": from 'RSS2-' to 'RSS2';
  - Rating for "Special Servicer on commercial mortgage loans in Italy": from 'CSS2-' to 'CSS2'
- On **31 August 2010** the extraordinary shareholders' meeting of Biverbanca approved the acquisition of 13 former Antonveneta branches in the provinces of Novara, Verbania, Turin and Alessandria. The transaction envisaged that the new branches would begin to operate with the Biverbanca brand in October, 2010, taking the credit institution's network to 122 branches with an expansion of the distribution units by approx. 12%, thus offering an even more proximity-based service to households and businesses in Piedmont.
- On **3 September 2010** Banca Monte dei Paschi di Siena priced a new issue of 10-year, fixed-rate subordinated liabilities for the nominal amount of EUR 500 mln. The transaction, set up by MPS Capital Services, Credit Agricole-CIB, Goldman Sachs International and Société Génerale as Lead managers and Joint-bookrunners, is the second public issue of Subordinated Lower Tier II Notes carried out in 2010 for the purpose of replacing debt coming to maturity in the current year. Placement was completed positively within just a few hours with overall demand exceeding EUR 650 mln, roughly broken down between 80 investors from the Euro area (particularly, Germany, France and United Kingdom as well as Italy). This led to the creation of a successful benchmark deal within a market context that continues to be volatile and unstable. The notes, intended mainly for qualified institutional investors in the Euro area, were issued as part of the bank's mid-long term funding plan known as the "Debt Issuance Programme" (Base Prospectus dated 11 February 2010 updated with a supplement on 1 September 2010) and listed on the Luxembourg Stock Exchange. The notes were assigned a subordinated rating of A2/BBB+/A- by Moody's, S&Poor's and Fitch respectively.
- On **14 September 2010** Banca Monte dei Paschi di Siena successfully completed the issue of covered bonds targeted to the Euromarket, the second issue as part of the EUR 10 bln programme announced at the end of June and entirely backed by residential mortgage loans of the Montepaschi Group. The transaction, for a total of EUR 1.25 bln has a 3-year maturity, pays a fixed-rate coupon and is targeted at qualified institutional investors and financial intermediaries. The placement of the transaction was managed by Credit Suisse, Deutsche Bank, MPS Capital Services, RBS and SG CIB as Joint Lead Managers and Book Runners. The transaction has a 2.50% annual coupon, equivalent to a yield of 2,613% and a 3-year Euro mid-swap rate increased by a spread of 105 basis points. Thanks to the significant interest showed by investors, in a few hours the order book reached EUR 1.5 bln, allowing the final amount of the issue to be increased from the planned EUR 1 bln to EUR 1.25 bln. The transaction was distributed to 93 institutional investors, mostly in Italy (approx. 48%), Germany and Austria (approx. 20%), Switzerland (8.5%), United Kingdom (5.5%), France (8%) and the Nordic Region (5.5%) and a strong interest came from almost all the Eurozone countries. As for the type of investors, banks represented 49% of the final allocation, followed by fund managers (33%), private banks (8%), and insurance companies (around 4.5%). The deal represented the second placement of covered bonds from Banca Monte dei Paschi di Siena and confirmed the ability of the bank to issue covered bonds in large benchmark sizes.

- On **21 September 2010**, the Fitch Rating Agency revised its long and short-term rating of Banca Monte dei Paschi di Siena S.p.A. from "A/F1" to "A-/F2". The outlook is confirmed as stable.

EVENTS AFTER 30 SEPTEMBER 2010

The following are the most significant events occurring after the closure as at 30 September 2010:

- ✓ On **20 October 2010** Moody's Investor Services modified its long-term deposit rating of Banca Monte dei Paschi di Siena SpA from A1 to A2 and the BFSR from C- to D+. The short-term deposit rating (P-1) was confirmed. The outlook is stable.
- ✓ An extraordinary meeting of the shareholders of Banca Monte dei Paschi di Siena SpA has been called for the 3 December 2010. Items on the agenda will include:
  - proposed merger by absorption of Paschi Gestioni Immobiliari SpA into Banca Monte dei Paschi di Siena SpA;
  - proposed partial demerger of MPS Immobiliare SpA to Banca Monte dei Paschi di Siena SpA and Banca Antonveneta SpA;
  - proposed merger by absorption of MPS Investments SpA into Banca Monte dei Paschi di Siena SpA.

  Paschi Gestioni Immobiliari SpA, MPS Immobiliare SpA, Banca Antonveneta SpA and MPS Investments SpA are wholly-owned by Banca Monte dei Paschi di Siena SpA and are thus related parties to Banca Monte dei Paschi di Siena SpA.
- ✓ On **29 October 2010** Banca Monte dei Paschi di Siena, Banca Popolare di Milano and Clessidra Sgr on behalf of the Fondo Clessidra Capital Partners II fund (the "Partners") announced the establishment of the largest independent asset management operator in Italy and one of the largest in Europe, with over EUR 40 bln worth of assets managed. The new entity was born of a strategic alliance whereby Prima Sgr and Anima Sgr will be under the control of a Holding company invested in by the Partners, which will play roles of coordination and strategic guidance. The deal is aimed at creating an independent pole of production and support for the various networks that distribute Prima and Anima investment products, with a view to consolidating their leadership position in the Italian asset management market.

  The transaction will be completed following the receipt of regulatory approvals from the Supervisory Authority.
- ✓ On **3 November 2010** Consob, the Italian Securities and Exchange Commission, authorised Banca dei Paschi di Siena to publish the prospectus for the public offer of over EUR 1.5 bln worth of asset-backed securities which will be issued on 22 December 2010 by Casaforte S.r.l., a loan securitization vehicle incorporated pursuant to Italian Securitisation Law no. 130/99. The securitization, which envisages the issuance of two subordinated classes of securities targeting qualified professional investors, marks a significant milestone for completing the effort of rationalization and enhancement of a significant part (approx. 61%) of the Montepaschi Group's real estate and properties used in the business.

  The creditworthiness of securities offered to the public was examined by Fitch Ratings, which has assigned an expected rating - in line with that of Banca Monte dei Paschi di Siena - of A-.

OUTLOOK ON OPERATIONS

Despite a complex macroeconomic and financial scenario which continues to reflect unfavourably on the banking sector due to the current level of interest rates, uncertain recovery trends and increased sensitivity to sovereign debt risk, **the Montepaschi Group intends to pursue its market penetration and profit-recovery strategies,** seizing any opportunities for development that may emerge while better **meeting the needs of households and businesses** which continue to feel the brunt of the difficult economic cycle.

The Group's effort will be favoured by the **strengthening of the capital base** attained at the end of 2009 with the issue of the "Tremonti bonds" as well as the **improved operational efficiency and effectiveness** subsequent to the implementation of the new organisational setup which includes the projects for the merger of Paschi Gestioni Immobiliari SpA and MPS Investments SpA into the Parent Company which will take place in the final part of 2010.

The elements of doubt which subsist in the market, partly as a result of the recent tension regarding the sovereign debt risk of certain European countries, justify the fragility of future outlooks. **Should the current uncertainties gradually be dispelled, the Group's capacity to achieve better results by year-end is confirmed, as was evidenced by the figures delivered until now.**

With regard to the indications contained in **Document no. 2 of 6 February 2009**, issued jointly by the Bank of Italy, Consob and Isvap, as later amended, the Bank **reasonably expects to continue operating** in the foreseeable future and has therefore prepared the consolidated half-year report based on the **assumption of business continuity** since the uncertain climate arising from the current economic scenario does not give rise to any doubts with regard to the company's ability to continue operating as a going concern. Evidence for these conclusions was also provided by the *stress test* results (see section "*Major events in Q3 2010*"), which confirmed the adequacy of the Group's capital base with respect to stress test parameters.

EQUITY INVESTMENTS

Scope of consolidation

Equity investments in entities subject to sole and joint control (proportionately consolidated)

30 09 2010

		Company name	Reg. office	Type ofi relationship (*)	Shareholdiing relationship		Avail.. % votes (**)
					Held by	Sharehold. %	
A		**Companies**					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena				
		A.1 Fully consolidated					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	1	A.0	99,918	99,919
					A.31	0,001	
	1.1	MPS VENTURE SGR S.p.a.	Florence	1	A.1	70,000	70,000
A.2		MPS GESTIONE CREDITI BANCA S.p.a.	Siena	1	A.0	100,000	100,000
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	1	A.0	100,000	100,000
	3.1	MPS COMMERCIALE LEASING S.p.a.	Siena	1	A.3	100,000	100,000
A.4		BANCA ANTONVENETA S.p.a.	Padua	1	A.0	100,000	100,000
	4.1	PADOVA 2000 INIZIATIVE IMMOBILIARI S.r.l.	Padua	1	A.4	100,000	100,000
A.5		BIVERBANCA CASSA DI RISPARMIO DI BIELLA E VERCELLI S.p.a.	Biella	1	A.0	59,000	59,000
A.6		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100,000	100,000
A.7		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100,000	100,000
A.8		MPS INVESTMENTS S.p.a.	Milan	1	A.0	100,000	100,000
A.9		CONSUM.IT S.p.a.	Siena	1	A.0	100,000	100,000
A.10		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Siena	1	A.0	100,000	100,000
A.11		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100,000	100,000
A.12		G.IMM ASTOR S.r.l	Lecce	1	A.0	52,000	52,000
A.13		PASCHI GESTIONI IMMOBILIARI S.p.a.	Siena	1	A.0	100,000	100,000
A.14		PERIMETRO GESTIONE PROPRIETA' IMMOB. S.c.p.a.	Siena	9	A.0	10,066	11,500
					A.1	0,142	
					A.2	0,044	
					A.3	0,057	
					A.7	0,014	
					A.8	0,011	
					A.9	0,025	
					A.11	0,002	
					A.13	0,068	
					A.15	1,071	
A.15		CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	1	A.0	99,790	100,000
					A.1	0,060	
					A.2	0,030	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
					A.9	0,030	

A.16		AGRISVILUPPO S.p.a.	Mantua	1	A.0	98,224	99,068
					A.8	0,844	
A.17		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	1	A.0	100,000	100,000
A.18		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	A.0	99,900	100,000
					A,8	0,100	
A.19		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	100,000
A.20		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100,000	100,000
A.21		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	100,000	100,000
	21.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris		A.21	100,000	100,000
	21.2	MONTE PASCHI INVEST FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris		A.21	100,000	100,000
	21.3	MONTE PASCHI ASSURANCES FRANCE S.A.	Paris		A.21	99,400	99,400
	21.4	IMMOBILIERE VICTOR HUGO S.C.I.	Paris		A.21	100,000	100,000
	21.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.21	99,997	99,997
A.22		MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	1	A.0	99,200	100,000
					A.21	0,800	
A,23		ULISSE 2 S.p.a.	Milan	1	A.0	60,000	60,000
A.24		MPS COVERED BOND Srl	Conegliano	1	A.0	90,000	90,000
A.25		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60,000	60,000
A.26		ANTONVENETA CAPITAL L.L.C. I	Delaware	1	A.0	100,000	100,000
A.27		ANTONVENETA CAPITAL L.L.C. II	Delaware	1	A.0	100,000	100,000
A.28		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100,000	100,000
A.29		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100,000	100,000
A.30		GIOTTO FINANCE 2 S.p.a.	Padua	1	A.0	100,000	100,000
		A.2 Proportionately consolidated					
A,31		BANCA POPOLARE DI SPOLETO Spa	Spoleto	7	A,0	26,005	26,005
		Book value at 26,005% of nominal					
A,32		INTEGRA Spa	Florence	7	A.9	50,000	50,000
		Book value at 50% of nominal					

(*) Type of relationship:
1 majority of voting rights at ordinary shareholders' meetings
2 dominant influence at ordinary shareholders' meetings
3 agreements with other shareholders
4 other forms of control
5 unified management under art. 26,1 of Leg. Decree 87/92
6 unified management under art. 26,2 of Leg. Decree 87/92
7 joint control
8 connection
9 substantial control (SIC 12)
(**) Voting rights are disclosed only if different from the percentage of ownership.

Equity investments in entities subject to joint control (valued at equity) and significant influence: information on shareholders equity

Name	Reg. office	[illegible]	Shareholding relationship: Held by	Shareholding relationship: Sharehold. %	Avail. % votes	Consolidated book value (EUR/000): 30 09 2010	Consolidated book value (EUR/000): 31 12 2009
Axa Mps Assicurazioni Vita S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	327.288	324.450
Axa Mps Financial Limited	Dublin	8	Axa Mps Assicurazioni Vita	100,000	100,000	97.482	85.032
Quadrifoglio Vita S.p.a.	Bologna	8	Axa Mps Assicurazioni Vita	100,000	100,000	65.845	62.082
Axa Mps Assicurazioni Danni S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	29.432	32.006
AD Impresa S.p.A. (**)	Milan	8	MPS Investments S.p.a.	30,000	30,000	82	-
Beta Prima S.r.l	Siena	8	MPS Investments S.p.a.	34,069	34,069	274	286
BioFund S.p.a.	Siena	8	MPS Investments S.p.a.	13,676	13,676	653	694
EDI.B. S.p.a.	Gubbio (PG)	8	MPS Investments S.p.a.	18,052	18,052	6.793	7.000
Fabrica Immobiliare SGR S.p.a.	Rome	8	MPS Investments S.p.a.	49,990	49,990	6.135	3.483
Intermonte SIM S.p.a.	Milan	8	MPS Investments S.p.a.	20,000	20,000	12.318	12.430
J.P.P. Euro Securities	Delaware	8	Intermonte SIM S.p.a.	100,000	100,000	395	370
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Investments S.p.a.	49,002	49,002	2.175	2.278
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	MPS Investments S.p.a.	19,969	19,969	138	138
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Investments S.p.a.	49,500	49,500	1.547	1.578
Aeroporto di Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21,380	21,380	3.816	4.280
Casalboccone Roma S.p.A. (**)	Siena	8	Banca Monte dei Paschi di Siena	21,750	21,750	26	-
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9,600	32,500	21	22
			MPS Investments S.p.a.	19,200			
			Banca Monte Paschi Belgio	3,700			
Fidi Toscana S.p.a.	Florence	8	Banca Monte dei Paschi di Siena	15,000	29,179	31.745	32.976
			MPS Investments S.p.a.	14,179			
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	580	565
Sansedoni Siena S.p.A. (**)	Siena	8	Banca Monte dei Paschi di Siena	21,750	21,750	47.912	
Società Italiana di Monitoraggio	Roma	8	Banca Monte dei Paschi di Siena	12,889	12,889	90	90
Realizzazioni e Bonifiche Arezzo S.p.A.	Arezzo	8	Banca Monte dei Paschi di Siena	19,584	19,584	-	1.597
Le Robinie S.r.l.	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20,000	20,000	801	801
Prima Holding 2 S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	27,330	27,330	-	-
Prima Holding S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	30,990	37,090	-	-
			Prima Holding 2 S.p.a.	6,100	-	-	-
Marinella S.p.a.	Marinella di Sarzana	8	Banca Monte dei Paschi di Siena	25,000	25,000	10.003	10.003
Antonveneta Vita S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50,000	50,000	77.828	107.475
Antonveneta Assicurazioni S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50,000	50,000	7.501	6.357
Padova 2000 Iniziative Immobiliari S.p.a.	Padua	8	Banca Monte dei Paschi di Siena	100,000	100,000	-	81
Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	40,197	40,197	25.141	28.642
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Capital Services S.p.a.	36,303	36,303	9.930	10.725
Immobiliare Centro Milano S.p.a.	Milan	8	MPS Capital Services S.p.a.	33,333	33,333	25	302
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Capital Services S.p.a.	29,000	29,000	2.480	2.602
Agricola Merse S.r.l.	Milan	8	MPS Capital Services S.p.a.	20,000	20,000	5.747	3.825
Totale						**774.203**	**742.170**

(*) Type of relationship : 8 entities subject to significant influence.

(**) Entities becoming affiliate in the course of 2010; for these companies, no value is reported in the 2009 column since these shareholdings were either acquired in 2010 or posted to different items (assets available for sale).

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Daniele Bigi, declares that the accounting information contained in this Quarterly Report as at 30 September 2010 corresponds to the underlying documentary evidence and accounting records.

Daniele Bigi
Financial Reporting Officer