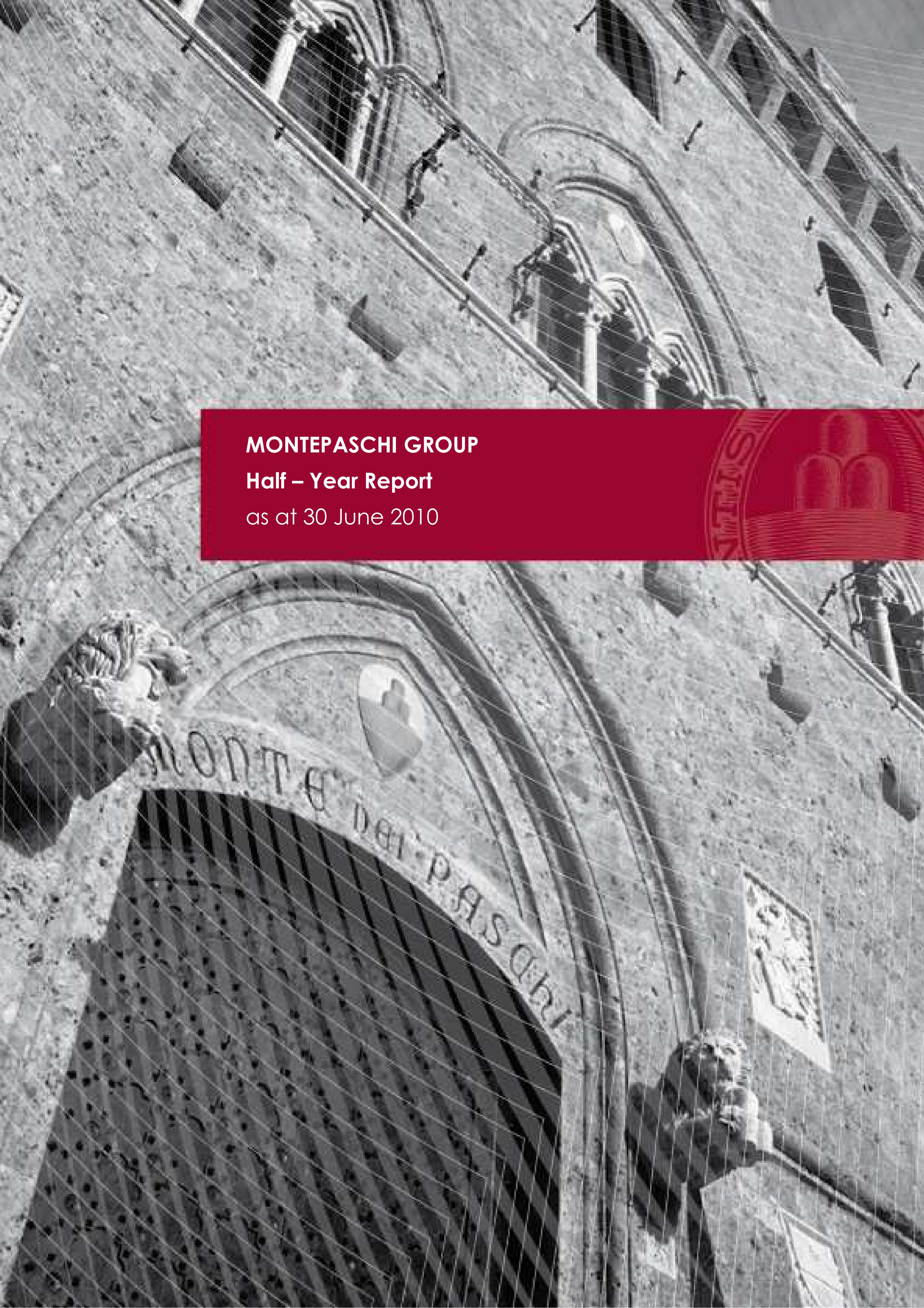
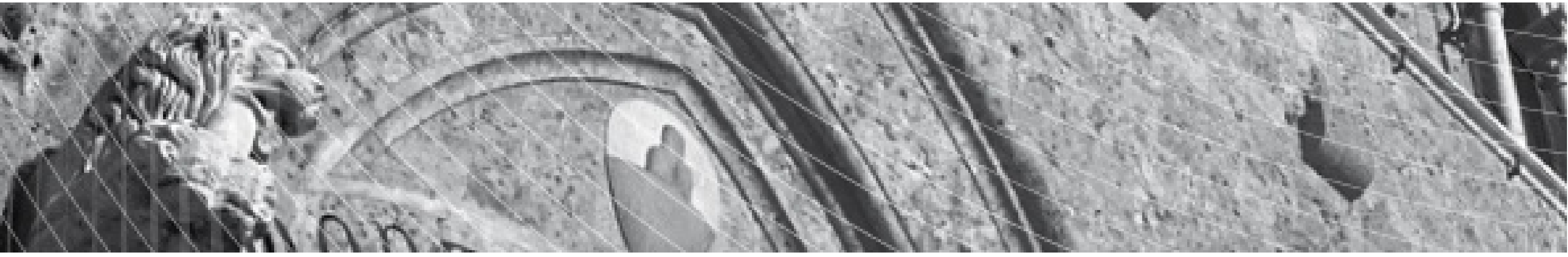


MONTEPASCHI GROUP

Half – Year Report

as at 30 June 2010



MONTEPASCHI GROUP CONSOLIDATED HALF-YEAR REPORT 2010

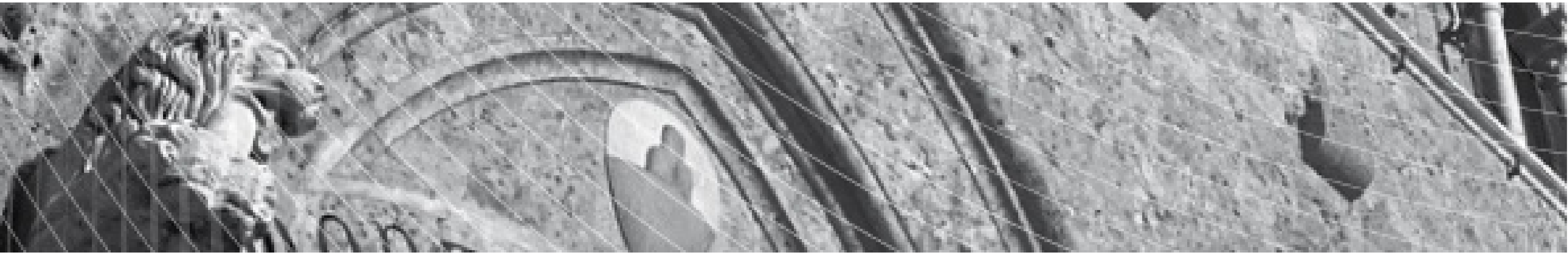
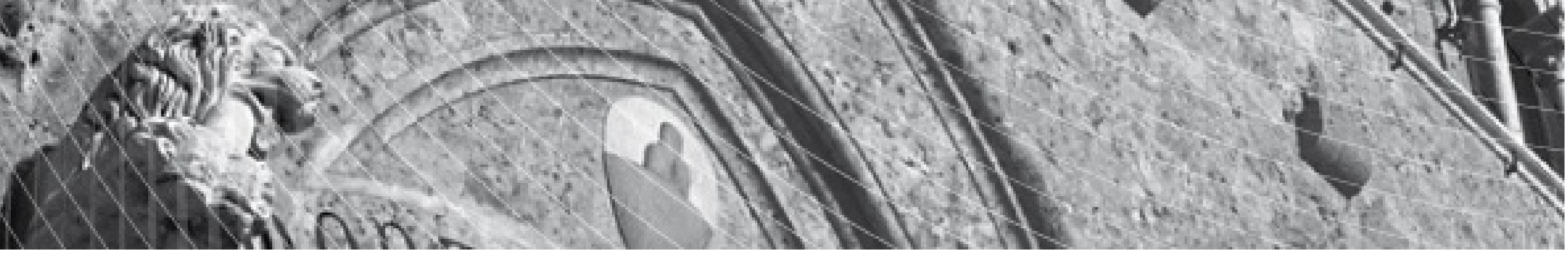


TABLE OF CONTENTS



HALF-YEAR REPORT ON OPERATIONS

GROUP RESULTS IN BRIEF AS AT 30 JUNE 2010

In the second quarter of 2010 the Montepaschi Group **achieved significant growth in both Total funding and lending while continuing to develop its customer base.** As a consequence, a considerable **improvement in market share was recorded for the main business segments**. Positive consumer and corporate results reaffirmed the Group's focus on the **real needs of both households and businesses**, which have always been a key driver when it comes to developing sales & marketing plans and an indispensable point of reference upon which service levels and types of products offered are based. In view of these commitments, and within an economic framework that continues to be difficult, the Group aimed to guarantee continuity to its offer of credit and ensure support to customers in financial difficulty by taking part in banking system initiatives as well as developing projects independently. More specifically:

- With respect to funding aggregates, the Group's **total funding**[1] volumes stood at approximately **EUR 293 bln**, up 4.4 bln on 31/03/2010 as restated to take account of the disposal of branches (+1.5%) and up by EUR 18.2 bln as compared to previous year 'restated' figures (+6.6%) mainly on the back of a positive contribution from direct funding (+3.5% QoQ; +8.8% YoY). Asset management was up as well (+0.8% QoQ; +9.6% YoY), driven by a positive trend in funding from insurance premiums and collective investment schemes;
- With regard to credit management, **loans**[2] **for the Group came to approx. EUR 153 bln, up 4.4 bln with respect to 31 March 2010 "restated" (+3%) and approx. EUR 10 bln on June 2009 "restated" (+7.1%).** The increase achieved in Q2 was mainly due to the performance of retail residential mortgage loans, while the demand for credit from the manufacturing industry was still weak, reflecting a still-difficult economic cycle. **The increase** led to a **rise of 14 bps in the Group's market share for loans**, which shifted up from 7.89% in March to 8.03% in June. Lending trends in the first half of 2010 benefitted from **new mortgage loans negotiated for an amount of approx. EUR 8.7 bln**, (+73% on the previous year), with 2Q2010 contributing 4.2 bln, positively impacting on the acquisition of new customers. As for **'special purpose'** loans disbursed by the Group through dedicated product companies, **new flows totalled over EUR 6 bln** (+24.1% YoY), with the second quarter contributing approx. EUR 3.3 bln (+17.4% on 1Q2010). **Industrial credit flows** showed a positive performance (**+28.8% YoY**; +21.1% QoQ) with disbursements by MPS Capital Services growing in the second quarter, as did **consumer loans** (**+10.8% YoY**; +5.9% QoQ), despite the slowdown of "special-purpose" loans. With respect to **credit quality**, the "net NPLs over total loans" ratio came to approx. 3% as at 30 June 2010 with a provisioning rate[3] of 77 bps.
- **The Group's customerbase stood at approximately 6.3 million.**

In view of the above, in Q2 2010 the Montepaschi Group saw a significant rise in basic income which grew by 2.7% on the previous quarter. This was the result of a 4.4% increase in interest incomewith respect to Q1 (approx. +39 mln) and in net commissions which essentially confirmed the results as at 31 March 2010, the highest achieved in the last 5 quarters. Loan loss provisions also improved (-7.8% vs. Q1 2010) as did operating expenses (-3.4%), which allowed the Group to absorb the negative effects from the sovereign risk increase in the Euro area upon the valuation of government bonds in the "Held For Trading" portfolio, thus consolidating its operating income (Net operating income +8.1% YoY).

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1 *Volumes as at 31/03/2010 and as at 30/06/2009 were restated, with historical data excluding the volumes pertaining to the branches sold in the course of the second quarter of 2010 by Banca Monte dei Paschi di Siena to the Carige Group and the Intesa Group (22 and 50 branches respectively). As at 31/03/2010, these branches had approximately EUR 3,449 mln in total funding (of which EUR 2,111 mln in direct funding and EUR 1,338 mln in indirect funding), while volumes as at 30/06/2009 amounted to EUR 3,543 mln (of which 2,204 mln in direct funding and 1,339 in indirect funding).*

2 *Loans as at 31/03/2010 and 30/06/2009 were "restated" with historical data excluding the volumes pertaining to the branches sold in the course of the second quarter of 2010 by Banca Monte dei Paschi di Siena to the Carige Group (22 branches) and the Intesa-San Paolo Group (50 branches). As at 31/03/2010 and 30/06/2010 loans for these branches stood at EUR 2,314 mln and EUR 2,305 mln respectively.*

3 *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[4] (PPA) stood at EUR 318.4 mln. Taking account of the net effects of PPA, the net accounting profit for the period totaled EUR 261.2 mln.

With regard to **regulatory capital ratios**, as at 30 June 2010, the TIER I Ratio BIS II came to 7.8% (vs. 7.5% at the end of 2009) with a BIS II solvency ratio of 12.2% (vs. 11.9% at the end of 2009).

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

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, the major changes introduced to the **income statement** of the two six-month periods involve aggregations and reclassifications of accounts for the purpose of providing a clearer view of Group performance. Following are the major changes as at 30 June 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) from 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 251 mln as at 30/06/2010). 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 23 million as at 30/06/2010) 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 reclassifying charges for an amount of approximately EUR 18 mln (namely, value adjustments to junior notes: approx. 15 mln and charges in relation to financial plans: approx. 3 mln), which were 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;

d) **"Other administrative expenses"** in the reclassified income statement was integrated with the portion of stamp duty and client expense recovery (approx. EUR 166 million) posted under Account 220 "*Other operating income/expenses*". In addition, the aggregate was stripped of approx. 2.7 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 2008-2011Business Plan;

e) The account **"Net provisions for risks and charges and other operating income/expenses"** in the reclassified income statement incorporates Account 190 "Net provisions for risks and charges" and Account 220 "Other operating income/expenses". It also includes value adjustments to junior notes for an amount of EUR 15 mln and financial plans for an amount of EUR 3 mln as 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. 2.7 mln)**;**

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

h) *Purchase Price Allocation* (PPA) effects were reclassified out of other accounts (in particular "***Interest income***" for approx. EUR 44 mln and ***depreciation/amortisation*** for approx. EUR 40 mln (with a related theoretical tax burden of approx. 27 mln) which integrate the account) into one single account named **"Net effects of Purchase Price Allocation"**.

Following are the major reclassifications of the **consolidated balance-sheet**:

i) **"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"*;

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

k) **"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*";

l) "**Other liabilities**" on the liabilities side of the reclassified balance-sheet incorporates Account 60 "Hedging derivatives", Account 70 "Changes in value of macro-hedged financial liabilities", Account 80 "Tax liabilities", Account 90 "Liabilities included in disposal groups held for sale" and Account 100 "Other liabilities".

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

RECLASSIFIED ACCOUNTS

Main income statement and balance sheet items and key performance indicators

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/10

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**30/06/10**	**30/06/09**	**% chg**
Income from banking activities	2,797.2	2,786.6	0.4%
Income from financial and insurance activities	2,810.2	2,933.3	-4.2%
Net operating income	510.8	472.5	8.1%
Net profit (loss) for the period	261.2	332.1	-21.4%
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/06/10**	**31/12/09** Historical data	**% chg**
Direct funding	158,232	155,391	1.8
Indirect funding	134,401	132,217	1.7
of which: assets under management	*50,060*	*48,783*	2.6
of which: assets under custody	*84,341*	*83,434*	1.1
Loans and advances to customers	152,881	152,413	0.3
Group net equity	16,345	17,175	-4.8
KEY LOAN QUALITY RATIOS (%)	**30/06/10**	**31/12/09**	
Net non-performing loans/Customer loans	3.28	3.05	
Net watchlist loans/Customer loans	2.81	2.47	
PROFITABILITY RATIOS (%)	**30/06/10**	**31/12/09**	
Cost/Income ratio	60.2	64.2	
R.O.E. (on average equity)	3.12	1.46	
R.O.E. (on end-of-period equity)	3.04	1.49	
Net adjustments to loans / End-of-period investments	0.77	0.96	
CAPITAL RATIOS (%)	**30/06/10**	**31/12/09**	
Solvency ratio	12.2	11.9	
Tier 1 ratio	7.8	7.5	
INFORMATION ON BMPS STOCK	**30/06/10**	**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 the **31/12/09** to the **30/06/10**	from the **31/12/08** to the **31/12/09**	
average	1.08	1.24	
low	0.83	0.77	
high	1.33	1.62	
OPERATING STRUCTURE	**30/06/10**	**31/12/09**	**Abs. chg**
Total head count - end of period	31,612	32,003	-391
Number of branches in Italy	3,014	3,088	-74
Financial advisory branches	148	163	-15
Number of branches & representative offices abroad	41	41	

(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 net equity for the current year.

(2) R.O.E. on end-of-period equity: net income for the period / net equity at the end of the previous year, purged of any shareholders' income.

Reclassified income statement

RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	30/06/10	30/06/09 (*)	Change Ins.	Change %
Net interest income	1,810.6	1,835.5	-24.9	-1.4%
Net commissions	986.6	951.2	35.4	3.7%
Income from banking activities	**2,797.2**	**2,786.6**	**10.5**	**0.4%**
Dividends, similar income and gains (losses) on equity investments	33.6	66.7	-33.0	-49.5%
Net profit (loss) from trading/valuation of financial assets	-33.5	79.3	-112.8	-142.3%
Net profit (loss) from hedging	12.9	0.7	12.2	n.s.
Income from financial and insurance activities	**2,810.2**	**2,933.3**	**-123.0**	**-4.2%**
Net adjustments for impairment of:	**-609.0**	**-709.7**	**100.7**	**-14.2%**
a) loans	-590.0	-686.7	96.7	-14.1%
b) financial assets	-19.0	-23.0	3.9	-17.2%
Net income from financial and insurance activities	**2,201.2**	**2,223.6**	**-22.4**	**-1.0%**
Administrative expenses:	-1,608.1	-1,673.7	65.6	-3.9%
a) personnel expenses	-1,073.1	-1,111.8	38.7	-3.5%
b) other administrative expenses	-535.0	-561.9	26.9	-4.8%
Net adjustments to tangible and intangible fixed assets	-82.3	-77.4	-4.9	6.4%
Operating expenses	**-1,690.4**	**-1,751.1**	**60.7**	**-3.5%**
Net operating income	**510.8**	**472.5**	**38.3**	**8.1%**
Net provisions for risks and charges and other operating income/expenses	-133.6	-34.8	-98.8	n.s.
Profit (loss) on equity investments	-19.5	-3.1	-16.4	n.s.
Integration costs / one-off charges	-2.7	-31.9	29.2	-91.5%
Gains (losses) from disposal of investments	184.20	0.0	184.2	n.s.
Profit (loss) before tax from continuing operations	**539.2**	**402.6**	**136.6**	**33.9%**
Taxes on income from continuing operations	-220.4	-193.9	-26.5	13.7%
Profit (loss) after tax from continuing operations	**318.8**	**208.7**	**110.1**	**52.8%**
Profit (loss) after tax from disposal groups held for sale	-1.3	195.5	-196.9	-100.7%
Net profit (loss) for the period including minority interests	**317.5**	**404.2**	**-86.8**	**-21.5%**
Net profit (loss) attributable to minority interests	0.9	-2.6	3.5	-135.7%
Net profit (loss) pre PPA	**318.4**	**401.6**	**-83.2**	**-20.7%**
PPA (Purchase Price Allocation)	-57.2	-69.5	12.3	-17.7%
Net profit (loss) for the period	**261.2**	**332.1**	**-70.9**	**-21.4%**

(*) These figures were disclosed in the Annual Financial report as at 31 December 2009. It should be noted that, effective as of the third quarter of 2009, the aggregates of net interest income and net fees and commissions of the first two quarters of 2009 were reported on a proforma basis with a view to taking into consideration the different method of accounting of some revenue items, with no impact on basic income.

Quarterly trend in reclassified income statement

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

	2010		2009 (*)			
MPS Group	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**
Net interest income	924.8	885.8	889.6	913.3	909.6	925.9
Net commissions	492.7	493.9	465.7	476.4	469.3	481.9
Income from banking activities	**1,417.5**	**1,379.7**	**1,355.3**	**1,389.7**	**1,378.9**	**1,407.8**
Dividends, similar income and gains (losses) on equity investments	15.7	17.9	24.1	19.6	45.4	21.2
Net result from realisation/valuation of financial assets	-53.4	19.8	-20.8	8.3	31.5	47.8
Net profit (loss) from hedging	6.3	6.7	8.1	-10.3	-5.8	6.5
Income from financial and insurance activities	**1,386.1**	**1,424.2**	**1,366.8**	**1,407.3**	**1,450.0**	**1,483.3**
Net adjustments for impairment of:	**-301.3**	**-307.7**	**-440.4**	**-360.0**	**-405.3**	**-304.4**
a) loans	-283.0	-307.0	-428.3	-351.0	-400.1	-286.6
b) financial assets	-18.3	-0.7	-12.2	-9.0	-5.2	-17.8
Net income from financial and insurance activities	**1,084.7**	**1,116.5**	**926.3**	**1,047.3**	**1,044.7**	**1,178.9**
Administrative expenses:	-788.5	-819.6	-983.2	-844.9	-821.9	-851.8
a) personnel expenses	-516.6	-556.5	-614.8	-563.6	-537.4	-574.4
b) other administrative expenses	-271.9	-263.1	-368.5	-281.2	-284.5	-277.4
Net adjustments to tangible and intangible fixed assets	-42.2	-40.1	-45.9	-39.7	-39.4	-38.0
Operating expenses	**-830.6**	**-859.8**	**-1,029.1**	**-884.6**	**-861.3**	**-889.8**
Net operating income	**254.1**	**256.7**	**-102.8**	**162.7**	**183.4**	**289.1**
Net provisions for risks and charges and other operating income/expenses	-92.2	-41.4	-154.7	-30.7	-24.1	-10.7
Profit (loss) on equity investments	-19.3	-0.2	0.3	0.1	-5.0	1.9
Integration costs	-2.7		-54.8		-27.6	-4.3
Gains (losses) from disposal of investments	184.2	0.0	-4.6	46.8	0.0	0.0
Profit (loss) before tax from continuing operations	**324.1**	**215.1**	**-316.6**	**179.0**	**126.6**	**276.0**
Taxes on income from current operations	-177.1	-43.4	167.0	-74.7	-58.0	-135.9
Profit (loss) after tax from continuing operations	**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	**147.0**	**170.5**	**-149.4**	**104.0**	**70.3**	**333.9**
Net profit (loss) attributable to minority interests	1.4	-0.5	-0.9	-1.0	-2.5	-0.1
Net profit (loss) pre PPA	**148.5**	**169.9**	**-150.3**	**103.0**	**67.8**	**333.9**
PPA (Purchase Price Allocation)	-29.6	-27.7	-31.0	-33.6	-36.3	-33.3
Net profit (loss) for the period	**118.9**	**142.2**	**-181.3**	**69.3**	**31.5**	**300.6**

(*) These figures were disclosed in the Annual Financial report as at 31 December 2009. It should be noted that, effective as of the third quarter of 2009, the aggregates of net interest income and net fees and commissions of the first two quarters of 2009 were reported on a proforma basis with a view to taking into consideration the different method of accounting of some revenue items, with no impact on basic income.

Reclassified Balance Sheet

MONTEPASCHI GROUP
RECLASSIFIED BALANCE SHEET (in EUR mln)

ASSETS	30/06/10	30/06/09	Chg % YoY
Cash and cash equivalents	853	798	6.9
Receivables:			
a) Loans and advances to customers	152,881	145,111	5.4
b) Loans and advances to banks	13,662	13,017	5.0
Financial assets held for trading	58,752	32,707	79.6
Financial assets held to maturity	0	0	6.5
Equity investments	732	721	1.5
Tangible and intangible fixed assets	10,201	10,468	-2.6
of which:			
a) goodwill	*6,474*	*6,670*	-2.9
Other assets	10,487	9,241	13.5
Total Assets	**247,567**	**212,062**	**16.7**

LIABILITIES	30/06/10	30/06/09	Chg % YoY
Payables			
a) Customer accounts and securities	158,232	147,635	7.2
b) Deposits from banks	28,593	21,826	31.0
Financial liabilities held for trading	33,210	18,710	77.5
Provisions for specific use			
a) Provisions for staff severance indemnities	298	347	-13.9
b) Pensions and other post retirement benefit obligations	450	441	2.1
c) Other provisions	962	886	8.5
Other liabilities	9,207	6,820	35.0
Group net equity	16,345	15,124	8.1
a) Valuation reserves	-219	513	-142.6
b) Redeemable shares			
c) Equity instruments	1,949	47	n.s.
d) Reserves	5,903	5,768	2.3
e) Share premium	3,996	4,035	-1.0
f) Share capital	4,502	4,487	0.3
g) Treasury shares (-)	-49	-57	-14.8
h) Net profit (loss) for the year	261	332	-21.4
Minority interests	270	273	-1.0
Total Liabilities and Shareholders' Equity	**247,567**	**212,062**	**16.7**

Quarterly trend in reclassified balance sheet

MONTEPASCHI GROUP
RECLASSIFIED BALANCE SHEET- Quarterly Trend (in EUR mln)

ASSETS	30/06/10	31/03/10	31/12/09	30/09/09	30/06/09	31/03/09
Cash and cash equivalents	853	781	1,296	682	798	860
Receivables:						
a) Loans and advances to customers	152,881	150,804	152,413	146,208	145,111	144,708
b) Loans and advances to banks	13,662	10,474	10,328	13,401	13,017	11,935
Financial assets held for trading	58,752	47,855	38,676	38,749	32,707	28,946
Financial assets held to maturity	0	0	0	0	0	0
Equity investments	732	759	742	725	721	597
Tangible and intangible fixed assets	10,201	10,374	10,395	10,428	10,468	10,489
of which:						
a) goodwill	*6,474*	*6,619*	*6,619*	*6,648*	*6,670*	*6,670*
Other assets	10,487	9,254	10,965	8,868	9,241	10,086
Total Assets	**247,567**	**230,301**	**224,815**	**219,061**	**212,062**	**207,621**

LIABILITIES	30/06/10	31/03/10	31/12/09	30/09/09	30/06/09	31/03/09
Payables						
a) Customer accounts and securities	158,232	155,024	155,391	155,816	147,635	139,309
b) Deposits from banks	28,593	25,628	22,758	19,294	21,826	23,395
Financial liabilities held for trading	33,210	23,188	19,481	20,674	18,710	20,609
Provisions for specific use						
a) Provisions for staff severance indemnities	298	304	304	340	347	504
b) Pensions and other post retirement benefit obligations	450	459	458	456	441	436
c) Other provisions	962	920	911	888	886	910
Other liabilities	9,207	7,330	8,055	5,924	6,820	7,159
Group Companies	16,345	17,167	17,175	15,391	15,124	15,019
a) Valuation reserves	-219	580	721	646	513	303
b) Redeemable shares						
c) Equity instruments	1,949	1,949	1,949	52	47	47
d) Reserves	5,903	5,986	5,766	5,789	5,768	5,857
e) Share premium	3,996	4,048	4,048	4,041	4,035	4,094
f) Share capital	4,502	4,502	4,502	4,487	4,487	4,487
g) Treasury shares (-)	-49	-40	-32	-25	-57	-70
h) Net profit (loss) for the year	261	142	220	401	332	301
Minority interests	270	282	281	280	273	279
Total Liabilities and Shareholders' Equity	**247,567**	**230,301**	**224,815**	**219,061**	**212,062**	**207,621**

MACROECONOMIC AND BANKING SCENARIO

Macroeconomic trends

The macroeconomic figures for the first half of 2010 **confirm the ongoing recovery for all mature economies as well as for the emerging countries** (particularly in **Asia**), driven by the **relaunch of global foreign trade,** industrial production and encouraging signs in demand from consumers. The turmoil in the financial markets (high sell-offs on listings) **consequent to the Greek debt crisis,** led to a fall in market confidence levels, **casting a shadow on future growth prospects, especially for the Eurozone.** The consequences of fiscal consolidation plans launched by the European countries to avert the risk of default (together with the extraordinary bailout measures put in place by International organisations), should be mitigated by the impact on export resulting from the depreciation of the Euro. According to authoritative public and private research institutes as well as the European Central Bank, growth in the area may be doomed to slow down in the second half of the year with prospects of improvement remaining inconsistent and relatively small.

Recovery continues for the advanced economies, albeit at different paces**:** China ranks first along with other emerging countries, followed by the USA, while the rate of recovery for the Eurozone continues to be moderate. **The uneven recovery will essentially depend on the problems these economies will be forced to deal with**: **a high unemployment rate, political uncertainty, increasing sovereign debt risk, renewed weakness in the real estate market** (possible in the USA) **and, in some cases, problems for bank funding.** The efforts of the emerging economies will, instead, have to focus on the rebalancing of global demand through structural reforms and, in some cases, greater flexibility in exchange rates. Pressure on pricing is being kept under control in the advanced economies while a strong inflation hike is predicted for the emerging markets.

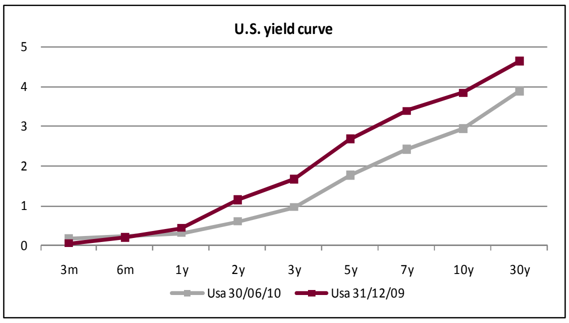
In Q2 2010 **USA**'s GDP recorded a growth rate that was higher than the average recorded for the advanced economies, though down on Q1 2010, **with tensions in the job market** (in June unemployment remained high at 9,5%). **The consumption trend slowed down**, while foreign trade posted a particularly poor performance. Consumer confidence in June was lower with respect to the peak levels recorded in the previous month (52.9 against 62.7). **Positive signs were noted for industrial production** (with a YoY upturn of 5% in the first half of the year after the -6.2% recorded in the second half of 2009). **Inflationary pressure declined** (annual inflation in June fell to1.1% from 2% in the previous month).

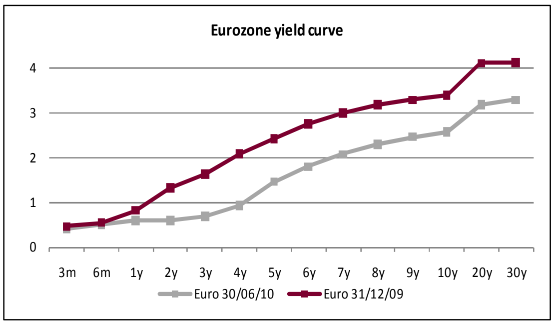
Growth rates in the leading economies

	2009	2010	2011
World	-0.6	4.6	4.3
Mature economies	-3.2	2.6	2.4
USA	-2.4	3.3	2.9
Eurozone	-4.1	1.0	1.3
Germany	-4.9	1.4	1.6
France	-2.5	1.4	1.6
Italy	-5.0	0.9	1.1
Japan	-5.2	2.4	1.8
Emerging e Developing	2.5	6.8	6.4
China	9.1	10.5	9.6
India	5.7	9.4	8.4

Source: FMI, July 2010

Fed continued to keep interest rates unchanged, with Fed funds between 0% and 0.25%, reiterating that the cost of money will remain exceptionally low for a long time to come although, in the interbank market, interest rates have started to rise again. Uncertainties as to the timing and strength of economic recovery expected, in addition to added fears of a debt crisis in the Euro area as well as speculations of growing difficulties within the banking system, have generated a "flight to quality", with a general decline in yields on all maturities, particularly for the mid-long term component. The 2-10 year spread began to fall after the exceptionally high levels recorded in the first half of the year. The gradual return to a neutral monetary policy should "flatten" the interest rate curve further over the next few months.





Chinacontinues to lead among the emerging countries, with exports growing by over 40% YoY. In addition to the new reforms launched at the start of the year to stimulate consumption, the government also granted greater flexibility of the yuan against the dollar by abandoning its fixed exchange rate policy. A preliminary estimate of GDP points to a moderate slowdown in the economy despite the country maintaining sustainable annual growth rates (10.3% as compared to 11.9% in Q1). A slowdown was also recorded in the confidence index relating to buyers in the manufacturing industry (52.1 as at June vs. 55.8 in January) and industrial output (+13,7% YoY vs. 18.5% as at December 2009).

In the Euro area, the QoQ variation in GDP for the first quarter came to +0.2%, a slight improvement on the levels recorded in 4Q2009 when the increase on the previous quarter came to +0.1%, confirming the gradual upturn in the economy. In the first 5 months of the year, industrial production posted an annual rise of 6.7% as opposed to the downward trend in the second half of 2009 (-10.8%). Nevertheless, leading indicators reflect concerns over the debt-crisis situation in the Euro area, **pointing to a possible slowdown** (ZEW index experienced a sharp fall as at June and, in the same month, consumer confidence still showed a negative trend). Unemployment remains high – still 10 % as at May – and inflation stable (+1.4% as at June).

The ECB continues to reassert the appropriateness of the 1% benchmark interest rate, stating that mid-term inflationary pressures are under control, inflation expectations are anchored and growth still uncertain, though the head of the ECB announced that GDP figures for Q2 2010 will be far better than those seen for Q1. **Implementation of the exit-strategy plan was confirmed**, with the ECB **continuing to gradually withdraw excess liquidity in the system.** Approval of the details regarding the European mechanism of financial stabilization by the Eurogroup has not completely dampened the tensions in the bonds market of the peripheral countries, **with spreads on 10 year terms remaining high against the German *bund* for all countries. In the money market, interest rates continued to rise on key maturities (at the end of June, the 1 month Euribor increased to 0.485% from 0.453% at the end of 2009).** The "flight to quality" also involved German bonds with the 10 year benchmark yield falling to 2.58% at the end of June as compared to 3.39% at the end of 2009. A more modest change was observed for the short-term component with a slight "flattening" of the interest rate curve (at 197bps, from 205bps at the end of 2009).

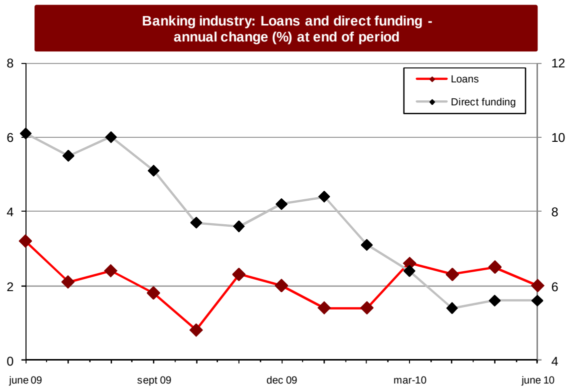
GDP in Italy climbed 0.4% in Q2 2010 as compared to the previous quarter (the same growth recorded in Q1 2010) and industrial production continued to head higher, owing to the surprising result for for industrial orders in May (+26.6% YoY) and manufacturing SMEs in June. After a phase of recovery starting in May 2009, ISAE consumer confidence fell for the second consecutive month (104.4 in June from 105.4), and figures for retail sales were disappointing with a downturn recorded in April (-0.3% MoM from +0.4% and -0.5% YoY from +2.7%). In Italy, as in the rest of Europe and the USA, **inflation slowed down** in the wake of falling prices for several commodities led by oil, **while there have been no signs of improvement in the labour market**: the unemployment rate stood at 8.7% in May as compared to 8.5% in December 2009.

The main stock markets experienced a significant drop following the rally at the end of 2009(from 31/12/2009 to 30/06/2010 Nikkei -12%, FTSE MIB -20%, Dow Jones -7%, S&P 500 -8%, Dax essentially flat) with no trend inversion being recorded until the end of June. In addition to environmental disasters caused by the oil spill from a **British Petroleum** platform in the Gulf of Mexico (BP shares plunged by more than 70% between the beginning of May and the end of June), trading was weighted down by the **deterioration in risk indicators for European countries and fears that the heavy austerity plans announced by them may undermine global economic recovery.** The spreads on return on government bonds compared to the German ten-year benchmark and CDS prices have increased for all peripheral countries, reaching peak levels in June and then easing slightly. With regard to Italy, the market remains confident that balanced public accounts will be restored. However, spreads and CDs have suffered the effects of the Greek situation.

In the currencies market, after the upturn for the dollar in the first part of the year, **the euro regained ground against the greenback, climbing back to around $1.25.** The second quarter saw a **strong rise for the yen** against both the euro and the dollar (yen/eur at 0.92 at the end of June). According to analysts, the Beijing government's strategy to make the yuan flexible against the dollar will be a very gradual and progressive process.

Banking

In the first half of 2010, developments in leading banks led to a moderately optimistic outlook for the **Italian banking system, reflecting the soundness of main groups, which was consolidated further by results from the stress tests decided and carried out at European level.** Direct funding continued on the downward trend which started in the second half of last year, while loans showed some signs of recovery as of the second quarter (see graph below). Peformance of loans and risk indicators reflects that the more delicate stage of the economic and banking cycle has been overcome. Profitability is still conditioned by the low contribution of direct funding to interest income and the weight of adjustments linked to trends in credity quality.



The slowdown in direct funding was offset by the assets under management which confirmed the upturn in bancassurance and the reversal of trends of the negative figures recorded in 2009 for funds and asset management; the trend in deposits was also boosted by the repatriated funds related to the Tax Shield. **The spread between bank interst rates shows a limited fall with respect to the levels at the end of 2009, standing at around 2.2%** (vs. an average of 2.24% in the second half of last year and an annual average of 2.4%).

Depositors continued to show a preference towards safeguarding their capital within this climate of uncertainty and risk aversion. **The trend in direct funding suffered a slight fall, standing at around 6.5% (annual average growth in the half-year period), from +8.3% at the end of 2009, with bonds and deposits showing divergent trends.** Deposits, in particular, grew (9% from 6.7% at year-end) mainly due to current accounts holding firm and repos showing signs of recovery, boosted further by the search for more interesting liquid instruments. Bonds, on the other hand, have slowed down significantly, from an annual 10.7% in December 2009 to substantial stagnation in June, reflecting the upturn in assets under management and under custody. **The Group's market share in direct funding confirmed the positive signs previously observed, positioning itself at 7.7% (it was approximately 7.2% in the last quarter of 2009).**

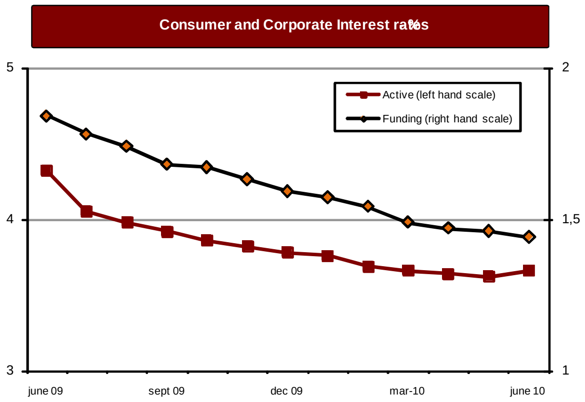
Flows from mutual funds showed an uptrend in the first half of 2010, with cumulative net funds at approx. 7.4 bln. The trend reversal therefore seems to have been confirmed following the negative performance in 2009. A shift was recorded from monetary markets (net funding negative by over 13 bln) to bonds (+11 bln); new flows on equity were practically null although they did show sustained growth for the year, standing at +23.3%. Furthermore, a returning interest was observed towards flexible, balanced and specialised products (almost +4 bln in total net funding). **The market share for Group distributed products is stable with respect to 2009, standing at approx. 4.8% (Q1 data).**

The new production of bancassurance products exceeded 31 bln in the first half of the yar, with an increase for the year of 42.7%. The placement of traditional policies showed a more moderate increase (+18%), after the boom of the previous year (+210%). Significant signs of recovery were shown for unit-linked products which, compared to the 1st half of 2009, more than trebled with an upturn in index-linked policies too.

Lending showed some signs of growth, standing at an annual 2.5% as of March (against +0.5% in May for the Euro area). The decline in loans to non-financial businesses was in line with their evolving demand as a result of a weakened economy. This was particularly evident in the downturn for short-term loans though mid-long term loans did manage to stand firm. 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 facilitated by the so-called "Tremonti-ter". Demand for loans from consumer households remained high (approx +7% for the half-year period) being driven by home mortgages which, in turn, reflect the signs of recovery for real estate purchases (+4.2% in the 1st quarter) and the introduction of some recent regulatory actions (such as mortgage portability and the suspension of instalment repayments). **The Group's market share came to approx. 8%, slightly higher than in the closing months of 2009.**

Credit quality continued to be affected by the difficult economic scenario. In the first half of 2010, the rate of impairment remained essentially stable (approx. 2% annualized according to Bank of Italy instructions) with respect to the previous half-year period, at levels which are, nevertheless, lower than those observed during previous recessions. A slight improvement in credit quality for the manufacturing industries and a substantially stable situation for households were recorded, while stocks for non-performing loans continued to rise significantly (approx. +40% yearly) together with an NPL-to-Total Loans ratio of above 2%.

Bank interest rates continued to fall slightly in the first half of 2010 against a stable policy interest rate at 1% and substantially stable monetary market interest rates (the 1 month Euribor at June stood at levels similar to those registered at the end of 2009). **The average interest rate on loans lost 10 bp as compared to the end of 2009, standing at 3.66%**; while that of deposits experienced a similar fall as it dropped to 1.44%. The mark-up measured on short-term loans and on the 1 month Euribor was also conditioned by the fact that interest rates on interbank positions remained very low, reflecting situations of ample liquidity nurtured by the initiatives of the ECB; as at June 2010 it resulted as being slightly lower with respect to the end of 2009, (4.1%). The mark-down continued to remain at very low levels (approx. 15 bps), essentially unaltered with respect to the end of last year.



THE REGULATORY FRAMEWORK

Both the government and the banking system continued to promote initiatives aimed at combatting 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. A further initiative was implemented in the first half of the year with the agreement between SACE (Italian export credit insurance agency) and the *Cassa Depositi e Prestiti*, consisting in an integrated system whereby CDP provides banks with the funding needed to finance export transactions of businesses on condition that they are insured or guaranteed by SACE. Other 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.**

The tax shield, a tax-amnesty plan which introduced a "regularisation" mechanism for financial and capital assets illegally held abroad, was extended to the whole of 2010 with the **tax rate on repatriated funds increasing from 5% to 7%**.

An **agreement between the Ministry for the Economy and Finance and the Italian Banking Association** was set out to encourage credit insitutions to join initiatives aimed at reducing financial burdens on small and medium businesses. The first half of the year also saw the continuing tax exemption for investments in machinery and equipment **(Tremonti ter law). No further extension is envisaged yet.**

Special terms and conditions for banks and financial companies were introduced in the first half of 2010, **with an increase in the deductible portion of writedowns on non-performing loans**. For loans issued in the financial year following the one effective as at 31 December 2009, and with the scope being limited only to the amount exceeding the average of loans issued in the previous 2-year period, deductability has been increased from 0.30 allo 0.50% with the possibility to recover any surplus in the subsequent 9 financial years, as opposed to 18.

The **Agreement between *Cassa Depositi e Prestiti* (Cdp) and the Italian Banking Association** consisted in an EUR 8bln financing plan which was used in two tranches (the first by February and the second by March 2010). Under the agreement, banks belonging to the Plan commit to chanelling loans to SMEs, both for future and current investments as well as increases in working capital. **In 2010, transactions aimed at businesses came to a total of EUR 7 bln.**

The financial strategy approved by the Chamber of Deputies on 28 July 2010, which transposed **decree no. 78 of 31 May, as amended**, into law, **identified a set of corrective measures for the next three years.**

The decree reduces net indebtedness with respect to trends by 12.1 bln in 2011 and approx. 25 bln in the two-year period, 2012-2013. Major novelties introduced concern: the modernisation of payments by the Public Administration (art.4), alignment with EU regulations regarding restrictions in the use of cash and bearer bonds, with a maximum threshold reduced to EUR 5,000 (art.20), changes in tax treatment of real estate close-end funds (art.32), tax advantages for Southern Italy (art.40) and the stipulation of business networking agreements (art. 42). The law also includes the extension of terms (to the end of 2010) for the recourse to Tremonti Bonds, whose purpose is to strengthen the capital ratios of banks.

The **legislative decree regarding consumer credit, implementing European directive 2008/48/EC**, revises the transparecy standards contained in the document, *"Consolidated Law on Banking"*; the new standards will be effective as of March 2011. In particular, the guidelines for brokers and agents in financial activities was revised, guidelines for microcredit were introduced whereas those for financial companies were modified (no distinction is now made between companies registered on the lists referred to under articles 106 and 107 of the Consolidated Law on Banking. A single list will now be subject to the Bank of Italy's supervision). The objective is to better protect consumers and small and medium enterprises with greater transparency on the annual percentage rate of charge (APR), interest rates, costs and instalment amounts. The right of withdrawal from credit agreements must be exercised within 14 days and for open-ended agreements it may be exercised at any point, free of costs. These rules are applied to all consumer credit agreements excluding loans below EUR 200 and exceeding 75, 000. With regard to mortgages, the *ius variandi* was abolished , ie. it will no longer be possible for banks to apply unilateral changes in interest rates applied.

1 January 2010 saw the enactment of the provision issued by the Bank of Italy on "Transparency in banking and financial services and transactions and fairness in relationships between intermediaries and customers". The new framework aims to foster competitiveness in the banking and financial markets. Major novelties introduced include a: disclosure and information (through documents publicising the main rights of clients); the Synthetic Cost Ratio for current accounts (which banks must report in documents for customers), which is in addition to similar, already-existing indices, for consumer credit and mortgages; regular information (through statements and periodic summaries); organisational requirements (through customer profiling and classification); the use of documentation on transparency in the marketing phase of banking products.

Transparency standards regarding **payment services were adopted on 1 March, by transposing PSD 2007/64/CE (Payment Services Directive) into Legislative Decre 11/2010.** These involve the single identification code, which the banking system has decided will correspond to the IBAN, reduction of time needed for payment transactions as well as the immediate availability of sums transferred; with reference to the latter, the PSD grants an extension to banks whereby, until 2012, they may lengthen transfer time by up to 3 days (4 in the event of paper-based transfers). Moreover, as of 1 March 2010 new rules were applied to money transfers and (debit, credit and pre-paid) card transactions and as of 5 July 2010 the rules were also extended to portfolio and collection services (cash orders (Ri.Ba), direct debit transactions (RID), payments against notice (MAV), bank and post payment slips).

The new directive on electronic money (2009/110/CE), to be transposed by April 2011, is in line with the PSD and extends the principles identified to the new forms of electronic money. The directive was adopted in response to the appearance of new electronic payment products such as store cards, fuel cards, membership cards, lunch vouchers and service vouchers; ie. instruments which may be used for the puchase of a limited range of goods and services in selected shops, regardless of geographic location.

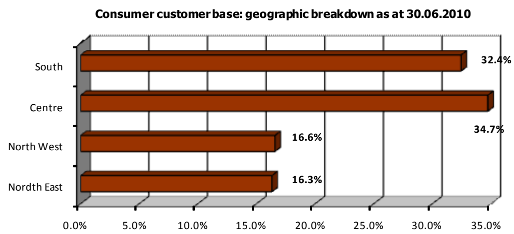
CUSTOMER OPERATIONS

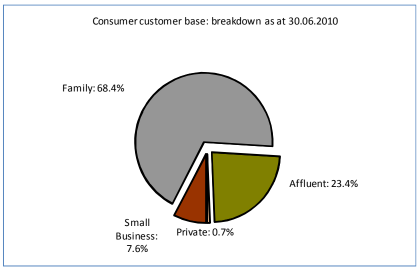
In the second quarter of 2010, the Montepaschi Group achieved significant results in **total funding**, up EUR 4.4 bln with respect to the first quarter and by 18.2 bln on the previous year, and in **lending,** which rose by 4.4 bln with respect to 31/03/2010 and 10 bln as compared to 30/06/2009. The **Group's customerbase continued to grow** (in the first half of the year the network acquired over 37,000 new customers). As a consequence, a considerable **improvement in market share was recorded for the main business segments**. Positive business results affirmed the Group's focus on the **real needs of households and businesses**, which have always been a key driver when it comes to developing sales & distribution plans and an indispensable point of reference upon which service levels and types of products offered are based. In view of these commitments, and within an economic framework that continued to be difficult, the Group aimed to guarantee continuity to its offer of credit by taking part in banking system initiatives as well as developing projects independently. These activities, put in place with the objective of mitigating the effects of the crisis, are perfectly in line with the **commitments undertaken with the Ministry of Economy and Finance** following the issue of convertible financial instruments known as "Tremonti Bonds".

Customer portfolio

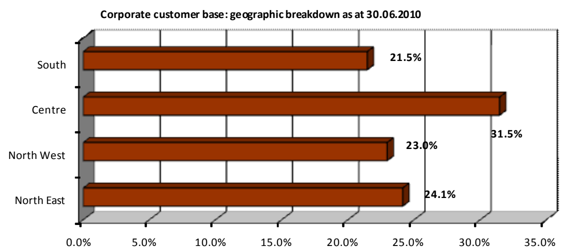
The Montepaschi Group carries out its banking activities with almost **6.3 million customers**[5], **5.9 million of whom are managed by the Distribution Network**[6] further broken down as follows:

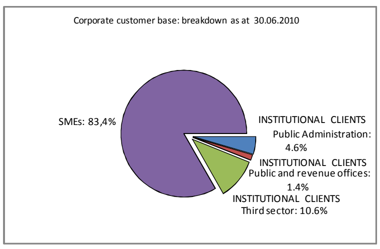
- ✓ **<u>Consumer</u>:** Includes approx. **5.7 million customers** (over 98% of the Group's customers), evenly distributed across the country (Northern Italy 32.9%, Central Italy 34.7%, Southern Italy 32.4%), and falling under the segments, **Family** (68.4%), **Affluent** (23.4%), **Small Business** (7.6%) and **Private** (0.7%).





- ✓ **<u>Corporate</u>:** Consists in **77,000 customers**, including SMEs (approx. 83%) and Institutions (17%), mainly concentrated in the regions of Northern Italy (47.1%) but with a significant portion in Central Italy as well (31.5%). A separate segment is made up by Large Corporate customers (approx. 1,500 units) which primarily contain the large industrial groups.





Since the start of the year, the operational systems registered 37,000 new customers in the distribution network.

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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 June 2010 total funding volumes[7] for the Group came to approximately 293 bln, up 4.4 bln on 31/03/2010 as restated (+1.5%) and up by 18.2 bln as compared to previous year "restated" figures (+6.6%) mainly on the back of a positive contribution from direct funding (+3.5% on March 2010; +8.8% YoY). Asset management was up as well (+0.8% on March 2010; +9.6% YoY), driven by a positive trend in funding from insurance premiums and collective investment schemes.

CUSTOMER FUNDING (EUR mln)

	30/06/10	Restated (°) 31/03/10	Restated (°) 30/06/09	% chg. vs 31/03/10	% share 30/06/09
Direct customer funding	**158,232**	**152,912**	**145,431**	**3.5%**	**8.8%**
Indirect customer funding	**134,401**	**135,333**	**129,013**	**-0.7%**	**4.2%**
assets under management	*50,060*	*49,641*	*45,657*	0.8%	9.6%
assts under custody	*84,341*	*85,692*	*83,356*	-1.6%	1.2%
Total customer funding	**292,633**	**288,245**	**274,444**	**1.5%**	**6.6%**

(*) Volumes as at 31/03/2010 and as at 30/06/2009 were restated, with historical data excluding the volumes pertaining to the branches sold in the course of the second quarter of 2010 by Banca Monte dei Paschi di Siena to the Carige Group and the Intesa Group (22 and 50 branches respectively). As at 31/03/2010, these branches had approximately EUR 3,449 mln in total funding (of which EUR 2,111 mln in direct funding and EUR 1,338 mln in indirect funding), while volumes as at 30/06/2009 amounted to EUR 3,543 mln (of which 2,204 mln in direct funding and 1,339 in indirect funding).

Direct funding came to approx. EUR 158 bln, **up about 5.3 bln on 31/03/2010** restated figures (+3.5%) and **12.8 bln as compared to previous year** restated figures (+8.8%), with the **Group's market share climbing to 7.69%**, an improvement of 42 bps on 31/03/2010 (+51 bps since the start of the year). The growth in the aggregate recorded in Q2 2010 mainly results from the **placement of bonds with Consumer and Corporate customers** (which saw an approximate 1bln increase in stock in Q2), with the first issuance of **Covered Bonds** as part of the Covered bonds placement plan (approx. 1 bln) and the increase in **Repos with institutional counterparties**. The table below contains a breakdown of funding by operating segment (for further details, please refer to the chapter "*Segment reporting*"):

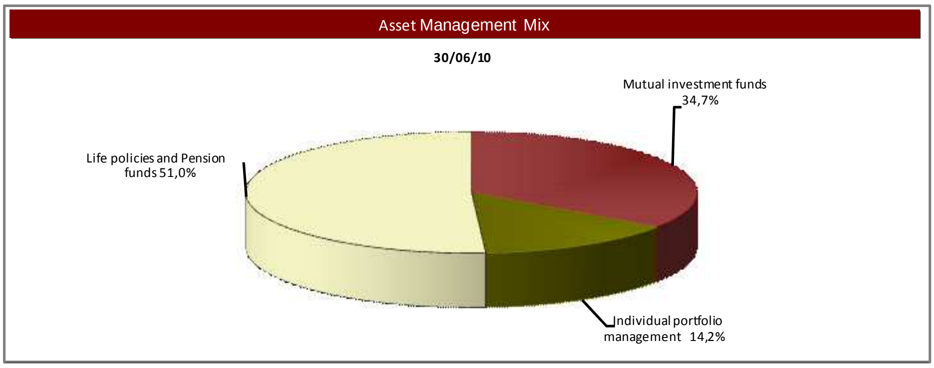
Direct funding
(EUR mln)

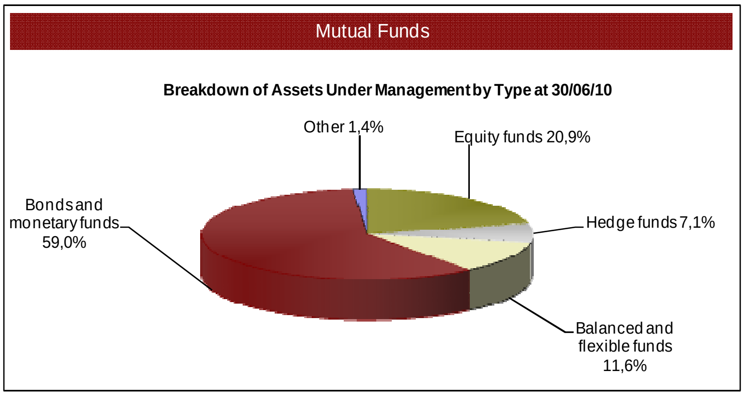
	30/06/10	% share 30/06/10
Consumer Banking	84,710	53.5%
Corporate Banking	49,144	31.1%
Corporate Center	24,379	15.4%
Total	**158,232**	**100.0%**

As far as **indirect funding** is concerned, volumes posted at 30 June 2010 amounted to EUR **134 bln** (stable with respect to restated results at 31/03/2010), up EUR 5.4 bln on the previous year restated figures. An analysis of the individual aggregates shows:

- **Assets under management**: came to approx. EUR 50 bln, up 0.8% on 31/03/2010 restated and 9.6% as compared to 30/06/2009 restated. 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 in excess of 7 bln, while **Mutual Investment Funds/Sicavs** amounted to approx. 17 bln with a shift towards balanced funds.

[7] *Volumes as at 31/03/2010 and 30/06/2009 were "restated" with historical data that excluded the effects from the branches sold by Banca Monte dei Paschi di Siena in the second quarter of 2010.*





- **Assets under custody**: as at 30 June 2010 the result came to EUR 84 bln, an improvement on the previous year's restated figures (+1.2%) although down on the previous quarter (-1.6%) as a result of the fluctuations in certain institutional portfolios with particularly volatile volumes .

Overall funding for the period was boosted by **new placements with inflows of 11.4 bln** (-6.9% YoY). Following is a breakdown by product category:

Wealth Management products

EUR mln			30/06/10	30/06/09
Bonds	*including:*		**7,569**	**10,984**
		Linear	5,295	9,284
		Structured	2,274	1,701
Life-insurance policies	*including:*		**3,466**	**2,255**
		Ordinary (1)	2,143	1,496
		Index Linked	560	530
		Unit Linked (2)	764	229
Individual portfolios under management			**-134**	**-350**
Mutual funds/Sicav (3)			**480**	**-670**
Total			**11,382**	**12,219**

(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 came to **7.6 bln** (approx. 11 billion in the first half of 2009), mainly concentrated in the"plain" segment, although structured products recorded a YoY growth of 33.7%.

With regard to **Bancassurance,** premiums collected came toEUR **3.5 bln**, an increase on 30/06/2009 (+53.7%) owing to the rise in **traditional policies (+43.2%)** and the positive performance of **Unit-Linked policies** which **trebled** with respect to the result achieved in the first half of 2009. Premiums collected on **index-linked policies** were also up, though to a lesser degree (+5.6%). A breakdown of the aggregate as at 30/06/2010 confirms the prevalence of traditional insurance products (61.8% vs. 66.3% last year), followed by Unit-linked policies (22% vs. 10.2%) and Index-linked policies (16.1% vs. 23.5%).

Individual and collective asset management, on an upturn as of mid-2009, recorded positive flows in this half-year period for approximately **EUR 346 mln**, with a stronger performance in the initial months of 2010. In particular:

- ✓ **Mutual Investment Funds/Sicavs** showed a **positive funding of approx. 480 mln**, an improvement on the result achieved as at 30/06/2009 which saw outflows for an amount of 670 mln;
- ✓ As for **Individual Managed Accounts**, negative flows continued to be recorded (-134 mln) although there was an improvement on the same period of last year (when flows came to -350 mln).

Lending aggregates

As at the end of June 2010, lending[8] **for the Group came to EUR 153 bln, up by 4.4 bln on 31 March 2010 restated (+3%) and approx. 10 bln on June 2009 restated (+7.1%).** The increase achieved in Q2 was mainly due to the performance of residential mortgage loans, while the demand for credit from the manufacturing industry was still weak, reflecting a still-difficult economic cycle. **The aggregate, in line with the commitments undertaken with the Ministry for the Economy and Finance following the issue of the "Tremonti Bonds",** led to an **increase by 14 bps in the Group's market share for loans**, which shifted up from 7.89% in March to 8.03% in June.

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:

Customer loans

(EUR mln)

		% share
	30/06/10	30/06/10
Consumer Banking	62,929	42.6%
Corporate Banking	72,740	49.2%
Corporate Centre	12,194	8.2%
Total	**147,863**	**100.0%**

The lending trend benefitted from **new mortgage loans negotiated** for an amount of **8.7 bln** (+73% YoY), with the second quarter contributing 4.2 bln, impacting positively on the acquisition of new clients.

Special purpose loans and corporate finance

	EUR mln	30/06/10	30/06/09
MPS Capital Services Banca per le Imprese			
	disbursements	1,089	820
MPS Leasing & Factoring			
incl.:	leases negotiated	802	651
	factoring turnover	2,810	2,178
Consumit			
	disbursements	1,442	1,302

[8] *Volumes as at 31/03/2010 and 30/06/2009 were "restated" with historical data excluding the volumes pertaining to the branches sold in the course of the second quarter of 2010 by Banca Monte dei Paschi di Siena to the Carige Group (22 branches) and the Intesa-San Paolo Group (50 branches). As at 31/03/2010 and 30/06/2010 loans for these branches stood at EUR 2,314 mln and EUR 2,305 mln respectively.*

With regard to **special-purpose loans** disbursed by the Group through dedicated product companies, **new flows** came to **over 6 bln** (+24.1% YoY), with Q2 contributing approx. 3.3 bln (+17.4% QoQ). A positive performance was registered for both **industrial loans** (**+28.8% YoY**; +21.1% QoQ), which saw a particular rise in disbursements by MPS Capital Services in Q2 and in **consumer credit** (**+10.8% YoY**; +5.9% QoQ), despite the slowdown in "special-purpose" loans.

Credit quality

As for credit quality, as at 30 June 2010, the Montepaschi Group recorded a net exposure of **11.3 bln in terms of impaired loans**, a rise of approximately 700 mln compared to March (+1 bln on 31/12/2009), with the ratio of impaired loans over total Customer Loans rising to 7.39%. The change in the aggregate recorded in Q2 2010 was mainly due to the increase in **restructured loans** (+439 mln), while **watchlist and non-performing loans** recorded more limited growth (+285 mln and +111 mln respectively). On the contrary, a fall was recorded for **past dues** (-133 mln). As for **performing loans**, the average probability of default improved by 10bps in the second quarter, coming to 2.60%, compared to 2.70% in March.

BREAKDOWN OF CUSTOMER LOANS BY RISK

Risk category - Net book values				%	%	%
EUR mln	30/06/10	31/03/10	31/12/09	30/06/10	31/03/10	31/12/09
A) Impaired loans	**11,299**	**10,596**	**10,221**	**7.39**	**7.03**	**6.71**
a1) Non-performing loans	5,018	4,908	4,653	3.28	3.25	3.05
a2) Watchlist loans	4,289	4,004	3,758	2.81	2.66	2.47
a3) Restructured loans	1,232	793	701	0.81	0.53	0.46
a4) Past due	759	892	1,109	0.50	0.59	0.73
B) Performing loans	**141,582**	**140,207**	**142,192**	**92.61**	**92.97**	**93.29**
Total customer loans	**152,881**	**150,804**	**152,413**	**100.00**	**100.00**	**100.00**

At the end of the half-year period coverage of **impaired loans** came to 40.1%, continuing to be commensurate and in line with the Montepaschi Group's traditional coverage levels. With regard to gross NPLs, coverage has improved with value adjustments shifting from 55.8% in March to 56.5% in June.

PROVISIONING RATIOS

	30/06/10	31/03/10	31/12/09
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**40.1%**	**40.5%**	**40.4%**
"provisions for watchlist loans"/"gross watchlist loans"	**18.5%**	**19.1%**	**19.6%**
"provisions for NPLs"/"gross NPLs"	**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 59.7%. For an accurate interpretation of the details contained in the table, it should be noted that NPLs under litigation are normally written down also by direct amortisation, while mid-long term loans are generally supported by collaterasl thus requiring more limited provisioning. This is particularly evident in MPS Capital Services (NPL coverage came to 33.7%), whose business is mainly characterised by the disbursement of mortgage loans:

BREKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/06/10	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
EUR mln							
Non-performing loans	5,018	2,764	595	1,295	146	107	53
% share of customer loans	3.28%	2.1%	4.4%	9.6%	2.5%	1.7%	2.4%
"loan loss provisions"/"gross NPLs"	**56.5%**	**59.8%**	**59.1%**	**33.7%**	**68.2%**	**77.5%**	**65.9%**
Watchlist loans	4,289.3	2,916.9	319.6	623.4	256.9	76.1	55.9
% share of customer loans	2.81%	2.2%	2.4%	4.6%	4.5%	1.2%	2.5%
"loan loss provisions"/"gross watchlist loans"	**18.5%**	**19.0%**	**14.5%**	**14.4%**	**18.5%**	**38.1%**	**19.9%**

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 344.6 mln at Group level** (+13.4% YoY), 179 mln of which were achieved in the second quarter (+8.6% on Q1 2010).

INCOME STATEMENT AGGREGATES

In Q2 2010 the Montepaschi Group saw a significant rise in basic income which grew by 2.7% on the previous quarter. This was the result of a 4.4% increase in interest income with respect to Q1 (approx. +39 mln) and in net commissions which essentially confirmed the result of 31 March 2010, the highest achieved in the last 5 quarters. Loan value adjustments also improved (-7.8% vs. Q1 2010) as did operating expenses (-3.4%), which allowed the Group to absorb the negative effects from increased sovereign debt risk in the Euro area upon the valuation of government bonds in the "Held For Trading" portfolios, thus consolidating its operating income (Net operating income +8.1% YoY).

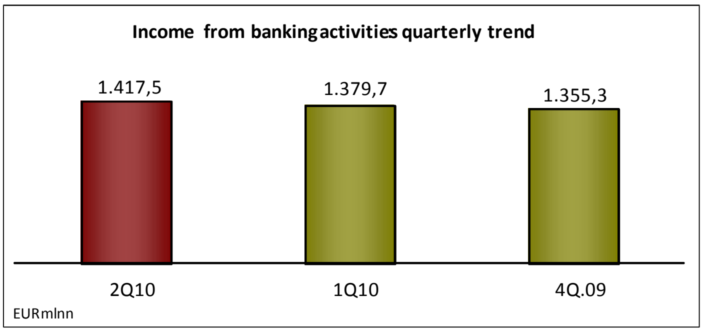
1. OPERATING INCOME

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 **2,810 mln** as at 30 June 2010 (vs. approx. 2,933 mln at 30 June 2009) with a yield in Q2 of around 1.386 mln, down 2.7% on the previous quarter.

FINANCIAL AND INSURANCE INCOME (EUR mln)

	30/06/10	2° quarter '10	1° quarter '10	30/06/09	chg. 2Q10 *vs* 1Q10 Abs.	%	Chg. 2H10 *vs* 2H09 Abs.	%
Net interest income	1,810.6	924.8	885.8	1,835.5	39.0	4.4%	-24.9	-1.4%
Net commissions	986.6	492.7	493.9	951.2	-1.2	-0.2%	35.4	3.7%
Income from banking activities	**2,797.2**	**1,417.5**	**1,379.7**	**2,786.6**	**37.7**	**2.7%**	**10.5**	**0.4%**
Dividends, similar income and gains (losses) on equity investments	33.6	15.7	17.9	66.7	-2.2	-12.3%	-33.0	-49.5%
Net profit (loss) from trading/valuation of financial assets	-33.5	-53.4	19.8	79.3	-73.2	n.s.	-112.8	n.s.
Net profit (loss) from hedging	12.9	6.3	6.7	0.7	-0.4	-6.5%	12.2	n.s.
Financial and insurance income	**2,810.2**	**1,386.1**	**1,424.2**	**2,933.3**	**-38.1**	**-2.7%**	**-123.0**	**-4.2%**



Q2 results were characterised by:

- a significant growth in **income from banking activities** with a yield in Q2 of approximately EUR 1.418 mln, up 2.7% on Q1 2010, taking the half year cumulative figure to about 2.797 mln (the result for last year was approx. 2.787 mln). More specifically:
  - **net interest income** came to **EUR 1.811 mln** (vs. 1,836 mln as at 30 June 2009) with Q2 contributing almost 925 mln (+ approx. 39 mln approx.; +4.4% on Q1 2010). The **consumer and corporate business component** was still affected by low short-term interest rates, while the **financial component** (banking book, asset & liabilities management) benefitted from opportunities for asset financing at low rates in connection with the upward sloping short-term section of the yield curve.
  - **net fees and commissions** were approx. **EUR 987 mln** and thus steady when compared to Q1 2010 (-0.2%) but rising by over 35 mln as compared to the previous year (+3.7%). A closer focus on the aggregate shows that **revenues from asset management** have grown considerably YoY (+28.3%), while **fees on services** benefitted from a positive contribution from Corporate Finance lending and business with Key Clients.

- **Net profit/loss from trading/valuation of financial assets** stood at EUR -33.5 mln (vs. 79.3 mln as at 30/06/2009), negative by 53.4 mln in the second quarter. The aggregate reflects the sovereign debt crisis which affected "net profit/loss from trading" (-67.9 mln in Q2 2010, -45.2 mln as at 30/06/2010). A negative result was also recorded for "net profit from fair value assets/liabilities" (-6.1 mln for the quarter, -24.8 mln at the end of June), weighted down by the increase in liabilities of BMPS bonds for the part not completely covered against risk. A positive balance was shown instead under "*Gains/losses on disposal of loans, available for sale financial assets and liabilities*" (+20.7 mln in Q2 2010; H1 accumulative figure +36.5 mln) mainly on the back of capital gains from disposalof securities classified as AFS and L&R.

NET PROFIT (LOSS) FROM TRADING/VALUATION OF FINANCIAL ASSETS (EUR mln)

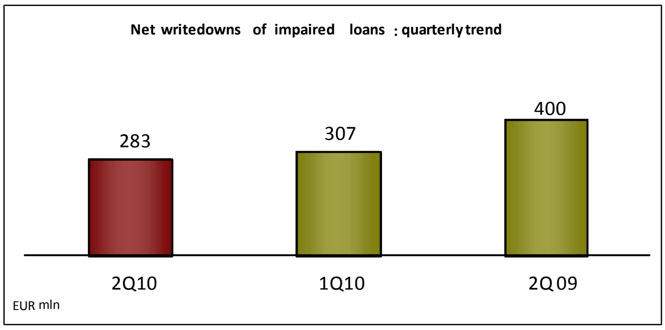
	30/06/10	2° Quarter '10	1° Quarter '10	30/06/09	Chg. 2Q10 *vs* 1Q10 Abs.	%	Chg. 2H10 *vs* 2H09 Abs.	%
Net profit (loss) from trading	-45.2	-67.9	22.7	87.5	-90.6	n.s.	-132.7	n.s.
Gains (losses) on disposal of loans, available for sale financial assets and financial liabilities	36.5	20.7	15.8	-4.2	4.8	30.4%	40.7	n.s.
Net profit (loss) on financial assets and liabilities designated at fair value	-24.8	-6.1	-18.7	-4.0	12.6	-67.3%	-20.8	n.s.
Net profit (loss) from trading/valuation of financial assets	**-33.5**	**-53.4**	**19.8**	**79.3**	**-73.2**	**n.s.**	**-112.8**	**n.s.**

Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains/losses from equity investments** which totalled **33.6 mln** (66.7 mln as at 30/06/2009) mainly in connection with profits from equity investment mainly attributable to AXA-MPS and PRIMA SGR as well as other equity securities classified as AFS;
- **Net income from hedging** came to approx. EUR 13 mln (around 1 million as at 30/06/2009).

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

With reference to income from loan disbursements, the Group posted **net value adjustments due to impairment of loans** for an amount of **EUR 590 mln** in the first half of 2010 (approx. 687 mln as at 30 June 2009) down on Q1 2010 (-7.8%). The amount reflects a provisioning rate[9] of 77 bps (approx. 81 bps as at 31/03/2010; approx. 96 bps as at 31/12/2009; approx 95 bps as at 30/06/2009), which continues to be impacted by the difficult economic cycle within the Group's rigorous policy of prudential provisioning.



Net value adjustments due to impairment of financial assets was negative by approx. EUR 19 mln (-23 mln as at 30/06/2009) due to depreciation of AFS stock that became impaired and other financial transactions.

As a consequence **income from banking and insurance activities stood at EUR 2,201 mln** (vs. 2,224 mln as at 30/06/2009), with Q2 contributing approx. EUR 1,085 mln.

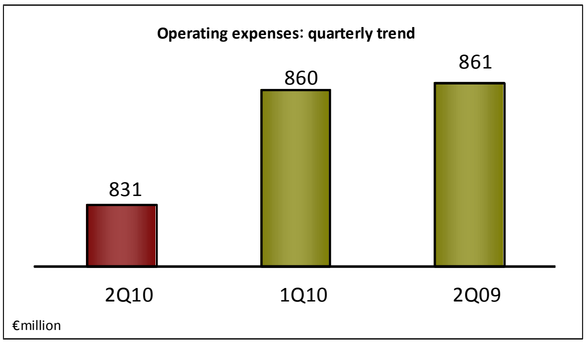
9 *Provisioning rate: ratio between annualised net adjustments due to impairment of loans and customer loans at year end (Account 70 in the Balance Sheet).*

COST OF OPERATIONS: OPERATING EXPENSES

As at 30 June 2010, **operating expenses** stood at **EUR 1,690 mln** (-3.5% YoY) with Q2 conributing EUR 831 mln, down 3.4% on the previous quarter, confirming the focus the Montepaschi Group is placing on the structural containment of costs:

Operating expenses (EUR mln)

	30/06/10	2° Quarter '10	1° Quarter '10	30/06/09	Chg. 2Q10 *vs* 1Q10 Abs.	%	Chg. 2H10 *vs* 2H09 Abs.	%
Personnel expenses	1,073.1	516.6	556.5	1,111.8	-39.9	-7.2%	-38.7	-3.5%
Other administrative expenses	535.0	271.9	263.1	561.9	8.8	3.3%	-26.9	-4.8%
Administrative expenses	**1,608.1**	**788.5**	**819.6**	**1,673.7**	**-31.2**	**-3.8%**	**-65.6**	**-3.9%**
Net adjustments to tangible and intangible assets	82.3	42.2	40.1	77.4	2.0	5.0%	4.9	6.4%
Operating expenses	**1,690.4**	**830.6**	**859.8**	**1,751.1**	**-29.1**	**-3.4%**	**-60.7**	**-3.5%**



More specifically:

A. **Administrative expenses** were down 3.9% YoY due to:
   - **personnel expenses**, amounting to approx. EUR **1,073 mln**, **down 3.5%** on 30 June 2009 and down 7.2% with respect to the previous quarter. Performance in this area benefits from the structural effects of the headcount reduction and rearrangement processes put underway as of mid 2008;
   - **other administrative expenses** (net of stamp duties and customer expense recoveries), totalling **EUR 535 mln, down 4.8%** on the previous year (Q2 2010 +3.3% on Q1 2010) mainly as a result of cost management measures adopted and cost synergies obtained from the reorganisation processes put in place.

B. **Net value adjustment to tangible and intangibile assets** stood at approx. **EUR 82 mln**, up 6.4% as compared to 30 June 2009 (+5% on Q1 2010) 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 511 mln, an increase of 8.1% on 30 June 2009 (approx. EUR 473 mln), with Q2 contributing approx. EUR 254 mln, in line with the previous quarter. The cost-to-income ratio stood at 60.2%, down approx. 20 bps as compared to the value recorded at the end of March 2010.

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

Net profit also included:

- the negative balance of **Net provisions for risks and charges and other operating income/expenses** amounting to EUR -134 mln (vs. -35 mln as at 30/06/2009) with Q2 contributing -92.2 mln (vs. -41.4 mln in Q1 2010), impacted by provisions taken in the second half of the year against possible operating losses linked to a non-performing position. Since the beginning of the year, the account has been made up by approx. -96 mln in provisions to the fund for risks and charges (covering primarily legal disputes, revocatory actions and impairment losses on junior notes) and roughly -37 mln worth of net operating expenses (consisting primarily in legal actions and improvement on third-party assets);
- a balance of -19.5 mln in **Gains/losses on equity investments** primarily attributable to the depreciation of Antonveneta Vita SpA.
- **"one-off" charges** for an amount of EUR 2.7 mln linked to the disposal of assets.

- **Profit/loss from disposal of investments** for an amount of EUR 184 mln, of which 175 mln (net of related goodwill) mainly due to capital gains arising from the sale of a batch of 72 branches, namely 22 to the CARIGE Group and 50 the the Intesa-SanPaolo Group.

Against this background, **profit before tax from continuing operations stood at approx. 539 mln** (approx. 403 mln in the same quarter of 2009), with revenues of 324 mln in Q2 (215 million in Q1).

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

	30/06/10	2° Quarter '10	1° Quarter '10	30/06/09	Chg. 2Q10 *vs* 1Q10 Abs.	%	Chg. 2H10 *vs* 2H09 Abs.	%
Net operating income	**510.8**	**254.1**	**256.7**	**472.5**	**-2.6**	**-1.0%**	**38.3**	**8.1%**
Net provisions to reserves for risks and charges and other operating income (expense)	-133.6	-92.2	-41.4	-34.8	-50.8	n.s.	-98.8	n.s.
Gains (losses) from equity Investments	-19.5	-19.3	-0.2	-3.1	-19.1	n.s.	-16.4	n.s.
Integration costs	-2.7	-2.7		-31.9	-2.7		29.2	-91.5%
Gains (losses) from disposal of investments	184.2	184.2	0.0	0.0	184.2	n.s.	184.2	n.s.
Profit (loss) before tax from continuing operations	**539.2**	**324.1**	**215.1**	**402.6**	**108.9**	**50.6%**	**136.6**	**33.9%**

Finally, to complete the section on income:

- **Tax expense (income) on profit (loss) from continuing operations** was negative by approximately EUR 220 mln (-194 mln as at 30 June 2009) having benefitted from a reduction in taxes by approx. EUR 109 mln owing to the application of Legislative Decree 185/08, but weighted down by the effects linked to the disposal of branches which impacted the aggregate by -110 mln. The tax rate for the period was approx. 41%.
- **Gains (losses) after tax from groups of assets held for sale**, negative by EUR 1.3 mln, against a gain of 195.5 mln as at 30/06/2009 arising from the disposal of asset management companies.

The consolidated net profit of the Montepaschi Group befor Purchase Price Allocation (PPA) stood at approx. EUR 318.4 mln (vs. 401.6 mln as at 30/06/2009 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 261.2 mln (vs. 332.1 mln as at 30 June 2009).

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In accordance with instructions issued by CONSOB (Italian Securities and Exchange Commission) below is the reconciliation of the Parent Company's net equity and interim results with the Group consolidated results.

Reconciliation between Parent Company's and Consolidated Shareholders' Equity and Profit (Loss) for the period

Amounts in €/000	Shareholders' Equity	Net Profit (Loss)
Balance as per Parent Company's Accounts	15,426,329	222,284
of which Parent Company's valuation reserves	*-487,696*	
Effect of line-by-line consolidation of subsidiaries	553,634	281,873
Effect of affiliates	102,370	3,980
Reversal of dividends from subsidiaries	0	-271,769
P&L effect of write-off of depreciation/revaluation of equity investments	0	1,590
Effect of reversal of capitalised fees	-38,644	155
Other adjustments	31,804	23,039
Subsidiaries' valuation reserves	269,091	0
Consolidated shareholders' equity and net profit (loss) for the period	**16,344,584**	**261,152**

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 June 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
(in millions of euro)

June 2010	Retail & Private Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Center (*)	% chg yoy	Total Reclassified Group	% chg yoy
PROFIT AND LOSS AGGREGATES								
Financial and insurance income	1,545.5	-3.9%	1,004.1	-0.8%	260.6	-16.9%	2,810.2	-4.2%
Net value adjustments due to impairment of loans and financial assets	224.5	-21.9%	379.4	-9.4%	5.1	n.s.	609.0	-14.2%
Operating expenses	1,114.6	-4.9%	299.1	-6.3%	276.7	6.3%	1,690.4	-3.5%
Net operating income	206.3	39.0%	325.6	18.7%	-21.1	n.s	510.8	8.1%
BALANCE SHEET AGGREGATES								
Active loans and advances to customers	62,929	16.6%	72,740	-0.01%	12,194	-12.2%	147,863	5.2%
Customer accounts and securities	84,710	2.9%	49,144	3.3%	24,379	158.4%	158,232	13.6%
Assets under management	44,797	11.6%	2,481	0.0%	2,783	45.3%	50,060	12.4%
PROFITABILITY RATIOS								
Cost/Income	72.1%		29.8%		106.2%		60.2%	
Raroc	13.0%		11.9%		-		5.4%	

(*) As at 30 June 2010, the aggregate also includes the P&L values generated by branches sold as applicable until date of disposal (i.e. 28 May 2010 for disposal of 22 branches to the CARIGE Group and 11 June 2010 for dispoal of 50 branches to the Intesa-SanPaolo Group), which were previously allocated to the Consumer and Corporate divisions.

As is usual, the major business aspects of H1 2010 for each of these operating segments are reported in the following pages:

CONSUMER BANKING

SALES & DISTRIBUTION AND PRODUCT/SERVICE INNOVATION

In the second half of 2010 the business policies of the Consumer banking division continued to **focus on products and initiatives in support of households and small businesses** in a still-critical economic scenario,guaranteeing **continuity to the Group's offer of credit in full alignment with the commitments undertaken by the Group** following the subscription of the Tremonti bonds. This was carried out **without forsaking customer service quality, product innovation and rationalisation** in response to both the requests coming from the network and the customers and to national and international best practices.

Within this framework, initiatives by the Consumer Banking division aimed at the various customer segments were organised as follows:

Retail customers

- With regard to the **"Family"** segment, the business strategy was created around three main elements: 1) to develop "real banking", thanks to the campaigns dedicated to *Mutuo MPS Protezione*[10], initiatives extended to Consumit customers and the "*Più Conti* campaign", launched in April and targeting specific clusters of single-bank clients; 2) to support families in difficulty through: the "**Fight the Crisis"** plan, adhesion to the **Italian Banking Association's "Plan for families" (Piano famiglie ABI)** which allowed approximately 14,600 households to temporarily suspend payment of their mortgage instalments, targeted initiatives such as the adoption of special measures in favour of families struck by the earthquake in Abruzzo; 3) to develop a "culture of protection", both for people and assets, through the campaign *"Protetto e Premiato"* (Protected and Rewarded).
- The **"Affluent"** segment**:** business initiatives continued –as from last year- to be based upon customer clustering and segmentation and, together with the subsequent launch of campaigns, benefitted from the introduction of Advisory Specialists who play the twofold role of supporting the Network units (Regional Areas, Local Headquarters and Branches) and chanelling feedback from the market of reference.
- The **"Small Business"** segment**:** talks continued with the Trade Associations and and main representative bodies. Within this framework, it should be noted that the agreement with *Cosvig-Confesercenti* (the Guarantee Consortium of the Italian Confederation of Commerce and Tourism) for the issue of loans secured by Mediocredito Centrale is advancing well. Promotion of the **Fight the Crisis** plan in favour of small medium enterprises in temporary financial distress continued as did the **"Common Avis"** between the Italian Banking Association and the Ministry for Economy and Finance. Finally, business promotion actions were developed on mid-high potential companies with a view to offering loans in support of new industrial investments, aimed in particular at quality, research and innovation.

Private clients

The **Private** segment benefitted in terms of business and assets from the activities relating to the Tax-Shield Ter plan, which led the Group to achieve flattering results (with 5,000 customers joining the plan, 30% of whom were new) and repatriated funds of over EUR 2.6 mln. As part of the Private service model , a crucial role was carried out by "Private Advisory Specialists" who focussed on developing the MPS Advice[11] advisory model, deploying technical-commercial training sessions, supporting Private Bankers in their business and managed accounts (GPA)-related activities, with a view to achieiving portfolio optimisation. As for **business-supporting promotional initiatives,** two new actions were launched in the second quarter: (i) "Operational handover to potential heirs" (containment of attrition levels); (ii) "Consistent Asset Allocation" (asset mix improvement of clients in linewith their risk profiles and investment time horizon).

[10] *The trend for* ***Mutuo MPS Protezione (MPS Protection Mortgage)*** *continues to be positive with 5.3 bln issued to consumer customers in the first half of 2010. It is very significant that in the first 6 months of 2010, active subrogation led to over 12.000 transactions for the Group, a notable contribution to new accounts for the period.* ***MPS Protezione*** *and* ***SostiMutuo Protezione*** *continue to appeal strongly to this customer segment. It should be noted that, in addition to its success on the market,* ***MPS Protezione*** *was awarded the recognition of* ***"Best Mortgage of 2009"*** *by the "Financial Observatory".*

[11] *In the first six months of 2010, over 110,000 advanced advisory proposals were produced, with a growth rate twice as high as in the same period of 2009 and with an average of over 4,000 proposals produced per week in June.*

With regard to **product innovation**, the following are noted for the **Wealth Management segment**: (i) integration of the GPA Premium catalogue (for Private Clients) with two new investment lines; (ii) the launch of the new GPA Top catalogue (wealth management with prior consent channeled exclusively through the Advice Platform). As for **Funds and Sicavs**, the range of products offered by Prima Funds was further enriched by the launch of four new lines (Prima Funds Bond 2015, Prima Funds Secure World Equity 3, Prima Funds Alpha Strategies, Prima Funds Protetto 100 Azionario Globale). With regard to offers directed at **Financial Advisory** customers, the necessary activities were concluded to complete the subscription of certain, already-placed **Sicavs** through accumulation plans thus further expanding the overall range on offer for this market.

In terms of product range development in the **Insurance** segment, the following initiatives should be highlighted:

- Life Insurance: the minmum rates guaranteed on traditional life insurance policies were revised on the basis of the new market scenarios. For private customers, besides updating the minimum rate guaranteed, the product **Double Prestige** was repriced For the SME, Institutions and Small Business markets, the rationalisation of the range of capital redemption policies on offer was completed through restyling of the products "AXA MPS Investimento Più" and "AXA MPS Investimento Flessibile" and the discontinuation of the product "AXA MPS Investimento Top". Activities in the second quarter focused on expanding the range of products with the launch of the long-term care policy, "AXA MPS Valore Autonomia", for the Affluent and Family segments, aimed at guaranteeing a monthly annuity in the event of a customer no longer being self-sufficient, and the "AXA MPS Assicura Manager" temporary assurance on death for "key executives" in companies. Furthermore, the offer of unit-linked products was also enhanced. As for social security, the new characteristics of the Open-ended Pension Funds were defined and submitted to COVIP (the Supervisory Commission for Pension Funds) for authorisation.
- Damage insurance: policies **AXA MPS Azienda Sicura** and the injury policy **Sigillo Conto Giovani** were released. The process aligning the Biverbanca product catalogue with that of the Group is currently being completed. Two special-purpose products have been conceived for **CONSUM.IT**: the restyling of the **CPI (fire prevention certificate)** fee and the policy covering vehicle depreciation (**Restart One**).

As for **Innovative Finance,** structuring activities focused on simple products capable of improving coupon rates collected by the holder with respect to government bond values, without incurring a particularly high risk.

OPERATING RESULTS

As at 30 June 2010 Consumer banking posted over EUR 155 bln in **total funding,** stable with respect to Q12010 (-0.1%) and on rise when compared to the previous year (+2.5%), owing to the developments in **direct funding** (approx. EUR 85 bln at the end of Q2; +2.9% on 30/06/2009), mainly from "on-demand" items and the placement of bonds, followed by **assets under management** (approx. EUR 45 bln; +11.6% on 30/06/2009), driven by Bancassurance and by Mutual Funds and SICAVs. Credit management saw an increase in active loans, which are now at 63 bln, up 3.5% on the previous quarter and 16.6% on 30/06/2009, boosted by mid-long term loans as a result 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 June 2010 came to approx. EUR 1,546 mln (-3.9% YoY) with Q2 contributing approx. EUR 756 mln, a decline on the previous quarter (-4.3%). The net operating income totalled approximately EUR 206 mln, up 39% compared to the previous year (+75.5% QoQ) owing to lower loan loss provisions and to the reduction in operating expenses. The cost-to-income ratio for this segment stands at 72.1%.

Consumer Banking

(EUR mln)	30/06/10	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	870.8	-4.7%
Net commissions	668.0	-1.4%
Financial and Insurance income	6.7	-57.4%
Financial and Insurance income	**1,545.5**	**-3.9%**
Net value adjustments due to impairment of loans and financial assets	224.5	-21.9%
Operating expenses	1,114.6	-4.9%
Net operating income	**206.3**	**39.0%**
BALANCE SHEET AGGREGATES		
Active loans and advances to customers	62,928.6	16.6%
Customer accounts and securities	84,709.7	2.9%
Assets under management	44,796.6	11.6%

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 EUR 9 mln (8.9 mln as at 30/06/2009);
- **Banca Popolare di Spoleto** (26% shareholding consolidated proportionately) posted EUR 3.2 mln in net income (6.6 mln as at 30/06/2009).
- **Monte Paschi Monaco S.A.M.,** a company incorporated under Monegasque law specialised in Private banking, posted profits before tax of EUR 1 mln, in line with results achieved as at 30 June 2009.

CORPORATE BANKING

SALES & DISTRIBUTION POLICY AND PRODUCT/SERVICE INNOVATION

The Corporate banking division continued to develop its business activities, channelling its efforts to **supporting businesses so as to mitigate the effects of the unfavourable market situation and guarantee continuity to the Group's offer of credit, while respecting the commitments undertaken with the Ministry for the Economy and Finance** following the issue of "Tremonti bonds". Against this backdrop, in addition to Banking system inititatives, the first half of the year also saw the introduction of specific **projects developed by the Group independently.** Special focus was also given to the **review of the product range on offer,** adapting it to the changing needs of customers through the:

- ✓ **systematic mapping of company needs** in order to understand evolving trends;
- ✓ **systematic demand/offer gap analysis** with the objective of identifying any product gaps or redundancies and planning subsequent initiatives accordingly;
- ✓ **Regular monitoring of product efficiency**.

SMEs

In addition to joining the Italian Banking Association's "Common Avis", the Group also offered its customers an important "support package for SMEs" with the objective of providing immediate and concrete help to domestic businesses and allowing them, in this way, to better deal with the negative effects deriving from the economic crisis. The support package, which has been confirmed until 31 January 2011 in response to the Italian Banking Association's decision to extend the "Common Avis" initiatives, consists in the following products aimed at specific target customers: **Made in Italy**[12] (for Italian companies exporting goods and services), **Forza 5 and Forza 3**[13] (for companies who show greater protection of their workforce), **Prorogatio**[14] (for companies suffering from lack of liquidity due to late payments by the Public Administration), **Insieme Plus**[15] / **Investo Plus**[16] (for companies whose undercapitalisation penalizes their credit worthiness and rating). A grace period for instalment payment of principal for a maximum of 12 months on mid/long term, secured or unsecured loans (**Time Out**) completes the framework of initiatives launched by the group, which pioneered an approach which was later to be adopted at national level through the "Common Avis".

On 28 June 2010, Banca Monte dei Paschi di Siena, on behalf of the Group, signed a financing contract with *Cassa Depositi e Prestiti* (CDP) in the amount of € 317,041,500 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 cycle.

Activities continued in support of **corporate customer business in international markets** against an economic scenario that saw initial signs of recovery in foreign trade after the severe slowdown recorded in 2009. As part of the project, "**Synergies for Export**" in the first half of 2010, important agreements were signed with the Chambers of Commerce and Industrialists Associations (*CNA Reggio Emilia, Confapi Cuneo, Unindustria Asti, Confindustria Alessandria*) through which specific credit ceilings were made available (approx. EUR 60 mln) for the issue of loans for promotional, commercial and investment activities undertaken abroad**. The collaboration with SACE** (Italian export credit insurance agency) should also be noted, since it has further developed with both specific agreements and individual *ad hoc* transactions. As part of the agreement for the issue of SACE guarantees against mid-term loans granted to SMEs in support of business internalisation plans, a total of EUR 24 mln was disbursed; with regard to *ad hoc* transactions, on the other hand, guaranteed credit export transactions amounted to over EUR 31 mln.

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[12] *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.*

[13] *A short-term credit facility for up to EUR 1 mln whose aim si 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.*

[14] *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.*

[15] *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.*

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

In terms of **funding** the **placement of linear BMPS bonds, mainly at floating rate**, continued on the back of favourable demand, denoting the company's willingess to move towards highly liquidable, guaranteed capital investment products. Evidence of this was also seen in the **steady demand for very short-term products (Repos, time deposits)**. With regard to policies, in view of the continuing interest of clients towards capital redemption solutions and with a view to simplifying the offer and more promptly meeting the demands of customers, the restyling of **AXA MPS Investimento Più** and **AXA MPS Investimento Flessibile** was completed; furthermore, as of June, the new policy, **"Axa Mps Assicura Manager,** was launched involving temporary assurance on death for "key executives" in companies.

As to **loans**, **certain products were revised/released** among which:

- **TOURINVEST**: product linked to the Memorandum of Understanding signed for the project, "Italy and Tourism", aimed at supporting the tourism sector.
- **Montepaschi TERRAMICA:** new financial package for the agricultural sector to cover the running and equipment costs of a company (see insert for details).

With regard to **financial risk management,** as part of the overall revision process of the product range on offer, the initiative was taken to review the derivative product catalogue with the aim of simplifying the offer and bringing it into alignment with new regulatory and market needs. The customers' propensity to purchase simple full hedge instruments led to the **launch of a new hedging instrument**, the "**IRS with Cap**"[17] which offers companies protection at a fixed, installment-based cost with respect to any potential increases in interest rates.

"MONTEPASCHI's TERRAMICA", an *earth-friendly* pakcage

As of the start of April, the Group has been offering the package, "TERRAMICA", to companies operating in the agricultural sector (allocating a total amount of EUR 130 mln). The package aims to provide industrialists and companies belonging to the agricultural sector with the economic resources needed to run and equip the company (with a duration of up to 60 months). The package initiatives target the following areas:

Farming: Purchase of non-GMO seed, fertilisers, setting up agro-environmental measures, purchase of small farmer market agricultural equipment , as well as any other investments that are useful to the crop year and that aim to reduce the environmental impact of farming operations .

Machinery and Equipment: Purchase of high-technology, low-environmental impact machinery, tractors and machines for the improvement of occupational safety.

Breeding: Investments aimed at improving breeding infrastructures (eg. stable floors, ventilation systems, various pieces of equipment) and transport conditions for animals (eg. purchase of animal transport vehicles fitted with food and water supply systems , ventilation systems etc.).

Company partners: Loans to members of cooperatives intended to strengthen corporate capital .

As to **Key Clients**, business policies were largely centred on the optimisation of the risk-return ratio of the loans portfolio, through the requalification of credit support granted to customers in this segment and a revision of their economic profile. Nevertheless, the various investment opportunities have not been overlooked and all were considered worth exploring in spite of the particularly negative economic market cycle.

INSTITUTIONS and PUBLIC ADMINISTRATION

In the first half of the year, marketing of the product, "*Tesoreria Unica Telematica*" (Single Treasury Electronic Data Interchange", was initiated for the three banks of the Group. The product was developed as part of the Italian Banking Association's project for "Electronic Data Interchange in Public Finance), which sees the support of institutions such as the Bank of Italy, the Ministry for the Economy and Finance and the Government General Accounting Department.

As for internet banking services for customers, a new feature was created within PaschInTesoreria which permits money to be sent using a digital signature as per the standards issued by the Ministry of Education, Universities and Research for the upcoming automation of all schools.

Additionally, the area of customer services also saw the introduction of the product Inc@ssiPiù (C@shmore) which allows service companies to send invoices/bills to users by email, thus eliminating the use of paper and achieving savings on time and costs involved in printing and postage.

[17] *I'IRS with Cap is a contract whereby, at set dates and pre-determined notional values, the customer and the Bank exchange an adjustable rate against an adjustable rate + spread with predefined ceiling. Interest rates are always expressed in percentages for the year. At the set date and upon the corresponding notional value of reference, customers with an adjustable rate loan pay the bank an adjustable rate plus the spread defined in the contract with a ceiling that is also pre-established and, in exchange, collects the adjustable rate (which offsets the adjustable rate paid on the underlying loan).*

CORPORATE FINANCE

Against the still-difficult economic backdrop, acitivites within the Corporate Finance area, carried out by **MPS Capital Services Banca per l'Impresa** (MPSCS) in the first half of the year, 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 the range of advisory products;*
- ✓ *careful monitoring of credit quality.*

Among the initiatives put in place in the half-year 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**)[18] as well as *Real Estate* (regeneration of urban areas and large real estate projects) and *Shipping Finance*[19].

In addition to the important initiatives carried out in **Acquisition Financing** and **Private Equity**, MPS Capital Services also acted as MLA (Mandated Lead Arranger) and joint arranger in **"Syndication"** activities, placing 9 lending transactions on the market for a total amount of EUR 382 mln (MPS Capital Services contributing 139 mln). As at 30 June 2010 a further 16 transactions were under syndication for a total of EUR 419.5 mln (MPS Capital Services contributing 176.7 mln).

OPERATING RESULTS

Total funding for the Corporate banking division stood at approximately EUR 84 bln as at 30 June 2010, up 4.1% on June 2009 (-4.3% on Q1 2010). The figure includes **direct funding** (approx. EUR 49 bln; +3.3% YoY), which was driven by "on-demand" items and by customer investments in short-term products. **Indirect funding** (approx. EUR 34 bln; +5.2% YoY) benefitted from the new volumes brought in by Large Corporate customers mainly concentrated in assets under custody. At the end of the six-month period, **active loans** came to EUR 73 bln, stable on both the previous year and on Q1 2010, with increases recorded for the mid-long term components only.

Profit & Loss for the Corporate banking division as at 30 June 2010 posted total revenues in excess of EUR 1 bln, stable against the same period in the previous year, with Q2 contributing approx. EUR 490 mln, down 4.6% on Q1. The aggregate includes the YoY increase in net commissions (+26.1%) while a fall was experienced for interest income (-2.2%) and other revenues (-55.9%). Net operating income for the six-month period came to approx. EUR 326 mln (+18.7% YoY; -23.1% QoQ) on the back of a reduction in operating expenses. The cost-to-income ratio came to 29.8%.

[18] In the first half of 2010, lending transactions were completed for: (i) three wind turbines, two of which in Calabria with installed power capacity of 79.5 MWe and 34.0 MWe respectively, and one in Molise with power capacity of 13.5 MWe; (ii) a portfolio of photovoltaic plants located in various areas in the regions of Sardinia, Sicily, Lazio, Apulia, Campania, Basilicata and Calabria; (iii) a distict heating network consisting in two plants fuelled with natural gas in a municipality in the Milan area; (iv) an integrated water system by ATO Toscana Costa (An authority for the management of municipal waste) .

[19] In the first half of 2010 three lending transactions were completed in favour of shipping groups for the purchase of ships.

Corporate Banking

(EUR mln)	30/06/10	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	676.3	-2.2%
Net commissions	286.4	26.1%
Financial and insurance income	41.5	-55.9%
Net Financial income (loss)	**1,004.1**	**-0.8%**
Net value adjustments due to impairment of loans and financial assets	379.4	-9.4%
Operating expenses	299.1	-6.3%
Net operating income	**325.6**	**18.7%**
BALANCE SHEET AGGREGATES		
Active loans and advances to custome	72,739.8	-0.01%
Customer accounts and securities	49,143.5	3.3%
Assets under management	2,480.9	0.0%

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 50 mln (approx. EUR 45 mln as at 30 June 2009);
- **Mps Leasing & Factoring:** essentially broke even in the first half of 2010 (net profit of EUR 0.2 mln) compared to a loss of approximately 1 million in the first half of 2009;
- **Mps Commerciale Leasing:** closed the first half of the year with a net profit of approximately EUR 3.4 mln.

With regard to branches abroad:

- **Monte Paschi Banque** net income from banking activities came to approx. EUR 23 mln, in line with the result as at 30/06/2009**;**
- **Monte Paschi Belgium** posted revenues for approx. EUR 11 mln (approx. EUR 12 mln as at 30/06/2009).

The Corporate center

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 and Organisation" 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. As of 30 June 2010 the aggregate also includes the economic values generated by the branches sold and reported up to the date of sale (28 May 2010: sale of 22 branches to the CARIGE group; 11 June 2010, sale of 50 branches to the Intesa-SanPaolo Group), previously under the Consumer banking division.

GROUP FINANCE

PROPRIETARY FINANCE

As at 30 June 2010, **the Group's asset portfolio** – consisting in portfolios managed by Banca Monte dei Paschi di Siena, MPS capital services and, to a limited extent, by Biverbanca and by the subsidiary, Monte Paschi Ireland – **stood at approximately EUR 39 bln, recording a growth of over 12 million with respect to the beginning of the year.** The incremental stock, **aimed at ensuring a structural contribution to the Group's interest income**, was allocated as follows:

- 8.5 bln **in assets held for trading by Banca Monte dei Paschi and MPS Capital Services**, consisting almost entirely in Italian government bonds with very limited maturities (approx. 80% with maturity by 2011);
- 3.4 bln **in Banca Monte dei Paschi di Siena's assets available for sale .** These investments, mainly concentrated in long-term Italian government bonds (above all, multi-annual treasury bonds), are protected from adverse changes in interest rates through an ad-hoc hedge accounting policy, but remain exposed to counterparty risk (mainly "Italy risk"). It should be highlighted that the valuation reserves for financial assets available for sale showed a downturn of 881 million in the first half of the year, mainly owing to the declining creditworthiness of Italian government bonds.
- Securities allocated to Loans & Receivables remains stable (+0.1 bln).

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

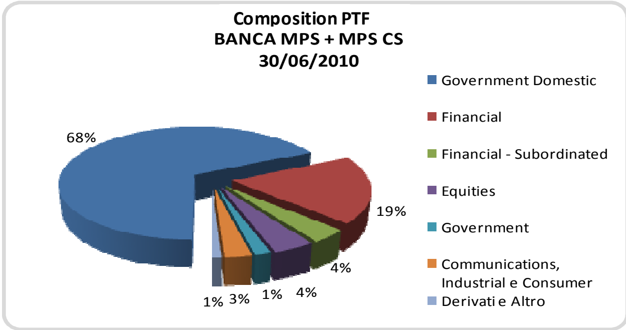
MONTEPASCHI GROUP Type of portfolio	30/06/10	31/12/09	Var. su 31/12/09 Ass	 %
Held For Trading (HFT) (1)	16,391	7,845	8,546	108.9%
Available For Sale (AFS) (2)	18,370	14,909	3,461	23.2%
Loans & Receivables (L&R) (3)	4,162	4,048	114	2.8%
Totale	**38,923**	**26,803**	**12,121**	**45.2%**

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

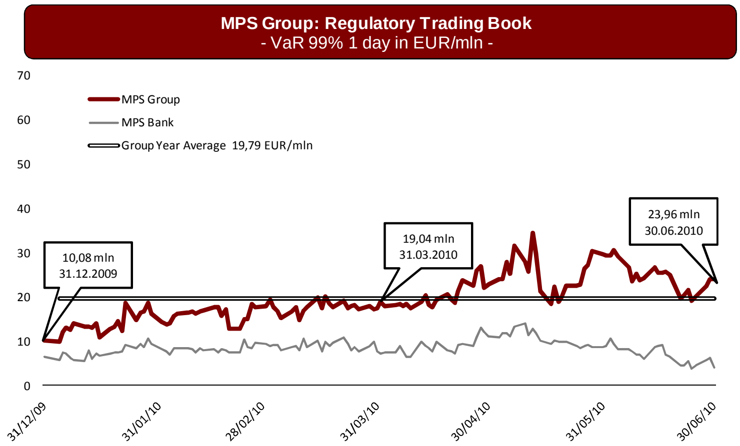
(2) "Financial Assets Held for Sale" excluding "Loans", including Equity Investments.

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

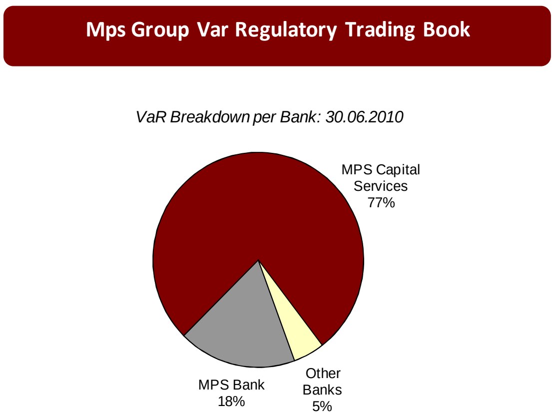
As illustrated in the graph below, as at 30 June 2010 a breakdown of the Group's securities portfolio shows a prevalence for bonds (68% Government bonds, Financial sector bonds 19%), while shares account for approximately 4%.



With regard to the Held For Trading portolio for the first half of the year, market risk in terms of VaR (Value at Risk)[20] **showed a rising trend overall** standing at 23.96 mln at the end of June, up by approx. 14 mln with respect to the end of 2009, mainly reflecting the increase shown in stocks:



A look at the Group's individual legal entities shows that market risk has been consistently concentrated in MPS Capital Services (77% of total risk at the end of June 2010) and Banca Monte dei Paschi di Siena (approx. 18%), with the remaining part attributable to other banks (5%).

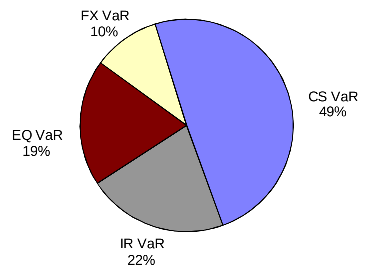


[20] *Market risk in the HFT portfolio, which contributes to making up the Group's "Regulatory Trading Book", is operationally monitored using VaR (Value-at-Risk), as further explained in the Notes to the Financial Statements – Part E – Risks and hedging policies).*

A breakdown of VaR by risk factors as at 30/06/2010 shows that the Group's portfolio was divided as follows; 49% allocated to Credit Spread risk factors (CS VaR), 22% absorbed by interest rate risk factors (IR VaR), 19% absorbed by equity risk factors (EQ VaR) and the remaining 10% came from foreign exchange risk (FX VaR).

MPS Group VaR
Trading Book

VaR Breakdown per Risk Factor: 30.06.2010



During the first half of 2010, the Group's VaR ranged between a low of EUR 10 mln recorded on 4 January and a high of EUR 34.44 mln on 12 May. On average, VaR was EUR 19.79 mln during the year. The exact figure at the end of the six-month period came to EUR 23.96 mln.

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

	VaR	Date
End of Period	23.96	30/06/2010
Min	10.00	04/01/2010
Max	34.44	12/05/2010
Average	19.79	

TREASURY AND CAPITAL MANAGEMENT

In the first half of 2010, Group Treasury and Capital Management succeeded in ensuring adequate cash levels while minimising both interest rate and credit risk.

Nevertheless, liquidity management still had to deal with high market volatility, widening credit spreads and the further tightening of the criteria adopted for interbank loan disbursements.

Internal behavioural rules, defined with a view to monitoring the flows from commercial activities more efficiently, involved greater focus on liquidity settlement and cash budgeting in order to optimise management of the Group's cash flows.

Group Treasury and Capital Management also included the management of consumer and corporate business flows from Banca Antonveneta and Biverbanca.

For what concerns the technical forms of funding, recourse was made to the issue of short-term, International certificates of deposit which, as at the end of the half-year period, with EUR 4.5 bln used by the London branch as part of the *Euro CD programme*.

As for the telematic platform of the Collateralised Interbank Market - put in place by the Bank of Italy in conjunction with *E-MID Spa* to remove any credit risk factors hampering interbank trading – funding volumes for Banca MPS came to EUR 1.4 bln as at 30 June.

Recourse to refinancing transactions through the European Central Bank resulted in an outstanding level of EUR 9.1 bln at the end of H1 2010.

An analysis of interbank positions (see table below), shows that the **consolidated net interbank difference between loans and avances to banks and deposits from banks came to 15 bln in funding as at 30 June 2010**, substanitally in line with March figures and an increase of 2.5 bln on the end of 2009, to be correlated to the funding policies aimed at exploiting the opportunities from funding at low-interest rates.

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

	MPS GROUP			
	30/06/10	31/03/10	31/12/09	Abs. Chg su 31/12/09
Loans and advances to banks	13,662	10,474	10,328	3,334
Deposits from banks	28,593	25,628	22,758	5,835
Net borrowing position	**(14,931)**	**(15,154)**	**(12,430)**	**(2,501)**

In view of the above, at the end of June 2010 the short-term and structural liquidy position was adequate; more specifically, **the total non-committed counterbalancing capacity came to approx. Eur 5.1 bln**.

ALM AND INTEREST RATE RISK

In the first half of 2010, ALM activities were focused on reducing mid-long term liquidity and interest rate risk through targeted initiatives in both the domestic and international market and through hedging derivatives. Other mid-long term liquidity management activities involved the creation of new Counterbalancing Capacity.

Domestic Bond Funding came to approx. EUR 4.2 bln, for a total of 50 new issues for Retail, Corporate and Private customers of the Group. Funding volumes from the placement of structured bonds stood at approx. 22.3% of the total while the issue of plain vanilla bonds accounted for 78%, the equivalent of approx. EUR 3.3 bln distributed across 45 transactions. In terms of duration, operation focused on maturities of less than six years, with a preference for two- and four-year term products which make up approx. 70% of total products issued.

International market activities, mainly directed at institutional investors, were mainly carried out through issuances under the *€ 50,000,000,000 Debt Issuance Programme* (*Base Prospectus dated 11 February 2010*) for a total amount of EUR 600 mln. Among these were the public issue in April of subordinated Lower Tier II for EUR *350 mln* as well as EUR 250 mln worth of other issues in the form of private placements.

The establishment of a Covered Bond Programme was completed in June under the name "*€10,000,000,000 Covered Bond Programme*", (*Base Prospectus dated 21 June 2010*) with the inaugural issuance amounting to EUR 1bln.

Interest rate risk hedging activities were carried out according to guidelines provided by the Finance Committee. Hedging transactions effected are classified under the FVO and, in specific cases, under other forms of Hedge accounting set out in the International Accounting Standards.

With regard to the Banking Book interest rate risk, in the first half of 2010, the sensitivity of the Montepaschi Group is indicative of risk exposure to rate hikes. The amount of the economic value at risk in the event of a +100 bp parallel shift of the rate curve came to EUR -1,151 mln (EUR 1,170 mln for a shift of -100bps). However, if benchmarked against the Regulatory Capital, these values are below the level considered as the attention threshold (set at 20% for a rate shock of 200 bp) by the New Capital Accord (Basel 2).

GROUP EQUITY INVESTMENTS

In line with the guidelines of the 2008-2011 Group business plan, in the course of the first half of 2010, the Group continued the process for the reorganisation of its equity investment portfolio. Following are the main transactions effected for the period:

Acquisition of new investments

More specifically, the **Parent Company** acquired the following shareholdings:

- A 90% shareholding in MPS Covered Bond Srl, a vehicle company that became part of the Montepaschi Group, acquired for the establishment of a Covered Bond Programme, issued on a rotational basis, for up to a maximum of eur 10 bln and guaranteed by a portfolio of residential and/or commercial mortgages;
- A 21.75% shareholding in Sansedoni Siena Spa, a company stemming from the total non-proportional spin-off of Sansedoni Spa (already 15.71% held), which was therefore wound up.

Underwriting of capital increase/reinstatement transactions and equity investment growth

Transactions of this kind effected by the **Parent Company** were mainly concentrated in the second quarter and involved:

- Payment of a further tranche in the share capital of Aeroporto di Siena Spa, subscribed to in April 2008;
- Participation in the reinstatement of capital for Crossing Europe GEIE – which became a consortium with limited liability – maintaining a 9.6% shareholding;
- Increasing its shareholding in HOPA SPA from 14.24% to 14.77%, following enforcement of the lien claimed by Banca Monte Dei Paschi di Siena SpA against the two borrowing companies.

Disposal/Sale of equity investments

Since the start of the year the **Parent Company** completed the following major transactions:

- sale of its 0.11% shareholding in Realty Vailog SpA, agreeing to the takeover bid launched by *Industria e Innovazione SpA*;
- sale of a part of its shares in VISA INC on the NYSE, reducing its shareholding from 0.011% to 0.004%.

Furthermore, in the first half of 2010, the following initiatives were also undertaken by the **other companies of the Montepaschi Group**:

- **MPS Investments**: (i) acquired a stake of 12.08% in the share captial of GAL Ponte Lama Scrl; (ii) subscribed to a capital increase for GAL Terre dei Messapi Srl reducing its shareholding from 9.52% to 4.22%; (iii) sold its 7.55% shareholding in Consorzio per l'Assistenza Tecnica alle Piccole e Medie Imprese Scrl; (iv) sold its 0.34% shareholding in BIC Umbria SpA under liquidation; (v) subscribed to investment shares issued by Società Cooperativa Bilanciai di Campogalliano, acquiring a 5.94% in its share capital; (vi) participated in the setting up of Fondo Italiano d'Investimento SGR SpA[21], subscribing to a stake of 14.28%; (vii) acquired a 7.10% shareholding in Realty Vailog SpA due to the reverse merger of *Industria Innovazione SpA* (12.22% shareholding); subsequent to the transaction, the acquiring company changed its name to ***Industria e Innovazione SpA***; (viii) subscribed to the reinstatement of capital for Crossing Europe GEIE – which became a consortium with limited liability – maintaining a 19.20% shareholding; (ix) participated in the setup of AD Impresa, subscribing to 30% of its share capital.
- **MPS Capital Services**: (i) subscribed to the capital increase for S.T.B. Società Terme del Benessere SpA, increasing its shareholding from 13.7% to 13.81% (ii) completed the disposal of its investment in Kerself SpA with the subsequent sale of small packets of shares on the Stock Exchange.
- **Consum.it SpA**: joined Consorzio Operativo Gruppo Montepaschi (Montepaschi Group's Operational Consortium) by subscribing to a 0.03% stake in the consortium.
- **Banca Antonveneta SpA**: increased its shareholding in Padova 2000 Iniziative Immobiliari Srl from 45.01% to 100%, since it was the only partner to have taken part in the reinstatement of share capital, reduced as a result of losses.

[21] SGR is awaiting authorisation from the Bank of Italy. The company – equally owned by the Ministry for the Economy and Finance, Cassa Depositi e Prestiti, Intesa Sanpaolo, UniCredit, Confindustria and ABI – will manage a closed-end mutual Securities investment fund focused on small and medium businesses.

INTEGRATED RISK AND CAPITAL MANAGEMENT [22]

THE RISK MANAGEMENT PROCESS

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

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

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

Top Management is responsible for ensuring compliance with risk policies and procedures. The Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the vaious operating levels. The Risk Committee of the Parent Company is also in charge of proposing capital allocation for submittal to the Board of Directors and assessing the risk profile and Economic Capital consumption at Group level and for each company of the Group as well as the trends of risk/return performance indicators. The Finance Committee of the Parent Company has the task of setting the principles of – and providing strategic guidance for – Proprietary Finance. Moreover, it monitors the interest rate and liquidity risk exposure of the Banking Book and defines Capital Management actions required.

The Internal Controls Area of the Parent Company is responsible for defining the rules pertaining to the internal control system and ensuring they are applied and complied with.

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

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

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

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

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

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

- UCITS risk (alternative funds),
- operational risk,
- business risk,
- real estate risk,
- reputational risk.

BASEL 2-ASSOCIATED ACTIVITIES

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

In the first half of the year, work continued on the completion and extension of these models to entities not included in the initial scope of validation as did the activities aimed at improving the internal market and counterparty risk models. With a more specific regard to operational risk, the use of the AMA model was extended to Banca Antonveneta leading to significant improvements in efficiency in terms of economic and regulatory capital.

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

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

AN ANALYSIS OF THE MONTEPASCHI GROUP'S ECONOMIC CAPITAL

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

When it comes to quantifying Economic Capital, all types of risk come into play with the exception of liquidity and reputational risk which, instead, are mitigated through organisational policies and processes.

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

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

With regard to credit risk, most of the input for the Credit Portfolio Model – also under continuous methodological development – originates from the internal models used for reporting purposes which, in conjunction with additional information and fine-tuning, aim to measure risk from a strictly operational logic. In terms of Operational Risks, the model's output at Group-level is re-allocated on the basis of historical loss criteria, the estimate provided by top management as well as the gross income and is used for operating purposes. Furthermore, the Overall Economic Capital also contains information on the sensitivity shift in economic value resulting from the internal Asset & Liability model which, in the past year, was continuously fine-tuned following an improvement in the representation and measurement of core deposits, behavioural patterns (prepayment risk) and related options. Business risk is currently measured as a risk factor in relation to the rigidity of the cost structure with respect to the changes in the business structure caused by external market components and internal strategies opted for. Equity investment risk is the risk resulting from the volatility of market valuations in relation to the equity investments held in the portfolio and not deducted from net equity. Real estate risk is the risk of incurring potential losses resulting from unexpected changes in the real estate portfolio.

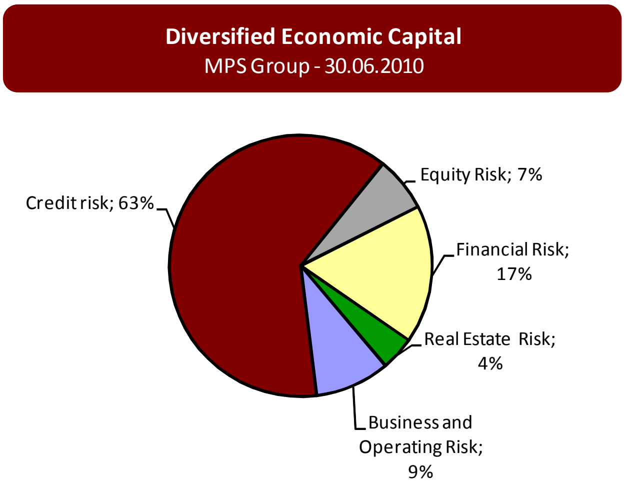
As mentioned above, liquidity risk – which saw significant developments in its monitoring procedure – is not included in the quantification of Economic Capital. Nevertheless, the Montepaschi Group established operational limits as well as a formal liquidity risk management policy both for situations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

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

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

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

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



As at 30 June 2010, the Overall Economic Capital of the Montepaschi Group (excluding intra-group operations) was broken down as follows; credit risk (63% including counterparty risk, issuer risk and concentration risk), equity investments risk (7%), operational and business risks (9%). The working capital against financial risk (mainly consisting in typical trading book and ALM Banking Book) amounts to approx. 17% of the Overall Economic Capital. Real estate risk comes to 4%.

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

ADDITIONAL INFORMATION ON INVESTMENTS CONSIDERED HIGH-RISK BY THE MARKET

This paragraph contains additional information on (i) investments which are considered by the market to be high-risk as a result of the 2007 financial crisis caused by the default of vehicles containing US sub-prime mortgages and (ii) increased trading in derivatives with the bank's own customers.These same issues were previously analysed in the Financial Stability Forum Report of 7 April 2008[23] which showed how market turbulence had increased the need for financial companies to disclose their exposures in what the market considered as increasing-risk instruments. The issues were subsequently considered in the International accounting standards, IAS/IFRS[24], and in the two joint documents by the Bank of Italy, Consob and Isvap[25], in February 2009 and March 2010 respectively.

In general, the Montepaschi Groups is exposed to two main aggregates: (i) financial positions with direct exposures to *subprime*, Alt-A and *monoline insurer* segments, directly impacted by the crisis and (ii) all other financial positions of structured credit which may suffer as a result of the general crisis in the financial markets

The positions in the first aggregate are basically negligible. As at 30 June 2010:

- there are no *subprime* exposures,
- there are no leveraged finance exposures,
- there are no exposures or guarantees on conduit loans and SIVs
- the monoline insurer exposure comes to a nominal amount of approx. € 0.65 mln.

With regard to the second aggregate, in particular to third-party structured products held in the portfolio, as at 30 June 2010

- approx. 95% of these exposures were investment grade (vs. 91% as at 31 December 2009);
- the book value of existing stock amounts to approx. € 2,033 mln, up slightly on December 2009

***

The following information is based on the report provided by the Montepaschi Group as at 31 December 2009 in response to Consob request no. 8069681 of 23 July 2008, and includes disclosure on:

- ✧ investments in consolidated *Special Purpose Entities* and structured credit products;
- ✧ *fair value of structured credit products*;
- ✧ derivatives traded with customers.

[23] *Financial Stability Forum, "Rafforzare la solidità dei mercati e degli intermediari", 7 April 2008.*

[24] *See amendment to IFRS 7 transposed into EC Regulation no. 1165 of 27 November 2009 on fair value hierarchy.*

[25] *Bank of Italy, Consob and Isvap, "Disclosure in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties in the use of estimations", 6 February 2009. Bank of Italy, Consob and Isvap, "Disclosure in financial reports on asset impairment tests, financial debt contract clauses, debt restructuring and fair value hierarchy", 4 March 2010*

INVESTMENTS IN CONSOLIDATED SPECIAL PURPOSE ENTITIES AND STRUCTURED PRODUCTS

CONSOLIDATED SPEs (SPECIAL PURPOSE ENTITIES)

Business Model description – objectives and strategies

Foreword

The accounting of securitisation transactions effected by the Group before the International accounting standards came into force differs from the accounting of transactions effected thereafter.

The loans underlying pre-IAS transactions were derecognised from the transferor's financial statements which only include credit enhancements, if any, executed by the transferor.

Any consolidation of the Special Purpose Entities (SPEs) relating to these transactions only takes their working capital into account; transferred loans, posted "under the line" in the SPE's financial statements, were not consolidated in the Group's financial statements. Upon the first-time application of the International accounting standards, the Group availed itself of the option not to post the assets underlying transactions effected prior to 1 January 2004, which were derecognised on the basis of the previous national standards. The assets, therefore, have never been included in the consolidated financial statements, even in those cases where they would not have been derecognised if the IAS 39 regarding derecognition had been applied.

With regard to transactions carried out after the enactment of IASs, all notes issued by the SPEs were underwritten by the originator (the Parent Company), maintaining almost all risks and benefits of the transferred portfolio. These securitisation transactions, therefore, do not comply with IAS 39 requirements for derecognition. The underlying loans were not derecognised from the originator's financial statements and, as a result, are still posted to assets in the Group's consolidated balance sheet, namely as Loans and advances to customers. Disposal transactions did not have an economic impact on the financial statements of the originator and, for the purpose of calculating capital absorption, loans have remained under the Group's weighted assets as if they had never been sold.

Following is an outline of the Group's main securitisation transactions, broken down into securitisation of performing loans, securitisation of non-performing loans and securitisation of other assets:

- securitisation of performing loans:
  - Siena Mortgages 02 – 3 Srl (repurchased on 15/2/2010)
  - Siena Mortgages 03 – 4 Srl
  - Siena Mortgages 07 – 5 SpA
  - Siena Mortgages 07 – 5 BIS SpA
  - Mantegna Finance Srl
  - Mantegna Finance II Srl
  - Spoleto Mortgages Srl
  - Giotto Finance 2 SpA (repurchased on 20/4/2010)
  - Siena Mortgages 09 – 6 Srl
  - Siena Mortgages 09 – 6 BIS Srl
  - MPS Covered Bond Srl

- securitisation of non-performing loans:
  - Ulisse 2 SpA
  - Ulisse 4

- securitisation of other assets:
  - Gonzaga Finance Srl
  - Vintage Capital Srl

Securitisation transactions of performing assets were structured with the aim of improving liquidity risk management and were centred around optimising credit portfolio management, diversifying lending sources, reducing related costs and matching the maturities of assets and liabilities.

The portfolio securitised through Siena Mortgages comprises real estate-backed loans issued by both the Parent Company and by other banks within the Group, while Mantegna Finance S.r.l. and Mantegna Finance II S.r.l. were originated by Banca Agricola Mantovana S.p.A. and Spoleto Mortgages S.r.l. by Banca Popolare di Spoleto S.p.A.. Subsequent to the merger by absorption of BAV in December 2008, the Parent Company took over in Banca Antonveneta as Servicer of 2 securitisations, Giotto and Giotto 2 S.p.A., both of which were respectively repurchased in April 2009 and April 2010 upon the call option date.

With regard to the securitisation of non-performing assets, the Ulisse 2 S.p.A. portfolio consists of short-term unsecured loans from the Parent Company.

Internal systems of risk measurement and control

The trend of the transactions is steadily monitored through the periodical (quarterly and monthly) recording of remaining principal repayment flows, default and bad debt positions (in relation to non-performing securitisations).

Organisation and Management reporting system

The Montepaschi Group set up a specific unit within the Parent Company's Credit Policies and Control area, responsible for coordinating performing securitisations; non-performing securitisations are managed by a separate unit of the subsidiary, MPS Gestione Crediti S.p.A.. Furthermore, a specific Group Directive requires a half-yearly report to be submitted to the Top Management showing the performance of transactions executed by the Banking Group over a given period.

Securitisation transactions in the first half of 2010

With a view to improving the mid-long term financial profile, the Board of Directors of the Montepaschi Group authorised a programme for the Issuance of Covered Bonds with an inaugural issue in the amount of EUR 1 bln effected on the 22 June 2010

The strategic reasons that led to covered bonds being identified as the preferred instrument for improving the Group's mid-long term financial profile can be traced to two main factors:

Developments in the financial markets which made "secured" instruments such as Covered Bonds more attractive than "unsecured" debt;

The opportunity to obtain important benefits including extension of maturities, reduction of funding costs and diversification of lending sources.

The new securitisation deal engages a Cover Pool held for sale (a set of assets held by the vehicle and securing the covered bonds) made up of cash and assets (mortgage and residential loans).

The portfolio held for sale at the date of valuation (21/5/2010) consisted in 36,711 performing residential loans of Banca MPS (including the former branches of Banca Agricola Mantovana, Banca Antonveneta and Banca Toscana merged into Banca MPS) relating to land and construction secured by first mortgages, in line with the repayment schedule as at the date of portfolio valuation.

The price of disposal is EUR 4,416,091,531.98 equivalent to the book value of the mortgages.

As is already the case with securitisation deals, servicing is conducted by the Orginator (Banca MPS).

As regards Covered Bonds, it is not the vehicle that issues the notes but Banca MPS directly.

The characteristics of the note are as follows:

Amount: Euro 1 billion

Rating: AAA/Aaa (Fitch/Moody's)

Issuer: Banca MPS S.p.A.

Type of issuance: Issuance of ordinary, non-subordinated, non-convertible, euro-denominated, 3.125% fixed rate bonds of

Legal maturity: 5 years, extendable for a further 12 months

Description of exposures

The following table shows the book value of net exposures as at 30 June 2010 in relation to securitisation transactions of assets sold and not derecognised. The exposures almost entirely engage Italian underlying assets.

Underlying Assets for Group Securitisations without derecognition

Value in Eur/mln

Securitization	Derecognition	Underlying Type	Year	Financial Report Item	Nominal	Underlyng Assets
Siena Mortgages 07-5 / 07-5 Bis	NO	Mortgage loans	2007	Loans and advances to customers	8,578.40	6,018.96
Siena Mortgages 09-6 / 09-6 Bis	NO	Mortgage loans	2009	Loans and advances to customers	8,538.20	6,686.06
MPS Covered Bond Srl	NO	Mortgage loans	2010	Loans and advances to customers	4,416.09	4,380.80
Total as at 30/06/2010					**21,532.69**	**17,085.82**
Total as at 31/12/2009					17,116.60	13,422.36

The exposures reported above account for approx. 7% of consolidated assets as at 30.06.2010.

The following table shows balance sheet exposures (mainly consisting in various forms of credit enhancement) as well as the net value of underlying assets as at 30 June 2010, in relation to securitisation transactions of assets sold and not derecognised from balance sheet assets. No exposure to subprime loans or related financial products is reported.

Group Securitizations : Total Exposure

Value in Eur/mln

Securitization	Underlying Type	Year	Syntethic vs Traditional	Balance Sheet Exposure	Cumulative Writedowns/Writebacks	Underlying Assets
Giotto Finance 2 *	Performing mortgage loans	2003	Traditional	-	-	-
Gonzaga Finance	Bonds	2000	Traditional	22.44	0.00	23.98
Mantegna Finance	Mortgage loans	2001	Traditional	10.44	0.69	81.82
Mantegna Finance II	Mortgage loans	2002	Traditional	10.10	-0.86	67.15
Siena Mortgages 02 3 **	Mortgage loans	2002	Traditional	-	-	-
Siena Mortgages 03 4	Mortgage loans	2003	Traditional	85.01	-11.74	597.67
Spoleto Mortgages	Performing Loans	2003	Traditional	3.12	0.03	76.94
Ulisse 4	Non Performing Loans	2001	Traditional	4.33	-0.13	17.46
Ulisse 2	Non Performing Loans	2001	Traditional	12.25	-15.00	162.77
Vintage Capital	Bonds & Credit Derivatives	2000	Traditional	0.41	0.00	0.17
Total as at 30/06/2010				**148.10**	**-27.01**	**1,027.96**
Total as at 31/12/2009				133.35	-49.50	1,676.37

* Giotto Finance 2 was repurchased in April 2010.

** Siena Mortgages 02 3 was repurchased in February 2010.

The above-cited companies – fully consolidated by the Montepaschi Group – are securitisation vehicles with the Group in the role of originator. The Montepaschi Group has not acted as a sponsor of any securitisation transactions.

P&L Impact

Own securitisations in 2009 had adverse negative P&L impact of € 14.4 mln, mainly posted to account 130 a) Net value adjustments/writebacks due to impairment of loans in the consolidated income statement.

CREDIT STRUCTURED PRODUCTS

Business model description – objectives and strategies

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

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

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

The specifically dedicated unit followed the market pattern developments over time, investing in structured bonds as well. These investments are consistent with the above-mentioned process of diversification. Financial technology has actually made it possible over time to take positions on specific credit risk components such as correlation and recovery through structured bonds.

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

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

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

Exposure reported is broken down into "long positions" and "short positions" in the books as at 30 June 2010. "Long positions" are mainly taken in the form of cash instruments, while "short positions" are held through index derivatives.

Relevance for the bank's business

The overall book value of long positions in structured credit products, amounting to EUR 2,033.60 mln, accounts for 0.82% of consolidated assets.

The definition of structured credit product used in this section does not correspond to the definition of structured debt security considered for accounting purposes insofar as not all structured credit products embed credit derivatives, which need to be separated [from their host contract] for IAS/IFRS purposes. In the half-year consolidated financial statements, the embedded derivative components in securities classified under "loans and advances to banks" and "loans and advances to customers" have been accounted for in accordance with IAS 39.

The value of structured products is allocated as follows:

- under account 20 "Financial assets held for trading" in the amount of EUR 356,19 mln, or 18% of total long positions;
- under account 40 "Financial assets held for sale" in the amount of EUR 124.65 mln, or approx. 6% of total long positions;
- under account 60 "Loans and advances to banks" and 70 "Loans and advances to customers" in the amount of EUR 1,552.76 mln, or 76% of total long positions.

The total book value of net short positions in index credit derivatives is EUR -5.20 mln.

Description of Long Positions

The information provided is divided into macro-categories of structured credit products and includes the nominal amount, risk exposure as well as realised and unrealised P&L impact on the first half of 2010. In particular, in relation to the risk exposure of long positions, the tables show the book value which is indicative of the economic loss in case of default with a very conservative estimated recovery of zero. Realised expense and income consist in losses and profits from trading for the period of reference; devaluations and revaluations with a P&L effect show the change in book value directly posted to P&L, whereas, in the case of instruments classified as Available for Sale (AFS), devaluations and revaluations show the change in book value posted under net equity reserve. All amounts are expressed in EUR million.

It should be noted that subsequent to the reclassification of financial assets in the second half of 2008, a part of these products (previously classified as HFT or AFS) was transferred to L&R, with a consequent change in their book value recognition (now valued at amortised cost) and corresponding methods for determining impact on P&L and equity reserves. More specific to this section, the P&L impact of L&R positions do not take account of the "latent" capital gains/losses which would have been recorded if there had been continuity in the assessment criteria in addition to AFS reserves relating to financial assets transferred from the AFS to the L&R portfolio.

Overall, at Group level, long positions in structured products amount to a nominal value of 2,203.63 €/mln, equivalent to a book value of approx. 2,033.60 €/mln.

With reference to classification for regulatory purposes, the positions are mainly allocated to the Banking Book (94% in terms of book value) and, in a smaller degree, to the Trading Book (approx. 6%).

With regard to the Banking Book (book value of approx. 1,904 €/mln), there is a prevalence in CLNs which account for approx. 57%, followed by CDOs which come to approx. 36%. The remaining 7% refers to ABSs and Dynamic Managed Portfolios.

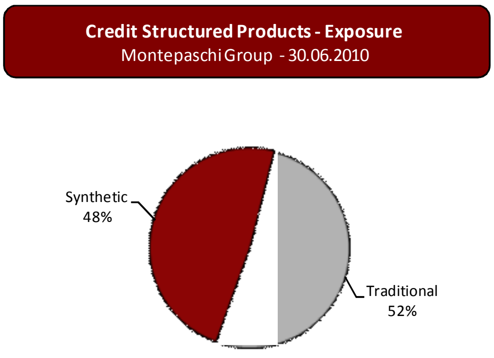
The Trading Book, on the other hand, contains investments for a book value of 129.58 €/mln, approx. 93% of which is accounted for by ABSs and 7% by CDOs.

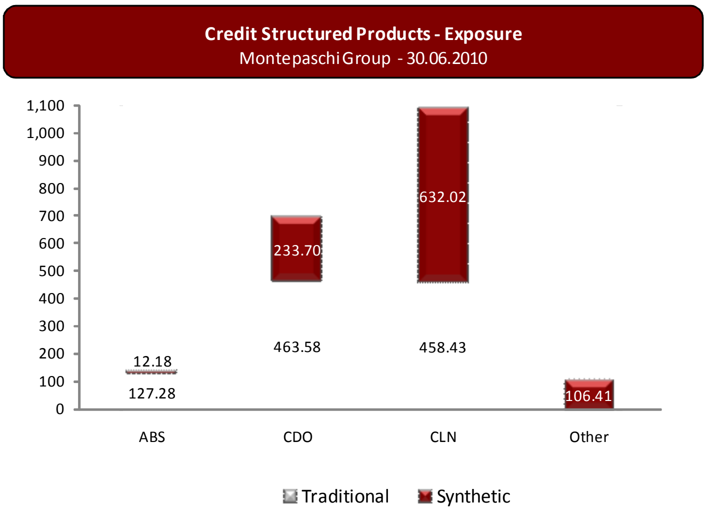
Montepaschi Group
Credit Structured Products: Total Exposure
Long positions
(EUR/mln as at 30.06.2010)

Classification	Type of instrument	Nominal	Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
Banking Book	ABS	22.00	18.55	-0.17	0.00	0.09
	CDO	792.77	688.61	-1.05	16.26	-0.55
	CLN	1115.74	1090.45	0.00	-9.87	8.78
	Dynamic Managed Portfolio	100.00	106.41	0.00	1.91	0.00
	Banking Book Total	**2030.51**	**1904.02**	**-1.22**	**8.30**	**8.32**
Trading Book	ABS	129.42	120.91	0.63	3.20	0.00
	CDO	43.70	8.67	0.49	0.48	0.00
	Trading Book Total	**173.12**	**129.58**	**1.12**	**3.68**	**0.00**
Credit Structured Products Total - 30.06.2010		**2203.63**	**2033.60**	**-0.10**	**11.98**	**8.32**
Credit Structured Products Total - 31.12.2009		2165.86	1875.59			

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

The table below provides a product breakdown of long exposures by type of structure (synthetic or traditional) and by type of product (ABS, CDO, CLN, other). A traditional structure involves investments in funded structures which do not embed credit derivatives. A synthetic structure, on the other hand, involves unfunded and funded structures which do embed credit derivatives. Finally, a semi-synthetic structure involves investments which include both traditional and synthetic instruments. As a whole, traditional structures account for 52% and synthetic for 48% of the total.





Following is the breakdown of long positions by rating.

Credit Structured Products Exposure
(EUR/mln)

Rating	Nominal	Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
AAA	207.63	210.25	0.41	2.64	-0.21
AA+	5.30	3.70	0.04	2.11	0.47
AA	411.62	355.76	0.68	0.23	-0.17
AA-	238.62	203.06	0.11	14.42	0.00
A+	670.74	699.05	0.08	-10.05	8.78
A	373.42	355.74	-0.35	1.35	0.00
BBB+	105.00	102.89	0.00	0.81	0.00
BBB	73.36	69.88	0.01	0.00	0.00
BB+	5.83	4.02	0.00	0.00	-0.27
BB	28.21	9.78	0.15	0.00	-0.18
BB-	2.00	1.60	0.00	0.00	0.00
B+	2.00	1.67	0.00	0.00	0.00
B	15.00	3.90	0.00	0.15	-0.10
CCC	0.00	0.00	0.02	0.00	0.00
CCC-	17.50	4.66	-1.25	0.04	0.00
CC	41.00	7.04	0.00	0.30	0.00
C	6.40	0.60	0.00	-0.02	0.00
Total	**2203.63**	**2033.60**	**-0.10**	**11.98**	**8.32**

As a whole, 95% of nominal exposures consist in *Investment Grade securities* (with a rating of up to BBB); the remaining 5% consist in *Subinvestment Grade positions*.

ABS exposures

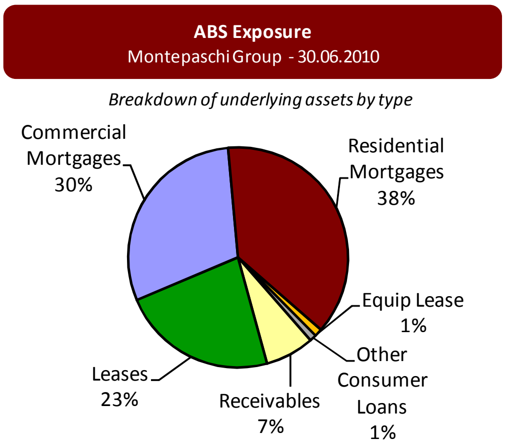
The following information concerning ABSs is provided in relation to geographical area, segment, vintage and average maturity of underlying assets.

ABS Exposure

(EUR/mln)

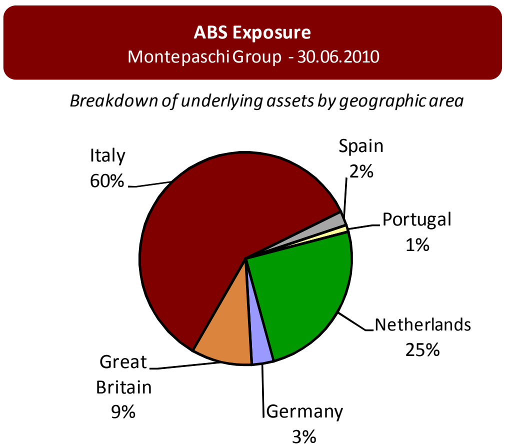
Classification	Nominal	Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
ABS	46.34	45.02	0.17	0.26	-0.21
CMBS	47.83	41.65	-0.18	0.64	-0.05
RMBS	57.25	52.79	0.47	2.3	0.35
Total	**151.42**	**139.46**	**0.46**	**3.20**	**0.09**

Overall, 68% of the book value refers to positions with underlying residential and commercial mortgages which make up 38% and 30% respectively. The remaining 32% includes ABS positions with underlying assets in other segments.



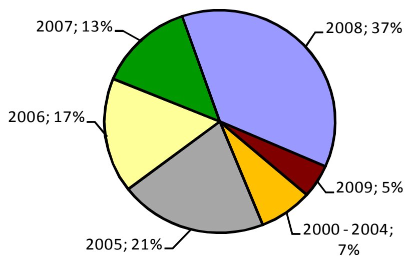
A geographical breakdown reveals that, in terms of book value, 59% of ABS exposures are allocated to Italian underlying assets, 25% to Dutch, 9% to British and 3% to German. A residual 3% engages Spanish and Portuguese underlying assets (2% and 1% respectively).

It should be noted that there are no positions with underlying assets originated by US vehicles.



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

ABS Exposure
Montepaschi Group - 30.06.2010



CDO exposures

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

CDO Exposure
(EUR/mln)

Classification	Seniority	Nominal	Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
CBO	SENIOR	50.30	50.18	0.00	0.01	0.00
CDO di ABS	MEZZANINE	0.00	0.00	-1.25	0.00	0.00
CDO di ABS	SENIOR	412.19	389.63	0.01	0.00	0.00
CDO3	SENIOR	20.37	10.87	0.00	1.35	0.00
CLO	JUNIOR	2.00	1.67	0.00	0.00	0.00
CLO	MEZZANINE	42.92	40.21	0.51	0.00	0.00
CLO	SENIOR	20.29	15.30	0.15	0.00	-0.55
LSS	SENIOR	0.00	0.00	0.02	0.00	0.00
Managed CDO	MEZZANINE	41.40	7.04	0.00	-0.02	0.00
Managed CDO	SENIOR	47.00	14.95	0.00	1.12	0.00
SLCDO	SENIOR	200.00	167.43	0.00	14.28	0.00
Total		**836.47**	**697.28**	**-0.56**	**16.74**	**-0.55**

On the whole, the main category is represented by ABS CDOs which account for 52% of the total. Next are the Synthetic Loan CDOs (SLCDO) which account for 22%. With regard to seniority, senior tranches make up approx. 85% of the entire CDO portfolio, followed by mezzanine tranches which account for 15%, while junior tranches are negligible. In terms of geographical breakdown of the portfolios, it should be noted that that there are no positions with underlying assets originated by US vehicles.

Dynamic Managed Portfolio and SPE CLN exposures

Both types of exposures are only posted to the Banking Book.

In particular, the portfolio as at 30 June 2010 included investments in a nominal amount of EUR 100 mln with underlying managed portfolios (SPIs) and CLNs issued by SPEs in a nominal amount of EUR 1115,74 mln.

Dynamic Managed Portfolio Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
SPI	100.00	106.41	0.00	1.91	0.00
Total	**100.00**	**106.41**	**0.00**	**1.91**	**0.00**

CLN Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
SPE CLN	715.74	744.88	0.00	-9.87	8.78
CLN Basket	400.00	345.57	0.00	0.00	0.00
Total	**1115.74**	**1090.45**	**0.00**	**-9.87**	**8.78**

US subprime and Alt-A exposures

As at 30 June 2010, the Montepaschi Group has no US subprime and Alt-A exposures.

Monoline exposures

The Montepaschi Group has no direct, but only limited indirect, exposures to monoline insurers. These exposures are linked to CDO positions already included in the above tables. The estimated indirect exposure to mono-line insurers within the above-cited CDOs is approx EUR 0.65mln (nominal value).

Description of "Short Positions"

Details are provided below on short-positions which, by their very nature and purpose, mitigate the overall bond portfolio risk since they benefit from the deterioration of creditworthiness of underlying assets, as represented by the expansion of related credit spreads.

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

Overall, short exposures came to a notional amount of EUR -244.09 mln for a book value of EUR -5.20 as at 30 June 2010. Operations in the first half of the year generated a positive P&L impact of 16.36 €/mln.

Credit Index: Short Positions
(EUR/mln)

Index	Nominal	Exposure	Profit/Loss
CDX NA IG	2.29	-8.62	-1.42
iTraxx Europe	-52.26	-2.63	4.78
iTraxx Europe Crossover	-53.77	2.10	10.41
iTraxx Europe High Volatility	0.00	0.06	-0.58
iTraxx Europe Senior Financials	-202.00	6.20	4.60
iTraxx Europe Sovereign	-183.35	4.06	4.94
iTraxx Europe Subordinated Financials	245.00	-6.37	-6.37
Total	**-244.09**	**-5.20**	**16.36**

Leveraged Finance

No Leveraged Finance exposures are recorded as at 30 June 2010.

DISCLOSURE OF THE FAIR VALUE OF STRUCTURED PRODUCTS

In 2009 the Montepaschi Group adopted an internal Fair Value Policy which contains the regulations for the valuation of financial instruments and describes the fair value assessment process, ie. the set of activities needed for classification under the international accounting rules (*Fair Value Hierarchy*) and for the determination and verification of *pricing* on the basis of criteria which, in turn, are regulated by a specific internal regulatory document.

The measurement of fair value of a financial instrument is regulated by IAS 39, while the analysis of the fair value hierarchy is carried out at three levels (*Fair Value Hierarchy: Active Market, Comparable Approach and Mark to Model*), and follows the instructions issued by IASB. In terms of organisational process, the portfolio valuation for financial statement purposes involves the first and second level control functions – on the basis of their respective responsibilities. Results are then submitted to Top Management.

The current section only concerns third-party structured credit instruments held for investment purposes and includes both long and short positions as defined previously. For an overall analysis of the *Fair Value Hierarchy* in the consolidated Half-Year Report, please refer to Part A of the Explanatory Notes.

In compliance with the accounting reclassification of certain positions in the second half of 2008, the investments made by the Montepaschi Group are now classified not only as HFT and AFS – for which a fair value valuation is carried out in alignment with the IAS/IFRS – but also as L&R and are thus valued at amortised cost. As a result, the fair value principle is no longer applied to the whole scope of credit structured instruments, but only to the instruments contemplating the fair value valuation also for financial statement purposes.

Still with regard to book values, only 1% of the long positions valued at fair value is attributable to Active Markets, 26% are attributable to valuations based on observable inputs (Level 2), which are deemed liquid and reliable. The remaining 76%, on the other hand, are associated with valuation models which also use non-directly observable criteria (Level 3). All short positions on index derivatives are valued on the basis of liquid and observable inputs (Level 2).

Montepaschi Group
Fair Value Disclosure - Credit Structured Products
(EUR/mln as of 30.06.2010)

Long Position

Balance sheet item	Valuation method		Exposure	%
Item 70, 60 assets (L&R)	**Amortized cost**		**1552.76**	
Item 20,40 assets (HFT, AFS)	**Fair Value**			
		Level 1 - Quoted prices in Active Markets	5.29	1%
		Level 2 - Observable inputs		26%
		Level 3 - Non-observable Inputs (models)		73%
		Total FV positions		**100%**
Total long positions			**2033.60**	

Short Position

Financial Report item	Evaluation Criterion		Exposure	%
Item 20 assets Item 40 liabilities (HFT)	**Fair Value**	Level 2 - Observable inputs	**-5.20**	**100%**
Total short positions			**-5.20**	

DERIVATIVES WITH CUSTOMERS AND RELATED COUNTERPARTY RISK

The estimation of Counterparty Risk on Over the Counter (OTC) derivatives with customers is based on fair value determination.

OTC derivatives are comprised in level 2 of the *Fair Value Hierarchy* on the basis of which fair value is calculated through proprietary valuation methods and assessment models fed by parameters available on the market. The models used are shared by the *Operating Units* and the *Risk Management and Quantitative Analysis functions*. These models are subject to periodic review so as to guarantee constant alignment between the model approach adopted and prevailing domestic and international best practices. Furthermore, the pricing models for OTC derivatives with customers are consistent with the methodological criteria used by the MPS Group for the valuation of its own positions.

The Montepaschi Group's trading in OTC derivatives with customers, which began in 2002 following a specific resolution by the Board of Directors, mainly involves transactions aimed at hedging interest rate, exchange rate, equity and commodity risk. Trading operations mainly target companies while those involving Public Institutions and Local Institutions are currently on hold, pending completion of the regulatory framework of reference. The main products traded are interest rate swaps, caps, floors, collars, forward contracts, currency options, synthetic forward contracts on forex and commodities, commodity swaps, commodity options and combinations of these basic instruments.

In general, products offered to customers share a series of features which are common to a large part of trading. In particular, traded products:

- are not speculative;
- are only intended to hedge risk;
- are linked with an underlying position, although they remain contractually and administratively separate;
- only have a limited level of complexity;
- do not provide financial leverage with respect to the overall position hedged.

With regard to intrinsic risk, traded products are divided into simple (*Plain Vanilla*) and structured products (*Non Plain Vanilla* and mixed strategies). The vanilla and non-vanilla product categories are placed to customers according to their different investment profiles. From a high-level, technical point of view, the Montepaschi Group defines *Plain Vanilla* as linear interest rate hedging contracts and options purchased by customers with underlying interest rates, foreign Exchange rates and commodities i.e. all instruments characterised by a very simple structure and full-hedging financial logic. On the other hand, Non Plain Vanilla, in very broad terms, involves products not pertaining to previous categories in that they also contain minimal *exotic* features (e.g. digital payment profiles, barriers, etc.) or that result as having multiple basic financial components. In compliance with EU MIFID Directive and its transposition into national regulations on plain vanilla OTC derivatives, the Montepaschi Group has extended trading to former "qualified traders" (who are now included under retail customers). However, the offer is mainly targeted at corporate customers classified by default or on request as "Professional", with transactions recorded in both kinds of products. The sale of these instruments, nevertheless, occurs almost exclusively on an adequacy basis, upon prior verification of the hedging purpose.

Trading in OTC derivatives involves, first of all, the assumption of market risk by the Group, defined as exposure in terms of potential loss that may be recorded on positions held subsequent to unfavourable variations in specific market parameters (i.e. risk factors). The main risk factors for OTC derivatives include: interest rate, forex rate, indices, commodities and related volatility and correlations. At the same time, the Bank also assumes the risk that the counterparty of a derivative-based transaction is in default prior to settlement (counterparty risk)).

Trading in derivatives with customers involves the centralisation of the product factory and market risk monitoring in MPS Capital Services, whereas the allocation, management and monitoring of counterparty risk with customers lie with the Group's Retail Banks.

OTC derivatives, including those traded with the customers, are subject to collective valuation of credit risk, as is the case with other technical forms. This valuation is broken down into categories of similar credit risk exposures . The relative percentages of loss are estimated taking account of historical series (based on elements which are observable at the date of valuation) which provide an estimate of the expected loss for each category. In particular, Probability of Default (PD) and Loss Given Default (LGD) are the risk parameters used in collective valuations. With regard to corporate and retail counterparts, the PD and LGD estimated by the internal models are used as provided for by Bank of Italy's circular letter 263/2006. The PD obtained from the external rating assigned by the rating agencies and the LGD of the Foundation method (45%) are used for other counterparties.

Montepaschi Group customers with OTC derivatives amount to almost 7,500 and contracts signed represent a limited share of all business operations.

As at 30.06.2010, the net fair value of the products is, on the whole, positive for the Montepaschi Group standing at approx. € 674 mln with a notional amount of almost EUR 22 bln. This result is mostly determined by interest rate operations which have a positive value of approx. EUR 649 mln and, to a lesser degree, by forex operations with a positive value of approx. EUR 24 mln.

The part of the portfolio relating to structured products comes to a fair value of approx. EUR 274 mln (for a notional amount of almost EUR 9.8 bln), while the overall value of simple transactions comes to approx. EUR 400 mln (with a notional amount of approx. EUR 12.2 bln).

A separate analysis of assets (positive fair values for the Group) and liabilities (negative fair values for the Group) results in the following breakdown:

The total positive fair value amounts to approx. EUR 844 mln, relating to transactions with almost 3,600 customers in the overall notional amount of almost EUR 17.9 bln. Within this framework, simple transactions amount to approx. EUR 551 mln (notional value almost EUR 8.9 bln), while structured transactions come to EUR 293 mln (notional value almost EUR 9 bln). With regard to type of underlying asset, the fair value is made up of interest rate transactions for almost EUR 757 mln, forex transactions for almost EUR 77 mln and equities and commodities transactions for approx. EUR 9 mln.

The total negative fair value amounts to approx. EUR 170 mln, relating to transactions with approx. 4,300 customers in the overall notional amount of EUR 4.1 bln. Within this framework, simple transactions amount to almost EUR 151 mln (notional value of almost EUR 3.3 bln), while structured transactions come to EUR 19 mln (notional value approx. EUR 800 mln). With regard to type of underlying asset, the fair value is made up of interest rate transactions for approx. EUR 108 mln, forex transaction for almost EUR 53 mln and commodities transactions for the remaining portion.

As for customers who traded structured products, the cumulative exposure against the total of positive fair values with customers, shows that the position with respect to the top twenty customers accounts for approx. 44% of the total, while the percentage of exposure in relation to the top fifty amounts to approx. 60% reaching 77% for the top one hundred customers.

APPENDIX: GLOSSARY OF TERMS

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

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

CAPITAL FOR REGULATORY PURPOSES AND CAPITAL RATIOS

The capital for regulatory purposes and capital ratios are calculated on the basis of balance sheet and profit and loss results, as determined by IAS/IFRS and the Supervisory Instructions of the Bank of Italy issued by the 12th update to Circular Letter 155/91 "Reporting Instructions on capital for regulatory purposes and prudential requirements". The capital for regulatory purposes is calculated as the sum of positive and negative components in accordance with their capital quality. The positive components should be fully available to the bank for them to be used in the calculation of capital absorption.

As of 2008, prudential requirements are calculated pursuant to the Accord known as Basel 2. In addition, a notice received in June 2008 authorised the Parent Company – within the scope of its recognised legal entities and capital for regulatory purposes - to use internal A-IRB ed AMA models in determining the Bank's and the Group's capital requirements in relation to credit and operational risks. Internal models may be applied in compliance with certain qualitative and quantitative limits set forth in the Supervisory Regulations. In particular, the MontePaschi Group is subject to a minimum capital requirement floor – determined with the above models – which must be no lower than 90% of the capital requirement calculated under the previous Basel 1 regulations. These limitations to the benefits arising from the application of the internal models for capital requirement determination are expected to be further lowered in the future upon authorisation from the Bank of Italy, taking into account the continuous fine-tuning and consolidation of the internal models adopted and supervisory regulations in force.

That being said, the consolidated **capital for regulatory purposes** of the Montepaschi Group amounted to approx EUR 14,619 million as at 30 June 2010 (see tables and comments in Part F of the Notes to the Financial Statements).

Capital for regulatory purposes (Euro millions)

	30/06/10	*31/12/09*	*31/12/08*	*Var. %*
Tier I capital	9.332	9.093	6.798	2,62%
Tier II capital	5.677	5.697	5.525	-0,35%
Elements to deduct	390	410	328	-4,83%
Total capital for regulatory purposes (before Tier III capital)	**14.619**	**14.380**	**11.996**	**1,66%**
Total capital for regulatory purposes	**14.619**	**14.380**	**12.340**	**1,66%**

With regard to capital ratios, as at 30 June 2010 the TIER I Ratio BIS II was estimated at 7.8% (7.5% at the end of 2009) with a BIS II solvency ratio at 12.2% (11.9% at the end of 2009).

In particular, **Tier I** came to approx. EUR 9.332 mln, up on 31.12.09 (when it was 9,093 mln). The rise was due to both the increase in reserves (net of Tremonti Bond coupon accounting) following the capitalisation of profits (including the effects from assets sold, the most significant of which was the disposal of 72 branches) and the reduction of goodwill..

Tier II stood at approx. EUR 5,677 mln, substantially stable if compared with the value of EUR 5,697 mln registered at the end of 2009. The elements to be deducted from Tier I and Tier II totalled approx. 390 mln (vs. 410 as at 31 December 2009), mainly as a result of the change in value of the affiliated insurance companies.

As a result, the **total capital for regulatory purposes** came to approx. 14,619 mln, an increase compared to the 14,380 mln as at 31.12.09, resulting from the above-described factors.

As at 30 June 2010, **Risk Weighted Assets** (RWAs) came to approx. 120,218.4 mln, substantially stable if compared with the end of 2009 (120,899.3 mln) thanks to the on-going implementation of optimisation initiatives on operating requirements and the overall trend in assets.

THE OPERATING STRUCTURE

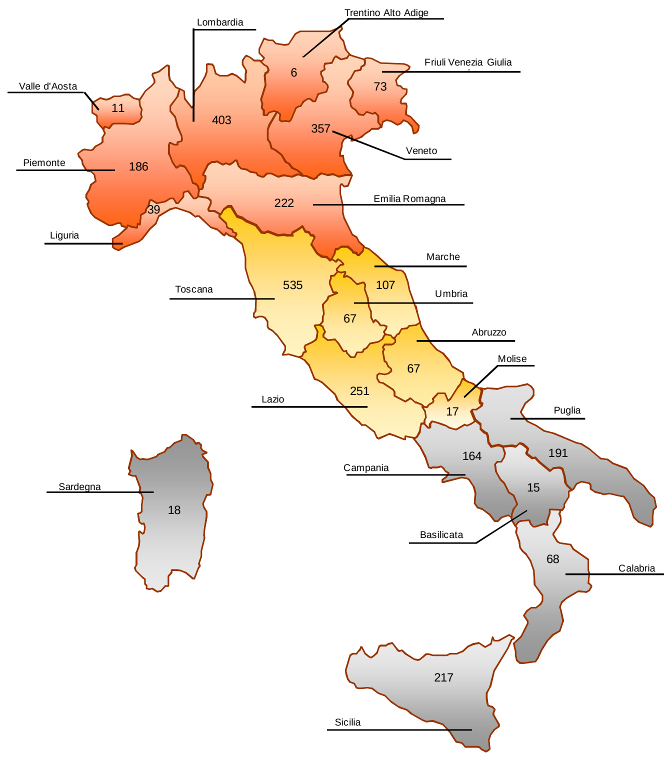
The chapter outlining the development of operations for the different business areas ("*Segment reporting*") included a description of sales & distribution policies and product/service innovation initiatives. This section of the report on operations provides **information on the development of the Group's 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.

In the second half of the six-month period, the Group's **traditional distribution network** – in line with the asset disposal plan and in compliance with the recommendations from the Antitrust Authority - underwent two disposals of undertaking for a total of 72 Banca Monte dei Paschi di Siena's branches (see section "Major events in H1 2010" for further details). As a result of these transactions, the Group downsized in Central Italy, with the overall traditional network now totalling **3,014 branches nationwide**[26], as illustrated in the following breakdown by region, geographical area and bank of reference:

GLI SPORTELLI DOMESTICI DEL GRUPPO MONTEPASCHI



BRANCH DISTRIBUTION BY GEOGRAPHICAL AREA AS AT 30.06.2010(*)		
Northern Italy	1,297	weight 43,03%
Central Italy	1,044	weight 34,64%
Southern Italy and islands	673	weight 22,33%
Total	**3,014**	

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

MONTEPASCHI GROUP BRANCHES AS AT 30.06.2009(*)	
Banca Monte dei Paschi di Siena	2,510
Banca Antonveneta	395
Biverbanca	109
Montepaschi Group Total	**3,014**

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

Specific customer segments (SMEs, Institutions and Private) have been delegated by the Group to **256 specialised business centers**.

[26] *Number of reports to the Supervisory Authority (Bank of Italy)*

The Group's distribution network also relies on **837 financial advisors** and **148 financial advisory offices open to the public across the country.**

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

MONTEPASCHI GROUP DISTRIBUTION NETWORK

Distribution channel	30.06.2010	31.03.2010	31.12.2009
Domestic branches*	3,014	3,088	3,088
Financial Advisory Offices	148	155	163
Total domestic points of sale	*3,162*	*3,243*	*3,251*
Foreign branches	41	41	41
SME Centres	115	113	113
Institutional Client Centres	51	50	50
Private Client Centres	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,** in the six-month period the Group continued with customer-targeted initiatives aimed at the promotion of telematic services, with a particular focus on **integrated multi-channels** whose interfacing services and functions are in continuous evolution. In particular, *Paskey Mobile Banking* is a new service that was launched to enable all clients to make account queries and payment orders through the latest smartphones. In terms of **Consumer banking, contracts** as at the end of June 2010 exceeded **1,385,000**, weighted down by the merger of Banca Personale and the disposal of 72 branches of Banca Monte dei Paschi di Siena. Integrated multichannel contracts (over 794,000) were up, partly as a result of a switch from older Internet Banking contracts which are no longer available. With regard to **Corporate banking**, on the other hand, the number of **contracts** registered **as at 30/06/2010 exceeded 37,400** (over 32,100 Internet Corporate Banking contracts) and was up on 31/12/2009, on the back of newly signed Integrated Multichannel and Internet Corporate Banking contracts, but is stable if compared with the levels as at 31/03/2010.

As far as **ATMs** are concerned, the first half of 2010 saw the installation of 118 "cash-in" machines (with 36 replacing previous cash-out ATMs and 82 new units). In parallel, the installation of remote ATMs continued in locations of high commercial interest. **Montepaschi Group ATMs totalled 3,640 as at 30 June 2010**, offsetting the reduction of 77 ATMs due to the disposal of Banca Monte dei Paschi di Siena's branches in the second quarter of 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
- ✓ **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 Rumania;
- ✓ **3 foreign banks**: MP Monaco SAM (1 branch), MP Belgium (7 branches), MPS Banque (18 branches).

In the first half of 2010 the following **business agreements** were signed:

- ✓ **"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 and the identification of a single interlocutor;
- ✓ "**Risk sharing**" with ANZ (Australia) and Banque Misr (Egypt) on the basis of which several significant transactions were executed in favour of Group customers;
- ✓ "**Forfating**" with China Construction Bank (China) supporting transactions for the discounting of documentary credit without recourse, effected by our branch in Shanghai.

In continuing compliance with the objectives of developing the Group's operating capacity and the range of services for businesses in emerging or developing countries, **Correspondent Banking** focused primarily 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;
- ✓ review of agreements with **Banco do Brasil (Brasil)** and **MoldinconBank (Moldova)** in relation to the management of migrant remittances.

With regard to the economic component, **significant agreements were updated with correspondent banks for charges related to products and services, partly as a result of the new European Payment Services Directive (PSD)**.

To support the package of retail services, "Paschi Without Frontiers[27]", offered to foreign immigrants, agreements have been put in place with *Banka Credins (Albania), Compagnie Bancarie de l'Afrique Occidentale - CBAO (Senegal) and Attijariwafa Bank (Morocco)*.

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[27] *Package of retail services offered to foreign immigrants legally resident in italy, through which c/a holders can carry out money transfers to their own country on concessional terms with no commissions payable on pre-defined amounts.*

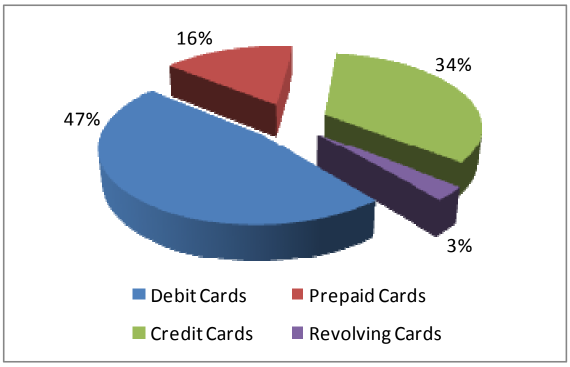
Payment and collection systems

The initiatives undertaken in the first half of 2010 in relation to payment and collection systems mainly focused on adjustments for compliance with the new banking rules mandated by the **Payment Service Directive (PSD)** transposed into a national legislative decree effective as of 1 March 2010. The analysis of the individual services was completed, which made it possible to identify the areas of intervention and bring to completion the implementation activities concerning all technical modifications to be made to the procedures.

The Group also continued to develop its other **SEPA(Single Euro Payment Area)-targeted activities**, with roll out of the "European bank transfer" (SEPA Credit Transfer) on the Internet Banking and Internet Corporate Banking channels. The Group also started activities relating to the new "European Collection" system, SEPA Direct Debit.

With regard to P**.O.S. payments**, the activities launched in 2009 to identify inactive terminals continued in the first half of 2010. The outcome of these activities, together with the closing down of stores due to the persisiting economic crisis, led to a fall in the number of terminals for the Group though it still remained in **excess of 134,000 units.** It should be noted that as of 1/1/2009 the Montepaschi Group also manages its own acquiring service, **MPShop**, for the acceptance of international cards such as VISA, VISA Electron, V-Pay, Mastercard and Maestro (in addition to the PagoBANCOMAT debit cards). The activity launched in 2009 for the contractual migration of POS positions from the acquirer CartaSi to MPShop continued in the first half of 2010 and has already involved approximately 71% of all positions with its completion being estimated for the end of the year. A TAX Free service was also released which allows VAT to be reimbursed automatically to customers not resident in the EU through an additional feature on the POS.

As at 30 June 2010 **MPS Group circulating payment cards** (distributed by Banca Monte dei Paschi di Siena, Banca Antonveneta and BiverBanca) totalled **3,181,282**, down approximately 2.5% on the number of cards in the portfolio as at 31.12.2009. The first half of the year saw an increase in **prepaid cards (+3.1%)** owing to the performance of Spider and Kristal Best, and a decrease in **debit cards (-5.1%)** and **credit cards (-1.5%)** due to the disposal of branches and rationalisation/migration of products.



In terms of activities aimed at reducing credit card fraud and related costs sustained by the Group, replacement of all magnetic stripe debit cards with latest generation chip-embedded cards has begun, as they ensure greater security when it comes to payments and cash withdrawals. In order to reduce the impact upon the Network and Customers to a minimum, the activity – which involves around 800,000 cards and is expected to be completed by the end of Q3 2010 – was broken down into various phases, each with different methods for the delivery and activation of new cards, depending on the type of product. Approximately 300,000 cards were replaced at the end of June 2010.

With regard to product innovation, activities were put underway for the release of **carta VPAY**, a European payment and cash withdrawal card designed by VISA Europe with a distinctive acceptance mark, entirely based upon "Chip & PIN" technology, ensuring the highest level of security.

Human resources, organisation, logistics and real estate

Having completed Group restructuring in 2009, plans and activities for the first half of 2010 were 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 30/06/2010 the **Group** headcount in terms of actual "workforce[28] came to **31,612** units:

MONTEPASCHI GROUP HEADCOUNT

	12/31/07(*)	31/12/09	30/06/10
Total worforce	34,188	32,003	31,612

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

A **net reduction of 2,576 resources** was registered with respect to 31/12/07 and of **391** if compared with 2009. The latter is mainly attributable to the disposal of branches to the **CARIGE** Group (**22 branches** for a total of **149 resources**) and to the **Intesa-SanPaolo** group (**50 branches** for a total of **248 employees**), as against substantial stability with the other flows (see table below):

EMPLOYEE TURNOVER

Progressive values	From 31/12/07 to 31/03/10	From 31/12/10 to 31/03/10
Hirings	1,707	361
Outflows	-3,808	-361 (*)
Differences due to changes in Group scope	-475	-391
TOTAL	**-2,576**	**-391**

(*) 80% of which: high potential young employees with network roles

A total of **750 resources** have been **requalified** from Head Office to **network roles**. The process of workforce 'reconversion' from central units (downsized by approx. 2,100 units as of the beginning of the plan) to the network (substantially stable, with scope remaining unchanged). As a result, the front office to total staff ratio saw a 4 percentage point improvement, standing at 67%.

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[28] *Value obtained by deducting from payroll personnel (31,630 units) resourses seconded to companies external to the Group and included in "Professional Area 1" working part-time (19 cleaning members of staff).*

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

EMPLOYEES BY STRUCTURE — WORKFORCE BY OPERATIONAL LO

ITALY	31/12/07	% OF TOTAL	31/12/09	% OF TOTAL	30/06/10	% OF TOTAL
Headquarters [1]	12,360	36.8%	10,392	33.1%	10,279	33.1%
Network[2]	21,232	63.2%	21,030	66.9%	20,763	66.9%
TOTAL	**33,592**	**100%**	**31,422**	**100%**	**31,042**	**100%**
Foreign Branches and Representative Offices	596		581		570	
GROUP TOTAL	**34,188**		**32,003**		**31,612**	

(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	30/06/10	% OF TOTAL
Executives	555	1.8%
Middle managers	11,251	35.6%
Other professional categories	19,806	62.7%
TOTAL	**31,612**	**100%**

Personnel with University degrees account for 32.2%, of the total, with the highest incidence for Executives (approx. 47.2%).

The average age within the Group is 43 (Banking system[29] 42.5) while the percentage of women comes to 44.4 (System 42.1%)

HR OPERATING STRATEGIES

DEVELOPMENT OF HUMAN RESOURCES

With regard to the strategic framework described previously, the most significant intiatives 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, the tool **supports** all other processes linked to the enhancement and development of personnel;
- implementation of **career paths**[30], 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.

[29] *"2009 Report on the job market in the financial industry – Remuneration and cost of labour in Italian and European banks", Bancaria Editrice*

[30] *"Vertical" paths regulate upgrading to target positions up to second-level managers. "Horizontal" paths encourage skill integration in relation to same-level positions.*

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 770,000**, with a Group per capita average of around 28 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 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;[31]
- organisational restructuring of the **Group Finance area**, the expected benefits of which include: increasing the efficiency of the Group Proprietary Finance governance model; 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 (eg. 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

31 *Sono attualmente in corso le attività di fine tuning del canale "Promozione Finanziaria" in ottica di raggiungimento degli obiettivi di piano.*

COSTS AND LOGISTICS

Cost & space management initiatives:

- the launch of the **Spend Management Platform** to manage the **Lists of vendors and contract agreements** as well as the **repositories and deadlines for the Group's main contracts**;
- acquisition of quotations from eligible business partners for the **PaschiManutenzione project**, aimed at streamlining the Group's maintenance and facility management services;
- **Project for the digitalisation of documents**, which includes all activities aimed at making communications to customers accessible through digital channels**.**

In the first half of the year, 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

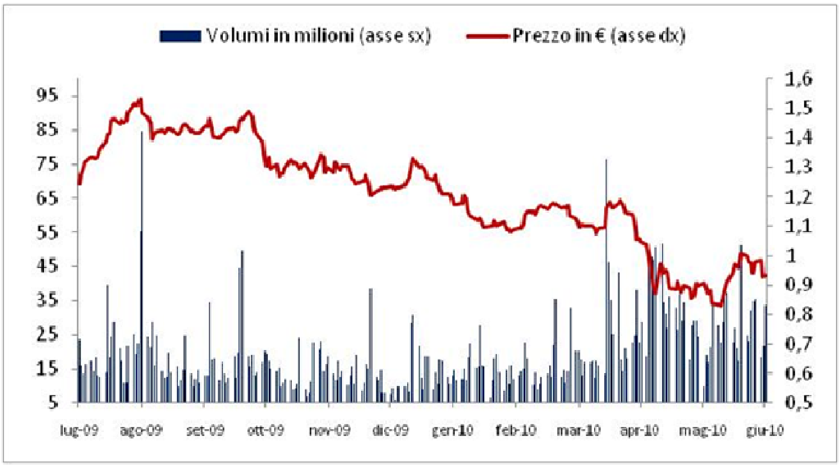
Industrial relations mainly focussed on the procedures relating to the merger of MPS Banca Personale into the Parent Company and to the aforementioned **disposal of branches** to **the Groups CARIGE** and **Intesa-SanPaolo**.

BMPS SHARES, SHAREHOLDERS' BASE AND CREDIT RATINGS

SHARE PRICES

The first six months of the year were characterised by a volatile stock market with massive sales in the first two months, good mid-term recovery and recurring sales in the last part of the period; the major stock market indices, therefore, closed the first half of the year at lower values compared to those recorded at the end of 2009 (Dow Jones -6.3%, S&P 500 -7.6%, FTSE MIB -16.9%), while a more significant drop was registed for both the Italian and the European banking system (DJ Euro Stoxx Banks -23.7%, FTSE Mib Banks -22.7%). BMPS shares stood at EUR 0,935 at the end of June 2010 (-23.9% compared to the end of 2009), substantially in line with the downturn recorded for the leading Italian banking stocks.

■ **ANDAMENTO DEL TITOLO BMPS** (dal 30/06/09 al 30/06/10)

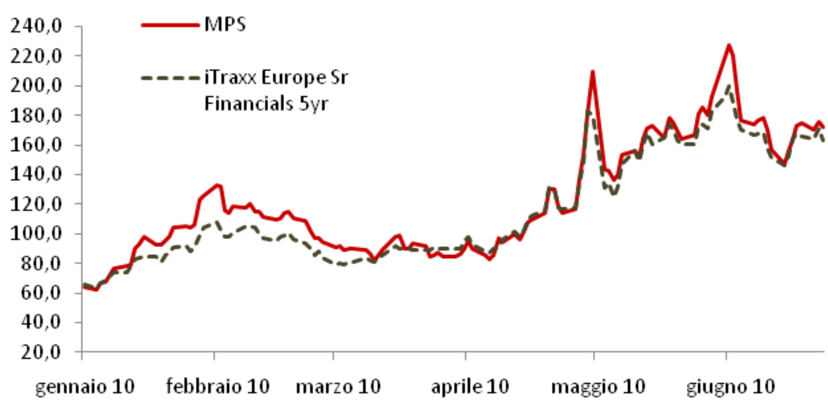


■ **BPMS SHARE PRICE: STATISTICAL SUMMARY** (from 12/31/09 to 06/30/10)

Average	1.08
Lowest	0.83
Highest	1.33

BMPS's CDS (5Y Senior) performance was in line with that of the sector.

■ **ANDAMENTO DEL CDS BMPS (5Y Senior)** (dal 31/12/09 al 30/06/10)



CAPITALISATION AND SHAREHOLDERS' BASE

As at the end of June 2010, BMPS' market value, calculated on the basis of 6,701,150,820 (ordinary and preferred) outstanding shares was approximately EUR 6.3 bln.

SUMMARY REFERENCE PRICES AND CAPITALISATION

	31.12.09	30.06.10
Price (euro)	1.23	0.94
No. ordinary shares	5,569,271,362	5,569,271,362
No. preferred shares	1,131,879,458	1,131,879,458
No. savings shares	18,864,340	18,864,340
Capitalisation (ord + pref) (EUR mln)	8,229	6,266

With regard to the bank's shareholders' base, on the basis of reporting pursuant to art. 120 of Legislative Decree 58/98 to the Italian Securities Commission (Consob) and BMPS, 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 2010 the number of BMPS shares traded on a daily basis averaged approx. 22.4 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
February	302
March	384
April	524
May	692
June	282

CREDIT RATINGS

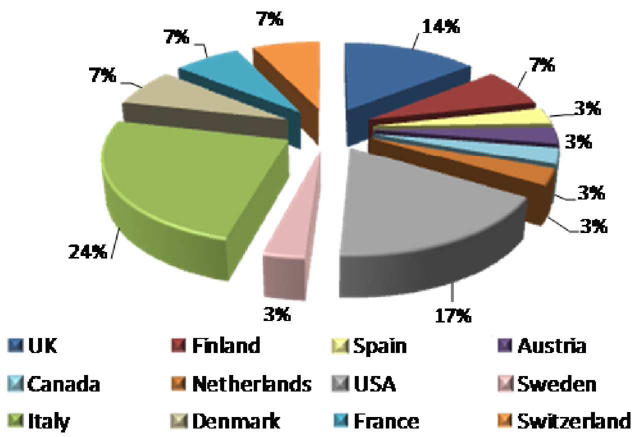
Following are the credit ratings assigned as at 30 June 2010:

Rating Agencies	Short-term debt	Long-term debt
Moody's Investors Service	P - 1	A1
Standard & Poor's	A - 2	A-
Fitch Ratings	F - 1	A

INVESTOR RELATIONS IN THE FIRST HALF OF 2010

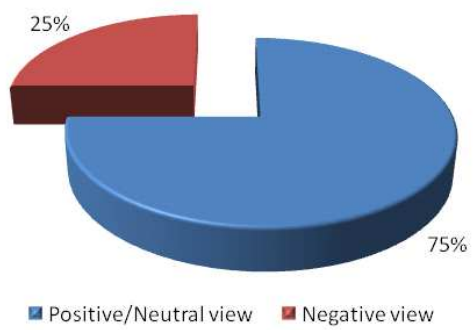
Following on from 2009, in the first half of 2010 the Investor Relation team's interaction with the financial community was highly proactive. As a whole, around 30 days of meetings were held between the top management of the Montepaschi Group and institutional investors from 12 different countries.

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



GUIDANCE ON MPS SHARES

With regard to guidance on BMPS shares, as at 30 June 2010, 75% of analysts covering BMPS shares maintained a neutral/positive outlook whereas 25% expressed a negative one.



COMMUNICATIONS

In the first half of 2010 institutional and commercial communication activities set by the Montepaschi Group were oriented towards enhancing the value of corporate image and corporate brand by intensifying **media and external relations**, improving **internal communication** initiatives, continuing with the plan of **sponsorship and promotion.**

In terms of **external communications,** the Montepaschi group intensified its relations with the main national and local newspapers to ensure coverage of major corporate events. In the first half of the year, these included: the press conferences for the presentation of the full-year 2009 and 1st quarter 2010 financial results to the media, media coverage of the disposals of undertaking in favour of the CA.RI.GE. Group (22 Banca Monte dei Paschi di Siena branches) and CA.RI.FI. (50 BMPS branches sold), reorganisation of financial advisory, the extension of the Axa Mps bancassurance agreement to Antonveneta's branch network, sponsorship initiatives, as well as cultural, social and artistic activities undertaken by the Group. Particular importance was attached to managing press communications concerning instruments targeting businesses and households, such as the extension of the package of relief measures for SMEs and the Group's decision to join the Italian Banking Association's "Plan for Households".

In terms of **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***[32] aimed at communicating the activities carried out by the Research Area. 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 the **Company intranet,** the first half of the year saw the launch of new 'theme channels', for example, the one relating to the Financial Advisory Business Unit which was formed following the merger by absorption of MPS Banca Personale SPA into Banca Monte dei Paschi di Siena SpA.

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. Promotional activities were also put in place as were prize competitions. Main sponsorships in the first half of the year targeted the following areas:

- **Culture:** a package of initiatives designed for the Municipal Administration of Siena was approved. This included the *Città Aromatica* festival, events for Siena Jazz and Celebrations for New Year's 2011. Sponsorship was confirmed of the Province's Information Plan designed to provide citizens with information on services and lines of actions planned for the area. Other important initiatives included the exhibition celebrating 125 years of the daily *Il Resto del Carlino*, held across the regions of Emilia Romagna and Marche with special events in the main branches, sponsorship of the Biennial Antiques Exhibition in Siena, the *Teatro Povero di Monticchiello* and the Documentary Film Festival.
- **Sports:** in addition to the long-standing relations with A.C. Siena football club, Mens Sana Basket, A.C. Arezzo football club, Viadana Rugby, U.S. Virtus Poggibonsi sporting association, Colle Basket, Poggibonsi Basket, Mantova Calcio, Viadana Calcio, Basket Bancole, Top Team Volley Mantova, more recent sponsorships include: Milan's GEAS female basketball team, Siena's female football sporting association and the Italian Federation of Canoeing and Kayaking. Support was also given to the Italian Golf Association in Tuscany and the Italian Tennis Association in Tuscany. The time-honoured agreement with the Athletics Association, Fidal Toscana, was also renewed, providing support to the federation's activities throughout the year including a specific trophy named after the bank, the *Grandprix Montepaschi*. As for events, these included agreements for *Motoraid Guzzi*, the *Liberazione Grand Prix* and the *Tour of the Regions* bike race. Events already held include the dance event, *Danza in Fiera*, the cycling race, *Montepaschi Strade Bianche* and the Rome Half-Marathon.

[32] The editions of **Filodiretto1** in the first quarter were in support of several initiatives, among which were the "Fight the Crisis" Plan, designed by the Retail and Corporate services, the commercial campaigns of Consum.It and Axa Mps, the communication activities for the Geographic Areas, the launch of the new product range for Prima Sgr.

- **Social:** the Montepaschi Group sponsored the *Santa Caterina d'Oro* Award and the fund-raising intiatives in favour of the *Exodus Association of Don Mazzi*. The Group also continued its support of the 2010 edition of "La Fabbrica del Sorriso" an initiative in support of solidarity projects in favour of children in need in both Italy and around the world, launched by Mediafriends. An agreement was made with the company, Pellegrini, suppliers of lunch vouchers for the Group's employees, to include an advertisement on one of the vouchers provided each month for its equivalent amount to be donated in favour of Haiti. The concluding stage of the fund-raising activities carried out during the Christmas period was also completed.
- **Trade:** among the numerous initiatives undertaken, of particular importance was the sponsorship of *Promosiena*, a special agency of the Chamber of Commerce and of *Enoteca Italiana*, an Italian Wine Institute. The Group also sponsored a project by the *Qualivita Foundation* which aims to bring the Italian agro-food industry to the spotlight at Expo in 2015.

With regard to **coordination and planning activities for the management of prize competitions and promotions** these included "Axa Mps Protetto e Premiato" ("Protected and Rewarded") and "Vinci la tua pausa caffè" (a customer competition with a Lavazza coffee machine as first prize).

In terms of **advertising and brand & image-related initiatives**, in addition to those 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 editorial sponsorships were also established (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.

In terms of **conferences, roadshows and workshops** all the stages have been set out for the organisation of the 2010 edition of the *Class Cnbc roadshow*, in collaboration with the *Sole 24Ore* financial daily.

With regard to **web and new media**, a further step was taken in developing the new service *Paskey Mobile Banking* for the smartphone platform, by testing the iphone application as well as touchscreen and hardkey solutions and developing a mini-website promoting mobile banking. Furthermore, a new website "La nostra Italia" (Our Italy) linked to www.unastoriaitaliana.it and www.consumit.it was released. The website maintenance activities are coordinated taking account of the simultaneous presence of Banca MPS in the social network channels (Facebook, Twitter and YouTube).

THE MPS GROUP CORPORATE SOCIAL RESPONSIBILITY

This chapter outlines the main initiatives put in place by the Montepaschi Group in the first half of 2010 with a view to implementing its **Corporate Social Responsibility** (CSR) policy[33]. These initiatives were developed while maintaining a specific focus on **Customers, Personnel,** the **Community** and the **Environment**.

The following table reports, for each category mentioned above, some of the main non-financial indicators used to assess the results achieved by the Group with respect to the objective of combining core business with meeting the expectations of different stakeholders

Objectives		**Performance indicators** (selection)	**2010 1H**	**2009 FY**
Human resources	To enhance human capital, developing the quality of work and satisfaction / engagement of	▪ Employee perception index (scala 20-100)	(*)	65,2
		▪ Absenteeism (days) (**)	5	4
		▪ Turnover (%) (***)	0,18	0,45
		▪ Training, per capita (days)	3,3	4,74
		▪ Female managers and middle managers (%)	29,4	29,6
		▪ Female personnel (%)	44,4	44,2
Customers	to increase customer satisfaction by "being on the customer's side" with simplicity and	▪ Customer perception index (20-100 scale)	(*)	73,5
		▪ Client retention (%)	97,3	93,9
		▪ Complaints (no.)	5.459	11.267
Society	to develop services for the "less evolved", lower-income customer base in financial distress	▪ Micro-loans (no.) (****)	322	312
		▪ Migrant banking (clients %)	5	4,7
		▪ Suspended mortgage loans – households (no.)	5.955	8.200
		▪ Suspended mortgage loans – businesses (no.)	9.096	6.858
	to improve performance in the supply chain	▪ Supplier sustainability rating (scale 1-10)	(*****)	4,7
		▪ "Green" purchases (%)	3	4
Ambiente	to reduce resource consumption and the environmental impact of operations	▪ Energy per capita (TEP – Tons Equivalent Petroleum)	0,91	2
		▪ CO_2 emissions, per capita (kg)	423	1.314
		▪ Paper, per capita(kg)	51	75
	to develop business in the green economy markets	▪ Renewable energy loans (mln)	408	379
	increase the environmental quality of credit	▪ Low-medium environmental risk in special purpose loans (%)	83	77

(*) (*****) 2010 surveys will be completed in the course of the second half of the year

(**) Per capita sick leave (3 days or less)

(***) Ratio of voluntary resignations over total headcount

(****)Data includes loans disbursed by the Group company "Microcredito di Solidarietà Spa," as well as Parent Company's operations in Tuscany in the area of usury prevention and within the framework of the Region's initiative known as SMOAT (Sistema di Microcredito Orientato e Assistito Toscano, "Tuscan Guided and Assisted Microcredit System")

The above-reported indicators show a generally positive performance for the Group, if compared with previous year results. Feedback from the sustainable finance operators is also positive, particularly in light of BMPS's ranking in the **FTSE4Good Index Series** (Europe and World) for the eighth consecutive year, and the high regard in which it is held by Socially Responsible Institutional Investors who result as holding an overall 2.55% of the bank's floating share capital.

From an operational standpoint, CSR policies focused primarily on the following areas:

SUPPORTING CUSTOMERS IN FINANCIAL DISTRESS

Within a continuing difficult market scenario, particularly in terms of real economy, the Montepaschi Group confirmed its support to households and businesses in greater financial difficulties through the sponsorhip of initiatives launched within the framework of Banking system agreements or through projects developed independently, with a view to mitigating the impact of the crisis.

[33] *For additional information on this topic, please refer to the Annual CSR Report for the Montepaschi Group, which can e found –together with further comemntaries and continuous updates- on our website www.mps.it under "Our Values".*

COMPLIANCE AND CUSTOMER CARE

In the group's continuous search for ways to improve relations with the customers, compliance obligations have been integrated with recent regulatory changes, which focus, in particular, on transparency and comprehensibility in banking services. Innovations were directly suggested by the customers themselves and by consumer associations and were put underway in the first half of the year through dedicated work tracks.

More specifically, with regard to **Consumer-Lab** (i.e. an ongoing forum of cooperation with the 15 leading consumer associations), activities mainly consisted in the following:

- definition of a "bill of rights and duties for banking customers" (currently being completed);
- a comparison between the associations and the bank's regional retail management areas on the bank's plans, products and services as well as the issues and the opportunities concerning bank-consumer relations across the country. 8 meetings were held in the first half of the year with a further 8 expected in the second half;
- continuation of a series of meetings and debates on the more heated issues within the bank-consumer relationship, known as "Consumer-Lab at home", which sees the involvement of local associations, media and the Network and the launch of ad-hoc information desks in the branches. Until now, 8 out of the 11 events planned in total have been carried out.

Complaints show positive progress. In the first half of the year, 5,459 complaints were recorded, with decisively lower average response times (48 days as compared to 66 in the previous half-year period). The figure for client retention was also positive (97.3%), pending the results from the latest customer satisfaction survey.

SUPPLY CHAIN MANAGEMENT

As part of its aim to gradually revise and optimise procurement processes, the Group confirmed and further reinforced the incorporation of social and environmental considerations in traditional economic and cost-benefit evaluation by establishing an ad-hoc Group policy aimed at ensuring the 360° sustainability of the Group's supply chain management.

130 initiatives have been set out for this purpose in the 2009-2011 period. The more significant of these include:

- **CSR assessment of suppliers**
  - CSR assessment has been incorporated in the vendor rating system and accounts for 15% of the rating;
  - Individual meetings have been held with the top 50 vendors involved so as to identify potential actions improvement and cooperation;
  - a further 63 companies have been assessed according to a vendor qualification plan which will be completed in 2012.
- **Purchase of "green" products**
  - the e-procurement platform now offers 175 products of certified environmental quality to meet the demand for stationary, paper, forms, IT consumables, with green products and services making up 43% of total office supplies purchased. Considering all the Group's volume of purchases, "green" spending comes to approx. 3%.

In light of the above activities, the Group has been selected to be among the finalists in major national industry awards (Sodalitas Social Award, Green Globe Banking Award) as well as international (Procurement Leaders Award, CIPS Supply Management Award).

BUSINESS IMPACT ON SOCIETY

The measures set out – based also upon strong social, non-profit and reputational considerations, with impacts on core business that are often indirect and long-term – include:

- **Financial education** with the launch of the project "Ke risparmiatore 6?" ("Wot kind of saver r u?": two meetings on the topic of savings and financial education have already been held with secondary school pupils (approx. 400 students involved until now);

- **Development of an offer that favours the access to credit and other banking services by the more vulnerable sections of society, by**
  - increasing the percentage of immigrant clients (currently at 5%), also favoured by the bank's well-established specialised service model, *Paschi without Frontiers;*
  - launching the "third sector" project with the consolidation of the customer base (over 8 thousand) and loans and deposits (market share at 4.4%);
  - defining new solutions for young people, with personal loans to cover fees and expenses for university, masters and specialisation courses (283 transactions for an overall 1.6 million), and more economical current accounts that better respond to their use of banking services (7,756 accounts opened since February 2010)
  - further intensifying activities by the Group's *Microcredito di Solidarietà* (230 small loans; fewer than 141 for the same period in the previous year), taking the number of counselling centres in Tuscany to 36 (29 at the end of 2009);
  - further encouraging the disbursement of loans for "non-bankable" persons, particularly under the regional usury prevention agreements (the credit limit available is approx. 44 million) and through the *Sistema di Microcredito Orientato e Assistito Toscano* (48 transactions in the first half of the year in favour of small businesses for approx. Eur 670,000);
  - implementing the Agreement between the Italian Banking Association and the Italian Bishops Conference under the auspices of which small loans will be disbursed to people facing particular hardships;
- **Contributions to humanitarian emergencies**, with the promotion of fund-raising activities and assurance of various forms of financial assistance to clients and populations struck by natural disasters in 2009 (the earthquake in Abruzzo, the floods in Messina and Northern Tuscany). In particular, the Group's branches collected over Euro 1.5 million for victims of the earthquake in Abruzzo, to be used in several projects for children, sport and assistance in the area of L'Aquila.

- **"Ethical" disclosure and traceability of loans**
  - implementation of the policy regarding involvement in the armaments sector, particularly with termination of the remaining activity, previously managed by Banca Antonveneta under Law 185/1990; the credit lines used amount to approx. Euro180 million and pertain to Italian companies with limited operations in this sector;
  - enforcement of the new asset allocation policy for supplementary pension schemes of Parent Company employees which, as of this year, incorporates ESG (Environment, Society, Governance) criteria in all various investment lines;
  - development of an assessment and rating system which, as of June 2010, assigns an ESG rating to funds/sicavs on offer, providing relationship managers, and therefore customers, with details of product lines that, on average, invest more than others in businesses and governments that attach higher importance to environmental and social issues; this initiative has been selected as being among the best corporate cases in Europe and will be presented at the next CSR Market Place under the aegis of the European Commission;
  - the placement of the bank bond, ING Protected Sustainable Growth, with a fixed-rate coupon for the first year, a variable one for the subsequent four years and linked to the EURO STOXX Sustainability 40 Price Index, which includes companies with high ESG performance.

ENVIRONMENTAL MANAGEMENT OF OPERATIONS AND BUSINESS

The Group's actions aimed at protecting the environment focused on four main streams:

- **Energy quality and efficiency**
  - creation of an ad-hoc inter-functional discussion forum;
  - implementation of various initiatives in the IT sector including, in particular, the replacement of servers in Siena's data processing centre with 352 new high efficiency machines with INTEL processors, reducing energy consumption by over 1.3 million kWh in a year, leading to economic savings of 261 thousand euro and a reduction in $CO2$ emissions by 648 tonnes;
  - installation and efficiency-improvement of approx. 85 heating and air-conditioning systems;
  - considerable increase in the recourse to renewable electric power supply sources (98% compared to 87% at the end of 2009).
- **Optimising management of consumables,** through the introduction of the e-procurement platform and related budgeting and tracking system which allows better control of expenses and quantity of consumables (paper first and foremost) used by each office;
- **Reducing CO2 emissions,** especially as a result of the above energy efficiency measures and a more careful use of cars in work transfers, with a preference for those which, on average, are more efficient, safer and cleaner; furthermore, through specific questionnaires and internal focus groups (involving approx. 1,000 people), possible solutions were identified for employee's home-work mobility in cities with intense traffic, leading, in particular, to a company shuttle service for Group offices situated in a poorly-connected area of Rome
- **Green banking**, thereby confirming the Group's presence in the sector of renewable energy with a view to supporting specific investments by individuals-households and businesses, and for the construction of large-scale plants across the country (898 projects for an overall 408 million Euro in the first half of the year); the offer for environmental purposes has been integrated with the package "TerrAmica" (Earth friendly) which involves the amount of 130 million being used to finance eco-compatible processes and projects in agriculture.

MAJOR EVENTS IN H1 2010

Below is a summary of the most significant events of the Montepaschi Group in the first half of 2010:

- ✓ **on 10 February 2010** AXA and Banca Monte dei Paschi di Siena extended their bancassurance agreement to the distribution network comprising 1,000 former Banca Antonveneta branches;
- ✓ **15 February 2010** saw the early redemption of the securitisation transaction, "Siena Mortgages 02-3 S.r.l.", named after the vehicle company used in the sale of the multioriginator portfolio, consisting in performing mortgage loans, secured by first mortgages on residential properties
- ✓ **on 29 March 2010** the following one-off corporate transactions were approved at the Shareholders" Meeting of Banca Monte dei Paschi di Siena SpA:
  - o Merger by absorption of Antenore Finance SpA and Theano Finance SpA into Banca Monte dei Paschi di Siena;
  - o Merger by absorption of MPS Banca Personale SpA into Banca Monte dei Paschi di Siena SpA;
  - o Merger by absorption of MPS SIM SpA into Banca Monte dei Paschi di Siena SpA;
  - o Merger by absorption of Siena Mortgages 00 1 SpA into Banca Monte dei Paschi di Siena SpA;
  - o Merger by absorption of Ulisse SpA, under liquidation, into Banca Monte dei Paschi di Siena SpA

Upon stipulation of the respective deeds of merger, the dates will be established from which the transactions will become legally effective.

- ✓ **On 16 April 2010** the merger by absorption of Banca Personale SpA into Banca Monte dei Paschi di Siena SpA was signed with all accounting/fiscal implications effective as of 1 January 2010. The transaction was in execution of the resolutions of Banca Monte dei Paschi di Siena SpA's Shareholders" Meetings on 29 March 2010.
- ✓ **On 28 May 2010** Banca Monte dei Paschi di Siena and the CA.RI.GE. Group signed the final agreement for the disposal of undertaking, consisting in 22 branches of Banca Monte dei Paschi di Siena, to the CA.RI.GE. Group for a total consideration of EUR 130 mln. As at 30 September 2009, the branches covered by the agreement had approximately EUR 1,537 million in total customer deposits and around EUR 840 million in loans to customers.
- ✓ **On 11 June 2010** Banca Monte dei Paschi di Siena and the Intesa-SanPaolo Group signed the final agreement for the disposal of undertaking, consisting in 50 branches of Banca Monte dei Paschi di Siena to Banca CA.RI.FI. for a total consideration of EUR 200 mln. As at 30 September 2009, the branches covered by the agreement had approximately EUR 2.1 bln in total customer deposits and around EUR 1.5 bln in loans to customers.
- ✓ **On 22 June 2010** Banca Monte dei Paschi di Siena successfully finalised an inaugural issue of covered bonds in the Eurobond market as part of the EUR 10 bln residential mortgage-backed covered bond programme announced in June. The 5-year fixed rate EUR 1 bln offering is targeted to professional investors and international intermediaries. The transaction pays a 3.125% annual coupon with a yield of 3.188%, equivalent to the 5-Year mid swap rate plus 105 bps, i.e. a 34 bps premium over reference multiannual treasury bonds (Italian BTPs). The transaction is attracting significant interest with strong participation from both domestic investors (ca. 55%) as well as investors from the Eurozone, primarily from Germany (11%), Netherlands (9%), and the UK (8%). The transaction is the first covered bond offering by Banca Monte dei Paschi di Siena and marks the reopening of the covered bond market for Italian issuers following the reappearance of volatile market conditions in the second quarter of 2010.
- ✓ **In May** MPS SIM SPA, Antenore SpA and Theano SpA were merged by absorption by and into Banca Monte dei Paschi di Siena SpA, in execution of the resolutions by the Shareholders' Meetings of Banca Monte dei Paschi di Siena SpA held on 29 March 2010.
- ✓ **In June** Ulisse SPA and Siena Mortgages 00-01 SpA were merged by absorption by and into Banca Monte dei Paschi di Siena SpA, in execution of the resolutions by the Shareholders' Meetings of Banca Monte dei Paschi di Siena SpA held on 29 March 2010.

EVENTS AFTER 30 JUNE 2010

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

- 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 Parties are expected to define the contents of the contractual documentation subject to prior completion of due diligence in as short a time as possible to allow the transaction to be executed by the end of 2010. 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 (BCE), 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 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.

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 completed **optimisation of the organisational setup**, which will consolidate the path towards **improved operational efficiency and effectiveness** and will also be supported by the **strengthening of the capital base** attained at the end of 2009 with the issue of the "Tremonti Bonds".

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 in the first half of 2010.**

With regard to the indications contained in **Document no. 2 of 6 February 2009**, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Bank **reasonably expects to continue operating** in the foreseeable future and has therefore prepared the consolidated half-year report based on the **assumption of business continuity** since the uncertain climate arising from the current economic scenario does not give rise to any doubts with regard to the company's ability to continue operating as a going concern. Evidence for these conclusions was also provided by the *stress test* results (see section "Events after 30 June 2010"), which confirmed the adequacy of our capital base with respect to the stress test parameters.

More specifically:

- As regards the principles under IAS36 for the recognition and reporting of impairment of assets, analyses carried out to prepare the half-year report led to the reasonable, well–grounded conclusion that no indication exists, calling for a reassessment of goodwill recoverability as at 30 June 2010.
- the short-term and structural liquidity position is in line with the positive outlook of development for the Group in spite of the financial crisis (see paragraph "*ALM and interest rate risk management*").

ANNEXES

MONTEPASCHI GROUP

RECONCILIATION BETWEEN RECLASSIFIED ACCOUNTS AND ACCOUNTING TABLES

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

	Accounts in the Profit and Loss Statement - MPS Group	30/06/10 - Accounting	P&Lc effects from allocation of the BAV acquisition cost to BMPS	P&L effects from allocation of the BAV acquisition cost	P&Lc effects from allocation of the BAV acquisition cost to MPS Immobiliare (PPA ex Bav Immobiliare)	P&L effects from allocation of Biverbanca acquisition cost	Dividends from sophisticated securities transactions	Reclassification of profits from equity investments	Reclassification of losses from disposal of loans (Consum.it)	Reclassification of write downs of Junior exposures	Reclassification of expenses for funded plans	Recovery of stamp duty and customer expenses	Integration costs/One-off charges	30/06/2010 - Reclassified	Accounts in Reclassified Profit and Loss Statement - MPS Group
10	Interest and similar income	3,167.9	26.5	14.0	0.0	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
20	Interest and similar expense	-1,401.6	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
30	**Net interest income**	**1,766.2**	**26.5**	**14.0**	**0.0**	**3.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	1,810.6	Net interest income
40	Commission income	1,105.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
50	Commission expense	-119.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
60	**Net commission income**	**986.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	986.6	Net commission income
														2,797.2	**Income from banking activities**
70	Dividends and similar income	261.4	0.0	0.0	0.0	0.0	-251.2	23.4	0.0	0.0	0.0	0.0	0.0	33.6	Dividends and similar income
80	Net profit (loss) from trading	-296.4	0.0	0.0	0.0	0.0	251.2	0.0	0.0	0.0	0.0	0.0	0.0		
100	Profit (loss) on disposal of	27.6	0.0	0.0	0.0	0.0	0.0	0.0	8.9	0.0	0.0	0.0	0.0		
	a) loans	*5.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*8.9*	*0.0*	*0.0*	*0.0*	*0.0*		
	b) financial assets available for sale	*33.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	c) held to maturity investments	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	d) financial liabilities	*-10.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
110	Net profit (loss) from financial assets and liabilities designated at fair value	-24.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
														-33.5	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	12.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.9	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2,733.5**	**26.5**	**14.0**	**0.0**	**3.9**	**0.0**	**23.4**	**8.9**	**0.0**	**0.0**	**0.0**	**0.0**	**2,810.2**	**Net Financial income (loss)**
130	Net adjustments for impairment of	-618.5	0.0	0.0	0.0	0.0	0.0	0.0	-8.9	15.0	3.3	0.0	0.0	-609.0	Net adjustments for impairment of
	a) loans	-599.4	0.0	0.0	0.0	0.0	0.0	0.0	-8.9	15.0	3.3	0.0	0.0	-590.0	a) loans
	b) financial assets available for sale	*-17.7*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	c) held to maturity investments	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	d) other financial operations	*-1.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
														-19.0	b) financial assets
140	**Net income from banking activities**	**2,115.1**	**26.5**	**14.0**	**0.0**	**3.9**	**0.0**	**23.4**	**0.0**	**15.0**	**3.3**	**0.0**	**0.0**		
150	Net premiums	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
160	Other income/expenses (net) from insurance activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
170	**Net income from financial and insurance activities**	**2,115.1**	**26.5**	**14.0**	**0.0**	**3.9**	**0.0**	**23.4**	**0.0**	**15.0**	**3.3**	**0.0**	**0.0**	**2,201.2**	**Net income from financial and insurance activities**
180	Administrative expenses	-1,776.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	165.5	2.7	-1,608.1	Administrative expenses
	a) Personnel expenses	-1,073.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,073.1	a) Personnel expenses
	b) Other administrative expenses	-703.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	165.5	2.7	-535.0	b) Other administrative expenses
200	Net adjustments on property and equipment	-49.7	0.0	0.0	0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
210	Net adjustments on intangible assets	-72.1	20.8	14.3	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
														-82.3	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-1,847.9**	**20.8**	**14.3**	**0.2**	**4.2**	**0.0**	**0.0**	**0.0**	**-15.0**	**-3.3**	**0.0**	**0.0**	**-1,690.4**	**Operating expenses**
														510.8	**Net operating income**
190	Net provisions for risks and charges	-81.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-15.0	0.0	0.0	0.0		
220	Other operating income/expenses	131.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.3	-165.5	0.0		
														-133.6	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	4.0	0.0	0.0	0.0	0.0	0.0	-23.4	0.0	0.0	0.0	0.0	0.0	-19.5	Gains (losses) on equity investments
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.7	-2.7	Integration fees
250	Net result of the tangible and intangible assets carried at fair value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	184.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	184.2	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**455.3**	**47.2**	**28.4**	**0.2**	**8.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**539.2**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	-193.8	-15.1	-8.9	0.0	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-220.4	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**261.5**	**32.1**	**19.5**	**0.2**	**5.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**318.8**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**260.2**	**32.1**	**19.5**	**0.2**	**5.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**317.5**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**261.2**	**32.1**	**19.5**	**0.2**	**5.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**318.4**	**Net profit for the year before PPA**
		0.0	**-32.1**	**-19.5**	**-0.2**	**-5.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	-57.2	Net economic repercussions of the "purchase price allocation"
			0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**261.2**	**Net Profit for the year**

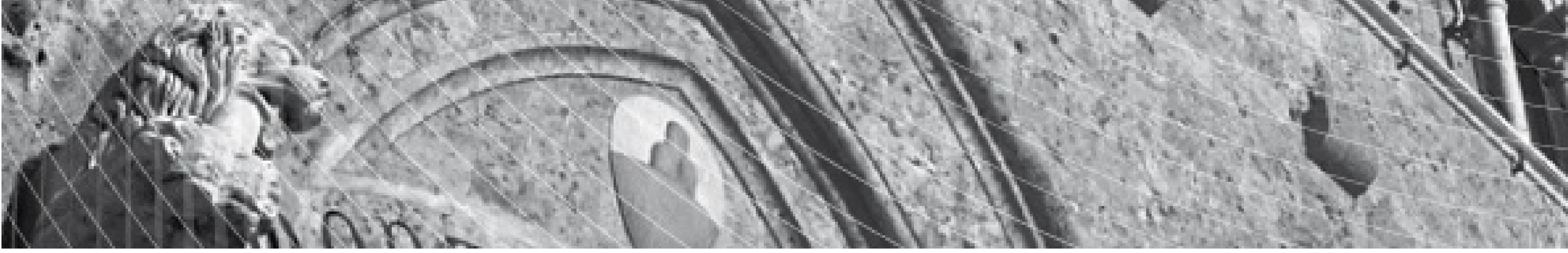
Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 June 2009 and related accounting tables G

	Accounts in the Profit and Loss Statement - MPS Group	30/06/09 - Accounting	Cost of financing for sophisticated securities transactions	P&L effects from allocation of the BAV acquisition cost to BMPS	P&L effects from allocation of the BAV acquisition cost	P&L effects from allocation of the Biver Banca acquisition cost	Fee and commissions collected as at 30.06.09	Asset Management Business Contribution (SGR + AAA), reclassified as Profit (loss) after tax from discontinued operations	Dividends for sophisticated securities transactions	Reclassification of profits from equity investments	Reclassification of write downs of Junior exposures	Reclassification of expenses for funded plans	Recovery of stamp duty and customer expenses	Integration costs	30/06/2009 - Reclassified	Accounts in Reclassified Profit and Loss Statement - MPS Group
10	Interest and similar income	3,886.2	0.0	38.2	17.4	5.0	-165.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
20	Interest and similar expense	-1,950.6	3.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
30	**Net interest income**	**1,935.6**	**3.7**	**38.2**	**17.4**	**5.7**	**-165.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	1,835.5	Net interest income
40	Commission income	867.9	0.0	0.0	0.0	0.0	165.1	-0.6	0.0	0.0	0.0	0.0	0.0	0.0		
50	Commission expense	-104.8	0.0	0.0	0.0	0.0	0.0	23.6	0.0	0.0	0.0	0.0	0.0	0.0		
60	**Net commission income**	**763.1**	**0.0**	**0.0**	**0.0**	**0.0**	**165.1**	**23.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	951.2	Net commission income
															2,786.6	**Income from banking activities**
70	Dividends and similar income	209.9	0.0	0.0	0.0	0.0	0.0	0.0	-201.8	58.6	0.0	0.0	0.0	0.0	66.7	Dividends and similar income
80	Net profit (loss) from trading	-110.6	-3.7	0.0	0.0	0.0	0.0	0.0	201.8	0.0	0.0	0.0	0.0	0.0		
100	Profit (loss) on disposal of	-4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
	a) loans	*9.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	b) financial assets available for sale	*-5.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	c) held to maturity investments	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	d) financial liabilities	*-8.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
110	Net profit (loss) from financial assets and liabilities designated at fair value	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
															79.3	Net result from realisation/valuation of financial assets
90	Net profit (loss) from hedging	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2,790.4**	**0.0**	**38.2**	**17.4**	**5.7**	**0.0**	**23.0**	**0.0**	**58.6**	**0.0**	**0.0**	**0.0**	**0.0**	**2,933.3**	**Net Financial income (loss)**
130	Net adjustments for impairment of	**-730.5**	**0.0**	**0.0**	**0.0**	0.0	**0.0**	0.0	**0.0**	**0.0**	**17.8**	**3.0**	**0.0**	0.0	-709.7	Net adjustments for impairment of
	a) loans	-707.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.8	3.0	0.0	0.0	-686.7	a) loans
	b) financial assets available for sale	*-12.4*	*0.0*	*0.0*	*0.0*	0.0	*0.0*	0.0	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	0.0		
	c) held to maturity investments	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	0.0	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
	d) other financial operations	*-10.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	0.0	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
															-23.0	b) financial assets
140	**Net income from banking activities**	**2,059.9**	**0.0**	**38.2**	**17.4**	**5.7**	**0.0**	**23.0**	**0.0**	**58.6**	**17.8**	**3.0**	**0.0**	**0.0**		
150	Net premiums	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
160	Other income/expenses (net) from insurance activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
170	**Net income from financial and insurance activities**	**2,059.9**	**0.0**	**38.2**	**17.4**	**5.7**	**0.0**	**23.0**	**0.0**	**58.6**	**17.8**	**3.0**	**0.0**	**0.0**	**2,223.6**	**Net income from financial and insurance activities**
180	Administrative expenses	-1,815.9	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	109.4	31.9	-1,673.7	Administrative expenses
	a) Personnel expenses	-1,135.3	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.5	-1,111.8	a) Personnel expenses
	b) Other administrative expenses	-680.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	109.4	9.4	-561.9	b) Other administrative expenses
200	Net adjustments on property and equipment	-53.4	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
210	Net adjustments on intangible assets	-63.8	0.0	21.0	14.5	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
															-77.4	Net adjustments to the value of tangible and intangible fixed assets
230	**Operating expenses**	**-1,837.7**	**0.0**	**21.0**	**14.5**	**5.1**	**0.0**	**0.0**	**0.0**	**0.0**	**-17.8**	**-3.0**	**0.0**	**0.0**	**-1,751.1**	**Operating expenses**
															472.5	**Net operating income**
190	Net provisions for risks and charges	-20.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-17.8	-3.0	0.0	0.0		
220	Other operating income/expenses	116.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-109.4	0.0		
															-34.8	Net provisions for risks and liabilities and Other operating income/costs
240	Gains (losses) on equity investments	55.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-58.6	0.0	0.0	0.0	0.0	-3.1	Gains (losses) on equity investments
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-31.9	-31.9	Integration fees
250	Net result of the tangible and intangible assets carried at fair value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Net result of the tangible and intangible assets carried at fair value
260	Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Impairment of goodwill and financial assets
270	Profit (loss) on disposal of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	Profit (loss) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**277.7**	**0.0**	**59.3**	**31.9**	**10.9**	**0.0**	**23.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**402.6**	**Profit (loss) before tax from continuing operations**
290	Taxes on income from continuing operations	-154.7	0.0	-19.0	-10.0	-3.5	0.0	-6.8	0.0	0.0	0.0	0.0	0.0	0.0	-193.9	Taxes on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**122.9**	**0.0**	**40.3**	**21.9**	**7.4**	**0.0**	**16.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**208.7**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	211.7	0.0	0.0	0.0	0.0	0.0	-16.2	0.0	0.0	0.0	0.0	0.0	0.0	195.5	Profit (loss) after tax from discontinued operations
320	**Profit (loss) for the year**	**334.7**	**0.0**	**40.3**	**21.9**	**7.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**404.2**	**Profit (loss) for the year**
330	Profit (loss) for the year attributable to minority interests	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.6	Profit (loss) for the year attributable to minority interests
340	**Parent company's net profit (loss) for the year**	**332.1**	**0.0**	**40.3**	**21.9**	**7.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**401.6**	**Net profit for the year before PPA**
		0.0	**0.0**	**-40.3**	**-21.9**	**-7.4**	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	-69.5	Net economic repercussions of the "purchase price allocation"
			0.0	**0.0**	**0.0**	**0.0**	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**332.1**	**Net Profit for the year**

RECONCILIATION BETWEEN RECLASSIFIED BALANCE SHEETS AS AT 30 JUNE 2010 AND 30 JUNE 2009 AND RELATED ACCOUNTING TABLES

Balance-sheet accounts - Assets	30/06/10	30/06/09	Reclassified balance-sheet accounts - Assets
	853	**798**	**Cash and cash equivalents**
Account 10 - Cash and cash equivalents	853	798	
			Loans and advances
	152,881	**145,111**	**a) Loans and advances to customers**
Account 70 - Loans and advances to customers	152,881	145,111	
	13,662	**13,017**	**b) Loans and advances to banks**
Account 60 - Loans and advances to banks	13,662	13,017	
	58,752	**32,707**	**Financial assets held for trading**
Account 20 - Financial assets held for trading	40,126	22,937	
Account 30 - Financial assets designated at fair value	255	209	
Account 40 - Financial assets available for sale	18,370	9,561	
	0	**0**	**Financial assets held to maturity**
Account 50 - Financial assets held to maturity	0	0	
	732	**721**	**Equity investments**
Account 100 - Equity investments	732	721	
	-	-	**Reinsurers' technical reserves**
Account 110 - Technical reserves / reinsurers	-	-	
	10,201	**10,468**	**Tangible and intangible fixed assets**
Account 120 - Tangible assets	2,695	2,774	
Account 130 - Intangible assets	7,506	7,694	
	10,487	**9,241**	**Other assets**
Account 80 - Hedging Derivatives	202	128	
Account 90 - Change in value of macro-hedged financial assets (+/-)	42	28	
Account 140 - Tax assets	4,771	4,076	
Account 150 - Non-current assets and disposal groups classified as held for sale	110	101	
Account 160 - Other assets	5,362	4,908	
Total Assets	**247,567**	**212,062**	**Total assets**

Balance-sheet accounts - Liabilities	30/06/10	30/06/09	Reclassified balance-sheet accounts - Liabilities
			Deposits
	158,232	**147,635**	**a) Customer accounts and securities in issue**
Account 20 - Customer accounts	96,628	81,803	
Account 30 - Debt securities in issue	37,433	48,646	
Account 50 - Financial liabilities designated at fair value	24,171	17,186	
	28,593	**21,826**	**b) Deposits from banks**
Account 10 - Deposits from banks	28,593	21,826	
	33,210	**18,710**	**Financial liabilities held for trading**
Account 40 - Financial liabilities held for trading	33,210	18,710	
			Provisions for specific use
Account 110 - Provision for employee severance pay	298	347	
Account 120 Provisions for risks and changes - a) pension fund and similar obligations	450	441	
Account 120 Provisions for risks and changes - b) other provisions	962	886	
	9,207	**6,820**	**Other liabilities**
Account 60 - Hedging Derivatives	2,090	542	
Account 70 - Change in value of macro-hedged financial liabilities (+/-)	-	-	
Account 80 - Tax liabilities	167	203	
Account 90 - Liabilities included in disposal groups held for sale	0	0	
Account 100 - Other liabilities	6,951	6,075	
	0	**0**	**Insurance reserves**
Account 130 - Technical reserves	0	0	
	16,345	**15,124**	**Group portion of shareholders' equity**
Account 140 - Valuation reserves	-219	513	a) Valuation reserves
Account 150 - Redeemable shares	-	-	b) Redeemable shares
Account 160 - Equity instruments	1,949	47	c) Equity instruments
Account 170 - Reserves	5,903	5,768	d) Reserves
Account 180 - Share premium	3,996	4,035	e) Share premium reserve
Account 190 - Share Capital	4,502	4,487	f) Share capital
Account 200 - Treasury shares (-)	-49	-57	g) Treasury shares (-)
Account 220 - Profit (loss) for the year (+/-)	261	332	h) Profit (loss) for the year
	270	**273**	**Minority interests in shareholders' equity**
Account 210 - Minority interests (+/-)	270	273	
Total liabilities and shareholders' equity	**247,567**	**212,062**	**Total liabilities and shareholders' equity**



HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in units of EUR)

	Assets	30/06/2010	31/12/2009
10	Cash and cash equivalents	853.278.725	1.295.586.779
20	Financial assets held for trading	40.126.268.675	23.506.522.746
30	Financial assets designated at fair value	255.213.788	260.418.460
40	Financial assets available for sale	18.370.023.007	14.909.189.684
50	Financial assets held to maturity	3.113	3.113
60	Loans and advances to banks	13.661.828.936	10.327.520.615
70	Loans and advances to customers	152.881.182.313	152.413.440.750
80	Hedging derivatives	201.636.799	198.702.637
90	Change in value of macro-hedged financial assets (+ /-)	41.694.478	32.039.046
100	Equity investments	731.713.779	742.170.498
120	Tangible assets	2.694.614.147	2.733.043.104
130	Intangible assets	7.505.897.507	7.661.629.206
	of which: goodwill	*6.473.778.893*	*6.619.478.893*
140	Tax assets	4.770.898.624	4.377.044.696
	a) current	*558.838.295*	*619.296.168*
	b) deferred	*4.212.060.329*	*3.757.748.528*
150	Non-current assets and groups of assets held for sale	110.069.366	129.165.143
160	Other assets	5.362.205.584	6.228.501.692
	Total Assets	**247.566.528.841**	**224.814.978.169**

follows: **Consolidated balance sheet**

(in units of EUR)

	Liabilities and Shareholders' Equity	30/06/2010	31/12/2009
10	Deposits from banks	28.593.031.456	22.757.742.753
20	Customer accounts	96.627.650.881	91.132.820.120
30	Securities in issue	37.433.374.739	42.559.083.505
40	Financial liabilities held for trading	33.209.622.877	19.481.338.417
50	Financial liabilities designated at fair value	24.170.965.203	21.699.056.443
60	Hedging derivatives	2.089.990.820	931.554.179
80	Tax liabilities	166.677.063	341.425.636
	a) current	60.328.003	*230.259.485*
	b) deferred	106.349.060	*111.166.151*
90	Liabilities associated with assets held for sale	-	-
100	Other liabilities	6.950.537.455	6.782.237.039
110	Provision for employee severance pay	298.229.667	304.496.882
120	Provisions for risks and charges:	1.411.891.472	1.369.213.566
	a) pension fund and similar obligations	449.927.717	*458.133.053*
	b) other provisions	961.963.755	*911.080.513*
140	Valuation reserves	(218.605.241)	720.587.188
160	Equity instruments	1.949.365.486	1.949.365.486
170	Reserves	5.903.370.357	5.766.022.280
180	Share premium account	3.995.643.005	4.048.328.020
190	Issued capital	4.502.410.157	4.502.410.157
200	Treasury shares (-)	(48.751.612)	(32.079.360)
210	Minority interests (+ /-)	269.973.161	281.261.541
220	Profit (loss) for the year (+ /-)	261.151.895	220.114.317
	Total Liabilities and Shareholders' Equity	**247.566.528.841**	**224.814.978.169**

Consolidated Income Statement

(in units of EUR)

	Items	30/06/2010	30/06/2009
10	Interest and similar income	3.167.867.171	3.886.161.236
20	Interest and similar expense	(1.401.642.796)	(1.950.611.064)
30	**Net interest income**	**1.766.224.375**	**1.935.550.172**
40	Commission income	1.105.844.279	867.880.803
50	Commission expense	(119.257.159)	(104.795.198)
60	**Net commissions**	**986.587.120**	**763.085.605**
70	Dividends and similar income	261.447.371	209.873.637
80	Net profit (loss) from trading	(296.430.872)	(110.649.461)
90	Net profit (loss) from hedging	12.942.632	707.228
100	Profit (loss) from sale or repurchase of:	27.585.772	(4.223.185)
	a) loans and receivables	*5.008.466*	*9.141.642*
	b) financial assets available for sale	*33.210.751*	*(5.067.751)*
	c) financial liabilities	*(10.633.445)*	*(8.297.076)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	(24.820.930)	(3.990.081)
120	**Net interest and other banking income**	**2.733.535.468**	**2.790.353.915**
130	Net value adjustments/write-backs due to impairment of:	(618.476.249)	(730.475.857)
	a) receivables	*(599.439.422)*	*(707.492.503)*
	b) financial assets available for sale	*(17.693.203)*	*(12.354.940)*
	d) other financial transactions	*(1.343.624)*	*(10.628.414)*
140	**Net income from banking activities**	**2.115.059.219**	**2.059.878.058**
180	Administrative expenses:	(1.776.286.356)	(1.815.944.121)
	a) personnel expenses	*(1.073.132.915)*	*(1.135.259.932)*
	b) other administrative expenses	*(703.153.441)*	*(680.684.189)*
190	Net provisions for risks and charges	(81.191.172)	(20.695.086)
200	Net value adjustments/write-backs on tangible assets	(49.706.240)	(53.366.532)
210	Net value adjustments/write-backs on intangible assets	(72.133.235)	(63.754.648)
220	Other operating income/expenses	131.398.804	116.014.155
230	**Operating expenses**	**(1.847.918.199)**	**(1.837.746.232)**
240	Gains (losses) on equity investments	3.979.995	55.515.808
260	Impairment of goodwill	-	
270	Profit (loss) on disposal of investments	184.203.776	4.247
280	**Profit (loss) before tax from continuing operations**	**455.324.791**	**277.651.881**
290	Taxes on income from continuing operations	(193.781.322)	(154.712.920)
300	**Profit (loss) after tax from continuing operations**	**261.543.469**	**122.938.961**
310	Profit (loss) after tax from groups of assets held for sale	(1.322.727)	211.735.175
320	**Profit (loss) for the year**	**260.220.742**	**334.674.136**
330	Profit (loss) for the year attributable to minority interests	(931.153)	2.607.603
340	**Parent company's net profit (loss) for the year**	**261.151.895**	**332.066.533**

		30 06 2010	30 06 2009
	Basic Earnings per Share (Basic EPS)	**0,026**	**0,050**
	of continuing operations	0,027	0,018
	of groups of assets held for sale	- 0,001	0,032
	Diluted Earnings per Share (Diluted EPS)	**0,026**	**0,049**
	of continuing operations	0,027	0,018
	of groups of assets held for sale	- 0,001	0,031

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	30 06 2010	30 06 2009
10	**Profit (loss) for the year**	**260.220.742**	**334.674.136**
	Other comprehensive income, net of tax		
20	Financial assets available for sale	(885.542.511)	94.710.164
30	Attività materiali	-	-
40	Attività immateriali	-	-
50	Copertura di investimenti esteri	-	-
60	Cash flow hedges	(64.797.296)	(35.426.052)
70	Exchange differences	6.681.498	(155.539)
80	Attività non correnti in via di dismissione	-	-
90	Utili (Perdite) attuariali su piani e benefici definiti	-	-
100	Share of valuation reserves of equity investments valued at equity	3.523.282	81.421.334
110	**Total other comprehensive income, net of tax**	**(940.135.027)**	**140.549.907**
120	**Total comprehensive income (Account 10 + 110)**	**(679.914.285)**	**475.224.043**
130	Consolidated comprehensive income attributable to minority interests	(1.873.741)	3.671.807
140	**Consolidated comprehensive income attributable to Parent Com**	**(678.040.544)**	**471.552.236**

Statement of changes in shareholders' equity

	Balance as at 31 12 2009	Change in opening balance	Balance as at 01 01 2010	Allocation of profit from prior year		Changes during the year								Group net equity 30 06 2010	Minority interests 30 06 2010
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Total comprehensive income at 30 06 2010		
Share capital:	4.553.774.084		4.553.774.084			(1.644.615)	-	-	-	-	-	-	-	4.502.410.157	49.719.312
a) ordinary shares	3.782.775.740	-	3.782.775.740	-	-	(1.644.615)	-	-	-	-	-	-	-	3.731.411.813	49.719.312
b) other shares	770.998.344	-	770.998.344	-	-	-	-	-	-	-	-	-	-	770.998.344	-
Share premium account	4.048.670.690	-	4.048.670.690	-	-	(52.079.801)	(605.014)	-	-	-	-	-	-	3.995.643.005	342.870
Reserves:	5.852.768.665		5.852.768.665	215.030.376	-	(80.953.219)	-	-	-	-	-	-	-	5.903.370.358	83.475.464
a) from profits	5.957.653.665	-	5.957.653.665	215.030.376	-	(80.953.219)	-	-	-	-	-	-	-	6.008.255.358	83.475.464
b) other	(104.885.000)	-	(104.885.000)	-	-	-	-	-	-	-	-	-	-	(104.885.000)	-
Valuation reserves	858.895.400	-	858.895.400	-		1.054	-	-	-	-	-	-	(940.135.027)	(218.605.241)	137.366.668
Equity instruments	1.949.365.486	-	1.949.365.486	-	-	-	-	-	-	-	-	-	-	1.949.365.486	-
Treasury shares	(32.079.381)	-	(32.079.381)	-	-	-	6.082.983	(22.755.214)	-	-	-	-	-	(48.751.612)	-
Net profit (loss) for the period	224.614.685	-	224.614.685	(215.030.376)	(9.584.309)	-		-	-	-	-	-	260.220.742	261.151.895	(931.153)
Group net equity	17.174.748.088	-	17.174.748.088	-	(1.808.643)	(133.011.753)	5.452.114	(22.755.214)	-	-	-	-	(678.040.544)	16.344.584.048	X
Minority interests	281.261.541	-	281.261.541	€ -	(7.775.666)	(1.664.828)	25.855	-	€ -	€ -	€ -	€ -	(1.873.741)	X	269.973.161

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

Profit for 2009, totalling EUR 224,6 mln. of which 220,1 mln. for the Group and EUR 4.5 mln. for minority shareholders, was distributed for an amount of EUR 9.6 mln, of which EUR 0.2 mln. by the Parent Company, as per profit distribution approved by the Shareholders' Meeting on 27 April 2010 and EUR 1.6 mln. in donations and liberalities by one of the subsidiaries and EUR 7.8 mln. distributed as dividends by the companies of the Group to minorities.

The positive change in reserves relating to reserves comes to EUR 134.1 mln. EUR 215 mln. is accounted for by capitalised profit for 2009 and EUR80.9 mln. By payment of the coupon related to the "Tremonti – Bonds". Profit reserves, totalling EUR 6,008.3 mln, include EUR 48.8 mln. in available reserves equal to the total of existing treasury shares as at 30 June 2010.

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

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

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

	Balance as at 31 12 2008	Change in opening balance	Balance as at 01 01 2009	Allocation of profit from prior year		Changes during the year								Group net equity 30 06 2009	Minority interests 30 06 2009
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of	Change in equity instruments	Treasury shares derivatives	Stock options	Total comprehensive income for 31/12/2009		
Share capital:	4.538.144.681	-	4.538.144.681			(41.600)								4.486.739.154	51.363.927
a) ordinary shares	3.767.146.337	-	3.767.146.337			(41.600)								3.715.788.028	51.316.709
b) other shares	770.998.344	-	770.998.344											770.998.344	-
Share premium account	4.094.591.727	-	4.094.591.727			(58.861.076)	(554.518)							4.035.020.545	155.588
Reserves:	4.992.555.654	-	4.992.555.654	822.661.002		34.944.861								5.768.078.363	82.083.154
a) from profits	5.097.440.654	-	5.097.440.654	822.661.002		34.944.861								5.872.963.363	82.083.154
b) other	(104.885.000)	-	(104.885.000)											(104.885.000)	-
Valuation reserves	536.780.120	-	536.780.120			(27.936.375)							140.549.907	512.718.985	136.674.667
Equity instruments	46.871.091	-	46.871.091											46.871.091	-
Treasury shares	(36.963.247)	-	(36.963.247)				17.238.690	(37.495.037)						(57.219.576)	(18)
Net profit (loss) for the period	931.109.102	-	931.109.102	(822.661.002)	(108.448.100)								334.674.136	332.066.533	2.607.603
Group net equity	14.824.072.447	-	14.824.072.447		(98.589.457)	(51.901.780)	16.684.172	(37.495.305)					471.552.236	15.124.322.313	-
Minority interests	279.016.681	-	279.016.681		(9.858.643)	7.590		268					3.671.807	-	272.837.703

As at 30 June 2009, the Group's net equity including profit for the year came to EUR 15,124.3 mln, as compared to EUR 14,824 mln at the end of 2008, showing an increase of EUR 300.3 mln, mainly attributable to economic results in the first half the year. Profit for 2008, totalling EUR 922.8 mln, was distributed for an amount of EUR 98.6 mln, as per profit distribution approved by the Shareholders' Meeting on 29 April 2009; the positive difference relating to the reserves, coming to EUR 34.9 mln, is primarily accounted for by the impact of deconsolidation of a number of subsidiaries which were disposed of in the half-year period. Profit reserves included EUR 57.2 mln of unavailable reserves equivalent to the amount of treasury shares.

Valuation reserves "a) available for sale " registered a positive change of approx.EUR 175 mln, following the upturn in financial markets.

Valuation reserves "b) cash flow hedges" experienced a negative change of approx. EUR 35.4 mln. In particular, the Parent Company pursued an active interest rate risk hedging policy, by cash-flow hedging long-term liabilities. The main position was in relation to the Upper Tier II issued under the acquisition of Banca Antonveneta for a nominal value of EUR 2.16 bln.

Valuation reserves "c) other" experienced a negative change of approx. EUR 28 mln, mainly due to the impact of deconsolidation of a number of subsididaries which were disposed of during the half-year period.

Treasury shares grew by 20.3 mln, with profit/loss from trading included in the share premium which includes, moreover, the annual fee paid to JPMorgan against the acquisition by the Parent Company BMPS on account of the dividend entitlement acquired on the ordinary shares subscribed by JPMorgan following the increase in share capital in 2008. The payment of the annual fee is conditioned by the presence of distributable profits and by the payment of cash dividends on distributable profits and its total amount should not exceed the difference between distributable profits and dividends paid out.

Net equity attributable to minority interests was down by EUR 6.2 mln,essentially owing to the distribution of ordinary dividends on the profit for 2008.

Consolidated statement of cashflows – Indirect method

(in units of EUR)

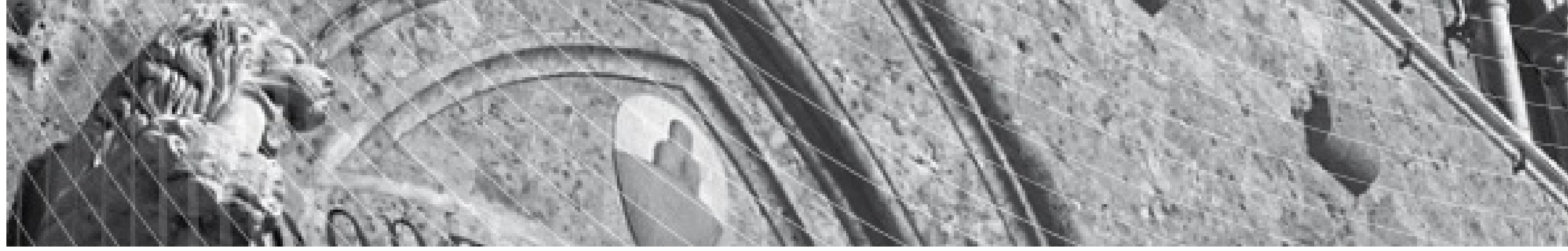
A. OPERATING ACTIVITIES	30 06 2010	30 06 2009
1. Cash flow from operations	**1.000.224.421**	**1.663.222.908**
profit (loss) for the year (+ /-)	260.220.742	334.674.136
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+ /-)	(76.594.672)	104.366.781
capital gains/losses on hedging transactions (+ /-)	(12.942.632)	(707.228)
net value adjustments/write-backs due to impairment (+ /-)	726.408.627	803.882.630
net value adjustments/write-backs on tangible and intangible assets (+ /-)	121.839.475	117.121.180
net provisions for risks and charges and other costs/revenues (+ /-)	86.285.655	47.664.413
net premiums to be collected	-	-
other insurance revenues/charges to be collected	-	-
tax not paid (+)	193.781.321	154.712.920
net value adjustments/write-backs on groups of assets held for sale, after tax (+ /-)	-	1.246.393
other adjustments	(298.774.095)	100.261.683
2. Cash flow from (used in) financial assets	**(25.800.138.713)**	**306.886.835**
financial assets held for trading	(16.545.825.255)	(1.092.215.189)
financial assets designated at fair value	5.204.672	(29.396.501)
financial assets available for sale	(4.713.501.937)	(4.367.835.839)
sales/repayment of financial assets held to maturity	-	-
loans and advances to banks	(3.337.421.400)	4.106.975.219
loans and advances to customers	(1.172.322.101)	(534.580.660)
hedging derivatives	-	
other assets	(36.272.692)	2.223.939.805
3. Cash flow from (used in) financial liabilities	**24.210.014.264**	**(2.372.738.574)**
deposits from banks: on demand	5.835.288.703	(5.354.122.022)
deposits from banks: other	5.494.830.761	206.642.679
customer accounts	(5.125.708.766)	1.487.968.209
securities in issue	13.736.087.984	74.570.090
financial liabilities held for trading	2.466.779.235	3.329.376.648
financial liabilities designated at fair value	-	-
hedging derivatives	1.802.736.347	(2.117.174.178)
other liabilities	-	-
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**(589.900.028)**	**(402.628.831)**

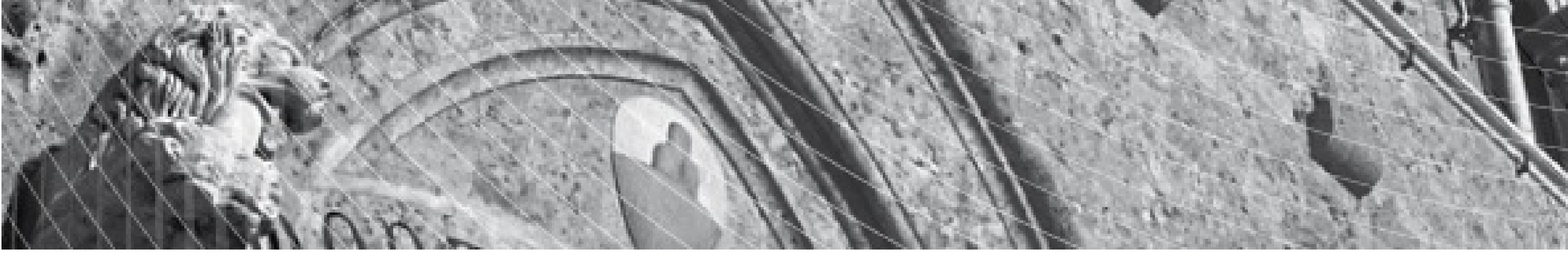
B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**376.257.071**	**416.872.518**
sales of equity investments	4.826	45.029.622
dividends collected on equity investments	12.294.553	-
sales/repayment of financial assets held to maturity	-	-
sales of tangible assets	33.957.692	1.048.225
sales of intangible assets	-	425.414
sales of subsidiaries and undertakings	330.000.000	370.369.257
2. Cash flow used in	**(69.357.375)**	**(113.523.269)**
purchase of equity investments	(3.160.187)	(70.290.318)
purchase of financial assets held to maturity	-	-
purchase of tangible assets	(1.051.521)	(12.900.705)
purchase of intangible assets	(65.145.667)	(30.332.246)
purchase of subsidiaries and undertakings	-	-
Net cash flow from (used in) investment activities	**306.899.696**	**303.349.249**
C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	(16.672.253)	(20.806.024)
issue/purchase of equity instruments	-	-
dividend distribution and other	(142.635.469)	(108.448.148)
issue of new shares	-	-
Net cash flow from (used in) funding activities	**(159.307.722)**	**(129.254.172)**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVI	**(442.308.054)**	**(228.533.754)**

Reconciliation

Accounts	30 06 2010	30 06 2009
Cash and cash equivalents at beginning of period	1.295.586.779	1.026.374.154
Net increase (decrease) in cash and cash equivalents	(442.308.054)	(228.533.754)
Cash and cash equivalents: foreign exchange effects	-	-
Cash and cash equivalents at end of period	853.278.725	797.840.400

NOTES TO THE FINANCIAL STATEMENTS





Part A – Accounting policies

A.1 – General information

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

In particular, the Consolidated Half-Year Report was prepared in accordance with the provisions of IAS 34 "Interim reports" and having regard to the regulations enforcing art.9 of Legislative Decree no.38/2005. The international accounting standards were applied following the indications set forth in the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).

The accounting principles used for the preparation of this Consolidated Half-Year Report are the same as those used for the preparation of the Consolidated Annual Report as at 31 December 2009, which should be referred to for further details, in addition to the following information relating to:

A. IAS/IFRS International principles and related SIC/IFRIC interpretations as endorsed by the European Commission until 30 June 2010, the application of which will become mandatory as of this half-year report;

B. the accounting principles, amendments and interpretations endorsed by no later than 30 June 2010, the application of which will become effective subsequent to this half-year report and which, unless otherwise provided on a case-by-case basis, were not subject to early application (pursuant to paragraph 30 of IAS 8).

The introduction of the new principles, amendments and interpretations listed below, did not have any significant effects on the results of this half-year report.

A. IAS/IFRS international accounting standards and related SIC/IFRIC interpretations endorsed by the European Commission, the application of which is mandatory as of this half-year 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 restructured version of the previous version which has 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 anual 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 payment. The amendment issued by the IASB on 18 June 2009, clarifies that the scope of IFRS 2 includes arrangements whereby a subsidiary receives goods or services from employees or suppliers where the transaction is to be settled by the parent (or another entity in the group), which has the obligation to transfer cash or other assets for an amount based on the price of the subsidiary's or parent's shares. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment was endorsed by the European Commission under Regulation no. 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, 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.

Improvements to international accounting standards*.* On 22 May 2008, the IASB issued a set of amendments to IFRS ("Improvements"), approved with Regulation 70/2009. The only amendment for which mandatory application is required for financial statements commencing on 1 January 2010 is described 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 from 1 July 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 of 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 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

On 27 November 2008, the IFRIC issued interpretation **IFRIC 17 Distributions of non-cash assets to owners** 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.

On 29 January 2009, the IFRIC issued interpretation **IFRIC 18 Transfers of assets from customers**, 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". Within the scope of this project, on 16 April 2009, the IASB issued a set of amendments to IFRS. The amendments indicated by the IASB as involving a change in the presentation, recognition and measurement of balance sheet items are listed below, leaving aside, however, those that will only result in terminological or publication changes with minimal effects in terms of accounting. The amendments were approved by the European Commission under Regulation 243/2010.

- **IFRS 2 – Share-based payments.** Payments in shares arising 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 disclosures. 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 reporting to management. 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 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 prepayment options and cash flow hedging in relation to forward contracts arising from business combination agreements. 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 implicit 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.

B. Accounting principles, amendments and interpretations endorsed as at 30 June 2010, the application of which will become effective subsequent to this half-year 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 32 Financial instruments: presentation. In October 2009, the IASB issued an amendment stating that rights issued on a pro-rata basis to all existing shareholders of the same class for a fixed amount of currency should be classed as equity, regardless of the currency in which the exercise price is denominated. The amendment, approved by the European Commission with Regulation 1293/2009, is applicable to financial statements for financial years commencing on 1 February 2010 or later

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 of time and ensure that first-time adopters are not disadvantaged as compared with current IFRS preparers, enabling them to use the same transitional provisions that Amendments to IFRS 7 "Improving Disclosures about Financial Instruments " (introduced in March 2009) provides to current IFRS preparers. Regulation no. 574/2010 requires the entity to apply this amendment as of financial years commencing on 1 July 2010 or later.

Going concern

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

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Bank reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated half-year report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario does not give rise to any doubts with regard to the company's ability to continue operating as a going concern. Evidence for these conclusions was also provided by the *stress test* results (see section "Events after 30 June 2010"), which confirmed the adequacy of our capital base with respect to the stress test parameters.

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

Risks and uncertainties relating to the use of estimates

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

In particular, estimates were used in support of the book value recognised for the most significant items posted in the half-year condensed consolidated financial report as at 30 June 2010, in accordance with the afore-mentioned accounting principles and regulatory provisions. The making of such estimates involves the use of available information and the adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the present values entered in the accounts may differ, even to a significant extent, as a result of the changes in the subjective assessments that have been made. These estimates and assessments are inevitably exposed to uncertainty, even under stable macro-economic conditions.

Scope of consolidation

The half-year condensed consolidated financial report includes the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/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.

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2009 Consolidated Financial Statements, Part A "Accounting Policies".

Changes to the scope of consolidation

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

Investments in associates and joint ventures (proportionate consolidation)

30 06 2010

		Name	Registered Office	Type of relationship (*)	Ownership relationship		Available % votes
					Held by	Shareholding (%)	
A		**Companies**					
A.0		BANCA MONTE DEI PASCHI DI SIENA Sp.A.	Siena				
		A.1 Fully consolidated companies					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE Sp.a.	Florence	1	A.0	99,918	99,919
					A.31	0,001	
	1.1	MPS VENTURE SGR Sp.a.	Florence	1	A.1	70,000	70,000
A.2		MPS GESTIONE CREDITI BANCA Sp.a.	Siena	1	A.0	100,000	100,000
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE Sp.a.	Siena	1	A.0	100,000	100,000
	3.1	MPS COMMERCIALE LEASING Sp.a.	Siena	1	A.3	100,000	100,000
A.4		BANCA ANTONVENETA Sp.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 RISP. BIELLA E VERCELLI Sp.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 Sp.a.	Siena	1	A.0	100,000	100,000
A.8		MPS INVESTMENTS Sp.a.	Milan	1	A.0	100,000	100,000
A.9		CONSUM.IT Sp.a.	Siena	1	A.0	100,000	100,000
A.10		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA Sp.a.	Siena	1	A.0	100,000	100,000
A.11		MPS IMMOBILIARE Sp.a.	Siena	1	A.0	100,000	100,000
A.12		G.IMM.ASTOR Srl	Lecce	1	A.0	52,000	52,000
A.13		PASCHI GESTIONI IMMOBILIARI Sp.a.	Siena	1	A.0	100,000	100,000
A.14		PERIMETRO GEST. PROP. IMM. Sc.p.a.	Siena	9	A.0	10,065	11,500
A.14					A.1	0,142	
A.15					A.2	0,044	
A.16					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	1,072	
A.15		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99,820	100,000
					A.1	0,060	
					A.2	0,030	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
					A.6	0,030	

Name			Registered Office	Type of relationship (*)	Ownership relationship		Available % votes
					Held by	Shareholding (%)	
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	Mantua	1	A.0	100,000	100,000
A.18		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	A.0	99,990	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 LTD	Brussels	1	A.0	99,200	100,000
					A.21	0,800	
A.23		ULISSE 2 Sp.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 LLC I	Delaware	1	A.0	100,000	100,000
A.27		ANTONVENETA CAPITAL LLC 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 Sp.a.	Padua	1	A.0	98,000	98,000
		A.2 Proportionately consolidated companies					
A.31		BANCA POPOLARE DI SPOLETO S.p.a.	Spoleto	7	A.0	26,005	26,005
A.32		INTEGRA Spa	Florence	7	A.9	50,000	50,000

(*) Type of relationship:
1 majority of voting rights at ordinary shareholders' meetings
2 dominant influence at ordinary shareholders' meetings
3 agreements with other shareholders
4 other forms of control
5 unified management under art. 26.1 of Decree 87/92
6 unified management under art. 26.2 of Decree 87/92
7 joint control
8 connection
9 majority of risks and benefits (SIC 12)

(**) Voting rights are disclosed only if different from the percentage of ownership.

A.2 – Main items of the accounts

A.3 - DISCLOSURE OF FAIR VALUE

A.3.1 Portfolio transfers

A.3.1.1 Reclassified financial assets: book value, fair value and effect on comprehensive income

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 30 06 2010 (4)	Fair value at 30 06 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	664.274	571.680	(3.626)	13.029	26	17.602
Debt securities	Trading	Loans and advances to banks	197.040	190.004	3.666	2.142	(5)	3.592
Debt securities	Available for sale	Loans and advances to customers	1.596.913	1.441.443	(1.561)	17.435	737	24.960
Debt securities	Available for sale	Loans and advances to banks	588.668	582.968	(112)	2.511	(183)	1.966
Debt securities	Trading	Available for sale	5.768	5.768	(80)	15	(81)	53
UCITS	Trading	Available for sale	401.495	401.495	6.880	792	6.880	(2.008)
Total			**3.454.158**	**3.193.358**	**5.167**	**35.924**	**7.374**	**46.165**

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 30.06.2010, the table also reports (columns 6 and 7) financial results in terms of “value relevance” and “other” (realised profit/loss and interest), which the same financial instruments would have produced for the Group in the first half of 2010 had they not been transferred in 2008.

Columns 8 and 9, on the other hand, contain the financial results in terms of “value relevance” and other” (realised profit/loss and interest) which the Group actually posted for these instruments in the first half of 2010.

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: breakdown by fair value levels

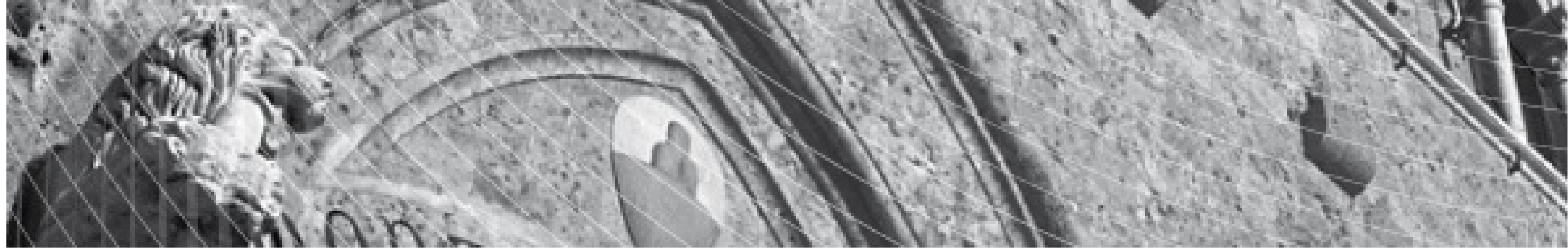
	30 06 2010				31 12 2009			
Assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**Total**	**L1**	**L2**	**L3**	**Total**
1 Financial assets held for trading	15.004.724	24.826.385	295.160	40.126.269	6.464.507	16.732.052	309.964	23.506.523
2. Financial assets designated at fair value	242.753	12.461	-	255.214	249.687	10.731	-	260.418
3. Financial assets available for sale	16.186.066	1958.295	225.662	18.370.023	12.171088	2.516.454	221647	14.909.189
4. Hedging derivatives	-	201637	-	201637		198.703	-	198.703
Total	**31433.543**	**26.998.778**	**520.822**	**58.953.143**	**18.885.282**	**19.457.940**	**531611**	**38.874.833**
1 Financial liabilities held for trading	1308.300	31808.789	92.534	33.209.623	1631801	17.757.665	91872	19.481338
2. Financial liabilities designated at fair value	-	24.170.965	-	24.170.965	-	21699.056	-	21699.056
3. Hedging derivatives	-	2.089.991	-	2.089.991	-	931554	-	931554
Total	**1.308.300**	**58.069.745**	**92.534**	**59.470.579**	**1631801**	**40.388.275**	**91872**	**42.111948**

Key

L1 = Level 1

L2 = Level 2

L3 = Level 3



Part B – Information on the balance sheet

Assets

Liabilities

Section 2 – Financial assets held for trading - Account 20

2.1 Financial assets held for trading: breakdown by type

(in thousands of EUR)

Items/Amounts	Total 30 06 2010				Totale 31 12 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A. Balance sheet assets								
1. Debt securities	13.925.374	837.691	276.033	15.039.098	5.690.215	1.299.463	286.802	7.276.480
1.1 Structured securities	12.330	131.004	231.707	375.041	5.127	193.655	246.978	445.760
1.2 Other debt securities	13.913.044	706.687	44.326	14.664.057	5.685.088	1.105.808	39.824	6.830.720
2. Equity instruments	228.907	10.562	0	239.469	198.846	4.573	110	203.529
3. Units in UCITS	74.403	218.799	0	293.202	85.985	38.228		124.213
4. Loans	-	11.062.715	-	11.062.715	0	6.281.189	0	6.281.189
4.1 Repurchase agreements	-	7.658.767	-	7.658.767	0	3.358.518,00	0	3.358.518
4.2 Other	-	3.403.948	-	3.403.948	0	2.922.671	0	2.922.671
Total (A)	**14.228.684**	**12.129.767**	**276.033**	**26.634.484**	**5.975.046**	**7.623.453**	**286.912**	**13.885.411**
B. Derivatives								
1. Financial derivatives:	776.040	11.940.313	18.980	12.735.333	489.461	8.712.711	22.879	9.225.051
1.1 held for trading	776.040	11.881.029	18.980	12.676.049	489.461	8.633.293	22.879	9.145.633
1.2 fair value option	-	59.284	-	59.284	-	79.418	0	79.418
1.3 other	-	-	-	-	-	-	-	-
2. Credit derivatives:	-	756.305	147	756.452	-	395.888	173	396.061
2.1 held for trading	-	756.305	147	756.452	-	395.888	173	396.061
2.2 fair value option	-	-	-	-	-	-	0	-
2.3 other	-	-	-	-	-	-	0	-
Total (B)	**776.040**	**12.696.618**	**19.127**	**13.491.785**	**489.461**	**9.108.599**	**23.052**	**9.621.112**
Total (A+ B)	**15.004.724**	**24.826.385**	**295.160**	**40.126.269**	**6.464.507**	**16.732.052**	**309.964**	**23.506.523**

The increase in "Cash Assets", mainly consisting in debt Securities and loans, is linked to the sub-item, Loans and advances to banks and to customers in table 4.1 of liabilities – Financial liabilities held for trading, and refers to the increase in Government bonds and repo transactions effected by the Parent Company and by the subsidiary, MPS Capital Services Banca per le imprese S.p.a..

Section - Financial assets designated at fair value - Account 30

3.1 Financial assets designated at fair value: breakdown by type

(in thousands of EUR)

Items/Amounts	30 06 2010				31 12 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	28.128	12.461	-	40.589	28.832	10.731	-	39.563
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	28.128	12.461	-	40.589	28.832	10.731	-	39.563
2. Equity instruments	-	-	-	-	-	-	-	-
of which valued at cost	-	-	-	-	-	-	-	-
3. Units in UCITS	214.625	-	-	214.625	220.855	-	-	220.855
4. Loans	-	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total	**242.753**	**12.461**	**-**	**255.214**	**249.687**	**10.731**	**-**	**260.418**

Section 4 - Financial assets available for sale - Account 40

4.1 Financial assets available for sale: breakdown by type

(in thousands of EUR)

Items/Amounts	30 06 2010				31 12 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	15.794.225	124.381	225.445	16.144.051	11.850.129	456.245	220.947	12.527.321
1.1 Structured securities	16.276	22.475	-	38.751	26.541	15.074	0	41.615
1.2 Other debt securities	15.777.949	101.906	225.445	16.105.300	11.823.588	441.171	220.947	12.485.706
2. Equity instruments	239.728	1.224.659	-	1.464.387	248.977	1.289.940	0	1.538.917
2.1 Designated at fair value	239.728	1.213.838	-	1.453.566	248.977	1.279.508	0	1.528.485
2.2. Carried at cost	-	10.821	-	10.821	-	10.432	0	10.432
3. Units in UCITS	152.113	609.255	217	761.585	72.220	770.032	700	842.952
4. Loans	-	-	-	-	-	-	-	-
Total	**16.186.066**	**1.958.295**	**225.662**	**18.370.023**	**12.171.326**	**2.516.217**	**221.647**	**14.909.190**

Financial assets available for sale saw an increase of EUR 3.4 bln.

The rise in debt Securities, totalling approx. EUR 3.6 bln, is almost entirely attributable to the acquisition in the first half of 2010 of fixed-rate Italian government bonds in the amount of EUR 2.2 bln and BTP inflation linked Italian Government bonds in asset swaps for EUR 1.4 bln.

Section 7- Loans and advances to customers - Account 70

7.1 Loans and advances to customers: breakdown by type

(in thousands of EUR)

Type of transaction / Amount	30 06 2010			31 12 2009		
	Performing	Impaired	Total	Performing	Impaired	Total
1. Current accounts	16.653.516	2.407.981	19.061.497	17.360.774	2.130.924	19.491.698
2. Repurchase agreements	874.237	-	874.237	5.435.151	1.967	5.437.118
3. Mortgages	81.013.487	5.687.070	86.700.557	76.322.069	5.189.319	81.511.388
4. Credit cards, personal loans and fifth-of-salary backed loans	3.066.959	131.788	3.198.747	2.954.861	114.434	3.069.295
5. Financial leasing	4.316.558	480.233	4.796.791	4.196.048	469.285	4.665.333
6. Factoring	1.114.340	110.218	1.224.558	1.310.037	80.364	1.390.401
7. Other transactions	30.391.193	2.471.704	32.862.897	30.566.482	2.233.678	32.800.160
8. Debt securities	4.160.622	1.276	4.161.898	4.046.778	1.270	4.048.048
8.1 Structured securities	3.718	-	3.718	3.694	-	3.694
8.2 Other debt securities	4.156.904	1.276	4.158.180	4.043.084	1.270	4.044.354
Total (book value)	**141.590.912**	**11.290.270**	**152.881.182**	**142.192.200**	**10.221.241**	**152.413.441**

Section 10 – Equity investments - Account 100

10.1 Equity investments in joint ventures (valued at equity) and companies under significant influence: information on shareholders' equity

Company name	Registered Office	Type of relationship (*)	Ownership relationship		Avail. % votes	Consolidated book value (thousands of EUR)	
			Held by	Share holding (%)		30 06 2010	31 12 2009
Axa Mps Assicurazioni Vita S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	306.500	324.450
Axa Mps Financial Limited	Dublin	8	Axa Mps Assicurazioni Vita	100,000	100,000	92.081	85.032
Quadrifoglio Vita S.p.a.	Rome	8	Axa Mps Assicurazioni Vita	100,000	100,000	61674	62.082
Axa Mps Assicurazioni Danni S.p.a.	Rom	8	MPS Investments S.p.a.	50,000	50,000	27.424	32.006
Beta Prima S.r.l	Sovicille (SI)	8	MPS Investments S.p.a.	34,069	34,069	273	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.	19,000	19,000	6.996	7.000
Fabrica Immobiliare SGR S.p.a.	Rom	8	MPS Investments S.p.a.	45,000	45,000	3.885	3.483
Intermonte SIM S.p.a.	Milan	8	MPS Investments S.p.a.	20,000	20,000	11.729	12.430
J.P.P. Eurosecurities Inc.	New York (NY)	8	Intermonte SIM S.p.a.	100,000	100,000	438	370
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Investments S.p.a.	49,002	49,002	2.174	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	1556	1578
Aeroporto di Siena S.p.a.	Sovicille (SI)	8	Banca Monte dei Paschi di Siena	21,380	21,380	4.280	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	9,000	30,500	21	22
		8	MPS Investments S.p.a.	18,000	-	-	-
		8	Banca Monte Paschi Belgio	3,500	-	-	-
Fidi Toscana S.p.a.	Florence	8	Banca Monte dei Paschi di Siena	15,000	29,179	32.976	32.976
		8	MPS Investments S.p.a.	14,179	-	-	-
Microcredito di Solidarietà S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	572	565
Sansedoni Siena S.p.A. (**)	Siena	8	Banca Monte dei Paschi di Siena	21,750	21,750	42.317	-
Società Italiana di Monitoraggio S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	12,889	12,889	90	90
Uno a Erre S.p.a.	Arezzo	8	Banca Monte dei Paschi di Siena	19,584	19,584	-	1597
Le Robinie S.p.A.	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	-	-
		8	Prima Holding 2 S.p.a.	6,100	-	-	-
Marinella S.p.a.	Marinella di Sarzana (SP)	8	Banca Monte dei Paschi di Siena	25,000	25,000	10.003	10.003
Antonveneta Vita S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50,000	50,000	71553	107.475
Antonveneta Assicurazioni S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50,000	50,000	5.960	6.357
Padova 2000 Iniziative Immobiliari S.r.l.	Padua	8	Banca Monte dei Paschi di Siena	100,000	100,000	-	81
CO.E.M. Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	40,197	40,197	28.642	28.642
Interporto Toscano A. Vespucci S.p.a. Livorno-Guasticce	Collesalvetti	8	MPS Capital Services S.p.a.	36,303	36,303	10.495	10.725
Immobiliare Centro Milano S.p.a.	Milan	8	MPS Capital Services S.p.a.	33,333	33,333	107	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	2.436	2.602
Agricola Merse S.r.l.	Assago (MI)	8	MPS Capital Services S.p.a.	20,000	20,000	5.914	3.825
Total						**731.714**	**742.170**

(*) Type of relationship:
8 connection
(**) non-associated companies in the 2009 Annual Report

Section 13 -Intangible assets - Account 130

13.1 Intangible assets: breakdown by type of asset

(in thousands of EUR)

Asset / Amount	Total 30 06 2010			Total 31 12 2009		
	Finite life	Indefinite life	Total	Finite life	Indefinite life	Total
A.1 Goodwill	**x**	**6.473.779**	**6.473.779**	**x**	**6.619.479**	**6.619.479**
A.1.1 group	x	6.473.779	6.473.779	x	6.619.479	6.619.479
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**1.032.119**	**-**	**1.032.119**	**1.042.150**	**-**	**1.042.150**
A.2.1 Assets carried at cost:	1.032.119		1.032.119	1.042.150	-	1.042.150
a) Internally generated intangible assets	564	-	564	681	-	681
b) other assets	1.031.555	-	1.031.555	1.041.469	-	1.041.469
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**1.032.119**	**6.473.779**	**7.505.898**	**1.042.150**	**6.619.479**	**7.661.629**

IAS 36 (Impairment of assets) requires that the cash-generating units to which goodwill has been allocated should be assessed for impairment on an annual basis. The standard also involves the monitoring of specific qualitative and quantitative indicators - external and internal, collectively analysed and evaluated – in order to verify the existence of any prerequisites which would lead to long-term impairment testing more frequently than annually.

With regard to the performance of BMPS shares, Parent Company capitalisation continues to be lower than net accounting equity. Howevever, the performance is in line with general stock market trends, particularly trends in securities from the banking sector. More specifically, based upon the fact that:

- BMPS share performance is in line with that of its major Italian competitors;
- BMPS share performance is in line with the performance of the DJ EURO STOXX BANKS index;
- the opinion expressed by BMPS share analysts showed improvement;

it was confirmed that the BMPS share market price was penalised by the macroeconomic and regulatory uncertainties, weighted down further by all-time low interest rate levels, which did not allow the value of BMPS and other listed companies in general to be fully expressed.

This consideration therefore makes the analysis of internal indicators against external ones especially important.

In light of the above, during the preparation of the half-year report, an analysis was carried out which aimed to verify the presence or absence of critical elements within these indicators.

More specifically, it should be noted that the changes in macroeconomic variables observed as at 31December 2009 and 30 June 2010, fall within the range of fluctuation considered in the stress test at 31/12/09, which resulted in no goodwill impairment being recorded for the MPS Group.

The analyses carried out led to the reasonable and founded conclusion that, as at 30 June 2010, there were no indications suggesting the need for further testing the recoverability of goodwill.

The reduction in goodwill as compared to 31 December 2009, which came to EUR 145 mln, is due to the disposal of undertakings to the Carige Group (22 branches) and to Banca CR Firenze S.p.a. - Gruppo Intesa Sanpaolo (50 branches).

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

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

(in thousands of EUR)

	Total 30 06 2010	Total 31 12 2009
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	110.069	129.165
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**110.069**	**129.165**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value	-	-
B.3 Financial assets held for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Loans and advances to banks	-	-
B.6 Loans and advances to customers	-	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
C. Liabilities associated with individual assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
D. Liabilities included in disposal groups held for sale		
D.1 Deposits from banks	-	-
D.2 Customer accounts	-	-
D.3 Securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**

Individual assets held for sale include buildings owned by the subsidiary MPS Immobiliare worth EUR 100.7 mln and the subsidiary MPS Capital Services Banca per le imprese worth EUR 9.3 mln. The book value is less than the estimated realisable value.

LIABILITIES

Section 2 - Customer accounts - Account 20

2.1 Customer accounts: breakdown

(in thousands of EUR)

Type of transaction / Group item	Total 30 06 2010	Total 31 12 2009
1. Current accounts and demand deposits	67.034.506	65.700.647
2. Time deposits	4.384.387	4.588.331
3. Loans	23.480.117	18.346.674
3.1 Reverse repurchase agreements	18.714.505	13.892.500
3.2 Other	4.765.612	4.454.174
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1.728.641	2.497.168
Total	**96.627.651**	**91.132.820**

Section 3 - Debt securities in issue - Account 30

3.1 Debt securities in issue: product breakdown

(in thousands of EUR)

Type of securities/Amounts	Total 30 06 2010					Total 31 12 2009				
	Book value	Fair Value				Book value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
A. Listed securities										
1. Bonds	30.760.322	12.208.077	18.884.184	-	31.092.261	33.603.175	0	34.201.556	0	34.201.556
1.1 structured	29.901	-	30.212	-	30.212	29.637	-	29.637	-	29.637
1.2 other	30.730.421	12.208.077	18.853.972	-	31.062.049	33.573.538	-	34.171.919	-	34.171.919
2. Other securitie	6.673.053	-	6.714.981	-	6.714.981	8.955.909	0	9.039.478	0	9.039.478
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	6.673.053	-	6.714.981	-	6.714.981	8.955.909	-	9.039.478	-	9.039.478
Total	**37.433.375**	**12.208.077**	**25.599.165**	**-**	**37.807.242**	**42.559.084**	**0**	**43.241.034**	**0**	**43.241.034**

Section 4 - Financial liabilities held for trading - Account 40

4.1. Financial liabilities held for trading: breakdown

(in thousands of EUR)

Type of transaction/ Group item	Total 30 06 2010						Total 31 12 2009					
	NV	FV				FV*	NV	FV				FV*
		L1	L2	L3	Total			L1	L2	L3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	2.548.430	47.279	2.505.603	-	2.552.882	2.563.652	1.100.543	20.870	1.079.673	-	1.100.543	1.100.543
2. Customer accounts	19.175.991	565.762	17.413.193	-	17.978.955	17.814.455	8.977.972	1.107.034	7.871.123	-	8.978.157	8.967.342
3. Debt securities	5.967	5.569	-	-	5.569	5.569	22.686	22.686	-	-	22.686	22.686
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
3.2 Other securities	5.967	5.569	-	-	5.569	5.569	22.686	22.686	-	-	22.686	22.686
3.2.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
3.2.2 Other	5.967	5.569	-	-	5.569	5.569	22.686	22.686	-	-	22.686	22.686
Total A	**21.730.388**	**618.610**	**19.918.796**	**-**	**20.537.406**	**20.383.676**	**10.101.201**	**1.150.590**	**8.950.796**	**-**	**10.101.386**	**10.090.571**
B. Derivatives												
1. Financial derivatives	-	689.690	11.127.133	14.998	11.831.821	-	-	481.211	8.379.918	10.108	8.871237	-
1.1 Trading	X	689.690	11.123.181	14.998	11.827.869	X	X	481.211	8.377.548	10.108	8.868.867	X
1.2 Fair value option (FVO)	X	-	3.952	-	3.952	X	X	-	1.636	-	1636	X
1.3 Other	X	-	0	-	0	X	X	-	734	-	734	X
2. Credit derivatives	-	-	762.860	77.536	840.396	-	-	-	426.951	81.764	508.715	-
2.1 Trading	X	-	762.860	-	762.860	X	X	-	426.951	-	426.951	X
2.2 Fair value option (FVO)	X	-	-	-	-	X	X	-	-	-	-	X
2.3 Other	X	-	-	77.536	77.536	X	X	-	-	81.764	81764	X
Total B	**X**	**689.690**	**11.889.993**	**92.534**	**12.672.217**	**X**	**X**	**481.211**	**8.806.869**	**91.872**	**9.379.952**	**X**
Total (A+ B)	X	**1.308.300**	**31.808.789**	**92.534**	**33.209.623**	**X**	**X**	**1.631.801**	**17.757.665**	**91.872**	**19.481.338**	**X**

FV = fair value
FV* = fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue.
L1=Level 1
L2=Level 2
L3=Level 3

The increase in "Deposits from banks" and "Customer accounts" relates to the sub-items, "Debt Securities" and "Loans" in Table 2.1 of Assets "Financial assets held for trading", and refers to the increase in repurchase transactions by the subsidiary MPS Capital Services - Banca per le imprese S.p.a.

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

5.1 Financial liabilities designated at fair value: breakdown

(in thousands of EUR)

Type of transaction / Amount	Total 30 06 2010						Total 31 12 2009					
	NV	FV				FV*	NV	FV				FV*
		L1	L2	L3	Total			L1	L2	L3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	X	-	-	-	-	-	-
2. Customer accounts	-	-	-	-		-	-	-	-	-	-	-
1.1 Structured	-	-	-	-		X	-	-	-	-	-	-
1.2 Other	-	-	-	-		X	-	-	-	-		-
3. Debt securities	24.066.311	-	24.170.965	-	24.170.965	25.153.888	21.974.391	0	21.699.056	-	21.699.056	21.482.531
3.1 Structured	319.528	-	331.475	-	331.475	X	507.371	-	524.777	-	524.777	X
3.2 Other	23.746.783	-	23.839.490	-	23.839.490	X	21.467.020	-	21.174.279	-	21.174.279	X
Total	**24.066.311**	**-**	**24.170.965**	**-**	**24.170.965**	**25.153.888**	**21.974.391**	**-**	**21.699.056**	**-**	**21.699.056**	**21.482.531**

FV = fair value
FV* = fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue.
VN = nominal or notional value
L1 = Level 1
L2 = Level 2
L3= Level 3

Section 9 – Liabilities included in groups of assets held for sale - Account 90

See Section 15 of Assets

Section 12 - Provisions for risks and charges - Account 120

12.1 Provisions for risks and charges: breakdown

(in thousands of EUR)

Item/Amount	Total 30 06 2010	Total 31 12 2009
1. Pensions and other post retirement benefit obligations	449.928	458.133
2. Other provisions for risks and charges	961.963	911.081
2.1 legal disputes	339.507	328.410
2.2 personnel expenses	29.798	27.265
2.3 other	592.658	555.406
Total	**1.411.891**	**1.369.214**

Section 15 – Group shareholders' equity – Accounts 140,160,170,180,190,200 and 220

15.2 Share capital - number of parent company shares: annual changes

Item/Type	30 06 2010		31 12 2009	
	Ordinary	Other	Ordinary	Other
A. Shares outstanding as at the beginning of the year				
- fully paid	5.569.271.362	1.150.743.798	5.545.952.280	1.150.743.798
- not fully paid	-	-	-	-
A.1 Treasury shares (-)	24.131.263	-	24.476.588	-
A.2 Shares outstanding: opening balance	**5.545.140.099**	**1.150.743.798**	**5.521.475.692**	**1.150.743.798**
B. Increases	**5.469.934**	-	**101.886.919**	**-**
B.1 New issues	0	-	23.319.082	-
- against payment:	0	-	23.319.082	-
- business combinations	-	-	-	-
- bonds converted	-	-	-	-
- warrants exercised	-	-	-	-
- other	0	-	23.319.082	-
- without payment:	-	-	-	-
- to employees	-	-	-	-
- to directors	-	-	-	-
- other	-	-	-	-
B.2 Sale of treasury shares	5.469.934	-	78.567.837	-
B.3 Other increases	-	-	-	-
C. Decreases	**20.750.144**	**-**	**78.222.513**	**-**
C.1 Cancellation	-	-	-	-
C.2 Purchase of treasury shares	20.750.144	-	78.222.513	-
C.3 Business transferred	-	-	-	-
C.4 Other decreases	-	-	-	-
D. Shares outstanding: closing balance	**5.529.859.889**	**1.150.743.798**	**5.545.140.098**	**1.150.743.798**
D.1 Treasury shares (+)	39.411.473	0	24.131.264	
D.2 Shares outstanding as at the end of the year	5.569.271.362	1.150.743.798	5.569.271.362	1.150.743.798
- fully paid	5.569.271.362	1.150.743.798	5.569.271.362	1.150.743.798
- not fully paid	0	0		

The Parent Company's share capital consists of 5,569,271,362 ordinary shares with a par value of EUR 0.67 each, 1,131,879,458 preferred shares with a par value of EUR 0.67 each and 18,864,340 savings shares with a par value of EUR 0.67 each.

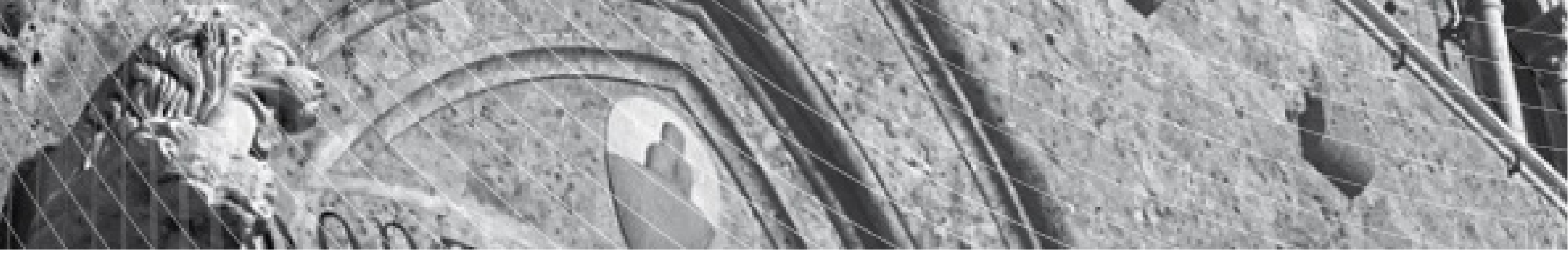
Pursuant to Article 2357 of the Italian Civil Code, the Ordinary Shareholders' meeting of 27 April 2010 renewed the authorisation to purchase treasury shares subject to a maximum amount of EUR 70 mln.

Section 16 - Minority interests - Account 210

16.1 Minority interests: breakdown

(in thousands of EUR)

Items/Amounts	Total 30 06 2010	Total 31 12 2009
1) Share capital	49.719	51.364
2) Share premium reserve	343	343
3) Reserves	83.476	86.747
4) (Treasury shares)	-	-
5) Valuation reserves	137.366	138.308
6) Equity instruments	-	-
7) Profit (loss) for the year - Minority interests	(931)	4.500
Total	**269.973**	**281.262**



Part C – Information on the Income Statement

Section 1 - Interest income/expense and similar revenues/charges - Account 10 and 20 1.1 Interest income and similar revenues: breakdown

(in thousands of EUR)

Item/Type	Debt securities	Loans	Other transaction	Total 30 06 2010	Total 30 06 2009
1. Financial assets held for trading	152.089	34.050	220.440	406.579	199.809
2. Financial assets designated at fair value	-	-	-	-	-
3. Financial assets available for sale	236.289	-	-	236.289	76.354
4. Financial assets held to maturity	-	-	-	-	-
5. Loans and advances to banks	25.658	33.944	300	59.902	135.175
6. Loans and advances to customers	73.296	2.373.966	12.205	2.459.467	3.466.712
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	5.630	5.630	8.111
Total	**487.332**	**2.441.960**	**238.575**	**3.167.867**	**3.886.161**

As at 30 June 2009, item 6 “Loans and advances to customers” included the maximum overdraft fee.

1.4 Interest expense and similar charges: breakdown

(in thousands of EUR)

Item/Type	Deposits	Securities	Other transactions	Total 30 06 2010	Total 30 06 2009
1. Deposits from central banks	(42.418)	x	-	(42.418)	(61.910)
2. Deposits from banks	(105.968)	x	(2.579)	(108.547)	(309.883)
3. Customer accounts	(141.858)	x	(3)	(141.861)	(357.446)
4. Securities in issue	x	(587.318)	(170)	(587.488)	(899.148)
5. Financial liabilities held for trading	(32.879)	-	(4.439)	(37.318)	(46.049)
6. Financial liabilities designated at fair valu	-	(334.214)	-	(334.214)	(240.423)
7. Other liabilities	x	x	(5.773)	(5.773)	(3.605)
8. Hedging derivatives	x	x	(144.024)	(144.024)	(32.147)
Total	**(323.123)**	**(921.532)**	**(156.988)**	**(1.401.643)**	**(1.950.611)**

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

2.1 Fee and commission income: breakdown

(in thousands of EUR)

Type of service / Amount	Total 30 06 2010	Total 30 06 2009
a) guarantees issued	37.599	31.996
b) credit derivatives	-	-
c) management, brokerage and advisory services:	454.334	321.647
1. trading of financial instruments	5.744	5.861
2. currency trading	21.300	19.877
3. asset management	27.128	26.148
3.1 individual accounts	27.128	26.148
3.2. collective investment schemes	-	-
4. custody and administration of securities	8.643	9.847
5. custodian bank	1.041	1.911
6. placement of securities	73.198	4.798
7. client instructions	30.182	33.475
8. advisory on	8.281	2.475
8.1 investments	1.048	2.475
8.2 financial structure	7.233	
9. distribution of third-party services	278.817	217.255
9.1. asset management	-	23
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	23
9.2 insurance products	98.487	63.061
9.3 other products	180.330	154.171
d) collection and payment services	92.899	97.103
e) servicing of securitisations	2.895	12.405
f) factoring transaction services	8.576	8.457
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	370.523	-
j) other services	139.018	396.273
Total	**1.105.844**	**867.881**

Item i), "current account keeping", contains the new "credit fee" introduced pursuant to Article 2 of Legislative Decree no. 185 of 29/11/2008, amended and transposed into Law no. 2 of 28/01/2009 in addition to a portion of fees and commissions included in item j)"other services" in 2009.

2.2 Fee and commission expense: breakdown

(in thousands of EUR)

Type of service / Amount	Total 30 06 2010	Total 30 06 2009
a) guarantees received	(603)	(536)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(41.208)	(33.737)
1. trading of financial instruments	(10.096)	(9.709)
2. currency trading	(177)	(147)
3. asset management:	(953)	(917)
3.1 own portfolio	(2)	-
3.2 third-party portfolios	(951)	(917)
4. custody and administration of securities	(4.946)	(5.132)
5. placement of financial instruments	(1.148)	(1.119)
6. off-site marketing of financial instruments, products and services	(23.888)	(16.713)
d) collection and payment services	(8.685)	(8.865)
e) other services	(68.761)	(61.657)
Total	**(119.257)**	**(104.795)**

Section 6 - Gains (losses) on disposals / repurchases - Account 100

6.1 Gains (losses) on disposals / repurchases: breakdown

(in thousands of EUR)

Items / P&L items	Total 30 06 2010			Total 30 06 2009		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans and advances to banks	62	(57)	5	-	-	-
2. Loans and advances to customers	17.872	(12.869)	5.003	9.350	(208)	9.142
3. Financial assets available for sale	45.580	(12.369)	33.211	44.914	(49.982)	(5.068)
3.1 Debt securities	13.208	(3.148)	10.060	10.195	(38.291)	(28.096)
3.2 Equity instruments	23.182	(1.521)	21.661	34.719	(11.691)	23.028
3.3 Units of UCITS	9.190	(7.700)	1.490	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**63.514**	**(25.295)**	**38.219**	**54.264**	**(50.190)**	**4.074**
1. Financial liabilities						
1. Deposits from banks	-	-	-	38	(14)	24
2. Customer accounts	-	-	-	-	-	-
3. Securities in issue	2.914	(13.547)	(10.633)	3.555	(11.876)	(8.321)
Total liabilities	**2.914**	**(13.547)**	**(10.633)**	**3.593**	**(11.890)**	**(8.297)**

Section 8 - Net value adjustments/write-backs due to impairment - Account 130

8.1 Net value adjustments due to impairment of loans: breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments			Write-backs				Total 30 06 2010	Total 30 06 2009
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Loans and advances to	-	(3.765)	(675)	541	113	-	674	(3.112)	(4.489)
- Loans	-	(3.065)	(431)	541	113	-	-	(2.842)	
- Debt securities	-	(700)	(244)	-	-	-	674	(270)	(4.489)
B. Loans and advances to	(26.904)	(1.016.540)	(41.598)	162.856	260.683	-	65.176	(596.327)	(703.003)
- Loans	(26.904)	(1.016.410)	(40.735)	162.856	260.683	-	62.175	(598.335)	(703.003)
- Debt securities	-	(130)	(863)	-	-	-	3.001	2.008	
C. Total	**(26.904)**	**(1.020.305)**	**(42.273)**	**163.397**	**260.796**	**-**	**65.850**	**(599.439)**	**(707.492)**

Legend
A = From interest
B = Other writebacks

8.2 Net value adjustments due to impairment of available-for-sale financial assets: breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments		Write-backs		Total 30 06 2010	Total 30 06 2009
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	(220)	-	-	(220)	(298)
B. Equity instruments	-	(16.926)	x	x	(16.926)	(12.057)
C. Units in UCITS	-	(547)	x	-	(547)	
D. Loans to banks	-	-	-	-	-	
E. Loans to customers	-	-	-	-	-	
F. Total	**-**	**(17.693)**	**-**	**-**	**(17.693)**	**(12.355)**

Legend
A = From interest
B = Other writebacks

8.4 Net value adjustments due to impairment of other financial transactions: breakdown

(in thousands of EUR)

Transactions / P&L items	Value adjustments			Write-backs				Total 30 06 2010	Total 30 06 2009
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees issued	-	(5)	(1.757)	-	2	-	385	(1.375)	(10.271)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse fu	-	-	-	-	-	-	-	-	-
D. Other transactions	-	(269)	-	-	300	-	-	31	(357)
E. Total	**-**	**(274)**	**(1.757)**	**-**	**302**	**-**	**385**	**(1.344)**	**(10.628)**

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

12.1 Net provisions for risks and charges: breakdown

(in thousands of EUR)

Items/Amounts	30 06 2010				30 06 2009			
	Personnel	Legal disputes	Other	Total	Personnel	Legal disputes	Other	Total
Provisions for the year	-	(22.309)	(61.505)	(83.814)		(20.323)	(15.553)	(35.876)
Write-backs	-	155	2.468	2.623		391	14.790	15.181
Total	**-**	**(22.154)**	**(59.037)**	**(81.191)**	**-**	**(19.932)**	**(763)**	**(20.695)**

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

14.1 Net value adjustments on intangible assets: breakdown

Assets / P&L items	Amortization (A)	Impairment losses (B)	Write-backs (C)	Net profit (loss) 30 06 2010	Net profit (loss) 30 06 2009
Intangible assets					
A.1 Owned	(72.133)	-	-	(72.133)	(63.755)
- generated internally by the company	(183)	-	-	(183)	(1.183)
- other	(71.950)	-	-	(71.950)	(62.572)
A.2 Leased	-	-	-	-	-
Total	**(72.133)**	**-**	**-**	**(72.133)**	**(63.755)**

This item mainly relates to the amortisation of software held by the MPS Group Operating Consortium and to the amortisation of finite-life intangible assets identified during the PPA process for the subsidiaries Biverbanca (€ 3.7 mln) and Banca Antonveneta S.p.A. (€ 35.5 mln).

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

16.1 Gains (losses) on equity investments: breakdown

(in thousands of EUR)

P&L items/Sectors	Total 30 06 2010	Total 30 06 2009
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	24.745	76.279
1. Revaluations	24.105	59.856
2. Gains on disposal	-	16.423
3. Write-backs	-	-
4. Other income	640	-
B. Expense	(20.794)	(3.101)
1. Write-downs	(2.794)	(3.101)
2. Impairment losses	(18.000)	
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**3.951**	**73.178**
3) Subsidiaries		
A. Income	29	-
1. Revaluations	-	-
2. Gains on disposal	-	
3. Write-backs	29	
4. Other income	-	-
B. Expense	-	(17.662)
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	(17.662)
4. Other expenses	-	-
Net Profit (Loss)	**29**	**(17.662)**
Total	**3.980**	**55.516**

Section 19 - Gains (losses) on disposal of investments - Account 270

19.1 Gains (losses) on disposals of investments: breakdown

(in thousands of EUR)

P&L items/Sectors	Total 30 06 2010	Total 30 06 2009
A. Property	8.826	-
- Gains on disposal	8.826	-
- Losses on disposal	-	-
B. Other assets	175.378	4
- Gains on disposal	175.383	4
- Losses on disposal	(5)	-
Net Profit (Loss)	**184.204**	**4**

Net profit from the disposal of "Other assets" in the amount of EUR175.4 mln for the half-year period, relates to the disposals of undertaking to Banca Carige S.p.a. (22 branches) and Banca CR Firenze S.p.a. –the Intesa Sanpaolo Group (50 branches).

It should be noted that this sale was a part of the plan prepared following the issuance of Regulation No. 18327 of 7 May 2008 by the Antitrust Authority authorising the acquisition of Banca Antonveneta. This regulation called for the disposal of a number of branches in the provinces in which there were overlapping businesses for the purposes of the limits set by rules and regulations on competition.

Section 20 – Tax expense (income) on profit (loss) from continuing operations – Account 290

As is known, for tax purposes, Monte dei Paschi di Siena falls into the category of "large taxpayers" and is thus subject to more stringent checks by the tax authorities. Against this backdrop, Monte dei Paschi was subjected to audits by the relevant Regional Tax Directorate which resulted in the serving of notices of tax demand that have been duly appealed.

Monte dei Paschi, supported by the opinion of influential advisors, believes that chances of an adverse outcome are remote.

20.2 Reconciliation of theoretical tax charge to actual tax charge

(in thousands of EUR)

Items/Amounts	30 06 2010	30 06 2009
(A) Pre-tax profit (loss) from continuing operations	455.325	277.652
(B) Pre-tax profit (loss) from groups of assets held for sale	(1.323)	221.478
(A+ B) Pre-tax profit (loss)	**454.002**	**499.130**
Current rate of corporate income tax (IRES)	27,5	27,5
Theoretical tax rate	**(124.851)**	**(137.261)**
Permanent differences	(73.839)	53.793
Other	78.646	2.316
Regional tax on productivity (IRAP) - ordinary rate	(73.737)	(83.304)
Income taxes for the year	**(193.781)**	**(164.456)**
of which:		
Taxes on income from continuing operations	(193.781)	(154.713)
Taxes on the income of groups of assets held for sale	-	(9.743)

The item "Other" includes income of € 95.5 mln for IRES (Italian corporate income tax) purposes arising as a result of the partial exemption of the goodwill reported by Banca Antonveneta. The amount consists of the difference between the nominal tax rate (27.5%) and the substitute tax rate (16%) applied to the amount subject to the exemption.

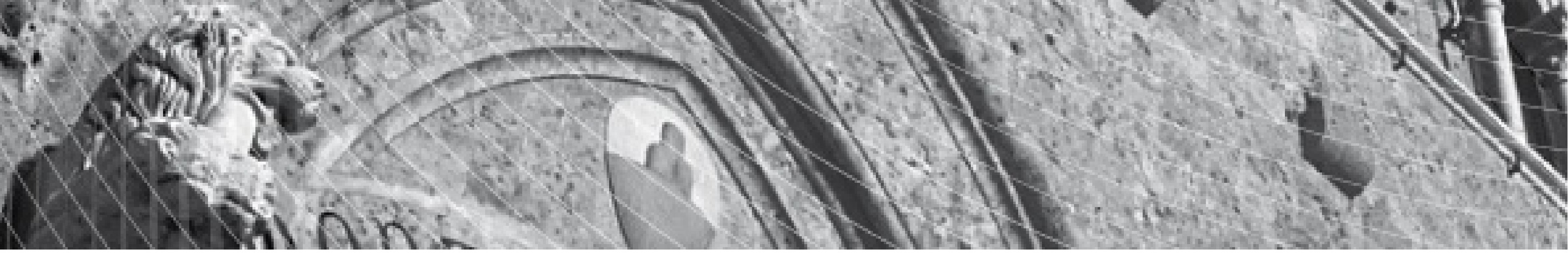
The same income for IRAP (Italian regional tax on production activities) purposes was € 13.5 mln.

Section 21 - 21.1 Profit (loss) after tax on groups of assets held for sale - Account 310

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

(in thousands of EUR)

P&L items/Sectors	Total 30 06 2010	Total 30 06 2009
1. Income	-	48.138
2. Expense	-	(24.474)
3. Profit (loss) from valuation of groups of assets and related liabilities	-	-
4. Profit (loss) from disposal	(1.323)	197.814
5. Taxes and duties	-	(9.743)
Profit (Loss)	**(1.323)**	**211.735**



Part E – Risks and hedging policies

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

Section 1 – Credit risk

Qualitative information

General aspects

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Bank, the top priority of the Group is to improve the quality of the managed loan portfolio and to consequently reduce the cost of credit. In particular, the credit priorities of the entire Group are focused on the following main goals:

- a further improvement in loan portfolio quality, including through lending policies aimed at guiding the loan approval and management process;
- the implementation of credit risk management tools and processes through the use of the internal AIRB model in compliance with Basel 2 standards;
- the adoption of all measures necessary to comply with the Group's obligations in the area of initiatives to support households and businesses as a result of the current economic crisis;
- improving non-performing loan recovery management, also from a business perspective.

Credit risk management policies

2.1 Organisational aspects

To further strengthen its focus on monitoring credit policies and controlling the quality of loans, the first half of the year saw the establishment of a Credit Management Area consisting in the Group Risk & Restructuring Area and the Credit Policies and Planning Area, as well as staff dedicated to Credit Performance Monitoring and Credit Systems and Model Validation.

There are three macro management levels for loan approval, management and monitoring within the MPS Group: the first one is centralised at the Parent Bank level through the Credit Management Area which covers guidelines and strategic management; the second level can be found at the Credit Network/Credit Management offices of each bank of the banking Group, and finally the third level is focused on the peripheral network of the Regional Areas of the Group and their associated branches in the specific offices dealing with credit risks.

In particular, the Credit Management Area:

- defines loan portfolio development policies and draws up guidelines for credit quality management;

- is responsible for optimising portfolio quality by minimising the overall cost of credit risk through:

a) the development of credit processes (disbursement, monitoring and recovery);

b) the integration of credit risk measures (PD, LGD, EAD) in the credit process;

- assigns ratings to "companies" with a turnover exceeding € 2.5 mln;

- monitors changes in loan aggregates;

- defines risk limits for foreign countries and counterparties together with the guidelines and general performance necessary for the use of country and lending limits for foreign banks in the area of the Group's Trade Finance business;

- supports :

the coordination and management of the process of monitoring the Group's main risks;

the tracking of economic groups experiencing financial difficulties and related turnaround plans;

- together with other assigned areas, defines general guidelines and performance for the securitisation of performing and non-performing loans;

- under its independent authority, it approves or proposes loans to the relevant body by expressing its substantiated opinion;

- monitors developments in credit quality, assessing promptness and effectiveness of the initiatives promoted both centrally and by the networks and companies of the Group on individual positions, considering also relationship management, classification and determination of doubtful results;

- requests and calls for corrective measures aimed at reducing risk on existing loan portfolios, for both individual and aggregated positions.

With regard to the first half of the year, the area continued to update loan approval and customer monitoring processes.

The performance of loan approval processes was tested confirming the validity of the established approaches used. At the same time, measures were taken to refine the post-disbursement monitoring process, which has put an increased emphasis on 'intercepting' early signs of critical situations and promptly reassessing risks. Operating procedures were established for the advance review of assigned process ratings if there are indications of a possible deterioration in the customer's risk profile.

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

All units involved are called to grant/manage credit lines and monitor credit risk within specified delegated powers, on the basis of criteria related to customer segmentation and risk level , using appropriate procedures (based on the internal rating system) to determine customer creditworthiness, to open a new credit line record, to follow up on changes in the account and to foresee any emerging non-performing loans.

Credit quality, which is defined in accordance with Supervisory instructions, is constantly monitored by central and outlying functions. In addition to normal existing functions, the branch network organisation already has a Loan and Market Quality Manager who is responsible for guaranteeing loan quality and ensuring that impaired loans are properly managed in the Regional Areas.

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

2.2 Management, measurement and control systems

Starting in 2008 statistical models aimed at creating the internal rating model and rating assignment processes were authorised by the Supervisory authorities for the calculation of capital requirements using the Advanced IRB System (AIRB).

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

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

The rating assignment process helps to improve the effectiveness of loan management since it is a transparent and standard aid used for lending decisions and for the determination of pricing as a function of risk. In order to comply with the segregation requirements of the Supervisory instructions, specialised structures have been identified (Loan Lab) whose managers have been given decision-making autonomy to assign ratings to borrowers with turnover exceeding € 2.5 million. For borrowers with turnover under € 2.5 million, ratings are assigned and updated using an automated process.

In order to ensure that the MPS Group's assessments of legal and financial relationships between customers are objective and unambiguous, an *ad hoc* process is used called "Related Customer Groups" which makes it possible to establish and update the mapping of these relationships using automated process rules that process objective data taken from official internal and external sources. The process is directly supervised by the Loan Lab, a unit authorised by the Credit Management Area, which monitors the quality and consistency of the database.

2.2.1 Credit policies

In the first half of 2010 the process defining credit policies – which had long been in place and which was based on analytical portfolio assessments – was further refined. Indeed, only after adopting the advanced approach to new supervisory regulations was it possible to use this methodology in a management context including, most notably, the provision of guidelines for assuming credit risks.

The work is organised into three phases:

- analysis of the current portfolio
- assessment of trends
- determination of credit policy measures

Procedural refinements continued with respect to tools used to assess the loan portfolio. The analysis of the "as-is" portfolio was supplemented by a study on default rates observed recently. This made it possible to take a further step forward in identifying criteria for diversifying credit policy guidelines.

The current portfolio is analysed with the aim of identifying the main factors that contribute to risk and the most effective measures to contain expected losses. In addition, the portfolio's "degree of rigidity" was assessed, which is affected by the level of medium and long-term exposure and the existence of sector concentrations potentially affecting the portfolio's quality.

The trend of the loan portfolio and cost of credit for 2010 were estimated given certain sales and risk targets.

Thus, the determination of credit policy measures is guided by the need to reconcile the portfolio's projected risk trends with the restrictions of economic capital and expected loss assigned to credit risk as a part of the capital allocation process.

Operating guidelines are determined for the management of new loan disbursements and existing loans broken down by customer segment, counterparty risk, economic sector and type. Finally, the targets approved by the Board of Directors are communicated to the branch network through the budget process and are monitored on a monthly-basis with dedicated reporting.

2.2.2 Loan disbursement processes

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

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

The procedure available to the branch network and the Head Offices to manage all phases of the loan disbursement process, is the Electronic Credit Facility Record (it. *Pratica Elettronica di Fido* or P.E.F.). This tool is continually optimised with the aim of improving both response time and the selection of acceptable risk.

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

In keeping with the regulatory provisions issued by the Supervisory Authority, the P.E.F. was designed to use a shared rating when borrowers have relationships with several MPS Group banks.

In terms of activities aimed at complying with AIRB requirements, the assignment of decision-making powers in the loan disbursement process according to risk-based approaches is one of the key elements in meeting the expertise requirements set out by the Bank of Italy.

These approaches, which call for identifying decision-making bodies with additional powers for higher levels of loan-related risk, made it possible to achieve regulatory and operational advantages.

In 2009 and in this first stage of 2010, the electronic credit facility record was integrated in order to manage the specific fields relating to applications for and approvals of credit lines linked to initiatives in support of households and businesses affected by the economic crisis (mainly "fight the crisis" and the "common avis").

Moreover, in the first half of the year, a sustained effort was made to review the credit process, based on criteria aimed at simplifying activities and increasing the effectiveness and efficiency of credit management.

The objective is pursued through the definition of new decision-making powers (at Head Office and Network level), the setup of credit assessment sectors within the regional offices and the elimination of redundant steps and procedures. The new approach, currently being piloted in a regional area to test its capacity and impact on operations, will be extended to the entire network once it has been fine-tuned with results from the pilot phase.

2.2.3 Monitoring processes

As to post-disbursement management and monitoring of the loan portfolio, the "Loan Trend Management" process continues to be used by the branch network on the basis of the forecasting ability of rating models and is able to monitor changes in the Group's loan portfolio over time, while focusing the attention of relationship managers only on customers who statistically have a medium to high probability of default within one year.

The "Trend Management" IT application is based on an early warning system acting through four sub-processes:

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

- "Operating Management" is an application for monitoring the loan portfolio daily to identify any substandard internal and external events indicative of potential risk, in order to anticipate deterioration occurring within a month that has not been 'captured' in the rating. The process uses a computer application that flags irregularities for operators and points them in the direction of management measures that differ as a function of the severity of the deterioration;

- "Loan Default Management" is the process that identifies for the branch network all situations where credit limits have been exceeded. For certain positions of a modest amount without sales targets, it is possible to manage the recovery process externally by assigning the credit collection mandate to a specialised agency . The process was fully rolled out in 2009;

- "Simplified Renewals" is a procedure aimed at automatically extending existing loans (for positions with limited risk) from year to year for internal purposes.

Furthermore, the campaign-based monitoring process continued. Each activity consists in:

- tracking particular symptoms of default (alert signs on overdrafts) or "default" management (past due and watchlist loans);

- allocating a precise deadline for the removal of anomalies;

- verifying the level of achievement of targets set.

Quantitative information

A. CREDIT QUALITY

A.1 Impaired and performing loans: amounts, value adjustments, movements, breakdown by business sector and geographical area

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

30 06 2010

(in thousands of EUR)

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Non-performing loans	11.531.635	6.506.139	x	5.025.496
b) Watchlist loans	5.267.763	973.255	x	4.294.508
c) Restructured loans	1.277.600	45.869	x	1.231.731
d) Past due	810.883	51.457	x	759.426
e) Other assets	179.093.866	x	816.205	178.277.661
Total A	**197.981.747**	**7.576.720**	**816.205**	**189.588.822**
B. Off-balance-sheet exposure				
a) impaired	262.147	27.653	x	234.494
b) other	34.556.072	x	29.139	34.526.933
Total B	**34.818.219**	**27.653**	**29.139**	**34.761.427**
Total (A+ B)	**232.799.966**	**7.604.373**	**845.344**	**224.350.249**

D. MODELS FOR THE MEASUREMENT OF 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 time horizon of one year and a confidence interval calibrated to the official rating assigned to the Group. Several inputs are considered: Probability of Default, LGD rates, number and types of guarantees supporting the credit facility, internal operational Exposure at Default (EAD).

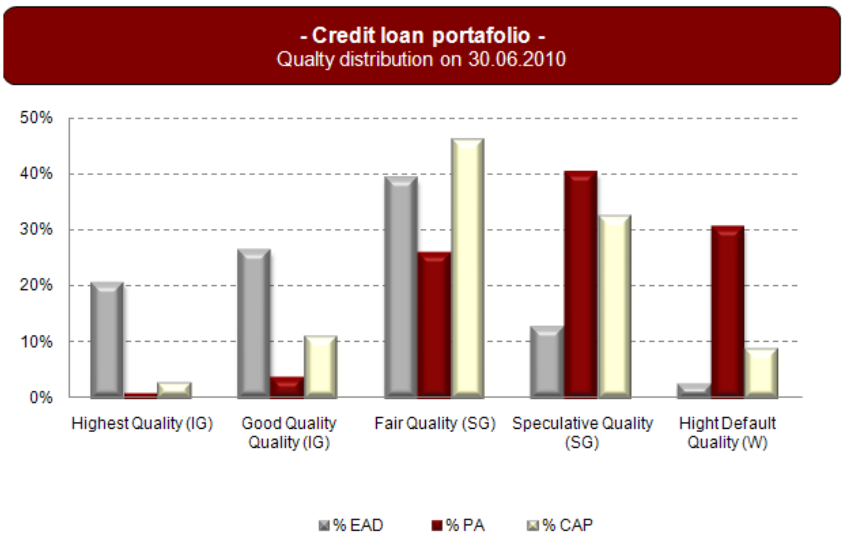
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined 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 considers both the idiosyncratic risk that is specific to a particular counterparty and the systemic credit 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.

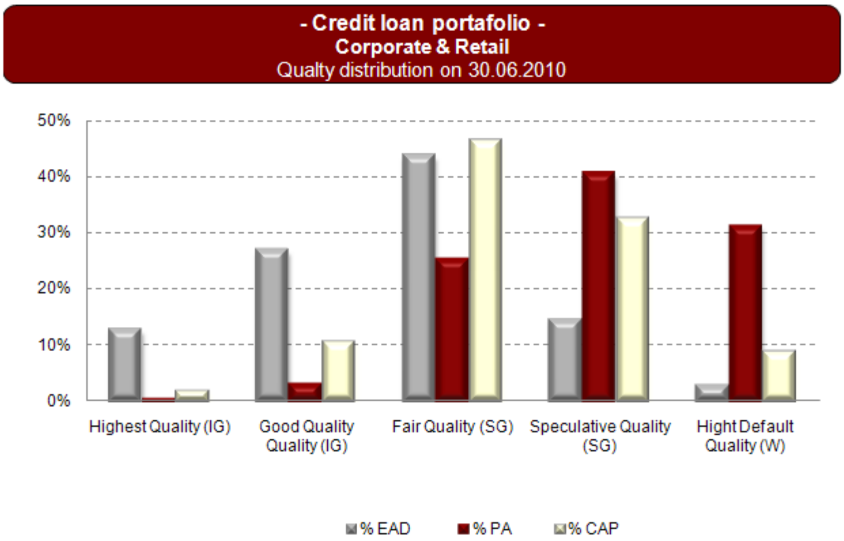
The model evidences the change in credit risk over time based on the various combinations of the variables under analysis, by legal entity, customer type, geographic area, economic sector, rating class and continental area. Other information derived from the Credit Portfolio Model concerns "what-if"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

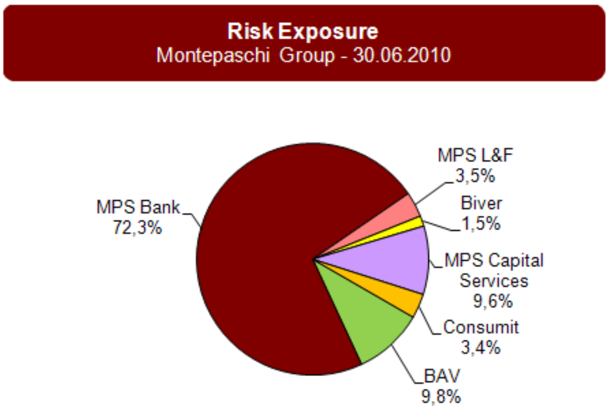
The chart below provides a breakdown of the credit quality of the Montepaschi Group portfolio (excluding financial asset positions). The analysis shows that around 46% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government 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 have been –to a large extent- validated by Supervisory authorities). It should be noted that as at 30 June 2010, exposure of a high or good quality accounted for 39% of total Corporate and Retail exposure.

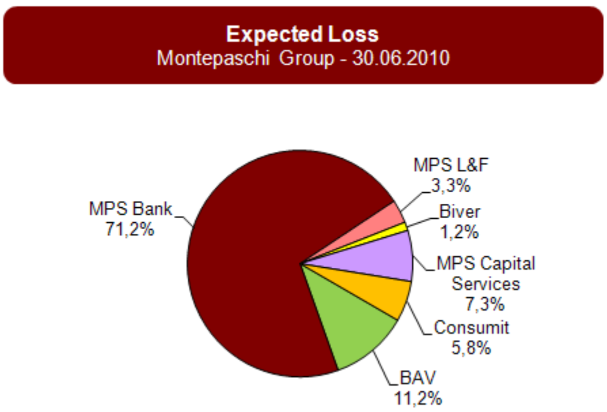


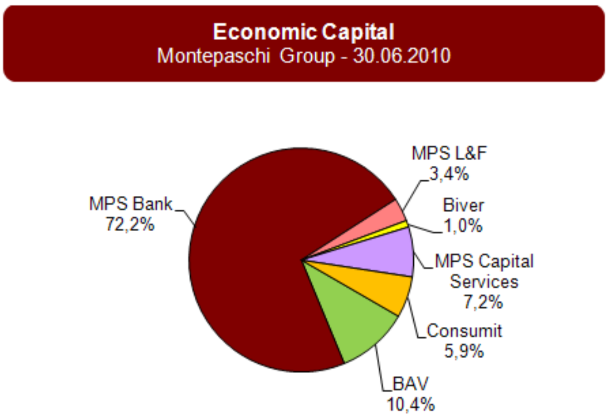
The chart shows that the three retail banks (Banca MPS, Banca Antonveneta and BiverBanca) contribute to approximately 83.6% of the total Montepaschi Group's exposure to risk, whereas the companies MPS L&F, MPS Capital Services, Consumit and MPS Banca Personale, account for the remaining 16.4%.



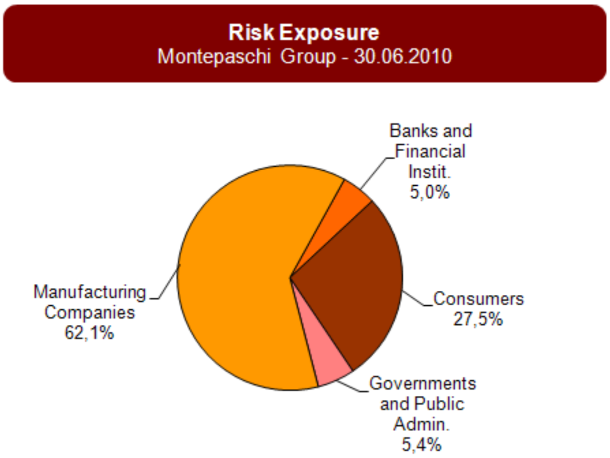
With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 71.2% followed by Banca Antonveneta with 11.2% and MPS Capital Services and Consumit (7.3% and 5.8% respectively) with the remainder (4.5%) being assigned to cover the risks of MPS Leasing e Factoring, BiverBanca.

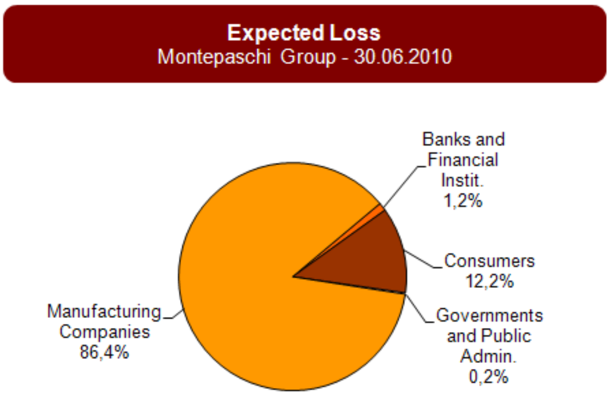
Most of the overall amount of economic capital to cover credit risk is absorbed by the Parent Bank (approx. 72.2%), followed by Banca Antonveneta and MPS Capital Services (10.4% and 7.2% respectively) with the remainder (10.3%), absorbed by other legal entities.

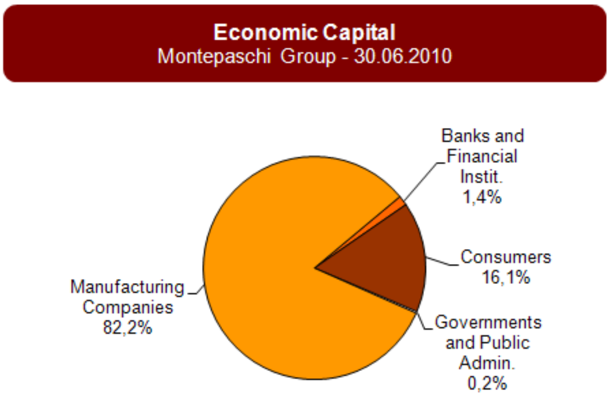


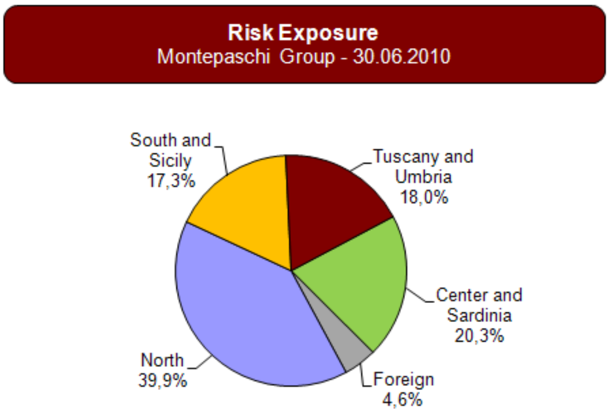


An analysis of the first half of the year shows how the risk exposure of the Montepaschi Group is mainly toward "Manufacturing Companies" (62.1% of total loans disbursed) and "Households" (27.5%). The remaining portion is broken down between Government and Public Administration, which makes up 5.4% and Banks and Financial Institutions for 5%. In terms of risk measures, it should be noted that Manufacturing Companies account for 86.4% of the Expected Loss and 82.2% of the Economic Capital. The portion for "Households" comes to 12.2% for Expected Loss and 16.1% for Economic Capital respectively.



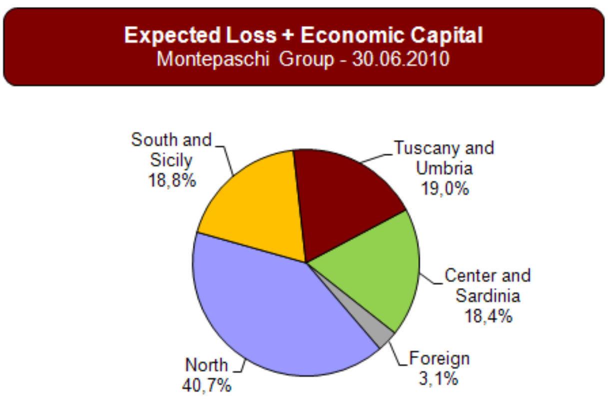




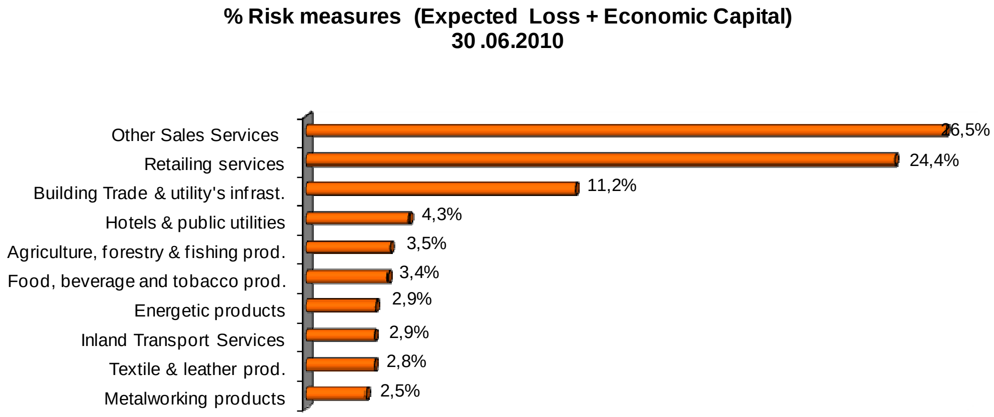


An analysis of the geographic breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Northern regions (39.9%); followed by Central Italy and Sardinia (20.3%), Tuscany and Umbria (18%), Southern Italy and Siciliy (17.3%). The remainder (4.6%) is from abroad.

Overall risk measures (Expected Loss + Economic Capital) are mainly accounted for by the greater concentration of loans in northern Italy (40.7%). Next in the ranking are Tuscany and Umbria (19%), Southern Italy and Sicily (18.8%), Central Italy and Sardinia (18.4%), while the remainder (3.1%) comes from the contribution of foreign customers to risk.



Lastly, a breakdown of exposure of the top 10 business sectors, based on the Bank of Italy ranking – which account for 82% of overall lending to corporate customers – shows that most of the risk measures are absorbed by “Other Retail Services” (26.5%), “Trade Services” (24.4%) and “Construction and Public Works” (11.2%), which together account for 62.1% of total risk measures. These are followed by “Hotels, restaurants and catering”, “Agriculture, forestry and fishing”, “Food, Beverage and Tobacco” which together make up 11.2% of total Expected Loss and Economic Capital.



Section 2 – Market risk

2.1 Interest rate and price risk – regulatory trading portfolio

Market risks affecting the trading portfolio

Market risk management model concerning the Trading Portfolio

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

Market risks of the trading book are monitored for management purposes in terms of Value-at-Risk (VaR), both in relation to the Parent Bank and the other Group companies which are relevant as independent market risk-taking centres. The Group's Finance Committee is responsible for directing and coordinating the overall process of managing the Group's proprietary finance thereby ensuring that the management strategies of the various business units will be consistent.

The Montepaschi Group Trading Portfolio is subject to daily monitoring and reporting by the Risk Management Area of the Parent Bank on the basis of proprietary systems. VaR for operational purposes is calculated separately from the operating units, using the internal model of risk measurement implemented by the Risk Management function in keeping with international best practices. However, the Group uses the standardised methodology in the area of market risks solely for reporting purposes.

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

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

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

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

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

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

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

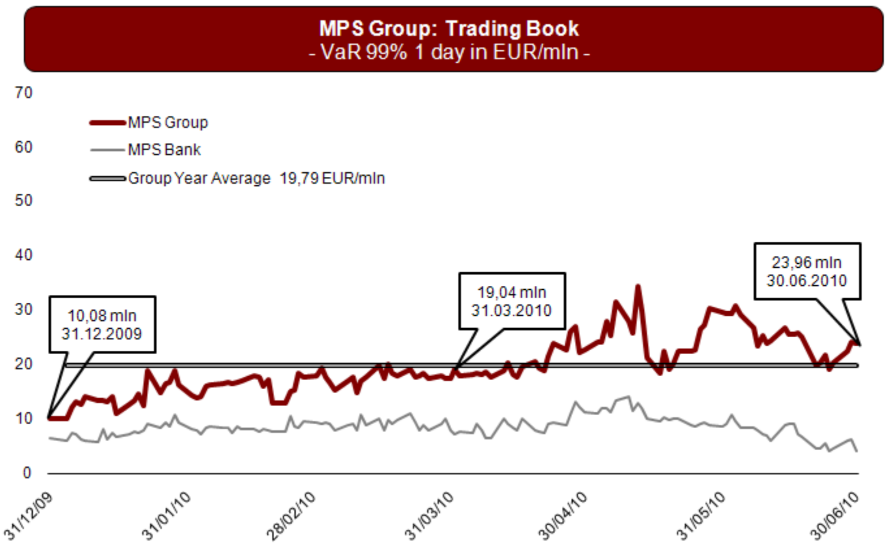
The following risk factors have been identified: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these components produces the so-called Gross VaR (or non-diversified VaR), which, when compared with diversified VaR, makes it possible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

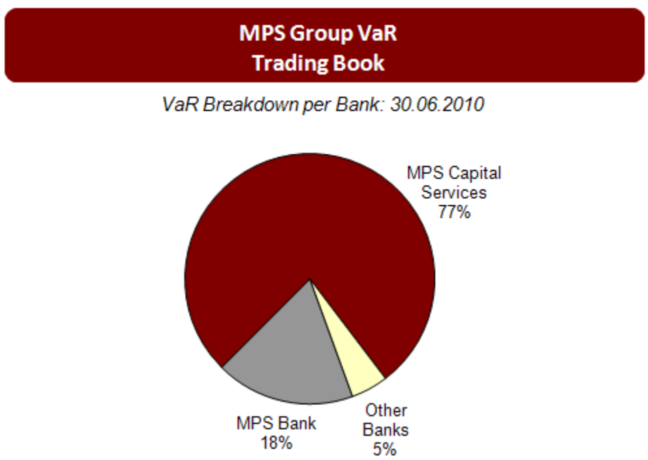
The model enables the production of diversified VaR metrics for essentially the entire Montepaschi Group in order to get an overview of all the effects of diversification that can be generated among the various banks in terms of the specific joint position achieved by the various business units.

Lastly, scenario analyses are regularly conducted on various risk factors with different levels of granularity.

***

In the first half of 2010, market risk in the Regulatory Trading Portfolio – in terms of VaR – showed an upward trend overall, standing at € 23.96 mln at the end of June 2010, up by approximately € 14 mln with respect to the end of 2009.



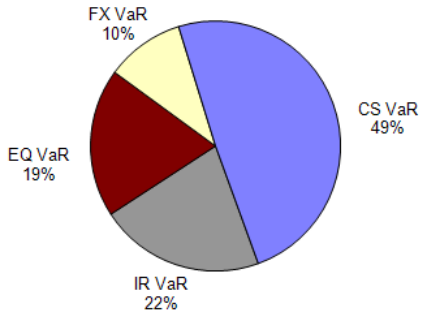


With regard to legal entities, the Group's market risks continue to be concentrated on MPS Capital Services and Banca MPS.

As at 30 June 2010 MPS Capital Services accounted for 77% of overall risk, the Parent Company contributed approx. 18% while the remaining 5% was attributable to other banks.

MPS Group VaR
Trading Book

VaR Breakdown per Risk Factor: 30.06.2010



A breakdown of VaR by risk factors as at 30/06/2010 shows that 49% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 22% was absorbed by Interest Rate risk factors (IR VaR), 19% was absorbed by Equity risk factors (EQ VaR) and the remaining 10% by Foreign Exchange risk (FX VaR).

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

	VaR	Date
End of Period	23,96	30/06/2010
Min	10,00	04/01/2010
Max	34,44	12/05/2010
Average	19,79	

During the first half of 2010, the Group's Var ranged between a low of € 10,00 mln recorded on 4 January and a high of € 34.44 mln on 12 May. VaR for the year stood at an average of € 19.79 mln. The 2009 year-end figure came to € 23.96 mln.

Qualitative information

A. General aspects

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

A.1 Interest rate risk

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

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

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

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

A.2 Price risk

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

B. Management processes and measurement methods for interest rate and price risk

With regard to the market risk management process concerning the management and methods for measuring interest rate and price risk, see the above paragraph entitled "The model for managing market risks affecting the trading portfolio".

Quantitative information

1 Regulatory trading portfolio: breakdown by remaining term (repricing date) of balance-sheet financial assets and liabilities and financial derivatives

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

2 Regulatory trading portfolio: breakdown of exposure in equity securities and stock indexes by main country of market listing

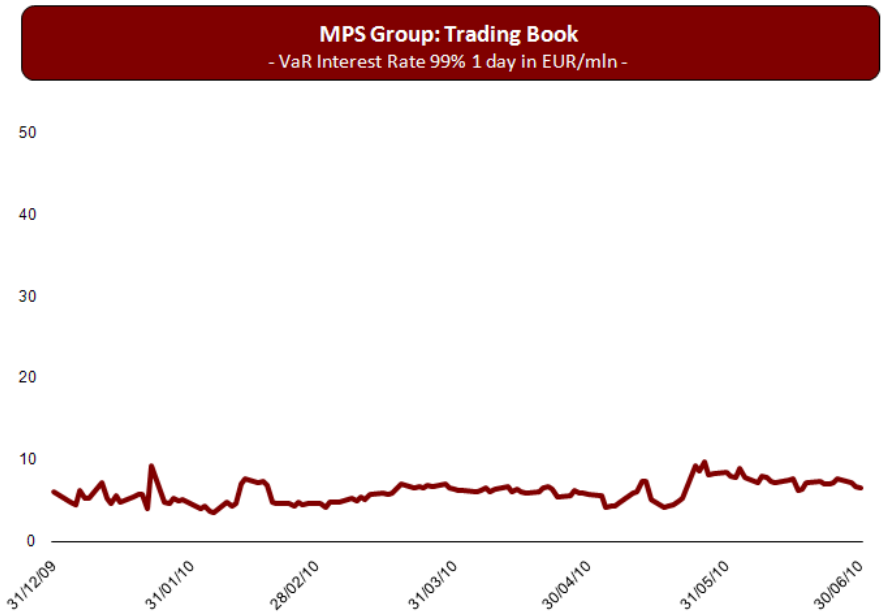
This table has not been prepared since a sensitivity analysis has been provided on the sensitivity of the regulatory trading portfolio to interest rate and price risk based on internal models.

3 Regulatory trading portfolio: internal models and other methodologies for sensitivity analysis

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

3.1 Interest rate risk

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



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

	VaR	Data
End of Period	6,63	30/06/2010
Min	3,52	05/02/2010
Max	9,77	26/05/2010
Average	6,07	

Simulations include the following interest rate risk scenarios:

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

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

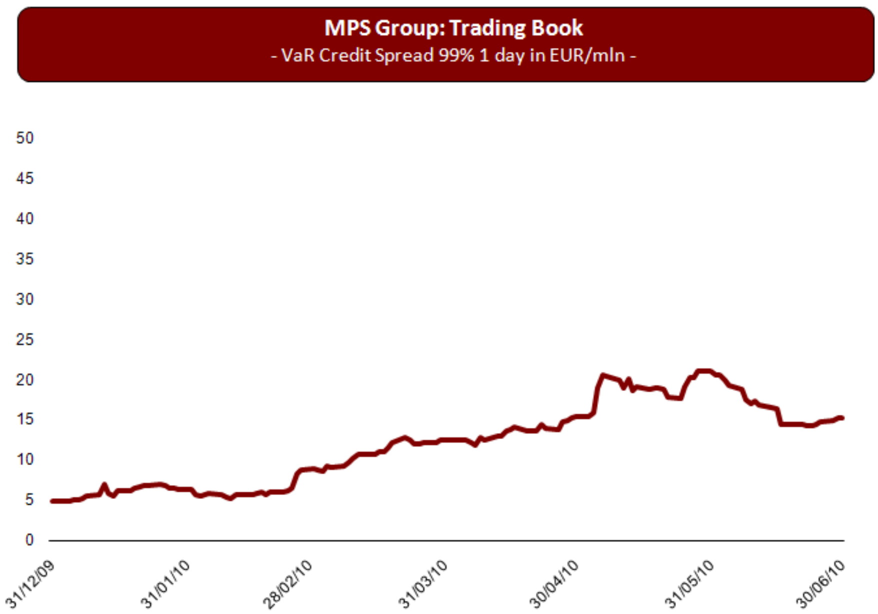
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	-48,62
Interest Rate	-100bp all Interest Rate Curves	33,15
Interest Rate	+1% all Interest Rate Volatility	-0,58

The asymmetry between the +100 bps and -100 bps scenarios is due to portfolios with non-linear positions, primarily caps and floors and swaptions.

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



MPS Group: Trading Book

VaR Credit Spread 99% 1 day in EUR/mln

	VaR	Data
End of Period	15,28	30/06/2010
Min	4,86	04/01/2010
Max	21,13	28/05/2010
Average	12,17	

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

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

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

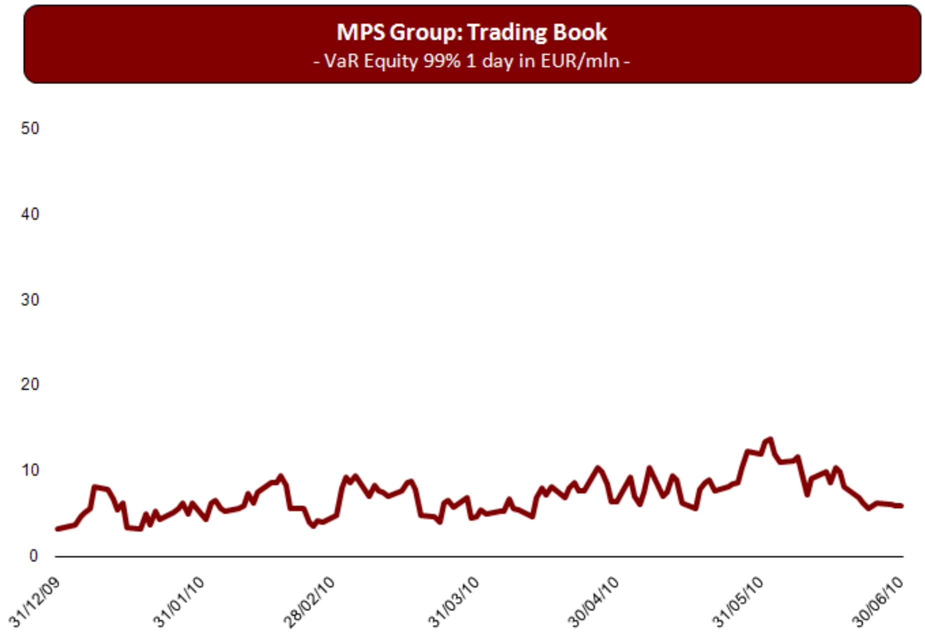
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	-1,90

3.2 Price risk

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



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

	VaR	Data
End of Period	5,96	30/06/2010
Min	3,26	18/01/2010
Max	13,78	02/06/2010
Average	7,17	

There are three simulated price scenarios:

- 1% of each equity, commodity, index or basket price,
- -1% of each equity, commodity, index or basket price,

- +1% of all volatility surfaces of all equity and commodity risk factors.

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

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	0,19
Equity	-1% Equity Prices (prices, indices, basket)	-0,14
Equity	+1% Equity Volatility	-0,16

2.2 Interest rate risk and price risk – Banking book

Qualitative information

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

A.1 Interest Rate Risk

The term "Banking Book" refers, in accordance with international best practices, to all of the non-trading operations of the Parent Bank in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches, and derivative instruments providing for risk hedging. The definition of the scope of the Banking Book (in line with that for the regulatory book) and the process of centralising the management of ALM are contained in a resolution by the Board of Directors of the Parent Bank, aimed at centralising Asset & Liability Management and at operational limits in view of the interest rate risk of the Group Banking Book as approved previously in September 2007 and updated last October to adjust the overall framework to the changed share ownership structure, as well as to develop the approach in keeping with the format outlined in the regulatory provisions (Bank of Italy Circ. 263).

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

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

The Montepaschi Group is committed to constantly updating risk measurement methodologies by gradually fine-tuning assessment models so as to include the main features which progressively modify the interest rate risk profile of the banking portfolio. More specifically, a marked change in risk profile characteristics has been observed in the current phase as a result of recent regulatory changes, the increasing number of contractual options, the operational methods adopted and the changes in behavioural patterns, all aspects which lead the risk profile to be more dependent on market trends and, in particular, interest rates and related volatility. In the first half of 2010, the Group carefully monitored all changes in risk profile with a specific regard to the growing output of products characterised by contractual options, such as capped mortgages.

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

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

Within the above system, the Parent Bank centralises the responsibility for the:

- definition of the policy for managing the Group Banking Book and controlling the respective interest rate risk;

- coordination of the implementation of the above policy in the companies included in the reference area;

- governance of the Group's short-, medium- and long-term rate risk position, both overall and at the individual company level, through centralised operational management.

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

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

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

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

The Montepaschi Group, and within it therefore Banca MPS, manages interest rate risk by portfolio. Hedging derivatives are underwritten within the Group with MPS Capital Services Banca per le Imprese, which in turn manages the overall exposure to the market by aggregation. This approach, however, does not enable one-on-one relationship to be maintained between the underwritten derivative of each individual Group company and the one in the market.

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

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

In particular, the principle types of IAS-compliant hedging are the following:

- Micro Fair Value Hedge: hedging of consumer and corporate assets (loans/mortgage loans classified as Loans and Receivables) of Banca MPS and its Foreign Branches and the securities portfolio of Banca MPS and its Foreign Branches (classified as Loans and Receivables and Available for Sale, respectively);

- Macro Fair Value Hedge: hedging of consumer and corporate assets (loans/mortgage loans classified as Loans and Receivables);

- Micro Cash Flow Hedge: hedging of a limited portion of variable-rate deposits.

A.2 Price Risk

The price risk of the Banking Portfolio of MPS Group is measured in relation to equity positions mostly held for strategic or institutional/instrumental purposes. The relevant portfolio for such purposes is made up mainly of equity investments, alternate funds (hedge funds), AFS shares and the remainder is made up of derivatives.

The MPS Group equity investment portfolio includes approximately 300 equity investments in companies outside the Group and approximately 70% of the amount is concentrated in 7 investments. The unit value of the remaining investments is rather small (approximately 200 equity investments, in fact, are valued at less than EUR 1 mln, representing 1.6% of the overall portfolio). There are approximately 20 equity investments relative to the portfolio of MPS Capital Services Banca per le Imprese; these account for 2.3% of the overall value of the portfolio.

The activity with UCITS is carried out exclusively through the direct purchase of the funds/SICAVs, with no recourse to derivative contracts.

Quantitative information

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

This table is not being prepared since an analysis of the banking portfolio's sensitivity to interest-rate risk and price risk is being provided based on internal models.

2.2.2. Banking portfolio: internal models and other sensitivity analysis methodologies

2.1 Interest rate Risk

The sensitivity of the Montepaschi Group, in the first half of 2010, suggests a profile of risk exposure to rate hikes. The amount of the economic value at risk in the event of a +100 bp parallel shift of the rate curve came to -1151 €/mln (1170 €/mln for a shift of -100bp). If benchmarked against the Regulatory Capital, these values are below the level considered as the attention threshold (set at 20% for a rate shock of 200 bp) by the New Capital Accord (Basel II).

2.2 Price risk

The instrument used to measure the price risk of the equity investments portfolio is Value-at-Risk (VaR), which represents the loss that the portfolio in question, valued at Fair Value, could experience in the timeframe of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (contrary to the one used for the Trading Portfolio) is a parameter model based on the traditional approach of the variance-covariance matrix. To estimate price volatility, historical series of market yields for listed companies and historical series of sector-based indices for unlisted ones are used. It is noted that the portfolio taken into consideration by the analyses includes all the equity investments held by all companies of the Montepaschi Group in external companies, or in companies which do not consolidate either fully or proportionately. The VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 22% of the Fair Value of the portfolio, with the risk concentrated in the seven most significant investments.

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

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

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

Additionally, shown below is a scenario analysis which includes all the equity investments, the hedge funds and the other directional positions assumed, based on instructions from the Board of Directors or operationally attributable to the Banking Portfolio by the Parent Bank's Finance Area (e.g. AFS securities) and which are not included in the scenario analyses relative to the price risk of the Trading Portfolio reported previously.

MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	26,50
Equity	-1% Equity Prices (prices, indices, basket)	-26,50
Equity	+1% Equity Volatility	0,00

The impact of the equity investments portfolio on the total in the scenario analysis is approximately 60%.

2.3 Exchange risk

Qualitative information

A. General aspects, operational procedures and measurement methods for exchange rate risk

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

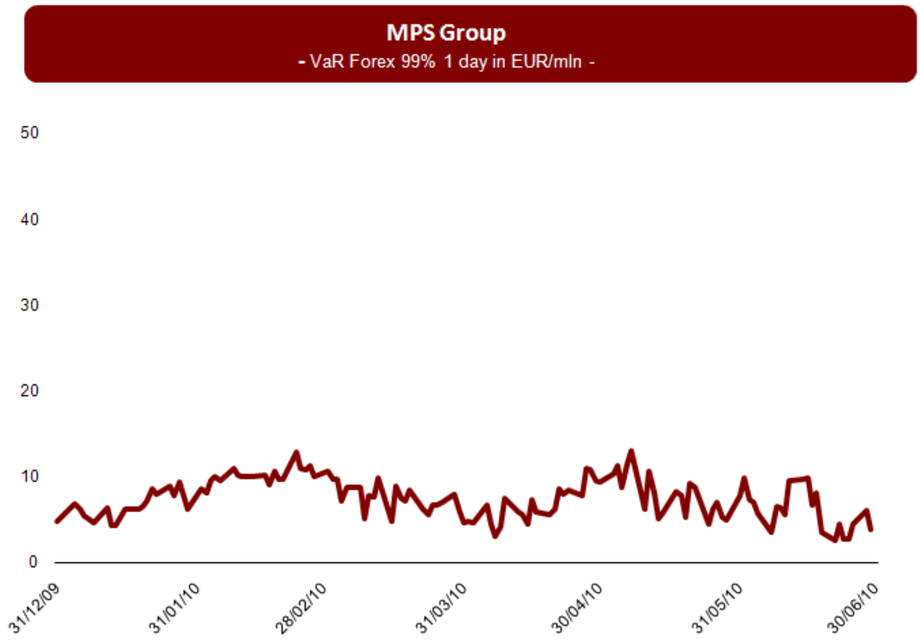
Trading activity is carried out primarily by the Centralised Treasury Department of the Treasury & Capital Management Area in the forex options section. The foreign branches maintained modest forex positions exclusively originated by funds available for commercial purposes. The notable turnover on cash and OTC derivatives maintained by the Group remained in a 'straight line' in terms of risk with careful and consistent use of delegated powers. Foreign currency equity investments are typically financed by funds raised, denominated in the same currency, with no foreign exchange risk being taken.

Quantitative information

2.3.1 Distribution by currency of denomination of assets, liabilities and derivatives

2.3.2 Internal models and other methodologies for sensitivity analysis

The foreign Exchange risk is monitored in terms of VaR and scenario analysis (as for the methodology, please refer to the section "Market risk management model concerning the Trading Portfolio"). Group diversified VaR Forex information is reported below.



MPS Group
VaR Forex 99%1 day in EUR/mln

	VaR	Data
End of Period	3,16	30/06/2010
Min	2,54	21/06/2010
Max	12,37	10/05/2010
Average	7,14	

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

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

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

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	Global Effect
Forex	+1% Exchange rate against EUR	1,03	-1,03	0,00
Forex	-1% Exchange rate against EUR	-1,01	1,03	0,02
Forex	+1% Forex Volatility	0,21	0,00	0,21

Section 3 – Liquidity risk

Qualitative information

A General aspects, operational procedures and measurement methods for liquidity risk

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

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

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

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

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

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

Monitoring of the overall structural liquidity profile is done on the basis of quantification of mismatches, per settlement date, of maturing cash flows. 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 the objective of 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-finance transactions and centralised management of statutory reserves;
- makes projections on future liquidity, on the basis of different market scenarios.

Section 4. Operational risk

Qualitative information

- **General aspects, operational procedures and measurement methods for operational risk**

General aspects and framework

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

The adoption of the model put forth (AMA) requires an organisational and cultural overhaul within the banks, which must necessarily:

1. Equip themselves with an internal organisation which defines roles in the corporate bodies and functions involved in the process of managing operational risk;
2. Equip themselves with a control function for gathering and storing data, the calculation of the requirement, the evaluation of the risk profile and the reporting;
3. Perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;
4. Delegate the internal auditing body to carry out periodic audits of the Operational Risks management system;
5. Ensure over time that the system is actually used in day-to-day operations (use test).

For this purpose, the Montepaschi Group has equipped itself with an integrated operational risk management system, an internal framework built on a governance model which involves all the companies belonging to the scope of application of the AMA model. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

The advanced approach is designed so as to match 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 internal and external historical loss data (provided by the DIPO consortium – *Database Italiano Perdite Operative*).

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 in the AMA area are involved in: the identification of processes and risks to be assessed; risk evaluation by those responsible for the processes for such risks; the identification of possible mitigation plans; the sharing of priorities and technical-economic feasibility of mitigation actions in scenario discussions with the H.O. units.

The following phase monitors progress in the implementation of planned initiatives and delivery on objectives and deadlines.

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

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

ORM has also prepared a reporting system which ensures timely information on operational risks for Top Management, which translates the strategic principles of the operational system into special operating policies. Reports are submitted regularly to the Risks Committee.

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

As of 30 June 2009 Banca Antonveneta was authorised to use the Advanced Model Approach (AMA). Roll-out activities involved extending the qualitative and quantitative components of the approach to the 623 branches acquired by Monte dei Paschi and to New Banca Antonveneta which, as of 1 January 2009, has a network made up by the remaining 403 branches.

Changes in the first half of 2010

Novelties with respect to the previous financial period include the merger by absorption of MPS Banca Personale into the Group, which involved reorganising the network of financial advisors and the migration of risk components to the Parent Company.

Quantitative information

The percentage of operational losses recorded in 2010 is broken down into the following risk classes:

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

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

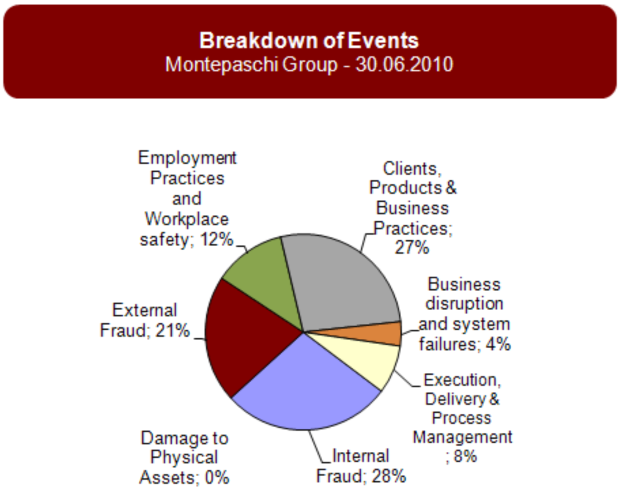
Employment Relationships and Occupational Safety: Losses arising from actions in breach of employment, occupational health and safety laws and agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;

Customers, products and operating practices: losses deriving from non-fulfilment of professional obligations towards customers or from the nature and characteristics of the product or service provided;

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

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

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



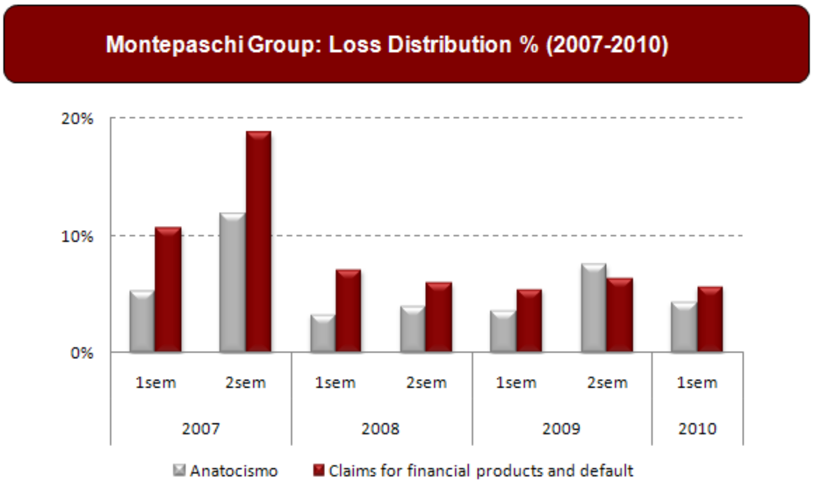
Compared to the same period in 2009, a slight decrease was recorded in operational risk events, confirming the positive trend already noted in previous years.

Events with the greatest impact on the profit and loss statement were: internal fraud, 28% of the total, and "violation of professional obligations to customers" which accounts for 27% of all losses, in continuation from 2009.

With regard to violation of professional obligations to customers, the risk is mainly linked to disputes concerning:

1. sales of 'For you' and 'My way' Financial Plans, Argentinian, Cirio and Parmalat bonds as well as structured products;
2. application of compound interest.

It follows that a large part of the operational risk events have a date of occurrence prior to 2003 but have accounting effects still on the 2010 financial year. The events are nevertheless in a phase of progressive resolution, as shown by the graph which illustrates developments in disputes relative to the placement of financial plans and defaulted securities from 2007 to 2010 in percentage terms to the overall number.



With regard to "External Fraud", which stood at 21% of total fraud, mitigation activities continued, aimed at containing credit fraud, which has taken on a significant weight even at banking-system level. Among these are the review of the third-party intermediary agreement process, the centralisation of selection and control activities, and the development of IT operational and monitoring systems. Such activities also allow for effective control of the quality of the credit disbursed.

Main types of legal actions

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

The main sub-categories are listed below in decreasing order and refer to claims regarding:

1) compound interest;
2) the placement of bonds issued by countries or companies later in default;
3) the placement of financial plans;
4) the placement of structured products;

and account for approximately 65% of total losses from legal disputes. In managing these disputes, the Group continued to search for conciliatory solutions. In continuation from the previous financial period, the first half of 2010 saw a fair number of conciliatory settlements being reached reflecting, in this sense, a positive trend both in terms of financial plans and structured products.

Financial risks inherent in investment services (wealth risk management)

Wealth risk management procedure and methods

Wealth Risk Management is to be understood as all activities for measurement and monitoring, as well as procedures for control of the risks and yields inherent to the investment services/products offered to customers.

These activities particularly concern the operational and management procedures, the tools and methods aimed at ensuring overall consistency of the customer's propensity for risk and his expectations of yield with the risk profile inherent to the products, managed funds and portfolios held by him in order to prevent and minimise the occurrence of reputational risks, i.e. the deterioration of trust between customers and the Bank.

Within the Parent Bank, the organisational responsibility for overseeing Group-wide measurement, monitoring and control activities relative to the financial risks inherent in investment services/products was transferred in late October 2009 to the Risk Management Area, thus ensuring single governance of the direct and indirect risks which the Group incurs during the course of its operations.

All investment products (both Group and third-party), included in the catalogue of products offered to Group customers are subject, within a codified production-distribution line process, to a specific multivariate quali-quantitative risk analysis, including market, credit and liquidity risk factors.

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

Furthermore, the regulatory instructions contained in Consob Communiqué No. 9019104 dated 2 March 2009, known as "Level 3 – Illiquid financial products," were transposed and made operational. The bank also transposed and implemented the instructions issued as part of the "Inter-association guidelines for the application of Consob Level 3 measures for illiquid financial products", published in early August 2009 and to the preparation of which it contributed actively.

For OTC derivatives, offered exclusively to clients classed as 'juridical persons' based upon an advisory service aimed at hedging existing and ascertained exposures, risk classes and ad hoc valuation and monitoring methods are defined.

The activities described cover the entire scope of the MPS Group, specifically Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca.

The inter-functional technical body, "Customer Protection", set up in early July 2009, operates with the objective of identifying companies undergoing a particular temporary critical phase (associated primarily with specific macroeconomic, corporate and/or sector-related situations or a lack of sufficient market information), with a view to assigning to the financial instruments issued by them a higher level of risk thus rendering them non-advisable and inappropriate.

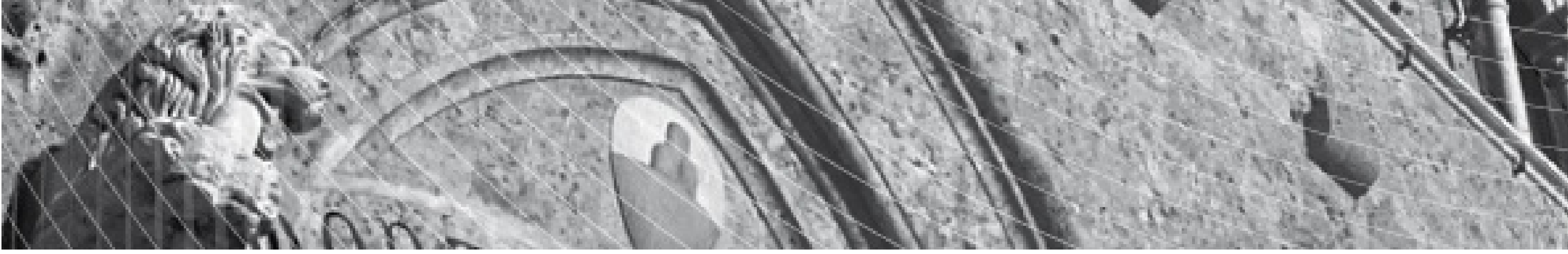
Reputational risks in transactions related to investment services/products

Reputational risk is identified in general terms as the possibility that one or more given events may negatively alter the consideration, esteem or image and therefore the reputation which a party has within the economic or social system in which it operates, primarily with those who hold some form of interest in it. Reputation therefore becomes particularly relevant in the case of banks, for which a relationship of trust is an integral part of the end products and services provided to their customers. It is evident how reputation, and thus the risks associated with it, poses particular difficulties for an objective quantitative evaluation.

With regard to operations relative to the production and sale of investment products and services to customers (therefore including financial advisory, asset allocation, portfolio management, etc.), of special importance are events associated with innovative business scenarios or situations not typically associated with a sufficiently broad record of data to describe both their probability and the average impact they may have in terms of damage. This is a direct consequence of the high degree of innovation in a business, necessarily geared toward offering the customer new and prompt investment opportunities through both proprietary and captive products, and through access to third-party product catalogues on an open architecture basis.

Circumstances such as mis-selling, inadequacy of portfolio or individual product risks to the customer's socio-behavioural profile, the overall financial risk borne by the customer, complexity or potential shortcomings in contracts relating to investment products and services are some of the causes potentially lying at the origin of reputational risks, that toned to be monitored and managed.

The identification and monitoring of these factors, therefore, provides a basis for the prevention of reputational events, encouraging proactive, well-informed management logics going beyond mere mitigation and prudential provisioning. The organisational decision to centralise the overall management and control of risks related to investment services/products within the Risk Management Area at the end of 2009, was in fact aimed at increasing awareness and encouraging integrated shared management of the processes which may potentially generate reputational risks for the Group.



Part F – Information on consolidated capital

Section 1 – Consolidated shareholders' equity

A. Qualitative information

Capital management involves all the policies and decisions necessary to define the amount of capital and the ideal combination of different alternative capitalization instruments, so as to ensure that the amount of capital and the correlated ratios are consistent with the Group's risk profile and meet regulatory requirements. From this standpoint, Group-wide capital management has become increasingly important and strategic, considering that the quality and amount of capital resources of the group's individual companies are determined in alignment with the Group's more general objectives.

The Group is subject to the capital adequacy requirements set out by the Basel Committee according to the rules defined by the Bank of Italy ("New regulations for the prudential supervision of banks," Circular 263 of 27 December 2006 and "Instructions for the preparation of reports on regulatory capital and prudential ratios", 12th update of Circular No. 155/91).

Based on such rules, the ratio between capital and risk-weighted assets must be at least 8% on a consolidated level; compliance with the requirement on a consolidated basis is verified every six months by the Bank of Italy. At individual level, for banks belonging to a banking group, it is provided that requirements for credit, market, counterparty and operational risk are reduced by 25%, on condition that the afore-mentioned overall capital requirement of 8% on a consolidated basis is met.

Along with the observance of mandatory minimum capital ratios ("pillar one"), the regulations require the use of internal methodologies intended for determining current and future capital adequacy ("pillar two"). The existence of "pillar two", besides the mandatory minimum requirements, in fact expands the concept of capital adequacy, which takes on a more global connotation aimed at overall verification of capital needs and sources actually available, in line with the Group's strategic goals and development objectives.

For the purpose of ensuring ongoing and effective oversight of all aspects of capital adequacy, the Group has recently set up a Capital Adequacy Function, in order to:

- ensure ongoing coordination of the different activities carried out by other functions which directly or indirectly generate differentiated impacts on current and future capitalisation levels for operational or regulatory purposes;
- monitor the level of risk and capital on an ongoing basis;
- promote effective capital management processes.

All this is in accordance with formalised governance rules, in line with Bank of Italy's regulations and consistent with the Group's strategic and operational development process. Against this background, the Group has defined an independent internal process for evaluating its current and future capital adequacy, based on the methodologies applied to prepare the information contained in the consolidated ICAAP (Internal Capital Adequacy Assessment Process) report; these methodologies are aimed at both determining the overall internal capital amount against a wider number of risks as compared to those included in "pillar one", and identifying overall capital, based on logics of Available Financial Resources (AFR).

In this context, considering the across-the-board and in-depth extent of this process with reference to both the functions of the Parent Bank and the individual legal entities, the Parent Bank's Board of Directors approved a specific internal directive on ICAAP and additional guidelines for the self-assessment of risk management processes deemed material and significant; the resulting output of this process contributes to the final assessment of capital adequacy.

Responsibility for the ICAAP process lies with the CFO , while the Capital Adequacy function coordinates the different contributing functions and materially prepares the content of the report. Since the ICAAP also requires an evaluation of future capital adequacy, the Group has implemented a structured capital simulation process, whereby it estimates future capital requirements and the associated regulatory capital ratios, the overall internal capital and the future AFR. In addition, the outputs produced are predetermined subjecting the input variables to stress conditions, based on a hypothetical recessive scenario and prepared by the competent functions. Through this scenario, which identifies the shocked levels of some macroeconomic and financial variables, the impacts produced are broken down for all profit-and-loss and balance sheet items and risk factors, so as to determine the overall impact on capital ratios and evaluate the sustainability of the correlated contingency plans.

In addition to the above-described processes , a further method of monitoring capital adequacy is the activity of capital targeting – both regulatory and operational – which the Group has adopted, together with the Capital Planning activity, for several years now. These activities are the basis of the Risk Appetite and Capital Allocation process.

The Capital Planning activity is geared toward identifying the dynamics of capital and regulatory ratios, in line with current and future developments of the Group's activities, and in consideration of potential market and regulatory changes .

The Capital Allocation activity, on the other hand, allows for making allocation of the internal capital to the Group's different business areas and regional divisions, to which risk-adjusted income components are also allocated. All this is aimed at determining the creation of value and the performance of each business unit, which allows for guiding value creation objectives by implementing risk-return remixing procedures among the different risk-taking entities or portfolios. For this latter purpose, with the "Value Creation" Project, carried out by the Capital Adequacy function, a systematic analysis was begun of the added value with individual customers, aimed – through active management by the commercial network of inefficient capital positions – at reducing the operational absorption of internal capital, containing the associated capital requirements and, in general, maximising the yield on portfolio assets.

Periodic activity of monitoring the regulatory ratios ("pillar one") and the operational capital ratios ("pillar two"), together with space and time analyses of individual events that impact the types of risk measured, allow for prompt intervention either through appropriate activities for redirecting the underlying operating assets or through actions on capital aggregates. All this is aimed at compliance with the adequacy indices set in the Business Plan and in the annual Risk Appetite plan.

Furthermore, a multi-period Capital Planning framework allows for evaluating the degree to which the Group's growth targets have been achieved, while the development of scenario or what-if analyses on capital adequacy levels, together with monitoring the degree of achievement of capitalisation objectives, allows for an ex-ante understanding of specific operational policies and one-off operations.

In terms of action plans, observance of capital adequacy is pursued by using several levers, including first and foremost those centred on the composition and level of capital (capital increases, convertible bonds, subordinate bonds, etc.), policies for optimisation and mitigation of all types of risks, such as, for example, those based on managing loans in keeping with the embedded risk reflected by the type of counterparty or product, and, lastly, on policies for generating financing internally and correlated payout policies.

B. Quantitative information

Shareholders' equity at 30 June 2010 amounted to EUR 16,615 mln; for developments with respect to 31 December 2009, please refer to the consolidated statement of changes in shareholders' equity as at 30 June 2010.

B.1 Consolidated capital: breakdown by type of company

30 06 2010

(in thousands of EUR)

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	4.552.129	334.767	171.061	(505.828)	4.552.129
Share premium	3.995.986	-	1.972	(1.973)	3.995.985
Reserves	5.986.846	209.076	1.292	(210.367)	5.986.847
Equity instruments	1.949.365	-	-	-	1.949.365
Treasury shares (-)	(48.752)	-	-	-	(48.752)
Valuation reserves	(81.238)	67.591	7.927	(75.518)	(81.238)
- Financial assets available for sale	68.373	-	-	-	68.373
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(272.185)	-	-	-	(272.185)
- Exchange difference	952	-	-	-	952
- Non-current assets held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
- Share of valuation reserves of equity investments valued at equity	63.705	63.705	-	(63.705)	63.705
- Special revaluation laws	57.917	3.886	7.927	(11.813)	57.917
Profit (loss) for the year - Group and minority interests	260.221	16.561	(2.755)	(13.806)	260.221
Net equity	**16.614.557**	**627.995**	**179.497**	**(807.492)**	**16.614.557**

Section 2 – Capital and bank regulatory ratios

2.1 Scope of application of the regulations

The regulatory capital and capital ratios are calculated on the basis of capital and P&L results as determined by applying the IAS/IFRS international accounting principles and taking account of the Supervisory instructions issued by the Bank of Italy in the twelfth update to Circular no. 155/91 "Instructions for preparing reports on regulatory capital and Prudential ratios". Capital for regulatory purposes is calculated as the sum of positive and negative items, based on their capital quality. Positive items must be fully available to the bank for them to be used in the calculation of capital absorption.

As of 2008, the Group calculates prudential requirements pursuant to the accord known as Basel II; in addition, in a notice received in June 2008, the Parent Bank was authorised to use internal models for the determination of both individual and Group capital requirements for credit and operational risks.

The application of internal models is allowed on condition that certain qualitative and quantitative limits set out by Supervisory provisions are complied with. In particular, limits have been defined (so-called "floors"), whereby any capital savings obtained from internal models are subject to maximum thresholds which should be benchmarked against the requirements calculated based on previous regulations (Basel I). It is provided that this limitation on the benefits obtained may be removed in future years in light of the progressive fine-tuning and consolidation of the internal models adopted.

For regulatory purposes, the subsidiary MPS Tenimenti S.p.A., which is outside of the scope of the Banking Group, is valued at equity instead of being subject to the full consolidation method applied for consolidated reporting purposes.

2.2 Bank regulatory capital

A. Qualitative information

Regulatory capital differs from net accounting equity as determined on the basis of IAS/IFRS international accounting principles, since Supervisory regulations are aimed at safeguarding capital quality and reducing the potential volatility caused by IAS/IFRS application.

The items comprising regulatory capital must therefore be fully available to the Group, in order to be able to be used without limitation for hedging risks and corporate losses. These items must be stable and their respective amount must be clear of any tax charges.

Regulatory capital is made up of core capital and supplementary capital. Both core capital (Tier 1) and supplementary capital (Tier 2) are determined as the algebraic sum of all of their positive and negative

items, subject to prior consideration of the so-called "prudential filters"

This expression identifies all of the regulatory capital adjusting elements (both positive and negative) which were introduced by Supervisory Authorities to reduce capital volatility. Items to be deducted, which are determined as will be explained below, must be taken from core and supplementary capital (50% from Tier 1 and 50% from Tier 2 capital)..

Described below are the items that make up core capital (Tier I) and supplementary capital (Tier II), with reference to the most important aspects for the Group.

With regard to Tier 1, its positive items include paid up capital, share premium, profit and capital reserves, innovative and non-innovative capital instruments and retained earnings; added to these items are the positive prudential filters represented by the issuance of so-called "Tremonti bonds". In fact, the Group has participated in the initiative brought about by the Ministry of Economy and Finance, aimed at ensuring an adequate flow of financing to the economy and an adequate level of capitalisation of the banking system. Pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, converted, with amendment, by Law No. 2 of 28 January 2009 ("Legislative Decree No. 183"), on 30 December 2009 the Group issued "Convertible financial instruments" ("Tremonti bonds") subscribed by the Minister of Economy and Finance (MEF). The process for the issuance of the Tremonti bonds involved the Group in some activities aimed at fulfilment of the commitments assumed with the signing of a "Memorandum of understanding." In short, with the signing of the Memorandum of Understanding the group agreed to:

- make € 10 bln in financial resources available to small- and mid-sized companies over the next three years;
- start up activities in support of small- and mid-sized enterprises and families through specific products (new or existing);
- have a code of ethics governing the compensation of corporate top managers and market traders;
- provide adequate disclosure among its customers of the initiatives undertaken to implement the commitments signed.

The negative items in the basic capital, on the other hand, include treasury shares in the portfolio, intangible assets (including goodwill), any losses posted in previous years and in the current one, and the negative balance of the reserves for assets available for sale. Among the negative prudential filters noted in the basic capital, it is worth mentioning:

- the 50% decrease in net profits, already computed entirely in the basic capital, recognised on the 2008 and 2009 profit and loss statements as a result of the accounting treatment of substitute tax due to the tax deduction for goodwill (regulations provide that such filters must be reduced by 1/8 per year in the years after the deduction);
- the net accrued capital gain (write-down of liabilities), net of tax effects, relative to hybrid capitalisation instruments and subordinated debt issued by the Group, classified among financial liabilities valued at fair value and computed in the supplemental capital.

The overall Tier 1 capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, the criteria for the determination of which is indicated below:

- equity investments and other items (innovative capital instruments, hybrid capitalisation instruments and subordinate debt) issued by banks and financial firms not fully or proportionately consolidated are deducted 50% from the basic capital and 50% from the supplementary capital. The regulations previously in force provided instead for deducting that aggregate from the sum of the basic capital and the supplementary capital;
- the use of internal models for the determination of capital requirements in view of credit risks entails identifying in the regulatory capital the difference between expected losses and net impairment losses; if the expected losses exceed the impairment losses, the difference is deducted 50% from the basic capital and 50% from the supplementary capital; if the expected losses are lower than the net impairment losses, the difference is computed in the supplementary capital within the limit of 0.6% of assets weighted by credit risk.
- the equity investments held in insurance companies and the subordinate debt issued by such companies are deducted 50% from the basic capital and 50% from the supplementary capital when they have been acquired after 20/07/2006; if they were acquired prior to that date, on the other hand, they continue to be deducted from the sum of the basic and supplementary capital until 31/12/2012.

As far as supplementary capital is concerned, the positive items comprising it include valuation reserves, hybrid capitalisation instruments, subordinate debt and the positive net balance of reserves for assets available for sale. The negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserve computed among the positive items of the supplementary capital; in fact, these reserves are computed 50% in the supplementary capital.

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

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

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

Still with regard to Prudential filters, measures were set forth by the Bank of Italy on 18 May 2010 modifying the Prudential treatment of debt securities in EU countries in the calculation of regulatory capital. Under these new measures, for securities issued by the Central Government of EU countries held in the "Available for sale" portfolio, banks were able to opt for a method which allowed the effects from regulatory capital valuations to be neutralised. Consequently, with regard to these Securities, the impact of changes in AFS reserves as of 1 January 2010 has been completely sterilised.

The following tables report the main contractual features of innovative and non-innovative instruments which are included in the computation of Tier 1 capital, together with capital and reserves, as well as the hybrid capitalisation and subordinated debt instruments which are included in Tier 2 capital.

1. Tier I capital

The following table describes the main features of the instruments included in the calculation of Tier 1 with a particular focus on innovative capital instruments issued by the Parent Bank.

30 06 2010

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Curr.	Original amount in currency units	Contribution to regulatory capital (EUR/000)
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid Strument)	Euribor 3m + 0.88%	NO	31/12/03	N.A.	(a)	EUR	700.000.000	470.596
Capital Preferred Securities Ist portion	Euribor 3m + 3.75%	YES	21/12/00	N.A.	(b)	EUR	80.000.000	80.000
Capital Preferred Securities 2nd portion	Euribor 3m + 3.10%	YES	27/06/01	N.A.	(b)	EUR	220.000.000	220.000
Preferred Capital I LLC	7.59% fixed; as of 7/2/11 Euribor 3m+ 220b.p.	YES	07/02/01	07/02/31	(c)	EUR	350.000.000	350.000
Tremonti Bonds	8.50%	YES	30/12/09	N.A.	(D)	EUR	1.900.000.000	1.900.000
Total Preference share and equity instruments (Tier I)								**3.020.596**

a) F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid) instruments, issued by vehicle “MPS Preferred Capital II LLC” for a nominal value of EUR 700 mln, are perpetual innovative instruments with no repayment or step-up clauses, which are convertible into shares. In September of each year from 2004 through 2009 and however, at any time effective as of 1 September 2010, the instruments are convertible upon investor request. In addition, an automatic conversion clause is provided for in the event that, after the seventh year from the issue date, the reference price of the ordinary shares should exceed a set amount. The return is noncumulative, with an option for it not to be paid if, during the previous year, the Bank did not register any distributable profits and/or did not pay any dividends to its shareholders. The unpaid return is considered as definitely lost. The rights of the instrument holders are guaranteed on a subordinated basis. In the event of liquidation of the Parent Bank, the rights of the investors will be subordinated to all of the Parent Bank’s creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Parent Bank’s shareholders. In virtue of these characteristics, these instruments can be calculated in the core Tier1 capital. A limited liability company and a business trust were established which issued convertible preferred securities and convertible trust securities, respectively. The Parent Bank undersigned an on-lending contract in the form of a subordinated deposit contract. The on-lending contract and the convertible preferred securities have broadly similar conditions.

b) . Securities are unredeemable. Only a total and partial repayment option of the notes is provided for in favour of the issuer, exercisable respectively after21.03.2011 and 27.09.2011

c) Preference shares, (CPS), amounting to a nominal value of EUR 350 mln, have a thirty-year life subject to the possibility of extending it on the basis of a subsequent agreement and may not be repaid upon request of the underwriters but only upon initiative of the issuer, Banca Monte dei Paschi di Siena Spa, after 10 years from issue date and subject to previous authorisationa from the Bank of Italy.

d) The “Tremonti Bonds” are “convertible financial instruments” issued by the Parent Company and underwritten by the Ministry of Economy and Finance (MEF) pursuant to art. 12 of legislative decree no. 185 of 28 November 2008 (“Legislative Decree no. 185”), amended and transposed into Law no. 2 of 28 January 2009. Interest is paid annually at a fixed 8.5% rate until 2010

These instruments are designed to strengthen the Group’s regulatory capital position and support economic development with a particular focus on small-medium enterprises.

2. Tier 2 capital

The table below reports the main features of the instruments included in the calculation of Tier 2 and in particular hybrid capitalisation instruments and subordinate liabilities.

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Curr.	Original amount in currency units	Contribution to regulatory capital (EUR/000)
Subordinated bond loan	4.875% fixed	NO	31 05 2006	31 05 2016	N.A.	EUR	750.000.000	749.881
Subordinated bond loan	5.750% fixed	NO	31 05 2006	30 09 2016	N.A.	GBP	200.000.000	287.763
Subordinated bond loan	Euribor 6m+2.50%	NO	15 05 2008	15 05 2018	N.A.	EUR	2.160.558.000	2.154.259
Total hybrid instruments (Upper Tier II)								**3.191.903**
Subordinated bond loan	CMS Convexity Notes	NO	07 07 2000	07 07 2015	N.A.	EUR	30.000.000	30.000
Subordinated bond loan	CMS Volatility Notes	NO	20 07 2000	20 07 2015	N.A.	EUR	25.000.000	25.000
Subordinated bond loan	4.50% fixed until 24/09/2010; later Euribor 3m+1.20%	YES	24 09 2003	24 09 2015	24 09 2010	EUR	600.000.000	585.859
Subordinated bond loan	Euribor 3m +0.40 % until 30/06/2010; later Euribor 3m+1%	YES	30 11 2005	30 11 2017	30 11 2012	EUR	500.000.000	495.394
Subordinated bond loan	Euribor 3m+0.40 % until 30/04/2013; later Euribor 3m+1%	YES	20 12 2005	15 01 2018	15 01 2013	EUR	150.000.000	131.050
Subordinated bond loan	7.44% fixed	NO	30 06 2008	30 12 2016	N.A.	EUR	250.000.000	247.648
Subordinated bond loan	Euribor 3m+0.60% until 30/04/2013; later Euribor 3m+0.90%	NO	01 11 2002	01 11 2012	€ 39.387,0	EUR	75.000.000	42.266
Subordinated bond loan	Euribor 3m+1.40% until 30/04/2013; later Euribor 3m+2%	YES	30 04 2008	30 04 2018	30 04 2013	EUR	450.000.000	41
Subordinated bond loan	Euribor 3m+2,8	YES	10 10 2006	10 10 2016	10 10 2011	EUR	400.000.000	400.000
Subordinated bond loan	Euribor 6,4 until 31/10/2013 later Euribor 3m+3%	YES	31 10 2008	31 10 2018	31 10 2013	EUR	100.000.000	105.271
Subordinated debt	7% fixed	NO	04 03 2009	04 03 2019	N.A.	EUR	500.000.000	496.879
Subordinated bond loan	5% fixed	YES	21 04 2010	21 04 2020	non previsto	EUR	350.000.000	345.224
Bond loan	floating	NO	30 09 2003	30 09 2013	€ 39.721,0	EUR	7.000.000	5.600
Bond loan	Euribor 6m +0,60%	NO	07 12 2005	07 12 2015	non previsto	EUR	7.785.900	5.029
Bond loan	Euribor 6m +0,60%	NO	15 04 2008	15 04 2018	15 04 2013	EUR	2.140.116	1.623
Bond loan	Euribor 6m +0,60%	NO	18 04 2008	18 04 2018	18 04 2013	EUR	2.834.378	1.828
Total hybrid instruments (Upper Tier II)								**2.918.712**
Total								**6.110.615**

3. Tier 3 capital

As at 30 June 2010, there were no instruments included in the calculation of Tier 3 capital.

B. Quantitative information

(in thousands of EUR)

	30 06 2010	31 12 2009
A. Tier I before prudential filters	**8.488.693**	**8.231.299**
B. Tier I prudential filters	**1.408.011**	**1.430.361**
B1 - Positive IAS/IFRS prudential filters	1.900.000	1.900.000
B2 - Negative IAS/IFRS prudential filters	(491.989)	(469.639)
C. Tier I capital gross of items to be deducted (A+ B)	**9.896.704**	**9.661.660**
D. Items to be deducted from Tier I	**(564.711)**	**(568.233)**
E. Total TIER 1 (C- D)	**9.331.993**	**9.093.427**
F. Tier II before prudential filters	**6.301.255**	**6.343.974**
G. Tier II prudential filters	**(59.978)**	**(78.923)**
G1. - Positive IAS/IFRS prudential filters	-	-
G2. - Negative IAS/IFRS prudential filters	(59.978)	(78.923)
H. Tier 2 gross of items to be deducted (F + G)	**6.241.277**	**6.265.051**
I. Items to be deducted from Tier II	**(564.711)**	**(568.233)**
L. Total TIER 2 (H - I)	**5.676.566**	**5.696.818**
M. Items to be deducted from Tier I and Tier II	**(389.428)**	**(409.818)**
N. Capital for regulatory purposes (E+ L - M)	**14.619.131**	**14.380.427**
O. Tier III capital (TIER 3)	**-**	**-**
P. Regulatory capital inclusive of TIER III (N+ O)	**14.619.131**	**14.380.427**

The regulatory capital of the MPS Group has been calculated taking into account the effects deriving from the application of IAS/IFRS international accounting standards, based on the provisions of the 12th update of Bank of Italy's Circular No. 155 "Instructions for the preparation of reports on regulatory capital and prudential ratios".

In the first half of 2010, Tier 1 capital increased by EUR 238.6 mln, totalling EUR 9.332 mln. compared to EUR 9,093.4 mln at the end of 2009. The Tier 1 capital was positively influenced by the capitalisation of the profit for the period, in the amount of EUR 260.2 mln and the reduction of goodwill by approximately EUR 163 mln, following the disposals of undertaking to the Carige Group and Banca CRFirenze (Intesa Sanpaolo Group) (22 and 50 branches respectively); on the other hand, it was negatively influenced by the annual fee paid to JP Morgan on account of the acquisition by the Parent Bank BMPS of the dividend entitlement on ordinary shares subscribed by JP Morgan following the increase in share capital implemented in 2008, fixed-rate interest (8.5% up to 2010) related to the issue of "Tremonti – Bonds", negative changes in treasury shares in addition to the negative prudential filter of 50%, quantified on the net benefit recognized to P&L in 2010 arising from the accounting treatment of the substitute tax for reduction of goodwill made by the subsidiary, Banca Antonveneta.

In the first half of 2010, Tier II capital decreased by approximately EUR 20.2 mln, totalling EUR 5,676.6 mln against EUR 5,696.8 mln at the end of 2009; the decrease is attributable to the changes undergone by the issuance of lower Tier II.
As at 30 June 2010, there were no subordinate Tier III Securities.

Under the measures set forth by the Bank of Italy on 18 May 2010 regarding prudential filters for regulatory capital, the Group opted for the symmetrical treatment of revaluation reserves relating to debt securities issued by Central Governments of EU countries held in the "Available for Sale" portfolio. Consequently, with regard to these securities, the impact of changes in AFS reserves upon regulatory capital as of 1 January 2010, amounting to approximately Euro 851 mln, has been completed sterilized.

The amount reported may show differences, albeit not significant, compared to those contained in final reporting to the Supervisory Authority, in light of the timing difference between the approval of the Half-Year condensed consolidated financial statements and the date of submission of Supervisory reports referring to the period as at 30 June 2010.

2.3 Capital adequacy

A. Qualitative information

The qualitative information regarding the Group's capital adequacy assessment process is included in Section 1 of this Part F.

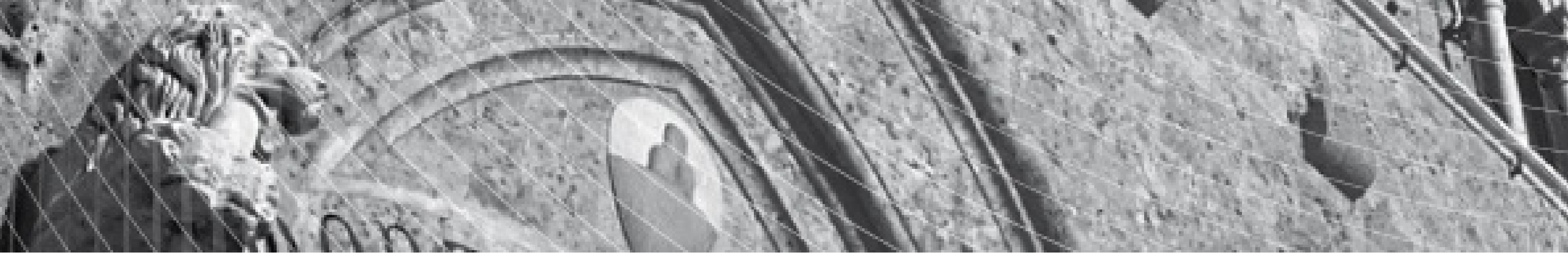
B. Quantitative information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	30 06 2010	31 12 2009	30 06 2010	31 12 2009
A. RISK ASSETS				
A.1 Credit and counterparty risk (*)	**287.826.923**	**279.114.766**	**113.436.184**	**128.883.975**
1. Standardized Approach	197.055.556	190.530.757	76.180.735	80.200.737
2. 2 Internal rating-based (IRB) approach	90.261.022	88.054.170	36.775.015	36.977.136
2.1.Foundation	-	-	-	-
2.2 Advanced	90.261.022	88.054.170	36.775.015	36.977.136
3. Securitisations	510.345	529.839	480.434	471.733
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**9.071.004**	**9.411.968**
B.2 Market risk			**622.078**	**580.144**
1. Standardized Approach			622.078	580.144
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational Risk			**691.309**	**702.258**
1. Foundation			53.284	53.714
2. Standardized Approach			-	-
3. Advanced			638.025	648.544
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**(766.916)**	**(1.022.428)**
of which impaired			61.365	49.961
of which intra-group adjustments			(828.281)	(1.072.389)
B.6 Total prudential requirements (3)			**9.617.475**	**9.671.942**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			120.218.438	120.899.275
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			7,76	7,52
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)			12,16	11,89

Total risk-weighted assets as at 30 June 2010 amounted to EUR 120,218 mln, reporting a decrease (-0.56%) compared to the end of the previous year. This contraction is partly due to the disposals of undertaking to the Carige Group (22 branches) and Banca CR Firenze S.p.a. - Gruppo Intesa Sanpaolo (50 branches) and partly to the allocation of assets at risk entailing a different modulation with a shift toward those less at risk.

At the end of the first half of 2010, Tier1 capital ratio was 7.76% while the total capital ratio was 12.16%. Without applying the limitation of the 90% floor, the Tier1 capital ratio would be 7.81% while the Total capital ratio would be 12.25%

The amounts reported here may show differences, albeit not significant, compared to those contained in final reporting to the Supervisory Authority in light of the timing difference between the approval of the Half-Year condensed consolidated financial statements and the date of submission of Supervisory reports referring to the period as at 30 June 2010.



Part G – Business or business unit combinations

Section 1 – Business combinations during the half-year period

1.1 – Business combinations

Transactions included under the scope of application of the international accounting standard IFRS 3 "Business combinations" .

In the first half of 2010, no business or business unit combination transactions were completed that would make accounting standard IFRS3 applicable, with the exception of a minor acquisition by the subsidiary Banca Antonveneta at the end of June, increasing its stake in the company, Padova 2000, from 45.01% to100% due to its participation, as sole shareholder, in the reconstruction of share capital, after capital reduction following losses. The company was fully consolidated as at 30 June 2010.

However, the following transactions are reported below for informational purposes:

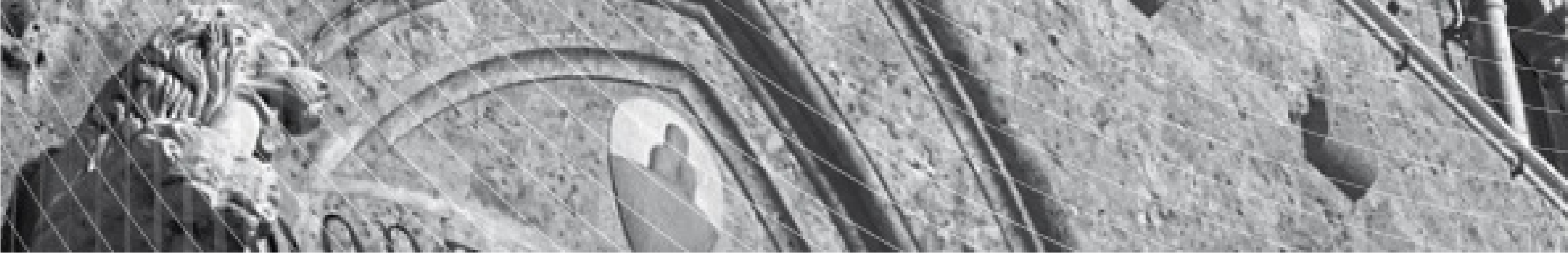
Transactions within the Group (business combinations of entities under common control)

Transactions carried out by the Parent Company:

- merger by absorption of Banca Personale S.p.a. (100% controlled by the Parent Company) into the Parent Company in April;
- merger by absorption of MPS SIM S.p.a., ANTENORE S.p.a. and THEANO S.p.a. (100% controlled by the Parent Company) into the Parent Company in May;
- merger by absorption of ULISSE S.p.a. and SIENA MORTGAGES 00–01 S.p.a. (100% controlled by the Parent Company) into the Parent Company in June.

For completeness of information:

- in May, as part of the Covered Bonds Issuance Programme targeting the Euromarket, the Parent Company acquired a 90% shareholding in the vehicle, MPS Covered Bond Srl which was fully consolidated into the Group.



Part H – Related-party transactions

1 Information on the compensation of directors, statutory auditors, executives and managers with strategic responsibility

(in thousands of EUR)

items/Amounts	Total 30 06 2010	Total 31 12 2009
Short-term benefits	3.923	11.429
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	202	238
Total compensation paid to key management personnel	**4.125**	**11.667**

In consideration of guidance provided by accounting standard IAS 24 and in light of the current organisational set-up, the scope of disclosure includes not only Directors, Statutory Auditors, the CEO and Deputy CEOs, but also Managers with strategic responsibility.

2. Disclosure of related-party transactions

The Parent Company's Code of Conduct for related party transactions ("**Code**"), originally approved in 2003, was amended to its current version in 2006 in accordance with changes made to the overall regulatory framework. In view of the adoption of EC Regulation No. 2238/2004 of 19 December 2004 concerning International Accounting Standards, the Italian Securities and Exchange Commission, CONSOB, amended the Issuers' Regulation referencing (EC) Regulation No. 1606/2002 of the European Parliament and Council (hereinafter referred to as **IAS 24**) with respect to the definition of related parties.

Said transactions (i.e. transactions carried out by the Parent Company - including through subsidiaries - with related parties) are broken down into: *Ordinary transactions* (with no particular distinctive features), *Significant transactions* (which imply an obligation of disclosure to the market pursuant to art. 71-*bis* of the "Issuers' Regulation" adopted by CONSOB resolution 11971), *Relevant transactions* (which cannot be considered to be Significant Transactions, but have atypical and/or unusual features).

It was decided that Ordinary Transactions shall be approved in accordance with the powers established by the existing system of decision-making authorities adopted by the Bank. Significant Transactions and Relevant Transactions fall under the responsibility of the Board of Directors (subject to the emergency powers provided by the Parent Company's Articles of Association).

If dictated by the nature, the value or the additional characteristics of the transactions, the Board of Directors may decide that its assessments need to be supported by the opinions of one or more independent advisors covering the economic terms and/or the technical structure and/or the legal aspects of the transactions.

In relation to transactions to be conducted with the Bank's Related Parties, Subsidiaries have incorporated the code adopted by the Parent Company, adapting it to the structure of their decision-making levels, with appropriate, prompt notices to be given to the Parent Company in relation to said transactions.

"Regulations containing provisions relating to transactions with related parties" was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

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

The Regulation goes alongside the primary legislation governed by art. 2391 of the Civil Code – Directors' Interest – and by self-regulation, such as article 9 of the self-regulatory code for listed companies – Directors' interest and related party transactions – which establishes criteria for substantial and procedural correctness in managing transactions with related parties.

The subject is also governed by more bank-specific regulations such as art. 53 of the Consolidated Law on Banking, which sets out the terms and conditions for the assumption of risks in relation to those who, either directly or indirectly, may exercise influence over the bank's or the banking group's operations or over any persons related to these, as well as art. 136 also of the Consolidated Law on Banking pertaining to the obligations of bank representatives.

Without prejudice to the date initially set for the application of the new regulations at issue (1 January 2011), Consob took the decision to postpone the two intermediate deadlines regarding transparency in transactions of greater significance and definition of procedures to **1 December 2010**.

The Parent Company is putting the appropriate measures and suitable actions in place so as to align itself with the formalities required by the new regulation.

In The first half of 2010, the Montepaschi Group did not conduct any **Significant Transactions** i.e. transactions which by nature, consideration, mode or time of implementation might have effects on the safeguarding of corporate assets or the completeness and accuracy of information, including accounting information, relating to BMPS and to the MPS Group and therefore involve obligations of market disclosure pursuant to art. 71 bis of Consob Regulation no. 11971.

Information is provided below regarding certain transactions effected by the Montepaschi Group over the same period which, although classed as ordinary transactions under the Code, are worthy of specific mention.

All transactions approved by the Board of Directors of the Parent Company or of other Group companies, were conducted on the basis of assessments of mutual economic benefit.

January 2010

- ✓ During the ordinary review of loans to the Group headed by Mr. Francesco Gaetano Caltagirone, Deputy Chairman of Banca Monte dei Paschi di Siena S.p.A., extension of the different forms of ordinary credit lines was approved for the amount of approx. EUR 198 million.

- ✓ Extension of lines of credit amounting to EUR 9,500 thousand, in favour of Sansedoni S.p.A.. It should be noted that Sansedoni S.p.A. is an indirect related party of BMPS S.p.A. insofar as it is a company over which the MPS Foundation – in turn a related party of the BMPS Group, insofar as it has a holding in BMPS sufficient to exercise significant influence over BMPS- exerts significant influece (48%) and one in which BMPS itself has a significant interest (16%) as at the date of the transaction.

February 2010

- ✓ renewal of ordinary line of credit for EUR 75,000 K in favour of Banca Popolare di Spoleto S.p.A.. Banca Popolare di Spoleto is a related party of BMPS insofar as it is under the joint control of BMPS and Spoleto Crediti e Servizi S.c.a.r.L..

- ✓ mortgage loan for EUR 5,000 K in favour of Agricola Merse S.p.A. by the subsidiary MPS Capital Services S.p.A.. Agricola Merse is a related party of BMPS S.p.A. insofar as it is a company in which MPS Capital Services S.p.A exercises significant influence (20% holding).

- ✓ New real estate mortgage loan disbursements in the amount of € 30,064 K in favour of Immobiliare Caltagirone S.p.A.. The company is part of the Group headed by Mr. Francesco Gaetano Caltagirone, Deputy Chairman of Banca Monte dei Paschi di Siena S.p.A..

March 2010

- ✓ real-estate mortgage loan granted to Sansedoni S.p.A. together with a line of credit to cover interest rate risk in the amount of EUR 5,300 K. With regard to the nature of related-party transaction, the afore-mentioned considerations on Sansedoni S.p.A. shall apply.

- ✓ real-estate mortgage loan for EUR 36,500 K granted to Fabrica Immobiliare SGR S.p.A. in its capacity as manager of Fondo Immobiliare Chiuso Seneca. Fabrica Immobiliare SGR S.p.A. is an indirect related party of BMPS S.p.A., insofar as it is a company over which BMPS exercises significant influence through MPS Investments S.p.A. which holds 49.99% of the share capital of Fabrica Immobiliare. It is noted that the Deputy Chairman of the Board of Directors of BMPS, Mr. Francesco Gaetano Caltagirone, indirectly controls Fincal 2000 S.p.A., a company which holds 50.01% of Fabrica Immobiliare.

April 2010

- ✓ With regard to the decision taken in the second half of 2009 concerning the sale of certain properties located in Rome, with disbursement of mortgage loans, to specific companies of the Group headed by Mr. Francesco Gaetano Caltagirone, Deputy Chairman of Banca Monte dei Paschi di Siena S.p.A. – re: Notes to the Financial Statements in the Annual Report 2009, Part H, Related-Party transactions – the Board of Banca MPS (subsequent to amendments regarding the possibility that transfer of ownership and disbursement of loans may be subject to the identification of related parties on a case-by-case basis) renewed its decision for MPS Immobiliare S.p.A. to proceed with the above-mentioned disposal.
  The majority of deeds and concessions required were completed in the first half of the current year.

May 2010

- ✓ increase of ordinary credit lines to be used in various technical forms in the amount of EUR 175,000 K in favour of Acea S.p.A.. The listed company is held to the extent of 13% by companies belonging to the group headed by Mr. Francesco Gaetano Caltagirone, Deputy Chairman of Banca Monte dei Paschi di Siena S.p.A..

- ✓ new credit line in favour of the company, Aceaelectrabel Trading S.p.A. in the amount of EUR 15,000 K. The company is an indirect subsidiary of Acea S.p.A., for which the aforementioned considerations shall apply.

- loan disbursements granted in the amount of EUR 16,500 K in favour of Fabrica Immobiliare SGR S.p.A. and Fondo Seneca managed by SGR itself. With regard to the nature of related-party transaction, the aforementioned considerations on Fabrica Immobiliare SGR S.p.A. shall apply.

June 2010

- ✓ increase of credit line for € 45,000 K and € 90,000 K in favour of Axa MPS Financial Ltd. approved by the subsidiary, MPS Capital Services S.p.A.. Axa Mps Financial Ltd is a related party of BMPS insofar as it is entirely owned by AXA MPS Assicurazioni Vita S.p.A., a company on which MPS Investments S.p.A. (100% owned by the Parent Company) exercises significant influence.

- ✓ Setup of a consortium for placements by the subsidiary MPS Capital Services S.p.A. for subscription of the Socrate Fund managed by Fabrica Immobiliare SGR S.p.A.. With regard to the nature of related-party transaction, the aforementioned considerations on Fabrica Immobiliare SGR S.p.A. shall apply.

2.a Affiliated companies

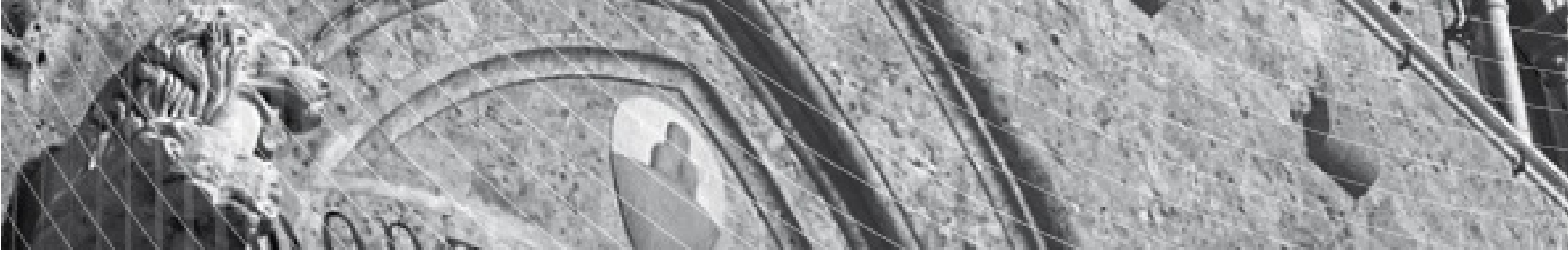
30 06 2010
(in thousands of EUR)

items/Amounts	Amounts	% on consolidated
Total financial assets	607.949	0,27
Total other assets	3.136	0,00
Total financial liabilities	851.421	0,38
Total other liabilities	43.419	0,63
Guarantees issued	92.216	27,66
Guarantees received	131.176	0,00

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

30 06 2010
(in thousands of EUR)

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	2.188	466.298	0,21
Total financial liabilities	3.343	1.106.202	0,50
Total functioning costs	3.987	138	-
Guarantees issued	-	214.638	64,38
Guarantees received	973	248.542	-



Part L – Segment reporting

This section of the Notes to the Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS 8 "Operating Segments".

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS 14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates all over Italy and in the major international financial centres, with operations ranging from traditional lending (i.e. short-/medium-/long-term loans to retail and corporate customers, leasing, factoring, consumer credit) to asset management, bancassurance and social welfare products, private banking, investment banking and corporate finance. As of 2001 the Montepaschi Group introduced and gradually implemented Value Based management control instruments, with the objective of monitoring profitability by business area and unit. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of the business segments and the review of segment reporting principles set out by existing regulations, as well as to meet the regulatory requirements for the reconciliation of management reporting for internal purpose with the data used for external reporting.

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

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

As a result of the restructuring carried out in June 2009, on 30/06/2010 the Group can be broken down into the following business segments:

- **Consumer banking;**
- **Corporate banking;**
- **Credit Management;**
- **Human Resources, Organisation, Property and Logistics**.

Consequently, the segments identified for the purposes of the operational representation of the Group's results, also defined on the basis of criteria of business representativeness/predominance, are as follows: **Consumer banking, Corporate banking and the Corporate Centre which includes, among other things, "Credit managment" and "Human resources, organization, property and real estate".**

The business segments include segmentation of divisionalised Bank customers (**Retail, Private, Family Office, Financial advisory services, Corporate and Key Clients)** and figures from non-segmented legal entities **(product companies and other banks**), reflecting internal reporting, based on the Group's rules of governance (in line with the functional and hierarchical relations resulting from the Group's organisational structure as at 30/06/2010).

More specifically:

CONSUMER BANKING

The Consumer Banking segment, born of the reorganisation of the Parent Bank at the end of June 2009, has centralised activities previously performed by the former Commercial Banking/Distribution Network and Private Banking/Wealth Management segments.

More specifically, Consumer Banking is responsible for:

- Funding from and provision of financial and non-financial services (also through the management of electronic payment instruments) to Retail customers from: divisionalised entities (including small businesses); the non-divisionalised company dealing with consumer credit; the pro-rata investments of Banca Popolare di Spoleto;
- the supply of a customised and exclusive range of products/services to Private customers, in order to meet the most sophisticated asset management and financial planning requirements, including advice on non-strictly financial services (i.e. tax planning, real estate, art & legal advisory) and financial advisory services.

CORPORATE BANKING

Corporate banking is responsible for managing transactions with the **Corporate and Key Clients** of divisionalised entities and **product companies** operating in the areas of **short-/medium-/long-term corporate loans, corporate finance, leasing and factoring, investment banking and financial engineering, equity capital markets and brokerage**.

This *operating segment* also covers **transactions carried out by foreign subsidiaries and foreign banks**, excluding the company governed by Monegasque law which, specialising in private client management, comes under the Consumer banking division.

CORPORATE CENTER

The Corporate Centre is an aggregation of:

a) operating units which, on an individual basis, are below the benchmarks required for primary reporting;
b) the Group's head office units (including governance and support, proprietary finance, equity investments and segments of divisionalised entities, which include in particular ALM, Treasury and Capital Management);
c) service units providing support to Group units, particularly with regard to collection of doubtful loans (reporting to the Credit Management Area), real estate management, and IT systems management and development (all reporting to the "Human Resources, Organisation, Property and 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. As of 30 June 2010 the aggregate also includes the P&L figures generated by the branches sold and reported up to the date of sale (28 May 2010: sale of 22 branches to the CARIGE group; 11 June 2010: sale of 50 branches to the Intesa-SanPaolo Group), previously under the Consumer banking division

Profit and loss statement criteria by business segment

The net operating income by business segment was constructed based on the following criteria:

- **Interest income,** in relation to divisionalised entity segments, is calculated by way of contribution to the total on the basis of internal transfer rates differentiated by type of product and maturity. With reference to the Group's other entities, interest income consists inthe difference between "interest income and similar revenues" and "interest expense and similar charges".
- **Net commissions** are determined by direct allocation of actual commission inflows to the business segments.
- **Net value adjustments/writebacks due to impairement of loans**, are allocated to the business segments which originated them. With reference to divisionalised entities, the balance sheet

aggregate is allocated on the basis of provisioning percentages applied to analytical operational flows of performing loans transitioning to non-performing or watchlist.

- **Operating expenses** include administrative expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. As regards non-divisionalised entities (monosegments), total operating expenses are allocated to the corresponding business segments. As regards, divisionalised companies (Banca Monte dei Paschi di Siena and Banca Antonveneta) a cost allocation model is adopted. This model, with reference to "other administrative expenses and net value adjustments to tangible and intangible assets", allocates costs to business centres on the basis of a set of pre-identified services, allocating directly to the Corporate Centre those costs which cannot be reasonably allocated to cost centres. With reference, however, to personnel costs, the model allocates costs to the Business Centres on the basis of the resources' functional reporting, or, if this is not possible, on the basis of specific criteria relating to the activity performed.

Criteria for the definition of capital aggregates by business segment

Capital aggregates are 'constructed' based on the internal reporting system as the starting point to identify the accounts directly pertaining to the segments. The accounts are related to the revenues/costs allocated to each segment.

In particular:

- **Active loans and advances to customers** are the assets used in the business of - directly attributable to- the operating segments;
- **Customer deposits and securities in issue** are the liabilities resulting from the business of – and directly attributable to - the operating segments.

Transactions between business segments

Revenues and income of each segment include the transfers between business segments. These transfers are reported in accordance with the best practices accepted by the market (i.e. fair market value or cost increased by a fair margin) both in commercial and financial transactions.

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

Preparation criteria

In accordance with the recommendations of IFRS 8, for the purposes of consistent disclosure of information, account was taken of the above-described changes to the Group's organisational structure as well as of the criteria adopted for the allocation of "Net value adjustments/writebacks due to impairement of loans" to the business segments on the basis of provisioning percentages applied to the analytical operational flows of performing loans transitioning to non-performing or watchlist.

Below is a breakdown of the MPS Group's P&L/capital aggregates as at 30/06/2010, on the basis of the aforementioned business segments:

SEGMENT REPORTING
(in millions ofi euro)

June 2010	Retail & Private Banking	Corporate Banking	Corporate Center	Total Reclassified Group
PROFIT AND LOSS AGGREGATES				
Financial and insurance income	**1.545,5**	**1.004,1**	**260,6**	**2.810,2**
Net value adjustements due to impairment Of loans and financial assets	224,5	379,4	5,1	609,0
Operating expenses	1.114,6	299,1	276,7	1.690,4
Net operating income	**206,3**	**325,6**	**-21,1**	**510,8**
BALANCE SHEET AGGREGATES				
Active loans and avances to customers	62.928,6	72.739,8	12.194,4	147.862,8
Customer accounts and securities	84.709,7	49.143,5	24.378,7	158.232,0

The table below shows **historical data** as at 30/06/2009 (see Financial Report as at 30 June 2009):

SEGMENT REPORTING
(in milioni di euro)

Giugno 2009	Direzione Commerciale Privati	Direzione Commerciale Corporate	Corporate Center	Totale Gruppo riclassificato
DATI ECONOMICI				
Margine della gestione finanziaria e assicurativa	**1.670,0**	**1.006,0**	**257,3**	**2.933,3**
Rettifiche di valore nette per deterioramento di crediti e attività finanziarie	287,5	418,7	3,5	709,7
Oneri Operativi	1.161,2	375,2	214,6	1.751,1
Risultato operativo netto	**221,2**	**212,2**	**39,1**	**472,5**
AGGREGATI PATRIMONIALI				
Crediti vivi verso clientela	55.780,3	71.727,0	13.496,7	141.004,0
Debiti verso clientela e Titoli	84.401,5	47.443,4	15.790,1	147.635,0

For a consistent comparison of operations in 2009/2010 please refer to the Report on Operations in the section "*Segment reporting*".

CERTIFICATION OF THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to article 81-ter of Consob regulation no. 11971 of 14 may 1999, as subsequently amended and supplemented

1. The undersigned Giuseppe Mussari, as Chairman of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A., and Daniele Bigi, as Financial Reporting Officer of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree No 58 of 24 February 1998, hereby certify:

– the adequacy to the company's characteristics, and
– the effective application

of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the first half of 2010.

2. The adequacy of the administrative and accounting procedures used in the preparation of the condensed consolidated financial statements at 30 June 2010 was assessed based on an internal model developed by Banca Monte dei Paschi di Siena S.p.A. in accordance with the Internal Control – Integrated Framework produced by the *Committee of Sponsoring Organisations of the Treadway Commission*, as well as the Cobit Framework for the IT section, which are generally accepted benchmarks.

3. It is also certified that:

3.1 the condensed consolidated financial statements:

– have been prepared in accordance with the international accounting standards adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, and with measures implementing Article 9 of Legislative Decree No 38 of 28 February 2005;
– are consistent with the accounting records and ledgers;
– give a true and fair representation of the balance sheet, profit and loss and cash flows of the issuer and of the companies included within the scope of consolidation.

3.2 The mid-year report on operations includes a reliable analysis of the significant events in the first six months of the financial year and their impact on the half-year condensed consolidated financial statements as well as a description of the key risks and uncertainties for the remaining six months of the financial year. The mid-year report on operations also includes a reliable analysis of information regarding significant transactions with related parties.

Siena, 26 August 2010

Per il Consiglio di Amministrazione
Il Presidente
Giuseppe Mussari

Il Dirigente preposto alla redazione
dei documenti contabili societari
Daniele Bigi

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(Translation from the Italian original which remains the definitive version)

Review report

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

1 We have reviewed the condensed interim consolidated financial statements of the MONTEPASCHI Group as at and for the six months ended 30 June 2010, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting", endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than an audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

With regard to the corresponding figures included in the condensed interim consolidated financial statements for comparative purposes, reference should be made to our reports on the annual consolidated and condensed interim consolidated financial statements of the previous year dated 9 April 2010 and 28 August 2009, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the MONTEPASCHI Group as at and for the six months ended 30 June 2010 have not been prepared, in all material

respects, in conformity with IAS 34, "Interim Financial Reporting", endorsed by the European Union.

Florence, 27 August 2010

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit