GRUPPO **MONTEPASCHI**

Quarterly Report as at 31 March 2010

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Q1 GROUP RESULTS IN BRIEF

In continuation from previous years, **the sales and marketing plan for the first quarter of 2010** gave top priority **to ensuring focus on customers** within an operating framework that continued to be difficult, especially on account of the persisting uncertainties in the markets. The objective was facilitated by organisational and commercial restructuring initiatives which were put underway last year and which have been completed earlier than was estimated in the 2008/2011 Business Plan. These initiatives have improved the Group's ability to quickly and concretely **intercept the demands of households and businesses so as to then tailor the products and services offered to customers.** In this connection and in view of the commitments undertaken through the issue of the Tremonti Bond, the Group continued with its **initiatives and activities in support of households and businesses aimed at mitigating the effects of the unfavourable market situation and guaranteeing continuity to the Group's offer of credit.** With regard to assets under management, an indispensable prerequisite continues to be the Customer's risk profile. Within this context, **the Montepaschi Group continued to expand its customerbase, thus consolidating or improving its competitive positioning in the various business sectors.** More specifically:

- with respect to <u>funding aggregates</u> **total stocks** came to 292 bln (+10.5% vs. 31 March 2009), with indirect funding **increasing by approximately 4bln compared to the end of 2009**. The figure reflects the ongoing rise in asset management volumes mainly on the back of positive inflows from insurance premiums and collective investment schemes;
- with regard to <u>credit management</u>, as at 31 March 2010 the volume of **loans** for the Montepaschi Group came to approximately 151 bln, **up 4.2% on 31/03/2009, showing a trend that was in line with the commitments undertaken with the Ministry for the Economy and Finance following the issue of the "Tremonti Bonds".** A comparison with 31/12/09 shows that **the number of loans disbursed to Ordinary Customers increased by almost 4 bln, including residential mortgages (approx. 3 bln) and lending to SMEs and Small Businesses (approx. 1 bln),** despite a still-limited demand for credit from the manufacturing industry, reflecting weak economic activity and reduced investment spending. On the contrary, a downturn was recorded (over 5 bln) for short-term loans towards institutional and market counterparties (mainly repos). The Group's market share for loans as at 31 March 2010 stood at 7.89%, down 13 bps on 31/12/2009. The lending trend in the first quarter of 2010 benefitted from **new mortgage loans negotiated** for an amount exceeding **4.5 bln**, an increase of 142% on the same period last year, thus consolidating the Q409 record result of 5.6 bln (the market share held by the Group as at 31 March 2010 stood at 10.7%, up 43 bps on 31/12/2009). With regard to **special-purpose loans (industrial and consumer) disbursed by the Group through dedicated product companies, new flows** came to approximately **2.8 bln** (+12.4% YoY; -2.3% on Q409). In terms of **credit quality**, net non-performing loans accounted for approximately 3% as at 31 March 2010.
- **The Group's total number of customers exceeded 6.3 mln**.

As a result of the above-described trends, the Montepaschi Group recorded a Net Operating Income at 31 March 2010 of approx. EUR 257mln (289 mln in 1Q09 and –103 mln in Q4) which, in terms of revenues and credit assets, reflected the difficulties that still persist within the continuing economic-financial scenario. Consequent interest rates have stabilised at very low levels, with the 1 month Euribor rate sinking to an all-time low (41bps at the end of March; - 6bps compared to 31/12/2009 and 72bps as compared to 31/03/2009). Against this complex backdrop, the Group nevertheless directed its efforts at increasing its "operational efficiency" achieving a reduction in Operating Expenses (-3.4%) with a cost/income ratio at 60.4%.

Consolidated net profit for the year before *Purchase Price Allocation*[1] (PPA) came to approximately 170 mln. Net profit for the year stood at approximately EUR 142 mln having benefitted from a reduction in taxes by approx. 70 mln owing to the application of Legislative Decree no. 185/08.

As for **regulatory ratios,** the TIER I Ratio BIS II was estimated at 7.5% as at 31 March 2010 (vs. 7.5% at the end of 2009) with a BIS II solvency ratio of 11.8% (as compared to 11.9% at the end of 2009).

[1] Purchase Price Allocation: fair value valuation of the main potential assets and liabilities purchased.

EXPLANATORY NOTES

Pursuant to art.154 ter of the Consolidated Law on Finance, this consolidated interim report on operations as at 31 March 2010 was , prepared in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and effective at the time the current document was prepared, as provided for by EC Regulation (No.1606 of 19 July 2002.

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

This interim report has been prepared according to the same accounting policy used for the Consolidated 2009 Annual Report, which may be referred to for further details along with the information contained herein on the IAS/IFRS International accounting principles and related SIC/IFRIC interpretations, as endorsed by the European Commission up to 31 March and necessarily applicable as of 1 January 2010.

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

The international accounting standards (IAS/IFRS) and related SIC/IFRIC interpretations approved by the European Commission and necessarily applicable as of 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.

IAS 32 Financial Instruments: Presentation. In October 2009, the IASB issued an amendment stating that rights issued on a pro-rata basis to all existing shareholders of the same class for a fixed amount of currency should be classified as equity, regardless of the currency in which the exercise price is denominated.

The amendment, approved by the European Commission with Regulation 1293/2009, is applicable to financial statements for financial years commencing on 1 February 2010 or later.

IAS 39 Financial instruments: recognition and measurement. On 31 July 2008, the IASB issued an amendment to IAS 39 entitled "Eligible hedged items", on the basis of which clarification was given that inflation risk may only be hedged under certain conditions and that a purchased option cannot be designated in its entirety (intrinsic and time value) to hedge a one-sided risk of a forecast transaction because it does not generate a perfectly effective hedge.

The amendment, approved by the European Commission with Regulation 839/2009, must be applied to the first financial year commencing after 30 June 2009.

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

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

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

- **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 in the right to charge for the use of the infrastructure. In both cases, the financial/intangible asset is initially measured at fair value but then follows the rules of measurement specific to the reference class. The interpretation, applicable from 1 January 2010, was approved by the European Commission on 26 March 2009 under Regulation 254/2009.

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

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

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

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

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

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

- **IFRS 2 – Share-based payments**. The scope of application no longer includes payments in shares deriving from business combinations involving entities under joint control and joint ventures.
- **IFRS 5 – Non-current assets held for sale and discontinued operations:** clarification was given on mandatory disclosure.
- **IFRS 8 – Operating segments**: clarification was given that assets relating to each segment must be only be shown if these assets are included in management reporting.
- **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.
- **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.
- **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**.**
- **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.
- **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.
- **IAS 39 – Financial instruments: recognition and measurement**: changes were made to forward contracts arising from business combinations, prepayment options and cash flow hedging. As regards forward contracts arising from business combination agreements, paragraph 2 g) of IAS 39 specified that contracts stipulated between a purchaser and a vendor in a business combination to buy or sell an acquiree at a later date, would be excluded from the scope of IAS 39. The amendment in question made it clear that this exemption is limited to forward contracts between a purchaser and a vendor shareholder to buy/sell an acquiree that result in a business combination and that are settled at a later date whilst awaiting the necessary authorisations and the completion of legal processes. As regards prepayment options, it was specified that options whose exercise price does not compensate the lender for lost interest for the period corresponding to the remaining term of the contract must be separated from the host contract. As regards cash flow hedging, the wording used to illustrate the criteria for reclassification of gains and losses on hedging instruments to profit and loss has been changed.
- **IFRIC 9 – Reassessment of embedded derivatives**. further to revision of IFRS 3, it was necessary to confirm that the aim of the interpretation is still the same but the amendment clarifies that this standard does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities under joint control or a joint venture. The acquisition of affiliated companies is excluded from the scope of this interpretation. If the entity avails itself of early application of the revised IFRS 3 then this interpretation also complies by providing appropriate reporting.

- **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.

The consolidated quarterly interim report on operations was prepared with a view to providing timely and comparable information on the Group's overall performance. Following are the criteria adopted for the preparation of this report:

- The consolidated quarterly interim report on operations was prepared in accordance with the principle of "independence of reportting periods" whereby each period of reference is considered as a stand-alone reporting period;
- The balance-sheet and P&L statement are illustrated on the basis of reclassifed accounts, with information provided consistently with previous financial disclosures;
- The accounting situations considered as the basis for the consolidation process were prepared by the Parent Company and its subsidiaries as at 31 March 2010 and adjusted –if necessary- for alignment with the Group's accounting principles. The accounting exercise also included estimation processes which may differ from those used in the annual reports;
- Infra-group balance sheet and P&L items were cancelled;
- The unit of account is the Euro and, unless otherwise specified, the amounts are expressed in millions of euro.

The consolidated quarterly interim report on operations as of 31 March 2010 is not subject to certification by the independent auditors.

Scope of consolidation

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

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

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

Changes to the scope of consolidation

In the first quarter of 2010, no changes were made to the scope of consolidation with respect to 31 December 2009.

RECLASSIFIED FINANCIAL ASSETS

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 31 03 2010 (4)	Fair value at 31 03 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	652,778	587,092	13,965	6,853	27	11,989
Debt securities	Trading	Loans and advances to banks	182,752	180,943	6,408	1,048	(4)	1,742
Debt securities	Available for sale	Loans and advances to customers	1,544,107	1,428,967	(12,098)	8,773	(2,452)	13,640
Debt securities	Available for sale	Loans and advances to banks	598,481	595,888	(1,935)	789	(428)	1,514
Debt securities	Trading	Available for sale	6	6	-	-	-	-
UCITS	Trading	Available for sale	406,859	406,860	5,654	-	5,653	-
Total			**3,384,983**	**3,199,756**	**11,994**	**17,463**	**2,796**	**28,885**

In addition to the book value and fair value at 31 March 2010 of the financial instruments reclassified in 2008, the above table shows (in columns 6 and 7) the economic results, both value-relevant and other types (interest and profit/loss on realisation), that such instruments would have brought to the Bank in 2010 if they had not been transferred in 2008. Columns 8 and 9 display the economic results, both value-relevant and other types (interest and profit/loss on realisation), which the Bank actually recorded on such instruments in the first quarter of 2010.

MPS GROUP RECLASSIFICATION PRINCIPLES FOR OPERATING PURPOSES

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 financial years involve aggregations and reclassifications of accounts for the purpose of providing a clearer view of Group performance. Following are the major changes as at 31 March 2010:

a) **"Net profit/loss from trading/valuation of financial assets"** in the reclassified income statement, includes the items under Account 80 (Net profit/loss from trading), Account 100 (Gains (losses) on disposals / repurchases 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). This account includes the values of dividends from securities transactions closely associated with the trading component (approx. EUR 18 mln as at 31/03/10) and excludes losses arising from the disposal of loans (approx. EUR 3.1 mln) which were eliminated from 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 14 million as at 31/03/10 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 11 mln (namely, value adjustments to junior notes: approx. EUR 8 mln and charges in relation to financial plans: approx. EUR 3 mln), which are more properly classified under "Net provisions for risks and charges and other operating income/expenses". Additionally, EUR 3.1 mln worth of losses arising from disposal of loans were reclassified out of "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 76 mln) posted in the balance sheet under Account 220 "Other operating income/expenses".

e) The account **"Net provisions for risks and charges and other operating income/expenses"** in the reclassified income statement incorporates Account 190 "Net provisions for risks and charges" and Account 220 "Other operating income/expenses". It also includes value adjustments to junior notes for an amount of approx. EUR 8 mln and financial plans for an amount of EUR 3.1 mln as described under item c) above and excludes stamp duty and client expense recovery as described under item d) above;

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

g) The effects of *Purchase Price Allocation* (PPA) were reclassified out of other accounts (in particular "***Interest income" for approx. EUR 21 mln and depreciation/amortization for approx. EUR 20 mln with a related theoretical tax burden of approx. EUR 13 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**:

h) **"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)*;

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

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

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

RECLASSIFIED ACCOUNTS

CONSOLIDATED REPORT ON OPERATIONS

Summary of results as at 31/03/10

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MONTEPASCHI GROUP			
• INCOME STATEMENT FIGURES (in € mln)	**31/03/10**	**31/03/09**	**% Chg.**
Basic income from banking activities	1.379,7	1.407,8	-2,0%
Net income from banking and insurance activities	1.424,2	1.483,3	-4,0%
Net operating profit	256,7	289,1	-11,2%
Net profit (loss) for the period	142,2	300,6	-52,7%
• BALANCE SHEET FIGURES AND KEY INDICATORS	**31/03/10**	**31/12/09**	**% Chg.**
Direct funding	155.024	155.391	-0,2
Indirect funding	136.671	132.217	3,4
of which: assets under management	*50.486*	*48.783*	3,5
of which: assets under custody	*86.185*	*83.434*	3,3
Loans to customers	150.804	152.413	-1,1
Group net equity	17.167	17.175	0,0
• LOAN QUALITY RATIOS (%)	**31/03/10**	**31/12/09**	
Net non-performing loans/Loans to customers	3,25	3,05	
Net watchlist loans/Loans to customers	2,66	2,47	
• PROFITABILITY RATIOS (%)	**31/03/10**	**31/12/09**	
Cost/income ratio	60,4	64,2	
R.O.E. (on average equity) (1)	2,21	1,46	
R.O.E. (on year-end equity) (2)	2,35	1,49	
Net adjustments to loans / Year-end loans	0,81	0,96	
• CAPITAL RATIOS (%)	**31/03/10**	**31/12/09**	
Solvency ratio	11,8	11,9	
Tier 1 ratio	7,5	7,5	
• INFORMATION ON BMPS STOCK	**31/03/10**	**31/12/09**	
Number of ordinary shares outstanding	5.569.271.362	5.569.271.362	
Number of preference shares outstanding	1.131.879.458	1.131.879.458	
Number of savings shares outstanding	18.864.340	18.864.340	
Price per ordinary share:	**from 31/12/09 to 31/03/10**	**from 31/12/08 to 31/12/09**	
average	1,17	1,24	
lowest	1,08	0,77	
highest	1,33	1,62	
• OPERATING STRUCTURE	**31/03/10**	**31/12/09**	**Abs. chg.**
Total head count - year-end	32.115	32.003	112
Number of branches in Italy	3.088	3.088	
Financial advisor offices	155	163	-8
Number of branches & rep. offices abroad	41	41	

(1) **R.O.E. Return on Average Equity**: net profit for the period divided by the average of year end equity (including net profit) for the current and previous year. Calculations as at 31/12/2009 exclude the effects on shareholders' equity arising from the issue of financial instruments subscribed by the Treasury Department of the Ministry of Economy and Finance at the end of 2009 (known as "Tremonti Bonds")

(2) **R.O.E. Return on Year End Equity**: net profit for the period divided by the year-end net equity of the previous fiscal year after deducting earnings available for shareholders.

■ **INCOME STATEMENT RESTATED ACCORDING TO OPERATING CRITERIA (in mln €)**

MONTEPASCHI GROUP	31/03/10	31/03/09 (*)	Change Abs.	Change %
Net interest income	885,8	925,9	-40,1	-4,3%
Net fees and commissions	493,9	481,9	12,0	2,5%
Basic income from banking activities	**1.379,7**	**1.407,8**	**-28,1**	**-2,0%**
Dividends, similar income and gains (losses) on equity investments	17,9	21,2	-3,3	-15,6%
Net profit (loss) from trading/valuation of financial assets	19,8	47,8	-28,0	-58,5%
Net profit (loss) from hedging	6,7	6,5	0,2	3,3%
Net income from banking and insurance activities	**1.424,2**	**1.483,3**	**-59,1**	**-4,0%**
Net adjustments for impairment of:	**-307,7**	**-304,4**	**-3,3**	**1,1%**
a) receivables	-307,0	-286,6	-20,4	7,1%
b) financial assets	-0,7	-17,8	17,1	-96,0%
Net income from banking and insurance activities:	**1.116,5**	**1.178,9**	**-62,4**	**-5,3%**
Administrative expenses:	-819,6	-851,8	32,2	-3,8%
a) personnel expenses	-556,5	-574,4	17,9	-3,1%
b) other administrative expenses	-263,1	-277,4	14,3	-5,2%
Net valuation adjustments to tangible and intangible assets	-40,1	-38,0	-2,2	5,7%
Operating expenses	**-859,8**	**-889,8**	**30,0**	**-3,4%**
Net operating profit	**256,7**	**289,1**	**-32,4**	**-11,2%**
Net provisions to reserves for risks and charges and other operating income (expense)	-41,4	-10,7	-30,7	n.s.
Gains (losses) on equity investments	-0,2	1,9	-2,1	-108,1%
Integration costs		-4,3	4,3	-100,0%
Profit (loss) on disposal of investments	0,0	0,0	0,0	n.s.
Profit (loss) before tax from continuing operations	**215,1**	**276,0**	**-60,8**	**-22,0%**
Taxes on income from continuing operations	-43,4	-135,9	92,5	-68,1%
Profit (loss) after tax from continuing operations	**171,8**	**140,1**	**31,7**	**22,6%**
Profit (loss) after tax from groups of assets held for sale	-1,3	193,8	-195,2	-100,7%
Profit (loss) for the year - Minority interests	**170,5**	**333,9**	**-163,5**	**-49,0%**
Profit (loss) for the year - Minority interests	-0,5	-0,1	-0,4	n.s.
Net profit (loss) for the period before PPA	**169,9**	**333,9**	**-163,9**	**-49,1%**
Net effects of Purchase Price Allocation	-27,7	-33,3	5,6	-16,8%
Net profit (loss) for the period	**142,2**	**300,6**	**-158,3**	**-52,7%**

(°) Figures published in the 2009 Full-Year Report. To consider the different accounting approach to a number of revenues, the items relating to net interest income and net fees and commissions for the first two quarters of 2009 have been reported on a proforma basis as of the third quarter of 2009, **with no impact on basic income**.

Earnings per Share (in EUR)	31/03/10	31/03/09
Basic	**0,021**	**0,045**
Diluted	**0,021**	**0,044**

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING CRITERIA (in EUR mln)

		Fiscal Year 2009 (*)			
MONTEPASCHI GROUP	**1Q2010**	**4Q2009**	**3Q2009**	**2Q2009**	**1Q2009**
Net interest income	885,8	889,6	913,3	909,6	925,9
Net fees and commissions	493,9	465,7	476,4	469,3	481,9
Basic income from banking activities	**1.379,7**	**1.355,3**	**1.389,7**	**1.378,9**	**1.407,8**
Dividends, similar income and gains (losses) on equity investments	17,9	24,1	19,6	45,4	21,2
Net profit (loss) from trading/valuation of financial assets	19,8	-20,8	8,3	31,5	47,8
Net profit (loss) from hedging	6,7	8,1	-10,3	-5,8	6,5
Net income from banking and insurance activities	**1.424,2**	**1.366,8**	**1.407,3**	**1.450,0**	**1.483,3**
Net adjustments for impairment of:	**-307,7**	**-440,4**	**-360,0**	**-405,3**	**-304,4**
a) receivables	-307,0	-428,3	-351,0	-400,1	-286,6
b) financial assets	-0,7	-12,2	-9,0	-5,2	-17,8
Net income from banking and insurance activities:	**1.116,5**	**926,3**	**1.047,3**	**1.044,7**	**1.178,9**
Administrative expenses:	-819,6	-983,2	-844,9	-821,9	-851,8
a) personnel expenses	-556,5	-614,8	-563,6	-537,4	-574,4
b) other administrative expenses	-263,1	-368,5	-281,2	-284,5	-277,4
Net valuation adjustments to tangible and intangible assets	-40,1	-45,9	-39,7	-39,4	-38,0
Operating expenses	**-859,8**	**-1.029,1**	**-884,6**	**-861,3**	**-889,8**
Net operating profit	**256,7**	**-102,8**	**162,7**	**183,4**	**289,1**
Net provisions to reserves for risks and charges and other operating income (expense)	-41,4	-154,7	-30,7	-24,1	-10,7
Gains (losses) on equity investments	-0,2	0,3	0,1	-5,0	1,9
Integration costs		-54,8		-27,6	-4,3
Profit (loss) on disposal of investments	0,0	-4,6	46,8	0,0	0,0
Profit (loss) before tax from continuing operations	**215,1**	**-316,6**	**179,0**	**126,6**	**276,0**
Taxes on income from continuing operations	-43,4	167,0	-74,7	-58,0	-135,9
Profit (loss) after tax from continuing operations	**171,8**	**-149,6**	**104,2**	**68,6**	**140,1**
Profit (loss) after tax from groups of assets held for sale	-1,3	0,2	-0,3	1,7	193,8
Profit (loss) for the year - Minority interests	**170,5**	**-149,4**	**104,0**	**70,3**	**333,9**
Profit (loss) for the year - Minority interests	-0,5	-0,9	-1,0	-2,5	-0,1
Net profit (loss) for the period before PPA	**169,9**	**-150,3**	**103,0**	**67,8**	**333,9**
Net effects of Purchase Price Allocation	-27,7	-31,0	-33,6	-36,3	-33,3
Net profit (loss) for the period	**142,2**	**-181,3**	**69,3**	**31,5**	**300,6**

(°) Figures published in the 2009 Full-Year Report. To consider the different accounting approach to a number of revenues, the items relating to net interest income and net fees and commissions for the first two quarters of 2009 have been reported on a proforma basis as of the third quarter of 2009, with no impact on basic income.

MONTEPASCHI GROUP
RECLASSIFIED BALANCE SHEET (in EUR mln)

ASSETS	31/03/10	31/12/09	31/03/09	Chg % on 31/12	Chg % YoY
Cash and cash equivalents	781	1.296	860	-39,7	-9,2
Receivables:					
a) Loans and advances to customers	150.804	152.413	144.708	-1,1	4,2
b) Loans and advances to banks	10.474	10.328	11.935	1,4	-12,2
Financial assets held for trading	47.855	38.676	28.946	23,7	65,3
Financial assets held to maturity	0	0	0	0,7	7,9
Equity investments	759	742	597	2,3	27,1
Tangible and intangible assets	10.374	10.395	10.489	-0,2	-1,1
of which:					
a) goodwill	*6.619*	*6.619*	*6.670*		-0,8
Other assets	9.254	10.965	10.086	-15,6	-8,2
Total Assets	**230.301**	**224.815**	**207.621**	**2,4**	**10,9**

LIABILITIES	31/03/10	31/12/09	31/03/09	Chg % on 31/12	Chg % YoY
Payables					
a) Customer accounts and securities	155.024	155.391	139.309	-0,2	11,3
b) Deposits from banks	25.628	22.758	23.395	12,6	9,5
Financial liabilities held for trading	23.188	19.481	20.609	19,0	12,5
Provisions for specific use					
a) Provisions for staff severance indemnities	304	304	504	-0,3	-39,7
b) Pensions and other post retirement benefit obl	459	458	436	0,2	5,3
c) Other provisions	920	911	910	1,0	1,0
Other liabilities	7.330	8.055	7.159	-9,0	2,4
Group net equity	17.167	17.175	15.019	0,0	14,3
a) Valuation reserves	580	721	303	-19,5	91,3
b) Redeemable shares					
c) Equity instruments	1.949	1.949	47		n.s.
d) Reserves	5.986	5.766	5.857	3,8	2,2
e) Share premium	4.048	4.048	4.094	0,0	-1,1
f) Share capital	4.502	4.502	4.487		0,3
g) Treasury shares (-)	-40	-32	-70	25,7	-42,0
h) Net profit (loss) for the year	142	220	301	-35,4	-52,7
Minority interests	282	281	279	0,2	0,9
Total Liabilities and Shareholders' Equity	**230.301**	**224.815**	**207.621**	**2,4**	**10,9**

MONTEPASCHI GROUP

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

ASSETS	31/03/10	31/12/09	30/09/09	30/06/09	31/03/09
Cash and cash equivalents	781	1.296	682	798	860
Receivables:					
a) Loans and advances to customers	150.804	152.413	146.208	145.111	144.708
b) Loans and advances to banks	10.474	10.328	13.401	13.017	11.935
Financial assets held for trading	47.855	38.676	38.749	32.707	28.946
Financial assets held to maturity	0	0	0	0	0
Equity investments	759	742	725	721	597
Fixed and intangible assets	10.374	10.395	10.428	10.468	10.489
of which:					
a) goodwill	*6.619*	*6.619*	*6.648*	*6.670*	*6.670*
Other assets	9.254	10.965	8.868	9.241	10.086
Total Assets	**230.301**	**224.815**	**219.061**	**212.062**	**207.621**

LIABILITIES	31/03/10	31/12/09	30/09/09	30/06/09	31/03/09
Payables					
a) Customer accounts and securities	155.024	155.391	155.816	147.635	139.309
b) Deposits from banks	25.628	22.758	19.294	21.826	23.395
Financial liabilities held for trading	23.188	19.481	20.674	18.710	20.609
Provisions for specific use					
a) Provisions for staff severance indemnities	304	304	340	347	504
b) Pensions and other post retirement benefit obligation	459	458	456	441	436
c) Other provisions	920	911	888	886	910
Other liabilities	7.330	8.055	5.924	6.820	7.159
Group Companies	17.167	17.175	15.391	15.124	15.019
a) Valuation reserves	580	721	646	513	303
b) Redeemable shares					
c) Equity instruments	1.949	1.949	52	47	47
d) Reserves	5.986	5.766	5.789	5.768	5.857
e) Share premium	4.048	4.048	4.041	4.035	4.094
f) Share capital	4.502	4.502	4.487	4.487	4.487
g) Treasury shares (-)	-40	-32	-25	-57	-70
h) Net profit (loss) for the year	142	220	401	332	301
Minority interests	282	281	280	273	279
Total Liabilities and Shareholders' Equity	**230.301**	**224.815**	**219.061**	**212.062**	**207.621**

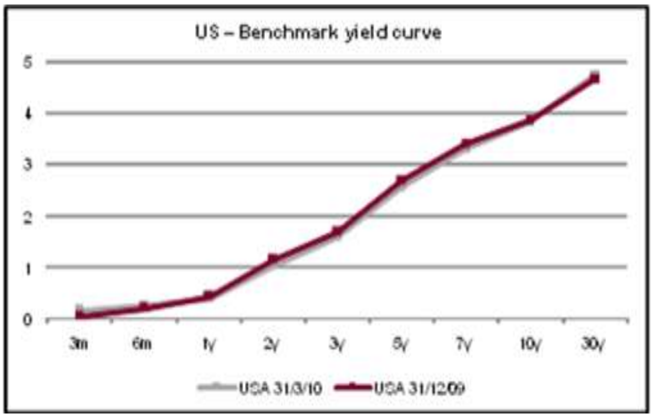
MACROECONOMIC AND BANKING SCENARIO

MACROECONOMIC TRENDS

The macroeconomic figures for the first quarter of 2010 confirm the **ongoing recovery for all mature economies as well as for the emerging countries**, driven by the **relaunch of global foreign trade.** International trade **also led to a rise in industrial production, with business and consumer confidence picking up and positive performances being recorded in inventories.** There is no doubt that the global bounce-back is linked to the extraordinary stimulus packages: monetary policy was highly accomodative with **interest rates at an all-time low for the whole of 2009** both in the more industrialised countries and in the emerging markets. By contrast, Government budgets became particularly weighted-down, reaching unprecedented levels in the advanced economies, as a result of demand-sustaining policies. **Signs of self-sustaining recovery were observed in consumer demand** and Central banks have already announced **the timing with which the different exit strategies will be adopted** so as to contain any pressures on pricing which, in addition to the **pressures in the job market**, constitute a major source of uncertainty on whether economic recovery will be maintained in the future. The growth path ahead remains bumpy and uneven: figures published for the initial months of 2010 confirm an upturn for the leading economies, albeit sluggish, thus showing **a patchy recovery** whose pace differs from area to area: China ranks first along with other emerging countries, followed by the USA, while the rate of recovery for the Eurozone continues to be moderate. **Economic prospects point to the unlikeliness of pre-crisis growth rates, at least in the foreseeable future.**

Growth rates of leading economies (GDP YoY)

	2009	2010 (Forecasts)	2011 (Forecasts)
World	-0,8%	3,9%	4,3%
Advanced economies	-3,2%	2,1%	2,4%
Germany	-4,8%	1,2%	1,7%
France	-2,3%	1,4%	1,7%
Italy	-5,1%	1%	1,3%
Euro zone	-3,9%	1%	1,6%
USA	-2,5%	2,7%	2,4%
Japan	-5,3%	1,7%	2,2%
Emerging economies	2,1%	6%	6,3%
China	8,7%	10%	9,70%
India	5,6%	7,7%	7,8%

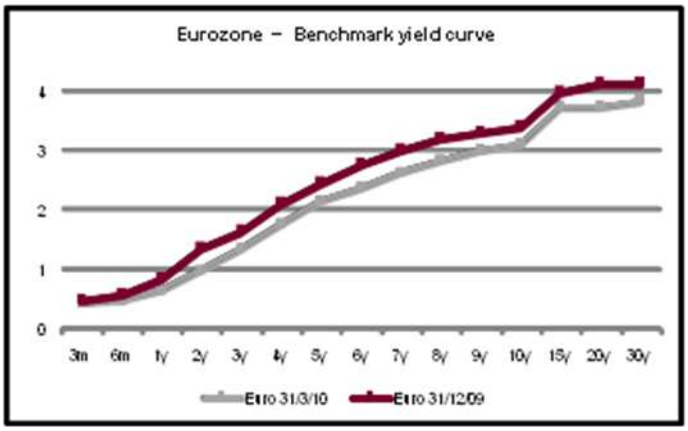


With regard to the **USA**, **in the last quarter of 2009 GDP saw a QoQ growth of +1.4%, an improvement on** the levels recorded in Q309 when the increase on the previous quarter came to +0.6%. **The unemployment rate stabilised at 9.7% in March. American manufacturing SMEs have been at their highest since July 2008** with encouraging results registered in terms of orders and production, having benefitted from the support of stimulus packages put in place by the Government. It remains to be seen whether the recovery momentum for this sector will carry over into the long term when the stimulating impulses from the government start to diminish.

Fed continued to keep interest rates unchanged and confirmed the interest rate on Fed Funds to be between 0% and 0.25%, reiterating that the cost of money will remain exceptionally low for still some time to come although, in the interbank market, interest rates have started to rise again (at the end of March the 3-month interbank rate reached 0.29%, its highest level since October 2009). The short-term zero interest-rate policy **kept the benchmark yield curve almost unchanged** with respect to the last quarter of 2009. Maintaining a highly-accomodative monetary policy meant that the spread was confirmed at exceptionally high levels for the 2-10 year term. The gradual return to a neutral monetary policy should "flatten" the interest rate curve in 2010.

China's relentless growth continues to lead among the emerging countries. By February its exports had increased by 45%, supported further by the Beijing government which launched new reforms and initiatives to stimulate consumption. China's GDP for the first quarter of 2010 was estimated to stand at +11.9%.

In the Euro area, GDP came back to being positive in the third quarter of 2009 (+0.4% QoQ) though there was no growth in the fourth quarter. In the main European countries, the March SME index reported a further rise for the manufacturing sector and industrial production in February picked up by 4% YoY. Loans to Euroland's consumer sector were in line with the profile of the broader measure of money supply (M3) **which confirmed a decline in February: -0.4% YoY**. This is in contrast to the trend recorded for the more restrictive measure of money supply which saw an upsurge in the same period (+10.9% YoY), though slowing down against the peak recorded in August (+13.4%) on account of cash injections by the European Central Bank.



The ECB, which continues to reassert the appropriateness of **the 1% benchmark interest rate** stating that inflation is under control and growth still uncertain, announced the gradual withdrawal of the extraordinary refinancing measures put in place in 2009. The ECB just as forcefully reiterated the **importance of respecting the provisions of the Stability and Growth Pact** for EU countries in a period in which International investors are speculating on the **possibility of default on securities from Greece's debt crisis.** The spread reached pre-euro levels. In effect, the bizarre agreement[2] only manged to resolve the liquidity problem in the short term but still leaves a lot of uncertainties with regard to the mid-long term period since it is not an automatic mechanism. The highly accomodative monetary policy has also led to a **steeper benchmark rate curve for the Euro area** with the spread on the 2-10 year term remaining at its highest-ever levels. The flattening of the curve will be very gradual and will depend on how long it will take for a neutral monetary policy to be reinstated.

GDP in Italy fell by 0.3% QoQ in the 4th quarter of 2009, while in February industrial production bounced back to a positive performance (+2.8% YoY) for the first time since April 2008. In March, ISAE (Institute for Studies and Economic Analyses) recorded **a decline in consumer confidence for the third consecutive month** (106.3 from 107.7). The job market situation remains critical with an unemployment rate reaching 8.5% in February.

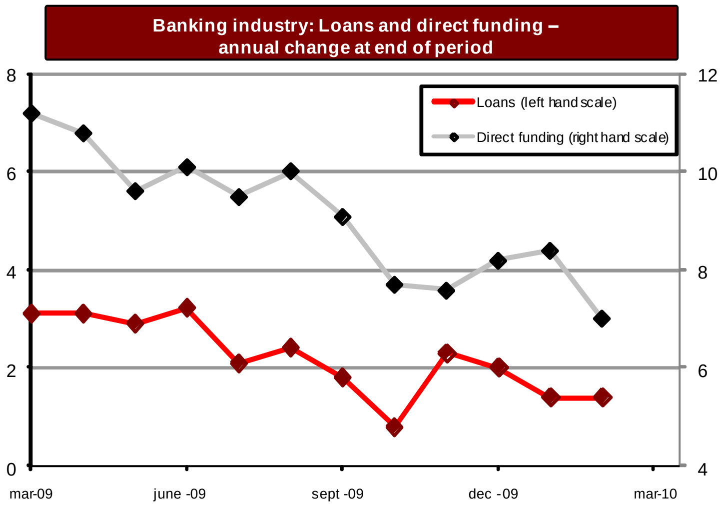
In Q1 2010 the main stock markets were rather flat following the rally at the end of 2009 (from 31/12/2009 to 31/03/2010 Nikkei +4%, FTSE MIB -2%, Dow Jones +4%, S&P 500 +5%, Dax +3%), while the **issue of corporate bonds** continued to head higher. Trading was weighted down by the deterioration in risk indicators for European countries with larger public debts: **the spread on return on government bonds compared to the German benchmark and the price of CDs are higher than before the crisis** (in Greece, spreads on 10 year terms soared to the highest levels ever at least since the Euro's debut). With regard to Italy, the market remains confident in terms of restoring balanced public accounts. However, spreads and CDs have suffered the effects of the Greek situation.

In the currencies market, the US Dollar rose sharply (euro/dollar at $1.35 as at 31 March 2010) after the shift away from the euro following the Greek debt crisis. A similar perfomance was registered for **the yen which gained ground on the euro and ended the quarter more or less stable with respect to the Dollar.**

2 1/3 of the total aid agreed on will be covered by IMF while the remaining 2/3 will be the responsibility of the individual countries in the Euro area who will contribute on the basis of capital paid into the ECB by the national central banks.

BANKING ACTIVITY AND MARKET-POSITIONING

In the initial months of 2010, the trend in **direct funding and loans** maintained **the same levels registered in the last quarter of last year.** With regard to assets under management, an upsurge was recorded for the placement of bancassurance products while positive flows were confirmed for mutual funds. The spread between **bank interest rates shows a limited fall with respect to the levels at the end of 2009**.

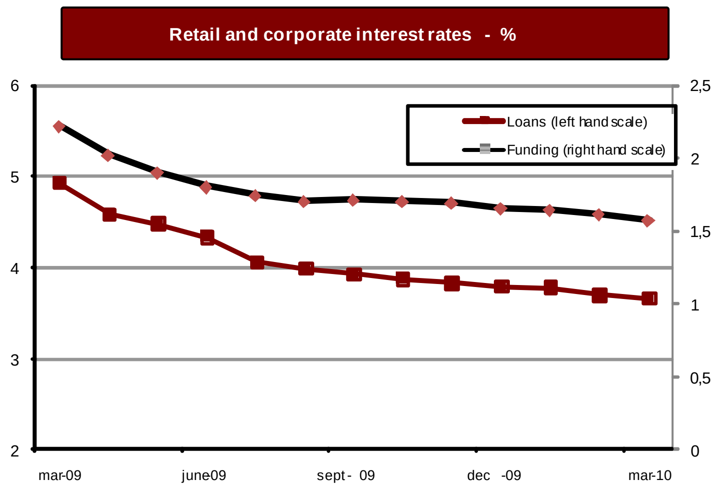


Savers continued to show a preference towards safeguarding their capital within this climate of uncertainty and risk aversion. The trend in **direct funding was confirmed to be above 7% for the year with bonds and deposits showing divergent trends.** Deposits, in particular, grew (from +6% for the year in Q4 2009 to over +7%) mainly due to current accounts holding firm and repos showing signs of recovery. Bonds, on the other hand, have slowed down significantly (from +10% to approx. +6%), reflecting the upturn in both assets under management and assets under custody. The Montepaschi Group's market share in direct funding confirmed the positive signs that were seen in the second half of 2009, positioning itself at around 7.2%.

Flows from mutual funds came to 1.5 EUR bln in the first quarter of 2010, lower than in the previous two quarters but confirming the trend reversal after the strongly negative performance in 2008; a shift was detected from monetary market to bonds as was a returning interest towards flexible and specialized products. Assets under management, driven by market trends, was up by a yearly 15%; the Group's market share is estimated to stand at approx. 4.8%.

The new production of bancassurance exceeded 10bln in the first two months of the year, achieving the result of the first quarter of 2009. The placement of traditional policies showed a more moderate increase (+54%), after trebling last year , with a significant sign of recovery shown for linked products which, on the whole, accounted for over ¼ of flows compared to the 18.9% recorded in 2009. Flows from products deriving from the joint venture with AXA reveal a briskier trend than recorded in the system; the market share in bancassurance grew to well over 12%.

In the first two months of 2010, lending remained positive at approx. +1.5%; though loans to businesses saw a fall, loans to consumer households continued to grow. **The decline in loans to non-financial businesses was in line with the protracted fall in their financial needs** 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. According to the ECB Bank Lending Survey, the restrictions on credit offerings which characterised the first part of 2009 have been lowered, so the trend largely reflects weakened demand. In the Euro area, loans to the consumer sector were substantially at a standstill with a drop of 1.4% in loans to businesses and a rise of almost 3% in loans to households. The Group's market share came to just under 8%, slightly higher than the average share held in the second half of 2009.



Credit quality continued to be affected by the difficult economic scenario. Estimates from the first two months of 2010 pointed to further deterioration for new non-performing loans, while stocks continued to rise significantly (approx. +35% yearly); signs of improvement were recorded for the manufacturing industries whereas there was a downturn for other business sectors and consumer households.

Bank interest rates continued to fall. The average interest rate on loans lost 13 bps in the first quarter of 2010, while that of deposits dropped by less than 10 bps. 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; in the initial months of 2010, it resulted as being slightly higher with respect to December 2009 although still remaining at low levels (approx. 10 bps) compared to the yearly average; the mark-down remained negative.

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. In addition to the measures already undertaken in the previous months, as of the 1st February 2010, **households** who have undergone adverse events (job loss, layoffs, death or no self-sufficiency) **can request suspension of their mortgage instalment** for up to 12 months. A further initiative was implemented in February through the agreement between SACE (Italian export credit insurance agency) and the Cassa Depositi e Prestiti and consists 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.

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

On 12 March 2010, Consob (Italian Securities and Exchange Commission) published its regulations on "related-party" transactions with a view to increasing transparency and protection of minority shareholders. Under this new framework, transactions below 5% of the group's market capitalisation or shareholders' equity or total assets or total liabilities may be effected with the non-binding opinion of the independent directors who, instead, must be involved if such threshold is exceeded. In the event of a negative opinion, should the Board of Directors take the decision to proceed with the transaction, then it will need to be approved at the Shareholder's Meeting.

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. With specific regard to current accounts and consumer mortgages, the adoption of "standard" templates prepared by the BoI is worth mentioning, with account holders receiving a yearly statement of all expenses paid for the year thus allowing them to easily compare the actual cost of the current account to other similar products on the market. **In February 2010 provisions were**

issued regarding the calculation of the 'Synthetic Cost Ratio' (*Indicatore sintetico di costo*, ISC) for current accounts, which banks must report in documents for customers by the end of May 2010.

Transparency standards regarding **payment services** were adopted on 1 March, in compliance with PSD 2007/64/EC (Payment Services Directive) transposed into **Legislative Decree 11/2010**. The Directive strictly follows on from previous SEPA regulations which make up the regulatory basis. The main goals are to define a common framework within the EU, open up the market to different participants (financial and non-financial) on the basis of objective requirements, protect users and increase efficiency.

Furthermore, the legislative decree implementing EC Directive 2007/64/CE introduces **further standards aimed at increasing the incentive to use electronic payment instruments**; it involves exceptions to the principle of non-discrimination of payment instrument fees and the **assignment of precise prerogatives to the Bank of Italy with regard to controls, complaints and sanctions** so as to reassert the objectives of efficiency and user protection of the European directive.

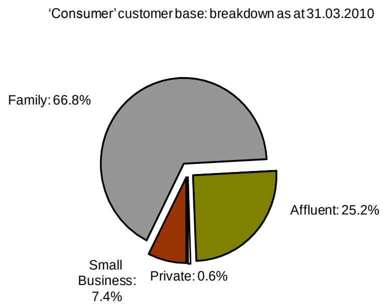
CUSTOMER OPERATIONS

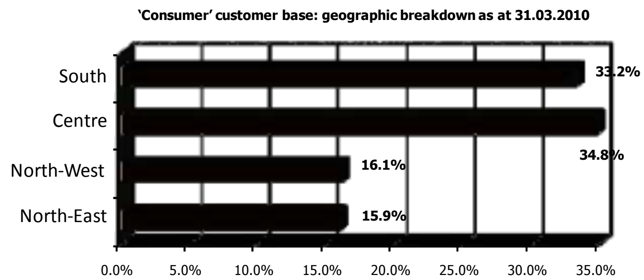
In continuation from previous years, the **sales and marketing plan** for the first quarter of 2010 gave top priority to **ensuring focus on customers** within an operating framework that continued to be difficult, especially on account of the persisting uncertainties in the markets. The objective was facilitated by organisational and commercial restructuring initiatives which were put underway last year and which have been completed earlier than was estimated in the 2008/2011 Business Plan. These initiatives have improved the Group's ability to quickly and concretely **intercept the demand of households and businesses so as to then tailor the products and services offered to customers.** In this connection and in view of the commitments undertaken through the issue of the Tremonti Bonds, the Group continued with its **initiatives and activities in support of households and businesses aimed at mitigating the effects of the unfavourable market situation and guaranteeing continuity to the Group's offer of credit.** With regard to assets under management, an indispensable prerequisite continues to be the Customer's risk profile (for further details, please refer to the chapter "*Segment Reporting*"). Within this context, **the Montepaschi Group continued to grow its customerbase, thereby consolidating or improving its competitive positioning in the various business sectors**.

CUSTOMER PORTFOLIO

As at 31 March 2010 **the number of Group customers stood at over 6.3 mln**[3], 5.9 million of whom were managed by the Sales Networks of Banca Monte dei Paschi di Siena, Banca Antonveneta, Biverbanca and Banca Personale. A further analysis of the 5.9 million provides the following breakdown: 98.7% is accounted for by Consumer customers (Retail and Private) and the remaining 1.3% by Corporate Customers.

Of the more than 5.8 million **Consumer customers,** evenly distributed across the country, the Family segment makes up the largest share (accounting for 66.8% of total customers), followed by Affluent (25.2%), Small Business (7.4%) and Private (0.6%).

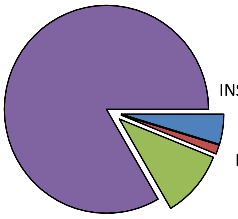




With regard to **Corporate Customers** (over 76,500), SMEs account for approx. 83% and Institutions for 17% of the total. As for businesses, the breakdown by sector confirms the Group's strong footprint in the more traditional *Made in Italy* sectors: Textile and Clothing, Food and Mechanics.

3 The figure includes customers of Banca Monte dei Paschi di Siena, Banca Antonveneta, MPS Banca Personale, Biverbanca and those managed directly by Consumit.

Corporatecustomerbase:breakdownas at 31.03.2010



Corporate customers % by business sector at 31.03.2010

	Customers (*)	Consumer	Corporate
Agriculture	4,7	5,1	2,9
Utilities (electricity, gas and water supply)	0,5	0,3	1,1
Extractive, chemical and mineral industry	1,8	1,4	4,0
Metallurgy and precision machining	7,0	6,3	11,2
Food, textile, apparel, leather	9,8	9,2	13,5
Building and construction	11,5	11,9	9,8
Wholesale distribution	8,3	7,6	12,0
Retail distribution	20,0	22,0	9,0
Transport and communications	3,5	3,5	3,5
Banking and insurance services	12,1	11,8	13,9
Public Administ.ration.	6,0	6,5	3,2
Non-classified	14,8	14,5	15,6
Total	100	100	100

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

FUNDING AGGREGATES

As at 31 March 2010 overall funding came to approx. EUR 292 bln (+ 10.5% compared to 31 March 2009), with a growth of almost EUR 4 bln compared to 2009 (+1.4%). Assets under management continued to grow (+1.7 bln on 31/12/2009), which was largely the result of the upward trend in insurance premium collections and collective asset management.

CUSTOMER FUNDING (in EUR mln)

	31/03/10	31/03/09	% chg. vs 31/03/09	% share 31/03/10
Direct funding	**155,024**	**139,309**	**11.3%**	***53.1%***
Indirect funding	**136,671**	**124,554**	**9.7%**	***46.9%***
assets under management	*50,486*	*44,531*	13.4%	*17.3%*
assets under custody	*86,185*	*80,023*	*7.7%*	*29.5%*
Total funding	**291,695**	**263,863**	**10.5%**	***100.0%***

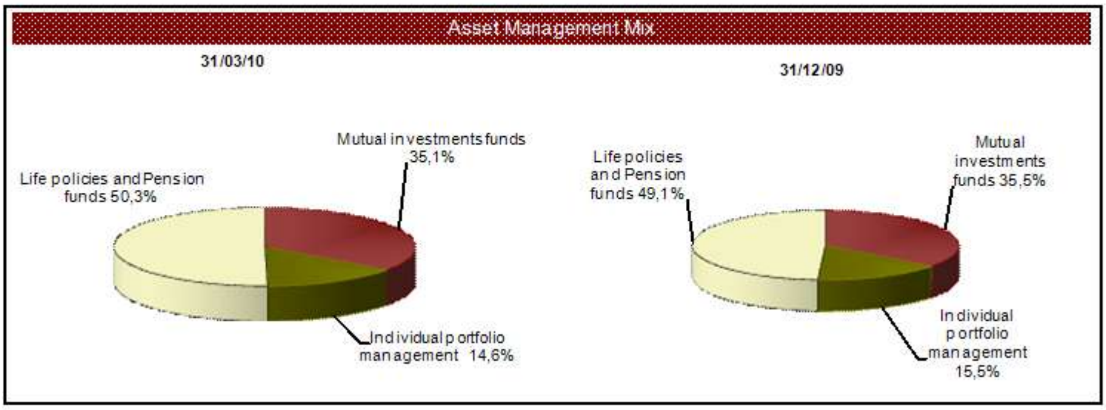
<u>**Direct funding**</u> came to EUR 155 bln which was in line with 31 December 2009 though up by 16 bln (+11.3%) when compared to the previous year. In terms of **Consumer and Corporate clients**, the growth in the aggregate in the first quarter of 2010 reflected a **shift in "Retail" volumes towards assets under management** and a **reduction in the balances of certain Large Corporate customers** who, at the end of 2009, invested their cash surplus with Banca Monte dei Paschi di Siena. **The Group's market share** at 31 March 2010, therefore, stood at 7.34% (+9 bps QoQ). The table below contains a breakdown of funding by operating segment (for further details, please refer to the chapter "*Segment reporting*"):

Direct funding by operating segment
(€ mln)

	31/03/10	% chg yoy	% share 31/03/10	% share 31/03/09
Consumer Banking (Retail and Private)	86,130	3.9%	55.6%	59.5%
Corporate Banking	49,669	12.4%	32.0%	31.7%
Corporate Center	19,225	57.5%	12.4%	8.8%
Total	**155,024**	**11.3%**	**100.0%**	**100.0%**

As far as **indirect funding** is concerned, volumes posted at 31 March 2010 amounted to EUR 137 bln, up 12 bln on the previous year and approx. 4.5 bln compared to 31/12/2009, and can be broken down as follows:

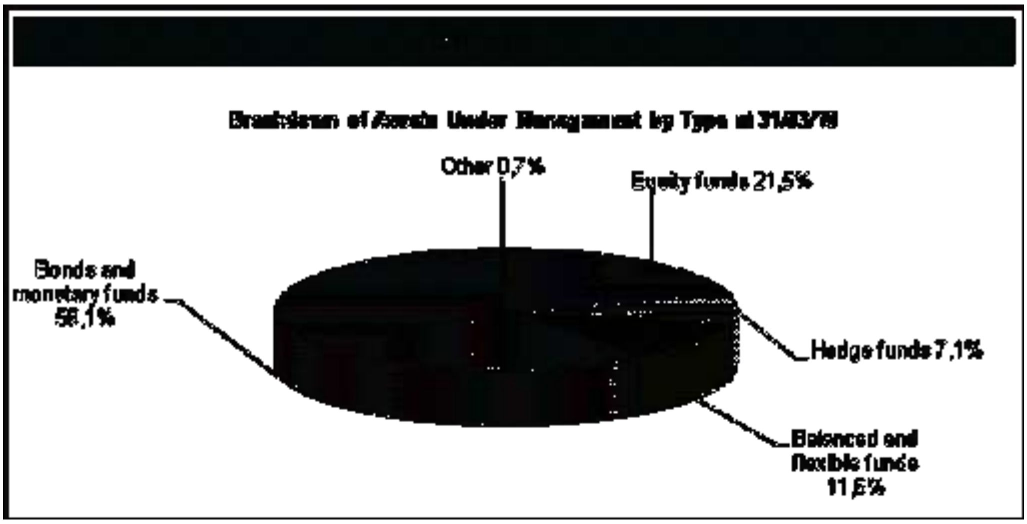
❖ **assets under management**: came to approx. EUR 50.5 bln, up +3.5% QoQ and +13.4% YoY. A further breakdown of volumes –according to a Mifid-based approach structurally aimed at selecting the best investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) - shows that the prevailing segment is that of **life insurance policies, Funds and Sicav;**



More specifically:

- with regard to the **insurance sector**, technical reserves relating to the Group are above 25 bln, a result driven by traditional policies, with a market share of 11.05% as at end of March 2010;
- **Individual Managed Accounts** came to 7.4 bln (+2.5% on 31/12/08) with a market share of 4.11% as at 31/12/09;
- **Mutual Investment Funds/ Sicavs** amounted to over 17,7 bln with a market share of 4.84% at the end of February 2010.

The graph below shows a breakdown by type of assets under management which, compared to 31 December 2009, shows a shift towards balanced funds.



❖ Finally, **assets under custody,** at 31 march 2010, came to EUR 86 bln, an improvement on the previous quarter (+3.3%) mainly as a result of Key Clients.

As at 31 March 2010, overall funding, as described above, was boosted by **new placements with inflows of approx. 7 bln**, higher than the result achieved in the last quarter of 2009 and Q109. Following is a breakdown by product category:

Wealth Management Products

EUR mln		as at 31/03/10	as at 31/03/09
Bonds	of which:	4,629	6,062
	Linear	3,117	5,105
	Structured	1,512	957
Life insurance policies	of which:	2,180	1,230
	Ordinary	1,422	830
	Index Linked	336	282
	Unit Linked (**)	422	119
Individual managed accounts		-15	-243
Mutual funds/Sicavs (*)		208	-691
Total		**7,002**	**6,358**

(*) Group and Multimanager Mutual funds/SICAVs sold directly to customers (i.e. not included in other financial instruments)

(**) including multiline policies

Flows of new bonds, which still remain concentrated in the "plain" segment, came to 4.6 bln, up by approximately 40% on the previous quarter (-24% YoY).

With regard to **Bancassurance**, **premiums collected** as at 31/03/2010 stood at EUR 2.2 bln, up by approx. +86% compared to 4Q09 and approx. +77% compared to Q109, with similar trends in all categories of policies. The share for premiums paid on **traditional policies** remains prevalent (65.2% against 70.4% in Q409), followed by **Unit-Linked policies** (19.4% against 22.7% in Q409) and **Index-Linked policies** (15.4% against 6.9% in Q409).

Individual and collective asset management recorded positive flows in this quarter for approximately EUR 193 mln, confirming the pickup in business as of the second half of 2009. In particular:

- ✓ **Mutual investment funds/Sicavs** showed a positive net funding of approx. EUR 208 mln, an improvement on Q42009 (+66 mln) and, above all, on Q12009 which saw outflows for an amount of almost 700 mln;
- ✓ as for **Individual Managed Accounts,** negative flows were recorded (-15 mln) but there was an improvement both on Q409 and Q109 (which came respectively to -218 and -243 mln);

LENDING AGGREGATES

As at 31 March 2010, lending for the Group came to EUR 151 bln, up by 4.2% on the same period of 2009, a performance which was in line with the commitments undertaken with the Ministry for the Economy and Finance following the issue of the "Tremonti Bonds".

A comparison with 31/12/09 reveals an **increase** in the number of **loans disbursed to Ordinary Customers by almost 4 bln including residential mortgage loans (approx. 3 bln)**

and lending to SMEs and Small Businesses (approx. 1 bln), though the demand for credit from the manufacturing industry was still limited, reflecting weak economic activity and reduced investment spending. On the other hand, a downward trend (over 5 bln) was recorded for short-term loans to institutional and market counterparties (mainly repos). The Group's market share for loans came to 7.89% as at 31 March 2010, down by 13 bps as compared to 31/12/2009.

Following is a breakdown of loans by business segment which highlights the still-relevant weight of the Corporate component:

Active loans by business segment

in EUR mln

	31/03/10	% chg. YoY	% 31/03/10	% 31/03/09
Consumer Banking	62,447	12.2%	42.8%	39.6%
Corporate Banking	72,702	-2.1%	49.8%	52.8%
Corporate Center	10,747	-0,5%	7.4%	7.7%
Group total	**145,896**	**3.7%**	**100.0%**	**100.0%**

The lending trend in the first quarter of 2010 was boosted by new **mortgage loans negotiated** for over 4.5 bln, an increase of 142% on the same period last year, thus consolidating the Q409 record result of 5.6 bln (the market share held by the Group as at 31 March 2010 stood at 10.7%, up 43 bps on 31/12/2009). With regard to **special-purpose loans (industrial and consumer) disbursed by the Group through dedicated product companies, new flows** came to approximately **2.8 bln** (+12.4% YoY; -2.3% on Q409) and are broken down as follows:

Special purpose loans and corporate financial products

EUR mln	31/03/10	31/03/09
MPS Capital Services Banca per le Imprese		
disbursements	390	405
MPS Leasing & Factoring		
Leasing contracts negotiated	354	298
Factoring turnover	1,382	1,167
Consumit		
disbursements	700	644

CREDIT QUALITY

As for credit quality, as at 31 March 2010 the Montepaschi Group recorded a net exposure of **10.6 bln in terms of impaired loans** (+3.7% on Q409), accounting for approx. 7% of total customer loans (6.7% as at 31/12/09). Impaired loan provisions continued to be commensurate and in line with the Montepaschi Group's traditional coverage levels (about 40%).

BREAKDOWN OF CUSTOMER LOANS BY RISK

Risk category - Net book values in € mln	**31/03/10**	**31/12/09**	**%** **31/03/10**	**%** **31/12/09**
A) Impaired loans	**10,596**	**10,221**	**7.03**	**6.71**
a1) Non-performing loans	4,908	4,653	3.25	3.05
a2) Watchlist loans	4,004	3,758	2.66	2.47
a3) Restructured loans	793	701	0.53	0.46
a4) Past due	892	1,109	0.59	0.73
B) Performing loans	**140,207**	**142,192**	**92.97**	**93.29**
Total customer loans	**150,804**	**152,413**	**100.00**	**100.00**

With regard to gross NPLs, value adjustments stood at approximately 56%, and rose to 59% when limiting the scope of reporting to Banca Monte dei Paschi di Siena and Banca Antonveneta. It should be noted that for both entities, impaired loans have already been subject to direct amortization and medium/long-term components are mostly secured by real collaterals. Finally, portfolio value adjustments on gross performing loans were in line with levels as at 31/12/09 (0.6% of the aggregate value of reference).

PROVISIONING RATIOS

	31/03/10	**31/12/09**
"provisions for impaired loans" / "gross impaired loans"	**40.5%**	**40.4%**
"provisions for watchlist loans"/"gross watchlist loans"	**19.1%**	**19.6%**
"provisions for NPLs"/"gross NPLs"	**55.8%**	**56.0%**

The table below reports some credit quality indicators for the Group's major business units:

■ **BREAKDOWN OF NPLs and WATCHLIST LOANS BY BUSINESS UNIT**

Risk category – Net book values **As at 31/03/10** *in € mln*	**Group**	**BMPS**	**BAV**	**MPS Capital Services Banca per le Imprese**	**MPS Leasing & Factoring**	**Consum.it**	**Biverbanca**
Net non-performing loans	4,908	2,718	583	1,241	140	99	49
% share of total customer loans	3.25%	2.1%	4.4%	9.5%	2.1%	1.7%	2.2%
"loan loss provisions"/"gross NPLs"	**55.8%**	**59.0%**	**59.2%**	**34.4%**	**68.3%**	**77.4%**	**66.7%**
Net watchlist loans	4,004.0	2,631.5	381.3	544.2	267.5	79.7	48.3
% share of total customer loans	2.66%	2.0%	2.9%	4.2%	4.1%	1.3%	2.2%
"loan loss provisions"/"gross watchlist loans"	**19.1%**	**20.3%**	**14.2%**	**11.6%**	**19.3%**	**38.3%**	**16.3%**

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 165.2 mln at Group level.**

INCOME STATEMENT AGGREGATES

As at 31 March 2010 **the Montepaschi Group's operating income had picked up** thus inverting the downward trend which was recorded in 2009. This was the result of a **rise in revenues** (particularly net commissions), **progress in credit cost control** and **increased efficiency in spending processes**.

1) OPERATING INCOME

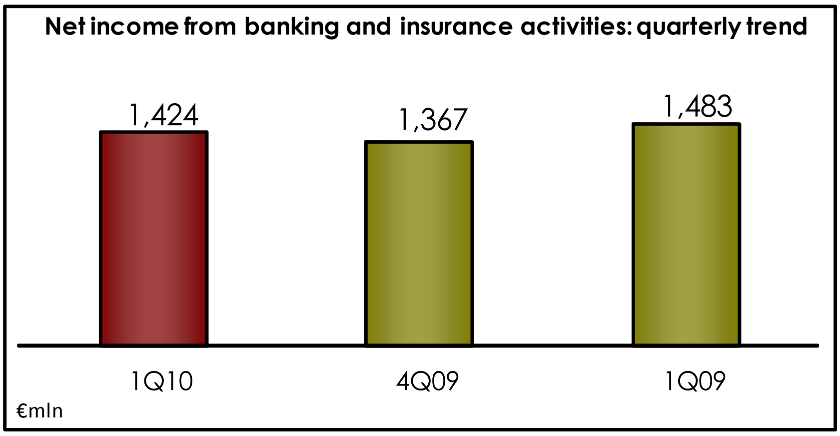
NET INCOME FROM BANKING AND INSURANCE ACTIVITIES

As regards the development of total revenues from banking and other services, **income from banking and insurance activities** stood at EUR **1,424 mln** at 31 March 2010 (vs. approx. 1,483 mln at 31 March 2009 and approx. 1,367 mln in 4Q09), up by approximately 4% on Q409. As shown in the table below, **basic income** (i.e. sum of net interest income and net fees and commissions) stood at EUR 1,380 (1,408 mln as at 31 March 2009), an increase of 1.8% on Q409.

NET INCOME FROM BANKING AND INSURANCE ACTIVITIES (in EUR mln)

						Chg. 1Q10 vs 4Q09		Chg. 1Q10 vs 4Q09	
	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	Abs.	%	Abs.	%
Net interest income	885.8	889.6	913.3	909.6	925.9	-3.8	-0.4%	-40.1	-4.3%
Net fees and commissions	493.9	465.7	476.4	469.3	481.9	28.2	6.1%	12.0	2.5%
Basic income from banking activities	**1,379.7**	**1,355.3**	**1,389.7**	**1,378.9**	**1,407.8**	**24.4**	**1.8%**	**-28.1**	**-2.0%**
Dividends, similar income and gains (losses) on equity investments	17.9	24.1	19.6	45.4	21.2	-6.2	-25.8%	-3.3	-15.6%
Net profit (loss) from trading/valuation of financial assets	19.8	-20.8	8.3	31.5	47.8	40.6	n.s.	-28.0	-58.5%
Net profit (loss) from hedging	6.7	8.1	-10.3	-5.8	6.5	-1.4	-17.6%	0.2	3.3%
Net income from banking and insurance activities	**1,424.2**	**1,366.8**	**1,407.3**	**1,450.0**	**1,483.3**	**57.4**	**4.2%**	**-59.1**	**-4.0%**

The **quarterly trend in net income from banking and insurance activities** is illustrated below:



Following are the trends of the main aggregates:

- **Net interest income** in the amount of EUR **886 mln** (-4.3% compared to 31 march 2009), down 0.4% on Q409. The downturn is accounted for by a **still restrained trend in average active loans and interest rate levels** which have stood at a record low for some time now (as at 31/3/2010 1-month Euribor stood at 41 bps; -6 bps on 31/12/2009 and -72 bps on 31/3/2009), thus reducing earnings from direct funding and lessening the capacity to manage spreads from business with Ordinary customers. To **offset this situation the Group introduced measures aimed at enhancing the structural input from "financial instruments" in the Banking Book,** with particular regard to the treasury securities portfolio, the cost optimisation/coverage of mid/long term liabilities, short-term interbanking operations;

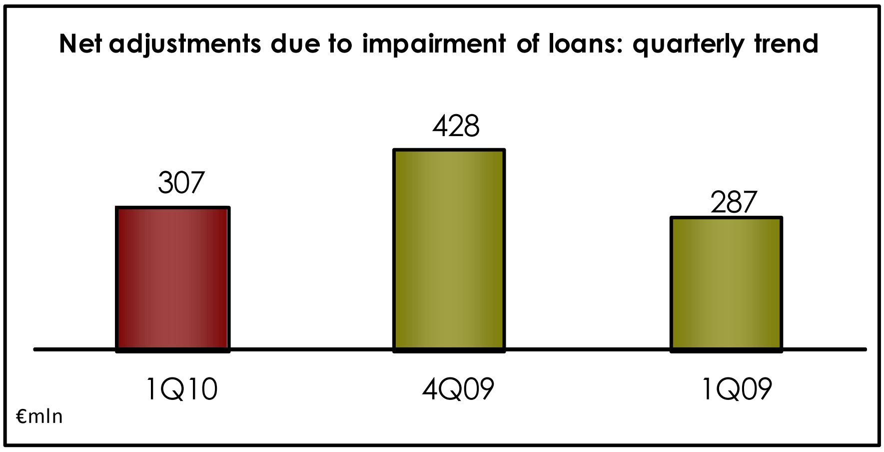
- **Net fees and commissions** came to approx. EUR **494 mln** (+ 2.5% YoY) **up 6.1% on Q409** on account of the positive trend in placements and the pickup in asset management, driven by Bancassurance and collective investment schemes. A positive contribution also came from fees on lending, which benefitted from a boost in financing and Corporate Finance.
- The account **dividends, similar income and profit (loss) from equity investments**, totalled approximately EUR **17.9 mln** (21.2 mln at 31/03/09), down on the previous quarter by 6.2 mln**.** The major contribution came from profits on equity investments which were mainly attributable to AXA-MPS and PRIMA SGR;
- **Net income from trading/valuation of financial assets** stood at **EUR 19.8 mln**, a significant improvement compared to 4Q09 owing to an upturn in trading (23 mln as compared to -24mln in 4Q09). As shown in the table below, a comparison with Q109 reveals a fall of approximately 59%, as results have been curbed by net income on financial assets/liabilities designated at fair value which came to -18.7 mln (+29.9 mln as at 31/03/09). This was due to the increased value of liabilities associated with BMPS bonds following the YoY improvement in Banca Monte dei Paschi di Siena's creditworthiness.

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

						Chg. 1Q10 vs 4Q09		Chg. 1Q10 vs 4Q09	
	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	Abs.	%	Abs.	%
Net profit (loss) from trading	22.7	-23.9	-45.7	71.0	16.4	46.6	n.s.	6.3	38.1%
Gains (losses) on disposal of loans, available for sale financial assets and financial liabilities	15.8	23.2	51.8	-5.7	1.5	-7.4	-31.9%	14.3	n.s.
Net profit (loss) on financial assets and liabilities designated at fair value	-18.7	-20.1	2.2	-33.8	29.9	1.4	-7.0%	-48.6	n.s.
Net profit (loss) from trading/valuation of financial assets	**19.8**	**-20.8**	**8.3**	**31.5**	**47.8**	**406**	**n.s.**	**-28.0**	**-58.5%**

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 307 mln** in the first quarter of 2010 (428 mln in Q409; 287 mln in Q109). The amount reflects a provisioning rate of 81 bps (approx. 96 bps as at 31/12/2009; approx. 80 bps as at 31/3/2009), which continues to be impacted by the difficult economic cycle and is reflective of the Group's unchanged policy of prudential provisioning.



"**Net value adjustments due to impairment of financial assets**" **was negative by approx. EUR 0.7 mln**, due to the depreciation of AFS stock that became impaired and other financial transactions.

As a consequence, **<u>Income from banking and insurance activities</u> stood at EUR 1,117 mln** (vs 1,179 mln as at 31/03/2009), compared to 926 mln registered in Q409.

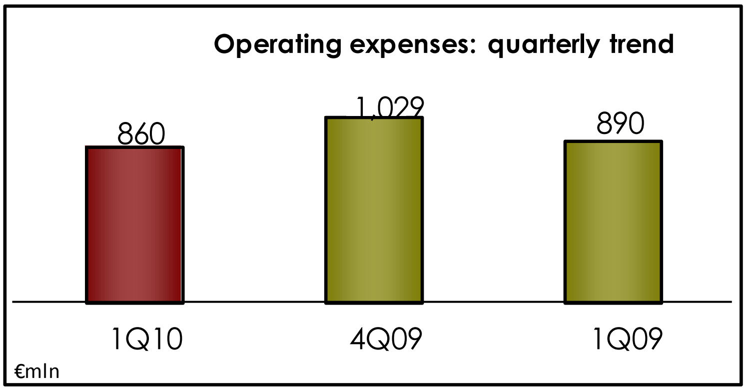
COST OF OPERATIONS: OPERATING EXPENSES

As at 31 March 2010 **operating expenses** stood at **EUR 860 mln**, down 3.4% on the same period last year, confirming the focus the Montepaschi Group is placing on the structural containment of costs:

OPERATING EXPENSES (in EUR mln)

	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	Chg. 1Q10 vs 4Q09 Abs.	Chg. 1Q10 vs 4Q09 %	Chg. 1Q10 vs 4Q09 Abs.	Chg. 1Q10 vs 4Q09 %
Personnel expenses	556.5	614.8	563.6	537.4	574.4	-58.2	-9.5%	-17.9	-3.1%
Other administrative expenses	263.1	368.5	281.2	284.5	277.4	-105.4	-28.6%	-14.3	-5.2%
Total administrative expenses	**819.6**	**983.2**	**844.9**	**821.9**	**851.8**	**-163.6**	**-16.6%**	**-32.2**	**-3.8%**
Net value adjustments to tangible and intangible assets	40.1	45.9	39.7	39.4	38.0	-5.8	-12.6%	2.2	5.7%
Total operating expenses	**859.8**	**1,029.1**	**884.6**	**861.3**	**889.8**	**-169.4**	**-16.5%**	**-30.0**	**-3.4%**

A graph of the quarterly trend in operating expenses is shown below:



<u>In particular:</u>

A) **<u>Administrative expenses</u>** were down 3.8%, due to:

- **Personnel expenses** amounting to approx. EUR **557 mln**, **down 3.1%** on 31 March 2009 on account of the structural effects of the headcount reduction and rearrangement processes put under way as of mid 2008;
- **Other administrative expenses** (net of stamp duties and customer expense recoveries) totalling approximately EUR **263 mln**, **down 5.2%** on 1Q09 mainly as a result of cost management measures adopted and cost synergies obtained from the reorganisation processes put in place.

B) Net **<u>value adjustments to tangible and intangible assets</u>** stood at approx. **EUR 40 mln**, up 5.7% as compared to 31 March 2009, primarily as a result of the ICT investments made in the 2008/2009 period.

As a result of the above, the Net Operating Income came to approximately EUR 257 mln (289 mln as at 31 March 2009), against the Q409 result of –102.8 mln. The cost/income ratio stood at 60.4%.

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 –41 mln (vs. -11 mln as at 31/03/09) of which EUR -32 mln worth of provisions to the fund for risks and charges (covering primarily legal disputes, revocatory actions and impairment losses on junior notes) and roughly -9 mln worth of other net operating expenses, part of which consisting primarily in legal actions and improvements on third-party assets;

Against this background, **profit before tax from continuing operations stood at approx. EUR 215 mln** (276 mln in the same quarter of 2009), an improvement on the EUR -317 mln in Q409.

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

	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	Chg. 1Q10 vs 4Q09 Abs.	Chg. 1Q10 vs 4Q09 %	Chg. 1Q10 vs 4Q09 Abs.	Chg. 1Q10 vs 4Q09 %
Net operating profit	**256.7**	**-102.8**	**162.7**	**183.4**	**289.1**	**359.5**	**n.s.**	**-32.4**	**-11.2%**
Net provisions to reserves for risks and charges and other operating income (expense)	-41.4	-154.7	-30.7	-24.1	-10.7	113.3	-73.2%	-30.7	n.s
Gains (losses) on equity investments	-0.2	0.3	0.1	-5.0	1.9	-0.5	n.s.	-2.1	n.s
Integration costs		-54.8		-27.6	-4.3	54.8	n.s.	4.3	n.s
Profit (loss) on disposal of investments	0.0	-4.6	46.8	0.0	0.0	4.6	n.s.	0.0	n.s
Profit (loss) before tax from continuing operations	**215.1**	**-316.6**	**179.0**	**126.6**	**276.0**	**531.8**	**n.s.**	**-60.8**	**-22.0%**

Finally, to complete the section on income:

- **Tax expense (income) on profit (loss) from continuing operations** was negative by approximately EUR 43 mln (-136 mln as at 31 March 2009) having benefitted from a reduction in taxes by approx. 70 mln owing to the application of Legislative Decree 185/08. As a consequence of the above, the tax rate for the period was approx. 20%.
- **Gains (losses) after tax from groups of assets held for sale** amounted to approx. EUR 1.3 mln, against a capital gain of 193.8 mln in the first quarter of 2009 arising from the disposal of asset management companies.

The consolidated net profit of the Montepaschi Group before Purchase Price Allocation (PPA) stood at approx. EUR 169.9 mln (as compared to approx. EUR 339.9 mln as at 31 March 2010). Considering the net effects of PPA, the value was EUR 142.2 mln (300.6 mln in Q109 resulting from capital gains on the sale of the AM segment).

SEGMENT REPORTING

In the interest of identifying its reportable operating segments as provided for by IFRS 8, the MONTEPASCHI Group adopted a *business approach* that selected the main business sectors into which the Group's business operations are organized (and whose results are periodically reported) 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 31 March 2010** is reported in the following table. Data was aggregated according to the existing organizational setup.

In this connection, data concerning the divisional Business Areas as at 31 march 2009 was restated on the basis of the criteria used as at 31 March 2010, taking account of the organizational setup of the "*Direzione Commerciale Privati*" (Consumer Banking Division) , operational since June 2009, which comprises all activities previously carried out by the areas of Commercial Banking/Distribution Network and Private Banking/Wealth Management.

It should be noted that BiverBanca remains allocated to the Corporate Center since it has not yet undergone divisionalization.

SEGMENT REPORTING - Primary business segments

(in EUR mln)

marzo-10	Consumer (Retail and Private) Banking	% chg. yoy	Corporate Banking	% chg. yoy	Corporate Center	% chg. yoy	Group Total Reclassified	% chg. yoy.
PROFIT AND LOSS AGGREGATES								
Net income from banking and insurance activities	789.8	-7.0%	513.8	2.7%	120.5	-9.8%	1,424.2	-4.0%
Net value adjustments due to impairment of loans and financial assets	123.7	9.3%	174.6	2.8%	9.4	n.s.	307.7	1.1%
Operating expenses	591.3	0.2%	155.2	-2.3%	113.3	-19.5%	859.8	-3.4%
Net operating income	74.9	-48.8%	184.0	72%	-2.2	n.s.	256.7	-11.2%
BALANCE-SHEET AGGREGATES								
Active loans and advances to customers	62,447	12.2%	72,702	-2.1%	10,747	-0.5%	145,896	3.7%
Customer accounts and securities	86,130	3.9%	49,669	12.4%	19,225	57.5%	155,024	11.3%
Assets under management.	45,068	14.5%	2,611	1.2%	2,807	8.8%	50,486	13.4%
PROFITABILITY RATIOS								
Cost Income	74.9%		30.2%		94.0%		60.4%	
Raroc	10.2%		11.8%		-		5.6%	

As is usual, the major business aspects of Q1 2010 for each of these operating segments is reported in the following pages:

CONSUMER BANKING

SALES & MARKETING AND PRODUCT/SERVICE INNOVATION

In the first quarter of 2010 **the Consumer banking division continued with the 2009 sales and marketing policies,** focusing on products and initiatives in support of households and small businesses in a still-critical economic scenario and 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 rationalization** 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 group aimed at the various customer segments were divided as follows:

Retail customers

- With regard to the **"Family"** segment, economic support to the purchasing power of households was shown through continuation of the **"Fight the Crisis"** plan and adhesion to the **Italian Banking Association's "Plan for families" (Piano famiglie ABI)** which allowed approximately 11,000 households to temporarily suspend payment of their mortgage instalments (total value of mortgages suspended came to over EUR 1 bln). Of all the mortgages suspended since the start of 2009, repayments have already been resumed on over 4,000 contracts, confirming the effectiveness of our actions in support of households who required temporary but promp help. **Support to small savings** was provided both through accumulation plans and through asset management products particularly suited to customers with low risk appetite and limited financial resources available. Particular focus was given to people and capital protection-linked issues with the campaign "**Protetto e Premiato**" (*Protected and Rewarded*) aimed at sensitizing customers on the "culture of protection".

Mutuo MPS Protezione

The trend for **Mutuo MPS Protezione (MPS Protection Mortgage)** continues to be positive and now stands at over 90% of all mortgages issued to consumers; as at Q1 2010 results achieved came to EUR 2.989 mln. It is very significant that in the first 3 months of 2010, active subrogation brought the Group over 6,000 customers for a disbursed amount of over € 800 mln. **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".

- The "**Affluent"** market segment continued with its extensive development according to the three main guidelines (**Method**, **Advice** and **Products**) already introduced in 2009. The six **Method** initiatives, completed in the first quarter, targeted 438,000 customers, making up 1/3 of all of the Group's Affluent customers. As of the beginning of the year, the **Advisory Affluent** specialists, became part of the Affluent Service thus seeing their role as platform specialists expanded to that of Affluent Service Model specialists across the commercial areas. Figures for the first quarter of 2010 show a rate of use of around 4,000 new proposals per week.

- With regard to the "**Small Business"** segment**,** the **Method** platform was used to develop initiatives across the Group's network aimed at supporting and developing loans as well as acquiring new funding and regaining volumes lost in the previous quarters.

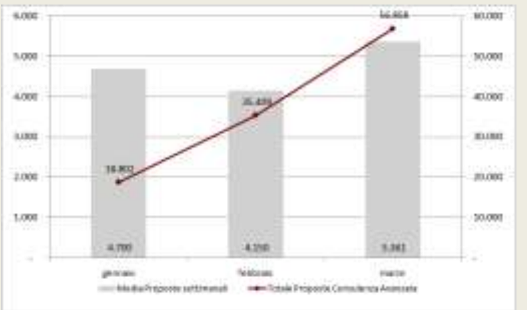
In "real banking" terms, expansion of the customerbase received a particular boost from the sales campaign on capped adjustable rate mortgages and from development initiatives being extended in collaboration with Consum.It. With regard to current accounts, of particular noteworthiness were the launch of new products including the C/A "Giovani Più" and the enthusiastic response to the *conto-on-line* which remains the main on-line banking product acquired by customers (over 3,500 new holders in Q1).

Private Clients

The **Private** market achieved flattering results from the Tax-Shield Ter plan which confirmed the Montepaschi Group as a main reference point for repatriation/regularisation transactions. Over 4,200 customers joined the plan with repatriated fund inflows amounting to over €/mln 2,200 (of which just 10% fell under legally imposed repatriation of funds). The return of capital for the Group was positively reflected by an increase in market share. With regard to the defined service model, the team of Tax-shield Advisory specialists proved to have a crucial role, acting as highly professional *local* contacts capable of providing insight and solutions to problems concerning Tax-shield issues.

MPS ADVICE – PROFESSIONAL ADVISORY MODEL

With regard to the development of the professional advisory model, the MPS Group successfully completed the gradual roll-out of the new MPS Advice platform, released in 2008, in the three markets of reference: Affluent, Private and Financial Advisory. In Q1 2010 the MPS Advice platform was extended to Biverbanca for both the Affluent and Private segments as well as to the Family Office market.



In the first three months of 2010, over 56,000 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 5.000 proposals produced per week in the last month (+40% on the average of proposals produced in Q409).

With regard to **product innvoation,** the following are noted for the **Wealth Management** segment: (i) integration of the GPA Premium catalogue (for Private Clients) with a new line of managed accounts exclusively made up of bonds; (ii) the launch of the pilot project for the new GPA Top catalogue (wealth management with prior consent chanelled exclusively through the Advice Platform). As for **Funds and Sicavs**, the range of products offered by **Prima Funds** was further enriched by the new line, **Prima Funds Secure World Equity 3**, which was placed under the category of **Guaranteed Funds**. 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 **Life Insurance** segment, the minimum rate 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 with a consequent rise in profitability for the Network. Finally, 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 products **AXA MPS Investimento Top.** For the **Financial Advisory** channel, the product **Skandia Ad Personam Più** was replaced by the launch of two new products **Ad Personam Unit Linked Silver** and **Ad Personam Unit Linked Gold.**

Consumer protection products saw activities in the damage insurance segment focusing on the release of the policy, AXA MPS Azienda Sicura (specifically designed for Companies) to all Banks of the Group.

As for the "bundling" of products on offer , the discount premium injury policy, **Sigillo Conto Giovani,** was created and included in the fees for the current account "Conto Giovani". 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** special-purpose business: the restyling of the **CPI** tariff and the policy covering vehicle depreciation (**Restart One**).

As for **Innovative Finance**, the first quarter of 2010 saw the placement of 4 products for a total funding of EUR 618 mln with bonds issued by financial institutions other than the Group against 2 products and EUR 412 mln in bonds issued by Group companies.

With regard to **monetics**, activities in the first quarter of 2010 had the prime objective of increasing actions countering **debit card** frauds and the related costs sustained by the Bank. To this end, the replacement of all magnetic strip debit cards with new generation CHIP-enabled debit cards was set in motion, guaranteeing greater levels of security on payment/withdrawal transactions.

OPERATING RESULTS

In Q1 2010 Consumer banking posted EUR 159 bln in **total funding**, up by more than 800 mln compared to 31/12/2009 (+6.1 bln on 31/03/09), owing to the positive contribution of **direct funding** (EUR 86 bln; +3.9% on 31/03/09), mainly from "on-demand" items and the placement of bonds, followed by **assets under management** (EUR 45 bln; +14.5% on 31/03/09), driven by insurance polices and by Mutual Funds and SICAVs.

Credit management saw an increase in **loans** of 62 bln, up 12.2% on the previous year (**+4.9% on 31/12/2009**), boosted by mid-long term loans which continued to record the upward trend that was seen in the second half of 2009 also 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 31 March 2010 came to EUR 790 mln, down 7% on Q109 mainly due to the decline in net interest income (-8.4%). The net operating income totalled approximately 75 mln, down 49% compared to the previous year. The cost-to-income ratio for the sector stands at 74.9%.

Consumer (Retail and Private) Banking

(in EUR mln)	31/03/10	% chg. yoy.
PROFIT AND LOSS AGGREGATES		
Net interest income	441.8	-8.4%
Net fees and commissions	343.8	-1.8%
Other income	4.3	-75.3%
Net income from banking and insurance activities	**789.8**	**-7.0%**
Net value adjustments due to impairment of loans and financial assets	123.7	9.3%
Operating expenses	591.3	0.2%
Net operating income	**74.9**	**-48.8%**
BALANCE-SHEET AGGREGATES		
Active loans and advances to customers	62,447.1	12.2%
Customer accounts and securities	86,129.9	3.9%
Assets under management.	45,067.6	14.5%

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 3.6 mln (8.7 mln as at 31/03/09);
- **Banca Popolare di Spoleto** (26% shareholding consolidated proportionately) posted approx 1.7 mln in net income (2.25 mln as at 31/3/2009).
- **MPS Banca Personale** incurred losses amounting to EUR 7.4 mln (profit of 3 mln as at 31 March 2009 having benefitted from a capital gain arising from the disposal of a shareholding).

- **Monte Paschi Monaco S.A.M.,** a company incorporated under Monegasque law specialised in Private banking, posted profits before tax of EUR 1 mln for the period, exceeding the result achieved as at 31 March 2009 (0.7 mln).

CORPORATE BANKING

SALES & MARKETING AND PRODUCT/SERVICE INNOVATION

Activities carried out by the Corporate banking division in Q1 2010 were **devleoped in alignment with the initiatives already set in motion in 2009 and with the commitments undertaken with the Ministry of the Economy and Finance,** channelling efforts to **supporting businesses** within this particular economic scenario, also through the **development of specific projects** and the **fine-tuning/optimisation of financial instruments** available.

Against this backdrop, a structural process was put underway for an overall review of the product range on offer to **Small and Medium Businesses**, according to the following guidelines:

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

Activities according to the above-described terms were differentiated on the basis of product category. With regard to **loans**, certain **products** (or groups of products) were **revised** and updated according to new operating conditions.

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 willingness 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)**.

Finally, 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 the 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**",[4] which offers companies protection at a fixed, installment-based cost with respect to any potential increases in interest rates.

THE "CORPORATE PLATFORM" PROJECT

The"Corporate Platform" is an across-the-board co-ordinating unit within the organisation of the Parent Company and the Distribution Network in order to best capitalise on the regional diversities and specific opportunities at local-level. Furthermore, the platform offers the possibility to strengthen the intragroup interaction processes among the Commercial Banks and the Product Companies with a view to creating a "corporate financial community" across the country that fosters the development of an innovative, integrated offer with a high cross-selling rate through the commercial tracking of a profile that is more geared towards customers.

The Platform's mission is mainly to:

a) ensure, at regional level, the constant and qualified direction within the Group towards the different entities which make up the corporate offer;
b) become a solid and accredited reference point in relations with the regional Public Administration, Trade Associations, major Corporate customers and Key clients;
c) help define the Group's corporate policies through a studied and widespread regional analysis and harmonise the elements contained in the offer, directing product trade-off and nurturing the synergies between the Distribution Network and the Product Companies.

A pilot project was implemented in the first quarter of 2010 which saw the launch of "Corporate Platform" operations in the Lazio Region.

As to **Key Clients,** sales 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.

With regard to the **Institutional Clients segment**, among the activities carried out by the Montepaschi Group, the following should be particularly noted; participation in ABI's work

[4] l'IRS with Cap is a contract with which, at set dates and pre-determined notional values, the customer and the Bank exchange an adjustable rate against an adjustable rate + *spread with 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).

group, "Electronic Data Interchange in Public Finance", which sees the support of institutional bodies such as the Bank of Italy, Ministry for the Economy and Finance and the Government General Accounting Department. The work group was set up with the objective of implementing a Single Treasury Electronic Data Interchange in all banks who carry out treasury services on behalf of public entities, thus attaining operational advantages for all the players involved in the management processes for Treasury and Cash Management services. Banca Monte dei Paschi di Siena is playing a major role in steering the project's start-up phase, leading the entire Group to become the first Italian banking group to activate the new treasury system.

Activities continued in support of **corporate customer operations in International markets** against an economic scenario that is still impacted by the severe slowdown recorded in 2009 for foreign trade across the globe. Particular importance was attached to researching and identifying customised products and services designed to meet the specific needs and demands of individual companies in terms of origin and outlet markets for import/export activities and investment recipient countries. Within this framework, the first quarter of 2010 continued with the implementation of the **project, "Synergies for Exports"** – launched in 2009 – which, together with the Trade Associations, the Chambers of Commerce and local, pro-internationalisation entities, makes credit ceilings available from the Group (60 million as at 31/3/2010) for the issue of loans for promotional, commercial and investment activities undertaken abroad by member companies, aimed at boosting target market penetration of the "made in Italy" product. A distinctive feature of this type of financing is the presence of SACE (Italian export credit insurance agency) – as set forth in the agreement signed with the Group – which issues guarantee covering risks on repayments of loans granted to customers, up to a maximum of 70% of loans disbursed. For businesses this translates, among other things, into more facilitated access to financing for their internationalization plans.

CORPORATE FINANCE

Against the still-difficult economic backdrop, activities within the Coproate Finance area, carried out by **MPS Capital Services Banca per l'Impresa** (MPSCS) in the first quarter of 2010, were set out according to a sales & marketing 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 those of the Parent Company;*
- ✓ *broadening the range of advisory products;*
- ✓ *careful monitoring of credit quality.*

Among the initiatives put in place in the quarter, 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 for all areas (water, energy, gas and refuse) with special focus being given to **increasing operations in the sector of renewable energy sources**[5] as well as *Real Estate* (regeneration of urban areas and large real estate projects) and Shipping Finance[6].

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 6 lending transactions on the market for a total amount of EUR 329 mln (MPS Capital Services contributing 128.5 mln). As at 31 March

5 In the first three months 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 made up of seventeen photovoltaic plants for an overall 30.0 MWp, located in various areas in the regions of Sardinia, Sicily, Lazio, Apulia, Campania, Basilicata and Calabria; (iii) a district heating network consisting in two plants fuelled with natural gas in a municipality in the Milan area.

6 In the first quarter of 2010 a lending transaction was completed in favour of a shipping group for the purchase of a cargo ship.

2010, a further 8 transactions were under syndication for a total of EUR 284.5 mln (MPS Capital Services contributing 73.5 mln).

OPERATING RESULTS

Total funding for the Corporate banking division stood at approximately EUR 87 bln as at 31 March 2010, up on both the last quarter of 2009 (+2.3 bln; +2.8%) and on the previous year (+14.3 bln; +19.6%). The figure includes direct funding (approx. 50 bln; +12.4% YoY), which was driven by "on-demand" items and by customer investments in short-term products. I Indirect funding (approximately 38 bln; +31% YoY) benefitted from the new volumes brought in by Large Corporate customers mainly concentrated in assets under custody.

With regard to credit management, **loans** of all technical types (approx. 73 bln; -2.1% YoY) **grew** by approximately EUR 1.9 bln (+2.6%) **with respect to 31/12/09**, in particular mid-long term and on-demand.

Profit & Loss for the Corporate banking division as at 31 March 2010 posted total revenues of EUR 514 mln, up on the same period in the previous year (+2.7%), thanks to the positive performance of net commissions (+22.6%) and other revenue (+16.4%), while interest income experienced a fall (-5.4%). Net Operating Income came to approx. 184 mln, up by more than 7% on the previous year partly on the back of a decline in operating expenses (-2.3%). The cost-to-income ratio came to 30.2%.

Corporate Banking

(EUR mln)	31/03/10	% chg yoy
PROFIT AND LOSS AGGREGATES		
Net interest income	329.8	-5.4%
Net fees and commissions	147.6	22.6%
Other income	36.4	16.4%
Net income from financial and insurance activities	**513.8**	**2.7%**
Net value adjustments due to impairment of loans and financial assets	174.6	2.8%
Operating expenses	155.2	-2.3%
Net operating income	**184.0**	**7.2%**
BALANCE-SHEET AGGREGATES		
Active loans and advances to customers	72,702.3	-2.1%
Customer accounts and securities	49,669.0	12.4%
Assets under management	2,611.4	1.2%

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

- **MPS Capital Services Banca per le Imprese (the Corporate and Investment Bank of the MPS Group):** posted a net profit of approx. EUR 26 mln (approx. 16 mln as at 31 March 2009);
- **Mps Leasing & Factoring:** posted a net profit of approx. EUR 0.7 mln in the first quarter of 2010, an increase on the first quarter of 2009 (when the company closed at substantial break-even);
- **Mps Commerciale Leasing:** closed the first quarter of 2010 with a net profit of over EUR 1.1 mln.

With regard to the Group's banks abroad

- **Monte Paschi Banque** net income from banking activities came to approx. 10.9 mln (approx. 12 mln as at 31/3/2009);
- **Monte Paschi Belgio** posted revenues for 5.6 mln (approx. 6 mln as at 31/3/2009).

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 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 activities), and finally **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 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.

GROUP FINANCE

Banca Monte dei Paschi di Siena's finance activity is currently divided into two areas of resposibility, i.e. Proprietary Finance and Group Treasury & Capital Management.

PROPRIETARY FINANCE

The Group's assets held for trading came to EUR 31.7 bln at the end of March (23.5 bln at December 2009). Financial liabilities held for trading were also up by 3.7 bln since the start of the year. These performances are mainly attributable to the operations of MPS Capital Services.

FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING (end of period, in EUR mln)

	MPS GROUP			
	31/03/10	31/12/09	Abs. Chg on 31/12/09	%
FINANCIAL ASSETS HELD FOR TRADING	31,662	23,507	8,155	34.7%
FINANCIAL LIABILITIES HELD FOR TRADING	23,188	19,481	3,707	19.0%

Financial assets available for sale came to EUR 16 bln (15 bln at December 2009) incorporating investments made in the course of the year to seize interesting yield opportunities on low-risk securities.

FINANCIAL ASSETS AVAILABLE FOR SALE (end of period, in EUR mln)

	MPS GROUP			
	31/03/10	31/12/09	Abs. Chg 31/12/09	%
Financial assets available for sale	15,929	14,909	1,019	6.8%

TREASURY

Central banks continued to apply an accomodating policy in the first quarter of 2010. However, the ECB announced and gradually implemented its exit-strategy plan aimed at phasing out extraordinary stimulus measures.

Against this market scenario, the 2010 planning process for Central Treasury Service involved drawing up a detailed Funding Plan for the optimal management of liquidity and interest rate risk across the Group. Internal behavioural rules were implemented so as to monitor the flows from commercial activities more efficiently; increasing focus was placed on monitoring the trends in the cash budget. The Treasury's scope of expertise was extended at the end of the year with the centralization of Biverbanca's Treasury.

Commercial funding through repos continued to show a declining trend in the first quarter of 2010, resulting in less than EUR 2 bln.

In addition, the unsecured institutional market continued to be stagnant, thus leading to developments in all "collateralised" or "securitised" money market activities, such as General Collateral Repos, the main source of lending for the securities portfolio, the Collateralized Interbank Market and the short-term funding plans through the issue of certificates of deposit for approximately € 7 bln. The contribution from foreign branches was also significant, bringing in over 3 bln euros worth of funding through institutional investors.

Recourse to refinancing transactions through the European Central Bank continued in the first quarter, coming to an average outstanding amount of EUR 7.5 bln.

The Counterbalancing Capacity remained stable, in line with the previous year.

Trading continued to be limited both as a result of market uncertainties and extremely low interest rate levels.

An analysis of interbank positions (see table below) shows that the **consolidated net interbank difference between loans and advances to banks and deposits from banks came to 15.2 bln in funding as at 31 March 2010, an increase of 2.7 bln compared to the end of 2009,** to be correlated to the funding policies aimed at seizing the opportunities from funding at low-interest rates as an alternative to more expensive bond funding with institutional counterparties.

INTERBANK BALANCES (end of period; in EUR mln)

	MPS GROUP			
	31/03/10	**31/12/09**	Abs. Chg	
			31/12/09	%
Loans and advances to banks	10,474	10,328	146	1.4%
Deposits from banks	25,628	22,758	2,870	12.6%
Net exposure	**(15,154)**	**(12,430)**	**(2,724)**	**21.9%**

In view of the above, at the end of March 2010 the short-term and structural liquidity position was adequate with wide margins available. In particular, **the total counterbalancing capacity eligible for up to 3 months, after application of haircuts, came to approx. 22.7 bln, of which a non-committed amount of approx. 6.4 bln.**

ALM

In the first quarter of 2010, Domestic Bond Funding came to approx. EUR 2.8 bln, for a total of 33 new issues for Retail, Corporate and Private customers of the Group. Funding volumes from the placement of strucuted bonds stood at approx. 24% of the total while the issue of plain vanilla bonds accounted for 76%, the equivalent of approx. EUR 2 bln distributed across 29 transactions. In terms of duration, operations focused on maturities of less than five years; a further breakdown shows a preference for four-year term products which make up approx. 38% of total products issued.

International market activities, mainly directed at institutional investors, were affected by the "unsecured" market crisis and thus were limited.

GROUP EQUITY INVESTMENTS

In line with the guidelines of the Group Business Plan, in the first quarter of 2010 the Group continued the process of reorganisation of its equity investments portfolio.

For the period in question, the **Parent Company** did not opt for any capital increase/reinstatement transactions nor were there any equity investment expansions, whereas disposal/sale of equity investments consisted in the following:

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

Furthermore, 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 capital of GAL Ponte Lama Scrl; (ii) participated in the 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 Scr; (iv) sold its 0.34% shareholding in BIC Umbria SpA in liquidation; (v) subscribed to investment shares issued by Società Cooperativa Bilanciai di Campogalliano, acquiring a 5.94% in its share capital; (vi) took part in the setting up of Fondo Italiano d'Investimento SGR SpA[7], subscribing to a stake of 14.28%.
- **MPS Capital Services**: subscribed to the capital increase for S.T.B. Società Terme del Benessere SpA, increasing its shareholding from 13.7% to 13.81%.

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

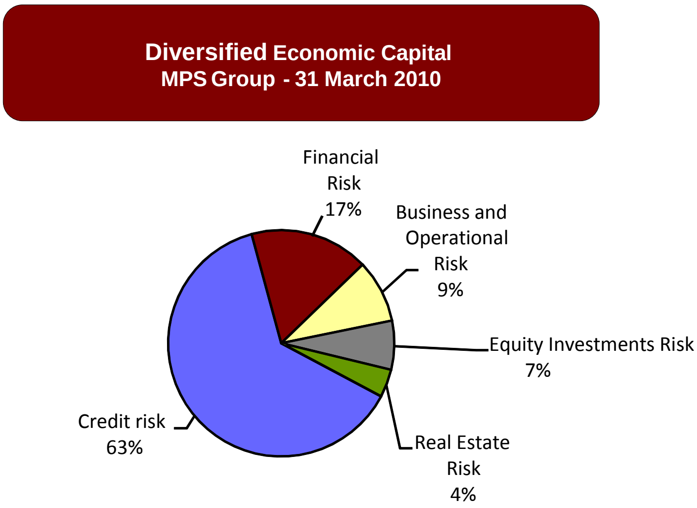
INTEGRATED RISK AND CAPITAL MANAGEMENT

THE RISK MEASUREMENT AND CONTROL PROCESS

Please refer to the relative chapter in the Consolidated Financial Report and to Part E of the Consolidated Notes to the Financial Statements as at 31.12.2009 for a description of the Group's internal risk measurement and control process. Following is an outline of the main results obtained from the analysis of the Montepaschi Group's Economic Capital and Risks as at 31.03.2010.

ANALYSIS OF ECONOMIC CAPITAL

As at 31 March 2010, the Overall Economic Capital of the Montepaschi Group 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%) and real estate risk (4%). The working capital against financial risks (mainly consisting of typical trading book and ALM Banking Book) amounts to approx. 17% of the Overall Economic Capital.



CREDIT RISK

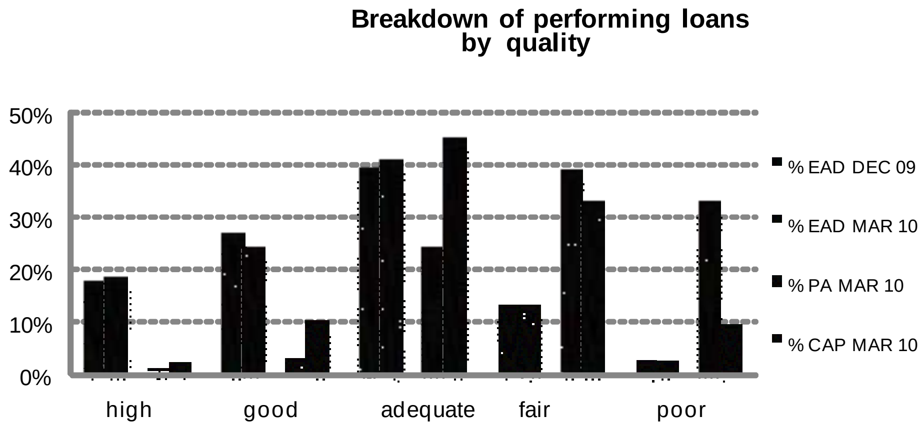
Credit risk is analysed using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss and inter-risk diversified Economic Capital with a representative period of one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

The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined threshold value for a representative period (normally one year). The synthetic variable expressing the creditworthiness of the counterparty is known as the Credit Worthiness Index (CWI) and consists in both the 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.

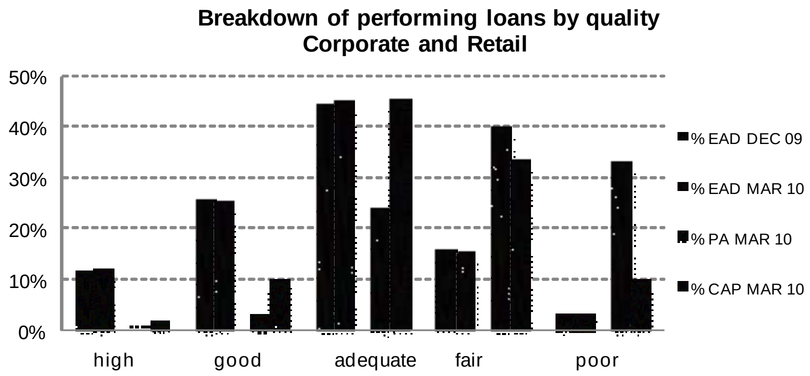
The portfolio model output provides detailed measures for individual positions as well as the absorbed operating capital component and indicates the impact of diversification as compared to a building-block approach.
The model evidences the change in credit risk over time based on the various combinations 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.

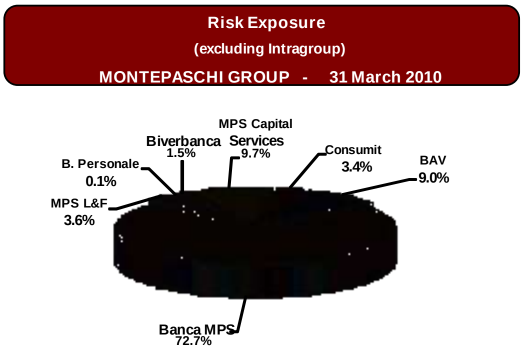
The chart below provides a breakdown of the credit quality of the Montepaschi Group portfolio (excluding financial asset positions). The analysis as at 31 March 2010 shows that around 43% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure 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.



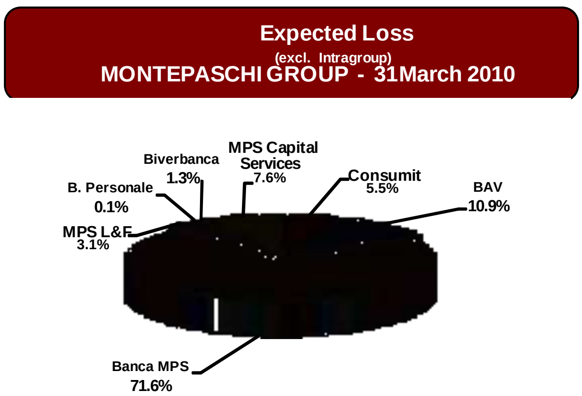
On the other hand, the following chart indicates a breakdown of credit quality only for Corporate and Retail portfolios (whose PD and LGD parameters are determined through the use of internal models, which have been validated or are pending validation by Supervisory authorities). It should be noted that as at 31 March 2010, exposure of a high or good quality accounted for about 37% of total Corporate and Retail exposure.

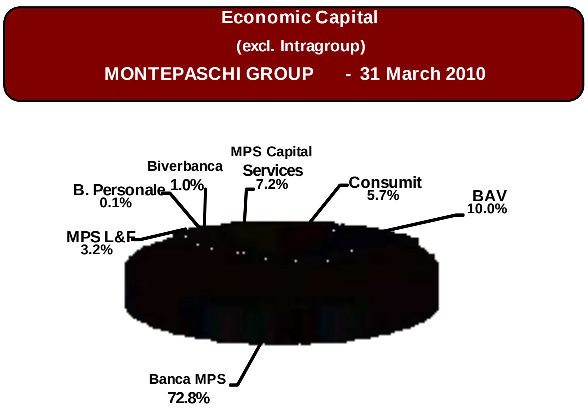


The following chart shows that the three retail banks (Banca MPS, Banca Antonveneta and BiverBanca) contribute to approximately 83% of the total Montepaschi Group's exposure to risk, whereas the companies MPS L&F, MPS Capital Services, Consumit and MPS Banca Personale, account for the remaining 17%.

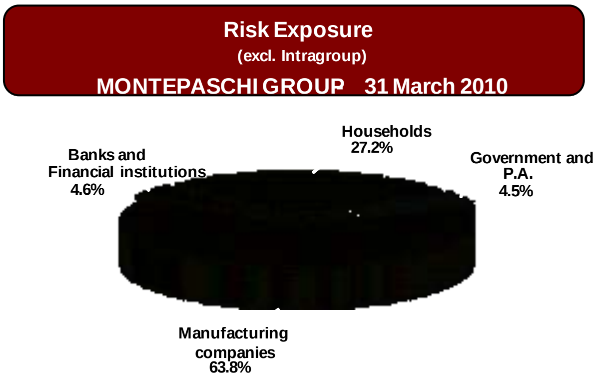


With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 71.6% followed by Banca Antonveneta with 10.9% and MPS Capital Services and Consumit (7.6% and 5.5% respectively), while the remainder (4.4%) is assigned to cover the risks of MPS Leasing e Factoring, BiverBanca and MPS Banca Personale. Most of the overall amount of economic capital to cover credit risk is absorbed by the Parent Bank (about 72.8%), followed by the remaining retail banks, Banca Antonveneta and BiverBanca (11%) with the remainder (16.2%) absorbed by the other legal entities.

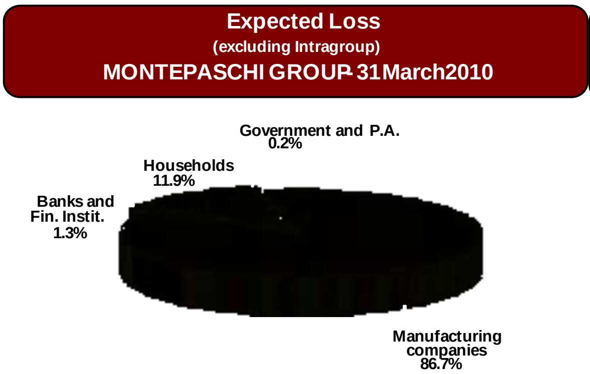


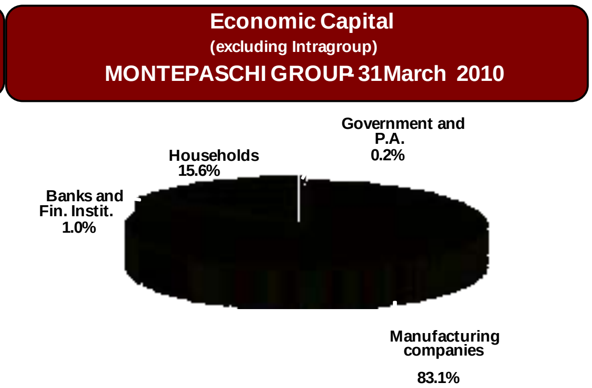


An analysis of the first quarter shows how the risk exposure of the Montepaschi Group is mainly toward “Manufacturing Companies” (63.8% of total loans disbursed) and “Households” (27.2%). The remaining portion is broken down between Government and Public Administration, which makes up 4.5%, and Banks and Financial Institutions for 4.6%.

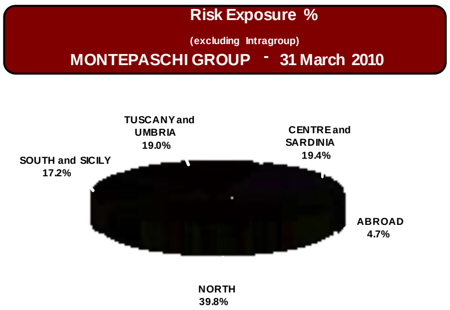


In terms of risk measures, it should be noted that Manufacturing Companies account for 86.7% of the Expected Loss and 83.1% of the Economic Capital. The portion for “Households” comes to 11.9% for Expected Loss and 15.6% for Economic Capital respectively.

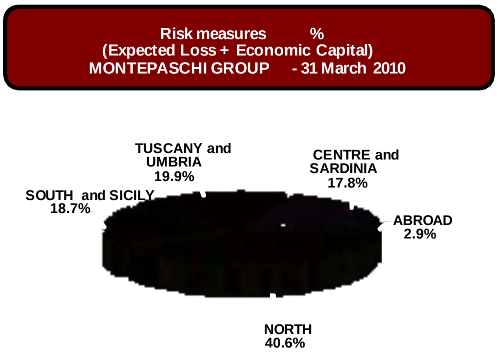




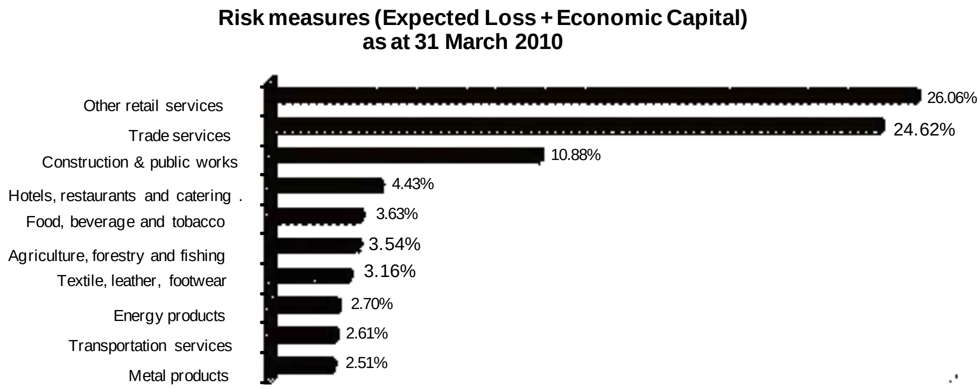
An analysis of the geographic breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy’s Northern regions (39.8%) followed by Central Italy and Sardinia (19.4%), Tuscany and Umbria (19%), Southern Italy and Sicily (17.2%). The remainder (4.7%) is from abroad.



Overall risk measures (Expected Loss + Economic Capital) are mainly accounted for by the greater concentration of loans in northern Italy (40.6%). Next in the ranking are Tuscany and Umbria (19.9%), Southern Italy and Sicily (18.7%), Central Italy and Sardinia (17.8%), while the remainder (2.9%) 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 "Other Retail Services", "Trade Services" and "Construction and Public Works" absorb most of the risk measures (26.1%, 24.6% and 10.9%, respectively) and together account for 61.6% of total risk measures. These are followed by "Hotels, restaurants and catering", "Food, beverage and tobacco" and "Agriculture, forestry and fishing" which together make up 11.6% of total Expected Loss and Economic Capital.



EQUITY INVESTMENT RISK

At the end of the first quarter the VaR for equity investments (calculated in terms of a 99% VaR for a retention period of 1 quarter) accounted for 22.2% of the portfolio fair value.

INTEREST RATE RISK - BANKING BOOK

The sensitivity of the Montepaschi Group, at the end of Q1 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 -729€ mln (+836€/mln for a shift of -100bp) as at the end of March 2010. 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 II).

LIQUIDITY RISK

The overall structural liquidity profile is monitored on the basis of quantification of mismatches of maturing cash flows, by settlement date.

Particular focus is given to the planning of the Group-wide funding policy, which is coordinated and directed by the Treasury and Capital Management Area, for both ordinary funding from bonds and for the issue of subordinated liabilities and the scale of recourse to indebtedness on the interbank market, consistent with the requirements of Capital Management and the prospective liquidity position estimated, both short-term and structural.

MARKET RISKS – TRADING BOOK

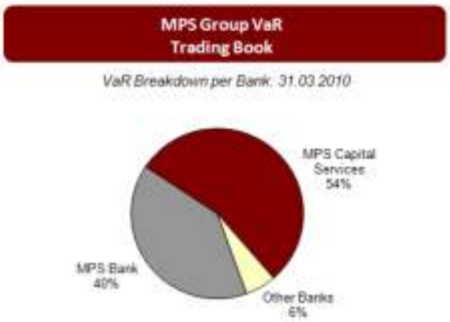
In the first quarter of 2010, market risks for the Montepaschi Group showed an upward trend even if, on average, they stood below the average levels recorded in 2009. The VaR of the Regulatory Trading Portfolio came to €17.46 mln as at 31 March 2010.

The Group's average VaR in the first quarter of 2010 was EUR 16.01 mln, well below the 2009 average (€ 21.18 mln) remaining within a range comprised between a low of EUR 10.00 mln recorded on 4 January and a high of EUR 20.13 mln on 17 March.

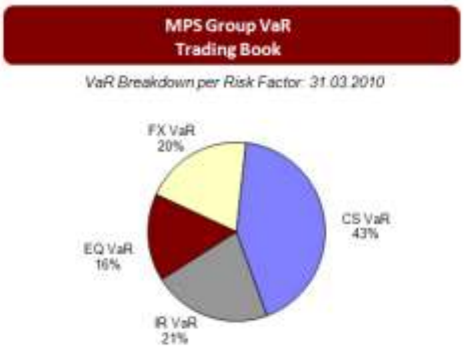
MPS Group: Trading Book
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	17,46	31/03/2010
Min	10,00	04/01/2010
Max	20,13	17/03/2010
Average	16,01	

With regard to legal entities, the Group's market risks continue to be concentrated on Banca MPS and MPS Capital Services.
As at 31 March 2010 MPS Capital Services accounted for 54% of overall risk, the Parent Company contributed 40% while the remaining 6% was attributable to the other banks.



A breakdown of VaR by risk factors as at 31/03/2010 shows that 43% of the Group's portfolio was allocated to risk factors such as credit spread (CS VaR), 21% was absorbed by interest rate risk factors (IR VaR), 20% was absorbed by foreign exchange risk factors (FX VaR) and the remaining 16% by equity risk factors (EQ VaR).

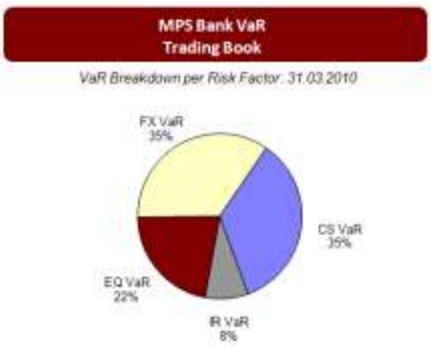


With regard to the Regulatory Trading Book of the Parent company alone, the VaR recorded in the first quarter of 2010 stood at an average of EUR 8.36 mln.
During the first quarter, the Group's VaR ranged between a low of EUR 5.67 mln recorded on 11 January and a high of EUR 11.04 mln on 22 March. The end-of-quarter figure was EUR 7.85 mln.

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

	VaR	Data
End of Period	7,85	31/03/2010
Min	5,67	11/01/2010
Max	11,04	22/03/2010
Average	8,36	

A breakdown of VaR by risk factor as at 31/03/2010 shows that 35% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR) and Foreign Exchange risk (FX VaR), 22% absorbed by Equity Risk factors (EQ VaR) and the remaining 8% by Interest Rate risk factors (IR VaR).



OPERATIONAL RISKS

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

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

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

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

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of relevant scenarios. In this framework, the companies are involved in process and risk identification, risk evaluation by process managers, identification of possible mitigation plans, discussion (in scenario-sharing sessions) of priorities and technical-economic feasibility of mitigation actions with the H.O. units.

Novelties in the last quarter include the merger by absorption of Banca Personale into Banca Monte dei Paschi with the consequent acquisition of its characteristic risk components. For the purpose of gaining an accurate view of the impact upon the bank's risk profile, the assessment of risk linked to new business operations is currently underway.

REGULATORY CAPITAL AND REQUIREMENTS

In continuity with the same approach adopted at the end of 2009, the **Regulatory Capital** was estimated on the basis of calculation metrics introduced by Basel 2 (Advanced Internal Rating Based (IRB) and Advanced Measurement Approach (AMA) methodologies for legal entities and portfolios that are subject to validation). As at 31/03/2010 the **Group's Regulatory Capital was estimated** at EUR 14,406 mln, with **Tier 1 at 7.5% and a Total Capital Ratio at 11.8%.**

In terms of RWAs, the estimates produced showed a slight increase by 0.87%.

Regulatory capital - Estimate - EUR mln

	31/03/10	*31/12/09*	*Var. %*
Tier 1 capital	9.165	9.093	0,79%
Tier 2 capital	5.657	5.697	-0,69%
Deductions	417	410	1,71%
Regulatory capital	14.406	14.380	0,18%

THE OPERATING STRUCTURE

The chapter outlining the development of operations for the different business areas includes a description of "research and development initiatives". This section of the report on operations, instead, provides **information on the development of the operating structure** with particular regard to the **distribution channels, payment systems** and **human resources**.

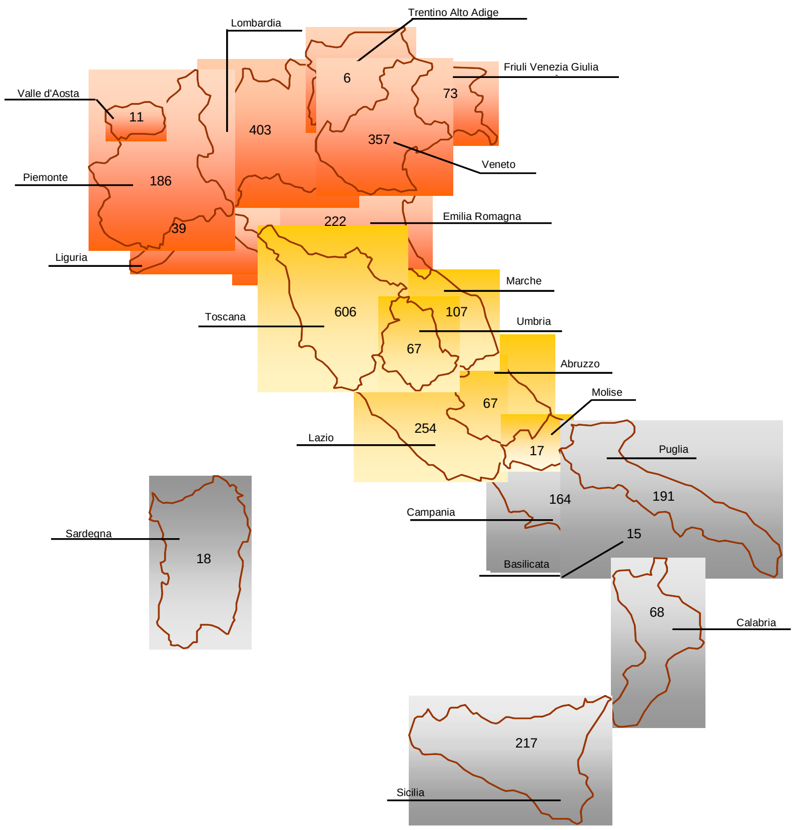
DISTRIBUTION CHANNELS

The Montepaschi Group is working towards **developing and streamlining its distribution channels**, focusing both on expanding the traditional network and on **strengthening the direct channels (internet banking, phone banking, ATMs) by integrating them with the branch network**. The strategic objective is to increasingly expand the use of direct channels, making access to them simpler and more effective. For this reason, the Group saw to the widespread expansion of the "multichannel credentials", ie. one mode of access to all direct channels of the Montepaschi Group.

As at 31 March 2010, the Montepaschi Group totalled **3,088 branches nationwide**[8] as illustrated in the following breakdown by region, geographical area and bank of reference:

▪ THE MPS GROUP DOMESTIC NETWORK

DOMESTIC BRANCHES OF THE MONTEPASCHI GROUP



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

BREAKDOWN OF BRANCH ES BY GEOGRAPHICAL AREA AS AT 31.03.2010 (*)

Northern Italy	1,297	42.00% of total
Central Italy	1,118	36.20% of total
Southern Italy and islands	673	21.79% of total
TOTAL	**3,088**	

* as disclosed in supervisory reporting to the Bank of Italy.

MPS GROUP BRANCHES AS AT 31.03.2010 (*)

Banca Montepaschi	2,584
Banca Antonveneta	395
Biverbanca	109
TOTAL	**3,088**

* as disclosed in supervisory reporting to the Bank of Italy.In light of corporate reorganization activities that have recently been completed, comparison with 2009 is not significant.

Specific customer segments (SMEs, Institutions and Private) have been delegated by the Group to **254 specialised business centers**.

The Group's distribution network also relies on **840 financial advisors and 155 financial advisory offices open to the public of MPS Banca Personale**.

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

THE MONTEPASCHI GROUP DISTRIBUTION NETWORK

CHANNEL	31.03/2010	31.12/2009
Domestic branches*	3,088	3,088
Financial advisor offices	155	163
Total domestic points of sale	3,243	3,251
Foreign branches	41	41
SME centres	113	113
Institutional client centres	50	50
Private centres	91	90

* as disclosed in supervisory reporting to the Bank of Italy The specialized units of MPS Banca per l'Impresa are not included.

With regard to **innovative channels**, the Group continued with its process of transformation of the branch from a traditional channel to an **advanced customer relations centre**: the increasing use of innovative channels by Montepaschi Group customers is, today, a well-established, dynamic and continuously-developing reality.

The first quarter of 2010 saw the continuation of **customer-targeted initiatives by the Group aimed at the promotion of telematic services,** with a particular focus on **integrated multi-channels** whose interfacing services continue to be upgrdaded and implemented with new, additional features. In terms of **Consumer banking**, **contracts at 31/03/2010** exceeded **1,400,000** among which there was a prevalence of integrated multichannel contracts (over 707,000), followed by Internet Banking contracts (over 453,000). In the first quarter of 2010, **over 55,700 new contracts** were registered, mainly concentrated in Integrated Multichannels whose growth supersedes the termination of Internet Banking accounts. With regard to **Corporate banking,** the number of **contracts registered as at 31/03/2010** exceeded **37,500** (over 32,200 Internet Corporate Banking contracts), an increase on the 2009 year-end result, owing to new contracts signed for Integrated Multichannels and Internet Corporate Banking.

With regard to **ATMs**, the first quarter of 2010 saw the installation of 68 "cash-in" machines (35 of which are in addition to "cash out" dispensers). On top of this important initiative was the continuing installation of remote ATMs in locations of high commercial interest. **Montepaschi Group ATMs totalled 3,671 as at 31 March 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 revenue base, using a prudential approach**.**

The Montepaschi Group International network is made up of:

- ✓ **4 operational branches** located in London, New York, Hong Kong and Shanghai;
- ✓ **11 representative offices** located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China;
- ✓ **2 Italian Desks** in Spain and Romania.

The following trade agreements were signed in the first quarter of 2010:

- ✓ **"One Stop Guarantee Programme"** with Standard Chartered Bank, London for the management of guarantees to be issued by order of Montepaschi group customers to Sub-Saharan Africa and Asia where Standard Chartered Bank has its own branches or subsidiaries. The agreement offers several advantages, among which a pre-set pricing by Country, the identification of a single interlocutor and the exemption from the witholding tax on commissions;
- ✓ "**Risk sharing**" with ANZ (Australia) and Banque Misr (Egypt) on the basis of which several significant transactions were executed in favour of Group customers;
- ✓ "**Forfaiting**" 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 Payment 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 (Moldavia)** 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 offered to foreign immigrants, "Paschi Without Frontiers "[9], agreements currently exist with *Banka Credins (Albania), Compagnie Bancarie de l'Afrique Occidentale - CBAO (Senegal) and Attijariwafa Bank (Marocco)*, with the objective of creating synergies in managing remitted funds and, in more general terms, managing the flows originated by foreign workers in Italy.

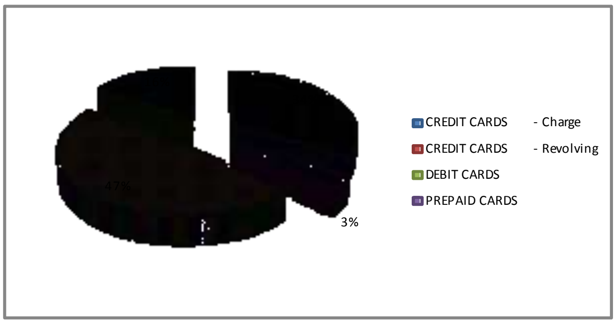
PAYMENT AND COLLECTION SYSTEMS

Initiatives undertaken in the first quarter of 2010 in relation to payment and collection systems mainly focused on adjustments for compliance with the new banking rules resulting from the **Payment Service Directive (PSD)** transposed into a Law Decree enacted on 1 March 2010. The analysis of the individual services was completed and the areas of intervention identified. Implementation activites concerning technical changes to the procedure were concluded.

Furthermore, the Group continued with its other activities related to the implementation of the **Single Euro Payments Area (SEPA)**, with the roll-out of the SEPA European Credit Transfer on the Internet Banking and Internet Corporate Banking channels.

With regard to **P.O.S. payments**, the activities launched in 2009 for the rationalization of inactive terminals continued in the first quarter. 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 135,500 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 quarter of 2010 and has already involved approximately 30% of all positions with its completion being estimated for the end of June 2010.

As at 31 March 2010 **MPS Group circulating payment cards** (distributed by Banca Monte dei Paschi di Siena, MPS Banca Personale, Banca Antonveneta and BiverBanca) totalled **3,279,140** , up 0.5% on the number of cards in the portfolio as at 31.12.2009. The first quarter saw an increase in **prepaid cards (+1.5%)** owing to the performance of Spider and Kristal Best, and **debit cards (+1.1%)**, while a contraction was registered in **credit cards (-0.6%)**. 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. With regard to product innovation, activities were put underway for the release of **carta VPAY** in the second quarter of 2010, a European payment and cash withdrawal card designed by VISA Europe with a distinctive acceptance mark, entirely based upon "Chip & PIN" technology, providing high-level security and practically eliminating the risk of fraud.



[9] 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.

HUMAN RESOURCES AND ORGANISATION

Having completed Group restructuring in 2009, plans and activities for the first quarter of 2010 were oriented towards the following priorities:

- **optimisation of Head Office organisational structure,** 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** ("portfolio-based" structured HR tracking at regional level) geared towards strengthening the development processes for the best resources in conformity with planning logics: 'industrialisation' of knowledge-based processes and professional career paths aimed at ensuring coverage of roles with high business impact; targeted training on behavioural quality, credit and groundwork for the role of Branch Manager.

❑ HEADCOUNT

The Group headcount reduction/restructuring objectives set out in the 2008-11 Business Plan were already exceeded in the first two years. As at 31 March 2010, the **Group** headcount in terms of actual "workforce" came to[10] **32,115**, a net increase of 112 resources since the start of the year aimed at partially reintegrating the outflow of network personnel registered at the end of 2009:

HEADCOUNT

	31/12/07(*)	31/12/09	31/03/10
Actual workforce	34,188	32,003	32,115

(*) Baseline of 2008-11 Business Plan, including headcount of Banca Antonveneta (9,383 resources) and Biverbanca (696 resources).

through:

DETAILS ON EMPLOYEE TURNOVER

Progressive values:	From 31/12/07 to 31/03/10	From 31/12/09 to 31/03/10
New hires	1,611	265
Terminations	-3,610	-163
Differences due to change in Group scope	-74	10
TOTAL	**-2,073**	**112**

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

[10] Value obtained by deducting from personnel on payroll (32,149) all resources seconded to non-Group companies and those belonging to Professional Area Band I working short-time (20 cleaning staff).

BREAKDOWN OF WORKFORCE BY WORK LOCATION

	31/12/07	% of total	31/12/09	% of total	31/03/10	% of total
Head Offices (*)	12,360	36.8%	10,392	33,.%	10,345	32.8%
Network (**)	21,232	63.2%	21,030	66.9%	21,190	67.2%
TOTAL - DOMESTIC LOCATIONS	**33,592**	**100%**	**31,422**	**100%**	**31,535**	**100%**
Foreign Banks and Representative Offices/Branches	596		581		580	
GROUP TOTAL	**34,188**		**32,003**		**32,115**	

(*) Parent Company, Head Offices of Retail Banks, 'Territorial' (local) Areas, and Product/Service factories.

(**) 'Territorial' (local) Head Offices, Branches, Centres, Call centres and other front office operating units

The table below shows a breakdown of the MPS Group workforce by professional position:

BREAKDOWN OF WORKFORCE BY PROFESSIONAL POSITION

POSITION	31/03/10	% of total
Executives	557	1.7%
Middle Managers	11,348	35.3%
Other	20,210	62.9%
TOTAL	**32,115**	**100%**

Personnel with University degrees account for 31.9%, of the total, with the highest incidence for Executives (approx. 48.9%).

The average age at Group-level is 42.8 years, in line with the Bank Industry average (42.5)[11]; women make up 44.3% of personnel (vs. 42.1%).

❑ OPERATIONAL STRATEGIES

DEVELOPMENT OF HUMAN RESOURCES

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

- the start up of the 2009/10 **Professional skills assessment** session (**PaschiRisorse**), 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. Furthermoe, the tool **supports** all the other processes linked to the enhancement and development of personnel;implementation of **professional career paths**[12], involving approximately 600 resources in total;
- 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 and direct professional growth, creating a pool of resources from which the future management of the Group will be generated. So far, approx. 480 employees have been identified by the initiative;
- development of the new **Human Resource 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, access and reporting) and improved employee communications.

11 "2009 Report on the job market in the financial industry – Remuneration and cost of labour in Italian and European banks", Bancaria Editrice.

12 Vertical paths regulate upgrading to target positions up to secon-level middle managers. Horizontal paths encourage skill integration in same-level positions.

TRAINING

The **2010-12 Training Plan** was drawn up in the first quarter and outlines all the training initiatives planned for the next three years in terms of guidelines, objectives, timing, content, target personnel, method (classroom, on-line, structured on-the-job training), financial and organisational sustainability (man days estimated).

The priority objectives set forth in the plan target the following 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 Head Office 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 the following initiatives from the previous Plans will continue:

- **expansion of training offer for business-critical roles** (Branch Managers and key Network roles) through continuous updating of the related GRAFs[13];
- **continuous alignment of "role qualifying/mandatory" training** with statutory provisions (ISVAP-Supervisory Authority for Private Insurance, Anti-Money Laundering, Leg. Decree 231 on Corporate Liability, Transparency, Privacy, Workplace Safety, *Patti Chiari*, etc.).

Implementation of the initiatives in these priority areas has begun and will continue to develop in the course of the year.

UNION RELATIONS

In the first quarter of 2010, union relations were characterised by ongoing dialogue with regard to:

- procedures provided for by art. 15, paragraph 1 of the current CCNL (National Collective Labour Agreement) for the processes involved in the **reorganisation of the Head Offices** of Banca Monte dei Paschi di Siena and the relative repercussions on the personnel concerned;
- procedure provided for by art. 47 of Law no. 428/1990 pertaining to the **sale of 22 branches to Banca Carige S.p.A.**.

ORGANISATION

The main projects coordinated by Organisation in Q1 2010 were:

- **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 'Geographic Areas' with a view to better risk monitoring and improved efficiency levels (eg. faster decision-making, etc.);
- rationalisation of the **Group's organisational model and simplification of the Network's operational processes**;
- **analysis, direction and coordination** activities in preparation for the absorption of **MPS Banca Personale** (as of 19/04/10);
- implementation of the programme aimed at **streamlining the Network back-office** through a centralization of activities/resources on the Montepaschi Group Operations

13 Guida per Ruolo alle Azioni Formative (A role-based guide to Training).

Consortium which improves the front-to-back office ratio and enables the achievement of a higher level of operational efficiency, with the ultimate intent of improving the quality of service to customers;

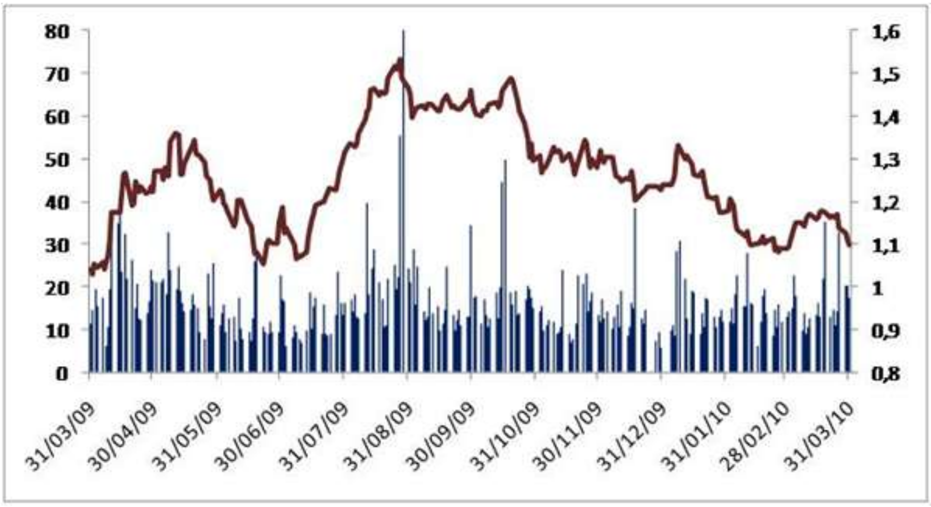
- organisational restructuring of the **Group Finance area**, the expected benefits of which include: increasing the efficiency of the Group Proprietary Finance governance model; adopting standardized organisational models and processes for the Parent Company and its subsidiaries; full enhancement of 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 centralizing and streamlining back-office activities;
- 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 so as to reduce the timing of financial statements production, improve data quality and traceability, refine the integration/reconciliation with synthetic reporting systems (planning and control, regulatory reporting), upgrade the information in support of spending management.

BMPS SHARES, SHAREHOLDERS' BASE AND CREDIT RATINGS

SHARE PRICES

The first three months of the year were characterised by a volatile stock market with massive sales in the first two months and good recovery in March; the major stock market indices, therefore, closed the quarter with values that were not far off from those recorded at year-end (Dow Jones +4.1%, S&P 500 +4.9%, FTSE MIB -1.7%), while a worse performance was registed for both the Italian and the European banking system (DJ Euro Stoxx Banks -5.7%, FTSE Mib Banks -5.4%). BMPS shares stood at EUR 1.096 at quarter-end (-10.7% compared to the end of 2009), substantially in line with the downturn recorded for the leading Italian banking stocks.

BMPS SHARE PRICE (from 31/03/09 to 31/03/10)



BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/09 to 31/03/10)

Average	1.17
Lowest	1.08
Highest	1.33

CAPITALISATION AND SHAREHOLDERS' BASE

At the end of March 2010, BMPS' market value, calculated on the basis of 6,701,150,820 (ordinary and preferred) outstanding shares was approximately EUR 7.4 bln.

SUMMARY OF REFERENCE PRICES AND CAPITALISATION

	31.12.09	31.03.10
Price (Euro)	1.23	1.10
No. ordinary shares	5,569,271,362	5,569,271,362
No. preferred shares	1,131,879,458	1,131,879,458
No. savings shares	18,864,340	18,864,340
Capitalization (ord + pref) (EUR mln)	8,229	7,371

With regard to the bank's shareholders' base, on the basis of reporting pursuant to art. 120 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 4.45%; 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	4.45%
Unicoop Firenze – Società cooperativa	3.32%

VOLUMES

In the first quarter of 2010 the number of BMPS shares traded on a daily basis averaged approx. 15.6 million with a peak of 35.4 million in March 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

CREDIT RATINGS

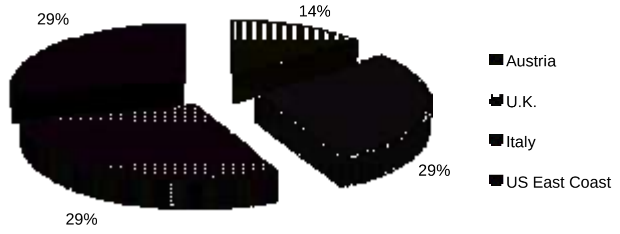
Following are the credit ratings assigned as at 31 March 2010:

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 Q1 2010

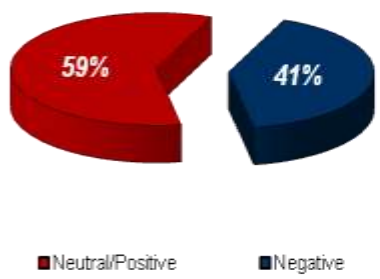
Following on from 2009, in the first three months of 2010 the Investor Relation team's interaction with the financial community continued to be highly proactive. As a whole, over 10 days of meetings were held between the top management of the Montepaschi Group and institutional investors from the leading global financial marekts.

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 31 March 2010, 59% of analysts covering BMPS shares maintained a neutral/positive outlook whereas 41% expressed a negative one.



COMMUNICATIONS

In the first quarter of 2010 activities were implemented with regard to the Group's institutional and commercial communications, media and external relations, sponsorships, promotion initiatives and internal communications, all with the twofold objective of supporting and enhancing the corporate image and brand.

In terms of **media communications,** the Montepaschi group intensified its relations with the main national and local newspapers to ensure coverage of major corporate events. In the first quarter these included: the press conference for the presentation of financial results to the media, media coverage of the sale of 22 branches to Banca Carige, the extension of the Axa Mps bancassurance agreement to Antonveneta's branch network, sponsorship initiatives, 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***[14] targeting operators from the Family Office sector and 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) and currently include a section on the "Tax-Shield".

As for **Corporate television, the Montepaschi Channel** was enhanced in the first quarter 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** Q1 saw the launch of new channels, BMPS Consumer Network, BMPS Corporate Network and Family Office. **Internal workshops** included the Italian Banking Association Meeting while the meetings held with Prima Sgr and Axa Mps are currently being planned.

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 included:

- **Cultural:** 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 all main branches, sponsorship of the Biennial Antiques Exhibition in Siena, the *Teatro Povero di Monticchiello* and the Documentary 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

[14] 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. Currently underway are the activities for the graphical restyling of the newsletter **Filodiretto7** which involves the implementation of a series of technical features with a view to improving services rendered and monitoring activities already initiated on all internal communication channels.

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.

- **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 "La Fabbrica del Sorriso" for the 2010 edition of this 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 for donations in favour of Haiti on one of the vouchers provided each month. The concluding stage of the fund-raising activities carried out during the Christmas period was also completed.
- **Economics:** among the numerous initiatives undertaken, of particular importance was the sponsorship of Promosiena, a special agency of the Chamber of Commerce which is specifically dedicated to the promotion of local business in the main foreign markets. The Group also confirmed its long-standing sponsorship of *Enoteca Italiana*, an Italian Wine Institute which aims to develop and promote the great Italian wines and the Italian wine industry in general.

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 the creation of a De Agostini game book for the forthcoming Consum.it promotional initiative.

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 information supplied 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 corporate segment series of events, "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, conventions and workshops** all the stages have been set out for the organization of the 2010 edition of the *Class Cnbc roadshow*, the *Università Monte dei Paschi di Siena Class Cnbc* project and the *Sole 24Ore road show*.

With regard to **web and new media**, the Web Presence 2.0 project by Infinita, was launched with the aim of positioning the brand for the sale of on-line products and re-positioning the direct banking channels. Furthermore, three web videos were released in relation to the viral communications campaign on the user channel, Infinita. Finally, search advertising activities with Google were set out for brand and product/service promotion while web initiatives following up on the TV and radio campaign continue to be monitored.

MAJOR EVENTS IN Q1 2010

Below is a summary of the more significant events of the Montepaschi Group in the first quarter of 2010:

- ✓ **on 15 January 2010** Banca Monte dei Paschi di Siena and Banca Carige signed a preliminary sales and purchase agreement for the sale of 22 branches of Banca Monte dei Paschi to the Carige Group for a consideration of EUR 130 mln. As at 30 September 2009 the branches had approx. 1,537 mln in total customer deposits and approx. EUR 840 mln in loans. The successful completion of the transaction, subject to all relative authorisations being granted, will have an impact of 10 bps on Banca Monte dei Paschi di Siena's Tier 1;
- ✓ **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 multi-originator portfolio, consisting in performing mortgage loans, secured by first mortgages on residential properties.
- ✓ **on 29 March 2010** the following extraordinary corporate transactions were approved at the Shareholders' Meeting of Banca Monte dei Paschi di Siena SpA:
  - Merger by absorption of Antenore Finance SpA and Theano Finance SpA into Banca Monte dei Paschi di Siena;
  - Merger by absorption of MPS Banca Personale SpA into Banca Monte dei Paschi di Siena SpA;
  - Merger by absorption of MPS SIM SpA into Banca Monte dei Paschi di Siena SpA;
  - Merger by absorption of Siena Mortgages 00 1 SpA into Banca Monte dei Paschi di Siena SpA;
  - 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.

EVENTS AFTER 31 MARCH 2010

The following are the most significant events occurring after the closure of quarter on 31 March 2010:

- **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 and Banca Personale SpA's Shareholders' Meetings on 26 March 2010.

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 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 quarter of 2010.**

EQUITY INVESTMENTS

Scope of consolidation

Equity investments in wholly-owned or jointly-controlled entities (consolidated proportionately)

31 03 2010

		NAME	Reg. office	TYPE of REL.. (*)	Type of shareholding Held by	%	% of votes available
		Entities included in consolidation scope					
		A.1 fully consolidated					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena				
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	1	A.0	99,918	99,919
					A.36	0,001	
	1.1	MPS VENTURE SGR S.p.a.	Florence	1	A.1	70,000	70,000
A.2		MPS BANCA PERSONALE S.p.a.	Lecce	1	A.0	100,000	100,000
A.3		MPS GESTIONE CREDITI S.p.a.	Siena	1	A.0	100,000	100,000
A.4		MPS LEASING E FACTORING S.p.a.	Siena	1	A.0	100,000	100,000
	4.1	MPS COMMERCIALE LEASING S.p.a.	Siena	1	A.4	100,000	100,000
A.5		BANCA ANTONVENETA S.p.a.	Padu	1	A.0	100,000	100,000
A.6		BIVERBANCA CASSA RISP. BIELLA E VERCELLI S.p.a.	Biella	1	A.0	59,000	59,000
A.7		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100,000	100,000
A.8		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100,000	100,000
A.9		MPS INVESTMENTS S.p.a.	Milan	1	A.0	100,000	100,000
A.10		MPS SIM S.p.a.	Milan	1	A.0	100,000	100,000
A.11		CONSUM.IT S.p.a.	Siena	1	A.0	100,000	100,000
	11.1	INTEGRA S.p.a.	Florence	1	A.11	50,000	50,000
A.12		MPS TENIMENTI FONTANAFREDDA					
		E CHIGI SARACINI S.p.a.	Siena	1	A.0	100,000	100,000
A.13		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100,000	100,000
A.14		G.IMM.ASTOR Srl	Lecce	1	A.0	52,000	52,000
A.15		PASCHI GESTIONI IMMOBILIARI S.p.a.	Siena	1	A.0	100,000	100,000
A.16		PERIMETRO GEST. PROP. IMM. S.c.p.a	Siena	9	A.0	9,956	11,500
					A.1	0,142	
					A.2	0,110	
					A.3	0,044	
					A.4	0,057	
					A.8	0,014	
					A.9	0,011	
					A.11	0,025	
					A.13	0,002	
					A.15	0,068	
					A.17	1,071	

A.17		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99,790	100,000
					A.1	0,060	
					A.2	0,030	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
					A.6	0,030	
A.18		AGRISVILUPPO S.p.a.	Mantua	1	A.0	98,224	99,068
					A.9	0,844	
A.19		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantua	1	A.0	100,000	100,000
A.20		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	A.0	99,900	100,000
					A.9	0,100	
A.21		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	100,000
A.22		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100,000	100,000
A.23		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	100,000	100,000
	23.1	MONTE PASCHI CONSEIL FRANCE	Paris		A.23	100,000	100,000
	23.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		A.23	100,000	100,000
	23.3	M.P. ASSURANCE S.A.	Paris		A.23	99,400	99,400
	23.4	IMMOBILIARE VICTOR HUGO	Paris		A.23	100,000	100,000
	23.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.23	99,997	99,997
A.24		MONTEPASCHI LUXEMBOURG LTD	Brussels	1	A.0	99,200	100,000
					A.23	0,800	
A.25		ULISSE S.p.a.	Milan	1	A.0	100,000	100,000
A.26		ULISSE 2 S.p.a.	Milan	1	A.0	60,000	60,000
A.27		SIENA MORTGAGES 00-01 S.p.a.	Milan	1	A.0	100,000	100,000
A.28		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60,000	60,000
A.29		ANTENORE FINANCE S.p.a.	Padua	1	A.0	100,000	100,000
A.30		ANTONVENETA CAPITAL LLC I	Delaware	1	A.0	100,000	100,000
A.31		ANTONVENETA CAPITAL LLC II	Delaware	1	A.0	100,000	100,000
A.32		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100,000	100,000
A.33		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100,000	100,000
A.34		GIOTTO FINANCE 2 S.p.a.	Padua	1	A.0	98,000	98,000
A.35		THEANO FINANCE S.p.a.	Padua	1	A.0	100,000	100,000
		A.2 Proportionately consolidated					
A.36		BANCA POPOLARE DI SPOLETO S.p.a. (Book value at 26.005% of nominal value)	Spoleto	1	A.0	26,005	26,005

(*) 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 ar. 26.1 of Decree 87/92
6 unified management under art. 26.2 of Decree 87/92
7 joint contro 8 connection 9 majority of risks and benefits (SIC 12)
(**) voting rights are disclosed only if different from the percentage of ownership

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

Name	Reg. office	Tipo di rapporto	Shareholding		% of votes available	Consolidated book value	
			Held by	%		31 03 2010	31 12 2009
Axa Mps Assicurazioni Vita S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	338.054	324.450
Axa Mps Financial Limited	Dubline	8	Axa Mps Assicurazioni Vita	100,000	100,000	88.492	85.032
Quadrifoglio Vita S.p.a.	Bologna	8	Axa Mps Assicurazioni Vita	100,000	100,000	61.454	62.082
Axa Mps Assicurazioni Danni S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	33.178	32.006
Beta Prima S.r.l	Siena	8	MPS Investments S.p.a.	34,069	34,069	286	286
BioFund S.p.a.	Siena	8	MPS Investments S.p.a.	13,676	13,676	694	694
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	Rome	8	MPS Investments S.p.a.	46,281	46,281	-	-
EDI.B. S.p.a.	Gubbio (PG)	8	MPS Investments S.p.a.	19,000	19,000	7.000	7.000
Fabrica Immobiliare SGR S.p.a.	Rome	8	MPS Investments S.p.a.	45,000	45,000	3.483	3.483
Intermonte SIM S.p.a.	Milan	8	MPS Investments S.p.a.	20,000	20,000	10.030	12.430
J.P.P. Euro Securities	Delaware	8	Intermonte SIM S.p.a.	100,000	100,000	394	370
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Investments S.p.a.	49,002	49,002	2.278	2.278
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	MPS Investments S.p.a.	20,000	20,000	138	138
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Investments S.p.a.	49,500	49,500	1.578	1.578
Aeroporto di Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21,380	21,380	4.280	4.280
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9,000	30,500	22	22
			MPS Investments S.p.a.	18,000			
			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
			MPS Investments S.p.a.	14,179			
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	565	565
Società Italiana di Monitoraggio	Romea	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	1.597	1.597
Le Robinie S.r.l.	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20,000	20,000	801	801
Prima Holding 2 S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	27,330	27,330		-
Prima Holding S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	30,990	37,090		-
			Prima Holding 2 S.p.a.	6,100			-
Marinella S.p.a.	Marinella di Sarzana	8	Banca Monte dei Paschi di Siena	25,000	25,000	10.003	10.003
Antonveneta Vita S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50,000	50,000	108.162	107.475
Antonveneta Assicurazioni S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50,000	50,000	5.702	6.357
Padova 2000 Iniziative Immobiliari S.p.a.	Padua	8	Banca Monte dei Paschi di Siena	45,010	45,010	81	81
Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	40,197	40,197	28.642	28.642
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Capital Services S.p.a.	36,303	36,303	10.484	10.725
Immobiliare Centro Milano S.p.a.	Milan	8	MPS Capital Services S.p.a.	33,333	33,333	284	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	2.558	2.602
Agricola Merse S.r.l.	Milan	8	MPS Capital Services S.p.a.	20,000	20,000	6.081	3.825
Total						**759.387**	**742.170**

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

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Daniele Bigi, declares that the accounting information contained in this Quarterly Report as at 31 March 2010 corresponds to the underlying documentary evidence and accounting records.

Daniele Bigi
Financial Reporting Officer