MONTEPASCHI GROUP

Quarterly Report
as of 30 September 2009

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INTERIM REPORT ON OPERATIONS

A SUMMARY OF THE TRENDS AS OF 30 SEPTEMBER 2009

In the third quarter of 2009, the Montepaschi Group achieved **positive commercial results** and hefty business volumes despite the summer seasonality, considerably accelerating in relation to some business areas. The good commercial performance - which favoured the **improvement of the Group's competitive position** in relation to the major funding and lending aggregates - was also supported by the advanced stage of the processes of reorganization which involved the Distribution Networks and the product factories in the past months. The still critical operating backdrop, with specific reference to real economy, complicated the commercial operations. However, the **initiatives in support of retail and corporate customers were confirmed,** for the purpose of mitigating the effects of the adverse economic situation and ensuring continuity to credit supply.

In particular:

- **asset management** produced huge flows of placement in the amount of roughly EUR 5.5 billion (-5.4% with respect to Q2 09), despite the typical summer slowdown of commercial operations, with a clear progress with respect to the flows recorded in Q3 08 (+30% on a like for like basis). **The gradual flow of Wealth Management products stood at 17.8 bn, considerably advancing year on year on a like for like basis (about + 52%)**. As a result, also due to the trends of the demand components, **total funding** came to approx. 290 bn (+9.3% in comparison with 30 September 2008), with a 12 bn increase with respect to H1 09 mostly driven by direct funding.

- **with reference to loan management**, the Montepaschi Group maintained its traditional conservative stance in risk selection, but **continued to ensure an appropriate financial support to its customers also in Q3 09,** as shown by the positive development of the market shares in the main business areas (i.e. personal loans, leasing and mortgage loans), thus confirming its proximity to the territory and its requirements. **Corporate loans stood at abt.EUR 146 billion, at levels slightly higher than the results as of 30 June 2009, with a 1.2% increase with respect to September 2008.** With reference **to credit quality, as of 30 September 2009 the Montepaschi Group had** a net exposure in terms of impaired loans of about 10 bn (with the weight of impaired loans to total customers' loans at about 6.9%).

- **The Group overall customers' base** topped 6.1 million customers.

The net operating profit of the Montepaschi Group as of 30 September 2009 came to EUR 635 million approx. (1,075 million as of 30 September 2008 on a restated basis), with a contribution of about 163 million from Q3 09, driven by core income and the improving cost of credit, which is still high with respect to the current economic crisis.

Consolidated net profit for the period before the effects of the Purchase Price Allocation (PPA) came to about EUR 505 million (abt.643 million as of 30 September 2008 on a restated basis). The ROE[1] was about 3.2% (ROE on average shareholders' equity: 3.1%).

[1] R.O.E. on average shareholders' equity: the ratio of net profits for the period to the average of net shareholders' equity (inclusive of profits) as of prior year-end and net shareholders' equity as of the end of this year. R.O.E. on year-end

With reference to the regulatory ratios as of 30 September 2009, TIERI BIS II and the BIS II solvency ratio were estimated at about 6.0% (5.1% as of 31 December 2008) and about 10.3% (9.3% at the end of 2008), respectively.

With reference to the events not associated with the ordinary course of business, during Q3 09 Banca Monte dei Paschi di Siena executed an agreement with Banca Popolare di Puglia e Basilicata for the sale of 15 branches of the Montepaschi Group, in accordance with the asset disposal programme and the instructions of the Antitrust Authority.

shareholders' equity: the ratio of Net profits for the period to Net shareholders' equity as at prior year-end, once eliminated the profits to be distributed to the shareholders.

EXPLANATORY NOTES

The consolidated quarterly interim report on operations of the Montepaschi Group as of 30 September 2009 was prepared on the basis of the provisions of art.154 of the Banking Act (T.U.F.), in compliance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB) validated as of the date of issue by the European Commission, and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The international accounting principles were applied with reference to the "Framework for the preparation and presentation of the financial statements".

In particular, the Group adopted the accounting principles used for the preparation of the Consolidated Financial Statements as of 31 December 2008, which provide additional details, supplemented with the following information in relation to:

A. The accounting principles, amendments and interpretations with mandatory enforcement as of 30 June 2009;
B. The accounting principles, amendments and interpretations validated no later than 30 June 2009, with mandatory enforcement after such date which, unless otherwise stated, were not subject to early application (information pursuant to par.30 of IAS 8).

However, the introduction of the new principles, amendments and interpretations did not imply any considerable effect on the results of the interim report.

Accounting principles, amendments and interpretations applied during the period

A. Accounting principles, amendments and interpretations with mandatory enforcement as of 30 June 2009

On 29 March 2007 the IASB issued a reviewed version of **IAS 23 – Financial charges** to be applied as of 1 January 2009. The new version of the principle removed the option of promptly posting the financial charges incurred in relation to assets normally requiring a specific period of time to make the assets ready for use or sale, to the profit and loss statement. The principle shall be applied to future financial charges in relation to assets capitalized as of 1 January 2009. The application of the new principle had no impact on this quarterly report.

On 6 September 2007 the IASB issued a reviewed version of **IAS 1 – Presentation of the financial statements** to be applied as of 1 January 2009. The new version of the principle requires that all changes generated by transactions with the shareholders are shown in a statement of changes in net equity. All transactions with third parties shall be shown in one single statement ("comprehensive income") or in two separate tables (profit and loss statement and "other comprehensive income"). In any case, any changes generated by transactions with third parties cannot be shown in the statement of changes in net equity. The new principle was applied to this quarterly report, choosing the option of presenting two separate tables (i.e. the profit and loss statement and the statement of comprehensive income).

On 17 January 2008 the IASB issued an amendment to **IFRS 2 – Terms of accrual and cancellation** which requires that, for the purpose of the valuation of share-based remuneration instruments, only the terms of service and performance can be considered as terms of accrual of the plans. The amendment also clears that, in case of cancellation of the plan, the same accounting treatment – resulting from the company or the counterpart - shall be applied. The amendment shall be applied as of 1 January 2009. The application of the new principle had no impact on this quarterly report.

On 14 February 2008 the IASB issued an amendment to **IAS 32 – Financial instruments: Presentation" and IAS 1 – Presentation of the financial statements.** In particular, the principle requires the classification under equity instruments of puttable financial instruments and the financial instruments obliging the companies to deliver a shareholding in the company's capital to third parties. The amendment shall be applied as of 1 January 2009. The application of the new principle had no impact on this quarterly report.

On 22 May 2008 the IASB issued an amendment to **IFRS 1 – First adoption of the International Financial Reporting Standards" and IAS 27 – Consolidated and separate financial statements: Cost of the equity investments in subsidiaries, jointly-controlled companies and associated companies".** In particular, the amendment states that, in the case of the first application of the IFRS, it is possible, when preparing the separate financial statements of a company and in addition to the already existing criteria, to show the equity investments in subsidiaries, companies subject to considerable influence and jointly-controlled companies at a deemed cost represented either by the fair value as of the date of transition of the company's financial statements to the IAS/IFRS, or the accounting value in accordance with the original accounting principles (e.g. IT GAAP). The choice can be made on an individual basis. The amendment also concerns IAS 27 and in particular the treatment of dividends and equity investments in the company's financial statements. As a result of this amendment, the distribution of profits, also pre-acquisition profits, is posted to the profit and loss statement in the company's financial statements upon accrual of the right to the dividend. Therefore, there is no obligation of posting any distribution of pre-acquisition dividends to reduce the value of the equity investment. However, IAS 36 introduced a new indicator of impairment for the valuation of the equity investments which takes account of this issue. The amendment shall be applied as of 1 January 2009. The application of the new principle had no impact on this consolidated quarterly report.

On 22 May 2008 the IASB issued a string of amendments to the **IFRS ("Improvements").** Following are the changes with mandatory application as of 1 January 2009 which imply a change in the presentation, recognition and valuation of balance-sheet accounts, neglecting the changes which only determine editorial or terminological changes with marginal effects in accounting terms. The following "Improvements" had no relevant impact on the Montepaschi Group.

a) **IAS 1 – Presentation of the financial statements (as reviewed in 2007)**: the amendment requires that the assets and liabilities resulting from derivative financial instruments which are not held for trading purposes are separately classified under current assets and liabilities and non-current assets and liabilities.
b) **IAS 16** - **Buildings, plants and equipment:** the amendment states that the companies where renting is the core business should reclassify the assets which are no longer rented and are available for sale in the stock and, accordingly, the sums resulting from their sale should be recognized as income. The amounts paid to build or purchase assets to be rented to others, and the sums collected from the sale of such assets, are, for the purpose of the financial statements, cash flows resulting from operating assets (and not from investment assets).
c) **IAS 19 – Staff benefits**: **T**he amendment shall be applied as of 1 January 2009 to future changes in the benefits occurred after such date. The amendment clears up the definition of cost/income in relation to past work done and states that, in case of reduction of a plan, the effect to be promptly posted to the profit and loss statement shall include only the reduction of benefits in relation to future periods. The effect resulting from any reductions linked with past work done shall be considered as a negative cost in relation to past work. In addition, the Board re-processed the definition of short-term and long-term benefits and

modified the definition of return on assets stating that this item shall be shown net of any administrative costs which are not already included in the value of the obligation.

d) **IAS 20 – Accounting and reporting of Government aid**: the amendment, to be applied to future events as of 1 January 2009, states that the benefits resulting from Government loans granted at interest rates which are much lower than market rates shall be treated as Government aid and, therefore, comply with the rules of recognition provided for by IAS 20.
e) **IAS 23 – Financial charges**: the amendment, to be applied as of 1 January 2009, reviewed the definition of financial charges.
f) **IAS 28** – **Investments in affiliated companies**: the amendment, to be applied (also only to future events) as of 1 January 2009, states that, in the case of equity investments valued with the net equity method, any loss of value should not be allocated to each assets component (and in particular to the goodwill, if any) of the book value of the investment, but to the whole value of the affiliated company. Therefore, in view of the conditions for the following reinstatement of value, such reinstatement shall be recognized fully.
g) **IAS 28** – **Investments in affiliated companies, and IAS 31 – Equity investments in joint ventures**: such amendments provide for the supply of additional information, also with reference to investments in affiliated companies and joint ventures valued at fair value in compliance with IAS 39. IFRS 7 – Financial instruments: supplementary information and IAS 32 – Financial instruments: balance-sheet exposure were amended accordingly.
h) **IAS 29** – **"Accounting information in hyperinflated economies"**: the previous version of the principle did not reflect the fact that some assets or liabilities might be valued on the basis of their current value instead of their historical value.
i) **IAS 36** – **"Loss of value of assets"**: the amendment provides for the supply of additional information if a company determines the collectable value of the cash generating units by using the updating method of cash flows.
j) **IAS 38** – **"Intangible assets":** the amendment states that any promotional and advertising costs should be posted to the profit and loss statement. It also states that, if a company incurs charges with future economic benefits and no intangible assets are posted, these charges should be posted to the profit and loss statement when the company is entitled to have access to the assets, in the case of purchase of assets, or when the service is rendered, in the case of purchase of services. In addition, the principle was amended to ensure the companies the adoption of the method of produced units for the purpose of determining the amortization of intangible assets with defined useful life.
k) **IAS 39** – **"Financial instruments – recognition and valuation**": the amendment explains how to calculate the new actual return rate of a financial instrument at the end of a hedging relation of the fair value. In addition, it states that the prohibition of reclassification under financial instruments with fair value adjustment to the profit and loss statement is not applicable to derivative financial instruments which can no longer be qualified as hedging instruments or become hedging instruments. Finally, in order to avoid any conflicts with the new IFRS 8 – Operating Segments, it eliminates any references to the indication of an industry hedging instrument (former IAS 14).
l) **IAS 40 – "Real estate investments**": the amendment, to be applied to future events as of 1 January 2009, states that any real estate investments under way fall within the scope of application of IAS 40, instead of IAS 16.

On 5 July 2007, IFRIC issued the **IFRIC 13 interpretation – Customer loyalty programmes**. The interpretation regulates the accounting treatment of the customer loyalty programmes, i.e. the programmes which assign "credits" or "points" after the purchase of goods and services of the company, and entitle the customers – in compliance with some terms – to receive prizes or free/ discounted goods/services. The accounting treatment consists of the allocation of liabilities as a contra entry of an income reduction in the period of assignment of the "points". The entry of such income is postponed to the date the prize is awarded. This also redeems any liabilities. The interpretation was applied as of 1 January 2009. The enforcement of the new principle had no impact on this quarterly report.

B. Accounting principles, amendments and interpretations validated no later than 30 June 2009, with mandatory enforcement after such date which, unless otherwise stated, were not subject to early application (information pursuant to par.30 of IAS 8).

On 30 November 2006, the IASB issued the accounting principle **IFRS 8 – Operating Segments**, to be applied as of 1 January 2009. The new accounting principle, which replaces IAS 14, requires that the information reported in the segment reporting should be based on the elements used by the Management to make their operational decisions. Therefore, the operating segments should be identified on the basis of internal reporting, which is regularly reviewed by the Management for the purpose of the allocation of the resources to the different segments, and performance analyses. <u>This principle was subject to early application in the half-year report as of 30 June 2009, but produced no effect from the viewpoint of the valuation of balance-sheet accounts</u>.

On 30 November 2006, the IFRIC issued the interpretation **IFRIC 12 – Licensed service agreements,** with reference to the infrastructure to be developed, managed and maintained, granted by the Government or public authorities to private parties. The interpretation contemplates two cases: (i) a party receives financial assets for the purpose of building/developing the infrastructure, (ii) a party receives intangible assets represented by the right to a remuneration for the use of the infrastructure. In both cases, financial/intangible assets are initially valued at the fair value, and then comply with the rules of measurement typical of their class of reference. The interpretation shall be applied for the first time in the 2010 half-year report and shall have no relevant impact on the Montepaschi Group.

On 10 January 2008 an updated version of **IFRS 3 - Business combinations** and an amendment to **IAS 27 - "Consolidated and separate financial statements"** were issued. The main amendments to IFRS 3 concern the elimination of the obligation to value the assets and liabilities of a subsidiary at fair value in any following acquisition, in the case of gradual acquisition of subsidiaries. In addition, if a company does not purchase the whole shareholding, the share of third parties' net equity can be valued both at fair value (full goodwill) and using the method currently contemplated by IFRS 3. The reviewed version of the principle also provides for all costs linked with the business combination to be posted to the profit and loss statement and the liabilities in relation to payments subject to specific terms to be measured as of the date of acquisition. The IASB amendment to IAS 27 stated that any changes in a stake which do not represent a loss of control should be treated as equity transaction and, therefore, shall have a contra entry in net equity. In addition, when a holding company sells the controlling interest in a subsidiary but still holds a shareholding in the company, it shall value the stake held in the balance-sheet at fair value 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 that all losses attributable to minority shareholders shall be allocated to third parties' net equity, also when the losses exceed their share in the subsidiary's capital. Such amendments shall be applied for the first time in the 2010 half-year report.

A few amendments to the **project of "Improvements to International Financial Reporting Standards"** were issued on 14 February 2008. Following is an excerpt of the amendments to be mandatorily applied as of 1 January 2010:

- **IFRS 5 – "Non current assets available for sale and discontinued operating assets"**: the amendment, to be applied as of 1 January 2010, states that, if a company is committed to carrying out a disposal plan implying the loss of control of a subsidiary, all assets and liabilities of the subsidiary shall be reclassified under assets available for sale, even if after the sale the company still holds a minority interest in the subsidiary.

The **IFRIC 16 interpretation – Hedging of a net investment in foreign-managed assets**, issued on 3 July 2008, explained that it is possible to hedge, for accounting purposes, the foreign exchange risk exposure of the subsidiaries, the companies subject to considerable influence and the joint ventures. In particular, the risk which can be hedged is in relation to the foreign exchange differences between the functional currency of the foreign entity and the functional currency of the holding company. In addition, the interpretation states that, in case of hedging transactions of a net investment in foreign-managed assets, the hedging instrument can be held by any company belonging to the group and that, in case of sale of the equity investment, IAS 21 – Effects of currency conversion should be applied for the determination of the value to be reclassified from net equity to profit and loss statement. Such amendments shall be applied for the first time in the 2010 half-year report.

Following are the principles adopted for preparing the financial statements:

- The consolidated quarterly interim report on operations was prepared according to the "principle of independence of the periods" which considers the period of reference as an independent financial period. In this logic, the interim profit and loss statement is indicative of the ordinary and extraordinary components for the period on an accrual basis.
- The unit of account is the euro and the amounts are denominated in millions of euro, unless otherwise stated.
- The balance-sheet and the profit and loss statement are shown on the basis of reclassified statements, already used in the financial statements as of 31 December 2008.
- The accounting situations underlying the process of consolidation were prepared by the subsidiaries as of 30 September 2009 and adjusted, if necessary, to the Group accounting principles.
- Infra-group capital and P/L accounts were eliminated.

The consolidated quarterly interim report on operations as of 30 September 2009 is not subject to audit by the independent auditors.

Banca Monte dei Paschi di Siena shall issue the Consolidated Financial Statements as of 31 December 2009 as scheduled and, therefore, shall not prepare any consolidated report for Q4 09.

RECLASSIFICATION OF FINANCIAL INSTRUMENTS (in EUR units)

Kind of transaction (1)	Portfolio before transfer	Portfolio after transfer	Book value as of 30.09.2009	Fair Value as of 30.09.2009	Income components and capital gains/losses from fair value with no transfer (before taxes)		Income components and capital gains/losses from fair value with transfer (before taxes)	
					C/E (2)	PN (3)	C/E (4)	PN (5)
UCITs	HFT	AFS	390.818.271	390.818.271	35.681.333	-	(4.829.301)	37.010.854
Equities	HFT	AFS	201.296	201.296	(9.703)	-	(80.394)	70.691
Debt instruments	AFS	L&R	2.369.651.473	2.222.739.628	27.113.494	48.175.034	26.136.238	31.187.003
Debt instruments	HFT	AFS	16.981.118	16.981.118	1.177.067	-	342.261	600.155
Debt instruments	HFT	L&R	882.344.685	820.066.185	75.672.101	-	38.399.061	-
Total			**3.659.996.843**	**3.450.806.498**	**139.634.292**	**48.175.034**	**59.967.865**	**68.868.703**

This table indicates the profit/loss generated by the equities/debt instruments reclassified in 2008 in compliance with the amendment to IAS 39 issued in October 2008. The table shows that in the first 9 months of 2009 said securities produced a positive result (EUR 128.8 mln, including EUR 59.9 mln attributable to the profit and loss statement, mostly represented by interest income, and EUR 68.9 mln attributable to net equity.

If said securities had not been reclassified, the first 9 months of 2009 would have produced a result of EUR 187.8 mln, including EUR 139.6 mln attributable to the profit and loss statement, and EUR 48.2 mln attributable to net equity.

As a whole, the difference of the accounting value as of 30 September 2009 and the fair value as of even date shows latent capital losses in the amount of EUR 209.2 mln with respect to EUR 336.5 mln as of 31 December 2008.

Changes in the area of consolidation

The quarterly consolidated interim report on operations includes the capital and P/L results of the parent Bank and its direct and indirect subsidiaries.

In particular, the area of consolidation incorporates all subsidiaries, irrespective of their legal status, whether they are ongoing concerns or companies in liquidation, or the investment consists of a merchant banking transaction. The area of consolidation excludes some minor entities which would be uninfluential with respect to the consolidated financial statements, if consolidated.

The following changes were recorded in the area of consolidation with respect to 31 December 2008:

<u>With reference to the Parent Bank</u>:

- The subsidiary Marinella SpA was sold in February 2009, with the Parent Bank keeping a 25% stake;
- The sale of the subsidiaries Monte Paschi Asset Management SGR SpA and ABN AMRO Asset Management Italy SGR SpA was executed in March 2009, after concentrating 100% of their capital in the Parent Bank and purchasing Fabrica SpA (affiliated company), currently held by the subsidiary MPS Investments SpA, from Monte Paschi Asset Management SGR SpA,
- The subsidiary Santorini was wound up in June 2009;
- The affiliated company Si Holding SpA was sold in June;
- A business unit consisting of 15 branches was sold to Banca Popolare di Puglia e Basilicata S.C.a.r.l. late in September;

Transactions within the Group:

<u>With reference to the Parent Bank</u>:

- 403 branches of former Banca Antonveneta SpA, already merged on 31 December 2008, were transferred to Banca Antonveneta SpA;
- The merger by incorporation of the subsidiary Banca Toscana SpA into BMPS on 30 March 2009;

<u>With reference to the subsidiary MPS Tenimenti SpA</u>:

- The merger by incorporation of the indirect subsidiary Agricola Poggio Bonelli SpA into the subsidiary MPS Tenimenti SpA.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 09/30/2009

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MONTEPASCHI GROUP			
• INCOME STATEMENT FIGURES (in millions of euros)	**09/30/2009**	**09/30/2008** Recalculated (1)	**% chg** (1)
Income from banking activities	4,176.3	4,477.5	-6.7%
Financial and insurance income (loss)	4,340.5	4,570.8	-5.0%
Net operating income	635.2	1,074.6	-40.9%
Net profit (loss) for the period	401.4	593.7	n.s.
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros	**09/30/2009**	**09/30/2008**	**% chg**
Direct funding	155,816	142,425	9.4
Indirect funding	134,312	122,897	9.3
of which: assets under management	*48,232*	*50,122*	-3.8
of which: assets under custody	*86,080*	*72,774*	18.3
Customer loans	146,208	144,496	1.2
Group net equity	15,391	14,185	8.5
• KEY LOAN QUALITY RATIOS (%)	**09/30/2009**	**12/31/2008**	
Net non-performing loans/Customer loans	3.04	2.49	
Net watchlist loans/Customer loans	2.35	1.77	
• PROFITABILITY RATIOS (%)	**09/30/2009**	**12/31/2008**	
Cost/Income ratio	60.7	66.1	
R.O.E. (on average equity)	3.1	8.1	
R.O.E. (on year-end equity)	3.2	11.9	
Net adjustments to loans / Year-end investments	0.95	0.73	
• CAPITAL RATIOS (%)	**09/30/2009**	**12/31/2008**	
Solvency ratio	10.3	9.3	
Tier 1 ratio	6.0	5.1	
• INFORMATION ON BMPS STOCK	**09/30/2009**	**12/31/2008**	
Number of ordinary shares outstanding	5,545,952,280	5,545,952,280	
Number of preference shares outstanding	1,131,879,458	1,131,879,458	
Number of savings shares outstanding	18,864,340	18,864,340	
Price per ordinary share:	**from the 12/31/08 to the 09/30/09**	**from the 12/31/07 to the 12/31/08**	
average	1.21	1.97	
low	0.77	1.22	
high	1.62	2.98	
• OPERATING STRUCTURE	**09/30/2009**	**12/31/2008**	**Abs. chg**
Total head count - year-end	32,526	32,867	-341
Number of branches in Italy	3,109	3,104	5
Financial advisor branches	163	167	-4
Number of branches & rep. offices abroad	39	39	

(1) In order to make a proper analysis of trends possible, 2008 comparison data were restated to take into account the cost of funding associated with the Antonveneta acquisition (assuming they were taken out at the beginning of the year) as well as the line-by-line purging of Intermonte items following the dismissal of Intermonte in H2 2008 (classified under „Profit from groups of assets held for disposal after taxes") and the effects of Purchase Price Allocation (calculated as of the beginning of June 2008 for Banca Antonveneta) which affected the Group"s net income

R.O.E. on average equity: net income for the period/average of net shareholder's equity (including net income). End of period R.O.E. = net income for the period/ net equity at the end of the previous year, purged of shareholder's pay out.

■ **INCOME STATEMENT RESTATED ACCORDING TO OPERATING CRITERIA** (in millions of euros)

MPS Group	30/09/09 (*)	30/09/08 (1) (*)	Change Ins.	Change %	30/09/08 Proforma (2)(*)	% chg on a like for like basis (2)
Net interest income	**2.748,7**	**2.924,3**	**-175,5**	**-6,0%**	2.834,1	**-3,0%**
Net commissions	1.427,6	1.663,6	-236,1	-14,2%	1.643,3	-13,1%
Income from banking activities	**4.176,3**	**4.587,9**	**-411,6**	**-9,0%**	**4.477,5**	**-6,7%**
Dividends, similar income and profits (losses) from equity investments	**86,2**	**54,1**	**32,1**	59,2%	54,1	59,2%
Net result from realisation/valuation of financial assets	87,6	54,1	33,5	62,0%	46,8	87,1%
Net gain (loss) from hedging	-9,6	-7,6	-2,0	25,8%	-7,6	25,8%
Financial and insurance income (loss)	**4.340,5**	**4.688,5**	**-348,0**	**-7,4%**	**4.570,8**	**-5,0%**
Net adjustments for impairment of:						
a) loans	-1.037,7	-641,2	-396,5	61,8%	-641,2	61,8%
b) financial assets	-32,0	8,5	-40,5	n.s.	8,5	n.s.
Net financial and insurance income (loss)	**3.270,8**	**4.055,8**	**-784,9**	**-19,4%**	**3.938,0**	**-16,9%**
Administrative expenses:	-2.518,5	-2.756,9	238,4	-8,6%	-2.743,9	-8,2%
a) personnel expenses	-1.675,4	-1.796,8	121,4	-6,8%	-1.789,9	-6,4%
b) other administrative expenses	-843,1	-960,1	117,0	-12,2%	-954,0	-11,6%
Net adjustments to the value of tangible and intangible fixed assets	-117,1	-119,8	2,7	-2,2%	-119,6	-2,1%
Operating expenses	**-2.635,6**	**-2.876,7**	**241,1**	**-8,4%**	**-2.863,5**	**-8,0%**
Net operating income	**635,2**	**1.179,1**	**-543,9**	**-46,1%**	**1.074,6**	**-40,9%**
Net provisions for risks and liabilities and Other operating income/costs	-65,5	-32,9	-32,6	n.s.	-32,5	n.s.
Income (loss) on equity investments	-3,0	176,8	-179,7		177,5	n.s.
Integration costs	-31,9				-159,7	-80,0%
Goodwill impairment		-142,6	142,6	n.s.	-142,6	n.s.
Gains (losses) from disposal of investments	46,84	27,9	19,0	68,1%	27,9	68,1%
Gain (loss) from current operations before taxes	**581,6**	**1.048,4**	**-466,9**	**-44,5%**	**945,1**	**-38,5%**
Taxes on income for the year from current operations	-268,6	-401,1	132,4	-33,0%	-367,2	-26,8%
Gain (loss) from current operations after taxes	**312,9**	**647,3**	**-334,4**	**-51,7%**	**577,9**	**-45,9%**
Gain (loss) on fixed assets due for disposal, net of taxes	195,3	65,9	129,3	n.s.	74,5	n.s.
Minority interests in profit (loss) for the year	-3,6	-11,0	7,4	-67,0%	-9,4	-61,5%
Net profit (loss) for the year	**504,6**	**702,3**	**-197,7**	**-28,2%**	**643,0**	**-21,5%**
Minority interests in profit (loss) for the year	-103,2	-31,1	-72,1	n.s.	-49,3	n.s.
Net profit (loss) for the year	**401,4**	**671,2**	**-269,8**	**n.s.**	**593,7**	**n.s.**

(*) In order to make a proper analysis of trends possible, comparison data relating to net interest income and net fees and commissions were reported on a pro-forma basis to take account of some adjustments to revenues, with no impact on basic income.

(1) Data as at 30 September 2008 includes Antonveneta as of the beginning of the year. It is noted that the pro-quota financial effects of 2008 first five months of Banca Antonveneta's acquisition were not considered.

(2) In order to make a proper analysis of trends possible, 2008 comparison data were restated to take into consideration the cost of loans associated with the Antonveneta acquisition (assuming they were taken out at the beginning of the year), the line-by-line purging of Intermonte items following the dismissal of Intermonte in H2 2008 (classified under "Profit from groups of assets held for disposal after taxes") and the effects of Purchase Price Allocation (calculated as of the beginning of June 2008 for Banca Antonveneta) which affected the Group's net income.

Earnings per share (in EUR)	**30.09.09**	**30.09.08**
Basic	**0.059**	**0.140**
Diluted	**0.059**	**0.137**

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING CRITERIA (in millions of euros)

	2009 (*)			2008 (1) (*)			
MPS Group	**3rd quarter**	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**
Net interest income	913,3	909,6	925,9	980,5	944,6	1.006,4	973,2
Net commissions	476,4	469,3	481,9	486,8	529,9	563,3	570,4
Income from banking activities	**1.389,7**	**1.378,9**	**1.407,8**	**1.467,4**	**1.474,5**	**1.569,8**	**1.543,6**
Dividends, similar income and profits (losses) from equity investments	19,6	45,4	21,2	-39,3	20,2	21,2	12,7
Net result from realisation/valuation of financial assets	8,3	31,5	47,8	-167,5	-1,6	80,6	-24,9
Net gain (loss) from hedging	-10,3	-5,8	6,5	3,3	0,0	-0,4	-7,2
Financial and insurance income (loss)	**1.407,3**	**1.450,0**	**1.483,3**	**1.264,0**	**1.493,1**	**1.671,2**	**1.524,2**
Net adjustments for impairment of:							
a) loans	-351,0	-400,1	-286,6	-424,0	-189,6	-235,5	-216,1
b) financial assets	-9,0	-5,2	-17,8	-3,2	0,3	12,0	-3,9
Net financial and insurance income (loss)	**1.047,3**	**1.044,7**	**1.178,9**	**836,8**	**1.303,8**	**1.447,7**	**1.304,2**
Administrative expenses:	-844,9	-821,9	-851,8	-1.018,2	-920,8	-928,7	-907,4
a) personnel expenses	-563,6	-537,4	-574,4	-652,4	-595,4	-599,4	-602,0
b) other administrative expenses	-281,2	-284,5	-277,4	-365,8	-325,4	-329,3	-305,5
Net adjustments to the value of tangible and intangible fixed assets	-39,7	-39,4	-38,0	-36,8	-40,7	-39,5	-39,7
Operating expenses	**-884,6**	**-861,3**	**-889,8**	**-1.054,9**	**-961,4**	**-968,2**	**-947,1**
Net operating income	**162,7**	**183,4**	**289,1**	**-218,1**	**342,4**	**479,5**	**357,1**
Net provisions for risks and liabilities and Other operating income/costs	-30,7	-24,1	-10,7	-153,8	-12,7	-39,4	19,2
Income (loss) on equity investments	0,1	-5,0	1,9	-0,9	-23,5	200,3	
Integration costs		-27,6	-4,3	-162,2	-21,4	-138,3	
Goodwill impairment				-399,6	-4,5	-41,5	-96,6
Gains (losses) from disposal of investments	46,8	0,0	0,0	0,1	0,0	20,2	7,7
Gain (loss) from current operations before taxes	**179,0**	**126,6**	**276,0**	**-934,5**	**280,3**	**480,7**	**287,4**
Taxes on income for the year from current operations	-74,7	-58,0	-135,9	1.245,8	-126,4	-158,9	-115,8
Gain (loss) from current operations after taxes	**104,2**	**68,6**	**140,1**	**311,2**	**153,9**	**321,8**	**171,6**
Gain (loss) on fixed assets due for disposal, net of taxes	-0,3	1,7	193,8	5,0	-15,6	76,2	5,4
Minority interests in profit (loss) for the year	-1,0	-2,5	-0,1	1,3	1,4	-7,1	-5,3
Net profit (loss) for the year	**103,0**	**67,8**	**333,9**	**317,5**	**139,7**	**390,9**	**171,7**
Minority interests in profit (loss) for the year	-33,6	-36,3	-33,3	-35,7	-21,0	-10,2	
Net profit (loss) for the year	**69,3**	**31,5**	**300,6**	**281,9**	**118,7**	**380,8**	**171,7**

(*) In order to make a proper analysis of trends possible, comparison data relating to net interest income and net fees and commissions were reported on a pro-forma basis to take account of some adjustments to revenues, with no impact on basic income.

(1) Data as at 30 September 2008 includes Antonveneta as of the beginning of the year. It is noted that the pro-quota financial effects of 2008 first five months of Banca Antonveneta's acquisition were not considered.

MONTEPASCHI GROUP

RECLASSIFIED BALANCE SHEET (in millions of euros)

ASSETS	09/30/2009	09/30/2008 (°)	% chg
Cash and cash equivalents	682	678	0.6
Receivables :			
a) Customer loans	146,208	144,496	1.2
b) Due from banks	13,401	17,331	-22.7
Financial assets held for trading	38,749	25,067	54.6
Financial assets held to maturity	0	0	
Equity investments	725	614	18.0
Underwriting reserves/reinsurers			
Tangible and intangible fixed assets	10,428	10,621	-1.8
of which:			
a) goodwill	*6,648*	*7,633*	*-12.9*
Other assets	8,868	11,584	-23.4
Total assets	**219,061**	**210,391**	**4.1**
LIABILITIES	**09/30/2009**	**09/30/2008 (°)**	**% chg**
Payables			
a) Due to customers and securities	155,816	142,425	9.4
b) Due to banks	19,294	25,609	-24.7
Financial liabilities from trading	20,674	15,605	32.5
Provisions for specific use			
a) Provisions for employee leaving indemnities	340	553	-38.5
b) Reserve for retirement benefits	456	445	2.5
c) Other reserves	888	843	5.4
Other liabilities	5,924	10,492	-43.5
Underwriting reserves			
Group portion of shareholders' equity	15,391	14,185	8.5
a) Valuation reserves	646	206	n.s.
b) Reimbursable shares			
c) Capital instruments	52	79	-34.6
d) Reserves	5,789	4,824	20.0
e) Share premium account	4,041	3,991	1.3
f) Share capital	4,487	4,451	0.8
g) Treasury shares (-)	-25	-8	n.s.
h) Net profit (loss) for the year	401	641	-37.4
Minority interests in shareholders' equity	280	236	18.7
Total liabilities and shareholders' equity	**219,061**	**210,391**	**4.1**

(°) Historical data published in 2008 Report

MPS GROUP

■ **RECLASSIFIED BALANCE SHEET - QUARTERLY TREND** (in millions of euros)

ASSETS	**09/30/2009**	**06/30/2009**	**03/31/2009**	**12/31/2008 (*)**	**09/30/2008 (*)**	**06/30/2008 (*)**	**03/31/2008 (*)**
Cash and cash equivalents	682	798	860	1,026	678	807	536
Receivables :							
a) Customer loans	146,208	145,111	144,708	145,353	144,496	139,909	107,749
b) Due from banks	13,401	13,017	11,935	17,616	17,331	14,553	11,708
Financial assets held for trading	38,749	32,707	28,946	26,974	25,067	27,677	30,726
Financial assets held to maturity	0	0	0	0	0	0	0
Equity investments	725	721	597	583	614	548	817
Underwriting reserves/reinsurers							
Tangible and intangible fixed assets	10,428	10,468	10,489	10,559	10,621	10,655	3,127
of which:							
a) goodwill	*6,648*	*6,670*	*6,670*	*6,709*	*7,633*	*7,673*	*961*
Other assets	8,868	9,241	10,086	11,685	11,584	12,381	7,799
Total assets	**219,061**	**212,062**	**207,621**	**213,796**	**210,391**	**206,529**	**162,463**

LIABILITIES	**09/30/2009**	**06/30/2009**	**03/31/2009**	**12/31/2008 (*)**	**09/30/2008 (*)**	**06/30/2008 (*)**	**03/31/2008 (*)**
Payables							
a) Due to customers and securities (*)	155,816	147,635	139,309	142,466	142,425	139,000	110,447
b) Due to banks	19,294	21,826	23,395	27,209	25,609	27,218	15,613
Financial liabilities from trading	20,674	18,710	20,609	18,967	15,605	13,298	18,506
Provisions for specific use							
a) Provisions for employee leaving indemnities	340	347	504	540	553	564	366
b) Reserve for retirement benefits	456	441	436	430	445	452	417
c) Other reserves	888	886	910	922	843	817	488
Other liabilities	5,924	6,820	7,159	8,159	10,492	10,702	7,723
Underwriting reserves							
Group portion of shareholders' equity	15,391	15,124	15,019	14,824	14,185	14,159	8,644
a) Valuation reserves	646	513	303	401	206	337	433
b) Reimbursable shares							
c) Capital instruments	52	47	47	47	79	79	70
d) Reserves	5,789	5,768	5,857	4,909	4,824	4,787	5,433
e) Share premium account	4,041	4,035	4,094	4,094	3,991	3,998	547
f) Share capital	4,487	4,487	4,487	4,487	4,451	4,451	2,032
g) Treasury shares (-)	-25	-57	-70	-37	-8	-15	-61
h) Net profit (loss) for the year	401	332	301	923	641	522	190
Minority interests in shareholders' equity	280	273	279	279	236	319	259
Total liabilities and shareholders' equity	**219,061**	**212,062**	**207,621**	**213,796**	**210,391**	**206,529**	**162,463**

(*) Historical data published in 2008 Report

REPORT ON THE MPS GROUP OPERATIONS

THE OPERATING SCENARIO

THE MACROECONOMIC SCENARIO

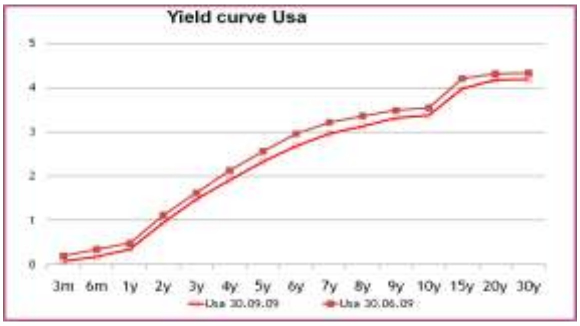
In the **third quarter of 2009** the **signs of a pick-up of the international economy intensified, mostly due to the** expansionary economic, monetary and budget policies implemented by the major Countries to support demand and employment.

Satisfactory indications also came from the **official data on the growth of the GDP and the trend of higher frequency economic indicators** (i.e. industrial production, retail sales, corporate and retail confidence), and the **rally** of the prices of **raw materials**, starting from oil products. **The situation of the international financial markets continued to improve,** driven by greater investors' confidence. The spread on corporate bonds continued to fall, pressure in the interbank markets relaxed and stock quotations strongly increased, even though their upward trend stopped somewhat, late in September.

GROWTH RATES IN THE LEADING ECONOMIES			
	2007	2008	2009
World	5,4	3,5	-0,6
Usa	2,0	0,4	-2,8
Eurozone	2,6	0,6	-4,0
Italy	1,5	-1,0	-4,9
Japan	2,1	-0,7	-5,9
China	11,4	9,0	8,2
Source: Prometeia			

There are still **many doubts about the soundness of the economic pick-up**, with the risk of a new stagnation of private demand – slowed down by **high and growing unemployment** in many economies , as a result of disappearing fiscal and monetary stimulus, once exhausted the restocking cycle.

More in detail, the cycle gained momentum in Asia but also America showed signs of a pick-up. In Q3 09, the **US GDP bounced by 3.5% on an annualized basis,** driven by consumers' expenditure but also by the upsurge in investments in the building industry**.** However, the **unemployment rate** is still high **with a peak of 9.8% in September** (**the highest in 26 years**). The other major economies (**i.e. Germany, France and Japan) and the Eurozone came out of recession in Q2 and Q3, respectively**, even though the recovery of internal demand is very gradual and limited by employment losses. Only **Great Britain** lags behind with a GDP contraction of 0.4% also in Q3 09.

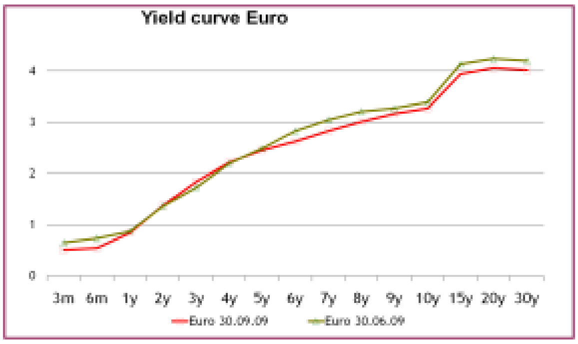


In the summer quarter, the **GDP progressed again in Italy**, after a downward trend which lasted for five quarters in a row. **Production recovered, despite the low investment propensity of the companies**, in light of historically high unused margins of productive capacity, and **consumers' demand** slightly improving on a cyclical basis but not in the 12 months (-2% as of September).

The households' expenditure decisions were adversely affected by **declining employment and the increasing use of the Unemployment Benefit Fund.** In September, employment dropped by 3.3% on an annual basis (650,000 work units) with the Unemployment Benefit Fund rising to 10% of total working hours. Although against a scenario of a pick-up of international trade, **our exports confirmed a persistent weakness,** even if the monthly data in relation to trade show a few expansionary signs – despite some ups and downs – with specific reference to the new extra-European markets.

The annual inflation rate was next to zero, encouraging the recovery of the households' purchasing power. This trend of the prices is indicative of the decline in the prices for expenses associated with housing, energy and transport.

With reference to the monetary policy, the **European Central Bank confirmed the reference rate at 1%.** The ECB keeps inflationary risks low, affirming that the current level of interest rates is appropriate to the economic scenario. Pressure in the interbank market reduced further, with positive repercussions on the Euribor.

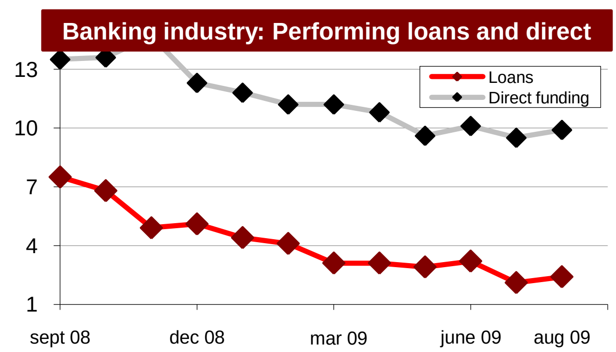


The yield curve generally recorded moderate movements, and in particular a modest increase (lower than 20 bp) in the medium-/long-term, in line with the positive signs coming from the real economy.

In addition to the pick-up of the major stock markets, **risk premiums on corporate bonds continued to decrease** with reference to all risk classes and countries. **The US dollar/Euro exchange rate, which had fallen below 1.3 in March, touched 1.50 again,** with the gradual mitigation of capital outflows from the Emerging Countries to the USA.

THE BANKING BUSINESS

In Q3 **the trend of funding volumes kept steady. The p**ropensity to save remained high and was oriented to traditional bank products and life insurance policies, with the gradual revival of assets under management. **The trend of loans is indicative of the weak economic situation.** The scenario is also characterized by the **reduction of the spread between bank rates,** as a consequence of the considerable decrease in the markdown.

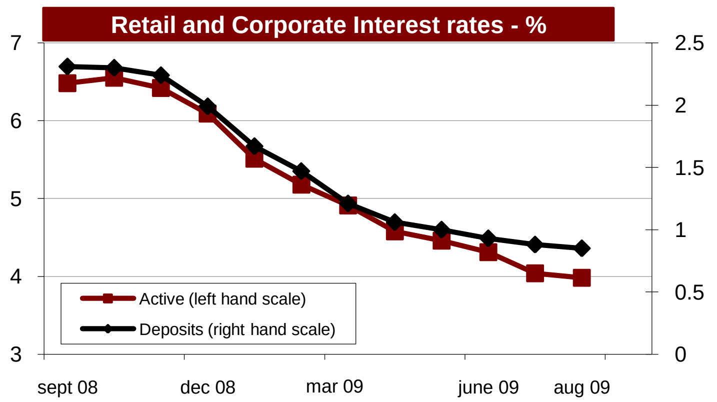


Direct bank funding advanced by almost + 10% on an annual basis in Q3 (only -1% in comparison with H1 2009). The limited slowdown is mostly indicative of the lower liquid available assets of the companies. **The trend of bonds** – though slowing down - **was still good (around +15%).** With reference to deposits (growth of above 7%, in line with H1), the decline of repurchase agreements intensified (abt.-40% on an annual basis), determined by the low level of interest rates and the **following remix in favour of current accounts** which recorded a double-digit growth above 12% (+9.5% in H1).

Net redemptions of mutual funds stopped in Q3, with net funding topping 6 bn (-14.5 bn in H1 2009 – including only 2 bn in Q2) and redemptions totalling more than 70 bn in the last six months of 2008. Positive funding data concerned all categories, except for hedge funds. Therefore, assets under management progressed again, after the minimum hit in June, thus incorporating the improvement of the trend of the financial markets. Q2 data available with reference to **net funding from portfolios under management** confirm the mitigation of the negative trend. **The new production of bancassurance boosted (above +25% on an annual basis with respect to + 20%** in H1), due to the high demand for guaranteed yield products resulting into the increasing subscription of traditional policies (more than tripled). Funding from index linked policies, accounting for less than 20% of total (62% in 2008), decreased sharply.

Bank loans remained appropriate, in light of the considerable slowdown of business and the strong reduction in the demand for investment loans. **As of 30 September 2009, the flow of new loans to retail customers and non financial companies** for the first 9 months of the year **almost reached 20 bn.** The major economic indicators over the same period, starting from industrial production, recorded a sharp decline. **In terms of volumes, the annual growth of bank loans, although decelerating,** was still positive **(abt. + 1.5% as of 30 September**).

Interest rates on loans to retail and corporate customers decreased again in Q3 from 4.32% in June to 3.98% in August (latest available data). The short-term spread dropped by an additional 18 bp in June-August, as a result of a simultaneous **decrease in the markdown, next to zero.**



The banking industry **disbursed loans at good terms, ensuring that the ECB monetary policy measures are conveyed smoothly**.

The sharp decline in the demand and turnover considerably reduced the creditworthiness of some companies, with a simultaneous, gradual progress of watchlist credits and NPLs. T**he ratio of the flow of new adjusted NPLs to loans rose to an annualized 2% with respect to an average 1.23% of last year.** The growth mainly involved the manufacturing companies, with a more modest deterioration with reference to retail customers. In terms of volumes, NPLs increased by about 20% on an annual basis (as of September).

REGULATORY ISSUES

Against this backdrop, **the banks adopted several initiatives –** both independently and through industry agreements **– in support of the households and the corporates** facing difficulties due to the crisis, and amended some procedures and practices, such as the suspension of the payment of mortgage loan or leasing instalments. Specific reference is made to the **Agreement executed by the Ministry of Economics and Finance, the Italian Bankers' Association and the Italian Industrialists' Association of August 2009 (on a voluntary**

basis). The so-called "Joint Notice" contemplates – with reference to the companies with less than 250 employees and a turnover lower than EUR 50 mln - that :

- The **principal of mortgage loan and property leasing instalments can be frozen for at least 12 months** (6 months in the case of movable property leasing);
- **Non-delinquent companies** which regularly settled their payments as of the date of the application, or the companies with delayed (not more than 180 days) payments of the instalments as of September 2008, are entitled to participate.

On the front of **public subsidies in support of the productive fabric**, L**aw Decree 78/2009** (2009 Summer Decree effective as of 2010) incorporates the following measures in support of the SMEs:

- **Detaxation of 50% of investments in plants/equipment from business income**, effective as of the enforcement of the decree (1 July 2009) until 30 June 2010;
- **Detaxation of corporate capitalization, made by individual partners/shareholders:** capital increases up to EUR 500,000 made by individuals no later than 5 February 2010 provide for a 5-year deduction from income equalling 3% of the capital increase. The recapitalization bonus is flanked by the incentive on investments, with the introduction of a "double benefit" for those investing in plants with the use of the new capital injected in the company.

The "summer decree" also includes the "**tax shield**", i.e. the repatriation/regularization of residents' assets maintained abroad in breach of the tax and currency obligations, with the payment of an extraordinary tax of 5%. **Law Decree 78/2009 also limited the cost of bank commissions**. As of 1 November 2009, the value date for the beneficiary shall not exceed one business day in relation to bank transfers and bankers' drafts, and three business days in relation to bank cheques after the date of payment. The funds shall be available to the beneficiary no later than four, four and five business days, respectively, after the payment. As of 1 April 2010, the funds shall be available no later than 4 days with reference to any instrument. Such regulations shall now be co-ordinated with the regulations concerning bank transfers, as contemplated by the **European Directive on payment services** being adopted.

The other measures of Q3 include the **new regulations in relation to made in Italy products**, introducing the principle of fully made in Italy products, with the objective of specifically protecting made in Italy products during import-export transactions and their marketing within the country; and the **new regulatory provisions of the Bank of Italy in relation to transparency,** with the objective of simplifying documents and make information more understandable and clearer to the customers.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY, CRM AND THE CUSTOMERS BASE

In Q3 2009, the Montepaschi Group **achieved positive commercial results, with hefty business volumes,** despite the summer, **considerably accelerating in relation to some business segments**. As a result, **the Group improved its competitive position** in relation to the major funding and lending aggregates. The good commercial performance was influenced by the **advanced stage of the reorganization processes,** which in the past months involved the Distribution Networks (merger of BT and BAV into BMPS), but also the Parent Bank with the objective of completing a deep and exhaustive simplification of the governance models. Against **a still critical backdrop**, especially in relation to the real economy, which complicated commercial operations, the Group **confirmed the initiatives in support of the households and the corporates, for the purpose of mitigating the effects of the adverse economic situation and ensuring continuity to credit supply** (see the section covering "Segment reporting, the sales and marketing policy and research and development"). Therefore, the customers and their requirements are still the cornerstone of the marketing policies and service models, in the belief that customer satisfaction is the fundamental driver to ensure a sustainable and lasting development of business at any stage of the corporate and economic cycle. Within this framework, following are the main elements which characterize the commercial operations in funds management and lending:

1) FUNDS MANAGEMENT [2]

In Q3 2009, funds management recorded huge **flows of placement in the amount of about 5.5 billion,** slightly below the levels recorded in Q2 2009 (-5.4%), despite the typical summer slowdown of commercial operations, but considerably advancing with respect to the flows of Q3 08 (+30%) on a like for like basis. The production for the period benefits from the strong acceleration of the **insurance business and individual and collective fund portfolios**. Bond placements slowed down. As of 30 September 2009, the **gradual flow of Wealth Management products** stood at **17.8 bn** with a vigorous y-o-y growth on a like for like basis (abt. + 52%). Following is a breakdown of the flows of placement of the main products placed by the MONTEPASCHI Group:

■ Product Placements

in million of euros		30/09/09	Historical data 30/09/08
Mutual funds/SICAVs (*)		-327	-2.024
Individual portfolios under management		-396	-1.975
Life-insurance policies	including:	3.591	2.799
	Ordinary	2.248	837
	Index-Linked	866	1.108
	Unit-Linked (**)	477	853
Bonds	including:	14.895	10.110
	Plain	12.815	9.038
	Structured	2.080	1.072
Total		**17.763**	**8.910**

(*) Multimanager Mutual funds/SICAVs sold directly to customers (or not included in other products)
(**) The Unit-Linked policies include Multiramo policies.

[2] The flows of placement of 2009 include the production of Biverbanca and Banca Antonveneta. For a better understanding of the operations, comments were made on the basis of restated data of 2008 on a like for like basis. The data for 2008 shown in the table represent "historical" data, i.e. are attributable to the MONTEPASCHI Group before the acquisition of Banca Antonveneta.

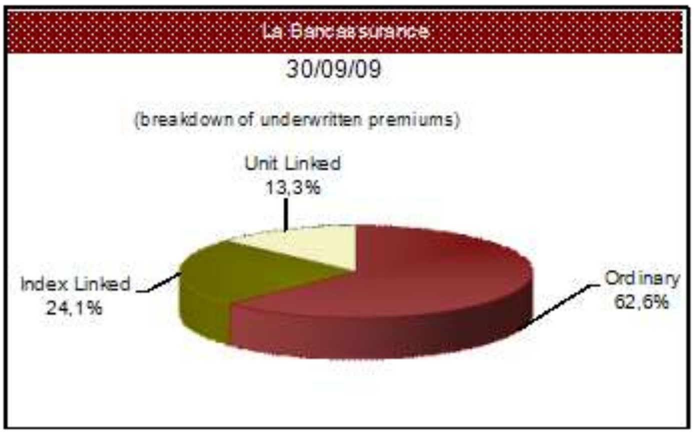
In particular:

- **The flows of placement of collective and individual portfolios of funds under management** were positive again in Q3 09 (+297 million with respect to redemptions in the amount of -86 million in Q2), with the amount of placements bouncing back to -723 million. In particular, in Q3 09:

- **The flows of placement of Mutual funds/Sicav (open-end collective investment scheme)** accelerated sharply (+323 mln), boosting the gradual flow since the beginning of the year to – 327 million, in comparison with redemptions totalling about 3 bn, as of 30 September 2008 on a restated basis;

- **Net redemptions of portfolios under management** improved, but still totalled -46 million (in comparison with -107 million in Q2 2009), with the gradual amount down to -396 bn (or +48% y-o-y on a restated basis).

- **Life insurance premiums** in Q3 09 totalled abt. EUR 1.3 billion, booming with respect to Q2 (+30% with respect to Q2 2009), driven by all categories of insurance policies (with a focus on Unit Linked policies which doubled), and showing a considerable progress with respect to 30 September 2008. The **gradual flow** as of 30 September 2009 stood at **3.6 bn** (+27% with respect to 30 September 2008 on a like for like basis) with a 14 bp improvement of the Group competitive position to 7.49% (as of 31 August). As of 30 September 2009, the weight of traditional policies was prevailing **(**62.6%), followed by Index Linked policies and Unit Linked policies at 24.1% and 13.3%, respectively.



- **Bond volumes** placed in Q3 09 totalled EUR 3.9 bn (-1bn with respect to Q2 09), with the gradual amount since the beginning of the year **at abt.14.9 bn** (12.8 bn as of 30 September 2008 on a like for like basis; +16.6%), mostly concentrated on plain products.

2) LENDING

Despite the still critical scenario of real economy, the MONTEPASCHI Group **maintained its traditional conservative attitude in risk selection** but **continued to ensure an appropriate credit support to its customers**, as confirmed by the positive development of the market share in the major areas of operations (personal loans, leasing and mortgage loans). However, in view of a still weak demand for loans at the Industry level, the **flows channelled to the special credit companies**

remained virtually steady in Q3, except for MPS Capital Services which registered a fair progress in disbursements (+110 million with respect to Q2 09). The gradual flow of **investment credit** as of 30 September 2009 came to 2.3 bn (about 4 bn as of 30 September 2008), with **consumer loans** reaching almost 2 bn (2.5 bn as of 30 September 2008). The **disbursements of mortgage loans directly granted to the customers as of 30 September 2009** by the Group commercial networks **amounted to about 8.4** bn, considerably advancing with respect to Q2 09, mainly driven by the positive contribution of the retail segment (which gained a considerable momentum as a result of the new products targeted at the households).

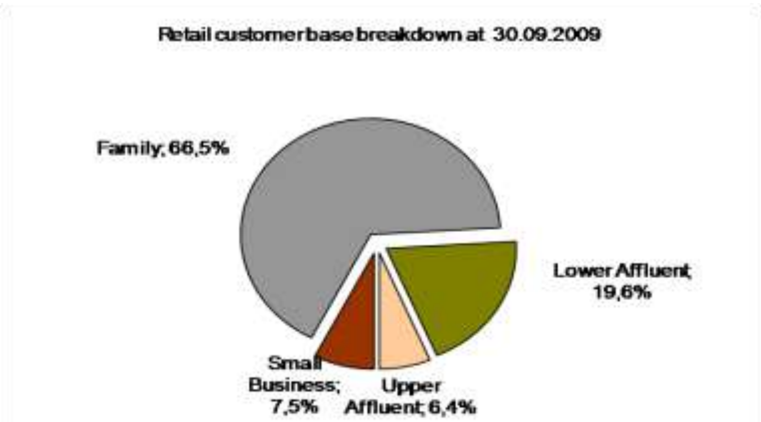
■ Specialised credit and corporate financial products

in million of euros		30/09/09	Historical data 30/09/08
MPS Capital Services Banca per le Imprese			
	disbursements	1.346	2.656
MPS Leasing & Factoring			
incl.:	new leases executed	969	1.362
	factoring turnover	3.050	4.429
Consum.it			
	disbursements	1.950	2.296

(1) figures also include products issued by the Networks directly

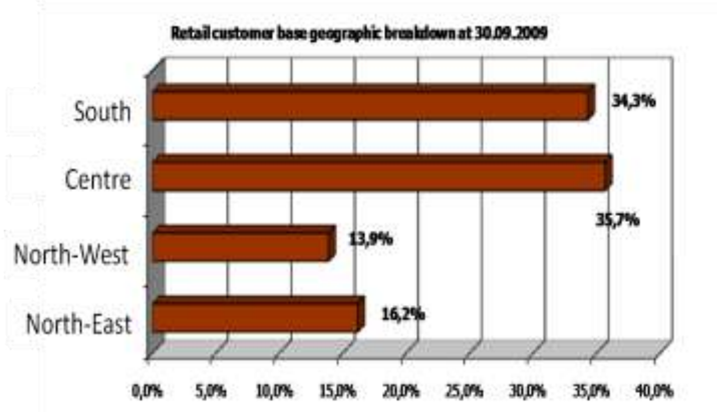
3) THE CUSTOMER BASE

As of 30 September 2009, **the Group numbered more than 6.1 million customers,** including the divisionalized commercial networks, MPS Banca Personale, Biverbanca and non-shared accounts directly managed by Consum.it. **The customer base of the commercial networks[3] included about 5.8 million customers,** with Retail Customers accounting for 98.0%, Private Customers for 0.6% and Corporate Customers representing the remaining 1.4%. **Retail Customers (more than 5.6 million) incorporate the Family segment,** with a prevailing weight of more than 66% of total, followed by the Lower Affluent segment (19.6%), Small Businesses (7.5%) and Upper Affluent Customers (6.4%).



[3] Including the customers of: Banca Monte dei Paschi di Siena, Banca Antonveneta and MPS Banca Personale.

The **geographical breakdown of Retail Customers** shows **the traditional prevailing presence of the Group in central and southern Italy**.



Corporate Customers include SMEs (approx. 84%) and Local Authorities (16%). **A breakdown of the SMEs by business** confirms the considerable weight of the Group in the traditional **made in Italy manufacturing industries** (i.e. textile-clothing, food and mechanical industries):

Corporate customers % by business sector at 30.9.09

	Clients (*)	Retail	Corporate
Agriculture	4,8	5,2	3,0
Public utilities	0,4	0,3	1,0
Manufacturing: extraction and chemical	1,9	1,5	4,0
Metallurgy and Mechanical	7,1	6,3	11,4
Food, clothing, leathers and textiles	10,0	9,3	13,6
Building and construction	11,5	11,9	9,9
Wholesale distribution	8,4	7,8	12,0
Retail distribution	20,1	22,2	9,0
Trasport and communications	3,6	3,5	3,6
Banking, insurance and services	12,1	11,8	13,7
Public Administration	5,9	6,5	3,2
Non classified	14,2	13,8	15,6
total	**100**	**100**	**100**

(*) Weighted average of the percentages measured in the Retail and Corporate markets

CAPITAL AGGREGATES

Commercial operations in terms of funds and loan management and the foreign network operations contributed to the development of the main capital aggregates, as described hereunder.

1) FUNDING AGGREGATES

As of 30 September 2009, the total volume of funding aggregates stood at about 290 bn (+9.3% with respect to 30 September 2008), with a 12 bn increase in comparison with H1 data, mainly driven by direct funding. The pick-up of funds under management consolidated due to the good trend of the above-mentioned flows of commercial placement:

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

	30/09/09	30/09/08	% chg. vs 30/09/08	% weight 30/09/09
Direct customer funding	**155.816**	**142.425**	**9,4%**	***53,7%***
Indirect customer funding	**134.312**	**122.897**	**9,3%**	***46,3%***
assets under management	*48.232*	*50.122*	-3,8%	*16,6%*
assets under custody	*86.080*	*72.774*	18,3%	*29,7%*
Total customer funding	**290.128**	**265.322**	**9,3%**	***100,0%***

Direct funding amounted to roughly EUR 156 bn, with an 8 bn increase with respect to 30 June 2009 and a remarkable y-o-y development (+9.4%). The trend of the aggregate in Q3 benefits from the positive contribution of **Commercial Customers** (+ 1 bn approx.) and the **Foreign Branches** (+1 bn approx.). The remaining portion is mostly attributable to **short-term funding transactions with institutional counterparties at marginal rates,** within the policies of minimization of the cost of funding set by the Group this year. The market share as of 30 September 2009 rose to 7.16% (+17 bp in comparison with 30 June 2009).

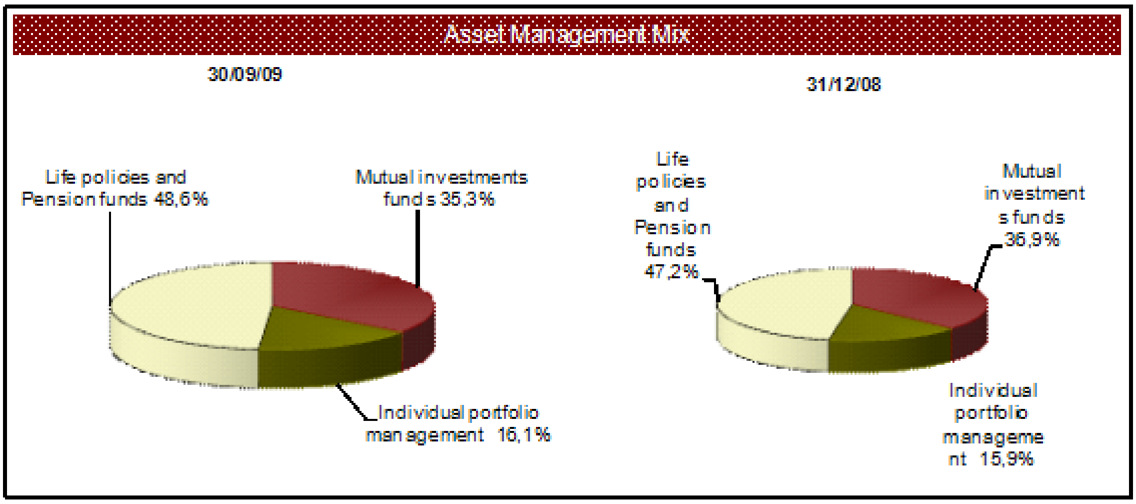
Commercial funding

(in millions of euros)

		% weight	
	30/09/09	30/09/09	30/09/08
Retail & Private Banking	85.159	62,9%	65,8%
Corporate Banking	50.311	37,1%	34,2%
Total	**135.469**	**100,0%**	**100,0%**

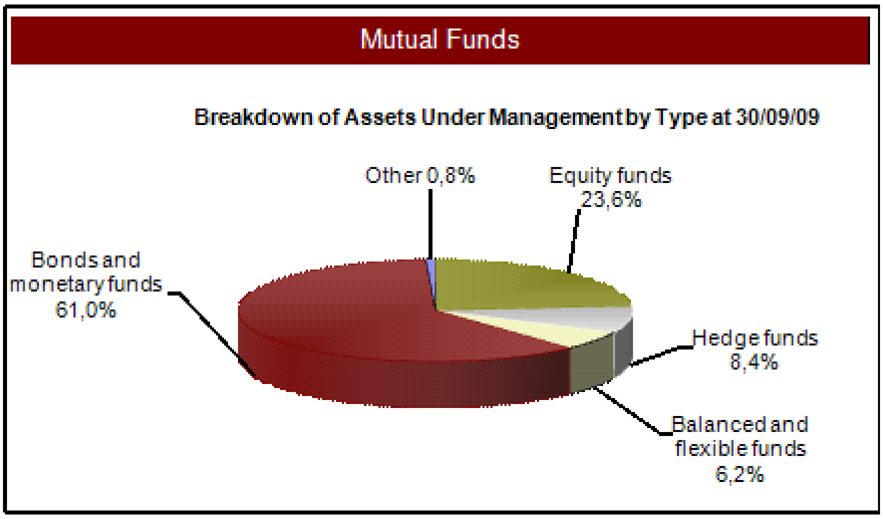
Indirect funding amounted to EUR 134.3 billion approx. (+4 bn approx. with respect to Q2 and + 9.3% y-o-y). In particular:

- **The balance of funds managed** (about EUR 48 bn) **progressed in Q3 by 1.8 bn, mainly driven by life insurance policies and individual portfolios under management**. However, the y-o-y trend – though still negative (-3.8%) – sharply improved with respect to H1 09 (-12.5%). In a framework oriented to selecting the best solutions for the customers in a MIFID logic (i.e. products, investment lines, Group or third parties' asset management firms) – the weight of **life insurance policies and pension funds** – increasing with respect to 31 December 2008 - **is prevailing** in the **breakdown of the volumes of** the aggregate.



- **<u>With reference to life insurance policies</u>**, the technical reserves concerning the Group commercial networks reached EUR 23.4 bn, with a pick-up in traditional policies;
- **<u>The balance of portfolios under management</u>** came to roughly EUR 7.7 bn (with a market share of 4.42% as of June 2009);
- **<u>The balance of the Group mutual funds/Sicav</u>** (open-end collective investment scheme) amounted to EUR 17 bn, with a market share of about 3.75%.

The chart below illustrates the mix of investment funds by type, which shows a 4% increase in the portion of equities funds with respect to 31 December 2008, with a simultaneous decrease in bond and hedge funds.



The total balance of **<u>funds under administration</u>** amounted to EUR 86 bn approx., with a 2.1 bn increase with respect to Q2, mostly driven by the contribution of the Key Clients segment.

2) LENDING AGGREGATES

A) THE MPS GROUP COMMERCIAL OPERATIONS

With reference to **lending operations**, the declining demand for loans recorded at the Industry level involved a slack trend also for the volume of the loans of the Montepaschi Group **(about 146 bn as at 30 September 2009).** The aggregate grew by abt. 1.1 bn with respect to 30 June 2009 and 1.2% in comparison with September 2008, mainly driven by the medium-/long-term components (+ 5.6% approx. in terms of gradual average balance) offset by the decline of the other technical forms. Accordingly, the market share of the Group loans as of 30 September progressed by 35 bp with respect to June, at 7.89%.

Following is a breakdown of loans by operating segments, with the weight of the corporate component still high.

Customer loans *(in millions of euro)*

		% weight	
	30/09/09	30/09/09	30/09/08
Retail & Private Banking	56.780	44,3%	43,9%
Corporate Banking	71.253	55,7%	56,1%
Total	**128.033**	**100,0%**	**100,0%**

B) CREDIT QUALITY

The critical aspects of the operating backdrop had repercussions on the level of net impaired loans which progressed by about 2.7 bn since the beginning of the year (abt.+0.2 bn since June 2009) and to a total of **about 10 bn** (the weight of impaired loans to total customers' loans was about 6.9%).

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values			**weight %**	**weight %**
in million EUR	**30/09/09**	**31/12/08**	**30/09/09**	**31/12/08**
A) Impaired loans	**10.060**	**7.342**	**6,88**	**5,05**
a1) Non-performing loans	4.438	3.613	3,04	2,49
a2) Watchlist loans	3.430	2.578	2,35	1,77
a3) Restructured loans	678	197	0,46	0,14
a4) Past due	1.514	954	1,04	0,66
B) Performing loans	**136.079**	**137.989**	**93,07**	**94,93**
C) Other assets	**69**	**21**	**0,05**	**0,01**
Total customer loans	**146.208**	**145.353**	**100,00**	**100,00**

The provisions covering impaired loans (which as of 30 June 2008 benefitted from increasing provisions in relation to gross NPLs, mostly linked with the addition to the Group of Banca Antonveneta, with provisions of about 69% also due to the different write off policy) were maintained at appropriate levels and in line with the historical levels recorded by the MPS Group as of 31 December 2006 and 31 December 2007 (about 40%), even though mostly influenced by increasing positions classified under restructured loans.

In particular, the percentage of valuation adjustments **to gross NPLs** stood at 56% and rose to about 60% with reference to the commercial Banks (characterized by bad loans already written off by direct provisions for depreciation of more than 10% of the original exposure, and mostly secured by collaterals with reference to medium-/long-term loans). Portfolio valuation adjustments to gross performing loans stood around 0.6% of the aggregate of reference.

■ PROVISIONING RATIOS

	30/09/09	30/06/09	31/12/08	31/12/2007 storico
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**39,6%**	**38,7%**	**43,0%**	**39,4%**
"provisions for watchlist loans"/"gross watchlist loans"	**19,7%**	**17,8%**	**21,6%**	**23,4%**
"provisions for NPLs"/"gross NPLs"	**56,0%**	**56,3%**	**56,8%**	**51,6%**

Following is a breakdown of some credit quality indicators for the Group's major business units:

■ BREAKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/09/09 *in million EUR*	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
Non-performing loans	4.438	2.522	525	1.099	116	82	44
% weight on customer loans	3,04%	2,0%	4,1%	8,4%	1,9%	1,4%	2,0%
"loan loss provisions"/"gross NPLs"	**56,0%**	**58,5%**	**60,1%**	**35,1%**	**71,3%**	**75,8%**	**67,5%**
Watchlist loans	3.430,2	2.171,0	372,1	605,9	149,8	33,2	64,3
% weight on customer loans	2,35%	1,7%	2,9%		2,4%	0,6%	2,9%
"loan loss provisions"/"gross watchlist loans"	**19,7%**	**22,2%**	**13,1%**	**8,7%**	**19,6%**	**47,8%**	**19,0%**

As a result of the satisfactory management of the NPL portfolio mandated to MPS Gestione Crediti Banca, **the MONTEPASCHI Group collected sums due in a total amount of roughly 442 million.**

Between the end of 2008 and the first half of 2009 the Bank of Italy conducted a review at the Bank, **with specific reference to credit governance, its repercussions on capital and the trend of the loan portfolio quality. No sanctions were imposed against the Bank.**

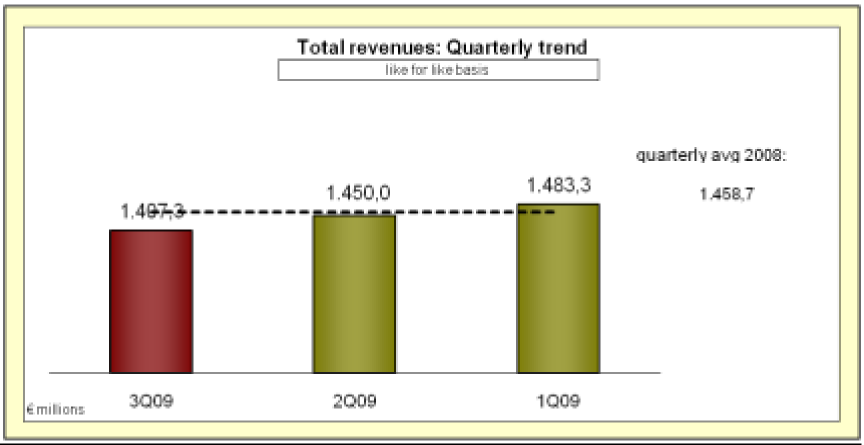
INCOME AGGREGATES

As of 30 September 2009, the Net Operating Income of the MONTEPASCHI Group amounted to EUR 635 million approx. (1,075 million as of 30 September 2008 on a restated basis), with a contribution in Q3 09 of abt.163 million positively influenced by the acceleration of primary income and the improvement of the cost of credit, which is still high in relation to the current economic crisis.

1) OPERATING PROFITABILITY

THE DEVELOPMENT OF OPERATING INCOME: THE COMPOSITION OF FINANCIAL AND INSURANCE INCOME

With reference to the development of total income from financial and service business, as of 30 September 2009 **financial and insurance income stood at abt. EUR 4,341 million (abt. 4,571 million as of 30.09.2008 on a restated basis). The Core Operating Income was up to 4,176 million (abt.4,478 million as of 30 September 2008 on a restated basis), due to a quarterly income of Q3 2009 of 1,390 million, advancing with respect to Q2 2009 (+0.8%).**



Following are the trends of the main aggregates:

- **Interest income came to EUR 2,749 million** (2,834 million as of 30 September 2008 on a restated basis), **driven by a quarterly result** of about 913 million **moderately increasing by 0.4% after two declining quarters**. The contribution for the period was supported by the **acceleration of the Finance area**, resulting from the portfolio strategies set during the year, **and the non-commercial component of the Banking Book,** which benefitted from the hedging policies of the liabilities and the financing opportunities at low rates in the market. Unfortunately**, the commercial interest income** is still compromised by the **downward trend of loans and the additional reduction of the contribution of direct funding,** to be associated with the decline in interest rates which continued also in Q3. These events are indicative of **decreasing profitability,** which compromises the results of the **Private Banking Area** to a relatively greater extent (due to the unfavourable funding/lending ratio), flanked by the **growing contribution of the Corporate Banking Area**.
- On the front of **Net commissions** (abt. EUR **1,428 million** vs. abt.1,643 million as of 30 September 2008 on a restated basis), the income of Q3 (476 million) **grew with respect to Q2 09** (+1.5%), mainly driven by t**he contribution of the commissions from assets management** (driven by the good trend of orders collected and product placement, in addition to the pick-up in assets under management) and **loan servicing income** (due to the favourable trend of the arrangement commissions of the Key Clients of MPS Capital Services). The contribution of **transaction-related income –** with a focus on the development of the commissions from payment services - was virtually steady with respect to Q2 09.

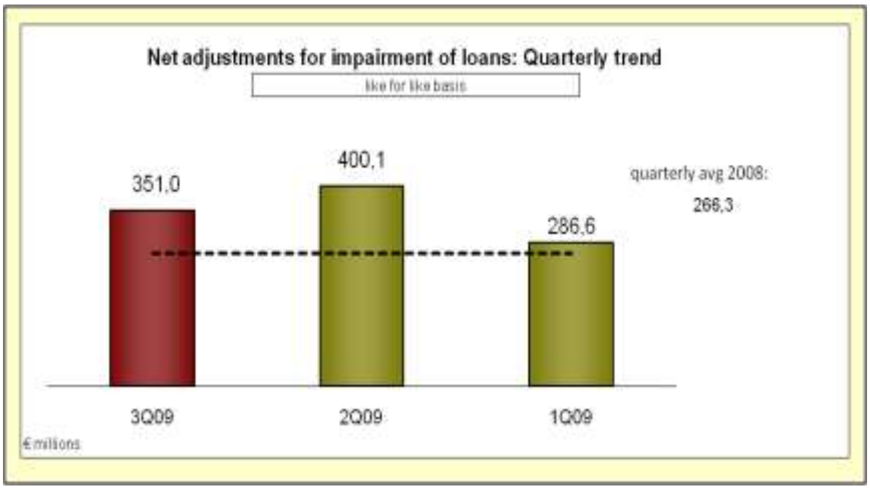
- **Dividends, similar income and Profits (Losses) from equity investments** totalled abt. **EUR 86 million** with a y-o-y improvement with respect to Q3 08 (+59.2 million) attributable to the positive contribution of profits from equity investments (mainly AXA-MPS);
- **Net income from trading/valuation of financial assets** registered a balance of about **EUR 88 million,** with a hefty year on year development (about 47 million as of 30 September 2008 on a restated basis). Net income from trading amounted to 41.7 million, down with respect to Q2 09 also attributable to the sale of some capital loss positions classified as AFS, with a nil impact on the capital ratios.

■ **Net result from realisation/valutation of financial assets** (in millions of euros)

	30/09/09	recalculated 30/09/08
Net Profit from trading	41,7	-43,2
Profit/loss from loans, available for sale financial assets and financial liabilities	47,6	10,3
Fair Value financial assets and liabilities	-1,8	79,7
Net result from realisation/valuation of financial assets	**87,6**	**46,8**

THE COST OF CREDIT: NET VALUATION ADJUSTMENTS TO IMPAIRED LOANS AND FINANCIAL ASSETS

With reference to income resulting from loan disbursements, in the first nine months of the year the Group recorded **net valuation adjustments to impaired loans in the amount of EUR 1,038 million (**abt. EUR 641 million as of 30 September 2008 on a restated basis), slowing down with respect to Q2, due to the lower flows of NPLs registered during the period. Said amount is indicative of a provisioning rate of about 95 bp, in line with the rate as of June 2009 (abt.80 bp as of 31 March 2009), still affected by the critical economic situation, in the framework of an increasingly rigorous policy in terms of prudential provisions.



Net valuation adjustments for impairment of financial assets recorded an **adverse balance of about EUR 32 million,** due to the updated valuation of AFS securities subject to impairment at the end of 2008 in the amount of abt.12 million (steady with respect to H1 09), and the write-down of other financial transactions (abt.9 million).

As a result, **income from financial and insurance business totalled EUR 3,271 million approx. (abt.EUR 3,938 million as of 30 September 2008 on a restated basis).**

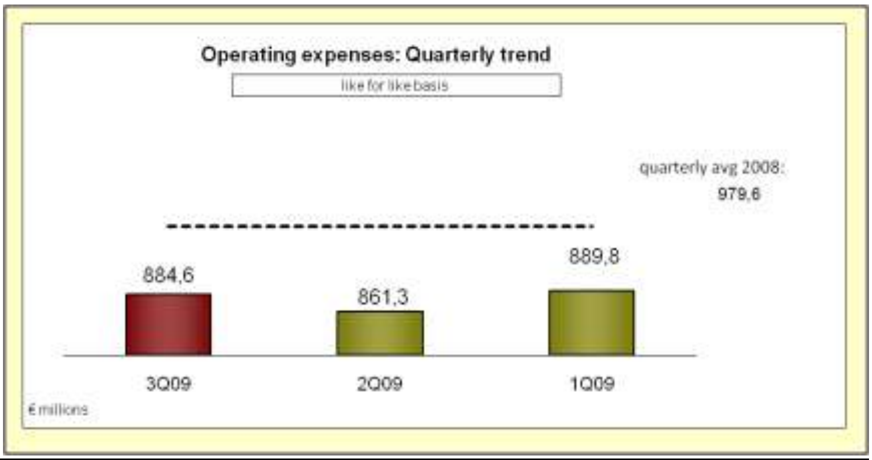
OPERATING EXPENSES: OPERATING CHARGES

As a result of the rigorous policy undertaken for the structural curtailment of costs, although in light of an outstanding plan of technology investments, the Group succeeded in considerably reducing **operating charges** by about 8% y-o-y, on a restated basis. This is partly attributable to a more favourable seasonality in the first half of 2009:

■ **Operating expenses** (in millions of euros)

	30/09/09	recalculated 30/09/08	Abs. chg. vs 30/09/08	% chg. Vs 30/09/08
Personnel expenses	1.675,4	1.789,9	-114,5	-6,4%
Other administrative expenses	843,1	954,0	-110,9	-11,6%
Administrative expenses	**2.518,5**	**2.743,9**	**-225,3**	**-8,2%**
Net adjustments to the value of tangible and intangible fixed assets	117,1	119,6	-2,5	-2,1%
Operating expenses	**2.635,6**	**2.863,5**	**-227,8**	**-8,0%**

Following is a chart of the quarterly trend of operating charges:



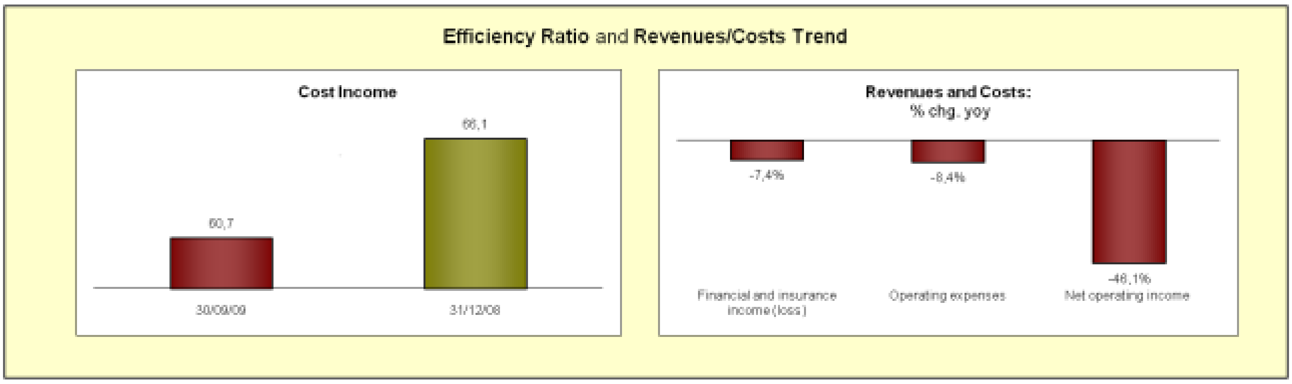
In particular:

A) Administrative expenses declined by approx. 8.2% with respect to 30 September 2008, on a like for like basis, as a result of:

- **Personnel expenses** in the amount of **EUR 1,675 million** decreasing by 6.4% with respect to 30 September 2008 on a restated basis (1,790 million). This downward trend is structural, since it is linked with the process of staff reduction and remix occurred in the second half of the past financial year and in the period under exam;
- **Other administrative expenses (**net of recoveries of stamp duty and expenses from the customers), at **EUR 843 million** approx., declined by 11.6% with respect to 30 September 2008 on a restated basis. However, the yearly declining trend (expected to reduce slightly in the rest of the year) is structural and linked with the steady and sharp control of expenses, especially after the reorganization and cost management measures undertaken.

B) **<u>Net valuation adjustments to tangible and intangible assets</u>** amounted to roughly EUR 117 million, with a 2.1% decline with respect to 30 September 2008 on a restated basis.

Accordingly, the Net Operating Income stood at abt.EUR 635 million (abt.EUR 1,075 million as of 30 September 2008 on a restated basis). The cost/income ratio stood at 60.7%, with a 5% improvement with respect to 66% at the end of 2008.



2) EXTRAORDINARY ITEMS, TAXES AND NET PROFIT FOR THE PERIOD

Rounding out the picture of **Net profit for the period** are the following elements:

- **<u>Net provisions for risks and charges and other operating income/charges</u>** recorded an adverse balance of roughly **-**EUR 66 million (-32.5 million as of 30 September 2008 on a restated basis);
- The **balance of profits from equity investments** (**abt.-3 million**) with respect to 177.5 million year on year, on a like for like basis, mostly in relation to the sale of Banca Depositaria to the Intesa San Paolo SpA Group on 14 May 2008 (capital gain: abt. 198 million), and the sale of Fontanafredda (capital gain: abt.31 million) and Finsoe (capital loss: abt. 35 million);
- **Non-recurrent charges (abt.32 million),** in relation to the integration of Banca Antonveneta and the related reorganization decided by the Business Plan, included IT costs and other expenses (9.4 million) and non-recurrent personnel expenses (abt.22.5 million), mostly (21.5 million) in relation to early retirement schemes and the Solidarity Fund. These expenses not only concern human resources already retired in H1 09, but also other resources expected to join the schemes by the end of the year. The remaining portion (1 million) is attributable to "task force" travel expenses (business trips) for the purpose of completing the IT and organization integration of Banca Antonveneta into the Group;
- **Profits from the sale of equity investments (47 million)** attributable to the capital gain of the sale of 15 branches to Banca Popolare di Puglia e Basilicata;

Given the effect of the foregoing, **profits from current operations before taxes came to EUR 582 million approx. (abt.945 million year on year on a restated basis)**.

Rounding out the picture of profitability are:

- **Income tax on current operations for the period** in the amount of EUR 269 million approx. (abt. EUR 367 million as of 30 September 2008 on a restated basis) with a tax rate for the period of about 36%;
- **Profits (losses) from discontinued operations, after taxes** in the amount of EUR 195 million, mostly attributable to the capital gain in relation to the disposal of MPS Asset Management Sgr SpA, ABN AMRO Asset Management and the other Group asset management firms (SGR) to Clessidra.

Therefore, consolidated net profits for the period before the effects of the Purchase Price Allocation (PPA) stood at abt.EUR 505 million (abt.EUR 643 million as of 30 September 2008 on a restated basis). In view of the net effects of the PPA, net profits for the period totalled about EUR 401 million. The ROE[4] was around 3.2% (ROE on average shareholders' equity: 3.1%) .

[4] ROE on average shareholders' equity: the ratio of Net profits for the period to the average of Net Shareholders' Equity (inclusive of Profits) as of 31 December 2008 and Net Shareholders' Equity for the current year.
ROE on year-end shareholders' equity: the ratio of Net profits for the period to Net Shareholders' Equity as of 31 December 2008, once eliminated profits to be distributed to the shareholders.

SEGMENT REPORTING, SALES AND MARKETING POLICY, RESEARCH AND DEVELOPMENT

For the purpose of the identification of the operating segments contemplated by the **IFRS 8 regulations**, the MONTEPASCHI Group adopted the *business approach* and chose, as a basis for reporting income/capital data, a breakdown of results in accordance with the major business sectors committed to carrying out consolidated operations, with results periodically reported to the Top Management.

On the basis of said approach, following is a **breakdown of the results achieved as of 30 September 2009** by the business areas of the MONTEPASCHI Group, aggregated in compliance with the current organization structure. To this end, the data in relation to the Business Areas as of 30 September 2008 have been restated according to the principles used as of 30 September 2009, in view of the following events:

a) the establishment, as a result of the recent reorganization, of the Commercial Private Banking Area which encompasses all activities previously carried out by Commercial Banking/Distribution Network and Private Banking/Wealth Management;
b) the sale of the majority stake of Intermonte in H2 08, with the ensuing elimination of the company's margins from the Corporate Center;
c) the addition of MPS Commerciale Leasing SpA to Commercial Corporate Banking rather than the Corporate Center.

BiverBanca has been assigned to the Corporate Center, since it has not been divisionalized yet.

SEGMENT REPORTING - Primary segment

(in millions of euro)

30/09/09	Retail & Private Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy (*)
INCOME AGGREGATES								
Net Financial income (loss)	2.436,2	-17,0%	1.474,6	11,3%	429,7	39,0%	4.340,5	-5,0%
Net adjustments for impairment of loans and financial assets	405,8	50,5%	615,8	80,2%	48,1	n.s.	1.069,7	69,1%
Operating expenses	1.756,1	-8,8%	564,3	-6,6%	315,3	-5,6%	2.635,6	-8,0%
Net operating income	274,3	-63,0%	294,5	-22,3%	66,3	n.s	635,2	-40,9%
CAPITAL AGGREGATES								
Performing loans	56.780	1,2%	71.253	-0,7%	13.737	2,7%	141.770	0,3%
Due to customers and securities	85.159	10,1%	50.311	25,2%	20.347	-18,3%	155.816	9,4%
Assets under management	42.823	-3,3%	2.553	-9,3%	2.856	-5,0%	48.232	-3,8%
PROFITABILITY RATIOS								
Cost Income	72,1%		38,3%		73,4%		60,7%	
Raroc	16,8%		9,2%		-		6,3%	

(*) In order to make a proper analysis of trends possible, 2008 comparison data were restated to take into consideration the cost of loans associated with the Antonveneta acquisition (assuming they were taken out at the beginning of the year), the line-by-line purging of Intermonte items following the dismissal of Intermonte in H2 2008 (classified under "Profit from groups of assets held for disposal after taxes") and the effects of Purchase Price Allocation (calculated as of the beginning of June 2008 for Banca Antonveneta) which affected the Group's net income.

As usual, following are the major aspects which characterized the activity of each business area in Q3 09:

COMMERCIAL PRIVATE BANKING

- **Product/service innovation and the sales and marketing policy**
- **<u>RETAIL CUSTOMERS</u>**

In Q3 the Area confirmed the initiatives in support of the entrepreneurial fabric and the households' income for the purpose of mitigating the effects of the economic and financial crisis, which specifically struck consumption and determined a greater use of the households' economies. In addition, the Area was still committed to **ensuring the highest qualitative levels of service, innovation and rationalization of the product catalogue,** for the purpose of meeting the requirements of the network and the customers and in compliance with the domestic and international best practices.

More in detail, the commercial policy targeted at the **family segment** in support of the purchasing power was based on (i) the **promotion of personal loans** (through offer campaigns of pre-accepted loans through Consum.it), (ii) **loans on the salary** of retired people, (iii) "**Mutuo MPS Protezione"** targeted at the new customers, which benefits from the favourable reduction of market rates though securing a maximum ceiling for the instalments. In addition, commercial operations focused on the **circulation of simple and transparent funding products in compliance**

with the investors' risk profiles, and the awareness of protection issues through the **supply of damage insurance products**.

With reference to the **affluent** market, the **circulation of the "Metodo" logics** contemplates, inter alia, the introduction of specific targets of portfolio requalification and the production of commercial focuses in support of the account managers. Furthermore, the **co-operation with the Advice specialists** continued for the purpose of increasing the circulation of the advisory approach in the network and the use of the platform as one single instruction system. Within this framework, the Group pursued the **commercial initiatives dedicated to the segment** which involved an increasingly higher number of customers (about 360,000 customers with 243,000 registered contacts).

The actions developed in relation to the **Small Business** segment in Q3 09 were oriented to **commercial growth, the consolidation of relations and the improvement of credit quality**. Besides, the Group undertook initiatives with respect to the **entrepreneurial fabric of small companies with reference to the critical economic situation,** and executed "Joint Notice", an agreement with the Italian Bankers' Association with the commitment of supporting the companies facing temporary financial difficulties.

On the front of **Real Bank**, the Group inaugurated important initiatives **in support of the acquisition,** the promotion in relation to **package current accounts for new customers or non account holders,** and an international electronic payment card to encourage the reduction of the use of cash. The Montepaschi Group initiatives in relation to **migrant banking and financial inclusion** in support of the weakest population brackets incorporated the participation in "Prestito della Speranza" ("**Loan of Hope**"), an agreement between the Italian Bankers' Association and the Italian Episcopal Conference.

- **PRIVATE CUSTOMERS**

In Q3 09 the Group continued to develop the **professional financial advisory model to the Customers**, with the gradual extension of the use of the new MPS Advice platform and the allocation of specialist resources to all the Geographical Areas with the task of supporting the Network commercial units. In the first three quarters of the year, **more than 95,000 proposals of advanced advisory services were submitted to the customers, with a very remarkable growth trend,** in compliance with the plan of gradual commercial activation and with a weekly production of more than 4,000 proposals as of the end of September.

Against the current market scenario, the supply of investment products promoted **low-risk simple products** (i.e. step-up bonds, plain bonds, mixed-rate bonds, traditional life insurance policies), in accordance with the customers' conservative logic and low risk propensity.

BOX:

UCIT – PARTNERSHIP WITH PRIMA SGR

The Group worked with **its new partner Prima SGR** to define the **new 2010 plan of supply** and the initiatives for **streamlining** the current **Range,** effective as of 2010.

In Q3, the Group launched **two new funds (Bond 2013 and Market Neutral Europe)** included in the Irish Bright Oak range, both mandated to Prima SGR.

Bond 2013 is a bond fund which gives the customers the opportunity of receiving an annual coupon flow linked with the coupon flows of the bonds where the fund is invested.

Bright Oak Market Neutral Europe has the objective of generating an absolute yield in the medium term, with the simultaneous minimization of the correlation with the underlying equities market, through a mix of investments in a diversified portfolio of European equities and a portfolio of derivatives (futures and forward contracts).

In terms of **product innovation**, the range of portfolios under management was enhanced with the launch of new lines with prior approval (**GPA Premium**) targeted at the Private and Family Office customers. On the front of **Innovative Finance**, Q3 recorded a revival in the use of the structured bonds issued by the Parent Bank. In particular, the Group placed three kinds of bonds, i.e. **Inflazione Plus, Inflazione Mix and Crescita Sostenibile**. The first two bonds are five-year inflation-indexed bonds. Crescita Sostenibile is a four-year bond linked with the trend of the sustainability index (DJ Sustainability Index) which also includes Banca Monte dei Paschi di Siena due to its commitment to social responsibility.

With reference to the **insurance business**, as a result of the approval of the tax shield, **the AXA-MPS joint venture** focused on the implementation of new products targeted at the reinvestment of repatriated capital, in accordance with the provisions of art.13-bis of the Decree for 2010-2013 Economic and Financial Planning. In particular, **AXA MPS Unit Melody Scudo** by Axa Mps Financial is a unit-linked policy with an internal customized fund and **AXA MPS Prestige Scudo** by AXA Mps Assicurazioni Vita S.p.A. is a revaluable insurance policy with a minimum yield of 2.5% in the first 2 years.

The commercial policies targeted at **private customers** had the objective of **increasing the level of the advisory services rendered** also in relation to non-financial issues, with a considerable growth of fiscal, real estate and art issues which consolidated the customers' confidence.

On the front of **communication processes**, the Group released **the new Private 24**, targeted at a wide bracket of customers and in-house resources, and **used the Corporate Television** in relation to particularly interesting issues.

OPERATING RESULTS

On the front of commercial results, in Q3 2009 **total funding of Commercial Private Banking** progressed by slightly less than 2 bn in terms of average balances, with **direct funding** driven by bonds and sight components (78.4 bn as of 30 September 2009 in terms of gradual average balances or +10% y-o-y) and i**ndirect funding** also progressing (about 72 bn or -7.2%). This aggregate incorporated the **positive trend of funds under management**, which consolidated the pick-up already recorded in the interim report as of 30 June 2009, due to the good trend of the insurance business placements and collective portfolio management. **Loan volumes** advanced by abt.1 million in Q3 09 with respect to 30 June 2009, driven by medium-/long-term loans, which benefitted from the acceleration in the disbursements of new loans, especially to retail and private customers. In terms of gradual average balances, the aggregate stood at 57 bn as of 30 September 2009 (+0.8% y-o-y).

Total income as of 30 September 2009 totalled EUR 2.4 billion dropping by 17.0% y-o-y. This is indicative of the decrease in interest income (-20%) and net commissions (-14%). The Net Operating Income stood at about EUR 274 million with a y-o-y decrease of 63%, also in view of the

trend of loan adjustments. The cost/income ratio for the segment was 72.1% (65.8% in December 2008).

Retail & Private Banking

(in millions of Euro)	30/09/09	% chg yoy
INCOME AGGREGATES		
Net interest income	1.380,4	-20,1%
Net commissions	1.026,1	-14,1%
Financial income (loss)	29,7	90,9%
Net Financial income (loss)	**2.436,2**	**-17,0%**
Net adjustments for impairment of loans and financial assets	405,8	50,5%
Operating expenses	1.756,1	-8,8%
Net operating income	**274,3**	**-63,0%**
CAPITAL AGGREGATES		
Performing loans	56.780,5	1,2%
Due to customers and securities	85.158,5	10,1%
Assets under management	42.823,1	-3,3%

The banks and product companies contributing to the segment include:

- **Consum.it** posted a net profit for the period of EUR 9.3 million (EUR 4.7 million as of 30 September 2008);
- **Banca Popolare di Spoleto** (equity investment consolidated with the proportional method: 26% approx.) contributed to consolidated profits with EUR 7.3 million (7 million as of 30 September 2008);
- **MPS Banca Personale** realized a loss of 11.5 million, with a deterioration with respect to the results achieved as of 30 September 2008 (loss: 7.7 million);
- **Monte Paschi Monaco S.A.M.,** a Monaco-law company, specialized in the management of Private customers, realized a net profit before taxes of about 1 million, which is lower than the results achieved as of 30 September 2008 (1.7 million).

COMMERCIAL CORPORATE BANKING

- THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

In Q3 09 the **measures in support of the production fabric** (i.e. credit facilities, discounts and benefits) focused on the most virtuous and socially responsible companies, such as the companies which are attentive to the policy of promotion of Made in Italy products and the protection of their workforce, with the objective of mitigating the effects of the current adverse economic situation.

In addition, the Group started (i) the initiatives contemplated by the agreement between the Italian Bankers' Association, the Ministry for Economics and Finance and the Trade and Industry Associations (so-called "**Joint Notice**") for the postponement of the **maturities in relation to the payment of mortgage loan and leasing instalments and advances on loan portfolio with respect to Government Authorities**, and (ii) a **specific loan targeted at the companies consolidating their**

capital. The Government measures in relation to the anti-crisis programmes gave rise, inter alia, **to the refinancing the Guarantee Fund for the SMEs managed by Mediocredito Centrale**, which grants an express and unconditional direct guarantee, at the first request. This guarantee represents an important instrument to encourage the corporate access to credit and to support the applicant Banks and Confidi, with economies of capital for regulatory purposes, since the Government plays the role of guarantor of last resort of the guarantee instruments issued by Mediocredito Centrale. **Therefore, the MontePaschi Group resolved to allocate an operational ceiling of EUR 500 million to the loans to the SMEs, with the support of the Guarantee Fund for the SMEs managed by Mediocredito Centrale.**

Finally, the Group defined the initiatives, to be materialized in the final part of the year, targeted at (i) the execution of an **agreement with the Bank for Deposits and Loans** for the disbursement of funds to the SMEs, and (ii) the finalization of an **agreement with SACE** for the purpose of guaranteeing the loans disbursed by the Group with funding from the Bank for Deposits and Loans, and advances on loans from the Government Authorities.

On the front of **product innovation**, following are the major initiatives undertaken in Q3 09:

- The launch of the following **lending product** packages:
- **Mutuo Flessibile** – a medium-/long-term loan enabling the companies, during the term of the loan, to stop the payment of the instalments for a maximum of one year. The product was made available to the Networks in September 2009;
- In support of the exporting companies, it was deemed appropriate to expand the already existing **Credit Enhancement** operations – operating as of today in the medium-/long-term component with SACE guarantee - to the short term;
- Within the framework of the **Tax Shield**, a few specific products were prepared for the networks ("Prestito Partecipativo Insieme", "Prestito Partecipativo Partner", "Investo finanziamento per i soci") and a new product ("Scudo Fiscale – finanziamento imprese") was marketed as of mid-September.

- With reference to **liquidity management, t**he placement of plain, short-term floating-rate plain bonds, with characteristics (issuer/liquidity) ensuring the corporates' access to a new instrument for the management of their cash surplus.

- **CORPORATE FINANCE**

Against a very critical market backdrop dependent on the financial crisis, the Group corporate finance operations, carried out **by MPS Capital Services Banca per le Imprese (MPSCS),** continued in various segments, by suggesting state-of-the-art solutions which can integrate traditional lending. The utmost emphasis was placed on the assessment of loan applications both in terms of the borrowers' quality (rating) and the economic terms of the transaction, with the objective of creating a balanced loan portfolio.

In particular, the hub-and-spoke presence of MPSCS in the market was consolidated in the area of **all utilities** (water, energy, gas and waste), with specific reference to the **growth of operations in the field of energy from renewable sources**. In Q3 09, the Group executed important transactions, including (i) a loan for a wind park with a capacity of 42.5 MWe in Sicily, (ii) a loan for the implementation of 7 photovoltaic plants in a total capacity of 5.68 MWp in Umbria and Apulia, (iii) 2 bridging loans preliminary to the implementation of a tele-heating plant in the area of Milan and a photovoltaic plant in Apulia.

As regards **Shipping Finance**, the Group executed two loan transactions with shipping groups for the purchase of ships, with the participation of the EIB. The Group returned to operate in **the real**

estate field with (i) the execution of a loan for the implementation of a large outlet in Abruzzo, (ii) the contribution to the real estate portfolio consisting of the operating assets of a large Italian banking group, (iii) the refinancing, in addition to the contribution of new capital, of the reorganization of the Italian assets of a large international real estate group; (iv) a bridging loan in relation to a marina in Campania.

In Q3 the **Private Equity** business in support of the development of small and medium-size companies with a high growth potential in Q3 mostly involved the funds managed by MPS Venture Sgr, a subsidiary of MPS Capital Services Banca per l'Impresa, which made follow on investments in 4 affiliated companies (Pharmeste, Daimont, Erelid-Phard, Neomobile-Orizzonti Mobile).

As part of its **syndication business,** as of 30 September 2009 the Group had placed 8 transactions in the market (total amount: EUR 342.6 million – MPSCS share: EUR 122.4 million) where MPSCS played the role of Lead Manager and Arranger. One of these transactions was placed in Q3 09 (total amount: EUR 11.5 million – MPSCS share: EUR 6.0 million). 12 additional transactions are being syndicated (with MPSCS participating as Lead Manager and Arranger) in an additional amount of EUR 361.5 million. 8 of these transactions were added during Q3 09 (total amount: EUR 158.5 million).

- OPERATING RESULTS

The **Commercial Corporate Banking Area** achieved positive results in Q3 2009 with a remarkable development of **total funding** (+1.4 bn during the quarter), driven by **direct funding** (22.4 bn as of 30.09.2009 or + 4.4 y-o-y) and, in particular, by **indirect funding** (abt. 34.7 bn or +64.2% y-o-y) as a result of the new volumes coming from the Local Authorities and Large Corporate segments. **Loans** slightly declined in Q3 due to the falling demand for credit from the productive fabric. In terms of gradual average balances, the aggregate stood at about 70.4 bn as of 30 September 2009 (+1.4 y-o-y).

As of 30 September 2009, total income for Commercial Corporate Banking (about 1,5 billion, or +11.3% y-o-y) was driven by increasing interest income (+14) and other income (+42), with net commissions virtually steady (-0.6%). The Net Operating Income came to EUR 295 million, with a y-o-y decline of 22.3% resulting from the increasing weight of loan adjustments. The cost/income ratio for the Area was 38.3% (47.3% as of December 2008).

Corporate Banking

(in millions of Euro)	30/09/09	% chg yoy
INCOME AGGREGATES		
Net interest income	1.008,8	14,0%
Net commissions	371,2	-0,6%
Financial income (loss)	94,7	41,7%
Net Financial income (loss)	**1.474,6**	**11,3%**
Net adjustments for impairment of loans and financial assets	615,8	80,2%
Operating expenses	564,3	-6,6%
Net operating income	**294,5**	**-22,3%**
CAPITAL AGGREGATES		
Performing loans	71.252,5	-0,7%
Due to customers and securities	50.310,5	25,2%
Assets under management	2.552,8	-9,3%

The companies included in Commercial Corporate Banking incorporate:

- **MPS Capital Services Banca per le Imprese** posted a net profit of about EUR 46 million (abt. 54 million as of 30 September 2008);

- **MPS Leasing & Factoring – Banca per i Servizi Finanziari alle imprese** registered a net profit of roughly 2 million in the first 9 months of 2009 (net profit as of 30 September 2008: 16.8 million).

With reference to the foreign banks:

- **Monte Paschi Banque** posted a net profit of about EUR 4 million (about 25 million as of 30 September 2008, driven by a capital gain of about 18 million resulting from the sale of a building);
- **Monte Paschi Belgio** posted a net profit of EUR 1.7 million (1.2 million as of 30 September 2008).

- **CORPORATE CENTER**

The **Corporate Center** is an aggregation of **(a)** operating units which are individually below the benchmarks required for primary reporting, **(b)** the Group H.O units (i.e. governance and support, proprietary finance, equity investment management and capital segments of divisionalized entities where ALM, treasury and capital management activities are particularly important), and **(c)** the service Units supporting Group units (with particular regard to the management of the collection of doubtful loans, real estate management **and the development and management of IT systems (reporting to the Credit Real Estate Governance and Cost Management Area) and the development and management of IT systems (reporting to the Human Resources and Organization Area).** The Corporate Center also incorporates profits/losses from Biverbanca (pending the adjustment of Biverbanca service models to the models of the other Group commercial banks), and profits/losses from the companies consolidated with the net equity method and discontinued operations, in addition to the eliminations resulting from infragroup items.

With reference to the results of the companies included in the Corporate Center, **BIVERBANCA** posted a net profit of EUR 19.9 million, excluding the PPA effects.

- **GROUP FINANCE**

The finance business of Banca MPS is currently divided into two areas of responsibility, (i) proprietary finance, and (ii) service finance (Treasury and Capital Management).

PROPRIETARY FINANCE

The rally of the Stock indices continued in Q3 09 in light of a sharp decline of market rates (especially in the short term), which implied a clear steepening of the curve of interest rates, both in the USA and in the Eurozone, with the Eurozone ten-year Government interest rate still in the range of 3.25%-3.5% during the whole period. The aspect featuring the period was the loss of the typical correlation between the equities and bond markets. The major macro indicators actually confirmed the signs of improvement, or at least stabilization, of the past months. As of September, the flow of Government bond issues (and especially corporate bond issues) gained momentum and was very much appreciated by the investors in the USA and the Eurozone. In a few cases, demand hit record levels (US Treasury issues).

As a result, **as of 30 September 2009 the Group trading assets stood at abt. EUR 24 bn (21,8 bn as of 31 December 2008). Financial liabilities for trading purposes also increased by roughly EUR 1.7 bn since January 2009. These trends are mostly attributable to the operations of MPS Capital Services.**

■ **FINANCIAL ASSETS FOR TRADING PURPOSES** (end-of-period, in EUR million)

	Parent Company	MPS Group			
	30/09/09	30/09/09	31/12/08	abs. Chg	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**8.815**	**23.982**	**21.798**	**2.184**	**10,0%**

■ **FINANCIAL LIABILITIES FOR TRADING PURPOSES** (end-of-period, in EUR million)

	Parent Company	MPS Group			
	30/09/09	30/09/09	31/12/08	abs. Chg	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**4.581**	**20.674**	**18.967**	**1.706**	**9,0%**

The portfolio of financial assets available for sale totalled EUR 14.5 bn (5 bn as of December 2008), including the investments gradually made during the year to seize attractive return opportunities on low-risk profile securities.

■ **FINANCIAL ASSETS AVAILABLE FOR SALE** (end-of-period, in EUR million)

	Parent Company	MPS Group			
	30/09/09	30/09/09	31/12/08	abs. Chg	%
Financial assets available for sale	**13.245**	**14.508**	**4.996**	**9.512**	**n.s.**

- **TREASURY**

Despite the slowdown of interbank exchanges due to the alarms associated with credit risk and counterpart risk, the MPS Group recorded appropriate liquidity levels, and limited risks as a result of an attentive management of the commercial flows of the Group Bank Networks and the accurate management of the related interest rate risk. Extremely low volumes were traded in the interbank market, and only in a few periods of the first part of the year. With reference to liquidity settlement, specific emphasis was placed on the optimization of the management of the financial flows, due to the critical market situation. An analysis of interbank positions (see following table) shows that the **consolidated net borrowing interbank position came to roughly EUR 5.9 bn as of 30 September 2009, with a decrease of abt. 3.7 bn with respect to December 2008,** attributable to funding policies targeted at making the most of funding opportunities at very moderate rates, as an alternative to more onerous bond funding with institutional counterparts.

■ **INTERBANK BALANCES** (end-of-period; in EUR million)

	Parent Company	MPS Group			
	30/09/09	30/09/09	31/12/08	abs. Chg	%
Amounts due from banks	20.819	13.401	17.616	-4.215	-23,9%
Amounts due to banks	20.408	19.294	27.209	-7.915	-29,1%
Net borrowing position	**411**	**(5.892)**	**(9.593)**	**3.700**	**-38,6%**

In view of the above, as of 30 September 2009 the short-term and structural liquidity positions were appropriate and with large available funds. In particular, the **total eligible 3-month counterbalancing capacity, after the application of the haircuts, was about 24.2 bn, including a non-committed amount of about 13.5 million.** As of the same date, the Group had an excess ROB (with respect to the amount due) of about 2.2 bn and, therefore, a net liquid balance of about 15.7 bn.

- **ALM**

In Q3 09 domestic bond funding operations included 33 new issues, in support of the Group sales and marketing policies in relation to retail, corporate and private customers, in a total amount of EUR 3.3 bn (Parent Bank only), with structured bonds accounting for 10% and plain vanilla bonds accounting for the remaining portion. International operations, mainly targeted at institutional investors, incorporated two unsecured senior issues conducted in the form of private placements, targeted at the insurance companies of the BMPS Group (AXA-MPVita). International operations, which were mainly part of the EUR 50 billion Debt Issuance Programme of Banca MPS S.p.A (Base Prospectus of 29 January 2009), totalled about EUR 50 billion.

For the purpose of diversifying the sources of funding by kind of investor and geographical area of reference, the Group set up a French CD Issue Programme (“French CD’s”). Such Programme (“French Certificats de Dépôt Programme”) represented an effective short-term funding instrument.

- **THE MANAGEMENT OF THE GROUP EQUITY INVESTMENTS**

In line with the guidelines of the Group Business Plan, the Group continued to reorganize its equity investment portfolio.

Following are the main changes which involved the Group equity investments in the period under exam:

<u>Acquisition of new equity investments</u>

In 2009 the Parent Bank purchased new stakes in the following companies: Tethys SpA, Lauro Quarantatre SpA (now Prima Holding SpA), Lauro Quarantacinque SpA (now Prima Holding 2 SpA), Bios SpA.

<u>Participation in capital increase/reinstatement and equity investment increases</u>

In addition to the subscription of the capital increase of the subsidiary, La Cittadella SpA (see Half-year Report as of 30 June 2009), following are the main initiatives materialized by the Parent Bank:

- the subscription of the capital increase of Banca Popolare di Spoleto SpA, with an increase in the shareholding from 25.93% to 26%;
- the subscription of the capital increase of the subsidiary MPS Capital Services Banca per le Imprese SpA;
- the subscription of the capital increase of the subsidiary Banca Monte Paschi Belgio SA;
- the purchase of the remaining 2% of Antenore Finance SpA;
- the purchase of the remaining 2% of Theano Finance SpA.

Disposal/Sales of equity investments

In Q3 2009, Banca MPS:

- sold the stake held in Banca Italease (3.33%,), participating in the public purchase offer of Banco Popolare;
- sold the investment held in Istituto Giotto finance SpA (or 98% of the share capital);
- as provided for by the agreement executed with Clessidra, sold a portion of the ordinary shares and preferred shares with no voting rights of Prima Holding 2 SpA (formerly, Lauro Qurantacinque SpA) to the Management. At the end of the transaction, the Parent Bank held a share of 27.73%, with voting rights at 31.75% ;
- sold the investment held in Murgia Sviluppo SpA (5% of the capital).

The above-mentioned initiatives integrate the disposal of the non-strategic equity investments started by the Parent Bank in H1 09 (see Half-year Report as of 30 June 2009), including: (i) the sale of 75% of the share capital of Marinella SpA; (ii) the reorganization of the Group asset management companies (with the disposal of the whole capital of ABN AMRO Asset Management Italy SGR and Monte Paschi Asset Management SGR SpA); (iii) the sale of an interest in the capital of Fidi Toscana SpA to MPS Investments SpA; (iv) the disposal of the investment held in SI Holding SpA; (v) the disposal of the shareholding held in Istituto Centrale delle Banche Popolari Italiane SpA.

At the Group level:

- **MPS Capital Services** continued to sell the shares of Kerself SpA in the market, as already started in H1, by selling additional 185,500 shares (96,500 shares had been sold as of 30 June 2009), thus decreasing its stake from 3.83% to 2.12%;

- **MPS Investments** (i) exercised the right of conversion on the EUR 7 million POC issued by EDI.B. SpA, underwritten in July 2008, thus acquiring a stake in the issuer's capital of 20%; (ii) sold the investment held in Cestud SpA, already fully written down, of 46.28% of the share capital; (iii) sold the investment held in Ambiente e Territorio Srl (5.82% of the share capital); (iv) sold the interest held in CEVALCO SpA (1.15% of the share capital); (v) sold the investment held in CE.P.I.M. SpA (1.99%);

- **Banca Antonveneta** (i) purchased a 9.09% stake in the capital of GAL Patavino Scrl; (ii) purchased an investment of 8.33% in the capital of GAL Bassa Padovana Scrl.

The above initiatives are added to the measures already undertaken by the Group during H1 09, as outlined in Half-year Report as of 30 June 2009.

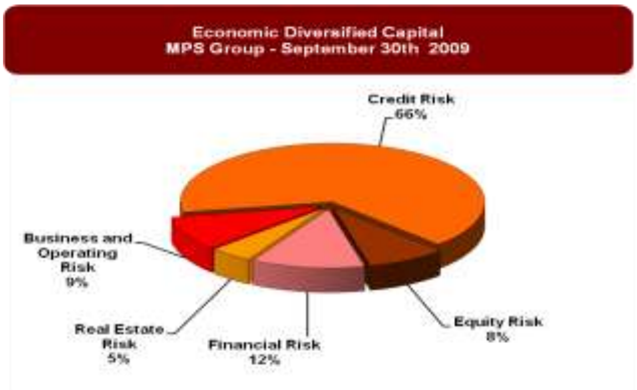
INTEGRATED RISK AND CAPITAL MANAGEMENT

THE PROCESS OF RISK MEASUREMENT AND CONTROL

The chapter covering the process of risk measurement and control of the Consolidated Annual Report and Part E of the Consolidated Notes as of 31 December 2008 outlines the measurement and control of risks within the Group. Following is the analysis of the Economic Capital and Risks of the Montepaschi Group as of 30 September 2009.

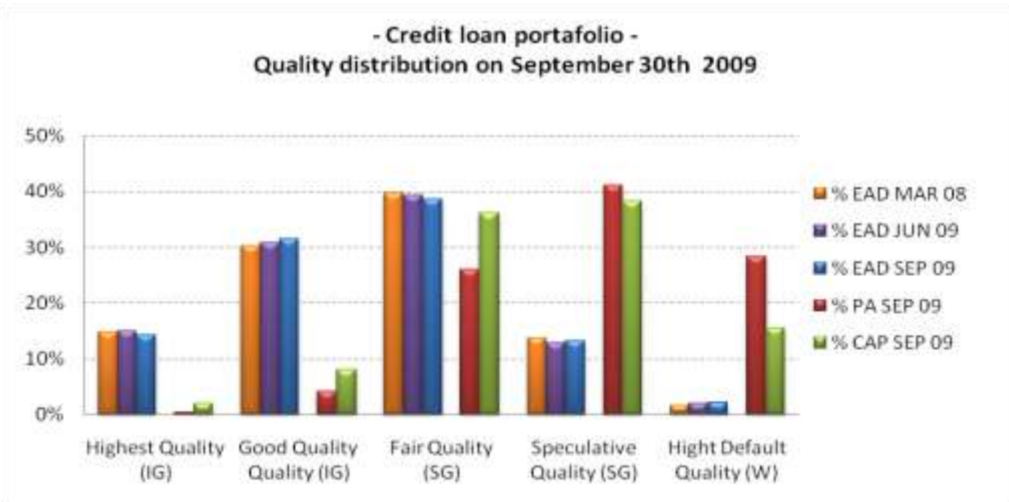
The analysis of the Economic Capital

As of 30 September 2009, the Economic Capital of the Montepaschi Group was attributable to credit risk (66%, including counterpart, issuer and concentration risks), equity investment risk (abt.8%), business and operational risks (9%). The capital for operating purposes with respect to financial risks (mostly consisting of the typical risks of the trading book and the ALM Banking Book) is roughly 12% of the Overall Economic Capital. The capital with respect to real estate risks accounts for the remaining 5% .



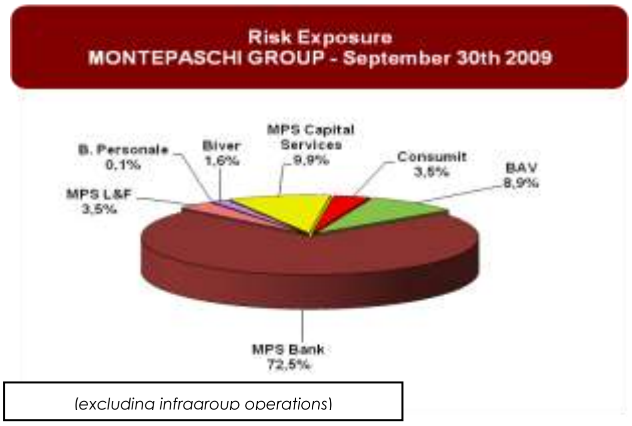
CREDIT RISKS

The following graph shows the breakdown of the quality of the loan portfolio of the Montepaschi Group (excluding the positions in financial assets). The breakdown shows that about 46% of risk exposures are disbursed to high-standing and good-quality customers and also incorporates exposures to banks, government authorities and non-regulated financial and banking institutions not included in the AIRB models. However, for operating purposes the credit standing of these counterparts is assessed and assigned on the basis of the official rating (if existing), or internally determined specific values.



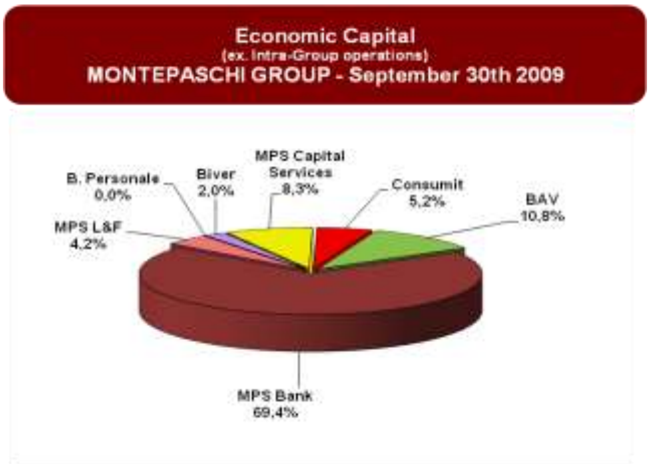
The following chart shows the breakdown of credit quality in relation to the Corporate and Retail portfolios (mostly validated by the Regulatory Authorities for the use of internal models in relation to

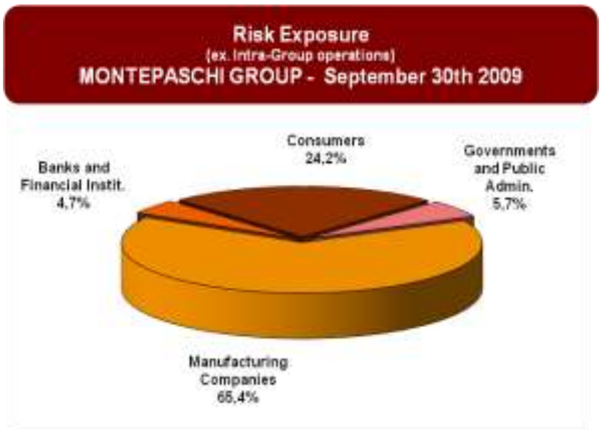
DP and LGD parameters). The weight of high and good quality exposures as of 30 September 2009 was about 38% of total exposures.



The graph shows the percentage contribution in terms of Risk Exposure of the three Commercial Banks (Banca MPS, Banca Antonveneta, BiverBanca) - which account for roughly 83% of the total of the Montepaschi Group - and MPS L&F, MPS Capital Services, Consum.it and MPS Banca Personale which total the remaining 17%.

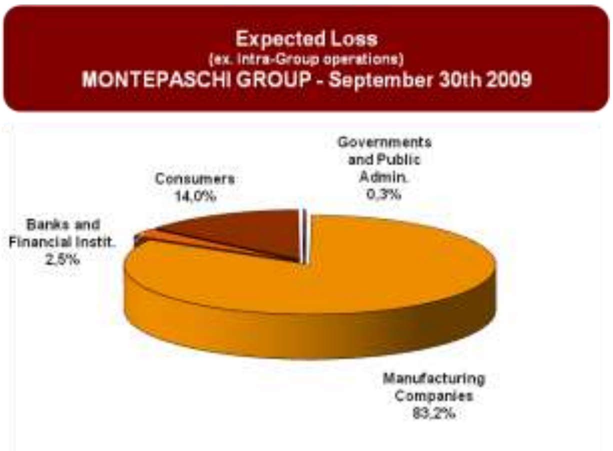
With reference to Risk measurement, the highest percentage of Expected Loss is attributable to the Parent Bank (69.8%) followed by Banca Antonveneta (10.4%), MPS Capital Services and Consum.it (7.3% and 6.9%, respectively), with the residual portion (5.6%) attributable to MPS L&F, BiverBanca and MPS Banca Personale. The total amount of Economic Capital with respect to credit risk is mostly absorbed by the Parent Bank (abt. 69%), followed by the remaining commercial banks, Banca Antonveneta and Biverbanca (abt.13%). The remaining portion is attributable to other legal entities.

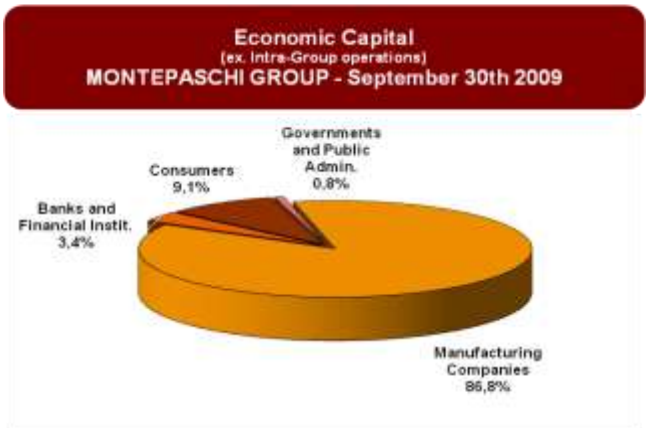




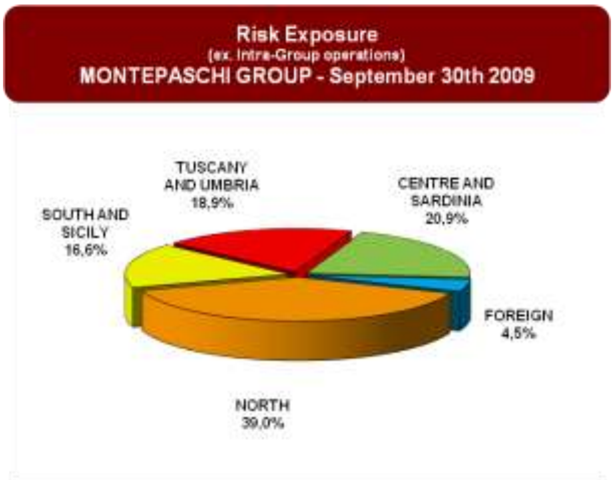
According to the data as of 30 September 2009 with reference to the risk exposures of the Montepaschi Group, "Corporate Customers" account for 65.4% of total disbursements, with the weight of Retail Customers at 24.2%, followed by "Government and Public Administration" (5.7%) and "Banks and Financial Companies" (4.7%).

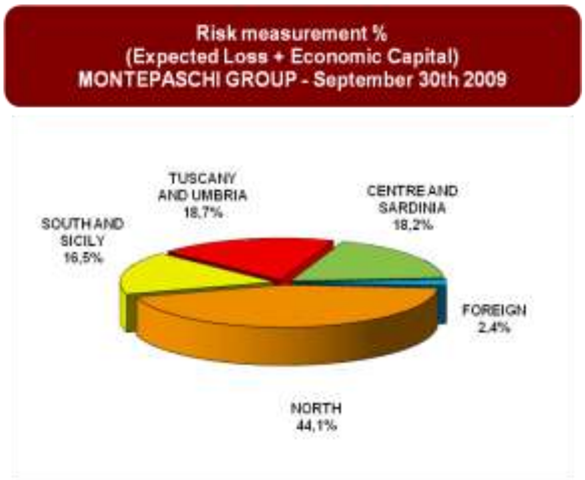
In terms of risk measurement, the segment represented by Corporate Customers absorbs 83.2% of Expected Loss and 86.8% of Economic Capital. The Retail segment absorbs 14% of Expected Loss and 9.1% of Economic Capital.





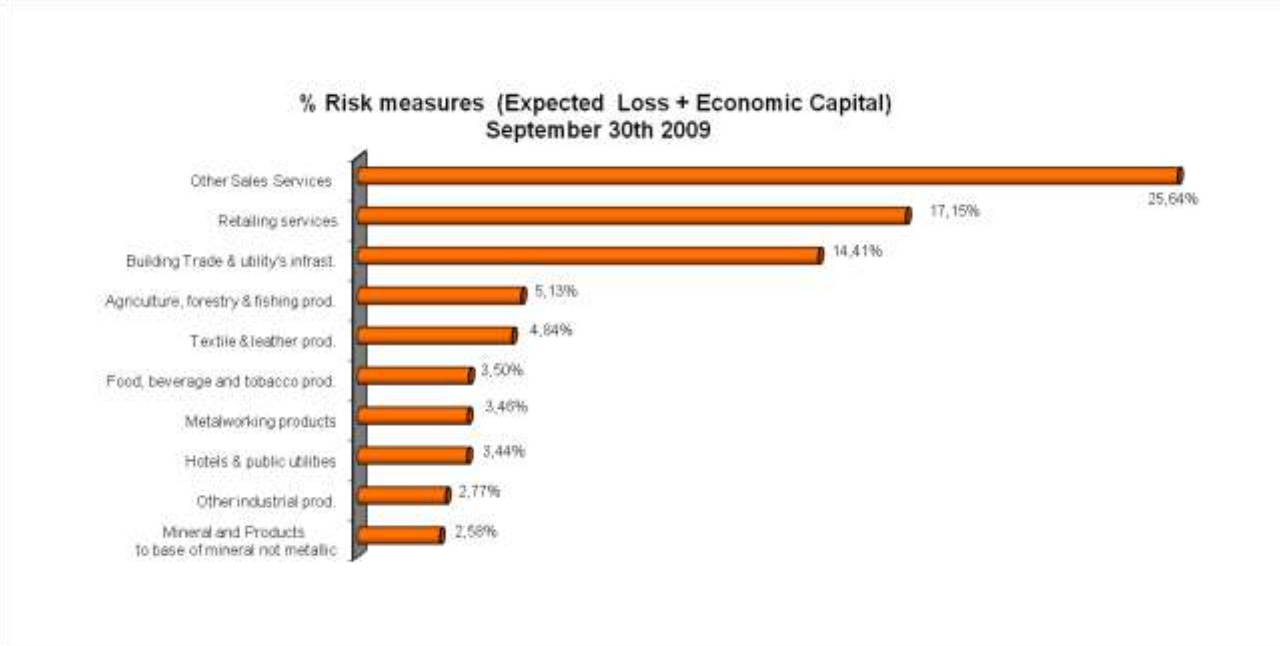
The geographical breakdown of the customers of the Montepaschi Group shows that risk exposures are mostly concentrated on northern Italy (39%) followed by central Italy and Sardinia (20.9%), Tuscany and Umbria (18.9%), southern Italy and Sicily (16.6%). The remaining portion (foreign countries) accounts for 4.5%.





With reference to overall risk measurement (Expected Loss + Economic Capital), most loans are concentrated on northern Italy (44.1%), followed by Tuscany and Umbria (18.7%), central Italy and Sardinia (18.2%), southern Italy and Sicily (16.5%). The contribution of foreign customers to risk measurement is marginal (2.4%).

An analysis of the exposures of the top 10 business sectors (which account for 82.9% of overall risk with respect to corporate customers) according to the Bank of Italy classification shows that the highest absorption of risk measurement is mostly attributable to "Other Sale Services" (25.64%), "Trade Services" (17.15%) and "Building and Public Works" (14.41%), together accounting for 57.2% of overall risk measurement. These sectors are followed by "Agricultural, forestry and fishing products", "Textile products, leather and footwear", "Foodstuffs, Beverages and Tobacco Products", together accounting for 13.5% of the total of Expected Loss and Economic Capital.



THE RISKS OF THE EQUITY INVESTMENT PORTFOLIO

At the end of Q3 2009, the VaR of the equity investment portfolio (calculated at 99%, with a holding period of one quarter) totals 26.5% of the fair value of the portfolio, with a high concentration in terms of risk in the top 10 equity investments.

INTEREST RATE RISK INHERENT IN THE BANKING BOOK

As of 30 September 2009, the sensitivity of the Montepaschi Group showed a risk exposure profile oriented to an increase in interest rates. The extent of the economic value at risk is in any case fully compliant with the amount of Tier 1 and Capital for Regulatory Purposes, and well below the level considered as the critical threshold (set at 20% with an interest rate shock of 200 bp) by the New Accord on Capital (Basle 2).

MPS GROUP

	30.09.09	
Risk indicators by shift (+/-)	+100bp	- 100 bp
Economic value at risk/Tier 1	10.17%	11.61%
Economic value at risk/Capital for regulatory purposes	5.93%	6.77%

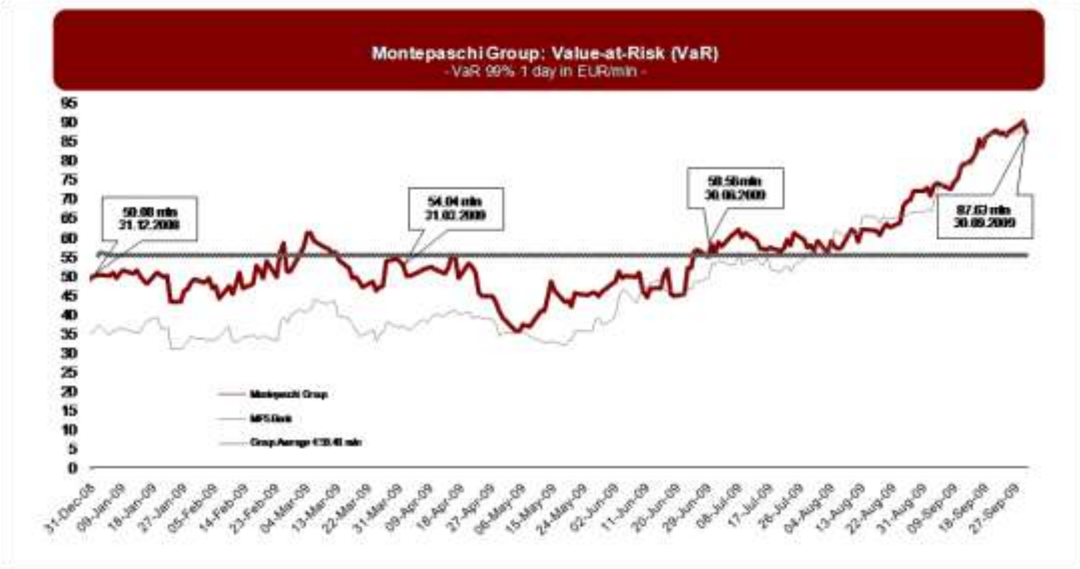
LIQUIDITY RISK

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

Specific attention is placed on the planning of the Group funding policies, as co-ordinated and guided by the Treasury and Capital Management Area, both in relation to the ordinary bond funding, the issue of subordinated liabilities and the extent of the use of indebtedness in the interbank market, in compliance with the Capital Management requirements and the expected future short-term and structural liquidity.

MARKET RISK INHERENT IN THE TRADING BOOK

- In Q3 09, the risks of the Montepaschi Group measured as Value-at-Risk (VaR) showed a clearly growing trend.
- With reference to the Trading Books of the Parent Bank and MPS Capital Services, however, the aggregate monitored with VaR integrated methods is larger than the aggregate for regulatory purposes, since the VaR also includes some positions (mostly positions taken by the Head Office or AFS equities and bonds) of the Banking Book which are managed from the operating viewpoint by the Business Areas which deal with trading activities.
- As of 30 September 2009, the VaR amounted to EUR 87.63 mln with a EUR 29 mln increase with respect to 30 June 2009. The trend is mainly attributable to the increasing bond operations of the Parent Bank.



Montepaschi Group

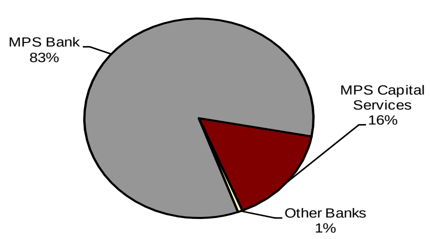
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	87.63	30/09/2009
Min	35.74	04/05/2009
Max	90.61	29/09/2009
Average	55.64	

As of 30 September 2009, the Group average VaR amounted to EUR 55.64 mln. In 2009, the Group VaR fluctuated in a range from a low of EUR 35.74 mln recorded on 4 May to a high of EUR 90.61 mln on 29 September. The data as of 30 September 2009 was EUR 87.63 mln. Of particular importance is the increase in the effect of infra-group diversification recorded in the last quarter (see the Group VaR which is several times lower than the Parent Bank's).

Montepaschi Group VaR

VaR Breakdown per Bank: 30.09.2009



With reference to the legal entities, the Parent Bank still represents the main source of market risks, with a weight of 83% with respect to the VaR at the end of Q3. The contribution of MPS Capital Services is about 16%, with the remaining 1% absorbed by the other banks.

***

MPS Bank

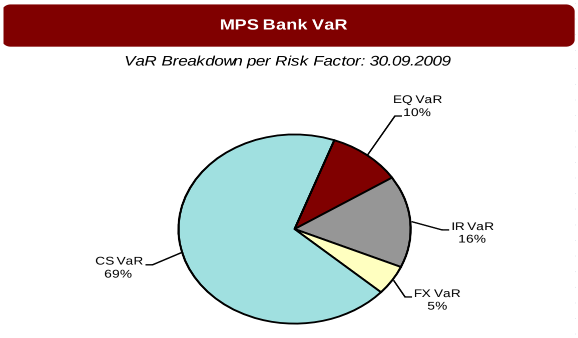
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	88.18	30/09/2009
Min	31.29	23/01/2009
Max	90.61	29/09/2009
Average	47.91	

The trend of the Parent Bank VaR was similar to the Group's, as already shown.

As of 30 September 2009, the average VaR of Banca

MPS amounted to EUR 47.91 mln. In 2009, the Parent Bank VaR fluctuated in a range from a low of EUR 31.29 mln recorded on 23 January to a high of EUR 90.61 mln on 29 September. The data as of 30 September 2009 was EUR 88.18 mln.



In terms of VaR breakdown by risk factor, as of 30 September 2009 the Parent Bank portfolio was allocated for about 69% to Credit Spread risk factors (CS VaR). 16% of this portfolio were absorbed by interest rate risk factors (IR VaR), 10% by equity risk factors (EQ VaR)and the remaining 5% by foreign exchange risk factors (FX VaR).

OPERATING RISKS

The Montepaschi Group implemented an integrated system of operating risk management based on a governance model which involves all the Group companies identified in the area of application. The approach defines the standards, methods and instruments which assess risk exposure and the effects of mitigation by business area.

The advanced approach (AMA) incorporates all domestic banking and financial components, including Banca Antonveneta and the branches incorporated by Banca MPS, with the exception of BiverBanca with a specific roll-out plan under way. The foreign and instrumental companies permanently adopt the basic method.

The advanced approach is designed so as to homogeneously match all major qualitative and quantitative information (information and data) sources (Mixed LDA-Scenario Model).

The quantitative component (Loss Distribution Approach) is based on the collection, analysis and statistical modeling of historical internal and external loss data (DIPO). The model provides for the classification of the operating losses under classes which are as homogeneous as possible, and the following calculation of Value at Risk at 99.9%, with the adoption of Extreme Value Theory techniques. The frequency of occurrence is estimated only on the basis of internal data.

The qualitative component is focused on the valuation of the risk profile of each unit and is based on the identification of relevant scenarios. The Companies are involved during the stage of identification of the processes and risks to be valued, the assessment of the risks by the responsibles for the processes, the identification of possible mitigation plans, the scenarios shared with the Head Office in relation to the priority and technical-economic feasibility of the mitigation actions.

The innovations introduced in Q3 09 include the completion of an important project for the review of the Group insurance programme, with the objective of standardizing and simplifying the contracts and coverage inherited from the recent corporate mergers and acquisitions. The review was conducted in a logic of reduction of the total cost of risk, with an accurate check of the ratio of level of coverage, expected and unexpected losses, cost of capital to premiums.

CAPITAL FOR REGULATORY PURPOSES AND CAPITAL RATIOS

The Group capital for Regulatory Purposes was estimated, in continuity with the implementations of the past quarters and therefore based on the new metrics of calculation introduced by Basle 2 (advanced IRB and AMA methods for the portfolios and legal entities subject to validation), at EUR 12,653 million as of 30 September 2009, with an increase of EUR 657 million with respect to 31.12.2008. This change is mainly due to the portion of capitalized profits as well as the effctes of the adjustments of the components of capital for regulatory purposes in relation to the assets valued at fair value. The estimates produced in relation to the RWA recorded a reduction of about 7% mainly generated by the floor cut from 95% at year-end to 90%.

CAPITAL FOR REGULATORY PURPOSES (€/mln)			
	30/09/09	***31/12/08***	***Var. %***
Tier 1 capital	7.380	6.798	8,56%
Tier 2 capital	5.663	5.525	2,50%
Deductions	390	327	19,18%
CAPITAL FOR REGULATORY PURPOSES	12.653	11.996	5,48%

The estimated consolidated capital ratios for regulatory purposes show that **Tier I stood at about 6.0% and the total capital ratio came to about 10.3%.**

THE OPERATING STRUCTURE

The chapter covering the development of operations by business area outlined the Group research and development initiatives. This section of the report on operations provides information on the **development of the operational structure,** with particular regard to **distribution channels, payment systems and human resources**.

DISTRIBUTION CHANNELS

In Q3 2009, the MPS Group continued its activity geared toward **developing and streamlining the distribution channels,** focusing both on the growth of the traditional network and the **consolidation of direct channels (i.e. Internet Banking, phone Banking, ATMs), and their integration with the branch network.** The Group had the strategic objective of increasingly expanding the use of direct channels and making access to these channels more simple and effective. That is why the Group widely circulated the "multichannel credentials**",** i.e. one mode of access to all direct channels of the MPS Group.

As of 30 September 2009, the Montepaschi Group distribution network consisted of **3,109 domestic branches** (one more branch with respect to 30 June 2009) and **270 specialists' centres** for the follow up of specific customer segments (i.e. SMEs, Local Authorities and Private). As a result of the adoption of the new service model, in Q3 09 the distribution structure of the specialists' centres for the SME market was subject to review.

The Group distribution network also incorporates **842 financial promoters and 163 financial offices open to the public of Banca Personale.**

MPS GROUP DISTRIBUTION NETWORK

Channel	30.09.2009	30.06.2009	31.12.2008
Domestic branches*	3.109	3.108	3.104
Financial Promoters Offices	163	169	167
Total domestic sales outlets	3.272	3.277	3.271
Foreign branches	39	39	39
SME Business Centres	120	154	119
Institutional Business Centres	50	44	37
Private Business Centres	90	88	73

* The specialized units of MPS Capital Services are not included

MPS GROUP BRANCHES AT 30.09.2009

Banca MPS	2.600
Banca Antonveneta	403
Biverbanca	106
TOTAL MPS GROUP	**3.109**

BRANCH DISTRIBUTION BY GEOGRAPHICAL AREA AT 30.09.2009

Northern Italy	1.314	42,26% of total
Central Italy	1.124	36,15% of total
Southern Italy and Islands	671	21,58% of total
TOTAL	**3.109**	

On the front of **innovative channels,** the Group pursued the process of transformation of the branch from a traditional channel to an **advanced centre of relations with the customers.** Today, the use of innovative channels is increasingly widespread among the MPS Group customers.

In Q3 09 **the Group intensified the circulation of integrated multi-channels to all Group customers**. The new **retail** contracts executed by the Group in July and August numbered about 120,000 (mostly concentrated on integrated multichannels), with a significant growth with respect to the past quarters. As of 31 August 2009, the number of contracts topped 1,270,000 contracts, with the prevailing weight of Integrated Multichannel contracts followed by Internet Banking contracts.

The Group activated 2,270 new multichannel **Corporate** contracts from 1 January 2009 to 31 August 2009. Therefore, total corporate multichannel customers numbered 37,106, including more than 32,000 Internet Corporate Banking contracts.

The Group ATMs totalled 3,673 as of 30 September 2009.

THE FOREIGN DIRECT NETWORK

No major changes have been recorded since 30 June 2009.

PAYMENT AND COLLECTION SYSTEMS

The initiatives in relation to the collection and payment systems in Q3 2009 were mainly focused on the **adjustment of compliance with the new industry rules.**

Pending the expected adoption of the new European directive, **Payment Service Directive (PSD)**, no later than November 2009, the Group completed the analysis of each service, identified the amendments to be made and started their implementation in relation to the contractual, commercial, functional and operational issues.

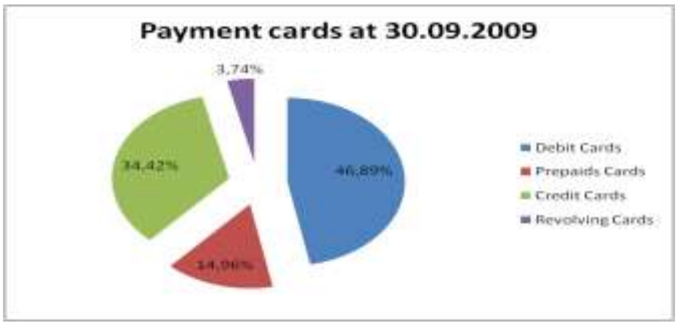
The Group also continued to conduct the other activities for the implementation of the **Single Euro Payment** (**SEPA),** i.e. the finalization of the technical requirements for the release of the "**European transfer**" (SEPA Credit Transfer) to all channels, with a postponement of the expected initial date to Q4 09, and the definition of the supply and the processes for the expected release of the new service of "European collection" (SEPA Direct Debit) in November 2009.

The Group POS terminals topped 136,000 terminals as of 31 August 2009. The decrease in the number of POS terminals in comparison with the first part of the year is mostly attributable to the closing of some shops which faced the current economic crisis. According to the most recent expectations of the GDP trend in Italy, this year the GDP is supposed to drop by abt. 1% with respect to 2008.

The contractual migration of the POS positions from the acquirer CartaSi to **MPShop continued.** As of 1 January 2009, the Group independently manages the acquiring service also for the acceptance of the cards in the VISA, VISA Electron, V-Pay, MasterCard and Maestro international circuits (in addition to PagoBANCOMAT Cards).

As of 31 August 2009, the **MPS Group payment cards** (distributed by Banca Monte Paschi, Banca Antonveneta, MPS Capital Services, BiverBanca) numbered 3,210,394. This volume was slightly down with respect to the cards held in portfolio as of 30 June 2009 due to the trend of the charge cards which are influenced by the streamlining and "cleaning" of barely-used/non-used cards or potential risk positions. The balance of **debit cards** progressed (as a result of the new release of the Visa Electron CHIP products), in addition to the volume of **prepaid cards** driven by the excellent performance of the Spider service and the KRYSTAL Best card.

Following is a breakdown of the cards by segment:



In particular, the major events of Q3 09 include:

- the start of the marketing in the whole network of the new issues and renewals of **Mondo Card Plus Visa Electron with chip technology and OLI (On Line to Issuer) authorization mode**. This enables the issuing Bank to authorize payments and withdrawals in real time, both in Italy and abroad, after executing standard checks on the validity and soundness of the card and the funds available in the current account. The card is compliant with the SEPA requirements through the international circuit associated with Bancomat/Pagobancomat;

- the execution of a **commercial agreement with American Express** for the marketing of Verde, Oro, Platino and Business cards in the networks of Banca Monte Paschi, Banca Antonveneta and BiverBanca;

- the release in July of **mono-function Carta Unica Gold issued by Consum.It**;

- the implementation of the work preliminary to the sale of **Consum.It credit cards within package accounts,** with the integration – as a first issue – in the Costomeno current account;

- the start of the analysis for the massive issue of debit cards, with the objective of replacing magnetic stripe cards with microchip technology- based cards, **thus reducing frauds.**

HUMAN RESOURCES AND ORGANIZATION DEVELOPMENT

Ahead of the path indicated by the 2008-2011 Business Plan, the management and organization of human resources were based, as a priority, on the following guidelines:

- The completion of **the Group redesign**, through corporate mergers, the centralization of back office activities and the review of the operating processes;
- The achievement of **the objectives of efficiency and further reduction/remix of staffing**, with correlated effects in terms of declining structural costs and growth of the *front to back* ratio;
- The building and rapid implementation of the **new management model**, with the univocal responsibility of the Parent Bank in relation to all operating **personnel,** with the development of the relations between the infrastructure and the network;
- **The cultural standardization of the Networks after the integration**, especially through the exchange of resources covering roles of responsibility, the activation of service models and appropriate training for their proper application;
- **The consolidation of professional quality,** with priority given to *front end roles* through accurate reviews of the skills, the mapping of individual skills, targeted training and the implementation of development plans for the purpose of filling organization positions as planned, and ensuring the management turnover.

The extraordinary and additional initiatives implemented by the Group to effectively counter the **effects of the economic crisis on credit quality** include **targeted and consistent actions from the organization viewpoint** (changes in the structure, consolidation of the structure and the activities) and **from the standpoint of human resources** (quantitative and qualitative consolidation of staff).

Specific emphasis was placed on the Network, for the purpose of speeding up the **assimilation of commercial and operational behaviour, and risk monitoring processes** by the resources of former Banca Antonveneta. This is done through a string of combined initiatives, i.e. resource exchange (especially branch managers), training, on-the-job training and targeted organized calls.

STAFFING

As of 30 September 2009, the MPS **Group** had a total of **32,526 employees** in terms of actual workforce[5], with a **decrease in staffing of 1,662 with respect to 31.12.2007** (*base line* of the 2008-11 Business Plan).

MPS GROUP STAFF

	31/12/07(*)	31/12/08	30/09/09
Workforce	34.188	32.867	32.526
On the payroll	34.246	32.951	32.536

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

In particular:

- **outflows of personnel** included **2,703** retirements (about 77% of the total amount planned for the four years from 2008 to 2011), including **1,700** high seniority staff participating in **the Early Retirement Scheme and Solidarity Fund.** Staff outflows for the period from 1 January 2009 to 30 September 2009 came to 892, including 581 employees participating in the Early Retirement Scheme and Solidarity Fund;
- introduction of **new personnel (1,207 employees**), mostly in the Network (500 resources in 2009 as of today);
- **Outflows of 166 resources** due to **asset disposals** (due to ABN AMRO Asset Management SGR, AXA SIM joining the Group and Intermonte SIM, Montepaschi Asset Management SGR and minor companies[6] leaving the Group);

[5] Personnel seconded to companies outside the Group and part-time cleaning staff (1st Area) are deducted from employees on the payroll.

- **professional reconversion, from the Head Office to the Network, of 700 resources**, (above all at Banca Antonveneta), with individual operational and training experiences.

The front office to total staff ratio was steady at around 64% with respect to 62% as of 31 December 2007, and a 67% target expected at the end of the Business Plan.

The following table below shows the distribution of the MPS Group's actual workforce by operational location.

MPS GROUP WORKFORCE: DISLOCATION BY STRUCTURE

STRUCTURE	31/12/2007[(1)]	% OF TOTAL	31/12/08	% OF TOTAL	30/09/09	% OF TOTAL
Network & Call Center	**21.215**	**62%**	**20.938**	**64%**	**20.685**	**64%**
Head Quarter	**12.973**	**38%**	**11.929**	**36%**	**11.841**	**36%**
- H.O. Italian Banks	*8.305*	*24%*	*6.825*	*21%*	*6.714*	*21%*
- Product Companies	*1.460*	*4%*	*1.223*	*4%*	*1.273*	*4%*
- Service Companies	*2.470*	*7%*	*3.143*	*10%*	*3.113*	*10%*
- Other Activities[(2)]	*738*	*2%*	*738*	*2%*	*741*	*2%*
TOTAL	**34.188**	**100%**	**32.867**	**100%**	**32.526**	**100%**

(1) Baseline of the 2008-2011 Business Plan, inclusive of the workforce of Banca Antonveneta (**9,383** resources) and Biverbanca (**696** resources).
(2) H.Os of the Geographical Areas, Branches, SME, Private and Local Authorities Centres, and Call Center units.
(3) Parent Bank, H.Os of the Commercial Banks and Geographical Areas.
(4) Foreign banks, MPS Banca Personale and Other activities.

The table below show the distribution of the MPS Group's workforce by job category.

BREAKDOWN OF STAFF BY JOB CATEGORY

CATEGORY	ACTUAL NUMBER	% OF TOTAL WORKFORCE
Executives	587	2%
Managers	11.531	35%
Other Professional Areas	20.408	63%
TOTAL	**32.526**	**100%**

OPERATIONAL GUIDELINES

THE DEVELOPMENT OF HUMAN RESOURCES

Following are the most significant initiatives carried out in Q3 2009, within the above-mentioned strategic framework:

- the 3rd **professional paths**[7], which use **PaschiRisorse** as a key tool for **planning and monitoring** the distinctive skills of each role, and checking whether an employee is suitable for the profile set. At the Group level, **professional paths** involved about 6**00 employees**;

[6] 52 resources of ABN AMRO Asset Management SGR have joined the Group since the beginning of the year, and 73 employees left after the disposal of 15 branches to Banca Popolare di Puglia e Basilicata.
[7] "Vertical" paths regulate staff upgrade to target positions up to the 2nd level of Managers. "Horizontal" paths encourage the integration of skills in relation to peer positions.

- the regular use of a **self-development desk** within the project of **enhancement of human resources,** for the purpose of increasing the awareness of individual vocation, consolidating the skills, orienting professional growth and creating an organic channel to feed the future Group Management (with about 150 resources involved so far);

- The **mapping of the managerial qualities** of Executives and Managers holding positions of high responsibility in the network and the Head Office, in order to support operating strategies and process **continuity plans** (about 500 resources).

TRAINING

Early in 2009, the Group processed the **Annual Training Plan** which contemplates all training initiatives planned for the year in terms of guidelines, objectives, timing, contents, target personnel, kind of training (e.g.: classes, online courses, structured on-the-job training), financeability and organization sustainability (expected man days).

In particular, from the viewpoint of contents/target employees, the Plan is based on four pillars:

- Training in relation to the **service models for the personnel of former Banca Antonveneta** (once completed the classes in H1 2009, with the participation of about 2,000 resources operating in the Network, a dedicated task force is currently working to complete on-the-job training);
- **Individual training by role** (beginning and development), with specific focus on **loan management** in the Network;
- **Insurance-welfare training,** with a focus on the "damage-life" area in co-operation with Axa-Mps and Isvap regulations (as of 30 September 2009, 30% and 50%, respectively, of the expected sessions had already been held);
- **Specific training** (new credit policies, pricing, safety and security, compliance).

The training activities expected to be carried out during the year are being developed in accordance with these priorities.

The training session for Human Resources Managers (about 60 staff units involved) in relation to the new system was started in September.

As a whole, **training hours totalled about 454,000**, with a Group per capita average of about 14 hours.

INDUSTRIAL RELATIONS

Industrial relations were characterized by continuous negotiations with the Unions in relation to:

- the implementation of the projects of centralization contemplated by the Business Plan, with specific reference to the merger by **incorporation of Banca Toscana** into Banca Monte dei Paschi di Siena, achieved through the expected objectives of efficiency (with reference to the enhancement of the value of professional skills for the requirements of the Network and the Parent Bank);
- asset disposal (transfer of the Monte Paschi Asset Management SGR business unit to Clessidra and sale of 15 branches to Banca Popolare di Puglia e Basilicata);
- corporate reorganization (ABN Amro Asset Management SGR and MPS Leasing & Factoring).

ORGANIZATION

The main projects followed up in Q3 09 by the organization unit incorporated:

- the fine-tuning of the **new Group organization model** (structure, responsibilities and size) and the issue of the **rules of unit interaction** (regulations and guidelines for the exercise of responsibilities in the corporate processes);

- **the analysis, guidance and coordination,** in support of the incorporation of **Banca Toscana and ABN AMRO Asset Management SGR,** of the implementation of the **other projects of the Business Plan[8];**

- **the full integration of the distribution units of the merged Banks** (Banca Agricola Mantovana, Banca Toscana and Banca Antonveneta), through targeted initiatives of operational alignment, development of the service models and commercial relaunch;

- the implementation of the **streamlining programme of the Network Back Office**, through the centralization of activities/resources at the Montepaschi Group Operations Consortium oriented to achieving considerable operational efficiency and improving the quality of service to the customers;

- the continued **process of organization transformation**, oriented to the improvement of the levels of internal efficiency and effectiveness in the Group governance, and the adjustment of the structure to the changing external regulations (extension of the new SME service model, new centralized Record Centre, review of the collection and payment services to comply, no later than 1 November 2009, with the guidelines of the new P.S.D. Directive – *Payment Service Directive*, review of the process of loan disbursement). In addition, the **responsibilities in relation to claims and the valuation of the quality of the services rendered[9] were re-positioned and the Commercial Private Banking Area was redesigned[10]**.

[8] Sale of 15 branches to Banca Popolare di Puglia e Basilicata, migration of the Group IT system to Biverbanca, incorporation of Paschi Gestioni Immobiliari into the Parent Bank etc.

[9] Incorporation in the Compliance Area of claim management, relations with the Consumers' Associations and valuation of the quality of the services rendered.

[10] Unification of the retail and private segments.

THE TREND OF BMPS SHARES, SHAREHOLDERS' BASE AND DEBT RATINGS

PRICES

The initial portion of 2009 was characterized by massive sales, but as of mid-March 2009 the stock markets recorded positive performances with the major indices closing this nine-month period at values higher than the end of 2008 (Dow Jones +10.7%, S&P 500 +17.0%, FTSE Mib +20.6%, DJ Euro Stoxx Banks + 57.9%). BMPS shares closed the period at EUR 1.462 (-4.2%), after outperforming the Italian and the European banking industries in 2008 (about 8% and 14%, respectively).

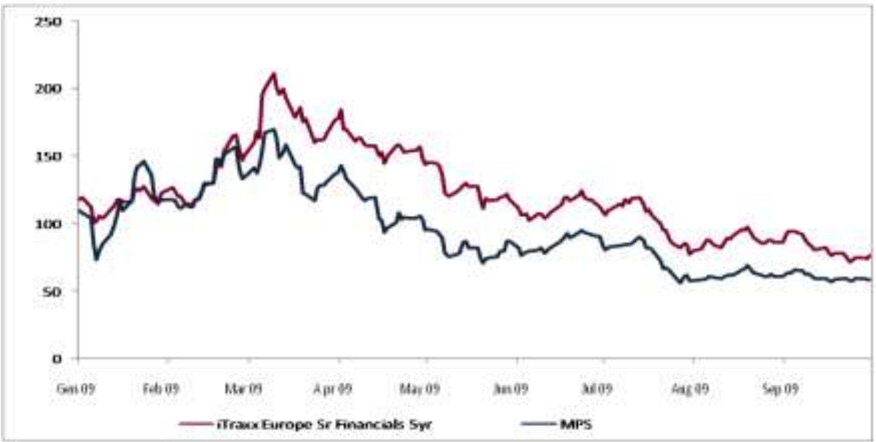
The trend of BMPS shares from early 2008 to 30 September 2009 was virtually in line with the European and Italian financial industries (BMPS -51.1%, DJ Euro Stoxx Banks – 42.7%).

TREND OF SHARE PRICE (from 31.12.08 to 30.09.09)

BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/08 to 30/09/09)

Average	1,21
Low	0,77
High	1,62

The trend of the CDS (5Y Senior) of BMPS is positive, and is one of the lowest of the Italian and European banking industry.



CAPITALIZATION AND SHAREHOLDERS' BASE

As of 30 September 2009, the market value of BMPS computed on the basis of 6,677,831,738 (ordinary and preferred) outstanding shares was approximately EUR 9.8 billion.

SUMMARY OF REFERENCE PRICES AND CAPITALIZATION

	12.31.08	09.30.09
Price (euro)	1.53	1.46
N. ordinary shares	5,545,952,280	5,545,952,280
N. preferred shares	1,131,879,458	1,131,879,458
N. saving shares	18,864,340	18,864,340
Capitalization (ord + pref) (euro mln)	10,217	9,763

With reference to the Bank's shareholders' base, on the basis of the reporting to the Italian Securities Commission (CONSOB) and BMPS in compliance with art.120 of Legislative Decree no.58/98, the major shareholders were: the MPS Foundation (the majority shareholder, holding 45.88% of the ordinary share capital); JP Morgan Chase (5.56%); AXA S.A. (4.58%); Caltagirone Francesco Gaetano (4.47%); Unicoop Firenze (3.34%).

■ **MAIN SHAREHOLDERS** in compliance with art. 120 D.Lgs n.58/98

Fondazione MPS	45,88%
JP Morgan Chase	5,56%
Axa S.A.	4,58%
Caltagirone Francesco Gaetano	4,47%
Unicoop Firenze – Società cooperativa	3,34%

VOLUMES

The number of BMPS shares traded on a daily basis averaged around 16.5 million in the first 9 months of 2009, with a peak of 84.9 million in August and a low of 2.7 million in January.

■ **MONTHLY VOLUMES OF SHARES TRADED**

	(in mln)
January	212
February	390
March	360
April	384
May	370
June	285
July	291
August	514
September	363

DEBT RATINGS

Following are the debt ratings as of 30 September 2009:

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

On 1 July 2009, simultaneously with an extensive review of the ratings of the Italian credit industry, Moody's Investors' Service downgraded the medium-/long-term rating of Banca Monte dei Paschi di Siena from Aa3 to A1 with a stable outlook. Financial strength was downgraded from C to C- with a negative outlook.

On 17 August 2009, Fitch confirmed the long-term and short-term ratings of Banca Monte dei Paschi di Siena SpA (A/F-1) with a stable outlook and upgraded the rating of the subsidiary MPS Gestione Crediti (RSS2-, CSS2- from RSS3+, CSS3+) in August.

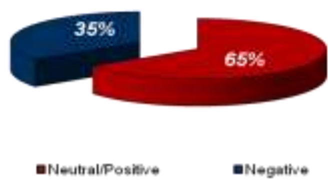
On 1 October 2009, Standard & Poor's amended the long-term and short-term ratings of Banca Monte dei Paschi di Siena S.p.A. from A/A-1 to A-/A-2 with a stable outlook.

INVESTOR RELATIONS IN THE FIRST 9 MONTHS OF 2009

In the first 9 months of 2009, the Investor Relations Unit interacted very proactively with the financial community, in line of continuity with 2008. The Unit arranged more than 40 days of meetings for the Montepaschi Group Top Managers with institutional investors, in 15 different countries.

BMPS SHARES RECOMMENDATIONS

65% of the analysts covering BMPS shares as of 30 September 2009 maintained a neutral/positive outlook, 35% had a negative stance.



MAJOR EVENTS OCCURRED AFTER 30 SEPTEMBER 2009

Following are the major events occurred after the closing as of 30 September 2009:

- **On 29 October 2009** the Board of Directors of Banca Monte dei Paschi di Siena resolved the merger by incorporation of MPS Banca Personale, the Group unit specialized in financial promotion, into the Parent Bank.

FUTURE OUTLOOK

In an operating scenario still characterized by huge uncertainty, we are unable to make any accurate projections for the future.

In this framework, the MONTEPASCHI Group shall be committed to rapidly implementing the integration programme contemplate by the new Group Business Plan and making the most of the last 18 months' strategies (i.e. streamlining of the distribution line, joint venture in the insurance and asset management businesses, disposal of non strategic assets), with an additional focus on the commercial core business and the initiatives for improving the efficiency of the cost structure.

LIST OF EQUITY INVESTMENTS

Consolidation Area

Equity investments in solely and jointly controlled companies (proportionally consolidated)

		NAME	MAIN OFFICE	TYPE REL, (*)	Ownership relationship held by	holding %	Voting rights % (**)
		Companies included in consolidation					
		A.1 Companies totally 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.38	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.	Padua	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		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99,820	100,000
					A.1	0,060	
					A.2	0,030	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
A.17		AGRISVILUPPO S.p.a.	Mantua	1	A.0	98,224	99,068
					A.9	0,844	
A.18		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantua	1	A.0	100,000	100,000
A.19		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	A.0	100,000	100,000
A.20		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	100,000
A.21		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	100,000
A.22		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	100,000	100,000
	22.1	MONTE PASCHI CONSEIL FRANCE	Paris		A.22	100,000	100,000
	22.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		A.22	100,000	100,000
	22.3	M.P. ASSURANCE S.A.	Paris		A.22	99,400	99,400
	22.4	IMMOBILIARE VICTOR HUGO	Paris		A.22	100,000	100,000
	22.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.22	99,997	99,997
A.23		MONTEPASCHI LUXEMBOURG LTD	Brussels	1	A.0	99,200	100,000
					A.22	0,800	
A.24		ULISSE S.p.a.	Milan	1	A.0	100,000	100,000
A.25		ULISSE 2 S.p.a.	Milan	1	A.0	60,000	60,000
A.26		SIENA MORTGAGES 00-01 S.p.a.	Milan	1	A.0	100,000	100,000
A.27		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60,000	60,000

A.28		ANTENORE FINANCE S.p.a.	Padua	1	A.0	100,000	100,000
A.29		ANTONVENETA CAPITAL LLC I	Delaware	1	A.0	100,000	100,000
A.30		ANTONVENETA CAPITAL LLC II	Delaware	1	A.0	100,000	100,000
A.31		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100,000	100,000
A.32		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100,000	100,000
A.33		ANTONVENETA IMMOBILIARE S.p.a.	Padua	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		LA CITTADELLA S.p.a.	Padua	1	A.0	100,000	100,000
A.36		SALVEMINI S.r.l.	Padua	1	A.0	100,000	100,000
A.37		THEANO FINANCE S.p.a.	Padua	1	A.0	100,000	100,000
		A.2 Companies proportionally consolidated					
A.38		BANCA POPOLARE DI SPOLETO S.p.a. (book value: 25,930% of the nominal value)	Spoleto	1	A.0	26,005	26,005

(*) Type of relationship:
1 majority of voting rights in the ordinary shareholders' meeting
2 dominant influence in the ordinary shareholders' meeting
3 agreements with other partners
4 other types of control
5 Single Direction as per art. 26, par.1, Legisl.Decree 87/92
6 Single Direction as per art. 26, par.2, Legisl.Decree 87/92
7 joint control
8 link
(**) Votes available in the Ordinary Shareholders' Meeting (actual and potential votes)

Equity investments in jointly controlled companies (valued at net equity) and companies under significant influence: information on shareholders' equity

Name	Main Office	Type of relationship	Ownership relationship		Voting rights %	Consolidated book value (thousands of Euros)	
			held by	holding %		30 09 2009	31 12 2008
Axa Mps Assicurazioni Vita S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	306.642	231.452
Axa Mps Financial Limited	Dublin	8	Axa Mps Assicurazioni Vita	50,000	50,000	80.175	68.508
Quadrifoglio Vita S.p.a.	Bologna	8	Axa Mps Assicurazioni Vita	50,000	50,000	55.241	33.589
Axa Mps Assicurazioni Danni S.p.a.	Rome	8	MPS Investments S.p.a.	50,000	50,000	30.086	27.797
Beta Prima S.r.l	Siena	8	MPS Investments S.p.a.	34,069	34,069	286	242
BioFund S.p.a.	Siena	8	MPS Investments S.p.a.	13,676	13,676	721	775
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.	20,000	20,000	7,000	
Fabrica Immobiliare SGR S.p.a.	Rome	8	MPS Investments S.p.a.	45,000	45,000	3.483	3.402
Intermonte SIM S.p.a.	Milan	8	MPS Investments S.p.a.	20,000	20,000	12.855	10.579
J.P.P. Euro Securities	Delaware	8	Intermonte SIM S.p.a.	20,000	100,000	359	370
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Investments S.p.a.	49,002	49,002	2.278	2.387
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	MPS Investments S.p.a.	20,000	20,000	169	169
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Investments S.p.a.	49,500	49,500	1.578	2.481
Aeroporto di Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21,380	21,380	4.280	1.810
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9,000	30,500	27	35
			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 MPS Investments S.p.a.	23,998 14,179	29,178	29.620	29.620
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	569	569
Società Italiana di Monitoraggio	Rome	8	Banca Monte dei Paschi di Siena	12,889	12,889	90	112
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	446
Prima Holding 2 S.p.A.	Rome	8	Banca Monte dei Paschi di Siena	27,740	27,740	-	-
Prima Holding S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	30,990	37,090	-	-
Marinella S.p.a.	Marinella di Sarzana	8	Banca Monte dei Paschi di Siena	25,000	25,000	10.157	-
Antonveneta Vita S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50,000	50,000	124,426	111.674
Antonveneta Assicurazioni S.p.a.	Triest	8	Banca Monte dei Paschi di Siena	50,000	50,000	7,143	7.273
Padova 2000 Iniziative Immobiliari S.p.a.	Padua	8	Banca Monte dei Paschi di Siena	45,010	45,010	81	-
Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	40,197	40,197	29.939	28.729
Interporto Toscano Amerigo Vespucci S.p.a.	Leghorn	8	MPS Capital Services S.p.a.	36,303	36,303	10.662	10.433
Newco S.p.a.	Naples	8	MPS Capital Services S.p.a.	3,610	3,610	-	1.985
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Capital Services S.p.a.	29,000	29,000	2.472	2.374
Agricola Merse S.r.l.	Milan	8	MPS Capital Services S.p.a.	20,000	20,000	4.264	4.620
Total						**725.001**	**583.028**

(*) Kind of relationship
8 Companies subject to considerable influence

DECLARATION OF THE OFFICER IN CHARGE OF PREPARING CORPORATE ACCOUNTING STATEMENTS

The Officer in charge of preparing corporate accounting statements, Marco Morelli, declares – pursuant to par.2, art.154 bis of the "Financial Intermediation Act" – that the accounting information contained in this Quarterly Report as of 30 September 2009 matches the records, books and accounting items.

Marco Morelli

Officer in charge of preparing corporate accounting statements