MONTEPASCHI GROUP

Half-Year Report
as of 30 June 2009

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CORPORATE OFFICERS, SENIOR MANAGEMENT, AND AUDITORS

Board of Directors	Giuseppe Mussari, *Chairman*
	Francesco Gaetano Caltagirone, *Deputy Chairman*
	Ernesto Rabizzi, *Deputy Chairman*
	Fabio Borghi, *Director*
	Turiddo Campaini, *Director*
	Massimilano Capece Minutolo, *Director*
	Graziano Costantini, *Director*
	Frederic Marie De Courtois, *Director*
	Lorenzo Gorgoni, *Director*
	Alfredo Monaci, *Director*
	Andrea Pisaneschi, *Director*
	Carlo Querci, *Director*
Board of Statutory Auditors	Tommaso Di Tanno, *Chairman*
	Leonardo Pizzichi, *Acting Auditor*
	Marco Turchi, *Acting Auditor*
	Luigi Liaci, *Substitute Auditor*
	Paola Serpi, *Substitute Auditor*

Senior Management:

Chief Executive Officer	Antonio Vigni
Senior Deputy Chief Executive Officer	Fabrizio Rossi
Deputy Chief Executive Officer	Giuseppe Menzi

Deputy Chief Executive Officer	Marco Morelli
Deputy Chief Executive Officer	Nicolino Romito
Deputy Chief Executive Officer	Antonio Marino
Independent Auditors	KPMG S.p.A.

HALF-YEAR REPORT ON OPERATIONS AS OF 30 JUNE 2009

INTERIM REPORT ON OPERATIONS

A SUMMARY OF THE TRENDS AS OF 30 JUNE 2009 AND THE IMPLEMENTATION OF THE GROUP BUSINESS PLAN

In the second quarter of 2009, against a still critical although improving macroeconomic backdrop, the MPS Group **started deep actions of reorganization** both on the front of the Commercial Networks (merger of BT and BAV with BMPS) and the product factories (partnership with Clessidra SGR), **mostly for the purpose of stabilizing and improving the relations with the customers of reference**. Within this framework, **the Group continued to support the entrepreneurial and productive fabric in order to mitigate the effects of the adverse economic situation** (additional details are provided in the chapter covering "Segment reporting, the sales and commercial policy and research and development). These initiatives incorporated a string of measures (i.e. benefits, dedicated credit limits, special facilities)targeted at all companies, with specific reference to the most virtuous and socially responsible corporates. In addition, **the Group consolidated the initiatives in support of retail customers,** especially through the "Combatti la Crisi" (Fight the crisis) programme (mortgage loan installments stopped for a max. of 12 months, introduction of Mutuo MPS Protezione and Mutuo Sicuro Plus), updated guidance and information support to the investors. In the meantime, **the Group was still highly committed to ensuring the highest quality levels of service, innovation and streamlining of the product catalogue** to meet the customers' requirements and in line with the international best practice.

Despite the critical situation and the reorganization efforts made, **the Group results show the gradual trend of acceleration of commercial operations, which consolidated in the months following the closing of the quarter, with specific reference to new customers' acquisition and in the area of asset management. As a result, the Group consolidated and in some cases increased its market position.**

In particular:

- **asset management produced flows of placement in an amount of roughly EUR 12.2 billion, with a clear progress year on year (abt +64% on a like for like basis). Total funding policy stood at approx. 278 bn (+6.3% in comparison with 30 June 2008), with a 14 bn increase with respect to Q1 (in particular, direct funding) and driven by the pickup in the growth of assets under management after a long period.**
- **with reference to loan management**, in light of the critical aspects shown by the exogenous scenario in H109, the Montepaschi Group continued to ensure an appropriate financial support to its customers (financial support to entrepreneurial initiatives and retail customers), and confirmed its proximity to the territory and its requirements, though keeping its traditional conservative stance in risk assessment. **Corporate loans stood at abt.EUR 145 billion, virtually in line with the results as of 31 March 2009, with a 3.7% increase with respect to June 2008.** With reference **to credit quality, as of 30 June 2009 the Montepaschi Group had** a net exposure in terms of impaired loans of about 9.8 bn (with the weight of impaired loans to total customers' loans at about 6.8%).
- **The Group overall customers' base** numbered about 6.3 million customers.

Against this backdrop, the net operating profit of the Montepaschi Group as of 30 June 2009 came to EUR 473 million (abt. 733 million as of 30 June 2008 on the basis of restated data[1]), progressing by about 183 million with respect to 31 March and mainly absorbing the increasing cost of credit in relation to the general crisis of real economy. The results in terms of "efficiency for operating purposes" are positive and contributed to consolidate the favourable trend of operating charges already shown in Q1.

Consolidated net profit for the period before the effects of the Purchase Price Allocation (PPA) came to about EUR 402 million (abt.503 million as of 30 June 2008 on a restated basis), also including the capital gain in relation to the disposal of the asset management companies (SGR). The ROE was about 3.2%.

With reference to the regulatory ratios as of 30 June 2009, TIERI BIS II was estimated at about 5.8% (5.1% as of 31 December 2008) and the BIS II solvency ratio was estimated at about 10.1% (9.3% at the end of 2008).

These results were achieved during a period of **deep streamlining of the Group distribution Networks** in accordance with the provisions of the 2008-2011 Business Plan, which culminated in the merger by incorporation of Banca Toscana into Banca Monte dei Paschi di Siena late in March, following a similar merger at the end of 2008 involving Banca Antonveneta, with the simultaneous transfer of a business unit consisting of more than 400 branches to the "new" Banca Antonveneta.

Following are the initiatives implemented in H1 2009 with reference to the implementation of the 2008-2011 Business Plan (additional information is provided in the Report on Operations as of 31 December 2008 in the chapter covering "The guidelines of the 2008-2011 Business Plan and the start of implementation).

MARKET INTEGRATION

In view of a co-ordinated system of initiatives oriented to the full operational and commercial integration of the branches and, more generally, the distribution networks of the integrated Banks (i.e. Banca Agricola Mantovana, Banca Antonveneta and Banca Toscana), the Group has identified a string of specific initiatives by commercial segment for the purpose of relaunching business:

- **"Retail" re-launch**: **The Group (i) has defined the new structure of the Group Geographical Areas and (ii)** is implementing several actions for the **improvement of the** A**ffluent and Small Business service models**, including the introduction of **highly qualified specialists** (in charge of supporting the branch operations in relation to products and commercial campaigns), the introduction of account managers in the territory for the purpose of optimizing the geographical coverage of the service models, and the start of a pilot project involving marketing specialists**.** The geographical distribution of the branches is being optimized in co-ordination with the project of network integration. The Group completed the **launch of "Infinita**", with the objective of maximizing the profitability of innovative channels by encouraging the migration of the customers toward lower-cost alternative channels and ensuring a high service quality.

- **"Private" re-launch**: The Group created a **new Area dedicated to the management of Upper Private customers (Family Office Area)** through a specialist model which meets

[1] For comparative purposes, the data for 2008 have been restated to take account of Banca Antonveneta as of 1 January 2009, the costs of loans for the acquisition of Bav (as if they had occurred at the beginning of the year) and the elimination of "line by line" data in relation to Intermonte as a result of the disposal in the second half of 2008, in addition to the PPA (purchase price allocation) effects.

[2] PPA: fair value valuation of the main potential assets and liabilities purchased.

the requirement of an integrated management of financial supply and advisory services. Group special advice units were set up with the introduction of **advisors and product specialists**. The **Asset Management Area** was transferred the business unit of AAA Sgr in relation to Individual Portfolios under Management, for the purpose of creating one Group specialist unit centralizing the asset management business.

- **“Corporate” relaunch**: The Group completed the pilot project in relation to the **new SME service model at BAV** and is extending it to the BMPS network with the objective of maximizing the commercial effectiveness of the account managers. **The extension of the Key Clients service model** has been started on the basis of selective criteria, through the creation of dedicated teams and geographical units in selected high-potential areas.

- **Lending strategy**: The Group is fine-tuning the **reorganization of its lending operations** by establishing “multi-bank” units of loan labs within the Major Branches, organized by geographical “hubs”. A loan management model was approved for the introduction of advanced lending policies.

EFFICIENCY

As a result of the integration of Banca Agricola Mantovana, Banca Antonveneta and Banca Toscana, in addition to the Group reorganization, the Group achieved a high level of efficiency, through:

- **The adoption of a new organization model:** the new organization structure of the Parent Bank was designed and became operational, in compliance with the centralization of the activities following corporate integrations. As a whole, the Group achieved the objectives of efficiency resulting from the integration of BAM, Banca Antonveneta and Banca Toscana into BMPS. **Any initiatives oriented to further increasing the** efficiency of the units through the review of the operational processes are being analyzed.
- **The efficiency of administrative expenses:** The measures required for achieving the 2009 objectives of the Business Plan have been identified in terms of synergies (due to the new Group structure and organization) and cost management initiatives (optimization and control of purchasing and expense processes).

Actions in relation to human resources: the workforce dynamics is ahead of the Plan estimates and confirms the general objectives (global staff reduction and improvement of the Group front to back ratio), as a result of the joint effect of corporate integration under way and the use of technical measures (early retirement plans and solidarity fund scheme).

GROUP CAPITAL OPTIMIZATION

In H1 09 the Group pursued its asset disposal programme by executing the sale of SI Holding, MP AM SGR and Marinella.

MPS GROUP – RECLASSIFICATION PRINCIPLES FOR OPERATING PURPOSES AS AT 30 JUNE 2009

The following balance-sheet and profit-and-loss accounts have been reclassified on the basis of operating criteria. In particular, the major changes introduced to the income statement of the two financial years involve aggregations and reclassifications of accounts for the purpose of giving a clearer view of the trends of the Group's operations. Following are the major changes as at 30 June 2009 (additional information is provided in the comparative tables under the "Annexes" section):

a)"**Net profits/losses from trading/valuation of financial assets",** in the reclassified income statement, include the items under Account 80 (Net profit/loss from trading), Account 100 (Profit/loss from the sale or repurchase of loans, financial assets available for sale and held upon maturity and financial liabilities) and Account 110 (Net profit/loss from financial assets and liabilities designated at fair value), integrated with the dividends from some "sophisticated" securities transactions closely associated with the trading component (abt. EUR 202 million as at 30/06/09) and adjusted with the "cost of funding" of said transactions (abt.EUR 4 million), once eliminated from "interest expense and similar charges".

b) "**Dividends, similar income and Profits (losses) from equity investments**" in the reclassified income statement incorporate account 70 "Dividends and similar income" and a portion of account 240 "Profits (losses) from equity investments" (abt. EUR 59 million as at 30 June 2009). Dividends from some sophisticated transactions, as outlined under a), have been eliminated from the aggregate;

c) "**Net valuation adjustments to impaired loans**" in the reclassified income statement were determined by the reclassification of charges in the amount of about EUR 21 million (valuation adjustments to junior securities: abt. 18 million; charges in relation to financial plans: abt. 3 million), which are more properly classified under "Net provisions for risks and charges and other operating income/charges".

d) "Non-recurrent charges" (abt.23 million) were eliminated from "**Personnel expenses**" in the reclassified income statement, as the portion of charges for the first half of 2009 in relation to the integration of Banca Antonveneta into the Group and the pertaining initiatives of reorganization as approved in the 2008-2011 Business Plan, and reclassified under "Integration costs";

e) "**Other administrative expenses**" in the reclassified income statement was integrated with the portion concerning the recovery of stamp duty and expense recovery from customers (abt. EUR 109 million), posted under Account 220 (Other operating charges/income) in the balance-sheet. "Non recurrent charges" (roughly 9 million) were also eliminated from the aggregate and reclassified under "Integration costs";

f) "**Net provisions for risks and charges and other operating income/charges**" in the reclassified income statement result from the difference of Account 220 "Other operating charges/income" and Account 190 "Net provisions for risks and charges", once eliminated further items as described under the foregoing paragraphs;

g) "**Integration costs**" in the reclassified income statement include the non-recurrent charges in relation to the integration of Banca Antonveneta and the related reorganization initiatives, as the portion of the costs which can be quantified as of today, eliminated from **personnel expenses** (about 23 million) and **other administrative expenses** (abt. 9 million);

h) "**Profits and losses from equity investments**" are shown net of the components reclassified under "Dividends and similar income" (as per b) in the amount of abt. EUR 59 million, in relation to the portion with reference to the equity investments mainly in the insurance business;

i) The effects of the PPA (*Purchase Price Allocation*[2]) were eliminated from the accounts concerned by such effects (in particular, "Interest income" in the amount of EUR 61 million approx. and depreciation/amortization abt.EUR 40 million); the related amounts have been reclassified under one account - **"Net effects of the Purchase Price Allocation"**.

In addition to these reclassifications, for the purpose of facilitating the interpretation of the Group trends, as a result of the sale and loss of control of the **Asset Management companies**, it was necessary to integrate **net commissions,** in relation to the sale under IFRS 5, with an amount of abt. EUR 23 million in Q1. This amount will be reconsidered as income from third parties rather than an intragroup P&L component ("accounts being eliminated"). This had an impact on the reclassified income statement account – **"Profit (loss) from discontinued operations after taxes**".

Following are the major changes in the reclassification of the **consolidated balance-sheet**:

a) "**Negotiable Financial assets**" on the assets side of the reclassified balance-sheet include Account 20 (Financial assets held for trading purposes), Account 30 (Financial assets designated at fair value) and Account 40 (Financial assets available for sale);
b) "**Other assets**" on the assets side of the reclassified balance-sheet incorporate Account 80 (Hedging derivatives), Account 90 (Valuation adjustments to financial assets subject to general hedging), Account 140 (Fiscal assets), Account 150 (Non-current assets and discontinued operations) and Account 160 (Other assets);
c) "**Due to customers and securities**" on the liabilities side of the reclassified balance-sheet include Account 20 (Due to customers), Account 30 (Outstanding securities) and Account 50 (Financial Liabilities designated at fair value);
d) "**Other liabilities**" on the liabilities side of the reclassified balance-sheet include Account 60 (Hedging derivatives", Account 70 (Valuation adjustments to the assets of financial liabilities subject to general hedging), Account 80 (Fiscal liabilities), Account 90 (Liabilities associated with discontinued operations) and Account 100 (Other Liabilities).

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

[2] PPA: fair value valuation of the main potential assets and liabilities purchased.

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MONTEPASCHI GROUP			
• INCOME STATEMENT FIGURES (in millions of euros)	**06/30/2009**	**06/30/2008** pro forma (1)	**Chg %** (1)
Income from banking activities	2,786.6	3,004.0	-7.2%
Financial and insurance income (loss)	2,933.3	3,078.8	-4.7%
Net operating income	472.5	733.1	-35.6%
Net profit (loss) for the period	332.1	486.8	n.s.
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**06/30/2009**	**06/30/2008**	**Chg %**
Direct funding	147,635	139,000	6.2
Indirect funding	130,352	122,629	6.3
of which: assets under management	*46,499*	*53,131*	-12.5
of which: assets under custody	*83,853*	*64,497*	20.7
Customer loans	145,111	139,909	3.7
Group net equity	15,124	14,159	
• KEY LOAN QUALITY RATIOS (%)	**06/30/2009**	**12/31/2008**	
Net non-performing loans/Customer loans	2.83	2.49	
Net watchlist loans/Customer loans	2.57	1.77	
• PROFITABILITY RATIOS (%)	**06/30/2009**	**12/31/2008**	
Cost/Income ratio	59.7	66.1	
R.O.E. (on average equity)	3.2	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 (%)	**06/30/2009**	**12/31/2008**	
Solvency ratio	10.1	9.3	
Tier 1 ratio	5.8	5.1	
• INFORMATION ON BMPS STOCK	**06/30/2009**	**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 **12/31/08** to **06/30/09**	from **12/31/07** to **12/31/08**	
average	1.14	1.97	
low	0.77	1.22	
high	1.59	2.98	
• OPERATING STRUCTURE	**06/30/2009**	**12/31/2008**	**Chg. abs.**
Total head count - year-end	32,582	32,867	-285
Number of branches in Italy	3,108	3,104	4
Financial advisor branches	169	167	2
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 loans 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 shareholders' pay out**

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

MONTEPASCHI GROUP	06/30/2009	06/30/2008 (1)	Chg Abs.	Chg %	06/30/2008 like for like basis (2)	Chg % like for like basis (2)
Net interest income	**2,000.6**	**2,167.8**	**-167.2**	**-7.7%**	**2,078.7**	**-3.8%**
Net commissions	786.1	945.7	-159.6	-16.9%	925.3	-15.0%
Income from banking activities	**2,786.6**	**3,113.4**	**-326.8**	**-10.5%**	**3,004.0**	**-7.2%**
Dividends, similar income and profits (losses) from equity investments	66.7	33.9	32.7	96.4%	33.9	n.m.
Net result from realisation/valuation of financial assets	79.3	55.7	23.6	42.3%	48.4	63.7%
Net gain (loss) from hedging	0.7	-7.6	8.4	n.s.	-7.6	n.m.
Financial and insurance income (loss)	**2,933.3**	**3,195.4**	**-262.1**	**-8.2%**	**3,078.8**	**-4.7%**
Net adjustments for impairment of:						
a) loans	-686.7	-451.6	-235.1	52.1%	-451.6	52.1%
b) financial assets	-23.0	8.2	-31.1	n.s.	8.2	n.m.
Net financial and insurance income (loss)	**2,223.6**	**2,751.9**	**-528.4**	**-19.2%**	**2,635.3**	**-15.6%**
Administrative expenses:	-1,673.7	-1,836.1	162.5	-8.8%	-1,823.2	-8.2%
a) personnel expenses	-1,111.8	-1,201.4	89.6	-7.5%	-1,194.6	-6.9%
b) other administrative expenses	-561.9	-634.7	72.9	-11.5%	-628.7	-10.6%
Net adjustments to the value of tangible and intangible fixed assets	-77.4	-79.1	1.7	-2.2%	-78.9	-2.0%
Operating expenses	**-1,751.1**	**-1,915.3**	**164.2**	**-8.6%**	**-1,902.2**	**-7.9%**
Net operating income	**472.5**	**836.7**	**-364.2**	**-43.5%**	**733.1**	**-35.6%**
Net provisions for risks and liabilities and Other operating income/costs	-34.8	-20.2	-14.6	72.3%	-19.8	75.9%
Income on equity investments	-3.1	200.3	-203.4		200.3	
Integration costs	-31.9	-138.3	106.4		-138.3	
Impairment on goodwill and financial assets		-138.1	138.1	n.s.	-138.1	n.m.
Gains (losses) from disposal of investments	0.0	27.8	-27.8	n.s.	27.8	n.m.
Gain (loss) from current operations before taxes	**402.6**	**768.2**	**-365.5**	**-47.6%**	**665.0**	**-39.5%**
Taxes on income for the year from current operations	-193.9	-274.7	80.8	-29.4%	-241.1	-19.6%
Gain (loss) from current operations after taxes	**208.7**	**493.4**	**-284.7**	**-57.7%**	**423.9**	**-50.8%**
Gain (loss) on fixed assets due for disposal, net of taxes	195.5	81.6	114.0	n.s.	90.2	n.m.
Minority interests in profit (loss) for the year	-2.6	-12.4	9.8	-79.0%	-11.4	-77.0%
Net profit (loss) for the year pre PPA	**401.6**	**562.6**	**-161.0**	**-28.6%**	**502.8**	**-20.1%**
Purchase Price Allocation (PPA)	-69.5	-10.2	-59.4	n.s.	-16.0	n.m.
Net profit (loss) for the year post PPA	**332.1**	**552.4**	**-220.4**	**n.s.**	**486.8**	**n.m.**

(1) Data at 30/06/08 are the sum of the first 2 quarters as shown in the quarterly trend in income statement figures reclassified according to operating criteria in Report 2008; Antonveneta values are included from the beginning of the year. Note that the pro quota financial impact for the first 5 months 2008 of Antonveneta acquisition was not taken into account.

(2)) In order to make a proper analysis of trends possible, 2008 comparison data were restated to take into account the cost of loans 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.

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING

			2008 (* historical data)				Quarterly	Quarterly
MONTEPASCHI GROUP	**2nd quarter**	**1 st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter 2008**	**Avg 09**	**Avg 08**
Net interest income	987.5	1,013.1	1,069.9	1,031.0	1,097.9	1,069.8	1,000.3	1,067.2
Net commissions	391.4	394.7	397.4	443.5	471.8	473.8	393.0	446.6
Income from banking activities	**1,378.9**	**1,407.8**	**1,467.4**	**1,474.5**	**1,569.8**	**1,543.6**	**1,393.3**	**1,513.8**
Dividends, similar income and profits (losses) from equity investments	45.4	21.2	-39.3	20.2	21.2	12.7	33.3	3.7
Net result from realisation/valuation of financial assets	31.5	47.8	-167.5	-1.6	80.6	-24.9	39.6	-28.3
Net gain (loss) from hedging	-5.8	6.5	3.3	0.0	-0.4	-7.2	0.4	-1.1
Financial and insurance income (loss)	**1,450.0**	**1,483.3**	**1,264.0**	**1,493.1**	**1,671.2**	**1,524.2**	**1,466.6**	**1,488.1**
Net adjustments for impairment of:								
a) loans	-400.1	-286.6	-424.0	-189.6	-235.5	-216.1	-343.4	-266.3
b) financial assets	-5.2	-17.8	-3.2	0.3	12.0	-3.9	-11.5	1.3
Net financial and insurance income (loss)	**1,044.7**	**1,178.9**	**836.8**	**1,303.8**	**1,447.7**	**1,304.2**	**1,111.8**	**1,223.1**
Administrative expenses:	-821.9	-851.8	-1,018.2	-920.8	-928.7	-907.4	-836.8	-943.8
a) personnel expenses	-537.4	-574.4	-652.4	-595.4	-599.4	-602.0	-555.9	-612.3
b) other administrative expenses	-284.5	-277.4	-365.8	-325.4	-329.3	-305.5	-280.9	-331.5
Net adjustments to the value of tangible and intangible fixed assets	-39.4	-38.0	-36.8	-40.7	-39.5	-39.7	-38.7	-39.1
Operating expenses	**-861.3**	**-889.8**	**-1,054.9**	**-961.4**	**-968.2**	**-947.1**	**-875.5**	**-982.9**
Net operating income	**183.4**	**289.1**	**-218.1**	**342.4**	**479.5**	**357.1**	**236.3**	**240.2**
Net provisions for risks and liabilities and Other operating income/costs	-24.1	-10.7	-153.8	-12.7	-39.4	19.2	-17.4	-46.7
Income on equity investments	-5.0	1.9	-0.9	-23.5	200.3		-1.5	44.0
Integration costs	-27.6	-4.3	-162.2	-21.4	-138.3		-16.0	-80.5
Impairment on goodwill and financial			-399.6	-4.5	-41.5	-96.6		-135.6
Gains (losses) from disposal of	0.0	0.0	0.1	0.0	20.2	7.7	0.0	7.0
Gain (loss) from current operations before taxes	**126.6**	**276.0**	**-934.5**	**280.3**	**480.7**	**287.4**	**201.3**	**28.5**
Taxes on income for the year from current operations	-58.0	-135.9	1,245.8	-126.4	-158.9	-115.8	-97.0	211.2
Gain (loss) from current operations after taxes	**68.6**	**140.1**	**311.2**	**153.9**	**321.8**	**171.6**	**104.3**	**239.6**
Gain (loss) on fixed assets due for disposal, net of taxes	1.7	193.8	5.0	-15.6	76.2	5.4	97.8	17.7
Minority interests in profit (loss) for the year	-2.5	-0.1	1.3	1.4	-7.1	-5.3	-1.3	-2.4
Net profit (loss) for the year pre PPA	**67.8**	**333.9**	**317.5**	**139.7**	**390.9**	**171.7**	**200.8**	**255.0**
Purchase Price Allocation (PPA)	-36.3	**-33.3**	**-35.7**	**-21.0**	**-10.2**		**-34.8**	**-16.7**
Net profit (loss) for the year post PPA	**31.5**	**300.6**	**281.9**	**118.7**	**380.8**	**171.7**	**166.0**	**238.3**

(*) 2008 figures are that published in 2008 Report. Please notice that these values include Antonveneta from the beginning of the year, but the pro quota financial impact for the first 5 months 2008 of Antonveneta acquisition was not taken into account.

MONTEPASCHI GROUP

 RECLASSIFIED BALANCE SHEET (in millions of euros)

ASSETS	06/30/2009	06/30/2008 (°)	Chg %
Cash and cash equivalents	798	807	-1.1
Receivables :			
a) Customer loans	145,111	139,909	3.7
b) Due from banks	13,017	14,553	-10.6
Financial assets held for trading	32,707	27,677	18.2
Financial assets held to maturity	0	0	1.9
Equity investments	721	548	31.6
Underwriting reserves/reinsurers			
Tangible and intangible fixed assets	10,468	10,655	-1.7
of which:			
a) goodwill	*6,670*	*7,673*	*-13.1*
Other assets	9,241	12,381	-25.4
Total assets	**212,062**	**206,529**	**2.7**

LIABILITIES	06/30/2009	06/30/2008 (°)	Chg %
Payables			
a) Due to customers and securities	147,635	139,000	6.2
b) Due to banks	21,826	27,218	-19.8
Financial liabilities from trading	18,710	13,298	40.7
Provisions for specific use			
a) Provisions for staff severance indemnities	347	564	-38.6
b) Reserve for retirement benefits	441	452	-2.5
c) Other reserves	886	817	8.5
Other liabilities	6,820	10,702	-36.3
Underwriting reserves			
Group portion of shareholders' equity	15,124	14,159	6.8
a) Valuation reserves	513	337	52.3
b) Redeemable shares			
c) Capital instruments	47	79	-40.6
d) Reserves	5,768	4,787	20.5
e) Share premium account	4,035	3,998	0.9
f) Share capital	4,487	4,451	0.8
g) Treasury shares (-)	-57	-15	n.m.
h) Net profit (loss) for the year	332	522	-36.4
Minority interests in shareholders' equity	273	319	-14.4
Total liabilities and shareholders' equity	**212,062**	**206,529**	**2.7**

(°) Historical figures published in 2008 Report.

MONTEPASCHI GROUP
RECLASSIFIED BALANCE SHEET (in millions of euros) - Quarterly Trend -

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

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

(°) Historical figures published in 2008 Report.

REPORT ON THE MPS GROUP OPERATIONS

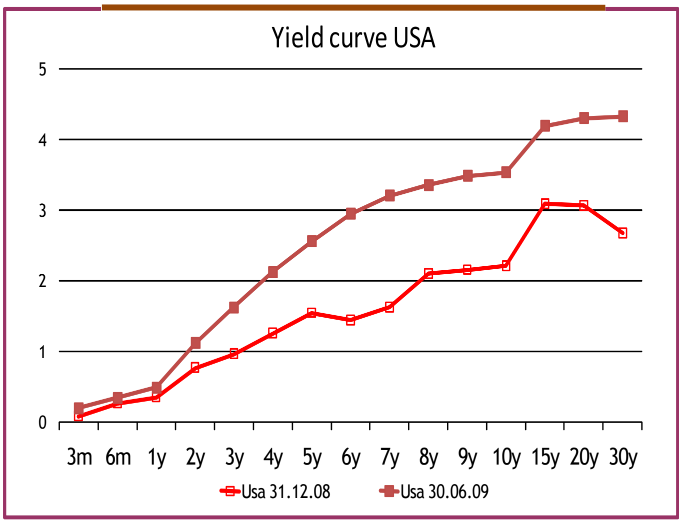
THE OPERATING SCENARIO

- THE MACROECONOMIC SCENARIO

In the second quarter of 2009 the **international recession showed some signs of mitigation**, with a peak between the end of 2008 and the beginning of 2009. As a whole, **industrial production and other corresponding indicators, although not always univocally, show that** the declining pace of the GDP slowed down somewhat, also as a result of the strong expansionary action of the economic monetary and budget policies implemented by the major Countries to support demand and employment. **In addition to minor pessimistic signs, there is still the risk that the repercussions of recession on the labour market might influence final demand**. The major central banks continued to support the financial markets, also for the purpose of ensuring appropriate flows of corporate loans.

GROWTH RATES IN THE LEADING ECONOMIES			
	2007	2008	2009
World	5,4	3,6	-1,4
Usa	2,0	1,1	-2,8
Eurozone	2,6	0,6	-4,6
Italy	1,5	-1,0	-4,9
Japan	2,1	-0,7	-6,0
China	11,4	9,0	7,3
Fonti: Servizio Research e Intelligence BMPS			

The US economy in Q2 improved to – 1% on an annualized basis, with respect to -6.4% in the first quarter of 2009. This was mainly due to the increasing purchasing power resulting from falling inflation and incentive measures introduced in the past few months. During this stage, recession was mainly attributable to strongly decreasing private investments and more modestly dropping consumption, which were not offset by the growth of public expenditure and the positive contribution of net exports. In addition, the condition of the real estate market – one of the crucial factors of weak economy – showed no signs of improvement. The data in relation to the labour market were very negative, with the unemployment rate rising to 9.5% in June (from 7.2% as of December 2008). The annual increase in consumption prices was close to nil, but came to about 2% as at 30 June 2009, excluding foodstuffs and energy components.



The FED confirmed its intention of maintaining the reference rate in the range of 0-0.25% for an extended period. In addition, it is committed to purchasing Treasury bills and securities resulting from mortgage loan securitizations in the next few months in an amount topping 1,500 bn, for the purpose of influencing the terms of retail and corporate loans. The curve of benchmark yields rose (over 100 bp) especially in relation to five-year maturities, which is indicative of the weakening trend of portfolio remix in favour of less risky assets.

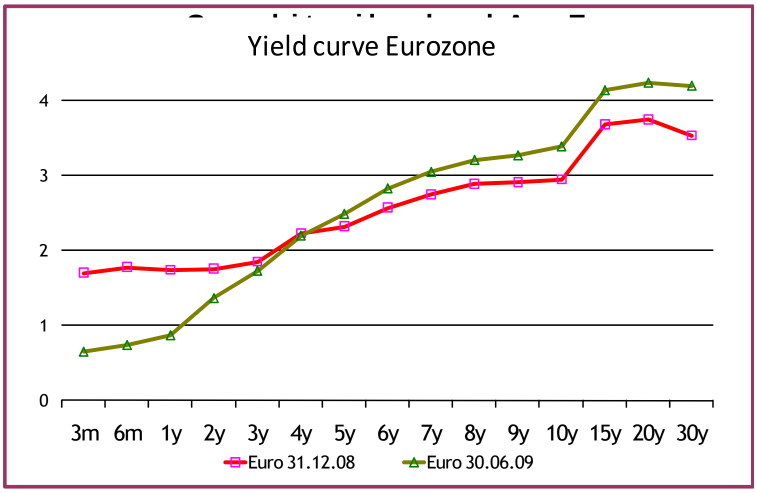
At the end of the period, some signs of pickup of the GDP (+0.9%), industrial production and exports were noticed in **Japan**. The moderate pickup was encouraged by the expansive fiscal policy and the stabilization of demand of the other Asian countries. The Central Bank kept the reference rate steady at 0.1% and expanded the range of financial instruments accepted as a guarantee for bank loans.

The growth of the **Emerging Countries** continued at a strong pace, in China (+7% approx. on an annual basis in 1H 09) and India (+5.8%), also driven by the hefty contribution given by the economic policy to the domestic demand. The deterioration of the terms of trade resulting from the reduction of the prices of raw materials adversely affected Latin America (estimated Brazilian GDP in 2009: -0.8%) and Russia (-7%), burdened with a weak financial industry. The economy in central-eastern Europe considerably contracted mostly in the Baltic countries, Bulgaria and Romania.

After a sharp drop in Q1 (-2.5% with respect to Q4 2008), the GDP of the Eurozone is expected to show mitigated recession. The decline of industrial production decreased from 7.3% early in 2009 to 2.6% in Q2, with the level of confidence of corporates and consumers rising again. In June and July 2009, trend consumers' prices decreased (-0.6% according to the latest data), an unprecedented event in the Eurozone mostly attributable to energy components. In line with the development of economy, monetary and credit aggregates slowed down remarkably. Their annual growth rate fell to about 4% from a peak of more than 10% last year.

In H1 2009, the European Central Bank cut the reference rate from 2.50% to 1%, with a y-o-y decline of 3.25% as a whole. The ECB believes that inflationary risks are low and did not exclude any possible further cuts, affirming that the current level of interest rates is appropriate to the economic scenario, but is not necessarily the minimum which can be reached. Pressure in the interbank market reduced and was indicative of the regulatory amendments introduced by the ECB. The spread between the 3-month Euribor and the 3-month overnight index swaps rate fell from more than 100 bp to about 50 bp. The first long-term (12 months) refinancing transaction was executed in

June, with low participation of the Italian banks. In July the ECB started buying covered bonds which are expected to reach a total amount of 60 bn.



The yield curve dropped remarkably in the short-term portion, thus reflecting the expansive measures of the ECB. Medium-/long-term (from 5 years) increases in the range of 20-60 bp are indicative of the decreasing lack of confidence and the relative mitigation of the demand for Treasury bonds. After fluctuating in the range of 4.25-4.9% in the first months of the year, interest rates on 10-year BTPs stood at 4.4% at the end of June (in line with 31 December 2008). The spread with ten-year German Bunds decreased to about 100 bp.

In Italy, the GDP declined by 2.7% in Q1 (with respect to the prior quarter), but the decline in the following period came to 0.5%. Industrial production followed the same trend (though with higher absolute levels) with a 9.7% decrease in Q1 09 and a 3.9% drop in Q2. Investments were sharply downsized in Q1 (-5%) and, according to the following survey of the Bank of Italy/Sole 24 Ore, they continued to follow this trend in the following months. The households are **extremely cautious in their investment projects**. In Q1, the decline of expenses in real terms topped 1%. On the basis of the trend of retail sales, a 2.2% decline on an annual basis was recorded in the first five months of the year. The trend is also influenced by the reduction of employment (-0.9% on an annual basis in Q1), which struck the employees in the building and manufacturing industries, with the service sector keeping steadier. The massive use of the unemployment benefits fund (Cassa Integrazione) almost quadrupled in H1, on an annual basis.

The turnover of the industrial concerns decreased by more than 20% on an annual basis (on a cumulative basis from January to May), with some signs of a pickup in export sales in May which – however - dropped by about 27%, as a whole, during the period. **Additional signs suggesting that the stage of gradual deterioration stopped came from the pickup in purchase orders in May,** as confirmed by the Isae qualitative analyses in relation to June and short-term expectations for production and foreign purchase orders.

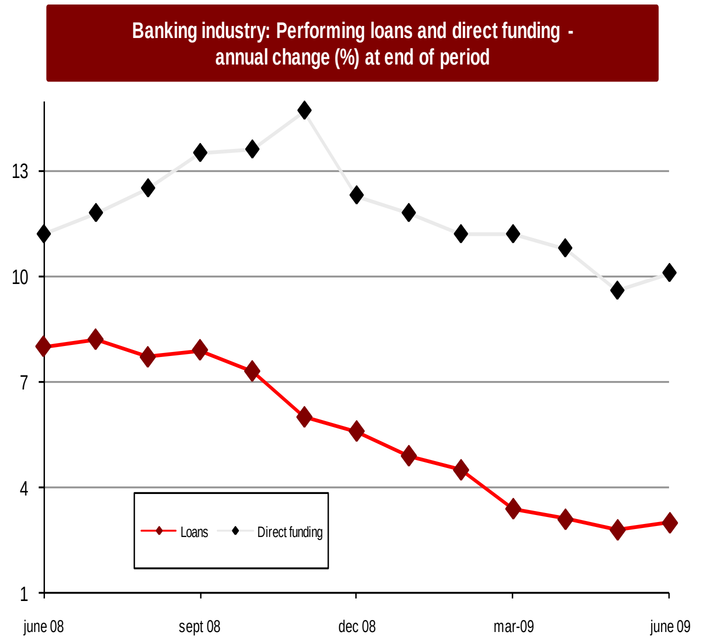
The annual inflation rate touched zero in June, thus encouraging the pickup in the households' purchasing power. This price trend mainly reflects the decline of the prices in relation to expenses for housing, energy and transports.

Since mid-March, the major stock markets have recorded considerable profits, driven by Government measures and the signs of mitigation of recession pressure**.** As of 31 March 2009, the major stock indices registered double-digit progresses (e.g. Nikkei +19%; S&P 500 + 15.2%; Dow Jones + 11%, Dax + 17.7%; FTSE MIB + 20.1%). **Risk premiums on corporate bonds decreased**

considerably with reference to all risk classes and countries. BBB-rated corporate bonds fell by about 700 bp in the Eurozone.

The US dollar/Euro exchange rate, which had fallen below 1.3 in March, rose to $ 1.41 at the levels recorded at the end of 2008. Capital outflows from the Emerging Countries to the USA gradually decreased. In H1 the euro appreciated by more than 6% with respect to the Japanese yen.

THE BANKING BUSINESS



In H1 **the trend of funding and lending volumes slowed down with a similar intensity. The p**ropensity to save increased as a result of low confidence levels and strong risk aversion**.** Demand was based on bank products, traditional life policies and Treasury bonds, rather than equities and assets under management which limited outflows and redemptions with respect to last year.

The trend of loans is indicative of the weak economic situation. The scenario is also characterized by the **general reduction of the spread between bank rates,** with a considerable increase in the markup, more than offset by the reduction of the markdown.

Direct bank funding stood at + 10.8% on average on an annual basis in H1 (-1% in comparison with 2008). The limited slowdown is mostly indicative of the lower liquid available assets of the companies. The growth of bonds was still high, at around +18%. The slowdown of deposits (from 8% in 2008 to +6.2%) is attributable to the decrease in repurchase agreements (abt.-25% on an annual basis since February 2009), determined by the low level of interest rates and the following remix in favour of current accounts (+9.5% on an annual basis in H1 vs. + 5.1% on average in 2008).

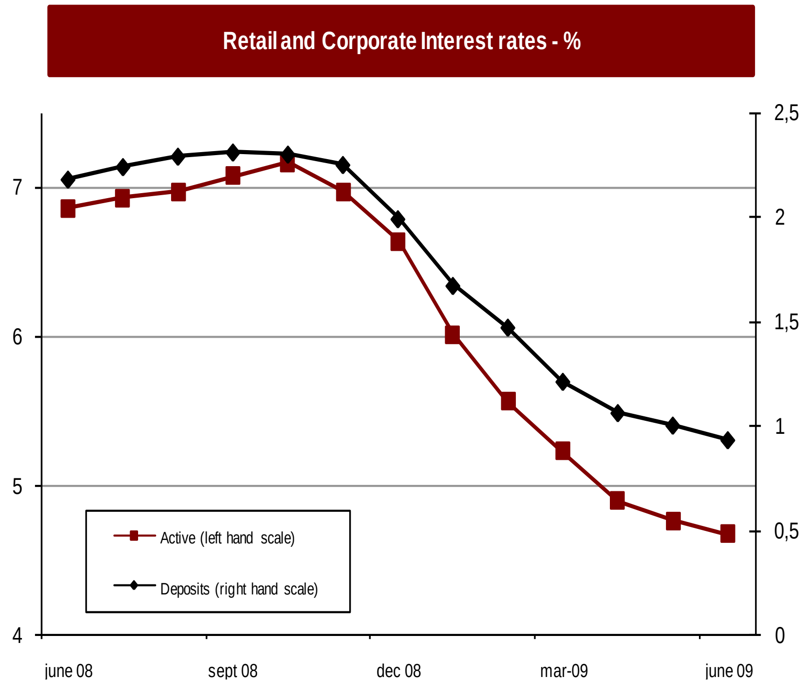
Net redemptions of mutual funds decreased (14.5 bn in H1 2009 – including 2 bn only in Q2 - with respect to more than 70 bn in the last six months of 2008). Adverse funding data mainly concern bonds and hedge funds, with a virtually nil balance of equities funds. Assets under management stabilized at the levels of the end of 2008, in light of the improvement in the financial market development.

Q1 data available with reference to **net funding from portfolios under management** confirm the mitigation of the negative trend of the flows of assets under management. Net funding came to -2.5 bn over the period in comparison with -7.4 bn in Q4 08, when the year closed with overall redemptions in a total amount of almost 47 bn.

The new production of bancassurance boosted (+20% on an annual basis 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 slightly more than 20% of total (62% in 2008), decreased sharply.

The growth of bank loans decelerated on an annual basis (from + 5.6% in December 2008 to + 3.6% on average on an annual basis). This trend is indicative of the weak economic situation and, in particular, the minor demand for credit for investment purposes and for funding stocks and working capital, in addition to declining real estate transactions. The demand for debt rescheduling and transactions for the purpose of offsetting reduced available alternative sources increased. The trend is also indicative of the increasing cautiousness of the intermediaries.

Within this framework, the banks took on the difficulties imposed by the crisis to the corporates and the households, by undertaking different initiatives such as the execution of an agreement with Cassa Depositi e Prestiti and other agreements with SACE and the EIB and the trade associations. All these agreements were oriented to increasing the resources available to real economy and improving the terms of access to loans and their cost. Several banks decided independently to adopt extraordinary measures and modified some procedures and practices, such as the stop-payment of the principal of mortgage loans or leasing instalments, or the extension of short-term loan maturities.



In Q1 **the ratio of the flow of new adjusted NPLs to loans was an annualized 1.6% 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 8.1% on an annual basis (as of June), as a result of a 12.6% increase in relation to companies and virtually steady data in relation to the households.

Bank interest rates were adjusted to the reduction of the official ECB rates. From September 2008 (the month before the beginning of the expansive monetary policy) to June 2009, the interest rate on new corporate loans and interest rates on residential mortgage loans to the households declined by almost 3% and below 3.7% respectively (from levels close to 6%). **As a whole, in light of a 1.5% cut of the ECB rate in H1 2009, interest rates on short-term loans to households and companies fell by almost 2% and the yield of deposits dropped by 1.06%.** The short-term spread contracted below 4% on the half-year average (abt. -70 bp with respect to 2008). The markup increase was flanked by the drop of the markdown which is close to zero (-2 bp approx. with respect to 2008).

REGULATORY ISSUES

The initiatives in support of real economy included in **Law 2/2009** (so-called anti-crisis decree) provide for the **financial consolidation of Confidi** (through the refinancing of the Guarantee Fund) and the expansion of the operations of **Cassa Depositi e Prestiti** (Bank for Deposits and Loans). The law also contemplates the reduction of the period of **amortization of goodwill from mergers** (from 18 to 9 years), with the ensuing increase in the deductible portion for the purpose of income tax and IRAP (Regional Tax on Productive Activities). In addition, the law sets application limits and terms of **maximum overdraft bank charges on bank current accounts, only in a scenario of full contractual transparency and in some specific cases**. A maximum limit (0.5% of the credit line on a quarterly basis) was set in relation to the commission on funds made available.

Law 2/2009 also stated that, in the case of floating rate mortgage loans for the purchase of the first home, executed or re-negotiated by individuals no later than 31 October 2008, **the amount of the instalments should be the lower of the amount calculated by applying a 4% rate** and the amount obtained on the basis of the rate shown in the loan agreement upon execution. Any excess shall be at the charge of the Government as a bank tax credit. In addition, as of 1 January 2009, the banks shall give their customers the opportunity of executing loans to be indexed also to the ECB main refinancing rate.

On 25 February 2009 the Government approved the **Ministerial decree enforcing art.12 of Law Decree 185/2008 which introduced the so-called "Tremonti bonds".** The Ministry of Treasury shall be entitled, until the end of 2009, to underwrite financial instruments with no voting rights issued by listed banks, convertible into ordinary shares, callable at any time by the issuer, which can be calculated in the capital for regulatory purposes (Core Tier I). There are three kinds of bonds: (i) for long-term transactions, (ii) medium-term loans and (iii) also involving individuals' participation. The issuers shall undertake to grant loans to the SMEs and retail customers at specific levels and terms, and shall be committed to ensuring a dividend policy in compliance with an appropriate capitalization. They shall also adopt a code of conduct in relation to the remuneration of the Top Management. The law also sets up specific observation desks in the Prefectures, with the objective of monitoring the use of the funds raised through the bonds.

In February, the Bank of Italy introduced the **Collateralized Interbank Market (CIM) with th**e following characteristics: anonymous trading, guarantee plans managed by the Regulatory Authorities and a wide range of collaterals. The project was launched to encourage the reduction of pressure in the interbank market, with minimal risks for the players.

In March, **Consob circulated a communication in relation to the obligations of fairness and transparency during the retail distribution of illiquid financial products** (bank bonds, insurance products, derivatives). The intermediaries were urged to provide the customers with information about the right value and costs of the products distributed, and to compare their products with simple and well-known products. In addition, the paper detailed the measures for determining the price of the products based on the use of established and widespread methods, in compliance with the methods adopted for the valuation of the intermediary's proprietary portfolio.

A **law decree (78/2009)** passed early in July and converted into law 102/2009 also aimed at countering the effects of the economic crisis. The most important measure introduced tax reliefs in relation to the investments in new plants and machinery (**Tremonti ter**) and excluded 50% of the cost incurred if purchased from July 2009 to June 2010 from business income. The law provisions also included the so-called "tax shield", or the **repatriation/regularization of the assets of Italian residents held abroad, in breach of any tax and foreign currency obligations**, upon the payment of a 5% extraordinary tax.

Law 102/2009 contemplates that the **annual deductible percentage of the adjustments** in relation to the loans disbursed by the banks starting from 1 July 2009, in excess of the average disbursed loans in the past two years, is **increased from 0.30 to 0.50%.** The period of distribution of the deduction of the portion in excess of the annual limit is reduced from 18 to 9 years**.** No later than four months after the enforcement of the law, a **moratorium for the SME debts** shall be implemented **in accordance with the terms indicated by the joint Notice of the Italian Bankers' Association and the Industry Associations.**

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

In Q2 2009, the Montepaschi Group operated against a very critical – though improving – macroeconomic backdrop, and **implemented deep initiatives of reorganization** on the front of the Commercial Networks (merger of BT and BAV into BMPS) and the product factories (partnership with Clessidra SGR), **for the purpose of stabilizing and improving the relations with the customers of reference**. In this framework, the Group **pursued material initiatives in support of the entrepreneurial and production fabric, for the purpose of mitigating the effects of the adverse economic situation (**see the section covering "Segment reporting, the sales and marketing policy and research and development"**)**. All of this was flanked by a string of measures (i.e. special facilities, dedicated credit lines, benefits) targeted at all companies, with specific reference to the most virtuous and socially responsible companies. In the meantime, the Group **consolidated the initiatives in support of the households**, especially through the "Combatti la Crisi" programme (stop payment of the instalments of mortgage loans until 12 months, introduction of Mutuo MPS Protezione and Mutuo Sicuro Plus), updated guidance and information support to small investors. **The Group was still highly committed to ensuring the highest qualitative levels of service, innovation and streamlining of the product catalogue**, to meet the customers' requirements and in line with the international best practice.

Despite the critical moment and the efforts made in the reorganization, **the results achieved by the Group show a gradual acceleration of commercial operations, with a trend consolidating in the months following the closing of the quarter, with specific reference to the acquisition of new customers and in asset management.** As a result, **the Group consolidated, and in some cases increased, its market position.**

1) FUNDS MANAGEMENT [3].

In the first half of 2009, funds management recorded **flows of placement in the amount of about 12.2 billion with a y-o-y progress of about + 64% on a like for like basis.** An analysis by sector shows **the vigorous growth of bonds** (about +30% y-o-y on a like for like basis) and the **acceleration of the insurance products** (about + 4.4% y-o-y on a comparative basis) driven by traditional insurance policies (+125% with respect to 30 June 2008 on a like for like basis). Following is a breakdown of the flows of placement of the main products placed by the MONTEPASCHI Group:

[3] The flows of placement of 2009 include the production of Biverbanca, and Banca Antonveneta. The data of 2008 are attributable to the MONTEPASCHI Group before the acquisition of Banca Antonveneta.

■ Product Placements

in million of euros		Historical data	
		30/06/09	30/06/08
Mutual funds/SICAVs (*)		-670	-1.107
Individual portfolios under management		-350	-1.175
Life-insurance policies	including:	2.255	2.160
	Ordinary (**)	1.496	666
	Index Linked	530	823
	Unit Linked	229	671
Bonds	including:	10.984	7.118
	Linear	9.284	6.221
	Structured	1.701	896
Total		12.219	6.996

(*) Multimanager Mutual funds/SICAVs sold directely to customers don't included into other product

(**) The Unit Linked policies include Multiramo policies.

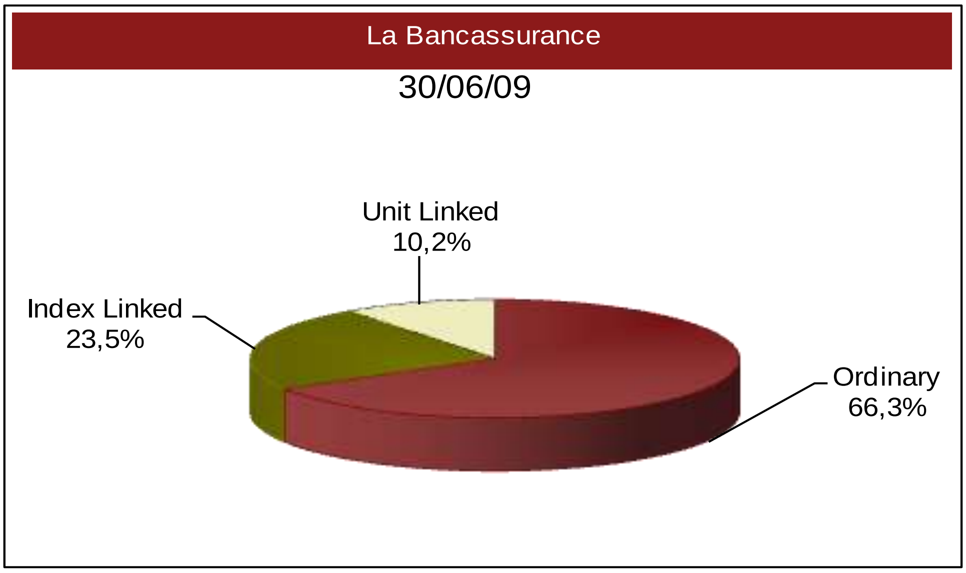
In particular:

- **Redemptions of collective and individual portfolios of funds under management** which characterized this area of operations since June 2007 stopped in Q2 09. The graduated data of placements as of 30 June 2009 were negative (by abt. 1 bn), in line with the result recorded in H1 09. In particular:

- **The flows of Mutual funds/SICAVs** were positive (abt. 21 mln) in Q2 after two years in the red. However, net funding for H1 was negative (670 mln), with trends shared by all investment lines, except for the Group Hedge Funds/Sicav, which recorded a positive trend;

- **Net redemptions of portfolios under management** totalled about EUR 350 bn, with an improvement with respect to prior quarterly reports;

- **Life insurance premiums underwritten totalled abt. EUR 2.3 billion (+4.4% with respect to 30 June 2009 on a like for like basis), with a market share in relation to the products placed in the period of 7.6%.** In compliance with the above-mentioned guidelines of the commercial policies, the breakdown of premiums shows that the weight of **traditional policies was prevailing (**almost totally absorbing the decrease in other kinds of policies), rising to 66.3% (30.8% as of 30 June 2008). The weight of Index Linked policies and Unit Linked policies decreased from 38.1% to 23.5% and from 31.2% to 10.2%, respectively.



- **Bond volumes totalled about EUR 11 bn (8.4 bn as of 30 June 2008 on a comparative basis),** concentrated on **plain products (abt.9.3 bn).**

2) LENDING

In H1 2009, despite the criticalities which gradually emerged, the MONTEPASCHI Group maintained its traditional conservative attitude in risk assessment but continued to ensure an appropriate credit support to its customers (financial support to entrepreneurial initiatives and the households' requirements), as a token of its proximity to the territory and its requirements. This is confirmed by the Group growing market share in the major areas of operations (personal loans, leasing and mortgage loans). However, the slowdown of the cycle implied a decreasing demand for loans from the Banking Industry (for fixed investments, working capital, residential housing) which was flanked by increasing debt rescheduling transactions. **This implied a reduction of the flows channelled to the special credit companies (abt.-33% with respect to 30 June 2008), in the area of industrial and consumer loans (the levels between Q1 and Q2 remained steady).** In this framework, the Group maintained and in some cases improved its market shares. The **disbursements of mortgage loans** directly granted to the customers by the main Group networks amounted to **about 5.1** bn, considerably advancing with respect to Q1 09, also in the area of retail residential mortgage loans:

■ Specialised credit and corporate financial products

in million of euros	30/06/09	Historical data 30/06/08
MPS Capital Services Banca per le Imprese		
disbursements	820	1.911
MPS Leasing & Factoring		
incl.: new leases executed	651	928
factoring turnover	2.178	2.965
Consumit		
disbursements	1.302	1.604

(1) figures also include products issued by the Netw orks directly

3) CRM AND THE CUSTOMER BASE

CRM

In H1 09 **the Customer Satisfaction survey for BMPS produced encouraging results in terms of general satisfaction**. The 6,000 questionnaires of the exclusive customers of MPS prove that general satisfaction is steady (-0.5%), despite the adverse economic situation and an increasing quality to price ratio (+5.1%).

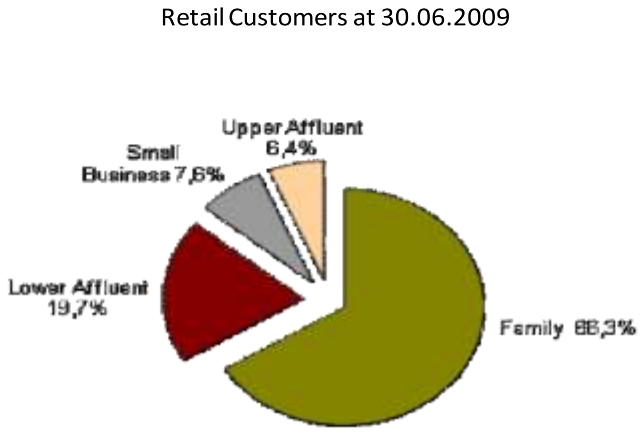
In a logic of monitoring of customers' satisfaction, as a result of the integration of the Group commercial networks, the surveys in relation to the **customers of Banca Antonveneta** checked satisfaction following the integration with MPS (in accordance with the method of the so-called **Moments of Truth**). A similar survey is being prepared in relation to the **customers of Banca Toscana**. In addition, the Group started implementing **Quality with "turnkey" projects** and extended the "Pact with the customers" project to the geographical areas of Lucca (abt. 50 branches) in the first decade of September.

With reference to the development of the **Consumer Lab Project, the permanent observation desk set up by the Montepaschi Group and 15 of the main Italian Consumers' Associations**, a specific press conference held in 2008 presented the results of the work of the "product" working team dedicated to the early adoption of the EU Directive on Consumer Credit and the launch of a new Consumer Credit Guidebook. After the conference, it was planned to spread the Consumer Lab experience **locally**, with three meetings (Palermo, Bologna and Lucca) arranged in H1 09, as part of 11 meetings to be completed in a calendar year. The media were strongly involved and **local initiatives** – expected to be held in Lucca (multimedia project of households' information sponsored by the Region of Tuscany) and Bologna (Mortgage Loan Transferability Pact sponsored by the Province of Bologna and the Notary Fund) **were started between the MPS network and local offices of the Consumers' Association.** In addition, the project dedicated to the "Paper of Bank Consumers' Rights" was started with the full participation of the Associations.

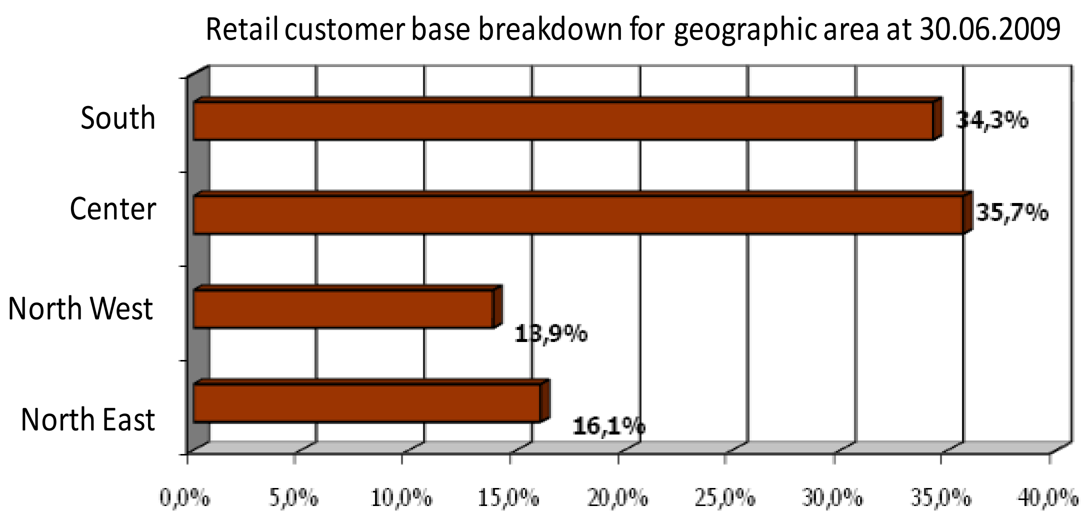
The major initiatives for 2009 incorporate the continuation of the **CRM 2.0 Project** which represents a fundamental investment in innovation for steadily improving the modes of interaction with the Customers.

THE CUSTOMER BASE

As of 30 June 2009, the Group numbered about 6.3 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[4] 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) include the Family segment,** with a prevailing weight of more than 66% of total, followed by the Lower Affluent segment (19.7%), Small Businesses (7.6%) and Upper Affluent Customers (6.4%).



The geographical breakdown of Retail Customers shows the prevailing presence of the Group in central and southern Italy. However, after the acquisition of Banca Antonveneta, the **Group presence expanded in north eastern and north western Italy**:



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

[4] Including the customers of: Banca Monte dei Paschi, Banca Antonveneta and MPS Banca Personale with attribution of the service model.

Corporate customers % by business sector at 30.06.2009

	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	3,9
Metallurgy and Mechanical	7,2	6,4	11,1
Food, clothing, leathers and textiles	10,0	9,4	13,4
Building and construction	11,5	11,9	9,7
Wholesale distribution	8,4	7,8	12,1
Retail distribution	20,1	22,1	9,3
Transport and communications	3,6	3,6	3,4
Banking, insurance and services	12,0	11,6	14,1
Public Administration	5,9	6,5	3,2
Non-classified	14,1	13,7	15,7

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

The total volume of funding aggregates stood at about 278 bn (+6.3% with respect to 30 June 2008), with a 14 bn increase in comparison with Q1 data (in particular, direct funding) which incorporates the growth of the volumes of funds under management, after a long period of standstill:

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

	30/06/09	30/06/08	% chg. vs 30/06/08	% weight 30/06/09
Direct customer funding	**147.635**	**139.000**	**6,2%**	***53,1%***
Indirect customer funding	**130.352**	**122.629**	**6,3%**	***46,9%***
assets under management	*46.499*	*53.131*	-12,5%	*16,7%*
assts under custody	*83.853*	*69.497*	20,7%	*30,2%*
Total customer funding	**277.987**	**261.629**	**6,3%**	***100,0%***

Direct funding amounted to roughly EUR 148 bn, with an 8.3 bn increase with respect to 31 March 2009 and a remarkable y-o-y development (+6.2%). The trend of the aggregate benefits from the positive contribution of the Commercial Areas, which advanced by about 4.4 bn in comparison with Q1 09 (+16.5% year on year). The growth of the institutional investors is more moderate, **within the funding policies adopted by the Group for the purpose of making the most of funding opportunities at marginal rates with the ECB. The market share as of 30 June 2009 was about 7%.**

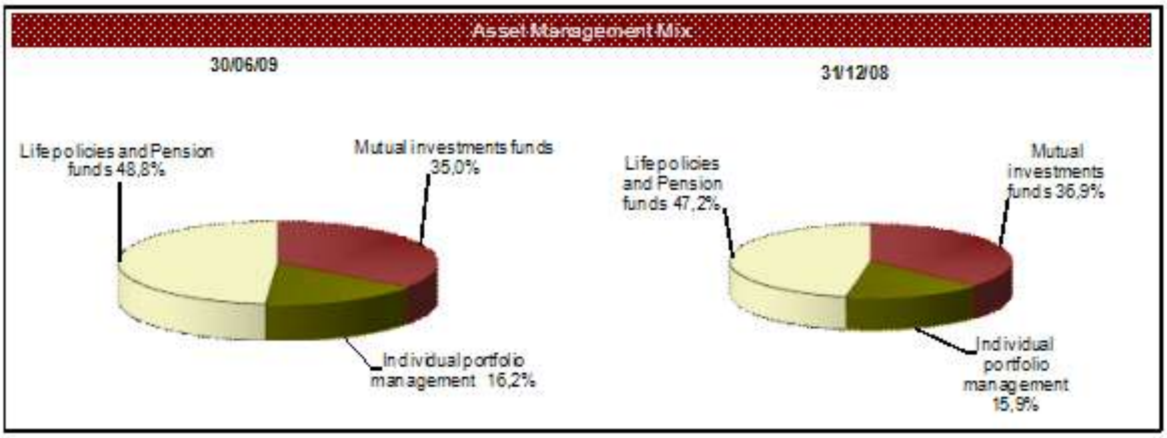
Commercial funding

(in millions of euro)

		% weight	
	30/06/09	30/06/09	30/06/08
Retail and Private Banking	84.401	64,0%	66,5%
Corporate Banking	47.443	36,0%	33,5%
Total	**131.845**	**100,0%**	**100,0%**

Indirect funding amounted to EUR 130 billion approx. (+5.8 bn with respect to Q1 09, + 6.3% y-o-y). In particular:

- **The balance of funds managed** (about EUR 46.5 bn) **progressed again with respect to Q1 (+2 bn), mainly driven by life insurance policies and new funding from mutual funds/Sicav**. However, the y-o-y trend is negative (-12.5%), although improving with respect to March (-20%) also due to the customers' preference highly going to liquid and guaranteed-yield investments. In this framework, investment lines and firms (Group firms or third parties) were chosen on the basis of an approach targeted at selecting the best solutions for the customers in a MIFID logic. The weight of life insurance policies and pension funds is prevailing in the breakdown of the aggregate.



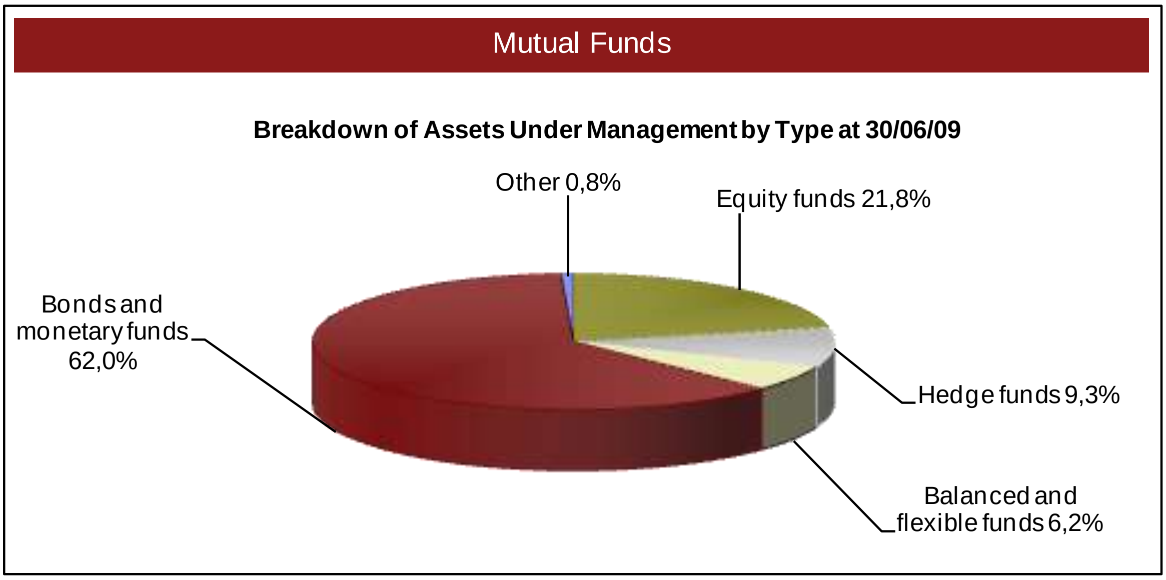
- **With reference to life insurance policies, the technical reserves concerning the Group commercial networks reached EUR 22.7 bn,** with a pickup in ordinary policies;

- **The balance of portfolios under management came to EUR 7.5 bn (with a market share of 4.3%[5] approx.);**

- **The balance of the Group mutual funds/SICAVs amounted to EUR 16.3 bn, with a market share of about 4%.**

[5] As at 31 March 2009.

The chart below illustrates the mix of investment funds by type, which shows a 2% reduction of the portion of bond and monetary funds with respect to 31 December 2008, with a same-percentage increase in equities funds.



The total balance of **funds under administration** amounted to **EUR 84 bn approx.**, **mostly driven by the contribution of some Large Corporate customers (+3.8 bn with respect to 31 March 2009).**

2) LENDING AGGREGATES

A) THE MPS GROUP COMMERCIAL OPERATIONS

With reference to **lending operations**, **the growth of corporate loans slowed down, with volumes standing at about 145 bn as at 30 June 2009, in line with the levels as of 31 March 2009 and advancing by 3.7% in comparison with 30 June 2008 (market share of about 7.5%).** The weight of the corporate component is still prevailing, with a decline (see following section) in performing loans.

Customer loans

(in millions of euro)

		% weight	
	30/06/09	30/06/09	30/06/08
Retail and Private Banking	55.780	43,7%	44,7%
Corporate Banking	71.727	56,3%	55,3%
Total	**127.507**	**100,0%**	**100,0%**

B) CREDIT QUALITY

The critical aspects of the external scenario had repercussions on the level of net impaired loans progressing by about 2.5 bn since the beginning of the year (abt.+1.5 bn since March 2009) and totalling **about 9.8 bn** (the weight of impaired loans to total customers' loans was about 6.77%).

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**30/06/09**	**31/12/08**	**Inc. % 30/06/09**	**Inc. % 31/12/08**
A) Impaired loans	**9.828**	**7.342**	**6,77**	**5,05**
a1) Non-performing loans	4.107	3.613	2,83	2,49
a2) Watchlist loans	3.723	2.578	2,57	1,77
a3) Restructured loans	677	197	0,47	0,14
a4) Past due	1.321	954	0,91	0,66
B) Performing loans	**135.226**	**137.989**	**93,19**	**94,93**
C) Other assets	**57**	**21**	**0,04**	**0,01**
Total customer loans	**145.111**	**145.353**	**100,00**	**100**

Growth involved all categories of loans and was particularly hefty in the case of watchlist credits which were affected by the transfer of a large position classified under Large Groups. This exposure is only minimally adjusted, since it does not fully represent a direct risk attributable to the Montepaschi Group due to the cash collateral paid by other Banks[6].

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 on 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%), though influenced by increasing positions classified under restructured loans and the above-mentioned impact on watchlist credits.

In particular, the percentage of valuation adjustments **to gross NPLs** stood at 56.3% and rose to about 60% in the case of 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 the medium-/long-term loans). Portfolio valuation adjustments to gross performing loans rose to more than 0.6% of the aggregate of reference.

■ **PROVISIONING RATIOS**

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

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

[6] The exposure on impaired loans include about 540 million among watchlist credits in relation to a refinancing transaction of a leveraged buy out (LBO) of SAECO International Group SpA. This loan was fully disbursed by Banca Antonveneta (as supported lender), which – according to the agreements signed – received endorsement guarantees and cash collateral from the other participating banks, thus reducing the direct risk portion of the Montepaschi Group to about 40 million. **Therefore, in July 2009 the whole exposure was fully settled as a result of an agreement of transfer, writing off and settlement.**

■ **BREKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT**

Risk category - Net values at 30/06/09 *in million EUR*	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it	Biverbanca
Non-performing loans	4.107	2.336	475	1.017	107	80	43
% weight on customer loans	2,83%	2,0%	3,66%	7,80%	1,76%	1,37%	1,85%
"loan loss provisions"/"gross NPLs"	**56,3%**	**59,1%**	**61,4%**	**35,6%**	**68,5%**	**73,8%**	**64,0%**
Watchlist loans	3.722,7	2.523,3	380,0	592,9	117,4	31,1	32,0
% weight on customer loans	2,57%	2,1%	2,93%	4,55%	1,93%	0,53%	1,36%
"loan loss provisions"/"gross watchlist loans"	**17,8%**	**18,9%**	**14,0%**	**9,7%**	**23,4%**	**48,1%**	**22,4%**

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 304 million.**

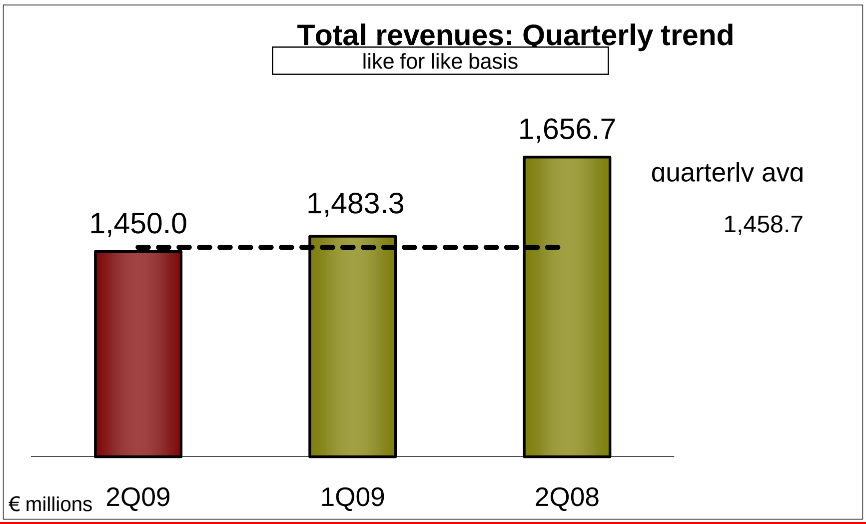
INCOME AGGREGATES

In H1 2009 the Net Operating Income of the MONTEPASCHI Group reached EUR 473 million (abt. 733 million as of 30 June 2008 on a restated basis[7]), progressing by about 183 million with respect to 31 March 2009 and mainly absorbing the increasing cost of credit linked with the general crisis of real economy. The positive results in relation to "efficiency for operating purposes" contributed to consolidate the favourable trend of operating charges, as already shown in Q1.

1) OPERATING PROFITABILITY

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

[7] For the purpose of giving a clear view of the trends, comparative data of 2008 have been restated taking account of the results of Banca Antonveneta since the beginning of the year, the costs of loans associated with the acquisition of Bav (if the loans had been executed since the beginning of the year), the elimination of "line by line" items in relation to Intermonte after the disposal occurred in the second half of 2008 and the effects of the PPA (Purchase Price Allocation) definition.



With reference to the development of total income from financial and service business, as of 30 June 2009 **<u>financial and insurance income</u> stood at abt. EUR 2,933 million (abt. 3,079 million as of 30.06.2008 on a restated basis). The Core Operating Income came to 2,787 million approx. (abt.3,044 million as of 30 June 2008 on a restated basis).** The quarterly total income of Q2 2009 was about 1,450 million, slightly falling (abt.-2%) with respect to Q1 2009.

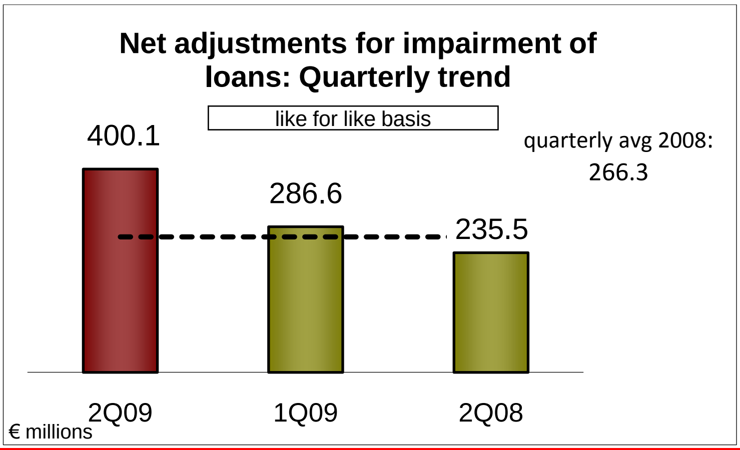
<u>Following are the trends of the main aggregates:</u>

- **<u>Interest income</u> in the amount of EUR 2,001 million** (abt.2,079 million as of 30 June 2008 on a restated basis), **driven by a quarterly result of about 988 million** (-2.5% with respect to Q1 09; -7.2% with respect to Q2 09 on a restated basis). **The commercial components are still compromised by the downward trend of loans and the long decline of market rates (uninterrupted since October 2008),** which makes customers' funding increasingly onerous. This determines **decreasing profitability,** which compromises the results of the Private **Commercial Banking Area** to a relatively greater extent (due to the unfavourable funding/lending ratio), flanked by the **growing contribution of the Corporate Banking Area**. The contribution of **the remaining portion of the Banking Book and Finance** is growing both year on year and on a quarterly basis, since it benefits from the positive inclination of the interest rate curve and the related carry strategies on portfolio securities, in addition to the refinancing opportunities at low rates.
- **<u>Net commissions</u>** (abt. EUR 786 million vs. abt.925 million as of 30 June 2008 on a restated basis) **are virtually steady with respect to Q1 09**, with a focus on the **recovery in the contribution of income from assets management** (driven by the good trend of orders collected and product placement, in addition to the revival of assets under management) and **loan servicing commissions** (due to the favourable trend of the arrangement commissions of the Key Clients and Capital Services). The trend of **transaction-related income** decelerated due to the negative trend of the economic cycle;
- **<u>Dividends, similar income and Profits (Losses) from equity investments</u>** totalled abt. **EUR 67 million** with an y-o-y improvement with respect to Q1 09 (+24.2 million) and an y-o-y progress (+96.4%) attributable to the positive contribution of profits from equity investments (mainly AXA-MPS);
- **<u>Net income from trading/valuation of financial assets</u>** registered a balance of about **EUR 79.3 million, with a hefty year on year** development (+63.7% with respect to restated data). **Net income from trading** amounted to 87.5 million (0.6 million as of 30 June 2008 on a restated basis), as a result of the favourable trend recorded in Q2 09 with realized profits in the amount of 71.1 million (16.4 in Q1 09) attributable to the pickup in the equities and bond markets started in March.

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

	30/06/09	recalculated 30/06/08
Net Profit from trading	87,5	0,6
Profit/loss from loans, available for sale financial assets and financial liabilities	-4,2	16,6
Fair Value financial assets and liabilities	-4,0	31,3
Net result from realisation/valuation of financial assets	**79,3**	**48,4**

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



With reference to income resulting from loan disbursements, the Group recorded **net valuation adjustments to impaired loans in the amount of roughly EUR 687 million (abt. EUR 452 million as of 30 June 2008), accelerating with respect to Q1,** as shown in the graph**, in line with the progress of the general economic crisis**. Said amount is indicative of a provisioning rate of about 95 bp with a progress in comparison with 31 March 2009 (80 bp), mostly attributable to higher default flows determined by the deterioration of the 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 23 million,** due to the updated valuation of AFS securities subject to impairment at the end of 2008 in the amount of abt.12 million (improving with respect to 18 million in Q1 09) and the write-off of other financial transactions (abt.11 million).

As a result, **income from financial and insurance business totalled EUR 2,224 million approx. (abt.EUR 2,635 million as of 30 June 2008 on a restated basis).**

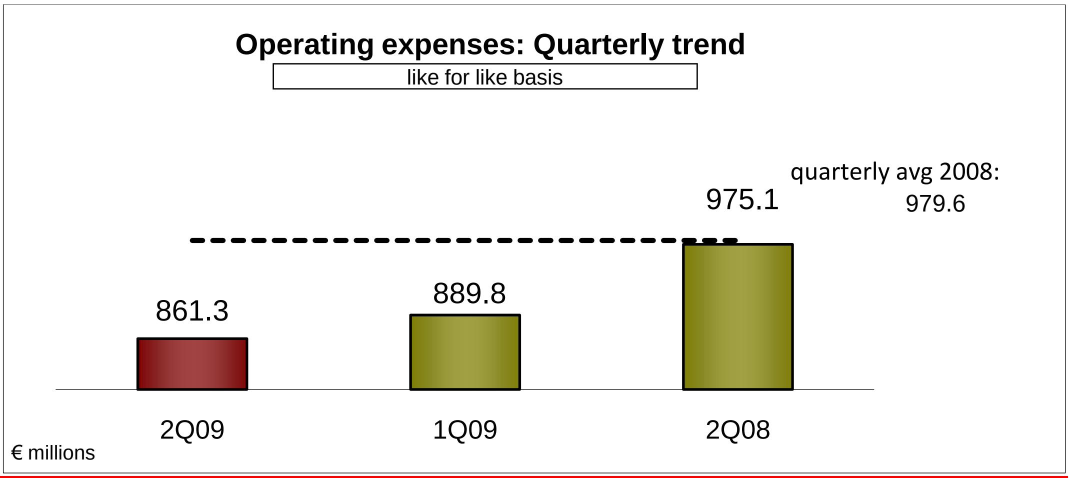
OPERATING EXPENSES: OPERATING CHARGES

In line of continuity with prior years, the MPS Group continued to curtail costs. Although in light of an outstanding plan of technology investments, **operating charges decreased by about 8%** y-o-y, **on a restated basis**.

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

	30/06/09	Recalculated 30/06/08	Abs. chg. vs 30/06/08	% chg. vs 30/06/08
Personnel expenses	1.111,8	1.194,6	-82,7	-6,9%
Other administrative expenses	561,9	628,7	-66,8	-10,6%
Administrative expenses	**1.673,7**	**1.823,2**	**-149,5**	**-8,2%**
Net adjustments to the value of tangible and intangible fixed assets	77,4	78,9	-1,6	-2,0%
Operating expenses	**1.751,1**	**1.902,2**	**-151,1**	**-7,9%**

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



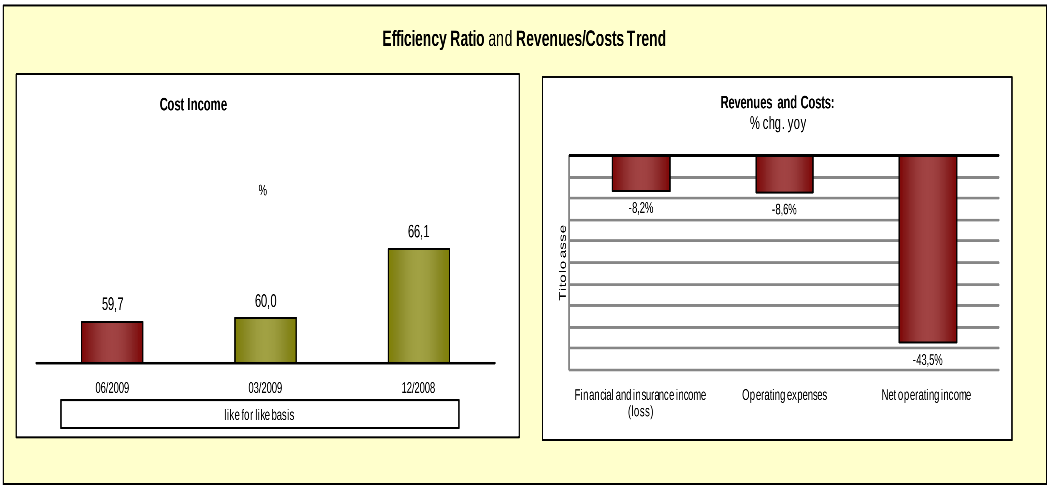
<u>In particular:</u>

A) <u>Administrative expenses</u> declined by approx. 8.2% with respect to 30 June 2008, on a restated basis, as a result of:

- **Personnel expenses** in the amount of EUR 1,112 million with a 6.9% decrease with respect to 30 June 2008 on a restated basis (1,195 million). This downward trend is structural (although the yearly trend is expected to reduce slightly in the following months of the FY), 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 562 million approx., declined by about 10.6% with respect to 30 June 2008 (EUR 629 million on a restated basis). However, the yearly trend which benefitted from a favourable seasonality in the first half of the year is structural and linked with the steady and sharp control of expenses, especially after the reorganization processes, and cost management actions undertaken.

<u>B)</u> **<u>Net valuation adjustments to tangible and intangible assets</u>** amounted to roughly EUR 77 million, with a moderate y-o-y decline.

Accordingly, the Net Operating Income stood at abt.EUR 473 million (abt.EUR 733 million as of 30 June 2008 on a restated basis). The cost/income ratio was below 60%, with a 6% 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:

- **Net provisions for risks and charges and other operating income/charges** recorded an adverse balance of roughly **-**EUR 35 million (-abt.20 million as of 30 June 2008 on a restated basis) **resulting from**:

- The **positive value of other operating income/charges** (abt.7 million); and

- **The negative value of net provisions to risks and charges** (abt.42 million), mostly attributable to actions of revocation, legal disputes and the write-down of junior notes coupons;

- The **adverse balance of profits from equity investments** (abt.-3 million) with respect to abt. 200 million of Q2 09 which had mostly benefitted from the capital gain of EUR 198 million in relation to the sale of Banca Depositaria to the Intesa San Paolo SpA Group;
- **Non-recurrent charges** (abt.32 million), in relation to the integration of Banca Antonveneta and the related reorganization decided in the Business Plan, included **IT costs and other expenses** (9.4 million) and **non-recurrent personnel expenses** (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 during 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;

Given the effect of the foregoing, profits from current operations before taxes came to EUR 403 million approx. (abt.665 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 194 million approx.** (-EUR 241 million as of 30 June 2008 on a restated basis);
- **Profits (losses) from discontinued operations, after taxes** in the amount of EUR 196 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 profit for the period before the effects of the Purchase Price Allocation (PPA) stood at abt.EUR 402 million (abt.EUR 503 million as of 30 June 2008 on a restated basis). In view of the net effects of the PPA, net profits for the period totalled about EUR 332 million. The ROE was around 3%.

Such results benefit from the positive contribution from the Parent Company (net profit of Banca MPS: abt.EUR 431 million, including infragroup extraordinary dividends), Banca Antonveneta (net profit of about EUR 42 million, excluding the effects of the PPA), Biverbanca (net profit of abt. 15 million excluding the effects of the PPA) and all the Group Business Units (as outlined hereunder in the section covering Segment Reporting).

In compliance with CONSOB instructions, following is the comparative table of the Parent Bank's net equity and profits/losses for the period with the consolidated net equity and profits/losses.

Comparative statement of the net equity and profit and consolidated net equity and profit as at	30.06.2009	
in thousands of euro	Net equity	Income statement
Balance as per the Parent Company's balance-sheet	14.723.242	430.635
Incl. valuation reserves from the Parent Company	*261.444*	
Effect of consolidation of subsidiaries with the line-by-line method	*220.352*	*160.628*
Surplus - with respect to the book values - resulting from the valuation with the net equity method	69.746	55.126
Reversal of dividends distributed by the Subsidiaries	0	-207.354
Eliminination of value reductions/adjustments for equity investments	0	4.249
Effect of reversal of intra-group sales	-105.653	-105.653
Effect of reversal of capitalised commissions	-35.837	-284
Other adjustments	1.197	-5.280
Reserves from valuation of subsidiaries	251.275	0
Group net equity and net profit (loss) for the period	**15.124.322**	**332.067**

SEGMENT REPORTING, SALES AND MARKETING POLICY, RESEARCH AND DEVELOPMENT

With reference to *Segment Reporting* contemplated by the **IFRS 8 regulations**, the MONTEPASCHI Group adopted the *business approach* and chose, for the purpose of **primary reporting** of income/capital data, **a breakdown of results in accordance with the major business sectors committed to carrying out consolidated operations, with results periodically report to the Top Management**.

On the basis of said approach, following is a **breakdown of the results achieved as of 30 June 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 June 2008 have been restated according to the principles used as of 30 June 2009 on the basis of the following events:

a) the establishment, as a result of the recent reorganization, of the Commercial Private Area where all activities previously carried out by Commercial Banking/Distribution Network and Private Banking/Wealth Management were transferred to;
b) the sale of the majority stake of Intermonte in Q2 08, with the ensuing elimination of the company's margins from the Corporate Center;
c) MPS Commerciale Leasing SpA is part of 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)

June 2009	Retail and Private Banking	% chg yoy	Corporate Banking	% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy
INCOME AGGREGATES								
Net Financial income (loss)	1.670,0	-15,0%	1.006,0	11,0%	257,3	24,2%	2.933,3	-4,7%
Net adjustments for impairment of loans and financial assets	287,5	48,2%	418,7	68,9%	3,5	140,8%	709,7	60,0%
Operating expenses	1.161,2	-9,4%	375,2	-6,9%	214,6	-1,2%	1.751,1	-7,9%
Net operating income	221,2	-54,8%	212,2	-17,0%	39,1	-435,0%	472,5	-35,6%
CAPITAL AGGREGATES								
Performing loans	55.780,3	-0,6%	71.727,0	3,2%	13.496,7	20,1%	141.004,0	3,1%
Due to customers and securities	84.401,5	12,1%	47.443,4	25,3%	15.790,1	-38,8%	147.635,0	6,2%
Assets under management	40.947,3	-12,1%	2.480,8	-22,4%	3.071,4	-7,9%	46.499,5	-12,5%
PROFITABILITY RATIOS								
Cost Income	69,5%		37,3%				59,7%	
Raroc	22,4%		10,5%				5,5%	

(*) For the purpose of giving a clear view of the Group trends, comparative data for 2008 were restated to take account of the costs of the loans in relation to the acquisition of Bav (assuming that they had occurred at the beginning of the year), the elimination of "line by line" data in relation to Intermonte as a result of the sale occurred in H2 2008 (reclassified under profits from discontinued operations after taxes) and the effects of the final PPA (calculated since early June 2008 for Bav), which changed the Group net profits.

As usual, following are the major aspects which characterized the activity of each business area in the first half of 2009:

▪ COMMERCIAL PRIVATE BANKING

PRODUCT/SERVICE INNOVATION AND THE SALES AND MARKETING POLICY

RETAIL CUSTOMERS

The initiatives of the Area in favour of the different segments of retail customers focused on supporting the entrepreneurial fabric and the households' purchasing power, as a result 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 to the customers and implementing a programme oriented to a considerable streamlining and innovation of the product catalogue,** for the purpose of meeting the requirements of the network and the customers and in compliance with the best practices of the domestic and international banking industries.

More in detail, the commercial policy **targeted at the family market** developed according to three guidelines:

- **Continuity of the flows of loan disbursements,** with specific reference to the brackets of customers who faced temporary financial difficulties;
- **rotection of the purchasing power and economies** through forms of funding involving simple and sufficiently profitable instruments;
- **ncreasing the customers' sensitivity on protection** through the supply of damage products.

In particular, the Montepaschi Group prepared a **material organically-conceived aid plan for the households** ("**Combatti la crisi**" – see box). Mutuo MPS Protezione was very successful, with disbursements as of June amounting to 48% of total. The Group also made the unemployment benefits (CIG) accrued month by month and not yet cashed by the National Social Security (INPS) available to the **employees of the companies joining the Unemployment Fund** (Cassa Integrazione).

AID PLAN FOR THE HOUSEHOLDS

The "**Combatti la crisi**" ("**Fight the crisis**") programme is hinged on three pillars:

- "**Mutuo MPS Protezione"** for new borrowers: ensures a maximum ceiling to mortgage loan instalments and the opportunity of benefitting from the favourable reduction of market interest rates;
- **"Mutuo Sicuro Plus", an insurance protection policy** targeted at already existing or new borrowers, designed with AXA MPS, which covers the non-payment of the instalments up to a maximum of 12 months also in case of job loss;
- **the stop payment of mortgage loan instalments,** up to a maximum of 12 months.

In the meantime, on the front of **consumer finance**, the Group designed initiatives in support of the customers with multiple loan exposures, for the purpose of grouping the loans under one position with a lower single instalment.

In H1 09, the Group was **committed to launching a range of products, at favourable terms, targeted at younger customers,**

including a **new floating rate mortgage loan indexed to the ECB rate ("Young Couples and Households").** For the purpose of **promoting the development of alternative energy sources** through specific products, such as **Prestisole**, a loan which finances investments for the implementation of photovoltaic plants for the production of electric energy with a power not lower than 1 kW, was made available to the Group sale network.

On the front of the **increasing importance of savings**, specific emphasis was placed on inspiring confidence in the customers with **simple, transparent investment instruments, guaranteed by the bank and offering an attractive return**, so as to provide the utmost safety in a period of strong market turbulence. The operations in relation to **recurrent investment forms**, such as periodic reinvestment plans in mutual funds or insurance products, were of great importance. In the area of damage **protection**, the Group carried out a **prize campaign ("Prevention is better**") and launched a training workshop for increasing interest in **damage coverage**. The prize campaign contemplates the delivery of an educational gadget on the prevention of risks linked with everyday life to all customers buying one of the protection products included in the campaign.

With reference to **real bank,** major initiatives supported the acquisition, the promotions in relation to package current accounts in relation to new customers or customers not holding current accounts with the bank, in addition to an international electronic payment card to reduce the use of cash. As regards **migrant banking and financial inclusion**, many geographical initiatives proliferated in support of the weaker brackets of the population, also by notifying/simplifying the contacts with the associated company, **Microcredito di Solidarietà.**

The operations with reference to the **Affluent segment** were based on the development and integration between the Metodo, Advice and Prodotti platforms, with the objective of **ensuring the highest qualitative service levels to the customers.** In terms of commercial planning, this meant greater consistency and concreteness of the Metodo initiatives – enhanced by specific targets of portfolio requalification through Advice – **and a close co-operation with Axa Mps assicurazioni for the design of new initiatives**.

In H1, the Group activated Metodo commercial initiatives **involving more than 750,000 Affluent customers and about 440,000 registered contacts**. In addition, the Group conducted activities – in co-operation with the units concerned - for **increasing the use of the Advice platform,** and arranged meetings with the network (Advice Retail Day) with the objective of integrating it with the Affluent Service Model, and using it in the area of commercial operations.

AGREEMENTS WITH THE SMALL BUSINESS TRADE ASSOCIATIONS

- With the objective of consolidating its primary position in support of and assistance to the small businesses, in H1 the **Group co-operated with the major small business trade** associations and identified new relational modes for joint projects based on the analysis of actual needs. This included **the agreement with Cosvig-Confesercenti** for the intermediation of transactions guaranteed by Mediocredito Centrale in favour of microbusinesses and a framework agreement with **CreditAgri-Coldiretti** to be completed by specific operational agreements.

With reference to the **Small Business segment,** the first half of 2009 required the fine-tuning of the commercial salesforce, through the implementation of activities and roles as a result of the incorporation of 450 branches of **Banca Toscana,** a bank characterized by the already consolidated application of the service models, closely in touch with the small business market of reference. The Group released the small business service model to **Nuova Banca Antonveneta,** after an extensive in-depth training.

The MPS Group **consolidated the Metodo platform** in the whole network through the recurrent and quantitatively important cover of customer targets in relation to: credit quality (also in terms of prevention), repricing, support to lending, development of funding and the insurance business, MIFID profile, POS migration. In compliance with the established guidelines and objectives of credit policy, the Group **intensified its efforts for the requalification and protection of credit quality** and integrated these actions into the monthly commercial planning**.**

As far as the **simplification and innovation of the services** to Private customers is concerned**, the Group continued to streamline the range of current accounts,** as already started in 2008. The initiatives carried out in the last few months incorporate the **review of Costomeno** and the simultaneous delisting of Conto Carattere. Discount classes and additional benefits contemplated by the product were updated so as to make them more compliant with average customers. A discount linked with the Advice platform was also provided. In addition, the Group started marketing a **new account. Tuttoconto** is a peak product for the small business segment with structural characteristics targeted at playing the **role of "bank of reference" with respect to the customers**.

The current period of strong economic-social uncertainty suggested the **enhancement of the value of damage insurance policies as an effective instrument of protection for individuals and corporate.** That is why the launch of the above-mentioned **Mutuo Sicuro Plus** protection policy and the release of the **Daily Hospitalization Allowance** policy were, and will be, flanked by an **important information and training process in relation to the Damage area during the rest of the year**. **Biverbanca also started marketing AXA MPS products.**

The Group's efforts continued in the direction of the "**Patti Chiari**" industry project, in compliance with the objective of consolidating **customers' relations based on greater confidence, and a transparent and clear dialogue**. In H1, the Group finalized the activities resulting from its participation in the first four Italian Bankers' Association "Commitments to Quality", a comparative search engine of package current accounts and ordinary A/Cs and a synthetic indicator of ISP price for such accounts.

Additional information on the development of the management of Private customers payments is provided in the chapter covering "*The collection and payment systems*".

- **PRIVATE CUSTOMERS**

In H1 the Group continued to **develop the model of professional financial advisory services to the customers,** through the extension of the use of the **MPS Advice Platform** and the gradual introduction in all Geographical Areas of new specialists in support of the network commercial operations (i.e. Advice Specialists and Product Specialists). More than **57,000 proposals of advanced advisory services were submitted, with a remarkable trend of growth**.

Against the current market scenario, **the supply of investment products was planned by promoting 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.

In terms of **product innovation** (*see box – insurance business*), the **range of portfolios under management was enhanced** with new lines exclusively investing in securities and a kind of selected taxation in favour of the customer. **In the area of mutual funds and SICAVs**, the Group

THE INSURANCE AXA-MPS JV

The activity of research and development of new products, in compliance with the guidelines of the joint venture, **was very hectic**. In particular:

- The Accumulator range targeted at **Affluent customers** was reviewed, in line with the new market scenarios and the customers' demand for guaranteed-capital financial products;
- The capitalization policies were completed with the introduction of a **branch V product, Investimento Flessibile,** a recurrent-premium investment targeted at the **corporate and small business markets;**
- The unit linked policies included in the range were reviewed, with the launch of a **new product (AXA MPS MOSAICO**) with 14 available internal funds diversified in compliance with the advisory MPS ADVICE platform;
- The external Funds of the **Unit Private product** were restyled with a thorough review of the available range and **an expansion of the funds (from 100 to 120 funds) also including about ten of the most widespread ETFs**.

and its new partner, Prima Sgr, started designing the new plan of supply and the first initiatives for streamlining the range of products as of 31 December 2009 (from 82 to 45 funds; 26 funds in the Italy target range and 19 funds in the Ireland target range). In addition, new products are expected to be launched no later than the autumn of 2009.

A specific version of a multi-branch product (AXA MPS Investimento Dinamico) – which matches a separate management, a minimum guaranteed return and internal insurance funds - was expressly devised for the customers of the **financial promoters of MPS Banca Personale. In the welfare area,** it is worthwhile mentioning the launch of a multi-branch welfare plan which provides each participant with a supplementary pension upon retirement, by using multi-brand insurance internal funds and one of the most performing separate management in the market.

The Private Banking **commercial policies** were focused on **increasing the level of the advisory services** also in relation to non-financial issues, with a considerable development of tax, real estate and art issues, within a framework of a steady search for a **service model which contributes to consolidating confidence in the customers showing increasingly complicated requirements.**

With reference to the **communications processes, the Group is implementing the 2009 Private Communications Plan** in support of the network and the enhancement of the value of the Group business in this area. In particular, **in co-operation with Associazione Progetto Città and with the participation of partner investment firms**, 8 Private Days were held in Milan, Salerno, Treviso, Modena, Turin, Lecce, Rome and Catania in H1 2009.

A valuable contribution to the smooth operations of the Group Wealth Management platform was given by the **Wealth Risk Management Unit** which measures, monitors and controls the risks and returns inherent to the investment services supplied to the customers, as shown in detail in the chapter covering the "Integrated management of Risks and Capital". The objective is to ensure **overall compliance of the customers' risk/return profile with the risk inherent to the portfolios held by the customers' themselves,** and minimize reputational risks, that is the risk of deterioration of the customers' confidence in the bank. The new events occurred in H1 2009 include the application of the **new Consob measures in relation to illiquid financial products** and the establishment of an **interdepartmental technical desk, "Tutela Clientela",** with the objective of identifying the companies/issuers characterized by a particular and temporary state of critical difficulty.

- **OPERATING RESULTS**

On the front of commercial results, in Q2 2009 **direct funding of Commercial Private Banking** progressed by 11% in terms of average balances with respect to 30 June 2008, driven by bonds and the good results of sight components. **Indirect funding** was also positive, progressing by about 750 million with respect to Q1 2009, due to the pickup in funds under management driven by the good placements of bancassurance, mutual funds and SICAVs. However, on a y-o-y comparative basis, the aggregate declined by 11.8%. **Loan volumes** advanced moderately with respect to 30 June 2008, affected by the reduced demand of the Small Business segment (+1.4% in terms of average balance).

Total income (EUR 1,670 million) dropped by 15.0% y-o-y, <u>with interest income and net commissions coming at 1,055 million and 590 million, respectively</u>. The Net Operating Income stood at about EUR 221 million with a y-o-y decrease, also in view of growing loan adjustments. The cost/income ratio for the segment was 69.5% (65.8% in December 2008).

Retail and Private Banking

(in EUR mln)	30/06/09	% chg yoy
INCOME AGGREGATES		
Net interest income	1.054,9	-16,9%
Net commissions	590,4	-13,8%
Financial income (loss)	24,7	139,9%
Net Financial income (loss)	**1.670,0**	**-15,0%**
Net adjustments for impairment of loans and financial assets	287,5	48,2%
Operating expenses	1.161,2	-9,4%
Net operating income	**221,2**	**-54,8%**
CAPITAL AGGREGATES		
Performing loans	55.780,3	-0,6%
Due to customers and securities	84.401,5	12,1%
Assets under management	40.947,3	-12,1%

The banks and product companies contributing to the segment include:

- **Consum.it** posted a net profit for the period of EUR 8.9 million (EUR 2.3 million as of 30 June 2008), though in light of the increasing cost of credit associated with the critical economic situation;
- **Banca Popolare di Spoleto** (equity investment consolidated with the proportional method: 26% approx.) contributed to consolidated profits with EUR 6.58 million (6.08 million as of 30 June 2008).
- **MPS Banca Personale** realized a loss of 3.4 million, slightly improving with respect to the results achieved as of 30 June 2008 (with a loss of 3.5 million);
- **Monte Paschi Monaco S.A.M.,** a Monaco-law company, specialized in the management of Private customers, realized a net profit of about 1 million with a moderate y-o-y improvement.

▪ COMMERCIAL CORPORATE BANKING

THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

The **activities for the period in support of the development of Italian companies** incorporate the **promotion of six new anti-crisis initiatives** targeted at more than 60,000 SMEs for the purpose of mitigating the effects of the adverse economic situation. This string of material measures consisting of credit facilities, discounts and benefits is targeted at all companies, with specific reference to the **most virtuous and socially responsible companies**, such as the companies which are attentive to the promotion of Made in Italy products and the protection of their workforce.

The DISTRICT PROJECT

- The project has the objective of ascertaining the potential of the Italian industrial districts and developing customized commercial initiatives in compliance with the specific corporate requirements for the purpose of improving their performance. In H1 2009, the Group **executed an agreement with Assonave**, an industry association which represents most of **the Italian naval engineering companies, including shipyards, refit yards, producers of diesel engines, naval research companies and several naval suppliers**.
- **The agreement involves MPSCS for the provision of the services associated with Diagnostica, which will ensure the development of a strong interaction with the companies belonging to the naval engineering "district". The agreement has the objective of increasing market penetration, improving reliability and encouraging the alignment of the performances of the member companies through the "district champions" project, which selects the best performer for the purpose of replicating virtuous conduct. Another agreement was entered into with Confindustria Genoa for the purpose of implementing the District Project.**

The instruments were designed to enhance the value of the **Montepaschi Group expertise and experience in the area of the SMEs,** and have the objective of countering the critical aspects of the current economic cycle caused by demanding scenarios, such as the **workforce reduction** due to the decreasing production with an impact on income, **dropping exports** and income from abroad or the **need of new**, temporary and reversible, **liquidity** attributable to declining turnover and margins. Other problems are linked with the freeze and stop of investments essential for corporate growth, **with the crisis of liquidity ensuing the delayed payments** by the Public Administration and, finally, the undercapitalization of the Italian companies which has negative repercussions on the ratings and creditworthiness.

Each critical aspect is expected to be managed with one or several targeted material solutions. These measures were illustrated and submitted to **Confidi**, starting from the Confidi issuing Basle 2 eligible guarantees, with the extension of the already existing agreements and covenants.

As regards the **promotion of tourism**, the Group designed "**Italia & turismo**", an initiative involving the disbursement of medium-/long-term loans, for the purpose of supporting the companies in the tourism industry in a global amount of EUR 500 million. The initiative will materialize soon

with the signature of a Memorandum of Understanding with the competent Ministry and the most representative Tourism Associations.

Banca MPS participated – together with the other banks involved in the Memorandum of Understanding with the **Region of Tuscany** - in the "**Emergenza economia" programme** which involved Fidi Toscana as the provider of first demand guarantees in relation to two types of loans for the purpose of recapitalization and liquidity. With the objective of implementing this programme, in June **the Group finalized an agreement with the Region for stopping "corporate payments",** which contemplates the stop payment of mortgage loan instalments and leasing fees up to a maximum of 12 months.

The major commercial agreements incorporate the **agreement between Banca MPS L&F and Axa Corporate Solutions Marine, a member company of the AXA Group which is the world leader in Financial Protection**. The agreement provides insurance cover for pleasure boats, with the objective of promoting a **qualitative improvement in the service of pleasure boating** for the customers of the Montepaschi Group. In addition, the Group signed two commercial agreements with (i) **Marinella SpA** for real estate, instrumental and nautical leasing transactions, (ii) **TSE Srl f**or leasing transactions in relation to photovoltaic plants.

On the front of **product innovation**, the Group restyled a new specific product **(deposito a tempo - "time deposit")** which represents a short-term flexible (in terms of maturity) form of investment of **corporate liquidity.** The product is promptly marketable and is indexed to money market rates. The **bancassurance** products targeted at corporate customers currently consist of the following Branch V insurance policies (all of them with a minimum guaranteed capital) : **Axa-Mps Investimento Top, Axa-Mps Investimento Più and Axa-Mps Investimento Flessibile (formerly, Propensione).** Branch I **Iride Corporate** policy was designed to provide the companies with available financial liquidity to cope with the consequences resulting from the death of their key man.

As regards the **Local Authorities segment**, the Group managed some marketing initiatives oriented to instruct the distribution network to offer excellence elements to specific customer targets, always with the objective of consolidating the role of bank of reference with respect to the Communities and the Territories. Specific emphasis was placed on post sale services, especially post sale services in relation to derivatives. To this end, the Group was continuously in touch with several Local Authorities, with the objective of providing continuous advisory services which help the customers understanding the market financial trends.

INTERNATIONAL OPERATIONS

In H1 2009, priority was given to the development and implementation of initiatives in support of the **corporate operations in the international market,** against a critical backdrop specifically marked by the strong slowdown of international trade.

Of great importance was the activity for the **research and identification of customized products and services,** which meet the specific requirements of each company in relation to the market of origin and destination of imports/exports and the countries of destination of the investments.

In this logic, **Sinergie per l'Export** is a project which provides the companies a range of integrated solutions of International Trade Finance ensuring a more effective commercial penetration of made in Italy products in the markets of interest, in co-operation with the Industry and Trade Associations, the Chambers of Commerce and Local Export Agencies. Within this framework, the Group executed **an important operational co-operation agreement with Promofirenze** (Special Company of the Chamber of Commerce of Florence) targeted at the SMEs of Emilia Romagna, Tuscany and Latium operating in the food processing, mining/stone and fashion industries and having commercial and industrial relations with Brazil, Chile, Mexico and Peru.

The commercial operations of the **Foreign Branches** of New York, London, Hong Kong and Shanghai were developed by (i) better informing the existing and prospect customers about the banking and financial products and services locally provided by these Branches, and (ii) engineering – in co-operation with MPS Leasing & Factoring –the sale of the amounts claimed by foreign exporters from Italian importing customers.

During the first half of the year, the Group started co-operating with the **Santander Group,** with joint visits to the corporate customers operating in the main countries in central and South America, with the Group now playing the role of qualified player for the supply of high value added assistance and advisory services.

CORPORATE FINANCE

Against a very critical market backdrop due to the financial crisis, the Group corporate finance business, carried out **by MPS Capital Services Banca per le Imprese,** continued in various segments of operations by suggesting state-of-the-art solutions which can integrate traditional lending.

The hub-and-spoke presence of MPSCS in the market was extended to **all utilities** (water, energy, gas and waste), with specific reference to the **growth of operations in the field of energy from renewable sources**. The Group executed (i) a loan transaction in the field of biomass energy for the implementation of a power plant fuelled by marc resulting from alcohol distillation, with an installed power capacity of about 11 MWe, located in Latium, (ii) a loan transaction for a wind park in Apulia with an installed power capacity of 26 MWe and (iii) a photovoltaic plant in relation to fully integrated structures in a total capacity of 4.7 MWe in Piedmont.

In the area of **photovoltaic energy**, the Group secured, or is securing, some mandates in relation to a few photovoltaic plants, mainly in the regions of Apulia and Sicily, with a capacity of more than 70 MWe. As regards **Shipping Finance**, the Group executed a loan transaction with a shipping group for the purchase of ships, with the participation of the EIB.

As part of its **syndication business,** the Group placed 7 transactions in the market (total amount: EUR 270.6 million) where MPSCS played the role of Lead Manager and Arranger. Other 7 transactions are being syndicated (with MPSCS still playing the role of Lead Manager and Arranger) in an additional amount of EUR 264.7 million.

On the front of **Investment Banking**, in H1 the Group secured important mandates in three segments of operations characterizing the Business Unit. The major companies involved were: PININFARINA (restructuring), ENEL (capital increase), WIND and ENI (bond issue). Borsa Italiana issued the certification of Nomad (Nominated Advisor) to MPSCS. This certification authorizes the Investment Banking Area to **secure quotation mandates with the role of Nomad in the newly-established AIM Italia segment of Borsa Italiana.**

PRIVATE EQUITY

- The **Private Equity** business in support of the development of small and medium-size companies with a high growth potential was mostly carried out by **MPS Venture Sgr**, a subsidiary of MPS Capital Services SpA. The company manages 6 closed-end equity funds reserved to professional investors, in a subscribed total amount of EUR 360 million. During the first half of the year, MPS Venture SGR continued to manage the existing investments. **Fondo Siena Venture** purchased an 8.25% shareholding in IMER International SpA (Poggibonsi). The investments held by Fondo Siena Venture in Starfly Srl (29% of the share capital) and Segis SpA (41% of the share capital) were fully sold.

- OPERATING RESULTS

The **Commercial Corporate Banking Area** achieved positive results in Q2 2009 with respect to **direct funding** (+7% y-o-y in terms of average volumes), driven by medium-/long-term funding and demand items, in addition to the hefty growth of **indirect funding** (+63.1%). Loans were almost in line with the levels shown as of 30 June 2008 (+2.7% in terms of average volumes) attributable to short-term loans, the slowdown of the demand for financing working capital from the corporates.

Total income for Commercial Corporate Banking (about 1,006 million, or +11% y-o-y) was driven by increasing interest income (+13.2% y-o-y) and other income (+52.8% y-o-y) which offset declining net commissions (-11.2%). Loan adjustments, in line with the general trends, deteriorated. The Net Operating Income came to EUR 212 million, with a y-o-y decline. The cost/income ratio for the Area was 37.3% (about 47.3% as of December 2008).

Corporate Banking

(in EUR mln)	30/06/09	% chg yoy
INCOME AGGREGATES		
Net interest income	731,6	13,2%
Net commissions	171,1	-11,2%
Financial income (loss)	103,3	52,8%
Net Financial income (loss)	**1.006,0**	**11,0%**
Net adjustments for impairment of loans and financial assets	418,7	68,9%
Operating expenses	375,2	-6,9%
Net operating income	**212,2**	**-17,0%**
CAPITAL AGGREGATES		
Performing loans	71.727,0	3,2%
Due to customers and securities	47.443,4	25,3%
Assets under management	2.480,8	-22,4%

The companies included in Commercial Corporate Banking (which were mostly affected by the increasing cost of credit associated with the deterioration of the economic situation) incorporate:

- **MPS Capital Services Banca per le Imprese** posted a net profit as of 30 June 2009 of about EUR 45 million (abt. 52 million as of 30 June 2008);

- **MPS Leasing & Factoring – Banca per i Servizi Finanziari alle imprese** registered a 1 million loss in H1 2009 (net profit as of 30 June 2008: 11 million).

With reference to the foreign banks:

- **Monte Paschi Banque** posted a net profit of about EUR 2 million (more than 16 million as of 30 June 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 about EUR 2.5 million (about 3 million as of 30 June 2008).

D) 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 investments 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 (reporting to the Capital, Cost and Investment Governance 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 eliminations resulting from infragroup items.

Following are the companies included in the Corporate Center:

- **BIVERBANCA** posted a net profit of abt. EUR 15 million, excluding the PPA effects (22 million as of 30 June 2008).

- **SERVICE COMPANIES AND OTHER MINOR COMPANIES**

- **Mps Immobiliare** posted a net profit of EUR 18.4 million (17.7 million as of 30 June 2008).
- **Mps Gestione Crediti Banca** posted a net profit of about EUR 3.4 million (5.2 million as of 30 June 2008).

FINANCE

The finance business of Banca MPS is currently split into two areas of responsibility, (i) proprietary finance, directly reporting to the CEO and (ii) service finance (Treasury and Capital Management) which reports to the CFO.

PROPRIETARY FINANCE

The first half of 2009 was characterized by very brisk financial markets, with the major Stock indices falling to new lows in the first two months, and a general expansion of credit spreads. Early in March, simultaneously with some positive signs on the state of the global economy, all risk assets rallied until the end of June. In light of a downsized budget for 2009, the Unit operations were oriented to the gradual reduction of active market risks for the purpose of realigning these risks to the extent of the objectives.

As a result, **as of 30 June 2009 the Group trading assets stood at EUR 23,936 bn (21,798 bn as of 31 December 2008). Financial liabilities for trading purposes have decreased by roughly EUR 0.26 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			
	30/06/09	30/06/09	31/12/08	abs. Chg	
				yoy	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**8.973**	**22.936**	**21.798**	**1.138**	**5,2%**

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

	Parent Company	MPS GROUP			
	30/06/09	30/06/09	31/12/08	abs. Chg	
				yoy	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**4.582**	**18.710**	**18.967**	**(257)**	**-1,4%**

The portfolio of financial assets available for sale totalled abt. EUR 9,561 bn (+4,565 bn with respect to December 2008).

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

	Parent Company	MPS GROUP			
	30/06/09	30/06/09	31/12/08	abs. Chg	
				yoy	%
Financial assets available for sale	**10.426**	**9.561**	**4.996**	**4.565**	**91,4%**

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 some periods of the first part of the year. With reference to liquidity settlement, specific emphasis was placed on the optimization of the management of 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 8.8 bn as of 30 June 2009, with a decrease of abt. 0.8 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			
	30/06/09	30/06/09	31/12/08	abs. Chg	
				yoy	%
Amounts due from banks	21.645	13.017	17.616	-4.599	-26,1%
Amounts due to banks	22.600	21.826	27.208	-5.382	-19,8%
Net borrowing position	**-955**	**(8.809)**	**(9.592)**	**783**	**8,2%**

In view of the above, as of 30 June 2009 the short-term and structural liquidity positions were appropriate and with large available funds. In particular, the total eligible counterbalancing capacity, after the application of the haircuts, was about 19.5 bn, including a non-committed amount of about 8.7 million. As of the same date, the Group had an excess ROB (with respect to the amount due) of about 1.5 bn and, therefore, a net liquid balance of about 10.2 bn.

ALM

In H1 2009 domestic bond funding operations included 69 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 8 bn (Parent Bank only), with structured bonds accounting for 18% and plain vanilla bonds accounting for the remaining portion. International operations, mainly targeted at "non Italian resident" qualified institutional investors, were still affected by the adverse market cycle, characterized by larger spreads and a strong volatility in the secondary and CDS markets. The issues placed in the market, as part of the EUR 50 billion Debt Issuance Programme of Banca MPS S.p.A and Montepaschi Ireland Limited (on the basis of the Prospectus of 29 January 2009), total about EUR 1 billion. Other issues included in said Programme were conducted in the form of private placements and mostly targeted at the insurance companies of the BMPS Group (AXA-MPVita) for the purpose of hedging their own Index Linked policies (marketed by the bank network of the MPS Group).

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 dispose of its non strategic equity investments. In particular, it sold 75% of the share capital of Marinella SpA and reorganized the Group asset management firms with the disposal of the whole capital of ABN Amro Asset Management Italy SGR SpA (AAA) and Monte Paschi Asset Management SGR SpA (MPAM), as detailed hereunder.

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

Acquisition of new equity investments

Tethys SpA: as a result of the participation in the reorganization plan of the HOPA Group, the Bank purchased a 16.66% investment by subscribing to a reserved capital increase;

Lauro Quarantatre SpA: as a result of the reorganization of its asset management firms, the Group entered into a partnership with the Clessidra Group. The Bank purchased a 30.9% interest in the capital of the holding company (where Clessidra holds the majority) which purchased the whole share capital of AAA and MPAM from BMPS;

Lauro Quarantacinque SpA: said reorganization of the asset management firms also implied the purchase by the Bank of a 33% interest in the capital of Lauro Quarantacinque, which in turn holds 6.1% of Lauro Quarantatre SpA.

Bios SpA: as a result of the participation in the reorganization plan of the HOPA Group, the Bank purchased a 27.27% investment (with no voting rights) through a debt-equity swap.

Participation in capital increase/reinstatement and equity investment increases

The major transactions include:

- the subscription of the capital increase of a subsidiary, La Cittadella SpA, to cover accrued losses;

Disposal/Sales of equity investments

In H1 2009, Banca MPS:

- sold 75% of the share capital of Marinella SpA – Sarzana (SP);
- sold the whole share capital of ABN Amro Asset Management Italy SGR;
- sold the whole share capital of Monte Paschi Asset Management SGR SpA;
- sold an 8.99% stake in the capital of Fidi Toscana SpA to MPS Investments SpA, for the purpose of holding an interest not higher than 15% as indicated by the articles of association of the associated company;
- sold the investment held in SI Holding SpA (24.47% of the capital);
- sold the interest held in Istituto Centrale delle Banche Popolari Italiane SpA (2.36% of the capital).

At the Group level:

- MPS Capital Services (i) sold the interest held in Volorosso SpA (or 16.6% of the share capital); (ii) purchased a 21.66% investment in the share capital of Moncada Solar Equipment Srl; (iii) subscribed to the capital increase of Marina di Stabia SpA thus increasing its stake from 15.83% to 16.31%; (iv) sold 96,500 shares of Kerself SpA on the market, thus decreasing its stake from 3.83% to 3.27%;

- MPS Investments (i) purchased the 45% stake held by MPAM in the share capital of Fabrica Immobiliare SGR SpA; (ii) purchased the 15% stake held by MPAM in the share capital of Total Return SGR SpA; (iii) sold the investment held in Finaosta SpA (0.56% of the share capital); (iv) sold 2.85% of the capital of e-MID SIM SpA; (v) increased the shareholding in Fidi Toscana SpA (now 14.17%) by purchasing an additional 8.99% from the Parent Bank.

In addition:

- As of 1 January 2009, the transfer from Banca Monte dei Paschi di Siena SpA to Banca Antonveneta SpA (Nuova Banca Antonveneta SpA) of the banking business unit consisting of 403 branches, 9 SME Centres, 4 Private Centers, 6 Local Authorities Centres, 3 Geographical Areas in relation to the north-eastern geographical area - mostly resulting from the merger of Banca Antonveneta SpA into BMPS - and 9 equity investments;
- The merger by incorporation of Banca Toscana SpA into Banca Monte dei Paschi di Siena Spa, effective as of 30 March 2009;
- The merger by incorporation of Agricola Poggio Bonelli SpA into MPS Tenimenti Fontanafredda e Chigi Saracini Spa, effective as of 30 June 2009. As a result, the merging company was renamed MPS Tenimenti Poggio Bonelli e Chigi Saracini Società Agricola SpA and it was requested to exclude it, as an agricultural concern, from the Montepaschi banking group.

INTEGRATED RISK AND CAPITAL MANAGEMENT[8]

THE RISK MANAGEMENT PROCESS

The guidelines which characterize the risk management process at the MPS Group are based on a clear distinction of roles and responsibilities at three levels of control (1st Tier, 2nd Tier, 3rd Tier).

The Board of Directors of the Parent Bank is responsible for (i) defining the strategic guidelines and risk management policies at least on an annual basis and (ii) setting the Group overall degree of risk appetite, also quantitatively in terms of Economic Capital. The Board of Statutory Auditors and the Internal Controls Committee are charged with evaluating the degree of efficiency and adequacy of the Internal Controls System, with particular reference to the control of risks.

The Head Office is responsible for ensuring compliance with the risk policies and procedures. The Risk Committee prepares the Risk Management policies and checks overall compliance with the limits assigned to different levels of operations. The Parent Bank Risk Committee assesses the risk profile achieved at the Group level and by company and, therefore, capital consumption – both in relation to Capital for regulatory purposes and Economic Capital –, in addition to the trend of risk/return performance indicators.

The Parent Bank Finance Committee is in charge of planning the Group funding, submitting proposals of capital allocation to the Board of Directors for approval, identifying the initiatives to be adopted for the best risk-return profile of Asset & Liability Management (ALM) and the management of liquidity risk, and defining any Capital Management actions.

The Internal Controls Area of the Parent Bank is charged with setting the regulations applicable to the internal control systems and checking the actual enforcement and observance thereof.

The Risk Management Area of the Parent Bank shall define the integrated methods of analysis for the measurement of all risks incurred, for the purpose of ensuring their accurate measurement and steady monitoring. The Area shall also quantify the Economic Capital, i.e. the minimum amount of capital to be held for covering all current risks. The Area shall produce control reporting and check compliance with the operational limits set by the Board of Directors on the basis of internally developed models. In H1 2009, the position of the Risk Management Area in the organization chart was changed for the purpose of consolidating its independence and effectiveness with respect to the Business Units. The Area now reports directly to the CEO and the Chairman, although still maintaining functional relations with the CFO.

The Business Control Units shall check compliance of the transactions, as the first step of controls on operations within the more general System of Internal Controls.

The Wealth Risk Management Unit – in a staff position with respect to Commercial Private Banking – is in charge of the control, measurement and monitoring of the risk of the investment products provided to the customers, or held by the clients.

THE ACTIVITIES ASSOCIATED WITH BASEL 2

In accordance with the principles contemplated by the New Accord on Capital Adequacy (Basel II) in relation to First Pillar risks, during the first half of 2008 the Montepaschi Group completed the activities with reference to the internal models for credit and operational risks. Pursuant to Circular

[8] Additional details are provided in the Abridged Consolidated Half-Year Report – Part E “Information on the risks and related hedging policies”.

263/2006 of the Bank of Italy, on 12 June 2008 the Montepaschi Group was officially authorized to use the advanced models for the measurement and management of credit risks (AIRB-Advanced Internal Rating Based) and operational risks (AMA – Advanced Measurement Approach) starting from the first consolidated report as of 30 June 2008. The Group is completing and extending such models to the entities not included in the initial area of validation, and carrying on the activities oriented to the improvement of the internal models for market and counterpart risks.

In addition, the Group continued its activities for compliance with the Second Pillar and streamlining of the whole Capital governance process. The Group prepared the full ICAAP report as of 31 December 2008, within the deadlines set by the regulations.

With reference to the Third Pillar (obligation of "Public Disclosure"), the Montepaschi Group continued to publish quarterly reports on the Montepaschi Group website (www.mps.it/Investor+Relations). Information is steadily updated on the basis of the provisions of the ruling regulations.

The analysis of the Economic Capital for the Montepaschi Group

In the ordinary course of its business, the Montepaschi Group incurs different types of risks, which can be classified as follows:

- credit risk,
- counterpart risk,
- issuer risk,
- concentration risk,
- market risks in relation to the trading book (Trading Book),
- interest rate risk of the Banking Book (Asset & Liability Management - ALM),
- liquidity risk,
- equity investment portfolio risks,
- UCIT risks (alternative funds),
- operational risk,
- business risk,
- real estate risk,
- reputational risk.

The Parent Bank Risk Management Area periodically quantifies the Economic Capital by risk kind, mostly on the basis of internal models of measurement. Such models were specifically developed by risk factor and are mostly based on Value-at-Risk (VaR) methods for the determination of the maximum loss the Group might incur in a specific holding period and a pre-established confidence interval.

Such models with reference to some risk factors and determined portfolio categories were officially validated by the Regulatory Authorities for regulatory purposes (Credit Risks and Operational Risks). However, the outputs resulting from the internal models of market risks and operating models for counterpart risk are a daily instrument for the control and monitoring of the risk exposures generated in such areas, and for the control of the operational limits and delegated powers in accordance with the guidelines given and approved by the Parent Bank.

With reference to credit risk, most inputs of the Credit Portfolio Model, which is being developed continuously from the viewpoint of the method, are originated by the internal models used for reporting purposes, as integrated with additional information and fine-tuning, which intend to represent risk measurements in a merely operating logic. The output of the model of operational risk at the Group level is re-allocated on the basis of principles of historical loss, the estimates of the Top Management and profitability information (*gross income*) and is used for operating purposes. In addition, the results in terms of sensitivity shift of the economic value, coming from the internal model of Asset & Liability Management - which during the year was largely fine-tuned as a result of a better representation and measurement of sight accounts and behavioural aspects (*prepayment risk*) – are integral part of the Overall Economic Capital. Business risk is currently measured as a risk factor in relation to the rigidity of the cost structure with respect to the changes in the business units caused by market components and internal strategies. Equity risk is the risk resulting from the volatility of market valuations in relation to the equity investments held in the portfolio and not deducted from net equity. Real estate risk is the risk of incurring potential losses resulting from unexpected changes in the real estate portfolio. Liquidity risk – with specific monitoring procedures being developed by the Group during the year - is not relevant in terms of quantification of the Economic Capital. The MPS Group is provided with operational limits and a formal policy of liquidity risk management both in the ordinary course of business and in market stress scenarios. In particular, on the basis of pre-established thresholds of tolerance, the Group set and formalized specific "contingency plan" procedures which are activated in case of need. Specific mitigation policies are being defined in relation to other risks which cannot be measured with a quantitative approach (e.g. reputational risk).

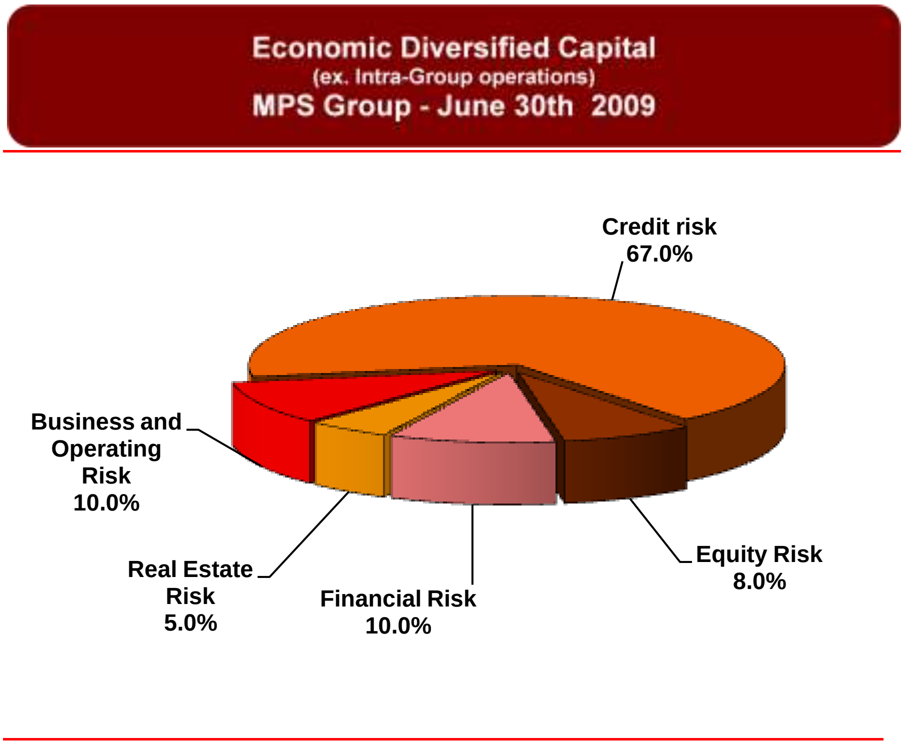
Therefore, the Economic Capital by risk factor results from the corresponding operating metrics of risk quantification. VaR measurements by risk factor keep their own value in accordance with the ruling regulations and the international best practice, and are determined with different holding periods and confidence intervals.

The Overall Economic Capital (or Overall Internal Capital) is the amount of minimum capital reserves required for covering the economic losses due to the occurrence of unexpected events simultaneously caused by the different types of risk. The Overall Economic Capital results from the joint measurement of each risk factor. Such measurements are standardized both in terms of holding period (on a yearly basis) and selected confidence interval, in line with the level of rating assigned to the Montepaschi Group by the official rating agencies, and are subject to intra-risk and inter-risk diversification processes. The final output shows the Overall Economic Capital or Overall Internal Capital at the Group level, divided by risk type, indicating the weight of intra-risk diversification with respect to the "building block" approach which does not contemplate quantification.

All of these risk macro-factors, which have a specific impact directly on the Group net equity, are subject to regular measurement by the Parent Bank Risk Management Area which prepares the periodical papers for the Parent Bank Risk Committee and the Board of Directors.

The Planning Area is responsible for setting the above risk measurements by legal entity and Business Unit, for the purpose of representing the performances adjusted by risk and the specific creation of value in a risk-adjusted logic, by using metrics of measurement consistent with profitability and the absorbed economic capital. Capital allocation - in terms of final financial statements, future estimates and periodical monitoring - is always determined by the Planning Area, in co-operation with the corporate bodies of each legal entity, by preparing a specific reporting adjusted to the specific business lines of the banks included in the area of consolidation, to be submitted to the Parent Bank Finance Committee for approval.

As of 30 June 2009, the Overall Diversified Economic Capital of the Montepaschi Group (excluding infragroup operations) was attributable to credit risk (abt.67%) (including counterpart, issuer and concentration risks), equity investment risk (abt.8%), business and operational risks (10%). 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 10% of the Overall Economic Capital. The capital with respect to real estate risks is about 5% (this risk was previously included in credit risks).



Additional information on the nature, control and monitoring of each risk type is provided in Part E of the Abridged Consolidated Half-Year Report.

FINANCIAL RISKS INHERENT IN INVESTMENT SERVICES (WEALTH RISK MANAGEMENT)

Wealth Risk Management consists of the whole of the activities of measurement and monitoring and the processes of control of the risks and returns of the investment services provided to the customers.

The Wealth Risk Management Unit of the Parent Bank, which reports directly to Commercial Private Banking, is in charge of the Group organization control of wealth management in compliance with internal and external regulations.

For some years, the MPS Group has already implemented operational processes, instruments and methods oriented to ensuring global compliance of the customers' risk propensity and their expectations in terms of return with the risk profile inherent in the products and portfolios held by the clients, so as to prevent and minimize the occurrence of reputational risks such as the deterioration of the customers' confidence in the Bank.

Therefore, all (Group and third parties') investment products included in the product catalogue provided to the Group customers are subject to a specific multivariate qualitative and quantitative risk assessment, inclusive of market risk, credit risk and liquidity risk factors, within a codified production-distribution path.

Risk indicators are assigned to specific risk classes which are available to the customers under appropriate codes in the information sheets in relation to the securities being placed, and represent one of the guidelines on the basis of which the reviews of appropriateness and adequacy contemplated by the European MIFID regulations and Consob Regulation no.16190 are conducted. The same quantitative assessment is also made for the financial instruments directly purchased by the customers and held under administration. The Group customers are regularly informed of the changes in the riskiness of the financial instruments held, so as to ensure prompt information transparency and encourage any decisions oriented to rebalancing the risk profile of the investments held.

The reviews of adequacy (in the case of advisory or portfolio management services) and appropriateness (in the case of trading services, collection and transmission of orders and placement of financial instruments) of the investment services provided to the customers are conducted on the basis of the information gathered through a specifically prepared questionnaire. These reviews check that a transaction recommended or implemented within the portfolio management service (i) matches the customers' investment objectives, (ii) is of such a nature that the customer is financially able to incur any risk associated with the investment in compliance with its investment objective, (iii) is of such a nature that the customer has the necessary experience and know-how to understand the risks associated with the transaction or the management of his/her portfolio.

Specific risk classes and terms of assessment were defined in relation to the OTC derivatives exclusively offered to corporate bodies on the basis of an advisory service for the purpose of hedging already existing and ascertained payable and/or receivable exposures.

The activities described cover the whole MPS Group.

During the first half of 2009, the Group started and partly already completed the activities concerning the adoption of the regulatory provisions of Consob Notice no.9019104 of 2 March 2009 ("Tier 3 –Illiquid Financial Products"). The bank also participated in the preliminary work of the Italian Bankers' Association which led to the issue early in August of the "Inter-association guidelines for the application of Tier 3 Consob measures in relation to illiquid financial products". Within the scope of the existing reviews of adequacy, specific controls were introduced in relation to illiquid products (e.g. time horizon stated by the customer in the questionnaire should not be lower than the anagraphical maturity or residual life of the instrument subject to trading) and non-liquid products with structure costs of a considerable amount which have an impact on the sales value (if any) of the instrument in its market of trading (the estimated time required for the instrument to amortize such costs in relation to its sales value should be lower or equal to the time horizon stated by the customer).

At the end of June, after the issue of the new Parent Bank organization regulation, the Group set up an interdepartmental technical desk ("Customer Protection"), with the objective of identifying the companies/issuers characterized by specific and temporary critical aspects. This activity actually started in November 2008 as a result of the consolidating financial crisis, and aims at looking for the reasons of this critical state not only in the general volatility of the markets of reference, but also in specific macro-economic, corporate and/or industry situations, or in particular critical aspects of governance, corporate development or lack of sufficient market information. The whole of these circumstances contributes to consider the financial instruments issued by such companies/issuers as characterized by the maximum level of risk and therefore they cannot be recommended and cannot be considered as appropriate.

The Montepaschi Group pursues its objective of consolidating the control and monitoring of the risk and performance of the financial instruments placed to the customers, or held under administration on behalf of the customers.

COMPLIANCE RISKS

Compliance risk is the risk of incurring legal or administrative penalties, huge financial losses or reputational damage resulting from the breach of mandatory rules or self-regulation. Appropriate risk monitoring is a prerequisite for a business conduct firmly hinged on the principles of sound and conservative management which should characterize the banking business.

In addition, the mitigation of the factors originating compliance risk with respect to the customers valuably contributes to consolidate the brand value and the existing contractual relations, thus avoiding any claims for damage or cancellation.

For the purpose of monitoring said risk, the Bank steadily monitors the regulatory framework of reference and the processes inherent in the corporate business (i.e. organization, contractual controls etc.) and tries to avoid, whenever applicable, any breaches of the regulations for regulatory purposes and the internal procedures in compliance thereof.

The functional model adopted has the objective of ensuring the governance of compliance risk, through (i) the control of the structural changes, as the whole of activities oriented to defining the amendments/implementations required for adjusting the corporate system to the development of the external regulations, (ii) the steady control, in terms of ordinary maintenance, of the validation of the regulations and internal contracts (advisory service, communications and training to the bank units for the application of the rules to current operations), (iii) the control of compliance risk, with reference to all the activities of review of compliance of the current organization with the regulatory requirements, and reporting to the Top Management.

The following specific processes were set and responsibilities assigned to specific corporate units: Governance of the Group process, Application of management policies and Relations with the Corporate Bodies, Operational Management, Implementation of Changes, Measurement.

In particular, in the period of reference, the Group continued to monitor the fairness of customers' relations in the area of investment services (with the extension of the measures of application of the MIFID regulations) and banking services, with specific reference to transparency and support to the customers for the purpose of mitigating the effects of the economic and financial crisis.

ADDITIONAL INFORMATION ON INVESTMENTS CONSIDERED AS HIGH-RISK INVESTMENTS BY THE MARKET

This paragraph provides additional information on (i) the investments which are considered by the market as high-risk investments as a result of the financial crisis caused by the default of the vehicles containing US subprime mortgage loans, and (ii) growing derivative trading operations with the customers.

These issues had already been dealt with and analyzed in the Report of the *Financial Stability Forum* of 7 April 2008 ("Consolidation of the stability of the markets and the players"), which showed that the recent market turbulence had increasingly required that the financial companies should disclose their exposures in terms of instruments the market considers with increasing risk. The Montepaschi Group had already disclosed these issues in its Half-Year Report as of 30 June 2008 and Annual Report as of 31 December 2008. More recently, a joint press release[9] of the Bank of Italy, Consob and Isvap stressed the need of providing appropriate information transparency in the financial reports, with the objective of reducing uncertainty and the negative consequences resulting from the international crisis.

In general, there are two main aggregates the Montepaschi Group is subject to: (i) financial positions with direct exposures to the *subprime, Alt-A and monoline insurer* segments, directly influenced by the crisis and (ii) all the other financial positions of structured credit which might suffer from the general crisis of the financial markets.

The positions in the first aggregate are virtually negligible. As of 30 June 2009:

- there was only one note with underlying *subprime* mortgage loans in a notional amount of EUR 50 mln, almost totally written down as of 31 December 2008;
- the *leveraged finance* exposure is minimal (nominal amount: abt. EUR 13.3 mln, in line with respect to 31 December 2008);
- the *monoline insurer* exposure is minimal (nominal amount: abt. EUR 3.6 mln in line with 31 December 2008);
- there no exposures or guarantees in relation to conduit loans and SIV.

With reference to the second aggregate, and in particular third parties' structured credit products held in portfolio, as of 30 June 2009:

- most exposures (88%) were investment grade (abt.92% as of 31 December 2008; the change is linked with the effects of the international crisis);
- the existing volume totals abt.EUR 2,109 mln in terms of book value.

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The following information is based on the indications as of 31 December 2008 given by the Montepaschi Group in reply to Consob request no.8069681 of 23 July 2008, and includes:

- *investments in consolidated Special Purpose Entities and structured credit products;*
- *fair value disclosure;*
- *operations in trading derivatives with the customers.*

INVESTMENTS IN CONSOLIDATED SPEs (SPECIAL PURPOSE ENTITIES) AND CREDIT STRUCTURED PRODUCTS

CONSOLIDATED SPEs (SPECIAL PURPOSE ENTITIES)

Description of the Business Model with reference to the objectives and strategies

Foreword

[9] Bank of Italy, Consob and Isvap, "Information to be provided in the financial reports in relation to business continuity, financial risks, checks for the reduction of assets value and uncertainty in the use of the estimates", 6 February 2009.

The accounting treatment of the securitization transactions carried out by the Group before the enforcement of the international accounting principles differs from the accounting of the transactions executed after such date.

The loans underlying "prior IAS transactions" were derecognized from the transferor's financial statements which included only the credit enhancements, if any, executed by the transferor. Any consolidation of the SPEs related to these transactions only concerned their working capital; the transferred loans, which were posted "under the line" in the financial statements of the same SPEs, were not consolidated in the financial statements of the Group. Upon the first application of the international accounting principles, the Group took advantage of the opportunity of not posting the assets underlying the transactions carried out before 1 January 2004, which were derecognized on the basis of the previous domestic standards. Therefore, these assets are never shown in the consolidated financial statements, also in the cases they would not have been derecognized if the Group had applied the rules contemplated by IAS 39 for derecognition.

In relation to the transactions carried out after the enforcement of the IAS principles, all notes issued by the SPEs were underwritten by the originator (the Parent Bank), virtually maintaining all risks and benefits of the transferred portfolio. Therefore, these securitizations do not comply with IAS 39 requirements for derecognition. The underlying loans were not derecognized from the originator's financial statements and, as a result, are still shown in the consolidated assets of the Group under transferred assets not written off. The transfers did not produce any economic impact on the originator's financial statements and, for the purpose of calculation of capital absorption, the loans are still shown in the Group weighted assets, as if they had never been transferred.

For the purpose of greater information transparency, the business model will be described by separating the transactions prior 1 January 2004 from the transactions carried out after such date.

Securitizations originated before 1 January 2004

The securitizations belonging to this category were structured with the objective of achieving economic benefits concerning the optimization of the management of the loan portfolio, the diversification of funding sources and the reduction of their cost.

Following are the main Group securitizations before 1 January 2004:

- securitizations of performing loans:
  - Siena Mortgages 02-3 Srl
  - Siena Mortgages 03-4 Srl
  - MPS Asset Securitization SpA
  - Mantegna Finance Srl
  - Mantegna Finance II Srl
  - Spoleto Mortgages Srl
  - Giotto Finance 2 SpA (originated by Banca Antonveneta)

- securitizations of non-performing loans:

  - Ulisse 2 SpA
  - Ulisse 4

- securitizations of other assets:

- Gonzaga Finance Srl
- Vintage Capital Srl

The trend of the securitizations is regular. This opinion is also shared by the rating agencies which did not review the ratings initially assigned to the classes of notes issued.

The Giotto Finance SpA securitization (originated by Banca Antonveneta) of performing mortgage loans was repurchased in April 2009.

The portfolio in relation to the Ulisse Spa non performing securitization was repurchased in December 2008 by Banca Monte dei Paschi di Siena.

Assets securitized by MPS Asset Securitization SpA are represented by loans backed by pledges on financial instruments with maturities between 15 and 30 years originated both by the Parent Bank and by the other commercial banks of the Group.

The portfolio securitized through Siena Mortgages 02-3 and 03-4 is represented by mortgage loans originated both by the Parent Bank and other banks of the Group.

Other securitizations based on residential mortgage loans are:

- Mantegna Finance Srl and Mantegna Finance II Srl in relation to assets originated by Banca Agricola Mantovana SpA;
- Spoleto Mortgages Srl in relation to residential mortgage loans originated by Banca Popolare di Spoleto SpA.

As to the securitizations of non-performing assets, the portfolio of Ulisse 2 SpA consists of short-term unsecured loans originated by the Parent Bank.

So far, the Ulisse 2 SpA securitization had a more than satisfactory trend with better-than-expected actual collections.

Securitizations originated after 1 January 2004

The Montepaschi Group undertook a process of improvement of the management of liquidity risk, based on the establishment of operating limits and the management of reserve assets, and in particular promptly marketable assets.

As of 2007, four securitization transactions of performing residential mortgage loans originated by BMPS were conducted for the purpose of increasing available eligible assets. This category includes two transactions carried out by the Parent Bank in December 2007 and March 2008 concerning performing loans in a total original amount of abt. EUR 8.5 bn, with an exposure as of 30 June 2009 of EUR 7,080.67 million.

These were flanked in 2009 by 2 new transactions through the Siena Mortgages 09-6 vehicle in a nominal amount of EUR 8.5 bn, with an exposure as of 30 June 2009 of EUR 8,433.72 million. These transactions created eligible assets representing a considerable safety margin and improving the liquidity risk position of BMPS. Eligible securities (only AAA-rated senior notes) account for most of the so-called Counterbalancing Capacity, i.e. the capacity of meeting short-term commitments thoroughly promptly marketable instruments.

The first transaction was carried out by the Parent Bank in December 2007 with an underlying portfolio of more than 57,000 performing residential mortgage loans in a total amount of EUR

5,162.4 mln with an expected residual life of about 20 years. From a geographical point of view, 46% of mortgage loans are concentrated in Central Italy, with northern and southern Italy accounting for an equal portion of 27%.

The vehicle company, Siena Mortgages 07-5 SpA, issued Residential Mortgage Backed Floating Rate Notes (RMBS) to finance the acquisition in the following tranches:

Security class	Rating	Total counter-value in EUR mln
A1	Aaa and AAA	4,765.90
B	A2 and A	157.45
C	Ba3 and BBB	239.00

The Group set up a cash reserve amounting to EUR 123.90 mln corresponding to class D Junior securities. 93% of the company's share capital is owned by a Dutch foundation (Stichting Aramatburg*)*, and 7% by Banca Monte dei Paschi di Siena SpA.

On 20 March 2008, the vehicle company, Siena Mortgages 07-5 SpA, authorized another securitization transaction through the acquisition of a performing loans portfolio, sold by the Parent Bank in bulk and without recourse, in the amount of EUR 3,416 mln. The purchase was executed on 31 March 2008.

The Group used again the vehicle company, Siena Mortgages 07-5 Spa, for this securitization. In order to finance the acquisition, the vehicle issued Residential Mortgage Backed Floating Rate Notes (RMBS) in the following tranches:

Security class	Rating	Total counter-value in EUR mln
A	Fitch AAA	3,129.40
B	Fitch A	108.30
C	Fitch BBB	178.30

A cash reserve of EUR 82.07 mln corresponding to the class D Junior securities was set up. The Parent Bank fully subscribed the notes issued by the vehicle. This transaction, with technical characteristics similar to the above-mentioned transaction, is also part of the more general policy of consolidation of the Group liquidity position.

On 20 February 2009 the Group executed the first of the two securitizations for the current year with a portfolio consisting of 45,781 performing mortgage loans of BMPS (including the former branches of Banca Agricola Mantovana, Banca Antonveneta and Banca Toscana merged into BMPS), for property and building purposes, with instalments regularly paid as at the date of valuation of the sold portfolio (1,657 mixed rate mortgage loans, 20,791 floating rate mortgage loans and 23,333 fixed rate mortgage loans) in an amount of EUR 4,436 million equalling the remaining debt.

The vehicle company, Siena Mortgages 09-6 Srl, issued Residential Mortgage Backed Floating Rate Notes (RMBS) to finance the acquisition in the following tranches:

Security class	Rating	Total counter-value in EUR mln
A1	Fitch AAA	3,851.30

B	Fitch A	403.70
C	Fitch BBB-	181.45

The Group set up a cash reserve amounting to EUR 106.70 mln corresponding to class D Junior securities. 93% of the share capital of Siena Mortgages 06-9 is owned by a Dutch foundation (Stichting Giglio*)*, and the remaining 7% by Banca Monte dei Paschi di Siena SpA.

On 26 June 2009, another securitization transaction in the amount of EUR 4,088 million incorporated 44,148 performing mortgage loans in the name of individuals. Siena Mortgages 09-6 Srl was used again as the transferee of the assets of the transaction and issuer of RMBS notes.

The mortgage loan transaction has the same structure as the above-mentioned transactions (Siena Mortgages 07/5 first and second tranche and Siena Mortgages 09/6).

The AAA tranche accounts for approximately 85% of total assets sold and is structured so as to be included by the ECB in the list of eligible instruments.

As part of the general project of valuation of the non-performing portfolio contemplated by the Business Plan, on 28 December 2007 the Parent Bank had executed another NPL securitization.

The whole portfolio of NPLs, consisting of more than 25,000 loans, in a total book value of EUR 738.90 million, was sold at the end of FY 2007. From a geographical point of view, 44.25% of loans are concentrated in Central Italy, with northern and southern Italy and the islands accounting for 25.33% and 30.42%, respectively.

Siena Mortgages 00-1 SpA was used again as the vehicle for this transaction, with the early repayment of the original loans made on 7 August 2007. The capital of the vehicle is wholly owned by Banca Monte dei Paschi di Siena SpA. The residual value of the underlying assets as of 30 June 2009 was EUR 640.49 million. Also in this case, the notes issued by the vehicle were fully subscribed by the originator, Banca Monte dei Paschi di Siena SpA, and the loans sold were not derecognized from the balance-sheet.

Internal systems of risk measurement and control

The trend of the transactions is steadily monitored through the periodical (quarterly and half-yearly) measurement of the flows of collection of the residual capital, delayed payments and bad debt positions (in relation to performing securitizations).

Organization structure and reporting system to the Top Management

The Montepaschi Group set up a specific unit within the Parent Bank Credit Policies and Control Area, in charge of coordinating performing securitizations. Non-performing securitizations are followed up by a specific unit within the subsidiary, MPS Gestione Crediti SpA.

Moreover, a special Group Directive provides for a half-year report to be sent to the Top Management outlining the trends of the transactions implemented by the Group over the years.

The Parent Bank Finance Area participates in securitization operations, exclusively in relation to third parties' securitizations, as an investor. Investment operations in such instruments are attributable to the diversification of the risk profile of the portfolio under management and the maximization of the risk/return objective.

Description of the importance in relation to the Bank's activity

The underlying assets in relation to securitizations without derecognition account for 7.6% of consolidated assets, as shown hereunder.

Description of the exposures

The following table shows net exposures in relation to the securitizations carried out after 1 January 2004, which are represented by the book value of underlying loans sold, and not written off from the originator's financial statements. The exposures are almost totally allocated to Italian underlying assets.

Underlying Assets for Group Securitizations after 1st January 2004

Value in Eur/mln

					30/06/2009 Securitised Exposure	
Securitization	**Derecognition**	**Underlying Type**	**Year**	**Financial Report Item**	**Underlyng Assets**	**% on Group Total Assets**
Siena Mortgages 00 1	NO	Non performing receivables	2007	Receivables - Customer Loans	640,49	0,30%
Siena Mortgages 07 5 / 07 5 Bis	NO	Mortages	2007 / 08	Receivables - Customer Loans	7.080,67	3,34%
Siena Mortgages 09 6 /09 6 Bis	NO	Mortages	2009	Receivables - Customer Loans	8.433,72	3,98%
Total					**16.154,88**	**7,62%**

The following table shows cash exposures – mainly represented by different forms of credit enhancements - and the net value of underlying assets as of 30 June 2009, in relation to the securitizations prior 2004. No exposure to subprime loans or other financial products having significant relations with these assets are reported.

Group Securitizations before 1st January 2004: Total Exposure
Value in Eur/mln

Securitization	Underlying Sector	Year	Sintethic vs Traditional	30/06/2009 Cash Exposure		
				Cash Exposure	Adjustments	Underlying Assets
Giotto Finance*	Performing mortgage loans	2001	Traditional	0,00	0,00	0,00
Giotto Finance 2	Performing mortgage loans	2003	Traditional	47,42	0,00	134,37
Gonzaga Finance	Bonds	2000	Traditional	0,00	0,00	0,07
Mantegna Finance	Mortgages	2001	Traditional	10,68	0,00	111,69
Mantegna Finance II	Mortgages	2002	Traditional	8,33	0,00	86,56
MPS Asset Securitization (MAS)	Performing Loans	2002	Traditional	44,26	0,00	504,10
Siena Mortgages 02 3	Mortgages	2002	Traditional	0,00	0,00	516,69
Siena Mortgages 03 4	Mortgages	2003	Traditional	33,32	0,00	683,29
Spoleto Mortgages	Performing Loans	2003	Traditional	2,01	0,00	75,69
Ulisse 4	Non Performing Loans	2001	Traditional	4,44	0,00	14,68
Ulisse 2	Non Performing Loans	2001	Traditional	59,32	-17,77	183,74
Vintage Capital	Bonds & Credit Derivatives	2000	Traditional	1,59	-0,23	n.d.
Total				**211,37**	**-18,01**	**2.310,88**

*Giotto Finance was repurchased in April 2009.

The above-mentioned companies – fully consolidated by the Group - are securitization vehicles, with the Group playing the role of originator. As of today, the Montepaschi Group did not act as the sponsor of any securitization transactions.

Quantification of economic effects

In H1 2009, own securitization implied adverse economic effects in the amount of EUR 18 mln, mainly posted to account 130 a) " Value adjustments/recoveries for loan impairment" of the consolidated profit and loss statement.

STRUCTURED CREDIT PRODUCTS

Description of the business model with reference to the objectives and strategies

The Montepaschi Group allocates a portion of its capital to equity investments, with several objectives. In particular, the Group aims at:

- achieving a risk-adjusted return which is much higher than the cost of allocated capital, so as to create value for the shareholders;
- achieving a diversification with respect to the other risks typical of its commercial business;
- keeping an in-depth and up-dated view of the trends of the financial markets which inevitably affect also the domestic markets where the Group mainly operates.

In order to achieve the above-mentioned objectives, the Group set up a dedicated special unit within the Finance Area of the Parent Bank. The scope of operations in the financial market is as wide as possible so as to take the most of risk diversification and decreasing exposure to specific sectors of the stock market.

In this respect, the typical Treasury bills, equities and forex investments were flanked, as of 2002, by specific operations in the market of corporate bond issues and credit derivatives. This business sector followed the market trends and also made investments in structured bonds. Said investments are compliant with the above-mentioned process of diversification. Financial technology actually ensured the opportunity of taking positions in specific credit risk components such as the correlation, and the recovery through structured bonds.

The investment process starts from specific analyses and valuations made by the traders in a bottom up logic. The process is included in the overall monitoring of risks at portfolio levels. In other words, the positions are taken after a specific analysis carried out by the traders in view of a maximum risk profile for the portfolios.

All operations in the equity markets are subject to risk limits which are monitored on a daily basis, such as Stop Loss and risk limits, in particular nominal limits of max. exposure by issuer macro-categories, diversified by rating.

The following information refers to the category of structured credit products and the whole Montepaschi Group. Since there are no standardized and widely accepted definitions, for the purpose of this report the category of structured credit products incorporates, according to the instructions given by the *Financial Stability Forum* (now *Financial Stability Board*), both structured credit products in the strict sense and investments in securities issued by vehicles (SPEs) and not included in the above-mentioned report concerning consolidated SPEs.

The exposures incorporate "long positions" and "short positions" as of 30 June 2009. "Long positions" are taken through cash instruments and "short positions" are held through credit derivatives on indices.

For information, the appendix includes a short description of various kinds of investments and the acronyms used in this paragraph.

This report is prepared for regulatory purposes, by separately showing the positions in relation to the Banking Book and the Trading Book for Regulatory Purposes.

Description of the weight in relation to the Bank's business

The overall Book Value of long positions in structured credit products, amounting to EUR 2,109.44 mln, accounts for 0.99% of consolidated assets. It is allocated as follows:

- under account 20 "Financial assets held for trading purposes" in the amount of EUR 471.43 mln (or 22% of total long positions, including EUR 147.67 mln classified in the Trading Book for Regulatory Purposes and EUR 323.76 mln. in the Banking Book);
- under account 40 "Financial assets available for sale" in the amount of EUR 30.19 mln (or 2% of total long positions, all of them classified in the Banking Book);
- under account 70 "Customers' deposits" in the amount of EUR 1,607.82 mln (or 76% of total long positions, all of them classified in the Banking Book).

The total Book Value of net short positions in credit derivatives on indices is EUR -14.93 mln.

Description of Long Positions

With reference to the classification for Regulatory purposes, the positions are mainly allocated to the Banking Book (93% in terms of book value) and secondly to the Trading Book (about 7%).

The information shown is divided into macro-categories of structured credit products, with an indication of the nominal amount, risk exposure and (realized and unrealized) economic effects for the first half of 2009. In particular, in relation to the risk exposure of long positions, the tables show the book value which is indicative of the economic loss in case of default, with nil expectations of recovery. Realized charges and income represent trading losses and profits realized in the period of reference, the writedowns and revaluations with an impact on the profit and loss statement show the effect of the change of the book value directly posted to the Profit and Loss Statement. The writedowns and revaluations with an effect on the net equity reserve are posted in relation to the instruments classified as available for sale (AFS). All amounts are expressed in EUR million.

The accounting reclassification of a portion of these products (which were previously classified as HFT or AFS) under L&R during the second half of 2008 implied a change in the accounting rules of determination of their book value (now valued at the amortized cost) and the corresponding modes of determination of the effects to the profit and loss statement and net equity reserve. In particular, for the purpose of this section, the economic effects of L&R positions do not take account of the "latent" capital gains/losses which would be posted in continuity of the valuation criteria, in addition to the AFS reserves in relation to the financial assets transferred from the AFS portfolio to L&R.

Long positions in structured credit products at the Group level amount to (nominal) EUR 2.42 bn, corresponding to a book value of roughly EUR 2.11 bn.

Within the Banking Book (total nominal amount of about EUR 2.26 bn, book value of about EUR 1.96 bn), the weight of CDOs is prevailing (abt.57%), followed by CLNs issued by SPEs (abt.27%).

Investments in a nominal amount of about EUR 0.16 bn (book value: EUR 0.15 bn) including ABS (abt.23%) and CDOs (77%) were classified in the Trading Book.

Montepaschi Group
Credit Structured Products: Total Exposure
Long positions

(EUR/mln as of 30.06.2009)

Classification	Instrument Category	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
Banking Book	ABS	40,01	38,04	-0,22	0,00	-3,19
	CDO	1370,46	1117,36	0,29	-17,55	-0,30
	CLN	547,10	538,22	0,00	19,27	0,00
	Dynamic Managed Portfolio	300,00	268,15	0,00	11,32	0,00
	Banking Book Total	**2257,57**	**1961,77**	**0,07**	**13,04**	**-3,49**
Trading Book	ABS	34,46	33,69	1,87	-0,68	0,00
	CDO	126,78	113,98	3,74	-12,80	0,00
	Trading Book Total	**161,24**	**147,67**	**5,61**	**-13,48**	**0,00**
Credit Structured Products Total (long positions)		**2418,81**	**2109,44**	**5,68**	**-0,44**	**-3,49**

All positions concerned are held for investment purposes, except for a CDO in a total book value of about EUR 100 mln, with the Group playing the role of co-arranger and Portfolio Manager.

Following is a breakdown by product of long exposures, which also shows the kind of structure (i.e. synthetic, semi-synthetic or traditional). A "Traditional structure" includes investments in funded structures which do not incorporate credit derivatives. A synthetic structure includes unfunded structures and funded structures incorporating credit derivatives. A semi-synthetic structure shall group the investments including both traditional and synthetic instruments.

Credit Structured Products Exposure
Banking Book
EUR/mln

Classification		Synthetic/ Traditional	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	ABS	TRADITIONAL	5,11	4,91	-0,36	0,00	0,06
	CMBS	TRADITIONAL	18,28	16,57	0,43	0,00	-2,45
	RMBS	TRADITIONAL	16,62	16,56	-0,29	0,00	-0,80
ABS Total			**40,01**	**38,04**	**-0,22**	**0,00**	**-3,19**
CDO	CBO	TRADITIONAL	21,68	20,64	0,00	0,00	0,00
	CDO	SYNTHETIC	35,00	11,51	0,00	0,00	0,00
	CDO di ABS	TRADITIONAL	540,40	463,53	0,00	0,00	0,00
	CDO2	TRADITIONAL	450,00	370,85	0,00	0,00	0,00
	CDO3	SYNTHETIC	17,73	4,91	0,00	0,18	0,00
	CLO	SYNTHETIC	8,50	6,20	0,00	0,00	0,00
	CLO	TRADITIONAL	62,57	52,81	0,29	0,00	-0,30
	LSS	SYNTHETIC	20,00	18,73	0,00	4,38	0,00
	Managed CDO	SEMISYNTHETIC	4,58	3,06	0,00	0,04	0,00
	SLCDO	SYNTHETIC	210,00	165,12	0,00	-22,15	0,00
CDO Total			**1370,46**	**1117,36**	**0,29**	**-17,55**	**-0,30**
CLN	SPE CLN	SYNTHETIC	547,10	538,22	0,00	19,27	0,00
CLN Total			**547,10**	**538,22**	**0,00**	**19,27**	**0,00**
Dynamic Ptf.	CPPI	SYNTHETIC	150,00	120,44	0,00	0,83	0,00
	SPI	SYNTHETIC	150,00	147,71	0,00	10,49	0,00
Dynamic Managed Portfolio Total			**300,00**	**268,15**	**0,00**	**11,32**	**0,00**
Total			**2257,57**	**1961,77**	**0,07**	**13,04**	**-3,49**

As a whole, synthetic structures in the Banking Book account for 52%, with traditional ones representing 48%. Semi-synthetic structures are negligible.

Credit Structured Products Exposure
Trading Book
(EUR/mln)

Classification		Synthetic/ Traditional	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	ABS	TRADITIONAL	10,33	10,43	0,19	0,09	0,00
	CMBS	TRADITIONAL	6,38	6,16	0,04	-0,14	0,00
	RMBS	SYNTHETIC	1,40	1,33	0,04	-0,07	0,00
	RMBS	TRADITIONAL	16,35	15,77	1,60	-0,56	0,00
ABS Total			**34,46**	**33,69**	**1,87**	**-0,68**	**0,00**
CDO	CBO	TRADITIONAL	0,28	0,26	0,00	-0,02	0,00
	CLO	TRADITIONAL	2,98	2,58	0,05	-0,41	0,00
	Managed CDO	SEMISYNTHETIC	103,70	103,10	2,97	-0,59	0,00
	Managed CDO	SYNTHETIC	18,63	6,76	0,68	-11,86	0,00
	SCDO	SYNTHETIC	1,19	1,28	0,04	0,08	0,00
CDO Total			**126,78**	**113,98**	**3,74**	**-12,80**	**0,00**
Total			**161,24**	**147,67**	**5,61**	**-13,48**	**0,00**

Semi-synthetic structures account for 70% of the Trading Book for Regulatory Purposes, with traditional ones representing 24% followed by synthetic structures (6%).

Following is the breakdown by rating of long positions, separately showing the exposures of the Banking Book and the exposures of the Trading Book for Regulatory Purposes.

Credit Structured Products Exposure
Banking Book
(EUR/mln)

Rating	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	176,31	171,67	-0,09	11,32	-1,14
AA+	400,00	323,63	0,00	0,00	0,00
AA	11,13	9,62	0,01	0,00	-0,18
AA-	269,76	228,39	-0,01	-19,26	-1,06
A+	570,43	546,43	0,17	14,31	-0,11
A	397,66	371,92	-0,42	0,18	-0,50
BBB+	95,00	95,83	0,00	2,07	0,00
BBB	69,17	65,45	0,04	0,00	-0,20
BB+	5,70	4,52	0,13	0,00	-0,09
BB	26,75	8,92	0,16	0,00	-0,11
BB-	4,40	4,51	0,08	0,00	-0,10
CCC+	71,68	21,89	0,00	0,00	0,00
CCC	20,00	18,73	0,00	4,38	0,00
CC	35,00	11,51	0,00	0,00	0,00
NR/NA	104,58	78,75	0,00	0,04	0,00
Total	**2257,57**	**1961,77**	**0,07**	**13,04**	**-3,49**

With reference to the Banking Book, 88% of nominal exposures consist of Investment Grade securities (with rating up to BBB-) followed by Sub-investments Grade or not Rated positions (12%).

Credit Structured Products Exposure
Trading Book
(EUR/mln)

Rating	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	31,50	31,50	1,57	0,09	0,00
AA+	0,00	0,00	0,00	0,00	0,00
AA	6,07	4,87	0,12	-1,21	0,00
AA-	0,15	0,16	0,16	0,01	0,00
A+	0,00	0,00	0,01	0,00	0,00
A	0,00	0,00	0,00	0,00	0,00
A-	104,89	104,38	3,04	-0,51	0,00
BBB+	0,00	0,00	0,00	0,00	0,00
BBB	0,00	0,00	0,03	0,00	0,00
BBB-	8,51	3,75	0,22	-4,76	0,00
BB	0,00	0,00	0,00	0,00	0,00
CCC	2,44	0,96	0,10	-1,47	0,00
CCC-	6,88	1,38	0,26	-5,50	0,00
CC	0,80	0,67	0,10	-0,13	0,00
Total	**161,24**	**147,67**	**5,61**	**-13,48**	**0,00**

With reference to the Trading Book for Regulatory Purposes, 94% of positions consist of Investment Grade securities (with rating up to BBB-) with the remaining 6% represented by Sub-investment Grade positions.

<u>Details of ABS exposures</u>

The following detailed information concerning ABS is provided with reference to the geographical area, the segment of underlying assets, vintage and the average maturity of underlying assets.

Following is the geographical breakdown of underlying assets. In particular, there are no positions with underlying assets originated by US vehicles, both in the Banking Book and in the Trading Book.

ABS Exposure
Banking Book
(EUR/mln)

Classification	Underlying region	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	Italy	3,61	3,56	-0,36	0,00	0,06
	Spain	1,50	1,35	0,00	0,00	0,00
ABS Total		**5,11**	**4,91**	**-0,36**	**0,00**	**0,06**
CMBS	France	1,17	0,71	0,07	0,00	-0,20
	Germany	0,00	3,82	0,00	0,00	0,00
	Germany Switzerland	1,61	1,00	0,03	0,00	-0,30
	Italy	11,34	8,55	0,26	0,00	-0,78
	Mixed Euro	4,16	2,49	0,07	0,00	-1,17
CMBS Total		**18,28**	**16,57**	**0,43**	**0,00**	**-2,45**
RMBS	Australia	0,92	2,82	0,01	0,00	0,02
	Great Britain	4,57	3,98	0,02	0,00	-0,48
	Italy	1,25	1,25	0,00	0,00	0,00
	Netherlands	4,30	3,75	-0,06	0,00	0,00
	Spain	5,58	4,76	-0,26	0,00	-0,34
RMBS Total		**16,62**	**16,56**	**-0,29**	**0,00**	**-0,80**
Total		**40,01**	**38,04**	**-0,22**	**0,00**	**-3,19**

Exposures in the Banking Book are allocated to Italian underlying assets (abt.35%), Spanish underlying assets (16%) and German underlying assets (10%).

ABS Exposure
Trading Book
(EUR/mln)

Classification	Underlying region	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	Great Britain	0,00	0,00	0,03	0,00	0,00
	Italy	10,33	10,43	0,16	0,09	0,00
ABS Total		**10,33**	**10,43**	**0,19**	**0,09**	**0,00**
CMBS	Italy	1,38	1,24	0,03	-0,14	0,00
	Netherlands	5,00	4,92	0,00	0,00	0,00
	Spain	0,00	0,00	0,01	0,00	0,00
CMBS Total		**6,38**	**6,16**	**0,04**	**-0,14**	**0,00**
RMBS	Germany	1,40	1,33	0,04	-0,07	0,00
	Great Britain	1,69	0,96	0,22	-0,73	0,00
	Italy	12,75	13,13	1,09	0,40	0,00
	Netherlands	0,00	0,00	0,23	0,00	0,00
	Portugal	1,91	1,68	0,05	-0,23	0,00
	Spain	0,00	0,00	0,01	0,00	0,00
RMBS Total		**17,75**	**17,10**	**1,64**	**-0,63**	**0,00**
Total		**34,46**	**33,69**	**1,87**	**-0,68**	**0,00**

Exposures in the Trading Book are allocated to Italian underlying assets (74%), Dutch ones (15%) and German ones (4%).

Following is the breakdown of ABS by segment of underlying assets, separately showing the exposures of the Banking Book and the exposures of the Trading Book for Regulatory Purposes.

ABS Exposure
Banking Book
(EUR/mln)

Classification	Underlying Sector	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	Equip Lease	3,61	3,56	0,09	0,00	0,06
	Other Consumer Loan	1,50	1,35	0,00	0,00	0,00
	Trade Receivable	0,00	0,00	-0,45	0,00	0,00
ABS Total		**5,11**	**4,91**	**-0,36**	**0,00**	**0,06**
CMBS	Commercial Mortgages	18,28	16,57	0,43	0,00	-2,45
CMBS Total		**18,28**	**16,57**	**0,43**	**0,00**	**-2,45**
RMBS	Residential Mortgages	16,62	16,56	-0,29	0,00	-0,80
RMBS Total		**16,62**	**16,56**	**-0,29**	**0,00**	**-0,80**
Total		**40,01**	**38,04**	**-0,22**	**0,00**	**-3,19**

Commercial and residential mortgage loans account for 88% of the Banking Book (with a weight of 44%, respectively).

ABS Exposure
Trading Book
(EUR/mln)

Classification	Underlying Sector	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	Credit Card	0,00	0,00	0,03	0,00	0,00
	Equip Lease	0,11	0,18	0,02	0,07	0,00
	Life Policy Loans	0,15	0,16	0,00	0,01	0,00
	Public Sector Loans	10,07	10,09	0,14	0,01	0,00
ABS Total		**10,33**	**10,43**	**0,19**	**0,09**	**0,00**
CMBS	Commercial Mortgages	6,38	6,16	0,04	-0,14	0,00
CMBS Total		**6,38**	**6,16**	**0,04**	**-0,14**	**0,00**
RMBS	Residential Mortgages	17,75	17,10	1,64	-0,63	0,00
RMBS Total		**17,75**	**17,10**	**1,64**	**-0,63**	**0,00**
Total		**34,46**	**33,69**	**1,87**	**-0,68**	**0,00**

About 51% of the Trading Book consist of positions with underlying residential mortgage loans (RMBS), followed by commercial mortgage loans (abt.18% - CMBS) and ABS positions with other underlying industries (mostly loans to Government entities) accounting for the remaining 31%.

Following is the breakdown by vintage of the assets underlying ABS positions.

ABS Exposure
Banking Book
(EUR/mln)

Classification	Vintage	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	2000	1,50	1,35	0,00	0,00	0,00
	2002	3,61	3,56	0,09	0,00	0,06
	2006	0,00	0,00	-0,45	0,00	0,00
ABS Total		**5,11**	**4,91**	**-0,36**	**0,00**	**0,06**
CMBS	2004	1,17	0,71	0,07	0,00	-0,20
	2005	10,16	7,16	0,23	0,00	-0,99
	2006	2,79	2,39	0,06	0,00	-0,09
	2007	4,16	6,31	0,07	0,00	-1,17
CMBS Total		**18,28**	**16,57**	**0,43**	**0,00**	**-2,45**
RMBS	2000	1,21	1,18	0,00	0,00	0,00
	2001	0,52	0,36	0,01	0,00	-0,06
	2002	0,34	0,30	0,01	0,00	-0,01
	2003	1,25	1,25	0,00	0,00	0,00
	2004	2,49	3,19	-0,03	0,00	-0,46
	2006	7,81	7,49	0,08	0,00	-0,27
	2007	3,00	2,79	-0,36	0,00	0,00
RMBS Total		**16,62**	**16,56**	**-0,29**	**0,00**	**-0,80**
Total		**40,01**	**38,04**	**-0,22**	**0,00**	**-3,19**

ABS Exposure
Trading Book
(EUR/mln)

Classification	Vintage	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	1999	0,15	0,16	0,00	0,01	0,00
	2002	0,00	0,00	0,03	0,00	0,00
	2003	0,00	0,00	0,01	0,00	0,00
	2004	10,18	10,27	0,14	0,08	0,00
	2005	0,00	0,00	0,01	0,00	0,00
ABS Total		**10,33**	**10,43**	**0,19**	**0,09**	**0,00**
CMBS	2005	0,00	0,00	0,01	0,00	0,00
	2006	1,38	1,24	0,03	-0,14	0,00
	2007	5,00	4,92	0,00	0,00	0,00
CMBS Total		**6,38**	**6,16**	**0,04**	**-0,14**	**0,00**
RMBS	2003	1,91	1,68	0,19	-0,23	0,00
	2004	3,09	2,29	0,10	-0,80	0,00
	2005	1,05	1,06	0,08	0,02	0,00
	2006	0,00	0,00	0,25	0,00	0,00
	2007	11,70	12,07	1,02	0,38	0,00
RMBS Total		**17,75**	**17,10**	**1,64**	**-0,63**	**0,00**
Total		**34,46**	**33,69**	**1,87**	**-0,68**	**0,00**

Finally, following is the breakdown by average maturity of the assets underlying ABS positions. 84% of nominal positions of the Banking Book consist of underlying assets with an average maturity not over 4 years. 62% of nominal exposures of the Trading Book consist of underlying assets with an average maturity not over 5 years. The remaining 38% include underlying assets with an average maturity between 6 and 7 years.

ABS Exposure
Banking Book
(EUR/mln)

Classification	Average maturity (years)	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	3	1,50	1,35	0,00	0,00	0,00
	6	0,00	0,00	-0,45	0,00	0,00
	7	0,52	0,51	0,02	0,00	0,01
	8	3,09	3,05	0,07	0,00	0,05
ABS Total		**5,11**	**4,91**	**-0,36**	**0,00**	**0,06**
CMBS	2	3,34	2,06	0,03	0,00	-0,80
	3	2,11	1,74	0,08	0,00	-0,12
	4	10,19	11,62	0,22	0,00	-0,75
	6	1,17	0,71	0,07	0,00	-0,20
	7	1,47	0,44	0,03	0,00	-0,58
CMBS Total		**18,28**	**16,57**	**0,43**	**0,00**	**-2,45**
RMBS	0	1,25	1,25	0,00	0,00	0,00
	1	3,00	4,72	0,00	0,00	0,00
	2	1,21	1,18	-0,06	0,00	0,00
	3	1,26	1,19	0,02	0,00	0,01
	4	7,81	6,67	0,08	0,00	-0,27
	5	0,75	0,21	0,01	0,00	0,01
	6	0,52	0,36	-0,35	0,00	-0,06
	7	0,00	0,82	0,00	0,00	0,00
	17	0,82	0,16	0,01	0,00	-0,49
RMBS Total		**16,62**	**16,56**	**-0,29**	**0,00**	**-0,80**
Total		**40,01**	**38,04**	**-0,22**	**0,00**	**-3,19**

ABS Exposure
Trading Book
(EUR/mln)

Classification	Average maturity (years)	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
ABS	0	10,07	10,09	0,18	0,01	0,00
	1	0,11	0,18	0,00	0,07	0,00
	2	0,00	0,00	0,01	0,00	0,00
	5	0,15	0,16	0,00	0,01	0,00
ABS Total		**10,33**	**10,43**	**0,19**	**0,09**	**0,00**
CMBS	2	1,38	1,24	0,04	-0,14	0,00
	7	5,00	4,92	0,00	0,00	0,00
CMBS Total		**6,38**	**6,16**	**0,04**	**-0,14**	**0,00**
RMBS	0	3,31	3,01	0,28	-0,30	0,00
	3	1,05	1,06	0,02	0,02	0,00
	4	3,91	4,15	0,32	0,25	0,00
	5	1,69	0,96	0,08	-0,73	0,00
	6	7,79	7,92	0,94	0,13	0,00
RMBS Total		**17,75**	**17,10**	**1,64**	**-0,63**	**0,00**
Total		**34,46**	**33,69**	**1,87**	**-0,68**	**0,00**

Detailed CDO exposures

The information concerning CDOs is listed on the basis of the kinds of products and the seniority of tranches. In terms of geographical breakdown of the portfolios of reference, the composition of most structures is mixed, except for the EIRLES TV DE45 (CDO of ABS) position totally linked with US subprime underlying assets.

CDO Exposure
Banking Book
(EUR/mln)

Classification	Seniority	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CBO	SENIOR	21,68	20,64	0,00	0,00	0,00
CDO	MEZZANINE	35,00	11,51	0,00	0,00	0,00
CDO di ABS	MEZZANINE	120,20	56,16	0,00	0,00	0,00
CDO di ABS	SENIOR	420,20	407,37	0,00	0,00	0,00
CDO2	SENIOR	450,00	370,85	0,00	0,00	0,00
CDO3	SENIOR	17,73	4,91	0,00	0,18	0,00
CLO	JUNIOR	2,00	1,66	0,00	0,00	0,00
CLO	MEZZANINE	45,72	40,07	-0,08	0,00	0,00
CLO	SENIOR	23,35	17,28	0,37	0,00	-0,30
LSS	SENIOR	20,00	18,73	0,00	4,38	0,00
Managed CDO	JUNIOR	4,58	3,06	0,00	0,04	0,00
SLCDO	SENIOR	210,00	165,12	0,00	-22,15	0,00
Total		**1370,46**	**1117,36**	**0,29**	**-17,55**	**-0,30**

The main category in the Banking Book is represented by CDOs of ABS and Squared CDOs (41% and 33%, respectively). As to seniority, senior tranches account for about 90% of the whole CDO portfolio, followed by mezzanine tranches (10%). Junior tranches are negligible.

CDO Exposure
Trading Book
(EUR/mln)

Classification	Seniority	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CBO	MEZZANINE	0,00	0,00	0,00	0,00	0,00
CBO	SENIOR	0,28	0,26	0,00	-0,02	0,00
CLO	MEZZANINE	2,98	2,58	0,04	-0,41	0,00
CLO	SENIOR	0,00	0,00	0,01	0,00	0,00
Managed CDO	MEZZANINE	0,80	0,67	0,10	-0,13	0,00
Managed CDO	SENIOR	121,53	109,19	3,55	-12,32	0,00
SCDO	MEZZANINE	1,19	1,28	0,04	0,08	0,00
Total		**126,78**	**113,98**	**3,74**	**-12,80**	**0,00**

The main category of CDOs existing in the Trading Book is represented by Managed CDOs , with a weight of about 96%. As to seniority, senior tranches account for about 96%, followed by mezzanine tranches (4%). There are no junior tranches.

Details of Managed Portfolio and SPE CLN exposures.

Both types can be found only in the Banking Book.

In particular, the portfolio as of 30 June 2009 included investments in a nominal amount of € 300 mln with underlying managed portfolios (CPPIs and SPIs) and CLNs issued by SPEs in the amount of EUR 547.10 mln.

Dynamic Managed Portfolio Exposure
Banking Book
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CPPI	150,00	120,44	0,00	0,83	0,00
SPI	150,00	147,71	0,00	10,49	0,00
Totale	**300,00**	**268,15**	**0,00**	**11,32**	**0,00**

CLN Exposure
Banking Book
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPE CLN	547,10	538,22	0,00	19,27	0,00
Total	**547,10**	**538,22**	**0,00**	**19,27**	**0,00**

Exposures to US subprime and Alt –A.

Given the negligible value of US subprime and Alt-A exposures, there are no detailed tables. The only position is represented by EIRLES TV DE45 (CDO of ABS), fully linked with US subprime underlying assets which was almost totally written down as of 31 December 2008. However, such position is included in the above tables.

Monoline exposures

The Montepaschi Group has no direct exposures to mono-line insurers but only limited indirect positions, which may be linked with CDO positions already included in the above-mentioned tables. The estimated indirect exposure to mono-line insurers within the above-mentioned CDOs is about EUR 3.6 mln (nominal value).

Description of "short positions"

By nature and purpose, the following detailed short positions mitigate the overall risk of the bond portfolio, since they benefit from the deterioration of the creditworthiness of underlying assets, as represented by the expansion of the related credit spreads.

The exposures are all represented by derivatives on standardized credit indices and are all attributable to the Trading Book. In particular, there are positions on indices such as iTraxx (European market) and CDX (US market).

As a whole, short exposures total a notional amount of EUR -434.35 million, with a book value as of 30 June 2009 of EUR -14.93 mln.

Credit Index: Short Position
Trading Book
(EUR/mln)

Index	**Nominal**	**Exposure**	**Profit/Loss**
iTraxx Europe	-325,00	-8,15	4,36
iTraxx Europe Crossover	-74,30	0,29	-2,44
iTraxx Europe Subordinated Financials	-30,00	-2,49	-0,50
CDX NA IG	-17,05	-5,17	2,93
iTraxx Europe Senior Financials	12,00	0,59	-1,62
Total	**-434,35**	**-14,93**	**2,73**

Leveraged Finance

Description of the Business Model with reference to the objectives and strategies

The following information is in relation to credit exposures (loans) to Special Vehicles (SPE -Special Purpose Entity) including structured securities (e.g. CDO, CLO, RMBS) and/or securities issued by *highly leveraged borrower* in their assets, with reference to the whole Group. These exposures are included under "Due from customers".

Description of the weight in relation to the Bank's business

The impact of said exposures on the Bank's business is absolutely negligible.

The exposure includes two positions totalling a nominal amount and risk exposure of EUR 13.3 mln (EUR 3.3 mln and EUR 10 mln, respectively), with no writedown.

In addition:

- the EUR 3.3 mln position is attributable to a vehicle which invested only in securities with underlying assets being represented by different European triple A-rated ABSs, as of today.
- The assets of the EUR 10 mln position included only securities with underlying assets being represented by Class C1 of a non-performing loan securitization. However, these securities are expressly guaranteed by a primary Italian Credit Institution.
- Said vehicles have no exposures to US subprime and Alt-A or mono-line insurers.

Disclosure of the fair value of structured credit instruments

This section concerns only structured credit instrument, both with reference to long positions and short positions.

In compliance with the accounting reclassification of a portion of the positions during the second half of 2008, the investments made by the Montepaschi Group are now classified not only as HFT and AFS – which contemplate a fair value valuation on the basis of the IAS/IFRS international accounting principles – but also as L&R, therefore valued at the amortized cost.

As a result, the fair value principle is no longer applied to the whole area of structured credit instruments, but only to the instruments contemplating the fair value valuation also for the purpose of the financial statements.

With reference to book values, about 16% of the long positions valued at fair value are attributable to valuations based on observable inputs (Tier 2), which are deemed to be liquid and reliable. 84% are associated with valuation models which also use non-directly observable criteria (Tier 3). Short positions on index derivatives are valued on the basis of liquid and observable inputs (Tier 2).

Montepaschi Group
Fair Value Disclosure - Credit Structured Products

EUR/mln 30.06.2009

Long Position

Financial Report item	Evaluation Criterion		Exposure	%
Item 70 assets (L&R)	Amortized cost		1607,82	
Item 20,40 assets (HFT, AFS)	Fair Value			
		Level 2 - Observable inputs	78,23	16%
		Level 3 - Not observable Inputs (models)	423,39	84%
		Total FV evaluation position	**501,62**	**100%**
Total long position			**2109,44**	

Short Position

Financial Report item	Evaluation Criterion		Exposure	%
Item 20 assets 40 liabilities (HFT)	Fair Value	Level 2 - Observable inputs	-14,93	100%
Total short position			**-14,93**	

From the viewpoint of the organization process, portfolio valuations for the purpose of the financial statements imply the contribution of first and second tier control units, according to their respective responsibilities, and are later reported to the Top Management.

Derivatives with customers and related counterpart risk

In general, the fair value of *Over the Counter* (OTC) financial instruments, including OTCs traded with the customers, is determined through valuation methods and assessment models. In particular, the fair value is calculated on the basis of the following general aspects: discount of future cash flows, models of determination of option prices, valuation of listed instruments having similar characteristics, values measured in recent comparable transactions. However, the procedures used always comply with the market practice.

The valuations are made on the basis of all risk factors which are relevant for each kind of financial instrument, risk factors which can be largely observed directly or indirectly, in the market. In the first case, the values are directly observable in the transactions carried out in the market. In the second case, the values are taken from market prices through the use of appropriate mathematical and financial techniques and methods (such as the determination of volatility implicit in the price of a listed option) characterized by different degrees of complexity. The valuation models used in the calculation of the fair value of derivatives are shared by the Business Units and the Risk Management and Quantitative Analysis Units.

These models are submitted to periodical review in order to continuously develop the modes of calculation of the fair value, so that the model approach adopted is steadily in line with the prevailing domestic and international best practice.

The Montepaschi Group business in Over The Counter derivatives with customers, started in 2002 after a special resolution of the Board of Directors, incorporates operations for the purpose of interest rate risk, foreign exchange risk and commodity risk hedging. The main products traded are interest rate swaps, caps, floors, collars, forward contracts, currency options, currency swaps, commodity options and combinations of these basic instruments.

The products supplied to the customers, in general, share some common features which characterize most operations. In particular, the traded products:

- are not speculative;
- are linked with an underlying position, although they are separate from a contractual and administrative point of view;
- their complexity is limited, although there are no proper plain vanilla (defined as structured) positions;
- are not characterized by financial leverage.

Derivative operations with the customers provide for the centralization of the product factory and market risk monitoring at MPS Capital Services, with the allocation, management and monitoring of counterpart credit risk with the customers going to the Commercial Banks.

Such operations include the assumption of market risks, characterized as the exposure in terms of potential loss which can be registered in the positions held as a result of negative changes in market indicators (risk factors). These operations are subject to the following main risk factors: interest rates, foreign exchange rates, indices, commodities and the relevant volatility and correlations. At the same time, the Bank takes the risk that the counterpart of a derivative transaction is in default before settlement (counterpart risk).

***

Following are the main qualitative and quantitative information with reference to all OTC derivative positions with customers, in relation to the transactions with counterparts belonging to Large Corporate, SME, Local Authorities and Small Business segments, therefore excluding financial counterparts.

OTC derivatives, including the OTCs traded with the customers, are subject to collective valuation in credit terms, like other technical forms. This valuation is developed by categories of homogenous exposures in terms of credit risk. The relevant loss percentages are estimated taking account of historical series (based on elements which are observable as of the date of valuation) which provide an estimate of the expected loss for each category. In particular, Default Probability (DP) and Loss Given Default (LGD) are the risk parameters used in collective valuations. DP and LGD estimated by the internal models are used in relation to Corporate and Retail counterparts, as provided for by circular letter 263 issued by the Bank of Italy in December 2006. The DP which can be obtained from the external rating assigned by the rating agencies and the LGD of the Foundation method (or 45%) are used for other counterparts.

The customers of the Montepaschi Group with OTC Derivatives number about 6,000, and the contracts executed account for a limited portion of the whole commercial operations.

The total net fair value of the products is positive for the Montepaschi Group (and negative for the customers) in an amount of roughly EUR 552 mln (notional amount: abt. EUR 22.3 bn). This result is mostly determined by interest rate operations, with a positive value of roughly EUR 526 mln and, to a lesser extent, by forex operations with a positive value of abt. EUR 23 mln.

Traded products consist of simple (Plain Vanilla) and structured products. In general, simple products include plain interest rate hedging contracts and options purchased by the customers with underlying interest rates, foreign exchange and commodities, i.e. all instruments characterized by a very simple structure and crystal clear financial logic. Structured products incorporate, in a very broad sense, the products consisting of several basic financial components and the products with minimal exotic aspects (i.e. digital payment profiles, barriers, etc.). In compliance with the EU MIFID Directive and limited to plain vanilla OTC derivatives, the Montepaschi Group extended this kind of operations to the former “qualified customers” (now retail customers). However, supply is mostly targeted at corporate “Professional” customers, with transactions recorded with reference to both kinds of products. The portion of portfolio attributable to structured products has a fair value of about EUR 411 mln (total notional value of about EUR 17 bn). The total amount of simple transactions is about EUR 141 mln (notional value abt. EUR 5.3 bn).

A separate analysis of assets (positive fair values for the Group) and liabilities (negative fair values for the Group) shows that the total *positive fair value* amounts to about EUR 644 mln, attributable to transactions with about 4,200 customers in a total notional amount of almost EUR 19.7 bn. In this framework, simple transactions amount to about EUR 192 mln (notional value: abt. EUR 4.6 bn), with structured transactions at about EUR 452 mln (notional value: EUR 15.1 bn). A breakdown of such fair value by kind of underlying assets shows that interest rate transactions stood at abt. EUR 582 mln, forex transactions at abt. EUR 52 mln, commodities transactions at abt. EUR 5.5 mln, with the remaining portion going to equities transactions.

The total negative fair value amounts to almost EUR 92 mln, which is attributable to transactions with approximately 2,000 customers in a total notional value of abt. EUR 2.6 bn. In this framework, simple transactions amount to abt. EUR 51 mln (notional value: abt. EUR 775 mln), with structured ones coming to abt. EUR 41 mln (notional value: EUR 1.8 bn). A breakdown of such value by underlying assets shows that interest rate transactions came to abt. EUR 57 mln, forex transactions to abt. EUR 29 mln, with the remaining portion going to commodities transactions.

With reference to the customers who traded structured products, the cumulative exposure in comparative terms with respect to the total positive fair values in relation to the customers shows that the position with respect to the top twenty customers accounts for roughly 31% of the total, with the percentage of exposure to the top fifty customers at abt. 44% and reaching 55% with respect to the top hundred clients.

APPENDIX: GLOSSARY OF THE TERMS USED

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

ABS: Asset Backed Security: guarantees the repayment and coupon flows on the basis of the income generated by a string of financial assets. They typically consists of RMBS and CMBS.

AFS: Available for Sale: IAS accounting category used to classify assets available for sale

CBO: Collateralized Bond Obligation: CDO where the underlying portfolio mainly consists of bonds.

CDO: Collateralized Debt Obligation: notes issued in different classes of riskiness and with different repayment subordination (tranche), as a result of the securitization of a debt instrument portfolio including credit risk. They are typically characterized by financial leverage.

CDO of ABS: CDO where the underlying portfolio mainly consists of ABS

CDO2: CDO Squared: CDO where the underlying portfolio mainly consists of other CDOs.

CDO3: CDO Cubed: CDO where the underlying portfolio mainly consists of CDO Squared.

CLN: Credit Linked Note: notes incorporating a credit derivative which is usually a credit default swap (CDS)

CLO: Collateralized Loan Obligation: CDO where the underlying portfolio mainly consists of loans

CMBS: Commercial Mortgage Backed Securities: ABS with underlying commercial mortgage loans

CPPI: Constant Proportion Portfolio Insurance: guaranteed-capital notes including a dynamic trading strategy for the purpose of participating in the performance of an underlying asset.

Dynamic Managed Portfolio: Dynamic Managed Portfolio: products with CPPI/SPI-like dynamic managed underlying assets.

HFT: Held for Trading: IAS accounting category used to classify assets and liabilities for trading purposes.

L&R: Loans & Receivables: IAS accounting category used to classify loans.

LSS: Leveraged Super Senior: CDO whereby the investor has an exposure with respect to the whole super senior tranche through a derivative contract which has a typical leverage effect

Managed CDO: Managed CDO: CDO where the portfolio of underlying exposures is managed

Mono-line insurer: mono-line insurer: insurance companies specialized in securing the payment of interest and notional amount of bonds upon default of the issuer. "Mono-line insurers" means that they service only one industry.

Other ABS: Other Asset Backed Securities: notes guaranteeing the repayment and the coupon flows on the basis of the income generated by a string of other assets: consumer credit and leasing, usually including consumer loans (loans for cars, credit cards), student loans, leasing financing, etc.

RMBS: Residential Mortgage Backed Securities: ABS with underlying residential mortgage loans

SCDO: Synthetic CDO: CDO where the portfolio of underlying assets mainly consists of Credit Default Swaps (CDS).

Seniority: Seniority: level of subordination in the repayment of notes, usually including Super Senior, Senior, Mezzanine and Junior levels.

SLCDO: Synthetic Loan CDO: CDO where the underlying portfolio mainly consists of Synthetic Loan CDS.

SPE: Special Purpose Entity: corporate vehicle established to achieve specific objectives, especially to isolate financial risks. Assets consist of a portfolio where income is used for the service of issued bonded loans.

SPE CLN: SPE Credit Linked Note: CLN issued by SPEs

SPI: Synthetic Portfolio Insurance: synthetic version of CPPIs, obtained through derivatives

Vintage: Vintage: the year of origination of the underlying assets of a structured credit product.

CAPITAL FOR REGULATORY PURPOSES AND CAPITAL RATIOS

The capital for regulatory purposes and capital ratios are calculated on the basis of capital and profit and loss statement results, as determined by the application of the international IAS/IFRS accounting principles and taking account of the Regulatory Instructions of the Bank of Italy issued by the 12th update to Circular no.155/91 – "Reporting instructions on capital for regulatory purposes and prudential requirements" of the Bank of Italy. The capital for regulatory purposes is calculated as the sum of positive and negative components, in accordance with their capital quality. The positive components should be fully available to the bank, for the purpose of using them in the calculation of capital absorption.

Effective the FY of 2008, the Bank calculates the prudential requirements in accordance with Basle 2. In addition, a notice received in June 2008 authorized the Parent Bank to use internal models for the determination of the Bank's and Group's capital requirements, in relation to credit and operational risks.

Internal models can be applied in compliance with some qualitative and quantitative limits contemplated by the Regulatory regulations. In particular, in accordance with the limits set ("floors"), any capital savings achieved through internal models are subject to ceilings to be calibrated with respect to the requirements calculated on the basis of the past regulations (Basle 1).

That being said, the **consolidated capital for regulatory purposes** of the MONTEPASCHI Group as of 30 June 2009 amounted to EUR 12,405 million approx.

CAPITAL FOR REGULATORY PURPOSES (€/mln)			
	30/06/09	*31/12/08*	*Var. %*
Tier 1 capital	7.073	6.798	4,04%
Tier 2 capital	5.708	5.525	3,31%
Deductions	376	327	14,90%
CAPITAL FOR REGULATORY PURPOSES	12.405	11.996	3,40%

With reference to capital ratios as of 30 June 2009, the TierI BIS II was estimated at 5.8% (5.1% at the end of 2008), with the BIS II solvency ratio at about 10.1% (9.3% at the end of 2008).

In particular, **Tier 1 capital** rose to about EUR 7,073 million with respect to 31 December 2008 (abt.6,798 million), due to the positive effect of the capitalization of profits in the first half of 2009 (inclusive of assets disposals: SGR AM, Si-Holding) and the amortization of intangible elements, net of the increase in the Expected Loss Delta.

Tier II capital stood at about EUR 5,708 million, with a progress with respect to the value as of 31 December 2008 (abt. 5,525 million) due to the issue of Tier 2 Subordinated Loans, excluding the maturities and the amortization of computability. The elements to be deducted from Tier I and Tier II capital total about 376 million (increasing from 328 mln as of 31 December 2008) mostly due to the increasing capital of the affiliated insurance companies.

As a result, **the total capital for regulatory purposes** came to about EUR 12,405 million (12,340 million as of 31 December 2008), also due to the expired computability of Tier 3 Capital following the expiration of the Tier 3 Subordinated Loan of 500 million (covering market risks in the amount of abt. 344 million as of 31 December 2008) in Q2 2009.

As of 30 June 2009, **Risk Weighted Assets (RWA)** could be estimated at about 122,421.9 million (abt.132,408 million as of 31 December 2008). This decrease is mostly attributable to the implementation of initiatives of optimization of the operating requirements (e.g. the extension of the area of application of the AMA methods to Operational Risks), the containment of the overall assets growth trend, the application of a 90% floor to BIS 2 capital requirements (from 95% as of 31 December 2008) as well as additional optimization in relation to the systems underlying regulatory reports.

THE OPERATING STRUCTURE AND OTHER INFORMATION

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 H1 2009, the MPS Group continued its activity geared toward **developing and streamlining its 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**, with 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.

With reference to the **traditional channels**, the **domestic branches** increased to **3,108**. In H 1 2009, **623 branches of Banca Antonveneta** started operating as units of Banca Monte dei Paschi di Siena and the **network of Banca Toscana (449 branches)** was integrated.

The Group distribution network also incorporates **843 financial promoters and 169 financial offices open to the public of Banca Personale.**

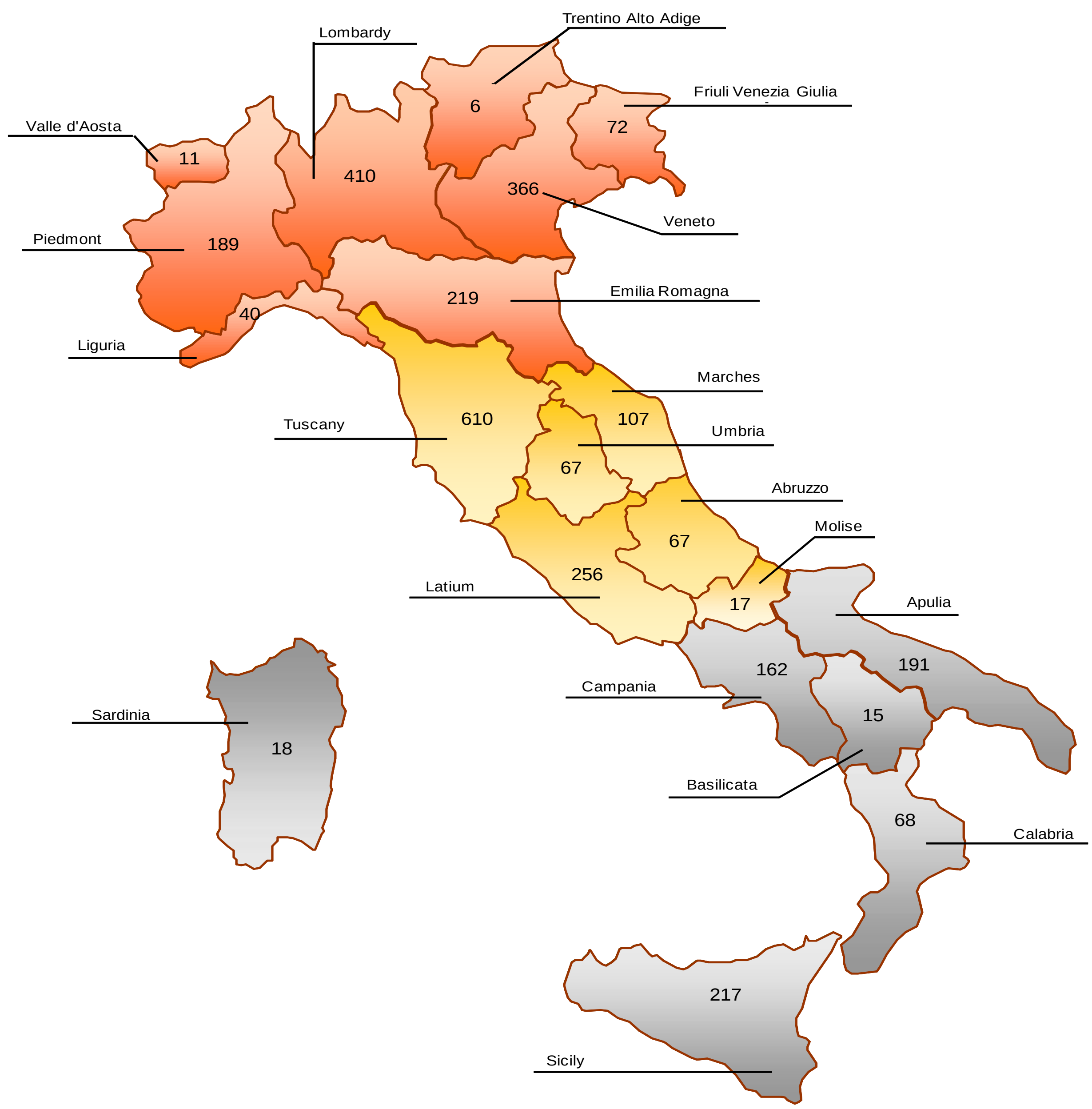
MPS GROUP DISTRIBUTION NETWORK

Channel	30.06.09	31.12.08
Domestic branches *	3.108	3.104
Financial Promoters Offices	169	167
Total domestic sales outlets	3.277	3.271
Foreign branches	39	39
SME Business Centres	154	119
Institutions Business Centres	44	37
Private Business Centres	88	73

* The specialized units of MPS Capital Services are not included

In H1 2009, the Group started a **project of review of the distribution of the specialized SME Centers in accordance with the introduction of the new service model**. This project shall have considerable repercussions on the points of presence in the second half of 2009.

THE DOMESTIC BRANCHES OF THE MPS GROUP



MPS GROUP BRANCHES AT 30.06.2009	
Banca MPS	2.599
Banca Antonveneta	403
Biverbanca	106
TOTAL MPS GROUP	**3.108**

BRANCH DISTRIBUTION BY GEOGRAPHICAL AREA AT 30.06.2009		
Northern Italy	1.313	42,2% of total
Central Italy	1.124	36,2% of total
Southern Italy and island	671	21,6% of total
TOTAL	**3.108**	

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 2009 **the Group intensified the circulation of integrated multi-channels to all Group customers**. As of June 2009, **the Group had executed about 130,000 multichannel Retail contracts** since the beginning of the year, including approximately 116,000 Integrated Multichannel contracts. The number of Integrated Multichannel contracts topped 460,000 contracts, which account for more than 47% of total Integrated Multichannel contracts plus Internet Banking contracts.

The Group has executed **1,742 new multichannel Corporate contracts** since the beginning of the year. Total corporate multichannel customers numbered 36,889, including about 32,000 Internet Corporate Banking Customers.

The structural initiatives in support of the Group innovative supply also incorporate **the start of the "Web Presence 2.0" project** which has the objective of thoroughly renovating the interface and applications dedicated to online customers (Internet Banking, Trading Online, Mobile Banking, Internet Corporate Banking), in a "web 2.0" logic.

On the basis of the **Group Contact Center operations,** customers' requests shifted from requests of transactions to **relational activities**, in line with the market trends also shown by the reports of the industry watchers (ABILab). Satisfactory results were achieved in the **contacts with Private prospects**, with the percentage of meetings arranged with the account managers much higher than the market benchmark for similar activities.

It is also worthwhile mentioning the **Contact Center assistance to the earthquake victims** with the Center representing, during the weeks immediately following the earthquake, the only free point of access, open from 8 am to 10 pm, ready to transmit all requests coming from the customers to still open branches, the competent Geographical Area and the Commercial Bank Division.

The Group ATMs totalled 3,671 as of 30 June 2009. From the organizational viewpoint, the first half of 2009 was characterized by the migration of the ATMs to Microcircuit, which mostly involved the former branches of the network of Banca Antonveneta. **The installation of remote ATMs continued in high commercial interest locations.**

THE FOREIGN DIRECT NETWORK

The direct network of the MONTEPASCHI Group is geographically located in the **major financial and economic centres and emerging countries with the highest rates of growth and/or most intensive relations with Italy,** for the purpose of:

- **providing the Italian customers with a wide service network** in support of international business and internationalization;
- **capturing trade finance flows**;
- **participating in the economic business in developed or highly developing markets**, for the purpose of diversifying the income base with a prudential approach.

The Group international **network** is based on the following units:

- 4 **operational branches** (London, New York, Hong Kong and Shanghai);
- **11 Representative Offices** (EU, central-eastern Europe, North Africa, India, China);
- **2 Italian Desks** (Spain, Romania).

In H1 2009 the Group **finalized co-operation agreements with the following foreign banks:**

- **Banco de Santander –** The agreement has the objective of providing assistance to the customers of the Montepaschi Group operating in **South America**. As a result of this operational alliance of a strategic nature, our Group is able to support the companies in their expansion in one of the most interesting areas from the viewpoint of business with the powerful assistance of Santander, a leading bank in the Latin-American market with a strong presence in 8 major countries. The co-operation with Santander was also extended to the Iberian peninsula. In **Spain** the agreement contemplates the establishment of an MPS Desk at the Valencia unit of Santander for the purpose of undertaking commercial initiatives especially with respect to the Spanish companies with Italian capital, with the support of the partner bank. In **Portugal** the Group executed an agreement with Santander subsidiary, Santander Totta.

- **Raiffeisen Zentralbank Oesterreich AG (RZB) –** This agreement was signed for the purpose of improving the Group presence in the markets of **eastern Europe and the CIS**, in a logic of support to our corporate customers in their process of internationalization. **RZB** ranks third among the Austrian banks and is the central institution of the Austrian cooperative banks. As a result of its strong involvement in eastern Europe (CEE), the extraordinary development of its operations in the area and appeal to the customers, the bank is one of the primary players in the region. RZB units are located in 15 countries including the CIS, the Balkan and central eastern countries.

- **Banca Transilvania** – In a logic of consolidation of operational relations in Romania, the Group increased its co-operation with **Banca Transilvania**, where the Group has a desk, for assisting its customers in the Romanian market and encouraging access to the banking services offered by the partner bank.

- **Société Générale** – The Société Générale Group is a leader in Maghreb due to the direct and consolidated presence of its subsidiaries with a large distribution network in each country of the area. The signature of the framework agreement with the Head Office in Paris was followed by operational agreements with the subsidiaries in each country of the area to better adjust to the specific characteristics of each market: National Société Générale Bank (**Egypt**), Société Générale Algérie (**Algeria**) and Union Internationale des Banques (**Tunisia**). These operational agreements consolidate our capacity of assistance and service already supplied by our units in North Africa.

PAYMENT AND COLLECTION SYSTEMS

The initiatives in relation to the collection and payment systems in H1 2009 were focused on the adjustment and **compliance with the new industry rules**, and the achievement of the strategic objectives of **enhancement of the value of supply and improvement of operations and profitability.**

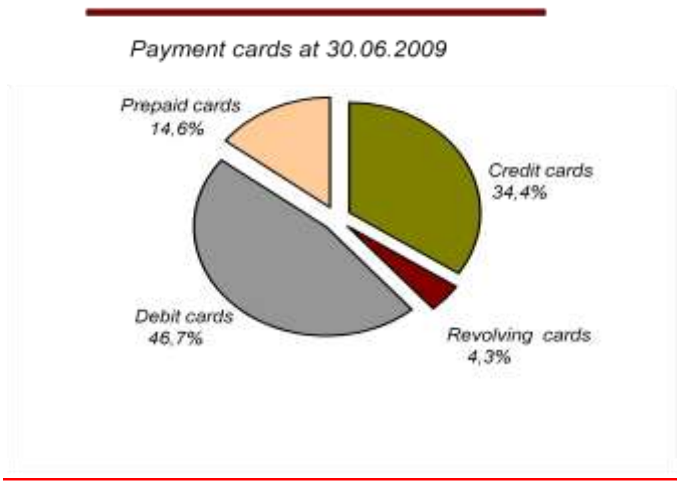
With specific reference to SEPA (Single Euro Payment), the Group is analysing the **Payment Service Directive (PSD),** the new directive on collections and payments which shall be adopted by the member states of the European Union no later than November 2009. The Group identified the gaps in relation to each product and the first solutions to be implemented to make the supply compliant with contractual, commercial, functional and operational issues. The Group also continued to **develop SEPA products** both with the definition of the requirements for the release of the "**European transfer**" (SEPA Credit Transfer) to different channels, in addition to the products already available in the branches, expected in Q3 2009 and the preliminary work for the release of the new service of "**European collection**" (SEPA Direct Debit) expected in November 2009.

For the purpose of expanding the number and kind of possible payments available to customers and non-customers, the Group released new functions (i.e. the payment of TV licence fees and a function dedicated to donations/fund raising, used for the purpose of "La Fabbrica del Sorriso" and, later, for the **donations in favour of the earthquake victims in Abruzzo**) to the **ATM channel**. In Q2 the Group also released the functions for the **payment of blank and pre-printed Post bills directly on IB, online ICB and PB,** in addition to the services already available for the payment of the bills of covenanted entities/companies**.** The Group actively participates **in the Italian Bankers' Association initiatives** (E-committee and Bancomat Consortium) for the analysis of industry solutions in relation to micro-payments (contactless and mobile payments), with the identification of possible competitive and distinguishing elements for the Group.

During the quarter, the Group installed more than **7,000 new POS** terminals totalling **137,852** terminals as of 30 June 2009. The overall decrease in the number of POS terminals in comparison with December 2008 is due to the continuous elimination of inactive terminals which are not recoverable from the commercial standpoint, and the current economic crisis which obliged many shopkeepers to streamline their equipment of instruments of acceptance, by removing less used instruments. The main activity of 2009 is the contractual migration of the POS positions currently covenanted with CartaSi (and, more generally, from the old list) to the **new MPShop list.** 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 30 June 2009, the **MPS Group payment cards** (distributed by BMPS, MPSBP, BAV and BIVER) numbered 3,224,505. This volume is substantially steady with respect to the cards held in portfolio as of 31 December 2008 due to the adoption of policies containing credit risk, which influenced the acquisition and the number of the existing **revolving cards**, and the streamlining and "cleaning" of poorly-/non-used cards or potential risk positions in relation to **Charge Cards**.

Following is a **breakdown of the cards by segment**:



With reference to the **improvement of the qualitative level of the services provided to the customers, the major events in H1 2009** included:

- the start of the preliminary survey to the **internalization of the issuing of retail credit cards** from CartaSì to Consum.it. The project, which provides for the gradual migration of the cards, shall be based on the use of the "Unica" line of products. The holder of this option card can decide – at any time and at no additional cost – whether the expenses made during the month shall be settled fully or in a revolving payment mode;

- the implementation of the initiatives preliminary to the sale of **Consum.it credit cards, as part of package accounts** and the initiatives in relation to the credit card catalogue for qualification to the sale of AXA insurance policies, with the objective of increasing **customers' loyalty** and developing **cross-selling**;
- the marketing in the whole network of the new issues and renewals of **Mondo Card Plus 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 funds available in the current account. As a result of the characteristics of this card, and in particular the cancellation of insolvency risk, the service can be extended to all customers in accordance with the "**one account one card**!" commercial logic;
- the implementation, after the merger by incorporation of Banca Toscana, of the **integration of the product catalogue** by extending the "ethical" prepaid cards to the BMPS network and co-branded corporate credit cards with the University of Florence and Elica SpA.

Within the framework of the "Clear Pacts" project of the Italian Bankers' Association, the Group's commitment to quality was proven by the **review of the management of the repayments for wrong debit on payment cards,** with the obligation to re-credit disputed amounts no later than 15 days (as a final repayment or subject to collection).

HUMAN RESOURCES AND ORGANIZATION DEVELOPMENT

In the first half of 2009, ahead of the path indicated by the 2008-2011 Business Plan, the management and organization of human resources were oriented as a priority to:

- Completing **the Group redesign**, through corporate mergers, the centralization of back office activities and the review of the operating processes;
- Achieving **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;
- Building and rapidly implementing the **new management model**, with the univocal responsibility of the Parent Bank in relation to all operating **personnel,** with the development of infrastructure-Network relations;
- **Standardizing the Networks from the cultural viewpoint 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;
- **Consolidating professional quality,** with priority given to front end roles through accurate reviews of the skills, the mapping of individual skills, targeted training and implementation of development plans for the purpose of filling organization positions as planned, and 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 structure and activities) and **from the standpoint of human resources** (quantitative and qualitative consolidation of network 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** of the resources of former Banca Antonveneta, 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 June 2009, the MPS **Group** had a total of **32,582 employees** in terms of actual workforce[10], with a **decrease in staffing of 1,606 with respect to 31.12.2007** (*base line* of the 2008-11 Business Plan).

MPS GROUP STAFF			
	31/12/07(*)	**31/12/08**	**30/06/09**
Workforce	34.188	32.867	32.582
On a payroll	34.246	32.951	32.586
(*) Baseline Business Plan 2008-11, **Biverbanca (696 employees)** and **Banca Antonveneta (9.383 employees)** workforce included.			

In particular:

- **outflows of personnel** included **2,541** retirements (accounting for about 73% of the total amount planned for the four years from 2008 to 2011), including **1,595** high seniority STAFF participating in **the Early Retirement Plan and Solidarity Fund.** Outflows for the period from 1 January 2009 to 30 June 2009 came to 730;
- introduction of **new personnel (1,022 employees)**, almost totally in the Network (315 resources in H1 2009);
- **professional reconversion, from the Head Office to the Network, of 700 resources**, (above all at Banca Antonveneta), with individual operational and training experiences.
- **Outflows of 87 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[11] leaving the Group).

The front office to total staff ratio was steady at 63.9% with respect to 62.5% as of 31 December 2007, and a 67% target expected at the end of the Business Plan.

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

[10] Personnel seconded to companies outside the Group and part-time cleaning staff (1st Area) are deducted from employees on the payroll.
[11] 64 resources of ABN AMRO Asset Management SGR joined the Group during H1 2009, and 55 employees from the former Depositary Bank Unit, previously seconded to Intesa – San Paolo, were reinstated.

MPS GROUP WORKFORCE: DISLOCATION BY STRUCTURE						
STRUCTURE	**31/12/2007[1]**	**% OF TOTAL**	**31/12/08**	**% OF TOTAL**	**30/06/09**	**% OF TOTAL**
Network & Call Center	**21.365**	**62,5%**	**21.088**	**64,2%**	**20.814**	**63,9%**
Head Quarter	**12.823**	**37,5%**	**11.779**	**35,8%**	**11.768**	**36,1%**
- H.O. Italian Banks	*8.155*	*23,9%*	*6.675*	*20,3%*	*6.643*	*20,4%*
- Product Companies	*1.460*	*4,3%*	*1.223*	*3,7%*	*1.271*	*3,9%*
- Service Companies	*2.470*	*7,2%*	*3.143*	*9,6%*	*3.117*	*9,6%*
- Other Activities [2]	*738*	*2,2%*	*738*	*2,2%*	*737*	*2,3%*
TOTAL	**34.188**	**100%**	**32.867**	**100%**	**32.582**	**100%**

[1] Baseline Business Plan 2008-11, **Biverbanca** (**696 employees**) and **Banca Antonveneta** (**9.383 employees**) workforce included.
[2] Foreign branches and representative offices and others 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	588	1,8%
Managers	11.157	34,2%
Other Professional Areas	20.837	64,0%
TOTAL	**32.582**	**100%**

In terms of academic credentials, the percentage of personnel with degrees is abt. 31.3% with a peak in the case of Executives (about 47.3%).

MPS GROUP WORKFORCE: ACADEMIC QUALIFICATION	
ACADEMIC QUALIFICATION	**% OF TOTAL**
Degree	31,3%
Secondary School Diploma	61,4%
Other Diplimas	7,3%
Total MPS Group employees by qualification	**100%**

MPS GROUP WORKFORCE: MIX OF CREDENTIALS			
AGE	**% FEMALE**	**% MALE**	**% OF TOTAL**
up to 30 years	7,2%	5,2%	12,4%
31 to 40 years	15,9%	12,5%	28,5%
41 to 50 years	14,3%	19,4%	33,7%
over 50 years	5,9%	19,5%	25,4%
TOTAL	**43,4%**	**56,6%**	**100%**

MPS GROUP WORKFORCE: BREAKDOWN OF STAFF BY SENIORITY			
YEARS OF SERVICE	**% FEMALE**	**% MALE**	**% OF TOTAL**
up to 10 years	18,5%	16,0%	34,5%
11 to 20 years	10,6%	11,8%	22,4%
21 to 30 years	11,6%	17,9%	29,5%
over 30 years	2,7%	10,9%	13,6%
TOTAL	**43,4%**	**56,6%**	**100%**

The average age (after the acquisition of Banca Antonveneta and Biverbanca) is 42.7 years, in line with the Bank Industry average [12].

Women account for a significant 43.4% percentage of staffing (vs. 39.0%).

OPERATIONAL STRATEGIES

THE DEVELOPMENT OF HUMAN RESOURCES

Following are the most significant initiatives carried out in H1 2009, within the above-mentioned strategic framework:

- the 3rd **professional paths**[13], 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**;

- the regular use of a **self-development desk** within the project of **enhancement of human resources,** for the purpose of increasing the knowledge of individual vocation, consolidating the skills, orienting professional growth and creating an organic channel to feed the future Group Management;

[12] "2008 Report on the labour market in the financial industry- salaries and cost of labour in the Italian and European banks", Bancaria Editrice.

[13] "**Vertical**" paths regulate upgrading to target positions up to the 2nd level of Managers. "**Horizontal**" paths encourage skill integration in relation to same-level positions.

- 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 develop **continuity plans**.

TRAINING

During the first half of the year, 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, which involved 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 stages), 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 in compliance with Isvap regulations (as of 30 June 2009, 15 out of 160 expected sessions had already been held with the participation of about 330 resources);
- **Specific training** (new credit policies, pricing, safety and security, compliance).

Training activities, to be developed during the year, shall be based on such priorities.

As a whole, **training hours totalled about 418,000**, with a Group per capita average of about 13 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);
- corporate reorganization (ABN Amro Asset Management SGR and MPS Leasing & Factoring).

ORGANIZATION

The main projects followed up during Q2 2009 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 corporate processes);

- **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;**

- **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 start and continuation of **important projects of adjustment and organization transformation**, following the Business Plan planning and the requirements of external regulation (e.g. the extension of a 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*).

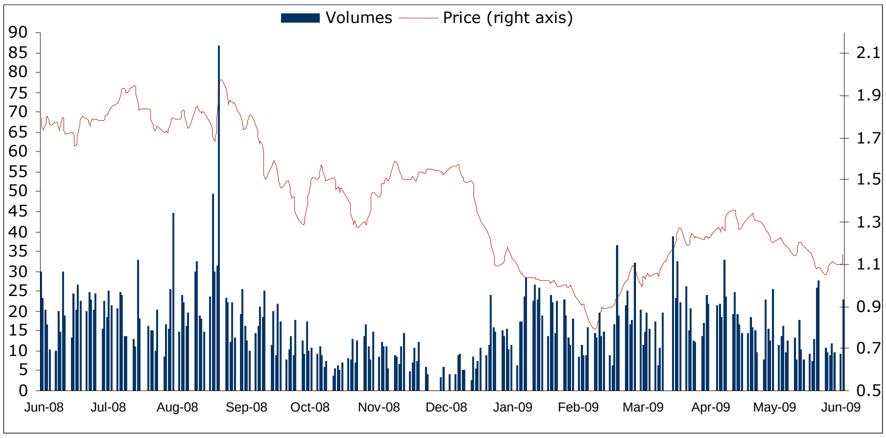
THE TREND OF BMPS SHARES, SHAREHOLDERS' BASE AND DEBT RATINGS

- **PRICES**

The first half of 2009 was characterized by strong volatility in the stock markets with massive sales anywhere, and a good pickup in Q2. The major international stock market indices closed the half-year in line with the values recorded at the beginning of 2009 (Dow Jones –3.8%, S&P 500 +1.8%, FTSE Mib – 2.0%). After a rally from the low hit early in March 2009, financial equities closed the half-year with positive performances (MibBanche +7.1%, DJ Euro Stoxx Banks +17.9%). Against this scenario, BMPS shares closed the first half of the year at EUR 1.151 (-24.6% with respect to January 2009), after outperforming the Italian and the European banking industries in 2008 (about 8% and 14%, respectively).

TREND OF BMPS SHARES (from 31 December 2008 to 30 June 2009)

- **TREND OF BMPS SHARE** (from 06/30/08 to 06/30/09)



BMPS SHARE PRICE STATISTICAL SUMMARY (from 31/12/08 to 30/06/09)
(in Euro)

Average	1.14
Low	0.77
High	1.59

CAPITALIZATION AND SHAREHOLDERS' BASE

As of 30 June 2009, the market value of BMPS computed on the basis of 6,677,831,738 (ordinary and preferred) outstanding shares was approximately EUR 7.7 billion.

■ **SUMMARY OF REFERENCE PRICES AND CAPITALIZATION**

	12.31. 08	06.30.09
Price (euro)	1.53	1.15
N. ordinary shares	5,545,952,280	5,545,952,280
N. preferred shares	1,131,879,458	1,131,879,458
N. savings shares	18,864,340	18,864,340
Capitalization (ord + pref) (euro mln)	10,217	7,686

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%); Caltagirone Francesco Gaetano (4.47%); Axa S.A. (4.58%); 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 million in H1 2009, with a peak of 38.7 million in April and a low of 2.7 million in January.

■ **MONTHLY VOLUME OF SHARES TRADED**

SUMMARY OF 2009 VOLUMES

	(in million of euros)
January	212
February	390
March	360
April	384
May	370
June	285

DEBT RATINGS

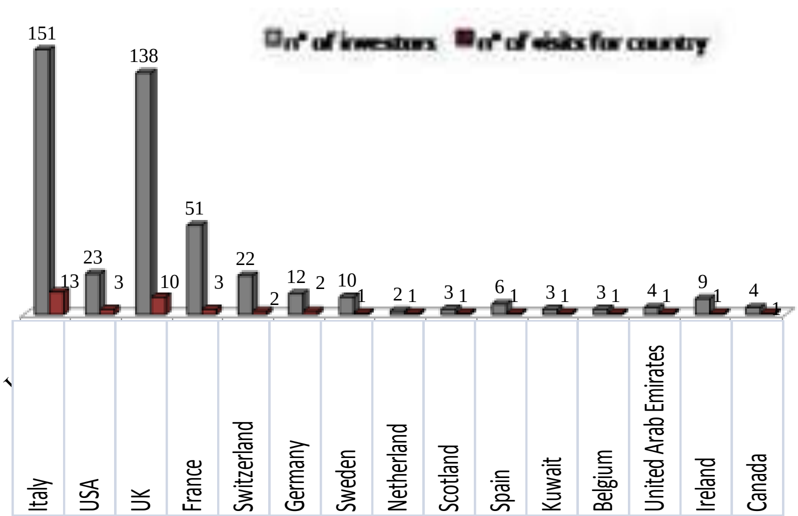
Following are the debt ratings as of 30 June 2009:

Rating Agencies	Short term rating	Long term rating
Moody's Investors Service	P - 1	A1
Standard & Poor's	A - 1	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 Issuer rating from Aa3 to A1 with a steady outlook; financial strength was downgraded from C to C- with a negative outlook.

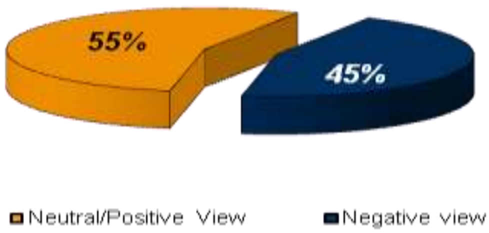
INVESTOR RELATIONS IN THE FIRST HALF OF 2009

In H1 2009, the Investor Relations Unit interacted proactively with the financial community, in line of continuity with 2008. The Unit arranged meetings with about 440 investors (including the investors met more than once) in 15 different countries. Following is the breakdown by geographical area:



BMPS SHARES RECOMMENDATIONS

55% of the analysts covering BMPS shares as of 30 June 2009 maintained a neutral/positive outlook, 45% had a negative stance.



COMMUNICATIONS

In addition to financial market reporting, as illustrated in the section covering "Investor Relations", in H1 2009 the MPS Group's efforts were concentrated on intensifying institutional and commercial communications, the management of media relations and internal communications, in light of the monitoring and enhancement of the corporate image and brand.

In particular, the MPS Group intensified its relations with the main Italian and local newspapers to ensure that "corporate events" are properly reported, **with particular regard to the presentation of the annual report for 2008 and the Montepaschi Group appointments, in addition to the illustration of the new anti-crisis measures targeted at the corporate segment.** Moreover, a joint press conference was held with Clessidra on the establishment of Prima Sgr and another conference was arranged with Banca Antonveneta for the presentation of the Report, "Veneto, a territory of excellence". A **project of territorial communications** is oriented to promoting the MPS brand, the initiatives in support of the territories and the opening of new branches with the local press.

The Group continued its institutional advertising campaign with the TV stations, including some regional broadcasters, to consolidate the value of corporate image. In addition, the organization of meetings, conventions and workshops included the Roadshow ANTONVENETA/CLASS CNBC in Trieste and Pordenone and the Roadshow, "Investments in the Photovoltaic Industry", in co-operation with Business International. Three stages of the Monte dei Paschi roadshow will be held in autumn in Mantua, Salerno and Catania.

On the front of Web and New Media, the Group released the new site of Banca Antonveneta (www.antonveneta.it), "Una Storia Italiana" (www.unastoriaitaliana.it), Poggio Bonelli (www.poggiobonelli.it).

As far as corporate social responsibility is concerned *(see the chapter covering "the CSR of the MPS Group")*, the Group printed and prepared an online version of the 2008 Corporate Social Responsibility Report, which was translated into English and circulated to the stakeholders. The Group updated the contents of the channel "Our Values" in the web site www.mps.it, introducing the news incorporated in the 2008 Corporate Social Responsibility Report. The Unit participated in the 2009 edition of the Green Globe Banking Award, with the project of the Italian Report of the Carbon Disclosure Project, obtaining a special mention.

In H1 2009**,** the activity in the area of **Internal Communications** developed remarkably and was diversified in a logic of steadily supporting the Group Units/Companies. In particular, there are many projects under way, including the projects in relation to the "geographical areas", "anti-crisis measures in support of the SMEs", "workshop on managerial skills", "staff campaign", "Family campaign", "let's start doing banking again".

Filodiretto7, a weekly electronic newsletter, is still sent to all Group colleagues, as well as *Filodiretto30,* a monthly monothematic electronic magazine. *Filodiretto Advice* contains articles covering training, information, technical, operational and commercial issues.

The special edition of Filodiretto7 integrates and supports the activities of FiloDiretto and Montepaschi Channel to emphasize extraordinary or exceptional news or events requiring circulation to the whole Group. As regards the issue of the press reviews, the daily issue of the national press review addressed to the network started in May 2009, with the projects in relation to local press reviews still going on.

With reference to the corporate television, MONTEPASCHI Channel, the Group planned to include new features ("Investire più" divided into "Prodotti news" and "La parola al Gestore" consisting of two sub-features: "Private" and "Retail") in the programme schedule. Three additional sub-features ("View mercati"; "Agenda Economica"; "Il Punto" consisting of three sections – Retail, Corporate and Private) were added to "Infomercati".

MPS BP CHANNEL, the Corporate TV targeted at the approximately 850 Financial Promoters of MPS BP, is highly appreciated by the colleagues of Banca Personale. From the viewpoint of the synergy between MPS BP CHANNEL and MONTEPASCHI CHANNEL, 67 videos were used for both channels, in addition to all TV news, Morning calls, Infobreak, La Settimana.

In H1 2009, the Group sponsored several initiatives and organized meetings aimed at consolidating and developing commercial and business relations with primary players in the business sectors of reference, flanked by initiatives of commercial promotion and prize contests.

Following are the major **cultural**, **social, economic and sports initiatives sponsored** by the MPS Group:

- with respect to **cultural activity**, the "Acquedotto del Vivo: 100 years" exhibition at the City Hall of Siena, the initiatives implemented on the 150 anniversary of the newspaper La Nazione, the sponsorship of the traditional "Summer Festival" of Lucca, the support to Teatro Povero of Monticchiello, the 4th Festival of Documentary, the "Castles of Apulia" exhibition in Barletta. The Group continued to cooperate with Teatro Politeama in Poggibonsi and the Municipality of Colle Val d'Elsa in relation to the musicals replacing the theatre season of Teatro del Popolo.
- on the front of **sports**, the consolidated relations with A.C.Siena football club, Mens Sana Basket, AC Arezzo, Baseball Club Orioles Grosseto, Libertas Tennis Tavolo Siena (table tennis) and Viadana Rugby were flanked by the initiatives in support of U.S.Virtus Poggibonsi, Colle Basket, Colligiana Calcio, Poggibonsi Basket, Mantova Calcio, Viadana Calcio, Basket Bancole and Top Team Volley of Mantua. The events supported incorporate the Bareback Horse Races organized by the Municipality of Siena, Monte Paschi Strade Bianche, a direct filiation of Eroica (a cycle race); Rome Mezzamaratona, the tournaments arranged by the Orbetello Tennis Club; and finally the support given to the Italian Canoe and Kayak League.

- with reference to **social initiatives**, the Group supported **the 2009 Summer Olympics of the Heart held in Versilia from 30 May to 2 June**. This year's fund raising was in favour of Home x People x Home which, in co-operation with the Olympics of the Heart, carried out the "Friendship Power" project targeted at consolidating the activities of the Multi-purpose Center for childhood assistance, schooling and training, operating in Sri Lanka. The Bank intended to confirm its interest in social issues by supporting the event celebrating the 150th anniversary of the Italian Red Cross. This also proved that the commitment to and focus on the issues of sustainable development are seriously taken into account by the Montepaschi Group which installed an ATM, expressly for this event and purpose, fuelled by power produced by photovoltaic technology. These social initiatives were also flanked by the following: the support to Melania Corradini, a disabled athlete, through the no-profit Associazione Sportabili – ONLUS; the support to Petit Vélo Association in addition to "Operation Smile"; the support to fund-raising of the Exodus Association of Don Mazzi; the Santa Caterina d'Oro Prize – a consolidated appointment in Siena, now of national renown; the renewal of the agreement with UNICEF for the purpose of raising funds at Christmas time through the sale of the traditional greetings cards prepared by UNICEF.
- In relation to **economic initiatives**, the Group has supported for years (i) Promosiena, a special company of the Chamber of Commerce promoting local production and companies in the main international markets; and (ii) Enoteca Italiana, a unique public institution which promotes the Italian great wines and wine-growing industry.

Many promotions and prize contests were implemented in the first half of 2009.
The Unit co-operated with the insurance company AXA-MPS for the design and organization of "It's better to prevent", a promotion based on protection issues. The Bank's customers who bought one or several insurance product(-s) being promoted between 4 May 2009 and 31 July 2009 received an "educational" gift for the purpose of teaching the children how to recognize and avoid everyday's life dangers.
Online communications included a special prize contest within the website of www.unastoriaitaliana.it, based on the advertising campaign of the bank. Net surfers can participate in the contest from 15 May to 31 July by sending videos, photos and texts on this issue.

The Unit was also in charge of coordinating the distribution of the last group of gifts which were part of the promotion, "L'unione che ti premia", and all necessary administrative activities preliminary to the closing of the ministerial procedures in relation to the contests and promotions implemented in the last 2 years and the recovery of deposits paid.

With reference to special initiatives, the **Montepaschi Group** was the bank of reference of **"La Fabbrica del Sorriso 2009**", a fund-raising initiative in support of solidarity projects in Italy and worldwide in favour of needy children, designed by **Mediafriends**, which took place this year in March.
In co-operation with Lavazza, the Group developed a project targeted at creating a coffee point in the branches with the objective of entertaining waiting customers and making waiting time more pleasant.

THE MPS GROUP CORPORATE SOCIAL RESPONSIBILITY

The objectives of sustainable growth indicated by the Business Plan are achieved through the **implementation of a specific 2007-2009 strategic Plan** and the supervision of the Committee of corporate social responsibility appointed by the Parent Bank's Board of Directors (one meeting during H1).

The guidelines of the Plan are followed in compliance with the new Group Code of Ethics. During H1 2009, the Group mainly focused on:

- fine-tuning the policies and systems which incorporate the principles of the Code of Ethics in bank management, with greater effectiveness;
- coping with the customers' difficulties in the current crisis scenario;
- measures of environmental protection in the operations and through bank services;

Additional information on the Group non-financial activities and performances is provided in the 2008 **Annual Report on Social Responsibility,** available – as steadily updated - on the website http://www.mps.it/I+Nostri+Valori/.

THE IMPLEMENTATION POLICY OF THE CODE OF ETHICS

The policies devised during H1 2009 mostly cover:

- the **qualification of independence of the Directors,** with a specific amendment to the Articles of Association;
- **the systems and principles of remuneration of the Directors**, Executives and Employees, oriented to supporting objectives of market competitiveness, containment of assets risks and operating costs in a logic of sustainability of the results over time;
- **stakeholders' relations,** as a fundamental factor to consolidate confidence and create social value with greater effectiveness;

- **sustainability in the supply chain** to ensure a more profitable balance between the objectives of purchase efficiency and the related environmental, social and reputational impacts;
- **energy management and the fight against climate changes,** with the objective of streamlining consumption and supporting renewable sources also through specific products and services;
- **social actions in the communities,** by better defining the processes maximizing the benefits of solidal disbursements for the bank and the community.

PROTECTION OF THE CUSTOMERS IN A CRISIS SCENARIO

In H1 2009, the Bank introduced a string of solutions ("**Combatti la Crisi**") in favour of the households and corporates – in particular, many small companies facing difficulties. Following are the objectives of the programme:

(i) to grant payment extensions to the customers, to cope with the effects of the economic crisis (e.g. stopping, differing or rescheduling mortgage loans);
(ii) to promote protection systems and, with respect to the companies, the consolidation of capital to come out of the crisis, with further momentum and no dismissals.

On the front of consumer loans, as of May 2009, the customers who paid their instalments regularly have the opportunity of choosing the "Fuoriclasse" option, i.e. the opportunity of reducing the repayment instalment up to 2% of the residual capital or stopping the payment for 6 months.

Additional emergency measures were taken in favour of the households and companies of Abruzzo, including a 500 mln ceiling for shopkeepers and artisans, and specific economic benefits in relation to loans and other bank services, inclusive of the exemption from withdrawal commissions.

As a result of its cooperation with the Consumers' Associations (Consumer Lab), the Group also focused on the issue of over-indebtedness, with the objective of an early adoption of the European directive on consumer loans (2008/48/CE) with some positive extensions, and promotion of a more conscious use of loans, especially among retail customers. To this end, the Group prepared a specific handbook and **tested the introduction of a "retail loan specialist".**

FOCUS ON THE ENVIRONMENT

For the purpose of **matching the eco-sustainability with the functionality and inexpensiveness of each possible operational solution**, in compliance with the ISO14001 model, the environmental programme contemplates many initiatives also for this year, including:

- the extension to the premises of Nuova Antonveneta of the supply of power from water sources, with no CO_2 release;
- the installation of some "solar ATMs", i.e. ATMs built with eco-friendly materials, fuelled by photovoltaic panels, accessible to the disabled and provided with wi-fi technology;
- evening turn off of the neon signs of the branches;
- the delivery of payrolls in electronic format; in addition to other measures, this has the objective of "dematerializing" internal and external communications, with estimated annual savings of about 100 tons of paper and, therefore, 500 trees.

On the front of business, the Group extended the range of products supplied, including:

- PrestiSole – a consumer loan for private investments in the photovoltaic energy;
- Clean Energy – a formula fund indexed to Clean Energy, an equity index in relation to the companies operating in the area of clean energy;
- Sustainable growth – a structured bond linked with the Dow Jones EURO STOXX Sustainability Index, the financial benchmark including some of the most eco-sustainable European companies.

Volumes increased considerably (546 loans in 2008 in a total amount of abt.320 million, or +43% in one year), driven by a sharper promotional campaign **with the Group participating in June in a roadshow on renewable and photovoltaic energy,** in cooperation with Enel.si and Business International under the aegis of the Ministery of Environment and the Electric Energy Authority.

Sustainability Ratings and Awards

BMPS shares were confirmed as a component of the Ftse4Good financial indices: Europe, World and Environmental Leaders. The indices, promoted by the London Stock Exchange and the Financial Times, are among the major benchmarks for investments guided by sustainability principles. In addition, for the fourth year in a row the bank ranked 15 among the international financial institutions in the prime class of the ranking prepared by Oekom Research.

During the second "CSR Online Awards" survey, the Bank ranked third among the companies of the S&P/Mib40 (first among the banks) in the annual classification in relation to online communications of non-financial activities of social importance.

INFORMATION ON THE TRANSACTIONS WITH RELATED PARTIES

The Code of Conduct for the transactions with related parties ("**Code**") was amended in 2006 on the basis of the changes in the regulatory framework of reference. In light of the adoption of EU Regulation no.2238/2004 of 19 December 2004 in relation to the International Accounting Principles, Consob actually introduced amendments to the Issuers' Regulation, with respect to the definition of related parties, in compliance with (EU) Regulation no.1606/2002 of the Parliament and the European Council (hereinafter referred to as **IAS 24**).
Such transactions (i.e. the transactions implemented by the Bank – also through its subsidiaries – with related parties) consist of: (i) *Ordinary Transactions* (with no particular characteristics), (ii) *Significant Transactions* (implying market disclosure obligations pursuant to art.71 bis of the Issuers' Regulation adopted by Consob with resolution 11971), (iii) *Relevant Transactions* (although they cannot be considered as Significant Transactions, they show atypical and/or unusual aspects).
Within this framework, Ordinary Transactions are authorized in accordance with the powers determined by the current system of authorization applied in the Bank. Significant Transactions and Relevant Transactions fall within the competence of the Board of Directors (subject to the emergency powers contemplated by the Bank's Articles of Association).
If the nature, the value or the additional characteristics of the transactions do so require, the Board of Directors can resolve that its valuations are supported by the opinions of one or several independent Advisors in relation to the economic terms and/or technical structure and/or legal aspects of the transactions.
In addition, the Subsidiaries – with reference to the transactions to be implemented with the Bank's Related Parties – shall adopt the code adopted by the Parent Bank, adjusting it to the structure of their authorization levels, with specific and prompt notices to be given to the Parent Bank in relation to said transactions.
In H1 2009, the Montepaschi Group conducted no **Significant Transactions**, i.e. transactions which by nature, consideration, mode or time of implementation might have effects on the protection of the bank capital or the completeness and fairness of information (also accounting information) in relation to BMPS and the MPS Group, and therefore imply market disclosure obligations pursuant to art.71 bis of Consob Regulation no.11971.
During the same period, the Montepaschi Group carried out some transactions to be considered as Relevant in accordance with the above-mentioned Code. Such transactions and any

additional details are outlined in Section H "Transactions with Related Parties" of the Abridged Consolidated Half-Year Report.

MAJOR EVENTS IN H1 2009

As already indicated in the past Annual Report and the previous chapters of this Report, the following events occurred in H1 2009:

- As of 1 January 2009, the transfer to Banca Antonveneta SpA (Nuova Banca Antonveneta SpA) from Banca Monte dei Paschi di Siena of the bank business unit consisting of 403 branches, 9 SME Centres, 4 Private Centres, 6 Local Authorities Centres and 3 Geographical Areas covering the north-eastern geographical area, mostly resulting from the merger of Banca Antonveneta SpA into BMPS, and 9 equity investments;
- The merger by incorporation of Banca Toscana SpA into Banca Monte dei Paschi di Siena SpA on 30 March 2009;
- The merger by incorporation of Agricola Poggio Bonelli SpA into MPS Tenimenti Fontanafredda e Chigi Saracini SpA as of 30 June 2009. As a result, the merging company was renamed MPS Tenimenti Poggio Bonelli e Chigi Saracini Società Agricola SpA. Since it was qualified as an agricultural concern, it was requested to exclude it from the Montepaschi Banking Group.

  In addition, in line with the guidelines of the Group Business Plan, the Group continued to dispose of its non-strategic investments. In particular, the Group sold 75% of the share capital of Marinella SpA, disposed of SI Holding and reorganized the Group asset management companies, with the transfer of the whole share capital of ABN Amro Asset Management Italy SGR SpA (AAA) and Monte Paschi Asset Management SGR SpA (MPAM), and the establishment of a partnership with Clessidra Sgr in April, with the objective of setting up an independent asset management company which might become a leader in the Italian market. This partnership intends to comply with the new regulatory framework in relation to interest conflicts and the renovation of the asset management industry, as inevitably required by the market. Within this reorganization, **the Group sold the controlling interest in the Group asset management companies (MPAM and AAA)** and simultaneously completed the process of concentration in the Parent Bank of individual portfolio management, **with the integration of the business unit of AAA into the Asset Management Area.**

  Finally, in H1 2009 the Group submitted an application for the subscription of financial instruments, to be issued pursuant to art.12 of Law Decree no.185/2008 converted by Law no.2/2009 (so-called "Tremonti Bond"), to the Ministry of Economics and Finance.

MAJOR EVENTS OCCURRED AFTER 30 JUNE 2009

Following is a summary of the most significant events which occurred after 30 June 2009:

- **On 3 July 2009**: with reference to the application for the subscription of financial instruments, to be issued pursuant to art.12 of Law Decree no.185/2008 converted by Law no.2/2009 (so-called "Tremonti Bond"), the Ministry of Economics and Finance stated it had completed the first stage of the procedure as per art.2 of the Ministerial Decree, on the basis of the opinion of the Bank of Italy and accepting the above-mentioned request submitted by Banca Monte dei Paschi di Siena;

- **On 21 July 2009:** Banca Monte dei Paschi di Siena and Banca Popolare di Puglia e Basilicata (BPPB) executed an agreement for the sale of 15 branches of the Montepaschi Group to BPPB (including 7 branches in Lombardy, 6 branches in Piedmont and 2 branches in Latium), in accordance with the asset disposal programme and the indications given by the Antitrust Authority;

- **On 11 August 2009**: Banca Monte dei Paschi di Siena (Bmps), within the liquidity management policy of the Montepaschi Group, conducted a securitization transaction (Siena 09-06 2 series) contemplating the issue of securities in the amount of approx. EUR 4.1 bn resulting from the sale without recourse of performing residential mortgage loans (originated by BMPS) to a vehicle company established pursuant to Law 130/99. The securities were fully repurchased by BMPS and will be available as a collateral for refinancing transactions and any future issues of guaranteed bank bonds.

- **On 17 August 2009**: Fitch confirmed the long-term debt rating of Monte dei Paschi di Siena of A, with an outlook of "steady". The rating agency also stated that the other ratings are unchanged (including the Idr short-term rating of F1).

FUTURE OUTLOOK

In a scenario characterized by the exceptional slowdown of the economic situation and the high volatility of the financial markets, although in light of the first signs of pickup, we are unable to make accurate projections for the future, due to increasing uncertainty and overall risks.

However, as regards expected corporate continuity, in compliance with the guidelines given by Paper no.2 of 6 February 2009 issued jointly by the Bank of Italy, Consob and Isvap, the Bank reasonably expects to continue its existing operations in the foreseeable future. Therefore, the Bank prepared the abridged consolidated half-year report based on the assumption of corporate continuity, since the above-mentioned uncertainty resulting from the current economic scenario does not generate any doubts on the Bank's capacity to continue operating as an ongoing concern. With reference to the provisions of the IAS 36 accounting principle (reduction of the value of assets), the analyses carried out during the preparation of the half-year report led to the reasonable conclusion that there are no reasons for updating the test of recoverability of the value of goodwill, as of 30 June 2009.

In this framework, the MONTEPASCHI Group shall be committed to 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) and further focusing on the commercial core business and the initiatives for improving the efficiency of the cost structure, with the objective of developing in accordance with the provisions of the 2008-2011 Business Plan.

ANNEXES: RECONCILIATION OF RECLASSIFIED FINANCIAL STATEMENTS AND ACCOUNTING TABLES – MONTEPASCHI GROUP

Reconciliation between the reclassified consolidated profit and loss account as at 30 June 2009 and the related accounting tables – MONTEPASCHI Group

Income statement Consolidated GRUPPO MONTEPASCHI	30/06/09 Consolidated for accounting purposes (A)	Reclassification (B)	30/06/09 Reclassified consolidated data (A+B)	Income statement accounts up to the result from financial business reclassified consolidated data
Account 30 – Interest income	**1.935,6**	**65,0**	**2.000,6**	**Interest income**
Account 10 – Interest income and similar income	**3.886,2**			
Account 10 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of BAV in BMPS (PPA)		38,2		
Account 10 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of BAV (PPA)		17,4		
Account 10 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of Biver Banca (PPA)		5,0		
Account 20 – Interest expense and similar expenses	**-1.950,6**			
Account 20 (partial) – Elimination of the Cost of funding in relation to sophisticated transactions on securities for trading purposes		3,7		
Account 20 (partial) – Elimination of the effects of the allocation of the cost of acquisition of Biver Banca (PPA)		0,7		
Account 60 – Net commissions	**763,1**	**23,0**	**786,1**	**Net commissions**
Account 40 – Commissions received	**867,9**			
Account 40 (partial) – Integration of the contribution from the Asset Management companies (SGR + AAA)		-0,6		
Account 50 – Commissions paid	**-104,8**			
Account 50 (partial) – Integration of the contribution from the Asset Management companies (SGR + AAA)		23,6		
	2.698,6	**88,0**	**2.786,6**	**Core operating income**
	209,9	**-143,2**	**66,7**	**Dividends, similar profits and profits (losses) from equity investments**
Account 70 – Dividends and similar income	**209,9**			
Account 70 (partial) – Elimination of Dividends and similar income in relation to sophisticated transactions on securities for trading purposes		-201,8		
Account 240 (partial) – Integration of Profits (Losses) from equity investments		58,6		
	-118,9	**198,1**	**79,3**	**Net result from trading/valuation of financial assets**
Account 80 – Net result from trading	**-110,6**			
Account 20 (partial) – Integration of costs for financing the purchase of equities for trading purposes		-3,7		
Account 70 (partial) – Integrations of Dividends and similar income in relation to sophisticated transactions on securities for trading purposes		201,8		
Account 100 a) – Profit/loss from loan assignment	**9,1**			
Account 100 b) – Profit/loss from the sale of financial assets available for sale	**-5,1**			
Account b) (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of Biver Banca (PPA)		0,0		
Account 100 c) – Profit/loss from the sale of financial assets held upon maturity	**-**			
Account 100 d) – Profit/loss from the sale of financial liabilities	**-8,3**			
Account 110 – Net result from financial assets and liabilities valued at fair value	**-4,0**			
	0,7		**0,7**	**Net result from hedging operations**
Account 90 – Net result from hedging operations	**0,7**			
Account 120 – Net operating income	**2.790,4**	**142,9**	**2.933,3**	**Income from financial and insurance business**
				Net valuation adjustments for impairment of:
	-707,5	**20,8**	**-686,7**	**a) loans**
Account 130 a) – Net valuation adjustments for impairment of loans	**-707,5**			
Account 130 a) (partial) – Elimination of net valuation adjustments for loan impairment (Writedown of Junior exposures)		17,8		
Account 130 a) (partial) – Elimination of net valuation adjustments for loan impairment (Costs in relation to financial plans)		3,0		
Account 100 a) (partial) – Integration of profits/losses from loan assignment				
	-23,0		**-23,0**	**b) financial assets**
Account 130 b) – Net valuation adjustments for impairment of financial assets available for sale	**-12,4**			
Account 130 c) – Net valuation adjustments for impairment of financial assets held upon maturity	**-**			
Account 130 d) – Net valuation adjustments for impairment of other financial transactions	**-10,6**			
Account 140 – Net result from financial business	**2.059,9**	**163,7**	**2.223,6**	**Net result from financial and insurance business**

Consolidated income statement MONTEPASCHI GROUP	30/06/09 Consolidated for accounting purposes (A)	Riclassification (B)	30/06/09 Reclassified Consolidated (A+B)	Income statement accounts continues from "Result from financial business" Reclassified consolidated
Account 140 – Net result from financial business	**2.059,9**	**163,7**	**2.223,6**	**Result from financial and insurance business**
Account 180 – Administrative expenses	**-1.815,9**	**142,3**	**-1.673,7**	**Administrative expenses:**
	-1.135,3	**23,4**	**-1.111,8**	**a) personnel expenses**
Account 180 a) Personnel expenses	**-1.135,3**			
Account 180 a) (partial) – Elimination of personnel expenses (Integration costs)		22,5		
Account 180 a) (partial) Elimination of the economic effects of the allocation of the cost of acquisition of Biver Banca (PPA)		0,9		
	-680,7	**118,8**	**-561,9**	**b) other administrative expenses**
Account 180 b) Other administrative expenses	**-680,7**			
Account 180 b) (partial) – Elimination of other administrative expenses (Integration costs)		9,4		
Account 220 (partial) – Integration of Other operating expenses/income (Recovery of stamp duties and recovery of customers' expenses)		109,4		
	-117,1	**39,7**	**-77,4**	**Net valuation adjustments to tangible and intangible assets**
Account 200 – Net valuation adjustments to tangible assets	**-53,4**	**0,5**		**Net valuation adjustments to tangible assets**
Account 200 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of Biver Banca (PPA)		0,5		
Account 210 – Net valuation adjustments to intangible assets	**-63,8**	**39,2**		**Net valuation adjustments to intangible assets**
Account 210 (partial) - Elimination of the economic effects of the allocation of the cost of acquisition of BAV in BMPS (PPA)		21,0		
Account 210 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of BAV (PPA)		14,5		
Account 210 (partial) – Elimination of the economic effects of the cost of acquisition of Biver Banca (PPA)		3,7		
	-1.933,1	**182,0**	**-1.751,1**	**Operating expenses**
	126,8	**345,7**	**472,5**	**Net operating income**
	95,3	**-130,2**	**-34,8**	**Net provisions for risks and charges ……………………..**
Account 190 – Net provisions for risks and charges	**-20,7**			
Account 130 a) (partial) – Integration of net valuation adjustments for loan impairment (Writedown of Junior exposures)		-17,8		
Account 130 a) (partial) – Integration of net valuation adjustments for loan impairment (Costs in relation to financial plans)		-3,0		
Account 220 – Other operating expenses/income	**116,0**			
Account 220 (partial) – Elimination of other operating expenses/income (Recovery of stamp duties and recovery of customers' expenses)		-109,4		
	55,5	**-58,6**	**-3,1**	**Profits (losses) from equity investments**
Account 240 – Profits/losses from equity investments	**55,5**			
Account 240 (partial) – Elimination of profits (losses) from equity investments		-58,6		
		-31,9	**-31,9**	**Integration charges**
Account 180 a) (partial) – Integration of personnel expenses (Integration costs)		-22,5		
Account 180 b) (partial) – Integration of Other administrative expenses (Integration costs)		-9,4		
		-		**Net result of the fair value valuation of tangible and intangible assets**
Account 250 – Net result from the fair value valuation of tangible and intangible assets	**-**			
				Impairment of goodwill and financial assets
Account 260 – Value adjustments to goodwill	**-**			
	0,0		**0,0**	**Profits (losses) from the sale of investments**
Account 270 – Profits (losses) from the sale of investments	**0,0**			
Account 280 – Profits (losses)from current operations before taxes	**277,7**	**125,0**	**402,6**	**Profits (losses) from current operations before taxes**
	-154,7	**-39,2**	**-193,9**	**Income taxes for the period on current operations**
Account 290 – Income taxes for the period on current operations	**-154,7**			
Account 290 (partial) – Taxes on the contribution from the Asset Management Companies (SGR+ AAA)		-6,8		
Account 290 (partial) – Elimination of income taxes for the period on current operations (PPA BAV in BMPS)		-19,0		
Account 290 (partial) – Elimination of income taxes for the period on current operations (PPA BAV)		-10,0		
Account 290 (partial) – Elimination of income taxes for the period on current operations (PPA Biver Banca)		-3,5		
Account 300 – Profits (losses) from current operations after taxes	**122,9**	**85,7**	**208,7**	**Profits (losses) from current operations after taxes**
	211,7	**-16,2**	**195,5**	**Profits (losses) from discontinued operations after taxes**
Account 310 – Profits (losses) from discontinued operations after taxes	**211,7**			
Account 310 (partial) – Elimination of the contribution from MPS Asset Management SGR		-16,2		
Account 320 – Profit (loss) for the period	**334,7**	**69,5**	**404,2**	**Profits (losses) for the period inclusive of minority interest**
	-2,6		**-2,6**	**Profit (loss) for the period inclusive of minority interest**
Account 330 – Profit (loss) for the period inclusive of minority interest	**-2,6**			
	332,1	**69,5**	**401,6**	**Net profit for the period before PPA**
		-69,5	**-69,5**	**Economic effects of the "Purchase Price Allocation"**
Account 10 (partial) – Integration of interest income and similar income (PPA BAV in BMPS)		-38,2		
Account 10 (partial) – Integration of interest income and similar income (PPA BAV)		-17,4		
Account 10 (partial) – Integration of interest income and similar income (PPA Biver Banca)		-5,0		
Account 20 (partial) – Integration of interest expense and similar expenses (PPA Biver Banca)		-0,7		
Account 100 b) (partial) – Integration of Profits/losses from the sale of financial assets available for sale (PPA Biver Banca)		0,0		
Account 180 a) (partial) Integration of Personnel expenses (PPA Biver Banca)		-0,9		
Account 200 (partial) – Integration of net valuation adjustments to tangible assets (PPA Biver Banca)		-0,5		
Account 210 (partial) – Integration of net valuation adjustments to intangible assets (PPA BAV in BMPS)		-21,0		
Account 210 (partial) – Integration of net valuation adjustments to intangible assets (PPA BAV)		-14,5		
Account 210 (partial) – Integration of net valuation adjustments to intangible assets (PPA Biver Banca)		-3,7		
Account 290 (partial) – Integration of income taxes for the period on current operations (PPA BAV in BMPS)		19,0		
Account 290 (partial) – Integration of income taxes for the period on current operations (PPA BAV)		10,0		
Account 290 (partial) – Integration of income taxes for the period on current operations (PPA Biver Banca)		3,5		
Account – Parent Bank profits (losses) for the period	**332,1**	0,0	**332,1**	**Net profit for the period**

Reconciliation between the reclassified consolidated profit and loss account as at 30 June 2008 and the related accounting tables – MONTEPASCHI Group

Income statement accounts Consolidated MONTEPASCHI GROUP	30/06/08 Consolidated for accounting purposes (A)	Recalssifications (B)	Antonveneta Group from 01/01/08 to 31/05/08 (C)	30/06/08 Reclassified Consolidated (A+B+C)	Income Statement Accounts up to the Consolidated and Reclassified Results from Financial Transactions
Account 30 – Interest income	**1.688,8**	**31,5**	**447,5**	**2.167,8**	**Interest income**
Account 10 – Interest income and similar income	**4.309,6**				
Account 10 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of BAV		4,1			
Account 10 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of Biver Banca		4,0			
Account 20 – Interest expense and similar expenses	**-2.620,8**				
Account 20 (partial) – Elimination of the Cost of funding in relation to comples transactions on securities held for trading purposes		20,4			
Account 20 (partial) – Elimination of the economic effects of the allocation of the cost of acquisition of BAV		1,9			
Account 20 (partial) – Elimination of the effects of the cost of acquisition Biver Banca		1,1			
Account 60 – Net commissions	**662,4**	**65,7**	**217,5**	**945,7**	**Net commissions**
Account 40 – Commissions received	**752,0**				
Account 40 (partial) – Integration of the contribution from the Asset Management companies (SGR + AAA)		-0,6			
Account 50 – Commissions paid	**-89,6**				
Account 50 (partial) – Integration of the contribution from the Asset Management companies (SGR + AAA)		66,3			
	2.351,2	**97,3**	**665,0**	**3.113,4**	**Primary interest income**
	541,9	**-519,4**	**11,4**	**33,9**	**Dividends and similiar income and profits (losses) from equity investments**
Account 70 – Dividends and similar income	**541,9**				
Account 70 (partial) – Elimination of the Dividends and similar income in relation to sophisticated transactions on securities for trading purposes		-524,7			
Account 240 (partial) – Integration of profits (losses) from equity investments		5,3			
	-455,5	**506,3**	**4,9**	**55,7**	**Net result from trading /financial assets assessment**
Account 80 – Net result from trading	**-496,7**				
Account 20 (partial) – Integration of the cost of financing the purchase of equities for trading purposes		-20,4			
Account 70 (partial) – Integration of Dividends and similar income in relation to sophisticated transactions on securities for trading purposes		524,7			
Account 100 a) – Profit/loss from loan sale	**0,0**				
Account 100 b) – Profit/loss from sale of financial assets available for sale	**9,6**				
Account 100 b) (partial) – Elimination of the economic effects of the allocation of the BAV acquisition cost		2,0			
Account 100 c) – Profit/loss from the sale of financial assets held until maturity	**-**				
Account 100 d) – Profit/loss from sale of financial liabilities	**0,5**				
Account 110 – Net result of financial assets and liabilities valued at fair value	**31,1**				
	-5,3		**-2,4**	**-7,6**	**Net result of hedging**
Account 90 – Net result of hedging	**-5,3**				
Account 120 – Trading income	**2.432,3**	**84,2**	**678,9**	**3.195,4**	**Financial and insurance income (loss)**
					Net value adjustments for impairment of:
	-352,4	**22,6**	**-121,9**	**-451,6**	**a) loans**
Account 130 a) – Net value adjustments for impairment of loans	**-352,4**				
Accont 130 a) (partial) – Elimination of net value adjustments for impairment of loans (junior exposure depreciation)		18,4			
Account 130 a) (partial) – Elimination of net value adjustments for impairment of loans (charges related to financial plans)		4,1			
	-101,2	**107,8**	**1,5**	**8,2**	**b) financial assets**
Account 130 b) – Net value adjustments for impairment of financial assets available for sale	**-107,8**		**-30,1**		
Account 130 b) (partial) – Elimination of net value adjustments for impairment of financial assets available for sale (included in the account Impairment and goodwill and financial assets)		107,8	30,1		
Account 130 c) – Net value adjustments for impairment of financial assets held until maturity	**-**				
Account 130 d) – Net value adjustments for impairment of other financial transactions	**6,6**		**1,5**		
Account 140 – Net result from financial and insurance transactions	**1.978,8**	**214,6**	**558,6**	**2.751,9**	**Profit/loss from financial and insurance transactions**

Accounts of the Income Statement Consolidated MONTEPASCHI GROUP	30/06/08 Consolidated for accounting purposes (A)	Riclassifications (B)	Antonveneta Group from 01/01/08 to 31/05/08 (C)	30/06/08 Reclassified Consolidated (A+B)	Income statement accounts continues from the Reclassified and Consolidated Result of the Financial Transactions
Account 140 – Net result from financial transactions	1.978,8	214,6	558,6	2.751,9	**Profit/loss from insurance and financial transactions**
Account 180 – Administrative expenses	**-1.594,8**	**172,6**	**-413,9**	**-1.836,1**	**Administrative expenses:**
	-969,1	**35,0**	-267,3	**-1.201,4**	**a) personnel expenses**
Accont 180 a) Personnel expenses	**-969,1**		**-299,8**		
Account 180 a) (partial) – Elimination of personnel expenses (Integration charges)		35,0	32,4		
	-625,7	**137,6**	**-146,6**	**-634,7**	**b) other administrative expenses**
Account 180 b) Other administrative expenses	**-625,7**		**-180,3**		
Account 180 b) (partial) – Elimination of other administrative expenses (Integration charges)		21,9	6,4		
Account 220 (partial) – Integration of other operating expense/income (Recoveries of stamp duties and of charges for customers)		115,7	27,4		
	-60,9	**1,0**	**-19,2**	**-79,1**	**Value adjustments on tangible and intangible assets**
Account 200 – Net value adjustments on tangible assets	**-37,9**	**1,0**	**-13,0**		Net tangible adjustments on tangible assets
Account 200 (partial) – Eliminations of economic effects of the allocation of the BAV acquisition cost		0,5			
Account 200 (partial) – Elimination of the economic effects of the allocation of the Biver Banca acquisition cost		0,6			
Account 210 – Net value adjustments on intangible assets	**-23,0**		**-48,8**		Net value adjustments on intangible assets
Account 210 (partial) – Elimination of net value adjustments on intangible assets (Integration charges)			42,6		
	-1.655,8	173,6	-433,1	-1.915,3	**Operating charges**
	323,0	388,2	125,5	836,7	**Net operating profit/loss**
	145,1	**-138,3**	**-27,0**	**-20,2**	**Net provisions for risk and expense fund and Other operating income/expenses**
Account 190 – Net provisions for risk and expense fund	**13,2**		**-33,1**		
Account 130 a) (partial) – Integration of net value adjustments for loan impairment (Junior exposure depreciation)		-18,4			
Account 130 a) (partial) – Integration of net value adjustments for loan impairment (Charges related to financial plans)		-4,1			
Account 220 – Other operating expenses/income	**131,9**		**33,4**		
Account 220 (partial) – Elimination of other operating expenses/ income (Recovery of stamp duties and expenses for customers)		-115,7	-27,4		
	205,6	**-5,3**		**200,3**	**Profit (Losses) from equity investments**
Account 240 – Income (losses) from equity investments	**205,6**				
Account 240 (partial) – Elimination of Income (Losses) from equity investments		-5,3			
		-56,9	**-81,4**	**-138,3**	**Integration charges**
Account 180 a) (partial) – Integration of the personnel expenses (Integration charges)		-35,0	-32,4		
Account 180 b) (partial) – Integration of other administrative expenses (Integration charges)		-21,9	-6,4		
Account 210 (partial – Integration of net adjustments value on intangible assets (Integration charges)			-42,6		
Account 250 – Net result of the fair value assessment of the tangible and intangible assets	**-**				**Net result of the fair value valuation of tangible and intangible assets**
	-0,2	**-107,8**	**-30,1**	**-138,1**	**Impairment of goodwill and financial assets**
Account 260 – Value adjustment of goodwill	**-0,2**				
Account 130 b) (partial) – Integration of the net value adjustments for the impairment of financial assets available for sale		-107,8	-30,1		
	27,8		**0,0**	**27,8**	**Profits (Losses) from sale of equity investments**
Account 270 –Profits (Losses) from sale of equity investments	**27,8**				
Account 280 – Profit (Loss) from current operating activity before taxes	701,4	79,9	-13,1	768,2	**Profit (Loss) from current operating activity before taxes**
	-228,8	**-23,1**	**-22,8**	**-274,7**	**Income tax for the period on current operating activity**
Account 290 – Income taxes for the period on current operating activity	**-228,8**				
Account 290 (partial) –Tax on the contribution of Asset Management (SGR+ AAA)		-19,1			
Account 290 (partial) – Elimination of income tax for the period on current operating activity (Effects of the allocation of the BAV acquisition cost)		-2,2			
Account 290 (partial) –Elimination of income tax for the period on the current operating activity (Effects of the allocation of the acquision cost of Biver Banca)		-1,8			
Account 300 – Profit (Loss) of the current operating activity after taxes	472,5	56,8	-35,9	493,4	**Profit (Loss) of the current operating activity after taxes**
	60,7	**-46,7**	**67,5**	**81,6**	**Profit (Loss) of groups of assets being sold after taxes**
Account 310 – Profit (Loss) of groups of assets being sold after taxes	**60,7**				
Account 310 (partial) – Elimination of the contribution of MPS Asset Management SGR		-46,7			
Account 320 – Profit (Loss) for the period	533,3	10,2	31,6	575,0	**Profit (Loss) for the period included minority interests**
	-11,1		**-1,3**	**-12,4**	**Profit (Loss) for the period of minority interests**
Account 330 – Profit (Loss) for the period of minority interests	**-11,1**				
	522,2	10,2	30,3	562,6	**Net profit for the period before PPA**
		-10,2		**-10,2**	**Economic effects of the "Purchase Price Allocation"**
Account 10 (partial) – Integration of interest and similiar income (BAV PPA)		-4,1			
Account 10 (partial) – Integration of Interest and similar income (Biver Banca PPA)		-4,0			
Account 20 (partial) – Integration of Interest and similar expense (BAV PPA)		-1,9			
Account 20 (partial) – Integration of Interest and similar expense (Biver Banca PPA)		-1,1			
Account 100 b) (partial) – Integration of profit/loss from sale of financial assets held for sale (BAV PPA)		-2,0			
Accoount 200 (partial) – Integration of net value adjustment on tangible assets (BAV PPA)		-0,5			
Account 200 (partial) – Integration of net value adjustments on tangible assets (Biver Banca PPA)		-0,6			
Account 290 (partial) – Integration of income tax for the period of the current operating activity (BAV PPA))		2,2			
Account 290 (parTial) – Integration of income tax for the period of the current operating activity (Biver Banca PPA)		1,8			
Account – Profit (Loss) for the period of the parent bank	522,2		30,3	552,4	**Net profit for the period**

Reconciliation between the reclassified consolidated profit and loss account as at 30 June 2008 and the related accounting tables with final PPA effects – MONTEPASCHI Group

Income Statement Consolidated MONTEPASCHI GROUP	30/06/08 Consolidated for accounting purposes with final effects of PPA (A)	Riclassifications (B)	Antonveneta Group from 01/01/08 to 31/05/08 (C)	Elimination of Intermonte (D)	Loan Cost (E)	30/06/08 Consolidated reclassified rebuilt (A+B+C+D+E)	
Account 30 – Interest margin	**1.686,7**	**33,6**	**447,5**	**1,0**	**-90,0**	**2.078,7**	**Interest income**
Account 10 – Interest and similar income	**4.305,6**			**-6,3**			
Account 10 (partial) – Elimination of the economic effects of the allocation of the BAV acquisition cost		8,1					
Account 10 (partial) – Elimination of the economic effects of the allocation of the Biver Banca acquisition cost		4,0					
Account 20 – Interest and similar expenses	**-2.618,9**			**7,3**	**-90,0**		
Account 20 (partial) – Elimination of the funding cost concerning complex transactions on securities held for trading purposes		20,4					
Acccount 20 (partial) – Elimination of the allocation effects of the Biver Banca acquisition cost		1,1					
Account 60 – Net Commissions	**662,4**	**65,7**	**217,5**	**-20,3**		**925,3**	**Net commissions**
Account 40 – Commissions received	**752,0**			-22,6			
Account 40 (partial) – Integration of the Asset Management contribution (SGR + AAA)		-0,6					
Account 50 – Commissions paid	**-89,6**			**2,2**			
Account 50 (partial) – Integration of the Asset Management contribution (SGR + AAA)		66,3					
	2.349,1	**99,3**	**665,0**	-19,4	-90,0	**3.004,0**	**Primary interest income**
	541,9	**-519,4**	**11,4**			**33,9**	**Dividends and similiar income and profits (losses) from equity investments**
Account 70 – Dividends and similar income	**541,9**			**-80,5**			
Account 70 (partial) – Elimination of dividends and similar income related to complex transactions on securities held for trading purposes		-524,7		80,5			
Account 240 (partial) – Integration of income (Losses) of equity investments		5,3					
	-453,5	**504,3**	**4,9**	-7,3		**48,4**	**Net result from trading /financial assets assessment**
Account 80 – Net result of the trading activity	**-496,7**			**73,2**			
Account 20 (partial) – Integration of the funding cost to purchase trading shares		-20,4					
Account 70 (partial) – Integration of dividends and similar income related to complex transactions on securities held for trading purposes		524,7		-80,5			
Account 100 a) – Profit /loss from sale of loans	**0,0**						
Account 100 b) – Profit /loss from sale of financial assets available for sale	**11,6**						
Account 100 c) – Profit/loss from sale of financial assets held until maturity	**-**						
Account 100 d) – Profit/loss from sale of financial assets	**0,5**						
Account 110 – Net result of financial assets and liabilities valued at fair value	**31,1**						
	-5,3		**-2,4**			**-7,6**	**Net result of hedging**
account 90 – Net result of hedging	**-5,3**						
Account 120 –Intermediation margin	**2.432,2**	84,3	678,9	**-26,6**	**-90,0**	**3.078,8**	**Financial and insurance income (loss)**
							Net value adjustments for impairment of:
	-352,4	**22,6**	**-121,9**			**-451,6**	**a) loans**
Account 130 a) – Net value adjustments for impairment of loans	**-352,4**						
Account 130 a) (partial) – Elimination of net value adjustments for impairment of loans (Junion exposure depreciation)		18,4					
Account 130 a) (partial) – Eimination of net value adjustment for impairment of loans (Charges related to financial plans)		4,1					
	-101,2	**107,8**	**1,5**			**8,2**	**b) financial assets**
Account 130 b) – Net value adjustments for impairment of financial assets available for sale	**-107,8**		**-30,1**				
Account 130 b) (partial) – Elimination of value adjustments for impairment of financial assets available for sale (incluede in the account Impairment Goodwill and financial assets)		107,8	30,1				
Account 130 c) – Net value adjustments for impairment of financial assets held until maturity	**-**						
Account 130 d) – Net value adjsutments for impairment of other financial assets	**6,6**		**1,5**				
Account 140 – Net result of the financial operating activity	**1.978,7**	**214,7**	**558,6**	**-26,6**	**-90,0**	**2.635,3**	**Profit/loss from financial and insurance transactions**

Account 140 – Net result of the financial operating activity	1.978,7	214,7	558,6	-26,6	-90,0	2.635,3	**Profit/loss from financial and insurance transactions**
Account 180 – Administrative expenses	-1.594,8	172,6	-413,9	12,9		-1.823,2	**Administrative expenses:**
	-969,1	35,0	-267,3	6,9		-1.194,6	**a) personnel expenses**
Account 180 a) Personnel expenses	-969,1		-299,8	6,9			
Account 180 a) (partila) – Elimination of the personnel expenses (Integration charges)		35,0	32,4				
	-625,7	137,6	-146,6	6,1		-628,7	**b) other administrative expenses**
Account 180 b) Other administrative expenses	-625,7		-180,3	6,1			
Account 180 b (partial)- Elimination of other administrative expenses (Integration charges)		21,9	6,4				
Account 220 (partial) – Integration other operating charges/income (Recovery of stamp duties and Recovery of expenses on customers)		115,7	27,4				
	-70,2	10,3	-19,2	0,2		-78,9	**Value adjustments on tangible and intangible assets**
Account 200 – Net value adjustments on tangible assets	-37,5	0,6	-13,0	0,1			Net tangible adjustments on tangible assets
Account 200 (partial) – Elimination of the economic effects of the allocation of BAV acquisition costs		0,1					
Account 200 (partial) – Elimination of the economic effects of the 'allocation of Biver Banca acquisition costs		0,6					
Account 210 – Net value adjustments on intangible assets	-32,7	9,7	-48,8	0,0			Net value adjustments on intangible assets
Account 210 (partial) – Elimination of net value adjustments on intangible assets (Integration charges)			42,6				
Account 210 (partial) – Elimination of the economic effects of the allocation of the BAV acquisition cost		5,9					
Account 210 (partial) – Elimination of the economic effects of the allocation of the Biver Banca acquisition cost		3,7					
	-1.665,0	182,9	-433,1	13,1		-1.902,2	**Operating charges**
	313,7	397,5	125,5	-13,5	-90,0	733,1	**Net operating profit/loss**
	145,1	-138,3	-27,0	0,4		-19,8	**Net provisions for risk and expense fund and Other operating income/expenses**
Account 190 – Net provisions to risk and charges funds	13,2		-33,1				
Account 130 a) (partial) – Integration of net value adjustments for impairment of loans (Junior exposure depreciation)		-18,4					
Account 130 a) (partial) – Integration of net value adjustments for impairment of loans (Charges related to financial plans)							
Account 220 – Other operating charges/income	131,9		33,4	0,4			
Account 220 (partial) – Elimination of other operating charges/income (Recovery of stamp duties and Recovery of expenses for customers)		-115,7	-27,4				
	205,6	-5,3				200,3	**Profit (Losses) from equity investments**
Account 240 – Profit (losses) of equity investments	205,6						
Account 240 (partial) – Elimination of profit (losses) of equity investments		-5,3					
		-56,9	-81,4			-138,3	**Integration charges**
Account 180 a) (partial) – Integration of personnel expenses (Integration charges)		-35,0	-32,4				
Account 180 b) (partial) – Integration of other administrative expenses (Integration charges)		-21,9	-6,4				
Account 210 (partial) – Integration of net value adjustments on intangible assets (Integration charges)			-42,6				
Account 250 – Net result of the fair value valuation of tangible and intangible assets	-						**Net result of the fair value valuation of tangible and intangible assets**
	-0,2	-107,8	-30,1			-138,1	**Impairment of goodwill and financial assets**
Account 260 – Goodwill value adjustments	-0,2						
Account 130 b) (partial) – Integration of value adjustments for impairment of financial assets available for sale		-107,8	-30,1				
	27,8		0,0			27,8	**Profits (Losses) from sale of equity investments**
Account 270 – Profit (Losses) from investments sales	27,8						
Account 280 – Profit (Loss) of the current operating activity after taxes	692,0	89,3	-13,1	-13,1	-90,0	665,0	**Profit (Loss) from current operating activity before taxes**
	-225,3	-26,6	-22,8	4,5	29,2	-241,1	**Income tax for the period on current operating activity**
Account 290 – Income taxes for the current period	-225,3			4,5			
Account 290 (partial) – Taxes on the contribution of the Asset Management section (SGR+ AAA)		-19,1					
Account 290 (partial) – Elimination of the income tax for the current period (Effects of the allocation of the BAV acquisition cost)		-4,5					
Account 290 (partial) – Elimination of the income tax for the currenr period (Effects of the allocation of the Biver Banca acquisition cost)		-3,0					
Account 300 – Profit (Loss) of the current period after taxes	466,7	62,6	-35,9	-8,7	-60,8	423,9	**Profit (Loss) of the current operating activity after taxes**
	60,7	-46,7	67,5	8,7		90,2	**Profit (Loss) of groups of assets being sold after taxes**
Account 310 – Profit (loss) of the groups of assets being sold after taxes	60,7						
Account 310 (partial) – Elimination of the contribution of the MPS Asset Management SGR section		-46,7					
Account 320 – Profit (Loss) for the year	527,4	16,0	31,6		-60,8	514,2	**Profit (Loss) for the period included minority interests**
	-10,1		-1,3			-11,4	**Profit (Loss) for the period of minority interests**
Account 330 – Profit (Loss) for the year related to minority interests	-10,1						
	517,4	16,0	30,3		-60,8	502,8	**Net profit for the period before PPA**
		-16,0				-16,0	**Economic effects of the "Purchase Price Allocation"**
Account 10 (partial) – Integration of interests and similar income (PPA BAV)		-8,1					
Account 10 (partial) – Integration of interest and similar income (PPA Biver Banca)		-4,0					
Account 20 (partial) – Integration of interests and similar expenses (PPA Biver Banca)		-1,1					
Account 200 (partial) – Integration of net value adjustments on tangible assets (PPA BAV)		-0,1					
Account 200 (partial) – Integration of net value adjustments on tangible assets (PPA Biver Banca)		-0,6					
Account 210 (partial) – Integration of net value adjustments on intangible assets (PPA BAV)		-5,9					
Account 210 (partial) – Integration of net value adjustments on intangible assets (PPA Biver Banca)		-3,7					
Account 290 (partial) – Integration of income taxes for the current period (PPA BAV)		4,5					
Account 290 (partial) – Integration of income taxes for the current period (PPA Biver Banca)		3,0					
Account – Profit (Loss) for the current period of the parent bank	517,4	0,0	30,3		-60,8	486,8	**Net profit for the period**

Reconciliation between the reclassified consolidated balance sheets as at 30 June 2009 and as at 30 June 2008 and the related accounting tables – MONTEPASCHI Group

Balance sheet - Assets	30/06/09	30/06/08	Reclassified balance sheet - Assets
	798	**807**	**Cash and cash equivalents**
Account 10 – Cash and cash equivalents	798	807	
			Loans :
	145.111	**139.909**	**a) Customer loans**
Account 70 – Customer loans	145.111	139.909	
	13.017	**14.553**	**b) Due from banks**
Account 60 – Due from banks	13.017	14.553	
	32.707	**27.677**	**Financial assets held for trading**
Account 20 – Financial assets held for trading	22.937	22.325	
Account 30 – Financial assets valued at fair value	209	335	
Account 40 – Financial assets available for sale	9.561	5.017	
	0	**0**	**Finacial assets held to maturity**
Account 50 – Finacial assets held to maturity	0	0	
	721	**548**	**Equity investments**
Account 100 – Equity investments	721	548	
	-	-	**Technical reserves attributable to the reinsurers**
Account 110 – Technical reserves attributable to the reinsurers	-	-	
	10.468	**10.655**	**Tangible and intangible assets**
Account 120 – Tangible assets	2.774	2.803	
Account 130 – Intangible assets	7.694	7.852	
	9.241	**12.381**	**Other assets**
Account 80 – Hedging derivatives	128	44	
Account 90 – Value adjustment of financial assets under general hedging (+/-)	28	11	
Account 140 – Tax assets	4.076	1.661	
Account 150 – Non-current assets and groups of assets being sold	101	4.417	
Account 160 – Other assets	4.908	6.248	
Total assets	**212.062**	**206.529**	**Total assets**

Balance sheet - Liabilities	30/06/09	30/06/08	Reclassified balance sheet- Liabilities
			Debts
	147.635	**139.000**	**a) Due to customers and securities**
Account 20 – Due to customers	81.803	77.651	
Account 30 – Outstanding securities	48.646	46.989	
Account 50 – Financial lialibilities valued at fair value	17.186	14.360	
	21.826	**27.218**	**b) Due to banks**
Account 10 – Due to banks	21.826	27.218	
	18.710	**13.298**	**Financial liabilities held for trading**
Account 40 – Financial liabilities held for trading	18.710	13.298	
			Specific funds
Account 110 – Staff severance indemnity fund	347	564	
Account 120 Provisions for risks and liabilities - a) pension fund and similar obligations	441	452	
Account 120 Provisions for risks and liabilities - b) other funds	886	817	
	6.820	**10.702**	**Other liabilities**
Account 60 – Hedging derivatives	542	58	
Account 70 – Value adjustment of financial liabilities under general hedging (+/-)	-	-	
Account 80 – Tax liabilities	203	510	
Account 90 – Liabilities related to groups of assets being sold	0	3.926	
Account 100 – Other liabilities	6.075	6.208	
	-	**-**	**Technical reserves**
Account 130 – Technical reserves	-	-	
	15.124	**14.159**	**Group shareholders' equity**
Account 140 – Valuation reserves	513	337	a) Valutation reserves
Account 150 – Reimbursable shares	-	-	b) Reimbursable shares
Account 160 – Capital instruments	47	79	c)Capital instruments
Account 170 – Reserves	5.768	4.787	d) Reserves
Account 180 – Share premium	4.035	3.998	e) Share premium
Account 190 – Capital	4.487	4.451	f) Capital
Account 200 – Own shares (-)	-57	-15	g) Own shares (-)
Account 220 – Profit (Loss) for the year (+/-)	332	522	h) Profit (loss) for the year
	273	**319**	**Minority interests in shareholders' equity**
Account 210 – Minority interests in shareholders' equity (+/-)	273	319	
Total liabilities and shareholders' equity	**212.062**	**206.529**	**Total liabilities and shareholders' equity**

Segment Reporting: reconciliation of data as at 30 June 2008 between the reclassified scheme[14] and the accounting scheme

INCOME AGGREGATES

(in millions of euro)

2008 JUNE	Retail and Private Banking	Corporate Banking	Corporate Center	Total Reclassified Group	Antonveneta Group (from 1/1/2008 to 31/5/2008)	Total Reclassified Group with Antonveneta 1 month
INCOME AGGREGATES						
Net Financial income (loss)	1.965,3	906,4	323,7	3.195,4	-678,9	2.516,5
Net adjustments for impairment of loans and financial assets	194,1	247,9	1,5	443,5	-120,3	323,1
Operating expenses	1.282,0	402,9	230,4	1.915,3	-433,1	1.482,2
Net operating income	**489,3**	**255,5**	**91,9**	**836,7**	**-125,5**	**711,2**
CAPITAL AGGREGATES						
Performing loans	56.097,5	69.479,7	11.240,0	136.817,1		
Due to customers and securities	75.321,9	37.859,7	25.818,3	139.000,0		

[14] The data as at 30 June 2008 are the sum of the first two quarters as shown in the table "Quarterly Trend – Reclassified Profit and Loss Account according to management criteria" of the Cash Flow Statement as at 31 December 2008 and include Antonveneta data from the opening of the year. Pro quota financial effects for the first five months of 2008 of the acquisition of Banca Antonveneta were not considered.

TABLES OF THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ABRIDGED HALF-YEAR CONSOLIDATED BALANCE SHEET

TABLES

CONSOLIDATED BALANCE SHEET

(EUR)

	Assets	30 06 2009	31 12 2008
10	Cash and cash equivalents	797.840.400	1.026.368.224
20	Financial assets held for trading	22.936.547.231	21.797.695.397
30	Financial assets valued at *fair value*	209.434.445	180.037.943
40	Financial assets available for sale	9.560.608.889	4.996.021.136
50	Financial assets held to maturity	2.922	2.867
60	Due to banks	13.016.836.089	17.615.715.668
70	Due to customers	145.111.021.793	145.353.189.754
80	Hedging derivatives	128.239.253	99.160.129
90	Value adjustment of financial assets under general hedging (+/-)	27.818.507	31.102.587
100	Equity investments	720.976.367	583.028.120
110	Technical reserves to be charged to reinsurers	-	-
120	Tangible assets	2.774.400.379	2.792.580.036
130	Intangible assets	7.694.052.713	7.765.931.945
	of which: goodwill	*6.669.694.822*	*6.708.545.822*
140	Tax assets	4.075.614.701	4.180.434.932
	a) current	*574.580.107*	*604.372.499*
	b) advanced	*3.501.034.594*	*3.576.062.433*
150	Non-current assets and groups of assets being sold	101.070.348	272.091.502
160	Other assets	4.907.914.003	7.102.616.334
	Total assets	**212.062.378.040**	**213.795.976.574**

CONSOLIDATED BALANCE SHEET

(EUR)

	Liabilities and shareholders' equity	30 06 2009	31 12 2008
10	Due to banks	21.826.331.569	27.208.645.978
20	Due to customers	81.803.037.310	81.596.414.386
30	Outstanding securities	48.645.524.169	47.157.555.961
40	Financial liabilities held for trading	18.710.476.641	18.967.188.840
50	Financial liabilities valued at fa*ir value*	17.186.388.750	13.711.900.007
60	Hedging derivatives	542.251.872	389.889.284
70	Value adjustment of financial liabilities under general hedging (+/-)	-	-
80	Tax liabilities	202.871.847	1.399.193.303
	a) current	*94.826.712*	*1.283.515.253*
	b) differed	*108.045.135*	*115.678.050*
90	Liabilities related to assets being sold	-	45.384.071
100	Other liabilities	6.074.745.490	6.324.870.383
110	Staff severance indemnity pay	346.564.115	539.822.794
120	Provision for risks and charges:	1.327.026.307	1.352.022.438
	a) pension funds and similar obligations	*440.641.303*	*429.819.893*
	b) other funds	*886.385.004*	*922.202.545*
130	Technical reserves	-	-
140	Valuation reserves	512.718.984	401.169.657
150	Redeemable shares	-	-
160	Capital instrument	46.871.091	46.871.091
170	Reserves	5.768.078.317	4.909.020.124
180	Premium shares	4.035.020.545	4.094.436.080
190	Capital	4.486.786.372	4.486.786.372
200	Own shares (-)	(57.219.575)	(36.962.960)
210	Minority interests (+/-)	272.837.703	279.016.681
220	Profit (Loss) for the year(+/-)	332.066.533	922.752.084
	Total liabilities and shareholders' equity	**212.062.378.040**	**213.795.976.574**

INCOME STATEMENT

(in EURO units)

	Account	30 06 09	30 06 08	30 06 08 with final effect of PPA
10	Interest and similar income	3.886.161.236	4.309.559.590	4.305.583.075
20	Interest and similar expense	(1.950.611.064)	(2.620.784.121)	(2.618.877.810)
30	**Interest margin**	**1.935.560.172**	**1.688.775.469**	**1.686.705.265**
40	Commission earned	867.880.803	751.998.221	751.998.221
50	Commission expense	(104.795.198)	(89.621.276)	(89.621.276)
60	**Net commission income**	**763.085.605**	**662.376.945**	**662.376.945**
70	Dividend and similar income	209.873.637	541.918.064	541.918.064
80	Net result from trading	(110.649.461)	(496.729.872)	(496.729.872)
90	Net result from hedging activities	70.728	(5.289.234)	(5.289.234)
100	Profit (loss) on disposal or on repurchase of	(4.223.185)	10.126.557	12.112.944
	a) loans	*9.141.642*	*28.120*	*28.120*
	b) financial assets available for sale	*(5.067.751)*	*9.573.631*	*11.560.018*
	c) financial assets held to maturity		-	
	d) financial liabilities	*(8.297.076)*	*524.806*	*524.806*
110	Net result on financial assets and liabilities carried at fair value	(3.990.081)	31.136.298	31.136.298
120	**Net interest and other banking income**	**2.790.353.915**	**2.432.314.227**	**2.432.230.410**
130	Net value adjustments /recoveries on impairment of	(730.475.857)	(453.537.388)	(453.537.388)
	a) loans	*(707.492.503)*	*(352.358.811)*	*(356.358.811)*
	b) financial assets available for sale	*(12.354.940)*	*(107.815.528)*	*(107.815.528)*
	c) financial assets held to maturity			
	d) other financial operations	*(10.628.414)*	*6.636.951*	*6.636.951*
140	**Net income from financial activities**	**2.059.878.058**	**1.978.776.839**	**1.978.693.022**
150	Net premiums		-	0
160	Other income/expenses (net) from insurance activities		-	0
170	**Net income from financial and insurance activities**	**2.059.878.058**	**1.978.776.839**	**1.978.693.022**
180	Administrative expenses:	(1.815.944.121)	(1.594.823.109)	(1.594.823.109)
	a) personnel expenses	*(1.136.259.932*	(969.089.427)	*(969.089.427)*
	b) other administrative expenses	*(680.684.189)*	(625.733.682)	*(625.733.682)*
190	Net provisions for risks and charges	(20.695.086)	13.186.645	13.186.645
200	Net adjustments/recoveries on tangible assets	(53.366.532)	(37.915.737)	(37.522.438)
210	Net adjustments/recoveries on intangible assets	(63.754.648)	(23.029.594)	(32.687.502)
220	Other operating income/expenses	116.014.155	131.948.187	131.948.187
230	**Operating Costs**	**(1.837.746.232)**	**(1.510.633.608)**	**(1.519.898.217)**
240	Profit (loss) on equity investments	55.515.808	205.575.716	205.575.716
250	Net result of the tangible and intangible assets carried at fair value		-	0
260	Adjustments to goodwill		(172.500)	(172.500)
270	Profit (loss) on disposal of investments	4.247	27.828.611	27.828.611
280	**Profit (loss) before tax from continuing operations**	**277.651.881**	**701.375.058**	**692.026.632**
290	Taxes on income from continuing operations	(154.712.920)	(228.829.240)	225.289.424
300	**Profit (loss) after tax from continuing operations**	**122.938.961**	**472.545.818**	**466.737.208**
310	Profit (loss) after tax from discontinued operations	211.735.175	60.705.603	60.705.603
320	**Net profit (loss) for the year**	**334.674.138**	**533.251.421**	**527.442.811**
330	Net profit (loss) attributable to minority interests	2.607.603	11.097.768	10.059.865
340	**Parent company's net profit (loss)**	**332.066.533**	**522.153.653**	**517.382.946**

Data concerning the income statement as at 30 June 2008 were re-determinated taking into account the passage from the temporary PPA to the final PPA of the subsidiares Banca Antonveneta and Biverbanca

		30 06 09	30 06 2008	30 06 2008
	Basic earnings per share	**0,050**	**0,150**	**0,148**
	of continuing operations	0,018	0,133	0,131
	Of discontinued operations	0,032	0,017	0,017
	Diluted earnings per share	**0,049**	**0,143**	**0,142**
	Of continuing shares	0,018	0,127	0,126
	Of discontinued operations	0,031	0,016	0,016

STATEMENT OF CONSOLIDATED PROFITABILITY

	Accounts	30 06 2009	30 06 2008	30 06 2008* with PPA final effects
10	**Profit (Loss) for the year**	**334.674.136**	**533.251.420**	**527.442.811**
	Other income components after tax			
20	**Financial assets available for sale:**	**94.710.164**	**(267.141.891)**	**(267.141.891)**
	a) changes *fair value*	(10.597.170)	(291.078.005)	(291.078.005)
	b) re-transfer to income statement	37.351.240	(25.266.334)	(25.266.334)
	- adjustments due to impairment	(24.774.916)	-	-
	- profit/loss from sale	62.126.156	(25.266.334)	**(25.266.334)**
	c) other changes	67.956.094	49.202.448	49.202.448
30	**Tangible assets**	-	-	-
40	**Intangible assets**	-	-	-
50	**Foreign investments hedging**	-	-	-
60	**Financial flows hedging**	**(35.426.052)**	**21.882.866**	**21.882.866**
70	**Exchange differences**	**(155.539)**	**(2.762.376)**	**(2.762.376)**
80	**Non-current assets being sold**	-	**(29.110.442)**	**(29.110.442)**
90	**Actuarial profit (Loss) on defined-benefit plans**	-	-	-
100	**Quota of reserves from valuation of equity investments valued with the net worth method**	**81.421.334**	**(55.992.521)**	**(55.992.521)**
110	**Total other income components after tax**	**140.549.907**	**(333.124.364)**	**(333.124.364)**
120	**Overall profitability (Account 10 + 110)**	**475.224.043**	**200.127.056**	**194.318.447**
130	**Overall Consolidated profitability of minority interets**	**3.671.807**	**15.680.867**	**14.642.965**
140	**Overall consolidated profitability of the parent bank**	**471.552.236**	**184.446.189**	**179.675.482**

Biverbanca Data concerning the income statement as at 30 June 2008 were re-determined taking into account the passage from the temporary PPA to the final PPA of the subsidiaries Banca Antonveneta and Biverbanca.

STATEMENT OF CHANGES IN THE SHAREHOLDER'EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in Euro units

		Balance as at 31.12.08		Change in opening balance	Balance as at 01.01.09		Group consolidation	Allocation of profit from prior year				Changes during the year												Shareholders' equity as at 30.06.2009	
								Reserves		Dividends and other allocation of the Group	Dividends and other allocation of minority interests	Changes in reserves		Shareholders' Equity transactions								Net profit (loss) during the year			
														Issue of new shares		Acquisition of own shares		Extraordinary distribution	Change in equity instr	Own share derivati	Stock option				
		group	minorities		group	minorities		group	minorities			group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	3.715.788.028	51.358.309		3.715.788.028	51.358.309				-			(41.600)											3.715.788.028	51.316.709
	b) other shares	770.998.344	-		770.998.344					-				(545.518)										770.998.344	-
Additional paid-in-capital		4.094.436.080	155.647		4.094.436.080	155.647						(58.861.017)	(59)											4.035.020.545	155.588
Reserves	a) retained earnings	5.013.905.124	83.535.530		5.013.905.124	83.535.530		824.162.627			(1.501.671)	34.895.566	49.295						-					5.872.963.317	82.083.154
	b) other	(104.885.000)	-		(104.885.000)	-				-	-													(104.885.000)	-
Valuation Reserves	a) available for sale	479.293.122	135.610.463	-	479.293.122	135.610.463						175.067.294	1.064.204											654.360.416	136.674.667
	b) hedging of financi	(179.132.645)	-	-	(179.132.645)							(35.426.052)												(214.558.697)	-
	c) other	101.009.180		-	101.009.180							(28.091.914)												72.917.266	
Equity instruments		46.871.091	-	-	46.871.091																			46.871.091	-
Own shares	a) of the parent comp	(36.905.350)	(286)	-	(36.905.350)	(286)								17.238.690		(37.490.197)	268							(58.156.857)	(18)
	b) of the subsidiaries	(57.611)			(57.611)											(5.108)								(62.719)	-
Net profit (loss) for the period		922.752.084	8.357.018	-	922.752.084	8.357.018		(824.162.627)	-	(98.589.457)	(8.357.018)											332.066.533	2.607.603	332.066.533	2.607.603
Shareholders' Equity		14.824.072.447	279.016.681	-	14.824.072.447	279.016.681	-	-	-	(98.589.457)	(9.858.689)	87.583.877	1.071.840	16.684.172	-	(37.495.305)	268	-	-	-	-	332.066.533	2.607.603	15.124.322.267	272.837.703

As at 30 June 2009, the shareholders' equity of the Group, including the profit, for the year amounts to EUR 15,124.3mln against EUR 14,824.00mln of the end of 2008, thus showing an increase of EUR 300.3mln, mainly due to the economic result of the first half-year. 2008 profit amounts to EUR 922.8mln , EUR 98.6mln of

The valuation reserves "a) available for sale" show a positive change of about EUR 175mln thanks to the recovery of financial markets.

The valuation reserves "b) financial flow hedging" show a negative change of about EUR 35.4mln. In particular, the parent bank actively hedged the interest rate risk, using cash flow hedging in long-term liabilities accounts. The main account concerned is the Upper Tier II issued in the framework of the Banca Antonveneta acquisition for nominal EUR 2.16 bn.

The valuation reserves "c) other" show a negative change of about EUR 28mln mainly due to the deconsolidation of some subsidiaries sold during the half-year.

Own shares increase amounts to EUR 20.3mln, the trading result is included in the share premium, also including the consideration of the yearly fee paid to JP Morgan against the acquisition by the parent bank BMPS of the beneficial interest on the ordinary shares underwritten by JP Morgan following the share capital

Net worth of minority interests show a net decrease of EUR 6.2mln mainly due to the allocation of ordinary dividends on the 2008 profit.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in Euro units

		Balance as at 31.12.07		Change in opening balance	Balance as at 01.01.08		Group consolidation	Allocation of profit from prior year: Reserves		Allocation of profit from prior year: Dividends and other allocation of the Group	Allocation of profit from prior year: Dividends and other allocation of minority interests	Changes in reserves		Changes during the year – Shareholders' Equity transactions: Issue of new shares		Acquisition of own shares		Extraordinary distribution	Change in equity instruments	Own share derivatives	Stock option	Changes during the year – Net profit (loss) during the year		Shareholders' equity as at 30.06.2008	
		group	minorities		group	minorities		group	minorities			group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	1.646.367.306	53.250.902		1.646.367.306	53.250.902				-			24.604.910	2.033.933.506										3.680.300.812	77.855.812
	b) other shares	385.499.172	-		385.499.172					-				385.499.172										770.998.344	-
Additional paid-in-capital		559.171.863	7.095.888		559.171.863	7.095.888							56.610	3.439.053.475										3.998.225.338	7.152.498
Reserves	a) retained earnings	4.101.360.026	57.741.100		4.101.360.026	57.741.100		797.335.343	5.483.297			(7.084.501)	42.016.292						-					4.891.610.868	105.240.689
	b) other	(104.885.000)	-		(104.885.000)	-				-	-													(104.885.000)	-
Valuation Reserves	a) available for sale	430.245.794	111.581.423	-	430.245.794	111.581.423						(303.664.160)	4.583.438											126.581.634	116.164.861
	b) hedging of financia	13.010.334	-	-	13.010.334							21.882.865												34.893.199	-
	c) other	207.102.942	1.267.818	-	207.102.942	1.267.818						(31.870.280)	(2.539)											175.232.662	1.265.279
Equity instruments		70.411.547	-	-	70.411.547		8.551.329																	78.962.876	-
Own shares	a) of the parent comp	(91.933.318)		-	(91.933.318)									94.136.000		(17.288.003)								(15.085.321)	
	b) of the subsidiaries	(4.691.940)	(4.192)		(4.691.940)	(4.192)								4.692.642	4.192	(32.000)								(31.298)	
Net profit (loss) for the period		1.437.558.418	15.641.297	-	1.437.558.418	15.641.297		(797.335.343)	(5.483.297)	(640.223.075)	(10.158.000)											522.153.653	11097.768	522.153.653	11.097.768
Shareholders' Equity		8.649.217.144	246.574.236	**-**	8.649.217.144	246.574.236	**8.551.329**	**-**	**-**	(640.223.075)	(10.158.000)	(320.736.076)	71.258.711	5.957.314.795	4.192	(17.320.003)	-	-	-	-	-	522.153.653	11097.768	14.158.957.767	318.776.907

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in Euro units

		Balance as at 31.12.07		Change in opening balance	Balance as at 01.01.08		Group consolidation	Allocation of profit from prior year				Changes during the year												Shareholders' equity as at 30.06.2008	
								Reserves		Dividends and other allocation of the Group	Dividends and other allocation of minority interests	Changes in reserves		Shareholders' Equity transactions								Net profit (loss) during the year			
														Issue of new shares		Acquisition of own shares		Extraordinary distribution	Change in equity instruments	Own share derivatives	Stock option				
		group	minorities		group	minorities		group	minorities			group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	1.646.367.306	53.250.902		1.646.367.306	53.250.902				-			24.604.910	2.033.933.506										3.680.300.812	77.855.812
	b) other shares	385.499.172	-		385.499.172					-				385.499.172										770.998.344	-
Additional paid-in-capital		559.171.863	7.095.888		559.171.863	7.095.888							56.610	3.439.053.475										3.998.225.338	7.152.498
Reserves	a) retained earnings	4.101.360.026	57.741.100		4.101.360.026	57.741.100		797.335.343	5.483.297			(7.084.501)	67.317.378						-					4.891.610.868	130.541.775
	b) other	(104.885.000)	-		(104.885.000)	-				-	-													(104.885.000)	-
Valuation Reserves	a) available for sale	430.245.794	111.581.423	-	430.245.794	111.581.423						(303.664.160)	4.583.438											126.581.634	116.164.861
	b) hedging of financi	13.010.334	-	-	13.010.334							21.882.865												34.893.199	-
	c) other	207.102.942	1.267.818	-	207.102.942	1.267.818						(31.870.280)	(2.539)											175.232.662	1.265.279
Equity instruments		70.411.547	-	-	70.411.547																			70.411.547	-
Own shares	a) of the parent comp	(91.933.318)		-	(91.933.318)									94.136.000		(17.288.003)								(15.085.321)	
	b) of the subsidiaries	(4.691.940)	(4.192)		(4.691.940)	(4.192)								4.692.642	4.192	(32.000)								(31.298)	
Net profit (loss) for the period		1.437.558.418	15.641.297	-	1.437.558.418	15.641.297		(797.335.343)	(5.483.297)	(640.223.075)	(10.158.000)											522.153.653	11097.768	517.382.946	11.097.768
Shareholders' Equity		8.649.217.144	246.574.236	-	8.649.217.144	246.574.236		-	-	(640.223.075)	(10.158.000)	(320.736.076)	96.559.797	5.957.314.795	4.192	(17.320.003)	-	-	-	-	-	522.153.653	11097.768	14.145.635.731	344.077.993

Data concerning the shareholders' equity at 30 June 2008 were re-determined taking into account the passage from the temporary PPA to the final PPA of the subsidiaries Banca Antonveneta and Biverbanca

CONSOLIDATED FINANCIAL STATEMENT

A. TRADING ASSETS	30 06 2009	30 06 2008	30 06 2008 *
1. Management	**1.663.222.908**	**1.382.772.494**	**1.382.688.788**
operating profit (+/-)	334.674.136	533.251.421	527.442.811
capital gains/losses on financial assets held for trading and on financial assets/liabilities valued at fair value (-/+)	104.366.781	41.462.815	41.462.815
capital gains/losses on hedging assets (-/+)	(707.228)	5.232.757	5.232.757
net value adjustmens/recoveries for impairment (+/-)	803.882.630	562.526.023	562.526.023
net value adjustments/recoveries on tangible and intangible assets (+/-)	117.121.180	60.945.330	70.209.940
net provisions to risk and expense funds and other costs/income (+/-)	47.664.413	75.127.009	75.127.009
unpaid tax (+)	154.712.920	228.829.130	225.289.424
net value adjustments/recoveries of groups of assets being sold after tax (+/-)	1.246.393	26.020.432	26.020.432
other adjustments	100.261.683	(150.622.423)	(150.622.423)
2. liquidity generated/absorbed by financial assets	**306.886.835**	**5.408.262.541**	**5.214.988.675**
financial assets held for trading	(1.092.215.189)	3.974.086.204	3.974.085.632
financial assets valued at fair value	(29.396.501)	(213.723.813)	(213.723.813)
financial assets available for sale	(4.367.835.839)	(389.198.216)	(389.198.065)
credits to banks	4.106.975.219	5.709.396.281	5.712.044.281
hedging derivatives	-	-	-
credits to customers	(534.580.660)	(2.872.761.453)	(3.065.956.688)
other assets	2.223.939.805	(799.536.462)	(802.262.672)
3. liquidity generated/absorbed by financial liabilities	**(2.372.738.574)**	**(2.618.670.536)**	**(2.425.312.690)**
debts to banks	(5.354.122.022)	2.889.710.205	2.889.710.205
hedging derivatives	-	-	-
debts to customers	206.642.679	(1.349.737.957)	(1.349.737.957)
outstanding securities	1.487.968.209	1.423.128.481	1.421.221.101
financial liabilities held for trading	74.570.090	(6.058.611.882)	(6.058.611.882)
financial liabilties valued at fair value	3.329.376.648	1.160.343.075	1.160.343.276
other liabilities	(2.117.174.178)	(683.502.458)	(488.237.433)
net liquidity generated/absorbed by trading assets	**(402.628.831)**	**4.172.364.499**	**4.172.364.773**
B. INVESTMENT ASSETS			
1. Liquidity generated by:	**416.872.518**	**552.548.702**	**552.548.702**
sale of equity investments	45.029.622	542.707.000	542.707.000
dividends received on equity investments	-	-	-
sales/repayments of financial assets held to maturity	-	-	-
sale of tangible assets	1.048.225	7.313.296	7.313.296
sales of intangible assets	425.414	2.528.406	2.528.406
sale of subsidiaries and of business lines	370.369.257	-	-
2. Liquidity absorbed by:	**(113.523.269)**	**(10.021.641.508)**	**(10.021.641.780)**
purchase of equity investments	(70.290.318)	(9.986.243.000)	(9.986.243.000)
purchase of financial assets held to maturity	-	-	-
purchase of tangible assets	(12.900.705)	(33.238.174)	(33.238.174)
purchase of intangible assets	(30.332.246)	(2.160.334)	(2.160.606)
purchase of subsidiaries and of business lines	-	-	-
Net liquidity generated/absorbed by investment assets	**303.349.249**	**(9.469.092.806)**	**(9.469.093.078)**
C. PROVISIONS			
issue/purchase of own shares	(20.806.024)	55.719.784	55.719.784
issue/purchase of capital instruments	-	-	-
dividends distribution and other aims	(108.448.148)	(650.534.936)	(650.534.937)
issue of new shares	-	5.884.306.678	5.884.306.678
Net liquidity generated/absorbed by provisions	**(129.254.172)**	**5.289.491.526**	**5.289.491.525**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**(228.533.754)**	**(7.236.781)**	**(7.236.780)**

Data concerning the income statement at 30 June 2008 were re-determined taking into account the passage from the temporary PPA to the final PPA of the subsidiaries Banca Antonveneta and Biverbanca

RECONCILIATION

Accounts	30 06 2009	30 06 2008	30 06 2008 *
Cash and liquidity at the opening of the financial year	1.026.374.154	821.089.517	821.089.517
Total net liquidity generated/absorbed in the period	(228.533.754)	(7.236.781)	(7.236.781)
Cash and liquidity: effect of changes in exchange rates	-	-	-
Cash and liquidity at the closing of the financial year	797.840.400	813.852.736	813.852.736

Data of the cash flow statement as at 30 June 2008 were restated taking into account the transition from the temporary PPA to the final PPA of the subsidiaries Bancantonveneta and Biverbanca.

The account Cash and cash equivalents at the opening of the year amounting to EUR 1,026,374,000 include the account 10 Cash and cash equivalents for EUR 1,026,368,000 and further Cash amounting to EUR 6,000 included in the account 150 Non-current assets and groups of assets being sold.

PART A
ACCOUNTING POLICIES

A.1 General Information

ACCOUNTING POLICIES

The abridged consolidated half-year financial statements of the Montepaschi Group are prepared in compliance with the provisions of art.154 of the Financial Act, in accordance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB) and with the relative interpretation of the Financial Reporting Interpretation Committee (IFRIC), validated as of the date of the drawing up by the European Commission.
In particular, the abridged consolidated half-year financial statements were prepared in compliance with IAS 34 “Interim Reports” and in relation to the regulations enforcing art.9 of Legislative Decree no.38/2005. The international accounting principles were applied with reference to the “Framework for the drawing up and presentation of financial statements” (Framework).
In particular, the Group adopted the accounting principles used for drawing up the Consolidated Financial Statements as of 31 December 2008, which should be referred to for further details and are supplemented by following information referred to:

A. The accounting principles, the amendments and the construction which must be complied with starting from these half-year report;
B. The accounting principles, the amendments and the construction validated by 30 June 2009 which must be complied with after the half-year report and, unless otherwise stated from time to time, were not earlier applied according to par. 30 of IAS 8.

A. The accounting principles, the amendments and the construction which must be complied with starting from these half-year report

IASB issue date EU Validation date Starting	Amendment/new standard
IASB issue date: **29 March 2007** EU Validation date: **10 December 2008 Reg. 1260/2008** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Revised version of IAS 23 – Financial charges** The new version of the principle does no longer include the option whereby it is possible to promptly post any financial charges incurred in relation to assets which normally require a certain period of time before making the assets available for use or sale, to the profit and loss statement. The principle shall be applied prospectively to the financial charges in relation to capitalized assets starting from 1 January 2009. The adoption of this principle did not have any effect on this half-year report.
IASB issue date: **17 January 2008** EU Validation date: **16 December 2008 Reg. 1261/2008** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Amendment to IFRS 2 - Terms of fulfilment and cancellation** For the purpose of the valuation of remuneration instruments based on shares, only the terms of service and performance can be considered as terms for the execution of the plans. The amendment also specifies that, in case of cancellation of the plan, the same accounting treatment shall be applied whether it is cancelled by the company or the counterpart. The adoption of this principle did not have any effect on this half-year report.
IASB/IFRIC issue date: **5 July 2007** EU validation date: **16 December 2008 Reg. 1262/2008** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Construction of IFRIC 13 – Customers' fidelization programmes** The construction rules the accounting treatment of the customers' fidelization programmes, i.e. the programmes providing for the assignment of credits or points further to the purchase of goods and services entitling, under certain conditions, to receiving free goods or services or to discounts. The accounting treatment consists in posting a liability as a counter-item of the income decrease in the period of point assignment; the posting of the income is postponed to the assignment of the prize and thus also the liability is cancelled. The adoption of this principle did not have any effect on this half-year report.

IASB issue date EU Validation date Starting	Amendment/new standard
IASB/IFRC issue date: **6 September 2007** EU validation date: **17 December 2008 Reg. 1274/2008** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Revised version of IAS 1 – Presentation of the financial statements** The new version of the principle requires that all changes produced by transactions with the shareholders are shown in a table of the changes in net equity. All transactions with third parties ("*comprehensive income*") shall be shown in one table of *comprehensive income* or in two separate tables (profit and loss statement and statement of *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 in these half-year report opting for the two separate tables, i.e. *the profit and loss statement* and *the statement of comprehensive income*.
IASB/IFRC issue date: **14 February 2008** EU validation date: **21 January 2009 Reg. 53/2009** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Amendment "Puttable financial instruments and obligations resulting upon the settlement"** The amendment modifies the IAS 32 "Financial instruments: Presentation" and the IAS 1 "Presentation of the financial statements". In particular, the principle requires that the companies classify the puttable financial instruments and the financial instruments which oblige the company to deliver a share of equity investments in the company's assets to third parties, as equity instruments. The adoption of this principle did not have any effect on this half-year report.

IASB issue date **EU Validation date** **Starting**	**Amendment/new standard**
IASB/IFRC issue date: **22 May 2008** EU validation date: **23 January 2009 Reg. 69/2009** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Amendment to IFRS 1 "First-time adoption of International Financial Reporting Standard" and IAS 27 "Consolidated and Separate Financial Statements – Cost for investment in subsidiaries, jointly controlled entities and associates".** The amendment provides that, in case of first-time adoption of IFRS and of separate financial statements and in addition to the existing criteria, investments in subsidiaries, entities subject to significant influence and jointly controlled entities may be posted at a deemed cost which may be either the fair value at the transition date of the separate financial statements to the IAS/IFRS or the book value according to the original accounting principles (for instance: IT GAAP). The choice can be individually made. The amendment also refers to IAS 27 and, in particular, the accounting of dividends and of investments in the separate financial statements; as a matter of fact, according to this amendment the distribution of profits, also of profits before the acquisition, are posted to profit and loss statement in the separate financial statements when the right to the dividend accrues. Therefore, there is no longer any obligation to post the distribution of profits before acquisition to the value decrease of the investments. On the other hand, in IAS 36 a new impairment indicator was introduced to assess investments taking it into account. The adoption of this principle did not have any effect on this half-year report.

IASB issue date EU Validation date Starting	Amendment/new standard
IASB/IFRC issue date: **22 May 2008** EU validation date: **23 January 2009 Reg. 70/2009** Effective date (depending on the registration of validation): **opening date of the financial year starting after 31 December 2008**	**Project "Improvements to International Financial Reporting Standards"** Hereunder changes are reported which must be complied with starting from 1 January 2009 and implying a change in the presentation, acknowledgement and valuation of accounts, leaving aside the changes only implying wording or editing modifications with minimum impact on the accounting. For the MPS Group, the improvements hereunder did not have any significant effect. a) **IAS 1 – Presentation of the financial statements (reviewed in 2007):** in accordance with the amendment, any assets and liabilities resulting from derivative financial instruments which are not held for trading purposes shall be classified in the balance-sheet, separating current assets and liabilities from non-current assets and liabilities. b) **IAS 16 – Buildings, equipment and plants**: Pursuant to the amendment, the companies where renting is the core business shall reclassify the assets which are no longer rented and are available for sale in the stock and, subsequently, the consideration resulting from their sale shall be recognized as income. Any consideration paid to build or purchase assets to be rented to third parties, in addition to the consideration cashed as a result of the following sale of such assets, for the purpose of the cash flow statement, are cash flows resulting from operations (and not from investments). c) **IAS 19 – Employees' benefits**: the amendment shall be enforced as of 1 January 2009 prospectively to the changes in the benefits occurred after such a date and clarifies the definition of cost/income in relation to past work. It also states that, in case of reduction of a plan, the effect to be promptly posted to the profit and loss statement shall only include the reduction of benefits in relation to future periods. The effect resulting from any reductions in relation to past work shall be considered as a negative cost in relation to past work. In addition, the Board revised the definition of short-term and long-term benefits and amended the definition of return on assets specifying that this account shall be shown net of any administrative charges if they are not already included in the value of the obligation. d) **IAS 20 – Accounting and reporting of public contributions**: in compliance with the amendment to be enforced prospectively as of 1 January 2009, any benefits resulting from Government loans granted at interest rates much lower than market rates shall be considered as public contributions and therefore shall comply with the rules of recognition provided for by IAS 20.

Project "Improvements to International Financial Reporting Standards **Project "Improvements to International Financial Reporting Standards**	e) **IAS 23 – Financial charges**: the amendment, to be enforced as of 1 January 2009, revised the definition of financial charges. f) **IAS 28 – Equity investments in associated companies***:* the amendment, to be enforced (also only prospectively) as of 1 January 2009, states that, in case of any equity investments valued with the net equity method, any loss of value shall not be allocated to each asset (and in particular to the goodwill, if any) contributing to the book value of the investment, but to the value of the associated company as a whole. Therefore, in view of the conditions for a following reinstatement of value, such reinstatement shall be recognized totally. g) **IAS 28 – Equity investments in associated companies and IAS 31 – Equity investments in joint ventures**: such amendments require that additional information is provided also in relation to the investments in associated companies and joint ventures valued at fair value in accordance with IAS 39. IFRS 7 – Financial instruments: supplementary information and IAS 32 – Financial instruments shown in the balance-sheet have been amended accordingly. h) **IAS 29 – Accounting information in hyper-inflated economies** – the prior version of the principle did not reflect the fact that some assets or liabilities might be posted to the balance-sheet on the basis of their current value rather than historical cost. i) **IAS 36 – Loss of value of assets**: the amendment requires that any additional information is provided if a company determines the recoverable value of the cash generating units by using the method of cash flow updating. j) **IAS 38 – Intangible assets**: the amendment recognizes that promotional and advertising costs shall be posted to the profit and loss statement. It also states that if a company incurs charges implying future economic benefits without posting any intangible assets, such charges shall be posted to the profit and loss statement when the company is entitled to have access to the assets, in case of purchase of assets, or when the service is rendered, in case of purchase of services. In addition, the principle was modified for the purpose of allowing the companies to adopt the method of the units produced in order to determine the amortization of intangible assets with a specific useful life. k) **IAS 39 – *Financial instruments: recognition and valuation***, the amendment explains how to calculate the new actual rate of return of a financial instrument at the end of the hedging of the fair value. It also states that the prohibition of reclassification under financial instruments with fair value adjustment to the profit and loss statement shall not be applied to the derivative financial instruments which can no longer be qualified as hedging instruments, or become hedging

	instruments. Finally, for the purpose of avoiding any conflicts with the new IFRS 8 – Operational Segments, it eliminates any references to the designation of a hedging instrument for the segment (former IAS 14). l) **IAS 40 – Real estate investments**: the amendment to be enforced prospectively as of 1 January 2009 states that any investments in buildings under construction fall within the scope of application of IAS 40 rather than IAS 16.

B. The accounting principles, the amendments and the construction validated by 30 June 2009 which must be complied with after the half-year report and, unless otherwise stated from time to time, were not earlier applied (reporting in compliance with par. 30 of IAS 8).

IASB issue date **EU Validation date** **Starting**	**Amendment/new standard**
IASB/IFRC issue date: **30 November 2006** EU validation date: **21 November 2007 Reg. 1358/2007** Effective date (depending on the registration of validation): **yearly financial statements 2009**	**New accounting principle IFRS 8 – "Operating Segments"** The new accounting principle , replacing IAS 14, requires that the information shown in the segment reporting by the bank is based on the elements used by the Management to make operating decisions. Therefore, it requires the identification of the operating segments on the basis of internal reports, which are regularly reviewed by the Management for the purpose of allocating resources to the segments and making performance analyses. <u>This principle is adopted earlier but this will have no effect from the viewpoint of the valuation of balance-sheet items.</u>
IASB/IFRC issue date: **14 February 2008** EU validation date: **23 January 2009 Reg. 70/2009** Effective date (depending on the registration of validation): **opening date of the financial year beginning after 30 June 2009**	**Project "Improvements to International Financial Reporting Standards"** Hereunder only the amendment which must be applied starting from 1 January 2010 is reported: a) **IFRS 5 – Non-current assets held for sale and discontinued operations:** the amendment, which shall be applied as of 1 January 2010, states that if a company is undertaking a sale plan involving the loss of control on a subsidiary, all assets and liabilities of the subsidiary shall be reclassified under assets held for sale, even though after the sale the company still holds a minority interest in the subsidiary in question.

IASB issue date **EU Validation date** **Starting**	**Amendment/new standard**
IASB/IFRC issue date: **30 November 2006** EU validation date: **23 March 2009 Reg. 254/2009** Effective date (depending on the registration of validation): **opening date of the financial year beginning after the enforcement of the regulation**	**IFRIC 12 – Service concession arrangements** The IFRIC 12 concerns an arrangement whereby a government or another public sector body contracts with a private operator to develop, operate and maintain infrastructures. IFRIC 12 draws a distinction between two types of services concession arrangements: in one, the operator receives a financial asset for constructing/upgrading the infrastructure, in the other the operator receives an intangible asset, a right to charge for the use of a public sector asset. In both cases, the financial/intangible asset is originally valued at fair value and then is subject to the measurement rules of the reference category. The IFRIC 12 shall be firstly applied in the 2010 half-year report and will not have any remarkable effect on the MPS Group.

IASB issue date EU Validation date Starting	Amendment/new standard
IASB/IFRC issue date: **10 January 2008** EU validation date: **3 June 2009 Reg. 494 and 495/2009** Effective date (depending on the registration of validation): **opening date of the financial year beginning after 30 June 2009**	Updated version of **IFRS 3 – Business combinations** and amendment **IAS 27 – Consolidated and separate Financial Statements.** Major changes introduced to IFRS 3 incorporate the removal of the obligation to evaluate the assets and liabilities of a subsidiary at fair value in any following acquisition, in the case of gradual acquisitions of subsidiaries. In addition, if a company does not purchase the total equity investment (100%), the share of net equity attributable to third parties can be valued both at fair value (full goodwill) and using the method already contemplated by IFRS 3. The reviewed version of the principle also contemplates the posting to the profit and loss statement of all costs in relation to the business combination and the measurement as of the date of acquisition of the liabilities for payments subject to condition. In the amendment to IAS 27, the IASB stated that any change in the equity investment share which do not represent a loss of control shall be considered as *equity transactions* and have a contra entry in the net equity. In addition, it was decided that a holding company shall value the investment 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, when it disposes of the controlling interest in one of its subsidiaries but still holds a shareholding in the subsidiary itself. Finally, in compliance with the amendment to IAS 27 all losses attributable to minority shareholders shall be allocated to the share of net equity attributable to minority shareholders, even when these losses exceed their share in the capital of subsidiary. The new rules shall be enforced for the first time in the 2010 half-year report.

IASB issue date **EU Validation date** **Starting**	**Amendment/new standard**
IASB/IFRC issue date: **3 July 2008** EU validation date: **4 June 2009 Reg. 460/2009** Effective date (depending on the registration of validation): **opening date of the financial year beginning after 30 June 2009**	**IFRIC 16 interpretation – Hedging of a net investment in a foreign operation** The interpretation clarifies that it is possible to hedge, for accounting purposes, the foreign currency exposure risk of subsidiaries, entities subject to remarkable influence and joint ventures; in particular, the risk which may be hedged refers to the exchange differences between the functional currency of the foreign subsidiary and the functional currency of the parent entity. Moreover, the interpretation clarifies that - in case of hedging transactions of a net investment in a foreign operation - the hedging instrument can be held by any member company of the group and, in case of sale of the investment, IAS 21 – *Effects of currency conversion* shall be adopted for the determination of the value to be reclassified under net equity in the profit and loss statement. The interpretation shall be enforced for the first time in the 2010 half-year report.

Changes in the area of consolidation

The abridged consolidated half-year report includes the balance-sheet and profit and loss statement 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, their status of ongoing concern or company in liquidation, or whether the investment consists of a merchant banking transaction or not. The area of consolidation does not include some minor entities which would be irrelevant if consolidated in the consolidated financial statements.
Following are the changes which occurred in the area of consolidation during the first half of 2009 with respect to 31 December 2008:
In relation to the Parent Bank:

- In February 2009 the sale of Marinella S.p.A. , a subsidiary, was executed in which the parent bank kept a 25% minority interest;
- In March 2009 the sale of Monte Paschi Asset Management SGR and ABN AMRO Asset Management Italy SGR S.p.A., two subsidiaries, was executed after their full merger into the parent bank and the acquisition from Monte Paschi Asset Management SGR S.p.A., a subsidiary, of the share of Fabrica S.p.A., an associated company, currently held by MPS Investments S.p.A., a subsidiary;
- In June 2009 the liquidation of Santorini, a subsidiary, was executed;
- Still in June Si Holding S.p.A. an associated company, was sold.

Following are the major transfers within the Group:
By the Parent Bank:

- The transfer of 403 outlets of former Banca Antonveneta S.p.A. which was merged as of 31 December 2008, to Banca Antonveneta S.p.A; the transfer was executed on 1 January 2009;
- The merger by incorporation of Banca Toscana S.p.A., a subsidiary, into BMPS, on 30 March 2009;

By MPS Tenimenti S.p.A., a subsidiary:

- The merger by incorporation of Agricola Poggio Bonelli S.p.A., an indirect subsidiary, into MPS Tenimenti S.p.A, a subsidiary.

The comparative data of the profit and loss statement were redefined taking into account the final allocation of the acquisition cost of Banca Antonveneta and Biverbanca, two subsidiaries. Part G should be referred to as far as the effects on the comparative profit and loss statement are concerned. Moreover, as to the acquisition of BAV the profit and loss statement as of 30 June 2008 only reflects the month of June since the BAV Group was acquired on 31 May 2008; therefore, the financial report on operations should be referred to for any homogeneous comparison of economic data.

A.2 Part concerning main financial statements accounts

A.3 Reporting on fair value

A.3.1 Transfers of portfolios

Kind of transaction (1)	Portfolio before transfer	Portfolio after transfer	Book value as of 30.06.2009	Fair value as of 30.06.2009	Income components and capital gain/losses from fair value without transfer (before tax)		Income components and capital gain/losses from fair value without transfer (before tax	
					Accounting (2)	Net equity (3)	Accounting (4)	Net equity (5)
UCIT	HFT	AFS	385.372.989	385.372.989	14.595.659	-	(1.311.457)	14.246.989
Capital securities	HFT	AFS	156.876	156.876	(53.675)	-	(80.124)	26.449
Debt securities	AFS	L&R	2.499.651.121	2.264.845.115	37.103.457	14.385.166	35.169.754	20.827.313
Debt securities	HFT	AFS	19.967.656	19.967.656	1.127.955	-	434.846	503.820
Debt securities	HFT	L&R	874.211.176	787.822.392	68.824.647	-	24.626.281	-
Total amount			3.779.359.818	3.458.165.028	121.598.028	14.385.166	58.839.300	35.604.571

The table shows the economic result of the reclassified securities in 2008 in compliance with the amendment to IAS 39 issued in October 2008. The table also shows that in the first half-year of 2009 the securities concerned produced a positive result amounting to EUR 94.4 million (EUR 58.8 million posted to profit and loss statement and EUR 35.6 million posted to net equity among the other income components of the table of the total profitability mainly represented by interest income).

Had these securities not been reclassified the result of the first half-year of 2009 would have amounted to EUR 135.9 million (EUR 121.6 million posted to profit and loss statement and EUR 14.3 million posted to net equity among the other income components of the total profitability). The difference of EUR 41.5 million is mainly due to revaluation of securities transferred from the trading portfolio to the "loan and credit" portfolio; these revaluation were not posted to profit and loss statement since the securities are currently valued at the amortized cost.

As a whole the difference between the book value as of 30 June 2009 and the fair value at the same date shows hidden capital losses amounting to EUR 321.2 million against EUR 336.5 million as of 31 December 2008.

The table refers to all reclassified financial assets in the current financial year and in the previous financial years not yet cancelled from the financial statements:

(1) "Debt securities", "capital securities", UCIT loans or shares"
(2) Interests, gains/losses, capital gains/losses from revaluation, retransfers to profit and loss statement of the AFS reserve of the reference period which would have been posted if the transfer had not taken place.

(3) Capital gains/losses from revaluation and retransfers to profit and loss statement of the AFS reserve of the reference period which would have been posted to net equity if the transfer had not taken place.

(4) Interests, gains/losses and pro rata temporis issue of the AFS reserve of reclassified securities coming from AFS which were actually posted in the reference period.

(5) Capital gains/losses from revaluation and retransfers to profit and loss statement of the AFS reserve and pro rata temporis issue of the AFS reserve of reclassified securities coming from AFS which were actually posted to net equity.

PART B

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

ASSETS

Section 2

Financial assets held for trading – Account 20

2.1 Financial assets held for trading: breakdown by products

(in EUR thousands)

Accounts/values	Quoted	Unquoted	Total 30 06 2009	Total 31 12 2008
A.Cash assets				
1. Debt securities	5.270.438	1.739.637	7.010.075	6.039.028
2. Capital securities	409.344	6.815	416.159	141.284
3. U.C.I.T quotas	12.944	185.957	198.901	20.620
4. Loans	5.421.036	351	5.421.387	5.135.163
5.Impaired assets	3.213	6.154	9.367	9.367
Total A	**11.116.975**	**1.938.914**	**13.055.889**	**11.345.462**
B. Derivatives				
1. Financial derivatives	402.541	9.104.063	9.506.604	9.943.127
2. Credit derivatives:	-	374.054	374.054	509.106
Total B	**402.541**	**9.478.117**	**9.880.658**	**10.452.233**
Totale (A+B)	**11.519.516**	**11.417.031**	**22.936.547**	**21.797.695**

Section 3

Financial assets valued at fair value – Account 30

2.1 Financial assets valued at fair value: breakdown by products

(in EUR thousands)

Accounts/Values	Quoted	Unquoted	Total 30 06 2009	Total 31 12 2008
1.Debt securities	9.824	-	9.824	9.712
2.Capital securities	-	-	-	-
3. U.C.I.T. quotas	100.990	98.620	199.610	170.326
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
Total	**110.814**	**98.620**	**209.434**	**180.038**

Section 4

Financial assets available for sale – Account 40

4.1. Financial assets available for sale: breakdown by products

(in EUR thousands)

Accounts/Values	Quoted	Unquoted	**Total 30 06 2009**	**Total 31 12 2008**
1. Debts securities	7.060.340	57.938	7.118.278	2.931.617
2. Capital securities	216.289	1.370.369	1.586.658	1.443.806
3. U.C.I.T quotas	334.207	515.721	849.928	614.621
4. Loans	-	-	-	-
5. Impaired assets	1.346	4.399	5.745	5.977
Total	**7.612.182**	**1.948.427**	**9.560.609**	**4.996.021**

The increase in debt securities, amounting to abt EUR 4bn, is almost entirely due to the purchase, in the first six months of 2009, of fixed-rate government bonds (abt EUr 2bn) and of inflation linked Italian government bonds (Inflation linked BTP) (abt EUR 1.6bn).

Section 7

Loans to customers – Account 70

7.1 Loans to customers: breakdown by products

(in EUR thousands)

Transactions/Values	**Total 30 06 2009**	**Total 31 12 2008**
1. Current accounts	18.802.238	20.194.108
2. Receivable repurchase agreements	1.088.112	268.226
3. Mortgage loans	71.675.423	71.682.053
4. Credit cards, personal loans and loans on wages	2.942.385	2.936.724
5. Finance leasing	4.200.824	4.586.735
6. Factoring	1.075.441	1.154.130
7. Other transactions	31.532.687	35.075.863
8. Debt securities	3.965.605	2.818.055
9. Impaired assets	9.828.307	6.637.296
Totale	**145.111.022**	**145.353.190**

Section 10

Equity investments – Account 100

Consolidation area

Equity investments in subsidiaries exclusively or jointly controlled (pro rata consolidation)

30 06 2009

		NAME	REGISTERED OFFICE	TYPE OF REL.	investiment relationship		Availablr votes%
					Held by	Holding %	(**)
		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.	Firenze	1	A.0 A.39	99,918 0,001	99,919
	1.1	MPS VENTURE SGR S.p.A.	Firenze	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.	Padova	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	Dublino	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.	Milano	1	A.0	100,000	100,000
A.10		MPS SIM S.p.A.	Milano	1	A.0	100,000	100,000
A.11		CONSUM.IT S.p.A.	Siena	1	A.0	100,000	100,000

NAME			REGISTERED OFFICE	TYPE OF REL.	investiment relationship		Availablr votes% (**)
					Held by	Holding %	
	11.1	INTEGRA S.p.A.	Firenze	1	A.11	50,000	50,000
A.12		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI	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 S.r.l.	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.	Mantova	1	A.0	98,224	99,068
					A.9	0,844	
A.18		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantova	1	A.0	100,000	100,000
A.19		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	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.	Parigi	1	A.0	100,000	100,000
	22.1	MONTE PASCHI CONSEILL FRANCE	Parigi		A.22	100,000	100,000
	22.2	MONTE PASCHI INVEST FRANCE S.A.	Parigi		A.22	100,000	100,000
	22.3	M.P. ASSURANCE S.A.	Parigi		A.22	99,400	99,400
	22.4	IMMOBILIARE VICTOR HUGO	Parigi		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	Bruxelles	1	A.0	99,200	100,000
					A.22	0,800	
A.24		ULISSE S.p.A.	Milano	1	A.0	100,000	100,000
A.25		ULISSE 2 S.p.A.	Milano	1	A.0	60,000	60,000

NAME			REGISTERED OFFICE	TIPO RAPP (*)	investiment relationship		Availablr votes% (**)
					Held by	Holding %	
A.26		SIENA MORTGAGES 00-01 S.p.A.	Milano	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.	Padova	1	A.0	98,000	98,000
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.	Padova	1	A.0	100,000	100,000
A.34		GIOTTO FINANCE S.p.A.	Padova	1	A.0	98,000	98,000
A.35		GIOTTO FINANCE S.p.A.	Padova	1	A.0	98,000	98,000
A.36		LA CITTADELLA S.p.A.	Padova	1	A.0	100,000	100,000
A.37		SALVEMINI S.r.l.	Padova	1	A.0	100,000	100,000
A.38		THEANO FINANCE S.p.A.	Padova	1	A.0	98,000	98,000
		A.2 Companies consolidated with proportional method					
A.39		BANCA POPOLARE DI SPOLETO S.p.A. (book value: 25,930% of the nominal value)	Spoleto	7	A.0	25,930	25,930

(*) Type of relationship:
1 majority of voting rights in ordinary ahareholder's meeting
2 dominant influence in ordinary shareholder's meeting
3 agreements with other parties
4 other types of ownership
5 unit management as per art. 26, par 1, Legisl. Decree 87/92
6 unit management as per art. 26, par 2, Legisl. Decree 87/92
7 joint ownership
8 connection
(**) votes available in ordinary shareholder's meeting (actual and potential votes)

10.1 Equity investments in jointly-owned companies (valued at net equity) and companies subject to significant influence: information on investment relationships

name	Registerd office	Type of relationship	Investment relationship		% votes available	Consolidate book value (thousands of EUR)	
			Held by	Holding %		30 06 2009	31 12 2008
					He		
Axa Mps Assicurazioni Vita S.p.A	Roma	8	Mps Investments S.p.A.	50,000	50,000	335.743	231.452
Axa Mps Financial Limited	Dublino	8	Axa Mps Assicurazioni Vita	50,000	50,000	76.498	68.508
Quadrifoglio Vita S.p.A.	Bologna	8	Axa Mps Assicurazioni Vita	50,000	50,000	44.831	33.589
Axa Mps Assicurazioni Danni S.p.A	Roma	8	Mps Investments S.p.A.	50,000	50,000	27.796	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.	16,000	16,000	707	775
Cestud S.p.A. - Centro Studi per lo Sviluppo e l'Innovazione	Roma	8	Mps Investments S.p.A.	46,281	46,281	-	-
Fabrica Immobiliare SGR S.p.A.	Roma	8	Mps Investments S.p.A.	45,000	45,000	3.483	3.402
Intermonte SIM S.p.A.	Milano	8	Mps Investments S.p.A.	20,000	20,000	11.717	10.579
J.P.P. Euro Securities	Delaware	8	Intermonte SIM S.p.A.	20,000	100,000	369	370
New Colle 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'Innovazione Tecnologica S.p.A.	Roma	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.	Firenze	8	Banca Monte dei Paschi di Siena	15,000	29,179	29.620	29.620
			Mps Investments S.p.A.	14,179	-	-	-
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	569	569
Società Italiana di Monitoraggio	Roma	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
Lauro Quarantacinque S.p.A.	Roma	8	Banca Monte dei Paschi di Siena	33,000	33,000	-	-
Lauro Quarantatre S.p.A.	Roma	8	Banca Monte dei Paschi di Siena	30,990	37,090	-	-
			Lauro Quarantacinque S.p.A.	6,100	-	-	-
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.	Trieste	8	Banca Monte dei Paschi di Siena	50,000	50,000	115.814	111.674
Antonveneta Assicurazioni S.p.A.	Trieste	8	Banca Monte dei Paschi di Siena	50,000	50,000	7.149	7.273
Padova 2000 Iniziative Immobiliari S.p.A.	Padova	8	Banca Monte dei Paschi di Siena	45,010	45,010	81	-
Costruzioni Ecologiche Moderne S.p.A.	Roma	8	Banca Monte dei Paschi di Siena	40,197	40,197	27.939	28.729
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Capital Services S.p.A.	36,303	36,303	10.662	10.433
New co S.p.a.	Napoli	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.	Firenze	8	MPS Capital Services S.p.a.	29,000	29,000	2.472	2.374
Agricola Merse S.r.l.	Milano	8	MPS Capital Services S.p.A.	20,000	20,000	4.264	4.620
					Totale	720.976	583.028

Section 13

Intangible assets – Account 130

13.1 Intangible assets: breakdown by kind of assets

Assets/Values	Total 30 06 2009		Total 31 12 2008	
	Limited life	Unlimited life	Limited life	Unlimited life
A.1 Goodwill	x	6.669.695	x	6.708.546
A.1.1 pertaining to the group	x	-	x	-
A.1.2. pertaining to minority interests	x	-	x	-
A.2 Other intangible assets	1.024.358	-	1.057.386	-
A.2.1 Assets valued at cost:	1.024.358	-	1.057.386	-
a) internally generated intangible assets	496	-	656	-
b) Other assets	1.023.862	-	1.056.730	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**1.024.358**	**6.669.695**	**1.057.386**	**6.708.546**

The IAS 36 international accounting principle (reduction in assets value) provides that the units generating financial flows to which goodwill have been allocated shall be yearly examined as to reductions in value. The principle also provides the monitoring of some qualitative and quantitative indicators to check the existence of preconditions for a more frequent than yearly verification of the reduction in value. Therefore, when the half-year report was drawn up, the presence of these indicators was verified, which resulted in the reasonable and sound conclusion that updating as at 30 June 2009 the recoverability test of the goodwill values is not necessary.

The reduction in the account goodwill against 31 December 2008 is due to the sale of the subsidiaries of the Asset management SGR SpA Group.

Section 15

Non- current assets and groups of assets being sold and related liabilities – Account 150 of assets and account 90 of liabilities

15.1 Non-current assets and groups of assets being sold: breakdown by kind of assets

(in EUR thousands)

	Total	
	30 06 2009	**31 12 2008**
A. Assets		
A.1 Shareholdings	-	28.607
A.2 Tangible assets	101.070	104.487
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	**101.070**	**133.094**
B. Groups of assets (sold operating units)		
B.1 Financial assets hedl for trading		8.552
B.2 Financial assets valued at fair value		-
B.3 Financial assets available for sale		270
B.4 Financial assets held to maturity		-
B.5 Due from banks		19.359
B.6 Due from customers		36.039
B.7 Shareholdings		-
B.8 Tangible assets		47.804
B.9 Intangible assets		4.874
B.1 0ther assets		22.099
Total B	-	**138.997**
C. Liabilities related to assets being sold		
C.1 Debts		-
C.2 Securities		-
C.3 Other assets		-
Totale C	-	**-**
D.Liabilities related to groups of assets being sold		
D.1 Due to banks		3.539
D.2 Due to customers		6.761
D.3 Outstanding securities		-
D.4 Financial liabilities held for trading		-
D.5 Financial liabilities valued at fair value		-
D.6 Funds		927
D.7 Other liabilities		34.157
Totale D	-	**45.384**

In the assets being sold real estate owned by MPS Immobiliare S.p.A., a subsidiary, for a counter-value amounting to EUR 101mln is included.

LIABILITIES

Section 2

Due to custumers – Account 20

2.1 – Due to customers: breakdown by product

(in EUR thousands)

Kind of transactions/Values	Total	
	30 06 2009	**31 12 2008**
1. Current accounts and demand deposits	65.183.426	64.115.071
2. Time deposits	4.689.905	3.858.393
3. Third parties' funds under management	21.419	20.684
4. Loans	10.315.907	9.989.176
5. Debts for repurchase agreements of own capital instruments	-	-
6. Other debts	1.592.380	3.613.090
Total	**81.803.037**	**81.596.414**

Section 3

Outstanding securities – Account 30

3.1 Outstanding securities: breakdown by products

(in EUR thousands)

Kind of securities/Values	30 06 2009		31 12 2008	
	Book value	Fair value	Book value	Fair value
A. Quoted securities	119.806	119.806	82.799	82.925
1. Bonds	23.716	23.716	54.782	54.908
2. Other securities	96.090	96.090	28.017	28.017
B.Unquoted securities	48.525.718	48.833.756	47.074.757	46.921.929
1. Bonds	38.746.136	39.012.374	42.055.849	41.861.226
2. Other securities	9.779.582	9.821.382	5.018.908	5.060.703
Total	**48.645.524**	**48.953.562**	**47.157.556**	**47.004.854**

Section 4

Financial liabilities held for trading –Account 40

4.1 Financial liabilities: breakdown by products

(in EUR thousands)

Kind of transactions/Values	Total 30 06 2009			Total 31 12 2008		
	FV		FV*	FV		FV*
	Q	NQ		Q	NQ	
A. Cash liabilities						
1. Due to banks	420.871	-	420.871	1.716.287	175	1.711.275
2. Due to customers	7.687.603	-	7.687.603	6.289.133	-	6.289.133
3. Debt securities	632.240	56.172	688.412	470.642	45.809	516.451
3.1 Bonds	632.240	56.172	688.412	402.188	45.809	447.997
3.2 Other securities	-	-	-	68.454	-	68.454
Total A	**8.740.714**	**56.172**	**8.796.886**	**8.476.062**	**45.984**	**8.516.859**
B. Derivatives						
1. Financial derivatives	377.801	9.082.260	x	334.694	9.631.539	x
2.Credit derivatives	-	453.530	x	-	478.910	x
Total B	**377.801**	**9.535.790**	x	**334.694**	**10.110.449**	x
Total (A+B)	**9.118.515**	**9.591.962**	**8.796.886**	**8.810.756**	**10.156.433**	**8.516.859**

FV = fair value
FV* = fair value calculated excluding the changes in value due to the changes in creditworthiness of the issuer against the issuing date.
Q = Quoted
NQ = Unquoted

Section 5

Financial liabilities valued at fair value - Account 50

5.1 Financial liabilities valued at fair value: breakdown by products

(in EUR thousands)

Kind of transactions/Values	Total					
	30 06 2009			31 12 2008		
	FV		FV*	FV		FV*
	Q	NQ		Q	NQ	
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3.Debt securities	1.131.561	16.054.828	16.921.133	1.083.776	12.628.124	13.712.174
Total	**1.131.561**	**16.054.828**	**16.921.133**	**1.083.776**	**12.628.124**	**13.712.174**

FV = fair value

FV*= fair value calculated excluding changes in valued due to the change in creditworthiness of the issuer against the date of issue

Q = Quoted

NQ = Unquoted

Section 9

Liabilities related to assets being sold – Account 90

See Section 15 of Assets

Section 12

Funds for risks and charges – Account 120

12.1 Funds for risks and charges. breakdown

Accounts/components	**Total 30 06 2009**	**Total 31 12 2008**
1. Corporate pension funds	440.641	429.820
2. Other funds for risks and charges	886.385	922.202
2.1 Legal disputes	284.894	260.001
2.2 Personnel expenses	34.901	39.003
2.3 Sundry	566.590	623.198
Total	**1.327.026**	**1.352.022**

Section 15

Group shareholder's equity – Accounts 140, 160,170, 180, 190, 200 and 220

15.1 Group shareholder's equity: breakdown

(in EUR thousands)

Accounts/values	**Total 30 06 2009**	**Total 31 12 2008**
1. Capital	4.486.786	4.486.786
2. Premium shares	4.035.021	4.094.436
3. Reserves	5.768.078	4.909.020
4. (Own shares)	(57.220)	(36.963)
a) parent bank	(57.157)	(36.905)
b) subsidiaries	(63)	(58)
5. Valuation reserves	512.719	401.170
6. Capital instruments	46.871	46.871
7. Profit(Loss) for the period pertaining to the group	332.067	922.752
Total	**15.124.322**	**14.824.072**

For remarks about the Group net worth, the table on movements of the consolidated net worth as at 30 June 20009 has to be referred to.

15.3 – Share capital – number of shares of the parent bank: yearly changes

(number of shares)

Accounts /Kinds	30 06 2009 Ordinary	30 06 2009 Privileged	30 06 2009 Savings	Total	31 12 2008 Ordinary	31 12 2008 Privileged	31 12 2008 Savings	**Total**
A. Outstanding shares at the opening of the period								-
- fully paid-in	5.545.952.280	1.131.879.458	18.864.340	6.696.696.078	2.457.264.636	565.939.729	9.432.170	3.032.636.535
-not fully paid-in								
A.1 Own shares (-)	24.476.588	-	-	24.476.588	20.004.265	-	-	20.004.265
A.2 Opening outstanding shares	5.521.475.692	1.131.879.458	18.864.340	6.672.219.490	2.437.260.371	565.939.729	9.432.170	3.012.632.270
B. Increases	13.877.440	-	-	13.877.440	3.141.341.569	565.939.729	9.432.170	3.716.713.468
B.1 New issues	-	-	-	-	3.088.687.644	565.939.729	9.432.170	3.664.059.543
- against payment:	-	-	-	-	3.088.687.644	565.939.729	9.432.170	3.664.059.543
- mergers of companies				-				-
- conversion of bonds	-	-	-	-	52.965.994	-	-	52.965.994
- esercising of warrant				-				-
- sundry	-	-	-	-	3.035.721.650	565.939.729	9.432.170	3.611.093.549
- free:	-	-	-	-	-	-	-	-
- in favour of the employees				-				-
- in favour of the directors				-				-
- sundry				-				-
B.2 Sale of own shares	13.877.440	-	-	13.877.440	52.653.925	-	-	52.653.925
B.3 Other changes				-				-
C. Decreases	33.366.550	-	-	33.366.550	57.126.248	-	-	57.126.248
C.1 Cancellation				-				-
C.2 Purchase of own shares	33.366.550	-	-	33.366.550	57.126.248	-	-	57.126.248
C.3 Sale of companies				-				-
C.4 Other changes				-				-
D. Closing outstanding shares	5.501.986.582	1.131.879.458	18.864.340	6.652.730.380	5.521.475.692	1.131.879.458	18.864.340	6.672.219.490
D.1 Own shares (+)	43.965.698	-	-	43.965.698	24.476.588	-	-	24.476.588
D.2 Outstanding share at the closing of the period	5.545.952.280	1.131.879.458	18.864.340	6.696.696.078	-	-	-	-
- Fully paind-in	5.545.952.280	1.131.879.458	18.864.340	6.696.696.078	5.545.952.280	1.131.879.458	18.864.340	6.696.696.078
- Non fully paid-in								

15.6 Valuation reserve: breakdown

(in EUR thousands)

Accounts/Components	Total	
	30 06 2009	**31 12 2008**
1. Financial assets available for sale	654.361	479.293
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedging of foreign investments	-	-
5. Hedging of financial flows	(214.559)	(179.132)
6. Exchange rate differences	(4.864)	(4.708)
7. Non-current assets being sold	-	26.439
8. Special laws of revaluation	77.781	79.278
Total	**512.719**	**401.170**

Section 16

Minority interests – Account 210

16.1 Minority interests: breakdown

(in EUR thousands)

Accounts/Values	Banking group	Insurance companies	Other companies	**Total 30 06 2009**	**Total 31 12 2008**
1) Capital	51.308	-	9	51.317	51.358
2) Premium shares	155	-	-	155	155
3) Reserves	82.090	-	(7)	82.083	83.534
4) (own shares)	-	-	-		-
5) Valuation reserves	136.675	-	-	136.675	135.613
6) Capital instruments	-	-	-	-	-
7) Profit (Loss) for the period pertaining to minority interests	2.608	-	-	2.608	8.357
Totale	**272.836**	**-**	**2**	**272.838**	**279.017**

16.2 Valuation reserves: breakdown

(in EUR thousands)

Accounts /Components	Banking group	Insurance company	Other companies	**Total 30 06 2009**	**Total 31 12 2008**
1) Financial assets available for sale	135.409	-	-	135.409	134.348
2) Tangible assets	-	-	-	-	-
3) Intangible assets	-	-	-	-	-
4) Hedging of foreign investments	-	-	-	-	-
5) Hedging of financial flows	-	-	-	-	-
6) Exchange rate differences	-	-	-	-	-
7) Non-current assets being sold	-	-	-	-	-
8) Special revaluation laws	1.266	-	-	1.266	1.265
Totale	**136.675**	**-**	**-**	**136.675**	**135.613**

PART C

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1

Interest – Account 10 and 20

1.1 Interest and similar income: breakdown

(in EUR thousands)

Accounts/Technical forms	Performing financial assets		Impaired financial assets	Other assets	Total 30 06 2009	Total 30 06 2008
	Debt securities	Loans				
1. Financial assets held for trading purposes	95.915	39.321	-	64.573	199.809	563.932
2 . Financial assets valued at fair value	-	-	-	-	-	1.259
3. Financial assets available for sale	76.354	-	-	-	76.354	120.233
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due to banks	15.504	107.247	9.502	2.922	135.175	303.976
6. Due to customers	98.082	3.177.633	189.032	1.965	3.466.712	3.301.591
7. Hedging derivatives	x	x	x	-	-	7.346
8. Other assets	x	x	x	8.111	8.111	7.246
Total	**285.855**	**3.324.201**	**198.534**	**77.571**	**3.886.161**	**4.305.583**

The data concerning the income statement as at 30 June 2008 were redetermined taking into account the passage from the temporary PPA to the final PPA of the subsidiaries Banca Antonveneta and Biverbanca.

1.4 Interest and similar expense: breakdown

(in EUR thousands)

Accounts / Technical forms	Debts	Securities	Other liabilities	Total 30 06 2009	Total 30 06 2008
1. Due to banks	(365.696)	x	(6.097)	(371.793)	(403.433)
2. Due to customers	(351.961)	x	(5.485)	(357.446)	(740.987)
3. Outstanding securities	x	(899.148)	-	(899.148)	(921.344)
4. Trading financial liabilities	(39.945)	-	(6.104)	(46.049)	(301.898)
5. Financial liabilities valued at fair value	-	(240.423)	-	(240.423)	(248.863)
6. Other liabilities	x	x	(3.605)	(3.605)	(2.353)
7. Hedging derivatives	x	x	(32.147)	(32.147)	-
Total	**(757.602)**	**(1.139.571)**	**(53.438)**	**(1.950.611)**	**(2.618.878)**

The data concerning the income statement as at 30 June 2008 were redetermined taking into account the passage from the temporary PPA to the final PPA of the subsidiaries Banca Antonveneta and Biverbanca.

Section 2

Commissions – Account 40 and 50

2.1 Commissions Income: breakdown

(in EUR thousands)

Kind of services / Lines	Total 30 06 2009	Total 30 06 2008
a) guarantees issued	31.996	26.648
b) derivatives on loans	-	-
c) management, trading and advising services:	321.647	327.388
1. trading of financial instruments	5.861	23.372
2.currency trading	19.877	20.064
3. assets management	26.148	32.374
3 1 personal	26.148	29.473
3.2 collective	-	2.901
4. security custody and management	9.847	11.116
5. custodian	1.911	2.847
6. security placing	4.798	38.502
7. Orders collection	33.475	21.408
8. Advising	2.475	5.292
9. Distribution of services to third parties	217.255	172.413
9.1 assets management	23	180
9.1.1 personal	-	64
9.1.2 collective	23	116
9.2 insurance products	63.061	72.465
9.3 other products	154.171	99.767
d) collection and payment services	97.103	98.890
e) servicing for securitization	12.405	8.172
f) services for factoring	8.457	10.016
g) rate and tax-collection	-	-
h) other services	396.273	280.884
Total	**867.881**	**751.998**

2.2 Commissions receivable: distribution channels of products and services

(in EUR thousands)

Channels/values	Total 30 06 2009	Total 30 06 2008
a) at own counters:	**213.989**	**206.411**
1. assets management	24.518	30.553
2. security placing	3.965	18.266
3.services and products of third parties	185.506	157.592
b) off-premises offer:	**18.196**	**16.685**
1. assets management	1.381	1.821
2. security placing	3	43
3. services and products of third parties	16.812	14.821
c) other distribution channels:	**16.016**	**20.193**
1. assets management	249	-
2. security placing	829	20.193
3. services and products of third parties	14.938	-

2.3 Commissions payable: breakdown

(in EUR thousands)

Services/ Lines	Total 30 06 2009	Total 30 06 2008
a) guarantees received	(536)	(483)
b) derivatives on loans	-	-
c)management and trading services:	(33.737)	(35.901)
1. trading of financial instruments	(9.709)	(6.535)
2. currency trading	(147)	(229)
3. assets management:	(917)	(856)
3.1 own portfolio	-	(115)
3.2 thrid parties' portfolio	(917)	(741)
4. security custody and management	(5.132)	(5.774)
5. placing of financial instruments	(1.119)	(6.967)
6. off-premises offer of financial instruments, products and services	(16.713)	(15.540)
d) collection and payment services	(8.865)	(15.405)
e) other services	(61.657)	(37.832)
Total	**(104.795)**	**(89.621)**

Section 6

Profit (Loss) from sale/repurchase – Account 100

6.1. Profit (Loss) from sale/repurchase : breakdown

1. Financial assets						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	9.350	(208)	9.142	31	(3)	28
3. Financial assets available for sale	44.914	(49.982)	(5.068)	18.093	(6.533)	11.560
3.1 Debt securities	10.195	(38.291)	(28.096)	1.140	(4.960)	(3.820)
3.2 Capital securities	34.719	(11.691)	23.028	16.953	(342)	16.611
3.3 U.C.I.T quotas	-	-	-	-	(1.231)	(1.231)
3.4 Loans	-	-	-	-	-	-
4.Financial assets held to maturity	-	-	-	-	-	-
Total assets	**54.264**	**(50.190)**	**4.074**	**18.124**	**(6.536)**	**11.588**
1.Financial liabilities						
1. Due to banks	38	(14)	24	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Outstanding securities	3.555	(11.876)	(8.321)	1.718	(1.193)	525
Total liabilities	**3.593**	**(11.890)**	**(8.297)**	**1.718**	**(1.193)**	**525**
Asset/liabilities net result	**57.857**	**(62.080)**	**(4.223)**	**19.842**	**(7.729)**	**12.113**

The data concerning the income statement as at 30 June 2008 were redetermined taking into account the passage from the temporary PPA to the final PPA of the subsidiaries Banca Antonveneta and Biverbanca.

Section 8

Net value adjustments/recoveries for impairment – Account 130

8.1 Net value adjustments for loan impairment: breakdown

(in EUR thousands)

Transactions/income components	Net value adjustments		Total	
	Specific	of portfolio	**30 06 2009**	**30 06 2008**
A.Due to banks	(2.116)	(2.373)	(4.489)	(820)
B. Due to customers	(636.792)	(66.211)	(703.003)	(351.539)
C. Total	**(638.908)**	**(68.584)**	**(707.492)**	**(352.359)**

8.2 Net value adjustments for impairment of financial asset available for sale: breakdown

(in EUR thousands)

Transactions/income components	Net value adjustment		Total	
	Specific	of portfolio	**30 06 2009**	**30 06 2008**
A.Debt securities	(298)	-	(298)	(380)
B.Capital securities	(12.057)	-	(12.057)	(107.436)
C. U.C.I.T quotas	-	-	-	-
D. Loans to banks	-	-	-	-
E. Loans to customers	-	-	-	-
F. Total	**(12.355)**	**-**	**(12.355)**	**(107.816)**

8.4 Net adjustment on losses in other financial transactions: breakdown

(in EUR thousands)

Transactions/Income components	Net value adjustments		Total	
	Specific	of portfolio	**30 06 2009**	**30 06 2008**
A. Guarantees issued	(11.003)	732	(10.271)	7.234
B. Derivatives on loans	-	-	-	(227)
C. Commitments to grant funds	-	-	-	-
D. Other transactions	260	(617)	(357)	(370)
E. Total	**(10.743)**	**115**	**(10.628)**	**6.637**

Section 12

Net provisions to funds for risks and charges – Account 190

12.1 – Net provisions to funds for risks and charges: breakdown

(in EUR thousands)

Accounts/Values	Legal disputes	Sundry	**Total 30 06 2009**	**Total 30 06 2008**
Provisions for the period	(20.323)	(15.553)	(35.876)	(36.716)
Utilization for the period	391	14.790	15.181	49.902
Totale	**(19.932)**	**(763)**	**(20.695)**	**13.186**

Section 14

Net value adjustments/recoveries on intangible assets – Account 210

14.1 Net value adjustments on intangible assets: breakdown

(in EUR thousands)

Assets/Income components	Depreciation	Value adjustments for impairment	Value recoveries	Net result	
				30 06 2009	**30 06 2008**
A. Intangible assets	(63.755)	-	-	(63.755)	(32.687)
A.1 own assets	(63.755)	-	-	(63.755)	(32.687)
- internally generated by the company	(1.183)	-	-	(1.183)	(47)
- Sundry	(62.572)	-	-	(62.572)	(32.640)
A.2 Acquired in financial leasing	-	-	-	-	-
Total	**(63.755)**	**-**	**-**	**(63.755)**	**(32.687)**

Data of the cash flow statement as at 30 June 2008 were restated taking into account the transition from the temporary PPA (purchase price allocation) to the final PPA of the subsidiaries Bancantonveneta and Biverbanca

Section 16

Profit (loss) of shareholdings – Account 240

16.1 – Profit (loss) of shareholdings: breakdown

(in EUR thousands)

Income components/Lines	Total 30 06 2009	Total 30 06 2008
1) Jointly controlled companies		
A. Returns	-	-
1. Revaluations	-	-
2. Profit from sale	-	-
3. Value recovery	-	-
4. Other positiwe changes	-	-
B. Charges	-	-
1. Depreciations	-	-
2. Value adjustments from impairment	-	-
3.Losses from sale	-	-
4. Other negative changes	-	-
Net result	**-**	**-**
2) Companies under remarkable influence		
A. Returns	76.279	18.616
1. Revaluations	59.856	16.647
2. Profit from sale	16.423	1.969
3. Value recovery	-	-
4. Other positive changes	-	-
B. Charges	(3.101)	(41.861)
1. Depreciations	(3.101)	(7.135)
2. Value adjstuments from impairment	-	-
3. Losses from sale	-	-
4. Other negative changes	-	(34.726)
Net result	**73.178**	**(23.245)**
3) Subsidiaries		
A. Returns	-	229.471
1. Revaluations	-	-
2. Profits from sale	-	229.471
3. Value recoveries	-	-
4. Other positive changes	-	-
B. Charges	(17.662)	(650)
1. Depreciations	-	-
2. Value adjustments from impairment	-	-
3. Losses from sale	(17.662)	(650)
4. Other negative changes	-	-
Net result	**(17.662)**	**228.821**
Total	**55.516**	**205.576**

Profit from sale of companies under remarkable influence , amounting to EUR 16.4m before EUR 4.9m of tax, refers to the sale of Si Holding SpA, an associated company, whereas loss from sale of subsidiaries, amounting to EUR 17.7m, refers to the deconsolidation of Santorini Ltd., a subsidiary, resulting from the its liquidation due to the expiry of the underlying contract.

Section 21

Profit (loss) of groups of assets being sold after taxes – Account 310

21.1 Profit (loss) of groups of assets being sold after taxes: breakdown

(in EUR thousands)

Income components/Values	Total	
	30 06 2009	**30 06 2008**
Group of assets/liabilities		
1. Returns	48.138	216.114
2. Charges	(24.474)	(140.489)
3. Result of the valuation of the group of the related assets and liabilities	-	(11.492)
4. Profit (loss) from sale	197.814	-
5. Taxes	(9.743)	(3.427)
Profit (Loss)	**211.735**	**60.706**

Further to the ending of their activities as at 31 December 2008, in March 2009 the subsidiaries Monte Paschi Asset Management SGR S.p.A. and ABN AMRO Asset Management Italy SGR S.p.A. were sold producing profits from sale amounting to EUR 195.5mln before taxes of EUR 6mln.

In February 2009 also the controlling quota of Marinella S.p.A. was sold producing profits from sale amounting to abt. EUR 2mln before taxes.

PART D

SEGMENT REPORTING

Breakdown of operating segments

PART D – SEGMENT REPORTING

This section of the Abridged Consolidated Half-Year Report is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS 8 "Operating Segments" .
According to the above-mentioned accounting principle, effective as of 1 January 2009 replacing IAS 14 – Segment reporting and the adoption of which does not imply any effect as to the assessment of the accounts, the reporting concerning the operating segments shall be prepared on the basis of the internal reports actually used by the management to take the decisions concerning the allocation of resources to the different segments and to analyse performances.

THE MONTEPASCHI GROUP OPERATIONS BY BUSINESS SEGMENTS

The MONTEPASCHI Group operates all over Italy and in the major international financial centres, with operations ranging from traditional lending (i.e. short-/medium-/long-term loans to retail and corporate customers, leasing, factoring, consumer credit) to asset management, bancassurance and social welfare products, private banking, investment banking and corporate finance. As of 2001 the MONTEPASCHI Group introduced and gradually implemented Value Based management control instruments, with the objective of monitoring profitability by business area and unit. The VBM system adopted by the Group proved to be appropriate for the management of the identification rules of the business segments, and the review of segment reporting regulations. In addition, the system meets the regulatory requirements with respect to the correlation between management reporting for internal purposes and the data used for preparing external reporting.
In this framework, for the purpose of segment reporting as contemplated by the IFRS 8 regulations, the MONTEPASCHI Group adopted the business approach and chose the major business segments in relation to consolidated operations as a primary reporting basis for the breakdown of income/capital data, the results of which are regularly reported to the highest decision-making bodies. This breakdown results from logical aggregations of data of different legal entities:

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

The Group is currently divided into the following business areas:

- ***Commercial Private Banking;***
- ***Commercial Corporate Banking;***
- ***Real Estate Loan and Cost Management;***
- ***Human Resources and Organization.***

As a consequence, following are the segments identified for the purpose of the operational representation of the Group's results, also defined on the basis of the criteria of business representativeness/predominance: **Commercial Private Banking, Commercial Corporate Banking, and the Corporate Centre, which, inter alia, includes the Real Estate Loan and Cost Management as well as the Human Resources and Organization.**
The first two segments incorporate the customer segmentation of the divisionalized Banks (**Retail, Private, Corporate and Key Clients**) and the data of non-divisionalized legal entities (**product companies and other banks**) mirroring the internal reporting, in compliance with the Group's governance rules (that is, in line with the reporting positions and hierarchical relations resulting from the Group's current organization structure).

In particular:

COMMERCIAL PRIVATE BANKING

The Commercial Private Banking, created by the latest reorganization of the Parent Bank, is responsible for the operations which were previously carried out by the former Commercial Banking & Distribution Network and by the former Private Banking/Wealth Management.
In particular the newly-established Commercial Private Banking is in charge of:

- funding operations and suppliing financial and non-financial services, to the Retail customers of the divisionalized entities (including "small businesses") and the customers of the non-divisionalized company which deals with consumer credit, also through the management of electronic payment instruments and as well as of the minority interest in Banca Popolare di Spoleto.

- Providing private customers with a range of customized and exclusive products/services in order to meet the most sophisticated requirements in terms of asset management and financial planning including advising in relation to non-strictly financial services such as tax planning, real estate & legal advisory and as well as the financial promotion.

COMMERCIAL CORPORATE BANKING

Commercial Corporate Banking is in charge of the management of operations with the **Corporate and Key Clients** of the divisionalized entities and the **product companies** operating in the area of **short-/medium-/long-term corporate loans, corporate finance, leasing and factoring, investment banking and financial engineering, equity capital market and brokerage.**

This business segment also **encompasses international operations carried out by the foreign branches and the foreign banks** except for the company governed by the Monégasque law which is specialized in the management of private customers and therefore falls within the scope of the Commercial Private Banking.

CORPORATE CENTER

The Corporate Center incorporates a) the operational units which are below the standards required for external reporting; b) the Group's Head Office units (such as governance and support units, business finance, equity investments management and the capital segments of the divisionalized entities where ALM, treasury and capital management activities are particularly important); as well as c) the service Units in support of the Group's structure (with particular regard to credit collection, real estate management - reporting to the Property, Cost and Investment Management - and the development and management of IT systems, reporting to the Human Resources and Organization. The Corporate Center also incorporates the contribution from Biverbanca Spa – pending the adjustment of its service models to the models of the other commercial banks of the Group-, operating profits from the companies consolidated with the net equity method and the eliminations in relation to infragroup items, in addition to the profits from assets being sold.

PROFIT AND LOSS STATEMENT CRITERIA BY BUSINESS SEGMENT

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

- **Interest margin** in relation to the segments of the divisionalized entities is calculated by contribution on the basis of the internal rates of transfer by product and maturity. With reference to the other Group's entities, interest margin is represented by the difference of interest income and similar income and interest expense and similar expenses.
- **Net commissions** are determined by direct allocation of real commissions to the business segments.
- **Net value adjustments/writebacks for impairment of loans** are allocated to the business segments which originated them. With reference to the segments of the divisionalized entities, the balance-sheet aggregate is allocated on the basis of the distribution of the expected loss to each business segment
- **Operating expenses** include administrative expenses – net of expense recoveries - and net value adjustments to tangible and intangible assets. As regards to non-divisionalized (one-segment) Entities, total operating expenses converge on the corresponding business segments. For the the divisionalized entities (BMPS and BANCA ANTONVENETA) a cost allocation model is adopted, according to which the costs of other administrative expenses and net value adjustments on tangible and intangible assets are allocated to business centres on the basis of a range of previously identified services. The costs which are not reasonably attributable to the business segments are allocated to the Corporate Centre. With specific reference to personnel expenses for the network staff of the Divisionalized Entities, the allocation to the Business Segments is based on the univocal functional position of the resources and, if this position is not univocal, according to specific criteria in relation to the activity carried out.

BASIC CRITERIA FOR THE STATEMENT OF CAPITAL AGGREGATES BY BUSINESS SEGMENT

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

- **Customer loans** are the assets used for the segment operations, directly attributable to the segment itself.
- **Customer deposits and outstanding securities** are the liabilities resulting from the segment operations, directly attributable to the segment itself.
-

OPERATIONS BETWEEN BUSINESS SEGMENTS

Income and the results of each segment include the transfers between business segments. These transfers are posted in accordance with the best practices accepted by the market (i.e. the method of ordinary market value or the method of cost increased by an appropriate margin) with respect both to commercial and to financial transactions.
The income of each business segment is determined before infra-group balances, and infra-group transactions are eliminated during the process of consolidation. If infra-group transactions are executed between entities belonging to the same business segment, the respective balances are eliminated within such segment. The balances of infra-group transactions are not shown separately, in compliance with the internal reporting system used by the Monte Paschi Group.

THE DRAFTING PRINCIPLES

In compliance with the IFRS 8 accounting principle, for the purpose of a correct comparison of data, the data have been restated on the basis of the above-mentioned changes as well as of the following:

- Customer migrations between segments, mainly due to the integration of Banca Antonveneta, which implied the implementation/fine-tuning of the cost-allocation model;
- Further implementation of new principles of calculation of expected loss, on the basis of which – as already mentioned in the principles of preparation of the profit and loss statement - loan adjustments are attributed to the operating segments;

Following is a breakdown of the Group income/capital aggregates as of 30 June 2009, on the basis of the above-mentioned business segments:

SEGMENT REPORTING
in EUR millions

June 2009	Retail and Private Banking	Corporate Banking	Corporate Center	Total Reclassified Group
INCOME AGGREGATES				
Net Financial income (loss)	1.670,0	1.006,0	257,3	2.933,3
Net adjustments for impairment of loans and financial assets	287,5	418,7	3,5	709,7
Operating expenses	1.161,2	375,2	214,6	1.751,1
Net operating income	**221,2**	**212,2**	**39,1**	**472,5**
CAPITAL AGGREGATES				
Performing loans	55.780,3	71.727,0	13.496,7	141.004,0
Due to customers and securities	84.401,5	47.443,4	15.790,1	147.635,0

Following is a breakdown of the historical data as of 30 June 2008 (s. Half-yearly financial report as of 30 June 2008):

SEGMENT REPORTING
in EUR millions

June 2009	Retail Banking	Private Banking	Corporate Banking	Corporate Center	Total Reclassified Group
INCOME AGGREGATES					
Net Financial income (loss)	**1.387,1**	**88,1**	**723,0**	**318,3**	**2.516,5**
Net adjustments for impairment of loans and financial assets	123,2	0,7	168,5	138,6	430,9
Operating expenses	789,7	67,3	315,5	309,6	1.482,2
Net operating income	**4 74,3**	**20,0**	**239,0**	**-129,9**	**603,4**
CAPITAL AGGREGATES					
Performing loans	43.745,9	742,6	54.312,7	38.015,9	136.817,1
Due to customers and securities	51.038,8	5.740,7	34.423,9	47.796,6	139.000,0

For an homogenous comparison against 30 June 2008 the interim Report on operations Chapter "Reporting of operating segments, commercial policy and research and development" has to be referred to.

PART E

INFORMATION ON RISKS

AND HEDGING POLICIES

Credit risk

Generalities

In compliance with the guidelines of the Business Plan approved by the Parent Bank's Board of Directors, the MPS Banking Group still pursues the priority objective of improving the quality of the loan portfolio managed and the ensuing containment of credit cost. In particular, as a priority, the whole Group is committed to focusing on some basic guidelines:

- additional improvement of the loan portfolio quality also through the definition of credit policies addressing the loan credit and management;
- the implementation of the instruments and processes for the governance of credit risk through the use of the AIRB internal model in accordance with Basle 2 principles.
- the improvement - also in a strictly commercial logic – of the management of non-performing loans collections.

Credit risk management policies

Organisation aspects

Credit granting, management and control within the MPS Group is carried out at three management macro-levels: the first one is centralized with the Parent Bank, with the Credit Policies and Control Area as the units for references and strategic management; the second level is located at the Loans Network Units/Credit Management Offices of each bank of the banking Group and, finally, the third level is focused on the peripheral network of the Geographical Areas of the Group and its aggregate units in relation to credit risk monitoring.

In particular, the Credit Policies and Control Area :

- sets the loan portfolio development policies and draws up guidelines for credit quality management;
- seeks to optimise the quality of the portfolio by minimising the overall costs of credit risk through:
    a. the development of credit systems and procedures (granting, monitoring and recovery);
    b. the integration of credit risk measures (PD, LGD, EAD) in the credit process;
    c. the coordination and management of the process of monitoring relevant Group risks;
    d. the follow up of economic groups in financial difficulties and of respective turnaround plans*;*
- defines the general guidelines and conduct for the securitisation of performing and non-performing loans, in co-operation with the other competent units;
- assigns a rating to the Corporate counterparts;
- monitors the aggregates evolution.

In the first half-year, the updating of lending and customers' monitoring processes went on as well as the extension of the credit risk management processes to Banca Antonveneta.

In 2008 the performances linked to the lending processes were verified and the validity of the structure was confirmed; the post-lending monitoring process is steadily developing and is increasingly focused on detecting advanced signs of criticalities and timely reassessing the risk. The operating procedures of earlier review of the assigned process rating were defined in presence of signs of likely impairment of customers' risk profiles reported by abnormal events implying high values of the Synthetic Indicator of Irregularities (ISA) fed by the Operational Management application.

In each bank of the Group, lending is monitored by a specific unit in charge of loan granting and controlling provided with a system of discretional decision-making limits set by the Board of

Directors and adopted by each bank in compliance with the current regulations.

All the units involved to the extent of their competence and on the basis of the customers' segmentation and riskiness, disburse/manage loans and monitor credit risks through adequate procedures (based on the internal rating system) for the determination of creditworthiness, for the credit file inquiry, for the follow up of the development of business relationships, and the measurement of estimated emerging irregular situations.

In compliance with the instructions of the Supervisory Authorities, credit quality is steadily monitored both by the Head Office and the branches. The new Network Organization, which came into force in September 2008, provides for a Manager in charge of the Credit Quality and of the Market in addition to the existing functions, who is responsible for ensuring the quality and the follow up of abnormal loans in the Geographical Areas.

The Group specialized company (MPS Gestione Crediti Banca SpA) is entrusted by the delegating banks with the management of non-performing loans and their collection.

Rating assignment to Corporate counterparts

According to Basle 2, the Bank shall adopt credit risk measurement necessary for the calculation of Capital for regulatory purposes (AIRB approach): Probability of Default (PD); Loss Given Default (LGD); and Exposure at Default (EAD). The new parameter having a stronger impact on risk measurements is the "Probability of Default," which is expressed by the rating and represents the creditworthiness of a counterpart understood as the capacity of fulfilling the obligations taken in a time period of one year. The rating therefore implies a probabilistic approach to risk assessment, measures the estimated quality of the portfolio in the daily processes of loan valuation, credit management and pricing procedures, as well as the methods of provisioning and reporting to the Management.

All lending procedures use the counterpart rating as the decision-making driver and are conceived in keeping with the specifics of the different customer segments in order to optimise the use of resources employed in credit management/monitoring and to achieve the right balance between the commercial push and effective credit management. The internal rating system, which concerns the Corporate and Retail portfolios, results from the development of many statistical models specialized by kind of customer for the purpose of assigning a rating both to the prospects (model of initial granting based on financial, socio-demographic and external database information), as well as to counterparts (in this case, behaviour models using internal trend data were also used).
The rating assignment process contributes to improving effectiveness in credit management, since it is a transparent and consistent support for decisions on granting credit, and it offers guidance on risk based pricing. For the purpose of complying with the requirement of separateness as provided for by the Instructions of the Supervisory Authorities, special units have been established (Loan Labs and Group Risk Service), the managers of which have been granted decision-making autonomy in assigning ratings to counterparts with a turnover higher than EUR 2.5 million, which are commercially followed by the Network and the Key Client Area. The customers with a turnover lower than EUR 2,5 million are automatically assigned a statistical rating.

Groups of connected customers

For the purpose of an objective and shared valuation of the legal- economic relations within the MPS Group, the Group fine-tuned a specific process named "Groups of Connected Customers" which enables to establish and update the mapping of said ties through automatic processing rules which deal with objective data measurable and obtainable from internal and external official sources. The process is directly ruled by the Credit Policies and Control Area through a specific unit, which monitors the quality and consistency of the database kept, updated by the Loan Labs of each bank, and it has exclusive decision-making power on the groups with existing positions shared by several banks with an overall relevant global loan threshold.

Credit policies

The definition of credit policies was driven by the requirement of reconciling the propensity of the Group to take portfolio risk with the limits of Economic Capital and Expected Loss assigned to the Credit Risk within the Capital Allocation process.

The process was firstly introduced in the MPS Group in the first half-year of 2008 thus becoming an integral part of the Budget process of the Group loans.

The process of definition of credit policies has three operational stages:

- Analysis of the current portfolio (12/2008),
- Estimates of trends (12/2009) in absence of credit policy guidelines,
- Estimates of the target portfolio (12/2009) after the application of the current credit policies.

The analysis of the current portfolio is carried out for the purpose of evidencing key risk factors and identifying the most efficient leverage to contain the expected loss. The level of rigidity of the portfolio was also evaluated, affected by the share of long-term exposures and the presence of sector concentrations which determines its incidence on the qualitative composition of the portfolio.

The trend scenario is estimated to understand the evolution of the current portfolio failing corrective measures on the basis of external macro-economic factors and objectives of growth in loans.

Through specially designed simulation instruments measures on lending policies and credit management are defined to reconcile the development targets of the Group with the cost containment of loans and capital absorption.

The Measures consists of operational guidelines concerning new lending and management of outstanding stocks distinguished by segment of customers, counterpart risk, industry and technical form.

A resolution of the Board of Directors of the Parent Bank approved the results of the project defining the process and the operational guidelines which have been disclosed to the main units concerned.

In the first months of 2009, following measures were taken to finalize the budget process for the year:

- Drafting and publishing of the regulatory document disclosing the operational guidelines
- Co-operation with the Planning Area to disclose the targets to the Network subdivided by rating, economic industry and operating unit up to the Geographical Management.

Afterwards, the estimate instruments of the loan portfolio were methodologically fine-tuned, in particular, introducing the estimate of new default flows, the changes on the stock already in default and the migrations between default situations up to the analytical estimates of the adjustments on loans.

Moreover, in the light of the further changes to the macroeconomic framework, with particular reference to the 2009 GDP which was many times reviewed falling in the first half-year, the Credit Policies and Control Area, co-operating with the Risk Management Area and the Planning Area, verified the adequacy of credit policy guidelines for 2009 reviewing all the process stages.

Granting processes

The credit granting procedures are aimed at improving the effectiveness, efficiency and level of service in the management of credit, setting out to:

- automate loan proposals and risk assessments, as much as possible;
- assess creditworthiness by assigning an internal rating to each counterpart;
- improve response time to the customers.

The procedure available to the Network and to the Head Office and managing all the stages of the credit granting process is the Electronic Loan File (*Pratica Elettronica di Fido,* or *P.E.F),* which is being optimised to improve both response time and the selection of the assumable risks.

The processes of valuation and resolution implemented in the Electronic Loan File reflect the principles and the rules of the internal rating system. Therefore, there are different paths depending on the customer being an individual/ consumer (retail) or a company (corporate with a turnover lower than EUR 2.5 million and corporate with a turnover higher than EUR 2.5 million) and on its status of "prospect" or "existing customer".

In line with the regulatory provisions issued by the Supervisory Institute, the Electronic Loan File was designed for the purpose of using a single rating if the counterparts are shared by several banks in the MPS Group. Among the activities aimed at achieving compliance with the AIRB requirements, the allocation of decision-making authority in the credit granting procedure on the basis of risk-based logics is one of the key qualification criteria to achieve the experience requirements set by the Bank of Italy. As a result of this logics providing for the identification of decision-making bodies with powers increasing in proportion to the growth of the risk underlying the loan, both regulatory and management benefits were achieved.

The whole network has a system of definition of discretionary powers regarding exceptions for rates applied to customers based on customer risk (rating) and product risk. The instrument offers a theoretical measurement of profitability to cover credit risk which is quantified in compliance with the new Basel 2 rules through the calculation of the expected loss. The pricing model to determine the spread on funding rates is aimed at defining future profitability of each credit transactions and has already become an ordinary tool of the commercial and decision-making network of the corporate customers.

Monitoring processes

As to credit portfolio management and monitoring after its granting, the Network still uses the process of trend management , which is based on rating model forecasting and is able to monitor the development of the bank's loan portfolio with the passing of time, focusing the attention of managers exclusively on customers having a medium/high statistical default probability in one year.
Trend Management is based on an Early Warning system acting through three sub-processes:

- "Systematic Watch", which concentrates and directs actions monitoring higher risk positions. With this process, the Bank decided to act preventively through portfolio reclassifications to safeguard the performing loan portfolio identifying future problems in advance.

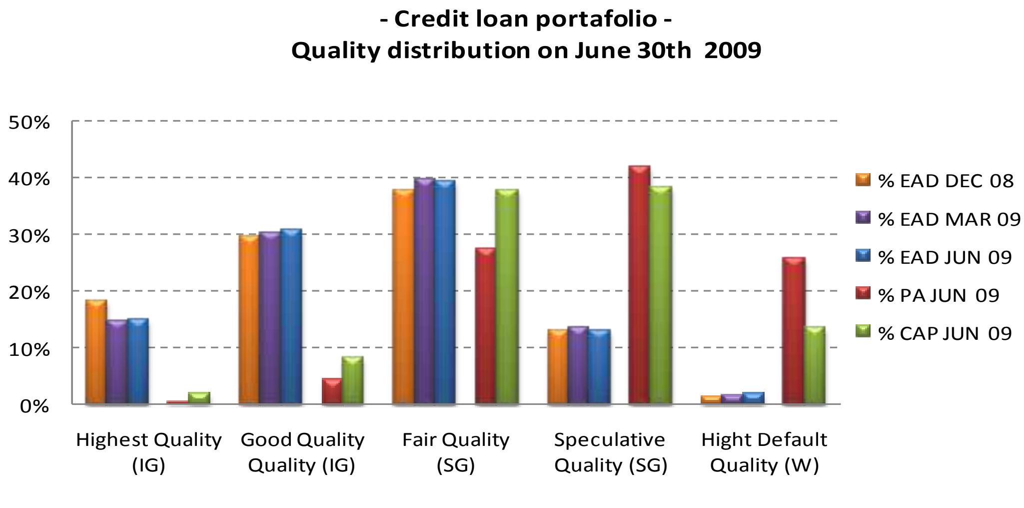
- "Operational Management", with the task of daily monitoring the creditPortfolio highlighting internal and external irregular events indicative of potential risks in order to anticipate mid-month impairments which are overlooked by the rating. The process is hinged on an IT application which shows the users any anomalies and directs to different management actions according to the level of criticality.

- "Simplified Renewals", with the objective – for limited-risk positions – of automatically renewing the validity of outstanding loans from year to year for internal purposes.

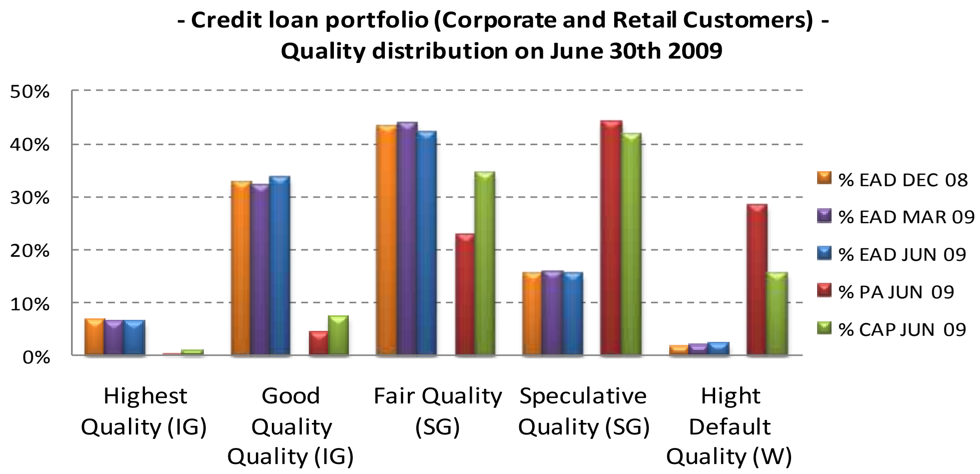
In order to better identify rating downgrading signals not only in the outstanding portfolio after expiry, a monitoring process for the customer rating was set up, as provided for by the Trend Management, with different effects depending on the counterpart: Corporate with a turnover higher than EUR 2.5 million, Corporate with a turnover lower than EUR 2.5 million, and Retail, which prevent the use of a downgraded rating and/or require the renewal of the loan file, so that the Board of Directors may become aware of the change in creditworthiness.

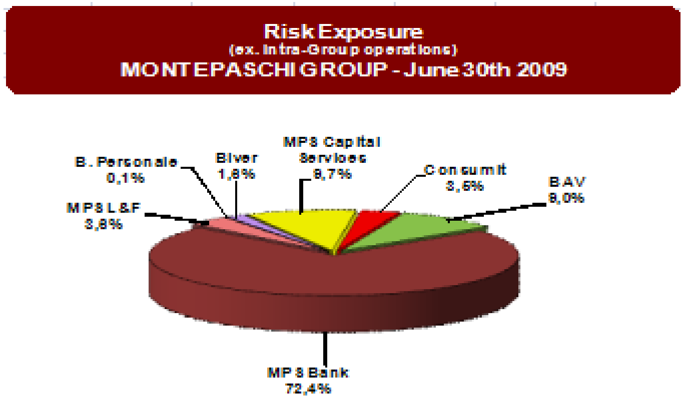
MODELS FOR THE MEASUREMENT OF CREDIT RISK

The analysis of credit risk is conducted by using the Credit Portfolio Model, as internally developed by the Parent Bank, which produces a detailed output including the classical risk measurements of Expected Loss, Unexpected Loss and inter-risk diversified Economic Capital, with a one-year time interval and a confidence interval graded according to the official rating assigned to the Group itself. The inputs include: default probability, LGD rates, number and kinds of guarantees securing the loans, operating internal EAD ratios, correlation matrix. The last component, based on internal estimates (and periodically fine-tuned for the purpose of introducing more advanced models of measurement) quantifies for each position the component of diversification/concentration – by position – of the positions held in portfolio. The logic of calculation of the economic capital is based on Credit-VaR metrics, in accordance with the implementations of other banks. The output of the portfolio model provides detailed measurements by position (shows the time trend of credit risk in accordance with different possible aggregations of the variables subject to analysis, by legal entity, kind of customers, geographical area, business, rating class, continental area) as well as the component of absorbed capital for operating purposes by indicating the impact of diversification, unlike a building-block logic. Additional indications coming from the Credit Portfolio Model concern "what-if" analyses produced on some discriminating variables such as default probabilities, LGD rates, the trend of the value of the guarantees and margins available on credit lines for the purpose of quantifying the levels of Expected Loss and Economic Capital, should the underlying (hypothetical and historical) assumptions occur.
In order to meet the requirements resulting from the implementation of ICAAP and in particular to estimate the stress-testing impacts through stress factors crossing all risks, the Montepaschi Group is currently implementing a methodological study aimed at further developing the existing calculation algorithm in a framework of enterprise-wide-risk-management through which representing the VaR dynamics related to all risk factors according to advanced measurement procedures.
The chart below shows the breakdown of credit quality of the Montepaschi Group loan portfolio (excluding financial assets positions). About 46% of risk exposures are disbursed to customers of high and good quality. The following grading also includes the exposures to banks, Government Authorities, and non-regulated financial and bank institutions. However, within the portfolio model, these counterparts are assigned a credit standing valuation by using the official ratings (if existing) or appropriate internally determined values, although a specific programme of implementation of internal ratings for the purpose of validation with the Regulatory Authorities is not contemplated in the short term.



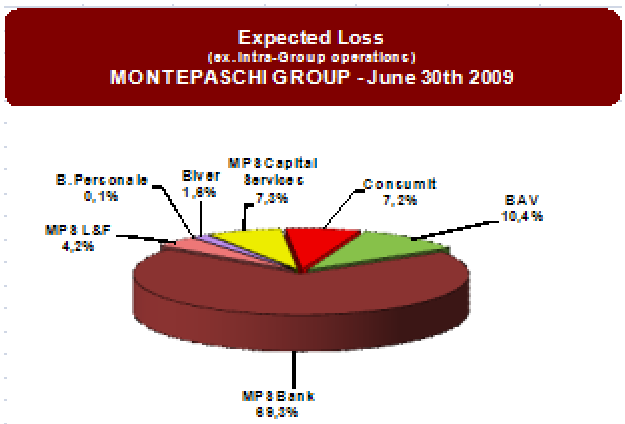
The following graph shows the breakdown of credit quality with respect to the Corporate and Retail portfolios mostly validated by the Regulatory Authority to use internal rating models concerning PD and LGD parameters. The weight of exposures with high and good quality as of 30 June 2009 was about 40% of overall exposures.

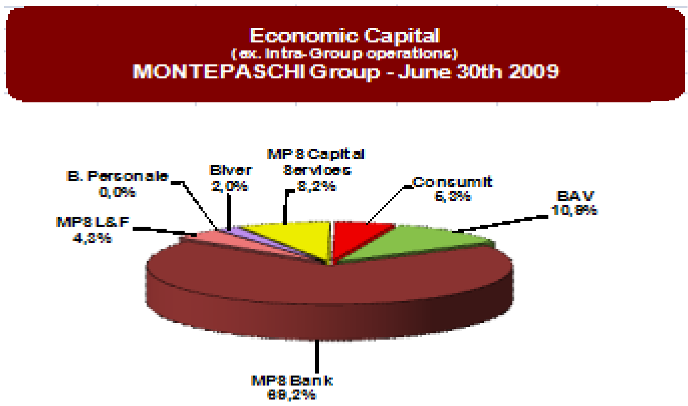




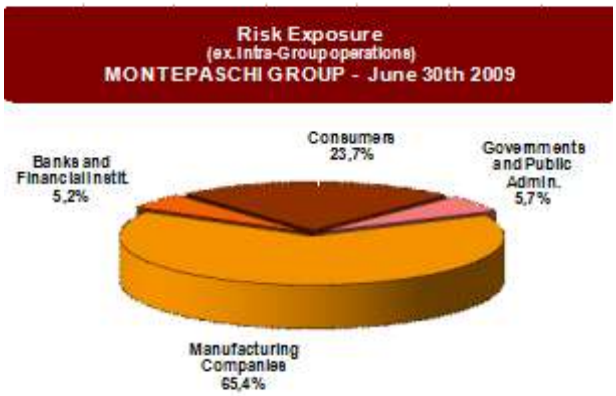
The following graphs show the percentage contribution, in terms of Risk Exposure, Expected Loss and Economic Capital, of the three Commercial Banks (Banca MPS, Banca Antonveneta, Biver Banca) which account for about 83% of the total of the Montepaschi Group, and of MPS L&F, MPS Capital Services, Consumit and B.Personale which account for the remaining 17%.

With reference to risk measurements, expected loss is mostly attributable to the Parent Bank (69.3%), followed by Banca Antonveneta (10.4%) and MPS Capital Services and Consum.it (7.3% and 7.2% respectively), with the remaining portion (5.9%) covering the risks of MPS L&F, BiverBanca and Banca Personale. The total amount of economic capital with respect to credit risk is mostly absorbed by the Parent Bank (abt. 69%) followed by Banca Antonveneta and BiverBanca (abt.13%), with the remaining portion (18%) going to the other legal entities.



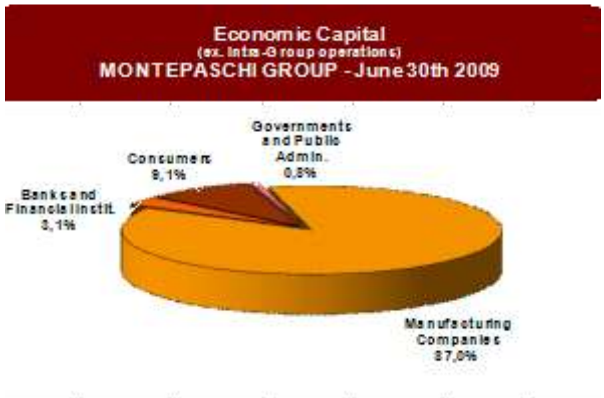


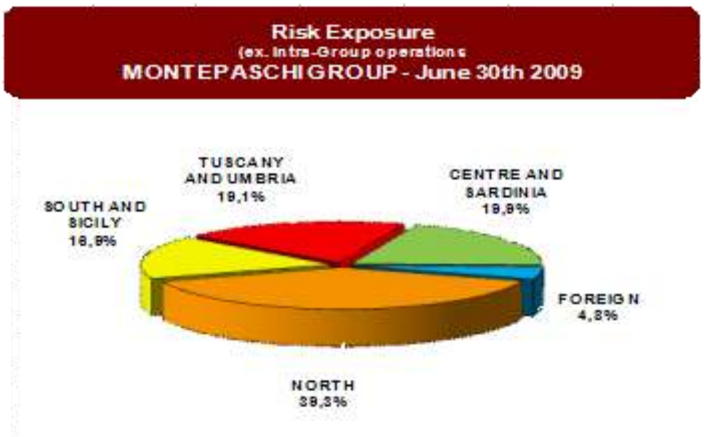
The measurements as of 30 September 2009 show that the Montepaschi Group risk exposures are

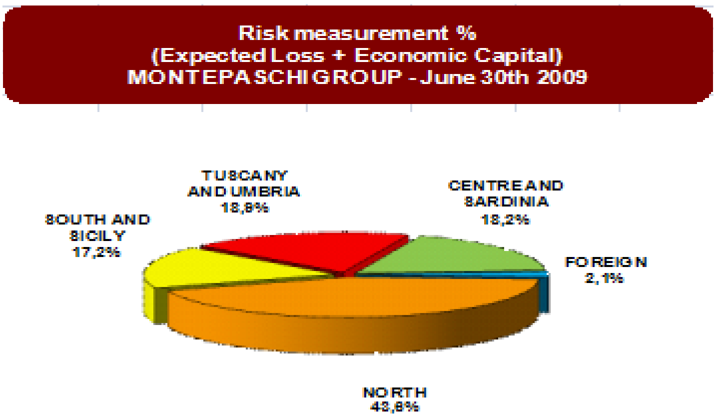


mainly attributable to "Corporate" and "Retail" (65.4% of total disbursements and 23.7%, respectively). Exposures to "Government and Local Authorities" total 5.7% with the portion of "Banks and Financial Companies" standing at 5.2%.

In terms of risk measurements, more than 83% of the Expected Loss and 87% of the Economic Capital are attributable to the "Corporate", whereas 14.3% of Expected Loss and 9.1% of the Economic Capital to the Retail segment.



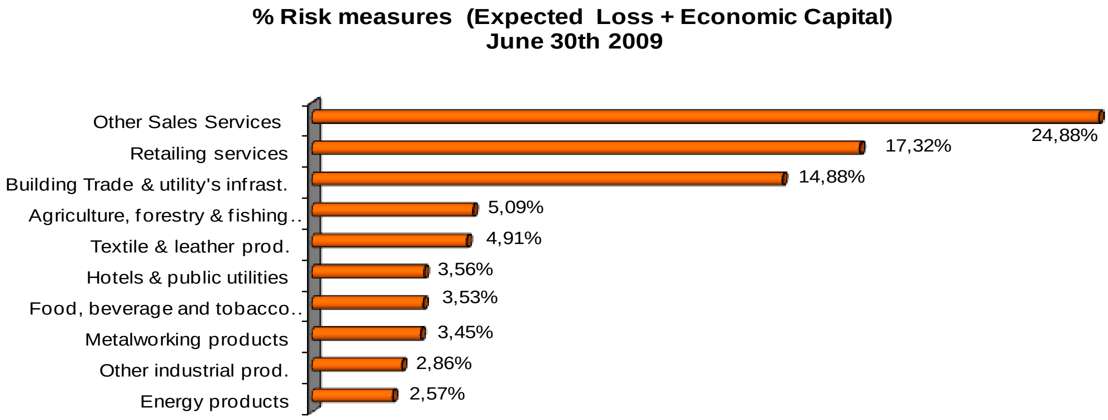




The geographical breakdown of the Group customers indicates that risk exposures are mainly concentrated in Northern Italy (39.3%), Central Italy and Sardinia (19.9%), Tuscany and Umbria (19.1%), Southern Italy and Sicily (16.9%). The international risk exposure is 4.8%.

Loans in northern Italy (43.6%) gave the highest contribution to overall risk measurements (Expected Loss + Economic Capital), followed by Tuscany and Umbria (18.9%), central Italy and Sardinia (18.2%), southern Italy and Sicily (17.2%). The contribution of foreign customers to risk measurements is marginal (2.1%).

An analysis of the exposures of the top 10 business sectors - which account for abt. 83% of total loans - in accordance with the classification of the Bank of Italy shows that "other sales services" absorb 24.88% of total risk measurements, followed by "Retailing services (17.32%), "Building and Public Works" (14.88%). All these sectors account for about 57% of total risk measurements. "Farming, forestry and fishing", "Textile and leather products", "Hotels and public utilities" account for 13.56% of the total Expected Loss and Economic Capital.



QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1.6 Cash and off-balance sheet exposures to customers: gross and net amounts

30.06.2009
(thousands of EUR)

Type of exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. Cash exposure				
A.1 Banking Group				
a) Non-performing loans	9.414.207	5.294.080	-	4.120.127
b) watchlist credits	4.529.614	806.926	-	3.722.688
c) restructured loans	702.501	25.116	-	677.385
d) past due	1.410.632	89.444	-	1.321.188
e) country risk	57.000	X	307	56.693
f) Other assets	153.755.313	X	870.056	152.885.257
Total A.1	169.869.267	6.215.566	870.363	162.783.338
A.2 Other companies				
a) Loan losses				-
b) Other	-	x		-
Total A.2	-	-	-	-
Total A	**169.869.267**	**6.215.566**	**870.363**	**162.783.338**

The gross exposure of non-performing loans includes the exposure to the Lehman Group for abt EUR 15 million net of the value adjustments of EUR 52 million carried out in 2008 financial year. The financial report on operations should be referred to for general remarks about doubtful loans.

31.12.2008
(thousands of EUR)

Type of exposure	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
B. Cash exposure				
A.1 Banking Group				
g) Non-performing loans	8.380.239	4.755.904	-	3.624.335
h) watchlist credits	3.288.418	709.938	-	2.578.480
i) restructured loans	208.280	11.371	-	196.909
j) past due	1.019.724	65.855	-	953.869
k) country risk	21.704	X	309	21.395
l) Other assets	150.438.717	X	1.080.519	149.358.198
Total A.1	163.357.082	5.543.068	1.080.828	156.733.186
A.2 Other companies				
c) Loan losses				-
d) Other	-	x		-
Total A.2	-	-	-	5
Total A	**163.357.082**	**5.543.068**	**1.080.828**	**156.733.191**

In the table of 31 December 2008 the portfolio adjustments of other assets includes value adjustments of financial assets available for sale for EUR 264 million. On the contrary, in the table of 30 June 2009 the gross exposure of assets includes the exposure of financial assets available for sale net of the value adjustments as of 31 December 2008 and gross of the half-year adjustments (EUR 11 million) which are included in the corresponding portfolio value adjustments.

B.5 Important risks (according to regulatory rules)

(thousands of EUR)

	30.06.2009	31.12.2008
a) Amount	-	-
b) Number	-	-

GROUP MARKET RISKS

The presence of market risks, associated with the Trading Portfolio and the Banking Portfolio, is of great importance within the integrated management of risks and capital of the Montepaschi Group.

Interest rate risk – Banking Portfolio

In accordance with the international best practices, the Banking Book identifies the whole of the Bank's commercial operations in relation to the transformation of the maturities of assets and liabilities, Treasury, foreign branches and reference hedging derivatives. The Banking Book area (aligned with the banking portfolio for regulatory purposes) and the process of centralization of ALM management are determined by the resolution of the Board of Directors of the Parent Bank which deals with the "Centralization of Asset & Liability Management and operating limits in relation to the interest rate risk and liquidity risk of the Group Banking Book", approved by the Parent Bank Board of Directors in September 2007.

The management strategies of the Banking Book, adopted by the Finance and Liquidity Committee and monitored by the Parent Bank's Risk Committee, are based on the measurement of the interest rate risk in a logic of total return and are oriented to minimizing the volatility of the

expected interest margin in the current financial year (12 months) or minimizing the volatility of the global economic value on the basis of changing interest rate structures.
The fluctuations of interest margin at risk and the changes in the economic value of assets and liabilities of the Banking Book are analyzed by applying deterministic shifts of 25 bp, 100 bp and 200 bp. The 200 bp shift is applied in compliance with the provisions of Basle 2 "second pillar", expressed as a percentage in relation to Tier 1 and consolidated Capital for Regulatory Purposes.
The risk measurements of the commercial banks of the Montepaschi Group are calculated using a model of valuation of sight items or core deposits, with characteristics of stability and partial insensitivity to changing interest rates described in the systems with a statistical/predictive model (*replicating portfolio*) which takes account of a significant historical trend of past customers' behaviours.
In addition, in Q408, the Montepaschi Group introduced a behavioural method in interest rate risk measurements which takes account of prepaid mortgage loans (*prepayment risk*). The rates of prepayment of loans, and in particular residential mortgage loans, became potentially more unsteady due to a string of concurrent factors, such as greater volatility in the curve of interest rates due to the recent crisis.
Within the defined model, the Treasury and Capital Management Area is in charge of managing the Group interest rate risk and liquidity risk as a whole. Within the Area, the Centralized Treasury Unit manages the Group short-term interest rate risk and liquidity risk. The Group Balance Sheet Management Unit manages the structural interest rate risk and the risk of transformation of maturities (structural liquidity) for the Group, monitors and manages the hedging (with the different accounting models which can be used), follows up the composition of the "network" (BMPS and other Group companies) internal EUR and foreign currency rates in relation to all transactions of importance with maturities over the short-term, proposes the economic terms of access to funds by the Group companies to the Finance and Liquidity Committee, centrally manages the Group funding requirements and the administrative requirements in relation to the Group bond issues.
The Montepaschi Group, and therefore Banca MPS, manages the interest rate risk by portfolio. In general, hedging derivatives are entered into within the Group with MPS Capital Services Banca per le Imprese, which in turn manages the global exposure to the market by volume. Therefore, this approach does not allow a univocal relation between the derivatives entered into by each Group company and the market derivatives.
The adoption of the Fair Value Option (introduced by the new international accounting principles – IAS 39) gives a faithful view of this approach, by designing a group of financial assets or liabilities managed at fair value with an impact on the P&L statement. This approach is adopted by Banca MPS in relation to the financial liabilities subject to fair value hedging by homogeneous portfolio. The Fair Value Option adopted concerns the accounting mismatch between a Fair Value item and an item valued on the basis of other accounting criteria.
The use of the Fair Value Option adds complexity to the management or valuation of items with respect to some portfolios and classes of assets (in particular, in relation to assets hedging). In this case, Banca MPS adopted official IAS-compliant hedging forms.
In particular, main existing kinds of IAS-compliant hedging are the following:

- Micro Fair Value Hedge: hedging of commercial assets (loans/mortgage loans classified as Loans and Receivables) of Banca MPS and its Foreign Branches and the securities portfolio of Banca MPS and its Foreign Branches (classified as Loans & Receivables and Available for Sale, respectively);
- Macro Fair Value Hedge: hedging of commercial assets (loans/mortgage loans classified as Loans and Receivables);
- Micro Cash Flow Hedge: hedging of a limited portion of floating rate funding.

MPS GROUP

30.06.2009

Risk indicators by shift +/- 100 bp	+ 100 bp	-100 bp
Net interest income at risk/net interest income	0,38%	0,40%
Economic value at risk/ Tier 1 capital	7,53%	8,85%
Economic value at risk/ capital for regulatory purposes	4,29%	5,04%

The sensitivity of the Montepaschi Group at the end of June 2009 shows a profile of exposure to risk resulting from an increase in interest rates. The size of the economic value at risk is perfectly consistent both with the Tier 1 capital and with the capital for regulatory purposes and well below the level considered as a threshold for action (set at 20% for an interest rate shock equal to 200 bp) by the New Capital Accord (Basel 2).

EQUITY INVESTMENTS PORTFOLIO RISKS

Price risk measurement on the Banking Portfolio of MPS Group is carried out on equity investments held for mainly strategic or institutional/instrumental purposes.
The instrument used for the measurement of risk is Value-at-Risk (VaR), which measures the possible loss resulting from negative changes in the fair value of the investments.
More specifically, the VaR model used is a parametric model and represents the loss which the portfolio valued at fair value might be subject to in a holding period of three months on the basis of a confidence interval of 99%. The VaR model used, which is different from the model used for the Trading Portfolio, is based on the traditional approach of the variance-covariance matrix. Volatility is estimated on the basis of the time series of market performances for listed companies and time series of business sector indices for non listed companies.
The analysed portfolio includes all equity investments held by all companies of the Montepaschi group in external companies or in companies which are not included in the consolidation either fully or proportionally.
The portfolio VaR (99%, one quarter holding period) was roughly 25% of the portfolio fair value.
The Risk Management Area develops and maintains the internal measurement system, periodically reports to the Risk Committee of the Parent Bank on the risk size of the equity investments portfolio as well as on their trends.
Moreover, the Risk Management Area develops and maintains the internal measurement system also with reference to alternative funds. To determine the Economic Capital of the latter, it uses a measure coming from the Supervisory approach.

MARKET RISKS INHERENT IN THE TRADING PORTFOLIO

The Trading Portfolio of the Montepaschi Group – *Trading Book* – consists of the Trading Portfolios for Regulatory Purposes managed by the Parent Bank (BMPS), MPS Capital Services (MPSCS), and - to a lesser extent - by BiverBanca and the Irish subsidiary Monte Paschi Ireland. The addition of Banca Antonveneta to the Group in 2008 had no significant impact, since the operating approach adopted provided for the centralization of all market risks with BMPS and MPSCS. The portfolios of the other commercial subsidiaries are virtually closed to market risks and include only own bonds held for the service of retail customers. Derivative operations, traded on behalf of the customers, contemplate the centralization and monitoring of risks by MPSCS.
The market risks of the trading book are monitored for operating purposes in terms of Value-at-Risk (VaR) with reference to the Parent Bank and the other Group entities which are of importance as independent market risk taking centres. Each bank operates individually with its own trading portfolio and simultaneously manages interest rate, equities, forex and credit positions in an integrated manner, within the operating limits set by the Board of Directors. In particular, with reference to the Trading Portfolios of the Parent Bank and of MPSCS, the aggregate monitored

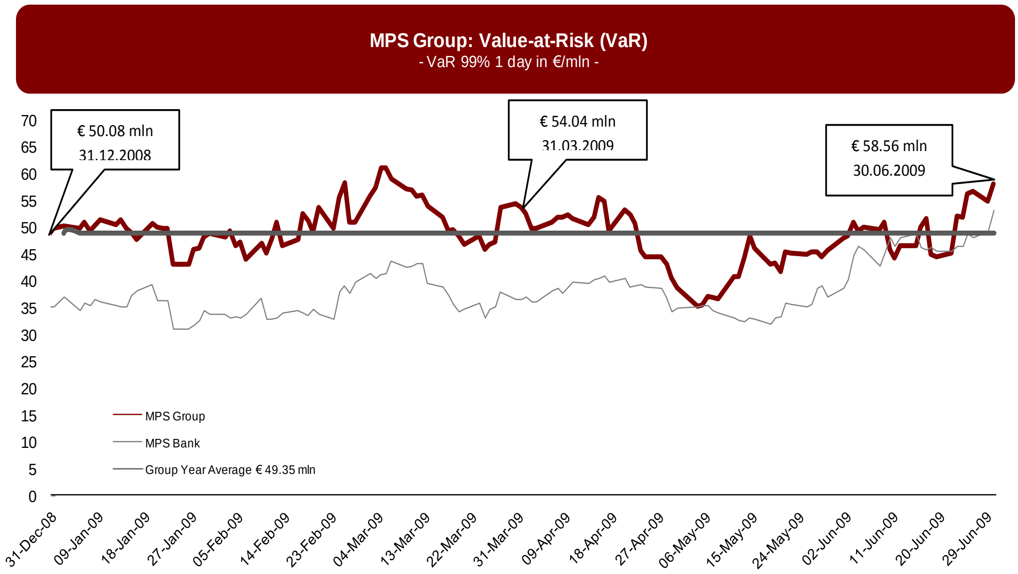
with integrated VaR methods is larger than the aggregate for regulatory purposes, since it incorporates some positions of the Banking Portfolio which, from the operating viewpoint, are under the responsibility of the Business Areas carrying out trading activities.
In this section, only for the purpose of VaR calculation, the Trading Portfolio should be expanded to include the positions of the Banking Portfolio which are not qualified for the Trading Portfolio for Regulatory Purposes. Most of these positions were taken directly on the basis of instructions coming from the Board of Directors or are attributable to the Parent Bank's Finance Area (e.g. AFS equities and bonds).
The Montepaschi Group Trading Portfolio is subject to daily monitoring and reporting by the Parent Bank Risk Management Area on the basis of proprietary systems. The operating VaR is calculated independently from the operating units on the basis of the internal model of risk measurement implemented by the Risk Management Unit, in line with the main international best practices.
Operating trading limits, as approved by the Parent Bank Board of Directors, are expressed by level of delegated powers in terms of diversified VaR by risk factor, portfolio and monthly and annual Stop Loss. In particular, the trading book credit risk is included in VaR reports and the respective limits in relation to the credit spread risk portion and is also subject to specific operating limits of issuer risk and bond concentration, which contemplate notional maximum amounts by guarantor and rating class.
VaR is calculated with a 99% confidence interval and a holding period of one business day. The method used involves the historical simulation with daily full revaluation of all primary positions, on the basis of 500 historical records of the risk factors (lookback period) with daily shift. The VaR thus calculated takes account of all effects of diversification by risk factor, portfolio and traded instrument. It is not necessary to assume any a priori functional form in the distribution of returns on assets, and the correlations between different financial instruments are implicitly captured by the VaR model on the basis of the joint historical trend of risk factors. The flow of daily operating reporting on market risks is periodically sent to the Parent Bank Risk Committee and Board of Directors in the Risk Management Report, which informs the Top management of the overall risk profile of the Montepaschi Group.
The following kinds of risk factors (IR, EQ, FX, CS) are taken into account by the Internal Model of Market Risks:

- IR: Interest rates on all relevant curves and relative volatility;
- EQ: equity prices, indices and baskets and relative volatility;
- FX: Foreign exchange rates and relative volatility;
- CS: credit spread levels.

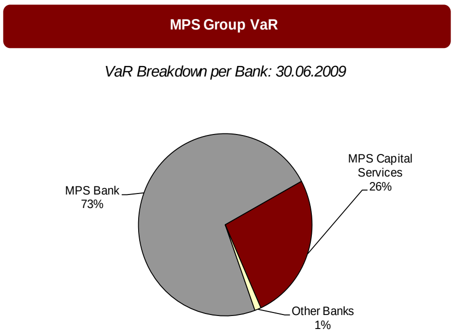
However, the VaR (or diversified VaR, or Net VaR, net of all effects of diversification) – which is calculated as one integrated measurement - is calculated and disaggregated daily on the basis of three methods of analysis:

- Organization/operating analysis of the Portfolios,
- Analysis by Financial Instruments,
- Analysis by Risk Family.

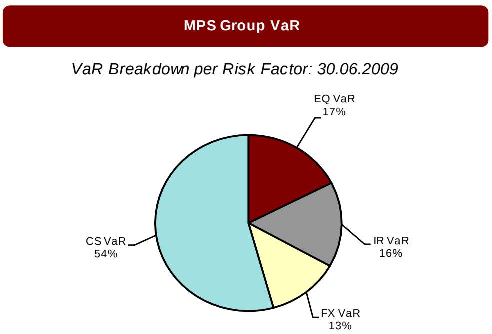
The VaR can be also assessed on the basis of any combination of these methods so as to support very detailed analyses of the events concerning the portfolios.
Following are the risk factors which can be identified: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these components determines the Gross VaR (or non diversified VaR) which quantifies, if compared with the diversified VaR, the benefit of diversification by risk factor resulting from holding portfolios allocated to non perfectly correlated asset classes and risk factors. This information can be analyzed on the basis of the above-mentioned methods.
The model produces diversified VaR metrics for the whole Montepaschi Group in order to appreciate, in an integrated manner, all effects of diversification which might be generated in the banks due to the specific positioning implemented by the business units.
In addition, scenario analysis are regularly carried out in relation to different risk factors with different levels of granularity.
In the first half-year of 2009, the Group VaR as a whole grew reaching EUR 58.56 mln at the end of June, with a year-on-year increase of EUR 8.5 mln and of EUR 9 mln against the average of the first-half of 2009.



With reference to the legal entities, the Group market risks were steadily concentrated on Banca MPS and MPS Capital Services.



As of 30 June 2009, the Parent Bank contributed to overall risk with 73%, MPS Capital Services accounted for about 26%, and the remaining banks for the residual 1%.



In terms of VaR breakdown by risk factors, as of 30 June 2009, the Group portfolio was allocated firstly to Credit Spread risk factors (CS VaR) (about 54%), secondly to equity risk factors (EQ VaR) (about 17%), with interest rate risk factors (IR VaR) accounting for 16% and foreign exchange risk factors (FX VaR) for the remaining 13%.

MPS Group

VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	58.56	30/06/2009
Min	35.74	04/05/2009
Max	61.45	04/03/2009
Average	49.35	

In the first six months of 2009, the Group VaR fluctuated in a range going from a low of EUR 35.74 million recorded on 4 May to a high of EUR 61.45 million on 4 March. During the year, the average VaR stood at EUR 49.35 million. The VaR at the end of June 2009 was EUR 58.56 million.

Hereunder follow the effects in terms of changes in fair value of the Trading Portfolio of the Montepaschi Group in a strict sense, i.e. net of the components in AFS securities, for different hypothesis of changes in the underlying risk factors.

Montepaschi Group: Trading Book
EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	47,67
Interest Rate	-100bp all Interest Rate Curves	-53,17
Interest Rate	+1% all Interest Rate Volatility	-1,01

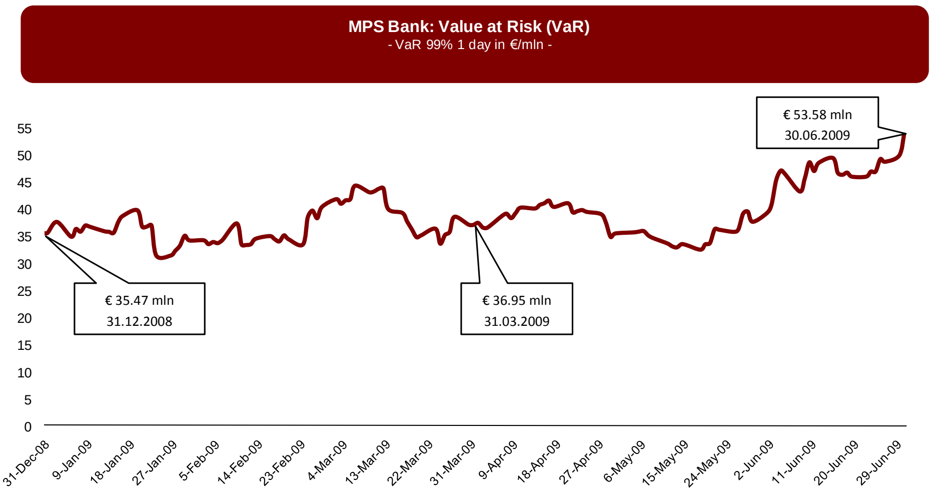
Montepaschi Group: Trading Book
EUR/mln

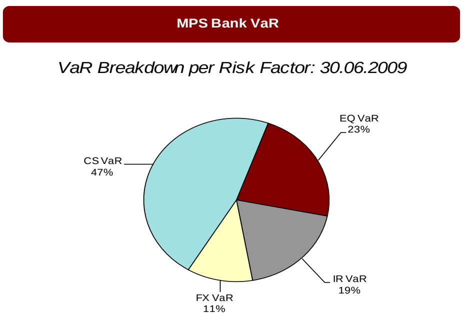
Risk Family	Scenario	Global Effect
Equity	+1% Equity prices (prices, indices, basket)	-1,06
Equity	-1% Equity prices (prices, indices, basket)	1,06
Equity	+1% Equity Volatility	-0,49

Montepaschi Group: Trading Book
EUR/mln

Risk Family	Scenario	Global Effect
Forex	+1% Exchange rate against EUR	0,11
Forex	-1% Exchange rate against EUR	-0,11
Forex	+1% Forex Volatility	-0,65

The trend of the Parent Bank VaR, diversified by risk factor and portfolio, is in line with the Group. This trend is mainly due to the Credit Spread VaR and Equity VaR, and, secondly, to Interest Rate VaR and Forex VaR.





In terms of VaR breakdown by risk factors, as of 30 June 2009, the Parent Bank portfolio was allocated firstly to Credit Spread risk factors (CS VaR) (about 47%), secondly to equity risk factors (EQ VaR) (23%), then to interest rate risk factors (IR VaR) (19%) with foreign exchange risk factors (FX VaR) for the remaining 11%.

MPS Bank
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	53.58	30/06/2009
Min	31.29	23/01/2009
Max	53.58	30/06/2009
Average	38.50	

In the first half-year of 2009, the Parent Bank VaR fluctuated in a range going from a low of EUR 31.29 million recorded on 23 January to a high of EUR 53.58 million on 30 June. During the year, the average VaR of Banca MPS stood at EUR 38.50 million. The VaR as of 30 June 2009 was EUR 53.58 million.

Liquidity Risks

In 2009, the domestic funding policy (i.e. use of the bank network for the placement of own products) was supplemented by the development of other institutional funding sources such as the Certificates of deposits of English and French law to diversify the funding sources.
With reference to the organization policies and structure, the Montepaschi Group structurally copes with liquidity risk with a formal policy of management of this kind of risk, also for the purpose of compliance with the requirements of Basle II Pillar II.
The organization and operating framework incorporates:

- A liquidity policy which defines the area and governance model of the Group liquidity which is centralized with the Treasury and Capital Management Area, the organization model aimed at monitoring and managing the liquidity risk by short-term liquidity (operational liquidity) and medium-/long-term liquidity (structural liquidity). The liquidity policy also includes the stress test policy which is targeted at simulating the effects of stress conditions and arranging any corrective measures.
- A contingency plan which deals with the management of liquidity under abnormal conditions, such as stress, crises, and sets the risk indicators and organization processes necessary for facing crisis.

The overall profile of structural liquidity is monitored on the basis of quantification of unbalances, by date of settlement, of expiring cash flows. Option-like items have representative models consistent with the models used for interest rate risk.
Specific emphasis was placed on expected liquidity flows for the purpose of optimizing the management of the financial flows. For the purpose of making the Group liquidity management more and more effective, the Group completed some activities oriented to increasing the available counterbalancing capacity (i.e. assignable reserve assets). In this respect the "Siena 09-06" securitization transaction in the amount of EUR 3.8 bn was carried out.
Specific attention is focused on the planning of the Group funding policies (Funding Plan), coordinated and directed by the Treasury and Capital Management Area (in co-operation with the Planning Area), which:

- Submits the plan of action in the financial markets useful for achieving the objectives set by the Business Plan and capital management requirements to the Finance and Liquidity Committee for approval;
- Co-ordinates access to domestic and international long- and short-term capital markets for all Group banks, as well as access to the refinancing transactions with the EURpean Central Bank and the centralized management of compulsory reserves;
- Processes projections on future liquidity, by simulating different market scenarios.

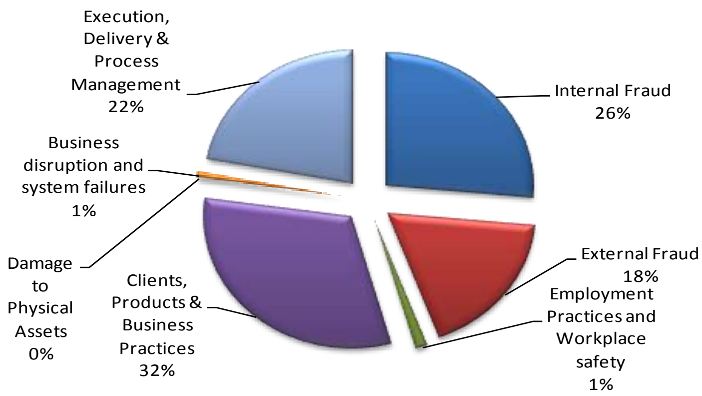
Operational risks

General aspects and Framework structure

On 12 June 2008 the Bank of Italy authorized the Montepaschi Group to use its internal models for the determination of capital requirements with respect to credit and operational risks.
The Montepaschi Group is provided with an integrated system of management of operational risk, an internal framework built on a governance model which involves all the companies belonging to the scope of application of the AMA model. The approach sets the standards, methods and instruments which assess risk exposure and the effects of mitigation by business area.

With respect to last financial year, the new aspects concern the implementation of roll-out activities of the advanced model on Banca Antonveneta, which, driven by the Parent Bank, quickened to better identify and monitor risks linked to the extension of processes and systems to a new company thus allowing a higher awareness of the new component of the Montepaschi Group risk profile.
The roll-out activities implied the integration of the 623 branches purchased by Banca Monte dei Paschi and the extension of quality and quantity components of the advanced approach to the new Banca Antonveneta wich has a network made up of the remaining 403 branches, starting from 1 January 2009.
Staff in charge of the risk process has recently ended the assessment and identification activities of the relevant scenarios (quality component) underlying the awareness of the Top Management of the risk profile of Banca Antonveneta.
In the second half of 2009, the roll-out activities of Cassa di Risparmio di Biella e Vercelli shall start according to a plan disclosed to the Bank of Italy.
From a quantity point of view, the percentage distribution of the loss events higher than EUR 50 is reported by Basel risk category in the first half of 2009.

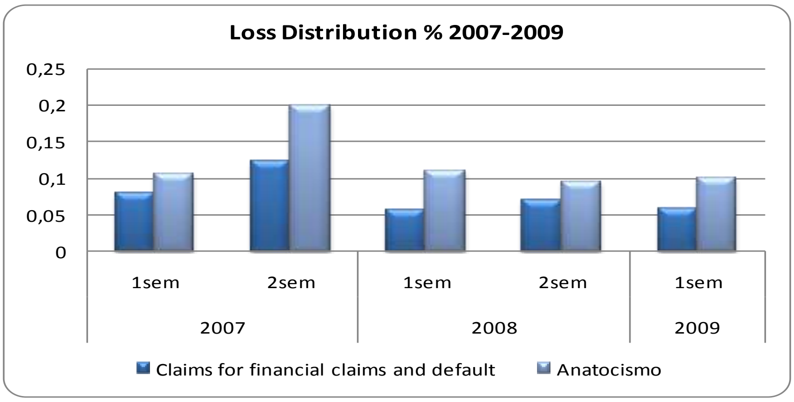
Breakdown of Events



Loss data include Banca Antonveneta which started the data collection process following the Group methods on1 January 2009.
Main characteristics of Banca Antonveneta concern the risk category "Clients and Products" in which the company is less exposed than the Group, still involved in From You and My Way, and the category "Employment", where there are legal actions with the personnel mostly due to the several corporate transactions implemented before the sale to the Montepaschi Group.
The percentage distribution of loss events shows that the event having the highest economic impact is the violation of professional obligations towards the customers and concern 32% of the losses. The percentage is lower than in 2008 (40%).
In this risk category, legal actions with the customers concern following cases:

1. The placement of For You and My Way financial plans, of Argentina, Cirio and Parmalat bonds as well as of structured products;
2. Anatocism.

As a result, most operational risk events date back to before 2002 but still have accounting effects in the 2009 financial year.
Hereunder follows the trend of the above-mentioned cases from 2007 to 2009 in percentages on the overall amount of the analyzed period:



The chart shows a substantial alignment of the first half of 2009 with 2008. Banca Antonveneta is aligned with the Parent Bank for the shared cases such as anatocism and securities in default; thus the decreasing trend of the last few years is confirmed.
With respect of 2008 the percentage weight of the "External fraud" category increases because of some events linked with third parties. In this regard, mitigation actions were immediately implemented, in particular a complete review of the corporate agreement system, the centralization of selection and monitoring activities, the development of IT management and monitoring systems, thus also enabling an efficient control on the related credit quality.

Major kinds of legal disputes

The legal actions taken against the Group companies can be divided into sub-categories, characterized by a common element represented by alleged factors of criticality of the products, transactions, services or relations where the companies played the role of disbursing or placing entities.
The main sub-categories are attributable to the issues concerning:

1. Anatocism;
2. The placement of bonds issued by countries or companies later in default (Argentina, Cerruti, Parmalat, Cirio bonds);
3. The placement of financial plans;
4. The placement of structured products.

The Group is still trying toted to find settlements of the above-mentioned legal disputes. In the first six months of 2009 a satisfactory incidence of settlements of both financial plans and structured products was reported. As to the judgments delivered, the Bank lost the cases at a much lower percentage then the 50% threshold.
For the problems concerning the placement of Argentina bonds the incidence will soon decrease due to the invalidation by prescription.
In the first six monthss of 2009 some administrative proceedings concerning the application of the money-laundering regulations are pending.
New remarkable pending issues deal with the settlements of actions for revocation promoted by the Parmalat Group companies inherited from the former Banca Antonveneta.

PUBLIC DISCLOSURE (PILLAR 3)

For the purpose of consolidating market regulations, Section IV of Circular Letter no.263 dated 27 December 2006 of the Bank of Italy introduced obligations of disclosure of information concerning capital adequacy, risk exposure and the general characteristics of the systems for the identification, measurement and management of such risks.
In compliance with the provisions of the above Circular Letter, the Montepaschi Group regularly issues this Public Disclosure on its website at www.mps.it/Investor+Relations.

PART F

INFORMATION ON CONSOLIDTED SHAREHOLDERS' EQUITY

SECTION 1

CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

Net equity management deals with policies and resolutions necessary to define net equity size as well as the best mix of capital adequacy options in order to guarantee that the Group's net equity and ratios are consistent with risk profile and comply with regulatory requirements. From this point of view, consolidated net equity management has become increasingly important and strategic. Net equity quality and size of each bank of the Group are therefore defined in the framework of more general Group targets.

The Group must comply with capital adequacy requirements provided for by the Basle Committee according to the regulations issued by the Bank of Italy, according to which for each bank the net equity/weighted risk assets ratio must at least amount to 8%; the individual compliance with regulatory requirements is half-yearly verified by the Bank of Italy.

The review of the compliance with regulatory requirements and of the resulting capital adequacy is dynamic, changing according to the targets of the Group Business Plan.

The first review takes place on assigning budget targets: in view of expected loan growth trends, of other assets and of economic aggregates, risks, such as credit, market and operating risks, are quantified and, as a result, ratio compatibilities for each bank and the Group as a whole are reviewed. Capital adequacy compliance is obtained through several means, such as pay out policies, definition of strategic finance transactions (capital increase, convertible loans, subordinated bonds, etc.), and loans management in view of counterpart risk level.

During the year, the compliance with regulatory ratios is monitored by governing and checking, if necessary, capital aggregates through also measures aimed at more adequately re-allocating capital resources within the Group. If extraordinary transactions, such as acquisitions, sales, etc., are carried out, capital adequacy is previously reviewed and analysed.

In this case, the effect on ratios is estimated and any steps necessary to comply with regulatory rules, issued by Supervisory Authorities, are planned.

B. Quantitative information

Section 15 – Liabilities of the Note to the Financial Statements should be referred to as far as the Bank's net equity composition and the definition of terms according to the civil code of the different components.

Section 2

Capital and ratios for regulatory purposes

2.1 Banking capital for regulatory purposes

A. Qualitative information

The capital for regulatory purposes and net equity ratios are computed on the basis of financial statements values calculated applying the IAS/IFRS international accounting standards and taking into account regulatory instructions issued by the Bank of Italy with the latest update (No.12) of Circular Letter no. 155/91 "instructions on how to draw up reports on capital for regulatory purposes and prudential ratios". The capital for regulatory purposes is calculated by adding positive and negative components according to the quality of their capital. Positive components must be fully available to the bank so that they can be used in capital absorption calculations.

- Starting from the 2008 financial year, the Bank calculates the prudential requirements in compliance with the Basel 2 Accord; moreover, the communication received in June 2008 authorized the Parent Bank to used internal models to determine the capital requirements both of the Bank and of the Group against credit and operational risks. The application of internal models is allowed complying with some quality and quantity limits as provided for by the Supervisory Authorities. In particular, some limits (the so-called "floors") were provided for on the basis of which any saved capital resulting from the internal model is subject to caps to be parameterized with the requirements computed on the basis of the previous regulations (Basel 1). Such limitation may be removed from the future financial years taking also into account the progressive further fine tuning and consolidation of the adopted internal models.

- The capital for regulatory purposes is made up of Tier I Capital and Tier II Capital net of certain deductions; in particular:

  - Tier I capital includes the paid in capital, issue-premiums, profit and capital reserves, innovative capital instruments and the profit of the financial period net of own portfolio shares, of intangible assets including goodwill as well as of losses, if any, registered in the previous financial statements and in the current one;

    The latest instructions of the above-mentioned Circular Letter are aimed at achieving compliance of determination criteria of capital for regulatory purposes and of ratios with the international accounting standards.
    In particular, they provide for the so-called prudential filters mentioned by the Basel Committee to regulate the criteria, domestic supervisory authorities must comply with to standardize statutory rules with the new financial statements principles.
    Prudential filters aim at safeguarding the quality of the capital for regulatory purposes and reducing any potential volatility resulting from the application of the new principles; they are amendments of accounting data before their use for regulatory purposes. In particular, with reference to the most relevant aspects for Banca Monte dei Paschi di Siena, the new rules provide that:

    - as to financial assets held for trading, both unrealized capital gains and capital losses recorded in the profit and loss account are fully relevant;
    - for financial assets available for sale, the unrealised capital gains and capital losses are posted after offsetting in a specific shareholders equity reserve; the balance of this reserve, if negative, reduces the Tier I capital; if positive, 50% of it contributes to the Tier II capital;
    - as to hedging transactions, unrealized capital gains and capital losses on cash flow hedging, recorded in the special net equity reserve are frozen while no prudential filter is applied to fair value hedging;

- as to fair value option liabilities of natural hedge both unrealized capital gains and capital losses recorded in the profit and loss account are fully relevant except for the component due to changes in its creditworthiness;
- the stake in the capital of the Bank of Italy is not considered for purposes of quantifying capital and therefore the respective capital gain deriving from the valuation at fair value is not computed under the reserves of instruments available for sale.
- net tax benefit posted to the 2008 profit and loss account is omputed reduced 50% due to the accounting of the substitutive tax for the tax redemption of the goodwill; therefore, 50% of the net benefit is deducted from Tier I capital through a negative filter; starting from 2009 the above-mentioned filter is progressively reduced by 1/8 per year.
- Equity investments and other items (innovative capital instruments, hybrid capital instruments and subordinated assets) issued by banks and non fully or proportionally consolidated financial institutions are deducted 50% from Tier I capital and 50% from Tier II capital.
- The use of internal models to determine capital requirements against credit risks implies the reporting in the capital for regulatory purposes of the difference between the expected loss and the net value adjustments; if the expected loss is higher than the net value adjustment the difference is deducted 50% from Tier I and 50% from Tier II; if the expected loss is lower than the net value adjustments the difference is computed in the Tier II with the 0.6% limit of the weighted assets of credit risk.
- Equity investments in insurance companies and the subordinated liabilities issued by such companies are deducted 50% from the Tier I capital and 50% from the Tier II capital, when they have been acquired subsequent to 20/07/2006; when they have been acquired prior to that date, on the other hand, they continue to be deducted from the sum of the Tier I and Tier II capital until 31/12/2012.
- The banks are also required to observe the capital requirements for market risks concerning financial instruments, currencies and goods. These market risks are computed on the whole regulatory trading portfolio by each separate type of risk, position risk on debt and capital securities, settlement risk, counterparty risks and concentration risk. With reference to the whole financial statements, it is also necessary to calculate forex risk and the position risk on goods. Finally, capital requirements were introduced in the new regulatory framework, also against operational risks i.e. risks of losses resulting from inadequacy or malfunction of procedures, human resources and internal processes, or external events. According to the supervisory regulations, the Group's net equity shall amount to at least 8% of the total weighted assets (total capital ratio), in relation to the credit risk profile, assessed according to the category of debtors, to the period of validity, to the country risk and to the guarantees obtained.

In the following tables, main contract features of innovative instruments are reported which are included in the computation of Tier I capital with capital and reserves as well as the features of the hybrid instruments of capital adequacy and subordinated liabilities which are included in Tier II capital. Tier III subordinated loans are not included in the computation of Tier II capital but are deducted from capital requirements on market risks.

1. **Tier I capital**

1. Tier I capital

The main characteristics of the instruments included in the calculation of Tier I capital are reported below with a particular focus on innovative capital instruments issued by the Group.

Issuer	Interest rate	Step up	Issue date	Maturity date	Early redemption as of	Curr.	Original amount in currency units	Contribution to regulatory capital (EUR '000)
F.R.E.S.H. (Floating Rate Exchangeable Subordinated Hybrid) - subordinated deposit	Euribor 3m + 0,88%	NO	31/12/03	N.A.	(a)	EUR	700.000.000	531.925
Capital Preferred Securities I^ tranche	Euribor 3m + 3,75%	YES	31/12/00	N.A.	(b)	EUR	80.000.000	80.000
Capital Preferred Securities II^ tranche	Euribor 3m + 3,10%	YES	27/06/01	N.A.	(b)	EUR	220.000.000	220.000
Preferred Capital I LLC	7,59 Sub	YES	07/02/01	07/02/31	(c)	EUR	350.000.000	350.000
Total preference shares and capital instruments (Tier I)								1.181.925

a) The F.R.E.S.H instruments, with a nominal value of EUR 700 million, are perpetual and neither repayment clauses nor step-up clauses are provided for, however they are convertible into shares. In September of each year from 2004 to 2009 (and at any time from 1 September 2010 onwards) the instruments are convertible on initiative of the investor. There is also an automatic conversion clause if after the seventh year from the issuing the reference price of ordinary shares exceeds a predefined value. The return is not cumulative with the option of not paying the return itself if in the previous financial year the Bank did not have any distributable profit and/or did not pay any dividend to the shareholders. The unpaid return is considered definitely lost.
The rights of the holders of the instruments are guaranteed on a subordinated basis. In case of liquidation of the Bank the rights of the investors will remain subordinated against the rights of all BMPS creditors not equally subordinated, including the holders of securities of Tier II capital; however they will have priority against the rights of BMPS shareholders. Due to these features the instruments can be computed in Tier I core. The structure provided for the establishment of a limited liability company and of a business trust which issued convertible preferred securities and convertible trust securities, respectively. The Bank underwrote an on-lending contract as a contract of subordinated deposit. The conditions of the on-lending contract are substantially the same as the conditions of convertible preferred securities.

b) The preference shares, originally issued by Banca Antonveneta, for a total nominal amount of EUR 300 mln, are irredeemable. Only the partial or total repayment of notes in favour of the issuer is possible at any date of coupon payment starting from 21 March 2011 and from 27 September 2011, respectively. The advanced repayment is subject to the approval of the Bank of Italy. If the right to advanced repayment is not exercised the spread on the reference index will increase by 50%.

c) The BMPS preference shares, nominally amounting to EUR 350 mln, are irredeemable, but for an advanced repayment at the initiative of Banca Monte dei Paschi di Siena S.p.A. which may exercised at any date of coupon payment starting from 7 February 2011 subject to the approval of the Bank of Italy. The interest is paid yearly on the basis of a fixed rate equal to 7.99% until 7 February 2011; afterwards the coupon will become quarterly and will amount to the Euribor 3 months plus a 3.90% spread.

2. Tier II capital

Characteristics of the subordinated instruments	Interest rate	Step up	Issue date	Maturity date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR '000) 30 06 2009
Subordinated bond loan	4,875% fixed	NO	31 05 2006	31 05 2016	(*)	EUR	750.000.000	743.787
Subordinated bond loan	5,750% fixed	NO	31 05 2006	30 09 2016	(*)	GBP	200.000.000	294.005
Subordinated bond loan	Euribor 6m +2,50 %	NO	16 05 2008	16 05 2018	(*)	EUR	2.160.558.000	2.153.320
Convertible subordinated bond loan	1% fixed	NO	01 07 1999	01 07 2009		ITL	1.770.705.000.000	45.332
Total hybrid instruments (Upper Tier II)								**3.236.444**
Subordinated bond loan	CMS Volatility Notes	NO	07 07 2000	07 07 2015	(*)	EUR	30.000.000	30.000
Subordinated bond loan	CMS Convexity Notes	NO	20 07 2000	20 07 2015	(*)	EUR	25.000.000	25.000
Subordinated bond loan	4,5% fixed to 24.09.2010 after Euribor 3 m +1,20%	SI	24 09 2003	24 09 2015	24 09 2010	EUR	600.000.000	582.547
Subordinated bond loan	Euriborr 3 m + 0,45% to 01/06/2014 after Euribor 3 m + 1,5%	SI	01 06 2004	01 06 2014	01 06 2009	EUR	250.000.000	_
Subordinated bond loan	Euribor 3 m +0,40% to 30/11/2012 after Euribor 3 m +1%	SI	30 06 2005	30 06 2015	30 06 2010	EUR	350.000.000	337.230
Subordinated bond loan	Euribor 3 m +0,40% to 30/06/2010 after Euribor 3 m +1%	SI	30 11 2005	30 11 2017	30 11 2012	EUR	500.000.000	496.246
Subordinated bond loan	Euribor 3 m +0,40% to 15/01/2013 after Euribor 3 m +1%	SI	20 12 2005	15 12 2018	15 12 2013	EUR	150.000.000	124.244
Subordinated bond loan	7,44% Fixed	NO	30 06 2008	30 12 2016	(*)	EUR	250.000.000	247.411
Subordinated bond loan	Euribor 3 m +0,60% to 01/01/2007 after Euribor 3 m +0,90%	SI	01 11 2002	01 11 2012	01 11 2010	EUR	75.000.000	58.318
Subordinated bond loan	Euribor 6 m +0,33% to 20/06/2012 after Euribor 6 m +0,93%	SI	20 06 2007	29 06 2017	29 06 2012	EUR	50.000.000	0
Subordinated bond loan	Euribor 6 m +1,1% to 20/06/2012 after Euribor 6 m +0,93%	SI	14 12 2007	14 12 2017	14 12 2012	EUR	50.000.000	4
Subordinated bond loan	Euribor 3 m +1,40% to 30/04/2013 after Euribor 3 m +2%	SI	30 04 2008	30 04 2018	30 04 2013	EUR	450.000.000	39
Subordinated bond loan	6,4% to 31/10/2013 after Euribor 3 m + 3%	SI	31 10 2008	31 10 2017	31 10 2013	EUR	100.000.000	98.932
Subordinated debt	Euribor 3 m +2,8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	400.000.000	400.000
Subordinated bond loan	BMPS Lower Tier II Subordinated 7% 2019	NO	04 03 2009	04 03 2019		EUR	500.000.000	492.381
Bond loan	Floating	NO	30 09 2003	30 09 2013	30 09 2008	EUR	73.000.000	0
Bond loan	Floating	NO	30 09 2003	30 09 2013	30 09 2008	EUR	7.000.000	7.000
Bond loan	Floating	NO	30 09 2003	22 12 2013	22 12 2008	EUR	50.000.000	0
Bond loan	3,11	NO	30 12 2002	30 12 2009	no appl.	EUR	60.000.000	8.716
Bond loan	Euribor 6 m +0,75%	NO	30 12 2004	30 12 2009	no appl.	EUR	3.889.501	776
Bond loan	Euribor 6 m +0,60%	NO	07 12 2005	07 12 2015	no appl.	EUR	7.779.000	7.776
Bond loan	Euribor 6 m +0,60%	SI	15 04 2008	15 04 2018	15 04 2013	EUR	2.133.002	2.133
Bond loan	Euribor 6 m +0,60%	SI	18 04 2008	18 04 2018	18 04 2013	EUR	2.821.184	2.821
Total: Subordinated bonds computable (Lower Tier II)								**2.921.574**
Total								**6.158.018**

3. Tier III capital

With respect to 31 December 2008 the Tier III subordinate bond expired on 24 April 2009.

B. Quantitative information

(in thousands of EUR)

	Total 30 06 2009	Total 30 06 2008
A Tier I capital before prudential filters	**8.295.886**	**8.005.478**
B Prudential filters of Tier I	(665.681)	(679.653)
B.1 Positive IAS/IFRS prudential filters (+)	_	54
B.2 Negative IAS/IFRS prudential filters (-)	(665.681)	(679.707)
C Tier I capital before elements to be deducted (A+B)	**7.630.225**	**7.325.835**
D Elements to be deducted from total Tier I	(557.416)	(527.439)
E Total Tier I capital (C - D)	**7.072.809**	**6.798.386**
F Tier II before prudential filters	**6.290.216**	**6.058.695**
G Tier II prudential filters	(24.819)	(6.069)
G1. - Positive IAS/IFRS prudential filters (+)		
G2. - Negative IAS/IFRS prudential filters (-)	(24.819)	(6.069)
H Tier II capital before elements to be deducted (F+G)	**6.265.397**	**6.052.626**
I Elements to be deducted from total Tier I and Tier II	(557.416)	(527.439)
L Total Tier II capital (H - J)	**5.707.981**	**5.525.187**
M Elements to be deducted from total Tier I and Tier II	(376.186)	(327.583)
N Capital for regulatory purposes	**12.404.604**	**11.995.990**
O Tier III capital		
P Regulatory capital including Tier III (N+O)	**12.404.604**	**12.340.385**

The MPS Group regulatory capital has been calculated taking into account the effects deriving from the application of the IAS/IFRS international accounting standards, on the basis of the formats provided for by the 12th update to the Bank of Italy Circular no. 155, "Instructions for preparing reports on Tier I capital and the prudential coefficients thereof".
As of 30 June 2009 the amount of capital for regulatory purposes stood at EUR 12,404.6 million.
The increase of Tier I capital (EUR 274.5mln) is mainly due to the capitalization of a remarkable share of the operating profit (EUR 298.5mln), whereas the Tier II capital increase (EUR 183mln) is mainly due to the new issue of a subordinated bond of EUR 500mln, net of 2 expired subordinated bonds.

The increase in elements to be deducted having a 50% effect on Tier I and Tier II Capital is also due to the doubtful loan adjustment carried out in compliance with the new provisions issued for institutions applying internal models.
The increase in elements to be deducted for the total amount of Tier I and Tier II capital is due to the valuation with the net equity method of the associated insurance companies of the AXA Group.
As of 30 June 2009 the Tier III capital is not reported since on 24 April 2009 the subordinated bond of EUR 500mln hedging market risks expired.

2.3 Capital adequacy
A. Qualitative information
B. Quantitative information

(in thousands of EUR)

CATEGORY/VALUE		non weighted amounts		weighted amounts/requirementss	
		30 06 2009	31 12 2008	30 06 2008	31 12 2008
A.	**RISK ASSETS**				
A.1	**Credit and counterparty risk**	337.493.290	357.576.902	116.436.228	128.883.976
	1. Standard method	214.056.745	236.349.560	78.549.082	89.782.319
	2. Method based on internal rating	122.842.754	121.006.500	37.513.605	38.784.513
	2.1 Based	–	–	–	–
	2.2 Advanced	122.842.754	121.006.500	37.513.605	38.784.513
	3. Securitisation	593.791	22.842	373.541	317.144
B.	**SOLVENCY REQUIREMENTS**				
B.1	**Credit risk and counterparty**	X	X	9.314.898	10.310.718
B.2	**Market risk**	X	X	499.418	482.346
	1. Standardised methodology	X	X	499.418	484.292
	2. Internal models	X	X	–	–
	3. Risk of concentration			–	54
B.3	**Operating risk**	X	X	877.741	756.197
	1. Basic method	X	X	48.708	59.076
	2. Standardised method	X	X	–	216.481
	3. Advanced method	X	X	629.033	480.640
B.4	**Other solvency requirements**	X	X	(698.307)	(956.594)
B.5	**Total solvency requirements (B.1+B.2+B.3+B.4)**	X	X	9.793.750	10.592.667
C.	**RISK ASSETS AND SOLVENCY REQUIREMENTS**	X	X		
C.1	**Risk-weighted assets**	X	X	122.421.880	132.408.338
C.2	**Tier I capital/risk weighted assets (Tier I capital ratio)**	X	X	5,78%	5,13%
C.3	**Capital for regulatory purposes incl. Tier 3/risk weighted assets (Total capital ratio)**	X	X	10,13%	9,32%

B.4 includes the "Floor" integration provided for by the Bank of Italy as well as the adjustment of capital requirements concerning the intra-group accounts.

PART G

MERGERS REGARDING COMPANIES OR BUSINESS LINES

Section 1
Mergers

Economic effects on the comparative data resulting from the implementation of the purchase price allocation of the subsidiaries Banca Antonveneta and Biverbanca.

On 31 December 2008 the MPS Group completed the purchase price allocation (PPA) of the subsidiaries Biverbanca and Antonveneta, in compliance with the IFRS3 international principles allowing the precise allocation of the purchase cost within twelve months from the acquisition date.
The definition of the PPA on 31 December 2008 implied the preliminary estimate of the effects of the purchase price allocation on the drawing up of the intra-annual reporting produced during the 2008 financial year. Therefore, on 30 June 2009, the data of the profit and loss account as of 30 June 2008 were redefined taking into account the shift from the interim PPA to the final PPA of the subsidiaries Biverbanca and Banca Antonveneta.
The table below shows the effects on the consolidate profit and loss account of the first six months of 2008 resulting from the final purchase price allocation of the subsidiaries Biverbanca and Antoveneta, these effects are due to the identification of intangible assets which were firstly posted to the financial statements on 31 December 2008 and some adjustments on the calculation of the amortized cost of financial assets and liabilities subject to revaluation and to the depreciation of tangible assets for the share referred to the implemented revaluation:

				in units of EUR
ITEMS	Income statement 30 06 2008	BAV effects from interim to final PPA	BIVER effects from interim to final PPA	Icome statement 30 06 2008 with final PPA effects
interest and similar income	4.309.559.590	(3.978.515)	_	4.305.583.075
interest expense and similar charges	(2.620.784.121)	1.906.311	_	(2.618.877.810)
Net interest margin	**1.688.778.489**	**(2.070.204)**	_	**1.688.705.265**
Net commission income	**682.376.945**	_	_	**662.376.945**
Dividend and similar income	541.918.064	_	_	541.918.064
Net result from trading	(496.729.872)	_	_	(496.729.872)
Net result from hedging	(5.289.234)	_	_	(5.289.234)
Profit (loss) on disposal or on repurchase	10.126.557	1.986.387	_	12.112.944
Net result on financial assets and liabilities valued at fair value	31.136.298	_	_	31.136.298
Banking income	**2.432.314.227**	**(83.317)**		**243.213.040**
Net value adjustments/recoveries on impairment	(453.823.109)	_	_	(453.823.109)
Net income from financial activities	**1.978.776.839**	**(83.317)**	_	**1.978.693.022**
Administrative expenses:	(1.594.823.109)	_	_	(1.594.823.109)
Net provisions for risks and charges	13.186.645	_	_	13.186.645
Net adjustments/recoveries on tangible assets	(37.915.737)	393.299	_	(37.522.438)
Net adjustments/recoveries on intangible assets	(23.029.594)	(5.917.688)	(3.740.220)	(32.687.502)
Other operating expenses/income	131.948.187	_	_	131.948.187
Operating costs	**(1.510.633.608)**	**(5.524.389)**	**(3.740.220)**	**(1.519.898.217)**
Profit (loss) on equity investments	205.575.716	_	_	205.575.716
Value adjustments to goodwill	(172.500)	_	_	(172.500)
Profit (loss) on disposal of investments	27.828.611	_	_	27.828.611
Profit (loss) before tax from continuing operations	**701.375.058**	**(5.608.206)**	**(3.740.220)**	**692.026.632**
Taxes on income from continuing operations	(228.829.240)	2.331.067	1.298.749	(225.289.424)
Profit (loss) after tax from continuing operations	**472.545.818**	**(3.277.139)**	**(2.531.471)**	**466.737.208**
Profit (loss) after tax of groups of assets held for sale	60.705.603	_	_	60.705.603
Net profit (loss) for the year	**533.251.421**	**(3.277.139)**	**(2.531.471)**	**527.442.811**
Net profit (loss) attributable to third parties	11.097.768	_	(1.037.903)	10.059.885
Profit (loss) attributable to the Parent Bank	**522.153.653**	**(3.277.139)**	**(1.493.568)**	**517.382.946**

PART H
TRANSACTIONS WITH RELATED-PARTY

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The Code of Conduct for transactions with related parties (the "**Code**") was modified in 2006 in accordance with the changed regulations of reference. In view of the adoption of EC Regulation no.2238/2004 of 19 December 2004 in relation to the International Accounting Principles, Consob amended the Issuers' Regulation, in compliance with the EC Regulation no.1606/2002 of the EURpean Parliament and of the EURpean Council, with respect to the definition of related parties (hereinafter referred to as **IAS 24 principle**).

Said transactions (i.e. transactions carried out by the Bank – including through subsidiaries – with related parties) consist of: *Ordinary Transactions* (with no particular distinctive features), *Significant Transactions* (which imply an obligation of disclosure to the market pursuant to art.71 bis of the "Issuers Regulation" adopted by Consob resolution 11971), *Relevant Transactions* (which cannot be considered as Significant Transactions, but show atypical and/or unusual elements).

It was decided that Ordinary Transactions shall be approved in accordance with the authorities established by the existing system of decision-making authorities adopted by the Bank. Significant Transactions and Relevant Transactions fall within the competence of the Board of Directors (subject to the authorities in the case of an emergency as provided by the Bank's Articles of Association).

If the nature, the value or the additional characteristics of the transactions do so require, the Board of Directors may decide that its considerations are supported by the opinions of one or more independent Advisors covering the economic terms and/or the technical structure and/or the legal aspects of the transactions.

It was also decided that the Subsidiaries, in relation to the transactions to be conducted with the Bank's Related Parties, shall adopt the Parent Company's Code and adjust it in compliance with the structure of their decision-making levels, with specific and prompt notices to be given to the Parent Company with reference to said transactions.

In the first half of 2009, no **Significant Transactions** were carried out by the MPS Group, i.e. transactions which, because of their purpose, consideration, implementation procedures or times could affect the shareholders' equity of the company or any comprehensive and correct information, including the accounting one, concerning BMPS and the MPS Group and which, therefore, imply an obligation of disclosure to the market pursuant to art.71 bis of the "Issuers Regulation" adopted by Consob resolution 11971.

In the same period, the MPS Group implemented some transactions which have to be considered as "Relevant" according to the above-mentioned Code and which are hereunder detailed together with other transactions which must be specifically mentioned even if classified as "ordinary ones". If not otherwise stated, the following transactions were carried out by BMPS. These transactions were all entered into on the basis of assessments of mutual economic benefit and, anyhow, at market conditions.

January 2009

- Renewal of credit lines for an amount of EUR 60,150,000 in favour of AXA Mps Assicurazioni Vita S.p.A.. The transaction refers to ordinary credit lines and is relevant for its amount. Axa Mps Assicurazioni Vita S.p.A. is an indirect related party of BMPS S.p.A., since BMPS exercises a remarkable influence on this company through MPS Investment S.p.A. which owns 50% of the capital of Axa Mps Assicurazioni Vita.
- Renewal of credit lines for an amount of EUR 104,000,000 in favour of Axa Mps Financial Ltd – London. The transaction refers to ordinary credit lines and is relevant for its amount. Axa Mps Financial Ltd, the capital of which is fully owned by Axa Mps Assicurazione Vita S.p.A., is an indirect related party of BMPS.
- Extension of a credit line for an amount of EUR 16,000,000 in favour of Sansedoni SpA, which is an indirect related party of BMPS SpA since the company is subject to a

remarkable influence of the Fondazione MPS according to art.2359 of the Civil Code and BMPS is a minority stakeholder of this company. The transaction is relevant for its amount.

- Review with renewal at the same conditions of the outstanding credit lines for EUR 658,521,000 in favour of Se.Ri.T. Sicilia SpA. The transactions refers to ordinary credit lines and is relevant for the amount.

April 2009

- Extension of ordinary credit lines to issue financial guarantees for EUR 4,646,000 and new credit lines for EUR 19,241,000 in favour of Fabrica Immobiliare SGR SpA and of funds managed by the latter. The transactions refer to ordinary credit lines and are relevant for their amounts. Fabrica Immobiliare SGR SpA is an indirect related party of BMPS SpA since BMPS exercises a remarkable influence on this company through MPS Asset Management SGR SpA which owns 45% of the share capital of Fabrica Immobiliare. The Deputy Chairman of the Board of Directors of BMPS, Mr Francesco Gaetano Caltagirone, indirectly controls Fincal 2000 SpA an associated company of Fabrica Immobiliare.
- New credit lines for EUR 49,500,000 in favour of Cementir Holding SpA. The transactions refer to ordinary credit lines and are relevant for their amounts. Cementir Holding SpA is an indirect related party of BMPS since it is indirectly held by Mr Francesco Caltagirone, Deputy Chairman of the Board of Directors of BMPS.
- Extension of credit line of EUR 9,500,000 in favour of Sansedoni SpA. The transaction is relevant for its amount. Regarding the nature of transaction with related parties, the above-mentioned remarks are also valid for Sansedoni Spa.
- Renewal with increase of credit lines of different technical kind for EUR15,800,000 in favour of Integra SpA. The credit lines, which are ordinary, are relevant transactions for their amounts. The company can be defined as a related party of BMPS SpA since BMPS exercises a remarkable influence on Integra SpA indirectly owing, through Consumit it Spa, a subsidiary, 50% of the Integra SpA share capital.

May 2009

- Renewal with increase of the credit lines of different technical form for EUR 16,046,000 in favour of Alcar S.r.l.. The credit lines are ordinary and relevant for their amounts. The company is controlled by the Family Group Molinari, some members of which hold an office in corporate bodies of the MPS Group.

June 2009

- Issue by BMPS SpA of a zero-coupon bond expiring on 23 June 2013 for a nominal amount of EUR 21,450,000 to establish the specific asset of a traditional policy, called Doppia Chance Recovery. This bond is fully underwritten by the Compagnia Quadrifoglio Vita SpA 100% owned by AXA MPS Assicurazioni Vita SpA. Regarding the nature of the transaction with related parties the above-mentioned remarks are also valid for Axa Mps Assicurazioni Vita SpA.
- Granting of a home loan of EUR 14,000,000 in favour of Fondo Forma Urbis managed by Fabrica Immobiliare SGR SpA. The transaction is ordinary and relevant for its amount. Regarding the nature of the transaction with related parties the above-mentioned remarks are also valid for Fabrica Immobiliare SGR SpA.
- Extension of a bridge loan by MPS Capital Services Banca per le Imprese, a subsidiary, in pool with Banca Intesa SpA, for an amount od EUR 50,000,000 in favour of Sansedoni SpA expiring on 31 December 2009.
  Regarding the nature of the transaction with related parties the above-mentioned remarks are also valid for Sansedoni SpA.

- The infra-group transactions with related parties were not included in this list since they were cancelled at consolidated level.

1 Details of directors', auditors' and top managers' compensation key (key management personnel)

(in thousands of EUR)

Accounts/values	**Total amount-30.06.09**	**Total amount-30.06.08**
Short term benefits	4.930	3.351
Post retirement benefits	-	-
Other long term benefits	-	-
Termination benefits	-	358
Share based payment	6	-
Other compensation	30	151
Total amount	**4.966**	**3.860**

2 INFORMATION ON RELATED-PARTY TRANSACTIONS

2.b Transactions with affiliated companies

(in thousands of EUR)

Accounts/values	**30.06.2009**	**Incidence %**
Total financial assets	267.909	0,59
Total other assets	3.615	-
Total financial liabilities	329.942	1,76
Total other liabilities	26.814	26,92
Guarantees issued	2.404	0,03
Guarantees received	136.637	-

Accounts/values	**31.12.2008**	**Incidence %**
Total financial assets	754.803	3,57
Total other assets	41.828	-
Total financial liabilities	285.307	0,62
Total other liabilities	24.550	17,13
Guarantees issued	48.224	3,35
Guarantees received	110.243	-

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

30.06.2009
(in thousands of EUR)

Accounts/values	Key management personnel	Other related parties	Incidence %
Total financial assets	1.644	802.684	0,55
Total financial liabilities	5.051	802.793	0,54
Total operating costs	4.966	-	-
Guarantees issued	-	162.858	1,75
Guarantees received	1.233	404.841	-

31.12.2008
(in thousands of EUR)

Accounts/values	Key management personnel	Other related parties	Incidence %
Total financial assets	4.070	460.802	1,76
Total financial liabilities	4.850	845.451	0,54
Total operating costs	11.642	520	-
Guarantees issued	53	289.432	11,46
Guarantees received	1.731	309.646	-

Declaration of the abridged and consolidated half-year report according to art. 81-ter of the Consob Regulation no. 11971 of 14 May 1999 and further amendments.

1. We the undersigned, Giuseppe Mussari, as the Chairman of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A., Marco Morelli, as the Executive in charge of drafting corporate accounting statements of Banca Monte dei Paschi di Siena S.p.A., state in compliance with paragraphs 3 and 4, art.154 bis of the Legislative Decree no. 58 of 24 February 1998:
- the adequacy in relation to the features of the company and
- the actual application

of the administrative and accounting procedures to draft the abridged and consolidated financial statements during the first half year of 2009.

2. The assessment of adequacy of administrative and accounting procedures to draft the abridged and consolidated half-year financial statements as of 30 June 2009 was based on an internal model defined by Banca Monte dei Paschi di Siena S.p.A developed in compliance with the Internal Control – Integrated Framework models developed by the Committee of Sponsoring Organizations of the Treadway Commission and for the IT component with the Cobit framework representing generally accepted reference standards.
3. We also state that:

3.1 the abridged and consolidated half-year financial statements:

- are drafted in compliance with the applicable international accounting principles acknowledged in the European Community according to the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in particular of "IAS 34-Interim financial statements" as well as with the provisions issued in compliance with art. 9 of the legislative decree no. 38 of 28 February 2005;
- correspond to the books and accounting entries;
- provide a truthful and correct representation of the property as well as of the economic and financial situation of the issuer and of all companies included in the consolidation;

3.2 the interim report of the board of directors contains references to the important events which happened in the first six months of the financial year and to their incidence on the abridged and consolidated half-year financial statements with the description of main risks and uncertainties for the remaining six months of the financial year as well as information on relevant transactions with related parties.

Siena, 27 August 2009

For the Board of Directors
The Chairman
Giuseppe Mussari

The Executive in charge of drafting corporate accounting statements
Marco Morelli