GRUPPOMONTEPASCHI

Interim Report
as at 30 September 2012

MONTE
DEI PASCHI
DI SIENA
BANCA DAL 1472

TABLE OF CONTENTS

INTRODUCTION

CORPORATE BODIES OF BANCA MONTE DEI PASCHI DI SIENA

Board of Directors

Alessandro Profumo	Chairman
Turiddo Campaini	Deputy Chairman
Marco Turchi.	Deputy Chairman
Fabrizio Viola	Chief Executive Officer
Alberto Giovanni Aleotti	Director
Michele Briamonte	Director
Pietro Giovanni Corsa	Director
Frédéric Marie de Courtois d'Arcollières.	Director
Paola Demartini	Director
Angelo Dringoli	Director
Lorenzo Gorgoni	Director
Tania Groppi	Director

Board of Statutory Auditors

Paolo Salvadori	Chairman
Paola Serpi	Auditor
Claudio Gasperini Signorini	Auditor
Stefano Andreadis	Alternate Auditor
Gianni Tarozzi	Alternate Auditor

Independent Auditors

Reconta Ernst & Young SpA

CEO/GM

Fabrizio Viola	Chief Executive Officer and General Manager

NOTES TO THE INTERIM REPORT

General aspects

Pursuant to art. 154 ter, paragraphs 5 and 6 of the Consolidated Law on Finance, this interim financial report as at 30 September 2012 was prepared in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) including interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and effective at the time the current document was prepared, as provided for by EC Regulation no.1606 of 19 July 2002.

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

The accounting principles used for the preparation of this Consolidated Interim Report are the same as those used for the preparation of the Consolidated Annual Report as at 31 December 2011, which should be referred to for further details. There are no new accounting standards or amendments to existing accounting standards, the application of which is mandatory as of this interim report. The only amendment for which mandatory application is required as of 2012 is the one to IFRS 7 "**Financial instruments: disclosure**", approved by the European Commission with Regulation 1205/2011 of 22 November 2011. However, the amendment has no impact on the P&L and balance sheet contained in this consolidated interim financial report, since increased disclosure in the Notes to the Financial Statements is only required for transactions involving transfers of financial assets.

Going concern

The Interim Report was prepared based on a going concern assumption.

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated interim report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario affords no doubt as to the company's ability to continue operating as a going concern.

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

Scope of consolidation

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

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

A full description of the consolidation scope is provided in the chapter "Scope of Consolidation".

For further information on the methods of consolidation, reference should be made to the Notes to the 2011 Consolidated Annual Report, Part A "Accounting Policies".

Changes to the scope of consolidation

The following changes to the scope of consolidation were made in the first nine months of 2012:

- Since it was liquidated, the subsidiary Giotto Finance 2 S.p.A was removed from the scope of consolidation.
- The subsidiaries Agrisviluppo Spa and Ulisse 2 Spa. were removed from the scope since they were merged by and into the Parent Company.
- Monte Paschi Assurance France S.A. was removed from the scope since it was merged by and into the parent company Monte Paschi Banque S.A.
- MPS Covered Bond 2 Srl and Mantegna Finance Srl became part of the scope of consolidation following the Parent Company's acquisition of the majority of shares/stakes.

Reclassified financial assets

(in thousand Eur)

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value as at 30 09 2012(4)	Fair value as at 30 09 2012 (5)	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance (6)	Other (7)	Value-relevance (8)	Other (9)
Debt Securities	Trading	Available for sale	5,755	5,755	44	46	42	47
UCITS	Trading	Available for sale	153,023	153,023	4,629	4,192	4,629	12,105
Debt Securities	Trading	Loans to banks	53,032	41,958	3,777	5,418	(104)	4,721
Debt Securities	Trading	Loans customers	499,349	395,407	38,109	16,333	(870)	14,290
Debt Securities	Available for sale	Loans to banks	237,760	233,243	8,546	(2,464)	(6,277)	4,518
Debt Securities	Available for sale	Loans customers	1,467,556	1,068,137	6,632	16,581	(991)	19,541
Total			**2,416,476**	**1,897,522**	**61,737**	**40,107**	**- 3,572**	**55,223**

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 30/09/2012, the table also reports (columns 6 and 7) financial results in terms of "value relevance" and "other" (realised profit/loss and interest), which the same financial instruments would have produced for the Group in the quarter had they not been transferred in 2008.

Columns 8 and 9, on the other hand, contain the financial results in terms of "value relevance" and other" (realised profit/loss and interest) which the Group actually posted for these instruments as at 30/09/ 2012.

RESULTS IN BRIEF[1]

Against the backdrop of a strongly recessive economy, **financial market tensions and the sovereign debt crisis gradually lost some of their grip** in the third quarter of 2012. Following the announcement of a possible government bond buying programme by the ECB, the Italian BTP vs. German Bund spread narrowed to below 315 bps. At the same time, stock markets showed a trend reversal, with core European countries recovering significantly, while Italy's FTSE MIB remained at the levels registered at the beginning of the period. After the ECB cut the benchmark by 25 bps, an additional abrupt drop was seen in interest rates (1M Euribor reached its low at around 11 bps), and the gradual flattening of the maturities curve continued. Data from the real economy **confirms recession for Italy** with average GDP for the year estimated to fall by over two percentage points according to consensus forecasts.

Within a still fragile and uncertain context, **the Group operated with a view to expanding funding from retail and corporate customers** (direct deposits in particular) thus making it possible to reduce reliance on the ECB. **Lending volumes followed a substantially stable trend,** in spite of a lower demand for credit, with impaired loans on the rise. As to financial assets, the **securities portfolio** benefitted from the higher value of fair-valued assets as a result of the narrower Italian spread thereby improving the balance of valuation reserves.

These operating and contextual trends are reflected on the current P&L results of the Group which, in the third quarter, experienced a downturn in **core revenues**, largely the result of the reduction in **net interest income**, which was affected by the further decline in interest rates. **Net fees and commissions**, on the other hand, stood on similar levels to the previous quarter, as a result of a stronger business drive backed by the launch of the Business Plan. At the same time, the Group continued with its **objective of improving operational efficiency**, accelerating the setup of actions contained in the 2012-2015 Business Plan for a prompt relaunch of business growth.

Major Group events over the quarter	
Corporate actions	▪ Termination of the shareholders' agreement between BMPS and shareholder Spoleto-credito e servizi in relation to 77.22% of the share capital of Banca Popolare di Spoleto, ▪ Upon termination of the shareholders' agreement, BMPS provided Spoleto-Credito e Servizi with the definitive proposal for the disposal of BMPS' shareholding in the Banca Popolare di Spoleto and the definitive proposal for the disposal of BMPS' shareholding in Spoleto Credito e Servizi, under the terms and conditions provided for by the shareholders' agreement and subject to obtaining all necessary authorisations, where applicable.
Capital Requirements	▪ BMPS announced a public offer for a selected list of holders to exchange their Tier 1, Upper Tier 2 and Lower Tier 2 securities for new senior notes to be issued under BMPS Debt Issuance Programme. The offer period expired on 5 July 2012. By that date, EUR 1,007,495,510 worth of securities, were offered for exchange, corresponding to a subscription rate of 30.74% . Existing securities were exchanged with EUR 790,497,000 worth of newly issued 7.25% fixed-rate senior notes due on 10 July 2015.
BMPS ratings	▪ International ratings agency Standard & Poor's has lowered BMPS ratings. Specifically, the agency revised down its assessment of MPS' Stand Alone Credit Profile (SACP) to 'bb+' from 'bbb' and its long and short-term ratings to 'BBB-'/'A-3' from 'BBB'/'A-2', with negative outlook.

Group results in brief as at 30/9/2012:

- **Total funding volumes** for the Group came to approx. **EUR 258 bn** (-1.3% on 30/06/2012) with **direct funding** in the region of **EUR 135 bln**, up by approx. 3 bn in 3Q12, largely owing to the further development of accounts with Retail & Corporate customers (especially Businesses and Consumers) and, to a lesser degree, on the back of funding from institutional counterparties. **Indirect funding,** which amounted to approx. **EUR 122 bln**, fell by 4.9% over the quarter, affected by changes in large corporate accounts that led to a decline in assets under custody. Assets under management, on the other hand, increased over the quarter, having been boosted by an upturn in the value of financial assets.

[1] As at 30/06/2012 Biverbanca was classified among assets held for sale and discontinued operations. Consequently, the company's contribution to the Group's P&L was reclassified to the item "Profit (loss) of assets held for sale and discontinued operations", while balance sheet aggregates were posted under other assets/liabilities. In order to obtain a like-for-like comparison, data relating to the periods prior to 30/06/2012 has been restated excluding Biverbanca's input.

- **Group loans to customers** amounted to approx. **EUR 145 bn**, substantially in line with levels as at 30/6/2012 (+0.6%). A breakdown of the aggregate reveals that mortgage loans are the prevalent form of lending (EUR 74.6 bln), with new contracts totalling approx. EUR 651 mln in 3Q12, down on the previous quarter (- EUR 159 mln), reflecting a lower demand for loans due to the sluggish economic cycle and the selective credit-granting policies adopted by the Group.
- **Non-performing loan coverage** was down to **38.4%** (-80 bps on 30/6/2012) due to the reduction in substandard loan coverage (from 21.6% in June to current 20.3%) in connection with greater inflows of collateralised exposures and a higher share of 'objective' substandard loans which, given their improved "cure rate", show a lower coverage ratio on average. Doubtful loan coverage stood at 55%, substantially in line with levels as at 30/6/2012 (-20 bps).
- The Group's **reclassified securities and derivatives portfolio**, amounting to **EUR 37.3 bn**, was up by approx. EUR 1 bn on 30/06/2012. In the third quarter, the aggregate benefitted from the increase in value of fair-valued securities brought about by the narrowing of Italian spreads, which impacted primarily on the Government Bond portfolio classified as AFS. The HFT component fell by around EUR 180 mln as a result of divestments by MPS Capital Services, while the decline in the L&R segment was attributable to the sale of certain positions as well as to securities reaching natural maturity.
- The Group's **net interbank position** reached **EUR 30.8 bn in deposits**, thereby reducing ECB exposure by around EUR 3 bn as compared to 30/06/2012. At the end of September 2012 the short-term and structural liquidity position showed an **unencumbered counterbalancing capacity of approx. EUR 17 bn** against EUR 8.1 bn as at 30 June 2012 (approx. EUR 9.5 bn as at 31/12/2011).
- **Tier 1 ratio** stood at 11.4% (11.1% at end-2011), **Total Capital ratio** was 15.4% (15.7% at end-2011).
- As for total revenues, **Group income from banking and insurance** totalled approx. **EUR 4,182 mln** in the first nine months of the year, up on the same period of last year (+EUR 30 mln; +0.7%), with Q3 contributing **approx. EUR 1,375 mln** more than the result achieved in 2Q12 (EUR +41.5 mln; +3.1%). **Net interest income fell QoQ** having been penalised by a substantially 'incompressible' cost of retail and corporate funding and lower returns on assets due to the repricing of Euribor-linked components. **Net fee and commission income** remained **in line** with 2Q12 levels, partly on account of the stronger business drive backed by the launch of the new Business Plan (quick-wins package known as the "100-day Plan") which made it possible to recover from the typical summer slowdown. **Other operating income** for the quarter benefitted from the capital gain arising from the public exchange offer completed in July, favoured by easing financial market conditions.
- As for the **cost of credit, within the Group's unchanged policy of rigorous provisioning, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning ratio of 119 bps, 3 bps higher than the end-June 2012 rate (vs. a FY2011 rate of 89 bps).**
- In terms of operational efficiency, **the cost-income ratio stood at 59.6%**, substantially in line with the end-June level (+1 bps) but lower than the 63.8% ratio registered at the end of 2011.
- **At the end of June 2012 impairment losses were recognised for approx. EUR 1,574 mln in total,** of which: EUR 1,528 mln on goodwill, EUR 15.2 mln on Banca Antonveneta's trademark, EUR 14.3 mln on the investment held in AM Holding and approx. EUR 17 mln net in software-related intangibles due to obsolescence. The reasons justifying the need for a reduction in goodwill value lie primarily in the adverse macroeconomic scenario, which is penalised by the sovereign debt crisis, tensions on the main financial markets and persisting uncertainty regarding global economic recovery. **Considering the net effects of PPA (around EUR 39 mln) and impairment losses discussed above, the net loss for the first nine months of 2012 amounts to approx. EUR 1,665 mln** (vs. a profit of EUR 303.5 mln in H1 2011).

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/09/12

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**30/09/12**	**30/09/11 (*)**	**% chg**
Income from banking activities	3,619.1	3,874.1	-6.6%
Income from financial and insurance activities	4,181.7	4,151.6	0.7%
Net operating income	261.0	743.6	-64.9%
Parent company's net profit (loss) for the period	-1,664.5	303.5	n.s.
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/09/12**	**31/12/11 (*)**	**% chg**
Direct funding	135,303	143,643	-5.8%
Indirect funding	122,406	131,458	-6.9%
of which: assets under management	*44,766*	*45,270*	-1.1%
of which: assets under custody	*77,641*	*86,188*	-9.9%
Loans to customer	145,328	144,331	0.7%
Group net equity	10,063	10,765	-6.5%
		(*)	
KEY CREDIT QUALITY RATIOS (%)	**30/09/12**	**31/12/11**	**Abs. chg**
Net doubtful loans/Loans to Customers	5.06	4.41	0.65
Net substandard loans/Loans to Customers	3.97	3.05	0.92
		dati storici	
PROFITABILITY RATIOS (%)	**30/09/12**	**31/12/11**	**Abs. chg**
Cost/Income ratio	59.6	63.8	-4.20
R.O.E. (on average equity) (1)	-21.31	-33.56	n.s.
R.O.E. (on end-of-period equity)(2)	-20.62	-27.58	n.s.
Net loan loss provisions / End-of-period loans	1.19	0.89	0.30
		dati storici	
CAPITAL RATIOS (%)	**30/09/12**	**31/12/11**	**Abs. chg**
Solvency ratio	15.4	15.7	-0.29
Tier 1 ratio	11.4	11.1	0.33
INFORMATION ON BMPS STOCK	**30/09/2012**	**31/12/11**	
Number of ordinary shares outstanding	11,681,539,706	10,980,795,908	
Number of preference shares outstanding		681,879,458	
Number of savings shares outstanding		18,864,340	
Price per ordinary share:	from **31/12/11** to **30/09/12**	from **31/12/10** to **31/12/11**	**% chg**
average	0.26	0.56	-54.3%
low	0.16	0.24	-34.7%
high	0.42	0.86	-50.7%
OPERATING STRUCTURE	**30/09/2012 (*)**	**31/12/2011 (*)**	**Abs. chg**
Total head count - end of period	30,372	30,424	-52
Number of branches in Italy	2,741	2,793	-52
Financial advisory branches	141	143	-2
Number of branches & representative offices abroad	40	41	-1

(*) Figures were cleared of data relating to Biverbanca, which was classified among assets held for sale and discontinued operations at the end of June 2012.

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

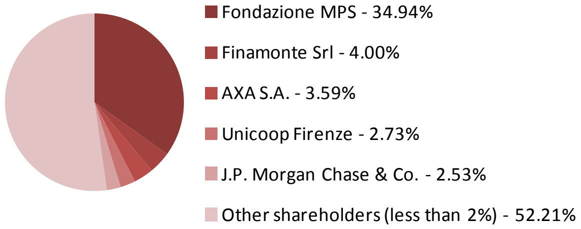
(2) R.O.E. on end-of-period equity: net equity for the period / net equity at the end of the previous year (inclusive of valuation reserves) purged of shareholder's payout.

THE MONTEPASCHI GROUP[2]

The Montepaschi Group is one of the leading Italian banking institutions with 30,372 employees, over 6 million customers, assets for approx. EUR 224 bn and significant market shares in all the areas of business in which it operates.

The role of the Parent Company is carried out by Banca Monte dei Paschi di Siena SpA. Founded in 1472 as a public pawnbroking establishment (*Monte di Pietà*), Banca Monte dei Paschi di Siena is a member of FTSE MIB40 with market capitalisation in the region of EUR 2.6 bn as at 30 September 2012.

Breakdown of Bmps share capital as at 30.09.2012

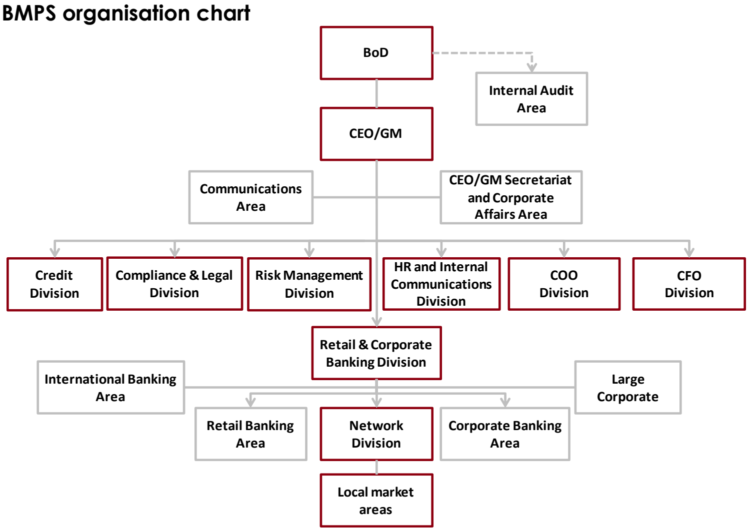


The Group's main activity is consumer banking, with a particularly strong retail vocation. Other areas of business are: leasing & factoring, consumer lending, corporate finance, investment banking.

The Group mainly operates in Italy through a network of 2,741 branches, 270 specialised centres and 141 financial advisory offices open to the public.

Foreign banking operations are focused on supporting the internationalisation processes of Italian corporate clients in all major foreign financial markets as well as some emerging countries that have business relations with Italy.

BMPS organisation chart



Areas of business	Contribution to
Commercial banking	69.7%
Leasing and Factoring	1.6%
Consumer lending	5.6%
Corporate Finance	2.7%
Investment banking and proprietary finance	13.4%
Foreign banking	1.8%
Business support Information systems and telecommunications, management of non-performing loans, value creation from owned property.	0.5%
Other Includes operations of centralised treasury and equity accounted companies.	4.8%

Figures do not account for cancellation of intragroup entries.

[2] Figures shown in the current chapter do not include Biverbanca, which was classified among assets held for sale and discontinued operations at the end of June 2012.

SCENARIO

MACRO ENVIRONMENT

ECONOMIC GROWTH

Global growth is being dragged down by the European sovereign debt crisis, uncertainty regarding the consolidation of public accounts, a slowdown in foreign trade and tensions in the financial markets.

GROWTH RATES IN THE LEADING ECONOMIES (GDP Y/Y)		Projections	
	2011	2012	2013
World	3.8%	3.3%	3.6%
Advanced Economies	1.6%	1.3%	1.5%
Germany	3.1%	0.9%	0.9%
France	1.7%	0.1%	0.4%
Italy	0.4%	-2.3%	-0.7%
Eurozone	1.4%	-0.4%	0.2%
Usa	1.8%	2.2%	2.1%
Japan	-0.8%	2.2%	1.2%
Emerging Economies	6.2%	5.3%	5.6%
China	9.2%	7.8%	8.2%
India	6.8%	4.9%	6.0%

Source: FMI WEO Update, October 2012

USA - The FED announced a new round of quantitative easing, involving the purchase of $40 bn in mortgage-backed securities per month, and confirmed the continuation of *Operation Twist* (at least until December); official interest rates will be kept close to zero up to and throughout 2015. Against a background of cooling production, positive signs could be glimpsed in the real economy: consolidation continued in the real estate market and unemployment fell to below 8% for the first time since 2009.

Emerging markets - The World Bank cut its economic growth forecasts for Asia in 2012, estimating it at 7.2% (its lowest level since 2001). China was no exception and the People's Bank of China stands ready to adopt stimulus measures to avert the risk of a more pronounced slowdown.

Eurozone - The ECB predicted a very gradual recovery within this climate of uncertainty and market volatility, and lowered its growth forecasts for the two-year period (between -0.6% and -0.2% in 2012 and -0.4% e +1.4% in 2013). The sovereign debt crisis remains a key issue. Amid growing social tensions, Madrid is assessing the timing with which to request international aid under the ECB's Outright Monetary Transactions scheme (OMTs)(the so-called anti-spread plan that provides for the purchase of government bonds by the ECB on the secondary market as a means of stabilising prices), while Spain's debt rating was cut to just one level above "junk" by S&P. Athens launches new austerity measures in order to obtain a new aid tranche.

Italy - Recession persists (GDP -2.6% YoY in Q2). The Ministry of Economy and Finance has predicted a GDP contraction of 2.4% in 2012 and 0.2% in 2013. Production in August slid for the twelfth consecutive month though the downward trend appears to be subsiding; the unemployment rate is expected to climb above 11.4% shortly. Following the announcement of a possible government bond buying programme by the ECB, tensions on government bond yields were partly relieved (BTP vs. German Bund spread narrowed to below 315 bps).

SOVEREIGN DEBT

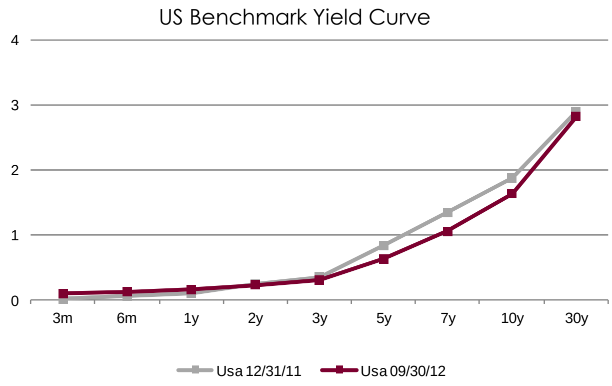
Cost of money - The ECB has reduced the cost of money by 25 bp to 0.75% and says it is ready to activate the OMTs at the request of national governments.

Yields and spreads - The ECB's announcement had an immediate impact on the government bonds of struggling countries: having crossed the 7.75% mark over the summer, the yield on the Spanish Bono returned to hover at around 5.3% while that on the Italian 10Y bond stood at under 4.8%; spreads over the German Bund and CDS from the same countries have tightened since the start of the year; the Italian 5Y CDS has returned to 250 bps.

The uncertainty surrounding the debt crisis in Europe continues to steer the preference of investors towards financial assets considered safer, although markets have recently seen a return of risk appetite, with a higher demand for Italian and Spanish bonds.

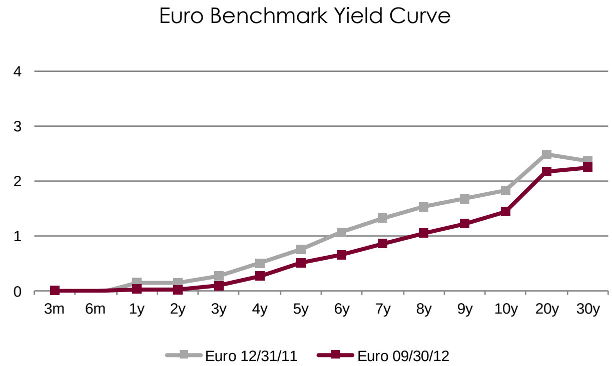
The yield on the 10Y German bond has been slowly climbing from the lows registered in June; however, the shift towards core country bonds (Germany, France, Holland) is still ongoing, particularly on short-term maturities.

Interest rates - The European benchmark rate curve has further flattened since the start of the year. In the USA, new stimulus measures undertaken by the Fed have further lowered long-term yields.



MARKET PERFORMANCE

Money market - After falling significantly in the first half of the year due to the ECB's extraordinary refinancing transactions, Euribor rates remained at a steady low: the 1M Euribor stood at 0.11% (approx. 90 bps lower than at the start of the year).



Global financial markets - The major markets regained some ground over the quarter, despite the highly volatile environment. Since the start of the year the Dow Jones has gained just under 10% while the S&P500 index has grown by over 14%, returning almost to pre-crisis highs. In Europe, the major stock markets picked up significantly(Dax +22%); other countries, such as Italy and Spain, are still suffering the effects of the debt crisis (the FTSE Mib is flat, while Madrid lost close to 10%).

Currency markets - The Euro rebounded from its June-lows against the dollar, returning to the levels registered at the beginning of the year (around 1.30). The yen remained high against its counterparts. The yuan appreciated slightly, touching new highs against the dollar.

SOCIO-ECONOMIC TRENDS IN ITALY

FALLING CONSUMPTION

A 3% decline in household spending has been estimated for 2012: propensity to consume has increased though real disposable income has dropped significantly (approx. -5% in the period 2011-12). Reasons include:

- Restrictions imposed on public spending.
- A weak job market.
- Stabilisation of inflation on relatively high interest rates.

The ongoing decrease in consumption is not only affecting durable goods and services (-1.2% in 2011 and currently more pronounced) but also the food industry, which is normally among the most anti-cyclical segments.

PENSION SYSTEM REFORM

Issues facing the over-50s in the labour market have sharpened, with the threat of potential inter-generational conflicts at a time when state pensions are not able to ensure the same standard of living as in the past.

Replacement rate - Italy's General Accounting Office has estimated a sharp decrease in the replacement rate (ratio between first pension installment and last pre-retirement income, i.e percentage of a worker's pre-retirement income that is paid out by a pension programme) over the decades:

- From 83% to 73% for an employee with no dependent family members.
- A more substantial decline for those born in the 80s and 90s (-8% for employees; -14% for self-employed).

Over-50s: for over 50s who have lost their job, the question arises of how to manage the years remaining before vesting of pension benefits, either with effective welfare support or through professional retraining which would facilitate their re-entry into the job market.

The opportunity has emerged of financial planning for the future, with the support of supplementary pension schemes and private pension funds.

EMPLOYMENT

The proportion of young people currently not in education, employment or training (NEET) is high: almost 20% in the 15-24 age range and 27% of 25-34 year olds (2011 figures), well above the EU-27 average (12.9% and 19.8% respectively). The data points to the following risk factors:

- General deterioration in human capital, from an economic perspective.
- Reduction in the country's potential.
- Reduction in the proportion of workers with high levels of skill.
- Emigration of researchers and citizens with high cultural and scientific training.

REGULATORY CHANGES IMPACTING BANKS

SPENDING REVIEW

Italy's legislative decrees on the spending review have been converted into law. Laws no. 94 and 135 of 2012 focus upon the rationalisation of spending on procurement of goods and services, leases, public tender terms, as well as on the reorganisation of provinces, law courts and incentives for businesses.

These provisions do not affect banking activities directly. However, the expected impact from their enforcement (advancements in the management of public finance and the sovereign debt crisis and improvements in the real economy) may be reflected in the banks' operating conditions.

GROWTH DECREE

The Decree, converted into Law no. 134/2012, addresses growth from several perspectives, including infrastructures, construction and tourism.

Impact on banking may involve, for example, credit facilities granted in connection with tax measures applicable to the renovation and energy-efficiency upgrade of existing buildings.

Moreover, the Growth Decree contains new provisions for financial instruments issued to promote direct access of companies to regulated markets and associated banking services:

- **Project bonds** – may be issued by project companies to finance infrastructure projects. Project bonds, which had previously been penalised by less favourable tax rules, will now benefit from the same tax regime as Government bonds. Consequently, if subscribers are natural persons, interest paid will be subject to a 12.5% withholding tax, even though on a trial basis and for a duration of three years. These bonds require a guarantee that may be pledged by banks.

- **Corporate bonds** – restrictions that prevented non-listed companies from choosing this type of debt instruments have been eliminated. This applies in particular to the quantitative limit for the issuance of corporate bonds (in an amount not exceeding twice the aggregate of the issuer's share capital, legal reserve and available reserves). Furthermore, the tax regime applicable to corporate bonds has become more advantageous.

FINANCIAL STABILITY DECREE

Drafted by the Government at the beginning of October, the Decree is aimed at further securing public finances.

EUROPEAN BANKING SUPERVISION

The European Commission has submitted a proposal for centralising Europe's banking supervision under one single authority. At its meeting on 18 October, the European Council set the objective of adopting a legal framework by the end of the year, for the single supervisory mechanism to become effectively operational in the course of 2013. At the moment, it is still unclear whether the project, at least in its first phase, should involve all European banks. Without prejudice to any other responsibilities of the national supervisory authorities, the ECB's new tasks are expected to include the granting of authorisations, ensuring compliance with capital and liquidity requirements and conducting supervision of financial conglomerates. The Single Supervisory Mechanism is the first step towards creating a European Banking Union and de-linking sovereign risk and banking risk.

BANKING AND MARKET-POSITIONING OF THE MONTEPASCHI GROUP

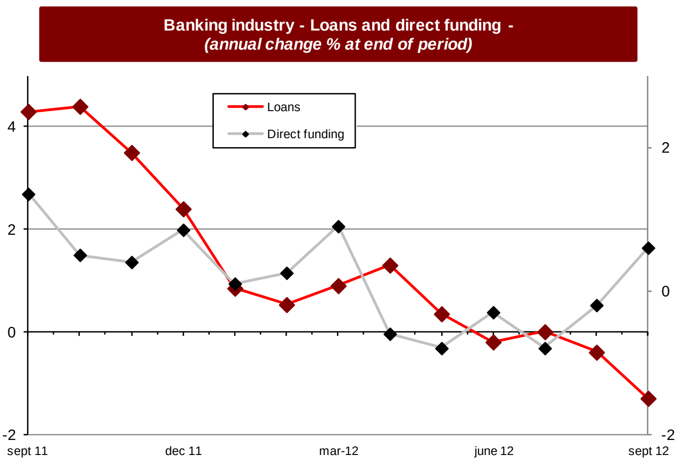
OVERVIEW

- Lending remains weak in both demand and supply.
- A deterioration in loan book quality is registered, particularly as regards loans to manufacturing companies.
- Households' limited saving capacity has a conditioning effect on funding opportunities.
- The banking business may benefit from the reduction in the ECB benchmark rate in July and narrower spreads on Italian government bonds. However, progress made will need to be consolidated over the next quarters.

DIRECT FUNDING

Direct funding from customers showed some signs of recovery, returning to a YoY growth in September following the decline of the previous months.

Time deposits - time deposits increased as did those redeemable at notice (which more than doubled YoY). The trend reflects the preference of savers for secured and simple, liquid products, characterised by higher returns than those on current accounts as well as for offer policies which seek to increase forms of stable retail funding.



Current accounts - current accounts and bonds experienced a drop, though the placement of bonds in the international wholesale market improved in September.

Market share - the Group's market share (customer deposits net of repurchase agreements with central counterparties and bond buybacks) stood at over 6.6% (as at July).

ASSETS UNDER MANAGEMENT

Mutual funds - in the asset management market, moderate signs of improvement continued to emerge especially with regard to net flows on mutual funds which, following the negative result in the first half of the year (almost -EUR 3 bn) went back to being positive in July and August, though amounting to less than EUR 1 bn. Renewed interest focussed on flexible funds, particularly bonds, boosted by the offer of new products.

Wealth management - negative net outflows on retail wealth management continued, albeit at a more subdued pace, exceeding EUR 5 bn from the start of the year up to and including August.

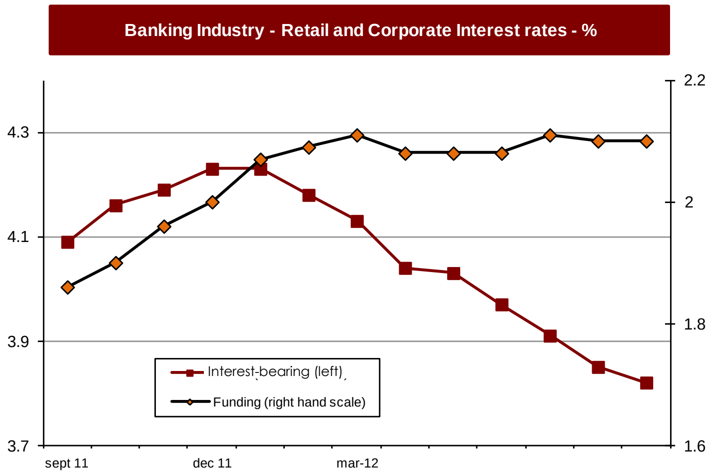
Bancassurance - Life bancassurance continued to register a year-on-year decline in new production (-20% in the first eight months of 2012), although negative trends have abated compared to the first half of the year. Customers seek products offering protection against market fluctuations and do not appear to settle for the minimum return ensured by the more traditional policies. The result is an increase in funding on guaranteed/protected unit-linked products and multiline policies, while other product categories registered a considerable downturn.

Market share - The market share for mutual funds stood at 4.64% (as at June) whereas it climbed to 5% for assets under management (as at June); AXA-MPS's market share in new production grew to 6.9% (as at July).

LENDING

Bank lending- bank lending continued to register a year-on-year drop reflecting restricted supply (partially easing compared to the first half of the year) and lower demand as a result of the negative economic cycle. Loans to non-financial companies have declined since the start of the year (with demand for credit primarily to support liquidity) with a fall also being registered in loans to households which, following a long period of deceleration, are now at a year-on-year standstill.

The Group's market share of loans continued to stand at around 7.3%.



Doubtful loans

- The flows of new adjusted doubtful loans climbed to an annualised 2.1% of total loans (up to 3.2% for businesses; stable at 1.2% for households). The figures relate to the second quarter of 2012 although the same trends are expected to be confirmed in the third quarter.
- Gross doubtful loans increased, accounting for 5.9% of total loans (5.1% in the previous year).

Bank interest rates

- Interest rates on loans decreased. More specifically, interest rates on loans to households and businesses lost a further 15bps in the third quarter; against a contained drop for interest rates on short-term transactions (-9 bps between June and August), a significant downturn was observed for interest rates on long term loans to businesses (-19 bp) and to households (-13 bps for home loans).
- The cost of direct funding was largely stable. Following an uptrend which began in mid-2010, the cost of funding (deposits and repurchase agreements of resident customers and bonds) stabilised at around 2.1% in 3Q12. The uptrend in the rates for the most typical forms of retail funding (deposits) was counterbalanced by a downturn in the interest rates on repurchase agreements and bonds. The spread between the lending and direct funding rate fell to below 1.8 percentage points (from 2.23 at the end of 2011).

STRATEGY

The Group's strategy, outlined in the 2012-2015 Business Plan approved by the BoD on 26/06/2012, focusses upon strengthening capital, rigorously safeguarding asset quality, achieving structurally balanced liquidity and phasing out reliance on funding from the European Central Bank.

2012-2015 BUSINESS PLAN

Mission

Tradition and innovation come together in Italy's oldest bank.

- The bank of choice for families and small and medium enterprises.
- Listening must be a real differentiating and enabling factor.
- Not just Credit but also Insurance.
- The bank as a real or virtual intermediary of supply and demand for solutions and services.
- Information is the bank's new "factor of production".

Priorities		Objectives by 2015
Share capital	Increase quality and quantity of capital.	Common Equity Tier1 as at 8%.
Liquidity	Achieve structurally balanced liquidity.	Retail/Corporate Loan to Deposit ratio at 110% and phase out of ECB funding.
Profitability	Accelerate revenue diversification.	Net fee and commission income at 47% of basic income.
	Become leading bank in bancassurance services.	Exceed the 24% threshold for account holders with Life and P&C insurance products.
	Reduce the cost of credit.	Provisioning rate at 77 bps.
	Align levels of operational efficiency with best practices.	Reduce operating expenses by 16% (reaching a threshold of EUR 2.9 bn).

Executive plan

To give practical effect to the objectives of the Business Plan, an Executive Plan was built upon the project initiatives and actions identified in the Business Plan.

The Executive Plan, coordinated by the Steering Committee, has been organised into 5 programmes and 25 projects in order to ensure delivery of mid-long term objectives (capital, liquidity, profitability). Rules were developed for the execution of programmes/projects in line with best practices, while making the most of internal talents, methods and IT tools available. Progress monitoring metrics have been defined for all actions/projects (objectives, quality, timing and execution).

Projects have been designed with the clear identification of objectives, modules, deliverables, deadlines, small dedicated teams reporting to a project leader, creation of internal support specialists, limited duration, business case benefits, costs and investments, rigorous setup processes, investments approval, coordination and monitoring.

The Divisions, responsible for the programmes, will periodically report to the Executive Committee and BoD on Plan progress status.

GROUP RESULTS

RECLASSIFIED ACCOUNTS

MPS GROUP P&L AND BALANCE SHEET RECLASSIFICATION PRINCIPLES

The following accounting statements illustrate balance-sheet and profit & loss accounts reclassified according to international accounting standards. For the reclassified income statement, figures for comparison were restated to take account of the allocation of Biverbanca's contribution to the Profit (loss) from groups of assets held for sale and discontinued operations as of June 2012. With regard to the Group's reclassified Balance Sheet, included in the report, it is noted that, as was done in the Half Year Report as at 30/06/2012, the assets and liabilities of Biverbanca, a company classified as held for sale, have been posted to "Other assets/liabilities". Balance sheet data for periods prior to 30/06/2012 are those published in the Interim Report on Operations as at 31/03/2012. Details of main balance sheet items reported in the section "*Profit & Loss and Balance Sheet Results*" for periods prior to 30/06/2012 in support of explanatory notes, have been restated excluding Biverbanca's input, in order to obtain like-for-like comparisons. Details of Biverbanca's input used for data restatement are reported in the "Annexes" to the Half Year Report as at 30/06/2012.

Following are the reclassifications made to the consolidated profit and loss account as at 30 September 2012:

a) **"Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities"** in the reclassified income statement, includes the sub-items under Item 80 "Net profit (loss) from trading", Item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and Item 110 "Net profit (loss) on financial assets and liabilities designated at fair value". The item incorporates dividends earned on securities held in the Group's securities and derivatives portfolio (approx. EUR 57.9 mln).

b) **"Dividends, similar income and gains (losses) on investments"** in the reclassified income statement incorporates item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (EUR 53 mln, corresponding to the share of profit and loss for the period that is 'guaranteed' by the share of profit from investments in associates -AXA and Intermonte Sim- valued at equity). Dividends earned on securities held in the securities and derivatives portfolio, as outlined under item a) above, have also been eliminated from the aggregate;

c) **"Net impairment losses (reversals) on loans"** in the reclassified income statement was determined by excluding loss provisions taken in connection with securities classified in the loan book (approx. EUR 9.3 mln) which were allocated to "Net impairment losses (reversals) on financial assets". Furthermore, the aggregate excludes charges relating to financial plans (EUR 2.7 mln), which are more properly classified under "Net provisions for risks and charges and other operating expenses (income)".

d) "**Net impairment losses (reversals) on financial assets**" includes the sub-items under item 130b "Financial assets available for sale", 130c "Financial assets held to maturity" and 130d "Other financial transactions" as well as the loss provision taken in connection with securities classified in the loan book (approx. EUR 9.3 mln) referred to under the item above.

e) The income statement item "**Personnel expenses**" was reduced by EUR 22 mln in reorganisation charges, relating to management–reduction actions contained in the Business Plan. The amount was reclassified under "Reorganisation costs/One-off charges".

f) **"Other administrative expenses"** in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 212 million) posted under item 220 *"Other operating income/expenses"*.

g) The item **"Net provisions for risks and charges and other operating expenses (income)"** in the reclassified income statement, which incorporates item 190 "Net provisions for risks and charges" and 220 "Other operating expenses (income)", includes value adjustments to financial plans described under item c) and stamp duty and client expense recovery as described under item f) above. The reclassified item was cleared of the amount of provisions taken against closure of approximately 400 branches as per Business Plan (EUR 10.7 mln), posted to "Reorganisation costs/One-off charges".

h) "**Reorganisation costs/ One-off charges**" in the reclassified income statement includes: "One-off charges" for an amount of EUR 22 mln associated with early retirement outflows reclassified out of Personnel expenses (see item e) as well as provisions taken against closure of branches as per Business Plan (see item g).

i) **"Gains (losses) on investments"** was cleared of components reclassified as "Dividends and similar income" (see item b);

j) The effects of Purchase Price Allocation (PPA) were reclassified out of other items (in particular "**Interest income**" for approx. EUR 34.4 mln and **depreciation/amortisation** for approx. EUR 22.6 mln, net of a theoretical tax burden of approx. - EUR 18.6 mln which integrates the item).

k) "**Impairment on Goodwill, intangibles and writedown of investment in AM Holding**" in the reclassified income statement incorporates: groupwide impairment of goodwill (item 260 "Impairment of Goodwill" for an amount of EUR 1,528 mln), impairment of intangibles in connection with the Banca Antonveneta trademark (approx. EUR 22.5 mln, gross, included in item 210 "Net value adjustments to intangible assets"), and software-related intangibles (approx. EUR 25.1 mln gross, included in "Net value adjustments to intangible assets"; net value: EUR 17 mln), and write-down of investment in AM Holding (roughly EUR 14 mln under item 240 "Gains/losses on investments"). The fiscal effect of the reduction in the appraisal value of intangibles connected with the Banca Antonveneta trademark (EUR 7.3 mln) and software-related intangibles (EUR 8.2 mln), amounting to EUR 15.5 mln in total, was reclassified into "Taxes on income for the period from continuing operations".

Listed below are the major reclassifications made to the consolidated **Balance Sheet:**

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

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

n) **"Deposits from customers and debt securities issued"** on the liabilities side of the reclassified balance-sheet includes item 20 (Deposits from customers), item 30 (*Debt securities* issued) and item 50 (*Financial liabilities designated at fair value)*;

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

■ RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	30/09/12	30/09/11 (*)	Change Ins.	Change %
Net interest income	2,369.2	2,512.0	-142.8	-5.7%
Net fee and commission income	1,249.9	1,362.1	-112.2	-8.2%
Income from banking activities	**3,619.1**	**3,874.1**	**-255.0**	**-6.6%**
Dividends, similar income and gains (losses) on investments	56.6	61.5	-4.8	-7.9%
Net profit (loss) from trading	504.4	217.3	287.1	n.s.
Net profit (loss) from hedging	1.5	-1.3	2.8	n.s.
Income from financial and insurance activities	**4,181.7**	**4,151.6**	**30.0**	**0.7%**
Net impairment losses (reversals) on:	**-1,429.4**	**-929.4**	**-500.1**	**53.8%**
a) loans	-1,300.0	-833.1	-466.9	56.0%
b) financial assets	-129.5	-96.3	-33.2	34.4%
Net income from financial and insurance activities	**2,752.2**	**3,222.3**	**-470.0**	**-14.6%**
Administrative expenses:	-2,351.6	-2,359.0	7.4	-0.3%
a) personnel expenses	-1,546.2	-1,551.3	5.1	-0.3%
b) other administrative expenses	-805.4	-807.7	2.3	-0.3%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-139.6	-119.6	-20.0	16.7%
Operating expenses	**-2,491.2**	**-2,478.6**	**-12.6**	**0.5%**
Net operating income	**261.0**	**743.6**	**-482.6**	**-64.9%**
Net provisions for risks and charges and other operating expenses/income	-175.1	-173.4	-1.7	1.0%
Gains (losses) on investments	-0.3	-14.8	14.5	-98.0%
Riorganization charges / One-off charges	-32.7	-15.7	-17.1	n.s.
Gains (losses) on disposal of investments	7.2	34.3	-27.1	-79.0%
Profit (loss) before tax from continuing operations	**60.1**	**574.1**	**-514.0**	**-89.5%**
Tax expense (recovery) on income from continuing operations	-120.2	-222.1	101.9	-45.9%
Profit (loss) after tax from continuing operations	**-60.1**	**352.0**	**-412.1**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	13.8	23.6	-9.8	-41.5%
Net profit (loss) for the period including non-controlling interests	**-46.2**	**375.7**	**-421.9**	**n.s.**
Net profit (loss) attributable to non-controlling interests	-5.4	-3.7	-1.8	47.5%
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**-51.7**	**372.0**	**-423.7**	**n.s.**
PPA (Purchase Price Allocation)	-38.5	-68.4	29.9	-43.7%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-1,574.3		-1,574.3	n.s.
Parent company's net profit (loss) for the period	**-1,664.5**	**303.5**	**-1,968.1**	**n.s.**

(*) For the purpose of a like-for-like comparison with the previous period, figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012

Earnings per share (in EUR)	30/09/12	30/09/11
Basic	**-0.153**	**0.023**
Diluted	**-0.153**	**0.023**

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

	2012(*)			2011 (*)				
MPS Group	**3rd quarter**	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**FY2011**
Net interest income	715.5	779.6	874.1	910.4	853.5	801.0	857.5	3,422.4
Net fee and commission income	413.1	412.6	424.3	400.3	450.0	448.8	463.3	1,762.5
Income from banking activities	**1,128.5**	**1,192.2**	**1,298.4**	**1,310.8**	**1,303.5**	**1,249.8**	**1,320.8**	**5,184.9**
Dividends, similar income and gains (losses) on investments	17.5	28.5	10.6	9.4	15.4	18.7	27.4	70.8
Net profit (loss) from trading	232.6	111.1	160.8	-51.5	-4.1	117.8	103.6	165.8
Net profit (loss) from hedging	-3.6	1.9	3.2	-30.9	-0.9	-1.1	0.8	-32.2
Income from financial and insurance activities	**1,375.1**	**1,333.6**	**1,473.0**	**1,237.7**	**1,313.9**	**1,385.3**	**1,452.5**	**5,389.4**
Net impairment losses (reversals) on:	**-474.8**	**-518.8**	**-435.8**	**-521.4**	**-340.7**	**-311.8**	**-276.9**	**-1,450.8**
a) loans	-461.0	-408.7	-430.3	-464.3	-268.9	-291.7	-272.5	-1,297.5
b) financial assets	-13.8	-110.1	-5.5	-57.1	-71.8	-20.1	-4.4	-153.4
Net income from financial and insurance activities	**900.3**	**814.8**	**1,037.1**	**716.3**	**973.2**	**1,073.5**	**1,175.6**	**3,938.5**
Administrative expenses:	-773.3	-795.5	-782.8	-885.1	-779.9	-781.9	-797.2	-3,244.1
a) personnel expenses	-486.5	-540.5	-519.2	-596.7	-513.8	-506.6	-530.9	-2,148.0
b) other administrative expenses	-286.8	-255.0	-263.5	-288.4	-266.2	-275.3	-266.2	-1,096.1
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-48.5	-45.7	-45.4	-73.3	-40.2	-38.6	-40.9	-193.0
Operating expenses	**-821.8**	**-841.2**	**-828.2**	**-958.4**	**-820.1**	**-820.5**	**-838.0**	**-3,437.0**
Net operating income	**78.5**	**-26.4**	**208.9**	**-242.1**	**153.0**	**253.0**	**337.5**	**501.5**
Net provisions for risks and charges and other operating expenses/income	-47.1	-99.6	-28.3	-200.1	-65.6	-70.1	-37.7	-373.4
Gains (losses) on investments	1.5	-5.8	4.0	-9.5	-7.8	-7.1	0.1	-24.3
Riorganization charges / One off charges	-11.7	-20.0	-1.1	-10.1	-15.7			-25.8
Gains (losses) on disposal of investments	6.4	0.6	0.3	0.3	33.9	0.3	0.1	34.6
Profit (loss) before tax from continuing operations	**27.6**	**-151.3**	**183.8**	**-461.4**	**97.8**	**176.2**	**300.1**	**112.7**
Tax expense (recovery) on income from continuing operations	-66.2	63.3	-117.2	-10.9	-41.8	-38.9	-141.3	-232.9
Profit (loss) after tax from continuing operations	**-38.6**	**-88.0**	**66.5**	**-472.3**	**56.0**	**137.3**	**158.8**	**-120.3**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	3.2	6.6	4.0	-235.5	6.0	11.0	6.7	-211.9
Net profit (loss) for the period including non-controlling interests	**-35.5**	**-81.3**	**70.6**	**-707.9**	**61.9**	**148.3**	**165.4**	-332.2
Net profit (loss) attributable to non-controlling interests	-1.1	-2.7	-1.7	7.2	-1.0	-0.8	-1.9	3.5
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**-36.5**	**-84.0**	**68.8**	**-700.7**	**60.9**	**147.5**	**163.5**	**-328.7**
PPA (Purchase Price Allocation)	-10.9	-13.3	-14.4	-14.2	-18.8	-26.5	-23.2	-82.6
Impairment on goodwill, intangibles and writedown of investment in AM Holding		-1,574.3		-4,273.9				-4,273.9
Parent company's net profit (loss) for the period	**-47.4**	**-1,671.6**	**54.5**	**-4,988.8**	**42.2**	**121.1**	**140.3**	**-4,685.3**

(*) For the purpose of a like-for-like comparison with the previous period, figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

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

ASSETS	30/09/12	31/12/11 (*)	30/09/11 (*)	Chg. Q/Q abs.	Chg. Q/Q %	Chg. YoY abs.	Chg. YoY %
Cash and cash equivalents	750	878	760	-128	-14.6%	-10	-1.3%
Receivables :							
a) Loans to customers	145,328	146,608	155,061	-1,280	-0.9%	-9,733	-6.3%
b) Loans to banks	12,371	20,695	16,294	-8,325	-40.2%	-3,923	-24.1%
Financial assets held for trading	47,704	55,482	59,464	-7,778	-14.0%	-11,761	-19.8%
Financial assets held to maturity	0.0024	0.0024	0.0025			0	-5.5%
Equity investments	972	895	873	77	8.6%	98	11.3%
Property, plant and equipment / Intangible assets	2,662	4,365	8,949	-1,704	-39.0%	-6,288	-70.3%
of which:							
a) goodwill	*670*	*2,216*	*6,474*	*-1,547*	-69.8%	*-5,804*	-89.7%
Other assets	14,268	11,779	10,410	2,489	21.1%	3,858	37.1%
Total assets	**224,054**	**240,702**	**251,811**	**-16,648**	**-6.9%**	**-27,758**	**-11.0%**

LIABILITIES	30/09/12	31/12/11 (*)	30/09/11 (*)	Chg. Q/Q abs.	Chg. Q/Q %	Chg. YoY abs.	Chg. YoY %
Payables							
a) Deposits from customers and securities issued	135,303	146,324	160,237	-11,021	-7.5%	-24,935	-15.6%
b) Deposits from banks	41,008	46,793	32,553	-5,785	-12.4%	8,454	26.0%
Financial liabilities held for trading	24,124	26,329	30,854	-2,205	-8.4%	-6,729	-21.8%
Provisions for specific use							
a) Provisions for staff severance indemnities	247	266	268	-19	-7.1%	-21	-7.9%
b) Pensions and other post retirement benefit obligations	39	193	196	-154	-79.7%	-157	-80.1%
c) Other provisions	1,012	1,056	942	-44	-4.1%	70	7.5%
Other liabilities	12,028	8,760	9,994	3,268	37.3%	2,034	20.4%
Group net equity	10,063	10,765	16,527	-701	-6.5%	-6,463	-39.1%
a) Valuation reserves	-2,834	-3,854	-2,809	1,020	-26.5%	-25	0.9%
c) Equity instruments	1,903	1,903	1,933			-30	-1.6%
d) Reserves	4,944	6,577	6,558	-1,634	-24.8%	-1,614	-24.6%
e) Share premium	255	4,118	3,917	-3,863	-93.8%	-3,661	-93.5%
f) Share capital	7,485	6,732	6,654	752	11.2%	830	12.5%
g) Treasury shares (-)	-25	-26	-30	2	-6.8%	6	-18.8%
h) Net profit (loss) for the year	-1,665	-4,685	304	3,021	-64.5%	-1,968	n.s.
Non-controlling interests	230	217	240	12	5.7%	-11	-4.4%
Total Liabilities and Shareholders' Equity	**224,054**	**240,702**	**251,811**	**-16,648**	**-6.9%**	**-27,758**	**-11.0%**

(*) Reported f igures are those published in the Interim Report as at 30/06/2012.

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

ASSETS	30/09/12	30/06/12	31/03/12 (*)	31/12/11 (*)	30/09/11 (*)	30/06/11 (*)	31/03/11 (*)
Cash and cash equivalents	750	678	676	878	760	979	850
Receivables :							
a) Loans to customers	145,328	144,461	146,627	146,608	155,061	156,394	153,633
b) Loans to banks	12,371	17,130	14,877	20,695	16,294	10,793	10,420
Financial assets held for trading	47,704	51,565	52,341	55,482	59,464	54,295	45,307
Financial assets held to maturity	0	0.0024	0.0024	0.0024	0.0025	0.0028	0.0031
Equity investments	972	931	940	895	873	916	926
Property, plant and equipment / Intangible assets	2,662	2,685	4,369	4,365	8,949	8,936	8,943
of which:							
a) goodwill	*670*	*670*	*2,216*	*2,216*	*6,474*	*6,474*	*6,474*
Other assets	14,268	14,659	10,847	11,779	10,410	9,220	9,385
Total assets	**224,054**	**232,109**	**230,676**	**240,702**	**251,811**	**241,533**	**229,464**

LIABILITIES	30/09/12	30/06/12	31/03/12 (*)	31/12/11 (*)	30/09/11 (*)	30/06/11 (*)	31/03/11 (*)
Payables							
a) Deposits from customers and securities issued	135,303	132,399	137,325	146,324	160,237	165,612	159,330
b) Deposits from banks	41,008	46,673	44,848	46,793	32,553	23,219	22,360
Financial liabilities held for trading	24,124	29,962	26,235	26,329	30,854	25,507	20,515
Provisions for specific use							
a) Provisions for staff severance indemnities	247	248	265	266	268	287	288
b) Pensions and other post retirement benefit obligations	39	40	193	193	196	199	202
c) Other provisions	1,012	991	1,040	1,056	942	898	888
Other liabilities	12,028	11,943	8,260	8,760	9,994	8,567	8,110
Group net equity	10,063	9,630	12,277	10,765	16,527	16,979	17,497
a) Valuation reserves	-2,834	-3,315	-2,399	-3,854	-2,809	-193	53
c) Equity instruments	1,903	1,903	1,903	1,903	1,933	1,933	1,949
d) Reserves	4,944	4,944	1,893	6,577	6,558	6,558	6,887
e) Share premium	255	255	3,366	4,118	3,917	3,938	3,989
f) Share capital	7,485	7,485	7,485	6,732	6,654	4,502	4,502
g) Treasury shares (-)	-25	-25	-25	-26	-30	-21	-23
h) Net profit (loss) for the year	-1,665	-1,617	54	-4,685	304	261	140
Non-controlling interests	230	223	234	217	240	265	273
Total Liabilities and Shareholders' Equity	**224,054**	**232,109**	**230,676**	**240,702**	**251,811**	**241,533**	**229,464**

(*) Reported figures are those published in the Interim Report as at 30/06/2012.

ANALYSIS OF THE INCOME STATEMENT AND BALANCE SHEET [3]

Against the backdrop of a strongly recessive economy, **financial market tensions and the sovereign debt crisis gradually lost some of their grip** in the third quarter of 2012. Following the announcement of a possible government bond buying programme by the ECB, the Italian BTP vs. German Bund spread narrowed to below 315 bps. At the same time, stock markets showed a trend reversal, with "core" European countries recovering significantly, while Italy's FTSE MIB remained at the levels registered at the beginning of the period. After the ECB cut the benchmark by 25 bps, an additional abrupt drop was seen in interest rates (1M Euribor reached its low at around 11 bps), and the gradual flattening of the maturities curve continued. Data from the real economy confirms **recession for Italy** with average GDP for the year estimated to fall by over two percentage points according to consensus forecasts.

Within a still fragile and uncertain contest, **the Group operated with a view to expanding funding from retail and corporate customers** (direct deposits in particular) thus making it possible to reduce reliance on the ECB. **Lending volumes followed a substantially stable trend,** in spite of a lower demand for credit, with impaired loans on the rise. As to financial assets, the **securities portfolio** benefitted from the higher value of fair-valued assets as a result of the narrower Italian spread thereby improving the balance of valuation reserves.

These operating and contextual trends are reflected on the current P&L results of the Group which, in the third quarter, experienced a downturn in **core revenues**, largely the result of the reduction in **net interest income**, which was affected by the further decline in interest rates. **Net fees and commissions**, on the other hand, stood on similar levels to the previous quarter, as a result of a stronger business drive backed by the launch of the Business Plan. At the same time, the Group continued with its **objective of improving operational efficiency**, accelerating the setup of actions contained in the 2012-2015 Business Plan for a prompt relaunch of business growth.

[3] As already reported in the introduction to the chapter "*Reclassified Accounts*", as at 30/06/2012 Biverbanca had been reclassified under assets held for sale and discontinued operations. Consequently, the company's contribution to the Group's P&L was reclassified to the item "Profit (loss) of assets held for sale and discontinued operations", while balance sheet aggregates were posted under other assets/liabilities. With regard to periods prior to 30/06/2012, in order to obtain a like-for-like comparison, data reported in the tables of the current chapter has been restated excluding Biverbanca's input.

BALANCE SHEET

DIRECT FUNDING

Total funding volumes for the Group came to approx. **EUR 258 bn**, down 1.3% on June levels, with a quarterly trend which, on the one hand, saw a rise in direct funding volumes from customers, up 2.2%, and, on the other, a reduction in assets under custody (-8.1% on 30/06/2012) as a result of changes in large corporate accounts:

Customer funding (in millions of euros)	30/09/12	30/06/12	Restated (*) 31/12/11	Restated (*) 30/09/11	Chg % vs 30/06/12	Chg % vs 31/12/11	Chg % vs 30/09/11
Direct funding	**135,303**	**132,399**	**143,643**	**157,574**	**2.2%**	**-5.8%**	**-14.1%**
Indirect funding	**122,406**	**128,738**	**131,458**	**131,145**	**-4.9%**	**-6.9%**	**-6.7%**
assets under management	*44,766*	*44,286*	*45,270*	*46,515*	*1.1%*	*-1.1%*	*-3.8%*
assets under custody	*77,641*	*84,452*	*86,188*	*84,630*	*-8.1%*	*-9.9%*	*-8.3%*
Total funding	**257,709**	**261,138**	**275,101**	**288,718**	**-1.3%**	**-6.3%**	**-10.7%**

(*) Figures have been restated excluding input from Biverbanca w hich w as classified among assets held for sale and discontinued operations at the end of June 2012.

More specifically:

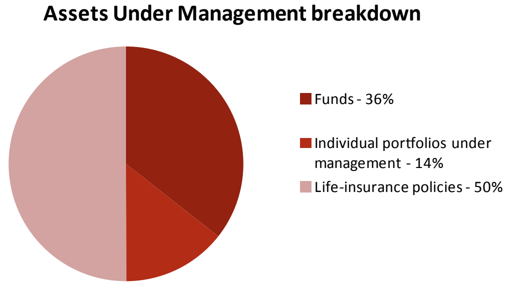
- At the end of September, the Group's **direct funding** stood in the region of **EUR 135 bn**, up approx. EUR 3 bn from 30/06/2012 (+2.2%) largely owing to a further increase in operations with Retail & Corporate customers and, to a lesser degree, on the back of funding from institutional counterparties (with a reduction in bonds and a rise in repurchase agreements).

The following table shows a breakdown of major types of direct funding from customers:

Direct funding (€/mln) Type of transaction	30/09/12	30/06/12	Restated (*) 31/12/11	Restated (*) 30/09/11	Q/Q change Abs.	Q/Q change %	Y/Y change Abs.	Y/Y change %
Current accounts	57,975	56,928	60,725	64,015	1,046	1.8%	-6,040	-9.4%
Time deposits	4,801	3,743	1,508	2,245	1,058	28.3%	2,556	113.8%
Reverse repurchase agreements	10,556	8,604	14,244	20,631	1,951	22.7%	-10,076	-48.8%
Bonds	55,829	57,096	59,188	58,416	-1,267	-2.2%	-2,587	-4.4%
Other types of direct funding	6,142	6,027	7,979	12,266	115	1.9%	-6,124	-49.9%
Total	**135,303**	**132,399**	**143,643**	**157,574**	**2,903**	**2.2%**	**-22,271**	**-14.1%**

(*) Figures have been restated excluding input from Biverbanca w hich w as classified among assets held for sale and discontinued operations at the end of June 2012.

- The Group's **indirect funding** came to around **EUR 122 bn**, down 4.9% on 30/06/2012 and 6.7% as compared to 30/09/2011, mainly due to the fall in assets under custody. In particular:
  - **Assets under management**, amounting to approx. EUR **45 bn**, increased by around EUR 500 mln in the quarter (+1.1%; -3.8% on 30/09/2011), having been boosted by an increase in the value of financial assets. The aggregate includes an **insurance component** of approx. EUR **22.4 bn**, essentially remaining at levels reached at the end of June 2012 (-9.4% on 30/9/2011) with quarterly premiums amounting to around EUR 900 mln, driven by Unit-Linked products. **Mutual investment funds and open-end investment collective schemes (Sicav)**, accounting for approx. **EUR 15.9 bn**, grew 3.2% with respect to 30/06/2012 (-4.8% on



30/09/2011) thanks to a positive market effect which more than offset the negative net flows of the quarter (- EUR 93 mln; outflows of - EUR 272 in Q2 2012). **Wealth management**, which stood in the region of **EUR 6.4 bn**, grew both QoQ (+3.3%) and YoY (+3.5%) with outflows for an amount of around EUR 51 mln, a decrease on Q2 2012.

- **Assets under custody**, amounting to EUR 77.6 bn, registered a fall of 8.1% on 30/06/2012 (-8.3% on 30/09/2011), primarily owing to the cancellation of treasury shares by some of the Group's Large Corporate customers in July 2012.

LOANS TO CUSTOMERS

As at the end of September 2012, **Group loans to customers** amounted to approx. **EUR 145 bn**, substantially in line with levels as at 30/06/2012 (+0.6% QoQ). A breakdown of the aggregate reveals that mortgage loans are the prevalent form of lending (EUR 74.6 bln), with new contracts for 3Q12 totalling approx. EUR 651 mln, down on the previous quarter (- EUR 159 mln), reflecting a lower demand for loans due to the sluggish economic cycle and the selective credit-granting policies adopted by the Group.

Loans to customers (€/mln)

Type of transaction	30/09/12	30/06/12	Restated (*) 31/12/11	Restated (*) 30/09/11	Q/Q change Abs.	Q/Q change %	Y/Y change Abs.	Y/Y change %
Current accounts	*13,480*	*13,570*	*13,862*	*15,996*	*-90*	*-0.7%*	*-2,517*	*-15.7%*
Mortgages	*74,640*	*76,756*	*79,451*	*80,742*	*-2,116*	*-2.8%*	*-6,102*	*-7.6%*
Other forms of lending	*35,215*	*34,596*	*33,696*	*37,053*	*619*	*1.8%*	*-1,838*	*-5.0%*
Repurchase agreements	1,815	508	882	2,052	1,307	257.4%	-238	-11.6%
Securities lending	2,754	3,015	3,106	3,822	-261	-8.7%	-1,069	-28.0%
Impaired loans	17,424	16,016	13,333	13,073	1,409	8.8%	4,351	33.3%
Total	**145,328**	**144,461**	**144,331**	**152,740**	**867**	**0.6%**	**-7,412**	**-4.9%**

(*) Figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

As for special-purpose loans, ca. EUR 980 mln worth of new loans were disbursed by MPS Capital Services in the first 9 months of 2012 (-38.3% on the same period of last year), with 3Q2012 contributing approx. EUR 313 mln, slightly in excess of previous quarter levels (+0.5%).

Total revenues from leasing contracts since the beginning of the year stood at approx. EUR 681 mln (-32.4% YoY) with Q3 contributing approx. EUR 193 mln, down 6.1% on 2Q2012. Factoring turnover exceeded EUR 5.8 bn, down by 15.7% on the previous year (EUR 1.7 bn contributed to in 3Q2012; -12.6% Q/Q).

In the consumer lending segment, disbursements over the 9M period totalled EUR 1.8 bn (-10% YoY), with Q3 contributing approx. EUR 569 mln (-5.8% Q/Q). The aggregate confirms Personal Loans are the prevalent form of lending, followed by money cards and special-purpose loans.

Special purpose loans and corporate finance	30/09/12 (*)	3Q2012 (*)	2Q2012 (*)	1Q2012 (*)	30/09/11 (*)	Q/Q Abs.	Q/Q %	Y/Y Abs.	Y/Y %
MPS Capital Services (disbursements	979.7	313.3	311.7	354.7	1,587.3	1.6	0.5%	-607.6	-38.3%
MPS Leasing & Factoring	6,533.6	1,844.6	2,095.1	2,593.9	7,949.7	-250.5	-12.0%	-1,416.2	-17.8%
incl.: leases negotiated	*681.2*	*193.0*	*205.5*	*282.7*	*1,007.5*	*-12.5*	*-6.1%*	*-326.3*	*-32.4%*
factoring turnover	*5,852.4*	*1,651.6*	*1,889.6*	*2,311.2*	*6,942.2*	*-237.9*	*-12.6%*	*-1,089.8*	*-15.7%*
Consumit (disbursements)	1,775.3	568.8	604.2	602.3	1,973.6	-35.3	-5.8%	-198.3	-10.0%

(*) Amounts are net of lending flows channelled in through Biverbanca, which was classified among assets held for sale and discontinued operations at the end of June 2012

NON-PERFORMING LOANS

As at the end of September 2012, the Group's net exposure to non-performing loans totalled approx. EUR 17 bln, accounting for approx. 11.99% of total loans to customers.

During the quarter, impaired loan volumes were up by EUR 1.4 bn particularly on the back of an increase in substandard loans (EUR +781 mln against EUR +188 mln in 2Q12). Similarly, doubtful loans are on the increase (+ EUR 367 mln), as are past due exposures (+ EUR 254 mln), the latter at a lower rate than in the previous quarter (when a EUR 307 mln increase was recorded).

CUSTOMER LOANS BY RISK

Risk category - Net book values *in million EUR*	**30/09/12**	**30/06/12**	**31/12/11** Restated (*)	**30/09/11** Restated (*)	***weight % 30/09/12***	***weight % 31/12/11***	***weight % 30/09/11***
A) Impaired loans	**17,424**	**16,016**	**13,333**	**13,073**	***11.99***	***9.24***	***8.56***
a1) Non-performing loans	7,358	6,991	6,370	6,276	*5.06*	*4.41*	*4.11*
a2) Watchlist loans	5,775	4,993	4,406	4,210	*3.97*	*3.05*	*2.76*
a3) Restructured loans	1,581	1,575	1,428	1,438	*1.09*	*0.99*	*0.94*
a4) Past due	2,711	2,457	1,129	1,149	*1.87*	*0.78*	*0.75*
B) Performing loans	**127,903**	**128,445**	**130,998**	**139,666**	***88.01***	***90.76***	***91.44***
Total customer loans	**145,328**	**144,461**	**144,331**	**152,740**	***100.00***	***100.00***	***100.00***

(*) Figures hav e been restated excluding input from Biv erbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

Non-performing loan coverage was down to **38.4%** as at 30/09/2012 (-80 bps on 30/6/2012), due to the reduction in substandard loan coverage (from 21.6% in June to current 20.3%) in connection with greater inflows of collateralised exposures and a higher share of 'objective' substandard loans which, given their improved "cure rate", show a lower coverage ratio on average. Doubtful loan coverage stood at 55%, substantially in line with levels as at 30/06/2012 (-20 bps).

Provisioning ratios

	30/09/12	30/06/12	31/12/2011 Restated (*)	30/09/2011 Restated (*)
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	38.4%	39.2%	41.3%	40.8%
"provisions for watchlist loans" / "gross watchlist loans"	20.3%	21.6%	22.2%	20.6%
"provisions for NPLs" / "gross NPLs"	55.0%	55.2%	55.4%	55.1%

(*) Figures hav e been restated excluding input from Biv erbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

The table below reports the figures for the Group's major companies, within which Banca MPS and Banca Antonveneta show a provisioning ratio for doubtful loans which, on average, stands at around 57.6%. For an accurate interpretation of the details contained in the table, it should be noted that NPLs under litigation are normally written down by direct amortisation also, while mid-long term loans are generally supported by collaterals thus requiring more limited provisioning. This is particularly evident in MPS Capital Services, for which coverage of doubtful loans stood at lower levels (36.2%), whose business is mainly characterised by the disbursement of mortgage loans:

NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/09/2012 in million EUR	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it
Non-performing loans	7,358	4,337	687	1,829	301	137
% of total customer loans	5.06%	3.43%	5.01%	12.60%	4.20%	2.30%
"loan loss provisions" / "gross NPLs"	**55.0%**	**57.3%**	**59.5%**	**36.2%**	**59.8%**	**81.5%**
Watchlist loans	5,775	3,999	242	940	485	74
% of total customer loans	3.97%	3.16%	1.76%	6.47%	6.77%	1.23%
"loan loss provisions" / "gross watchlist loans"	**20.3%**	**21.2%**	**19.6%**	**16.2%**	**18.3%**	**38.6%**

With regard to gross **performing loans,** provisions continued to stand at over 0.5%, substantially in line with levels as at 30/06/2012.

As for management of the doubtful loan book, which is assigned groupwide to the Group company specialising in this area, MPS Gestione Crediti Banca, **recoveries totalled EUR 291 mln** approx. (-25.1% YoY), of which EUR 82.7 mln in 3Q2012 (-18.6% on 2Q12). This downturn in recoveries is a result of the challenging economic and financial environment.

THE GROUP'S SECURITIES AND DERIVATIVES PORTFOLIO

As at 30 September 2012, the reclassified Group's securities and derivatives portfolio, amounting to EUR 37.3 bn, was up by approx. EUR 1 bn on 30/06/2012. In the third quarter, the aggregate benefitted from the increase in value of fair-valued securities brought about by narrower Italian spreads, which impacted primarily on the Government Bond portfolio classified as AFS. The HFT component fell by around EUR 180 mln over the quarter as a result of divestments by MPS Capital Services, while the decline in the L&R segment was attributable to the sale of certain positions as well as to securities reaching natural maturity.

Portfolio of treasury securities and derivatives (€/million)

MONTEPASCHI GROUP	30/09/12	30/06/12	31/12/11	30/09/11	Chg. Q/Q		Chg. Vs 31/12/2011		Chg. Y/Y	
Type of portfolio			(*)	(*)	Abs.	%	Abs.	%	Abs.	%
Held For Trading (HFT) [1]	9,561	9,740	9,854	10,666	-179	-1.8%	-293	-3.0%	-1,105	-10.4%
Available For Sale (AFS) [2]	23,692	22,293	22,205	23,272	1,399	6.3%	1,487	6.7%	420	1.8%
Loans & Receivable (L&R) [3]	4,006	4,299	5,221	5,385	-293	-6.8%	-1,214	-23.3%	-1,379	-25.6%
Total	**37,259**	**36,333**	**37,280**	**39,323**	**927**	**2.6%**	**-20**	**-0.1%**	**-2,063**	**-5.2%**

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

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

(3) Securities classified as "Loans and Receivables" posted to "Loans and advances to Customers" e "Loans and advances to banks".

(*) Figures have been restated excluding input from Biverbanca w hich w as classified among assets held for sale and discontinued operations at the end of June 2012.

The portfolio's exposure is concentrated in Italian government bonds, mainly allocated to the AFS portfolio and, to a lesser degree, the HFT component. The breakdown reflects the policy the Group has followed over the past few years, aimed at boosting interest income through investments, both strategic and short-term, within a market framework that continues to be characterised by a steep yield curve.

Regarding the treatment of market risk in the Group's "Regulatory Trading Book", which is operationally monitored using VaR (Value-at-Risk), *please refer to the chapter on "Integrated risk and capital management"*.

INTERBANK POSITION

As at 30/09/2012, the Group's net interbank position reached **EUR 30.8 bn in deposits**, substantially in line with levels in June. In the third quarter the aggregate registered a decline of approx. EUR 4.6 bn in deposits from banks, with ECB reliance falling to around EUR 29 bn (- EUR 3 bn compared to 30/06/2012), consisting in the two three-year Longer Term Refinancing Operations (LTROs). The decrease in deposits from banks was largely compensated by a lower level of loans to banks.

Interbank balances (end-of-period; EUR mln)

			Hystorical data	Hystorical data	Q/Q change		Y/Y change	
	30/09/12	30/06/12	31/12/11	30/09/11	Abs.	%	Abs.	%
Loans to banks	13,041	18,205	22,395	17,824	-5,164	-28.4%	-4,783	-26.8%
Deposits from banks	43,829	48,418	48,094	32,547	-4,590	-9.5%	11,282	34.7%
Net position (*)	**-30,787**	**-30,213**	**-25,699**	**-14,723**	**-574**	**1.9%**	**-16,065**	**109.1%**

(*) Loans to banks/Deposits from banks are inclusive of loans to banks/deposits from banks comprised in financial assets/liabilities held for trading.

At the end of September 2012 the short-term and structural liquidity position showed an **unencumbered counterbalancing capacity of approx. EUR 17 bln** against EUR 8.1 bn as at 30 June 2012 (approx. EUR 9.5 bn as at 31/12/2011).

CAPITAL FOR REGULATORY PURPOSES AND CAPITAL RATIOS

Regulatory capital was estimated on the basis of calculation metrics introduced by Basel 2 (Advanced Internal Rating Based (IRB) and Advanced Measurement Approach (AMA) methodologies for legal entities and portfolios that are subject to validation).

As at 30/09/2012 the **Group's regulatory capital** amounted to EUR 14,671 mln, with an estimated **Tier 1 of 11.4%** (11.1% as at 31 December 2011) and **Total Capital Ratio of 15.4%** (15.7% as at 31 December 2011).

Regulatory capital (EUR mln)

	30/09/12	31/12/11	Chg. %
Tier 1 capital	10,908	11,649	-6.36%
Tier 2 capital	4,309	5,357	-19.56%
Items to be deducted	547	502	8.88%
Total regulatory capital (before Tier 3)	14,671	16,503	-11.11%
Total regulatory capital	14,671	16,503	-11.11%
Tier 1 Ratio	11.4%	11.1%	
Total Capital Ratio	15.4%	15.7%	

In particular, **Tier I** came to **EUR 10,908 mln**, down by approx. EUR 740 mln on 31/12/2011 (when it was 11,649 mln) and EUR 378 mln on the result as at 30/06/2012 (EUR 11,286 mln). Reductions in Tier 1 were largely the result of: the increase in deductions from the surplus of expected losses against total value adjustments for the Group; losses for the period and the repurchase of innovative capital instruments (a transaction which was carried out as part of the EBA plan of actions).

Tier 2 stood at **EUR 4,309 mln**, down by approx. EUR 1,048 mln on end-2011 (when it was 5,357 mln) and EUR 890 mln on the result as at 30/06/2012 (EUR 5,199 mln). Reductions in Tier 2 were largely the result of the: increase in deductions from the surplus of expected losses against total value adjustments for the Group; repurchase of subordinated liabilities and hybrid instruments (a transaction which was carried out as part of the EBA plan of actions).

The **items to be deducted** from Tier 1 and Tier 2 were slightly up compared to year end, amounting to **EUR 547 mln**.

Risk Weighted Assets (RWA) came to approx. **EUR 95.3 bn** as at 30/09/2012 (approx. EUR 105.2 bn as at 31/12/2011). The contraction in risk-weighted assets is the result of multiple efficiency drivers in the risk weighting of the Group's exposures, among which the extension of advanced models to the subsidiaries MPS Leasing & Factoring and Biverbanca and a shift in the allocation of risk assets to lower risk and/or more collateralised assets.

EBA EXERCISE

The exercise conducted by the EBA in the second half of 2011 on the capital requirements of major European banks revealed the Montepaschi Group's need for temporary and provisional capital strengthening in order to achieve a Core Tier 1 (EBA) of 9% by the end of June 2012; calculation of the capital shortfall also factors in the lower appraisal value – as at 30 September 2011- of exposures to sovereign issuers so as to take account of market concerns over sovereign debt risk.

Consequently, the MONTEPASCHI Group prepared and put in place a plan of actions which has strengthened the Group's capital; however, this was partially offset by the negative capital trends registered for the period 4Q11 - 1Q12 (primarily due to the operating losses reported at the end of 2011 in addition to the increase in capital absorption registered for the various risks, particularly credit risk). The final result of the EBA exercise as at 30 June 2012 revealed the Montepaschi Group's need for capital strengthening in the amount of EUR 1,728 mln; however, taking into account the actions in the EBA plan which were announced prior to but not yet completed by 30 June, the shortfall would be reduced to EUR 1,441 mln.

In order to address the residual shortfall, Banca MPS - in agreement with the Supervisory Authority and Ministry of Economy and Finance (MEF) - has identified recourse to "State-aid measures" as an appropriate tool to meet the 9% capital requirement set by the European Banking Authority (EBA), as formalised by Law Decree no. 87 "Urgent measures for increased efficiency, value creation and disposal of public assets and rationalisation of corporate assets of companies in the banking industry" published on 27.06.2012, in which Article 5 states that the MEF - upon the specific request of Banca MPS – may, until 31 December 2012, subscribe to up to EUR 2 billion in new financial instruments qualifying as regulatory capital (Core Tier 1) as defined by EBA Recommendation of 8 December 2011, in addition to new financial instruments for a further amount of EUR 1.9 bn aimed at the full replacement of Tremonti Bonds. Subscription of these instruments is subject to conditions precedent.

INCOME STATEMENT

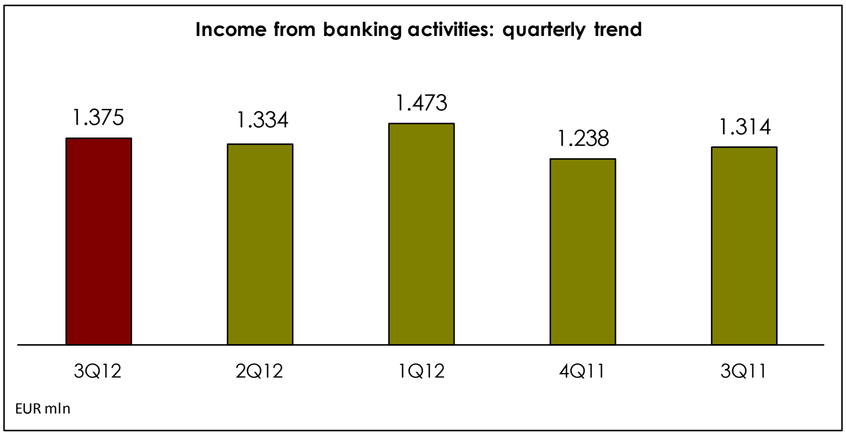
NET INCOME FROM BANKING AND INSURANCE ACTIVITIES

Group income from banking and insurance totalled approx. **EUR 4,182 mln** in the first nine months of 2012, up on the same period of last year (+EUR 30 mln; +0.7% YoY), with **Q3 contributing approx. EUR 1,375 mln**, a higher input than in 2Q12 (+41.5 mln; +3.1% QoQ), on the back of an increase in other operating income.

FINANCIAL AND INSURANCE INCOME (EUR mln)

	30/09/12	3Q11	2Q12	Restated (*) 1Q12	Restated (*) 30/09/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Net interest income	2,369.2	715.5	779.6	874.1	2,512.0	-64.2	-8.2%	-142.8	-5.7%
Net fee and commission income	1,249.9	413.1	412.6	424.3	1,362.1	0.5	0.1%	-112.2	-8.2%
Income from banking activities	**3,619.1**	**1,128.5**	**1,192.2**	**1,298.4**	**3,874.1**	**-63.7**	**-5.3%**	**-255.0**	**-6.6%**
Dividends, similar income and gains (losses) on equity investments	56.6	17.5	28.5	10.6	61.5	-10.9	-38.4%	-4.8	-7.9%
Net trading income (loss) / valuation of financial assets	504.4	232.6	111.1	160.8	217.3	121.6	n.s.	287.1	n.s.
Net hedging income (loss)	1.5	-3.6	1.9	3.2	-1.3	-5.4	n.s.	2.8	n.s.
Financial and insurance income	**4,181.7**	**1,375.1**	**1,333.6**	**1,473.0**	**4,151.6**	**41.5**	**3.1%**	**30.0**	**0.7%**

(*) Figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.



A closer look at the aggregate reveals the following:

- Total **income from banking activities** since the start of the year amounted to **EUR 3,619 mln** (vs. approx. EUR 3,874 mln in the first 9 months of 2011) **with Q3 2012 contributing approx. EUR 1,129 mln, down 5.3% on the previous quarter.** In particular:
  - **Net interest income** amounted to approx. **EUR 2,369 mln** (EUR 2,512 mln as at 30/09/2011) with Q3 contributing approximately EUR 716 mln, down 8.2% on 2Q12. Against a scenario of falling market rates (average 3Q12 1-month Euribor at around 16 bps, down approx. 23 bps as compared to the average level in 2Q12) and still-high credit spreads (BTP-Bund spread at over 300 bps), the quarterly trendline of the aggregate was penalised by a substantially 'incompressible' cost of retail and corporate funding and lower returns on assets due to the repricing of Euribor-linked components.
  - **Net fee and commission income** totalled approx. **EUR 1,250 mln** (vs. EUR 1,362.1 mln as at 30/09/2011) with Q3 2012 contributing roughly EUR 413 mln, in line with Q2 levels (+0.1%) partly on account of a stronger business drive backed by the launch of the new Business Plan (quick-wins package known as the "100-day Plan") which made it possible to recover from the typical summer slowdown. A closer look at the aggregate components reveals a growth in placement fees on wealth management products and foreign transactions, offsetting the seasonal drop in revenues from lending and other services.

- Total **net income from trading/valuation/repurchase of financial assets/liabilities** since the start of the year amounted to approx. EUR 504 mln (vs. ca. EUR 217 mln in the first 9 months of 2011) with Q3 contributing approx. EUR 233 mln and including:
  - A positive **trading income** of approx. EUR 32 mln (- EUR 15.3 mln in 2Q12), as a result of easing financial market conditions, to the benefit of MPS Capital Services in particular.
  - **Gains on disposal/repurchase of loans, available-for-sale financial assets and liabilities,** for an amount of EUR 194 mln, mainly attributable to the capital gain arising from the public exchange offer in July.
  - **Net profit (loss) on financial assets/liabilities designated at fair value** totalling EUR 6.3 mln (EUR 112.4 mln in 2Q12), weighted down by the change in value of BMPS bonds placed with institutional counterparties for the portion not completely hedged against risk.

NET TRADING INCOME (LOSS) / VALUATION OF FINANCIAL ASSETS (in millions of euros)

				Restated (*)	Restated (*)	Chg. QoQ		Chg. YoY	
	30/09/12	3Q11	2Q12	1Q12	30/09/11	Abs.	%	Abs.	%
Net profit (loss) from trading	155.4	31.9	-15.3	138.8	72.1	47.3	n.s.	83.2	n.s.
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	227.5	194.4	14.0	19.1	146.6	180.3	n.s.	80.8	55.1%
Net profit (loss) from financial assets and liabilities designated at fair value	121.6	6.3	112.4	2.9	-1.5	-106.1	-94.4%	123.0	n.s.
Net profit (loss) from trading	**504.4**	**232.6**	**111.1**	**160.8**	**217.3**	**121.6**	**n.s.**	**287.1**	**n.s.**

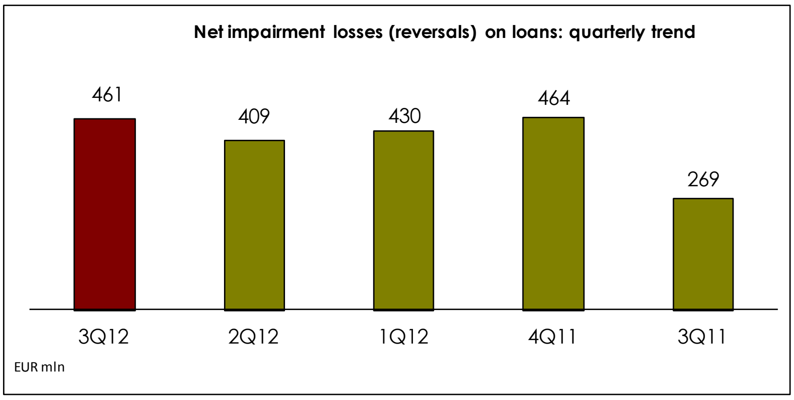
(*) Figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains (losses) on investments** totalling **EUR 56.6 mln** (vs. EUR 61.5 mln as at 30/09/2011; 3Q12 contributing EUR 17.5 mln), primarily attributable to the income of investments consolidated at equity, with the AXA-MPS insurance accounting for approx. EUR 52 mln.
- **Net hedging income** was **positive (+ EUR 1.5 mln** vs. - EUR 1.3 mln as at 30/09/2011; - EUR 3.6 mln contributed in 3Q12).

COST OF CREDIT: NET IMPAIRMENT LOSSES (REVERSALS) ON LOANS AND FINANCIAL ASSETS

Against revenues from the disbursement of loans, in the first nine months of 2012, the Group posted approx. EUR 1,300 mln in **net impairment losses (reversals) on loans** (+56% on 30/09/2011), with 3Q12 contributing roughly EUR 461 mln, up 12.8% on the previous quarter. The value is mainly traceable to an increase in non-performing loans (approx. + EUR +1.4 mln), including substandard and doubtful loans in particular. Within the Group's unchanged policy of rigorous provisioning, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning rate of 119 bps, 3 bps higher than the end-June 2012 rate (vs. a FY2011 rate of 89 bps).



Net impairment losses (reversals) on loans: quarterly trend

Net impairment losses (reversals) on financial assets amounted to **- EUR 129.5 mln** (- EUR 96.3 mln as at 30/09/2011; -EUR 13.8 mln in 3Q12) mainly on account of write-downs on convertible financial instruments, listed equity securities and units in UCITS classified as AFS that became impaired.

As a consequence, **income from banking and insurance activities totalled approx. EUR 2,752 mln** (approx. EUR 3,222 mln as at 30/09/2011; -14.6% YoY), with 3Q12 contributing approximately EUR 900 mln (+10.5% on the previous quarter).

OPERATING COSTS: OPERATING EXPENSES

Operating expenses amounting to approx. **EUR 2,491 mln** as at 30 September 2012, remained substantially in line with the previous year (+0.5%) but were down QoQ (-2.3%).

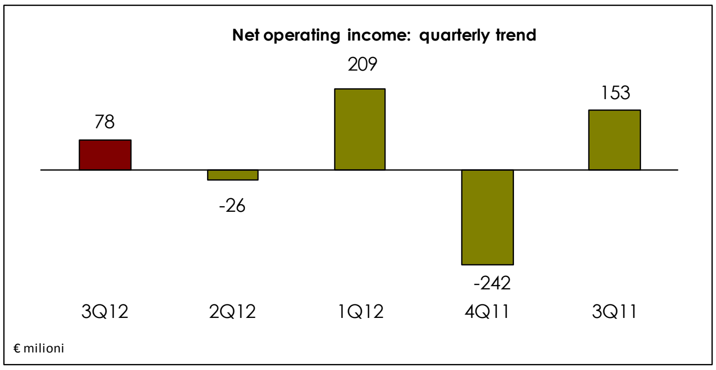
OPERATING EXPENSES (EUR mln)

	30/09/12	3Q11	2Q12	Restated (*) 1Q12	Restated (*) 30/09/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Personnel expenses	1,546.2	486.5	540.5	519.2	1,551.3	-54.0	-10.0%	-5.1	-0.3%
Other administrative expenses(*)	805.4	286.8	255.0	263.5	807.7	31.8	12.5%	-2.3	-0.3%
Administrative expenses	**2,351.6**	**773.3**	**795.5**	**782.8**	**2,359.0**	**-22.2**	**-2.8%**	**-7.4**	**-0.3%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	139.6	48.5	45.7	45.4	119.6	2.8	6.2%	20.0	16.7%
Operating expenses	**2,491.2**	**821.8**	**841.2**	**828.2**	**2,478.6**	**-19.4**	**-2.3%**	**12.6**	**0.5%**

(*) Figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

<u>In particular:</u>

- **Administrative expenses** amounted to approx. EUR 2.352 mln, in line with previous year levels (-0.3%) as a result of:
  - **personnel expenses**, amounting to approx. **EUR 1,546 mln** (-0.3% YoY).
  - **other administrative expenses** (after stamp duty and customer expense recovery), totalling approx. **EUR 805 mln**, down 0.3% on the same period of last year.
- **net adjustments to tangible and intangible assets** standing at approx. **EUR 140 mln** (vs EUR 119.6 mln as at 30/09/2011, +16.7%).



As a result of the above, **Net Operating Income** came to approximately **EUR 261 mln** (vs. EUR 743.6 mln as at 30/09/2011), with Q3 2012 contributing EUR 78.5 mln (vs. - EUR 26.4 mln in the previous quarter). Cost-income stood at 59.6%, substantially in line with end-June levels (+10 bps) and lower than the 63.8% ratio registered at the end of 2011.

NON-OPERATING INCOME, TAX AND NET PROFIT FOR THE PERIOD

Profit for the period included:

- **Net provisions for risks and charges and other operating expenses (income)**, amounting to - EUR 175 mln (vs. - EUR 173 mln as at 30/09/2011), with 3Q12 accounting for - EUR 47 mln, down on the previous quarter. The aggregate includes:
  - Provisions for risks and charges amounting to - EUR 87.3 mln, of which around - EUR 26 mln in 3Q12, mainly concentrated on items posted in connection with legal disputes.
  - Other operating expenses (income) for an amount of – EUR 87.8 mln, with Q3 2012 contributing approximately – EUR 21 mln, as against – EUR 57 mln in Q2 2012, including one-off items from the adjustment of accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel.
- **Gains on investments**, totalling approx. - EUR 0.3 mln.
- **Reorganisation costs/one-off charges**, amounting to - EUR 32.7 mln in connection with the reduction in the number of managers as per Business Plan and amounts provisioned against reorganisation costs arising from 400 branch closures as per Business Plan.
- **Gains (losses) on disposal of investments**, totalling EUR 7.2 mln (vs. EUR 34.3 mln as at 30/09/2011) with Q3 contributing EUR 6.4 mln in capital gains earned from the sale of one building.

Against this background, **income from continuing operations before tax stood at approx. EUR 60.1 mln** as at 30/09/2012 (vs. EUR 574.1 mln as at 30/09/2011; EUR 27.6 mln in 3Q12).

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

	30/09/12	3Q11	2Q12	Restated (*) 1Q12	Restated (*) 30/09/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Net operating income	**261.0**	**78.5**	**-26.4**	**208.9**	**743.6**	**104.9**	**n.s.**	**-482.6**	**-64.9%**
Net provisions for risks and charges and other operating expenses/income	-175.1	-47.1	-99.6	-28.3	-173.4	52.5	-52.7%	-1.7	1.0%
Gains (losses) from Investments	-0.3	1.5	-5.8	4.0	-14.8	7.3	n.s.	14.5	-98.0%
Riorganization charges / One off charges	-32.7	-11.7	-20.0	-1.1	-15.7	8.3	-41.7%	-17.1	n.s.
Gains (losses) on disposal of investments	7.2	6.4	0.6	0.3	34.3	5.8	n.s.	-27.1	-79.0%
Profit (Loss) before tax from continuing operations	**60.1**	**27.6**	**-151.3**	**183.8**	**574.1**	**178.9**	**n.s.**	**-514.0**	**-89.5%**

(*) Figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

Profit (loss) for the year was also affected by the following items:

- **Tax expense (income) on profit from continuing operations** was approximately - EUR 120 mln (ca. -EUR 222 mln as at 30/09/2011). The aggregate was positively influenced by the recognition of approx. EUR 114 mln in tax credit (accounted for as at 30/06/2012) arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses for fiscal years prior to 2012.
- **Profit (loss) after tax from discontinued operations** totalled EUR 13.8 mln and essentially included gains arising from Biverbanca.
- **Non-controlling interests in profit (loss) for the period** totalled EUR 5.4 mln (EUR 1.1 mln in 3Q12).

Consolidated net profit before Purchase Price Allocation (PPA) and impairment of goodwill, intangibles and AM Holding, posts a loss of EUR 51.7 mln (vs. a profit of EUR 372 mln as at 30/09/2011).

At the time of preparation of the 2012 Half Year Report, in view of a material deterioration in macroeconomic conditions which worsened significantly in the last few months together with banking sector forecasts for the period 2012-2015 and subsequent to the approval of the Group's 2012-2015 Business Plan on 26 June 2012, goodwill recognised in the financial statements was tested for impairment. The test revealed the need to recognise a total **impairment loss of consolidated goodwill for an amount of EUR 1,528 mln**, of which approx. EUR 1,436 mln allocated to the Retail Banking CGU of BMPS and approx. EUR 92 mln to the Retail Banking CGU of BAV.

In view of the Business Plan projects, it was also deemed appropriate to recognise an impairment loss on the full value of **Banca Antonveneta's trademark for a net amount of EUR 15.2 mln**. In addition to these impairment losses, **the investment held in AM Holding (14,3 mln) was written down, as were software-related intangibles due to obsolescence (net EUR 17 mln)**.

Considering the net effects of PPA (around EUR 39 mln) and impairment losses discussed above (totalling EUR 1,574 mln), **the net loss for the first nine months of 2012 amounts to approx. EUR 1,665 mln** (vs. a profit of EUR 303.5 mln in the same period of 2011).

RESULTS BY OPERATING SEGMENTS

IDENTIFICATION OF OPERATING SEGMENTS

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Group has adopted the so-called "business approach". The consolidated profit & loss and balance sheet data is broken down and re-aggregated on the basis of criteria such as business area and operating unit of reference, relevance and strategic importance of operations involved, customer clusters served.

The following Operating Segments, reporting to the highest decision-making level, were thus identified: the Retail & Corporate division, subdivided into the Retail Banking and Corporate Banking segments and the Corporate Centre.

SEGMENT REPORTING PROCESS

With a view to more accurately defining how the various business units contribute to the Group's overall results, a review of the segment reporting process has been carried out since the beginning of 2012. This specifically focused on:

- Financial expenses: the rules applied to determine the internal cost of funding were updated, with particular reference to the product companies and the banking book;
- Operating expenses: the techniques used to allocate 'indistinct' costs to the divisionalised entities of the Retail and Corporate banking division were fine-tuned, in order to provide more accurate allocation of Group costs to the cash generating units.

The 2011 values of operating costs have been restated so as to allow for a like-for-like comparison.
The comparative data for the Corporate Center differ from those published in the Half-Year Report as at 30/09/2011 having been restated, not only to account for methodological changes in the allocation of operating expenses, but also to reflect the new allocation of results from the foreign banks (MPS Banque and MP Belgio). Differences also result from the fact that Biverbanca was classified as held for sale at the end of June 2012 and thus posted to "Profit (loss) after tax from assets held for sale and discontinued operations" of the income statement.

RESULTS IN BRIEF

The following table reports the main profit & loss and balance sheet items that have characterised the Operating segments over the first nine months of 2012.

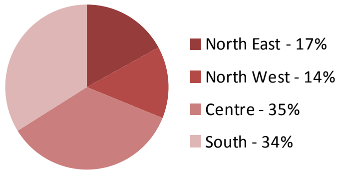
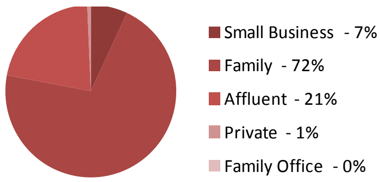
SEGMENT REPORTING	Retail & Corporate Banking division						Corporate Center		Total MPS Group	
Primary segment	Retail banking		Corporate banking		Total					
(million of Euro)	30/09/12	Var. % Y/Y	30/09/12	Var. % Y/Y	30/09/12	Var. % Y/Y	30/09/12	Var. % Y/Y	30/09/12	Var. % Y/Y
PROFIT AND LOSS AGGREGATES										
Income from banking and insurance	2,532.9	8.9%	1,654.7	19.8%	4,187.6	13.0%	-5.9	-101.3%	4,181.7	0.7%
Net impairment losses (reversals) on loans and financial assets	-563.6	74.3%	-812.4	37.9%	-1,376.0	50.8%	-53.4	213.1%	-1,429.4	53.8%
Operating expenses	-1,869.2	1.8%	-510.0	-1.5%	-2,379.1	1.1%	-112.0	-10.8%	-2,491.2	0.5%
Net operating income	100.1	-39.9%	332.3	20.9%	432.4	-2.0%	-171.4	-156.7%	261.0	-64.9%
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	60,731	-5.2%	65,837	-7.3%	126,568	-6.3%	11,402	-17.0%	137,970	-7.3%
Deposits from customers and debt securities issued(*)	75,481	-1.9%	23,054	-11.6%	98,535	-4.4%	36,767	-35.7%	135,303	-15.6%
Indirect funding - Distribution network	66,245	-2.0%	32,641	-16.5%	98,886	-7.3%	23,520	-3.9%	122,406	-6.7%
Assets under management	*40,876*	*-3.4%*	*1,405*	*-30.9%*	42,281	*-4.7%*	*2,485*	*14.6%*	44,766	*-3.8%*
Assets under custody	*25,369*	*0.4%*	*31,236*	*-15.7%*	56,605	*-9.2%*	*21,036*	*-5.7%*	77,641	*-8.3%*

(*) Retail Banking and Corporate Banking figures are only referred to the distribution networks of BMPS and BAV. It is noted that these figures do not include intercompany balances for the legal entities reporting to their respective business segments (typically intragroup funding).

N.B.: Y/Y changes are like-for-like since 2011 figures for comparison were restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

RETAIL & CORPORATE BANKING DIVISION

RETAIL BANKING

Areas of business	Target customers
▪ Funding, lending and provision of financial and non-financial services (including through electronic payment instruments) to Retail customers. ▪ Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (tax planning, real estate, art & legal) and financial advisory. ▪ Consumer lending (through the subsidiary, Consum.it).	Retail customers amount to around 5.6 mln. **Retail customers: breakdown by geography**  **Retail customers: breakdown by type**  Retail Banking also includes customers managed by the Financial Advisory network and Family Office (approx. 120 thousand customers, partly shared with the Network).

Profit & loss and balance sheet results

As at 30/09/2012 **total funding from Retail banking customers** stood at approx. **EUR 142 bn**, in line with the result in June (+0.5%) though dropping by 1.9% from the previous year. **Direct funding**, which came to **over EUR 75 bn**, registered a quarterly increase of around EUR 500 mln, having been propped up by the growth in short term and medium/long term investments by Affluent and Small Business customers, while a decline in current account deposits was recorded in the Family segment. Direct funding volumes fell by EUR 1.5 bn against 30/09/2011 largely owing to the contractive trends in the Affluent market, which saw a sharp drop in on-demand products, while there was a rise in other types of funding, particularly medium/long term. Other markets also experienced a downturn, with the exception of Small Businesses which registered a year-on-year growth in volumes of approx. EUR 200 mln.

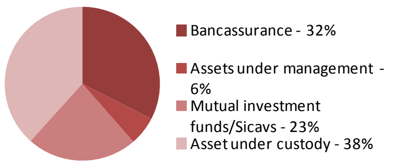
Indirect funding, which came to **EUR 66.2 bn** (+0.2% on 30/06/2012; -2% YoY), benefitted from the higher value of financial assets allocated to the portfolios of assets held under management and under custody on behalf of customers, as a result of narrower Italian spreads and easing tensions in the financial markets. More specifically, **assets under management** came to around EUR 40.9 bn (+1% QoQ; -3.4% YoY) while **assets under custody** totalled approx. EUR 25 bn (-1% QoQ; +0.4% YoY).

In terms of credit management, **interest-bearing loans**, which stood at approx. **EUR 61 bln**, were essentially in line with 30/06/2011 (-0.6%), falling 5.2% on the previous year (-1.6%), largely owing to the decline in demand for credit by households and small businesses which reverberated into a more marked reduction in medium-long term lending.

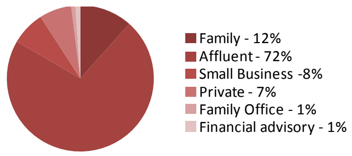
RETAIL BANKING - BALANCE SHEET AGGREGATES					
(million of Euro)	30/09/12	30/06/12	30/09/11	Q/Q	Y/Y
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES ISSUED - DIST	**75,481.4**	**74,958.7**	**76,956.1**	**0.7%**	**-1.9%**
Assets under management	*40,876.4*	*40,479.2*	*42,314.9*	*1.0%*	*-3.4%*
Assets under custody	*25,369.0*	*25,625.6*	*25,265.0*	*-1.0%*	*0.4%*
INDIRECT FUNDING - DISTRIBUTION NETWORK	**66,245.4**	**66,104.8**	**67,579.9**	**0.2%**	**-2.0%**
TOTAL FUNDING - DISTRIBUTION NETWORK	**141,726.8**	**141,063.5**	**144,536.0**	**0.5%**	**-1.9%**
INTEREST-BEARING LOANS TO CUSTOMERS	**60,731.4**	**61,095.6**	**64,043.9**	**-0.6%**	**-5.2%**

(*) Franchise of Banca Monte dei Paschi di Siena and Banca Antonveneta

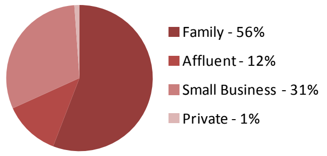
Retail banking – Distribution network
Indirect funding breakdown



Retail banking – Distribution network
Direct funding breakdown



Retail banking – Distribution network
Interest-bearing loans



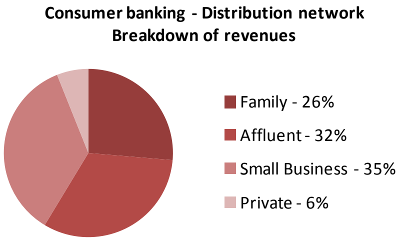
With regard to P&L results, in the first nine months of 2012 the Retail banking division achieved **total revenues** of approx. **EUR 2.5 bn**, an 8.9% improvement on the level reached in the same period of 2011. Within the aggregate, the following is observed:

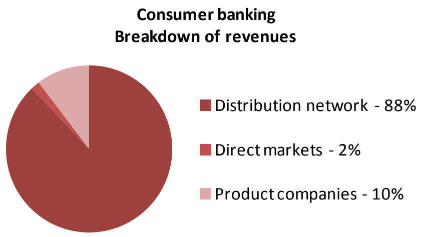
- a rise in net interest income (+5.2%), owing largely to the repricing of interest-bearing assets and increased return on demand deposits resulting from higher internal transfer rates;
- an increase in net fee and commission income (+1.2%), boosted by the positive trend for income from the placement of wealth management products;
- greater input from "other revenues" (EUR 151.8 mln against 25.5 mln in the first nine months of 2011).

As for cost components, there was an increase in net impairment losses (reversals) on loans and financial assets, reflective of the persistently difficult economic cycle, and a rise in operating expenses (+1.8%).

As a result of the above components, in the first nine months of 2012 the Retail banking division posted a **Net Operating Income** of approx. **EUR 100 mln**, with a **cost-to-income ratio of 73.8%.**

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(million of Euro)	**30/09/12**	**30/09/11**	**Y/Y**
Net interest income	*1,415.7*	*1,345.3*	*5.2%*
Net fee and commission income	*965.3*	*954.2*	*1.2%*
Other income	*151.8*	*25.5*	*n.s.*
INCOME FROM BANKING AND INSURANCE	**2,532.9**	**2,325.0**	**8.9%**
Net impairment losses (reversals) on loans and financial assets	*-563.6*	*-323.3*	*74.3%*
Operating expenses	*-1,869.2*	*-1,835.3*	*1.8%*
NET OPERATING INCOME	**100.1**	**166.4**	**-39.9%**





PERFORMANCE OF COMPANIES REPORTING TO THE RETAIL BANKING DIVISION			
(million of Euro)	**30/09/12**	**30/09/11**	**Y/Y**
CONSUM.IT (net profit for the period)	15.8	28.6	-44.8%
MPS FIDUCIARIA (net profit for the period)	0.8	1.0	-13.6%

Main initiatives

Retail activities in the quarter were aimed at:

- **Boosting direct funding**, especially leveraging on the further development and promotion of the product range "Conto Italiano", with cross-selling being one of the objectives. Main initiatives included:
  - Offers relating to "Conto Italiano di Deposito" and "Conto Italiano per Noi" (an account with modular features and dynamic pricing).
  - An introductory offer of "Conto Italiano Zip Base".
- **Developing the Protection segment** through a comprehensive set of initiatives, which included:
  - Marketing of the multi-guarantee product "Mia Protezione" (with activation of additional on-line features), the new P&C insurance policy "Pagamento Protetto", the product "Valore Autonomia" (in combination with pension products).
  - Launch of new products as part of the range of secured Unit-linked policies, "Valore Performance", as well as the new P&C insurance policy, "Pagamento Protetto", which covers the insured party against theft or loss of means of payment.
  - Continuation of the prize-based initiative "Liberi e Premiati", dedicated to life protection and pension.

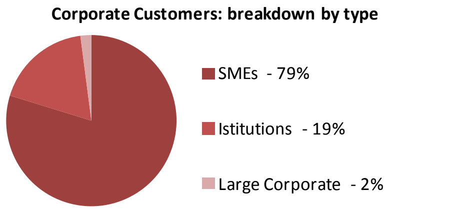
- Completing **asset management rationalisation** and expansion of product catalogue with three new bond lines.
- Implementation of the **new issuing/acquiring platform for credit cards** (launch planned for the first quarter of 2013), by an agreement signed with CartaSi for the technological and administrative management of operations and the provision of after-sales services and customer care. As at 30/09/2012, the total number of payment cards distributed by the Group came to 3,455,147 (+4% since the start of the year) with POS terminals totalling 128,951 (+2% since the start of the year).

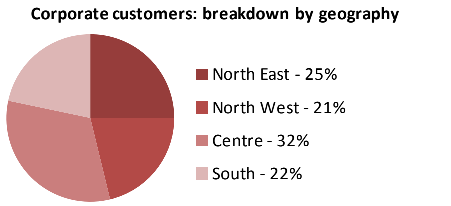
Further activities involved:

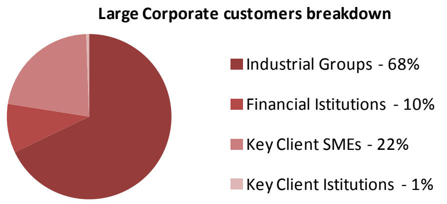
- Credit facilities to small business customers, expanding the use of credit lines with pre-approved interest rates, and growth of the International Banking business.
- Financial advisory, by completing rollout of the Advice platform to the entire Branch Network, consolidating operations in the Personal Advice platform to support asset and insurance management of customers, launching advisory and sales plans for transactional products (current accounts and cards).
- Private banking, with the objective of leveraging the synergies with the corporate market, optimising portfolios of assets under custody, strengthening the offer of bancassurance products to customers.
- Consumer credit, especially through the marketing campaign on the "TuttoFare" range.

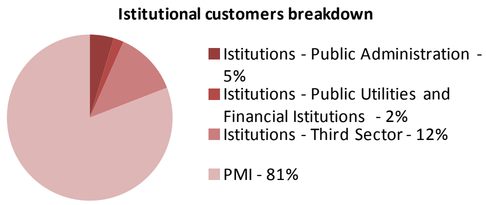
CORPORATE BANKING

Areas of business	Target customers
▪ Lending and offering of financial products and services to businesses, including through strategic partnerships with trade associations and Confidi credit guarantee consortia. ▪ Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring). ▪ Corporate finance – medium-long term credit facilities, corporate finance, capital markets and structured finance (partly through the subsidiary, MPS Capital Services). ▪ Products and services issued by BMPS' foreign branches to support business expansion and investments by Italian companies abroad.	Corporate Banking customers amount to approximately 78 thousand.









Profit & loss and balance sheet results

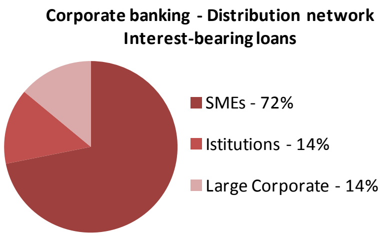
As at 30/09/2012, volumes of **total funding with Corporate customers** amounted to approx. **EUR 56 bn**, down 6.1& on 30/06/2012 and 14.5% on the previous year. **Direct funding**, which amounted to approx. **EUR 23 bn**, grew by more than EUR 2 bn over the quarter (+10.2%), driven by the increase in deposits from SME customers and Large Corporates. The decline in volumes from 30/09/2011, on the other hand, is linked to the reduction in liquidity owing in particular to PA treasury centralisation processes.

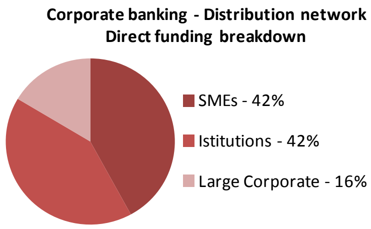
Indirect funding, consisting largely in assets under custody, stood at approx. **EUR 33 bn** at the end of September, down 14.9% from 30/06/2012 (-16.5% on 30/09/2011) primarily affected by the cancellation of treasury shares in July 2012 by one of the Group's "Large Corporate clients" whose assets are held under management and custody by the Group.

With regard to lending, as at the end of September 2012, **interest-bearing loans** stood at EUR 65.8 bn, largely in line with June levels (-0.8%) but falling 7.3% from 30/09/2011.

CORPORATE BANKING - BALANCE SHEET AGGREGATES					
(million of Euro)	**30/09/12**	**30/06/12**	**30/09/11**	**Q/Q**	**Y/Y**
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES ISSUED -	**23,053.9**	**20,918.8**	**26,075.9**	**10.2%**	**-11.6%**
Assets under management	*1,404.5*	*1,467.6*	*2,032.5*	*-4.3%*	*-30.9%*
Assets under custody	*31,236.1*	*36,907.5*	*37,068.2*	*-15.4%*	*-15.7%*
INDIRECT FUNDING - DISTRIBUTION NETWORK	**32,640.6**	**38,375.1**	**39,100.7**	**-14.9%**	**-16.5%**
TOTAL FUNDING - DISTRIBUTION NETWORK	**55,694.5**	**59,293.9**	**65,176.7**	**-6.1%**	**-14.5%**
INTEREST-BEARING LOANS TO CUSTOMERS	**65,836.9**	**66,351.9**	**71,003.4**	**-0.8%**	**-7.3%**

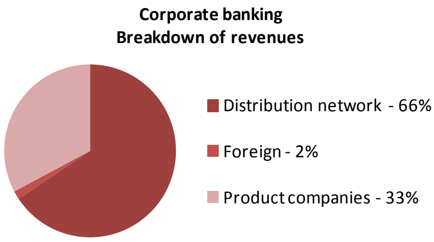
(*) Franchise of Banca Monte dei Paschi di Siena and Banca Antonveneta

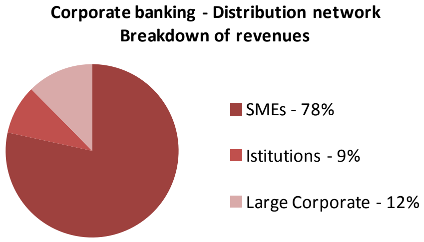




With reference to profit and loss aggregates, **total revenues** for the Corporate banking division in the first nine months of 2012 came to approx. **EUR 1.7 bn** (+19.8% on the previous year) thanks to net interest income (+8.6% YoY) and higher revenues from trading of MPS Capital Services. **Net operating income** totalled approx. **EUR 332 mln** (+20.9% YoY) reflecting the higher net impairment losses on loans and financial assets compared to the previous year, while operating costs decreased (-1.5%). **The Corporate Banking cost-income ratio stands at 30.8%.**

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(million of Euro)	**30/09/12**	**30/09/11**	**Var. a/a**
Net interest income	*1,027.8*	*946.8*	*8.6%*
Net fee and commission income	*391.3*	*392.9*	*-0.4%*
Other income	*235.6*	*42.0*	*461.4%*
INCOME FROM BANKING AND INSURANCE	**1,654.7**	**1,381.6**	**19.8%**
Net impairment losses (reversals) on loans and financial assets	*-812.4*	*-589.0*	*37.9%*
Operating expenses	*-510.0*	*-517.6*	*-1.5%*
NET OPERATING INCOME	**332.3**	**274.9**	**20.9%**





PERFORMANCE OF COMPANIES REPORTING TO THE CORPORATE BANKING DIVISION			
(million of Euro)	**30/09/12**	**30/09/11**	**Var. a/a**
MPS CAPITAL SERVICES (net profit for the period)	147.5	50.1	n.s.
MPS LEASING & FACTORING (net profit for the period)	-7.7	13.5	n.s.

Main initiatives

SME market

- Effective sales coverage aimed at maintaining market shares in terms of volumes, partly through a selective approach to acquisition, with a particular focus on the Mid Corporate segment having high potential for the international banking business;
- Increase in direct funding levels.
- Particular focus on unfunded loans, including signature loans and bankers acceptances;
- Development and requalification of cash flows channelled to the bank and advanced to the client by favouring, among other things, export advances in sectors deemed high priority;
- Systematic use, wherever allowed, of third-party funds (eg. from the Cassa Depositi e Prestiti, i.e. the Loan and Deposit Fund) for the issue of medium-long term loans;
- Systematic use, wherever possible, of collaterals (with preference given to the credit guarantee consortia (Confidi) pursuant to art. 107 of the he Consolidated Law on Banking (TUB) and MCC) as backing for new loans and as a lever for credit risk monitoring;

Institutions and Public Administration

- Increase levels of Direct funding (compatibly with the effects of Law Decree no.1 of 24/01/2012 – the Liberalisation Decree), by focussing on competitors' share of wallet of existing customers.
- Increase in Signature Loans.
- Increase synergies with Product Companies to encourage both the placement of "high-advisory" products (project financing, derivatives on commodities/non-speculative interest rates, advisory, factoring, leasing, financial products) and the acquisition of new customers.

Fourth ABI – CDP Agreement: "CDP loans for SME investments"

As a result of the continuing national and international financial crisis, on 1 March 2012 Cassa Depositi e Prestiti (CDP) and the Italian Banking Association (ABI) signed the Fourth Agreement for loans to SMEs, which defines the guidelines and general principles concerning funding that will be made available to banks.

On 31 July 2012, the Group, which traditionally has always been close to SMEs and particularly sensitive to their needs, joined an initiative promoted by ABI and CDP, which allows the Group to make a highly competitive offer in support of small and medium enterprises strongly benefitting from funding at special terms. The agreement in question was made operational by the Group through the implementation of the financing product known as "CDP loans for SME investments", marketed as of 15 October 2012.

The product is especially aimed at SMEs operating in Italy with fewer than 250 employees and an annual turnover not exceeding EUR 50 mln or total balance sheet assets for the year not exceeding EUR 43 mln.

The loan is intended to cover either future and/or in-progress investments as well as any increase in working capital.

Duration of the loans - 3 to 5 years – may be extended up to 7 or 10 years if they are intended to cover investments; the amount disbursable , in one payment, is between 50,000 and 5 mln euro.

International Banking

- Business promotion actions, focusing on Mid-Corporate customers operating with foreign countries, were aimed at increasing the position of the Montepaschi Group as a bank of choice for foreign transactions. Target customers of the initiative are companies with highly profitable business opportunities.
- New ways of channeling international banking flows were also sought by tapping into today's lending potential, both by reducing undrawn amounts on existing credit lines and by approving applications for new "Export Signature Loans" from Italian equipment manufacturers, giving preference to countries with high growth potential such as Turkey, India and Russia.

Subsidised financing

Operating as the " Lead Arranger" for the Ministry of Economic Development and the Ministry of Education, Universities and Research in relation to public incentives for research and industrialisation. Activities over the quarter included:

- Launch of the preliminary phase for 9 Research and Development projects relating to the "Negotiating procedure" pursuant to Law no. 46/82 – Fund for Technological Innovation - aimed at large-scale projects.
- Completion of the first preliminary phase for 3 research projects regarding "Smart Cities – Convergence Objective" with funds from the 2007/2013 National Operational Programme (PON) for Research & Competitiveness.

Project Financing and Structured Finance

Two new syndicated credit facilities in which the Group participated as Mandated Lead Arranger were finalised during the quarter.

Investment banking

Co-Lead Manager in two syndicated bond issuances by the European Financial Stability Facility (EFSF).

Leasing & Factoring

Campaign aimed at acquiring leasing transactions for small-scale consumer goods (vehicles and small capital goods) with a fast and simplified authorisation process and pricing for Small Business customers.

THE CORPORATE CENTER

REPORTING SCOPE

The segment includes the cancellation of intragroup entries as well as the results of the following activities:

- Banca Popolare di Spoleto (pro-rata interest at 26.005%).
- Banks governed by foreign law (MP Banque and MPS Belgio).
- The head office units: i.e. governance and support functions, proprietary finance, the asset management centre of divisionalised entities, which include in particular ALM, Treasury and Capital Management.
- Service and support units for the business, particularly with regard to: development and management of information systems (Group's Operating Consortium), collection of doubtful loans (MPS Gestione Crediti Banca) and value creation from the Group's real estate (MPS Immobiliare).
- Companies consolidated using the equity method and companies held for sale[4].
- Operating units which, on an individual basis, are below the benchmarks required for primary reporting.

[4] The only asset classified as held for sale as at 30 June 2012 was Biverbanca.

EQUITY INVESTMENTS IN THE QUARTER

- Acquisition by Banca MPS of a 0.71% shareholding in *Centuria Agenzia per l'innovazione della Romagna Scrl* following the merger by absorption of the investee *Agenzia Polo Ceramico Scarl* (in which it held 2.27%).
- Subscription by Banca MPS of investment shares in *Cantine Riunite & Civ Soc. Coop. Agricola*, which led to the acquisition of a 5.72% shareholding.
- Merger by absorption of *Monte Paschi Assurances France Société Anonyme* into Monte Paschi Banque S.A. as of 30/09/2012.

NON-FINANCIAL ASSET MANAGEMENT[5]

This chapter provides an overview of certain corporate aspects which are deemed increasingly important by our stakeholders and which, for the Group, are valuable resources to be developed continuously in terms of sustainability for the benefit of customers, employees, shareholders and the community at large.

Non financial KPIs		30/9/2012	30/6/2012	31/12/11	30/9/2011
Operational efficiency					
ATM service level (%)		96.8	97.3	96.3	95.9
Energy consumption (GJoule)		721,125	488,697	1,076,589	808,221
Paper consumption (T)		2,673	2,018	4,434	2,916
CO_2 emissions (T)	*(GHG Protocol) scopes 1 and 2)*	11,039	9,331	22,693	17,084
Human Resources					
Headcount (no.)		30,372	30,422	30,424	30,458
Employee Perception Index (sc. 20-100)	*(from Network survey)*	68.9	68.9	68.9	69.2
Training per capita (hours)		21	18	49	31
BMPS training costs (mln euro)		2.9	2.7	4.1	nd
Customer care					
Branches in Italy		2,741	2,744	2,793	2,792
ATMs		3,435	3,432	3,485	3,491
Active remote banking users		845,068	837,274	786,079	769,448
Acquisition (%)		4.1	3.1	5.0	3.8
Retention (%)		97.0	97.8	95.9	96.9
Complaints received		7,352	5,070	10,069	7,517
Complaints-average response time		22	18	24	19
Customer Perception Index (sc. 20-100)	*(from Network survey)*	78.6	78.6	78.6	80.6
Brand and reputation					
Brand reputation (sc. 0-100)	*(from banking users survey)*	58.9	62.5	63.4	62.9
Reputational risk (sc. 0-10)	*(from web source monitoring)*	4.2	4.3	2.0	1.7
Negative press coverage (%)		13.7	13.2	4.4	4.0
Financial inclusion					
Young customers - up to 30 years old		627,120	627,364	620,304	617,868
Immigrant customers		310,733	305,430	287,112	282,346
Small business customers		381,737	386,159	382,109	382,814
Microcredit		596	482	869	nd
Green finance					
Environmental funding (mln euro)		734	531	1,350	nd

[5] Figures shown in the current chapter do not include those of Biverbanca, which was classified among assets held for sale and discontinued operations at the end of June 2012.

OPERATIONAL EFFICIENCY

The Business Plan currently in place includes several measures aimed at improving the efficiency of the "operating engine" of the Group.

It is expected that once these measures are fully operational, personnel costs will be cut by EUR 299 mln (- 4%) and a structural reduction in "Other Administrative Costs" will be obtained, for a total of EUR 285 mln (- 7%). The measures will also be a step towards:

- continuously ensuring the proper functioning of customer service channels.
- achieving additional savings in the use of natural resources and reducing the related environmental impacts.

ORGANISATIONAL CHANGES

- The Network distribution optimisation project continued with a view to reviving branch productivity through, among other things, the elimination of inefficient regional overlaps.
- Rollout of the Parent Company's reorganisation project continued.

OPTIMISATION OF INTERNAL PROCESSES

Launch of the main Business Plan initiatives:

- Acceleration of cost-cutting efforts - discontinuation, reduction, deferral and elimination of all "non-indispensable" expenses up to year-end, with a 50% reduction in the decision-making powers of cost centres, higher level of authorisation and setup of the "Cost Optimisation Room".
- Space management optimisation - optimised use of Head Office space and locations and concentration/centralisation of individual facilities by geographic area.
- Reduction of rent on property - renegotiation of leasing contracts with third parties with the use of an extenal Partner (for technical analysis and renegotiation).
- Discontinuation of non-strategic business costs - elimination/reduction of ancillary expenses having no impact on the bank's core activities.
- Disposal of real estate - sale and/or completed negotiations for sale of the Group's properties not used in the business.
- New governance of the Chief Operating Officer Division - setup of Management Committees to: share ideas for improvement and objectives; improve the ability to solve problems by brainstorming solutions; increase the ability to deliver objectives by prioritising and monitoring activities; strengthen team spirit.

Further activities involved:

- Preparation of a new accounting management system and related organisational and procedural streamlining.
- Rollout of a new credit risk monitoring system which, through a better-structured and simplified process, allows insolvency risk exposure to be more effectively managed.
- Centralisation of the management of guarantees received with a view to better using them for the purpose of credit risk mitigation.
- Reduction in cash inventory, related operational risk and the cost of money transportation for approx. 500 of the Group's ATMs installed in public places.
- IT systems supporting customer services (Paschi FACE, CRM upgrading, Integrated Multichannels, Wealth Management, New Products & Services, Pricing), security infrastructure (security architecture FACE, Identity and Access Management, anti-fraud initiatives).

- Paperless document management both in customer correspondence and in-house consumption.
- Standards of quality to be applied in the development and reorganisation of branches.

MANAGEMENT OF DIRECT ENVIRONMENTAL IMPACT

Direct environment impacts are monitored through an ad hoc management system compliant with ISO14001. The analysis of such impacts and the identification of continuous improvement actions are primarily based on data from the so-called Carbon Footprint, ie. greenhouse gas emissions (mainly carbon dioxide – CO_2) that arise from energy consumption in operational areas such as facility management, IT, business travel.

Since the start of the year, 11,039 tonnes of CO_2 were produced equal to 369 Kg per employee. The positive decline in emissions was partly the result of the energy savings achieved: since the start, 721 thousand GJoules have been consumed (-10% on the same period in 2011).

Energy Efficiency Certificates

The Italian authority for Electric Energy and Gas (AEEG-*Autorità per l'Energia Elettrica e il Gas*) has granted the bank the opportunity to obtain Energy Efficiency Certificates (aka. white certificates) in light of energy savings provided by the GHIRO system (approx. 1.200 TEP per year). This system runs on the approx. 30 thousand Group PCs: it automatically activates the standby mode when PCs are paused and restarts computers when branches open.

The use of paper was also reduced: 2,673 tonnes since the start of the year (-8% on the same period in 2011).

HUMAN RESOURCES

The Group employed 30,372 people as at 30/09/2012. Since the start of the year, there have been 120 new hirings and 172 terminations.

The average age is 44.6 years.

Headcount	30/9/2012	% of total
Total	**30,372**	
Operational location		
Head Offices	9,331	31.28%
Italy Network	20,498	68.72%
Foreign Network	543	
Professional/occupational		
Executives	483	1.6%
Middle Managers	11,727	38.6%
Other	18,162	59.8%

HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT STRATEGY

The human resource development and management strategy hinges on three essential criteria: renewal ability, sense of belonging, professionalism and motivation. This is as stated in the Business Plan and will be developed according to a "work by objectives" logic which will follow two main guidelines:

- A new work-organisation model providing quali-quantitative and behavioural objectives, applicable to all personnel, as well as the introduction of a merit-based reward system.
- A plan for stronger employee engagement, which will include: 1) the introduction of remuneration systems based on roles and relocations; 2) the strengthening of employee welfare with the introduction of benefits for individuals and families; 3) ongoing corporate climate monitoring.

Incentive system

During the quarter, development began of a new incentive system designed to:

- Steer the performance of individuals towards strategic corporate objectives.
- Reward input and contribution (quantity and quality) of each resource to achieving objectives.

Placed within a set of remuneration levers that are integrated and functional to the needs of the Group, the new incentive system will strengthen the link between strategic management indicators (quantity and quality) and the variable remuneration component. All of this is within a framework of regulatory and behavioural compliance objectives, ie. appropriateness of behaviour or conduct by employees in the pursuit of their assigned targets.

The new incentive system will consist in a Management by Objectives (MBO) approach and will involve the entire corporate population, from the Group's top executive levels to each individual resource, through a process that cascades goals and specific objectives down to the entire organisation.

The main innovations of the new incentive system, therefore, are:

- The extent of qualitative assessment, focusing on managerial behaviours and personal skills.
- Greater transparency and a common goal-setting process.
- The assignment of better focused objectives with respect to the characteristics of the different professional categories within the Group.

Training

Training activities involved around 98% of employees (93% in 3Q11) for a total of 644,397 hours. On average, therefore, each employee has taken part in 21 hours of training. The financial commitment to training within the parent company totalled approx. EUR 3.5 mln. The main topics dealt with were: Life protection, pensions and savings; credit; finance basics for sales & distribution roles; anti-money laundering; health and safety. Pilot testing of webinars continued as part of the management skills development programmes for new branch managers.

RESTRUCTURING AND MANAGING IMPACT ON PERSONNEL

During the quarter, internal communications regarding the Business Plan continued with a particular focus on the necessary steps to be taking for what concerns organisational restructuring: 1) new organisational setup of the Parent Company; 2) rationalisation of the sales & distribution network; 3) corporate mergers, asset disposals and outsourcing of back office activities.

The impacts of the Business Plan have been evaluated in terms of social sustainability. On the one hand, structural rationalisation projects allow for the redeployment of "freed" resources (taking also into account professional skills) and, on the other, the implementation of planned initiatives and targeted cost actions will help contain the impact on personnel, especially in terms of realigning headcount with corporate needs.

Industrial relations

Regarding the Group reorganisation project contained in the Business Plan, appropriate procedures with the trade unions have been followed as provided under contractual provisions (articles 18 and 19 of the existing National Collective Labour Agreement -CCNL) in order to analyse repercussions on the personnel concerned. Talks with Trade Unions also covered other matters, such as the plan to optimise administrative, accounting and ancillary activities and cancelaltion of the Supplementary Corporate Labour Agreement. The trade union procedure began in early August and was completed at the end of September without the signing of an agreement between the Parties.

EQUAL OPPORTUNITIES

Female staff accounted for 45% of total staff as at 30.09.2012. Female directors totalled 5.1%. 38% of female staff held positions of responsibility.

Gender quality and the value-enhancement of women are issues that are specifically being analysed together with the Trade Unions. The parties are currently studying solutions designed to increase the presence of women in positions of responsibility and at the higher professional levels.

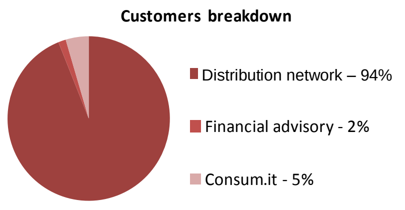
CUSTOMER CARE

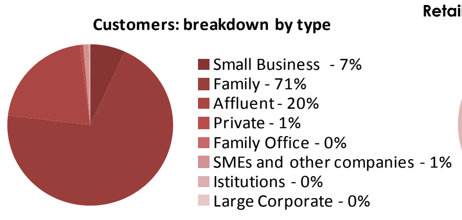
THE CUSTOMERBASE

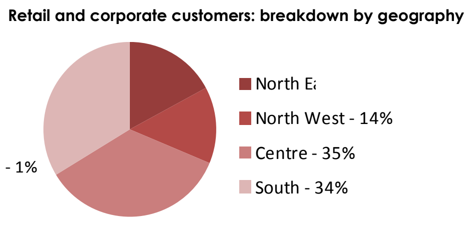
The Group has over 6 mln customers:

- Roughly 5.7 million are managed by the Retail and Corporate networks of Banca Mps and Banca Antonveneta .
- Approximately 400 thousand customers are managed exclusively by Consum.it, the Group company specialised in consumer loans, and by the Financial Advisory Network.

Retail & Corporate customers are distributed throughout the country with a stronger presence in Central Italy; they are sub-divided into customer clusters, each of which is associated with an ad-hoc Service Model.







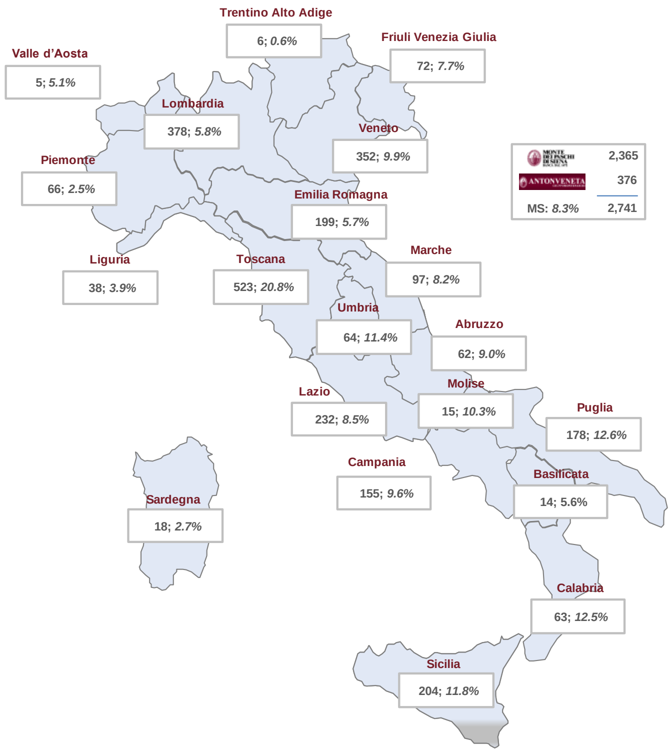
DISTRIBUTION CHANNELS

Customers are served through an integrated combination of "physical" and "remote" distribution channels.

Physical channels

In Italy there are 2,741 branches, 270 specialised centres dedicated to SME customers (133), Private customers (82) and Institutions (55), and 3,435 ATMs. Operations include a further 787 Financial Advisors supported by 141 regional offices.

Branches and Market Shares in Italy at 30.9.2012



ATMs as at 30/9/2012	With traditional features	With cash-in features	Total
Self Service areas (7days x 24h)	2,488	212	2,700
Sef service areas (branch hours)	88	175	263
In companies/institutions	131		131
In public places	341		341
Total	**3,048**	**387**	**3,435**

The Foreign Network includes: 4 operational branches (London, New York, Hong Kong and Shanghai), 11 representative offices located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China), 2 banks under foreign law - MP Belgio (8 branches), MPS Banque (17 branches).

Remote channels

Active customers of multichannel services amounted to 845,068 as at 30.09.2012 (+10% on the same period in 2011). Launch of the new internet banking platform (PasKey) was completed in the quarter.

CUSTOMER SATISFACTION

Specific customer satisfaction surveys were conducted over the quarter. Activities focused on analysing the indicators collected from internal customer care monitoring. Implementation of improvement actions continued, with the aim of:

- Expanding and optimising customer contacts with a view to increasing loyalty and retention so as to ensure the ongoing ability to listen and respond to their needs.
- Improving the quality of business behaviour of customer relationship managers through specific training programmes and skills development.

Complaints management

2,282 new complaints were reported in the third quarter (7,352 since the start of the year). The average response time was 22 days, remaining below the limits set by the Bank of Italy in its new transparency regulations (30 days).

BRAND AND REPUTATION

The brand, or corporate image and reputation that it represents, is a key driver in the choices of customers and in the long-term performance of the Group. For this reason, it is at the very heart of the Group's integrated communication strategy and supports product marketing.

More specifically, in the third quarter:

- Local communication activities were stepped up (press, TV, radio and local websites) to enhance the role of the branches and promote initiatives carried out locally.
- Marketing campaigns for “Conto Italiano” were supported by leveraging on the values that are at the heart of the Group's corporate image (history, tradition, local proximity).
- Specific focus was given to young people, including through the use of the social network as a key strategy.

MONITORING CORPORATE IMAGE AND REPUTATION

The brand's importance and reputation are monitored through both quantitative and qualitative analyses of Group coverage in the press, on television and via web, and through the consensus level of banking service users in order to verify the effectiveness of communication strategies and identify opportunities for improvement along with any brand-protection measures, if deemed necessary.

- Awareness of the BMPS brand has increased.
- Reputational indices have dropped, in line with industry data.
- The effectiveness of marketing campaigns was also reflected in the awards received by the Group: the Press&Outdoor Key award for Conto Italiano Without Frontiers, an account for immigrant customers; the Financial Observatory's award for Conto Italiano per Me, aimed at young people.

SUSTAINABILITY RATINGS

Opinions regarding the sustainability of the Group's performance, expressed by specialised rating agencies, are reputational indices which affect the investment decisions of a growing number of financial players.

BMPS was again included in the Dow Jones Sustainability Index World and Dow Jones Sustainability Index Europe, with a global score of 79/100, an increase on its previous result of 76/100.

SOCIAL ADDED VALUE

In carrying out its business activities, the Group takes into account its social and environmental impact in the interest of both the company and the community.

FINANCIAL INCLUSION - *respond to the needs of wide segments of the population at risk of social inclusion.*

The offer is continuously updated in order to provide the more vulnerable sections of society with social benefits in addition to standard products and services.

Key operational measures since the start of the year include:

- Suspension of mortgages and loans and other credit facilities for families and businesses experiencing temporary hardship as a result of the economic crisis or natural disasters. In particular, during the quarter, specific products were released in support of populations affected by the earthquake and advances on redundancy benefits (CIG) were extended at local level. "Montepaschi per la crescita" (Montepaschi for growth), designed to support capital strengthening processes, was launched for SMEs.
- Basic current accounts and banking services at low cost for pensioners and people of low economic/financial means. 4 new current accounts were marketed over the quarter. The accounts fall within the range of legislative initiatives aimed at ensuring greater financial inclusion of socially disadvantaged groups as well as a widerspread distribution of payment instruments as an alternative to cash (over 1,100 new accounts in the quarter).
- Loans at favourable conditions for young people to be used for the purchase of a first home or study purposes.
- *Conto Italiano Senza Frontiere* (Italian account without Frontiers) - identifies a true service model for immigrants (accounting for approx. 6.0% of total customerbase) including, among other things, zero-cost remittances and very favourable conditions on personal loans. 550 new current accounts were registered in the quarter.

Moreover, essential financial means are provided to individuals and families experiencing temporary financial hardship through the disbursement of microloans. The number of operations since the start of the year continued to be high, with the disbursement of 596 loans (114 in 3Q12) for a total of approximately EUR 2.7 mln (EUR 490 thousand in 3Q12).

FINANCIAL EDUCATION - *contribute to improving financial culture and awareness among young people and consumers in general*

Initiatives implemented in the first nine months of the year included projects carried out in collaboration with consumer groups as part of ConsumerLab (the workshop organised by the Group to address the more relevant issues of the bank-customer relationship):

- BancAscuola - 10 meetings/events in high schools.
- ConsumerLab at home - 11 meetings/debates held at various Group locations with a focus on welfare and pensions as an important component of modern civic education.
- Update of the information guides on key banking services and products.

The bank's YouTube channel continued to run the video series "The economy for everyone", designed to help the public approach and better understand the terms and instruments used in the banking and financial world.

SOCIAL WELFARE - *support social initiatives.*

With the aim of developing long-term partnerships, supporting social initiatives and maximising benefits for local communities, the Group' continued its collaboration with the international humanitarian organisation, ACRA (Associazione di Cooperazione Rurale in Africa ed America Latina) and with the Association, Trenta Ore per la Vita Onlus (Thirty hours for life).

The traditional Christmas fundraising activity was also put in place during the quarter. Directly promoted and supported by the bank, the initiative raises funds for 11 non-profit organisations identified by the sales network across the country.

CORPORATE SUSTAINABILITY - *contribute to the spread of corporate culture and sustainable production processes in terms of social and environmental issues.*

Since the start of the year, around 1,000 loans (359 in 3Q12) were granted to consumers and businesses for investments and purchases having environmental objectives. A total of EUR 734 mln was disbursed in the first nine months of 2012 (EUR 203 mln in 3Q12).

GOVERNANCE & CONTROL SYSTEMS

This chapter provides a summary of the Group's approach to governance, compliance, risk management and compensation of managers, which are important factors in ensuring conditions of sound and prudent banking and are at the basis of processes through which it is possible to generate value both within and outside the company.

CORPORATE GOVERNANCE

The Group's approach to corporate governance is based on the principles of transparency, integrity and prudence. This is in coherence with the:

- Code of Ethics and the system of Corporate values.
- Long-term vision which characterises corporate strategies and behaviours.
- Vocation for traditional banking activities.

The model of Corporate Governance chosen by the parent company is traditional since it was deemed better suited to ensuring application of the prescribed Corporate Governance approach as well as operational effectiveness (controls, dialogue between the Corporate Bodies and management of the bank, etc.).

For further information on this subject, please see the "Report on Corporate Governance and Ownership Structure", prepared in compliance with the Corporate Governance code for listed companies issued by the Italian Stock Exchange and published under the section Investors & Research at www.mps.it.

Board of Directors	
Directorsi	**12**
Average age	**53**
Female directors	**2**
Executives	**6**
Independent directors	**5**
Directors with more than 4 appointments outside the Group	**4**
Maximum number of appointments allowed outside the Group	**6**
BoD internal committees	
-Executive	
-Strategy and Sostenibilità	
-Appointments and Remuneration	
Internal Controls	
-Independent directors	

PREVENTING CONFLICTS OF INTEREST

Under the Civil Code, industry law and the contract of employment, the directors and employees of the bank must always behave in such a manner as to avoid any harm to the company arising from conflicts of interest.

In particular, with regard to Related-party transactions, the bank operates in compliance with specific regulations, as amended by Consob no. 17221 of 12 March 2010, through the application of the "Procedure for related-party transactions" published under the section Investors & Research of the Corporate website at www.mps.it.

COMPLIANCE

THE COMPLIANCE MANAGEMENT SYSTEM

Compliance with the law, fairness and professional ethics are prerequisites in each of the Group's undertakings and make up the necessary conditions to achieve a positive role in society. These are the values that are integrated into the Group's activities and underlie its culture of compliance and corporate reputation.

The Compliance function of the parent company (the Compliance & Legal Division) is the central unit which oversees all monitoring activities regarding regulatory compliance and associated risks. The Division also oversees the proper enforcement of legal requirements relating to anti-money laundering and counter-terrorism.

In Q3:

- As required by the Bank of Italy, talks were held with the Italian Banking Association regarding the new "Regulations for the Prudential Supervision of Banks. Internal controls, IT system and business continuity".
- Work continued to develop methods and broaden the monitoring of non-compliance risk, also with regard to foreign operations.

Improvement actions

The analyses of compliance of organisational controls in place and risks inherent in operations are at the basis of the improvement plan (Compliance Plan) which is submitted annually for the approval of the BoD.

Key activities over the quarter included:

- The necessary adjustments following the introduction of new regulations regarding maximum overdraft fees.
- Adoption of new Bank of Italy provisions regarding the prevention of conflicts of interest with "related parties".
- Activities relating to the management of regulations regarding the protection of privacy.
- Verification and revision of the 231/2001 model.
- Enactment of measures implementing Consob findings/guidelines.
- Activities aimed at further improving the completeness and timeliness of information to customers.

COMPENSATION POLICIES

The Group is well aware of how sensitive the issue of executive compensation is for stakeholders, especially within the financial industry.

On the basis of policies outlined by the Board of Directors of the parent company and approved by shareholders on an annual basis, the compensation systems applied are designed to reconcile the following interests:

- Attract and retain professional resources holding specific skills appropriate to the complexity of the business.
- Support the achievement of value creation objectives over time.
- Special focus is thus given to:

- Ensuring salaries are compatible with those of the market and commensurate with the specific characteristics of individual roles in terms of core competencies, impact on results, strategic goals and personal qualities (critical skills, experience, professionalism).
- Not encouraging excessive risk assumption.
- Avoiding significant economic differences between the various professional categories with a view to achieving internal corporate cohesion.

The following principles are also intended as guidelines:

- A correct balance between the fixed and variable component of compensation.
- A connection between the compensation of "key personnel" and tangible, sustainable and long-lasting results.

During the quarter, the scope of "key personnel" was revised following the entry and exit of top management and other senior positions in the first part of the year.

For further information, please refer to the "Compensation Report", prepared under Article 123-ter of the Consolidate Law on Finance and available under the section "Investors & Research" at www.mps.it.

INTEGRATED RISK AND CAPITAL MANAGEMENT

RISK GOVERNANCE AND MANAGEMENT MODELS

Risk governance systems

Within the framework of the Bank's overall organisational and governance restructuring, the Risk Management division was made to report directly to the Chief Executive Officer.

In the new organisational setup, the Risk Management Area is allocated to the Risk Management Division. In alignment with regulatory provisions and international best practices, this setup is aimed at guaranteeing greater autonomy and forcefulness to risk management actions and to the effectiveness of the entire risk management and control process.

The Risk Management Area defines integrated methodologies for the analysis and measurement of overall risks so as to guarantee they are accurately assessed and constantly monitored. The Area is in charge of: independently developing internal risk models; making sure that the operating limits set by the BoD are complied with; and ensuring that the risk reporting flow is transmitted to the Group's Top Management and governance bodies.

For further information on the subject, please see the Consolidated Report on Operations and Part E of the Notes to the Consolidated Annual Report as at 31/12/2011, as well as the Half-Year Report as at 30/6/2012, which can be found under 'Investors & Research' at www.mps.it.

Risk management models

Below is a description of the main initiatives which were put in place during the period with a view to fine-tuning and upgrading the Montepaschi Group's models, metrics and systems for the measurement, control and management of the key risks to which the Group is exposed from both a regulatory and operational standpoint:

- By ruling no. 6/7/2012 of the Bank of Italy, the Group was authorised to extend the Advanced Measurement Approach (AMA) for Operational Risk to Biverbanca and the AIRB model for Credit Risk to MPS L&F and Biverbanca as of 30/6/2012.
- At the end of September, the Parent Company's BoD approved revising the overall framework of short-term operating liquidity limits, in alignment with methodological progress made in stress tests and in line with methodologies to determine "time to survival" under stress conditions.

An analysis of the Group's Economic Capital

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

Main types of risk for the Group - Credit risk (including concentration risk); counterparty risk; issuer risk; market risk (price, rate and foreign exchange) of the Trading Book; rate risk of the Banking Book (Asset & Liability Management - ALM); liquidity risk; equity investment risk; UCITS risk (alternative funds); operational risk; business risk; real estate risk; reputational risk.

Risk inherent in investment products/services for the Group's customers are also monitored, with a view to protecting the customer and preventing any potential repercussions in terms of reputation.

Risk assessment models - The Risk Management Area periodically quantifies the Economic Capital for each type of risk, mainly on the basis of internally-developed models for each risk factor, as briefly described below. In order to quantify the overall Economic Capital, all types of risk mentioned above come into play with the exception of liquidity and reputational risk which, instead, are mitigated through organisational policies and processes.

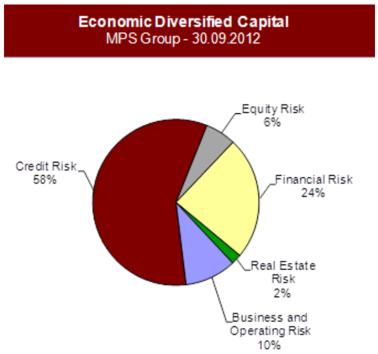
The Group's total Economic Capital is calculated with a 99.93% confidence interval and a yearly holding period using an integrated and diversified approach. The Risk Integration Model is based on the multivariate "t-student copula" approach.

The table below illustrates the salient features of the individual internal models adopted by risk type, with the final column showing their processing within a logic of risk integration for the purpose of calculating Economic Capital.

Main characteristics of models

Type of risks	Measure	Model	Risk factors	Correlation	Economic Capital Treatment
Performing loans	1 Y VaR, 99.93%	Credit VaR Internal model	PD and LGD differentiated by type of counterparty, CCF differentiated by	Correlation based on multivariate analysis between internal default	t-Student Copula
Equity investments	3 M VaR, 99%	Montecarlo VaR	Volatility in stock prices and comparable indices	Correlations between Stock prices Correlation between proxy indices	1 Y, 99.93%, t-Student Copula
Market (Banking Book)	1 Y, shift 25bp sensitivity	Maturity Gap	Bucketing on parallel and twist shift nodes of Interest rates		1 Y, 99.93%, t-Student Copula
Market (Trading Book)	1day VaR 99%	VaR hystorical simulation – full Revaluation	All market risk factors (IR, EQ, FX, CS,…)	Implicit in the full revaluation historical simulation	1 Y, 99.93%, t-Student Copula
Operational	1 Y VaR, 99.9%	LDA integrated with external data, in addition to qualitative	Frequency and severity by event type	Perfect correlation for conservative reasons	99.93%, t-Student Copula
Business	1 Y EaR 99%	Parametric EaR	Volatility of costs and revenues	Correlation between costs and revenues	99.93%, t-Student Copula
Real Estate	1 Y VaR, 99%	Parametric VaR	Volatility of real estate indices	Correlation between proxy indices	99.93%, t-Student Copula

Value of Economic capital - As at 30/9/2012, the Economic Capital of the Montepaschi Group was broken down as follows: credit risk (58%, including counterparty and issuer risk a), equity investment risk (6%), operational and business risks (10%) and real estate risk (2%). The working capital against financial risks (mainly consisting in the typical risks of the Trading Book and ALM Banking Book) amounts to approx. 24% of the overall Economic Capital.



CREDIT RISK

Credit risk – the risk that a debtor may default on his obligations, either at maturity or subsequently. Credit risk is associated with an unexpected change in the creditworthiness of a borrower - towards whom there is an exposure – which generates a corresponding unexpected change in the value of the credit position.

Risk assessment model

Credit risk is analysed using the internally developed **Credit Portfolio Model**, the main features of which are as follows:

- Type of model: Credit Value-at-Risk (VaR), similar to the Merton model, inclusive of intra-risk correlation based on Montecarlo simulations, where the counterparty's Credit Worthiness Index incorporates both a systemic and a specific risk component.
- Confidence level: 99.93%
- Holding period: 1 year.
- Legal entities included in scope: BMPS, BAV, MPS Capital Services, MPS L&F, Biverbanca and Consum.it.
- Portfolios included in scope: Governments, institutions, regulated intermediaries, NBFIs, Corporate and Retail.
- Main input used: Probability of Default (PD), Loss Given Default (LGD), internal operational Exposure at Default (EAD) and amount of collaterals in support of individual credit facilities.
- Main output produced: Expected Loss and Economic Capital (diversified and non-diversified; stressed and unstressed).

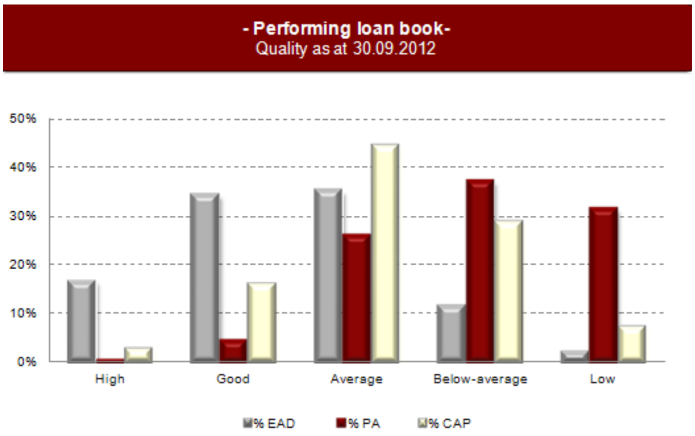
For regulatory purposes, the Group uses the **AIRB (Advanced Internal Rating Based) approach**, as validated by the Bank of Italy with the following main features:

- Legal entities included in scope: BMPS, BAV, MPS Capital Services, MPS L&F, Biverbanca.
- Validated portfolios: Corporate and Retail.
- Validated parameters: PD, LGD.

For the remaining entities/exposures, the Group uses the **standardised approach**.

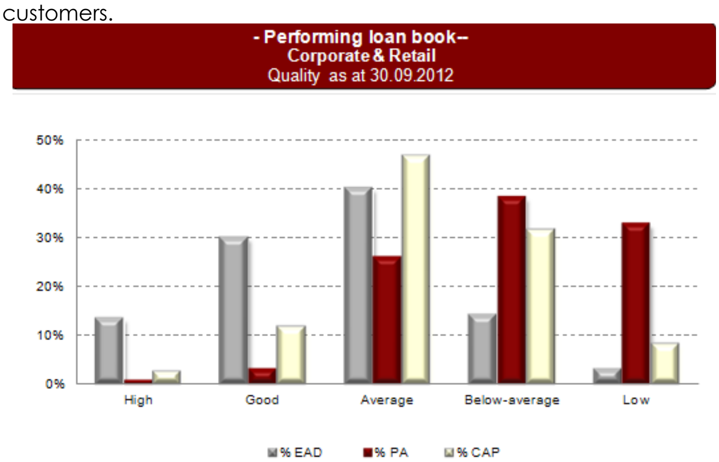
Credit quality breakdown

The Portfolio management model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographical area, business area, rating class and continental areas.



Notes

- Financial asset positions are excluded.
- The chart includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. A credit standing score is assigned to these counterparties, using official ratings, if available, o internally-determined values.
- Approximately 51% of risk exposure is to high and good quality customers.

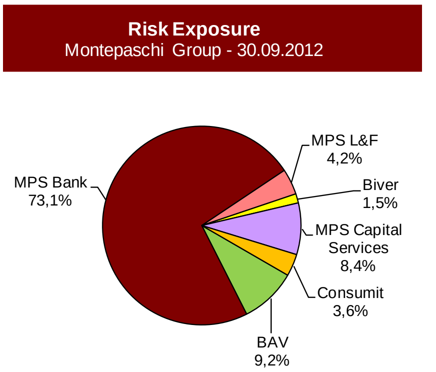


Notes

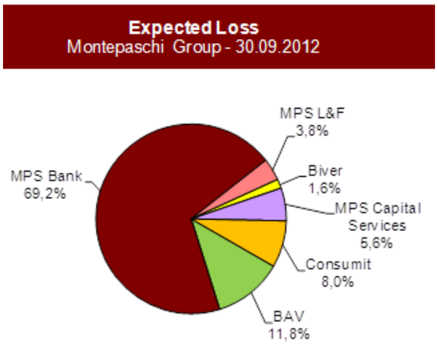
- Corporate and Retail portfolios are largely validated by regulatory authorities for the use of internal PD and LGD models.
- High or good quality exposures account for 43% of total exposures.

Risk exposure

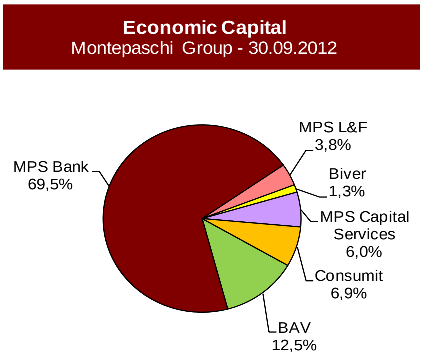
Breakdown by company



The exposure of retail banks account for approx. 84% of total exposure.

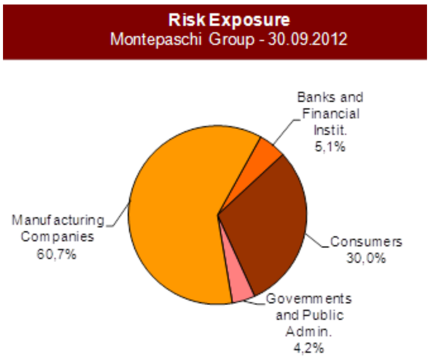


69.2% of the Expected Loss is accounted for by Banca MPS.

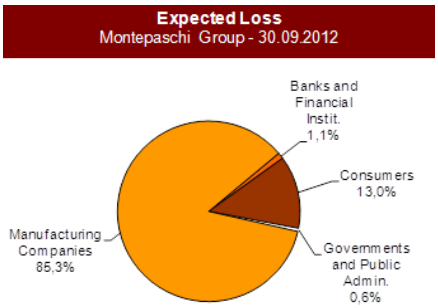


69.5% of the Economic Capital is absorbed by Banca MPS.

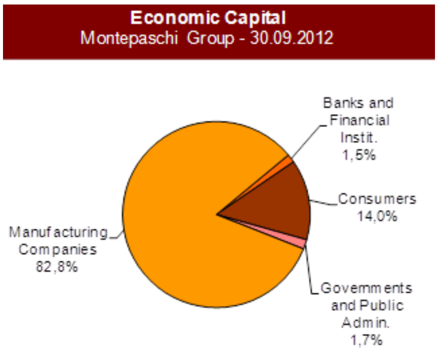
Breakdown by customer type



The largest share of risk exposure is toward "Manufacturing companies" (60.7%).

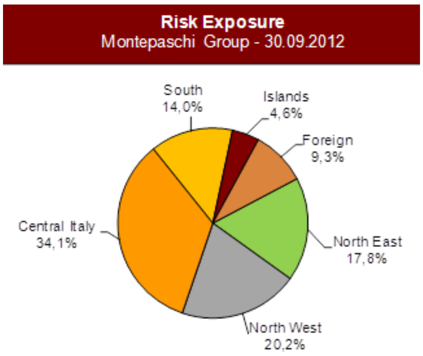


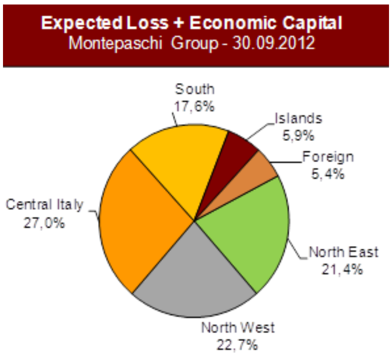
85.3% of the Expected Loss is allocated to "Manufacturing companies".



82.8% of the Economic Capital is absorbed by "Manufacturing companies".

Breakdown by geography



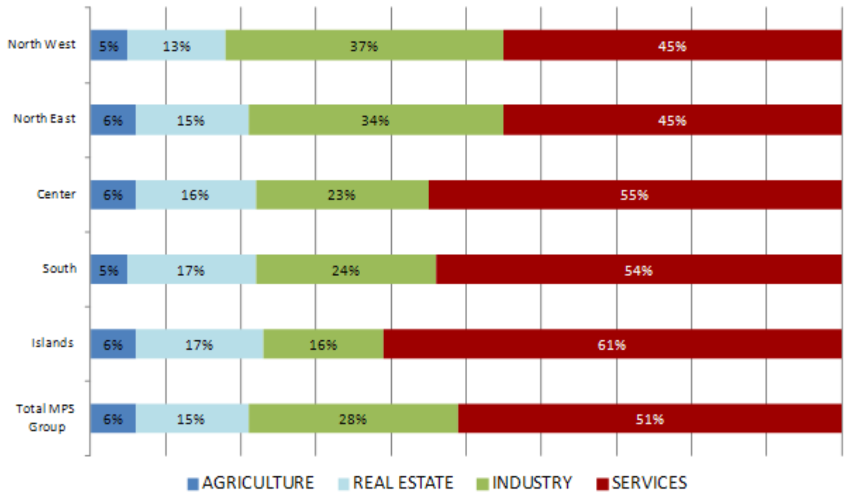


Exposure to risk is primarily concentrated in Italy's Central regions (34.1%).

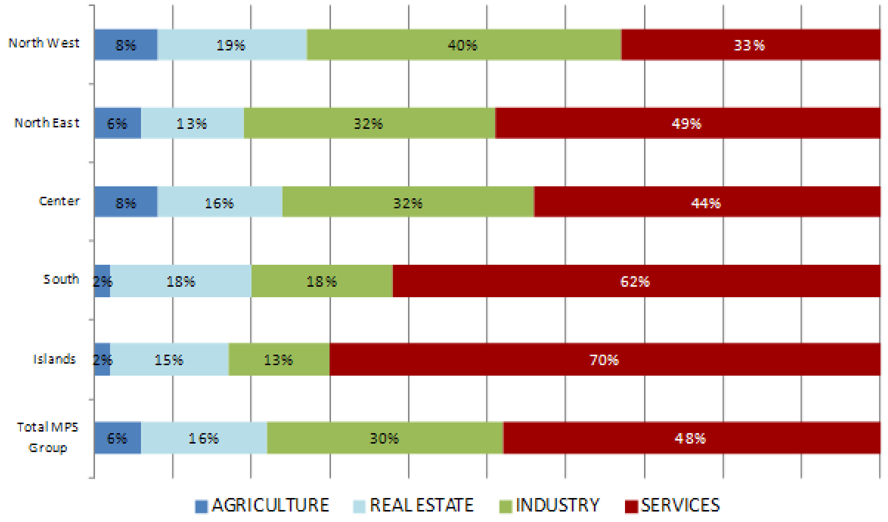
Overall risk metrics are higher in central Italy due to the greater concentration of loans in that area (27%).

A focus on Corporate customers

Italian corporate customers - performing loan book as at 30/09/2012
Exposure at Default (EAD) by geography and business segment



Italian corporate customers - performing loan book as at 30/09/2012
Risk metrics (Expected Loss + Economic Capital) by geography and business segment



MARKET RISK

Market risk – the risk of value loss on a financial instrument or a portfolio of financial instruments, resulting from an unfavourable and unexpected change in market risk factors (interest rates; foreign exchange; share prices, indices, baskets; credit spreads; volatility).

Risk assessment model

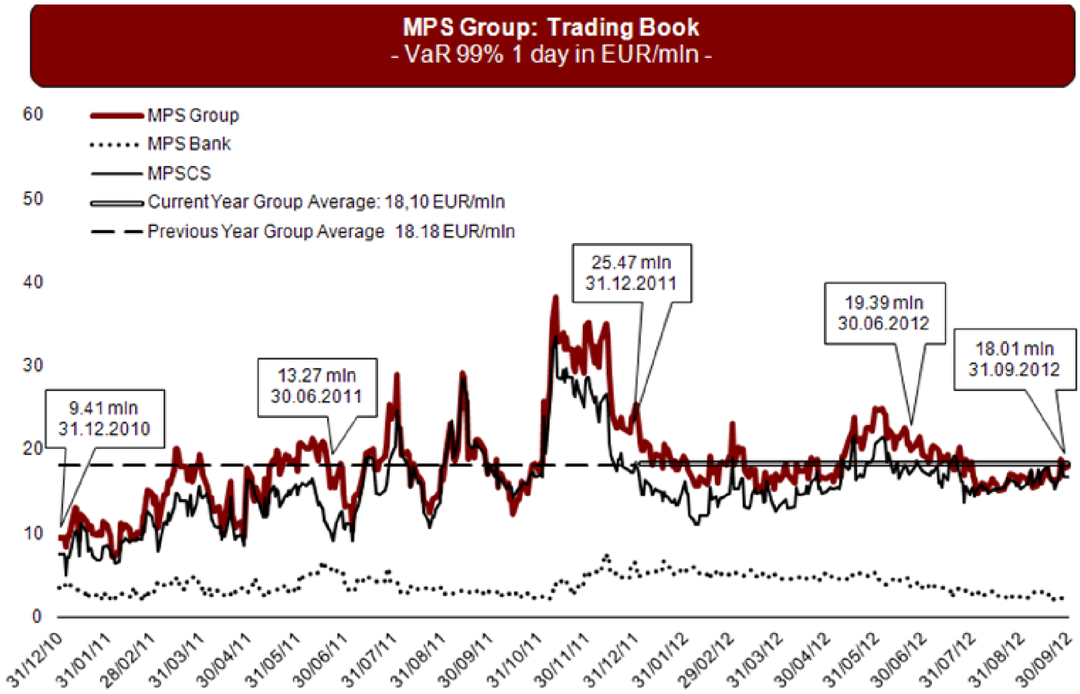
Market risks in the Trading Book are analysed using a **model developed internally for operational purposes** the main features of which are as follows:

- Type of model: Value-at-Risk (VaR) Historical Simulation with full revaluation of all basic positions.
- Confidence level: 99%
- Holding period: 1 working day.
- Lookback period: 500 days, with daily scrolling.
- Scope: BMPS, MPS Capital Services, Biverbanca, MPIreland.
- Risk metrics: diversified VaR, conditional/marginal VaR for individual risk factors, Mark-to-Market and Sensitivity Analysis, Stress Test & Scenario Analysis, theoretical and actual Backtesting.

For regulatory purposes, the Group uses the standardised approach.

Risk exposure

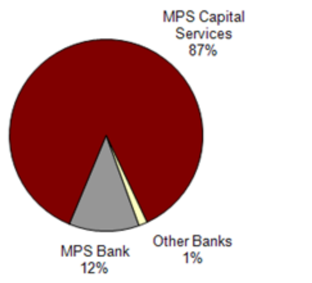
In the first nine months of 2012, market risks in the Group's Trading Book showed an overall downward trend in VaR, standing at EUR 18.01 mln as at the end of September 2012. The trend is traceable not only to the volatility of short to medium-term returns on Italian government bonds that characterise MPS Capital Services' portfolio risk, but also to trading by the subsidiary in interest rates (long futures in particular) and equity (futures and market index options).



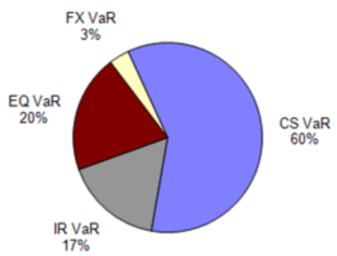
The Group's market risks continue to be concentrated on MPS Capital Services and Banca MPS.

VaR breakdown

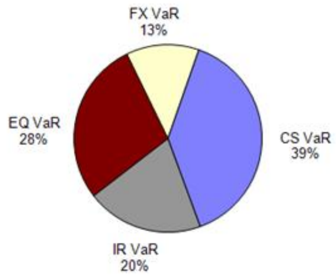
MPS Group VaR by bank as at 30.09.2012 Trading Book



MPS Group VaR by Risk Factor as at 30.09.2012 Trading Book



MPS Bank VaR by Risk Factor as at 30.09.2012 Trading Book



MPS Capital Services accounts for 87% of overall risk.

60% of the Group's portfolio is allocated to Credit Spread risk factors (CS VaR), 20% is absorbed by equity risk factors (EQ VaR), 17% is absorbed by interest rate risk factors (IR VaR) and the remaining 3% by foreign exchange risk factors (FXVaR).

39% of the Group's portfolio is allocated to Credit Spread risk factors (CS VaR), 28% is absorbed by equity risk factors (EQ VaR), 20% is absorbed by interest rate risk factors (IR VaR) and the remaining 13% by foreign

VaR trendline

During the quarter, the Group's VaR ranged between a low of EUR 14.82 mln recorded on 3 August 2012 and a high of EUR 24.97 mln on 4 June. The Group's average VaR as at 30/09/2012 was EUR 18.42 mln.

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

	VaR	Date
End of Period	18.01	30/09/2012
Min	14.82	03/08/2012
Max	24.97	04/06/2012
Average	18.42	

Banca MPS' VaR ranged between a low of EUR 2.10 mln recorded on 21 September 2012 and a high of EUR 6.68 mln on 18 January 2012. VaR as at 30/09/2012 was EUR 4.23 mln.

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

	VaR	Date
End of Period	2.28	30/09/2012
Min	2.10	21/09/2012
Max	6.68	18/01/2012
Average	4.23	

OPERATIONAL RISK

Operational risk - the risk of incurring losses due to inadequacy or failure of processes, human resources or internal systems, or as a result of external events, including legal risk.

Risk assessment model

The Group has adopted an **advanced internal operational risk management system** for operating purposes, the main features of which are reported below:

- Type of model: Advanced Measurement Approach (AMA) used in combination with BIA (Basic Indicator Approach). LDA/Scenario used in combination with a Loss Distribution Approach (LDA) on internal and external time series and Scenario Analyses (Management assessment of context and control factors as well as of main operational vulnerabilities).
- Confidence level: 99.93% for working economic capital.
- Holding period: 1 year.
- Scope: all Group companies.
- Risk metrics: operating losses, economic capital, capital absorption.

For regulatory purposes, the Group uses the same methodology as described above and validated by the Bank of Italy, the only difference being that the holding period is 99.90% as .per Supervisory instructions.

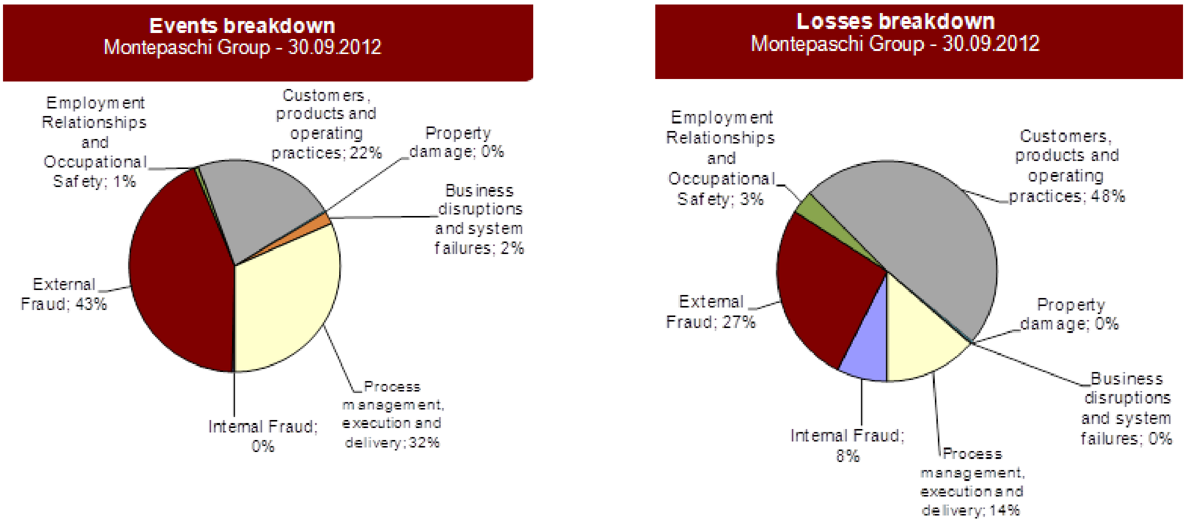
The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

On 16 July 2012, the Montepaschi Group was authorised to extend the advanced model for operational risk measurement and management to its subsidiary, BiverBanca. The roll-out enabled a further reduction in the number of Group companies that are not covered by the AMA model, de facto limiting the "permanent partial use" of the standardised approach only to its foreign banks. Besides producing operational benefits, the roll-out has generated a positive balance sheet impact estimated at EUR 18 mln.

Risk exposure[6]

Since the beginning of the year, 8,900 events have been recorded for an aggregate operating loss of EUR 80.7 mln.

Breakdown of events and losses by type of risk



With respect to the same period in 2011, a reduction was registered in the number of operational risk events as at 30/09/2012, primarily as a result of a reduction in payment card fraud events. The overall amount of loss remained stable.

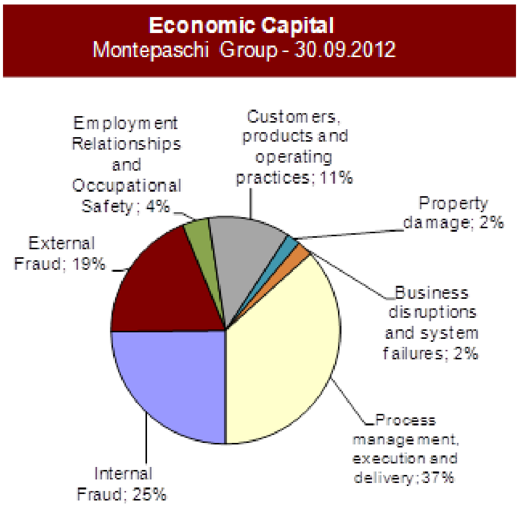
A comparison with the previous quarter reveals that no significant changes were observed in both the number of events recorded and the overall amount of loss.

The events with the greatest impact on the profit and loss statement are attributable to "non-fulfillment of professional obligations with customers" (48% of total losses) and "external fraud" (27% of total).

With regard to "non-fulfillment of professional obligations with customers", risk events are primarily associated with legal actions, claims and settlement on the following issues:

- Application of compound interest;
- selling of Argentinian, Parmalat, Cirio bonds and For you and My way Financial Plans.
- derivatives embedded in financial contracts.
- It follows that a large part of the operational risk events have a date of occurrence prior to 2005, but still have accounting effects on current financial periods.
- With regard to "external fraud", the events with the greatest impact include:
  - fraud in loan disbursement (through submission of false or forged documents during the loan granting process; typical fraud cases include disbursement of mortgages, loans and other credit facilities);
  - bank robberies and vandalised ATMs;
  - payment card (both debit and credit) fraud events.

[6] The breakdown of losses recognised in the period differs from the breakdown of the economic capital in that the latter is calculated using a 5-year time series and the incidence of the unexpected loss component prevails. As at 30/9/2012, the overall Economic Capital was in line with previous quarter levels.



The AMA-share of the Economic Capital totalled EUR 728.8 mln; an additional EUR 27.5 mln from the standardised approach should be added to the amount, for a total of approx. EUR 756.4 mln.

RISKS FROM TAX DISPUTES

On 31.05.2012, the Parent Company was notified an official tax audit report concerning disposal of a BMPS shareholding in 2006.

The statement of facts in the report assumes that the shareholding was sold in 2005, and not in 2006: consequently, the realised capital gain would not have qualified for the 'participation exemption' regime.

Since criminally relevant claims are also associated to this subject matter, the State Tax Authority – even though the ordinary terms for assessment of the year claimed have expired - may serve a notice of assessment by reason of twice the afore-mentioned ordinary terms.

Should the Revenue Agency decide to serve the notice of assessment, the Parent Company, supported by the opinions of dependable consultants, deems the risk of losing unlikely.

A targeted tax assessment carried out in 2011on the subsidiary, Cassa di Risparmio di Biella e Vercelli (Biver) for financial year 2008 was closed with notification of an official tax audit report. Findings are deemed claimable so, partly based on the opinions from external consultants, no specific provisions in the balance sheet were considered necessary in the assumed unlikeliness of future expenses.

On 23.10.2012, i.e after the reporting date, State Street Bank (former MPS Finance Banca mobiliare SpA, which used to be part of the MPS Group and was later purchased by Intesa which then sold it to the State Street Group) was notified an official tax audit report about certain securities trading transactions, completed in the period straddling dividend payout dates in 2007 (when the company belonged to the MPS Group). In light of the provisions taken by the Bank for these risks and further to settlement of a tax dispute with the Revenue Agency in 2011, no significant P&L impact is expected for the future.

EQUITY INVESTMENT RISK

Risk in the equity investment portfolio - Risk of incurring losses on capital instruments not included in the trading book, as a consequence of possible unfavourable changes in share prices.

Risk assessment model

- Type of model: Montecarlo approach to Value-at-Risk (VaR).
- Confidence level: 99%
- Holding period: 1 quarter.
- Scope: all investments held by Montepaschi Group companies in external companies.

For an estimate of yield volatility, the model uses time series of market yields for listed companies and time series of sector-based indices for unlisted ones.

The Group uses the standardised approach to calculate the capital requirement for exposures to capital instruments.

Risk exposure

At the end of the third quarter of 2012 the VaR for equity investments (calculated as indicated above) accounted for 24% of the portfolio fair value.

INTEREST RATE RISK - BANKING BOOK

Risk of negative changes in net interest income (and, therefore, in short-term expected profit) and/or the economic value of net equity caused by the impact of fluctuations in the interest curves in the event of mismatches in the maturities and repricing times of assets and liabilities. In general, the scope of measurement includes all financial transactions that are not comprised within the trading book for supervisory purposes. Therefore, the analysis also includes bonds receivable held for investment purposes (e.g. Italian government bonds), classified as AFS or L&R in accounting terms.

Risk assessment model

- Type of model: Internal model based on the Economic Value Approach.
- Risk metrics: Interest Rate Sensitivity, Stress Test.
- Behavioural models: prepayment risk treatment demand deposit modelling.
- Scope: BMPS, BAV, MPS Capital Services, MPS L&F, Biverbanca, Consum.it, MP Belgio and MP Ireland.

Risk exposure

The sensitivity of the Montepaschi Group, as at the end of September 2012, was indicative of exposure to rate hike risk. The amount of the economic value at risk in the event of a +100 bp parallel shift of the rate curve came to EUR -1,047.22 mln (EUR 1,178.93 mln for a shift of -100bps). However, if benchmarked against the Regulatory Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

LIQUIDITY RISK

Liquidity risk - The risk that a company becomes unable to meet its payment obligations due to either the inability to obtain adequate funding or [necessity] to obtain them at a higher-than-market price (funding liquidity risk) or the inability to sell its financial assets without incurring capital losses due to poor market liquidity (market liquidity risk).

Risk assessment model

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

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

The overall liquidity profile is monitored by quantifying the mismatches of cash flows coming due, by maturity date.

In the course of the third quarter of 2012, the Parent Company's BoD approved that the overall framework of short-term operating liquidity limits be revised, in alignment with methodological progress made in stress tests and in line with methodologies to determine "time to survival" under stress conditions.

BMPS SHARE PRICE

BMPS SHARE PRICE AND PERFORMANCE

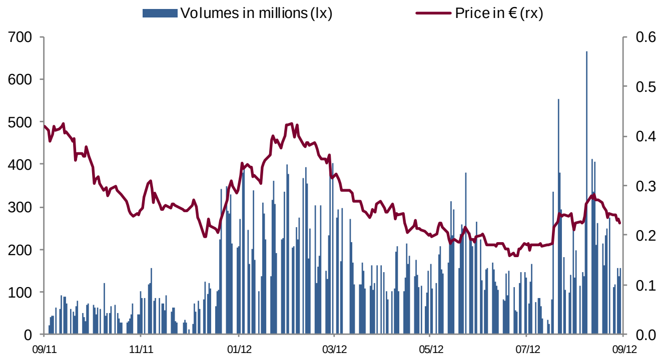
The first nine months of 2012 were characterised by high volatility for all major stock markets. After positive performance in the first part of the year, followed by a phase of strong stock market contraction due to a renewed exacerbation of sovereign debt tensions in the Eurozone, the third quarter showed a reversal of trends particularly on the back of ECB programmes in support of government bonds.

Financial Market Evolution (from 12/31/2011 to 9/30/2012)

		Ibex 35	Ftse Mib	Cac 40	Dax 30	Ftse It Banks	DJ Euro Stoxx Banks
FIRST 9 MONTHS 2012		**-10.0%**	**0.0%**	**6.2%**	**22.3%**	**-10.5%**	**1.2%**
Q3	(from 06/30/2012 to 09/30/2012)	8.5%	5.8%	4.9%	12.5%	7.7%	12.8%
Q2	(from 03/31/2012 to 06/30/2012)	-11.3%	-10.7%	-6.6%	-7.6%	-19.9%	-16.6%
Q1	(from 12/31/2011 to 03/31/2012)	-6.5%	5.9%	8.4%	17.8%	3.8%	7.6%

Within this framework, BMPS stock closed the third quarter of the year at 0.23 euro, down10.4% on the end of 2011, in line with the Italian banking system benchmark index (FTSE Italia Banche -10.5%).

BMPS share performance (from 30/09/11 to 30/09/12)



BMPS share price: statistical summary (from 31/12/2011 to 30/09/2012)

Average	0.26
Lowest	0.16
Highest	0.42

Since the start of the year, the number of BMPS shares traded on a daily basis averaged approx. 192.9 million with a peak of 665.2 million in September and a low of 24.9 million in January.

MONTHLY VOLUMES OF SHARES TRADED

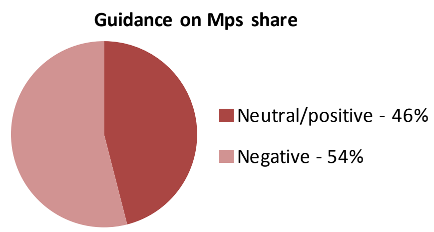
2012 volumes summary (€/mln)	
January	3,523
February	5,322
March	5,846
April	3,405
May	2,995
June	4,584
July	2,727
August	3,510
September	4,792

RATINGS

Following are the credit ratings assigned as at 30/09/2012:

Rating Agencies	Short-term debt	Long-term debt
Moody's Investors Service	P-3	Baa3
Standard & Poor's	A-3	BBB-
Fitch Ratings	F3	BBB

- On 06/02/2012, following downgrade of Italy's sovereign debt, international agency 'Fitch Ratings' lowered BMPS long-term rating from 'BBB+' to 'BBB' and short-term ratings from ‘F2’ to ‘F3’. Outlook stable. Subsequently, on 29 June, Fitch downgraded the Bank’s Viability Rating from ‘bbb-’ to ‘bb+’ and placed it on Rating Watch Negative.
- On 15 February 2012, in light of an operating environment exacerbated by the adverse and prolonged impact of the euro area crisis, ratings agency Moody's announced a mass review for potential downgrade of 114 financial institutions in 16 European countries, including Banca Monte dei Paschi. Moody’s review was completed on 14 May, with ratings lowered on several Italian banks. In particular, the ratings agency downgraded Banca Monte dei Paschi di Siena’s standalone Bank Financial Strength Rating (BFSR) to 'D' from 'D+', long-term rating to 'Baa3' from 'Baa1' and short-term rating to 'P-3' from 'P-2'. Outlook negative.
- Following the downgrade of Italy's GDP forecasts for 2012 and 2013, international ratings agency Standard & Poor’s lowered Banca Monte dei Paschi di Siena's ratings on 03/08/12 Specifically, the agency revised down its assessment of MPS' Stand Alone Credit Profile (SACP) to ‘bb+’ from ‘bbb’ and its long and short-term ratings to ‘BBB-’/‘A-3’ from ‘BBB’/‘A-2’. Outlook negative.



INVESTOR RELATIONS

The Approach

In marketing activities, the Investor Relations team diversifies the approach on the basis of the Group's investor profiles. In addition to frequent meeting sessions with equity investors for an overall presentation of the Bank's results, roadshows for fixed-income investors are also organised on a regular basis, as an opportunity to discuss the Bank's liquidity and capital position.

Main activities during the period

During the quarter, the Investor Relations team continued to proactively maintain relations with the financial community. The activity was further intensified following presentation of the 2012-2015 Business Plan on 27 June, In addition to the annual Investor Day in Siena, roadshows were held after that date in Europe (Paris, London, Geneva and Zurich), the United States (New York) and Canada (Toronto). The bank's Top Management participated in the 17th Annual Banking & Insurance CEO Conference, organised by Bank of America Merrill Lynch in London at the end of September.

Since the beginning of the year, around 20 days of meetings have been held in 6 different countries between the bank's Top Management and institutional investors.

Main subjects discussed

In a market context in which banking stocks continue to face strong headwinds, analysts and investors are becoming increasingly focused on market developments. The first months of 2012 were marked by a focus on capital (still under the influence of the EBA test).

During the quarter, following the presentation of the Business Plan, the focus was placed on the:

- features of new capital instruments,
- asset disposal programme,
- cost reduction,
- developments in net interest income.

EVENTS AFTER THE REPORTING PERIOD

The following are the most significant events occurring after closing of the reporting period:

AMENDMENTS TO THE ARTICLES OF ASSOCIATION:

On 9 October 2012, the extraordinary shareholders' meeting of Banca MPS resolved to accord authority to the Board of Directors to increase capital, in one or more tranches, pursuant to articles 2443 and 2441, paragraph 5, of the Civil Code, including through the issuance of convertible bonds in accordance with article 2420-ter of the Civil Code, for up to a maximum amount of EUR 1 billion, in exclusion of the pre-emptive rights of existing shareholders.

The Shareholders' meeting also resolved to amend Articles 12, 13, 14, 16, 17 and 27 of the Articles of Association. The amendments concern provisions relating to shareholders' approval of corporate actions, definition of matters delegated to the Board of Directors and, among these, identification of matters that may be delegated to other corporate bodies. The solutions adopted prove consistent with a corporate governance system which, in line with guidance from the Supervisory Authority and the market best practices, assigns prevalent steering and strategic supervision functions to the Board of Directors, with day-to-day business functions assigned, in the ordinary course of business, to other executive bodies.

DISPOSAL OF BIVERBANCA:

The Board of Directors of Banca C.R.Asti resolved to accept the proposed amendments and integrations to the sale and purchase agreement entered into by and between Banca C.R.Asti and Banca MPS on 26/06/2012, concerning the transfer of 60.42% of Biverbanca's capital to Banca C.R.Asti. As a result of the acceptance, the Parties have signed an Addendum to the Agreement which essentially provides for the waiver by Banca Monte dei Paschi di Siena of its right to proceed with the initially agreed assignment of Biverbanca's stake in the Bank of Italy (i.e. 6,300 shares held by Biverbanca in the capital of the Bank of Italy, accounting for 2.1%), against a price surcharge (which shall not exceed the maximum amount of Euro 100 mln) to be paid subject to certain legislative and/or regulatory events occurring by the tenth anniversary of closing, which may: lead to an increase in the appraisal value of the afore-mentioned shareholding in the Bank of Italy with respect to its carrying value and enable it to qualify for inclusion in regulatory capital. Banca C.R.Asti has at the same time accepted to waive any deadlines originally set out in relation to the transaction.

The Agreement also provides for the possibility to replace the price surcharge with the transfer of Bank of Italy's shares, subject to certain prerequisites being met at the date of the third anniversary of closing.

Without prejudice to Biverbanca shareholders' pre-emptive rights as set out in the Articles of Association, the Agreement has -by way of these waivers- become effective, even in the absence of other actions by third parties, subject under all circumstances to the required approvals from the relevant authorities.

EBA:

On 3 October 2012, the European Banking Authority (EBA) and the Bank of Italy announced the final assessment of the capital exercise and fulfillment of the EBA Recommendation issued in December 2011. The test result for Banca MPS was as follows:

"Banca MPS has a capital shortfall of EUR 1,728 mln as at 30 June 2012, which is being addressed with the explicit support of the Italian Government. Calculation of the final amount of Government aid to be provided should factor in the disposal of Biver Banca and the capital gain from the buyback of subordinated securities which, having been introduced prior to 30 June 2012, would reduce the shortfall to EUR 1,441 mln".

CartaSi partnership:

Banca MPS and CartaSi have signed an industrial partnership agreement in the e-money sector. First of its kind in Italy, the agreement allows Banca Mps to deliver on one of its Business Plan objectives with a view to increasing revenues through additional services and greater operational efficiency.

The agreement will allow Banca Mps to further expand its range of product offerings in terms of innovation and security and improve the quality of its services to customers over time. Moreover, full advantage will be taken of one of the most advanced card issuing and acquiring platforms on the market. As a result of the agreement, Banca MPS will be the fourth largest card issuer on the Italian market (approx. 3.3 mln). The agreement fits into a well-defined backdrop. Given the growing use of "electronic money", the demand for payment services in Italy is expected to increase substantially in the coming years, a further reason why Banca Mps has identified e-money as a core component of its business. The aim will be to achieve a distinctive model which optimises economies of scope and scale through synergies resulting from an industrial partnership, such as the one with CartaSi. Launch of the new range of credit cards and new payment acceptance services branded Banca MPS will take place over the first quarter of 2013.

By virtue of the agreement, Banca MPS will become direct issuer of the payment cards distributed and define the product, marketing and distribution strategies while making use of the white-label services entrusted to CartaSi for both the issuing of credit cards and the acquiring of international debit and credit cards.

Moody's ratings:

On 18/10/2012 international ratings agency Moody's lowered the bank's ratings as well as its subordinated debt and hybrid ratings. In particular, Moody's downgraded the standalone Bank Financial Strength Rating to 'E' from 'D', the long-term rating to 'Ba2' from 'Baa3', and the short-term rating to 'NP' from 'P-3'. The outlook remains negative. MPS Capital Services was also affected by the downgrade action, with ratings now at the same level as Banca MPS.

OUTLOOK ON OPERATIONS

The macro-economic environment in which the Group operates continues to be particularly challenging and strong elements of uncertainty regarding possible future prospects remain.

- The domestic economy, weighted down by the drop in domestic demand and anti-cyclical effects from public finance stabilisation reforms, has slipped into recession.
- Trends in sovereign debt spreads and the evolving national and European political framework do not provide, at the moment, any clear signs that the economic cycle will improve in the short term.

Against this backdrop, the 2012-2015 Business Plan has recently been developed with the aim of creating a solid basis for the Group's long-term growth, centering management actions around three priorities: capital, liquidity and sustainable profitability. The major plan innovations are broken down into over 60 actions aimed at achieving important objectives by 2015: revert to a sustainable return on capital through capital strengthening, structurally balanced liquidity, significantly lower operating and credit costs and revenue diversification.

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap as later amended, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the current interim report on operations based on the assumption of business continuity since the uncertain climate arising from the current economic scenario affords no doubt as to our ability to continue operating as a going concern.

SCOPE OF CONSOLIDATION

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (PROPORTIONATE CONSOLIDATION) AS AT 30/09/2012

		Company name	Registered Office	Type of relationship (*)	Ownership relationship		Available votes % (**)
					Held by	Shareholding %	
A		Companies					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena				
		A.1 Fully consolidated companies					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Firenze	1	A.0	99.921	99.922
					A.27	0.001	
A.2		MPS GESTIONE CREDITI BANCA S.p.a.	Siena	1	A.0	100.000	
	2.1	AIACE REOCO S.r.l.	Siena	1	A.2	100.000	
	2.2	ENEA REOCO S.r.l.	Siena	1	A.2	100.000	
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	1	A.0	100.000	
A.4		BANCA ANTONVENETA S.p.a.	Padova	1	A.0	100.000	
A.5		BIVERBANCA CASSA DI RISPARMIO DI BIELLA E VERCELLI S.p.a.	Biella	1	A.0	60.419	
A.6		MONTE PASCHI IRELAND LTD	Dublino	1	A.0	100.000	
A.7		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100.000	
A.8		CONSUM.IT S.p.a.	Firenze	1	A.0	100.000	
A.9		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Siena	1	A.0	100.000	
A.10		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100.000	
A.11		G.IMM ASTOR S.r.l.	Lecce	1	A.0	52.000	
A.12		CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	1	A.0	99.730	99.940
					A.1	0.060	
					A.2	0.030	
					A.3	0.030	
					A.4	0.030	
					A.5	0.030	
					A.8	0.030	
A.13		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantova	1	A.0	100.000	
A.14		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	99.900	100.000
					A.4	0.100	
A.15		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	
A.16		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	
A.17		MONTE PASCHI BANQUE S.A.	Parigi	1	A.0	100.000	
	17.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Parigi		A.17	100.000	
	17.2	MONTE PASCHI INVEST FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Parigi		A.17	100.000	
	17.3	IMMOBILIERE VICTOR HUGO S.C.I.	Parigi		A.17	100.000	

		Company name	Registered Office	Type of relationship (*)	Ownership relationship		Available votes % (**)
					Held by	Shareholding %	
A.18		MONTEPASCHI LUXEMBOURG S.A.	Lussemburgo	1	A.0	99.200	100.000
					A.17	0.800	
A.19		MPS COVERED BOND S.r.l.	Conegliano	1	A.0	90.000	
A.20		MPS COVERED BOND 2 S.r.l.	Conegliano	1	A.0	90.000	
A.21		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60.000	
A.22		ANTONVENETA CAPITAL L.L.C. I	Delaw are	1	A.0	100.000	
A.23		ANTONVENETA CAPITAL L.L.C. II	Delaw are	1	A.0	100.000	
A.24		ANTONVENETA CAPITAL TRUST I	Delaw are	1	A.0	100.000	
A.25		ANTONVENETA CAPITAL TRUST II	Delaw are	1	A.0	100.000	
A.26		MANTEGNA FINANCE S.r.l. (in liquidazione)	Mantova	1	A.0	100.000	
		A.2 Proportionately consolidated companies					
A.27		BANCA POPOLARE DI SPOLETO S.p.a.	Spoleto	7	A.0	26.005	
		valori di bilancio al 26,005% del nominale					
A.28		INTEGRA S.p.a.	Firenze	7	A.8	50.000	
		valori di bilancio al 50% del nominale					

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

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Daniele Bigi, declares that the accounting information contained in this Quarterly Report as at 30 September 2012 corresponds to the underlying documentary evidence and accounting records.

Daniele Bigi
The Financial Reporting Officer