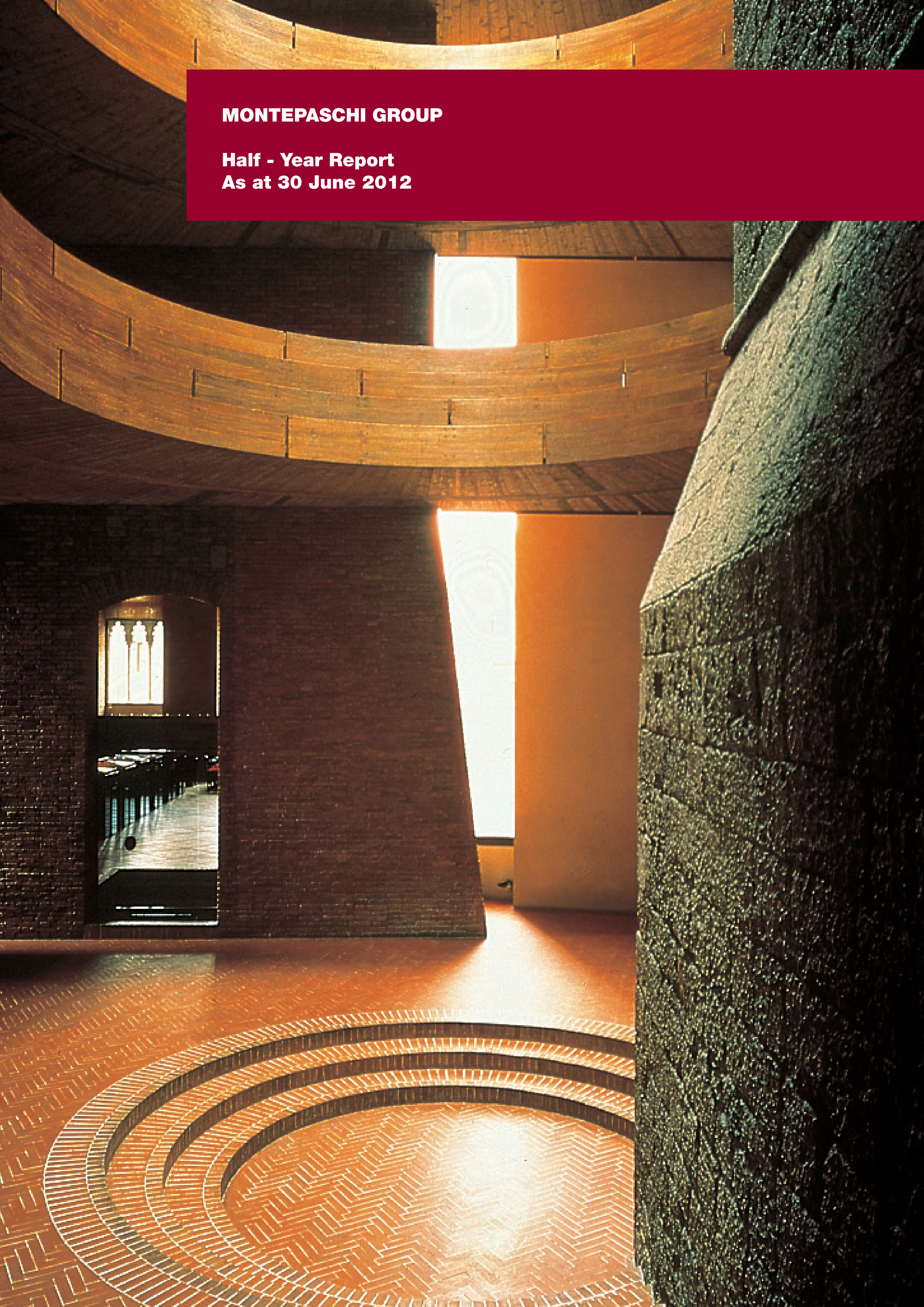
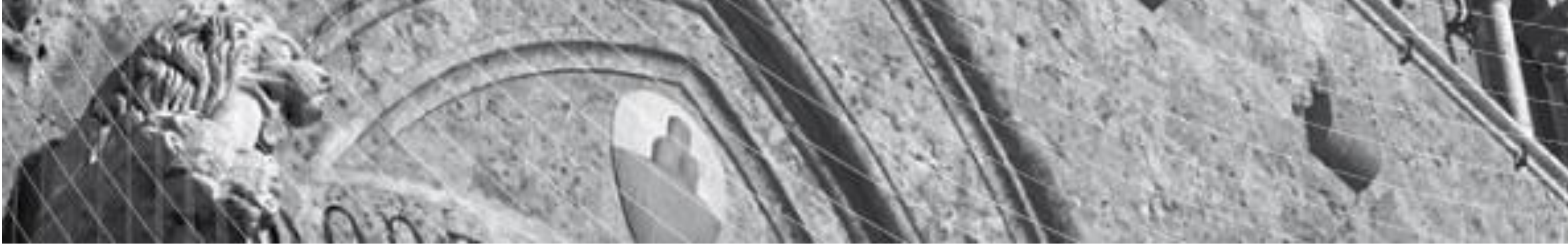
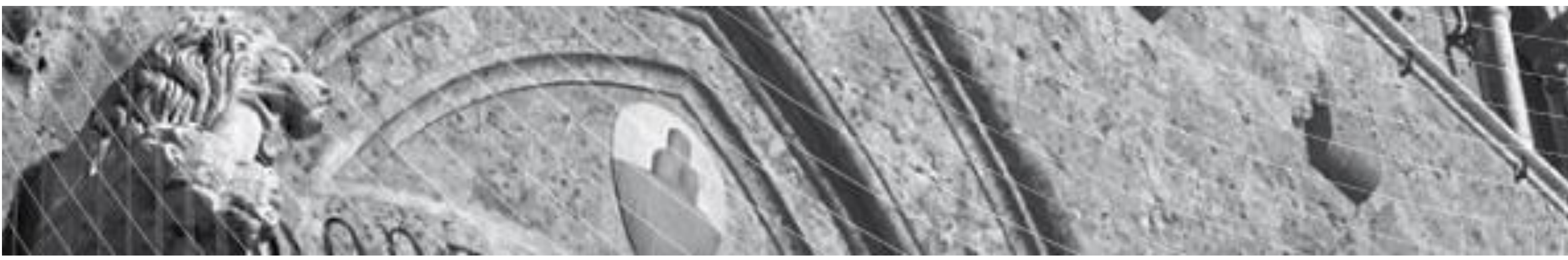
MONTEPASCHI GROUP

Half - Year Report
As at 30 June 2012





CONSOLIDATED HALF-YEAR REPORT



CONSOLIDATED HALF-YEAR REPORT ON OPERATIONS

Results in brief[1]

The second quarter of 2012 **witnessed a significant deterioration in the macro-economic and financial climate.** Sovereign debt market tensions, which had subsided in the first part of the year, have flared up again since April, triggering a clear reversal of trends in the credit spread of Italian government bonds over German bunds, on average back to well above the 400 bps level. At the same time, stock markets suffered considerable losses (FTSEMIB -10.6%) and greater volatility, while the rate curve continued to fall, especially in its shorter-term segment (average one-month Euribor -24 bps q/q). No clear signs have emerged of interbank and institutional markets opening up, so the ECB has continued to guarantee the necessary liquidity for the banking system and ensure compliance of money market transactions. Data from the real economy confirms **recession for Italy** with average GDP for the year estimated to fall by slightly less than two percentage points according to consensus forecasts.

Major Group events over the half-year period	
Corporate actions	▪ New Board of Directors elected. ▪ General Manager Fabrizio Viola appointed Chief Executive Officer. ▪ Parent Company's organisational setup redesigned. ▪ Management team reinforced by new executives ▪ Acceptance of binding offer from 'Cassa di Risparmio di Asti SpA' for purchase of 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli SpA' (Biverbanca).
Capital Requirements	▪ In agreement with the Italian Supervisory Authority and Ministry of Economy and Finance, Banca Monte dei Paschi di Siena has identified recourse to "State-aid measures" as an appropriate tool to meet the capital requirement set by the European banking Authority (EBA). Within this framework, Law decree no. 87 was published on 27 June 2012, empowering the Ministry of Economy and Finance -on specific request from Banca MPS- to subscribe until 31 December 2012 to up to EUR 2 billion in new financial instruments [issued by MPS] qualifying as regulatory capital (Core Tier 1) in addition to new financial instruments for a further amount of EUR 1.9 bln aimed at full Tremonti Bond replacement. Subscription of these instruments is subject to conditions precedent.
Strategy	▪ New 2012-2015 Business Plan launched.
BMPS ratings	▪ The agency **Fitch** ratings lowered the bank's long-term rating from 'BBB+' to 'BBB' and its short-term rating from 'F2' to 'F3'. The outlook is stable. Subsequently, the agency lowered the bank's Viability Rating from 'bbb-' to 'bb+' thereby placing it on Rating Watch Negative. ▪ **Moody's** lowered the bank's stand alone Bank Financial Strength Rating to 'D' from 'D+', long-term rating to 'Baa3' from 'Baa1' and short-term rating to 'P-3' from 'P-2'. The outlook has shifted from "under review" to "negative". ▪ **Standard & Poor's** placed Banca Monte Paschi's ratings under Credit Watch Negativei ('BBB'/'A-2').

Against this complex backdrop, volumes traded with customers by the Montepaschi Group registered a **reduction in total funding**, affected negatively not only by the drop in savings by households and shrinking liquidity of businesses but also by the depreciation of financial assets which primarily impacted indirect funding (assets under management and assets under custody). In the same period, **lending volumes followed a substantially stable trend,** reflecting a lower demand for credit, with non-performing loans on the rise in a recessive macro-economic climate. The Group's financial assets portfolio was moderately downsized, partly as a result of disposals and maturities in the AFS and L&R portfolio, with ECB funding remaining stable at March levels.

[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 capital 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 and thus differ from the figures published in the Interim Report on Operations as at 31/03/2012.

These developments in balance sheet and context changes were reflected in the Group's current profit and loss results, with **revenues trending down on the previous quarter primarily on the back of net interest income,** which suffered the 'incompressible' cost of funding. In parallel, **the cost of credit**, though down slightly, remained at high levels and the need was felt to post impairment losses on financial assets held in the Group's investment portfolios. Such a large-scale crisis has further reduced the prospects for growth of some of the Group's business segments while notably increasing the rate of return required on the venture capital or private equity invested, with negative repercussions on the impairment testing of goodwill allocated to the various Cash Generating Units (CGUs).

As a countermeasure, the Group has accelerated the setup schedule of actions included in the 2012-2015 Business Plan for a prompt relaunch of business growth.

In particular:

- As at 30 June 2012, the Group's **overall funding volumes** totalled approx. EUR **261 bn** (-4.1% on 31/03/2012), of which around **132 bn** in **direct funding** (-1.7% on 31/03/2012) which, in Q2 2012, was affected by the downturn in retail and corporate funding (Large Corporate and Institutional clients' deposit outflows and a decline in funding with retail customers, both for current accounts and bonds), against a macro-economic environment marked by a fall in savings, partly offset by the growth in repos with institutional counterparties. **Indirect funding,** totalling approx. **EUR 129 bn** (-6.4% on 31/03/2012), with **assets under management** closing the quarter with volumes exceeding **EUR 44 bn**, down 3.1% on 31/03/2012 on the back of net divestments in the segment and negative market effects. Volumes of **assets under custody**, amounting to approx. **EUR 84 bn**, were down 8.1% on 31/03/2012, primarily on account of movements in deposits from Large Corporate and other institutional customers and negative market effects.
- Group **loans to customers** amounted to approx. **EUR 144.5 bn** at the end of June 2012, substantially in line with Q1 2012 levels although down 6.2% on the previous year. This result is to be seen in correlation with both the decline in demand for loans as a result of the sluggish economic cycle, which has particularly penalised current accounts and short-term lending, and more selective credit policies adopted by the Group.
- As to credit quality, as at 30/06/2012, **coverage of non-performing loans** stood at **39.2%**, (-50 bps as compared to 31/03/2012), within which coverage of substandard loans was 21.6% (stable at the levels of 31/03/2012) while doubtful loans coverage declined to 55.2% (-50 bps as compared to 31/03/2012) in connection with greater inflows of collateralised exposures.
- With regard to capital ratios, as at 30 June 2012 the **Tier I ratio** stood at 11.7% (11.1% at the end of 2011) and the **Total Capital Ratio** at 16.6% (15.7% at the end of 2011).
- With regard to overall revenues, in the first six months of 2012 **income from banking and insurance** amounted to approx. **EUR 2,807 mln,** a slight decrease on the same period of last year (-31.2 mln; -1.1%), driven by a decline in 'basic income' (-3.1% on 30/06/2011) which was partly offset by a higher contribution from net profit (loss) from trading/valuation of financial assets (+22.8%). Q2 2012 contributed approx. EUR 1,334 mln, down -9.5% on Q1 2012.
- As for the cost of credit, within the Group's unchanged policy of conservative provisioning, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning rate of **116 bps**, higher than the 2011 full-year rate of 89 bps but lower than the 118 bps rate registered in Q1 2012. In terms of operational efficiency, the cost-to-income ratio stood at **59.5%** (vs. 63.8% as 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: 1,528 mln on goodwill, 15.2 mln on Banca Antonveneta's trademark, 14.3 mln on the stake held in AM Holding and approx. 17 mln net on 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 about global economic recovery. Considering the net effects of PPA (around EUR 28 mln) and impairment losses discussed above, **the net loss for the first half of 2012 amounts to approx. EUR 1,617 mln** (vs. a profit of EUR 261.4 mln in H1 2011).

Events after 30 June 2012

The following are the most significant events occurring after the end of the reporting period as at 30 June 2012:

Corporate actions

On 27 July Banca Monte dei Paschi di Siena gave notice of termination of the shareholders' agreement concerning Banca Popolare di Spoleto (BPS) to the cooperative company, Spoleto-Credito e Servizi Società Cooperativa (SCS). The shareholders agreement was entered into by and between the shareholders of SCS and Banca Monte dei Paschi di Siena on 30 March 2010 in relation to 22,972,924 ordinary shares of BPS, accounting for 77.22% of its total share capital, listed on the Italian Telematic Stock Market, of which 7,736,251 shares held by banca Monte dei paschi di Siena for an interest of 26.005%.

Upon formalisation of the termination date, the Parent Company provided SCS with:

- the definitive proposal for the disposal of BMPS' shareholding in BPS;
- the definitive proposal for the disposal of BMPS' shareholding in SCS;

under the conditions and terms provided for by the shareholders' agreement and subject to obtaining all necessary authorisations, where applicable.

As a result of termination, SCS has the obligation to purchase or identify a purchaser (in the case of the investment in SCS) for the above-mentioned shareholdings within six months from the date of termination.

Core capital

With a view to improving and strengthening the quality of its core capital through the creation of Core Tier 1 Capital and managing its liabilities more efficiently, on 27 June 2012 Banca Monte dei Paschi di Siena announced an invitation to the holders of nine series of subordinated securities (Tier 1, Upper Tier 2 and Lower Tier 2) to submit offers to exchange their securities for new Euro-denominated fixed-rate senior notes due 2015, to be issued under BMPS Debt Issuance Programme for an amount of EUR 50,000,000,000.

Upon expiry of the invitation on 5 July, EUR 1,007,495,510 worth of securities, in par value or liquidation preference, were validly offered for exchange and accepted by Banca Monte dei Paschi di Siena, corresponding to 30.74% of the overall par value/liquidation preference amount of EUR 3,277,809,765 in outstanding securities.

On 10 July 2012, date of settlement for outstanding securities accepted for exchange by Banca Monte dei Paschi di Siena, a nominal value total of EUR 790,497,000 in new notes had been issued by the Parent Company and delivered to holders of existing securities. Following transaction finalisation, the Group posted a gross capital gain of approx. EUR 227 mln.

Ratings

Following the downgrade of Italy's GDP forecasts for 2012 and 2013 early in August, international ratings agency Standard & Poor's has lowered Banca Monte dei Paschi di Siena's 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’ froma ‘BBB’/‘A-2’. Outlook is negative.

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 consolidated half-year report 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.

Basis of preparation for the Half-Year Financial Report

The Half-year Financial Report gives an account of the performance and results of the Montepaschi Group, both as a whole and in the various business sectors into which consolidated operations are organised.

To allow for a better understanding of how the major factors of value creation were developed for the Group and for all its stakeholders (both in the short and long term), the report integrates economic and financial aspects with qualitative and non-financial components.

These non-financial components particularly include the main activities and results achieved by the Group in implementing *Corporate Social Responsibility* (CSR) objectives relating to Customer relations, Personnel management and the impact of business on Society and the Environment. For additional information on this topic please refer to the Annual Report on Corporate Social Responsibility which can be found on our website www.mps.it under "Our Values".

Group Profile

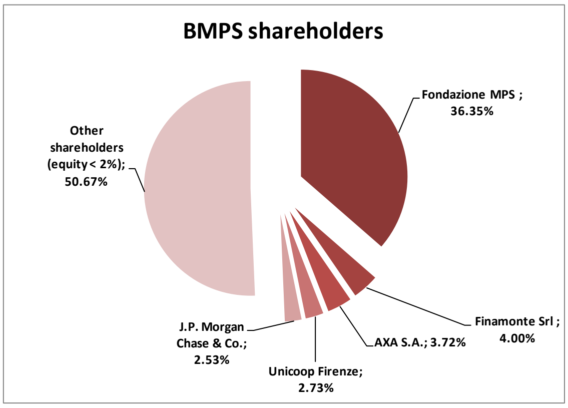
About us[2]

→ 232 bn	Total assets
→ 2.3 bn	Capitalisation as at 30 June
→ 30,422	Employees
→ 6.1 mln	Customers
→ 837 thousand	Active remote banking
→ 2,744	Branches in Italy
→ 3,432	ATMs

The Montepaschi Group is one of the leading Italian banking institutions with 30,422 employees, 6.1 million customers, assets of over EUR 230 billion 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 2.3 bn as at 30/06/2012.

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



The Group mainly operates in Italy through a network of 2,744 branches, 270 specialised centres and 143 financial advisory offices open to the public. Sales & distribution activities are also supported by the branch networks of Banca Popolare di Spoleto, in which Banca Monte dei Paschi di Siena holds a 26.005% interest.

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.

Our values

The Group's mission is to create value for shareholders, in both the short and long term, giving priority to the interest of all stakeholders, customer satisfaction and the professional development of resources.

The mission sees the involvement of all employees and has our values as a constant point of reference:

- Corporate social responsibility
- Strong customer focus
- A drive for change
- Entrepreneurship and productivity
- Professional skills
- Team spirit and cooperation

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

Strategy

Against a background of persisting economic and financial crisis, and in the presence of new regulatory constraints, the Group's strategy, outlined in the new 2012-2015 Business Plan which was approved by the Parent Company's Board of Directors on 26 June 2012, focusses upon strengthening capital, rigorously safeguarding asset quality, achieving structurally balanced liquidity and phasing out the need for funding from the European Central Bank.

Business Plan mission

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

Business Plan priorities

		Objectives by 2015
Share capital	Increase quality and quantity of capital.	Common Equity Tier1 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).

For the strategy to succeed, it is important that we continue to improve our ability to listen to stakeholders in order to meet their different expectations while delivering corporate objectives with a view to creating sustainable value.

Stakeholders' main expectations and Group commitments

CUSTOMERS
- Retail customers
- Corporate customers
- Institutional customers
- Consumer associations
- Business associations

Expectations
- Relationship quality
- Product suitability
- Financial education and assistance

Group commitment
- Relationships of trust
- Quality and innovation
- Full support to customer needs
- Transparency and fairness

SHAREHOLDERS
- Shareholders
- Institutional investors
- Analysts

Expectations
- Return on capital
- Information on corporate performance

Group commitment
- Create sustainable value
- Adequacy of corporate communications

EMPLOYEES
- Human resources
- Trade unions

Expectations
- Growth opportunities
- Equal opportunities
- Working environment
- Work-family balance

Group commitment
- Professional training and development
- Engagement and work quality
- Focus on employee needs

BUSINESS PARTNERS
- Vendors
- Business partners

Expectations
- Relationship sustainability

Group commitment
- Selection transparency
- Relationship sustainability

INSTITUTIONS
- State
- Supervisory authority
- Trade associations

Expectations
- Compliance with regulations
- Support economy
- Industry agreements

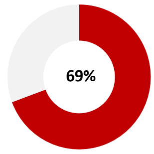
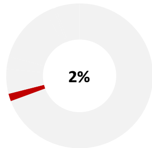
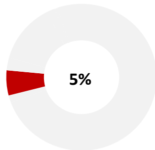
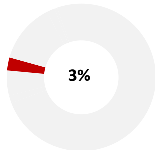
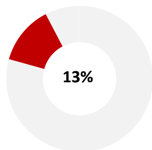
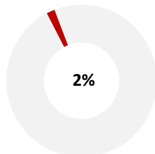
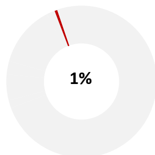
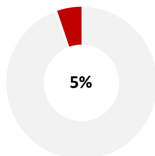
Group commitment
- Compliance
- Collaboration

COMMUNITY
- Non-profit organisations
- Local institutions
- Community
- Media

Expectations
- Support local growth
- Participate in social initiatives
- Finance environmental projects
- Information on company activities

Group commitment
- Financial inclusion
- Local investments
- Solidarity
- Environmental protection
- Prompt and transparent information

Areas of business

Assets		Contribution to
Retail & Corporate banking	Lending, traditional banking services, the offer of banking and insurance products through the strategic partnership with AXA, financial advisory, wealth management and the offer of investment products through the associate AM Holding.	
Leasing and Factoring	Offer of integrated leasing and factoring packages for businesses, artisans and professionals.	
Consumer lending	Special-purpose loans, personal loans, credit cards (option and revolving).	
Corporate Finance	Medium-long term credit facilities, corporate finance, capital markets and structured finance.	
Investment banking and proprietary finance	Finance, trading, global markets.	
Foreign banking	Products and services supporting business expansion and investments by Italian companies abroad.	
Business support	Information systems and telecommunications, management of non-performing loans, value creation from owned property.	
Other	Includes input from centralised treasury and equity accounted companies.	

N.B.: Figures do not account for the cancellation of intragroup entries or for the contribution of Biverbanca, which has been reclassified to assets held for sale and discontinued operations as at the end of June 2012.

Board of Directors

The new Board of Directors was established in April. The 12 members will remain in office until 2014. Alessandro Profumo was elected Chairman, while Marco Turchi and Turiddo Campaini were elected Deputy Chairmen.

At its first meeting, the BoD appointed General Manager, Mr. Fabrizio Viola, as Chief Executive Officer.

Alessandro Profumo – *Chairman* (§)

Graduated in Business Administration from Bocconi University in Milan. Having gained extensive experience in the areas of credit, finance and consultancy, holding positions of responsibility in Banco Lariano, McKinsey, Bain, Cuneo & Associati, Riunione Adriatica di Sicurtà, in 1994 Mr. Profumo joined Credito Italiano as Co-General Manager, later becoming General Manager and Chief Executive Officer, a position he continued to hold following the merger with Unicredit. Mr. Profumo left the Group in 2010. A number of directorships and supervisory positions are currently held by Mr. Profumo. Since 2011 Mr. Profumo has been Chairman of the financial consulting firm Appeal Strategy&Finance, member of the Supervisory Board of the Russian bank Sberbank, a boardmember of Eni and Director of the Together To Go Foundation. In 2012, Mr. Profumo became a member of the International Advisory Board of the Brazilian bank, Itaù Unibanco. He has also been a board member of Bocconi University since 2006.

Turiddu Campaini – *Deputy Chairman* (§)

As of 2008, Mr. Campaini has been Chairman of the Supervisory Board of Unicoop Firenze Soc. Coop., of which he was Chairman of the Board of Directors from 1973 to 2007. From 2002 to 2007 he was Chairman of the Board of Directors of Brico Business Cooperation S.r.l.. In 2006 he was Chairman of the Board and Chief Executive Officer of Finsoe S.p.A.. Mr. Campaini is currently a member of the Board of MPS Capital Services and a member of the Supervisory Board of Coop Italia. He has been a boardmember of the Issuer as of April 2003.

Marco Turchi – *Deputy Chairman* (§)

Mr. Turchi is on the national Register of Auditors. He currently holds the following positions: Sole Director of Alesund S.r.l., Chairman of the Board of Statutory Auditors of Mps Tenimenti S.p.A, Agricola Merse S.r.l, Frati Luigi S.p.a, Crai Toscana Soc. Coop. a r.l. (Etruria Soc. Coop. a r.l.), Standing Auditor of Banca Popolare di Spoleto S.p.a. Former Standihg Auditor of: AGEA from 1999 to 2002, Mediocredito Toscano S.p.a from 1992 to 2001, Unicoop Senese Soc. Coop. a r.l. from 1992 to 1995, Prima SGR S.p.a (2009/2010) and Prima Holding S.p.a.(2009/2010).

Fabrizio Viola – *Chief Executive Officer* (§)

Graduated in Business Administration from Bocconi University in Milan.
After serving as General Manager of Banca Popolare di Milano from September 2004 to September 2008, Mr. Viola was appointed CEO of Banca Popolare dell'Emilia Romagna.
In the first part of his career, Mr. Viola worked for leading finance and consulting organisations and then entered the asset management industry, where he managed a number of world-class mutual investment funds.
Among Mr. Viola's most important professional experiences was his joining the IMI Group in 1987, where he was in charge of the Italian securities portfolio for Sige's Consumer and Institutional Managed Funds.

Alberto Giovanni Aleotti – *Director* (§)

Graduated in Business Administration from the University of Florence. Since 1997, he has gained professional experience in A. Menarini IFR Srl, and has, until today, been a member of the Board. He is also a member of the Supervisory Board of Berlin chemie AG.

Michele Briamonte – *Director (^)*

Graduated in Law. He has been a lawyer with the firm Grande Stevens since 2000 and is currently Director of Juventus Football Club spa, Arcas Costruzioni Spa, IRCC Spa and Tor Vergata University in Rome.

Pietro Giovanni Corsa – *Director (^)*

Graduated in Economic & Banking Sciences from the University of Siena. Mr. Corsa was Managing Director of A.Menarini Industrie Farmaceutiche Riunite Spa from 1997 to 2009. As of 2010, he has been General Manager of the Menarini Group for the areas of Operations, Administration and Information Technology.

Frédéric Marie de Courtois d'Arcollières – *Director*

Graduated in Engineering from the Ecole nationale supérieure des télécommunications in Paris and subsequently in Management from the Ecole Nationale des Ponts et Chaussées.
He began his career at CGI Informatique in Germany in 1989, later joining the Finance Department in UAP (which merged with AXA in 1996).

He has covered various positions within the AXA Group, including: Deputy CEO of AXA Re (2001-2003); AXA Japan: CFO (2003 - 2006), Deputy CEO (2006 - 2007), CEO AXA ASIA P&C (2006 - 2007), Chairman of the Board of AXA Japan Holding (2006-2007), Director of AXA Life Japan and AXA Direct Japan (2003 - 2007). Since 2007, he has been Chief Executive Officer of the companies AXA MPS Vita and Axa MPS Assicurazione Danni S.p.A. in Rome, Chairman of AXA MPS Financial Ltd, and boardmember of AXA Assicurazioni S.p.A. and IPAS S.p.A. Frèdèric Marie de Courtois d'Arcollierès has been a member of the Board of the Issuer since 29 April 2009.

Paola Demartini – *Director (^)*

Graduated in Business Economics from the University of Genoa. Since February 2012, Ms. Martini has been a Visiting Professor of the Scientific department SECS - P07 Business Administration at the University of Rome; from 2010 to February 2012 she was an Associate Professor of Business Administration at the University of Rome 3; from 1991 to 2009 - Associate Professor of Business Administration at the University of Urbino Carlo Bo; Ms. Demartini boasts several award-winning academic publications in Economics & Finance.

Angelo Dringoli – *Director (^)*

Graduated in Economic & Banking Sciences from the University of Siena. Member of the Register of Chartered Accountants of the Province of Siena and the Register of Auditors, Mr. Dringoli has been a Professor in the Faculty of Economics at the University of Siena since 1980. He previously held the following positions: Auditor with Cassa di Risparmio di Terni from 1995 to 1998; director of Banca Toscana from 1999 to 2006; member of the Board of Banca Verde from 2001 to 2004. Mr. Dringoli boasts several award-winning academic publications in Economics & Finance.

Lorenzo Gorgoni – *Director* (§)

Graduated in Business Economics. From 1973 to 2000 he was a member of the Board of Banca del Salento S.p.A. (holding the position of Chief Executive Officer from 1978 to 1985, Deputy Chairman from 1991 to 1993 and Acting Deputy Chairman from 1993 to 2000). From 1988 to 1990 he was Chairman of the Board of Directors of Banca di Bisceglie S.p.A., from 2000 to 2002 he was Chairman of the Board of Directors of Banca 121 S.p.A., and he was a member of the Executive Committee of Banca Agricola Mantovana S.p.A. up to September 2008. He is currently Director of the Italian Banking Assoication and Telecom Italia Media S.p.A.. He has been Director of Fondo Italiano d'Investimento SGR as of May 2010 and Director of *Invitalia - Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo di Impresa S.p.A.* since August 2010. Honours: *Cavaliere del Lavoro* since 1 June 2002. Lorenzo Gorgoni has been a boardmember of the Issuer as of April 2003.

Tania Groppi – *Director (^)*

With a degree in Political Science from the University of Siena, Ms. Groppi was Associate Professor from 1999 to 2001 and, has been Professor of Public Law in the Economics Faculty of the University of Siena since 2001. She has also been a member of the Board of the Interdepartmental Centre of research and training in comparative and European public law, Board of the European Network of Constitutional Law and the Association for Study and Research on Reform of Democratic Institutions and Innovation in Public Administration.

(^) Independent director pursuant to the Consolidated Law on Finance. - (§) Member of the Executive Committee

Management

The organisational structure of the Parent Company has been re-designed with the aim of simplifying the structure, achieving the utmost in terms of effectiveness in the governance of the Group, ensuring continuous adequacy of management to market developments.

Main actions taken involved the following Functions:

Governance & Control function

- Setup of the Risk Management division, which focuses on the development and validation of risk measurement models, the definition of credit risk assumption and monitoring policies to reduce the "transmission belt" between credit assumption and credit management, concentrating all activities of corporate risk supervision into a single organisational function.
- Setup of the 'General Secretariat and Corporate Affairs' Area.

- Setup of the 'Compliance & Legal' Division.
- Finance responsibilities and activities merged into a single function reporting to the Chief Financial Officer, integrating the activities of Treasury and Capital Management so as to ensure more effective Group ALM and optimal monitoring of liquidity.
- Transfer of the Internal Audit Area's reporting hierarchy from the CEO/GM to the BoD in order to ensure greater independence of internal controls.

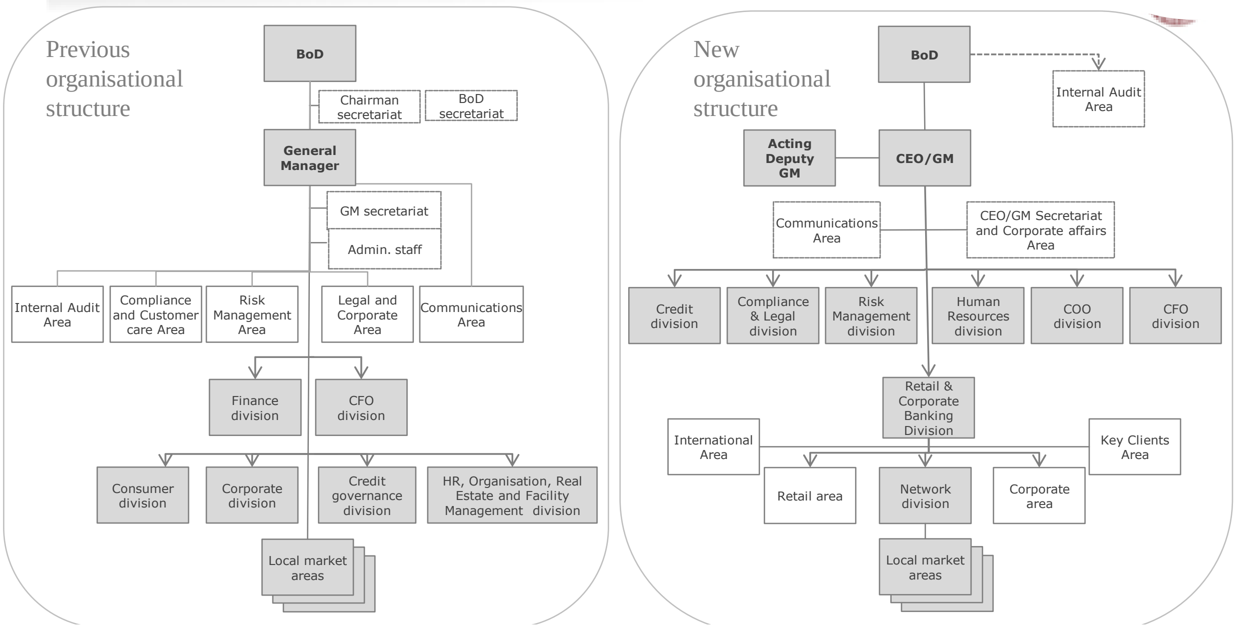
Business functions

- Establishment of the Retail & Corporate Banking division, reporting directly to the CEO/GM, responsible for the overall management of the Group's business and distribution activities across all customer segments. The division is also entrusted with the coordination of both marketing and sales activities so as to maximise overall business efficiency.
- Centralisation of all responsibilities regarding credit management to the Credit Division in order to ensure the independence of operational credit management from the sales & distribution supply chain as well as better management of credit quality, with a focus on promoting the culture of credit across the entire network.

Business support functions

- Creation of the Human Resources and Internal Communications Division, reporting directly to the CEO/GM in order to ensure the utmost focus on these strategic objectives.
- Introduction of the role of Chief Operating Officer (COO) so as to ensure optimal focus on the management of the Group's operations.

The Parent Company's new organisational setup



The management team has been strengthened with new executives who have joined existing management:

Fabrizio Rossi – *Acting Deputy Chief Executive Officer*

After graduating in Law, Mr. Rossi has developed his entire career with Banca Monte dei Paschi di Siena, gaining professional expertise in the international sector. As of 2008, he has been Acting Deputy Chief Executive Officer of Banca Mps and held the position of Head of Human Reosurces and Organisational development until June 2012.

Antonio Marino – *Deputy Chief Executive Officer, Head of the Retail & Corporate Division*

With a degree in Economics & Business, Mr. Marino has developed his entire career at Banca Monte dei Paschi di Siena and has held positions of responsibility including Head of Large Corporate, Head of the Corporate Division, Head of Credit Policies and Control Area and Head of the MPS Branch Network Division. Since 2008, he ihas also been the CEO of MPS Capital Services.

Ilaria Dalla Riva – *Head of Human Resources and Internal Communications*

Over the past four years, Ms. Dalla Riva has been Vice President of Human Resources, Organization & Facility Management at Sky Italia. With a degree in Philosophy, she has also worked at CEVA Logistics, TNT Logistics, Faber SMG.

Massimo Fontanelli – *Head of the Network Division*

Mr. Fontanelli has developed his entire career at Banca Monte dei Paschi di Siena with a variety of roles within the Network organisation, finally becoming Northern Tuscany Area Manager (Nov. 2006), North West Area Manager (Aug. 2009) and Head of Retail banking (June 2011). He has been Head of the MPS Network since May of this year.

Marco Massacesi – *Head of Compliance & Legal*

With a degree in Business Economics, Mr. Massacesi has worked for Arthur Andersen, IMI and Bank of Italy. In March 1999, he was appointed Executive manager of Banca Monte dei Paschi di Siena where he later held the positions of Head of Internal Audit, Head of Credit Governance, real estate and cost management as well as CFO. He is a Professor of Internal Audit and Quality Control for the Faculty of Economics at the University of Siena .

Bernardo Mingrone – *Chief Financial Officer*

He has held the position of CFO and has been Head of Strategy at PWC and Pioneer Global Asset Management (Unicredit Group). After graduating in Economics from the London School of Economics, he gained professional experience at PriceWaterhouseCoopers, JP Morgan, Lehman Brothers.

Alfredo Montalbano – *Chief Operating Officer*

With over twenty years of experience in financial services, Mr. Montalbano began his career at Accenture, where he became a partner in 2000 and where he worked on large business transformation programs in Italian and European companies. In late 2008 he joined Aviva as Information Technology & Marketing Director – Europe.

Giancarlo Pompei – *Head of Credit*

Mr. Pompei has spent his entire career with the Montepaschi Group, covering a variety of roles in foreign branches and Head Office. He became Head of Credit Policies and Control in 2006 and, as of 2010, he has been responsible for the Credit Governance Division.

Reclassified accounts

MONTEPASCHI GROUP P&L AND BALANCE-SHEET RECLASSIFICATION PRINCIPLES

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. For the reclassified income statement, figures for comparison were restated to take account of the allocation of Biverbanca's contribution as of June 2012 in the Profit (loss) from groups of assets held for sale and discontinued operations. With regard to the Group's reclassified Balance Sheet, included in the interim report, it is noted that, as at 30/06/2012, the assets and liabilities of Biverbanca, a company classified as held for sale, are 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 30/6/2012 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".

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

a) **"Net trading income from financial assets"** 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 55.2 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 36.3 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 1.6 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 Account 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 account "**Personal expenses**" was reduced by EUR 21.1 mln due to early-retirement outflows, with the amount reclassified under "Integration costs / One-off charges";

f) **"Other administrative expenses"** in the reclassified income statement was deducted of the portion of recovered stamp duty and client expenses (EUR 145.5 mln) posted in the balance sheet under item 220 "Other operating expenses (income)".

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.

h) "**Integration costs/one-off charges**" in the reclassified income statement includes EUR 21.1 mln in "One-off charges" associated with early retirement outflows. This value was reclassified out of Personnel expenses (see item e).

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 23.5 mln and **depreciation/amortisation** for approx. EUR 17.5 mln, net of a theoretical tax burden of approx. - EUR 13.3 mln which integrates the item).

k) "**Impairment of Goodwill and intangibles and writedown of stake 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"; net value: EUR 15.2 mln), impairment of software-related intangibles (approx. EUR 25.1 mln, included in "Net value adjustments to intangible assets"; net value: approx. EUR 17 mln), and write-down on AM Holding (roughly EUR 14 mln posted to item 240 "Gains/losses on equity investments"). The fiscal effect of the reduction in value of intangibles connected with the Banca Antonveneta trademark (approx. 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".

°°°°°°°

The accounting statements and the comparative statements of the reclassified consolidated income statement and balance-sheet are enclosed with the "Annexes" section together with the details of Biverbanca's input used for data restatement relating to the period prior to 30/06/2012.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/12

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**30/06/12**	**30/06/11 (*)**	**% chg**
Income from banking activities	2,490.6	2,570.6	-3.1%
Income from financial and insurance activities	2,806.5	2,837.8	-1.1%
Net operating income	182.5	590.6	-69.1%
Parent company's net profit (loss) for the period	-1,617.1	261.4	n.s.
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/06/12**	**31/12/11 (*)**	**% chg**
Direct funding	132,399	143,643	-7.8%
Indirect funding	128,738	131,458	-2.1%
of which: assets under management	*44,286*	*45,270*	-2.2%
of which: assets under custody	*84,452*	*86,188*	-2.0%
Loans to customer	144,461	144,331	0.1%
Group net equity	9,630	10,765	-10.5%
		(*)	
KEY CREDIT QUALITY RATIOS (%)	**30/06/12**	**31/12/11**	**Abs. chg**
Net doubtful loans/Loans to Customers	4.84	4.41	0.43
Net substandard loans/Loans to Customers	3.46	3.05	0.40
		Hystorical dates	
PROFITABILITY RATIOS (%)	**30/06/12**	**31/12/11**	**Abs. chg**
Cost/Income ratio	59.5	63.8	-4.29
R.O.E. (on average equity) (1)	-31.72	-33.56	n.s.
R.O.E. (on end-of-period equity) (2)	-30.05	-27.58	n.s.
Net loan loss provisions / End-of-period loans	1.16	0.89	0.27
		Hystorical dates	
CAPITAL RATIOS (%)	**30/06/12**	**31/12/11**	**Abs. chg**
Solvency ratio	16.6	15.7	0,90
Tier 1 ratio	11.7	11.1	0,67
INFORMATION ON BMPS STOCK	**30/06/2012**	**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 30/06/12	from 31/12/10 to 31/12/11	% chg
average	0.28	0.56	-50.0%
low	0.18	0.24	-25.0%
high	0.42	0.86	-51.2%
OPERATING STRUCTURE	**30/06/2012 (*)**	**31/12/2011 (*)**	**Abs. chg**
Total head count - end of period	30,422	30,424	-2
Number of branches in Italy	2,744	2,793	-49
Financial advisory branches	143	143	
Number of branches & representative offices abroad	41	41	
• CUSTOMER SATISFACTION	**30/06/12**	**30/06/2011 (*)**	**chg**
Customer Perception Index (%)	78.6	80.6	-2,00
Retention (%)	97.8	97.8	0,00
Complaints receivedi (Nr.)	5,070	5,263	-4%
• ENGAGEMENT DIPENDENTI	**30/06/12**	**30/06/2011 (*)**	**chg**
Employee Perception Index (%)	68.9	69.2	-0,30
Turnover (%)	0,21	0.24	-0,03
Training per capita hours)	18.0	25.1	-28%

(*) 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.

■ **RECLASSIFIED INCOME STATEMENT (in EUR mln)**

MPS Group	30/06/12	30/06/11 (*)	Change Ins.	Change %
Net interest income	1,653.7	1,658.5	-4.8	-0.3%
Net fee and commission income	836.9	912.1	-75.2	-8.2%
Income from banking activities	**2,490.6**	**2,570.6**	**-80.0**	**-3.1%**
Dividends, similar income and gains (losses) on investments	39.1	46.1	-7.0	-15.2%
Net profit (loss) from trading	271.8	221.4	50.4	22.8%
Net profit (loss) from hedging	5.1	-0.3	5.4	n.s.
Income from financial and insurance activities	**2,806.5**	**2,837.8**	**-31.2**	**-1.1%**
Net impairment losses (reversals) on:	**-954.6**	**-588.7**	**-366.0**	**62.2%**
a) loans	-839.0	-564.2	-274.8	48.7%
b) financial assets	-115.6	-24.5	-91.2	n.s.
Net income from financial and insurance activities	**1,851.9**	**2,249.1**	**-397.2**	**-17.7%**
Administrative expenses:	-1,578.3	-1,579.1	0.8	0.0%
a) personnel expenses	-1,059.7	-1,037.5	-22.2	2.1%
b) other administrative expenses	-518.6	-541.5	23.0	-4.2%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-91.1	-79.4	-11.7	14.7%
Operating expenses	**-1,669.4**	**-1,658.5**	**-10.9**	**0.7%**
Net operating income	**182.5**	**590.6**	**-408.1**	**-69.1%**
Net provisions for risks and charges and other operating expenses/income	-128.0	-107.8	-20.2	18.8%
Gains (losses) on investments	-1.8	-7.0	5.2	-74.0%
Integration costs / one-off charges	-21.1		-21.1	n.s.
Gains (losses) on disposal of investments	0.8	0.4	0.4	93.4%
Profit (loss) before tax from continuing operations	**32.5**	**476.3**	**-443.8**	**-93.2%**
Tax expense (recovery) on income from continuing operations	-53.9	-180.2	126.3	-70.1%
Profit (loss) after tax from continuing operations	**-21.5**	**296.0**	**-317.5**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	10.7	17.7	-7.0	-39.6%
Net profit (loss) for the period including non-controlling interests	**-10.8**	**313.7**	**-324.5**	**-103.4%**
Net profit (loss) attributable to non-controlling interests	-4.4	-2.7	-1.7	63.4%
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM	**-15.2**	**311.0**	**-326.2**	**-104.9%**
PPA (Purchase Price Allocation)	-27.6	-49.7	22.0	-44.3%
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	**-1,617.1**	**261.4**	**-1,878.5**	**n.s.**

(*) Figures have been restated for the purpose of a like-for-like comparison, excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012. It is noted that the corresponding information contained in the Interim report as at 31/03/12 did include Biverbanca, owing to the lack of prerequisites necessary for classification of the subsidiary among assets held for sale and discontinued operations

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	2012(*) 2nd quarter	2012(*) 1st quarter	2011 (*) 4th quarter	2011 (*) 3rd quarter	2011 (*) 2nd quarter	2011 (*) 1st quarter	31/12/11
Net interest income	779.6	874.1	910.4	853.5	801.0	857.5	3,422.4
Net fee and commission income	412.6	424.3	400.3	450.0	448.8	463.3	1,762.5
Income from banking activities	**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	28.5	10.6	9.4	15.4	18.7	27.4	70.8
Net profit (loss) from trading	111.1	160.8	-51.5	-4.1	117.8	103.6	165.8
Net profit (loss) from hedging	1.9	3.2	-30.9	-0.9	-1.1	0.8	-32.2
Income from financial and insurance activities	**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:	**-518.8**	**-435.8**	**-521.4**	**-340.7**	**-311.8**	**-276.9**	**-1,450.8**
a) loans	-408.7	-430.3	-464.3	-268.9	-291.7	-272.5	-1,297.5
b) financial assets	-110.1	-5.5	-57.1	-71.8	-20.1	-4.4	-153.4
Net income from financial and insurance activities	**814.8**	**1,037.1**	**716.3**	**973.2**	**1,073.5**	**1,175.6**	**3,938.5**
Administrative expenses:	-795.5	-782.8	-885.1	-779.9	-781.9	-797.2	-3,244.1
a) personnel expenses	-540.5	-519.2	-596.7	-513.8	-506.6	-530.9	-2,148.0
b) other administrative expenses	-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	-45.7	-45.4	-73.3	-40.2	-38.6	-40.9	-193.0
Operating expenses	**-841.2**	**-828.2**	**-958.4**	**-820.1**	**-820.5**	**-838.0**	**-3,437.0**
Net operating income	**-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	-99.6	-28.3	-200.1	-65.6	-70.1	-37.7	-373.4
Gains (losses) on investments	-5.8	4.0	-9.5	-7.8	-7.1	0.1	-24.3
Integration costs / one-off charges	-20.0	-1.1	-10.1	-15.7			-25.8
Gains (losses) on disposal of investments	0.6	0.3	0.3	33.9	0.3	0.1	34.6
Profit (loss) before tax from continuing operations	**-151.3**	**183.8**	**-461.4**	**97.8**	**176.2**	**300.1**	**112.7**
Tax expense (recovery) on income from continuing operations	63.3	-117.2	-10.9	-41.8	-38.9	-141.3	-232.9
Profit (loss) after tax from continuing operations	**-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	6.6	4.0	-235.5	6.0	11.0	6.7	-211.9
Net profit (loss) for the period including non-controlling interests	**-81.3**	**70.6**	**-707.9**	**61.9**	**148.3**	**165.4**	-332.2
Net profit (loss) attributable to non-controlling interests	-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	**-84.0**	**68.8**	**-700.7**	**60.9**	**147.5**	**163.5**	**-328.7**
PPA (Purchase Price Allocation)	-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	**-1,671.6**	**54.5**	**-4,988.8**	**42.2**	**121.1**	**140.3**	**-4,685.3**

(*) Figures have been restated for the purpose of a like-for-like comparison, excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012. It is noted that the corresponding information contained in the Interim report as at 31/03/12 did include Biverbanca, owing to the lack of prerequisites necessary for classification of the subsidiary among assets held for sale and discontinued operations.

Montepaschi Group

■ RECLASSIFIED BALANCE SHEET (in EUR mln)

ASSETS	30/06/12	31/12/11 (*)	30/06/11 (*)	Chg. Q/Q abs.	Chg. Q/Q %	Chg. YoY abs.	Chg. YoY %
Cash and cash equivalents	678	878	979	-200	-22.8%	-301	-30.8%
Receivables :							
a) Loans to customers	144,461	146,608	156,394	-2,147	-1.5%	-11,933	-7.6%
b) Loans to banks	17,130	20,695	10,793	-3,566	-17.2%	6,336	58.7%
Financial assets held for trading	51,565	55,482	54,295	-3,917	-7.1%	-2,729	-5.0%
Financial assets held to maturity	0.0024	0.0024	0.0028	0.0000	0.0%	0	-15.4%
Equity investments	931	895	916	37	4.1%	15	1.7%
Property, plant and equipment / Intangible assets	2,685	4,365	8,936	-1,680	-38.5%	-6,251	-70.0%
of which:							
a) goodwill	*670*	*2,216*	*6,474*	*-1,547*	-69.8%	*-5,804*	-89.7%
Other assets	14,659	11,779	9,220	2,881	24.5%	5,439	59.0%
Total assets	**232,109**	**240,702**	**241,533**	**-8,593**	**-3.6%**	**-9,424**	**-3.9%**

LIABILITIES	30/06/12	31/12/11 (*)	30/06/11 (*)	Chg. Q/Q abs.	Chg. Q/Q %	Chg. YoY abs.	Chg. YoY %
Payables							
a) Deposits from customers and securities issued	132,399	146,324	165,612	-13,925	-9.5%	-33,213	-20.1%
b) Deposits from banks	46,673	46,793	23,219	-120	-0.3%	23,454	101.0%
Financial liabilities held for trading	29,962	26,329	25,507	3,633	13.8%	4,455	17.5%
Provisions for specific use							
a) Provisions for staff severance indemnities	248	266	287	-18	-6.7%	-39	-13.6%
b) Pensions and other post retirement benefit obligations	40	193	199	-153	-79.2%	-159	-79.9%
c) Other provisions	991	1,056	898	-65	-6.1%	93	10.3%
Other liabilities	11,943	8,760	8,567	3,184	36.3%	3,376	39.4%
Group net equity	9,630	10,765	16,979	-1,135	-10.5%	-7,349	-43.3%
a) Valuation reserves	-3,315	-3,854	-193	539	-14.0%	-3,122	n.s.
c) Equity instruments	1,903	1,903	1,933			-30	-1.6%
d) Reserves	4,944	6,577	6,558	-1,633	-24.8%	-1,614	-24.6%
e) Share premium	255	4,118	3,938	-3,863	-93.8%	-3,683	-93.5%
f) Share capital	7,485	6,732	4,502	752	11.2%	2,982	66.2%
g) Treasury shares (-)	-25	-26	-21	2	-6.8%	-4	17.0%
h) Net profit (loss) for the period	-1,617	-4,685	261	3,068	-65.5%	-1,879	n.s.
Non-controlling interests	223	217	265	5	2.5%	-42	-15.9%
Total Liabilities and Shareholders' Equity	**232,109**	**240,702**	**241,533**	**-8,593**	**-3.6%**	**-9,424**	**-3.9%**

(*) Reported f igures are those published in the Interim Report as at 31/03/12 and include line-for-line Biverbanca f igures, ow ing to the lack of prerequisites necessary for classif ication of the subsidiary among assets held for sale and discontinued operations.

Montepaschi Group

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

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

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

(*) Reported figures are those published in the Interim Report as at 31/03/12 and include line-for-line Biverbanca f igures, ow ing to the lack of prerequisites necessary for classif ication of the subsidiary among assets held for sale and discontinued operations.

Macroeconomic and banking scenario

MACRO ENVIRONMENT

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

USA – Growth has not yet reflected positively on employment levels (8.2% unemployment rate in June). In addition to the slowly stabilising job market, the problem of high federal debt persists, with planned spending cuts expected in late 2012. The FED has confirmed exceptionally low interest rates at least until the end of 2014 and is ready for a new injection of cash.

GROWTH RATES IN THE LEADING ECONOMIES (GDP Y/Y)

		Projections	
	2011	2012	2013
World	3.9%	3.5%	3.9%
Advanced Economies	1.6%	1.4%	1.9%
Germany	3.1%	1.0%	1.4%
France	1.7%	0.3%	0.8%
Italy	0.4%	-1.9%	-0.3%
Eurozone	1.5%	-0.3%	0.7%
Usa	1.7%	2.0%	2.3%
Japan	-0.7%	2.4%	1.5%
Emerging Economies	6.2%	5.6%	5.9%
China	9.2%	8.0%	8.5%
India	7.1%	6.1%	6.5%

Source: FMI WEO Update, July 2012

Asian economies and emerging markets – Growth marks a slowdown though remaining strong. China, boosted by the stimulus measures implemented by the Bank of China (cut to the benchmark rate on loans and deposits), continues to expand with a growth rate that should not fall below 8% over the next two years. India and Brazil, affected by the European debt crisis, show signs of slowing down.

Eurozone – Decisive action by EU leaders3 and the hefty amounts of liquidity injected into the banking system by the ECB (which reduced the cost of money to 0.75%) collide with political difficulties in implementing the agreements reached. Tensions are concentrated on countries struggling with the difficult consolidation of public accounts (including Italy) and with critical issues concerning their banking system (Spain). After having declined in the first three months of the year, yields on Spanish and Italian bonds began to grow again with the 10Y Italian bond at around 6% and the Spanish one at 7%. The Italian 5Y CDS exceeded 570 points while the Spanish one stood at over 625 points.

The 10Y BTP-Bund spread returned to levels close to 500 points after sliding to below 300.

A mild recession has been predicted for 2012 (-0.3%):

- Production continues to fall (-2.8% YoY as at May).
- The job market is under pressure (unemployment exceeds 11%).
- The cooling economy eases pressure on prices, with inflation in June down to 2.4% YoY.

According to the Bank of Italy, Italy's GDP will drop 2% in 2012 and 0.2% in 2013:

- Orders and production confirm their downward trend (-9.4% and -6.9% YoY respectively as at May).

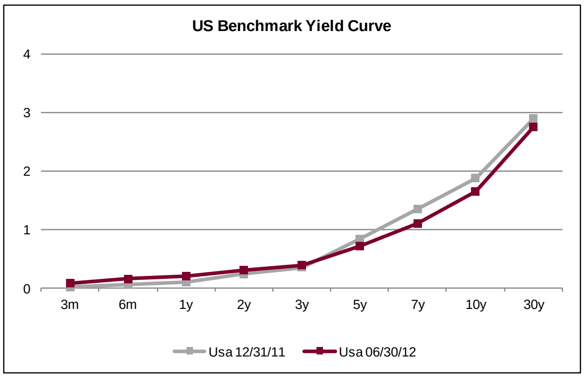
[3] Planned actions:
- The EU granted Spain a credit facility of EUR 100 bn for recapitalisation of its banking system.
- The supervison of banks will be transferred from the National Authorities to the ECB.
- Once sovereignty has been transferred to the ECB, the European Financial Stability Fund (which will takeover the functions currently performed by the European Financial Stability Facility) will be able to intervene directly in the bailout and recapitalisation of institutions.
- The European Stability Mechanism will be able to intervene in the market of government securities (at auction and on the secondary market) so as to prevent further surges in bond rates (anti-spread mechanism), provided that the countries concerned adhere to the European agreements on plans for fiscal adjustment. These conditions must be included in a Memorandum of Understanding whose exact content remains to be decided.

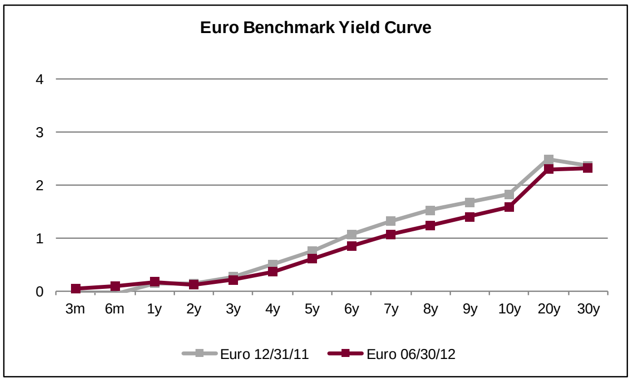
- Consumption is sluggish.
- Some positive signs are emerging from exports.
- Unemployment exceeds 10%.

Simplification, liberalisation, a reformed job market and spending review are all actions with which the Government is seeking to boost growth and pursue the objective of consolidating public accounts.

In spite of this, Moody's downgraded Italian debt while maintaining a negative outlook (from A3 to Baa2).

Concerns regarding the sustainability of European peripheral debt continue to shift the preference of investors towards financial assets believed to be safer, with yields on the German 10Y bond now close to 1.2% while those on the 3-year bund even falling to negative territory. Negative returns have recently been registered on the issuance of short-term bonds, including those of other Eurozone countries (France, Belgium, Holland). In the USA, the extension of FED's *Operation twist* has further lowered long-term returns.





Money market - Euribor rates fell sharply due to the ECB's extraordinary refinancing transactions and reduction in the cost of money decided on in July (1M Euribor below 0.18%, more than 80 bp less since December). A cause of concern for the ECB is the worsening economic environment so much so that the possibility of new extraordinary long term refinancing operations and a further reduction in the cost of money cannot be excluded. In order to facilitate the proper flow of funds to the economy, the ECB has cut interest rates on overnight deposits and lending facilities (at 0% and 1.5% respectively) thus making the deposit of cash with the ECB less appealing to banks; moreover, the ECB has *de facto* "frozen" the plan of repurchasing bonds from countries in financial distress.

Global financial markets - The major markets regained some ground within a highly volatile environment. Since the start of the year the Dow Jones has gained over 5% while the S&P 500 index has grown by over 8%. In Europe, markets registered positive performances (Dax gained almost 9%) while the FTSE Mib index lost over 5% and Madrid over 17%.

Currencies market - The Euro slid against the dollar, hitting 1.22, the lowest in two years. The yen returned to its role as safe-haven currency, improving its position against its counterparties despite injections of liquidity by the Japanese Central Bank. Actions by the Chinese government have recently led to the depreciation of the yuan against the dollar.

IMPACT OF THE REGULATORY FRAMEWORK ON BANKS

Agreement between the Italian Banking Association and Consumer Associations: Extension of deadline to 31 July 2012 for submission of applications for the 12-month suspension of mortgage repayments on the purchase of a first home for households who have experienced an adverse event (job loss, temporary lay-off, death or lack of self-sufficiency). As at May 2012, over 69,000 mortgages had been suspended for an outstanding debt of approximately EUR 8 bn, providing over EUR 500 mln in terms of liquidity to the families concerned.

New measures for credit to SMEs: three types of action are included under the new grace period set by the Italian Banking Association (in accordance with leading business organisations and the government) and signed on 28 Febrary 2012: a) 12-month suspension of principal on mortgage repayments and operating leases; b) extension of mortgage loans and advances; c) granting of loans to SMEs that use the tax incentives for recapitalisation introduced by the government last December. The transactions are carried out at the same rate of interest as in the original contract and are exempt from fees and charges, except for those which may be incurred against third parties. In the initial months of operations, 10,000 applications for repayment suspension were received, for a total residual debt of EUR 3.6 bn with EUR 440 mln in additional liquidity made available to SMEs. Under the same agreement, protocols were signed in May for "Italy investment" credit facilities to SMEs for an overall amount of 10 bln. An equal amount was earmarked to facilitate advances on receivables owed to companies by the Public Administration.

Basel 2 directive (2006/48/EC): on 31 December 2011, the exemption expired whereby Italian banks could report past dues after 180 days instead of after 90 days. A permanent exemption remains in force for banks using internal rating systems validated by the Supervisory Authority, limited to retail loan books and loans to national and local government agencies; however, the proposed directive to implement Basel 3 provides for the abolition of this exemption amongst other phaseouts.

Law on liberalisation and competition (no. 27/2012): The Italian Banking Association, Poste Italiane and business associations must ensure, by September, the application of general rules for the reduction of fees charged to retailers accepting payment cards as well as transparency and clarity of costs. Law 27/2012 guarantees that the opening and management of basic payment accounts for the crediting of monthly pensions of up to EUR 1,500 are free of charge (as of 2 July, cash payment of pensions from EUR 1,000 and up has been banned) with the exception of expenses relating to any additional services required. Banks in which a life insurance policy is one of the conditions for the provision of a home mortgage or consumer loan are obliged to submit quotations to their customers from at least two different companies other than the one with which the bank maintains business partnerships; the customer can, in any case, choose the insurance policy on the market that he deems best. The period for loan subrogation to be completed has been set at ten days from the date of the customer's request.

By way of implementation of Laws 27 and 64 of 2012, **Ministerial Decree no. 644 of 30 June** regulates the **framework for fees on bank loans and overdrafts**; the decree gives effect to the principles of transparency, simplification and reasonableness of costs for customers. Charges on credit facilities may only include the rate of interest plus an all-inclusive fee, proportional to the amount lent and the term of the loan granted and not exceeding 0.5% per quarter. As for overdrafts, in addition to the interest rate based on amount and term of the loan, only a 'fast facility fee' can be applied. This is determined as a fixed amount, possibly differentiated by type of contract, customer and loan amount bracket. The decree responds to the objective of enabling a broad understanding of the service costs offered, also for the benefit of comparability between competing offers, leaving their quantification to the discretion of the counterparties.

Law decree on tax simplification, converted into Law 44/2012 of 26 April contains the application of stamp duty to bank and postal deposits in the amount of 1 per thousand in 2012 and 1.5 per thousand in 2013. The minimum term of lease agreements is made less stringent for the deduction of leases, set at 2/3 of the amortisation period, with specific characteristics for cars (entire period) and real estate (minimum 11 years); the sale to banks and specialised financial companies of receivables due from the Public Administration may also occur with recourse.

BANKING ACTIVITIES AND GROUP MARKET SHARES

The performances of leading banks were especially conditioned by the following events:

- A slip back into recession for Italy.
- Tensions surrounding sovereign debt int he Eurozone.
- Refinancing transactions of banks with the ECB;

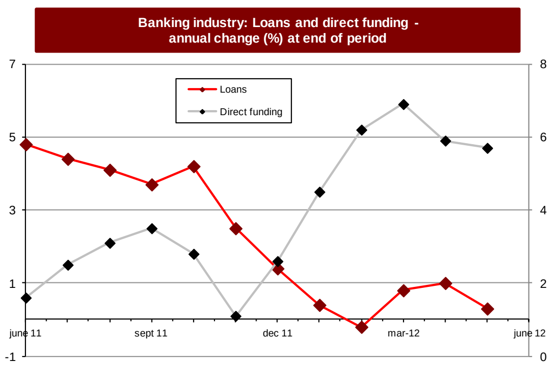
The increase in sovereign debt affects Italy and has hindered the wholesale funding of national banks. Total funding, net of refinancing with the Eurosystem, was down 4.6% YoY in May, reflecting the fall in funding on the international markets and creating a gap between loans and deposits. The two long-term ECB financing transactions (December 2011 and end of February for a total of almost EUR 140 bn) offset this imbalance thereby avoiding a liquidity crisis and making access to credit less unfavourable, also in terms of cost for customers; moreover, banks have helped relieve national public debt (to the benefit of the entire economy) by increasing government bonds in their portfolios by over EUR 90 bn between the end of 2011 and last May.

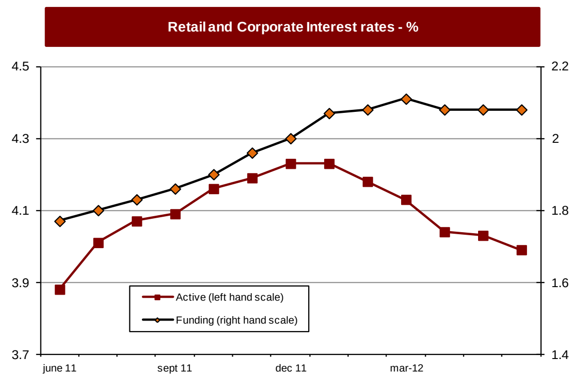
Despite being affected by the fall in new savings, Retail funding from resident customers continued to grow, particularly as a result of deposits from consumer households. In May, deposits (including repos) were up 1.8% for the year, picking up after some signs of decline observed at the end of 2011. The aggregate reflects a notable **shift towards time deposits to the detriment of current accounts and repurchase agreements.** In particular, deposits with agreed maturity more than doubled compared to the same period last year and now account for almost 11% of deposits and repurchase agreements (from 7.2% at the end of 2011), while those redeemable at notice grow by over 3% YoY. The high demand for these technical forms reflects the widespread preference for secured and simple liquid products, distinguished by higher returns than those on current accounts (the average rate on deposits with agreed maturity stood at 3.29% in May against 0.52% for current accounts). It also reflects the increased level of competition in the retail funding market; the harmonization of taxation on income from financial investments is also considered to have been a contributing factor to the greater success of the product.

The fall in current accounts became more pronounced (at around -5.5% YoY in the first months of the year compared to -2.8% at the end of 2011), driven largely by the partial shift of household savings towards higher-yied investments; repurchase agreements show a drop of over10% for the year (as at May) but a significant recovery from the lows registered at the end of 2011. The performance of **bonds** (which also incorporates transactions with foreign countries and repurchases), **up by 11.5% YoY** (as at May) though stabilising at the absolute levels of earlier this year, was impacted by issuances aimed at creating collateral for the ECB's refinancing auctions.

As a result of the performances described above, **the trend in direct funding** (deposits and repos of ordinary resident customers plus bonds) **for the first part of 2012 revealed a sharp rise compared to the closing months of last year,** going from +2.6% in December 2011 to +5.7% in May. The Group's market share remains stable at slightly above 7%.

As to the asset management market**, mutual fund flows remained negative (- EUR 3.3 bn in the aggregate amount of the first five months,** according to monthly data from *Assogestioni*). However, outflows have fallen with respect to last year's result (- EUR 33.3 bn). More specifically, **interest in bonds appears to have resurfaced (+ EUR 7.6 bn in the period), driven by the demand for dollar denominated debt securities and corporate bonds in addition to the offer of new products** having fixed maturity and coupon plan. Other categories of products are still showing negative net flows, particularly monetary products which are affected by competition from deposit accounts that are more profitable and guaranteed by the interbank fund. Tax equalisation between domestic and foreign instruments, which was introduced almost a year ago, has not contributed to changing the fate of domestic asset management which continues to lose market share, registering negative net inflows of over 9 billion against positive inflows of almost 6 billion on foreign products. Assets managed by funds distributed in Italy increased by almost 3% on the end of 2011 as a result of better stock performance. The market share of products distributed by the Group's network stood at 4.7% in March.





Similar negative net inflows were registered in the January-May period on retail asset management (- EUR 3.4 bn) whose average monthly pace is lower than that in 2011 (- EUR 10 billion in total); on the basis of Q1 data, the slowdown concerns managed securities portfolios more than funds. Total assets under management fell by almost 5% on December 2011. The Group's market share is on the rise, nearing 3.6%.

With regard to **life bancassurance (bank branches and post offices), new production in the first five months of the year registered a sharp fall (-32.7% YoY**), although the monthly data for May marked a return to growth for the market. The growth in New Business largely reflects the strong downturn in traditional policies (-24%), which always account for the largest share of business; this is accompanied by a significant reduction in unit-linked policies (-53.3%), within which a fall was registered for both secured and protected products as well as classic ones. Index-linked policies picked up (+70% though on very low volumes - less than 5% of total flows -traded by a limited number of market participants). As to new production, the market share of the AXA-MPS partnership is rising and exceeded 7% in the first half of the year.

Bank lending continues to grow though at a very slow pace for the year (around 0.5%). The sluggish trend reflects a lower demand due to the worsening economic cycle (mainly seen by the reduction in industrial investments and a drop in real estate sale and purchase transactions). Following restricted supplyinduced by tensions in wholesale funding and a decline in loan quality at the end of last year, conditions of supply did in fact improve in the first months of 2012, thanks to Eurosystem refinancing. **Loans to households continued to slow down. Up 1.3% YoY in May from +4.4% at the end of 2011,** they were held back by the fall in mortgage loans issued to households for the purchase of homes (-16% YoY in Q1 though there were signs of recovery compared to the two previous periods) against a general backdrop of heightened difficulties for the real estate market. **Loans to non-financial companies, on the other hand, gradually began to decline (approx. -1% YoY in May).** The MPS Group's market share for lending remained at around 7.3%.

In the first quarter, **flows of new adjusted doubtful loans accounted for an annualised 1.9% of total loans**, the same value as in the closing months of 2011; the ratio rose to 2.9% (+ two tenths of a point) for non-financial enterprises while it dropped by two tenths of a point, to 1.2%, for households. According to preliminary guidance, it would appear that the decay rate remained unchanged in the following two months. The ratio of substandard and restructured loans to businesses over total loans exceeded 7% in May. The worsening market cycle and a double-dip recession have continued to increase the amount of doubtful loans which, in May, exceeded EUR 110 bn (almost +14 bn on an annual basis, but “just” +3.7 bn on December 2011); doubtful loans are now 5.6% of total loans.

Interest rates on loans were down and the cost of direct funding continues to trend upwards. More specifically, interest rates on loans to households lost 24 bps between the end of 2011 and June; against a contained drop for interest rates on short-term transactions (-2 bps up to May), a significant downturn was observed for interest rates on medium-long term loans to both businesses (-29 bp) and households (-33 bps for home loans). With regard to new loans, the interest rate on loans to businesses fell below 4% (-46 bp in five months) while the cost of new home mortgages in June stood at 5bp below the levels of last December after rising in the first two months of the year. The cost of funding (deposits and repos of ordinary resident customers and bonds) climbed to over 2%, reflecting the rise in interest rates on deposits (+15 bp up to May, driven by the increase in interest rates on fixed term deposits: +34 bp) and on repos (from 2.77% in December 2011 to 2.98% in June), against bond yields substantially stable at around 3.35%. **The spread between the lending and direct funding rates since April has fallen to below two percentage points (-32 bp against the end of 2011).**

Since the beginning of 2011, **the five largest Italian groups** have strengthened their capital base through recourse to the market for over EUR 17 billion and restructuring of convertible instruments into high-quality equity for a further EUR 3 billion; **their core tier 1 ratio stands at 10%** (from 8.9% at the end of 2011); as for the other 66 banking groups, the capital ratio climbed to 8.7%.

In the first quarter of this year, the operating costs of the five major banking groups fell in relation to total banking income **thereby boosting operating profitability**, at a time of weak growth in volumes traded decreasing bank lending rates and increasing credit risk.

The Group's profit & loss and balance sheet results[4]

The second quarter of 2012 **witnessed a significant deterioration in the macro-economic and financial climate.** Sovereign debt market tensions, which had subsided in the first part of the year, have flared up again since April, triggering a clear reversal of trends in the credit spread of Italian government bonds over German bunds, on average back to well above the 400 bps level. At the same time, stock markets suffered considerable losses (FTSEMIB -10.6%) and greater volatility, while the rate curve continued to fall, especially in its shorter-term segment (average one-month Euribor -24 bps q/q). No clear signs of interbank and institutional markets opening up have emerged, so the ECB has continued to guarantee the necessary liquidity for the banking system and ensure compliance of money market transactions. Data from the real economy confirms **recession for Italy** with average GDP for the year estimated to fall by slightly less than two percentage points according to consensus forecasts.

Against this complex backdrop, volumes traded with customers by the Montepaschi Group registered a reduction in total funding, affected negatively not only by the drop in savings by households and shrinking liquidity of businesses but also by the depreciation of financial assets which primarily impacted indirect funding (assets under management and assets under custody). In the same period, **lending volumes followed a substantially stable trend,** reflecting a lower demand for credit, with non-performing loans on the rise in a recessive macro-economic climate. With regard to financial assets, the Group's trading book was moderately downsized, partly as a result of disposals and maturities in the AFS and L&R portfolio, with ECB funding remaining stable at March levels.

These developments in balance sheet and context changes were reflected in the Group's current profit and loss results, with **revenues trending down on the previous quarter primarily on the back of net interest income,** which suffered the 'incompressible' cost of funding. In parallel, **the cost of credit**, though down slightly, remained at high levels and the need was felt to post impairment losses on financial assets held in the Group's investment portfolios. Such a large-scale crisis has further reduced the prospects for development of some of the Group's business segments while notably increasing the rate of return required on the venture capital or private equity invested, with negative repercussions on the impairment testing of goodwill allocated to the various Cash Generating Units (CGUs).

As a countermeasure, the Group has accelerated the setup schedule of actions included in the 2012-2015 Business Plan for a prompt relaunch of business growth.

Balance Sheet

DIRECT FUNDING

As at 30 June 2012, the Group's overall funding volumes totalled approx. EUR 261 bn, down 4.1% on the end of March 2012 as a result of the fall in direct funding (-1.7% on 31/03/2012) and especially in indirect funding (-6.4%). Total funding was down 13.7% on 30 June 2012:

4 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 and thus differ from the figures published in the Interim Report on Operations as at 31/03/2012.

CUSTOMER FUNDING (in millions of euros)

	30/06/12	Restated (*) 31/03/12	Restated (*) 31/12/11	Restated (*) 30/06/11	Chg % vs 31/03/12	Chg % vs 31/12/11	Chg % vs 30/06/11
Direct funding	**132,399**	**134,621**	**143,643**	**162,898**	**-1.7%**	**-7.8%**	**-18.7%**
Indirect funding	**128,738**	**137,551**	**131,458**	**139,630**	**-6.4%**	**-2.1%**	**-7.8%**
assets under management	*44,286*	*45,693*	*45,270*	*48,187*	-3.1%	-2.2%	-8.1%
assets under custody	*84,452*	*91,858*	*86,188*	*91,443*	-8.1%	-2.0%	-7.6%
Total funding	**261,138**	**272,172**	**275,101**	**302,528**	**-4.1%**	**-5.1%**	**-13.7%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.

More specifically:

- **Direct funding**, totalling approximately **EUR 132 bln,** was down 1.7% on 31/03/2012 with a Group market share remaining at slightly above 7%. The slowdown in the aggregate as compared to the previous quarter was affected by the downturn in retail and corporate funding particularly in consequence of Large Corporate and Institutional clients' deposit outflows attributable, among other things, to PA treasury centralisation. Against a macro-economic environment marked by a fall in savings, a downturn was also registered in funding from consumers, both current accounts and bonds (for further information, please refer to the chapter "Financial highlights and main activities of the Operating Segments"). The trendline in retail/corporate funding was partly offset by the growth in repos with institutional counterparties.

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

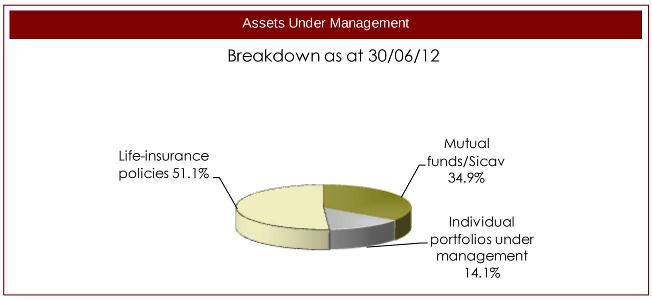
Direct funding (€/mln)

Type of transaction	30/06/12	Restated (*) 31/03/12	Restated (*) 31/12/11	Restated (*) 30/06/11	Q/Q change Abs.	Q/Q change %	Y/Y change Abs.	Y/Y change %
Current accounts	56,928	58,174	60,725	63,849	-1,246	-2.1%	-6,920	-10.8%
Time deposits	3,743	3,502	1,508	2,188	241	6.9%	1,556	71.1%
Reverse repurchase agreements	8,604	6,828	14,244	22,006	1,776	26.0%	-13,401	-60.9%
Bonds	57,096	59,231	59,188	59,621	-2,135	-3.6%	-2,525	-4.2%
Other types of direct funding	6,027	6,885	7,979	15,234	-858	-12.5%	-9,207	-60.4%
Total	**132,399**	**134,621**	**143,643**	**162,898**	**-2,222**	**-1.7%**	**-30,498**	**-18.7%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.

- **Indirect funding**, totalling approx. **EUR 129 bn**, was down 6.4% on 31/03/2012 (-7.8% on 30/06/2011), as it was affected by the downturn in both assets under management and custody. More specifically:

  - **Assets under management** closed the year with volumes exceeding **EUR 44 bn**, down 3.1% as compared to 31/03/2012 on the back of net divestments in the segment (for an amount of approx. - EUR 700 mln in the quarter) and negative market effects. A further breakdown of volumes - according to a Mifid-based approach structurally aimed at selecting the most suitable investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) - shows that the prevailing segment is that of life insurance policies, Funds and Sicavs. In the **insurance segment**, technical reserves, amounting to approx. EUR 23 bn, were about EUR 1 bn lower than as at 31/03/2012, with premiums collected in the quarter exceeding EUR 0.9 bn, driven by Unit Linked products (EUR 678 mln; - EUR 257 mln as compared to the previous quarter) and traditional policies (EUR 127 mln; + EUR 23 mln QoQ). **Mutual investment funds and open-end collective investment schemes** (Sicavs), amounting to EUR 15.4 bn, were down by EUR 1.1 bn on 31/03/2012 with quarterly net funding at approx. - EUR 272 mln, in a market environment where mutual funds continue their non-stop outflow. Finally, **wealth management** totalled EUR 6.2 bn, down by EUR 0.4 bn on 31/03/2012, with net funding trending negatively (- EUR 149 mln; - EUR 0.2 bn QoQ).



- Volumes of **assets under custody**, amounting to EUR 84.5 bn, were down 8.1% on 31/03/2012, primarily on account of movements in deposits from Large Corporate and other institutional customers and negative market effects.

LOANS TO CUSTOMERS

Group **Loans to customers** amounted to approx. **EUR 144.5 bln** at the end of June 2012, **substantially in line with Q1 2012 levels, although down by EUR 9.5 bn (-6.2%) on the previous year**. This result is to be seen in correlation with both the decline in demand for loans as a result of the sluggish economic cycle, which has particularly penalised current accounts and short-term lending, and more selective credit policies adopted by the Group. The Group's market share of total loans was confirmed to be at around 7.3%.

Loans to customers (€/mln)

Type of transaction	30/06/12	Restated (*) 31/03/12	Restated (*) 31/12/11	Restated (*) 30/06/11	Q/Q Change Abs.	Q/Q Change %	Y/Y Change Abs.	Y/Y Change %
Current accounts	16,940	16,982	16,585	18,511	-42	-0.2%	-1,570	-8.5%
Mortgages	85,179	85,822	86,333	87,759	-643	-0.7%	-2,580	-2.9%
Other forms of lending	38,817	37,298	37,420	41,683	1,519	4.1%	-2,867	-6.9%
Repurchase agreements	508	1,191	882	2,284	-683	-57.4%	-1,776	-77.8%
Loans represented by Securities (^)	3,018	3,057	3,110	3,750	-40	-1.3%	-733	-19.5%
Total	**144,461**	**144,349**	**144,331**	**153,987**	**111**	**0.1%**	**-9,526**	**-6.2%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.

(^) Amount included in the Group's "Securities and Deriv ativ es portfolio ", under accounting category 'Loans & Receiv ables' (L&R).

A breakdown of the aggregate reveals that **mortgage loans** are the prevalent form of lending (EUR 85.2 bn), **with new contracts for Q2 2012 totalling approx. EUR 810 mln** (ca. EUR 100 mln more than in Q1 2012).

As for **special-purpose loans** in Q2 2012, EUR 311 mln worth of new loans (-12.3% on Q1 2012) were disbursed and EUR 207 mln in leasing contracts (-26.8% on Q1 2012) were negotiated by MPS Capital Services. In the **consumer lending** segment, disbursements over the period totalled **EUR 620 mln**, in line with the previous quarter (+0.5% q/q). In the second quarter, factoring had a turnover of EUR 1.9 bln, down 18.3% on the previous quarter.

Special purpose loans and corporate finance

EUR mln	30/06/12	2Q12	1Q12	30/06/11	2Q11	1Q11	Chg 2Q12 vs 1Q12 Ass.	Chg 2Q12 vs 1Q12 %	Chg. YoY Ass.	Chg. YoY %
MPS Capital Services (disbursements)	**666**	**311**	**355**	**1,130**	**398**	**731**	**-44**	**-12.3%**	**-463**	**-41.0%**
MPS Leasing & Factoring										
incl.: leases negotiated	**490**	**207**	**283**	**671**	**410**	**261**	**-76**	**-26.8%**	**-181**	**-27.0%**
factoring turnover	**4,202**	**1,890**	**2,312**	**4,851**	**2,480**	**2,371**	**-422**	**-18.3%**	**-650**	**-13.4%**
Consumit (disbursements)	**1,238**	**620**	**618**	**1,409**	**725**	**684**	**3**	**0.5%**	**-171**	**-12.1%**

NON-PERFORMING LOANS

As at the end of June 2012, the Group's net exposure to non-performing loans totalled approx. EUR 16 bln, accounting for approx. 11.09% of total Customer Loans.

During the second quarter, volumes for this aggregate increased by EUR 979 mln. In particular, doubtful loans were up 373 mln and past due exposures increased by 307 mln.

With regard to the quality of **performing loans**, as at 30/06/2012 the **average probability of default stood at 2.14%**, down 2 bps on 31/03/2012, reflecting flows of performing loans transitioning to non-performing **(2.23% as at 31/12/2011).**

CUSTOMER LOANS BY RISK

Risk category - Net book values *in million EUR*	**30/06/12**	**31/03/12** Restated (*)	**31/12/11** Restated (*)	**30/06/11** Restated (*)	**weight %** **30/06/12**	**weight %** **31/12/11**	**weight %** **30/06/11**
A) Non performing loans	**16,016**	**15,037**	**13,333**	**12,710**	**11.09**	**9.24**	**8.25**
a1) Doubtful loans	6,991	6,618	6,370	5,987	4.84	4.41	3.89
a2) Substandard loans	4,993	4,806	4,406	4,114	3.46	3.05	2.67
a3) Restructured loans	1,575	1,464	1,428	1,466	1.09	0.99	0.95
a4) Past due	2,457	2,149	1,129	1,144	1.70	0.78	0.74
B) Performing loans	**128,445**	**129,313**	**130,998**	**141,277**	**88.91**	**90.76**	**91.75**
Total customer loans	**144,461**	**144,349**	**144,331**	**153,987**	**100.00**	**100.00**	**100.00**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.

As at 30 June 2012, **coverage of non-performing loans** stood at **39.2%**, (-50 bps as compared to 31/03/2012), within which coverage of substandard loans was 21.6% (stable at the levels of 31/03/2012) while doubtful loans coverage declined to 55.2% (-50 bps as compared to 31/03/2012) in connection with greater inflows of collateralised exposures.

Provisioning ratios

	30/06/12	**31/03/2012 Restated (*)**	**31/12/2011 Restated (*)**	**30/06/2011 Restated (*)**
"provisions for non performing loans" / "gross non performing loans"	**39.2%**	**39.7%**	**41.3%**	**40.6%**
"provisions for substandard loans" / "gross substandard loans"	**21.6%**	**21.6%**	**22.2%**	**20.3%**
"provisions for doubtful loans" / "gross doubtful loans"	**55.2%**	**55.7%**	**55.4%**	**55.3%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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 table below reports the figures for the Group's major companies, within which BMPS and BAV show a provisioning ratio for doubtful loans which, on average, stands at around 58.1%. 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 NPL coverage stood at lower levels (36%), whose business is mainly characterised by the disbursement of mortgage loans:

DOUBTFUL AND SUBSTANDARD LOANS BY BUSINESS UNIT

Risk category - Net values at 30/06/2012 *in million EUR*	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it
Doubtful loans	6,991	4,062	670	1,768	292	140
% of total customer loans	4.84%	3.22%	4.87%	11.89%	4.04%	2.33%
"loan loss provisions" / "gross doubtful loans"	**55.2%**	**57.9%**	**59.6%**	**36.0%**	**59.7%**	**79.5%**
Substandard loans	4,993	3,466	209	778	446	60
% of total customer loans	3.46%	2.75%	1.52%	5.23%	6.18%	1.00%
"loan loss provisions" / "gross substandard loans"	**21.6%**	**22.6%**	**19.5%**	**16.3%**	**18.5%**	**48.0%**

With regard to gross **performing loans,** provisions continued to stand at around 0.55%, substantially in line with levels as at 31/12/2012.

As for doubtful loan book management, which is assigned groupwide to the Group company specialising in this area, MPS Gestione Crediti Banca, **recoveries totalled approx. EUR 208 mln** (-4.7% on Q1 2012 and -23.8% YoY). This result was affected by the challenging economic and financial environment which, in particular, led to an average depreciation of properties pledged as collateral for loans granted.

THE GROUP'S SECURITIES AND DERIVATIVES PORTFOLIO

The group's reclassified securities and derivatives portfolio amounted to **EUR 36.3 bln** as at 30 June 2012, down by approx. EUR 1.7 bln on 31/03/2012. In the second quarter, the aggregate was affected by both AFS and L&R disposals and the reduction in value of fair-valued securities due to growing spreads (impacting primarily the Group's portfolio of government securities classified as AFS) and worsening market conditions. The HFT component has grown by approx. EUR 700 mln, reflective of trading by MPS Capital Services.

PORTFOLIO OF TREASURY SECURITIES AND DERIVATIVES (€/million)

MONTEPASCHI GROUP		(*)	(*)	(*)	**Chg. Q/Q**		**Chg. Y/Y**	
Type of portfolio	**30/06/12**	**31/03/12**	**31/12/11**	**30/06/11**	**Abs.**	**%**	**Abs.**	**%**
Held For Trading (HFT) [1]	9,740	9,043	9,854	9,688	697.0	7.7%	51.9	0.5%
Available For Sale (AFS) [2]	22,293	24,254	22,205	24,123	-1,961.1	-8.1%	-1,829.4	-7.6%
Loans & Receivable (L&R) [3]	4,299	4,752	5,221	5,358	-452.1	-9.5%	-1,058.3	-19.8%
Totale	**36,333**	**38,049**	**37,280**	**39,169**	**-1,716.3**	**-4.5%**	**-2,835.8**	**-7.2%**

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

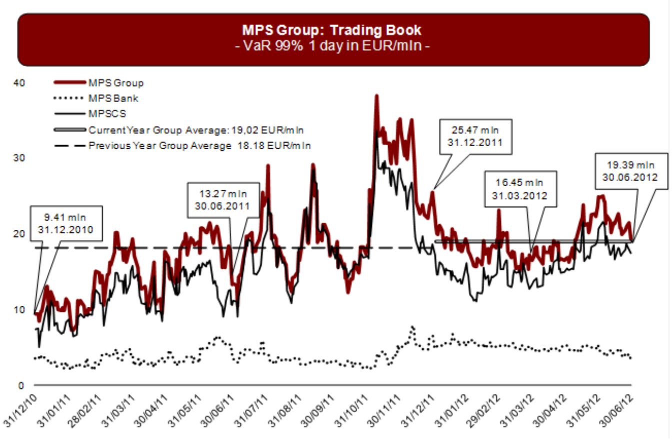
(2) "Financial Assets Held for Sale" excluding "Loans", including Equity Investments.

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

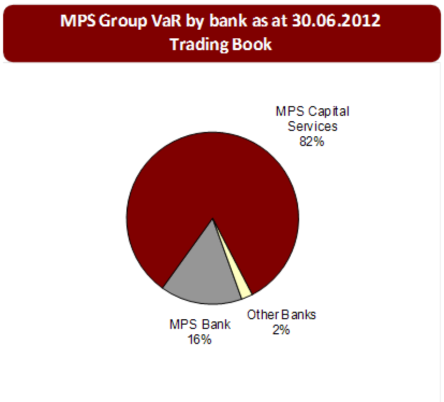
(*) With respect to data published in the Interim Report as at 31/03/12, figures have been restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

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 approach 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.

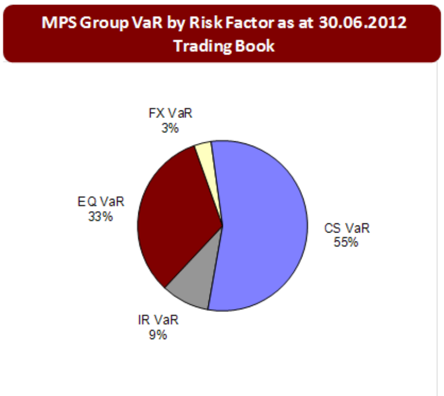
With regard to the Group's Regulatory Trading Book, in the first quarter of 2012, market risk, in terms of VaR, showed an overall downward trend, continuing the pattern that began in the concluding months of 2011 which was characterised by narrowing yields on Italian government bonds. From the second half of March, a trend reversal was registered due to a market scenario marked by high volatility which was a consequence of new tensions surrounding credit spreads in the Eurozone and Italian sovereign debt in particular. At the beginning of June, Var stood at its highest levels in 2012 to then return, at the end of the month, to values closer to the year's average (EUR 19.02 mln). This trend mainly reflects trading of Italian governement bonds by the subsidiary, MPS Capital Services. **The Group's VaR came to EUR 19.39 mln as at 30 June 2012.**



A look at the Group's legal entities as at 30 June 2012, shows that market risk continues to be concentrated in MPS Capital Services (82% of total risk) and Banca Monte dei Paschi di Siena (approx. 16%), with the remaining part attributable to other banks (2%).



A breakdown of VaR by risk factors as at 30-06-2012 shows that 55% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 33% was absorbed by equity risk factors (EQ VaR), 9% was absorbed by interest rate risk factors (IR VaR) and the remaining 3% by foreign exchange risk factors (FX VaR).



During the first six months of the year, the Group's VaR ranged between a low of EUR 14.99 mln recorded on 20 March and a high of EUR 24.97 mln on 4 June. The Group's average VaR for the first half of 2012 was EUR 19.02 mln. The exact figure at the end of June 2012 was EUR 19.39 mln.

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

	VaR	Date
End of Period	19,39	30/06/2012
Min	14,99	20/03/2012
Max	24,97	04/06/2012
Average	19,02	

INTERBANK POSITION

As at 30 June 2012, the Group's net interbank position reached EUR 30.2 bn **in deposits**, remaining in line with levels registered at the end of the first quarter. Net funding from banks increased by approx. EUR 20 billion compared to the same period last year. This development is to be related to the growing access to ECB funding and the simultaneous reduction in funding from customers, made up primarily by by repo transactions with institutional counterparties.

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

	30/06/12	Hystorical data 31/03/12	Hystorical data 31/12/11	Hystorical data 30/06/11	Chg. Q/Q Abs.	Chg. Q/Q %	Chg. Y/Y Abs.	Chg. Y/Y %
Loans to banks	18,205	16,101	22,395	14,917	2,104	13.1%	3,288	22.0%
Deposits from banks	48,418	46,594	48,094	25,024	1,824	3.9%	23,394	93.5%
Net position (**)	**-30,213**	**-30,493**	**-25,699**	**-10,107**	**280**	**-0.9%**	**-20,106**	**198.9%**

(**) 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 June 2012 the short-term and structural liquidity position showed an **unencumbered counterbalancing capacity of approx. EUR 8.1 bn** (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 30/06/2012 the **Group's regulatory capital** amounted to EUR 15,953 mln, with an estimated **Tier 1 of 11.7%** (11.1% as at 31 December 2011) and **Total Capital Ratio of 16.6%** (15.7% as at 31 December 2011).

Regulatory capital (EUR mln)

	30/06/12	31/12/11	Chg. %
Tier 1 capital	11,286	11,649	-3.11%
Tier 2 capital	5,199	5,357	-2.95%
Items to be deducted	532	502	5.84%
Total regulatory capital (before Tier 3)	15,953	16,503	-3.33%
Total regulatory capital	15,953	16,503	-3.33%
Tier 1 Ratio	11.7%	11.1%	
Total Capital Ratio	16.6%	15.7%	

In particular, **Tier I** came to **EUR 11,286 mln**, down by approx. EUR 363 mln on 31/12/2011 (when it was 11,649 mln). Reductions in Tier 1 include, in particular, the increase in deductions from the surplus of expected losses against total value adjustments for the Group and the increase of prudential filters among the negative elements of Tier 1.

Tier 2 stood at **EUR 5,199 mln**, down by approx. EUR 158 mln from the end of 2011 (when it was EUR 5,357 mln) largely owing to the growing surplus of expected losses against total Group adjustments, partially offset by an increase of around EUR 79 mln in the balance of positive and negative elements in Tier 2.

The **items to be deducted** from Tier 1 and Tier 2 were up by approx. EUR 29 mln compared to year end, amounting to **EUR 532 mln**.

Risk Weighted Assets (RWA) came to approx. **EUR 96.2 bn** as at 30 June 2012 (approx. EUR 105.2 bn as at 31/12/11). 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 the amount of approx. EUR 3,267 mln in order to achieve a Core Tier 1 (EBA) of 9% by the end of June 2012. The target value also includes the lower valuation - 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 has prepared a plan of actions which, so far, has led to the development of the following initiatives with benefits of approx. EUR 1,935 million in capital strengthening during the first half of 2012:

a) actions on capital: +1.071 million in connection with transition to share capital of the premium reserve for the 2008 F.R.E.S.H. Notes (approx. EUR 750 mln), conversion of Savings shares (approx. EUR 13 mln), conversion of remaining 2003 F.R.E.S.H. notes (approx. EUR 308 mln);

b) effect from the optimization of existing portfolios as at 31.12.2011 and other fine-tuning actions +864 mln ("Capital Equivalent EBA") delivered by:

- a EUR 6,905 bn reduction in RWA (PD, LGD and EAD parameters on exposures in A-IRB already accounted for in December 2011, regulatory fine tuning, credit portfolio remixing);
- a reduction in the Expected Loss delta vs. Portfolio adjustments of approx. €240 mln (impact of just 50% on Tier 1).

The above-mentioned strengthening of capital was partially offset by the negative value of around EUR 657 million, in terms of Eba Capital Equivalent, registered for the period Q4 2011 - Q1 2012 (value primarily due to the operating losses reported at the end of 2011 in addition to the increase in capital absorption registered on the various risks, particularly credit risk).

For the purpose of calculating the residual shortfall as at 30/06/12, additional capital benefits totalling approximately EUR 550 million are to be taken into account. These relate to the adoption of A-IRB and AMA models for MPS L&F and AMA for Biverbanca, buyback actions on equity instruments, asset disposal regarding Biverbanca and the remaining balance sheet and performance trends of RWAs in Q2 2012.

In order to address the residual shortfall, which will be disclosed in the third quarter of 2012, 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

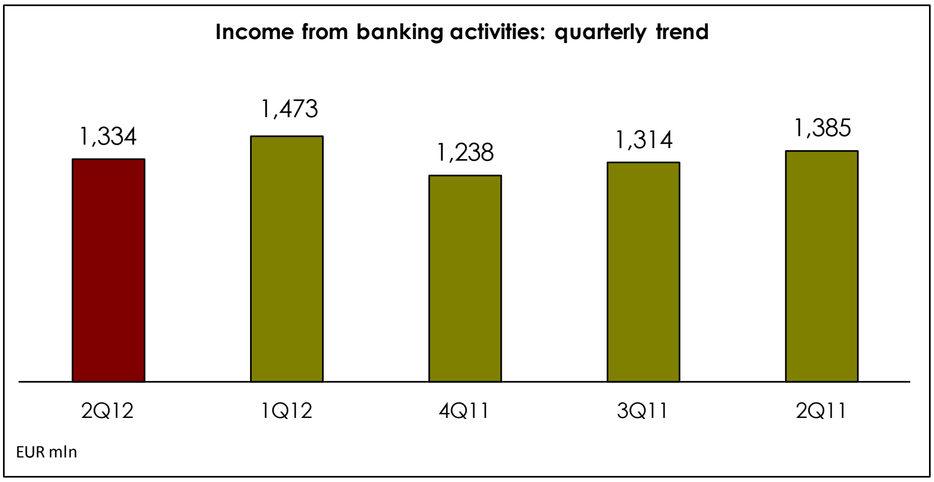
TRENDS IN OPERATING INCOME: NET INCOME FROM BANKING AND INSURANCE ACTIVITIES:

As at 30 June 2012 **income from banking and insurance** amounted to approx. **EUR 2,807 mln,** a slight decrease on the same period of last year (-31.2 mln; -1.1%), driven by a decline in 'basic income' (-3.1% on 30/06/2011) which was partly offset by a higher contribution from net profit (loss) from trading/valuation of financial assets (+22.8%). **Q2 2012 contributed approx. EUR 1,334 mln**, down 9.5% on the previous quarter.

FINANCIAL AND INSURANCE INCOME (EUR mln)

	30/06/12	2Q12	Restated (*) 1Q12	Restated (*) 30/06/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Net interest income	1,653.7	779.6	874.1	1,658.5	-94.5	-10.8%	-4.8	-0.3%
Net fee and commission income	836.9	412.6	424.3	912.1	-11.7	-2.8%	-75.2	-8.2%
Income from banking activities	**2,490.6**	**1,192.2**	**1,298.4**	**2,570.6**	**-106.2**	**-8.2%**	**-80.0**	**-3.1%**
Dividends, similar income and gains (losses) on equity investments	39.1	28.5	10.6	46.1	17.8	n.s.	-7.0	-15.2%
Net trading income (loss) / valuation of financial assets	271.8	111.1	160.8	221.4	-49.7	-30.9%	50.4	22.8%
Net hedging income (loss)	5.1	1.9	3.2	-0.3	-1.4	-42.3%	5.4	n.s.
Financial and insurance income	**2,806.5**	**1,333.6**	**1,473.0**	**2,837.8**	**-139.4**	**-9.5%**	**-31.2**	**-1.1%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.



A closer look at the aggregate reveals the following:

- **Income from banking activities** at the end of June 2012 reached approx. **EUR 2,491 mln** (around EUR 2,571 mln at the end of H1 2011) **with Q2 2012 contributing around EUR 1,192 mln, down 8.2% on Q1 2011.** More specifically:
  - **Net interest income** totalled approx. EUR **1,654 mln**, substantially in line with previous year levels, with Q2 2012 contributing approx. EUR 780 mln, 10.8% less than the previous quarter. The quarterly trendline for the aggregate is to be seen in correlation with the combined drop in market interest rates (average one-month Euribor in Q2 2012 down by 24 bps on 1Q2012 average), strong increase in credit spreads (associated with the adverse developments of Italy's country risk, driving the credit spread of Italian government bonds over German bunds back to well above the 400 bps level) and the substantially unchanged level of volumes traded with customers, which is particularly reflective of a limited demand for credit. The combination of above factors has led to pressure on the cost of funding which could not be "compressed"

against this background of falling interest rates, while yields on assets showed a trend that was more closely correlated to Euribor parameters. As a result, there was a reduction in spread whose unfavourable economic effect was compounded further by the moderate "impact from volumes".

- **Net fee and commission income** was in the region of EUR **837 mln**, down roughly 8.2% on the previous year, primarily in consequence of institutional funding charges (particularly commissions on government-backed 'Monti bonds') as against a substantially stable trend in revenues from retail and corporate funding and lending. Q2 2012 contributed approx. EUR 413 million, slightly down on the previous quarter (-2.8%) mainly due to the fall in income from the placement of wealth management products.

- **Net profit (loss) from trading/valuation of financial assets** amounted to approx. EUR **272 mln** as at 30/06/2012 (vs. EUR 221 mln in the same period of last year), with Q2 2012 contributing EUR 111.1 mln (-30.9% on Q1 2012). Within the aggregate, **net trading income** was negative (-EUR 15.3 mln), as it was penalised by the re-flare up of sovereign debt market tensions and consequent deterioration in stock market climate, while **Gains (losses) on disposal/repurchase of loans and financial assets/liabilities available for sale** amounted to approx. EUR +14 mln, driven primarily by the sale of capital gain-generating assets classified as AFS. Finally, **net profit (loss) on financial assets/liabilities designated at fair value** totalled EUR 112.4 mln in Q2 2012, largely benefitting from the market price reduction in an equity instrument tendered in the July public exchange offer.

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

	30/06/12	2Q12	Restated (*) 1Q12	Restated (*) 30/06/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Net profit (loss) from trading	123.4	-15.3	138.8	108.9	-154.1	n.s.	14.5	13.3%
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	33.1	14.0	19.1	136.6	-5.1	-26.5%	-103.5	-75.8%
Net profit (loss) from financial assets and liabilities designated at fair value	115.3	112.4	2.9	-24.1	109.5	n.s.	139.4	n.s.
Net profit (loss) from trading	**271.8**	**111.1**	**160.8**	**221.4**	**-49.7**	**-30.9%**	**50.4**	**22.8%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.

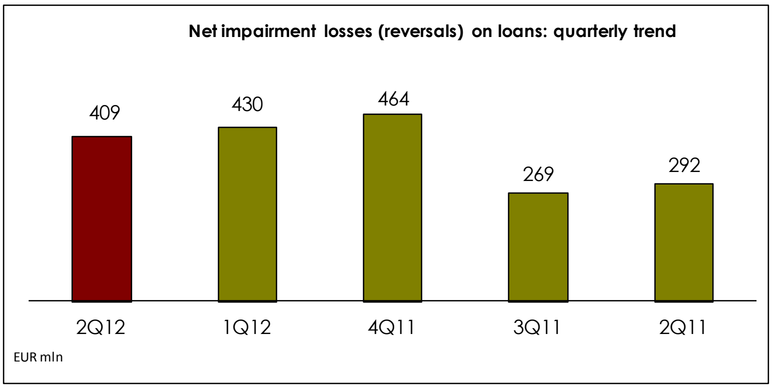
Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains (losses) on investments** totalling **EUR 39.1 mln** (vs. EUR 46.1 mln as at 30/06/2011), with Q2 2012 contributing EUR 28.5 mln, were primarily attributable to gains on investments consolidated at equity with the largest share coming from insurance (AXA-MPS: approx. EUR 35 mln).

- **Net hedging income** was **positive (+EUR 5.1 mln,** vs. -0.3 mln as at 30/06/2011; +1.9 mln contributed in Q2 2012).

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

Against revenues from the disbursement of loans, in H1 2012 the Group **posted approx. EUR 839 mln in net impairment losses (reversals) on loans** (+48.7% on 30/06/2011), with Q2 2012 contributing roughly EUR 409 mln, slightly less than the previous quarter (-5%). The value is mainly traceable to an increase in non-performing loans (approx. + EUR 980 mln), including doubtful loans and past-due loans in particular. Within the Group's unchanged policy of conservative provisioning, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning rate of 116 bps, higher than the 2011 full-year rate of 89 bps but lower than the 118 bps rate registered in Q1 2012.



Net impairment losses (reversals) on financial assets amounted to **- EUR 115.6 mln** (vs. - EUR 24.5 mln as at 30/06/2011; - EUR 110.1 mln in Q2 2012) 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 stood at approx. EUR 1,852 mln** (vs EUR 2,249 mln as at 30/06/2011; -17.7%), with Q2 2012 contributing approximately EUR 815 mln (-21.4% on the previous quarter).

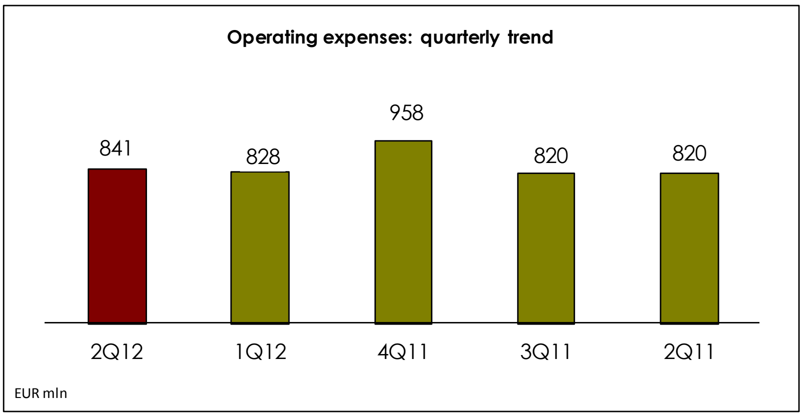
COST OF OPERATIONS: OPERATING EXPENSES

As at 30 June 2012, **operating expenses** totalled approximately **EUR 1,669 mln**, up 0.7% on the same period of last year (+1.6% as compared to Q1 2012).

OPERATING EXPENSES (EUR mln)

	30/06/12	2Q12	Restated (*) 1Q12	Restated (*) 30/06/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %	Avg 2011
Personnel expenses	1,059.7	540.5	519.2	1,037.5	21.2	4.1%	22.2	2.1%	537.0
Other administrative expenses(*)	518.6	255.0	263.5	541.5	-8.5	-3.2%	-23.0	-4.2%	274.0
Administrative expenses	**1,578.3**	**795.5**	**782.8**	**1,579.1**	**12.8**	**1.6%**	**-0.8**	**0.0%**	**811.0**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	91.1	45.7	45.4	79.4	0.2	0.5%	11.7	14.7%	48.2
Operating expenses	**1,669.4**	**841.2**	**828.2**	**1,658.5**	**13.0**	**1.6%**	**10.9**	**0.7%**	**859.3**

(*) With respect to data published in the Interim Report as at 31/03/12, 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.



In particular:

- A) **Personnel expenses** amounted to approx. EUR 1,578 mln, largely in line with previous year figures (+1.6% QoQ) owing to:

- **personnel expenses**, amounting to approx. **EUR 1,060 mln** (+2.1% YoY; +4.1% QoQ).
- **other administrative expenses** (net of stamp duty and customer expense recovery), totalling approx. EUR **519 mln,** down 4.2% on the same period of last year on the back of targeted cost management actions, additional initiatives to reduce discretional spending and lower costs for certain production-related items.

▪ B) **net adjustments to PPE and intangible assets** amounted to approx. **EUR 91 mln,** up 14.7% compared to 30 June 2011.

On the back of these factors, Net Operating Profit totalled approximately EUR 183 mln, a 69.1% drop as compared to 30 June 2011 (when it amounted to EUR 591 mln). Cost-income stood at 59.5%, a significant improvement on 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)** totalling approx. - EUR 128 mln (vs. ca. EUR 108 mln as at 30/06/2011). The account incorporates approx. EUR 61 mln in provisions to the fund for risks and charges, of which roughly 43 mln in Q2 2012 primarily arising from legal disputes/claw-back actions and appropriations for contractual charges. Other operating expenses (income) totalled - EUR 66.6 mln, up on the previous quarter (by approx. +57 mln), mainly on the back of contingent liabilities. The half-year period saw the completion of check and follow-up actions on mismatches between operational management results and administrative accounting data concerning HR administrative management; accounting realignment led to the recognition of contingent liabilities for an amount of EUR 39.7 mln, net of use of funds for risks and charges for an amount of EUR 51.4 mln (EUR 91.1 mln gross of this component).
- **Gains on investments**, totalling approx. - EUR 1.8 mln;
- **Integration costs/one-off charges**, amounting to - EUR 21 mln in connection with early retirement outflows and amounts set aside for personnel actions set out in the Business Plan.
- **Gains/losses on disposal of investments**, for an amount of approx. EUR 0.8 mln.

Against this background, **profit (loss) on income from continuing operations before tax stood at approx. 33 mln** as at 30 June 2012 (vs. EUR 476.3 mln as at 30/06/2011; -EUR 151.3 mln in 2Q2012).

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

	30/06/12	2Q12	Restated (*) 1Q12	Restated (*) 30/06/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Net operating income	**182.5**	**-26.4**	**208.9**	**590.6**	**-235.3**	**n.s.**	**-408.1**	**-69.1%**
Net provisions for risks and charges and other operating expenses/income	-128.0	-99.6	-28.3	-107.8	-71.3	n.s.	-20.2	18.8%
Gains (losses) from Investments	-1.8	-5.8	4.0	-7.0	-9.8	n.s.	5.2	-74.0%
Integration costs / one-off charges	-21.1	-20.0	-1.1		-19.0	n.s.	-21.1	
Gains (losses) on disposal of investments	0.8	0.6	0.3	0.4	0.3	n.s.	0.4	93.4%
Profit (Loss) on income from continuing operations before tax	**32.5**	**-151.3**	**183.8**	**476.3**	**-335.0**	**n.s.**	**-443.8**	**-93.2%**

(*) With respect to data published in the Interim Report as at 31/03/12, 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 negative by approximately EUR 54 mln (ca. -EUR 180 mln as at 30 June 2011). As at 30 June 2012, the aggregate was positively affected by the recognition of approx. EUR 114 mln in tax credit **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 10.7 mln and essentially included gains arising from Biverbanca.
- **Non-controlling interests in profit (loss) for the period** totalled - EUR 4.4 mln (-EUR 2.7 mln in Q2 2012).

Consolidated net profit before Purchase Price Allocation (PPA) and impairment of goodwill, intangibles and AM Holding, posts a loss of EUR 15.2 mln (vs. EUR 311 mln of profit as at 30/06/2011).

In the wake of a material deterioration in macreoeconomic conditions which worsened significantly over the last few months as did forecasts for the banking sector in the 2012-2015 period and in the Group's 2012-2015 Business Plan approved on 26 June 2012, goodwill recognised in the financial statements was tested for impairment during the preparation of the Half-year report. 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. 1,436 mln allocated to the Retail Banking CGU of BMPS and approx. EUR 92 mln to the Retail Banking CGU of BAV.

Moreover, 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 (EUR 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 28 mln) and impairment losses discussed above (totalling EUR 1,574 mln), **the net loss for the first half of 2012 amounts to approx. EUR 1,617 mln** (vs. a profit of EUR 261.4 mln in H1 2011).

****

Following is a reconciliation between the Parent Company's and consolidated net equity and profit for the period, in compliance with Consob instructions.

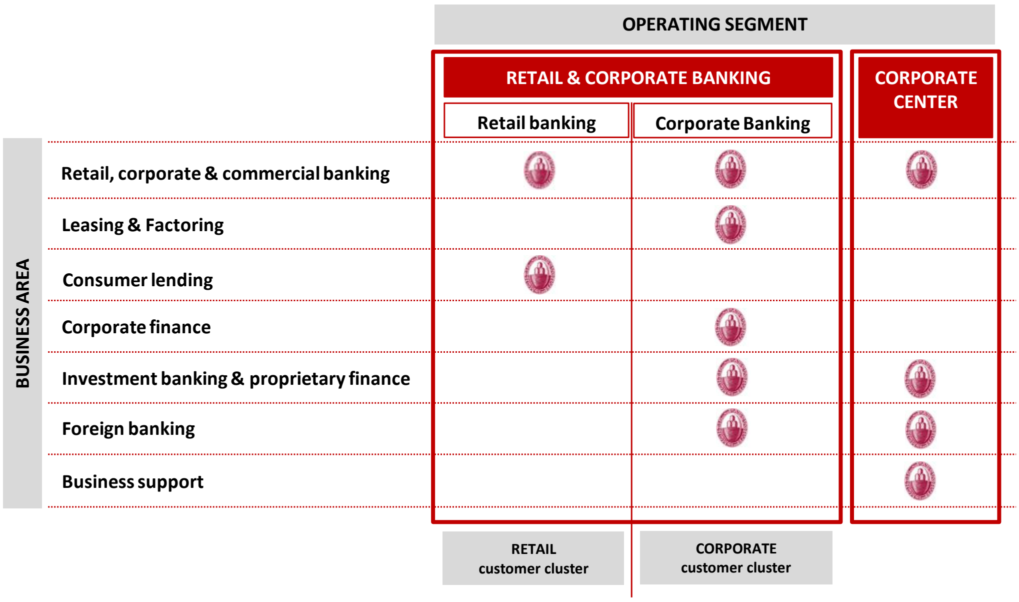
Reconciliation between Parent Company and Consolidated Net Equity and Profit (Loss) for the period

Amounts €/000	**Shareholders' equity**	**Net profit (loss)**
Balance as per Parent Company's Accounts	8,164,181	-1,681,694
including Parent Company's valuation reserves	*-3,348,021*	
Impact of line-by-line consolidation of subsidiaries	1,578,424	77,167
Impact of associates	132,970	20,203
Reversal of dividends from subsidiaries		-98,389
Other adjustments	-56,468	65,565
Subsidiaries' valuation reserves	33,072	
Consolidated balance	**9,852,179**	**-1,617,148**
including valuation reserves	*-3,314,949*	

Financial highlights and main activities of the Operating Segments[5]

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 income and balance sheet data is broken down and re-aggregated on the basis of criteria such as business area monitored, operating structure of reference, relevance and strategic importance of activities carried out, customer clusters served. The following Operating Segments, used as a basis in reports to the highest decision-making level, were thus identified: the **Retail & Corporate division**, made up by the Retail Banking and Corporate Banking areas and the **Corporate Centre** (for further information please refer to the Consolidated Notes - Part L "Segment reporting").



Changes compared to the previous reporting period

In June 2012, the new oganisational structure of the Parent Comapny saw the centralisation of activities previously under the former Consumer Division and Corporate Division to a single "Retail & Corporate Division" with foreign banks (MPS Banque e MP Belgio), previously part of the Corporate Division, now reporting directly to the Chief Executive Officer. As a consequence, the following are presented:

- A single section on the Operating Segment "Retail & Corporate Division" analysing the key P&L and balance-sheet results for business areas pertaining to "Retail banking" and "Corporate banking".
- The activities of the Corporate Centre, which includes the results of the Group's foreign banks and excludes values from Biverbanca, classified as held for sale at the end of June 2012.

Results in brief

---

[5] 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. Values relating to periods prior to 30/06/2012 have been restated excluding Biverbanca's input, thereby providing a like-for-like comparison.

The following table reports the main income statement and balance sheet items that have characterised the Operating segments over the half-year period.

SEGMENT REPORTING	Retail & Corporate Banking division						Corporate Center		Total MPS Group	
Primary segment	Retail banking		Corporate banking		Total					
(million of Euro)	30/06/12	Var. % Y/Y	30/06/12	Var. % Y/Y	30/06/12	Var. % Y/Y	30/06/12	Var. % Y/Y	30/06/12	Var. % Y/Y
PROFIT AND LOSS AGGREGATES										
Income from banking and insurance	1,706.2	11.4%	1,101.2	11.4%	2,807.3	11.4%	-0.8	-101.5%	2,806.5	9.2%
Net impairment losses (reversals) on loans and financial assets	-400.8	103.4%	-520.5	25.6%	-921.2	50.7%	-33.4	-247.1%	-954.6	62.2%
Operating expenses	-1,246.8	1.7%	-343.7	-0.3%	-1,590.5	1.2%	-78.9	-9.6%	-1,669.4	0.7%
Net operating income	58.6	-45.6%	237.0	3.5%	295.6	-12.2%	-113.1	-144.5%	182.5	-69.1%
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	61,096	-5.2%	66,352	-6.9%	127,447	-6.1%	10,023	-31.6%	137,470	-8.6%
Deposits from customers and debt securities issued(*)	74,959	-3.8%	20,919	-20.4%	95,877	-8.0%	36,522	-37.8%	132,399	-18.7%
Indirect funding - Distribution network	66,105	-6.3%	38,375	-15.7%	104,480	-10.0%	24,259	3.1%	128,738	-7.8%
Assets under management	*40,479*	*-8.1%*	*1,468*	*-31.4%*	41,947	-9.1%	*2,339*	*15.7%*	*44,286*	*-8.1%*
Assets under custody	*25,626*	*-3.4%*	*36,907*	*-14.9%*	62,533	-10.6%	*21,919*	*1.9%*	*84,452*	*-7.6%*

(*) 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). In the Notes to the consolidated financial statements – Part L – Segment reporting, intercompany balances are posted to the 'Retail & Corporate' division and eliminated from the Corporate Center.

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.

It should be remembered that as of 2012, as part of the Segment Reporting process, certain innovations were introduced with the aim of more accurately defining the performance of the various business units in relation to the Group's overall results. More specifically, novelties concern the following cost components:

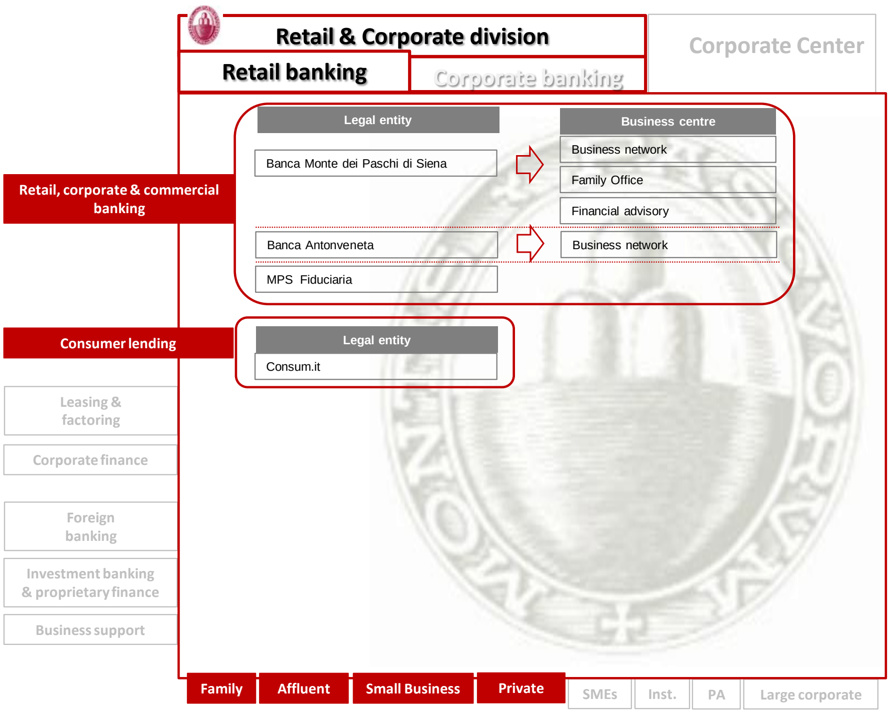
- Financial expenses: the rules applied to determine the internal cost of funding have been updated, with particular reference to the product companies and the banking book;
- Operating expenses: the techniques used to allocate non-divisionalised costs to the divisionalised entities of the Retail and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

The changes introduced to operating costs have resulted in the need to restate values for 2011 so as to allow for a like-for-like comparison of the areas involved.

The comparative data for the Corporate Centre differ from those published in the Half-Year Financial Report as at 30/06/2011 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.

Retail & Corporate Banking Division

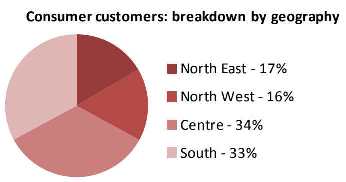
Retail Banking



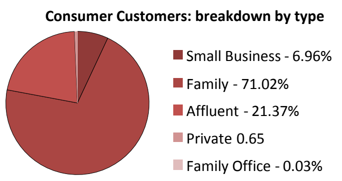
Areas of business

- 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;

Target customers



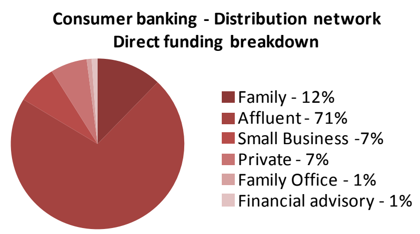
- Retail customers amount to over 5.7 mln. They are distributed across the country with a stronger presence in the areas of central Italy. Within this client segment, the largest share is made up by Consumer households (**Family**) whose demand is concentrated on loans (consumer credit and mortgages) and investment services for smaller portfolios. This is followed by customers with more substantial portfolios who require a more customised approach **(Affluent)**, small businesses **(Small Business)** and high-net worth individuals **(Private).**



- The scope also includes customers managed directly by the Financial Advisory network whose activities, carried out in compliance with the guidelines and objectives set by the parent company, involve supporting and developing the needs of a particularly evolved customer segment that requires more dynamic and diversified portfolio management. An integral part of the Retail Banking division is the "**Family Office**" segment, which demands a more tailored management approach aimed at creating and consolidating long-term customer relations with high-worth families. The highly specialised offer involves a strong focus on a comprehensive approach that covers all of their financial and non-financial assets and provides "value protection" through careful planning of inter-generational transfers, partly with advisory support from Group companies.

Profit & loss and balance sheet results

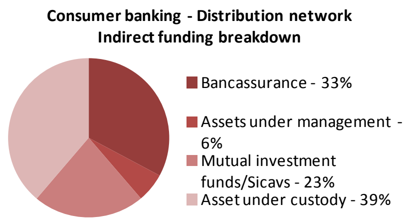
At the end of June 2012, Retail Banking posted **total funding** volumes of approx. **EUR 141 bn**, down 5% on the same period of the previous year (-2.6% on 31 March 2012). **Direct funding,** mainly from on-demand items and the placement of bonds, stood at approx. **EUR 75 bn,** -3.8% on 30/06/2011 (-1.8% on 31/03/12), affected above all by the reduction in current accounts which was only partially offset by the increase in medium-long term investments. **Indirect** funding, which amounted to **EUR 66.1 bn** (-6.3% YoY; -3.5% on 31/03/2012) was negatively influenced not only by a reduction in household disposable income, but also by the depreciation of financial assets allocated to the portfolios of assets under management and assets under custody on behalf of customers, a reflection of the current financial crisis. In more detail, **assets under management** stood at approx. EUR 40.5 bn, down 8.1% on the same period of last year, while **assets under custody** amounted to around EUR 26 bn (-3.4% YoY).

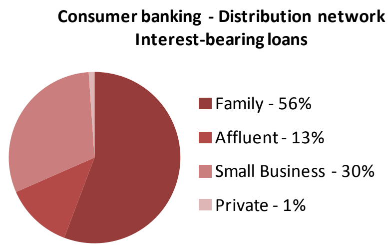


In terms of credit management, **interest-bearing loans**, which stood at approx. **EUR 61 bln**, were down from 30/06/2011 (-5.2%), falling slightly below levels in the previous quarter (-1.6%), largely owing to the decline in demand for credit by households and small businesses which reverberated into a more marked reduction in medium-long term financing.

RETAIL BANKING - BALANCE SHEET AGGREGATES			
(million of Euro)	30/06/12	30/06/11	Var. a/a
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES ISSUED - DISTRIBUTION NETWORK(*)	**74,958.7**	**77,902.0**	**-3.8%**
Assets under management	*40,479.2*	*44,027.7*	*-8.1%*
Assets under custody	*25,625.6*	*26,536.9*	*-3.4%*
INDIRECT FUNDING - DISTRIBUTION NETWORK	**66,104.8**	**70,564.6**	**-6.3%**
TOTAL FUNDING - DISTRIBUTION NETWORK	**141,063.5**	**148,466.6**	**-5.0%**
INTEREST-BEARING LOANS TO CUSTOMERS	**61,095.6**	**64,462.0**	**-5.2%**

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



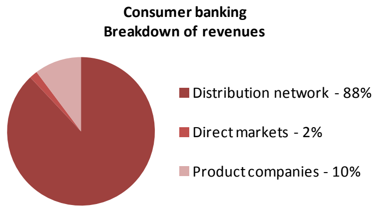


With regard to P&L results, in the first half of 2012 the Retail Banking division achieved **total revenues** of approx. **EUR 1.7 bn**, an 11.4% improvement on the level reached in the same period of 2011. Within the aggregate, the following is highlighted:

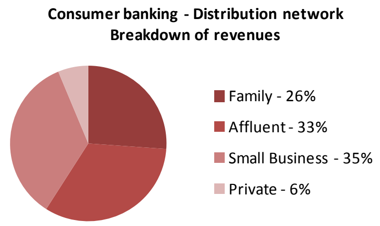
- the rise in net interest income (+9.1%), owing largely to the repricing of interest-bearing assets and increased return on demand deposits resulting from higher internal transfer rates;
- the increase in net fee and commission income (+1.1%), boosted by the positive trend for income from the placement of wealth management products;
- greater input from "other revenues" (EUR 105.4 mln against 17 mln in the first half of 2011).

As for cost components, there was a strong increase in net impairment losses (reversals) on loans and financial assets, reflective of the persistently difficult economic cycle, and a rise in operating expenses (+1.7%).

As a result of the above components, in the first half of 2012 the Retail banking division posted a **Net Operating Income** of **EUR 58.6 mln**, with a **cost-to-income ratio of 73.1%.**



RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(million of Euro)	30/06/12	30/06/11	Var. a/a
Net interest income	*958.0*	*878.0*	*9.1%*
Net fee and commission income	*642.7*	*636.0*	*1.1%*
Other income	*105.4*	*17.0*	*518.6%*
INCOME FROM BANKING AND INSURANCE	**1,706.2**	**1,531.0**	**11.4%**
Net impairment losses (reversals) on loans and financial assets	*-400.8*	*-197.0*	*103.4%*
Operating expenses	*-1,246.8*	*-1,226.4*	*1.7%*
NET OPERATING INCOME	**58.6**	**107.6**	**-45.6%**



PERFORMANCE OF COMPANIES REPORTING TO THE RETAIL BANKING DIVISION			
(million of Euro)	30/06/12	30/06/11	Var. a/a
CONSUM.IT (net profit for the period)	**5.0**	**21.0**	**-76.2%**
MPS FIDUCIARIA (net profit for the period)	**0.6**	**0.8**	**-20.0%**

Business strategy

Within this extremely complex scenario (deep-rooted economic crisis, tensions on the financial markets, reduced purchasing power of household salaries, lower investments by small businesses, the introduction of new regulations regarding tax, pensions, traceability of payments, etc.), the sales and distribution strategy operated along the following lines of development.

Context	Effects on customers	Lines of development
Economic crisis: impact on real economy	▪ Lower saving capacity of households. ▪ Less turnover for businesses. ▪ Decline in investments. ▪ Shift towards less risky investments and saving products that are short-term and readily convertible into cash.	▪ Wealth management ▪ An advisory approach that is highly-evolved in its customer relations. ▪ Credit support and quality of lending
Volatility of financial markets	▪ Prudent investment decisions. ▪ Search for more specialised assistance so as to direct savings towards solutions that are consistent with the current economic framework and that tend to safeguard assets and living standards in the medium/long term.	▪ Wealth management ▪ An advisory approach that is highly-evolved in its customer relations.
Regulatory and legislative measures regarding social welfare, pensions	▪ Greater attention to Life protection and Pension. ▪ Directing investment choices towards instruments with a lower fiscal impact.	▪ Development of "Real banking" ▪ New solutions for Life protection and Pension. ▪ Wealth management

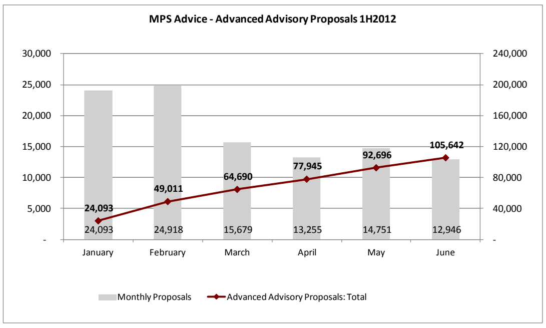
and fiscal issues.		
Government measures targeting payment traceability	▪ Use of alternative channels and e-money instruments.	▪ Development of "Real banking", including offers for pensioners who are not account holders. ▪ Development of "Self Service" channels and expansion of e-money instruments offer.

The bancassurance segment remains one of the most important growth drivers for the Group. To this end, over the first half of the year, activities aimed at enhancing the value of the strategic partnership with the AXA Group continued and included expanding further the offer of pension products and auto liability insurance.

Main initiatives in the first half of the year

<u>A wealth management and advisory approach that is highly-evolved in its customer relations.</u>

- Professional advisory through the MPS Advice platform: 105,642 advanced advisory proposals were formalised with customers, slightly down on the same period in 2011, though revenue streams gradually picked up reflecting the interest shown by customers in the service offered.



- Private customers: rollout of business initiatives which aim to enhance the benefits for customers opting for a customised management service when selecting their investments, as opposed to the "DIY" approach. Activities also continued with the aim to facilitate "inter-generational succession" through carefully planned transfers of high net worth assets.
- Advisory and support on "tax-shielded" assets and subsequent changes in the law: support to customers in the constant search for -and promotion of- appropriate solutions.
- Funds/Sicav: the range of products offered by SICAV Anima Prima Funds was expanded with 3 new structured lines: "Prima Crescita Europa", "America Latina Cedola Plus 2017" and "Cedola Paesi Scandinavi 2017" with a view to seizing new market opportunities.
- Since the start of the year, the Italian fund "Anima Tricolore" is open for subscription. The fund mainly invests in debt instruments of the Italian Republic. In June, marketing began of the new bond fund, "Anima Traguardo 2017 4 II" which provides for the payout of three fixed 4% coupons and one variable rate coupon. Over the time horizon of the investment, the fund aims to deliver a return that is in line with the average yield on similar-term government bonds issued by countries in the Eurozone.
- Asset Management: the GPA TOP range was extended to the entire Financial Advisory market and the investment thresholds for the GP Multi-line catalogue (Private and Affluent customers) and the GPA TOP range (Private and Family Office) were temporarily lowered .
- As for bonds, placements in the period were largely concentrated in Group notes , of which approx. 90% consisted of linear products, mainly at fixed rates.

Credit support and quality of lending

- Financial inclusion: support to families through the offer of financial products designed for first-time home buyers (Mortgage "On-Off", "Young couples - Let's give them a future"), for parents with expenses relating to the birth of a child ("Newborn" Fund) and, on a more general level, for families facing particular economic hardships.
- Financial inclusion: following the agreement signed on 28 March 2012 by the Ministry of Economy and Finance, Bank of Italy, the Italian Banking Association, Poste Italiane and the Italian Association of Payment Institutions and Electronic Money (pursuant to Law Decree no. 201 of 6 December 2011), the following payment accounts were created to facilitate financial inclusion of socially weaker categories and increase the promotion of payment instruments other than cash:
  - MPS Basic account for consumers.
  - MPS ISEE Basic account - free of charge - for consumers with an ISEE (Equivalent Economic Situation Indicator) below 7,500 euro.
  - MPS Pensioners Basic account - free of charge - for retirees with limited banking activities and a pension of less than EUR 1,500 a month.
  - MPS Pensioners Basic account Plus for retirees with pension of less than EUR 1,500 a month.
- Microcredit: provision of small loans to persons with limited access to credit and in favour of micro-enterprises, using guarantee funds made available by public and/or religious institutions.
- Credit quality: system-wide initiatives to prevent and reduce existing problem loans, and greater use of the Guarantee Consortia.
- Hedging of financial risks for small-business borrowers of medium/long term variable-rate loans, providing protection from possible interest rate hikes: the underwriting of OTC derivative contracts was strictly correlated with the underlying loans in terms of duration, nominal amount and interest rate index.
- Loans to small businesses: initiatives aimed at increasing short-term consumer lending with a specific focus on production/manufacturing, tourism and agricultural industries.
- Consumer credit: a prudential review of credit policies in consideration of the economic environment as well as a shift towards dealers as the main means of acquiring new contacts.

Development of 'Real banking'

- "Uno di Noi" (One of Us) Campaign: each employee of the Group has received two vouchers enabling familiy and friends who are not yet customers of the bank to sign up for current accounts and certain ancillary services with facilitated terms and conditions.
- "Uno di Noi Business" (One of Us Business) Campaign: initiative aimed at the opening of current accounts by entrepreneurs who, despite already having relations with the bank as shareholders or directors of companies, are not yet personal customers.
- Marketing of "Conto Italiano per Noi" (An Italian account for us) - designed for households - with modular features and dynamic pricing that customers can build up on the basis of their actual needs.
- Marketing campaigns for certain forms of deposit (eg. time deposits, limited duration bonds) with priority given to initiatives aimed at inflows of new funds. The "Conto Italiano di Deposito" (Italian Deposit account) was also launched as an instrument for short-medium term liquidity management.

- Acquisition activities on prospective companies operating in the sectors of tourism, commerce and agriculture as well as other high-priority areas of development.
- As part of the channel dedicated to financial advisory, initiatives were implemented for the development of relationships with both dormant and prospective customers through the use, among other things, of sales and distribution actions across the country. Furthermore, specific customer targets were identified as opportunities for cross selling of products and services.

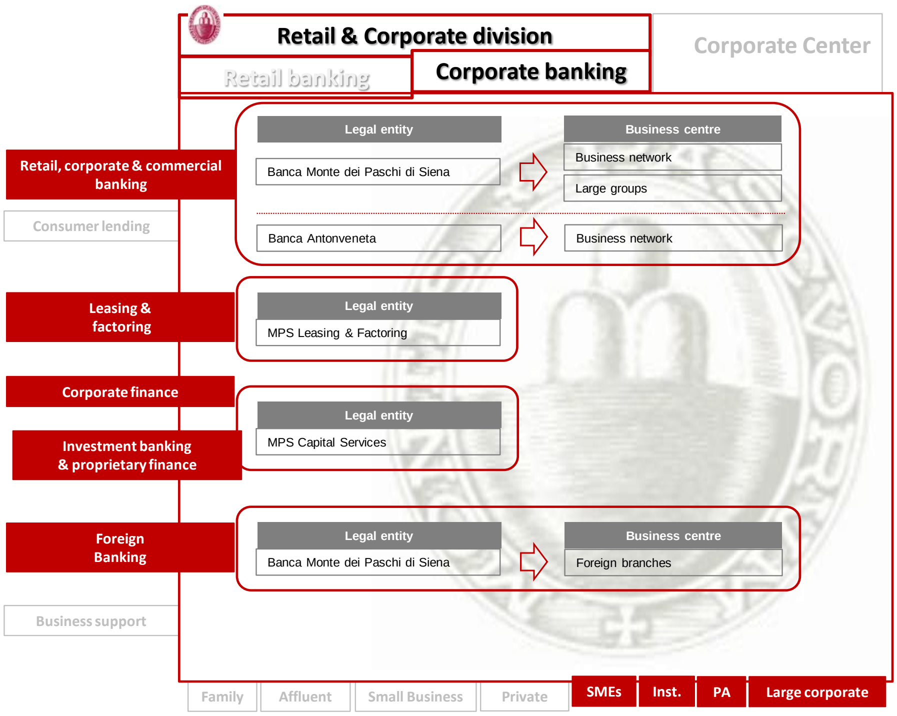
Protection and Pension

- Over the six-month period, customers continued to seek products that offered protection against market fluctuations, favouring the secured Unit-linked products which better responded to this type of demand. Growth-boosting activities in this sector focused on the marketing of three "time window" products managed with the Dynamic Protection Insurance approach (“Dynamic Protection Health Care 2019”, “Dynamic Protection US High Dividend 2019” and ”Dynamic Protection Large Caps 2019”) and the launch of 3 structured Unit-Linked products with active management techniques (“AXA MPS Valore Protezione Germania 2018”, “AXA MPS Valore Performance UK 2018”, “AXA MPS Valore Protezione Svizzera 2018” and “AXA MPS Valore Performance Selezione Germania 2018”).
- Direct Marketing of the AXA MPS product “Pronto Tutela Plus” (replacing the AXA MPS policy “Pronto Tutela”) which provides a per diem allowance in the event of hospitalisation due to injury, coverage for the reimbursement of any legal fees incurred and additional indemnities including a per diem allowance on cast immobilisation following injury, even in the absence of hospitalisation.
- Marketing of the AXA MPS product “Pronto Vita” which, in the event of premature death of the insured party for any reason, guarantees the intended beneficiaries a prefixed principal amount which is doubled in the event of death as a consequence of a car accident.
- Use of the “AXA MPS Mia Protezione” operating platform, which allows up to 15 customised solutions to be managed under one single insurance coverage account as per customer needs, with the possibility of escalating discounts on insurance premiums.
- Marketing of the “Valore Autonomia” insurance policy, an innovative product in the banking industry that ensures a life annuity to customers in the event of their permanent loss of self-sufficiency.
- Marketing of the automobile liability insurance policy, AXA MPS “Guidare Protetti”, extended to Banca Antonveneta and Biverbanca branches.
- Several initiatives were put in place to extend the use of P&C protection policies providing coverage for damage caused to the property of the business as well as for personal damage suffered by key persons, thereby enriching the wide AXA MPS range with new products dedicated to small businesses: “Infortuni Business” (for protection from occupational risk), “Assicura Manager” (for protection from the risk of losing key company figures) and an automobile liability insurance, “RC Auto Motor”.
- Round-table discussions continued with the Consumer Associations and focussed on supplementary pension products.

Development of “Self Service” channels and expansion of e-money offer

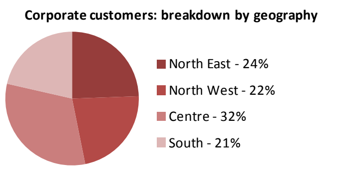
- Initiatives were stepped up to boost the circulation of the POS service and increase operations with low-activity customers. In the first five months of the year, the number of POS terminals grew to approx.132,000 units (+1.6% since the start of the year).
- Initiatives were put in place to increase the use of debit/credit cards by customers. As at 30/6/2012, the stock of payment cards distributed by Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca came to approximately 3.4 million (+2.7% on 31/12/2011) and was broken down as follows: credit cards 33.3%, prepaid cards 19.4%, debit cards 47.3%.

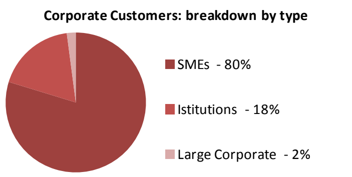
Corporate Banking



Areas of business

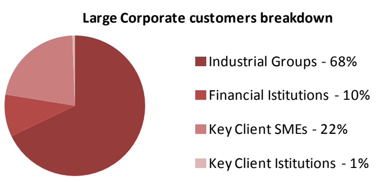
- Corporate banking offers several financial products and services in the area of *lending* as well as forms of strategic partnership with trade associations and Confidi credit guarantee consortia.
- Leasing and Factoring
- Corporate Finance
- Activities carried out by Banca Monte dei Paschi di Siena's foreign branches to support the operations of domestic customers in the foreign markets (especially in emerging or developing countries), with particular reference to the development and completion of internationalisation projects for Small and Medium Enterprises.

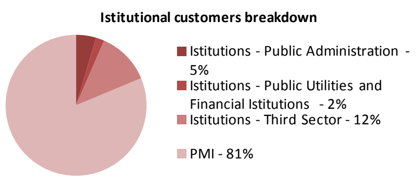




Target customers

Corporate Banking customers amount to approximately 78 thousand with a prevalence of small and medium enterprises. Other target customers include: Institutions and Public Administration, large corporate groups and financial institutions.

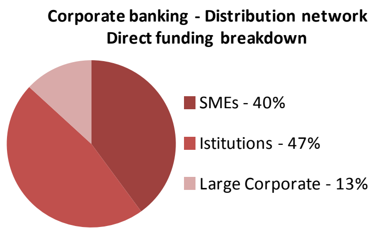




Profit & loss and balance sheet results

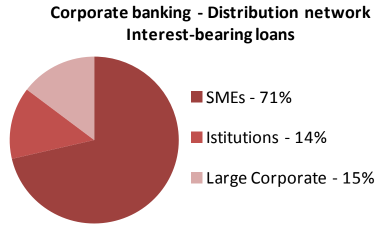
As at 30 June 2012, volumes of total funding with Corporate banking customers amounted to approx. **EUR 59 bn**, down 17.4% on the previous year (-8% on 31/03/2012). **Direct** funding, which accounts for approx. **EUR 21 billion**, -20.4% YoY (-8.2% on 31/03/2012), was primarily affected by the outflows of Large Corporate and Institutional clients largely attributable to the reduction in the system's overall liquidity and PA treasury centralisation processes. **Indirect** funding, consisting largely in assets under custody, stood at approx. **EUR 38 billion** at the end of June, down 15.7% from 30/06/2011 (-7.2% on 31/03/12) affected, not only by the negative market cycle, but also by corporate transactions carried out over the period by certain key clients for whom the Group performs administration and custody services.

With regard to lending, as at the end of June 2012 **interest-bearing loans** stood at EUR 66.4 bn, down 6.9% on the previous year (-1.8% from 31/03/2012).

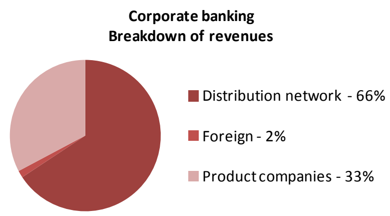


CORPORATE BANKING - BALANCE SHEET AGGREGATES			
(million of Euro)	30/06/12	30/06/11	Var. a/
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES ISSUED - DISTRIBUTION NETWORK(*)	**20,918.8**	**26,264.3**	**-20.4%**
Assets under management	*1,467.6*	*2,137.9*	*-31.4%*
Assets under custody	*36,907.5*	*43,389.8*	*-14.9%*
INDIRECT FUNDING - DISTRIBUTION NETWORK	**38,375.1**	**45,527.7**	**-15.7%**
TOTAL FUNDING - DISTRIBUTION NETWORK	**59,293.9**	**71,792.0**	**-17.4%**
INTEREST-BEARING LOANS TO CUSTOMERS	**66,351.9**	**71,297.2**	**-6.9%**

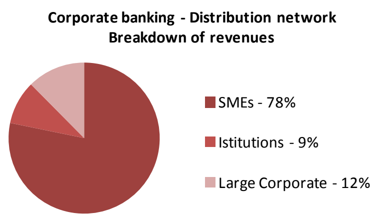
(*) Franchise of Banca Monte dei Paschi di Siena and Banca Antonveneta



With reference to profit and loss aggregates, **total revenues** for the Corporate banking division came to approx. **EUR 1.1 mln** as at 30 June 2012 (+11.4% on the previous year) thanks to net interest income (+10.5% YoY) and higher revenues from trading of MPS Capital Services. **Net operating income** totalled approx. **EUR 237 mln** (+3.5% YoY) reflecting the higher net impairment losses on loans and financial assets compared to the previous year, while operating costs remained largely stable (-0.3%). **The Corporate Banking cost-income ratio stands at 31.2%.**



CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(million of Euro)	30/06/12	30/06/11	Var. a/a
Net interest income	*688.2*	*622.7*	*10.5%*
Net fee and commission income	*264.0*	*267.7*	*-1.4%*
Other income	*149.0*	*97.8*	*52.2%*
INCOME FROM BANKING AND INSURANCE	**1,101.2**	**988.2**	**11.4%**
Net impairment losses (reversals) on loans and financial assets	*-520.5*	*-414.4*	*25.6%*
Operating expenses	*-343.7*	*-344.8*	*-0.3%*
NET OPERATING INCOME	**237.0**	**229.0**	**3.5%**



PERFORMANCE OF COMPANIES REPORTING TO THE CORPORATE BANKING DIVISION			
(million of Euro)	30/06/12	30/06/11	Var. a/a
MPS CAPITAL SERVICES (net profit for the period)	**89.6**	**68.5**	**30.9%**
MPS LEASING & FACTORING (net profit for the period)	**-0.3**	**9.6**	**-103.5%**

Business strategy

Against an economic-financial backdrop that is still particularly challenging, the Group continued to ensure its support to businesses, while seeking the best opportunities for capital growth in its activities with Institutions and Public Administration, despite regulatory changes that have somewhat hampered developments. Within this framework, the initiatives implemented involved the following key drivers:

- 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;
- Focus on unfunded loans, among which signature loans and bankers acceptances;
- Development and requalification of business flows channelled and subject of advances by favouring, among other things, export advances in sectors deemed high priority;
- Use, wherever possible, of third-party funds (eg. Loan and Deposit Fund) for the issue of medium-long term loans;
- Use of collaterals (with preference given to Confidi guarantees) in order to support new loans and as a lever for credit risk monitoring;
- Synergies with Group's 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.

The focus on the needs of the manufacturing industries is also confirmed by the Group's participation in the following agreements with the System:

- "**New measures for credit to SMEs**", an agreement signed on 28 February 2012 by the Italian Banking Association, the Ministry of Economy and Finance, the Ministry of Economic Development and leading Trade Associations, which, in addition to initiatives involving the extension and suspension of loan repayments, envisages the possibility for businesses that launch a capital strengthening process to obtain loans that are proportional to their increase in equity. Moreover, further commitments of the parties include the definition of additional measures to encourage investment projects ("Italy investment projects facility") and facilitate prompt advances of receivables owed to companies by the Public Administration.
- **Fourth ABI-CDP Agreement for loans to SMEs**, which allows for a new SME credit facility in favour of the Italian banking system to the amount of EUR 10 bln, of which EUR 8 bln for capital expenditures and increase in the working capital of the entrepreneurial sector (PMI-I Credit facility) and 2 bln for the purchase by banks of receivables owed to SMEs by the Public Administration (PMI-C Credit facility);
- Participation of Banca Monte dei Paschi di Siena and Banca Antonveneta in the **"Bank Export" system**, to acquire SACE's "first demand" guarantee covering 100% of financing given to customers operating in foreign markets, with consequent benefits in terms of risk mitigation.

As for **product innovation,** the following should be noted:

- "Sov" with covenants: a medium term loan with the gradual repayment of principal, characterised by the forecast on specific contractual commitments (covenants) of a qualitative and quantitative nature, including those relating to economic-financial indicators.
- A two-year unsecured bullet loan with funding from the *Cassa Depositi e Prestiti* (CDP), called "Montepaschi for Reconstruction", for provinces affected by the May 2012 earthquake. The product is reserved for businesses and is backed by eligible guarantees by regulated financial intermediaries (Confidi Vigilato).

Through its subsidiary, MPS Capital Services, the Group operates actively in areas such as **investment banking, subsidised financing, infrastructures and energy from renewable sources**; in addition, it also carries out activities in **acquisition financing** through transactions with leading industry players. Through MPVENTURE SGR, it operates in the **Private Equity** market with the management of closed-end real estate investment funds for professional investors.

Syndicated loans in which the company acts as lead arranger: In the first half of the year, MPS Capital Services placed transactions on the market for approx.EUR 32 mln (MPSCS contributing approx. EUR19 mln), acting as Mandated Lead Arranger and Joint Arranger. At the end of the half-year period, further transactions were under development for a total of EUR 189 mln.

Investment banking: activities carried out in the stock market were noted for their services in support of key capital raising transactions and company flotations, while, in the bond market, focus was placed on supporting various bond issuances by high-standing issuers.

MPS Leasing & Factoring

Business activities continued, with a view to expanding the customerbase and increasing customer loyalty through, among other things, a targeted offer aimed at the cross-selling of Leasing and Factoring products which, as is noted, represent suitable financial solutions to adequately support the financial cycles of companies.

Business initiatives, aimed at the opening of new accounts with the parent company, were put in place for all those who have, so far, been exclusive customers of the Product Company in order to integrate the specialised Leasing &Factoring offering with the full range of products and services offered by the Montepaschi Group network.

International banking

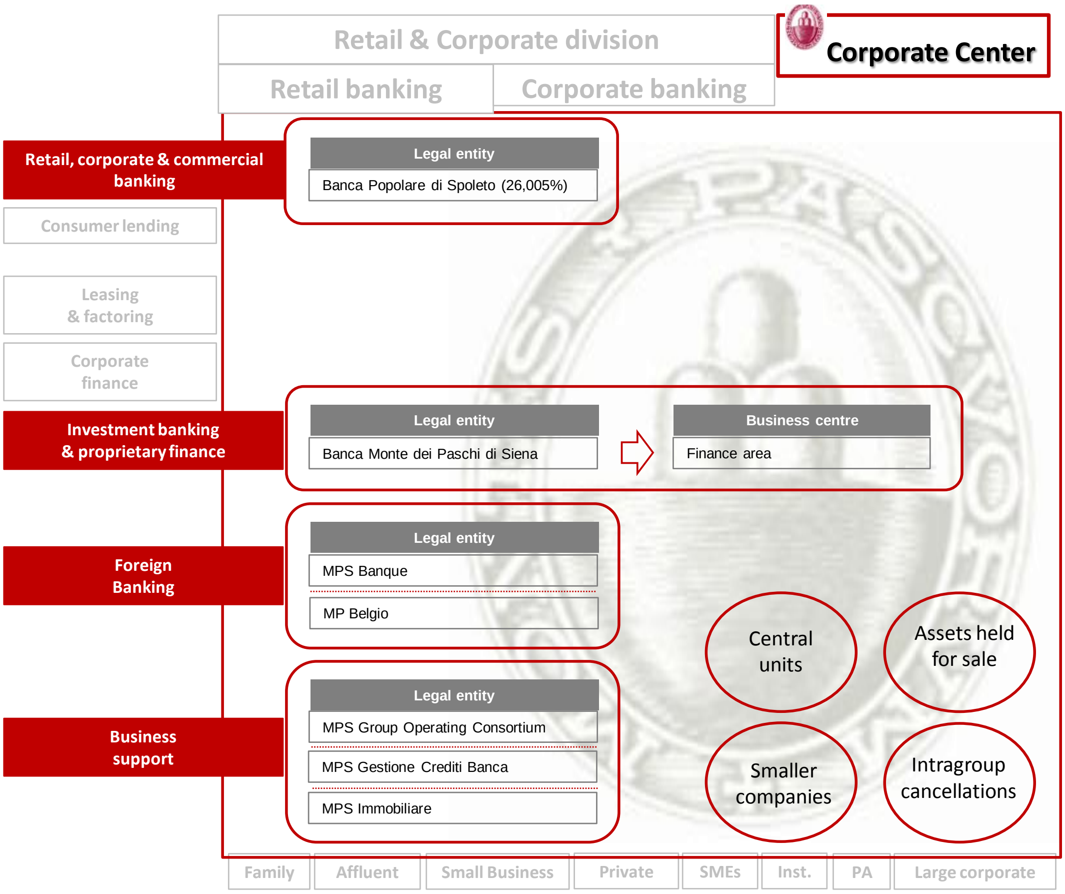
International banking activities were carried out according to the following main lines of development:

- Coverage of International Trade Finance, through strong integration between the sales and distribution activities of the domestic network, operations of the foreign network and improved sales firepower for products and services.
- Development and follow-up of internationalisation projects for SMEs, also supported by the Group's presence in geographical areas with greater market penetration.

The main initiatives implemented over the period involved:

- Increase in signature loans.
- Settlement through documentary credit.
- Completion of structured Trade Finance transactions.
- Joining the SACE/CDP Agreement whereby loans to businesses operating abroad are 100% guaranteed by SACE and the cost of CDP funding is lower.
- use of the SACE Agreement whereby medium term loans, granted by the banks of the Group, are 70% guaranteed by SACE and must be used to support costs and investments for the devleopment of activities relating to the internationalisation process of SMEs. In view of this agreement, a total of EUR 11.5 mln was disbursed in the first half of 2012. Operations with SACE were further developed with the completion of guaranteed export credit transactions which, in the first half of 2012, amounted to EUR 44.5 mln.

CORPORATE CENTRE



In addition to cancellations of intragroup entries, this business segment includes the results of the following business centres:

- Banca Popolare di Spoleto (26.005%pro-rata interest).
- Banks governed by foreign law (MP Banque and MPS Belgio).
- The Group's head office units (including governance and support functions, proprietary finance, the 'assets' centre of divisionalised entities, which include in particular ALM, Treasury and Capital Management);
- Service units providing support to the Group, particularly with regard to: development and management of information systems (MPS Group Operating Consortium); collection of doubtful loans (MPS Gestione Crediti Banca) and value creation from the Group's real estate assets (MPS Immobiliare).
- Companies consolidated using the equity method and companies held for sale[6].
- Operating units which, on an individual basis, are below the benchmarks required for primary reporting;

Group equity investments

In the first half of 2012, the process of rationalisation of the Group's equity investment portfolio continued. Following are the main transactions effected during the period:

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

New equity investments

The Parent Company has:

- acquired a 90% shareholding in Mps Covered Bond 2 Srl, a vehicle company which became part of the Montepaschi banking group when it was acquired for the establishment of a Covered Bonds Plan.
- acquired the remaining shares in Agrisviluppo Spa, thereby becoming a 100% shareholder.
- Acquired a 23.912% shareholding in L'Avvenire 1921Cooperative Company following the demerger of Consorzio Etruria. As a result of the transaction, the investment in Consorzio Etruria has grown from 16.856% to 23.903%.

Capital raising/reinstatement transactions and equity investment growth

The Parent Company has:

- subscribed to the capital raising of the subsidiary MPS Leasing & Factoring SpA, maintaining total control.
- increased from 7% to 100% the investment held in Mantegna Finance Srl , which thus becomes part of the Montepaschi Banking Group;
- subscribed to the capital increase for Fidi Toscana S.p.A., increasing the shareholding from 28.146% to 29.227%;

Disposal/Sale of equity investments

Over the quarter, the parent company has:

- divested the interest in Mittel SpA, amounting to 0.3% of share capital[7].
- divested the 4.893% interest in Aeroposrto di Firenze SpA.
- divested the 6.161% interest in Siteba Sistemi Telematici Bancari SpA.
- divested the 1.198% interest in Calp Immobiliare SpA.
- divested the 0.001% interest in Mastercard Inc.
- disposed of part of the investment in Swift Scrl Society for Worldwide Interbank Financial Telecommunication, reducing the shareholding from 0.217% to 0.137%.

Moreover, following conclusion of the liquidation procedure, the following investments were sold: Giotto Finance 2 Srl (100%), Merchant di Filiera Srl (10%), *Società per la Promozione dello Sviluppo Economico dell'Area Sud Basilicata* SpA (0.15%), *Società per lo Sviluppo del Basso Tavoliere* Scrl (13.33%), Progetti Srl in liquidation (15%), *Promart Società di servizi per la promozione e lo sviluppo dell'artigianato e della piccola impresa* (5%) and Siena Mortgages 03 04 Srl in liquidation (100%) which is thus removed from the scope of the Montepaschi Group.

In addition to the initiatives put in place by the parent company over the period, the following activities by the company Agrisviluppo SpA, merged into Banca Monte dei Paschi di Siena with effect from 30/06/2012 and P&L effect from 01/01/2012, should also be noted:

- Subscription of investment shares in *Caseificio Sociale del Parco Società Cooperativa*, thereby acquiring a 23.101% shareholding;

[7] The shareholding resulted from the merger by absorption of Hopa SpA, in which the bank held a 0.531% interest.

- Acquisition of a 16.401% shareholding in Società Castel Carni Spa subsequent to the signing of a share capital increase;
- Subscription of investment shares in Progeo Soc. Coop. Agricola, acquiring a shareholding of 0.012%;
- Divestment of the 6.368% shareholding in Consorzio Casalasco del Pomodoro Società Cooperativa Agricola;
- Disposal of part of the investment shares held in Consorzio Granterre Caseifici e Allevamenti Società Cooperativa Agricola, thereby reducing its shareholding from 10.43% to 7.63%;
- Disposal of part of the investment shares held in Unipeg Soc. Coop. Agricola, reducing its investment from 17.722% to 1.488%

Initiatives undertaken by other companies of the Group

- **MPS Capital Services SpA** has: (i) sold the 3.316% stake held in Arkimedica SpA; (ii) subscribed to the capital raising of Re.Ge.Im *Realizzazioni e Gestioni Immobili di qualità*.

Non-financial asset management[8]

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 view of sustainability for the benefit of customers, employees, shareholders and the community at large.

OPERATIONAL EFFICIENCY

The effort made towards achieving more efficient operating models and processes contributes to:

- pursuing the objective of reducing operating costs.
- ensuring the satisfactory functioning of distribution channels delivering customer service, which remains high particularly with regard to ATMs, Internet banking and the contact center.
- achieving additional savings in the use of natural resources and reducing the related environmental impacts.
- improve the ability to prevent accidents in the workplace.

Indicator	30/6/2012	30/6/2011
ATM service level (%)	**97.3**	96.2
Severity of workplace	**0.053**	0.061
Energy consumption	**488.697**	537.998
Paper consumption (T)	**2.018**	2.108
CO_2 emissions (T)**	**9.331**	11.322

**iDays lost due to injury per one thousand hours worked.*
***The figure includes "scope 1" and "scope 2"*

Structural changes

- The Network distribution optimisation project was put in place with a view to reviving branch productivity through, among other things, the elimination of inefficient territorial overlaps.
- Rollout of the parent company's reorganisation project was initiated in the second quarter of 2012.

Optimisation of internal processes

- Activities continued on the preparation of a new accounting management system and related organisational and procedural streamlining.
- Rollout of a new credit risk monitoring system was completed. Through a better-structured and simplified process, the system allows insolvency risk-exposed accounts to be more effectively managed.
- The management of active collaterals was centralised with a view to better using them for the purpose of credit risk mitigation.
- Stocks of cash, related operational risk the cost of money transportation were reduced for approx. 500 of the Group's ATMs installed in public places.
- Key projects for the optimisation of IT systems focussed on 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) and various support systems for the management of Compliance and Internal Controls.

[8] 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.

- A comprehensive plan of structural and process-related inititatives was launched with a view to furthering paperless document management both in customer correspondence and in-house consumption.
- An overall review was carried out of the guidelines and quality standards 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.

In the first six months of the year, 9,331 tonnes of CO_2 were produced (-18% in one year) equal to 312 Kg per employee, confirming the positive trend observed over the last 3 years (-46%).

Paper consumption also decreased (2,018 tonnes; -4%) and environmentally sustainable products and services accounted for 3.4% of total supplies.

HUMAN RESOURCES

As at the end of the half-year period, the Group employed 30,422 resources, of which 98% in Italy. Since the start of the year, there have been 108 new hirings and 110 terminations [9] (approximately half of these were voluntary resignation). The average age remained stable at around 44 years, as did gender distribution with female staff accounting for 44.9% of total staff.

Indicator	30/6/2012	30/6/2011
Headcount (no.)	**30.422**	30.453
Turnover (%)*	**0.21**	0.24
Rate of absence (%)**	**5.18**	4.50
Employee Perception Index (scale 20-100)***	**68.9**	69.2
Training per capita (hours)	**18.0**	25.1
BMPS training costs (Millions of euro)	**2.7**	2.3

(***) Ratio of voluntary resignations over total headcount
***Days of absence due to illness and injury out of average total number of days worked.*
****Measures engagement-levels of employees assigned to Banca Mps' distribution network in terms of working conditions and instruments available to*

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 2012-15 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.

The Chairman and CEO of the parent company presented the Business Plan internally through a national roadshow and exchanged ideas with employees regarding strategy, business and operations as well as issues of particular concern to workers. A channel of dialogue and method of engagement which will be kept active and further developed as the year progresses.

[9] Amounts are net of other types of personnel activities (eg. returns/secondments from/with companies external to the Group, etc.).

Industrial relations are crucial to ensuring employee engagement on aspects regarding organisational change, salaries, work environment, etc. In particular, in the first half of the year, specific agreements were signed for rationalisation of the Mps Branch Network and training plans. Several meetings were also held to discuss the quality of working life, equal opportunities, occupational health and safety and the environmental sustainability of operations.

HR management, development and value creation systems

- The Human Resources and Internal Communications division was set up. The division reports directly to the CEO/GM in order to ensure the utmost focus on these strategic objectives.
- The mapping of managerial positions in the Network and Central Units was completed with the aim of assessing potential and implementing consolidation actions..
- Work continued on the implementation of Professional Career Paths, ie. plans for the development of resources towards new positions, either equivalent in level (horizontal path) or higher (vertical paths). The Professional Career Paths involve approx.1,200 employees.
- The “Self-development Workshop” - aimed at supporting individual aptitudes, reinforcing behaviours, steering professional growth and creating a systematic channel from which to fill the Group's future management positions - carried out specific work sessions which were attended by newly-hired staff and the Network business coordinators.

Training activities involved around 86% of employees (46% in the first half of 2011) for a total of 535,930 hours. On average, therefore, each employee hastaken part in 18 hours of training over the six-month period (82% classroom-based and 18% on-line; the webinar was also introduced). The financial commitment to training within the parent company totalled EUR 2.7 mln, in line with the expenditure incurred in 2011. The main issues dealt with were the quality of front-end business behaviours, credit, life protection and pensions with specific focus being given to the role of the Branch Manager.

CUSTOMER CARE

Indicator	30/6/2012	30/6/2011
Branches in Italy	**2.744**	2.793
ATMs	**3.432**	3.494
Active remote banking	**837.274**	756.733
Acquisition (%)	**3.1**	2.7
Retention (%)	**97.8**	97.8
Complaints received	**5.070**	5.263
Complaints-average response time (days)[10]	**18**	14
Customer Perception Index (20-100 scale)	**78.6**	80.6

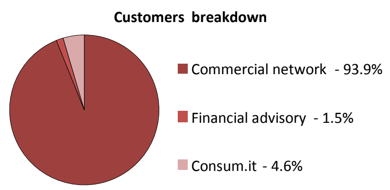
Developing a client relationship built on trust and mutual, long-lasting satisfaction is one of the Group's priorities.

To this end, it is necessary to ensure fairness and social responsibility in all business relationships and to be in a position to offer customers competitive and valuable services within a context marked by growing consumer awareness and higher customer expectations, partly resulting from the fast- developing technology.

The Code of Ethics outlines the Group's commitment to responsible marketing and customer relationship management. The Group undertakes to:

- Be of service to customers and meet their demands, giving focus to the more vulnerable members of societyas well.
- Give customers clear and comprehensive information regarding the terms & conditions and performances of products and services.
- Encourage the informed use of credit and management of savings.
- Prevent conflicts of interest in relationships with customers by offering products that are always in line with their risk profile.
- Increase customer satisfaction and loyalty.
- Handle customer claims and complaints with a view to continuous improvement.

These commitments are verified through ordinary internal controls and are implemented through organisational measures, internal training, systems which specifically listen to and monitor customer experience, IT support and continuous dialogue with consumer as



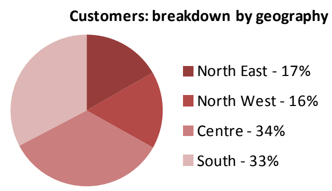
The customerbase

The Group has approximately 6.1 mln customers:

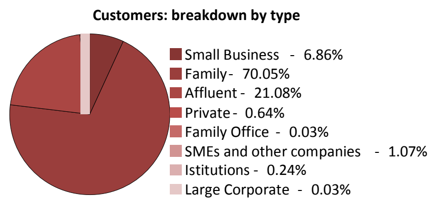
- 5,7 million are managed by the sales & distribution networks

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.



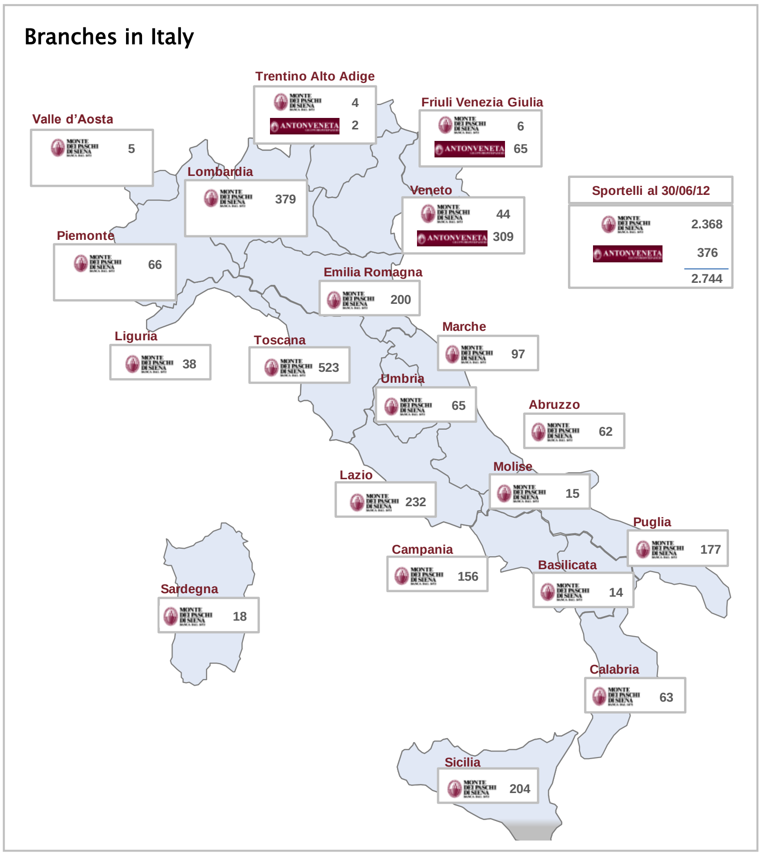
[10] In its new legislation on transparency, the Bank of Italy has set an average response time limit of 30 days for claims.

Distribution channels

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

Physical channels

In Italy there are 2,744 branches, 270 specialised centres dedicated to SME customers (133), Private customers (82) and Institutions (55), and 3,432 ATMs.



Montepaschi Group ATM as at 30/06/2012	.... with traditional functions	.... with Cash-in functions also	Total
In Self Service areas (24/7 access)	2,492	207	**2,699**
In branches (access during branch hours)	87	175	**262**
In companies/institutions	133	0	**133**
In public places	338	0	**338**
Total	**3,050**	**382**	**3,432**

Operations include a further 798 Financial Advisors supported by 143 regional offices.

Abroad, the Group is present in all major financial and economic markets as well as in emerging countries with the highest rates of growth and/or key relations with Italy. The sales and distribution network comprises: 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 governed by foreign law - MP Belgio (8 branches), MPS Banque (18 branches) - one Italian Desk (in Spain).

Remote channels

Multichannel contracts registered a growth of 6.1% over the period, with a shift from the old Internet Banking contracts to the new Integrated Multichannel services (+10.9% on 31/12/2011). Active users grew (+6.5% on 31/12/2011), with a 4.7% increase in operations as compared to the first half of 2011, boosted by the rise in "query" transactions.

REMOTE BANKING Multichannel contracts (period-end stock)	30/06/12	31/12/11	Chg. Abs.	Chg. %
Internet Banking	231,291	252,329	-21,038	-8.3%
Integrated multi-channels	1,231,606	1,110,224	121,382	10.9%
Internet Corporate Banking	185,001	184,322	679	0.4%
Total	**1,647,898**	**1,546,875**	101,023	6.5%
Mobile Banking	49,200	52,011	-2,811	-5.4%
Total	**1,697,098**	**1,598,886**	**98,212**	**6.1%**
Other informations				
Active "Multichannel" users(*)	837,274	786,079	51,195	6.5%
Active "On-line documents" users	536,980	361,595	175,385	48.5%

(*) Users who have made a transaction in the last 180 days

As of the second quarter 2012, communication via digital channels ("OnLine Documents") was the theme of a "moral suasion" campaign targeting customers. The initiative had positive results with an increase in the number of customers receiving digital communications (+48.5% on 31/12/2011) and, as a consequence, the number of documents sent (+46% compared to the first half of 2011).

Customer Satisfaction

In the first half of the year, priority was given to the implementation of actions deemed necessary to raise the level of customer service following an analysis of information collected from the monitoring of customer care and client satisfaction in 2011.

Actions undertaken were aimed primarily at:

- Expanding and optimising customer contacts with a view to increasing loyalty and retention so as to ensure the ongoing ability to listen to and respond to their needs. To this end, a new e-mail address was created and made available to customers wishing to send their comments and receive information regarding services.
- Improving the quality of business behaviour of customer relation managers through specific training programs and skills development.

5,070 new complaints were reported in the first half of the year (-3.7% YoY). The mean time to resolution rose from 14 days as at 30/06/2011 to 18 days due to the increased complexity of claims handled; the trend for the remainder of the year is, nevertheless, expected to be positive owing to the increasing use of simplified assessments of the less problematic cases The average response time remains below the limits set by the Bank of Italy in its new transparency regulations (30 days).

1,031 applications were received for civil mediation, a legal institution governed by Law Decree 28/2010 which tends to reduce the time and cost of handling claims as well as associated legal disputes.

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.

Indicator	30/6/2012	30/6/2011
Brand reputation (scale 0-	**62.5**	63.6
Reputational risk (scala 0-10)**	**4.3**	1.8
Negative press coverage	**10.8**	4.3

**Index calculated on the basis of results from interviews with a sample of banking service users. Industry average as at 30.6.2012= 60.3*
***Index calculated on the basis of data from monitoring of web sources.*
****Percentage of negative press articles about the bank. Data as at 30/6/2012 refers to the first quarter of the year.*

More specifically, in the half-year period:

- Local communication activities were also stepped up (press, tv, radio and local websites) to enhance the role of the branches and promote initiatives carried out locally.
- Visibility of the Group's main brands was enhanced through marketing campaigns, leveraging on the values that are at the heart of the Group's corporate image (history, tradition, local proximity). Of particular importance were the campaigns of AXA MPS (winner of the Media Stars award) and Conto Italiano.
- Ever greater focus has been given to young people 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.

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.

Over the half-year period:

- BMps was, for the fifth consecutive year, included in the Sustainability Yearbook, a “catalogue” of companies included in the Dow Jones Global Total Stock Market Index, which stand out for their corporate sustainability best practices.
- BMPS stock was, for the tenth consecutive year, included in the FTSE4Good, a set of indices listing companies that stand out for their transparent management and application of sustainability criteria promoted by the FTSE Group, a leading global provider of stock market indices. BMps' rating stood at 84/100, with very positive assessments (8/10) in all areas analysed (environment, society and governance).
- For the seventh consecutive year, the rating agency Oekom confirmed its positive view of the Group's non-financial performance, classifying BMps as “Prime” with an overall score of C. The rating is higher than the worldwide industry average (C-) and qualifies BMPS stocks and bonds for investments by institutional players with total volumes of assets under management at approx. EUR 90 billion.

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 over the half-year period include:

- Suspension of mortgages and loans and other benefits for families and businesses experiencing temporary hardship as a result of the economic crisis or natural disasters.
- Basic current accounts and banking services at low cost for pensioners and people of low economic/financial means (over 2,500 existing accounts at the end of the half-year period).
- 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), a true service model for immigrants (Migrant Banking) including, among other things, zero-cost remittances and very favourable conditions on personal loans. The number of immigrant customers over the six-month period grew to account for 6% of the total customer base. Information on the features of all banking services have been made accessible to immigrant customers through a specific multilingual guide developed by the Italian Banking Association.
- Range of services and a network of specialist skills (in the first half of the year, employees of Institutional Client Centres took part in refresher courses) in order to respond to the banking and financial demands of non-profit organisations.

Indicator	30/6/2012	30/6/2011
Financial inclusion (weak customers)		
-Young customers	**627.364**	624.297
-Immigrants	**305.430**	280.468
-Small businesses	**386.159**	390.940
Social welfare		
-Contributions (milioni di	**14.5**	11.3
-Microcredit (number)	**482**	470
Corporate sustainability		
-Loans for environmental purposesi (millions of euro)	**531**	619
-Vendor sustainability rating (scale 1-10)	**4.6**	4.7

Financial education – *contribute to improving financial culture and awareness among young people and consumers in general*

Initiatives implemented over the half-year period 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 – 9 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.

A financial education module was also set up on the bank's YouTube channel with the launch of the video series "The economy for everyone". Objective: to help the public approach and better understand the terms and instruments used in the banking and financial world.

Social welfare – *support social initiatives.*

EUR 14.5 million was spent in the first six months of the year to contribute directly to the creation and implementation of cultural, scientific, sporting, social and environmental initiatives. Activities were aimed at developing long-term partnerships with proven organisations in order to help support social goals with priority given to the protection of children and to the more general social and economic development of certain areas with a view to affirming the Group as an all-inclusive point of reference for all geographic areas covered.

Other contributions and financial commitments included:

- Funds raised through donations made by customers to specifically set-up current accounts through the branches, ATMs, the use of prepaid cards, internet banking and the e-commerce site available at www.1472.it in addition to other methods. The funds were allocated to various projects of solidarity in both Italy and abroad. Benerficiaries included: the population of Emilia Romagna faced with an emergency situation following the earthquake in May, certain regions of Senegal for the construction of drinking water wells (in collaboration with the international humanitarian organisation, ACRA - Associazione di Cooperazione Rurale in Africa e America Latina), Fabbrica del Sorriso (initiative by the social-purpose NPO 'Mediafriends Onlus'), Trenta Ore per la Vita (Thirty hours for life) Onlus (more than 350 thousand euro).
- The cost of staff employed in these activities (approx. 6 FTEs).
- The economic value of advertising expenses, facilities and services made available to non-profit organisations as part of their partnership with the bank (estimated in the region of 300 thousand euro).

Moreover, essential financial means are provided to individuals and families experiencing temporary financial hardship through the disbursement of microloans. Transactions in the first half of the year remained high with the disbursement of 482 loans totalling approx. EUR 2.2 million.

Corporate sustainability – *contribute to the spread of corporate culture and sustainable production processes in terms of social and environmental issues.*

- Potential environmental risks were monitored in project financing transactions and process for loans to larger-sized businesses, for total funding volumes of approx. EUR 16 billion. In particular, 60% of transactions analysed by Mps Capital Services resulted as being low risk; in 9 cases, it was necessary to perform specific due diligence.
- Governance systems and sustainability performances of all major vendors were monitored. At the end of the half-year period, the average rating stood at 4.6/10 and the ratings for each domain analysed were

Natural Capital Declaration

Mps endorsed the UN Natural Capital Declaration launched in June at Earth Summit-Rio+20

Factors and dynamics affecting natural resources, pollution and climate change raise increasingly urgent and widespread concerns for governments, industries and people, both at global and local level. The financial sector has a major role to play in addressing these problems. Banca Monte dei Paschi di Siena is absolutely aware of this and is committed to keep doing its part by embedding environmental considerations into both its operational practices and relationships with confirmed to be above the benchmark standard considered. 71 approved improvement plans are currently in place.

- Around 700 loans were granted to consumers and businesses for investments and purchases having environmental objectives. A total of EUR 531 million was disbursed over the period: -14% compared to the same period of the previous year, mainly due to uncertainties surrounding legislation for the renewable energy industry, which marked the first half of the year.
- The asset management offering has been characterised by the further expansion of the range of "ethical funds" in the catalogue with 80 "traditional funds" being certified as sustainable following specific assessments of the ESG profile (Environment, Society, Governance) of issuers in the Group's portfolio. With the objective of increasing and furthering awareness and practices with regard to "Sustainable Investments", customer relationship managers were provided with specific training in the first half of the year.

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

The BoD is vested with steering and strategic supervision functions. The BoD is elected every 3 years.

The new BoD was formed in April and its 12 member will remain in office until 2014.

Alessandro Profumo was elected Chairman, while Marco Turchi and Turiddo Campaini were elected Deputy Chairmen.

At its first meeting, the BoD appointed General Manager, Mr. Fabrizio Viola, as Chief Executive Officer.

Board of Directors	Current	Previousecto
Directors	12	12
Average age	53	61
Female directors	2	0
Executives	6	0
Independent directors	5	3
Directors with more than 4	4	3
Maximum number of	6	6
BoD self-assessment	yes	yes
BoD internal committees		
-Executive	yes	no
-Strategy and Sustainability	yes	no
-Appointments and	yes	yes*
-Internal Controls	yes	yes
-Independent directors	yes	yes

**The Comittee had exclusive competence regarding the compensation of directors holding particular offices and the remuneration of Top Management. Previously there was no Appointments Committee.*

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

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 underly its culture of compliance and corporate reputation.

The Compliance function of the parent company is the central unit which oversees all monitoring activities regarding regulatory compliance and associated risks.

Compliance (scale 1 to 5)	*30/6/2012	30/6/2011
Anti-usury	4.15	3.93
Transparency in banking transactions	4.24	4.08
Privacy – Law Decree	4.31	4.07
Administrative responsibilities of	4.52	4.34
Related-party transactions	4.46	4.30
Market abuse	4.46	4.54
MiFID Directive	4.29	4.18
Anti-money laundering and counter terrorism – Law Decree 231/2007	4.12	4.06

**Data refers to the first quarter of 2012.*

Activities in the first half of the year were entrusted to the Compliance and Legal Division which brought together the already-existing Compliance Area and Legal Area with a view to maximising the synergies between the two structures. The Division, in particular, carries out the responsibilities set forth by the Bank of Italy with regard to Compliance: identify, monitor and assess the risk of regulatory non-compliance and report these to top management with proposals for any improvement actions to be taken; promote information-sharing activities and training for employees.

The Division also oversees the proper enforcement of legal requirements relating to anti-money laundering and counter-terrorism.

Improvement actions

The analyses of compliance, 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 period included:

- Development and standardisation of anti-money laundering policies and procedures to be applied in foreign transactions to monitor compliance and the use of whistle-blowing.
- Review of Internal Regulations regarding non-compliance risk management, extending the scope to legislative matters of lesser importance.
- Transposition of new Bank of Italy provisions regarding the prevention of conflicts of interest with "related parties".
- Consolidation of the IT procedure used in the prevention of market abuse.
- Implementation of the provisions contained in Article 18 of the Joint Bank of Italy/Consob Regulation regarding “personal transactions in financial instruments”.

INTEGRATED RISK AND CAPITAL MANAGEMENT

The risk management process

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

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

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

Top Management is responsible for ensuring compliance with risk policies and procedures. The Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels. The Risk Committee of the Parent Company is also responsible for assessing initiatives for capital allocation and submitting them to the Board of Directors and assessing (Regulatory and Economic) capital consumption at Group level and for each company of the Group as well as the trends of risk/return performance indicators. The Finance Committee of the Parent Company has the task of setting the principles of - and providing strategic guidance for - Proprietary Finance. Furthermore, it deliberates and submits proposals concerning the interest rate and liquidity risk exposure of the Banking Book and defines Capital Management actions required.

The Internal Audit area has the task of performing an independent and objective "assurance" and advising activity, aimed both at monitoring the compliance of operations and risk trends (also through on-site inspections) and at assessing the efficiency of the overall internal control system with a view to improving the effectiveness and efficiency of the organisation.

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

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

From an overall organisational and governance point of view with regard to Group risk, it should be noted that in the first half of 2012, as part of the general reorganisation of the Parent Company, the Risk Management Division was established and made to report directly to the Chief Executive Officer. In the new organisational design, the Risk Management Area has been allocated to the Risk Management Division. The change was in alignment with regulatory provisions and international best practices and aims at guaranteeing greater autonomy and forcefulness to risk management actions and to the effectiveness of the entire risk management and control process. The main types of risk which the Group may incur in its day-to-day operations include:

- credit risk (inclusive of concentration risk).
- counterparty risk.
- issuer risk.
- market risk (price, interest rate and foreign exchange) for the Trading Book.
- interest rate risk for the Banking Book (Asset & Liability Management - ALM).
- liquidity risk.
- equity investments 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.

Activities relating to the international Regulatory framework

In line with the principles set out in the new Accord on Capital Adequacy (Basel II) in relation to First Pillar risks, in the first half of 2008 the Montepaschi Group completed its work on the internal models for credit and operational risks. Pursuant to Circular Letter 263/2006 of the Bank of Italy, on 12 June 2008 the Montepaschi Group was officially authorized to use the advanced models for the measurement and management of credit risk (AIRB - Advanced Internal Rating Based) and operational risk (AMA - Advanced Measurement Approach) as of the first consolidated report at 30/06/2008. Throughout the period, work continued on the completion and extension of these models to those entities not included in the initial scope of validation as did the activities aimed at improving the internal market and counterparty risk models.

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

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

Methodology and applications continued to be analysed as required by the new international Regulatory framework ("Basel 3"), especially with regard to the processing of Liquidity, Counterparty and Market risk and the related adjustment of reporting databases.

An analysis of the Montepaschi Group's Economic Capital

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

In order to quantify Economic Capital, all types of risk come into play with the exception of liquidity and reputational risk which, instead, are mitigated through organisational policies and processes.

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

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

With regard to credit risk, most of the input for the Credit Portfolio Model - similarly under continuous methodological development - originates from the internal models used for reporting purposes which, in conjunction with additional information and fine-tuning, aim to measure risk from a strictly operational logic. In terms of Operational Risks, the model's output at Group-level is re-allocated on the basis of historical loss criteria, the estimate provided by top management as well as the gross income and is used for operating purposes. Furthermore, the Overall Economic Capital also contains information on the sensitivity shift in economic value resulting from the internal Asset & Liability model, aligned with industry best practices. Business risk is currently measured as a risk factor in relation to the rigidity of the cost structure with respect to changes in the business structures caused by external market components and internal strategies opted for. Equity investment risk is the risk resulting from the volatility of market valuations in relation to the equity investments held in the portfolio. Real estate risk is the risk of incurring potential losses resulting from unexpected changes in the real estate portfolio.

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

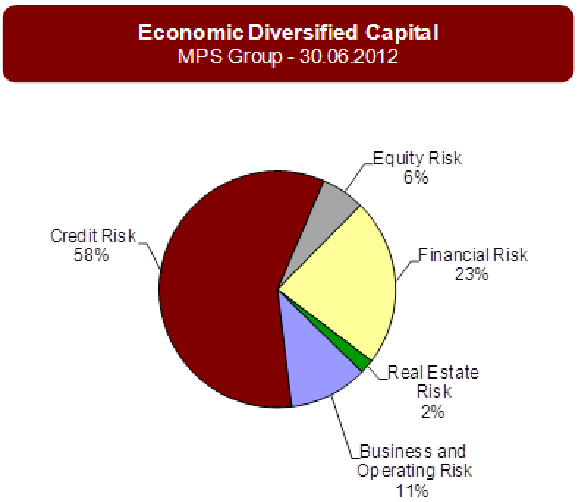
The Economic Capital by risk factor, therefore, results from the corresponding operating metrics of risk quantification. VaR measurements by risk factor maintain their own "individual" validity in accordance with current regulations and International best practices and are established with differentiated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

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

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

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

As at 30 June 2012, the Overall Economic Capital of the Montepaschi Group (excluding intra-group operations) was broken down as follows: credit risk (58% including counterparty risk, issuer risk and concentration risk), equity investments risk (6%), operational and business risks (11%). The working capital against financial risk (mainly consisting in typical risks of the Trading Book and ALM Banking Book) comes to approx. 23% of the Overall Economic Capital. Capital against real estate risk comes to 2%.



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

STRUCTURED CREDIT PRODUCTS

Business Model description – objectives and strategies

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

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

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

The specifically dedicated unit followed market pattern developments over time, making investments in structured bonds as well. These investments are compliant with the above-mentioned process of diversification. Financial technology has actually made it possible over time to take positions on specific credit risk components such as correlation and recovery through structured bonds. A specialist desk was also set up within MPS Capital Services to support this Parent Company structure.

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

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

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

For the purpose of this analysis, the exposures reported have been distinguished between " positions in securities" and "positions in derivatives" at Group-level as at 30 June 2012 . "Positions in securities" are mainly taken in the form of cash instruments, while "Positions in derivatives" are held through credit derivatives on standardised indices.

Book value of positions in securities

The overall book value of positions in structured credit securities, amounting to EUR 1,943.21 mln, accounts for approx. 0.8% of consolidated assets.

The definition of structured credit product used in this section does not correspond to the definition of structured debt securities considered in other sections/parts of the Consolidated notes to the Financial Statements, insofar as not all structured credit products embed credit derivatives, which need to be unbundled for IAS/IFRS purposes.

The book value of structured credit securities is allocated as follows:

- under item 20 “Financial assets held for trading” in the amount of EUR 400.86 mln, or 21% of total positions in securities;
- under item 40 “Financial assets held for sale” in the amount of EUR 105.54 mln, or approx. 5% of total positions in securities;
- under item 60 “Loans to banks” and 70 “Loans to customers” in the amount of EUR 1,436.81 mln, or 74% of total positions in securities.

The total book value of net positions in index-linked credit derivatives is EUR 2.88 mln.

Description of positions in securities

The information provided is divided into macro-categories of structured credit products and includes the nominal amount, risk exposure and P&L impact for the first half of 2012. More specifically, for the risk exposure of positions in securities, the tables report the book value which reflects economic loss in the event of default with a very conservative estimated recovery of zero. Realised expense and income consist in losses and profits from trading for the period of reference; devaluations and revaluations with a P&L effect show the change in book value directly posted to P&L, whereas, in the case of instruments classified as Available for Sale (AFS), devaluations and revaluations show the change in book value posted to net equity reserve. All amounts are expressed in EUR million.

Overall, at Group level, positions in structured credit securities amount to a nominal value of EUR 2,075.24 mln, equivalent to a book value of approx. EUR 1,943.21 mln.

With reference to classification for Supervisory purposes, the positions are mainly allocated to the Banking Book (91% of book value) and, in a smaller degree, to the Trading Book (approx. 9%).

With regard to the Banking Book (book value of approx. EUR 1,763.34 mln), there is a prevalence in CLNs which account for approx. 61%, followed by CDOs which come to approx. 21%. The remaining 18% refers to ABSs and other types.

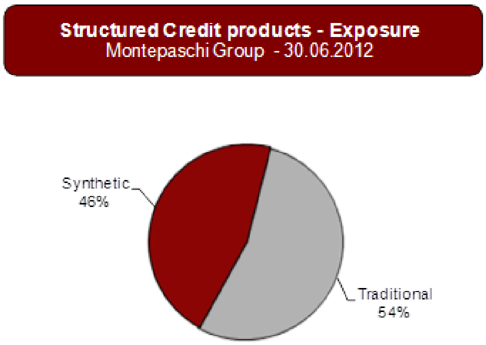
The Trading Book, on the other hand, contains investments for a book value of EUR 179.87 mln, approx. 58% of which is accounted for by CDOs and 42% by ABSs.

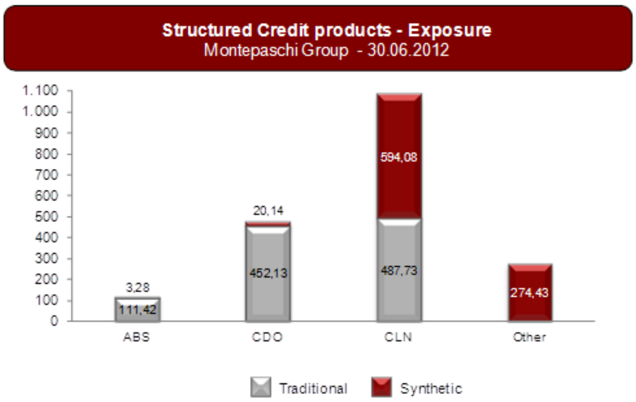
Montepaschi Group
Structured Credit products: total exposure
Securities positions
(EUR/mln as at 30.06.2012)

Classification	Instrument Category	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
Banking Book	ABS	43,76	38,97	0,79	0,00	-0,30
	CDO	394,83	368,13	-0,15	2,16	0,56
	CLN	1102,55	1081,81	0,00	3,95	4,56
	Dynamic Managed Portfolio	100,00	108,32	0,00	2,94	0,00
	Leveraged Finance	200,00	166,11	0,00	4,07	0,00
	Banking Book Total	**1841,14**	**1763,34**	**0,64**	**13,12**	**4,82**
Trading Book	ABS	86,95	75,73	0,89	-0,20	0,00
	CDO	147,15	104,14	4,03	-3,28	0,00
	Trading Book Total	**234,10**	**179,87**	**4,92**	**-3,48**	**0,00**
Structured Credit products total - 30.06.2012		**2075,24**	**1943,21**	**5,56**	**9,64**	**4,82**
Structured Credit products total - 31.12.2011		2195,81	2040,02			

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

The tables below provide a product breakdown of exposures in securities by type of structure (synthetic or traditional) and by type of product (ABS, CDO, CLN, other). A traditional structure involves investments in *funded* structures which do not embed credit derivatives, whereas a synthetic structure involves *unfunded* and f*unded* structures which include credit derivatives. As a whole, traditional structures account for 54% and synthetic for 46% of total risk exposure.





Following is the breakdown of positions securities by rating.

Structured Credit products
(EUR/mln)

Rating	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	125,09	132,49	0,99	2,94	0,00
AA+	3,56	3,07	-0,05	0,08	0,00
AA	463,09	448,40	0,65	0,80	-0,15
AA-	200,50	166,81	-0,23	4,07	0,00
A+	607,55	596,49	0,00	3,88	4,56
A	247,39	237,58	-0,16	2,37	0,00
A-	158,31	129,65	0,31	2,17	0,00
BBB+	145,00	145,57	0,00	0,07	0,00
BBB	59,70	57,65	0,01	0,00	0,00
BB+	15,00	5,90	0,00	-5,56	0,00
BB	7,80	7,07	0,00	-0,05	0,00
BB-	14,09	0,32	0,00	0,00	0,00
B+	2,00	1,10	0,00	0,00	0,00
B	8,91	3,13	0,01	-0,54	0,23
B-	2,94	2,67	0,00	0,00	0,33
CCC-	8,38	1,62	4,03	-0,38	-0,15
CC	1,35	0,00	0,00	0,00	0,00
Not Rated	4,58	3,69	0,00	-0,21	0,00
Total	**2075,24**	**1943,21**	**5,56**	**9,64**	**4,82**

Overall, 97% of nominal exposures is made up by Investment Grade Securities (rated up to BBB-) with Subinvestment Grade and Non Rated securities making up the remaining 3%.

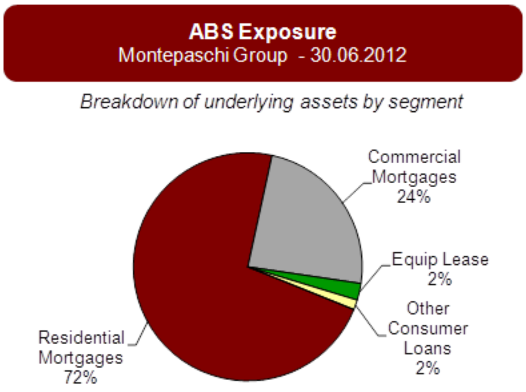
ABS exposures

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

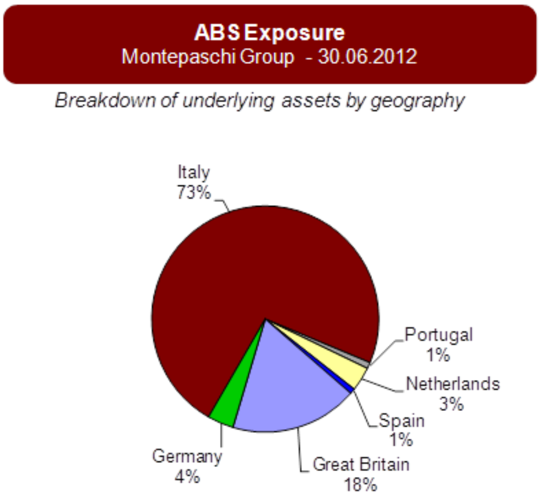
ABS Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized	Unrealized	Effect on Net
RMBS	88,5	82,91	1,25	0,93	0
CMBS	36,4	27,47	0,36	-1,14	-0,3
Other ABS	5,81	4,32	0,07	0,01	0
Total	**130,71**	**114,70**	**1,68**	**-0,20**	**-0,30**

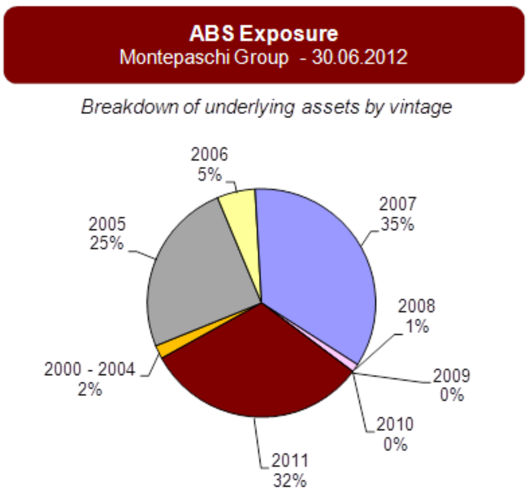
Overall, 96% of the book value refers to positions with underlying residential and commercial mortgages which make up 72% and 24% respectively. The remaining 4% includes ABS positions with underlying assets in other segments.



A geographical breakdown reveals that, in terms of book value, 73% of ABS exposures are allocated to Italian underlying assets, 18% to British, 4% to German and 3% to Dutch. A negligible residual percentage engages Spanish and Portuguese underlying assets. It should be noted that there are no positions with underlying assets originated by US vehicles.



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



CDO exposures

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

CDO Exposure
(EUR/mln)

Classification	Seniority	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CBO	JUNIOR	4,58	3,69	0	-0,21	0
CBO	SENIOR	119,8	97,26	0	3,2	0
CDO di ABS	SENIOR	347,82	329,15	-0,16	0	0
CDO3	JUNIOR	19,86	13,26	0	2,37	0
CLO	MEZZANINE	16,72	16,74	0	0	0
CLO	SENIOR	5,85	5,29	0,01	0	0,56
Managed CDO	MEZZANINE	1,35	0	0	0	0
Managed CDO	SENIOR	26	6,88	4,03	-6,48	0
Total		**541,98**	**472,27**	**3,88**	**-1,12**	**0,56**

On the whole, the main category is represented by ABS CDOs which account for 70% of the total. With regard to seniority, senior tranches make up approx. 93% of the entire portfolio while mezzanine and junior tranches account for 3.5% each. In terms of geographical breakdown of the portfolios, it should be noted that there are no positions with underlying assets originated by US vehicles.

During the second half of 2012 a security previously classified as a Synthetic Loan CDO (SLCDO) and thus included in CDO exposures for a nominal value of EUR 200 mln, was more properly classified as Leveraged Loan (LL) under the category of Leveraged Finance.

Dynamic Managed Portfolio and SPE CLN exposures

The portfolio as at 30 June 2012 included investments in a nominal amount of EUR 100 mln with underlying managed portfolios (SPIs) and CLNs in a nominal amount of EUR 1,102.55 mln, both in the Banking Book.

Dynamic Managed Portfolio Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPI	100,00	108,32	0,00	2,94	0,00
Total	**100,00**	**108,32**	**0,00**	**2,94**	**0,00**

CLN Exposure
(EUR/mln)

Classification	Nominal	Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CLN Basket	400,00	389,60	0,00	0,00	0,00
SPE CLN	702,55	692,21	0,00	3,95	4,56
Total	**1102,55**	**1081,81**	**0,00**	**3,95**	**4,56**

Description of credit derivative positions

Details of positions in derivatives are reported below.

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

Positions with a negative nominal value mitigate the overall portfolio risk since they benefit from the deterioration of creditworthiness of underlying assets, as represented by the expansion of related credit spreads.

Overall, derivative exposures came to a notional amount of EUR -74.18 mln for a book value of EUR 2.88 mln as at 30 June 2012. Operations in the first half of 2012 generated a positive P&L impact of EUR 5.74 mln.

Credit Index Positions
(EUR/mln)

Index	Nominal	Exposure	Profit/Loss
CDX NA IG	35,69	-1,55	0,60
iTraxx Europe	59,92	-0,79	1,67
iTraxx Europe Crossover	0,00	0,00	1,41
iTraxx Europe Senior Financials	-13,00	0,50	2,23
iTraxx Europe Sovereign	-166,79	4,44	-10,60
iTraxx Europe Subordinated Financials	10,00	0,28	-1,05
iTraxx High Volatility Europe	0,00	0,00	0,00
iTraxx Sovereign Emerging	0,00	0,00	0,00
Total	**-74,18**	**2,88**	**-5,74**

Appendix: Glossary of terms

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

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

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.

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

BMPS share price

SHARE PRICES

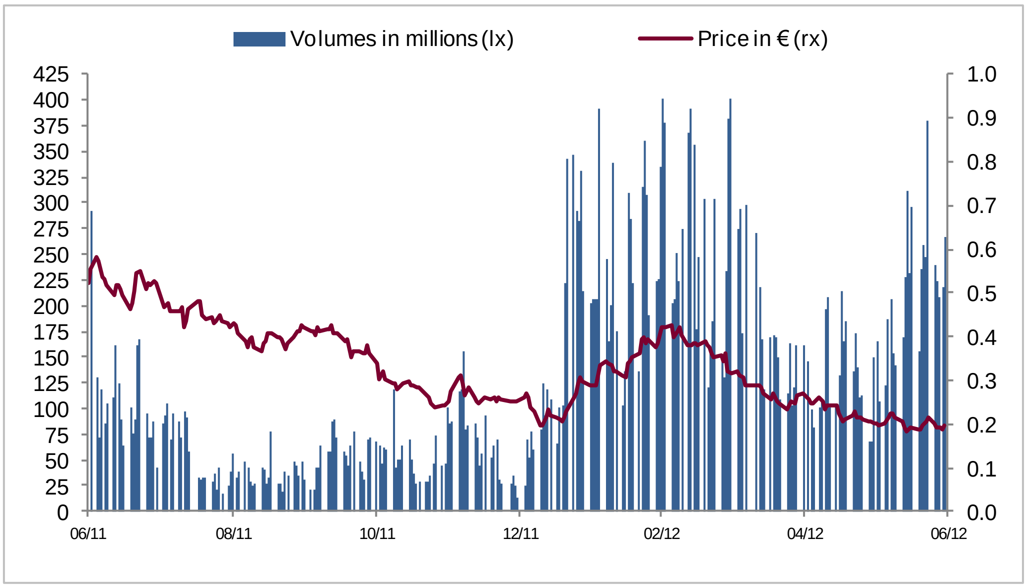
The first half of 2012 was characterised by high volatility for all major stock markets with positive performance in the first part of the year and widespread sales as of the latter part of the half-year period. In the Euro area, the Italian and Spanish indices mainly bore the brunt of a policy that failed to promptly implement shared understandings and agreements in order to resolve the sovereign debt crisis and uncertainty regarding the consolidation of public accounts, (IBEX -17.1% and FTSE MIB -5.4%) while, thanks to the performance over the first three months, the German and French indices were able to amortise the losses in Q2, closing the second quarter as at 30 June 2012 in positive territory (DAX +8.8%, CAC +1.2%). A negative performance for the banking sector also (DJ EURO STOXX BANKS -10.3% and FTSE IT BANKS -16.9%).

Financial Market Evolution (from 12/31/2011 to 6/30/2012)

	Ibex 35	Ftse It Banks	DJ Euro Stoxx	Ftse Mib	Cac 40	Dax 30
H1 2012	**-17.1%**	**-16.9%**	**-10.3%**	**-5.4%**	**1.2%**	**8.8%**
Q2 2012 (from 03/31/2012 to 06/30/2012)	-11.3%	-19.9%	-16.6%	-10.7%	-6.6%	-7.6%
Q1 2012 (from 12/31/2011 to 03/31/2012)	-6.5%	3.8%	7.6%	5.9%	8.4%	17.8%

Within this framework, BMPS stock closed the first half of 2012 at 0.196 euro, down -22.1% on the end of 2011, against a 16.9% downturn in 'Ftse it Banks', the benchmark index of major Italian banks within which Unicredit registered -29.5%, Banca Popolare dell'Emilia Romagna -22.1%, UBI -18.8%, Intesa -13.6%, Banco Popolare +5.8%, Popolare Milano +22.3%.

BMPS SHARE PRICE (from 30/06/11 to 30/06/12)



BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/2011 to 30/06/2012)

Average	0.28
Lowest	0.18
Highest	0.42

In the first half of 2012 the number of BMPS shares traded on a daily basis averaged approx. 202.2 million with a peak of 401.7 million in March 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

Ratings

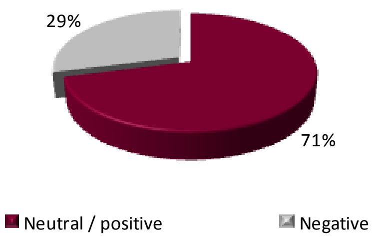
Following are the credit ratings assigned as at 30 June 2012:

Rating Agencies	Short-term debt	Long-term debt
Moody's Investors Service	P - 3	Baa3
Standard & Poor's	A - 2	BBB
Fitch Ratings	F - 3	BBB

- Following downgrade of Italy's sovereign debt rating, on 6 February 2012 the agency, **Fitch** Ratings, lowered BMPS's ratings. Among these, the long-term rating was lowered from 'BBB+' to 'BBB' and the short-term rating from 'F2' to 'F3'. Outlook stable. Subsequently, on 29 June, the agency lowered the bank's Viability Rating from 'bbb-' to 'bb+' thereby placing it on Rating Watch Negative.
- On 15 February 2012, in view of a frame of reference made difficult by the adverse and prolonged impact of the Euro crisis, the rating agency **Moody's** announced a mass review for a possible dowgrade of 114 financial institutions operating in 16 European countries, including Banca Monte Paschi. On 14 May 2012, Moody's concluded its review of Italian banks with the downgrade of certain institutions. In particular, Banca Monte dei Paschi di Siena's standalone Bank Financial Strength Rating was lowered from 'D+' a 'D', its long-term rating from 'Baa1' to 'Baa3' and its short-term rating from 'P-2' to 'P-3'. Outlook negative.
- On 18 June 2012, **Standard & Poor's** placed Banca Monte Paschi's ratings under Credit Watch Negative ('BBB'/'A-2').

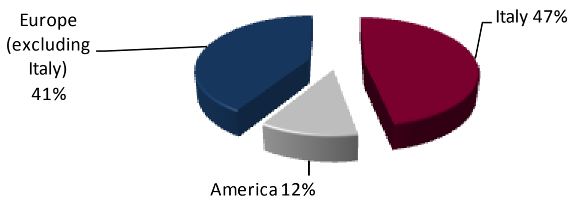
Guidance on MPS shares

With regard to guidance on BMPS shares as at 30 June 2012, 71% of analysts covering BMPS shares maintained a positive/neutral outlook whereas 29% expressed a negative one.



Investor Relations

In the belief that a cooperative approach with stakeholders is capable of generating a surplus of social value, in the first half of 2012 the Investor Relations team's interaction with the financial community continued to be highly proactive. Activities were stepped up further following presentation of the 2012-2015 Business Plan on 27 June 2012. Since the start of the year around 17 days of meetings were held in 6 different countries between the Top Management of the Montepaschi Group and institutional investors. Following is a geographical breakdown (in %) of days dedicated to roadshows/marketing:



Annexes

MONTEPASCHI GROUP

RECONCILIATION BETWEEN RECLASSIFIED ACCOUNTS AND ACCOUNTING TABLES

AND

DETAILS OF BIVERBANCA'S P&L AND BALANCE SHEET INPUT USED FOR DATA RESTATEMENT RELATING TO PERIODS PRIOR TO 30/06/2012

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 june 2012 and related accounting tables

	Accounts in the Profit and Loss Statement - Montepaschi Group	30/06/2012 Accounting	Impairment of goodwill, intangibles and writedown of investment in AM Holding	Reclassification of personnel expenses: early retirement charges	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification of L&R securities to Financial Assets.	Costs relating to financial plans	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS	Economic effects from allocation of BAV acquisition costs to MPS IMMOBILIARE (PPA ex BAV Real Estate)	Economic effects from allocation of BAV acquisition costs	30/06/2012 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	3,584.3								15.1		8.4		
20	Interest expense and similar charges	-1,954.1												
30	**Net interest income**	**1,630.3**								**15.1**		**8.4**	1,653.7	Net interest income
40	Fee and commission income	1,028.0												
50	Fee and commission expense	-191.1												
60	**Net fee and commission income**	**836.9**											836.9	Net fee and commission income
													2,490.6	**Income from banking activities**
70	Dividends and similar income	57.9			-55.2	36.3							39.1	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	68.3			55.2									
100	Gains/losses on disposal/repurchase of:	33.1												
	a) loans	*4.5*												
	b) financial assets available for sale	*32.1*												
	c) held to maturity investments													
	d) financial liabilities	*-3.6*												
110	Net profit (loss) from financial assets and liabilities designated at fair value	115.3												
													271.8	Net profit (loss) from trading
90	Net profit (loss) from hedging	5.1											5.1	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2,746.8**				**36.3**				**15.1**		**8.4**	**2,806.5**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	**-956.2**						1.6					-954.6	Net impairment losses (reversals) on:
	a) loans	-849.9					9.3	1.6					-839.0	a) loans
	b) financial assets available for sale	*-92.1*					-9.3							
	c) held to maturity investments													
	d) other financial transactions	*-14.3*												
													-115.6	b) financial assets
140	**Net income from banking activities**	**1,790.5**				**36.3**		**1.6**		**15.1**		**8.4**		
150	Net premiums													
160	Other income/expenses (net) from insurance activities													
170	**Net income from financial and insurance activities**	**1,790.5**				**36.3**		**1.6**		**15.1**		**8.4**	**1,851.9**	**Net income from financial and insurance activities**
180	Administrative expenses:	-1,744.8		21.1					145.5				-1,578.3	Administrative expenses
	a) personnel expenses	-1,080.8		21.1									-1,059.7	a) Personnel expenses
	b) other administrative expenses	-664.1							145.5				-518.6	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	-35.6									1.8			
210	Net adjustments to (recoveries on) intangible assets	-120.5	47.5							8.7		7.0		
													-91.1	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets
230	**Operating expenses**	**-1,881.9**	**47.5**					**-1.6**		**8.7**	**1.8**	**7.0**	**-1,669.4**	**Operating expenses**
													182.5	**Net operating income**
190	Net provisions for risks and charges	-61.4												
220	Other operating expenses/income	80.5						-1.6	-145.5					
													-128.0	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	20.2	14.3			-36.3							-1.8	Gains (losses) on investments
				-21.1									-21.1	Integration costs / one-off charges
260	Impairment on goodwill	-1,528.0	1,528.0											Impairment on goodwill
270	Gains (losses) on disposal of investments	0.8											0.8	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**-1,598.3**	**1,589.8**							**23.7**	**1.8**	**15.4**	**32.5**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	-25.1	-15.5							-7.8	-0.6	-4.9	-53.9	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**-1,623.4**	**1,574.3**							**15.9**	**1.2**	**10.5**	**-21.5**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10.7											10.7	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**-1,612.8**	**1,574.3**							**15.9**	**1.2**	**10.5**	**-10.8**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	-4.4											-4.4	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**-1,617.1**	**1,574.3**							**15.9**	**1.2**	**10.5**	**-15.2**	**Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding**
										-15.9	-1.2	-10.5	-27.6	PPA (Purchase Price Allocation)
			-1,574.3										-1,574.3	Impairment on goodwill, intangibles and writedown of investment in AM Holding
													-1,617.1	**Parent company's net profit (loss) for the period**

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 30 june 2011 and related accounting tables

	Accounts in the Profit and Loss Statement - Montepaschi Group	30/06/2011 Accounting	IFRS5 Biverbanca	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification for impairment of Greek Government bond classified as L&R	Costs relating to financial plans	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS	Economic effects from allocation of BAV acquisition costs to MPS IMMOBILIARE (PPA ex BAV Real Estate)	Economic effects from allocation of BAV acquisition costs	Economic effects from allocation of BIVERBANCA acquisition costs	30/06/2011 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	3,490.1	-59.4						27.8		8.9			
20	Interest expense and similar charges	-1,835.6	26.6											
30	**Net interest income**	**1,654.5**	**-32.8**						**27.8**		**8.9**		1,658.5	Net interest income
40	Fee and commission income	1,051.8	-23.1											
50	Fee and commission expense	-117.9	1.3											
60	**Net fee and commission income**	**933.9**	**-21.8**										912.1	Net fee and commission income
													2,570.6	**Income from banking activities**
70	Dividends and similar income	90.6	-1.3	-87.3	44.2								46.1	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	22.3	-0.7	87.3										
100	Gains/losses on disposal/repurchase of:	136.6	-0.1											
	a) loans	*22.7*	*-0.2*											
	b) financial assets available for sale	*38.9*	*0.1*											
	c) held to maturity investments													
	d) financial liabilities	*75.1*	*0.0*											
110	Net profit (loss) from financial assets and liabilities designated at fair value	-23.9	-0.3											
													221.4	Net profit (loss) from trading
90	Net profit (loss) from hedging	-0.2	-0.1										-0.3	Net profit (loss) from hedging
120	**Net interest and other banking income**	**2,813.8**	**-56.9**		**44.2**				**27.8**		**8.9**		**2,837.8**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	**-595.1**	**5.3**				1.1						-588.7	Net impairment losses (reversals) on:
	a) loans	-577.8	5.2			7.4	1.1						-564.2	a) loans
	b) financial assets available for sale	*-16.0*	*0.0*			*-7.4*								
	c) held to maturity investments													
	d) other financial transactions	*-1.2*	*0.1*											
													-24.5	b) financial assets
140	**Net income from banking activities**	**2,218.7**	**-51.6**		**44.2**		**1.1**		**27.8**		**8.9**			
150	Net premiums													
160	Other income/expenses (net) from insurance activities													
170	**Net income from financial and insurance activities**	**2,218.7**	**-51.6**		**44.2**		**1.1**		**27.8**		**8.9**		**2,249.1**	**Net income from financial and insurance activities**
180	Administrative expenses:	-1,773.2	35.7					158.5					-1,579.1	Administrative expenses
	a) personnel expenses	-1,061.6	24.1										-1,037.5	a) Personnel expenses
	b) other administrative expenses	-711.6	11.6					158.5					-541.5	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	-36.0	1.4							1.8				
210	Net adjustments to (recoveries on) intangible assets	-85.4	4.0						20.6		14.1			
													-79.4	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible
230	**Operating expenses**	**-1,840.8**	**39.1**				**-1.1**		**20.6**	**1.8**	**14.1**		**-1,658.5**	**Operating expenses**
													590.6	**Net operating income**
190	Net provisions for risks and charges	-60.3	1.0											
220	Other operating expenses/income	114.2	-3.0				-1.1	-158.5						
													-107.8	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	37.2			-44.2								-7.0	Gains (losses) on investments
														Integration costs / one-off charges
260	Impairment on goodwill													Impairment on goodwill
270	Gains (losses) on disposal of investments	0.4											0.4	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**415.5**	**-12.5**						**48.4**	**1.8**	**23.0**		**476.3**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	-162.3	5.7						-15.6	-0.6	-7.4		-180.2	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**253.2**	**-6.8**						**32.8**	**1.3**	**15.6**		**296.0**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10.9	6.8										17.7	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**264.1**							**32.8**	**1.3**	**15.6**		**313.7**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	-2.7											-2.7	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**261.4**							**32.8**	**1.3**	**15.6**		**311.0**	**Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding**
									-32.8	-1.3	-15.6		-49.7	PPA (Purchase Price Allocation)
														Impairment on goodwill, intangibles and writedown of investment in AM Holding
													261.4	**Parent company's net profit (loss) for the period**

Balance-sheet Items - Assets	30/06/12	31/12/11	Reclassified balance-sheet items - Assets
	678	**878**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	678	878	
			Loans and receivables
	144,461	**146,608**	**a) Loans to customers**
Item 70 – Loans to customers	144,461	146,608	
	17,130	**20,695**	**b) Loans to banks**
Item 60 – Loans to banks	17,130	20,695	
	51,565	**55,482**	**Held to maturity investments**
Item 20 – Financial assets held for trading	29,272	32,539	
Item 30 – Financial assets designated at fair value	-	38	
Item 40 – Financial assets available for sale	22,293	22,905	
	0.0024	**0.0024**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	0.0024	0.0024	
	931	**895**	**Investments**
Item 100 – Equity investments	931	895	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	2,685	**4,365**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	1,348	1,385	
Item 130 – Intangible assets	1,337	2,980	
	14,659	**11,779**	**Other assets**
Item 80 – Hedging Derivatives	467	363	
Item 90 – Change in value of macro-hedged financial assets (+/-)	85	76	
Item 140 – Tax assets	6,708	7,223	
Item 150 – Non-current assets held for sale and discontinued operations	3,555	2	
Item 160 – Other assets	3,844	4,114	
Total Assets	**232,109**	**240,702**	**Total Assets**

Balance-sheet Items - Liabilities	30/06/12	31/12/11	Reclassified balance-sheet items - Liabilities
			Deposits
	132,399	**146,324**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	74,632	84,011	
Item 30 – Debt securities issued	40,764	39,815	
Item 50 – Financial liabilities designated at fair value	17,003	22,499	
	46,673	**46,793**	**b) Deposits from banks**
Item 10 – Deposits from banks	46,673	46,793	
	29,962	**26,329**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	29,962	26,329	
			Provisions for specific use
Item 110 – Provision for employee severance pay	248	266	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	40	193	
Item 120 - Provisions for risks and charges - b) other provisions	991	1,056	
	11,943	**8,760**	**Other liabilities**
Item 60 – Hedging Derivatives	5,074	4,359	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	254	283	
Item 90 – Liabilities associated to disposal groups held for sale	2,810		
Item 100 – Other liabilities	3,805	4,117	
			Insurance reserves
Item 130 – Insurance Reserves			
	9,630	**10,765**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	-3,315	-3,854	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	1,903	1,903	c) Capital instruments
Item 170 – Reserves	4,944	6,577	d) Reserves
Item 180 – Share premium reserve	255	4,118	e) Share premium reserves
Item 190 – Share Capital	7,485	6,732	f) Share capital
Item 200 – Treasury shares (-)	-25	-26	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	-1,617	-4,685	h) Profit (loss) for the period
	223	**217**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	223	217	
Total liabilities and shareholders' equity	**232,109**	**240,702**	**Total liabilities and shareholders' equity**

Indirect customer funding (€/million) - Biverbanca input

Type	31/03/12	31/12/11	30/06/11
Assets under management	1,175	1,155	1,188
Assets under custody	1,851	1,936	2,100
Total	**3,027**	**3,092**	**3,288**

Direct funding (€/million) - Biverbanca input

Type of transaction	31/03/12	31/12/11	30/06/11
Current accounts	1,492	1,471	1,508
Time deposits	17	7	1
Reverse repurchase agreements	98	108	147
Bonds	1,086	1,077	1,045
Other types of direct funding	12	17	15
Total	**2,704**	**2,681**	**2,715**

Loans to customers (€/million) - Biverbanca input

Type of transaction	31/03/12	31/12/11	30/06/11
Current accounts	*414*	*416*	*452*
Mortgages	*1,476*	*1,496*	*1,552*
Other forms of lending	*387*	*364*	*403*
Repurchase agreements	0	0	0
Total	**2,278**	**2,277**	**2,407**

Customer loans by risk - Biverbanca input

Risk category - Net book values *million of euro*	31/03/12	31/12/11	30/06/11
A) Impaired loans	**155**	**147**	**143**
a1) Non-performing loans	70	72	68
a2) Watchlist loans	49	53	54
a3) Restructured loans	11	7	6
a4) Past due	25	16	15
B) Performing loans	**2,123**	**2,130**	**2,264**
Total customer loans	**2,278**	**2,277**	**2,407**

Portfolio of treasury securities and derivatives (€/million) - Biverbanca input

Type of portfolio	31/03/12	31/12/11	30/06/11
Held For Trading (HFT) [1]	90	113	56
Available For Sale (AFS) [2]	753	700	813
Loans & Receivable (L&R) [3]	53	106	108
Total	**896**	**918**	**976**

(1) "Financial Assets Held for Trading" excluding "Loans" and net of the v alue of deriv ativ es recognised under "Financial Liabilities held for Trading"

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

(3) Securities classified as "Loans and Receiv ables" posted to "Loans and adv ances to Customers" e "Loans and adv ances to banks".

Biverbanca – Contribution to consolidated P&L over time

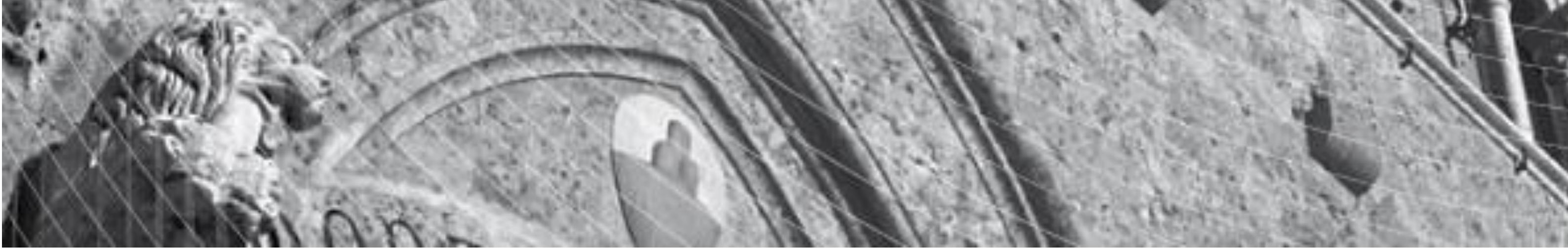
BIVERBANCA	31/03/12	31/12/11	30/09/11	30/06/11	31/03/11
Net interest income	-18.4	-71.6	-52.9	-32.8	-18.1
Net fee and commission income	-9.8	-38.6	-29.2	-21.8	-10.4
Income from banking activities	**-28.3**	**-110.2**	**-82.1**	**-54.5**	**-28.5**
Dividends, similar income and gains (losses) on investments	0.0	-1.3	-1.3	-1.3	0.0
Net profit (loss) from trading	-1.2	0.0	0.5	-1.0	-0.3
Net profit (loss) from hedging	-0.4	-0.2	-0.2	-0.1	-0.1
Income from financial and insurance activities	**-29.9**	**-111.6**	**-83.1**	**-56.9**	**-28.9**
Net impairment losses (reversals) on:	**3.8**	**13.6**	**7.6**	**5.3**	**2.2**
a) loans	3.7	13.4	7.4	5.2	2.1
b) financial assets	0.1	0.2	0.1	0.2	0.1
Net income from financial and insurance activities	**-26.1**	**-98.0**	**-75.5**	**-51.6**	**-26.7**
Administrative expenses:	18.1	69.7	53.0	35.7	18.1
a) personnel expenses	11.8	46.9	36.5	24.1	12.6
b) other administrative expenses	6.3	22.8	16.5	11.6	5.5
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	2.0	11.0	8.2	5.5	2.7
Operating expenses	**20.1**	**80.7**	**61.2**	**41.2**	**20.8**
Net operating income	**-6.0**	**-17.3**	**-14.3**	**-10.4**	**-5.9**
Net provisions for risks and charges and other operating expenses/income	-1.6	-5.1	-3.5	-2.0	-0.6
Gains (losses) on investments					
Integration costs / one-off charges					
Gains (losses) on disposal of investments		0.0	0.0		
Profit (loss) before tax from continuing operations	**-7.6**	**-22.4**	**-17.8**	**-12.5**	**-6.5**
Tax expense (recovery) on income from continuing operations	3.6	11.5	7.9	5.7	2.6
Profit (loss) after tax from continuing operations	**-4.0**	**-10.9**	**-9.9**	**-6.8**	**-3.9**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	4.0	-229.6	9.9	6.8	3.9
Net profit (loss) for the period including non-controlling interests	**0.0**	**-240.5**		**0.0**	
Profit (loss) for the period before PPA	**0.0**	**-240.5**		**0.0**	
Impairment on goodwill and intangibles		240.5			

N.B.: Figures refer to Biverbanca's contribution to the consolidated accounts. For the last quarter of 2011, data includes impairment losses taken by the Parent Company on goodwill (approx. EUR 222 mln) and intangibles from PPA (approx. EUR 18 mln net).

Biverbanca – Contribution to consolidated P&L quarterly trend

BIVERBANCA	1Q2012	4Q2011	3Q2011	2Q2011	1Q2011
Net interest income	-18.4	-18.7	-20.2	-14.6	-18.1
Net fee and commission income	-9.8	-9.4	-7.4	-11.4	-10.4
Income from banking activities	**-28.3**	**-28.1**	**-27.6**	**-26.1**	**-28.5**
Dividends, similar income and gains (losses) on investments	0.0	0.0	0.0	-1.3	0.0
Net profit (loss) from trading	-1.2	-0.5	1.6	-0.7	-0.3
Net profit (loss) from hedging	-0.4	0.0	-0.1	0.0	-0.1
Income from financial and insurance activities	**-29.9**	**-28.5**	**-26.1**	**-28.1**	**-28.9**
Net impairment losses (reversals) on:	**3.8**	**6.0**	**2.2**	**3.2**	**2.2**
a) loans	3.7	6.0	2.3	3.1	2.1
b) financial assets	0.1	0.1	0.0	0.1	0.1
Net income from financial and insurance activities	**-26.1**	**-22.5**	**-23.9**	**-24.9**	**-26.7**
Administrative expenses:	18.1	16.7	17.3	17.6	18.1
a) personnel expenses	11.8	10.4	12.3	11.5	12.6
b) other administrative expenses	6.3	6.3	5.0	6.1	5.5
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	2.0	2.8	2.7	2.7	2.7
Operating expenses	**20.1**	**19.5**	**20.0**	**20.3**	**20.8**
Net operating income	**-6.0**	**-3.0**	**-3.9**	**-4.6**	**-5.9**
Net provisions for risks and charges and other operating expenses/income	-1.6	-1.6	-1.4	-1.4	-0.6
Gains (losses) on investments					
Integration costs / one-off charges					
Gains (losses) on disposal of investments		0.0	0.0		
Profit (loss) before tax from continuing operations	**-7.6**	**-4.6**	**-5.3**	**-6.0**	**-6.5**
Tax expense (recovery) on income from continuing operations	3.6	3.5	2.3	3.1	2.6
Profit (loss) after tax from continuing operations	**-4.0**	**-1.1**	**-3.0**	**-2.9**	**-3.9**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	4.0	-239.4	3.0	2.9	3.9
Net profit (loss) for the period including non-controlling interests	**0.0**	**-240.5**	**0.0**	**0.0**	
Profit (loss) for the period before PPA	**0.0**	**-240.5**	**0.0**	**0.0**	
Impairment on goodwill and intangibles		240.5			

N.B.: Figures refer to Biverbanca's contribution to the consolidated accounts. For the last quarter of 2011, data includes impairment losses taken by the Parent Company on goodwill (approx. EUR 222 mln) and intangibles from PPA (approx. EUR 18 mln net).



HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(in units of EUR)

		30 06 2012	31 12 2011
10	Cash and cash equivalents	677,610,507	877,783,821
20	Financial assets held for trading	29,271,895,959	32,539,183,984
30	Financial assets designated at fair value	-	38,230,929
40	Financial assets available for sale	22,293,395,807	22,904,656,193
50	Financial assets held to maturity	2,377	2,377
60	Loans to banks	17,129,518,040	20,695,446,791
70	Loans to customers	144,460,839,687	146,607,895,611
80	Hedging derivatives	467,209,744	363,351,009
90	Change in value of macro-hedged financial assets (+/-)	84,954,631	76,309,634
100	Equity investments	931,366,359	894,641,601
120	Property, plant and equipment	1,347,745,700	1,384,965,354
130	Intangible assets	1,337,271,407	2,980,416,086
	of which: goodwill	669,701,061	*2,216,339,302*
140	Tax assets	6,708,230,149	7,223,340,311
	a) current	*1,090,163,310*	*550,693,719*
	b) deferred	*5,618,066,839*	*6,672,646,592*
150	Non-current assets and groups of assets held for sale and discontinued operations	3,555,138,889	2,158,250
160	Other assets	3,843,884,233	4,113,588,637
	Total Assets	**232,109,063,489**	**240,701,970,588**

In June 2012, the Parent Company's BoD resolved to accept the binding offer from 'CR Asti SpA' for purchase of the Parent Company's 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli SpA' (Biverbanca). Disposal of the shareholding will be finalised at a price of EUR 203 mln. The price is subject to adjustments and conditions precedent which shall be met by 31 December 2012, including assignment of the stake held by Biverbanca in the share capital of the Bank of Italy in favour of current Biverbanca shareholders, subject to obtaining the necessary authorisation from the Supervisory Authority. Pursuant to IFRS 5, profit and loss figures as at 30 June 2011 were reclassified. Balance sheet figures were not reclassified.

For the above reasons, the stake held by Biverbanca in the share capital of the Bank of Italy was not classified among “Non-current assets held for sale / discontinued operations and associated liabilities” but maintained under item “Financial assets available for sale”.

follows: Consolidated balance sheet

(in units of EUR)

	Liabilities and Shareholders' Equity	30 06 2012	31 12 2011
10	Deposits from banks	46,673,100,959	46,792,932,275
20	Deposits from customers	74,632,160,934	84,010,670,749
30	Debt securities issued	40,764,201,932	39,814,649,166
40	Financial liabilities held for trading	29,961,887,928	26,329,375,892
50	Financial liabilities designated at fair value	17,003,115,002	22,498,694,008
60	Hedging derivatives	5,073,677,521	4,359,399,684
80	Tax liabilities	254,432,287	283,460,658
	a) current	189,031,406	182,596,323
	b) deferred	65,400,881	100,864,335
90	Liabilities associated with non-current assets held for sale and discontinued operations	2,809,919,222	-
100	Other liabilities	3,805,378,853	4,116,878,800
110	Provision for employee severance pay	248,060,212	265,905,362
120	Provisions for risks and charges:	1,030,949,791	1,248,267,144
	a) post-employment benefits	40,054,620	192,595,571
	b) other provisions	990,895,171	1,055,671,573
140	Valuation reserves	(3,314,949,284)	(3,854,000,697)
160	Equity instruments carried at equity	1,903,002,406	1,903,002,406
170	Reserves	4,943,665,873	6,577,151,062
180	Share premium	255,099,524	4,117,870,216
190	Share capital	7,484,508,171	6,732,246,665
200	Treasury shares (-)	(24,650,408)	(26,460,508)
210	Non-controlling interests (+/-)	222,650,693	217,201,808
220	Profit (loss) for the period (+/-)	(1,617,148,127)	(4,685,274,102)
	Total Liabilities and Shareholders' Equity	**232,109,063,489**	**240,701,970,588**

In June 2012, the Parent Company's BoD resolved to accept the binding offer from 'CR Asti S.p.A' for purchase of the Parent Company's 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli S.p.A' (Biverbanca). Disposal of the shareholding will be finalised at a price of EUR 203 mln. The price is subject to adjustments and conditions precedent which shall be met by 31 December 2012, including assignment of the stake held by Biverbanca in the share capital of the Bank of Italy in favour of current Biverbanca shareholders, subject to obtaining the necessary authorisation from the Supervisory Authority. Pursuant to IFRS 5, profit and loss figures as at 30 June 2011 were reclassified. Balance sheet figures were not reclassified.

Consolidated Income statement

(in units of EUR)

		30 06 2012	30 06 2011
10	Interest income and similar revenues	3,584,317,719	3,430,707,875
20	Interest expense and similar charges	(1,954,065,458)	(1,808,972,055)
30	**Net interest income**	**1,630,252,261**	**1,621,735,820**
40	Fee and commission income	1,027,959,107	1,028,709,492
50	Fee and commission expense	(191,096,387)	(116,599,901)
60	**Net fee and commission income**	**836,862,720**	**912,109,591**
70	Dividends and similar income	57,936,908	89,227,879
80	Net profit (loss) from trading	68,274,056	21,612,116
90	Net profit (loss) from hedging	5,058,086	(308,217)
100	Gains/losses on disposal/repurchase of:	33,118,546	136,583,890
	a) loans	*4,545,162*	*22,528,864*
	b) financial assets available for sale	*32,147,667*	*38,979,640*
	d) financial liabilities	*(3,574,283)*	*75,075,386*
110	Net profit (loss) from financial assets and liabilities designated at fair value	115,262,491	(24,147,841)
120	**Net interest and other banking income**	**2,746,765,068**	**2,756,813,238**
130	Net impairment losses(reversals) on	(956,237,662)	(589,762,725)
	a) loans	*(849,852,798)*	*(572,643,088)*
	b) financial assets available for sale	*(92,121,274)*	*(16,008,698)*
	d) other financial transactions	*(14,263,590)*	*(1,110,939)*
140	**Net income from banking activities**	**1,790,527,406**	**2,167,050,513**
180	Administrative expenses:	(1,744,839,048)	(1,737,535,308)
	a) personnel expenses	*(1,080,776,976)*	*(1,037,510,443)*
	b) other administrative expenses	*(664,062,072)*	*(700,024,865)*
190	Net provisions for risks and charges	(61,410,755)	(59,368,820)
200	Net losses/reversals on impairment of property, plant and equipment	(35,593,740)	(34,554,396)
210	Net adjustments to (recoveries on) intangible assets	(120,549,889)	(81,357,457)
220	Other operating expenses/income	80,531,829	111,173,259
230	**Operating expenses**	**(1,881,861,603)**	**(1,801,642,722)**
240	Gains (losses) on investments	20,186,359	37,224,422
260	Impairment on goodwill	(1,528,000,000)	-
270	Gains (losses) on disposal of investments	824,453	426,367
280	**Profit (loss) before tax from continuing operations**	**(1,598,323,385)**	**403,058,580**
290	Tax expense (recovery) on income from continuing operations	(25,107,475)	(156,676,742)
300	**Profit (loss) after tax from continuing operations**	**(1,623,430,860)**	**246,381,838**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10,671,273	17,682,242
320	**Profit (loss) for the period**	(1,612,759,587)	264,064,080
330	Profit (loss) for the period attributable to non-controlling interests	4,388,540	2,685,735
340	**Parent company's net profit (loss) for the period**	**(1,617,148,127)**	**261,378,345**

		30/06/12	30/06/11
	Basic Earnings per Share (Basic EPS)	**(0.148)**	**0.028**
	of continuing operations	(0.149)	0.026
	of groups of assets held for sale and discontinued operations	0.001	0.002
	Diluted Earnings per Share (Diluted EPS)	**(0.148)**	**0.028**
	of continuing operations	(0.149)	0.026
	of groups of assets held for sale and discontinued operations	0.001	0.002

In June 2012, the Parent Company's BoD resolved to accept the binding offer from 'Cassa di Risparmio di Asti SpA' for purchase of the Parent Company's 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli S.p.A' (Biverbanca). Disposal of the shareholding will be finalised at a price of EUR 203 mln. The price is subject to adjustments and conditions precedent which shall be met by 31 December 2012, including assignment of the stake held by Biverbanca in the share capital of the Bank of Italy in favour of current Biverbanca shareholders, subject to obtaining the necessary authorisation from the Supervisory Authority. Pursuant to IFRS 5, profit and loss figures as at 30 June 2011 were reclassified. Balance sheet figures were not reclassified.

Consolidated statement of comprehensive income

(in units of EUR)

	Items	30 06 2012	30 06 2011
10	**Profit (loss) for the period**	**(1,612,759,587)**	**264,064,080**
	Other comprehensive income, net of tax	-	-
20	Financial assets available for sale	521,376,343	(177,755,604)
60	Cash flow hedges	(24,645,316)	35,907,278
70	Foreign exchange differences	1,244,600	(3,044,799)
80	Non-current assets and groups of assets held for sale and discontinued operations	34,452,578	114,870,457
100	Share of valuation reserves connected with investments carried at equity	13,607,624	(17,724,343)
110	**Total other comprehensive income, net of tax**	**546,035,829**	**(47,747,011)**
120	**Total comprehensive income (Account 10 + 110)**	**(1,066,723,758)**	**216,317,069**
130	Consolidated comprehensive income attributable to non-controlling interests	11,372,956	1,664,230
140	**Consolidated comprehensive income attributable to Parent Company**	**(1,078,096,714)**	**214,652,839**

Consolidated Statement of Changes in Shareholders' Equity

(In units of EUR)

	Balances as at 31/12/2011	Changes in opening balances	Balances as at 01/01/2012	Allocation of profit from prior year		Changes during the period								Group equity 30/06/2012	Non-controlling interests 30/06/2012
						Changes in reserves	Shareholders' equity transaction						Total comprehensive income for 30/06/2012		
				Reserves	Dividends and other distributions		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options			
Share capital:	6.782.520.700	-	6.782.520.700	-	-	-	752.092.117	-	-	-	-	-	-	7.484.508.171	50.104.646
a) ordinary shares	6.313.022.356	-	6.313.022.356	-	-	-	1.221.590.461	-	-	-	-	-	-	7.484.508.171	50.104.646
b) other shares	469.498.344	-	469.498.344	-	-	-	(469.498.344)	-	-	-	-	-	-	-	-
Share premium	4.131.276.419	-	4.131.276.419	-3.110.509.186	-	(6.657)	(752.261.506)	-	-	-	-	-	-	255.099.524	13.399.546
Reserves:	6.646.786.748	-	6.646.786.748	(1.583.977.570)	-	(58.720.273)	-	-	-	-	-	-	-	4.943.665.873	60.423.032
a) from profits	6.749.716.627	-	6.749.716.627	-1.583.977.570	-	(58.741.319)	-	-	-	-	-	-	-	5.046.574.706	60.423.032
b) other	(102.929.879)	-	(102.929.879)	-	-	21.046	-	-	-	-	-	-	-	(102.908.833)	-
Valuation reserves	(3.766.650.184)	-	(3.766.650.184)	-	-	-	-	-	-	-	-	-	546.035.829	(3.314.349.284)	94.334.929
Equity instruments	1.903.002.406	-	1.903.002.406	-	-	-	-	-	-	-	-	-	-	1.903.002.406	-
Treasury shares	(26.460.508)	-	(26.460.508)	-	-	-	3.601.395	(1.791.295)	-	-	-	-	-	(24.650.408)	-
Net profit (loss) for the period	(4.688.738.731)	-	(4.688.738.731)	4.694.486.756	(5.748.025)	-	-	-	-	-	-	-	(1.612.759.587)	(1.617.148.127)	4.388.540
Group equity	10.764.535.042	-	10.764.535.042	-	-	(58.720.273)	3.601.395	(1.791.295)	-	-	-	-	(1.078.036.714)	9.629.528.155	X
Non-controlling interests	217.201.808	-	217.201.808	-	(5.748.025)	-6.657	-169.389	-	-	-	-	-	11.372.356	X	222.650.693

As at 30 June 2012, the Group's equity including profit for the year amounted to EUR 9,629.5 mln, as compared to EUR 10,764.5 mln as at 31 December 2011.
The Parent Company's profit for the period is -EUR 1,617.1 mln, whereas the profit for the period attributable to non-controlling interests is +EUR 4.4 mln.
The parent company's share of the EUR 4,688.7 mln Group loss for 2011 was absorbed by using reserves, as approved by the Shareholders' Meeting of 27 April 2012.
The column "Dividends and other distributions" shows dividends paid out to non-controlling shareholders by subsidiary Biver for an amount of EUR 5.7 mln.

Following is a list of major equity transactions occurring in the period.

A. Conversion of savings shares into ordinary shares approved by the Shareholders' Meeting of 1 February 2012, leading to an increase in ordinary shares in the column "Issue of new shares" and a corresponsing decrease in other shares by EUR 12.6 mln;

B. The sale by the shareholder, Monte dei Paschi di Siena Foundation, of its preferred shares, resulted in their automatic conversion into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares". The conversion involved an increase in ordinary shares and a corresponsing decrease in other shares by EUR 456.9 mln

C. Capital increase without consideration approved by the Shareholders Meeting on 1 February 2012 by way of capitalisation of the share premium for an amount of EUR 752.3 mln recognised upon issuance of the "2008 F.R.E.S.H." notes. The capital increase resulted in an increase in ordinary shares in the column "Issue of new shares" and a decrease in share premiums by EUR 752.3 mln.

(In units of EUR)

	Balance as at 31/12/2010	Changes in opening balances	Balance as at 01/01/2011	Allocation of profit from prior year		Changes during the period								Group equity 30/06/2011	Minority interests 30/06/2011
						Changes in reserves	Shareholders' equity transactions						Total comprehensive income at 01/07/2011		
				Reserves	Dividends and other distributions		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options			
Share capital:	4.553.214.457	-	4.553.214.457	-	-	-	77.599	-	-	-	-	-	-	4.502.410.157	50.881.899
a) ordinary shares	3.782.216.113	-	3.782.216.113	-	-	-	301.577.599	-	-	-	-	-	-	4.032.911.813	50.881.899
b) other shares	770.998.344	-	770.998.344	-	-	-	(301.500.000)	-	-	-	-	-	-	469.498.344	-
Share premium	4.002.908.117	-	4.002.908.117	-	-	(51.172.500)	(728.021)	-	-	-	-	-	-	3.937.601.393	13.406.203
Reserves:	5.976.447.289	-	5.976.447.289	812.655.382	-	(160.049.967)	-	-	-	-	-	-	-	6.558.107.492	70.945.212
a) from profits	6.081.332.289	-	6.081.332.289	812.655.382	-	(161.833.362)	-	-	-	-	-	-	-	6.661.209.097	70.945.212
b) other	(104.885.000)	-	(104.885.000)	-	-	1.783.395	-	-	-	-	-	-	-	(103.101.605)	-
Valuation reserves	(18.255.253)	-	(18.255.253)	-	-	(589)	-	-	-	-	-	-	(47.747.011)	(192.890.285)	126.887.432
Equity instruments	1.949.365.486	-	1.949.365.486	-	-	-	-	-	-	(15.963.060)	-	-	-	1.933.402.426	-
Treasury shares	(24.612.663)	-	(24.612.663)	-	-	-	4.924.659	(1.382.218)	-	-	-	-	-	(21.070.222)	-
Net profit (loss) for the period	986.982.791	-	986.982.791	(812.655.382)	(174.327.408)	-	-	-	-	-	-	-	264.064.077	261.378.342	2.685.735
Group equity	17.156.421.974	-	17.156.421.974	-	(167.763.782)	(211.223.082)	4.196.638	(1.382.218)	-	(15.963.060)	-	-	214.652.835	16.978.939.305	X
Non-controlling interests	269.628.250	-	269.628.250	-	(6.563.626)	26	77.599	-	-	-	-	-	1.664.231	X	264.806.481

As at 30 June 2011, the Group's net equity including non-controlling interests and profit for the year amounted to EUR 17,243.7 mln, as compared to EUR 17,426 mln as at 31 December 2010.

Profit for the period amounted to EUR 264.1 mln, of which 261.4 mln for the Group and 2.7 mln in non-controlling interests.

Group's profit for 2010, totalling EUR 987 mln, of which EUR 985.5 mln for the Group and EUR 1.5 mln for non-controlling interests, was paid out for an amount of EUR 167.8 mln, as per profit distribution approved by the Shareholders' Meeting on 29 April 2011.

The increase in "ordinary shares" and corresponding decrease in "other shares" by EUR 301.5 mln reported in the column "Issue of new shares" is attributable to the sale of 450 million preferred shares by the shareholder, Monte dei Paschi di Siena Foundation, to an institutional investor at the beginning of June 2011. This resulted in the automatic conversion of the preferred shares into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares".

The annual fee paid to J.P. Morgan on account of the acquisition by the Parent Bank BMPS of the right of usufruct of the ordinary shares subscribed by J.P. Morgan following the increase in shareholders' equity in 2008 is included under "Share premium" in the column "Changes in reserves".

Negative changes in equity instruments, totalling EUR 16.0 mln, are the consequence of the tender offer launched by Mediobanca, on behalf of the issuer, for the purchase of 2003 F.R.E.S.H. notes issued by the subsidiary Mps Capital Trust LLC II and convertible into Bmps ordinary shares. This decrease is offset by the increase in "Reserves b) other" for an equal amount; this item was further reduced by EUR 13.3 mln due to the allocation of the amount paid for the repurchase of the notes (see notes to item 100 of the Income Statement) in addition to a tax effect of EUR 0.9 mln.

Treasury shares saw a reduction by EUR 3.5 mln; profit/loss from trading (-EUR 0.7 mln) is included in the share premium.

Valuation reserves register an overall negative change amounting to EUR 47.7 mln, of which a negative change of EUR 80.4 mln in valuation reserves of assets "available for sale" , a positive change of EUR 35.9 mln in valuation reserves for "cashflow hedges", a negative change of EUR 3.2 mln in "other" valuation reserves primarily accounted for by foreign exchange differences.

Net equity attributable to non-controlling interests was down by EUR 4.8 mln, primarily as a result of dividend payout (-EUR 6.5 mln) and comprehensive profit for the period (+EUR 1.7 mln).

Consolidated cash flow statement - Indirect method

(in units of EUR)

A. OPERATING ACTIVITIES	30 06 2012	30 06 2011
1. Cash flow from operations	**1,430,222,233**	**1,271,750,334**
profit (loss) for the period (+/-)	(1,612,759,587)	264,064,077
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	145,274,522	(62,695,592)
Net profit (loss) from hedging	(5,276,760)	243,214
net impairment losses/reversals	2,544,325,125	660,447,369
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	156,143,630	121,377,260
net provisions for risks and charges and other costs/revenues (+/-)	71,194,609	79,990,815
tax espense (recovery) on income from continuing operations	25,107,475	162,334,077
net losses/reversal on impairment on proups of assets held for sale and discontinued operations, after tax (+/-)	14,771,463	1,367,037
other adjustments	91,441,756	44,622,077
2. Cash flow from (used in) financial assets	**6,851,661,541**	**(2,530,639,302)**
financial assets held for trading	3,115,661,433	3,074,209,248
financial assets designated at fair value	38,412,959	207,604,340
financial assets available for sale	1,029,545,986	(3,268,221,828)
loans to banks: on demand	3,546,708,126	(1,079,467,998)
loans to customers	(978,882,429)	(1,683,621,662)
other assets	100,215,466	218,858,598
3. Cash flow from (used in) financial liabilities	**(8,348,407,778)**	**289,820,995**
deposits from banks: on demand	(114,737,683)	(5,115,559,365)
depostits from customers	(7,824,226,695)	3,308,740,346
debt securities issued	1,363,773,495	6,545,028,117
financial liabilities held for trading	3,643,322,529	(3,286,984,604)
financial liabilities designated at fair value	(4,929,254,075)	(1,843,268,807)
other liabilities	(487,285,349)	681,865,308
Net cash flow from (used in) operating activities	**(66,524,004)**	**(969,067,973)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**9,804,291**	**33,692,871**
sales of equity investments	58,814	-
dividends collected on equity investments	8,565,004	13,785,120
sales of property, plant and equipment	1,180,473	976,339
sales of intangible assets	-	(598,588)
sales of subsidiaries and undertakings	-	19,530,000
2. Cash flow used in	**(61,246,099)**	**(98,344,422)**
purchase of property, plant and equipment	(35,515,742)	(22,191,574)
purchase of intangible assets	(25,730,357)	(76,152,848)
Net cash flow from (used in) investment activities	**(51,441,808)**	**(64,651,551)**

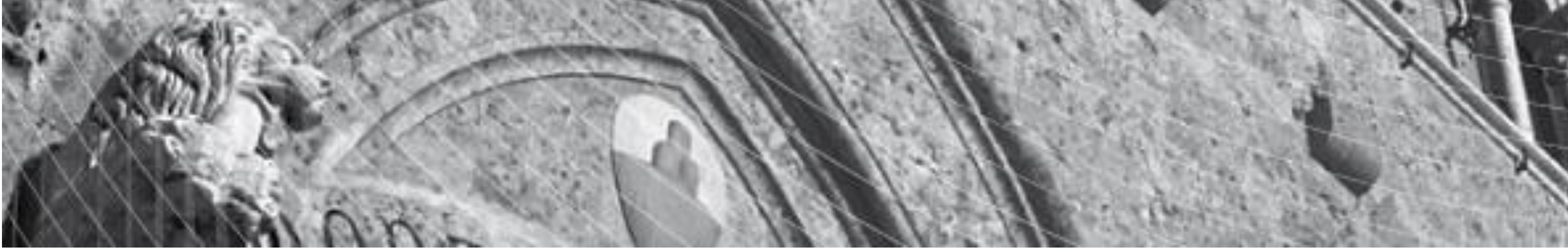
C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	1,810,100	3,542,441
dividend distribution and other	(62,604,499)	(402,239,041)
Net cash flow from (used in) funding activities	**(60,794,399)**	**(398,696,600)**
	-	-
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**(178,760,211)**	**(1,432,416,124)**

Reconciliation

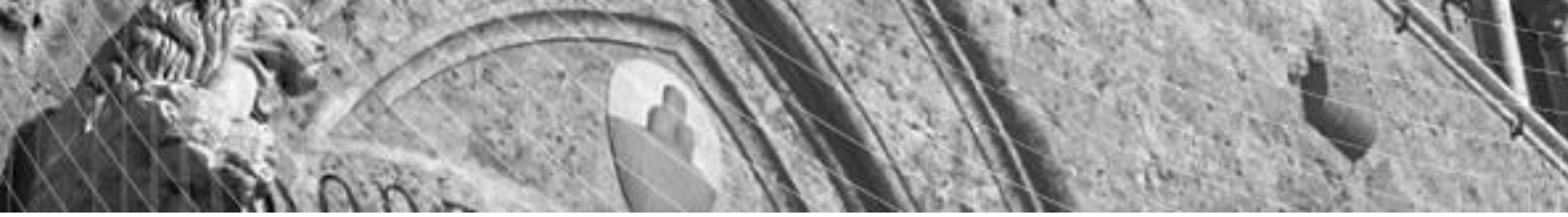
(in units of EUR)

Accounts	30 06 2012	30 06 2011
Cash and cash equivalents at beginning of period	877,783,821	2,411,031,271
Net increase (decrease) in cash and cash equivalents	(178,760,211)	(1,432,416,124)
Cash and cash equivalents at end of period	699,023,610	978,615,147

"Cash and cash equivalents at end of period", amounting to EUR 699,023,610 includes item 10 of the balance sheet "Cash and cash equivalents" for an amount of EUR 677,610,507 and an additional 21,413,103 included in line "Other assets" of item 150 of the balance sheet "Non-current assets held for sale and discontinued operations".



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Part A – Accounting Policies

A.1 – General

Pursuant to art. 154-ter paragraph 3 of the Consolidated Law on Finance, the Montepaschi Group's Half-Year Condensed Consolidated Financial Report as at 30 June 2012 was prepared in accordance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission and effective at the time this half-year report was prepared, pursuant to EC Regulation no. 1606 of 19 July 2002.

In particular, the Half-Year Condensed Consolidated Financial report as at 30 June 2012 was prepared in compliance with IAS 34 "Interim Financial Reporting" and in relation with provisions implementing art. 9 of Legislative Decree no. 38/2005. The international accounting principles were applied following the indications set forth in the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).

The accounting principles used for the preparation of this Half-Year Condensed Consolidated Financial Report are the same as those used for the preparation of the Full-Year Consolidated Financial Report as at 31 December 2011, which should be referred to for further details. There are no new accounting principles or amendments to existing accounting principles the application of which is mandatory as of this half-year report. The only amendment for mandatory application as of financial year 2012 is the one to 'IFRS 7 "**Financial instruments: disclosures**", which strengthens disclosure requirements for transactions involving transfers of financial assets; pursuant to IAS 34, the amendment is not applicable to interim reports.

Going concern

The Half-Year Condensed Consolidated Financial Report was prepared based on a going concern assumption.

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Bank reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated half-year report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario 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.

Risks and uncertainties relating to the use of estimates

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

In particular, estimates were used in support of the book value recognised for the most significant items posted in the half-year condensed consolidated financial report as at 30 June 2012, in accordance with the afore-mentioned accounting principles and regulatory provisions. Production of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the present values entered in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

Scope of consolidation

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

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2011 Consolidated Financial Statements, Part A "Accounting Policies".

Changes to the scope of consolidation

During the period, MPS Covered Bond 2 Srl and Mantegna Finance Srl became part of the scope of consolidation, while Agrisviluppo Spa was removed from the scope since it was merged by and into the Parent Company. Reported below is the table "Investments in associates and joint ventures (proportionate consolidation").

30 06 2012

		Name	Registered Office	Type of relationship	Ownership Relationship		Available votes !%
					Held by	Shareholding %	
A		**Companies**					
A.0		BANCA MONTE DEI PASCHI DI SIENA Sp.A.	Siena				
		A.1 Fully consolidated companies					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE Sp.a.	Firenze	1	A.0	99.921	99.922
					A.28	0.001	
A.2		MPS GESTIONE CREDITI BANCA Sp.a.	Siena	1	A.0	100.000	
	2.1	AIACE REOCO Sr.l.	Siena	1	A.2	100.000	
	2.2	ENEA REOCO Sr.l.	Siena	1	A.2	100.000	
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE Sp.a.	Siena	1	A.0	100.000	
A.4		BANCA ANTONVENETA Sp.a.	Padova	1	A.0	100.000	
A.5		BIVERBANCA CASSA DI RISPARMIO DI BIELLA E VERCELLI Sp.a.	Biella	1	A.0	60.419	
A.6		MONTE PASCHI IRELAND LTD	Dublino	1	A.0	100.000	
A.7		MONTE PASCHI FIDUCIARIA Sp.a.	Siena	1	A.0	100.000	
A.8		CONSUM.IT Sp.a.	Firenze	1	A.0	100.000	
A.9		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA Sp.a.	Siena	1	A.0	100.000	
A.10		MPS IMMOBILIARE Sp.a.	Siena	1	A.0	100.000	
A.11		G.IMM ASTOR Sr.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 Sp.a.	Mantova	1	A.0	100.000	
A.14		BANCA MONTE PASCHI BELGIO SA.	Bruxelles	1	A.0	99.900	100.00
		-		-	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 SA.	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	
		MONTE PASCHI ASSURANCES FRANCE SA.	Parigi	-	A.17	99.400	
		IMMOBILIERE VICTOR HUGO SC.I.	Parigi	-	A.17	100.000	

		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		ULISSE 2 S.p.a.	Milano	1	A.0	100.000	
A.20		MPS COVERED BOND S.r.l.	Conegliano	1	A.0	90.000	
A.21		MPS COVERED BOND 2 S.r.l.	Conegliano	1	A.0	90.000	
A.22		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60.000	
A.23		ANTONVENETA CAPITAL L.L.C. I	Delaware	1	A.0	100.000	
A.24		ANTONVENETA CAPITAL L.L.C. II	Delaware	1	A.0	100.000	
A.25		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100.000	
A.26		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100.000	
A.27		MANTEGNA FINANCE S.r.l.	Mantova	1	A.0	100.000	
		A.2 Proportionately consolidated companies					
A.28		BANCA POPOLARE DI SPOLETO S.p.a.	Spoleto	7	A.0	26.005	
		Book value: 26.005% of nominal value					
A.29		INTEGRA S.p.a.	Firenze	7	A.8	50.000	
		Book value: 50% of nominal value					

(*) 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.

(1) Assets and liabilities pertaining to subsidiary Biverbanca have been reclassified to items 150 (Assets) and 90 (Liabilities) under assets/liabilities held for sale and discontinued operations

A.2 – Main items of the accounts

For this section, reference is made to the latest Annual Report available.

A.3 – Information on Fair Value

A.3.1 Portfolio transfers

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

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 30/06/2012 (4)	Fair value at 30/06/2012 (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	Loan and advances to customers	533,210	400,452	14,215	13,163	(571)	13,046
Debt Securities	Trading	Loan and advances to banks	71,447	59,164	3,871	2,747	(107)	4,515
Debt Securities	Available for sale	Loan and advances to customers	1,596,870	1,112,479	(51,681)	9,904	(1,438)	13,806
Debt Securities	Available for sale	Loan and advances to banks	249,986	241,438	7,872	(1,694)	(2,793)	3,835
Debt Securities	Trading	Available for sale	5,755	5,755	44	46	42	47
UCITS	Trading	Available for sale	251,684	251,684	7,760	1,738	7,760	(5,265)
Total			**2,708,952**	**2,070,972**	**(17,919)**	**25,904**	**2,893**	**29,984**

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 30.06.2012, the table also reports (columns 6 and 7) profit and loss results in terms of "value relevance" and "other" (realised profit/loss and interest), which the same financial instruments would have produced for the Group in the first half of 2012 had they not been transferred in 2008.

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

A.3.1.2 Reclassified financial assets: effects on comprehensive income prior to transfer

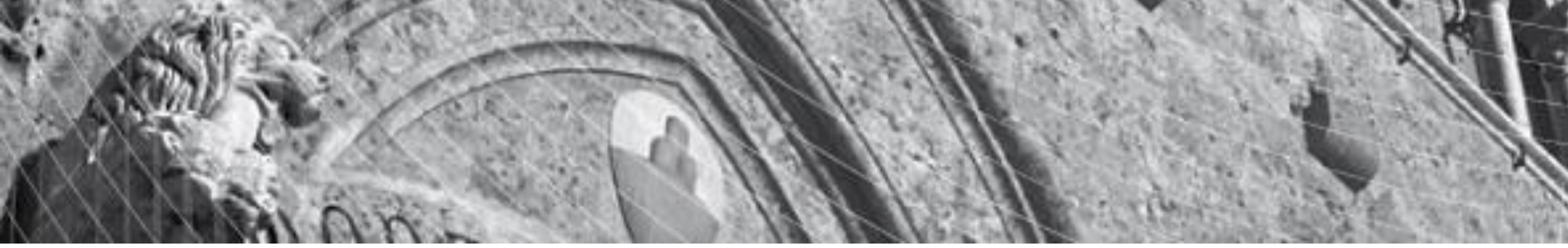
A.3.1.3 Transfer of financial assets held for trading

A.3.1.4 Effective interest rate and expected cash flows from reclassified financial assets

Tables A.3.1.2, A.3.1.3 and A.3.1.4 were left blank because no financial assets were reclassified during the period.

A.3.2 Fair Value Hierarchy

There were no transfers between levels of fair value measurements during the period.



Part B – Consolidated Balance Sheet

Assets

Liabilities

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 30/06/2012				Total 31/12/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A. Balance sheet assets								
1. Debt securities	6,769,633	705,788	231,938	7,707,359	6,408,374	1,046,364	244,848	7,699,586
2. Equity instruments	127,833	3,484	30,618	161,935	349,756	3,483	41,328	394,567
3. Units in UCITS	74,725	423,213	-	497,938	107,972	444,619	-	552,591
4. Loans	-	3,034,293	-	3,034,293	-	7,466,693	-	7,466,693
4.1 Reverse repurchase agreements	-	2,711,247	-	2,711,247	-	7,024,426	-	7,024,426
4.2 Other	-	323,046	-	323,046	-	442,267	-	442,267
Total (A)	**6,972,191**	**4,166,778**	**262,556**	**11,401,525**	**6,866,102**	**8,961,159**	**286,176**	**16,113,437**
B. Derivatives								
1. Financial derivatives:	222,131	14,995,916	4,980	15,223,027	141,795	13,394,453	12,055	13,548,303
2. Credit derivatives:	-	2,647,344	-	2,647,344	-	2,877,444	-	2,877,444
Total (B)	**222,131**	**17,643,260**	**4,980**	**17,870,371**	**141,795**	**16,271,897**	**12,055**	**16,425,747**
Total (A+ B)	**7,194,322**	**21,810,038**	**267,536**	**29,271,896**	**7,007,897**	**25,233,056**	**298,231**	**32,539,184**

Section 3 – Financial assets designated at fair value – Item 30

3.1 Financial assets designated at fair value: breakdown

Items/Amounts	30 06 2012				31 12 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	-	-	-	-	26,062	12,169	-	38,231
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	26,062	12,169	-	38,231
2. Equity instruments	-	-	-	-	-	-	-	-
of which valued at cost	-	-	-	-	-	-	-	-
3. Units in UCITS	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**26,062**	**12,169**	**-**	**38,231**

Section 4 – Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown

Items/Amounts	30 06 2012				31 12 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	20,139,846	186,784	137,691	20,464,321	20,410,713	186,467	131,455	20,728,635
2. Equity instruments	85,834	1,058,698	50,171	1,194,703	209,343	1,213,748	70,306	1,493,397
3. Units in UCITS	9,568	624,804	-	634,372	16,093	666,531	-	682,624
4. Loans	-	-	-	-	-	-	-	-
Total	**20,235,248**	**1,870,286**	**187,862**	**22,293,396**	**20,636,149**	**2,066,746**	**201,761**	**22,904,656**

Section 6 – Loans to banks – Item 60

6.1 Loans to banks: breakdown

Type of transaction / Amount	Total 30 06 2012	Total 31 12 2011
A. Loans to central banks	**2,479,899**	**4,526,008**
1. Time deposits	2,015,550	3,515,773
2. Compulsory reserve	449,297	1,005,246
3. Repurchase agreements	-	-
4. Other	15,052	4,989
B. Loans to banks	**14,649,619**	**16,169,439**
1. Current accounts and demand deposits	720,902	526,299
2. Time deposits	3,447,584	2,375,331
3. Other loans:	9,199,180	11,051,353
3.1 Reverse repurchase agreements	1,109,698	2,359,862
3.2 Finance leases	-	-
3.3 Other	8,089,482	8,691,491
4. Debt securities	1,281,953	2,216,456
Total (book value)	**17,129,518**	**20,695,447**

Loans and advances to banks	30 06 2012	31 12 2011
Impaired assets	3,026	3,408

The portfolio of "Loans to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory reserve with the Bank of Italy which, as at 30.06.2012, amounted to EUR 449.3 mln. In accordance with regulations on average maintenance, the end-of-period balance of the compulsory reserve may be subject to substantial changes in relation to the Group's contingent cash flow requirements.

Section 7 – Loans to customers – Item 70

7.1 Loans to customers: breakdown

Type of transaction / Amount	30 06 2012			31 12 2011		
	Performing	Non performing	Total	Performing	Non performing	Total
1. Current accounts	13,570,190	3,370,268	16,940,458	14,246,495	2,755,288	17,001,783
2. Reverse repurchase agreements	507,784	-	507,784	881,956	-	881,956
3. Mortgages	76,755,677	8,422,863	85,178,540	80,855,501	6,973,763	87,829,264
4. Credit cards, personal loans and fifth-of-salary backed loans	3,287,530	186,886	3,474,416	3,017,339	122,827	3,140,166
5. Financial leasing	4,346,104	914,384	5,260,488	4,297,747	819,169	5,116,916
6. Factoring	1,368,716	121,522	1,490,238	1,431,002	138,556	1,569,558
7. Other transactions	25,594,136	2,997,241	28,591,377	25,292,010	2,666,219	27,958,229
8. Debt securities	3,015,137	2,402	3,017,539	3,105,929	4,095	3,110,024
Total (book value)	**128,445,274**	**16,015,566**	**144,460,840**	**133,127,979**	**13,479,917**	**146,607,896**

Section 10 – Equity investments – Item 100

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

Company Name	Registered Office	Type of relationship (*)	Ownership Relationship		Avail. % votes (**)	Amounts	
			Held by	Share holding %		30 06 2012	31 12 2011
AD.Impresa S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	20.000	-	15	15
Aereoporto di Siena S.p.a.	Sovicille (SI)	8	Banca Monte dei Paschi di Siena	21.380	-	-	-
Alerion Cleanpower S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	6.233	-	10,866	10,974
Antoniana Veneta Popolare Assicurazioni S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50.000	-	7,404	6,383
Antoniana Veneta Popolare Vita S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50.000	-	26,000	33,000
Asset Management Holding S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	22.242	-	110,000	121,332
		0	Prima Holding 2 S.p.a.	4.380	-	-	-
Axa Mps Assicurazioni Danni S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	50.000	-	30,856	28,587
Beta Prima S.r.l.	Sovicille (SI)	8	Banca Monte dei Paschi di Siena	34.069	-	274	274
BioFund S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	13.676	-	536	555
Casalboccone Roma S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21.750	33.675	26	26
CO.E.M. Costruzioni Ecologiche Moderne S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	40.197	-	20,037	19,500
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	28.800	32.500	-	-
		0	Banca Monte Paschi Belgio	3.700	-	-	-
EDI.B. S.p.a.	Gubbio (PG)	8	Banca Monte dei Paschi di Siena	18.052	-	1,969	1,968
Fabrica Immobiliare SGR S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	49.990	-	5,676	6,497
Fidi Toscana S.p.a.	Firenze	8	Banca Monte dei Paschi di Siena	29.230	-	48,413	38,638
Gruppo Axa Mps Assicurazioni Vita S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	50.000	-	516,236	476,632
Industria e Innovazione S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	7.107	-	3,793	3,793
Intermonte SIM S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	17.410	-	13,862	14,873
Intermonte Bcc Private Equity Sgr	Milano	8	Intermonte SIM S.p.a.	50.010	-	214	-
J.P.P. Euro Securities Inc.	New York (NY)	8	Intermonte SIM S.p.a.	100.000	-	392	383
Le Robinie S.p.a.	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20.000	-	-	-
Marinella S.p.a.	Marinella di Sarzana (SP)	8	Banca Monte dei Paschi di Siena	25.000	-	9,844	9,844
Microcredito di Solidarietà S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	40.000	-	579	574
NewColle S.r.l.	Colle V.Elsa (SI)	8	Banca Monte dei Paschi di Siena	49.002	-	2,003	2,003
Prima Holding 2 S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	27.836	31.792	3,588	3,588
Realizzazioni e Bonifiche Arezzo S.p.a.	Arezzo	8	Banca Monte dei Paschi di Siena	19.584	-	-	-
Sansedoni Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21.754	33.674	47,912	47,912
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	19.969	-	135	136
Società Italiana di Monitoraggio S.p.a.	Roma	8	Banca Monte dei Paschi di Siena	12.889	-	105	105
Sorin S.p.a.	Milano	8	Banca Monte dei Paschi di Siena	5.736	-	35,507	33,389
Terme di Chianciano S.p.a.	Chianciano T. (SI)	8	Banca Monte dei Paschi di Siena	48.866	-	2,503	2,795
Agricola Merse S.r.l.	Assago (MI)	8	MPS Capital Services S.p.a.	20.000	-	5,000	4,809
Immobiliare Centro Milano S.p.a.	Milano	8	MPS Capital Services S.p.a.	33.333	-	-	-
Interporto Toscano A.Vespucci S.p.a. Livorno-Guasticce	Collesalvetti (LI)	8	MPS Capital Services S.p.a.	36.303	-	9,281	10,116
MP Venture Sgr S.p.a.	Firenze	8	MPS Capital Services S.p.a.	48.000	-	8,938	9,766
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Firenze	8	MPS Capital Services S.p.a.	29.000	-	2,591	2,545
Re.Ge.Im. Realizzazione e Gestione Immobili di Qualità S.p.a.	Roma	8	MPS Capital Services S.p.a.	40.000	-	6,811	3,630
Total						**931,366**	**894,642**

(*) Type of relationship: 8 Companies under significant influence

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

Investments in which the Group holds less than 20% of the voting rights are generally classified as investments under significant influence in those cases where the Group has signed a shareholders' agreement and/or is entitled to appoint one or more members in the Board of Directors.

Pursuant to art. 2361 of the Civil Code, it is noted that the Parent Company holds a 28.8% shareholding (32.5% at Group level) in Crossing Europe EEIG, a European Economic Interest Group whose members are jointly and severally liable without limitation for the Group's liabilities. The EEIG is intended to facilitate its members' business, both in their respective countries and internationally (particularly in Eastern European and Mediterranean countries), through the development of an offering of services for SMEs, and participation in major financial projects sponsored by EU programmes.

The valuation of investments in associates includes the value of goodwill. In accordance with IAS 28 "Investments in associates" and IAS 36 (to which IAS 28 refers), an impairment test was carried out on a number of associates of the Group in consideration of the size of these assets and of a global context which continues to be uncertain and unpredictable. In particular, based on an assessment of possible indications of impairment (IAS 39), the following investments were tested for impairment

- Antoniana Veneta Popolare Assicurazioni S.p.A. (Antonveneta Assicurazioni);
- Antoniana Veneta Popolare Vita S.p.A. (Antonveneta Vita);
- Asset Management Holding S.p.a. (AM Holding).

With reference to how impairment losses on investments in associates are determined, IAS 28 states that impairment is tested, pursuant to IAS 36, by comparing the recoverable value with the carrying value of the equity investment.

Carrying value of equity investments - consolidated, pre-impairment *(in EUR/mln, rounded off)*	30/06/12
Antonveneta Assicurazioni	6
Antonveneta Vita	35
AM Holding	124

The recoverable value of Antonveneta Assicurazioni was estimated to be equal to the company's equity as at 30 June 2012.

The recoverable value of equity investments in insurance associates and asset management companies was determined with the assistance of a leading consultancy firm (Consultant).

In the case of Antonveneta Vita, only the Embedded Value (i.e value of adjusted net equity and portfolio of outstanding insurance policies) was considered, due to the company's substantial portfolio run-off. In accordance with professional measurement practices and regulations, this method is applied for the appraisal of life insurance companies.

The recoverable amount of AM Holding was determined by cash flow discounting. The value was determined on the basis of economic and financial projections by leading econometric institutions (which factored in different macroeconomic and sectorial variables) and following parameters agreed upon with the Consultant:

- a cost of equity of 12.1%, estimated using a 5.85% risk-free return rate with country risk factored in; a 5% market risk premium; and a 1.15 beta calculated based on a panel of European listed companies operating in asset management (source: Bloomberg) and a 50 bps additional risk to take account of current uncertainties in the asset management industry;
- a long-term growth rate of 2%.
- In order to better assess the sensitivity of impairment test results in relation to changes in the underlying assumptions, sensitivity analyses were carried out considering a +100 bps shift in the discount rate.

The results of the impairment test showed that the recoverable values of the equity investments held in Antonveneta Vita and AM Holding were lower than their respective carrying values.

In light of the above-described analyses and results, value adjustments respectively in the amount of EUR 9 and 14 mln were posted for these investments.

Reported below is the main embedded goodwill remaining after the impairment test (performed, pursuant to IAS 36, on Antonveneta Assicurazioni, Antonveneta Vita and AM Holding, as they were the only investments that showed signs of impairment requiring testing):

Embedded gooodwill	30 06 2012	31 12 2011
Axa Mps Assicurazioni Vita S.p.A.	46,796	46,796
Axa Mps Assicurazioni Danni S.p.A.	2,316	2,316
Asset Management Holding S.p.A.	4,002	18,327
Sorin S.p.A.	4,649	4,649
MP Venture Sgr S.p.A.	5,460	5,460
Others minor investments	10,357	10,357
Total	**73,580**	**87,905**

Section 12 – Property, plant and equipment – Item 120

12.1 Property, plant and equipment: breakdown of assets valued at cost

Asset / Amount	Total 30 06 2012	Total 31 12 2011
A. Assets used in the business		
1.1 owned	**1,137,122**	**1,170,774**
a) land	418,719	427,467
b) buildings	414,183	442,367
c) furniture and furnishings	60,389	64,995
d) electronic systems	37,115	28,537
e) other	206,716	207,408
1.2 Leased	-	-
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1,137,122**	**1,170,774**
B. Assets held for investment		
2.1 owned	210,624	214,191
a) land	112,209	112,880
b) buildings	98,415	101,311
2.2 Leased	-	-
a) land	-	-
b) buildings	-	-
Total B	**210,624**	**214,191**
Total (A+B)	**1,347,746**	**1,384,965**

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown

Asset / Amount	Total 30 06 2012			Total 31 12 2011		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**669,701**	**669,701**	**x**	**2,216,339**	**2,216,339**
A.1.1 group	x	669,701	669,701	x	2,202,882	2,202,882
A.1.2 minorities	x	-	-	x	13,457	13,457
A.2 Other intangible assets	**667,570**	**-**	**667,570**	**764,077**	**-**	**764,077**
A.2.1 Assets carried at cost:	667,570	-	667,570	764,077	-	764,077
a) Internally generated intangible assets	160,825	-	160,825	157,446	-	157,446
b) other assets	506,745	-	506,745	606,631	-	606,631
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**667,570**	**669,701**	**1,337,271**	**764,077**	**2,216,339**	**2,980,416**

All of the Group’s intangible assets are measured at cost. In addition to goodwill, they include the intangible assets resulting from the merger of former Banca Antonveneta S.p.A. All intangible assets recognised in the financial statements have a finite useful life, except for goodwill.

During preparation of the 1H2012 report, in the wake of a material deterioration in macroeconomic conditions which worsened significantly in the last few months as did forecasts for the banking sector in the 2012-2015 period 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. In accordance with Document 4 jointly published by Bank of Italy/CONSOB/ISVAP on 3 March 2010 and provisions set out in IAS 36, “Impairment of Assets”, a special chapter has been added below to describe the goodwill impairment testing procedure.

Goodwill posted to assets is not systematically amortised but tested for impairment (“Impairment Test”). The test resulted in impairment losses for EUR 1,528 mln.

Line “A.2.1 Assets carried at cost – b) other assets” includes the following intangible assets arising from the acquisition of former Banca Antonveneta S.p.a.:

- intangible assets associated with relationships that the banks generated with customers over the years:
  - core deposits totalling EUR 137 mln, from value creation from on-demand funding (current accounts and savings deposits) of the merged bank (item 150 “Non-current assets held for sale and discontinued operations" also includes EUR 29.3 mln from Biverbanca);
  - core overdrafts totalling EUR 36.4 mln, from value creation from non-revolving current account loans of the merged bank (item 150 “Non-current assets held for sale and discontinued operations" also includes EUR 7.8 mln from Biverbanca);
  - assets under management and assets under custody in the amount of EUR 15 mln, from enhancement of AUM and AUC of the merged bank (item 150 “Non-current assets held for sale and discontinued operations" also includes EUR 0.3 mln from Biverbanca);

In the wake of a deterioration in the macroeconomic conditions, an analysis was carried out on the variables that lie at the base of the value of the above-mentioned intangible assets associated with customer relationships which resulted in no need for impairment testing.

In consideration of the project for Banca Antonveneta's integration with BMPS as set out in the Business Plan and in light of the Parent Company's intention to consider 'Banca Monte dei Paschi di Siena' as the Group's trademark of choice, recognition of a loss for the entire value of the Banca Antonveneta trademark was deemed appropriate (EUR 22.5 mln as at 30 June 2012). Item 150 "Non-current assets held for sale and discontinued operations" includes an additional EUR 4.4 mln in relation to the Biverbanca trademark.

In addition, intangibles were written down for an amount of approx. EUR 25.1 mln due to certain software applications becoming obsolete; as a result, the software book value as at 30 June 2012 was EUR 467.8 mln.

Line "A.2.1 Assets carried at cost - a) internally generated intangible assets" includes internally generated intangibles associated with technology.

Impairment testing of Group goodwill

IAS 36 sets out the principles for recognition and reporting of impairment for certain types of assets, including goodwill, illustrating the principles that an enterprise must follow to make sure that the carrying amount of its assets is not higher than their recoverable amount.

IAS 36 requires the carrying amount of goodwill to be compared with the recoverable amount whenever there is an indication that the asset may have been impaired and in any case at least once a year at the balance sheet date (Impairment Test). However, the standard provides for some external and internal indicators (trigger events) to be monitored for the purpose of preparation of the interim reports so as to determine whether signs exist that may point to the need for impairment to be tested more frequently than on the usual annual basis.

In the wake of a material deterioration in the macroeconomic conditions, which worsened significantly in the last few months as did forecasts for the banking sector in the 2012-2015 period, and in compliance with more stringent regulatory requirements as reflected in the Group's Business Plan, goodwill recognised in the financial statements was tested for impairment during preparation of the 1H2012 report.

IAS 36 defines recoverable amount as the higher of:

- fair value less costs to sell - the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal;
- value in use - the present value of estimated future cash flows expected to arise from the continuing use of an asset or from a cash-generating unit.

The recoverable amount of goodwill is estimated with reference to the cash-generating unit (CGU), since goodwill is not able to generate cash flows independently from an asset.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets, which the Group is able to recognise separately in its management reporting system.

The impairment test at the end of the first half of 2012 used a 2013-2017 forecasting horizon based on the Business Plan, with projections extended until 2016-2017 as per the "2016-2017 Economic and Financial Plan", approved by the Board of Directors of the Parent Company, BMPS, on 26 July 2012. The extension was based on the macroeconomic and banking scenario referred to in the new Plan on the one hand, and its strategic and industrial guidelines on the other, and represents the "natural continuation" of the Business Plan objectives.

In accordance with IAS 36 and in light of the aforementioned considerations, the impairment test carried out on goodwill as shown in the Group's consolidated financial statements at 30 June 2012 was comprised of the following activities:

1. Identification of goodwill
2. Identification of cash-generating units and allocation of goodwill to the cash-generating units identified
3. Determination of the recoverable amount of the cash-generating units
4. Impairment test results

In determining the carrying and recoverable amounts of the CGUs, the goodwill impairment test took account of the reduction in value of the Banca Antonveneta trademark emerging from the impairment testing of finite-life intangible assets.

1. Identification of goodwill

The Impairment Test was conducted on goodwill reported in the MPS Group's financial statements as at 30 June 2012 for an amount of EUR 2,216 mln, of which EUR 2,197 mln posted to item 130 “Intangible assets” and EUR 18 mln concerning CGU Biverbanca which, being held for sale, was reclassified among “Non-current assets held for sale / discontinued operations”.

2. Identification of cash-generating units and allocation of goodwill to the cash-generating units identified

According to IAS 36, each cash generating unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined by IFRS 8 (“Operating Segments”).

As for the impairment test at 31 December 2011, the Group’s goodwill was tested by identifying those CGUs into which the Group’s operations can be separated and analysing the cash flows that these will be able to generate in future years, based on an approach consistent with Segment Reporting at the balance sheet date, which in turn reflects Management Reporting.

For the purpose of primary reporting of profit and loss/balance-sheet data, the Group has adopted a business approach opting for results to be broken down by the business sgments in which the Group operates: Retail Banking, Corporate Banking and the Corporate Centre (residual central operations). The Group’s performance and planning development are monitored based on a model that splits the business into these various operating segments.

Accordingly, five cash-generating units have been identified in a line of continuity and consistency with the achievements of the previous financial year:

1. “**CGU – MPS Retail”,** composed of:
   - retail customers from BMPS branches and Consum.it;
   - typically private customers of BMPS branches and other private clients from other Group entities;
2. “**CGU – MPS Corporate**”, composed of typically corporate clients of BMPS branches, foreign branches, Key Clients, MPS Leasing & Factoring and MPS Capital Services.
3. “**CGU – BAV Retail**” composed of:
   - retail customers from 373 BAV branches;
   - customers from 9 BAV private banking centres.
4. “**CGU – BAV Corporate”** composed of clients from 26 BAV corporate banking centres.
5. “**CGU – Cassa di Risparmio di Biella e Vercelli** (“Biverbanca”)”, composed of Biverbanca.

The process of allocating goodwill to individual cash-generating units was carried out in 2008 taking into account the effects of the acquisition of Banca Antonveneta and synergies arising from business combinations.

Further to the write-downs taken during the impairment test for 2011, goodwill for the MPS Group as at 30 June 2012 was only posted to the CGUs MPS Retail, BAV Retail and Biverbanca.

Goodwill tested for impairment in consolidated financial statements: 2,216 *(in EUR/mln, amounts rounded off)*	
Goodwill related to MPS CGUs: 2,106	
1. CGU Retail Banking Goodwill allocated: 2,106	2. CGU Corporate Banking Goodwill allocated: 0

Goodwill related to BAV CGUs: 92	
3. CGU – BAV Retail Goodwill allocated: 92	4. CGU – BAV Corporate Goodwill allocated: 0

5. CGU Biverbanca Goodwill allocated: 18 (Item 150 Non-current assets held for sale and discontinued operations)

For the purpose of the Half-Year Report, CGU Biverbanca was reclassified among "Non-current assets held for sale / discontinued operations" (IFRS 5); this classification implies the need to account for any difference between the Book Value and the Fair Value less costs to sell. Being the second value higher than the first one, no need for any residual goodwill write down has emerged .

With regard to the other CGUs, it should be noted that, according to IAS 36, if a corporate asset cannot be allocated on a reasonable and consistent basis to the cash-generating unit identified, it should be tested by identifying the smallest group of cash-generating units - a sort of "higher level" cash-generating unit - to which it can be allocated. In this specific case, the test focused on those corporate assets ('Central Residual Costs'/Residual CGU) which were not included in individual CGUs' segment reporting, with a view to identifying some drivers enabling their allocation to the CGUs. Subsequent to the allocation, an estimate was made of the Montepaschi Group's overall recoverable value so as to confirm the applicability of the 'Central Residual Costs'/Residual CGU' allocation by comparing the total value of the CGUs with the overall value of the Group. The Residual CGU was also allocated on the basis of actions and objectives set out in the Business Plan for the different business areas.

3. Determination of the recoverable amount of the CGUs

The Group's goodwill at 30 June 2012 was tested for impairment by identifying the recoverable amount of the individual cash-generating units as the value in use. The recoverable value of the CGUs was determined partly with the assistance of a leading consultancy firm (hereinafter the Consultant).

The recoverable value of the CGUs was estimated by discounting future distributable cash flows. Although the CGUs, MPS Corporate and BAV Corporate, have no allocated goodwill, their value in use was estimated for the purpose of allocating the Residual CGU and verifying its allocated value.

To determine the recoverable amount, reference was made to the Business Plan and the 2016-2017 economic and financial Plan for the Group and the identified CGUs[11].

The main underlying assumptions of the Group's 2013-2017 economic and financial projections are shown in the table below:

Volumes and income	CAGR 2013- 2017	
Total lending to customers	2.0%	
Total direct funding	2.6%	
Net operating income	13.8%	
Profitability indicators	**2013P**	**2017P**
Euribor	0.7%	1.9%
Mark down	0.14%	0.15%
Mark up	1.59%	1.78%
Cost / Income	57.2%	51.1%

The 2013-2017 economic and financial projections for the identified CGUs were based on assumptions consistent with the Montepaschi Group's 2012-2015 Business Plan, with projections 'extended' until 2017.

CGUs

The recoverable amount was estimated on the basis of the following methodological steps:

1) determination of the CGU's value in use by discounting future distributable cash flows, based on the following formula:

$$W = \sum_{t=1}^{n} \frac{F_t}{(1+i)^t} + VT_a$$

where:

[11] For the purpose of determining the recoverable amount, account was taken of the effects of the Purchase Price Allocation in relation with the acquisition of Banca Antonveneta -after write-down of the Banca Antonveneta trademark- as well as of the share of capital allocated to the individual cash-generaing units.

F_t = cash flows distributable to shareholders over the selected time horizon based on the economic and financial projections made, maintaining a satisfactory level of capitalisation.

i = discounting rate represented by the cost of equity (ke).

VT_a = present terminal value ("Terminal Value") calculated as the value of a perpetual yield estimated based on an economically sustainable normalised cash flow consistent with the long-term growth rate ("g").

For an estimate of distributable cash flows, reference was made to the CGUs' 2013-2017 economic and financial projections.

To discount cash flows distributable to shareholders, use was made of the cost of equity, that is the return on equity required by investors/shareholders for investments with similar risk characteristics. This rate was estimated using the Capital Asset Pricing Model ("CAPM"), based on the following formula:

$k_e = R_f + Beta * (R_m - R_f)$

where:

Rf = risk-free rate (with country risk factored in) of 5.85% identified as the annual average yield (as at 27 July 2012) of 10-year bonds issued by the Italian government (source: Bloomberg).

Beta = correlation factor between actual share performance and overall performance of the benchmark market (measurement of the volatility of a stock relative to the market), equivalent to 1.03 (Parent Company's beta, source: Bloomberg)

$R_m - R_f$ = risk premium required by the market which, in line with assessment practices, is set at 5.0% .

The Terminal Value was determined based on the following formula:

VT = normalised distributable cash flow / $(k_e - g)$

where g is the long-term growth rate.

The recoverable value was determined based on the parameters identified together with the Consultant and which represented the actual level of risk/return for the individual cash-generating unit. Specifically, the valuation parameters used were based on the following assumptions:

- capital ratio: target capital ratio of 8%, allowing all capital needs of the CGUs to be met;
- cost of equity (ke): discounting rates were determined using estimates that reflect the specific risk of CGUs (CGU MPS Retail and CGU BAV Retail: 11.0%; CGU MPS Corporate and CGU BAV Corporate: 12.0%).
- long-term growth rate (g): it was estimated at 2.0% based on forecasts by leading econometric institutions (ERC, IMF, Prometeia).

The value in use of the CGUs was estimated by taking account of their reallocation to the 'Residual CGU/Central costs' component relating to the ALM action scheduled in the Business Plan.

2) Allocation to the CGUs of the 'Residual CGU/Central Costs' components, which had not previously been included in the estimate under item 1 above, based on reasonable drivers, consistent with the characteristics of the individual CGUs.

3) Determination of the MPS Group's recoverable value by discounting distributable cash flows, based on the Business Plan and the extended 2016-2017 Economic and Financial Plan, a target supervisory ratio (Common Equity) consistent with the requirements set forth by the new supervisory regulations of Basel 3 and the objectives set out in the Business Plan (8%), an 11.0% ratio in line with the Group's cost of equity, according to current market parameters and a long-term growth rate of 2.0%.

The main parameters used to determine the recoverable amount of cash-generating units are shown below.

CGU *In EUR/mln (amounts rounded off)*	**Measurement criteria**		
	k_e(*)	g(*)	Capital ratio
MPS Retail	11.0%(*)	2.0%(*)	8.0%
BAV Retail	11.0%(*)	2.0%(*)	8.0%

(*): Amounts approved by consultant.

The results of the tests described above showed that the recoverable values of the CGUs were lower than their respective carrying values, for an overall amount of EUR 1,087 mln.

In light of tensions on major financial markets, mainly driven by the sovereign debt crisis in the peripheral countries of the Euroarea and uncertainties in the macroeconomic environment, the "base case" scenario was modified by considering a shift in the discount rate of +100 basis points. The rate increase generated an overall difference between the CGUs' recoverable values and their respective carrying amounts of EUR 1,528 mln.

4. Impairment test results

Based on the analyses and evidence described above, the impairment test conducted on the MPS Group's consolidated accounts as at 30 June 2012 revealed the need to recognise a total impairment loss of EUR 1,528 mln, allocated to the individual CGUs as per the following breakdown:

- CGU MPS Retail EUR 1,436 mln;
- CGU BAV Retail EUR 92 mln;

The impairment loss is reflective of the uncertainties in the country's economy and the actions set out in the new Business Plan, which marks a strong discontinuity with the past.

Section 14 – Tax Assets and Liabilities – Item 140 (Assets) and Item 80 (Liabilities)

14.1 Deferred tax assets: breakdown

Items/Amounts	Total 30 06 2012	Total 31 12 2011
Receivables (including securitisations)	924,826	983,123
Other financial instruments	60,180	40,760
Goodwill	1,943,802	2,512,323
Multi-annual costs	74,749	74,755
Tangible and intangible assets	50,778	58,348
Corporate entertainment expenses	2	2
Personnel expenses	26,343	28,386
Tax losses	227,849	224,672
Other	494,548	664,826
Financial instruments - valuation reserves	1,937,648	2,217,651
Deferred tax assets (gross)	**5,740,725**	**6,804,846**
Offsetting with deferred tax liabilities	(122,658)	(132,199)
Deferred tax assets (net)	**5,618,067**	**6,672,647**

Deferred tax assets registered a net decrease in the six-month period. With regard to goodwill, receivables and intangibles (the latter posted to sub-item “Property, plant and equipment and intangible assets”), the decrease was caused by the transformation of these deferred tax assets (for a total amount of EUR 840.4 mln) into tax credits (see Table 14.7). This transformation was carried out by the Parent Company and Banca Antonveneta against their respective losses for 2011, pursuant to art. 2, parag. 55, of Law decree no. 225 of 29/12/2010 (transposed, as amended, into Law no. 10 of 26 February 2011): these provisions became effective as of the approval date of the 2011 Annual Report.

14.2 Deferred tax liabilities: breakdown

Items/Amounts	Total 30 06 2012	Total 31 12 2011
Capital gains to be divided into installments	43,974	59,821
Goodwill	13,149	26,658
Tangible and intangible assets	8,658	21,037
Financial instruments	5,064	5,231
Personnel expenses	-	9
Other	72,111	76,468
Financial instruments - valuation reserves	45,103	43,839
Deferred tax liabilities (gross)	**188,059**	**233,063**
Offsetting with deferred tax assets	(122,658)	(132,199)
Deferred tax liabilities (net)	**65,401**	**100,864**

14.7 Other information

Current tax assets

Items/Amounts	Total 30 06 2012	Total 31 12 2011
Prepayments of corporate income tax (IRES and IRAP)	63,733	121,458
Other tax credits and withholdings	1,192,965	674,175
Gross current tax assets	**1,256,698**	**795,633**
Offsetting with current tax liabilities	(166,535)	(244,939)
Net current tax assets	**1,090,163**	**550,694**

The net increase registered in the sub-item "Other tax credits and withholdings" during the six-month period is primarily attributable to two main reasons:

1. tax credits for an amount of EUR 521 mln, not yet used as a set-off, arising from the transformation of deferred tax assets carried out by the Parent Company and Banca Antonveneta (see Table 14.1);
2. tax credits for an amount of EUR 113.8 mln arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses (see Table 20.1, Section C): art. 4, parag. 12 of Law Decree no. 16/2012 (a.k.a. the Simplification Decree) has in fact extended deductibility to fiscal years prior to 2012 (for which the terms under art. 38 of Italian Presidential Decree no. 602/73 are still applicable).

Current tax liabilities

Items/Amounts	30 06 2012			31 12 2011		
	Booked to net equity	Booled to profit & loss	Total	Booked to net equity	Booled to profit & loss	Total
Corporate income tax (IRES) payables	20,426	330,672	351,098	219	421,977	422,196
Other current income tax payables	-	4,468	4,468	-	5,339	5,339
Gross current tax payables	**20,426**	**335,140**	**355,566**	**219**	**427,316**	**427,535**
Offsetting with current tax assets	(2,016)	(164,519)	(166,535)	(711)	(244,228)	(244,939)
Net current tax payables	**18,410**	**170,621**	**189,031**	**(492)**	**183,088**	**182,596**

Section 15 – Non-current assets held for sale / discontinued operations and associated liabilities – Item 150 (assets) and 90 (liabilities)

15.1 Non-current assets held for sale and discontinued operations: breakdown

	Total 30 06 2012	Total 31 12 2011
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	930	2,158
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**930**	**2,158**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	111,040	-
B.2 Financial assets designated at fair value	-	-
B.3 Financial assets available for sale	958,334	-
B.4 Financial assets held to maturity	-	-
B.5 Loans to banks	9,065	-
B.6 Loans to customers	2,227,304	-
B.7 Equity investments	-	-
B.8 Property, planst and equipment	34,238	-
B.9 Intangible assets	60,497	-
B.10 Other assets	153,731	-
Total B	**3,554,209**	**-**
C. Liabilities associated with individual assets held for sale and discontinued operations		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
D. Liabilities included in disposal groups of assets held for sale and discontinued operations		
D.1 Deposits from banks	5,094	-
D.2 Depostis from customers	1,558,958	-
D.3 Debt securities issued	414,221	-
D.4 Financial liabilities held for trading	5,112	-
D.5 Financial liabilities designated at fair value	671,781	-
D.6 Provisions	39,762	-
D.7 Other liabilities	114,991	-
Total D	**2,809,919**	**-**

Biverbanca's assets and liabilities have been classified under sub-items B and D. In June 2012, the Parent Company's BoD resolved to accept the binding offer from 'CR Asti SpA' for purchase of the Parent Company's 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli SpA' (Biverbanca). Disposal of the shareholding will be finalised at a price of EUR 203 mln. The price is subject to adjustments and conditions precedent which shall be met by 31 December 2012, including assignment of the stake held by Biverbanca in the share capital of the Bank of Italy in favour of current Biverbanca shareholders, subject to obtaining the necessary authorisation from the Supervisory Authority.

For the above reasons, the stake held by Biverbanca in the share capital of the Bank of Italy was not classified among “Non-current assets held for sale / discontinued operations and associated liabilities” but maintained under item “Financial assets available for sale”.

LIABILITIES

Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: breakdown

Type of transaction / Group item	Total 30 06 2012	Total 31 12 2011
1. Deposits from central banks	**36,053,707**	**33,701,358**
2. Deposits from banks	**10,619,394**	**13,091,574**
2.1 Current accounts and demand deposits	1,669,698	983,336
2.2 Time deposits	465,179	592,684
2.3 Loans	7,782,041	11,109,904
2.3.1. Repurchase agreements	5,245,861	7,470,857
2.3.2 Other	2,536,180	3,639,047
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	702,476	405,650
Total	**46,673,101**	**46,792,932**

'Deposits from central banks' mainly consist in LTROs, long-term refinancing operations in the Eurosystem (for an amount of EUR 29 bln), collateralised with securities pledged by the Bank (including Italian Government-guaranteed securities issued and concurrently repurchased by the Bank for an amount of EUR 13,000 mln, against which commission expenses were accrued and posted to item “50 – Commission expense” in the profit and loss statement).

Section 2 – Deposits from customers – Item 20

2.1 Deposits from customers: breakdown

Type of transaction / Group item	Total 30 06 2012	Total 31 12 2011
1. Current accounts and demand deposits	56,928,476	62,195,909
2. Time deposits	3,743,378	1,515,088
3. Loans	12,658,875	18,495,646
3.1 Repurchase agreements	8,604,187	14,352,047
3.2 Other	4,054,688	4,143,599
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1,301,432	1,804,028
Total	**74,632,161**	**84,010,671**

"Deposits from customers" registered a decrease by EUR 9,378.5 mln as compared to 31.12.2011. The most significant reductions were observed in demand deposits and repurchase agreements for an amount of EUR 5,267.4 mln and EUR 5,747.9 mln respectively, which were partly offset by time deposits, increasing by EUR 2,228.3 mln.

Section 3 – Debt securities issued – Item 30

3.1 Debt securities issued: breakdown

Type of Securities/ Amounts	Total 30/06/2012					Total 31/12/2011				
	Book value	Fair value				Book value	Fair value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
A. Listed securities										
1. Bonds	40,092,855	15,030,478	24,314,604	-	39,345,082	37,766,342	14,288,876	21,721,204	-	36,010,080
2. Other securities	671,347	-	719,146	-	719,146	2,048,307	-	2,090,259	-	2,090,259
Total	**40,764,202**	**15,030,478**	**25,033,750**	**-**	**40,064,228**	**39,814,649**	**14,288,876**	**23,811,463**	**-**	**38,100,339**

Section 4 – Financial liabilities held for trading – Item 40

4.1. Financial liabilities held for trading: breakdown

Type of transaction/ Group item	Total 30/06/2012						Total 31/12/2011					
	NV	Fair value				FV*	NV	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	3,091,733	139,432	2,982,943	-	3,122,375	3,122,375	1,267,750	110,022	1,190,577	-	1,300,599	1,300,599
2. Deposits from customers	10,459,421	2,242,757	8,099,087	-	10,341,844	10,341,844	9,900,461	1,701,439	8,221,349	-	9,922,788	9,922,788
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Total A	**13,551,154**	**2,382,189**	**11,082,030**	**-**	**13,464,219**	**13,464,219**	**11,168,211**	**1,811,461**	**9,411,926**	**-**	**11,223,387**	**11,223,387**
B. Derivatives												
1. Financial derivatives	X	171,699	13,590,826	16,632	13,779,157	X	X	156,271	12,068,132	23,119	12,247,522	X
2. Credit derivatives	X	-	2,700,419	18,093	2,718,512	X	X	-	2,832,415	26,052	2,858,467	X
Total B	**X**	**171,699**	**16,291,245**	**34,725**	**16,497,669**	**X**	**X**	**156,271**	**14,900,547**	**49,171**	**15,105,989**	**X**
Total (A+ B)	**X**	**2,553,888**	**27,373,275**	**34,725**	**29,961,888**	**X**	**X**	**1,967,732**	**24,312,473**	**49,171**	**26,329,376**	**X**

FV = fair value

FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.

NV = nominal or notional value

Section 5 – Financial liabilities designated at fair value – Item 50

5.1 Financial liabilities designated at fair value: breakdown

Type of transaction / Amount	Total 30/06/2012						Total 31/12/2011					
	NV	Fair value				FV*	VN	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	17,486,755	-	17,003,115	-	17,003,115	17,139,395	21,980,456	-	22,498,694	-	22,498,694	22,528,577
Total	**17,486,755**	**-**	**17,003,115**	**-**	**17,003,115**	**17,139,395**	**21,980,456**	**-**	**22,498,694**	**-**	**22,498,694**	**22,528,577**

FV = fair value

FV* = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.

VN = nominal or notional value

The reduction in "Financial liabilities designated at fair value" is largely attributable to repayment of securities maturing in the first half of the year.

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 30 06 2012	Total 31 12 2011
1. Pensions and other post retirement benefit obligations	40,055	192,596
2. Other provisions for risks and charges	990,895	1,055,672
2.1 legal disputes	336,747	329,227
2.2 personnel expenses	28,752	28,595
2.3 other	625,396	697,850
Total	**1,030,950**	**1,248,268**

The reduction in the item 'Other provisions for risks and charges' is attributable, for an amount of EUR 51.4 mln, to the use for realignment of accounting mismatches in the administrative management of personnel.

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

15.1 Shareholder's equity – Parent company's number of shares: annual changes

Item/Type	30 06 2012			31 12 2011		
	Ordinary	Preferred	Savings	Ordinary	Preferred	Savings
A. Shares outstanding as at the beginning of the year	10,980,795,908	681,879,458	18,864,340	5,569,271,362	1,131,879,458	18,864,340
- fully paid	10,980,795,908	681,879,458	18,864,340	5,569,271,362	1,131,879,458	18,864,340
- not fully paid	-	-	-	-	-	-
A.1 Treasury shares (-)	54,232,440	-	-	21,911,474	-	-
A.2 Shares outstanding: opening balance	**10,926,563,468**	**681,879,458**	**18,864,340**	**5,547,359,888**	**1,131,879,458**	**18,864,340**
B. Increases	708,743,798	-	-	5,448,397,815	-	-
B.1 New issues	-	-	-	4,961,524,546	-	-
- against payment:	-	-	-	4,961,524,546	-	-
- business combinations	-	-	-	-	-	-
- bonds converted	-	-	-	136,698,112	-	-
- warrants exercised	-	-	-	-	-	-
- other	-	-	-	4,824,826,434	-	-
- without payment:	-	-	-	-	-	-
- to employees	-	-	-	-	-	-
- to directors	-	-	-	-	-	-
- other	-	-	-	-	-	-
B.2 Sale of treasury shares	8,000,000	-	-	36,873,269	-	-
B.3 Other increases	700,743,798	-	-	450,000,000	-	-
C. Decreases	**8,500,000**	**681,879,458**	**18,864,340**	**69,194,235**	**450,000,000**	**-**
C.1 Cancellation	-	-	-	-	-	-
C.2 Purchase of treasury shares	8,500,000	-	-	69,194,235	-	
C.3 Business transferred	-	-	-	-	-	-
C.4 Other decreases	-	681,879,458	18,864,340	-	450,000,000	-
D. Shares outstanding: closing balance	**11,626,807,266**	**-**	**-**	**10,926,563,468**	**681,879,458**	**18,864,340**
D.1 Treasury shares (+)	54,732,440	-	-	54,232,440	-	-
D.2 Shares outstanding as at the end of the year	11,681,539,706	-	-	10,980,795,908	681,879,458	18,864,340
- fully paid	11,681,539,706	-	-	10,980,795,908	681,879,458	18,864,340
- not fully paid	-	-	-	-	-	-

On 1 February 2012, the Extraordinary Shareholders' Meeting and the Savings Shareholders' Meeting approved the conversion of 18,864,340 savings shares into a corresponding number of ordinary shares.

Additionally, the sale of 681,879,458 million preferred shares by the shareholder, Monte dei Paschi di Siena Foundation in the first quarter of 2012 resulted in the automatic conversion of all remaining preferred shares into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares".

Section 16 - Non-controlling interests - Item 210

16.1 Non-controlling interests: breakdown

Items/Amounts	Total 30 06 2012	Total 31 12 2011
1) Share capital	50,105	50,274
2) Share premium reserve	13,400	13,406
3) Reserves	60,422	69,636
4) (Treasury shares)	-	-
5) Valuation reserves	94,335	87,351
6) Equity instruments	-	-
7) Profit (loss) for the period - Non-controlling interests	4,389	(3,465)
Total	**222,651**	**217,202**

Part C – Consolidated income statement

Section 1 - Interest income/expense and similar revenues/charges - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Item/Type	Debt securities	Loans	Other transactions	Total 30 06 2012	Total 30 06 2011
1. Financial assets held for trading	79,287	37,979	74,683	191,949	304,063
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	428,103	-	-	428,103	330,537
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	33,274	52,514	329	86,117	86,710
6. Loans to customers	41,667	2,821,490	9,085	2,872,242	2,701,726
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	5,907	5,907	7,672
Total	**582,331**	**2,911,983**	**90,004**	**3,584,318**	**3,430,708**

For a trend analysis of the items concerned, see Report on Operations.

1.4 Interest expense and similar charges: breakdown

Item/Type	Deposits	Securities	Other transactions	Total 30 06 2012	Total 30 06 2011
1. Deposits from central banks	(174,153)	x	-	(174,153)	(49,948)
2. Deposits from banks	(121,208)	x	(3,729)	(124,937)	(133,086)
3. Deposits from customers	(431,442)	x	-	(431,442)	(413,339)
4. Debt securities issued	x	(795,341)	(87)	(795,428)	(687,828)
5. Financial liabilities held for trading	(20,991)	-	-	(20,991)	(74,983)
6. Financial liabilities designated at fair value	-	(235,062)	-	(235,062)	(311,994)
7. Other liabilities	x	x	(4,340)	(4,340)	(4,187)
8. Hedging derivatives	x	x	(167,712)	(167,712)	(133,607)
Total	**(747,794)**	**(1,030,403)**	**(175,868)**	**(1,954,065)**	**(1,808,972)**

For a trend analysis of the items concerned, see Report on Operations.

Section 2 - Fee and commission income/expense - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 30 06 2012	Total 30 06 2011
a) guarantees issued	43,334	40,133
b) credit derivatives	-	-
c) management, brokerage and advisory services:	395,390	410,310
1. trading of financial instruments	10,208	7,226
2. currency trading	20,967	22,828
3. asset management	24,251	25,988
3.1 individual accounts	24,251	25,988
3.2. collective investment schemes	-	-
4. custody and administration of securities	4,679	5,639
5. custodian bank	838	852
6. placement of securities	16,818	36,539
7. client instructions	33,044	26,714
8. advisory on	8,012	9,720
8.1 investments	1,077	712
8.2 financial structure	6,935	9,008
9. distribution of third-party services	276,573	274,804
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	125,225	105,859
9.3 other products	151,348	168,945
d) collection and payment services	67,349	67,193
e) servicing of securitisations	373	492
f) factoring transaction services	10,640	11,293
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	355,958	344,361
j) other services	154,915	154,927
Total	**1,027,959**	**1,028,709**

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 30 06 2012	Total 30 06 2011
a) guarantees received	(50,176)	(285)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(50,435)	(44,857)
1. trading of financial instruments	(12,161)	(9,744)
2. currency trading	(78)	(117)
3. asset management:	(708)	(680)
3.1 own portfolio	-	-
3.2 third-party portfolios	(708)	(680)
4. custody and administration of securities	(7,455)	(7,685)
5. placement of financial instruments	(2,198)	(225)
6. off-site marketing of financial instruments, products and services	(27,835)	(26,406)
d) collection and payment services	(8,394)	(9,100)
e) other services	(82,091)	(62,358)
Total	**(191,096)**	**(116,600)**

Commissions on "guarantees received" refer, for an amount of approx. EUR 49.7 mln, to the guarantee issued by the Italian Government on securities issued and concurrently repurchased by the parent Company for an amount of EUR 13,000 mln, against lending transactions in the Eurosystem.

Section 6 – Gains (losses) on disposal/repurchase – Item 100

6.1 Gains (losses) on disposals / repurchases: breakdown

Items / P&L items	Total 30/06/2012			Total 30/06/2011		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans to banks	6,348	(2,826)	3,522	16,570	(2,312)	14,258
2. Loans to customers	2,264	(1,241)	1,023	10,441	(2,170)	8,271
3. Financial assets available for sale	42,141	(9,993)	32,148	62,277	(23,297)	38,980
3.1 Debt securities issued	8,364	(4,530)	3,834	25,405	(18,858)	6,547
3.2 Equity instruments	26,269	(357)	25,912	30,170	(1,771)	28,399
3.3 Units of UCITS	7,508	(5,106)	2,402	6,702	(2,668)	4,034
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**50,753**	**(14,060)**	**36,693**	**89,288**	**(27,779)**	**61,509**
1. Financial liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	221	(3,795)	(3,574)	77,945	(2,870)	75,075
Total liabilities	**221**	**(3,795)**	**(3,574)**	**77,945**	**(2,870)**	**75,075**

Section 8 – Net impairment losses/reversals – Item 130

8.1 Net impairment losses/reversals on loans: breakdown

Transactions / P&L items	Value adjustments			Write-back				Total	Total
	Specific		Portfolio	Specific		Portfolio		30 06 2012	30 06 2011
	Write-off	Others		A	B	A	B		
A. Loans to banks	-	(516)	(10,112)	75	13	-	384	(10,156)	4,004
- Loans	-	(516)	(857)	75	13	-	383	(902)	4,607
- Debt securities	-	-	(9,255)	-	-	-	1	(9,254)	(603)
B. Loans to customers	(21,586)	(1,203,844)	(37,379)	209,199	160,526	-	53,387	(839,697)	(576,647)
- Loans	(21,586)	(1,203,844)	(35,517)	209,199	160,526	-	53,387	(837,835)	(568,069)
- Debt securities	-	-	(1,862)	-	-	-	-	(1,862)	(8,578)
C. Total	**(21,586)**	**(1,204,360)**	**(47,491)**	**209,274**	**160,539**	**-**	**53,771**	**(849,853)**	**(572,643)**

Legend
A = From interest
B = Other write-backs

8.2 Net impairment losses/reversals on financial assets available for sale: breakdown

Transactions / P&L items	Value Adjustments		Write-backs		Total	Total
	Specific		Specific			
	Write-off	Others	A	B	30 06 2012	30 06 2011
A. Debt securities issued	-	(439)	-	-	(439)	(1,882)
B. Equity instruments	-	(79,990)	x	x	(79,990)	(13,202)
C. Units in UCITS	-	(11,692)	x	-	(11,692)	(925)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(92,121)**	**-**	**-**	**(92,121)**	**(16,009)**

Legend
A = From interest
B = Other w rite-backs

8.4 Net impairment losses/reversals on other financial transactions: breakdown

Transactions / P&L items	Value adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		30 06 2012	30 06 2011
	Write-offs	Others		A	B	A	B		
A. Guarantees issued	-	(13,800)	(724)	-	277	-	285	(13,962)	1,016
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	(14)	-	16	-	-	2	853
D. Other transactions	-	(304)	-	-	-	-	-	(304)	(2,980)
E. Total	**-**	**(14,104)**	**(738)**	**-**	**293**	**-**	**285**	**(14,264)**	**(1,111)**

Legend

A = From interest
B = Other write-backs

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of Expense / Area	Total 30 06 2012	Total 30 06 2011
1. Employees	(1,074,698)	(1,032,659)
a) wages and salaries	(743,421)	(719,703)
b) social-welfare charges	(219,660)	(198,581)
c) severance pay	(37,262)	(48,809)
d) social security expenses	-	-
e) provision for staff severance pay	(4,540)	(3,769)
f) pension fund and similar obligations:	(3,547)	(925)
- defined contribution	(990)	(895)
- defined benefit	(2,557)	(30)
g) contributions to external pension funds:	(14,253)	(15,630)
- defined contribution	(13,558)	(15,630)
- defined benefit	(695)	-
h) costs related to share-based payments	-	(575)
i) other employee benefits	(52,015)	(44,667)
2. Other staff	(3,116)	(1,950)
3. Directors and Statutory Auditors	(2,963)	(2,901)
4. Retired personnel	-	-
Total	**(1,080,777)**	**(1,037,510)**

11.2 Other administrative expenses: breakdown

Items/Amounts	30 06 2012	30 06 2011
Stamp duties	(100,952)	(100,352)
Indirect taxes and duties	(18,505)	(28,973)
Municipal immovable property tax	(3,215)	(1,834)
Subscription and purchase of publications	(513)	(748)
Property rentals	(134,484)	(133,054)
Cleaning service contracts	(13,344)	(15,485)
Insurance	(11,366)	(15,794)
Rentals	(23,706)	(22,109)
Remuneration of external professionals	(47,920)	(48,312)
Third-party data processing	(33,519)	(28,851)
Title searches and land registry surveys	(3,133)	(3,329)
Lease of equipment	(27,057)	(19,699)
Utilities	(23,623)	(20,676)
Maintenance of movable and immovable properties (used in the business)	(13,282)	(18,330)
Data transmission rental	(13,444)	(18,863)
Postage	(28,657)	(33,659)
Advertising	(16,977)	(28,943)
Membership dues	(3,475)	(2,491)
Reimbursement of employee car and travel expenses	(16,327)	(12,311)
Security services	(23,877)	(26,710)
Software	(26,564)	(42,018)
Corporate entertainment expenses	(962)	(1,946)
Expenses for non-rented investment real estate	(844)	(810)
Printing and stationery	(4,776)	(5,395)
Telephone, telefax and telegraph	(6,011)	(8,387)
Transportation	(21,371)	(24,982)
Sundry occupancy expenses and refunds for release of immovable property used in the b	(3,396)	(4,090)
Other	(40,728)	(31,028)
Total	**(664,062)**	**(700,025)**

Section 12 – Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

Items/Amounts	30 06 2012				30 06 2011			
	Personnel costs	Legal disputes	Others	Total	Personnel costs	Legal disputes	Others	Total
Provisions for the year	(18,489)	(921)	(44,485)	(63,895)	(30,624)	(185)	(37,222)	(68,031)
Write-backs	1,197	-	1,287	2,484	2,986	3,689	1,987	8,662
Total	**(17,292)**	**(921)**	**(43,198)**	**(61,411)**	**(27,638)**	**3,504**	**(35,235)**	**(59,369)**

Section 14 – Net adjustments to (recoveries on) intangible assets – Item 210

14.1 Net adjustments to (recoveries on) intangible assets: breakdown

Assets / P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (loss) (a+ b-c) 30 06 2012	Net profit (loss) (a + b-c) 30 06 2011
Intangible assets					
A.1 Owned	(72,987)	(47,563)	-	(120,550)	(81,357)
- generated internally by the company	(18,458)	(2,080)	-	(20,538)	-
- other	(54,529)	(45,483)	-	(100,012)	(81,357)
A.2 Leased	-	-	-	-	-
Total	**(72,987)**	**(47,563)**	**-**	**(120,550)**	**(81,357)**

Section 15 - Other operating expenses (income) - Item 220

15.1 Other operating expenses: breakdown

Items/Amounts	Total 30 06 2012	Total 30 06 2011
Amortisation on improvements of third-party goods recognized as "Other"	(11,247)	(14,491)
Cost of robberies	(3,741)	(3,967)
Cost of financial lease transactions	(6,374)	(6,296)
Other	(78,281)	(41,493)
Total	**(99,643)**	**(66,247)**

Line "Other" comprises contingent liabilities for an amount of EUR 39,7 mln attributable to the realignment of accounting mismatches in the administrative management of personnel, as reported on page 42 of the interim Report on Operations.

15.2 Other operating income: breakdown

Items/Amounts	Total 30 06 2012	Total 30 06 2011
Rents from investment real estate	8,923	8,508
Income from financial lease transactions	3,889	-
Recovery of taxes	100,855	106,972
Recovery of insurance premiums	6,624	14,141
Other	59,884	47,799
Total	**180,175**	**177,420**

Section 16 - Gains (losses) on investments - Item 240

16.1 Gains (losses) on investments: breakdown

P&L items/Sectors	Total 30 06 2012	Total 30 06 2011
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	45,893	45,993
1. Revaluations	45,782	45,708
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	111	285
B. Expense	(25,690)	(7,689)
1. Write-downs	(1,994)	(2,677)
2. Impairment losses	(23,696)	(5,012)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**20,203**	**38,304**
3) Subsidiaries		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	(17)	(1,080)
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	(17)	-
4. Other expenses	-	(1,080)
Net Profit (Loss)	**(17)**	**(1,080)**
Total	**20,186**	**37,224**

For additional details on impairment losses and write-downs, see information on the Balance Sheet.

Section 20 - Tax expense (recovery) on income from continuing operations - Item 290

20.1 Tax expense (recovery) on income from continuing operations: breakdown

P&L items/Sectors	Total	
	30 06 2012	30 06 2011
1. Current tax (-)	(250,281)	(121,342)
2. Adjustments to current tax of prior years (+/-)	124,843	12,168
3. Reduction of current tax for the period (+)	35	-
4. Changes in prepaid taxes (+/-)	90,015	(55,006)
5. Changes in deferred taxes (+/-)	10,281	7,503
6. Tax expense for the period (-) (-1+/-2 +3+/-4+/-5)	**(25,107)**	**(156,677)**

The sub-item "Adjustments to current tax of prior years (+/-) " was positively affected by the recognition of EUR 113.8 mln in tax credit arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses (see Table 14.7, Section B).

20.2 Reconciliation of theoretical to actual tax charge

Items/Amounts	30 06 2012	30 06 2011
(A) Pre-tax profit (loss) from continuing operations	(1,598,323)	403,059
(B) Pre-tax profit (loss) from groups of assets held for sale and discontinued operations	14,625	24,738
(A+B) Pre-tax profit (loss)	**(1,583,698)**	**427,797**
Current rate of corporate income tax (IRES)	27.5	27.5
Theoretical tax rate	**435,517**	**(117,644)**
Permanent differences	(480,671)	(5,177)
Other	112,086	(3,343)
Regional tax on productivity (IRAP) - ordinary rate	(95,993)	(37,569)
Income taxes for the period	**(29,061)**	**(163,733)**
of which:		
Taxes on income from continuing operations	(25,107)	(156,677)
Taxes on the income of groups of assets held for sale and discontinued operations	(3,954)	(7,056)

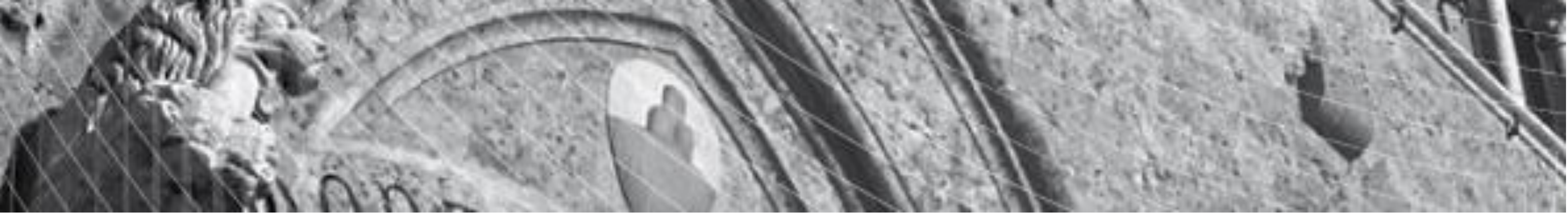
The sub-item “Other” primarily reports the positive effect (summarised in the above table) generated by recognition of EUR 113.8 mln in tax credit arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses (see Table 14.7, Section B).

Section 21 – Profit (loss) after tax from groups of assets held for sale and discontinued operations – Item 310

21.1 Profit (loss) after tax from assets / liabilities held for sale and discontinued operations: breakdown

P&L items/Sectors	Total	
	30 06 2012	30 06 2011
1. Income	99,316	97,202
2. Expense	(74,044)	(70,022)
3. Profit (loss) from valuation of groups of assets and related liabilities	(10,647)	(11,021)
4. Profit (loss) from disposal	-	8,579
5. Taxes and duties	(3,954)	(7,056)
Profit (Loss)	**10,671**	**17,682**

The item includes reclassification, pursuant to IFRS 5, of profit and loss data concerning the subsidiary, Cassa di Risparmio di Biella e Vercelli S.p.A: "Biverbanca"; the 60.42% stake held in the company by the Parent Bank will be sold at a price of EUR 203 mln. More details can be found in the notes to the Balance Sheet.



Part E – Risks and hedging policies

As required by law (BoI Circular no. 263 of 27 December 2006, Title IV), the Pillar 3 of Basel 2 public disclosure will be published on the Montepaschi Group's website www.mps.it/Investor+Relations.

Section 1 – Credit Risk

Qualitative Information

1. General

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Bank, the Group's top priority continues to be that of improving the quality of its loan book and consequently reducing credit costs.

More specifically, through the Credit Policies and Planning Area in particular, the Credit Governance division sets out the strategic guidelines for the loan book, both at Group level and for each individual subsidiary. The Group's credit activity is managed with a view to monitoring risk and enhancing growth opportunities, through the development of credit policies and systems aimed at making the most of data relating to individual borrowers' behaviours and performance, against a background of in-depth knowledge and strategic management of positions (credit culture).

2. Credit risk management policies

2.1 Organisational aspects

The Credit Governance division is organised into the following units:

- Model and Credit System Validation (staff unit);
- Credit Performance Monitoring (staff unit);
- Credit Policies and Planning Area, including the "Special-purpose Loans and Securitisations" service, the "Credit Policies and Quality" service and the "Rating Units Coordination" service. The latter is reported to by the 'Credit Rating Units' operating across Italy (evolving directly from previous local Loan Labs);
- Group Risk and Loan Restructuring Area, including the "Groups and Country Risk Monitoring" service and "Loan Restructuring" service.

During the first half of 2012, the Credit Policies and Planning Area continued to upgrade the customer loan disbursement and monitoring processes.

More specifically, several activities were put in place to:

- improve operating procedures for an early review of assigned process ratings whenever there are symptoms of a possible deterioration in the customer risk profile;
- produce quality-assessment questionnaires with the aim of obtaining and assessing corporate information for the period;
- continue reviewing the methodology for the processing of expired or invalid internal ratings;
- update pricing models for an increasingly more accurate determination of the cost of credit, differentiated by lending products and user clusters;
- align disbursement processes with initiatives led by the Italian Banking Association (ABI) or Ministry of Economy and Finance (MEF) with a view to countering the current economic crisis;
- change levels of autonomy in credit decision-making to increase proximity to local needs;
- update main internal regulations on credit processes;

The processes outlined by the Parent Company are rolled out to all banks (whose organisation includes a special Function for loan disbursement and management) through well defined units which are duly delegated through a discretionary limit system authorised by the Board of Directors and adopted by the individual banks in accordance with current regulations on this matter.

All units involved, within their areas of competence as defined on the basis of customer segmentation and customer risk profiles, are called to grant/manage credit and monitor credit risk, using appropriate procedures (based on the internal rating system) to determine borrower creditworthiness, file credit facility applications, follow up on changes in the borrower account over time and predict any emerging non-performing situations.

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units.

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

In the first half of 2012, the specific Loan Restructuring service within the Group Risk and Restructuring Area continued its strong commitment to following up on corporate clients' debt restructuring processes which are increasingly intensifying as a result of the persisting deterioration of the economic cycle.

2.2. Management, measurement and control systems

Starting in 2008, statistical models aimed at creating the Internal Rating Model and rating assignment processes were authorised by the Supervisory Authority for the calculation of capital requirements using the Advanced IRB approach (AIRB).

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

The statutory adoption of risk criteria has made it possible for the Bank to obtain significant operational advantages, both in terms of a higher accuracy in credit budgeting forecasts and in terms of a more effective monitoring of credit aggregates: based on the risk criteria, the Group sets the process for the yearly budgeting of credit items and makes accurate and sustainable forecasts in relation to the loan book, substandard and doubtful loan flows and loan-loss provisions.

The sustainability of forecasts is ensured by the definition of concrete loan book actions which are communicated to the outlying networks through an internal regulatory document as well as by amending the credit disbursement and management processes and criteria.

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

2.2.1 Credit policies

Since 2008, the credit policy definition process has been based on analytical portfolio estimates and has continuously been optimised and finetuned.

The loan book growth forecasts for 2012 (both "trend" and "target") were developed and submitted to the Board of Directors in February. These estimates are the result of a well-established model which is subject to regular methodological fine-tuning and upgrading cycles.

The following initiatives are in progress for 2012:

- Credit scoring and rating review, attaching priority to high-risk positions with a view to identifying those accounts which, despite signs of risk, have the fundamentals for a renewal of credit lines and financial support.
- 'Requalification' / downsizing of loans to riskier counterparties when the credit scoring and rating review makes it advisable to proceed with a reduction in exposure.
- Increased loan workout arrangements for past due and 'objective' substandard loans through scheduled repayments or tailored products.
- Screening of new loans disbursed for net growth objectives to be achieved consistently with the need to safeguard the prospective quality of the loan book.

2.2.2 Disbursement processes

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

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

The assessment and approval methods implemented in the Electronic Loan File (it. *Pratica Elettronica di Fido* or P.E.F.) reflect the principles and rules of the internal rating system. Thus, methods differ depending on whether the customer is an individual/consumer (retail) or a business (a corporation with revenues under EUR 2.5 million, or a corporation with revenues over EUR 2.5 million) and on whether the customer is a prospect or existing customer.

In keeping with the regulatory provisions issued by the Supervisory Authority, the P.E.F. was designed to use one single rating when borrowers have relationships with several banks of the Montepaschi Group. In terms of activities aimed at complying with AIRB requirements, the assignment of decision-making authorities in the loan disbursement process based on risk-based approaches is one of the key elements in meeting the expertise requirements mandated by the Bank of Italy. These approaches, which escalate to decision-making bodies having higher levels of power in the event of higher levels of risk underlying the credit facility, have made it possible to achieve regulatory and operational advantages.

New decision-making powers were defined in the first half of 2012 for both the Group's outer units and local market areas.

2.2.3 Monitoring processes

Since early 2012, "Credit Monitoring" has been in charge of post-disbursement loan management and monitoring.

The Credit Monitoring process is an effective aid to obtain credit cost reduction by leveraging two main factors:

- identification of high insolvency risk positions ('screening');
- 'customer-type differentiated' treatment of positions (dedicated 'routing').

Identification of high insolvency risk positions

Ordinary-risk positions are scanned by a 'screening' engine which selects the highest-risk positions on a weekly basis, so as to identify the counterparties bound to become insolvent at a sufficiently early stage. Screening is based on a 'performance risk indicator' (it.: "indicatore di rischio andamentale", IRA) which factors in and is reflective of a set of critical elements including the worsening of certain trend-revealing indicators, ratings, information of related counterparties and days past due (with thresholds being differentiated by customer segments and amounts used). "Customised" parameters make it possible to diversify the screening criteria for risk positions by type of customer with respect to the criteria used by the "Loan Performance Management" system.

'Customer-type differentiated' treatment of positions

This choice was based on the need for differentiating the treatment of positions by customer segments, in the conviction that a corporate client cannot be treated in the same way as a retail client and that specific client management needs should be met with 'ad hoc' processes. Ordinary-risk positions, reported as higher risk by the 'screening' engine, are routed to specific processing queues depending on the type of customer and credit facility involved:

1. a 'Mass Retail' procedure for 'Retail Family' clients;
2. a 'Standard Retail' procedure for Retail, Affluent and Private customers, as well as small-sized businesses with limited exposure;
3. a dedicated Corporate procedure for corporate customers.

In conclusion, as indicated in the paragraph concerning the organisational setup, the overall tracking of positions undergoing restructuring was centralised – as per the new debt crisis solution tools set out by the Bankruptcy Act (art. 67, paragraph 3 d), art. 182 bis)- into the "Group Risk and Restructuring Area", which includes a special "Restructuring service" staffed with highly qualified teams of specialists. Centralised management is mandatory when exposure at Banking Group level exceeds EUR 4 mln. Numerous agreements have been signed and a high number of files are being tracked.

Non-performing financial assets

Credit Governance oversees the process for the definition, updating and usage of non-performing loan assessment criteria, availing itself of the Loan Performance Monitoring Staff. Within its area of competence, the Staff ensures appropriate implementation of the operating rules and processes of assessment; it operationally coordinates the Functions involved in the various steps of the process, verifies and organises data and information received, defines and validates the criteria to be used on a yearly basis and monitors the economic impact monthly.

The second half of 2011 saw the centralisation under the Loan Performance Monitoring Staff of all activities concerning validation of the Parent Company's doubtful loan recovery forecasts (for balance amounts exceeding EUR 100,000.00), which then translates into the approval of the Business Plans submitted by MPS Gestione Crediti Banca.

Quantitative Information

A. CREDIT QUALITY

A.1 Non-performing and performing loans: amounts, value adjustments, changes, breakdown by business sector and geographical area

A.1.3 Banking Group – Balance sheet and off-balance sheet exposure to banks: gross and net amounts

30 06 2012

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	33,439	31,651	x	1,788
b) Substandard loans	17,982	13,733	x	4,249
c) Restructured loans	-	-	x	-
d) Past due	-	-	x	-
e) Other assets	19,636,561	x	24,574	19,611,987
Total A	**19,687,982**	**45,384**	**24,574**	**19,618,024**
B. Off-balance-sheet exposure				
a) Non performing	2,843	156	x	2,687
b) Other	13,141,492	x	1,072	13,140,420
Total B	**13,144,335**	**156**	**1,072**	**13,143,107**
Total (A+ B)	**32,832,317**	**45,540**	**25,646**	**32,761,131**

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

30 06 2012

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	15,817,185	8,750,646	x	7,066,539
b) Substandard loans	6,448,891	1,394,446	x	5,054,445
c) Restructured loans	1,776,353	179,803	x	1,596,550
d) Past due	2,643,063	154,677	x	2,488,386
e) Other assets	160,834,534	x	728,195	160,106,339
Total A	**187,520,026**	**10,479,572**	**728,195**	**176,312,259**
B. Off-balance-sheet exposure				
a) Non performing	469,317	55,047	x	414,270
b) Other	47,532,569	x	30,491	47,502,078
Total B	**48,001,886**	**55,047**	**30,491**	**47,916,348**
Total (A+B)	**235,521,912**	**10,534,619**	**758,686**	**224,228,607**

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 30 June 2012. The exposures are broken down by accounting categories. For securities classified as 'Loans and Receivables (L&R)' and "Loans" , the book value (amortised cost) is also reported.

COUNTRY	DEBT SECURITIES					L&R	CREDIT DERIVATIVES
	Financial assets held for trading		Financial assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value= book value	Nominal	Fair value= book value	Book value	Book value	Nominal
Argentina	4.16	2.07	-	-	-	-	-
Austria	-10.00	-11.00	-	-	-	-	9.00
Belgium	1.00	1.00	37.25	39.78	-	-	13.00
Bosnia	-	-	-	-	-	-	-
Brazil	1.00	1.00	-	-	-	-	-
Bulgaria	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-
Croatia	-	-	10.00	10.94	-	-	-
Denmark	-	-	-	-	-	-	11.00
Ecuador	-	-	-	-	-	-	-
United Arab	-	-	-	-	-	-	-
Philippines	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	12.00
France	5.00	5.00	-	-	-	-	-24.80
Georgia	-	-	-	-	-	-	-
Germany	-32.00	-36.00	-	-	-	-	8.00
Greece	4.15	0.64	-	-	-	-	-
Ireland	-	-	1.00	1.00	-	-	12.00
Israel	-	-	-	-	-	-	-
Italy	4,467.43	4,397.58	21,123.83	19,692.73	474.49	4,040.47	682.12
Latvia	-	-	10.00	10.56	-	-	-
Lithuania	1.00	1.00	10.00	11.74	-	-	-
Mexico	-	1.00	-	-	-	-	-
Norway	-	-	-	-	-	-	12.00
The Netherlan	-2.00	-3.00	-	-	-	-	12.00
Peru	-	-	-	-	-	-	-
Poland	2.00	2.00	10.00	10.74	-	-	-8.00
Portugal	-	-	215.00	194.24	-	-	12.00
Qatar	-	-	-	-	-	-	-
United Kingdo	-	1.00	-	-	-	-	12.00
Romania	-	-	10.00	10.34	-	-	-
Russia	-0.97	-1.36	-	-	4.94	-	-
Spain	-34.00	-34.35	265.00	260.42	-	-	32.31
United States	2.00	2.00	-	-	-	-	-
South Africa	-	-	-	-	-	-	-
Turkey	-3.38	-3.79	10.00	10.76	-	-	-
Ukraine	-	-	-	-	-	-	-
Hungary	7.00	6.00	10.00	10.08	-	4.99	-
Venezuela	1.00	1.00	-	-	-	-	-
TOTAL	**4,413.39**	**4,331.79**	**21,712.08**	**20,263.33**	**479.43**	**4,045.46**	**794.63**

These financial instruments were measured according to the standards applicable to the category they belong to. In particular, securities classified as “Financial assets available for sale - AFS” and “Financial assets held for trading - HFT” were measured at the fair value of the consideration receivable as at 30 June 2012. Loans and securities included in the Loan Book are recognised at amortised cost. Exposure to credit derivatives is measured at their nominal value.

Exposures to Ireland, Portugal and Spain reported in the accounting portfolios “Financial assets available for sale” and “L&R” were not written down as it was determined that there was no objective evidence of impairment strictly associated, in this specific case, with the issuer's capacity to meet its obligations.

As far as the exposure with Greece is concerned, it should be noted that the Group joined the agreement finalised on 21 February with the Greek authorities, providing for the issuance of new securities and warrants pegged to Greece's Gross Domestic Product. The swap-induced effects were negligible.

D. CREDIT RISK MEASUREMENT MODELS

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

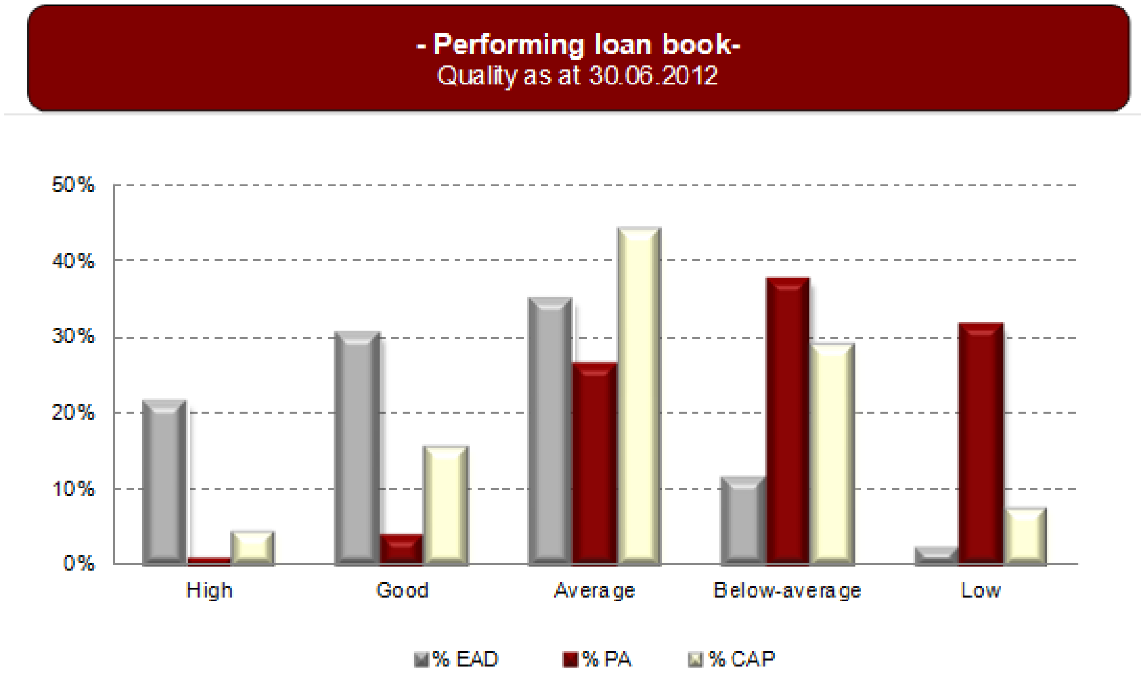
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined threshold value for a representative period (normally one year). The synthetic variable expressing the creditworthiness of the counterparty is known as the Credit Worthiness Index (CWI) and consists in both the risk that is specific to a counterparty and the systemic risk. Each counterparty's creditworthiness sensitivity to changes in macroeconomic factors is estimated using an econometric model of multivariate regression between the counterparty's probability of default (PD) variable and selected credit drivers. The breakdown of losses is estimated with suitable statistical functions which approximate the breakdown of losses by counterparty through the use of conditioned default probabilities.

The portfolio model output provides detailed measures for individual positions as well as the absorbed operating capital component and indicates the impact of diversification as compared to a building-block approach.

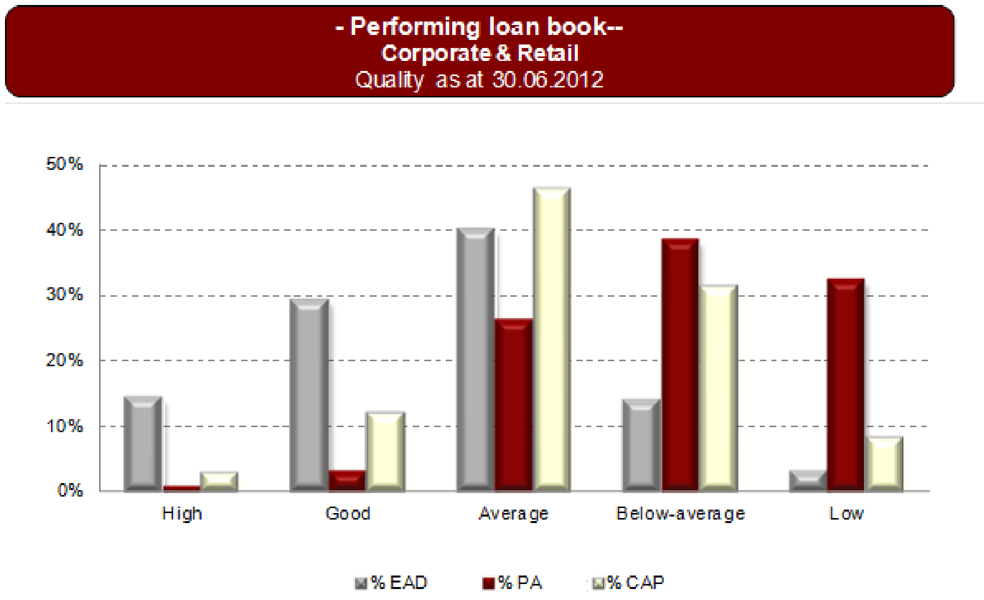
The model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographical area, business area, rating class and continental areas. Other information derived from the Credit Portfolio Model concerns "what-if" analyses produced for certain discriminating variables such as probability of default, LGD rates, changes in the value of collaterals and in margins available on credit lines, in order to quantify the levels of Expected Loss and Economic Capital should the underlying (discretionary or trend-based) assumptions materialise.

In accordance with the provisions of the Second Pillar of Basel 2, the Montepaschi Group is committed to the continuous development of methodologies and models in order to assess the impact on the loan book of stress conditions produced using sensitivity analyses with respect to individual risk factors or scenario analyses.

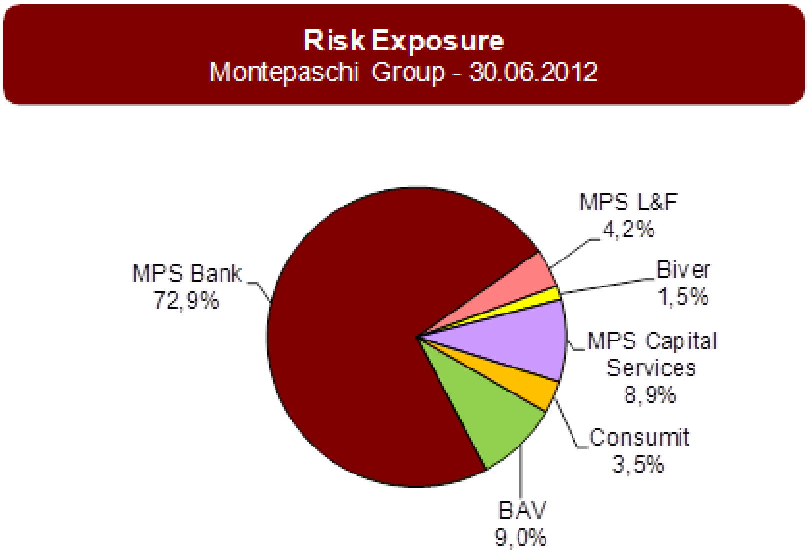
The chart below provides a credit quality breakdown of the Montepaschi Group portfolio as at 30 June 2012 (excluding financial asset positions). The graph shows that about 51% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



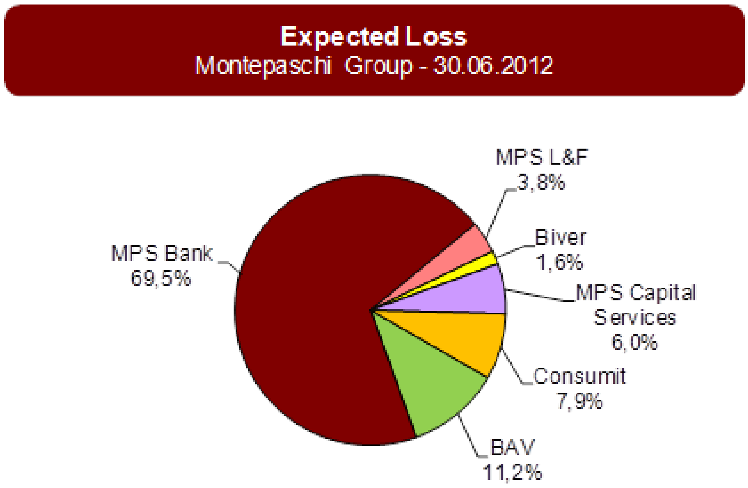
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 30 June 2012, high or good quality exposure accounted for approximately 43% of total exposure.



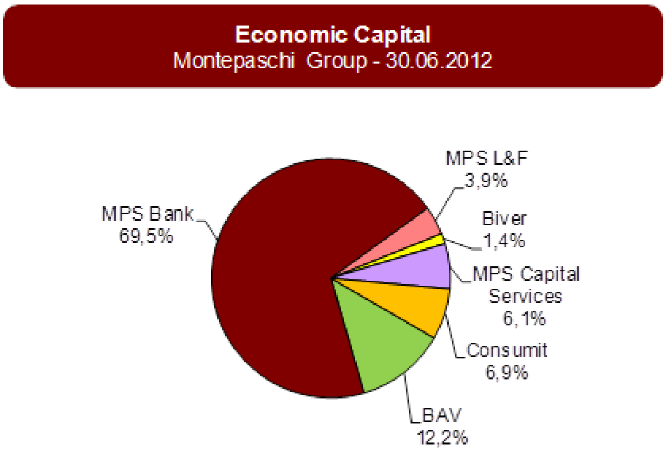
The following chart shows that the three retail banks (Banca MPS, Banca Antonveneta and BiverBanca) contribute to approximately 83% of the total Montepaschi Group's exposure to risk, whereas the companies MPS L&F, MPS Capital Services and Consum.it account for the remaining 17%.



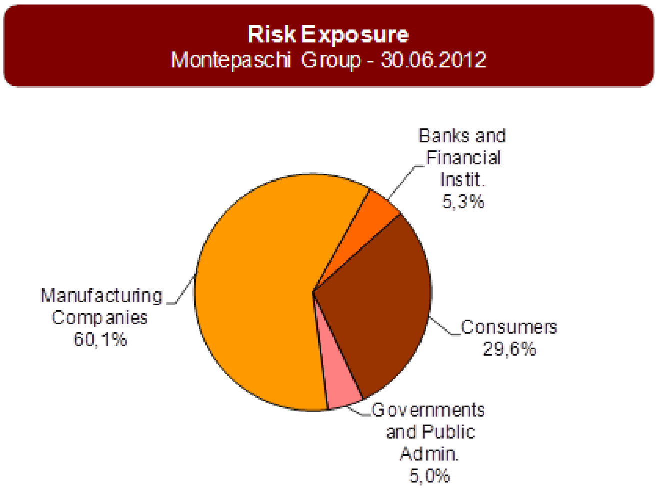
With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Company at 69.5% followed by Banca Antonveneta with 11.2%, Consum.it and MPS Capital Services (7.9% and 6% respectively), while the remainder (5.4%) is assigned to cover the risks of MPS Leasing & Factoring and BiverBanca.



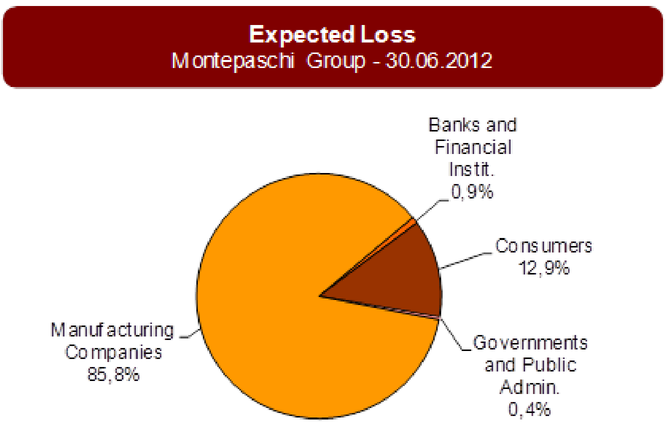
Most of the overall amount of Economic Capital to cover credit risk is absorbed by the Parent Bank (about 69.5%), followed by Banca Antonveneta and MPS Capital Services (12.2% and 6.9% respectively) with the remaining 11.4% absorbed by the other legal entities.

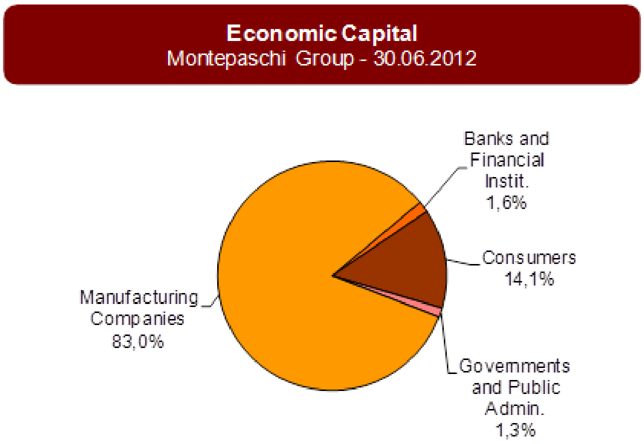


An analysis conducted as at 30 June 2012 shows that the risk exposure of the Montepaschi Group is mainly toward “Manufacturing Companies” (60.1% of total loans disbursed) and “Households” (29.6%). The remaining portion is broken down between "Banks and Financial Institutions", which makes up 5.3%, and "Government and Public Administration" for 5%.

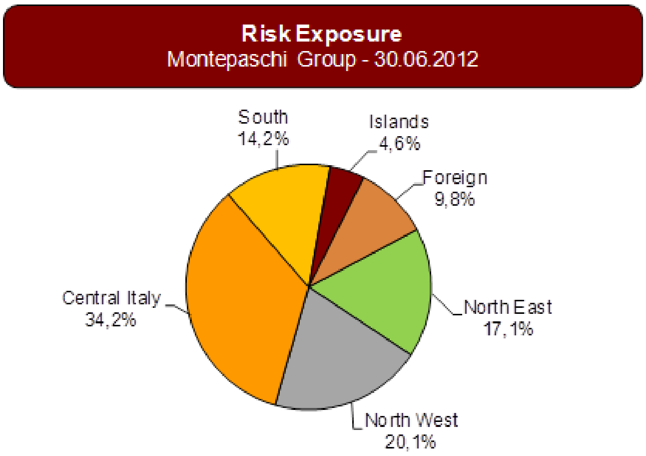


In terms of risk measures, the analysis reveals that “Manufacturing Companies” account for 85.8% of the Expected Loss and 83% of the Economic Capital. “Households” comes to 12.9% for Expected Loss and 14.1% for Economic Capital respectively.

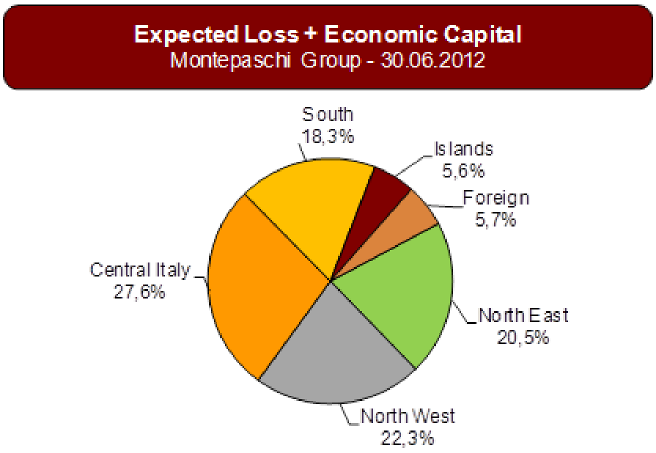




An analysis of the geographical breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Central regions (34.2%), followed by the North West and North East (20.1% and 17.1%), Southern Italy (14.2%), foreign countries (9.8%) and Italy's islands (4.6%).

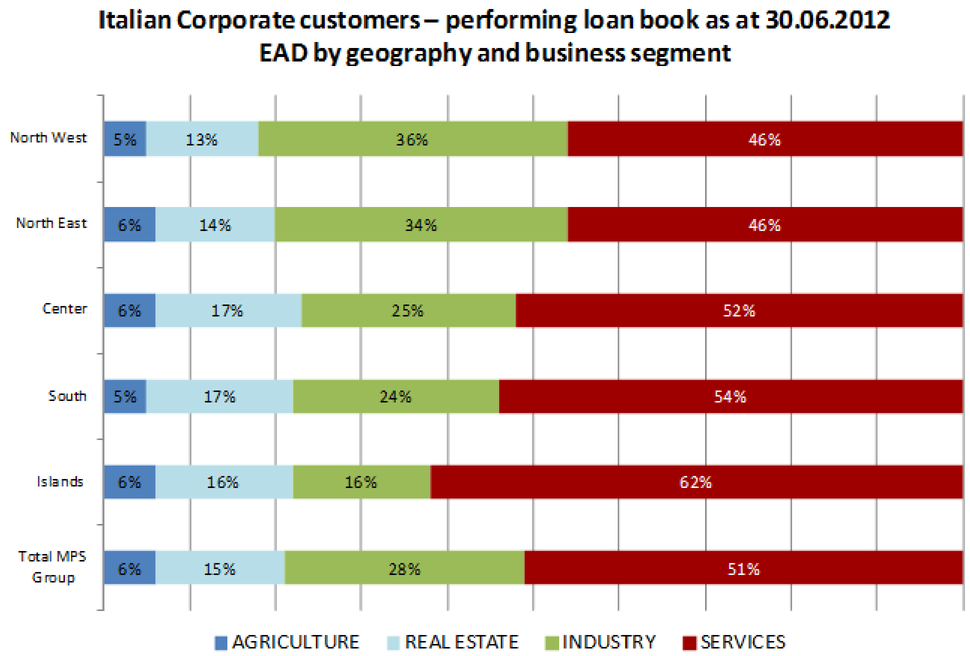


Overall risk measures (Expected Loss + Economic Capital) are also higher (27.6%) in central Italy due to the greater concentration of loans in that area. Next in the ranking are North-Western Italy (22.3%), the North-East (20.5%), the South (18.3%), Foreign customers (5.7%) and Italy's islands (5.6%).

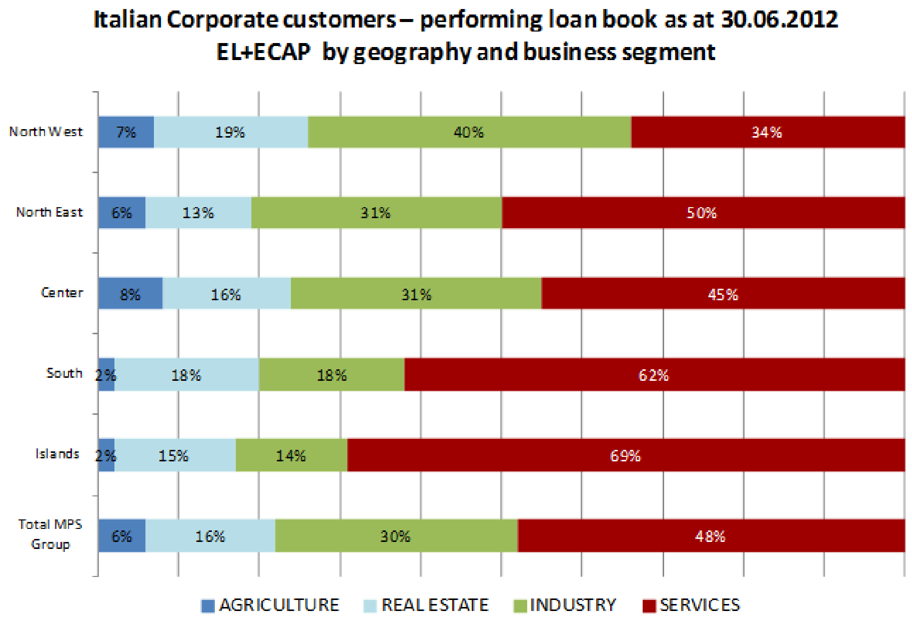


Lastly, the following graphs show a percentage breakdown for Italian corporate customers of Default Exposure and overall risk measures (Expected Loss + Economic Capital) by Geographic Areas and Business Sectors.

The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the MPS Group's total exposure, the share of Services accounts for 51% and is followed by Industry (28%), Building (15%) and Agriculture (6%).



Overall risk measures, defined as the sum of Expected Loss and Economic Capital, are also higher for the Services business sector in all Geographic Areas, with the exception of the North West of Italy where the Industrial sector accounts for the largest share (40%).



Section 2 – Market risk

2.1 Interest rate and price risk – regulatory trading book

Market risks in the trading book

Market risk management model for the Trading Book

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

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

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

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

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

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

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

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

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

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

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

The model enables the production of diversified VaR metrics for the entire Montepaschi Group in order to get an integrated overview of all the effects of diversification that can be generated among the various banks on account of the specific joint positioning of the various business units.

Moreover, scenario and stress-test analyses are regularly conducted on various risk factors with different degrees of granularity across the entire tree structure of the Group's portfolios and for all categories of instruments analysed.

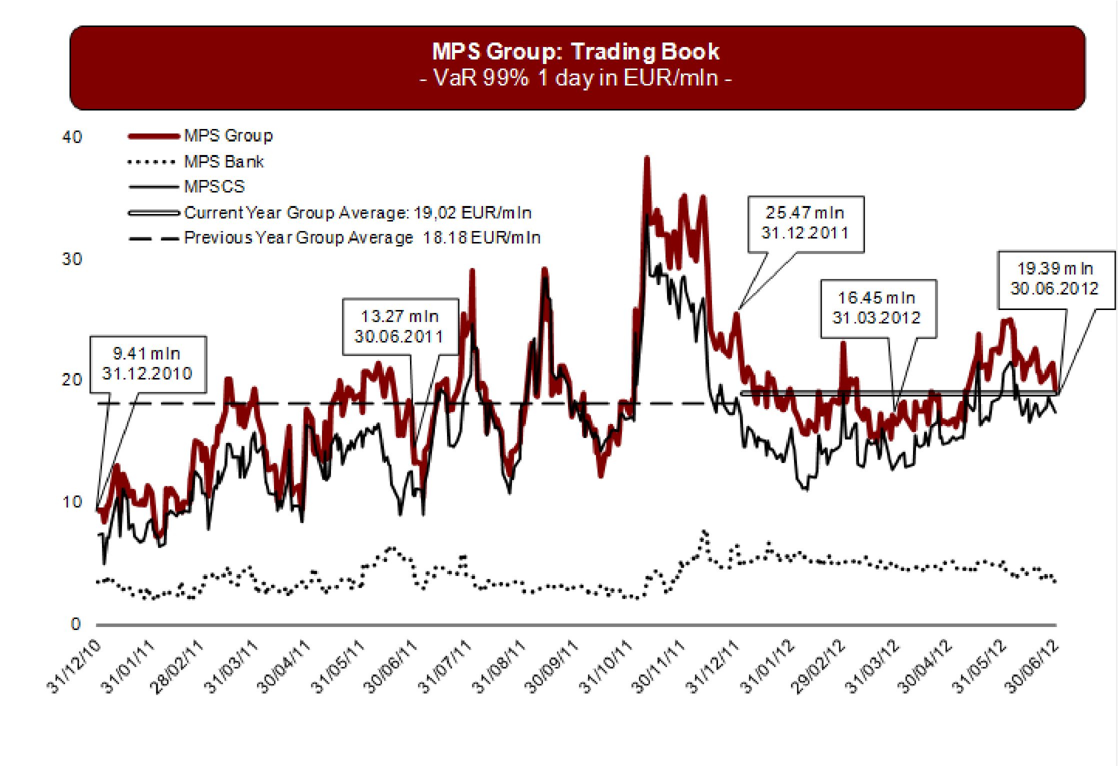
Stress tests are used to assess the Parent Company's capacity to absorb large potential losses in extreme market situations, so as to identify the measures necessary to reduce the risk profile and preserve assets.

Stress tests are developed on the basis of discretionary and 'lookback' scenarios. 'Lookback' scenarios are defined on the basis of previously-registered real situations of market disruption. Such scenarios are identified based on a timeframe in which risk factors were subjected to stress. No particular assumptions are required with regard to the correlation among risk factors: use is made of the historical data for the stress period identified.

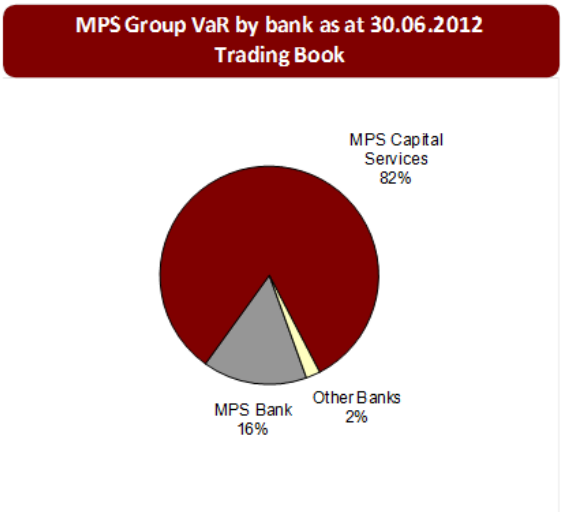
Stress tests based upon discretionary scenarios assume extreme changes occurring to certain market parameters (interest rates, exchange rates, stock indices, credit spreads and volatility) and measure the corresponding impact on the value of portfolios, regardless of their actual occurrence in the past. Simple discretionary scenarios are currently being developed (variation of a single risk factor) as are multiple ones (variation of several risk factors simultaneously). Simple discretionary scenarios are calibrated to independently deal with one category of risk factors at a time, assuming shocks do not spread to the other factors. Multiple discretionary scenarios, on the other hand, aim to assess the impact of global shocks that simultaneously affect all types of risk factors.

***

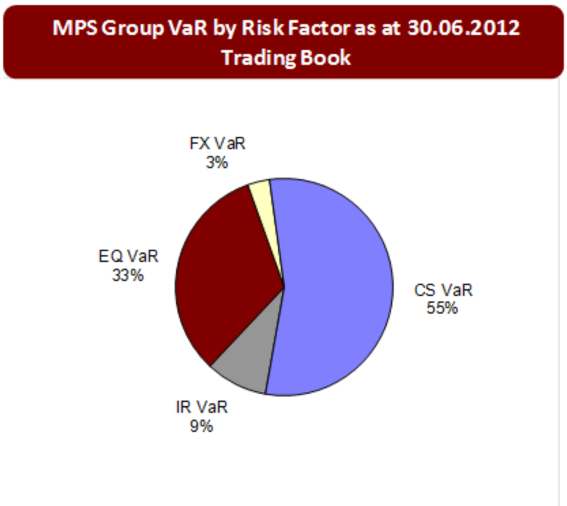
During the first quarter of 2012, market risk in the Group's Regulatory Trading Book in terms of VaR showed an overall downward trend, basically in line with levels registered in the last part of 2011, characterised by shrinking yields on Italian government bonds. As of the second half of March, the trend has reversed as a result of a market scenario characterised by a high level of volatility arising from new tensions on credit spreads in the Euro area and Italy's sovereign debt in particular. At the beginning of July, VaR neared 2012 highs and then returned to values closer to the annual average (EUR 19.02 mln). The trend is mainly reflective of trading in Italian government bonds by the subsidiary, MPSCS. The Group's VaR came to EUR 19.39 mln as at 30 June 2012.



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



As at the end of June 2012, MPSCS accounted for 82% of overall risk, the Parent Company contributed approx. 16% while the remaining 2% was attributable to the other banks



A breakdown of VaR by risk factors as at 30-06-2012 shows that 55% of the Group's portfolio was allocated to Credit Spread risk factors (CS VaR), 33% was absorbed by equity risk factors (EQ VaR), 9% was absorbed by interest rate risk factors (IR VaR) and the remaining 3% by foreign exchange risk factors (FX VaR).

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

	VaR	Date
End of Period	19,39	30/06/2012
Min	14,99	20/03/2012
Max	24,97	04/06/2012
Average	19,02	

During the first six months of the year, the Group's VaR ranged between a low of EUR 14.99 mln recorded on 20 March and a high of EUR 24.97 mln on 4 June. The Group's average VaR for the first half of 2012 was EUR 19.02 mln. The end-June 2012 figure was EUR 19.39 mln.

Qualitative Information

A. General

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

A.1 Interest rate risk

With reference specifically to the Parent Bank, the Finance, Treasury & Capital Management Area (FTCMA) within the CFO division has been the Business Area in charge of trading since May 2012. The Global Markets Division carries out trading activities for MPSCS.

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

In particular, the FTCMA operates in the short-term portion of the main interest rate curves, mostly through bonds and listed derivatives.

With regard to credit risk in the trading book, the equity positions are generally managed through the purchase or sale of bonds issued by companies and by creating synthetic positions in derivatives. The activity is oriented to achieving a long or short position on individual issuers, or a long or short exposure on specific commodities. The activity is carried out solely on the Bank's own behalf with objectives of absolute return and in compliance with other specific issuer and concentration risk limits approved by the Board of Directors.

A.2 Price risk

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

B. Interest rate and price risk: operational procedures and measurement methods

With regard to the market risk management process concerning the management and methods for measuring interest rate and price risk, see the above section entitled "Market risk management model for the trading book".

Quantitative Information

1. Regulatory trading book: breakdown of balance sheet assets/liabilities and financial derivatives by residual life (repricing date)

This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

2. Regulatory trading book: breakdown of exposures in equity instruments and stock indices by major countries of the listing market

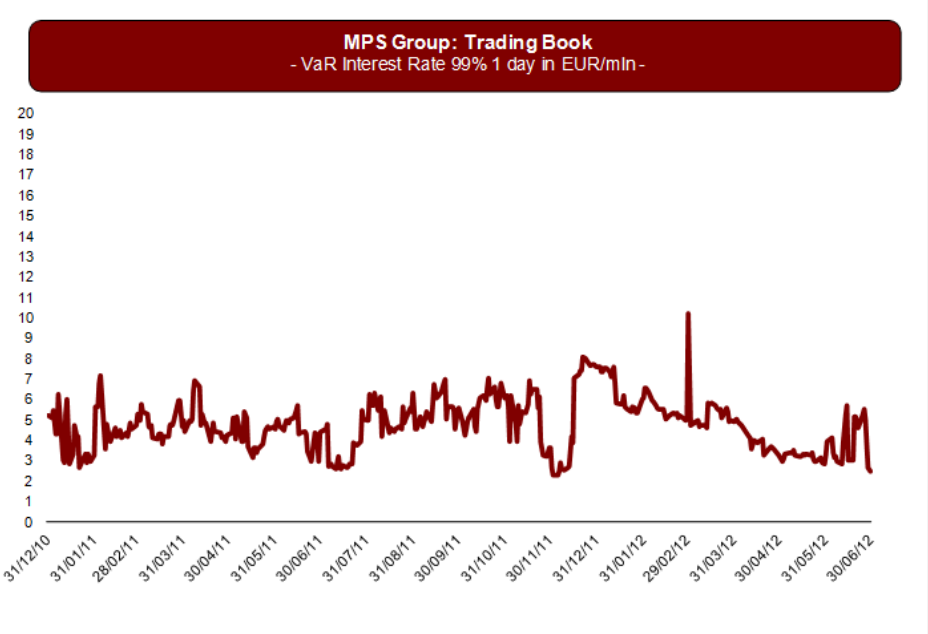
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

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

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

3.1 Interest rate risk

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



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

	VaR	Date
End of Period	2,48	30/06/2012
Min	2,48	30/06/2012
Max	10,21	01/03/2012
Average	4,80	

Simulations include four interest rate risk scenarios:

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

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

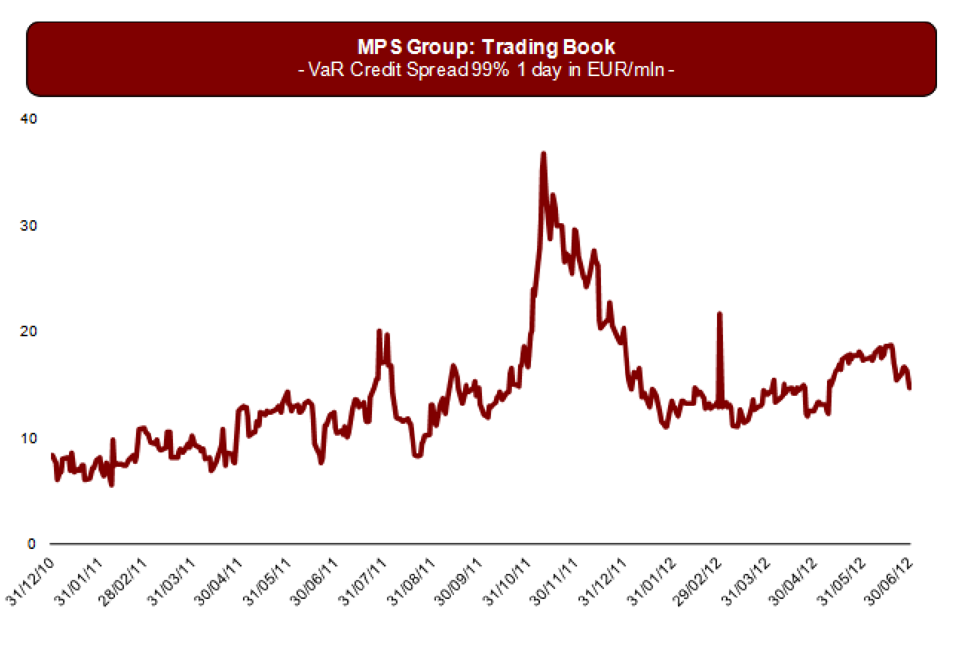
MPS Group: Trading Book

EUR/mln

Risk type	Scenario	Total Impact
Interest Rate	+100bp all Interest Rate Curves	-46,42
Interest Rate	-100bp all Interest Rate Curves	26,88
Interest Rate	+1% all Interest Rate Volatility	0,07

The asymmetry between the +100 bps and -100 bps scenarios is due to portfolios with non-linear rate positions, primarily short futures and cap&floor options.

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



The trend in Credit Spread VaR in the first six months of 2012 is connected with tensions on credit spreads in the Euro area and trading in Italy's sovereign debt portfolio by the subsidiary, MPS CS. At the end of June, the level of VaR returned to values closer to the annual average as a consequence of the afore-mentioned reduced exposure in Italian government bonds.

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

	VaR	Date
End of Period	14,79	30/06/2012
Min	11,10	12/03/2012
Max	21,67	01/03/2012
Average	14,61	

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

- +1 bp parallel shift for all credit spreads.

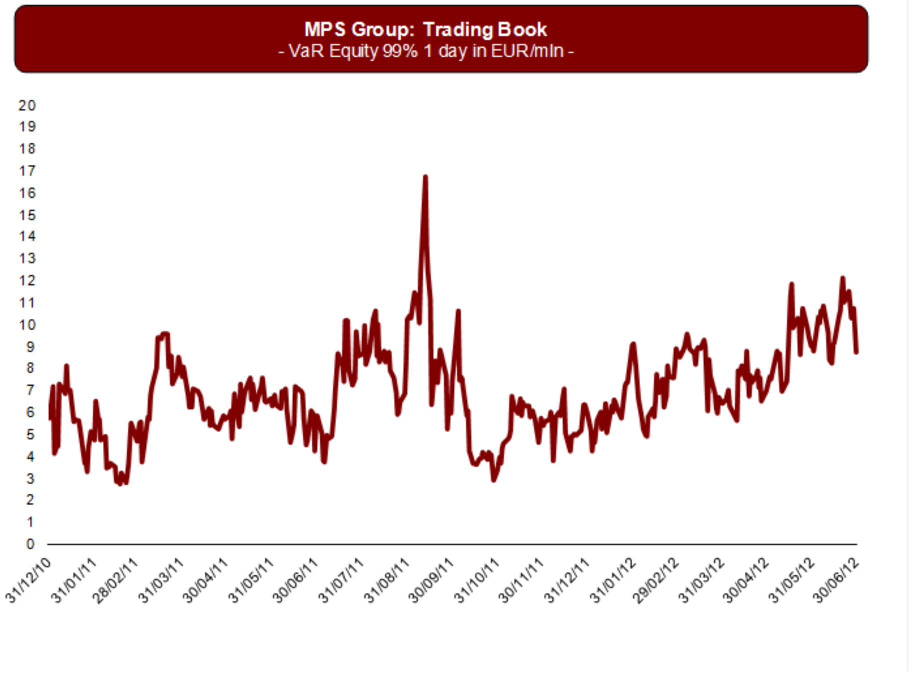
All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of scenario analyses.

Portafoglio di Negoziazione Gruppo Montepaschi
Valori in milioni di EUR

Risk Family	Scenario	Effetto totale
Credit Spread	+1bp su tutte le curve	-0,17

3.2 Price risk

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



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

	VaR	Date
End of Period	8,76	30/06/2012
Min	4,26	03/01/2012
Max	12,15	21/06/2012
Average	7,98	

There are three simulated price scenarios:

- +1% of each equity, commodity, index or basket price,
- -1% of each equity, commodity, index or basket price,
- +1% of all volatility surfaces of all equity and commodity risk factors.

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

MPS Group: Trading Book

EUR/mln

Risk type	Scenario	Total Impact
Equity	+1% Equity Prices (prices, indices, baskets)	1,91
Equity	-1% Equity Prices (prices, indices, baskets)	-1,72
Equity	+1% Equity Volatility	-0,57

2.2 Interest rate risk and price risk in the banking book

Qualitative Information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

A.1 Interest rate risk

In accordance with international best practices, the Banking Book refers to all business operations of the Parent Company in relation to the transformation of maturities of balance-sheet assets and liabilities, Treasury, foreign branches and hedging derivatives of reference. The definition of the scope of the Banking Book (in line with that for the regulatory book) and the ALM centralisation process are contained in a resolution by the Board of Directors of the Parent Bank - approved in September 2007 and updated in October 2009 - to adjust the overall framework to the changed corporate structure and develop the approach in compliance with the guidelines set forth in the regulatory provisions (Bank of Italy Circ. 263). The resolution sets the rules for the centralisation of Asset & Liability Management under the parent company's Finance, Treasury and Capital Management Area (FTCMA) and the definition and monitoring of operating limits against interest rate risk in the Montepaschi Group's Banking Book.

The operational and strategic choices for the Banking Book, adopted by the Finance Committee and monitored by the Risk Committee of the Parent Company, are based first on exposure to interest rate risk for a variation in the economic value of the assets and liabilities of the Banking Book by applying a parallel shift of 25bp, 100bp and 200bp, the latter in accordance with the requirements set out in the "second pillar" of Basel 2.

Risk metrics for the retail banks in the Montepaschi Group are calculated by using, among other things, a model for the valuation of demand items or core deposits, whose characteristics of stability and partial insensitivity to interest rate changes are described in the systems with a statistical/predictive model (replicating portfolio), which takes into consideration an extensive time series of past customer behaviours. In addition, the Montepaschi Group's ALM model includes within rate risk measurements, a behavioural model which takes into account the aspect of mortgage advance repayment (a.k.a. prepayment risk). The Montepaschi Group is committed to the continual updating of risk measurement methodologies by gradually fine-tuning the estimation models so as to include all major factors that progressively modify the interest rate risk profile of the banking book.

Notably, throughout the first half of 2012, the Group continued to carefully monitor its risk profile characteristics particularly in the light of the existing contractual options, operating practices adopted and behavioural patterns in use, all of which make the risk profile more dependent on market performance, interest rates and their volatility.

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

- a quantitative model, which provides the basis for calculation of risk indicators for the interest rate risk exposure of the Group and Group companies/entities;
- risk monitoring processes, aimed at an ongoing verification of compliance with the operational limits assigned to the overall Group and the individual business units;
- risk control and management processes, geared toward bringing about adequate initiatives for optimising the risk profile and activating any corrective actions required.

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

- definition of the policies for managing the Group Banking Book and controlling its interest rate risk;
- coordination of Group policies' implementation by the companies included in the scope;
- governance of the Group's short-, medium- and long-term rate risk position, both overall and at individual company level, through centralised operational management.

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

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

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

Specifically, within this Area, the Group Treasury Service manages the short-term rate risk and liquidity risk for the Group. In particular, the ALM & Capital Management Service manages structural rate risk and maturity transformation risk (structural liquidity) for the Group. In addition, the Area carries out hedge monitoring and management activities consistently with accounting policies, involving comprehensive oversight for definition of the internal rates of the "network" (BMPS and other Group companies) for Euro and foreign currency transactions with maturities beyond the short term, proposing economic terms and conditions for accessing funds by Group companies to the Finance Committee. It also manages the Group's funding needs, proposing new bond issues and centralising the administrative tasks for Group bond issuances.

The Montepaschi Group, and within it therefore Banca MPS, manages interest rate risk by portfolios. Hedging derivatives are underwritten within the Group with MPSCS, which in turn manages the overall exposure to the market by aggregation. This approach does not provide for a direct relationship to be maintained between the underwritten derivative of each individual Group company and the market.

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

Portfolios and asset classes exist for which the use of the Fair Value Option increases the complexity in the management or in the assessment of the items, (in particular when Asset items are hedged). Should such a case occur, the Montepaschi Group and, by extension Banca MPS, adopts formal IAS-compliant hedging relationships.

In particular, the main types of IAS-compliant hedging are as follows:

- Micro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans classified as Loans and Receivables) and securities;
- Macro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans classified as Loans and Receivables);
- Micro Cash Flow Hedges: hedging of a limited portion of floating-rate deposits.

A.2 Price risk

The price risk in the MPS Group's Banking Book is measured in relation to equity positions mostly held for strategic or institutional/instrumental purposes. For such purposes, the portfolio is primarily made up of equity investments, alternative funds (hedge funds), AFS securities and, to a smaller extent, derivatives.

The MPS Group equity investment portfolio includes approximately 260 investments in companies outside the Group, with approximately 70% of the amount being concentrated in 8 investments. The unit value of the remaining investments is rather limited (approximately 200 equity investments, in fact, are valued at less than EUR 1 mln, accounting for 2% of the overall book). There are approximately 20 equity investments relative to MPSCS banking book; these account for 3% of the overall banking book value.

Trading in UCITs is carried out exclusively through the direct purchase of the funds/SICAVs, with no use being made of derivative contracts.

Quantitative Information

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

This table has not been prepared since an analysis of the banking book's sensitivity to interest-rate risk and price risk is produced based on internal models.

2.2.2 Banking book: internal models and other sensitivity analysis methods

2.1 Interest rate risk

The sensitivity of the Montepaschi Group, at the end of June 2012, was indicative of exposure to rate hike risk. As at the end of June 2012, the amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to - EUR 853.54 mln (968.51 EUR/mln for a shift of -100bp). However, if benchmarked against the Regulatory Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

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

2.2 Price risk

The instrument used to measure the price risk of the equity investments portfolio is Value-at-Risk (VaR), which represents the loss that the portfolio in question, valued at Fair Value, could experience in the timeframe of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (unlike the one used for the Trading Book) is a simulation model which uses the Monte Carlo approach, based on series of market yields for listed companies and time series of sector-based indices for unlisted ones. It is noted that the portfolio taken into consideration by the analyses includes all the equity investments held by all companies in the Montepaschi Group in external companies, or in companies that are not consolidated in their entirety or proportionately. The VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 23% of the portfolio Fair Value, with risk concentrated in the 8 most significant investments.

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

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

With reference to the alternative funds component, the internal measurement system uses one of the metrics from the Supervisory approach for the determination of the Economic Capital.

Additionally, shown below is a scenario analysis which includes all equity investments, hedge funds and other management-related positions assumed, based on instructions by the Board of Directors or including those that operationally fall under the Banking Book of the Parent Bank's Finance, Treasury and Capital Management Area (e.g. AFS securities) and which are not included in the previously-reported scenario analyses for price risk in the Trading Book.

MPS Group: Banking Book

EUR/mln

Risk type	Scenario	Total Impact
Equity	+1% Equity Prices (prices, indices, baskets)	23,58
Equity	-1% Equity Prices (prices, indices, baskets)	-23,58
Equity	+1% Equity Volatility	0,00

The impact of the equity investments portfolio on the scenario analysis total is approximately 50%.

2.3 Foreign exchange risk

Qualitative Information

A. Exchange rate risk: general information, operational processes and measurement methods.

Hedging of exchange rate risk

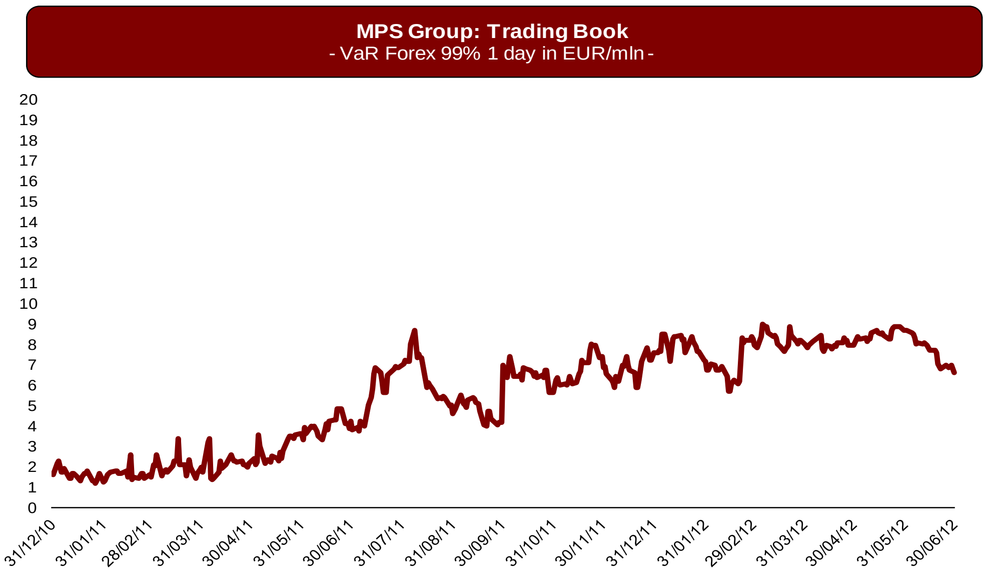
Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the retail banks which automatically feeds into the Group's position.

Trading is mainly carried out by the Group Treasury Service of the Finance, Treasury & Capital Management Area of the Parent Company; trading in the FX options segment is carried out by MPSCS, with active management of foreign exchange risk. The foreign branches of BMPS retained modest forex positions exclusively originated by funds available for commercial purposes. In terms of risk, the notable turnover on cash and OTC derivatives in the Group's portfolios remained in a straight line with ongoing and careful use of delegated powers. Foreign currency equity investments are typically financed by funds raised, denominated in the same currency, with no foreign exchange risk involved.

Quantitative Information

2.3.1 Internal models and other methodologies for sensitivity analysis

Exchange risk is monitored in terms of VaR and scenario analysis (for the methodology see Section "Market Risk Management Model for the Trading Book"). Shown below is information relative to the Group's diversified Forex VaR.



MPS Group

VaR Forex 99% 1 day in EUR/mln

	VaR	Date
End of Period	6,60	30/06/2012
Min	5,67	14/02/2012
Max	8,97	06/03/2012
Average	7,88	

The following scenarios were used for foreign exchange rate simulations:

- +1% for all foreign exchange rates with respect to the Euro,
- -1% for all foreign exchange rates with respect to the Euro,
- +1% for all volatility surfaces of all foreign exchange rates.

The impact on total banking income and profit/loss for the year was estimated taking account only of HFT positions, which post Market Value changes directly to Profit and Loss. The effect on equity, instead, is estimated with reference to all positions classified as AFS and related Fair Value Hedges (FVH). The total effect is the result of the algebraic sum of the two components. Below is a summary of the scenario analyses.

MPS Group

EUR/mln

Risk type	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Total Impact**
Forex	+1% Exchange rate against EUR	-0,51	-0,05	**-0,56**
Forex	-1% Exchange rate against EUR	0,90	0,05	**0,95**
Forex	+1% Forex Volatility	0,10	0,00	**0,10**

Section 3 – Liquidity risk

Qualitative Information

A. Liquidity risk: general information, operational processes and measurement methods

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.

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

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

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

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

The overall structural liquidity profile is monitored by quantifying the mismatches of cash flows coming due, by maturity date. Items of an optional nature have representative models consistent with those used for interest rate risk.

Planning of a Group-wide funding policy (Funding Plan) is coordinated and steered by the Finance, Treasury and Capital Management Area (in cooperation with the Planning Area), which:

- submits the plan of the initiatives to be taken in the financial markets to the Finance Committee for approval, with a view to achieving the objectives set by the business plan and in accordance with capital management requirements;
- coordinates access to domestic and International long- and short-term capital markets for all the banks belonging to the Group, as well as access to the European Central Bank re-financing transactions and centralised management of statutory reserves;
- makes projections on future liquidity on the basis of different market scenarios.

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

Section 4 – Operational risk

Qualitative Information

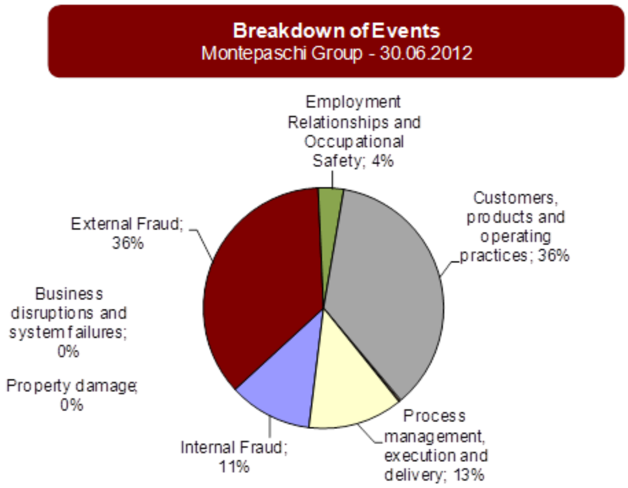
A. Operational risk: general information, operational processes and measurement methods

General information and Framework structure

On 6 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 18.3 mln.

Quantitative Information

The percentage breakdown of operational losses recognised in the first half of 2012 for a total of EUR 50.8 mln is reported below, divided into various risk classes.



With respect to the same period in 2011, a significant reduction was registered in the number of operational risk events, primarily as a result of a reduction in payment card fraud events. The positive trend observed in previous years particularly in Losses arising from non-fulfilment of professional obligations with customers was confirmed for the period.

A comparison with the first quarter of 2012 shows that, even though a reduction was observed in operational risk events, overall losses were up from EUR 19.2 mln to 29.8 mln, as a result of one single high-amount event. Net of this event, no significant changes are reported as compared to the previous period.

The events with the greatest impact on the profit and loss statement are attributable to “non-fulfilment of professional obligations with customers” (36% of total losses) and "external fraud" (36% of total).

With regard to "non-fulfilment of professional obligations with customers", the risk is primarily associated with consumer litigation on the following issues:

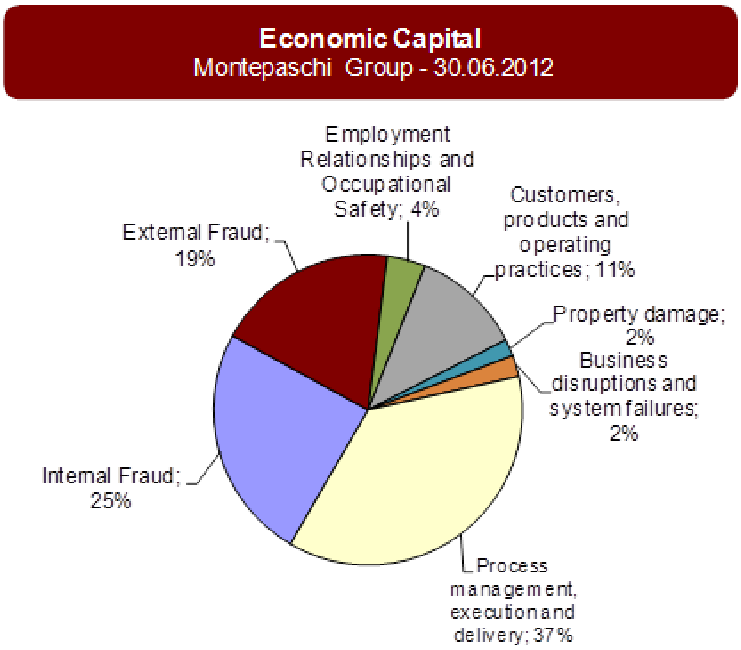
1. application of compound interest;
2. selling of Argentinian, Parmalat, Cirio bonds and For you and My way Financial Plans.

It follows that a large part of the operational risk events have a date of occurrence prior to 2003, but still have accounting effects on the 2011 and 2012 financial years.

As far as "External fraud" is concerned, 44% of the impact is attributable to one single event of fraud in loan disbursement. Net of this case, the events with the greatest impact include:

- fraud in loan disbursement (through submission of false or forged documents during the loan granting process, including by intermediaries; 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.

The following graph reports the breakdown of the AMA-share of the Economic Capital (totalling EUR 728.3 mln) by risk class; an additional EUR 27.5 mln from the standardised approach should be added to the amount, for a total of approx. EUR 755.8 mln.



The breakdown of losses recognised in the half-year 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 compared to the first quarter of 2012, the overall Economic Capital decreased as a result of both the afore-mentioned roll-out of Biverbanca and a reduction in internal and external fraud.

Main types of legal action

The lawsuits brought against the Monte Paschi Group can, for the most part, be grouped into sub-categories, individually characterised by a common denominator consisting in alleged vulnerabilities in products, operations, services or relationships for which or in which the Bank acted as a disbursement or placement entity.

The main sub-categories refer to claims regarding:

1. compound interest;
2. placement of bonds issued by countries or companies later in default and placement of financial plans.

These subcategories account for the largest share of total loss from legal actions. In dealing with these cases, the Group continues to pursue dispute settlement solutions.

Major pending cases

Civil lawsuit brought before the Court of Milan

The action, taken by the Extraordinary Administrators of a company against the former directors, auditors and (direct and indirect) shareholders of the same company (including Banca MPS), seeks the assessment of liabilities for damages, not yet quantified, allegedly caused by the appearing parties to the company.

The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Parent Company and other appearing parties are concerned, pivot around the company's demerger in 2003.

The case is still in the initial phase.

Civil lawsuit brought before the Court of Florence

The lawsuit concerns a claim for compensation for alleged damages due to contractual liability, brought by the plaintiff against the Parent Bank jointly with other credit institutions. The case is under preliminary investigation by the Court of First instance.

Civil lawsuit brought before the Court of Salerno

This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The case is under preliminary investigation by the Court of First instance.

Civil lawsuit brought before the Court of Milan

This lawsuit, where BMPS is sued together with other persons assumed to be jointly liable for the damage caused by participation in a turnaround plan, ensues from a lawsuit brought against a defendant in bankruptcy proceedings involving companies in which today's plaintiff used to be a member of the Board of Directors. A first-instance ruling by the Court rejected the claims by the plaintiff against the Parent Company.

Actions brought by trustees in bankruptcy of plaintiff companies.

In 1999, the Trustee of the plaintiff companies in question brought several cases against both B.N.A. (later Antonveneta, now BMPS), and against BMPS, aimed at obtaining compensation for damages due to the alleged wrongful granting of credit, quantified in an amount equal to the non-bank receivables proved as debts in bankruptcy. These claims were rejected due to the trustee's lack of legal standing, i.e. the proceedings ascertained his waiver of continuing with the action. At the same time, the Trustee of the same companies also filed clawback actions pursuant to Art. 67 of the Bankruptcy Act concerning remittances for settlement. These disputes underwent complex proceedings in relation to some pre-trial matters and are currently at different stages of development. In particular, to date, the cases relative to the positions against B.N.A. and BMPS, after the respective decisions by the Court of Cassation, are being resumed or are pending resumption before the Court of Appeal of Bari.

Civil lawsuit brought before the Court of Reggio Emilia.

This lawsuit sees BMPS sued together with other parties by multiple plaintiffs. The plaintiff companies and their directors took legal action to obtain compensation for damages allegedly due to the irregular and wrongful management of the application for credit they submitted to the Bank, which is assumed to have caused the companies' insolvency. The case is under preliminary investigation by the Court of First instance.

Civil lawsuit brought before the Court of Pescara.

This lawsuit sees the Parent Company and the banking industry sued together with other parties by multiple plaintiffs to obtain compensation for damages ensuing from the alleged misbehaviour of the Parent Company, which is assumed to have favoured certain guarantee-pledging shareholders to the detriment of others. The case is under preliminary investigation by the Court of First instance.

Lawsuits brought by the Extraordinary Administration of plaintiff companies before the Court of Ancona

These bankruptcy clawback lawsuits were filed principally pursuant to art. 67, paragraph 1 no. 2 of the Bankruptcy Law and, subordinately, pursuant to art. 67 paragraph 2 of the Bankruptcy Law for current account movements in connection with portfolio divestment transactions.

The cases are under preliminary investigation by the Court of First instance.

Civil lawsuit brought before the Court of Rome.

This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of foreign-currency advanced receivables transactions. The case is under preliminary investigation by the Court of First instance.

Action for liability against the directors and statutory auditors of a Credit Institution merged by BMPS.

This case formerly brought by the plaintiff and then continued by BMPS as the merging bank, refers to an action for liability against former directors and statutory auditors of the plaintiff bank. A settlement agreement was reached with some of the appearing parties. One of the parties being deceased, the Court has interrupted the proceedings.

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 tax return of the year concerned 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 2011 on 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.

Financial risks of investment services

Foreword

The following section on financial risks of investment services was written as part of "Section 4 – Operational Risk" in line with the compulsory framework for preparation of the Notes to the Financial Statements, even though this subject presents specific characteristics and involves organisational levels of authority that are not directly traceable to operational risk management.

Wealth risk management process and methods

The term "investment services" refers to operations with customers in the area of placement services; order execution, receipt and transmission; proprietary trading; portfolio management; investment advice.

The risks associated with investment services are directly or indirectly reflective of the risks incurred by customers. Therefore, the control of these risks is particularly aimed at achieving the twofold objective of protecting customers and preventing any potential repercussions on the Group in terms of operational and reputational risk.

Organisationally, the MPS Group opted for a centralised model which identifies under "wealth risk management" the overall set of activities for the management of risks inherent in investment services.

Within the Parent Bank, the organisational responsibility for overseeing Group-wide measurement, monitoring and control activities relative to the financial risks inherent in investment products/services is an integral part of the scope of responsibility of Group integrated Risk Management. This is to ensure an efficient centralised governance of the direct and indirect risks which the Group incurs during the course of its operations. Within the Risk Management Area, this task is allocated to the Wealth Risk Management service.

"Wealth risk management" focuses on the overall set of operational and management processes as well as measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and the risk of investment services/products offered to –or in any case held by– customers.

All investment products (both Group and third-party), included in the catalogue of products offered to Group customers are subject, within a codified development/distribution supply-chain management process, to a specific multivariate quali-quantitative risk assessment, including market, credit and liquidity risk factors. The same quantitative assessment is also made for financial instruments purchased directly by customers and managed in portfolios under custody.

The risk assessments are pegged to specific risk classes identified with explanatory keys, which are available to customers in information brochures regarding securities placed and which therefore represent one of the guiding criteria on the basis of which the verifications of appropriateness and compliance provided for by the European MiFID regulations and by Consob Regulation 16190 are made.

Group customers are also regularly informed over time about changes in the risk of the financial instruments they hold, so as to ensure the necessary informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of investments held.

The activities described cover the entire scope of the MPS Group (Banca MPS, Banca Antonveneta and Biverbanca, in addition to MPS Capital Services for the role it plays in the supply-chain process).

The Wealth Risk Management function also monitors the list of highest-risk issuers/entities (a.k.a Money Laundering List or MLR) with the objective of identifying companies undergoing a temporary critical phase, associated primarily with specific macroeconomic, corporate and/or sector-related situations or by a lack of sufficient market information. Inclusion in the MLR list makes the financial instruments issued by these issuers/entities inappropriate and impossible to be offered on an advisory basis.

Customer risk profile: suitability and risk of investment products

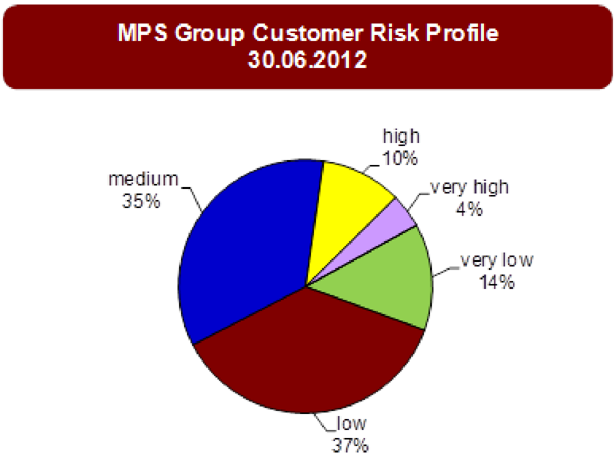
The wealth risk management function is mandated to set out and monitor role descriptions concerning appropriateness and suitability analyses for trading in individual financial instruments and investment portfolios through the "advanced" advice platform.

In particular, the wealth management function supervises both the operating practices used to measure the information collected through the MiFID questionnaire from the customer account (i.e. customer's knowledge and expertise, investment objectives, time horizon and financial situation) against the risk of the product/portfolio the customer is purchasing, in order to determine the appropriateness/suitability of transactions.

The Group's strategic choice was to combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enrich the role played by relationship managers.

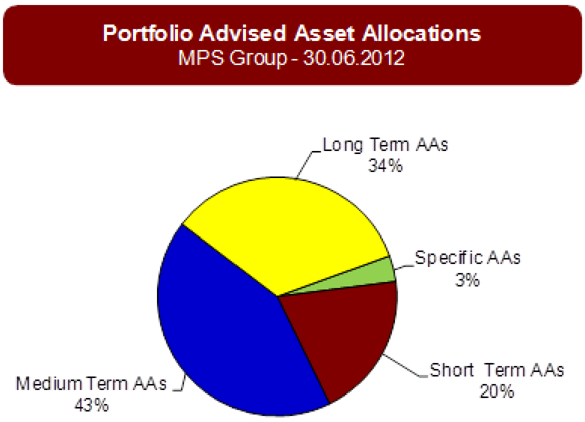
Two types of advisory service are offered by the Bank: 'transactional advisory' aimed at verifying the suitability of individual investment transactions and 'advanced portfolio advisory' aimed at verifying the suitability of a set of transactions making up the investment portfolio of a customer.

The results of questionnaires collected as of the MiFID effective date (2 November 2007) reveal that Group customers are very conservative when it comes to financial investments. Group's customers whose profiles were entered through the questionnaire have long shown a substantially risk-averting propensity.



In line with investors' risk profile, Group offerings showed a substantially similar risk breakdown, with the focus being on lower-risk classes.

Portfolios held by Group customers on the basis of formalised advisory proposals are almost equally broken down into the three recommended forms of short-, medium- and long-term Asset Allocation (AA) classes, with a minimum percentage of assets allocated over specific time horizons.



The financial crisis and its impact on customers' investment risk

As of the second half of 2011, the economic-financial crisis has had an impact particularly in terms of sovereign debt risk of some countries in the Euroarea and, consequently, their banking institutions, generating significant systemic effects in the most exposed countries. The crisis has inevitably involved customer investments, affecting the risk propensity of investors and impacting particularly on the risk level of their investments.

Since then, market tensions have concentrated mainly on credit risk, with significant increases in price levels and volatility of CDSs on Italian government bonds and their related spreads compared to the German benchmark and, consequently, of bonds issued on the domestic banking market, including by Banca MPS. At the same time, downgrades of Italy's sovereign debt and domestic banking institutions were progressively decided upon by the international ratings agencies.

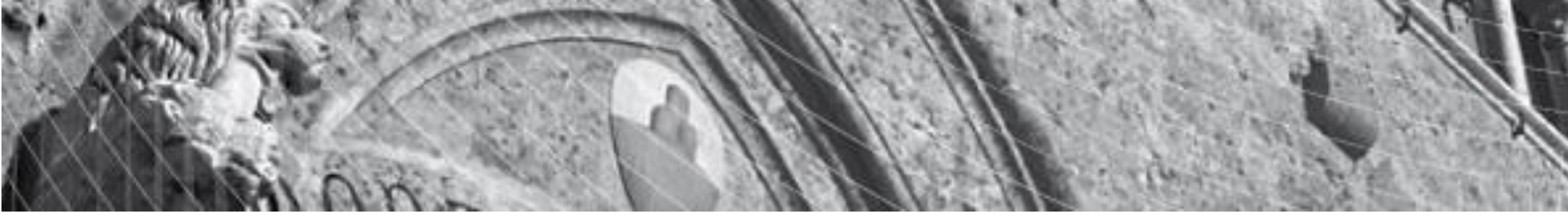
In the first half of the year, markets continued to show a high level of overall volatility in risk factors. This has inevitably had an impact on the risk of customer-held products -which saw consequent gradual increases in risk levels- and on the appropriateness and suitability assessment of new investments.

Risk shifts in the overall set of products invested in by customers continue to be the subject of regular, periodic reporting. with a view to ensuring the necessary disclosure transparency to customers, in support of informed investment behaviours.

Particular focus is given by the Bank to the monitoring and prevention of potential reputational risks which, in a phase of acute financial crisis, may be generated by the supply of investment services as a result of increased market volatility, potential fast-changing product risks, potential financial losses incurred, need for a more frequent review of business plans, complexity of having the risk profiles updated more frequently for those customers who tend to change their approaches to financial investments.

Identification and monitoring of these risks through dedicated management reports for the Top Management and the use of specific key risk indicators lays the foundation for the prevention of reputational events and, at the same time, favours a culture of pro-active and informed risk management that goes beyond mere mitigation and prudential provisioning.

The organisational decision to centralise within the Parent Company's Risk Management Function the overall control and governance of both operational and reputational risks, together with risks inherent in investment services/products, is therefore aimed at encouraging awareness and promoting an integrated management of the processes which may potentially generate reputational risks for the Group.



Part F – Consolidated shareholders' equity

Section 1 – Consolidated shareholders' equity

Capital Management involves all the policies and choices necessary to define the amount of capital and the optimum combination between different alternative equity instruments, so as to ensure that the amount of capital and the correlated ratios are consistent with the risk profile assumed and compliant with regulatory requirements. From this standpoint, group-wide capital management has become increasingly more fundamental and strategic, in consideration of the fact that the quality and sizing of capital resources of Group companies are defined within the Group's more general objectives.

The Group is subject to the capital adequacy requirements set out by the Basel Committee in accordance with the rules defined by the Bank of Italy ("New prudential supervisory instructions for banks," 11th update of Circular 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 14th update of Circular No. 155/91). In Circular no. 263, the Bank of Italy underlines that supervisory instructions are primarily for consolidated reports; based on these rules, the ratio between regulatory capital and risk weighted assets must be at least 8% on a consolidated level. Compliance with the requirement on a consolidated basis is verified every three months by the Bank of Italy.

Along with abidance by mandatory minimum capital requirements ("Pillar One"), regulations require the use of internal methodologies intended for determining the Group's current and future capital adequacy ("Pillar Two"), which thus takes on a wider-scope connotation aimed at the overall verification of capital needs and sources actually available, in line with the Bank's strategy and growth objectives.

To ensure the ongoing and effective assessment of capital adequacy, the Group's Capital Adequacy function plays a direct role of coordination.

B. Quantitative information

Consolidated equity as at 30 June 2012 amounted to EUR 10,080.1 mln; for developments with respect to 31 December 2011, please refer to the consolidated statement of changes in equity as at 30 June 2012.

B.1 Consolidated equity: breakdown by business areas

30 06 2012

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	7,534,613	295,017	274,914	(569,931)	7,534,613
Share premium	268,500	-	119,301	(119,301)	268,500
Reserves	5,004,089	292,433	382	(292,815)	5,004,089
Equity instruments	1,903,002	-	-	-	1,903,002
Treasury shares (-)	(24,650)	-	-	-	(24,650)
Valuation reserves	(3,220,615)	10,371	5,458	(15,829)	(3,220,615)
- Financial assets available for sale	(3,055,555)	-	-	-	(3,055,555)
- Property, plants and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(262,895)	-	-	-	(262,895)
- Exchange difference	(69)	-	(202)	202	(69)
- Non-current assets held for sale	34,453	-	-	-	34,453
- Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
- Share of valuation reserves of equity investments valued at equity	5,535	6,485	(950)	(5,535)	5,535
- Special revaluation law s	57,916	3,886	6,610	(10,496)	57,916
Profit (loss) for the year - Group and non comtrilliobg interests	(1,612,760)	36,556	8,661	(45,217)	(1,612,760)
Net equity	**9,852,179**	**634,377**	**408,716**	**(1,043,093)**	**9,852,179**

Section 2 – Regulatory capital and ratios

2.1 The regulatory framework – scope of application

Regulatory capital is determined based on supervisory instructions issued by the Bank of Italy ("New Regulations for the Prudential Supervision of Banks", update no. 11 of Circular no. 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 14th update of Circular No. 155/91).

The "New Regulations for the Prudential Supervision of Banks" allow banks and banking groups –upon prior authorisation by the Bank of Italy– to determine capital requirements by adopting internal measurement models.

In June 2008, the Montepaschi Group was authorised to use advanced internal rating-based (AIRB) approaches for the determination of capital requirements for credit risk in relation to retail and corporate portfolios and Advanced Measurement Approaches (AMA) for operational risks.

2.2 Regulatory capital

A. Qualitative Information

Regulatory capital differs from net accounting equity as determined on the basis of IAS/IFRS international accounting principles, since Supervisory regulations are aimed at safeguarding capital quality and reducing potential volatility induced by the application of the IAS/IFRS principles.

The items that make up regulatory capital must therefore be fully available to the Group, so they may be used without limitation to hedge risks and corporate losses. These components need to be stable and their amount is cleared of any tax charges.

Regulatory capital is made up of core capital and supplementary capital. Both core (Tier 1) and supplementary (Tier 2) capital are determined by the algebraic sum of their positive and negative items, upon prior consideration of the so-called "prudential filters". This expression is understood as all those positive and negative items adjusting regulatory capital, introduced by supervisory authorities with the express purpose of reducing potential capital volatility. The deductible items, determined as will be explained below, must be deducted from core and supplementary capital (50% from Tier 1 and 50% from Tier 2).

The following table illustrates the constituents of Tier 1 and Tier 2, with a focus on the Group's most relevant aspects.

With regard to Tier 1, its positive items include paid up capital, share premium, profit and capital reserves, innovative and non-innovative capital instruments and retained earnings; added to these items are the positive prudential filters represented by the issuance of "Tremonti bonds". In fact, the Parent Company has joined the initiative put in place by the Ministry of Economy and Finance, aimed at ensuring an adequate flow of financing to the economy and an adequate level of capitalisation to the banking system. Pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, transposed, as amended, into Law no. 2 of 28 January 2009 ("Legislative Decree No. 185"), on 30 December 2009 the Parent Company issued "Convertible financial instruments" ("Tremonti bonds") subscribed by the Ministry of Economy and Finance (MEF). The process for the issuance of the Tremonti bonds involved the Group in a number of activities aimed at fulfilling the commitments undertaken upon signing of a "Memorandum of Understanding." In short, by signing the Memorandum of Understanding the Parent Company undertook to:

- make EUR 10 bln in financial resources available to small- and mid-sized companies over the next three years;
- start up activities in support of small- and mid-sized enterprises and families through specific products (new or existing);
- have a code of ethics governing the compensation of corporate top managers and market traders;
- provide adequate disclosure among its customers of the initiatives undertaken to implement the commitments signed.

The negative items in Tier 1, on the other hand, include treasury shares in the portfolio, intangible assets (including goodwill), any losses posted in previous periods and in the current one, and the net negative balance of the reserves for AFS assets. As far as regulatory capital treatment of AFS reserves is concerned, 'early offset' of balances applies, calculated net of tax where applicable, from reserves for debt securities on the one hand and reserves for equity securities and units in UCITS on the other. Each of the two net balances calculated as above is in fact fully deducted, if negative, from Tier 1, whereas it is 50% included, if positive, in Tier 2. This 'asymmetric' treatment was the only approach applicable by Italian banks to AFS reserves until 2009. In 2010, the Bank of Italy with the regulation "Prudential filters for regulatory capital" set forth on 18 May 2010, introduced - in exclusive respect of debt securities issued by EU central governments- the possibility to opt for the alternative approach (so-called 'symmetrical' treatment) provided for by CEBS in its guidelines which includes full neutralisation of AFS reserves for regulatory capital purposes. The possibility for Italian banks to opt for the symmetrical approach entails 'sterilisation' of the impact of negative and positive AFS reserves built up as of 2010 for debt securities issued by EU central governments. The Montepaschi Group opted for 'symmetrical' treatment.

It should be noted that the negative prudential filters related to the MPS Group's Tier 1 include the net accrued capital gain (write-down of liabilities), after tax, relative to hybrid capital instruments and subordinated debt issued by the Group, classified among financial liabilities designated at fair value and accounted for in Tier 2.
Overall Tier 1 is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, the criteria for the determination of which is indicated below:

- equity investments and other items (innovative capital instruments, hybrid equity instruments and subordinate debt) issued by banks and financial corporations not fully or proportionately consolidated are deducted 50% from Tier 1 and 50% from Tier 2. The regulations previously in force provided, instead, for deduction of the aggregate from the sum of Tier 1 and Tier 2 capital;
- the use of internal models for the determination of capital requirements in view of credit risks entails allocating to regulatory capital the difference between expected loss and net impairment losses; if expected loss exceeds net impairment losses, the difference is deducted 50% from Tier 1 and 50% from Tier 2 capital; if the expected loss is lower than net impairment losses, the difference is included in Tier 2 within the limit of 0.6% of credit risk weighted assets;
- equity investments held in insurance companies and subordinated debt issued by such companies are deducted 50% from Tier 1 and 50% from Tier 2 if they were acquired after 20/07/2006; on the other hand, if they were acquired prior to that date, they continue to be deducted from the sum of core and supplementary capital until 31/12/2012.

As far as supplementary (Tier 2) capital is concerned, the positive items it is made up of include valuation reserves, hybrid capital instruments, subordinated debt and the positive net balance of reserves for AFS assets. Negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserves included among the positive items of supplementary capital; in fact, these reserves are included for up to 50% in supplementary capital.

The overall supplementary capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, determined according to the criteria described above.

As far as prudential filters are concerned, the following is also worth mentioning:

- profits and losses not realised on cash flow hedges, recognised in a dedicated equity reserve, are not included in regulatory capital;
- as for fair-value-option liabilities of natural hedges, both capital gains and capital losses recorded in profit and loss and not realised, are fully relevant except for the component arising from changes in creditworthiness;
- the equity investment in the Bank of Italy is not considered for the purpose of quantifying capital. As a consequence, the respective capital gain deriving from valuation at fair value is not computed in the reserves for AFS instruments.

The following tables report the main contractual features of innovative and non-innovative instruments which are included in Tier 1 capital, together with capital and reserves, as well as the hybrid capital instruments and subordinated debt which are included in Tier 2.

1. Tier 1

The following table reports the main characteristics of instruments included in Tier 1.

30 06 2012

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR/000)
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid)	Euribor 3m + 88 bps.	NO	30/12/2003	N.A.	(a)	EUR	700,000,000	28,622
Capital Preferred Securities I^ tranche (*)	Euribor 3m + 630 bps.	YES	21/12/2000	N.A.	(b)	EUR	80,000,000	79,432
Capital Preferred Securities II^ tranche (*)	Euribor 3m + 630 bps.	YES	27/06/2001	N.A.	(b)	EUR	220,000,000	218,815
Preferred Capital I LLC (*)	Euribor 3m + 630 bps.	YES	07/02/2001	N.A.	(c)	EUR	350,000,000	348,114
"Tremonti bond"	8,50%	YES	30/12/2009	N.A.	(d)	EUR	1,900,000,000	1,900,000
Total Preference share and equity instruments (Tier I)								**2,574,983**

* These instruments were partly exchanged for fixed rate senior notes as part of a more comprehensive exchange offer targeting nine series of subordinated securities. The invitation to submit offers was announced on 27/06/2012 and the invitation period expired on 5/07/2012; EUR 1,007.5 mln in aggregate nominal amount was offered for exchange out of EUR 3,277.8 mln under the Invitation for Offer (equal to 30.74%).

- The innovative capital instruments F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid notes) issued by the vehicle "MPS Preferred Capital II LLC", for an original nominal value of € 700 mln, are perpetual instruments and as such contain no redemption or step-up clauses but are convertible into shares. In September of each year from 2004 through 2009 and however, at any time effective as of 1 September 2010, the instruments are convertible upon the investor's initiative. In addition, an automatic conversion clause is provided for should the reference price of the ordinary shares exceed a set amount after the seventh year from date of issue. For the portion still outstanding, it is noted that payment is non-cumulative, with an option for it not to be paid if, in the prior year, the Bank did not register any distributable profits and/or did not pay any dividends to its shareholders. Any unpaid consideration shall be considered as forfeited. The rights of note holders are guaranteed on a subordinated basis. In the event of liquidation of the Parent Bank, the rights of the investors will be subordinated to all of the Parent Bank's creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Parent Bank's shareholders. In virtue of these characteristics, these instruments are eligible for inclusion in core Tier1. Within the overall structure, a limited liability company and a business Trust were set up, which have respectively issued convertible preferred and convertible trust securities. The Parent Bank underwrote an on-lending contract in the form of a subordinated deposit contract. The conditions of the on-lending agreement are substantially the same as the conditions of the convertible preferred securities.
- Capital Preferred Securities are non-redeemable. Only the issuer has the right to full or partial redemption of the notes, and this right may be exercised after 21/03/2011 and 27/09/2011, respectively. In July 2012, the two instruments were exchanged for fixed rate senior notes at a price of 62.00 as part of the above offer, for a nominal amount of EUR 25.1 and 111.7 mln respectively.
- The Preferred Capital Shares I LLC, nominally valued at EUR 350 mln, are non-redeemable. In July 2012, the instruments were exchanged for fixed rate senior notes at a price of 62.00, for a nominal amount of EUR 107.4 mln.
- The "Tremonti Bonds" are "Convertible financial instruments" issued by the Parent Bank pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, transposed, as amended, into Law no. 2 of 28 January 2009 (Law Decree no. 185") on 30 December 2009 and subscribed by the Ministry of Economy and Finance (MEF). Interest is paid annually on the basis of a fixed 8.5% rate until 2012. These instruments are designed to strengthen the Group's regulatory capital position and support economic development with a particular focus on small-medium enterprises.

Tier 2

The following tables report the main contractual features of instruments included in the calculation of Tier 2, with a special focus on hybrid capital instruments and subordinated liabilities.

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR/000)
Subordinate bond loan	4,875% fixed rate	NO	31/5/2006	31/5/2016	N.A.	EUR	750,000,000	747,799
Subordinate bond loan	5,750% fixed rate	NO	31/5/2006	30/9/2016	N.A.	GBP	200,000,000	294,357
Subordinate bond loan	Euribor 6m+2,50%	NO	15/5/2008	15/5/2018	N.A.	EUR	2,160,558,000	1,975,295
Total hybrid instruments (Upper Tier II)								**3,017,451**
Subordinate bond loan	CMS Convexity Notes	NO	7/7/2000	7/7/2015	N.A.	EUR	30,000,000	24,000
Subordinate bond loan	CMS Volatility Notes	NO	20/7/2000	20/7/2015	N.A.	EUR	25,000,000	20,000
Subordinate bond loan (*)	5,6 fixed rate	NO	9/9/2010	9/9/2020	N.A.	EUR	500,000,000	499,750
Subordinate bond loan (*)	Euribor 3m +0,40% as at 30/11/12, then Euribor 3m +1%	YES	30/11/2005	30/11/2017	30/11/2012	EUR	500,000,000	491,099
Subordinate bond loan (*)	Euribor 3m +0,40% as at 30/11/12, then Euribor 3m +1%	YES	20/12/2005	15/1/2018	15/1/2013	EUR	150,000,000	137,206
Subordinate bond loan	7,44% fixed rate	NO	30/6/2008	30/12/2016	N.A.	EUR	250,000,000	248,107
Subordinate bond loan	Euribor 3m+0,90%	YES	1/11/2002	1/11/2012	1/11/2007	EUR	75,000,000	12,854
ABN AMRO subordinated	Euribor 3m+2,8%	YES	10/10/2006	10/10/2016	10/10/2011	EUR	400,000,000	400,000
Subordinate bond loan	6,4% as at 31/10/13, then Euribor 3m +3%	SI	31/10/2008	31/10/2018	31/10/2013	EUR	100,000,000	119,217
Subordinate bond loan	7% fixed rate	YES	4/3/2009	4/3/2019	N.A.	EUR	500,000,000	500,000
Subordinate bond loan	5% foxed rate	YES	21/4/2010	21/4/2020	N.A.	EUR	500,000,000	499,896
Bond loan	floating	YES	30/9/2003	30/9/2013	30/9/2008	EUR	7,000,000	2,800
Bond loan	Euribor 6m+0,60%	NO	7/12/2005	7/12/2015	N.A.	EUR	7,801,500	4,599
Bond loan	Euribor 6m+0,60%	SI	15/4/2008	15/4/2018	15/4/2013	EUR	2,139,171	2,141
Bond loan	Euribor 6m+0,60%	SI	18/4/2008	18/4/2018	18/4/2013	EUR	2,829,344	2,823
Total hybrid instruments (Upper Tier II)								**2,964,492**
Total								**5,981,943**

* These instruments were partly exchanged for fixed rate senior notes as part of a more comprehensive exchange offer targeting nine series of subordinated securities. The invitation to submit offers was announced on 27/06/2012 and the invitation period expired on 5/07/2012; EUR 1,007.5 mln in aggregate nominal amount was offered for exchange out of EUR 3,277.8 mln under the Invitation for Offer (equal to 30.74%).

3. Tier 3

At 30 June 2012, there were no instruments eligible for inclusion in Tier 3.

B. Quantitative information

	30 06 2012	31 12 2011
A. Tier I before prudential filters	**10,379,650**	**10,447,091**
B. Tier I prudential filters	1,816,457	1,873,937
B1 - Positive IAS/IFRS prudential filters	1,900,000	1,900,000
B2 - Negative IAS/IFRS prudential filters	(83,543)	(26,063)
C. Tier I capital gross of items to be deducted (A+ B)	**12,196,107**	**12,321,028**
D. Items to be deducted from Tier I	(909,929)	(672,292)
E. Total TIER 1 (C - D)	**11,286,178**	**11,648,736**
F. Tier II before prudential filters	**6,167,330**	**6,045,390**
G. Tier II prudential filters	(58,522)	(15,998)
G1. - Positive IAS/IFRS prudential filters	-	-
G2. - Negative IAS/IFRS prudential filters	(58,522)	(15,998)
H. Tier 2 gross of items to be deducted (F + G)	**6,108,808**	**6,029,392**
I. Items to be deducted from Tier II	(909,929)	(672,292)
L. Total TIER 2 (H - I)	**5,198,879**	**5,357,100**
M. Items to be deducted from Tier I and Tier II	(531,746)	(502,416)
N. Capital for regulatory purposes (E+ L - M)	**15,953,311**	**16,503,420**
O. Tier III capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER III (N+ O)	**15,953,311**	**16,503,420**

The regulatory capital of the MPS Group was calculated taking account of the effects arising from the application of IAS/IFRS international accounting standards, based on the provisions of the 14th update of Bank of Italy's Circular No. 155 “Instructions for preparing reports on regulatory capital and prudential ratios”.

In the first half of 2012, Tier 1 decreased by EUR 550 mln, totalling EUR 15,953.4 mln, compared to EUR 16,503.4 mln at the end of 2011.

The reduction was primarily affected by an increase in the excess of expected losses over total provisions.

In the first half of 2012, Tier 2 decreased by EUR 158.2 mln, totalling EUR 5,198.8 mln, compared to EUR 5,357.1 mln at the end of 2011.

Under the measures set forth by the Bank of Italy on 18 May 2010 regarding prudential filters for regulatory capital, the Group opted for the symmetrical treatment of revaluation reserves relating to debt securities issued by Central Governments of EU countries held in the “Available for Sale” portfolio. Consequently, with regard to these securities, the impact of changes in AFS reserves upon regulatory capital as of 1 January 2010, amounting negatively to EUR 3,923 mln, has been completed sterilized.

As at 30 June 2012, no Tier 3 subordinated securities were to be reported.

The amounts reported may show differences, albeit not significant, compared to those contained in final reporting to the Supervisory Authority in light of the timing difference between the approval of the Half-Year financial statements and the date of submission of Supervisory reports referring to the period as at 30 June 2012.

2.3 Capital adequacy

A. Qualitative Information

Qualitative information regarding the Group's capital adequacy assessment process is included in Section 1 of this Part F.

B. Quantitative information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	30 06 2012	31 12 2011	30 06 2012	31 12 2011
A. RISK ASSETS				
A.1 Credit and counterparty risk	**224,396,472**	**231,521,997**	**81,294,984**	**89,232,387**
1. Standardized Approach	91,934,614	107,295,079	33,369,518	41,524,995
2. 2 Internal rating-based (IRB) approach	131,259,824	122,974,177	46,800,105	46,799,540
2.1.Foundation	-	-	-	-
2.2 Advanced	131,259,824	122,974,177	46,800,105	46,799,540
3. Securitisations	1,202,034	1,252,741	1,125,361	907,852
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**6,503,599**	**7,138,591**
B.2 Market risk			**542,810**	**547,243**
1. Standardized Approach			542,810	547,243
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational Risk			**646,129**	**695,791**
1. Foundation			27,537	46,081
2. Standardized Approach			-	-
3. Advanced			618,592	649,710
B.4 Other prudential requirements			**-**	**-**
B.5 Other calculation elements			**-**	**33,497**
of which impaired			-	33,497
of which intra-group adjustments			-	-
B.6 Total prudential requirements (3)			**7,692,538**	**8,415,122**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			96,156,725	105,189,030
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			11.74%	11.07%
C.3 Capital for regulatory purposes / risk-weighted assets (Total capital ratio)			16.59%	15.69%

Total risk-weighted assets as at 30 June 2012 amounted to EUR 96,156 mln. The amount reflects an approximate 8.6 percentage point contraction in risk-weighted assets with respect to the end of the previous year. A slight 3 percentage point reduction was registered in total unweighted assets. The contraction in RWAs is the result of multiple efficiency drivers in the risk weighting of the MPS Group's exposures. These include: extension of the advanced models to subsidiaries MPS Leasing & Factoring and Biverbanca; a shift in the allocation of risk assets to lower risk and/or more collateralised assets; increased focus on actual portfolio risks when it comes to the risk parameters used for regulatory measurement in advanced models; lending models that increasingly factor in stricter regulatory requirements in their traditional target functions.

As at 30 June 2012, the Tier 1 capital ratio was 11.74%, while the total capital ratio was 16.59%.

The exercise conducted by the EBA in the second half of 2011 on the capital requirements of Europe's major banks revealed the Montepaschi Group's need for temporary and provisional capital strengthening in the amount of EUR 3,267 mln aimed at achieving a 9% (EBA) Core Tier 1 by the end of June 2012. In determining this target value, the exercise also included the lower valuation –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 has set up an action plan which has so far led to EUR 1,935 mln worth of gains in terms of capital strengthening during the first half of 2012 through the following actions:

a) capital management actions: +EUR 1,071 mln in allocation to equity of the Fresh 2008 share premium reserve (ca. EUR 750 mln), conversion of savings shares (ca. EUR 13 mln), conversion of remaining Fresh 2003 shares (ca. EUR 308 mln);

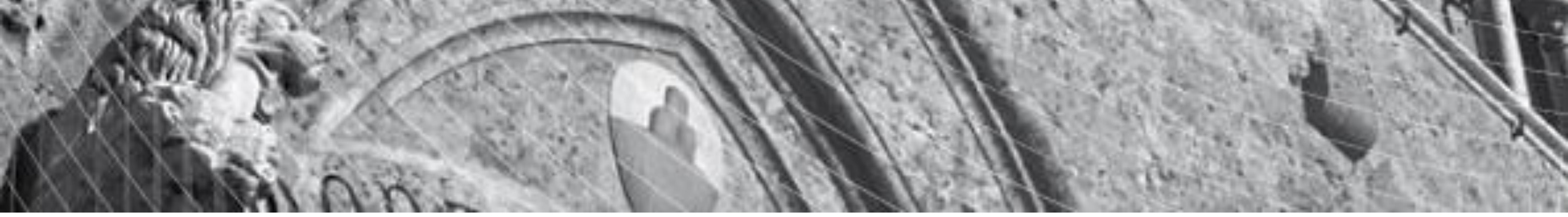
b) effects from optimisation of existing portfolios as at 31.12.2011 and other fine-tuning actions, +EUR 864 mln ("EBA Capital Equivalent ") obtained through:

   - reduction by EUR 6,905 bln in RWAs (resulting from parameters of PD, LGD and EAD applied on A-IRB exposures already accounted for as at December 2011, regulatory fine tuning, loan book remix);
   - reduction in the Expected Loss Delta vs. loan book provisions by approx. EUR 240 mln (only 50% impact on Tier 1).

Capital strengthening was partly offset by the negative EBA Capital Equivalent value of approx. EUR 657 mln registered by ordinary movements in capital in the 4Q 2011-1Q 2012 period (a value largely attributable to operating losses recognised at the end of 2011 and increased capital absorption for various types of risk, including credit risk in particular).

For the purpose of calculating the remaining shortfall as at 30/06/12, additional capital benefits should be considered for a total of approx. EUR 550 mln, arising from the afore-mentioned adoption of A-IRB and AMA models, buyback of equity instruments, Biverbanca's disposal and other movements in capital and RWAs in 2Q 2012.

For the purpose of addressing the remaining part of the capital shortfall, which will be communicated in the third quarter of 2012, Banca MPS - in agreement with the Supervisory Authority and the Ministry of Economy and Finance - has identified recourse to government support as a measure to raise its Core Tier 1 ratio to EBA's required level of 9%, in compliance with Legislative Decree no. 87 "Urgent measures for efficiency boosting, value enhancement, disposal of state-owned assets and streamlining of assets held by companies in the banking industry" published on 27.06.2012. Art. 5 of the Decree provides that the Ministry of Economy and Finance - at the specific request of Banca MPS - may underwrite financial instruments qualifying as Core Tier 1 until 31 December 2012, as set out in the Recommendation issued by the EBA on 8 December 2011, for an amount of up to EUR 2 bln on top of new financial instruments for an additional amount of EUR 1.9 bln, aimed at full replacement of Tremonti Bonds. Underwriting is subject to conditions precedent.



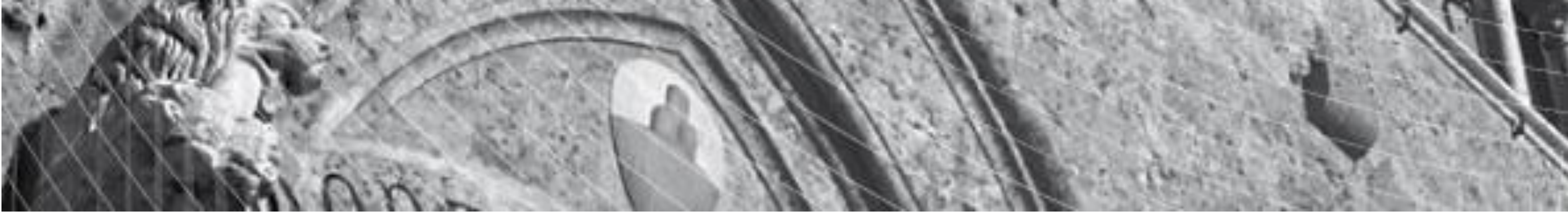
Part G – Business combinations

Section 1 – Business combinations during the period

1.1 – Business combinations

Transactions included in the scope of application of the international accounting standard IFRS 3 "Business combinations".

In the course of the first quarter of 2012, 100% control of the vehicle, Mantegna Finance S.r.l. was acquired; at the moment, the vehicle has no securitisation transactions in place. The financial effects of this acquisition are negligible.



Part H - Related-party transactions

1. Compensation of directors, statutory auditors and key management personnel

items/Amounts	Total	
	30 06 2012	30 06 2011
Short-term benefits	5,354	5,247
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	-	104
Total compensation paid to key management personnel	**5,354**	**5,351**

Considering guidance provided by accounting standard IAS 24 and in light of the current organisational structure, the Bank has opted for the disclosure scope to include not only Directors, Statutory Auditors, the General Manager and Deputy General Managers, but also other Key Management Personnel.

2. Related-party transactions

"Regulations containing provisions relating to transactions with related parties" (the **Regulations**) was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

This regulatory framework combines into a new and comprehensive set of Regulations all principles regarding prompt and periodic disclosure obligations; it implements articles 114 and 154-ter of the Consolidated Law on Finance, supersedes the rules previously set out by Consob's Issuer Regulations and implements the provisions under Article 2391-bis of the Civil Code.

During its meeting on 10 November 2010, the Board of Directors set up a Committee of Parent Company's Independent Directors (the **Committee**) which, as at today, is made up of the following directors: Mr. Michele Briamonte, lawyer; Prof. Paola Demartini; Prof. Angelo Dringoli; Prof. Tania Groppi, all qualifying as independent pursuant to the principles and criteria of the Corporate Governance Code of listed companies.

On 25 November 2010, the Parent Company's Board of Directors resolved to approve:

"Group Directive on related-party transactions" (the **Directive**), which sets out the model for related-party transactions establishing roles and responsibilities of internal relevant functions and related implementing processes;

the "Procedure for related-party transactions" (the **Procedure**) which, translating the contents of the Directive into practice, illustrates the organisational choices and solutions identified by the Group for alignment with Consob regulations.

The Procedure was published on the Parent Company's website and is therefore available in full-text version at the following link:

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedura+in+materia+di+operazioni+con+parti+correlate.htm

The Directive and Procedure became effective on 1 January 2011, without prejudice for the **disclosure obligations** applicable to major transactions as of 1 December 2010.

This subject is also governed by more bank-specific regulations, including art.136 of the Consolidated Law on Banking (it. *Testo unico Bancario*, TUB) covering the obligations of bank representatives, and art. 53 of the Consolidated Law on Banking which sets out the terms for -and restrictions on- risk assumption for those who, either directly or indirectly, may exercise influence over the Parent Company's or the Banking Group's operations or over any of their related parties, identifying a strengthened deliberative process for completion of the afore-mentioned transactions and other economic transactions which do not fall within the categories for exemption from authorisation requirements. On 12 December 2011, the Bank of Italy issued update no. 9 of Circular no. 263/2006 "New Regulations for the Prudential Supervision of Banks", implementing art. 53 of the Consolidated Law on Banking and complying with resolution no. 277 passed by the Interministerial Committee for

Credit and Savings (it. CICR) on 29 July 2008, to govern risk assumption and conflicts of interest with Group's related parties.

The rules, which apply to the individual accounts of authorised banks and consolidated accounts of Banking groups in Italy, will become effective as of 31 December 2012 in terms of both compliance with individual and consolidated prudential limitations and enforcement of deliberative procedures regarding risk assumption and conflicts of interest with related parties, although the final deadline for the approval of these procedures by the Boards of Directors of Italian banks has been set for 30 June 2012, regardless of whether banks belong to banking groups or not.

In this connection, by resolution of the Parent Company's Board of Directors on 26 June 2012, the “Deliberative procedures governing transactions with related parties" were approved following the favourable opinion expressed by the Committee of Independent Directors and of Statutory Auditors.

The Procedures were published on the Parent Company's website and are therefore available in full-text version at the following link:

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedure+in+materia+di+operazioni+con+soggetti+collegati.htm

In compliance with the Bank of Italy's supervisory provisions, the Boards of Directors of Italian subsidiaries approved their deliberative procedures by the same deadline; BMPS has also provided instructions and guidance for the foreign banks and non-banking entities of the Group, which will be adopted in due time by no later than 31 December 2012.

In the first half of 2012, the Montepaschi Group did not conduct any transactions which by nature, consideration, mode or time of implementation might have had effects on the safeguarding of corporate assets or the completeness and accuracy of information, including accounting information, relating to the Parent Company and to the Montepaschi Group and that may therefore have involved obligations of market disclosure pursuant to Consob Regulation no. 17221/2010.

Information is provided below regarding certain related-party transactions effected over the period by the Montepaschi Group, which deserve specific mention.

Most of the following transactions, approved by the Board of Directors of the Parent Company or of other Group companies, were conducted on the basis of assessments of mutual economic benefit.

January 2012

- ✓ During the ordinary review of loans to the Group headed by Mr. Francesco Gaetano Caltagirone, an extension of ordinary credit lines was approved and new types of credit lines were granted for a total amount of approx. EUR 95.7 mln. It is noted that Mr. Caltagirone served as Deputy Chairman of the Parent Company until the date of his resignation on 26 January 2012;

February 2012

- ✓ The subsidiary, MPS Capital Services Banca per le Imprese S.P.A., reviewed the option terms and conditions of use of an existing loan for an amount of EUR 77.1 mln in favour of Beatrice S.r.l., directly controlled by Sansedoni Siena S.p.A., which BMPS has a significant shareholding in; additionally, the MPS Foundation -which is in turn a Parent Company's related party- exercises significant influence over Beatrice S.r.L.;
- ✓ Lending facility approved in favour of Unoaerre Industries Spa for a total amount of EUR 29.65 mln; the company is controlled by Realizzazioni e Bonifiche Arezzo SpA in liquidation, which is in turn subject to the Parent Company's significant influence.
- ✓ Ordinary granting of loans approved by the Parent Company's Board of Directors in favour of Sviluppo e Interventi Immobiliari S.r.L., a sole shareholder company, for a total amount of EUR 15.0 mln. The borrower is an indirect related party of the Parent Company insofar as it is directly controlled by Sansedoni Siena S.p.A.. With regard to the nature of the related party transaction, the aforementioned considerations on Sansedoni S.p.A. shall apply.

April 2012

- ✓ The subsidiary, MPS Capital Services Banca per le Imprese S.P.A., approved a EUR 4.9 mln credit facility to Cinigiano Agri Power Plus Società Agricola Srl, a company controlled by Industria e Innovazione SpA, which is in turn subject to the Parent Company's significant influence;

May 2012

- ✓ The subsidiary, MPS Capital Services Banca per le Imprese S.P.A., approved a EUR 350,0 mln credit facility to Anima SGR S.p.A. and Anima Asset Management Ltd, which are the subsidiaries of an associate of Parent Company BMPS.

°° °° °°

Pursuant to art. 14, paragraph 2 of CONSOB regulation no. 17221/2010 and art. 8.5 of the Procedure for Related Party Transactions adopted by the Bank, it is communicated that the following transactions were approved by the Parent Company's BoD in favour of BMPS subsidiaries in the first half of 2012, namely:

- ➢ lending transactions for:
  - – a total of EUR 1,050.0 mln to *Monte Paschi Banque - Paris;* EUR 4,012.0 mln to *MPS Leasing & Factoring S.p.A.*; EUR 5,650.0 mln to *Consum.it*;
  - – EUR 650 mln to *MPS Capital Services Banca per le Imprese S.p.A.*;
- ➢ purchase from Biverbanca of loans classified as doubtful in relation to branches in the Piedmont region, which BAV had transferred to the company, for an amount equal to their book value of EUR 16.82 mln.

2.a Associates

30 06 2012

items/Amounts	Amounts	% on Consolidated
Total financial assets	931,620	0.43%
Total other assets	7,628	0.20%
Total financial liabilities	628,698	0.29%
Total other liabilities	23,724	0.62%
Guaranties issued	65,273	
Guaranties received	1,354,117	

2.b Transactions involving Key Management Personnel and other related parties

30 06 2012

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	1,477	30,070	0.01%
Total financial liabilities	1,634	186,005	0.09%
Total functioning costs	5,354	-	-
Guarantees issued	-	16,413	-
Guarantees received	2,776	38,716	-

Part I – Share-based payments

Stock granting

As regards the plan to assign Banca Monte dei Paschi di Siena S.p.A. ordinary shares, free of charge, to employees by means of stock granting, the Supplementary Corporate Labour Agreements of the Parent Company and some subsidiaries provide for a portion of the corporate bonus for employees to be related to the achievement of Budget objectives and disbursed by stock granting, with free-of-charge assignment of BMPS ordinary shares, differentiated by job category, in the following year.

For 2011, the Parent Company did not reach the "minimum value" set out in the afore-mentioned Supplementary Corporate Labour Agreement as regards the achievement of Budget objectives, so no stock granting cost was recognised. Similar results were posted for subsidiaries, so no cost for this purpose was recognised in their case either.

Remuneration agreements for “key employees”.

On 29 April 2011, the Parent Company's Shareholders' Meeting approved the new compensation policy aimed at the bank's alignment with the new supervisory rules issued by the Bank of Italy on 31 March 2011 ("Rules on compensation and incentive policies and practices for banks and banking groups). By that means, the Shareholders' Meeting mandated the Board of Directors to implement the principles set out in the new policy and report to the Shareholders on a regular basis.

Guidance contained in the supervisory regulations are aimed at favouring an appropriate balance between the fixed and variable components of compensation and having it connected with actual performance over time, no longer by implementing a medium-long term plan but using specific deferral mechanisms for all employees whose professional activity has or may have considerable impact on risk profiles (a.k.a. “key employees”).

Against this background, alignment with the new supervisory regulations has led first and foremost to identifying the scope of 'key employees'. The variable compensation for these employees shall meet prescribed requirements (disbursement timing, modes and methods) in terms of maximum potential value as a percentage of fixed compensation (Gross Annual Salary).

The newly approved plan, which supersedes previous compensation policies adopted by the Shareholders' Meeting on 25/6/2009, includes new parameters for:

- bonus quantification (definition of "variable component" structure, maximum potential value as a percentage of Gross Annual Salary, parameters to determine bonus absolute value, identification of risk-adjustment indicators, identification of indicators and practices for the adoption of clawback provisions);
- bonus disbursement timing and methods:
    - first portion “up-front”, equal to 40% of variable compensation: of which, 50% settled in cash and 50% awarded in shares subject to a 2-year retention period, conditioned upon employees still being in service;
    - second portion “deferred", making up 60% of variable compensation: of which, 33% settled in cash and 67% awarded in shares subject to a 3-year retention period and 1 additional lockup year, with the amount conditioned upon the indicators and practices for the adoption of clawback provisions applicable to results achieved during the 3-year retention period.

The table below summarises the methods for disbursement of the variable component of compensation for Top Managers and Risk Takers:

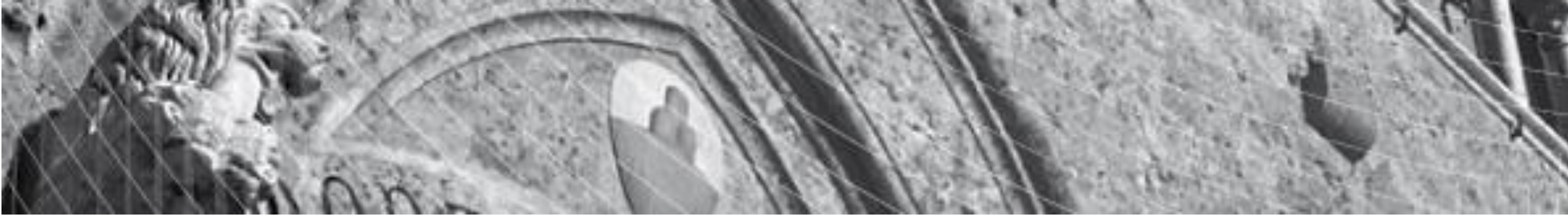
Key personnelCluster	Max variable component % of gross annual salary	Variable component structure				
		Postponement		Pay-out		Time
TOP MANAGEMENT	Up to max 150%	UP-FRONT	40%	CASH	1/2	cash
				SHARES	1/2	Up to 2 years
		Postponed	60%	CASH	1/3	Up to 3 years
				SHARES	2/3	Up to 3y+1 lock up
OTHER RISK TAKERS	Up to max 80%	UP-FRONT	50%	CASH	1/2	cash
				SHARES	1/2	Up to 2 years
		Postponed	50%	CASH	1/3	Up to 3 years
				SHARES	2/3	Up to 3y+1 lock up

Since the compensation plan provides for part of the compensation to be settled in cash and part of it to be awarded in Parent Company's shares for a corresponding amount, this transaction shall be subject to the following accounting treatment:

- the cash-settled portion of compensation falls within the scope of application of IAS 19 "Employee Benefits";
- the portion awarded in shares (both cash-settled and deferred) falls within the scope of application of IFRS 2 "Share-based Payment" in that it concerns equity-settled share-based payment transactions.

In July 2011, the Board of Directors laid down the rules for the 2011 incentive system. It was decided that the 2011 incentives should be technically conditioned upon the achievement of a profitability threshold corresponding at least to a consolidated Group net profit for the year of EUR 500 mln, excluding any relevant one-offs, a condition which did not materialise in 2011. For this reason, no provisions were taken and recognised in the 2011 accounts.

The condition of achieving the profitability threshold was not met in the half-year period, so no provisions are recognised.



Part L – Segment reporting

This section of the Notes to the Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS 8 "Operating Segments".

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS 14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports on operating segments to be drafted on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to the various segments and to conduct performance analyses.

Montepaschi Group operations by operating segment

The Montepaschi Group operates in the following **areas of business**:

- ***Retail and commercial banking***: includes lending activities, traditional banking services, the offering of banking and insurance products through the strategic partnership with AXA, financial advisory services, wealth management and investment products through its associate, AM Holding;
- ***Leasing and Factoring***: includes the offering of leasing and factoring packages for businesses, artisans and professionals;
- **Consumer credit**: special purpose loans, personal loans, *option* and *revolving* credit cards;
- **Corporate finance**: mid- and long-term lending, *corporate finance*, *capital markets* and structured finance;
- ***Investment banking***: *trading* and *global market*s;
- ***Foreign banking***: products and services in support of market expansion and investments of Italian companies abroad.

Operations in the business areas are conducted by the following **operating units** of the Group:

- **distribution network**, comprising the branches and specialised centres of the Group's retail banks, Banca Monte dei Paschi di Siena, Banca Antonveneta and Biverbanca, with the latter classified among assets held for sale and discontinued operations in the second quarter of 2012. The distribution network also includes the branches of Banca Popolare di Spoleto, a company which is 26.005% invested in by Banca Monte dei Paschi di Siena;
- **product factories**, i.e. Group banks and companies expressly dedicated to developing specialised financial instruments to offer on the market, particularly including: Consum.it (consumer credit company), MPS Capital Services (specialised in corporate finance, capital markets and structured finance), MPS Leasing&Factoring (specialised in leasing and factoring services for businesses);
- **foreign network**, geographically present in all major financial and economic centres as well as in emerging countries with the highest rates of growth and/or key relations with Italy. It includes the foreign units of Banca Monte dei Paschi di Siena (4 operational branches, 11 representative offices, 1 italian desk) and 2 banks under foreign law (MP Belgio: 8 branches; MPS Banque: 18 branches).

The Group also includes **service operations** dedicated to the management of IT and telecommunications (Group Operating Consortium), *non performing* loan management (MPS Gestione Crediti Banca) and value creation from the Group's real estate assets (MPS Immobiliare).

For the purpose of **identifying the Operating Segments** provided for by IFRS 8, the Montepaschi Group has adopted the business approach. Profit and loss/balance sheet data is then aggregated based on criteria including business area and operating unit of reference, relevance and strategic importance of operations involved, cluster of clients served. These aggregation criteria, into which reporting for the highest decision-making levels is organised, enabled the identification of two operating segments: the **Retail&Corporate Banking Division**, subdivided into the Retail banking and Corporate banking areas, and the **Corporate Center.** More specifically:

The Operating Segments identified as at 30 June 2012 include:

- **Retail&Corporate Banking Division / "Retail banking" area**: includes the P&L/balance sheet results of the Family, Affluent, Small Business, Private client clusters of both Banca Monte dei Paschi di Siena and Banca Antonveneta (a.k.a the "divisionalised entities"); results of the Family Office business; results of trust and consumer credit services provided respectively by MPS Fiduciaria and Consum.it; results of the financial advisory business.
- **Retail&Corporate Banking Division / "Corporate banking" area**: includes the P&L/balance sheet results of the Corporate, Institutional and Public Administration customers of Banca Monte dei Paschi di Siena and Banca Antonveneta; results of the corporate finance business of MPS Capital Services and the business of MPS Leasing & Factoring. The results of Banca Monte dei Paschi di Siena's foreign branches are also included in this Operating Segment.
- **Corporate Centre**: Besides cancellations of intragroup entries, this Operating Segment incorporates the results of the following business centres:
  - ✓ Banca Popolare di Spoleto (26.005% interest, pro rata);
  - ✓ banks under foreign law (MP Banque and MPS Belgio);
  - ✓ the Group's head office units (including governance and support functions, proprietary finance, equity investments and segments of divisionalised entities, which include in particular ALM, Treasury and Capital Management);
  - ✓ service operations supporting the Group's business, dedicated in particular to the management of IT and telecommunications (MPS Group Operating Consortium), *non performing* loan management (MPS Gestione Crediti Banca) and value creation from the Group's real estate assets (MPS Immobiliare);
  - ✓ companies consolidated at equity and held for sale[12];
  - ✓ operating units which, on an individual basis, are below the benchmarks required for primary reporting;

In 2001 the Montepaschi Group introduced and gradually implemented Value Based operational management instruments, with the objective of monitoring profitability by business areas and units. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Income statement criteria by operating segment

The net operating income by operating segments was constructed based on the following criteria:

- **Net interest income**: in relation to the business centres of divisionalised entities, it is calculated by way of contribution on the basis of internal transfer rates broken down by products and

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

maturities. With reference to non-divisionalised entities, net interest income is the difference between "interest income and similar revenues" and "interest expense and similar charges". The matrix of Internal Transfer Rates has been reviewed as of 2012, with values now closer to market rates.

- **Net fee and commission income** is determined by direct allocation of commissions to the operating segments.
- **Net impairment losses/reversals on loans**, are allocated to the operating segments which originated them.
- **Operating expenses** include administrative expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. The operating expenses of non-divisionalised entities (mono-segments) are directly allocated to their corresponding Operating Segments while those of the divisionalised entities (Banca Monte dei Paschi di Siena and Banca Antonveneta) are allocated to their respective Segments of reference by using a "*cost allocation*" model. With regard to Other administrative expenses and Net value adjustments to tangible and intangible assets, the model allocates cost components to the business centres either directly or by means of specific drivers, starting from a set of previously identified and priced services. With reference, however, to "Personnel costs", the model allocates costs to Business Centres on the basis of the unique functional position of the resources, or, if this is not possible, in relation to specific criteria relating to the operations performed. As of 2012, the cost allocation model has been fine-tuned through the application of specific cost-sizing drivers, which provide for the full allocation of operating costs directly to the business centres that generated them.

Balance-sheet criteria by operating segment

Balance-sheet aggregates were defined by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to the income/expenses allocated to each segment. In particular:

- "Interest-bearing' **loans to customers** are the assets used for the operations of a business segment, which are directly attributable to the segment itself;
- **Deposits from customers and debt securities issued** are the liabilities arising from the operations of an operating segment, which are directly attributable to the segment itself.

Transactions between operating segments

Each segment's income and results include transfers between operating segments. These transfers are reported in accordance with the best practices accepted by the market (i.e. the fair value method or cost method increased by a proper margin) both with respect to commercial and financial transactions.
The income of each operating segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are made between entities belonging to the same operating segment, the respective balances are eliminated within such segment. The balances of intragroup transactions are not shown separately, in line with the internal reporting system used by the Montepaschi Group.

Basis of preparation

In accordance with the recommendations of IFRS 8, for the purposes of consistent disclosure of information, account was taken of the Group's organisational structure as at 30 June 2012, which differs from status as at 31 December 2011, due to the allocation of foreign banks (MP Belgio and MPS Banque) to the Corporate Centre and no longer to the Corporate Segment.

Below is a breakdown of the Group's P&L/balance sheet aggregates as at 30 June 2012, on the basis of the afore-mentioned operating segments:

SEGMENT REPORTING	Retail & Corporate Banking division			Corporate Center	Total MPS Group
Primary segment June 2012 (million of euro)	Retail banking	Corporate banking	Totale		
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	1,706.2	1,101.2	**2,807.3**	**-0.8**	**2,806.5**
Net impairment losses (reversals) on loans and financial assets	-400.8	-520.5	**-921.2**	**-33.4**	**-954.6**
Operating expenses	-1,246.8	-343.7	**-1,590.5**	**-78.9**	**-1,669.4**
Net operating income	58.6	237.0	**295.6**	**-113.1**	**182.5**
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	61,095.6	66,351.9	**127,447.5**	**10,022.8**	**137,470.3**
Deposits from customers and debt securities issued	78,217.5	36,458.0	**114,675.6**	**17,723.9**	**132,399.5**

The table below shows **historical data** as at 30/06/2011 (see Half-Year Report as at 30 June 2011):

SEGMENT REPORTING **Primary segment** **June 2011** (million of euro)	**Consumer banking**	**Corporate banking**	**Corporate Center**	**Total MPS Group**
PROFIT AND LOSS AGGREGATES				
Income from banking and insurance	1,531.2	1,024.2	342.6	**2,898.0**
Net impairment losses (reversals) on loans and financial assets	-197.0	-415.9	19.2	**-593.6**
Operating expenses	-1,088.4	-294.0	-310.4	**-1,692.9**
Net operating income	245.8	314.3	51.5	**611.6**
BALANCE SHEET AGGREGATES				
Interest-bearing loans to customers	64,462.0	73,138.8	13,619.5	**151,220.4**
Deposits from customers and debt securities issued	82,955.1	49,167.6	34,370.3	**166,493.0**

(*) The value relating to the Corporate Centre includes writebacks not allocated to the Consumer and Corporate business segments

For a like-for-like comparison of operations in the two periods, 1st half 2012 and 1st half 2011, please see section *"Profit & Loss and Balance Sheet Results and Segment reporting"* in the Half-Year Report as at 30 June 2012.

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CERTIFICATION

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned, Alessandro Profumo, as Chairman of the Board of Directors, and Daniele Bigi, as Financial Reporting Officer, of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, do hereby certify the:
   - appropriateness with respect to the company's profile, and
   - effective application of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the first half of 2012.
2. The appropriateness of the administrative and accounting procedures used in the preparation of the condensed consolidated financial statements as at 30 June 2012 was assessed based on an internal model developed by Banca Monte dei Paschi di Siena S.p.A. in accordance with the *Internal Control – Integrated Framework* produced by the *Committee of Sponsoring Organisations of the Treadway Commission*, as well as the *Cobit Framework* for the IT section, which are generally accepted benchmarks.
3. The undersigned also certify that:

3.1 the half-year condensed consolidated financial statements:

- were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council regulation no. 1606/2002/EC of 19 July 2002, with particular regard to IAS 34 "Interim Financial Reporting" and provisions implementing Article 9 of Legislative Decree no. 38 of 28 February 2005;
- are consistent with the underlying documentary evidence and accounting records;
- give a true and fair representation of the balance sheet, profit and loss and cash flows of the issuer and of the companies included within the scope of consolidation.

3.2 The Half-Year report on operations includes a reliable analysis of the significant events in the first six months of the financial year and their impact on the half-year condensed consolidated financial statements as well as a description of the key risks and uncertainties for the remaining six months of the financial year. The half-year report on operations also includes a reliable analysis of information regarding significant transactions with related parties.

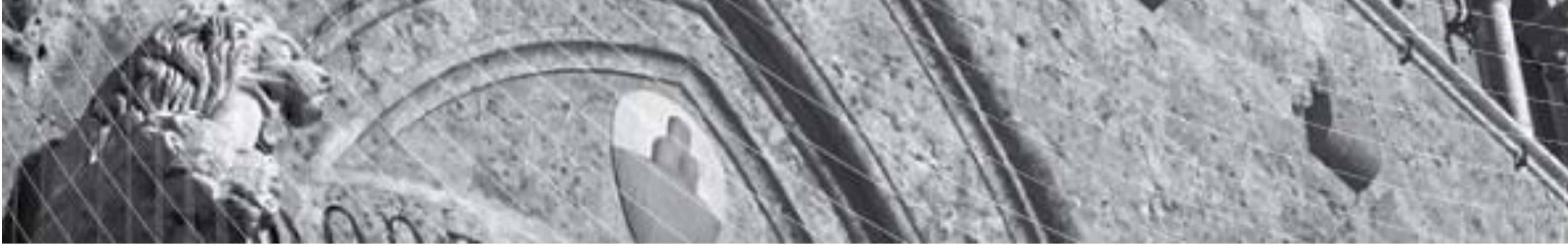
Siena, 28 August 2012

On behalf of the Board of Directors
The Chairman

Alessandro Profumo

The Financial Reporting Officer

Daniele Bigi



INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

ON HALF-YEAR CONDENSED FINANCIAL STATEMENTS

Ernst & Young

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Banca Monte dei Paschi di Siena S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity and the statement of cash flows and the related explanatory notes, of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group") as of June 30, 2012. Management of Banca Monte dei Paschi di Siena S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we express on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our auditors' report dated April 5, 2012. As described in the explanatory notes, Directors have restated certain comparative data related to the interim condensed consolidated financial statements as of June 30, 2011 with respect to the data previously presented, on which we issued our auditors' review report dated August 26, 2011. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of our review on the interim condensed consolidated financial statements as of June 30, 2012.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Montepaschi Group as of June 30, 2012 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 29, 2012

Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers