PRESS RELEASE

Lazio: GDP down, less than national average
Large share of services, limited foreign trade, BioTech and Hi-Tech are curbing the crisis

Analysts of the Banca Monte dei Paschi predict that the year will be less traumatic in the Lazio region than in other macro-areas of Italy. Rome is confirmed in its role as the locomotive of the region and contributes 80% of the regional GDP

Lazio is the second-ranking region of Italy after Lombardy **in terms of the creation of value added** (10.6% of Italy's total), thanks to an economy characterized by a **large share of services** and openness to foreign trade which compensate for the low rate of industrialization.

Against this background, the **differentiation of the manufacturing structure** that was made possible by areas of excellence in the chain of supply (such as the aerospace industry, the chemical sector, biotechnologies and the new economy), **high public spending on Research and Development** (twice the national average) and **moderate openness to foreign trade** should **mitigate the region's exposure to fluctuations in the business cycle.** These three markedly distinctive features of Lazio's economy, may **allow for faster than average recovery with respect to other Italian regions,** although past experience suggests that, in phases of recession, the region generally emerges from crisis later than the rest of the country.

Our analysis reveals that:

- ✓ The region is **at the forefront in innovation and Hi-Tech** and boasts a ratio of R&D spending to GDP that is almost twice the national average.
- ✓ **In 2008 exports increased by 7.7% YoY** (vs a 2% national increase) and Lazio's share of Italian total exports went up from 3.6 to 4%.
- ✓ With respect to **international outlet markets**, the Eurozone is the market of destination of over 40% of Lazio's exports, followed by the rest of Europe (22%), Asian countries (approximately 15%) and the USA (10%).
- ✓ 80% of the value added is created in the **province of Rome**; among other provinces, Frosinone and Latina are the two most highly industrialized cities (with a rate higher than the national average), whereas Rieti and Viterbo, in particular, are distinguished for their performance in the agricultural sector.
- ✓ The Italian National Institute of Statistics **recognized two industrial clusters** in the region, namely the cluster of **ceramics** (in Civita) and **paper** (in Frosinone); the Chemical/Pharmaceutical cluster (Southern Lazio), the Automotive and Transportation cluster (Fiat and Agusta) and the Technological district (Rome) are also worthy of note.

Banca Monte dei Paschi di Siena SpA
Media Relations
Tel: +39 0577.299927
Fax: +39 0577.294148
ufficio.stampa@banca.mps.it

Investor Relations
Tel: +39 0577.296477
Fax: +39 0577.296757
investor.relations@banca.mps.it

Surveys by the Chambers of Commerce show that the **regional GDP was down 0.1% last year (vs -1% in Italy)** and was mainly affected by the drop in industrial output (-4.5%), a slowdown in the construction sector (-1.1%) and stagnation in services, as opposed to good performance in agriculture. In the period between 2003 and 2008, the region recorded (under constant conditions) a 1.3% average annual growth rate, which was higher than the national average (+0.8%).

The first indications are that some encouraging **signals of recovery are finally surfacing**, after the serious crisis that has affected the real economy over past quarters**. Nevertheless, our estimations indicate that the GDP will drop by 3.9% this year.**

The manufacturing sector is showing reasonable determination and trust in the re-launching of investments in the second quarter of 2009. **Forecasts** of **overall company turnover in the first half of 2009** (by **FederLazio**), however, are indicative of a very negative bottom line. **The GDP is expected** to be at a substantial standstill in 2010. Thereafter, a gradual though restrained recovery should take place (+0.9% on average in 2011-12).

In general, **our economic sentiment indicator (based on business surveys focusing on our network of branches)** indicates that, after the slowdown in the last part of 2008 and in the first months of 2009, the economy is showing promising **signs of recovery**. Tourism and the real estate market appear to have overcome the worst moment of the crisis. This sentiment is consistent with the OECD leading indicator according to which Italy, together with France and the UK, is on the point of a growth trend reversal as compared to the **2.4% drop in GDP that was recorded in the first quarter (5.9% on a yearly basis)**.

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