MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

MONTEPASCHI
GROUP

Quarterly Report as of 30 September 2008

Siena, 14 November 2008

INTERIM REPORT ON OPERATIONS

THE GUIDELINES OF THE 2008-2011 BUSINESS PLAN AND THE START OF IMPLEMENTATION

THE GUIDELINES OF THE NEW 2008-2011 BUSINESS PLAN

On 10 March 2008 the Board of Directors of Banca Monte dei Paschi di Siena SpA approved a new Group Business Plan for the period from 2008 to 2011. The new Business Plan aims at enhancing the value of the acquisition of Banca Antonveneta as much as possible, and implementing a deep reorganization for the purpose of boosting the performances of the whole Group. In compliance with the Plan, the Group intends to carry out strategic and organization actions breaking with the past, although exploiting the results of the business actions contemplated in the 2006-2009 business plan implemented so far, for the purpose of facing the new market challenges with innovative proposals from the viewpoint of commercial effectiveness and operational efficiency.

In this framework, following are the instruments for achieving the objectives set out in the Plan (additional details are provided in the corresponding chapter of the Half-Year Report as of 30 June 2008):

- **OPTIMIZATION OF DISTRIBUTION**
- **ENHANCEMENT OF THE VALUE OF THE NEW PRODUCTION STRUCTURE**
- **FURTHER SPECIALIZATION IN THE SUPPLY OF PRODUCTS/SERVICES TO THE CUSTOMERS**
- **STRUCTURAL IMPROVEMENT OF OPERATIONAL EFFICIENCY**
- **CAPITAL OPTIMIZATION**
- **BUSINESS REORGANIZATION**

THE STATE OF THE ART OF IMPLEMENTATION

Effective the second quarter of 2008, the Group started a string of strategic projects for the purpose of implementing the Plan in compliance with the guidelines therein indicated. First of all, the process of corporate reorganization started represents the first step in the direction of an alignment of the new structure with the Group's strategic vision, through the simplification of the terms of governance and the optimization of available capital. Therefore, the global Master Plan of the Business Plan which has been defined incorporates all projects to be completed during the next three years, divided into four macro areas of projects:

- **Network integration**: corporate reorganization, integration of the commercial networks and sale of branches
- **Market integration**: initiatives of commercial re-launch of the Retail, Corporate and Private segments, and credit strategies
- **Efficiency**: adoption of the new organization model, initiatives for boosting efficiency in relation to administrative expenses and actions concerning human resources

- **Group capital optimization**: funding of the Antonveneta transaction, asset disposal and RWA actions boosting the efficiency of the Group

Following is the state of the art of the major initiatives contemplated:

NETWORK INTEGRATION

Once formally completed the **acquisition of Antonveneta** late in May, **the first step of the Bank's integration** into Banca Monte dei Paschi **was finalized** in June, with the migration of the IT system, the integration of Finance, IT, Back Office, and the Call Center. **The integration of Banca Agricola Mantovana into BMPS was completed in October, in addition to the simultaneous transfer of BAM branches in north-eastern Italy to Banca Antonveneta. On 31 October 2008, the Bank of Italy notified it had authorized the merger of Banca Antonveneta into Banca Monte dei Paschi di Siena, and the conduct of the banking business by "Nuova Banca Antonveneta Spa", focused on north-eastern Italy.**

MARKET INTEGRATION

The Group identified a string of initiatives by commercial segment:

- **"Retail" re-launch**: **The Group has defined the new structure of the Group Geographical Areas**; approved the **new Business Plan of Consum.it** – which is being implemented – **and the reorganization of the Group Monetics**. The Group expects (i) **to re-launch the affluent and small business service models** through actions oriented to increasing commercial productivity and the quality of service perceived by the customers; (ii) to consolidate advisory services to the network by **introducing highly qualified specialists** with the task of supporting the branch operations in relation to products and commercial campaigns, and other initiatives which, in addition to and in co-ordination with the network integration project, will ensure an ideal geographical coverage at the Group level . The Group shall soon **launch "Banca Infinita**" with the objective of maximizing the profitability of innovative channels, encouraging the migration of the customers toward lower-cost alternative channels and ensuring high service quality.
- **"Private" re-launch**: The Group expects to create a **new unit dedicated to the management of (U)HNWI customers** through a specialist model which meets the requirement of an integrated management of financial supply and advisory services, with tests already started at Banca Antonveneta. The Group shall (i) **relaunch the Private Banking service model** through actions oriented to maximizing the Group commercial efficiency, (ii) set up a Group specialist advisory unit with the introduction of **special advisors and product specialists**, (iii) **reorganize Banca Personale** to ensure full efficiency and commercial effectiveness;
- **"Corporate" re-launch**: The Group already approved - and is implementing - the new Business Plan of **MPS Capital Services which contemplates the company re-positioning** as the corporate specialist vehicle servicing medium-size and large companies and the partner of reference for any requirements of corporate finance, risk management and access to capital markets. The Group **expects to develop the SME service model by** maximizing the commercial effectiveness of the managers, and **the model of support to the network in relation to international specialist services,** by consolidating customers' assistance, administrative management and post sale services. **The Key Clients service model** is expected to be consolidated through the creation of dedicated teams and geographical units in selected high-potential areas.
- **Lending strategy**: The Group expects **to reorganize its lending operations** by establishing "multi-bank" units of loan labs within the Major Branches, organized by geographical areas.

EFFICIENCY

As a result of the integration of Antonveneta and the Group reorganization, the Group shall achieve a high level of efficiency, through:

- **The adoption of a new organization model. T**he Group already defined the new organization structure of the Parent Bank, which is fully operational, in compliance with the centralization of the activities resulting from corporate mergers, for the purpose of ensuring the achievement of the objectives of efficiency resulting from the integration of BAM into BMPS. The projects for the achievement of the objectives of efficiency resulting from the second step of the integration of Banca Antonveneta have already been started.
- **The efficiency of administrative expenses. The initiatives required for the achievement of the Business Plan objectives for 2008 have been identified, and partly already completed,** both in terms of synergies (due to the new Group structure and organization) and cost management initiatives (optimization and control of purchasing and expense processes).
- **Actions in relation to human resources. The workforce trends are ahead of the Plan estimates** and confirm the general objectives (global staff reduction and improvement of the Group front to back ratio), as a result of the joint effect of corporate integration and asset disposal under way, and the use of technical measures (early retirement plans and solidarity fund).

GROUP CAPITAL OPTIMIZATION

After successfully completing the capital increase required to raise funds for the acquisition of Antonveneta with the total subscription of the ordinary shares offered, **the transactions of asset disposal currently under way resulted into the sale of the equity investments held in Finsoe, MPS Finance (after concentrating the activity of Depositary Bank on this company), Banca Monte Parma, Fontanafredda and Marinella. The sale of MP AM Sgr is expected to be finalized soon, pending the regulatory authorizations.**

The Group expects to finalize the the sale of branches for Anti-trust purposes, no later than the end of Q1 2009.

As far as the RWA actions for boosting the efficiency of the Group are concerned, in accordance with the organization structure approved in the third quarter of 2008, the CFO is responsible for the calculation and monitoring of the regulatory ratios. Such responsibilities are taken in co-ordination with other units (Risk Management, ALM and Treasury, Planning & Budget and Tax Area) which follow up and measure the components necessary for the calculation of the ratios. In particular, the Planning Area set up a Capital Adequacy Unit which manages the internal process of capital adequacy valuation (ICAAP process).

A SUMMARY OF THE TRENDS AS OF 30 SEPTEMBER 2008

During the third quarter of 2008, the **MONTEPASCHI Group confirmed the positive trend of development of its customer portfolio and increased its market share in the main business segments**. Such results were achieved against **an increasingly difficult operating backdrop,** characterized by the **gradual slowdown of real economy and the unprecedented deterioration of the international financial markets**, which is heavily affecting the conduct of all players as a result of the latest events. Against such a critical backdrop, the Group continued to implement the new 2008-2011 business plan and, at the same time, undertook organization and commercial initiatives, at any level, with the objective of consolidating and stabilizing the customers' confidence.

In particular:

- **the Group customers' portfolio (in**cluding Banca Antonveneta, Biverbanca and non-shared accounts directly managed by Consum.it) numbered more than 6,400,000 customers.

- **with reference to asset management**[1], the Group commercial networks recorded assets **flows in an amount of roughly EUR 9 billion** (EUR 7.9 bn as of 30 September 2007), mainly due to the positive contribution of **bonds, which advanced strongly year on year (+83.4%), and absorbed the criticalities emerging in the area of collective and individual funds under management, while the Banking Industry recorded huge redemptions. As a result, total funding stood at EUR 265.3 bn approx. with an increase** of EUR 261.6 bn approx. **with respect to June** which reflected the declining prices of the financial assets due to the crisis of the market. This had an impact on indirect funding in the quarter (abt. – EUR 4 bn.) **but, excluding this, the aggregate would progress by more than 7 bn, mostly driven by direct funding.**

- **with reference to loan management**, the Group commercial policy – in line of continuity with prior years – tried to balance the supply of an appropriate financial support to entrepreneurial initiatives with the utmost rigor and selectivity in risk assessment, and further enhanced the Group specialists' skills in the area of consumer credit and Retail mortgage loans. **Loan flows channeled to the special credit companies accelerated year on year**, as a result of the good performances recorded by **factoring turnover** and **consumer credit (in particular personal loans**). **The disbursements of mortgage loans were still hefty (abt.5.6 bn) although slowing down**, due to poor demand at the level of the banking industry. **Corporate loans came to EUR 144.5 bn or +3.6% in comparison with Q2 2008 (+1.2% excluding the effects of the reclassifications made as a result of the recent IASB amendment to IAS 39 and IFRS 7)**. With reference to credit quality, the Montepaschi Group closed the third quarter of 2008 with a net exposure in terms of impaired loans of 6.7 bn. The weight of impaired loans to total customers' loans was 4.66%, with the weight of NPLs+watchlist credits to customers' loans at 3.68%.

As a result, the structural income (core operating profit) of the Montepaschi Group as of 30 September 2008 advanced considerably (+4.5% on a comparative basis) at EUR 3,922.9 million.

Income from lending operations was offset during the period under exam by **net valuation adjustments for loan impairment in the amount of EUR 519.4 million (+27.9% on a comparative**

[1] The flows of placement of 2008 include the production of Biverbanca but not Banca Antonveneta. The data of 2007 are attributable to the MONTEPASCHI Group before the acquisition of Biverbanca and Banca Antonveneta.

basis). **Net valuation adjustments for the impairment of financial assets showed an adverse balance of EUR 105.4 million.**

Operating charges (at EUR 2,443.6 million) declined by 2.2% on a comparative basis, thus reflecting the structural benefits of the actions of staff reduction and remix, and the steady and effective monitoring of expenses, though in light of a massive plan of IT and communications investments, and despite increasing inflation.

As a result, the Net Operating Profit stood at EUR 941.3 million with a 23.3% decline on a comparative basis. Such decline excluding the Hopa writedown and the relevant extraordinary adjustments would be about -10.2%.

Consolidated Net profit for the period before the effects of the Purchase Price Allocation (PPA) came to EUR 656 million. In view of said effects in relation to the Antonveneta (4 months) and Biverbanca (9 months) transactions, the net profit for the period stood at EUR 640.9 million. The ROE was 9.7% (return on average shareholder's equity: 6.8%). With reference to the regulatory ratios[2] as of 30 September 2008, TIERI BIS II and the BIS II solvency ratio were estimated at 5.2% (6.1% at the end of 2007) and 9.5% (8.9% as of 31 December 2007), respectively.

[2] An estimate inclusive of the benefits expected from the sale of discontinued operations (Mps Asset Management and Banca Monte Parma).

MPS GROUP – RECLASSIFICATION PRINCIPLES FOR OPERATING PURPOSES

The following balance-sheet and profit-and-loss accounts as of 30 September 2008 have been reclassified, as usual, on the basis of operating criteria.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/09/08

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	Recalculated*		
• INCOME STATEMENT FIGURES (in millions of euros)	**30/09/08**	**30/09/07**	**% chg**
Income from banking activities	3.922,9	3.278,7	19,6
Financial and insurance income (loss)	4.009,6	3.630,1	10,5
Net operating income	941,3	1.198,6	-21,5
Net profit (loss) for the period	640,9	718,1	-10,8
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**30/09/08**	**30/09/07**	**% chg**
Direct funding	142.425	101.714	40,0
Indirect funding	122.897	101.474	21,1
of which: assets under management	*50.122*	*48.494*	3,4
of which: assets under custody	*72.774*	*52.980*	37,4
Customer loans	144.496	100.375	44,0
Group net equity	14.185	7.897	79,6
• KEY LOAN QUALITY RATIOS (%)	**30/09/08**	**31/12/07**	
Net non-performing loans/Customer loans	2,2	1,9	
Net watchlist loans/Customer loans	1,5	1,1	
• PROFITABILITY RATIOS (%)	**30/09/08**	**31/12/07**	
Cost/Income ratio	60,9	58,4	
R.O.E. (on average equity)	6,8	17,5	
R.O.E. (on year-end equity)	9,7	19,8	
Net adjustments to loans / Year-end investments	0,58	0,52	
• CAPITAL RATIOS (%)	**30/09/08**	**31/12/07**	
Solvency ratio	9,5	8,88	
Tier 1 ratio	5,2	6,10	
(a) determined using the Bank of Italy's prudential filters.			
• INFORMATION ON BMPS STOCK	**30/09/08**	**31/12/07**	
Number of ordinary shares outstanding	5.492.986.286	2.457.264.636	
Number of preference shares outstanding	1.131.879.458	565.939.729	
Number of savings shares outstanding	18.864.340	9.432.170	
Price per ordinary share:			
average	2,12	4,65	
low	1,66	3,61	
high	2,95	5,34	
• OPERATING STRUCTURE	**30/09/08**	**31/12/07**	**Abs. chg**
Total head count - year-end	33.482	24.863	8619
Number of branches in Italy	3.094	2.094	1000
Financial advisor branches	163	139	24
Number of branches & rep. offices abroad	39	35	4

(*) The changes result from the restatement of the income statement values as of 30/09/2008 and as of 30/09/07. The 2008 data were restated also aggregating the results of the first five months of Antonveneta; as to the income statement effects of the purchase, the values which were actually recorded (4th month) were kept. The data as of 30/09/2007 include the values of Antonveneta which are re-aggregated according to the management criteria of the MPS Group and take into account the changes occurred in the consolidation area. As to the economic effects of the acquisition as of 30/09/2007, the same values recorded in 2008 were kept.

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

MPS Group	30/09/08	30/09/07	Change Abs	Change %		Change vs Perimetro homogeneous
Net interest income	**2.751,3**	**2.142,5**	**608,8**	**28,4%**	0	**9,7%**
Net commissions	1.171,6	1.136,1	35,4	3,1%	0	-5,7%
Income from banking activities	**3.922,9**	**3.278,7**	**644,2**	**19,6%**	0	**4,5%**
Dividends, similar income and profits (losses) from equity investments	42,8	118,9	-76,1	-64,0%	0	-48,7%
Net result from realisation/valuation of financial assets	49,2	234,4	-185,2	-79,0%	0	-82,3%
Net gain (loss) from hedging	-5,3	-1,9	-3,4	n.s.	0	n.s.
Financial and insurance income (loss)	**4.009,6**	**3.630,1**	**379,5**	**10,5%**	0	**-2,3%**
Net adjustments for impairment of:	**0,0**	**0,0**	**0,0**	0,0%	0	0,0%
a) loans	-519,4	-338,0	181,4	53,7%	0	27,9%
b) financial assets	-105,4	-2,4	103,0	n.s.	0	n.s.
Net financial and insurance income (loss)	**3.384,9**	**3.289,7**	**95,2**	**2,9%**	0	**-8,8%**
Administrative expenses:	-2.343,0	-2.007,5	335,5	16,7%	0	-2,4%
a) personnel expenses	-1.529,5	-1.304,9	224,6	17,2%	0	-1,8%
b) other administrative expenses	-813,5	-702,6	111,0	15,8%	0	-3,5%
Net adjustments to the value of tangible and intangible fixed assets	-100,6	-83,6	16,9	20,3%	0	2,5%
Operating expenses	**-2.443,6**	**-2.091,1**	**352,5**	**16,9%**	0	**-2,2%**
Net operating income	**941,3**	**1.198,6**	**-257,3**	**-21,5%**	0	**-23,3%**
Net provisions for risks and liabilities and Other operating income/costs	-5,9	-33,3	27,5	-82,4%	0	n.s.
Income on equity investments	176,8	0,0	176,8	n.s.	0	n.s.
Integration costs	-78,3	0,0	-78,3	n.s.		0,0%
Goodwill impairment	-0,2	-0,3	-0,1	-42,5%	0	-42,5%
Gains (losses) from disposal of investments	27,8	0,1	27,7	n.s.	0	n.s.
Gain (loss) from current operations before taxes	**1.061,5**	**1.165,0**	**-103,5**	**-8,9%**	0	**-24,8%**
Taxes on income for the year from current operations	-378,3	-433,3	-55,1	-12,7%	0	-27,9%
Gain (loss) from current operations after taxes	**683,3**	**731,7**	**-48,4**	**-6,6%**	0	**-22,7%**
Gain (loss) on fixed assets due for disposal, net of taxes	-1,6	0,0	-1,6	n.s.	0	n.s.
Minority interests in profit (loss) for the year	-9,7	-13,5	-3,8	-28,4%	0	-58,0%
Net profit (loss) for the year (excl. PPA)	**672,0**	**718,1**	**-46,1**	**-6,4%**	0	**-16,8%**
Purchase Price Allocation	-31,1	0,0	31,1	n.s.	0	n.s.
Net profit (loss) for the year	**640,9**	**718,1**	**-77,2**	**-10,8%**	0	**n.s.**

The 2008 data were restated also aggregating the results of the first five months of Antonveneta; as to the income statement effects of the purchase, the values which were actually recorded (4th month) were kept. The data as of 30/09/2007 include the values of Antonveneta which are re-aggregated according to the management criteria of the MPS Group and take into account the changes occurred in the consolidation area. As to the financial effects of the acquisition as of 30/09/2007, the same values recorded in 2008 were kept.

Utile per azione (in euro)	30/09/08	30/09/07
Base	0,140	0,238
Diluito	0,137	0,238

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

MPS Group	**2008**			**2007 (°)**			
	3rd quarter	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**
Net interest income	**1.031,0**	**909,7**	**810,6**	**801,9**	**727,1**	**710,1**	**705,4**
Net commissions	443,5	346,1	382,0	379,2	365,0	381,7	389,4
Income from banking activities	**1.474,5**	**1.255,9**	**1.192,6**	**1.181,1**	**1.092,1**	**1.091,8**	**1.094,8**
Dividends, similar income and profits (losses) from equity investments	20,2	14,3	8,2	37,4	23,7	35,2	60,0
Net result from realisation/valuation of financial assets	-1,6	80,5	-29,6	120,4	21,8	124,4	88,2
Net gain (loss) from hedging	0,0	-1,5	-3,8	-0,8	-3,6	2,2	-0,5
Financial and insurance income (loss)	**1.493,1**	**1.349,2**	**1.167,3**	**1.338,1**	**1.133,9**	**1.253,7**	**1.242,5**
Net adjustments for impairment of:							
a) loans	-189,6	-202,8	-127,0	-214,0	-112,4	-118,3	-107,2
b) financial assets	-4,2	-31,7	-69,4	-35,3	-5,3	7,2	-4,4
Net financial and insurance income (loss)	**1.299,3**	**1.114,7**	**970,9**	**1.088,8**	**1.016,2**	**1.142,6**	**1.130,9**
Administrative expenses:	-920,8	-742,6	-679,7	-778,3	-671,0	-682,3	-654,2
a) personnel expenses	-595,4	-482,6	-451,5	-544,0	-436,1	-438,0	-430,8
b) other administrative expenses	-325,4	-260,0	-228,1	-234,3	-234,9	-244,3	-223,3
Net adjustments to the value of tangible and intangible fixed assets	-40,7	-31,0	-29,0	-31,4	-28,9	-25,2	-29,5
Operating expenses	**-961,4**	**-773,5**	**-708,7**	**-809,7**	**-699,9**	**-707,5**	**-683,7**
Net operating income	**337,9**	**341,1**	**262,2**	**279,1**	**316,3**	**435,1**	**447,2**
Net provisions for risks and liabilities and Other operating income/costs	-12,7	-22,5	29,3	-174,2	-1,2	-18,5	-13,7
Income on equity investments	-23,5	200,3	0,0	0,0	0,0	0,0	0,0
Integration costs	-21,4	-56,9	0,0	0,0	0,0	0,0	0,0
Goodwill impairment	0,0	-0,2	0,0	-0,4	0,0	-0,3	0,0
Gains (losses) from disposal of investments	0,01	20,15	7,67	0,08	0,01	0,03	0,06
Gain (loss) from current operations before taxes	**280,3**	**482,1**	**299,2**	**104,6**	**315,1**	**416,3**	**433,6**
Taxes on income for the year from current operations	-126,4	-150,3	-101,6	-118,2	-106,8	-150,0	-176,6
Utile (Perdita) della operatività corrente al netto delle imposte	**153,9**	**331,7**	**197,6**	**-13,7**	**208,3**	**266,4**	**257,0**
Gain (loss) on fixed assets due for disposal, net of taxes	-15,6	17,6	-3,6	735,2	0,0	0,0	0,0
Minority interests in profit (loss) for the year	1,4	-7,2	-3,9	-2,1	-4,0	-6,2	-3,4
Net profit (loss) for the year	**139,7**	**342,2**	**190,1**	**719,4**	**204,4**	**260,2**	**253,6**
Purchase Price Allocation	-21,0	-10,2					
Net profit (loss) for the year	**118,7**	**332,0**	**190,1**	**719,4**	**204,4**	**260,2**	**253,6**

(°) Under non-homogenous basis: the 3° quarter ‘08 data include the results of Banca Antonveneta for three months, whereas the data of the 2° quarter ’08 include the results of Banca Antonveneta of 1 month as well as the economic components linked to its integration. Moreover, the 2° quarter ’08 and the 3° quarter ’08 do not have the “line- by- line” contribution of Banca Monte Parme and of Mps Asset Management Spa Sgr with its subsidiaries (i.e with the IFRS5 application).

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■ **RECLASSIFIED BALANCE SHEET** (in millions of euros)

ASSETS	**30/09/08**	**30/09/07 (°)**	**% chg**	**31/12/07**
Cash and cash equivalents	678	470	44,1	821
Receivables :				
a) Customer loans	144.496	100.375	44,0	106.322
b) Due from banks	17.331	15.089	14,9	14.858
Financial assets held for trading	25.067	24.956	0,4	31.052
Financial assets held to maturity	0	0	n.s.	0
Equity investments	614	361	70,0	820
Underwriting reserves/reinsurers	0	0	0,0	0
Tangible and intangible fixed assets	10.621	3.359	n.s.	3.532
of which:				
a) goodwill	*7.633*	*641*	*n.s.*	*941*
Other assets	11.584	18.547	-37,5	4.578
Total assets	**210.391**	**163.158**	**28,9**	**161.984**

LIABILITIES	**30/09/08**	**30/09/07 (°)**	**% chg**	**31/12/07**
Payables				
a) Due to customers and securities	142.425	101.714	40,0	113.347
b) Due to banks	25.609	17.573	45,7	13.743
Financial liabilities from trading	15.605	12.111	28,8	19.355
Provisions for specific use				
a) Provisions for employee leaving indemnities	553	367	50,8	369
b) Reserve for retirement benefits	445	407	9,4	428
c) Other reserves	843	563	49,6	621
Other liabilities	10.492	22.476	-53,3	5.226
Underwriting reserves	0	0	0,0	0
Group portion of shareholders' equity	14.185	7.897	79,6	8.649
a) Valuation reserves	206	669	-69,2	650
b) Reimbursable shares	0	0	0,0	0
c) Capital instruments	79	71	10,5	70
d) Reserves	4.824	3.984	21,1	3.996
e) Share premium account	3.991	561	n.s.	559
f) Share capital	4.451	2.030	119,3	2.032
g) Treasury shares (-)	-8	-137	-94,5	-97
h) Net profit (loss) for the year	641	718	-10,8	1.438
Minority interests in shareholders' equity	236	51	n.s.	247
Total liabilities and shareholders' equity	**210.391**	**163.158**	**28,9**	**161.984**

(*) Values including changes in the consolidation area

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

ASSETS	30/09/08 (**)	30/06/08 (**)	31/03/08	Historical data 31/12/07	30/09/07 (°)	30/06/07 (°)	31/03/07 (°)
Cash and cash equivalents	678	807	536	821	470	454	430
Receivables :							
a) Customer loans	144.496	139.909	107.569	106.322	100.375	98.829	95.253
b) Due from banks	17.331	14.553	13.940	14.858	15.089	17.461	14.060
Financial assets held for trading	25.067	27.677	30.725	31.052	24.956	31.179	36.074
Financial assets held to maturity							
Equity investments	614	548	817	820	361	361	424
Underwriting reserves/reinsurers							
Tangible and intangible fixed assets	10.621	10.655	3.127	3.532	3.359	3.282	3.304
of which:							
a) goodwill	*7.633*	*7.673*	*961*	*941*	*641*	*641*	*641*
Other assets	11.584	12.381	7.774	4.578	18.547	19.581	20.235
Total assets	**210.391**	**206.529**	**164.488**	**161.984**	**163.158**	**171.147**	**169.779**

LIABILITIES	30/09/08	30/06/08	31/03/08	31/12/07	30/09/07 (°)	30/06/07 (°)	31/03/07 (°)
Payables							
a) Due to customers and securities (°)	142.425	139.000	109.040	113.347	101.714	99.199	95.827
b) Due to banks	25.609	27.218	19.036	13.743	17.573	21.039	20.627
Financial liabilities from trading	15.605	13.298	18.487	19.355	12.111	19.384	20.680
Provisions for specific use							
a) Provisions for employee leaving indemnities	553	564	366	369	367	366	385
b) Reserve for retirement benefits	445	452	417	428	407	407	415
c) Other reserves	843	817	488	621	563	569	573
Other liabilities	10.492	10.702	7.566	5.226	22.476	22.342	23.260
Underwriting reserves							
Group portion of shareholders' equity	14.185	14.159	8.830	8.649	7.897	7.794	7.971
a) Valuation reserves	206	337	433	650	669	767	659
b) Reimbursable shares							
c) Capital instruments	79	79	70	70	71	71	71
d) Reserves	4.824	4.787	5.434	3.996	3.984	3.985	4.509
e) Share premium account	3.991	3.998	547	559	561	561	561
f) Share capital	4.451	4.451	2.032	2.032	2.030	2.030	2.030
g) Treasury shares (-)	-8	-15	-61	-97	-137	-134	-112
h) Net profit (loss) for the year	641	522	375	1.438	718	514	254
Minority interests in shareholders' equity	236	319	259	247	51	47	41
Total liabilities and shareholders' equity	**210.391**	**206.529**	**164.488**	**161.984**	**163.158**	**171.147**	**169.779**

(°) "Other assets" and "Other liabilities" figures include insurance amounts pursuant IFRS 5

Note: the data up to 30/09/07 do not include BiverBanca since the company joined the Group area in the last days of 2007.

(**) Values including the changes occurred in the consolidation area

REPORT ON THE MPS GROUP OPERATIONS

THE MACROECONOMIC SCENARIO

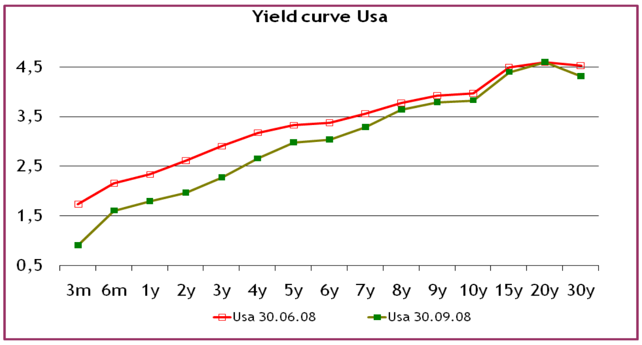
- THE MACROECONOMIC SCENARIO

The global financial crisis originated last year by the US market of sub-prime mortgage loans deteriorated seriously in September, and involved some of the major US and European financial institutions. This caused a strong and sudden decline in the world stock quotations and compromised the stability of the financial systems. The widespread uncertainty regarding possible insolvency actually jeopardized any exchanges in the interbank markets, where the Euribor recorded a sudden increase in relation to all maturities, and required actions from the central banks which injected abundant liquidity. The Governments, in turn, prepared extraordinary measures oriented to recapitalize the banks with public funds and support corporate financing. The financial crisis exacerbated during a phase of slowdown of the economies of the industrialized countries, which were already weakened by the hefty increase in the prices of raw materials occurred in the last few months. The deterioration of the cycle affected both the consumers' expectations, with more prudential expense decisions, and the corporate expectations, with reduced investment outlays. The contraction of demand and the moderate growth of disposable income reduced the estimated growth of the GDP of the industrialized countries, expected to be almost nil and in many cases even negative.

In detail, as of Q3, the US economy started a cycle of contraction. Declining production in the Eurozone and Japan, which began in a prior period, is expected to continued in the next quarters. The emerging economies slowed down, though keeping an appreciable pace of expansion.

GROWTH RATES IN THE LEADING ECONOMIES			
	2006	2007	2008
World	5,1	5,0	3,8
Usa	2,9	2,2	1,4
Eurozone	2,8	2,6	1,0
Italy	1,8	1,5	-0,1
Germany	2,9	2,5	1,3
France	2,2	1,9	0,7
Japan	2,2	2,1	0,0
China	11,6	11,9	9,0

In the US, the crisis of the real estate market still represents one of the critical factors of weakness. Unsold assets increased, the prices decreased and the proceedings for insolvency in relation to residential mortgage loans multiplied. As of July, retail sales dropped and the unemployment rate topped 6%. The inflation rate started declining, after reaching a peak of 5.5% on a yearly basis in August. The FED reacted against the crisis and consolidated the supply of liquidity. In October, **the Fed fund rate fell from 2% to 1% and the Congress launched an extensive plan in support of the financial industry.**

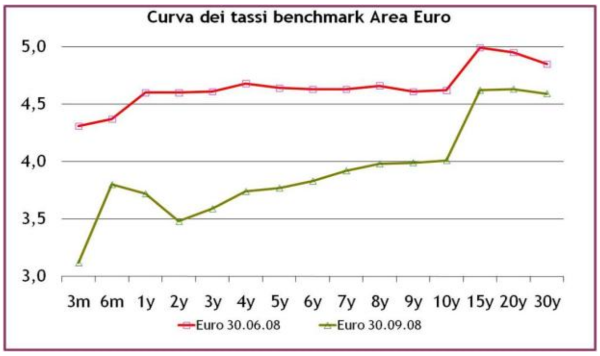


The curve of benchmark yields stressed its positive trend (187 bp in relation to 2-10 year maturities, as of 30 September 2008), which is indicative of additional expansive measures and the remix of private portfolios, oriented to Treasury bills.

The Japanese economy experienced a decline effective the second quarter. Early in October the Tankan reported the deterioration of the economic and financial conditions of the corporates, with an additional deterioration of the economic situation expected in the final months of the year. The Central Bank supported the co-ordinated action of the other banks in the markets and further reduced the official discount rate (0.3%).

In China growth dropped below 10% on an annual basis in the third quarter, with inflation slowing down from 8.5% in April to 4.9% in August.

In the Eurozone, after the 0.8% growth on a yearly basis experienced in the first half of the year, the signs of weakness of the real economy intensified, anticipating **a reduction of the GDP in Q3.** The economic indicators fell sharply and consumer-induced inflation decreased below 4% on a yearly basis, driven by the slowdown of the energy component. The ECB faced the peaks of demand for liquidity increasing supply and, early in October, reduced the rate on the main refinancing transactions by 50 bp to 3.75%. This decision is indicative of the **mitigation of inflationary pressure and intensifying financial pressure**. Late in September, the yield curve was clearly oriented to short-term maturities, which is indicative of an expansive monetary policy and the high demand for Treasury bills, and moderately oriented to 2-10 year maturities (with a spread of 53 bp) in comparison to June 2008, when it was virtually flat.



The signs of weakness showed one after another in Italy after the modest growth experienced in the first half of 2008 (+0.2% on an annual basis). Industrial production decreased by almost 1% in the third quarter with respect to Q2. The contraction of the degree of use of the productive capacity and the reduction of outstanding orders adversely affected investments, mainly in the area of building. Economic surveys report a widespread pessimism in the corporates and households. Internal demand was slack and warning signs came from retail sales. Exports decelerated, with a growth of almost 5% in the first 8 months of the year with respect to last year's 8% increase.

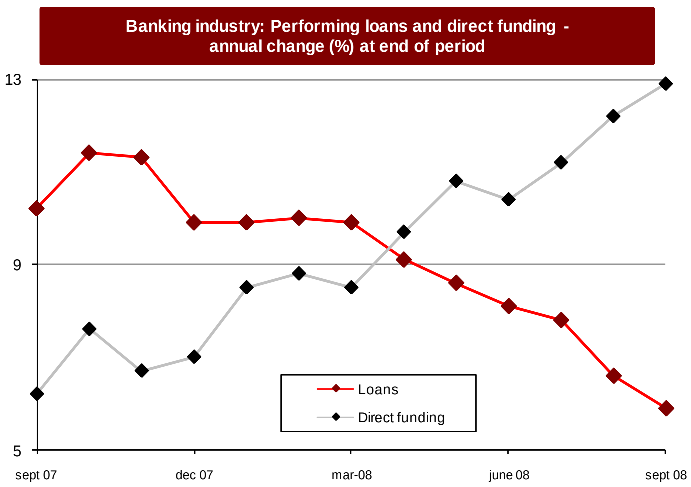
Consumer inflation dropped (below 3.5% on an annual basis in October), as a result of falling oil prices and weak demand. After the slight increase in July and August, the equity markets fell sharply. Late in October, the stock indices showed a 50% ??? decline with respect to the beginning of the year. Bank equities recorded much higher reductions. After topping USD 140 per barrel in July, oil prices dropped considerably, thus easing the pressure on the prices of some commodities, and inflation, and encouraging the recovery of the purchasing power in the most advanced economies.

The prices of Treasury bonds advanced sharply, as a result of a flight to quality which characterized the US in particular. Risk premiums on corporate bonds expanded above 1,000 points in relation to the high yields, both in the US and in the Eurozone. The premiums also progressed in the emerging countries to about 670 bp at the end of the quarter (abt.+400 bp with respect to the beginning of June). In the forex market, **the US dollar appreciated at 1.36 with respect to the Euro in September and decreased below 1.30 in October.** Therefore, the dollar more than offset the decrease recorded in the first six months of the year and stopped its depreciation vis-à-vis of the yen and the yuan.

- THE BANKING BUSINESS

The Italian banks coped with the crisis which involved the international financial industry, relying on a basically sound model, efficiency recovered in the past years, appropriate assets and prudential regulations. So far, they proved to be able to stand the shock better than the banks of other industrialized countries, although the deterioration of the crisis in the last few weeks caused strong pressure.

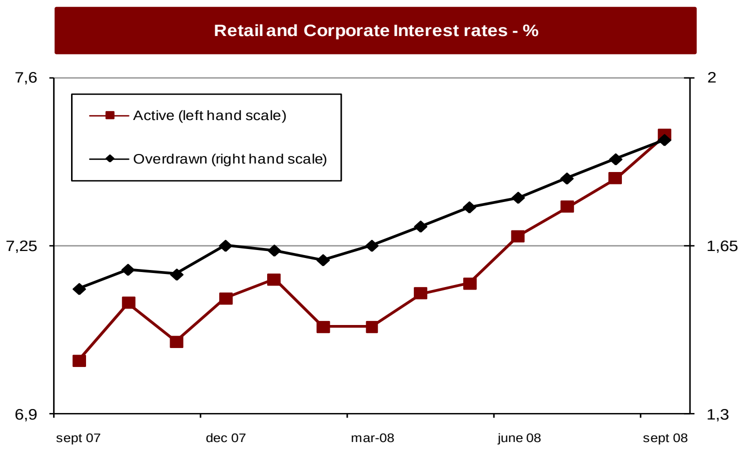
The financial crisis and the deterioration of the cycle influenced the expectations of the investors, who made extremely conservative investment decisions, oriented to simple and guaranteed products. As a consequence, **bank direct funding gradually accelerated ,** with an annual average growth of about 12% (see chart) and bond volumes increasing by more than 90 bn with respect to the end of 2007. The trend of payable repurchase agreements speeded up (+ 20% during Q3).



Net redemptions of asset management products **continued**. The situation of the market and the investors' decisions **continued to have a negative impact** especially on investment funds. In September, **net redemptions of investment funds topped 97 bn** since the beginning of 2008, with specific reference to bond and equity products. Volumes fell by more than 16% on an annual basis. Redemptions in Q3 (27 bn) concerned bond funds (more than half). **Individual portfolios under management also recorded remarkable redemptions (-13.9 bn** in the first half of 2008), mostly attributable to fund portfolios (GPF). Net funding from life insurance products was also negative in the first half of 2008 (by abt. 2 bn). **The new production of bancassurance decreased by 25.9% on an annual basis** in August. The decrease involved in particular index linked policies (-42%).

The annual growth of outstanding bank loans slowed down in Q3 below 7% on an annual basis (+9.9% on average in the first half of 2008), due to the revival of securitization transactions (in particular the transactions which give access to Central Bank refinancing) and decreasing demand by the households, mostly in relation to residential housing mortgage loans. **The trend of retail loans slowed down in the summer** (**abt. 2% on a yearly basis** in comparison with +8% as of December 2007), with mortgage loan disbursements for the purchase of residential housing dropping by almost 7% in the first half of 2008, due to the dramatic contraction (estimated at abt.14%) of the purchase and sale of residential buildings. The weak economic situation also reflects the **slowdown of corporate loans,** which are still growing at a fast pace (+ abt.10% on a yearly basis).

The volume of bank NPLs decreased (as of July) by about 6% on a yearly basis, **with the net NPLs/total loans ratio dropping from 1.11% as of December 2007 to 1.05%.** However, in the first half of 2008, the flows of new NPLs increased – on an annual basis – by about 20%. The rate of deterioration increased very moderately at around 0.9% , which is very low in comparison with the percentages recorded during past recessions, for instance in the early '90s (abt. 3%). With reference to other classes of lending, **the trend of consumer credit** was reduced (+ 1.9% on a yearly basis in the first eight months of the year), which is indicative of the contraction of the demand for durable goods. The leasing business (-11.5%) declined due to the impact of the decrease in the real estate market (-23.8%).



As a consequence of the strained atmosphere in the markets, the average interest rate on bank loans progressed topping 6.4%, about 30 bp higher than the rate registered at the end of 2007. The average interest rate on deposits and bonds increased in a more marked manner. T**he resulting overall spread (total loans-funding) stood at 3.15% during the quarter, and the average recorded in the first nine months of 2008 was 3 bp lower than last year's average (3.2%).** The mark-up (as measured with reference to short-term loans and 1-month Euribor) was above 2.4% (2.25: the 2007 average), with the mark-down declining below 2.2% (2.28 in 2007).

REGULATORY ISSUES

Early in August, the Parliament approved Law Decree no.112/2008 as part of the extensive economic measures adopted in June by the Government. The measures having an impact on the banks incorporate the **introduction of a percentage of non-deductibility of interest payabl**e (3% in 2008, 4% in 2009) for the purpose of IRES and IRAP taxes. The provision contemplates a higher cost of funding of almost 10 bp (Bank of Italy estimate). **The decrease (from 0.4% to 0.3%) in the percentage of deductibility of loan write-off and loan loss provisions** is also of importance. In addition, the current tax system **in relation to stock options** was abolished, with the ensuing effect that the relevant income shall be subject to graduated taxation. The elimination of **VAT exemption for the provision of infragroup services** was deferred. The decree also **amended the recent Money Laundering Legislative Decree** (no.231/2007) indicating, inter alia, EUR 12,500 as the maximum threshold for cash transfers and non-transferable cheques, and postponed the enforcement of **class action regulations** to 1 January 2009.

On 29 July 2008, **the Credit and Savings Interdepartmental Committee (CICR) passed a resolution about bank/corporate equity investment relations, with a general extension of shareholding limits.** In particular, the maximum ceiling for bank investments in the companies is set at 15% of the capital for regulatory purposes by equity investment. The sum of similar equity investments is subject to a limit of 60% of capital. In addition, the system of administrative controls in relation to the purchase of interests in financial companies was simplified and **the Bank Ombudsman was reformed in relation to the out of court settlement of the disputes with the customers**. These regulations are applicable to the disputes in case of values not exceeding EUR 100,000 and identify fast procedures which encourage an economical and effective protection for the customers. Finally, in line with the international standards, the CICR provided for quantitative limits to risk assets taken in related companies, procedures and rules ensuring the substantial fairness of resolutions, and controls in relation to the positions taken.

On 9 October 2008, the Government approved **Law Decree 155/2008** with urgent measures ensuring the stability of the credit industry. The Decree contemplates **the recapitalization of the banks**, support in case of serious crisis of liquidity and the **Government guarantee for the depositor**s. In particular, the Decree (i) authorized the Ministry of Economics and Finance (MEF) to subscribe or guarantee any capital increases of banks with a financial situation which is deemed to be inadequate by the Regulatory Authorities; (ii) simplified the formalities in relation to the guarantees (including Government guarantees) with respect to the disbursement of loans from the Bank of Italy and (iii) authorized the MEF to issue the Government guarantee on deposits, in addition to the guarantee of the Interbank Bank for the Protection of Deposits and in the same amount (EUR 103,191).

The following **Decree 157/2008** enforced the plan agreed upon at the European level and authorized the MEF to grant, until the end of 2009, **the Government guarantee in relation to all new bank liabilities with maturities up to 5 years** and interbank contracts which make stocks assignable for refinancing transactions available with the Eurosystem. Furthermore, the MEF shall be entitled to execute temporary transactions of exchange of Treasury bills and assets in the banks' portfolios. **Both decrees contemplate the issue of enforcement regulations setting the principles, terms and modes of said initiatives**.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY AND CUSTOMER PORTFOLIO

During the third quarter of 2008, the MONTEPASCHI Group confirmed the positive trend of development of its customers' portfolio, and increased its market share in the major business segments. Against an increasingly critical operating backdrop, characterized by the gradual slowdown of real economy and the unprecedented deterioration of the international financial markets, which – due to the latest events - is heavily affecting the players' attitude, the Montepaschi Group pursued the implementation of the new 2008-2011 business plan and operated with the objective of consolidating and stabilizing confidence at any organization and commercial level.

- FUNDS MANAGEMENT[3]

The consolidation of the distribution network and the specialized platforms by customer segment had positive repercussions on **funds management**, which recorded **flows of placement in the amount of about 9 billion as of 30 September 2008** (7.9 bn as of 30 September 2007), mostly driven by the positive contribution of **bonds. Bonds progressed considerably y-o-y (83.4%) and absorbed the criticalities which emerged in the area of the management of individual and collective portfolios, characterized by huge redemptions at the Industry level.**

Following is a breakdown of the flows of placement of the main products placed by the MONTEPASCHI Group:

Product Placements

in million of euros

		30/09/08	30/09/07
Mutual funds/SICAVs (*)		-2.024	856
Individual portfolios under management		-1.975	-1.168
Life-insurance policies	including:	2.799	2.712
	Ordinary (**)	837	1.234
	Index Linked	1.108	1.093
	Unit Linked	853	385
Bonds	including:	10.110	5.513
	Linear	9.038	4.183
	Structured	1.072	1.330
Total		8.910	7.914

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

(**) The Ordinary policies include Life-insurance policies only for the year 2008

In particular:

- **Redemptions of collective and individual funds under management amounted to EUR 4 billion** approx., (-EUR 312 million as of 30 September 2007), which on a comparative basis is more limited with respect to the redemptions at the Industry level, **thus resulting into an**

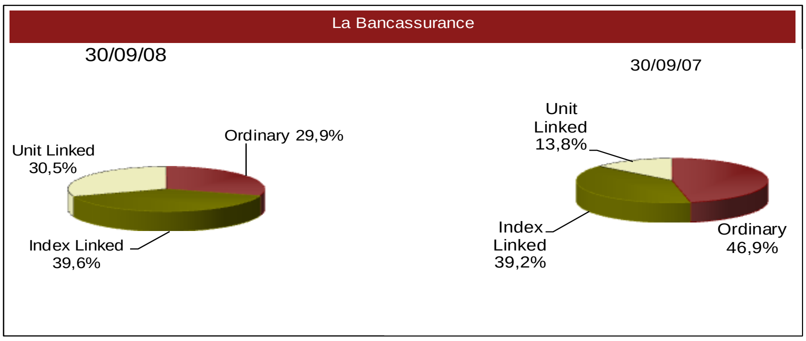
[3] The flows of placement of 2008 include the production of Biverbanca, but not Banca Antonveneta. The data of 2007 are attributable to the MONTEPASCHI Group before the acquisition of Biverbanca and Banca Antonveneta.

increase in the market share of Funds and portfolios under management (GPM). In particular:

- **Redemptions of mutual funds/SICAVs** came to roughly EUR 2 billion (+856 million as of 30 September 2007), with trends shared by all investment lines, except for the Group Hedge Funds/Sicav which recorded a positive trend (the market share went up from 3.31% as of 31 December 2007 to 3.37%[4]);

- **Net redemptions of portfolios under management totalled about EUR 2 bn (-1.2 billion** as of 30 September 2007), attributable to individual securities portfolios (GPM)/individual equities portfolios (GPA) (-1.2 billion) and SICAV/fund portfolios (GPS/GPF) under management (-756 million);

- **Life insurance premiums underwritten totalled EUR 2,8 million, slightly higher than last year's volumes,** despite the downward trend of the Industry. As a result, **the MPS Group market share in relation to the products placed in the period rose from 6.4% in 2007 to 8.7%.** The breakdown of premiums proves that the growing weight of Unit-linked policies benefitted from the renewed range of products launched by the joint venture with the French Group AXA.



- **Bond volumes totalled about EUR 10.1 bn** (EUR 5.5 bn as of 30 September 2007 or + 83.4%) concentrated on non-structured products (i.e. plain bonds and a subordinated loan in the amount of EUR 9 billion approx.), advancing considerably year-on-year (+116%).

LENDING

In the third quarter of 2008, **the flows of loans channelled to the special credit companies accelerated with respect to the prior year**. This trend is mostly attributable to the good performance achieved by the **factoring turnover and consumer credit (in particular, personal loans).** On the front

[4] The share is calculated in accordance with the new Assogestioni methods, which include all foreign funds, previously assessed only on a quarterly basis.

of **mortgage loans, disbursements were still hefty (about 5.6 bn)** , al**though slowing down** due to the cool demand at the Industry level. **Short-term loans** also recorded a good performance. However, they gradually lost vigour with respect to Q4 2007, although in view of a still brisk demand.

As a result of these trends, the Group developed its market share in relation to consumer credit (market share around 5%; 4.7% as of 31 December 2007) and factoring turnover.

Specialised credit and corporate financial products

in million of euros

		30/09/08	30/09/07
MPS Capital Services Banca per le Imprese			
	risk management (1)	4.163	3.631
	disbursements	2.656	2.214
MPS Leasing & Factoring			
incl.:	new leases executed	1.362	1.130
	factoring turnover	4.429	3.774
Consumit			
	disbursements	2.296	2.063

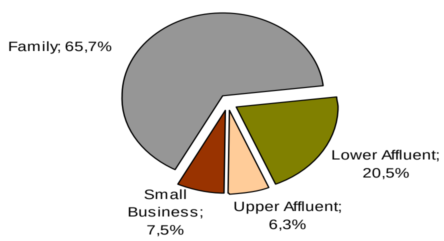
(1) figures also include products issued by the Networks directly

▪ CUSTOMER PORTFOLIO

As of 30 September 2008, the customers of the Group (including Banca Antonveneta, Biverbanca and the non-shared accounts directly managed by Consum.it) numbered more than 6,400,000 units. The customers of the commercial networks as currently segmented (excluding Banca Antonveneta[5] and Biverbanca) totalled 4,329,812.

A review of the Group customers shows that **Retail Customers account for 97.9%,** with Private customers representing 0.7% and Corporate Customers the remaining 1.4%. In detail, **out of 4,238,254 Retail Customers, the weight of the Family segment a**ccounts for 65.7%, followed by the Lower Affluent segment (20.5%), Small Business segment (7.5%) and Upper Affluent customers (6.3%).

Retail customer base breakdown at 30.09.2008



The **geographical breakdown of retail customers** indicates that **the Group operations are mostly concentrated in central and southern Italy.** However, the Group networks continued to expand in southern Italy and in the north-western regions of the country. This remix is expected to change considerably in view of the **addition of the customers of Antonveneta to the future statistics**.

[5] Banca Antonveneta has maintained its own rules of customer classification, which are different from the Montepaschi Group rules. Therefore, the data in relation to customers' distribution cannot be compared.

As far as **Customer Satisfaction** is concerned, the Group continued to work at the **Care Score** model introduced in 2007 for the purpose of analyzing and measuring the degree of customer satisfaction in relation to the Bank, through specific surveys. The Group defined the contents of the first survey conducted **("Momenti della verità" – Moments of truth**) with its Retail customers. The survey includes telephone interviews to a sample of customers involved in the spin-off of BAM, for the purpose of understanding their perception of the event.

The meetings contemplated by the **Consumer Lab Project**, that is the permanent working group set up by the Monte dei Paschi Group and 15 of the major Italian Consumers' Associations, went on. In particular, the first meetings were held in relation to the **early adoption of the EU Directive on consumer credit,** with the co-operation of Consum.it. After an in-depth exam of the modes of adoption of the Directive, the Group shall prepare **a guidebook to consumer credit** to be distributed to the customers and the public at large.

CAPITAL AGGREGATES

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

- 1) FUNDING AGGREGATES

The total volumes of funding aggregates came to about 265.3 bn, increasing with respect to June (abt. 261.6 bn), and absorbing the decline in the prices of financial assets resulting from the crisis of the markets which had an adverse impact (abt. 4 bn) on indirect funding. **Excluding this effect, the aggregate would rise by more than 7 bn, with a prevailing weight of direct funding and funds under administration**. In comparison with 2007, the aggregate grew by 30.6% (+1.6% "on a comparative basis"[6] absorbing a negative market effect higher than 7 bn. Excluding this effect, the change would be more than + 5.1%):

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

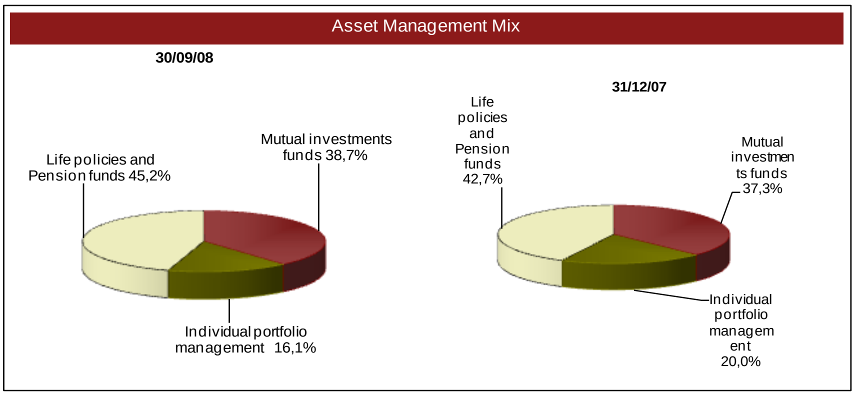
	30/09/08	(*) 30/09/07	% chg. vs 30/09/07	% weight 30/09/08
Direct customer funding	**142.425**	**101.714**	**40,0%**	***53,7%***
Indirect customer funding	**122.897**	**101.474**	**21,1%**	***46,3%***
assets under management	*50.122*	*48.494*	3,4%	*18,9%*
assets under custody	*72.774*	*52.980*	37,4%	*27,4%*
Total customer funding	**265.322**	**203.188**	**30,6%**	***100,0%***

(*) Historical data

In particular, **indirect funding amounted to EUR 122.9 billion as of 30.09.2008:**

- **The balance of funds managed totalled EUR 50.1 bn,** thus reflecting the negative trends which characterized the market of funds and portfolio management, due to the customers' preference going to liquid and fixed-income forms of investment. In this framework, investment lines and firms (Group firms or third parties) are chosen on the basis of an approach targeted at selecting the best solutions for the customers in a MIFID logic. The weight of "Investment Funds" within the aggregate accounts for 38.7% (37.3% as of 31 December 2007).

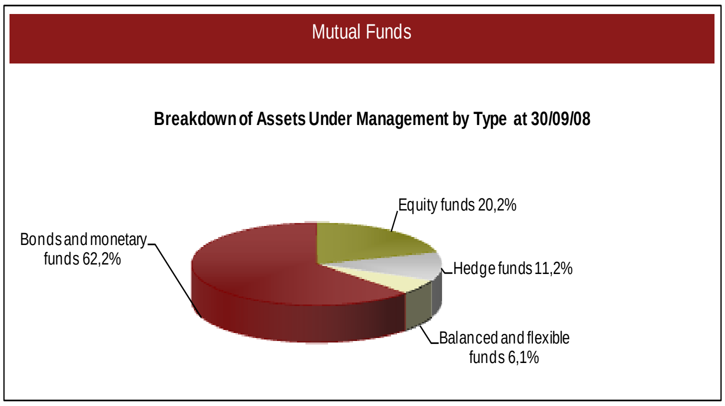
[6] "Comparative basis" (hereinafter referred to as comparative basis): the capital data as of 30/09/08 have been restated on a comparative basis with respect to Q1 2008, that is excluding the results of Banca Antonveneta from FY 2008, not applying IFRS 5 with reference to Banca Monte Parma. The capital data as of September 2007 were integrated in view of the addition of Biverbanca.



- **<u>With reference to life insurance policies</u>, the technical reserves concerning the Group commercial networks reached EUR 22.7 bn,** with an increasing contribution of index- and unit-linked policies with respect to December 2007;

- **<u>The balance of the Group mutual funds/SICAVs</u> amounted to EUR 19.4 bn.**

The chart below illustrates the mix of investment funds by type (before the acquisition of Banca Antonveneta), evidencing a significant growth with respect to 31 December 2007 of the portion of bond and monetary funds (from 58.7% as of December 2007 to 62.2%) and hedge funds (from 8.2% to 11.2%).



- **The balance of <u>portfolios under management</u> stood at EUR 8 bn approx.**

The total volume of **<u>funds under administration</u>** amounted to EUR 72.8 bn.

<u>Direct funding</u> (at about EUR 142.4 billion) **advanced significantly by 2.4% with respect to Q2**, mainly driven by bonds placed with retail customers and short-term deposits.

Following is the breakdown of the aggregate by business segment:

Commercial funding
(in millions of euro)

		% weight	
	30/09/08	30/09/08	30/09/07
Commercial Banking/ Distribution network	52.204	54,5%	56,0%
Corporate Banking / Capital Markets	37.148	38,8%	37,2%
Private Banking/Wealth Management	6.408	6,7%	6,8%
Total	**95.760**	**100,0%**	**100,0%**

- 2) LENDING AGGREGATES

A) THE MPS GROUP COMMERCIAL OPERATIONS

With reference to **lending operations**, in line of continuity with past years, the Group commercial policies tried to match the supply of an appropriate financial support to entrepreneurial initiatives with the utmost rigour and selectivity in risk assessment, and enhancing, at the same time, the value of the specialists' skills achieved by the Group in the area of consumer credit and mortgage loans to retail customers. As a result of the above-mentioned hefty flows of disbursements, **outstanding loans totalled EUR 144.5 billion with a 3.3% increase with respect to Q2 (+1.2% excluding the effects of the reclassifications made in accordance with the recent IASB amendment to IAS 39 and IFRS 7. Additional details are provided in the chapter covering the Explanatory Notes).** Following is a breakdown of consolidated loans by type:

Breakdown of loans by business segment

Customer loans
(in millions of euro)

		%weight	
	30/09/08	30/09/08	30/09/07
Commercial Banking/ Distribution network	43.769	43,6%	43,5%
Corporate Banking / Capital Markets	55.950	55,7%	55,7%
Private Banking/Wealth Management	731	0,7%	0,8%
Total	**100.450**	**100,0%**	**100,0%**

B) CREDIT QUALITY

The Montepaschi Group closed the third quarter of 2008 with net impaired loans amounting to 6.7 bn. The weight of impaired loans to total customers' loans was 4.66% with the weight of NPLs and watchlist loans at 3.68%.

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values			% weight	% weight
in million EUR	Stima 30/09/2008	31/12/07	Stima 30/09/2008	31/12/07
A) Impaired loans	**6.726**	**3.910**	**4,66**	**3,68**
a1) Non-performing loans	3.204	1.996	2,22	1,88
a2) Watchlist loans	2.108	1.203	1,46	1,13
a3) Restructured loans	214	131	0,15	0,12
a4) Past due	1.200	581	0,83	0,55
B) Performing loans	**133.985**	**101.892**	**92,73**	**95,83**
C) Other assets	**3.784**	**520**	**2,62**	**0,49**
Total customer loans	**144.496**	**106.322**	**100,00**	**100,0**

The provisions covering impaired loans progressed with respect to year-end, with a ratio of provisions to gross total loans of 43.4%. In particular, the ratio of provisions covering only gross NPLs was 57.9% (51.6% as of 31 December 2007), with a percentage of provisions at the level of the commercial Banks averaging about 60%. Said increase in the provisions to gross NPLs is linked with the increase in risk provisions and, above all, the addition of Banca Antonveneta, which had a provisions/gross NPLs ratio of about 69%, also due to the different write-off policy.

Portfolio valuation adjustments to performing loans remained at about 0.5% of the aggregate of reference.

■ **PROVISIONING RATIOS**

	30/09/08	30/06/08	31/12/07	31/12/06
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	43,4%	44,5%	39,4%	38,7%
"provisions for watchlist loans"/"gross watchlist loans"	23,3%	23,1%	23,4%	25,1%
"provisions for NPLs"/"gross NPLs"	57,9%	58,5%	51,6%	54,1%

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

■ **SOFFERENZE E INCAGLI PER PRINCIPALI BUSINESS UNIT**

Categoria di rischio - Valori netti al 30/09/08	Gruppo	BMPS (con ex Bam)	Banca Antonveneta	BT	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it
importi in milioni							
Sofferenze	3.204	1.165	940	121	783	79	53
Inc. % su Crediti Clientela	2,22%	1,4%	2,9%	0,8%	6,1%	1,4%	0,9%
"rettifiche di valore"/"sofferenze lorde"	**57,9%**	**52,2%**	**68,5%**	**51,8%**	**36,8%**	**75,1%**	**74,7%**
Incagli	2.107,2	559,7	704,1	202,8	393,4	87,2	18,5
Inc. % su Crediti Clientela	1,46%	0,7%	2,2%	1,4%	3,1%	1,5%	0,3%
"rettifiche di valore"/"incagli lordi"	**23,3%**	**31,7%**	**20,3%**	**22,4%**	**8,7%**	**27,9%**	**45,3%**

The positive management of the NPL portfolio mandated to MPS Gestione Crediti Banca produced collections of sums due to **the MONTEPASCHI Group in a total amount of abt. 385 million (before the acquisition of Antonveneta).**

C) OPTIMIZATION OF THE LENDING PROCESS

During the third quarter of 2008, the Group continued to update the processes of disbursement and monitoring of the customers. The Group started to finetune the processes as required by the Regulatory Authorities for the purpose of AIRB validation, with particular reference to the review of the process rating in view of Operational Management events which are deemed to be relevant for the assessment of the counterparts' creditworthiness. In July 2008, the Group also started a new process with the objective of consolidating the Retail and Corporate credit policies of the commercial banks and product factories. The project will better identify the profile of the target loan portfolio, in compliance with the levels of risk which can be taken and any commercial and credit information useful to achieve the objectives set.

The Group also continued to finetune the cut-off of the ECF (Electronic Credit File)-Simplified Path, by revising the riskiness associated with the rating classes.

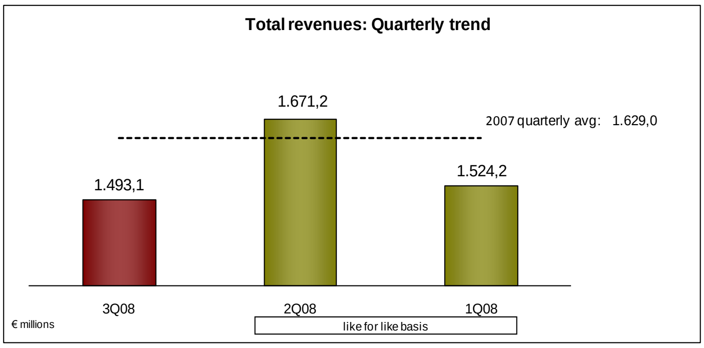
INCOME AGGREGATES

An analysis of the results as of 30 September 2008 should take account of the 4-month contribution of Banca Antonveneta, which was purchased as of 30 May 2008. Therefore, in order to ensure an appropriate construction of the trends, any comments on the results of the first 9 months of 2008 shall make reference to data restated on the basis of the addition of Banca Antonveneta as of 1 January 2008 (hereinafter referred to as "on a comparative basis").

- 1) OPERATING PROFITABILITY

As a result of the above-mentioned dynamics, the structural income (Core Operating Income) of the MONTEPASCHI Group as of 30 September 2008 stood at EUR 3,922.9 million.

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



With reference to the development of total income from financial and service business, as of 30 September 2008 **<u>financial and insurance income</u> stood at EUR 4,009.6 million, with a comparative trend of -2.3%. This** is indicative of the different performances registered by the financial markets in the two periods, which adversely affected the contribution of "other income from financial business". **The quarterly trend on a comparative basis shows that in Q3 2008 income from financial and insurance business stood at roughly EUR 1,493.1 million (abt. 1,501 million in Q3 2007 and 1,671.2 million in Q2 2008) due to the exacerbating crisis of the financial markets started in September.**

<u>The main aggregates developed as follows:</u>

- **<u>Interest income</u> in the amount of EUR 2,751.3 million rose by 9.7% on a comparative basis, with a 6.1% decrease with respect to Q2 2008 and a 7.9% growth with respect to Q3 2007.** Although benefitting from the positive contribution of the Commercial Networks (due to the development of traded volumes and the increasing mark down) and Treasury, the data of Q3 are above all influenced by increasing interbank rates which compromised – at least temporarily – the cost of funding paid by the Group, with no possible prompt recovery;
- **<u>Net commissions</u>** (EUR 1,171.6 million) declined by 5.7% on a comparative basis, due to the decreasing income associated with funds management, which is not properly offset by the expansion of the operational basis and service activity;
- **<u>Dividends, similar income and Profits (Losses) from equity investments</u>** decreased to **EUR 42.8 million** (EUR 118.9 million as of 30.09.2007), which had benefited from the capital gain resulting from the partial sale of the investment held in Finsoe (26.4 million) as well as the

positive contribution of EUR 78.4 million from the insurance companies (abt. 13 million as of 30 September 2008);

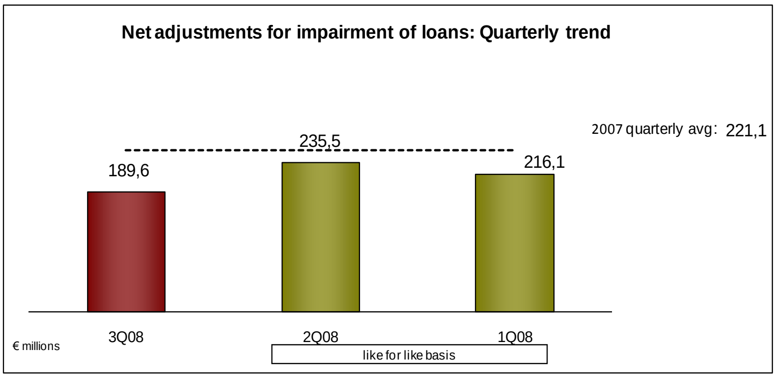
- **Net income from trading/valuation of financial assets** came to **EUR 49.2 million,** with the third quarter giving a marginal negative contribution with respect to +EUR 81 million in Q2 2008. In this respect, the Monte Paschi Group adopted the amendment issued on 13 October 2008 by the IASB in relation to IAS 39 and IRS 7, which provides for the reclassification of certain financial assets other than derivatives from accounts "valued at fair value" to other categories, under specific circumstances (additional information is provided in the Explanatory Notes). Failing such reclassifications, the Group would have posted capital losses in the amount of EUR 58 million approx.

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

	30/09/08	30/09/07
Net Profit from trading	-36,2	172,1
Profit/loss from loans, available for sale financial assets and financial liabilities	5,9	44,7
Fair Value financial assets and liabilities	79,5	17,6
Net result from realisation/valuation of financial assets	**49,2**	**234,4**

(°) historical data

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



With reference to income resulting from loan disbursements, in the third quarter of 2008 the Group recorded **net valuation adjustments to impaired loans in the amount of EUR 519.4 million (+ 27.9% on a comparative basis)**. Such amounts incorporate write-offs (abt.54 million) in relation to the settlement of the Hopa Group/Fingruppo issue, in addition to the effects of a more complicated economic situation. Said amount is indicative of a provisioning rate of about 58 bp on a comparative basis (54 bp net of the Hopa/Fingruppo write-off) with respect to 52 bp as of December 2007.

Net valuation adjustments for impairment of financial assets recorded an adverse balance of EUR 105.4 million (y-o-y change on a comparative basis: +128 million), attributable to the adjustments made to the book value of Hopa (total amount of abt. EUR 94 million including EUR 10.6 million attributable to Banca Antonveneta). The unit value per share was calculated at EUR 0.10 in compliance with the debt rescheduling agreements -pursuant to art.182 bis of the Bankruptcy Act - of Fingruppo Holding SpA, with specific reference to the disposal of the 35.3% investment in Hopa held by Fingruppo Holding at said unit value.

As a result, **<u>income from financial and insurance business</u> totalled EUR 3,384.9 million (-8.8% on a comparative basis),** in view of the negative economic impact linked with the bankruptcy of Lehman Brothers (writedown of securities and financial assets) in a total amount of more than EUR 35 million.

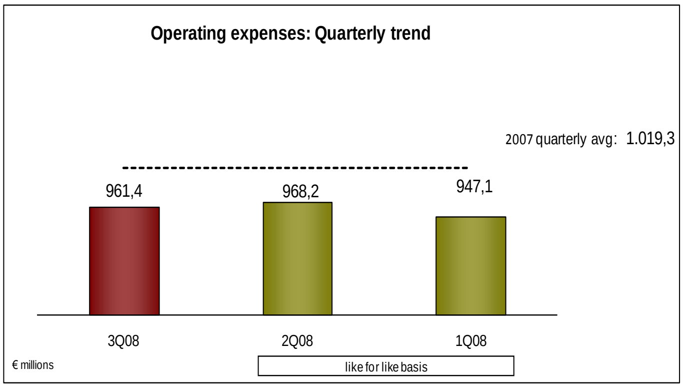
OPERATING EXPENSES: OPERATING CHARGES

In line of continuity with the past financial years, as a result of the actions oriented to curtail costs during the third quarter of 2008, although in light of an outstanding plan of investments in technologies and communications, and despite increasing inflation, **operating charges dropped by 2.2% on a comparative basis.**

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

	30/09/08	30/09/07	Abs. chg. vs 30/09/07	% chg. vs *Reconstructed* 30/09/07
Personnel expenses	1.529,5	1.304,9	17,2%	-1,8%
Other administrative expenses	813,5	702,6	15,8%	-3,5%
Administrative expenses	**2.343,0**	**2.007,5**	**16,7%**	**-2,4%**
Net adjustments to the value of tangible and intangible fixed assets	100,6	83,6	20,3%	2,5%
Operating expenses	**2.443,6**	**2.091,1**	**16,9%**	**-2,2%**

In particular:



A) <u>Administrative expenses</u> dropped by 2.4% on a comparative basis as a result of:

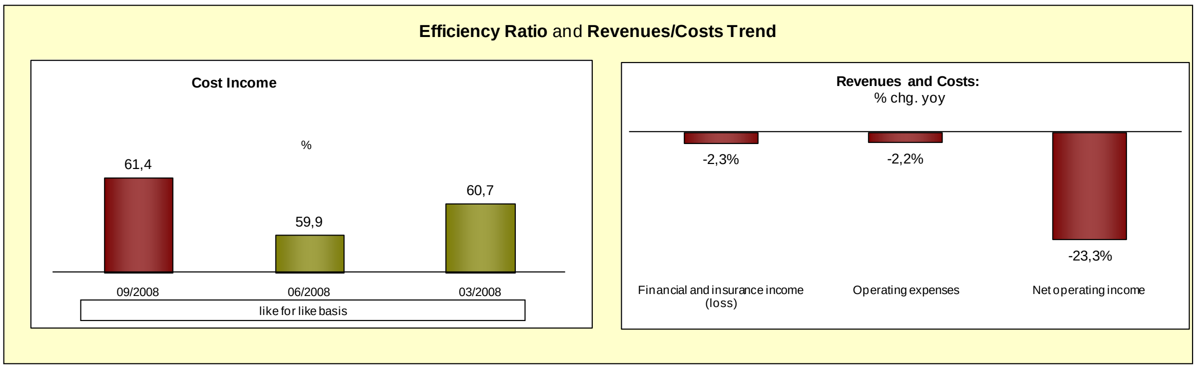
- **Personnel expenses in the amount of EUR 1,529.5 million** which incorporate the increase contemplated by the renewal of the labour contract (application of new salary scales as of 1 January 2008), with a growth of 224.6 million **in an accounting comparison with the first 9 months of 2007**. **On a comparative basis,** taking account of the companies included in or excluded from the Group line-by-line consolidation, excluding the effect of the staff severance indemnity reform and the portion in relation to the greater impact of the contractual once-for-all amount (as posted as of 31 December 2007), the aggregate recorded a downward trend (-1.8%; -33.3 million). This is mainly attributable to the structural benefits resulting from the actions of staff reduction and remix implemented in the second half of 2007 (huge outflow of personnel with high seniority and hierarchical level);

- **Other administrative expenses (**EUR 813.5 million**,** net of recoveries of stamp duty and expenses with respect to the customers) declined by 3.5% on a comparative basis, due to the steady control of expenses and cost management actions undertaken.

B) Net valuation adjustments to fixed and intangible assets amounted to EUR 100.6 million (EUR 83.6 million as of 30 September 2007) with a 2.5% increase on a comparative basis.

Accordingly, the Net Operating Profit stood at EUR 941.3 million (EUR 1,198.6 million as of 30 September 2007), with a 23.3% decrease on a comparative basis. This decrease, net of the writedown in relation to the settlement of the Hopa/Fingruppo Group issue, would come to 10.2%.

The cost/income ratio was 60.9% (58.9% as of 30 June 2008 and 58.4% as of 31 December 2007). Following is the cost/income ratio on a comparative basis:



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

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

- The adverse balance **of Net provisions for risks and charges and other operating income/charges** totalling -EUR 5.9 million (-33.3 million as of 30 September 2007;
- **The balance of Profits from Equity Investments stood at about 176.8 million**, mainly in relation to the sale of the Depositary Bank to the IntesaSanPaolo SpA Group on 14 May 2008 (capital gain: EUR 198 million approx.) and the disposal of Fontanafredda (capital gain: abt. EUR 31 million) and Finsoe (capital loss: abt.EUR 35 million);
- **Charges totalled EUR 78.3 million**, as the portion of charges which can be quantified as of today, in relation to the integration of Banca Antonveneta into the MONTEPASCHI Group and the related restructuring measures approved within the 2008-2011 Business Plan (in relation to charges for early retirement schemes, advisory services and IT costs);
- **Profits from the sale of investments amounted to EUR 27.8 million** in relation to the sales of buildings by Banca Toscana (profit: EUR 20 million) and MP Banque (profit: abt.EUR 7.7 million).

Given the effect of the foregoing, **profits from current operations before taxes came to EUR 1,061.5 million (EUR 1,165 million as of 30 September 2007)**.

Rounding out the picture of profitability are:

- **Income tax on current operations for the period** in the amount of EUR 378.3 million (EUR 433.3 million as of 30 September 2007), with a tax rate of roughly 35.6%, with non-deductible interest expense in relation to the recently introduced "Robin tax" approximately weighing for abt.5%.
- **Profits (losses) from discontinued operations, after taxes** in the amount of -EUR 1.6 million, mostly attributable to MPS Asset Management Sgr SpA and its subsidiaries, Banca Monte Parma, Quadrifoglio Vita.

Therefore, consolidated net profit for the period before the effects of the Purchase Price Allocation (PPA) stood at EUR 672 million (EUR 718.1 as of 30 September 2007). The ROE was 9.7% (ROE calculated on average shareholders' equity: 6.8%).

Such results benefit from the positive contribution from the **Parent Company** (net profit of Banca MPS: EUR 613.4 million), all the Group's Business Units (as outlined in the following section covering Segment Reporting) and in particular **Banca Toscana** (net profit: EUR 115.4 million), **Banca Antonveneta Group** (net profit: abt. 107.3 million in relation to four months before the application of the Purchase Price Allocation).

Following is the comparative breakdown of the Parent Company's net equity and profit for the period and consolidated net equity and profit for the period.

Comparative statement of the net equity and profit and consolidated net equity and profit as of 30.09.2008		
in thousands of euro	30.09.2008	
	Net equity	**P/L statement**
Balance as per the Parent Bank's balance-sheet	13.480.650	613.446
Incl. valuation reserves from the Parent Bank	*117.952*	
Effect of consolidation of subsidiaries with the line-by-line method	553.208	401.879
Surplus - with respect to the book values - resulting from the valuation with the net equity method	143.665	11.091
Reversal of dividends distributed by the Subsidiaries	0	-384.802
Profit and Loss impact of eliminination of value reductions/adjustments for equity investments	0	62.125
Effetto storno cessioni infragruppo	0	-52.744
Effect of reversal of capitalised commissions	-36.841	-3.483
Tax effect (tax rate reduction)	-36.052	0
Other adjustments	44.758	-6.621
Reserves from valuation of subsidiaries	88.092	
Group net equity and net profit (loss) for the period	**14.237.480**	**640.891**

SEGMENT REPORTING, SALES AND MARKETING POLICY, RESEARCH AND DEVELOPMENT

- PRIMARY SEGMENT REPORTING

With reference to *Segment Reporting* as contemplated by the IAS 14 regulations, the MONTEPASCHI Group adopted the *business approach* and chose, for the purpose of the **primary reporting** of income/capital data, **a breakdown of results in accordance with the business sectors committed to carrying out consolidated operations**.

On the basis of said approach, following is a **breakdown of the results achieved as of 30 September 2008** by the business areas of the MONTEPASCHI Group, aggregated in compliance with the current organization structure. To this end, the data in relation to the Business Areas (Commercial Banking/Distribution Network, Private Banking/Wealth Management, Corporate Banking/Capital Markets and Corporate Center) as of 30 September 2007 have been restated accordingly, on the basis of the criteria adopted as of 30 September 2008, in view of:

a) the sale under way of Banca Monte Parma and Mp Asset Management Sgr and its subsidiaries (Mps Alternative Investments and Mps Asset Management Ireland) with the following elimination of their margins from Commercial Banking and Private Banking, respectively, and their simultaneous attribution to the Corporate Center for the purpose of reconciliation of the data shown under "reclassified Group total";
b) the transfer from Monte Paschi Banque (included in Corporate Banking) of the business unit in relation to the Monaco Branch to the new company named "Monte Paschi Monaco S.A.M." (directly reporting to Private Banking);
c) the exclusion of Intermonte from Corporate Banking (for inclusion in the Corporate Center).

In addition, the Group took account of the migration of customers between segments and the adoption of new criteria of calculation of expected loss[7], on the basis of which loan adjustments are allotted. With reference to the attribution of the new Group Companies (included in the P&L statement effective this year) to the Business Areas, MPS Sim (former AXA Sim) was incorporated in Private Banking, Biver Banca and Banca Antonveneta (ANTV), pending implementation of the New Business Plan, were included in the Corporate Center.

[7] The new approach, as outlined in the section covering "The integrated management of risks and capital", determined a change in the distribution of the expected loss to the business sectors with respect to the past quarters. As a result, the historical series of Raroc cannot be compared with the series issued as of today.

SEGMENT REPORTING - Primary segment
(in millions of euro)

2008 September	Commercial Banking/ Distribution network	% chg yoy	Private Banking/ Wealth Management	% chg yoy	Corporate Banking/ Capital Markets	% chg yoy	Corporate Center	% chg yoy	Total Reclassified Group	% chg yoy
INCOME AGGREGATES										
Net Financial income (loss)	2.060,6	1,6%	126,4	-14,0%	1.032,7	5,4%	790,0	66,1%	4.009,6	10,5%
Net adjustments for impairment of loans and financial assets	196,0	21,6%	1,8	-24,0%	248,9	33,0%	178,0	n.s.	624,8	83,5%
Operating expenses	1.186,3	1,1%	99,1	2,6%	472,8	1,1%	685,4	93,7%	2.443,6	16,9%
Net operating income	678,3	-2,2%	25,4	-46,9%	311,0	-4,4%	-73,5	n.s.	941,3	-21,5%
CAPITAL AGGREGATES										
Performing loans	43.769,2	10,6%	731,1	-0,2%	55.950,0	10,2%	40.841,2	n.s.	141.291,6	43,4%
Due to customers and securities	52.204,1	5,3%	6.407,7	6,9%	37.148,3	12,6%	46.664,7	n.s.	142.424,8	40,0%
Assets under management	25.935,8	-14,3%	10.850,6	-14,1%	2.437,4	-30,0%	10.898,6	n.s.	50.122,4	3,4%
PROFITABILITY RATIOS										
Cost Income	57,6%		78,5%		45,8%		86,8%		60,9%	
Raroc	34,7%		58,3%		8,7%				9,8%	

Following are the major aspects which characterized the activity of each Area in the third quarter of 2008:

- COMMERCIAL BANKING AND DISTRIBUTION NETWORK

- **Product/service innovation and the sales and marketing policy**
  During this quarter the activity of the Area focused on an **intensive programme streamlining the product/service catalogue,** as a consequence of the requests coming from the Networks and the Customers, and the current trends in the domestic and international banking industry oriented to simplifying supply to the households.

  In addition, the activity was concentrated on the identification of appropriate solutions for the **migration of BAM and Banca Antonveneta customers to the Parent Bank,** with the objective of ensuring service continuity to the customers, maintaining **tradition and the specific economic link with the territory of origi**n. This implied the critical review of the product catalogue for the purpose of avoiding any overlap and integrating the Group supply (e.g. loan operations in relation to the **dairy industry and the production of Parmesan cheese**).

  The range of products was upgraded with the following major additions:

  - **Scalarating, a new financial package** released in July, targeted at supporting and encouraging the small businesses **to improve their financial structure and balance in a Basle 2 logic.**
  - **Two products dedicated to the fishing industry (Qualimare and Pescaturismo**), in an attempt to tackle the spring crisis of the **fishing-boat industry**.
  - **Diamogli Credito** (loan to young students) and **Leasing su Targato** (in co-operation with the Small Business Unit).

In the third quarter of 2008, the Area placed special emphasis on the critical valuation of the results of the **initiatives launched in the first half of the year**.

These initiatives include the project named **"Patto con il cliente"** which gave a satisfactory feedback in terms of consolidation of customers' relations and loyalty. The project consists of a string of commitments contractually made by the Bank with its customers for the purpose of ensuring high standards of some highly widespread bank services (e.g. round-the-clock withdrawals in all the Group ATMs).

Paschi senza Frontiere is an initiative which was awarded several prizes, including a prize for communications and relations in the context of the **Welcome Awards 2008.** The award is granted on a yearly basis, within the category of **"WELCOMEBANK- banks and young immigrants",** to the institutions which better operated in the area of **banking, financial and insurance integration of the immigrants**. Specific emphasis was placed on insurance requirements in relation to the **protection of wealth, labour and health**, as proven at the 2008 Axa Mps Forum on the emerging social-economic trends and immigration, as the new challenge for the financial and insurance industry.

With reference to the **sales and marketing policies by customer segment**, in the third quarter of 2008 the Group pursued the activities planned for the year. In particular:

- In relation to the **Affluent** segment, the activity focused on the large-scale application of the advisory approach required by the **MIFID** regulations and the gradual distribution to the network of a new instrument of investment planning (**Advice Platform**).
- As regards the **Family segment,** the Group pursued the activities already started at the beginning of the year, with a focus on the development of **consumer finance**. At the same time, the Group designed commercial initiatives encouraging the growth of Assets Under Management and real bank. Specific emphasis was placed on the improvement of the level of **Customers' satisfaction** and the development of specific initiatives targeted at the **households**. The commercial initiatives were developed in accordance with the methods of "**Palinsesto Family**".
- On the front of the **Small Businesses**, the Group was committed to carrying out the activities required for the **integration of Banca Agricola Mantovana**, with the objective of avoiding any operational and commercial disruptions, and ensuring the continuity of customers' relations and the pursuit of the commercial objectives, also through the identification of marketing initiatives concerning both shared and exclusive customers.

OPERATING RESULTS

On the front of **commercial results**, the Commercial Banking & Distribution Network Area **continued to expand its customers' base** (more than 15,000 "new front market customers" with a total of abt. 80,300 units as of 30/09/2008). **The activity of placement in the area of fund management** (driven by plain bonds) kept a good pace, but consumer loans in the area of **loan management** slowed down. As a result, the trend of **direct funding** accelerated y-o-y (+10.3% in terms of average balance with respect to +9.1% as of June 2008). **Indirect funding** was adversely affected by the difficult market situation which determined a strong decline in the prices of the financial assets held by the Customers, in addition to the difficult placement of asset management products. **Loan volumes** gradually decreased y-o-y (+13.8% in terms of average balance; 15.1% as of June 2008), due to short-term loans and medium-/long-term loans.

Total income (EUR 2,061 million) rose by 1.6% y-o-y. The most dynamic component of the aggregate is interest income (+4.9%), driven by increasingly traded volumes (both funding and lending) and the sight markdown. Net commissions dropped by 4.3%, due to income from continuing fees and the service of securities. The Net Operating Profit stood at about EUR 678 million with a y-o-y decrease of 2.2%, mostly attributable to the trend of loan adjustments. The cost/income ratio for Commercial Banking & Distribution Network was 57.6% (57.8% in September 2007).

Commercial Banking / Distribution network		
(in milioni di euro)	30/09/08	% chg yoy
INCOME AGGREGATES		
Net interest income	1.407,0	4,9%
Net commissions	646,3	-4,3%
Financial income (loss)	7,3	-32,1%
Net Financial income (loss)	**2.060,6**	**1,6%**
Net adjustments for impairment of loans and financial assets	196,0	21,6%
Operating expenses	1.186,3	1,1%
Net operating income	**678,3**	**-2,2%**
CAPITAL AGGREGATES		
Performing loans	43.769,2	10,6%
Due to customers and securities	52.204,1	5,3%
Assets under management	25.935,8	-14,3%

The banks and product companies contributing to the Commercial Banking & Distribution Network Area include:

- **Consum.it** posted a net profit for the period of EUR 4.7 million (EUR 25.3 million as of 30 September 2007), which is indicative of higher loan adjustments (in relation to the difficult economic situation and growing operations) and the negative effects of the unwinding of some hedging derivatives as a result of the new Group funding policies;

- **Banca Popolare di Spoleto** (equity investment consolidated with the proportional method: 25.9%) realized a net profit of EUR 7 million (7.5 as of 30 September 2007).

▪ PRIVATE BANKING & WEALTH MANAGEMENT

During the third quarter of 2008, the activity of **Wealth Management** was biased toward the pursuit of the **development and management of investment products and services,** in line with the schedule provided for by the Business Plan and the objectives of excellence and efficiency set. In particular, in view of the **extraordinary events which affected the international financial and economic scenario**, the last weeks in September were characterized by hectic activities of analysis and processing of documents and initiatives targeted at **promptly adjusting advisory and support services in relation to the customers to the market development**.

In light of the **upgrade of the products supplied**, with reference to **portfolio management**, the lines of **Alta Gamma and Multilinea Private Investments,** already included in the Private segment catalogue, were also extended to the Corporate Customers.

In addition to Multilinea portfolios already placed by the other Group banks, the Group released GP Gestione Liquidità, dedicated to the Corporate and Small Business segment, to the Retail, Private and Corporate networks of **Banca Antonveneta**.

On the front of Mutual Funds and SICAVs, the Group launched **Bright Oak Secure World Fund,** the **first capital-guaranteed Fund** of the Group, which participates in the performance of a basket of world indices, and guarantees invested capital upon maturity. In light of the alignment of the range of products supplied involving all the Group banks, the direct placement of the SICAVs of the main partners of the Group was also extended to the Private network of **Banca Antonveneta**. Moreover, the Group completed the process for the placement of the Bright Oak Sicav also to the retail segments of **Biverbanca** and **Banca Antonveneta**.

The activity in the **bancassurance area, resulting from the joint venture with Axa,** was characterized by the launch of several products, with special emphasis on the products targeted at **retail customers**, which include **Accumulator Investimento**, the recurrent premium version of **Double Engine, Vita Sicura** and **Patrimonio Sicuro** oriented to the protection of wealth and family, respectively. The new products incorporate **Double Protection** (one-premium revaluable insurance policy), **Investimento Sicuro** (new life insurance policy with revaluable performance) and **Accumulator Rendimento Top** (a new Variable Annuity which upgrades and diversifies the Accumulator range). With specific reference to the **Private segment**, a new Branch I revaluable policy is now available. **Double Prestige** is a particularly innovative product which gives the customers the opportunity of choosing either the **annual payment of interest or their capitalization**. **Investimento TOP** is targeted at the Corporate customers with a focus on the SMEs, Local Authorities and Foundations, for the management of structural liquidity.

With reference to the **professional advisory model,** the Group completed the release of the new **Advisory Platform** to MPS Banca Personale and its circulation in the network of Banca Antonveneta. The new platform develops the different advisory models previously used in different market segments, and provides "**advanced" advisory** services in relation to investments, in compliance with the **MIFID** provisions.

As regards **communications**, the cycle of economic-financial meetings covering "**The financial world: scenarios and expectations for 2008**" took place during the third quarter of 2008 in 9 major Italian cities with the involvement of about 1,150 people. The tools of communications launched during the period include **Newsletter Private 24**, prepared in co-operation with Il Sole 24 Ore.

OPERATING RESULTS

The Private Banking and Wealth Management Area faced the critical situation of the markets and increasing customers' preference to liquidity, by orienting the commercial placements toward asset management products and bonds. As a result, **direct funding** progressed considerably year on year (+26% in terms of average volumes in comparison with September 2007; + 19% as of June 2008), with **indirect funding** dropping by 13.8%, adversely affected by the remix of the portfolios and the consequences of declining stock quotations, which considerably depreciated the value of the assets under administration or management on behalf of the Customers.

Total income of Private Banking & Wealth Management came to roughly EUR 126 million, dropping by 14% y-o-y, due to the effects of the market crisis which compromised continuing and brokerage commissions (decreasing volumes managed/shift to bond and monetary lines/reduction of portfolio turnover). Interest income increased by 9.1%, benefitting from the hefty development of direct funding. The Net Operating Profit stood at EUR 25.4 million approx., with a y-o-y decrease of 47%. The cost/income ratio was 78.5% (65.8% in September 2007).

Private Banking / Wealth Management		
(in milioni di euro)	30/09/08	% chg yoy
INCOME AGGREGATES		
Net interest income	50,6	9,1%
Net commissions	73,8	-24,7%
Financial income (loss)	2,0	-21,9%
Net Financial income (loss)	**126,4**	**-14,0%**
Net adjustments for impairment of loans and financial assets	1,8	-24,0%
Operating expenses	99,1	2,6%
Net operating income	**25,4**	**-46,9%**
CAPITAL AGGREGATES		
Performing loans	731,1	-0,2%
Due to customers and securities	6.407,7	6,9%
Assets under management	10.850,6	-14,1%

The companies contributing to Private Banking & Wealth Management include:

- **MPS Banca Personale** purchased Axa Sim in April 2008 and posted a loss of EUR 7.7 million, with a clear improvement (+19%) year on year (with respect to the previous loss of EUR 9.5 million).
- **Monte Paschi Monaco S.A.M.,** a newly established Monaco-law company, resulting from the acquisition – early in October 2007 – of the business of the Monaco branch of Monte Paschi Banque, specialized in the management of Private customers, posted a profit before taxes of about EUR 1.7 million.

▪ CORPORATE BANKING

THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

During the third quarter of 2008, research and development and marketing initiatives were oriented to consolidating **the role of the MPS Group as the banking partner of reference**, through the implementation of products and services in support of the different stages of the corporate life cycle, in accordance with the **consolidated principles of contract and document transparency, consistency with the macro-economic scenarios**, **fulfilment of the requirements of the target companies,** by creating real opportunities both from the viewpoint of corporate assets and liabilities.

The **Group's traditional activity in support of local areas and entrepreneurs** incorporated the development of "**Piattaforma Confidi". The "Reti Terze" platform** (which includes the Confidi Platform) was presented to the Networks and the pilot "Confidi". The pilot test involving a few branches of the Networks both in relation to Confidi inbound and outbound flows is being designed. The Group also continued **to provide support to the major Confidi for the purpose of transforming them into regulated intermediaries**, in a Basle 2 logic, and assistance – by MPS Capital Services – for the arrangement of their capitalization transactions.

The products designed in the quarter also include:

- ➢ The implementation of a new loan (**Prestito Capitale Progressivo);**
- ➢ The start of **Conto Insieme**, a specific package which meets the requirements of the fast developing **Third Sector**, and will be available in the fourth quarter of 2008;

- The execution of a new agreement with Enel.si Srl for the **financing of investments in relation to energy savings.** The product (“Save finanziamento per l’efficienza energetica) will be available early in October;
- With reference to the **Local Authorities segment**, the programme of implementation of a new application which enables marketing initiatives dedicated to the **former municipal utilities companies**, through “Inc@assiPiù”, the internet banking service.

As regards R&D, early in October the MPS Group **PATTO** was awarded the second prize of **Innovation Award 2007** by Milano Finanza, in the category of “Corporate services”. The product, targeted at the SMEs, was included in last spring’s catalogue and appreciated due to its highly innovative characteristics.

In relation to the **management of corporate liquidity**, the Group released the full range of asset management instruments targeted at the corporates (especially Local Authorities and SMEs), to the network. The range of products supplied is comprehensive both from the viewpoint of the instruments available and the nature of the requirements which can be met, as shown in the chapter covering “Private Banking and Wealth Management”.

On the front of **hedging products**, operations were oriented both to the standard and the tailor-made channel. The Group overall supply was further expanded in terms of hedging strategies with respect to the foreign exchange risk. With reference to the **hedging strategies of commodity risk,** the Group finalized the implementation and validation of the commodity swap, which flanks the already existing optional structures.

CORPORATE FINANCE

Although against a critical market backdrop compromised by the exacerbating financial crisis, the activity in the area of corporate finance, carried out by **MPS Capital Services Banca per le Imprese**, continued in various segments of operations, by suggesting state-of-the-art solutions which can integrate traditional loans.

- **OPERATING RESULTS**

The **Corporate Banking & Capital Market Area** achieved positive results, based on the consolidation and selective expansion of relations with the customers of reference (about 1,200 new “front market” SMEs since January 2008), in the light of rigorous screening and monitoring processes of the borrowers. As a priority, the new transactions were channelled to the **Group special credit companies,** with excellent performances in the areas of project financing, leasing and loan purchase. N**ew loan disbursements** declined, despite last year’s hefty loans granted to the Local Authorities segment.

The **loans disbursed by the Corporate Banking & Capital Market Area** fell gradually (+8.6% in terms of average volumes with respect to 30/09/07; 9.6% as of June 2008), with reference to short-term loans and medium-/long-term loans. **Direct funding** boomed (+12.9% in terms of average volumes with respect to 9.5% as of June 2008).

Total income for Corporate Banking & Capital Market (EUR 1,031 million approx.) advanced in comparison with the results as of 30 September 2007 (+5.2%) driven by the positive contribution of interest income (+10.3% mostly due to the expansion of traded volumes) and net commissions (+4.9%). Loan adjustments deteriorated (+33%), mainly due to “extraordinary” writedowns in relation to the settlement of the Hopa issue. The Net Operating Profit came to EUR 309 million,

dropping by 4.9% y-o-y (+3.3% net of the Hopa adjustments). The cost/income ratio for the Area came to 45.9% (versus 47.7% as of September 2007).

Corporate Banking / Capital Markets

(in milioni di euro)	30/09/08	% chg yoy
INCOME AGGREGATES		
Net interest income	754,6	10,3%
Net commissions	213,9	4,9%
Financial income (loss)	62,4	-31,9%
Net Financial income (loss)	**1.030,8**	**5,2%**
Net adjustments for impairment of loans and financial assets	248,9	33,0%
Operating expenses	472,8	1,1%
Net operating income	**309,0**	**-4,9%**
CAPITAL AGGREGATES		
Performing loans	55.950,0	10,2%
Due to customers and securities	37.148,3	12,6%
Assets under management	2.437,4	-30,0%

The companies included in the Corporate Banking Area incorporate:

- **MPS Capital Services Banca per le Imprese** was established on 10 September 2007 as a result of the merger of MPS Banca per l'Impresa and a business unit of MPS Finance and posted a net profit of EUR 54.2 million.
- **MPS Leasing & Factoring – Banca per i Servizi Finanziari alle imprese** consolidated its market position and posted a net profit of EUR 18 million (EUR 14.9 million as of 30 September 2007).

D) CORPORATE CENTER

The **Corporate Center** is an aggregation of **(a)** all operating units which are individually below the benchmarks required for primary reporting, **(b)** the Group H.O units (i.e. governance and support functions, proprietary finance, equity investments management and capital segments of divisionalized entities where ALM, treasury and capital management activities are particularly important), **(c)** the service Units supporting Group units (with particular regard to the management of the collection of doubtful loans, real estate management and the development and management of IT systems, all of them reporting to the Capital, Cost and Investment Governance Area). For the current year, pending completion of the corporate reorganization and alignment of Banca Antonveneta with the Group service models, the Corporate Center also incorporates profits/losses from Antonveneta and Biverbanca, in addition to the companies consolidated with the net equity method, eliminations resulting from infragroup items, and the profits/losses from discontinued operations.

Following are the banks included in the Corporate Center :

- **BIVERBANCA**: posted a net profit of EUR 26.9 million.
- **SERVICE COMPANIES AND MINOR COMPANIES**

- Mps Immobiliare posted a net profit of EUR 27.3 million.
- Mps Gestione Crediti Banca posted a net profit of EUR 9 million.

THE GROUP FINANCE BUSINESS

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

PROPRIETARY FINANCE

The third quarter of 2008 was characterized by the collapse of the equity markets (Eurostoxx index: -12% only in September) and strongly exacerbating pressure in the financial markets resulting from the credit crisis. In Europe, increasing signs of pressure were clearer and more dramatic after the decision made by the US to set up a USD 700 bn fund for the bailout of the major US financial groups on the brim of bankruptcy. Therefore, after the meeting held in Paris on 12 October the Eurogroup passed the guidelines to be implemented by the member States. The main points can be resumed as follows: a) Government guarantee on interbank deposits until the end of 2009; b) Government guarantee on new issues of bank bonds with a maturity up to 5 years; c) possible purchase of bank shareholdings by each country; d) review of a few accounting principles.

The MPS Group adopted the guidelines in relation to the reclassification of the financial instruments resulting from the extraordinary measures adopted by the IASB and validated by the European Commission on 15 October to counter the effects of the serious financial crisis (amendment to the accounting principles IAS 39 and IFRS7). As a result, the AFS and HFT portfolios were reclassified under "Loans and Receivables" in a total asset value of EUR 2.9 bn approx. In addition, the hedge funds (HFT) portfolio was reclassified under AFS in a total amount of EUR 0.45 bn. After said accounting reclassification, a**s of 30 September 2008, financial assets for trading purposes stood at EUR 21.3 bn (26.2 bn as of December 2007).** This decline in the financial assets was flanked by **the reduction of financial liabilities for trading purposes (abt. EUR 3.7 bn since the beginning of 2008).**

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

	Parent Company			MPS Group		
	30/09/08	abs. Chg yoy	%	30/09/08	abs. Chg yoy	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**9.348**	**74**	**0,8%**	**21.320**	**(4.927)**	**-18,8%**

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

	Parent Company			MPS Group		
	30/09/08	abs. Chg yoy	%	30/09/08	abs. Chg yoy	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**3.086**	**22**	**0,7%**	**15.605**	**(3.750)**	**-19,4%**

The portfolio of financial assets available for sale totalled EUR 3.4 bn (4.8 bn as of December 2007) with a EUR 1.6 bn decrease in comparison with June.

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

	Parent Company			MPS Group		
	30/09/08	abs. Chg yoy	%	30/09/08	abs. Chg yoy	%
Financial assets available for sale	**3.678**	**-1.330**	**-26,6%**	**3.425**	**-1.380**	**-28,7%**

As a result of these reclassifications, the Group did not post any capital losses to the P&L statement and to net equity reserves in the amount of abt. EUR 58 million and abt. EUR 108 million, respectively (see "Explanatory Notes").

- TREASURY

During the third quarter of 2008, against a backdrop characterized by strong turbulence in the international financial markets ensuing the exacerbating credit crisis originated by the subprime mortgage loan market, Treasury ensured the Group appropriate levels of liquidity, and minimized the associated credit risk through collateralized transactions with Government and Central Institutions. An analysis of the interbank positions (see the table below) shows that **the consolidated net borrowing interbank position came to EUR 8.3 bn (funding) as of 30 September 2008, with a 4.4 bn decrease with respect to the prior quarter.** These results were achieved by focusing the commercial performances on the growth of direct funding flanked by the slowdown of the growth of financial and credit assets.

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

	Parent Company			MPS Group		
	30/09/08	abs. Chg		**30/09/08**	abs. Chg	
		yoy	%		yoy	%
Amounts due from banks	34.366	1.435	4,4%	17.331	2.473	16,6%
Amounts due to banks	31.161	15.093	93,9%	25.609	11.866	86,3%
Net borrowing position	**3.205**	**-13.658**	**-81,0%**	**(8.278)**	**(9.393)**	**n.s.**

In view of the above, as of 30 September 2008 the short-term and structural liquidity position was appropriate and showed large available funds. **As of 30 September 2008, the counterbalancing capacity (i.e. reserve assets for allocation) amounted to about EUR 10 bn** (EUR 12 bn in June).

- ALM

Bond funding concentrated on domestic operations during Q3, with 22 new issues in support of the Group commercial policies to the retail, corporate and private customers, in a total amount of EUR 1,661 mln (Parent Bank only). Plain vanilla bonds accounted for 85% and structured bonds for 15%. International operations – mainly targeted at qualified "non resident " (in Italy) institutional investors – were still affected by a negative market cycle characterized by wider spreads and strong volatility in the secondary and CDS markets.

OPERATING RESULTS

The Finance Area of the Parent Bank (inclusive of the results of Proprietary Finance and Treasury) made a contribution of EUR 39.9 million to total income, with a y-o-y decline. This trend, influenced by the market crisis, is due to the decreasing contribution of the strategic portfolio and the trading component of the Finance Area, which is offset by the growing business of Treasury. The Net Operating Profit, inclusive of costs, stood at EUR 14.8 million (EUR 98.7 million as of 30 September 2007).

Parent Company - property finance and treasury

in EUR million	30/09/08	% chg yoy
INCOME AGGREGATES		
Net interest income	91,3	n.s.
Financial income (loss)	-51,4	n.s.
Net Financial income (loss)	**39,9**	**-67,6%**
Net adjustments for impairment of loans and financial assets		
Operating expenses	25,1	2,5%
Net operating income	**14,8**	**-85,0%**

THE MANAGEMENT OF THE GROUP'S EQUITY INVESTMENTS

In the third quarter of 2008, the Group continued to reorganize its equity investment portfolio. In particular, with reference to the changes in the area of consolidation:

The Parent Bank:

- In July 2008, as a result of the renegotiation of the shareholders' pacts existing between Banca Monte dei Paschi di Siena S.p.A. and the founders of Intermonte Sim S.p.A., sold the operational business unit of MPS Intermonte (former Intermonte Sim S.p.A) to an expressly established newco (Intermonte Sim S.p.A.), where the Group now holds 20%;

Infragroup transactions incorporate:

By the Parent Bank:

- The merger by incorporation of Banca Agricola Mantovana into BMPS on 22 September 2008;

By BAM S.p.A.:

- The sale of Intermonte S.p.A. (affiliated company) to MPS Investment S.p.A. (subsidiary).

As of 30 September 2008, the following subsidiaries were considered as discontinued operations

- Marinella S.p.A. which was sold early in October 2008;
- Banca Monte Parma S.p.A. – the sale of the bank has been recently authorized by the Regulatory Authorities;
- Montepaschi Asset Management Sgr S.p.A. and ABN AMRO Asset Management Italia, with the agreement for the sale of the whole share capital executed in October 2008;
- Quadrifoglio Vita – pending the required authorizations to sell, from the Regulatory Authorities.

▪ 2)SECONDARY REPORTING

As a basis for secondary reporting, the MontePaschi Group adopted the breakdown of operating results by geographical area. The MONTEPASCHI Group operates almost totally in the domestic market (3% of the Group net operating profit realized through international operations).

In relation to the strong emphasis placed by the Group on international business, in compliance with the objectives of the Business Plan, **international operations were hinged on**:

- **The growth of the International Trade Finance business,** by re-focusing the sales and marketing policy of the domestic network and consolidating the capacity of supply and service of the Head Office and the foreign network;

- **The streamlining of the Group presence in the international financial centres**, for the purpose of better supporting the ITF business, through the expansion of the representative office network in fast-growing geographical areas, and the consolidation of operational and service relations with international and local partners.

- **The support of the operations of domestic customers**, with specific emphasis placed on the development and follow-up of the projects of internationalization of the SMEs, in a logic of support to the commercial penetration of new markets (i.e. emerging or developing countries) and assistance in international investment projects. Specific commercial campaigns by product and customer segment enabled the Group to consolidate its market share in the intermediation of the international commercial flows.

Massive training initiatives involving the skilled resources of the domestic and international networks were conducted with the objective of developing the selling capacity of international products and services.

The **Correspondent Banking activity was essentially hinged on three aspects:**

- **Improved efficiency of the management of relations with foreign correspondents**, in the new framework of (SEPA) European payments, with the finalization of many agreements in relation to the tariffs applicable to commercial money transfers;
- **The development of interbank relations,** with a focus on the counterparts operating in the geographical areas with a high growth potential, in a logic of origination of the trade finance business;
- **The increase in business flows from abroad,** with specific initiatives in areas of particular commercial interest, in co-operation with the network.

In support of "**Paschi Senza Frontiere**", the service package oriented to the development of synergies in the management of fund remittances, the Group entered into agreements with

- ✓ **Banka Credins (Albania),**
- ✓ **Compagnie Bancaire de l'Afrique Occidentale – CBAO (Senegal),**
- ✓ **Attijariwafa Bank (Morocco)**.

New co-operation agreements for the same purposes are being finalized with banking counterparts in North Africa and South America.

OPERATING RESULTS

The loan trading volumes in relation to **International Operations**[8] were reduced on the basis of the guidelines given by the Parent Bank.

Income from financial and insurance business amounted to EUR 84.3 million with a 9.4% increase with respect to September 2007. The net operating profit stood at EUR 18.2 million, with a y-o-y increase, due to loan valuation adjustments of more than EUR 7 million with reference to the Foreign Branches, in relation to the closing of the Frankfurt branch. The cost/income ratio was 81.7% (83.3% in September 2007).

SEGMENT REPORTING - Secondary segment
(in millions of euro)

30/09/08	Foreign	% chg yoy
INCOME AGGREGATES		
Net Financial income (loss)	84,3	9,4%
Net adjustments for impairment of loans and financial assets	-2,8	74,3%
Operating expenses	68,9	7,4%
Net operating income	18,2	25,5%
CAPITAL AGGREGATES		
Performing loans	3.021,7	20,0%
Due to customers and securities	10.513,1	-25,9%
PROFITABILITY RATIOS		
Cost Income	81,7%	

With reference to the foreign banking subsidiaries:

- **Monte Paschi Banque** posted a net profit of roughly EUR 25 million (abt. EUR 13 million as of 30 September 2007), resulting from the capital gain (EUR 18 million approx.) from the sale of a building;
- **Monte Paschi Belgio** realized a net profit of EUR 2.5 million (2.87 million as of 30 September 2007).

[8] At the level of primary reporting, Income from the International Banking business is incorporated in the Corporate Banking/Capital Market Area with reference to MP Banque, MP Belgio and the Foreign Branches, but is attributable to the Private/Wealth Management Area with reference to MP Monaco Sam.

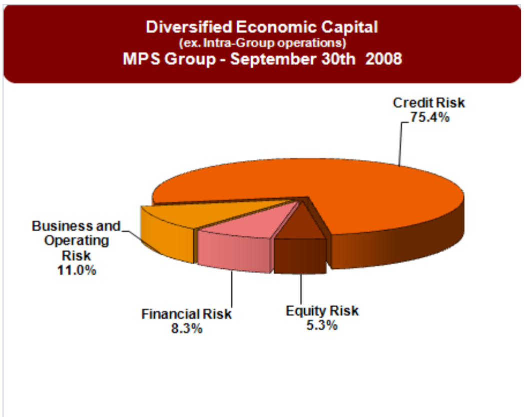
INTEGRATED RISK AND CAPITAL MANAGEMENT

With reference to the chapter of the Half-Year Report describing the process of risk measurement and control within the Group, following are the major points in relation to the analysis of economic capital as of 30 September 2008 (additional information on the metrics of measurement is provided in the Half-Year Report).

THE PROCESS OF RISK MEASUREMENT AND CONTROL

The risk management process within the MPS Group is based on a clear definition of roles and responsibilities at three levels of control (1st Tier, 2nd Tier, 3rd Tier).

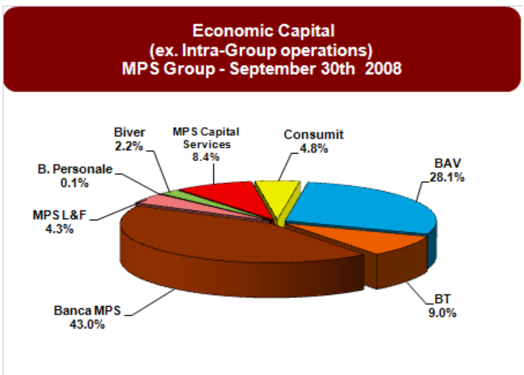
The analysis of Economic Capital

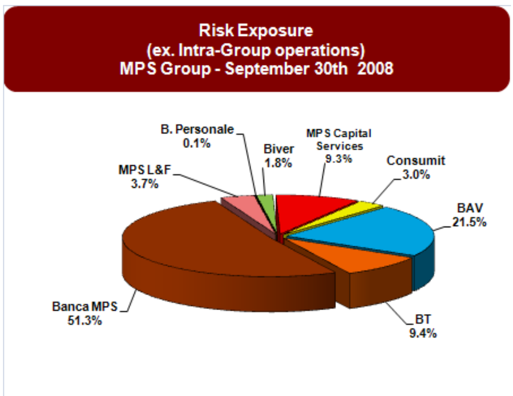


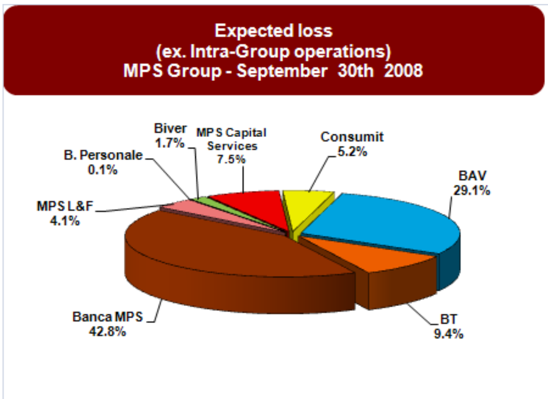
As of 30 September 2008, the economic capital of the MPS Group was attributable to credit risk (75%) (including counterpart, issuer and concentration risk), equity investment risk (5%), operational and business risks (11%). The capital for management purposes with respect to financial risks (including the risks typical of the trading portfolio and the ALM-Banking Book) was abt. 8% of the overall economic capital.

CREDIT RISKS

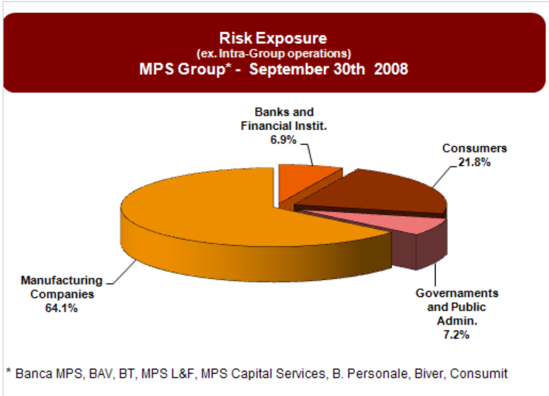
The following graph confirms the marginal contribution – in terms of Risk Exposure – of the four commercial banks (Banca MPS, Banca Antonveneta, Banca Toscana, Biver Banca) which account for about 84% of the MPS Group total, with the other companies (MPS L&F, MPS Capital Services, Banca Personale and Consum.it) accounting for the remaining 16%.







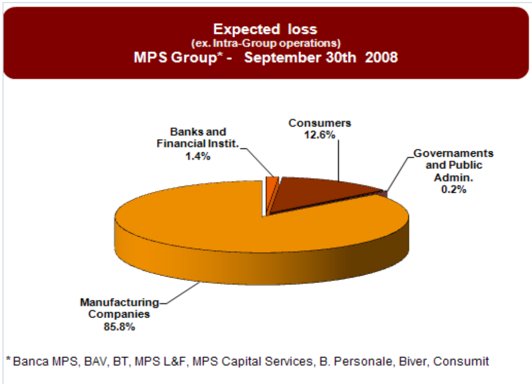
As to risk measurement, 43% of the total amount of economic capital with respect to credit risk is absorbed by the Parent Bank, followed by Banca Antonveneta (28%) and other entities (remaining 29%).

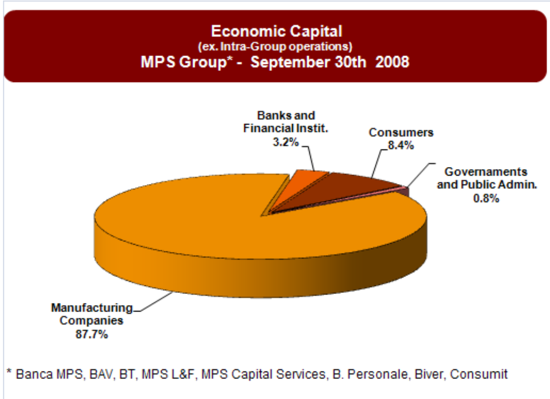


In terms of Expected Loss, the highest percentage is attributable to the Parent Bank (abt.43%), followed by Banca Antonveneta (29%), with the remaining percentage (28%) covering the risks of the remaining banks (Banca Toscana, MPS Capital Services, MPS L&F, Consum.it, Biver Banca and Banca Personale).

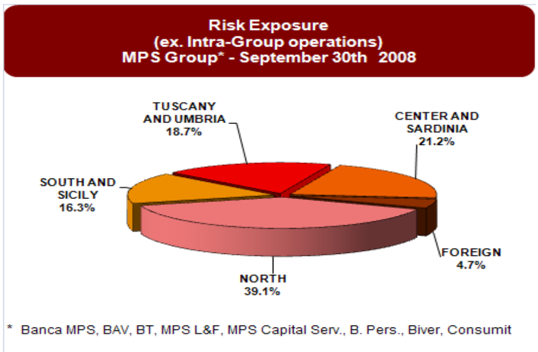
The breakdown of the MPS Group exposure by customer segment shows that Corporate Customers and Retail Customers account for almost 86% of overall disbursements. The rest is attributable to "Banks and Financial Companies (6.9% of total) and "Governments and Public Administration" (7.2%).

With reference to risk measurement, the following graphs show that the "Corporates" absorb more than 87% of the economic capital and generate an expected loss of almost 86% of the total. Retail customers account for 8.4% of the economic capital and 12.6% of the Expected Loss. "Banks and Financial Companies" absorb 3.2% of the overall capital and 1.4% of the Group total expected loss.

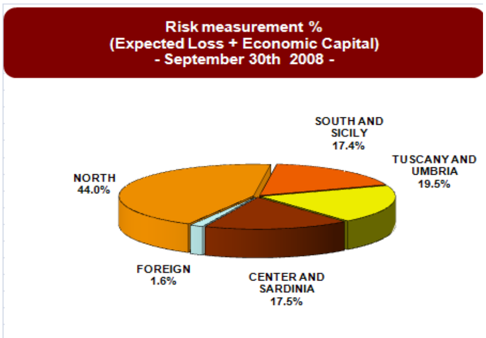




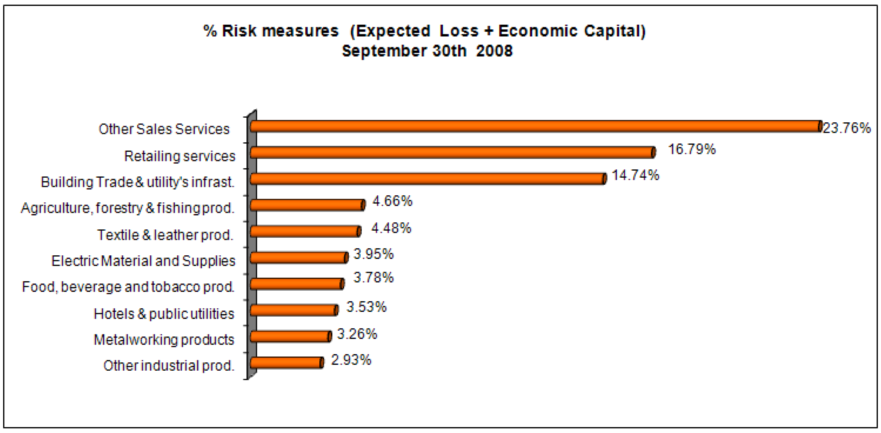
From a geographical point of view, the Group exposures are mainly concentrated with resident customers, even though exposures to non-resident customers are not negligible (almost 5%). Domestic exposures are spread fairly evenly. Briefly, exposures disbursed in northern Italy account for 39% of the total, Tuscany and Umbria for about 19%, Central Italy and Sardinia for slightly more than 21% and Southern Italy and Sicily for the remaining 16%.



The overall risk measurements (Expected Loss + Economic Capital) are due to the concentration of loans in Northern Italy (44%), followed by the other regions of central/southern Italy (from 17% to 20%). The contribution of foreign customers to risk measurements is marginal (1.6%).



A breakdown of the exposures of the top 10 business sectors - which account for almost 82% of overall lending - in accordance with the Bank of Italy classification shows that "Other Sale Services", "Trade Services" and "Building and Public Works" absorb most risk measurements (23.8%, 16.8% and 14.7%, respectively) and account for more than 55% of total risk measurements. They are followed by "Agricultural products, forestry and fishing", "Textiles, Leather Goods and Footwear", "Electric Material and Equipment", "Food, beverages and tobacco" accounting for about 17% of total Expected Loss and Economic Capital.



EQUITY INVESTMENTS PORTFOLIO RISKS

At the end of the third quarter of 2008, the portfolio VaR (calculated at 99%, with a one-quarter holding period) was roughly 25% of the fair value of the portfolio, with a high risk concentration on the first 10 equity investments.

LIQUIDITY RISK

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

Specific emphasis is placed on the planning of the Group funding policy, co-ordinated and managed by the Treasury and Capital Management Area, both in relation to ordinary bond funding and the issue of subordinated liabilities and the size of borrowing in the interbank market, in accordance with Capital Management requirements and the expectations of future liquidity (both short-term and structural liquidity).

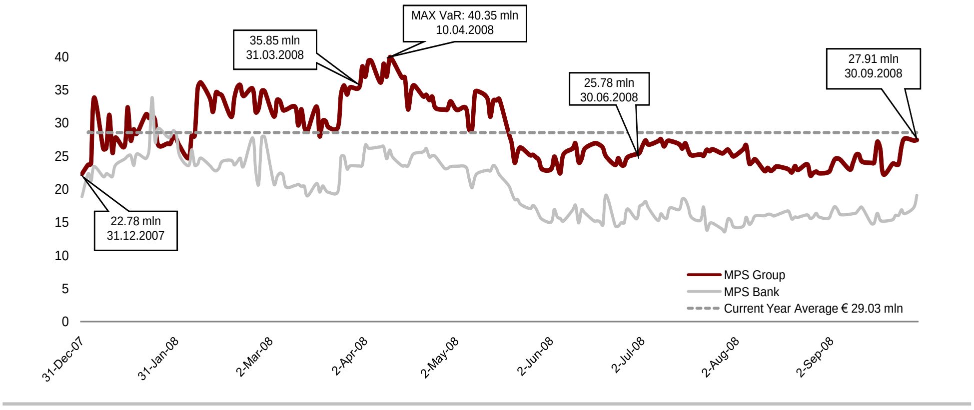
MARKET RISKS ON THE TRADING PORTFOLIO

During the third quarter of 2008, the MPS Group risks followed a balanced trends and remained in the range of the average values for 2008.

After the peaks reached in the first months of the year (absolute max. value on 10 April: EUR 40.25 mln) , the overall portfolio riskiness gradually decreased as a result of the containment of exposures, especially in the equity segment. As of the end of September, the Group risks measured as VaR amounted to EUR 27.91 mln, virtually in line with the values registered as of the end of June.

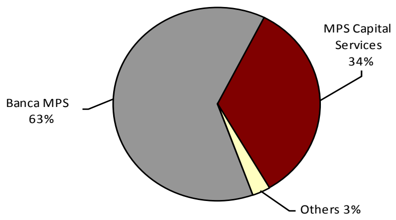
MPS Group: Trading Book VaR

- VaR 99% 1 day in EUR/mln -



MPS Group: Trading Book VaR

VaR Breakdown per Bank as of 30.09.2008

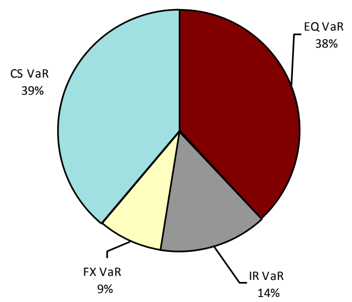


The Group VaR was strongly affected by the risk dynamics in relation to the positions of Banca MPS, with the weight of MPS Capital Service gradually growing in the course of 2008. As of 30 September 2008, the Parent Bank weight was still 63% of overall risk, with MPS Capital Service at 34% and the remaining 3% absorbed by other banks.

In terms of *risk factors*, as of 30 September 2008, the main risk sources were represented by CS VaR and EQ VaR accounting as a whole for more than 75% of the global risk. The persisting international financial crisis definitely contributed to stress the growing weight of these two kinds of risk factors in 2008.

MPS Group: Trading Book VaR

VaR Breakdown per Risk Factor as of 30.09.2008



During the first nine months of 2008, the Group market risks measured as VaR fluctuated in the range of EUR 22.56 million (minimum as of 26 August 2008) and EUR 40.35 million (maximum as of 10 April 2008). The average for the period was EUR 29.03 million.

MPS Group: Trading Book

VaR 99% 1 day in €/mln

	VaR	Date
End of Period	27.91	30/09/2008
Min	22.56	26/08/2008
Max	40.35	10/04/2008
Average	29.03	

The average VaR of the first nine months of 2008 of Banca MPS came to EUR 20.48 mln, with a maximum of EUR 34,31 mln and a minimum of EUR 14,07 million. End-of-period total (as of 30 September 2008) amounted to EUR 19.54 mln .

MPS Bank: Trading Book

VaR 99% 1 day in €/mln

	VaR	Date
End of Period	19.54	30/09/2008
Min	14.07	29/07/2008
Max	34.31	23/01/2008
Average	20.48	

OPERATIONAL RISKS

Loss data for the third quarter of 2008 showed the downward trend of operational riskiness, as reflected by the AMA model in the calculation of capital requirements. In particular, the Group was less subject to external frauds. This decrease was mainly linked with the reducing exposure of the Banking Industry to robberies.

FINANCIAL RISKS IN RELATION TO INVESTMENT SERVICES (WEALTH RISK MANAGEMENT)

- WEALTH RISK MANAGEMENT PROCESSES AND METHODS

"Wealth Risk Management" includes the whole of measurement and monitoring activities, and control processes of the risks and returns in relation to the investment services provided by the MPS Group to its customers.

Effective 2003, the MPS Group introduced operating and management processes, instruments and methods for the purpose of ensuring the overall consistency of the customers' risk propensity and their expectations in terms of return, with the risk profiles of the products, portfolio management and portfolios held by them in order to prevent and minimize the occurrence of any reputational risk such as the deterioration of the customers' confidence in the Bank.

Effective November 2007, compliance with the MIFID relies on this activity with respect to the review of the appropriateness and adequacy of the investment services.

The Wealth Risk Management Unit – which reports directly to the Private Banking and Wealth Management Area - is in charge of monitoring this activity at the Group level, in compliance with any internal and external rules.

All investment products (of the Group and third parties), included in the product catalogue available to the customers, are subject to a specific risk evaluation, within a codified production-distribution process. The approach adopted is based on the determination, for each financial instrument, of a synthetic risk indicator which includes qualitative considerations on the financial structure and complexity, the quantitative measurement (Value-at Risk) of the factors of market, credit and liquidity risk. Risk indicators are referred to specific risk categories which are classified according to specific codes and notified to the customers in the information sheets concerning the stocks placed. Therefore, they represent one of the guidelines on the basis of which the reviews of appropriateness and adequacy provided for by the new MIFID regulations are conducted. The financial instruments directly purchased by the customers and held under administration are also subject to a similar quantitative valuation.

Specific risk categories and valuation procedures were defined in relation to the OTC derivatives, which are exclusively offered to corporate bodies on the basis of an advisory service for the purpose of covering already existing and ascertained exposures receivable and/or payable.

The above-mentioned activities concern the whole consolidation area of the MPS Group (i.e. Banca Monte dei Paschi di Siena, including BAM incorporated late in September, Banca Toscana, Banca Antonveneta and MPS Banca Personale).

- THE RECENT MARKET CRISIS AND THE RISKS INCURRED BY THE GROUP CUSTOMERS

The market crisis which developed in 2007 as a result of the exposure to sub-prime mortgage loans exacerbated in September 2008. In addition to the bailout of a few banks (mostly US and British financial institutions), the bankruptcy of Lehman Brothers was a paramount importance (the investment bank filed Chapter 11 on 15 September). This event had inevitable repercussions on the Italian banks, with particular reference to their relations with the customers who had been offered financial instruments influenced by the increasing volatility of the main risk factors.

For a long time, the MPS Group has implemented processes and applications oriented to measuring and monitoring the risk and performance of the financial instruments placed with the customers, or held in administration on their behalf. As a result of these processes, it was possible to sell financial instruments with medium-high risk characteristics, in compliance with the principles of appropriateness/adequacy introduced last year by the new MIFID regulations, only to the customers having risk profiles consistent with such characteristics. The systems of measurement and monitoring appropriately took into account and assessed the growing volatility of the markets and the issuers' credit riskiness - as well as the reduced liquidity of the secondary market - as factors which characterized all markets and products.

The exposure of the Group customers to issuer Lehman was extremely limited (only 0.071% of total Group customers, in relation to the bond component). The Group had placed two bond issues by Lehman in May and June 2007, when Lehman was one of the major international investment banks with a credit risk in line with the MPS credit risk. Two index-linked policies with underlying Lehman bonds had been placed in 2003 and 2004 by the insurance companies belonging to the MPS Group. The insurance policies characterized by the Lehman risk account for an extremely minimal percentage with respect to the total volumes of index-linked policies placed by the Group since 2003. Very low amounts of direct exposures to Lehman risk were detected in third parties' SICAVs, included in some products recommended by the Group (less than 1% of the assets under management of each sector).

The Monte Paschi Group further consolidated preliminary controls on many counterparts subject to monitoring, with the objective of ensuring an accurate and prompt service of control and information to the customers.

CAPITAL FOR REGULATORY PURPOSES AND CAPITAL REQUIREMENTS

During the third quarter of 2008, the MPS Group pursued the maintenance and finetuning of the internal models of default probability and Loss Given Default, resulting from the process of validation completed during the past six months.

In a Basle 2 logic, in compliance with the provisions provided for by the new regulations on capital adequacy, the MPS Group fulfilled the requirements of the Second Pillar of Circular 263, prepared and sent the consolidated ICAAP Simplified Report as of 30 June 2008 to the Regulatory Authorities, prior approval by the Board of Directors. The Report, prepared on the basis of the contents provided by the MPS Group and in compliance with the regulations, summarized the business aspects and the associated potential risks of the Group, the metrics of measurement for the purpose of regulatory capital and overall internal capital, the terms of determination of capital adequacy, the self-assessment of the processes of management of the risks, in an organic and structural framework of representation and analysis which characterized the highly strategic importance of ICAAP activities. The Group is planning other projects for the finetuning of the metrics and contents of the ICAAP paper, since it shall draft the Final Report as of 31 December 2008 no later than 30 April 2009.

The capital for regulatory purposes of the MPS Group, calculated in line of continuity with the past quarter and therefore based on the new metrics of calculation introduced by Basle 2 – advanced IRB and AMA methods for the portfolios and legal entities subject to validation - was estimated at EUR 11,717 million as of 30 September 2008 with an EUR 98 million increase with respect to the first half-year. In particular, such difference was determined by the adjustment of the estimated capitalized profit in Q308 and the reclassification of some accounts due to the changes in the MPS Group (streamlining of BAM equity investments and effects of the completed acquisition of Banca Antonveneta). On the front of RWA, the estimates produced showed a reduction of about 1.3% (including the adjustment of the BIS 2 floor, such change is estimated at about 0.6%) in comparison with June 2008.

Capital for regulatory purposes - Stima -- (millions of euros)			
	30/09/08	***30/06/08***	***Var. %***
TIER I	6.430	6.313	1,85%
TIER II	5.691	5.718	-0,47%
Elements to be deducted	404	413	-2,08%
Capital for regulatory purpose	11.716	11.618	0,84%

As of 30 September 2008, the consolidated regulatory ratios[9] in relation to the above estimates were 5.2% (Tier 1) and 9.5% (Total Capital Ratio).

[9] Estimate inclusive of the benefits expected from the sale of discontinued operations (Mps Asset Management and Banca Monte Parma).

THE OPERATIONAL STRUCTURE

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

▪ DISTRIBUTION CHANNELS

In the third quarter of 2008, the MPS Group continued its activity geared toward **developing and streamlining its distribution channels, with a** focus on the growth of the traditional network and the **development of innovative channels and their integration with the branch network**, with the objective of expanding the multichannel credentials of the MPS Group and providing the customers with a consistent service, irrespective of the kind of access they have to the Bank.

No new branches were opened in Q3. However, after the **merger with BAM**, Banca Montepaschi incorporated 276 branches, with its distribution network totalling 1,513 branches.

MPS GROUP DISTRIBUTION NETWORK

Channel	30.09.08	31.12.07
Domestic branches (whith BAV)*	3.094	2.094
Financial Promoters Offices	163	139
Total domestic sales outlets	3.257	2.233
Foreign branches	39	35
SME Business Centres	119	113
Institutions Business Centres	37	37
Private Business Centres	71	70

* The specialized units of MPS Capital Services are not included

Nowadays, innovative channels are increasingly widespread and successfully used by the customers.

Direct channels include:

- Contracts of access to direct channels, retail segment (integrated multi-channels and prior contracts) - estimated volume as of 30 September 2008**:** 1,230,000 contracts;
- Contracts of access to direct channels, corporate segment - estimated volume as of 30 September 2008**:** 25,100 contracts.

As of 30 September 2008, the **Group ATMs numbered 3,645 units** including **1,138 ATMs of Banca Antonveneta.** The installation of machines progressed in Q308, mostly due to the ATMs installed with third parties. The ATMs of BAM, as a result of the incorporation into MPS, migrated to MPS and Banca Antonveneta, according to the geographical area of competence. The ongoing **microcircuit migration** to the Group machines will also involve the equipment of Banca Antonveneta resulting from the integration of the IT systems. The Group also arranged the processes for expanding the installation of **ATMs with payment service**.

- FOREIGN DIRECT NETWORK

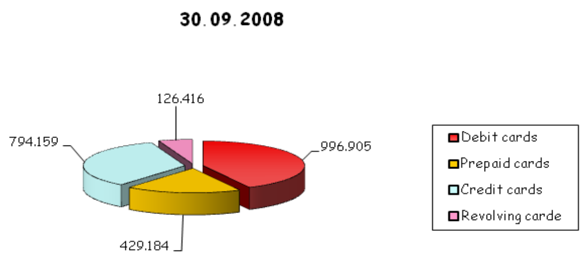
No major changes have been recorded with respect to the Report on Operations as of 30 June 2008.

- PAYMENT AND COLLECTION SYSTEMS

The services provided in relation to payment systems aim at **enhancing functionality and improving quality,** in a logic of customers' satisfaction.

As of 30 September 2008, the Group had installed **75,187 POS** terminals. The first stage of streamlining of the POS terminals was completed with the objective of recovering inactive terminals, as a result of commercial initiatives.

As of 30 September 2008, the **MPS Group credit and debit cards** (excluding BANCA ANTONVENETA and BIVERBANCA) numbered **2,346,664**.



In terms of product innovation and projects, the third quarter was mainly characterized by Business Plan activities, especially **the integration of the Group product catalogue for Antonveneta** which has currently acquired the revolving and option credit products of Consum.it, **M'honey Card and Unica Classic**, and the multi-facility prepaid card **Spider.** In addition, the strategy of internalization of the Group issuing – which assigns the issue and gradual replacement of the cards to Consum.it and the "Unica" product line – has been better defined.

▪ HUMAN RESOURCES AND ORGANIZATION DEVELOPMENT

❑ STAFFING

As of 30 September 2008, the MPS **Group** had a total workforce of **33,384 employees**[10], with a **decrease in staffing of 804 with respect to 31.12.2007** (*base line* of the 2008-11 Business Plan), which expedites the process defined in the "Master Plan" oriented to reducing and restructuring the workforce.

MPS GROUP STAFF

	31/12/05(*)	31/12/07(**)	30/09/08
Workforce	24.303	34.188	33.384
On a payroll	24.386	34.246	33.482

(*) Baseline previous Business Plan without tax collection activity staff.

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

In particular, the first months of the financial year were characterized by:

- considerable outflows of personnel with high seniority with **1,241 retirements** (about 35.5% of the total amount planned for the four years from 2008 to 2011) including **746 units participating in the Early Retirement Plan and the Solidarity Fund;**
- introduction of **new high-potential young recruits (576 employees)**, almost totally in the Network;
- **professional re-qualification from the H.O. to the Network of 360 resources (**above all Banca Antonveneta), on the basis of individual paths contemplating operational and training experiences;
- **asset disposal (-139 units** – Intermonte SIM and minor companies).

The front office to total staff ratio is 63.4% with respect to the 67% target expected to be met at the end of the Business Plan.

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

MPS GROUP WORKFORCE: DISLOCATION BY STRUCTURE

STRUCTURE	31/12/2007(1)	% OF TOTAL	30/09/08	% OF TOTAL
Network & Call Center	**21.365**	**62%**	**21.161**	**63%**
Head Quarter	**12.823**	**38%**	**12.223**	**37%**
- H.O. Italian Banks(2)	*8.155*	*24%*	*7.093*	*21%*
- Product Companies	*1.460*	*4%*	*1.324*	*4%*
- Service Companies	*2.470*	*7%*	*3.046*	*9%*
- Other Activities(3)	*738*	*2%*	*760*	*2%*
TOTAL	**34.188**	**100%**	**33.384**	**100%**

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

(2) Foreign branches and representative offices and others activities.

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

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

BREAKDOWN OF STAFF BY JOB CATEGORY		
CATEGORY	ACTUAL NUMBER	% OF TOTAL WORKFORCE
Executives	565	2%
Managers	11.210	34%
Other Professional Areas	21.609	65%
TOTAL	**33.384**	**100%**

In terms of academic credentials, the percentage of personnel with degrees is 31% with a peak in the case of Executives (about 52%).

MPS GROUP WORKFORCE: MIX OF CREDENTIALS

AGE	% FEMALE	% MALE	% OF TOTAL
up to 30 years	7,7%	5,1%	13%
31 to 40 years	15,5%	12,9%	28%
41 to 50 years	13,9%	19,5%	33%
over 50 years	5,6%	19,8%	25%
TOTAL	**42,7%**	**57,3%**	**100%**

MPS GROUP WORKFORCE: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% FEMALE	% MALE	% OF TOTAL
up to 10 years	21,3%	22,9%	44%
11 to 20 years	9,7%	10,0%	20%
21 to 30 years	9,1%	14,2%	23%
over 30 years	2,5%	10,3%	13%
TOTAL	**42,7%**	**57,3%**	**100%**

The average age is 42.6 years, slightly decreasing with respect to the end of 2005 (42.7years) and below the Industry average [11] (42.8 years). 42% of human resources are under 40.

Women account for a significant 42.7% vs. 39.5% as of 31 December 2005 and an Industry average of 40%.

❑ OPERATIONAL STRATEGIES

DEVELOPMENT OF HUMAN RESOURCES

Following are the most significant initiatives carried out during Q308, within the above-mentioned strategic framework:

- the start of the II edition of the **professional paths**[12], which also involve Head Office personnel for the first time and use the **PaschiRisorse** system as a fundamental **planning and monitoring** tool for the determination of the skills featuring each role, and the review of the levels of adequacy of each employee with respect to the profile set for the position filled. As a whole, **professional paths** involve about **500 people at the Group level**;

- the implementation of **development plans** for the positions of Head of a SME Centre and Head of a Private Centre, and processing of individual development programmes. The project is oriented to ensuring the cover of managerial positions within the network and special professional skills in the Head Offices, in a logic of planning;

[11] Source: Bancaria- monthly review of the Italian Bankers' Association, no.3 year 64, "Trends of employment and personnel in the credit industry" (data as of 31 December 2007).
[12] Vertical" paths regulate the progress towards target positions, up to the II level of Managers."Horizontal" paths encourage the integration of skills in relation to equal positions.

- the set-up of a **self-development "laboratory**" within the project of **enhancement of human resources,** for the purpose of increasing the knowledge of individual skills, with priority given to young resources, in order to consolidate their skills, direct their professional development and create an organic channel to feed the future Group Management.

- The extension of **the mapping of managerial qualities (**which in 2007 concerned the Group Executives) to the Managers holding positions of high responsibility in the network and in the Head Offices, in order to support the strategies and develop **continuity plans**.

TRAINING

In line with the provisions of the 2007-2009 Training Plan, **training** continued to strengthen the professional skills typical of a business role, also in synergy with the tools of professional development available (e.g. PaschiRisorse and related gap analysis, professional and career paths). In this context, the Group consolidated its programme guidelines: Guidelines to Training by Role (GRAF) and Planning of Individual Training Actions (PAFI).

As a whole, training hours totalled more than 1,000,000 hours (including almost 500,000 hours in Banca Antonveneta) with classes, online courses and working training mostly concentrated (over 80%) on the roles targeted at developing sales and lending.

A massive training commitment was required in view of the organization/IT integration of Banca Antonveneta completed on 31 May 2008 when the Bank joined the Group. Classes and working training activities involved more than 8,500 people.

INDUSTRIAL RELATIONS

Industrial relations were characterized by continuous negotiations with the Unions about the implementation of the centralization projects contemplated by the Business Plan, with particular regard to the **integration of Banca Antonveneta into the Group IT system** and the **integration of Banca Agricola Mantovana into Banca Monte dei Paschi di Siena,** and the simultaneous transfer of a business unit (branches in north-eastern Italy) from BAM to **BAV**.

As a result of the agreements reached, the Group will be able to realize objectives of efficiency, cost containment and professional enhancement, in line with the programmes.

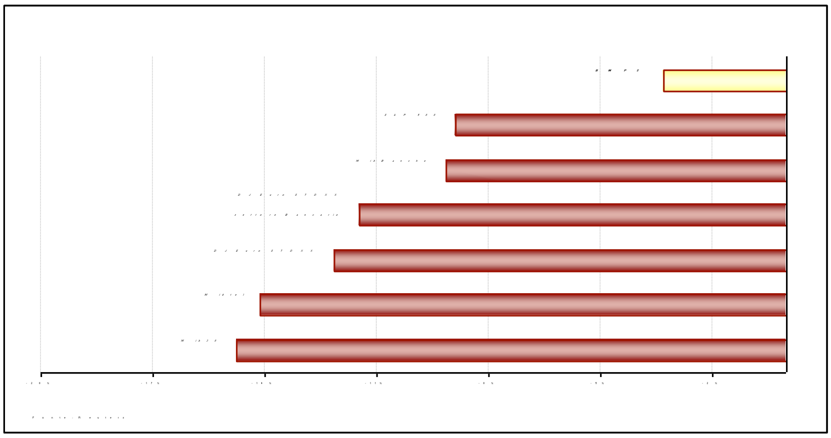
The agreements on the issues of **Corporate Social Responsibility**, new **key roles** for the network and the **Memorandum on Security** are also remarkable.

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

- PRICES

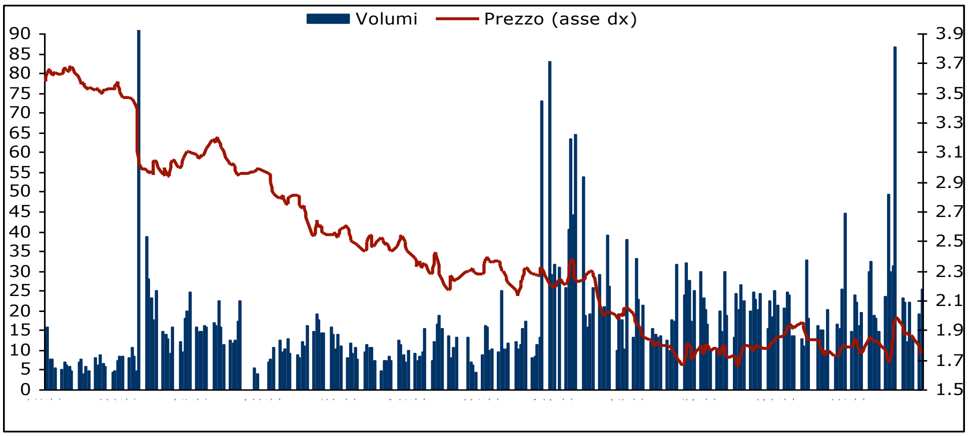
The first nine months of 2008 were particularly negative for the major share indices (Dow Jones –18.2%, S&P 500 -20.6%, Mibtel – 33.6%, Mib30 -33.1%) both as a result of the crisis linked with the US subprime mortgage loans which caused sales of financial equities (MibBanche -36.8%, DJ Euro Stoxx Banks - 39.0%) and growing fears of economic recession. The trend of BMPS shares improved in Q308 (-3.3%) in comparison with the Italian and European bank equities (Mib Banche -9.1%, DJ Euro Stoxx Banks -11.5%).

CHANGES IN THE PRICES DURING Q308 (MAJOR STOCK INDICES)



The Bank's shares closed the quarter as of 30 September 2008 at EUR 1.74 (-41.8% with respect to January 2008). The Bank's shares hit a high at EUR 2.95 on 2 January 2008 and a low at EUR 1.66 on 15 July 2008, due to the general downturn in the markets and the financial industry.

THE TREND OF BMPS SHARE PRICE (from 30.09.07 to 30.09.08)



- **BMPS Share price: Statistical Summary** (from 12/31/07 to 09/30/08)

Average	2.12
Low	1.66
High	2.95

CAPITALIZATION AND SHAREHOLDERS' BASE

As of 30 September 2008, the market value of BMPS computed on the basis of 6,624,865,744 (ordinary and preferred) outstanding shares approximated EUR 11.5 billion.

- **SUMMARY OF REFERENCE PRICES AND CAPITALIZATION**

	12.31.07*	09.30.08
Price (euro)	3.68	1.74
N. ordinary shares	2,457,264,636	5,492,986,286
N. preferred shares	565,939,729	1,131,879,458
N. saving shares	9,432,170	18,864,340
Capitalization (ord + priv) (euro mln)	11,125	11,527

With reference to the Bank's shareholders' base, on the basis of the reporting to the Italian Securities Commission (CONSOB) and BMPS in compliance with art.120 of Legislative Decree no.58/98, as of 30 September 2008 the major shareholders were: the MPS Foundation (the majority shareholder, holding 45.88% of the ordinary share capital); JP Morgan Chase (5.56%*); Caltagirone Francesco Gaetano (4.72%); Unicoop Firenze (3.34%); Axa S.A. and Barclays Global Investor Uk Holding LTD (2.45%).

MAIN SHAREHOLDERS in compliance with art. 120 of Legislative Decree No. 58/98	
MPS Foundation	45.88%
JP Morgan Chase**	5.56%
Caltagirone Francesco Gaetano	4.72%
Axa S.A.	4.58%
Unicoop Firenze – Corporative company	3.34%
Barclays Global Investor Uk Holding LTD	2.45%

- ***The situation as of 31 December 2007 as to the price (EUR 3.68) and the resulting market capitalization (EUR 11.125 million) does not take into account the conversion factor as a result of the capital increase with the right of option of EUR 4.97 bn, fully subscribed at the end of May 2008. For this reason, the price and the resulting capitalization would be EUR 2.988 and EUR 9,033 million, respectively.***
- ***After the paid capital increase through the issue at a premium of no. 295,236,070 ordinary shares in a total amount of EUR 950,069,673.26. The capital increase, excluding the right of option, was reserved for subscription of a company belonging to the JP Morgan Chase Group which used the new shares to cover the convertible loan (Fresh), with the loan issue notified by JP Morgan itself on 8 April 2008. JP Morgan Chase & Co indirectly holds the bare property of this investment through JP Morgan Securities Ltd and JP Morgan Whitefriars. The beneficial ownership is held by BMPS. The voting right of the beneficial owner in relation to these shares is suspended, until BMPS keeps the beneficial ownership.***

- VOLUMES

During the first nine months of 2008, the number of BMPS shares traded on a daily basis averaged around 18.7 million, with a peak of 86.6 million in September and a low of 4.3 million in March.

MONTHLY VOLUME OF SHARES TRADED

SUMMARY OF 2008 VOLUME

	(in million of euros)
January	271
February	195
March	206
April	444
May	635
June	419
July	465
August	381
September	569

- RATING

Following are the debt ratings as of 30 September 2008:

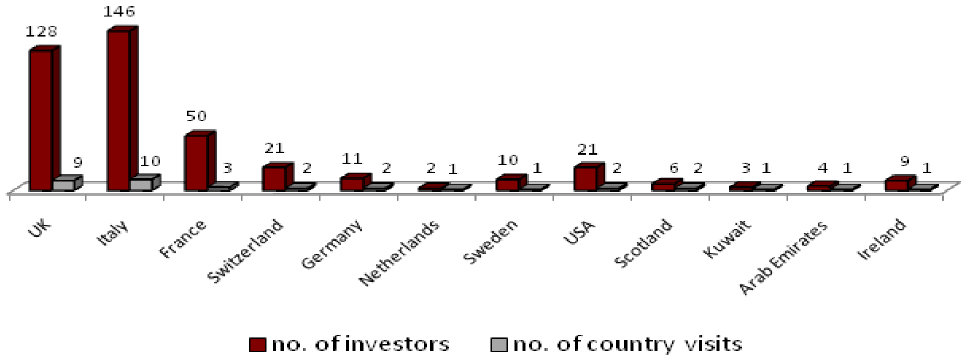
Rating Agencies	Short-term rating 09/30/2008	Long-term rating 09/30/2008
Moody's Investors Service	P - 1	Aa3
Standard & Poor's	A - 1	A
Fitch Ratings	F - 1	A

On 2 June 2008 Fitch Ratings downgraded the long-term rating of MPS to "A" from "A+" and confirmed the short-term rating at "F-1" after the completion of the acquisition of Banca Antonveneta by BMPS on 30 May 2008.

- INVESTOR RELATIONS IN THE FIRST HALF YEAR OF 2008

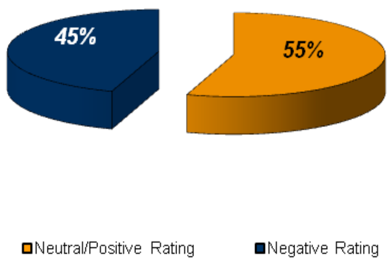
In the first nine months of 2008, the Investor Relations team interacted proactively with the financial community, and further accelerated marketing activities in line of continuity with 2007, also as a result of the presentation to the financial community on 11 March 2008 of the New 2008-2011 Business Plan of the MPS Group and the capital increase fully subscribed as of the end of May 2008.

As a whole, the Investor Relations team arranged meetings with more than 400 investors (including the investors met more than once in 2008) in 12 different countries. Following is the breakdown by geographical area:



- BMPS SHARES RECOMMENDATION

55% of the analysts covering BMPS shares as of 30 September 2008 maintained a neutral/positive outlook, and 45% had a negative stance.



MATERIAL EVENTS SUBSEQUENT TO 30 SEPTEMBER 2008

Following is a summary of the most significant events which occurred after 30 September 2008:

- **On 2 October 2008**, Banca Monte dei Paschi di Siena S.p.A. executed an agreement for the sale of 75% of the share capital of Marinella SpA to a group consisting of the Consorzio Cooperative Costruzioni, Unieco Società Cooperativa, Società Italiana Condotte d'Acqua and Condotte Immobiliare. As a whole, the assets of Marinella were estimated at EUR 85 million, including EUR 31.5 million in relation to the final approval of the building development plan;
- **On 29 October 2008,** Banca Monte dei Paschi di Siena entered into an agreement to sell the whole share capital of the Group companies operating in the area of asset management to a Newco held by Clessidra Capital Partners II (67%) and BMPS (33%). The value of the companies sold was estimated at EUR 570 million and will produce an estimated capital gain of EUR 200 million.

FUTURE OUTLOOK

Against an operating backdrop characterized by the slowdown of the economic situation and the exacerbating crisis of the financial markets, prospective instability and overall risks are increasing. Therefore, the Group is not in a position to forecast any future development. The MONTEPASCHI Group shall continue to be committed to quickly implementing the integration programme contemplated by the new Group Business Plan and tapping into the strategies carried out in the past eighteen months (i.e. streamlining of the production line, joint venture in the insurance and asset management business, disposal of non-strategic assets), with a focus on the Bank's commercial core business and actions for improving the efficiency of the cost structure.

NOTES TO THE FINANCIAL STATEMENTS

The consolidated quarterly report on the operations of the Montepaschi Group as of 30 September 2008 is prepared in compliance with the provisions of art.154 of the Financial Act, in accordance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB), validated as of the date of its preparation by the European Commission, and their construction by the International Financial Reporting Interpretations Committee (IFRIC). The international accounting principles were applied with reference to the "Framework for the drafting and presentation of financial statements" (Framework).

In particular, the Group adopted the accounting principles used for preparing the Consolidated Financial Statements as of 31 December 2007, with the exceptions stated in the following paragraph "Accounting principles, amendments and construction applied during the period".

The fair value of the financial instruments was quantified using models, techniques and standards totally in line with the Annual Report as of 31 December 2007, and the quarterly and half-year reports for 2008, pending any possible additional regulatory clarifications from the accounting authorities.

Accounting principles, amendments and construction applied during the period

On 13 October 2008 the IASB issued an amendment to IAS 39 – *Financial instruments: Measurement and Valuation* and to IFRS 7 – *Financial instruments: supplementary information*, which enables the banks, under specific circumstances, to reclassify certain financial assets other than derivatives from the account of "valued at fair value through the P&L statement" (HFT PL).

In addition, non-derivative financial assets which, as of the date of reclassification, meet the requirements for posting in the "loans and receivables" portfolio can be reclassified from "available for sale" (AFS) to "loans and receivables" (L&R"), provided that the bank proves to be willing and capable of keeping such financial assets in its portfolio for a predictable period or upon maturity.

The amendment is effective as of 1 July 2008.

The Monte dei Paschi Group adopted such amendment and reclassified the following accounts at book value (fair value) as of 1 July 2008:

a) Debt instruments from the trading portfolio to the "loans and receivables" portfolio in the amount of EUR 769 million (higher capital losses in the amount of EUR 43 million would be posted to the profit and loss statement, if such instruments were valued at the prices which were deemed to be non significant as of 30 September 2008);

b) Equities from the trading portfolio to the "available for sale" portfolio in the amount of EUR 455 million (failing said reclassification, capital losses in the amount of EUR 15 million would be posted to the profit and loss statement rather than net equity);

c) Debt instruments from the AFS portfolio to the "loans and receivables" portfolio in the amount of EUR 2,170 million (higher capital losses in the amount of EUR 108 million would be posted to net equity, if such instruments were valued at the prices which were deemed to be non significant as of 30 September 2008).

Said reclassifications resulting from the crisis which affected the international financial markets and altered market prices are indicative of the changed general conditions and the medium-/long-term logic of the investments made.

Following are the general principles adopted for preparing this quarterly report:

- The consolidated quarterly report was prepared in compliance with the "principle of independence of periods" which states that any period of reference is considered as an independent financial period. From this viewpoint, the interim profit and loss statement reflects the ordinary and extraordinary profit and loss accounts for the period, in compliance with the accrual basis principle.
- The currency of account is the euro and any amounts are denominated in thousands of euro, unless otherwise stated.
- The balance-sheet and the profit and loss account are prepared on the basis of the accounting statements already used in the financial statements as of 31 December 2007.
- The accounting situations taken into account for the process of consolidation were prepared by the subsidiaries as of 30 September 2008 and adjusted, if necessary, to the Group accounting principles.
- Infra-group balance-sheet and profit and loss accounts have been eliminated.

This consolidated quarterly report as of 30 September 2008 is not subject to audit by the independent auditors.

In compliance with CONSOB resolution no.14990 of 14 April 2005, Banca Monte dei Paschi di Siena will issue the consolidated annual report as of 31 December 2008 within the expected deadline and, therefore, will not prepare any consolidated financial report as of 31 December 2008 (Q408).

Changes in the area of consolidation

The consolidated quarterly report includes the balance-sheet and profit and loss statement results of the Parent Bank and its direct and indirect subsidiaries.

In particular, the area of consolidation incorporates all subsidiaries, irrespective of their legal status, their status of ongoing concern or company being wound up, or whether the investment consists of a merchant banking transaction or not. The area of consolidation does not include some minor entities which would be irrelevant if consolidated in the consolidated balance-sheet.

Following are the changes which occurred in the area of consolidation during Q308 with respect to 31 December 2007:

In relation to the Parent Bank:

- On 30 May 2008 the Parent Bank executed the total acquisition of Banca Antonveneta S.p.A. The initial posting of the Business Combination was determined only temporarily, given the complexity of the process of allocation of the price paid and the short period of time elapsed between the acquisition and the preparation of the first consolidation. IFRS 3 expressly provides that the process of allocation of the values can be subject to updating and review no later than 12 months from the date of acquisition. As a result, goodwill is quantified temporarily;

- Late in March 2008, the Bank purchased the remaining 50% of the equity investment in Quadrifoglio Vita S.p.A. (which will be sold to the Axa Group, as indicated on 31 December 2007) from Unipol S.p.A.. In view of the total control and the existing sale agreements, the investment was consolidated totally and classified as discontinued operations;
- For the purpose of completing the acquisition of Biverbanca S.p.A., in February 2008 Fondazione Cassa di Risparmio di Vercelli exercised the put option, previously sold by Banca Monte dei Paschi di Siena S.p.A., whereby the Parent Bank purchased 5.78% of the capital of Biverbanca S.p.A.. Subject to the exercise of the put option by Fondazione Cassa di Risparmio di Vercelli, Fondazione Cassa di Risparmio di Biella exercised the call option whereby the Parent Bank, Banca Monte dei Paschi di Siena S.p.A., sold 1.78% of the capital of Biverbanca at the strike price of the put option. After the exercise of such options, Biverbanca held 59% of the share capital;
- Late in February 2008, the Bank finalized the total acquisition of Axa Sim S.p.A. (now renamed MPS Sim S.p.A.), previously controlled by the Axa Group. Such transaction, as a business combination, was considered in compliance with the IFRS 3 principle. The initial posting of the Business Combination was determined only temporarily, in compliance with the regulations enabling to benefit from a 12-month period after the date of acquisition for the consolidation of final data. As a result, goodwill is quantified temporarily;
- In May 2008, the Bank sold its subsidiary, Banca Monte Paschi Finance S.p.A. (after concentrating the depositary bank activity previously existing at the Parent Bank and Montepaschi Asset Management Sgr S.p.A on this subsidiary).
- In July 2008,as a result of the renegotiation of the shareholders' pacts existing between Banca Monte dei Paschi di Siena and the founders of Intermonte Sim S.p.A., the Bank sold the operational business unit of MPS Intermonte (former Intermonte Sim S.p.A.) to an expressly established newco (Intermonte Sim S.p.A.), where the Monte dei Paschi di Siena Group holds 20%;
- Finally, in June 2008, the Bank sold Fontanafredda S.p.A. and the affiliated company, Finsoe S.p.A.

Following are the major transactions within the Group:

By the Parent Bank:

- During Q1, within the Bancassurance Framework Agreement entered into with the AXA Group, the Bank finalized the sale of the business units represented by the open pension funds Kaleido and Paschi Previdenza;
- The sale of a portion of equities classified in the available for sale portfolio and some equity investments linked with MPS Investments S.p.A.;
- The merger by incorporation of Banca Agricola Mantovana into BMPS on 22 September 2008;

By MPS Sim S.p.A.:

- The sale of the business unit including the financial promoters to Banca Personale S.p.A.;

By BAM S.p.A.:

- The sale of Intermonte S.p.A. to MPS Investments S.p.A.

Out of completeness of the information, as of 30 September 2008, the following subsidiaries were considered as discontinued operations:

- Marinella S.p.A., sold early in October 2008;

- Banca Monte Parma S.p.A.: disposal recently authorized by the Regulatory Authority;

- Montepaschi Asset Management Sgr S.p.A. and ABN AMRO Asset Management Italia S.p.A.: sale agreement for the whole share capital executed in October 2008;

- Quadrifoglio Vita, pending the necessary authorization to sell from the Regulatory Authority.

Balance-sheet and profit and loss statement data of these subsidiaries were reclassified, respectively, under accounts 150/80 of the balance-sheet "Non current assets and discontinued operations" / "Liabilities associated with discontinued operations" and account 310 of the profit and loss statement "Profit/loss from discontinued operations after taxes".

Section 10

Equity investments - Account 100

Area of consolidation

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

NAME			REGISTRED OF	TYPE REL (*)	ownership relationship held by	ownership relationship %	available votes % (**)
		companies included in consolidation					
		A.1 totally consolidated companies					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.p.a.	Siena				
A.1		BANCA TOSCANA S.p.a.	Florence	1	A.0	100,000	100,000
A.2		MPS CAPITAL SERVICE BANCA PER LE IMPRESE S.p.a.	Florence	1	A.0	89,152	99,919
					A.1	10,766	
					A.34	0,001	
	2.1	MPS VENTURE SGR S.p.a.	Florence	1	A.2	70,000	100,000
A.3		MPS BANCA PERSONALE S.p.a.	Lecce	1	A.0	100,000	100,000
A.4		MPS GESTIONE CREDITI S.p.a.	Siena	1	A.0	100,000	100,000
A.5		MPS LEASING E FACTORING S.p.a.	Siena	1	A.0	93,353	100,000
					A.1	6,647	
	5.1	MPS COMMERCIALE LEASING SPA	Siena	1	A.5	100,000	100,000
A.6		BANCA ANTONVENETA SPA	Padova	1	A.0	100,000	100,000
	6.1	ANTENORE FINANCE SPA	Padova	1	A.6	98,000	98,000
	6.2	ABN AMRO ASSET MANAGEMENT ITALY SGR SPA (1)	Milan	1	A.0	45,000	100,000
					A.6	55,000	

	6.3	ANTONVENETA CAPITAL LLC I	Delaware	1	A.6	100,000	100,000
	6.4	ANTONVENETA CAPITAL LLC II	Delaware	1	A.6	100,000	100,000
	6.5	ANTONVENETA CAPITAL TRUST I	Delaware	1	A.6	100,000	100,000
	6.6	ANTONVENETA CAPITAL TRUST II	Delaware	1	A.6	100,000	100,000
	6.7	ANTONVENETA IMMOBILIARE SPA	Padova	1	A.6	100,000	100,000
	6.8	GIOTTO FINANCE SPA	Padova	1	A.6	98,000	98,000
	6.9	GIOTTO FINANCE 2 SPA	Padova	1	A.6	98,000	98,000
	6.10	LA CITTADELLA SPA	Padova	1	A.6	99,167	99,167
	6.11	SALVEMINI SRL	Padova	1	A.6	100,000	100,000
	6.12	THEANO FINANCE SPA	Padova	1	A.6	98,000	98,000
	6.13	ANTONVENETA ABN AMRO INVESTMENT FUNDS LTD (1)	Dublin	1	A.6.2	100,000	100,000
A.7		MPS ASSET MANAGEMENT SGR S.p.a. (1)	Milan	1	A.0 A.1 A.3	89,980 6,192 3,828	100,000
	7.1	MPS ALTERNATIVE INVESTMENTS SGR S.p.a. (1)	Milan	1	A.7	100,000	100,000
	7.2	MPS ASSET MANAGEMENT IRELAND LTD (1)	Dublin	1	A.7	100,000	100,000
A.8		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100,000	100,000
A.9		MPS INTERMONTE S.p.a.	Siena	1	A.27	100,000	100,000
A.10		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0 A.1	86,000 14,000	100,000
A.11		ULISSE S.p.a.	Milan	1	A.0	60,000	60,000
A.12		ULISSE 2 S.p.a.	Milan	1	A.0	60,000	60,000
A.13		CONSUM.IT S.p.a.	Siena	1	A.0 A.1	70,000 30,000	100,000
	13.1	INTEGRA SPA	Florence	1	A.13	50,000	50,000
A.14		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI S.p.a.	Siena	1	A.0	100,000	100,000
	14.1	AGRICOLA POGGIO BONELLI	Siena	1	A.14	100,000	100,000
A.15		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100,000	100,000

A.16		MARINELLA S.p.a. (1)	La Spezia	1	A.0	100,000	100,000
A.17		G.IMM.ASTOR Srl	Lecce	1	A.0	52,000	52,000
A.18		PASCHI GESTIONI IMMOBILIARI S.p.a.	Siena	1	A.0	100,000	100,000
A.19		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99,790	100,000
					A.1	0,030	
					A.2	0,060	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
					A.6	0,030	
A.20		AGRISVILUPPO S.p.a.	Mantua		A.0	98,224	99,068
					A.27	0,844	
A.21		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantua		A.0	100,000	100,000
A.22		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	77,531	100,000
					A.1	22,469	
A.23		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100,000	100,000
A.24		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100,000	100,000
A.25		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	70,175	100,000
					A.1	29,825	
	25.1	MONTE PASCHI CONSEIL FRANCE	Paris		A.25	100,000	100,000
	25.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		A.25	100,000	100,000
	25.3	M.P. ASSURANCE S.A.	Paris		A.25	99,400	99,400
	25.4	IMMOBILIARE VICTOR HUGO	Paris		A.25	100,000	100,000
	25.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.25	99,997	99,997
A.26		MONTEPASCHI LUXEMBOURG S.A.	Brussells	1	A.0	99,200	100,000
					A.25	0,800	
A.27		MPS INVESTMENTS S.p.a.	Milan	1	A.0	100,000	100,000
A.28		SANTORINI INVESTMENTS LTD	Edinburgh	1	A.0	100,000	100,000
A.29		CIRENE FINANCE Srl	Conegliano	1	A.0	60,000	60,000
A.30		SIENA MORTGAGES 00-01 S.p.a.	Milan	1	A.0	100,000	100,000
A.31		BIVERBANCA CASSA RISP. BIELLA E VERCELLI S.p.a.	Biella	1	A.0	59,000	59,000
A.32		MPS SIM S.p.a.	Milan	1	A.0	100,000	100,000

A.33		QUADRIFOGLIO VITA S.p.a. (1)	Bologna	1	A.0	100,000	100,000
		A.2 Imprese consolidate proporzionalmente					
A.34		BANCA POPOLARE DI SPOLETO S.p.a. (valori di bilancio al 25,930% del valore nominale)	Spoleto	1	A.0	25,930	25,930
A.35		BANCA MONTE PARMA S.p.a. (1) (valori di bilancio al 49,266% del valore nominale)	Parma	1	A.0	49,266	49,266

(*) Type of reltat:
1 majority of voting rights in the ordinary shareholders' meeting
2 dominant influence in the ord. shareholders' meeting
3 agreements with other partners
4 other types of control
5 unit management as per art. 26, comma 1, del DLgs 87/92
6 unit management as per art. 26, comma 2, del DLgs 87/92
7 joint control
(**) available votes in the ord. shareholders' meeting (actual and potential votes)

(1) As of 30 september 2008 Marinella S.p.a., Banca Monte Parma, MPS Asset Management, MPS Alternative Investments Sgr, MPS Asset Management Ireland , Quadrifoglio Vita S.p.a., ABN AMRO Asset Management Italy Sgr Spa e Antonveneta ABN Amro Investment Funds have been considered "Gruppi di attività in via di dismissione"

Consolidated statement of cash flows
indirect method

A. OPERATING ACTIVITIES	30 09 2008	31 12 2007
		(in eur 000)
1. Cash flow from operations	**1.949.952**	**2.205.787**
net income (+/-)	650.588	1.453.199
gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	206.859	(69.640)
gains/losses on hedging activities (-/+)	5.125	2.668
net value adjustments/recoveries on impairment (+/-)	616.632	739.231
net adjustments/recoveries on fixed assets and intangible assets (+/-)	101.481	115.001
net provisions for risks and charges and other costs/revenues (+/-)	63.805	266.693
not cashed net premiums	-	(86.438)
other not collected incomes/expenses from insurance activities (+/-)	-	(761.136)
tax and duties to be settled (+)	337.235	551.586
net value adjustments/recoveries on discontinued operations net of tax effect (+/-)	65.507	-
other adjustments	(97.281)	(5.377)
2. Cash flow from/used in the reduction of the financial assets	**788.915**	**(14.690.503)**
financial assets held for trading	4.985.123	755.049
financial assets carried at fair value	(38.084)	-
financial assets available for sale	1.331.007	(417.336)
vendite/rimborsi di attività finanziarie detenute sino alla scadenza	(17.166)	-
due from banks: sight	2.676.626	(2.117.974)
due from banks: other credits	-	-
customer loans	(7.297.035)	(12.749.368)
hedging derivatives	-	(11.302)
other assets	(851.557)	(149.572)
3. Cash flow from/used in financial liabilities	**1.302.033**	**12.500.142**
due to banks: sight	1.362.076	(2.848.642)
due to banks: other debts	-	-
customer deposits	103.102	4.480.242
securities issued	3.956.063	9.438.943
financial liabilities held for trading	(3.758.388)	2.400.080
financial liabilities carried at fair value	466.456	(724.761)
hedging derivatives	-	(47.799)
other liabilities	(827.275)	(197.921)
Net cash flow generated/absorbed by operating activities	**4.040.900**	**15.426**

B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**609.892**	**1.506.943**
sales of equity investments	234.411	350.389
collected dividends on equity investments	(0)	-
sales of tangible assets	6.056	3.241
sales of intangible assets	2.593	2.212
sales of subsidiaries and divisions	366.831	1.151.101
2. Cash flow absorbed by:	**(10.071.411)**	**(724.146)**
purchases of equity investments	(10.062.119)	-
purchases of financial assets held to maturity	-	(103.770)
purchases of tangible assets	(6.477)	(106.030)
purchases of intangible assets	(2.815)	(514.346)
purchases of subsidiaries and divisions	-	
Net cash flow generated/absorbed by investment activities	**(9.461.519)**	**782.797**

C. FUNDING ACTIVITIES		
issue/purchases of own shares	38.667	(61.280)
issue/purchases of equity instruments	-	-
dividend distribution and other scopes	(650.535)	(527.873)
issue of new shares	5.897.070	
Net cash flow generated/absorbed by funding activities	**5.285.202**	**(589.153)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(135.417)**	**209.070**

Reconciliation

accounts	30 09 2008	31 12 2007
Cash and cash equivalents at beginning of the year	821.090	612.020
Net cash flow generated/absorbed during the year	(135.417)	209.070
Cash and cash equivalents: effect of exchange rate variations		
Cash and Cash equivalents at the end of the year	685.673	821.090

	1.644.272	8.240		1.644.272	8.240					-	(957)		
	385.499	-		385.499						-			
	560.788	6.667		560.788	6.667						484	75	
	3.702.640	2.084		3.702.640	2.084	910.092	19.838	(518.160)	(83)	(5.405)	(189)		
	(104.885)	(378)		(104.885)	(378)						378		
	383.236	17	-	383.236	17					35.380	132		
	16.582	-	-	16.582						5.519			
	250.436	1.284	-	250.436	1.284					(21.866)			
	71.488	-	-	71.488									
	(45.123)	-	-	(45.123)									
	-	-		-									
	910.092	19.838	-	910.092	19.838	(910.092)	(19.838)						
	7.775.025	**37.752**	**-**	**7.775.025**	**37.752**	**-**	**-**	**(518.160)**	**(83)**	**13.628**	**(152)**	**75**	**-**

In 2007 the Group shareholders' equity, including the profit for the period, increased by about EUR 136mln, reaching EUR 7,948mln against EUR 7,812.7mln of end 2006. The effects of the movements of the period are due to the profit allocation of the 2006 financial year and to the purchase of own shares, EUR 90mln.The "c) other" valuation reserves include the restatement, amounting to EUR 11mln, from the "a) available for sale" reserves to the assets being sold concerning the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni, considered "discontinued operations" already from 31 December 2006; the negative variation of the "c) other" valuation reserves of EUR 21.9mln is substantially due to the decrease in the above-mentioned reserves for assets being sold plus the reserves for differences in the rates of exchange.The reserves of profit include EUR 136mln of unavailable reserves which is equal to the amount of own shares.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	1.646.367	53.251		1.646.367	53.251				-			(1.892)	2.033.934										3.680.301	51.359
	385.499	-		385.499					-				385.499										770.998	-
	559.172	7.096		559.172	7.096							(6.940)	3.431.516										3.990.688	156
	4.101.360	57.740		4.101.360	57.740		797.335	5.483		(96)	30.548	(15.039)						-					4.929.243	48.088
	(104.885)	-		(104.885)	-				-	-													(104.885)	-
	430.245	111.582	-	430.245	111.582						(261.614)	3.461											168.631	115.043
	13.010	-	-	13.010							(54.929)												(41.919)	-
	207.103	1.268	-	207.103	1.268						(127.771)	(3)											79.332	1.265
	70.412	-	-	70.412		8.551																	78.963	-
	(91.933)	-	-	(91.933)									117.135		(32.664)	(30)							(7.462)	(30)
	(4.692)	(4)		(4.692)	(4)								4.679	4	(32)								(45)	-
	1.437.558	15.641	-	1.437.558	15.641		(797.335)	(5.483)	(640.223)												640.891	9.697	640.891	10.158
	8.649.216	**246.574**	**-**	**8.649.216**	**246.574**	**8.551**	**-**	**-**	**-**	**(96)**	**(413.766)**	**(20.413)**	**5.972.763**	**4**	**(32.696)**	**(30)**	**-**	**-**	**-**	**-**	**640.891**	**9.697**	**14.184.736**	**226.039**

As of 30 September 2008 the Group shareholders' equity including the profit for the period amounts to EUR 14,168.7mln against EUR 8,649.2mln of end 2007 showing an increase of EUR 5,519.5mln mainly due to the share capital increase to purchase the Antonveneta Group.The operating profit 2007 amounting to EUR 1,437.6mln was distributed for EUR 640.2mln as from allocation authorized by the shareholders' meeting of 24 April 2008. The reserves for profit include EUR 7.5mln of unavailable reserves equal to the own share amount. The "a) available for sale" valuation reserves show a decrease of EUR 261.6mln due to negative changes in fair value on debt and capital securities. The valuation reserves "c)other" show a negative variation of EUR 127.8mln mainly due to the restatement of afs reserves concerning Quadrifoglio Vita, a subsidiary classified among the assets being sold.The shareholders' equity of third parties show a decrease of EUR 20.5mln mainly due to the sale of the majority control of Intermonte Sim S.P.A. and to the sale of 1.78% of the share capital of Biverbanca S.pa., a subsidiary, to the Cassa di Risparmio di Biella Foundation.

We hereby declare that, in compliance with the provisions of Chapter VI, section II, of the regulation adopted by Consob resolution no.11971 of 1999 and following amendments, the companies of the Montepaschi Group established and regulated by the laws of countries not belonging to the European Union are not relevant, since the respective assets are lower than 2% of the consolidated assets and the respective income is lower than 5% of consolidated income. Therefore, the provisions of par.12 of art 2.6.2 of the Regulations of Borsa Italiana S.p.A. are not applicable and no declaration shall be made to the competent body.

DECLARATION OF THE CORPORATE EXECUTIVE IN CHARGE OF DRAFTING CORPORATE ACCOUNTING DOCUMENTS

I the undersigned Daniele Pirondini, as the Executive in charge of drafting corporate accounting documents, declare, in compliance with par.2 of art.154 bis of the "Financial Brokerage Act", that the accounting information contained in this Quarterly Report as of 30 September 2008 is compliant with the accounting papers, books and records.

The Executive in charge of drafting corporate accounting documents

Daniele Pirondini