GRUPPO**MONTEPASCHI**

Consolidated Half-year Report as of 30 June 2008

Siena, 3 September 2008

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CORPORATE OFFICERS, SENIOR MANAGEMENT, AND AUDITORS

Board of Directors	Giuseppe Mussari, *Chairman*
	Francesco Gaetano Caltagirone, *Deputy Chairman*
	Ernesto Rabizzi, *Deputy Chairman*
	Fabio Borghi, *Director*
	Turiddo Campaini, *Director*
	Lucia Coccheri, *Director*
	Lorenzo Gorgoni, *Director*
	Andrea Pisaneschi, *Director*
	Carlo Querci, *Director*
	Pierluigi Stefanini, *Director*
Board of Statutory Auditors	Tommaso Di Tanno, *Chairman*
	Pietro Fabretti, *Acting Auditor*
	Leonardo Pizzichi, *Acting Auditor*
	Carlo Schiavone, *Substitute Auditor*
	Marco Turillazzi, *Substitute Auditor*

Senior Management:

Chief Executive Officer	Antonio Vigni
Deputy Chief Executive Officer	Giuseppe Menzi
Assistant Chief Executive Officer	Marco Morelli
Assistant Chief Executive Officer	Nicolino Romito

Independent Auditors	KPMG S.p.A.

THE FIRST HALF OF 2008: THE GUIDELINES OF THE 2008-2011 BUSINESS PLAN AND THE TRENDS OF 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 merger of Banca Antonveneta as much as possible, and implementing a deep reorganization for the purpose of boosting the performance of the whole MONTEPASCHI Group. In compliance with the Plan, the Group, although exploiting the results of the business actions contemplated in the 2006-2009 business plan executed so far, intends to carry out strategic and organization actions breaking with the past, for the purpose of meeting 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:

◊ **OPTIMIZATION OF DISTRIBUTION**

In order to increase commercial effectiveness in the areas with a high natural "**franchise**", the Group distribution network shall be re-designed in accordance with the principle of territorial exclusivity. As a result, the Group expects to merge Banca Toscana, Banca Agricola Mantovana and the Antonveneta Group into Banca MPS and to re-design its organization and distribution structure. Upon completion of such a process, the Group commercial banks shall be organized as follows:

- BMPS, the second domestic network with more than 2,400 branches resulting from the integration of Banca Agricola Mantovana and Banca Toscana and the contribution of the branches of Banca Antonveneta not located in nort-eastern Italy (Veneto, Friuli Venezia Giulia and Trentino) will have the leadership (market share over 10%) in central Italy (Tuscany and Latium) and in most southern Italy, with a market share above 6% in north-western Italy and in the rest of southern Italy.
- Banca Antonveneta, established in Veneto, Friuli Venezia Giulia and Trentino with 387 branches (the existing 357 branches of Banca Antonveneta with the addition of 30 branches of former Banca Agricola Mantovana), will have a market share topping 10% and 6% in Veneto and Friuli Venezia Giulia, respectively.
- Biverbanca, a local bank with 105 branches, the market leader in the provinces of Biella and Vercelli.

◊ **STRUCTURE THE ENHANCEMENT OF THE VALUE OF THE NEW PRODUCTION**

MPS shall increasingly focus on the governance of the commercial network. The new production structure contemplates the pursuit of the policies started under the previous Business Plan and in particular:

- A clear strategic focus on the Group product companies (i.e. MPS Capital Services, Consum.it, MPS Leasing & Factoring) and the joint ventures (i.e. AXA-MPS Assicurazioni Vita), which shall become centres of excellence and specialist assistance for the purpose of better meeting the customers' requirements.
- The identification of the best products at an international level in an open architecture, through (i) the optimized selection and management of third party suppliers, in particular in the area of Wealth Management, and (ii) the maintenance of the product companies, in sole ownership or in partnership only with market leaders.

◊ **FURTHER SPECIALIZATION IN THE SUPPLY OF PRODUCTS/SERVICES TO THE CUSTOMERS**

Additional specialization of customers' service shall be achieved through:

- The introduction/consolidation of product specialists able to integrate the general network sales force with their specialist's skills, thereby improving the quality and degree of customization of the service rendered to the customers;
- Specialized assistance to high bracket customers (corporates and individuals) who have specific service requirements.

◊ **STRUCTURAL IMPROVEMENT OF OPERATIONAL EFFICIENCY**

Operating costs (actions in relation to human resources and administrative expenses) shall be reduced through:

- The corporate and organization integration of Banca Agricola Mantovana and Banca Toscana and the Antonveneta Group into Banca Monte dei Paschi, except for the branch network of Banca Antonveneta located in north-eastern Italy (Veneto, Friuli Venezia Giulia and Trentino), and Biverbanca;
- The reorganization of the whole MONTEPASCHI Group as a result of said integrations, for the purpose of further streamlining the distribution structure and focusing it on commercial operations and sales;
- The organization centralization of back office, ICT and loan administration activities.

◊ CAPITAL OPTIMIZATION

The Plan is based on a rigorous policy of optimization of the ratio of expected return/risk taken. This objective shall be pursued through the adoption of a programme to be shared by all corporate units and aimed at consolidating virtuous commercial policies which can reduce capital absorption at a parity of returns. This streamlining policy will result into a less-than-proportional growth of weighted risk assets with respect to the overall growth of the assets and, consequently, into the optimization of allocated capital, thereby encouraging value creation.

◊ BUSINESS REORGANIZATION

In line of continuity with the guidelines of the 2006-2009 Plan, the Group prepared a disposal programme with the objective of optimizing capital, to be completed no later than the end of 2008, which identifies two separate directives:

- The executive completion of the process of selective outsourcing of the product factories through the partial disposal of MPS AM Sgr to primary financial and business partners in order to create a new market leader, and the establishment of a joint venture specialized in debt collection;
- Focus on the core banking business and streamlining of the network through the sale of:
- The minority stake in MPS Immobiliare and a portion of the instrumental real estate
- A few equity investments not pertaining to the core business
- 125 branches selected in the areas with considerable overlap. Such a sale will also enable the Bank to **comply with** the outcome of the investigation conducted by the Antitrust Authority (AGCM) as a result of the acquisition.
- The equity investment in Banca Monte Parma.

◊ MAJOR ECONOMIC-FINANCIAL AND CAPITAL TARGETS OF THE BUSINESS PLAN

On the basis of the actions increasing efficiency and reorganizing the network, as contemplated by the Plan, the Group expects to achieve income synergies in a total amount of <u>EUR 256 million</u> and cost synergies in a total amount of <u>EUR 476 million</u>. Integration charges are estimated at a total of EUR 577 million. The *cost/income ratio* is estimated to be at 47% at the end of the Plan.

With reference to the major capital aggregates, total funding from customers is expected to grow on average on a yearly basis by 4.5% in 2008-2011, with lending expanding by 6.7% per year on average.

The Group has a <u>net profit target in 2011 of about 2.2 billion, and intends to achieve a ROE of 12.8% approx., a Tier I Ratio higher than 7% and a Total Capital Ratio of more than 11%.</u>

THE START OF THE 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 the alignment of the new structure with the Group's strategic vision, by simplifying the terms of governance and optimizing 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 and credit strategies
- **Efficiency**: adoption of the new organization model, initiatives for boosting efficiency in relation to administrative expenses and actions in relation to human resources
- **Group capital optimization**: funding of the Antonveneta transaction, asset disposal and RWA actions boosting the efficiency of the Group

Following are the major initiatives contemplated:

NETWORK INTEGRATION

Once formally completed the **acquisition of Antonveneta** late in May, in June **the first step of its integration** into Banca Monte dei Paschi was finalized, with the migration of the IT system, the integration of Finance, Back Office IT and the Call Center.

In addition, the **Group has already applied to the Bank of Italy for obtaining the authorization for the merger of Banca Agricola Mantovana and Banca Antonveneta into Banca Monte dei Paschi, with the subsequent spin-off of "Nuova Banca del Triveneto" expected to occur no later than the end of December 2008**. The process of transfer of some BAM branches to Antonveneta, which will take place simultaneously with the integration of BAM, is under way.

The sale of branches to the market for Antitrust purposes is expected to be closed no later than end of Q1 next year.

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 now 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 (a) highly qualified specialists** with the task of supporting the branch operations in relation to products and commercial campaigns, (b**) marketing**

specialists with the task of acquiring new customers and (c)"**itinerant account managers**" in support of the commercial operations of non structured branches. A new **branch plan** – which is flanked by the project of network integration in a coordinated manner – shall contribute to ensure an ideal integrated geographical coverage at the Group level. The Group shall **launch "Banca Infinita**" with the objective of maximizing the profitability of innovative channels by encouraging the migration of the customers toward lower-cost alternative channels and ensuring a high service quality.

- **"Private" re-launch**: The Group 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, (iv) establish an **Asset Management Area** to create a single Group specialist unit centralizing the asset management business.
- **"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** maximizing the commercial effectiveness of the managers and **the model of support to the network in relation to international specialist services** and consolidating customers' assistance, administrative management and post sale services. **The consolidation of the Key Clients service model** is also expected 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

The integration of Antonveneta and the Group reorganization shall enable the Group to achieve a high level of efficiency, through:

- **The adoption of a new organization model: the Group already approved the guidelines which will become fully operational by the end of the year**, thus ensuring the achievement of the objectives of efficiency expected as a result of centralization and integration.
- **The efficiency of administrative expenses: The initiatives to be implemented in order to achieve the Business Plan objectives have been identified, and partly already started,** both in terms of synergies (due to the new Group structure and the new organization) and cost management initiatives (optimization and control of purchasing and expense processes).
- **Actions in relation to human resources: the workforce trends are in line with 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, 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 (no later than 30 June 2008) of the equity investments held in Finsoe**, **MPS Finance (after concentrating the activity of Depositary Bank on this company) and Fontanafredda.**

As of 30 June 2008, the Group is finalizing the actions necessary for the sale of the subsidiaries Marinella SpA and Valorizzazioni Immobiliari SpA, which were already considered as discontinued operations as of 31 December 2007. With reference to the sale of the investment in Banca Monte Parma, the buyers are waiting for the necessary authorizations from the Regulatory Authority.

A SUMMARY OF THE TRENDS OF THE FIRST HALF OF 2008

During the first half of 2008, the **MONTEPASCHI Group achieved appreciable commercial results**, **confirmed the positive trend of development of its customers portfolio and increased its market share in the main business segments**. Such results were achieved in **a difficult operating backdrop,** characterized by the **gradual slowdown of real economy and the persisting negative trend of the financial markets**, which is still heavily affecting the conduct of all players. Against such a critical backdrop, the Montepaschi Group started the new 2008-2011 business plan which, as is well-known, contemplates an extensive Group reorganization (i.e. corporate reorganization, integration of the commercial networks, adoption of a new organization model), completed the acquisition of Banca Antonveneta and integrated its IT system into the Group's IT in a very short time. The major initiatives of organization and commercial restructuring improved the Group's capacity of rapidly and tangibly capturing the actual requirements of retail and corporate customers, in order to design the commercial policies and the level of service with flexibility, as an essential tool to consolidate and stabilize the customers' confidence.

In particular:

- **the Group customers' portfolio (**excluding Banca Antonveneta but also including non-shared accounts directly managed by Consum.it) numbered 4,909,620 customers (+295,115 customers with respect to 30 June 2007)**.** The customers' portfolio of the commercial networks totaled 4,504,704 units. Including the customers of Banca Antonveneta, the Group customers' portfolio as of 30 June 3008 topped 6,400,000 customers.

- **with reference to asset management**[1], the Group commercial networks recorded assets **flows in an amount of roughly EUR 7 billion** (EUR 6.1 bn as of 30 June 2007), mainly due to the positive contribution of **bonds, which advanced strongly year on year (+82%), and absorbed the criticalities emerging in the area of collective and individual funds under management, with the whole Banking Industry experiencing huge redemptions.** As a result, total funding on a comparative basis[2] (abt. EUR 210 bn) progressed by about 1.5% year on year. In view of the huge decline in the prices of financial assets managed or administered on behalf of the customers resulting from the turbulence of the financial markets, estimated at about EUR 3.5 bn since the beginning of 2008, the aggregate would be steady, in line with the results at the end of 2007.

- **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 totaled EUR 4.2**

[1] The flows of placement of 2008 include the production of Biverbanca but not Banca Antonveneta. The data of 2007 can be referred to the MONTEPASCHI Group before the acquisition of Biverbanca and Banca Antonveneta.
[2] Comparative basis (hereinafter referred to as "comparative basis"): The balance-sheet values as of 30 June 2008 are restated on a comparative basis with respect to Q1 2008, that is excluding – in 2008 – the results of Banca Antonveneta, not applying IFRS 5 in relation to Banca Monte Parma. The balance-sheet values as of June 2007 have been integrated to take account of the addition of Biverbanca to the Group.

billion (3.4 bn as of 30 June 2007), as a result of the good performances recorded by the factoring turnover and **consumer credit (in particular personal loans**). **The disbursements of mortgage loans** are still hefty (abt.4 bn) although slowing down, due to poor demand in the banking industry. The trend of **short-term loans** is also positive, although gradually losing strength in comparison with Q4 2007, despite a still brisk demand. **Such operations contributed to the expansion of corporate loans (EUR 109,4 bn on a comparative basis) or +8.1% y-o-y**. With reference to credit quality, the Montepaschi Group closed the first half of 2008 with a net exposure in terms of impaired loans of 6.3 bn, which also incorporates the amounts of Banca Antonveneta (1.9 bn). On a comparative basis, the weight of impaired loans to total customers' loans was 4.07% and the weight of NPLs+watchlist credits to customers' loans, net of value adjustments, was 3.3% increasing with respect to 3.01% as of 31 December 2007, mainly due to the classification under abnormal risk of the positions in relation to Hopa/Fingruppo. The policies of streamlining and standardization of risk management implemented during the year, in addition to the traditional conservative lending policy, **enabled the Group to keep risk provisions (abt.39.4%) on a comparative basis virtually steady in comparison with December 2007.**

As a result, the structural income (core operating profit) of the Montepaschi Group advanced considerably in the first half of 2008 and, on a comparative basis[3] with respect to 30 June 2007, recorded a progress of 6.4% (+7.3% on a comparative basis with the application of IFRS5[4]"), accelerating with respect to the trend of Q1 2008 (+5.6%), also driven by the contribution of Q2 growing with respect to Q1.

Following are the trends of the major income aggregates:

- **interest income** (EUR 1,720.3 million; 1,415.5 million as of 30 June 2007) increased by 12.9% on a comparative basis, with a progress of 3.5% between Q1 2008 and Q2 2008 and 14.5% between Q2 2008 and Q2 2007, mostly attributable to the positive contribution of the Commercial Networks – due to the development of traded volumes and the increase in the mark down, and Treasury management based on the rigorous optimization of the financial flows. These positive effects were only partly offset by the increase in interbank rates;
- **net commissions** (EUR 728.1 million in comparison with 771.1 million as of 30 June 2007) show a decline of 5.5% on a comparative basis (-3.8% on IFRS5basis) resulting from the reduction of income associated with asset management, only partly offset by the upward trend of commissions from services;
- **"other financial income" totals a balance of EUR 68.1 million (309.5 million as of 30 June 2007)** adversely affected by the market crisis which compromised the Parent Bank's

[3] Comparative basis (hereinafter referred to as "comparative basis"): The profit and loss account values as of 30 June 2008 and for 2007 are restated on a comparative basis with respect to Q1 2008, that is excluding – in 2008 – the results of Banca Antonveneta (1 month) and the P&L components attributable to its integration, and keeping the "line by line" contribution of Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma (not applying IFRS 5). The values for 2007 have been restated net of the effects of the staff severance indemnity reform and integrated with the contribution of Biverbanca line by line.

[4] Comparative basis with the application of IFRS 5 (hereinafter only referred to as "IFRS5"): The profit and loss account values as of 30 June 2008 and for 2007 have been restated by applying the IFRS5 in relation to Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma to the data on a comparative basis.

trading activities – though recovering in comparison with Q1 2008 – and the decrease in profits from the sale of equity investments with respect to 30 June 2007**.**

In addition to income from lending operations, in the period under exam the Group recorded **net valuation adjustments for loan impairment in the amount of EUR 329.8 million (225.5 million as of 30 June 2007; or +39.1% on a comparative basis**). Such values are indicative of writedowns in relation to the settlement of the well-known Hopa Group/Fingruppo issue (about 54 million) in addition to the effects of a critical economic situation. Said amount reflects a provisioning rate on a comparative basis of about 55 bp (50 bp net of the Hopa/Fingruppo writedowns) in comparison with 52 bp as of December 2007.

The balance of net valuation adjustments for impairment of financial assets was negative (-101.2 million) due to the adjustments to the book value of Hopa, with a unit value going down to EUR 0.10 per share and an overall adjustment of about EUR 94 million, including approx.10.6 million attributable to Banca Antonveneta.

Operating charges (at EUR 1,482.8 million with respect to EUR 1,391.2 million as of 30 June 2007) declined by 0.4% 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, despite increasing inflation.

As a result, the Net Operating Profit stood at EUR 603.4 million (EUR 882.3 million as of 30 June 2007) with a 29.8% decline on a comparative basis. Such decline excluding the Hopa writedown and the relevant extraordinary adjustments would be about -14%.

Consolidated Net profit for the period before the effects of the Purchase Price Allocation (PPA) came to EUR 532.3 million (EUR 513.8 million as of 30 June 2007 or + 2.6% on a comparative basis, despite the lack of confidence which hit the market and the destabilization of the financial area caused by the sub-prime mortage loan crisis). In view of said effects in relation to the Antonveneta (1 month) and Biverbanca (6 months) transactions, net profit for the period stood at EUR 522.2 million. The ROE was 10.0% (return on average shareholder's equity: 7.0%). With reference to the regulatory ratios[5] as of 30 June 2008, TIERI BIS II was estimated at 5.1% (6.1% at the end of 2007) and the BIS II solvency ratio was estimated at 9.4% (8.9% as of 31 December 2007).

[5] 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 June 2008 have been reclassified, as usual, on the basis of operating criteria. The amounts are denominated in millions of euro, unless otherwise stated. In particular, the major changes introduced **in the profit and loss statement** involve aggregations and reclassifications of accounts for the purpose of giving a clearer view of the trends of the Group's operations. As a premise, it is necessary to point out that during the first half of 2008 the MONTEPASCHI Group was committed to rapidly implementing the program of integration indicated by the new Group Business Plan. The major changes which occurred in the area of consolidation **after the close of the first quarter of 2008 are attributable to**:

- The opening consolidation of Antonveneta as of 30 May 2008 in compliance with the provisions of IFRS 3 – Business combinations;

- The application of IFRS 5 to MPS Asset Management Sgr and its subsidiaries as a result of the start of exclusive negotiations with an association consisting of FRM Holdings Ltd and Clessidra Sgr SpA, for the purpose of finalizing an agreement in relation to the sale of 66% of MPS Asset Management SpA;

- The application of IFRS 5 to Banca Monte Parma (stake held: 49.266%) as a result of the sale agreement of the whole shareholding held by Banca Monte dei Paschi di Siena SpA (49.266%) in the share capital of Banca Monte Parma SpA to Banca Sella Holding SpA (10%), CBA Vita SpA (abt.3%), HDI Assicurazioni SpA (abt.3%), Fondazione di Piacenza e Vigevano (abt.15%) and Fondazione Monte Parma (abt.18.27%);

- The execution of the sale of the total control of MPS Finance Spa, Siena, to which had been previously transferred the business unit in relation to the activity of depositary bank, to Intesa Sanpaolo Spa.

With respect to 30 June 2007, following are the major changes in relation to the area of consolidation:

- The addition of Biverbanca (consolidated as of December 2007).

The profit and loss statement of the abridged consolidated half-year financial report compared with the values as of 30 June 2008 are the official statements issued in 2006; therefore, they are not on a comparative basis. In addition, for the purpose of **ensuring continuity with respect to the prior quarter, any notes to and comments on the results of the first half of 2008 shall refer to restated data "on a comparative basis**"[6], showing any major changes "on a comparative basis with the application of IFRS 5[7]", for completeness.

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[6] Comparative basis (hereinafter referred to as "comparative basis"): The profit and loss statement values as of 30 June 2008 and for FY 2007 are restated on a comparative basis with respect to Q1 2008, that is excluding – in 2008 – the

Following are the **main actions of reclassification as of 30 June 2008**:

a) “**Net profits/losses from trading/valuation of financial assets”,** in the reclassified profit and loss statement, includes the items under Account 80 (Net profit/loss from trading), Account 100 (Profit/loss from the sale or repurchase of loans, financial assets available for sale and held upon maturity and financial liabilities) and Account 110 (Net profit/loss from financial assets and liabilities valued at fair value), integrated with the dividends from some “sophisticated” securities transactions closely associated with the trading component (EUR 524.7 million as of 30/06/08) and adjusted with the cost of funding of said transactions (EUR 20.4 million), once eliminated “interest expense and similar charges”;

b) “**Dividends, similar income and Profits (losses) from equity investments**” in the reclassified profit and loss statement incorporates account 70 “Dividends and similar income” and a portion of account 240 “Profits (losses) from equity investments” (EUR 5.3 million as of 30 June 2008). Dividends from some sophisticated transactions, as outlined under a), have been eliminated from the aggregate;

c) “**Net valuation adjustments to impaired loans**” in the reclassified profit and loss statement were determined by reclassifying charges in the amount of EUR 22.6 million (writedowns of junior securities: abt. 18.4 million, charges in relation to financial plans: abt. 4.1 million) which are more properly classified under “Net provisions for risks and charges and other operating income/charges”;

d) “Integration charges” **(35 million**) were eliminated from “**Personnel expenses**” in the reclassified profit and loss statement, as the portion of charges which can be quantified as of today in relation to the integration of Banca Antonveneta into the Group and the pertaining initiatives of reorganization as approved in the 2008-2011 Business Plan;

e) “**Other administrative expenses**” in the reclassified profit and loss statement was integrated with the portion concerning the recovery of stamp duty and expense recovery from customers (EUR 115.7 million), posted under Account 220 (Other operating charges/income) in the balance-sheet. Integration charges” **(21.9 million**) were also eliminated from the aggregate, as the portion of charges which can be quantified as of today;

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

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results of Banca Antonveneta (1 month) and the P&L components attributable to its integration, and keeping the “line by line” contribution of Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma (not applying IFRS 5). The values for 2007 have been restated net of the effects of the staff severance indemnity reform and are integrated with the contribution of Biverbanca on a line by line basis.

[7] Comparative basis with the application of IFRS 5 (hereinafter only referred to as “IFRS5”): The profit and loss statement values as of 30 June 2008 and for FY 2007 have been restated by applying the IFRS5 in relation to Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma to the “data on a comparative basis”.

g) "**Integration charges**" in the reclassified profit and loss statement include the values separated from **personnel expenses** (35 million) and **other administrative expenses** (21.9 million) in relation to the Antonveneta transaction, as the portion of the charges which can be quantified as of today;

h) "**Profits and losses from equity investments**" include the portion (EUR 200.3 million) of Account 240 "Profits(losses) from equity investments" in relation to asset disposals (mostly MPS Finance);

i) The effects of the temporary PPA (*Purchase Price Allocation*[8]) of Banca Antonveneta e Biverbanca (in particular, "Interest income" in the amount of EUR 11.2 million approx.) were eliminated from the accounts of the profit and loss statement affected by such effects and the relative amounts have been reclassified under a single account - **"Net effects of the Purchase Price Allocation"**.

In addition to these reclassifications, for ease of interpretation of the Group trends, as a result of the expected loss of control of MPS Asset Management Sgr SpA and its subsidiaries, it was necessary to integrate the **net commissions** influenced by the sale under IFRS 5 in the amount of EUR 65.7 million. This will be considered as income from third parties rather than an infragroup P&L component ("accounts being eliminated"), after the execution of the sale. Said initiative had an impact on the account of the reclassified profit and loss statement **– "Profit (loss) from discontinued operations after taxes**".

The major changes in the reclassification of the **consolidated balance-sheet** concern the following:

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

The comparative statements of the reclassified consolidated profit and loss statement and balance-sheet and the accounting statements are enclosed under the "Annexes" section.

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

KEY HIGHLIGHTS AND MAIN ECONOMIC INDICATORS

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/08

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
• INCOME STATEMENT FIGURES (in millions of euros)	**30/06/08**	**30/06/07**	**% chg**
Income from banking activities	2,448.4	2,186.6	12.0
Financial and insurance income (loss)	2,516.5	2,496.1	0.8
Net operating income	603.4	882.3	-31.6
Net profit (loss) for the period	522.2	513.8	1.6
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**30/06/08**	**30/06/07**	**% chg**
Direct funding	139,000	99,199	40.1
Indirect funding	122,629	102,195	20.0
of which: assets under management	*53,131*	*48,701*	9.1
of which: assets under custody	*69,497*	*53,494*	29.9
Customer loans	139,909	98,829	41.6
Group net equity	14,159	7,794	81.7
• KEY LOAN QUALITY RATIOS (%)	**30/06/08**	**31/12/07**	
Net non-performing loans/Customer loans	2.2	1.9	
Net watchlist loans/Customer loans	1.4	1.1	
• PROFITABILITY RATIOS (%)	**30/06/08**	**31/12/07**	
Cost/Income ratio	58.9	58.4	
R.O.E. (on average equity)	7.0	17.5	
R.O.E. (on year-end equity)	10.0	19.8	
Net adjustments to loans / Year-end investments	0.55	0.52	
• CAPITAL RATIOS (%)	**30/06/08**	**31/12/07** (a)	
Solvency ratio	9.4	8.88	
Tier 1 ratio	5.1	6.10	
(a) determined using the Bank of Italy's prudential filters.			
• INFORMATION ON BMPS STOCK	**30/06/08**	**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	2.29	4.65	
low	1.67	3.61	
high	2.95	5.34	
• OPERATING STRUCTURE	**30/06/08**	**31/12/07**	**Abs. chg**
Total head count - year-end	33,728	24,863	8865
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

(*)"like-for-like basis" (hereinfter: "like-for-like basis"): The P&L results at 30/06/08 and for FY 2007 were restated on a like-for-like basis vis-à-vis Q108. This means that the 2008 contribution of Banca Antonveneta (1 month) and the P&L items associated to the integration of Banca Antonveneta were excluded, whereas the line-by-line contribution of Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma were preserved (i.e. IFRS5 was not applied). Furthermore, 2007 data were restated to exclude the impact of the severance pay (TFR) reform and were integrated on a line-by-line basis with the contribution of Biverbanca.

CONSOLIDATED RECLASSIFIED PROFIT AND LOSS STATEMENT

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

MPS Group	30/06/08	30/06/07	Change		Change vs Perimetro homogeneous
			Abs	%	
Net interest income	**1,720.3**	**1,415.5**	**304.8**	**21.5%**	**12.9%**
Net commissions	728.1	771.1	-43.0	-5.6%	-5.5%
Income from banking activities	**2,448.4**	**2,186.6**	**261.8**	**12.0%**	**6.4%**
Dividends, similar income and profits (losses) from equity investments	22.6	95.2	-72.7	-76.3%	-69.7%
Net result from realisation/valuation of financial assets	50.8	212.6	-161.8	-76.1%	-76.7%
Net gain (loss) from hedging	-5.3	1.7	-7.0	n.s.	n.s.
Financial and insurance income (loss)	**2,516.5**	**2,496.1**	**20.4**	**0.8%**	**-3.0%**
Net adjustments for impairment of:					
a) loans	-329.8	-225.5	104.2	46.2%	39.1%
b) financial assets	-101.2	2.9	104.1	n.s.	n.s.
Net financial and insurance income (loss)	**2,085.6**	**2,273.5**	**-187.9**	**-8.3%**	**-11.4%**
Administrative expenses:	-1,422.2	-1,336.5	85.8	6.4%	-0.6%
a) personnel expenses	-934.1	-868.8	65.3	7.5%	-0.6%
b) other administrative expenses	-488.1	-467.7	20.5	4.4%	-0.6%
Net adjustments to the value of tangible and intangible fixed assets	-59.9	-54.7	5.2	9.5%	4.3%
Operating expenses	**-1,482.2**	**-1,391.2**	**91.0**	**6.5%**	**-0.4%**
Net operating income	**603.4**	**882.3**	**-278.9**	**-31.6%**	**-29.8%**
Net provisions for risks and liabilities and Other operating income/costs	6.8	-32.2	39.0	n.s.	n.s.
Income on equity investments	200.3		200.3	n.s.	n.s.
Integration costs	-56.9		-56.9	n.s.	n.s.
Goodwill impairment	-0.2	-0.3	-0.1	-42.5%	-42.7%
Gains (losses) from disposal of investments	27.8	0.1	27.7	n.s.	n.s.
Gain (loss) from current operations before taxes	**781.3**	**849.9**	**-68.6**	**-8.1%**	**-3.9%**
Taxes on income for the year from current operations	-251.9	-326.6	-74.7	-22.9%	-18.7%
Gain (loss) from current operations after taxes	**529.4**	**523.3**	**6.0**	**1.2%**	**5.3%**
Gain (loss) on fixed assets due for disposal, net of taxes	14.0		14.0	n.s.	n.s.
Minority interests in profit (loss) for the year	-11.1	-9.6	1.5	16.1%	-37.1%
Net profit (loss) for the year (excl. PPA)	**532.3**	**513.8**	**18.5**	**3.6%**	**2.6%**
Purchase Price Allocation	-10.2		10.2	n.s.	n.s.
Net profit (loss) for the year	**522.2**	**513.8**	**8.4**	**1.6%**	**n.s.**

(*)"like-for-like basis" (hereinfter: "like-for-like basis"): The P&L results at 30/06/08 and for FY 2007 were restated on a like-for-like basis vis-à-vis Q108. This means that the 2008 contribution of Banca Antonveneta (1 month) and the P&L items associated to the integration of Banca Antonveneta were excluded, whereas the line-by-line contribution of Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma were preserved (i.e. IFRS5 was not applied). Furthermore, 2007 data were restated to exclude the impact of the severance pay (TFR) reform and were integrated on a line-by-line basis with the contribution of Biverbanca.

QUARTERLY TREND OF THE RECLASSIFIED PROFIT AND LOSS STATEMENT

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

MPS Group	2008			2007			
				published			
	2ndQ (restated excl Antonveneta and excl IFRS 5)	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	**839.2**	**909.7**	**810.6**	**801.9**	**727.1**	**710.1**	**705.4**
Net commissions	367.8	346.1	382.0	379.2	365.0	381.7	389.4
Income from banking activities	**1,207.0**	**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	13.2	14.3	8.2	37.4	23.7	35.2	60.0
Net result from realisation/valuation of financial assets	79.7	80.5	-29.6	120.4	21.8	124.4	88.2
Net gain (loss) from hedging	-1.5	-1.5	-3.8	-0.8	-3.6	2.2	-0.5
Financial and insurance income (loss)	**1,298.4**	**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	-200.4	-202.8	-127.0	-214.0	-112.4	-118.3	-107.2
b) financial assets	-20.7	-31.7	-69.4	-35.3	-5.3	7.2	-4.4
Net financial and insurance income (loss)	**1,077.3**	**1,114.7**	**970.9**	**1,088.8**	**1,016.2**	**1,142.6**	**1,130.9**
Administrative expenses:	-705.5	-742.6	-679.7	-778.3	-671.0	-682.3	-654.2
a) personnel expenses	-457.0	-482.6	-451.5	-544.0	-436.1	-438.0	-430.8
b) other administrative expenses	-248.5	-260.0	-228.1	-234.3	-234.9	-244.3	-223.3
Net adjustments to the value of tangible and intangible fixed assets	-29.2	-31.0	-29.0	-31.4	-28.9	-25.2	-29.5
Operating expenses	**-734.7**	**-773.5**	**-708.7**	**-809.7**	**-699.9**	**-707.5**	**-683.7**
Net operating income	**342.6**	**341.1**	**262.2**	**279.1**	**316.3**	**435.1**	**447.2**
Net provisions for risks and liabilities and Other operating income/costs	-17.1	-22.5	29.3	-174.2	-1.2	-18.5	-13.7
Income on equity investments	200.3	200.3					
Integration costs		-56.9					
Goodwill impairment	-0.2	-0.2		-0.4		-0.3	
Gains (losses) from disposal of investments	20.2	20.2	7.7	0.1	0.0	0.0	0.1
Gain (loss) from current operations before taxes	**545.8**	**482.1**	**299.2**	**104.6**	**315.1**	**416.3**	**433.6**
Taxes on income for the year from current operations	-171.9	-150.3	-101.6	-118.2	-106.8	-150.0	-176.6
Utile (Perdita) della operatività corrente al netto delle imposte	**374.0**	**331.7**	**197.6**	**-13.7**	**208.3**	**266.4**	**257.0**
Gain (loss) on fixed assets due for disposal, net of taxes	-17.7	17.6	-3.6	735.2			
Minority interests in profit (loss) for the year	-7.2	-7.2	-3.9	-2.1	-4.0	-6.2	-3.4
Net profit (loss) for the year (excl. PPA)	**349.1**	**342.2**	**190.1**	**719.4**	**204.4**	**260.2**	**253.6**
Purchase Price Allocation		-10.2					
Net profit (loss) for the year	**349.1**	**332.0**	**190.1**	**719.4**	**204.4**	**260.2**	**253.6**

(°) Restated on a like-for-like basis vis-à-vis Q108. This means that the 2008 contribution of Banca Antonveneta (1 month) and the P&L items associated to the integration of Banca Antonveneta were excluded, whereas the line-by-line contribution of Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma were preserved (i.e. IFRS5 was not applied).

CONSOLIDATED RECLASSIFIED BALANCE SHEET

MPS GROUP

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

ASSETS	**30/06/08**	**30/06/07** (°)	**% chg**	**31/12/07**
Cash and cash equivalents	807	454	77.7	821
Receivables :				
a) Customer loans	139,909	98,829	41.6	106,322
b) Due from banks	14,553	17,461	-16.7	14,858
Financial assets held for trading	27,677	31,179	-11.2	31,052
Financial assets held to maturity	0	0	n.s.	0
Equity investments	548	361	51.9	820
Underwriting reserves/reinsurers				
Tangible and intangible fixed assets	10,655	3,282	n.s.	3,532
of which:				
a) goodwill	*7,673*	*641*	*n.s.*	*941*
Other assets	12,381	19,581	-36.8	4,578
Total assets	**206,529**	**171,147**	**20.7**	**161,984**

LIABILITIES	**30/06/08**	**30/06/07** (°)	**% chg**	**31/12/07**
Payables				
a) Due to customers and securities	139,000	99,199	40.1	113,347
b) Due to banks	27,218	21,039	29.4	13,743
Financial liabilities from trading	13,298	19,384	-31.4	19,355
Provisions for specific use				
a) Provisions for employee leaving indemnities	564	366	54.0	369
b) Reserve for retirement benefits	452	407	11.0	428
c) Other reserves	817	569	43.6	621
Other liabilities	10,702	22,342	-52.1	5,226
Underwriting reserves				
Group portion of shareholders' equity	14,159	7,794	81.7	8,649
a) Valuation reserves	337	767	-56.1	650
b) Reimbursable shares				
c) Capital instruments	79	71	10.5	70
d) Reserves	4,787	3,985	20.1	3,996
e) Share premium account	3,998	561	n.s.	559
f) Share capital	4,451	2,030	119.3	2,032
g) Treasury shares (-)	-15	-134	-88.7	-97
h) Net profit (loss) for the year	522	514	1.6	1,438
Minority interests in shareholders' equity	319	47	n.s.	247
Total liabilities and shareholders' equity	**206,529**	**171,147**	**20.7**	**161,984**

(°) Data reflect the change in the perimeter of the Group

REPORT ON THE MPS GROUP OPERATIONS

THE MACROECONOMIC SCENARIO

- THE MACROECONOMIC SCENARIO

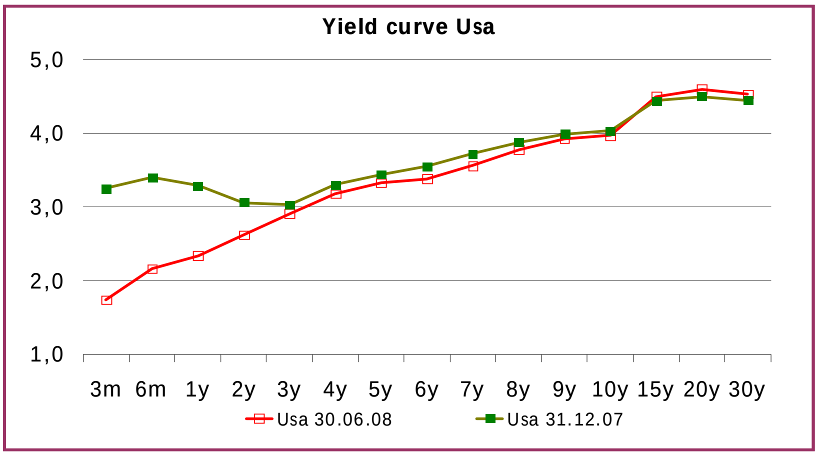
During the first half of 2008, the expansion of the international economy slowed down as a result of the increase in the price of raw materials (+42% on an annual basis, in euro, as of June 2008) and the persisting effects of financial turbulence. In comparison with last year, oil prices denominated in US dollars doubled and the prices of agricultural produces further increased. These increases fuelled costs and inflation in the importing countries, eroded the purchasing power of individuals and corporates and influenced the trends of the monetary policies.

Against this uncertain operating backdrop, the Central Banks ensured the smooth working of the monetary markets, which however continued to be under pressure. The depreciation of the assets of the large international financial groups reached $ 400 bn worldwide, thus requiring considerable capital consolidation transactions which concerned pension funds and Asian sovereign funds.

GROWTH RATES IN THE LEADING ECONOMIES			
	2006	2007	2008
International	5.1	5.0	4.0
Usa	2.9	2.2	1.3
Eurozone	2.8	2.6	1.5
Italy	1.8	1.5	0.2
Germany	2.9	2.5	1.8
France	2.2	1.9	0.8
Japan	2.2	2.1	1.3
China	11.6	11.9	9.7

(source: IMF)

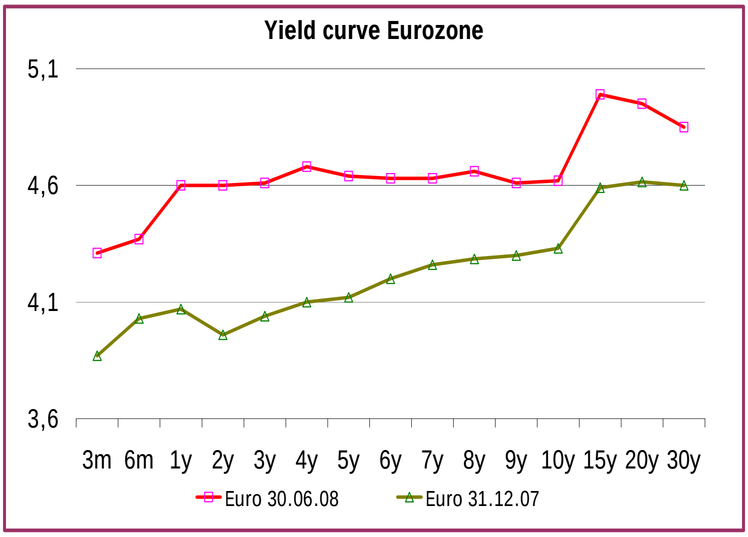
In the US, where the crisis of the real estate market showed no signs of mitigation, **the slowdown of economy was limited by the measures of tax and monetary policy undertaken.** Consumption increased moderately, driven by the tax refund to the households decided by the Congress. Exports contributed to growth considerably. **The FED cut the reference rate from 4.25% to 2%** over the period, but its action was complicated by increasing inflation which almost reached 5% on a yearly basis in June. The Central Bank injected growing liquidity into the market in an attempt to mitigate the effects of financial turbulence.



The curve of benchmark yields took a clearly positive trend (134 bp in relation to 2-10 year maturities), thus reflecting an expected medium-term economic revival.

In the first quarter of 2008, the **Japanese** economy progressed by 3.3% on a yearly basis, but the economic indicators show that the local economy is likely to weaken due to the increases in the costs of raw materials and energy.
In China growth slowed down, but is still in double digits (10.4% in the first half of 2008). Inflation is receding from the peak recorded at the beginning of the year (+9%), thanks to the credit crunch and the appreciation of the yuan (abt.10% in one year with respect to the US dollar). The GDP trend in the main emerging countries also decelerated moderately and inflation rose.

In the Eurozone, after the hefty growth experienced in Q1 (+0.7% with respect to the prior period), the GDP fell by 0.2% in Q2. Industrial production declined heavily in May and in June (corporate and individual) confidence indicators fell to a minimum since 2005. Retail sales slowed down and industrial purchase orders deteriorated. Inflation climbed to 4% (core inflation: 1.8%), the highest level since the adoption of the euro. In order to curb inflationary pressure and bring medium-term expectations in line with the 2% objective, **the ECB increased the reference rate to 4.25% on 3 July.** The yield curve was virtually flat in relation to the maturities between 2 and 10 years, thus reflecting the uncertainty about the duration of the economic slowdown.



In Italy the economy slowed down. After the hefty growth experienced in Q1 (+0.5%), the GDP fell by 0.3% in the following period. Internal demand was particularly hit by the deterioration of the economic cycle. Consumption was compromised by the standstill of real disposable income and declining financial wealth. Pessimistic estimates and increasing costs restricted corporate investments in equipment and plants. After a 0.7% increase in Q1 2008, industrial production decreased accordingly in Q2. The industrial turnover and purchase orders also slowed down. **The trend of export was still positive, but less buoyant than in 2007** with a real 1.4% increase in Q1 and an 8.1% increase in terms of values in the first five months of the year, thus confirming that foreign sales increase mainly due to greater value added, quality and innovation rather than quantity.

Stock quotations of the major Stock Exchange markets dropped in the range of 12% (New York and Japan) and 21% (Europe), which is indicative of the expected deterioration of corporate profits.

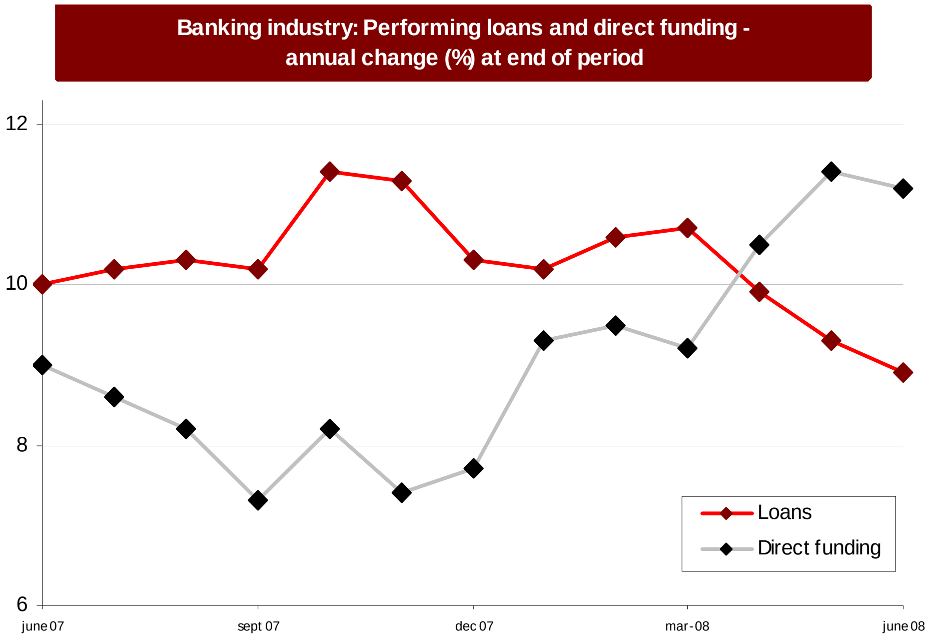
The Latin American markets were virtually steady, with India and China declining heavily (more than 30%). **The MIB index of the Italian Stock Exchange declined by 22.9%.** Bank and financial equities decreased by more than 30%.

After the increase recorded in Q1, **the prices of Treasury bonds bounced back to the levels as of the end of 2007**. Risk premiums on corporate bonds fluctuated by 2% in the Eurozone and 3% in the USA in relation to the companies with high creditworthiness. **The Euro appreciated by 7% with respect to the US dollar during the period and remained virtually steady with respect to the yen**.

- THE BANKING BUSINESS AND THE MONTEPASCHI GROUP POSITIONING

The international financial crisis involved the Italian banks only marginally, since they benefitted from the large weight of deposits to total funding, their good loan management and more attentive and conservative regulations. However, the interbank market is still critical, with the spread between 3-month interest rates and overnight rates still above 60 bp.

On the front of funding, the investors continued to adopt a very conservative attitude which was biased to guaranteed-yield products such as bank bonds and Treasury bills. **Bank direct funding accelerated sharply. Annual average growth stood above 10%,** driven by bonds, with volumes increasing by about 80 bn in six months (almost 20% on a yearly basis). Current accounts recorded an annual increase around 4.5% in line with last year's data. The trend of payable repurchase agreements is still satisfactory (above 10%). **The market share of the MontePaschi Group (excluding Banca Antonveneta) in direct funding remained around 6% in the period (6.1% as of December 2007).**



The investors' strategies still have a negative impact on **investment funds**. Net redemptions of funds topped 70 bn over the period and mostly concerned bond and equity funds. For the purpose of re-launching the funds, the major banking groups are re-designing, in accordance with different guidelines, the corporate governance of the asset management companies (Sgr), thereby making them more independent. The more important role given to open distribution platforms follows the same direction. **The Group market share (without BAV) of fund volumes rose from 3.31% in December 2007 to 3.48%.**

Individual portfolios under management also recorded remarkable redemptions (-13.2 bn in Q1), mostly attributable to fund portfolios (GPF). The **Group market share (without BAV) stood at 3.6%,** as recorded in the final months of 2007.

The new production of bancassurance decreased by 29% on an annual basis during the period. The decrease involved all product categories, but especially index linked policies (-48%) and traditional policies (-18.4%), which account for less than 30% of total production (more than 40% in 2005-2006). **The Group market share (without BAV) stood at 9.3%, clearly progressing in comparison with 6.4% in 2007**.

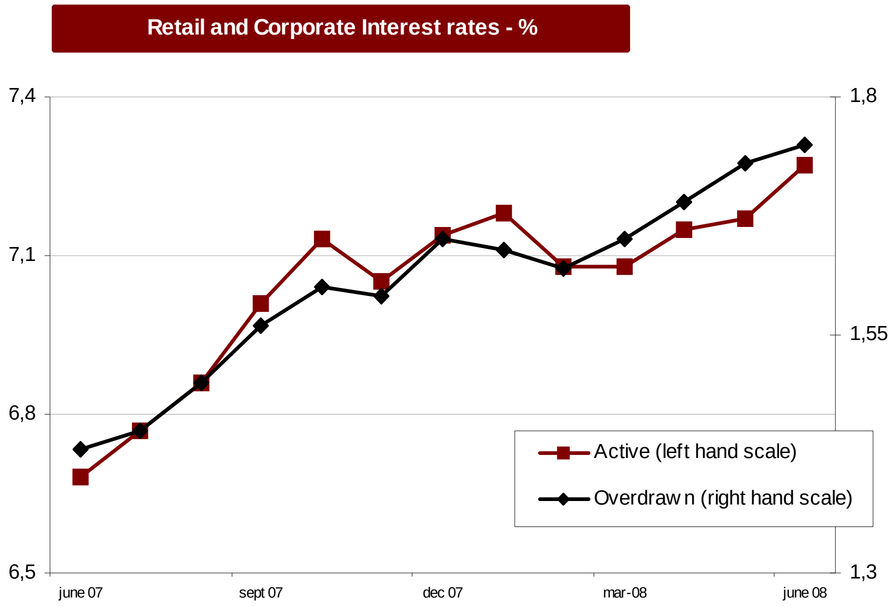
With reference to the development of **indirect funding**, the decline in the asset management flows was partly offset by the appreciable growth of **funds under administration, driven by the increasing investments of individuals in Treasury bills** (+14.2% as of 31 March 2008).

The annual growth of bank **outstanding loans** slowed down in Q2 below 9% on an annual basis (+10.6% on average in 2007), **due to the decreasing demand by the households**. As of June 2008, retail loans advanced by about 2.5% on an annual basis (+8.1% as of December 2007), with mortgage loan disbursements for the purchase of housing dropping by more than 10%. Said trends, in line with the ruling trends in the Eurozone, follow the development of the real estate market, which this year expects an additional decrease in sales (-10% with respect to -4.6% in 2007).

Corporate lending continued to expand at a fast pace (about +12% on an annual basis). This trend is indicative of the support the banking industry is giving to the business sectors which have increasing financial requirements due to the reduction of self-financing. The corporates also suffer the virtual cancellation of bond issues and capital increases in the stock market. **The Group market share (excluding BAV) was around 6.58%** (**6.61% at the end of 2007**), with an appreciable increase in relation to medium-/long-term loans (about 30 bp).

The volume of bank NPLs decreased (as of May) by about 6% on a yearly basis, **with the net NPLs/loans ratio dropping from 1.11% as of December 2007 to 1.02%.** However, in Q1 the flows of new NPLs increased – on an annual basis – by a few basis points with respect to loans, with a modest growth of the Retail segment and a more considerable progress in the Corporate segment.

With reference to other classes of lending, **the trend of consumer credit was moderate** (disbursements in the period: +2.1% on an annual basis) and is indicative of the setback in the demand for durables. The leasing business (-9.8%) declined due to the impact of the real estate market fall (-22%). **The market share of the Group companies operating in this area increased y-o-y**, with consumer credit topping 5% and leasing at 4.4% (3.1% in 2007).



In the first half of 2008, interest rates on loans progressed by slightly more than 10 bp with respect to the end of 2007. Interest rates on deposits and repurchase agreements increased accordingly, and almost reached 30 bp in the case of bonds. **As of June 2008, the short-term spread stood at 4.68%, a level which was registered at the end of 2007 and was higher than the average for 2007 (4**.54%). The overall spread (total loans-deposits and bonds) fell below the 3.2% average of last year. The mark-up (as measured with reference to short-term loans and 1-month Euribor) came to 2.4% during the period (14 bp above the 2007 average), with the mark-down declining to 2.21% (-7 bp).

- REGULATORY ISSUES

On 1 January 2008, as a result of the enforcement of the **new regulations on capital ratios**, the rules for the assessment of creditworthiness were amended and the weight of objective elements was consolidated. Basle 2 encourages to re-design bank-corporates relations on a more advanced basis, characterized by more information sharing, with positive repercussions in terms of capital absorption for the banks and better terms of credit for the customers. In June 2008, the **Montepaschi Group** was authorized by the Bank of Italy to use advanced internal systems for the purpose of determining capital requirements with respect to credit and operational risks.

As of January 2008, the Italian banking industry adopted the IBAN code (the 27-digit code which replaces bank details) as the single and exclusive European standard for the identification of current accounts, to be used for executing payments. In addition, almost all the banks are able to receive and send SEPA (**Single Euro Payment Area**) transfers.

On 16 January 2008 the European Parliament approved a directive for the establishment of a **single market of consumer credit**, which shall be adopted by the EU countries no later than May 2010. The directive regulates loans in the range of EUR 200 – EUR 75,000, except for mortgage loans. The purpose of the regulations is to make the Customers aware of all loan conditions and to compare different loans within the European market. The

Customers can terminate the agreement no later than 14 days from its signature, “with no explanation”, and repay the amount of the loan any time.

On 4 March 2008 the Bank of Italy issued the **new supervisory rules in terms of corporate organization and governance**. In accordance with the provisions, corporate governance plays a key role in the definition of management and control strategies and policies of typical banking risks. The regulations make reference to the responsibilities of strategic, management and control supervision, which shall be distributed among the corporate bodies so as to clearly define the respective duties and to start a constructive dialogue and an appropriate control system. The banks shall check compliance of their governance with the new provisions and implement any corrective measures no later than 30 June 2009.

In May 2008 **the Ministry of Economics and the Italian Bankers’ Association entered into an agreement** whereby the customers will be entitled to re-negotiate a floating rate mortgage loan executed before 29 May 2008 for the purchase of the first home, thus obtaining a fixed instalment corresponding to the amount they would have paid on average in 2006. According to the Italian Bankers’ Association, about 1,250,000 households might be involved, saving EUR 840 on a yearly basis in relation to a 20-year mortgage loan of EUR 80,000. The renegotiation implies the **reduction of the amount of the mortgage loan instalments** (starting from the first instalment due in 2009) and any extension of **maturity**, in accordance with the future trend of interest rates, however at more favourable conditions than the market. Should interest rates decrease more than the benefit already acquired by shifting to the fixed instalment method, it will be possible to reinstate a lower floating rate, as contemplated by the original mortgage loan.

With reference to the transferability of loans and mortgage loans (Law 40/2007), **as of 31 May 2008 the banking industry activated the interbank procedure of screen-based data transferability.** As a result, transferability is fully effective at no costs for the customers, no later than 10 days from its application.

Early in August, the Parliament approved Law Decree no.112/2008 as part of the extensive economic measures adopted in July 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. The amount in excess of such a percentage can be deducted on a straight-line basis for 18 financial years (currently, 9 years). In addition, the current tax system ruling **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** has been 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.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY AND CUSTOMER PORTFOLIO

During the first half of 2008, the Montepaschi Group achieved considerable commercial and marketing results, **and pursued the positive trend of development of its customers' portfolio, also increasing its market share in the major business segments. Against a critical operating backdrop,** characterized by the **gradual slowdown of real economy and the persistent negative trend of the financial markets,** which is still heavily affecting the players' attitude, the Montepaschi Group started to implement the new 2008-2011 business plan. As is well-known, the Plan incorporates an extensive Group reorganization (i.e. corporate reorganization, integration of the commercial networks, adoption of a new organization model). The Group also finalized the acquisition of Banca Antonveneta, integrating its IT system in a very short time. The major initiatives of reorganization and commercial restructuring implemented improved the Group's capacity to capture the actual retail and corporate requirements, rapidly and tangibly, in order to flexibly adjust its commercial policies and the level of service, as essential tools to consolidate and stabilize the customers' confidence. Following are the main elements which characterized the domestic sales and marketing activity with reference, unless otherwise expressed, to the Group's operational area before the acquisition of Antonveneta, which has been part of the Group's operations only for one month.

1) FUNDS MANAGEMENT[9]

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 7 billion as of 30 June 2008** (6.1 bn as of 30 June 2007) mostly driven by the positive contribution of **bonds. Bonds progressed considerably y-o-y (+82%) and absorbed the criticalities which emerged in the area of the management of individual and collective portfolios, affected 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, which accelerated in Q2 2008 with respect to Q1:

[9] The flows of placement of 2008 include the production of Biverbanca, but not Banca Antonveneta. The data of 2007 can be referred to the MONTEPASCHI Group before the acquisition of Biverbanca and Banca Antonveneta.

■ Product Placements

in million of euros		30/06/08	30/06/07
Mutual funds/SICAVs (*)		-1,107	793
Individual portfolios under management		-1,175	-736
Life-insurance policies	including:	2,160	2,172
	Ordinary (**)	666	1,041
	Index Linked	823	842
	Unit Linked	671	289
Bonds	including:	7,118	3,912
	Linear	6,221	2,935
	Structured	896	977
Total		6,996	6,141

(*) 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:

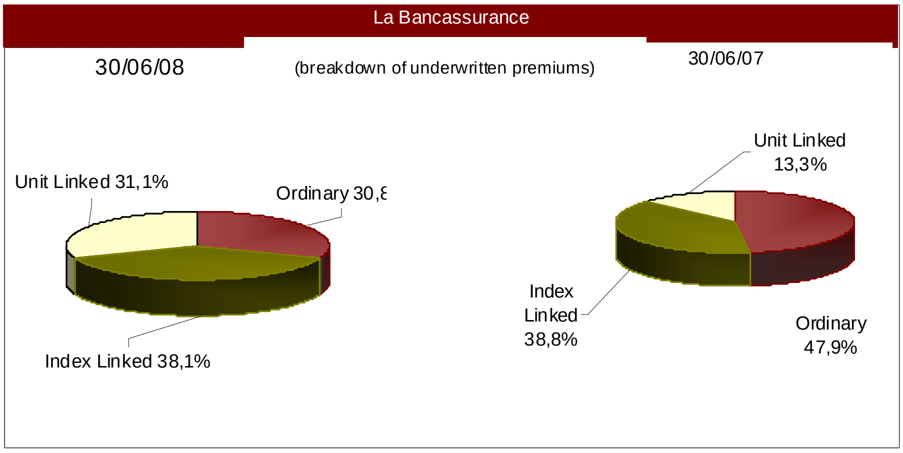
- **Redemptions of collective and individual funds under management amounted to EUR 2.3 billion** approx., (+EUR 57 million as of 30 June 2007), which on a comparative basis is more limited with respect to the redemptions at the Industry level, **thus resulting into an increase in the market share of Funds and portfolios under management (GPM)**. In particular:

- **Redemptions of mutual funds/SICAVs** came to roughly EUR 1.1 billion (+793 million as of 30 June 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 3.48%[10]);

- **Net redemptions of portfolios under management totalled about EUR 1.2 bn (-736 million** as of 30 June 2007), attributable to both individual securities portfolios (GPM)/individual equities portfolios (GPA) (-668 million) and SICAV/fund portfolios (GPS/GPF) under management (-507 million);

- **Life insurance premiums underwritten totalled EUR 2,160 million, in line with 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 was above 9%, strongly boosted with respect to 2007.** The breakdown of premiums proves that the weight of Unit-linked policies grew because it took advantage of the renewed range of products launched by the joint venture with the French Group AXA.

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



- **<u>Bond volumes totalled about EUR 7.1 bn</u>** (EUR 3.9 bn as of 30 June 2007) concentrated on non-structured products (i.e. plain bonds and a subordinated loan in the amount of EUR 6.2 billion approx.), advancing considerably year-on-year (+112%).

2) LENDING

In the first half of 2008, **the flows of loans channelled to the special credit companies came to EUR 4.2 billion (3.4 bn as of 30 June 2007), accelerating with respect to the prior quarters**. This trend is mostly attributable to the good performance achieved by the **factoring turnover and consumer credit (in particular, personal loans).** On the front of **mortgage loans, disbursements were still hefty (about 4 bn)** , though slowing down due to the cool demand at the Industry level. **Short-term loans** also recorded a good performance. However, they show a gradual loss of 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 higher than 5%; 4.6% as of 31 December 2007) and factoring turnover (market share around 5%; about 4.5% as of 31 December 2007).

Specialised credit and corporate financial products

in million of euros

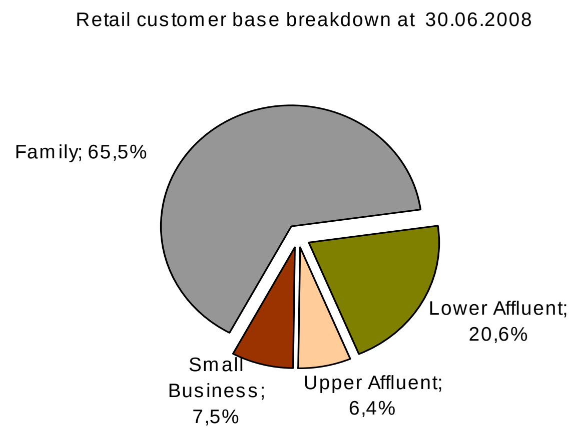
		30/06/08	30/06/07
MPS Capital Services Banca per le Imprese			
	risk management (1)	3.169	2.630
	disbursements	1.911	1.334
MPS Leasing & Factoring			
incl.:	new leases executed	928	803
	factoring turnover	2.965	2.144
Consumit			
	disbursements	1.604	1.448

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

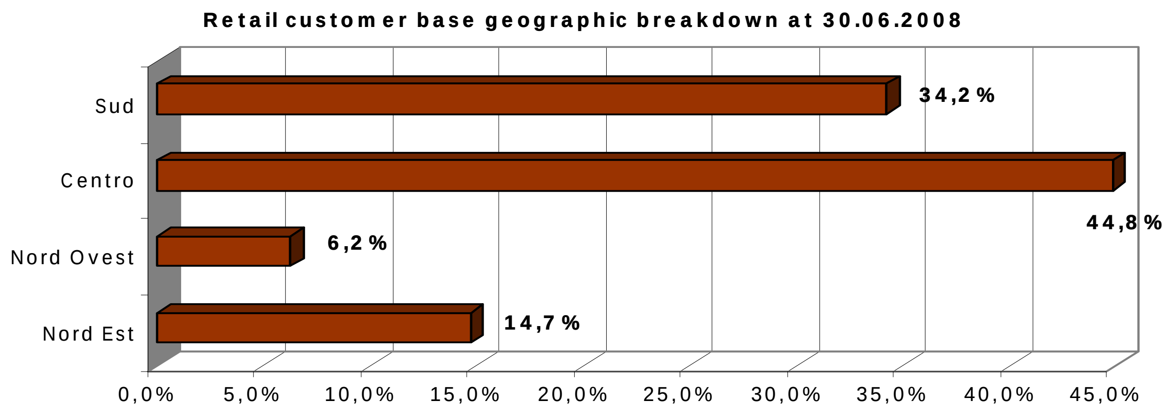
▪ CUSTOMER PORTFOLIO

As of 30 June 2008, the customers of the Group (excluding Banca Antonveneta and including non-shared accounts directly managed by Consum.it) numbered 4,909,620 with a growth of 295,115 units with respect to June 2007. The customers of the commercial networks totalled 4,504,704. The Group customer portfolio as of 30 June 2008, inclusive of the customers of Banca Antonveneta, topped 6,400,000 customers.

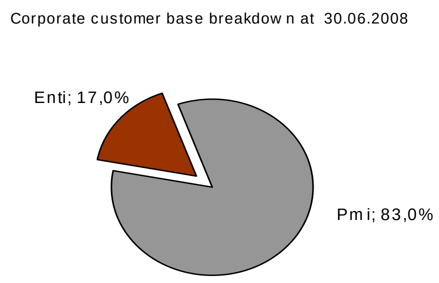
A review of the Group customers before the acquisition of Banca Antonveneta shows that the weight of the **Family segment within Retail Customers (4,267,179 customers, or 97.9% of the total of the commercial networks)** accounts for 65.5%, representing the majority of customers, followed by the Lower Affluent segment (20.6%), Small Business segment (7.5%) and Upper Affluent customers (6.4%).



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 intended to change considerably in view of the addition of the customers of **Antonveneta to** the future statistics.



The Corporate clientele (86,564 clients; 1.4% of the total of the commercial networks) mostly includes SMEs (83%) and Local Authorities (17%).



Following is a **breakdown of companies by business sector**:

Enterprise economic sector breakdown at 30.06.08

	Customers	Retail	Corporate
Not Classified	**14.4**	13.9	16.0
agriculture, hunting and fishing	**3.8**	4.0	2.7
energy, gas and water	**0.4**	0.3	1.0
mining, chemical and mineral	**2.0**	1.5	4.5
metals manufacturing,	**7.2**	6.4	11.3
textile, leather and food	**11.0**	10.0	15.5
building construction	**11.7**	12.4	8.9
wholesale trade	**9.0**	8.3	12.6
retail trade	**19.3**	21.8	8.2
transports and communications	**3.4**	3.3	3.6
banking and finance insurance	**12.5**	12.5	12.6
public administration and services	**5.3**	5.8	3.1

The following table includes the data concerning the number of customers by segment and bank seniority. As is shown, **the Group customers' loyalty is extremely high**:

Customer base banking age breakdown at 30.06.08

Banking age	% Customers
1-3 years	16.9
4-5 years	6.3
6-10 years	20.9
11-20 years	36.4
over 20 years	19.6

Excellent results were also achieved in terms of Customers' Retention and Acquisition. Intensive customers' **acquisition** contributed to increase the customers' share with a degree of loyalty of less than 3 years (from 15.0% in June 2007 to 16.9% as of today). **High loyalty** of long-term customers is confirmed by the increasing share of customers with a degree of loyalty higher than 20 years (from 17.4% in the first half of 2007 to 19.6%). With respect to the first half of 2007, the **Corporate and Retail** segments showed virtually steady acquisition and retention rates. The **Private** segment retention rates were steady but the acquisition rate rose slightly (+0.2%).

Retention and Acquisition

	Retention June 2007	Acquisition June 2007	Retention June 2008	Acquisition June 2008
Retail	97.4	4.6	97.5	4.6
Private	97.4	5	97.1	4.9
Corporate	98.6	1.9	98.7	2.1
TOTAL	**97.4**	**4.6**	**97.5**	**4.6**

It is important to stress the acquisition in the retail market of about 27,000 **immigrant customers**[11] during the last year. The overall immigrant customers' base included more than **165,000 customers with a 19.5% increase (2007/2008).** As of 30 June 2008, about 138,000 current accounts were opened in the name of immigrants with the Group banks. Therefore, the presence of immigrant customers is increasingly growing both in absolute and relative terms from 3.3% in June 2007 to **3.8%** as of today.

- CRM

During the first half of 2008, the usual operations of maintenance and expansion of the IT records (**Datamart**), and project development were flanked by **the start of the integration of Banca Antonveneta into the CRM records.**

Moreover, the Group continued to develop the existing front-end instruments, with the development of the new **Business Intelligence Platform** and the new Group **Campaign Management**. In addition, the Group further finetuned the **Genesi** application in relation to the prospect campaigns. The application has been already released to **Banca Antonveneta** for the development of a prospect target.

As far as **Customer Satisfaction** is concerned, the Group finetuned the **Care-Score** measurement model introduced in 2007 for the purpose of implementing the models of analysis measuring the degree of the customers' satisfaction in their relations with the Bank. The Group conducted and completed Customer Satisfaction measurements targeted at securing **ISO 9000 Quality Certification** for some products and services of Banca Monte dei Paschi.

In the first half of 2008, the Group considerably consolidated 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. Training meetings were organized for the improvement of bank employees/customers relations. This innovative and unique initiative was extremely successful. As suggested by the Consumers' Associations, the test stage of the Working Group (Lab) was terminated in order to shift to a **no-time limit programme**, with periodical (annual) reporting of operations.

[11] The customers having their birthplace in the countries with a high migration rate, in accordance with the Italian Bankers' Association codification, are herein referred to as Immigrant Customers.

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 described hereunder.

1) FUNDING AGGREGATES

The total volumes of funding aggregates progressed by about 29.9% (+1.5% on a comparative basis[12] y-o-y, thus absorbing the remarkable decline in the prices of financial assets under management or administration on behalf of the customers, as a result of the turbulence of the financial markets in the last 12 months).

 CUSTOMER FUNDING (in millions of euros)

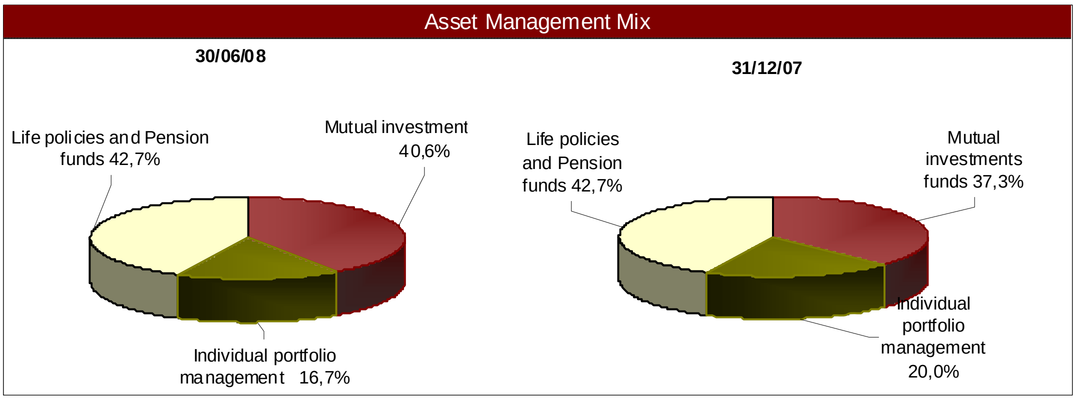
	30/06/08	(*) 30/06/07	% chg. vs 30/06/07	% weight 30/06/08
Direct customer funding	**139.000**	**99.199**	**40,1%**	***53,1%***
Indirect customer funding	**122.629**	**102.195**	**20,0%**	***46,9%***
assets under management	*53.131*	*48.701*	9,1%	*20,3%*
assts under custody	*69.497*	*53.494*	29,9%	*26,6%*
Total customer funding	**261.629**	**201.394**	**29,9%**	***100,0%***

(*) Historical data

In particular, **indirect funding amounted to EUR 122.6 billion as of 30.06.2008** (**including 28.7 bn in relation to Banca Antonveneta):**

- **The balance of funds managed totalled EUR 53.1 bn (including 8.8 bn in relation to Banca Antonventa),** 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 40.6% (37.3% as of 31 December 2007).

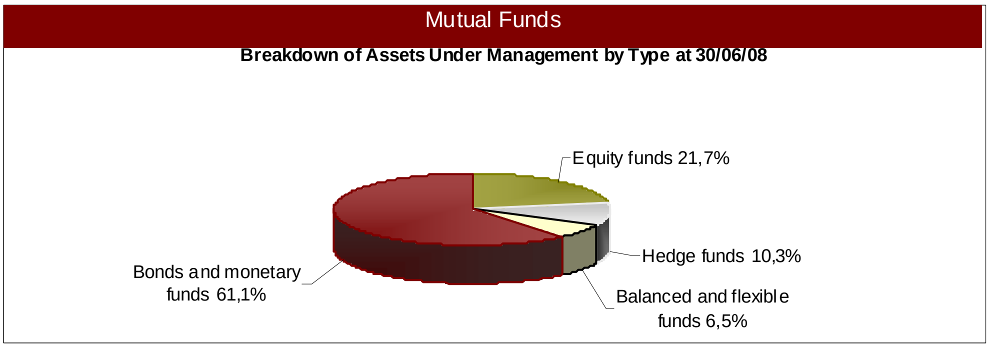
[12] Comparative basis (hereinafter referred to as "comparative basis"): The balance-sheet values as of 30 June 2008 are restated on a comparative basis with respect to Q1 2008, that is excluding – in 2008 – the results of Banca Antonveneta (not applying IFRS 5 to Banca Monte Parma). The balance-sheet values as of June 2007 have been 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 (including 2.7 bn of Banca Antonveneta),** with the 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 21.6 bn, (including 5.6 bn of Banca Antonveneta).**

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 61.1%) and hedge funds (from 8.2% to 10.37%).



- **The balance of <u>portfolios under management</u> stood at EUR 8.8 bn approx.** (including EUR 0.6 bn of Banca Antonveneta).

The total balance of **<u>funds under administration</u>** amounted to EUR 69.5 bn (including 19.9 bn of Banca Antonveneta), and is indicative of the strong decline of stock prices - which considerably reduced the value of the financial assets held in custody on behalf of the customers – and the volatility which characterized the deposits of some Large Corporate positions.

<u>Direct funding</u> (at about EUR 139 billion, including 25 bn of Banca Antonveneta) **advanced significantly by 40.1% year-on-year**, mainly driven by non-structured bonds (plain bonds and subordinated loan) placed with retail customers, short-term deposits and funding with institutional customers.

Following is the breakdown of the aggregate by business:

Commercial funding

(in millions of euro)

		% weight	
	30/06/08	30/06/08	30/06/07
Commercial Banking/ Distribution network	51.039	56,0%	58,8%
Corporate Banking / Capital Markets	34.424	37,7%	35,6%
Private Banking/Wealth Management	5.741	6,3%	5,7%
Total	**91.203**	**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 balance the supply of an appropriate financial support to entrepreneurial initiatives and 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 139.9 billion (including about 32 bn of Banca Antonveneta) booming with respect to 30 June 2007 (+41.6%).** Growth was mainly driven by domestic performing loans (excluding Bav) which advanced by 7.8%, although slowing down with respect to the prior quarters. Following is a breakdown of consolidated loans by type:

Breakdown of loans by business segment

Customer loans

(in millions of euro)

		% weight	
	30/06/08	30/06/08	30/06/07
Commercial Banking/ Distribution network	43.746	44,3%	42,1%
Corporate Banking / Capital Markets	54.313	55,0%	57,1%
Private Banking/Wealth Management	743	0,8%	0,8%
Total	**98.801**	**100,0%**	**100,0%**

B) CREDIT QUALITY

The Montepaschi Group closed the first half of 2008 with net impaired loans amounting to 6.3 bn, including 1.9 bn in relation to Banca Antonveneta. On a comparative basis, the weight of impaired loans to total customers' loans was 4.07% and the weight of NPLs and watchlist loans, net of valuation adjustments, was 3.3% increasing with respect to 3.01% as of 31 December 2007. This was mainly due to the classification under abnormal risk of the positions in relation to Hopa/Fingruppo.

MPS Group

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**30/06/08**	**31/12/07**	**% weight** **30/06/08**	**% weight** **31/12/07**
A) Impaired loans	**6.304**	**3.910**	**4,51**	**3,68**
a1) Non-performing loans	3.092	1.996	2,21	1,88
a2) Watchlist loans	2.000	1.203	1,43	1,13
a3) Restructured loans	228	131	0,16	0,12
a4) Past due	984	581	0,70	0,55
B) Performing loans	**132.867**	**101.892**	**94,97**	**95,83**
C) Other assets	**738**	**520**	**0,53**	**0,49**
Total customer loans	**139.909**	**106.322**	**100,0**	**100,0**

The provisions covering impaired loans progressed with respect to year-end with a weight of provisions to gross total loans which stood at 44.5%. In particular, the ratio of provisions covering only gross NPLs was 58.5% (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 with a provisions/gross NPLs ratio of about 69%, also due to the different write-off policy.

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

PROVISIONING RATIOS

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

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

BREKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/06/08	Group	BMPS	Banca Antonveneta	BT	BAM	Biver	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it
in million EUR									
Non-performing loans	3.092	1.070	909	114	56	29	741	76	53
% weight on customer loans	2,2%	1,6%	2,8%	0,8%	0,5%	1,2%	5,8%	1,3%	1,0%
"loan loss provisions"/"gross NPLs"	**58,5%**	**53,1%**	**68,9%**	**50,9%**	**61,8%**	**66,0%**	**36,5%**	**75,6%**	**74,2%**
Watchlist loans	2.000,4	422,0	622,8	203,6	156,6	31,5	353,2	81,8	18,4
% weight on customer loans	1,4%	0,6%	1,9%	1,4%	1,3%	1,3%	2,8%	1,4%	0,3%
"loan loss provisions"/"gross watchlist loans"	**23,1%**	**30,3%**	**19,7%**	**22,4%**	**28,8%**	**27,1%**	**8,8%**	**29,2%**	**44,7%**

After the positive results of the management of the NPL portfolio mandated to MPS Gestione Crediti Banca, **the MONTEPASCHI Group (before the acquisition of Antonveneta) collected sums due in a total amount of 285 million, in line with the same period of 2007 (283.6 million).**

C) OPTIMIZATION OF THE LENDING PROCESS

The first half of 2008 was characterized by the achievement of the authorization from the Bank of Italy for the use of the internal rating systems in the calculation of capital absorption in compliance with the current regulation.
The Group also finetuned the cut-off of the Retail ECF (Electronic Credit File), by revising the riskiness associated with the thresholds of sociological/behavioural score supplied by CRIF.

As regards the process of credit monitoring, the Group re-designed the rules of interception of the process of systematic supervision through the integration of the existing logic, exclusively based on the rating, with trend indicators which can better capture any early irregular events in the customer's management of his/her business. This has the objective of recovering efficiency and keeping the current levels of credit risk coverage.

During the first half of 2008, the Group finalized the "Gestione Morosità" project, with the test and release of the pilot project to the Geographical Area of Central Italy and Sardinia subsequently extended to the South-Western Geographical Area of BMPS. The process is targeted at massively managing, through the support of Consum.it, any limits exceeded in the current accounts and past due instalments of mortgage loans and special loans. The process is oriented to the Retail customers. Once completed the first pilot stage, which involves the two Geographical Areas of reference, the Group shall evaluate the results in order to take any corrective measures and plan its extension to the BMPS Network.

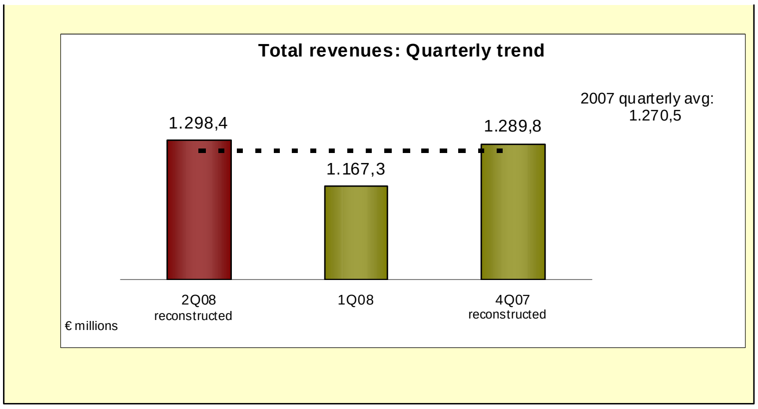
INCOME AGGREGATES

An analysis of the results of the first half of 2008 should take account of the fact that Banca Antonveneta contributed only for one month (June), since this subsidiary was purchased as of 30 May 2008. Therefore, in order to ensure continuity with respect to the prior quarter, any comments on the results of the past half-year shall make reference to data restated "on a comparative basis"[13] showing any major changes (out of completeness) "on a comparative basis with the application of IFRS 5"[14]. The section covering "The acquisition of Banca Antonveneta" also incorporates the profit and loss statement as of 30 June 2008, based on the assumption that the transaction had occurred on 1 January 2008.

1) OPERATING PROFITABILITY

As a result of the above-mentioned dynamics, the Net Core Operating Income of the MONTEPASCHI Group progressed by 6.4% (+7.3% IFRS5) on a comparative basis with respect to 30 June 2007, accelerating with respect to the yearly trend shown in Q1 (+5.6%), also due to the contribution of Q2 growing in comparison with Q1.

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 June 2008 **financial and insurance income stood at EUR 2,516.5 million (EUR 2,496.1 million as of 30.06.2007), with a comparative trend of -3.0% (-2.5% IFRS5)** which is indicative of the

[13] Comparative basis (hereinafter referred to as "comparative basis"): The P&L statement values as of 30 June 2008 and for FY 2007 are restated on a comparative basis with respect to Q1 2008, that is excluding – in 2008 – the results of Banca Antonveneta (1 month) and the P&L components attributable to its integration, and keeping the "line by line" contribution of Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma (not applying IFRS 5). The values for FY 2007 have been restated net of the effects of the staff severance indemnity reform and integrated with the contribution of Biverbanca line by line.

[14] "Comparative basis with the application of IFRS" (hereinafter only referred to as "IFRS5"): The P&L statement values as of 30 June 2008 and for FY 2007 have been restated by applying the IFRS5 in relation to Mps Asset Management SpA Sgr, its subsidiaries and Banca Monte Parma to the data on a comparative basis.

different performances registered by the financial markets in the two periods, which **substantially influenced the contribution of "other income from financial business".**

The quarterly trend on a comparative basis shows that in Q2 2008 income from financial and insurance business stood at EUR 1,298.4 million (or +11.2% with respect to Q1 2008) driven by the recovery of "other income from financial business", and in progress by 0.7% in comparison with Q2 2007.

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

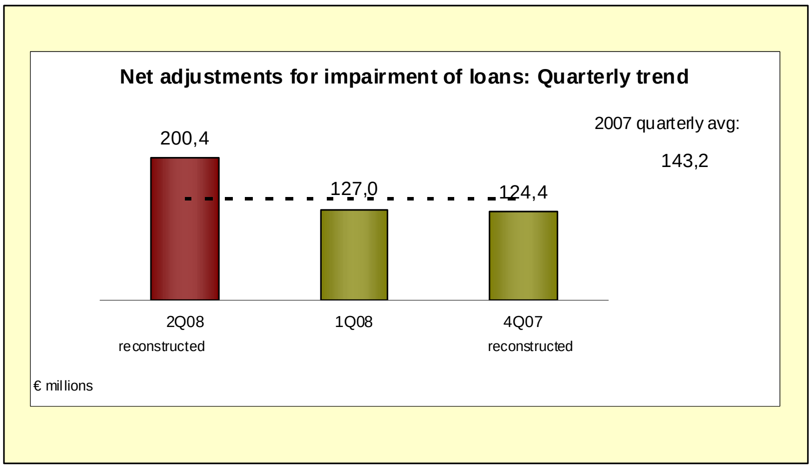
- **<u>Interest income</u> in the amount of EUR 1,720.3 million (1,415.5 million as of 30 June 2007) rose by 12.9% on a comparative basis, with a 3.5% increase between Q1 2008 and Q2 2008 and 14.5% growth between Q2 2008 and Q2 2007.** Growth was mainly driven by the positive contribution of the Commercial Networks – due to the development of traded volumes and the increase in the mark down, and the management of Treasury based on the rigorous optimization of financial flows. Said positive effects were only partly offset by increasing interbank rates;
- **<u>Net commissions</u>** (EUR 728.1 million with respect to EUR 771.1 million as of 30 June 2007) declined by 5.5% on a comparative basis (-3.8% on IFRS 5 basis), due to the decreasing income associated with funds management, only partly offset by the upward trend of commissions from services;
- **<u>Dividends, similar income and Profits (Losses) from equity investments</u>** amounted to **EUR 22.6 million** (EUR 95.2 million as of 30.06.2007), 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 (abt. 57 million) from the insurance companies (abt. 5 million in the first half of 2008);
- **<u>Net income from trading/valuation of financial assets</u>** came to **EUR 50.8 million** (EUR 212.6 million as of 30.06.2007), with a progress of 79.7 million in Q2 2008 on a comparative basis which offsets the loss of 29.6 million achieved in Q1 2008, despite the severe turbulence experienced by the financial markets also in the last 6 months of the year. MPS Capital Services also achieved positive results and succeeded in managing its position by exploiting the opportunities resulting from the high volatility of the market.

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

	30/06/08	30/06/07
Net Profit from trading	7,6	195,4
Profit/loss from loans, available for sale financial assets and financial liabilities	12,1	5,6
Fair Value financial assets and liabilities	31,1	11,6
Net result from realisation/valuation of financial assets	**50,8**	**212,6**

(°) historical data

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



With reference to the income resulting from loan disbursements, in the first half of 2008 the Group recorded **net valuation adjustments to impaired loans in the amount of EUR 329.8 million (EUR 225.5 million as of 30.06.2007; or + 39.1% 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 55 bp on a comparative basis (50 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 (-EUR 101.2 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, **income from financial and insurance business totalled EUR 2,085.6 million (EUR 2,273.5 million as of 30 June 2007; or -11.4% on a comparative basis and -11.1% on IFRS5 basis).**

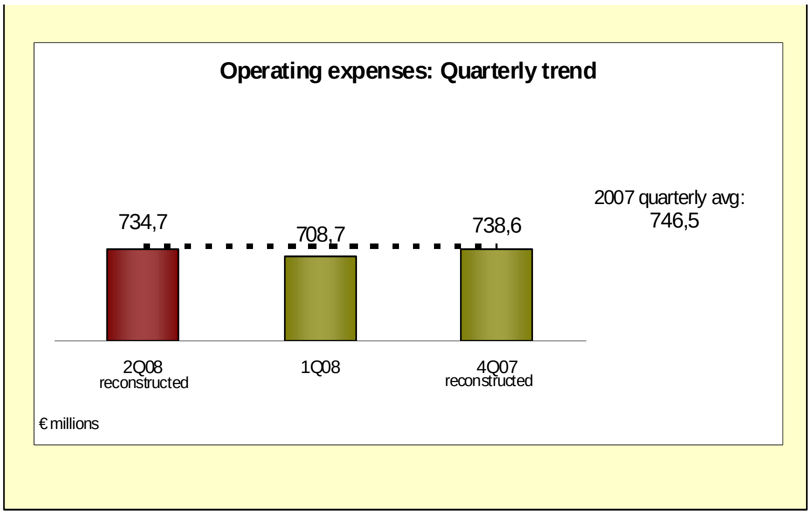
OPERATING EXPENSES: OPERATING CHARGES

In line of continuity with prior years, the MPS Group continued to curtail costs during the first half of 2008. Although in light of an outstanding plan of investments in technologies and communications, and increasing inflation, **operating charges in the first half of 2008 came to EUR 1,482.2 million** (1,391.2 million as of 30 June 2007; -0.4% on a comparative basis).

Operating expenses (in millions of euros)

	30/06/08	30/06/07	Abs. chg. vs 30/06/07	% chg. vs 30/06/2007 *Reconstructed*
Personnel expenses	934,1	868,8	7,5%	-0,6%
Other administrative expenses	488,1	467,7	4,4%	-0,6%
Administrative expenses	**1.422,2**	**1.336,5**	**6,4%**	**-0,6%**
Net adjustments to the value of tangible and intangible fixed assets	59,9	54,7	9,5%	4,3%
Operating expenses	**1.482,2**	**1.391,2**	**6,5%**	**-0,4%**

<u>In particular:</u>



A) **<u>Administrative expenses</u> dropped by 0.6% on a comparative basis** as a result of:

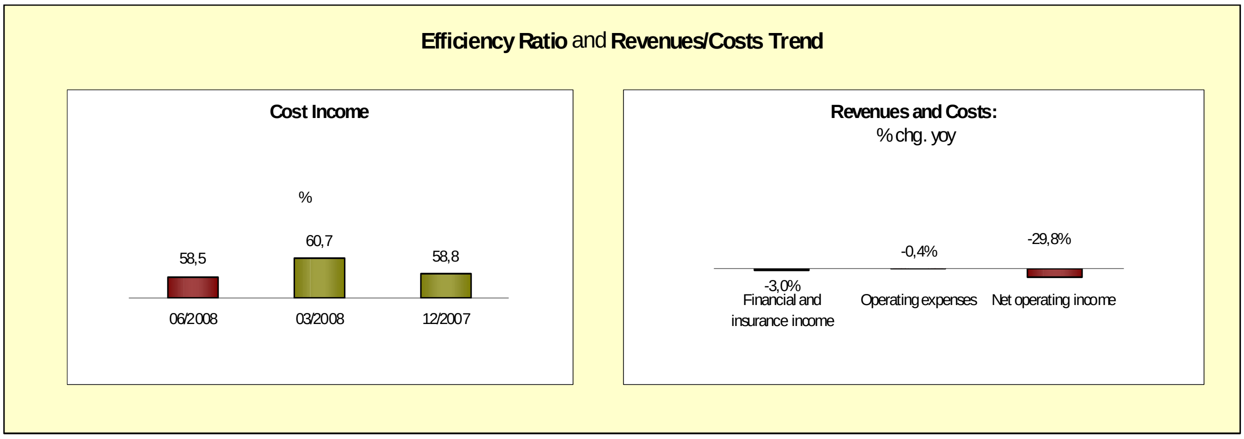
- **Personnel expenses in the amount of EUR 934.1 million** which incorporate the expected increase due to the renewal of the labour contract (application of new salary scales as of 1 January 2008), with a growth of 65.3 million (+7.5%), **in an accounting comparison with Q1 2007**. **On a comparative 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 December 2007), the aggregate recorded a slightly falling trend (-0.6%). 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 488.1 million**,** net of recoveries of stamp duty and expenses with respect to the customers) declined by 0.6% on a comparative basis (467.7 million as of 30 June 2007), due to the steady control of expenses and cost management actions undertaken.

B) **<u>Net valuation adjustments to fixed and intangible assets</u>** amounted to **EUR 59.9 million** (EUR 54.7 million as of 30 June 2007) with a 4.3% increase on a comparative basis.

Accordingly, the Net Operating Profit stood at EUR 603.4 million (EUR 882.3 million as of 30 June 2007), with a 29.8% decrease on a comparative basis. This decrease, net of the writedown of Hopa and the relevant extraordinary adjustments, would come to 14%.

The cost/income ratio was 58.9% (60.7% as of 31 March 2008 and 58.4% as of 31 December 2007).



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

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

- **Net provisions for risks and charges and other operating income/charges** totalling EUR 6.8 million (-32.2 million as of 30 June 2007**),** including 18 million in relation to other operating income/charges;
- **The balance of Profits from Equity Investments stood at about 200 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 56.9 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, in the first half of 2008 profits from current operations before taxes came to EUR 781.3 million (EUR 849.9 million as of 30 June 2007).

Rounding out the picture of profitability are:

- **Income tax on current operations for the period** in the amount of EUR 251.9 million (EUR 326.6 million as of 30 June 2007), with a “face” tax rate of roughly 32.2%, dropping to 28.4% net of non-deductible interest expense (so-called Robin tax with a negative impact of abt. 30 million);
- **Profits (losses) from discontinued operations, after taxes** in the amount of EUR 14 million, mostly attributable to MPS Asset Management Sgr SpA and its subsidiaries, Banca Monte Parma, Quadrifoglio Vita and Valorizzazioni Immobiliari.

Therefore, consolidated net profit for the period before the effects of the Purchase Price Allocation (PPA) stood at EUR 532.3 million (EUR 513.8 as of 30 June 2007 or +2.6% on a comparative basis despite the lack of confidence characterizing the markets and the destabilization of the financial markets caused by the sub-prime mortgage loans crisis). In view of the impact of the Antonveneta transaction (1 month) and Biverbanca (6 months), net profit for the period stood at EUR 522.2 million. The ROE was 10.0% (ROE calculated on average shareholders’ equity: 7.0%).

Such results take advantage of the positive contribution from the **Parent Company** (net profit of Banca MPS: EUR 603.1 million), all the Group’s Business Units (as outlined in the following section covering Segment Reporting) and in particular **Banca Toscana** (net profit: EUR 89.1 million), **Banca Antonveneta Group** (net profit: abt. 46 million in relation to one month before the application of the Purchase Price Allocation) and **Banca Agricola Mantovana** (net profit: EUR 14.7 million incorporating loan adjustments - abt. 47 million – in relation to the Hopa/Fingruppo issue).

* *

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 30.06.2008

in thousands of euro	30.06.2008	
	Net equity	**P/L statement**
Balance as per the Parent Bank's balance-sheet	13,448,247	603,074
Incl. valuation reserves from the Parent Bank	*201,708*	
Effect of consolidation of subsidiaries with the line-by-line method	536,193	311,754
Surplus - with respect to the book values - resulting from the valuation with the net equity method	143,665	5,039
Reversal of dividends distributed by the Subsidiaries	0	-448,777
Profit and Loss impact of eliminination of value reductions/adjustments for equity investments	0	57,975
Effect of reversal of infra-group disposals	-52,744	-52,744
Effect of reversal of capitalised commissions	-36,841	241
Tax effect (tax rate reduction)	-36,052	0
Other adjustments	21,491	45,592
Reserves from valuation of subsidiaries	134,999	
Group net equity and net profit (loss) for the period	**14,158,958**	**522,154**

SEGMENT REPORTING, SALES AND MARKETING POLICY, RESEARCH AND DEVELOPMENT

1) PRIMARY SEGMENT REPORTING

With reference to *Segment Reporting* contemplated by the IAS 14 regulations, the MONTEPASCHI Group adopted the *business approach* and chose, for the purpose of **primary reporting** of income/capital data, **a breakdown of results in accordance with the 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 June 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 June 2007 have been restated similarly to the criteria adopted as of 30 June 2008, taking account 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 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, as a result of the expected sale of the majority stake to third parties.

In addition, the Group took account of the migration of customers between segments and the adoption of new criteria of calculation of expected loss[15], on the basis of which loan adjustments are allotted. With reference to the attribution of the new Group Companies (which converged on 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.

SEGMENT REPORTING - Primary segment
(in millions of euro)

2008 June	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)	1.387,1	1,8%	88,1	-12,6%	723,0	9,2%	318,3	-14,1%	2.516,5	0,8%
Net adjustments for impairment of loans and financial assets	123,2	-6,8%	0,7	-58,1%	168,5	64,6%	138,6	n.s.	430,9	93,5%
Operating expenses	789,7	0,9%	67,3	2,8%	315,5	1,1%	309,6	34,2%	1.482,2	6,5%
Net operating income	474,3	5,9%	20,0	-40,4%	239,0	-3,5%	-129,9	n.s.	603,4	-31,6%
CAPITAL AGGREGATES										
Performing loans	43.745,9	13,5%	742,6	3,0%	54.312,7	3,9%	38.015,9	n.s.	136.817,1	41,0%
Due to customers and securities	51.038,8	16,1%	5.740,7	35,8%	34.423,9	29,2%	47.796,6	96,1%	139.000,0	40,1%
Assets under management	27.592,5	-12,1%	11.873,5	-7,7%	2.851,8	-16,3%	10.813,5	n.s.	53.131,4	9,1%
PROFITABILITY RATIOS										
Cost Income	56,9%		76,5%		43,6%		97,3%		58,9%	
Raroc	36,4%		65,2%		10,5%				11,3%	

[15] 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 can no longer be compared with the series issued as of today.

Following are the major aspects which characterized the activity of each Area in the first half of 2008:

COMMERCIAL BANKING AND DISTRIBUTION NETWORK

Product and service innovation and the sales and marketing policy

This six-month period was characterized by a focus on the improvement of **service** levels and the **customer's centrality**, hinged on essential factors – such as after sale advisory services in relation to loans and the application, in a Mifid logic, of the new instruments of financial investment planning. The activity of **product innovation** continued with the launch of initiatives in all competitive areas, ranging from current accounts to credit cards, mortgage loans and consumer credit.

The Group was committed to making its **home mortgage loans** targeted at Family and Affluent Customers compliant with the new regulations (i.e. Law 40/2007 and 2008 Financial Act), by **restyling "Sostimutuo" which replaces other banks' mortgage loans through the subrogation of the original creditor.** The transaction is totally free of charge, with the Group paying the pertaining notarial fees.
The whole **range of consumer loans** supplied was subject to renewal. Specialized personal loans such as "**PRS Una**" and "**PRS Casa**" gained strong momentum and increased their weight in the loan portfolio. The loans associated with an optional insurance policy also expanded. Moreover, the Group started specific contacts with the exclusive Consum.it customers, considered as a "prospect" catchment area for the BMPS branch network. The **process of internalization of the issue** of retail credit cards (from CartaSi to Consum.it) as detailed in the section covering "The collection and payment systems"- which is very important, was also started.

On the front of **current accounts**, the data in relation to the new accounts **Contomolto** e **Costomeno** show that the customers are very loyal, due to a pricing model **changing** in accordance with the characteristics and the behaviour of the customers, and the **customization** of supply, a pricing tool for the purpose of fixing the price for each customer in a logic of increasing quality and customer satisfaction.

On the grounds of the results achieved, the Group processed the **new current account dedicated to the Small Business segment,** for the purpose of creating a platform of tailor-made active packages, also targeted at the companies, so as to simplify sales and limit operating costs. The **integration of Banca Antonveneta**, already started, contemplated the streamlining of the current accounts managed on its own and the integration of the current account applications of the Group catalogue. The products targeted at the **Small Business** segment include the final production and marketing of **Conto Commercio Light**, a package account for small shops, and the launch of "**Pacchetto Agricoltura**" (see box).

“PACCHETTO AGRICOLTURA”
• The new package targeted at Small Business Customers incorporates a system of financial products and services in support of specific requirements, through initiatives linked with innovative issues such as renewable energy and “quality” food processing.
• The package was already presented to the market upon the signature of the regional agreements with the local Italian Farmers’ Federation, which make reference to the new National Agreement entered into by the Italian Farmers’ Federation and the MONTEPASCHI Group, which represents an essential framework for the regional agreements. Lending operations are actually defined in separate regional agreements which have the objective of connecting the branches to the institutions directly managing the farmers, for the purpose of planning any initiatives in compliance with the development of the Regional Development Plans.

The process of development of the **bancassurance** partnership with **Axa** was consolidated through the steady expansion and renewal of the product portfolio (see the section covering “*Private Banking & Wealth Management*”). In relation to the distribution channels, the Group completed the activities for the remote sale of insurance products, which produced excellent results in the case of **Consum.it**.

In relation to the **Affluent** segment, the first half of 2008 was characterized by two **major commercial actions**, (i) the application on a large scale of the advisory approach required by the **MIFID** European regulations and (ii) the gradual distribution ot the network of a new instrument of investment planning (**Advice Platform**).

The efforts made for the procurement of the **Mifid questionnaries secured important information in relation to the customers’ base.** As a result, commercial supply became more consistent and effective, taking account of the awareness, experience and objectives of risk stated by the Customers in full compliance with the regulations.

The commercial policies targeted at the **Family segment** achieved positive results with reference to the flows of production and the expansion of the customer base, 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 method of the so-called “**Palinsesto Family**”. With reference to consumer finance, the Group introduced process innovations in the disbursement of loans based on the mechanism of pre-acceptance, in a “best product” logic and using credit scoring criteria. For the first time, the Group started specific contacts with a portion of the exclusive Consum.it customers.

An important contribution to real bank came from the “**Made in Italy**” promotion which ended at the beginning of Q2. The programme was very successful, with a rate of new Customers and/or re-activated Customers of about 20%. On the front of **customer satisfaction, “Patto con il Cliente”** is being tested. The project consists of a string of commitments contractually undertaken by the bank with respect to participating Customers, for the purpose of ensuring the high standards of a few highly widespread bank services.

As indicated by the guidelines and strategies outlined in the Marketing Plan, in the first half of 2008 many initiatives were undertaken **in relation to the Small Business segment,** oriented to maintaining the high growth of lending volumes, the quality of new loan disbursements and price adequacy.

AN INITIATIVE TARGETED AT FOREIGN NATIONALS LIVING AND WORKING IN ITALY

- This initiative was still successful from the ethical viewpoint, also due to the immigrants' remittances free of commissions. Marketing actions were developed through agreements with foreign correspondent banks, which are expected to increase.
- The project is being improved for the purpose of including new requirements (e.g. monetics, payment instruments, more reliable money transfers to the country of origin, aid for the establishment of micro-businesses both in Italy and in the country of origin).

Commercial supply targeted at the **Small Business segment** incorporated **Conto Commercio Light** and **Pacchetto Agricoltura** which were flanked by the launch of **Scalarating, a new financial package which has the objective of supporting and encouraging the small businesses to improve their financial structure and balance in view of Basle 2.** This aims at enabling the small businesses having specific economic/financial qualifications to start any actions for the improvement of their financial structure and rating. A medium-/long-term loan consolidating the liabilities is flanked by specific capital increase transactions (i.e. purchase of shareholding or, as an alternative, loans to the shareholders for the purpose of capital increase), with the objective of supporting the necessary trend to re-balance the system.

- OPERATING RESULTS

On the front of **commercial results**, the Commercial Banking & Distribution Network Area continued to expand its **customers' base** (about 65,000 "new front market customers") and achieved **considerable placements in fund management** (driven by bonds) and **lending**. As a result, **direct funding** progressed by a hefty 9.1% in terms of average balance **y**-o-y. **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** advanced remarkably with respect to 30 June 2007 (+15.1% in terms of average balance), but their upward trend gradually slowed down (+16.3% as of March 2008), mostly attributable to the more moderate trends of short-term loans (Small Business).

Total income (EUR 1,387 million) rose by 1.8% y-o-y. The most dynamic component of the aggregate is interest income (+6%), driven by increasing traded volumes (both funding and lending) and the sight markdown. Net commissions dropped by 5.6% due to income from continuing fees and the service of securities. Net Operating Profit stood at about EUR 474 million with a y-o-y increase of 5.9%. The cost/income ratio for Commercial Banking & Distribution Network was 56.9% (57.4% in June 2007).

Commercial Banking / Distribution network

(in milioni di euro)	30/06/08	% chg yoy
INCOME AGGREGATES		
Net interest income	943,9	6,0%
Net commissions	438,8	-5,6%
Financial income (loss)	4,4	-39,7%
Net Financial income (loss)	**1.387,1**	**1,8%**
Net adjustments for impairment of loans and financial assets	123,2	-6,8%
Operating expenses	789,7	0,9%
Net operating income	**474,3**	**5,9%**
CAPITAL AGGREGATES		
Performing loans	43.745,9	13,5%
Due to customers and securities	51.038,8	16,1%
Assets under management	27.592,5	-12,1%

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 2.3 million (EUR 18.2 million as of 30 June 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 6.08 million (+24% approx. with respect to 30 June 2007).

PRIVATE BANKING & WEALTH MANAGEMENT

PRODUCT/SERVICE INNOVATION AND THE SALES AND MARKETING POLICY

During the first half of 2008, the activity of Private Banking & Wealth Management was oriented to the pursuit of the commercial objectives in relation to Private Customers and the **development of investment products and services for the Group customers,** thus seizing the opportunities offered by the Mifid regulations.

In light of the extension of portfolio management to different market segments and innovation of supply, the Group also introduced **Private Investments** and **Alta Gamma**, the multiline portfolio management lines already included in the catalogue for the Private Segment, into the Corporate segment. In addition, the Group launched **Gestione Liquidità**, the first monetary line of management exclusively targeted at the Corporate market, specialized only in **securities**.

THE PARTNERSHIP WITH AXA IN THE INSURANCE AREA
The bancassurance business resulting from the joint venture between Axa and MPS Vita was very productive:
• The consolidation of the range of retail products focused on the development of the Family range, with the re-styling of “Accumulator Investimento”, the introduction of the recurrent premium version of “Double Engine” and the start of the marketing of “Vita Sicura” and “Patrimonio Sicuro”, targeted at the protection of assets and the family, respectively;
• With reference to Private Customers, the Group launched “Double Prestige”. This Branch I revaluable insurance policy is particularly innovative since it gives the customers the opportunity of choosing between the annual payment of interest or their capitalization. The Group also reviewed the range of Unit-linked policies for the Private segment and expanded the portfolios of funds which can be selected from 40 funds to 100 multimanager funds;
• The Group marketed “Investimento TOP” targeted at the SMEs, Local Authorities and Foundations, for the management of structural liquidity;
• The Group launched 9 Index products and is gradually re-aligning the supply of Biverbanca with the other Group Networks.

As regards compliance with the Mifid regulations, the Group complied with the provisions in relation to the mandates placed before the enforcement of Mifid and repaid the customers any return commissions collected on the funds, effective 1 July 2008. **The Private “core” supply was reviewed in accordance with two guidelines:** (i) the full replacement of one -line management system with the **new multiline system** (18 lines), diversified by management style, financial instruments and investment areas/units. Therefore, the customers can invest their assets in several management lines by executing one contract; (ii) the planning of a **high range catalogue** to be shared with the corporate segment.

On the front of Mutual Funds and SICAVs, the Group launched **Bright Oak Secure World Fund,** the first guaranteed-capital Fund of the Group, which participates in the performance of a basket of world indices and guarantees invested capital upon maturity.
With reference to third parties' funds, in a logic of continuous improvement of the global quality of supply, the Group introduced two prestigious international investment firms (**UBS and AXA)**, thereby confirming the **Group's multibrand strategy**. In the first half of 2008, the Group continued to **consolidate the multibrand platform of MPS Banca Personale**, which includes 17 asset management firms among the most prestigious in the world.

The Group continued to look for new solutions of **Innovative Finance** which can meet the customers' requirements**.** The issue of the **"Morgan Stanley Flexible Europe"** (6^{th} tranche) certificate was flanked by (i) three issues linked with the growth of a **basket of agricultural commodities** and one issue linked with the trend of **a few Chinese companies,** in view of increasing industrial business in the months following the Olympics, in addition to (ii) a **placement linked with European inflation**.

With reference to the Wealth Management operations and the **development of the professional advisory model,** the Group completed the release of the new **Advisory Platform** to the Affluent and Private markets of Banca MPS, Banca Toscana and Banca Agricola Mantovana. The release to MPS Banca Personale started in June 2008. The new platform develops the different advisory models previously used in different market segments, and provides "**advanced" advisory** services in relation to contract-based investments, in compliance with the Mifid provisions. The "advanced" advisory service is flanked by the already existing "basic" advisory service, with the former associated with the use of the Advice platform, which ensures compliance of recommended proposals with the investors' profile, in a portfolio logic.

As regards the **development of the instruments of relation support and commercial monitoring**, during Q1 2008, the Group presented **Demo Private** of the new Advice platform, with a first training stage which directly involved each Private Center. As a result of the implementation of the avanced advisory contract in the Advice platform, the Group released other tools, such as "**Gestione sottoscrizione PAC"**, which dynamically manages the sale of the funds included in a proposal.

The Wealth Risk Management Unit contributes valuably to the smooth operations of the Group Wealth Management platform. The Unit deals with the measurement, monitoring and control of the risks and return in relation to the investment services provided to the Customers. The main objective is to ensure overall compliance of the customers' risk/return profile with the risk inherent in the portfolios held, and minimize reputational risks, i.e. the risk of deterioration of the customers' confidence. In the first half of 2008, the Wealth Risk Management model was extended to **Banca Antonveneta** which was integrated in relation to the Group Mifid logic as of 1 July 2008.

From the **viewpoint of organization**, in the area of asset management in general and portfolios under management in particular, **the Group pursued the activities oriented to finetune and operate the Group center of competence (Fund Management Area**), with the objective of creating a centralized Area, based on a single operational model, for the management of the funds of Retail and Private Customers, MPS Banca Personale and institutional management by the Group Banks.

To this end, **in March 2008, the Group centralized "traditional" institutional fund management and "absolute return" fund management as of July 2008**.

Preliminary contacts held with the Customers – oriented to illustrating the reasons underlying this transaction - were followed by centralization itself. During the first half of 2008, with reference to the initiatives aiming at developing and centralizing the Group asset management operations, the Group completed the transfer of the portfolios managed by AXA Sim, later transferred to MPSBP. Finally, the Group identified the most appropriate operational modes in order to achieve the objectives of the planned integration of **Antonveneta**.

On the front of **sales and marketing initiatives**, late in January 2008 the Private Area activated "**Sviluppo in Rete**", an initiative oriented to intensify the Networks' capacity of penetration and capture flows of unsatisfied Customers, leaving other competitors. In particular, the Group finetuned some actions of intensive development of prospect customers through joint local initiatives of the Private Centres and the Centralized Relations Unit of the Private Area, thus matching the specialists' know-how of the Area and **the account managers' experience of the geographical territory**.

COMMUNICATIONS
• With reference to communications, the Group conducted an advertising and press campaign in support of "Sviluppo in Rete" for the purpose of acquiring new market shares through the consolidation of the brand in the private banking business. Two events were orchestrated in support of this initiative in Florence and Bologna in relation to the protection trust and the real estate investment policy.
• In the first half of 2008, the cycle of meetings covering "The financial world: scenarios and expectations for 2008" - which is expected to involve 12 among the major Italian financial centres in 2008 – was held in Turin, Milan, Bologna, Mantua, Florence, Naples, Viareggio and Catania, with the participation of about 1,000 current and potential customers. The first two Advice Days held are part of a string of 8 events focused on the presentation of the range of products supplied by the investment firms which are partners of the Group.

In June 2008, the Group launched an initiative of **development and consolidation in Tuscany and Umbria,** with the objective of matching other initiatives (e.g. Sviluppo in Rete) and the enhancement of the tool of commercial communications in relation to specific customers' targets. In this framework, the Group organized a specific event in Florence covering real estate issues, with the participation of important real estate experts. In June the Group also started "**Trust di Protezione**", an initiative involving specific professional categories (e.g. doctors, engineers, lawyers etc….) and providing them with a valuable tool to protect their wealth. The pilot city of this initiative was Bologna, where it was presented during a specific event concerning capital optimization with a specialist section dedicated to the Protection Trust. The latest initiative launched late in June has the objective of creating new opportunities of contact and development of the share of wallet of the existing Private Customers, through the **enhancement of trust instruments**, stressing the fact that the Trust is an instrument of testamentary succession for the management/administration of the wealth of specific customer targets.

◊ 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 (+19% in terms of average volumes), with **indirect funding** dropping by 9.9%, adversely affected by the remix of the portfolios and the consequences of declining stock quotations, which considerably depreciated the value of the assets administered or managed on behalf of the Customers.

Total income of Private Banking & Wealth Management came to roughly EUR 88.1 million, dropping by 12.6% 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 9.4%, benefitting from the hefty development of direct funding. The Net Operating Profit stood at EUR 20 million with a decrease of 40.4%. The cost/income ratio was 76.5% (65% in June 2007).

Private Banking / Wealth Management

(in milioni di euro)	30/06/08	% chg yoy
INCOME AGGREGATES		
Net interest income	33,3	9,4%
Net commissions	52,9	-21,8%
Financial income (loss)	1,9	-29,7%
Net Financial income (loss)	**88,1**	**-12,6%**
Net adjustments for impairment of loans and financial assets	0,7	-58,1%
Operating expenses	67,3	2,8%
Net operating income	**20,0**	**-40,4%**
CAPITAL AGGREGATES		
Performing loans	742,6	3,0%
Due to customers and securities	5.740,7	35,8%
Assets under management	11.873,5	-7,7%

The companies contributing to Private Banking & Wealth Management include:

- **MPS Banca Personale** purchased Axa Sim in April 2008 and posted a loss of EUR 3.5, with a clear y-o-y improvement (+42%) (loss as of June 2007: -EUR 6.0 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 of about EUR 1 million in the first half of 2008.

CORPORATE BANKING

THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

During the first half of 2008, research and development and marketing initiatives were oriented to consolidating **the role of the MPS Group as the banking partner of reference**, by focusing on the development of products and services in support of the customers and the implementation of projects of innovation and search for new markets. The operations of the Area were strongly conditioned by the enforcement of the **Mifid** directive which implied a substantial change in the advisory services provided in relation to the supply of financial instruments to the Customers.

On the front of **commercial development**, the Group channelled several initiatives targeted at the growth of operations into Metodo/SME Platform, the new planning tool in support of the operations of the Account Managers, released at the end of 2007. These initiatives incorporate the actions in support of **the synergies of the Networks with the Leasing & Factoring units,** such as (i) "Sottoutilizzo Fidi" targeted at the customers with appropriate creditworthiness, (ii) "Factoring with competitors", targeted at the customers operating with the Banking Industry but not with the Group and (iii) "**Factoring farmaceutico**", targeted at the companies with credits claimable from the Health Authorities.
Other initiatives had the objective of proposing and regenerating the use of the loans targeted at the **Consum.it dealers**. At the international level, "**Campagna USA**" was oriented to the SMEs operating in the US. "**Estero Commodities**" is a package targeted at the customers operating in the **food processing industry** with a good potential for the placement of products covering the "commodities" risk.

Three strategic initiatives (**i.e. Diagnostica, Alto Potenziale and Progetto Distretti**) were implemented in relation to the commercial plans for SME customers. **Diagnostica** is based on the dialogue between the Bank and the Customer for the purpose of processing a "diagnosis" for finding appropriate management solutions for the improvement of corporate performances (e.g. through partnership and borrowed capital, corporate finance restructuring, access to capital markets). **Alto Potenziale** is targeted at the corporates (both customers and prospects) which show a high potential of commercial and income development. **Progetto Distretti** has the objective of assessing the potential of the Italian industrial districts and developing customized marketing initiatives in compliance with the specific requirements of the corporates for the purpose of improving their performances. Such an initiative incorporates the mapping of the Italian industrial districts, the management of Focus Groups with the district representatives and the execution of an agreement through a memorandum of understanding. During the first half of 2008, the Group arranged an **event of presentation** of the Project, with the participation of the Region of Tuscany and some important Tuscan districts, including the textile industry of Prato and the shipbuilding industry of Viareggio.

In June the Group started a string of actions following the acquisition of **Banca Antonveneta**. In particular, the Group started analysing the portfoliation of the SME customers of Antonveneta, in addition to the first evaluations useful for identifying the target of SME customers of the future Nuova Banca Antonveneta.

THE MARKET OF LOCAL AUTHORITIES
• New ceilings were established for the relations with the Local Authorities.
• In compliance with the memorandum of understanding with ANCI Toscana (Association of Italian Municipalities in Tuscany), the Group continued to work on Project Financing, Public Leasing and the Debt of Local Authorities, for the issue of the so-called “books” to be distributed to the local authorities.
• The SIOPE (Information System for the Operations of the Local Authorities) is still under way, with the activation of the Health and Research Authorities.
• The implementation of a new application ensuring marketing initiatives targeted at the former municipalized utilities is pending.
• The Group conducted an in-depth study on the operations of the Courts for the purpose of designing Tribun@lipiù. The technological functions included in the application ensure the loyalty of the Courts which are already customers of the Group and an important lever for expansion in this area, with reference to the development of funding.

With respect to **subsidized loans**, after the execution with Confindustria (Association of Italian Industrialists) of the agreement in relation to the use of a dedicated ceiling in the amount of EUR 500 million, to be used for the disbursement of loans (i.e. *Welcome Energy* and *Innovazione e sviluppo)*, the Group is releasing new commercial initiatives in relation to services and products, such as **electronic billing and Patto loan**. In co-operation with EnelSi, the Group conducted studies concerning the design of a package including the planning, financing, implementation and maintenance of photovoltaic plants. During the first half of 2008, the Group also set up a working group with **Assolombarda** (Association of the Industrialists of Lombardy) for the implementation of a financial instrument dedicated to the SMEs and Small Businesses participating in **Terziario Innovativo**.

The Group’s traditional activity in support of local areas and entrepreneurs continued with the development of **Piattaforma Confidi.** In particular, the Group continued to structure the database, with the first release to the pilot “Confidi”, including both the transfer of the files subject to guarantee and the sending of return information flows in relation to the portfolio acquired. In addition, “Applicativo Confidi” is being restructured to make it more and more compliant with the current requirements of monitoring of the world of guarantee entities.

During the first half of 2008, the calls for bids associated with the **2007-2013 EU Support Framework** became operational. In view of the start of “Industria 2015” - a programme of State aid - the Group intensively provided assistance and advisory services to the customers for the purpose of seizing any opportunities resulting from these instruments.

With reference to the **management of corporate liquidity**, the Group released the whole range of **fund management instruments** dedicated to the corporates, to the network. Traditional instruments such as SICAVs of primary investment firms (i.e. Schroeders and JP Morgan) are flanked by portfolios under management diversified by customer target. The Group further developed **Informazione Finanziaria,** a channel in support of business and commercial operations. The channel makes (i) macro-analyses, micro-analyses and industry analyses, (ii) a focus on commodities and (iii) a market view on recommended asset classes and portfolios, available to the users.

On the front of **hedging products**, operations were oriented both to the standard channel and the tailor-made channel. In relation to the implementation of new instruments, the Group overall supply was further expanded in terms of hedging strategies with respect to the foreign exchange risk.

After the **joint venture with the Axa Group** and in light of the enforcement of the new Consob (Italian Securities and Exchange Commission) Regulation on Issuers, the overall supply of **life insurance policies for the SME/Local Authorities segments** was streamlined and updated by improving the conditions applied and reviewing some characteristics. The range consists of capitalization policies for the Local Authorities **(Propensione, Propensione Top and Diga)**, and **a** Branch I key-man policy **(Iride Corporate).** The Group also started reviewing and expanding the products supplied in the area of **damage insurance**, with Ecoenergy being flanked by an electronic policy, an assembly policy, an accident policy for corporates and communities, and an accident and sickness policy. As of 30 June 2008, the Group placed **Investimento Top**, an AXA MPS product which replaces **Propensione Top** and updates and improves its characteristics.

On the front of **damage insurance**, the Group started reviewing and expanding the range of products supplied to the corporates, which includes "Ecoenergy" and the insurance policies targeted at the building industry and, as of the next quarter (Q3), the restyling of the **multi-guarantee, electronic, assembly policies and the accident policy for corporates and communities**.

Additional information on the development of corporate customers payments is provided in the section covering "*The Payment Systems*".

With reference to **Corporate Finance**, **MPS Capital Services Banca per le Imprese** undertook many initiatives in various segments of operations (Capital Market, Corporate Finance and Ordinary Finance) by suggesting state-of-the-art solutions which can integrate traditional loans.

The **projects developed by Capital Market** incorporate the implementation of the adjustments to the IT platform for compliance with the MIFID provisions and the **completion of the development of the advisory ARP (analysis of portfolio risk) platform base**, which was promptly tested with some pilot customers with success. The Group also implemented and circulated the pricing/transaction system on OTC derivatives (e-trade) to the regional desks.

Corporate Finance services include:

- **Project Financing** which was expanded and consolidated in the **infrastructure, utilities, real estate and shipbuilding industries**. In the field of **infrastructure**, the Group (i) secured the financial advising mandates in relation to the financing of a portion of highway in Lombardy and a marina in Campania; (ii) became the Mandated Lead Arranger of an important loan transaction in relation to railway mobility services; (iii) secured the financing of the first lot of Line 5 of the subway in Milan and (iv) secured the refinancing of a hospital in Piedmont. With reference to **certifications**, as provided for by art.153 of Legislative Decree 163/2006, the Group certified three projects. As regards **Shipping Finance**, the Group executed fifteen loan transactions with shipowner s' companies for the purchase of ships.

- The **Private Equity** business in support of the development of small and medium-size companies with a high growth potential was mostly carried out by MPS Venture Sgr, a subsidiary of MPS Capital Services. As of 30 June 2008, the company managed 6 reserved closed-end equity funds in a subscribed total amount of EUR 401 million. In June 2008, the Group decided the early closing of the Ducato Venture retail fund, after the sale of the last equity investment held. The Group executed – through the funds managed and together with other investors – four acquisitions (OMP, Datel, Dynamic technologies, Externautics) and two disposals (Klopman and Manutencoop Facility Management). With reference to **Acquisition Financing**, in the first half of 2008 the Group finalized 13 new transactions promoted by primary financial sponsors. The deals arranged by MPS Capital Services with the role of Mandated Lead Arranger or joint MLA incorporate the acquisition of the majority of the Mercurio group (leader in transport services by car transporters) by Palladio Finanziaria, the buy-out transaction of the Nadella group (products for line industrial handling) , Panini group (digital check scanners) and Sicurglobal group (private security and watching), and the acquisition of Jeckerson (clothing) by Stirling Square Capital. The **Advisory M&A** business was developed through the acquisition and/or management of mandates which concerned transactions with private and public counterparts for extraordinary corporate finance initiatives. 29 transactions had been finalized as June 2008.
- **Subsidized loans,** with the opportunity of providing advisory services as a result of the 2008 Financial Act and the following re-design of the **territorial pacts**. The Networks of the Commercial Banks were given the list of the "territorial pacts already financed", but not managed by MPS Capital Services for the purpose of conducting informative actions on the spot.
- **Structured finance,** with the development of the business of MPSCS which implied a considerable increase in the operations of the dedicated Loan Agency unit which manages a portfolio including more than 110 transactions in a total amount of about EUR 1,500 million.
- **Ordinary finance**, with the Group promoting the products designed within the new national industrial planning (**Industria 2015**), and in particular the first three calls for bids already issued **(Efficienza Energetica, Mobilità Sostenibile and Made in Italy),** with its customers**.** As regards Research, the Group is finalizing the transactions obtained with the "GPS" call for bids. Similar actions of development are carried out in relation to **agricultural credit**, with the actual start in the next few months of the contracts of industry and district.

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 1,160 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** – with hefty loans granted to the Local Authorities segment last year - decreased.

The **loans disbursed by the Corporate Banking & Capital Market Area** progressed considerably (+9.6% in terms of average volumes), with **short-term loans slowing down** (+4.9%

y-o-y from +6.4% in Q1 2008) as a result of specific guidelines oriented to a more conservative expansion of the loan portfolio, against a gradually deteriorating backdrop. **Direct funding** boomed (+9.5% in terms of average volumes), mainly driven by the new liquidity flowed into the **Local Authorities segment** (+38.1%). Funding from the Foreign Branches declined due to the planned reduction of the wholesale deposits in the international markets.

Total income for Corporate Banking & Capital Market (EUR 723 million approx.) advanced in comparison with the results as of 30 June 2007 (+9.2%) driven by the positive contribution of interest income (+12.4% mostly due to the expansion of traded volumes) and net commissions (+9%). Loan adjustments deteriorated remarkably (+64.6%), mainly due to "extraordinary" writedowns in relation to the settlement of the Hopa issue. The Net Operating Profit came to EUR 239 million, dropping by 3.5% y-o-y (+10.3% net of the Hopa adjustments). The cost/income ratio for the Area came to 43.6% (versus 47.2% as of June 2007).

Corporate Banking / Capital Markets

(in milioni di euro)	30/06/08	% chg yoy
INCOME AGGREGATES		
Net interest income	512,1	12,4%
Net commissions	144,9	9,0%
Financial income (loss)	66,0	-10,5%
Net Financial income (loss)	**723,0**	**9,2%**
Net adjustments for impairment of loans and financial assets	168,5	64,6%
Operating expenses	315,5	1,1%
Net operating income	**239,0**	**-3,5%**
CAPITAL AGGREGATES		
Performing loans	54.312,7	3,9%
Due to customers and securities	34.423,9	29,2%
Assets under management	2.851,8	-16,3%

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 in the amount of EUR 52.3 million.
- **MPS Leasing & Factoring – Banca per i Servizi Finanziari alle imprese** consolidated its market position and posted a net profit of EUR 11 million (EUR 9.8 million as of 30 June 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 bad and 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 :

- **BANCA ANTONVENETA (NTV):** see the section of the report covering "The merger of Banca Antonveneta".
- **BIVERBANCA**: posted a net profit of EUR 22.2 million.
- **DISCONTINUED OPERATIONS**
    - Mp Asset Management (SGR) posted a net profit of EUR 15.7 million.
    - Banca Monte Parma posted a net profit of EUR 6 million.
    - Valorizzazioni Immobiliari broke even.
    - Marinella posted a loss of EUR 0.47 million.
- **SERVICE COMPANIES AND MINOR COMPANIES**
    - Mps Immobiliare posted a net profit of EUR 17.7 million.
    - Mps Gestione Crediti Banca posted a net profit of EUR 5.2 million.
    -

• THE GROUP FINANCE BUSINESS

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

PROPRIETARY FINANCE

During the first half of 2008, the financial markets experienced a very critical stage, due to the slump in the major European Stock Exchange indices (abt.20%) and the expansion of credit spreads. In addition, the strong pressure in the monetary market with high spreads between the Libor and OIS rates was exacerbated by the clear difficulties faced by the primary players of the international banking industry who required massive liquidity provisioning actions from the Central Banks and strong recapitalization by private and public investors. Against this backdrop, proprietary finance was characterized by a conservative approach with the objective of seizing any profit opportunities offered by any misalignment in the pricing of the main asset classes.

As of 30 June 2008, financial assets for trading purposes stood at EUR 22.3 bn (26.2 bn as of December 2007). This decline (about – EUR 3.9 bn) is attributable to Cash assets where the weight of Loans decreased (-EUR 6.3 bn in relation to repurchase agreements) and the value of bonds and other fixed-income securities grew (+EUR 2.3 bn). This trend is influenced by the business of MPS Capital Services which faithfully reproduces the trend of the above aggregates, with operations concentrated on the optimal management of liquidity with the objective of seizing the opportunities generated by the "asymmetry" of the monetary market which is particularly volatile. Additional changes are attributable to the consolidation of Antonveneta (net effect: + EUR 0.95 bn), which is offset by the reduction of the assets of the Parent Bank in compliance with the guidelines which are indicative of the will of limiting market risk exposure.

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

	Parent Company			MPS Group		
	30/06/08	abs. Chg yoy	%	30/06/08	abs. Chg yoy	%
Cash assets	**6.631**	**195**	**3,0%**	**16.543**	**-4.482**	**-21,3%**
Including:						
Bonds and other fixed-income securities	3.806	682	21,8%	7.591	2.256	42,3%
Equities and shares of mutual funds (OICR)	429	-147	-25,5%	1.210	34	2,9%
Loans				5.163	-6.318	-55,0%
Loan losses sold, not written off	2.397	-340	-12,4%	2.578	-453	-14,9%
Trading derivatives	**2.470**	**-368**	**-13,0%**	**5.782**	**560**	**10,7%**
Including:						
Positive value of financial derivatives	2.322	-437	-15,8%	5.402	434	8,7%
Positive value of credit derivatives	148	68	85,7%	380	125	49,2%
FINANCIAL ASSETS FOR TRADING PURPOSES	**9.139**	**(135)**	**-1,5%**	**22.325**	**(3.922)**	**-14,9%**

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

	Parent Company			MPS Group		
	30/06/08	abs. Chg yoy	%	30/06/08	abs. Chg yoy	%
Cash liabilities		**-61**	**-100,0%**	**6.866**	**-6.901**	**-50,1%**
Including:						
Amounts due to banks			n.s.	2.008	-3.358	-62,6%
Amounts due to customers		-61	-100,0%	3.740	-2.182	-36,8%
Outstanding securities			n.s.	1.118	-1.361	-54,9%
Trading derivatives	**2.576**	**-428**	**-14,2%**	**6.432**	**844**	**15,1%**
Including:						
Negative value of financial derivatives	2.487	-457	-15,5%	6.108	755	14,1%
Negative value of credit derivatives	89	30	50,5%	324	89	38,1%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**2.576**	**(488)**	**-15,9%**	**13.298**	**(6.057)**	**-31,3%**

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

	Parent Company			MPS Group		
	30/06/08	abs. Chg yoy	%	30/06/08	abs. Chg yoy	%
Financial assets available for sale	**4.799**	**-209**	**-4,2%**	**5.017**	**212**	**4,4%**
Including:						
Bonds and other fixed-income securities	3.123	-106	-3,3%	2.572	71	2,8%
Equities and shares of mutual funds (OICR)	743	-432	-36,7%	1.566	-43	-2,7%
Loan losses	771	166	27,6%	872	178	25,6%

sale, with the ensuing reduction of valuation reserves in the consolidated net equity in a total amount of EUR 303.7 million since the beginning of the year (+107.3 million with respect to March 2008).

TREASURY

During the first half of 2008, the management of Treasury ensured the Group appropriate levels of liquidity, also in view of funding requirements associated with the acquisition of Banca Antonveneta. Particular emphasis was placed on the optimization of the financial flows by extending the average life of funding with ensuing benefits in the global management of short-term liquidity. The management of Treasury flows was characterized by the decline of loans to the interbank market and growing investments in the Group Banks and Subsidiaries. Sales and marketing operations ensured a balanced financial development in terms of the imbalance between funding and lending, whereas the acquisition of Antonveneta (see the section covering "The merger of Banca Antonventa") determined a funding imbalance. Therefore, as is shown in the following table, **the consolidated net borrowing interbank position came to EUR 12.7 bn as of 30 June 2008, with a 7.2 bn increase with respect to the prior quarter, mostly attributable to the above-mentioned net imbalance of Banca Antonveneta.**

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

	Parent Company			MPS Group		
	30/06/08	abs. Chg		30/06/08	abs. Chg	
		yoy	%		yoy	%
Amounts due from banks	36.018	3.087	9,4%	14.553	-305	-2,1%
Amounts due to banks	32.965	16.897	105,2%	27.218	13.475	98,1%
Net borrowing position	**3.053**	**-13.811**	**-81,9%**	**(12.665)**	**(13.781)**	**n.s.**

In view of the above, as of 30 June 2008 the short-term and structural liquidity position was solid, appropriate and showed large available funds. **As of 30 June 2008, the counterbalancing capacity (i.e. reserve assets for allocation) amounted to about EUR 12 bn,** since the assets already available as of 31 March 2008 were flanked by a second loan securitization transaction without *derecognition* (in an amount of EUR 3 bn) in April 2008.

ALM

Bond funding was oriented to:

- domestic operations, in support of the Group's sales and marketing policies in relation to retail, corporate and private customers with 42 new issues in a total amount of EUR 2,267 mln (Parent Bank only), with plain bonds accounting for 85% and structured bonds for 15%. In addition, in the first half of 2008 domestic funding incorporated the first issue of a hybrid instrument of capitalization targeted at all customers ("BMPS Floating Rate Subordinated Upper Tier II 2008-2018), in a total nominal amount of EUR 2,500 million, for the purpose of raising fresh money and converting funds under administration;
- international operations – mainly targeted at institutional investors – with 12 new issues as part of the Debt Issuance Programme in a total amount of EUR 3,800 mln. This includes a 3-year fixed-rate senior issue in June 2008 in a total amount of EUR 2,500 million and a Lower Tier II subordinated issue (EUR 250 million) in the form of a private placement.

OPERATING RESULTS

The Finance Area of the Parent Bank (inclusive of the results of Proprietary Finance and Treasury) made a contribution of EUR 22 million to total income, with a sharp 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 5.2 million (EUR 125.5 million as of 30 June 2007).

Parent Company - property finance and treasury

in EUR million	30/06/08	% chg yoy
INCOME AGGREGATES		
Net interest income	44,7	n.s.
Financial income (loss)	-22,9	n.s.
Net Financial income (loss)	**21,9**	**-84,6%**
Net adjustments for impairment of loans and financial assets		
Operating expenses	16,7	1,9%
Net operating income	**5,2**	**-95,8%**

THE MANAGEMENT OF THE GROUP'S EQUITY INVESTMENTS

In the first half of 2008, the Group continued to reorganize its equity investment portfolio.

- The Parent Bank transferred 73 equity investments in a total amount of about EUR 102.3 million to MPS Investments SpA, an equity investment holding company and a centre of excellence for the Group equity investment management through "administrative service";
- MPS Capital Services SpA sold a few investments (4 shareholdings in a total amount of EUR 6.3 million) which were no longer part of its merchant banking business to MPS Investments SpA.

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

1. Acquisition of new equity investments

MPS SIM SpA: as provided for by the agreement with the AXA Group, BMPS purchased the whole share capital (100%) of AXA SIM S.p.A. (which was subsequently renamed MPS SIM) in a total amount of EUR 40 million.

Banca Antonveneta SpA: on 30 May 2008, the Group purchased the whole share capital of the Bank from Banco Santander, with an investment of about EUR 10.1 bn, including EUR 1.1 bn cashed by Antonveneta for the sale of Interbanca to third parties.

Participation in capital increase/reinstatement and equity investments increases

The major transactions incorporate:

- The purchase from Fondazione Cassa di Risparmio di Vercelli, in accordance with the provisions of the agreements executed with the other shareholders upon the purchase of the controlling interest from Intesa Sanpaolo SpA, of an additional 5.78% of the share capital of Cassa di Risparmio di Biella e Vercelli SpA, in a total amount of EUR 41.9 million and the following sale to Fondazione Cassa di Risparmio of a 1.78% share in a total amount of EUR 12.9 million. As of 30 June 2008, Banca Monte dei Paschi di Siena SpA held 59% of the share capital of Biverbanca.

- The purchase of the remaining 50% portion of Quadrifoglio Vita SpA from Unipol SpA, as agreed upon, in an amount of EUR 92.5 million. As of 30 June 2008, the Group reached an agreement for the sale to AXA MPS Assicurazioni Vita of the whole share capital of Quadrifoglio Vita, subject to authorization;

- The subscription of the capital increase of MPS Capital Services SpA in a total amount of EUR 99.7 million (including EUR 2.0 million subscribed by Banca Toscana);

- The payment of the remaining 75% portion of the capital increase subscribed in Fidi Toscana SpA, with a total Group investment of EUR 2.2 million;

- The subscription of the capital increase of Compagnia Investimenti e Sviluppo SpA in an amount of EUR 1.2 million;

- The subscription of the capital increase of Aeroporto di Siena SpA, in a total amount of EUR 4 million. As of 30 June 2008, the Group had paid out only 25% of the share.

2. Disposal/Sales of equity investments

In the first half of 2008, Banca MPS:

- sold the stake held in Banca della Ciociaria SpA (Frosinone) (5.17% of the share capital in a total amount of EUR 2.4 million);
- sold the stake held in Pacchetto Localizzativo Brindisi Scrl (Brindisi) (17.80% of the share capital in a total amount of EUR/000 9.9);
- sold its interest in Autocamionale della Cisa SpA – Pontetaro (PR) (0.002% of the share capital in a total amount of EUR/000 1.1);
- sold its 9% stake in Etruria Telematica Srl – Monteriggioni (SI) due to the reduction of the share capital for losses.
- sold the total control of MPS Finance SpA (Siena) - which had been previously transferred the business unit in relation to the depositary bank business - to Intesa Sanpaolo SpA.
- sold its interest in Finsoe SpA (Bologna) (13% of the share capital in a total amount of EUR 234.4 million);
- sold the stake held in Società Aeroportuale Calabrese S.A.CAL. SpA – Lamezia Terme (CZ) (0.6% of the share capital in a total amount of EUR/000 68.7);

- sold the equity investment held in E.R.V.E.T Emilia Romagna Valorizzazione Economica Territorio SpA (Bologna) (2.449% of the share capital in a total amount of EUR/000 299.7);
- sold the equity investment held in Interporto di Bologna SpA (Bologna) (1.678% of the share capital in a total amount of EUR/000 404.5)

At the Group level:

- MPS Capital Services (i) purchased an additional 4.5% of the share capital of Società Incremento Chianciano Terme SpA, with an investment of EUR/000 96; (ii) purchased an additional 1.6% of the share capital of Lineapiù SpA, with an investment of EUR/000s 380; (iii) purchased 0.69% of the share capital of Servizi Energetici Integrati SpA, with an investment of EUR/000 440; (iv) purchased a 20% stake of the share capital of Agricola Merse Srl, with an investment of EUR 5 million; (v) purchased 0.69% ; (vi) sold its 30% interest in the share capital of Marina Blu SpA (total amount: EUR 5.2 million);
- Banca Agricola Mantovana SpA (i) merged by incorporation Banca Agricola Mantovana Riscossioni SpA, a formerly wholly-owned subsidiary; (ii) purchased a 7.36% stake in Cantina Sociale di Arceto Società Cooperativa Agricola through its subsidiary Agrisviluppo SpA with an investment of EUR/000 300;
- Monte Paschi Asset Management SGR SpA subscribed the capital increase of Total Return SGR SpA, with an investment of EUR/000 39.3, thus diluting its share from 15% to 12.35%;
- Banca Antonveneta SpA (i) subscribed a share of the fund of the MONTEPASCHI IT Operating Consortium, with an investment of EUR/000s 39.0; (ii) sold 19,044 class A shares of Mastercard Inc. and cashed EUR 5.8 million;
- MPS Investments SpA sold the whole share capital of Fontanafredda Srl in an amount of EUR 90 million, including EUR 10 million cashed as of 30 June 2008 and the remaining portion to be collected no later than 31 December 2008.

In addition:

- The sale of the business unit of "*off site supply*" pursuant to art.30 of Legislative Decree no.58/1998 from MPS SIM SpA to MPS Banca Personale SpA;

2) SECONDARY REPORTING

As a basis for secondary reporting, the MontePaschi Group adopted the breakdown of operating results by geographical area. The MONTEPASCHI Group mostly operates in the domestic market, with particular focus on central Italy (the Group realizes 98% of its net operating profit in Italy).

In relation to the strong emphasis placed by the Group on international business, in compliance with the objectives of the Business Plan of the International Banking Area of the MontePaschi Group, 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 supply and service capacity 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.

Business was strongly oriented to supporting the operations of domestic customers. Particular emphasis was placed on the development and follow-up of the **international expansion of the SMEs,** in a logic of support to the commercial penetration of new or emerging markets, and assistance to foreign investment projects. Specific commercial campaigns **by product and customer segment** enabled the Group to consolidate its market share in the intermediation of international commercial flows.

Strategic and operational guidelines were flanked by considerable training initiatives involving the skilled resources of the domestic and international networks, with the objective of improving **the selling capacity of international products and services**.

With regard to **commercial activity** (see the section covering *"The distribution channels*", with reference to the development of the "direct foreign network"), the Group's competitive capacity was based on products and services already existing in the market (i.e. the Global SACE Insurance Policy, **Exportkey**, the assignment without recourse of credits in relation to foreign corporates with transfer of the SACE policy, and VAT recovery in relation to international transactions) which represent consolidated operational instruments and attract sizeable commercial flows, with an appropriate return in terms of commissions.

In strict compliance with the objectives of development of the Group's operational skills and of service to the companies in emerging areas, the **Correspondent Banking activity** was essentially hinged on three aspects:

- **Improved efficiency of the management of relations with foreign correspondents**, in the framework of (SEPA) European payments, with the finalization of many **agreements in relation to the tariffs to be applied to commercial money transfers** for the purpose of improving our market share in the international payment system;
- **The development of interbank relations,** with a focus on the counterparts operating in high growth potential geographical areas, 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.

From the economic viewpoint, the Group entered into **specific tariff agreements on products and services** with the correspondent banks, with the objective of channelling increasing operational flows.

In support of "**Paschi Senza Frontiere**", the Group entered into agreements with **Banka Credins (Albania), Compagnie Bancaire de l'Afrique Occidentale – CBAO (Senegal), Attijariwafa Bank (Morocco),** for the purpose of creating synergies in the management of fund remittances originated by the migratory flows of workers in Italy and, more in general, promoting the circulation of information on the products. "Paschi Senza Frontiere" is actually a package of services provided to the immigrants lawfully resident in Italy, which enables the holders of current accounts to send money transfers to their countries at facilitated terms and free of commissions in relation to specific amounts.

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

OPERATING RESULTS

The trading volumes of the **International Banking Area**[16] were downsized with particular regard to lending, on the basis of the guidelines given by the Parent Bank.

Income from financial and insurance business amounted to EUR 59.2 million with a 6.7% increase with respect to June 2007. The net operating profit stood at EUR 12.4 million, with a decrease on a yearly basis, due to moderate (absolute value) loan valuation adjustments in comparison with June 2007 when write-backs were recorded. The cost/income ratio was 75.8% (79.9% in June 2007).

SEGMENT REPORTING - Secondary segment
(in millions of euro)

30/06/08	Foreign	% chg yoy
INCOME AGGREGATES		
Net Financial income (loss)	59,2	6,7%
Net adjustments for impairment of loans and financial assets	1,9	n.s.
Operating expenses	44,9	1,3%
Net operating income	12,4	-1,2%
CAPITAL AGGREGATES		
Performing loans	2.174,0	-16,5%
Due to customers and securities	8.266,0	-9,7%
PROFITABILITY RATIOS		
Cost Income	75,8%	
Raroc	4,3%	

With reference to the foreign banking subsidiaries:

- **Monte Paschi Banque** posted a consolidated net profit of EUR 16.13 million (EUR 8.9 million as of 30 June 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 3.12 million (2.1 million as of 30 June 2007).

[16] At the level of primary reporting, Income from the International Banking business is incorporated in the Corporate Banking/Capital Markets 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.

THE MERGER OF BANCA ANTONVENETA

A. Terms and conditions of the transaction and terms of payment

On 8 November 2007 Banco Santander and BMPS entered into an agreement (the "Agreement") in relation to the sale of the shares of the whole share capital of Banca Antonveneta and its subsidiaries, except for Interbanca and its subsidiaries (the "Shares").

The Acquisition was executed on 30 May 2008 with the transfer of the Shares from ABN AMRO Bank N.V. ("ABN AMRO") to BMPS. In compliance with the power contractually contemplated by the Agreement, Banco Santander appointed ABN AMRO as the seller holding the rights and obligations resulting from the Agreement.

The price paid at the closing by BMPS to ABN AMRO was EUR 10.1 bn, including EUR 1.1 bn cashed by Antonveneta for the sale of Interbanca to third parties and about EUR 230 million as the interest accrued on EUR 9 bn starting from the date of the Agreement to the closing date, at the 3-month Euribor rate.

For the purpose of fixing the price, the Agreement also contemplated the payment of any dividends distributed by Interbanca to Banca Antonveneta from the date of the Agreement to the closing date. In addition, any dividends or other sums distributed by Banca Antonveneta to its shareholders from the date of the Agreement to the closing date had to be deducted from the price. As of the closing date, no distribution had been made.

The acquisition of the Antonveneta Group did not include Interbanca and its subsidiaries (Interbanca International Holding S.A. and Bios Interbanca S.p.A.). Pursuant to the Agreement, no later than the closing date, once obtained all and any authorizations required by the ruling applicable regulations, Banca Antonveneta had to sell the whole share capital of Interbanca to Banco Santander, or a third party appointed by Banco Santander itself. The transaction was closed and executed on 20 May 2008 through the sale of the shares of Interbanca to a company belonging to the ABN AMRO Group. The selling price of Interbanca shares had a neutral impact on the acquisition of Banca Antonveneta by BMPS, since an amount corresponding to such price, cashed by Banca Antonveneta, was paid from BMPS to ABN AMRO on the closing date.

On the basis of the Agreement, the execution of the acquisition was subject to the occurrence or the waiver of the following conditions before 30 September 2008: (i) the obtainment of all the necessary authorizations issued by the competent authorities for the sale of the Shares, (ii) the obtainment of all the necessary authorizations issued by the competent authorities for the sale of the shares of Interbanca to Banco Santander or a third party appointed by Banco Santander itself and (iii) the execution no later than 30 September 2008 of the sale of the shares of Interbanca. Such conditions occurred before the closing of the transaction.

In particular, with reference to the above point i): (a) on 17 March 2008, the Bank of Italy authorized the acquisition, (b) on 27 March 2008, ISVAP (the Italian Insurance Regulatory Authority) authorized BMPS to hold – through Banca Antonveneta – a considerable interest of 50% in the share capital of Antoniana Veneta Popolare Vita S.p.A. and Antoniana Veneta Popolare Assicurazioni S.p.A. and (c) on 7 May 2008, the Antitrust Authority resolved to approve the acquisition of Banca Antonveneta by BMPS, subject to the sale of 110-125 branches by BMPS.

BMPS conducted no formal due diligence for the purpose of adjusting the selling price. However, the Bank was entitled – after executing the Agreement – to carry out a due diligence on the major accounting, fiscal and legal issues of the Antonveneta Group.

The Agreement did not incorporate any statements and warranties in favour of the buyer. As of the closing date, Banco Santander expressly stated that there were no pledges and encumbrances on the Shares.

B) REASONS UNDERLYING THE TRANSACTION WITH PARTICULAR REGARD TO THE OPERATING OBJECTIVES OF BMPS

The acquisition of Banca Antonveneta from Banco Santander is part of the strategy of development started by the MPS Group with the acquisition of Biverbanca. This enables the Group to expedite the implementation of the Business Plan, innovation and domestic growth, thus benefitting from the distribution scale. As a result of the acquisition, the MPS Group can improve its competitive potential in terms of:

- Greater geographical coverage. The Group considerably increases domestic geographical coverage, benefits from a strong competitive position in all the wealthiest areas of the country (top positions in north-eastern Italy, Tuscany and Latium and an appreciable position also in Lombardy and Piedmont), and consolidates its presence in southern Italy.
- Increase in fiduciary assets. The Group increases its fiduciary assets on average by 30%, thus achieving an ideal size and a better diversification of risks resulting from the re-mix of the loan portfolio in favour of the most productive areas of the country.
- Achievement of economies of scale. The Group will be able to aim at achieving more and more tangible economies of scale and purpose and, more in general, increasing its competitiveness and the governance of risk/return factors.

In addition, in line with the strategic guidelines of the 2008-2011 Business Plan approved by the Board of Directors of BMPS on 10 March 2008 (the "Business Plan"), as a result of the acquisition the Group can expedite the achievement of the objectives of creation of value, and implement an in-depth reorganization with the objective of further improving the performance of the whole Group.

Although as a separate corporate body, Banca Antonveneta will continue to strongly focus its business on north-eastern Italy, its area of natural and historical interest. This will enable the Montepaschi Group to specifically enhance the value of one of the wealthiest areas in the country, where the Group was not present in an appropriate manner so far, and to develop the local relations of the Antonveneta Group at best. The integration of the Antonveneta Group into BMPS is expected to be completed by the end of the current financial year, prior execution of the legal process and the obtainment of the necessary authorizations.

In the first half of 2008, in order to integrate Banca Antonveneta into the Montepaschi Group as soon as possible, the Group started a restructuring in forced stages of the Bank's organization and commercial structure. The IT systems and procedures have been already replaced and all production units appropriately trained.

C) SOURCES OF FINANCE COVERING THE PRICE AND ALLOTMENT OF THE COST OF ACQUISITION

The acquisition of Banca Antonveneta was funded by equity and debt instruments, in addition to a bridge loan.
In particular, the funding plan of the transaction consists of the following:

(i) a capital increase approved by the Board of Directors on 20 March 2008 and 24 April 2008, as a result of a delegation of authority granted by the Shareholders' Meeting on 6 March 2008, through the offer as an option to the shareholders of BMPS of 2,740,485,580 ordinary shares, 9,432,170 savings shares and 565,939,729 preferred shares, in a nominal value of EUR 0.67 each, at the price of EUR 1.5 each newly issued ordinary, savings and preferred share, in a total nominal amount of EUR 2,221,624,510.93 and a total amount, inclusive of the share premium, of EUR 4,973,786,218.50. At the end of the offer, 2,740,485,580 ordinary shares, 9,432,170 savings shares and 565,939,729 preferred shares had been subscribed and fully paid up, in a total amount, inclusive of the share premium, of EUR 4,973,786,218.50;

(ii) a capital increase approved by the Board of Directors on 10 April 2008, as a result of a delegation of authority granted by the Shareholders' Meeting of BMPS on 6 March 2008, through the paid issue, with a share premium, of 295,236,070 ordinary shares, in a nominal value of EUR 0.67 each, to be subscribed by JP Morgan at the price of EUR 3.218 per share, in a total amount of EUR 950,069,673.26 – for the issue by JPMorgan, or a company also not belonging to the JPMorgan group, of financial instruments convertible into ordinary shares of BMPS. On 15 May 2008, BMPS executed an agreement with J.P. Morgan Securities Ltd. whereby the company subscribed all newly issued ordinary shares at the price fixed by the Board of Directors. A specific agreement entered into between BMPS and J.P.Morgan Securities Ltd. on 16 April 2008 gave a 30-year beneficial interest on the above shares to BMPS, in compliance with art.2352 of the Civil Code, but subject to early extinction in the case of conversion of the convertible instruments or in the case of a public purchase offer on all the ordinary shares of BMPS. J.P. Morgan Securities Ltd. holds the right of bare property. The voting right in relation to such shares, which is due to the beneficial owner, is discontinued until the right to the beneficial interest is pending in favour of BMPS.

(iii) A public offer of a bonded loan ("Banca Monte dei Paschi di Siena S.p.A. Floating Rate Subordinated Upper Tier II 2008-2018"). Therefore as a result of the offer, on 15 May 2008, BMPS issued 2,160,558 bonds of a non-fractionable nominal value of EUR 1,000 each, in a total nominal amount of EUR 2,160,558,000 (the "Bonds"). The Bonds have a 10-year maturity and will be refunded on 15 May 2018. The Bonds entitle to coupons payable each year in deferred half-year instalments on 15 November and 15 May. The interest rate applicable to the coupons is indexed to the 6-month Euribor plus 250 bp (2.50%) for the whole term of the bonded loan. Such instruments were issued in the form of securities and placed in the domestic market in compliance with the provisions of Circular 263/2006 (in particular, part 1, chap.2, section II, § 4.1 and § 4.2) and for the purpose of their calculation in Tier II capital.

(iv) A bridge loan executed on 24 April 2008 with a pool of banks (Merrill Lynch, Credit Suisse, JPMorgan, Citi, Mediobanca and Goldman Sachs) in a maximum amount of EUR 1,950,000,000. The loan which expires 364 days after the date of utilization, at an interest rate corresponding to the Euribor rate plus 0.10% per annum, is subject to a clause of compulsory early repayment with the profits resulting from the sale of non-strategic assets, including:

- The sale of MP Asset Management S.G.R, and any of its subsidiaries;
- The sale of FINSOE S.p.A.;
- The set-up of a joint venture specialized in debt collection;
- The disposal of the equity investment held in Banca del Monte di Parma;
- The sale of a minority shareholding (49%) in MPS Immobiliare;
- The sale of a few equity investments not pertaining to the core business;
- The sale of 120-125 branches.

According to IFRS3 which contemplates the fair value valuation of the assets and liabilities of the purchased entity, the value of goodwill is first estimated at 6,752 million, with respect to a global cost of acquisition of EUR 10,138 million.

D) THE AGGREGATE PROFIT AND LOSS STATEMENT AND THE RESULTS OF ANTONVENETA

As indicated in the Section covering “The criteria of classification for operating purposes – MONTEPASCHI Group”, the results of the former Antonveneta Group were incorporated in the consolidated half-year profit and loss statement of the MPS Group only for one month, as of the date of acquisition (30 May 2008). The profit and loss statement for the second quarter is adversely affected by the charges incurred for the integration of the two Groups and the economic effects of the PPA. For the purpose of ensuring a view compliant with the new structure of the MPS Group, the following table illustrates the aggregate Profit and Loss Statement for the first six months of 2008, calculated as if the consolidation of the former Antonveneta Group had occurred on 1 January 2008 (so-called First Consolidation). However, the economic effects of the PPA were not recalculated on the basis of the hypothetical fair value as of 1 January 2008, but were equal to the effects actually posted and are indicated in a separate line before net profits.
In particular, the following profit and loss statement results from the aggregation of the following components:

a) the half-year profit and loss statement of the MPS Group restated on a comparative basis and with the application of IFRS5, that is excluding the results of the Antonveneta Group (1 month), and the economic components attributable to its integration, from the final financial statements as of 30 June 2008, and applying IFRS5 in relation to MPS Asset Management SGR and Banca Monte Parma;
b) the half-year profit and loss statement of the former Antonveneta Group, measured as the sum of the profit and loss statement for the first 5 months of the Antonveneta Group and the contribution to the results of the MPS Group for the period from 30 May to 30 June;
c) the integration charges incurred until 30 June for the integration of the former Antonveneta Group into the MONTEPASCHI Group, in relation to early retirement, advisory services and IT costs.

INCOME STATEMENT (in millions of euros)

30/06/08	Gruppo Monte Paschi (excl. Antonveneta)	Antonveta (6 months)	Total
Net interest income	**1,615.1**	**552.7**	**2,167.8**
Net commissions	698.2	247.5	945.7
Income from banking activities	**2,313.2**	**800.2**	**3,113.4**
Dividends, similar income and profits (losses) from equity investments	21.3	12.6	33.9
Net result from realisation/valuation of financial assets	50.7	5.0	55.7
Net gain (loss) from hedging	-5.4	-2.2	-7.6
Financial and insurance income (loss)	**2,379.9**	**815.5**	**3,195.4**
Net adjustments for impairment of:			
a) loans	-325.4	-126.2	-451.6
b) financial assets	-89.8	-39.9	-129.8
Net financial and insurance income (loss)	**1,964.6**	**649.4**	**2,614.0**
Administrative expenses:	-1,341.9	-494.2	-1,836.1
a) personnel expenses	-884.1	-317.3	-1,201.4
b) other administrative expenses	-457.9	-176.9	-634.7
	0.0	0.0	0.0
Net adjustments to the value of tangible and intangible fixed assets	-56.0	-23.1	-79.1
	0.0	0.0	0.0
Operating expenses	**-1,398.0**	**-517.3**	**-1,915.3**
Net operating income	**566.7**	**132.1**	**698.7**
Net provisions for risks and liabilities and Other operating income/costs	8.3	-28.6	-20.2
Income on equity investments	200.3	0.0	200.3
Integration costs	-56.9	-81.4	-138.3
Goodwill impairment	-0.2	0.0	-0.2
Gains (losses) from disposal of investments	27.8	0.0	27.8
Gain (loss) from current operations before taxes	**746.1**	**22.1**	**768.2**
Taxes on income for the year from current operations	-263.2	-11.5	-274.7
Gain (loss) from current operations after taxes	**482.9**	**10.5**	**493.4**
Gain (loss) on fixed assets due for disposal, net of taxes	14.3	67.5	81.9
Minority interests in profit (loss) for the year	-11.1	-1.6	-12.7
Net profit (loss) for the year (excl. PPA)	**486.1**	**76.5**	**562.6**
Purchase Price Allocation	-6.3	0.0	-6.3
Net profit (loss) for the year	-3.8		-3.8
Net profit (loss) for the year	**476.0**	**76.5**	**552.4**

In the past six months, Banca Antonveneta achieved positive operating results and tried to consolidate its relations with the customers of reference (more than **3,000 new current accounts opened in June**), as an essential base for the relaunch of the performances, as required by the strategic guidelines.

With reference to traded volumes in the first half of 2008, **direct funding** developed appreciably development with a 5.6% growth in comparison with June 2007 in terms of average volumes, mainly driven by time components (repurchase agreements and bonds). The trend of **lending** was also positive with a 5.7% progress (in terms of average volumes) mostly oriented to medium-/long-term components. Due to the above trends, the results of Banca Antonveneta show that the **core business income** (interest income + net commissions) advanced by 1.1% with respect to June 2007 and progressed by an appreciable 7.6% in comparison with Q1 2008. **Income from financial business** declined by 4.9% due to **other income from financial business** which was affected by the negative trend of the financial markets. **Net valuation adjustments to loans and financial assets** deteriorated (+47.2%) y-o-y, mostly due to the writedowns in relation to the settlement of the Hopa issue (abt. 40 million). “Ordinary” **operating charges** (not inclusive of the extraordinary costs of integration) dropped by 6% with respect to June 2007. **Net profits** for the first six months of 2008 came to EUR 76.5 million (including the profits resulting from discontinued operations).

INTEGRATED RISK AND CAPITAL MANAGEMENT

RISK MEASUREMENT AND CONTROL. COMPLIANCE WITH BASLE 2 STANDARDS

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

The **Board of Directors of the Parent Bank** is responsible for determining the overall degree of risk aversion and therefore the operational limits in relation thereto. The **Board of Statutory Auditors and the Internal Controls Committee** are charged with evaluating the degree of efficiency and adequacy of the internal controls system, with particular reference to the control of risk.

The **Head Office** is responsible for ensuring compliance with the risk management policies and procedures. **The Parent Bank Risk Committee** has the responsibility of evaluating the risk profile of each company of the Group and at a consolidated level, and therefore capital absorption (both capital for regulatory purposes and economic capital) . The **Risk Committee** prepares the risk management policies and checks overall compliance with the limits assigned at different levels of operations.
The **Finance Committee** has been assigned the tasks of planning the MPS Group funding, identifying the initiatives to be adopted for thbest risk-return profile of Asset & Liability Management and defining any capital management actions.

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

The **Risk Management Unit of the Parent Bank** defines integrated methodologies of analysis for the measurement of overall risks incurred in order to accurately and steadily monitor risks and quantify economic capital. The Unit produces daily and periodic reports for monitoring compliance with the operational limits set by the Board of Directors, on the basis of the internal models developed for the measurement of VaR and the sensitivity of the economic value of exposures to the various risk factors being examined.

The monitoring of the Risk Management Unit of the Parent Bank has increasingly involved, with the passing of time, a wider range of materially important risks at the Group level, in compliance with Basle 2 principles as well as the Capital Requirements Directive (CRD), above all with reference to the second pillar.

In the first half of 2008, in compliance with the **New Accord on Capital Adequacy (Basle II)**, the Group pursued its activities oriented to optimizing credit, market and operational risk management.

TYPES OF RISKS INCURRED

When operating in the markets, the MPS Group incurs in different kinds of risks, which can be summarized as follows: credit risks, market risks, risks in relation to the trading book, Banking Book interest rate risks (Asset & Liability Management), liquidity risks, equity investment portfolio risks, counterpart and issuer risks, operational risks, insurance risks, insurance risks in relation to the Group insurance companies, business risks, i.e. the risks of losses resulting from the volatility of

the cost and income structure, reputational risks other than operational risks, i.e. the possible deterioration of the customers' confidence in their bank.
The MPS Group has developed its own internal measurement models which are used to determine the overall internal capital as provided for by Pillar II for many of these risks, such as the risks reported by the First Pillar of the Bank of Italy's guidelines on the above-mentioned capital adequacy, as well as other risks, for example the Bank of Italy's Book interest rate risk and the concentration risk. Finally, as to liquidity risks, a strict measurement and policy framework was approved according to a view shared by the operating structures of the bank.

All these macro-factors of risk which have a direct impact, in particular, on the Group's assets are subject to regular measurement and monitoring by the Risk Management Unit of the Parent Bank.
As far as reputational risks are concerned, and in particular the risks regarding products and portfolios of the Group customers which have an indirect impact on the Group's total assets as a result of potential impacts on the customers' assets, the latest re-organization assigned to the **Wealth Risk Management Unit,** which reports to the Private Banking/Wealth Management Area, the task of measuring and monitoring such macro-factor of risk.

The analysis of the Economic Capital

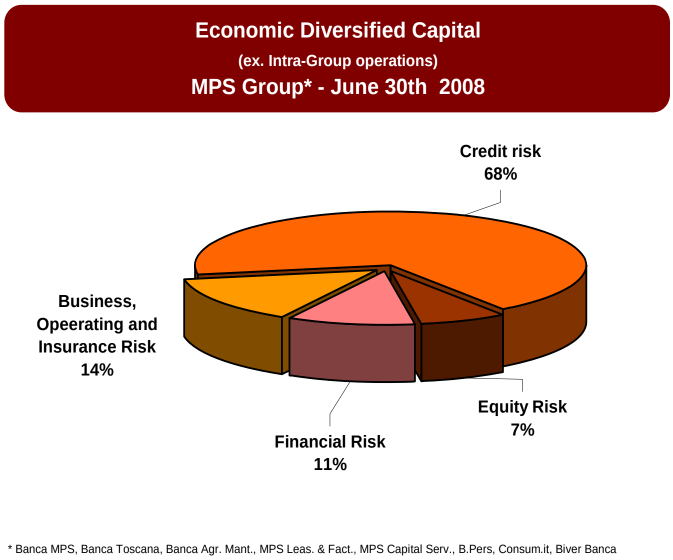
The MPS Group – on the basis of internal models of risk measurement – adopted common methods of measurement of the economic capital, as the amount of minimum assets necessary to cover economic losses resulting from unexpected events generated by different types of risks.

The relevant risks subject to valuation include: a) **credit risk** (*including counterpart and issuer risk*) **market risks on trading book, c) interest rate risk registered on the Banking Book (ALM), d) operational risk, e) Equity risk**, as the risk for losses originated by the Equity Investment portfolio, and f) **business risk**.

VaR measurements - which keep their individual value according to the ruling provisions and the international best practices - are determined with different holding periods and confidence intervals by risk factors, in compliance with the guidelines of the latest Supervisory Provisions for Banks issued by the Bank of Italy. The overall Economic Capital results from the measurement of each risk factor. Such measurements are standardized both in terms of time (yearly holding period) and selected confidence interval and are subject to "intra-risk" and "inter-risk" processes of diversification. The final output shows the overall internal capital at MPS Group level subdivided by different risk categories and showing the incidence of intra-risk diversification respect to the build block approach which does not quantify it. This analysis is periodically submitted to the Parent Bank Risk Committee. The **Planning Area** is responsible for applying the above-mentioned risk measurements to each legal entities and Business Units in order to represent risk-adjusted performances as well as the specific value creation, still from the risk-adjustment point of view, by using measurements consistent with the income and the absorbed economic capital components. The Planning Area also determines the capital allocation in terms of final statements, budgets and periodical monitoring, after consultation with the corporate bodies of each legal entities, by drawing up special reports adjusted to the specific business lines, of the consolidation area banks and submitted for approval to the Finance Committees of the Parent Bank.

All risk measurements enabling the calculation of the overall internal capital are determined on the basis of internal models developed by the MPS Group even if only some of them were already specifically validated by the Supervisory Authorities. Anyway, the outputs resulting both from market risk internal models and from counterpart risks are daily used to monitor risk exposures produced in those segments and to monitor limits and authorizations in compliance with the guidelines approved by the Parent Bank. Given their management importance in the daily operating activity the MPS Group will require the validation of these internal models according to the established internal planning guidelines. As to the credit risk, the majority of inputs of the Credit Portfolio Model, steadily methodologically evolving, results from internal models used for identification purposes, integrated by further information aimed at reporting risk measurement from a management point of view.

As to the operational risk, the model output at Group level is re-allocated on the basis of historical loss criteria, of the estimates supplied by the top management and of the gross income information and is used for management purposes. Moreover, following is integral part of the overall internal capital: a) the results, both in terms of shift sensitivity and economic value, of the internal model of Asset & Liability Management, which, in this half-year, underwent several and important improvements following a better representation and measurement of sight items, of stress-testing analysis, of options implicit in lending and funding; b) business risk which is now measured as risk factor referred to the cost structure rigidity in respects of changes on business structures resulting from both external market components and internal strategic choices and is now undergoing re-development to meet the requirements of the Second Pillar; c) equity risk, which is meant as the risk resulting from the volatility of market valuation referred to the portfolio equity investments which are not deducted from the assets. Advanced developments to prepare special monitoring procedures, limit settings and precise analysis of the items producing it at MPS Group level were carried out on the liquidity risk which is relevant as to quality input regarding adequacy of monitoring procedures and contingency plan and not as to economic capital allocation.



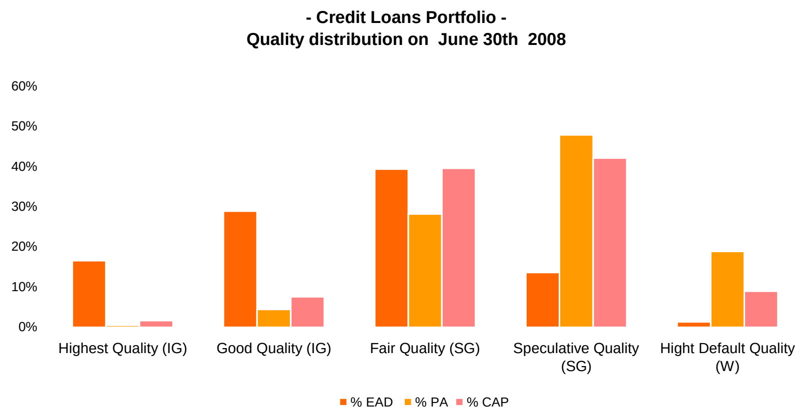
As of 30 June 2008, the economic capital of the MPS Group is attributable to credit risk (68%) (including counterpart and issuer risk), equity investment risk (7%), business and operational risks (14%). The capital for management purposes with respect to financial risks (including the trading portfolio and the ALM-Banking Book) amounts to 10% of the overall economic capital.

CREDIT RISK

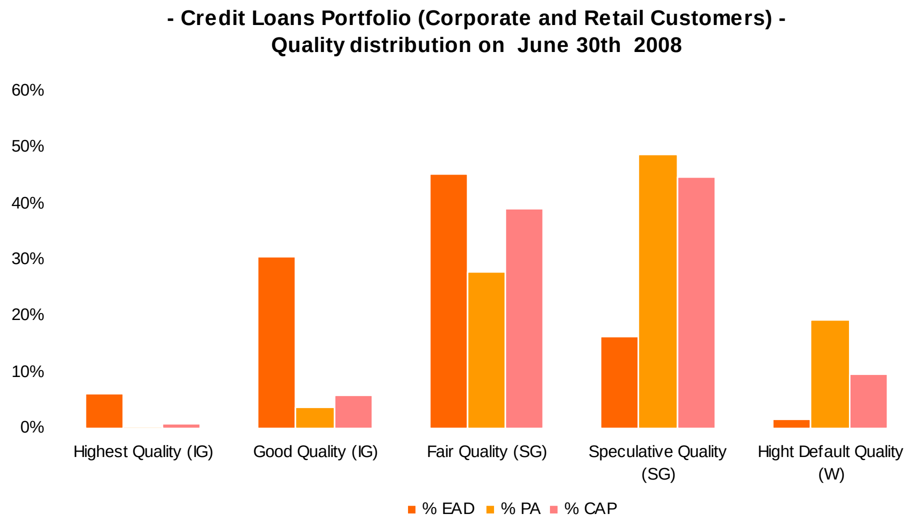
MPS Group credit risk was analyzed through the use of the internally developed Loan Portfolio Model producing as detail output, the usual risk measures: Expected Loss, Unexpected Loss and Economic Capital which is diversified inter-risk in a calendar year and confidence interval based on the official rating of the Group. There are many inputs: default probabilities, LGD rates, number and kind of guarantees supporting the credit account, internal management EAD ratios, correlation matrix. The latter, which is based on internal estimates and for which many improvements are carried out to offer more advanced measurements procedures, enables quantifying the diversification/concentration component for each item between the portfolio items. The economic capital calculation logic is based on Credit-VaR metrics according to the implementation of other banks; whereas the output consists of obtaining detailed measurements for each item by evidencing the credit risk time dynamics according to several aggregration possibilities of the analyzed variables by legal entity, kind of customer, geographical areas, industry, rating category, continental areas as well as of the absorbed management capital while showing the diversification impact in respect of a building-block logics. Further information resulting from the Loan Portfolio Model concern the "what-if" analysis produced on some selective variables such as the default probabilities, LGD rates, the value trends of guarantees and of available margins on credit lines to quantify Expected Loss and Economic Capital losses should the underlying both hypothetical and historical hypotheses occur.

The MPS Group takes into account the advanced ICAAP implementation requirements by April 2009 and particularly the stress-testing impact estimates through cross-stress factors on all risks and therefore is methodologically developing the existing calculation algorithm within a framework of enterprise-risk-management through which VaR dynamics related with all risk factors may be represented according to advanced measurement procedures.
The recent acquisition of Banca Antonveneta and the resulting IT integration also brought about production of the first half-year evidences analyzing risk measurements on the basis of the same metrics used for all other MPS Group legal entities. However, input values and parameters of the Portfolio Model are still fine-tuned to take into account specific risk and business of the newly acquired bank. This activity will be definitely arranged in the next few months.

The graph below shows the quality distribution of the whole loan portfolio of the MPS Group with Antonveneta excluding financial assets items: about 45.6% of the risk exposures refers to high-quality or very good customers. Moreover, the under-mentioned graph also includes the exposures to banks, governments bodies and financial and banking institutions which are not supervised; even if there is no specific program of internal rating implementation for Supervisory Authorities validation purposes, these counterparts have a credit rating on the basis of official rating, if any, otherwise of internally determined values.

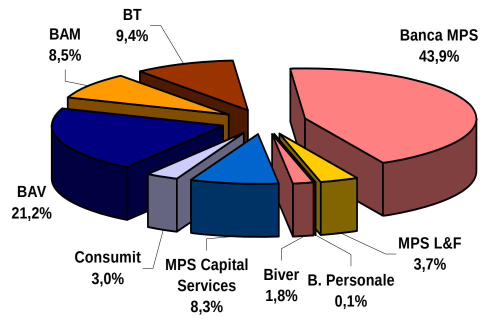


The following graph shows the loan quality distribution only concerning the Corporate and Retail portfolios validated by the Supervisory Authority for Basle 2 purposes (internal rating models): the incidence of high-quality and very good exposures as of 30 June 2008 amounts to 36.7% of the total exposures



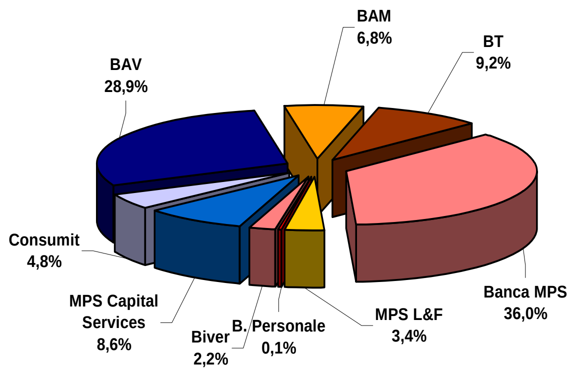
The graphs confirm the marginal contribution – in terms of Risk Exposure, Expected Loss and Economic Capital – of the five commercial banks (Banca MPS, Banca Antonveneta, Banca Toscana, Banca Agricola Mantovana, and Biver Banca) which account for more than 85% of the MPS Group total loans and of MPS L&F and MPS Capital Services which account for the remaining 15%. Obviously, Banca Antonveneta is now the second largest entity inside the Group in terms of loans granted after Banca MPS.

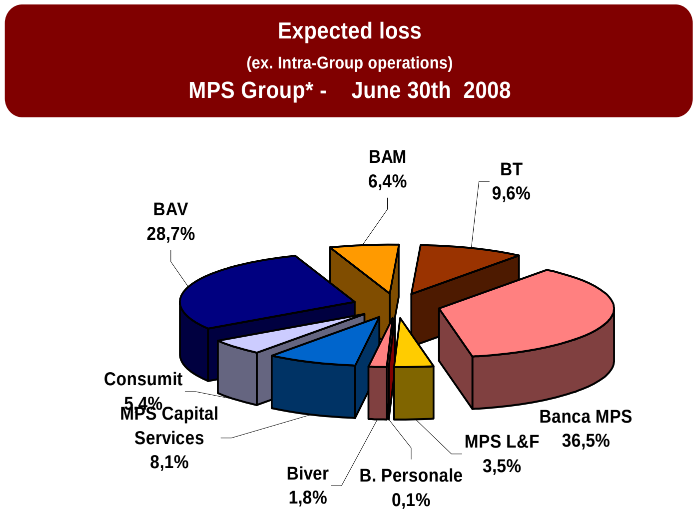
Risk Exposure
(ex. Intra-Group operations)
MPS Group* - June 30th 2008



* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - June 30th 2008





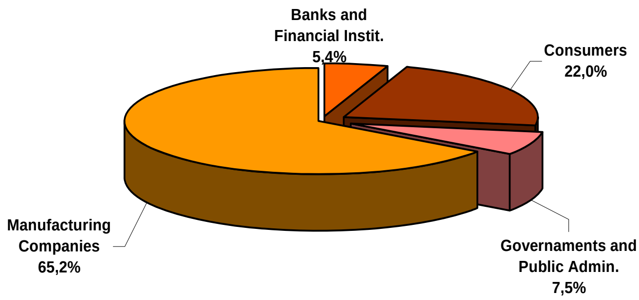
* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

As to risk measures the total amount of economic capital against credit risk is absorbed for 36% by the Parent Bank, for 28.9% by Banca Antonveneta and for the remaining 35.1% by the other entities.

As to the Expected Loss, the highest percentage is assigned to the Parent Bank (36.5%), then to Banca Antonveneta (28.7%), to Banca Toscana, MPS Capital Services and Banca Agricola Mantovana (24.1%), whereas the remaining percentage (10.7%) is assigned to risks of MPS L&F, Consumit, Biver Banca and Banca Personale.

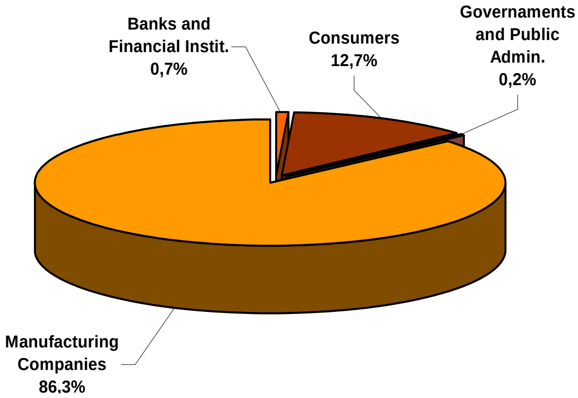
The MPS Group exposure breakdown by customer category shows that Corporate Customers and Retail Customers account for more then 87% of the total exposures. The remaining share refers to “Banks and Financial Institutions” (5.4%) and to “Governments and Local Authorities” (17.5%). As to risk measurements, the graphs shows that Corporate Customers absorb more than 88% of the economic capital and produce more then 86% of the expected loss. Retail Customers account for 8.5% of economic capital and 12.7% of expected loss, whereas Banks and Financial Institutions account for 1.9% of the total capital and the expected loss amount to 0.7% of the Group total amount.

Risk Exposure
(ex. Intra-Group operations)
MPS Group* - June 30th 2008

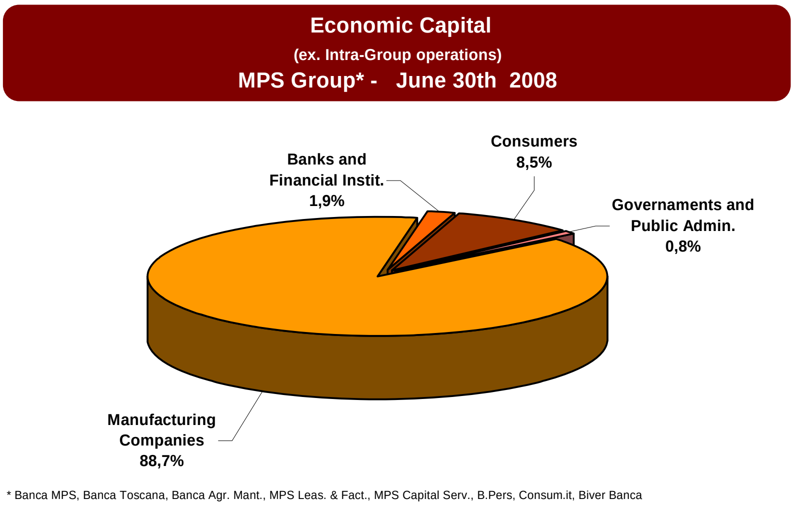


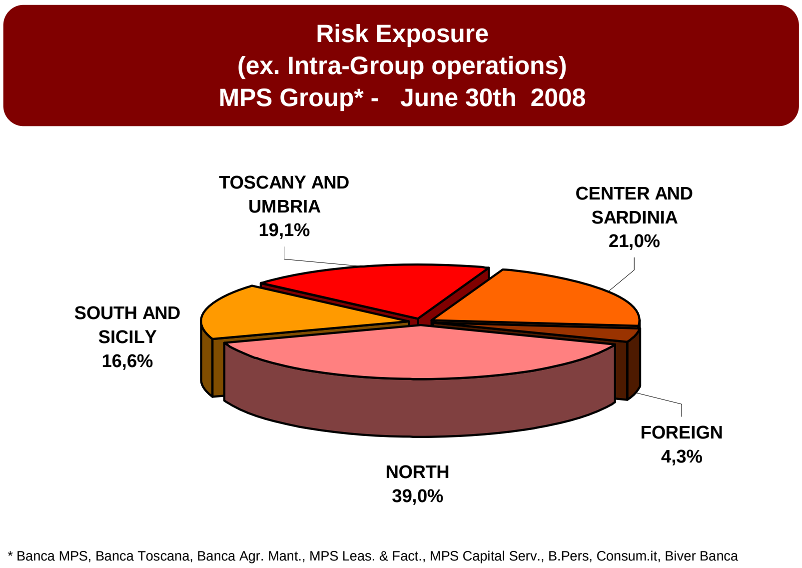
* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

Expected loss
(ex. Intra-Group operations)
MPS Group* - June 30th 2008



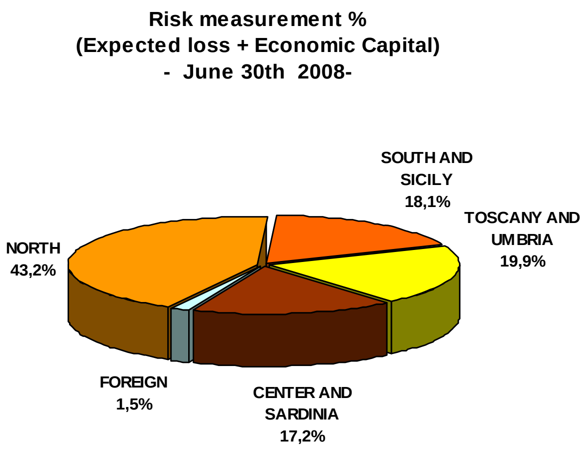
* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca



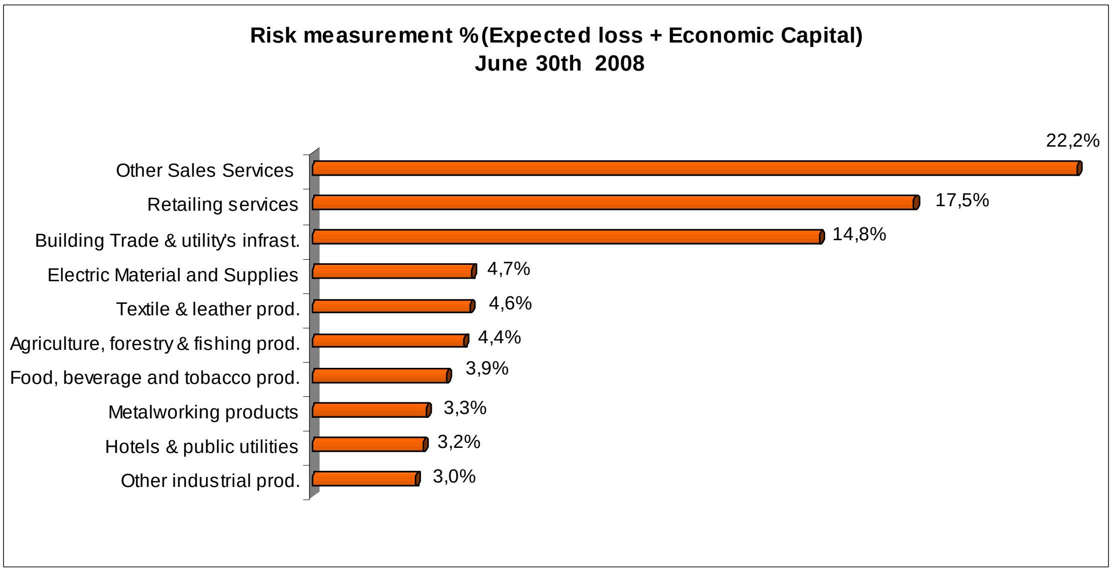


From a geographical point of view the exposures are mainly concentrated with resident customers, even if exposures to non-resident customers cannot be overlooked (little more than 4% and growing with the coming of Banca Antonveneta into the survey area). At domestic level the exposures are rather evenly spread. **After the acquisition of Banca Antonveneta the concentration in Northern and Central Italy and Sardinia increased in respect of the quarterly report 2008. Summarizing, the exposures in Northern Italy amounts to 39% of the total, Tuscany and Umbria to 19.1%, Central Italy and Sardinia to 21% whereas Southern Italy and Sicily to the remaining 16.6%.**

The overall risk measurements (Expected Loss + Economic Capital) refer to the higher loan concentration in Northern Italy (abt 43%); the other Central regions follow (between 17% and 20%). 1.5% is the contribution of foreign customers to risk measurements.



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 (22.2%, 17.5% and 14.8%, respectively) and account for 54% of total risk measurements. They are followed by “Electric Material and Equipment”, “Textiles, Leather Goods and Clothing”, “Agricultural products, forestry and fishing” and “Hotels and Shops”, accounting for 17% of total Expected Loss and Economic Capital



EQUITY INVESTMENTS PORTFOLIO RISKS

Price risk measurement on the Banking Portfolio of MPS Group is carried out on equity investments held for mainly strategic or institutional/instrumental purposes. The items which are included from a management point of view in the Supervisory Trading Portfolio are excluded from this section.

The portfolio under exam incorporates all equity investments held by all MPS Group companies in external companies, or in companies which are not included in consolidation and with a total stake lower than the absolute majority of capital.

The instrument used for the measurement of risk is Value-at-Risk (VaR), which measures the possible loss resulting from negative changes in the fair value of the investments.

More specifically, the VaR model used is a parametric model and represents the loss which the portfolio valued at fair value might be subject to in a holding period of three months on the basis of a confidence interval of 99%. Volatility is estimated on the basis of the time series of market performances for listed companies and time series of business sector indices for non listed companies.

The VaR is subsequently transformed into economic capital at risk, by standardizing the holding period (on a yearly basis) and the selected confidence interval (99.93% in line with the rating level assigned to the MPS Group by the official rating agencies) and applying a correction factor in order to take account of the diversification between various risk factors.

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

THE GROUP MARKET RISKS

INTEREST-RATE RISK CONCERNING THE MPS GROUP BANKING PORTFOLIO

The term "Banking Book" refers, in compliance with international best practices, to all of the bank's commercial operations of the Bank in relation to the transformation of maturities of assets and liabilities, Treasury, foreign branches, and hedging derivative instruments of reference. The definition of the Banking Book framework (in line with the supervisory banking portfolio) and of the centralization process of ALM are included in the resolution of the Board of Directors of the Parent Bank dealing with "Centralization of Asset & Liability Management and operating limits against the interest rate and liquidity risks of the Group Banking Book" approved by the Board of Directors of the Parent Bank in September 2007. The measurements of the risk profile and the monitoring are carried out by the Risk Management of the Parent Bank at centralized level.

The Banking Book management strategies, which are adopted by the Finance and Capital Management Committee and monitored by the Risk Committee of the Parent Bank, are based on the measurement of interest rate risk, in a logic of total return, and are oriented to minimizing the volatility of the expected interest income in the current financial year (12 months) or minimizing the volatility of the total economic value in accordance with the changes in the structure of interest rates.

The analysis of the changes in the economic value of the Banking Book assets and liabilities is calculated by applying – for management purposes - deterministic shifts of 25 bp, 100 bp and 200 bp. The 200 bp scenario is in compliance with the provisions of the second pillar of the Basle 2 Accord, with reference both to consolidated Tier 1 and consolidated capital for regulatory purposes.

During 2007, the MPS Group adopted, for the commercial banks, an evaluation model, of the items at sight or "core deposits": their stability and partial insensitivity to interest rate adjustments were described in the systems with a statistic/ predictive model (replicating portfolio) including past behaviors of customers, through adequate time series. The duration of receivable sight items, inside which there is the replicating portfolio model, is now for the Parent Bank about 1 month and a half and the duration of payable items about 9 months.

Within the framework of the defined model the Treasury and Capital Management Area is responsible for the management of the interest rate risk and group liquidity as a whole.

Within the Treasury and Capital Management Area the Centralized Treasury Unit manages the short-term interest rate risk and the liquidity risk for the Group. The Group Capital Management, ALM and ACPM Unit manages, for the Group, the structural interest rate risk and the risk of maturity transformation (structural liquidity) carrying out hedging and monitoring management activities (with the several accounting models which may be used), as well as monitoring the creation of internal interest rates of the network (BMPS and other companies of the Group) for Euro and other currencies for all interest rate transactions with other than short-term maturities by proposing, to the Finance Committee, the economic conditions for the companies of the Group of accessing the funds. It manages the Group funding needs by proposing new bond issues and centrally managing the administrative compliance concerning the Group bond issues.

The MPS Group, and therefore inside it the Banca MPS manages the interest rate risk for portfolio. Generally, hedging derivatives are agreed upon within the Group with MPS Capital Services Banca per le Imprese, which on its turn manages the overall exposures to the market by volumes. This approach does not allow to maintain the relationship between the derivative agreed upon of each company of the Group and the market one.

This management can be faithfully mirrored through the adoption of the Fair Value Option (introduced by the new international accounting principles – IAS 39) by designating a group of financial assets and liabilities managed at fair value with impact on the profit and loss account. This approach is adopted by the Banca MPS for the financial liabilities which are fair-value hedged for homogeneous portfolios. The Fair Value Option was adopted to decrease the accounting mismatch which would be caused by a different evaluation process of items which are managed.

The management and assessment of items of some portfolios and assets categories ares complicated by the Fair Value Option (in particular, for the hedging of items in the assets). In this case, the Bank adopts formal IAS-compliant hedging relationships.

In particular, main existing IAS-compliant hedging categories are the following:

- * Micro Fair Value Hedge: hedging of commercial assets (financing/mortgage loans classified as Loans and Receivables) of Banca MPS and its foreign branches and of the Banca MPS security portfolio and its foreign branches (respectively classified to Loans & Receivables and to Available-for-Sale);

- Macro Fair Value: hedging of commercial assets (financing/mortgage loans classified as Loans&Receivables);

- Macro Cash Flow Hedge: hedging of a limited part of the variable-rate funding.

Banking portfolio: internal models and other methods of sensitivity analysis

■ MPS Group	30/06/08	
Risk indicators for shift of 100 basis point	**+100 bp**	**-100 bp**
Net interest income at risk / Net interest income	3,84%	5,36%
Economic Value at risk / Tier 1 capital	4,23%	5,59%
Economic value at risk / Capital computed for regulatory purposes	3,13%	4,14%

As of 30 June 2008, the MPS Group sensitivity showed a exposure risk profile due to a rate increase. The amount of the risk economic value is in any way perfectly consistent both with the Tier 1 capital and the Capital for regulatory purposes and well under the danger threshold fixed at 20% for a rate shock amounting to 200bp by the New Basle 2 Accord on Capital.

LIQUIDITY RISKS

In the light of recent turmoils in financial markets, the attention was even more focused on corporate liquidity. In this respect the Bank of Italy issued the "New provisions of prudential supervision for banks" providing for guidelines to manage liquidity and net financial position. The management of liquidity risk is also included among the risks of the Second Pillar of Basle 2. Therefore, in the first half of 2008 the Board of Directors of the Parent Bank, and, as a result, the Boards of the main subsidiaries, approved the Liquidity Policy and the Liquidity Contingency Plan defining management processes, responsibilities and discretionary limits as to liquidity distinguishing between usual business course and stress or crisis situations.

The organizational and management framework provides for:

- a liquidity policy defining the area and the Group liquidity governance model which is centralized in the Treasury and Capital Management Area as well as the short and medium-long term organizational model, the creation of the net financial position – by evidencing balances and mismatching of inflows and outflows expected for each time range, “maturity ladder” – and the limits for the short and medium-long term. In the liquidity policy, the stress test policy is also defined and is aimed at simulating the effects of stress conditions and at arranging adequate corrective measures, if any;

- a contingency plan dealing with liquidity management in unusual conditions while defining risk indicators and organizational processes necessary to meet crisis situations.

The monitoring of the overall structural liquidity profile is carried out on the basis of the mismatching quantification by expiring cash flows settlement. The optional items show representative models consistent with those used for the interest rate risk.

Particular attention is given to the planning of funding policies at Group level (Funding Plan) which is coordinated and guided by the Treasury and Capital Management Area - co-operating with the Planning Area- , which

- Submits, for approval, to the Finance and Liquidity Committee the plan of measures on financial markets aimed at achieving the goals set by the Business Plan and at meeting capital management requirements;

- co-ordinates access to short- and long-term, international and domestic capital markets, for all banks of the Group as well as the access to refinancing with the European Central Bank and the centralized management of compulsory reserves;

- develops projections on future liquidity by simulating different market scenarios.

In the first half of 2008 the Treasury management guaranteed adequate liquidity levels to the Bank also in view of the acquisition of Banca Antonveneta.

Particular attention was focused on estimated liquidity flows to optimize financial flows management. The average life of funding increased to the prejudice of shorter segments but with resulting benefits in the overall management. To increase the efficiency of the Group liquidity management, some assets were implemented aimed at increasing the availability of “counterbalancing capacity” (i.e. reserve assets for allocation) . After the previous securitization “Siena 07-05” amounting to EUR 4.7 bn, in April 2008 a second issue was carried out which increased the counterbalancing capacity of further EUR 3 bn.

MARKET RISKS ON THE TRADING PORTFOLIO

The MPS Group Trading Portfolio – Trading Book – is made up of all Supervision Trading Portfolios managed by the Parent Bank (BMPS), by MPS Capital Services (MPSCS) and for the remaining part by Biverbanca and by Montepaschi Ireland, the Irish subsidiary. The recent joining the Group of Banca Antonveneta had no significant impact on this sector since the adopted management approach centralized all market risks with BMPS and MPSCS. The portfolios of the other subsidiaries with a commercial mission are substantially closed to market risk excluding any remaining bonds issued by the same, temporarily held in support of the operations with retail customers. Also for the operating activity in derivatives, traded in favor of the same customers, risks are centralized and monitored by MPSCS.

Market risks are monitored for management purposes in terms of Value-at-Risk (VaR), both in relation to the Parent Bank and the other Group companies which are relevant as independent risk-taking centers. Each bank operates with its own trading portfolio while meanwhile managing accounts on interest rate, on shares, on exchange rates and on loans, in an integrated way, within the operational limits fixed by the Board of Directors. In particular, with reference to the Trading Portfolio of the Parent Bank the aggregate monitored with VaR-integrated methods is wider than the aggregate for supervisory purposes since it also includes some accounts of the Banking Portfolios which, from the management point of view, are subject to the operating responsibility of Business Areas involved in trading. They are managerial accounts directly undertaken on the basis of provisions of the Board of Directors or accounts which may be linked, from a management point of view, to the Finance Area of the Parent Bank and not qualified to be included in the Supervision Trading Portfolio (such as AFS shares and bonds).

The MPS Group Trading Portfolio is subject to daily monitoring and reporting by the Risk Management Unit of the Parent Bank on the basis of proprietary systems. The VaR for management purposes is calculated independently of the operating units, using the internal model of market risk measurement implemented by the Risk Management Unit, in line with the international best practices.

Operational limits to trading activities, which are set by the Board of Directors, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios and monthly and yearly Stop Loss. In particular, the credit risk of the trading book is included in VaR measurements and in the respective limits for the credit spread risk part and is also subject to specific operating issuing and bond concentration risk limits providing for notional ceilings by kinds of counterparts and rating categories.

VaR is calculated with a 99% confidence interval and a holding period of 1 business day. The Group adopts the method of historical simulation with daily full revaluation of all basic positions, out of 500 historical entries (about 2 business years) with daily scrolling. The VaR calculated in this manner takes account of all diversification effects of risk factors, portfolios and kind of instruments traded. It is not necessary to assume, a priori, any functional form in the distribution of the assets returns, and the correlations of different financial instruments are implicitly captured by the VaR model on the basis of the time trend of risk factors. The management reporting flow on market risks is periodically transmitted to the Risk Committee and to the Board of Directors of the Parent Bank with the Risk Management Report, which informs the Top Management about the overall risk profile of the MPS Group.

The macro-categories of risk factors within the Market Risk Internal Model are IR, EQ, FX, CS as follows:

- IR: interest rates on all relevant curves and relative volatility

- EQ: share prices, indexes and baskets and relative volatility;
- FX: exchange rates and relative volatility;
- CS: credit spread levels.

The VaR (or diversified VaR, or Net VaR, i.e.net of all diversification effects) is anyway daily calculated as single and integrated measurement through at least three main analysis scales:

- organizational/portfolio management
- by Financial Instruments
- by Risk Family

VaR may also be calculated by any combination of these scales to facilitate very detailed analysis of events involving portfolios.

In particular, risk factors may be identified as follows: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Forex VaR (FX VaR) and the Credit Spread VaR (CS VaR). The algebraic sum of these components determines the so-called Gross VaR (o undiversified VaR) which if compared with diversified VaR allows to quantify the diversification benefit among risk factors resulting from holding portfolios allocated to asset class and risk factors which do not perfectly match. Also this information can be analyzed using the above-mentioned scales.

The new model adopted starting from the beginning of 2008 therefore produced diversified VaR metrics substantially for the whole MONTEPASCHI Group so that all diversification effects can be evaluated which may result among several banks because of the specific positioning of the different business units.

Finally backdrop analysis on various risk factors are regularly carried out with diversified levels of granularity.

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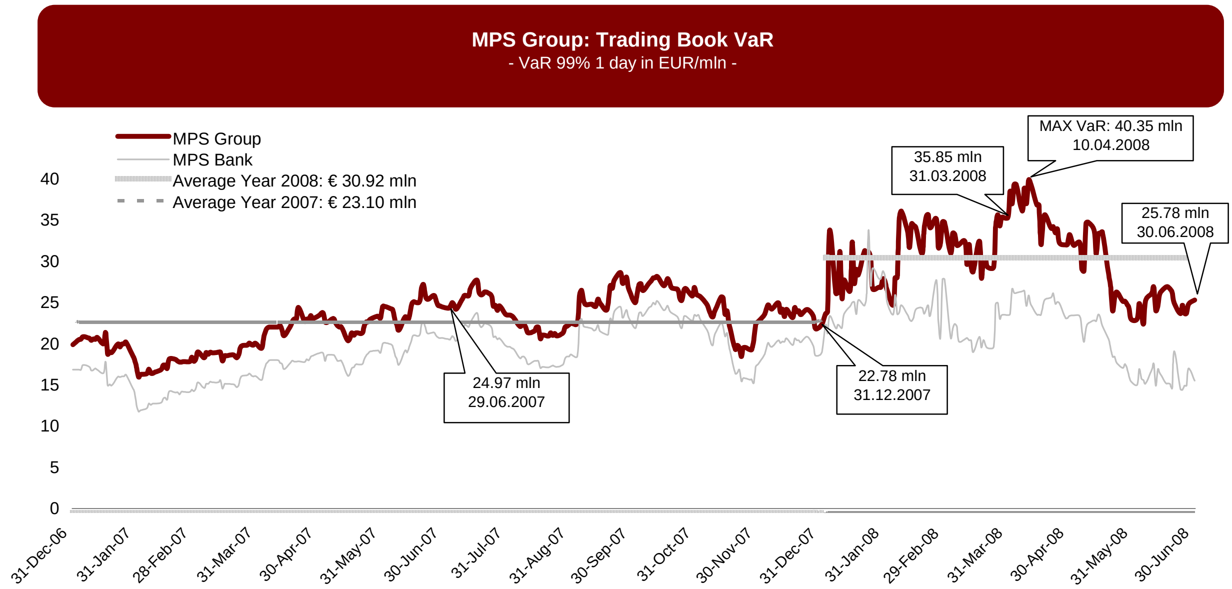
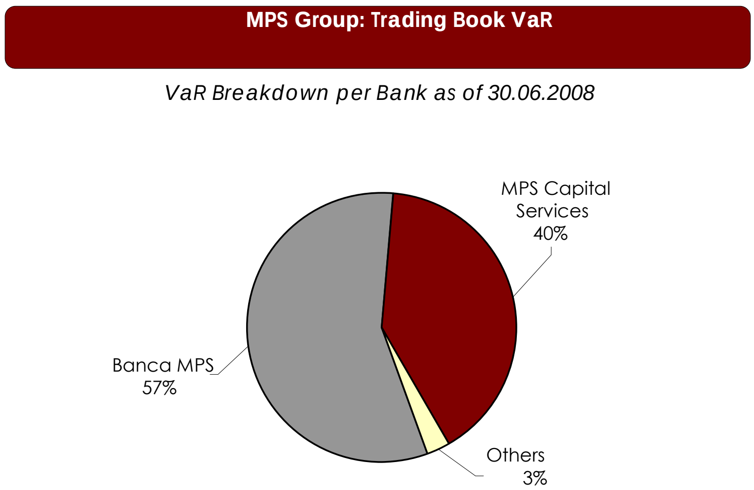
In the first six months of 2008, trends of the MPS Group risks followed own financial market trends and their increased volatility and were also affected by the change in model due to the introduction of the new Risk Management System, which affected both the average level and the variability of VaR metrics as already underlined also in the March quarterly report.





After 31 March 2008, VaR kept on increasing to reach the year's maximum amount on April 10 (EUR 40.35mln) and then gradually decreased after the containment of exposures in the second part of the half-year period, above all in share section. As of the end of June, Group risks amounted to EUR 25,78 mln back in line with those as of December and June 2007.

The Group VaR is strongly affected by risk dynamics concerning Banca MPS accounts even if the MPS Capital Service incidence kept growing in the course of 2008. As of 30 June 2008 the Parent Bank incidence is still 57% of the overall risk, MPS Capital Service 40%, whereas the remaining 3% is absorbed by other banks.

MPS Group: Trading Book

VaR 99% 1 day in €/mln

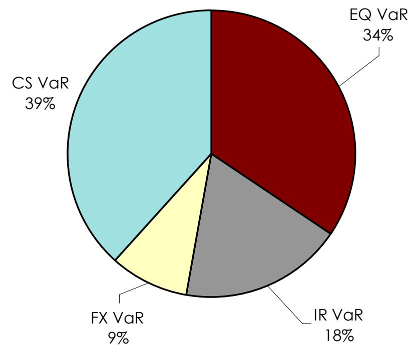
	VaR	Date
End of period	25.78	30/06/2008
Min	22.90	05/06/2008
Max	40.35	10/04/2008
Average	30.92	

During the first half of 2008, market risks measured as VaR fluctuated within the following value range: a low of EUR 22,90mln and a high of EUR 40,35mln registered on 10 April 2008. The average of the first six months of 2008 amounted to EUR 30,92mln. At the end of June it was EUR 25,78 mln.

In terms of risk factors, as of 30 June 2008, main risk sources in the Trading Portfolio are the VaR CS and the VaR EQ representing together more than 70% of the overall risk. The persisting international financial crisis, which started past summer and continued in the first half year of 2008, was one of the main cause of the growing incidence of these two risk factors.

MPS Group: Trading Book VaR

VaR Breakdown per Risk Factor as of 30.06.2008



Hereunder impacts in terms of fair-value adjustments of the MPS Group Trading Portfolio follow net of the AFS securities components by the different kind of adjustments of the underlying risk factors.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Fair Value Impact
Interest Rate	+100bp all Interest Rate Curves	-26.54
Interest Rate	+1% all Interest Rate Volatilities	-0.42

■ **MPS Group: Trading Book**

Risk Family	Scenario	Fair Value Impact
Equity	+1% all Equity Prices (stocks, indices, basket)	0.91
Equity	+1% all Equity Volatilities	-3.82

■ **MPS Group: Trading Book**

EUR/mln

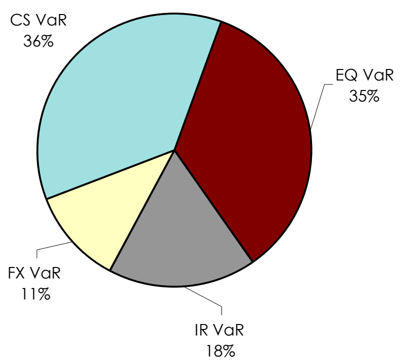
Risk Family	Scenario	Fair Value Impact
Forex	+1% all FX Rates	-0.11
Forex	+1% all FX Volatilities	-3.73

With reference to the Parent Bank the diversified VaR by risk factors and portfolios grew rapidly until the end of March 2008 and then dropped again to values much lower than the average in May and in June.

In terms of VaR composition by risk factors as at 30 June 2008, 36% of Banca MPS Portfolio is allocated to Credit Spread risk factors (CS VaR), 35% to equity risk factor (EQ VaR), 18% is absorbed by interest rate risk and for the remaining 11% by forex risk (FX VaR)

MPS Bank: Trading Book

VaR Breakdown per Risk Factor as of 30.06.2008



■ **MPS Bank: Trading Book**

VaR 99% 1 day in €/mln

	VaR	Date
End of period	16.00	30/06/2008
Min	14.88	24/06/2008
Max	34.31	23/01/2008
Average	22.50	

The average VaR of the first half of 2008 of Banca MPS came to EUR 22,50 mln with a maximum amount of EUR 34,31 mln and a minimum amount of EUR 14,88. End-of-period (as of 30 June 2008) total amounted to EUR 16,00 mln .

OPERATIONAL RISKS

The MPS Group has implemented an integrated system of operational risk management based on a governance model which involves all MPS Group companies identified in the area of application of AMA model. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

The AMA model, which has been in parallel running for two years, has ensured a better management of operational risks and a gradual reduction in the Group operational risks.

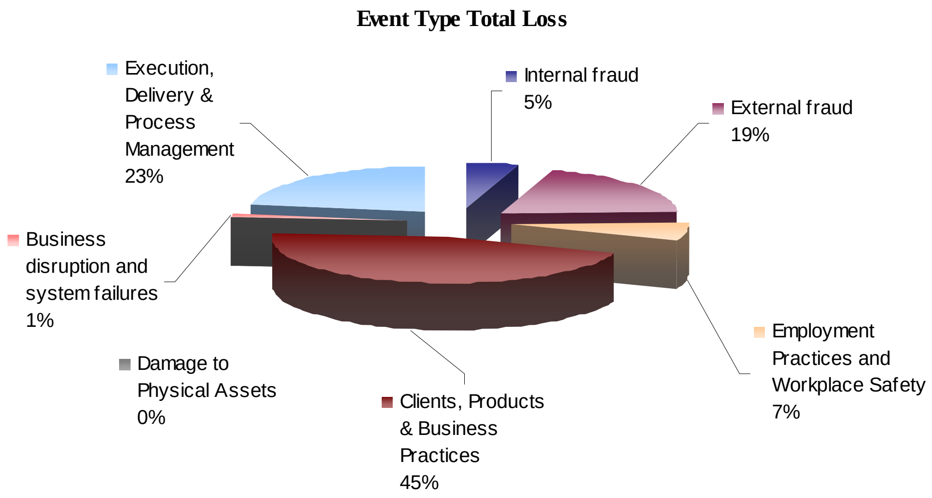
In 2008 Banca Antonveneta and Cassa di Risparmio di Biella e Vercelli joined the MPS Group; this gave the opportunity to extend the application of the AMA model to both companies according to a roll-out plan which is now being defined and will be disclosed to the Bank of Italy in a few months.

In quantitative terms, the analysis of the events with survey date referred to the first half year of 2008 and with loss amount higher than EUR 50 shows a remarkable economic impact which may be referred to violation of professional obligations towards the customers. 70% of this risk category is made up of lawsuits and claims concerning:

1 – Sale of For You and May Way Financial Plans, Argentina, Cirio and Parmalat Bonds and structured products.

2 – Capitalization of interest

As a result most risk events date back to before 2002 but are still subject to accounting consequences in 2008.



Pending suits

Lawsuits started against the Company may be divided into subcategories each characterized by a common denominator such as supposedly critical products, transactions, services or relationships in which the Group companies were involved as issuers or dealers.

Main subcategories may be referred to the allegations concerning:

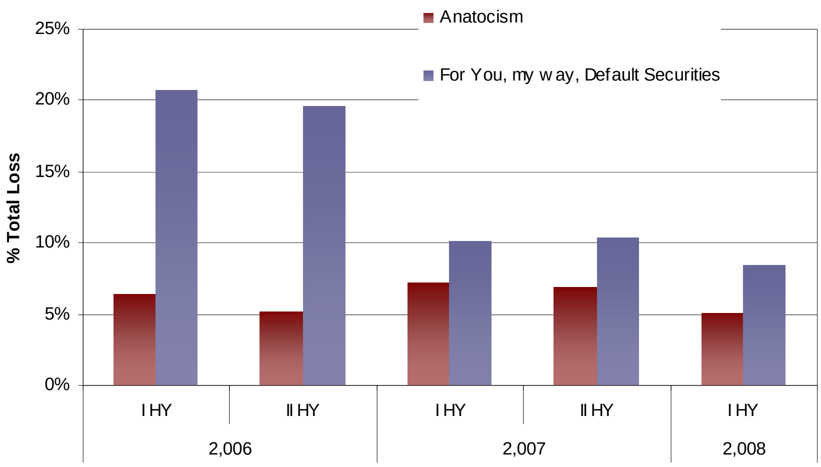
1 – Capitalization of interest
2 – Placing of bonds issued by countries or companies in default (Argentina, Cerruti, Parmalat, Cirio bonds)
3 – Placing of financial plans
4 – Placing of structured products

As to securities in default, the judgement of November 2007 of the Supreme Court at United Sections set out the following principle: the infringement of the obligation to inform the customer and to correctly perform banking transactions, for which entities authorized to submit financial investment service to the public attention are responsible according to the law, may produce contractual or pre-contractual responsibilities, but in no case, failing legal provision, such infringement may imply the invalidity of the intermediation contract or of single contract deeds. On the basis of this judgement the Group evidenced the most critical lawsuits and undertook to negotiate settlements.

For the above-mentioned lawsuits and for those concerning financial plans and structured products the number of settlements is steadily increasing.

A decrease in the lawsuit repercussions is also expected in view of the progressive approaching of prescription terms.

The above-mentioned events representing almost all risk category "Customers, Products and Operating Procedure" (70% as to amount) are progressively decreasing as reported in the graph below showing the trend of losses as a percentage on the whole amount of the last three years.



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 concerning the investment services provided by the MPS Group to its customers.

Already starting from 2003 the MPS Group introduced operating and management processes, instruments and methods aimed at ensuring the overall consistency of the customer risk approach and their expectations in terms of performance with the risk profiles of products, management and portfolios held by them to prevent or minimize any reputational risk such as deteriorating of the customers' confidence in the Bank.

Starting from November 2007 the MIFID compliance is based on this activity in the framework of the investment service suitability and adequacy controls.

The Wealth Risk Management Unit – which reports directly to the Private Banking and Wealth Management Area - is in charge of the measurement and monitoring of the risks implicit in investment services at Group level in compliance with any internal and external rules.

All investment products of the Group and of third parties, included in the product catalogue available to the customers, are subject to a specific risk evaluation by the Wealth Risk Management Unit through a qualitative and quantitative approach consisting of calculating a summary risk indicator for each instrument, including any considerations on the financial structure and complexity, and a quantitative measurement (Value-at Risk) of risk market factors, of credit and liquidity risks. Risk indicators are referred to specific risk categories which are defined according to special parameters and notified to the customers; they are one of the main criteria to carry out the suitability and adequacy controls provided for by the new MIFID regulations.

As known, the Value-at-Risk is a probability measurement summarizing the risk of an account or of a portfolio. It is generally defined as the likely maximum loss in a specified time period (detention period) on the basis of a determined confidence interval, which expresses the measurement probability.

The VaR measurement which is used for measurement and monitoring purposes is currently calculated, in line with the international best practices, through a historical simulation model based on 500 backdrops – amounting to 2 years of observations – and in line with the overall revaluation of accounts with a 99% confidence interval and a one-day holding period. Risk factors considered at product level are market risks (rates, prices and exchange rates), credit and liquidity risks.

For OTC derivatives, which are exclusively offered to legal entities on the basis of an advising service to cover already existing and assessed receivable and/or payable exposures, were defined special risk categories and assessment procedures.

The described activities concern the whole consolidation area of the MPS Group: Banca Monte dei Paschi di Siena, BAM, Banca Toscana and MPS Banca Personale. During the first half of 2008 the wealth and risk management structure was extended to Banca Antonveneta which starting from 1 July 2008 was integrated in the Group MIFID system. The integration specifically concerned the classification of all current products, the adjustment of contracts and policies and procedures, the profiling and classification of customers, the adjustments of the operating activities in the various product segments to the MIFID compliance of the MONTEPASCHI Group.

- Suitability and adequacy controls

Thanks to the coming into force last November of the MIFID European Directive which was adopted in Italy by the Consob Decrees no. 16190 and 16191 and by the joint Consob Bank of Italy Regulation of 30 October the investor is protected by the obligation of each bank to carry out the adequacy – in case of advising or portfolio management – and suitability – in case of trading, receiving and transferring orders and placing of financial instruments - controls of the investment services offered to customers on the basis of information gathered through a specially designed questionnaire.

To assess adequacy assessment which also includes the suitability assessment means that the investment companies must be satisfied that the specific transaction which is recommended or implemented within the framework of the management service complies with following criteria:

- it is in line with the customer involved;
- it is such that the customer is financially able to sustain any risk linked with the investment in line with the investment aim;
- it is such that the customer has the necessary experience and knowledge to understand the risks of the transaction or of the portfolio management.

The adequacy (and therefore the suitability) control results from the comparison between the information gathered through the questionnaire on the customer and the product risk category which is proposed to the customers or required by him. A financial instrument or an investment service is therefore adequate for a customer only if the risk category linked with that instrument or that service is deemed admissible by the joint assessment of the questionnaire indicators.

- The reputational risks of the operating activities concerning investment services

The reputational risk is generally identified as the possibility that one or more determined events may negatively alter the consideration, the evaluation or the image and therefore the reputation of a company inside his economic and social system above all in front of his stakeholders. The reputation is then particularly important with banks for which trust is an integral part of the final products and services granted to their customers. Obviously it is particularly difficult to quantitatively assess reputation and the related risks.

In the framework of Wealth Management dealing with production and sale to customers of investment products and services including financial consulting, asset allocation, portfolio management, etc. events linked to innovative business backgrounds or to situations with records unable to permit an evaluation of both probability distribution and average damage impact are particularly important. This directly results from the high innovative background of the business which is necessarily ready to immediately offer to the customer new investment opportunities both through own or captive products and access to third parties’ product catalogues according to open architecture procedures.

Misselling and mispricing, risk inadequacy of portfolios or of single products to social and behavioral customer profiles, global financial risk supported by the customer, complexity and poor contract structure of products and investment services are some of the events which may be source of reputational risks which must be submitted to monitoring/management.

The identification and monitoring of these events therefore offer a base for preventive step-in in front of reputational events in a proactive and conscious logic besides mitigation and mere prudential provision.

REPORTING PURSUANT TO CONSOB REQUEST NO.8069681 OF 23 JULY 2008 ("Public disclosures" in accordance with art.114, par.5, of Legislative Decree no.58/1998)

This paragraph gives additional information on investments, which the market considers high-risk ones, after the financial crisis following the default of vehicles containing subprime US mortgage loans and the growing derivatives trading activity with the customers.

The same issues were already been anticipated and analyzed by the Financial Stability Forum Report of 7 April 2008 ("Strengthening of market and intermediary solidity") showing how recent market turmoils require that financial companies publish their exposures in instruments at growing risk according to the market.

In general, there are two logic aggregates: the first one refers to financial positions with direct exposure to Alt-A subprime and monoline insurers; the second one refers to all other structured credit financial positions which may suffer because of the general financial market crisis.

In the first aggregate, positions are substantially negligible:

- there is just one security with underlying subprime mortgage loans notionally amounting to EUR 50mln and devaluated by 97% as at 30 June 2008;
- the exposure in leveraged finance is negligible nominally amounting to about EUR 13,3mln;
- The exposure towards monoline insurers is negligible amounting to about EUR 2mln;
- There are no exposures or guarantees on conduit and SIV.

With reference to the second aggregate, and in particular to the sector of credit structured products:

- Exposures are mostly (98%) investment grade;
- the outstanding stock amounts to EUR 2, 056mln in terms of balance sheet value and the average devaluation percentage of outstanding positions as at 30 June 2008 amounts to 17% and is calculated as ratio between fair value and nominal value.

The information are structured as follows according to the Consob requirement:

- investments in consolidated Special Purpose Entities and structured credit products;
- fair value disclosure;
- Operating activities in trading derivative financial instruments with customers.

Consolidated Special Purpose Entities

Description of the Business Model with reference to aims and strategies

Foreword

The accounting of securitization carried out by the Group before the coming into force of international accounting standards principles differs from the accounting of the same transactions afterwards.

The underlying loans before IAS were written off from the transferor's financial statements in which only underwritten credit enhancements, if any, were reported. The consolidation of SPE related to these transactions only concerned their working capital; the transferred loans, which were posted "under the line" in the financial statements of the same SPEs, were not consolidated in the financial statements of the Group. By applying international accounting standards the first time the Group made use of the possibility of not posting the assets underlying the transactions carried out before 1 January 2004 written off on the basis of previous domestic standards; therefore, these assets are never accounted in the consolidated financial statements also when they would not have been cancelled if IAS 30 rules had been applied for derecognition.

In transactions carried out after the coming into force of IAS all notes issued by SPEs were underwritten by the originator (the Parent Bank) substantially keeping all risks and benefits of the transferred portfolio. Therefore, these securitizations do not comply with IAS 39 requirements for derecognition. The underlying loans were then not written off from the originator's financial statements and, as a result, are still posted in the assets of the Group's consolidated financial statements among transferred assets not written off. The transfers did not produce any economic impact on the originator's financial statements and credits were left in the Group's weighted assets as if they were never been transferred to calculate capital absorption.

To obtain more transparent information the business model will be then described by distinguishing transactions carried out before and after 2004.

<u>Securitizations carried out before 1 January 2004</u>

The securitizations belonging to this category were structured aiming at achieving economic benefits resulting the optimization of the credit portfolio, the diversification of funding sources and their cost reduction.

Hereunder main Group's securitizations are summarized before 1 January 2004:

- securitizations of performing loans:

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

- securitizations of non-performing loans:

  - Ulisse SpA
  - Ulisse 2 SpA
  - Ulisse 4

- securitizations of other assets:

    - Gonzaga Finance Srl
    - Vintage Capital Srl

The trend of the above-mentioned securitizations is regular; this opinion is also shared by the rating agencies which did not change the ratings initially assigned to the categories of notes issued.

On 7 August 2007 two securitizations of performing residential mortgage loans were bought back: Siena Mortgages 00-1 SpA and Siena Mortgages 01-2 SpA.

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

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

Other securitizations based on mortgage loans are:

- Seashell II Srl with assets originated by former Banca 121 SpA;
- Mantegna Finance Srl and Mantegna Finance Srl for assets originates by Banca Agricola Mantovana SpA;
- Spoleto Mortgages Srl for residential mortgage loans originated by Banca Popolare di Spoleto SpA.

As to securitizations of non-performing assets the portfolio of Ulisse SpA is made up of loans resulting from mortgage loans originates by the Parent Bank whereas the portfolio of Ulisse 2 SpA is made up of short-term unsecured loans also originated by the Parent Bank.

Total assets (EUR 71 mln) of the securitization of Ulisse SpA wholly covers the remaining Notes of C Class leaving a surplus to pay interest, expenses and a partial repayment of Junior Notes wholly held by BMPS.

The securitization of Ulisse 2 SpA has shown a more then satisfying trend up to now with a surplus of actual repayments against the expected ones.

Securitizations originated after 1 January 2004

This category is made up of two transactions carried out by the Parent Bank in December 2007 and March 2008 respectively concerning performing loans totally amounting to EUR 8.5mln.

These transactions are aimed at diversifying and fostering available funding tools by transforming transferred loans into re-financeable securities. The Parent Bank's underwriting for both transactions of all notes issued by the vehicle is part of the more general policy aimed at strengthening the liquidity of the Group. AAA Notes are assignable securities and therefore contribute in keeping a high counterbalancing capacity of the Group.

The first of the above-mentioned transaction was carried out by the Parent Bank in December 2007 and had an underlying portfolio of more than 57,000 performing mortgage loans on residential estate for a total amount of EUR 5,162.4 mln with an expected residual life of about 20 years. From a geographical point of view, 46% of mortgage loans is located in Central Italy, whereas both Northern and Southern Italy show a 27% share.

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

Security category	Rating	Total counter-value in EUR mln
A1	Aaa and AAA	4,765.90
B	A2 and A9	157.45
C	Ba3 and BBB	239.00

A cash reserve amounting to EUR 123.90mln was created corresponding to the D Junior securities, 93% of the company's share capital is owned by a stichting and 7% by Banca Monte dei Paschi di Siena SpA.

On 20 March 2008, Siena Mortgages 07-5 Spa, a vehicle company, authorized another securitization through the acquisition of a performing loans portfolio, which was sold by the Parent Bank in bulk and with recourse, and amounting to about EUR 3,416 mln. The acquisition was executed on 31 March 2008.

Siena Mortgages 07-5 Spa, a vehicle company, was used for this securitization: to finance the acquisition, it used Residential Mortgage Backed Floating Rate Notes (RMBS) in the following tranches:

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

Moreover, a cash reserve of EUR 82.07 mln was created corresponding to D Junior securities.

The Parent Bank has fully underwritten the notes issued by the vehicle.

Also this transaction, which was similar to the preceding one, is part of a more general policy to strengthen the liquidity position of the Group.

Within the general project of increasing the value of non-performing loans provided for by the Business Plan on 28 December 2007 the Parent Bank executed another securitization of bad loans.

The whole bad loans portfolio, which is made up of 25,00 files and amounts to a book value of EU 738,90mln was sold at year's end 2007.

From a geographical point of view 44.25% of loans is located in Central Italy, 25.33% in Northern Italy and 30.45% in Southern Italy and islands.

For this securitization Siena Mortgages OO-1 SpA, a vehicle company, was used again: its loans were paid off early on 7 August 2007. As of 31 December 2007, the company's share capital was wholly owned by Banca Monte dei Paschi di Siena SpA.

Also in this case, the notes issued by the vehicle were fully underwritten by the originator Banca Monte dei Paschi di Siena and the loans sold were not written off from the financial statements.

Internal system of risk measurement and control

Transactions are steadily monitored through periodical quarterly and half-yearly reports of collection flows of the remaining capital, of the arrears and of the bad debts (the last two for the performing securitizations).

Organizational structure and reporting system to the Top Management

The MPS Group established a special structure in the Credit Policy and Control Area to co-ordinate performing securitizations; non-performing securitizations are followed by a special structure set up inside MPS Gestione Crediti SpA, a subsidiary.

Moreover, a special Group Directive provides for a half-yearly report to the Top Management monitoring the trends of the transactions implemented by the Group during the years.

Description of the importance on the Bank's activity

The underlying activities concerning securitizations without derecognition represent 4.26% of the consolidated assets as reported in the table hereunder

Description of the exposures

The following table show net exposures concerning securitizations carried out after 1 January 2004 which are represented by the book value of underlying loans sold but not written off from the originator's financial statements.

Assets underlying own securitizations carried out after 1 January 2004

(Values in EUR)

				30/06/08 Outstanding securitized exposures	
SPE	Derecognition	Underlying assets	account	exposure	Incidence of the Group's total assets
Siena Mortgages 00 1	NO	crediti non performing	Crediti vs. clientela - attività cedute non canc.	695,17	0,34%
Siena Mortgages 07 5	NO	mutui ipotecari	Crediti vs. clientela - attività cedute non canc.	4.773,01	2,31%
Siena Mortgages 07 5 Bis	NO	mutui ipotecari	Crediti vs. clientela - attività cedute non canc.	3.329,58	1,61%
Total				**8.797,76**	**4,26%**

In the above-mentioned portfolio exposures are almost completely allocated to Italian underlying assets.

The following table shows cash exposures – mainly represented by various forms of credit enhancements – as of 30 June 2008 and 31 December 2007 plus a net value of underlying assets as of 30 June 2008.

No exposure to subprime or other financial products having significant relation with these assets are reported.

Exposures resulting from main own securitizations carried out before 1 January 2004

(values in eur mlns)

SPE	Underlying industry	Transaction year	Synthetic or Traditional	30/06/2008 Cash exposure		30/06/08	31/12/2007 Cash exposure	
				Cash exposure	Value adjustments	Net underlying assets	Cash exposure	Value adjustments
Giotto Finance	Performing loans	2001	Traditional	81,77	-2,19	232,52	83,96	-5,47
Giotto Finance II	Performing loans	2003	Traditional	51,92	2,34	283,44	49,58	0,94
Gonzaga Finance	bond	2000	Traditional	109,58	0,00	221,27	108,45	0,00
Mantegna Finance	Mortgage loans	2001	Traditional	23,92	-0,49	150,13	17,92	-0,08
Mantegna Finance II	Mortgage loans	2002	Traditional	9,43	-0,03	118,14	17,54	-1,30
MPS Asset Securitization (MAS)	Performing loans	2002	Traditional	59,72	0,00	599,63	69,10	-9,50
Seashell II	Mortgage loans	2001	Traditional	12,94	0,00	160,57	13,95	-2,70
Siena Mortgages 02 3	Mortgage loans	2002	Traditional	5,50	0,00	659,86	5,88	0,00
Siena Mortgages 03 4	Mortgage loans	2003	Traditional	65,23	-3,94	858,23	68,12	-11,98
Spoleto Mortgages	crediti in bonis	2003	Traditional	1,99	0,00	101,19	2,41	0,00
Ulisse	non performing loans	2001	Traditional	0,00	0,00	62,78	0,00	0,00
Ulisse 4	non performing loans	2001	Traditional	4,55	0,00	15,70	4,55	-0,61
Ulisse II	non performing loans	2001	Traditional	108,42	-18,44	206,70	132,73	-36,07
Vintage Capital	Bonds and deriv.	2000	Traditional	8,46	0,00	n.d.	7,99	1,02
Total				**543,43**	**-22,74**		**582,19**	

The above-mentioned companies are securitization vehicles for which the Group had the role of originator. The MPS Group has not started any securitization until now, as a sponsor.

Economic effects quantification

In 2008 own securitization implied negative economic effects for EUR 22.74mln mainly posted to account 130 a) " Value adjustments/recoveries for credit impairment" of the consolidated profit and loss account.

Credit structured products

Description of the business model with reference to aims and strategies

The MPS Group allocated part of its share capital to stock market investments, in particular aiming at:

- achieving a correct performance for the risk higher than the cost of the allocated capital to produce value for the shareholders;
- achieving a diversification against the other risks typical of its own commercial activity;
- keeping an up-dated knowledge of financial market trends inevitably affecting domestic markets in which the Group mainly works.

To reach the above-mentioned aims the Group established a special unit, exclusively committed to this task, within the Finance Area of the Parent Bank. The operating field in the financial market is as wide as possible to take advantage of the diversification of risks and of the decreasing exposure to single specific sectors of the stock market.

In this respect, the typical investments in government bonds, shares and forex was joined starting from 2002 by a specific operating activity in the corporate bond market and credit derivatives. In this period the sector followed the market trends and carried out investments in structured bonds as well, which occur in line with the above-mentioned diversification process. As a matter of fact, financial technology gave the possibility of taking up positions in specific components of credit risk, such as the correlation and the recovery, through structured bonds.

The investment process starts from the analysis and from the specific evaluations carried out by traders in a bottom up logic. The process is anyway included within the overall risk monitoring of portfolios. In other words, the positions are taken after a specific analysis carried out by the traders taking into account maximum risk profile for the portfolios.

The whole operating activity in the stock markets is submitted to risk limits which are daily monitored such as VaR limits. Stop Loss limits and nominal limits of max. exposure for issuers macro-categories diversified by rating.

The information hereunder refers to the category of credit structured products and to the whole Group. Since there is no standardized and widely accepted definition for the purpose of this report the category of structured bonds includes, according to the instructions issued by the Financial Stability Forum, both credit structured products in a strict sense and investments in bonds issued by vehicles (SPE) and not included in the above-mentioned report concerning the consolidate SPEs.

For information, in the appendix, various kinds of investments and acronyms used in this paragraph are shortly listed.

This report is drawn in compliance with Supervisory rules by distinguishing positions concerning the Banking Portfolio and the Supervisory Trading Portfolio.

Description of the importance in the Bank's activity

The overall fair value of long positions in structured credit products amounting to EUR 2,056mln, represents 0.99% of the consolidated assets. It is allocates as follows:

- under the item 20 "financial assets held for trading" for EUR 1,141mln (of which EUR 587 mln classified in the Supervisory Trading Portfolio and EUR 554 in the Banking Portfolio);
- under the item 40 "Financial assets available for sale" for EUR 915mln (all classified in the Banking Portfolio).

Description of Exposures

The reported exposures are subdivided into long and short positions as of 30 June 2008 whereas the economic results, devaluation/revaluation only refer to the first half-year of 2008. The long positions are all taken up through cash tools whereas the short positions are held through credit derivatives on indexes and tranches.

With reference to the Supervisory classification the position are mainly allocated in the Banking Portfolio (71% in terms of book value) and secondarily in the Trading Portfolio (about 29%).

The information is subdivided into macro-categories of credit structured products, showing the nominal amount, the risk exposure and economic realized and unrealized effects concerning the first six months of 2008. In particular, for risk exposure of long positions, the fair value is reported since it represents economic loss in case of default with zero- recovery expectation. Realized charges and proceeds represent trading losses and profits realized during the reference period, devaluations and revaluations posted to the profit and loss account show the effect of the fair value adjustment during the period for the instruments classified as held for trading (HFT) whereas for the instruments classified as available for sale devaluations and revaluations are reported posted to reserves. All values are expressed in EUR million.

Within the Banking Portfolio (nominal amount of about EUR 1.74 mln) CDOs (collateralized debt obligations) are prevailing (53%) and are followed by CLNs (credit linked notes) issued by SPEs (29%). As a whole devaluations to profit and loss account amount to EUR 16 mln at the end of the month and EUR 55 mln to decreased reserves, which may be globally attributed to CDOs.

Within the Trading Portfolio nominal investments for about EUR 0.72mln are classified of which 60% of ABS (asset backed securities) and 40% of CDOs. Devaluations to Profit and Loss Account amount to EUR 42.7mln as of 30 June 2008.

All positions concerned are held for investment purposes except for a CDO totally amounting to less then EUR 100mln of book value in which the Group has the role of co-arranger and Portfolio Manager.

Exposures in credit structured products
Banking Portfolio
(values in EUR millions)

Classification	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS	18.62	18.06	0.00	0.00	-0.27
CDO	923.88	682.13	0.00	-14.08	-54.23
CLN	500.35	482.79	0.00	-1.15	-0.32
Dynamic Managed Portfolio	300.00	285.91	0.00	-1.00	0.00
Total	**1,742.85**	**1,468.89**	**0.00**	**-16.23**	**-54.82**

Exposures in credit structured products
Supervision Trading Portfolio
(values in EUR millions)

Classification	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS	434.41	387.49	0.00	-22.09	0.00
CDO	286.24	199.86	-0.02	-20.65	0.00
Total	**720.65**	**587.35**	**-0.02**	**-42.74**	**0.00**

The average percentage of devaluation of outstanding positions referred to the Banking Portfolio which is calculated as fair/par value ratio as of 30 June 2008 is 16%.

The average percentage of devaluation of outstanding positions referred to the Supervision Trading Portfolio which is calculated as fair/par value ratio as of 30 June 2008 is 18%.

Hereunder, long-term exposures are detailed by products while showing the kind of structure: synthetic, half-synthetic and traditional. The traditional structure means investments in funded structures not incorporating credit derivatives, the synthetic structure includes unfunded and funded structures incorporating credit derivatives whereas the half-synthetic structure includes investments incorporating both traditional and synthetic instruments.

Exposures in credit structured products
Banking Portfolio
(values in EUR millions)

Classification		Synthetic/traditional	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS							
	Other ABS						
		TRADITIONAL	8.70	8.38	0.00	0.00	-0.18
	RMBS						
		TRADITIONAL	9.92	9.68	0.00	0.00	-0.09
ABS Total			**18.62**	**18.06**	**0.00**	**0.00**	**-0.27**
CDO							
	CBO						
		TRADITIONAL	26.72	26.59	0.00	2.68	0.00
	CDO						
		SYNTHETIC	45.00	30.90	0.00	-2.60	0.00
	CDO di ABS						
		TRADITIONAL	100.00	51.14	0.00	-9.54	0.00
	CDO2						
		TRADITIONAL	450.00	345.84	0.00	0.00	-46.50
	CDO3						
		SYNTHETIC	15.86	11.66	0.00	-1.98	0.00
	CLO						
		TRADITIONAL	16.72	16.75	0.00	0.00	-0.02
	LSS						
		SYNTHETIC	65.00	56.39	0.00	-1.11	0.00
	Managed CDO						
		SEMISINTETICO	4.58	2.15	0.00	-0.69	0.00
	SLCDO						
		SYNTHETIC	200.00	140.71	0.00	-0.84	-7.71
CDO Total			**923.88**	**682.13**	**0.00**	**-14.08**	**-54.23**
CLN							
	SPE CLN						
		SYNTHETIC	500.35	482.79	0.00	-1.15	-0.32
CLN Total			**500.35**	**482.79**	**0.00**	**-1.15**	**-0.32**
Dynamic Managed Portfolio							
	CPPI						
		SYNTHETIC	150.00	141.64	0.00	-1.62	0.00
	SPI						
		SYNTHETIC	150.00	144.27	0.00	0.62	0.00
Dynamic Managed Portfolio Total			**300.00**	**285.91**	**0.00**	**-1.00**	**0.00**
Total			**1,742.85**	**1,468.89**	**0.00**	**-16.23**	**-54.82**

In the Banking Portfolio as a whole the synthetic structures represent 65%, the traditional ones 35% whereas the half-synthetic are negligible.

Exposures in credit structured products
Supervision Trading Portfolio
(values in EUR millions)

Classification		Synthetic/traditional	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS							
	CMBS						
		TRADITIONAL	78.36	67.42	0.00	-7.50	0.00
	Other ABS						
		TRADITIONAL	134.00	124.89	0.00	-4.60	0.00
	RMBS						
		TRADITIONAL	222.05	195.18	0.00	-9.99	0.00
ABS Total			**434.41**	**387.49**	**0.00**	**-22.09**	**0.00**
CDO							
	CBO						
		TRADITIONAL	36.50	32.12	-0.02	-3.59	0.00
	CLO						
		TRADITIONAL	89.94	77.94	0.00	-6.84	0.00
	Managed CDO						
		SEMISINTETICO	158.30	88.25	0.00	-10.22	0.00
	SCDO						
		SYNTHETIC	1.50	1.55	0.00	0.00	0.00
CDO Total			**286.24**	**199.86**	**-0.02**	**-20.65**	**0.00**
Total			**720.65**	**587.35**	**-0.02**	**-42.74**	**0.00**

In the Supervision Trading Portfolio as a whole half-synthetic structures represent 22%, the traditional ones 78%, whereas the synthetic are negligible.

Hereunder ratings of long positions are detailed:

Exposures in credit structured products
Banking Portfolio

(values in EUR millions)

Rating	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
AAA	188.45	181.56	0.00	3.34	-0.09
AA+	450.00	345.84	0.00	0.00	-46.50
AA	50.00	47.89	0.00	0.71	0.00
AA-	266.72	199.73	0.00	-2.72	-7.73
A+	506.82	493.64	0.00	-4.67	-0.32
A	60.86	49.35	0.00	-2.99	0.00
A-	37.40	23.76	0.00	-2.45	-0.01
BBB+	99.80	93.78	0.00	0.81	-0.16
BBB	51.50	4.60	0.00	-10.25	-0.01
CCC+	26.72	26.59	0.00	2.68	0.00
Not Rated	4.58	2.15	0.00	-0.69	0.00
Total	**1,742.85**	**1,468.89**	**0.00**	**-16.23**	**-54.82**

With reference to the Banking Portfolio, 98% of par value exposures is made up of Investment Grade securities (with rating up to BBB-) whereas 2% is represented by Sub-investments Grade or not Rated positions.

Exposures in credit structured products
Supervision Trading Portfolio

(values in EUR millions)

Rating	Par value	Risk exposure	Realized charges/proceeds	Revaluation/ devaluation affecting the profit and loss account	Revaluation/ devaluation affecting reserves
AAA	148.77	137.66	-0.02	-3.42	0.00
AA+	0.94	0.78	0.00	-0.16	0.00
AA	107.94	100.21	0.00	-3.73	0.00
AA-	24.80	21.96	0.00	-2.01	0.00
A+	55.98	50.18	0.00	-3.17	0.00
A	100.96	86.51	0.00	-8.17	0.00
A-	165.80	94.22	0.00	-11.10	0.00
BBB+	3.00	2.04	0.00	-0.75	0.00
BBB	71.02	59.71	0.00	-5.91	0.00
BBB-	21.94	17.17	0.00	-3.05	0.00
BB	16.00	13.70	0.00	-0.93	0.00
BB-	2.00	1.66	0.00	-0.34	0.00
Not Rated	1.50	1.55	0.00	0.00	0.00
Total	**720.65**	**587.35**	**-0.02**	**-42.74**	**0.00**

With reference to the Supervision Trading Portfolio, 97% of positions is made up of Investment Grade securities (with rating up to BBB-) whereas the remaining 3% is represented by Sub-investments Grade or not Rated positions.

Details of ABS exposures

Detailed information concerning ABS is given hereunder with reference to geographical area, to the underlying section, to issue date and to the average expiry of underlying assets.

In the following table the geographical breakdown of underlying assets is specified. In particular, there is no position with underlying assets originated by US vehicles both in the Banking Portfolio and in the Trading Portfolio.

ABS Exposures
Banking Portfolio
(values in EUR millions)

Classification		Underlying geographical area	Par value	Risk exposure	Realized charges/proceeds	Revaluation/ devaluation affecting the profit and loss account	Revaluation/ devaluation affecting reserves
ABS							
	Other ABS						
		Italia	8.70	8.38	0.00	0.00	-0.18
	Other ABS Total		**8.70**	**8.38**	**0.00**	**0.00**	**-0.18**
	RMBS						
		Italia	5.47	5.49	0.00	0.00	-0.01
		Spagna	1.45	1.41	0.00	0.00	-0.03
		UK	3.00	2.78	0.00	0.00	-0.05
	RMBS Total		**9.92**	**9.68**	**0.00**	**0.00**	**-0.09**
Total			**18.62**	**18.06**	**0.00**	**0.00**	**-0.27**

In the Banking Portfolio exposures are almost entirely allocated to Italian underlying assets.[17]

[17] The average devaluation percentage of the outstanding positions as of 30 June (calculated as fair value/par value ratio) is 3%.

ABS Exposures
Supervision Trading Portfolio
(values in EUR millions)

Classification		Underlying geographical area	Par value	Risk exposure	Realized charges/proceeds	Revaluation/ devaluation affecting the profit and loss account	Revaluation/ devaluation affecting reserves
ABS							
	CMBS						
		Europe	9.23	8.13	0.00	-0.74	0.00
		France	2.37	2.29	0.00	-0.05	0.00
		Germany	4.50	3.87	0.00	-0.37	0.00
		Italy	29.00	24.83	0.00	-3.05	0.00
		Holland	27.23	22.59	0.00	-2.98	0.00
		Spain	6.03	5.71	0.00	-0.31	0.00
	CMBS Total		**78.36**	**67.42**	**0.00**	**-7.50**	**0.00**
	Other ABS						
		Belgium	10.14	9.46	0.00	-0.22	0.00
		Europe	3.00	2.71	0.00	-0.24	0.00
		Germany	23.00	21.48	0.00	-0.79	0.00
		Italy	88.86	82.54	0.00	-3.22	0.00
		Portugal	3.50	3.44	0.00	-0.02	0.00
		Russia	0.50	0.48	0.00	-0.01	0.00
		UK	5.00	4.78	0.00	-0.10	0.00
	Other ABS Total		**134.00**	**124.89**	**0.00**	**-4.60**	**0.00**
	RMBS						
		Australia	2.00	1.92	0.00	-0.06	0.00
		Greece	2.00	1.65	0.00	-0.17	0.00
		Italy	78.90	62.68	0.00	-3.90	0.00
		Holland	65.80	60.06	0.00	-2.43	0.00
		Portugal	2.66	2.09	0.00	-0.19	0.00
		Spain	11.87	11.17	0.00	-0.44	0.00
		UK	61.82	55.60	0.00	-2.80	0.00
	RMBS Total		**222.05**	**195.18**	**0.00**	**-9.99**	**0.00**
Total			**434.41**	**387.49**	**0.00**	**-22.09**	**0.00**

In the Trading Portfolio 80% of exposures are allocated to Italian underlying assets (45%), Dutch ones (21%) and English ones (15%).[18]

Hereunder the breakdown by section of underlying assets is reported:

[18] The average devaluation percentage of the outstanding positions as of 30 June (calculated as fair value/par value ratio) is 11%.

ABS Exposures
Banking Portfolio
(values in EUR millions)

Classification		Section of underlying assets	Par value	Risk exposure	Realized charges/proceeds	Revaluation /devaluation affecting the profit and loss account	Revaluation /devaluation affecting reserves
ABS							
	Other ABS						
		Consumer Loans	1.50	1.35	0.00	0.00	-0.01
		Health Receivables	4.80	4.62	0.00	0.00	-0.16
		Public Sector Loans	2.40	2.41	0.00	0.00	-0.01
	Other ABS Total		**8.70**	**8.38**	**0.00**	**0.00**	**-0.18**
	RMBS						
		Residential Mortgages	9.92	9.68	0.00	0.00	-0.09
	RMBS Total		**9.92**	**9.68**	**0.00**	**0.00**	**-0.09**
Total			**18.62**	**18.06**	**0.00**	**0.00**	**-0.27**

More than 53% of the Banking Portfolio is represented by residential mortgages.

ABS Exposures
Supervision Trading Portfolio
(values in EUR millions)

Classification		Section of underlying assets	Par value	Risk exposure	Realized charges/proceeds	Revaluation /devaluation affecting the profit and loss account	Revaluation /devaluation affecting reserves
ABS							
	CMBS						
		Commercial Mortgages	78.36	67.42	0.00	-7.50	0.00
	CMBS Total		**78.36**	**67.42**	**0.00**	**-7.50**	**0.00**
	Other ABS						
		Auto Loans	23.00	21.58	0.00	-0.71	0.00
		Consumer Loans	28.63	27.20	0.00	-0.89	0.00
		Credit Cards	5.00	4.78	0.00	-0.10	0.00
		Health Receivables	8.89	8.16	0.00	-0.56	0.00
		Leasing	50.84	46.54	0.00	-1.86	0.00
		Life Policy Loans	0.00	0.00	0.00	0.00	0.00
		Public Sector Loans	14.64	13.92	0.00	-0.24	0.00
		Renew Energy	3.00	2.71	0.00	-0.24	0.00
	Other ABS Total		**134.00**	**124.89**	**0.00**	**-4.60**	**0.00**
	RMBS						
		Residential Mortgages	222.05	195.18	0.00	-9.99	0.00
	RMBS Total		**222.05**	**195.18**	**0.00**	**-9.99**	**0.00**
Total			**434.41**	**387.49**	**0.00**	**-22.09**	**0.00**

About 51% of the Trading Portfolio is made up of positions with underlying residential mortgages (RMBS), 18% of commercial mortgages and the remaining 31% of ABS positions with underlying other industries, such as auto loans, consumer loans, credit cards, leasing, etc.

Hereunder the breakdown by issue dates of underlying assets follows:

ABS Exposures
Banking Portfolio
(values in EUR millions)

Classification		vintage	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS							
	Other ABS						
		2000	1.50	1.35	0.00	0.00	-0.01
		2002	2.40	2.41	0.00	0.00	-0.01
		other	4.80	4.62	0.00	0.00	-0.16
	Other ABS Total		**8.70**	**8.38**	**0.00**	**0.00**	**-0.18**
	RMBS						
		1999	4.00	4.02	0.00	0.00	-0.01
		2000	1.45	1.41	0.00	0.00	-0.03
		2003	1.47	1.47	0.00	0.00	0.00
		2007	3.00	2.78	0.00	0.00	-0.05
	RMBS Total		**9.92**	**9.68**	**0.00**	**0.00**	**-0.09**
Total			**18.62**	**18.06**	**0.00**	**0.00**	**-0.27**

ABS Exposures
Supervision Trading Portfolio

(values in EUR millions)

Classification		vintage	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS							
	CMBS						
		2004	2.37	2.29	0.00	-0.05	0.00
		2005	6.03	5.71	0.00	-0.31	0.00
		2006	44.00	36.21	0.00	-5.36	0.00
		2007	25.96	23.21	0.00	-1.78	0.00
	CMBS Total		**78.36**	**67.42**	**0.00**	**-7.50**	**0.00**
	Other ABS						
		1999	0.00	0.00	0.00	0.00	0.00
		2002	5.00	4.66	0.00	-0.29	0.00
		2003	1.00	1.02	0.00	0.00	0.00
		2004	15.16	14.19	0.00	-0.17	0.00
		2005	11.79	11.14	0.00	-0.42	0.00
		2006	98.05	91.17	0.00	-3.48	0.00
		2007	3.00	2.71	0.00	-0.24	0.00
	Other ABS Total		**134.00**	**124.89**	**0.00**	**-4.60**	**0.00**
	RMBS						
		2002	1.05	1.02	0.00	-0.01	0.00
		2003	12.97	10.78	0.00	-0.49	0.00
		2004	13.48	11.99	0.00	-0.80	0.00
		2005	9.64	6.89	0.00	-0.11	0.00
		2006	124.96	110.65	0.00	-6.91	0.00
		2007	59.95	53.85	0.00	-1.67	0.00
	RMBS Total		**222.05**	**195.18**	**0.00**	**-9.99**	**0.00**
Total			**434.41**	**378.49**	**0.00**	**-22.09**	**0.00**

For both portfolios exposures are mainly concentrated on recent issue dates (2006/2007)

Finally, hereunder the breakdown by average expiry of underlying assets follows:

ABS Exposures
Banking Portfolio
(values in EUR millions)

Classification		Average	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS							
	Other ABS						
		4	1.50	1.35	0.00	0.00	-0.01
		altro	7.20	7.03	0.00	0.00	-0.17
	Other ABS Total		**8.70**	**8.38**	**0.00**	**0.00**	**-0.18**
	RMBS						
		3	4.45	4.19	0.00	0.00	-0.08
		4	1.47	1.47	0.00	0.00	0.00
		15	4.00	4.02	0.00	0.00	-0.01
	RMBS Total		**9.92**	**9.68**	**0.00**	**0.00**	**-0.09**
Total			**18.62**	**18.06**	**0.00**	**0.00**	**-0.27**

40% of the par value exposure of the Banking Portfolio is made up of underlying expiring not later than 4 years and only 21% of the positions has an average expiry of 15 years.

ABS Exposures
Supervision Trading Portfolio
(values in EUR millions)

Classification		scadenza media in anni	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
ABS							
	CMBS						
		1	2.37	2.29	0.00	-0.05	0.00
		3	8.03	7.62	0.00	-0.34	0.00
		4	4.00	3.44	0.00	-0.35	0.00
		5	13.73	12.00	0.00	-1.12	0.00
		6	30.23	27.07	0.00	-2.27	0.00
		7	15.00	11.38	0.00	-2.31	0.00
		10	5.00	3.62	0.00	-1.07	0.00
	CMBS Total		**78.36**	**67.42**	**0.00**	**-7.50**	**0.00**
	Other ABS						
		1	43.90	43.28	0.00	-0.35	0.00
		2	10.23	9.77	0.00	-0.32	0.00
		3	20.80	19.38	0.00	-0.71	0.00
		4	14.88	14.00	0.00	-0.36	0.00
		5	8.00	6.93	0.00	-0.43	0.00
		6	33.20	28.82	0.00	-2.19	0.00
		9	3.00	2.71	0.00	-0.24	0.00
	Other ABS Total		**134.00**	**124.89**	**0.00**	**-4.60**	**0.00**
	RMBS						
		1	5.00	2.66	0.00	0.01	0.00
		2	13.07	12.22	0.00	-0.49	0.00
		3	11.75	9.95	0.00	-0.11	0.00
		4	66.40	59.58	0.00	-3.18	0.00
		5	52.47	47.52	0.00	-1.96	0.00
		6	28.36	24.94	0.00	-0.86	0.00
		7	29.00	24.55	0.00	-2.48	0.00
		8	7.00	5.88	0.00	-0.57	0.00
		9	5.00	4.49	0.00	-0.06	0.00
		11	3.00	2.46	0.00	-0.25	0.00
		13	1.00	0.93	0.00	-0.04	0.00
	RMBS Total		**222.05**	**195.18**	**0.00**	**-9.99**	**0.00**
Total			**434.41**	**387.49**	**0.00**	**-22.09**	**0.00**

As to the Trading Portfolio, 63% of par value exposures has an underlying expiry not longer than 5 years, 35% shows underlying assets with expiry between 5 and 10 years and only 2% is made up of underlying assets with expiry between 10 and 13 years.

Detailed CDO exposures

As to the CDOs, information concerning the kinds of products and the seniority of tranches is reported. As to the geographical breakdown of reference portfolio the majority of structures have a mixed composition except for EIRLES TV DE45 (CDO of ABS) position wholly linked to US subprime, the details of which the specific paragraph of financial instruments at subprime risks must be referred to.

Exposures in CDOs
Banking Portfolio
values in EUR millions)

Classification		Seniority	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss	Revaluation/devaluation affecting reserves
CDO							
	CBO						
		MEZZANINE	26.72	26.59	0.00	2.68	0.00
	CDO						
		MEZZANINE	35.00	21.35	0.00	-2.45	0.00
		SENIOR	10.00	9.55	0.00	-0.15	0.00
	CDO di ABS						
		MEZZANINE	50.00	3.25	0.00	-10.25	0.00
		SENIOR	50.00	47.89	0.00	0.71	0.00
	CDO2						
		SENIOR	450.00	345.84	0.00	0.00	-46.50
	CDO3						
		SENIOR	15.86	11.66	0.00	-1.98	0.00
	CLO						
		MEZZANINE	16.72	16.75	0.00	0.00	-0.02
	LSS						
		SENIOR	65.00	56.39	0.00	-1.11	0.00
	Managed CDO						
		JUNIOR	4.58	2.15	0.00	-0.69	0.00
	SLCDO						
		SENIOR	200.00	140.71	0.00	-0.84	-7.71
Grand Total			**923.88**	**682.13**	**0.00**	**-14.08**	**-54.23**

Main typologies of the Banking Portfolio are the CDO Squared (CDO2) (49%) and Synthetic Loan CDO (SLCDO) (22%). As to seniority, senior tranches are 86% of the whole portfolio, mezzanine tranches 14% and junior tranches are negligible. Devaluations affecting net worth reserves are mainly concentrated in the CDO Squared (€ 46.5mln).[19]

[19] The average devaluation percentage of outstanding positions as of 30 June – calculated as fair value/par value ratio – amounts to 26%.

Esposizioni in CDO
Portafoglio di Negoziazione di Vigilanza
values in EUR millions)

Classification		Seniority	Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss	Revaluation/devaluation affecting reserves
CDO							
	CBO						
		JUNIOR	4.50	3.45	0.00	-1.06	0.00
		MEZZANINE	13.00	10.66	0.00	-1.58	0.00
		SENIOR	19.00	18.01	-0.02	-0.95	0.00
	CLO						
		JUNIOR	16.87	13.92	0.00	-1.58	0.00
		MEZZANINE	45.04	38.16	0.00	-3.80	0.00
		SENIOR	28.03	25.86	0.00	-1.46	0.00
	Managed CDO						
		SENIOR	158.30	88.25	0.00	-10.22	0.00
	SCDO						
		MEZZANINE	1.50	1.55	0.00	0.00	0.00
Grand Total			**286.24**	**199.86**	**-0.02**	**-20.65**	**0.00**

Main typologies of the Trading Portfolio of CDOs are the CDO Managed (CDO2) (55%) and the Collateralized Loan Obligation (CLO) (31%). As to seniority, senior tranches are 72% of the whole portfolio, mezzanine tranches 21% and junior tranches represent the remaining 7%.[20]

[20] The average devaluation percentage of outstanding positions as of 30 June – calculated as fair value/par value ratio – amounts to 30%.

Details of Managed Portfolio and SPE CLN exposures.

Both above-mentioned typologies are to be found only in the Banking Portfolio.
In particular, as of 30 June 2008, there were par value investments amounting to € 300 mln with underlying managed portfolio (CPPIs and SPIs) and about € 500 mln of CLNs issued by SPEs.

Exposures in Dynamic Managed Portfolio
Banking Portfolio
values in EUR millions)

Classification		Par value	Risk exposure	Realized charges/proceeds	Revaluation/ devaluation affecting the profit and loss account	Revaluation/ devaluation affecting reserves
Dynamic Managed Portfolio						
	CPPI	150.00	141.64	0.00	-1.62	0.00
	SPI	150.00	144.27	0.00	0.62	0.00
Total		**300.00**	**285.91**	**0.00**	**-1.00**	**0.00**

Exposures in CLN
Banking Portfolio
values in EUR millions)

Classification		Par value	Risk exposure	Realized charges/proceeds	Revaluation/devaluation affecting the profit and loss account	Revaluation/devaluation affecting reserves
CLN						
	SPE CLN	500.35	482.79	0.00	-1.15	-0.32
Total		**500.35**	**482.79**	**0.00**	**-1.15**	**-0.32**

The exposures to US subprime and Alt –A.

Given the negligible value of US subprime and Alt-A positions, there are no detailed tables. Specific information included in this report according to the Consob requirement of 30 August 2007 no. 7079556 ("Public disclosures" in compliance with article 114, par. 5 of Legislative Decree no.58/1998) should be referred to.

The exposures to mono-line insurers

The MPS Group has no direct exposures to mono-line insurers but only limited indirect positions which may be linked to CDO positions for overall € 100 million of par value (already included in the above-mentioned tables). However, the estimated weight of exposures to mono-line insurers within the above-mentioned CDO amounts to about 2%, therefore, the indirect exposures is about EUR 2 mln.

Short positions

Hereunder net short positions are detailed which play a mitigation role of the overall risk of bond portfolio, for their nature and use, since they benefit of the creditworthiness impairment of underlying represented by the widening of the relative credit spreads.

The expositions are all represented by derivatives on standardized credit indexes and may be all linked to the Trading Portfolio. In particular, there are positions on indexes such as iTraxx (European market) and CDX (US market) and industry indexes such as ABX (index made up of a basket of underlying US ABS products), CMBX (made up of a basket of underlying CMBS US products) and LCDX (made up of a basket of underlying US Loan CDS products). In particular, positions towards ABC index were taken in relation with the subprime risk of the EIRLES TV DE45 (CDO OF ABS) above-mentioned position.

As a whole, short exposures amount to about notional EUR 650 million

Positions in Indexes and Tranches
Trading and Supervision Portfolios

values in EUR mls

Position as of 30.06.08		**par value**
Indexes		**634.81**
	ABX HE	76.12
	CDX NA IG	19.03
	CMBX NA	57.09
	iTraxx Europe	324.50
	iTraxx Europe Crossover	110.00
	iTraxx Europe Senior Financials	10.00
	LCDX	38.06
Tranches		**15.86**
	CMBX NA 0-3%	15.86
total position		**650.66**

Quantification of economic effects

The economic effects of long exposures in credit structured products which are reported in the above-mentioned tables, can be summarized as follows.

Securities classified in the financial statements under the “Available for Sale” portfolio, which all belong to the Supervision Banking Portfolio:

- capital losses assigned to net worth reserves amounted to EUR 54.82mln;

- capital losses to profit and loss account (item 80) amounted to EUR 2.8mln and may be referred to evaluation of implicit derivatives discorporated from host instruments, as required by IAS 39.

Securities classified in the financial statements under the Held for Trading portfolio.

- net capital losses to profit and loss account (item 80) amounting to EUR 13.43mln were reported on securities classified in the Supervision Banking Portfolio;
- net capital losses to profit and loss account (item 80) for EUR 42.74 were reported on securities classified in the Supervision Trading Portfolio.

Leveraged Finance

Description of the Business Model with reference to aims an strategies

The under-mentioned information concerns credit exposures (Loans) to Vehicles (Special Purpose Entity) with structured securities, such as CDO, CLO, RMBS, in the assets, and/or securities issued by highly leveraged borrowers. The above-mentioned information refers to the whole Group.

These exposures are posted to the financial statements account: “Loans towards customers”.

Description of the relevance on the Bank’s assets

The relevance on the Bank’s assets of the exposures concerned is absolutely marginal.

The exposure includes two positions amounting to EUR 13.3 mln of fair value and of risk exposure (respectively EUR 3.3 mln and EUR 10 mln) with proceeds realized in the first half-year 2008 amounting to EUR 0.28mln against which there is no devaluation.

Moreover,

- the account of EUR 3,3mln refers to a vehicle which only invested in a security the underlying assets of which is represented by various European ABSs until now with triple A ratings.
- The account of EUR 10mln only has securities, in its assets, the underlying of which is represented by Class C1 of a non-performing credit securitization. These securities are anyway expressly guaranteed by a leading Italian Credit Institution.
- The above-mentioned vehicles do not have exposures either towards US subprime and Alt-A or mono-line insurers.

Disclosure on fair value of credit structured instruments

This section only concerns credit structured instruments in compliance with previous statements.

The investments carried out by the MPS Group are classified in HFT and AFS on the basis of their implicit requirements and of the holding aims. The international account standards (IAS/IFRS) provide, for these categories, the fair value assessment with the posting of the relative changes to the profit and loss account and to net worth, respectively.

Generally speaking, the best proof of fair value is the existence of official quotations on an active market, on the basis of which, if any, financial assets and liabilities are assessed. Failing an active market, it is necessary to use assessment criteria which are usually used and acknowledged by the market to determine the value at which the assets would have been freely exchanged at normal market conditions, to mirror the procedures according to which the market should calculate the price.

As to the products concerned by this report for almost all instruments within the structured loans area, quotations meeting the requirements defined for the securities listed on active markets are not available, the 92% of their assessment may be linked to evaluation techniques, in terms of financial statements value.

From this point of view, as to the category concerned, given the persistent instability of financial markets and likely uncertainties resulting from pricing models, according to the MPS Group, it is advisable to support the valorisation already previously based on assessment technique also through external information, although contingent liquidity conditions also due to the scarcity of capital of many traders, may result in penalizing quotations.

Only taking into account the quotations which are not listed on an active market referring to financial statements values for about half (52%) of the portfolio, and in particular for the most complex component of structured credit instruments, an operating bid price was asked, for 30% of the whole quotations acquired from the main info-providers, considered liquid and reliable such as Markit (abt 16% of the total), Bloomberg and Reuters were referred to, for another 8% information obtained from external contributors but through sources which are difficult to find publicly, and for the remaining 10% only evaluation models were used also with parameters which may not be directly observed and information resulting from similar securities.

The assessment of the security portfolio for financial statements purposes imply the contribution by first and second level monitoring functions, according to the respective responsibilities, which are then submitted to the Top Management.

Derivatives with customers and relative counterpart risks

In general, the fair value of OTC financial instruments, including those traded with the customers is determined through estimate method and assessment models. In particular the calculation of fair value is carried out on the basis of following general criteria: discount of future cash flows, representation model of option prices, evaluation of quoted instruments having similar features, values calculated in recent comparable transactions. Anyway, the procedures do comply with market practice.

The assessments are carried out taking into account all risk factors which are relevant for each kind of financial instrument, risk factors which may be largely observed directly or indirectly, on the market. In the first case, it is the matters of values which may be directly observed resulting from transactions carried out on the market; in the second case, values are deducted from market prices by using adequate techniques and mathematical and financial methods, such as the determination of volatility implicit in the price of a quoted option characterised by different degrees of complexity. The assessment models used in calculating the fair value of derivatives are shared among the Operating Units and the Risk Management and Quantitative Analysis Area.

These models are submitted to a periodical review in order to meet the continuous evolution of the calculation procedures of the fair value, so that the model approach adopted is steadily aligned with the prevailing domestic and international best practice.

The activity of the MPS Group in Over The Counter derivatives with customers started in 2002 after a special resolution of the Board of Directors and provides for an operating activity aimed at hedging the interest rate risk, forex risks and commodity risks. Main products traded are interest rate swap, cap, floor, collar, forward contracts, currency option, currency swaps, commodity options and combinations of these base instruments.

With the recent acquisition of Banca Antonveneta in the section of financial derivatives with customers also products traded by Antonveneta were inserted, which have features similar to those already traded by MPS Group.

As to the products offered to customers there are a whole set of common features of most operating activities. In particular, the traded products:

- are not speculative;
- are linked with an underlying position even if they remain distinct from a contractual and administrative point of view;
- their complexity is limited although there is no plain vanilla position;
- are not characterized by financial leverage.

The operating activity in derivatives with customers includes the centralization of the product company and of the market risk monitoring in MPS Capital Services with allocation, management and counterpart credit risk monitoring to customers in the Commercial Banks.

This activity includes market risk assumption as the exposure in terms of potential loss which may be registered in the accounts held after the negative changes in market risk factors. This activity is subject to the following main risk factors: interest rates, exchange rates, indexes, goods and the relevant volatilities and relations. In the meantime the Bank takes the risk that the counterpart of a transaction concerned with derivatives is in default before the payment (counterpart risk).

Hereunder main summarizing quality and quantity information follows within the framework of OTC derivatives with customers and only referring to the transactions with counterparts belonging to Large Corporates, SMEs, Entities and Institutions and Small Business, therefore excluding financial counterparts.

OTC derivatives included those traded with customers similarly to other technical forms are collectively assessed in credit terms. This assessment is developed on the basis of Risk Management models and is carried out by categories of homogenous exposures in terms of credit risk. The relevant loss percentages are estimated taking into account historical series based on elements noticeable at the assessment date enabling the estimate of the expected loss in each category. In particular, risk parameters used in collective assessment are the Default Probability (PD) and the Loss Given Default (LGD). For Corporate and Retail counterparts the PD and the LGD are used which are estimated from the internal models as provided for by the circular letter 263 issued by the Bank of Italy in December 2006, for the other the PD is used which may be obtained from the external rating assigned by the rating agencies and the LGD of the Foundation method amounting to 45%. The collective devaluation on OTC derivatives underwritten with the customers at Group level and including Banca Antonveneta is EUR 7.5mln in line with the year's end 2007 considering Banca Antonveneta.

The number of customers increased, also thanks to the acquisition of Banca Antonveneta and is lower than 6,000 counterparts as a whole, and the agreements represent a limited part of the total operating activity implemented with the MPS Group customers,

The total net fair value of the products is positive for the MPS Group (and negative for the customers and amounts to) for almost EUR 30 mln (total value amounting to EUR 22 bn). This result is brought about by forex transactions totalling a positive value of EUR 103 mln and by the partial set-off of the exposure of interest rate operating activity showing a negative value of EUR 85 mln.

Given that the operating activity is substantially represented by transactions which are not financially complex, in order to divide the traded products into simple ones and structured ones, the products made up of several financial simple components and single products which are exotic in the slightest such as, digital payment profiles, barriers, etc. are considered structured in a very wide meaning, given their nature. The portfolio section which may be referred to structured products amounts to almost EUR 103 mln of fair value (total par value of about EUR 13 mlm) whereas the total amount of simple transactions is negative and amounts to about EUR 73 mln (par value slightly higher than EUR 9 bn).

If assets (positive fair value for the Group) and liabilities (negative fair value for the Group) are analysed separately the following breakdown result:

Total positive fair value amount to about EUR 247 mln and may be referred to transactions carried out with abt. 1,000 customers and to a total par value of about EUR 9.2 bn. In this field simple transactions amount to about EUR 117 mln – par value of abt. 1.6bn – whereas the structured ones amount to at EUR 130 mln – par value EUR 7.6bn – By kind of underlying assets, such value is made up of transactions on goods for abt EUR 10mln , of forex transactions for abt. EUR 117, of transactions on shares for abt EUR 4 mln and of transactions on interest rates for abt EUR 118 mln, the increase of which against December 2007 may be mainly attributed to transactions with institutional customers.

Total negative fair value amounts to abt EUR 218 mln to be referred to transactions carried out with abt 4,900 customers and with a total par value of abt EUR 13 bn. In this field simple transactions amount to abt EUR 190 – par value of abt. EUR 7,6 bn whereas the structured ones amount to abt EUR 28 mln - par value of EUR 5.4; by kind of underling assets such value is made up of forex and goods transactions (EUR 14 mln) and of interest rate transactions (abt. EU 204mln).

As to the customers, who traded structured products, the accrued exposure in relative terms against the total of all positive fair value towards customers shows that the position concerning the top twenty customers represent 25% of the total amount, whereas the percentage of exposure towards the top fifty is abt 36% and reach 43% for the top hundred.

APPENDIX: GLOSSARY

Hereunder a short glossary of the terms used in this paragraph with the relevant acronyms follows

ABS: Asset Backed Security: security guaranteeing the repayment and the coupon flows on the basis of proceeds resulting from a whole set of financial assets. They are typically divided into RMBS and CMBS.

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

CBO: Collateralized Bond Obligation: CDO in which the underlying portfolio is mainly made up of bonds.

CDO: Collateralized Debt Obligation: securities issued in differentiated riskiness classes and with different payment subordination (tranche) following a securitization of a debt instruments portfolio including credit risks. They typically include a financial leverage.

CDO of ABS: CDO in which the underlying portfolio is mainly made up of ABS

CDO2: CDO Squared: CDO in which the underlying portfolio is mainly made up of other CDO.

CDO3: CDO Cubed: CDO in which the underlying portfolio is mainly made up of CDO Squared.

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

CLO: Collateralized Loan Obligation: CDO in which the underlying portfolio is mainly made of loans

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

CPPI: Constant Proportion Portfolio Insurance: security with guaranteed principal including a trading dynamic strategy in order to participate in the performance of an underlying asset.

Dynamic Managed Portfolio: Dynamic Managed Portfolio: products with underlying dynamic managed assets of the CPPI/SPI kind.

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

LSS: Leveraged Super Senior: CDO through which the investor has an exposure towards the whole super senior tranche through a derivative which is typical of a leverage

Managed CDO: Managed CDO: CDO in which the portfolio of underlying exposures is managed

Mono-line insurer: mono-line insurer: insurance companies specialized in securing the payment of interest and par value of bonds upon default of the issuer. They are called mono-line insurers because they typically offer the service in a single industry.

Other ABS: Other Asset Backed Securities: security guaranteeing the repayment and the coupon flows on the basis of proceeds resulting from a whole set of activities: consumer credit and leasing, usually including loans for cars, credit cards, student loans, leasing financing, etc.
RMBS: Residential Mortgage Backed Securities: ABS with underlying residential mortgage loans

SCDO: Synthetic CDO: CDO in which the portfolio of underlying assets is mainly made up of Credit Default Swap (CDS).

Seniority: Seniority: subordination level in repaying the security, usually divided into Super Senior, Senior, Mezzanine and Junior.

SLCDO: Synthetic Loan CDO: CDO in which the portfolio of underlying accounts is mainly made up of Synthetic Loans CDS.

SPE: Special Purpose Entity: corporate vehicle established to achieve specific aims above all to isolate financial risks. Assets are made up of a portfolio the proceeds of which are used to service the issued bonds.

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

SPI: Synthetic Portfolio Insurance: synthetic version of CPPI which is obtained through derivatives

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

REPORTING PURSUANT TO CONSOB REQUEST NO.7079556 OF 30 AUGUST 2007 ("Public disclosures" in accordance with art.114, par.5, of Legislative Decree no.58/1998)

SUB-PRIME FINANCIAL INSTRUMENTS IN THE PROPRIETARY AND CUSTOMERS' PORTFOLIOS

This paragraph contains the information requested by the Italian Securities Commission (Consob) as far as the exposure to subprime loan assets are concerned:

1) the outstanding exposure or commitments of this company or Group companies, with respect to:

   a. the disbursement of said mortgage loans;
   b. the investment in financial products which have sub-prime mortgage loans as underlying assets, or are connected with them;
   c. the issue of guarantees in relation with such products;

2) the amount of any financial products, which (i) have, as underlying assets, said mortgage loans held by this company or Group companies, and (ii) are under management or on deposit on behalf of third parties.

The analyses conducted at the **MPS Group** showed that:

1a) Although it is not easy to identify any products similar to the sub-prime mortage loans existing in the US market (where the Group has no exposures), no mortgage loans have been disbursed to Italian retail customers who can be compared with the so-called sub-prime US customers.

1b) With reference to the investment in financial products which have sub-prime mortgage loans as underlying assets, or are connected with them, there is only one position at the level of "proprietary finance" in relation to a Senior Tranche of a CDO of ABS on the US RMBS ("EIRLES TV DE45") in a notional amount of EUR 50 million, with Deutsche Bank as the counterpart, expiring on 20 December 2045 and S&P Rating AAA, (BBB as of 30/06/08) with a market value of EUR 13.6 million as of 31 December 2007 and EUR 3.3 million as of 30 June 2007, posted to the profit and loss statement with a valuation loss of about EUR 10.3 million.
As a result of the deterioration of the sub-prime loan crisis and their market value, in the first decade of August the Parent Bank purchased protection and sold the benchmark index of the US real estate market (US RMBS) through 3 CDSs in a total nominal value of USD 180 million, with a nominal remaining amount of USD 120 million as of 30 June 2008.
As of 30 June 2008, the mark to market of the two above-mentioned positions shows an overall positive impact to the profit and loss statement.

Moreover the hedge funds and the fund of funds portfolios were only marginally affected since the percentages of underlying assets linked with sub-prime loans within this portfolio are low.

1c) No guarantees associated with sub-prime mortgage loans have been issued.

2) With reference to the financial products which have, as underlying assets, said mortgage loans under management or on deposit on behalf of third parties, the investigations conducted on the securities deposited with the Parent Bank, Banca Toscana, Banca Agricola Mantovana, Banca Personale, Biverbanca and, starting from June 2008, of Banca Antonveneta proved that no similar financial instruments have been issued by the Group as of end of June 2008 (structured bonds, funds, insurance policies, portfolios under management etc.).

In relation to similar products issued by third parties and distributed by the Group Networks, and in particular third parties' SICAVs, as of 30 June 2008 the total value of third parties' funds existing in the securities deposits of the Group's customers and including sub-prime risk exposures amounted to EUR 54 million approx. (0.037% of total securities deposited with the customers on that date) and is therefore steady and very low.

Almost all of the total value of SICAVs identified as a sub-prime risk portfolio have an exposure directly attributable to such risk extremely low.

The funds which show the highest percentages of sub-prime risk within the managed portfolios have been assigned – during the process of assignment of a risk level to the products placed to the customers – intermediate-upper risk classes, in view of providing the customers with fair information on the potential risks of the products.

CAPITAL FOR REGULATORY PURPOSES AND PRUDENTIAL REQUIREMENTS

On 12 June 2008, the MPS Group was granted by Bank of Italy the authorization to use internal methods to determine regulatory absorptions as far as both credit risk (Advanced Method) and Operating Risks (AMA Method) are concerned. The companies concerned as to risk credit are Banca Monte dei Paschi di Siena, Banca Toscana, Banca Agricola Mantovana and Monte Paschi Capital Services. In particular, the regulatory authorized portfolios are the “corporate” and “retail” ones whereas capital absorptions referred to all other legal entities and to the remaining credit portfolios will be determined by using the standardized methods although the MPS Group in compliance with the regulations, scheduled the adequate passages to more advanced methods according to the roll-out plan submitted to the Bank of Italy. On the contrary, as to the operating risk all banking and domestic financial companies are concerned except for BAV and Biver under roll-out as well as main instrumental companies. Other risk kinds provided for by the First Pillar of the Circular Letter no. 263 issued by the Bank of Italy will also be submitted to the standardized regulatory measurements.

Still as far as credit risk is concerned the passage to advanced methods implied for the MPS Group:

1) to develop and methodologically implement internal models of rating (Default Probability) by implementing different kinds of rating models according to specific features of each borrower and different kind of products making up the risk position;
2) to implement validated Loss Given Default models according to the qualitative and quantitative provisions of the above-mentioned Circular Letter no. 263;
3) to implement credit procedures in full compliance with the requirements of use-test and of using credit in operating and management processes;
4) to implement technology in the IT production environment of MPS Group creating a single data environment (Datawarehouse of Credit) which enables the management use of above-mentioned information and the use of the same information to carry out Supervisory Report;
5) to fully perform the set of validation controls on all PD and LGD models developed by the competent independent function as well as by the Internal Auditor.

The EAD component is determined according to standardized methods in compliance with the roll-out plan shared with the Bank of Italy.

As to the operating risk the advanced approach is such as to homogenously combine all main both qualitative and quantitative information sources (information or data) (mixed LDA-Backdrop Model).

The quantitative component such as Loss Distribution Approach is based on gathering, analysing and statistically modelling internal and external historical loss data which are provided for by the DIPO[21] consortium. The model provides for the calculation on seven event categories established

[21] Database Italiano Perdite Operative: Operating Losses Italian Database

by Basel 2 and used as risk class through the adoption of Extreme Value Theory techniques. The estimate of occurring rates is only based on internal data.

The qualitative component is focused on risk profile evaluation of each unit and is based on the identification of the relevant backdrops. In this context companies are inserted in the AMA field during the identification stage of processes and risks to be valued, in the evaluation of the risks by those in charge of the process, in the identification of likely mitigation plans, while sharing opinions with the head office about priorities and technical and economic feasibility of mitigation steps.

Moreover, in compliance with the provisions of the new capital adequacy rules the MPS Group carries out activities to meet both the requirements both of the Second and the Third Pillar. In particular, as to the Second Pillar, the MPS Group is setting up a special organizational service which will carry out the tasks concerning the ICAAP reporting which will be issued not later than October 2008 in a simplified manner, whereas the advanced configuration will be ready within April 2009. The activity fields of the Second Pillar were organized according to two different kinds: the first one is aimed at shaping measurement methods of all risks according to internal models, integrating them, implementing stress testing to determine the total internal capital, while tapping into what already implemented by the Group for the calculation of the total economic capital; the second one, being more of the organizational and co-ordinating kind, is aimed at implementing the remaining activities provided for by the ICAAP process as described by the regulation no. 263.

Within the Second Pillar, which is made up of two different thematic areas – the first one is referred to the ICAAP process charged to the financial intermediaries and the second one to the Supervisory Review of the Bank of Italy, the MPS Group is going on with the activities provided for by the Basel 2 guidelines for Class 1 banks, essentially working on two development levels. The first level concerns a) the evolution of methodological and implementing metrics aimed at measuring relevant risks, b) the evolution of policies for non-measurable risks, c) the improvement of risk and stress-testing integration procedures. The second level of implementation is focused on organizational and operating configuration of processes and activities necessary to the drafting of the ICAAP Report in a simplified way in compliance with the provisions of the Supervisory Authorities and aimed to supply a present and perspective evaluation of the capital for regulatory purposes based on a) the survey of risks actually taken up in addition to the risks of the First Pillar, b) on the strategic and corporate aims of the Banking Group, c) on the examination of the what-if results in case of adverse economic conditions and d) the efficiency and efficacy levels of monitoring and risk mitigation processes.

Within the Third Pillar (obligation of "disclosure to the public" concerning the risks of the Bank, the adopted risk management methods, capital adequacy, as provided for by the Circular Letter no. 263 of 27 December 2006 of the Bank of Italy) on the contrary, the MPS Group started a specific project within Basle 2 aimed at defining the structure and the contents of the disclosure document (Risk Report Pillar 3) as well as the relevant implementation procedures to comply with the disclosure obligations provided for by the regulations. The working team which is co-ordinated by the Risk Management Unit and managed by the CFO is made up of all main units of the Parent Bank. The Risk Report Pillar 3 is a summarizing document disclosing to the market (the public) information concerning the activities carried out, capital adequacy, risk exposures and general characteristics of the systems dealing with risk identification, measurement and management.
The final document of Risk Report Pillar 3 will be published on the website of the parent bank: http.//www.mps.it/Investor+Relations.

The capital for regulatory purposes of the MPS Group was calculated taking into account the consequences of the application of the IAS/IFRS international accounting principles according to the schedules of the 12° updating document of the circular letter no. 155 of the Bank of Italy "Instructions to fill in the reports on capital for regulatory purposes and on prudential ratios". That have been said the consolidated capital for regulatory purposes of the MPS Group amounted to EUR 11,618.2 million increasing by EUR 2,040.5 million as of 30 June 2008 if compared with 31 December 2007.

PATRIMONIO DI VIGILANZA - (millions of euros)	**MPS GROUP**	
	30/06/08	31/12/07
Patrimonio di base	6,312.9	6,915.7
Patrimonio supplementare	5,717.9	3,200.3
Elementi da dedurre	412.6	538.3
PATRIMONIO DI VIGILANZA	**11,618.2**	**9,577.7**

The capital for regulatory purposes as of 30 June 2008 takes into account the elements introduced for banks applying internal methods to determine capital requirements against credit and operating risks. Among these adjustments there is the direct adjustments of the capital for the differences resulting from total value adjustments on credits and the relevant expected losses quantified according to the internal model criteria.

The increase in share capital with premium issues for total EUR 5,884.3 million and the assignment to capital of part of the period profits had positive effects on the decrease of the Tier 1 capital compared with 31 December 2007 (about EUR 602.8 million) and the increase in temporary goodwill for about EUR 6,752 million mainly due to the purchase of Banca Antonveneta, a subsidiary had negative effects. The increase in Tier II capital is mainly due to the issue of Upper TierII for about EUR 2,160 million.

As to the **regulatory ratios** [22]while the activities mentioned under Pillar 2 and 3 are being completed the Tier 1 amounts to 5,1% and the solvability ratio to 9.4% **on the basis of the first processing with the new models.**

[22] Estimate including benefits expected from sale of assets such as Mps Asset Management and Banca Monte Parma.

THE OPERATIONAL STRUCTURE

The **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 first half of 2008, the MPS Group continued its activity geared toward **developing and streamlining its distribution channels,** focusing both on the growth of the traditional network and on the **development of innovative channels and their integration with the network**, with the objective of expanding the **multichannel credentials** of the MPS Group and supply customers with a consistent service independently from the kind of access to the Bank they use.

Taking into account the traditional channels, **as of 30 June 2008**, the **domestic branches** of the commercial banks of the MPS Group rose, **considering Banca Antonveneta**, to **3,094 without specialists' centers (SME Centers, Local Authorities Center and Private Centers)** which, thanks to their approach with these specific customers segments, enable the Group to quickly take all important resolutions concerning the customers. **With Banca Antonveneta, the incidence of outlets in the Northern Area grew to 42.3%, those in Central Italy and in Southern Italy and the Islands amount to 35.7% and 22% respectively.**

The Group's distribution network also incorporates **845 financial promoters of MPS Banca Personale**, operating through 163 financial promoters' offices, which increased by 145 units after the acquisition of the company's branch MPS SIM (former AXA SIM) the acquisition of which was executed in February 2008.

MPS GROUP DISTRIBUTION NETWORK

Channel	30.06.08	31.12.07
Domestic branches*	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

The Group pursued the process of development of the traditional branches which became advanced centers of customers' relations, fully integrated in a multichannel logic of "**dynamization of the network"** and aimed at transforming the reactive approach into a proactive one. The aim of the project is to help in achieving the Business Plan objectives, in particular improving the quality of service supplied to the customer, developing the empowerment of personnel in the branches as well as reaching economic and commercial results. The project is particularly important in the development of the distribution network given **its strong impact on new branches** and the definition of the new model of branch and the optimization of the material presence of the Group.

As of 30 June 2008, the project is being implemented in 95 branches belonging to the Retail Territorial Main Offices in Rome (Roma1), in Catania and Palermo.

Nowadays, the diffusion and the use of **innovative channels** by the customers is successful, dynamic and in continuous evolution.

During the first half of 2008, a new service started to integrate **internet, mobile phone and phone banking** in a safe and fast manner, by using a new keycard which automatically generates a one-time password replacing the previous one which provided for separate access and system contracts. As of June 2008, the total number of branches qualified to use the new service were 800 for BMPS, 70 for BA and the whole network of BT.

As to **electronic banking**, during the first half of 2008, the number of Customers using remote channels continued to increase:

- **Home and Mobile Banking contracts (mostly with Retail customers)** topped 790,000 contracts;
- **Internet Corporate Banking contracts** (UNI EN ISO 9001/2000 certified in relation to Banca MPS) came to 155,000;
- **Internet Corporate Banking contracts in relation to Local Authorities and the Public Administration** stood at 1,236.

ON-LINE CHANNELS - Executory Contracts

Channel	30/06/08	31/12/07	Var%	Incid. %
Home Banking	687,377	684,461	0.4%	72.7%
Internet Corporate Banking	154,935	152,084	1.9%	16.4%
ICB Institutions	1,236	1,193	3.6%	0.1%
Mobile Banking	102,287	96,838	5.6%	10.8%
TOTAL	945,835	934,576	1.2%	100.0%

To support the Group development of direct channels, the commercial and promotional website www.bancainfinita.it was created, starting from 13 March 2008, which offers a selection of innovative services and products which may be bought on-line. **Conto Ulisse and Carta Spider** are the products currently on sale: both products may be directly bought from the website via contract exchange by mail. Moreover, also the **Electronic Billing** is available online within the Internet Corporate Banking and the **Digital Signature**+ completing the Electronic Billing validating any digitally signed document in compliance with the law.

As far as SMEs are concerned the new service of **Corporate Treasury Management** was launched aiming at supporting the companies using Internet Corporate Banking in matching bank-company movements and in managing corporate liquidity.

In the first half of 2008, the channels were strongly activate to **integrate Banca Antonveneta** into the Group which implied a review of some functions such as the **New Multi-service Index, the Message Archives, the restyling of the Financial Reporting and the Foreign Bank Transfer.**

The **Group Contact Center** went on with the implementation projects of the new business model through the customization of the technological platform of last generation while keeping the planned service levels both for the services supplied to the customers (so-called “**Isola della Rete - Network Island**”) and the services supporting the Network (**Network Advising**).

In the first half of 2008, the migration to the new business model took place, providing for the distribution of integrated multi-channel services to the Group customers through the customization of the VoIP (voice-over-Ip) technological platform. Moreover, starting from 2 June 2008 the Contact Center began to supply services also to **Banca Antonveneta**, on a centralized basis; in particular, the Network Island of the Customers started to supply the services of **Phone Banking, Commercial Information and Card Support to the Customers of Banca Antonveneta.**

Thanks to the progressive roll-out of the Integrated Multi-channels, commercial advising as to products increased, also thanks to the new video-chat instrument “**Web Collaboration**” and the implementation of a structured file of the basic knowledge was completed in view of better efficiency, quality and promptness to meet customers’ needs.

As to the **alternative networks,** in the first half of 2008, main activities were focused on rationalization of the catalogue of products available to commercial partners, on developing new partnerships, starting the implementation of an operating platform. The **rationalization of the catalogue of products** mainly concerned the offer of mortgage loans but also brought about the planning of new commercial offers. **12 new agreements with alternative networks** were developed in view of business growth.

As of 30 June 2008, the **Group ATMs numbered 3,635 units** of which 1,104 of Banca Antonveneta.

The programme of migration to the Group equipment, also involving **Banca Antonventa**, is carried out following the integration of IT systems. The distribution of software with audio functions enabling **blind customers** to implement the transactions was completed on the microcircuits ATMs.

The Group has also tested the **smart payment** service with satisfactory results, and 53 branches were supplied with smart ATMs. A steady growth in the migration percentage on the total cash payment was reported with some branches showing more than 30% of the total.

FOREIGN DIRECT NETWORK

In line with the operational and development guidelines outlined by the Business Plan, the MPS Group undertook initiatives **to rearrange its direct foreign network** (i.e. branches, representative offices, customer desks and Italian desks with other correspondent banks in relation to commercial co-operation agreements), with the objective of encouraging and enhancing the centrality of the customers, supported by the Bank in their business worldwide.

The reorganization process of the branch network was based on several guidelines:

- **Geographical positioning, in a logic of enhancement of the value of the Group’s presence in emerging countries with high growth rates**. This is the case of the opening **of the Shanghai Branch,** with started operations on December 2007;

- **Re-direction of the branch operations with special emphasis placed on commercial operations,** in synergy with the Group domestic network in support of Italian customers operating in the markets where the foreign branches are established. The activity of the branches operating in Frankfurt, London, Hong Kong, and New York was steered towards this direction.

The foreign Representative Offices located in the Group's target areas have the same operational purposes. In particular, the Group consolidated its presence in Europe, **in Belgium with the recent opening of the representative office in Brussels** as well as in **Istanbul and Moscow.**

The MPS Group operates offices in the **Mediterranean countries of northern Africa** (Algiers, Tunis, Cairo and Casablanca).

Central Asia, and in particular the People's Republic of China, is of great interest to the Group which has established offices in Beijing, Shanghai, Guangzhou as well as India (Mumbai).

Following are the major initiatives undertaken by the MPS Group on the front of **commercial co-operation** with foreign correspondents:

- **Eastern Europe:** Banca Transilvania in Romania, with BMPS personnel seconded to Timisoara, with which a **structured offer of products and services** was agreed **in favour of Italian companies operating there;**

- **North and South America:** the agreement with Branch Banking and TRUST CO, North Carolina, USA, is in support of the domestic network and gives further momentum to the operations of our New York branch; Banco do Brasil, Brasilia, Brazil;

- **Iberian area** – Bancaja banking group with BMPS personnel seconded to Valencia, Spain, through which the **subsidiaries of Italian companies** are offered Trade Finance and Cash Management services;

- **Central Asia –** Industrial and Commercial Bank of China (ICBC) and China Merchants Bank (CMB) in China, in addition to the existing representative offices in Beijing, Shanghai and Guangzhou; HDFC Bank in India, the second private bank in India, flanked by the Mumbai representative office;

- **Maghreb and Egypt:** C.I.B (Commercial International Bank) in Egypt; Banque de l'Agriculture et du Development Rural in Algeria, in support to and integration of the offices in Algiers and Cairo.

PAYMENT AND COLLECTION SYSTEMS

The services in relation to payment systems are aimed at **enhancing functionality and improving quality.**

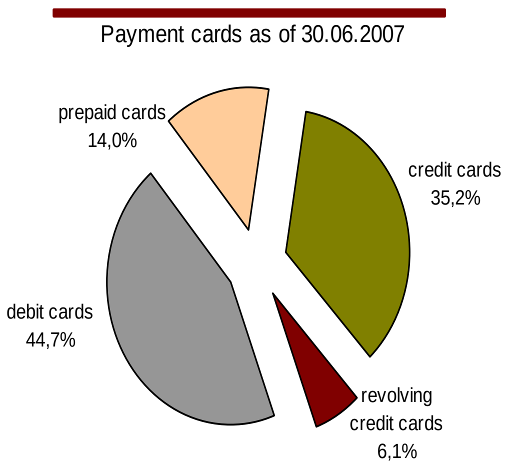
The Group continued to assess the impact and the expected adjustments with respect to the future **SEPA** (Single Europe Payment Area) services within the process of standardization of the

Eurozone payment systems; moreover several projects were started aimed at improving current services and developing new ones, such as Incassipiù and Tax payments on ATM which will be ready in the second half of the year.

During the first half year of 2008 the Group installed **4,809 POS** terminals reaching **76,926** as of 30 June 2008: streamlining was started with the expected elimination of inactive and not commercially recoverable POS . The **migration to the microcircuit** continued, with about 70% of total terminals compliant with the new safety regulations.

As of 30 June 2008, the **MPS Group credit and debit cards** (distributed by the Group's banks: BMPS, BT, BAM, MPSBP, BANCA ANTONVENETA and BIVERBANCA) numbered **about 3,301,762 (**the BANCA.ANTONVENETA data are up-dated as of 29 May 2008.

Payment cards distribution by kind follows:



The first half year of 2008 was characterized by important new strategies concerning the issue of credit cards thanks to **the internalization of retail credit card issuing from CartaSì to Consum.it**

These cards include **Unica Classic** credit product with settlement or revolving repayment options at customer's discretion: Unica Classic is also available together with the domestic circuit Bancomat/Pago Bancomat and includes the possibility of using self-services on the ATM network of the MPS Group which are now integrated by those of **Banca Antonveneta.**

In April 2008, the management of terms and conditions on payment cards started through the platform called "**Condizioniere**" representing a new way of managing product prices in general and of cards in particular through an applicative configuration enabling the managing of the exceptions required by the branches. Also the **streamlining of the "card product catalogue**" started aiming at eliminating products not complying with the rules of the big system projects such as microchip cards and SEPA: card products thus decreased from 39 of December 2007 to the current 28 which will be 19 at the end of the project.

Consistently with the typical commercial strategies of prepaid products two **co-branded products** were launched in co-operation with the Catania and Calabria Universities, **Spider UNICT and Spider UNICAL**. The two cards use the same functional configuration of the product of range including the **integrated multi-channel and the digital signature**; moreover, to enable the integration with the services of the university the cards were equipped with bar code allowing the identification of the holder within the university to access to the available services.

HUMAN RESOURCES

The management of human resources was in compliance with the strategic guidelines indicated by the new Group Business Plan and with Budget programmes, and was oriented to:

- ◊ Consolidating – as a priority - the **professional skills of front office resources**, with special focus on customers' relations management and a proactive approach to the customers;
- ◊ Ensuring the best solutions to **fill key business roles**, with professional, training and career paths, with particular emphasis placed on young people through specific systems of identification, follow-up and support to growth;
- ◊ Implementing plans to develop the **management,** with the definition of a new framework of behaviours for the implementation of the Plan objectives and the related systematic mapping of managerial qualities to feed up **continuity plans**; simultaneously developing of **differentiated wage schemes** on the basis of the organizational weight of the position held and of personal features (skills, potentials, track record, internal/external level of replace ability);
- ◊ Improving the efficacy of the **rewarding scheme** in relation to the indicators of creation of value (objectivity and structural value of result in time) and in view of a growing selectivity, while underlying the relevance of merit.

STAFFING

As of 30 June 2008, the MPS **Group** had a total of **33,629 employees** *in terms of actual workforce*)[23], with a **decrease in staffing of 559 with respect to 31.12.2007** (*base line* of the 2008-11 Business Plan), mostly attributable to the process defined in the "Master Plan" aimed at reducing and restructuring staffing.

MPS GROUP STAFF

	31/12/05(*)	31/12/07(**)	30/06/08
Workforce	24.303	34.188	33.629
On a payroll	24.386	34.246	33.728

(*) *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.

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

In particular, the half year was characterized by:

- considerable outflows of personnel with high seniority with **978 retirements** representing about 30% of the total amount planned for the four years 2008-11; **629 as a result of the application of the Early Retirement Plan and the Solidarity Fund;**
- introduction of **new high-potential young recruits (419 employees)**, almost totally in the Network;
- **introduction in the Network of 257 resources coming from the Head Office**, concerning above all Banca Antonveneta, with staff re-qualification paths contemplating operational and training experiences at an individual level.

The front office ratio against the total staff amounts to 63% in respect of 67% expected at the end of the Business Plan.

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

MPS GROUP WORKFORCE: DISLOCATION BY STRUCTURE

STRUCTURE	31/12/2007 (1)	% OF TOTAL	30/06/08	% OF TOTAL
Network & Call Center	**21.365**	**62%**	**21.199**	**63%**
Head Quarter	**12.823**	**38%**	**12.430**	**37%**
- H.O. Italian Banks (2)	*8.155*	*24%*	*7.757*	*23%*
- Product Companies	*1.460*	*4%*	*1.457*	*4%*
- Service Companies	*2.470*	*7%*	*2.458*	*7%*
- Other Activities (3)	*738*	*2%*	*758*	*2%*
TOTAL	**34.188**	**100%**	**33.629**	**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.
3)Parent Bank, Head Offices of Commercial Banks and Geographical Areas
4)Foreign Banks, MPS Banca Personale and Other Activities.

The tables below show the distribution of the MPS Group's workforce by job category.

BREAKDOWN OF STAFF BY JOB CATEGORY

CATEGORY	ACTUAL NUMBER	% OF TOTAL WORKFORCE
Executives	580	2%
Managers	11.155	33%
Other Professional Areas	21.894	65%
TOTAL	**33.629**	**100%**

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

MPS GROUP WORKFORCE: MIX OF CREDENTIALS

AGE	% FEMALE	% MALE	% OF TOTAL
up to 30 years	7,9%	5,3%	13%
31 to 40 years	15,6%	13,1%	29%
41 to 50 years	13,7%	19,7%	33%
over 50 years	5,3%	19,4%	25%
TOTAL	**42,4%**	**57,6%**	**100%**

MPS GROUP WORKFORCE: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% FEMALE	% MALE	% OF TOTAL
up to 10 years	19,2%	18,9%	38%
11 to 20 years	11,0%	12,2%	23%
21 to 30 years	9,8%	15,9%	26%
over 30 years	2,5%	10,6%	13%
TOTAL	**42,4%**	**57,6%**	**100%**

The average age is 42.4 years, is decreasing respect of end of 2005 (42.7years) and lower than the system average [24]

Women account for a significant, steadily increasing percentage of staffing:42.4% vs. 39.5% as of 31 December 2005 and a system average of 40%.

OPERATIONAL STRATEGIES

Following are the most significant initiatives carried out during the first half of 2008, within the above-mentioned strategic framework:

- the implementation of the II edition of **professional paths**[25], which are also addressed to Head Office personnel for the first time; in 2008 the employees concerned were 190 of which 140 for vertical paths and 50 for horizontal ones. Both categories use **PaschiRisorse,** as a key tool of planning, monitoring and measuring the distinctive features of each role and checks whether each employee is suitable for the profiles set. As a whole at Group level, professional paths concerned about **500 people**;

- the structured mapping of managerial qualities to insert into the **development plan** in view of the positions of Head of SME Centre and Head of Private Centre Manager with

[24] Source: ABI. Report 2007 on the labour market in the financial industry; data as of 31 December 2006.
[25] "Vertical" paths rule the growth towards target positions up to the II level of Managers whereas the "horizontal" ones favour the integration of skills on equal positions.

development of individual growth; the project aims at feeding the "succession planning" to cover managerial positions in the network and special professional skills in the Head Office;

- the definition of the **model of enhancement of excellent resources** for the purpose of increasing the knowledge of the individual potential of all employees, and in particular young employees, in order to 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 only concerned Group Executives, to Managers holding positions of responsibility in the network and in the Head Office to support their resolutions and develop **continuity plans**.

In a logic of consolidation of specific professional skills, according to the provisions of the 2007-2009 Training Plan, **training** went on strengthening role professional skills together with the existing instruments of professional development (for instance: PaschiRisorse and related gap analysis, professional and career paths). In this context programme guidelines were fostered: Guidelines to Training by Role (GRAF) and Planning of Individual Training (PAFI).

As of 30 June 2008, training hours totalled more than 825,000 hours (of which 340,000 in Banca Antonveneta classes and online courses) mostly concentrated (82%) on the roles targeted at developing sales and lending.

Most relevant steps taken in the first half year of 2008 were:

- **in relation to the technical-professional component:**

  - Group Advisory Platform which was aimed at developing a pro-active role towards the customers and involved about 4,500 employees of the three banks of the Group;
  - the course on rule innovations for the credit assessment addressed to about 2,000 employees, i.e. all SME, Credit Workshop, Small Business);
  - ISVAP training for the policies salesmen (more than 4,000 people);
  - Training of about 200 employees on advanced techniques to acquire new customers for the Group private banking staff;
  - Supporting training on Patti Chiari for the network staff (550 persons);
  - Basic transversal training (managerial, credit, finance, IT, etc.) for the Parent Bank and Companies staff (about 1,800);
  - Training on international services addressed to 100 employees dealing with Small Business;

- **in relation to the managerial component:**

  - the Executive Maturity course addressed to 635 managers in charge of commercial branches sponsored by the For.Te fund.

In respect of the above-mentioned fields, courses dealing with Health and Safety are transversal and addressed to more 1,300 network staff in charge of emergencies and to the managers.

A strong training commitment was necessary in view of the organizational/IT integration of Antonveneta which ended on 31 May 2008 simultaneously with the Bank's joining the Group. Classes and supporting activities involved more than 7,000 people.

As regards **industrial relations**, in the first half of 2008, the MPS Group continued to negotiate with the Unions in relation to the Social Responsibility and the contents of the Social and Environmental Report.

From a contractual point of view, the agreement on new **key roles** for the network and the **Memorandum on Security** regarding operating methods of robbery risk assessment and monitoring to protect the staff and the company's assets are remarkable.

With reference to the **acquisition of Banca Antonveneta** and to its joining the MPS Group in particular for its migration into the IT system negotiations took place and information was disclosed which ended into the underwriting of specific agreements to establish a **task force to support and tutor the staff.**

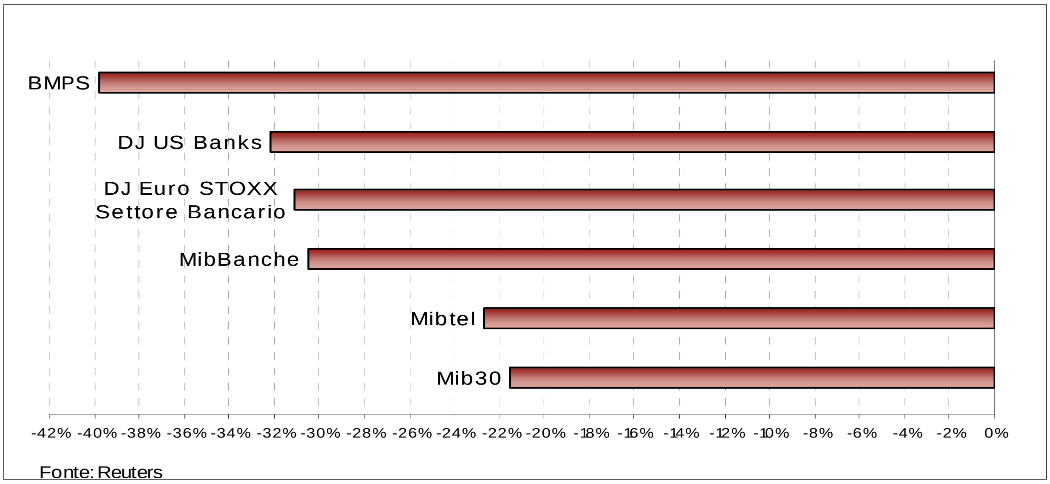
To implement the projects of the Business Plan 2008-11, the stage of rule and contract analysis started to open labour and legal procedures.

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

- PRICES

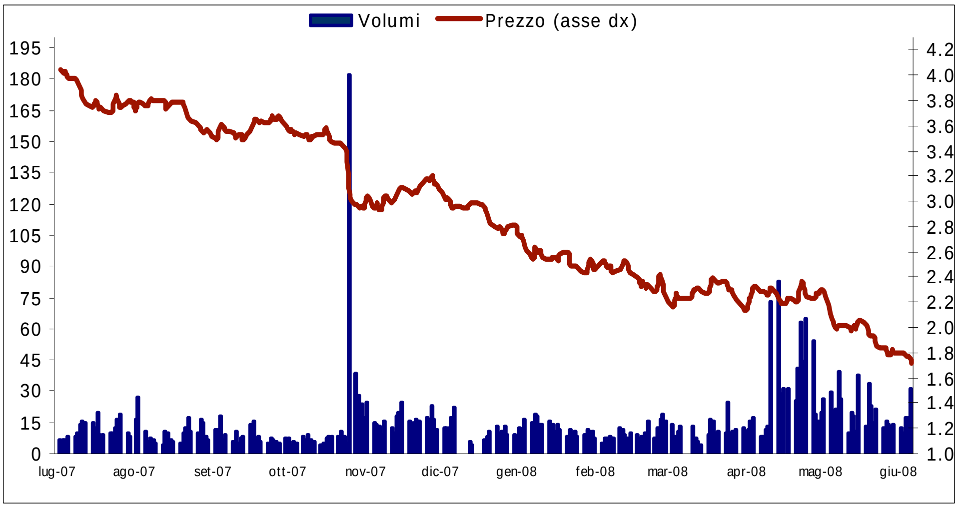
The first half of 2008 was particularly negative for the major share indices (Dow Jones – 14.5, S&P 500 -12.8%, Mibtel – 22.7%, Mib30 -21.5%) due both to the crisis linked to the US subprime mortgages which brought about sales above all in the financial sector (MibBanche -30.5%, Banking DJ Euro Stoxx - 31.1%, DJ US Banks -32.2%) and to fears of economic recession.

2008 changes (main share indexes)



The Bank's shares closed the half-year period as of 30 June 2008 at EUR 1.799 (-39.8% with respect the beginning of 2008). The Bank's shares hit a high at EUR 2.95 on 2 January 2008 and a low at EUR 1.67 on 23 June 2008, being affected by the general downturn of markets and of the financial industry.

TREND OF SHARE PRICE (from 30.06.07 to 30.06.08)



■ **Share price: Statistical Summary** (from 31.12.07 to 30.06.08)

Average	2.29
Low	1.67
High	2.95

▪ CAPITALIZATION AND SHAREHOLDERS' BASE

As of 30 June 2008 the market value of BMPS computed on the basis of 6,624,865,744 (ordinary and preferred) outstanding shares was close to EUR 11.9 billion approx.

■ **SUMMARY OF REFERENCE PRICES AND CAPITALIZATION**

	12.31.07*	06.30.08
• Price (euro)	3.68	1.799
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	11,918

With reference to the Bank's shareholders' base, on the basis of the reporting to BMPS and the Italian Securities Commission (CONSOB) in compliance with art.120 of Legislative Decree no.58/98, as of 30 June 2008 the major shareholders were: the MPS Foundation (the majority shareholder, holding 46.3% of the ordinary share capital); JP Morgan Chase (5.7%); Caltagirone Francesco Gaetano (4.77%); Axa S.A. (4.39%); Unicoop Firenze (3.37%); Carlo Tassara S.p.A. (2.89%).

■ **MAIN SHAREHOLDERS (in compliance with ex. art. 120 D.Lgs. n. 58/98)**	
Fondazione MPS	46.3%
JP Morgan Chase**	6.11%
Axa S.A.	4.39%
Caltagirone Francesco Gaetano	4.77%
Unicoop Firenze – Società cooperativa	3.37%
Carlo Tassara S.p.A	2.89%

- *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 following the capital increase with option right of EUR 4.97 bn fully paid up at the end of May 2008. For this reason, the price and the resulting capitalization would amount to EUR 2.988 million and EUR 9.033 million, respectively.*

- *After the share capital increase through the issue on payment with share premium of no. 295,236,070 ordinary shares for a total amount of EUR 950,069,673.26. The capital increase, excluding the option right, was reserved for subscription to a company of the JP Morgan Chase Group which used the new shares to cover the convertible loan (fresh) the issue of which was disclosed by the same JP Morgan on 8 Aril 2008. JP Morgan Chase & Co indirectly holds the bare property of this investment through JP Morgan Securities Ltd whereas the beneficial ownership is established in favour of BMPS. The voting right on these shares of the beneficial owner is pending until there is the beneficial ownership in favour of BMPS.*

▪ VOLUMES

The number of BMPS shares traded on a daily basis averaged around 16.8 million for the first half of 2008, with a peak of 83 million in April and a low of 4.3 million in March.

▪ MONTHLY VOLUMES OF SHARE TRADED

	(mln)
January	271
February	195
March	206
April	444
May	635
June	419

▪ RATING

Following are the debt ratings as of 30 June 2008:

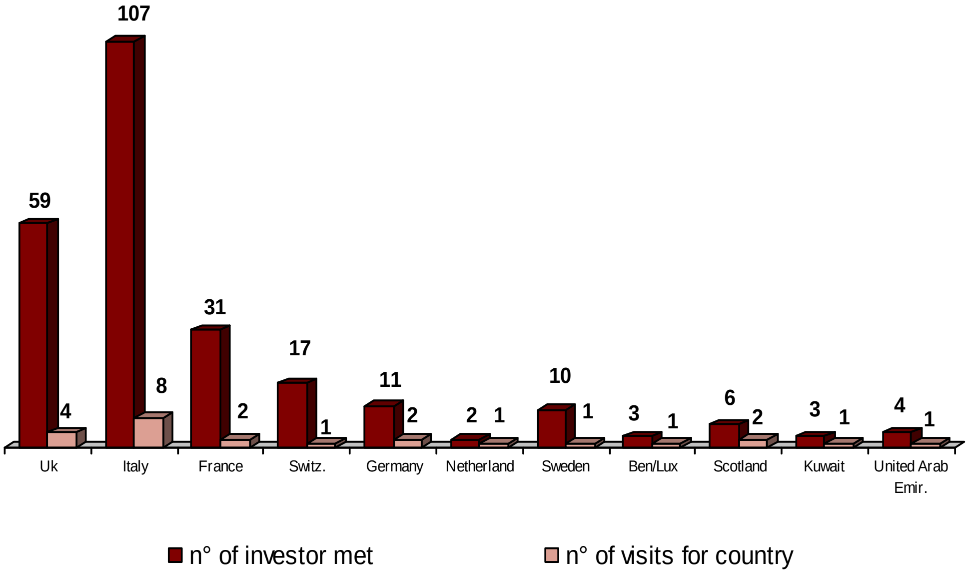
Rating Agencies	Short- term rating as of 06.30.2008	Medium/Long term rating as of 06.30.2008 30/06/2008
Moody's Investors Service	P - 1	Aa3
Standard & Poor's	A - 1	A
Fitch Ratings	F - 1	A

On 2 June 2008 Fitch Ratings downgraded the long-term rating of Banca Monte dei Paschi di Siena, Banca Toscana to "A" from "A+" and confirmed the short-term rating to "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

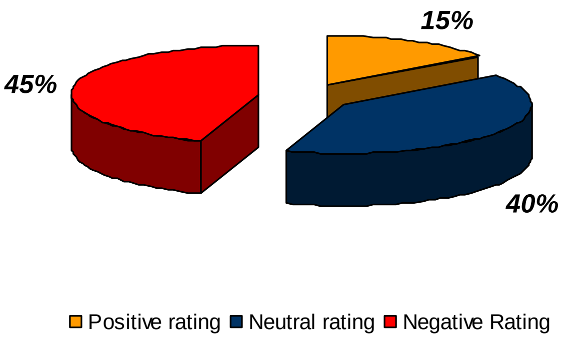
In the first half of 2008, the Investor Relations team interacted proactively with the financial community, and further accelerated marketing activities in line with the 2007 activities also following the submission to the financial community on 11 March 2008 of the new Business Plan 2008-2011 of the MPS Group and of the capital increase fully paid up as of end of May 2008.

As a whole, the Investor Relations Unit arranged meetings with about 250 investors (including the investors met more than once in 2008) in 12 different countries. Following is the breakdown by geographical area:



- BMPS SHARES RECOMMENDATIONS

15% of the analysts covering BMPS shares as of 30 June 2008 maintained a positive outlook, 40% maintained a neutral stance on the stock and 45% had a negative outlook.



COMMUNICATIONS

In addition to financial market reporting, as illustrated in the section covering "Investor Relations", in the first half of 2008 the MPS Group's efforts were concentrated on intensifying **media relations, institutional communications and the relations with the customers' segments and the public** at large. In particular, it was made the most of **the acquisition of Banca Antonveneta and of the capital increase in front of domestic and international media.**

As to the institutional communication, the MPS Group continued its TV **institutional advertising campaign** on all nationwide and some regional televisions to consolidate an **adequate positioning in terms of image**. Moreover the Group launched an important **multi-subject press campaign** addressed to the **target companies** (analysis of the subjects, pact and districts). The **campaign devoted to Banca Antonveneta was also planned which will be launched in September.**

As to e-banking, the **Banca MPS new web site**, www.mps.it, and its English version www.english.mps.it , were equipped with new functions addressed to the public of investors, of analysts and of the press, in view of web ranking; in particular, the News Alert service is being tested for the Media Area, Investor Relations, CSR and Events and Competition channels. After the release of the advanced version (release 2) of the www.bancainfinita.it website also the lead generation applications and home shopping are being developed.

The MPS Group published its 2007 report on social responsibility, (s. also hereunder chapter "the CSR of the MPS Group") was validated by the CSR Committee and approved by the Board of Directors. In the framework of the promotion and enhancement initiatives of CSR the advertising campaign 2008 was launched through commercial agreements with leading specialized magazines.

Internal communications incorporate **Filodiretto7**, a weekly electronic newsletter sent to all staff of the MPS Group, and **Filodiretto30,** a monthly monothematic electronic magazine which deals with specific issues in an exhaustive manner. As to **MONTEPASCHI Channel, the corporate television,** the area of the test stage was extended to the Rome and Naples Areas and the general aspects of the programme schedule were redefined: contents, names of each feature and respective timing.

During the first half of 2008, the Group **sponsored** several initiatives and organized **meetings aimed at consolidating and developing commercial and business relations with primary players in the respective business sectors.**

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

- with respect to **cultural activity**, the "Siena Jazz Foundation – Siena Jazz Sessions ", which celebrates its 30th anniversary in 2008, the Tuscia Operafestival 2008, the music festival of opera organized by the association Viterbo Artemusica, symphonic concerts, dance, theatre and cultural events and the 11th edition of the "Summer Festival" of Lucca., the 8th edition of the Città Aromatica, a festival of music and dance promoted by the town of Siena, the 54th edition of the Puccini festival in Torre del Lago (LU).

- on the front of **sports**, the consolidation of previously-started relations with A.C.Siena football club and Mens Sana Basket were flanked by the sponsorship in favour of the Monte

Paschi Eroica, a period cycle race, of the Baseball Club Orioles Grosseto, of the 34th edition of the co-salled "Mezza Maratona di Roma", of the Grand Prix Banca MPS, an athletics meeting promoted by the FIDAL Tuscan Regional Committee.

- with reference to **social initiatives**, the Group supported the "Summer Olympics of the Heart" and the "Factory of the Smile", fund raising supporting projects of solidarity in Italy and in the world in favour of children in need.

THE MPS GROUP'S COMMITMENT TO SOCIAL RESPONSIBILITY

The objectives of sustainable growth indicated by the Business Plan are supported by the implementation of a 2007-2009 specific strategic plan and supervised by the Corporate Social Responsibility Committee (reporting to the Parent Bank's Board of Directors), which held four meetings in the half-year.

In the period many steps were taken to favour convergences between shareholders' interest, economic performances and expectations of the stakeholders. Main reference is the new Ethical Code of the Group dealing above all with:

- transparency and innovation at the service of customers
- consequences and prospects of the energy crisis.

The 2007 Socio-Environmental Report should be referred for a complete outlook of the activities and extra-financial performances of the Group and, for further information, the website: http://www.mps.it/I+Nostri+Valori/

TRANSPARENCY AND INNOVATION AT THE SERVICE OF CUSTOMERS

The activity of the Group remarkably grew aiming at ensuring good relationships with the customers as a key factor of growth and profitability: rationalization of the geographical structure, training, technological innovation and multi-channels (www.bancainfinita.it), commercial approach for communities and needs, proactive approach and efficiency in dealing with claims.

The dialogue with consumer's associations (**Comsumerlab) and the customer satisfaction** analysis are also considered key factors.

Customer satisfaction

In the half year the yearly report on quality of service to customers started according to the CareScore model and for the second consecutive year the perception of the commercial operators was monitored as far as the existing relationships and the satisfaction are concerned.

ConsumerLab

The round table with the main 15 Italian consumers' associations is a successful model in the banking backdrop to implement correct banking policies while also enabling the advanced management of related regulation developments. In the half year, the vademecum series edited by ConsumerLab was further enhanced to inform the consumers and the clients on products and services of the banks: guidebooks on mortgage loans, on reading of current account statements and of the security account, on MiFID, on the understanding of financial instruments, on public incentives for clean energy. Over-indebtedness of families was also an analysed subject-matter.
For more information: http://www.mps,it/Consumer+lab

Innovation and social responsibility guided the commercial activity in particular as to retail. The aim was to improve accessibility and usefulness of the banking answer to changing needs with expected benefits in terms of new customers and reputational consensus.

The latest innovations include:

Fuori Serie: the range of products devoted to “communities” of customers with homogeneous behaviours and needs which otherwise are not adequately attended: immigrants, temporary workers, young people. It is therefore the matter of the financial inclusion of weak brackets of the Italian society and a high potential market niche.

Talking ATM: the adjustment of ATM to the needs of the blind and of people with low vision started, who will be supported by a vocal guide and therefore able to use the ATM autonomously. The project, developed with the Unione Italiana Ciechi, an association of the blind, will cover the whole Group network by the end of the year.

Quality and innovation: fresh financing for small companies and start ups investing in technological innovation, process development, product quality, health, safety and environment protection.

As to micro-credit the operating activity of **Microcredito di Solidarietà SpA** was also extended to the Arezzo province (www.microcreditosolidale.eu). After one year and a half from its establishment the financial company of the Group in Siena has already granted 250 small loans to non-bankable people then transformed into relationships-accounts with Montepaschi for about EUR 500,000 in total.

CONSEQUENCES AND PROSPECTS OF THE ENERGY CRISIS

The strong increase in energy prices and in oil products as well as increasingly more strict rules on polluting emissions and green house effects have an increasing impact on budgets and choices of families and companies.

The Group focused on **related operating costs and market opportunities** linked to the developments of renewable sources and to the diffusion of technologies and high efficiency applications.

In particular, as to market opportunities in the firdt half year:

- the financing capacity to the photovoltaic was strengthened (**Welcome Energy**) through further agreement with leading industry companies (386 transactions for about EUR 224 million as of 31 December 2007)
- **MPS Capital Services supported the Moncada Energy Group**,which is the fifth Italian manufacturer of wind energy, in defining its new industrial plan and also participating in the capital of the new company of the Group for the production of solar panels of last generation (Moncada Solar Equipment)
- To foster renewable sources and energy efficiency geographical agreements (Turin, Grosseto. etc.) were underwritten and, in co-operation with consumer associations, a guidebook to the **relevant public incentives was published**.

SUSTAINABILITY RATINGS AND AWARDS

BMPS shares have been confirmed among the components of the European and world financial indices of **FTSE4Good**, **Europe, world and Environmental leaders**, the benchmarks which were created in co-operation by the Financial Times and the London Stock Exchange and are among the main ones for investments based on sustainability criteria.

In the first edition of the "CSR Online Awards" research the Bank ranked **first among the S&P/Mib40 companies** for the best internet communication of the extra-financial activities with social relevance.

DIRECTORS’ INTEREST AND TRANSACTIONS WITH RELATED PARTIES

On several occasions (on 13 November 2002, 19 February 2004 and 15 May 2006) the Bank’s Board of Directors examined the issues concerning the obligations of bank representatives and directors’ interest, in compliance with the ruling regulations (art.2391 of the Civil Code, art.136 of Legislative Decree no.385 of 1 September 1993 – Banking and Consolidation Act – as amended by Law no.262/2005 – Banking Act).
Pursuant to the above-mentioned art.136 of the Banking and Credit Act, the representatives of banks and companies belonging to banking groups (directors, statutory auditors, alternates, CEOs) are forbidden to undertake any obligations of any nature whatsoever or enter into purchase and sale agreements, directly or indirectly, with the bank or company, or execute loan transactions with other Group companies or banks, prior favourable resolution of the Board of Directors passed unanimously and by the votes of all members of the Board of Directors, and with the assent of the Parent Company in the case of a transaction carried out with the representative’s company or another Group company.
Law no.262/2005 included a new **paragraph 2-bis** in art.136 of the Banking Act. The paragraph extends the above-mentioned procedure to the obligations with:
(a) companies controlled by the representatives of the bank or another company belonging to the banking group;
(b) companies where these individuals have duties of administration, management and control;
(c) subsidiaries or companies which control said companies.
By the above-mentioned last resolution of 15 May 2006, the Board of Directors resolved to request each bank representative to issue a specific statement indicating:
i) the companies where he/she is a partner with unlimited liability;
ii) the companies where he/she has a significant interest (also indirectly);
iii) the companies controlled by him/her;
iv) the companies where he/she has duties of administration, management or control;
v) the subsidiaries which control or are affiliated with the companies as per iii) and iv).
This is done for the purpose of enforcing said procedure pursuant to art.136 of the Banking Act in the cases of obligations undertaken with the bank representative with the bank which he/she administers, manages or controls or with group banks:

- directly, as a contracting party or with unlimited liability for third parties’ obligations;
- indirectly, through third parties (individuals or corporate bodies) with a fictitious or real nature.

° ° ° °

The Bank’s Board of Directors has recently adjusted the Code of Conduct for transactions with related parties in accordance with the changed regulations of reference. In view of the adoption of CE Regulation no.2238/2004 of 19 December 2004 in relation to the International Accounting Principles, Consob amended the Issuers’ Regulation with reference to (CE) Regulation no.1606/2002 of the European Parliament and Council, with respect to the definition of related parties (hereinafter referred to as IAS 24). The Code of Conduct also takes account of the provisions concerning the definition of “connection” and “significant influence” of the international accounting principle in relation to investments in affiliated companies, as per (CE) Regulation no.1606/2002 of the European Parliament and Council (hereinafter referred to as IAS 28) and art.2359, par.3, of the Civil Code, in addition to the provisions concerning the types of qualified transactions and supplementary notes to the financial statements on outstanding transactions and balances with related parties of IAS 24. The general concept of "Related Parties" in said Code of Conduct is based on the following criteria: **a)** ***Group correlation***, which involves controlling interests, connections and relations of significant influence which directly affect the Bank and the MPS Group; **b)** ***Direct correlation,*** which includes corporate officers (Directors and Statutory Auditors), the Chief Executive Officer and the Executives vested with powers given by the Board of Directors (i.e. Deputy Chief Executive Officers, the General Manager of the BMPS Bank Division, the Heads of the Parent Bank's Areas and of the BMPS Bank Division Units, who have independent decision-making authority in relation to loan disbursements), in addition to the members (also indirectly) of shareholders' pacts as per art.122, par.1, of Legislative Decree no.58/98, in relation to the exercise of voting rights in the Shareholders' Meetings of BMPS, if such pacts authorize the exercise of a significant influence on BMPS; **c)** ***Indirect correlation,*** with respect to Close Family Members of the individuals mentioned under a) and b, being it understood that such family members can potentially influence, or be influenced by, the individual in connection with BMPS, and the parties controlled, or jointly controlled by the individuals participating in the above-mentioned shareholders' pacts, or where said individuals have a significant influence or hold, directly or indirectly, a considerable portion of voting rights.

In addition, said transactions (i.e. transactions carried out by the Bank – including through subsidiaries – with related parties) consist of: *Ordinary Transactions* (with no particular distinctive features), *Significant Transactions* (which imply an obligation of disclosure to the market pursuant to art.71 bis of the "Issuers Regulation" adopted by Consob resolution 11971), *Relevant Transactions* (which cannot be considered as Significant Transactions, but show atypical and/or unusual elements).

It was decided that Ordinary Transactions shall be approved in accordance with the authorities established by the existing system of decision-making authorities adopted by the Bank. Significant Transactions and Relevant Transactions fall within the competence of the Board of Directors (subject to the authorities in the case of an emergency as provided by the Bank's Articles of Association). If the nature, the value or the additional characteristics of the transactions do so require, the Board of Directors may decide that its considerations are supported by the opinions of one independent Advisors or several independent Advisors covering the economic terms and/or the technical structure and/or the legal aspects of the transactions.

It was also decided that the Subsidiaries, in relation to the transactions to be conducted with the Bank's Related Parties, shall adopt the Parent Company's Code and adjust it in compliance with the structure of their decision-making levels, with specific and prompt notices to be given to the Parent Company with reference to said transactions.

The "obligations of banking representatives" pursuant to art.136 of Legislative Decree no.385 of 1/9/1993 (Banking Consolidation Act) remain unchanged.

* *

Infragroup transactions between Banca MPS and the Group's Related Parties – and the transactions executed with other Related Parties which fall within the scope of application of the Code - have been conducted on the basis of valuations of mutual economic benefit and at market values (additional information is provided in section H of the notes to the financial statements – "Transactions with related parties").

MATERIAL EVENTS SUBSEQUENT TO 30 JUNE 2008

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

- **On 9 July 2008**, Banca Monte dei Paschi di Siena S.p.A. reached the agreement concerning the sale of no. 1,379,440 ordinary shares, representing about 49.27% of the share capital of Banca Monte Parma S.p.A. in favour of Banca Sella Holding S,.p.A.(for an equity investment of about 10%), CBA Vita SpA (for an equity investment of about 3%), HDI Assicurazioni S.p.A. (for an equity investment of about 3%), Fondazione di Piacenza e Vigevano (for an equity investment of about 15%) and Fondazione Monte Parma (for an equity investment of about 18.27%), totally amounting to EUR 191,752,256.00.
- **On 10 July 2008,** the Board of Directors of Banca Monte dei Paschi di Siena resolved to start exclusive talks with the syndicate made up of FRM Holdings Ltd and Clessidra sgr SpA aimed at executing the agreements concerning the sale of 66% of Mps Asset Management Sgr..
- **On 23 July 2008**, Banca Monte dei Paschi di Siena undersigned an agreement to sell 30% of Mps Gestione Crediti Banca, a company of the Montepaschi Group dealing with the management and recovery of non-performing loans to Lehman Brothers International (Europe) and to Caf SpA. The transaction will take place through a special company equally owned by Lehman Brothers and Caf , which is a leading financial group specialized in assessment, acquisition and recovery of non-performing loans. The aim is to establish a top level entity in Italy in this industry.

OUTLOOK FOR THE FUTURE

In an external operating scenario characterized by a weakening economic situation and by a lasting financial market crisis the uncertainty of prospects and the overall risks are increasing. Against this backdrop the MONTEPASCHI Group will continue to quickly implement the integration programme of the new Group Business Plan and to confirm the options of the past year and a half: rationalization of the production line, joint venture in insurance companies and asset management, sale of non-strategic assets and focusing on the Bank's core business. This should bring about a management development in the second half of the year consistent with the implementation of the first half of the year in absence of further impairments of the current economic situation.

ANNEXES

COMPARATIVE STATEMENTS OF RECLASSIFIED FINANCIAL STATEMENTS AND ACCOUNTING DOCUMENTS

Reclassified Balance Sheet - Assets MPS Group	30/06/08	Balance Sheet - Assets MPS Group
Interest margin	**1.720,3**	
	4.309,6	Account 10 - Interest and similar income
	4,1	Voce 10 (parziale) ? Scorporo Effetti economici dell'allocazione del costo di acquisizione BAV
	4,0	Voce 10 (parziale) ? Scorporo Effetti economici dell'allocazione del costo di acquisizione Biver Banca
	-2.620,8	Account 20 - Interest and similar expense
	20,4	Voce 20 (parziale) ? Scorporo Costo of funding relativo ad operazioni complesse su titoli di trading
	1,9	Voce 20 (parziale) ? Scorporo Effetti dell'allocazione del costo di acquisizione BAV
	1,1	Voce 20 (parziale) ? Scorporo Effetti dell'allocazione del costo di acquisizione Biver Banca
Net commission income	**728,1**	
	752,0	Account 40 - Commission income
	-89,6	Account 50 - Commission expense
	65,7	Voce 60 (parziale) ? Integrazione contributo comparto MPS Asset Management SGR
Income from banking activities	**2.448,4**	
Dividends, similar income and profits (losses) from equity investments	**22,6**	
	541,9	Account 70 - Dividends and similar income
	-524,7	Account 70 (partial) - Breakdown dividends and similar income related to complex securities trading transactions
	5,3	Account 240 - Profit (loss) on equity investments
Net result from realisation/valuation of financial assets	**50,8**	
	-496,7	Account 80 - Net result from trading
	-20,4	Voce 20 (parziale) ? Integrazione Costo per il finanziamento dell'acquisto di titoli azionari di trading
	524,7	Account 70 (partial) - Supplemental dividends and similar income related to complex securities trading transactions
	0,0	Account 100 a) - Profit/loss from the sale of loans
	9,6	Account 100 b) - Profit/loss from the sale of financial assets available for sale
	2,0	Voce 100 b) (parziale) ? Scorporo Utile/perdita da cessione di attività finanziarie detenute sino alla scadenza (Effetti dell'allocazione del costo di acquisizione BAV)
	-	Account 100 c) - Profit/loss from the sale of financial assets held to maturity
	0,5	Account 100 d) - Profit/loss from the sale of financial liabilities
	31,1	Account 110 - Net result on financial assets and liabilities stated at fair value
Net gain (loss) from hedging	**-5,3**	
	-5,3	Account 90 - Net gain (loss) from hedging
Income from financial and insurance business	**2.516,5**	
Net adjustments for impairment of		
a) loans	**-329,8**	
	-352,4	Account 130 a) - Net adjustments for impairment of loans
	18,4	Voce 130 a) (parziale) ? Scorporo Rettifiche di valore nette per deterioramento di crediti (Svalutazione esposizioni Junior)
	4,1	Account 130 a) (partial) - Breakdown of net adjustments for impairment of loans (Charges related to financial plans)
b) financial assets	**-101,2**	
	-107,8	Account 130 b) - Net adjustments for impairment of financial assets available for sale
	-	Account 130 c) - Net adjustments for impairment of financial assets held until maturity
	6,6	Account 130 d) - Net adjustments for impairment of other financial transactions
Net financial and insurance income (loss)	**2.085,6**	
Administrative expenses:	**-1.422,2**	
a) personnel expenses	**-934,1**	
	-969,1	Account 180 a) Personnel expenses
	35,0	Voce 180 a) (parziale) – Scorporo Spese per il personale (Oneri di integrazione)
b) other administrative expenses	**-488,1**	
	-625,7	Account 180 b) Other administrative expenses
	21,9	Voce 180 b) (parziale) – Scorporo Altre spese amministrative (Oneri di
	115,7	Account 220 (partial) - Supplemental other operating income/expenses (Recovery
Net adjustments to the value of tangible and intangible fixed assets	**-59,9**	
	-37,9	Account 200 - Net adjustments to the value of tangible fixed assets
	0,5	Voce 200 (parziale) – Scorporo Rettifiche di valore nette su attività materiali (Effetti
	0,6	Voce 200 (parziale) – Scorporo Rettifiche di valore nette su attività materiali (Effetti
	-23,0	Account 210 - Net adjustments to the value of intangible fixed assets
Operating expenses	**-1.482,2**	
Net operating income	**603,4**	
Net provisions for risks and liabilities and Other operating income/costs	**6,8**	
	13,2	Account 190 - Net provisions for risks and charges
	-18,4	Voce 130 a) (parziale) – Integrazione Rettifiche di valore nette per deterioramento
	-4,1	Account 130 a) (partial) - Supplemental net adjustments for impairment of loans
	131,9	Account 220 - Other operating income/expenses
	-115,7	Account 220 (partial) - Breakdown of other operating income/expenses (Recovery
Profits (losses) from equity investments	**200,3**	
	205,6	Account 240 - Profit (loss) on equity investments
	-5,3	Account 240 (partial) - Breakdown of Profit (loss) on equity investments
Integration costs	**-56,9**	
	-35,0	Voce 180 a) (parziale) – Integrazione Spese per il personale (Oneri di
	-21,9	Voce 180 b) (parziale) – Integrazione Altre spese amministrative (Oneri di
Net result of tangible and intangible assets stated at fair value	**-**	
	-	Account 250 - Net result of tangible and intangible assets stated at fair value
Adjustments to goodwill	**-0,2**	
	-0,2	Account 260 - Adjustments to goodwill
Profit (loss) on disposal of investments	**27,8**	
	27,8	Account 270 - Profit (loss) on disposal of investments

Profit (loss) before tax from continuing operations	**781,3**	Account 280 - Profit (loss) before tax from continuing operations
Taxes on income from continuing operations	**-251,9**	
	-228,8	Account 290 - Taxes on income from continuing operations
	-19,1	Voce 290 (parziale) – Imposte sul contributo comparto MPS Asset Management
	-2,2	Voce 290 (parziale) – Scorporo Imposte sul reddito dell'esercizio dell'operatività
	-1,8	Voce 290 (parziale) – Scorporo Imposte sul reddito dell'esercizio dell'operatività
Profit (loss) after tax from continuing operations	**529,4**	Account 300 - Profit (loss) after tax from continuing operations
Profit (loss) after tax from disposal groups held for sale	**14,0**	
	60,7	Account 310 - Profit (loss) after tax from disposal groups held for sale
	-46,7	Voce 310 (parziale) – Scorporo contributo comparto MPS Asset Management SGR
Net profit (loss) including minority interests	**543,4**	Account 320 - Net profit (loss) for the year
Minority interests in profit (loss) for the year	**-11,1**	
	-11,1	Account 330 - Minority interests in profit (loss) for the year
Net profit (loss) for the year (excl. PPA)	**532,3**	
Purchase Price Allocation	**-10,2**	
	-4,1	Voce 10 (parziale) – Integrazione Effetti economici dell'allocazione del costo di
	-4,0	Voce 10 (parziale) – Integrazione Effetti economici dell'allocazione del costo di
	-1,9	Voce 20 (parziale) – Integrazione Effetti economici dell'allocazione del costo di
	-1,1	Voce 20 (parziale) – Integrazione Effetti economici dell'allocazione del costo di
	-2,0	Voce 100 b) (parziale) – Integrazione Utile/perdita da cessione di attività
	-0,5	Voce 200 (parziale) – Integrazione Rettifiche di valore nette su attività materiali
	-0,6	Voce 200 (parziale) – Integrazione Rettifiche di valore nette su attività materiali
	2,2	Voce 290 (parziale) – Integrazione Imposte sul reddito dell'esercizio
	1,8	Voce 290 (parziale) – Integrazione Imposte sul reddito dell'esercizio
Net profit for the year	**522,2**	Account 340 - Parent company's net profit (loss)

Reclassified Balance Sheet - Assets MPS Group	Balance Sheet - Assets MPS Group	31/03/08
Cash and cash equivalents		**807**
	Account 10 - Cash and cash equivalents	807
Loans:		
a) Customer loans		**139,909**
	Account 70 - Customer loans	139,909
b) Due from banks		**14,553**
	Account 60 - Due from banks	14,553
Financial assets held for trading		**27,677**
	Account 20 - Financial assets held for trading	22,325
	Account 30 - Financial assets stated at fair value	335
	Account 40 - Financial assets available for sale	5,017
Financial assets held to maturity		**0**
	Account 50 - Financial assets held to maturity	0
Equity investments		**548**
	Account 100 - Equity investments	548
Technical reserves attributable to reinsurers		-
	Account 110 - Technical reserves attributable to reinsurers	-
Tangible and intangible fixed assets		**10,655**
	Account 120 - Tangible fixed assets	2,803
	Account 130 - Intangible fixed assets	7,852
Other assets		**12,381**
	Account 80 - Hedging derivatives	44
	Account 90 - Change in value of financial assets recorded as part of a macrohedge (+/-)	11
	Account 140 - Tax assets	1,661
	Account 150 - Non-current assets and disposal groups held for sale	4,417
	Account 160 - Other assets	6,248
Total assets	**Total assets**	**206,529**

Reclassified balance sheet - Liabilities and shareholders' equity MPS Group	Balance sheet - Liabilities and shareholders' equity MPS Group	30/06/08
Debts		
a) Due to customers and securities		**139,000**
	Account 20 - Customer deposits	77,651
	Account 30 - Securities issued	46,989
	Account 50 - Financial liabilities stated at fair value	14,360
b) Due to banks		**27,218**
	Account 10 - Due to banks	27,218
Financial liabilities held for trading		**13,298**
	Account 40 - Financial liabilities held for trading	13,298
Provisions for specific use		
	Account 110 - Staff severance indemnity reserve	564
	Voce 120 Provisions for risks and liabilities - **a)** pension funds and similar obligations	452
	Voce 120 Provisions for risks and liabilities - **b)** other provisions	817
Other liabilities		**10,702**
	Account 60 - Hedging derivatives	58
	Account 70 - Change in value of financial liabilities recorded as part of a macrohedge (+/-)	-
	Account 80 - Tax liabilities	510
	Account 90 - Liabilities associated with disposal groups held for sale	3,926
	Account 100 - Other liabilities	6,208
Underwriting reserves		**0**
	Account 130 - Underwriting reserves	0
Group portion of shareholders' equity		**14,159**
a) Valuation reserves	Account 140 - Valuation reserves	337
b) Reimbursable shares	Account 150 - Reimbursable shares	-
c) Capital instruments	Account 160 - Capital instruments	79
d) Reserves	Account 170 - Reserves	4,787
e) Share premium account	Account 180 - Share premium account	3,998
f) Share capital	Account 190 - Share capital	4,451
g) Treasury shares (-)	Account 200 - Treasury shares (-)	-15
h) Net profit (loss) for the year	Account 220 - Net profit (loss) for the year (+/-)	522
Minority interests in shareholders' equity		**319**
	Account 210 - Minority interests in shareholders' equity (+/-)	319
Total liabilities and shareholders' equity	**Total liabilities and shareholders' equity**	**206,529**

ABRIDGED CONSOLIDATED HALF YEAR REPORT

GRUPPOMONTEPASCHI

ABRIDGED CONSOLIDATOED HALF YEAR REPORT

30 JUNE 2008

ABRIDGED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

CHANGES IN NET EQUITY

CASH FLOW STATEMENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A - ACCOUNTING POLICIES

Part B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

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Part D -SEGMENT REPORTING

Part E - INFORMATION ON RISKS AND THE RELEVANT HEDGING POLICIES

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Part G -BUSINESS COMBINATIONS IN RELATION TO COMPANIES OR BUSINESS UNITS

Part H - TRANSACTIONS WITH RELATED PARTIES

BALANCE SHEET

(in EURO units)

	Assets	30 06 2008	31 12 2007
10	Cash and cash equivalents	806,596,092	821,089,517
20	Financial assets held for trading	22,324,529,585	26,246,463,503
30	Financial assets carried at fair value	334,961,030	-
40	Financial assets available for sale	5,017,276,129	4,805,215,609
50	Financial assets held to maturity	2,867	3,019
60	Due from banks	14,553,087,155	14,858,265,765
70	Customer loans and advances	139,909,047,324	106,322,374,337
80	Hedging derivatives	44,068,539	42,306,654
90	Change in value of financial assets recorded as part of a macrohedge (+/-)	10,597,353	16,853,585
100	Equity investments	548,056,598	820,080,233
110	Technical reserves attributable to reinsurers	-	-
120	Tangible assets	2,803,168,589	2,428,018,467
130	Intangible assets	7,851,538,047	1,104,121,373
	of which: goodwill	7,672,557,120	940,766,633
140	Tax assets	1,661,249,714	1,102,980,122
	a) current	587,329,637	581,433,678
	b) deferred	1,073,920,077	521,546,444
150	Non current assets and disposal groups held for sale and discontinued operations	4,416,944,799	310,605,335
160	Other assets	6,247,880,728	3,105,203,621
	Total assets	**206,529,004,549**	**161,983,581,140**

The above comparative data do not include any amounts in relation to the former Antonveneta Group.

BALANCE SHEET

(in EURO units)

	Liabilities and Shareholders' Equity	30 06 2008	31 12 2007
10	Due to banks	27,218,482,382	13,742,750,063
20	Customer deposits	77,650,729,125	60,436,581,201
30	Securities issued	46,988,828,960	39,816,535,931
40	Financial liabilities held for trading	13,298,150,583	19,355,217,544
50	Financial liabilities carried at fair value	14,360,436,831	13,093,848,021
60	Hedging derivatives	57,803,963	51,659,243
70	Change in value of financial liabilities part of a macrohedge	-	-
80	Tax liabilities	510,048,400	192,434,719
	a) current	121,750,969	94,698,154
	b) deferred	388,297,431	97,736,565
90	Liabilities related to discontinued operations	3,925,655,990	2,863,322
100	Other liabilities	6,208,398,284	4,978,924,467
110	Staff severance indemnity reserve	564,140,703	368,638,635
120	Reserves for risks and charges	1,268,594,653	1,048,336,614
	a) pension fund and similar obligations	451,952,613	427,748,723
	b) other reserves	816,642,040	620,587,891
130	Insurance reserves	-	-
140	Valuation reserves	336,707,495	650,359,070
150	Reimbursable shares	-	-
160	Equity instruments	78,962,877	70,411,547
170	Reserves	4,786,725,868	3,996,475,026
180	Additional paid-in capital	3,998,225,338	559,171,863
190	Share capital	4,451,299,156	2,031,866,478
200	Own shares	(15,116,619)	(96,625,258)
210	Minority interests	318,776,907	246,574,236
220	Profit (loss) for the year	522,153,653	1,437,558,418
	Total liabilities and shareholders' equity	**206,529,004,549**	**161,983,581,140**

The above comparative data do not include any amounts in relation to the former Antonveneta Group.

PROFIT AND LOSS STATEMENT

(in EURO units)

	Account	30 06 2008	30 06 2007
10	Interest and similar income	4,309,559,590	3,481,294,859
20	Interest and similar expense	(2,620,784,121)	(2,034,456,800)
30	**Interest margin**	**1,688,775,469**	**1,446,838,059**
40	Commission earned	751,998,221	809,493,457
50	Commission expense	(89,621,276)	(84,998,803)
60	**Net commission income**	**662,376,945**	**724,494,654**
70	Dividend and similar income	541,918,064	452,513,605
80	Net result from trading	(496,729,872)	(227,720,288)
90	Net result from hedging activities	(5,289,234)	1,704,012
100	Profit (loss) on disposal or on repurchase of	10,126,557	5,589,185
	a) loans	28,120	1,147,147
	b) financial assets available for sale	9,573,631	7,142,558
	c) financial assets held to maturity	-	-
	d) financial liabilities	524,806	(2,700,520)
110	Net result on financial assets and liabilities carried at fair value	31,136,298	11,585,285
120	**Net interest and other banking income**	**2,432,314,227**	**2,415,004,512**
130	Net value adjustments /recoveries on impairment of	(453,537,388)	(245,812,360)
	a) loans	(352,358,811)	(248,684,792)
	b) financial assets available for sale	(107,815,528)	(1,702,336)
	c) financial assets held to maturity	-	-
	d) other financial operations	6,636,951	4,574,768
140	**Net income from financial activities**	**1,978,776,839**	**2,169,192,152**
150	Net premiums	-	-
160	Other income/expenses (net) from insurance activities	-	-
170	**Net income from financial and insurance activities**	**1,978,776,839**	**2,169,192,152**
180	Administrative expenses:	(1,594,823,109)	(1,430,565,849)
	a) personnel expenses	(969,089,427)	(868,815,803)
	b) other administrative expenses	(625,733,682)	(561,750,046)
190	Net provisions for risks and charges	13,186,645	(46,028,055)
200	Net adjustments/recoveries on tangible assets	(37,915,737)	(33,870,105)
210	Net adjustments/recoveries on intangible assets	(23,029,594)	(20,840,549)
220	Other operating income/expenses	131,948,187	131,098,681
230	**Operating Costs**	**(1,510,633,608)**	**(1,400,205,877)**
240	Profit (loss) on equity investments	205,575,716	34,289,222
250	Net result of the tangible and intangible assets carried at fair value	-	-
260	Adjustments to goodwill	(172,500)	(300,000)
270	Profit (loss) on disposal of investments	27,828,611	102,597
280	**Profit (loss) before tax from continuing operations**	**701,375,058**	**803,078,094**
290	Taxes on income from continuing operations	(228,829,240)	(330,501,868)
300	**Profit (loss) after tax from continuing operations**	**472,545,818**	**472,576,226**
310	Profit (loss) after tax from discontinued operations	60,705,603	50,759,072
320	**Net profit (loss) for the year**	**533,251,421**	**523,335,298**
330	Net profit (loss) attributable to minority interests	11,097,768	9,557,072
340	**Parent company's net profit (loss)**	**522,153,653**	**513,778,226**

The above comparative data do not include any amounts in relation to the former Antonveneta Group and Biverbanca.

		30 06 2008	30 06 2007
	Basic earnings per share	**0.150**	**0.170**
	of continuing operations	0.133	0.153
	Of discontinued operations	0.017	0.017
	Diluted earnings per share	**0.143**	**0.161**
	Of continuing shares	0.127	0.145
	Of discontinued operations	0.016	0.016

Although in light of a net profit attributable to the ordinary shares as of 30 June 2008 in line with the prior period, basic EPS and diluted EPS were reduced in comparison with the same period of 2007.

This trend is attributable to the share capital increase transaction executed on 12 June 2008 as a result of the acquisition of the Antonveneta Group (in a total amount of 3,035,721,650 new ordinary shares) which determined an increase in the weighted average of the shares outstanding in that period.

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR '000)

		Balance as at 31.12.07		Change in opening balance	Balance as at 01.01.08		Aggregazioni aziendali	Allocation of profit from prior year: Reserves		Allocation of profit from prior year: Dividends	Allocation of profit from prior year: Dividends	Changes during the year: Changes in reserves		Shareholders' Equity transactions: Issue of new shares		Acquisition of own shares		Extraordinary distribution of dividends	Change in equity instruments	Own share derivatives	Stock option	Net profit (loss) of year 2008		Shareholders' equity as at 30.06.2008	
		group	minorities		group	minorities		group	minorities			group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	1,646,367	53,251		1,646,367	53,251				-			24,605	2,033,934										3,680,301	77,856
	b) other shares	385,499	-		385,499					-				385,499										770,998	-
Additional paid-in-capital		559,172	7,096		559,172	7,096							56	3,439,053										3,998,225	7,152
Reserves	a) retained earnings	4,101,360	57,740		4,101,360	57,740		797,335	5,483			(7,084)	42,018						-					4,891,611	105,241
	b) other	(104,885)	-		(104,885)	-				-	-													(104,885)	-
Valuation Reserves	a) available for sale	430,246	111,582	-	430,246	111,582						(303,664)	4,583											126,582	116,165
	b) hedging of financial flows	13,010	-	-	13,010							21,883												34,893	-
	c) other	207,103	1,268	-	207,103	1,268						(31,871)	(3)											175,232	1,265
Equity instruments		70,412	-	-	70,412		8,551																	78,963	-
Own shares	a) of the parent company	(91,933)	-	-	(91,933)									94,136		(17,288)								(15,085)	-
	b) of the subsidiaries	(4,692)	(4)		(4,692)	(4)								4,692	4	(31)								(31)	-
Net profit (loss) for the period		1,437,558	15,641	-	1,437,558	15,641		(797,335)	(5,483)	(640,223)	(10,158)											522,154	11,098	522,154	11,098
Shareholders' Equity		**8,649,217**	**246,574**	**-**	**8,649,217**	**246,574**	**8,551**	**-**	**-**	**(640,223)**	**(10,158)**	**(320,736)**	**71,259**	**5,957,314**	**4**	**(17,319)**	**-**	**-**	**-**	**-**	**-**	**522,154**	**11,098**	**14,158,958**	**318,777**

As of 30 June 2008 the Group net equity, including profits for the period, came to EUR 14,159.0 mln with respect to EUR 8,649.2 mln as of 31 December 2007, with an increase of EUR 5,509.8 mln mostly attributable to the share capital increase transaction for the purpose of the acquisition of the Antonveneta Group. In particular, the share capital increase and the share premium, net of the relative additional costs, amounted to EUR 2,419.4 and EUR 3,464.9 respectively, in a total amount of EUR 5,884.3 mln. The share premium increase shown in the above table (EUR 3,439.1 mln) also includes EUR 25.8 mln resulting from the trading of own shares.

Profits for FY 2007 (EUR 1,437.6 mln) were distributed in the amount of EUR 640.2 mln, as per the distribution of profits approved by the shareholders' meeting on 24 April 2008. The negative change in relation to the reserves (abt. EUR 7 mln.) is mainly due to the donations made by some Group subsidiaries. Profit reserves include unavailable reserves in the amount of EUR 15.1 mln corresponding to the amount of own shares.

Valuation reserves "a) available for sale" show a decrease of EUR 303.7 mln attributable to the negative changes of fair value recorded in relation to bonds and equities.
Valuation reserves "c) other" record a negative change of EUR 31.8 mln mainly attributable to the reclassification of AFS reserves in relation to Quadrifoglio Vita SpA, classified under discontinued operations.

Net equity attributable to minority shareholders increased by EUR 72.2 mln mainly attributable to third parties of the Antonveneta Group (EUR 43 mln) and the sale of 1.78% of the capital of the subsidiary Biverbanca SpA to Fondazione Cassa di Risparmio di Biella.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR '000)

		Balance as at 31.12.05		Change in opening balance	Balance as at 01.01.06		allocation of profit from prior year: Reserves		allocation of profit from prior year: Dividends	Dividends	Changes during the year: Changes in reserves		Shareholders' Equity transactions: Issue of new shares		Acquisition of own shares		Extraordinary distribution of dividends	Change in equity instruments	Own share derivatives	Stock option	Net profit (loss) of year 2007		Shareholders' equity as at 30.06.2007	
		group	minorities		group	minorities	group	minorities			group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	1,644,272	8,240		1,644,272	8,240					-	(1,068)											1,644,272	7,172
	b) other shares	385,499	-		385,499						-												385,499	-
Additional paid-in-capital		560,788	6,667		560,788	6,667						484	47										560,835	7,151
Reserves	a) retained earnings	3,702,640	2,084		3,702,640	2,084	910,092	19,838	(518,160)	(83)	(4,667)	(343)								-			4,089,905	21,496
	b) other	(104,885)	(378)		(104,885)	(378)						378											(104,885)	-
Valuation Reserves	a) available for sale	383,236	17	-	383,236	17					124,290	129											507,526	146
	b) hedging of financial flows	16,582	-	-	16,582						16,873												33,455	-
	c) other	250,436	1,284	-	250,436	1,284					(23,994)												226,442	1,284
Equity instruments		71,488	-	-	71,488																		71,488	-
Own shares	a) of the parent company	(45,123)	-	-	(45,123)								1,543		(90,482)								(134,062)	-
	b) of the subsidiaries	-	-		-										(53)								(53)	-
Net profit (loss) for the period		910,092	19,838	-	910,092	19,838	(910,092)	(19,838)													513,778	9,557	513,778	9,557
Shareholders' Equity		**7,775,025**	**37,752**	**-**	**7,775,025**	**37,752**	**-**	**-**	**(518,160)**	**(83)**	**112,502**	**(420)**	**1,590**	**-**	**(90,535)**	**-**	**-**	**-**	**-**	**-**	**513,778**	**9,557**	**7,794,200**	**46,806**

In 2007 the Group net equity, inclusive of profits for the period, increased by about EUR 28 mln at EUR 7,841 mln. with respect to EUR 7,812.7 mln as of 31 December 2006. The effects of the movements as of 30 June 2008 are attributable to the distribution of profits for FY 2006 and the purchase of own shares (EUR 89 mln). The negative change (abt. EUR 4.7 mln) of profit reserves in the column of "changes in reserves" is mainly due to the donations made by some subsidiaries.

Valuation reserves under "c) other" include the reclassification (EUR 15.3 mln) from valuation reserves "a) available for sale" to reserves for discontinued operations in relation to the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni, which were already considered as "discontinued operations" as of 31 December 2006. The negative change of valuation reserves "c) other" (EUR 23.9 mln) is mainly attributable to the reduction of the reserves for the above-mentioned discontinued operations, in addition to the reserve for foreign exchange differences.

Profit reserves incorporate unavailable reserves in the amount of EUR 134 mln corresponding to the amount of own shares.

CASH FLOW STATEMENT

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	30 06 2008	31 12 2007 (EUR '000)
1. Cash flow from operations	**1,382,772**	**2,205,787**
net income (+/-)	533,251	1,453,199
gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	41,463	(69,640)
gains/losses on hedging activities (-/+)	5,233	2,668
net value adjustments/recoveries on impairment (+/-)	562,526	739,231
net adjustments/recoveries on fixed assets and intangible assets (+/-)	60,945	115,001
net provisions for risks and charges and other costs/revenues (+/-)	75,127	266,693
not cashed net premiums	-	(86,438)
other not collected incomes/expenses from insurance activities (+/-)	-	(761,136)
tax and duties to be settled (+)	228,829	551,586
net value adjustments/recoveries on discontinued operations net of tax effect (+/-)	26,020	-
other adjustments	(150,622)	(5,377)
2. Cash flow from/used in the reduction of the financial assets	**5,408,263**	**(14,690,503)**
financial assets held for trading	3,974,086	755,049
financial assets carried at fair value	(213,724)	-
financial assets available for sale	(389,198)	(417,336)
due from banks: sight	5,709,396	(2,117,974)
due from banks: other credits	-	-
customer loans	(2,872,761)	(12,749,368)
hedging derivatives	-	(11,302)
other assets	(799,536)	(149,572)
3. Cash flow from/used in financial liabilities	**(2,618,671)**	**12,500,142**
due to banks: sight	2,889,710	(2,848,642)
due to banks: other debts	-	-
customer deposits	(1,349,738)	4,480,242
securities issued	1,423,128	9,438,943
financial liabilities held for trading	(6,058,612)	2,400,080
financial liabilities carried at fair value	1,160,343	(724,761)
hedging derivatives	-	(47,799)
other liabilities	(683,502)	(197,921)
Net cash flow generated/absorbed by operating activities	**4,172,364**	**15,426**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**552,548**	**1,506,943**
sales of equity investments	542,707	350,389
collected dividends on equity investments	-	-
sales/repayment of financial assets held to maturity	-	-
sales of tangible assets	7,313	3,241
sales of intangible assets	2,528	2,212
sales of subsidiaries and divisions	-	1,151,101
2. Cash flow absorbed by:	**(10,021,641)**	**(724,146)**
purchases of equity investments	(9,986,243)	-
purchases of financial assets held to maturity	-	(103,770)
purchases of tangible assets	(33,238)	(106,030)
purchases of intangible assets	(2,160)	(514,346)
purchases of subsidiaries and divisions	-	
Net cash flow generated/absorbed by investment activities	**(9,469,093)**	**782,797**

C. FUNDING ACTIVITIES

issue/purchases of own shares	55,720	(61,280)
issue/purchases of equity instruments	-	-
dividend distribution and other scopes	(650,535)	(527,873)
issue of new shares	5,884,307	
Net cash flow generated/absorbed by funding activities	**5,289,492**	**(589,153)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(7,237)**	**209,070**

Reconciliation

Accounts	30 06 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	(7,237)	209,070
Cash and cash equivalents: effect of exchange rate variations		
Cash and Cash equivalents at the end of the year	806,596	821,090

EXPLANATORY NOTES

PART A ACCOUNTING POLICIES

ACCOUNTING POLICIES

The abridged consolidated half-year financial statements of the Montepaschi Group are prepared in compliance with the provisions of art.154 of the Financial Act, in accordance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB), validated as of the date of processing by the European Commission, and their construction by the International Financial Reporting Interpretations Committee (IFRIC). In particular, the abridged consolidated half-year financial statements were prepared in compliance with IAS 34 "Interim Reports" and in relation to the regulations enforcing art.9 of Legislative Decree no.38/2005. The international accounting principles were applied with reference to the "Framework for the 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, which should be referred to for further details.
Out of completeness of the information, following are the accounting principles, the amendments and construction which are not yet applicable and are not adopted in advance by the Group.
On 30 November 2006 the IASB issued the IFRS 8 accounting principle – *Operational Segments* which shall be enforced as of 1 January 2009 in replacement of IAS 14 – *Segment reporting*. The new accounting principle requires that the information shown in the segment reporting by the bank are based on the elements used by the Management to make operational decisions. Therefore, it requires the identification of the operational segments on the basis of internal reports, which are regularly reviewed by the Management for the purpose of allocating resources to the segments and making performance analyses.
The adoption of this principle will have no effect from the viewpoint of the valuation of balance-sheet items.
On 29 March 2007 the IASB issued a revised version of IAS 23 – *Financial charges* which shall be enforced as of 1 January 2009. The new version of the principle does no longer include the option whereby it is possible to promptly post any financial charges incurred in relation to assets which normally require a certain period of time before making the assets available for use or sale, to the profit and loss statement. The principle will be applicable prospectively to the financial charges in relation to capitalized assets as of 1 January 2009. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of such principle.
On 6 September 2007 the IASB issued a reviewed version of IAS 1 – *Presentation of the financial statements* which shall be enforced as of 1 January 2009. The new version of the principle requires that all changes produced by transactions with the shareholders are shown in a table of the changes in net equity. All transactions with third parties ("*comprehensive income*") shall be shown in one table of *comprehensive income* or in two separate tables (profit and loss statement and statement of *comprehensive income*). However, any changes generated by transactions with third parties cannot be shown in the statement of changes in net equity. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of such principle.
On 10 January 2008 the IASB issued an updated version of IFRS 3 – *Business combinations* and amended IAS 27 – *Consolidated and separate Financial Statements*. The major changes introduced to IFRS 3 incorporate (i) the removal of the obligation to evaluate the assets and liabilities of a subsidiary at fair value in any following acquisition, in the case of gradual acquisitions of subsidiaries. In these cases, the goodwill shall be determined as the difference of the value of the equity investments immediately before the acquisition, the consideration for the transaction and the value of net assets acquired. In addition, if a company does not purchase the total equity investment (100%), the share of net equity attributable to minority shareholders can be valued both at fair value

and using the method already contemplated by IFRS 3. The reviewed version of the principle also contemplates the posting to the profit and loss statement of all costs in relation to the business combination and the measurement as of the date of acquisition of the liabilities for payments subject to condition. In the amendment to IAS 27, the IASB stated that any change in the equity investment share which do not represent a loss of control shall be considered as *equity transactions* and have a contra entry in the net equity. In addition, it was decided that a holding company shall value the investment in the balance-sheet at fair value and post any profits or losses resulting from the loss of control to the profit and loss statement, when it disposes of the controlling interest in one of its subsidiaries but still holds a shareholding in the subsidiary itself.
Finally, in compliance with the amendment to IAS 27 all losses attributable to minority shareholders shall be allocated to the share of net equity attributable to minority shareholders, even when these losses exceed their share in the capital of subsidiary. The new rules shall be enforced prospectively as of 1 January 2010. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of such principle and amendment.
On 17 January 2008 the IASB issues an amendment to IFRS 2 - *Terms of fulfilment and cancellation* on the basis of which, for the purpose of the valuation of remuneration instruments based on shares, only the terms of service and performance can be considered as terms for the execution of the plans.
The amendment also specifies that, in case of cancellation of the plan, the same accounting treatment shall be applied whether it is cancelled by the company or the counterpart. The amendment shall be applied effective 1 January 2009. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of such amendment.
On 14 February 2008 the IASB issued an amendment to IAS 32 – *Financial instruments: presentation* and IAS 1 – *Presentation of the Financial Statements – Puttable financial instruments and obligations resulting upon the settlement*. In particular, the principle requires that the companies classify puttable financial instruments and the financial instruments which determine for the companies an obligation to deliver a share of equity investments to third parties in the company's assets, as equity instruments. This amendment shall be applied as of 1 January 2009. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of such amendment.
On 22 May 2008 the IASB issued a string of amendments to the IFRS ("improvement"). Following are the amendments indicated by the IASB as implying a change in the presentation, recognition and valuation of balance-sheet items. The amendments which cause only terminological or editorial changes, with a marginal impact in accounting terms, are omitted.

- IFRS 5 – *Non current assets available for sale and discontinued operations:* the amendment, which shall be applied as of 1 January 2010, states that if a company is undertaking a sales plan involving the loss of control on a subsidiary, all assets and liabilities of the subsidiary shall be reclassified under assets available for sale, even though after the sale the company still holds a minority interest in the subsidiary in question.
- IAS 1 – *Presentation of the financial statements (reviewed in 2007):* in accordance with the amendment, to be enforced effective 1 January 2009, any assets and liabilities resulting from derivative financial instruments which are not held for trading purposes shall be classified in the balance-sheet, separating current assets and liabilities from non-current assets and liabilities.

- IAS 16 – *Buildings, equipment and plants*: Pursuant to the amendment to be enforced as of 1 January 2009, the companies where renting is the core business shall reclassify the assets which are no longer rented and are available for sale in the stock and, subsequently, the consideration resulting from their sale shall be recognized as income. Any consideration paid to build or purchase assets to be rented to third parties, in addition to the consideration cashed as a result of the following sale of such assets, for the purpose of the cash flow statement, represent cash flows resulting from operations (and not from investments).
- IAS 19 – *Employees' benefits*: the amendment shall be enforced as of 1 January 2009 prospectively to the changes in the benefits occurred after such a date and clarifies the definition of cost/income in relation to past work. It also states that, in case of reduction of a plan, the effect to be promptly posted to the profit and loss statement shall include only the reduction of benefits in relation to future periods. The effect resulting from any reductions in relation to past work shall be considered as a negative cost in relation to past work. In addition, the Board revised the definition of short-term and long-term benefits and amended the definition of return on assets specifying that this account shall be shown net of any administrative charges if they are not already included in the value of the obligation.
- IAS 20 – *Accounting and reporting of public contributions*: in compliance with the amendment to be enforced prospectively as of 1 January 2009, any benefits resulting from Government loans granted at interest rates much lower than market rates shall be considered as public contributions and therefore shall comply with the rules of recognition provided for by IAS 20.
- IAS 23 – *Financial charges*: the amendment, to be enforced as of 1 January 2009, revised the definition of financial charges.
- IAS 28 – *Equity investments in associated companies:* the amendment, to be enforced (also only prospectively) as of 1 January 2009, states that, in case of any equity investments valued with the net equity method, any loss of value shall not be allocated to each asset (and in particular to the goodwill, if any) contributing to the book value of the investment, but to the value of the associated company as a whole. Therefore, in view of the conditions for a following reinstatement of value, such reinstatement shall be recognized totally.
- IAS 28 – *Equity investments in associated companies* and IAS 31 – *Equity investments in joint ventures*: such amendments, to be enforced as of 1 January 2009, require that additional information is provided also in relation to the investments in associated companies and joint ventures valued at fair value in accordance with IAS 39. IFRS 7 – *Financial instruments: supplementary information* and IAS 32 – *Financial instruments shown in the balance-sheet* have been amended accordingly.
- IAS 29 – *Accounting information in hyper-inflated economies* – the prior version of the principle did not reflect the fact that some assets or liabilities might be posted to the balance-sheet on the basis of their current value rather than historical cost. The amendment introduced to take account of this possibility shall be enforced as of 1 January 2009.
- IAS 36 – *Loss of value of assets*: the amendment, to be enforced as of 1 January 2009, requires that any additional information is provided if a company determines the recoverable value of the cash generating units by using the method of cash flow updating.

- IAS 38 – *Intangible assets*: the amendment shall be applied as of 1 January 2009 and recognizes that promotional and advertising costs shall be posted to the profit and loss statement. It also states that if a company incurs charges implying future economic benefits without posting any intangible assets, such charges shall be posted to the profit and loss statement (i) when the company is entitled to have access to the assets, in case of purchase of assets, or (ii) when the service is rendered, in case of purchase of services. In addition, the principle was modified for the purpose of allowing the companies to adopt the method of the units produced in order to determine the amortization of intangible assets with a specific useful life.
- IAS 39 – *Financial instruments: recognition and valuation*, the amendment to be enforced as of 1 January 2009 explains how to calculate the new actual rate of return of a financial instrument at the end of the hedging of the fair value. It also states that the prohibition of reclassification under financial instruments with fair value adjustment to the profit and loss statement shall not be applied to the derivative financial instruments which can no longer be qualified as hedging instruments, or become hedging instruments. Finally, for the purpose of avoiding any conflicts with the new IFRS 8 – *Operational Segments*, it eliminates any references to the designation of a hedging instrument for the segment.
- IAS 40 – *Real estate investments*: the amendment to be enforced prospectively as of 1 January 2009 states that any investments in buildings under construction fall within the scope of application of IAS 40 rather than IAS 16.

As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of the above-mentioned improvements.
On 31 July 2008, the IASB issued an amendment to IAS 39 – *Instruments which can be designated as subject to hedging,* which clears up that the inflation risk can be covered only at specific conditions and a purchased option cannot be designated totally (intrinsic value and time value) to cover the one-sided risk of a forecast transaction, because it does not generate a perfectly effective hedging.
The amendment shall be enforced as of 1 January 2010. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for the application of such amendment.
On 3 July 2008 the IFRIC issued the IFRIC 16 interpretation – *Hedging of an equity investment in a foreign company* which eliminates the possibility of applying *hedge accounting* to hedging transactions of any foreign exchange differences originated between the functional currency of the foreign subsidiary and the currency of the consolidated financial statements. Moreover, the interpretation clarifies that - in case of hedging transactions of an equity investment in a foreign company - the hedging instrument can be held by any member company of the group and, in case of sale of the investment, IAS 21 – *Effects of currency conversion* shall be adopted for the determination of the value to be reclassified under net equity in the profit and loss statement. The interpretation shall be enforced as of 1 January 2009. As of 30 June 2008, the competent bodies of the European Union had not yet completed the process of validation necessary for its application.
The following interpretations regulating the following cases have been issued:

- IFRIC 12 – *Contracts of services in concession* (to be enforced as of 1 January 2008 and not yet validated by the European Union);

- IFRIC 13 – *Programmes increasing customers' loyalty* (to be enforced as of 1 January 2009 and not yet validated by the European Union);
- IFRIC 14 – IAS 19 – *Assets for plans with determined benefits and minimum hedging criteria* (to be enforced as of 1 January 2008 and not yet validated by the European Union);
- IFRIC 15 – *Contracts for the construction of buildings* (to be enforced as of 1 January 2009 and not yet validated by the European Union).

General principles for preparing the abridged consolidated half-year report

- The abridged consolidated half-year report was prepared in compliance with the "principle of independence of periods" which states that the 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 June 2008 and adjusted, if necessary, to the Group accounting principles.
- Infra-group balance-sheet and profit and loss accounts have been eliminated.

Changes in the area of consolidation

The abridged consolidated half-year report includes the balance-sheet and profit and loss statement results of the Parent Bank and its direct and indirect subsidiaries.
In particular, the area of consolidation incorporates all subsidiaries, irrespective of their legal status, their status of ongoing concern or company in liquidation, or whether the investment consists of a merchant banking transaction or not. The area of consolidation does not include some minor entities which would be irrelevant if consolidated in the consolidated balance-sheet.
Following are the changes which occurred in the area of consolidation during the first half of 2008 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 on this subsidiary) and Montepaschi Asset Management Sgr S.p.A.
- In June 2008, the Bank sold Fontanafredda S.p.A. and the affiliated company, Finsoe S.p.A.

Following are the major transfers 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;
- Sale of a portion of equities classified in the available for sale portfolio and of some equity investments linked with MPS Investments S.p.A.;

By MPS Sim S.p.A.:

- Sale of the business unit including the financial promoters of Banca Personale S.p.A.;

Out of completeness of the information, as of 30 June 2008, the Group was finalizing the steps required for the sale of its subsidiaries Marinella S.p.A. and Valorizzazioni Immobiliari S.p.A., already considered as discontinued operations as of 31 December 2007. As of 30 June 2008, the interest held in Banca Monte Parma S.p.A. - for which the necessary authorizations from the Regulatory Authorities are still pending - and the investment in Montepaschi Asset Management Sgr S.p.A. – with sale negotiations almost ended – were considered as discontinued operations. Therefore, the balance-sheet and profit and loss statement data 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”.

The shareholders’ pacts existing between the Parent Bank, Banca Monte dei Paschi di Siena S.p.A., and the founders of Intermonte Sim S.p.A. were renegotiated last November. The agreements reached contemplate the sale of the operational business unit of Intermonte Sim S.p.A. to an expressly established newco where the Monte Paschi di Siena Group will hold 25%. The business unit was not classified under non-current assets being discontinued, since it has not been identified exactly at the present time.

PART B INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 2

Financial assets held for trading - Account 20

2.1 Financial assets held for trading: composition

(euro '000)

items/values	Banking group		Insurance companies		Other companies		Total	Total
	quoted	unquoted	quoted	unquoted	quoted	unquoted	30 06 2008	31 12 2007
A. Cash assets								
1. Debt securities	3,971,951	3,619,082	-	-	-	-	7,591,033	5,335,459
1.1 Structured securities	86,534	733,870			-	-	820,404	1,210,731
1.2 Other debt securities	3,885,417	2,885,212			-	-	6,770,629	4,124,728
2. Equities	436,146	291,144			-	-	727,290	359,694
of which measured at cost								
3. Quotas of UCITS	217,056	266,056			-	-	483,112	816,629
4. Loans	5,163,146	-	-	-	-	-	5,163,146	11,481,199
4.1 REPOS	3,793,386		-	-	-	-	3,793,386	11,481,199
4.2 Other	1,369,760		-	-	-	-	1,369,760	-
5. Non performing assets		-	-	-	-	-	-	7,975
6. Assets sold not derecognised	2,418,778	159,254	-	-	-	-	2,578,032	3,023,211
Total (A)	**12,207,077**	**4,335,536**	**-**	**-**	**-**	**-**	**16,542,613**	**21,024,167**
B. Derivative instruments								
1. Financial Derivatives:	254,636	5,147,142	-	-	-	-	5,401,778	4,967,553
1.1 di negoziazione	254,636	4,989,764		-	-	-	5,244,400	4,731,498
1.2 fair value option		42,747			-	-	42,747	53,729
1.3 other		114,631			-	-	114,631	182,326
2. Credit Derivatives:	127,479	252,660	-	-	-	-	380,139	254,743
2.1 trading	127,479	247,541	-	-	-	-	375,020	250,088
2.2 fair value option		5,119	-	-	-	-	5,119	-
2.3 other		-	-	-	-	-	-	4,655
Total (B)	**382,115**	**5,399,802**	**-**	**-**	**-**	**-**	**5,781,917**	**5,222,296**
Total (A+B)	**12,589,192**	**9,735,338**	**-**	**-**	**-**	**-**	**22,324,530**	**26,246,463**

The reduction of the amount indicated under item 4.Loans is mainly attributable to the reduction of repurchase agreements which is consistently represented by the decline recorded in the sub-item “Due to banks and Due to customers” in relation to table 4.1 of the liabilities side-Financial liabilities for trading purposes.

Section 3

Financial assets valued at fair value - Account 30

3.1 Financial assets valued at fair value : composition

(euro '000)

items/values	banking group		insurance companies		other companies		Total 30 06 2008		Total 31 12 2007	
	listed	unlisted	listed	unlisted	listed	unlisted	listed	unlisted	listed	unlisted
1. debt securities	9,197	134,141	-	-	-	-	9,197	134,141	-	-
1.1 structured	-	-					-	-		
1.2 other debt securities	9,197	134,141	-	-			9,197	134,141		
2. equities							-	-		
fair value		-				-	-	-		
3. Quotas of UCITS	121,523	70,100	-				121,523	70,100		
4. loans	-	-	-	-	-	-	-	-	-	-
1.1 structured	-	-					-	-		
1.2 other	-	-	-	-			-	-		
5. non performing assets									-	-
6. assets sold not derecognised	-	-	-	-	-	-	-	-		
Total	**130,720**	**204,241**	**-**	**-**	**-**	**-**	**130,720**	**204,241**	**-**	**-**

Assets valued at fair value include EUR 200.8 mln, represented almost exclusively by investments in O.I.C.R.s made by the corporate pension fund of Banca Toscana. The amount results from the reclassification of such financial instruments from the portfolio of financial assets held for trading purposes to the portfolio of financial assets valued at fair value, which is considered as more compliant with the purpose of the investment.

Section 7

Customer loans: Account 70

7.1 Customer loans: composition

7.1.1 of the banking group

(euro '000)

type of operations	Total 30 06 2008	Total 31 12 2007
1. current accounts	20,439,986	15,320,945
2. repos	97,883	1,475,481
3. mortgages	62,168,677	49,573,123
4. credit cards, personal loans and loans guaranteed by salary	2,956,612	4,154,877
5. finance leases	4,233,379	3,648,440
6. Factoring	1,561,885	1,165,201
7. other operations	33,538,978	21,666,769
8. debt securities	444,433	260,880
7.1 structured securities	-	-
7.2 other debt securities	444,433	260,880
9. impaired assets	5,605,130	3,170,380
10. assets sold not derecognised	8,861,813	5,886,278
Total (book value)	**139,908,776**	**106,322,374**

The increase in “Assets sold but not written off” is attributable to the securitization of performing loans Siena Mortgages 07-5, 2nd tranche, executed in the first half of FY 2008. The hefty growth of loan volumes is the result of the acquisition of the former Antonveneta Group.

7.1.3 of other companies

type of operations	Total 30 06 2008	Total 31 12 2007
1. current accounts	-	-
2. repos		
3. mortgages		
4. credit cards, personal loans and loans guaranteed by salary		
5. finance leases		
6. Factoring		
7. other operations	271	-
8. debt securities		
7.1 structured securities		
7.2 other debt securities		
9. impaired assets		
10. assets sold not derecognised		
Total (book value)	**271**	**-**

Section 10

Equity investments - Account 100

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

30 06 2008

		NAME	MAIN OFFICE	TYPE OF relationship (*)	ownership relationship held by	ownership relationship holding %	voting rights% (**)
		companies included in consolidation					
		A.1 companies totally consolidated					
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		S.p.a.	Florence	1	A.0 A.1 A.34	89.152 10.766 0.001	99.919
	2.1	MPS VENTURE SGR S.p.a.	Florence	1	A.2 A.10	70.000 30.000	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 A.1 A.7	86.916 6.647 6.437	100.000
	5.1	MPS COMMERCIALE LEASING SPA	Siena	1	A.5	100.000	100.000
A.6		BANCA ANTONVENETA SPA	Padua	1	A.0	100.000	100.000
	6.1	ANTENORE FINANCE SPA	Padua	1	A.6	98.000	98.000
	6.2	ABN AMRO ASSET MANAGEMENT ITALY SGR SPA	Milan	1	A.6	55.000	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	Padua	1	A.6	100.000	100.000
	6.8	GIOTTO FINANCE SPA	Padua	1	A.6	98.000	98.000
	6.9	GIOTTO FINANCE 2 SPA	Padua	1	A.6	98.000	98.000
	6.10	LA CITTADELLA SPA	Padua	1	A.6	99.167	99.167

	6.11	SALVEMINI SRL	Padua	1	A.6	100.000	100.000
	6.12	THEANO FINANCE SPA	Padua	1	A.6	98.000	98.000
	6.13	ANTONVENETA ABN AMRO INVESTMENT FUNDS	Dublin	1	A.6.2	100.000	100.000
A.7		GRUPPO BANCA AGRICOLA MANTOVANA	Mantua	1	A.0	100.000	100.000
	7.1	BANCA AGRICOLA MANTOVANA S.p.a.	Mantua	1	A.0	100.000	100.000
	7.2	AGRISVILUPPO S.p.a.	Mantua		A.7 A.2	98.224 0.844	99.068
	7.3	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantua		A.7	100.000	100.000
A.8		MPS ASSET MANAGEMENT SGR S.p.a. (1)	Milan	1	A.0 A.1 A.7 A.3	79.430 6.192 10.550 3.828	100.000
	8.1	MPS ALTERNATIVE INVESTMENTS SGR S.p.a. (1)	Milan	1	A.8	100.000	100.000
	8.2	MPS ASSET MANAGEMENT IRELAND LTD (1)	Dublin	1	A.8	100.000	100.000
A.9		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100.000	100.000
A.10		INTERMONTE SIM S.p.a.	Milan	1	A.26 A.7	33.954 33.953	67.907
	10.1	JPP EURO SECURITIES	Delaware	1	A.10	100.000	100.000
A.11		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0 A.1	86.000 14.000	100.000
A.12		ULISSE S.p.a.	Milan	1	A.0	60.000	60.000
A.13		ULISSE 2 S.p.a.	Milan	1	A.0	60.000	60.000
A.14		CONSUM.IT S.p.a.	Siena	1	A.0 A.1	70.000 30.000	100.000
	14.1	INTEGRA SPA	Florence	1	A.14	50.000	50.000
A.15		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI S.p.a.	Siena	1	A.0	100.000	100.000
	15.1	AGRICOLA POGGIO BONELLI	Siena	1	A.15	100.000	100.000
A.16		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100.000	100.000
A.17		MARINELLA S.p.a. (1)	La Spezia	1	A.0	100.000	100.000
A.18		G.IMM.ASTOR Srl	Lecce	1	A.0	52.000	52.000
A.19		PASCHI GESTIONI IMMOBILIARI S.p.a.	Siena	1	A.0	100.000	100.000

A.20		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99.760	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.7	0.030	
A.21		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	77.531	100.000
					A.1	22.469	
A.22		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	100.000
A.23		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	100.000
A.24		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	70.175	100.000
					A.1	29.825	
	24.1	MONTE PASCHI CONSEIL FRANCE	Paris		A.24	100.000	100.000
	24.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		A.24	100.000	100.000
	24.3	M.P. ASSURANCE S.A.	Paris		A.24	99.400	99.400
	24.4	IMMOBILIARE VICTOR HUGO	Paris		A.24	100.000	100.000
	24.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.24	99.997	99.997
A.25		MONTEPASCHI LUXEMBOURG S.A.	Bruxelles	1	A.0	99.200	100.000
					A.24	0.800	
A.26		MPS INVESTMENTS S.p.a.	Milan	1	A.0	100.000	100.000
A.27		VALORIZZAZIONI IMMOBILIARI SPA (1)	Siena	1	A.0	100.000	100.000
A.28		SANTORINI INVESTMENTS LTD	Edimburgh	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	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 companies proportionally consolidated					
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

(*) Relation:
1 Majority of voting rights in the ordinary shareholders' meeting
2 dominant influence in the ordinary shareholders' meeting
3 agreements with other shareholders
4 other kinds of control
5 unitary management pursuant to art.26, par.1, Legislative Decree 87/02
6 unitary management pursuant to art.26, par.2, Legislative Decree 87/02
7 joint control
(**) Available votes in the Ordinary Shareholders' Meeting with a distinction between actual and potential votes

(1) As of 30 June 2008, the following subsidiaries (Marinella S.p.A; Valorizzazioni Immobiliari S.p.A., Banca Monte Parma, MPS Asset Management, MPS Alternative Investments Sgr, MPS Asset Management Ireland and Quadrifoglio Vita S.p.A. were considered as "discontinued operations".

10.1 Equity investments in jointly controlled companies (valued at equity) and companies under significant influence: information on shareholders' equity and on accounting

30 06 2008

name	main office	Type of relationship	ownership relationship		voting rights %	consolidated book value	
			held by	holding %		30 06 2008	31 12 2007
Axa Mps Assicurazioni Vita SpA	Rome	8	Mps Investments	50.000	50.000	253,909	375,172
Axa Mps Financial Limited	Dublin	8	Axa Mps Assicurazioni Vita	100.000	100.000	25,089	40,261
Axa Mps Assicurazioni Danni SpA	Rome	8	Mps Investments	50.000	50.000	33,609	28,202
Aeroporto di Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21.380	21.380	1,810	1,070
Beta Prima S.r.l	Siena	8	Mps Investments	34.069	34.069	286	286
Bio Found S.p.a.	Siena	8	Mps Investments	16.000	16.000	775	809
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	Rome	8	Mps Investments	46.281	46.281	38	331
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9.000	30.500	41	41
			MPS Banca per l'Impresa	18.000			
			Banca Monte Paschi Belgio	3.500			
Fidi Toscana S.p.a.	Florence	8	Banca Monte dei Paschi di Siena	13.530	29.179	29,585	28,254
			Banca Toscana	10.468			
			MPS Banca per l'Impresa	5.181			
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40.000	40.000	569	401
Finsoe S.p.a.	Bologna	8	Banca Monte dei Paschi di Siena	13.000	13.000		292,528
SI Holding (Carta Si)	Milan	8	Banca Monte dei Paschi di Siena	24.470	24.470	28,607	27,885
Società Italiana di Monitoraggio	Rome	8	Banca Monte dei Paschi di Siena	24.304	24.304	23	23
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	Mps Investments	20.000	20.000	182	182
Uno a Erre S.p.a.	Arezzo	8	Banca Monte dei Paschi di Siena	23.820	23.820	-	-
Le Robinie S.r.l.	Reggio Emilia	8	Banca Agricola Mantovana	20.000	20.000	446	792
Fabrica Immobiliare SGR S.p.a.	Rome	8	Monte Paschi Asset Management SG	45.000	45.000	3,246	3,254
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Capital Services S.p.a.	36.303	36.303	9,525	8,315
Newco S.p.a.	Napoli	8	MPS Capital Services S.p.a.	20.000	20.000	1,988	1,989
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Investments S.p.a.	49.002	49.002	2,387	2,397
Marina Blu S.p.a.	Rimini	8	MPS Capital Services S.p.a.	30.001	30.001	-	3,092
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Capital Services S.p.a.	29.000	29.000	2,305	2,266
Agricola Merse S.r.l.	Milan	8	MPS Capital Services S.p.a.	20.000	20.000	5,000	
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Investments S.p.a.	49.500	49.500	2,481	2,262
Antonveneta Vita S.p.a.	Trieste	8	Banca Antonveneta S.p.a.	50.000	50.000	109,526	
Antonveneta Assicurazioni S.p.a.	Trieste	8	Banca Antonveneta S.p.a.	50.000	50.000	7,822	
Padova 2000 Iniziative Immobiliari S.p.a.	Padua	8	Banca Antonveneta S.p.a.	45.010	45.010	79	
Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Antonveneta S.p.a.	40.197	40.197	28,729	
Total						**548,057**	**819,812**

The reduction of the amounts is mostly attributable to the sale of the interest held in Finsoe S.p.A. (EUR 292.5 mln).

As of 31 December 2007, there was a difference of EUR 268,000 between the overall amount and the sum shown under account 100 “Equity investments” in relation to San Paolo Acque S.r.l. which was deconsolidated since it was wound up.

Section 13

Intangible assets - Account 130

13.1 Intangible assets: composition

	banking group		insurance companies		other companies		Total 30 06 2008		Total 31 12 2007	
items/values	finite life	indefinite life	finite life	indefinite life	finite life	indefinite life	finite life	indefinite life	finite life	indefinite life
A.1 Goodwill	x	7,631,898	x	40,659	x	-	x	7,672,557	x	940,767
A.1.1 of the group	x	7,631,898	x	40,659	x		x	7,672,557	x	940,767
A.1.2 of minorities	x		x		x		x	- -	x	-
A.2 other Intangible assets	178,651	22	-	-	308	-	178,959	22	163,354	-
A.2.1 Assets valued at cost:	178,651	22	-	-	308	-	178,959	22	163,354	-
a) Intangible assets generated internally	492				-		492	-	434	-
b) other assets	178,159	22	-		308	-	178,467	22	162,920	-
A.2.2 Assets valued at fair valu	x	x	x	x	x	x	x	x	x	x
a) Intangible assets generated internally	x	x	x	x	x	x	x	x	x	x
b) other assets	x	x	x	x	x	x	x	x	x	x
Total	**178,651**	**7,631,920**	**-**	**40,659**	**308**	**-**	**178,959**	**7,672,579**	**163,354**	**940,767**

The change in goodwill with respect to 31 December 2007 is mainly due to the measurement of goodwill (EUR 6,752 million) resulting from the acquisition of the control of the Antonveneta Group.

With reference to the consolidated balance-sheet, the acquisition of control of the Antonveneta Group implies the application of IFRS 3, which provides the consolidation of the assets, liabilities and potential liabilities of the group purchased at the respective fair value as of the date of acquisition, including any recognizable intangible assets not already shown in the financial statements of the company purchased and the determination of the goodwill as the difference of the cost of the business combination and the net fair value of the recognizable assets, liabilities and potential liabilities.

The activity of price allocation was not yet completed as of the date of drafting of this paper, in particular goodwill (EUR 6,752 million) also includes the value of other intangible assets with accurate identification still pending.

Additional information about the details of the acquisition is provided in Part G of the Notes to the Consolidated Financial Statements.

Section 15

Non current assets and disposal groups held for sale and related liabilities - Account 150 (assets) account 90 (liabilities)

15.1 Non current assets and disposal groups held for sale and related liabilities: composition

(euro '000)

	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
A. Individual assets					
A.1 equity investments	-			-	53,094
A.2 tangible assets	111,944			111,944	107,769
A.3 intangible assets				-	
A.4 other non current assets	-			-	-
Total A	**111,944**	**-**	**-**	**111,944**	**160,863**
B. Assets groups held for sale					
B.1 financial assets held for trading	141,010	527,652		668,662	-
B.2 financial assets valued at fair value		649,811		649,811	-
B.3 financial assets available for sale	7,571	1,413,321	5	1,420,897	5
B.4 financial assets held to maturity		-		-	-
B.5 due from banks	23,658	30,181		53,839	-
B.6 loans to customers	1,099,381	16		1,099,397	-
B.7 equity investments				-	-
B.8 tangible assets	98,877	-	50,470	149,347	123,592
B.9 intangible assets	58,420	232	2	58,654	13
B.10 other assets	66,739	137,374	281	204,394	26,132
Total B	**1,495,656**	**2,758,587**	**50,758**	**4,305,001**	**149,742**
C. Liabilities associated with assets held for					
C.1 Debts					
C.2 securities					
C.3 other liabilities				-	
Total C	**-**	**-**	**-**	**-**	**-**
D. Liabilities associated to disposal groups held for sale					
D.1 Due to banks	54,667	-		54,667	1
D.2 customer deposits	716,133	-		716,133	-
D.3 issued securities	370,544	14,000		384,544	-
D.4 financial liabilities held for trading	398	-		398	-
D.5 financial liabilities valued at fair value		649,810		649,810	-
D.6 allowances	4,050	-		4,050	-
D.7 other liabilities	82,900	2,032,896	258	2,116,054	2,862
Total D	**1,228,692**	**2,696,706**	**258**	**3,925,656**	**2,863**

As of 30 June 2008, such account incorporated the assets and liabilities of Banca Monte Parma S.p.A., a subsidiary which is being sold. The sale shall be executed pending the necessary authorizations from the Regulatory Authorities. The account also includes the assets and liabilities of the Montepaschi Group Asset Management Sgr, with sale negotiations almost completed, in addition to the assets and liabilities of Marinella S.p.A. and Valorizzazioni Immobiliari S.p.A., which were considered as discontinued operations as of 31 December 2007. In particular, the sale agreement of Valorizzazioni Immobiliari was signed on 2 July 2008.

As a result of the bancassurance framework agreement entered into with the AXA Group, late in March the Parent Bank purchased the remaining 50% share of Quadrifoglio Vita S.p.A. from Unipol. In view of the expected sale, the balance-sheet data of such company were classified under account 150 and 90 of the balance-sheet, non-current assets and discontinued operations (groups of assets) and associated liabilities.

Assets being sold also include an important building owned by MPS Immobiliare, in a total amount of EUR 111,944,000.

Sub-account B.9 “intangible fixed assets” includes the goodwill in relation to Quadrifoglio Vita and Banca Monte Parma (EUR 53,652,000).

From the viewpoint of the profit and loss statement, expected capital losses were recorded in a total amount of EUR 11.5 million in relation to the sale of Valorizzazioni Immobiliari and Quadrifoglio Vita.

LIABILITIES

Section 1

Due to banks - Account 10

1.1 Due to banks: composition

(euro '000)

values	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
1. Due to central banks	3,934,404	-	-	3,934,404	1,642,089
2. Due to banks	23,284,078	-	-	23,284,078	12,100,661
2.1 current accounts and demand deposits	3,727,120	-	-	3,727,120	2,594,204
2.2 time deposits	14,520,884		-	14,520,884	4,158,499
2.3 loans	2,188,939	-	-	2,188,939	4,685,457
2.3.1 financial lease				-	-
2.3.2 other	2,188,939			2,188,939	4,685,457
2.4 Debt for commitments to repurchase own treasury shares				-	-
2.5 Passività a fronte di attività cedute non cancellate dal bilancio	2,359,502	-	-	2,359,502	282,466
2.5.1 Pronti contro termine passivi	2,359,502			2,359,502	282,466
2.5.2 Altre	-			-	-
2.6 other debts	487,633			487,633	380,035
Total	**27,218,482**	**-**	**-**	**27,218,482**	**13,742,750**

The growing bank debt is due to the consolidation of the liabilities of the Antonveneta Group and the liabilities issued by Banca Monte dei Paschi di Siena S.p.A. for the partial funding of the acquisition of the Antonveneta Group.

Section 2

Customer deposits- Account 20

2.1 Customer deposits: composition

(euro '000)

values	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
1. current accounts and demand deposits	60,625,164			60,625,164	46,873,620
2. time deposits	2,581,196			2,581,196	2,399,318
3. deposits received in administration	21,778			21,778	13,132
4. loans	6,938,522	-		6,938,522	5,912,464
4.1 finance lease	-			-	-
4.2 other	6,938,522	-		6,938,522	5,912,464
5. Debts for commitments to repurchase treasury shares					
6. liabilities relating to assets sold but not derecognised	4,961,423			4,961,423	3,473,196
6.1 reverse repos	4,961,423			4,961,423	3,473,196
6.2 other	-			-	-
7. other debts	2,522,646	-		2,522,646	1,764,851
Total	**77,650,729**	**-**	**-**	**77,650,729**	**60,436,581**

The hefty increase in funding from customers is mainly attributable to the consolidation of the former Antonveneta Group.

Section 3

Securities issued - Account 30

3.1 Securities issued: composition

(euro '000)

type of securities	banking group		insurance companies		other companies		Total 30 06 2008		Total 31 12 2007	
	book value	fair value	book value	fair value	book value	fair value	book value	fair value	book value	fair value
A. Listed securities	176,083	179,632	**-**	**-**	**-**	**-**	176,083	179,632	563,742	564,976
1. bonds	68,512	72,061	-	-	-	-	68,512	72,061	424,372	425,606
1.1 structured (1)	-	-					-	-	-	-
1.2 other	68,512	72,061					68,512	72,061	424,372	425,606
2. other securities	107,571	107,571	-	-	-	-	107,571	107,571	139,370	139,370
2.1 structured	-	-					-	-	-	-
2.2 other	107,571	107,571					107,571	107,571	139,370	139,370
B. Unlisted securities	46,812,746	44,449,044	-	-	-	-	46,812,746	44,449,044	39,252,794	39,115,487
1. bonds	40,658,426	38,252,656	-	-	-	-	40,658,426	38,252,656	31,386,804	31,207,771
1.1 structured (1)	53,374	53,856					53,374	53,856	90,065	91,793
1.2 other	40,605,052	38,198,800					40,605,052	38,198,800	31,296,739	31,115,978
2. other securities	6,154,320	6,196,388	-	-	-	-	6,154,320	6,196,388	7,865,990	7,907,716
2.1 structured									-	-
2.2 other	6,154,320	6,196,388	-	-			6,154,320	6,196,388	7,865,990	7,907,716
Total	**46,988,829**	**44,628,676**	**-**	**-**	**-**	**-**	**46,988,829**	**44,628,676**	**39,816,536**	**39,680,463**

The increase in the amount of outstanding securities is mainly attributable to the consolidation of the former Antonveneta Group.

Section 4

Financial liabilities held for trading - Account 40

4.1 Financial liabilities held for trading: composition

(euro '000)

values	banking group			insurance companies			other companies			Total 30 06 2008			Total 31 12 2007		
	NV	FV		NV	FV		NV	FV		NV	FV		NV	FV	
		L	UL		L	UL		L	UL		L	UL		L	UL
A. financial liabilities															
1. due to banks	3,561,733	2,008,354	-		-			-		3,561,733	2,008,354	-	5,314,749	4,750,854	615,694
2. customer deposits	3,739,836	3,739,836	-		-			-		3,739,836	3,739,836	-	8,748,149	4,041,533	1,880,604
3. debt securities	1,118,231	1,115,657	2,575		-			-		1,118,231	1,115,657	2,575	2,474,599	2,477,889	1,248
3.1 bonds	1,047,712	1,045,333	2,380							1,047,712	1,045,333	2,380	2,381,951	2,380,327	1,248
3.1.1 Structured	269	15	254							269	15	254	2,075	1,409	676
3.1.2 other bonds	1,047,443	1,045,318	2,126							1,047,443	1,045,318	2,126	2,379,876	2,378,918	572
3.2 Altri titoli	70,519	70,324	195		-			-		70,519	70,324	195	92,648	97,562	-
3.2.1 Strutturati	-	-								-	-	-	1,122	6,036	-
3.2.2 Altri	70,519	70,324	195		-			-					91,526	91,526	-
Total A	**8,419,800**	**6,863,847**	**2,575**	**-**	**-**	**-**	**-**	**-**	**-**	**8,419,800**	**6,863,847**	**2,575**	**16,537,497**	**11,270,276**	**2,497,546**
B. derivative instruments															
1. financial derivatives	x	188,467	5,919,659	x			x			x	188,467	5,919,659	x	134,954	5,218,116
1.1 for trading	x	188,467	5,697,553	x			x			x	188,467	5,697,553	x	134,954	4,933,135
1.2 with fair value option	x		42,928	x			x			x	-	42,928	x	-	26,769
1.3 other	x		179,178	x			x			x	-	179,178	x	-	258,212
2. credit Derivatives	x	-	323,603	x			x			x	-	323,603	x	-	234,326
2.1 for trading	x	-	318,924	x			x			x	-	318,924	x	-	229,734
2.2 with fair value option	x		4,679	x			x			x	-	4,679	x	-	-
2.3 other	x		-	x			x			x	-	-	x	-	4,592
Total B	**x**	**188,467**	**6,243,262**	**x**			**x**			**x**	**188,467**	**6,243,262**	**x**	**134,954**	**5,452,442**
Total (A+B)	**8,419,800**	**7,052,314**	**6,245,837**	**-**	**-**	**-**	**-**	**-**	**-**	**8,419,800**	**7,052,314**	**6,245,837**	**16,537,497**	**11,405,230**	**7,949,988**

FV = fair value
NV = nominal value
L = listed
UL = unlisted

The significant decrease in the account is due to the reduction of repurchase agreements for funding purposes, which is offset by the corresponding decline in the volume of loans posted under account 20 of the assets "Financial assets held for trading purposes, with respect to repurchase agreements for lending purposes".

Section 5

Financial liabilities carried at fair value - Account 50

5.1Financial liabilities carried at fair value : composition

transactions	banking group			insurance companies				other companies			Total 30 06 2008				Total 31 12 2007		
	NV	FV		NV	FV		FV*	NV	FV		NV	FV		FV*	NV	FV	
		L	UL		L	UL			L	UL		L	UL			L	UL
1. Due to banks											-	-	-		-	-	-
1.1 Structured							X				-	-	-	X			
1.2 other							X				-	-	-	X			
2. customer deposits				-	-	-		-			-	-	-		-	-	-
2.1 Structured							X				-	-	-	X			
2.2 other				-		-	X	-			-	-	-	X	-	-	-
3. debt securities	14,138,971	710,441	13,649,996	-	-	-		-	-	-	14,138,971	710,441	13,649,996		13,123,874	499,902	12,593,946
											-	-	-				
3.1 Structured	1,771,638	91,993	1,687,461				X				1,771,638	91,993	1,687,461	X	2,174,574	173,880	2,064,540
3.2 other	12,367,333	618,448	11,962,535				X				12,367,333	618,448	11,962,535	X	10,949,300	326,022	10,529,406
Total	14,138,971	710,441	13,649,996	-	-	-		-	-	-	14,138,971	710,441	13,649,996		13,123,874	499,902	12,593,946

FV = fair value
NV = nominal VALUE
L= listed
UL= unlisted

Section 9

Liabilities related to discontinued operations - Account 90

Please refer to section 15 of the assets

Section 12

Reserves for risks and charges - Account 120

12.1 Reserves for risks and charges: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
1. post retirement benefits	451,953		-	451,953	427,748
2. other reserves for risks and charges	816,097	-	545	816,642	620,588
2.1 legal disputes	358,628	-	-	358,628	155,807
2.2 personnel charges	6,120		-	6,120	18,307
2.3 other	451,349	-	545	451,894	446,474
Total	**1,268,050**	**-**	**545**	**1,268,595**	**1,048,336**

The change in “Other provisions for risks and charges” is mainly due to the risk provision resulting from the former Antonveneta Group, which is only partly offset by the positive effect resulting from the use of the provision for the settlement of the Parmalat and Bell issues.

Section 15

Group's shareholders' Equity - Account 140, 160, 170, 180, 190, 200 and 220

15.1 Group's shareholders' Equity:

(euro '000)

items/values	Total 30 06 2008	Total 31 12 2007
1. share Capital (1)	4,451,299	2,031,866
2. share premium reserve	3,998,225	559,172
3. Reserves (2)	4,786,726	3,996,475
4. (treasury shares)	(15,116)	(96,625)
a) parent company	(15,085)	(91,933)
b) subsidiaries	(31)	(4,692)
5. valuation reserves	336,707	650,359
6. equity instruments	78,963	70,412
7. net profit (loss) pertaining to the group	522,154	1,437,558
Total	**14,158,958**	**8,649,217**

The increase in the Group net equity, inclusive of profits for the period, amounts to EUR 5,509.8 mln mainly attributable to the share capital increase for the purpose of the acquisition of the Antonveneta Group. In particular, the share capital increase and the share premium, net of the relative additional costs, amount to EUR 2,419.4 and EUR 3,464.9 , respectively, in a total amount of EUR 5,884.3 million.

15.2 "Share Capital" and "Treasury shares": composition

15.2.a Share Capital: composition

(euro '000)

items/values	Total 30 06 2008				Total 31 12 2007			
	par value for share	par value shares fully paid	par value shares not fully paid		par value for share	par value shares fully paid	par value shares not fully paid	
			paid in	non paid in			paid in	non paid in
Azioni ordinarie	0.67	3,680,301			0.67	1,646,367		
Azioni privilegiate	0.67	758,359			0.67	379,180		
Azioni di risparmio	0.67	12,639			0.67	6,319		
Total Share Capital		**4,451,299**				**2,031,866**		

15.2.b Treasury shares: composition

(euro '000)

items/value		Total 30 06 2008		Total 31 12 2007	
		par value for share	balance	par value for share	balance
ordinary shares		2,561	15,085	13,389	(96,625)
preferred shares					
saving shares					
Total Share Capital		**2,561**	**15,085**	**13,389**	**(96,625)**

The difference of EUR 32,000 with respect to the amount of own shares, account 200 of the liabilities, results from own shares repurchased from the subsidiary Banca di Spoleto.

15.3 Share Capital - Number of parent company shares: annual changes

shares

items/types		30 06 2008				31 12 2007			
		ordinary sh.	preferred sh.	saving sh.	Total	ordinary sh.	preferred sh.	saving sh.	Total
A.	**Share balance of beginning of year**	2,457,264,636	565,939,729	9,432,170	3,032,636,535	2,454,137,107	565,939,729	9,432,170	3,029,509,006
	- fully paid-up	2,457,264,636	565,939,729	9,432,170	3,032,636,535	2,454,137,107	565,939,729	9,432,170	3,029,509,006
	- not fully paid-up								
A.1	own shares(-)	20,004,265	-	-	20,004,265	9,341,989	-	-	9,341,989
A.2	**shares outstanding: opening balance**	2,437,260,371	565,939,729	9,432,170	3,012,632,270	2,444,795,118	565,939,729	9,432,170	3,020,167,017
B.	**Increases**	3,058,173,312	565,939,729	9,432,170	3,633,545,211	24,595,553	-	-	24,595,553
B.1	new issues	3,035,721,650	565,939,729	9,432,170	3,611,093,549	3,127,529			3,127,529
	- for payment:	3,035,721,650	565,939,729	9,432,170	3,611,093,549	3,127,529	-	-	3,127,529
	- business combination transactions				-				-
	- bond conversion				-	3,127,529			3,127,529
	- exercise of warrant				-				-
	- other	3,035,721,650	565,939,729	9,432,170	3,611,093,549				-
	- free of charges:	-	-	-	-	-	-	-	-
	- to employees				-				-
	- to directors				-				-
	- other				-				-
B.2	sale of own shares	22,451,662			22,451,662	21,468,024	-	-	21,468,024
B.3	other changes				-				-
C.	**Decreases**	6,328,506	-	-	6,328,506	32,130,300	-	-	32,130,300
C.1	cancellation				-				-
C.2	acquisition of own shares	6,328,506			6,328,506	32,130,300			32,130,300
C.3	company sale transactions				-				-
C.4	other changes				-				-
D.	**Shares outstanding: closing balance**	5,489,105,177	1,131,879,458	18,864,340	6,639,848,975	2,437,260,371	565,939,729	9,432,170	3,012,632,270
D.1	own shares (+)	3,881,109			3,881,109	20,004,265	-	-	20,004,265
D.2	Share balance of end of year	5,492,986,286	1,131,879,458	18,864,340	6,643,730,084	-	-	-	-
	- fully paid-up	5,492,986,286	1,131,879,458	18,864,340	6,643,730,084	2,457,264,636	-	-	2,457,264,636
	- not fully paid-up								

15.4 Share Capital: other information

15.4.a Equity instruments: composition and annual changes

(euro '000)

	30 06 2008		31 12 2007	
	net worth element of convertible bonds	other equity instruments	net worth element of convertible bonds	other equity instruments
previous year's closing balance	**70,412**		**71,488**	
effects of changes in accounting principles	**-**		**-**	
A. opening balance	**70,412**		**71,488**	
B. increases	**8,551**	**-**	**-**	**-**
Operazioni di aggregazione aziendale	8,551			
B.1 new issue				
B.2 sales				
B.3 other changes			-	
C. decreases	**-**	**-**	**1,076**	**-**
C.1 repayment				
C.2 repurchase				
C.3 other changes			1,076	
D. closing balance	**78,963**	**-**	**70,412**	

15.6 valuation reserves: composition

(euro '000)

items	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
1. financial assets availablefor sale	182,575	(55,993)	-	126,582	430,246
2. tangible assets	x	x	x	x	x
3. intangible assets	x	x	x	x	x
4. foreign investment hedges				-	
5. cash flow hedges	34,893			34,893	13,010
6. exchange differences	(9,113)			(9,113)	(6,350)
7. non current assets held for sale	43,862	(32,810)	26,439	37,491	55,737
8. special revaluation laws	145,357	-	1,497	146,854	157,716
Total	**397,574**	**(88,803)**	**27,936**	**336,707**	**650,359**

Section 16

Minority interests - Account 210

16.1 Minority interests: composition

(euro '000)

items/values	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
1) share capital	77,846		10	77,856	53,250
2) additional paid-in capital	7,152			7,152	7,096
3) Reserves	91,714		(765)	90,949	56,977
4) (treasury shares)					(4)
5) valuation reserves	117,432			117,432	112,849
6) equity instruments					
7) profit (loss) for the yr -minority interest	11,100		(2)	11,098	16,406
8) minority interests undivided profits	13,530		760	14,290	
Total	**318,774**	**-**	**3**	**318,777**	**246,574**

The increase in net equity attributable to minority shareholders (EUR 72.2 mln) is mainly attributable to third parties of the Antonveneta Group (EUR 43 mln) and the sale of 1.78% of the capital of the subsidiary Biverbanca S.p.A. to Fondazione Cassa di Risparmio di Biella.

16.2 Valuation reserves: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 30 06 2008	Total 31 12 2007
1) financial assets available for sale	116,167			116,167	111,581
2) tangible assets	x	x	x	x	x
3) intangible assets	x	x	x	x	x
4) foreign investment hedges				-	
5) cash flow hedges				-	
6) exchange differences				-	
7) non current assets held for sale				-	
8) special revaluation laws	1,265			1,265	1,268
Total	**117,432**	**-**	**-**	**117,432**	**112,849**

17.5 Management and trading on behalf of others: banking group

(euro '000)

services		total 30 06 2008	total 31 12 2007
1.	**trading in financial instruments on behalf of third parties**	**9,896,638**	**23,444,150**
	a) purchases	4,942,637	11,726,093
	1. settled	4,920,449	11,726,093
	2. to be settled	22,188	-
	b) sales	4,954,001	11,718,057
	1. settled	4,931,798	11,718,057
	2. to be settled	22,203	-
2.	**asset management**	**8,556,866**	**9,673,557**
	a) individual	7,402,518	8,486,814
	b) collective	1,154,348	1,186,743
3.	**Custody and administration of securities**	**375,984,980**	**353,182,806**
	a)third parties securities held in deposit related to depositary bank activities (excluding asset managementi)	859,922	24,231,637
	1. securities issued by companies included in consolidation	132,629	50,589
	2. other securities	727,293	24,181,048
	b))third parties securities held in deposit (excluding asset managementi):	173,562,390	141,874,221
	1. securities issued by companies included in consolidation	29,974,343	24,057,795
	2. other securities	143,588,047	117,816,426
	c)third parties securities deposited with third parties	166,834,087	159,337,146
	d) portfolio securities deposited with third parties	34,728,581	27,739,802
4.	**other transactions**	**4,003,392**	**4,267,256**
	4.1 credit collection on behalf of third parties: debit and credit adjustments	(678,708)	(553,847)
	a) debit adjustments	12,042,138	10,796,951
	1. current accounts	51,260	51,172
	2. central portfolio	9,796,631	8,603,927
	3. cash	142	241
	4.other accounts	2,194,105	2,141,611
	b) credit adjustments	12,720,846	11,350,798
	1. current accounts	401,203	217,422
	2. transferor of bills and documents	12,319,643	11,133,376
	3.other accounts	-	-
	4.2 other transactions	4,682,100	4,821,103
	a) third parties portfolio for collection	1,606,212	1,516,396
	b) tax collection service	-	-
	outstanding taxrolls	-	-
	instalmentspayable and already advanced to the tax levying authorities	-	-
	payable received taxrolls	-	-
	c) other	3,075,888	3,304,707

PART C INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

Section 6

Profit (loss) on disposal/repurchase - Account 100

6.1 Profit (loss) on disposal/repurchase: composition

(euro '000)

account	banking group			insurance companies			other companies			Total 30 06 2008			Total 30 06 2007
	profit	losses	net profit	profit	losses	net profit	profit	losses	net profit	profit	losses	net profit	net profit
1. financial assets													
1. due from banks			-			-			-	-	-	-	-
2. customer loans	31	3	28			-			-	31	3	28	1,147
3.financial assets available for sale	16,107	6,533	9,574	-	-	-	-	-	-	16,107	6,533	9,574	7,143
3.1 debt securities	1,141	4,960	(3,819)		-	-			-	1,141	4,960	(3,819)	(5,081)
3.2 equity investments	14,966	342	14,624			-			-	14,966	342	14,624	12,224
3.3 Quotas of UCITS		1,231	(1,231)			-			-	-	1,231	(1,231)	-
3.4 loans			-			-			-	-	-	-	-
4. financial assets held to maturity			-	-		-			-	-	-	-	-
Total assets	16,138	6,536	9,602	-	-	-	-	-	-	16,138	6,536	9,602	8,290
1. financial liabilities													
1. due to banks	-		-			-			-	-	-	-	25
2. customer deposits			-			-			-	-	-	-	-
3. issued securities	1,718	1,193	525		-	-			-	1,718	1,193	525	(2,725)
Total liabilities	**1,718**	**1,193**	**525**	**-**	**-**	**-**	**-**	**-**	**-**	**1,718**	**1,193**	**525**	**(2,700)**

Section 8

Net adjustments/recoveries on impairment - Account 130

8.1 Adjustment losses on loans: composition

8.1.1 of the banking group

(euro '000)

Operations	write-downs			write backs				Total	
	Specific		portfolio	Specific		portfolio		30 06 2008	30 06 2007
	write-offs	other		A	B	A	B		
A. due from banks	-	100	1,946	45	13		1,168	(820)	244
B. customer loans	32,781	398,122	119,402	69,614	107,391		21,761	(351,539)	(248,929)
C. Total	**32,781**	**398,222**	**121,348**	**69,659**	**107,404**	**-**	**22,929**	**(352,359)**	**(248,685)**

A=interest
B=other

8.2 Net adjustment losses on financial assets available for sale: composition

8.2.1 of the banking group

(euro '000)

Operations	write-downs		write backs		Total	
	Specific		Specific		30 06 2008	30 06 2007
	write-offs	other	A	B		
A. debt securities	780			400	(380)	500
B. equity securities		107,436	x	x	(107,436)	(2,202)
C. Quotas of UCITS			x			
D. loans to banks						
E. customer loans						
F. Total	**780**	**107,436**	**-**	**400**	**(107,816)**	**(1,702)**

A=interest
B=other

The writebacks in relation to equities in the amount of EUR 94,330,000 are attributable to the writedown of the equity investment held in Hopa S.p.A.

8.4 Net adjustment losses on other financial activities: composition

8.4.1 of the banking group

(euro '000)

Operations	write-downs			write backs				Total	
	Specific		portfolio	Specific		portfolio			
	write-offs	other		A	B	A	B	30 06 2008	30 06 2007
A. Guarantees given		136	3,265		9,781		854	7,234	5,015
B. credit Derivatives			227					(227)	-
C. commitment to lend funds								-	-
D. other operations		465	-			95	-	(370)	(440)
E. Total	**-**	**601**	**3,492**	**-**	**9,781**	**95**	**854**	**6,637**	**4,575**

A=interest
B=other

Section 12

Net provisions for risks and charges - Account 190

12.1 Net provisions for risks and charges : composition

12.1.1 of the banking group

(euro '000)

account	Total 30 06 2008			Total 30 06 2007		
	indemnity for damages	legal disputes	other	indemnity for damages	legal disputes	other
provisions for the year	7,710	10,819	18,139	974	7,265	49,238
utilizations	(18,581)	(5,575)	(25,746)	(4,241)	(2,040)	(5,285)
Total	**(10,871)**	**5,244**	**(7,607)**	**(3,267)**	**5,225**	**43,953**

12.1.3 of other companies

(euro '000)

account	Total 30 06 2008			Total 30 06 2007		
	indemnity for damages	legal disputes	other	indemnity for damages	legal disputes	other
provisions for the year	-	-	48	-	-	157
utilizations	-	-	-	-	-	(40)
Total	**-**	**-**	**48**	**-**	**-**	**117**

Section 16

Profit (loss) on equity investments - Account 240

16.1 Profit (loss) on equity investments: composition

(euro '000)

Componenti reddituali/Settori	banking group	insurance companies	other companies	Total 30 06 2008	Total 30 06 2007
1) jointly owned companies					
A. Income	-	-	-	-	3,052
1. Revaluations		-		-	3,052
2. gains from disposals				-	-
3. write backs				-	-
4. other positive changes				-	-
A. Income	-	-	-	-	-
1. Revaluations		-		-	-
2. gains from disposals				-	-
3. write backs				-	-
4. other positive changes				-	-
Net Result	**-**	**-**	**-**	**-**	**3,052**
2) Imprese sottoposte a influenza notevole					
A. Income	3,308	11,288	4,020	18,616	32,012
1. Revaluations	3,356	11,288	2,003	16,647	5,832
2. gains from disposals	(48)		2,017	1,969	26,162
3. write backs				-	-
4. other positive changes	-		-	-	18
A. Income	34,734	6,172	955	41,861	775
1. Revaluations	8	6,172	955	7,135	775
2. gains from disposals				-	-
3. write backs	34,726			34,726	-
4. other positive changes	-		-	-	-
Net Result	**(31,426)**	**5,116**	**3,065**	**(23,245)**	**31,237**
3) Imprese controllate					
A. Income	229,379	-	92	229,471	-
1. Revaluations				-	-
2. gains from disposals	229,379		92	229,471	-
3. write backs				-	-
4. other positive changes	-		-	-	-
A. Income	-	-	650	650	-
1. Revaluations				-	-
2. gains from disposals	-			-	-
3. write backs			650	650	-
4. other positive changes	-			-	-
Net Result	**229,379**	**-**	**(558)**	**228,821**	**-**
Total	**197,953**	**5,116**	**2,507**	**205,576**	**34,289**

Profits from the sale of subsidiaries (EUR 229,470,000) before the tax effect of about EUR 4,200,000 are attributable to the sale of the subsidiary Banca Monte Paschi Finance S.p.A. (EUR 198,728,000), where the activity of depositary bank had been concentrated, and the indirect subsidiary Fontanafredda S.p.A. (EUR 30,742,000). The loss from the sale of companies subject to significant influence (EUR 34,726,000), before the tax effect, is due to the sale of the affiliated company Finsoe S.p.A.. The profit from the sale of companies subject to significant influence (EUR 1,970,000), before the tax effect, is due to the disposal of the indirect affiliated company Marina Blu.

Section 21

Profit (loss) after tax from discontinuing operations - Account 310

21.1 Profit (loss) after tax from discontinuing operations: composition

(euro '000)

profitability components	banking group	insurance companies	other companies	Total 30 06 2008	Total 30 06 2007
Group of assets/liabilities					
1. income	179,200	36,638	276	216,114	1,017,103
2. charges	89,216	50,871	402	140,489	934,678
3. valuation differences on discontinued operations and related liabilities	(11,492)			(11,492)	-
4. Profit (loss) on disposal				-	-
5. taxes and duties	7,562	(4,136)	1	3,427	31,666
profit (losses)	**70,930**	**(10,097)**	**(127)**	**60,706**	**50,759**

As a result of the activities under way as of 30 June 2008 resulting into the sale of the subsidiaries Marinella S.p.A., Valorizzazioni Immobiliari S.p.A., Quadrifoglio Vita S.p.A., Banca Monte Parma S.p.A. and the Montepaschi Group Asset Management Sgr, the above companies have been considered as discontinued operations. Therefore, the data in relation to the profit and loss statement have been reclassified under account 310 in the profit and loss statement “Profits(losses) of discontinued operations, after taxes”.

The valuation of the assets and groups of assets being sold (discontinued operations) at the lower of the book value and sale price, net of the relative costs, implied a writedown of EUR 8,992,000 in relation to Valorizzazioni Immobiliari, in addition to EUR 2,500,000 approx. in relation to Quadrifoglio Vita.

Section 24

Earnings per share

24.1 Reconciliation of weighted average number of issued ordinary shares

(shares)

account	30 06 2008	30 06 2007
weighted average number of outstanding ordinary shares (+)	2,857,564,226	2,434,933,295
dilutive effect from sold put options (+)	-	-
dilutive effect from ordinary shares to be granted as a result of payments based on own shares(+)	23,779,044	4,760,087
dilutive effect from convertible liabilities(+)	204,641,899	207,769,428
weighted average number of issued ordinary shares per diluted earnings per share	3,085,985,169	2,647,462,810

24.2.a reconciliation of operating result - numerator basic earnings per share

(euro '000)

account	30 06 2008			30 06 2007		
	relating to the current activites and pertaining to the parent bank	relating to the ceased operating activities and pertaining to the parent bank	total of the parent company	relating to the current activites and pertaining to the parent bank	relating to the ceased operating activities and pertaining to the parent bank	total of the parent company
net result	462,408,074	59,745,579	522,153,653	463,019,154	50,759,072	513,778,226
result attributable to other categories of shares(-)	82,915,126	10,713,075	93,628,201	89,344,911	9,794,551	99,139,462
net result attributable to ordinary shares - numerator basic earnings per share	**379,492,948**	**49,032,504**	**428,525,452**	**373,674,243**	**40,964,521**	**414,638,764**

24.2.b net result - diluted numerator earnings per share

(euro '000)

account	30 06 2008			30 06 2007		
	relating to the current activites and pertaining to the parent bank	relating to the ceased operating activities and pertaining to the parent bank	total of the parent company	relating to the current activites and pertaining to the parent bank	relating to the ceased operating activities and pertaining to the parent bank	total of the parent company
net Result	462,408,074	59,745,579	522,153,653	463,019,154	50,759,072	513,778,226
diluted effect from convertible liabilities	12,244,125		12,244,125	10,454,112		10,454,112
result attributable to other categories of shares (-)	82,915,126	10,713,075	93,628,201	89,344,911	9,794,551	99,139,462
passive interests on convertible instruments (+)	-		-			-
other (+/-)	-	-	-			
net result attributable to ordinary shares - diluted numerator earnings per share	**391,737,073**	**49,032,504**	**440,769,577**	**384,128,355**	**40,964,521**	**425,092,876**

24.2.c basic and diluted earnings per share

(in eur)

account	30 06 2008			30 06 2007		
	relating to the current activites and pertaining to the parent bank	relating to the ceased operating activities and pertaining to the parent bank	total of the parent company	relating to the current activites and pertaining to the parent bank	relating to the ceased operating activities and pertaining to the parent bank	total of the parent company
basic earnings per share	0.133	0.017	0.150	0.153	0.017	0.170
diluted earnings per share	0.127	0.016	0.143	0.145	0.016	0.161

Although in light of a net profit attributable to the ordinary shares as of 30 June 2008 in line with the prior period, basic and diluted EPS show a y-o-y reduction. This trend is attributable to the share capital increase executed on 12 June 2008 following the acquisition of the Antonveneta Group, in a total amount of 3,035,721,650 new ordinary shares, which determined an increase in the weighted average of the outstanding shares for the period.

PART D SEGMENT REPORTING

- **MPS Banking Group's Divisional Organization**
- **Primary segments: breakdown by business segment**
- **Secondary segments: geographic breakdown**

PART D – SEGMENT REPORTING

This section of the Abridged Consolidated Half-Year Report is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to n° 14. In this regard, on 30 November 2006 the IASB (*International Accounting Standards Board)* issued the IFRS 8 accounting principle ("Operational Segments") which shall be enforced as of 1 January 2009 in place of IAS 14 – Segment reporting.
For the purpose of the identification of the business segments and the data to be allocated, the MONTEPASCHI Group segment reporting considers the Group's organization and management structure, as well as the current internal reporting system in support of the Management's operational decisions, as a starting point.

A. PRIMARY REPORTING

BREAKDOWN BY BUSINESS SEGMENT: CAPITAL DATA (PRIMARY SEGMENT AS PROVIDED FOR BY IAS14)

THE MONTEPASCHI GROUP OPERATIONS

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

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

The Group is currently divided into the following business areas:
- *Commercial Banking & Distribution Network;*
- *Private Banking & Wealth Management;*
- *Corporate Banking & Capital Markets;*
- Capital, Cost and Investment Governance.

As a consequence, following are the segments identified for the purpose of the operational representation of the Group's results, also defined on the basis of the criteria of business representativeness/predominance: **Commercial Banking & Distribution Network; Private**

Banking & Wealth Management; Corporate Banking & Capital Markets; and the Corporate Center, which includes Capital, Cost and Investment Governance.
The first three segments incorporate the commercial retail, private, corporate and key clients (former large corporate) networks, which are indicative of the customer segmentation of the divisionalized Banks (**Retail, Private, Corporate and Key Clients**), for the purpose of the Group's internal reporting operated by applying quantitative and qualitative/behavioural criteria. The above-mentioned segments are also assigned the data of non-divisionalized legal entities (product companies) in compliance with the Group's governance rules (that is, in line with the reporting positions and hierarchical relations resulting from the Group's current organization structure).
In particular:

COMMERCIAL BANKING & DISTRIBUTION NETWORK
The Commercial Banking & Distribution Network is in charge of funding operations and supplies financial and non-financial services to the Retail customers of the divisionalized entities (including "small businesses") and the customers of the non-divisionalized company which deals with consumer credit, also through the management of electronic payment instruments and the minority interest in Banca Popolare di Spoleto.

PRIVATE BANKING & WEALTH MANAGEMENT
Private Banking & Wealth Management is in charge of providing Private customers with a customized and exclusive range of products/services, in order to meet the most sophisticated requirements in terms of asset management and financial planning, including advisory services in relation to non-strictly financial services (i.e. tax planning, real estate, art & legal advisory) and financial promotion.

CORPORATE BANKING & CAPITAL MARKETS
Corporate Banking and Capital markets is in charge of the management of operations with the Corporate and Key Clients of the divisionalized entities and the product companies operating in the area of short-/medium-/long-term corporate loans, corporate finance, leasing and factoring, investment banking and financial engineering, equity capital market and brokerage.
This business segment also encompasses international operations.

CORPORATE CENTER
The Corporate Center aggregates the operational units which are below the standards required for external reporting, the Group's Head Office units (such as governance and support units, business finance, equity investments management and the capital segments of the divisionalized entities where ALM, treasury and capital management activities are particularly important), in addition to the service Units in support of the Group's structure (with particular regard to credit collection, real estate management and the development and management of IT systems, all of them reporting to the Capital, Cost and Investment Governance Area). The Corporate Center also incorporates the contribution from Intermonte Spa, Biverbanca Spa and Banca Antonveneta Spa (one month, with reference to the profit and loss statement), profitability from the companies consolidated with the net equity method and the eliminations in relation to infragroup items, in addition to the profits from groups of assets being sold (discontinued operations) after taxes.

PROFIT AND LOSS STATEMENT CRITERIA BY BUSINESS SEGMENT
The composition of net operating income by business segment is based on the following criteria:

- **Interest margin** in relation to the segments of the divisionalized entities is calculated by contribution on the basis of the internal rates of transfer by product and maturity. With reference to the other Group’s entities, interest margin is represented by the difference of interest income and similar income and interest expense and similar expenses.

- **Net commissions** are determined by direct allocation of real commissions to the business segments.
- **Net value adjustments/writebacks for impairment of loans** are allocated to the business segments which originated them. With reference to the segments of the divisionalized entities, the balance-sheet aggregate is allocated on the basis of the distribution of the expected loss to each business segment (the “Private” business segment is not included in this allocation, by convention), with the following comparison of these results with the historical distribution of adjusting reserves between individuals and parties subject to creditors’ agreement proceedings.
- **Operating expenses** include administrative expenses and net value adjustments to tangible and intangible assets. Said accounts, in relation to the IT Service, the Corporate Center organization structure and the Head Offices of the Divisionalized Entities, are allocated to each segment in accordance with a model which is based on the logic of service supplied to the different organization units and allocates operating expenses to the identified units before distributing them to the segments. The costs which are not reasonably attributable to the business segments are allocated to the Corporate Center. With specific reference to personnel expenses for the network staff of the Divisionalized Entities, the allocation to the Business Segments is based on the univocal functional position of the resources and, if this position is not univocal, according to specific criteria in relation to the activity carried out. As regards non-divisionalized (one-segment) Entities, total operating expenses converge on the corresponding business segments.

BASIC CRITERIA FOR THE STATEMENT OF CAPITAL AGGREGATES BY BUSINESS SEGMENT

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

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

OPERATIONS BETWEEN BUSINESS SEGMENTS

Income and the results of each segment include the transfers between business segments and geographical areas. These transfers are posted in accordance with the best practice accepted by the market (i.e. the method of ordinary market value or the method of cost increased by an appropriate margin) both with respect to commercial and financial transactions.
The income of each business segment is determined before infra-group balances, and infra-group transactions are eliminated during the process of consolidation. If infra-group transactions are executed between entities belonging to the same business segment, the respective balances are eliminated within such segment. The balances of infra-group transactions are not shown separately, in compliance with par.28 of IAS 14 (“Therefore, with rare exceptions, a company shall provide a segment reporting in its financial statements as in the case of the internal reports to the directors”) and the internal reporting system.

CHANGES IN THE DRAFTING PRINCIPLES

In compliance with the IAS 14 accounting principle, for the purpose of a correct comparison of data, the data as of 30 June 2007 have been restated on the basis of the principles adopted in 2008, in view of the following:

- The process of reorganization of production units and the simultaneous disposal of non-strategic assets:
  - Excluding the contribution of MPS SGR AM from Private Banking (resulting from the agreement for the sale of 66% of its investment share);
  - Excluding the contribution of Banca Monte Parma (aggregated on the basis of the proportional method) from Commercial Banking (resulting from the agreement for the sale of the 49.266% investment).

  The contribution of the above companies as of 30 June 2007 is maintained on a "line-by-line" basis (without application of IFRS 5) and attributed to the Corporate Center for the purpose of reconciliation with the Abridged Consolidated Half-Year Report.
- The changes in the business segments, as a result of the new organization of the Parent Bank:

  -transfer from Monte Paschi Banque (aggregated 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);

  - attribution to the Corporate Center of the residual assets of MPS Finance, after the company transferred its business unit in relation to trading, capital market and market making activities to MPS Banca per l'Impresa (now MPS Capital Services Banca per le Imprese) and sold its investments to BMPS and MPS Investments (former Bios);

  -excluding the contribution of Intermonte SpA from Corporate Banking and the simultaneous attribution to the Corporate Center;
- Customer migrations between segments which implied the implementation/finetuning of the cost-allocation model;
- The adoption of new principles of calculation of expected loss (see part E of the Abridged Consolidated Half-Year Report), on the basis of which – as already mentioned in the principles of preparation of the profit and loss statement - loan adjustments are attributed;
- The standardization with respect to 2008 of the posting principles of income components between segments, with particular regard to foreign branches;
- Reclassifications made as a result of the sale of 50% of the insurance companies. In particular the aggregate of "Dividends, similar income and Profits (losses) from equity investments" as of 30 June 2007 was integrated with the values in relation to the insurance companies, after separating them from "Profits (losses) of discontinued operations, after taxes".

Following is a breakdown of the Group income/capital aggregates as of 30 June 2008 and 30 June 2007, on the basis of the above-mentioned business segments:

SEGMENT REPORTING - Primary segment
(in millions of euro)

2008 JUNE	Commercial Banking/ Distribution network	Private Banking/ Wealth Management	Corporate Banking/ Capital Markets	Corporate Center	Total Reclassified Group
INCOME AGGREGATES					
Net Financial income (loss)	1.387,1	88,1	723,0	318,3	2.516,5
Net adjustments for impairment of loans and financial assets	123,2	0,7	168,5	138,6	430,9
Operating expenses	789,7	67,3	315,5	309,6	1.482,2
Net operating income	**474,3**	**20,0**	**239,0**	**-129,9**	**603,4**
CAPITAL AGGREGATES					
Performing loans	43.745,9	742,6	54.312,7	38.015,9	136.817,1
Due to customers and securities	51.038,8	5.740,7	34.423,9	47.796,6	139.000,0

SEGMENT REPORTING - Primary segment
(in millions of euro)

2007 JUNE	Commercial Banking/ Distribution network	Private Banking/ Wealth Management	Corporate Banking/ Capital Markets	Corporate Center	Total Reclassified Group
INCOME AGGREGATES					
Net Financial income (loss)	1.362,6	100,8	662,2	370,6	2.496,1
Net adjustments for impairment of loans and financial assets	132,1	1,7	102,4	-13,5	222,7
Operating expenses	782,7	65,5	312,2	230,8	1.391,2
Net operating income	**447,8**	**33,6**	**247,6**	**153,3**	**882,3**
CAPITAL AGGREGATES					
Performing loans	38.544,5	720,8	52.254,9	5.519,2	97.039,4
Due to customers and securities	43.959,9	4.227,7	26.635,7	24.375,7	99.199,0

GEOGRAPHICAL BREAKDOWN: PROFITABILITY RESULTS (SECONDARY REPORTING AS PROVIDED BY IAS 14)

As a basis for secondary reporting, the MONTEPASCHI Group adopted the breakdown of operating results by geographical area. Geographical areas are grouped with reference to the place of actual distribution of the products (which is indicative of the actual geographical location of the customers). This complies with the internal organization and reporting structure of the MONTEPASCHI Group which operates almost exclusively in the domestic market, with a particular concentration in the areas of central and northern Italy.

B. **SECONDARY REPORTING**

SEGMENT REPORTING - Secondary segment

(in millions of euro)

30/06/08	Italy	Foreign	Total Reclassified Group
INCOME AGGREGATES			
Net Financial income (loss)	2.457,3	59,2	2.516,5
Net adjustments for impairment of loans and financial assets	429,0	1,9	430,9
Operating expenses	1.437,3	44,9	1.482,2
Net operating income	**591,0**	**12,4**	**603,4**
CAPITAL AGGREGATES			
Performing loans	134.643,0	2.174,0	136.817,1
Due to customers and securities	130.734,0	8.266,0	139.000,0

With respect to 30 June 2007:

SEGMENT REPORTING - Secondary segment

(in millions of euro)

30/06/07	Italy	Foreign	Total Reclassified Group
INCOME AGGREGATES			
Net Financial income (loss)	2.440,7	55,4	2.496,1
Net adjustments for impairment of loans and financial assets	224,1	-1,4	222,7
Operating expenses	1.346,9	44,3	1.391,2
Net operating income	**869,8**	**12,5**	**882,3**
CAPITAL AGGREGATES			
Performing loans	94.434,5	2.604,9	97.039,4
Due to customers and securities	90.044,5	9.154,5	99.199,0

PART E INFORMATION ON RISKS AND THE RELEVANT HEDGING POLICIES

Qualitative information

A. CREDIT QUALITY

A.1 Impaired and performing loans: amounts, writedowns, changes, distribution by business activity/region

A.1.6 cash and off-balance sheet exposures to customers: (gross and net values)

30 06 2008
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	7,464,035	4,213,630	152,885	3,097,520
b) watchlist credits	2,612,668	570,266	32,444	2,009,958
c) restructured loans	250,967	22,928	-	228,039
d) past due	1,071,116	17,607	63,001	990,508
e) country risk	276,417	x	6,886	269,531
f) other assets	148,561,417	x	807,734	147,753,683
Total A.1	160,236,620	4,824,431	1,062,950	154,349,239
A.2 other companies				
a)loan losses				-
b) other	2,025,107	x		2,025,107
Total A.2	2,025,107	-	-	2,025,107
Total A	**162,261,727**	**4,824,431**	**1,062,950**	**156,374,346**
B. off-balance sheet exposure				
B.1 banking group				
a)loan losses	160,940	18,655	309.00	141,976
b) other	30,854,280	x	15,028	30,839,252
Total B.1	31,015,220	18,655	15,337	30,981,228
B.2 other companies				
a)loan losses				-
b) other	-	X		-
Total B.2	**-**	**-**	**-**	**-**
Total B	**31,015,220**	**18,655**	**15,337**	**30,981,228**

31 12 2007
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	4,142,866	2,034,263	104,480	2,004,123
b) watchlist credits	1,570,487	316,066	51,677	1,202,744
c) restructured loans	137,775	6,376	870	130,529
d) past due	625,121	4,581	39,513	581,027
e) country risk	221,178	x	1,830	219,348
f) other assets	116,259,653	x	658,515	115,601,138
Total A.1	122,957,080	2,361,286	856,885	119,738,909
A.2 other companies				
a)loan losses				-
b) other	82	x		82
Total A.2	82	-	-	82
Total A	**122,957,162**	**2,361,286**	**856,885**	**119,738,991**
B. off-balance sheet exposure				
B.1 banking group				
a)loan losses	74,267	27,332	48	46,887
b) other	20,378,320	x	13,198	20,365,122
Total B.1	20,452,587	27,332	13,246	20,412,009
B.2 other companies				
a)loan losses				-
b) other		X		-
Total B.2	**-**	**-**	**-**	**-**
Total B	**20,452,587**	**27,332**	**13,246**	**20,412,009**

INTEGRATED RISK AND CAPITAL MANAGEMENT

RISK MEASUREMENT AND CONTROL. COMPLIANCE WITH BASLE 2 STANDARDS

The risk management process at the MPS Group is based on several guidelines which provide for a clear definition of roles and responsibilities at three levels of control (1^{st} Tier, 2^{nd} Tier, 3^{rd} Tier).

The **Board of Directors of the Parent Bank** is responsible for determining the overall degree of risk aversion and therefore the operational limits in relation thereto. The **Board of Statutory Auditors and the Internal Controls Committee** are charged with evaluating the degree of efficiency and adequacy of the internal controls system, with particular reference to the control of risk.

The **Head Office** is responsible for ensuring compliance with the risk management policies and procedures. **The Parent Bank Risk Committee** has the responsibility of evaluating the risk profile of each company of the Group and at a consolidated level, and therefore capital absorption (both capital for regulatory purposes and economic capital) . The **Risk Committee** prepares the risk management policies and checks overall compliance with the limits assigned at different levels of operations.
The **Finance Committee** has been assigned the tasks of planning the MPS Group funding, identifying the initiatives to be adopted for thbest risk-return profile of Asset & Liability Management and defining any capital management actions.

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

The **Risk Management Unit of the Parent Bank** defines integrated methodologies of analysis for the measurement of overall risks incurred in order to accurately and steadily monitor risks and quantify economic capital. The Unit produces daily and periodic reports for monitoring compliance with the operational limits set by the Board of Directors, on the basis of the internal models developed for the measurement of VaR and the sensitivity of the economic value of exposures to the various risk factors being examined.

The monitoring of the Risk Management Unit of the Parent Bank has increasingly involved, with the passing of time, a wider range of materially important risks at the Group level, in compliance with Basle 2 principles as well as the Capital Requirements Directive (CRD), above all with reference to the second pillar.

In the first half of 2008, in compliance with the **New Accord on Capital Adequacy (Basle II)**, the Group pursued its activities oriented to optimizing credit, market and operational risk management.

TYPES OF RISKS INCURRED

When operating in the markets, the MPS Group incurs in different kinds of risks, which can be summarized as follows: credit risks, market risks, risks in relation to the trading book, Banking Book interest rate risks (Asset & Liability Management), liquidity risks, equity investment portfolio risks, counterpart and issuer risks, operational risks, insurance risks, insurance risks in relation to the Group insurance companies, business risks, i.e. the risks of losses resulting from the volatility of

the cost and income structure, reputational risks other than operational risks, i.e. the possible deterioration of the customers' confidence in their bank.
The MPS Group has developed its own internal measurement models which are used to determine the overall internal capital as provided for by Pillar II for many of these risks, such as the risks reported by the First Pillar of the Bank of Italy's guidelines on the above-mentioned capital adequacy, as well as other risks, for example the Bank of Italy's Book interest rate risk and the concentration risk. Finally, as to liquidity risks, a strict measurement and policy framework was approved according to a view shared by the operating structures of the bank.

All these macro-factors of risk which have a direct impact, in particular, on the Group's assets are subject to regular measurement and monitoring by the Risk Management Unit of the Parent Bank.
As far as reputational risks are concerned, and in particular the risks regarding products and portfolios of the Group customers which have an indirect impact on the Group's total assets as a result of potential impacts on the customers' assets, the latest re-organization assigned to the **Wealth Risk Management Unit,** which reports to the Private Banking/Wealth Management Area, the task of measuring and monitoring such macro-factor of risk.

The analysis of the Economic Capital

The MPS Group – on the basis of internal models of risk measurement – adopted common methods of measurement of the economic capital, as the amount of minimum assets necessary to cover economic losses resulting from unexpected events generated by different types of risks.

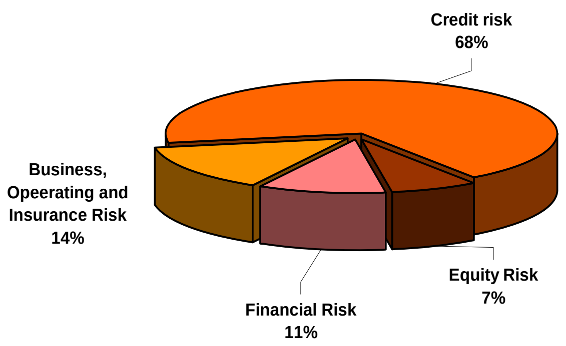
The relevant risks subject to valuation include: a) **credit risk** (*including counterpart and issuer risk*) **market risks on trading book, c) interest rate risk registered on the Banking Book (ALM), d) operational risk, e) Equity risk**, as the risk for losses originated by the Equity Investment portfolio, and f) **business risk**.

VaR measurements - which keep their individual value according to the ruling provisions and the international best practices - are determined with different holding periods and confidence intervals by risk factors, in compliance with the guidelines of the latest Supervisory Provisions for Banks issued by the Bank of Italy. The overall Economic Capital results from the measurement of each risk factor. Such measurements are standardized both in terms of time (yearly holding period) and selected confidence interval and are subject to "intra-risk" and "inter-risk" processes of diversification. The final output shows the overall internal capital at MPS Group level subdivided by different risk categories and showing the incidence of intra-risk diversification respect to the build block approach which does not quantify it. This analysis is periodically submitted to the Parent Bank Risk Committee. The **Planning Area** is responsible for applying the above-mentioned risk measurements to each legal entities and Business Units in order to represent risk-adjusted performances as well as the specific value creation, still from the risk-adjustment point of view, by using measurements consistent with the income and the absorbed economic capital components. The Planning Area also determines the capital allocation in terms of final statements, budgets and periodical monitoring, after consultation with the corporate bodies of each legal entities, by drawing up special reports adjusted to the specific business lines, of the consolidation area banks and submitted for approval to the Finance Committees of the Parent Bank.

All risk measurements enabling the calculation of the overall internal capital are determined on the basis of internal models developed by the MPS Group even if only some of them were already specifically validated by the Supervisory Authorities. Anyway, the outputs resulting both from market risk internal models and from counterpart risks are daily used to monitor risk exposures produced in those segments and to monitor limits and authorizations in compliance with the guidelines approved by the Parent Bank. Given their management importance in the daily operating activity the MPS Group will require the validation of these internal models according to the established internal planning guidelines. As to the credit risk, the majority of inputs of the Credit Portfolio Model, steadily methodologically evolving, results from internal models used for identification purposes, integrated by further information aimed at reporting risk measurement from a management point of view.

As to the operational risk, the model output at Group level is re-allocated on the basis of historical loss criteria, of the estimates supplied by the top management and of the gross income information and is used for management purposes. Moreover, following is integral part of the overall internal capital: a) the results, both in terms of shift sensitivity and economic value, of the internal model of Asset & Liability Management, which, in this half-year, underwent several and important improvements following a better representation and measurement of sight items, of stress-testing analysis, of options implicit in lending and funding; b) business risk which is now measured as risk factor referred to the cost structure rigidity in respects of changes on business structures resulting from both external market components and internal strategic choices and is now undergoing re-development to meet the requirements of the Second Pillar; c) equity risk, which is meant as the risk resulting from the volatility of market valuation referred to the portfolio equity investments which are not deducted from the assets. Advanced developments to prepare special monitoring procedures, limit settings and precise analysis of the items producing it at MPS Group level were carried out on the liquidity risk which is relevant as to quality input regarding adequacy of monitoring procedures and contingency plan and not as to economic capital allocation.

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - June 30th 2008



* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

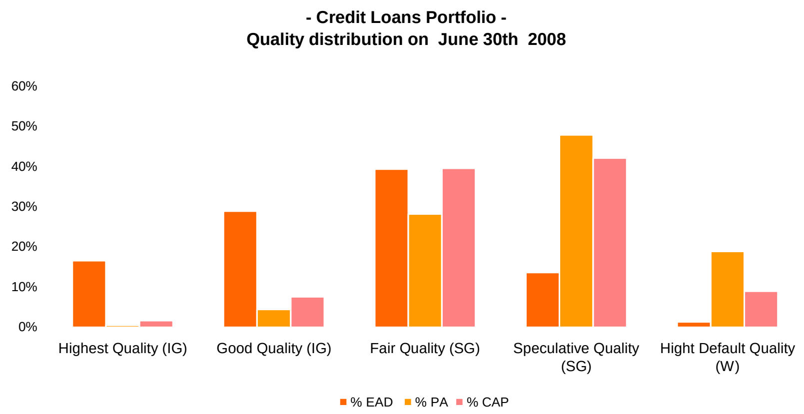
As of 30 June 2008, the economic capital of the MPS Group is attributable to credit risk (68%) (including counterpart and issuer risk), equity investment risk (7%), business and operational risks (14%). The capital for management purposes with respect to financial risks (including the trading portfolio and the ALM-Banking Book) amounts to 10% of the overall economic capital.

CREDIT RISK

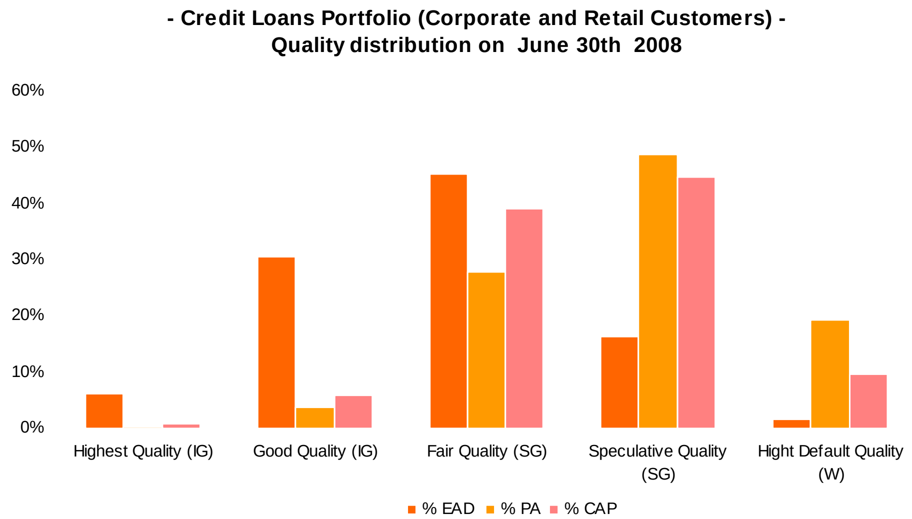
MPS Group credit risk was analyzed through the use of the internally developed Loan Portfolio Model producing as detail output, the usual risk measures: Expected Loss, Unexpected Loss and Economic Capital which is diversified inter-risk in a calendar year and confidence interval based on the official rating of the Group. There are many inputs: default probabilities, LGD rates, number and kind of guarantees supporting the credit account, internal management EAD ratios, correlation matrix. The latter, which is based on internal estimates and for which many improvements are carried out to offer more advanced measurements procedures, enables quantifying the diversification/concentration component for each item between the portfolio items. The economic capital calculation logic is based on Credit-VaR metrics according to the implementation of other banks; whereas the output consists of obtaining detailed measurements for each item by evidencing the credit risk time dynamics according to several aggregration possibilities of the analyzed variables by legal entity, kind of customer, geographical areas, industry, rating category, continental areas as well as of the absorbed management capital while showing the diversification impact in respect of a building-block logics. Further information resulting from the Loan Portfolio Model concern the "what-if" analysis produced on some selective variables such as the default probabilities, LGD rates, the value trends of guarantees and of available margins on credit lines to quantify Expected Loss and Economic Capital losses should the underlying both hypothetical and historical hypotheses occur.

The MPS Group takes into account the advanced ICAAP implementation requirements by April 2009 and particularly the stress-testing impact estimates through cross-stress factors on all risks and therefore is methodologically developing the existing calculation algorithm within a framework of enterprise-risk-management through which VaR dynamics related with all risk factors may be represented according to advanced measurement procedures.
The recent acquisition of Banca Antonveneta and the resulting IT integration also brought about production of the first half-year evidences analyzing risk measurements on the basis of the same metrics used for all other MPS Group legal entities. However, input values and parameters of the Portfolio Model are still fine-tuned to take into account specific risk and business of the newly acquired bank. This activity will be definitely arranged in the next few months.

The graph below shows the quality distribution of the whole loan portfolio of the MPS Group with Antonveneta excluding financial assets items: about 45.6% of the risk exposures refers to high-quality or very good customers. Moreover, the under-mentioned graph also includes the exposures to banks, governments bodies and financial and banking institutions which are not supervised; even if there is no specific program of internal rating implementation for Supervisory Authorities validation purposes, these counterparts have a credit rating on the basis of official rating, if any, otherwise of internally determined values.



The following graph shows the loan quality distribution only concerning the Corporate and Retail portfolios validated by the Supervisory Authority for Basle 2 purposes (internal rating models): the incidence of high-quality and very good exposures as of 30 June 2008 amounts to 36.7% of the total exposures

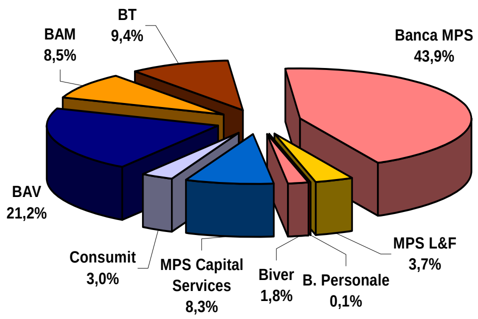


The graphs confirm the marginal contribution – in terms of Risk Exposure, Expected Loss and Economic Capital – of the five commercial banks (Banca MPS, Banca Antonveneta, Banca Toscana, Banca Agricola Mantovana, and Biver Banca) which account for more than 85% of the MPS Group total loans and of MPS L&F and MPS Capital Services which account for the remaining 15%. Obviously, Banca Antonveneta is now the second largest entity inside the Group in terms of loans granted after Banca MPS.

Risk Exposure

(ex. Intra-Group operations)

MPS Group* - June 30th 2008

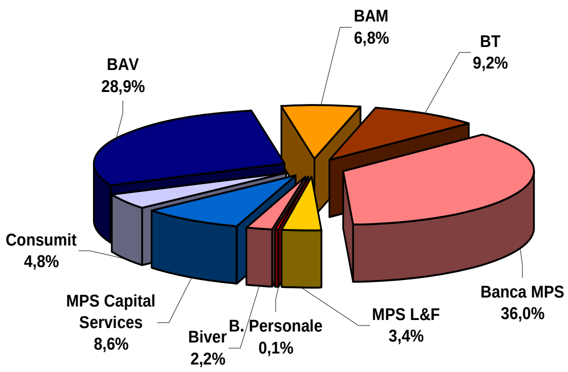


* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

Economic Diversified Capital

(ex. Intra-Group operations)

MPS Group* - June 30th 2008



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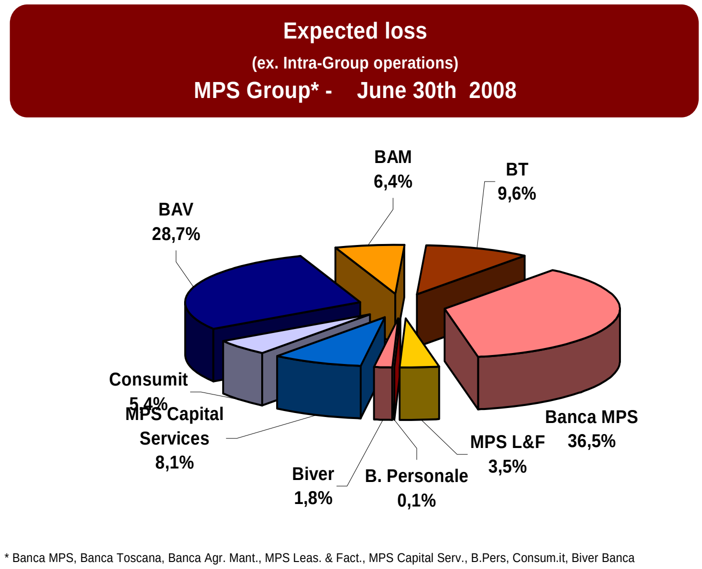
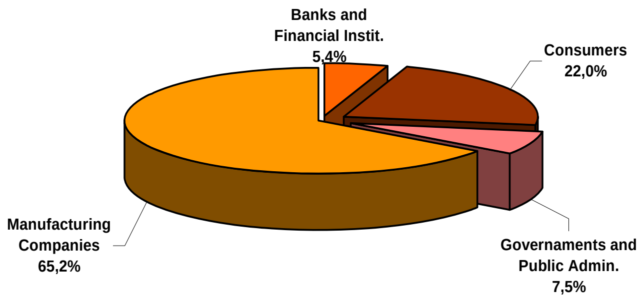


As to risk measures the total amount of economic capital against credit risk is absorbed for 36% by the Parent Bank, for 28.9% by Banca Antonveneta and for the remaining 35.1% by the other entities.

As to the Expected Loss, the highest percentage is assigned to the Parent Bank (36.5%), then to Banca Antonveneta (28.7%), to Banca Toscana, MPS Capital Services and Banca Agricola Mantovana (24.1%), whereas the remaining percentage (10.7%) is assigned to risks of MPS L&F, Consumit, Biver Banca and Banca Personale.

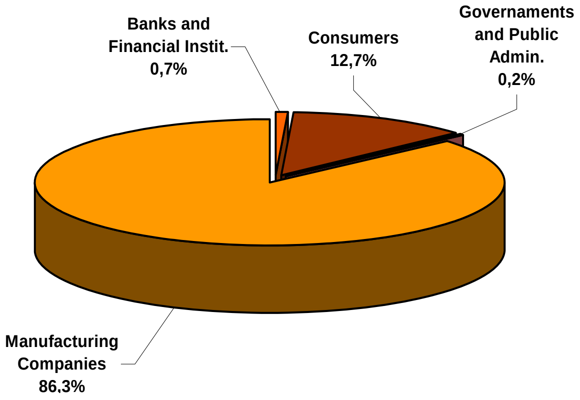
The MPS Group exposure breakdown by customer category shows that Corporate Customers and Retail Customers account for more then 87% of the total exposures. The remaining share refers to "Banks and Financial Institutions" (5.4%) and to "Governments and Local Authorities" (17.5%). As to risk measurements, the graphs shows that Corporate Customers absorb more than 88% of the economic capital and produce more then 86% of the expected loss. Retail Customers account for 8.5% of economic capital and 12.7% of expected loss, whereas Banks and Financial Institutions account for 1.9% of the total capital and the expected loss amount to 0.7% of the Group total amount.

Risk Exposure
(ex. Intra-Group operations)
MPS Group* - June 30th 2008

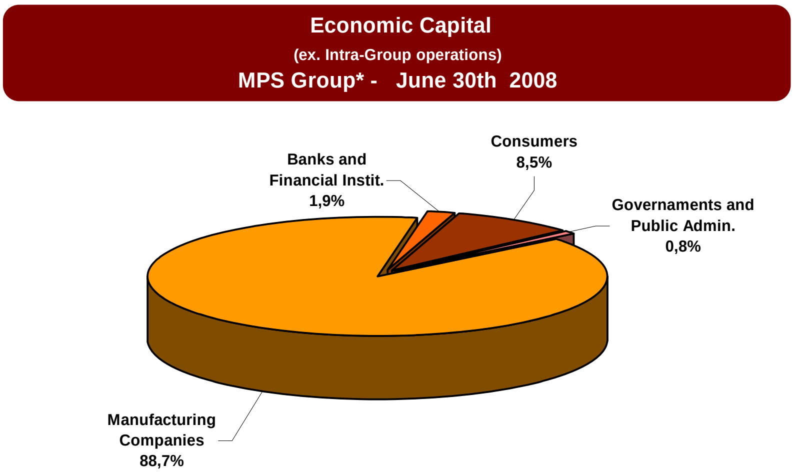


* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

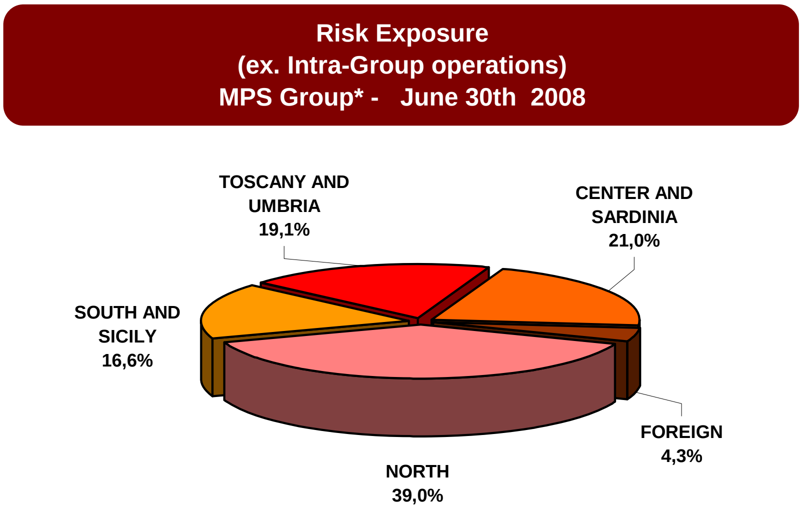
Expected loss
(ex. Intra-Group operations)
MPS Group* - June 30th 2008



* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca



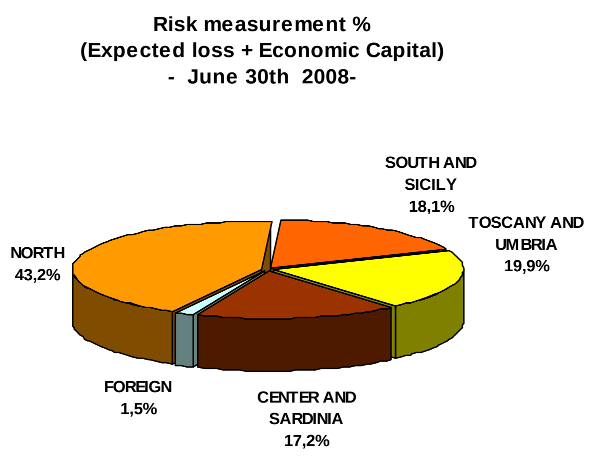
* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca



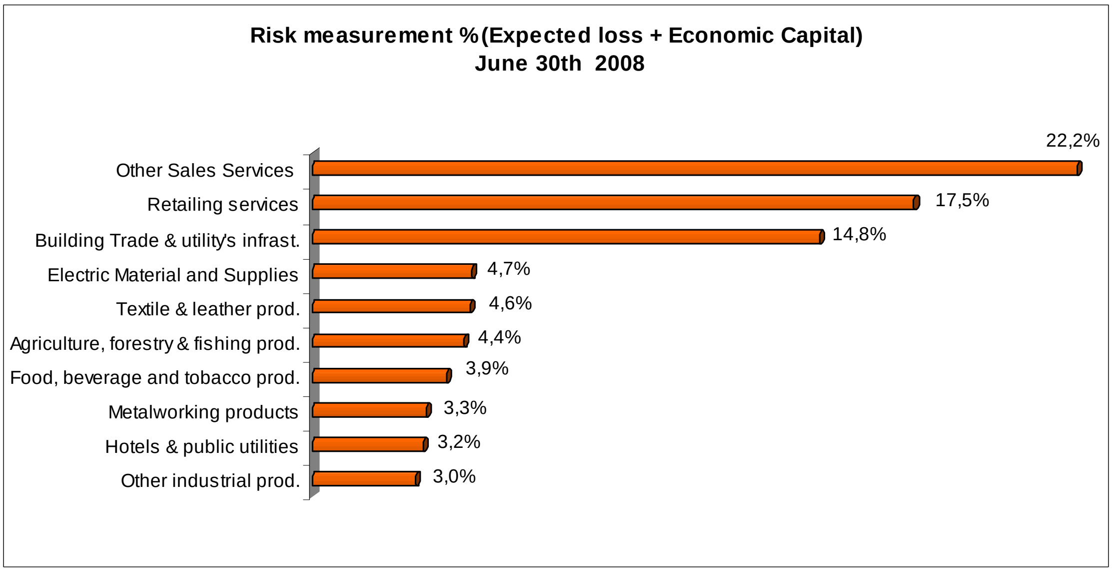
* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

From a geographical point of view the exposures are mainly concentrated with resident customers, even if exposures to non-resident customers cannot be overlooked (little more than 4% and growing with the coming of Banca Antonveneta into the survey area). At domestic level the exposures are rather evenly spread. **After the acquisition of Banca Antonveneta the concentration in Northern and Central Italy and Sardinia increased in respect of the quarterly report 2008. Summarizing, the exposures in Northern Italy amounts to 39% of the total, Tuscany and Umbria to 19.1%, Central Italy and Sardinia to 21% whereas Southern Italy and Sicily to the remaining 16.6%.**

The overall risk measurements (Expected Loss + Economic Capital) refer to the higher loan concentration in Northern Italy (abt 43%); the other Central regions follow (between 17% and 20%). 1.5% is the contribution of foreign customers to risk measurements.



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 (22.2%, 17.5% and 14.8%, respectively) and account for 54% of total risk measurements. They are followed by “Electric Material and Equipment”, “Textiles, Leather Goods and Clothing”, “Agricultural products, forestry and fishing” and “Hotels and Shops”, accounting for 17% of total Expected Loss and Economic Capital



EQUITY INVESTMENTS PORTFOLIO RISKS

Price risk measurement on the Banking Portfolio of MPS Group is carried out on equity investments held for mainly strategic or institutional/instrumental purposes. The items which are included from a management point of view in the Supervisory Trading Portfolio are excluded from this section.

The portfolio under exam incorporates all equity investments held by all MPS Group companies in external companies, or in companies which are not included in consolidation and with a total stake lower than the absolute majority of capital.

The instrument used for the measurement of risk is Value-at-Risk (VaR), which measures the possible loss resulting from negative changes in the fair value of the investments.

More specifically, the VaR model used is a parametric model and represents the loss which the portfolio valued at fair value might be subject to in a holding period of three months on the basis of a confidence interval of 99%. Volatility is estimated on the basis of the time series of market performances for listed companies and time series of business sector indices for non listed companies.

The VaR is subsequently transformed into economic capital at risk, by standardizing the holding period (on a yearly basis) and the selected confidence interval (99.93% in line with the rating level assigned to the MPS Group by the official rating agencies) and applying a correction factor in order to take account of the diversification between various risk factors.

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

THE GROUP MARKET RISKS

INTEREST-RATE RISK CONCERNING THE MPS GROUP BANKING PORTFOLIO

The term "Banking Book" refers, in compliance with international best practices, to all of the bank's commercial operations of the Bank in relation to the transformation of maturities of assets and liabilities, Treasury, foreign branches, and hedging derivative instruments of reference. The definition of the Banking Book framework (in line with the supervisory banking portfolio) and of the centralization process of ALM are included in the resolution of the Board of Directors of the Parent Bank dealing with "Centralization of Asset & Liability Management and operating limits against the interest rate and liquidity risks of the Group Banking Book" approved by the Board of Directors of the Parent Bank in September 2007. The measurements of the risk profile and the monitoring are carried out by the Risk Management of the Parent Bank at centralized level.

The Banking Book management strategies, which are adopted by the Finance and Capital Management Committee and monitored by the Risk Committee of the Parent Bank, are based on the measurement of interest rate risk, in a logic of total return, and are oriented to minimizing the volatility of the expected interest income in the current financial year (12 months) or minimizing the volatility of the total economic value in accordance with the changes in the structure of interest rates.

The analysis of the changes in the economic value of the Banking Book assets and liabilities is calculated by applying – for management purposes - deterministic shifts of 25 bp, 100 bp and 200 bp. The 200 bp scenario is in compliance with the provisions of the second pillar of the Basle 2 Accord, with reference both to consolidated Tier 1 and consolidated capital for regulatory purposes.

During 2007, the MPS Group adopted, for the commercial banks, an evaluation model, of the items at sight or "core deposits": their stability and partial insensitivity to interest rate adjustments were described in the systems with a statistic/ predictive model (replicating portfolio) including past behaviors of customers, through adequate time series. The duration of receivable sight items, inside which there is the replicating portfolio model, is now for the Parent Bank about 1 month and a half and the duration of payable items about 9 months.

Within the framework of the defined model the Treasury and Capital Management Area is responsible for the management of the interest rate risk and group liquidity as a whole.

Within the Treasury and Capital Management Area the Centralized Treasury Unit manages the short-term interest rate risk and the liquidity risk for the Group. The Group Capital Management, ALM and ACPM Unit manages, for the Group, the structural interest rate risk and the risk of maturity transformation (structural liquidity) carrying out hedging and monitoring management activities (with the several accounting models which may be used), as well as monitoring the creation of internal interest rates of the network (BMPS and other companies of the Group) for Euro and other currencies for all interest rate transactions with other than short-term maturities by proposing, to the Finance Committee, the economic conditions for the companies of the Group of accessing the funds. It manages the Group funding needs by proposing new bond issues and centrally managing the administrative compliance concerning the Group bond issues.

The MPS Group, and therefore inside it the Banca MPS manages the interest rate risk for portfolio. Generally, hedging derivatives are agreed upon within the Group with MPS Capital Services Banca per le Imprese, which on its turn manages the overall exposures to the market by volumes. This approach does not allow to maintain the relationship between the derivative agreed upon of each company of the Group and the market one.

This management can be faithfully mirrored through the adoption of the Fair Value Option (introduced by the new international accounting principles – IAS 39) by designating a group of financial assets and liabilities managed at fair value with impact on the profit and loss account. This approach is adopted by the Banca MPS for the financial liabilities which are fair-value hedged for homogeneous portfolios. The Fair Value Option was adopted to decrease the accounting mismatch which would be caused by a different evaluation process of items which are managed.

The management and assessment of items of some portfolios and assets categories ares complicated by the Fair Value Option (in particular, for the hedging of items in the assets). In this case, the Bank adopts formal IAS-compliant hedging relationships.

In particular, main existing IAS-compliant hedging categories are the following:

- * Micro Fair Value Hedge: hedging of commercial assets (financing/mortgage loans classified as Loans and Receivables) of Banca MPS and its foreign branches and of the Banca MPS security portfolio and its foreign branches (respectively classified to Loans & Receivables and to Available-for-Sale);

- Macro Fair Value: hedging of commercial assets (financing/mortgage loans classified as Loans&Receivables);

- Macro Cash Flow Hedge: hedging of a limited part of the variable-rate funding.

Banking portfolio: internal models and other methods of sensitivity analysis

MPS Group	30/06/08	
Risk indicators for shift of 100 basis point	**+100 bp**	**-100 bp**
Net interest income at risk / Net interest income	3,84%	5,36%
Economic Value at risk / Tier 1 capital	4,23%	5,59%
Economic value at risk / Capital computed for regulatory purposes	3,13%	4,14%

As of 30 June 2008, the MPS Group sensitivity showed a exposure risk profile due to a rate increase. The amount of the risk economic value is in any way perfectly consistent both with the Tier 1 capital and the Capital for regulatory purposes and well under the danger threshold fixed at 20% for a rate shock amounting to 200bp by the New Basle 2 Accord on Capital.

LIQUIDITY RISKS

In the light of recent turmoils in financial markets, the attention was even more focused on corporate liquidity. In this respect the Bank of Italy issued the "New provisions of prudential supervision for banks" providing for guidelines to manage liquidity and net financial position. The management of liquidity risk is also included among the risks of the Second Pillar of Basle 2.

Therefore, in the first half of 2008 the Board of Directors of the Parent Bank, and, as a result, the Boards of the main subsidiaries, approved the Liquidity Policy and the Liquidity Contingency Plan defining management processes, responsibilities and discretionary limits as to liquidity distinguishing between usual business course and stress or crisis situations.

The organizational and management framework provides for:

- a liquidity policy defining the area and the Group liquidity governance model which is centralized in the Treasury and Capital Management Area as well as the short and medium-long term organizational model, the creation of the net financial position – by evidencing balances and mismatching of inflows and outflows expected for each time range, "maturity ladder" – and the limits for the short and medium-long term. In the liquidity policy, the stress test policy is also defined and is aimed at simulating the effects of stress conditions and at arranging adequate corrective measures, if any;

- a contingency plan dealing with liquidity management in unusual conditions while defining risk indicators and organizational processes necessary to meet crisis situations.

The monitoring of the overall structural liquidity profile is carried out on the basis of the mismatching quantification by expiring cash flows settlement. The optional items show representative models consistent with those used for the interest rate risk.

Particular attention is given to the planning of funding policies at Group level (Funding Plan) which is coordinated and guided by the Treasury and Capital Management Area - co-operating with the Planning Area- , which

- Submits, for approval, to the Finance and Liquidity Committee the plan of measures on financial markets aimed at achieving the goals set by the Business Plan and at meeting capital management requirements;

- co-ordinates access to short- and long-term, international and domestic capital markets, for all banks of the Group as well as the access to refinancing with the European Central Bank and the centralized management of compulsory reserves;

- develops projections on future liquidity by simulating different market scenarios.

In the first half of 2008 the Treasury management guaranteed adequate liquidity levels to the Bank also in view of the acquisition of Banca Antonveneta.

Particular attention was focused on estimated liquidity flows to optimize financial flows management. The average life of funding increased to the prejudice of shorter segments but with resulting benefits in the overall management. To increase the efficiency of the Group liquidity management, some assets were implemented aimed at increasing the availability of "counterbalancing capacity" (i.e. reserve assets for allocation) . After the previous securitization "Siena 07-05" amounting to EUR 4.7 bn, in April 2008 a second issue was carried out which increased the counterbalancing capacity of further EUR 3 bn.

MARKET RISKS ON THE TRADING PORTFOLIO

The MPS Group Trading Portfolio – Trading Book – is made up of all Supervision Trading Portfolios managed by the Parent Bank (BMPS), by MPS Capital Services (MPSCS) and for the remaining part by Biverbanca and by Montepaschi Ireland, the Irish subsidiary. The recent joining the Group of Banca Antonveneta had no significant impact on this sector since the adopted management approach centralized all market risks with BMPS and MPSCS. The portfolios of the other subsidiaries with a commercial mission are substantially closed to market risk excluding any remaining bonds issued by the same, temporarily held in support of the operations with retail customers. Also for the operating activity in derivatives, traded in favor of the same customers, risks are centralized and monitored by MPSCS.

Market risks are monitored for management purposes in terms of Value-at-Risk (VaR), both in relation to the Parent Bank and the other Group companies which are relevant as independent risk-taking centers. Each bank operates with its own trading portfolio while meanwhile managing accounts on interest rate, on shares, on exchange rates and on loans, in an integrated way, within the operational limits fixed by the Board of Directors. In particular, with reference to the Trading Portfolio of the Parent Bank the aggregate monitored with VaR-integrated methods is wider than the aggregate for supervisory purposes since it also includes some accounts of the Banking Portfolios which, from the management point of view, are subject to the operating responsibility of Business Areas involved in trading. They are managerial accounts directly undertaken on the basis of provisions of the Board of Directors or accounts which may be linked, from a management point of view, to the Finance Area of the Parent Bank and not qualified to be included in the Supervision Trading Portfolio (such as AFS shares and bonds).

The MPS Group Trading Portfolio is subject to daily monitoring and reporting by the Risk Management Unit of the Parent Bank on the basis of proprietary systems. The VaR for management purposes is calculated independently of the operating units, using the internal model of market risk measurement implemented by the Risk Management Unit, in line with the international best practices.

Operational limits to trading activities, which are set by the Board of Directors, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios and monthly and yearly Stop Loss. In particular, the credit risk of the trading book is included in VaR measurements and in the respective limits for the credit spread risk part and is also subject to specific operating issuing and bond concentration risk limits providing for notional ceilings by kinds of counterparts and rating categories.

VaR is calculated with a 99% confidence interval and a holding period of 1 business day. The Group adopts the method of historical simulation with daily full revaluation of all basic positions, out of 500 historical entries (about 2 business years) with daily scrolling. The VaR calculated in this manner takes account of all diversification effects of risk factors, portfolios and kind of instruments traded. It is not necessary to assume, a priori, any functional form in the distribution of the assets returns, and the correlations of different financial instruments are implicitly captured by the VaR model on the basis of the time trend of risk factors. The management reporting flow on market risks is periodically transmitted to the Risk Committee and to the Board of Directors of the Parent Bank with the Risk Management Report, which informs the Top Management about the overall risk profile of the MPS Group.

The macro-categories of risk factors within the Market Risk Internal Model are IR, EQ, FX, CS as follows:

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

The VaR (or diversified VaR, or Net VaR, i.e.net of all diversification effects) is anyway daily calculated as single and integrated measurement through at least three main analysis scales:

- organizational/portfolio management
- by Financial Instruments
- by Risk Family

VaR may also be calculated by any combination of these scales to facilitate very detailed analysis of events involving portfolios.

In particular, risk factors may be identified as follows: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Forex VaR (FX VaR) and the Credit Spread VaR (CS VaR). The algebraic sum of these components determines the so-called Gross VaR (o undiversified VaR) which if compared with diversified VaR allows to quantify the diversification benefit among risk factors resulting from holding portfolios allocated to asset class and risk factors which do not perfectly match. Also this information can be analyzed using the above-mentioned scales.

The new model adopted starting from the beginning of 2008 therefore produced diversified VaR metrics substantially for the whole MONTEPASCHI Group so that all diversification effects can be evaluated which may result among several banks because of the specific positioning of the different business units.

Finally backdrop analysis on various risk factors are regularly carried out with diversified levels of granularity.

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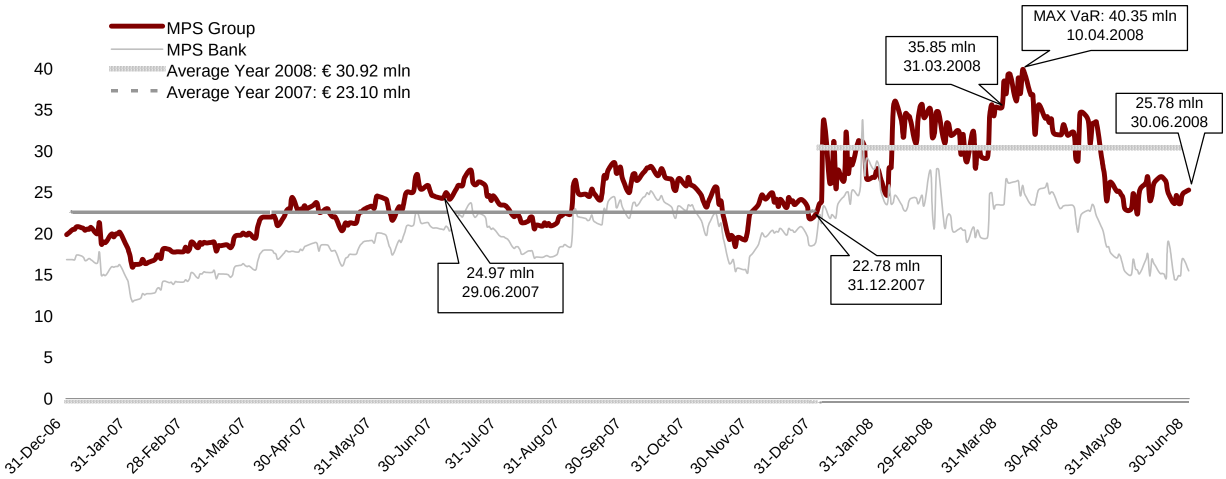
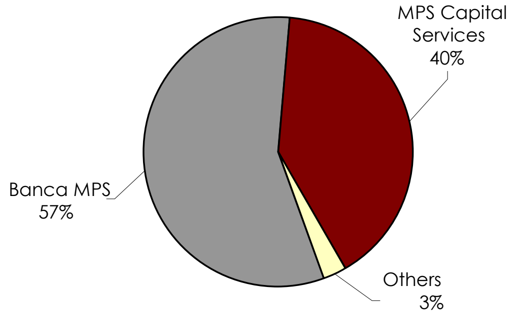
In the first six months of 2008, trends of the MPS Group risks followed own financial market trends and their increased volatility and were also affected by the change in model due to the introduction of the new Risk Management System, which affected both the average level and the variability of VaR metrics as already underlined also in the March quarterly report.

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



MPS Group: Trading Book VaR

VaR Breakdown per Bank as of 30.06.2008



After 31 March 2008, VaR kept on increasing to reach the year's maximum amount on April 10 (EUR 40.35mln) and then gradually decreased after the containment of exposures in the second part of the half-year period, above all in share section. As of the end of June, Group risks amounted to EUR 25,78 mln back in line with those as of December and June 2007.

The Group VaR is strongly affected by risk dynamics concerning Banca MPS accounts even if the MPS Capital Service incidence kept growing in the course of 2008. As of 30 June 2008 the Parent Bank incidence is still 57% of the overall risk, MPS Capital Service 40%, whereas the remaining 3% is absorbed by other banks.

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

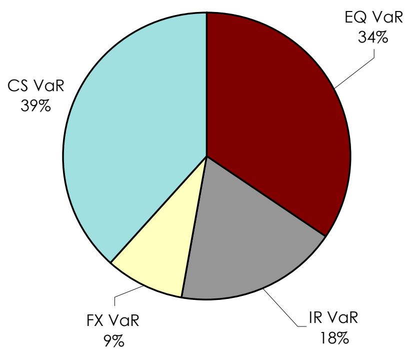
	VaR	Date
End of period	25.78	30/06/2008
Min	22.90	05/06/2008
Max	40.35	10/04/2008
Average	30.92	

During the first half of 2008, market risks measured as VaR fluctuated within the following value range: a low of EUR 22,90mln and a high of EUR 40,35mln registered on 10 April 2008. The average of the first six months of 2008 amounted to EUR 30,92mln. At the end of June it was EUR 25,78 mln.

In terms of risk factors, as of 30 June 2008, main risk sources in the Trading Portfolio are the VaR CS and the VaR EQ representing together more than 70% of the overall risk. The persisting international financial crisis, which started past summer and continued in the first half year of 2008, was one of the main cause of the growing incidence of these two risk factors.

MPS Group: Trading Book VaR

VaR Breakdown per Risk Factor as of 30.06.2008



Hereunder impacts in terms of fair-value adjustments of the MPS Group Trading Portfolio follow net of the AFS securities components by the different kind of adjustments of the underlying risk factors.

MPS Group: Trading Book
EUR/mln

Risk Family	Scenario	Fair Value Impact
Interest Rate	+100bp all Interest Rate Curves	-26.54
Interest Rate	+1% all Interest Rate Volatilities	-0.42

■ **MPS Group: Trading Book**

Risk Family	Scenario	Fair Value Impact
Equity	+1% all Equity Prices (stocks, indices, basket)	0.91
Equity	+1% all Equity Volatilities	-3.82

■ **MPS Group: Trading Book**

EUR/mln

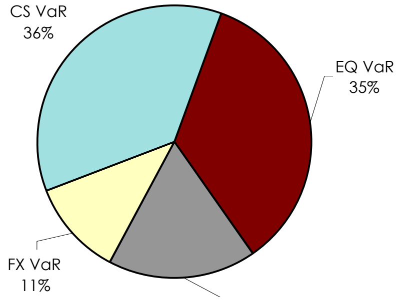
Risk Family	Scenario	Fair Value Impact
Forex	+1% all FX Rates	-0.11
Forex	+1% all FX Volatilities	-3.73

With reference to the Parent Bank the diversified VaR by risk factors and portfolios grew rapidly until the end of March 2008 and then dropped again to values much lower than the average in May and in June.

In terms of VaR composition by risk factors as at 30 June 2008, 36% of Banca MPS Portfolio is allocated to Credit Spread risk factors (CS VaR), 35% to equity risk factor (EQ VaR), 18% is absorbed by interest rate risk and for the remaining 11% by forex risk (FX VaR)

MPS Bank: Trading Book

VaR Breakdown per Risk Factor as of 30.06.2008



■ **MPS Bank: Trading Book**

VaR 99% 1 day in €/mln

	VaR	Date
End of period	16.00	30/06/2008
Min	14.88	24/06/2008
Max	34.31	23/01/2008
Average	22.50	

The average VaR of the first half of 2008 of Banca MPS came to EUR 22,50 mln with a maximum amount of EUR 34,31 mln and a minimum amount of EUR 14,88. End-of-period (as of 30 June 2008) total amounted to EUR 16,00 mln .

OPERATIONAL RISKS

The MPS Group has implemented an integrated system of operational risk management based on a governance model which involves all MPS Group companies identified in the area of application of AMA model. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

The AMA model, which has been in parallel running for two years, has ensured a better management of operational risks and a gradual reduction in the Group operational risks.

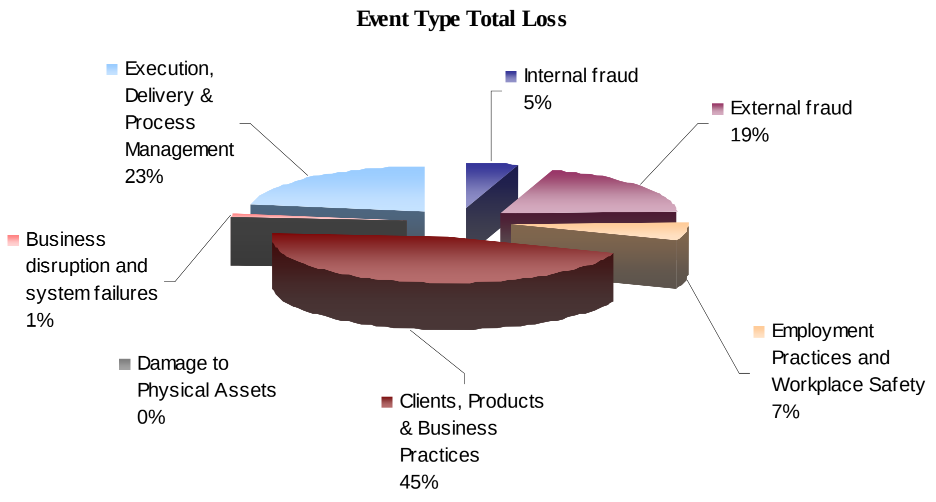
In 2008 Banca Antonveneta and Cassa di Risparmio di Biella e Vercelli joined the MPS Group; this gave the opportunity to extend the application of the AMA model to both companies according to a roll-out plan which is now being defined and will be disclosed to the Bank of Italy in a few months.

In quantitative terms, the analysis of the events with survey date referred to the first half year of 2008 and with loss amount higher than EUR 50 shows a remarkable economic impact which may be referred to violation of professional obligations towards the customers. 70% of this risk category is made up of lawsuits and claims concerning:

1 – Sale of For You and May Way Financial Plans, Argentina, Cirio and Parmalat Bonds and structured products.

2 – Capitalization of interest

As a result most risk events date back to before 2002 but are still subject to accounting consequences in 2008.



Pending suits

Lawsuits started against the Company may be divided into subcategories each characterized by a common denominator such as supposedly critical products, transactions, services or relationships in which the Group companies were involved as issuers or dealers.

Main subcategories may be referred to the allegations concerning:

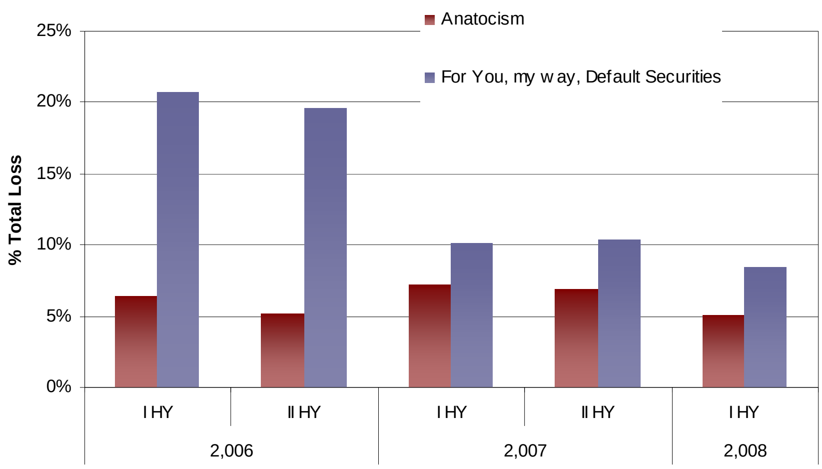
1 – Capitalization of interest
2 – Placing of bonds issued by countries or companies in default (Argentina, Cerruti, Parmalat, Cirio bonds)
3 – Placing of financial plans
4 – Placing of structured products

As to securities in default, the judgement of November 2007 of the Supreme Court at United Sections set out the following principle: the infringement of the obligation to inform the customer and to correctly perform banking transactions, for which entities authorized to submit financial investment service to the public attention are responsible according to the law, may produce contractual or pre-contractual responsibilities, but in no case, failing legal provision, such infringement may imply the invalidity of the intermediation contract or of single contract deeds. On the basis of this judgement the Group evidenced the most critical lawsuits and undertook to negotiate settlements.

For the above-mentioned lawsuits and for those concerning financial plans and structured products the number of settlements is steadily increasing.

A decrease in the lawsuit repercussions is also expected in view of the progressive approaching of prescription terms.

The above-mentioned events representing almost all risk category “Customers, Products and Operating Procedure” (70% as to amount) are progressively decreasing as reported in the graph below showing the trend of losses as a percentage on the whole amount of the last three years.



PART F INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

Section 1

CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

Net equity management deals with policies and resolutions necessary to define net equity size as well as the best mix of capital adequacy options in order to guarantee that the Group's net equity and ratios are consistent with risk profile and comply with regulatory requirements. From this point of view, consolidated net equity management has become increasingly important and strategic. Net equity quality and size of each bank of the Group are therefore defined in the framework of more general Group targets.

The Banks must comply with capital adequacy requirements provided for by the Basle Committee according to the regulations issued by the Bank of Italy, according to which for each bank the net equity/weighted risk assets ratio must at least amount to 8%; the individual compliance with regulatory requirements is half-yearly verified by the Bank of Italy.
The review of the compliance with regulatory requirements and of the resulting capital adequacy is dynamic, changing according to the targets of the Group Business Plan.

The first review takes place on assigning budget targets: in view of expected loan growth trends, of other assets and of economic aggregates, risks, such as credit, market and operating risks, are quantified and, as a result, ratio compatibilities for each bank and the Group as a whole are reviewed. Capital adequacy compliance is obtained through several means, such as pay out policies, definition of strategic finance transactions (capital increase, convertible loans, subordinated bonds, etc.), and loans management in view of counterpart risk level.

During the year, the compliance with regulatory ratios is monitored by governing and checking, if necessary, capital aggregates through also measures aimed at more adequately re-allocating capital resources within the Group. If extraordinary transactions, such as acquisitions, sales, etc., are carried out, capital adequacy is previously reviewed and analysed. In this case, the effect on ratios is estimated and any steps necessary to comply with regulatory rules, issued by Supervisory Authorities, are planned. Such measures were taken during the year on the occasion of the acquisition of Biverbanca S.p.A. and of the Banca Antonveneta Group S.p.A.

B. Quantitative information

Section 15 – Liabilities of the Note to the Financial Statements should be referred to as far as the Bank's net equity composition.

Section 2

Capital and ratios for regulatory purposes

2.1 Banking capital for regulatory purposes

A. Qualitative information

The capital for regulatory purposes and net equity ratios are computed on the basis of financial statements values calculated applying the IAS/IFRS international accounting standards and taking into account regulatory instructions issued by the Bank of Italy with the latest update (No.12) of Circular Letter no. 155/91 "instructions on how to draw up reports on capital for regulatory purposes and prudential ratios". The capital for regulatory purposes is calculated by adding positive and negative components according to the quality of their capital. Positive components must be fully available to the bank so that they can be used in capital absorption calculations.
The capital for regulatory purposes is made up of Tier I Capital and Tier II Capital net of certain deductions; in particular

- Tier I capital includes the paid in capital, issue-premiums, profit and capital reserves, innovative capital instruments and the profit of the financial period net of own portfolio shares, of intangible assets including goodwill as well as of losses, if any, registered in the previous financial statements and in the current one;

- the Tier II capital includes valuation reserves, hybrid capitalisation instruments, subordinate liabilities, net of the provisions for doubtful receivables on loans due to country risk and other negative elements.

The latest instructions of the above-mentioned Circular Letter are aimed at achieving compliance of determination criteria of capital for regulatory purposes and of ratios with the international accounting standards.
In particular, they provide for the so-called prudential filters mentioned by the Basel Committee to regulate the criteria, domestic supervisory authorities must comply with to standardize statutory rules with the new financial statements principles.

Prudential filters aim at safeguarding the quality of the capital for regulatory purposes and reducing any potential volatility resulting from the application of the new principles; they are amendments of accounting data before their use for regulatory purposes. In particular, with reference to the most relevant aspects for Banca Monte dei Paschi di Siena, new rules provide that:

- as to financial assets held for trading, both unrealized capital gains and capital losses recorded in the profit and loss account are fully relevant;

- for financial assets available for sale, the unrealised capital gains and capital losses are posted after offsetting in a specific shareholders equity reserve; the balance of this reserve, if negative, reduces the Tier I capital; if positive, 50% of it contributes to the Tier II capital;

- as to hedging transactions, unrealized capital gains and capital losses on cash flow hedging, recorded in the special net equity reserve are frozen while no prudential filter is applied to fair value hedging;

- as to fair value option liabilities of natural hedge both unrealized capital gains and capital losses recorded in the profit and loss account are fully relevant except for the component due to changes in its creditworthiness;

- the stake in the capital of the Bank of Italy is not considered for purposes of quantifying capital and therefore the respective capital gain deriving from the valuation at fair value is not computed under the reserves of instruments available for sale.

The aforesaid update of Circular 155 introduced, among other things, certain innovations in the handling of elements to be deducted, which we are indicating below.
Equity investments and other items (innovative capital instruments, hybrid capital instruments and subordinated assets) issued by banks and non fully or proportionally consolidated financial institutions are deducted 50% from Tier I capital and 50% from Tier II capital. The regulations previously in force provided instead for the deduction of this aggregate from the sum of Tier I capital and from Tier II capital.

Equity investments in insurance companies and the subordinated liabilities issued by such companies are deducted 50% from the Tier I capital and 50% from the Tier II capital, when they have been acquired subsequent to 20/07/2006; when they have been acquired prior to that date, on the other hand, they continue to be deducted from the sum of the Tier I and Tier II capital until 31/12/2012.

As of the first quarter of 2008, the first Bank's reporting was carried out according to the Basle 2 requirements applying the standardized methodology. Later on, a notice received in June 2008 authorized our Group to use internal models to determine capital requirements both of the Bank and of the Group against credit and operating risks. The first consolidated report on the basis of advanced internal models shall be carried out towards the end of October 2008 with reference to the data as of 30 June 2008.

The application of internal models is allowed while complying with some qualitative and quantitative limits as provided for by the Supervisory regulations. In particular, limits were established according to which capital saving, if any, obtained on the basis of internal models is subject to ceilings to be parameterized with reference to the requirements calculated on the basis of the previous regulations (Basle 1). Such limits may be cancelled in future financial years taking into account the further progressive enhancement and consolidation of adopted internal models.

According to the regulatory instructions, the Bank's net equity must amount to at least 8% of the total weighted assets (total capital ratio), in relation to the credit risk profile, assessed according to the category of debtors, to the period of validity, to the country risk and to the guarantees obtained.

The Group is also required to observe the capital requirements for intermediation activity: these market risks are computed on the whole regulatory trading portfolio by each separate type of risk, position risk on debt and capital securities, settlement risk, counterparty risks and concentration risk. With reference to the whole financial statements, it is also necessary to calculate forex risk and the position risk on goods.

In the following tables, main contract features of innovative instruments are reported which are included in the computation of Tier I capital with capital and reserves as well as the features of the hybrid instruments of capital adequacy and subordinated liabilities which are included in Tier II capital. Tier III subordinated loans are not included in the computation of Tier II capital but are deducted from capital requirements on market risks.

1. Tier I capital

The main characteristics of the instruments included in the computation of Tier I capital are hereunder reported and in particular of innovative capital instruments issued by the MPS Group.

Characteristics of the subordinated instruments	issuer interest rate	step up	issue date	maturity date	early redemption as of	curr.	original amount in currency unit	contribution to regulatory capital EUR 000
F.R.E.S.H. (Floating Rate Exchangeable Subordinated Hybrid) - subordinated deposit	Euribor 3m + 0,88%	no	31 12 2003	N.A.	(*)	EUR	700,000,000	671
Preferred Capital LLC I	7,59%	yes	07 02 2001	07 02 2031	(*)	EUR	350,000,000	350
Preferred securities 1° tranche	Euribor 3m + 3,75%	yes	21 12 2000	22 12 2010	(*)	EUR	80,000,000	80
Preferred securities 2° tranche	Euribor 3m + 3,10%	yes	27 06 2001	28 06 2011	(*)	EUR	220,000,000	220
Total preference shares and capital instruments (Tier I)								**1,321**

The F.R.E.S.H instruments, with a nominal value of EUR 700 million, are perpetual and neither repayment clauses nor step-up clauses are provided for, however they are convertible into shares. In September of each year from 2004 to 2011 (and at any time from 30 September 2011 onwards) the instruments are convertible on initiative of the investor. There is also an automatic conversion clause if after the seventh year from the issuing the reference price of ordinary shares exceeds a predefined value.
The return is not cumulative with the option of not paying the return itself if in the previous financial year the Bank did not have any distributable profit and/or did not pay any dividend to the shareholders. The unpaid return is considered definitely lost.

The rights of the holders of the instruments are guaranteed on a subordinated basis. In case of liquidation of the Bank the rights of the investors will remain subordinated against the rights of all BMPS creditors not equally subordinated, including the holders of securities of Tier II capital; however they will have priority against the rights of BMPS shareholders. Due to these
features the instruments can be computed in Tier I core. The structure provided for the establishment of a limited liability company and of a business trust which issued convertible preferred securities and convertible trust securities, respectively.
The Bank underwrote an on-lending contract as a contract of subordinated deposit. The conditions of the on-lending contract are substantially the same as the conditions of convertible preferred securities.

The preference shares, (CPS), equal to a par value of EUR 350 million, have a thirty-year term, except for the possibility of extending them on the basis of a subsequent agreement, and may not be redeemed at the subscribers' request but only at the initiative of the issuer Banca Monte dei Paschi di Siena S.p.a., 10 years after the date of issue upon authorisation from the Bank of Italy, to which ten-year EUR 300 million referred to newly acquired the Antonveneta Group are to be added.
The interest is paid yearly on the basis of a fixed rate equal to 7.59% until 2010; a step-up clause was included in the issue with effect 10 years after the issue.

2. Tier II capital

Main characteristics of the instruments included in the computation of Tier II capital are hereunder reported and in particular of hybrid capital instruments and subordinated liabilities.

Characteristics of the subordinated instruments	issuer interest rate	step up	issue date	maturity date	early redemption as of	curr.	original amount in currency unit	contribution to regulatory capital EUR 000
subordinated bond	4,875% fixed	NO	31 05 2006	31 05 2016	(*)	EUR	750,000,000	743,087
subordinated bond	5,750% fixed	NO	31 05 2006	30 09 2016	(*)	GBP	200,000,000	295,072
subordinated bond	Euribor 6m+ 250 b.p.	NO	15 05 2008	15 05 2018	(*)	EUR	2,160,558,000	2,150,888
subordinated bond	1% fixed	NO	01 07 1999	01 07 2009	(*)	EUR	44,206,000	44,206
Total hybrid instruments (Upper Tier II)								**3,233,253**
subordinated bond	5% fisso	NO	12 03 1999	12 03 2009	(*)	EUR	417,915,000	66,803
subordinated bond	CMS Convexity Notes	NO	07 07 2000	07 07 2015	(*)	EUR	30,000,000	30,000
subordinated bond	CMS Volatility Notes	NO	20 07 2000	20 07 2015	(*)	EUR	25,000,000	25,000
subordinated bond	4,50% fisso fino al 24/09/2010, poi Euribor 3m+1,20%	YES	24 09 2003	24 09 2015	24 09 2010	EUR	600,000,000	594,489
subordinated bond	Euribor 3m + 0,45% fino al 01/06/2014, poi Euribor 3m+1,05%	YES	01 06 2004	01 06 2014	01 06 2009	EUR	250,000,000	249,426
subordinated bond	Euribor 3m + 0,40 % fino al 30/06/2010, poi Euribor 3m+1%	YES	30 06 2005	30 06 2015	30 06 2010	EUR	350,000,000	348,131
subordinated bond	Euribor 3m+0,40 % fino al 30/11/2012, poi Euribor 3m+1%	YES	30 11 2005	30 11 2017	30 11 2012	EUR	500,000,000	497,618
subordinated bond	Euribor 3m+0,40% fino al 15/01/13, poi Euribor 3m+1%	YES	20 12 2005	15 01 2018	15 01 2013	EUR	150,000,000	149,198
subordinated bond	7,44% fisso	NO	30 06 2008	30 12 2016	(*)	EUR	250,000,000	247,500
subordinated bond	Euribor a 6m + 0,75	NO	30 12 2002	30 12 2009	(*)	EUR	60,000,000	19,362
subordinated bond	3% sub	NO	19 11 2003	19 11 2008	(*)	EUR	4,926,600	980
subordinated bond	Euribor a 6m	NO	19 11 2003	19 11 2008	(*)	EUR	4,905,000	486
subordinated bond	3%	NO	15 01 2004	15 01 2009	(*)	EUR	4,926,600	987
subordinated bond	2,75%	NO	15 04 2004	15 04 2009	(*)	EUR	4,926,600	974
subordinated bond	2,75%	NO	24 05 2004	24 05 2009	(*)	EUR	7,389,900	1,453
subordinated bond	2,80%	NO	01 09 2004	01 09 2009	(*)	EUR	4,926,600	1,954
subordinated bond	2%	YES	01 07 2005	01 07 2010	(*)	EUR	7,389,900	4,644
subordinated bond	2%	YES	19 10 2007	19 10 2012	(*)	EUR	2,463,300	2,456
subordinated bond	4,40%	NO	21 12 2007	21 12 2012	(*)	EUR	2,463,300	2,466
subordinated bond HT	Euribor 6m+0,75	NO	30 09 2003	30 09 2013	30 09 2008	EUR	73,000,000	5,916
subordinated bond HU	Euribor 6m+0,40	NO	30 09 2003	30 09 2013	22 12 2008	EUR	7,091,000	1,084
subordinated bond	3,80%	NO	02 02 2008	01 02 2013	(*)	EUR	4,993,725	4,994
subordinated bond	4,30%	NO	25 05 2008	27 05 2013	(*)	EUR	4,287,620	4,305
subordinated bond	4,60%	NO	25 06 2008	25 06 2013	(*)	EUR	887,281	888
subordinated bond	Euribor 3m+0,90%	NO	01 11 2002	01 11 2012	(*)	EUR	75,000,000	75,000
subordinated bond	Euribor 3m+0,28%	YES	10 10 2006	10 10 2016	(*)	EUR	400,000,000	400,000
subordinated bond	5,80%	NO	28 06 2002	28 06 2009	(*)	EUR	7,785,900	7,775
subordinated bond	5,69%	NO	30 12 2004	30 12 2009	(*)	EUR	3,892,950	1,557
subordinated bond	5,59%	NO	07 12 2005	07 12 2015	(*)	EUR	7,785,900	6,383
Total subordinated bonds computable (Lower Tier II)								**2,751,829**
Total								**5,985,082**

Tier III capital

The main characteristics of the instruments included in the computation of Tier III capital, also covering the market risks assumed by the MPS Group, are reported in the table below.

Characteristics of the subordinated instruments	issuer interest rate	step up	issue date	maturity date	early redemption as of	curr.	original amount in currency unit	contribution to regulatory capital EUR 000
subordinated bond	Euribor 3m + 0,25%	NO	24 10 2006	24 04 2009	(*)	EUR	500,000,000	x
Total							**500,000,000**	

Tier III capital may only be used to cover 71.4% of the required capital against the market risk of the trading book, net of counterparty risk and settlement risk.

B. Quantitative information

	30 06 2008	31 12 2007 (euro '000)
A. Tier I before solvency filters	**7,180,640**	**7,193,267**
B. solvency filters of Tier I		
B1- positive IAS/IFRS solvency filters		1,290
B2- negative IAS/IFRS solvency filters	(383,934)	(103,556)
C. TIER I capital before elements to be deducted (A+B)	6,796,706	7,091,001
D. Elements to be deducted from total TIER I	(483,811)	(175,300)
E. Total TIER1 capital (C - D)	**6,312,895**	**6,915,701**
F. TIER II before prudential filters	**6,201,732**	**3,386,620**
G. TIER II prudential filters		
G1. - positive IAS/IFRS solvency filters		
G2. - negative IAS/IFRS solvency filters	-	(11,048)
H. TIER II capital before elements to be deducted (F+G)	**6,201,732**	**3,375,572**
J. Elements to be deducted from total TIER I and TIER II	(483,811)	(175,300)
L. Total TIER2 capital (H - J)	**5,717,921**	**3,200,272**
M. Elements to be deducted from total TIER I and TIER II	(412,627)	(538,285)
N. Capital for regulatory purposes (E+L - M)	**11,618,189**	**9,577,688**
O. TIER III capital	392,381	486,386
P. Regulatory capital including TIER III (N+O)	12,010,570	10,064,074

The MPS Group regulatory capital has been calculated taking into account the effects deriving from the application of the IAS/IFRS international accounting standards, on the basis of the formats provided for by the 12th update to the Bank of Italy Circular no. 155, “Instructions for preparing reports on Tier I capital and the prudential coefficients thereof”. The amount of capital for regulatory purposes stood at EUR 11,618.2 million. The amount indicated in line O is the Tier III capital usable for covering 71.4% of the required capital for the market risk of the trading book, net of counterparty risk and regulatory risk.

The Capital for regulatory purposes as of 30 June 2008 takes also into account the elements introduced for banks applying internal methods to determine capital requirements against credit and operational risks. In particular we underline the direct adjustment on capital for the differences resulting from overall value adjustments on credits and the relative expected losses which are quantified according to internal model criteria.

The Tier I capital reduction is positively affected by the share capital increase with share premium of EUR 2,419.4 and EUR 3,464.9 for a total amount of EUR 5,884.3 million plus the assignment to capital of part of the operating profit (EUR 495 million), while it is negatively affected by the goodwill increase mainly due to the acquisition of Banca Antonveneta, a subsidiary (EUR 6,752.0 million).

The Tier II capital increase is mainly due to the issue of upper TIER2 for EUR 2,160.0 million.

The increase in elements to be deducted having a 50% effect on Tier I and Tier II Capital is also due to the doubtful loan adjustment carried out in compliance with the new provisions issued for institutions applying internal models.

2.3 Capital adequacy

A. Qualitative information

With reference to capital adequacy, as of 12 June 2008, the MPS Group obtained the authorization of the Bank of Italy to use internal models to determine regulatory absorptions as to the credit risk (Advanced Method) and operational risks (AMA Method). The acknowledged framework of credit risk concerns Banca Monte dei Paschi di Siena, Banca Toscana, Banca Agricola Mantovana and Monte Paschi Capital Services. In particular, the regulatory portfolios which are authorized are corporate and retail portfolios whereas the capital absorptions referred to all other legal entities as well as to remaining credit portfolios will be determined using the standardized methods although the MPS Group scheduled the adequate passages to more advanced methods, in compliance with the regulations and according to the roll-out program submitted to the Bank of Italy.

For the operational risk, the application framework concerns all domestic banking and financial companies, excluding BAV and Biver, in the roll-out stage) and main instrumental companies. The remaining kinds of risks provided for by the First Pillar of Circular Letter no. 263 issued by the Bank of Italy shall be submitted to the standardized regulatory measurements.

Still within the credit risk the passage to advanced methods obviously required a huge effort of the MPS Group 1) in terms of development and methodological implementation of internal rating models (Default Probability) through the creation of different kinds of rating models according to the specific features of each borrowers and to the different kinds of products representing their risk positions; 2) in terms of Loss Given Default models, which are also validated, according to the qualitative and quantitative prescriptions of the above-mentioned Circular Letter no. 263; 3) the EAD component is determined according to the standardized methods as per roll-out plan shared with the Bank of Italy; 4) in terms of credit processes in full compliance with the use-test and use requirements in the operating and management processes; 5) in terms of technological implementation in environments of MPS Group IT productions establishing a single data environment (Credit datawarehouse) which enables the management use of the mentioned information and also the use of the same information to implement Supervisory Reports; 6) with the full implementation of the monitoring cycle of validation on all PD and LGD models developed by the independent competent unit as well as by the Internal Auditor.

As to operational risk the advanced approach homogenously combines all main both qualitative and quantitative information sources (information or data) (LDA-scenario mixed model)

The Loss Distribution Approach quantitative element is based on gathering, analysis and statistic model creation of internal and external historical loss data (provided for by the DIPO consortium – Italian Operating Loss Database) . The model provides for the calculation off seven categories of events established by Basel 2 used as risks classes through the adoption of Extreme Value Theory techniques. The estimate of happening frequency is only based on internal data.

The qualitative element is focused on the evaluation of risk profile of each unit and is based on the identification of relevant scenarios. The companies inside the AMA framework are involved in identifying processes and risks to be valued, in the persons in charge of the process assessing the risks, in identifying mitigation plans, if any, in sharing scenario roundtables with the head offices about priorities and technical and economic feasibility of mitigation steps.

Moreover, in compliance with the regulations provided for by the new capital adequacy rules the MPS Group is implementing the activities aimed at complying with the requirements of the Second and Third Pillar. In particular, as to the Second Pillar, the MPS Group is establishing a special organizational unit to arrange for the ICAAP reporting which within October 2008 will be issued in a simplified form. The advanced configuration will then be represented within April 2009. The Second Pillar activity field were organized according to two different trends: the first one is aimed at modelling the measurement methods of all risks according to the internal models, the resulting integration of the same and the implementation of stress testing to determine the overall internal capital; the second trend, which is more of an organization and co-ordination kind, is aimed at implementing the remaining activities provided for by ICAAP as described by the 263 regulations.

As to the Second Pillar which is subdivided in two different subjects, the first refers to the ICAAP process charged to the financial intermediaries and the second to the Supervisory Review of the Bank of Italy, the MPS Group is going on with the activities provided for by the Basle 2 Regulation for Class 1 banks working on two development levels. The first level deals with a) the evolution of method and implementation metrics aimed at measuring relevant risks, b) the evolution of policies for non-measurable risks, c) the enhancement of risk integration and stress-testing procedures. The second implementation level is focused on the organization and operation configuration of processes and activities necessary to draft the ICAAP report in a simplified way in compliance with the provisions of the Supervisory Authorities and aimed at providing a current and prospective assessment of the own capital adequacy based on a) observation of risks actually taken in addition to the risks of the First Pillar, b) on strategic and company aims of the banking Group, c) on the analysis of the what-if results in case of adverse economic conditions and d) on the degree of efficiency in the monitoring processes and risk mitigation.

As to the Third Pillar (obligation of disclosure to the public concerning the risks of the Bank, the adopted risk management methods, the own capital adequacy introduced by the Circular Letter no. 263 of 27 December 2006 of the Bank of Italy) on the contrary, to ensure the compliance with the disclosure obligations provided for by the regulations, the MPS Group started a specific project within the framework of Basle 2 activities aimed ad defining structure and contents of the disclosure document (Risk Report Pillar 3) as well as the relative implementation processes. The work team is co-ordinated by the Risk Management Service, under the responsibility of the CFO, and all main structures of the Parent Bank are involved. The Risk Report Pillar 3 is therefore a summary through which information concerning the activities carried out , capital adequacy, risk exposures and general characteristics of the systems of identification, measurement and management of such risks are disclosed to the Market (the Public).

The final document of Risk Report Pillar 3 will be published on the website of the Parent Bank: http://www.mps.it/Investor+Relations.

The solvency ratios at consolidated level must be reported to the Bank of Italy not later than 25 October 2008. As to the first estimates now available the special chapter in the Intermediate Report of the Board of Directors should be referred to.

PART G BUSINESS COMBINATIONS IN RELATION TO COMPANIES OR BUSINESS UNITS

Section 1

Transactions made during the year

1.1 Business combinations

1.1.1 BANCA ANTONVENETA

Name	transaction date (1)	transaction cost € mln (2)	stake% (3)	net interest and other banking income (4)	profit/loss for the year (5)	Profit/Loss posted on the date of acquisition
Gruppo Banca Antonveneta S.p.a.	30/05/08	10,138	100	116.9	76.5	39.9 (cfr nota)

Note: the profit accrued as of 30 May amounting to EUR 39.9million is the quota of the Group Banca Antonveneta profit entered in the consolidated profit and loss statement; the negative impact of EUR 6.3million resulting from the accounting of the competence share of repayment of effects related to the temporary allocation of the Purchase Price Allocation (PPA) was deducted from that amount.

1) Date of acquisition of control
(2) Overall cost including ancillary expenses
(3) Percentage stake acquired with voting rights at ordinary shareholders meetings
(4) Operating income (Account 120 of the P&L) only referred to June 2008
(5) Profit/loss for first half-year 2008

On 30 May 2008 the full acquisition of Banca Antonveneta SpA was executed for a total amount of EUR 10,138 million including directly recorded ancillary expenses.

The initial accounting of the merger of the Antonveneta Group has been only temporarily calculated. The short period of time between the transaction and the drafting of this half-year abridged consolidated financial statements as well as the remarkable complexity and structure of the acquired Group do not allow the completion of all IFRS 3 requirements, which are likely to be over within the terms of the execution of the assignment of business line to the new Banca Antonveneta, i.e. the end of this financial year well before the 12 months from the acquisition date provided for IFRS3 accounting principle. As a result, also the goodwill resulting from the merger was calculated only temporarily and includes the amount of other intangible assets which are being identified.

Hereunder a summarizing scheme shows positive and negative differences assigned to shareholders' equity due to fair-value calculation applied to main assets and liabilities and the resulting temporary quantification of goodwill including intangible assets.

Temporary PPA effects (millions of euro)		
	Positive (goodwill decrease)	**Negative (goodwill increase)**
loans	481	
real estate	182	
works of art	3	
other assets and liabilities	105	
differed taxes		-230
	771	**-230**
Goodwill net decrease	**541**	

The temporary quantification of assets and liabilities fair value net of the relevant tax before identifying intangible assets shows a total amount of EUR 541 millions meant to decrease the definitive goodwill. The temporary goodwill of EUR 7,293 millions as the difference between the acquisition cost (EUR 10,138 millions) and the BAV accounting shareholders' equity as of 30 May 2008 (EUR 2,845 millions) (from which previous goodwill and the related tax were already deducted) has to be therefore reduced by EUR 541 millions thus amounting to EUR 6,752 millions. This amount shall be further curtailed following the deduction of intangible assets yet to be determined which are still included in the temporary goodwill.

In compliance with IFRS3 hereunder key economic indicators follow as if the transaction had been executed on 1 January 2008.

Interest margin	€ 2,105,958,643
net fees	€ 874,202,245
banking income	€ 3,020,302,538
overheads	€ 2,054,742,733
Financial year profit(loss) of the Parent Bank	**€ 516,778,634**

1.1.2 BIVERBANCA

Name	**transaction date (1)**	**transaction cost € mln (2)**	**stake% (3)**	**net interest and other banking income (4)**	**profit/loss for the year (5)**	**Profit/Loss posted on the date of acquisition**
Biverbanca S.p.a.	31/12/07	398.8	55		27.6	(cfr Nota)
Biverbanca S.p.a. (reflected in the put option contract)	28/02/08	29	4%			

Note: The entire profit for the 2007 financial year was used to decrease goodwill.

(1) Date of acquisition of control
(2) Overall cost including ancillary expenses
(3) Percentage stake acquired with voting rights at ordinary shareholders meetings
(4) Operating income (Account 120 of the P&L) for the entire 2007 financial year
(5) Profit/loss for 2007

To complete the acquisition of Biverbanca S.p.A. , the Cassa di Risparmio di Biella e Vercelli Foundation exercised the put option, in February 2008, which had been previously sold by Banca Monte dei Paschi di Siena, through which the Parent Bank acquired the 5.78% of the Biverbanca S.p.A share capital. Subject to the Cassa di Risparmio di Biella e Vercelli Foundation exercising of the put option, the Cassa di Risparmio di Biella Foundation exercised the call option through which Banca Monte dei Paschi di Siena S.p.A, the Parent Bank, sold the 1.78% of the Biverbanca share capital at the same strike of the put option. After the exercising of these options the Biverbanca ownership percentage amounts to 59%.

Because of this adjustment in the ownership percentage and in the Purchase Price Allocation, which is not yet final, the goodwill as of 30 June 2008 amounts to EUR 263 million against EU 300 million as of 31 December 2007.

PART H TRANSACTIONS WITH RELATED PARTIES

1. Details of Directors', Auditors' and Top Managers' Compensation (key management personnel)

(euro '000)

account	Total 30 06 2008	Total 31 12 2007
short term benefits	3,351	13,662
post retirement benefits		
other long term benefits		
termination benefits	358	-
share based payment		
other compensation	151.00	1,559
Total	**3,860**	15,221

2 Information on the related party transactions

2.b Società collegate

account	30 06 2008	Incidence
Total financial assets	110,368	0.09
Total other assets	13,898	0.01
Total financial liabilities	261,198	0.21
Total other liabilities	19,199	0.31
guarantees given	8,811	0.12
guarantees received	37,409	-

2.c Transactions with key management personnel and other related parties

30 06 2008

account	key management personnel	other related parties	Incidence
Total financial assets	1,811	150,334	0.13
Total financial liabilities	358,690	276,590	0.51
Total costs	3,628	966	
guarantees given		19,461	0.04
guarantees received	1,484	50,727	

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

The Bank’s Board of Directors adjusted the Code of Conduct for transactions with related parties (the “**Code**”) in 2006 in accordance with the changed regulations of reference. In view of the adoption of CE Regulation no.2238/2004 of 19 December 2004 in relation to the International Accounting Principles, Consob amended the Issuers’ Regulation with reference to (CE) Regulation no.1606/2002 of the European Parliament and Council, with respect to the definition of related parties (hereinafter referred to as IAS 24).

Said transactions (i.e. transactions carried out by the Bank – including through subsidiaries – with related parties) consist of: *Ordinary Transactions* (with no particular distinctive features), *Significant Transactions* (which imply an obligation of disclosure to the market pursuant to art.71 bis of the “Issuers Regulation” adopted by Consob resolution 11971), *Relevant Transactions* (which cannot be considered as Significant Transactions, but show atypical and/or unusual elements).

It was decided that Ordinary Transactions shall be approved in accordance with the authorities established by the existing system of decision-making authorities adopted by the Bank. Significant Transactions and Relevant Transactions fall within the competence of the Board of Directors (subject to the authorities in the case of an emergency as provided by the Bank’s Articles of Association).

If the nature, the value or the additional characteristics of the transactions do so require, the Board of Directors may decide that its considerations are supported by the opinions of one independent Advisors or several independent Advisors covering the economic terms and/or the technical structure and/or the legal aspects of the transactions.

It was also decided that the Subsidiaries, in relation to the transactions to be conducted with the Bank’s Related Parties, shall adopt the Parent Company’s Code and adjust it in compliance with the structure of their decision-making levels, with specific and prompt notices to be given to the Parent Company with reference to said transactions.

In the first half of 2008, no Significant Transactions were carried out by the MPS Group, i.e. transactions which, because of their purpose, consideration, implementation procedures or times could affect the shareholders’ equity of the company or any comprehensive and correct information, including the accounting one, concerning BMPS and the MPS Group and which, therefore, imply an obligation of disclosure to the market pursuant to art.71 bis of the “Issuers Regulation” adopted by Consob resolution 11971).

During the half year, the MPS Group implemented some transactions which have to be considered as “Relevant” according to the above-mentioned Code and which are hereunder detailed together with other transactions which must be specifically mentioned even if classified as “ordinary ones”.

June 2008: Banca Toscana, a subsidiary, accepted as convenient the offer of EUR 44,000,000 of Sansedoni SpA for the sale of PalazzoPortinari Salviati, the registered office of Banca Toscana, located in Via del Corso in Florence, and therefore, resolved to continue the negotiations to execute the purchase and sale contract not later than 30 June 2008.

Sansedoni SpA is an indirect related party of BMPS SpA since it is under the remarkable influence of the MPS Foundation according to the Art. 2359 of the Italian Civil Code (48% shareholdings); moreover 16% is significantly owned by BMPS itself. The transaction is a Relevant one because of its amount and was executed not later than 30 June 2008.

June 2008: granting of MPS Capital Services Banca per l'Impresa S.p.A, a subsidiary, to the Palazzo Portinari Salviati, a company under formation, and a subsidiary of Sansedoni S.p.A. of following credit lines: i) a senior loan with collaterals amounting to EUR 77,100,000 with a 7-year term aimed at acquiring and restructuring, for a residential use, Palazzo Portinari Salviati, the historical seat of Banca Toscana; ii) a line of credit commitments of EUR 9,500,000 with a 7-year term and backed by collaterals. The contracts concerning the above-mentioned grantings were entered into not later than 30 June 2008. The above-mentioned statements about Sansedoni S.p.A. are valid also about the nature of transaction with related parties, to be considered as "ordinary".

June 2008: Banca Toscana authorized the granting of a line of credit commitments of EUR 82,000,000 to the Monte dei Paschi di Siena Foundation to issue a guarantee in favour of Equitalia Gerit SpA, which is considered as neither "Significant" nor "Relevant" due to its kind and characteristics.
The Monte dei Paschi di Siena Foundation has to be considered a related party of the BMPS Group according to the article 1, par. 1.2 letter e) of the Code since it holds such a shareholding in BMPS that it is able to exercise a remarkable influence on BMPS according to art. 2359 of the Italian Civil Code.

June 2008: resolution of MPS Investments, a subsidiary, on the sale of the 100% shareholding in Fontanafredda S.r.l. for EUR 90,000,000 in favour of MPS Foundation and of third parties to the MPS Group. The transaction is "Relevant" due to the amount and was executed on 30 June 2008 according to the above-mentioned terms.

April 2008: authorization to enter into a repurchase agreement from 30 April 2008 to 19 May 2008 with the MPS Foundation for EUR 2.9billion. The transaction was executed at market conditions as verified with leading financial institutions; it was anyway considered "Relevant" because of the amount.

April 2008: extension of the temporary granting of credit of EUR 9,500,000 in favour of Sansedoni S.p.A.at market conditions. The transaction has to be considered "ordinary".

In addition to the above-mentioned transactions, in the first half year of 2008, other transactions with related parties to be classified as "ordinary" were carried out. These transactions, as the above-mentioned ones, were all entered into on the basis of assessments of mutual economic benefit and, anyhow, at market conditions.

The infra-group transactions with related parties were not included in this list since they were cancelled at consolidated level.

Declaration of the abridged and consolidated half-year financial statements according to art. 154 of the Legislative Decree no. 58/98.

1. We the undersigned, Giuseppe Mussari, as the Chairman of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A., Daniele Pirondini, as the Executive in charge of drafting corporate accounting statements of Banca Monte dei Paschi di Siena S.p.A., state in compliance with paragraphs 3 and 4, art.154 bis of the Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the features of the company and
- the actual application

of the administrative and accounting procedures to draft the abridged and consolidated financial statements during the first half year of 2008.

2. The assessment of adequacy of administrative and accounting procedures to draft the abridged and consolidated half-year financial statements as of 30 June 2008 was based on an internal model defined by Banca Monte dei Paschi di Siena S.p.A developed in compliance with the Internal Control – Integrated Framework models developed by the Committee of Sponsoring Organizations of the Treadway Commission and for the IT component with the Cobit framework representing generally accepted reference standards.
3. We also state that:

3.1 the abridged and consolidated half-year financial statements:

- are drafted in compliance with the applicable international accounting principles acknowledged in the European Community according to the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in particular of “IAS 34-Interim financial statements” as well as with the provisions issued in compliance with art. 9 of the legislative decree no. 38 of 28 February 2005;
- correspond to the books and accounting entries;
- provide a truthful and correct representation of the property as well as of the economic and financial situation of the issuer and of all companies included in the consolidation;

3.2 the interim report of the board of directors contains references to the important events which happened in the first six months of the financial year and to their incidence on the abridged and consolidated half-year financial statements with the description of main risks and uncertainties for the remaining six months of the financial year as well as information on relevant transactions with related parties.

Siena, 28 August 2008

For the Board of Directors
The Chairman
Giuseppe Mussari

The Executive in charge of drafting corporate accounting statements
Daniele Pirondini