Consolidated Quarterly Report as of 31 March 2008

Siena, 14 May 2008

THE FIRST QUARTER OF 2008: THE GUIDELINES OF THE 2008-2011 BUSINESS PLAN AND THE TREND OF OPERATIONS

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 business plan for the MPS Group in relation to the years going from 2008 to 2011. The new Business Plan intends to enhance the value of the acquisition of Banca Antonveneta and to implement a deep reorganization of the performances of the whole MPS Group. In compliance with the Plan, the Group aims at tapping the benefits of the industrial initiatives planned in the previous 2006-2009 business plan – which have been implemented so far – and carrying out strategic and organization actions marking a break with the past, in view of facing the new market challenges with new innovative proposals from the viewpoint of commercial effectiveness and operational efficiency.

Against this backdrop, the objectives set forth by the Plan can be achieved through the following initiatives:

- **OPTIMIZATION OF DISTRIBUTION**

In order to increase commercial effectiveness in the areas where the MPS network is highly widespread, the Group distribution network shall be redefined in accordance with the principle of geographical exclusivity. The Group also expects to integrate Banca Toscana, Banca Agricola Mantovana and the Antonveneta Group with Banca MPS, and to reconsider the organization and distribution structure. After the completion of such process, the Group commercial banks shall be organized as follows:

- BMPS, the second domestic network with more than 2,400 branches as a result of the integration of Banca Agricola Mantovana and Banca Toscana and the contribution of the branches of Banca Antonveneta which are not located in Veneto, Friuli Venezia Giulia and Trentino Alto Adige, shall have a leading position (more than 10% of the market share) in central Italy (Tuscany and Latium) and in most of southern Italy, and its market share shall top 6% in north-western Italy and in the remaining regions of southern Italy.
- Banca Antonveneta, established in Veneto, Friuli Venezia Giulia and Trentino Alto Adige with 387 branches (the existing 357 branches of Banca Antonveneta in addition to 30 branches formerly belonging to Banca Agricola Mantovana) shall have a market share of more than 10% in Veneto, topping 6% in Friuli Venezia Giulia.
- Biverbanca, a local bank with 105 branches, the market leader in the provinces of Biella and Vercelli.

♦ ENHANCEMENT OF THE NEW PRODUCTION STRUCTURE

MPS will increasingly focus on the governance of the commercial network. The new production structure is expected to pursue the policies started with the previous Business Plan, and in particular:

- A clear strategic focus on the Group product companies (MPS Capital Services, Consum.it, MPS Leasing and Factoring) and joint ventures (AXA-MPS Assicurazioni Vita), which will represent specialized centres of excellence in view of better meeting the customers' requirements.
- The identification of the best international products 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 wholly-owned product companies, or only in partnership with business segment leaders.

♦ ADDITIONAL SPECIALIZATION OF THE PRODUCTS SUPPLIED/SERVICES RENDERED TO THE CUSTOMERS

An additional service specialization shall be achieved through:

- The introduction/consolidation of product specialists, completing the network general sales forces with special skills and improving the quality and degree of service customization;
- The specialized follow-up of corporates and high wealth individuals, which show 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 with Banca Monte dei Paschi, except for the branch network of Banca Antonveneta in Veneto, Friuli Venezia Giulia and Trentino Alto Adige, and Biverbanca;
- The reorganization of the whole MPS Group resulting from said integrations, with a view to further streamlining the distribution structure and focusing them on commercial business;
- The organization centralization of back office, ICT and lending activities.

♦ CAPITAL OPTIMIZATION

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

♦ BUSINESS RESTRUCTURING

In line of continuity with the guidelines of the previous 2006-2009 Business Plan, the Group prepared a plan of disposals focusing on capital optimization, to be completed by the end of 2008, which includes two different guidelines:

- The executive completion of the process of selective outsourcing of product factories through the partial sale of MPS AM Sgr to primary financial and industrial partners in order to create a new market leader, and the set-up of a joint venture specialized in loan collection;
- The focus on the banking core business and the streamlining of the network through the sale of:
  - the minority stake held in MPS Immobiliare and a portion of instrumental real estate;
  - the investments held in foreign banks;
  - a few equity investments not connected with the core business;
  - 125 branches selected in the areas with most overlapping. The sale shall also comply with the outcome of the inquiry pending with the Authority for Market Competitiveness (AGCM) as a result of the acquisition.
  - The equity investment in Banca Monte Parma

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

As a result of the Business Plan initiatives focusing on efficiency and reorganization, income synergies are expected to total EUR 256 million and cost synergies are expected to amount to EUR 476 million. Integration charges are estimated at EUR 577 million.

The cost/income ratio is estimated at 47% at the end of the Plan.

With reference to the main balance-sheet aggregates, total customers' funding is expected to grow on average on an annual basis by 4.5% from 2008 to 2011 and loans are expected to increase by 6.7% on average on a yearly basis.

From the viewpoint of profitability, the MPS Group set a net profit target of about EUR 2.2 bn for 2011, a ROE of 12.8% approx., a Tier 1 Ratio topping 7% and a Total Capital Ratio of more than 11%.

SUMMARY OF THE TRENDS AS OF 31 MARCH 2008

In the first quarter of 2008, the MPS Group achieved considerable commercial results, and **continued the positive trend of relations development which contributed to increase its market shares in all the major business segments.** This occurred against a **difficult operating backdrop**, characterized by the **gradual slowdown of real economy** and the strong **decline of the financial markets**, especially in relation to the financial crisis experienced last summer which is still heavily conditioning the behaviour of all players and affected the Group's total results, compromising the valuation of the financial assets held in portfolio. The major initiatives of commercial reorganization conducted so far improved the Group's capacity of capturing the actual requirements of retail and corporate customers rapidly and tangibly, with a view to designing flexible commercial policies and levels of service, which are essential to consolidate confidence and achieve a steady development of relations.

In particular:

- **with reference to the customers' base**, also in view of non-shared accounts directly managed by Consum.it, as of 31 March 2008 total customers numbered 4,847,940 (including 144,174 customers of Biverbanca) in comparison with 4,815,775 customers as of the end of 2007. This trend is attributable to the structural growth of the acquisition rate which absorbed the decline recorded in the retention rate;
- **with respect to funds management**, the Group Commercial Networks **realized assets flows totaling about EUR 3.4 billion** (3.5 bn as of 31 March 2007) due to the positive contribution of **bonds, strongly increasing year on year (+43.4%), which offset the criticalities emerged in the area of individual and collective portfolios under management compromised by considerable redemptions at the Industry level**. As a result, total funding progressed by 1% (with the addition of Biverbanca to the area of consolidation at the end of 2007; **excluding this effect, funding declined by about 1.7%)** and is indicative of the considerable decrease in the prices of the financial assets managed or administered on behalf of the customers, as a result of the market crisis started last summer and still under way;
- with reference to **loan management**, the Group commercial policies were oriented to balance, in line of continuity with the prior years, the supply of an appropriate financial support to business initiatives with the utmost rigor and selectivity in loan assessment, in addition to further increasing the specialists' skills acquired by the Group in the segment of consumer credit and retail mortgage loans. **The flows of loans channelled to the special credit companies show an accelerating trend with respect to the past quarters,** mostly due to the good performances achieved by **turnover factoring and consumer**

credit. Mortgage loan disbursements are still hefty (about 2 bn) although declining year on year. Such operations involved a growth of lending of 12.9% y-o-y. As a result of the Group's traditional conservative lending policy, in addition to the rigorous criteria of identification of doubtful outcomes, the ratio of net impaired loans to customers loans was limited to 3.84% **and risk covering was steady at 39.2%, with the covering of net NPLs increasing by about 40 bp since the end of 2007.**

In the first quarter of 2008 the MPS Group structural income progressed considerably (with the primary banking income advancing by 8.9%, or about +5.6% integrating the values of Biverbanca with the data as of 31 March 2007), which absorbed - only partly - the negative trend of the other components of financial and insurance business income, compromised by the reduction of value of the assets held in portfolio. These trends associated with the trend of loan adjustments and operating charges determined a net operating profit of about EUR 262.2 million (EUR 279.1 million in Q4 07; EUR 447.2 million as of 31 March 2007).

Following are the trends of the major income aggregates:

- **interest income (EUR 810.6 milion) advanced by about 15% with respect to 31 March 2007** (+11% including Biverbanca), **with a quarterly trend in line with Q4 07**. **The Head Offices of the commercial networks contributed with a global increase of about 9.7%,** which benefits of an increase in traded average volumes higher than 11% and is indicative of an average interest rate spread slightly falling in comparison with the prior year. Positive contributions also came from the optimization of liquidity management and interest rates in a period of marked turbulence in the financial markets;
- **net commissions came to EUR 382 million (EUR 389.4 million as of 31 March 2007**). In particular, commissions from traditional services progressed, but income from funds management, affected by the effects attributable to the crisis of the financial markets, dropped;
- the balance of **other financial income** stood at –EUR 25.3 million **(EUR 147.7 million as of 31 March 2007)** as a result of the market crisis which compromised the Parent Bank's trading activity, and decreasing profits from the sale of equity investments in comparison with 31 March 2007.

In Q1 08 **net valuation adjustments for impairment of loans amounted to EUR 127 million (EUR 107.2 million as of 31 March 2007)** which implies a provisioning rate of about 47 bp (52 bp at the end of 2007) and is in relation to the increasing coverage of NPLs. **Net valuation adjustments for impairment of financial assets** showed a negative balance (-EUR 69.4 million) which mostly incorporates the updated valuation of the equity investment held in Hopa, with a writedown of about EUR 62.9 million.

Operating expenses (EUR 708.7 million vs. EUR 683.7 million as of 31 March 2007) advanced by 3.7% (-0.3% on a comparative basis), incorporating the structural benefits of the actions of staff reduction and re-mix, and the steady monitoring of the trend of expenses. **Depreciation and amortization** dropped by 1.9%.

As a result, **the Net Operating Profit stood at EUR 262.2 million (EUR 447.2 million as of 31 March 2007). The cost/income ratio was 60.7% (58.4% as of 31 December 2007) reduced by more than 3% by the lower-than- expected contribution of the Finance Area.**

The consolidated net profit for the period came to EUR 190.1 million; including the capital gain (EUR 186.2 million) resulting from the sale of the Depositary Bank (finalized at the end of March 2008 – see page 11) in the contribution from extraordinary operations, the consolidated "restated" net profit for the period would stand at EUR 375.1 million (EUR 253.6 million as of 31 March 2007) progressing by about 48% year on year. The ROE reached 12.6% (11.6% on average equity) since it was affected by the lower income contribution attributable to the trend of the financial markets. With reference to the regulatory ratios, as of 31 March 2008 the **TIER I ratio was estimated according to BIS1** at 6.2% (6.1% at the end of 2007) with a solvency ratio of 8.7% (8.9% as of 31.12.2007).

RECLASSIFICATION PRINCIPLES FOR OPERATING PURPOSES AS OF 31 MARCH 2008 – MPS GROUP

The following balance-sheet and profit and loss accounts as of 31 March 2008 have been restated on the basis of operating criteria. Any amounts are denominated in millions of Euros, unless otherwise expressly stated. In particular, the major actions of reclassification undertaken with reference to the profit and loss statement of 2008 and 2007 concern aggregates of accounts and reclassifications for the purpose of ensuring a clearer interpretation of the Bank's trends.

a) **"Net result from trading/valuation of financial assets"** in the reclassified profit and loss statement incorporates Account 80 (Net profit/loss from trading), account 100 (Profit/loss from sale or repurchase of credits, 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 of a few "sophisticated" securities transactions closely related to the trading component (EUR 16.1 mln as of 31 March 2008).

b) **"Dividends, similar income and profits (loss) from equity investments"** in the reclassified profit and loss statement includes Account 70 (Dividends and similar income), and Account 240 (Profits (loss) from equity investments). The dividends from a few sophisticated transactions as outlined under a) are eliminated from the aggregate;

c) **"Net valuation adjustments/recoveries for impairment of loans"** in the reclassified profit and loss statement was determined reclassifying charges in the amount of EUR 2.9 million in relation to financial plans, which are more correctly posted under "Net provisions for risks and charges and Other operating income/charges".

d) "**Other administrative expenses**" in the reclassified profit and loss statement was integrated with the portion in relation to the recovery of stamp duties and customers' expense recoveries (EUR 49.7 mln) posted in the balance sheet under account 220 (*Other operating income/charges*);

e) **"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 income/charges) and account 190 (Net provisions for risks and charges), once eliminated the components described under c-d.

Following are the major actions of reclassification concerning the consolidated **balance sheet**:

f) "**Financial assets for trading purposes**" in the assets side of the reclassified balance sheet incorporate account 20 (Financial assets held for trading purposes), account 30 (Financial assets valued at fair value) and account 40 (Financial assets available for sale);

g) **"Other assets**" in the assets side of the reclassified balance sheet incorporate account 80 (Hedging derivatives), account 90 (Value adjustment of financial assets subject to general hedging), account 140 (Fiscal assets), account 150 (Non-current assets and discontinued operations) and account 160 (Other assets);

h) **"Due to customers and securities**" in the liabilities side of the reclassified balance sheet incorporates account 20 (Due to customers), account 30 (Outstanding securities) and account 50 (Financial liabilities valued at fair value);

i) **"Other liabilities**" in the liabilities side of the reclassified balance sheet incorporate account 60 (Hedging derivatives), account 70 (Value adjustment of the assets of financial liabilities subject to general hedging), account 80 (Fiscal liabilities), account 90 (Liabilities associated with discontinued operations) and account 100 (Other liabilities).

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The section including the Annexes incorporate the comparative statements between the reclassified consolidated profit and loss statement and balance sheet and the accounting statements.

PRINCIPLES OF RESTATEMENT OF THE RECLASSIFIED FINANCIAL STATEMENTS AS OF 31 MARCH 2008 – MPS GROUP

The profit and loss statement and the balance sheet include a column ("Restated as of 31 March 2008") showing the overall profit/loss for the quarter inclusive of the capital gain realized (EUR 186.2 million) as a result of the sale of the equity investment held in MPS Finance, which the business unit of Depositary Bank had been previously transferred to. The equity investment was legally sold effective 31 March 2008 with a few clauses of suspension which implied the actual transfer of control to take place on 14 May 2008. As of the date of issue of this quarterly report, the transaction was definitively executed with the collection of compensation and the transfer of the shares. Therefore, it was deemed it appropriate to provide updated information for the purpose of better representing the economic and capital situation of the MPS Group as of the date of issue of this quarterly report.

The data as of 31 March 2008 have been restated as if the transaction had been executed as of the date of reference of the Quarterly Report.

In particular, the **capital gain resulting from the sale of the Depositary Ban**k (EUR 186.2 million) was incorporated under "**Profits from equity investments**" in the consolidated profit and loss statement.

The comparisons with prior year's data in relation to the corresponding period of the profit and loss statement and the data of the balance sheet as of 31 December 2007 were made with reference to the column of "Restated as of 31 March 2008".

Year-on-year comparisons are not homogeneous because the basis of 2007 does not include the data of Biver Banca which were considered in the first quarter of 2008.

RECLASSIFICATION PRINCIPLES OF THE FINANCIAL STATEMENT OF THE MPS GROUP

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/03/08

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	03/31/2008	03/31/2007	% chg
• INCOME STATEMENT FIGURES (in millions of euros)	Restated*		
Income from banking activities	1,192.6	1,094.8	8.9
Financial and insurance income (loss)	1,167.3	1,242.5	-6.1
Net operating income	262.2	447.2	-41.4
Net profit (loss) for the period	375.1	253.6	47.9
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**03/31/2008**	**03/31/2007**	**% chg**
Direct funding	109,040	95,827	13.8
Indirect funding	96,228	107,353	-10.4
of which: assets under management	*46,170*	*48,398*	-4.6
of which: assets under custody	*50,058*	*58,955*	-15.1
Customer loans	107,569	95,253	12.9
Group net equity	8,830	7,971	10.8
• KEY LOAN QUALITY RATIOS (%)	**03/31/2008**	**12/31/2007**	
Net non-performing loans/Customer loans	1.92	1.88	
Net watchlist loans/Customer loans	1.16	1.13	
• PROFITABILITY RATIOS (%)	**03/31/2008**	**12/31/2007**	
Cost/Income ratio	60.7	58.4	
R.O.E. (on average equity)	11.6	17.5	
R.O.E. (on year-end equity)	12.6	19.8	
Net adjustments to loans / Year-end investments	0.47	0.52	
• CAPITAL RATIOS (%)	Estimate BIS I **03/31/2008**	**12/31/2007** (a)	
Solvency ratio	8.7	8.9	
Tier 1 ratio	6.2	6.1	
(a) determined using the Bank of Italy's prudential filters.			
• INFORMATION ON BMPS STOCK	**03/31/2008**	**12/31/2007**	
Number of ordinary shares outstanding	2,457,264,636	2,457,264,636	
Number of preference shares outstanding	565,939,729	565,939,729	
Number of savings shares outstanding	9,432,170	9,432,170	
Price per ordinary share:			
average	3.09	4.65	
low	2.67	3.61	
high	3.64	5.34	
• OPERATING STRUCTURE	**03/31/2008**	**12/31/2007**	**Abs. chg**
Total head count - year-end	24,895	24,863	32
Number of branches in Italy	2,102	2,094	8
Financial advisor branches	139	139	0
Number of branches & rep. offices abroad	36	35	1

(*) Figures in the "Restated" column at 3/31/08 are inclusive of the disposal of Banca Depositaria for 186 mln.€

■ **INCOME STATEMENT RESTATED ACCORDING TO OPERATING CRITERIA** (in mln €)

MPS Group	03/31/2008 Restated*	03/31/2008	03/31/2007	Change vs Restated	
				Abs	%
Net interest income	**810.6**	**810.6**	**705.4**	**105.2**	**14.9%**
Net commissions	382.0	382.0	389.4	-7.4	-1.9%
Income from banking activities	**1,192.6**	**1,192.6**	**1,094.8**	**97.7**	**8.9%**
Dividends, similar income and profits (losses) from equity investments	**8.2**	**8.2**	**60.0**	**-51.8**	-86.3%
Net result from realisation/valuation of financial assets	-29.6	-29.6	88.2	-117.8	-133.6%
Net gain (loss) from hedging	-3.8	-3.8	-0.5	-3.3	n.s.
Financial and insurance income (loss)	**1,167.3**	**1,167.3**	**1,242.5**	**-75.2**	**-6.1%**
Net adjustments for impairment of:					
a) loans	-127.0	-127.0	-107.2	19.8	18.4%
b) financial assets	-69.4	-69.4	-4.4	65.1	n.s.
Net financial and insurance income (loss)	**970.9**	**970.9**	**1,130.9**	**-160.0**	**-14.1%**
Administrative expenses:	-679.7	-679.7	-654.2	25.5	3.9%
a) personnel expenses	-451.5	-451.5	-430.8	20.7	4.8%
b) other administrative expenses	-228.1	-228.1	-223.3	4.8	2.1%
Net adjustments to the value of tangible and intangible fixed assets	-29.0	-29.0	-29.5	-0.6	-1.9%
Operating expenses	**-708.7**	**-708.7**	**-683.7**	**25.0**	**3.7%**
Net operating income	**262.2**	**262.2**	**447.2**	**-185.0**	**-41.4%**
Net provisions for risks and liabilities and Other operating income/costs	29.3	29.3	-13.7	43.0	n.s.
Income on equity investments	186.2				
Gains (losses) from disposal of investments	7.67	7.67	0.1	7.6	n.s.
Gain (loss) from current operations before taxes	**485.3**	**299.2**	**433.6**	**51.7**	**11.9%**
Taxes on income for the year from current operations	-102.8	-101.6	-176.6	-73.9	-41.8%
Gain (loss) from current operations after taxes	**382.6**	**197.6**	**257.0**	**125.6**	**48.9%**
Gain (loss) on fixed assets due for disposal, net of taxes	-3.6	-3.6		-3.6	n.s.
Minority interests in profit (loss) for the year	-3.9	-3.9	-3.4	0.5	15.5%
Net profit (loss) for the year	**375.1**	**190.1**	**253.6**	**121.5**	**47.9%**

(*) Figures in the "Restated" column at 31/3/08 are inclusive of the disposal of Banca Depositaria.

(°) To make a comparison with 2007; following the disposal of 50% of the insurance business, the aggregate "Dividends, similar income and income/loss from equity investments" at 12/31/2006 was supplemented with the values previously included in the aggregate " Gain (loss) on fixed assets due for disposal, net of taxes".

Note: Comparisons with last year will lead to inconsistencies, since 2007 data – unlike 2008 figures – do not include Biver Banca results.

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING CRITERIA (mln€)

MPS Group	2008		2007 (°)				Quarterly Avg.
	1st quarter Restated*	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter	2007
Net interest income	**810.6**	**810.6**	**801.9**	**727.1**	**710.1**	**705.4**	**736.1**
Net commissions	382.0	382.0	379.2	365.0	381.7	389.4	378.8
Income from banking activities	**1,192.6**	**1,192.6**	**1,181.1**	**1,092.1**	**1,091.8**	**1,094.8**	**1,115.0**
Dividends, similar income and profits (losses) from equity investments	8.2	8.2	37.4	23.7	35.2	60.0	39.1
Net result from realisation/valuation of financial assets	-29.6	-29.6	120.4	21.8	124.4	88.2	88.7
Net gain (loss) from hedging	-3.8	-3.8	-0.8	-3.6	2.2	-0.5	-0.7
Financial and insurance income (loss)	**1,167.3**	**1,167.3**	**1,338.1**	**1,133.9**	**1,253.7**	**1,242.5**	**1,242.0**
Net adjustments for impairment of:							
a) loans	-127.0	-127.0	-214.0	-112.4	-118.3	-107.2	-138.0
b) financial assets	-69.4	-69.4	-35.3	-5.3	7.2	-4.4	-9.4
Net financial and insurance income (loss)	**970.9**	**970.9**	**1,088.8**	**1,016.2**	**1,142.6**	**1,130.9**	**1,094.6**
Administrative expenses:	-679.7	-679.7	-778.3	-671.0	-682.3	-654.2	-696.5
a) personnel expenses	-451.5	-451.5	-544.0	-436.1	-438.0	-430.8	-462.2
b) other administrative expenses	-228.1	-228.1	-234.3	-234.9	-244.3	-223.3	-234.2
Net adjustments to the value of tangible and intangible fixed assets	-29.0	-29.0	-31.4	-28.9	-25.2	-29.5	-28.8
Operating expenses	**-708.7**	**-708.7**	**-809.7**	**-699.9**	**-707.5**	**-683.7**	**-725.2**
Net operating income	**262.2**	**262.2**	**279.1**	**316.3**	**435.1**	**447.2**	**369.4**
Net provisions for risks and liabilities and Other operating income/costs	29.3	29.3	-174.2	-1.2	-18.5	-13.7	-51.9
Income on equity investments	186.2						
Goodwill impairment			-0.4		-0.3		-0.2
Gains (losses) from disposal of investments	7.67	7.67	0.08	0.01	0.03	0.06	0.0
Gain (loss) from current operations before taxes	**485.3**	**299.2**	**104.6**	**315.1**	**416.3**	**433.6**	**317.4**
Taxes on income for the year from current operations	-102.8	-101.6	-118.2	-106.8	-150.0	-176.6	-137.9
Utile (Perdita) della operatività corrente al netto delle imposte	**382.6**	**197.6**	**-13.7**	**208.3**	**266.4**	**257.0**	**179.5**
Gain (loss) on fixed assets due for disposal, net of taxes	-3.6	-3.6	735.2				183.8
Minority interests in profit (loss) for the year	-3.9	-3.9	-2.1	-4.0	-6.2	-3.4	-3.9
Net profit (loss) for the year	**375.1**	**190.1**	**719.4**	**204.4**	**260.2**	**253.6**	**359.4**

(*) Figures in the "Restated" column at 31/3/08 are inclusive of the disposal of Banca Depositaria for 186 mln.€.

(°) To make a comparison with 2007; following the disposal of 50% of the insurance business, the aggregate "Dividends, similar income and income/loss from equity investments" at 12/31/2006 was supplemented with the values previously included in the aggregate " Gain (loss) on fixed assets due for disposal, net of taxes".

Note: Comparisons with last year will lead to inconsistencies, since 2007 data – unlike 2008 figures – do not include Biver Banca results.

MPS GROUP

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

ASSETS	**03/31/2008** Restated *	03/31/2008	**03/31/2007** (°)	**% chg** vs Restated
Cash and cash equivalents	536	536	430	24.5
Receivables :				
a) Customer loans	107,569	107,749	95,253	12.9
b) Due from banks	13,940	11,708	14,060	-0.9
Financial assets held for trading	30,725	30,726	36,074	-14.8
Financial assets held to maturity	0	0	0	n.s.
Equity investments	817	817	424	92.9
Underwriting reserves/reinsurers				
Tangible and intangible fixed assets	3,127	3,127	3,304	-5.3
of which:				
a) goodwill	*961*	*961*	*641*	*49.9*
Other assets	7,774	7,799	20,235	-61.6
Total assets	**164,488**	**162,463**	**169,779**	**-3.1**

LIABILITIES	**03/31/2008** Restated*	03/31/2008	**03/31/2007** (°)	**% chg** vs Restated
Payables				
a) Due to customers and securities	109,040	110,447	95,827	13.8
b) Due to banks	19,036	15,613	20,627	-7.7
Financial liabilities from trading	18,487	18,506	20,680	-10.6
Provisions for specific use				
a) Provisions for employee leaving indemnities	366	366	385	-4.9
b) Reserve for retirement benefits	417	417	415	0.6
c) Other reserves	488	488	573	-14.8
Other liabilities	7,566	7,723	23,260	-67.5
Underwriting reserves				
Group portion of shareholders' equity	8,830	8,644	7,971	10.8
a) Valuation reserves	433	433	659	-34.3
b) Reimbursable shares				
c) Capital instruments	70	70	71	-1.5
d) Reserves	5,434	5,433	4,509	20.5
e) Share premium account	547	547	561	-2.4
f) Share capital	2,032	2,032	2,030	0.1
g) Treasury shares (-)	-61	-61	-112	-45.3
h) Net profit (loss) for the year	375	190	254	47.9
Minority interests in shareholders' equity	259	259	41	n.s.
Total liabilities and shareholders' equity	**164,488**	**162,463**	**169,779**	**-3.1**

(*) Figures in the "Restated" column at 3/31/08 are inclusive of the disposal of Banca Depositaria for 186 mln.€

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

Note: Comparisons with last year will lead to inconsistencies, since 2007 data – unlike 2008 figures – do not include Biver Banca results.

MPS GROUP

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

ASSETS	**03/31/2008** Restated *	03/31/2008	**12/31/2007**	**09/30/2007** (°)	**06/30/2007** (°)	**03/31/2007** (°)
Cash and cash equivalents	536	536	821	470	454	430
Receivables :						
a) Customer loans	107,569	107,749	106,322	100,375	98,829	95,253
b) Due from banks	13,940	11,708	14,858	15,089	17,461	14,060
Financial assets held for trading	30,725	30,726	31,052	24,956	31,179	36,074
Financial assets held to maturity	0	0	0	0	0	0
Equity investments	817	817	820	361	361	424
Underwriting reserves/reinsurers						
Tangible and intangible fixed assets	3,127	3,127	3,532	3,359	3,282	3,304
of which:						
a) goodwill	*961*	*961*	*941*	*641*	*641*	*641*
Other assets	7,774	7,799	4,578	18,547	19,581	20,235
Total assets	**164,488**	**162,463**	**161,984**	**163,158**	**171,147**	**169,779**

LIABILITIES	**03/31/2008** Restated *	03/31/2008	**12/31/2007**	**09/30/2007** (°)	**06/30/2007** (°)	**03/31/2007** (°)
Payables						
a) Due to customers and securities (°)	109,040	110,447	113,347	101,714	99,199	95,827
b) Due to banks	19,036	15,613	13,743	17,573	21,039	20,627
Financial liabilities from trading	18,487	18,506	19,355	12,111	19,384	20,680
Provisions for specific use						
a) Provisions for employee leaving indemnities	366	366	369	367	366	385
b) Reserve for retirement benefits	417	417	428	407	407	415
c) Other reserves	488	488	621	563	569	573
Other liabilities	7,566	7,723	5,226	22,476	22,342	23,260
Underwriting reserves						
Group portion of shareholders' equity	8,830	8,644	8,649	7,897	7,794	7,971
a) Valuation reserves	433	433	650	669	767	659
b) Reimbursable shares						
c) Capital instruments	70	70	70	71	71	71
d) Reserves	5,434	5,433	3,996	3,984	3,985	4,509
e) Share premium account	547	547	559	561	561	561
f) Share capital	2,032	2,032	2,032	2,030	2,030	2,030
g) Treasury shares (-)	-61	-61	-97	-137	-134	-112
h) Net profit (loss) for the year	375	190	1,438	718	514	254
Minority interests in shareholders' equity	259	259	247	51	47	41
Total liabilities and shareholders' equity	**164,488**	**162,463**	**161,984**	**163,158**	**171,147**	**169,779**

(*) Figures in the "Restated" column at 31/3/08 are inclusive of the disposal of Banca Depositaria.

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

Note: Comparisons with last year will lead to inconsistencies, since 2007 data – unlike 2008 figures – do not include Biver Banca results.

REPORT ON THE MPS GROUP OPERATIONS

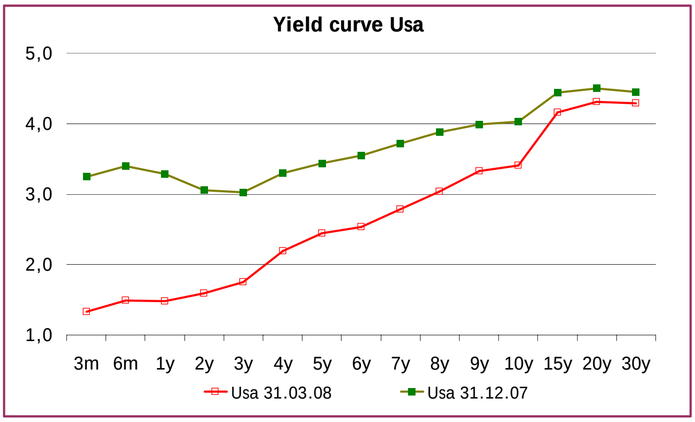
OVERVIEW OF OPERATIONS

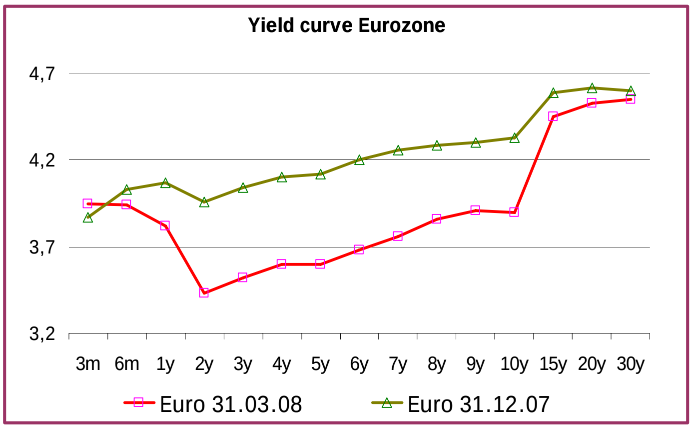
- THE MACROECONOMIC SCENARIO

In the first quarter of 2008, the **world economy slowed down and the subprime mortgage loan crisis exacerbated**. As a result, major international financial players posted considerable losses and writedowns in relation to the asset classes held in their portfolios. Risk premiums implicit in market quotations increased. Oil prices jumped to around USD 105 per barrel and the prices of foodstuffs grew, fuelling inflation and influencing the trend of the monetary policies.

GROWTH RATES IN THE LEADING ECONOMIES			
	2006	2007	2008 (source:FMI)
Usa	2.9	2.2	0.5
Eurozone	2.8	2.6	1.4
Italy	1.8	1.5	0.3
Germany	3.1	2.6	1.4
France	2.2	1.9	1.4
Japan	2.2	2.1	1.3
China	11.1	11.4	9.3

In the **US**, **the signs of a slowdown consolidated, thus increasing the likelihood of a recession** (i.e. a decline of the GDP for at least two consecutive quarters). The crisis of the real estate market deteriorated and imposed more restrictive financial terms to individuals and corporates. However, the trend of net exports – which is encouraging the gradual reduction of the deficit of current accounts (5.3% of the GDP last year) – was positive. With a view to countering the risks of recession, the **FED reduced the reference rate by 2% (at 2.25%)** and also injected liquidity. The Congress approved temporary measures supporting family and corporate income. The curve of benchmark yields took a clearly positive inclination (about 180 bp in the range between 2 and 10 years), in light of other expected expansionary measures of the FED and reflecting the remix of the portfolios which shifted to more liquid and less risky assets.





In **the Eurozone uncertainty was widespread and growth limited.** Industrial production and investments progressed remarkably (+0.7% with respect to the prior quarter), although the climate of individual and corporate confidence deteriorated. The erosion of the purchasing power reduces the trend of consumption. In view of the pressure on the international markets of raw materials, the growth of consumer prices reached 3.6% on an annual basis in March (same level reached in Italy). Against this backdrop, the ECB kept the official rates unchanged at 4% and co-operated with the other central banks to provide the financial industry with appropriate liquidity.

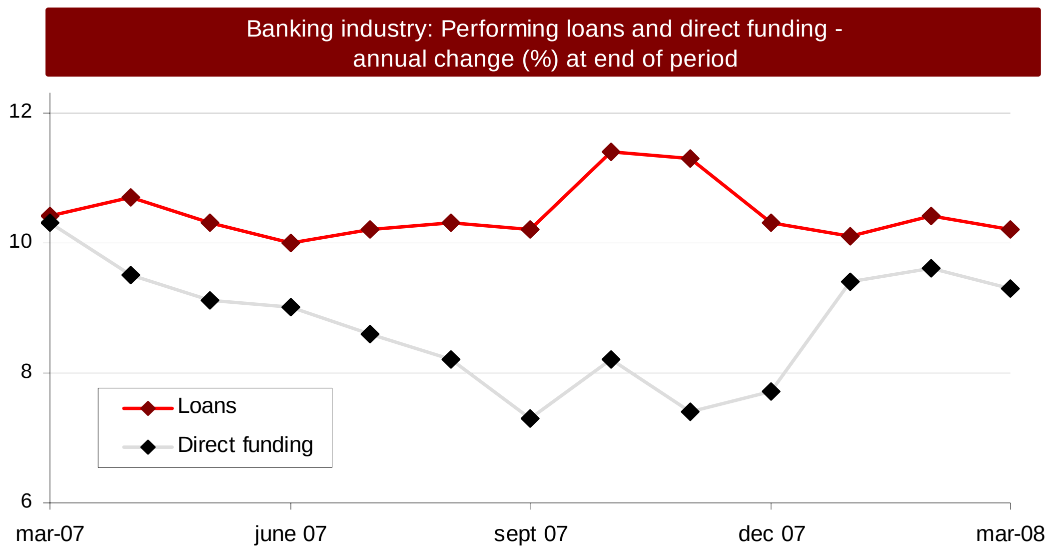
The yield curve took a negative inclination in relation to the short-term segment, in light of possible expansionary measures of the ECB and greater demand for low-risk securities. **In Italy**, the information available prove that cyclical weakness is continuing and might bring economic growth for 2008 down to 0.5% approx. Quantitative indicators (retail sales) and qualitative indicators (Italian Federation of Commerce and Tourism-Confcommercio index and ISAE indicator of confidence) show that the households' consumption is decelerating. Signs of downsizing of the investment plans emerge from the surveys conducted with the corporates. Industrial production is recovering and is supposed to close the quarter with an increase close to 1% with respect to the prior period. The trend of exports was also positive (+11% on a nominal basis), mostly with the contribution of the sales to non-EU countries (in particular, Opec countries and Russia).

In Japan, the economic indicators show that the economy is weakening. Therefore, growth estimates for 2008 were reviewed below 2%. In **China**, the central Bank further tightened the monetary terms for the purpose of curbing credit expansion and countering inflation (almost 9%). The exports showed signs of a slowdown. The IMF expects a 9.3% growth in 2008 flanked by a deceleration of about 1% in the remaining Emerging Countries.

With reference to the financial markets, Stock prices dropped in the range of 10% (New York) and 18% (Europe and Japan). Volatility rose again. The decline of the MiB index of the **Italian Stock Exchange reached 17.6%** with bank shares falling by more than 20%. **Bond** prices advanced remarkably - by almost 4% in the European Union – as a result of of the high demand for Treasury bills. The spread between the yields of corporate bonds and Treasury bills increased both in the USA (where it topped 3%) and in the Eurozone (from 108 to 162 bp) , with a gradual repricing of risk premiums. **On the front of the foreign exchange markets, the US dollar continued to depreciate** (4% with respect to the end of 2007 with reference to a basket of the major currencies), and dropped to its historical low of 1.60 with respect to the euro and below 100 yen.

- THE BANKING BUSINESS AND THE MPS GROUP POSITIONING

Early in 2008, **the growth gap between funding and lending reduced considerably**, flanked by the continuous redemptions of mutual funds and individual portfolios under management.



Bank **direct funding accelerated clearly.** Annual average growth was over 9% again, driven by bonds with volumes increasing by over 30 bn in three months and by 14% on an annual basis (+12.3% on average in 2007). The slowdown of current accounts (+ 4% y-o-y) was offset by the good trend of repurchase agreements (about + 10% on a yearly average during Q1), though decelerating. The **MPS Group market share of direct funding kept around 6%,** slightly falling with respect to 31 December 2007.

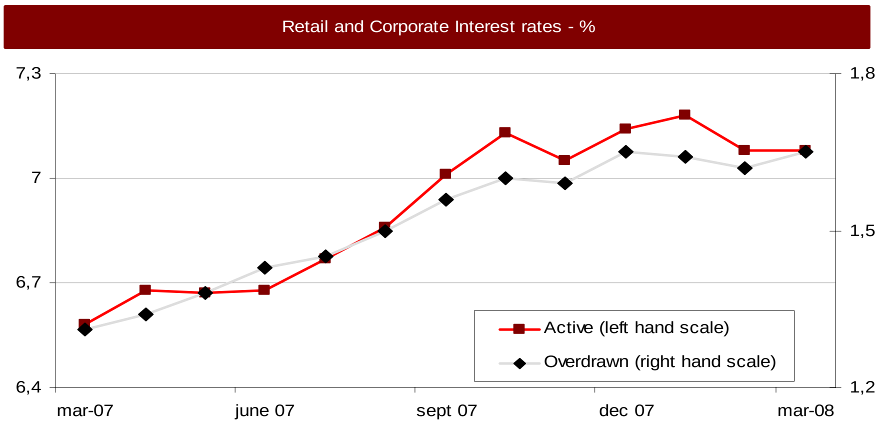
Redemptions of investment funds continued, with preference going to simple, low-risk and low-cost instruments. The introduction of the MIFID directive and the trend of the financial markets contributed to deteriorate the difficult situation of this business segment. **Considerable redemptions of mutual funds (EUR 36.8 bn**) mainly concerned Italian-law and roundtrip funds (almost 32 bn), but also foreign funds (-4.9 bn). Only liquidity funds (2 bn) and hedge funds (barely 370 million) recorded a positive net funding, thus proving the widespread climate of uncertainty. Redemptions of bond funds (14 bn) and equity funds (more than 15 bn) are still substantial.

The MPS Group market share (in relation to the volumes) rose from 3.58% as of December 2007 to 3.74%.

Net funding from individual portfolios under management was also negative, by more than 10 bn in the first two months of 2008; the result is mostly attributable to fund portfolios under management (GPF). **The Group market share rose slightly with respect to December 2007 to 3.58%.**

The new production of bancassurance decreased by approx. 30% on a yearly basis. The decrease was driven by all product categories, but especially by unit-linked policies and traditional policies, which now account only for 30% of the total production (more than 40% in 2005-2006). **The MPS Group commercial results differ from the Industry trend, with production growing and the market share standing at 10%.**

The annual growth of bank loans moderately slowed down coming to +10%. Corporate loans are still increasing at a fast pace (+12% approx.), since financial requirements are still high in light of declining self-financing and and despite dropping investments. Capital increases are limited and gross issues of bonds virtually nil. The retail demand for credit slowed down due to the downward trend of the real estate market and to financial charges now reaching about 8% of the disposable income. Credit quality is still steady, with NPLs developing by about 4% on an annual basis. **The Group market share of loans was in line with the levels of the last months of 2007, around 6.6%.**



Interest rates on loans dropped with respect to December 2007 by 6 bp in relation to current accounts and 15 bp in relation to the whole of the new (both retail and corporate) transactions. The decline with reference to the whole aggregate (short-term, medium/long-term loans) was more moderate. Interest rates on deposits and bonds advanced slightly (+3 bp). The short-term spread reduced with respect to the levels as of December 2007 and was again in line with last year's average at the end of Q1 (about 4.55%). The markup (as measured in relation to short-term loans and 1-month Euribor) stood 15 bp higher than the average of 2007, with the markdown experiencing an opposite trend but similar intensity.

REGULATORY ISSUES

The new regulations on capital ratios (Basle 2) – which change the rules of assessment of creditworthiness and consolidate the weight of objective elements - were enforced on 1 January 2008. True economic-financial information and financial statements become essential to give an actual view of the situation of a company. Basle 2 encourages the development of bank-corporate relations which are characterized by increasingly shared information, with positive repercussions in terms of capital absorption for the banks and better credit conditions for the customers.

As of January 2008, the Italian banking industry adopts the IBAN code (a 27-digit code which replaces old bank codes) as the sole European standard for the identification of current accounts to be used in the execution of payments (money transfers and collections). In addition, almost all the banks can receive and send SEPA **(Single Euro Payment Area**) transfers. The implementation of a common market of payment services aims at ensuring Euro collections and payments at the same terms and with the same rights and obligations in all EU countries. The major effects are expected to occur in the medium term and are supposed to determine pressures on unit margins and a larger use of non-cash means of payment.

On 16 January 2008, the European Parliament approved a directive for the establishment of a **single market of consumer credit**. The directive, which shall be adopted by the EU countries by the end of 2010, regulates the loans in an amount from EUR 200 to EUR 75,000, except for mortgage loans. A single European terms and conditions sheet shall be prepared for the purpose of notifying the customers of all loan terms and comparing different offers. The Global Actual Annual Interest Rate (TAEG) shall be calculated in a standardized way. The customers can terminate the agreement no later than 14 days after it has been signed, "with no explanation", and repay the loan amount any time. In this case, the banks cannot require any penalty, but if the loan amount exceeds EUR 10,000, the consumer shall pay an indemnity.

On 4 March 2008, the Bank of Italy issued the new **rules of supervision on corporate organization and governance.** On the basis of these provisions, corporate governance plays a key role in the definition of the management and control strategies and policies of typical banking risks. The rules make reference to the responsibilities of strategic supervision, management and control which shall be assigned to different corporate bodies in order to clearly determine their tasks and to establish appropriate control procedures. The banks shall check whether their governance complies with the new provisions and shall implement any corrective actions no later than 30 June 2009.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY AND CUSTOMER PORTFOLIO

In the first quarter of 2008, the MPS Group achieved considerable results **pursuing the development of customers' relations which confirmed, and in a few cases increased, the Group's market share in the major business segments.** All of this occurred against a **difficult operating backdrop,** characterized by the **gradual slowdown of real economy and the decline of the financial markets,** mostly in relation to last summer's financial crisis which is still heavily affecting the behaviour of all players. The major initiatives of reorganization and commercial restructuring carried out improved the Group's capacity of capturing the actual retail and corporate requirements, rapidly and tangibly, with a view to designing flexible commercial policies and the level of service, which are essential to consolidate the customers' confidence and achieve staedily developing relations. Following are the main elements which characterized commercial operations in relation to funds management and lending.

1) FUNDS MANAGEMENT

The consolidation of the Distribution Network and high focus on the development of innovative channels had positive repercussions on **funds management.** As of 31 March 2008, **funds management flows totalled about EUR 3.4 billion** (3.5 bn as of 31 March 2007), mainly driven by the positive contribution of **bonds, booming y-o-y (+43.4%). This contributed to absorb the criticalities emerged in the area of individual and collective portfolios under management, affected by huge redemptions at the Industry level**.
Following is the mix of the main products placed by the MPS Group:

■ Product Placements

in million of euros			31/03/08	31/03/07
Mutual funds/SICAVs (*)			-380	410
Individual portfolios under management			-514	-257
Life-insurance policies	including:		1,285	1,265
		Ordinary (**)	342	688
		Index Linked	528	436
		Unit Linked	415	140
Bonds	including:		3,015	2,103
		Linear	2,436	1,599
		Structured	579	504
Total			3,406	3,520

2008 figures include Biver Banca results

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

(**) Including Pension Products

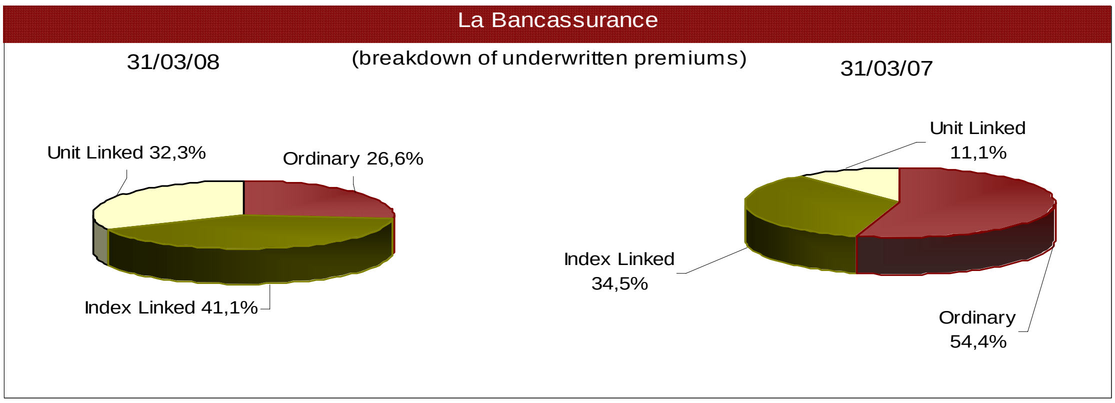
In particular:

- **<u>The redemptions of collective and individual portfolios</u> under management amounted to EUR 894 million approx.** (+EUR 153 million as of 31 March 2007), which is lower than the Industry and implies the **growth of the market share in relation to Funds and individual portfolios under management:**

  - **<u>Redemptions of mutual funds/SICAVs</u> came to EUR 380 million** approx. (+410 million as of 31 March 2007) with common trends to all investment lines except for the Group Hedge funds/Sicavs which recorded a positive trend;

  - Net redemptions of **individual portfolios under management** totalled abt. EUR 514 million (- EUR 257 million as of 31 March 2007), attributable to individual equities portfolios under management (GPM/GPA: EUR – 286 million) and individual fund portfolios (GPF)/individual SICAV portfolios (GPS) (-EUR 228 million).

- **<u>Life insurance premiums underwritten</u> came to EUR 1,285 million slightly higher than in 2007 (abt.1.26 bn), with a market share in relation to products placed for the period around 10%.** An analysis of the premiums underwritten shows the strongly increasing weight of index-linked products, and especially unit linked policies, which benefit from the renewal of the range of products started within the joint venture with the French group AXA.



- **<u>Bond volumes totalled EUR 3 billion approx.</u> (EUR 2.1 billion as of 31 March 2007),** concentrated on plain bonds (abt. EUR 2.4 billion, or + 52.4% y-o-y), with structured bonds totalling EUR 0.6 billion roughly.

2) LENDING

In the first quarter of 2008, the trend of **loan management flows channelled to the special credit companies accelerated in comparison with the past quarters.** This is mainly due to the good performance of **turnover factoring and consumer credit (in particular personal loans**). The **new mortgage loans disbursed are still considerable (about 2 bn)** but slowing down also as a result of cooling demand. The trend of **short-term loans** is positive but, though in light of a still brisk demand, is gradually losing ground with respect to Q4 2007.
As a result of these trends, the market shares of consumer credit (abt.4.9% vs. 4.6% as of 31 December 2007) and turnover factoring developed (abt.6.8% vs. 4.5% as of 31 December 2007).

■ Specialised credit and corporate financial products

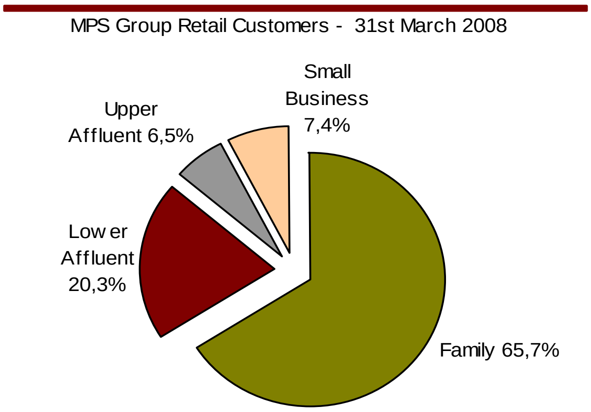
in million of euros		31/03/08	31/03/07
MPS Capital Services Banca per le Imprese			
	risk management (1)	2,113	1,338
	disbursements	845	674
MPS Leasing & Factoring			
incl.:	new leases executed	462	462
	factoring turnover	1,831	1,099
Consumit			
	disbursements	751	720

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

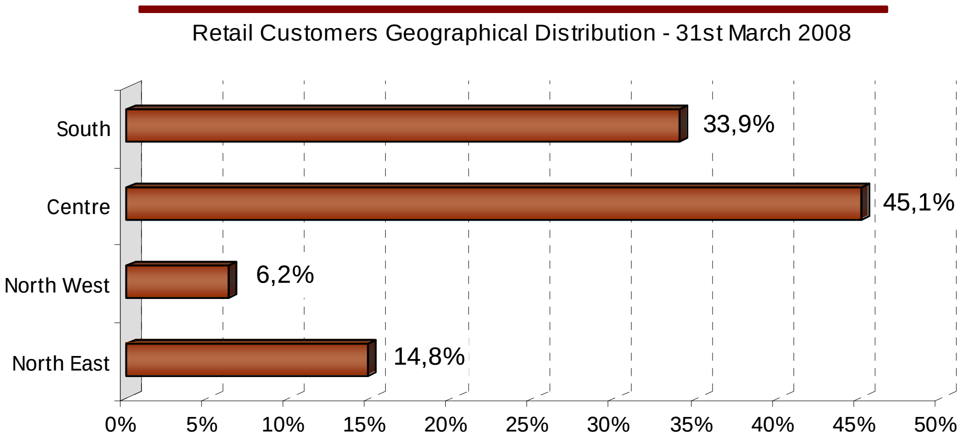
- CUSTOMER PORTFOLIO

As of 31 March 2008, the customers of the Group (including the direct customers of Consum.it) **numbered 4,847,940 (inclusive of 144.174 customers of Biverbanca), in comparison with 4,815,775 existing customers at the end of 2007. The commercial networks customers were as many as 4,306,175**, with Retail Customers, Private Customers and Corporate Customers accounting for 97.8%, 0.7% and 1.5%, respectively.

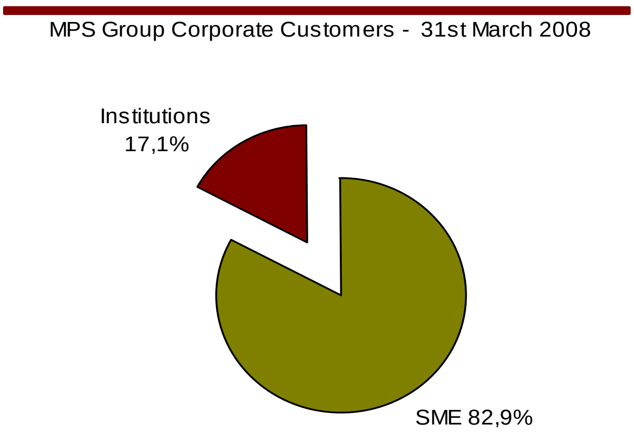
A review of the **retail business** (**4,213,324 customers**) shows that the weight of the **Family segment** is 65.7% of total and represents the majority of customers, followed by the Lower Affluent segment (20.3%), Small Business (7.4%) and Upper Affluent customers (6.6%).



The **breakdown of retail customers by geographical area** confirms the Group's traditional franchise in central and southern Italy.



SMEs and Local Authorities account for 82.9% and 17.1%, respectively, of the Group's **61,319 corporate customers**.



Following is a breakdown of corporate customers **by business** segment:

MPS Group: composition % by activity - 31st March 2008

	Total Customers	Retail	Corporate
Agricolture	3,8	4,0	2,7
Public utilities	0,4	0,2	1,0
Manufacturing: extraction and chemical	2,0	1,5	4,5
Metallurgy and mechanical	7,3	6,5	11,3
Alimentary, w earing, leather, textile	11,1	10,1	15,6
Construction and building	11,6	12,2	8,9
Wholesale distribution	9,0	8,3	12,6
Retail distribution	19,3	21,8	8,2
Tranport and communication	3,4	3,3	3,6
Banking, insurance and services	12,5	12,4	12,5
Public administration	5,3	5,8	3,0
Not classified	14,3	13,8	16,1

The (annualized) acquisition and retention indicators of the markets of reference as of 31 March 2008, on a comparative basis with the year of 2007, show as follows:

- **An improving acquisition rate** (from 8.3 to 8.7) as a result of the growth of the retail and corporate segments
- **A decreasing retention rat**e (from 94.9 at the end of 2007 to 94.5) influenced by the fall of the corporate market (-1.7%).

Retention and Acquisition

	Retention December 2007	Acquisition December 2007	Retention March 2008	Acquisition March 2008
Retail	95	8.3	94.6	8.7
Private	97.1	3.5	97.2	3.5
Corporate	94.8	9.6	93.1	11.3
TOTAL	**94.9**	**8.3**	**94.5**	**8.7**

During Q1 2008, **Customer Satisfaction** activities gave an important contribution to the development of the Group Banks' business, supporting the launch of the "**Made in Italy**" campaign and completing the analyses for processing the 2007 **Customer Satisfaction Report**. The Group started the "CRM 2.0" Project which contemplates the full re-design of the manager's workstation of all the commercial lines of the Banks.

CAPITAL AGGREGATES

The above-mentioned commercial operations in terms of funds management and lending, in addition to the foreign network operations, made a strong contribution to the development of the major capital aggregates, as shown hereunder.

1) FUNDING AGGREGATES

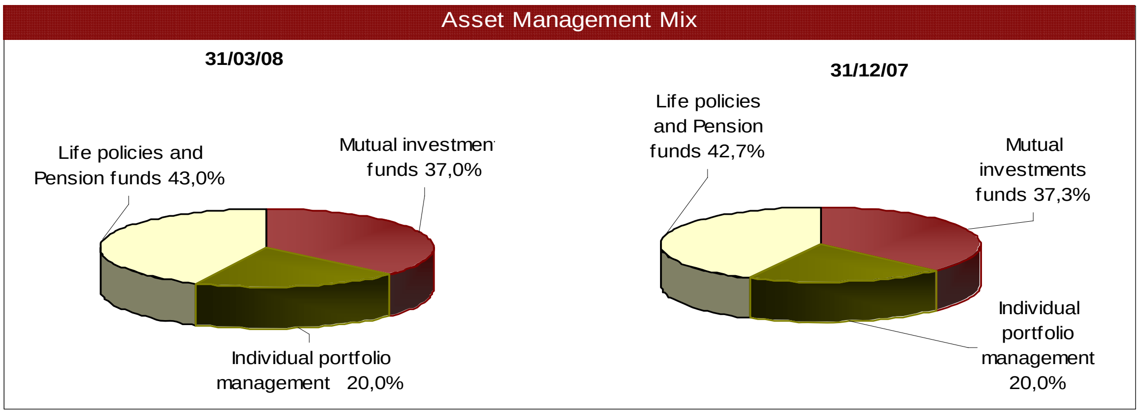
Total funding grew by about 1% (with the addition of Biverbanca in the area of consolidation late in 2007; excluding this effect, there was a decline of about 1.7%), which is indicative of the substantial decrease in the prices of the financial assets managed or administered on behalf of the customers, as a result of the crisis of the markets started last summer and still under way.

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

	31/03/08	31/03/07	% chg. vs 31/03/07	% weight 31/03/08
Direct customer funding	**109,040**	**95,827**	**13.8%**	***53.1%***
Indirect customer funding	**96,228**	**107,353**	**-10.4%**	***46.9%***
assets under management	*46,170*	*48,398*	-4.6%	*22.5%*
assts under custody	*50,058*	*58,955*	-15.1%	*24.4%*
Total customer funding	**205,267**	**203,180**	**1.0%**	***100.0%***

In particular, **<u>indirect funding</u> came to EUR 96.2 bn as of 31.03.2008**:

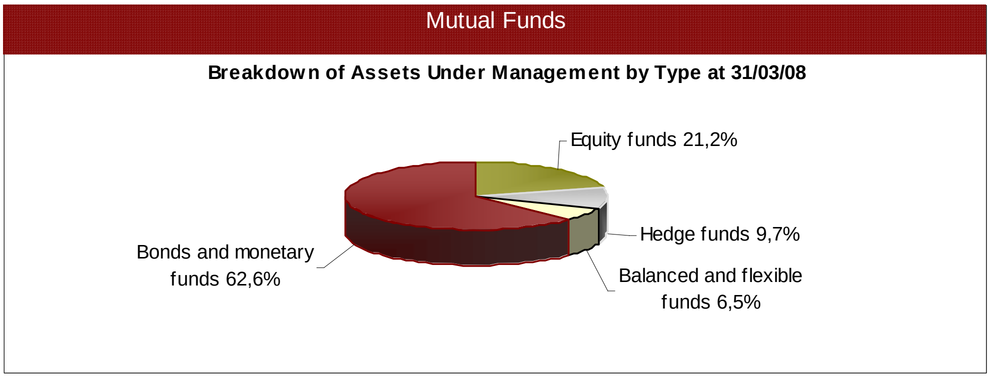
- **The balance of <u>funds managed</u> totalled EUR 46.2 bn (47.3 bn as of 31/12/2007**), and reflects the downward trends which characterized the market of funds and assets under management, also due to the investors' preference going to liquid, fixed-income investments. The lines of investment and the Asset Management Firms (belonging to the Group or third parties) were chosen on the basis of an approach oriented to the selection of the best solutions for the customers in a logic of "open architecture". Following is the mix of the aggregate with the weight of "Mutual investment funds" at 37% (37.3% as of 31 December 2007).



- **<u>With reference to life insurance policies</u>, the technical reserves in relation to the Group commercial networks came to EUR 19.8 bn**, with the expanding contribution of index-linked and unit-linked policies with respect to 31 December 2007;

- **<u>The balance of the Group mutual funds/SICAVs</u> amounted to EUR 17.1 billion, in comparison with EUR 17.6 bn as of 31 December 2007** (market share: from 3.58% at the end of 2007 to 3.74%)**.**

The chart below illustrates the mix of investment funds by type and evidences the progress of bond/monetary funds (from 58.7% as of December 2007 to 62.6%) and hedge funds (from 8.2% to 9.7%).



- **The balance of <u>individual portfolios under management</u> stood at EUR 9.2 billion** (EUR 9.5 bn as of 31.12.2007), with a marginal improvement of the market share.

The total balance of **<u>funds under administration</u>** amounted to EUR 50.1 bn (53.1 billion as of 31 December 2007), and is indicative of the strong reduction of Stock quotations - which considerably reduced the value of the financial assets held in custody on behalf of the customers (abt. 1.8 bn since January 2008) - and the volatility characterizing the deposits of a few Large Corporate positions.

<u>Direct funding</u> (at about EUR 109 billion, **with a domestic market share higher than 6%, slightly falling with respect to December 2007**) **advanced considerably by 13.8% in comparison with the data as of 31 March 2007 (+11% excluding Biverbanca),** mainly driven by bonds placed with retail customers, short-term deposits, but also funding with institutional customers.

Following is a breakdown of funding by business segment:

Commercial funding
(in millions of euro)

		% weight	
	31/03/08	31/03/08	31/03/07
Commercial Banking/ Distribution network	50,346	58.6%	60.2%
Corporate Banking / Capital Markets	30,345	35.3%	33.7%
Private Banking/Wealth Management	5,262	6.1%	6.1%
Total	**85,953**	**100.0%**	**100.0%**

2) LENDING

A) THE MPS GROUP COMMERCIAL OPERATIONS

As a result of the above-mentioned hefty flows of disbursements, **outstanding loans totalled EUR 107.6 billion (+12.9% in comparison with the data as of 31 March 2007; + 10.5% excluding Biverbanca).** Growth was mainly driven by domestic performing loans which advanced by approx. 12% **(with a market share of 6.6% in line with the level as of December 2007)** , with a downward trend with respect to the past quarters.
Following is a breakdown of consolidated loans by business sector:

Customer loans
(in millions of euro)

		% weight	
	31/03/08	31/03/08	31/03/07
Commercial Banking/ Distribution network	44,018	44.4%	42.9%
Corporate Banking / Capital Markets	54,369	54.8%	56.2%
Private Banking/Wealth Management	785	0.8%	0.9%
Total	**99,172**	**100.0%**	**100.0%**

B) CREDIT QUALITY

The MPS Group closed the first quarter of 2008 with a net exposure in terms of impaired loans increasing by abt. +5.6% with respect to the end of 2007, mostly attributable to past due loans.
The ratio of impaired loans to total loans was moderate at 3.84%, with NPLs and watchlist credits (net of valuation adjustments) at 3.08%.

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**31/03/08**	**31/12/07**	**% weight 31/03/08**	**% weight 31/12/07**
A) Impaired loans	**4,131**	**3,910**	**3.8**	**3.68**
a1) Non-performing loans	2,064	1,996	1.9	1.88
a2) Watchlist loans	1,251	1,203	1.2	1.13
a3) Restructured loans	123	131	0.1	0.12
a4) Past due	693	581	0.6	0.55
B) Performing loans	**102,804**	**101,892**	**95.6**	**95.83**
C) Other assets	**634**	**520**	**0.6**	**0.49**
Total customer loans	**107,569**	**106,322**	**100.0**	**100.0**

The coverage of impaired loans, which account for 39.2% of gross total loans, is virtually steady with respect to December 2007. In particular, **the percentage of coverage of NPLs was 52% (51.6% as of 31.12.2007), with the commercial banks recording an average coverage approximating 53%.**

Portfolio valuation adjustments to performing loans came to abt. 0.55% of the aggregate of reference.

■ **PROVISIONING RATIOS**

	31/03/08	**31/12/07**	**31/12/06**
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**39.2%**	**39.4%**	**38.7%**
"provisions for watchlist loans"/"gross watchlist loans"	**22.8%**	**23.4%**	**25.1%**
"provisions for NPLs"/"gross NPLs"	**52.0%**	**51.6%**	**54.1%**

The difference of the weight of valuation adjustments with respect to 31 December 2006 is attributable to the infragroup securitization of NPLs conducted at the end of 2007.

Following is the 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 31/03/08 *in million EUR*	**Group**	**BMPS**	**BT**	**BAM**	**MPS Banca per l'Impresa**	**MPS Leasing & Factoring**	**CONSUM.IT**
Non-performing loans	2,064	1,054	104	50	682	66	43
% weight on customer loans	1.9%	1.7%	0.7%	0.4%	5.5%	1.3%	0.8%
"loan loss provisions"/"gross NPLs"	**52.0%**	**52.9%**	**49.3%**	**62.5%**	**36.0%**	**77.4%**	**74.6%**
Watchlist loans	1,251.3	376.8	197.7	93.6	347.7	129.1	27.0
% weight on customer loans	1.2%	0.6%	1.4%	0.8%	2.8%	2.4%	0.5%
"loan loss provisions"/"gross watchlist loans"	**22.8%**	**31.0%**	**22.2%**	**14.9%**	**9.9%**	**18.8%**	**51.2%**

The management of the NPL portfolio mandated to MPS Gestione Crediti Banca was successful, **with collections totalling EUR 158 million at the Group level in comparison with the quarterly average of 2007 of EUR 121 million approx.**

C) THE OPTIMIZATION OF THE LENDING PROCESS

In the first quarter of 2008 the MPS Group completed most of the activities oriented to achieving validation of the use of the internal rating systems for credit risk measurement. With reference to the completion of the development of the rating models, integration of risk measurement in the lending process and internal validation of the rating system, the MPS Group was subject to the Bank of Italy's inspection. The inspection is integral part of the administrative procedure of validation of the advanced methods for the determination of capital requirements.

The Group expects to obtain the official approval of the application for validation no later than the end of June 2008, which is the six-month deadline contemplated by the law for the assessment of the application.

The Group also reviewed the cut-off structure for the disbursement of retail mortgage loans, which is included in the Retail Electronic Loan File, in order to re-set the thresholds of acceptance on the basis of more recent data and trends.

On the front of loan monitoring, the Group re-defined the rules of interception of the process of regular supervision, by integrating the existing logic exclusively based on the rating with trend indicators which can better detect any abnormal events in the customer's business. This has the objective of recovering efficiency by keeping the existing levels of credit risk coverage. In addition, with reference to the monitoring process of loan disbursements, the Group released the process of Delinquent Loan Management to the Geographical Area of Central Italy and Sardinia, as a pilot project. The process follows up retail customers which exceed their credit limits and/or have past due instalments, and massively manages defaulting counterparts through pre-established actions, in co-operation with Consum.it as the co-ordinator of external collection services.

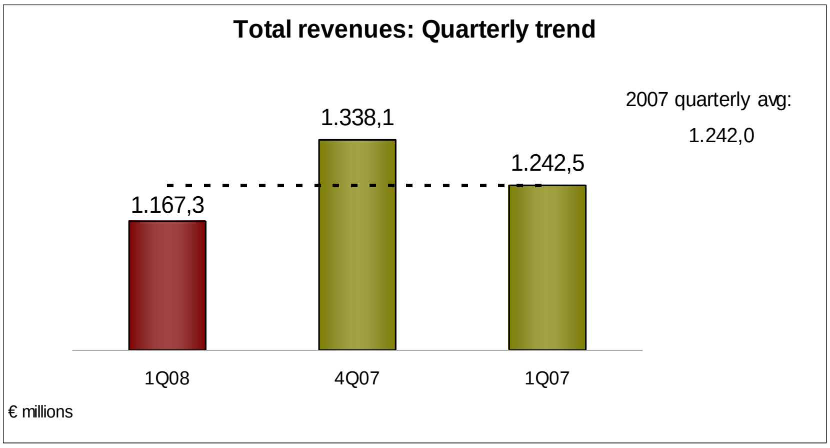
PROFITABILITY AGGREGATES

As a result of the above-mentioned dynamics, primary banking Income grew by a hefty 8.9% in Q1 2008 (abt.+5.6% integrating the values of Biverbanca with the data as of 31 March 2007). This offset, although only partly, the negative trend of the other components of income from financial and insurance business. **These trends, associated with the trend of loan adjustments and operating expenses, determined a net operating profit of about EUR 262.2 million (EUR 279.1 million in Q4 2007; 447.2 million as of 31 March 2007).**

1) OPERATING PROFITABILITY

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

With reference to the development of income from financial and service business, in the first quarter of 2008 **financial and insurance income stood at EUR 1,167.3 million approx., falling by about 6% year on year (abt.-8.8% including Biverbanca), with the "core" components (interest income + customers commissions) advancing by about 8.9%** and confirming the structural growth recorded in Q4 2007.



The main aggregates developed as follows:

- **Interest income (in the amount of EUR 810.6 million) rose by abt. 15% with respect to 31 March 2007** (abt.11% including Biverbanca), **with a quarterly level virtually in line with Q4 2007. The Commercial Areas contributed with a global increase of around 9.7%** which benefited from the expansion of average volumes traded (more than 11%), and offset the modest reduction of the average spread of interest rates in comparison with the prior year. Positive contributions also came from the optimization of the management of liquidity and interest rates in a period of marked turbulence of the financial markets;

- **Net commissions** totalled EUR 382 million, an amount slightly lower than Q4 2007 (-1.7%), dropping by 1.9% with respect to 31.03.2007. Income from traditional banking services advanced, but the commissions associated with funds management declined due to the crisis of the financial markets (e.g. decreasing volumes, lower turnover of funds under administration).

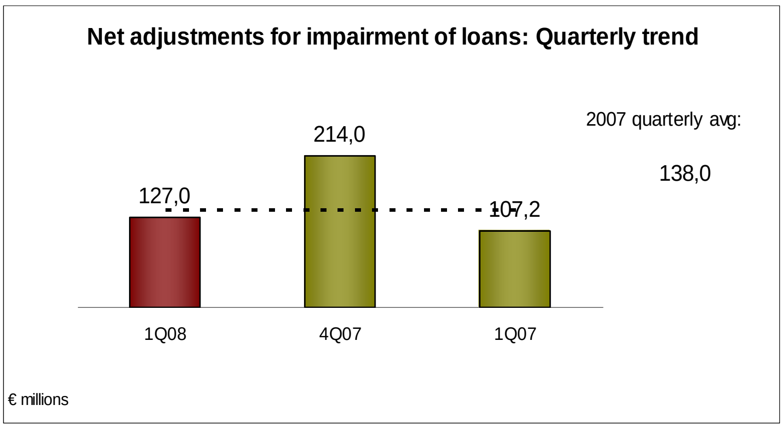
- **Dividends, similar income and Profits (Losses) from equity investments** amounted to **EUR 8.2 million**, decreasing in comparison with EUR 60 million as of 31 March 2007. The amount as of March 2007 incorporated the capital gain in relation to the partial sale of the investment held in Finsoe (EUR 26.4 million) and the positive contribution of about EUR 30 million from the insurance companies, which was lower than 1 million in Q1 2008.

- **Net income from trading/valuation of financial assets** showed a deficit of -**EUR 29.6 million** (EUR 88.2 million as of 31.03.2007), as the joint effect of the positive results achieved by MPS Capital Services - which exploited the opportunities associated with the market high volatility – and the negative results of the Parent Bank's portfolio of financial assets, which was affected by the consequences of the crisis. In the months following the close of Q1, the equity and credit markets improved, thus enabling the Group to recover a portion of the losses recorded during Q1.

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

	31/03/08	31/03/07
Net Profit from trading	-51.8	79.2
Profit/loss from loans, available for sale financial assets and financial liabilities	1.7	3.5
Fair Value financial assets and liabilities	20.4	5.5
Net result from realisation/valuation of financial assets	**-29.6**	**88.2**

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



With reference to income resulting from loan disbursements, in the first quarter of 2008 the Group posted **net valuation adjustments to impaired loans in the amount of EUR 127 million (EUR 107.2 million as of 31.03.2007; EUR 111 mln including Biverbanca)**. This is indicative of a provisioning rate of about 47 bp (52 bp as of 31 December 2007), which confirms the positive results achieved by the Group in terms of optimization of the quality of its loan portfolio and risk coverage.
Net valuation adjustments for impairment of financial assets showed a **negative balance** (**EUR 69.4 million**), mainly attributable to the updated valuation of the equity investment held in Hopa due to the capital loss resulting from the sale of the stake held by Hopa in Telecom S.p.A. in March 2008, with the share value coming to EUR 0.26. .

As a result, **income from financial and insurance business totalled EUR 970.9 million (EUR 1,130.9 million as of 31 March 2007).**

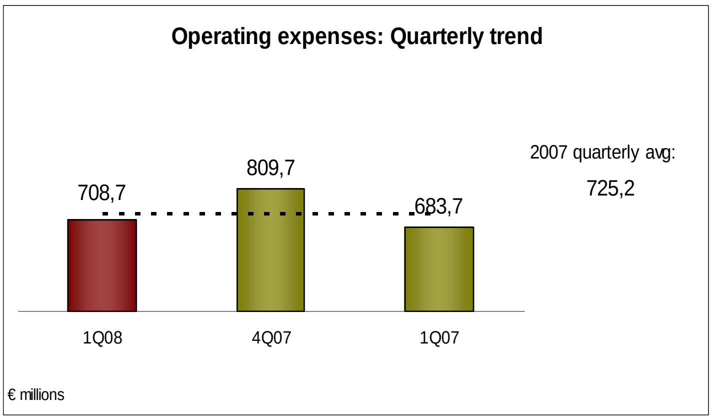
OPERATING EXPENSES: OPERATING CHARGES

In line of continuity with past years, the MPS Group continued to carry out initiatives for the structural containment of expenses during the first quarter of 2008. However, although in light of developing investments in technologies and communications, **operating charges rose to EUR 708.7 million** (+3.7% year on year; -0.3% including Biverbanca and taking account of the portion of the non recurrent contractual increase at the end of 2007).

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

	31/03/08	31/03/07	Abs. chg. vs 31/03/07	% chg. vs 31/03/07
Personnel expenses	451.5	430.8	20.7	4.8%
Other administrative expenses	228.1	223.3	4.8	2.1%
Administrative expenses	**679.7**	**654.2**	**25.5**	**3.9%**
Net adjustments to the value of tangible and intangible fixed assets	29.0	29.5	-0.6	-1.9%
Operating expenses	**708.7**	**683.7**	**25.0**	**3.7%**

In particular:



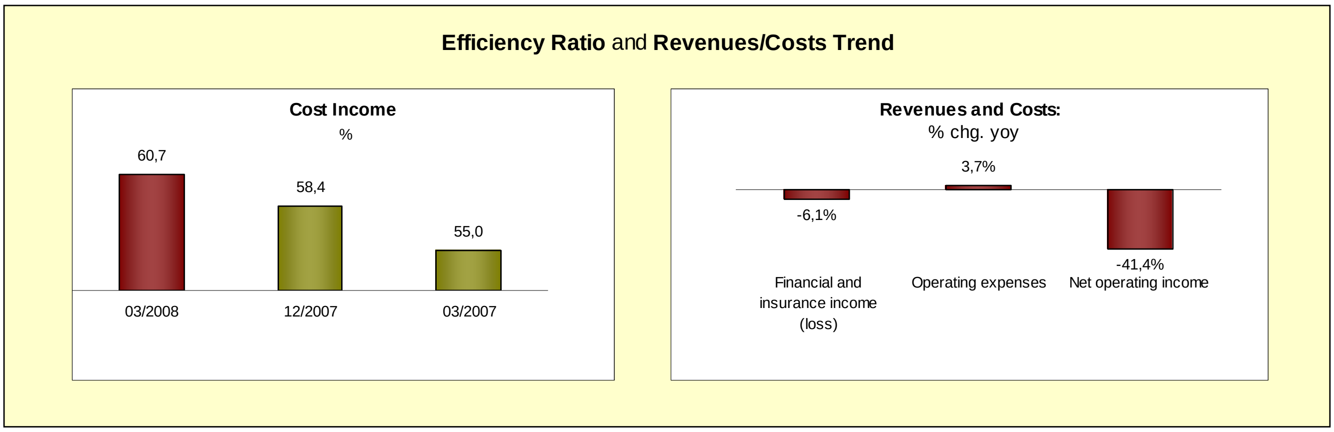
A) **<u>Administrative expenses</u> progressed in comparison with 31.03.07** (+3.9%; slightly higher than 1% including the expenses of Biverbanca), as a result of:

- **personnel expenses in the amount of EUR 451.5 million. These expenses** incorporated the increase contemplated by the renewal of the National Labour Agreement (enforcement of the new wage scales effective 1 January 2008) and advanced by about EUR 21 million (+4.8%) **on a comparative accounting basis with 31 March 2007**. **A standardized comparison for operating purposes -** adjusting the level of Q1 2007 with the values of Biverbanca for the period and the portion in relation to the higher impact of the non-recurrent contractual increase (posted at the end of 2007) - shows a slightly decreasing trend (-0.1%). This trend is mostly attributable to the structural benefits resulting from the reduction and re-mix of personnel, implemented in the second half of last year (huge outflow of human resources with high seniority and job position).

- **other administrative expenses** (EUR 228.1 million, net of recoveries of expenses and customers' stamp duties) progressed by 2.1% (-0.4% including Biverbanca), due to the steady control of expenses and cost management actions undertaken.

B) **<u>Net valuation adjustments to tangible and intangible assets</u>** amounted to EUR 29 million, in line with 31 March 2007 (-EUR 29.5 million, -EUR 30 million including Biverbanca).

Accordingly, the Net Operating Profit stood at EUR 262.2 million (EUR 447.2 million as of 31.03.2007). The cost/income ratio was 60.7% (58.4% as of 31 December 2007), compromised by the lower than expected income from the finance area (-3%). Excluding said components and the management of equity investments, the Net Operating Profit would grow by 8.3%.



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

The **Net profit for the period** consists of the following components:

- The positive balance of **Net provisions for risks and charges and Other operating income/charges** in the amount of EUR 29.3 million (-EUR 13.7 million as of 31 March 2007), including EUR 7.2 million in relation to other operating income/charges;

- **Profits from equity investments in the amount of EUR 186 million**, with reference to the sale of the Depositary Bank to the IntesaSanPaolo Spa Group, executed at the end of March 2008, with actual transfer on 14 May 2008;

- **Profits from the sale of investments in the amount of EUR 7.7 million,** in relation to the sale of a building by MP Banque.

Therefore, also in view of the above-mentioned components, **profits from current operations before taxes stood at EUR 485.3 million (+11.9% with respect to 31 March 2007; +8% including Biverbanca).** This amount differs from the accounting statements, since it takes account of the sale of the Depositary Bank as if already occurred on 31 March 2008, even though it was executed in Q2 2008 from the accounting viewpoint, in compliance with the paragraph covering "The principles of restatement of the reclassified financial statements as of 31 March 2008 – MPS Group" on page 11.

Rounding out the picture of profitability are:

- **Income taxes on current operations** in the amount of EUR 102.8 million (EUR 176.6 million as of 31 March 2007), with a standardized tax rate of about 34.4% (20.7% in nominal terms). The 2008 Financial Act (no.244 of 24 December 2007) provided for the opportunity of an optional realignment, subject to a substitute tax of IRES and IRAP, of the tax values with the balance sheet values in relation to the differences produced until 31 December 2007, through extra-accounting tax abatements. Following the issue of the Ministerial Decree published in the Official Journal on 17 March 2008 which gave the necessary explanatory details, the Bank and the main MPS Group companies decided to realign a portion of the values with a global benefit in the profit and loss statement as of 31 March 2008 of about EUR 33 million, as the reversal of deferred taxes payable, allocated in the past years, less the substitute tax.
- **Profits (losses) from discontinued operations after taxes** in the amount of – EUR 3.6 million, mostly attributable to Quadrifoglio Vita (-3.4 million).

Consolidated net profits stood at EUR 190 million; including the capital gain from the Depositary Bank (transaction executed at the end of March 2008 – see page 11), consolidated net profits on a restated basis would come to EUR 375.1 million, with a 48% progress y-o-y (EUR 253.6 million as of 31 March 2007). The ROE was 12.6% (ROE calculated on average shareholders' equity: 11.6%) due to lower income resulting from the trend of the financial markets.

Such results took advantage of the positive contribution from the **Parent Company (BMPS**) (net profit of EUR 293.4 million; EUR 222.1 million as of 31 March 2007; net profit inclusive of the capital gain from the sale of the Depositary Bank: EUR 412.3 million), all the Group's Business Units (as outlined in the following section covering Segment Reporting), and in particular from **Banca Toscana** (net profit of EUR 40 million or +26.3%) and **Banca Agricola Mantovana** (net profit of EUR 32.1 million or + 34.3%).

* * *

Comparative statement of the Parent Bank's net equity and profit for the period and the consolidated net equity and profits as of 31 March 2008.

Comparative statement of the net equity and profit and consolidated net equity and profit as of 31.03.2008		
in thousands of euro	31.03.2008	
	Net equity	**P/L statement**
Balance as per the Parent Bank's balance-sheet	7,854,781	293,435
Incl. valuation reserves from the Parent Bank	*194,233*	
Effect of consolidation of subsidiaries with the line-by-line method	286,012	162,760
Surplus - with respect to the book values - resulting from the valuation with the net equity method	368,104	5,898
Reversal of dividends distributed by the Subsidiaries	0	-232,261
Profit and Loss impact of eliminination of value reductions/adjustments for equity investments	0	9,755
Effetto storno cessioni infragruppo	-51,367	-51,367
Effect of reversal of capitalised commissions	-36,436	646
Tax effect (tax rate reduction)	-36,052	0
Other adjustments	20,296	4,243
Reserves from valuation of subsidiaries	238,485	-2,971
Group net equity and net profit (loss) for the period	**8,643,823**	**190,138**

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 MPS Group adopted the *business approach* and chose, for the purpose of **primary reporting** of income/balance-sheet data, **a breakdown of results in accordance with the business areas committed to carrying out consolidated operations**.

On the basis of said approach, **following is a breakdown of the results achieved by the business areas of the MPS Group as of 31 March 2008,** in compliance with the existing organization structure. The data as of 31 March 2008 have been restated in compliance with the principles adopted in 2008, in view of (i) the transfer from Monte Paschi Banque (included in the Corporate Banking Area) of the business unit in relation to the Monaco Branch to a new company (Monte Paschi Monaco S.A.M., directly reporting to the Private Banking Area); (ii) the exclusion of Intermonte (now part of the Corporate Center) from the Corporate Banking Area, as a result of the expected sale of the majority stake to third party Partners. In addition, the data take account of customers' migrations between segments and the adoption of new criteria of calculation of the expected loss[1] on the basis of which loan adjustments are distributed. With reference to the assignment of the new Group Companies (included in the profit and loss statement effective this quarterly report) to the Areas, AXA Sim became part of the Private Banking Area. Pending the implementation of the New Business Plan, Biver Banca has been temporarily assigned to the Corporate Center.

SEGMENT REPORTING - Primary segment
(in millions of euro)

2008 MARCH	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)	707.0	5.1%	71.8	-10.2%	358.9	12.1%	29.7	-82.5%	1,167.3	-6.1%
Net adjustments for impairment of loans and financial assets	59.3	6.4%	-0.1	-125.5%	59.9	15.1%	77.3	2184.1%	196.4	76.0%
Operating expenses	387.0	0.1%	49.0	0.7%	153.6	1.5%	119.0	22.9%	708.7	3.7%
Net operating income	260.7	13.3%	22.8	-26.2%	145.3	24.6%	-166.6	-339.3%	262.2	-41.4%
CAPITAL AGGREGATES										
Performing loans	44,018.1	15.9%	785.2	-1.0%	54,368.8	9.3%	6,513.7	30.0%	105,685.7	13.0%
Due to customers and securities	50,345.9	14.4%	5,262.2	17.5%	30,345.1	23.1%	24,493.7	7.9%	110,446.9	15.3%
Assets under management	28,522.0	-10.5%	12,583.4	5.4%	2,965.3	-17.4%	2,099.4	107.0%	46,170.1	-4.6%
PROFITABILITY RATIOS										
Cost Income	54.7%		68.3%		42.8%		401.3%		60.7%	
Raroc	33.0%		143.5%		8.7%				10.6%	

[1] The new approach, as outlined in the section covering "The integrated management of risks and capital", caused a change in the distribution of the expected loss between the areas with respect to the past quarters. Therefore, the Raroc time series cannot be compared with the series published today.

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

- COMMERCIAL BANKING AND DISTRIBUTION NETWORK

PRODUCT/SERVICE INNOVATION AND THE SALES AND MARKETING POLICY

The first quarter of 2008 was characterized by **activities oriented to improving customers' services,** based on crucial factors such as after-sale advisory services in relation to loans and the application in compliance with the MIFID of the new instruments for the financial planning of investments. In addition, the Area started to support Biverbanca units.

Product innovation continued at a brisk pace, **with the launch of several initiatives.**

With reference to **residential mortgage loans** to Family and Affluent customers, the Group adjusted its products to the new regulations (Law 40/2007 and Financial Act 2008) and **re-designed "Sostimutuo" which replaces other banks' mortgage loans through the subrogation of the original creditor.** The transaction is free of charge, with the Group paying the associated notarial expenses.

On the front of **consumer finance**, the Group arranged process innovations which are based on pre-acceptance, in a best product logic and using credit scoring criteria. In addition, the Group got in touch with a part of the exclusive customers of Consum.it, which are considered as prospects for the branch network of BMPS. Of paramount importance is the start of the **process of in-house issue** of retail credit cards, from CartaSi to Consum.it, as detailed in the chapter covering "Collection and payment systems".

With reference to **current accounts**, the Group produced and marketed **Conto Commercio Light**, a package account targeted at small businesses. The activities preliminary to the integration of Banca Antonveneta were started with specific regard to the analysis of the accounts to be migrated and the accounts which will be gradually marketed by AV as of June.

The Group developed its partnership with Axa **in the area of bancassurance** and improved its product portfolio (i.e. Mutuo Sicuro with additional coverage, Eco Energy policy (photovoltaic), Term Ticket (innovative life and damage policy to be offered both in bundling with loans, and at standard terms).

Repeating past successful initiatives on the front of relations marketing, the Group launched a **promotional campaign of selected banking products matched with typical "Made in Italy" products**, in co-operation with the Ministry of Agriculture, the General Federation of Landowners and the General Federation of Commerce, in order to test an innovative approach to the customers potentially interested in the service. This experience gave a good contribution to the placement of some products and real bank, with a rate of new customers and/or recaptured customers of about 20%.

With respect to the **Small Business** market, the Group inaugurated **"Pacchetto Agricoltura", a system of financial products and services** supporting the specific requirements of this business sector. The package regenerates supply, meets requirements which were not satisfied in the past, and introduces innovative issues such as renewable energy and "quality" food and agricultural production. The package was presented to the market on the occasion of the signature of the regional agreements with the General Federation of Landowners - CIA.

The Group is testing "**Patto con il cliente**", a project of quality whereby the bank is committed to repaying its Customers if the level of service agreed is not complied with. The first results prove the customers' general appreciation.

Additional information in relation to product innovation in the area of asset management is provided in the section covering "*Private Banking & Wealth Management*".

SERVICE MODELS

The Group prepared **innovations of the advanced advisory instruments** in relation to investments, mainly targeted at Affluent Customers. The new **Advice platform** was fully extended to the networks of BMPS, BT and BAM with training involving about 3,000 employees (i.e. account managers, DTR segment managers, branch managers).

The **profiling of Affluent Customers** is gradually being developed in compliance with the recent MIFID directive; and the innovations of the range of bancassurance products introduced by the new partner Axa were enhanced by our service models.

As far as the **Small Business segment** is concerned, the Group started the programme for the implementation of an innovative **application – "the credit price list" –** with which the Account Managers can "measure the weight of credit risk" in real time and pending the negotiations with the customers. The Group also drafted a **guidebook to the major innovations introduced by Basle II,** containing an outline of the rating system adopted with specific regard to the main qualitative-quantitative aspects underlying the assessment of creditworthiness.

"Sinergie" is a project targeted at defining a process for the management of initiatives of development of prospects in synergy between the (Retail-Corporate-Private) markets and within the Retail Market, with reference to potential customers already included in the bank's records, but inactive.

- OPERATING RESULTS

On the front of **commercial operations**, the Commercial Banking & Distribution Network Area pursued **the positive trend of growth of the customers' base** started last year (over 33,000 "new customers" acquired in Q1) and achieved **considerable volumes in the placement of fund management** (mostly bonds and unit linked policies) **and lending products**. As a result, **direct funding** advanced by a hefty 8.3% in terms of average volumes y-o-y. This partly offset the effects of the crisis of the financial markets, which considerably compromised the **value of the volumes of funds under management and under administration**. **Loan volumes** progressed remarkably (+16.3% in terms of average balances), although gradually declining, as a result of the substantial development of medium-/long-term loans (residential mortgage loans) and, to a lesser extent, of short-term loans (Small Business).

Total income (EUR 707 million) rose by 5.1% y-o-y, driven by an increasing interest income (+8.4%) based on the strong development of traded volumes and a virtually steady spread. Net commissions recorded a modest drop (-0.9%) mainly attributable to continuing income (falling volumes of funds under management). The Net Operating Profit almost reached EUR 261 million with an increase of 13.3% year-on-year. The cost/income ratio for Commercial Banking & Distribution Network was 54.7% (58.8% in December 2007).

Commercial Banking / Distribution network

(in milioni di euro)	31/03/08	% chg yoy
INCOME AGGREGATES		
Net interest income	479.4	8.4%
Net commissions	225.5	-0.9%
Financial income (loss)	0.5	-82.4%
Net Financial income (loss)	**707.0**	**5.1%**
Net adjustments for impairment of loans and financial assets	59.3	6.4%
Operating expenses	387.0	0.1%
Net operating income	**260.7**	**13.3%**
CAPITAL AGGREGATES		
Performing loans	44,018.1	15.9%
Due to customers and securities	50,345.9	14.4%
Assets under management	28,522.0	-10.5%

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 5.1 million (-29% mln in comparison with 31 March 2007), incorporating higher loan adjustments due to the difficult economic situation and developing operations;

- **Banca Monte Parma (**a 49.3% associated company consolidated with the proportional method) realized a net profit for the period of EUR 3.5 million (steady y-o-y), mainly due to the growth of ordinary business;

- **Banca Popolare di Spoleto** (equity investment consolidated with the proportional method: 25.9%) realized a net profit of EUR 2.14 million (EUR 3.21 mln as of 31.03.2007).

- PRIVATE BANKING & WEALTH MANAGEMENT

In the first quarter of 2008, the activity of the Wealth Management Area was characterized by **important innovations in the range of products and the additional upgrading of investment services**, for the purpose of ensuring a supply of excellence to the Group's customers.

With reference to **individual portfolios under management**, the Group introduced, also for the Corporate segment, the multiline portfolios named "**Private Investments" and "Alta Gamma**". In addition, the Group inaugurated "**Gestione liquidità**", the first monetary line exclusively targeted at the Corporate segment, specialized in securities. In relation to compliance with the Mifid directive, the Group defined the actions to be undertaken with respect to the management agreements executed before the enforcement of the Mifid, with particular reference to the re-crediting of the return commissions for the use of UCITs.

As regards **Funds and Sicavs**, the Group launched the first guaranteed-capital Fund of the MPS Group ("**Bright Oak Secure World Fund**") with participation in the performance of a basket of world indices. As to the supply of third party products, in a logic of continuous quality improvement, the Group is introducing **two prestigious international investment firms (UBS and Axa**), thus confirming the Group's opening strategy to a multibrand logic.

In relation to the **insurance area**, the joint venture of Axa and MPS produced many results. In the Private segment the Group launched a new innovative policy (**Double Prestige**), the first revaluable single-premium policy with guaranteed annual return which envisages the capitalization or the payment of interest accrued. In addition, upon maturity the Customer can receive an annuity or plan specific redemptions of capital. In a logic of streamlining and optimizing the supply of products, BMPS sold its **welfare business unit** to Axa Mps Assicurazioni Vita, a company specialized in the supply of insurance and welfare products to the Group.

With reference to the Retail segment, the Group introduced major amendments to "**Accumulator Investimento**" which can be now marketed to the Family segment, and launched 5 Index Linked products placed by all the Group networks, including 2 placed by newly-purchased **Biverbanca**. The products supplied by Biverbanca are now being aligned with the other Networks. At the end of Q1 2008, 2/3 of the products included in the range can be distributed by the branches of the Piedmontese bank.

The Group innovative finance continued to search for new solutions with the objective of achieving the utmost customers' satisfaction, as a result of internal and external skills. **The issue of the Morgan Stanley Flexible Europe certificate** (5^{th} tranche) was flanked **by two issues. The first issue, with BMPS as the issuer,** is linked with the growth of a basket of agricultural commodities; **the second issue, with Barclays as the issuer**, is linked with the consolidation of a few Chinese companies.

The existing basic service **of professional advice** was flanked by the release of the new model of **Advisory Platform,** which develops **advanced investment advisory services,** in line with the provisions of the MIFID Directive. The "advanced" service is based on a portfolio logic and enhances and consolidates the Group's supply of advisory services, with particular reference to more sophisticated customers.

The **Wealth Risk Management Unit** pursued the measurement and monitoring of the risks implicit in the investment services provided. The main objective is to ensure global consistency of the customers' risk propensity and their expected return with the risk profile of the products and portfolios held by the customers. By so doing, the Group intends to prevent or at least minimize the occurrence of any reputational risks and the deterioration of the customers' confidence in the bank. All appropriate checks are conducted in compliance with the MIFID provisions.

With reference to the Private segment, during Q1 2008 the Group marketed a new multiline System, "Private Investment", which incorporates 18 new lines of investment, diversified by management style, financial instruments and investment areas/sectors. The System represents a total innovation, since the customers enter into a single management agreement and are enabled to invest in several lines with the utmost flexibility and a high degree of customization, in a multibrand logic.

The commercial initiatives include the activation of "Sviluppo in Rete", devised to intensify the capacity of penetration of the Networks and capture flows of customers leaving other competitors. In particular, the Group finetuned an intensive action of development of prospects through joint initiatives in each geographical region conducted by the Private Centres and the Centralized Relations Unit, by matching the specialist's know how of the Area and the managers' skills and knowledge of each geographical region. Excellent results were produced by the use of the "**Private" package**, a competitive commercial offer designed to support the Networks in the acquisition of new Customers and greater penetration with existing customers.

As regards **communications**, during Q1 2008 the Group carried out a press advertising campaign in support of "**Sviluppo in Rete**", with the simultaneous inauguration of a **cycle of meetings ("The financial world: scenarios and expectations for 2008")** which will take place in 12 of the major Italian financial centres in 2008.

- OPERATING RESULTS

The Private Banking and Wealth Management Area faced the difficult market situation and the increasing customers' preference to liquidity, and oriented commercial placements to asset management products and bonds. As a result, **direct funding** of Private Banking progressed considerably year on year (+ 13.7% in terms of average balances), with **indirect funding** falling by 7.8% due to the remix of portfolios and the effects of the decline in Stock Exchange prices, which depreciated the value of the assets administered or managed on behalf of the customers.

Total income of Private Banking & Wealth Management came to EUR 71.8 million approx., dropping by 10.2% y-o-y, due to decreasing continuing commissions attributable to the downward trend of the volumes managed and the shift toward bond/monetary investment lines which affected both the Private Networks and MPS SGR AM. The Net Operating Profit stood at EUR 22.8 million with a decrease of 26.2%. The cost/income ratio was 68.3% (59.7% in December 2007).

Private Banking / Wealth Management

(in milioni di euro)	31/03/08	% chg yoy
INCOME AGGREGATES		
Net interest income	17.8	7.5%
Net commissions	53.8	-15.0%
Financial income (loss)	-0.2	-227.0%
Net Financial income (loss)	**71.8**	**-10.2%**
Net adjustments for impairment of loans and financial assets	-0.1	-125.5%
Operating expenses	49.0	0.7%
Net operating income	**22.8**	**-26.2%**
CAPITAL AGGREGATES		
Performing loans	785.2	-1.0%
Due to customers and securities	5,262.2	17.5%
Assets under management	12,583.4	5.4%

The companies contributing to Private Banking & Wealth Management include:

- **MP Asset Management SGR** posted a consolidated net profit of EUR 7.7 million (EUR 10.9 million as of 31 March 2007), in decline y-o-y due to the above-mentioned reasons;
- **MPS Banca Personale** realized a loss of -1.37 million, with an improvement (+24.3%) y-o-y (recorded loss: EUR -1.8 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 – a subsidiary specialized in the management of Private customers - achieved a profit of about 1 million in the quarter.

▪ CORPORATE BANKING & CAPITAL MARKET

▪ THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

In the first quarter of 2008, research and development and marketing initiatives were oriented to consolidating **the role of the MPS Group as the banking partner of reference**, through the development of products and services supporting the different stages of corporate life-cycle, and the implementation of projects of innovation and search of new markets.
The operations were influenced by the enforcement of the **Mifid** directive which involved a substantial change in the advisory activity in relation to the supply of financial instruments to the customers.

During Q1 2008, the Group started new strategic initiatives specifically targeted at the **SMEs** (i.e. **Diagnostica, Alto Potenziale and Progetto Distretti). Diagnostica** contemplates the joint processing between the Bank and the Customer (and, if appropriate, between the specific Industry Association and/or Consulting Firm) of a "diagnosis" in search for solutions of improvement of corporate performances (e.g. search for a partnership, reorganization of corporate finance, use of the capital markets). **Alto Potenzia**le is targeted at corporate prospects and customers showing a high potential of commercial and income development, also through the introduction of a new logic of customers' segmentation. Finally, **Progetto Distretti** has the objective of assessing the potential of the Italian industrial districts and developing customized commercial initiatives in compliance with the specific corporate requirements for the purpose of improving their performances. This initiative provides for the mapping of the Italian industrial districts, the management of Focus Groups with the district representatives and the finalization of an agreement through the execution of a preliminary protocol.

In addition, the Group implemented **Patto**, a new leading product for the SMEs, made available to the Group banks in March 2008. Patto is a loan agreement with which the Bank approves a set of medium/long-term credit lines and commits to making them available no later than 60 months after the occurrence of specific management events. The product represents the new level of financial assistance the MPS Group intends to ensure the corporates for the achievement of the objectives set in the **medium/long-term development plans,** thus laying the foundations to become their **preferred bank of reference or to consolidate its role as such**.

The initiatives in support of the programmes of international expansion of the SMEs incorporate **"Campagna USA"** targeted at the SMEs operating with the US, with the objective of placing the "**USA 2008" Package**, including Conto Incassi, the International Factoring service, the International Leasing service and loans to US subsidiaries of Italian companies.
With reference to **credit based on arrangements**, after the execution with Confindustria of the agreement in relation to the use of a dedicated ceiling

of EUR 500 mln for the disbursement of the "*Welcome Energy*" and "*Innovazione e Sviluppo*" loans, new commercial initiatives **(electronic billing and Patto loan**) are being released. In addition, the Group arranged a desk in co-operation with **Confidi Province Lombarde** for the implementation of a financial instrument targeted at small SMEs and the Small Businesses participating in "Terziario Innovativo".

As part of its traditional activity in support of local geographical areas and entrepreneurs, the Group continued to develop the "**Confidi Platform".** In particular, the Group continued to structure the database, with a first release to the pilot Confidi consortiums, including the operations of transmission of the files subject to guarantee and the return information flows in relation to the portfolio acquired. The Group is continuing the reorganization of the "Confidi Application" to make it more compliant with the current monitoring needs of the world of guarantee entities.

On the front of **new production**, the Group completed the re-design of the "**Ecoenergy**"– a fundamental policy in the Welcome Energy photovoltaic package – and started implementing the following products:

- **"Prestito Capitale Progressivo"** with the dual purpose of supporting corporate development (i) from the viewpoint of capital and (ii) later, through a new loan;

- **"Mutuo flessibile",** a loan which contemplates the opportunity for the company to defer the repayment (max.two 6-monthly instalments), with calculation of interest only and postponement of interest and instalments to the end of the redemption of the loan;

- **"Third party loan" ,** a financial instrumental linked with the operations of ESCO, the companies providing energy services and developing, installing and financing projects targeted at increasing energy efficiency;

- **"Conto Insieme",** a specific package which provides services and instruments useful for the ordinary and extraordinary operations of No Profit Entities, targeted at meeting the requirements of the rapidly expanding Third Sector.

The activity in relation to **hedging products** continued in accordance with the customers' requirements both at standardized and customized terms. Forex business increased, partly due to the wide range of customizable products and strategies (IRS, collars, caps) and combinations with a different degree of sophistication. The range of hedging instruments will be upgraded in Q2 with additional hedging strategies in relation to the foreign exchange risk and commodity risk (floating forward contract, synthetic term contract and commodity swap).

As a result of the **joint venture with the Axa Group** and in light of the enforcement of the new Consob regulation on Issuers, the global range of **life insurance policies targeted at the SME/Local Authority segment** was streamlined and updated with the improvement of the conditions applied and the review of some characteristics. The range consists of capitalization policies (**Propensione, Propensione Top and Diga** (for Local Authorities)). The key man policy, **Iride Corporate**, was kept under branch I. The Group also started to review and expand its range of products in the **damage sector.** The above-mentioned Ecoenergy policy is now flanked by electronic insurance, assembly insurance, accident insurance in relation to corporates and communities, and accident and sickness insurance.

During Q1 2008, the Group developed its activity with reference to the **Local Authorities market** in accordance with the following guidelines:

- **SIOPE** (Information System of Government Entities Transactions) project: the Group started operating the system also in relation to Health and Research Entities in January 2008;

- Establishment of new ceilings in relation to **loans** to Government Entities and **funding;**

- New desk with the Region of Tuscany with the objective **of implementing a Regional Portal** for the collections of the Local Authorities in the area;

- **Launch of the new initiative " 5 x 1000**": the names of the beneficiaries of the amounts as determined by the Inland Revenue Office were provided to the Commercial Bank Networks.

Additional information concerning the developments in the **area of corporate payment systems** is provided in the section covering "*Payment systems*".

- CORPORATE FINANCE

The activity of **MPS Capital Services Banca per le Imprese** in the area of corporate finance resulted into many initiatives in several segments of operations, by proposing state-of-the-art solutions which can integrate traditional loan supply.

Following are the key initiatives with reference to **corporate finance**:

- The activity of **Project Financing** was intensified and consolidated in relation to (civilian and health) infrastructure, utilities and **Real Estate**, with regard to the requalification of urban areas and large real estate transactions, and Nautical Credit. As far as **utilities** are concerned, the Group presence is widespread in all sectors (water, energy, gas and waste), with particular regard to the growth of operations in the area of energy from renewable sources. The Group financed two transactions in the sector of **wind energy**, namely the implementation of wind plants in Sicily and the participation in an important syndicated loan resulting into the acquisition of a series of wind parks already operating in Italy and Germany, by one of the major European electric energy groups. As regards **infrastructure**, the MPS Group secured financial advising mandates in relation to the loans for a motorway portion in the Region of Lombardy and a marina in Campania. As far as **Shipping Finance** is concerned, the Group executed eight loan transactions with shipowners for the purchase of ships.

- The activity of **private equity** in support of the development of the SMEs with a high growth potential, is carried out by MPS Venture SGR**,** a subsidiary of MPSCS. The company manages seven closed-end equity funds, including six customized funds and one retail fund (Ducato Venture) totalling an underwritten amount of EUR 401 million. In particular, during Q1 2008, the MPS Venture 2 Fund executed, together with other investors, the purchase of OMP, a leading Italian company in the area of security components and equipment for racing vehicles and cars, fireproof driver clothing and accessories.

On the front of **acquisition financing**, the Group executed seven transactions promoted by primary financial sponsors. The deals arranged by MPSCS with the role of Mandated Lead Arranger (MLA) include the acquisition of the Mercurio group (leader in the transport of vehicles by transporter), the acquisition of the Nadella group (products for industrial line handling) and the acquisition of Panini SpA (production of digital check scanners).

As regards **subsidized loans,** against a more dynamic backdrop due to the start of the **2007-2013 EU Strategic Framework (QSN**) and the following tender calls for the disbursement of corporate loans, the Group consolidated its advisory services with specific reference to:

- **The Target Campaign for renewable energy,** providing for incentives to the SMEs for the implementation of plants for the production of electric and/or thermal energy from renewable sources;
- **The new arrangement of Territorial Pacts;**
- **POR 2007-2013** – operating terms for the management by the Regions of the funds of the new EU planning (POR 2007-2013).

For the purpose of supporting the SMEs in their applications for European subsidies, the MPS Group participated in a project of the Italian Bankers' Association, "**Banche per Lisbona" (Banks for Lisbon**), which has the objective of providing the companies with an exhaustive and clear description of loan opportunities in relation to research and innovation made available by the EU.

- SERVICE MODELS

In view of the steady improvement of the instruments supporting the operations of the SME managers, the Group continued to review and streamline the instruments being used.

In particular, during Q1 2008 the Group focused on the implementation of **Metodo – SME Platform**, a commercial and operational instrument in support of the daily planning and follow-up of commercial operations released late in 2007. Metodo – SME Platform promptly monitors the initiatives released both from the qualitative and quantitative viewpoint (commercial validity of the initiatives). The targets of the above-mentioned strategic initiatives, **Diagnostica and Alto Potenziale**, were channelled to the Networks through Metodo.

- OPERATING RESULTS

In the first quarter of 2008, the Corporate Banking & Capital Market Area achieved a considerable expansion of its customers' base (almost 700 new SMEs). The positive trend of **specialized credit** also continued, with all business lines developing remarkably.

New loan disbursements, which last year included huge loans to the Local Authorities segment, declined**.** As a result, **the lending business of the Corporate Banking & Capital Market Area** progressed considerably (+9.6% in terms of average balances). **Direct funding** advanced by a hefty 12.9% in terms of average balances, mainly attributable to the new liquidity converging on the Local Authorities segment. Indirect funding was affected by the volatility which characterized the deposits under administration of a few Large Corporate customers.

Total income for Corporate Banking & Capital Market (abt. EUR 359 million) progressed in comparison with the results as of 31 March 2007 (+12.1%), due to the clear expansion of interest income (+12.4%) mostly resulting from the development of traded volumes, and other income from financial management (+28.9%). Net commissions also increased, although more moderately (+2.2%). The net operating profit amounted to EUR 145.3 million, strongly increasing by 24.6% y-o-y. The cost/income ratio for the Area came to 42.8% (versus 48% as of December 2007).

Corporate Banking / Capital Markets

(in milioni di euro)	31/03/08	% chg yoy
INCOME AGGREGATES		
Net interest income	250.1	12.4%
Net commissions	71.1	2.2%
Financial income (loss)	34.9	28.9%
Net Financial income (loss)	**358.9**	**12.1%**
Net adjustments for impairment of loans and financial assets	59.9	15.1%
Operating expenses	153.6	1.5%
Net operating income	**145.3**	**24.6%**
CAPITAL AGGREGATES		
Performing loans	54,368.8	9.3%
Due to customers and securities	30,345.1	23.1%
Assets under management	2,965.3	-17.4%

The companies included in the Corporate Banking Area incorporate:

- **MPS Capital Services Banca per le Imprese,** which 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, improved its operational performance posting a net profit in the amount of EUR 31.16 million (EUR 20.33 mln as of 31.03.2007).

- **MPS Leasing & Factoring – Banca per i servizi finanziari alle imprese** consolidated its market position and posted a net profit of EUR 5.63 million (EUR 4.37 million as of 31 March 2007).

D) CORPORATE CENTER

The **Corporate Center** is an aggregation of **(a)** the operating units which are individually below the benchmarks required for primary reporting, **(b)** the MPS 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 units in charge of the management of the collection of doubtful loans, real estate management and the development and management of IT systems, all of them reporting to the Capital, Cost and Investment Governance Area). The Corporate Center also incorporates the profits/losses of Biverbanca and the companies consolidated with the net equity method, and the eliminations resulting from infragroup items.

- **THE MPS GROUP FINANCE BUSINESS**

In accordance with the existing organization model of the Business Plan, the finance business of Banca MPS was divided into two areas of responsibility, namely proprietary finance directly reporting to the Chief Executive Officer and service finance (Treasury and Capital Management) reporting to the CFO.

- PROPRIETARY FINANCE

The first quarter of 2008 was characterized by the additional heavy reduction experienced by the equity and lending markets, with the European Stock Exchange quotations decreasing by 17% approx. and the spreads of non-Treasury bills expanding considerably. This was flanked by pressures on the monetary market with poor liquidity and a marginal propensity to exchange capital to be invested, as shown by the high spread between Libor rates and OIS.

Against this backdrop, **the MPS Group's trading assets stood at EUR 26.1 bn at the end of March 2008 (EUR 26.2 bn as of 31 December 2007).**

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

	Parent Company			MPS Group		
	31/03/08	abs. Chg		31/03/08	abs. Chg	
		yoy	%	Restated	yoy	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**9,734**	**460**	**5.0%**	**26,112**	**(134)**	**-0.5%**

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

	Parent Company			MPS Group		
	31/03/08	abs. Chg		31/03/08	abs. Chg	
		yoy	%	Restated	yoy	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**3,440**	**376**	**12.3%**	**18,487**	**(868)**	**-4.5%**

The portfolio of financial assets available for sale stood at EUR 4.6 billion (EUR 4.8 bn as of December 2007).

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

	Parent Company			MPS Group		
	31/03/08	abs. Chg		31/03/08	abs. Chg	
		yoy	%		yoy	%
Financial assets available for sale	**7,591**	**2,583**	**51.6%**	**4,613**	**(192)**	**-4.0%**

- TREASURY

Treasury operations in the first quarter of 2008 recorded an additional increase in trading volumes both in the interbank market. **In particular, the net borrowing position (funding) increased due to the growing commercial requirements (about 2 bn) associated with the temporary termination of some accounts with institutional customers, the expiring CD Europrogramme with the foreign branches (EUR 1.5 bn approx.) and the start of funding activities in favour of Banca Antonveneta (abt. 1.5 bn).**

Therefore**,** as shown in the following table, **the MPS Group "due from banks" balance decreased by 0.9 bn, with the "due to banks" balance (funding) increasing by EUR 5.3 bn. Therefore, the net borrowing position came to abt. EUR 5 bn (funding), with an increase in the debit balance of about 6.2 bn in comparison with 31 December 2007.**

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

	Parent Company			MPS Group		
	31/03/08	abs. Chg		31/03/08	abs. Chg	
	Restated	yoy	%	Restated	yoy	%
Amounts due from banks	32,500	-431	-1.3%	13,940	-918	-6.2%
Amounts due to banks	21,451	5,383	33.5%	19,036	5,293	38.5%
Net borrowing position	**11,049**	**(5,814)**	**-34.5%**	**(5,096)**	**(6,211)**	**-556.8%**

As of 31 March 2008, the short-term and structural liquidity position further improved showing high available margins, with the *counterbalancing capacity* (i.e. allocatable reserve assets) at about 9 bn. This capacity rose in the following months to 12 bn as a result of a new securitization without *derecognition*.

- 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 25 new issues in a total amount of EUR 1,367 mln (for the Parent Bank only), including 25% of structured bonds and 78% of plain vanilla bonds;

- international operations – mainly targeted at institutional investors – with 2 new issues as part of the Debt Issuance Programme in a total amount of EUR 250 mln.

OPERATING RESULTS

The Finance Area of the Parent Bank (inclusive of Proprietary Finance and Treasury) made a contribution of - EUR 52.2 million to total income, with a clear decline year on year. This trend, influenced by the market crisis, depends on the reduction of the contribution from the "strategic" portfolio, and the trading component of the Finance Area, which is offset by the growth of Treasury. The net operating profit, inclusive of costs, stood at -EUR 61.6 million (EUR 80.6 mln as of 31 March 2007). During the months following the close of Q1, as a result of the improvement of the (equity and loan) markets, the Group recovered a portion of the losses recorded in Q1.

Parent Company - property finance and treasury

(in milioni di euro)	31/03/08	% chg yoy
INCOME AGGREGATES		
Net interest income	14.2	-29.7%
Net commissions		
Financial income (loss)	-66.4	n.s.
Net Financial income (loss)	**-52.2**	**n.s.**
Net adjustments for impairment of loans and financial assets		
Operating expenses	9.5	0.2%
Net operating income	**-61.6**	**n.s.**

The adverse trend of the financial markets also affected the prices of financial assets available for sale, with the ensuing reduction of valuation reserves in the consolidated net equity, in a total amount of EUR 196.4 million.

- **THE MANAGEMENT OF THE GROUP'S EQUITY INVESTMENTS**

Early in 2008 the Group started a process of reorganization of its portfolio of equity investments. The Parent Bank transferred 63 equity investments in a total amount of EUR 79.2 million to MPS Investments SpA, a holding company of equity investments and a centre of excellence for their Group management through the "administrative" service.

Following are the main changes which involved the Group's equity investments in Q1 2008:

1. Acquisitions of new equity investments

As part of the agreements entered into with the AXA Group, Banca MPS purchased 100% of AXA SIM S.p.A. (which subsequently changed its name into MPS Sim Spa) in a total amount of EUR 40 million.

Participation in capital increase/reinstatement and equity investments increase

The major transactions incorporate:

- the purchase from Fondazione Cassa di Risparmio di Vercelli, in accordance with the agreements executed with the other shareholders upon the purchase of the majority stake from Intesa Sanpaolo SpA, of an additional share of 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 sale of a 1.78% stake (in a total amount of EUR 12.9 million) to Fondazione Cassa di Risparmio di Biella. As of 31 March 2008, Banca Monte dei Paschi di Siena SpA held 59% of the share capital of Biverbanca.
- The purchase of the remaining 50% share of Quadrifoglio Vita SpA from Unipol SpA, on the basis of past agreements, in an amount of EUR 92.5 million. The sale to AXA MPS Assicurazioni Vita of 100% of Quadrifoglio Vita is expected to take place during FY 2008.
- The subscription of the capital increase of the subsidiary MPS Capital Services SpA in a total amount of EUR 99.7 million (including EUR 2.0 mln subscribed by Banca Toscana);
- The payment of the remaining 75% of the capital increase subscribed in Fidi Toscana SpA, with an investment at the Group level 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;

2. <u>Disposal/Sales of equity investments</u>

During Q1 2008, Banca MPS:

- disposed of the investment held in Banca della Ciociaria SpA in Forsinone. The stake sold amounted to 5.17% of the share capital, in a total amount of EUR 2.4 million;
- sold the 9% investment held in Etruria Telematica Srl – Monteriggioni (SI), due to the reduction of the share capital for losses.

At the Group level:

- MPS Capital Services (i) purchased an additional 4.5% stake of the capital of Società Incremento Chianciano Terme SpA (ii) purchased an additional stake of 1.6% of the capital of Lineapiù SpA; (iii) purchased a 0.69% investment in the share capital of Servizi Energetici Integrati SpA; (iv) sold the investment held in Marina Blu SpA (30% of the share capital, in a total amount of EUR 5.2 million);
- Banca Agricola Mantovana (i) merged with Banca Agricola Mantovana Riscossioni SpA (wholly owned subsidiary); (ii) purchased a 7.36% stake of Cantina Sociale di Arceto Società Cooperativa Agricola, through its subsidiary Agrisviluppo SpA.

In addition:

- Banca MPS transferred the business unit of depositary bank to MPS Finance SpA and, as provided for by the agreements executed, sold the depositary bank to Intesa Sanpaolo SpA at the end of March 2008, with actual transfer executed on 14 May 2008;
- The execution of the sale agreement of the "***off site offer***" business unit, pursuant to art.30 of Legislative Decree no.58/1998, from MPS SIM SpA to MPS Banca Personale SpA;
- On 27 March 2008, the Board of Directors of the Parent Bank entrusted the Chairman and the CEO to start exclusive negotiations with Fondazione Monte Parma, Fondazione di Piacenza e Vigevano, Sella Holding Banca SpA e InChiaro Assicurazione SpA for the sale of the investment held in Banca Monte Parma (49.27%);
- On 17 April 2008 the Parent Bank's Board of Directors entrusted the CEO to negotiate the sale of the whole shareholding of Finsoe belonging to Bmps (13%).

- **SERVICE COMPANIES AND MINOR COMPANIES**

WITH REFERENCE TO PROFITABILITY:

- Biverbanca posted a net profit of more than EUR 6 million;
- Mps Immobiliare posted a net profit of EUR 9 million;
- MPS Gestione Crediti Banca posted a net profit of EUR 2.3 million.

SECONDARY REPORTING

As a basis for secondary reporting, the MPS Group adopted the breakdown of operating results by geographical area. The MPS Group operates almost totally in the domestic market, with specific concentration in central Italy (the Group achieves 99% of its net operating profit in Italy).

However, with reference to the Group's focus on international business, in compliance with the strategic objectives of the "MPS Group International Banking", the activity was strongly oriented to:

- The development of the **International Trade Finance business**, by re-targeting the marketing and sales initiatives of the domestic network and consolidating the capacity of supply and service of the Head Office and the international network;
- The **streamlining of the MPS Group international network**, targeted at a better support of the ITF business, through the development of the network of representative offices in fast-growing countries and the consolidation of operational and service relations with international and local partners.

The activity was oriented to **supporting the operations of domestic customers,** with particular emphasis placed on the **development and follow-up of the international expansion of the Italian SMEs,** in a logic of support to the commercial penetration of new or emerging markets and assistance to foreign investment projects. In addition, specific commercial campaigns were arranged **by product and customer segment**.

Strategic and operational guidelines were flanked by massive training to the specialists in the domestic and international network, for the purpose of improving their selling capacity of **international products and services**.

With reference to **commercial operations** (additional information on the development of the "direct international network" is provided in the chapter covering "*The distribution channels*"), the Group's competitive capacity was ensured by the supply of the following products and services already existing in the market. The SACE Global Policy, ExportKey, the sale without recourse of loans in relation to international corporates with transfer of the SACE insurance policy and the VAT international recovery are consolidated products which can capture considerable commercial flows with an appropriate return in terms of commissions.

In particular, the Group actively operated in the area of loans with reference to export transactions to emerging countries and **steadily interacted with SACE for the insurance coverage of risks,** for the purpose of keeping those risks within the limits contemplated by the Group's credit policies, also as a result of the activation of risk-sharing agreements with other players in this sector. The MPS Group co-operated with SACE through **agreements** and other forms of co-operation such as online confirmations.

ISSUE OF INTERNATIONAL GUARANTEES

- The Group's banks can support Italian corporates in relation to the issue of first sight international guarantees, also with reference to large amounts, (e.g. Bid Bonds, Advance Payment Bonds, Performance Bonds, Retention Money Bonds) for participation in international tenders and/or associated with supplies to foreign countries;
- Therefore, the corporates obtain a better service resulting from the opportunity of managing all guarantees in relation to the same order and avoid the disbursement of credit facilities from different banks, which is usual in this kind of transactions.

ExportKey which is now a consolidated and successful product was flanked by a new package, **Issue of International Guarantees**, as an additional instrument available to the corporates for penetrating new markets.

The **corporate requirements of international expansion** were supported from the organizational viewpoint by the interaction of many complementary products and services, including **Welcome Bridge**.

WELCOME BRIDGE

A short-term credit facility targeted at the companies which intend to use public subsidized sources for their international expansion. The activities which can be financed also include promotional activies such as:

- The annual planning of the participation in international shows;
- Feasibility studies in relation to the award of international contracts;

- The implementation of fixed commercial offices abrad (showrooms, representative offices);
- The execution of commercial agreements with foreign partners;
- The establishment of foreign subsidiaries (FDIs) or affiliated companies (joint ventures);
- The aggregation of small Italian companies for the implementation of joint international expansion projects;
- The participation in international tenders.

In compliance with the objectives of development of the Group's operational capacity and assistance to the corporates in the emerging areas, **the activity of Correspondent Banking** was based on the following aspects:

- **Increasing efficiency of the management of relations with foreign correspondents**, at the Group level, through the operational centralization at the Parent Bank of massive processes;
- **The development of interbank relations**, with emphasis placed on the counterparts operating in the countries with a high growth potential, **in a logic of origination of the trade finance business**;
- **Increasing business flows from abroad,** with specific initiatives in particularly attractive areas from the commercial viewpoint, as agreed upon with the foreign network offices.

Specific tariff agreements for products and services were entered into with the correspondent banks, with the objective of routing greater operational flows.

PASCHI SENZA FRONTIERE

A package of services provided to the immigrants legally resident in Italy, which enables A/C holders to send money transfers to their countries, at facilitated conditions and free of commissions in relation to specific amounts.

In support of the package of services, "**Paschi Senza Frontiere"**, the Group finalized agreements with **Banka Credins (Albania), Compagnie Bancaire de l'Afrique Occidentale - CBAO (Senegal) and Attijariwafa bank (Morocco),** with the objective of creating synergies for the management of the fund remittances originated by the migratory flows of workers to Italy and, more in general, for the promotion of this package.

For the same purpose, the MPS Group is entering into other agreements with the **Commercial International Bank (Egypt) and Amen Bank (Tunisia)**, with new co-operation agreements expected to be executed with bank counterparts in South America.

- OPERATING RESULTS

On the basis of the guidelines given by the Parent Bank, the trading volumes of **International Banking**[2] were downsized, in particular in terms of loans.
Income from financial and insurance business totalled EUR 28.2 million with a 9.5% increase with respect to March 2007. The net operating profit stood at EUR 4.3 million, declining with respect to 31 March 2007. This is indicative of modest valuation adjustments to loans (in absolute value), in comparison with 31 March 2007, when International Banking recorded writebacks. The cost/income ratio came to 79.7% (88.9% in December 2007).

SEGMENT REPORTING - Secondary segment
(in millions of euro)

31/03/08	Foreign	% chg yoy
INCOME AGGREGATES		
Net Financial income (loss)	28.2	9.5%
Net adjustments for impairment of loans and financial assets	1.4	n.s.
Operating expenses	22.5	6.1%
Net operating income	4.3	n.s.
CAPITAL AGGREGATES		
Performing loans	2,179.6	-4.7%
Due to customers and securities	12,015.3	38.4%
PROFITABILITY RATIOS		
Cost Income	79.7%	
Raroc	3.4%	

[2] With reference to primary reporting, the operating results of International Banking are incorporated in the Corporate Banking/Capital Market area in relation to MP Banque, MP Belgio and the Foreign Branches. The results of MP Monaco Sam are included in the Private/Wealth Management Area.

With reference to the foreign banks:

- **Monte Paschi Banque** posted a consolidated net profit of EUR 21 million (EUR 3.29 million as of 31 March 2007), attributable to the capital gain of abt. EUR 18 mln resulting from the sale of a building;

- **Monte Paschi Belgio** posted a net profit of EUR 1.12 million (EUR 0.58 as of 31 March 2007).

THE INTEGRATED MANAGEMENT OF RISKS AND CAPITAL

THE PROCESS OF RISK MEASUREMENT AND CONTROL IN COMPLIANCE WITH BASLE 2 STANDARDS

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

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

The Head Office is responsible for ensuring compliance with risk management policies and procedures. The Risk Committee prepares risk management policies and verifies the overall observance of the limits on risks assigned at various levels of operations. 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) in addition to the trend of the risk-return performance indicators.

The Finance Committee has been assigned the tasks of planning the Group funding, identifying the initiatives to be adopted for the best risk-return profile of Asset & Liability Management and defining any capital management actions.

The Internal Controls Area 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, in order to accurately and steadily measure and monitor risks, and quantify economic capital. The Unit produces daily and periodic reports and monitors compliance with the operating 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 as well as the Capital Requirements Directive (CRD) criteria, especially as far as the second pillar is concerned.

In the first quarter of 2008, the MPS Group met the Regulatory Authority, thus continuing the programme of validation of the advanced methods on credit risk and operational risk contemplated by the new Circular Letter 263 of the Bank of Italy dated December 2007. With reference to the credit aspect, the Group and the Authority checked together the development of the internal rating models and LGD, in addition to the credit processes contemplating its use, and IT issues. On the front of operational risk, they checked the statistical models and the respective mitigation policies which had been prepared.

New detailed initiatives were carried out for the development of Pillar II, in particular in relation to the global assessment of risks, materiality valuation and the processes of risk integration. At the same time, the Group assessed the qualitative and quantitative methods for representing the risks expressly indicated by the Pillar II regulation, in addition to the other risks acknowledged to be relevant.

CURRENT RISK KINDS

During its market operations, the MPS Group takes different kinds of risks which can be summarized as follows: credit risk, market risk, risks in relation to the trading book, interest rate risks as registered in the Banking Book (Asset & Liability Management), liquidity risk, equity risk, counterpart and issuer risks, operational risks, business risks, reputational risks and operational risks.

The MPS Group developed its own internal measurement models of many of these risks (i.e. the risks expressly indicated by the First Pillar of the above-mentioned Bankit regulation on capital adequacy) and some other risks (e.g. interest rate risk on the Bankit Book and concentration risk). These models shall be used for the purpose of determining the global internal capital provided for by Pillar II, although risk integration and the finetuning of business risk are still being developed. A rigorous framework of measurement and policy was arranged in relation to liquidity risks, in accordance with an opinion shared by the operating units of the bank.
All of these macrofactors of risk which have a specific direct impact on the Group's net equity are subject to regular measurement by the Risk Management Unit of the Parent Bank, which produces periodical reporting to the Risk Committee of the Parent Bank and the Board of Directors, and is also responsible for establishing operational limits in relation to the kinds of risks subject to this.
This output is also directly used by other Bank's units, including the Planning Unit and the office of the CFO for strategic purposes, such as the risk-adjusted measurement of each legal entity and business unit, the determination of risk appetite, the determination of annual and multiannual objectives in support of the Business Plan estimates and in a logic of optimization and mitigation of capital and profitability ratios in accordance with adjustment plans shared with the Top Management and the operating business units.

Particular emphasis is placed on reputational risks, in particular those regarding the products and portfolios of the Group customers which have an indirect impact on the Group net equity as a result of potential impacts on the customers' net equity, in view of the existing Wealth Risk Management Unit, which is in charge of measuring and monitoring such risk macrofactor.

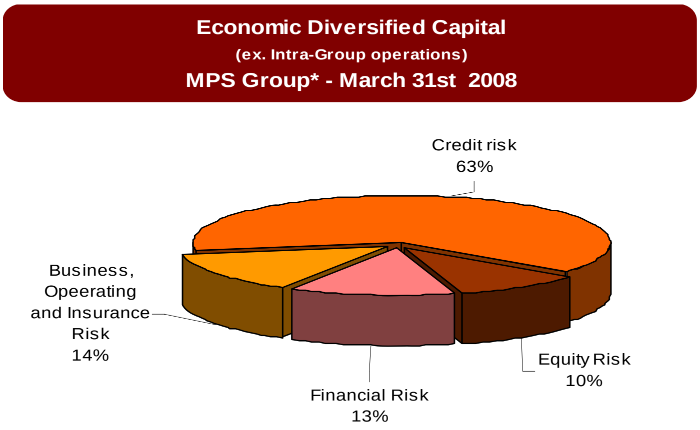
THE ANALYSIS OF ECONOMIC CAPITAL

The MPS Group – on the basis of internal risk measurement models – determined the economic capital by factor, as the minimum asset resources necessary to cover the economic losses resulting from the occurrence of unexpected events generated by different kinds of risks.

Following are the relevant risks included in the area of measurement: a) credit risk, b) market risk on trading book, c) interest rate risk registered on the Banking Book (ALM), d) operational risk, e) equity risk, f) counterpart risk (banking and trading), g) issuer risk, h) business risk.

VaR measurements - through keeping their individual value according to the ruling provisions and the international best practices - are determined with holding periods and confidence intervals diversified by risk factors in compliance with the guidelines of the latest Supervisory Provisions for Banks issued by the Bank of Italy. The global Economic Capital results from the measurement of each risk factor. Such measurements are standardized both in terms of holding periods (annual holding period) and selected confidence intervals, in line with the rating level assigned to the MPS Group by the official rating agencies, and are subject to intrarisk and interrisk diversification processes. The final output shows the economic capital diversified by Legal Entities, Business Units, ResponsibilityAreas, and is periodically published in the Risk Management Report issued by the Risk Management Unit of the Parent Bank. Moreover, the same measurement is made – at a centralised level – for each Legal Entity, and is shared with the corporate bodies of each entity through specific reports which are adjusted to the specific lines of business of the banks included in the area of consolidation.

The measurements of credit risk use, as an input, the risk parameters provided for by the New Supervisory Regulations for Banks (Default Probability, Loss Given Default, Exposure at Default, Credit Risk Mitigation) and therefore follow their metrics, development and updates according to the programmes of the Basle 2 Committee for the validation approach with the domestic Regulatory Authorities. The outputs of the Internal Loan Portfolio Model are used by other Bank's units (Credit Policies and Control Area, Treasury and Capital Management Area, International Banking, …) for the monitoring of credit risk on the loans falling within their competence, the processing of risk containment policies and the arrangement of specific development plans in an annual and multiannual logic.



As of 31 March 2008, the economic capital of the MPS Group was attributable for more than 63% to the credit risk, about 10% to the equity risk, 14% to business and operational risks. The capital for operating purposes with respect to financial risks (including the risks typical of the trading portfolio, the ALM-Banking Book) accounted for 13% of the overall economic capital.

o CREDIT RISK

During Q1 2008, the MPS Group credit risk was analysed and monitored through the use of a Loan Portfolio Model developed by the Risk Management Unit of the Parent Bank, including the items of the most important legal entities of the Group.

The Loan Portfolio Model was methodologically developed in accordance with the most widespread quantitative techniques at an international level and incorporates: a) probability defaults (PD) stemming from internal rating models diversified by customer (Large Corporate, Small and Medium Enterprises, Small Business and Retail) mapped on the basis of a single masterscale, b) economic loss rates in case of default (LGD) resulting from the analysis of each multiyear time series of direct and indirect recoveries and costs registered in relation to the "closed" in default positions; c) default exposure ratios to calculate the EAD; d) the factors in relation to the different kinds of guarantees (collaterals, financial collaterals and personal securities) backing the transactions.

The Model also calculates the effect of diversification through a sophisticated matrix of structural and dynamic correlation which is sensitive to the effects of risk concentration/diversification and consequently re-distributes the risk to each unit/company. This gives the Group the opportunity of aggregating and representing risks in accordance with the operating purposes and requirements of the MPS Group organization and operating units.

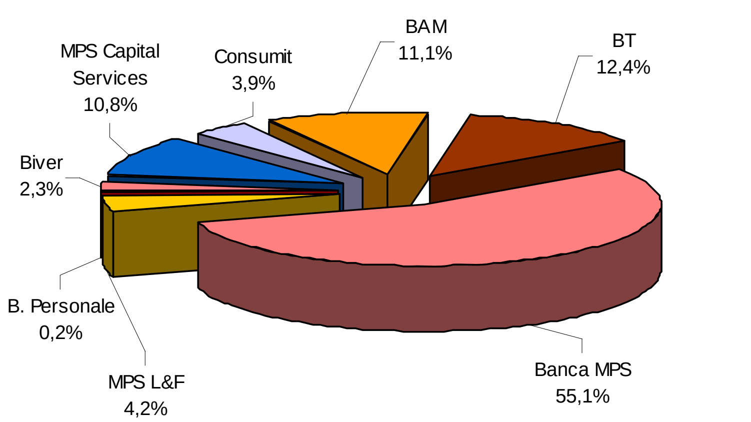
For the purpose of preparing the ICAAP as provided for by Pillar II of Circular Letter 263 of the Bank of Italy, the MPS Group is finetuning the methods for the

calculation of the interrisk matrix of correlation in order to introduce the required innovations – if any – in the existing calculation structure included in the Portfolio Model.
The output of the Loan Portfolio Model shows the time trend of credit risk in accordance with different modes of aggregation of the variables subject to analysis (by legal entity, kind of customer, geographical area, industry, rating category, continental area, etc.).

The main measurements produced incorporate a) the Expected Loss, which represents the expected yearly average loss; b) the Unexpected Loss; c) risk measurements in relation to the default portfolio (i.e. NPLs, watchlist credits, restructured loans, past due loans, etc.); d) the Economic Capital. This is flanked by specific stress testing analyses on certain variables (increase in default probabilities, loss rate increase, reduction of the value of the guarantees, increase in the margins available on loans subject to cancellation), which are aimed at checking the levels of Expected Loss and Economic Capital which would be achieved on the basis of "extreme" but possible scenarios.
During Q1 2008, the MPS Group was committed to developing an advanced system of stress testing implementation, which associates the trend of default probabilities and LGD rates and the changes of the macroeconomic and financial variables, properly selected on the basis of specifically identified time stress scenarios and hypothetical scenarios. This framework was integral part of the activities of validation submitted by the MPS Group in relation to the First Pillar stress testing.

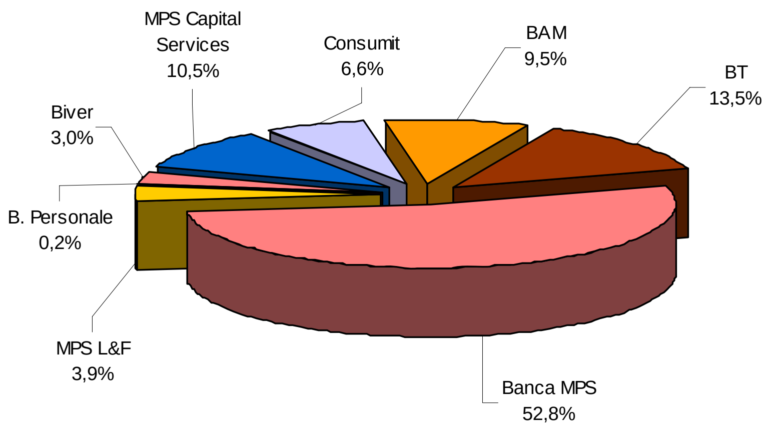
The charts below show the marginal contribution – in terms of Risk Exposure, Expected Loss and Economic Capital – of the three Commercial Banks (MPS, Banca Toscana, Banca Agricola Mantovana), MPS L&F and MPS Capital Services, which account for more than 93.61% of the total loans of the MPS Group.

Risk Exposure
(ex. Intra-Group operations)
MPS Group* - March 31st 2008



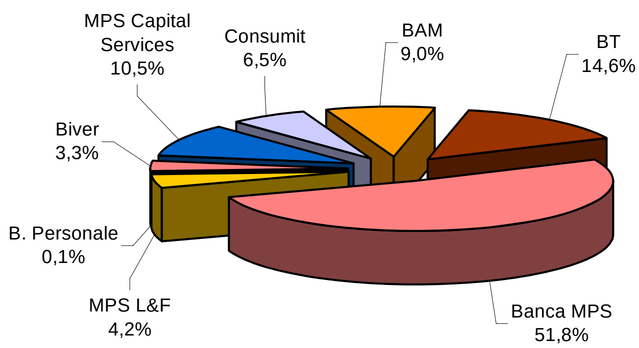
Risk measurements are virtually steady. The economic capital with respect to credit risk is attributable for about 52.8% to Banca MPS, with a modest increase in comparison with December 2007, and for 13.5% to Banca Toscana. MPS Capital Services and BAM stood at 10.5% and 9.5% respectively, with the remaining portion covering the risks of MPS L&F, Consumit and Biver.

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - March 31st 2008



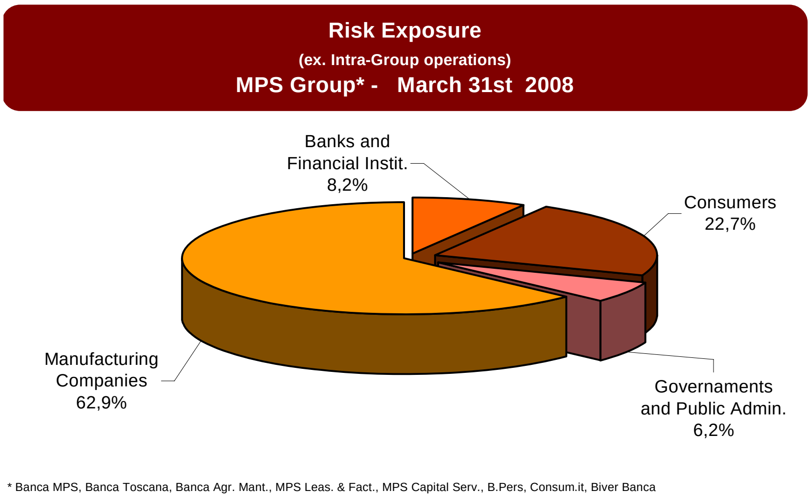
With reference to expected loss, Banca MPS accounted for 51.8% (steady percentage y-o-y) and Banca Toscana accounted for 14.6%. MPS Capital Services and BAM stood at 10.5% and 9% respectively, with the remaining portion covering the risks of MPS L&F, Consumit and Biver.

Expected loss
(ex. Intra-Group operations)
MPS Group* - March 31st 2008

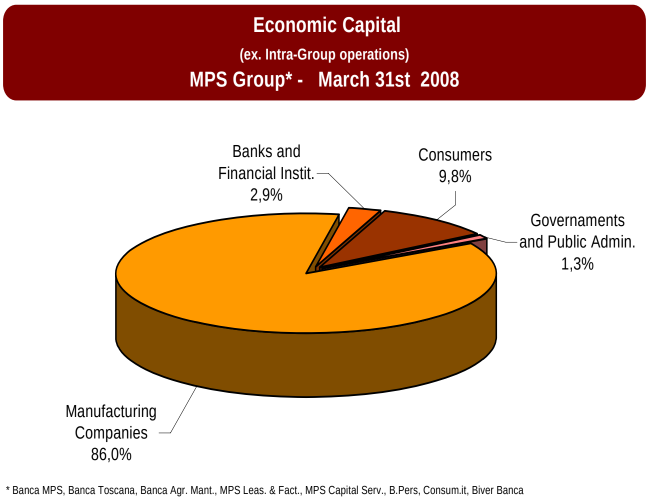


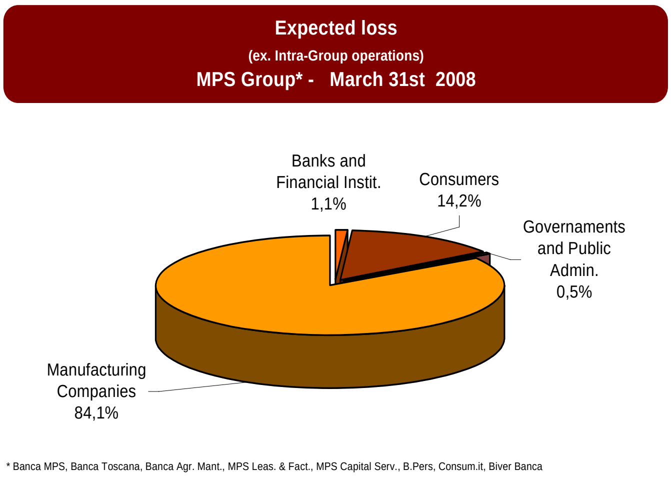
* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Capital Serv., B.Pers, Consum.it, Biver Banca

The breakdown of the MPS Group loans by customer segment shows that "Manufacturing Companies" and "Retail" account for almost 85.4% of total loans disbursed. The remaining portion incorporates “Banks and Financial companies” (8.2% of total) and “Government and Public Administration” (6.2%).



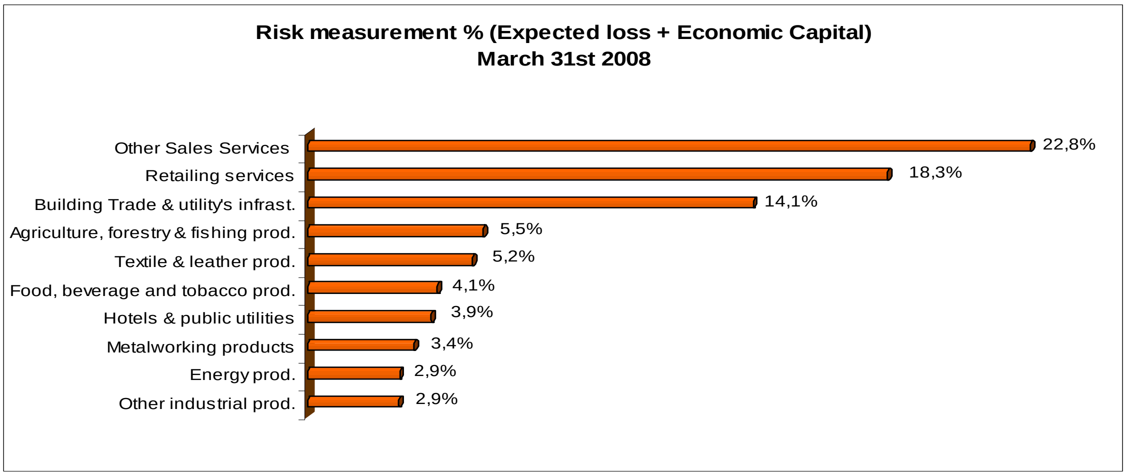
The graphs also show that “Manufacturing Companies” absorb more than 85% of the economic capital and generate an expected loss of 84% of total. The “Retail” segment accounts for 9.8% of the economic capital and 14.2% of the Expected Loss. “Banks and Financial Companies” absorb 2.9% of total capital, with the originated Expected Loss at 1.1% of the Group total.





An analysis of the loans of the top 10 industries - which account for almost 83% of overall lending – in accordance with the classification of the Bank of Italy, shows that “other sale services”, “trade services” and “Building and Public Works” absorb most risk measurements, that is 22.8%, 18.28% and 14.05% respectively, totalling more than 55% of total risk measurements. These industries are followed by

“Agricultural products, forestry and fishing”, and “Hotels and Shops” accounting for 9.43% of the total Expected Loss and Economic Capital.



o INTEREST-RATE RISK ON THE CONSOLIDATED BANKING BOOK

The term “Banking Book” refers, in compliance with the international best practice, to the whole of the Bank’s commercial operations in relation to the trasformation of aturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches, and hedging derivatives of reference. The area of the Banking Book (aligned with the bank portfolio for regulatory purposes) and the process of ALM management centralization are defined in the resolution of the Parent Bank’s Board of Directors which covers the “Centralization of the management of Asset & Liability Management and operational limits with respect to the interest rate risk and liquidity risk of the Group Banking Book”, as approved by the Parent Bank’s Board of Directors in September 2007.

The management and strategic solutions in relation to the Banking Book, which were adopted by the Finance and Liquidity 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, in order to minimize the volatility of the interest margin expected in the current financial year (12 months) or to minimize the volatility of the total economic value on the basis of the changes of interest rates.

The changes in the interest margin at risk and the economic value of the Banking Book assets and liabilities are analyzed by applying deterministic shifts of 25 bp, 100 bp and 200 bp, the latter in compliance with the provisions of the second pillar of the Basle 2 Accord, with reference to consolidated Tier 1 capital and consolidated capital for regulatory purposes, as a percentage.

- **LIQUIDITY RISKS**

The overall structural liquidity profile is monitored on the basis of the unbalances, as of the date of settlement, of expiring cash flows.

Special emphasis is placed on the planning of funding policies at the Group level, which is co-ordinated and guided by the Treasury and Capital Management Area of the Parent Bank, both in relation to ordinary bond funding and the issue of subordinated liabilities,and the size of indebtedness on the interbank market, in compliance with capital management requirements and expected future short-term and structural liquidity. During Q1 2008, the Group arranged a framework of management methods and liquidity limits, approved by the Board of Directors, which complies with Pillar II of Basle 2.

- **MARKET RISKS ON THE TRADING PORTFOLIO**

The MPS Banking Group operates in the domestic and international financial markets through many players. The most relevant market risk taking centers in terms of Trading Portfolio are the Parent Bank (Banca MPS) and MPS Capital Services. Biverbanca and Monte Paschi Ireland are not so important, even though the activity of Monte Paschi Ireland is now more oriented to coping with the Group's funding and capital management requirements, ather than proprietary trading.

Each Bank operates on its own and manages trading positions on the basis of specific delegated authorities and operational limits, as established by the Board of Directors.

The other commercial banks of the Group (Banca Toscana, Banca Agricola Mantovana and MPS Banca Personale), in compliance with a specific Group regulation, are no longer entitled to take trading positions. Their activity is limited to trading securities on behalf of retail customers and securing a secondary market for their issued bonds.

The MPS Group Trading Portfolio consists of the portfolios managed by the risk taking centers. The aggregate is subject to monitoring and daily reporting by the Risk Management Unit of the Parent Bank on the basis of proprietary systems. Periodically, the management reporting flow on market risks is transmitted to the Risk Committee and to the Board of Directors of the Parent Bank as part of the Risk Management Report, through which the Top Management is informed about the overall MPS Group risk profile.

Each bank operates individually on its trading portfolio and simultaneously manages interest rates, equities, foreign exchange and credit positions in an integrated manner, within the operational delegated powers established by its own Board of Directors.

The new structure of operational limits for the Parent Bank was enforced effective the year of 2008. Delegated authorities are expressed by level of delegated authority in terms of Value-at-Risk (VaR) and Monthly and Annual Stop Loss, in a different way with reference to HFT (Held-for-Trading) and AFS (Available-fos-Sale) positions. The measurements of profitability components of AFS (Available-For-Sale) positions were adjusted for operating purposes, so that they can be compared with Held-For-Trading positions. In addition, the operational limits of issuer risk and bond concentration – which provide for nominal ceilings diversified by counterpart and rating class, in addition to and not in replacement of the VaR - were reviewed.

The new structure of operational limits was inaugurated simultaneously with the production of the new Group Market Risk Management System, developed in house on an AlgorithmicsTM platform.

Market risks are mainly monitored for internal operating purposes in terms of Value-at- Risk (VaR). As a result of the new system, the Group could finetune the Internal Model of Market Risks, developed the Vega Risk model on optional positions and introduced the Credit Spread VaR for the first time. In particular, the idiosyncratic component of the specific risk implicit in the bonds and credit derivatives of the Trading Portfolio is currently covered with reference to the Credit Spread VaR.

The VaR for operating purposes is calculated independently by the Risk Management Unit of the Parent Bank. Calculations and market risk reporting are made on a daily basis. The VaR is calculated on the basis of a confidence interval of 99% with a holding period of one business day. The method used involves the historical simulation with daily full revaluation of all basic positions, out of 500 historical records, with daily scrolling. The VaR calculated in this way takes account of all the effects of diversification between risk factors, portfolios and types of traded instruments. It is not necessary to assume any functional form in the distribution of the returns on assets, and also the correlations between different financial instruments are implicitly captured by the VaR model on the basis of the joint historical trend of risk factors.

The macro risk factors taken into account are: IR, EQ, FX, CS in relation to the following risk factors:

- IR: interest rates on all relevant curves and respective volatility;
- EQ: prices of equities, indices and baskets, and respective volatility;
- FX: foreign exchange rates and respective volatility;
- CS: credit spread.

The VaR is analysed in compliance with three main elements: (i) the organization hierarchy of the Portfolios, (ii) the hierarchy of the Financial Instruments, (iii) the hierarchy by Risk Factor and by mix of these. The following kinds of VaR can be identified with reference to the risk factors: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these components determines the so-called Gross vaR (also Non Diversified VaR) and quantifies the relative benefit of diversification.

The new model produced metrics of Diversified VaR also at the MPS Group level, with the objective of taking account of all effects of diversification between the different banks in an integrated manner.

Moreover, scenario analyses are regularly conducted on interest rate risk, equity risk, forex risk and credit risk factors with diversified levels of "granularity".

In particular, with reference to the Parent Bank's Trading Portfolio, the aggregate monitored with integrated VaR methods is larger than the aggregate for regulatory purposes, and incorporates some positions which are included in the Banking Portfolio for reporting purposes, even though from the operating viewpoint they fall within the operational competence of the Business Areas which carry out trading activities. These positions of a managerial nature - which are taken directly on the basis of instructions given by the Board of Directors or fall within the province of the Parent Bank's Finance Area - are not qualified for addition to the Trading Portfolio for Regulatory Purposes (e.g. liquid securities, but classified as AFS from the accounting viewpoint). For the purpose of this section, such positions are monitored with methods typical of the risks of the Trading Portfolio.

The Parent Bank's Business Areas entitled to take market risks are the Finance Area (FA) and the Treasury and Capital Management Area (TCMA).

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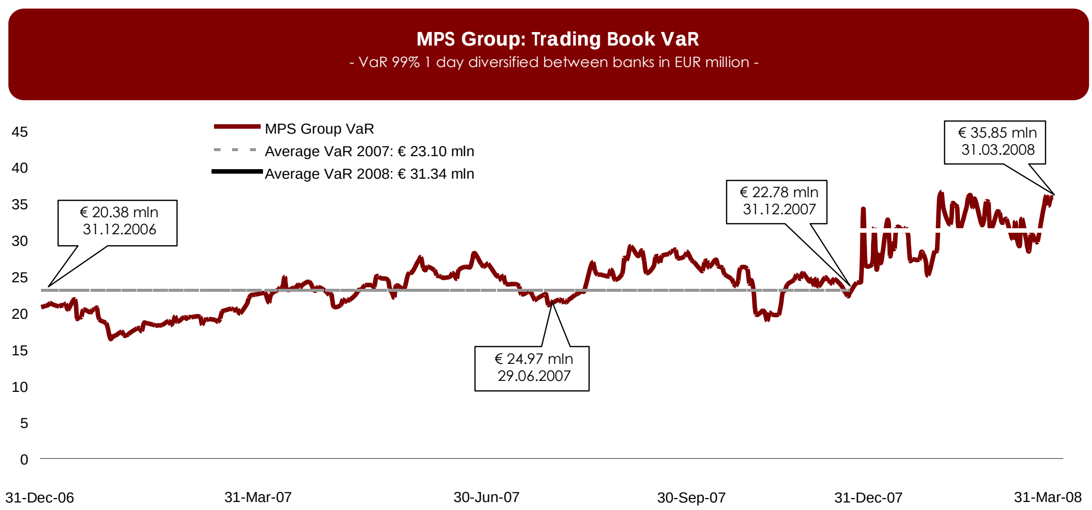
During Q1 2008, the trend of the MPS Group risks was remarkably affected by the trends of the financial markets, and the structural change due to the introduction of the new Risk Management System, which influenced the average level and the variableness of the VaR metrics.

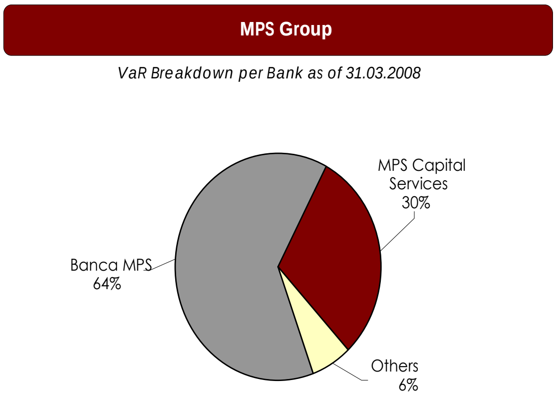


During the first quarter of 2008, the average VaR of the Group came to EUR 31.34 mln (about EUR 8 mln higher than the 2007 average, EUR 23.10 mln). This increase is mostly attributable to the management of the Credit Spread VaR component within the model. The VaR of the MPS Group ranged between a low of EUR 24.15 mln on 2 January 2008 and a high of EUR 36.58 mln on 8 February. The year-end VaR was EUR 35.85 mln.

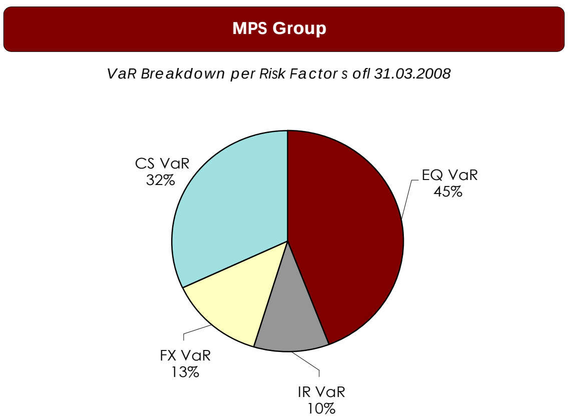
MPS Group – Trading Book VaR
VaR 99% 1 day

	VaR (EUR mln)	Date
Min 2008	24.15	02/01/2008
Max 2008	36.58	08/02/2008
Average 2008	31.34	

The Parent Bank still represented the main source of market risks, with a 64% impact on the VaR at the end of Q1. MPS Capital Services accounted for roughly 30%, with the remaining 6% being absorbed by the other banks.

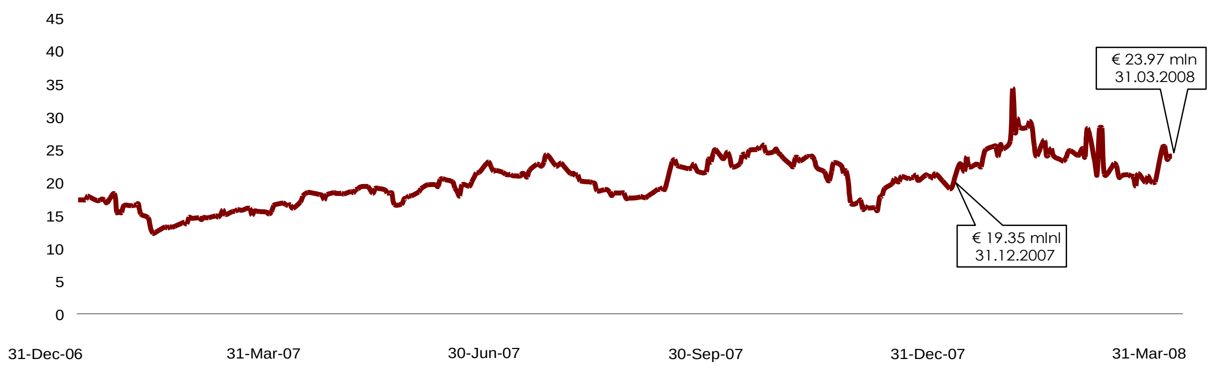


As regards the breakdown by risk factor as of 31.03.2008, equity risk factors (EQ VaR) accounted for about 45% of the Group's VaR, followed by Credit Spread risk factors (32%), forex risk factors (FX VaR, 13%) and interest rate risk factors (10%, IR VaR).



The trend of the VaR of the Parent Bank was similar to the Group's trend.

MPS Bank: Trading Book VaR
- VaR 99% 1 day in EUR milion -



The average VaR of Banca MPS for the first quarter of 2008 came to EUR 24.14 mln, with a EUR 5 mln increase with respect to 2007 (EUR 19.29 mln). During the year, the Parent Bank's VaR ranged between a low of EUR 19.46 mln on 14 March and a high of EUR 34.31 mln on 23 January. The year-end VaR was EUR 23.97 mln.

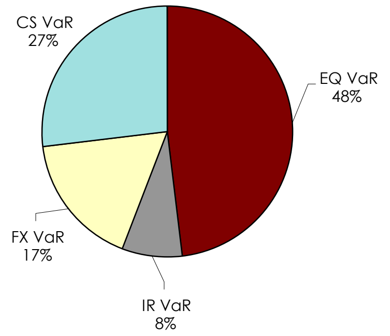
MPS Bank – Trading Book VaR
VaR 99% 1 day

	VaR (EUR mln)	Date
Min 2008	19.46	14/03/2008
Max 2008	34.31	23/01/2008
Average 2008	24.14	

As regards the breakdown of VaR by risk factor, as of 31.03.2008 equity risk factors (EQ VaR) accounted for about 48% of the Parent Bank's portfolio, followed by Credit Spread risk factors (27%), forex risk factors (FX VaR, 17%) and interest rate risk factors (8%, IR VaR).

MPS Bank

VaR Breakdown per Risk Factor as of 31.03.2008



o OPERATIONAL RISKS

The MPS Group has implemented an integrated system of operational risk management based on a governance model involving all MPS Group banks and financial companies included in the area of reference. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

All domestic banks and financial companies are included in the area of the advanced approach (AMA). Pending the development of the Business Plan, basic methods are adopted for the foreign companies. The companies included in the "advanced approach" area account for more than 90% of the Group's net operating income (materiality threshold).

The advanced approach matches all major qualitative and quantitative (mixed LDA-Scenario Model) information (information or data) sources homogeneously. The quantitative component (Loss Distribution Approach) is based on the collection, analysis and statistical model of internal and external historical data of loss (DIPO). The model, which adopts Extreme Value Theory techniques, contemplates the breakdown of operational losses in 7 kinds of events, according to the classification of the New Accord of Basle.

The qualitative component is focused on the evaluation of the risk profile of each unit and is based on the identification of significant scenarios. In this context, the Group companies are involved during (i) the identification of the processes and risks to be assessed, (ii) the assessment of the risks by the process managers, (iii) the identification of possible mitigation plans, (iv) the selection of common priorities and technical-economic feasibility of the actions of mitigation, to be agreed with the H.O. units on the basis of different scenarios.

The AMA model, which has been in parallel running for two years, ensured a better management of operational risks and a gradual reduction of the Group's riskiness. The Loss Data Collection process actually showed a gradual reduction in the number and the amounts of the events recorded (internal data of historical loss). This trend is due to decreasing lawsuits and claims in relation to the sale of securities, financial plans, structured products. Accordingly, the decrease in the risk profile estimated by the Top Management, as indicated in the Scenario process both in terms of expected loss and capital requirements, is indicative of the Management's confidence in the effectiveness of the mitigation initiatives undertaken.

After the positive outcome of the pre-validation stage of the advanced approach, on 17 December 2007 the MPS Group submitted a formal application to the Bank of Italy for the acknowledgement for regulatory purposes of the advanced methods for the estimated capital requirements with respect to operational risks. The same advanced model started operating formally as of 1 January 2008.

The processes of risk management and measurement were subject to the control of the Bank of Italy during a four-week inspection (11 February-6 March 2008). The inspection is a fundamental step in the administrative process of validation of the advanced methods for the determination of capital requirements. Validation had an impact on risk identification and measurement, and on risk management and mitigation, with the involvement of the Group's Top Management.

The result of the application shall be notified no later than 17 June 2008. As a consequence, the first consolidated reporting for regulatory purposes in compliance with the advanced model shall be based on the results as of 30 June 2008.

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

As of the year of 2003, the MPS Group implemented Wealth Risk Management processes and methods which incorporate all of the activities of measurement and monitoring, and the processes of control of the risks in relation to the investment services provided to the customers.

The main objective of the Parent Bank's Wealth Risk Management Unit – which directly reports to the Private Banking and Wealth Management Area – is to ensure the global consistency of the customers' risk propensity and their expected return, with the risk profile of the products and portfolios held by the customers. This is done so as to prevent and minimize the occurrence of any reputational risks, that is the deterioration of the customers' confidence in the Bank. This activity, which was started in November 2007, is based on compliance with the MiFID directive, with reference to the control of appropriate and adequate investment services.

All (Group and third parties) investment products included in the product catalogue for the Group customers, are subject to specific risk assessment within a codified production-distribution process. On the basis of the approach adopted, a concise risk indicator incorporating qualitative considerations on the financial structure and complexity, and a quantitative measurement of market, credit and liquidity risk factors, is determined for each financial instrument. Risk indicators are in relation to specific risk classes which are notified to the customers under specific captions and represent one of the leading principles for conducting the checks on appropriate and adequate investments, as provided for by the new MiFID directive.

Specific risk classes and modes of valuation were defined in relation to the OTC derivatives exclusively offered to corporate customers on the basis of an advisory service, for the purpose of hedging already existing and assessed credit and debit items.

Disclosure Pursuant To Consob Request No.7079556 Of 30 August 2007 ("Public Disclosure" In Compliance With Art.114, Par.5, Legislative Decree No.58/1998)

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

The following paragraph incorporate the information required by the Italian Securities Commission (Consob) in relation to the activities associated with sub-prime mortgage loans:

1. the outstanding exposure or commitments of your 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 have, as underlying assets, said mortgage loans held by your company or Group companies 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, with maturity on 20 December 2045 and S&P Rating AA (AA+ as of 31 December 2007), with a market value of EUR 13.6 million as of 31 December 2007 and EUR 6.3 million as of 31 March 2008, posted to the profit and loss statement with a valuation loss of about EUR 7.3 million.
As a result of the deterioration of the sub-prime loan crisis and the ensuing decline of the market value of said loans, 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 CDS in a total nominal value of USD 180 million, with a remaining nominal portion of USD 120 million as of 31 March 2008.
As of 31 March 2008, the MTM of these 2 positions showed a positive impact on the profit and loss statement.

In addition, the portfolio of hedge funds and funds of funds was affected only marginally, since the percentages of underlying assets associated with the subprime segment, within this portfolio, are moderate.

1c) No guarantees associated with sub-prime mortage 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, as of 31 March 2008 the investigations conducted on thecustomers' securities deposits with BMPS, Banca Toscana, Banca Agricola Mantovana, Banca Personale and Biverbanca proved that **no similar financial instruments have been issued by the Group (structured bonds, funds, insurance policies, individual portfolios under management etc.).**

As of 31 March 2008, the total countervalue of third parties' SICAVs distributed by the Group Networks, existing in the securities deposits of the Group's customers and including sub-prime risk exposures, was virtually steady with respect to the very limited values recorded at year-end (EUR 40 million approx., or 0.038% of total securities deposited with the customers on that date, excluding individual portfolios under management).

In addition, at the end of March 2008 almost the total countervalue of SICAVs identified as a sub-prime risk portfolio showed a minimal exposure directly attributable to such risk (lower than 1% of the total SICAV amount under management).

The funds which show the highest percentages of sub-prime risk within the portfolios under management had been internally assigned upon their placement – within a 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 purchased.

ESTIMATED REGULATORY RATIOS (BASLE 1)

With reference to the **regulatory ratios**, as of 31 March 2008 **TierIcapital was estimated on the basis of BIS1** at 6.2% (6.1% as of the end of 2007) and the solvency ratio at 8.7% (8.9% as of 31 December 2007).

THE OPERATING STRUCTURE AND OTHER INFORMATION

THE OPERATING STRUCTURE

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

- DISTRIBUTION CHANNELS

In the first quarter of 2008, the MPS Group continued its activity geared toward **developing and streamlining its distribution channels,** with emphasis placed on the growth of the traditional network, and **the consolidation of innovative channels and their integration with the branch network**, with the objective of increasing the **multichannel credentials** of the MPS Group and providing the Customers with a consistent and homogeneous service, irrespective of the type of access to the Bank used by them.

With reference to the **traditional channels,** the number of the **domestic branches** of the commercial banks **rose to 2,102** (including 105 branches of **Biverbanca**), in addition to the **commercial specialists' centres (SMEs, Local Authorities and Private)** which enable the Group to make all major decisions in relation to the Customer's operations more rapidly, due to their "proximity" to these specific customer segments.

The Group distribution network also includes about **700 financial promoters of MPS Banca Personale** (operating in Italy through 139 "financial promoter offices"), flanked by **333 promoters of AXA SIM**, which was purchased in February 2008.

MPS GROUP DISTRIBUTION NETWORK

Channel	31.03.08	31.12.07
Domestic branches*	2,102	2,094
Financial Promoters Offices	139	139
Total domestic sales outlets	2,241	2,233
Foreign branches	36	35
SME Business Centres	119	113
Institutions Business Centres	37	37
Private Business Centres	71	70

* The specialized units of MPS Banca per l'Impresa are not included

BRANCH DISTRIBUTION GEOGRAPHICAL AREA 31st March 2008

Northern Italy	691	32,9% of total
Central Italy	894	42,5% of total
Southern Italy and Islands	517	24,6% of total
TOTAL	**2,102**	

MPS GROUP BRANCHES 31st March 2008

Banca MPS	1,238
Banca Toscana	450
Banca Agricola Mantovana	309
Biverbanca	105
MPS GROUP TOTAL	**2,102**

As far as **innovative channels** are concerned, the Group continued to transform the traditional branches into **advanced centres of relations with the customers**. The Multichannel Credentials were extended to more than 900 Group branches during Q1 2008. Today, innovative channels are popular, widespread and increasingly used by the MPS Group customers.

In support of the Group commitment to the development of direct channels, the Group implemented a website, **www.bancainfinita.it**, which was online as of 13 March 2008. The site was developed with a strong promotional and commercial vocation, channelling a selection of innovative products and services which can be purchased online. The products directly sold are **Conto Ulisse and Carta Spider,** which can be purchased directly from the site by exchanging the relating papers by mail.

In addition, the Group operates the service of **Electronic Billing**, which can be activated online within Internet Corporate Banking, and **Firma Digitale +,** which completes Electronic Billing by validating all digital document signed, from the legal viewpoint.

The first quarter of 2008 closed successfully for the **Group Contact Center** which pursued the project of implementation of the new business model through the customization of the last-generation technological platform and maintained the levels of service planned in relation to the services rendered to the Customers **(Isole della Clientela**) and support to the Network (**Network Advisory Services).**

The service of commercial assistance to the Network, started in relation to the Retail market of BMPS in May 2007, was extended to the Corporate market, Banca Toscana and the new Advisory Platform.

On the front of **electronic banking,** the distribution of Customers in relation to the different channels continued to expand steadily during Q1 2008:

- **Home Banking and Mobile Banking contracts, mostly executed with Retail Customers,** topped 790,000 contracts (+1.8% with respect to December 2007);
- **Internet Corporate Banking contracts** (UNI EN ISO 9001/2000 certified in relation to Banca MPS) topped 153,000 contracts (+1.1% with respect to December 2007);
- **Internet Corporate Banking contracts for the Local Authorities and the Public Administration** reached 1,304 contracts (+9.3% approx. with respect to 31 December 2007).

ON-LINE CHANNELS - Executory Contracts

Channel	31/03/08	31/12/07	Var%	Incid. %
Home Banking	693,395	684,461	1.3%	73.0%
Internet Corporate Banking	153,786	152,084	1.1%	16.2%
ICB Institutions	1,304	1,193	9.3%	0.1%
Mobile Banking	101,980	96,838	5.3%	10.7%
TOTAL	950,465	934,576	1.7%	100.0%

As of 31 March 2008 **the MPS Group ATMs numbered 2,525** (including Biverbanca).

The programme of **microcircuit migration** is still under way, with 71% of the Group ATMs already migrated as of 31 March 2008 pursuant to the new regulations.

The Group successfully tested the service of **smart payment.** Advanced ATMs were installed in 53 sample branches with a steady growth of the percentage of migration to total cash payments and peaks higher than 30% in a few branches.

- THE DIRECT FOREIGN NETWORK

In line with the operational and development guidelines contemplated by the Business Plan, the **Group reorganized its direct international network** with reference to its different operational units (i.e. branches, representative offices, customer desks and Italian desks with other correspondent banks, in the framework of commercial co-operation agreements), with a view to enhancing the value of centrality of the customers, to be assisted in different businesses anywhere in the world.

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

- **The geographical position in a logic of increasing enhancement of the Group presence in the emerging countries with high growth rates (e.g. new Shanghai Branch);**
- **The development of commercial operations** in synergy with the Group domestic network, in support of the 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 and Shanghai, and of the foreign representative offices located in the Group target areas, were geared to meet this requirement:

a) in the south-eastern area, with the Istanbul and Moscow units.
b) In the Mediterranean countries of North Africa (Algiers, Tunis, Cairo and Casablanca).
c) In central Asia (Beijing. Guangzhou and Mumbai).

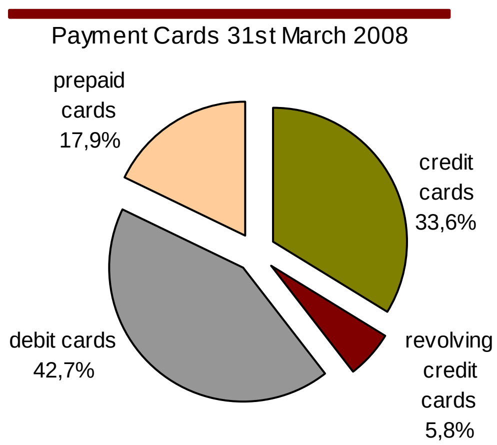
- PAYMENT AND COLLECTION SYSTEMS

The services in the area of the payment and collection system are aimed at **enhancing functionality and improving quality** for the purpose of meeting the requirements of retail and corporate customers.

The Group installed **3,580 POS terminals during Q1 2008, totalling 75,697 POS** as of 31 March 2008. The programme of **microcircuit migration** is still under way, with about 70% of the Group POS compliant with the new security regulations.

The **credit and debit cards** distributed by the Group banks numbered **2,337,528**.

In particular, the fastest growing segment was the segment of **prepaid cards** (417,294 cards, or + 54% compared to March 2007)**. Revolving cards** dropped by about 7% in the same period.



As a result, the Group started a project of in-depth review of this product, which will be finalized soon with the implementation of a new card expected to gradually replace the card currently held in portfolio.

The most significant events occurred during Q1 2008 incorporate the start of the process of **in house issue of retail credit cards (from CartaSi to Consum.it**). The first stage of the project was characterized by the issue of **Carta Unica Classic,** a classic or revolving credit card, at the holder's choice. Early in 2008, the Group inaugurated the pilot scheme of a new product, **Carta Axa Silver**. This card has a dual ceiling of spendability: (i) a revolving ceiling for circular use and (ii) another ceiling with deferred repayment and fixed amortization for captive use (i.e. payment of Axa insurance premiums). **Spider Web,** a prepaid card similar to standard Spider which can be purchased online, was extended to the network in March 2008. The card is distributed by the site of Banca Infinita. The great success of **Spider** was proved by the award of **Premio per l'Innovazione of Milano Finanza**, which considered Spider as one of the most innovative cards in Italy.

- HUMAN RESOURCES

In line with the strategic guidelines contemplated by the new Group Business Plan and the programmatic guidelines of the 2008 Budget, the management of human resources was developed in accordance with the following priorities:

- **Increasing the professional level of front office resources,** with specific reference to their capacity of management of customers' relations and proactivity in their approach to the customers;
- **Ensuring the cover of key roles** through professional, training and career paths, with emphasis placed on young employees, through appropriate systems of identification, follow-up and support to growth;
- **Consolidating managerial profiles** through the diffusion of a **behavioural model** oriented to the implementation of the strategic objectives of the Plan and the regular mapping of skills, for the purpose of fuelling **continuity plans**. Corresponding development of **wage schemes diversified** on the basis of the organization weight of the position filled and personal components (skills, potential, track record, internal/external level of replaceability);
- Improving the effectiveness of the **rewarding system**, in relation to the indicators of value creation (objectiveness and structural value of results with the passing of time) and in a logic of growing selectivity, with emphasis placed on the centrality of merit.

- STAFFING

As of 31 March 2008, the MPS Group[3] had a total workforce of 24,828 employees (virtually steady y-o-y).

MPS GROUP STAFF

	31/12/05(*)	31/12/07(**)	31/03/08
Workforce	24,303	24,805	24,828
On a payroll	24,386	24,863	24,895

(*) *Baseline* previous Business Plan without tax collection activity staff.
(**) Baseline Business Plan 2008-11, Biverbanca workforce included (696 employees).

In compliance with the provisions of the new 2008-2011 Group Business Plan, the Group prepared a Masterplan in relation to the process of staff reduction and re-mix during the 2008-2011 period, with reference to the reorganization and the initiatives of commercial consolidation of the MPS Group. In addition, the Group started the first actions encouraging the outflow of high seniority staff during Q1 2008.

The tables below show the distribution of the MPS Group's workforce by job category and by operating location:

MPS GROUP WORKFORCE: DISLOCATION BY STRUCTURE

STRUCTURE	31/12/2007(1)	% OF TOTAL	31/03/08	% OF TOTAL
Network & Call Center	**14,927**	**60%**	**14,942**	**60%**
Head Quarter	**9,878**	**40%**	**9,886**	**40%**
- H.O. Italian Banks (1)	*5,210*	*21%*	*5,160*	*21%*
- Product Companies	*1,460*	*6%*	*1,504*	*6%*
- Service Companies	*2,470*	*10%*	*2,488*	*10%*
- Other Activities (3)	*738*	*3%*	*734*	*3%*
TOTAL	**24,805**	**100%**	**24,828**	**100%**

(1) Baseline Business Plan 2008-11, Biverbanca workforce included (**696** employees).
(2) Foreign branches and representative offices and others activities.

[3] Total resulting from the deduction of the resources seconded to companies outside the Group, and part-time cleaning staff, from personnel on the payrolls.

BREAKDOWN OF STAFF BY JOB CATEGORY

CATEGORY	ACTUAL NUMBER	% OF TOTAL WORKFORCE
Executives	472	2%
Managers	7,251	29%
Other Professional Areas	17,105	69%
TOTAL	**24,828**	**100%**

In terms of academic credentials, the weight of graduated staff is 30%, with peaks in the case of the Executives (around 50%).

MPS GROUP WORKFORCE: MIX OF CREDENTIALS

AGE	% FEMALE	% MALE	% OF TOTAL
up to 30 years	7.8%	5.6%	13%
31 to 40 years	16.4%	13.8%	30%
41 to 50 years	14.1%	19.3%	33%
over 50 years	4.9%	18.2%	23%
TOTAL	**43.2%**	**56.8%**	**100%**

MPS GROUP WORKFORCE: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% FEMALE	% MALE	% OF TOTAL
up to 10 years	19.8%	20.2%	40%
11 to 20 years	11.8%	13.0%	25%
21 to 30 years	9.2%	12.6%	22%
over 30 years	2.4%	11.0%	13%
TOTAL	**43.2%**	**56.8%**	**100%**

The average age is 42.1 years, with a decline in comparison with prior years, and is below the Industry average[4] (43 years). 43% of the employees are under 40.
The weight of women is increasing to 43.2%, from 39.5% at the end of 2005 and with respect to the Industry average of 40%.

[4] Source: Italian Bankers' Association – 2007 Report on the labour market in the financial industry; data as of 31.12.2006

OPERATIONAL STRATEGIES

In the framework of the above-mentioned strategies, the major initiatives undertaken during Q1 2008 incorporate:

- The launch of the second version of **professional paths**[5]**,** which involves also H.O. staff for the first time. 190 applications for participation were received in 2008, including 140 applications in relation to "bottom-up" paths and 50 in relation to "across" paths. Both kinds of path are based on **PaschiRisorse**, as the basic **planning and monitoring** tool for the definition of the distinctive features of each role, and the review of the levels of adequacy of each resource with respect to the profile set for the role filled. As a whole, the **professional paths** at the Group level involve about 500 resources;
- The mapping of the resources to be included in the **plans of development** toward the roles of SME Center Responsible and Private Center Responsible. The aim of the project is to fill – in a logic of planning – relevant positions of responsibility within the Network and have professional specialists in the H.O. units;
- The set up of a **laboratory of development** within the project of "**enhancement of excellent resources**", with the objective of increasing the knowledge of individual skills, with priority given to young employees, for the purpose of consolidating their talent, orienting their professional development and creating an organic channel for fuelling the future Group Management.

In accordance with the 2007-2009 Training Plan, the **training initiatives** undertaken in Q1 2008 aimed at consolidating the professional skills of each role, also in synergy with the tools of professional development activated (e.g. PaschiRisorse and related gap analysis; professional and career paths). To this end, the Group consolidated the instruments of guidance for training activities, namely the Manual of Training Initiatives by Role (GRAF) and the Planning of Individual Training (PAFI).

Training hours totalled more than 280,000 hours (vs. 150,000 hours in Q1 2007) including classes, online courses and supported initiatory training, and were mainly (82%) targeted at the staff operating in commercial and credit activities. Following are the major training initiatives undertaken in Q1 2008:

- **Technical-professional area**:
  - The Group *Advisory* Platform – which helps to develop proactive relations with the customers – will involve about 4,500 account managers of the three Group banks;
  - The course on *regulatory innovations* in the credit assessment process, targeted at abt. 2,000 resources (the whole SME, Loan Lab, Small Business staff);
  - ISVAP training for insurance policy dealers (more than 4,000 resources);

[5] "*Bottom- up*" paths regulate growth to target roles, up to the 2nd level of Managers. "*Across*" paths encourage the integration of skills between similar roles.

- o Training in relation to advanced techniques for the acquisition of new customers, involving the Group private banking personnel;
- o Basic (managerial, lending, finance, IT etc.) “crosswise” training for the staff working in the Parent Bank and the Group companies (abt. 1,800);
- ▪ **Managerial area:**
- o *Executive Maturity* classes targeted at more than 600 managers of the Commercial Module branches.

More than 1,300 employees participated in the classes covering Safety & Security issues, which are targeted at the Network staff in charge of emergency and the Branch Managers.
In addition, the Group was strongly committed to preparing the organizational integration of Banca Antonveneta with the MPS Group, with priority being given to the IT system (e.g. class planning, training to the trainers).

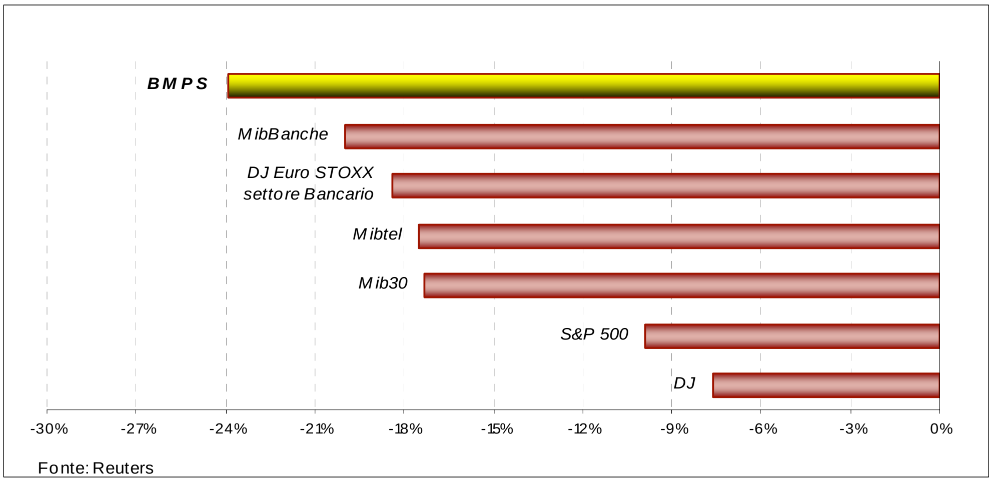
Industrial relations were characterized by talks with the Unions in relation to Corporate Social Responsibility and the contents of the CSR Report. The agreement on the new “**key roles**” in the Network and the “**Protocol on Security**” (concerning the operational methods of valuation and monitoring of robbery risks for the protection of the employees and corporate assets) are important from the contractual viewpoint.

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

- PRICES

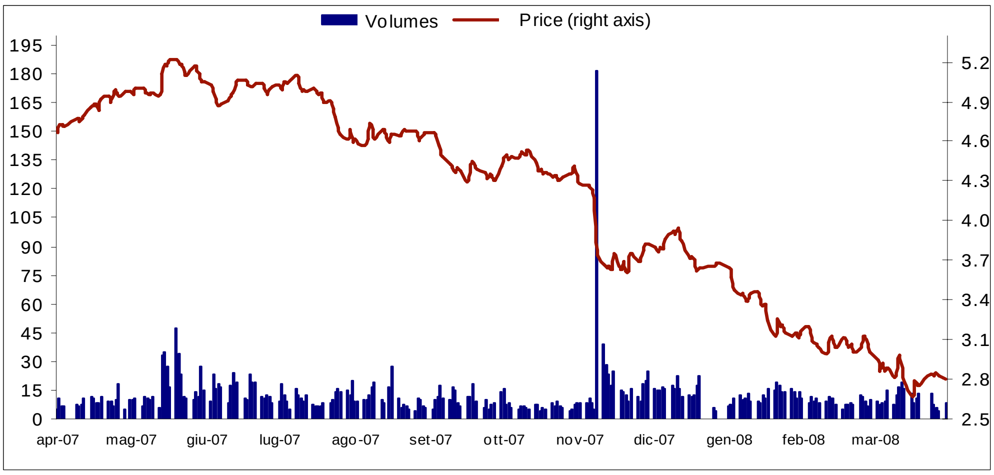
The first quarter of 2008 was extremely negative for the major stock indices (Dow Jones – 7.6%, S&P 500 – 9.9%, Mibtel -17.5%, Mib30 – 17.3%), as a result of the US subprime mortgage loan crisis, which caused sales of financial equities (MibBanche – 20%, DJ Euro Stoxx Banks – 18.4%), and fears of economic recession.

CHANGES OF THE MAJOR STOCK INDICES IN 2008



The Bank's shares closed the quarter as of 31 March 2008 at EUR 2.80 (-23.9% with respect to January 2008) after hitting a high at EUR 3.64 on 2 January 2008 and dropping to a low of EUR 2.67 on 17 March, due to the general bearish trend of the markets and financial equities.

TREND OF BMPS SHARES (from 31/03/07 to 31/03/08)



SUMMARY OF THE PRICES OF BMPS SHARES (from 31/12/07 to 31/03/08)

▪ **BMPS Share Price: Statistical Summary**

(from 12/31/07 to 03/31/08)

Average	3.09
Low	2.67
High	3.64

- CAPITALIZATION AND SHAREHOLDERS' BASE

As of 31 March 2008, the market value of BMPS computed on the basis of 3,023,204,365 (ordinary and preferred) outstanding shares amounted to EUR 8.5 billion approx.

▪ **Summary of reference prices and capitalization**

	12/31/07	03/31/08
• Price (euro)	3.68	2.80
N° ordinary shares	2,457,264,636	2,457,264,636
N° preferred shares	565,939,729	565,939,729
N° saving shares	9,432,170	9,432,170
Capitalization (ord + pref) (euro mln)	11,125	8,464

With reference to the Bank's shareholders, 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 24 April 2008 the major shareholders were: the MPS Foundation (the majority shareholder holding 43.6% of the ordinary share capital); JP Morgan Chase (10.73%*); Axa S.A. (4.39%); Caltagirone Francesco Gaetano (4.20%); Unicoop Firenze (3.2%) and Carlo Tassara SpA (2.89%):

▪ Main Shareholders (in compliance with art. 120 of Legislative Decree. n. 58/98)

Fondazione MPS	43.60%
JP Morgan Chase*	10.73%
Axa S.A.	4.39%
Caltagirone Francesco Gaetano	4.20%
Unicoop Firenze – Società cooperativa	3.20%
Carlo Tassara S.p.A	2.89%

- **As a result of the share capital increase through the paid issue, at a premium, of 295,236,070 ordinary shares in a total amount of Eur 950,069,673.26. The capital increase, excluding the right of option, was offered for subscription to a company of the JP Morgan Chase Group which used the new shares to cover the convertible loan (Fresh), with loan issue notified by JP Morgan on 8 April 2008. JP Morgan Chase & Co. indirectly holds (through JPMorgan**

<u>Securities Ltd) the bare property of this investment, with the beneficial interest in favour of BMPS. The voting rights in relation to such shares, due to the beneficial owner, are suspended as long as the beneficial interest in favour of BMPS is in force.</u>

- VOLUMES

In the first quarter of 2008, BMPS shares traded on a daily basis averaged around 11 million, with a peak of 19 million in January and a low of 4.3 million in March.

■ Monthly volumes of shares traded

Volumes for 2008	
January	271
February	195
March	206

- DEBT RATINGS

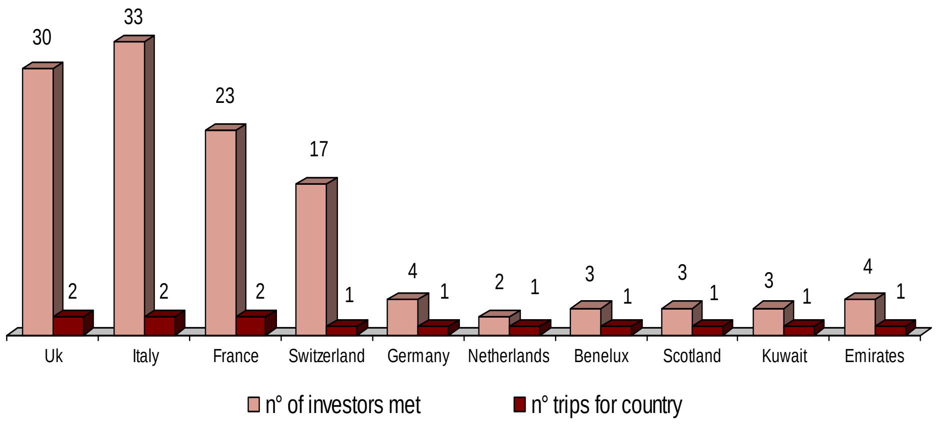
Following are the debt ratings as of 31 March 2008, which are unchanged in comparison with 31 December 2007:

	Short Term 03/31/2008	Long Term 03/31/2008
Moody's Investors Service	P - 1	Aa3
Standard & Poor's	A - 1	A
Fitch Ratings	F - 1	A+

- INVESTOR RELATIONS IN Q1 2008

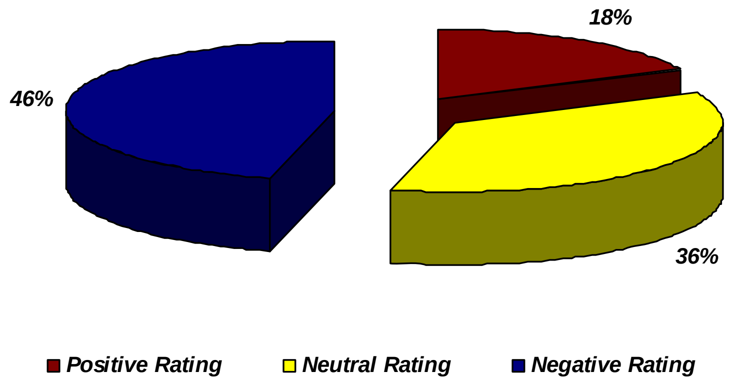
In the first months of 2008 the Investor Relations Team interacted proactively with the financial community, with an additional acceleration in market-oriented activities, in line of continuity with 2007, also as a result of the presentation to the financial community (on 11 March 2008) of the New 2008-2011 Business Plan of the MPS Group.

The Group's representatives met about 130 investors (inclusive of the investors met more than once) in 11 different countries. Following is the breakdown by geographical area:



▪ BMPS SHARES RECOMMENDATIONS

As of 31 March 2008, 18% of the analysts covering BMPS shares maintained a positive outlook, 36% maintained a neutral stance on the stock and 46% had a negative outlook.



MATERIAL EVENTS SUBSEQUENT TO THE END OF Q1 2008

Following are the major material events occurred after 31 March 2008:

- **on 10 April 2008**: the Board of Directors of Banca Monte dei Paschi di Siena, in full fulfilment of the delegation of authority given by the extraordinary shareholders' meeting of 6 March 2008, resolved a share capital increase through the paid issue, at a premium, of 295,236,070 ordinary shares, eligible for dividends as of 1 January 2008, of a nominal value of EUR 0.67 each. The capital increase, excluding the right of option, is offered for subscription to a company of the JP Morgan Chase & Co. Group which will use the new shares to cover the convertible loan (FRESH), with loan issue notified by JP Morgan on 8 April 2008. As a result of a beneficial interest agreement executed by BMPS and JP Morgan, JPMorgan waives the voting rights and the rights to the dividends on the new shares, for a consideration. The beneficial interest shall terminate in the case of conversion of the FRESH convertible loan.

- **On 23 April 2009**: the Italian Securities Commission (Consob) authorized the issue of the prospectus for the option to buy the ordinary shares of Banca Monte dei Paschi di Siena, within a capital increase of max. EUR 5 bn, as resolved by the Board of Directors on 20 March 2008. The period for the exercise of the right of option shall start on 28 April 2008 and end on 19 May 2008. The rights of option in relation to the ordinary shares shall be traded from 28 April 2008 to 12 May 2008.

- **On 24 April 2008**: the Board of Directors of Banca Monte dei Paschi di Siena approved the final conditions for the capital increase with option to buy. In particular:

The capital increase shall consist of 2,740,485,580 ordinary shares, 9,432,170 savings shares and 565,939,729 preference shares, of a nominal value of EUR 0.67 each, in a total nominal amount of EUR 2,221,624,510.93 and a total countervalue (inclusive of the premium) of EUR 4,973,786,218.50. Ordinary, savings and preference shares shall be offered to the shareholders on an option, according to the following ratios:

(i) no.1 new ordinary share/1 ordinary share owned;
(ii) no.1 new savings share/1 savings share owned;
(iii) no.1 new preference share/1 preference share owned.

Said capital increases are part of the funding plan in support of the acquisition of Banca Antonveneta by BMPS.

- **On 14 May 2008**: execution of the disposal of the equity investment in MPS Finance (with the previous transfer to MPS Finance of the Depositary Bank unit), with collection of the countervalue and transfer of the shares.

OUTLOOK FOR THE FUTURE

Against a macroeconomic scenario which contemplates the slowdown of economic growth in 2008, also due to the adverse trend of the financial markets, the new Business Plan shall contribute to taking advantage of the acquisition of Banca Antonveneta at best, through an in-depth reorganization and the improvement of the performance of the MPS Group. This will imply the capitalization of the benefits resulting from the industrial actions, which had been planned and already executed during the 2006-2009 Plan, and the implementation of strategic and organization initiatives breaking with the past.

Against a backdrop characterized by the economic slowdown and the persistently deep crisis of the financial markets, it is not possible to give an accurate estimate of the trends and developments for the remaining portion of the financial year, due to marked instability. However, the MPS Group shall be committed to rapidly implementing the programme of integration provided for by the new Group Business Plan and ensuring development in compliance with the guidelines planned and the commercial operations of the first quarter of 2008.

MPS BANKING GROUP

CONSOLIDATED QUARTERLY REPORT ON OPERATIONS

31 March 2008

CONSOLIDATED QUARTERLY REPORT ON OPERATIONS

- **Consolidated balance-sheet**
- **Statement of the changes in consolidated net equity**
- **Consolidated cash flow statement**
- **Notes to the consolidated financial statements**

  A – Accounting policies
  B – Information on the consolidated balance-sheet
  C – Information on the consolidated profit and loss statement
  E – Information on risks and the respective covering policies
  H – Transactions with related parties

TABLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

(in euro)

	Assets	03/31/2008	12/31/2007
10	Cash and cash on deposit	535,814,552	821,089,517
20	Financial assets held for trading	26,113,388,302	26,246,463,503
30	Financial assets at fair value	-	-
40	Financial assets available for sale	4,612,770,327	4,805,215,609
50	Financial assets held to maturity	3,066	3,019
60	Due from banks	11,708,305,611	14,858,265,765
70	Loans to costumers	107,749,484,164	106,322,374,337
80	Hedging derivatives	10,984,384	42,306,654
90	Value adjustment on financial assets with generic coverage (+/-)	21,877,769	16,853,585
100	Equity investment	817,175,932	820,080,233
110	Technical reserves reassured with third parties	-	-
120	Fixed Assets	1,998,450,379	2,428,018,467
130	Intangible assets	1,128,166,441	1,104,121,373
	of which: goodwill	*961,239,412*	940,766,633
140	Tax assets	1,122,816,763	1,102,980,122
	a) current	*527,594,437*	581,433,678
	b) anticipated	*595,222,326*	521,546,444
150	Non current assets (or disposal groups) held for sale and discontinued operations	3,349,994,342	310,605,335
160	Other	3,293,433,213	3,105,203,621
	Total	**162,462,665,245**	**161,983,581,140**

Balance Sheet

(in euro)

	Total liabilities and Shareholders'equity	03/31/2008	12/31/2007
10	Due to banks	15,612,858,883	13,742,750,063
20	Due to costumers	59,054,053,007	60,436,581,201
30	Securities	38,409,047,803	39,816,535,931
40	Financial liabilities held for trading	18,506,016,853	19,355,217,544
50	Financial liabilities at fair value	12,983,819,950	13,093,848,021
60	Hedging derivatives	75,038,199	51,659,243
70	Value adjustment on financial liabilities (+/-)	-	-
80	Tax Liabilities	264,364,443	192,434,719
	a) Current	*175,980,788*	*94,698,154*
	b) postponed	*88,383,655*	*97,736,565*
90	Liabilities in disposal groups held for sale ans discontinued operations	2,927,684,205	2,863,322
100	Other	4,455,501,592	4,978,924,467
110	Staff severance indemnity reserve	366,254,264	368,638,635
120	Reserve for risks and other charges	904,871,067	1,048,336,614
	a) pension fund and similar obligations	*417,059,382*	427,748,723
	b) other provisions	*487,811,685*	620,587,891
130	Techical reserves	-	-
140	Revaluation reserves	432,717,679	650,359,070
150	Refundable shares	-	-
160	Capital instruments	70,411,547	70,411,547
170	Reserves	5,432,673,791	3,996,475,026
180	Paid-in Capital	547,400,829	559,171,863
190	Share capital	2,031,866,478	2,031,866,478
200	Own shares (-)	(61,386,159)	(96,625,258)
210	Minority interests (+/-)	259,332,480	246,574,236
220	Profit (loss) for the year	190,138,334	1,437,558,418
	Total liabilities and Shareholders'equity	**162,462,665,245**	**161,983,581,140**

P&L

(in euro)

		03/31/2008	03/31/2007
10	Interest and similar income	2,005,838,316	1,646,170,184
20	Interest and similar expense	(1,195,273,790)	(929,372,629)
30	**Net Interest Income**	**810,564,526**	**716,797,555**
40	Commissions earned	432,172,218	403,385,238
50	Commission expense	(50,183,537)	(38,545,521)
60	**Net Commissions**	**381,988,681**	**364,839,717**
70	Dividends and other income	17,596,052	7,480,537
80	Net Profit from trading	(67,941,302)	88,944,712
90	Net Profit from hedging	(3,823,262)	(537,897)
100	Profit / Loss	1,738,940	3,508,940
	a) loans	*(2,549)*	*30,333*
	b) available for sale financial assets	*2,161,971*	*5,213,656*
	c) held to maturirty investment	-	-
	d) other financial assets	*(420,482)*	*(1,735,049)*
110	Fair Value financial assets and liabilities	20,423,454	5,513,371
120	**Total Income**	**1,160,547,089**	**1,186,546,935**
130	Net value adjustments on:	(199,267,627)	(115,670,073)
	a) loans	*(129,836,065)*	*(111,310,304)*
	b) available for sale financial assets	*(67,369,585)*	*(3,452,822)*
	c) held to maturirty investment	-	-
	d) other financial assets	*(2,061,977)*	*(906,947)*
140	**Net Income from financial operation**	**961,279,462**	**1,070,876,862**
150	Net Premiums	-	-
160	Net Income loss from insurance operations	-	-
170	**Net Income from financial and insurance operations**	**961,279,462**	**1,070,876,862**
180	Administrative expenses	(729,403,248)	(715,939,525)
	a) personnel	*(451,542,047)*	*(430,819,488)*
	b) other administrative expenses	*(277,861,201)*	*(285,120,037)*
190	Provisions for risks and charges	24,937,469	(13,465,957)
200	Valuation adjustments to fixed assets	(17,694,824)	(16,689,527)
210	Valuation adjustments to intangible assets	(11,277,888)	(10,237,619)
220	Other operating income/expenses	56,924,337	63,058,083
230	**Operating costs**	**(676,514,154)**	**(693,274,545)**
240	Income (loss) from investments	6,755,132	29,022,079
250	Net value adjustments on tangible and intangible assets designated at fair value	-	-
260	Value adjustments of goodwill	-	-
270	Income (loss) from disposal of investments	7,674,241	56,186
280	**Income (loss) before taxes from continuing operations**	**299,194,681**	**406,680,582**
290	Income taxes	(101,557,919)	(177,656,449)
300	**Income (loss) after taxes from continuing operations**	**197,636,762**	**229,024,133**
310	Income (loss) from disposal of non continuing operations net of taxes	(3,602,469)	27,960,530
320	**Profit (loss) for the period prior to minority interests**	**194,034,293**	**256,984,663**
330	Profit (loss) prior to minority interests	3,895,959	3,374,023
340	**Profit (loss) for the period**	**190,138,334**	**253,610,640**

	31 03 2008	31 03 2007
Utile per azione base	**0.121**	**0.084**
Dell'operatività corrente	0.122	0.075
Dei gruppi di attività in via di dismissione	(0.001)	0.009
Utile per azione diluito	**0.113**	**0.079**
Dell'operatività corrente	0.114	0.071
Dei gruppi di attività in via di dismissione	(0.001)	0.008

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR '000)

		balance as 31.12.07		Change in opening balance	balance as 01.01.08		Allocation of profit from prior year			Changes during the year												Shareholders' equity as at 31.03.2008	
							Reserves		Dividends	Changes in reserves		Shareholders' Equity transactions								Net profit (loss) of year 2008			
												Issue of new shares		Acquisition of own shares		Extraordinary distribution of dividends	Change in equity instruments	Own share derivatives	Stock option				
		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				-	2,088											1,646,367	55,339
	b) other shares	385,499	-		385,499					-												385,499	-
Additional paid-in-capital		559,172	7,096		559,172	7,096					56	(11,771)										547,401	7,152
Reserves	a) retained earnings	4,101,360	57,740		4,101,360	57,740	797,335	15,641	640,223	(1,359)	2,013								-			5,537,559	75,394
	b) other	(104,885)	-		(104,885)	-				-	-											(104,885)	-
Valuation Reserves	a) available for sale	430,245	111,582	-	430,245	111,582				(196,220)	4,568											234,025	116,150
	b) hedging of financial flows	13,010	-	-	13,010					(18,686)												(5,676)	-
	c) other	207,103	1,268	-	207,103	1,268				(2,734)	134											204,369	1,402
Equity instruments		70,412	-	-	70,412																	70,412	-
Own shares	a) of the parent company	(91,933)	-	-	(91,933)							39,626		(8,817)								(61,124)	-
	b) of the subsidiaries	(4,692)	(4)		(4,692)	(4)						4,431	4	(1)								(262)	-
Net profit (loss) for the period		1,437,558	15,641	-	1,437,558	15,641	(797,335)	(15,641)	(640,223)											190,138	3,896	190,138	3,896
Shareholders' Equity		**8,649,216**	**246,574**	**-**	**8,649,216**	**246,574**	**-**	**-**	**-**	**(218,999)**	**8,859**	**32,286**	**4**	**(8,818)**	**-**	**-**	**-**	**-**	**-**	**190,138**	**3,896**	**8,643,823**	**259,333**

"As of 31 March 2008 Group net equity, inclusive of profits for the year, amounts to EUR 8,643.8mln against EUR 8,643.8mln as of year end. The movements are mainly attributable to the period profits and the sale of own shares, which decreased by EUR 35.2mln. The 2007 profits amounts to EUR 1,437.6mln, allthough not yet distributed, was reclassified to reserves for EUR 797.3mln and to dividends fro EUR 640,2mln, as approved by the shareholders' meeting of 24 April 2008.
Share premium totally decreased by EUR 11.8mln because of trading losses on own shares.
The negative change in valutation reserves "a) available for sale" (EUR 217.6mln) is due to the fair value negative change of debt and capital securities following the negative trend of financial markets. The negative change in valuation reserves "c) other" of EUR 3mln is mainly due to change variations for exchange rate differences".

Profit reserves include unavailable reserves (EUR 61.4 mln) corresponding to the amount of own shares.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR '000)

		balance as at 31.12.06		Change in opening balance	balance as at 01.01.07		Allocation of profit from prior year: Reserves		Allocation of profit from prior year: Dividends	Changes during the year: Changes in reserves		Changes during the year: 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		shareholder's equity as at 31.3.2007	
		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					486	75										560,863	7,153
Reserves	a) retained earnings	3,702,640	2,084		3,702,640	2,084	910,092	19,838			(372)								-			4,612,732	21,550
	b) other	(104,885)	(378)		(104,885)	(378)				1,022	-											(103,863)	(378)
Valuation Reserves	a) available for sale	383,236	17	-	383,236	17				13,246	-											396,482	17
	b) hedging of financial flows	16,582	-	-	16,582					3,565												20,147	-
	c) other	250,436	1,284	-	250,436	1,284				(8,069)	112											242,367	1,396
Equity instruments		71,488	-	-	71,488																	71,488	-
Own shares	a) of the parent company	(45,123)	-	-	(45,123)							(67,156)										(112,279)	-
	b) of the subsidiaries	-	-		-																	-	-
Net profit (loss) for the period		910,092	19,838	-	910,092	19,838	(910,092)	(19,838)												253,611	3,374	253,611	3,374
Shareholders' Equity		**7,775,025**	**37,752**	**-**	**7,775,025**	**37,752**	**-**	**-**	**-**	**9,764**	**(842)**	**(67,081)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**253,611**	**3,374**	**7,971,319**	**40,284**

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	31 03 2007	31 03 2008 (EUR '000)
1. Cash flow from operations	**425,119**	**568,389**
net income (+/-)	194,034	256,985
gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	10,035	(60,380)
gains/losses on hedging activities (-/+)	3,823	538
net value adjustments/recoveries on impairment (+/-)	199,268	115,670
net adjustments/recoveries on fixed assets and intangible assets (+/-)	28,973	26,927
net provisions for risks and charges and other costs/revenues (+/-)	(10,744)	14,994
not cashed net premiums	-	(4,820)
other not collected incomes/expenses from insurance activities (+/-)	-	-
tax and duties to be settled (+)	101,558	177,656
net value adjustments/recoveries on discontinued operations net of tax effect (+/-)	(644)	16,691
other adjustments	(101,184)	24,128
2. Cash flow from/used in the reduction of the financial assets	**1,414,863**	**(11,865,213)**
financial assets held for trading	126,564	(4,436,788)
financial assets carried at fair value	3,188	(1,210)
financial assets available for sale	(105,330)	(900,154)
due from banks: sight	-	-
due from banks: other credits	3,108,906	(2,216,967)
customer loans	(1,510,604)	(3,366,552)
hedging derivatives		-
other assets	(207,861)	(943,542)
3. Cash flow from/used in financial liabilities	**(2,021,304)**	**11,057,487**
due to banks: sight	-	-
due to banks: other debts	1,869,952	4,752,530
customer deposits	(1,382,528)	(1,490,423)
securities issued	(1,407,488)	3,690,616
financial liabilities held for trading	(849,944)	3,964,153
financial liabilities carried at fair value	(115,997)	128,354
hedging derivatives	-	-
other liabilities	(135,299)	12,257
Net cash flow generated/absorbed by operating activities	**(181,322)**	**(239,337)**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**7,333**	**141,545**
sales of equity investments	-	26,297
collected dividends on equity investments	-	-
sales/repayment of financial assets held to maturity	-	115,069
sales of tangible assets	4,454	179
sales of intangible assets	2,879	-
sales of subsidiaries and divisions	-	-
2. Cash flow absorbed by:	**(142,095)**	**(16,552)**
purchases of equity investments	(132,549)	(5)
purchases of financial assets held to maturity	-	-
purchases of tangible assets	(9,546)	(4,127)
purchases of intangible assets	-	(12,420)
purchases of subsidiaries and divisions		
Net cash flow generated/absorbed by investment activities	**(134,762)**	**124,993**
C. FUNDING ACTIVITIES		
issue/purchases of own shares	30,809	(67,156)
issue/purchases of equity instruments	-	
dividend distribution and other scopes	-	
Net cash flow generated/absorbed by funding activities	**30,809**	**(67,156)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(285,275)**	**(181,500)**

Reconciliation

Accounts	31 03 2007	31 03 2008
Cash and cash equivalents at beginning of the year	821,090	612,020
Net cash flow generated/absorbed during the year	(285,275)	(181,500)
Cash and cash equivalents: effect of exchange rate variations		
Cash and Cash equivalents at the end of the year	535,815	430,520

PART A

EXPLANATORY NOTES

EXPLANATORY NOTES

The Group quarterly Report is prepared pursuant to art. 154 of the Banking Act and in compliance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission according to the EU Regulation no. 1606 of 19 July 2002. The international accounting standards have been applied with reference to the "Framework for the preparation and submission of financial statements".
In particular, the Group adopted the accounting standards used to prepare the Consolidated Financial Statements as of 31 December 2007, available for further reference.

With reference to the criteria adopted, the following points should be underlined:

- The quarterly report was prepared according to the principle of "period independence", according to which the reference period is considered as an independent financial year. From this point of view, the interim profit and loss statement reflects the ordinary and extraordinary items pertaining to the period, in compliance with the accrual basis method;
- The currency of account is the euro and the amounts are expressed in EUR '000s, unless otherwise stated;
- The balance sheet and the profit and loss statement are reported on the basis of the accounting statements already used in the Financial Statements as of 31 December 2007;
- The accounting situations used for consolidation were prepared by the subsidiaries as of 31 March 2008 and adjusted, if necessary, in order to comply with the Group's accounting standards;
- Intra-group balance sheet and income statement accounts were eliminated.

The consolidated quarterly report on operations as of 31 March 2008 was prepared and issued during the period of offer in relation to the paid capital increase offered on option to the shareholders. Therefore, the Group deemed it appropriate to submit the Report to limited audit.
The consolidated quarterly report was prepared in accordance with the IAS 34 accounting principle, and the level of information therein contained is to be considered as extraordinary and homogeneously non-recurrent in the quarterly reports to be closed in the following periods.

Changes in the area of consolidation

The consolidated quarterly report includes the balance sheet and profit and loss statement accounts of the Parent Bank and of its direct and indirect subsidiaries.
In particular, the area of consolidation includes all subsidiaries, irrespective of their legal status, the status of ongoing concern or company in liquidation, or whether

the investment is a merchant banking transaction or not. Some minor entities are excluded from the area of consolidation, because their consolidation would be uninfluential with respect to the consolidated financial statement.

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

as to the Parent Bank:

- Late in February 2008, the Bank purchased the total controlling interest of Axa Sim S.p.A. (now MPS Sim S.p.A.), which was previously controlled by the Axa Group. This transaction, as a business combination, was managed in compliance with the IFRS 3 principle. The initial valuation of the Business Combination was determined only temporarily, in compliance with the regulation which authorizes to benefit of a 12-month period after the date of acquisition to consolidate the data in their final version. As a result, goodwill is quantified on a temporary basis;

- Rounding out 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, with which 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 with which Banca Monte dei Paschi di Siena S.p.A. sold 1.78% of the capital of Biverbanca S.p.A., at the strike price of the put option. After the exercise of such options, the shareholding in Biverbanca S.p.A. was 59%;

- Late in March 2008, the Bank purchased the remaining 50% of the investment in Quadrifoglio Vita S.p.A. from Unipol S.p.A.. As stated as of 31 December 2007, this will be sold to the Axa Group. In view of the total control existing as of 31 March 2008 and the sale agreement, the investment was consolidated on a line by line method and classified as discontinued operations;

- During Q1 2008, in compliance with the Bancassurance Master Agreement executed with the AXA Group, the Bank sold the business units represented by the open-end pension funds, Kaleido and Paschi Previdenza.

Following are the transactions within the Group:

Executed by the Parent Bank:

- Sale of a portion of equities classified in the AFS portfolio and a few equity investments connected with MPS Investments S.p.A.;

Executed by MPS Sim S.p.A.:

- Sale of the business unit reporting to the financial promoters of Banca Personale S.p.A.;

Executed by BAM S.p.A.:

- Sale of the associated company Intermonte S.p.A. to MPS Investments S.p.A.

The initiatives necessary for the sale of Marinella S.p.A. and Valorizzazioni Immobiliari S.p.A. are being completed. As done on 31 December 2007, these subsidiaries are still classified as discontinued operations; therefore, balance-sheet and profit and loss statement data have been reclassified under accounts 150/80 in 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”).

Finally, in November 2007 the Parent Bank Banca Monte dei Paschi di Siena S.p.A. re-negotiated the shareholders’ pacts existing with the founders of Intermonte Sim S.p.A.. On the basis of the agreement reached, the operating business unit of Intermonte Sim S.p.A. is expected to be sold to an expressly established newco with the MPS Banking Group holding 25%. The business unit was not classified under non current assets-discontinued operations, since at the moment it has not been identified with accuracy.

Equity investments – Account 100

Consolidation area

Equity investments in exclusively and jointly controlled subsidiaries (consolidated on the basis of the proportional method)

31 03 2008

		NAME	HEAD OFFICE	TYPE (*)	SHAREHOLDERS INVESTING CO.	SHAREHOLDERS SHARE %	AVAILAB LEVOTIN G RIGHTS % (**)
		Companies included in the consolidation area **A.1 Line by line consolidation**					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	Siena				
A.1		BANCA TOSCANA S.P.A.	Florence	1	A.0	100,000	100,000
A.2		MPS CAPITAL SERVICE BANCA PER LE IMPRESE S.p.A.	Florence	1	A.0	89.152	99.919
					A.1 A.36	10.766 0,001	
	2.1	MPS VENTURE SGR S.P.A.	Florence	1	A.2	70,000	100,000
					A.10	30,000	
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		MPS FINANCE BANCA MOBILIARE S.P.A.	Siena	1	A.0	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.	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.	Milan	1	A.8	100,000	100,000

	8.2	MPS ASSET MANAGEMENT IRELAND LTD	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.27	33,954	67,907
					A.7	33,953	
	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	86,000	100,000
					A.1	14,000	
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.	Florence	1	A.0	70,000	100,000
					A.1	30,000	
	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	99,790	100,000
					A.1	0,030	
					A.2	0,060	
					A.3	0,030	
					A.4	0,030	
					A.5	0,030	
					A.8	0,030	
A.21		BANCA MONTE PASCHI BELGIO S.A.	Brussels	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	Montecarlo		A.24	100,000	100,000
	24.5	MONTE PASCHI MONACO S.A.M.	Monaco		A.24	99,997	99,997
A25		MONTEPASCHI LUXEMBOURG S.P.A.	Bruxelles	1	A.0	99,200	100,000
					A.24	0,800	
A.26		DIPRAS S.p.A.	Rome	1	A.0	100,000	100,000
A.27		MPS INVESTMENTS S.p.A.	Milan	1	A.0	100,000	100,000
	27.1	FONTANAFREDDA Srl	Siena	1	A.27	100,000	100,000
A.28		VALORIZZAZIONI IMMOBILIARI SPA (1)	Siena	1	A.0	100,000	100,000
A.29		SANTORINI INVESTMENTS LTD	Edinburgh	1	A.0	100,000	100,000
A.30		CIRENE FINANCE Srl	Conegliano	1	A.0	60,000	60,000
A.31		SIENA MORTGAGES 00-01 S.P.A.	Milan	1	A.0	100,000	100,000
A.32		BIVERBANCA CASSA RISP.BIELLA E VERCELLI S.P.A.	Biella	1	A.0	59,000	59,000
A.33		MPS SIM S.P.A.	Milan	1	A.0	100,000	100,000
A.34		QUADRIFOGLIO VITA S.P.A. (1)	Bologna	1	A.0	100,000	100,000
		A.2 Companies consolidated on the basis of the proportional method					
A.35		BANCA POPOLARE DI SPOLETO S.P.A. (book value: 25.930% of par value)	Spoleto	1	A.0	25,930	25,930
A.36		BANCA MONTE PARMA S.p.A. (book value: 49.266% of par value)	Parma	1	A.0	49,266	49,266

(*) Type:
1 majority of voting rights in the Ordinary Shareholders' Meeting
2 predominant influence in the Ordinary Shareholders' Meeting
3 agreements with other shareholders
4 other types of control
5 pursuant to art. 26, par. 1, Legislative Decree 87/92
6 pursuant to art. 26, par. 2, Legislative Decree 87/92
7 joint control

(**) Available voting rights in the Ordinary Shareholders' Meeting with a distinction between actual and potential rights.

(1) As of 31 March 2008, Marinella SpA, Valorizzazioni Immobiliari SpA and Quadrifoglio Vita SpA have been considered as "Discontinued operations".

10.1 Equity investments in jointly controlled companies (valued with the net equity method) and in companies subject to significant influence: information on the shareholders

	Head Office	Type (*)	Shareholders		Available voting rights %	Consolidated book value (EUR '000s)	
			Investing Co.	Share %		31 03 2008	31 12 2007
Axa Mps Assicurazioni Vita SpA (1)	Rome	8	Mps Investments	50,000	50,000	366,734	375,172
Axa Mps Financial Limited (1)	Dublin	8	Axa Mps Assicurazioni Vita	100,000	100,000	43,747	40,261
Axa Mps Assicurazioni Danni SpA (1)	Rome	8	Mps Investments	50,000	50,000	28,504	28,202
Aeroporto di Siena S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	42,827	42,827	549	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	809	809
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	Roma	8	Mps Investments	46,281	46,281	331	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	401	401
Finsoe S.p.a.	Bologna	8	Banca Monte dei Paschi di Siena	13,000	13,000	295,876	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 SGR	45,000	45,000	3,057	3.254

Interporto Toscano Amerigo Vespucci S.p.a.	Leghorn	8	MPS Capital Services S.p.A.	36,303	36,303	8,872	8,315
Newco S.p.a.	Naples	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 Capital Services 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	2,270	2,266
Società Incremento Chianciano Terme S.p.a.	Chiancian o T. (SI)	8	MPS Capital Services S.p.A.	49,500	49,500	2,481	2,262
Total						**817,176**	**819,812**

PART B

INFORMATION ON THE CONSOLIDATED BALANCE-SHEET

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 31 03 2008	Total 31 12 2007
A. Individual assets					
A.1 equity investments				-	53,094
A.2 tangible assets	125,150			125,150	107,769
A.3 intangible assets				-	
A.4 other non current assets	-			-	-
Total A	**125,150**	**-**	**-**	**125,150**	**160,863**
B. Assets groups held for sale					
B.1 financial assets held for trading	-	62,420		62,420	-
B.2 financial assets valued at fair value		2,747,317		2,747,317	-
B.3 financial assets available for sale	-		5	5	5
B.4 financial assets held to maturity				-	-
B.5 due from banks	-	148,939		148,939	-
B.6 loans to customers	-			-	-
B.7 equity investments				-	-
B.8 tangible assets	85,484	5	46,198	131,687	123,592
B.9 intangible assets	40,237	290	2	40,529	13
B.10 other assets	22,465	67,733	3,749	93,947	26,132
Total B	**148,186**	**3,026,704**	**49,954**	**3,224,844**	**149,742**
C. Liabilities associated with assets held for sale					
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	-		3	3	1
D.2 customer deposits	-	20		20	-
D.3 issued securities		14,000		14,000	-
D.4 financial liabilities held for trading					-
D.5 financial liabilities valued at fair value					-
D.6 allowances	-			-	-
D.7 other liabilities	2,133	2,911,267	261	2,913,661	2,862
Total D	**2,133**	**2,925,287**	**264**	**2,927,684**	**2,863**

As a result of the operations still under way as of 31 March 2008 which will imply the sale of the controlling interest of the Parent Bank's wholly-owned subsidiaries, Marinella SpA and Valorizzazioni Immobiliari SpA, these investments have been classified as discontinued operations. Therefore, balance-sheet data were reclassified under account 150, non-current assets and discontinued operations and associated liabilities.

In addition, due to the bancassurance master agreement signed with the AXA Group, late in March 2008 the Parent Bank purchased the remaining portion of 50% of Quadrifoglio Vita SpA from Unipol. In view of the sale, the balance-sheet data of Quadrifoglio Vita were classified under account 150 and 90, , non-current assets and discontinued operations and associated liabilities.

In relation to the assets being sold, 2 important buildings owned by MPS Immobiliare and Banca Toscana were sold in a total amount of EUR 125.1 million.

Sub-account B.9, intangible fixed assets, incorporates the goodwill in relation to Quadrifoglio Vita SpA in an amount of EUR 40.3 mln.

The valuation of the assets and groups of assets being sold (discontinued operations) at the lower of the book value and the selling price (net of costs) did not imply any writedowns.

Section 3

Securities issued - Account 30

3.1 Securities issued: composition

(euro '000)

type of securities	banking group		insurance companies		other companies		Total 31 03 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	342,046	341,864	**-**	**-**	**-**	**-**	342,046	341,864	563,742	564,976
1. bonds	224,876	224,694	-	-	-	-	224,876	224,694	424,372	425,606
1.1 structured (1)	-	-					-	-	-	-
1.2 other	224,876	224,694					224,876	224,694	424,372	425,606
2. other securities	117,170	117,170	-	-	-	-	117,170	117,170	139,370	139,370
2.1 structured	117,170	117,170					117,170	117,170	-	-
2.2 other							-	-	139,370	139,370
B. Unlisted securities	38,067,002	37,047,890	-	-	-	-	38,067,002	37,047,890	39,252,794	39,115,487
1. bonds	33,571,903	32,511,050	-	-	-	-	33,571,903	32,511,050	31,386,804	31,207,771
1.1 structured (1)	49,675	51,212					49,675	51,212	90,065	91,793
1.2 other	33,522,228	32,459,838					33,522,228	32,459,838	31,296,739	31,115,978
									-	-
2. other securities	4,495,099	4,536,840	-	-	-	-	4,495,099	4,536,840	7,865,990	7,907,716
2.1 structured									-	-
2.2 other	4,495,099	4,536,840	-	-			4,495,099	4,536,840	7,865,990	7,907,716
Total	38,409,048	37,389,754	-	-	**-**	**-**	38,409,048	37,389,754	39,816,536	39,680,463

Financial liabilities carried at *fair value* - Account 50

5.1Financial liabilities carried at fair value : composition

(euro '000)

Tipologia operazione/Valori	banking group				insurance companies				other companies				Total 31 03 2008				Total 31 12 2007			
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*
		L	UL			L	UL			L	UL			L	UL			L	UL	
1. Due to banks													-	-	-		-	-	-	
1.1 Structured				x				x				x	-	-	-	x	-	-	-	x
1.2 other				x				x				x	-	-	-	x	-	-	-	x
2. customer deposits					-	-	-		-				-	-	-		-	-	-	
2.1 Structured				x				x				x	-	-	-	x	-	-	-	x
2.2 other				x	-		-	x	-			x	-	-	-	x	-	-	-	x
3. debt securities	13,050,377	585,660	12,398,160	11,534,803	-	-	-		-	-	-		13,050,377	585,660	12,398,160		13,123,874	499,902	12,593,946	
													-	-	-					
3.1 Structured	2,304,475	223,501	2,091,048	1,715,887				x				x	2,304,475	223,501	2,091,048	x	2,174,574	173,880	2,064,540	x
3.2 other	10,745,902	362,159	10,307,112	9,818,916				x				x	10,745,902	362,159	10,307,112	x	10,949,300	326,022	10,529,406	x
Total	13,050,377	585,660	12,398,160	11,534,803	-	-	-		-	-	-		13,050,377	585,660	12,398,160		13,123,874	499,902	12,593,946	

FV = fair value
NV = nominal VALUE
L= listed
UL= unlisted

5.3 Financial liabilities carried at fair value: annual changes

5.3.1 of the banking group

(euro '000)

	due to banks	customer deposits	issued securities	Total 31 03 2008	Total 31 12 2007
A. Opening Balance			13,093,848	13,093,848	10,645,899
effect of accounting principles changes			394,272	394,272	
B. increases					
B.1 Issues			36,261	36,261	2,124,831
B.2 Sales			606,490	606,490	2,911,972
B.3 Positive Changes Of Fair Value			146,446	146,446	73,730
B.4 Other Changes			59,456	59,456	3,902,284
C. decreases					
C.1 purchases			615,990	615,990	1,844,489
C.2 redemptions			183,863	183,863	2,308,054
C.3 negative changes of fair value			68,947	68,947	195,975
C.4 other changes			484,153	484,153	2,216,350
D. closing balance	-	-	12,983,820	12,983,820	13,093,848

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 31 03 2008	Total 31 12 2007
1. post retirement benefits	416,423		636	417,059	427,748
2. other reserves for risks and charges	487,371	-	441	487,812	620,588
2.1 legal disputes	158,287	-	-	158,287	155,807
2.2 personnel charges	18,576		-	18,576	18,307
2.3 other	310,508	-	441	310,949	446,474
Total	**903,794**	**-**	**1,077**	**904,871**	**1,048,336**

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 31 03 2008	Total 31 12 2007
1. share Capital (1)	2,031,866	2,031,866
2. Share Premium Reserve	547,401	559,172
3. Reserves (2)	5,432,674	3,996,475
4. (treasury shares)	(61,386)	(96,625)
a) parent company	(61,124)	(91,934)
b) subsidiaries	(262)	(4,691)
5. Valuation Reserves	432,718	650,359
6. Equity Instruments	70,412	70,412
7. Net Profit (Loss) Pertaining To The Group	190,138	1,437,558
Total	**8,643,823**	**8,649,217**

15.2 "Share Capital" and "Treasury shares": composition

15.2.a Share Capital: composition

(euro '000)

items/values	Total 31 03 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
Ordinary Shares	0.67	1,646,367			0.67	1,646,367		
Preferred Shares	0.67	379,180			0.67	379,180		
Saving Shares	0.67	6,319			0.67	6,319		
Total Share Capital		**2,031,866**				**2,031,866**		

15.2.b Treasury shares: composition

(euro '000)

items/values	Total 31 03 2008		Total 31 12 2007	
	par value for share	balance	par value for share	balance
Ordinary Shares	9,390	61,386	13,389	(96,625)
Preferred Shares				
Saving Shares				
Total Share Capital	9,390	61,386	13,389	(96,625)

15.4 Share Capital: other information

15.4.a Equity instruments: composition and annual changes

(euro '000)

	31 03 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	**70,412**		**-**	
B.1 new issue				
B.2 sales				
B.3 other changes	70,412		-	
C. decreases	**70,412**		**1,076**	
C.1 repayment				
C.2 repurchase				
C.3 other changes	70,412		1,076	
D. closing balance	**70,412**		**70,412**	

15.5 Reserves from allocation of profit from previous year: other information

15.6 revaluation reserve: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 31 03 2008	Total 31 12 2007
1. financial assets available for sale	234,025	-		234,025	430,246
2. fixed assets	x	x	x	x	x
3. intangible assets	x	x	x	x	x
4. foreign investment hedges					
5. cash flow hedges	(5,676)			(5,676)	13,010
6. exchange differences	(9,235)			(9,235)	(6,350)
7. non current assets held for sale	29,298		26,439	55,737	55,737
8. special revaluation laws	156,370	-	1,497	157,867	157,716
Total	**404,782**	**-**	**27,936**	**432,718**	**650,359**

Section 16

Minority interests - Account 210

16.1 Minority interests: composition

(euro '000)

items/values		banking group	insurance companies	other companies	Total 31 03 2008	Total 31 12 2007
1)	share capital	55,329		11	55,340	53,250
2)	additional paid-in capital	7,152		-	7,152	7,096
3)	Reserves	75,404		(12)	75,392	56,977
4)	(treasury shares)					(4)
5)	valuation reserves	117,552			117,552	112,849
6)	equity instruments	-				
7)	profit (loss) for the yr -minority interest	3,894		2	3,896	16,406
8)	minority interests undivided profits	-		-	-	
	Total	**259,331**	**-**	**1**	**259,332**	**246,574**

16.2 Valuation reserves: composition

(euro '000)

account		banking group	insurance companies	other companies	Total 31 03 2008	Total 31 12 2007
1)	financial assets available for sale	116,150			116,150	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	1,402			1,402	1,268
	Total	**117,552**	**-**	**-**	**117,552**	**112,849**

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 31 03 2008			Total 31 03 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	-	3	(3)			-			-	-	3	(3)	30
3.financial assets available for sale	4,333	2,171	2,162	-	-	-			-	4,333	2,171	2,162	5,214
3.1 debt securities	1,046	1,319	(273)		-	-			-	1,046	1,319	(273)	(3,827)
3.2 equity investments	3,287	37	3,250			-			-	3,287	37	3,250	9,041
3.3 Quotas of UCITS		815	(815)			-			-	-	815	(815)	-
3.4 loans			-			-			-	-	-	-	-
4. financial assets held to maturity			-	-		-			-	-	-	-	-
Total assets	4,333	2,174	2,159	-	-	-	-	-	-	4,333	2,174	2,159	5,244
1. financial liabilities													
1. due to banks	443	965	(522)			-			-	443	965	(522)	14
2. customer deposits			-			-			-	-	-	-	-
3. issued securities	102	-	102		-	-			-	102	-	102	(1,749)
Total liabilities	545	965	(420)	-	-	-	-	-	-	545	965	(420)	(1,735)

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 31 03 2008			Total 31.03.2007		
	indemnity for damages	legal disputes	other	indemnity for damages	legal disputes	other
provisions for the year	1,245	5,429	13,080	-	-	13,447
utilizations	11,972	1,732	31,020		-	1
Total	(10,727)	3,697	(17,940)	-	-	13,446

12.1.3 of other companies

(euro '000)

account	Total 31 03 2008			Total 31.03.2007		
	indemnity for damages	legal disputes	other	indemnity for damages	legal disputes	other
provisions for the year			33	-	-	20
utilizations					-	-
Total	-	-	33	-	-	20

Section 16

Profit (loss) on equity investments - Account 240

16.1 Profit (loss) on equity investments: composition

(euro '000)

profit components	banking group	insurance companies	other companies	Total 31 03 2008	Total 31 03 2007
1) jointly owned companies					
A. Income	-	-	-	-	-
1. Revaluations				-	-
2. gains from disposals				-	-
3. write backs				-	-
4. other positive changes				-	-
B. Expense	-	-	-	-	-
1. writedowns		-		-	-
2. impairment losses				-	-
3. losses from disposals				-	-
4. other negative changes				-	-
Net Result	**-**	**-**	**-**	**-**	**-**
2)companies subject to significant influence					
A. Income	3,348	4,145	2,906	10,399	29,218
1. Revaluations	3,348	4,145	939	8,432	3,056
2. gains from disposals			1,967	1,967	26,162
3. write backs				-	-
4. other positive changes	-		-	-	-
B. Expense	197	3,416	888	4,501	331
1. writedowns	197	3,416	888	4,501	331
2. impairment losses				-	-
3. losses from disposals	-			-	-
4. other negative changes	-		-	-	-
Net Result	**3,151**	**729**	**2,018**	**5,898**	**28,887**
3) subsidiaries					
A. Income	857	-	-	857	135
1. Revaluations				-	-
2. gains from disposals	857			857	135
3. write backs				-	-
4. other positive changes	-		-	-	-
B. Expense	-	-	-	-	-
1. writedowns				-	-
2. impairment losses	-			-	-
3. losses from disposals				-	-
4. other negative changes	-			-	-
Net Result	**857**	**-**	**-**	**857**	**135**
Total	**4,008**	**729**	**2,018**	**6,755**	**29,022**

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 31 03 2008	Total 31 03 2007
Group of assets/liabilities					
1. income	496	8,346	85	8,927	591,372
2. charges	626	11,716	187	12,529	547,041
3. valuation differences on discontinued operations and related liabilities				-	-
4. Profit (loss) on disposal				-	-
5. taxes and duties	-			-	16,370
profit (losses)	**(130)**	**(3,370)**	**(102)**	**(3,602)**	**27,961**

As a result of the operations under way as of 31 March 2008 which will imply the sale of the controlling interest of the Parent Bank's wholly-owned subsidiaries, Marinella SpA, Valorizzazioni Immobiliari SpA and Quadrifoglio Vita SpA, these investments have been considered as discontinued operations. Therefore, the profit and loss statement data were reclassified under account 310, Profits (losses) from discontinued operations after taxes.

Section 24

Earnings per share

24.1 Reconciliation of weighted average number of issued ordinary shares

(n. shares)

account	31 03 2008	31 03 2007
weighted average number of issued ordinary shares (+)	2,439,710	2,439,644
diluitive effect from sold put options(+)	-	-
diluitive effect from ordinary shares to be granted as a result of payments based on own shares(+)	17,106	-
diluitive effect from convertible liabilities (+)	204,642	-
weighted average number of issued ordinary shares per diluted earnings per share	2,661,458	2,439,644

24.2.a Reconciliation of operating result - numerator basic earnings per share

(euro '000)

account	31 03 2008			31 03 2007		
	relating to the current activities and pertaining the parent company	relating to the ceased operating activities and pertaining the parent company	total of the parent company	relating to the current activities and pertaining the parent company	relating to the ceased operating activities and pertaining the parent company	total of the parent company
net Result	193,741	(3,602)	190,139	225,650	27,960	253,610
result attributable to other categories of shares	37,554	(698)	36,856	43,551	5,396	48,947
net result attributable to ordinary shares - numerator basic earnings per share	**156,187**	**(2,904)**	**153,283**	**182,099**	**22,564**	**204,663**

24.2.b Reconciliation net result - numerator basic earnings per share

(euro '000)

account	31 03 2008			31 03 2007		
	relating to the current activities and pertaining the parent company	relating to the ceased operating activities and pertaining the parent company	total of the parent company	relating to the current activities and pertaining the parent company	relating to the ceased operating activities and pertaining the parent company	total of the parent company
net Result	193,741	(3,602)	190,139	225,650	27,960	253,610
result attributable to other categories of shares	-	-		-	-	-
passive interests on convertible instruments (+)	5,987		- 5,987	-		-
other(+/-)	37,553	(698)	36,855	43,551	5,396	48,947
net result attributable to ordinary shares - diluted numerator earnings per share	**162,175**	**(2,904)**	**159,271**	**182,099**	**22,564**	**204,663**

24.2.c basic and diluted earnings per share

(in euro)

account	31 03 2008			31 03 2007		
	relating to the current activities and pertaining the parent company	relating to the ceased operating activities and pertaining the parent company	total of the parent company	relating to the current activities and pertaining the parent company	relating to the ceased operating activities and pertaining the parent company	total of the parent company
basic earnings per share	0.064	(0.001)	0.063	0.075	0.009	0.084
diluted earnings per share	0.061	(0.001)	0.060	0.071	0.008	0.079

PART E

INFORMATION ON RISKS AND RELATIVE RISK COVERING POLICIES

THE INTEGRATED MANAGEMENT OF RISKS AND CAPITAL

THE PROCESS OF RISK MEASUREMENT AND CONTROL IN COMPLIANCE WITH BASLE 2 STANDARDS

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

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

The Head Office is responsible for ensuring compliance with risk management policies and procedures. The Risk Committee prepares risk management policies and verifies the overall observance of the limits on risks assigned at various levels of operations. 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) in addition to the trend of the risk-return performance indicators.

The Finance Committee has been assigned the tasks of planning the Group funding, identifying the initiatives to be adopted for the best risk-return profile of Asset & Liability Management and defining any capital management actions.

The Parent Bank's Internal Controls Area 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 in order to accurately and steadily measure and monitor risks and quantify economic capital. The Unit produces daily and periodic reports and monitors compliance with the operating 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 as well as the Capital Requirements Directive (CRD) criteria, especially as far as the second pillar is concerned.

In the first quarter of 2008, the MPS Group met the Regulatory Authority, thus continuing the programme of validation of the advanced methods on credit risk and operational risk contemplated by the new Circular Letter 263 of the Bank of

Italy dated December 2007. With reference to the credit aspect, the Group and the Authority checked together the development of the internal rating models and LGD, in addition to the credit processes contemplating its use, and IT aspects. On the front of operational risk, they checked the statistical models and the respective mitigation policies which had been prepared.

New detailed initiatives were carried out for the development of Pillar II, in particular in relation to the global assessment of risks, materiality valuation and the processes of risk integration. At the same time, the Group assessed the qualitative and quantitative methods for representing the risks expressly indicated by the Pillar II regulation, in addition to the other risks acknowledged to be relevant.

CURRENT RISK KINDS

During its market operations, the MPS Group takes different kinds of risks which can be summarized as follows: credit risk, market risk, risks in relation to the trading book, interest rate risks as registered in the Banking Book (Asset & Liability Management), liquidity risk, equity risk, counterpart and issuer risks, operational risks, business risks, reputational risks and operational risks.
The MPS Group developed its own internal measurement models of many of these risks (i.e. the risks expressly indicated by the First Pillar of the above-mentioned Bankit regulation on capital adequacy) and some other risks (e.g. the interest rate risk on the Bankit Book and concentration risk). These models shall be used for the purpose of determining the global internal capital provided for by Pillar II, although risk integration and the finetuning of business risk are still being developed. A rigorous framework of measurement and policy was arranged in relation to liquidity risks, in accordance with an opinion shared by the operating units of the bank.

All of these macrofactors of risk which have a specific direct impact on the Group's net equity are subject to regular measurement by the Risk Management Unit of the Parent Bank, which produces periodical reporting to the Risk Committee of the Parent Bank and the Board of Directors, and is also responsible for establishing operational limits in relation to the kinds of risks subject to this.
This output is also directly used by other Bank's units, including the Planning Unit and the office of the CFO for strategic purposes, such as the risk-adjusted measurement of each legal entity and business unit, the determination of risk appetite, the determination of annual and multiannual objectives in support of the Business Plan estimates and in a logic of optimization and mitigation of capital and profitability ratios in accordance with adjustment plans shared with the Top Management and the operating business units.

Particular emphasis is placed on reputational risks, in particular those regarding the products and portfolios of Group customers which have an indirect impact on the Group net equity as a result of potential impacts on the customers' net equity, in view of the existing Wealth Risk Management Unit, which is in charge of measuring and monitoring such risk macrofactor.

THE ANALYSIS OF ECONOMIC CAPITAL

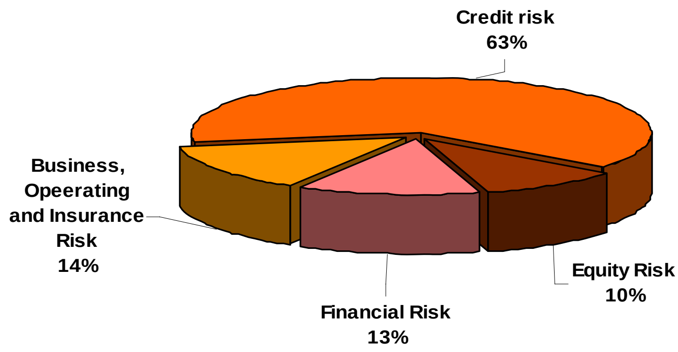
The MPS Group – on the basis of internal risk measurement models – determines the economic capital by factor, as the minimum asset resources necessary to cover the economic losses resulting from the occurrence of unexpected events generated by different kinds of risks.

Following are the relevant risks included in the area of measurement: a*) credit risk*, *b) market risk on trading book*, *c) interest rate risk registered on the Banking Book (ALM)*, *d) operational risk*, *e) equity risk*, f) counterpart risk (banking and trading), g) issuer risk, h) business risk.

VaR measurements - while keeping their individual value according to the ruling provisions and to the international best practices - are determined with holding periods and confidence intervals diversified by risk factors, in compliance with the guidelines of the latest Supervisory Provisions for Banks issued by the Bank of Italy. The global Economic Capital results from the measurement of each risk factor. Such measurements are standardized both in terms of holding periods (annual holding period) and selected confidence intervals, in line with the rating level assigned to the MPS Group by the official rating agencies, and are subject to intrarisk and interrisk diversification processes. The final output shows the economic capital diversified by Legal Entities, Business Units, ResponsibilityAreas, and is periodically published in the Risk Management Report issued by the Risk Management Unit of the Parent Bank. Moreover, the same measurement is made – at a centralised level – for each Legal Entity, and is shared with the corporate bodies of each entity through specific reports which are adjusted to the specific lines of business of the banks included in the area of consolidation.

The measurements of credit risk use, as an input, the risk parameters provided for by the New Supervisory Regulations for Banks (Default Probability, Loss Given Default, Exposure at Default, Credit Risk Mitigation) and therefore follow their metrics, development and updates according to the programmes of the Basle 2 Committee for the validation approach with the domestic Regulatory Authorities. The outputs of the Internal Loan Portfolio Model are used by other Bank's units (Credit Policies and Control Area, Treasury and Capital Management Area, International Banking, …) for the monitoring of credit risk on the loans falling within their competence, the processing of risk containment policies and the arrangement of specific development plans in an annual and multiannual logic.

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - March 31th 2008



As of 31 March 2008, the economic capital of the MPS Group was attributable for more than 63% to the credit risk, about 10% to the equity risk, 14% to business and operational risks. The capital for operating purposes with respect to financial risks (including the risks typical of the trading portfolio, the ALM-Banking Book) accounted for 13% of the overall economic capital.

CREDIT RISK

During Q1 2008, the MPS Group credit risk was analysed and monitored through the use of a Loan Portfolio Model internally developed by the Risk Management Unit of the Parent Bank, including the items of the most important legal entities of the Group.

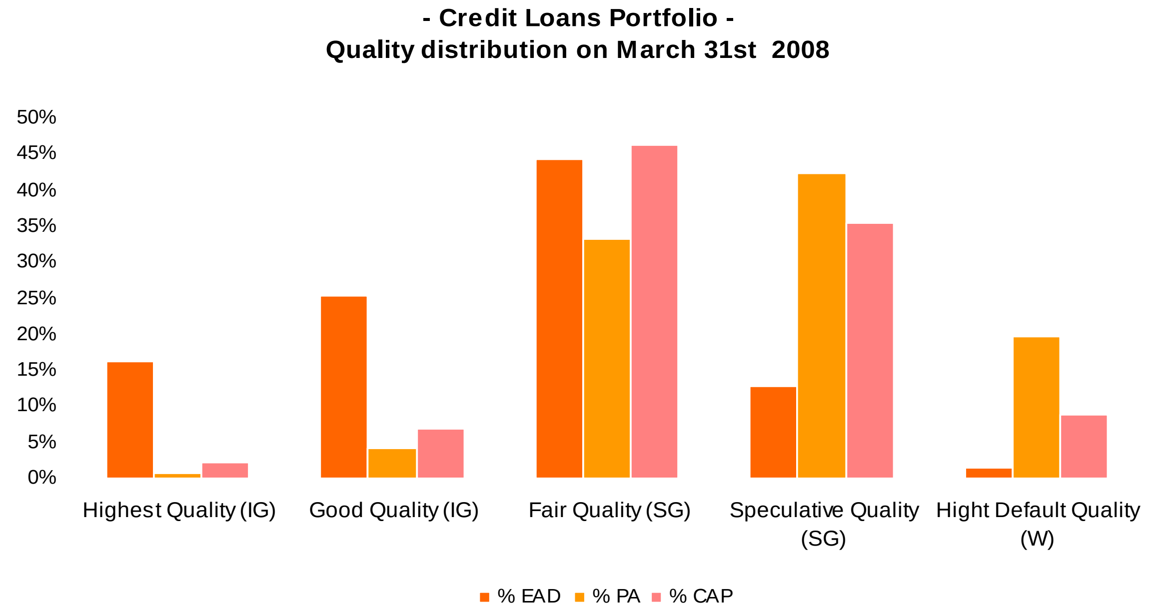
The Loan Portfolio Model was methodologically developed in accordance with the most widespread quantitative techniques at an international level and incorporates: a) probability defaults (DP) stemming from internal rating models diversified by customer (Large Corporate, Small and Medium Enterprises, Small Business and Retail) mapped on the basis of a single masterscale, b) economic loss rates in case of default (LGD) resulting from the analysis of each multiyear time series of direct and indirect recoveries and costs registered in relation to the "closed"-in-default positions; c) default exposure ratios to calculate the EAD; d) the factors in relation to the different kinds of guarantees (collaterals, financial collaterals and personal securities) backing the transactions.

The Model also calculates the effect of diversification through a sophisticated matrix of structural and dynamic correlation which is sensitive to the effects of risk concentration/diversification and consequently re-distributes the risk to each unit/company. This gives the Group the opportunity of aggregating and representing risks in accordance with the operating purposes and requirements of the MPS Group organization and operating units.

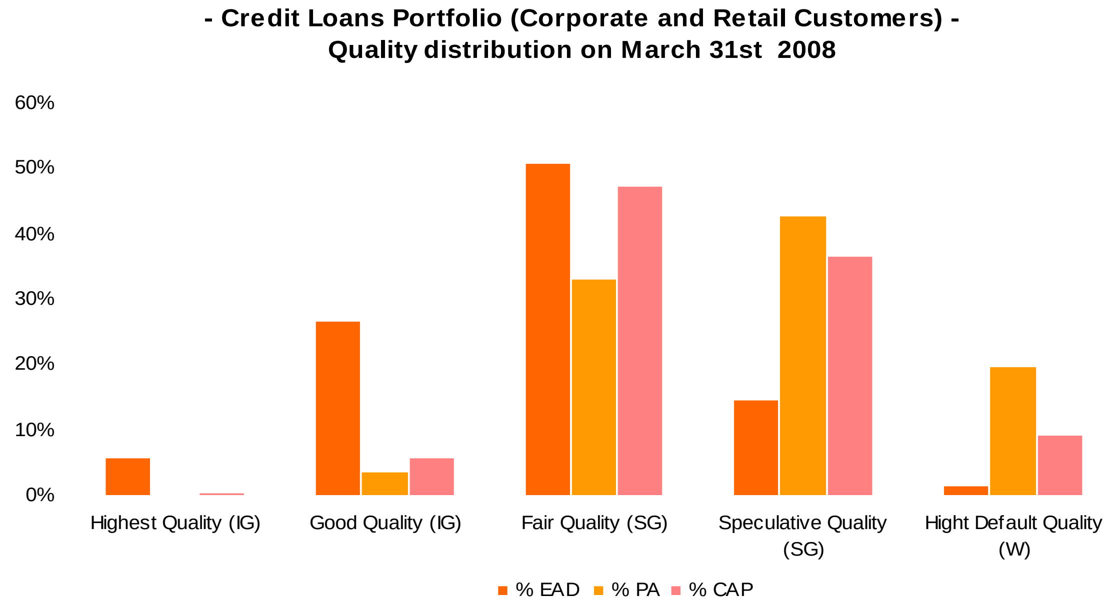
For the purpose of preparing the ICAAP as provided for by Pillar II of Circular Letter 263 of the Bank of Italy, the MPS Group is finetuning the methods for the calculation of the interrisk matrix of correlation in order to introduce innovations – if required – in the existing calculation structure included in the Portfolio Model.
The output of the Loan Portfolio Model shows the time trend of credit risk in accordance with different modes of aggregation of the variables subject to analysis (by legal entity, kind of customer, geographical area, industry, rating category, continental area, etc.).

The main measurements produced incorporate a) the Expected Loss, which represents the expected yearly average loss; b) the Unexpected Loss; c) risk measurements in relation to the default portfolio (i.e. NPLs, watchlist credits, restructured loans, past due loans, etc.); d) the Economic Capital. This is flanked by specific stress testing analyses on certain variables (increase in default probabilities, loss rate increase, reduction of the value of the guarantees, increase in the margins available on loans subject to cancellation), which are aimed at checking the levels of Expected Loss and Economic Capital which would be achieved on the basis of "extreme" but possible scenarios.
During Q1 2008, the MPS Group was committed to developing an advanced system of stress testing implementation which associates the trend of default probabilities and LGD rates and the changes of the macroeconomic and financial variables, properly selected on the basis of specifically identified time stress scenarios and hypothetical scenarios. This framework was integral part of the activities of validation submitted by the MPS Group in relation to the First Pillar stress testing.

The chart below shows the breakdown of credit quality of the MPS Group loan portfolio (excluding the positions in financial assets), with about 41.6% of risk exposures disbursed to Investment Grade customers. The following classification also includes loans to banks, government authorities and Non Banking Financial Institutions. Although a specific programme of implementation of internal ratings for the purpose of validation with the Regulatory Authority is not contemplated, these counterparts are assigned, in the portfolio model, a credit standing valuation using the official ratings, if existing, or appropriate internally determined values.



The graph below shows the breakdown of credit quality in relation to the Corporate and Retail portfolios, subject to validation for the purpose of Basle 2, exclusively based on internal rating models. The weight of the exposures with a high and average quality is steady with respect to December 2007 (32.61% of total loans).



The charts show the marginal contribution – in terms of Risk Exposure, Expected Loss and Economic Capital – of the three Commercial Banks (MPS, Banca Toscana, Banca Agricola Mantovana), MPS L&F and MPS Capital Services, which account for more than 93.61% of the total loans of the MPS Group (Chart 1).

Risk measurements are virtually steady. The economic capital with respect to credit risk is attributable for about 52.8% to Banca MPS, with a modest increase in comparison with December 2007, and for 13.5% to Banca Toscana. MPS Capital Services and BAM stood at 10.5% and 9.5% respectively, with the remaining portion covering the risks of MPS L&F, Consumit and Biver (Chart 2).

With reference to expected loss, Banca MPS accounted for 51.8% (steady percentage y-o-y) and Banca Toscana accounted for 14.6%. MPS Capital Services and BAM stood at 10.5% and 9% respectively, with the remaining portion covering the risks of MPS L&F, Consumit and Biver (Chart 3).

The breakdown of the MPS Group loans by customer segment shows that "Manufacturing Companies" and "Retail" account for almost 85.4% of total loans disbursed. The remaining portion incorporates "Banks and Financial companies" (8.2% of total) and "Government and Public Administration" (6.2%)(Chart 4).

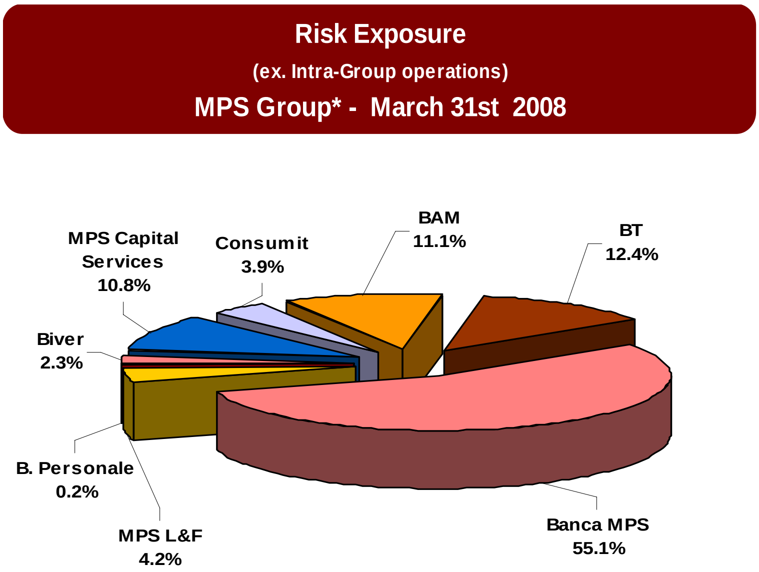
The graphs also show that "Manufacturing Companies" absorb more than 85% of the economic capital and generate an expected loss of 84% of total. The "Retail" segment accounts for 9.8% of the economic capital and 14.2% of the Expected Loss. "Banks and Financial Companies" absorb 2.9% of total capital, with the originated Expected Loss at 1.1% of the Group total (Charts 5-6).

The geographical breakdown of the Group's operations shows that loans are mostly disbursed to resident customers, even though the volume of loans disbursed to non-resident customers is not negligible (6%). Domestic loans are well distributed, with loans disbursed to northern Italy accounting for 34.7% of total, Tuscany and Umbria accounting for 23.7%, central Italy and Sardinia for 19.5% and southern Italy and Sicily for the remaining 16.1% (Chart 7).

The major contribution to global risk measurements (Expected Loss+Economic Capital) came from loans granted in Tuscany and Umbria (abt. 27.2%) and northern Italy (abt.33.5%), with a lower weight attributable to loans to the residents in central Italy and Sardinia, southern Italy and Sicily (17% and 20.1%, respectively). The contribution of foreign customers to risk measurements is marginal (Charts 8-9-10-11).

Finally, an analysis of the loans of the top 10 industries - which account for almost 83% of overall lending – in accordance with the classification of the Bank of Italy, shows that "other sale services", "trade services" and "Building and Public Works" absorb most risk measurements, that is 22.8%, 18.28% and 14.05% respectively, totalling more than 55% of total risk measurements. These industries are followed by "Agricultural products, forestry and fishing", and "Hotels and Shops" accounting for 9.43% of the total Expected Loss and Economic Capital (Chart 12).

CHART 1



* Banca MPS, Banca Tosc., Banca Agr.Mant., MPS Leas&Fact.,MPS Capital Services, Banca Personale, BIver,Consumit.

CHART 2

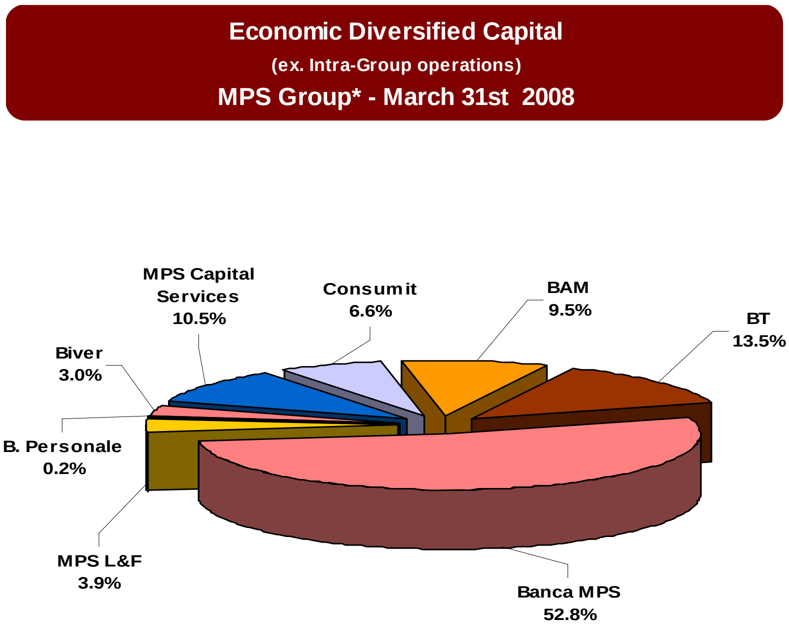


CHART 3

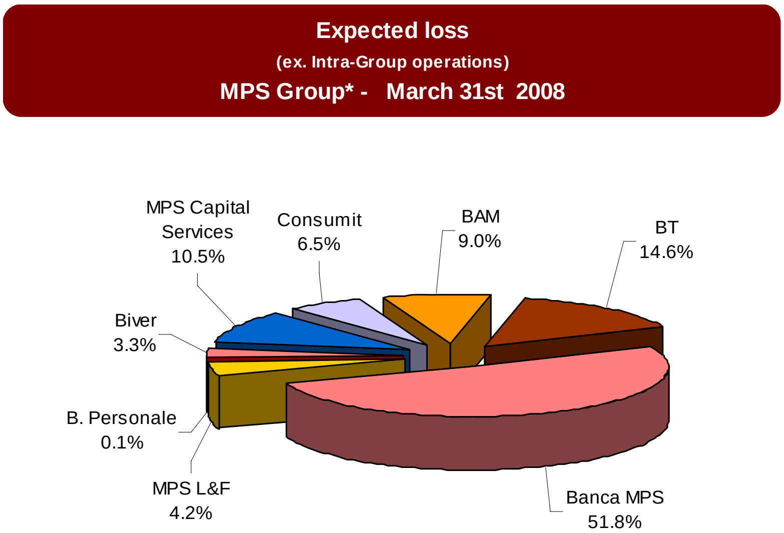


CHART 4

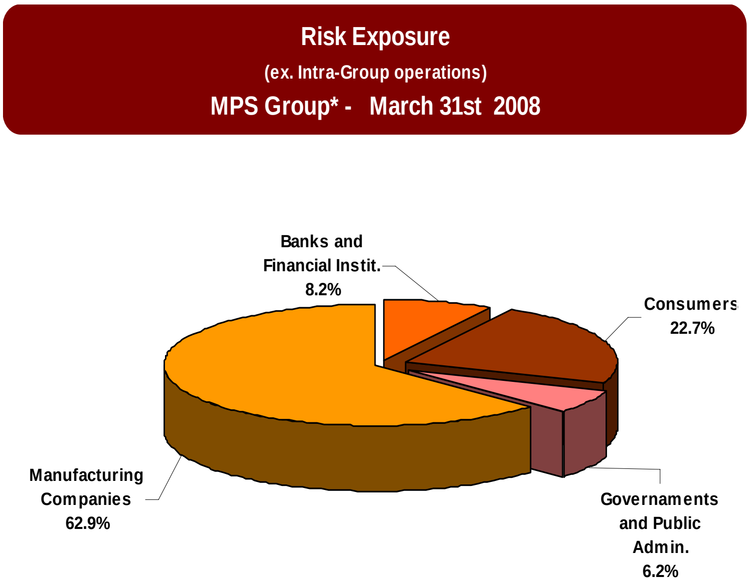


CHART 5

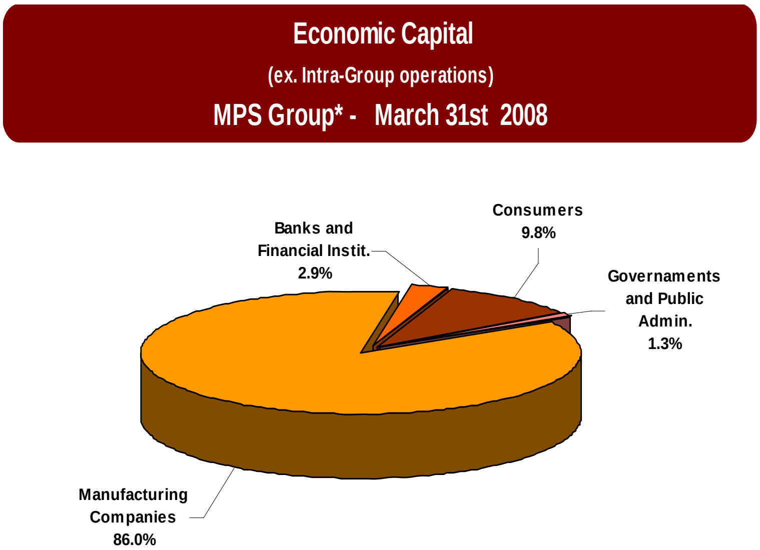


CHART 6

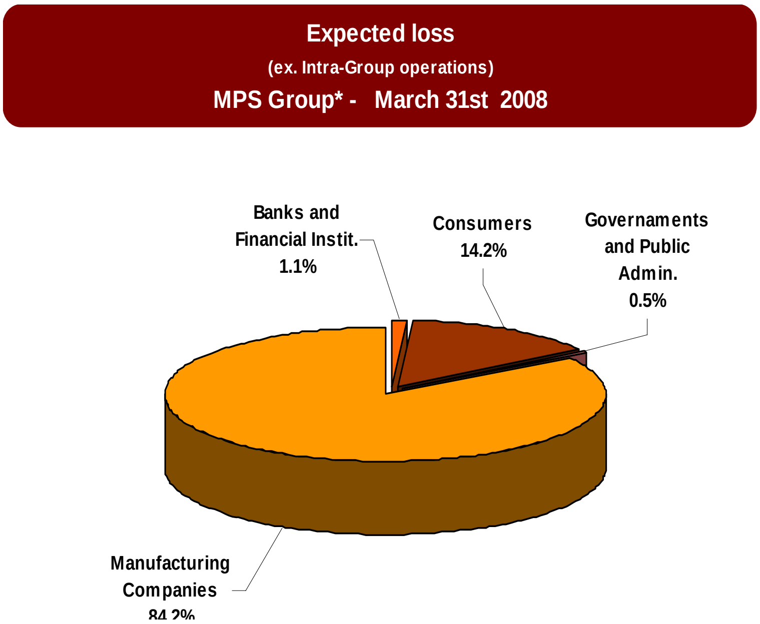


CHART 7

Risk Exposure
(ex. Intra-Group operations)
MPS Group* - March 31st 2008

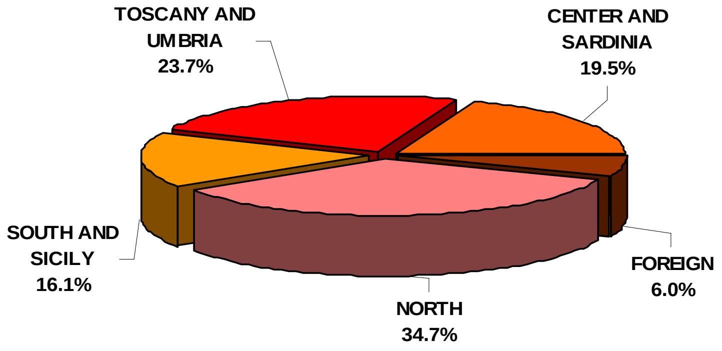


CHART 8

Economic Capital
(ex. Intra-Group operations)
MPS Group* - March 31st 2008

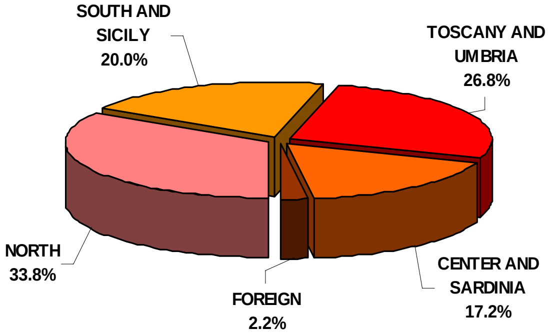


CHART 9

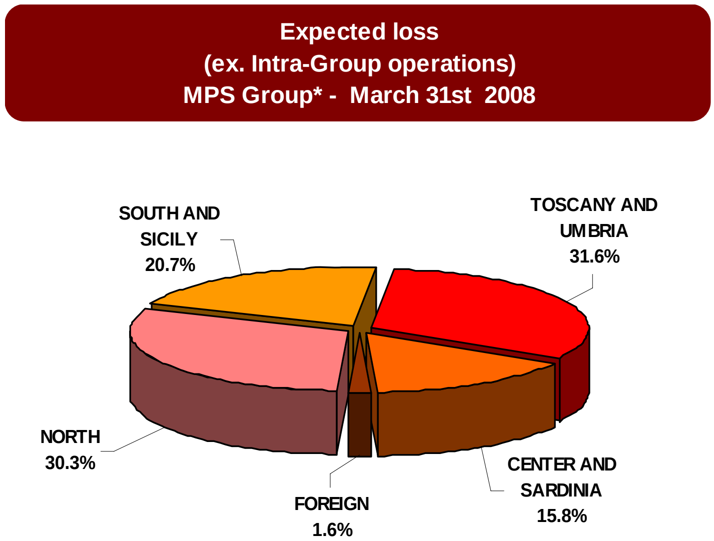


CHART 10

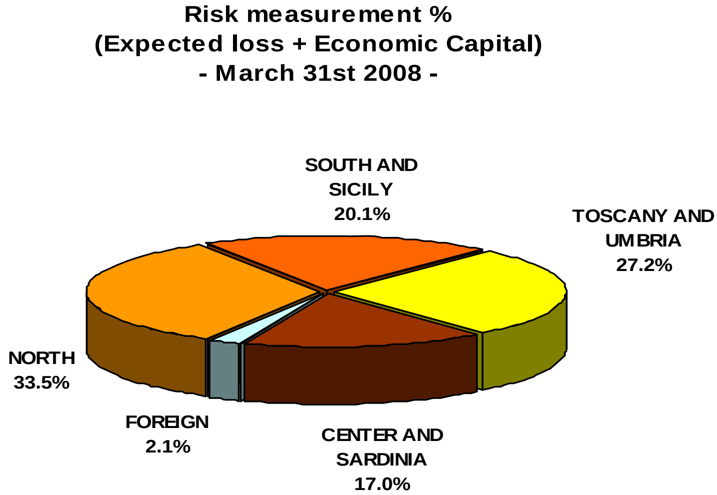
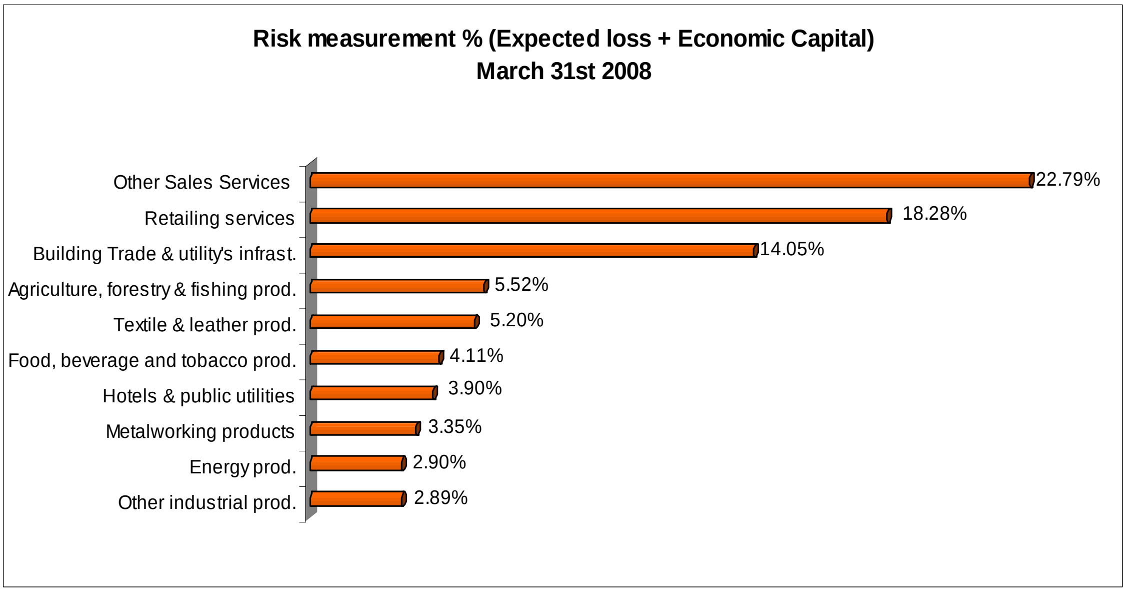


CHART 11

Risk measurement %	
CENTER AND SARDINIA	17.0%
FOREIGN	2.1%
NORTH	33.5%
SOUTH AND SICILY	20.1%
TOSCANY AND UMBRIA	27.2%

CHART 12



INTEREST-RATE RISK ON THE CONSOLIDATED BANKING BOOK

The term "Banking Book" refers, in compliance with the international best practice, to the whole of the Bank's commercial operations in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches, and hedging derivatives of reference. The area of the Banking Book (aligned with the bank portfolio for regulatory purposes) and the process of ALM management centralization are defined in the resolution of the Parent Bank's Board of Directors which covers the "Centralization of the management of Asset & Liability Management and operational limits with respect to the interest rate risk and liquidity risk of the Group Banking Book", as approved by the Parent Bank's Board of Directors in September 2007.

The management and strategic solutions in relation to the Banking Book, which are adopted by the Finance and Liquidity 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, in order to minimize the volatility of the interest margin expected in the current financial year (12 months) or to minimize the volatility of the total economic value in accordance with the changes of interest rates.

The changes in the interest margin at risk and the economic value of the Banking Book assets and liabilities are analyzed by applying deterministic shifts of 25 bp,100 bp and 200 bp, the latter in compliance with the provisions of the second pillar of the Basle 2 Accord, with reference both to consolidated Tier 1 capital and to consolidated capital for regulatory purposes, as a percentage.

BANKING PORTFOLIO: INTERNAL MODELS AND OTHER METHODS OF SENSITIVITY ANALYSIS

As of 31 March 2008, the MPS Group sensitivity showed a risk exposure profile, due to increasing interest rates. However, the economic value at risk is fully consistent with the amount of Tier 1 and Capital for Regulatory Purposes, and is well below the level considered as the alarm threshold (20% in relation to an interest rate shock of 200 bp) of the New Accord on Capital (Basle 2).

MPS Group	31/03/08	
Risk indicators for shift of 100 basis point	**+100 bp**	**-100 bp**
Net interest income at risk / Net interest income	2.09%	3.25%
Economic Value at risk / Tier 1 capital	4.85%	6.05%
Economic value at risk / Capital computed for regulatory purposes	3.59%	4.48%

LIQUIDITY RISKS

The overall liquidity profile is monitored on the basis of the unbalances, as of the date of settlement, of expiring cash flows.

Special emphasis is placed on the planning of funding policies at the Group level which is co-ordinated and guided by the Treasury and Capital Management Area, both in relation to ordinary bond funding and the issue of subordinated liabilities, and the size of indebtedness on the interbank market, in compliance with capital management requirements and expected future short-term and structural liquidity. During Q1 2008, the Group arranged a framework of management methods and liquidity limits, approved by the Board of Directors, which complies with Pillar II of Basle 2.

MARKET RISKS ON THE TRADING PORTFOLIO

The MPS Banking Group operates in the domestic and international financial markets through many players. The most relevant market risk taking centers in terms of Trading Portfolio are the Parent Bank (Banca MPS) and MPS Capital Services. Biverbanca and Monte Paschi Ireland are not so important, even though the activity of Monte Paschi Ireland is now more oriented to coping with the Group's funding and capital management requirements, rather than proprietary trading.

Each Bank operates on its own and manages trading positions on the basis of specific delegated authorities and operational limits, as established by the Board of Directors.

The other commercial banks of the Group (Banca Toscana, Banca Agricola Mantovana and MPS Banca Personale), in compliance with a specific Group regulation, are no longer entitled to take trading positions. Their activity is limited to trading securities on behalf of retail customers and securing a secondary market for their issued bonds.

The MPS Group Trading Portfolio consists of the aggregation of the portfolios managed by the risk taking centers. The aggregate is subject to monitoring and daily reporting by the Risk Management Unit of the Parent Bank on the basis of proprietary systems. Periodically, the management reporting flow on market risks is transmitted to the Risk Committee and to the Board of Directors of the Parent Bank as part of the Risk Management Report, through which the Top Management is informed about the overall MPS Group risk profile.

Each bank operates individually on its trading portfolio and simultaneously manages interest rates, equities, foreign exchange rates and credit positions in an integrated manner, within the operational delegated powers established by its own Board of Directors.

The new structure of the Parent Bank's operational limits was enforced in 2008. Discretionary powers are expressed by level of delegation in terms of *Value-at-Risk* (VaR) and Monthly and Annual Stop Loss, in a different way with reference to HFT (Held-for-Trading) and AFS (Available-For-Sale) positions. The measurements of profitability components of AFS positions were adjusted for operating purposes so as to compare them with the components of HFT positions. In addition, the operational limits of issuer risk and bond concentration - which contemplate nominal ceilings diversified by kinds of counterparts and rating classes, in addition to and not in replacement of the VaR – have been re-designed.

The new structure of operational limits was inaugurated simultaneously with the production of the new Group Market Risk Management System, developed in house on an AlgorithmicsTM platform.

Market risks are mainly monitored for internal operating purposes in terms of ***Value-at- Risk*** (VaR). As a result of the new system, the Group could finetune the Internal Model of Market Risks, developed the Vega Risk model on optional positions and introduced the Credit Spread VaR for the first time. In particular, the idiosyncratic component of the specific risk implicit in the bonds and credit derivatives of the Trading Portfolio is currently covered with reference to the Credit Spread VaR.

The VaR for operating purposes is calculated independently by the Risk Management Unit of the Parent Bank. Calculations and market risk reporting are made on a daily basis. The VaR is calculated on the basis of a confidence interval of 99% with a holding period of one business day. The method used involves the historical simulation with daily full revaluation of all basic positions method, out of 500 historical records, with daily scrolling. The VaR calculated in this way takes account of all the effects of diversification between risk factors, portfolios and types of traded instruments. It is not necessary to assume any functional form in the distribution of the returns on assets, and also the correlations between different financial instruments are implicitly captured by the VaR model on the basis of the joint historical trend of risk factors.

The macro risk factors taken into account are: IR, EQ, FX, CS in relation to the following risk factors:

- IR: interest rates on all relevant curves and respective volatility;
- EQ: prices of equities, indices and baskets, and respective volatility;
- FX: foreign exchange rates and respective volatility;
- CS: credit spread.

The VaR is analysed in compliance with three main principles: (i) the organization hierarchy of the Portfolios, (ii) the hierarchy of the Financial Instruments, (iii) the hierarchy by Risk Factor and by mix of these. The following kinds of VaR can be identified with reference to the risk factors: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these components determines the so-called Gross VaR (also Non Diversified VaR) and quantifies the relative benefit of diversification.

The new model produced metrics of Diversified VaR also at the MPS Group level, with the objective of taking account of all effects of diversification between the different banks in an integrated manner.

Moreover, scenario analyses are regularly conducted on interest rate risk, equity risk, forex risk and credit risk factors with diversified levels of "granularity".

In particular, with reference to the Parent Bank's Trading Portfolio, the aggregate monitored with integrated VaR methods is larger than the aggregate for regulatory purposes and incorporates some positions which are included in the Banking Book for reporting purposes, even though from the operating viewpoint they fall within the operational competence of the Business Areas dealing with trading activities. These positions of a managerial nature - which are taken directly on the basis of instructions given by the Board of Directors or fall within the province of the Parent Bank's Finance Area - are not qualified for addition to the Trading Portfolio for Regulatory Purposes (e.g. liquid securities, but classified as AFS from the accounting viewpoint). For the purpose of this section, such positions are monitored with methods typical of the risks of the Trading Portfolio.

The Parent Bank's Business Areas entitled to take market risks are the Finance Area (FA) and the Treasury and Capital Management Area (TCMA).

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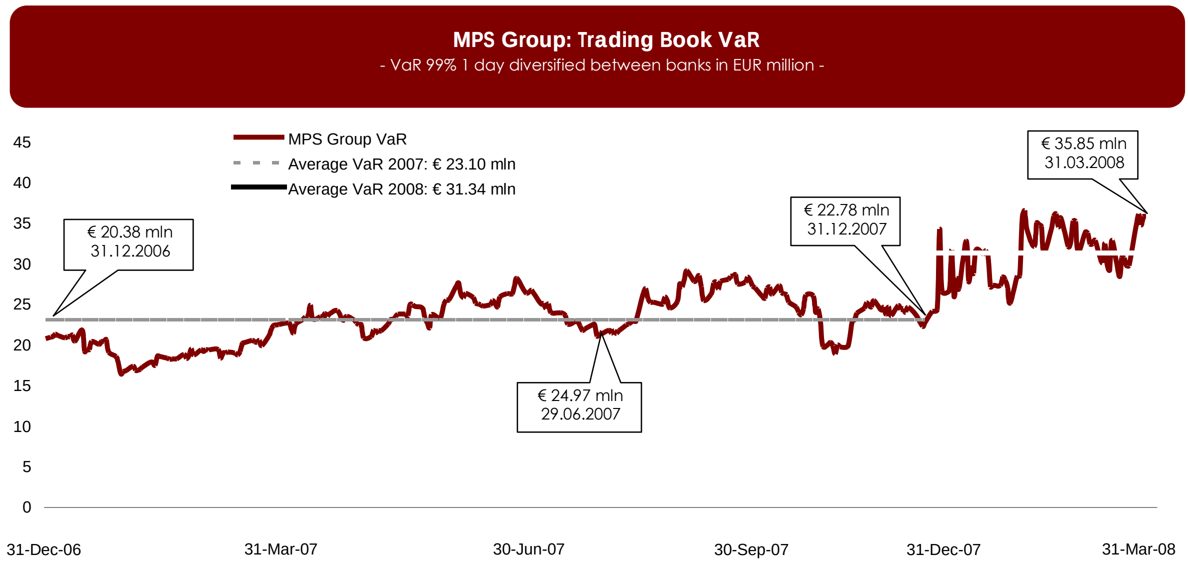
During Q1 2008, the trend of the MPS Group risks was remarkably affected by the trends of the financial markets, in addition to the structural change due to the introduction of the new Risk Management System, which influenced the average level and the variableness of the VaR metrics.

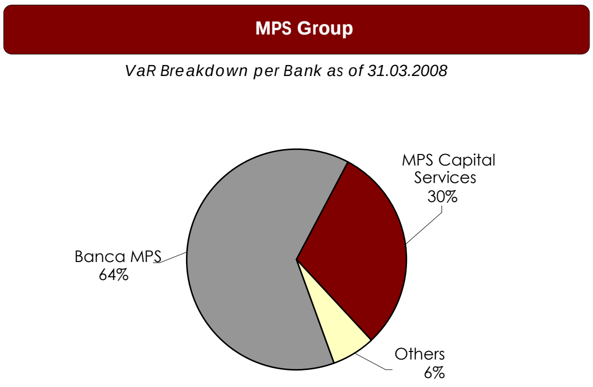


During the first quarter of 2008, the average VaR of the Group came to EUR 31.34 mln (about EUR 8 mln higher than the 2007 average, EUR 23.10 mln). This increase is mostly attributable to the management of the Credit Spread VaR component within the model. The VaR of the MPS Group ranged between a low of EUR 24.15 mln on 2 January 2008 and a high of EUR 36.58 mln on 8 February. The year-end VaR was EUR 35.85 mln.

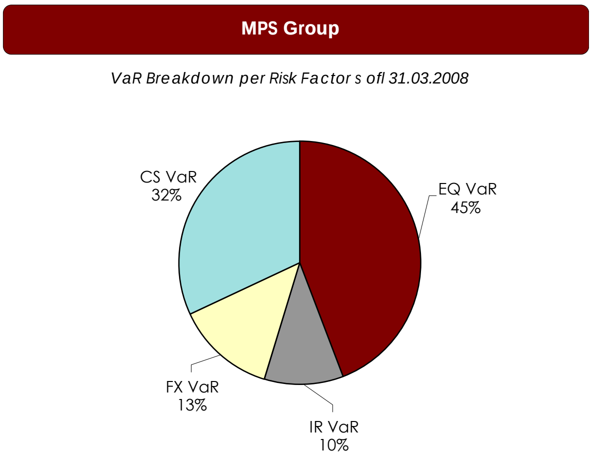
MPS Group – Trading Book VaR
VaR 99% 1 day

	VaR (EUR mln)	Date
Min 2008	24.15	02/01/2008
Max 2008	36.58	08/02/2008
Average 2008	31.34	

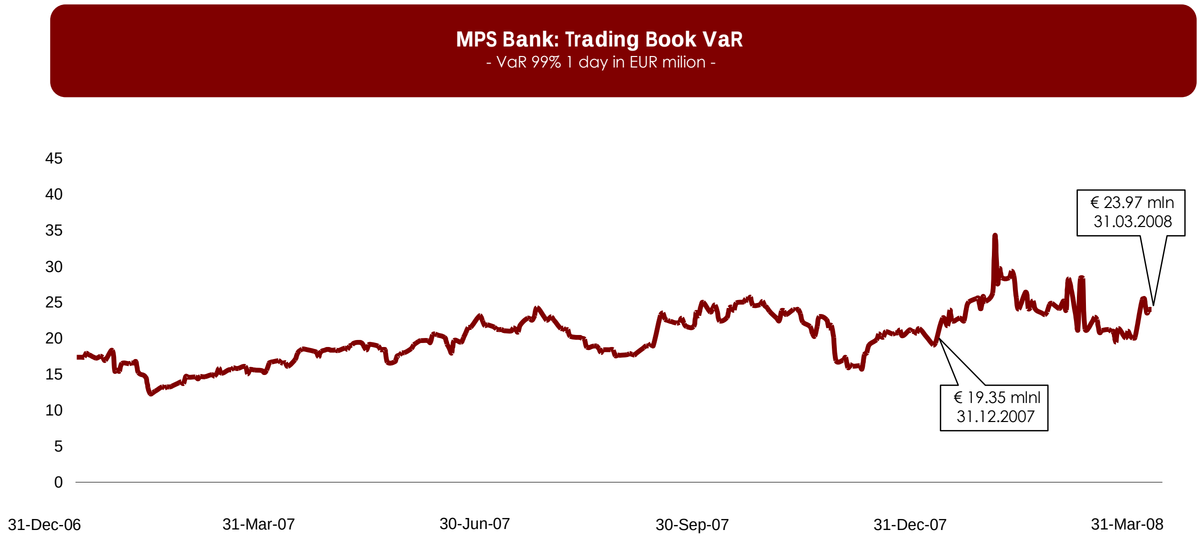
The Parent Bank still represented the main source of market risks, with a 64% impact on the VaR at the end of Q1. MPS Capital Services accounted for roughly 30%, with the remaining 6% being absorbed by the other banks.



As regards the breakdown by risk factor as of 31.03.2008, equity risk factors (EQ VaR) accounted for about 45% of the Group's VaR, followed by Credit Spread risk factors (CS VaR, 32%), forex risk factors (FX VaR, 13%) and interest rate risk factors (10%, IR VaR).



The trend of the VaR of the Parent Bank was similar to the Group's trend.

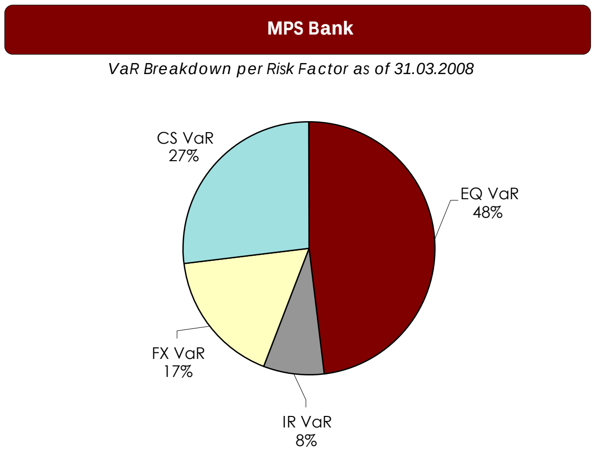


The average VaR of Banca MPS for the first quarter of 2008 came to EUR 24.14 mln, with a EUR 5 mln increase with respect to 2007 (EUR 19.29 mln). During the year, the Parent Bank's VaR ranged between a low of EUR 19.46 mln on 14 March and a high of EUR 34.31 mln on 23 January. The year-end VaR was EUR 23.97 mln.

MPS Bank – Trading Book VaR
VaR 99% 1 day

	VaR (EUR mln)	Date
Min 2008	19.46	14/03/2008
Max 2008	34.31	23/01/2008
Average 2008	24.14	

As regards the breakdown of VaR by risk factor, as of 31.03.2008 equity risk factors (EQ VaR) accounted for about 48% of the Parent Bank's portfolio, followed by Credit Spread risk factors (27%), forex risk factors (FX VaR, 17%) and interest rate risk factors (8%, IR VaR).



OPERATIONAL RISKS

The MPS Group has implemented an integrated system of operational risk management based on a governance model involving all MPS Group banks and financial companies included in the area of reference. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

All domestic banks and financial companies are included in the framework of the advanced approach (AMA). Pending the development of the Business Plan, basic methods are adopted for the foreign companies. The companies included in the "advanced approach" area account for more than 90% of the Group's net operating income (materiality threshold).

The advanced approach matches all major qualitative and quantitative (mixed LDA-Scenario Model) information (information or data) sources homogeneously. The quantitative component (Loss Distribution Approach) is based on the collection, analysis and statistical model of internal and external historical records of loss (DIPO). The model, which adopts Extreme Value Theory techniques, contemplates a breakdown of operational losses including 7 kinds of events, according to the classification of the New Accord of Basle.

The qualitative component is focused on the evaluation of the risk profile of each unit and is based on the identification of significant scenarios. In this context, the Group companies are involved during (i) the identification of the processes and risks to be assessed, (ii) the assessment of the risks by the process managers, (iii) the identification of possible mitigation plans, (iv) the selection of common priorities and technical-economic feasibility of the actions of mitigation, to be agreed with the H.O. units on the basis of different scenarios.

The AMA model, which has been in parallel running for two years, ensured a better management of operational risks and a gradual reduction of the Group's riskiness. The Loss Data Collection process actually showed a gradual reduction in the number and the amounts of the events recorded (internal data of historical loss). This trend is due to decreasing lawsuits and claims in relation to the sale of securities, financial plans, structured products. Accordingly, the decrease in the risk profile estimated by the Top Management, indicated in the Scenario process both in terms of expected loss and capital requirements, is indicative of the Management's confidence in the effectiveness of the mitigation initiatives undertaken.

After the positive outcome of the pre-validation stage of the advanced approach, on 17 December 2007 the MPS Group submitted a formal application to the Bank of Italy for the acknowledgement for regulatory purposes of the advanced methods for the estimated capital requirements with respect to operational risks. The same advanced model started operating formally as of 1 January 2008.

The processes of risk management and measurement were subject to the control of the Bank of Italy during a four-week inspection (11 February-6 March 2008). The inspection is a fundamental step in the administrative process of validation of the advanced methods for the determination of capital requirements. Validation had an impact on risk identification and measurement, and on risk management and mitigation, with the involvement of the Group's Top Management.

The result of the application shall be notified no later than 17 June 2008. As a consequence, the first consolidated reporting for regulatory purposes in compliance with the advanced model shall be based on the results as of 30 June 2008.

A.1.6 cash and off-balance sheet exposures to customers: (gross and net values)

31 03 2008
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	4,300,104	2,110,372	125,962	2,063,770
b) watchlist credits	1,621,511	306,768	63,401	1,251,342
c) restructured loans	128,192	4,653	685	122,854
d) past due	740,712	4,645	42,988	693,079
e) country risk	208,260	x	1,909	206,351
f) other assets	110,493,568	x	622,644	109,870,924
Total A.1	**117,492,347**	**2,426,438**	**857,589**	**114,208,320**
A.2 other companies				
a)loan losses				-
b) other	2,809,738	x		2,809,738
Total A.2	**2,809,738**	**-**	**-**	**2,809,738**
Total A	**120,302,085**	**2,426,438**	**857,589**	**117,018,058**

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**

PART H

TRANSACTIONS WITH RELATED PARTIES

1. Details of Directors', Auditors' and Top Managers' Compensation (key management personnel)

(euro '000)

Voci/Valori	Total 31 03 2008	Total 31 12 2007
short term benefits	1,419	13,662
post retirement benefits		
other long term benefits		
termination benefits	-	-
share based payment		
other compensation	283	1,559
Total	1,702	15,221

2 Information on the related party transactions

2.b Transactions with key management personnel and other related parties

(euro '000)

	31 03 2008			31 12 2007		
account	key management personnel	other related parties	Incidence	key management personnel	other related parties	Incidence
Total financial assets	5,416	418,199	0.28	3,747	370,137	0.25
Total financial liabilities	353,653	556,500	0.63	246,412	369,876	0.42
Total variable cost	3,094	-		15,221	-	
guarantees given	56	320,815		2,635	293,699	
guarantees received	1,669	128,378		1,112	4,810	

Declaration of the Executive in charge of drafting corporate accounting statements

I the undersigned, Daniele Pirondini, as the Executive in charge of drafting the corporate accounting statements of Banca Monte dei Paschi di Siena S.p.A., state in compliance with paragraph 2, art.154 bis of the "Act on financial brokerage provisions", that the accounting reporting included in this Consolidated Quarterly Report as of 31 March 2008 matches the records, books and accounting entries of our Bank.

The Executive in charge of drafting corporate accounting statements

Daniele Pirondini

Siena, 14 May 2008

ANNEXES

COMPARATIVE STATEMENTS OF RECLASSIFIED FINANCIAL STATEMENTS AND ACCOUNTING STATEMENTS

Reconciliation between 31 March 2008 reclassified consolidated profit and loss statement and related accounting tables

Reclassified Consolidated Profit and Loss Statement MPS Group	31/03/08	Consolidated Profit and Loss Statement MPS Group
Interest margin	**810.6**	
	2,005.8	Account 10 - Interest and similar income
	-1,195.3	Account 20 - Interest and similar expense
Net commission income	**382.0**	
	432.2	Account 40 - Commission income
	-50.2	Account 50 - Commission expense
Income from banking activities	**1,192.6**	
Dividends, similar income and profits (losses) from equity investments	**8.2**	
	17.6	Account 70 - Dividends and similar income
	-16.1	Account 70 (partial) - Breakdown dividends and similar income related to complex securities trading transactions
	6.8	Account 240 - Profit (loss) on equity investments
Net result from realisation/valuation of financial assets	**-29.6**	
	-67.9	Account 80 - Net result from trading
	16.1	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
	2.2	Account 100 b) - Profit/loss from the sale of financial assets available for sale
	-	Account 100 c) - Profit/loss from the sale of financial assets held to maturity
	-0.4	Account 100 d) - Profit/loss from the sale of financial liabilities
	20.4	Account 110 - Net result on financial assets and liabilities stated at fair value
Net gain (loss) from hedging	**-3.8**	
	-3.8	Account 90 - Net gain (loss) from hedging
Income from financial and insurance business	**1,167.3**	
Net adjustments for impairment of		
a) loans	**-127.0**	
	-129.8	Account 130 a) - Net adjustments for impairment of loans
	2.9	Account 130 a) (partial) - Breakdown of net adjustments for impairment of loans (Charges related to financial plans)
b) financial assets	**-69.4**	
	-67.4	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
	-2.1	Account 130 d) - Net adjustments for impairment of other financial transactions
Net financial and insurance income (loss)	**970.9**	
Administrative expenses:	**-679.7**	
a) personnel expenses	**-451.5**	
	-451.5	Account 180 a) Personnel expenses
b) other administrative expenses	**-228.1**	
	-277.9	Account 180 b) Other administrative expenses
	49.7	Account 220 (partial) - Supplemental other operating income/expenses (Recovery of stamp duties and customers' expenses)
Net adjustments to the value of tangible and intangible fixed assets	**-29.0**	
	-17.7	Account 200 - Net adjustments to the value of tangible fixed assets
	-11.3	Account 210 - Net adjustments to the value of intangible fixed assets
Operating expenses	**-708.7**	
Net operating income	**262.2**	
Net provisions for risks and liabilities and Other operating income/costs	**29.3**	
	24.9	Account 190 - Net provisions for risks and charges
	-2.9	Account 130 a) (partial) - Supplemental net adjustments for impairment of loans (Charges related to financial plans)
	56.9	Account 220 - Other operating income/expenses
	-49.7	Account 220 (partial) - Breakdown of other operating income/expenses (Recovery of stamp duties and customers' expenses)
Profits (losses) from equity investments		
	6.8	Account 240 - Profit (loss) on equity investments
	-6.8	Account 240 - Breakdown of Profit (loss) on equity investments
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
Adjustments to goodwill	**-**	
	-	Account 260 - Adjustments to goodwill
Profit (loss) on disposal of investments	**7.7**	
	7.7	Account 270 - Profit (loss) on disposal of investments
Profit (loss) before tax from continuing operations	**299.2**	Account 280 - Profit (loss) before tax from continuing operations
Taxes on income from continuing operations	**-101.6**	
	-101.6	Account 290 - Taxes on income from continuing operations
Profit (loss) after tax from continuing operations	**197.6**	Account 300 - Profit (loss) after tax from continuing operations
Profit (loss) after tax from disposal groups held for sale	**-3.6**	
	-3.6	Account 310 - Profit (loss) after tax from disposal groups held for sale
Net profit (loss) including minority interests	**194.0**	Account 320 - Net profit (loss) for the year
Minority interests in profit (loss) for the year	**-3.9**	
	-3.9	Account 330 - Minority interests in profit (loss) for the year
Net profit for the year	**190.1**	Account 340 - Parent company's net profit (loss)

Reconciliation between 31 March 2008 reclassified consolidated balance sheets and related accounting tables

Reclassified Balance Sheet - Assets MPS Group	Balance Sheet - Assets MPS Group	31/03/08
Cash and cash equivalents		**536**
	Account 10 - Cash and cash equivalents	536
Loans:		
a) Customer loans		**107,749**
	Account 70 - Customer loans	107,749
b) Due from banks		**11,708**
	Account 60 - Due from banks	11,708
Financial assets held for trading		**30,726**
	Account 20 - Financial assets held for trading	26,113
	Account 30 - Financial assets stated at fair value	-
	Account 40 - Financial assets available for sale	4,613
Financial assets held to maturity		**0**
	Account 50 - Financial assets held to maturity	0
Equity investments		**817**
	Account 100 - Equity investments	817
Technical reserves attributable to reinsurers		-
	Account 110 - Technical reserves attributable to reinsurers	-
Tangible and intangible fixed assets		**3,127**
	Account 120 - Tangible fixed assets	1,998
	Account 130 - Intangible fixed assets	1,128
Other assets		**7,799**
	Account 80 - Hedging derivatives	11
	Account 90 - Change in value of financial assets recorded as part of a macrohedge (+/-)	22
	Account 140 - Tax assets	1,123
	Account 150 - Non-current assets and disposal groups held for sale	3,350
	Account 160 - Other assets	3,293
Total assets	**Total assets**	**162,463**

Reclassified balance sheet - Liabilities and shareholders' equity MPS Group	Balance sheet - Liabilities and shareholders' equity MPS Group	31/03/08
Debts		
a) Due to customers and securities		**110,447**
	Account 20 - Customer deposits	59,054
	Account 30 - Securities issued	38,409
	Account 50 - Financial liabilities stated at fair value	12,984
b) Due to banks		**15,613**
	Account 10 - Due to banks	15,613
Financial liabilities held for trading		**18,506**
	Account 40 - Financial liabilities held for trading	18,506
Provisions for specific use		
	Account 110 - Staff severance indemnity reserve	366
	Voce 120 Provisions for risks and liabilities - **a)** pension funds and similar obligations	417
	Voce 120 Provisions for risks and liabilities - **b)** other provisions	488
Other liabilities		**7,723**
	Account 60 - Hedging derivatives	75
	Account 70 - Change in value of financial liabilities recorded as part of a macrohedge (+/-)	-
	Account 80 - Tax liabilities	264
	Account 90 - Liabilities associated with disposal groups held for sale	2,928
	Account 100 - Other liabilities	4,456
Underwriting reserves		
	Account 130 - Underwriting reserves	
Group portion of shareholders' equity		**8,644**
a) Valuation reserves	Account 140 - Valuation reserves	433
b) Reimbursable shares	Account 150 - Reimbursable shares	-
c) Capital instruments	Account 160 - Capital instruments	70
d) Reserves	Account 170 - Reserves	5,433
e) Share premium account	Account 180 - Share premium account	547
f) Share capital	Account 190 - Share capital	2,032
g) Treasury shares (-)	Account 200 - Treasury shares (-)	-61
h) Net profit (loss) for the year	Account 220 - Net profit (loss) for the year (+/-)	190
Minority interests in shareholders' equity		**259**
	Account 210 - Minority interests in shareholders' equity (+/-)	259
Total liabilities and shareholders' equity	**Total liabilities and shareholders' equity**	**162,463**