

MPS Group: Results for the first quarter of 2006

Net profit €278 million (+70.1%)

Strong growth in profit from ordinary operations, thanks to controlled operating costs and a steady rise in commercial revenues

- **Tangible increase in operating volumes**
 - **Mortgage loans +16.5% year on year**
 - **Consumer credit +37.3% year on year**
 - **Savings +10% year on year**
- **Marked increase in main income components**
 - **Fees and commissions +7.1% year on year**
 - **Income from banking activities +4% year on year**
 - **Revenues +12.8% year on year**
- **Operating costs well under control (+1%) despite 117 new branch openings in the last year**
- **Cost/income ratio down to 56.7% (60.4% excluding non-recurring items), from 64.8% at year-end**
- **Consolidated net profit €278 million, up 70.1% on 1Q05**
- **Capital ratios improving, with Tier 1 at 6.73% versus 6.51% (end-2005) and the solvency ratio at 9.2% (9.16% at the close of the year)**
- **Business plan to be presented by mid-July**

Siena, May 15, 2006. The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has approved the MPS Group's results at March 31, 2006.

Main consolidated results

With the real economy showing tentative signs of recovery, the **MPS Group** continued to implement the projects outlined in the 2003-2006 Business Plan, **further consolidating development of the operating and income bases established in 2005.**

From the operating and income standpoint, results were up sharply as regards both (a) development of **asset and commercial performance**—with improved standing in the most attractive businesses—and (b) **profit performance**, as demonstrated by the progress achieved in **revenues** (+12.8% vs. the first quarter of 2005 and +12.2% vs. 4Q05) and **net profit (+70.1%)**, which rose to **€277.5 million.**

In terms of **income**, the breakdown of **income from banking activities** shows:

net interest income of **€647 million** (+1.9% compared with 1Q05), with an increase of 4% by the commercial segment. This result consolidates the progress achieved in the fourth quarter, especially given the reduced number of business days and the lack of non-recurring items, and constitutes a solid basis for growth in the coming quarters; the result is also affected by the delay in the repricing of floating rates mortgages, which are mainly updated on a six months basis (June and December);

net fees & commissions of **€461.8 million**, a significant +7.1% growth with respect to 31 March 2005. In this context, there was an improvement in the mix of funds under management, with an increase in continuing AUM commissions of 20.8% year on year. As planned, there was a further decline in income from the sale of products charged "up-front", which accounted for 5.3% of fees & commissions (6.3% at 31 March 2005);

the **net result from realisation/valuation of financial assets** of **€162.6 million** (€64.7 million in the first quarter of 2005) was boosted by profits from the disposal of the group's investments in BNL and Fiat in the amount of €79 million gross of taxes;

net insurance income (loss) of **€32.4 million** (€24.5 million in 1Q05) reflects the sharp repositioning of the portfolio from traditional components to unit-linked and index-linked products.

Among the other items forming total banking and insurance income, there were also **dividends, similar income and profits/losses from equity investments**, totalling **€19.7 million (€23 million in 1Q05)**.

Overall, total **consolidated banking and insurance income** amounted to **€1,323.9 million** (+12.8% YoY), with “primary” banking income (net interest income and fees & commissions) growing by +4% year on year.

Net adjustments for the impairment of loans came to €107.5 million, an increase of €89.2 million year on year but in line with the quarterly average for 2005 (€107 million). Flows of impaired loans were down by 18% with respect to the fourth quarter of 2005, in parallel with an increase in recoveries (+20.7% vs. 4Q05).

Operating expenses (€51.1 million) were essentially in line with those for the first quarter of 2005 (**€743.8 million**), despite the opening of 117 new branches during the year (10 in the first quarter of 2006) and the payment of leaving incentives totalling €16 million. In the first quarter of 2006, 265 employees (70% of them from central offices) accepted the leaving incentives and will terminate their employment with MPS as from 2Q06.

More specifically, **personnel costs** amounted to **€474.5 million** (-0.2% YoY), **other expense items** amounted to **€244 million** (+5%), and **depreciation & amortisation totalled** €32.5 million (-9.3%).

The cost/income ratio, including depreciation & amortisation, thus fell to **56.7%** or to 60.4% excluding the proceeds of the sale of the Fiat and BNL holdings, **showing a significant improvement** compared with the end of 2005 (64.8%).

As a result of the trends mentioned above, the **net operating profit** came to **€463.5 million, progressing by +35.4% vs. 1Q05**.

As regards the breakdown by **business area**, this shows the growing contribution of the **Commercial Area** which—benefiting from the **enhanced effectiveness of platforms specialised by customer segment and from a well-conceived relational policy**—delivered total growth in terms of **net operating profit** of **34% year on year**. More specifically:

Retail Banking:

- Financial and insurance income (loss): + 12% year on year
- Net operating profit: + 42.2% year on year

Private Banking:

- Financial and insurance income (loss): +21.6% year on year
- Net operating profit: + 47.2% year on year

Corporate Banking:

- Financial and insurance income (loss): +0.1% year on year
- Net operating profit: +1.3% year on year

Investment Banking:

- Financial and insurance income (loss): +17.4% year on year
- Net operating profit: + 22.6% year on year

Pre-tax profit from continuing operations amounted to €464.5 million, with growth of **49.8%** vs. 2005.

Completing the income and profit picture there were total **taxes** of **€183.8 million** (vs. €142.2 million in 2005) with a tax rate of 39.6%.

The consolidated net profit of €277.5 million showed progress of 70.1% compared with the first quarter of 2005.

Balance sheet highlights

In the first quarter of 2006, for the MPS Group commercial operations, in terms of asset and loan management, translated into appreciable development of the main balance sheet items, bringing growth into line with the targets of the 2003-2006 Business Plan.

Specifically, **direct funding** (totalling €85.5 billion) grew by 4.8% YoY **with a 6.6% share of the domestic market, while indirect funding amounted to €110.3 billion.** In this latter category **managed assets grew by 11.9% YoY.**

These results stem from the sale of **€3 billion in savings products**, 10% more than in 2005.

In particular, the group received **€1.1 billion in insurance premiums** and **€1.7 billion from linear/structured bonds**.

Customer loans came in at €3.1 billion, an increase of 6.9% on the first quarter of 2005. For the household component, there was an increase in short-term loans (+0.6% year on year) and a significant rise in medium/long-term loans (+13.6%). There were sizeable disbursements of **mortgage loans (+16.5% YoY)** and **consumer credit (Consum.it) (+37% YoY)**. The contribution made by the other product companies also featured a robust increase, confirming growth involving the group's entire business generation organisation: sales of MPS Banca per l'Impresa products were up 13%, and those of MPS Leasing & Factoring by 23.5%.

There was a sharp decline with respect to 4Q05 in non-performing loans (-22.2% quarter on quarter) and watchlist loans (-13.4% QoQ). Collections on those loans continued their positive trend (20.7% quarter on quarter and +23% year on year). The stock of non-performing loans showed a slight increase quarter-on-quarter (+2.7%), while the stock of watchlist loans fell sharply (-17.7% QoQ).

Loans benefited from intense loan quality monitoring the previous year and from the complete implementation of initial disbursement models. As for protection against credit risk, writedowns as a percentage of non-performing loans and watchlist loans rose from 44.9% at the end of 2005 to 46.2%. Capital ratios improved, with Tier 1 at 6.73% versus 6.51% (end-2005) and the solvency ratio at 9.2% (9.16% at the close of the year).

This press release will be available on the Web site at the address: www.mps.it

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CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31 March 2006

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	03/31/06	03/31/05 ⁽¹⁾	Ch.%
• INCOME STATEMENT FIGURES (milions of euro)			
Financial and insurance income (loss)	1,323.9	1,174.2	12.8
Net operating income	463.5	342.2	35.4
Net profit (loss) for the period	277.5	163.1	70.1
• BALANCE SHEET FIGURES AND INDICATORS (milions of euro)			
Direct funding ⁽²⁾	85,495	81,604	4.8
Indirect funding	110,312	107,235	2.9
<i>of which: assets under management</i>	49,726	44,440	11.9
<i>of which: assets under custody</i>	60,586	62,795	-3.5
Customers loans	83,145	77,796	6.9
Group net equity	7,616	6,388 ^(*)	19.2
^(*) at 1.01.05			
• KEY LOAN QUALITY RATIOS (%) (estimates)			
Net non-performing loans/Customers loans	1.94	1.88	
Net watchlist loans/Customer loans	1.01	1.23	
• PROFITABILITY RATIOS (%)			
Cost/Income ratio	56.7	64.8	
Cost/Income ratio restated according to operating criteria ⁽³⁾	55.5	63.3	
R.O.E. (on average equity)	12.3	11.6	
R.O.E. (on year-end equity)	13.3	12.9	
Net adjustments to loans/Year-end investments	0.52	0.51	
• CAPITAL RATIOS (%)			
Solvency ratio	9.20	9.16	
Tier 1 ratio	6.73	6.51	
(a) determined using the Bank of Italy's prudential filters. Figures at 03/31/06 have been estimated.			
• INFORMATION ON BMPS STOCK			
Number of ordinary shares outstanding	2,448,491,901	2,448,491,901	
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	4.24	3.13	
low	3.72	2.43	
high	4.84	4.17	
• OPERATING STRUCTURE			
Total head count - year-end	26,769	26,542	227
Number of branches in Italy	1,896	1,886	10
Number of branches & rep.offices abroad	32	30	2

(1) The balance sheet and income statement figures at 31 March 2006 are compared in this schedule with those from the same period of 2005, reconstructed according to IAS/IFRS, including an estimate of the effects of IAS 32 and 39 and according to the Bank of Italy instructions.

(2) The balance sheet figures at 03/31/06 and 12/31/05 do not include index-linked funding, included as usual in the aggregate "asset under management".

(3) The restated cost-income ratio has been calculated by deducting from operating expenses the cost of personnel departures recorded at 03/31/06 (around € 16 mln) and at 03/31/05 (€ 36 mln).

GROUP MPS**■ RECLASSIFIED BALANCE SHEET (Euro mln.)**

	03/31/06	12/31/05
ASSETS		
Cash and cash equivalents	442	563
Receivables:		
a) Customers loans	83,145	83,526
b) Due from banks	11,099	9,994
Financial assets held for trading	43,560	45,819
Financial assets held to maturity	4,193	4,302
Tangible and intangible fixed assets	3,461	3,517
Other assets	3,445	5,314
Total assets	150,061	153,749
LIABILITIES		
Payables		
a) Due to customers and securities (°)	92,082	94,279
b) Due to banks	17,060	16,207
Financial liabilities from trading	15,752	17,106
Provisions for specific use:		
a) Provisions for employee leaving indemnities	403	403
b) Reserve for retirement benefits	385	549
c) Other reserves	591	586
Other liabilities	4,202	5,383
Underwriting reserves	11,936	11,922
Group portion of shareholders' equity:	7,616	7,268
a) Valuation reserves	591	618
b) Reimbursable shares	0	0
c) Capital instruments	46	46
d) Reserves	4,128	3,346
e) Share premium account	548	539
f) Share capital	2,026	2,026
g) Treasury shares (-)	-1	-97
h) Net profit (loss) for the year	277	790
Minority interests in shareholders' equity	34	46
Total liabilities and shareholders' equity	150,061	153,749

(°) Figures at 31 December 2005 and at 31 March 2006 include index-linked funding classified under the item "Trade payables" - "other payables" of the "Insurance companies" (€ 6.587 mln at 31 March 2006)

MPS Group
INCOME STATEMENT RESTATED ACCORDING TO OPERATING CRITERIA (Euro mln)

	03/31/2006	03/31/05 ricostruito (*)	Change	
			Ins.	%
Net interest income	647.0	635.1	11.9	1.9%
Net commission	461.8	431.1	30.7	7.1%
Income from banking activities	1,108.9	1,066.2	42.6	4.0%
Dividends, similar income and profits (losses) from equity investments	19.7	23.0	-3.3	-14.5%
Net result from realisation/valuation of financial assets	162.6	64.7	97.9	151.4%
Net gain (loss) from hedging	0.3	-4.3	4.6	ns.
Net insurance income (loss)	32.4	24.5	7.9	32.3%
Financial and insurance income (loss)	1,323.9	1,174.2	149.7	12.8%
Net adjustments for impairment of:				
a) loans	-107.5	-89.2	18.2	20.4%
b) financial assets	-1.9	1.1	ns.	ns.
Net financial and insurance income (loss)	1,214.5	1,086.1	128.4	11.8%
Administrative expenses:	-718.6	-708.0	10.5	1.5%
a) personnel expenses	-474.5	-475.5	-1.0	-0.2%
b) other administrative expenses	-244.0	-232.5	11.5	5.0%
Net adjustments to the value of tangible and intangible fixed assets	-32.5	-35.8	-3.3	-9.3%
Operating expenses	-751.0	-743.8	7.2	1.0%
Net operating income	463.5	342.2	121.2	35.4%
Net provisions for risks and liabilities and Other operating income/costs	1.1	-17.6	-16.5	-106.1%
Net gain (loss) from the fair-value posting of tangible and intangible fixed assets	0.0	0.0	0.0	ns.
Goodwill impairment	0.0	-14.5	14.5	ns.
Gains (losses) from disposal of investments	0.01	0.0	0.0	ns.
Gain (loss) from current operations before taxes	464.5	310.1	154.4	49.8%
Taxes on income for the year from current operations	-183.8	-142.2	41.6	29.3%
Gain (loss) from current operations after taxes	280.7	168.0	112.7	67.1%
Gain (loss) on fixed assets due for disposal, net of taxes	0.0	-0.1		
Minority interests in profit (loss) for the year	-3.2	-4.7	-1.5	-32.0%
Net profit (loss) for the year	277.5	163.1	114.4	70.1%

(*) Comparative data based on IAS/IFRS, including the estimated effects of applying IAS 32/39 to financial instruments and the Bankit provisions introduced with Circular 262 of December 2005.

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

MPS Group	2006	2005 (*)				AVG Quarters '05	12/31/2005
	1 Q 06	4 Q 05	3 Q 05	2 Q 05	1 Q 05		
Net interest income	647.0	673.2	636.8	633.1	635.1	644.5	2,578.1
Net commissions	461.8	459.2	441.0	449.9	431.1	445.3	1,781.2
Income from banking activities	1,108.9	1,132.4	1,077.7	1,083.0	1,066.2	1,089.8	4,359.4
Financial and insurance income (loss)	1,323.9	1,179.7	1,173.6	1,200.0	1,174.2	1,181.9	4,727.5
Net adjustments for impairment of:							
a) loans	-107.5	-124.7	-103.7	-109.2	-89.2	-106.7	-426.9
b) financial assets	-1.9	-137.7	-3.7	1.1	1.1	-34.8	-139.2
Net financial and insurance income (loss)	1,214.5	917.3	1,066.1	1,091.9	1,086.1	1,040.3	4,161.4
Operating expenses	-751.0	-815.8	-761.2	-743.8	-743.8	-766.2	-3,064.7
Net operating income	463.5	101.5	304.9	348.0	342.2	274.2	1,096.7
Gain (loss) from current operations before taxes	464.5	166.2	298.0	320.9	310.1	273.8	1,095.2
Profit/(loss) for the year	277.5	216.5	201.3	209.3	163.1	197.5	790.2

(*) To ensure a more precise view of operating trends and the comparability of aggregates, the earlier quarters have been standardized by including an estimate of the effects of using IAS 32/39

PROFIT & LOSS

(000euro)

Account		03 31 2006	12 31 2005
10	Interest and similar income	1,416,923	5,239,366
20	Interest and similar expense	(654,729)	(2,244,183)
30	Net Interest Income	762,194	2,995,183
40	Commissions earned	508,698	1,970,729
50	Commission expense	(50,172)	(195,910)
60	Net Commissions	458,526	1,774,818
70	Dividends and other income	15,023	476,172
80	Net Profit from trading	103,828	(314,129)
90	Net Profit from hedging	302	(13,386)
100	Profit / Loss	74,294	98,314
	a) loans	305	(3,777)
	b) available for sale financial assets	83,712	110,880
	c) held to maturity investment	-	(8)
	d) other financial assets	(9,723)	(8,781)
110	Fair Value financial assets and liabilities	23,099	(816)
120	Total Income	1,437,266	5,016,156
130	Net value adjustments on:	(112,596)	(609,959)
	a) loans	(110,651)	(470,734)
	b) available for sale financial assets	(1,876)	(135,305)
	c) held to maturity investment	-	-
	d) other financial assets	(69)	(3,920)
140	Net Income from financial operation	1,324,670	4,406,197
150	Net Premiums	493,321	3,265,865
160	Net Income loss from insurance operations	(611,364)	(3,587,665)
170	Net Income from financial and insurance operations	1,206,627	4,084,397
180	Administrative expenses	(763,554)	(3,093,423)
	a) <i>personnel</i>	(474,547)	(1,931,319)
	b) <i>other administrative expenses</i>	(289,007)	(1,162,104)
190	Provisions for risks and charges	(14,927)	(46,846)
200	Valuation adjustments to fixed assets	(16,597)	(69,041)
210	Valuation adjustments to intangible assets	(15,878)	(81,386)
220	Other operating income/expenses	64,185	296,889
230	Operating costs	(746,771)	(2,993,807)
240	Income (loss) from investments	4,668	33,126
250	Net value adjustments on tangible and intangible assets designated at fair value	-	-
260	Value adjustments of goodwill	-	(29,021)
270	Income (loss) from disposal of investments	11	509
280	Income (loss) before taxes from continuing operations	464,535	1,095,204
290	Income taxes	(183,822)	(281,544)
300	Income (loss) after taxes from continuing operations	280,713	813,660
310	Income (loss) from disposal of non continuing operations net of taxes	-	-
320	Profit (loss) for the period prior to minority interests	280,713	813,660
330	Profit (loss) prior to minority interests	3,225	23,464
340	Profit (loss) for the period	277,488	790,196

BALANCE SHEET

(000euro)

Assets		03 31 2006	12 31 2005
10	Cash and cash on deposit	441,811	562,813
20	Financial assets held for trading	35,858,076	37,473,143
30	Financial assets at fair value	2,689,197	2,660,106
40	Financial assets available for sale	5,013,134	5,685,270
50	Financial assets held to maturity	4,192,520	4,301,729
60	Due from banks	11,098,690	9,993,556
70	Loans to costumers	83,144,620	83,526,121
80	Hedging derivatives	9,957	9,830
90	Value adjustment on financial assets with generic coverage (+/-)	46,428	64,774
100	Equity investment	706,824	702,846
110	Technical reserves reassured with third parties	10,402	11,897
120	Fixed Assets	2,585,811	2,639,538
130	Intangible assets of which: goodwill	874,855 740,172	877,810 740,172
140	Tax assets	1,303,120	1,308,273
	a) current	487,194	436,842
	b) anticipated	815,926	871,431
150	Non current assets (or disposal groups) held for sale and discontinued operations	6,001	6,231
160	Other	2,079,423	3,925,156
Total		150,060,869	153,749,093

(000euro)

Total liabilities and Shareholders'equity		03 31 2006	12 31 2005
10	Due to banks	17,060,164	16,207,175
20	Due to costumers	51,327,419	53,186,400
30	Securities	23,346,773	23,449,053
40	Financial liabilities held for trading	15,751,973	17,106,230
50	Financial liabilities at fair value	17,407,650	17,643,054
60	Hedging derivatives	128,662	64,922
70	Value adjustment on financial liabilities (+/-)	-	-
80	Tax Liabilities	546,377	387,107
	a) Current	267,970	116,325
	b) postponed	278,407	270,782
90	Liabilities in disposal groups held for sale and discontinued operations	-	-
100	Other	3,526,866	4,931,060
110	Staff severance indemnity reserve	402,754	403,413
120	Reserve for risks and other charges	976,175	1,134,704
	a) pension fund and similar obligations	385,148	548,613
	b) other provisions	591,027	586,091
130	Technical reserves	11,935,625	11,921,799
140	Revaluation reserves	591,077	617,982
150	Refundable shares	-	-
160	Capital instruments	46,077	46,077
170	Reserves	4,127,821	3,346,183
180	Paid-in Capital	548,218	539,461
190	Share capital	2,025,989	2,025,989
200	Own shares (-)	(573)	(97,467)
210	Minority interests (+/-)	34,333	45,755
220	Profit (loss) for the year	277,488	790,196
Total liabilities and Shareholders'equity		150,060,868	153,749,093