MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

GRUPPO MPS

MPS Group: Results for the first quarter 2007

Net profit of € 253.6 million

Marked increase in sales and market shares

- **Strong structural increase in main income components**
  - **Net interest income: + 9.2%**
  - **Primary banking income: +5.9%**

- **Strong increase in operating volumes and related market shares**
  - **Loans: +14.6% (market share of 6.4%, up 13 bps vs. 2006 year-end)**
  - **Leases: +15.9% (market share of 4.0%, up 160 bps vs. 2006 year-end)**
  - **Consumer loans: +12%**
  - **Mortgage loans: +14,8%**
  - **Direct funding: +12.1% (market share of 6.66%, up 19 bps vs. 2006 year-end)**
  - **Bancassurance: +13% (market share of 8.1%, up 10 bps vs. 2006 year-end)**
  - **Bonds: +25,2%**
  - **AUM from Personal Banking channel: +83%**

- **Further strengthening of sales force: *Back office/ front office* ratio at 32% (42% as at 2005 year-end), close to the 2009 Industrial Plan target of 31%**

- **Strong increase in customer base: +56,000 new customers in the first four months of the year**

- **Decrease in cost/income ratio: 56.4% (down from 60.9% at year-end and 64.8% in 2005). 2009 Industrial Plan target at 51.2%.**

- **Decrease in impact of deteriorated claims and increased accruals to doubtful loan provisions**

- **Net profit of € 253.6 million: +9.7% net of proceeds from sales of equity interests**

Siena, 15 May 2007. The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has approved the MPS Group's results as at 31 March 2007.

Main consolidated results

The **Group MPS's** sales volumes growth in the first quarter of 2007 was remarkable, leveraging the substantial investments made in the second half of the last financial year following the implementation of the 2006-2009 Industrial Plan, specifically with regard to the deep restructuring of the distribution network and to further specialization of service models.

From an operating and income standpoint, results were up as regards both (a) the development of **asset and commercial performance** - with improved standing in the most profitable industries also in terms of market shares -, and (b) the **profit performance,** as demonstrated by the progress achieved in **primary banking income** (**+5.9%** vs. the first quarter of 2006), and in **operating profit** which rose to **€ 417.5 million** and **net profit (of € 253.6 million, up 9.7% vs. the first quarter of 2006 net of proceeds from sales of equity interests).**

Specifically, **consolidated banking and insurance income** showed:

- **net interest income of € 705.4 million** (+9.2% vs. the first quarter of 2006) particularly due to the rise in average assets under management in all major business lines in the second half of the quarter, with significant improvements in all related market shares. Direct funding grew by 12.1% YoY (with a 6.6% share of the domestic market, up 19bps vs. prior year-end); loans improved by 14.6% (with a 6.4 market share, up 13bps vs. prior year-end); loans to deposits ratio remains stable at below 100%. It is worth noting the strong growth in short-term loan volumes (up 19.8% YoY) and market shares (6.83% from 6.66% at year-end). Rate spreads gain momentum as compared to December 2006.

The quarterly growth was constrained by the lower contribution of financial markets activities (less 34.7% YoY) and by the lower number of business days in the quarter (with an estimated impact of € 14 million). Quarter results also include € 18 million worth of banking book junior notes.

 net fees and commissions of **€ 389.4 million,** up 0.3% as compared to 31 March 2006, which include the strong performance of the Corporate Division (up 8.9% against the first quarter of 2006, 14.5% higher than the 2006 quarterly average) and higher fees from banking services in general (4.5% higher YoY). These performances are also a result of the remarkable increase in the Group's customer base: 56,000 new customers in the first four months of 2007, including almost 48,000 new retail customers and approximately 8,000 new corporate customers. The deterioration in asset management fees, on the other hand, stems from the cancellation of overperformance fees on Ducato mutual funds. Bancassurance business results grew by 13%. The Personal Banking financial advisors distribution network attained a remarkable 34.8% growth in AUM volumes and a 26.1% increase in direct funding. Volumes growth of flexible and hedge funds was sustained (up 8% YoY).

 a **net gain from realisation/valuation of financial assets** of **€ 88.2 mln** (€ 176.3 million in March 2006 also due to the € 80 million proceeds from the sale of equity interests in Fiat and BNL).

Amongst the other items forming total banking and insurance income, there were also **dividends, similar income and gains/losses from equity investments**, totalling **€30.3 million (€6 million in 1Q06),** including € 26 million gains from the sale of equity interests in Finsoe S.p.a..

Overall, **total consolidated banking and insurance income amounted to € 1,212.7 mln** (-0.3% as against March 2006, +4.6% net of income components related to the equity investment sales).

As regards the cost of lending and financial assets, we highlight the following items.

 "net impairment losses due to loan deterioration adjustments" of € 107.2 million, approximately 45bps of overall doubtful loans, allowing further strengthening of provisions against deteriorated claims (up 0.7% against 2006 year-end) .

- **“net impairment losses due to deterioration of financial assets adjustments"** of **€ 4.4 million**, which includes revision of the valuation of the investment in several subsidiaries.

Consequently, **net banking and insurance income amounted to € 1,101.2** million.

Operating expenses (€ 683.7million) decreased by 0.3% against the € 685.6 million in the first quarter of 2006.

Specifically, **personnel costs** amounted to **€ 430.8 million** (down 1% vs. prior year as a result of the staff reorganization carried out in the previous financial year), while **other expense items** are in the amount of **€ 223.3 million** (up 2% against prior year owing to the distribution network expansion costs) and **depreciation and amortization were € 29.5 million** (down 5.5%). Staff headcount decreased by 60 units in the quarter (242 people retired while 182 new human resources were hired in the period) while the distribution network expanded as new heads were hired in the period (**back office/front office ratio** of 32%, staff hired for headquarter offices decreased by 4% as compared to December 2006).

Cost/income ratio including amortization and depreciation was down at **56.4%** (60.9% as at December 2006).

As a result of the trends mentioned above, **Net Operating Profit** totalled **€ 417.5 million.**

As regards the breakdown by **business area outlined in the 2006-2009 Industrial Plan,** we report the growing contribution of the **commercial business,** which benefits from the **enhanced effectiveness of platforms specialised by customer segment and from a well-conceived customer relationship policy.**

More specifically:

Commercial Banking & Distribution Network

- financial and insurance income (loss): up 8.0% YoY
- net operating income: up 21.3% YoY

- customer loans: up 10.0% YoY

Private Banking & Wealth Management

- financial and insurance income (loss): down 16.7% YoY[1]
- net operating income: down 26.0% YoY
- customer loans: down 3.0% YoY

Corporate Banking/Capital Markets

- financial and insurance income (loss): up 1.2% YoY
- net operating income: up 2.6% YoY
- customer loans: up 18.5% YoY

Completing the income and profit picture were total **taxes** of **€ 176.6 million** (vs. € 178.2 million as at March 2006) with a tax rate of approximately 40.0%.

Profit (loss) of asset disposal groups, after tax amounted to **€ 29.7 million** and is entirely due to insurance operations, which **grew by 19.3%** from the € 24.9 million at the end of 2006, primarily as a result of aforementioned sales.

Consolidated net profit thus amounted to € 253.6 million (€ 277.5 as at March 31 2006) progressing by 9.7% vs. 1Q05 excluding proceeds from equity interest sales. The annualized ROE comes to 13.1%.

[1] As a result of MPS SGR AM's management fees restructuring (performance fees cancellation) in order to raise distribution fees paid to the Group's Distribution Networks.

Balance sheet highlights

In terms of asset and loan management, commercial operations of the first three months of 2007 for the MPS Group translated into appreciable development of the main balance sheet items and related market shares.

More specifically, **direct funding** (of approximately € 96 billion) grew by 12.1% YoY **whilst indirect funding amounted to € 107 billion.**

The achievement of such results was made possible by the sale of **€ 3.520 billion** worth of savings products (up 14.3% as compared to March 2006), which include **€ 1.265 billion** of insurance premiums (up 13% as compared to March 2006), **€ 2.103 billion** of linear/structured bonds (up 25.2% as against the end of March 2006) and **€ 410 million** of mutual funds and SICAVs (investment companies with variable capital).

Customer loans were **€ 95.3 billion, up 14.6%** as compared to the first quarter of 2006, with loans issued by distribution networks and specialized lending firms in the amount of **€ 4.025 billion** (up 13.9% as compared to March 2006 sales volumes).
Mortgage loan and **Consum.it consumer credit** volumes increased significantly yet again (+14.8% and +12.0 vs. March 2006 respectively); Mps Banca corporate lending grew by 12.3% in the same period and so did lease volumes (up 15.8%).

As regards credit quality, 1Q07 ended with steady net deteriorated credit exposures, in line with 2006 year-end figures - with decreasing impact on total customer loans -, and adjusted non-performing and watchlist loans at 2.88% as compared to 2.94% as at December 2006. As to protection against credit risk, doubtful outcomes as a percentage of non-performing loans rose from 54.1% at the end of 2006 to 54.7%, while watchlist loans as a percentage of non-performing loans rose from 25.1% at year-end to 25.3%. The incidence of net non-performing loans on total loans was 1.8% while watchlist loans were at 1.1%. The positive flow of recoveries continued (up 15% against the 2006 average recovery rate), while non-performing loans declined by 7% vs. the 2006 average figure.

Main events in 2007

On 16January 2007 the Standard & Poor’s rating agency revised rating outlooks for Banca Monte dei Paschi di Siena, Banca Toscana and Banca Agricola Mantovana to “positive” from “stable”, confirming the progress made in profitability growth by the entire MPS Group. Long and short-term ratings were confirmed.

On 13 February 2007, Holmo and Banca Monte dei Paschi di Siena entered into an agreement whereby Banca MPS will sell Holmo outstanding shares of Finsoe in the amount of € 350.4 million, totalling 14.839% of share capital. The estimated impact on 2007 Tier 1 and Total capital ratios will be in the amount of 7bps and 20 bps respectively.

On 22 March 2007, Banca Mps sold to AXA 50% of shares owned in MPS Vita (Banca MPS’s life insurance company) and MPS Danni (for damages insurance) for an overall amount of € 1,150 million. The sale, whose price implies a total value of the MPS Vita and MPS Danni in the amount of € 2,300 million (the embedded value estimated as at 30 June 2006, totalled € 900 million), will result in capital gains for € 753 million with substantial benefits on capital ratios: approximately 80 bps on Tier I Ratio and almost 100 bps on Total Capital Ratio.

On 13 April 2007, Moody's raised Banca Monte dei Paschi di Siena’s rating on long-term liabilities and deposits to Aa3 (from A – 1), by virtue of a new valuation methodology implemented by the rating agency. The rating outlook P-1 affirmed by the rating agency on short-term liabilities and deposits remains unchanged.

On 20 April 2007, Spoleto Credito e Servizi, the cooperative company that holds 51.03% of the ordinary share capital in Banca Popolare di Spoleto, and Banca Monte dei Paschi di Siena, which holds 19.98% directly and 5.95% indirectly, through Montepaschi Vita, in the ordinary share capital of Banca Popolare di Spoleto, renewed the three-year Shareholders’ Agreement regarding Banca Popolare di Spoleto.

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

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RESTATEMENT CRITERIA

The tables that follow illustrate income statements and balance sheets restated according to operating criteria. As to the insurance business, the financial results issued so far were reconciled to the line item “Profit (loss) of asset disposal groups, after tax"” for assessment continuity purposes.

INCOME STATEMENT AND BALANCE SHEET RESTATED ACCORDING TO OPERATING CRITERIA –MPS GROUP