MPS Group: 2005 Midyear Results
compliant with new IAS/IFRS accounting standards

Net profit of € 372.4 million (+53.8%) and 12.2% ROE

Major growth of net operating profit (+53.2%), whilst the cost control effort continued

- **Continued growth of operating volume**
  - **Direct funding = +5.3%**
  - **Assets under management = +12%**
  - **Loans = +9.5%**
- **Commercial business: Net operating profit = +47.4%**
- **Impairment losses for loans and financial assets down by over € 90 million**
- **Further decrease of key cost items**
  - **Cost/income ratio down by some 5% points (to 62.5%)**
  - **Operating costs down by 2.8%**
  - **Administrative costs down by 0.7%**
- **Capital ratios calculated as per current regulations**
  - **Core Tier 1 ratio of 6.9% (6.4% IAS-compliant)**
  - **Total solvency ratio of 10.1% (9.8% IAS-compliant)**
- **Consolidated net profit of € 372.4 million, growing by +53.8% vs. restated 2004 midyear figure and ROE of 12.2%**

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Milan, September 29th 2005. At its meeting today, the Board of Directors of Banca Monte dei Paschi di Siena SpA, chaired by Professor Pier Luigi Fabrizi, approved the **midyear report** for the Group and Banca MPS as at June 30th 2005 (1H05), **prepared in compliance with IAS/IFRS.**

Main consolidated results[1]

In a basic scenario that has not yet featured consolidation of much-desired economic acceleration, the **MPS Group** has continued implementation of the strategic projects outlined in its 2003-2006 Business Plan, **working on development of its operating and revenue base - building on its consolidation in the second part of 2003.**

From the operating standpoint, results grew strongly as regards both (a) development of **asset and commercial performance** – with improved standing in business featuring high growth potential – and (b) **profit performance**, as demonstrated by the progress achieved in **net operating profit (+53.2%** vs. the first half of 2004 (1H04) – restated including an IAS 32 and 39 estimate) and **net profit (+53.8%)**, which rose to **€ 372.4 million** (mn).

In terms of income, **the Group's total revenues (consisting of total banking and insurance income) grew by 4.1% YoY driven by:**

- **Net interest income**, which grew to **€ 1,469 mn (+4% vs. 1H04 restated),** thanks to the commercial segment's contribution (+3.2% fuelled both by robust growth of consumer credit and retail mortgages and by tight management of spread). In terms of quarterly performance, the YoY trend in the second quarter was substantially stable. The figure included some € 54 mn of interest on arrears for deteriorated loans.

- **Net commissions** progressed by +7.1% over 1H04 restated, rising to € 847.7 mn. Here commissions for conventional banking services grew by 7.5%, whilst commissions on managed assets progressed by 3.2% - benefiting from expansion of total assets under management, with acceleration to growth of +7.5% YoY in the second quarter of 2005 (2Q05).

[1]Operating results as at June 30th 2005 (1H05) are later on compared with those of 1H04 restated in accordance with IAS/IFRS and also including an estimate of the effects of IAS 32 and 39. As instead regards asset data, changes in stocks as at June 30th 2005 are calculated vs. January 1st 2005 (date of transition for the MPS Group to IAS/IFRS) including IAS 32 and 39 and IFRS 4, for the purposes of uniform comparison.

- **Net gain from realisation/valuation of financial assets** of **€ 195.7 mn (**vs. € 210 mn in 1H04), which was also positively driven by gains on sale of assets available for sale, including some minority interests.

Among the other items forming total income inclusive of finance and insurance, there were also **dividends, similar income and profits/losses of equity investments**, totalling **€ 61 mn.** Overall, **total consolidated income** inclusive of finance and insurance amounted to **€ 2,380.3 mn (+4.1% YoY)** with **"primary" banking income** (net interest income and commissions) **growing by +5.1% YoY.**

In terms of quarterly trend, 2Q05 featured acceleration of operating revenues by +2.5% over 1Q05, buoyed up primarily by commission income and trading activity.

Net impairment losses for loans and financial assets totalled € 240 mn with a decrease of over € 90 mn vs. € 331.4 mn in 1H04. They benefited from a downturn in flows of impaired credits and from a continuously substantial level of recoveries.

Moving on to analyse the cost trend, **in 1H05 operating costs (€ 1,4883. mn) once again confirmed their downward trend (-2.8%)**, in the presence of a return to investments in advertising, territorial expansion, and in development of businesses with high growth potential (headed by consumer credit). More specifically, **administrative expenses (€ 1,406.5 mn) decreased by –0.7%**, with **personnel costs** decreasing to **€ 916.4 mn (-1.7% YoY)** (inclusive of € 39 mn for demanning incentives and € 10 mn relating to stock granting) and **other expense items increasing moderately to € 490.1 mn (+1.2%).** The trend of these latter items stemmed from the initiatives mentioned above, which were set against the expense-control actions initiated some time ago in the main departments. Lastly, **net write-downs of tangible and intangible assets** amounted to **€ 81.8 mn**, with a tangibly downward trend (**-28.4% vs. 1H04 restated).**

As a result of the trends outlined above, **Net Operating Profit** rose to **€ 652.1 mn, growing by +53.2% vs. the 1H04 restated figure, confirming the significant improvement in operating results already emerging in the second half of 2004, underpinned by growth in all segments of the MPS Group's business.** The **cost/income ratio**, inclusive of depreciation & amortisation, thus decreased to **62.5%** (with improvement of some 5% points over the restated 1H04 figure) and, net of extraordinary demanning costs, was 60.9%.

As regards the breakdown by **business segment**, we highlight 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, in total, **year-over-year growth of +47.4% in terms of Net Operating Profit.** More specifically:

- **Retail Banking:** total banking and insurance income amounted to € 928.7 mn (+3.1%). Net operating profit amounted to € 257.5 mn (+19.3%), whilst the cost income ratio was 66.6%

- **Private Banking:** total banking and insurance income amounted to € 58.7 mn (+8.4%). Net operating profit amounted to € 23.7 mn (+30.9%), whilst the cost income ratio was 59.6%

- **Corporate Banking:** total banking and insurance income amounted to € 976.9 mn (+3%). Net operating profit amounted to € 295.3 mn (+87.8%), whilst the cost income ratio was 51.9%

- **Investment Banking:** total banking and insurance income amounted to € 213.7 mn (+5.4%). Net operating profit amounted to € 164.5 mn (+8.2%), whilst the cost income ratio was 23%.

Pre-tax profit from ordinary business totalled € 631.1 mn, growing by **+53.1%** vs. 1H04 restated. This figure included net provisions for risks and charges and other operating income/expenses resulting in a positive balance of € 8 mn (vs. a negative figure of € -10.9 mn in 1H04).

Completing the income and profit picture there were total taxes of € 249 mn (vs. € 163.2 mn in 2004) with a tax rate of approximately 39.5%. **Net profit for the period thus amounted to € 372.4 mn, progressing by +53.8% vs. June 30th 2004** restated. **ROE was 12.2% (whilst Return on Average Equity was 11.3%).**

Asset figures

In 1H05 the MPS Group achieved major growth in all the main asset categories, increasing its market share in the main businesses. Specifically, **direct funding** (totalling some € 84.5

billion (bn)) grew by +5.3% YoY[2] assuming linear growth, with a **6.6% share of the domestic market (6.5% in December 2004). Indirect funding totalled € 107.8 bn**. In this latter category **managed assets increased by 12% YoY on an annualised basis** as above, thanks to ongoing robust growth of **technical underwriting reserves in the bancassurance segment.**

As regards this, we note flows of **sales of savings products of some € 5.6 bn (+37.4%** vs. 1H04 and with new business in 2Q05 up by an impressive +11.4% vs. 2Q04). These were concentrated mainly on fixed-term products, in the form of life insurance products (featuring high embedded value) and structured/linear bonds. Specifically, **insurance premiums collected amounted to € 2.7 bn (10.5% market share of the bancassurance/post-office system vs. 10.1% at 2004 year-end), structured/linear bonds totalled € 2.4 bn;** and there was a **net inflow of € 440 mn for discretionary managed accounts and UCITS,** as compared with a net outflow of € 211 mn in 1H04.

Customer loans grew by 9.5% on a linear annualised basis vs. IAS/IFRS-compliant balances as at January 1st 2005. As regards the domestic segment **(6.3% market share of cash loans vs. 6.2% at 2004 year-end)**, we note an increase in short-term cash loans (+2.5%) and significant growth of medium-/long-term loans (+13.9%). This result was achieved thanks above all to the issue of **retail mortgages (+18.3% vs. 1H04)** - which led to a **market share of over 7% (vs. 6.7% in 1H04)** – and of **consumer credit** products by **Consum.it (+48% vs. 1H04)** with a **market share of 4.6% (3.6% in 2004).**

There was a decrease vs. 1H04 of the **flows of disputed/watchlist loans** (respectively down by **–3.3%** and **–27%**). These benefited both from the previous year's intensive monitoring of credit quality and from full application of first-time loan models. As regards monitoring of loan risk, the incidence of doubtful outcomes on gross non-performing loans grew to 56.4% vs. 49.2% at the end of the previous year. The incidence of net impaired loans stood at 3.3% of loans (vs. 3.8% as at December 2004) whilst that of non-performing loans was 1.8% (vs. 2.1% as at December 2004).

[2] For the purposes of uniform comparison, changes in stocks as at June 30th 2005 are calculated vs. January 1st 2005 (date of transition for the MPS Group to IAS/IFRS) including IAS 32 and 39 and IFRS 4.

Lastly, as regards capital ratios calculated according to current regulatory requirements, **the Tier 1 ratio** was **6.9%** and the **overall solvency ratio 10.1%**. The same ratios, calculated according to IAS and on the basis of the prudential filters indicated by the Bank of Italy, were **6.4%** and **9.8%** respectively.

As regards the group parent company, Banca Monte dei Paschi di Siena, there was appreciable growth of key asset and operating figures, headed by net operating profit (+16.1% YoY) and net profit for the period (+16.2%).

Adoption of international accounting standards – Change in "first-time adoption"

After approval of IFRS 1 – First-Time Adoption (FTA) – on June 30th this year, the International Accounting Standards Board (IASB) approved a new version of the fair-value option (FVO) contained in IAS 39. Application of the new version is mandatory as from 2006 year-end financial statements. Companies are nevertheless allowed to apply the new rules already as from January 1st 2005. Since the new FVO version makes it possible to overcome the stringent rules envisaged for hedge accounting and leads to significant technical and administrative simplification, the Board of Directors has deemed it appropriate to apply the new rules already on occasion of first-time application, i.e. as from January 1st 2005. Application of the new rules has led to a negative adjustment of FTA figures of some € 77 mn. New shareholders' equity as at January 1st 2005, calculated according to IAS/IFRS, thus amounts to € 6,388 mn (pre-IAS = € 6,465 mn).

Top management will present these figures to the financial community today at 2.30 p.m. CET at the headquarters of Borsa Italiana SpA in Milan.

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

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Consolidated Balance Sheet

in EUR 000's

	Assets	30/06/05
10	Cash and cash on deposit	500.813.845
20	Financial assets held for trading	38.834.520.704
30	Financial assets at fair value	33.254.175
40	Financial assets available for sale	5.476.814.701
50	Financial assets held to maturity	4.136.560.725
60	Due from banks	9.789.486.811
70	Loans to costumers	80.251.892.481
80	Hedging derivatives	3.663.163
90	Value adjustment on financial assets with generic coverage (+/-)	77.033.865
100	Equity investment	595.639.723
110	Technical reserves reassured with third parties	9.059.125
120	Fixed Assets	2.311.168.075
130	Intangible assets	930.183.017
	of which: goodwill	740.441.680
140	Tax assets	1.856.490.013
	a) current	629.699.539
	b) anticipated	1.226.790.474
150	Non current assets (or disposal groups) held for sale and discontinued operations	18.590.338
160	Other assets	4.586.162.305
	Total assets	149.411.332.066

Consolidated Balance Sheet

in EUR 000's

	Liabilities and Shareholders'equity	30/06/05
10	Due to banks	16.003.865.617
20	Due to costumers	57.216.578.292
30	Securities	22.088.679.271
40	Financial liabilities held for trading	15.824.273.343
50	Financial liabilities at fair value	11.946.248.469
60	Hedging derivatives	200.955.026
70	Value adjustment on financial liabilities (+/-)	-
80	Tax Liabilities	847.508.612
	a) Current	
	b) postponed	
90	Liabilities in disposal groups held for sale ans discontinued operations	_
100	Other liabilities	6.531.718.791
110	Staff severance indemnity reserve	404.656.711
120	Reserve for risks and other charges	1.087.511.777
	a) pension fund and similar obligations	424.394.079
	b) other provisions	663.117.698
130	Techical reserves	10.744.716.042
140	Revaluation reserves	845.619.825
150	Refundable shares	_
160	Capital instruments	46.077.325
170	Reserves	3.170.309.104
180	Paid-in Capital	522.925.054
190	Share capital	1.935.272.832
200	Own shares (-)	(410.165.868)
210	Minority interests (+/-)	32.163.550
220	Profit (loss) for the year	372.418.263
	Total liabilities and Shareholders'equity	149.411.332.066

Consolidated Profit and Loss Statement

in EUR 000's

	Account	30/06/05
10	Interest and similar income	2.663.767.145
20	Interest and similar expense	1.194.742.022
30	**Net Interest Income**	**1.469.025.123**
40	Commissions earned	861.067.271
50	Commission expense	115.942.363
60	**Net Commissions**	**745.124.908**
70	Dividends and other income	378.673.579
80	Net Profit from trading	53.620.155
90	Net Profit from hedging	(8.549.410)
100	Profit / Loss	70.894.750
	a) loans	4.015
	b) available for sale financial assets	70.890.735
	c) held to maturirty investment	_
	d) other financial assets	_
110	Fair Value financial assets	8.833.929
120	Fair Value financial liabilities	(270.963.903)
130	**Total Income**	**2.446.659.131**
140	Net value adjustments on:	275.597.783
	a) loans	277.846.129
	b) available for sale financial assets	(5.674.296)
	c) held to maturirty investment	3.425.950
	d) other financial assets	_
150	**Net Income from financial operation**	**2.171.061.348**
160	Net Premiums	1.587.972.124
170	Net Income loss from insurance operations	(1.772.698.910)
180	**Net Income from financial and insurance operations**	**1.986.334.562**
190	Administrative expenses	1.481.017.826
	a) personnel	916.436.781
	b) other administrative expenses	564.581.045
200	Provisions for risks and charges	3.692.141
210	Valuation adjustments to fixed assets	36.855.786
220	Valuation adjustments to intangible assets	44.919.766
230	Other operating income/expenses	224.562.855
240	**Operating costs**	**1.341.922.664**
250	Income (loss) from investments	15.732.631
260	Net value adjustments on tangible and intangible assets designated at fair value	_
270	Value adjustments of goodwill	29.028.886
280	Income (loss) from disposal of partecipations	(31.107)
290	**Income (loss) before taxes from continuing operations**	**631.084.536**
300	Income taxes	(249.000.612)
310	**Income (loss) after taxes from continuing operations**	**382.083.924**
320	Income (loss) from disposal of non continuing operations net of taxes	(186.852)
330	**Profit (loss) for the period prior to minority interests**	**381.897.072**
340	Profit (loss) prior to minority interests	9.478.779
350	**Profit (loss) for the period**	**372.418.293**

PROFIT & LOSS AND FINANCIAL STATEMENTS RICLASSIFIED WITH MANAGEMENT CRITERIA

We provide Balance Sheet and Profit and Loss accounts at 30/6/05 in comparison with 30/06/04 restated in order to facilitate the analysis of consolidated operations and earnings of all the Group.

The following are the main reclassification interventions applied to Profit and Loss accounts at 30/06/05[1]:

a) "Net Commission" consists of commissions earned (account 40) and commission expense (account n. 50) in addition with expences recovery on passive current accounts (102,6 million Euro at 30/6/05). This items are included in account 230 (Other operating income/expenses).

b) "Dividends, other income and profit from partecipations" consists of "Dividends and other incomes" (account 70) and "Income/Loss from investments (account 250).

c) "Profit (Loss) from trading/valuation of financial assets" consists of "Net Profit from trading" (account 80) , "Profit/Loss from loans, available for sale financial assets, held to maturity investment and other financial assets" (account 100), "fair value financial assets" accounts 110)and "fair value liability assets" (accounts 120), integrated with dividends earned on "structured transactions" (333,4 million euro in 2005).

d) "Other profit and losses from insurance business" includes "Net premiums" (account 160) and "Net income/loss from insurance operations" (account 170).

e) "Valuation adjustments on loans" has been netted of the extraordinary charges relating to financial plans (35,8 million Euro at 30/6/05) reclassified into the account "Net provisions for risk and charges and other operating income and charges"

f) "Other administative expenses" has been netted of the recoveries of taxes and stamp duties (74,5 million Euro at 30/6/05) reclassified from "Other operating income/expenses" (account 230)

g) "Other operating income/expenses" (account 230) treated as described in section a) and f), has been incorporated (together with "Provisions for Risk and Charges" - account 200) into the account "Net provisions for risk and charges and other operating income and charges".

[1] 2004 results have been restated according to preliminary and unaudited information under IAS/IFRS standards, including estimates of IAS 32 and 39 effects, as currently set out. Readers are advised to refer to the interim report as at 30 June 2005, which contains the specific accounts approved by the Board of Directors of the Bank.

Furthermore, in relation to the Profit and Loss Statement, in order to allow a suitable comparison, the data of the first half 2004 have been restated, when needed, with an estimate of IAS 32 and 39 effects.

The main reclassification interventions applied to the consolidated balance sheet refer to:

h) “available for sale financial assets” includes “financial assets held for trading” (account 20), “Financial assets at fair value” (account 30), “Financial assets available for sale” (account 40)

i) “Other assets” includes “hedging derivatives” (account 80), “value adjustment on financial assets with generic coverage “ (account 90), “Tax assets” (account 140), “Non current assets held for sale and discontinued operations” (account 150), “Other assets” (account 160);

j) “Due to costumers” includes “Due to costumers” (account 20), “Securities” (account 30) and “Financial Liabilities at fair value”(account 50)

k) “Other liabilities” includes “ Hedging derivatives” (account 60), “value adjustment on financial liabilities (account 70), “Tax liabilities” (account 80), “Liabilities in disposal groups held for sale and discontinued operations” (account 90) and “Other liabilities” (account 100).

MPS GROUP

■ RECLASSIFIED CONSOLIDATED BALANCE SHEET (in euro mln)

ASSETS	30/06/05	01/01/05 IAS/IFRS	31/12/04 excluding ias 39/32 and ifrs 4	30/06/04 excluding ias 39/32 and ifrs 4
Cash and liquid Assets	501	618	618	536
Loans :				
Loans to customers	80.252	76.649	74.819	72.356
Loans to Banks	9.789	7.218	11.462	10.259
Available for sale financial assets	44.345	37.305	29.591	29.279
Held to maturity investments	4.137	4.102	0	0
Investment in associates, subsidiaries and joint ventures	595	593	2.391	2.297
Technical reserves reassured with third parties	9	10	10	10
Tangible and intangible assets :	3.241	3.319	3.311	3.376
o/w: Goodwill	740	770	770	770
Other assets	6.542	6.612	20.556	17.358
Total Assets	**149.411**	**136.426**	**142.758**	**135.471**

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/05	01/01/05 IAS/IFRS	31/12/04 excluding ias 39/32 and ifrs 4	30/06/04 excluding ias 39/32 and ifrs 4
Debts:				
Due to customers (°)	91.252	89.103	82.770	80.189
Due to Banks	16.004	10.239	15.266	13.811
Financial Liabilities Held for trading	15.824	13.178	0	0
Reserves for specific use :				
Staff severance indemnity reserve	405	405	405	384
Pension funds	424	411	411	385
Other funds	663	671	645	679
Other Liabilities	7.580	6.161	19.780	17.990
Technical reserves	10.745	9.836	16.195	15.049
Shareholders' equity :	6.482	6.388	7.250	6.950
Valuation reserves	846	841	461	467
Shares with withdrawal rights	0	0	0	0
Capital instruments	46	46	0	0
Reserves	3.170	3.439	3.731	3.756
Additional paid-in-capital	523	523	523	523
Share Capital	1.935	1.935	1.935	1.935
Own shares (-)	-410	-396	0	0
Profit (Loss) for the period	372	0	599	269
Minority interests	32	35	35	35
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**149.411**	**136.426**	**142.758**	**135.471**

(°) Figure at 1/1/2005 and 30/06/205 includes Index linked premium (6,731 €mln)

MPS GROUP

■ RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT (in euro mln)

	30/06/05	30/06/04 restated with Ias 32/39*	Change absolute	Change %
Net Interest Income	**1.469,0**	**1.412,1**	**57,0**	**4,0%**
Net Commissions	847,7	791,3	56,4	7,1%
Basic income	**2.316,7**	**2.203,4**	**113,3**	**5,1%**
Dividends, other income and profit (loss) from partecipations	61,0	64,3	-3,3	-5,1%
Profit (Loss) from trading/valuation of financial assets	195,7	210,0	-14,3	-6,8%
Profit (Loss) from hedging	-8,5	0,0	-8,5	ns.
Other Profits (Loss) from insurance business	-184,7	-190,2	-5,5	-2,9%
Total Income	**2.380,3**	**2.287,6**	**92,7**	**4,1%**
Valuation adjustments :				
a) loans	-242,0	-329,4	-87,4	-26,5%
b) financial assets	2,2	-2,0	ns.	ns.
Profit from financial and insurance business	**2.140,5**	**1.956,2**	**184,3**	**9,4%**
Administratives expenses	-1.406,5	-1.416,3	-9,7	-0,7%
a) personnel expenses	-916,4	-931,9	-15,5	-1,7%
b) other administrative expenses	-490,1	-484,4	5,7	1,2%
Valuation adjustment to fixed and intangible assets	-81,8	-114,2	-32,4	-28,4%
Operating Costs	**-1.488,3**	**-1.530,5**	**-42,1**	**-2,8%**
Net operating profit	**652,1**	**425,7**	**226,4**	**53,2%**
Net provisions for risk and charges and other non operating income (expenses)	8,0	-10,9	ns.	ns.
Fair value results on tangible and intangible assets	0,0	0,0	0,0	ns.
Net impairment losses on other assets	-29,0	0,0	29,0	ns.
Income (loss) from disposal of investments	-0,03	-2,8	-2,7	ns.
Income (loss) before tax from continuing operations	**631,1**	**412,1**	**219,0**	**53,1%**
Taxes on income of continuing operations	-249,0	-163,2	**85,8**	**52,5%**
Income (loss) after tax from continuing operations	**382,1**	**248,9**	**133,2**	**53,5%**
Income / loss after tax from discontinuing operations	-0,2	0,0		
Minority interests	-9,5	-6,8	2,7	39,7%
Net Income	**372,4**	**242,1**	**130,3**	**53,8%**

(*) restated including an estimate of IAS 32/39 impact on financial instruments.