Consolidated Quarterly Report as of 30 September 2007

Siena, 8 November 2007

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CONSOLIDATED QUARTERLY REPORT

A SUMMARY OF THE TRENDS AS OF 30 SEPTEMBER 2007

Summary

This introduction summarizes the trend of operations as of September 2007. The major initiatives in relation to the projects are analyzed in the following sections covering the development of operations in the different business areas.

During the third quarter of 2007, the MPS Group pursued all the initiatives oriented to achieving the objectives of the Business Plan.
In particular, the Group continued the process of implementation of the strategic partnership with AXA in the Italian market of bancassurance. As a result, the MPS Group will gain access to the Italian customers of AXA for the distribution of its bank products. As part of the partnership, the Group also entered into a purchase and sale agreement in relation to 100% of AXA SIM, an asset gathering company. As a consequence of this transaction, the MPS Group consolidated its market positioning, increased the size of its network of financial promoters and improved geographical cover with a larger presence in areas where the Group branches are not widespread.

In compliance with the strategies outlined by the Business Plan which contemplates the creation of centres of excellence for the "product factories", also with the involvement of external partners for the gradual development of an open architecture distribution system, the Group continued to work out a plan for restructuring its Asset Management business, with the establishment of a unit specialized in the active management of portfolios together with other partners. The new structure which is supposed to play a leading role in the Italian market both in terms of innovation and product performance will be an independent player and is expected to be listed on the Stock Exchange in 3/5 years. Such an initiative is carried out also in a logic of avoiding conflicts of interest between production and distribution, in compliance with the market trends and the development of the regulatory framework of reference.

In line of continuity with the expectations, during the third quarter of 2007 the MPS Group approved the opening of additional 200 branches, while the endogenous growth of the Group's distribution network continued with the opening of new branches as indicated by the 2006-2009 Business Plan. In the light of exogenous growth, the purchase of 55% of Biverbanca was authorized, with the MPS Group increasing its presence in the North of Italy and tripling its market share of branches in Piedmont.

With reference to Corporate Banking/Capital Markets, MPS Capital Services Banca per le Imprese – which resulted from the integration of MPS Banca per l'Impresa and a business unit of MPS Finance - started its operations. The new company, which was set up for optimizing market and risk control, is a high-level specialists' centre in relation to medium- and long-term lending products and is skilled in corporate finance, capital markets products and structured finance.

MP Monaco SAM – which resulted from the split of MP Banque for providing off-shore services to the MPS Group customers (especially Private customers) – started operating in the third quarter of 2007.

The Group continued to reorganize its distribution and organization model, optimize the management of resources, govern costs, risk management and capital optimization.

That being said, the **MPS Group achieved appreciable commercial results as of 30 September 2007**, confirmed its market share in the main business segments and increased its relations base from the quantitative and qualitative viewpoint. Such results achieved, as usual, through a management based on customers' centrality, relationship ethics and service quality, confirm the growing commercial effectiveness of the platforms specialized by customer segment and the gradual benefits of a policy which is biased towards more structural and lasting modes of income contribution.

In particular:

- with reference to asset management, the Group commercial networks realized **assets flows topping EUR 7.9 billion (EUR 7.4 bn as of 30 September 2006),** thus absorbing the criticalities which had emerged in the area of asset management in the whole Banking Industry**.** As a result, total funding progressed, **with direct funding growing by 17.7**%;

- **with reference to loan management**, the Group commercial policy – in line of continuity with prior years – tried to balance the supply of appropriate financial support to entrepreneurial initiatives and the utmost rigor and selectivity in risk assessment, and further enhanced the Group specialists' skills in the area of consumer credit and Retail mortgage loans. **The networks and the special credit companies disbursed loans in the amount of EUR 12.7 billion** (+22.8% with respect to the volumes as of 30 September 2006), with a structural and diversified progress over the quarter. These considerable disbursement flows determined the **hefty growth of corporate lending (+13%** year on year). The traditional conservative lending policy, in addition to the rigorous criteria of identification of doubtful outcomes, limited the amount of net impaired losses (+2.26% with respect to 31 December 2006), reduced their weight with respect to **customers' loans from 4.18% (31 December 2006) to 3.91% and increased risk coverage from 38.7% in 2006 to 40.5% as of 30 September 2007;**

- **the customers' portfolio,** also including non-shared accounts directly managed by Consum.it, **numbered roughly 4,640,000 customers as of 30 September 2007 in comparison with 4,513,000 customers at the end of 2006.** This trend is attributable to the structural growth of the acquisition rate flanked by the gradually improving retention rate, resulting from the continuous efforts the Group is making in terms of "greater proximity" to the customer and customer satisfaction increase.

The Net Operating Profit advanced to EUR 1,120.1 million, or +11.0% on an annual basis, (+16.4% net of income components resulting from the sale of equity investments), mainly driven by the progress of income (+4.4%; + 5.7% excluding the sale of equity investments). **In view of the contribution from non-operating activities, the consolidated profit for the period stood at EUR 718.1 million, rising by 4.2% in comparison with 30 September 2006 (+10%, net of income from the sale of equity investments). The cost/income ratio improved at 58.9% (60.9% in 2006) and ROE reached 13.2%. With reference to the regulatory ratios, which at the moment are indicative only of the negative impact resulting from the sale agreement with AXA (aucap), as of 30 September 2007 TIER I ratio is estimated at 6.3% (6.5% at the end of 2006) with a solvency ratio of 8.9%** (9.5% as of 31.12.2006).
In view of the positive effects resulting from the execution of said transaction (capital gain and deconsolidation of the subsidiary), said ratios would come to abt.10% and 7%, respectively.

MPS GROUP – RECLASSIFICATION PRINCIPLES FOR OPERATING PURPOSES

□

The following balance-sheet and profit-and-loss accounts have been reclassified on the basis of operating criteria.

In order to ensure continuity to the trends of the insurance area published so far, profit and loss accounts have been reclassified under "Profits (losses) from groups of assets being sold-discontinued operations, after taxes".

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/09/07

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	30/09/07	30/09/06	% chg
• INCOME STATEMENT FIGURES (in millions of euros)		restated (°)	
Financial and insurance income (loss)	3,278.7	3,107.4	5.5
Financial and insurance income (loss)	3,551.6	3,402.2	4.4
Net operating income	1,120.1	1,009.1	11.0
Net profit (loss) for the period	718.1	689.2	4.2
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**30/09/07**	**30/09/06**	**% chg**
Direct funding	101,714	86,398	17.7
Indirect funding	101,474	108,325	-6.3
of which: assets under management	*48,494*	*48,407*	0.2
of which: assets under custody	*52,980*	*59,918*	-11.6
Customer loans	100,375	88,791	13.0
Group net equity	7,897	7,688	2.7
• KEY LOAN QUALITY RATIOS (%)	**30/09/07**	**31/12/06**	
Net non-performing loans/Customer loans	1.9	1.8	
Net watchlist loans/Customer loans	1.1	1.1	
• PROFITABILITY RATIOS (%)	**30/09/07**	**31/12/06**	
Cost/Income ratio	58.9	60.9	
R.O.E. (on average equity)	12.2	12.1	
R.O.E. (on year-end equity)	13.2	13.3	
Net adjustments to loans / Year-end investments	0.45	0.50	
• CAPITAL RATIOS (%)	**30/09/07**	**31/12/06**	
Solvency ratio	8.9	9.48	
Tier 1 ratio	6.3	6.53	
(a) determined using the Bank of Italy's prudential filters.			
• INFORMATION ON BMPS STOCK	**30/09/07**	**31/12/06**	
Number of ordinary shares outstanding	2,457,264,636	2,454,137,107	
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	4.85	4.61	
low	4.26	3.72	
high	5.34	5.08	
• OPERATING STRUCTURE	**30/09/07**	**31/12/06**	**Abs. chg**
Total head count - year-end (1)	24,387	24,348	39
Number of branches in Italy	1,920	1,903	17
Financial advisor branches	139	139	0
Number of branches & rep. offices abroad	37	36	1

(°) Reclassified pursuant to IAS 8

(1) The 30/09/07 figure exclude Tax Collection staff.

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

MPS Group	30/09/07	30/09/06 restated (°)	Change Ins.	Change %
Net interest income	**2,142.5**	**1,996.4**	**146.1**	**7.3%**
Net commissions	1,136.1	1,111.0	25.2	2.3%
Income from banking activities	**3,278.7**	**3,107.4**	**171.3**	**5.5%**
Dividends, similar income and profits (losses) from equity investments	40.5	43.8	-3.4	-7.7%
Net result from realisation/valuation of financial assets	234.4	252.8	-18.4	-7.3%
Net gain (loss) from hedging	-1.9	-1.8	-0.1	5.7%
Financial and insurance income (loss)	**3,551.6**	**3,402.2**	**149.4**	**4.4%**
Net adjustments for impairment of:				
a) loans	-338.0	-311.4	-26.5	8.5%
b) financial assets	-2.4	-7.8	5.3	n.s.
Net financial and insurance income (loss)	**3,211.3**	**3,083.1**	**128.2**	**4.2%**
Administrative expenses:	-2,007.5	-1,975.6	-31.8	1.6%
a) personnel expenses	-1,304.9	-1,323.5	18.6	-1.4%
b) other administrative expenses	-702.6	-652.2	-50.4	7.7%
Net adjustments to the value of tangible and intangible fixed assets	-83.6	-98.3	14.7	-14.9%
Operating expenses	**-2,091.1**	**-2,074.0**	**-17.2**	**0.8%**
Net operating income	**1,120.1**	**1,009.1**	**111.0**	**11.0%**
Net provisions for risks and liabilities and Other operating income/costs	-33.3	8.4	-41.7	n.s.
Goodwill impairment	-0.3	-0.3	0.0	2.7%
Gains (losses) from disposal of investments	0.10	0.2	-0.1	-45.2%
Gain (loss) from current operations before taxes	**1,086.6**	**1,017.4**	**69.2**	**6.8%**
Taxes on income for the year from current operations	-433.3	-428.5	-4.9	1.1%
Gain (loss) from current operations after taxes	**653.3**	**588.9**	**64.4**	**10.9%**
Gain (loss) on fixed assets due for disposal, net of taxes	78.4	110.0	-31.6	-28.7%
Minority interests in profit (loss) for the year	-13.5	-9.7	-3.9	40.1%
Net profit (loss) for the year	**718.1**	**689.2**	**28.9**	**4.2%**

(°) Reclassified pursuant to IAS 8 after a subsidiary recalculated the mathematical reserve of the severance indemnity provision

Earnings per share (in EUR)	30/09/07	30/09/06
Basic earnings	0.238	0.228
Diluted earnings	0.225	0.215

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

	2007			2006 (°)				Quarterly Avg.	Quarterly Avg.	
MPS Group	**3rd quarter**	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**2007**	**2006**	**31/12/06**
Net interest income	**727.1**	**710.1**	**705.4**	**717.8**	**680.3**	**670.2**	**645.9**	**714.2**	**678.6**	**2,714.2**
Net commissions	365.0	381.7	389.4	379.7	358.1	364.4	388.4	372.7	371.6	1,490.6
Income from banking activities	**1,092.1**	**1,091.8**	**1,094.8**	**1,097.4**	**1,038.5**	**1,034.6**	**1,034.3**	**1,051.2**	**1,016.7**	**4,204.9**
Dividends, similar income and profits (losses) from equity investments	2.3	7.9	30.3		13.5	24.3	6.0	11.0	23.0	43.8
Net result from realisation/valuation of financial assets	21.8	124.4	88.2	277.8	24.4	52.1	176.3	132.6	43.8	530.6
Net gain (loss) from hedging	-3.6	2.2	-0.5	-5.4	0.0	-2.1	0.3	-1.8	-3.3	-7.2
Financial and insurance income (loss)	**1,112.6**	**1,226.3**	**1,212.7**	**1,369.9**	**1,076.4**	**1,108.9**	**1,216.9**	**1,193.0**	**1,080.2**	**4,772.1**
Net adjustments for impairment of:										
a) loans	-112.4	-118.3	-107.2	-149.6	-101.8	-107.8	-101.8	-115.3	-104.3	-461.0
b) financial assets	-5.3	7.2	-4.4	-117.6	-0.6	-8.6	1.4	-31.3	-34.6	-125.4
Net financial and insurance income (loss)	**994.8**	**1,115.2**	**1,101.2**	**1,102.7**	**974.0**	**992.5**	**1,116.5**	**1,046.4**	**941.3**	**4,185.7**
Administrative expenses:	-671.0	-682.3	-654.2	-796.4	-669.9	-651.4	-654.3	-693.0	-676.9	-2,772.0
a) personnel expenses	-436.1	-438.0	-430.8	-538.1	-448.8	-439.5	-435.3	-465.4	-457.2	-1,861.6
b) other administrative expenses	-234.9	-244.3	-223.3	-258.3	-221.1	-212.0	-219.1	-227.6	-219.7	-910.4
Net adjustments to the value of tangible and intangible fixed assets	-28.9	-25.2	-29.5	-36.4	-34.2	-32.9	-31.3	-33.7	-36.2	-134.7
Operating expenses	**-699.9**	**-707.5**	**-683.7**	**-832.8**	**-704.1**	**-684.3**	**-685.6**	**-726.7**	**-713.1**	**-2,906.7**
Net operating income	**294.9**	**407.7**	**417.5**	**269.9**	**269.9**	**308.3**	**430.9**	**319.7**	**228.2**	**1,279.0**
Net provisions for risks and liabilities and Other operating income/costs	-1.2	-18.5	-13.7	-4.3	9.3	10.2	-11.1	1.0	-5.9	4.1
Goodwill impairment		-0.3		-0.3		-0.3		-0.1	-7.3	-0.6
Gains (losses) from disposal of investments	0.01	0.03	0.06	2.73	0.01	0.16	0.01	0.7	0.1	2.9
Gain (loss) from current operations before taxes	**293.7**	**389.0**	**403.9**	**268.1**	**279.2**	**318.4**	**419.8**	**321.4**	**215.2**	**1,285.4**
Taxes on income for the year from current operations	-106.8	-150.0	-176.6	-72.4	-118.3	-132.0	-178.2	-125.2	-62.3	-500.9
Utile (Perdita) della operatività corrente al netto delle imposte	**187.0**	**239.0**	**227.2**	**195.7**	**160.9**	**186.4**	**241.6**	**196.1**	**152.9**	**784.6**
Gain (loss) on fixed assets due for disposal, net of taxes	21.4	27.3	29.7	35.4	49.2	21.6	39.2	36.3	41.4	145.4
Minority interests in profit (loss) for the year	-4.0	-6.2	-3.4	-10.2	-2.7	-3.8	-3.2	-5.0	-5.9	-19.8
Net profit (loss) for the year	**204.4**	**260.2**	**253.6**	**220.9**	**207.4**	**204.3**	**277.5**	**227.5**	**188.4**	**910.1**

(°) Reclassified pursuant to IAS 8 after a subsidiary recalculated the mathematical reserve of the severance indemnity provision.

MPS GROUP

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

ASSETS	**30/09/07**	**30/09/06** (°)	**% chg**
Cash and cash equivalents	470	410	14.9
Receivables :			
a) Customer loans	100,375	88,791	13.0
b) Due from banks	15,089	13,434	12.3
Financial assets held for trading	24,956	41,252	-39.5
Financial assets held to maturity	0	4,247	n.s.
Equity investments	361	728	-50.4
Underwriting reserves/reinsurers	0	12	0.0
Tangible and intangible fixed assets	3,359	3,411	-1.5
of which:			
a) goodwill	*641*	*740*	*-13.4*
Other assets	18,547	4,175	n.s.
Total assets	**163,158**	**156,458**	**4.3**

LIABILITIES	**30/09/07**	**30/09/06** (°)	**% chg**
Payables			
a) Due to customers and securities	101,714	86,398	17.7
b) Due to banks	17,573	23,145	-24.1
Financial liabilities from trading	12,111	14,729	-17.8
Provisions for specific use			
a) Provisions for employee leaving indemnities	367	399	-8.2
b) Reserve for retirement benefits	407	337	20.7
c) Other reserves	563	557	1.0
Other liabilities	22,476	23,166	-3.0
Underwriting reserves	0	0	0.0
Group portion of shareholders' equity	7,897	7,688	2.7
a) Valuation reserves	669	637	5.0
b) Reimbursable shares	0	0	0.0
c) Capital instruments	71	46	55.1
d) Reserves	3,984	3,768	5.7
e) Share premium account	561	545	2.8
f) Share capital	2,030	2,026	0.2
g) Treasury shares (-)	-137	-23	n.s.
h) Net profit (loss) for the year	718	688	4.4
Minority interests in shareholders' equity	51	39	30.5
Total liabilities and shareholders' equity	**163,158**	**156,458**	**4.3**

As a result of the application of IFRS 5 in relation to the insurance business, only "Due to customers and securities" and "Technical reserves" were restated and included under "Other liabilities".

MPS GROUP

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

ASSETS	30/09/07	30/06/07	31/03/07	31/12/06
Cash and cash equivalents	470	454	430	612
Receivables :				
a) Customer loans	100,375	98,829	95,253	91,941
b) Due from banks	15,089	17,461	14,060	11,991
Financial assets held for trading	24,956	31,179	36,074	30,578
Financial assets held to maturity	0	0	0	0
Equity investments	361	361	424	744
Underwriting reserves/reinsurers				
Tangible and intangible fixed assets	3,359	3,282	3,304	3,417
of which:				
a) goodwill	*641*	*641*	*641*	*740*
Other assets	18,547	19,581	20,235	19,272
Total assets	**163,158**	**171,147**	**169,779**	**158,556**

LIABILITIES	30/09/07	30/06/07	31/03/07	31/12/06
Payables				
a) Due to customers and securities (°)	101,714	99,199	95,827	93,976
b) Due to banks	17,573	21,039	20,627	15,878
Financial liabilities from trading	12,111	19,384	20,680	16,715
Provisions for specific use				
a) Provisions for employee leaving indemnities	367	366	385	386
b) Reserve for retirement benefits	407	407	415	427
c) Other reserves	563	569	573	583
Other liabilities	22,476	22,342	23,260	22,778
Underwriting reserves				
Group portion of shareholders' equity	7,897	7,794	7,971	7,775
a) Valuation reserves	669	767	659	650
b) Reimbursable shares				
c) Capital instruments	71	71	71	71
d) Reserves	3,984	3,985	4,509	3,598
e) Share premium account	561	561	561	561
f) Share capital	2,030	2,030	2,030	2,030
g) Treasury shares (-)	-137	-134	-112	-45
h) Net profit (loss) for the year	718	514	254	910
Minority interests in shareholders' equity	51	47	41	38
Total liabilities and shareholders' equity	**163,158**	**171,147**	**169,779**	**158,556**

REPORT ON THE MPS GROUP OPERATIONS

THE MACROECONOMIC SCENARIO

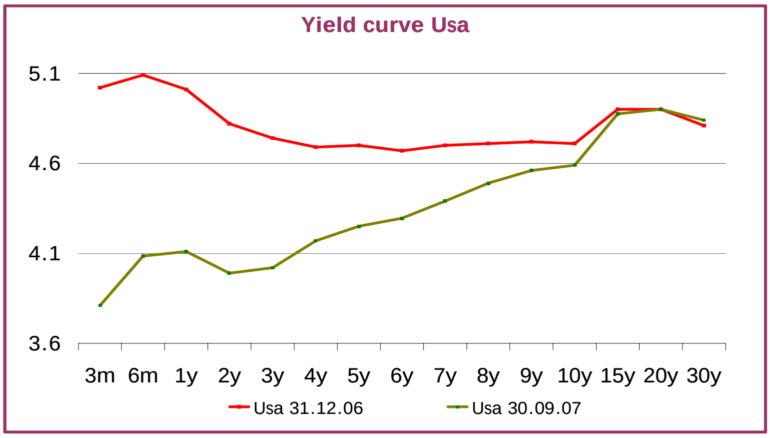
THE MACROECONOMIC AND FINANCIAL SCENARIO

During the third quarter of 2007, **the world GDP progressed around 5%** due to the contribution from the emerging countries with peaks in Russia, India and China which have a growth rate in the range of 8-11% in comparison with Europe and the USA (1.7%-2.5%).
The **growth gap between the decelerating industrialized countries and the expanding emerging countries** was flanked by the **crisis of the international financial markets** in connection with the subprime mortgage loans in the USA. Risk premiums and the players' cautiousness increased whereas exchanges decreased. The **FED and the ECB injected liquidity** for the purpose of offsetting the effects of the crisis and mitigating turbulence.
However, there is still **widespread uncertainty about the overall consequences on the international economy** and the time required for the financial markets to get back to normal.
International demand contributes to keep the prices of the raw materials high. As of 30 September 2007, **oil prices topped US$ 80 per barrel**, thus reflecting the decline in the US reserves and international geopolitical tensions.

■ GROWTH RATES IN THE LEADING ECONOMIES

	2005	2006	2007
Usa	3.2	2.9	1.7
Eurozone	1.4	2.9	2.4
Italy	0.1	1.9	1.7
Germany	0.9	3.1	2.5
France	1.7	2.2	1.7
China	10.2	10.7	10.5
Japan	1.9	1.4	1.2

After a first half of 2007 characterized by appreciable growth (above 2% on a yearly basis), the signs of a slowdown in the USA increased. The crisis of residential mortgage loans is apparently increasing and corporate confidence deteriorated. Consumption might be adversely affected by the downward trend of residential housing prices (-4.5% on an annual basis as of July) and the adoption of more restrictive criteria in relation to mortage loan disbursement (the late payment rate of subprime loans almost reached 15%). In addition to the measures oriented to restore order in the monetary markets, the **FED reduced the reference rate by 50 bp at 4.75% (on 18 September**), in view of a core inflation below 2% on an annual basis and the need of encouraging the restoration of liquidity in the financial markets.

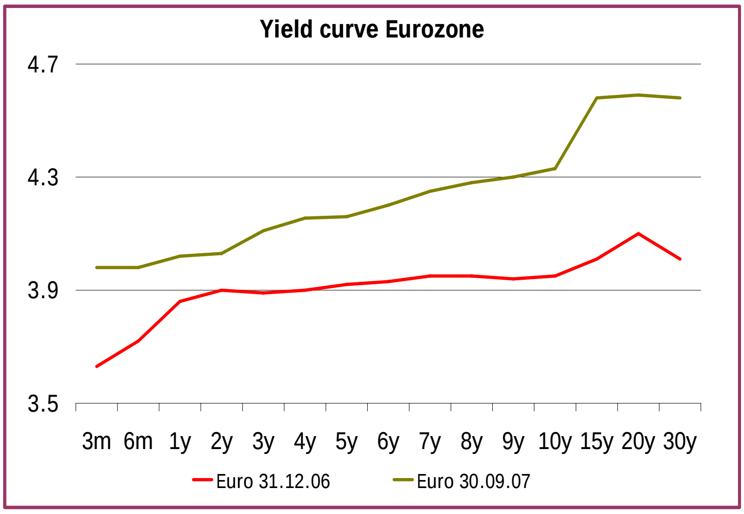


The yield curve took a clearly positive inclination in view of an effective monetary policy for the purpose of economic revival.

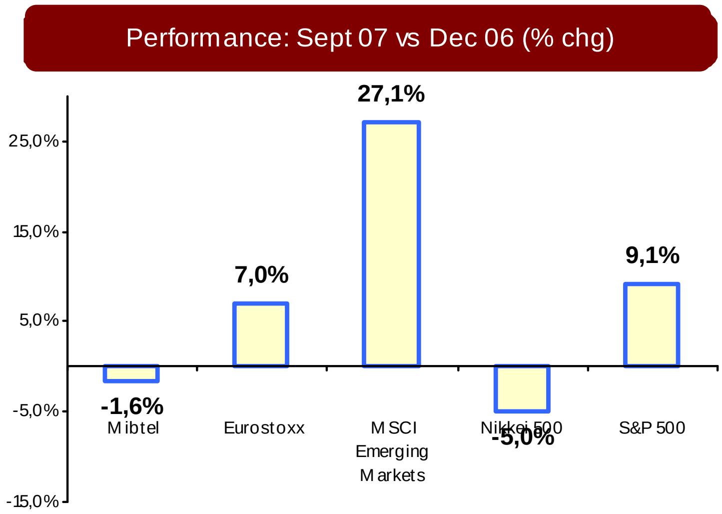
In Japan, **growth followed a volatile trend** (+3% an an annual basis in the first quarter of 2007, -1.2% in the second quarter). The information available for the summer months are also indicative of conflicting signs. Industrial production increased remarkably, but corporate confidence deteriorated. The slowdown of employment and wage stagnation prevented the growth of consumption.

Economic growth in the main emerging countries is vigorous, and even accelerated in a few cases. In particular, in China growth topped 11%, driven by investments and exports and the Central Bank increased interest rates and the level of compulsory reserves for the purpose of draining excess liquidity.

The GDP of the Eurozone developed at a rate slightly higher than 2%. In the third quarter of 2007, the trend of industrial production was still positive, despite the slight deterioration of the other indicators, although they are still in line with continuing expansion. In September 2007, inflation reached 2%, thus reflecting the increase in food and energy prices. After two increases in the first half of 2007, the rate of refinancing of the ECB stood at 4% in the third quarter of 2007. **The ECB injected liquidity into the market for the purpose of meeting high demand from the banks and stabilizing short-term interest rates**. 3-month Euribor rose to 4.8% approx. (0.6 above the level prior to the subprime loans crisis). After the slowdown of the GDP trend in the first half of 2007 (+0.2% on average) **in Italy production accelerated moderately in the summer, but annual growth is not expected to exceed 1.7%**.



The improving trend of exports (at current value) (from +9% in 2006 to +12.6% in the first seven months of 2007) was attributable to the evolution of unit average values (+9.4%) rather than to sales volumes (+2%), thus confirmning the re-positiong of made in Italy products in quality and/or niche production. The trend of investments kept steady whereas consumption increased (+1.6% on an annual basis). Inflation was below 2% (+1.7% in the third quarter of 2007) due to the limited pressure of demand, the appreciation of the euro and a moderate wage dynamics. The core component rose to 2.1% driven by tourist services.
After the rise of stock prices in the first half of 2007, the Stock Exchange markets **suffered the effects of the subprime mortgage loan crisis,** but recovered as a result of the stabilizing initiatives of the major Central Banks. **The MSCI World Index (local currency) has advanced by about 6% since January 2007**. The European Stock Exchanges and the NYSE performed slightly better (+7% and 9% respectively). The stock exchange markets of the emerging countries expanded by almost 30%. In Italy stock prices declined by about 2%, which is indicative of the fall of financial equities (-7%) not offset by the increase in the prices of industrial stocks.

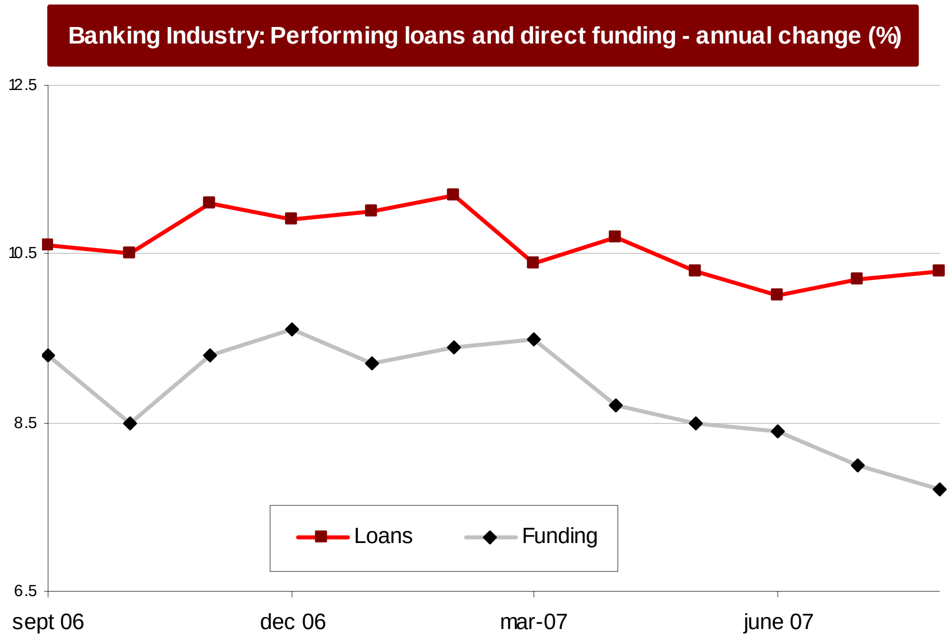


In the **bond markets**, the yield gaps between corporate bonds and Treasury bills expanded, with higher increase in the case of corporates with lower creditworthiness and financial companies. Price volatility rose suddenly. On the front of **foreign exchange markets**, the downward pressure on the Usdollar was fuelled by the US foreign deficit, the reduction of the yield differentials between USDollar- and Euro-denominated bonds and the growth gap between the two areas. The US dollar/euro exchange rate rose to 1.42, with a depreciation higher than 8% with respect to January 2007. The US dollar devalued to a lesser extent if compared with the yen (about 3.5%) and the Chinese renminbi (6%).

BANKING BUSINESS AND THE MPS GROUP POSITIONING

In the third quarter of 2007, the banking market was characterized by the significant growth of traded volumes and the virtual stability of the spread between **interest rates on deposits and loans.** On the front of funds management, Treasury bills and bank bonds were prevailing, whereas asset management continued to face a critical stage. **According to the information collected and circulated by the Regulatory Authorities, the exposure of the major Italian banking groups to the US subprime mortgage loan market is limited.**

Effective the second quarter of 2007, direct funding decelerated somewhat (see chart), with an annual **growth rate below 9% in August 2007**. The slowdown involved current accounts – with a yearly progress below 5% - and repurchase agreements (+10% in the third quarter with respect to +20% in 2006). The growth of bonds was still higher than 12%. **The MPS Group market share of direct funding jumped to 6.61%** (from 6.48% as at December 2006), as a result of a larger share in the market of current accounts and bonds.

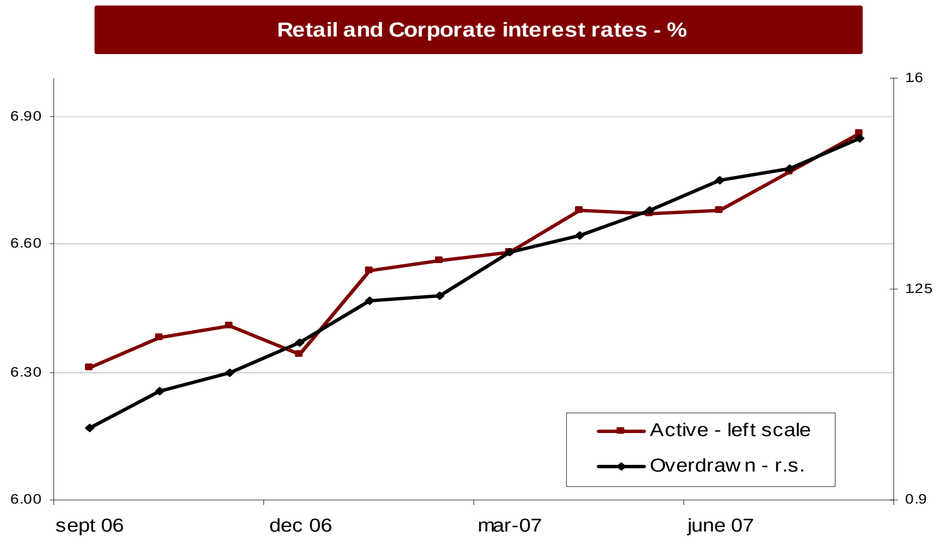


Net redemptions of mutual funds in the first 9 months of 2007 topped EUR 32 bn (including EUR 12 bn in the third quarter). Massive redemptions (more than 38 bn) of Italian-law funds and roundtrip funds were not offset by positive net funding from foreign funds. Opportunities funds and hedge funds were still successful (with funding at almost EUR 18 bn since January 2007, but lower than 2 bn in the third quarter). Net redemptions of bond and equity funds totalled about EUR 50 bn as a whole. **The MPS Group market share** stood at 3.6% as of September 2007 but **topped 4%** (as of June 2007) including the placement of third parties' funds.

The trend of (retail and private) individual portfolios under management of banks, stock brokerage companies and asset management firm**s was also negative,** with net redemptions in the amount of more than EUR 17 bn (January 2007-August 2007). Assets under management decreased by almost 6% on an annual basis. **The MPS Group market share stood at 3.6%.**

In the first 8 months of 2007, the new production of bancassurance (including Post Offices) was steady y-o-y. The considerable progress of unit-linked policies (roughly +25%) was offset by the sizeable decline in traditional policies (-30%). **The MPS Group market share stood at around 7.8%.**

Bank loans continued to grow by more than 10% also in Q3, virtually in line with the trend registered in the second half of 2006. Medium-/long-term loans continued to develop (slightly below 11% on an annual basis), though decelerating, with short-term loans confirming the growth rate of above 9% registered at the end of 2006. The trend of loans is indicative of he hefty demand for loans from non-financial companies (almost +13%), due to the requirement of circulating capital and steady investments. Retail loans decelerated both in terms of mortgage loans and consumer credit, with growth declining to 10% on an annual basis. **The MPS Group market share of outstanding loans climbed from 6.27% in December 2006 to about 6.4%.**



Credit risk indicators are moderate. In particular, in the first half of 2007 **the rate of impairment** (new NPLs/total loans in 2006) fell to 0.8% (0.9% at the end of 2006), thus reflecting an effective process of debt rescheduling and improving banks' screening techniques.

Bank interest rates on loans and deposits showed similar increases. In August 2007, short-term interest rates on loans had increased by 45 bp with respect to December 2006, with a 40 bp increase in the interest rates on deposits. The mark-up (as measured with reference to 1-month Euribor) decreased further, also before the pressure which affected the interbank market, to 2.12% in June 2007 (2.68% on average in 2006). The mark-down jumped from 2.21% as of December 2006 to more than 2.4% in the summer of 2007, supported by the pressure in the interbank market.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY AND CUSTOMER PORTFOLIO

In 2007, the MPS Group achieved considerable sales and marketing results by fully enhancing the value of the investments made in the reorganization of the distribution network and additional specialization of the service models. Following are the main elements which characterized commercial operations in relation to funds management and lending.

1) FUNDS MANAGEMENT

The flows of placement of the main products of the MPS Group totalled EUR 7.9 bn, or + 7.6% year on year, driven by bonds and mutual funds/SICAVs.

■ Product Placements

in million of euros		30/09/07	30/09/06
Mutual funds/SICAVs (*)		856	-386
Individual portfolios under management		-1,168	-81
Life-insurance policies	including:	2,712	2,953
	Ordinary	1,234	1,870
	Index Linked	1,093	781
	Unit Linked	385	302
Bonds	including:	5,513	4,868
	Linear	4,183	3,405
	Structured	1,330	1,463
Total		7,914	7,353

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

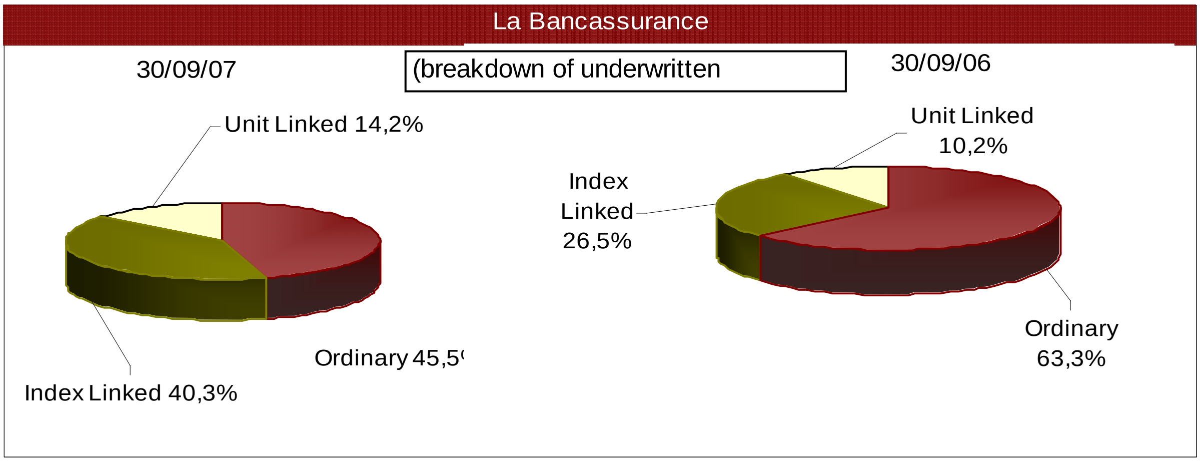
In particular:

- **Net redemptions of collective and individual portfolios under management amounted to EUR 312 million** approx. (-EUR 467 million as of 30 September 2006), including:

- **Production flows of mutual funds/SICAVs** came to roughly EUR 856 million, with respect to redemptions in the amount of EUR 386 million in 2006;

- **Net redemptions of individual portfolios under management totalled about EUR 1.2 bn** (-EUR 81 million as of 30 September 2006), as the balance of (i) EUR 211 million concentrated on individual securities portfolios (GPM)/individual equities portfolios (GPA) and (ii) redemptions in the amount of EUR 1.4 billion roughly, concerning individual SICAV/fund portfolios (GPS/GPF) under management, in line with the industry trends;
- **Life insurance premiums underwritten totalled abt. EUR 2.7 billion** (EUR 2,953 million in 2006), **with a market share slightly below 8% for the products placed during the period.** With reference to the production of the MPV Group as of 30 September 2007, insurance premiums underwritten came to EUR 2.3 bn approx. . The contribution of Quadrifoglio Vita Spa (a 50%-owned subsidiary of Banca Agricola Mantovana) was also

positive, with insurance products placed as of 30 September 2007 in the amount of about EUR 340 million. The breakdown of premiums proves that the weight of Index- and Unit-linked policies is now prevailing with respect to other categories of policies.



- **<u>Bond volumes totalled about EUR 5.5 bn (</u>EUR 4.9 bn as of 30 September 2006)** concentrated on plain products (abt.EUR 4.2 billion), with structured bonds totalling EUR 1.3 billion.

2) LENDING

In compliance with the utmost rigour in risk assessment which characterizes the MPS Group, the positive trend of lending operations continued in the third quarter of 2007, **with the disbursements of the network and the special credit companies amounting to EUR 12.7 bn (+22.8% with respect to 30 September 2006). Consumer loans and retail mortgage loans disbursed by the networks were still considerable,** with short-term loans recording a vigorous recovery**.** In particular:

- **new mortgage loans granted and disbursed by the main Group networks directly to the customers** topped EUR 7.5 bn (+30% in comparison with 30 September 2006), with the contribution of the Corporate market – which benefitted from major disbursements to the Local Authorities segment – and the Retail market – where residential mortgage loans and small business loans progressed satisfactorily.
- **With reference to the special credit companies,** the global flows of disbursements of **Consum.it (consumer credit)** advanced to more than EUR 2 bn (+4.0% with a **market share of 4.6%).** Agricultural credit and investment credit disbursements made **by MPS Capital Services Banca per l'Impresa** also advanced (+20.2% y-o-y). The growth of **Leasing (market share of 3% with respect to 2.4% at the end of 2006**) was appreciable (+26.4% y-o-y). The trend of **Factoring** operations improved (+15.7% with respect to 30 September 2006) **with a market share over 4%**.

■ Specialised credit and corporate financial products

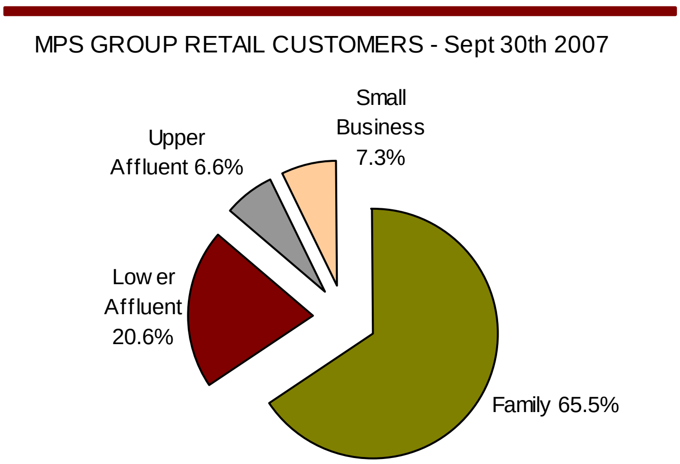
in million of euros		30/09/07	30/09/06
MPS Banca per l'Impresa			
	risk management (1)	3,631	3,408
	disbursements	2,214	1,842
MPS Leasing & Factoring			
incl.:	new leases executed	1,130	894
	factoring turnover	3,774	3,263
Consumit			
	disbursements	2,063	1,984

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

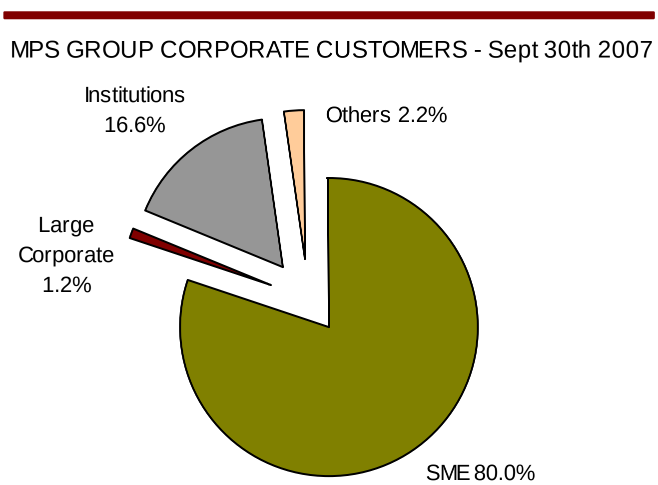
CUSTOMER PORTFOLIO

As of 30 September 2007, the customers of the Group (including non-shared relations directly managed by Consum.it) **numbered 4,640,000 with respect to 4,513,000 customers at the end of 2006. The customers of the commercial networks**[1] **totalled 4,253,290. 97.8 percent of the network customers were represented by retail customers, with Private Banking customers accounting for 0.7% and Corporate customers for the remaining 1.5%.**

A review of the **retail business** shows that the weight of the **Family segment** is more than 65%, representing the majority of customers, followed by the Lower Affluent segment (20.6%), Small Business segment (7.3%) and Upper Affluent customers (6.6%).



The Corporate clientele (62,000 clients) mostly includes SMEs (80%), Local Authorities (16.6%) and Large Corporates (1.2%), now defined as Key Clients for organization purposes.



[1] Including the customers of: Banca Monte dei Paschi, Banca Toscana, Banca Agricola Mantovana and MPS Banca Personale.

CAPITAL AGGREGATES

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

1) FUNDING AGGREGATES

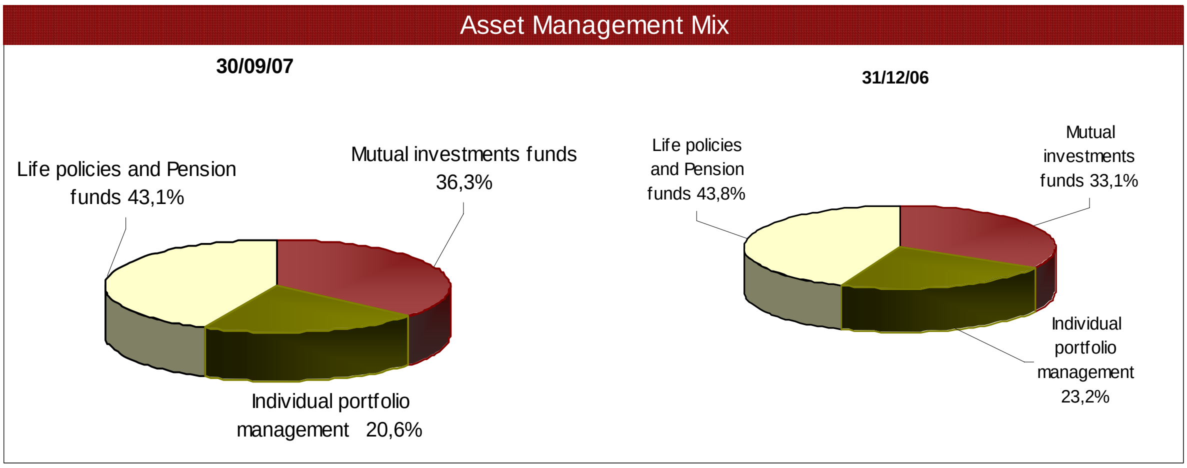
As a result of the Group's commercial operations, total funding advanced by about 4.3% (+5.2% with respect to 31 December 2006), mainly driven by direct funding.

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

	30/09/07	30/09/06	% chg. vs 30/09/06	% weight 30/09/07
Direct customer funding	**101,714**	**86,398**	**17.7%**	***50.1%***
Indirect customer funding	**101,474**	**108,325**	**-6.3%**	***49.9%***
assets under management	*48,494*	*48,407*	0.2%	*23.9%*
assts under custody	*52,980*	*59,918*	-11.6%	*26.1%*
Total customer funding	**203,188**	**194,723**	**4.3%**	***100.0%***

In particular, **indirect funding** **amounted to roughly EUR 101.5 million as of 30.09.2007** (+2.4 bn with respect to January 2007):

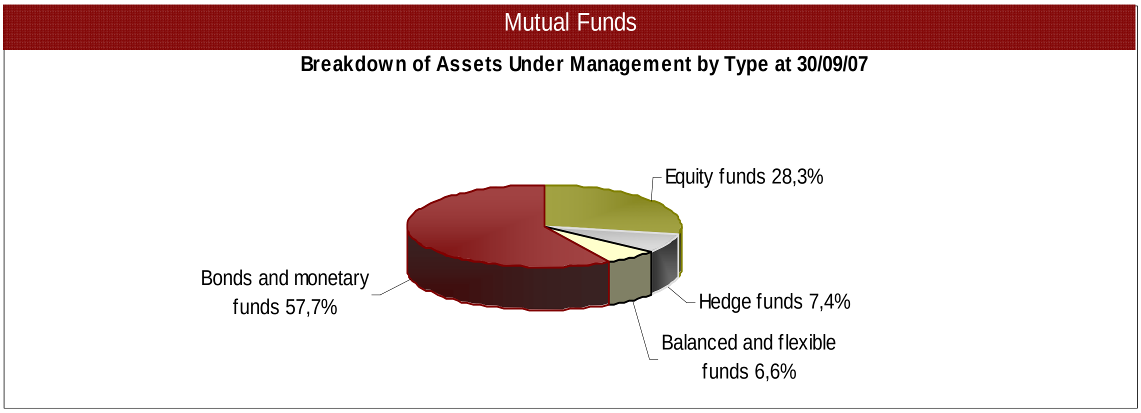
- **The balance of funds managed, totalling EUR 48.5 bn, rose by 1.1%** in comparison with 31 December 2006, with the weight of "life insurance policies and pension funds" at 43.1% (43.8% as of 31.12.2006).



- **With reference to life insurance policies, the technical reserves concerning the Group commercial networks came to EUR 21 bn, with the prevailing contribution of index linked policies with respect to prior year**;

- **The balance of the Group mutual funds/SICAVs amounted to EUR 17.6 bn,** progressing by 10.9% with respect to 31 December 2006 **(+11.3% with respect to 30 September 2006).**

The chart below illustrates the mix of investment funds by type, evidencing a modestly increasing percentage of bond/monetary funds (57.7% with respect to 56.5% as of September 2006).

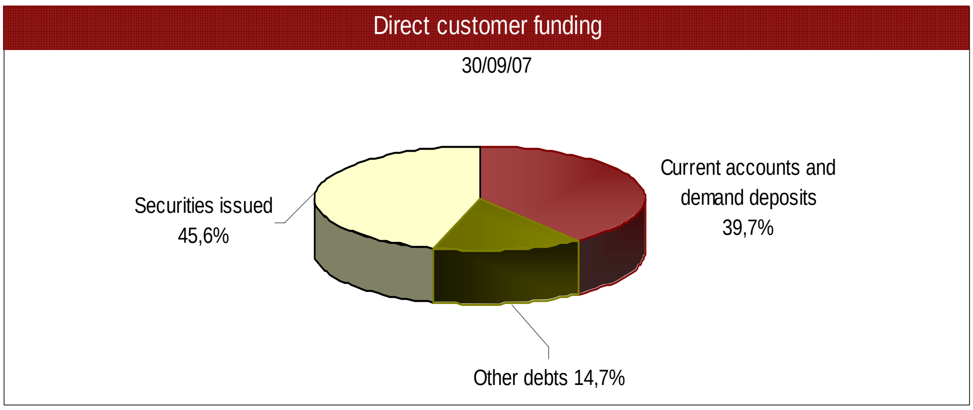


- **The balance of <u>individual portfolios under management</u> stood at EUR 10 bn** (EUR 11.5 bn as of 30/09/2006), with the reduction concentrated on individual fund portfolios under management (GPF).

- The total balance of **<u>funds under administration</u>** amounted to EUR 53 bn, with a 3.7% increase with respect to 31 December 2006, also linked with the partial inflow of the custody of a large corporate customer.

<u>Direct funding</u> (at about EUR 102 billion, **with a domestic market share of 6.61%**) advanced considerably by 17.7% year-on-year (+8.2% in comparison with the beginning of the year), mainly driven by bonds placed with retail customers, short-term deposits and funding with institutional customers.

Following is the mix of the aggregate by type:



Commercial funding
(in millions of euro)

	30/09/07	% chg yoy	% weight 30/09/07	% weight 30/09/06
Commercial Banking/ Distribution network	45,127	4.1%	56.3%	62.0%
Corporate Banking / Capital Markets	30,570	33.7%	38.2%	32.7%
Private Banking/Wealth Management	4,393	16.8%	5.5%	5.4%
Total	**80,091**	**14.5%**	**100.0%**	**100.0%**

The geographical breakdown of traditional customers' deposits in the domestic network is as follows:

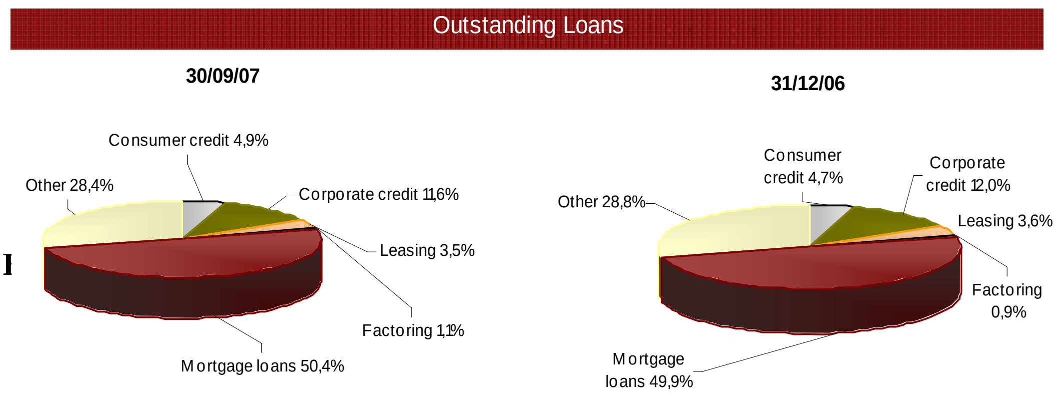
MPS GROUP
Deposits from resident ordinary customers - domestic network
in Euro mln

Areas	30.09.07	Weight % 30.09.07	Weight % 30.09.06
North	9,443	21.9	22.9
Centre	23,002	53.4	50.8
South and islands	10,650	24.7	26.3
Italy	**43,096**	**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 100.4 billion (+13% in comparison with 30 September 2006; +9.2% with respect to January 2007). Growth was mainly driven by domestic performing loans which advanced by approx. 14% **(with a market share of more than 6.4%)** boosted by short-term loans (abt.+14% y-o-y) and the appreciable, although slowing down, growth of medium-/long-term loans (+14% approx.). Following is a breakdown of consolidated loans by type:



Customer loans
(in millions of euro)

	30/09/07	% chg yoy	% weight 30/09/07	% weight 30/09/06
Commercial Banking/ Distribution network	40,954	12.7%	44.1%	44.6%
Corporate Banking / Capital Markets	51,207	15.5%	55.1%	54.4%
Private Banking/Wealth Management	801	-1.4%	0.9%	1.0%
Total	**92,962**	**14.1%**	**100.0%**	**100.0%**

The geographical breakdown of traditional customers' loans in the domestic network is as follows:

MPS GROUP
Loans from resident ordinary customers - domestic network
Breakdown by customer's residence - *in euro mln*

Areas	30.09.07	weight %	
		30.09.07	30.09.06
North	29,533	32.7	32.6
Centre	41,780	46.3	46.6
South and islands	18,992	21.0	20.8
Italy	**90,304**	**100.0**	**100.0**

B) CREDIT QUALITY

With reference to credit quality, net impaired loans of the MPS Group slightly increased (+2.26%) in comparison with 31 December 2006. This is indicative of the moderate weight of impaired loans to total customers' loans falling to 3.91% from 4.18% as of 31 December 2006.

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values			**% weight**	**% weight**
in million EUR	**30/09/07**	**31/12/06**	**30/09/07**	**31/12/06**
A) Impaired loans	**3,925**	**3,839**	**3.91**	**4.18**
a1) Non-performing loans	1,873	1,691	1.87	1.84
a2) Watchlist loans	1,085	1,015	1.08	1.10
a3) Restructured loans	123	111	0.12	0.12
a4) Past due	845	1,022	0.84	1.11
B) Performing loans	**95,934**	**87,523**	**95.58**	**95.19**
C) Other assets	**515**	**579**	**0.5**	**0.6**
Total customer loans	**100,375**	**91,941**	**100.0**	**100.0**

Said weight mainly resulted from the joint effect of the trend of gross exposures (NPLs: + 11.8%; watchlist credits: + 5.2%; past due loans -17%) and the positive outcome in terms of management of the NPLs portfolio mandated to MPS Gestione Crediti Banca. With reference to loan collections executed by the company, the **total amount collected as of 30 September 2007 was EUR 385 million for the whole Group (+0.7% with respect to 30 September 2006**).

The provisions covering impaired loans were strengthened considerably, in light of a watchful provisioning policy. This is proved by the weight of provisions to gross total loans which stood at 40.5% (38.7% as of 31 December 2006), and 54.5% only in relation to gross NPLs (54.1% as of 31 December 2006). Portfolio valuation adjustments to performing loans accounted for 0.5% of the aggregate.

■ **PROVISIONING RATIOS**

	30/09/07	**31/12/06**	**31/12/05**
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**46.6%**	**46.3%**	**44.9%**
"provisions for watchlist loans"/"gross watchlist loans"	**23.9%**	**25.1%**	**26.0%**
"provisions for NPLs"/"gross NPLs"	**54.5%**	**54.1%**	**52.8%**

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

■ **BREKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT**

Risk category - Net values at 30/06/07 *in million EUR*	**Group**	**BMPS**	**BT**	**BAM**	**MPS Banca per l'Impresa**	**MPS Leasing & Factoring**	**CONSUM.IT**
Non-performing loans	1,873	722	251	155	627	62	30
% weight on customer loans	1.9%	1.2%	1.7%	1.4%	5.4%	1.3%	0.6%
"loan loss provisions"/"gross NPLs"	**54.5%**	**57.4%**	**57.6%**	**58.3%**	**35.7%**	**77.0%**	**76.3%**
Watchlist loans	1,084.9	372	191	76	275	81	32
% weight on customer loans	1.1%	0.6%	1.3%	0.7%	2.4%	1.7%	0.7%
"loan loss provisions"/"gross watchlist loans"	**23.9%**	**28.8%**	**23.4%**	**18.5%**	**10.2%**	**38.7%**	**30.0%**

The weight of loan loss provisions in relation to MPS Capital Services Banca per l'Impresa was more limited due to the guarantees securing the loans disbursed by the company.

C) OPTIMIZATION OF THE LENDING PROCESS

In 2007 the MPS Group continued to develop the **processes of disbursement** necessary for granting loans to the customers, and the **monitoring processes** for the purpose of identifying the customers whose financial situation is deteriorating and covering increased risks.

As already stated in the Report on Operations as of 30 June 2007, the **Retail ECF (Electronic Credit File)** was extended to the network of the commercial banks. As a result, the process of coverage of the portfolios subject to Basle II validation by the Bank of Italy was finetuned. The new process of loan disbursement for the Retail market **reduces response time and, more generally, improves the service levels to the customers**.

After the release of the new PD calculation models for the **corporate market**, the rules in relation to the joint management of the Customers shared by several Group banks have been implemented in the **Corporate Customers Electronic Credit File,** for the purpose of achieving a single rating. In particular, the management process of the loans of joint customers was extended to MPS Capital Services Banca per l'Impresa and MPS Leasing & Factoring.

On the front of **projects**, the Credit Policies and Control Area in co-operation with the Risk Management Unit **adjusted all internal rating models by counterpart category**, within the validation programme of the IRB approach (Basle 2), with reference to credit risk. The validation analysis on model calibration, and on the performance of the models on the MPS Group actual loan portfolio is expected to be completed in the fourth quarter of 2007. The final validation report will be prepared for addition to the validation petition to be addressed to the Bank of Italy.
In relation to additional credit risk factors (LGD, EAD and Mitigation), during the first half of 2007 the MPS Group completed the adjustments of the estimates of the respective ratios concerning loss rates on default positions, in addition to the calculation of the Conversion Factors for the determination of Default Exposure.

PROFITABILITY AGGREGATES

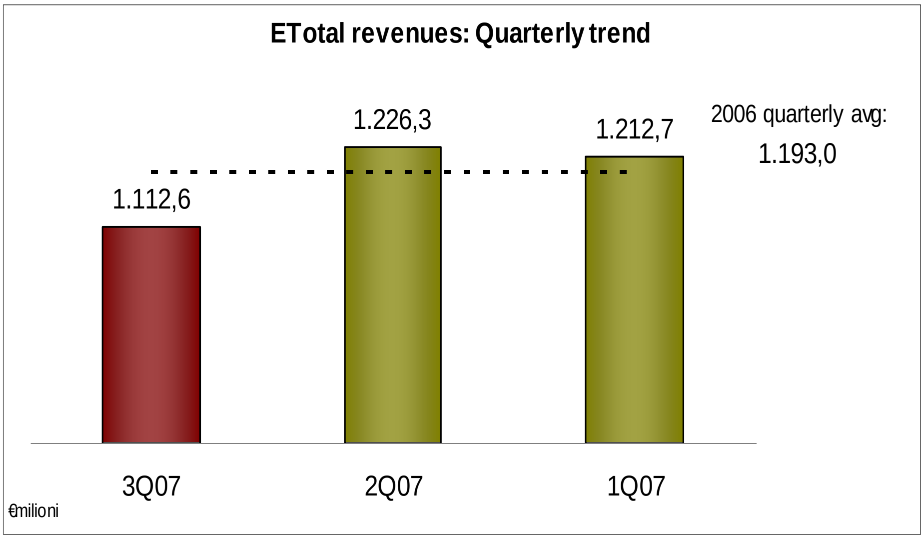
As a result of the above-mentioned dynamics, the Net Primary Operating Income progressed by 5.5%, and contributed, with the modest trend of adjustments and costs, to a growth of about 16% of the Net core Operating Income.

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, as of 30 September 2007 **financial and insurance income stood at EUR 3,551.6 million (+4.4% with respect to 30.09.2006), with the "core" component (interest income + commissions from customers) advancing by 5.5%**. Therefore, income from financial and insurance business – excluding income resulting from the sale of equity investme**nts – rose by roughly 5.7%**.

The main aggregates developed as follows:



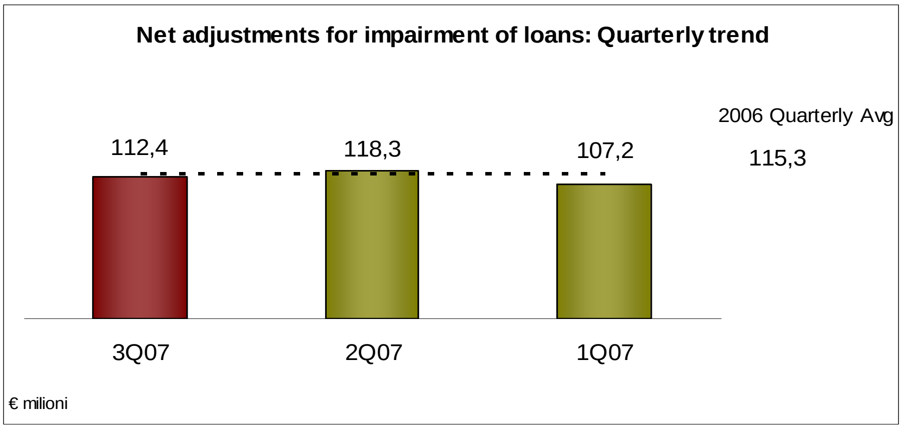
- **Interest income in the amount of EUR 2,142.5 million rose by 7.3% with respect to 30 September 2006, accelerating the development recorded as of 31 December 2006 (+5.2%)**. The Business Areas contributed with a total increase of around 8% (+5% in December 2006) which benefitted from the expansion of average volumes traded (abt. 10%) and a spread virtually in line with the levels as of 30 September 2006;
- **Net commissions grew by 2.3% year on year at EUR 1,136.1 million,** with an accelerating trend in comparison with 31 December 2006 (+0.3%). In particular, income from asset management, which absorbed the elimination of "overperformance" commissions on Ducato Funds, developed by 3.9%;
- **Dividends, similar income and Profits (Losses) from equity investments** amounted to **EUR 40.5 million** (EUR 43.8 million as of 30 September 2006) including EUR 26 million attributable to profits from the sale of a portion of the interest in Finsoe Spa;
- **Net income from trading/valuation of financial assets** came to **EUR 234.4 million** (EUR 252.8 million as of 30.09.2006), with an appreciable progress in relation to the component associated with the trading activity performed by the Parent Company and MPS Capital

Services Banca per l'Impresa, especially in the first part of the year. The aggregate also incorporated decreasing income with respect to 30 September 2006 in relation to the profits from the sale of assets available for sale (abt. EUR 89 million) mostly linked with the disposal of the whole equity investment in FIAT and the sale agreement concerning BNL shares which occurred in 2006:

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

	30/09/07	30/09/06
Net Profit from trading	172.1	165.8
Profit/loss from loans, available for sale financial assets and financial liabilities	44.7	77.8
Fair Value financial assets and liabilities	17.6	9.1
Net result from realisation/valuation of financial assets	**234.4**	**252.8**

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



With reference to the income resulting from loan disbursements, the Group recorded **net valuation adjustments to impaired loans in the amount of EUR 338 million (EUR 311.4 million as of 30.09.2006)**, with a provisioning rate of about 45 bp (declining with respect to 50 bp as of 31 December 2006). This is indicative of the improved quality of the Group's loan portfolio, which was also influenced by the decreasing weight of net impaired loans to total customers' loans.

Net valuation adjustments for impairment of financial assets showed a negative balance (-EUR 2.4 million), attributable to value recoveries in relation to guarantee and commitment funds (5 million) and net valuation adjustments for impairment of financial assets available for sale (-EUR 7.5 million).

As a result, **income from financial and insurance business totalled EUR 3,211.3 million with a 4.2% increase with respect to 30 September 2006 (EUR 3,083.1 million). Growth came to**

5.6% excluding income components resulting from the sales executed in 2007 (FINSOE and Energia Italiana) and in the first half of 2006 (FIAT and BNL).

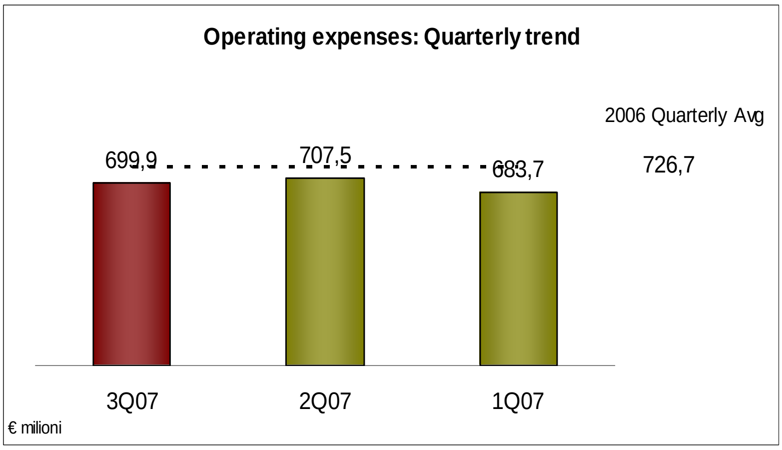
OPERATING EXPENSES: OPERATING CHARGES

In line of continuity with prior years, the MPS Group continued to curtail costs during the period under exam. Although in light of increasing investments in technologies, communications and for the purpose of geographical expansion, **the third quarter of 2007 closed with a modest growth of operating charges year on year, in line with the objectives of decline planned for year-end.**

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

	30/09/07	30/09/06	Var ass. su 30/09/06	Var % su 30/09/06
Personnel expenses	1,304.9	1,323.5	-18.6	-1.4%
Other administrative expenses	702.6	652.2	50.4	7.7%
Administrative expenses	**2,007.5**	**1,975.6**	**31.8**	**1.6%**
Net adjustments to the value of tangible and intangible fixed assets	83.6	98.3	-14.7	-14.9%
Operating expenses	**2,091.1**	**2,074.0**	**17.2**	**0.8%**

<u>In particular:</u>



A) **<u>Administrative expenses</u> increased by 1.6% in comparison with 30.09.06** as a result of:

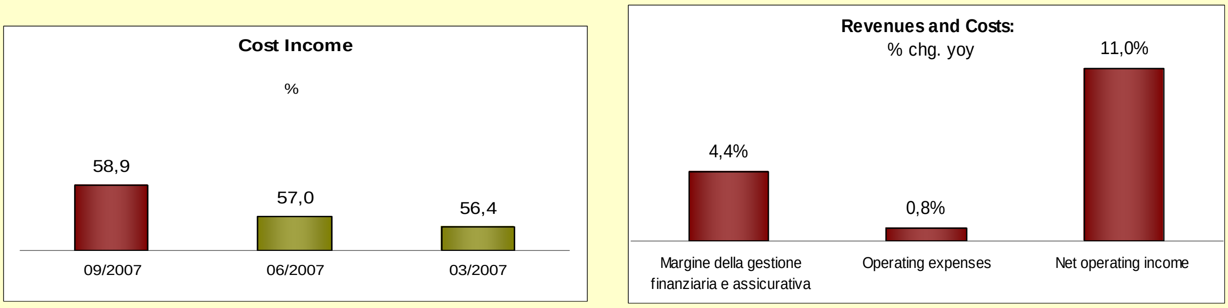
- **Personnel expenses** in the amount of EUR 1,304.9 million with a 1.4% decrease with respect to 30 September 2006, mostly attributable to the structural benefits resulting from the containment and remix of the workforce operated late in 2006 (huge outflows of resources with high seniority and hierarchical position). The aggregate incorporates estimated charges in relation to the renewal of the labour contract, partly offset by the benefits resulting from the amended accounting treatment to be applied to the staff severance indemnity after the reform of complementary welfare. The limited positive adjustments are mostly due to the actuarial methods adopted by the MPS Group before the reform (so-called “proportional” formula), in addition to the high number of employees already participating in the Complementary Welfare Plan. This contributed to gradually reducing the allocated staff severance indemnity, in addition to the outflow of personnel who retired.

- **Other administrative expenses (EUR 702.6 million,** net of recoveries of stamp duty) **progressed by 7.7%,** incorporating the expenses in relation to the expansion of the geographical network, the development of fast-growing businesses (i.e. consumer credit) and support to technological innovation, communications (advertising campaign) and the projects in connection with the implementation of the MPS Group Business Plan.

B) **Net valuation adjustments to tangible and intangible assets** amounted to **EUR 83.6 million** declining by **14.9%** with respect to 30 September 2006.

Accordingly, the Net Operating Profit stood at EUR 1,120.1 million, with an 11% increase year on year (EUR 1,009.1 million as of 30.09.2006). Growth came to about 16.4% excluding income resulting from the above-mentioned sales**. The cost/income ratio was 58.9% (60.9% as of 31 December 2006), which is lower than expected in the Business Plan.**

Efficiency Ratio and Revenues/Costs Trend



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

- The negative balance of **Net provisions for risks and charges and Other operating income/charges** in the amount of EUR 33.3 million (+ EUR 8.4 million as of 30 September 2006) contributed to the composition of the **Net profit for the period**.

Given the effect of the foregoing, gross profits from current operations before taxes came to EUR 1,086.6 million with a 6.8% increase year on year (EUR 1,017.4 million as of 30 September 2006).

Rounding out the picture of profitability are:

- **Income tax on current operations for the period** in the amount of EUR 433.3 million (EUR 428.5 million as of 30 September 2006), with a tax rate of roughly 39%, compromised by the IRAP rate increase imposed by the Region of Tuscany effective 1 January 2007;

- **Profits from groups of assets being sold (discontinued operations) after taxes** in the amount of EUR 78.4 million, totally attributable to the insurance business (EUR 110 million as of 30.09.2006). The decrease with respect to the prior year is due to the final elimination from consolidation of the tax collection business (tax collection contribution as of 30 September 2006: EUR 31.4 million). The insurance business contribution as of 30 September 2006 came to EUR 78.6 million, virtually in line with this year's results.

Therefore, also in view of the contribution from the above-mentioned components and minority interests, consolidated net profit for the period stood at EUR 718.1 million (EUR 689.2 as of 30 September 2006) with a 4.2% progress (about +10% with respect to the profits as of 30.09.2006, excluding profits from the sale of equity investments). Annualized ROE was 13.2% (ROE calculated on average shareholders' equity: 12.2%).

Such results take advantage of the positive contribution from the Parent Company (BMPS), all the Group's Business Units (as outlined in the following chapter covering Segment Reporting) and in particular from **Banca Agricola Mantovana** (EUR 68.3 million; +20.3%) and **Banca Toscana** (EUR 101.9 million or +38%).

SEGMENT REPORTING, SALES AND MARKETING POLICY, RESEARCH AND DEVELOPMENT

1) PRIMARY SEGMENT REPORTING

With reference to S*egment Reporting* contemplated by the IAS regulations, the MPS Group adopted the *business approach* and chose, for the purpose of **primary reporting** of income/capital data, **a breakdown of results in accordance with the business sectors committed to carrying out consolidated operations**.

On the basis of said approach, following is a breakdown of the results achieved as of 30 September 2007 by the business areas, aggregated in compliance with the new organization structure outlined by the 2006-2009 Business Plan. To this end, the data as of 30 September 2006 have been restated on the basis of criteria similar to the principles for 2007, already adopted as of the end of 2006:

SEGMENT REPORTING - Primary segment
(in millions of euro)

30/09/07	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)	**2,081.4**	**8.5%**	**232.2**	**-4.2%**	**1,044.1**	**5.4%**	**193.9**	**-22.8%**	**3,551.6**	**4.4%**
Net adjustments for impairment of loans and financial assets	-208.6	1.7%	-2.6	63.6%	-138.7	9.7%	9.5	-31.9%	-340.4	6.6%
Operating expenses	-1,209.0	2.1%	-125.9	-5.1%	-467.2	-0.6%	-289.0	0.7%	-2,091.1	0.8%
Net operating income	**663.8**	**25.5%**	**103.7**	**-4.0%**	**438.2**	**11.2%**	**-85.6**	**292.2%**	**1,120.1**	**11.0%**
CAPITAL AGGREGATES										
Performing loans	40,953.9	12.7%	801.0	-1.4%	51,206.9	15.5%	5,540.8	-1.3%	98,502.7	13.1%
Due to customers and securities	45,127.3	4.1%	4,393.2	16.8%	30,570.1	33.7%	21,623.0	32.5%	101,713.5	17.9%
Assets under management	31,281.9	-1.5%	12,362.3	4.4%	3,542.6	-7.6%	1,307.1	32.42%	48,493.9	0.2%
PROFITABILITY RATIOS										
Cost Income	58.1%		54.2%		44.7%		149.0%		58.9%	
Raroc	27.6%		23.9%		15.1%				12.1%	

Following are the major aspects which characterized the activity of each Area in 2007:

A) COMMERCIAL BANKING AND DISTRIBUTION NETWORK

Product and service innovation and the sales and marketing policy

In view of the application of the **MiFID** directive, special emphasis was placed on the management of customers' relations with the objective of **consolidating** – in line of continuity with the past – the kind of **service** which features the MPS Group network, on the basis of the "**Know Your Customer" principle** as the core of customers' relations.

Important innovations concerned the training of human resources, with the objective of increasing the **customers' "financial culture".**

With reference to the **Affluent** segment, the Group decided to **promote investment advisory services in its relations with all customers.** Such basic approach does not **obviously exclude the possibility for the customers to decide independently**, irrespective of the Bank's advisory services, limiting the bank's valuation only to the adequacy of the transaction or eliminating it in the "*execution only*" case.

On the front of **product innovation**, the different segments of **asset management** were affected by important changes. In addition to the changes mentioned in the chapter covering "private banking & wealth management", the Group launched the lines of **individual portfolios under management with "profile"** (in accordance with the customer's risk profile) characterized by a **multibrand component**. With respect to the mutual funds, MPS Am inaugurated the **Orizzonte Funds** with a 5, 13 or 20 year maturity, so as to provide different time horizons for financial planning and welfare.

During the third quarter of 2007, the marketing policy in relation to the **Family** segment was mainly oriented toward initiatives developing **consumer credit**, with specific campaigns especially on the front of the **assignment of 1/5 of one's own salary directly at the bank counters**. This is a complete novelty for the industry and gives the MPS Group network a competitive advantage with respect to the main players (i.e. financial companies) operating directly in the market through their own network. The range of products supplied was integrated and completed by a product **dedicated to retired people** (PRS Ten Silver) which is highly appreciated by the customers.

RETAIL MORTGAGE LOANS

Following are the major developments in the segment of retail mortgage loans:

- In compliance with the market developments, the maximum term available in the case of fixed rate and floating rate (Young Couples mortgage loan) **residential housing loans was increased to 40 years;**
- In a market characterized by the steady growth of the applications for replacement of old mortgage loans, BMPS marketed **SostiMutuo,** a specific mortgage loan for the replacement of mortgage loans executed with banks which are not members of the MPS Group, also as a result of the new regulations covering "mortgage loans transferability".

Marketing actions were also focused on the **mortgage loans campaign** which was very successful due to a very competitive mix of pricing policy and product innovation, and a **concentration of supply on young couples** (*see box*).

In the framework of the programme of renewal of the range of **current accounts,** during the third quarter of 2007 the MPS Group completed the implementation of **Costomeno**, a new "dynamic" current account with decreasing fees. This is the first cross segment, variable and dynamic current account based on a combined string of events/parameters which determine the reduction of monthly fees until cancellation. One of the objectives of Costomeno is to **encourage the use of specific products/services purchased, starting from payment systems**.

Additional information on product innovation in relation to payment systems is provided in the section covering "The payment systems" and "Private Banking & Wealth Management".

In relation to the **Small Business** segment, the MPS Group started operating an **application which enables an innovative monitoring of loan files**, for the purpose of improving the service and responding more rapidly to a larger number of customers. During the third quarter of 2007, the Group launched the **first marketing initiatives implemented through the "Metodo" application,** which enhances the value of the potential indicated by each portfolio of the managers and increases their professionalism. On the basis of the first results, Metodo contributed to **remarkably increase the number of contacts with the customers**.

Besides, the MPS Group arranged a **new catalogue of products** in support of the managers for the preparation of commercial supply, with the addition of **two new products over the period: POS flow advance and Energy loan.**

SERVICE MODELS

The **Carattere platform** continued to be extended. As of 30 September 2007, the platform numbered about 740,000 customers and managed about 78% of the Affluent customers' funding (83% only in relation to the upper affluent segment). The application of Carattere involved a greater inflow of **fresh money** in the last 12 months and a higher percentage of **funds under management** with respect to total portfolio funding. In compliance with the latest data available, **on average a "Carattere" Customer contributes with new funds about 7 times as much as a traditional customer and, at the same time, holds a higher portion of funds under management (by about 1/3).**

During the third quarter of 2007, the Group continued to implement the new **Group Advisory Platform**, as a development of the existing Carattere Platform, which is characterized by greater availability, financial efficiency and new logics of portfolio monitoring. The pilot project is expected to be started in the branches in October 2007.

OPERATING RESULTS

On the front of **commercial production flows**, the Commercial Banking & Distribution Network Area achieved considerable volumes in the placement of funding and lending products, with growth mostly driven by bonds, index-linked policies and collective portfolios under management. As a result, total funding progressed (1.6% y-o-y), although it was influenced by the customers' upgrading to the segment of Private Customers, which limited the trends. Loan volumes advanced remarkably with respect to 30 September 2006 (+11.4%), driven by the hefty development of medium-/long-term loans – which was a distinctive feature in the last few years – and the gradual recovery of short-term loans, especially in relation to the Small Business segment.

Total income (more than EUR 2,081 million) rose by 8.5% y-o-y. The most dynamic component of the aggregate is interest income (+9.7%), driven by increasing traded volumes and a slight recovery of the spread flanked by the high growth of net commissions (5.9%). Net Operating Profit stood at EUR 663.8 million with an increase of 25.5% year-on-year. The cost/income ratio for Commercial Banking & Distribution Network was 58.1% (59.6% in December 2006).

■ Commercial Banking / Distribution network

(in millions of euro)	30/09/07	% chg yoy
INCOME AGGREGATES		
Net interest income	1,374.0	9.7%
Net commissions	696.8	5.9%
Financial income (loss)	10.7	34.0%
Net Financial income (loss)	**2,081.4**	**8.5%**
Net adjustments for impairment of loans and financial assets	-208.6	1.7%
Operating expenses	-1,209.0	2.1%
Net operating income	**663.8**	**25.5%**
CAPITAL AGGREGATES		
Performing loans	40,953.9	12.7%
Due to customers and securities	45,127.3	4.1%
Assets under management	31,281.9	-1.5%

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 25.3 million (-5% in comparison with 30 September 2006);

- **Banca Monte Parma (**a 49.3% affiliate company consolidated with the proportional method) realized a loss of EUR 1.25 million, with charges in relation to the final settlement of the action for bankruptcy revocation filed by Parmalat Receivership versus the Bank;

- **Banca Popolare di Spoleto** (equity investment consolidated with the proportional method: 25.9%) realized a net profit of EUR 7.5 million (EUR 9.4 mln as of 30 September 2006).

B) PRIVATE BANKING & WEALTH MANAGEMENT

In the third quarter of 2007 the activity of the Private Banking & Wealth Management Area was based on the development of the product catalogue for the purpose of ensuring the customers a supply of excellence.
The Group platforms were implemented in relation to **professional advisory services** in order to take advantage of the opportunities resulting from the enforcement of the MIFID regulations and to comply with the international best practice.
With reference to the **expansion of the range of products supplied in the area of individual portfolios under management**, the Group designed "Private Investment", a new multiline system, which enable investments in several management lines by entering into a single agreement. In addition, the Group inaugurated the "GP Flex Quant" line, characterized by a high risk profile and total flexibility, with the strategic allocation of equities and bonds ranging from 0 to 100%.
As a result of the joint venture with Axa, the Group started to **re-design and expand the Private insurance catalogue,** which incorporates the improvement of the existing products (Unit Private – Melody), the review of the range of products supplied, with new traditional and Unit-Linked insurance policies. In this logic, the first two products of the new joint venture were launched in September 2007. With **Accumulator Investimento and Accumulator Reddito,** MPS is the first Italian banking group which can provide a "variable annuity" policy in Italy. A few weeks after their launch, the two unit-linked policies were **highly appreciated by the customers** of the MPS Group banks.

MIFID

- For the purpose of supporting the adoption of the MIFID European Directive (effective 1 November 2007), the MPS Group decided to implement an **innovative platform, hinged on the basic logic of the new modes of management of customers' relations.**
- Wealth analysis, a function already existing in the Professional Global Advisor (PGA), is flanked by an **advisory process which enables the manager to**: (i) follow dedicated paths, (ii) prepare an appropriate profile and indentify an asset allocation compliant with the customer's objectives, (iii) give instructions directly from the platform, (iv) implement investment solutions appropriate for the customer, (v) effectively monitor the trend of the portfolios.
- The new advisory path will be **released gradually to the Private network effective February/March 2008** and will be flanked by a training process supporting the managers within the Private Centers.

On the front of Mutual Funds, **innovative compartments** (Orizzonte 2012, 2020 and 2030) **were marketed within Bright Oak, the Irish-law SICAV.** These products offer modern management solutions, ideal for investments targeted at specific objectives (i.e. retirement pension integration, children's education), since they can optimize the risk/return trade-off in accordance with a pre-established maturity.
With reference to **third parties' products**, the Group pursued the development of methods of comparative selection and analysis of the products supplied by the primary international firms.

The development of **Innovative Finance** was oriented to the search for solutions which meet the customers' requirements at most, **on the basis of internal and external**

capabilities. In addition to the placement of certificates issued by third parties, but developed in a tailor-made logic, the MPS Group concentrated its efforts on structured bonds based on indices/asset classes which further diversify supply (i.e. sustainable development indices).

With reference to the opening plan of new Private Centres, Banca MPS opened the Private Centre of Empoli in July 2007. As of 30 September 2007, the MPS Group numbered 67 Private Centres including 37 centres operated by Banca MPS, 13 by BAM and 17 by Banca Toscana.

OPERATING RESULTS

Although in light of market uncertainty, the Private Banking and Wealth Management Area concentrated placement flows – as a distinctive feature of the service model - mainly on Wealth Management, which accounted for almost 51% of total flows.
As a result, total funding of Private Banking progressed year on year by 7.6%.

Total income of Private Banking & Wealth Management came to roughly EUR 232 million, dropping by 4.2% y-o-y, due to the restructuring of the management fees of MPS SGR AM (cancellation of performance fees), which implied higher return commissions for the Group Networks (mostly concentrated on the Commercial Banking Area which grouped the Ducato Funds assets). The Net Operating Profit stood at EUR 103.7 million with a decrease of 4%. The cost/income ratio was 54.2% (54.6% in December 2006).

Private Banking/Wealth Management

(in millions of euro)	**30/09/07**	**% chg yoy**
INCOME AGGREGATES		
Net interest income	49.9	22.6%
Net commissions	181.5	-10.6%
Financial income (loss)	0.8	-159.4%
Net Financial income (loss)	**232.2**	**-4.2%**
Net adjustments for impairment of loans and financial assets	-2.6	63.6%
Operating expenses	-125.9	-5.1%
Net operating income	**103.7**	**-4.0%**
CAPITAL AGGREGATES		
Performing loans	801.0	-1.4%
Due to customers and securities	4,393.2	16.8%
Assets under management	12,362.3	4.4%

The companies contributing to Private Banking & Wealth Management include:

- **MP Asset Management SGR** posted a consolidated net profit of EUR 35 million (-EUR 13.5 million y-o-y), due to the above-mentioned reasons;

- **MPS Banca Personale** achieved very positive results from the viewpoint of business operations which involved a 27.1% growth of total funding y-o-y and the containment of net losses (-EUR 9.5 million in comparison with –EUR 11 million as of 30 September 2006).

The section covering the Corporate Center includes the information concerning the insurance companies.

C) CORPORATE BANKING

THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

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 targeted at supporting the stages of corporate lifecycle, and the implementation of projects of innovation and research of new markets.

Several **initiatives of marketing development** were undertaken. In particular, **"Applicativo Prospect GENESI" is an interaction tool which** specifically intends to support the Network in identifying the potential development area of the SME Centres, through the supply of the names and financial statements data of prospect customers.
"Patto Incassi" has the objective of increasing the collection volumes routed by the customers. The Group has also identified the customers of the commercial banks which have **leasing contracts** with banks not belonging to the Group for the purpose of planning marketing initiatives in co-operation with MPS L&F. In addition, the Group selected a target of customers on the basis of their propensity to purchase **derivative instruments hedging the risk of fluctuation of the prices of raw materials**.

- With reference to **subsidized loans** and with the objective of re-launching **"Plafond Confindustria**", the Group allocated a ceiling of EUR 500 mln targeted at financing business initiatives through two products already marketed by the network, namely "Innovazione e sviluppo (Innovation and development)" and Welcome Energy. The pricing is expected to change in accordance with the applicants' creditworthiness and the criteria already used for the execution of loan agreements in co-operation with Consorzi fidi. In order to increase the volumes traded so far in compliance with the agreement between BMPS and the **Italian association of Chevrolet car dealers** and to increase the customers in the area of vehicle dealers, the Group authorized the extension of the agreement to the other commercial banks.

THE LOCAL AUTHORITIES MARKET

- The Group continues to analyse the market for the purpose of arranging the **customers' sub-segmentation** which is useful for proposing more targeted offers
- The SIOPE (Information System on Operations of Public Entities) is going on. The test stage started in July 2007 involved Health and Research Entities
- The Italian Bankers' Association is still undertaking initiatives in relation to the **SEPA-Public Administration** project to make the different applications SEPA compliant.
- A **new agreement**, which contemplates specific products for **religious entities** (in particular, loans, liquidity management products, collection services) **was signed by RE and BMPS**
- The Group prepared the leaflets and the short notices to be sent to the Municipalities to illustrate the **new service of management and collection of ICI (local property tax) by the MPS Group**
- The consolidation of the channels of communication with the customers incorporated the creation of a function within **PaschiInTesoreria** which enables the transmission of technical and/or commercial information**.**

On the basis of the relations with ABCapital srl, the former manager of the national Federation of Artisans and Craftsmen agreement, the MPS Group authorized the execution of an agreement

encouraging the transmission of loan applications from the SMEs to the Group banks with reference to specific market sectors and particular financial transactions. The **meetings with Confidi** continued to be held, in view of defining the fulfilments required for finalizing the relative agreements and start operations.

The MPS Group continued to supply short-term structured loans. For instance, **Forex Loan** contemplates access to competitive loan terms, without the use of derivatives, with the Bank taking on an exchange risk which can be monitored. The **New Smart Loan** was re-designed so as to include a derivative implicit in the transaction structure since the beginning. The **new products** designed also incorporate:

- The new "**Loan with EIB Funding**" which finances investment projects at very attractive interest rates, as a result of EIB funding;
- The continuation of the implementation of "**Patto**" (a loan agreement including a mix of short-term and medium-term credit lines available in 60 months upon the occurrence of specific management events) and "**Prestito Capitale Revolving**", which belongs to the category of "Participation Loans";
- The start of the implementation of "**PMI CAP",** a new loan at limited costs, different spreads by creditworthiness, 3-year maturity (bullet repayment) or 5- and 7-year maturities which can be amortized.

The MPS Group gives the opportunity of adopting a simple strategy for the **management of corporate liquidity,** based on two products, i.e. a time deposit and a digital option. "**Digital Investment**" matches **a guaranteed capital upon maturity with a competitive remuneration** to other investment products offered by the market, with the objective of giving a valid alternative to temporarily manage the funds available in the current accounts in exchange for a remuneration with no risk of losing capital.

The Group continued to market **products hedging interest rate risk and foreign exchange risk** and in September launched "**Pk Import Pmi (SMEs)**" which provides the importing companies with financial protection with respect to the appreciation of the US dollar in comparison with the euro, on the basis of the average USD/EUR exchange rate during the six months of protection.

The enforcement of the **MiFID Directive** obliged the Group to set up a working group for the analysis of the commercial and operational impact of the directive on the corporate market. Pending the definition of tier-two regulations, the MPS Group arranged the profile and the respective classification of the customers on the basis of the new provisions, and prepared a questionnaire useful for obtaining any information necessary for identifying the corporate customers' risk profile effective 1 November 2007, as the date of enforcement of the regulation.

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 l'Impresa** 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.

Corporate finance incorporates the following:

- **Project financing** was intensified and consolidated in the area of civil and health infrastructure, utilities, the requalification of urban areas and large real estate transactions. As far as utilities are concerned, the MPS Group operated in all sectors (water, energy, gas and waste) with particular regard to the growth of operations in the area of **energy from renewable sources**. With reference to wind energy, two additional plants in Sicily and a power plant for the production of electrical energy fuelled by agricultural biomasses were implemented. On the front of **infrastructure**, the Group executed a bridging loan preliminary to the implementation of a shopping mall (outlet) in Abruzzo and participated in a pool involved in two significant international projects, structured by two groups of primary European banks: (i) a large real estate transaction in France including the purchase of about 150 hotel buildings and 50 shopping malls by the major European competitor in the industry and (ii) an infrastructure project in relation to the construction of a highway tract in Ireland.
- **The Acquisition Financing** business continued to develop totalling 26 transactions executed since the beginning of the year. The deals completed in the third quarter of 2007 incorporate the loan granted to Risorse e Sviluppo Napoli with MPS CS playing the role of Mandated Lead Arranger (MLA) and the loan disbursed to Targetti Spa for the purchase of the Danish company Louis Poulsen with the role of Joint Lead Arranger (JLA).
- **MPS Venture SGR**, a subsidiary of MPS Capital Services Banca per l'Impresa, is in charge of supporting the development of the SMEs with a high growth potential in the area of **private equity**. The company manages 7 closed-end equity funds (and manages most closed-end funds in Italy), with assets totalling EUR 317 million. The third quarter of 2007 was characterized by the sale by MPS Venture of the investment held by the Ducato Venture Fund and the MPS Venture 1 Fund in Finelco SpA (holding two radio stations, Radio 105 Network and Radio Monte Carlo).

With reference to **subsidized loans** and the **programme contracts** managed by the Ministry of Economic Development, the MPS Group carried out the preliminary inquiries in relation to 43 business projects in the industries of tourism and food-processing, with investments totalling more than 165 million.

SERVICE MODELS

In light of the results of the pilot stage, the MPS Group set up a working group in charge of the assessment of the consistency of the existing **SME service model** and the identification of any changes to be made for the purpose of increasing the effectiveness and the level of the service rendered to the customers. The Group also started the review and streamlining of the tools in support of the manager's activity. In particular, the Group **developed Metodo – SME Platform** useful for commercial planning, which has been submitted to the network and will be released after an appropriate training programme and a test stage carried out in four SME Centres.

After the finetuning in the first half of 2007 of the products supplied to the segment of Local Authorities, the Group completed the valuation and definition of the **list of Local Authorities which will be subject to the first migration** to the Key Clients Area, to be finalized in the first months of 2008.

OPERATING RESULTS

The Corporate Banking & Capital Market Area pursued the expansion of the customers' base and corporate lending, which was also driven by the trends emerged during the second half of 2006, characterized by the gradual recovery of short-term loans. Against this backdrop, the growth of **new loan disbursements** remained hefty (EUR 2,247 million or + 48.6% y-o-y, mostly driven by the

Local Authorities) and the positive trend of **specialized credit** continued, with all business lines developing considerably in comparison with prior year.

The **loans disbursed by the Corporate Banking & Capital Market Area** progressed considerably as a result of the buoyant trend of short-term loans and the substantial growth of medium-/long-term loans. **Total funding** declined due to the reduction in **indirect funding** mainly resulting from a large corporate deposit characterized by considerable volatility during the last year.

Total income for Corporate Banking & Capital Market (EUR 1,044 million) advanced in comparison with the results as of 30 September 2006 (+5.4%) and accelerated (+3.5% as of June 2007) due to net commissions (+12.9%) and "Other income from financial business" (+32.9%). The Net Operating Profit amounted to EUR 438.2 million, increasing by 11.2% y-o-y. The cost/income ratio for the Area came to 44.7% (versus 51.8% as of December 2006).

Corporate Banking / Capital Markets

(in millions of euro)	30/09/07	% chg yoy
INCOME AGGREGATES		
Net interest income	689.3	0.0%
Net commissions	258.6	12.9%
Financial income (loss)	96.2	32.9%
Net Financial income (loss)	**1,044.1**	**5.4%**
Net adjustments for impairment of loans and financial assets	-138.7	9.7%
Operating expenses	-467.2	-0.6%
Net operating income	**438.2**	**11.2%**
CAPITAL AGGREGATES		
Performing loans	51,206.9	15.5%
Due to customers and securities	30,570.1	33.7%
Assets under management	3,542.6	-7.6%

The companies included in the Corporate Banking Area incorporate:

- **MPS Capital Services Banca per l'Impresa,** established on 10 September 2007 as a result of the merger of Mps Banca per l'Impresa and a business unit of MPS Finance, consolidated its leading position and posted a net profit in the amount of EUR 83.6 million (EUR 79.8 million, restated as of 30 September 2006).

- **MPS Leasing & Factoring – Banca per i servizi finanziari alle imprese** consolidated its market position and posted a net profit of EUR 14.9 million (EUR 7.6 mln as of 30 September 2006).

- **Intermonte** closed the period with a net profit of EUR 40.7 million (+44.6% y-o-y).

D) CORPORATE CENTER

The **Corporate Center** is an aggregation of **(a)** all operating units which are individually below the benchmarks required for public disclosure; **(b)** the MPS Group H.O units (i.e. governance and support functions, business finance and depositary bank, 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 profits/losses from the companies consolidated with the net equity method and eliminations resulting from infragroup items.

- **THE MPS GROUP FINANCE BUSINESS**

In compliance with the new organization model of the Business Plan, the finance business of Banca MPS was split into two areas of responsibility, (i) proprietary finance, directly reporting to the CEO and (ii) service finance (Treasury and Capital Management) which reports to the CFO.

PROPRIETARY FINANCE

During the third quarter of 2007 all risk asset classes, and in particular the credit market, were severely compromised. The latent problems which appeared to be limited to the US sub-prime mortgage loans segment affected all credit segments and caused a clear expansion of the spreads. Against this backdrop, the activity of Proprietary Finance bounced back with respect to the levels reached at mid-2007 due to the long position kept. During the third quarter of 2007, the long position was neutralized by the purchase of protection on credit indices, with subsequent effects of mitigation of the losses incurred. **At the end of Q3, the MPS Banking Group assets for trading purposes amounted to EUR 20.5 bn (EUR 26.4 bn in December 2006).**

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

	Parent Company 30/09/07	abs. Chg yoy	%	MPS Group 30/09/07	abs. Chg yoy	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**10,738**	**(45)**	**-0.4%**	**20,479**	**(5,964)**	**-22.6%**

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

	Parent Company 30/09/07	abs. Chg yoy	%	MPS Group 30/09/07	abs. Chg yoy	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**3,551**	**(357)**	**-9.1%**	**12,153**	**(6,029)**	**-33.2%**

The portfolio of financial assets available for sale stood at EUR 4,502 mln, with a 10.2% increase with respect to 31/12/2006.

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

	Parent Company 30/09/07	abs. Chg yoy	%	MPS Group 30/09/07	abs. Chg yoy	%
Financial assets available for sale	**2,986**	**277**	**10.2%**	**4,509**	**418**	**10.2%**

TREASURY

Treasury operations in the third quarter of 2007 recorded a gradual decrease in trading volumes in the interbank market, offeset by an increase in direct funding from customers. In view of an increasingly effective management of the Group's liquidity, the completion of the "Abaco Project" (a specific procedure managed by the Bank of Italy) ensures the use of some categories of disbursed loans as a collateral for the transactions with the ECB (infraday advances, repurchase agreements). Therefore, as shown in the following table**, the consolidated (borrowing/lending) position increased, with the net interbank position at -EUR 2.6 bn improving with respect to 31 December 2006.**

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

	Parent Company 30/09/07	abs. Chg yoy	%	MPS Group 30/09/07	abs. Chg yoy	%
Amounts due from banks	37,471	7,717	25.9%	14,966	2,975	24.8%
Amounts due to banks	22,809	2,352	11.5%	17,518	1,641	10.3%
Net borrowing position	**14,662**	**5,365**	**57.7%**	**(2,552)**	**1,335**	**-34.3%**

C) 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 15 new issues in a total amount of EUR 678 mln (Parent Bank only), with structured bonds and plain vanilla bonds accounting for 26% and 74%, respectively;
- international operations – mainly targeted at institutional investors – with 4 new issues as part of the Debt Issuance Programme in a total amount of EUR 257 mln.

OPERATING RESULTS

The Finance Area of the Parent Bank made a contribution of EUR 159 million to total income, with a 33.1% decline year on year. This trend is due to the reducing contribution of the "strategic" portfolio and the trading component of the Finance Area as opposed to the growing contribution from Treasury. The Net Operating Profit, inclusive of costs, stood at EUR 133 million (-37.2%).

■ **Parent Company - Finance**

(in millions of euro)	30/09/07	% chg yoy
INCOME AGGREGATES		
Net interest income	30.7	-58.3%
Net commissions	20.3	-15.2%
Financial income (loss)	107.8	-22.8%
Net Financial income (loss)	**158.9**	**-33.1%**
Net adjustments for impairment of loans and financial assets		ns
Operating expenses	-26.0	0.0%
Net operating income	**132.9**	**-37.2%**

THE MANAGEMENT OF THE GROUP'S EQUITY INVESTMENTS

In 2007, the **Equity Investments Unit** partially sold the Group's investment in FINSOE, and disposed of its stake in Energia Italiana and its minority investments, in line with the provisions of the 2006-2009 Business Plan.

Following are the major changes in the Group's equity investments occurred in Q3:

1. Acquisition of new equity investments

Quadrifoglio Vita SpA: purchase by BMPS of 50% of the company's share capital from Banca Agricola Mantovana at the price of EUR 135 mln. This transaction is part of an agreement between BMPS and AXA which contemplates, as a further step, the purchase by BMPS of the remaining 50% stake of Quadrifoglio Vita from Unipol Spa (in compliance with past arrangements) and the following sale to Monte Paschi Vita (after AXA has purchased the controlling interest of MPV) of 100% of Quadrifoglio Vita.

Participation in capital increase/reinstatement and equity investments increases

The major transactions incorporate:

- the participation in the capital increase of Sorgenia Spa, with a 1.207% stake of the whole share capital, represented by 9,875,000 shares with a nominal value of EUR 98,750, at the total price of EUR 33 mln. This transaction is linked with the sale of the investment held in Energia Italiana which occurred during Q3 (see Sales of equity investments).

- The participation in the capital increase and the increase in the stake held in BASSILICHI SpA as a result of the reorganization which involved this affiliated company and the streamlining of its Group.

- the participation in the capital increases of (i) Aeroporto di Siena SpA, with an additional investment of EUR 573,000 (our interest went from 10.054% to 23.827%); (ii) PRO-MAC SpA with an investment of EUR 255,000 (our stake went from 4.111% to 5.195%);
- the increase in the investment in Asteimmobili.it SpA (from 3.509% to 5.087%) as a result of the purchase of shares from Interhol Srl (the additional investement amounted to EUR 50,000).

2. Disposal/Sales of equity investments

In addition to the total disposal of Saped Servizi and the partial sale of Evolution Bassilichi, during the third quarter of 2007 Banca MPS:

- sold a portion of the stake held in FINSOE SpA (Bologna). The stake sold to HOLMO SpA was 14.839% of the share capital, in a total amount of EUR 350,389,000.
  The remaining investment in the affiliated company is now 13.000%, with a value of EUR 252,032,000.
- sold the whole interest held in Energia Italiana (8.68%) to Sorgenia Spa at the total price of EUR 33 mln.
- sold its interest (i) of 0.767% in Finpuglia SpA to Finpuglia at the price of EUR 67,000, (ii) of 1.869% in Sviluppo Lazio SpA to the Region of Latium at the price of EUR 917,000, (iii) of 5.271% in Promosiena SpA to the Chamber of Commerce of Siena at the price of EUR 35,000;
- sold its 0.194% stake in Piaggio & C. SpA on the Stock Exchange market at the price of EUR 2,793,000.

Banca MPS also purchased the investments of Montepaschi Vita in the following companies at book value: (i) Bancasintesi SpA (2.423% - book value of EUR 339,000); (ii) Banca Monte Parma (8.266% - book value of EUR 24,752,000); (iii) Banca Popolare di Spoleto SpA (5.947% - book value of EUR 14,612,000).

At the Group level:

- MPS Capital Services sold its 14.948% stake in FLORENTIA BUS SpA;
- Banca Agricola Mantovana SpA (i) totally sold its interest of 0.117% in Aeroporto G.Marconi di Bologna SpA; (ii) partly sold its interest in Fiera Millenaria di Gonzaga Srl, disposing of 4% of the capital of the affiliated company out of a total stake of 6% held.

This is in addition to:

- The cancellation of the Stock Exchange quotation of Spoleto Crediti e Servizi scrl (29.012%);
- The voluntary winding-up of the subsidiaries San Paolo Acque Srl (100% - value: EUR 268,000) and DIPRAS SpA (100% - value: EUR 575,000), the affiliated companies Foligno Nuova SpA (1% - value: EUR 3,000) and P.B. Srl (7.851% - value: EUR 506,000);
- The merger by incorporation of SIA CED BORSA SpA (our stake: 2.815%) and S.S.B. SpA (our share: 7.700%), which was renamed SIA-SSB SpA, with the MPS Group now holding 5.195% of the capital at a book value of EUR 14,852,000;
- The sale agreement in relation to the sale of 55% of Biverbanca, signed by Intesa Sanpaolo and Banca Monte dei Paschi di Siena;

- The agreement for the purchase by Intesa Sanpaolo of a company which will play the role of depositary Bank of Banca Monte dei Paschi di Siena. The transaction will be executed subject to the necessary authorizations.

SERVICE COMPANIES AND MINOR COMPANIES

With reference to profitability:

- Mps Gestione Crediti Banca posted a net profit of EUR 2.79 million;
- Mps Immobiliare posted a net profit of EUR 18.6 million.
- Paschi Gestioni Immobiliari posted a net profit of EUR 0.5 million.
- MPS Tenimenti posted a net profit of EUR 0.7 million.

INSURANCE AREA

The life insurance companies **(Monte Paschi Vita and Monte Paschi Life)** posted consolidated net profits in the amount of EUR 76.5 million. On the property casualty front, the net profit of **Monte Paschi Assicurazione Danni** came to EUR 6.8 mln.

SECONDARY REPORTING

During the third quarter of 2007, the MPS Group continued to implement the programme of conversion of its international business as provided for by the **2007-2009 Business Plan** of the MPS Group International Banking Area. The Group's international business is strongly oriented to **supporting the foreign operations of domestic customers**.
Particular emphasis is placed on the **development and follow-up of the international expansion of the Italian SMEs,** in a logic of commercial penetration of new or emerging markets and assistance to foreign investment projects.
The major initiatives undertaken incorporate the programme concerning the domestic network and targeted at the sale of international products as a whole, and the development of relations with the customers operating in the international markets. After the pilot stage conducted in some SME Centres, the marketing programme for the sale of international products and services was extended to the whole domestic network.

The **main actions for the development of the MPS Group international network** include the following:

- The plan for restructuring the branches in Frankfurt, New York and London;
- The definition of the organization model of the new HUB network units, which will be in charge of co-ordinating the operations of the Group offices operating in the geographical area of their competence.

A newly-created bank, **Monte Paschi Monaco SAM,** took over the operations and business of the Montecarlo Branch of MP Banque.

OPERATING RESULTS

The trading volumes of the **International Banking Area**[2] progressed y-o-y in terms of loan portfolio.

Income from financial and insurance business amounted to EUR 74.7 million with a 4.7% increase with respect to September 2006. The net operating profit stood at EUR 11.7 million (+120.5% y-o-y), with the cost/income ratio at 86.1% (82.7% as of December 2006).

[2] As regards primary reporting, Income from the International Banking business is incorporated in the Corporate Banking/Capital Markets Area.

■ SEGMENT REPORTING - Secondary segment

(in millions of euro)

30/09/07	Foreign	% chg yoy
DATI ECONOMICI		
Net Financial income (loss)	**74.7**	**4.7%**
Net adjustments for impairment of loans and financial assets	1.4	ns
Operating expenses	-64.3	2.1%
Net operating income	**11.7**	**120.5%**
CAPITAL AGGREGATES		
Customer loans	2,517.3	25.3%
Due to customers and securities	14,194.0	123.4%
PROFITABILITY RATIOS		
Cost Income	86.1%	
Raroc	1.4%	

With reference to the foreign banking subsidiaries:

- **Monte Paschi Banque** posted a net profit of EUR 9.1 million (EUR 7.2 million as of 30 September 2006);
- **Monte Paschi Belgio** realized a net profit of EUR 2.8 million (+58.2% with respect to 30 September 2006).

INTEGRATED RISK AND CAPITAL MANAGEMENT

RISK MEASUREMENT AND CONTROL.
COMPLIANCE WITH BASLE 2 STANDARDS

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

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

The **Head Office** is responsible for ensuring compliance with the risk management policies and procedures. The **Risk Committee** prepares the risk management policies and checks overall compliance with the limits assigned at different 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 MPS 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 of the Parent Bank is in charge of the definition of 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 methods of analysis for the measurement of overall risks incurred in order to accurately and steadily measure and monitor risks, and quantify economic capital. The Unit produces daily and periodic reports for monitoring compliance with the operational limits set by the Board of Directors, on the basis of the internal models developed for the measurement of VaR and the sensitivity of the economic value of exposures to the various risk factors under exam.

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

The internal programme of development for compliance with the New Accord on Capital Adequacy (Basle II) was carried on in the third quarter of 2007 with the objective of obtaining the approval of the Regulatory Authorities for the advanced internal models for credit risks, operational risks and market risks.
In particular, the objectives of the programmes include: (i) with respect to the AIRB model in relation to credit risks, the direct involvement of the four commercial banks of the Group (Banca MPS, Banca Toscana, Banca Agricola Mantovana and Banca per l'Impresa); (ii) with respect to the AMA model on operational risks, the participation of 14 companies of the Group starting from the very first stage, including the above-mentioned commercial banks, which implies a huge organization effort. As to the internal model on market risks, the Group expects to involve, since

the very beginning, its Risk-Taking Centres holding outstanding positions from the viewpoint of the Held-for-Trading portfolio which represents the new trading portfolio for regulatory purposes (i.e. Banca MPS, MPS Finance BM and MP Ireland Ltd), in compliance with the regulations.

In compliance with Basle 2 Principles, the Group pursued its activities oriented to optimizing credit, market and operational risk management.

TYPES OF RISKS INCURRED

When operating in the markets, the MPS Group incurs different kinds of risks, which can be summarized as follows: credit risks, market risks, risks in relation to the trading portfolio, Banking Book interest rate risks (Asset & Liability Management), liquidity risks, equity investment portfolio risks, counterpart and issuer risks, operational risks, insurance risks, insurance risks in relation to the Group insurance companies, business risks, i.e. the risks of losses resulting from the volatility of the cost and income structure, reputational risks, other than operational risks, i.e. the possible deterioration of the customers' confidence in their bank.

All these macrofactors of risk which have a direct impact on the Group's assets are subject to regular measurement and monitoring by the **Risk Management Unit of the Parent Bank,** which produces periodic reports for the **Risk Committee of the Parent Bank** and, therefore, for the **Board of Directors,** and accomplishes other duties such as the determination of operational limits in relation to the categories of risk subject to limits**.**

As far as reputational risks are concerned, and in particular the risks regarding the products and portfolios of the Group customers which have an indirect impact on the Group's total assets as a result of potential impacts on the customers' assets, the latest re-organization assigned to the **Wealth Risk Management Unit, which reports to the Deputy General Manager-Private Banking/Wealth Management Area**, the task of measuring and monitoring such macrofactor of risk.

The analysis of the Economic Capital

The MPS Group – as developed by the Corporate Center Risk Management Unit of the MPS Group for all legal entities subject to risk measurement – adopted common methods of measurement of the economic capital, as the amount of minimum assets necessary to cover the economic losses resulting from unexpected events generated by different types of risks.

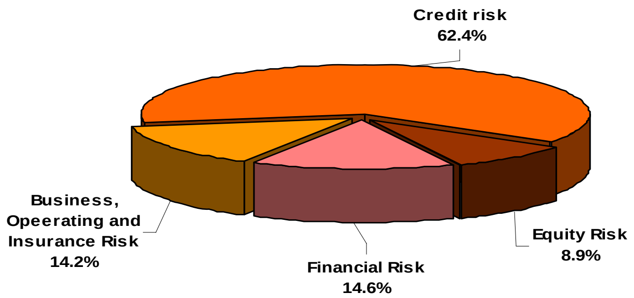
The major risks subject to measurement include: a) **credit risk** (including counterpart risk in relation to the portfolio for non-trading purposes**), b) market risks on trading book, c) interest rate risk registered in the Banking Book (ALM), d) operational risk,** and **e) Equity risk**, as the risk of losses originated by the Equity Investment portfolio, issuer's risk and counterpart's risk (trading book).

VaR measurements - which keep their "individual" value according to the ruling provisions and the international best practices - are determined with different holding periods and confidence intervals by risk factors, in compliance with the guidelines of the latest Regulatory Provisions on Banks issued by the Bank of Italy. The overall Economic Capital results from the measurement of each risk factor. Such measurements are standardized both in terms of time (yearly holding period) and selected confidence interval (99.93% in line with the rating level assigned to the MPS Group by the official rating agencies), and are subject to "intra-risk" and "inter-risk" processes of diversification. The final output shows the overall internal capital by Legal Entities, Business Units, Responsibility

Areas, 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 centralized level – for each Legal Entity, the corporate bodies of each entity are informed by a specific reporting adjusted to the specific business lines of the banks which are included in the consolidation area. To this end, the **Management Control and Reporting Unit** defines the Capital Allocation methods and proposals at different levels (i.e. Top Management, Areas and Business Units), makes **Capital Allocation** decisions and monitors any discrepancies with respect to budget objectives.

The above-mentioned risk measurements use the risk parameters provided for by the New Supervisory Regulations on Banks (i.e.Default Probability, Loss Given Default, Exposure at Default, Credit Risk Mitigation), and therefore follow their metrics, evolutions and updates according to the programmes of the Basle 2 Committee for the validation approach to the domestic Regulatory Authorities. The outputs of the Loan Portfolio internal Model developed and used by the Risk Management Unit of the Parent Company are essential to monitor credit risks, and are also used in accordance with different analysis guidelines such as a) the analysis of the evolution of risks and overall internal capital resulting from the application of the guidelines of the Business Plan and **Planning** estimates; b) the determination of reference values emphasizing the consistency of accounting provisions in compliance with IAS regulations; c) an “active” risk management through risk profile/return optimization techniques by kind of customer, legal entity and type of exposure; d) the use in internal management processes in compliance with the policies developed by the operating credit units; e) the use of credit risk in monitoring processes.

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - September 30th 2007



As of 30 September 2007, the Economic Capital of the MPS Group is attributable to credit risk (more than 62%), equity investment risk (abt.9%), business, operational and insurance risks (14.2%). The capital for management purposes with respect to financial risks (including the risks typical of the trading portfolio, the ALM-Banking Book and ALM in relation to life insurance) comes to 14.6% of the overall economic capital.

In this regard, the weight of the economic capital to insurance risk is decreasing as a result of the streamlining actions carried out by the Banking Group in relation to the equity investments held. Moreover, in Q3 the Group completed the modelling of sight items in relation to the measurement of the interest rate risk on the Banking Book and the relative effects are included in the measurement of shift sensitivity of interest income and economic value, as periodically produced by the Risk Management Unit. In addition, the Group started an in-depth review of liquidity risk, by

(i) improving the techniques of measurement of (short-term) operational liquidity and (medium-term) structural liquidity, (ii) setting new operational limits and (iii) drafting a fund planning plan and a contingency plan.

CREDIT RISK

In 2007, the MPS Group credit risk was analysed and monitored through the use of the Loan Portfolio Model developed by the Risk Management Unit of the Parent Bank which includes the positions of the most important legal entities of the Group.

The Loan Portfolio Model was developed in line with the most widespread quantitative techniques at an international level and incorporates: a) default probabilities (DP) stemming from internal rating models by kind of customers (Large Corporate, Small and Medium Enterprises, Small Business and Retail), mapped on a single masterscale; b) economic loss rates in case of default (LGD) resulting from the analysis of each multiyear series of recoveries and direct and indirect costs measured on the positions which are "closed" in default; c) the default exposure ratios to calculate the EAD; d) the data concerning the different kinds of guarantees (collaterals, financial collaterals and personal guarantees) securing each transaction.

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, thus ensuring the Group the opportunity of aggregating and representing risks for management purposes and on the basis of the requirements of the organization and operational entities of the MPS Group. With reference to the activities the Group is carrying out to prepare the ICAAP as contemplated by Pillar II of Circular Letter 263 of the Bank of Italy, the MPS Group is reviewing and finetuning the methods for the calculation of the matrix of inter-risk correlation for the purpose of innovating – if necessary – the existing calculation structure included in the Portfolio Model.

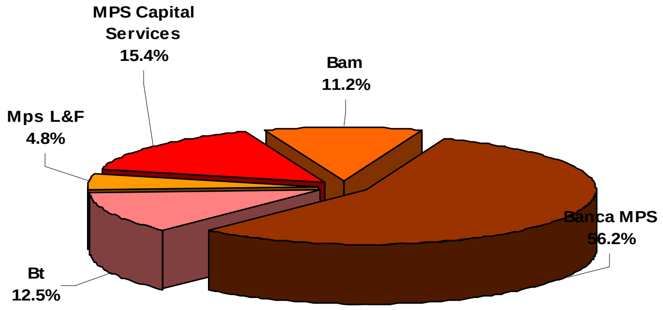
The output of the Loan Portfolio Model, which is included in the Risk Management Report periodically submitted to the Top Management during the meetings of the Risk Committee of the Corporate Center and circulated to the Top Management of Banca Monte dei Paschi di Siena, is diversified since it shows 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 summary measurements produced are represented by a) the Expected Loss, which indicates the expected average annual loss; b) the Unexpected Loss, which represents the difference of the loss measured with a 99.93% confidence level – in a calendar year – and the Expected Loss; c) risk measurements concerning the default portfolio (i.e. NPLs, watchlist credit, restructured loans, past due loans); d) the Economic Capital, which actually represents capital absorption for management purposes resulting from each position. This is flanked by specific stress testing analysis on some variables (default probability increase, increase in loss rates, decrease in the value of guarantees, increase in the margins available on loans subject to cancellation), aimed at checking the level of Expected Loss and Economic Capital which would be achieved on the basis of "extreme" but possible scenarios. However, as already mentioned, many innovations shall be introduced in the relative metrics during the fourth quarter of 2007 and early in 2008, in compliance with the projects contemplated in relation to Pillar II.

The internal rating models have been specifically developed on the basis of specific data of the Banking Group entities subject to validation, as occurred with the LGD parameters, which adopted a “work-out” method of estimate. Loss ratios have been calculated on the basis of recoveries and historical costs as measured by Banca MPS in relation to NPLs covering a period of several years, updated with appropriate rates and revised with the “cure-rate” method to adjust their extent to the definition of default used by the internal rating systems. The measurement of EAD is being developed, since the estimates also based on the workout method (like LGD) are being completed.

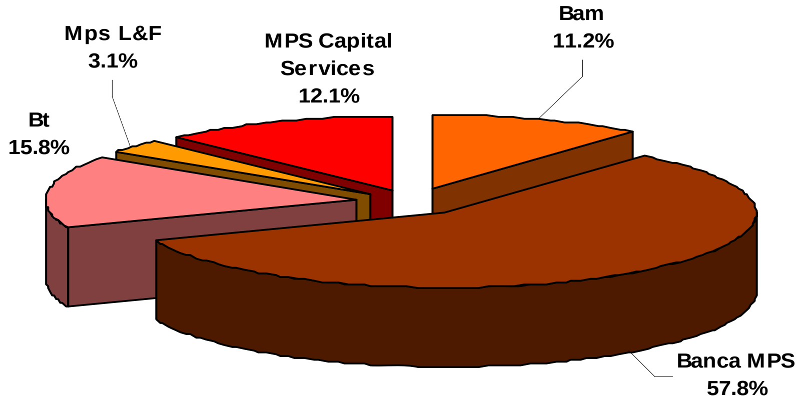
As of 30 September 2007, all risk measurements (i.e. Economic Capital, Expected Loss, Risk Exposures of the MPS Group) were virtually steady with respect to 30 June 2007.

Risk Exposure
(ex. Intra-Group operations)
MPS Group* - September 30th 2007

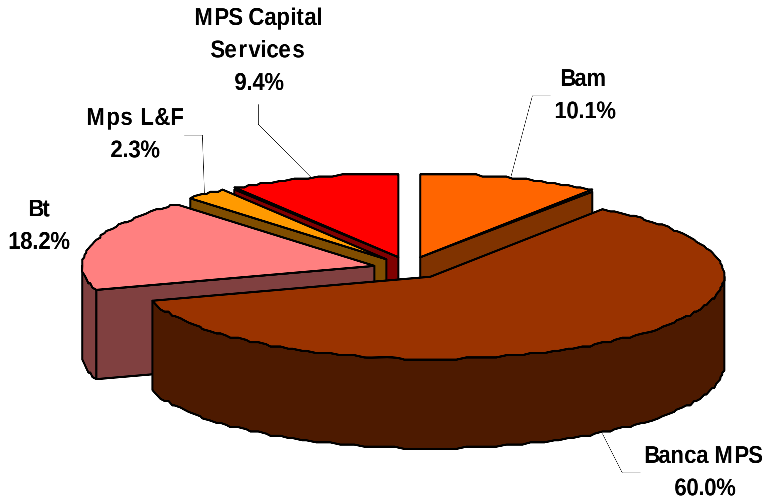


The graphs confirm the marginal contribution – in terms of Risk Exposure, Expected Loss and Economic Capital – of the three commercial banks (MPS, BT and BAM), MPS L&F and MPS Capital Services, which account for more than 86% of the MPS Group total loans.
The establishment of MPS Capital Services Banca per le Imprese, after the merger of MPS Banca per l’Impresa and MPS Finance on 10 September 2007, changed the breakdown of exposures between the different legal entities and increased its weight with respect to the MPS Group total. Risk measurements are steady. About 57.8% of the economic capital with respect to credit risk is attributable to Banca MPS (slightly decreasing with respect to June 2007), with Banca Toscana accounting for 15.8%, MPS Capital Services and Banca Agricola Mantovana for 12.1% and 11.2%, respectively, and MPS L&F for the remaining portion.

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - September 30th 2007



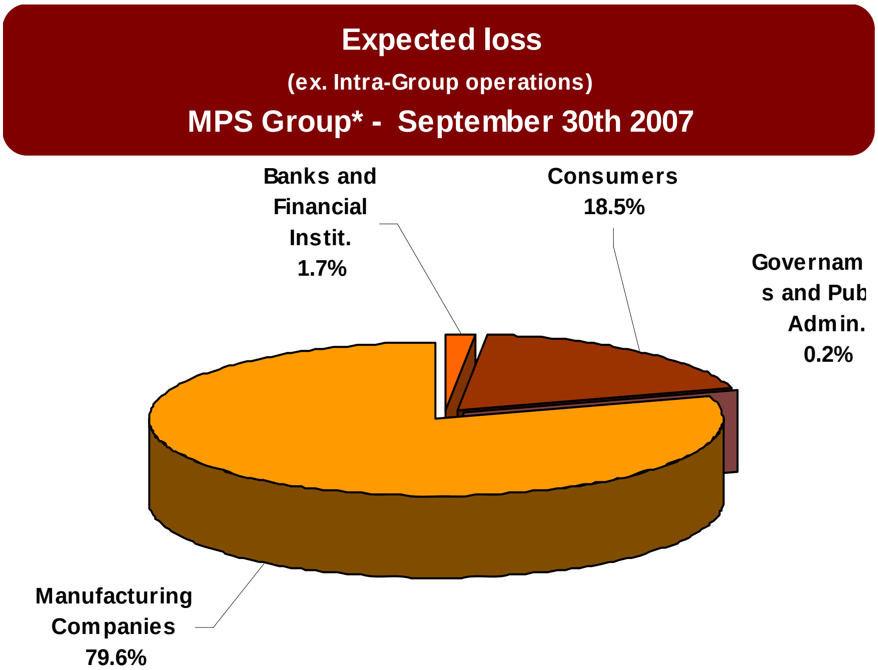
Expected loss
(ex. Intra-Group operations)
MPS Group* - September 30th 2007



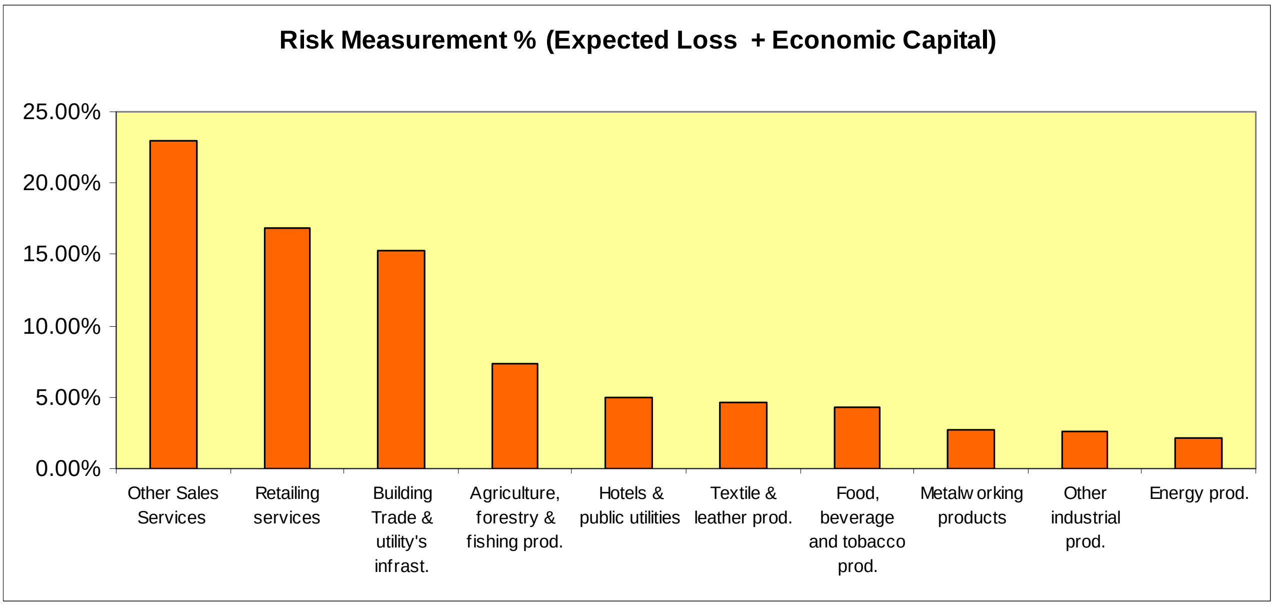
Banca MPS accounts for 60% of expected loss, which is steady in comparison with prior measurements, 15.8% is attributable to Banca Toscana with MPS Capital Services and BAM at 12.1% and 11.2% respectively. The remaining portion is attributable to MPS L&F.

The breakdown of the exposures of the MPS Group by customer segment shows that Corporate Customers and Retail Customers account for almost 77% of total loan disbursements. Banks and Financial Companies (15.4% of total) and Governments and Local Authorities (7.3%) absorb the remaining portion.

The graphs also show that Corporate Customers absorb more than 89% of the total economic capital, generating an expected loss of 79.6% of total. Retail Customers absorb 6.8% of the Economic Capital and generate an Expected Loss of 18.5%. Banks and Financial Institutions absorb 3.6% of total capital, with an Expected Loss of 1.7% of the MPS Group total.



A breakdown of the exposures of the top 10 business sectors - which account for almost 843% of overall lending - in accordance with the Bank of Italy classification shows that “Other Sale Services” (22.90%), “Trade Services” (16.8%) and “Building and Public Works” (15.3%) account for more than 55% of total risk measurements. They are followed by “Agricultural produces, forestry and fishing” and “Hotels and Shops”, accounting for 12% of total Expected Loss and Economic Capital.



THE RISK MANAGEMENT UNIT IS COMMITTED TO IMPLEMENTING STRESS-TESTING AND RISK INTEGRATION INSTRUMENTS FOR THE PURPOSE OF COMPLYING WITH THE PROVISIONS OF THE CIRCULAR LETTER DATED DECEMBER 2006 ISSUED BY THE BANK OF ITALY, COVERING CAPITAL ADEQUACY.

THE MPS GROUP MARKET RISKS

INTEREST-RATE RISK CONCERNING THE MPS GROUP BANKING PORTFOLIO

The term "Banking Book" refers, in compliance with international best practices, to all of the bank's commercial operations in relation to the transformation of maturities of assets and liabilities, Treasury, foreign branches, and hedging derivative instruments of reference.

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

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

■ MPS Group	30/09/07	
Risk indicators for shift of 100 basis point	**+100 bp**	**-100 bp**
Net interest income at risk / Net interest income	3.81%	5.07%
Economic Value at risk / Tier 1 capital	0.67%	1.30%
Economic Value at risk / Capital computed for regulatory purp	0.52%	1.00%

As of 30 September 2007, the MPS Group showed an asset-sensitive risk profile, i.e. a profile which is subject to a potential loss of economic value in the case of increasing interest rates. Interest margin at risk followed a steady trend during Q3 with respect to the value recorded in June 2007. These values take account of the stickiness of demand items, monitored for management purposes, which has a specific impact on liabilities and implies a benefit in terms of interest income in case of an interest rate increase.

LIQUIDITY RISKS

The overall structural liquidity profile is monitored quantifying the imbalances, by date of settlement, of the cash flows expiring mostly in the first months of the projection period.

Special emphasis is placed on the planning of funding policies at Group level, which is coordinated and directed by the Treasury and Capital Management Area of the Parent Bank, both with reference to ordinary bond funding and the issue of subordinated liabilities, and the extent of borrowing on the interbank market, in compliance with capital management requirements and the expected trend of the conversion ratio.

MARKET RISKS ON THE TRADING PORTFOLIO

Market risks are monitored for management purposes in terms of Value-at-Risk (VaR), both in relation to the Parent Bank and the other Group companies which are relevant as independent risk-taking centers. The MPS Group Trading Portfolio resulting from the joint portfolios managed by Banca MPS, MPS Capital Services banca per le imprese (merger of MPS Banca per le Imprese and a business unit of MPS Finance) and Monte Paschi Ireland is subject to monitoring. The portfolios of the subsidiaries with a commercial mission are virtually "closed" to market risk, excluding any remaining bonds issued, temporarily held in support of the operations with retail customers.

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

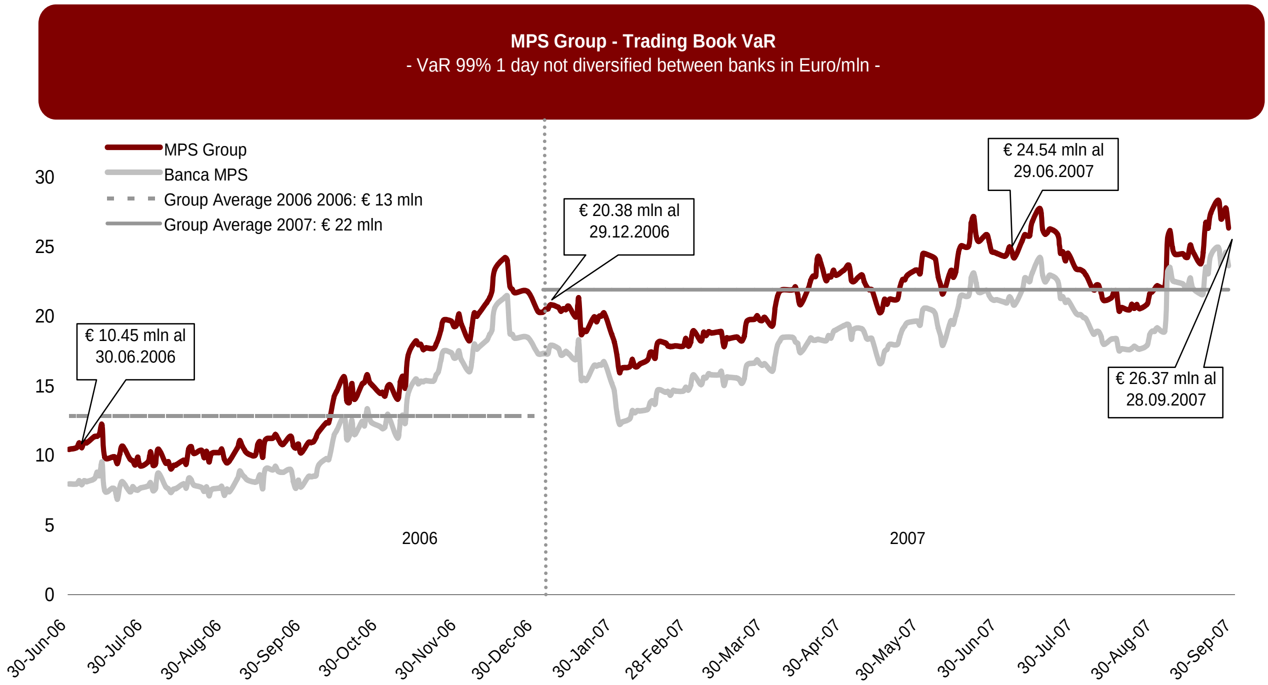
Operational trading limits, which are set by the Board of Directors, are expressed by level of delegated authority in terms of VaR, which is diversified and not diversified by risk factor. Limits of Maximum Acceptable Loss (MAL) are also set by level of delegated authority on a monthly and yearly basis. Such limits take account of both actual or potential earnings/losses (P&L), and the measure of risk on open positions (VaR).

Credit risk in relation to the trading portfolio is measured and monitored through credit spread sensitivity metrics. Operational limits which provide ceilings by counterpart and rating class are also set in relation to issuer risk, and equities and bond concentration.

The VaR values of the MPS Group do not take account of the benefit of diversification between banks. The VaR of each bank is totally diversified by risk factor, portfolio and traded instruments. With reference to the macrocategories of risk factor, a breakdown of the VaR includes Interest Rate VaR (IR VaR), Forex VaR (FX VaR) and Equity VaR (EQ VaR).

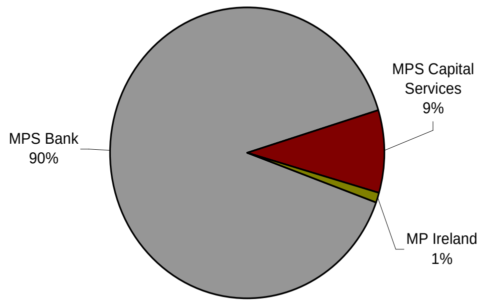
In addition, scenario analyses are regularly carried out in relation to interest rate risk, equities risk, foreign exchange risk and credit risk factors, starting from the results of the front office application.

In the first part of Q3 2007, the trend of the VaR was in contrast with the trend recorded in the first half of the year, hitting a quarterly low in the third decade of August and then rising again to a yearly high on 24 September 2007.



The VaR of the Group was still remarkably influenced by the risk trends in relation to the positions of Banca MPS. As of 28 September 2007 (the last business day in the quarter), the Parent Bank contributed with 90% of total risks, Capital Services with 9%, with the remaining 1% being attributable to the other banks.

MPS Group VaR - 28.09.2007

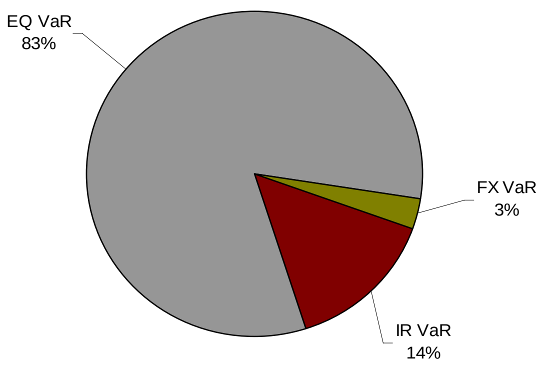


■ **Trading Book VaR: MPS Group**
VaR 99% 1 day not diversified between banks

	VaR (EUR mln)	Date
Min 2006	9.05	09/08/2006
Max 2006	24.22	18/12/2006
Average 2006	12.86	
	VaR (EUR mln)	Date
Min 2007	16.00	01/02/2007
Max 2007	28.35	24/09/2007
Average 2007	21.93	

During the first nine months of 2007, market risks measured as VaR fluctuated within a range of values which were higher than in 2006, with a low of EUR 16,00 mln on 1 February 2007 and a high of EUR 28.35 mln on 24 September 2007. The average increased by about EUR 9 mln with respect to 2006 (EUR 21.93 mln in the first nine months of 2007 vs. EUR 12.86 mln in 2006). End-of-period (as of the end of September 2007) total amounted to EUR 26.37 mln.

MPS Bank VaR -
VaR breakdown per Risk Factor



With specific reference to the Parent Bank, the second half of July and the month of August were characterized by the general fall of risk exposures for the purpose of reducing the effects of turbulence recorded in the credit and equities markets over the period. In September the exposure rose again, mainly due to a selective increase in the investments in the European and US equities markets. The VaR diversified between risk factors and portfolios showed an up-and-down trend during the third quarter of 2007, in line with the Group. This movement is mostly attributable to the Equity VaR trend, and only marginally to the Forex VaR and Interest Rate Risk VaR trends.

A breakdown of VaR by risk factor as of 28.09.2007 (the last business day in the quarter) shows that 83% of the Parent Company's portfolio was allocated to equity risk factors (EQ VaR), 14% was absorbed by interest rate risks (IR VaR) and the remaining 3% by forex risks (FX VaR).

■ Trading Book VaR: MPS Bank
VaR 99% 1 day

	VaR (EUR mln)	Date
Min 2006	6.86	19/07/2006
Max 2006	21.47	19/12/2006
Average 2006	10.25	
	VaR (EUR mln)	Date
Min 2007	12.26	01/02/2007
Max 2007	24.98	24/09/2007
Average 2007	18.57	

The average VaR of the first nine months of 2007 of Banca MPS came to EUR 18.57 mln (2006 average: EUR 10.25 mln). End-of-period (as of 28 September 2007) total amounted to EUR 23.65 mln (EUR 17.34 as of 31 December 2006).

OPERATIONAL RISKS

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

All domestic banking and financial components are included in the advanced approach (AMA). The basic method shall be adopted in the case of foreign companies and ancillary companies (at least at the beginning). The companies included in the "advanced approach" account for more than 90% of the Group net operating income (materiality threshold).

The advanced approach is designed so as to match all major qualitative and quantitative (LDA-Scenario mixed Model) information sources (information or data).

The quantitative component (Loss Distribution Approach) is based on the collection, analysis and statistical modelling of internal and external historical losses (DIPO). The model makes calculations on the basis of the 7 categories of events set by the Basle 2 Accord and used as risk classes, through the adoption of Extreme Value Theory techniques. The frequencies of occurrence are estimated only on the basis of internal data.

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of significant scenarios. In this framework, the companies are involved in the identification of processes and risks to be assessed, in risk evaluation by the responsibles for the processes, the identification of possible mitigation plans, common priorities and technical-economic feasibility of mitigation actions shared with the H.O. units on the basis of different scenarios.

The results of the collection of loss data in relation to the third quarter of 2007 confirmed the downward trend of operational riskiness, as reflected by the AMA model for the calculation of capital requirements. In particular, the Group is less subject to internal frauds, but its exposure to external frauds increased slightly. Such an increase is due to greater exposure of the Banking Industry to robberies.

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

"Wealth Risk Management" includes the whole of measurement and monitoring activities, and risk control processes concerning the investment services provided by the MPS Group to its customers. The major objective is to ensure total compliance of the customers' risk profile/return with the risk implicit in the products and portfolios held, for the purpose of avoiding and minimizing the occurrence of reputational risks, i.e. the deterioration of the customers' confidence in the Bank.

All investment products (of the Group and third parties) included in the product catalogue available to the Group customers are subject to specific risk evaluation, within the production-distribution process, by the Wealth Risk Management Unit, which directly reports to the Private Banking and Wealth Management Area. On the basis of the approach adopted, the Group calculates a summary risk indicator for each instrument, including any qualitative considerations on the financial structure and complexity, and a quantitative measurement (VaR) of market, credit and liquidity risk factors.

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

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

This paragraph updates the information included in the consolidated 2007 half-year report, required by Consob in relation to the Group exposure to activities in connection with sub-prime mortgage loans :

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

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

2) the amount of any financial products, which have, as underlying assets, said mortgage loans held by this 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, expiring on 20 December 2045 and S&P Rating AAA, with a market value of EUR 49 million as of 31 December 2006 and EUR 37.5 million as of 28 September 2007, posted to the profit and loss statement with an estimated loss of about EUR 11 million.
As a result of the deterioration of the sub-prime loan crisis and their market value, in the first decade of August the Parent Bank purchased protection and sold the benchmark index of the US real estate market (US RMBS) through 3 CDSs in a total nominal value of USD 180 million.
The portfolio of hedge funds and funds of funds was affected only marginally by the expansion of credit spreads, because only one fund in the portfolio (accounting for about 1.2% of the portfolio) is specialized in credit and holds no positions in the sub-prime segment.

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, the investigations conducted on the securities deposited with the Parent Bank BMPS, Banca Toscana, Banca Agricola Mantovana and Banca Personale proved that **no similar financial instruments have been issued by the Group** (structured bonds, funds, insurance policies, portfolios under management etc.).
In relation to similar products issued by third parties and distributed by the Group Networks, and in particular **third parties’ SICAVs, as of 30 September 2007 the total amount of third parties’**

funds existing in the securities deposits of the Group's customers and including sub-prime risk exposures declined to EUR 60.7 million approx. (EUR 75.2 approx. at the end of August 2007), or 0.054% of total securities deposited with the customers on that date. However, as of 30 September 2007, almost the total value of the SICAVs identified as a sub-prime risk portfolio had a very modest exposure directly attributable to such risk. **The funds which show the highest percentages of sub-prime risk within own portfolios under management have been assigned – during the process of assignment of a risk level to the products placed to the customers – intermediate-upper risk classes, in view of providing the customers with fair information on the potential risks of the products purchased.**

CAPITAL FOR REGULATORY PURPOSES AND PRUDENTIAL REQUIREMENTS

According to an estimate[3] of consolidated capital ratios, the solvency ratio was 8.9% (9.48% at the end of 2006) and Tier 1 ratio came to 6.3% (6.53% as of 31 December 2006).

[3] As is known, consolidated capital ratios are subject to reporting only on a half-year basis. Therefore, any values have been estimated in accordance with the ruling Regulatory regulations.

THE OPERATIONAL STRUCTURE AND OTHER INFORMATION

THE OPERATIONAL STRUCTURE

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

DISTRIBUTION CHANNELS

In the third quarter of 2007, the MPS Group continued its activity geared toward **developing and streamlining its distribution channels, with s**pecial emphasis placed on the **development of innovative channels**, with the objective of increasingly expanding the **multichannel credentials** of the MPS Group.

The **domestic branches** of the commercial banks of the MPS Group rose to **1,920** (+11 branches with respect to 30 June 2007). The Group's distribution network also incorporates roughly **700 financial promoters of MPS Banca Personale**, operating through 139 financial promoters' offices and the specialists' centres (SMEs, Local Authorities, Private).

MPS GROUP DISTRIBUTION NETWORK

Channel	30.09.07	31.12.06
Domestic branches*	1.920	1.903
Financial Promoters Offices	139	139
Total domestic sales outlets	2.059	2.042
Foreign branches	37	36
SME Business Centres	112	107
Institutions Business Centres	39	38
Private Business Centres	67	60

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

The MPS Group pursued the process of development of the traditional branches which became **advanced centres of customers' relations**. To this end, the "**Filiale del futuro" (Branch of the future)** project, in co-operation with **Microsoft,** became operational with the opening of the first two branches (Siena City Branch no.9 MPS – Florence City Branch no.15 BT). The review of the layout of the branches is part of the wider "**Banca Infinita**" project. This new integrated multichannel service ensures the Group customers a fast and secure access to all direct services (via the Internet, mobile and phone banking) **through the use of a new electronic key which automatically generates a one-time password.** The integrated multichannel product was released to **31 MPS branches and 35 BT branches** in the third quarter of 2007.

During Q3, the number of Customers using the following channels continued to increase steadily:

- **Home Banking and Mobile Banking contracts** (**mostly with Retail customers**) topped 740,000 contracts, with a 28.6% increase compared to December 2006;
- **Internet Corporate Banking contracts** (UNI EN ISO 9001/2000 certified in relation to Banca MPS) came to 158,000, with a 5.5% increase compared to December 2006;
- **Internet Corporate Banking contracts in relation to Local Authorities and the Public Administration** stood at 1,235 with a growth of roughly 13.4% in comparison with 31.12.2006.

ON-LINE CHANNELS - Executory Contracts

Channel	30.09.07	31.12.06	Var%	% weight
Home Banking	652.672	519.327	25.7%	72.40%
Internet Corporate Banking	158.387	150.099	5.5%	17.60%
ICB Institutions	1.235	1.089	13.4%	0.10%
Mobile Banking	89.155	57.483	55.1%	9.90%
TOTAL	901.449	727.998	23.8%	100.00%

As of 30 September 2007, the **Group ATMs numbered 2,340 units** (+5.6% in comparison with 31 December 2006).

The programme of **migration to the microcircuit** continued with 57% of the Group's ATMs migrating as of 30 September 2007, in compliance with the new regulations. This was flanked by the adjustments to the **ADA regulations** (handicapped regulations) with reference to the material position of plants and software issues (interface of access with audio functions).

The Group has also tested the **smart payment** service with satisfactory results. Advanced ATMs were installed in 35 sample branches, with a steady growth of the percentage of migration with respect to total cash payments, and peaks higher than 30% in some branches.

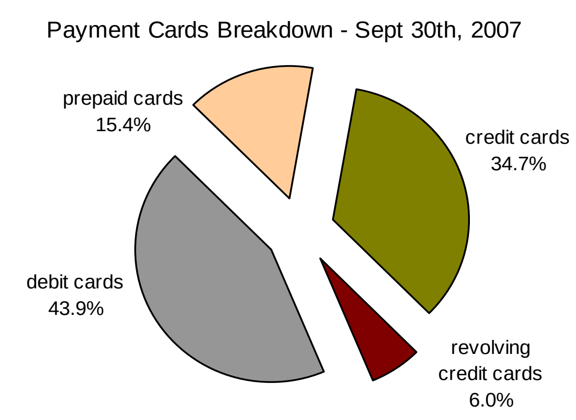
PAYMENT AND COLLECTION SYSTEMS

The services in relation to payment systems are aimed at **enhancing functionality and improving quality,** in a logic of satisfaction of retail and corporate customers.

Within the process of standardization of the payment systems in the Eurozone, the MPS Group is prepared to provide its customers the new **SEPA Credit Transfer service,** which will be available effective January 2008. In addition, the MPS Group started the tests for participation in SEPA as provided for by the European Banking Association (EBA) in line with the planned schedule.

As of 30 September 2007, the Group had installed 73,107 **POS** terminals, in progress with respect to 31 December 2006. The **migration to the microcircuit** continued, with about 60% of total terminals compliant with the new safety regulations.

As of 30 September 2007, the **MPS Group credit and debit cards** (distributed by the Group's banks) numbered **about 2,287,759**, with a 7% increase in comparison with 31.12. 2006.



The fastest growing compartment incorporates revolving cards, with a progress of 54% in comparison with 31 December 2006, especially due to the success of Spider Card.

On the front of research and development, as a result of the marketing of **Spider Card (**which was awarded a prize by Milano Finanza as the "most innovative revolving card of 2007") and the high quality of the other prepaid cards, the Group was able to start new **co-branding projects with Companies and/or Local Authorities** for the purpose of increasing supply to specific attractive targets, including university students.

For instance, after the **agreement entered into with the University of Catania**, the Group will issue Spider Cards to the professors, employees and students of the University in December-January 2008. Spider has the typical characteristics of a payment card and **a bar code which ensures the identification and the use of the services made available by the University**.

HUMAN RESOURCES

As of 30 September 2007, the management of human resources was in compliance with the strategic guidelines indicated by the 2006-2009 Business Plan and with Budget programmes, and was oriented to:

- Consolidating – as a priority - the *professional skills of front office resources*, with special focus on customers' relations management and a proactive approach to the customers;
- Ensuring the best solutions to fill *key business roles*, with professional, training and career paths, with particular emphasis placed on the young through specific systems of identification, follow-up and support their growth;
- Implementing plans to develop the *Management*, with the definition of a new framework of behaviours for the implementation of the Plan objectives and the related systematic mapping of managerial qualities;
- Implementing specific programmes of *requalification and retraining* of the resources freed up by the projects of organization review, for the purpose of improving front end/back office ratios.

STAFFING

As of 30 September 2007, the MPS Group[4] had a total of 24,387 employees (24,325 *in terms of actual workforce*)[5], with a decrease in staffing of 2,092 y-o-y and of 2,155 with respect to 31.12.2005 (*base line* of the Business Plan), mostly attributable (-2,084 staff units) to the termination of the tax collection business as of 1 October 2006 (transfer to Inland Revenue).

MPS GROUP STAFFING

		31/12/02	31/12/05	30/09/06	31/12/06	30/09/07
Banking activity staff		*25,087*	*24,386*	*24,564*	*24,348*	*24,387*
Tax collection activity staff		*2,952*	*2,156*	*1,915*	*0*	*0*
	Total	**28,039**	**26,542**	**26,479**	**24,348**	**24,387**
MPS GROUP WORKFORCE						
Banking activity staff			*24,303*	*24,478*	*24,262*	*24,325*

** Base line of the 2003-2006 Business Plan*

The decrease in total personnel was flanked by a considerable remix, with a staff increase in the Network of about 1,743 employees since the beginning of the Plan (+781 since January 2007) resulting from the following initiatives (gradual data since the beginning of the Plan):

- **considerable *outflows of personnel with high seniority and hierarchical level* (abt.800 employees out of 1,560 retirements as a whole)**, as a result of the application of the Early Retirement Plan and the Solidarity Fund, mostly concentrated on Head Office[6] units;

[4] Employees on the payroll of the Group companies consolidated on a line-by-line basis, according to the new IAS accounting principles.
[5] The personnel seconded to companies external to the Group and part-time cleaning staff (1st Area) are deducted from employees on the payroll.
[6] Parent Bank, Head Offices, Geographical Areas, Product and Service Companies.

- ***introduction of new high-potential young recruits* (about 1,500 employees), almost totally in the Network[7],** according to the requirements of the programmes of geographical expansion (Branch Plan) and the targeted consolidation of other commercial units (firstly, SME Centers and Private Centers);

- **introduction in the Network of more than 700 resources coming from the Head Office**, freed up as a consequence of the organization integration projects outlined by the Business Plan, with staff re-qualification paths contemplating operational and training experiences at an individual level.

The back office/front office ratio declined to 26% (42% as of 31.12.2005).

The first half of 2007 had been characterized by new recruitments in the Network (+480 resources out of a total of 570 recruitments since the beginning of 2007) in accordance with the Branch Plan, for the purpose of arranging training paths in advance and feeding the replacement chain. In particular, the first early retirements involved H.O. personnel in the third quarter of 2007 (about 240 resources with termination of their labour contracts effective as of 1 October 2007). Additional retirements are expected to take place in the final months of the year.

The tables below show the distribution of the MPS Group's workforce by job category and, with reference to the domestic bank network, by operational location.

BREAKDOWN OF STAFF BY JOB CATEGORY

Category	Actual Number	% of Total Workforce
Executives	487	2.0%
Managers	7,027	28.9%
Other Professional Areas	16,811	69.1%
TOTAL	**24,325**	**100%**

WORKFORCE BY BANK

			Actual Workforce 30/09/07	Inc. %
BANCA MONTE DEI PASCHI DI SIENA	H.O. (Capogruppo Bancaria and back office)		1,824	14.5%
	GEOGRAPHICAL AREA		1,768	14.0%
	FRONT OFFICE & CALL CENTER		8,993	71.5%
		TOTAL	**12,585**	**100%**
BANCA TOSCANA	H.O.		490	12.5%
	GEOGRAPHICAL AREA		281	7.2%
	FRONT OFFICE		3,141	80.3%
		TOTAL	**3,912**	**100%**
BANCA AGRICOLA MANTOVANA	H.O.		487	15.9%
	GEOGRAPHICAL AREA		189	6.2%
	FRONT OFFICE		2,387	77.9%
		TOTAL	**3,063**	**100%**
TOTAL COMMERCIAL BANKS	H.O.		2,801	14.3%
	GEOGRAPHICAL AREA		2,238	11.4%
	FRONT OFFICE		14,521	74.2%
		GRAND TOTAL	**19,560**	**100%**

(*) Incl. Call Center (131 staff units)

[7] Branches, SME Centers, Private Centers, Local Authorities Centers and H.O. of Geographical Areas.

Average age is 41.8 years with a downward trend (42.7 years at the end of 2005).

In particular, following is the distribution of the Parent Company's workforce by job category:

	Category	Total	%
PARENT BANK	Executives	147	9.9%
	Managers	704	47.2%
	Other Professional Areas	641	43.0%
	TOTAL	**1,492**	**100%**
H.O OF BMPS commercial bank di	Executives	94	0.8%
	Managers	2,643	23.8%
	Other Professional Areas	8,356	75.3%
	TOTAL	**11,093**	**100%**
INTERNATIONAL BANKING (*)	Executives	5	3.2%
	Managers	54	35.1%
	Other Professional Areas	95	61.7%
	TOTAL	**154** (**)	**100%**
TOTAL BANCA MPS S.p.A.	Executives	246	1.9%
	Managers	3,401	26.7%
	Other Professional Areas	9,092	71.4%
	GRAND TOTAL	**12,739**	**100%**

(*) Foreign branches and representative offices.

(**) of whom 130 have foreign contracts

In terms of academic credentials, the percentage of personnel with degrees is significant, particularly in the case of the Executives:

BMPS PERSONNEL: MIX OF CREDENTIALS

JOB GRADE	% of university graduates	% of other diplomas
Executives	47.6%	52.4%
Managers 4/3 Level	33.9%	66.1%
Managers 2/1 Level	24.9%	75.1%
Other Professional Areas	30.6%	69.4%
TOTAL	**30.6%**	**69.4%**

Bank employees are young (around 37% under 40) and have relatively limited seniority. Women account for a significant, steadily increasing percentage of staffing (41.4% vs. 39.5% as of 31 December 2005):

BMPS PERSONNEL: MIX OF CREDENTIALS

AGE	% female	% male	% of total
Up to 30 years	5.3%	4.9%	10.2%
31 to 40 years	14.5%	12.0%	26.5%
41 to 50 years	15.8%	19.5%	35.4%
Over 50 years	5.8%	22.2%	27.9%
TOTAL	**41.4%**	**58.6%**	**100%**

BMPS PERSONNEL: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% female	% male	% of total
Up to 10 years	16.4%	20.4%	36.8%
11 to 20 years	11.8%	12.3%	24.1%
21 to 30 years	10.0%	11.5%	21.5%
Over 30 years	3.2%	14.4%	17.6%
TOTAL	**41.4%**	**58.6%**	**100%**

OPERATIONAL STRATEGIES

Following are the most significant initiatives carried out during the third quarter of 2007, within the above-mentioned strategic framework and the *new model of development of human resources*:

- the implementation of the *professional paths for the BMPS network, Banca Toscana and Banca Agricola Mantovana*, oriented to ensuring growth in a logic of planning through sequences of roles, working experiences in support of other staff and training classes. The second stage, also involving H.O. units, is expected to start at Banca MPS by the end of 2007;

- the implementation within the MPS Network of the *2006 review of PaschiRisorse*, an instrument which measures the distinctive features of each role and checks whether each employee is suitable for the profiles set. During Q3, all Heads of human resources were trained for the effective management of the interview held upon delivery of the appraisal report to each employee. The stage of review is expected to be extended to the H.O. units by the end of the year;

- the *structured mapping of managerial qualities* which involved about 450 Group executives. One of the basic objectives of this initiative is to feed the “succession planning” model (managerial continuity plans), in support of the decisions adopted for filling responsibility positions, and the programmes of managerial consolidation;

- the inauguration of *development plans in relation to the positions having a high impact on business (hierarchical levels higher than Junior Managers - 2nd level)*. The initiative is oriented to filling – in a planning logic – key responsibility positions within the Network and introducing professional specialists at the Head Office, with priority for 2007 being given to the positions of Head of SME Center and Head of Private Center, and human resources being selected and trained through appropriate professional experiences and managerial training classes;

- the definition of the *model of enhancement of excellent resources* for the purpose of increasing the knowledge of the individual potential of all employees, and in particular young employees, in order to direct their professional development and create an organic channel to feed the future Group Management.

With reference to *training* in a logic of consolidation of specific professional skills, according to the provisions of the 2007-2009 Training Plan, the following components are of importance:

- in relation to the *technical-professional* component, the consolidation, in a logic of specialization, of the key skills of the Network resources through initiatives conducted on Small Business managers, Affluent customers managers, SME managers and specialists in foreign products and services, for the purpose of developing proactive customers' relations in compliance with the strategic guideline of leadership at the service of customers;

- in relation to the *managerial* component, the growth of strategic skills, with a focus on Network positions and, in particular, Branch Managers.

As of 30 September 2007, training hours totalled more than 735,000 hours (classes and online courses) mostly concentrated (over 85%) on the roles targeted at developing sales and lending, including ISVAP Regulation classes with the certification of more than 5,500 Group insurance policy dealers, in addition to the MIFID Project classes, targeted at all front-end personnel.

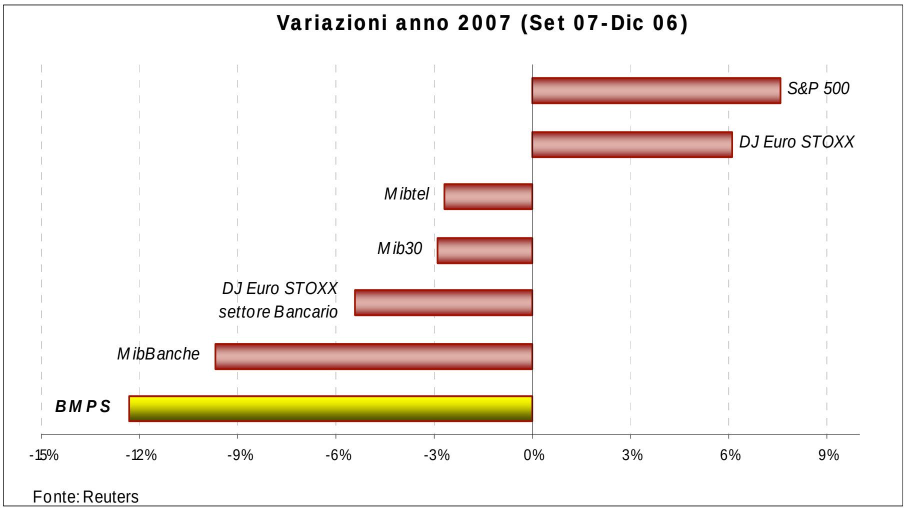
An *application integrated* with the online platform was developed and distributed to all human resources managers for the purpose of planning individual training, in accordance with the roles filled, on the basis of the skill gaps identified during the PaschiRisorse review of skills.

Finally, as regards *industrial relations*, the MPS Group continued to negotiate with the Unions in relation to the implementation of the Business Plan projects implying organization reviews with an impact on the staff working conditions (professional re-qualification, mobility etc.). In particular, the third quarter of 2007 was characterized by the activation of Group contractual procedures in relation to projects of reorganization/restructuring which involved several companies.

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

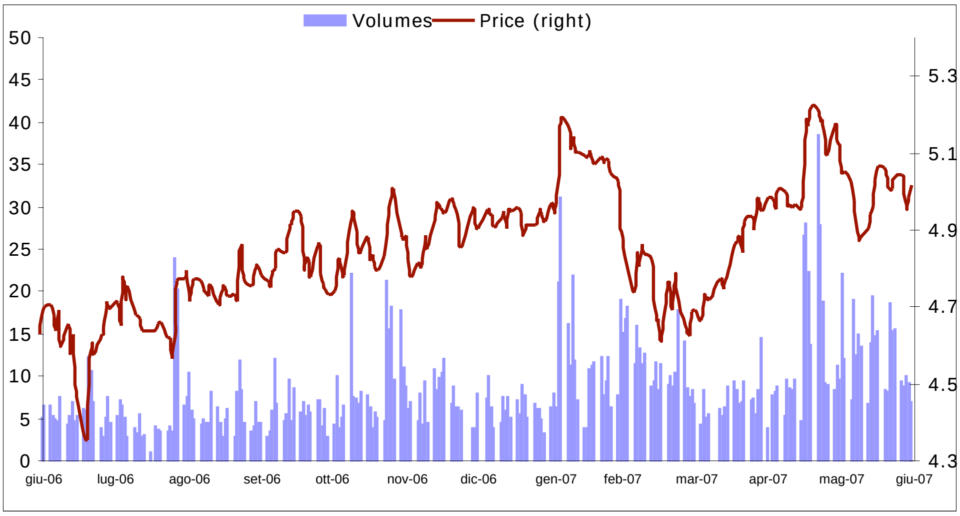
PRICES

In general, the trend of the major share indices was characterized by ups and downs over the past nine months (DJ Euro Stoxx + 6.1%, S&P 500 +7.6%, Mibtel -2.7% and Mib30 -2.9%), with a particularly adverse third quarter as a result of the crisis associated with the subprime mortgage loans which caused sales especially in the financial sector (e.g. MibBanks index -9.7%; DJ Euro Stoxx Banks -5.4%).



The Bank's shares closed the third quarter of 2007 at EUR 4.30 with a 12.3% decrease with respect to the beginning of 2007. The Bank's shares hit a high at EUR 5.34 on 22 May 2007 and a low at EUR 4.26 on 17 September 2007, as a result of the general market drop in Q3.

TREND OF SHARE PRICE (from 30.09.06 to 30.09.07)



STOCK PRICE – Statistical Summary (from 01/01/07 to 09/30/07)

Average	4.85
Low	4.26
High	5.34

CAPITALIZATION AND SHAREHOLDERS' BASE

As of 30 September 2007, the market value of BMPS computed on the basis of 3,023,204,365 (ordinary and preferred) outstanding shares was close to EUR 13 billion.

REFERENCE PRICES AND CAPITALISATION – SUMMARY

	12.31.06	09.30.07
• Price (EUR)	4.91	4.30
No. ordinary shares	2,454,137,107	2,457,264,636
No. preferred shares	565,939,729	565,939,729
No. savings shares	9,432,170	9,432,170
Capitalization (ord + pref) (EUR M)	14,828	12,999

With reference to the Bank's shareholders' base, on the basis of the reporting to BMPS and the Italian Securities Commission (CONSOB) in compliance with art.120 of Legislative Decree no.58/98, as of 30 September 2007 the major shareholders were: the MPS Foundation (the majority shareholder, holding 49% of the Bank's ordinary share capital); Caltagirone Francesco Gaetano (4.71%); Hopa S.p.A. (3.00%); Unicoop Firenze (2.98%); Carlo Tassara S.p.A. (2.46%):

■ **Main Shareholders** **in compliance with art.120 of Legislative Decree no.58/98**

Fondazione MPS	49%
Caltagirone Francesco Gaetano	4,71%
Hopa S.p.A.	3.00%
Unicoop Firenze – Società cooperativa	2.98%
Carlo Tassara S.p.A	2.46%

VOLUMES

The number of BMPS shares traded on a daily basis averaged around 10 million, with a peak of 38.5 million in May and a low of 3.2 million in August 2007.

MONTHLY VOLUMES OF SHARES TRADED

SUMMARY

	(mln)
January	162
February	252
March	251
April	138
May	316
June	261
July	194
August	195
September	166

MAIN MARKET MULTIPLES

Turning to market multiples, the Bank's shares were trading at the end of September 2007 at a multiple of 11 times projected earnings for 2008. The ratio of price to book value was 1.7 for 2006.

MARKET MULTIPLES (in EUR)

	Sept' 07
Price/earnings per share	11,0
P/BV	1,7

DEBT RATING

On 16 January 2007 **Standard & Poor's upgraded the outlook** of Banca Monte dei Paschi di Siena, Banca Toscana and Banca Agricola Mantovana from "stable" to "positive", thus confirming the gradually improving profitability of the whole MPS Group. Long-term and medium-term debt ratings were confirmed.

On 13 April 2007 **Moody's upgraded** the long-term debt rating of BMPS from A-1 **to Aa3,** as a result of the application of a new method of valuation. Short-term rating was P-1 and the outlook remained stable.

Following are the debt ratings as of 30 September 2007:

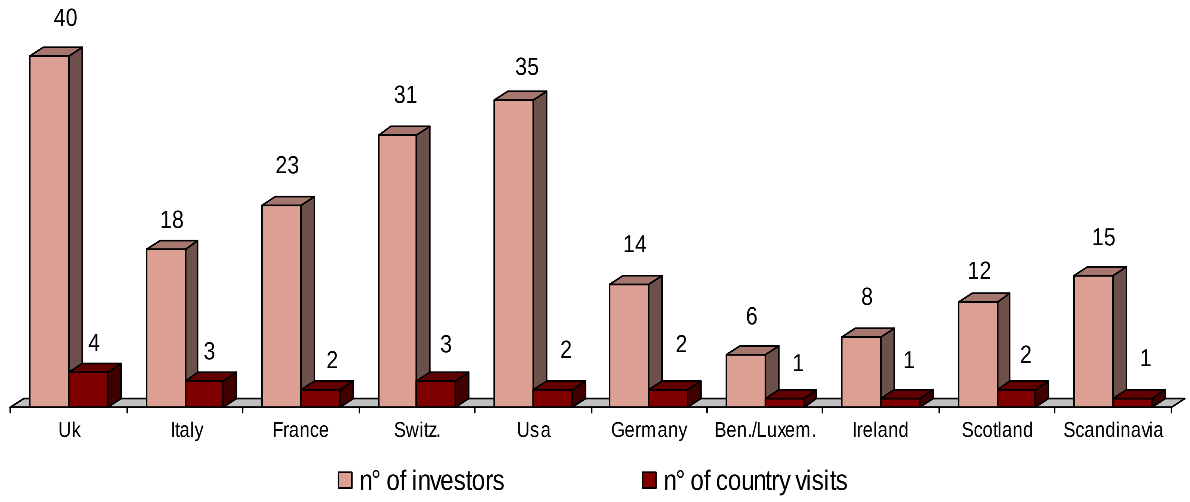
Rating Agencies	Short term rating 09/30/2007	Medium/Long term rating 09/30/2007
Moody's Investors Service	P - 1	Aa3
Standard & Poor's	A - 1	A
Fitch Ratings	F - 1	A+

INVESTOR RELATIONS IN 2007

In the first nine months of 2007, the Investor Relations team interacted proactively with the financial community, and further accelerated marketing activities, in line of continuity with 2006.
Following are the major initiatives undertaken over the period:

- Participation in 7 conferences arranged by the most important international brokers;
- 22 Equity Roadshows in the major financial centres;
- 1 Fixed Income Road Show in the USA.

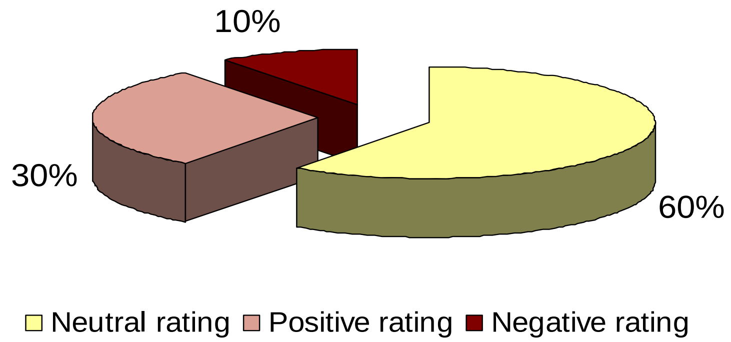
As a whole, the Investor Relations Unit orchestrated meetings with about 200 investors (including the investors met more than once in 2007) in 10 different countries. Following is the breakdown by geographical area:



For the first time in the Investor Relations activity of MPS, on 3 July 2007 the Group organized an Analyst Day fully dedicated to the sell-side world, with the participation of 35 brokers representing all the brokerage firms dealing with BMPS shares.

BMPS SHARES RECOMMENDATIONS

30% of the analysts covering BMPS shares as of 30 September 2007 maintained a positive outlook, 60% maintained a neutral stance on the stock and 10% had a negative outlook.



DIRECTORS' INTEREST AND TRANSACTIONS WITH RELATED PARTIES

On several occasions (on 13 November 2002, 19 February 2004 and 15 May 2006) the Bank's Board of Directors examined the issues concerning the obligations of bank representatives and directors' interest, in compliance with the ruling regulations (art.2391 of the Civil Code, art.136 of Legislative Decree no.385 of 1 September 1993 – Banking and Consolidation Act – as amended by Law no.262/2005 – Banking Act).

Pursuant to the above-mentioned art.136 of the Banking Act, the representatives of banks and companies belonging to banking groups (directors, statutory auditors, alternates, CEOs) are forbidden to undertake any obligations of any nature whatsoever or enter into purchase and sale agreements, directly or indirectly, with the bank or company, or execute any loan transactions with other Group companies or banks, subject to prior favourable resolution of the Board of Directors, passed unanimously and by the favourable votes of all members of the Board of Directors, and with the assent of the Parent Company in the case of a transaction carried out with the company the representative belongs to or another Group company.

Law no.262/2005 included a new **paragraph 2-bis** in art.136 of the Banking Act. The paragraph extends the above-mentioned procedure to the obligations with:

(a) companies controlled by the representatives of the bank or another company belonging to the banking group;
(b) companies where these individuals have duties of administration, management and control;
(c) subsidiaries or companies which control said companies.

By the above-mentioned last resolution of 15 May 2006, the Board of Directors resolved to request each bank representative to issue a specific statement indicating:
i) the companies where he/she is a partner with unlimited liability;
ii) the companies where he/she has a significant interest (also indirectly);
iii) the companies controlled by him/her;
iv) the companies where he/she has duties of administration, management or control;
v) the subsidiaries which control or are affiliated with the companies as per iii) and iv).

This is done for the purpose of enforcing said procedure pursuant to art.136 of the Banking Act in the cases of obligations undertaken with the bank representative with the bank which he/she administers, manages or controls or with group banks:

- directly, as a contracting party or with unlimited liability for third parties' obligations;
- indirectly, through third parties (individuals or corporate bodies) with a fictitious or real nature.

° ° ° °

The Bank's Board of Directors has adjusted the Code of Conduct for transactions with related parties in accordance with the changed regulations of reference. In view of the adoption of CE Regulation no.2238/2004 of 19 December 2004 in relation to the International Accounting Principles, Consob amended the Issuers' Regulation and made reference, with respect to the definition of related parties, to the (CE) Regulation no.1606/2002 of the European Parliament and Council (hereinafter IAS principle 24). The Code of Conduct also takes account of the provisions concerning the definition of "connection" and "significant influence" of the international accounting principle in relation to investments in affiliated companies, as per (CE) Regulation no.1606/2002 of the European Parliament and Council (hereinafter referred to as IAS 28) and art.2359, par.3, of the Civil Code, in addition to the provisions concerning the types of subject transactions and supplementary notes to the financial statements on outstanding transactions and balances with related parties of IAS 24. The general concept of "Related Parties" in said Code of Conduct is based on the following criteria:

a) ***Group correlation***, which involves controlling interests, connections and relations of significant influence which directly affect the Bank and its Group;
b) ***Direct correlation,*** which includes corporate officers (Directors and Statutory Auditors), the Chief Executive Officer and the Executives vested with powers given by the Board of Directors (i.e. Deputy Chief Executive Officers, the General Manager of the BMPS Commercial Bank Division, the Heads of the Parent Bank's Areas and of the BMPS Commercial Bank Division Units, who have independent decision-making authority in relation to loan disbursements), in addition to the members (also indirectly) of shareholders' pacts as per art.122, par.1, of Legislative Decree no.58/98, in relation to the exercise of voting rights in the Shareholders' Meetings of BMPS, if such pacts authorize the exercise of a significant influence on BMPS;
c) ***Indirect correlation,*** with respect to Close Family Members of the individuals mentioned under a) and b), being it understood that such family members can potentially influence, or be influenced by, the individual in connection with BMPS, and the parties controlled, or jointly controlled by the individuals participating in the above-mentioned shareholders' pacts, or where said individuals have a significant influence or hold, directly or indirectly, a considerable portion of voting rights.

In addition, said transactions (i.e. transactions carried out by the Bank – including through subsidiaries – with its own related parties) consist of: (i) *Ordinary Transactions* (with no particular distinctive features), (ii) *Significant Transactions* (which imply an obligation of public disclosure pursuant to art.71 bis of the "Issuers Regulation" adopted by Consob resolution 11971), (iii) *Relevant Transactions* (which cannot be considered as Significant Transactions, but show atypical and/or unusual elements).

It was decided that Ordinary Transactions shall be approved in accordance with the authorities established by the existing system of decision-making authorities adopted by the Bank. Significant Transactions and Relevant Transactions fall within the competence of the Board of Directors (subject to the authorities in the case of an emergency, as provided by the Bank's Articles of Association). If the nature, the value or the additional characteristics of the transactions do so require, the Board of Directors may decide that its considerations are supported by the opinions of one independent Advisors or several independent Advisors, covering the economic terms and/or the technical structure and/or the legal aspects of the transactions.

It was also decided that the Subsidiaries, in relation to the transactions to be conducted with the Bank's Related Parties, shall adopt the Parent Company's Code and adjust it in compliance with their decision-making levels, with specific and prompt notices to be given to the Parent Company with reference to said transactions.

The "obligations of banking representatives" pursuant to art.136 of Legislative Decree no.385 of 1/9/1993 (Banking Consolidation Act) remain unchanged.

* *

Infragroup transactions between Banca MPS and the Group's Related Parties – and the transactions executed with other Related Parties which fall within the subjective scope of application of the

Code - have been conducted on the basis of valuations of mutual economic benefit and at market values.

MATERIAL EVENTS SUBSEQUENT TO 30 SEPTEMBER 2007

Following is a summary of the most significant events which occurred after 30 September 2007:

- **On 1 October 2007**: offering of exchange of 100% of the ordinary shares of Borsa Italiana S.p.A. with newly-issued (issued by LSE on 2 July 2007) shares of the London Stock Exchange Group plc, with a capital gain of EUR 155 million, before the fiscal effect, which will contribute to the profits/losses for the fourth quarter of 2007.
- **On 21 October 2007**: execution of a partnership agreement in the Italian market of financial protection, with the sale to AXA of 50% of MP Vita, MP Assicurazione Danni and the busines of open-end pension funds, in addition to the management mandate of the assets of the insurance companies and the open-end pension funds.

OUTLOOK FOR THE FUTURE

In an operating scenario which so far confirmed the signs of economic recovery emerged in 2006, and in the case of limited repercussions of the recent crisis which is affecting the financial markets, the developments expected for the final part of 2007 are supposed to be in line with the growth budgeted for the year and the objectives of the 2006-2009 Business Plan.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

The MPS Group quarterly Report as of 30 September 2007 is prepared in accordance with the provisions of art.82 of the Issuers' Regulation, as per Consob Resolution no.11971 of 14 May 1999 and the following amendments and integrations, in the form contemplated by annex 3D. Therefore, the quarterly Report was based on the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), validated by the European Commission, as provided for by EU Regulation no. 1606 of 19 July 2002. The international accounting principles have been applied with reference to the "Framework for the preparation and presentation of financial statements" (Framework).

In particular, the MPS Group adopted the accounting principles used for the preparation of the Consolidated Financial Statements for 2006, which provide additional information.

Following are the criteria adopted:

- The quarterly report was prepared on the basis of the principle of "independence of the periods" which means that any period of reference is considered as an independent financial year. In this logic, the interim profit and loss statement reflects the ordinary and extraordinary profits and losses in relation to the period, on an accrual basis;
- The unit of account is the euro and all amounts are expressed in millions of euro, unless otherwise stated;
- The balance-sheet and the profit and loss statement are reclassified, as already done in the financial statements as of 31 December 2006 in the report on the Group's operations;
- The accounting situations underlying the process of consolidation were prepared by the subsidiaries as of 30 September 2007 and adjusted, where required, to the MPS Group accounting principles;
- Infragroup balance-sheet and profit & loss statement relations have been eliminated;

The consolidated quarterly balance-sheet and profit and loss statement as of 30 September 2007 are not subject to audit by the independent auditing firm.

In accordance with the right given by CONSOB resolution no.14990 of 14 April 2005, Banca Monte dei Paschi di Siena will issue its consolidated financial statements as of 31 December 2007 within the deadline agreed and will prepare no consolidated report in relation to the fourth quarter of 2007.

Changes in the area of consolidation

The consolidated quarterly report includes the balance-sheet and profit and loss accounts of the Parent Bank and its direct and indirect subsidiaries.
In particular, the area of consolidation incorporates all subsidiaries, irrespective of their legal status, their status of ongoing concern or company in winding-up, or whether the investment consists of a merchant banking transaction, including the subsidiaries which in the past had been excluded on the basis of different business, in compliance with the domestic accounting principles. Some minor companies are excluded from consolidation because their consolidation would be uninfluential for the purpose of the consolidated financial statements.

Following are the changes occurred in the MPS Group with respect to the area of consolidation as of 31 December 2006:

By the Parent Bank:

- The sale of a stake of 14.839% held in Finsoe SpA, with the Bank's interest going from 27.839% to 13%, but keeping a connection with said company;
- The deconsolidation of the subsidiary San Paolo Acque as a result of its winding-up.

The breakdown of the integral area of consolidation and the companies valued with the net equity method is enclosed herewith.

In addition, with reference to the implementation of the Bancassurance Master Agreement executed with the AXA Group, in October 2007 the MPS Group sold 50% of its investments in Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life and lost control on said companies.
As of 30 September 2007 the insurance subsidiaries have been considered as discontinued operations. Therefore, balance-sheet and profit and loss accounts were reclassified under accounts 150/90 in the balance-sheet, "non-current assets and groups of assets being sold-discontinued operations"/"Liabilities associated with discontinued operations", and account 310 of the profit and loss statement, "Profit/loss of groups of assets being sold-discontinued operations, after taxes".

In execution of the Bancassurance Master Agreement, the investment held in Quadrifoglio Vita will be transferred to Monte Paschi Vita. Therefore, as of 30 September 2007, it was classified as a single asset being sold.

Equity investments in wholly and jointly controlled companies (proportionally consolidated)

30 09 2007

		NAME	MAIN OFFICE	TYPE OF relationship (*)	ownership relationship held by	holding %	voting rights% (**)
		companies included in consolidation					
		A.1 companies totally consolidated					
A.0		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	Siena				
A.1		BANCA TOSCANA S.P.A.	Florence	1	A.0	100.000	100.000
A.2		MPS CAPITAL SERVICES - BANCA PER LE IMPRESE S.p.A.	Florence	1	A.0	83.060	99.864
					A.1	16.799	
					A.33	0.005	
	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	99.500	100.000
					A.1	0.500	
A.5		MPS LEASING E FACTORING S.p.A.	Siena	1	A.0	86.916	100.000
					A.1	6.647	
					A.7	6.437	
	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
	6.1	MONTEPASCHI VITA	Rome	1	A.6	100.000	100.000
	6.2	MONTEPASCHI LIFE LTD	Dublin	1	A.6.1	100.000	100.000
	6.3	MONTEPASCHI ASSICURAZIONE DANNI	Rome	1	A.6	100.000	100.000
	6.4	FONTANAFREDDA SRL	Siena	1	A.6	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	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		A.7	100.000	100.000

	7.3	AGRISVILUPPO S.p.A.	Mantua		A.7 A.2	98.224 0.844	99.068
	7.4	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.6 A.7	33.954 33.953	67.907
	10.1	JPP EURO SECURITIES INC.	Delaware	1	A.10	100.000	100.000
A.11		MONTE PASCHI FIDUCIARIA S.P.A.	Siena	1	A.0 A.1	86.000 14.000	100.000
A.12		ULISSE S.p.A.	Milan	1	A.0	60.000	60.000
A.13		ULISSE 2 S.p.A.	Milan	1	A.0	60.000	60.000
A.14		CONSUM.IT S.P.A.	Florence	1	A.0 A.1	70.000 30.000	100.000
	14.1	INTEGRA SPA	Florence	1	A.14	50.000	50.000
A.15		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI S.p.A.	Siena	1	A.0	100.000	100.000
	15.1	AGRICOLA POGGIO BONELLI	Siena	1	A.15	100.000	100.000
A.16		MPS IMMOBILIARE S.p.A.	Siena	1	A.0	100.000	100.000
A.17		MARINELLA S.p.A.	La Spezia	1	A.0	100.000	100.000
A.18		G.IMM.ASTOR Srl	Lecce	1	A.0	52.000	52.000
A.19		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	1	A.0	100.000	100.000

A.20		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0	99.760	100.000
					A.1	0.030	
					A.2	0.060	
					A.3	0.030	
					A.4	0.030	
					A.5	0.030	
					A.6	0.030	
					A.7	0.030	
A.21		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	77.531	100.000
					A.1	22.469	
A.22		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	100.000
A.23		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	100.000
A.24		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	70.175	100.000
					A.1	29.825	
	24.1	MONTE PASCHI CONSEIL FRANCE	Paris		A.24	100.000	100.000
	24.2	MONTE PASCHI INVEST FRANCE S.A.	Paris		A.24	100.000	100.000
	24.3	M.P. ASSURANCE S.A.	Paris		A.24	99.400	99.400
	24.4	IMMOBILIARE VICTOR HUGO	Paris		A.24	100.000	100.000
	24.5	MONTE PASCHI MONACO S.A.M.	Montecarlo		A.24	100.000	100.000
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		BIOS MPS S.p.A.	Milan	1	A.0	100.000	100.000
A.28		VALORIZZAZIONI IMMOBILIARI SPA	Siena	1	A.0	100.000	100.000
A.29		SANTORINI INVESTMENTS LTD	Dublin	1	A.0	100.000	100.000
A.30		CIRENE FINANCE SRL	Conegliano (TV)	1	A.0	60.000	60.000
A.31		SIENA MORTGAGES 00-01 SPA	Milan	1	A.0	100.000	100.000
		SIENA MORTGAGES 01-02 SPA	Milan	1	A.0		

A.32						100.000	100.000
		A.2 companies proportionally consolidated					
A.33		BANCA POPOLARE DI SPOLETO S.P.A. (valori di bilancio al 25,930% del valore nominale)	Spoleto	1	A.0	25.930	25.930
A.34		BANCA MONTE PARMA S.p.A. (valori di bilancio al 49,266% del valore nominale)	Parma	1	A.0	49.266	49.266

(*) Type of relationship:
1 majority of voting rights in the ordinary shareholders' meeting
2 dominant influence in the ordinary shareholders' meeting
3 agreements with other partners
4 other types of control
5 unit Management as per art. 26, par.1, Legisl.Decree 87/92
6 unit Management as per art. 26, par.2, Legisl.Decree 87/92
7 joint control
(**) Votes available in the Ordinary Shareholders' Meeting (actual and potential votes)

Equity investments in jointly controlled companies (valued at equity) and companies under significant influence: information on shareholders' equity and on accounting

	main office	Type of relationship	ownership relationship		voting rights %	consolidated book value	
			held by	holding %		30 09 2007	31 12 2006
Aeroporto di Siena S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	23.827	23.827	595	2
Beta Prima S.r.l	Siena	8	Banca Monte dei Paschi di Siena	34.069	34.069	286	354
Bio Found S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	16.000	16.000	799	797
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	Rome	8	Banca Monte dei Paschi di Siena	46.281	46.281	331	453
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9.000	30.500	31	39
			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	24,653	24,180
			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	400
Finsoe S.p.a.	Bologna	8	Banca Monte dei Paschi di Siena	13.000	13.000	280,529	608,272
SI Holding (Carta Si)	Milan	8	Banca Monte dei Paschi di Siena	24.470	24.470	27,885	29,625
Società Italiana di Monitoraggio	Rome	8	Banca Monte dei Paschi di Siena	24.304	24.304	53	-
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	20.000	20.000	182	190
Quadrifoglio Vita S.p.a.	Bologna	8	Banca Monte dei Paschi di Siena	50.000	50.000	(1)	55,911
Le Robinie S.r.l.	Reggio Emilia	8	Banca Agricola Mantovana	20.000	20.000	792	793
Fabrica Immobiliare SGR S.p.a.	Rome	8	Monte Paschi Asset Management SGR	45.000	45.000	3,155	3,254
Immobiliare Ve-Ga S.p.a.	Milan	8	MPS Banca per l'Impresa	20.030	20.030	27	25
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Banca per l'Impresa	36.303	36.303	8,393	7,717
Newco S.p.a.	Naples	8	MPS Banca per l'Impresa	20.000	20.000	1,991	1,992
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Banca per l'Impresa	49.002	49.002	2,429	

							1,698
Marina Blu S.p.a.	Rimini	8	MPS Banca per l'Impresa	30.001	30.001	4,097	4,097
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Banca per l'Impresa	29.000	29.000	2,168	2,133
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Banca per l'Impresa	45.000	45.000	2,265	2,185
Total						361,062	744,117

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	30 09 2007	31 12 2006
		(EUR '000)
1. Cash flow from operations	**1,888,627**	**2,229,530**
net income (+/-)	731,672	929,930
gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	124,967	(56,492)
gains/losses on hedging activities (-/+)	12,016	7,170
net value adjustments/recoveries on impairment (+/-)	370,784	709,402
net adjustments/recoveries on fixed assets and intangible assets (+/-)	83,641	134,734
net provisions for risks and charges and other costs/revenues (+/-)	60,889	203,533
not cashed net premiums	(6,363)	(10,295)
other not collected incomes/expenses from insurance activities (+/-)	-	-
tax and duties to be settled (+)	438,721	501,441
net value adjustments/recoveries on discontinued operations net of tax effect (+/-)	33,646	33,545
other adjustments	38,654	(223,438)
2. Cash flow from/used in the reduction of the financial assets	**(11,588,620)**	**(5,609,408)**
financial assets held for trading	2,862,757	3,447,902
financial assets carried at fair value	74,284	52,972
financial assets available for sale	(2,116,406)	604,605
financial assets held to maturity	31,347	-
due from banks: sight	-	-
due from banks: other credits	(3,309,488)	(2,107,970)
customer loans	(8,464,531)	(8,801,841)
other assets	(666,583)	1,194,924
3. Cash flow from/used in financial liabilities	**9,827,682**	**4,110,762**
due to banks: sight	-	-
due to banks: other debts	1,695,574	(329,556)
customer deposits	1,424,550	1,332,038
securities issued	7,358,079	5,864,785
financial liabilities held for trading	1,072,115	(395,176)
financial liabilities carried at fair value	(365,814)	(515,327)
other liabilities	(1,356,822)	(1,846,002)
Net cash flow generated/absorbed by operating activities	**127,689**	**730,884**

B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**366,652**	**20,758**
sales of equity investments	350,389	1,153
collected dividends on equity investments	12,858	16,976
sales/repayment of financial assets held to maturity	-	-
sales of tangible assets	(96)	2,370

sales of intangible assets	3,501	259
sales of subsidiaries and divisions	-	-
2. Cash flow absorbed by:	**(26,847)**	**(357,070)**
purchases of equity investments	186	(46)
purchases of financial assets held to maturity	-	-
purchases of tangible assets	30,399	(291,202)
purchases of intangible assets	(57,432)	(65,822)
purchases of subsidiaries and divisions		
Net cash flow generated/absorbed by investment activities	**339,805**	**(336,312)**
C. FUNDING ACTIVITIES		
issue/purchases of own shares	(91,364)	77,453
issue/purchases of equity instruments		
dividend distribution and other scopes	(517,695)	(422,818)
Net cash flow generated/absorbed by funding activities	**(609,059)**	**(345,365)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(141,565)**	**49,207**

Reconciliation

Accounts	30 09 2007	31 12 2006
Cash and cash equivalents at beginning of the year	612,020	562,813
Net cash flow generated/absorbed during the year	(141,565)	49,207
Cash and cash equivalents: effect of exchange rate variations		
Cash and Cash equivalents at the end of the year	470,455	612,020

Cash and cash equivalents (EUR 470,455,000) also incorporates the liquid assets (EUR 9,000) of the subsidiaries Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life, which have been reclassified in the balance-sheet under account 150 - "Assets being sold", sub-account "other assets".

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Balance as at 31.12.06		Change in opening balance	Balance as at 01.01.07		Allocation of profit from prior year: Reserves		Group Dividends	Minorities Dividends	Changes in reserves		Issue of new shares	
		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					-	(957)		
	b) other shares	385,499	-		385,499						-			
Additional paid-in-capital		560,788	6,667		560,788	6,667						484	75	
Reserves	a) retained earnings	3,702,640	2,084		3,702,640	2,084	910,092	19,838	(518,160)	(83)	(5,405)	(189)		
	b) other	(104,885)	(378)		(104,885)	(378)						378		
Valuation Reserves	a) available for sale	383,236	17	-	383,236	17					35,380	132		
	b) hedging of financial flows	16,582	-	-	16,582						5,519			
	c) other	250,436	1,284	-	250,436	1,284					(21,866)			

Equity instruments		71,488	-	-	71,488										
Own shares	a) of the parent company	(45,123)	-	-	(45,123)										(9
	b) of the subsidiaries	-	-		-										(5
Net profit (loss) for the period		910,092	19,838	-	910,092	19,838	(910,092)	(19,838)							
Shareholders' Equity		**7,775,025**	**37,752**	**-**	**7,775,025**	**37,752**	**-**	**-**	**(518,160)**	**(83)**	**13,628**	**(152)**	**75**	**-**	**(9**

In 2007 the Group's net equity, inclusive of profits for the year, increased by EUR 136 at EUR 7,948 mln (EUR 7,812.7 mln at the end of 2006). The movements for the half-year are mainly attributable to the d

Valuation reserves "c) other" include the reclassification (in the amount of EUR 11 million) from valuation reserves "a) available for sale" to reserves for assets being sold, in relation to the subsidiaries Mon
negative change in valuation reserve "c) (EUR 21.9 mln) mainly results from the decrease in reserves for the above-mentioned assets being sold plus the reseves for exchange rate differences.

Profit reserves include unavailable reserves (EUR136 mln) corresponding to the amount of own shares.

BANCA MONTE DEI PASCHI DI SIENA

REPORT ON OPERATIONS AND FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2007

BANCA MONTE DEI PASCHI DI SIENA

Highlights at 30/09/07

■ **INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS**

MPS GROUP	30/09/07	30/09/06	% chg
• INCOME STATEMENT FIGURES (in millions of euros)			
Income from banking activities	1,677.6	1,573.4	6.6
Financial income (loss)	2,097.6	2,238.0	-6.3
Net operating income	770.4	917.3	-16.0
Net profit (loss) for the period	571.8	721.6	-20.8
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**30/09/07**	**30/09/06**	**% chg**
Direct funding	84,908	63,291	34.2
Indirect funding	63,062	71,594	-11.9
of which: assets under management	*30,291*	*30,725*	-1.4
of which: assets under custody	*32,772*	*40,869*	-19.8
Customer loans	59,137	49,569	19.3
Group net equity	7,588	6,642	14.2
• KEY LOAN QUALITY RATIOS (%)	**30/09/07**	**31/12/06**	
Net non-performing loans/Customer loans	1.2	1.3	
Net watchlist loans/Customer loans	0.6	0.6	
• PROFITABILITY RATIOS (%)	**30/09/07**	**31/12/06**	
Cost/Income ratio	57.0	55.5	
R.O.E. (on average equity)	8.5	12.5	
R.O.E. (on year-end equity)	9.1	14.9	
Net adjustments to loans / Year-end investments	0.31	0.37	
• CAPITAL RATIOS (%) (a)	**30/06/07**	**31/12/06**	
Solvency ratio	13.75	14.85	
Tier 1 ratio	8.89	10.02	
• INFORMATION ON BMPS STOCK	**30/09/07**	**31/12/06**	
Number of ordinary shares outstanding	2,457,264,636	2,454,137,107	
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	4.85	4.61	
low	4.26	3.72	
high	5.34	5.08	
• OPERATING STRUCTURE	**30/09/07**	**31/12/06**	**Abs. chg**
End of period employees (1)	12,739	12,555	184
Number of branches in Italy	1,183	1,168	15
Number of branches & rep. offices abroad	16	16	0

(1) Actual workforce: banking employees excluding the employees seconded with Group companies.

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

Parent Company	30/09/07 (°)	30/09/06 restated (*)	Change Ins.	Change %
Net interest income	**1,076.7**	**992.6**	**84.1**	**8.5%**
Net commissions	600.9	580.8	20.1	3.5%
Income from banking activities	**1,677.6**	**1,573.4**	**104.2**	**6.6%**
Dividends and similar income	278.7	467.7	-188.9	-40.4%
Net result from realisation/valuation of financial assets	142.6	196.5	-53.9	-27.4%
Net gain (loss) from hedging	-1.4	0.4	-1.8	n.s.
Financial income (loss)	**2,097.6**	**2,238.0**	**-140.4**	**-6.3%**
Net adjustments for impairment of:				
a) loans	-136.9	-116.0	-20.9	18.0%
b) financial assets	5.7	5.0	0.7	14.3%
Net financial income (loss)	**1,966.4**	**2,127.0**	**-160.6**	**-7.5%**
Administrative expenses:	-1,184.8	-1,199.7	14.9	-1.2%
a) personnel expenses	-656.3	-677.2	20.9	-3.1%
b) other administrative expenses	-528.5	-522.5	-6.1	1.2%
Net adjustments to the value of tangible and intangible fixed assets	-11.2	-10.0	-1.3	12.9%
Operating expenses	**-1,196.0**	**-1,209.6**	**13.6**	**-1.1%**
Net operating income	**770.4**	**917.3**	**-147.0**	**-16.0%**
Net provisions for risks and liabilities and Other operating income/costs	-58.1	-7.8	-50.3	n.s.
Profits (losses) from equity investments	46.4	-15.3	61.6	n.s.
Gains (losses) from disposal of investments	0.05	0.0	0.0	n.s.
Gain (loss) from current operations before taxes	**758.6**	**894.3**	**-135.6**	**-15.2%**
Taxes on income for the year from current operations	-186.9	-172.7	-14.2	8.2%
Gain (loss) from current operations after taxes	**571.8**	**721.6**	**-149.8**	**-20.8%**
Net profit (loss) for the year	**571.8**	**721.6**	**-149.8**	**-20.8%**

PARENT COMPANY

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

ASSETS	**30/09/07**	**30/09/06**	**% chg**
Cash and cash equivalents	248	226	10.0
Receivables :			
a) Customer loans	59,137	49,569	19.3
b) Due from banks	37,471	27,869	34.5
Financial assets held for trading	13,724	16,387	-16.3
Financial assets held to maturity	0	0	
Equity investments	7,662	5,788	32.4
Tangible and intangible fixed assets	1,022	1,016	0.6
of which:			
a) goodwill	*779*	*777*	*0.3*
Other assets	2,604	2,694	-3.3
Total assets	**121,869**	**103,549**	**17.7**

LIABILITIES	**30/09/07**	**30/09/06**	**% chg**
Payables			
a) Due to customers and securities	84,908	63,291	34.2
b) Due to banks	22,809	25,895	-11.9
Financial liabilities from trading	3,551	4,355	-18.5
Provisions for specific use			
a) Provisions for employee leaving indemnities	209	224	-6.8
b) Reserve for retirement benefits	28	6	n.s.
c) Other reserves	286	268	6.5
Other liabilities	2,490	2,868	-13.2
Shareholders' equity	7,588	6,642	14.2
a) Valuation reserves	350	478	-26.9
b) Reimbursable shares	0	0	
c) Capital instruments	71	46	55.1
d) Reserves	4,141	2,848	45.4
e) Share premium account	561	545	2.8
f) Share capital	2,030	2,026	0.2
g) Treasury shares (-)	-136	-23	n.s.
h) Net profit (loss) for the year	572	722	-20.8
Total liabilities and shareholders’ equity	**121,869**	**103,549**	**17.7**

OVERVIEW ON OPERATIONS

THE TREND OF CAPITAL AGGREGATES

Following are the major results achieved by the Parent Company, **Banca Monte dei Paschi di Siena,** on the front of commercial operations, with special emphasis placed on the customers' centrality and the growing customization of services.

1) FUNDS MANAGEMENT

With reference to funds management, the commercial network (BMPS Commercial Bank Division) realized appreciable results, with a hefty growth in terms of overall funding in relation to all business segments (about +EUR 2.8 bn since January 2007), and especially the Corporate segment. The **flows of placement** of the major products reached **EUR 4.6 bn, or + 5% y-o-y**. As usual, the process of funds allocation was oriented in compliance with the customers' risk profile, with bonds and bancassurance products prevailing. Following is a breakdown of the Bank's flow of placements:

■ Product Placements

in million of euros		30/09/07	30/09/06
Mutual funds/SICAVs		264	-541
Individual portfolios under management		-542	-80
Life-insurance policies	including:	1,723	1,800
	Ordinary	776	1,080
	Index Linked	808	565
	Unit Linked	139	155
Bonds	including:	3,163	3,209
	Linear	2,191	2,067
	Structured	972	1,142
Total		4,609	4,388

On the basis of the above-mentioned production volumes and the trend of other technical kinds, **overall funding developed as follows**:

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

	30/09/07	30/09/06	% chg. vs 30/09/06	% weight 30/09/07
Direct customer funding (*)	**84,908**	**63,291**	**34.2%**	***57.4%***
Indirect customer funding	**63,062**	**71,594**	**-11.9%**	***42.6%***
assets under management	*30,291*	*30,725*	-1.4%	*20.5%*
assts under custody	*32,772*	*40,869*	-19.8%	*22.1%*
Total customer funding	**147,970**	**134,884**	**9.7%**	***100.0%***

(*) The figures as of 30 September incorporate bond funding purchased from MPS Banca per l'Impresa during the merger with MPS Finance. Excluding such component, growth for management purposes would come to 31%.
(°) The y-o-y trend is influenced by the outflow at the end of 2006 of the custody of a large corporate customer, with a nil impact on profitability.

DIRECT FUNDING

The aggregate progressed by about 34.2% (+7.7% since January 2007), mainly driven by bonds placed with retail customers and funding with institutional customers. Following is the breakdown of direct funding as of 30 September 2007:

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

	30/09/07	30/09/06	% chg. vs 30/09/06	% weight 30/09/07
Due to customers	43,233	36,187	19.5%	*50.9%*
Outstanding securities	30,442	18,416	65.3%	*35.9%*
Financial liabilities at fair value	11,234	8,687	29.3%	*13.2%*
Total Direct Funding	**84,908**	**63,291**	**34.2%**	***100.0%***

INDIRECT FUNDING

Indirect funding stood at EUR 63,062 million (EUR 71,594 million as of 30 September 2006 with an increase of 2.6% since January 2007).

In particular:

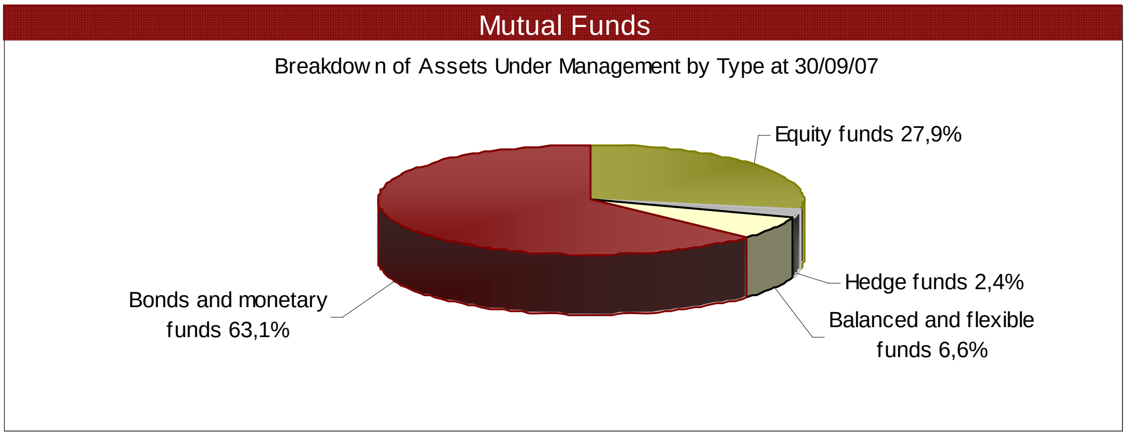
- FUNDS UNDER MANAGEMENT

The aggregate came to EUR 30,291 million (EUR 30,725 million as of 30 September 2006 with an increase of 0.1% since January 2007) with different trends in accordance with the various components.

Mutual funds

The balance of mutual funds totalled EUR 10,132 million.

With reference to the investment funds managed by Monte Paschi Asset Management SGR and placed by the Bank, the weight of bond funds increased (63.1% with respect to 54.3% as of 30 September 2006), with a reduction of the portion of Balanced/Opportunities Funds and hedge funds.

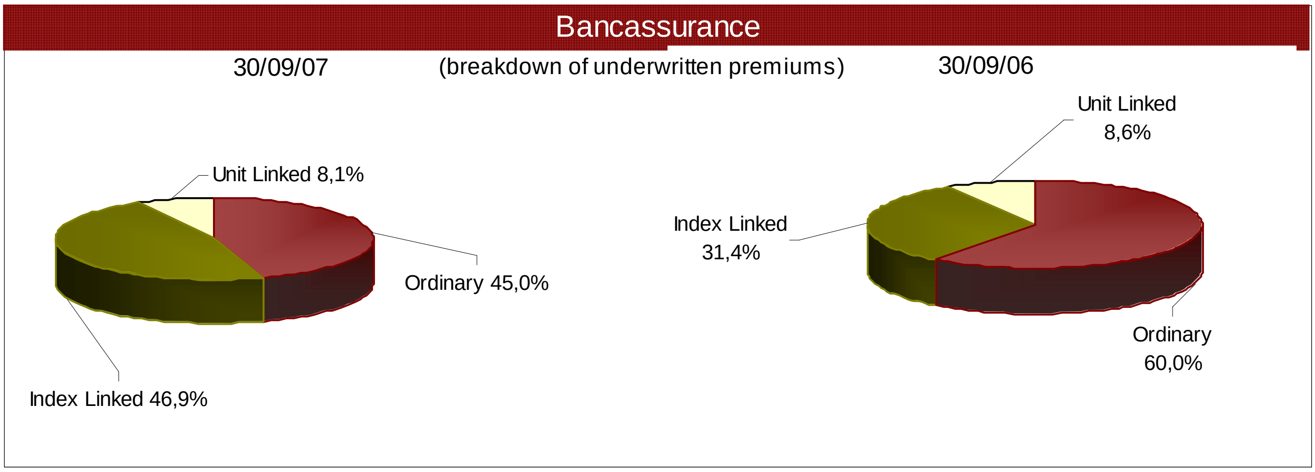


Individual portfolios under management

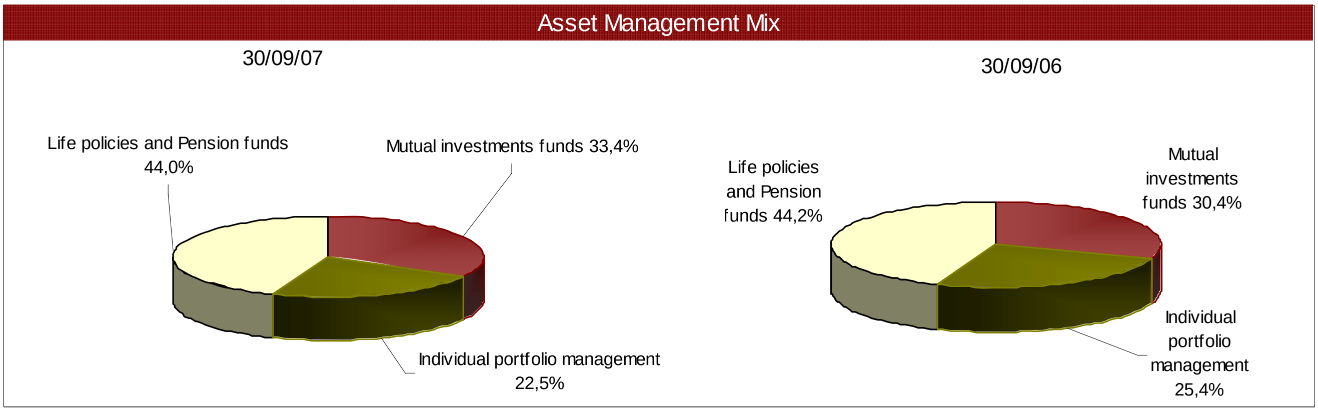
Individual portfolios under management amounted to EUR 6,817 million. The Bank recorded redemptions in the amount of EUR 542 million in the first nine months of 2007.

Life insurance policies

As of 30 September 2007, the balance - inclusive of pension funds – stood at EUR 13,342 million. The breakdown of premiums shows that the weight of Index Linked policies increased with respect to 30 September 2006, whereas ordinary policies continued to record a downward trend, as already experienced in the first half of 2007.



Following is the breakdown (%) of funds under management by product:



FUNDS UNDER ADMINISTRATION

Funds under administration totaled EUR 32,772 million **(EUR 40,969 as of 30 September 2006, or + 5% since January 2007).** This is mainly attributable to the outflow of the custody of a large corporate customers at the end of 2006, partly recovered in 2007.

2) LENDING

A) SALES AND MARKETING ACTIVITY

As of 30 September 2007, bank loans amounted to EUR 59,137 million progressing by about 19.3% year on year (+15.8% since January 2007). With regard to domestic operations, the balances of the BMPS Commercial Bank Division confirmed a buoyant trend (+14.6% in terms of average balances) with medium-/long-term loans prevailing, and short-term loans accelerating, especially with regard to the Corporate segment (in particular, the SMEs).

With reference to the loans disbursed during the period:

- **The Bank channelled sizeable lending volumes to the Group special credit companies.** In particular, **MPS Leasing & Factoring** executed leasing contracts in an amount of EUR 556 million and its factoring turnover reached EUR 2,941 million, in addition to loans in the amount of EUR 604 million disbursed by **MPS Capital Services Banca per le Imprese**.
- New flows (excluding "public works") of **mortgage loans** topped EUR 4.5 billion (more than +48% year on year);
- **Consumer credit** totaled disbursements – routed by the Bank to **Consum.it** - in the amount of EUR 1,284 million (+6.4% y-o-y).

■ Specialised credit and corporate financial products

in million of euros		30/09/07	30/09/06
MPS Banca per l'Impresa			
	risk management (1)	2,513	2,549
	disbursements	604	574
MPS Leasing & Factoring			
incl.:	new leases executed	556	495
	factoring turnover	2,941	2,437
Consumit			
	disbursements	1,284	1,207

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

B) CREDIT QUALITY

Banca MPS closed the period under exam with a virtually steady net exposure to impaired loans with respect to the beginning of the year, but a falling ratio of impaired loans to total customers' loans. **The weight of net impaired loans came to abt. 2.55% versus 2.98% as of 31.12.2006.**

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**30/09/07**	**31/12/06**	**% weight 30/09/07**	**% weight 31/12/06**
A) Impaired loans	**1,511**	**1,524**	**2.55**	**2.98**
a1) Non-performing loans	722	658	1.22	1.29
a2) Watchlist loans	372	308	0.63	0.60
a3) Restructured loans	72	63	0.12	0.12
a4) Past due	345	494	0.58	0.97
B) Performing loans	**57,111**	**48,971**	**96.57**	**95.88**
C) Other assets	**515**	**579**	**0.9**	**1.1**
Total customer loans	**59,137**	**51,074**	**100.0**	**100.0**

The percentage of value adjustments to the gross exposure of impaired loans (inclusive of interest on arrears) was 43.3%, but climbed to 57.4% in the case of NPLs only. The percentage of writedown of the original value of NPLs (inclusive of the losses posted in prior years) was about 70% for ordinary loans. Portfolio value adjustments to performing loans stood at 0.43% of the aggregate of reference.

PROFITABILITY AGGREGATES

Banca Monte dei Paschi di Siena posted positive results for the period, which reflect the satisfactory results achieved by the MPS Group, with the primary banking income progressing by 6.6% in line of continuity with the hefty growth already recorded in the first half of 2007, and proving the development of the core business.

PROFITABILITY

THE COMPOSITION OF INCOME FROM FINANCIAL BUSINESS

In the first nine months of 2007 **income from financial business and services of Banca Monte dei Paschi di Siena came to EUR 2,097.6 million.** As of 30 September 2006, income stood at EUR 2,238 million due to the sale of some major equity investments and the collection of non-recurrent dividends from subsidiaries. **Excluding such components, income from financial business would grow by 4.4% approx.** The contribution from the BMPS Commercial Bank Division advanced by 10% approx.

The major aggregates embrace:

- **The Bank's interest income** totaled EUR 1,076.7 million with an increase of 8.5% in comparison with 30 September 2006. The BMPS Commercial Bank Division contributed with an increase of about 10% and an accelerating quarterly trend, which benefits from the development of average traded volumes (around 10%) and a modest increase in the interest rate spread.

- **Commissions** advanced by 3.5% y-o-y to EUR 600.9 million. Income from traditional banking services increased by about 5% and commissions from funds management progressed by about 11%;

- **Dividends collected** (EUR 278.7 million) declined with respect to 30 September 2006 (EUR 467.7 mln), mainly due to the elimination of non-recurrent dividends from MPS Serit and MPS Immobiliare, and the dividends in relation to the insurance equity investments sold at the end of 2006 to Mps Finance;

- **Net income from trading/valuation of financial assets** came to EUR 142.6 million (EUR 196.5 million in 2006). During the first nine months of 2006, the account incorporated profits from the sale of equity investments (above all, Fiat and Bnl) in an amount higher than the balance collected in 2007 (mainly Energia Italiana).

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

	30/09/07	30/09/06
Net Profit from trading	75.6	119.5
Profit/loss from loans, available for sale financial assets and financial liabilities	47.9	71.8
Fair Value financial assets and liabilities	19.1	5.2
Net result from realisation/valuation of financial assets	**142.6**	**196.5**

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

Net value adjustments to impaired loans contributed to income from financial business in an amount of EUR 136.9 million (EUR 116 million as of 30 September 2006), in addition to **net value adjustments for impairment of financial assets** (EUR 5.7 million) in relation to the writeback applicable on the guarantees and commitments fund. As a consequence, **income from financial business** stood at EUR 1,966.4 million. Excluding said profitability components resulting from non-recurrent items of the first nine months of 2006 (Fiat, Bnl and dividends from subsidiaries), growth was close to 3.5%.

OPERATING EXPENSES

Operating expenses were virtually stable year on year. In particular:

A) **Administrative expenses** came to EUR 1,185 million (- EUR 14.9 million with respect to 30 September 2006). This was attributable to:

- **personnel expenses (EUR 656.3 million) which fell by 3.1% with respect to the first nine months of 2006**, mainly due to the structural benefits resulting from the initiatives oriented to reducing and remixing the workforce, implemented at the end of 2006 (huge outflows of resources with high seniority and hierarchical level). The aggregate includes estimated charges in relation to the renewal of the labour contract, partly offset by the changed accounting treatment to be applied to the Staff Severance Indemnity (TFR) as a result of the supplementary welfare reform.

- **Other administrative expenses (EUR 528.5 million, excluding the recovery of stamp duty and customers' expenses**) progressed by 1.2% in relation to the expansion of the geographical network, in support of technological innovation and marketing communications.

B) **Net value adjustments to fixed and intangible assets** stood at EUR 11.2 million (EUR 10 million as of 30 September 2006).

The Bank's net operating profit amounted to EUR 770.4 million (EUR 917.3 million as of 30 September 2006) with a 12% growth, excluding income components resulting from non-recurrent items. **The cost-income ratio came to 57.0% (55.5% in 2006).**

1) **EXTRAORDINARY ITEMS, TAXES AND NET PROFIT FOR THE PERIOD**

Rounding out the picture of **profitability for the period** are the following items:

- the negative balance of **Net provisions for risks and charges and Other operating income/charges** (-EUR 58.1 million versus –EUR 7.8 million as of 30 September 2006).

- **the balance of Profits/losses from equity investments** (**EUR 46.4 million),** mainly incorporating the sale of a portion of the interest held in Finsoe and the loss of Banca Personale and Bios.

The Bank's profit from current operations before taxes stood at EUR 758.6 million.

Income tax for the period on current operations was EUR 186.9 million. Therefore, in light of the contribution of said components, the Bank's net profit for the period came to EUR 571.8 million (EUR 721.6 million as of 30 September 2006). The Bank's annualized ROE was 9.1% (ROE calculated on average shareholders' equity: 8.5%).

MATERIAL EVENTS SUBSEQUENT TO 30 SEPTEMBER 2007

Please refer to the section covering “Material events subsequent to 30 September 2007” in the Report on Consolidated Operations.

OUTLOOK FOR THE FUTURE

Please refer to the section covering “Outlook for the future” in the Report on Consolidated Operations.

Declaration of the Executive in charge of drafting corporate accounting statements

I the undersigned, Daniele Pirondini, as the Executive in charge of drafting corporate accounting statements of Banca Monte dei Paschi di Siena S.p.A., state in compliance with paragraph 2, art.154 bis of the "Act of financial brokerage", that the accounting reporting included in this Quarterly Consolidated Report as of 30 September 2007 matches the records, books and accounting entries of our Bank.

The Executive in charge of drafting corporate accounting statements

Daniele Pirondini

Siena, 8 November 2007