Consolidated Half-year Report as of 30 June 2007

Siena, 10 September 2007

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CORPORATE OFFICERS, SENIOR MANAGEMENT, AND AUDITORS

Board of Directors	Giuseppe Mussari, *Chairman*
	Francesco Gaetano Caltagirone, *Deputy Chairman*
	Ernesto Rabizzi, *Deputy Chairman*
	Fabio Borghi, *Director*
	Turiddo Campaini, *Director*
	Lucia Coccheri, *Director*
	Lorenzo Gorgoni, *Director*
	Andrea Pisaneschi, *Director*
	Carlo Querci, *Director*
	Pierluigi Stefanini, *Director*
Board of Statutory Auditors	Tommaso Di Tanno, *Chairman*
	Pietro Fabretti, *Acting Auditor*
	Leonardo Pizzichi, *Acting Auditor*
	Carlo Schiavone, *Substitute Auditor*
	Marco Turillazzi, *Substitute Auditor*

Senior Management:

Chief Executive Officer	Antonio Vigni
Deputy Chief Executive Officer	Giuseppe Menzi
Assistant Chief Executive Officer	Marco Morelli
Assistant Chief Executive Officer	Nicolino Romito

Independent Auditors	KPMG S.p.A.

THE IMPLEMENTATION OF THE BUSINESS PLAN AND THE TRENDS OF 2007 OPERATIONS

In the first half of 2007 the MPS Group continued to implement all the projects contemplated by the 2006-2009 Group Business Plan. Additional information is provided in the following chapters covering the development of operations in the business areas. Following is a summary of the major initiatives undertaken.

DEVELOPMENT OF THE BUSINESS MODEL

Within the framework of the Business Plan, a few initiatives already completed and some actions started in the area of **Private Banking and Wealth Management** are particularly important. In particular:

- **The agreement with the AXA Group** for the implementation of a long-term strategic partnership in the area of bancassurance, life and property casualty policies and complementary pension funds. In compliance with the agreement, the MPS Group can distribute its banking products to the Italian customers of Axa (currently 1.6 million);

- **The total acquisition of AXA SIM** which will consolidate the presence in the asset gathering market, with an increasing presence in several areas where the Bank is not very much represented currently;

- **The launch of the reorganization plan of the Asset Management area,** with the creation of a unit specialized in active asset management, in co-operation with other partners, which is expected to be listed on the Stock Exchange in 3/5 years. Strong technical-specialists' skills will contribute to an ambitious plan of growth mainly focused on the extra-captive institutional market.

The **Commercial Banking and Distribution Network Area** closed the first half of the year with the migration of Small Business customers, the definition of the new service model and the release of commercial instruments to the account managers. In addition, the new **Business Plan of Consum.it –** which incorporates a virtuous path of growth to be implemented in the next three years - was approved. On the front of "non conforming-non standard" supply, the Area launched a mortgage loan dedicated to atypical workers.

Following are the main highlights with reference to the **Corporate Banking and Capital Markets Area:**

- The approval of the **Business Plan of Nuova Banca per l'Impresa** (former MPS Banca per l'Impresa with the integration of an MPS Finance business unit), with the integration to be completed no later than mid-September 2007;
- The **approval of the Key Clients Local Authorities service model** with the simultaneous migration of a first list of positions in relation to BMPS;
- With respect to **International Banking**, the completion of the skill assessment and sizing of the international specialists, the fine tuning of the reorganization plans of the foreign branches, the split of Montecarlo and the requested authorization to open a branch in Shanghai.

REORGANIZATION OF THE DISTRIBUTION AND ORGANIZATION MODEL

Following are the most important initiatives undertaken in the first half of 2007:

- **Branch Plan and distribution network.** The MPS Group opened 6 branches, as provided for by the Branch Plan and has already signed the tenancy agreements for more than 60 branches. The Group also opened 6 SME/Local Authorities Centers and 7 Private Centers;
- **Innovative channels and alternative networks.** The procedure for marketing Conto Ulisse, inclusive of securities deposit, was completed and the Group has identified the catchments areas for the “Branch of the Future” project in co-operation with Microsoft;
- **Re-design of the Parent Bank and the Head Offices of the commercial banks**. The new structure has been reviewed from the qualitative and quantitative viewpoint, for the purpose of staff re-qualification and proper size of the Head Office;
- **Re-design of the Geographical Areas**. Increase in efficiency at BMPS involved 222 human resources (out of 398 staff units, to be achieved as of 31 October 2007). The masterplan of the recoveries to be completed in 9 Areas has been finalized. The Organization Area called on the branches of the BMPS network (147 organization calls);
- **Operations Consortium**. All the initiatives contemplated by the Consortium Development Plan have been started, also with short-term objectives. A stage of planning was conducted in the first half of 2007 with the objective of identifying the actions to be taken in relation to the Standard Information System in the framework of the Development Plan for the purpose of adjusting it to business requirements.

RESTRUCTURING/EFFICIENCY ACTIONS

The Group Business Plan focus on the issues in question produced the following appreciable results in the first half of 2007:

- **Optimization of human resources management.** With regard to management quality, once defined the management model, all MPS Group executives were mapped. In addition, the Group (i) started the professional paths (in accordance with the Supplementary Corporate Labour Agreement) of BMPS and BT and finalized the network paths already existing at BAM; (ii) fine tuned the management model for development plans in relation to hierarchical positions higher than Junior Manager-2 and (iii) designed the management model of “excellent” resources.
- **Staff mobility and re-qualification**. Once activated staff mobility and re-qualification toward the branch network of the resources freed up by organization initiatives, the Group shall complete the inclusion in the re-qualification paths of the resources coming from the Parent Bank, the Commercial Bank Head Office, the Geographical Areas, BT and BAM. Similar initiatives shall involve the Operations Consortium and the other Group companies.

- **Cost management**. The activities oriented to the identification and implementation of cost cutting actions continue to comply with the initial planning.

ACTIVE MANAGEMENT OF CREDIT RISKS AND CAPITAL OPTIMIZATION

The MPS Group disposed of a 14.839% investment it held in FINSOE SpA (Bologna) and sold its 0.194% stake of Piaggio & C. SpA. on the Stock Exchange market.
With reference to the “Group Numbers” working group, reporting produced by the Commercial Banks was streamlined and centralized. The first part of the planned analysis of the Busines Performance Management project has been completed and the **Group purchased an advanced reporting platform** which is being implemented.
In relation to the **optimization of the management of the outstanding loan portfolio (ACPM**), the analysis concerning the objectives, the methods and any possible industrial approaches was completed and a list of operating priorities was identified.

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In addition, Banca Monte dei Paschi di Siena executed a sale agreement with Intesa Sanpaolo for the sale of 55% of Biverbanca.

A SUMMARY OF THE TRENDS OF THE FIRST HALF OF 2007

During the first half of 2007, the **MPS Group achieved appreciable commercial results**, 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 the 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 6.1 billion (EUR 5.4 bn as of 30 June 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 10.4**%;

- **with reference to loan management**, the Group commercial policy – in line of continuity with prior years – tried to balance the supply of an 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 Customers mortgage loans. **The networks and the special credit companies disbursed loans in the amount of EUR 8.7 billion** (+20.8% with respect to the volumes as of 30 June 2006), with a structural and diversified progress over the quarter. These considerable disbursement flows determined the **hefty growth of corporate lending (+14.8%** 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 (+1.8% with respect to 31 December 2006), reduced the weight of **NPLs+net watchlist credits/customers' loans from 2.79% to 2.94% and increased risk coverage from 38.7% in 2006 to 39.6% in the first half of 2007;**

- **the customers' portfolio,** also including non-shared accounts directly managed by Consum.it, **numbered roughly 4,614,000 customers as of 30 June 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 825.2 million, or +11.6% on an annual basis, (+21% net of income components resulting from the sale of equity investments) mainly driven by the progress of income (+4.9%; + 7.5% excluding the sale of equity investments). **In view of the contribution from non-operating activities, consolidated profit for the period stood at EUR 513.8 million, boosted by 6.6% in comparison with 30 June 2006. The cost/income ratio improved at 57.0% (60.9% in 2005) and ROE reached 14.2% (13.2% in 2006).**

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 June 2007 TIER I ratio was 6. 1% (6.5% at the end of 2006) with a solvency ratio of 8.7% (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 6.8% and 9.8%, respectively.

MPS GROUP – RECLASSIFICATION PRINCIPLES FOR OPERATING PURPOSES

The following balance-sheet and profit-and-loss accounts as of 30 June 2006 have been reclassified on the basis of operating criteria. In particular, the major changes introduced in the 2006 and 2007 profit and loss statement – which involve aggregations of accounts and reclassifications for the purpose of ensuring a clearer view of the Group's trends – are as follows:

a) "Net profits/losses from the trading/valuation of financial assets", in the reclassified profit and loss statement, includes the items under Account 80 (Net profit/loss from trading), Account 100 (Profit/loss from the sale of loans, financial assets available for sale and held upon maturity and financial liabilities) and Account 110 (Net profit/loss from financial assets and liabilities valued at fair value), integrated with the dividends from some "sophisticated" securities transactions closely associated with the trading component (EUR 447 million as of 30/06/07) and adjusted with the cost of funding of said transactions (EUR 24 million), once eliminated "interest expense and similar charges";

b) "Dividends, similar income and Profits (losses) from equity investments" in the reclassified profit and loss statement incorporates account 70 "Dividends and similar income" and account 240 "Profits (losses) from equity investments". Dividends from some sophisticated transactions, as per point a), have been eliminated from the aggregate;

c) "Net valuation adjustments/recoveries to impaired loans" in the reclassified profit and loss statement were determined by reclassifying charges in the amount of EUR 23 million (writedowns of junior securities coupons, financial plans) which are more properly classified under "Net provisions for risks and charges and other operating income/charges";

d) "Other administrative expenses" in the reclassified profit and loss statement was integrated with the portion concerning the recovery of stamp duty and expense recovery from customers (EUR 94 million), posted under Account 220 (Other operating charges/income) in the balance-sheet;

e) "Net provisions for risks and charges and other operating income/charges" in the reclassified profit and loss statement result from the difference of Account 220 "Other operating charges/income" and Account 190 "Net provisions for risks and charges", once eliminated further items as described under c) and d);

In order to ensure continuity to the trends of the insurance area published so far and give a realistic view which is closer to the situation which might be determined after the sale of the insurance business, income accounts involved in the sale were integrated including – with respect to the application of IFRS 5 – the items which will be considered as ordinary relations with third parties after the sale. In particular, an amount of EUR 55.7 million as of 30 June 2007 was eliminated from interest income, but net commissions in the amount of EUR 46.6 million were integrated. The difference was reclassified under Account 310 “Profits (losses) from groups of assets being sold-discontinued operations, after taxes”.

With reference to previously issued data, the data as of 30 June 2006 have been restated after the new determination of personnel expenses in compliance with IAS 8 (effect resulting from the recalculation of the actuarial reserve of the pension fund of a subsidiary).

The major changes in the reclassification of the **consolidated balance-sheet** concern the following:

f) “Negotiable Financial assets” on the assets side of the reclassified balance-sheet include Account 20 (Financial assets held for trading purposes), Account 30 (Financial assets valued at fair value) and Account 40 (Financial assets available for sale);

g) “Other assets” on the assets side of the reclassified balance-sheet incorporate Account 80 (Hedging derivatives), Account 90 (Value adjustment of financial assets subject to general hedging), Account 140 (Fiscal assets), Account 150 (Non-current assets and groups of assets being sold-discontinued operations) and Account 160 (Other assets);

h) “Customers deposits and securities” on the liabilities side of the reclassified balance-sheet include Account 20 (Customers deposits), Account 30 (Outstanding securities) and Account 50 (Financial liabilities valued at fair value);

i) “Other liabilities” on the liabilities side of the reclassified balance-sheet include Account 60 (Hedging derivatives), Account 70 (Value adjustment of assets of financial liabilities subject to general hedging), Account 80 (Fiscal liabilities), Account 90 (Liabilities linked with groups of assets being sold-discontinued operations) and Account 100 (Other liabilities).

Highlights at 30/06/07

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	30/06/07	30/06/06	% chg
• INCOME STATEMENT FIGURES (in millions of euros)		restated (°)	
Financial and insurance income (loss)	2,186.6	2,068.9	5.7
Financial and insurance income (loss)	2,439.1	2,325.8	4.9
Net operating income	825.2	739.2	11.6
Net profit (loss) for the period	513.8	481.8	6.6
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**30/06/07**	**30/06/06**	**% chg**
Direct funding	99,199	89,832	10.4
Indirect funding	102,195	107,957	-5.3
of which: assets under management	*48,701*	*48,121*	1.2
of which: assets under custody	*53,494*	*59,837*	-10.6
Customer loans	98,829	86,124	14.8
Group net equity	7,794	7,430	4.9
• KEY LOAN QUALITY RATIOS (%)	**30/06/07**	**31/12/06**	
Net non-performing loans/Customer loans	1.8	1.8	
Net watchlist loans/Customer loans	1.0	1.1	
• PROFITABILITY RATIOS (%)	**30/06/07**	**31/12/06**	
Cost/Income ratio	57.0	60.9	
R.O.E. (on average equity)	13.2	12.1	
R.O.E. (on year-end equity)	14.2	13.3	
Net adjustments to loans / Year-end investments	0.46	0.50	
• CAPITAL RATIOS (%)	**30/06/07**	**31/12/06**	
Solvency ratio	8.7	9.5	
Tier 1 ratio	6.1	6.5	
(a) determined using the Bank of Italy's prudential filters.			
• INFORMATION ON BMPS STOCK	**30/06/07**	**31/12/06**	
Number of ordinary shares outstanding	2,454,137,107	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	4.94	4.61	
low	4.59	3.72	
high	5.34	5.08	
• OPERATING STRUCTURE	**30/06/07**	**31/12/06**	**Abs. chg**
Total head count - year-end (1)	24,573	24,348	225
Number of branches in Italy	1,909	1,903	6
Financial advisor branches	139	139	0
Number of branches & rep. offices abroad	36	36	0

(°) Reclassified pursuant to IAS 8

(1) Data at 30/06/07 do not include Tax Collection Business.

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

	2007		2006 (°)				Quarterly Avg.	Quarterly Avg.
MPS Group	**2nd quarter**	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**2007**	**2006**
Net interest income	**710.1**	**705.4**	**717.8**	**680.3**	**670.2**	**645.9**	**707.7**	**678.6**
Net commissions	381.7	389.4	379.7	358.1	364.4	388.4	372.7	371.6
Income from banking activities	**1,091.8**	**1,094.8**	**1,097.4**	**1,038.5**	**1,034.6**	**1,034.3**	**1,051.2**	**1,016.7**
Dividends, similar income and profits (losses) from equity investments	7.9	30.3	0.0	13.5	24.3	6.0	11.0	23.0
Net result from realisation/valuation of financial assets	124.4	88.2	277.8	24.4	52.1	176.3	132.6	43.8
Net gain (loss) from hedging	2.2	-0.5	-5.4	0.0	-2.1	0.3	-1.8	-3.3
Financial and insurance income (loss)	**1,226.3**	**1,212.7**	**1,369.9**	**1,076.4**	**1,108.9**	**1,216.9**	**1,193.0**	**1,080.2**
Net adjustments for impairment of:								
a) loans	-118.3	-107.2	-149.6	-101.8	-107.8	-101.8	-115.3	-104.3
b) financial assets	7.2	-4.4	-117.6	-0.6	-8.6	1.4	-31.3	-34.6
Net financial and insurance income (loss)	**1,115.2**	**1,101.2**	**1,102.7**	**974.0**	**992.5**	**1,116.5**	**1,046.4**	**941.3**
Administrative expenses:	-682.3	-654.2	-796.4	-669.9	-651.4	-654.3	-693.0	-676.9
a) personnel expenses	-438.0	-430.8	-538.1	-448.8	-439.5	-435.3	-465.4	-457.2
b) other administrative expenses	-244.3	-223.3	-258.3	-221.1	-212.0	-219.1	-227.6	-219.7
Net adjustments to the value of tangible and intangible fixed assets	-25.2	-29.5	-36.4	-34.2	-32.9	-31.3	-33.7	-36.2
Operating expenses	**-707.5**	**-683.7**	**-832.8**	**-704.1**	**-684.3**	**-685.6**	**-726.7**	**-713.1**
Net operating income	**407.7**	**417.5**	**269.9**	**269.9**	**308.3**	**430.9**	**319.7**	**228.2**
Net provisions for risks and liabilities and Other operating income/costs	-18.5	-13.7	-4.3	9.3	10.2	-11.1	1.0	-5.9
Goodwill impairment	-0.3	0.0	-0.3	0.0	-0.3	0.0	-0.1	-7.3
Gains (losses) from disposal of investments	0.0	0.06	2.73	0.01	0.16	0.01	0.7	0.1
Gain (loss) from current operations before taxes	**389.0**	**403.9**	**268.1**	**279.2**	**318.4**	**419.8**	**321.4**	**215.2**
Taxes on income for the year from current operations	-150.0	-176.6	-72.4	-118.3	-132.0	-178.2	-125.2	-62.3
Utile (Perdita) della operatività corrente al netto delle imposte	**239.0**	**227.2**	**195.7**	**160.9**	**186.4**	**241.6**	**196.1**	**152.9**
Gain (loss) on fixed assets due for disposal, net of taxes	27.3	29.7	35.4	49.2	21.6	39.2	36.3	41.4
Minority interests in profit (loss) for the year	-6.2	-3.4	-10.2	-2.7	-3.8	-3.2	-5.0	-5.9
Net profit (loss) for the year	**260.2**	**253.6**	**220.9**	**207.4**	**204.3**	**277.5**	**227.5**	**188.4**

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

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

MPS Group	30/06/07	30/06/06 restated (°)	Change Ins.	Change %
Net interest income	**1,415.5**	**1,316.1**	**99.4**	**7.6%**
Net commissions	771.1	752.8	18.3	2.4%
Income from banking activities	**2,186.6**	**2,068.9**	**117.7**	**5.7%**
Dividends, similar income and profits (losses) from equity investments	38.2	30.3	7.9	25.9%
Net result from realisation/valuation of financial assets	212.6	228.4	-15.8	-6.9%
Net gain (loss) from hedging	1.7	-1.8	3.5	n.s.
Financial and insurance income (loss)	**2,439.1**	**2,325.8**	**113.3**	**4.9%**
Net adjustments for impairment of:				
a) loans	-225.5	-209.6	-16.0	7.6%
b) financial assets	2.9	-7.2	10.1	n.s.
Net financial and insurance income (loss)	**2,216.4**	**2,109.0**	**107.4**	**5.1%**
Administrative expenses:	-1,336.5	-1,305.7	-30.7	2.4%
a) personnel expenses	-868.8	-874.7	5.9	-0.7%
b) other administrative expenses	-467.7	-431.0	-36.6	8.5%
Net adjustments to the value of tangible and intangible fixed assets	-54.7	-64.1	9.4	-14.7%
Operating expenses	**-1,391.2**	**-1,369.8**	**-21.3**	**1.6%**
Net operating income	**825.2**	**739.2**	**86.0**	**11.6%**
Net provisions for risks and liabilities and Other operating income/costs	-32.2	-0.9	-31.3	n.s.
Goodwill impairment	-0.3	-0.3	0.0	2.7%
Gains (losses) from disposal of investments	0.09	0.2	-0.1	-47.0%
Gain (loss) from current operations before taxes	**792.9**	**738.2**	**54.7**	**7.4%**
Taxes on income for the year from current operations	-326.6	-310.2	-16.4	5.3%
Gain (loss) from current operations after taxes	**466.3**	**428.0**	**38.3**	**8.9%**
Gain (loss) on fixed assets due for disposal, net of taxes	57.1	60.8	-3.7	-6.1%
Minority interests in profit (loss) for the year	-9.6	-7.0	-2.6	36.6%
Net profit (loss) for the year	**513.8**	**481.8**	**32.0**	**6.6%**

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

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

ASSETS	**30/06/07**	**30/06/06** (°)	**% chg**
Cash and cash equivalents	454	436	4.0
Receivables :			
a) Customer loans	98,829	86,124	14.8
b) Due from banks	17,461	11,358	53.7
Financial assets held for trading	31,179	40,505	-23.0
Financial assets held to maturity	0	4,214	n.s.
Equity investments	361	717	-49.7
Underwriting reserves/reinsurers	0	11	0.0
Tangible and intangible fixed assets	3,282	3,406	-3.6
of which:			
a) goodwill	*641*	*740*	*-13.4*
Other assets	19,581	6,748	n.s.
Total assets	**171,147**	**153,520**	**11.5**

LIABILITIES	**30/06/07**	**30/06/06** (°)	**% chg**
Payables			
a) Due to customers and securities	99,199	89,832	10.4
b) Due to banks	21,039	16,476	27.7
Financial liabilities from trading	19,384	13,144	47.5
Provisions for specific use			
a) Provisions for employee leaving indemnities	366	398	-7.9
b) Reserve for retirement benefits	407	330	23.3
c) Other reserves	569	566	0.5
Other liabilities	22,342	25,306	-11.7
Underwriting reserves	0	0	0.0
Group portion of shareholders' equity	7,794	7,430	4.9
a) Valuation reserves	767	579	32.6
b) Reimbursable shares	0	0	0.0
c) Capital instruments	71	46	55.1
d) Reserves	3,985	3,765	5.9
e) Share premium account	561	545	2.8
f) Share capital	2,030	2,026	0.2
g) Treasury shares (-)	-134	-10	n.s.
h) Net profit (loss) for the year	514	480	7.0
Minority interests in shareholders' equity	47	37	26.0
Total liabilities and shareholders' equity	**171,147**	**153,520**	**11.5**

(°) *Other liabilities* figure at 30/06/06 were restated according to IFRS 5

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

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

LIABILITIES	**30/06/07**	**31/03/07**	**31/12/06**
Payables			
a) Due to customers and securities (°)	99,199	95,827	93,976
b) Due to banks	21,039	20,627	15,878
Financial liabilities from trading	19,384	20,680	16,715
Provisions for specific use	0	0	0
a) Provisions for employee leaving indemnities	366	385	386
b) Reserve for retirement benefits	407	415	427
c) Other reserves	569	573	583
Other liabilities	22,342	23,260	22,778
Underwriting reserves	0	0	0
Group portion of shareholders' equity	7,794	7,971	7,775
a) Valuation reserves	767	659	650
b) Reimbursable shares	0	0	0
c) Capital instruments	71	71	71
d) Reserves	3,985	4,509	3,598
e) Share premium account	561	561	561
f) Share capital	2,030	2,030	2,030
g) Treasury shares (-)	-134	-112	-45
h) Net profit (loss) for the year	514	254	910
Minority interests in shareholders' equity	47	41	38
Total liabilities and shareholders' equity	**171,147**	**169,779**	**158,556**

REPORT ON THE MPS GROUP OPERATIONS

THE MACROECONOMIC SCENARIO

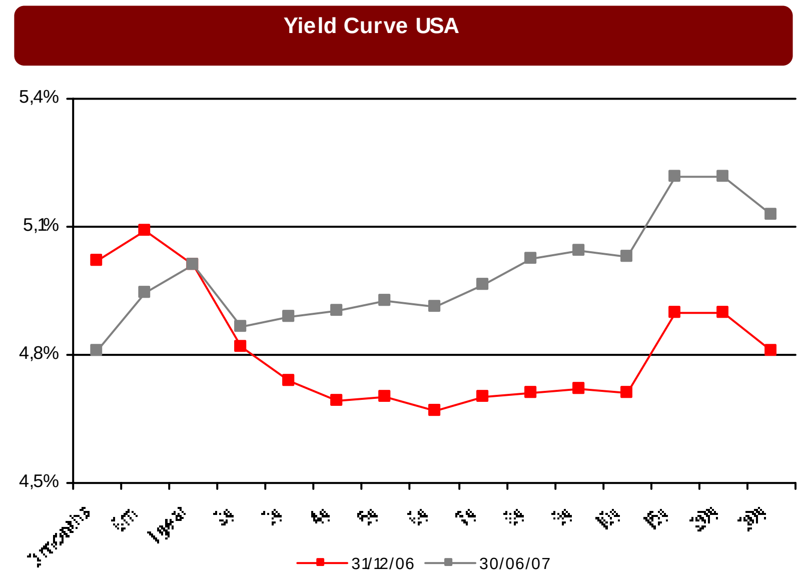
THE MACROECONOMIC AND FINANCIAL SCENARIO

During the first half of 2007, the expansion of the international economy and trade continued at a fast pace, though less vigorously than in 2006. The slowdown in the US was flanked by the growth in Europe and Japan; **however, greater momentum to business and the economy was given by the emerging countries.** The price of oil bounced back over USD 70 per barrel. The increases in the prices of other raw materials stopped despite an acceleration in the increase in agricultural produces.

GROWTH RATES IN THE LEADING ECONOMIES

	2005	2006	2007
Usa	3.2	3.3	2.2
Eurozone	1.4	2.7	2.5
Italy	0.1	1.9	1.8
Germany	0.9	2.8	2.6
France	1.7	2.0	2.0
China	10.2	10.7	11.0
Japan	1.9	2.2	2.4

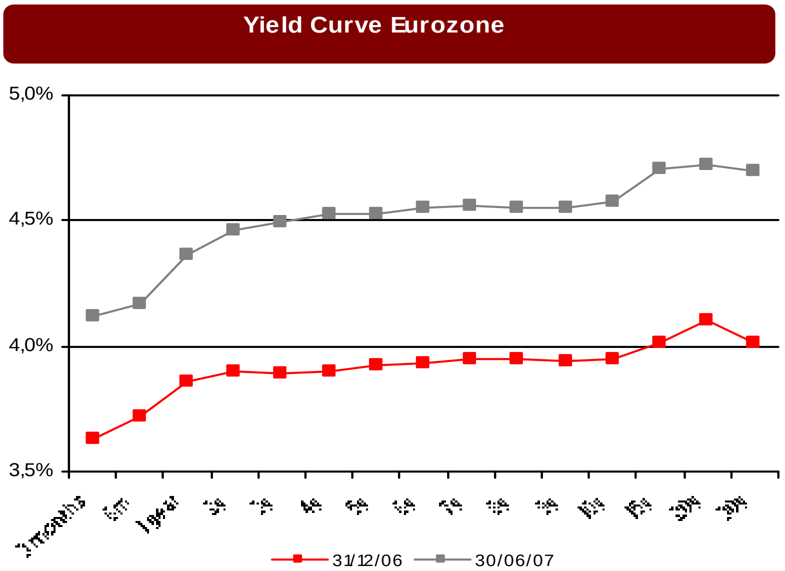
The US economy expanded at a moderate pace, slowed down by the decline in the residential building business. Family expenditure grew at a decelerating rate, but the trends of the manufacturing industry and private investments are satisfactory. The trend of the labour market is also positive. Despite an appreciable increase in exports, the reduction of the high deficit in the balance of foreign trade is modest.



Against this backdrop, the FED left the reference rate of 5.25% unchanged, and emphasized that inflationary pressures are not yet curbed, despite the growth of core inflation declined to 2.2% on an annual basis in June 2007. The curve of the benchmark yields took a modest positive slope (16 bp in relation to 2-10 year maturities), thus reflecting inflationary fears and increasing premiums at maturity. The deterioration of the **conditions of the sub-prime mortgage loan market, which intensified remarkably during the summer,** contributed to increasing uncertainty.

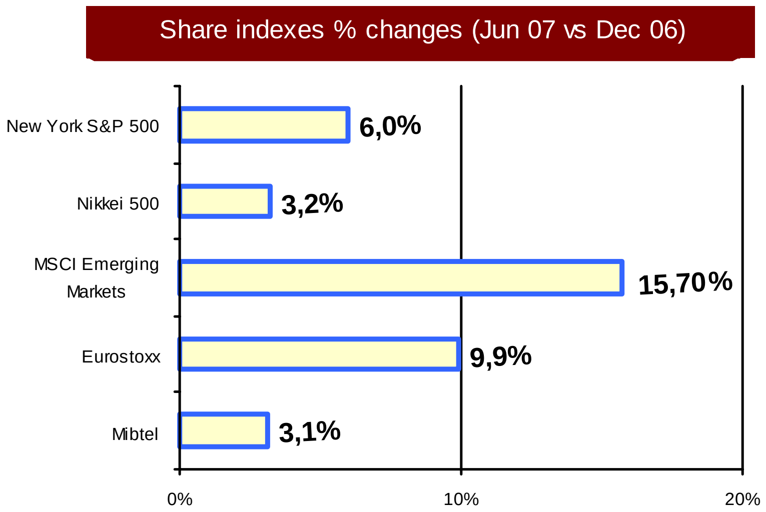
In Japan, after the hefty rise experienced in the fourth quarter of 2006, production slowed down moderately, influenced by declining private investments and nominal wages. The trend of exports was very positive.
There are no signs of a slowdown in the Chinese economy, driven by investments and exports. The Chinese authorities increased the reference rates and the statutory reserve ratio again, and also raised taxes on equities transactions in the attempt to avoid any risks of excess growth.

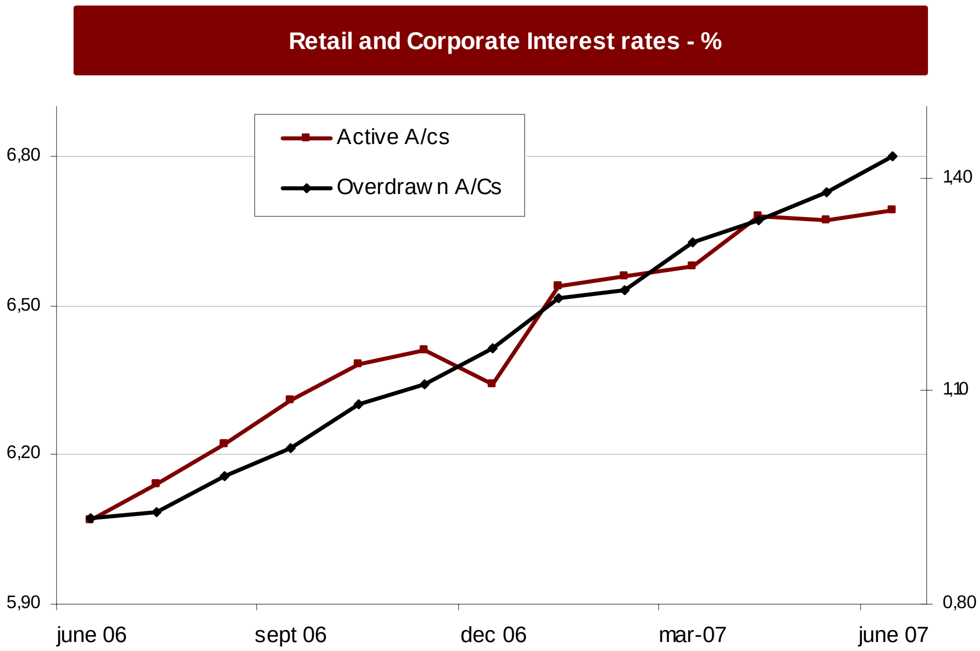
The GDP of the Eurozone is developing at a rate slightly higher than 2%. Industrial production continued to expand and, after the standstill of the first quarter, retail sales showed some signs of recovery. The dynamic trend of exports, which are affected by the appreciation of the euro (+3.6% in relation to a basket of the 24 major foreign currencies), slowed down. The gradual resumption of a less accommodating monetary policy contributed to stop inflation below 2%.



During the first six months of 2007, the ECB believed that medium-term expectations on price stability were still subject to the risk of a bullish trend **and, therefore, increased the refinancing rate to 4%, with two increases totalling 50 bp.** The increase in the M3 monetary aggregate is still over 10%, also due to the limited difference of long-term yields and short-term yields, and the outstanding growth of foreign capital inflows. The interest rate curve shows a slightly steeper slope than at the end of 2006. The increase in medium-/long-term yields slightly topped 60 bp, thus reflecting consolidating growth prospects.

In Italy the GDP grew by about 2% on an annual basis, although in light of a slowdown of the economic situation (in the second quarter the increase in comparison with the prior period dropped to 0.1%). The decisions concerning family expenditure are still based on prudence and partly fuelled by specific factors such as car scrapping incentives. There were some signs of recovery of the demand for investment goods in the second quarter of 2007. The positive trend of exports and improving terms of trade encouraged the **decrease in the foreign trade deficit** (from 12.7 to 7.7 bn). Industrial production remained on the levels registered during the final months of 2006 (about +1% on a trend basis). Corporate turnover (+7.6% on an annual basis) speeded up and confidence stabilized on high levels.





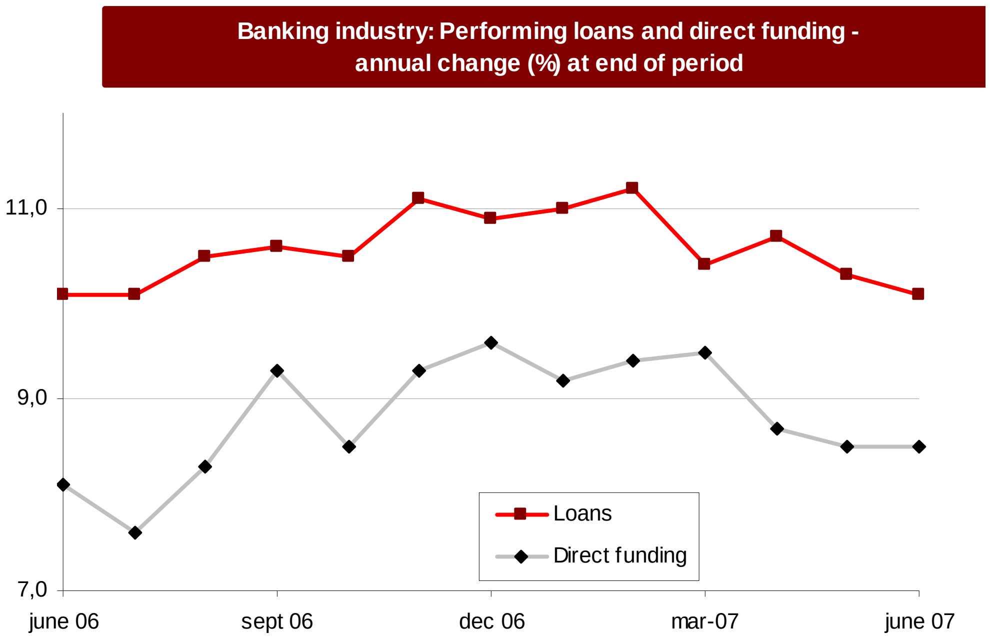
In the first six months of 2007 **stock prices continued to increase, but were subsequently affected by the effects of the crisis of the subprima mortgage loan market**. As of 30 June 2007, the MSCI world index had recorded an increase of about 7% in comparison with the end of 2006, mostly with the contribution of the Emerging Countries (in particular China and Brazil). The Italian Stock Exchange recorded one of the lowest progresses (+3.1%) in Europe, with the bank equities index falling by 2.7%.

The prices in the **bond markets** declined especially in the Eurozone. Volatility increased anywhere as of June and the differentials of corporate bond yields and Treasury bills expanded. On the front of **foreign exchange markets**, the euro appreciated by 2.5% with respect to the US dollar and more than 6% with respect to the yen; the fluctuation band for the yuan was expanded and the currency appreciation with respect to the US dollar reached 2.5% in the first half of 2007 (3.6% in 2006).

BANKING BUSINESS

During the first half of 2007, the banking market was characterized by the significant growth of traded volumes and a similar increase in **interest rates on deposits and loans.** On the front of funds management, Treasury bills and bank bonds were prevailing, whereas asset management faced a critical stage. The level of concentration of the banking industry increased and regulatory pressures on competitiveness and transparency intensified.

Direct funding decelerated somewhat, but **its growth rate was still high, slightly lower than 9% on an annual basis**. The considerable slowdown of current accounts – with a progress of about 4.5% (+7% in 2006) – was partly offset by the acceleration of bonds (with an increase over 12% on an annual basis) and repurchase agreements (+25%). Savings deposits were at a standstill and certificates of deposit dropped. **The MPS Group market share jumped to 6.65%** (from 6.48% at the end of 2006).



Redemptions of mutual funds intensified and topped EUR 20 bn, mostly focused on bonds (-20 bn) and equities (-10.6 bn). Only net funding from opportunities funds and hedge funds was positive in a total amount of almost 16 bn. Net redemptions from Italian and roundtrip funds (-22.2 bn) were massive and only partly offset by funding from foreign products.
This trend seems attributable to the increasing propensity of the households to direct investments in low-risk financial assets and, in case of Italian-law mutual funds, to a penalizing taxation with respect to foreign funds. **The MPS Group market share** stood at 3.6% and **came to 4.15%** including the placement of third parties' funds.

The new production of life policies of bancassurance (including Post Offices) topped 24 bn, with a 3.8 increase on an annual basis. The recovery was driven by unit linked policies (funding: +31%) despite an additional decline in traditional policies (-20%). Index linked policies were also positive (+14%). In comparison with the other distribution channels, bancassurance kept its market positions, despite a decrease in agents' funding (-16%) and the excellent performance of financial promoters (+19%). **The MPS Group market share climbed over 8%.**

The trend of (retail and private) individual portfolios under management of banks, stock brokerage companies and asset management firm**s was negative,** with net redemptions in the amount of EUR 12.5 bn during the period, which are indicative of the trend of individual fund portfolios under management (GPF) which suffered from the "flight" from mutual funds. Assets managed decreased by more than 2% with respect to 31 December 2006, despite the positive management performances. **The MPS Group market share stood at 3.7%.**

Bank loans grew by more than 10% on an annual basis, virtually in line with the trend registered in the second half of 2006. Short-term loans continued to accelerate (+9.2% on average in the first half of 2007), in line with the recovery of production. Medium-/long-term loans slowed down (though their growth continued to be higher than 11%), as a result of the lower demand for retail loans (in the first quarter of 2007, housing mortgage loans declined by 1.6% year-on-year) and some securitization transactions. Loans to non-financial companies progressed by about 12%, with increases higher than the average with reference to the means of transport and service industries. The issues of corporate bonds also increased (from EUR 13 bn to 20 bn in terms of gross amounts in the first 5 months of 2007). **The MPS Group market share of outstanding loans climbed from 6.3% in December 2006 to 6.5%,** as a result of the contribution of short-term and medium-/long-term loans.

On the front of specialist's loans, **executed leasing contracts recorded a moderate increase** of 1.8% on an annual basis in the first six months of 2007, compromised by the decline in the real estate business (-4%) and car industry (-1.5%) despite the development of the capital goods sector (more than 8%) and the persisting boom of pleasure boating (+30%). **The MPS Group market share rose over 3%. The growth of factoring turnover was lower than 2%. The MPS Group market share remained around 3.9%. Consumer credit (a market where the Group has a market share of roughly 4.7%) confirmed appreciable levels of growth (+11.9%).** Greater momentum to the market was given by personal loans (+24%), flanked by targeted loans (abt.7%) and revolving cards.

Gross bank NPLs progressed by 4.7% on a yearly basis, with a more limited change (+2.2%) in NPLs at salvage value.
The trend of bad loans of non-financial companies is faster (+5.4%) than for the households (+4.7%). The gross NPLs/total loans ratio (3.4%) was in line with the ratio as of 31 December 2006. The ratio fell to 1.2%, including net NPLs.
In the first half of 2007, bank interest rates were only partly indicative of the increases decided by the ECB, with movements lower than 40 bp, distributed equally between lending and funding. Interest rates on loans rose by 34 bp and interest rates on deposits went up by 32 bp, in comparison with increases of 50 bp in the official ECB rate. The mark-up (as measured with reference to overdrafts and 1-month Euribor) stood at 2.59% in June 2007 (-9 bp with respect to December 2006). The mark-down jumped to 2.66%. **The spread of interest rates** on A/Cs was 5.3% on average in the first half of 2007, slightly higher than in the last months of 2006.

REGULATORY ISSUES

The provisions in relation to complementary pension funds introduced by Legislative Decree 252/2005 were enforced as of 1 January 2007. As a result, private employees were obliged to decide no later than 30 June 2007 whether they intend to invest the portion of their staff severance indemnity still to be accrued in complementary pension funds or to keep it under their company's management**. I**n this case, if the company has at least 50 employees, the indemnity shall be allocated to an INPS (Social Security)-managed fund. An estimate of the Ministry of Labour indicate that 36% of employees have allocated their staff severance indemnity to social welfare instruments, with closed-end funds prevailing (80% of the flows).

Law 40/2007 removed all expenses and penalties to be paid in case of **advance (total or partial) repayment of a residential housing mortgage loan by an individual**. The law also contemplates that a mortgage on a property can be redeemed with no involvement of a notary public and no notarial expenses. With reference to the mortgage loans executed before the enforcement of the law, an agreement signed by the Italian Bankers' Association and the consumers' associations at mid-April set the maximum amount to be paid in case of advance repayment. The **opportunity of subrogating the creditor (so-called "credit transferability" to another lender) in relation to mortgage loans, credit opening and other loan agreements, with no expenses for the debto**r, is also important.

In relation to bank contracts, the Ministry of Economic Development issued an explanatory circular concerning the enforcement of art.10 of law 248/2006. The circular defines the **"justified reasons" for unilateral amendments to be made to the conditions of term agreements** (e.g. change in the customer's creditworthiness and in the economic variables of the scenario) and emphasizes that any changes in interest rates resulting from monetary policy decisions are at the bank's discretion but, if implemented, shall be implemented according to specific modes and extent.

In mid-May, the Bank of Italy approved and circulated the regulatory instructions which **complete the regulations covering the creation of a market of secured bank bonds ("covered bonds"**). In particular, the requirements of the issuing banks have been identified: (consolidated or bank's) capital for regulatory purposes not lower than EUR 500 million and total capital ratio not lower than 9%. For the purpose of protecting creditors other than the subscribers of covered bonds (double secured bonds), there are limits to the assignment of bank assets in relation to the issue of covered bonds, on the basis of the banking group's financial situation.

On 13 June 2007, the Chamber of Deputies approved a bill (to be examined by the Senate in September 2007) which ratifies **the invalidity of the contractual clauses covering maximum overdraft bank charges,** or other fees which contemplate a remuneration for the bank which makes funds available in favour of a current account holder, irrespective of the actual withdrawal of the sum and the actual maturity for the use of funds. However, the bill expressly acknowledges that **it is legitimate to pay a commission for the availability of sums,** if it is proportional to the amount and maturity of the loan requested. The commission is applicable if pre-determined by a written agreement not renewable tacitly, and commissions shall be reported to the customers at the most on an annual basis.

A ministerial regulation, in enforcement of art.1, par.345 of Law 266/2005, stated that **"dormant current accounts and bank relations"** means that no transactions or movements have been carried out, on the current account holder's initiative, for 10 years. When this occurs, the intermediary shall notify the customer that his/her instructions shall be given no later than 180 days. After this deadline, the account shall be closed and any sums shall be transferred to the fund for compensation of the investors who were victims of financial frauds. This provision applies in the case of balances higher than ¼ 100 and regulates any deposits of sums (current accounts, savings deposits) and financial instruments under custody and administration.

With reference to the new law on investments, the process of reform continued **with the Consob amendments to the "Markets" and "Issuers" Regulations**. The aspects amended by Consob include: (i) the determination of the **"thresholds" for the production of the lists** for election of the Board of Directors; (ii) the **limits to plurality of offices** of management and control for the members of supervisory bodies; (iii) **information on remuneration plans** based on financial instruments; (iv) **the prospectus for the financial products issued by the insurance companies** (unit and index linked policies and capitalization financial products).

An amendment introduced in the law converting Law Decree 81/07 **extended the reduction of IRAP**, as already contemplated for non-financial companies, to the banks. Financial cover was mostly found in the limits to deductible interest expense, in an amount corresponding to the ratio of the value of "non typical" assets (intangible assets, tangible assets, net of financial leases, and equity investments for investment purposes) and total assets. Another portion of cover is provided by the increase in the social security contribution for the protection of motherhood and fatherhood.

On 6 July 2007 the Cabinet Council **approved the Legislative Decree which adopts the European directive on investment services (MIFID**). The Decree, which will be flanked by the regulations of application issued by Consob and the Bank of Italy, shall be enforced on 1 November 2007. According to this regulation, **the obligation of trade concentration at the Stock Exchange is abolished**; any deal shall be carried out in a regulated market, a multilateral trading system o through a broker. The changes in the operating scenario have diversified and graded the levels of protection of the investors on the basis of different categories: qualified counterparts, professional customers and retail customers.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY AND CUSTOMER PORTFOLIO

During the first half of 2007, the MPS Group achieved considerable commercial and marketing results by fully enhancing the investments made in the second half of 2006 in application of the 2006-2009 Business Plan (i.e. reorganization of the distribution network and additional specialization of the service models). These results confirm the soundness of the Business Plan with the main objective of **bringing the Group closer to its market of reference and customers. This is done for the purpose of rapidly and materially capturing the actual retail and corporate needs and adjusting commercial policies and the level of service properly, so as to consolidate the customers' confidence in the bank and lay the foundations for a steady growth of customers relations ("leadership at the customers' service").** Following are the main elements which characterized commercial operations in relation to funds management and lending.

1) FUNDS MANAGEMENT

Tangible consequences of the benefits associated with the development of the business model are to be found in the placement of asset management products, which – as of 30 June 2007 - confirmed the positive trend experienced in the first quarter of the year, with flows topping EUR 6.1 bn (+13.9% y-o-y), especially due to bonds and mutual funds/SICAVs.
Following is a breakdown of the flows of placement of the main products of the MPS Group:

■ Product Placements

in million of euros			30/06/07	30/06/06
Mutual funds/SICAVs (*)			793	-297
Individual portfolios under management			-736	52
Life-insurance policies	including:		2,172	2,231
		Ordinary	1,041	1,378
		Index Linked	842	587
		Unit Linked	289	265
Bonds	including:		3,912	3,406
		Linear	2,935	2,153
		Structured	977	1,253
Total			6,141	5,392

into other product

(*) Group Funds and Multimanager Funds directly placed to the Customers (not included in other financial instruments)

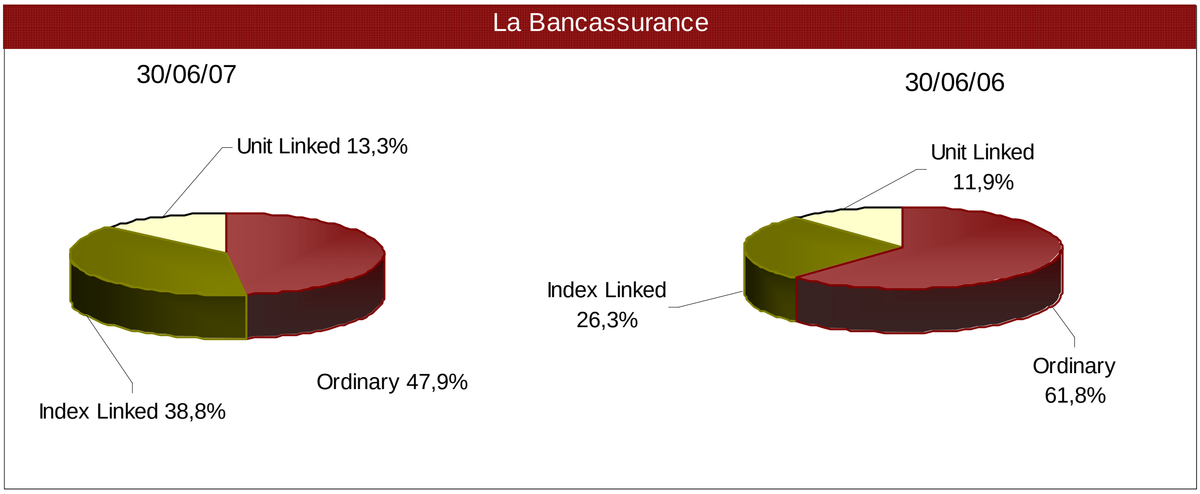
In particular:

- **Net flows of collective and individual funds under management amounted to EUR 60 million** approx., offset by negative funding in the same period of 2006 (-EUR 245 million as of 30 June 2006), including:

- **Production flows of mutual funds/SICAVs** came to EUR 793 million roughly, with respect to redemptions in the amount of EUR 297 million in 2006;

- **Net redemptions of individual portfolios under management totalled EUR 736 million** (+EUR 52 million as of 30 June 2006), as the balance of (i) EUR 139 million concentrated on individual securities portfolios (GPM)/individual equities portfolios (GPA) and (ii) redemptions in the amount of EUR 875 million concerning individual SICAV/fund portfolios (GPS/GPF) under management, in line with the industry trends;

- **Life insurance premiums underwritten totalled EUR 2,172 million** (EUR 2.231 million in 2006). As a result, the MPS Group continued to play a leading role in the Bancassurance and Post market, **with a market share of approximately 8.2% for the products placed during the period.** With reference to the production of the MPV Group, insurance premiums underwritten as of 30 June 2007 came to EUR 1,8 bn approx. . The contribution of Quadrifoglio Vita Spa (a 50%-owned subsidiary of Banca Agricola Mantovana) was also positive, with insurance products placed in the first half of 2007 in the amount of about EUR 300 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.



- **Bond volumes totalled about EUR 4 bn (EUR 3.4 bn as of 30 June 2006)** concentrated on plain products (EUR 2,935 million), with structured bonds totalling EUR 977 million.

2) LENDING

In the first half of 2007 the trend of lending operations, in line with the second half of 2006, was characterized **by huge disbursements in relation to consumer credit and retail mortgage loans and the strong recovery of short-term loans**. **Loans disbursed by the networks and the special credit companies c**ame to about EUR 8.7 billion (+20.8% with respect to 30 June 2006) in a scenario featured by the process of review of selection criteria of creditworthiness which matches fast replies and the utmost rigour in risk assessment. In particular:

- **new mortgage loans granted and disbursed by the main Group networks directly to the customers** topped EUR 5.3 bn (+30% in comparison with 30 June 2006), with the contribution of the Corporate market – which benefited 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 disbursement flows of **Consum.it (consumer credit)** progressed topping EUR 1.4 bn (+6.5% with a **market share of 4.7%).** Agricultural credit and investment credit disbursements made by MPS Banca per l'Impresa also advanced (+7.6%). The growth of **Leasing (market share higher than 3% with respect to 2.4% at the end of 2006**) was appreciable (+14.5%). The trend of **Factoring** operations slowed down (-3.4% with respect to 30 June 2006) **with a market share of 4% approx**.

■ Specialised credit and corporate financial products

in million of euros

		30/06/07	30/06/06
MPS Finance			
	risk management (1)	2,630	2,583
MPS Banca per l'Impresa			
	disbursements	1,334	1,240
MPS Leasing & Factoring			
incl.:	new leases executed	803	700
	factoring turnover	2,144	2,218
Consumit			
	disbursements	1,448	1,359

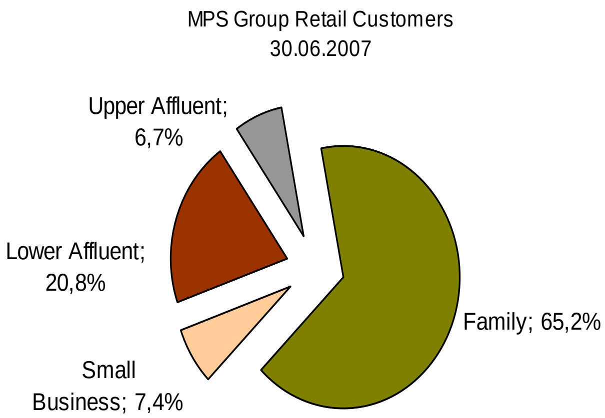
(1) figures also include products issued by the Networks directly

CUSTOMER PORTFOLIO

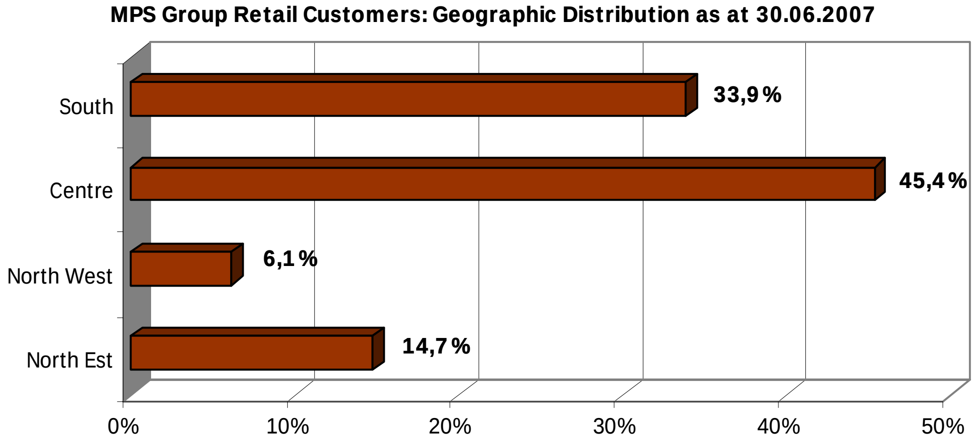
As of 30 June 2007, the customers of the Group (including the direct customers of Consum.it) **numbered 4,614,505 with respect to 4,513,068 customers at the end of 2006. The customers of the commercial networks[1] totalled 4,227,036 (versus 4,144,000 as of 31 December 2006). 97.8 percent of the network 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** (4,135,917 customers) shows that the weight of the **Family segment** is more than 65%, representing the majority of customers, followed by the Lower Affluent segment (20.8%), Small Business segment (7.4%) and Upper Affluent customers (6.7%).

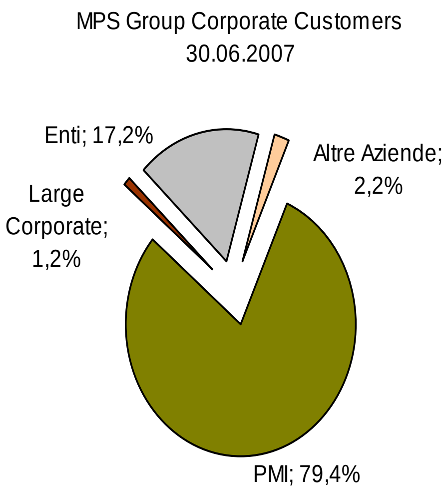
[1] Including the customers of: Banca Monte dei Paschi, Banca Toscana, Banca Agricola Mantovana and MPS Banca Personale.



The **geographical breakdown of retail customers** indicates that the Group operations are mostly concentrated in central and southern Italy. However, in the last three years, operations expanded moderately (+0.3%) in the North-West regions of Italy.



The Corporate clientele (61,871 clients) mostly includes SMEs (79.4%), Local Authorities (17.2%) and Large Corporates (1.2%), now defined Key Clients for organization purposes.



Following is a **breakdown of companies by business sector**:

MPS Groups Customers: composition % by activity

	Total Customers	Retail	Corporate
Agricolture	3.7	4.0	2.6
Public utilities	0.4	0.2	1.0
Manufacturing: extraction and chemical	2.1	1.6	4.5
Metallurgy and mechanical	7.5	6.7	11.0
Alimentary, wearing, leather, textile.	11.3	10.4	15.5
Construction and building	11.4	12.0	8.6
Wholesale distribution	9.1	8.4	12.2
Retail distribution	19.3	21.8	7.7
Transport e communication	3.4	3.4	3.6
Banking, insurance and services	12.2	12.3	11.4
Public administration	5.3	5.8	2.9
Not classified	14.4	13.4	19.0
Total	100.0	100.0	100.0

The following table includes data concerning the number of customers by segment and bank seniority. As is shown, **the Group customers' loyalty is extremely high**:

MPS Groups Customers: composition % by relationship length

time	%
1-3 years	15.0
4-5 years	6.4
6-10 years	22.5
11-20 years	38.7
> 20 years	17.4
Total	100.0

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

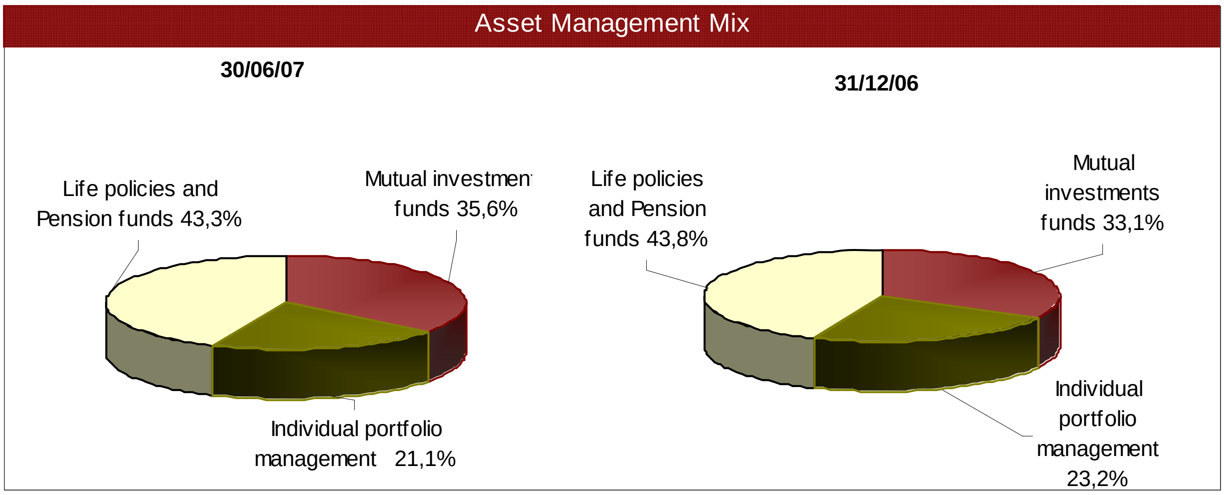
As a result of the Group's commercial operations, total funding advanced by about 1.8% (+4.3% with respect to 31 December 2006), mainly driven by direct funding.

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

	30/06/07	30/06/06	% chg. vs 30/06/06	% weight 30/06/07
Direct customer funding	**99,199**	**89,832**	**10.4%**	***49.3%***
Indirect customer funding	**102,195**	**107,957**	**-5.3%**	***50.7%***
assets under management	*48,701*	*48,121*	1.2%	*24.2%*
assts under custody	*53,494*	*59,837*	-10.6%	*26.6%*
Total customer funding	**201,394**	**197,790**	**1.8%**	***100.0%***

In particular, **indirect funding** **amounted to EUR 102 million as of 30.06.2007** (+3 bn with respect to January 2007):

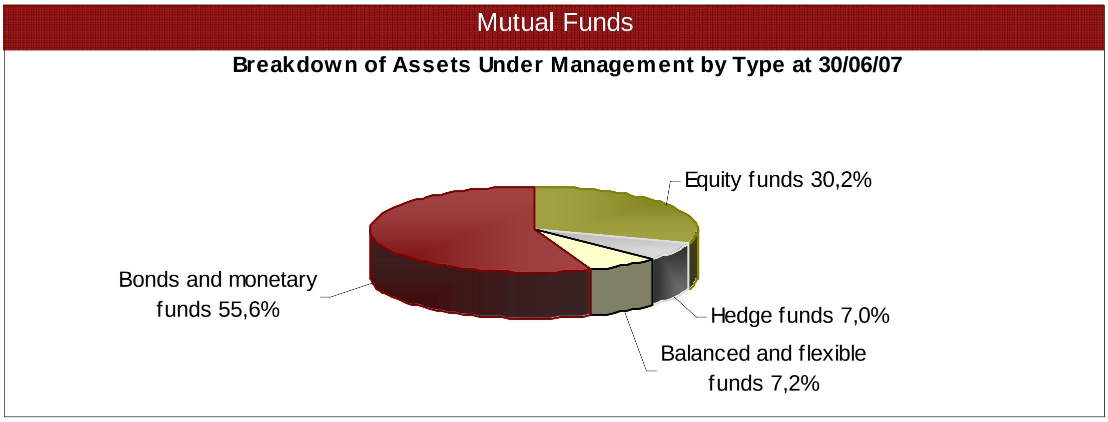
- **The balance of funds managed, totalling EUR 49 bn, rose by almost 1.5%** in comparison with 31 December 2006, with the weight of the "life insurance policies and pension funds" component at 43.3% (43.8% as of 31.12.2006).



- **With reference to life insurance policies, the technical reserves concerning the Group commercial networks came to EUR 21 bn**;

- **The balance of the Group mutual funds/SICAVs amounted to EUR 17.3 bn,** progressing by 9.3% with respect to 31 December 2006 **(+10.4% with respect to 30 June 2006).**

The chart below illustrates the mix of investment funds by type, evidencing a virtually unchanged composition with the percentage of bond/monetary funds higher than the Banking Industry and showing a significant upgrading potential in the investment lines.

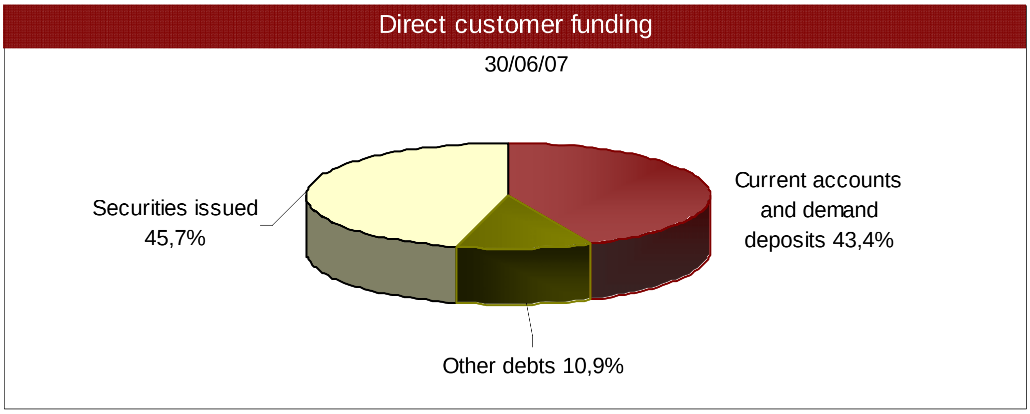


- **The balance of <u>individual portfolios under management</u> stood at EUR 10.3 bn** (EUR 11.1 bn as of 31/12/2006), with the reduction concentrated on individual fund portfolio under management (GPF).

- The total balance of **<u>funds under administration</u>** amounted to EUR 53.5 bn, with a 4.7% 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 99,2 billion, **with a domestic market share of 6.65%**) advanced considerably by 10.4% year-on-year (+5.6% 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:



Breakdown of deposits by business segment

Commercial funding
(in millions of euro)

	30/06/07	% chg yoy	% weight 30/06/07	% weight 30/06/06
Commercial Banking/ Distribution network	44,821	5.5%	59.0%	59.0%
Corporate Banking / Capital Markets	26,878	4.0%	35.4%	35.9%
Private Banking/Wealth Management	4,237	14.2%	5.6%	5.1%
Total	**75,937**	**5.4%**	**100.0%**	**100.0%**

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

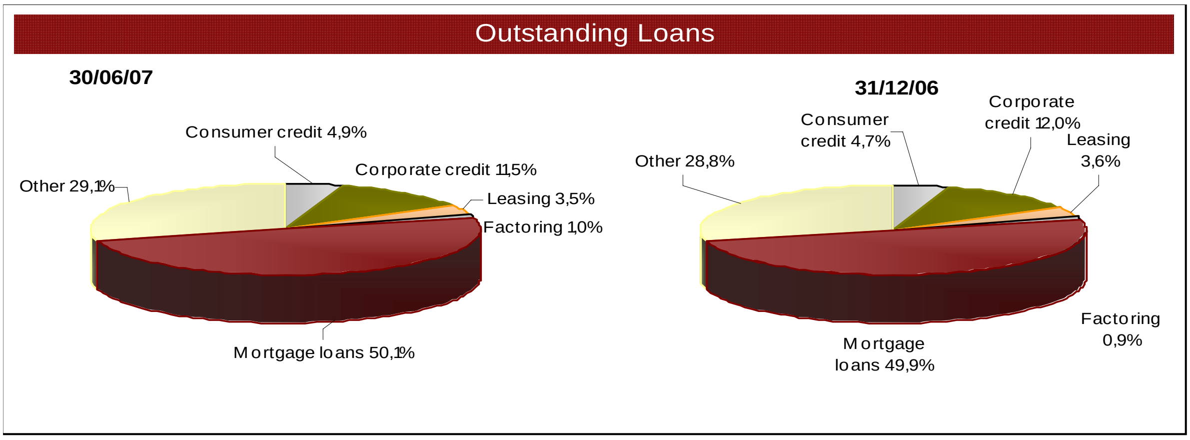
MPS GROUP
Ordinary customers' deposits in the domestic network
in millions of euro

Area	30.06.07	%change jun07/jun06	Incid. % 30.06.07	% 30.06.06
North	9,738	2.8	22.8	22.1
Center	22,366	-2.0	52.3	53.1
South and islands	10,681	0.1	25.0	24.8
Italy	**42,785**	**-0.4**	**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 98.8 billion (+14.8% in comparison with 30 June 2006; +7.5% with respect to January 2007). Growth was mainly driven by domestic performing loans which advanced by approx. 13% **(with a market share close to 6.5%)** boosted by short-term loans (abt.+16% y-o-y) and the appreciable, although slowing down, growth of medium-/long-term loans (+11% approx.). Following is a breakdown of consolidated loans by type:



Breakdown of loans by business segment

Customer loans
(in millions of euro)

	30/06/07	% chg yoy	% weight 30/06/07	% weight 30/06/06
Commercial Banking/ Distribution network	39,375	10.6%	42.9%	43.9%
Corporate Banking / Capital Markets	51,597	15.3%	56.2%	55.1%
Private Banking/Wealth Management	788	-1.1%	0.9%	1.0%
Total	**91,760**	**13.1%**	**100.0%**	**100.0%**

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

MPS GROUP
Ordinary customers' loans in the domestic network
in millions of euro

Area	30.06.07	%change jun07/jun06	% 30.06.07	% 30.06.06
North	29,290	10.3	32.7	33.5
Center	42,159	15.4	47.0	46.1
South and islands	18,160	12.1	20.3	20.4
TOTAL	**89,608**	**13.0**	**100.0**	**100.0**

B) CREDIT QUALITY

The MPS Group closed the first half of 2007 with net impaired loans slightly increasing (+1.8% in comparison with 31 December 2006), **which is indicative of the moderate weight of impaired loans to total customers' loans falling to 3.96% from 4.18% as of 31 December 2006.**

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**30/06/07**	**31/12/06**	**% weight 30/06/07**	**% weight 31/12/06**
A) Impaired loans	**3,910**	**3,839**	**4.08**	**4.18**
a1) Non-performing loans	1,790	1,691	1.82	1.84
a2) Watchlist loans	963	1,015	1.06	1.10
a3) Restructured loans	138	111	0.11	0.12
a4) Past due	1,019	1,022	1.09	1.11
B) Performing loans	**94,408**	**87,523**	**95.37**	**95.19**
C) Other assets	**511**	**579**	**0.6**	**0.6**
Total customer loans	**98,829**	**91,941**	**100.0**	**100.0**

Said ratio mainly results from the joint effect of the trend of gross loans (NPLs: + 7%; watchlist credits: - 5.6%) 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 in the first half of 2007 was EUR 280 million for the whole Group (+6.5% with respect to 30 June 2006**).

The provisions covering impaired loans were strengthened appreciably, in light of a watchful provisioning policy. This is proved by the weight of provisions to gross total loans which stood at 39.6% (38.7% as of 31 December 2006), and 54.6% only in relation to gross NPLs (54.1% as of 31 December 2006). The percentage of coverage of the commercial Banks was close to 58%. Portfolio valuation adjustments to performing loans accounted for 0.5% of the aggregate.

■ **PROVISIONING RATIOS**

	30/06/07	**31/12/06**	**31/12/05**
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**47.3%**	**46.3%**	**44.9%**
"provisions for watchlist loans"/"gross watchlist loans"	**24.7%**	**25.1%**	**26.0%**
"provisions for NPLs"/"gross NPLs"	**54.6%**	**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 31/12/06 *in million EUR*	**Group**	**BMPS**	**BT**	**BAM**	**MPS Banca per l'Impresa**	**MPS Leasing & Factoring**	**CONSUM.IT**
Non-performing loans	1,790	694	243	148	591	59	29
% weight on customer loans	1.8%	1.2%	1.6%	1.3%	5.2%	1.3%	0.6%
"loan loss provisions"/"gross NPLs"	**54.6%**	**57.6%**	**57.7%**	**58.9%**	**35.3%**	**77.0%**	**73.5%**
Watchlist loans	963.1	310	195	77	230	66	25
% weight on customer loans	1.0%	0.5%	1.3%	0.7%	2.0%	1.4%	0.5%
"loan loss provisions"/"gross watchlist loans"	**24.7%**	**31.3%**	**23.5%**	**18.5%**	**10.3%**	**38.7%**	**30.0%**

The weight of valuation adjustments in relation to 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 the first half of 2007 the MPS Group continued to develop its **processes of disbursement of** the loans granted to the customers, and **monitoring processes** for the purpose of identifying the customers whose financial situation is deteriorating and covering increased risks.

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 customers' service levels**.

After the release of the new PD calculation models in relation to the **corporate market**, the rules in relation to the joint management of the Customers by several Group banks have been implemented in the **Corporate Customers Electronic Credit File** for the purpose of achieving a single rating.

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. However, the whole process is still being finetuned, although almost completed.
In relation to additional credit risk factors (LGD, EAD and Mitigation), the Group completed the adjustment 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

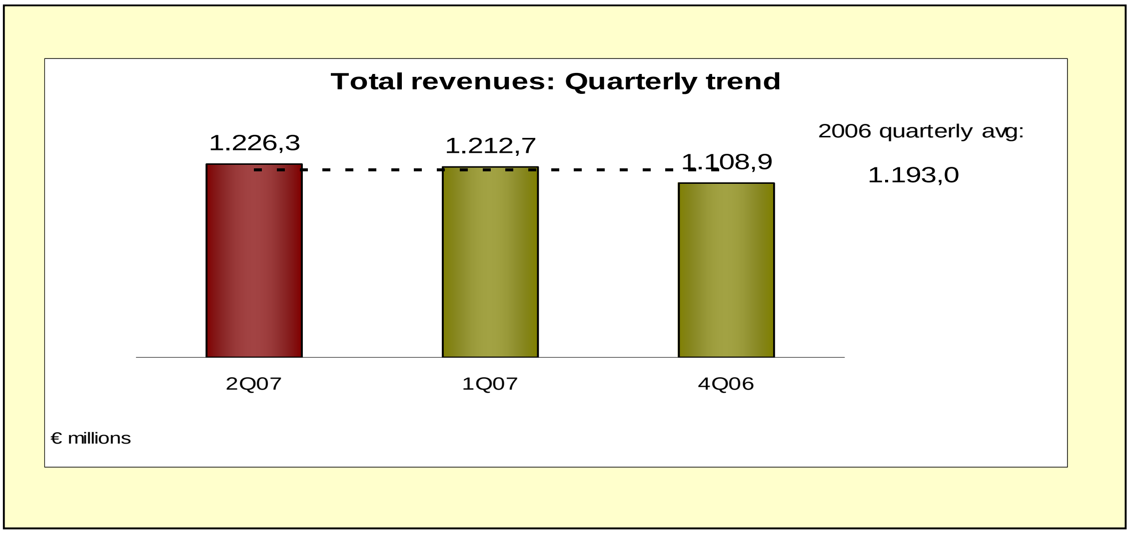
As a result of the above-mentioned dynamics, the Net Primary Operating Income progressed by 5.7%, which is indicative of the strong momentum given to the development of core income in the last quarters.

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 June 2007 **financial and insurance income stood at EUR 2,439.1 million (+4.9% with respect to 30.06.2006), with the "core" component (interest income + commissions from customers) advancing by 5.7%**. Therefore, income from financial and insurance business – excluding income components resulting from the sale of equity investme**nts – rose by roughly 7.5%,** above the Business Plan objectives (CAGR 6.5%).

The main aggregates developed as follows:



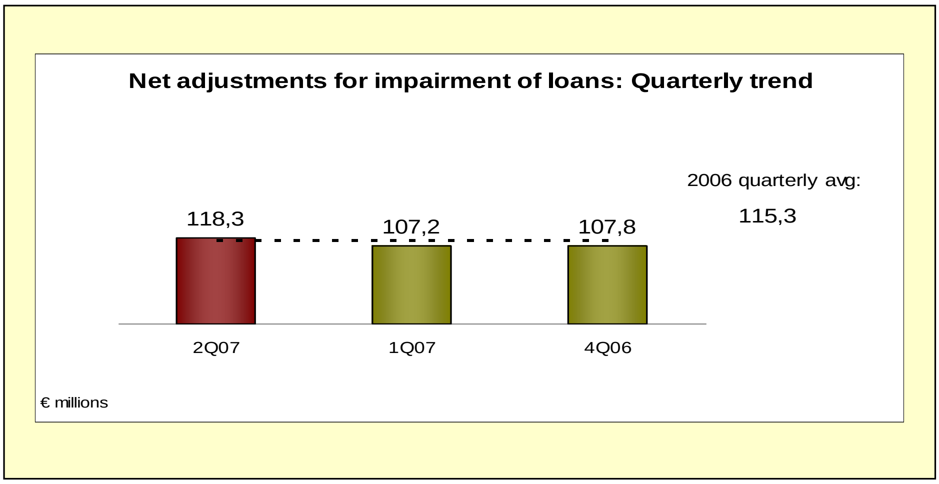
- **Interest income in the amount of EUR 1,415.5 million rose by 7.6% with respect to the first half of 2006**, **accelerating the development as of 31 December 2006 (+5.2%)**. The Business Areas contributed with a total increase of around 8% (+5% in December 2006) which benefited from the expansion of average volumes traded (more than 10.4%) and a spread virtually in line with the levels as of 30 June 2006;
- **Net commissions grew by 2.4% with respect to 30.06.2006 at EUR 771.1 million,** with an accelerating trend in comparison with 2006 (+0.3%). In particular, income from asset management developed by 2.3%, absorbing the elimination of "overperformance" commissions on Ducato Funds. The contribution of income from services expanded by 4.3%, thus reflecting the development of fiduciary relations;
- **Dividends, similar income and Profits (Losses) from equity investments** amounted to EUR 38.2 million (EUR 30.3 million in the first half of 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 212.6 million (EUR 228.4 million as of 30.06.2006), with an appreciable progress in relation to the component associated with the trading activity performed by the Parent Company and MPS Finance.

The aggregate also incorporates the profits from the sale of assets available for sale (EUR 89 million decreasing with respect to 30 June 2006) mostly linked with the disposal of the whole FIAT equity investment and the sale agreement concerning BNL shares:

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

	30/06/07	30/06/06
Net Profit from trading	195.4	175.2
Profit/loss from loans, available for sale financial assets and financial liabilities	5.6	51.2
Fair Value financial assets and liabilities	11.6	1.9
Net result from realisation/valuation of financial assets	**212.6**	**228.4**

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



With reference to the income resulting from loan disbursements, in the first half of 2007 the Group recorded **<u>net valuation adjustments to impaired loans</u> in the amount of EUR 225.5 million (EUR 209.6 million as of 30.06.2006)**, with a provisioning rate of about 46 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 positive balance (EUR 2.9 million), attributable to value recoveries in relation to guarantee and commitment funds (4.6 million) and net valuation adjustments for impairment of financial assets available for sale (1.7 million).

As a result, **<u>income from financial and insurance business</u> totalled EUR 2,216.4 million with a 5.1% increase with respect to 30 June 2006 (EUR 2,109.0 million). Growth came to 8%** excluding income components resulting from the sales executed in 2007 (FINSOE) and in the first half of 2006 (FIAT and BNL).

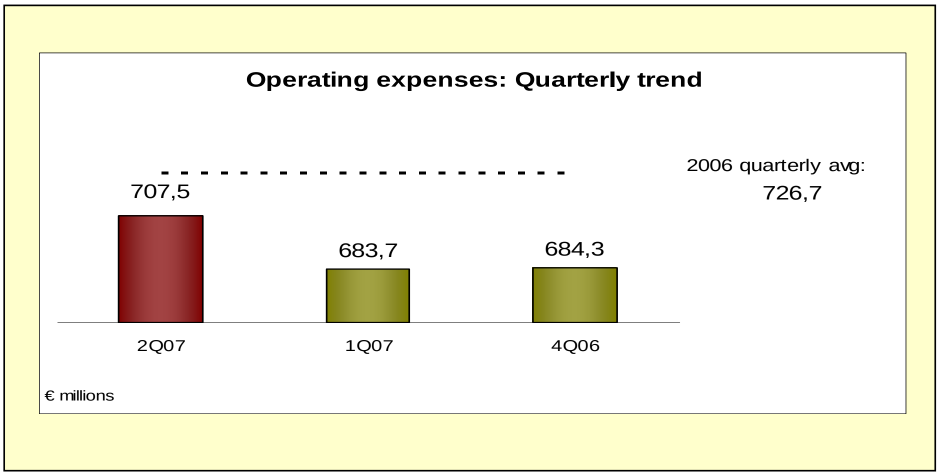
OPERATING EXPENSES: OPERATING CHARGES

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

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

	30/06/07	30/06/06	Abs. chg. vs 30/06/06	% chg. vs 30/06/06
Personnel expenses	868.8	874.7	-5.9	-0.7%
Other administrative expenses	467.7	431.0	36.6	8.5%
Administrative expenses	**1,336.5**	**1,305.7**	**30.7**	**2.4%**
Net adjustments to the value of tangible and intangible fixed assets	54.7	64.1	-9.4	-14.7%
Operating expenses	**1,391.2**	**1,369.8**	**21.3**	**1.6%**

In particular:



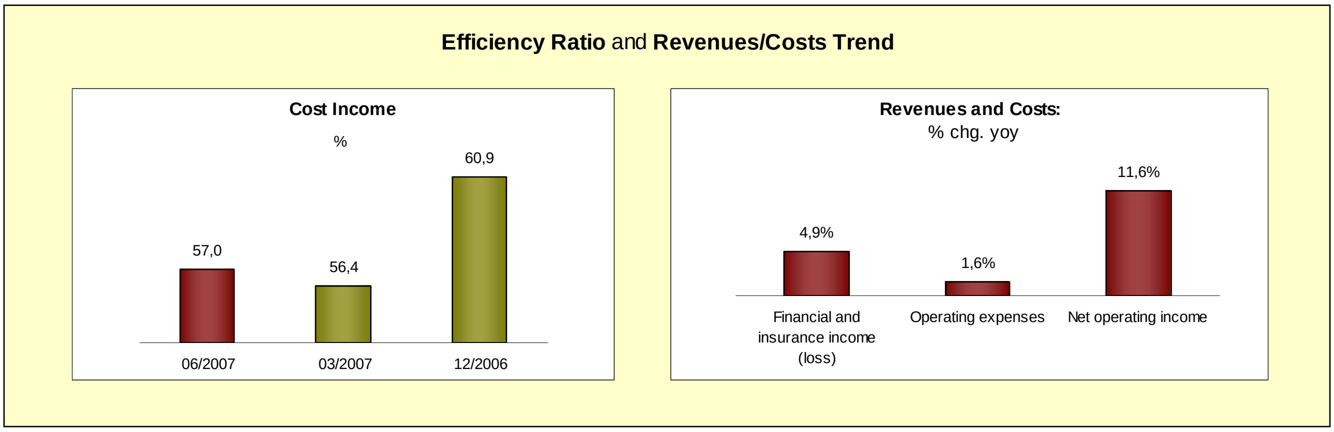
A) **Administrative expenses increased by 2.4% in comparison with 30.06.06** as a result of:

- **Personnel expenses** in the amount of EUR 868.8 million with a 0.7% decrease with respect to the first half of 2006, mostly attributable to the structural benefits 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, virtually offset by the benefits resulting from the amended accounting treatment to be applied to the staff severance indemnity after the reform of complementary welfare (about EUR 13 million). The limited positive adjustments are 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 468 million,** net of recoveries of stamp duty) **progressed by 8.5%,** 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 and communications (advertising campaign).

B) **Net valuation adjustments to fixed and intangible assets** amounted to **EUR 54.7 million** declining by **14.7%** with respect to the first half of 2006.

Accordingly, the Net Operating Profit stood at EUR 825.2 million, with a 11.6% increase year on year (EUR 739.2 million as of 30.06.2006). Growth came to about 21% excluding income components resulting from the above-mentioned sales**. The cost/income ratio was 57.0% (60.9% as of 31 December 2006), which is lower than expected in the Business Plan.**



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

Net profit for the period consists of the negative balance of **Net provisions for risks and charges and Other operating income/charges** in the amount of EUR 32.2 million (-EUR 0.9 million as of 30 June 2006), which incorporates:

- **An amount of EUR 37.0 million in** relation to other operating income/charges, which mainly include residual components of non-recurrent income (income from non-banking companies, contingent assets etc.);
- Net provisions for risks and charges totalling a **negative balance of EUR 69.2 million,** mostly associated with the coverage of possible operational risks (lawsuits, actions for revocation etc. …) and the writedown of junior securities coupons and financial plans.

Given the effect of the foregoing, in the first half of 2007 gross profits from current operations came to EUR 792.9 million with a 7.4% increase year on year (EUR 738.2 million as of 30 June 2006).

Rounding out the picture of profitability are:

- **Income tax on current operations for the period** in the amount of EUR 326.6 million (EUR 310.2 million as of 30 June 2006), with a tax rate of roughly 39%, penalized 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 57.1 million, totally attributable to the insurance business (the contribution of the insurance business in the first half of 2006 was EUR 22.4 million). The decrease with respect to the prior year is due to the final elimination from consolidation of the tax collection business (contribution as of 30 June 2006: EUR 38.4 million).

Therefore, also in view of the contribution from the above-mentioned components and minority interests, consolidated net profit for the period stood at EUR 513.8 million (EUR 481.8 as of 30 June 2006) with a 6.6% progress (about +18% with respect to the profits as of 30.06.2006, excluding profits from the sale of equity investments). Annualized ROE was 14.2% (ROE calculated on average shareholders' equity: 13.2%).

Such results take advantage of the positive contribution from the Parent Company (BMPS), all the Group's Business Units (as outlined in the following section covering Segment Reporting) and in particular from **Banca Agricola Mantovana** (EUR 48.4 million; +89%) and **Banca Toscana** (EUR 73.7 million or +38.9%).

* *

In compliance with the recent instructions of CONSOB, following is the comparative breakdown of the Parent Company's net equity and profit for the period and consolidated net equity and profit for the period.

Comparative statement of the Parent Company's net equity and profit for the period and consolidated net equity and profit for the period *In EUR '000s*	**30/06/07**	**30/06/07**
	Net equity	**Profit and loss statement**
Balance as per the Parent Company's balance-sheet	7,596,345	501,771
Incl.valuation reserves from the Parent Company	*425,318*	
Effect of consolidation of subsidiaries with the line-by-line method	-362,329	347,626
Surplus - with respect to the book values - resulting from the valuation with the net equity method	109,366	4,644
Reversal of dividends distributed by the Subsidiaries	0	-315,185
Elimination of investment writedowns / revaluations	109,905	7,310
Deconsolidation of 14,839% of Finsoe S.p.A. stake	-36,544	-36,544
Effect of reversal of capitalized commissions	-56,447	8,130
Other adjustments	91,650	-3,974
Reserves from valuation of subsidiaries	342,254	0
Group Net equity and Net profit (loss) for the period	**7,794,200**	**513,778**

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/balance-sheet 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 June 2007 by the business areas, aggregated in compliance with the new organization structure outlined by the 2006-2009 Business Plan. To this end, data as of 30 June 2006 have been restated (additional information is provided in the Notes to the Consolidated Financial Statements - "Section D") on the basis of criteria similar to the ones adopted at the end of 2006:

SEGMENT REPORTING - Primary segment
(in millions of euro)

30/06/07	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)	**1,392.3**	**9.3%**	**158.9**	**-7.8%**	**706.5**	**3.5%**	**181.4**	**-8.1%**	**2,439.1**	**4.9%**
Net adjustments for impairment of loans and financial assets	-144.9	4.9%	-1.7	120.4%	-87.1	-0.4%	11.1	14.7%	-222.7	2.7%
Operating expenses	-798.8	3.6%	-85.3	-2.1%	-312.1	0.5%	-195.0	-2.9%	-1,391.2	1.6%
Net operating income	**448.7**	**23.3%**	**71.8**	**-14.8%**	**307.2**	**7.9%**	**-2.5**	**-139.1%**	**825.2**	**11.6%**
CAPITAL AGGREGATES										
Performing loans	39,375.2	10.6%	788.1	-1.1%	51,597.0	15.3%	5,279.1	58.6%	97,039.4	14.9%
Due to customers and securities	44,821.5	5.5%	4,236.9	14.2%	26,878.3	4.0%	23,262.3	30.7%	99,199.0	10.4%
Assets under management	31,919.3	1.2%	12,410.2	6.3%	3,408.0	-10.7%	963.5	-11.44%	48,701.0	1.2%
PROFITABILITY RATIOS										
Cost Income	57.4%		53.7%		44.2%		107.5%		57.0%	
Raroc	29.1%		27.0%		14.9%				12.7%	

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

A) COMMERCIAL BANKING AND DISTRIBUTION NETWORK

Product and service innovation and the sales and marketing policy

This six-month period was characterized by the **consolidation of the leading position of the MPS Group in service and product innovation**. Innovative products dedicated to the households and selected customer clusters (the elderly, the youth and the immigrants) were launched. A new mode of providing services to **Small Business Customers** was devised for the purpose of supporting the core of entrepreneurial fabric with **increasingly efficient and fast processes**.

In particular, the **range of current accounts** was increasingly renewed. The Area started marketing Conto **Ulisse,** which was designed to enable the Customers to operate their account without going to the bank. The account can be opened online and contemplates the use of Internet Banking, a debit card on the international circuit and the opening of a securities deposit. The Area also completed the planning of new **CONTOMOLTO**, **a dynamic current account targeted at the new Family customers and marketed early in July. This innovative package** consists of two current accounts, which are linked dynamically: (i) the main current account is used for managing recurring needs and (ii) the other high-yield account is used for investment purposes.

The range of **personal loans** was integrated with highly strategical products. In February the Area launched a personal loan (**PRS Microbusiness**) targeted at one-man businesses or partners of companies, for business requirements. In light of the fiscal benefits in relation to photovoltaic plants, the Area also designed a **specific Energy package** (including PRS, a mortgage loan and a Property Casualty Insurance Policy).

PRODUCT INNOVATION: MORTGAGE LOANS

The range of retail mortgage loans was supplemented with new products which meet the different needs existing in the market and consolidate the Group's leading position. The initiatives undertaken in the first half of 2007 incorporate:

- **Mutuo Domani**, a fixed-rate loan with pre-determined growing instalments targeted at the youth – considered as a high potential segment -, and **Mutuo On Off**, targeted at atypical workers. **Mutuo with Cap** was restyled and its pricing re-defined to better adjust its competitive potential.
- **PrestiSenior,** a life mortgage loan targeted at the customers aged over 70, is particularly innovative. The loan can be disbursed on a one-time basis or by annual instalments.
- The Group has conducted a **promotional campaign focused on simplified supply and very competitive spreads** and undertaken actions to establish preferred relations with reliable, major third party networks at a domestic level.

On the front of new products, the Area embarked on two important initiatives : (i) **PRS Ten Silver**, targeted at retired people and (ii) the management of bank guarantees in relation to Consum.it products. The MPS Group has prepared a full range of products in the high-potential segment of the **assignment of salary** and is the first bank which provides a loan targeted at civil servants, disbursed directly by the bank, with no agreement with the employers.

Additional information in relation to product innovation in the area of payment systems and asset management is provided in the sections covering "*Payment systems*" and "*Private Banking & Wealth Management*".

With regard to the **sales and marketing policy**, in relation to the **Affluent** segment the Area involved all the Group's branches in the **Method** project, which plans the account managers' business activity on a monthly basis.

Several training initiatives were also activated in relation to the training of the account managers, in co-operation with the Knowledge Management Unit. The new version of the **Investments and Welfare Academy** classes has been inaugurated. Training is under way in relation to **ISVAP no.5 regulations**, which contemplate specific constraints for the placement of insurance products. The project concerning compliance with the MIFID directive, with reference to the new "**Business approach to retail customers**", has been started.

The sales and marketing policy for the **Family segment** was mostly oriented to implementing initiatives for the purpose of developing the customers' base. The key element was **promotion,** which was based on **promotional campaigns** included in the so-called "**Family Programme**" in the case of funding. Promotion also focused on a premium operation with **social repercussions** ("**Olympics of the Heart**"), with the delivery of a gadget to the subscribers of one of the "heart" products. During the second quarter of 2007, commercial focus was strongly oriented to **consumer finance**, with an expansion of sales and marketing initiatives and promotional activities.

Innovation involved the design of a customer interaction tool (**Cruscotto Family**) which automatically displays the distinctive features of any Customer "captured" by the branches. In addition, the Parent Bank used a multichannel communications platform ("**Prompting customers' calls")** which sends customized Home Banking and ATM messages to the Family customers subject to commercial campaigns.

There is a general consensus from the ethical standpoint about the initiatives dedicated to **the "foreign nationals working and living in Italy",** partly as a result of the activation of the free-of-charge service of remittance rendered to the immigrants sending money to their countries of origin (an almost unique business transaction in the banking industry). Marketing initiatives in relation to this cluster are completed by a string of contacts with the so-called "**atypical channels**", namely all those entities which provide services to the immigrants and are involved in different ways in this phenomenon (e.g. Embassies, Consulates, Associations, Unions).

The business rules of conduct in relation to the Small Business segment have been redrafted. In particular, after processing the new model of sub-segmentation (see following paragraph), the Group prepared a specific method of marketing approach, diversified also in terms of frequency of contacts, and re-defined the product catalogue.

In addition, the **lending process was reviewed** with an innovative monitoring of simplified credit files for the purpose of improving customer service and replying to a larger number of customers in a faster way. During the second quarter of 2007, the first **marketing**

initiatives implemented through “Metodo” application (reviewed and adjusted as appropriate in accordance with the requirements of the Small Business account managers) have been released, thus contributing to an appreciable increase in the number of customers the branches got in touch with.

In addition to these structural elements, the MPS Group embarked on some **major commercial campaigns** in relation to the staff severance indemnity and professionals, and in support of the market development of newly-opened branches. The traditional survey of Retail Customer Satisfaction, including the Small Business segment, is under way at BMPS, BT and BAM. The survey concerning BMPS customers was flanked, inter alia, by 40 workshops investigating customer satisfaction aspects in relation to specific products/services. The survey will determine an indicator (“Care Score”) which indicates the degree of attention to the customers in comparison – also geographically - with the major competitors and the banking industry average.

The Group also prepared a **Manual of Relationships**, as an instrument for maximizing assistance to the customers’ base and achieving pre-established growth objectives. It consists of ten principles to be complied with in order to always play the role of “Customer’s Bank”, and ten sections converting these principles into operating terms.

SERVICE MODELS

From the organization viewpoint, the Group’s activity focused on innovation of the instruments managing the relations with the Family and Affluent segment, and the inauguration of a **real new Small Business Service model**.

These customers were divided into five sub-segments, in order to better service them and in view of their miscellaneous nature. This differentiation, developed on the basis of different expressed or potential characteristics and needs, aims at optimizing the Account Manager’s activities, and therefore services rendered, through specific marketing and behavioural strategies. The operations area of the Small Business model was reviewed with the identification of about 3,000 companies which migrated to the Corporate segment due to their sophisticated banking requirements. This was done in order to better meet their needs and to obtain smoother marketing actions.

The **Carattere platform** continued to be extended. As of 30 June 2007, the platform numbered about 720,000 customers and managed 77% of Affluent customers’ funding (83% in relation to the upper affluent segment). The application of this **platform** involves a greater contribution of commercial flows and a higher percentage of funds under management with respect to total portfolio funding. In co-operation with the Advisory Wealth Management Unit, the Area is developing the new **Group Advisory Platform**, fetured by greater availability, financial efficiency and new logics of portfolio monitoring.

The application of the **Family Platform** mostly focused on **customers’ retention and upgrading** to upper service models. In particular, the Contact Center and the Networks were in charge of retention campaigns, with the Contact Center clustering the target so as to make targeted phone calls and the “Family” account managers directly receiving lists of targeted customers who might quit the Bank.

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 (3.3% y-o-y), although it was influenced by customers' upgrading to the segment of Private Customers, which limited the trends. Loan volumes advanced remarkably with respect to 30 June 2007 (+10.6%), driven by the 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 1,392 million) rose by 9.3% y-o-y, further accelerating with respect to Q1 2007 (+8%). The most dynamic component of the aggregate is interest income (+10%), driven by increasing traded volumes and a slight recovery of the spread flanked by the high growth of net commissions (7.7%). Net Operating Profit stood at EUR 448.7 million with an increase of 23.3% year-on-year. The cost/income ratio for Commercial Banking & Distribution Network was 57.4% (59.6% in December 2006).

■ Commercial Banking / Distribution network

(in millions of euro)	30/06/07	var % a.p.
INCOME AGGREGATES		
Net interest income	905.4	10.0%
Net commissions	479.1	7.7%
Financial income (loss)	7.8	43.6%
Net Financial income (loss)	**1,392.3**	**9.3%**
Net adjustments for impairment of loans and financial assets	-144.9	4.9%
Operating expenses	-798.8	3.6%
Net operating income	**448.7**	**23.3%**
CAPITAL AGGREGATES		
Performing loans	39,375.2	10.6%
Due to customers and securities	44,821.5	5.5%
Assets under management	31,919.3	1.2%

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 18.2 million (+ 2.1% in comparison with 30 June 2006);

- **Banca Monte Parma (**a 49.3% associated company consolidated with the proportional method) realized a loss of EUR 5.1 million, with charges in the amount of about EUR 16 million in relation to the final settlement associated with 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 4.9 million (EUR 6.7 mln as of 30 June 2006).

B) PRIVATE BANKING & WEALTH MANAGEMENT

Product/service innovation and the sales and marketing policy

The activity of Wealth Management was based on the development of the Group **"best in class**" product range and the design of the model of professional advice, in a standardized logic for the whole Network.

With reference to the **expansion of the range of products supplied**, the Area has defined the characteristics of a new multiline platform in relation to individual portfolios under management, which will enable the customers to choose freely among different lines. In addition, the Area finetuned a monoline ("Flex quant") targeted at the Private customers.

On the front of Mutual Funds and SICAVs, innovative compartments were launched within Bright Oak, the Irish-law SICAV. Early in October, the Group will place three Funds with a pre-established time horizon, characterized by an active management which reduces the equity components as maturity approaches. Upon completion of the streamlining of the range of products, MP AM Sgr carried out a few mergers between the UCITs managed, with the Ducato System going from 33 funds to 27 funds. In addition, the Group **simplified the cost structure**, with management fees becoming all-inclusive of all expenses incurred by the fund.

With reference to **third parties' UCITs**, the Group finetuned a new method of supply selection and analysis, in a comparative logic with the rest of the market, for the purpose of checking their contribution in terms of complementariness and quality in a simple and effective manner, with respect to the Group Factories supply. In particular, **MP Banca Personale** continued to consolidate its **multi-brand supply platform** by executing specific distribution agreements with primary international companies.

In the **insurance area**, the Group inaugurated 5 new index-linked policies structured with reference to baskets of equities selected in a "best quality" logic. In class 1, Bussola Certo and Bussola Vita are life policies with a pre-established maturity (4-6 years) and fixed and pre-established yearly performances. The MPS Group outlined the characteristics of the first product resulting from the Mpv-Axa partnership, a very innovative type of variable annuity policy which is widespread abroad, but not in Italy.

With specific reference to the Private segment, the commercial catalogue was expanded with the release of two specific products: (i) the ART Certificate (issuer: Goldman Sachs) which repeats the Hedge Fund performances and (ii) the Water World bond (issuer: BMPS) with a variable coupon indexed to a basket of equities of companies involved in the management and distribution of water.

OPENING PLAN OF THE PRIVATE CENTRES

During Q1, the MPS Group opened 6 new Centres, including 4 which are operated by BMPS (R.Calabria, Chiusi, Monza and Alba) and 2 operated by Banca Toscana (Pistoia and Pesaro). The plan will be pursued in the second half of 2007 with 11 additional new openings for BMPS and 1 for BAM, with the objective of achieving 78 Group Centres by year-end.

With reference to the development of the **Group professional advice model**, the Group completed the planning of the Advisory platform, to be released to the Nework in consecutive steps, effective the last quarter of 2007. The platform represents a development of the models in different market segments (Carattere in relation to the Retail market and Financial Promoters and PGA/Advisory Tool for the Private market), with the objective of enhancing the value of their main distinctive features, ensuring the utmost efficiency and adopting a standard approach at the Group level in light of the specific characteristics and customization typical of the three markets of reference. As a result of the development of the new platform, it will be possible to seize market opportunities stemming from the adoption of the **MIFID directive**, which includes financial advisory services among investment services.

The Wealth Risk Management Unit contributes to the smooth working of the Group Wealth Management platform. The Unit already deals with the measurement and monitoring of the Group investment services, with the dual objective of ensuring overall compliance with the customers' risk/return profile and the risk inherent to the portfolios held, and minimizing reputational risks, that is the risk of deterioration of the customers' confidence.

The PGA System (Professional Global Advisor) System - which represents the main support platform in the process of advisory relations with Private customers – was further upgraded with functions improving the analysis, management and optimization of the Customers' portfolio. In particular, the system contemplates an intensive support to the Networks in the activity of penetration of the share of wallet and the growth processes through the development of new Customers. On the front of monitoring instruments, the Group released, in the **Private Aggregate Monitoring (PAM) environment**, the reporting by compartment of the balances invested in SICAVs, together with the profitability ratios for funds under administration.

Early in 2007, the Group processed the **results of the Customer Satisfaction survey conducted in 2006.** On the basis of the survey, the level of satisfaction is high (70%), with specific regard to recently acquired customers, a cluster which records the highest percentage also with respect to the other Retail service models. The referral level is also good, with more than 65% of the customers recommending one of the Group banks to their acquaintances.

With reference to the processes of communications, the Group orchestrated an **advertising campaign – "The MPS Group Private Banking"** – which involved the major periodical economic newspapers - and 6 economic-financial events of the **cycle "Scenarios and Prospects of the Financial World",** with a total of about 800 existing customers and prospects attending.

OPERATING RESULTS

As of 30 June 2007, the **commercial flows** of the Private Banking and Wealth Management Area accelerated substantially and – as a distinctive feature of the Service model - were mainly concentrated on Wealth Management, which accounted for more than 59% of total flows.

As a result, total funding of Private Banking progressed considerably year on year (+10%).

Total income of Private Banking & Wealth Management came to roughly EUR 159 million, dropping by 7.8% 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). Net Operating Profit stood at EUR 71.8 million with a decrease of 14.8%. The cost/income ratio was 53.7% (54.6% in December 2006).

Private Banking/Wealth Management

(in millions of euro)	30/06/07	var % a.p.
INCOME AGGREGATES		
Net interest income	32.5	22.1%
Net commissions	125.3	-13.5%
Financial income (loss)	1.0	34.9%
Net Financial income (loss)	**158.9**	**-7.8%**
Net adjustments for impairment of loans and financial assets	-1.7	120.4%
Operating expenses	-85.3	-2.1%
Net operating income	**71.8**	**-14.8%**
CAPITAL AGGREGATES		
Performing loans	788.1	-1.1%
Due to customers and securities	4,236.9	14.2%
Assets under management	12,410.2	6.3%

The companies contributing to Private Banking & Wealth Management include:

- **MP Asset Management SGR** posted a consolidated net profit of EUR 24 million (-EUR 13.2 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 27.4% growth of total funding y-o-y and the containment of net losses (-EUR 5.9 million), as planned. The bank ranked 8th in the Assoreti ranking (36th in 2004), with total net funding of EUR 290.8 mln, which accounts for 4.6% of the global growth of the Banking Industry, and 4th (34th in 2004) in relation to net funds under management, with a market share of 1/3 of total.

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

C) CORPORATE BANKING & CAPITAL MARKETS

PRODUCT/SERVICE INNOVATION AND THE SALES AND MARKETING POLICY

Against a macroeconomic backdrop characterized by the consolidation of the signs of recovery and foreign trade, research and development and marketing initiatives in the **Corporate market** were oriented to consolidating **the role of the MPS Group as the banking partner of reference**, focusing on the development of products and services targeted at supporting the stages of corporate lifecycle, the implementation of projects of innovation and research of new markets and the supply of solutions limiting corporate financial risks.

Particular emphasis was placed on the relationship with **Confidi**, which play a prominent role in facilitating credit access of smaller companies , also as a result of their considerable penetration of local areas. **The survey conducted in relation to the size of the Confidi operating in Italy** contributed to determine a list of the most interesting parties by size and volume. Specific working groups were set up with the objective of preparing a targeted supply for these parties, both in terms of advisory services and general services, and **exchanging IT flows on common platforms.**

The numberless projects in co-operation with primary Italian partners for the **development and corporate competitive re-positioning** include:

- **Within the co-operation agreement executed in 2006 by the MPS Group and the National Research Council, the organization of a meeting for the purpose of presenting the instruments of research, innovation and finance worked out in support of such agreement to the businessmen of the wood industry of Pordenone;**

- **With reference to the "Tuscany industry bond**", the innovative credit assistance plan - worked out with Fidi Toscana and the Region of Tuscany – **oriented to the development of Tuscan SMEs,** total loans amounted to EUR 240 million.

- **With reference to the Local Authorities,** and to the agreement signed in 2006 by BMPS and ANCI Toscana, a few meetings were held for (i) exchanging know-how in support of the technical staff, operating in the Local Authorities participating in ANCI, and involved in the management of the financial and capital services of Tuscan Municipalities and (ii) preparing a final document in relation to these issues, **available to all Local Authorities** of Tuscany.

With reference to support to corporate development, the MPS Group is one of the main sponsors of the **initiative for the establishment of the ACM** (Alternative Capital Market). This market, expected to be started in September and managed by Borsa Italiana, aims **to encouraging access to capital markets by smaller companies,** which are prevented from raising this kind of funds by the current discriminatory rules of the Expandi market.

The distinctive features of the corporate product catalogue incorporate the **instruments of access to subsidized loans**. To this end, emphasis is placed on the **activities in relation to the "new" law 488**, with MPS Banca per l'Impresa playing a leading role in the domestic market. The first quarter of 2007 was characterized by the issue of the rankings in relation to the 2006 Notices of Participation (industry, tourism and trade). As many as 240 transactions managed by Banca MPS per l'Impresa, accounting for 18.6% of the total amount, were qualified for obtaining subsidized loans.

The **new products** launched during the first half of 2007 incorporate:

- In compliance with the new Ministerial Decree of February 2007 (which confirms, on a new basis, the incentives for 2007/2012 for the production of clean energy with photovoltaic plants), the adjustment of an integrated supply (**Welcome Energy: let's finance photovoltaic energy");**

- The completion of "**Edilcarnet",** a package targeted at the building industry, represented by a specific integrated supply, which meets the specific needs of builders and offers benefits in terms of globally applied costs. This product was marketed as of February 2007;

- The implementation of a new medium-/long-term loan "**A Basilea"** (To Basle), targeted at the SMEs having specific economic/capital requirements, which intend to re-balance their financial situation in view of the application of the Basle 2 principles;

- The completion of the activity in relation to the "**Loan with EIB funds**";

- The completion of a new modular medium-/long-term loan **"Innovation and Development**", targeted at backing the expenses of the SMEs linked with the implementation of specific investment programmes for increasing their level of domestic and international competitiveness and their degree of technological innovation;

- The implementation of "**Digital investment**", with the objective of providing the SMEs and Local Authorities with a valuable alternative for the purpose of temporarily channelling the funds otherwise placed in the current accounts and receiving a remuneration with no risk of loss of capital.

During the first half of 2007, the Group started implementing two particularly innovative products for the Italian market:

- A medium-/long-term "hybrid" loan ("**Prestito Capitale Revolving**"), which is part of "Participation Loans" but represents a development of this category due to its dual purpose of (i) encouraging capital consolidation and (ii) supporting corporate growth through a new loan;
- "**Patto**", a loan agreement whereby the Bank chooses a basket of short-/medium-term credit lines and commits to making them available within 60 months, upon the occurrence of specific management events.

Product innovation in the area of leasing & factoring (*see box*) incorporates **Energileasing**, which consists of **capital leasing** (for the implementation of plants and small plants for the production of clean energy and energy from renewable sources) and **real estate leasing** (in relation to transactions concerning wind plants and biomass co-generation plants). The supply of factoring services was enhanced by the "**final credit purchase**", which represents a IAS-compliant form of factoring for the purpose of credit derecognition in the financial statements of assigning companies and, for this reason, required by high-standing companies.

MAJOR LEASING AND FACTORING INITIATIVES
Other major leasing and factoring initiatives incorporate:

- The full operations of MPS Commercial Leasing, registered in the list of financial intermediaries as per art.106 of the Banking Act, which is in charge of the optimization and development of operations with leasing agents;
- The start of the first pilot tests in relation to the Consumer Leasing Project, a synergic plan of Consum.it and MPS L&F for the supply of leasing to the dealers who have an agreement with Consum.it. This will enable the completion of the range of products to affiliated sellers and the optimization of the synergies between the sales channels;
- MPS L&F organized and participated in several nautical events, such as Eudishow in Rome - the most important European exhibition of underwater sports - the International Exhibition in Venice and Nauticsud in Naples.

In the corporate sector, the MPS Group also **consolidated supply in support of the internationalization** of our companies with highly-innovative financial services and advisory services, as is shown in the chapter covering "*Secondary segment reporting*".

Furthermore, the MPS Group undertook a string of initiatives oriented to seizing the opportunities given by the **Reform of Complementary Welfare** to the companies and their employees. In particular, the Group identified two different targets for the **"TFR (Staff severance indemnity) Loan".** SME customers with more than 50 employees and SME customers with less than 50 employees are the first and the second target of this medium-/long-term loan which provides the funds necessary for offsetting Social Security and Pension Funds payments to the companies (amounts which are currently held by the companies and representing self-financing), as provided for by the Financial Act of 2007 with respect to the Staff severance indemnity.

In support of the commercial service models and networks, the Group continued **to monitor corporate customers' satisfaction** and integrate **CRM Corporate** IT tools, with the objective of expanding the customers' knowledge in support of the commercial activity of the account managers and its monitoring.

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 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.

Project financing was intensified in the area of civil and helth infrastructure, utilities, requalification of urban areas and large real estate transactions.

As far as utilities are concerned, the MPS Group operates 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**, just mention the implementation of plants in Basilicata, Sicily and Apulia with the completion of a photovoltaic plant (installed power: 2 MWe) and a pilot plant for the production of electrical energy from biomasses by pyrolysis.

On the front of **infrastructure**, the Group executed projects for the implementation of a hospital complex in Milan, a project for building a hotel complex in Lombardy, a marina in Campania and financed the requalification system of the road network in the Flegrean Area.

The Acquisition Financing business continued to expand with the implementation of 17 transactions promoted by primary domestic and international private equity players. The deals arranged by MPSBI with the role of Mandated Lead Arranger (MLA) incorporate the purchases of the business unit Boschi Luigi & Figli SpA (a leading company in the production of sauces and tomato puree), sold by Parmalat to Cio and Casalasco consortiums, and the purchase of Coepte Rail Srl (train handling plants) by SPII SpA. The Group also played the role of co-Arranger in the deals for the purchases of the Vini Giordano, Gatto Astucci and Morris Profumi groups.

MPS Venture SGR, a subsidiary of MPS Banca per l'Impresa, was in charge of dealing with the area of **private equity** *(see box)*, in support of the SMEs with a high growth potential. The company manages 7 closed-end equity funds (and manages most closed-end funds in Italy), with assets totalling EUR 326 million.

PRIVATE EQUITY

During the first half of 2007, MPS Venture SGR executed new investments in 4 companies in a total amount of EUR 8.5 million. In particular:

- The Emilia Venture Fund purchased an interest in Synpa SpA (Arquati), a leading European group in the business of home decoration products;
- The Siena Venture Fund purchased equity investments in Pramac SpA, a primary international manufacturer of electric generators and lift trucks, and Segis SpA, a producer of brand furniture and fittings;
- The MPS Venture 2, MPS Venture Sud and MPS Venture Sud 2 Funds co-invested in Erelid S.A. (Phard), a producer of teenage brand clothing at an international level.

Subsidized loans include the business line in relation to **credit facilities for scientific research.** Operations concerning the **Fund for Research (FAR**, on behalf of the Ministry of Education, University and Research) involved the preliminary inquiry on 7 projects with investments qualified for subsidized loans in the amount of more than 22 million. In accordance with the **Fund for Technological Innovation** (FTI, on behalf of the Ministry of Economic Development), the Group conducted preliminary inquiries on 5 initiatives submitted in relation to the "Energy" Call for Bids (EUR 16 million of investments). Operations concerning **Pia Innovazione** (Integrated Facilities Package, managed by the Economic Development Ministry) involved the execution of 25 transactions with the Group playing the role of Agent.

Additional information concerning **Law 448** is provided in the chapter covering "*The sales and marketing policy and product/service innovation*".

COMMERCIAL PLATFORMS

With reference to the implementation of the **Business Plan** and the maintenance of the service models, **the migration of a portion of Small Businesses (about 3,000 positions) to the SME segment** was completed.

On the front of "**Key Clients**", the Group started the process of migration of the first group of relations from the MPS Banking Network to a Parent Bank Unit.

In the light of enhancing the Group's role of banking partner of reference with respect to the **Local Authorities** segment, the Group continued to review and monitor its customers base, and to record the characteristics of demand and supply of the MPS Group.

Additional information concerning the development of the SME Centers and Local Authorities Centers in the first half of 2007 is provided in the chapter covering "*The distribution network*".

OPERATING RESULTS

In the first half of 2007, 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, especially in the *SME* segment. In this framework, the growth of **new loan disbursements** remained hefty (EUR 1,677 million or + 48.8% 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.

Total income for Corporate Banking & Capital Market (EUR 706.5 million) advanced in comparison with the results as of 30 June 2006 (+3.5%) and accelerated (+1.2% in March 2007) due to net commissions (+10.7%) and "Other income from the financial business" (+21.7%). The net operating profit amounted to EUR 307.2 million, increasing by 7.9% y-o-y. The cost/income ratio for the Area came to 44.2% (versus 51.8% as of December 2006).

Corporate Banking / Capital Markets

(in millions of euro)	30/06/07	var % a.p.
INCOME AGGREGATES		
Net interest income	456.0	-1.5%
Net commissions	170.8	10.7%
Financial income (loss)	79.7	21.7%
Net Financial income (loss)	**706.5**	**3.5%**
Net adjustments for impairment of loans and financial assets	-87.1	-0.4%
Operating expenses	-312.1	0.5%
Net operating income	**307.2**	**7.9%**
CAPITAL AGGREGATES		
Performing loans	51,597.0	15.3%
Due to customers and securities	26,878.3	4.0%
Assets under management	3,408.0	-10.7%

The companies included in the Corporate Banking Area incorporate:

- **MPS Banca per l'Impresa** which consolidated its leading position and posted a net profit in the amount of EUR 30.8 million (EUR 38.1 million in the first half of 2006).

- **MPS Leasing & Factoring – Banca per i servizi finanziari alle imprese** consolidated its market position and posted a net profit of EUR 9.8 million (+4.1 mln as of 30 June 2006).

- **MPS Finance** posted a net profit of EUR 32 million (EUR 41 million as of 30.06.06 which benefitted from the distribution of once-only dividends from a subsidiary).

- **Intermonte** closed the period with a net profit of EUR 29.5 million (+46.8% y-o-y), ranking 5th in the Assosim classification in relation to market shares by number of transactions executed in the equity segment. The company improved its position (from 3rd to 2nd) in the Assosim intermediary ranking by operations on behalf of third parties.

D) CORPORATE CENTER

The Corporate Center is an aggregation of **(a)** all operating units which are individually below the benchmarks required for primary reporting, **(b)** the MPS Group H.O units (i.e. governance and support functions, 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 the first half of 2007, the MPS Group fully implemented the new organization model of the Business Plan which splits the finance business of Banca MPS 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

The first half of 2007 was featured by the steady increase in bond performances and the good performance of equity markets, subsequently interrupted by the recent widespread fluctuations of Stock Exchange prices which brought the indices back to the levels recorded early in 2007.

In general, the activity of the Proprietary Finance Unit was based on long positions in the equities and loans assets classes, and the simultaneous creation of tactical positions for the purpose of taking advantage of market adjustments.

As a result of this mix of exposures, both financial assets for trading purposes and financial liabilities for trading purposes progressed by 6.8% and 13%, respectively, year on year. Assets available for sale declined by 5.2%, as shown in the following tables.

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

	Parent Company 30/06/07	abs. Chg yoy	%	MPS Group 30/06/07	abs. Chg yoy	%
Cash assets	**8,421**	**-935**	**-10.0%**	**21,096**	**1,184**	**5.9%**
Including:						
Bonds and other fixed-income securities	3,999	-4,734	-54.2%	6,156	-5,334	-46.4%
Equities and shares of mutual funds (OICR)	802	184	29.7%	1,945	6	0.3%
Loans				9,183	2,771	43.2%
Loan losses sold, not written off	3,620	3,620	n.s.	3,812	3,741	n.s.
Trading derivatives	**2,833**	**-427**	**-13.1%**	**5,812**	**527**	**10.0%**
Including:						
Positive value of financial derivatives	2,810	-433	-13.4%	5,609	479	9.3%
Positive value of credit derivatives	23	7	43.1%	203	49	31.7%
FINANCIAL ASSETS FOR TRADING PURPOSES	**11,254**	**(1,361)**	**-10.8%**	**26,908**	**1,711**	**6.8%**

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

	Parent Company			MPS Group		
	30/06/07	abs. Chg		30/06/07	abs. Chg	
		yoy	%		yoy	%
Cash liabilities	**365**	**271**	**288.9%**	**13,702**	**4,370**	**46.8%**
Including:						
Amounts due to banks		-9	-100.0%	3,949	958	32.0%
Amounts due to customers	365	50	15.9%	9,682	4,808	98.6%
Outstanding securities			n.s.	71	-62	-46.9%
Trading derivatives	**3,045**	**-2,077**	**-40.6%**	**5,683**	**538**	**10.5%**
Including:						
Negative value of financial derivatives	3,008	-432	-12.6%	5,472	480	9.6%
Negative value of credit derivatives	36	19	104.9%	210	58	37.7%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**3,409**	**(1,807)**	**-34.6%**	**19,384**	**2,278**	**13.3%**

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

	Parent Company			MPS Group		
	30/06/07	abs. Chg		30/06/07	abs. Chg	
		yoy	%		yoy	%
Financial assets available for sale	**2,770**	**-1,278**	**-31.6%**	**4,267**	**-235**	**-5.2%**
Including:						
Bonds and other fixed-income securities	1,569	93	6.3%	2,640	300	12.8%
Equities and shares of mutual funds (OICR)	1,200	-1,370	-53.3%	1,627	-536	-24.8%
Loan						
Loan losses						

TREASURY

With reference to the **area of interest rate risk and liquidity**, Treasury operations in the first half of 2007 recorded a gradual increase in trading volumes both in relation to the management of liquidity flows of the MPS Group's commercial and financial commitments and the management of the respective interest rate risks. Funding, mostly short-term funding, was quite buoyant with a balance of EUR 15.6 bn as of 30 June 2007, and lending at EUR 21.7 bn. As regards funding forms, the Group continued to issue international short-term certificates of deposit, with a utilization of EUR 4.9 bn at the London Branch and EUR 775 mln at the New York Branch as of 29 June 2007. In relation to liquidity settlement, emphasis was placed on liquidity estimates for the purpose of optimizing the management of financial flows and containing daily average liquidity requirements (about EUR 5 bn). Trading volumes registered an increase during the period which determined the growth of lending by roughly EUR 6.1 bn and funding by EUR 4.5 bn. As shown in the following table concerning net **interbank balances, the net borrowing position came at EUR 3.6 bn as of 30 June 2007, with a reduction of the imbalance of about EUR 1.5 bn year on year (-30%):**

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

	Parent Company			MPS Group		
	30/06/07	abs. Chg		30/06/07	abs. Chg	
		yoy	%		yoy	%
Amounts due from banks	34,754	9,143	35.7%	17,461	6,103	53.7%
Amounts due to banks	26,770	8,430	46.0%	21,039	4,563	27.7%
Net borrowing position	7,984	713	9.8%	(3,578)	1,540	-30.1%

During the first half of 2007 trading and hedging volumes in relation to interest rate derivatives fell year on year, due to the uncertain monetary policy of some Countries and the steady decrease in the counterparts operating in the short-term market segment.

The **Repurchase Agreement Desk trading** was concentrated on transactions with a maturity over 6 months, with trading forward and highly liquid collateral (e.g. German Government or Italian securities) prevailing, given the characteristics of RV and spread versus interest rate derivatives.

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 36 new issues in a total amount of EUR 1,854 mln (for the Parent Bank only), with plain bonds prevailing with respect to structured bonds (only 24%). This is due to the fact that, as a result of the amendments introduced by Law no.262 of 28 December 2005, the so-called Investments Law, the Bank arranged a Programme of Issue of Plain Bonded Loans and a Programme of Issue of Call Bonds during the first half of 2007. In the second half of 2007, the Bank shall prepare new programmes of issue of structured bonds;
- international operations – mainly targeted at institutional investors – with 14 new issues as part of the Debt Issuance Programme in a total amount of EUR 3,920 mln.

OPERATING RESULTS

The Finance Area of the Parent Bank made a contribution of EUR 151 million to total income, with an 8% decline year on year. This trend is due to the stability of the trading component of the Finance Area and the growing contribution from Treasury, which is offset by the declining commissions of the Depositary Bank Unit and other non-trading components. The net operating profit, inclusive of costs, stood at EUR 134 million (-9.0%).

Parent Company - Finance

(in millions of euro)	30/06/07	var % a.p.
INCOME AGGREGATES		
Net interest income	22.2	-54.6%
Net commissions	12.4	-25.2%
Financial income (loss)	116.4	18.0%
Net Financial income (loss)	**151.0**	**-8.0%**
Operating expenses	-17.2	0.2%
Net operating income	**133.8**	**-9.0%**

THE MANAGEMENT OF THE GROUP'S EQUITY INVESTMENTS

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

The economic impact of said sales and the dividends pertaining to the outstanding portfolio (EUR 4 million approx.) generated a consolidated income in the amount of EUR 34 million.

1. Acquisitions of new equity investments

No significant acquisitions were made by the Bank and the MPS Group during the first half of 2007.

Participation in capital increase/reinstatement and equity investments increases

The major transactions incorporate:

- 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. In particular, Banca MPS:

(i) purchased 6,000 shares of Bassilichi SpA from Navigator Srl with an investment of EUR 300,000;
(ii) sold the whole equity investment held in Saped Servizi SpA to Evolution Bassilichi SpA in a total amount of EUR 264,000;
(iii) partially sold the stake held in Evolution Bassilichi SpA (12.50% of that company's capital out of a total of 15%) in a total amount of EUR 540,000, to Bassilichi SpA;
(iv) underwrote and paid up 10,000 new shares of Bassilichi SpA resulting from a capital increase with an investment of EUR 500,000.

Therefore, our stake in Bassilichi SpA increased to 11.466% from 10.647% in an amount of EUR 3,647,000;

- 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 first half of 2007 Banca MPS:

- sold a portion of the stake held in FINSOE SpA (Bologna). The stake sold was 14.839% of the share capital, in a total amount of EUR 350,389,000, with HOLMO SpA as the buyer. The remaining investment in the affiliated company is now 13.000%, with a value of EUR 252,032,000.
- 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 Banca per l'Impresa 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 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, where we now hold 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, entered into 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 net profits in the amount of EUR 58.5 million and EUR 26.1 million, respectively. On the property casualty front, the net profit of **Monte Paschi Assicurazione Danni** came to EUR 4.7 mln.

SECONDARY REPORTING

As a basis for secondary reporting, the MPS Group adopted the breakdown of operating results by geographical area. The MPS Group mostly operates in the domestic market, with particular focus on central Italy (the Group realizes 98.6% of its net operating profit in Italy).

In relation to the strong emphasis placed by the Group on international business, late in 2006 the MPS Group developed the **new 2007-2009 Business Plan of the MPS Group International Business**, which is oriented to:

- The growth of the **International Trade Finance** business, by re-focusing the sales and marketing policy of the domestic network and consolidating the supply and service capacity of the Head Office and the foreign network;

- The streamlining of the MPS Group presence in the international financial centres, for the purpose of better supporting the ITF business, through the expansion of the representative office network in fast-growing geographical areas and the consolidation of operational and service relations with international and local partners.

The MPS Group business is strongly oriented to supporting the 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.

Strategic and operational guidelines are flanked by considerable training involving the skilled resources of the domestic and international networks, with the objective of improving **the selling capacity of foreign products and services**.

ISSUE OF FOREIGN GUARANTEES

- The MPS Group banks can support the Italian players (also in case of large amounts) in relation to the issue of first demand international guarantees (i.e. Bid bonds, Advance Payment Bonds, Performance Bonds, Retention Money Bonds) for their participation in international tenders and/or tenders associated with the provision of international supplies.
- This instrument encourages and expedites the closing of issue negotiations, since the whole credit line can be granted by one bank.

With regard to **commercial activity** (see the section covering *"The distribution channels"*, with reference to the development of the "direct foreign network"), the Group's competitive capacity was based on products and services already existing in the market (i.e. the Global SACE Insurance Policy, Exportkey, the assignment without recourse of credits in relation to foreign corporates, with transfer of the SACE policy and VAT recovery) which represent consolidated operational instruments and attract sizeable commercial flows, with an appropriate return in terms of commissions.

In particular, the Group intensified its activity on the front of export financing to emerging countries and **steadily co-operated with SACE for risk coverage,** for the purpose of keeping those risks within the limits contemplated by its credit policies, partly as a result of the activation of risk sharing agreements with other players in the industry. The Group made the most of the **working agreements** entered into with **SACE**, and **on-line confirmations**.

Exportkey, which is increasingly successful, is flanked by a new package **(Issue of Foreign Guarantees)** (*see box*), as an additional tool available to the companies for the penetration of new markets.

From the standpoint of organization, in support of the **corporate requirements of international expansion**, the Group implemented **"InternationalPartner**", a new service model which includes "**Welcome Bridge**". This product is flanked by corporate advisory services and assistance, with the objective of providing the companies with financial resources which can be subsidized with Government financial aid to the international expansion of national or supranational companies, for the purpose of:

- Developing and implementing programmes of commercial expansion toward the countries which already receive exports from these companies;
- Increasing commercial penetration of new markets;
- Finding the best plant location abroad for some parts of the production cycle.

The **ICE/GMPS Card** can be flanked to this new product. The Card will give unlimited access, at very favourable conditions, to the informative services of the Italian Trade Commission (ICE).

In compliance with the objectives of development of the Group's operational skills to service the companies in emerging areas, the **Correspondent Banking activity** was essentially hinged on two aspects:

- **The improvement of efficiency in the management of relations with foreign correspondents**, at the Group level, with operational centralization at the Parent Company;
- **The increase in business flows from abroad,** with specific initiatives in areas of particular commercial interest, in co-operation with the network.

From the economic viewpoint, the MPS Group entered into **specific tariff agreements on products and services** with the correspondent banks, with the objective of channelling increasing operational flows.

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 56.2 million with a 2.2% increase with respect to June 2006. The net operating profit stood at EUR 14.6 million (+50.6% y-o-y), with the cost/income ratio at 76.3% (82.7% in December 2006).

[2] At the level of 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)

30/06/07	Foreign	% chg yoy
DATI ECONOMICI		
Net Financial income (loss)	**56.2**	**2.2%**
Net adjustments for impairment of loans and financial assets	1.2	ns
Operating expenses	-42.9	1.1%
Net operating income	**14.6**	**50.6%**
CAPITAL AGGREGATES		
Customer loans	2,604.9	39.7%
Due to customers and securities	9,154.5	28.9%
PROFITABILITY RATIOS		
Cost Income	76.3%	
Raroc	2.4%	

With reference to the foreign banking subsidiaries:

- **Monte Paschi Banque** posted a net profit of EUR 8.9 million (EUR 4.7 million as of 30 June 2006);
- **Monte Paschi Belgio** realized a net profit of EUR 2.1 million (+68% with respect to 30 June 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 provide for a clear definition of roles and responsibilities at three levels of control (1st Tier, 2nd Tier, 3rd Tier).

The **Board of Directors of the Parent Bank** is responsible for determining the overall degree of 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 risk.

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 charged with defining the regulations applicable to the internal control systems and verifying the actual enforcement and observance thereof.

The **Risk Management Unit of the Parent Bank** defines integrated methodologies of analysis for the measurement of overall risks incurred in order to accurately and steadily 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 being examined.

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

In the first half of 2007, the internal programme of development for compliance with the **New Accord on Capital Adequacy (Basle II)** was carried on with the objective of obtaining the approval of the Supervisory 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, from 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, in the first months of 2007, 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 in different kinds of risks, which can be summarized as follows: credit risks, market risks, risks in relation to the trading book, 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, in particular, on the Group's assets are subject to regular measurement and monitoring by the Risk Management Unit of the Parent Bank, which produces daily reports for monitoring compliance with the operational limits set by the Board of Directors in relation to market risks, as well as periodic reports for the Risk Committee of the Parent Bank and, therefore, for the Board of Directors.

As far as reputational risks are concerned, and in particular the risks regarding 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 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 economic losses resulting from unexpected events generated by different types of risks.

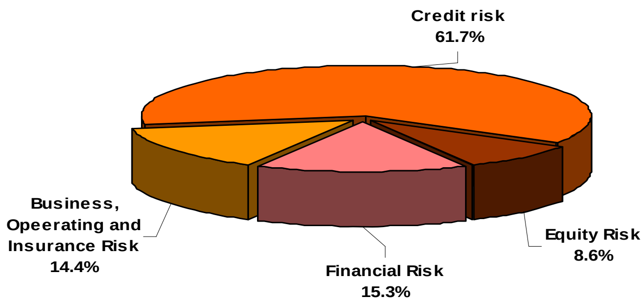
The relevant risks subject to valuation include: a) **credit risk** (including counterpart risk**), b) market risks on trading book, c) interest rate risk registered on the Banking Book (ALM), d) operational risk,** and **e) Equity risk**, as the risk for losses originated by the Equity Investment portfolio.

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 Supervisory Provisions for 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 carried out – at a centralized level – for each Legal Entity, is shared with the corporate bodies of each entity by preparing a specific reporting adjusted to the specific lines of business 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 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 for Banks (i.e.Default Probability, Loss Given Default, Exposure at Default, Credit Risk Mitigation) as an input, and therefore follow their metrics, evolutions and updating according to the programmes of the Basle 2 Committee for the validation approach to the domestic Regulatory Authorities. The outputs of the Credit Portfolio internal Model developed and used by the Risk Management Unit of the Parent Company are essential to monitor credit risks in space and time, 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) "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* - June 30th 2007



As of 30 June 2007, the economic capital of the MPS Group is attributable to credit risk (62%), equity investment risk (9%), business, operational and insurance risks (14%). The capital for management purposes with respect to financial risks (including the trading portfolio, the ALM-Banking Book and ALM in relation to life insurance) amounts to 15% 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 equity investments held. Moreover, interest rate risk measurement is being developed with specific reference to the modelling of sight items, which will be implemented in the next months of 2007. In light of a better understanding and measurement of risks, this will have an impact on the sensitivity measures of interest income and economic value, which cannot be assessed at the moment, failing any simulation. Additional improvements are being made on the front of the measurement of liquidity risk. In addition, the MPS Group started a project concerning the implementation of actions for compliance with the qualitative/quantitative requirements set by Circular no.263 of the Bank of Italy (New Capital Adequacy) in relation to ICAAP and, more generally, Pillar II. Currently used measurement techniques shall be finetuned through the internal models and the Group shall also deal with the coverage/innovation of residual risks. Such changes in the methods might involve changes in the values of the following risk measurements, which cannot be assessed at the moment.

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 is developed in line with the most widespread quantitative techniques at an international level and incorporates: a) probability defaults (PD) stemming from internal rating models by kind of customers (Large Corporate, Small and Medium Enterprises, Small Business and Retail), currently expressed according to corporate and retail masterscales which will be mapped on a single masterscale in 2007; 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.

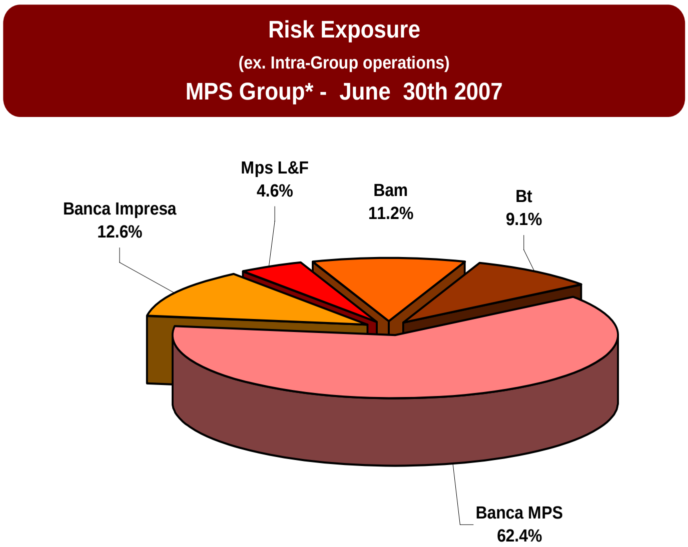
The Model also calculates the effect of diversification through a sophisticated matrix of structural and dynamic correlation which is sensitive to the effects of risk concentration/diversification and consequently re-distributes the risk to each unit/company, thus ensuring the Group the opportunity of aggregating and representing risks for management purposes and on the basis of the requirements of the organization and operational entities of the MPS Group.

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.).

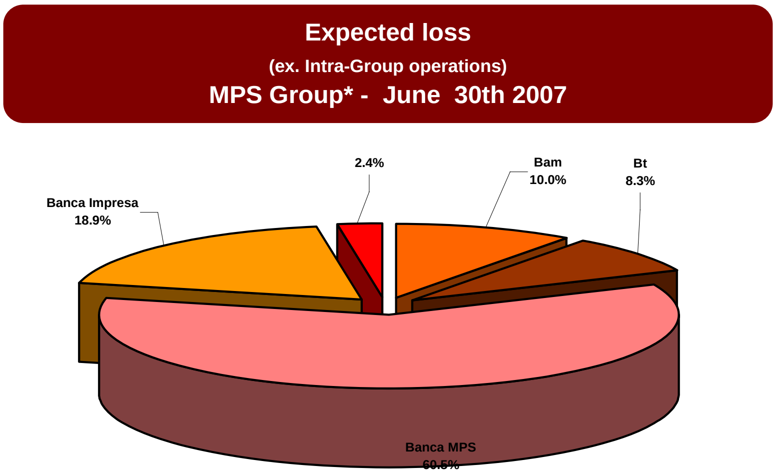
The main summary measurements produced are represented by a) the Expected Loss, which indicates the expected average annual loss; b) the Unexpected Loss, which represents the difference of the loss measured with a 99.93% confidence level – in a calendar year – and the Expected Loss; c) risk measurements 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 year of 2007, in compliance with the projects contemplated in relation to Pillar II.

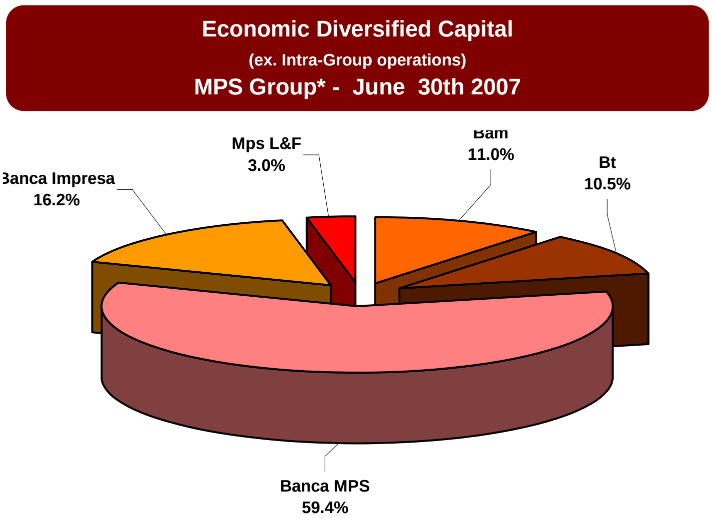
The internal rating models have been specifically developed on the basis of specific data of the Banking Group entities subject to validation, as occurred with the EAD and LGD parameters, which adopted a "work-out" method of estimate. Loss ratios have been calculated on the basis of recoveries and historical 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 above-mentioned input parameters - which are virtually used to determine the Capital for Regulatory purpose in compliance with the New Basle Accord, will be further finetuned in 2007 in terms of methods and implementation, in view of the Workshops contemplated by the Basle 2 Programme implemented by the MPS Group with a view to achieving the objective of validation of the Advanced approach in 2008. In particular, the estimates for EAD ratios and the modes of implementation of Credit Risk Management are being revised, prior a better identification of the guarantees.

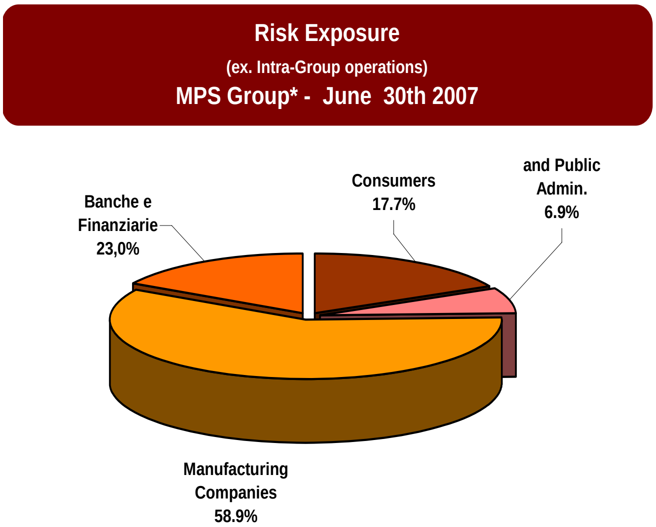


The graphs confirm the marginal contribution – in terms of exposure, Expected Loss and Economic Capital – in relation to the credit risk of the three commercial banks (MPS, BT and BAM), MPS Banca per l'Impresa (Banca Impresa) and MPS Leasing & Factoring (MPS L&F) which account for more than 86% of the MPS Group total loans. About 62.4% of the economic capital with respect to credit risk is attributable to Banca MPS (slightly decreasing with respect to December 2006), with Banca Toscana accounting for 12.6%, Banca per l'Impresa and Banca Agricola Mantovana for 9.1% and 11.2%, respectively, and MPS Leasing and Factoring for the remaining portion.



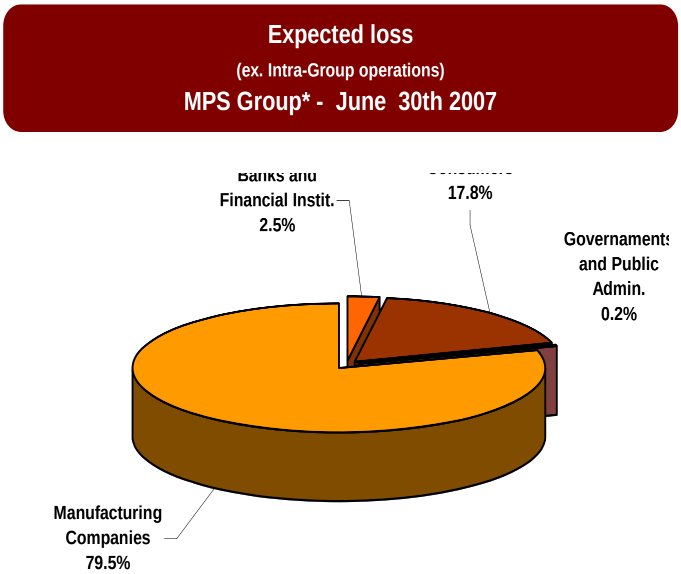


In view of the MPS Group widespread geographical distribution and core business, lending operations are mainly oriented to Corporate Customers (above all SMEs) (almost 59 % of total), Banks and Financial Institutions (17%, with a decline with respect to the data as of March 2007), and Retail Customers (17.7%). Risk exposures to "Governments and Local Authorities" accounted for 6.9%, virtually in line with respect to the data as of 31 March 2007.

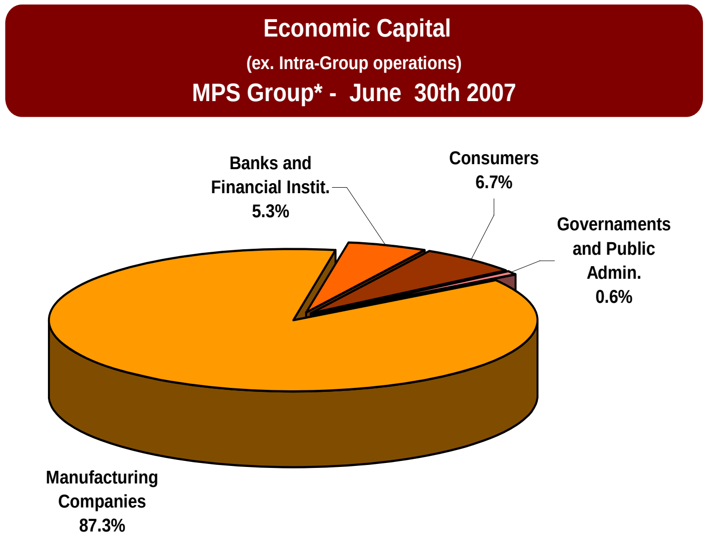


* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Banca per L'Impresa

The graphs also shows that Corporate Customers absorb more than 87% of the total economic capital, generating an expected loss of 79.5% of total. Retail Customers absorb 6.7% of the Economic Capital and generate an Expected Loss of 17.8%. Banks and Financial Institutions absorb 5.3% of total capital, with an Expected Loss of 2.5% of the MPS Group total.

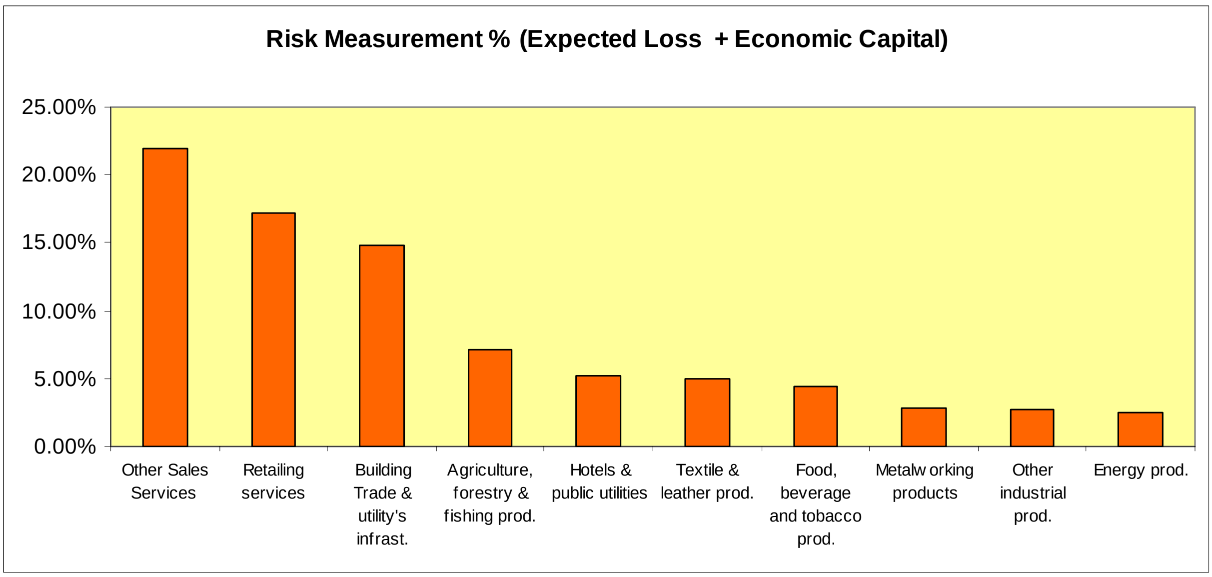


* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Banca per L'Impresa



* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Banca per L'Impresa

A breakdown of the exposures of the top 10 business sectors - which account for more than 83% of overall lending - in accordance with the Bank of Italy classification shows that "Other Sale Services", "Trade Services" and "Building and Public Works" absorb most risk measurements (21.90%, 17.19% and 14.77%, respectively) and account for 54% of total risk measurements. They are followed by "Agricultural produces, forestry and fishing" and "Hotels and Shops", accounting for 13% of total Expected Loss and Economic Capital



EQUITY INVESTMENTS PORTFOLIO RISKS

The portfolio under exam incorporates all equity investments held by all MPS Group companies in external companies, or in companies which are not included in consolidation and with a total stake lower than the absolute majority of capital.

The instrument used for the measurement of risk is Value-at-Risk (VaR), which measures the possible loss resulting from negative changes in the fair value of the investments.

More specifically, the VaR model used is a parametric model and represents the loss which the portfolio valued at fair value might be subject to in a holding period of three months, or one year, on the basis of a confidence interval of 99%. Volatility is estimated on the basis of the time series of market performances for listed companies and time series of business sector indices for non listed companies.

The VaR is subsequently transformed into economic capital at risk, by standardizing the holding period (on a yearly basis) and the selected confidence interval (99.93% in line with the rating level assigned to the MPS Group by the official rating agencies) and applying a correction factor in order to take account of the diversification between various risk factors.

At year-end the portfolio VaR (99%, one quarter holding period) was roughly 24% of the portfolio fair value, with a high concentration in terms of risk on the first 10 equity investments.

THE 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**	30/06/07	
Risk indicators for shift of 100 basis point	**+100 bp**	**-100 bp**
Net interest income at risk / Net interest income	3.60%	4.47%
Economic Value at risk / Tier 1 capital	0.70%	0.32%
Economic Value at risk / Capital computed for regulatory purposes	0.53%	0.24%

As of 30 June 2007, the MPS Group showed a liability-sensitive risk profile, i.e. a profile which is subject to a potential loss of economic value in case of declining interest rates. Sensitivity fell with respect to the value recorded at the end of March 2007 (the ratio of value at risk measured in case of an interest rate shock of +100 bp to Tier 1 decreased from 2.76% in March to 0.70% in June).

Interest margin at risk dropped during the second quarter, with respect to value recorded in March 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 mainly expiring 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 Finance 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 Finance BM 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 by the same, 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 claculated 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 of 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 to the Board of Directors of the Parent Bank with the Risk Management Report, which informs the Top Management about the overall risk profile of the MPS Group.

Operational limits to trading activities, 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).

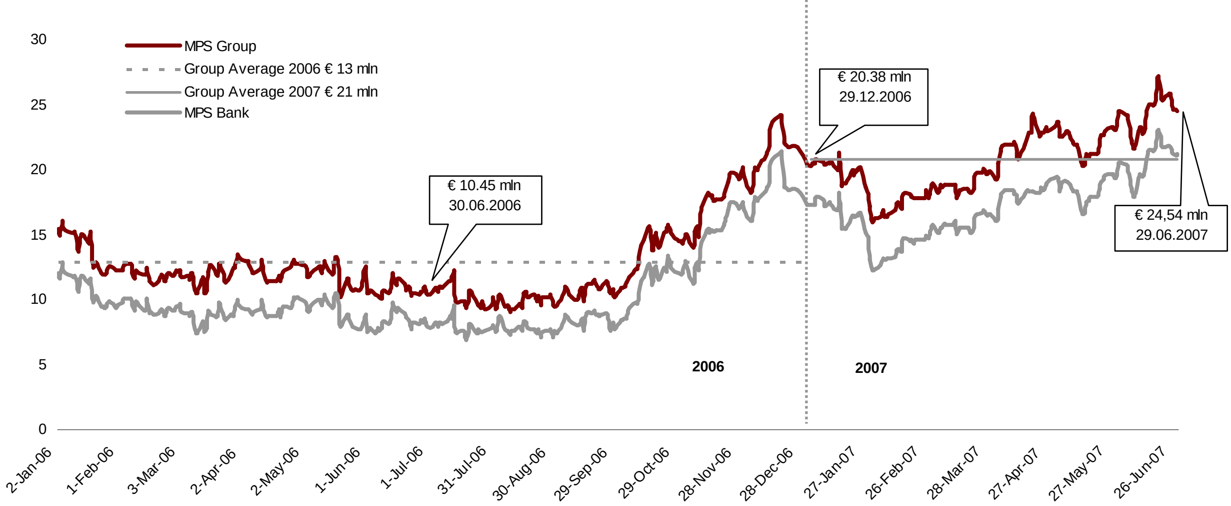
Credit risk in relation to the trading portfolio is measured and monitored through credit spread sensitivity metrics. Operational limits which provide ceilings by counterpart and rating class are also set in relation to issuer risk, and equities and bond concentration.

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 macro categories of risk factor, the VaR consists of Interest Rate VaR (IR VaR), Forex VaR (FX VaR) and Equity VaR (EQ VaR).

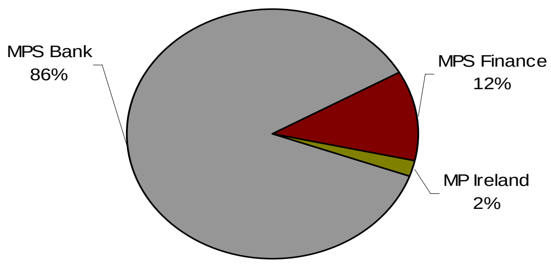
In addition, scenario analyses are regularly carried out in relation to interest rate risk, equities risk, foreign exchange risk and credit risk factors, starting from the results of the front office application.

In the first half of 2007, except for the month of January, the MPS Group risks followed an upward trend, and at the end of June 2007 were in line with the values registered as of 31 December 2006.

MPS Group - Trading Book VaR
- VaR 99% 1 day not diversified between banks in Euro/mln -



MPS Group VaR - 29.06.2007



The VaR of the Group was still remarkably influenced by the risk trends in relation to the positions of Banca MPS. As of 29 June 2007 (the last business day in the first half of 2007), the Parent Bank contributed with 86% of total risks, MPS Finance BM with 12%, with the remaining 2% being attributable to other banks.

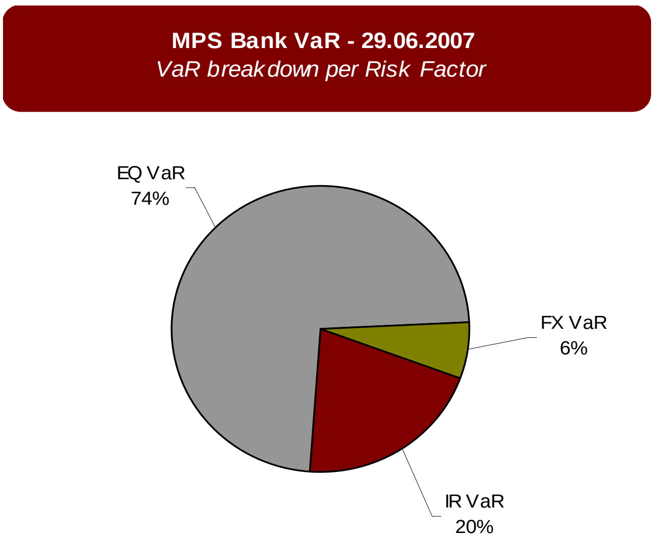
Trading Book VaR: MPS Group

VaR 99% 1 day not diversified between banks

	VaR (EUR mln)	Data
Min 2006	9,05	09/08/2006
Max 2006	24,22	18/12/2006
Average 2006	12,86	
	VaR (EUR mln)	Data
Min 2007	16,00	01/02/2007
Max 2007	27,18	20/06/2007
Average 2007	20,84	

During the first half 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 27,18 mln on 20 June 2007. The average increased by about EUR 8 mln with respect to 2006 (EUR 20.84 mln in the first half of 2007 vs. EUR 12.86 mln in 2006). End-of-period (as of 30 June 2007) total amounted to EUR 24.54 mln.

In January 2007 the VaR of Banca MPS diversified by risk factor and portfolio declined, but gradually bounced back in the following five months, above the values recorded at the beginning of the year. This trend is mainly due to Equity VaR, and only marginally to Forex VaR and Interest Rate VaR.



A breakdown of VaR by risk factor as of 29.06.2007 (the last business day in the first half of 2007) shows that 74% of the Parent Company's portfolio was allocated to equity risk factors (EQ VaR), 20% was absorbed by interest rate risks (IR VaR) and the remaining 6% by forex risks (FX VaR).

■ **Trading Book VaR: MPS Bank**

	VaR (EUR mln)	Data
Min 2006	6,86	19/07/2006
Max 2006	21,47	19/12/2006
Average 2006	10,25	
	VaR (EUR mln)	Data
Min 2007	12,26	01/02/2007
Max 2007	23,12	20/06/2007
Average 2007	17,33	

The average VaR of the first half of 2007 of Banca MPS came to EUR 17.33 mln (2006 average: EUR 10.25 mln). End-of-period (as of 29 June 2007) total amounted to EUR 21.20 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 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 data of loss (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, the sharing of scenarios with the H.O. units in relation to the priorities and the technical-economic feasibility of mitigation actions.

The AMA model, which has been in parallel running for two years, ensured a better management of operational risks and a gradual reduction of the Group risks.

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

"Wealth Risk Management" includes the whole of measurement and monitoring activities, and 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/return profile with the risk implicit in the products and portfolios held, for the purpose of avoiding and minimizing the occurrence of reputational risks, or the deterioration of the customers' confidence in the Bank.

On the basis of the current organization of the Parent Bank, the Wealth Risk Management Unit – which reports directly to the Private Banking and Wealth Management Area - is in charge of the measurement and monitoring of the risks implicit in investment services.

As is well-known, the new European Directive in relation to the markets of financial instruments (MiFID) shall be enforced in November 2007. The Directive shall amend the existing rules on financial services and markets in relation to investment services and shall set, inter alia, specific guidelines for the protection of the investors and increasing transparence in customers' transactions. The Parent Bank started a specific Group project oriented to ensuring the utmost compliance with the new regulations, with the active involvement of the Wealth Risk Management Unit.

At present, all investment products (i.e. individual portfolios under management, mutual funds and SICAVs of the Group or third parties, Group bank bonds, traditional insurance policies, Index and Unit-linked insurance policies and individual welfare products) included in the potential product catalogue available to the customers are subject to risk evaluation by the Wealth Risk Management Unit through a qualitative and quantitative approach which meets internal and external regulatory requirements, supports commercial actions and monitors the occurrence of potential reputational risks. On the basis of the approach adopted, the Group calculates a summary risk indicator for each instrument, including any considerations on the financial structure and complexity, factors of market, credit and liquidity risk.

REPORTING 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

The crisis which affected during the last few weeks the US market of sub-prime mortgage loans had adverse repercussions on the international markets and influenced the prices of the securities originated by them (i.e. CDO, ABS, etc..).
In this regard, in compliance with Legislative Decree 58/1998, on 30 August 2007 the Italian Securities Commission (Consob) requested to provide any information and comments in relation to:

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 (i) have, as underlying assets, said mortgage loans held by this company or Group companies, and (ii) are 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 45.5 million as of 30 June 2007, posted to the profit and loss statement with a valuation loss of about EUR 3.5 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.
As of 4 September 2007, the MTM of these 2 positions showed another valuation capital loss of abt. EUR 4 million.

1c) No guarantees associated with sub-prime mortage loans have been issued.

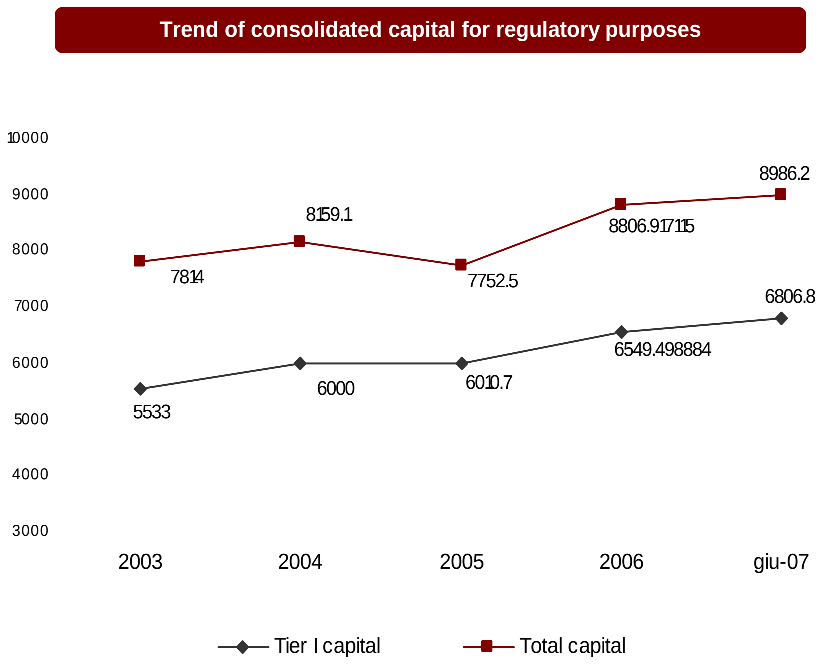
2) With reference to the financial products which have, as underlying assets, said mortgage loans under management or on deposit on behalf of third parties, the investigations conducted on the securities deposited with the Parent Bank, Banca Toscana, Banca Agricola Mantovana and Banca Personale proved 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 20 August 2007 the total value of third parties' funds existing in the securities deposits of the Group's customers and including sub-prime risk exposures amounted to EUR 75 million approx. (0.06% of total securities deposited with the customers on that dat**e). However, almost 80% of the total value of SICAVs identified as a sub-prime risk portfolio have an exposure directly attributable to such risk lower than 2%. **The funds which show the highest percentages of sub-prime risk within the managed portfolios 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.**

CAPITAL FOR REGULATORY PURPOSES AND PRUDENTIAL REQUIREMENTS

As of 30 June 2007, the Group capital for regulatory purposes stood at EUR 8.986 million approx., with a growth of EUR 179.3 million (+2.04%) in comparison with 31 December 2006.

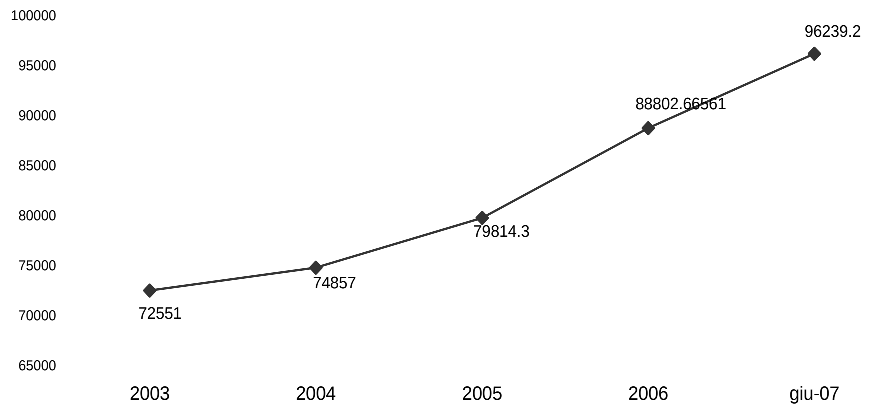
CAPITAL FOR REGULATORY PURPOSES	GROUP		BANCA MPS	
	in Eur mln as of:		in Eur mln as of:	
	30/06/07	31/12/06	30/06/07	31/12/06
Tier I capital	6,806.8	6,549.5	6,765.1	6,641.1
Tier II capital	3,466.1	3,622.0	3,558.3	3,690.8
	10,272.9	10,171.5	10,323.4	10,331.8
Deductions	1,286.7	1,364.6	361.1	762.7
CAPITAL FOR REGULATORY PURPOSES	**8,986.2**	**8,806.9**	**9,962.3**	**9,569.2**



The Group Tier 1 capital increased by about EUR 257 million (+3.93%) with respect to 31 December 2006, whereas the Group Tier 2 capital fell by about EUR 156 million (-4.30%). The trend of Tier 1 capital and its components was positively influenced by the capitalization of a portion of profits for the period, the higher share of preferred securities included in Tier 1 capital in compliance with the new regulatory provisions (which increased the portion of innovative capital instruments included in Tier 1 capital from 15% to 20%), in addition to the reduction of goodwill of the equity investment in Finsoe (14.839%), which was sold.

The decrease in Tier 2 capital was mostly attributable to the maturity/amortization for regulatory purposes of subordinated loans in a total amount of EUR 158 million approx. The elements to be deducted in bank and financial equity investments dropped by EUR 252 million as a result of the sale of the 14.839% stake held in Finsoe. On the insurance front, deductions increased by EUR 175 million, due to the capital increase of Montepaschi Vita and the capitalization of profits for the period.

Trend of consolidated assets weighted for credit risks



The Group's weighted assets for credit risk stood at EUR 96.2 bn approx., with an increase of EUR 7,436.6 million in comparison with prior year (+8.37%). In particular, growth was concentrated on residential building loans (+10.58%), non-residential building loans (+4.66%) and other retail loans (+8.91%).

The Group's total capital absorption, including market risks, other capital requirements, and Tier 3 subordinated loans covering market risks, came to EUR 8,170.76 approx. (+EUR 846.8 million), with a capital surplus of EUR 815.5 million approx. (-EUR 667.5 million with respect to 31 December 2006).

The Parent Bank's capital for regulatory purposes totalled EUR 9,962 million approx. Tier 1 capital and its components were positively influenced by the portion of profits for the period considered as capitalized and the amortization of intangible fixed assets. Tier 2 capital declined as a result of the joint effect of expiring subordinated loans or the amortization for regulatory purposes during the first half of 2007. The elements to be deducted decreased mainly as a result of the sale of the 14.839% stake held in Finsoe.

The weighted assets for credit risk of Banca MPS progressed by 10.89% at EUR 66.4 bn approx.

Total capital requirements of Banca MPS (excluding the portion of market risks covered by specific Tier 3 subordinated loans) grew by EUR 590.6 million approx. with respect to the data recorded at the end of 2006.

That being said[3], the Group's Tier 1 ratio – calculated by deducting 50% of financial equity investments higher than 10% and insurance investments purchased after 20 July 2006 from Tier 1 capital – stood at 6.1%. The total risk ratio – calculated in view of the reduction of the percentage of coverage of market risks with Tier 3 subordinated loans – was 8.7%. Said ratios would be about 6.8% and 9.8%, respectively, including the positive effects resulting from the execution of the sale agreement with AXA (capital gain and deconsolidation of an affiliated company).

The Parent Bank's Tier 1 ratio was 8.89% and the Total Risk Ratio came to 13.75%.

[3] The Group and the Bank's capital ratios have been calculated for the first time in view of the new prudential regulatory provisions for banks and, therefore, cannot be compared with prior year's ratios.

CAPITAL RATIOS

	GROUP		BANCA MPS	
	as of:		as of:	
	30/06/07	31/12/06	30/06/07	31/12/06
Tier I ratio	6.06%	6.53%	8.89%	10.02%
Total Risk ratio	8.74%	9.48%	13.75%	14.85%

THE OPERATIONAL STRUCTURE AND OTHER INFORMATION

THE OPERATIONAL STRUCTURE

The **research and development initiatives,** implemented in first half of 2007 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 first half of 2007, the MPS Group continued its activity geared toward **developing and streamlining its distribution channels.** In particular, the purchase and sale agreement with Biverbanca and the submission to the Bank of Italy of the three-year branch development plan laid the foundations to make the Group's presence **more and more compliant with the actual geographical potential** of Italy. Special emphasis was placed on the **development of innovative channels**, with the objective of expanding the **multichannel credentials** of the MPS Group.

THE TRADITIONAL NETWORK AND THE SPECIALISTS' CENTERS

During the first half of 2007, the **domestic branches** of the commercial banks of the MPS Group rose to **1,909**, with the simultaneous opening of some specialists' centers (5 new SME Centers, 1 Local Authorities Center and 7 Private Centers). The Group's distribution network also incorporates **711 financial promoters of MPS Banca Personale**, operating through 139 financial promoters' offices.

THE MPS GROUP DISTRIBUTION NETWORK

Channel	30.06.07	31.12.06
Domestic branches*	1,909	1,903
Financial promoters' offices	139	139
Total domestic sales outlets	2,048	2,042
Foreign branches	37	36
SME Centers	112	107
Local Authorities Centers	39	38
Private centers	66	60

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

The **2007/2009 Branch Plan**, a three-year development plan, was submitted to the Bank of Italy, with the opportunity of starting new openings/migrations effective September 2007. The programme of expansion contemplates specific actions for enhancing the value of high-potential small branches, **153 new openings and 50 migrations of branches no later than the end of 2009**.

REMOTE CHANNELS

The Group pursued the process of development of the traditional branches which became **advanced centres of customers' relations**, fully integrated in a multichannel logic.

During the first half of 2007, the "**Banca infinita**" project became fully operational. This new service of **Integrated Multichannels** gives the Group's customers access to all direct services (via the Internet, mobile phone and phone banking) in a safe and fast manner, by using a new keycard which automatically generates a one-time password. In addition, upon request, the customers will be given a **digital signature** and enabled to purchase bank products without going to the branch or to execute "digital" contracts in the branches, (i.e. dematerialized contracts with clear benefits in terms of organization and containment of administrative expenses). To this end, the "**Filiale del futuro" (Branch of the future)** project, in co-operation with **Microsoft,** became operational with the first opening in Siena in Piazza del Campo. Within this new environment, the Customers can interact with skilled Contact Center operators through a chat and audio/video call system, for the purpose of obtaining full assistance in relation to the Group's commercial supply and getting the necessary information to choose the appropriate investments.

During the first half of 2007, the number of Customers using remote channels continued to increase:

- **Home and Mobile Banking contracts** (mostly with Retail customers) topped 700,000 contracts, with a 21.7% 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 1,152 with a growth of roughly 5.8% in comparison with 31.12.2006.

REMOTE CHANNELS - Outstanding contracts

Channel	30.06.07	31.12.06	%change	%
Home Banking	622,280	519,327	19.8%	72.2%
Internet Corporate Banking	158,384	150,099	5.5%	18.4%
ICB local authorities	1,152	1,089	5.8%	0.1%
Mobile Banking	80,037	57,483	39.2%	9.3%
TOTAL	861,853	727,998	18.4%	100.0%

On the front **of product innovation**, a few **important banking services** (i.e. online Pension Funds, SMS notices for orders/instructions given, online F24) were added to the Home Banking channel, with the objective of increasing the functions and the quality of the channel. In addition, the Group started the projects of analysis for the development of **Mobile payment** services.

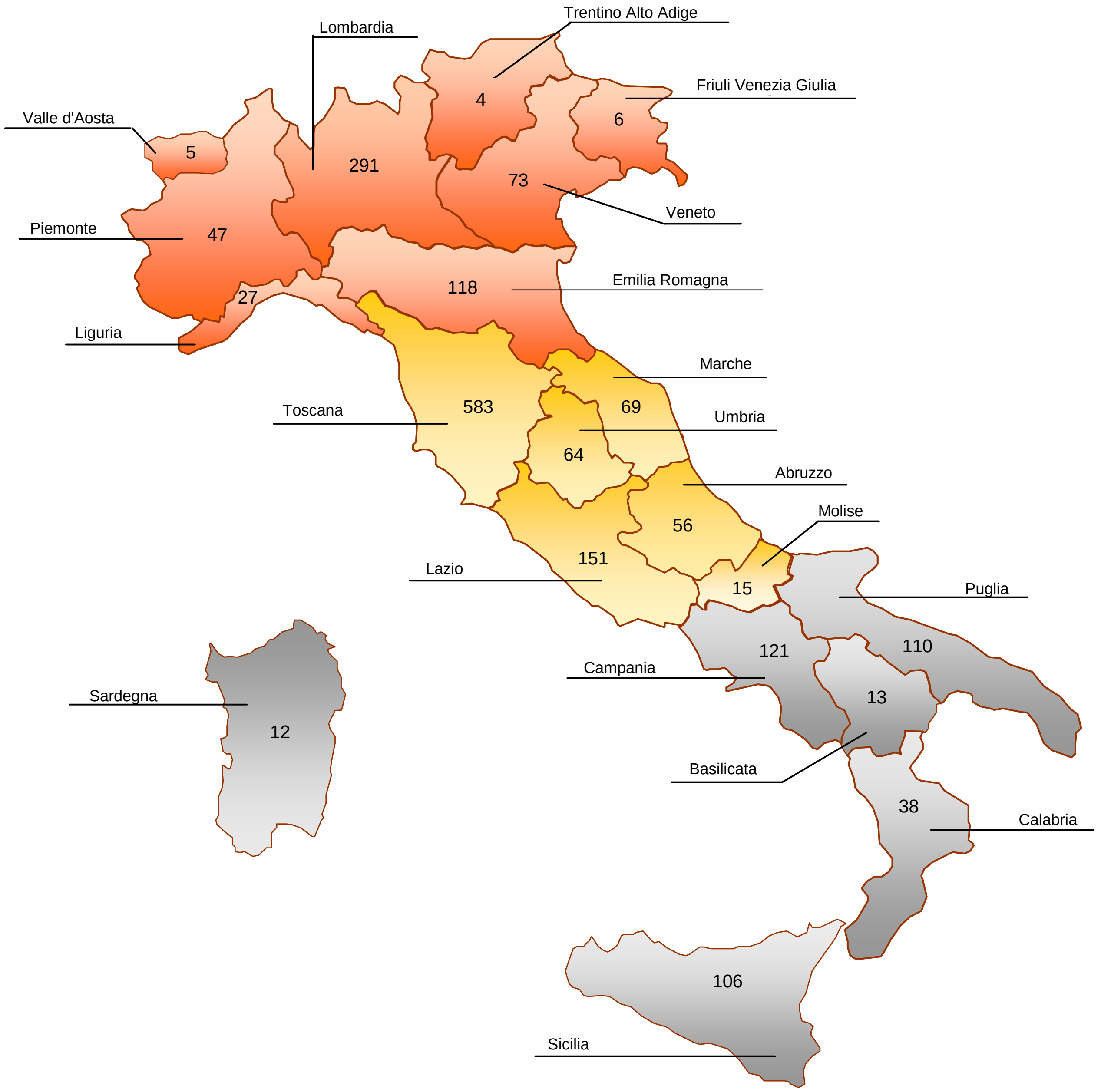
During the second half of 2007, the MPS Group shall release new Home Banking functions, including the **request of cheque-books**, to be forwarded to the customer's home address, and the **opportunity of paying all postal bills**, as a result of an agreement with the Italian General Post Office.

In relation to the Internet Corporate Banking channel, the new Interbank Corporate Banking services – preliminary to the release of value-added services such as **Electronic Billing** - are being tested. Corporate customers will receive and send digitally signed invoices using the CBI network, and keep them in an electronic format according to the law.

As of 30 June 2007, the **Group ATMs numbered 2,287 units** (+2.4% in comparison with 31 December 2006). The programme of **migration to the microcircuit** (50% of the Group's ATMs had migrated in compliance with the new regulations as of 30 June 2007) continued, flanked by adjustments to the **ADA regulations** (handicapped regulations) are being made with reference to the material position of plants and software aspects (interface of access with audio functions). The Group has also tested the **smart payment** service with satisfactory results, with the objective of starting the experimental stage in 54 sample branches, as of July 2007.

As far as the **Contact Center** is concerned, in the first half of 2007 the Group created the so-called "**Isola della Rete - Network Island**", a point of assistance and commercial advisory services dedicated to the branches. The project, which is **highly innovative and unique in the Italian market,** includes an organizational structure by teams specialized in specific business lines (e.g. the first three teams to be operated will deal with: Current accounts and payment systems, Mutual funds and individual portfolios under management, Small Businesses-Loans). The gradual extension to the Geographical Areas of BMPS is expected to be gradually completed in August 2007. The Branches expressed their positive opinion on the skilled support provided by the new unit.

THE MPS GROUP DOMESTIC BRANCHES



THE MPS GROUP BRANCH NETWORK AS AT 30.06.2007

Banca MPS	1,173
Banca Toscana	437
Banca Agricola Mantovana	299
TOTAL MPS GROUP	**1,909**

BREAKDOWN OF BRANCHES BY GEOGRAPHICAL AREA AS AT 30.06.2007		
NORTH	571	or 30,0% of total
CENTRE	867	or 45,4% of total
SOUTH AND ISLANDS	471	or **24,6%** of total
TOTAL BRANCHES	**1,909**	

FOREIGN DIRECT NETWORK

In line with the operational and development guidelines outlined by the Business Plan, the MPS Group undertook initiatives **to rearrange its direct foreign network** (i.e. branches, representative offices, customer desks and Italian desks with other correspondent banks in relation to commercial co-operation agreements), with the objective of encouraging and enhancing the centrality of the customers, supported by the Bank in their business worldwide.

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

- **Geographical positioning, in a logic of enhancement of the value of the Group's presence in emerging countries with high growth rates**. This is the case of the **conversion of the Shanghai Representative Office into a Branch,** with operations expected to start in October 2007;
- **Re-direction of the branch operations with special emphasis placed on commercial operations,** in synergy with the Group domestic network in support of Italian customers operating in the markets where the foreign branches are established. The activity of the branches operating in Frankfurt, London, Hong Kong, and New York was steered towards this direction.

The foreign Representative Offices located in the Group's target areas have the same operational purposes. In particular, **the Group consolidated its presence in south-eastern Europe,** with the representative offices of Istanbul, Moscow, Bratislava and Prague.

The MPS Group operates offices in the **Mediterranean countries of northern Africa** (Algiers, Tunis, Cairo and Casablanca). **Central Asia**, and in particular the People's Republic of China, is of great interest to the Group which has established offices in Beijing, Shanghai, Guangzhou and India (Mumbai).

Following are the major initiatives undertaken by the MPS Group on the front of **commercial co-operation** with foreign correspondents:

- **Eastern Europe:** Banca Transilvania in Romania, with BMPS personnel seconded to Timisoara; CSOB, a subsidiary of the Belgian Banking Group KBC, which hosts the Group's representative offices of Bratislava and Prague; VTB Bank in Russia, which originated the execution of a financial agreement in the amount of EUR 100 million for Italian export to Russia.

- **North and South America:** the agreement with Branch Banking and TRUST CO, North Carolina, USA, is in support of the domestic network and gives further momentum to the operations of our New York branch; Banco do Brasil, Brasilia, Brazil;

- **Iberian area –** Bancaja banking group with BMPS personnel seconded to Valencia, Spain; and Caja Geral de Depositos, Lisbon, Portugal;

- **Central Asia –** Industrial and Commercial Bank of China (ICBC) and China Merchants Bank (CMB) in China, in addition to the existing representative offices in Beijing, Shanghai and Guangzhou; HDFC Bank in India, the second private bank in India, flanked by the Mumbai representative office;

- **Maghreb and Egypt:** C.I.B (Commercial International Bank) in Egypt; Banque de l'Agriculture et du Development Rural in Algeria, in support to and integration of the offices in Algiers and Cairo.

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.

The Group continued to assess the impact and the **expected adjustments with respect to the future SEPA (Single Europe Payment Area**) **services** within the process of standardization of the Eurozone payment systems. In February 2007, the MPS Group participated, as a pilot bank, in the tests concerning Credit Transfer and Direct Debit. The new SCT (SEPA Credit Transfer) transfer service will be available to the customers as of January 2008.

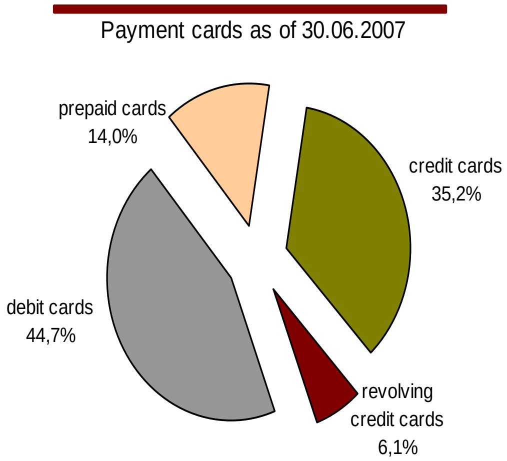
As to the **development of new services**, **Banca MPS and UNRAE** (National Association of Representatives of Foreign Vehicles) **entered into an agreement** concerning a new procedure for the management of virtual car certificates of compliance. In Italy about 2.5 mln certificates are expected to be eliminated as a result of this new procedure. Banca MPS started to test this new service during the third quarter of 2007 with some car dealers of the Citroen/Peugeot Group.

With reference to **Corporate Customers-Local Authorities**, the innovative **"incassipiù" facility** is targeted at utilities companies and local authorities which need full collection management.

As of 30 June 2007, the Group had installed 71,946 **POS** terminals, in progress with respect to 31 December 2006. The **migration to the microcircuit** continued, with about 54% of total terminals compliant with the new safety regulations.

PAYMENT CARDS

As of 30 June 2007, the **MPS Group credit and debit cards** (distributed by the Group's banks) numbered **about 2,247,439**, with a 5.1% increase in comparison with 31.12. 2006.



On the front of research and development, late in January the Group banks started marketing the **Spider Facility**. **Spider** is an innovative product which consists of a multifunction prepaid card and Internet and Mobile Banking facilities. As a result of these three components, Spider gives access to a full service at a competitive cost. Possible operations actually cover 70% of the typical retail A/C transactions. **The new service was very successful**, with 42,505 Spider cards issued as of 30 June 2007.

The issues of other **prepaid cards** (Krystal Card, Krystal Best and Europrima) were also successful, with a volume of 271,468 cards excluding Spider cards **(+18.7% with respect to 31.12.2006**). During the first half of 2007, the new prepaid cards launched included **3 co-branded products**:

- **Rechargeable Re Card** - placed at the end of June by Banca Monte dei Paschi di Siena, in co-operation with the RE Group (Clergymen and Priests), targeted at a wide catchment area of prospects consisting of prelates, clergymen and lay managers and employees of religious institutions;
- **Meyer Card and Calcit Arezzo Card –** ethical cards placed by Banca Toscana**.** The former is in favor of Meyer Children's Hospital - Florence and Lapo Foundation, an association which supports sick children and their families; and the latter is in favor of Calcit, a voluntary tumor association of Arezzo.

Late in February, the Group extended the placement of a new credit card to the branch network of BMPS, BT and BAM. **Blu Revolution**, issued by Consum.it, had been initially placed in some Groups of pilot branches in mid-2006. Blu Revolution is an **option card** (with repayment in settlement or revolving card, at the holder's choice) and is also available in the Bancomat/PagoBancomat version. As of 30 June 2007, there were 9,043 outstanding Blu Revolution cards.

HUMAN RESOURCES

During the first half of 2007 the management of human resources was in compliance with the strategic guidelines indicated by the new Group 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 young people through specific systems of identification, follow-up and support to 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 process of organization review, for the purpose of improving front end/back office ratios.

STAFFING

As of 30 June 2007, the MPS Group[4] had a total of 24,573 employees (24,498 *in terms of actual workforce*)[5], with a decrease in staffing of 1,969 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 the Inland Revenue).

MPS GROUP STAFFING

		31/12/2002*	31/12/05	30/06/06	31/12/06	30/06/07
Banking activity staff		*25,087*	*24,386*	*24,551*	*24,348*	*24,573*
Tax collection activity staff		*2,952*	*2,156*	*2,092*	*0*	*0*
	Total	**28,039**	**26,542**	**26,643**	**24,348**	**24,573**
MPS GROUP WORKFORCE						
Banking activity staff			*24,303*	*24,468*	*24,262*	*24,498*

** 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 1,640 employees since the beginning of the Plan (+680 during the first half of 2007) resulting from the following initiatives (gradual data since the beginning of the Plan):

- considerable *outflows of personnel with high seniority and hierarchical level* (559 employees out of 1,257 retirements including 135 Executives), as a result of the application of the Early Retirement Plan and the Solidarity Fund, mostly concentrated on the Head Office[6];

[4] Employees on the payroll of the Group companies consolidated on a line-by-line basis. The workforce of the insurance area (discontinued operations) is eliminated from the figures as of 30.06.07.
[5] Personnel seconded to companies external to the Group and the cleaning staff (part-time 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 1,380 employees), almost totally in the Network[7], according to the needs 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 about 650 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).

In particular, the first half of 2007 was characterized by new recruitments in the Network (+480 resources) in accordance with the Branch Plan, for the purpose of arranging training paths in advance and feeding the replacement chain. During the second half of the year, the Group is expected to start Early Retirement Plans (already under way), mostly involving the Head Offices.

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	507	2.1%
Managers	6,974	28.5%
Other Professional Areas	17,017	69.5%
TOTAL	**24,498**	**100%**

WORKFORCE BY BANK

			Actual Workforce 30/06/07	Inc. %
BANCA MONTE DEI PASCHI DI SIENA	H.O. (Capogruppo Bancaria and back office)		1,876	14.9%
	GEOGRAPHICAL AREA		1,819	14.4%
	FRONT OFFICE & CALL CENTER		8,896	70.7%
		TOTAL	**12,591**	**100%**
BANCA TOSCANA	H.O.		517	13.1%
	GEOGRAPHICAL AREA		275	7.0%
	FRONT OFFICE		3,147	79.9%
		TOTAL	**3,939**	**100%**
BANCA AGRICOLA MANTOVANA	H.O.		504	16.5%
	GEOGRAPHICAL AREA		176	5.8%
	FRONT OFFICE		2,376	77.7%
		TOTAL	**3,056**	**100%**
TOTAL COMMERCIAL BANKS	H.O.		2,897	14.8%
	GEOGRAPHICAL AREA		2,270	11.6%
	FRONT OFFICE		14,419	73.6%
		GRAND TOTAL	**19,586**	**100%**

(*) Incl. Call Center (135 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	%
CAPOGRUPPO BANCARIA	Executives	157	10.2%
	Managers	703	45.9%
	Other Professional Area	673	43.9%
	TOTAL	**1,533**	**100%**
DIREZIONE RETE BMPS	Executives	98	0.9%
	Managers	2,587	23.4%
	Other Professional Area	8,373	75.7%
	TOTAL	**11,058**	**100%**
INTERNATIONAL BANKING *	Executives	5	3.2%
	Managers	53	34.4%
	Other Professional Area	96	62.3%
	TOTAL	**154** **	**100%**
TOTAL BANCA MPS S.p.A.	Executives	260	2.0%
	Managers	3,343	26.2%
	Other Professional Area	9,142	71.7%
	GRAND TOTAL	**12,745**	**100%**

(*) Foreign branches and representative offices.

(**) of whom 129 have foreign contracts

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

BMPS PERSONNEL: MIX OF CREDENTIALS

JOB GRADE	% of university graduates	% of other diplomas
Executives	47.7%	52.3%
Managers 4/3 Level	33.7%	66.3%
Managers 2/1 Level	23.9%	76.1%
Other Professional Areas	30.3%	69.7%
TOTAL	**30.3%**	**69.7%**

Bank employees are young (more than 37% under 40) and have relatively limited seniority. Women account for a significant, steadily increasing percentage of staffing (40.9% vs. 39.5% as of 31 December 2005):

BMPS PERSONNEL: MIX OF CREDENTIALS

AGE	% female	% male	% of total
Up to 30 years	5.3%	5.0%	10.3%
31 to 40 years	14.7%	12.1%	26.9%
41 to 50 years	15.3%	19.4%	34.7%
Over 50 years	5.5%	22.6%	28.1%
TOTAL	**40.9%**	**59.1%**	**100%**

BMPS PERSONNEL: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% female	% male	% of total
Up to 10 years	16.1%	20.3%	36.3%
11 to 20 years	11.9%	12.3%	24.3%
21 to 30 years	9.7%	11.3%	21.0%
Over 30 years	3.2%	15.2%	18.4%
TOTAL	**40.9%**	**59.1%**	**100%**

OPERATIONAL STRATEGIES

Following are the most significant initiatives carried out during the first half 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*, oriented to ensuring growth in a logic of planning through sequences of roles, working experiences in support of other staff and training courses. From a hierarchical point of view, the paths are mainly oriented to the "target positions" of Branch Manager and Head of the SME Team. At an horizontal level, these paths are oriented to encouraging the integration of skills of equal positions in the Retail and Corporate areas. Banca Toscana and Banca Agricola Mantovana have also undertaken similar initiatives;

- the start within the MPS Network, in synergy with the professional paths, 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 the first half of 2007, all Heads of human resources attended training courses for the effective management of the interview held upon delivery of the appraisal report to each employee, as of August 2007;

- the *structured mapping of managerial qualities* which involved about 450 Group executives during the period. 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)*, an initiative 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 June 2007, training hours totalled more than 450,000 hours (classes and online courses) mostly concentrated (85%) on the roles targeted at developing sales and lending, including ISVAP Regulation classes targeted at all insurance policy dealers, with the participation of about 2,800 resources as of today.

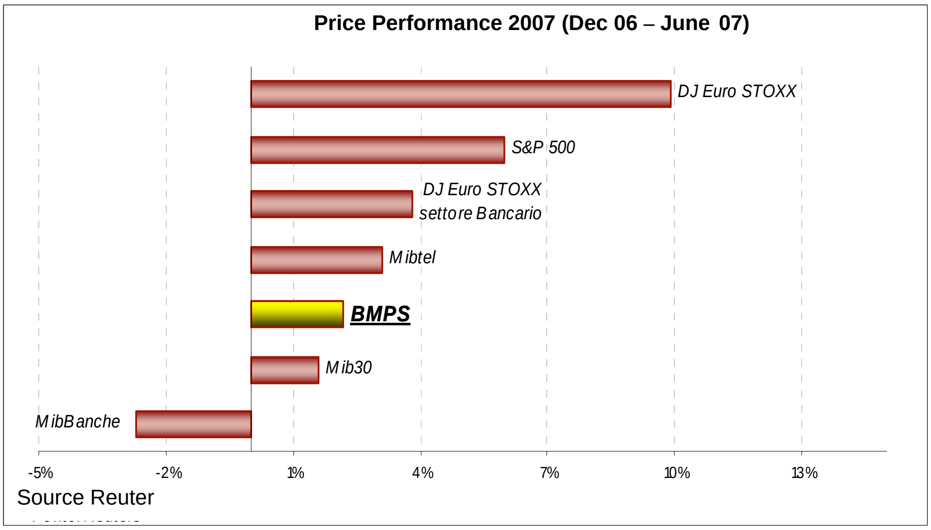
An *application integrated* with the online platform is being developed and almost completed for the planning of individual training, in accordance with the roles filled, on the basis of the skill gaps identified during the PaschiRisorse review of skills.

Finally, as regards *industrial relations*, in the first half of 2007 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.). Additional organization procedures and talks followed the issue of the new regulations concerning the allocation of the staff severance indemnity (TFR), for the purpose of enforcing the option of choice for all the Bank and the Group's employees.

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

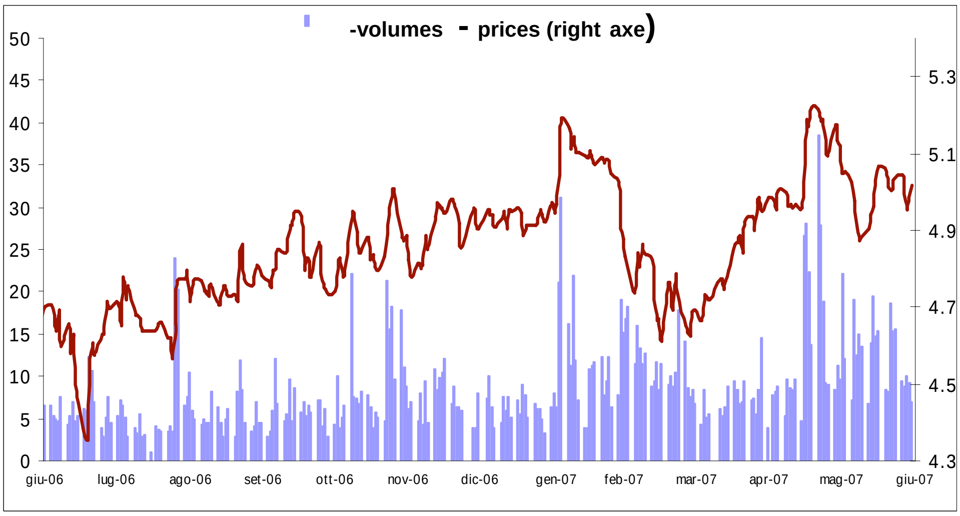
- PRICES

The major share indices posted positive performances (DJ Euro Stoxx + 9.9%, S&P 500 +6.0%, Mibtel + 3.1% and Mib30 +1.6%) for the period, except for the MibBanks index which had a negative performance (-2.7%).



The Bank's shares closed the half-year period as of 30 June 2007 at EUR 5.02 with a 2.2% increase 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 4.59 on 16 March 2007. Therefore, the performance of BMPS shares was higher than the market and the Italian banking industry.

TREND OF SHARE PRICE (from 30.06.06 to 30.06.07)



■ BMPS Share Price: Statistical Summary (from 01/01/07 to 06/30/07)	
Average	4,94
Low	4,59
High	5,34

CAPITALIZATION AND SHAREHOLDERS' BASE

As of 30 June 2007, the market value of BMPS computed on the basis of 3,020,076,836 (ordinary and preferred) outstanding shares was close to EUR 15.1 billion approx.

■ **Summary of reference prices and capitalization**

	31.12.06	30.06.07
• Price (euro)	4,91	5,02
N. ordinary shares	2.454.137.107	2.454.137.107
N. preferred shares	565.939.729	565.939.729
N. saving shares	9.432.170	9.432.170
Capitalization (ord + pref) (euro mln)	14.828	15.146

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 June 2007 the major shareholders were: the MPS Foundation (the majority shareholder, holding 49% of the 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 10.8 million for the first half of 2007, with a peak of 38.5 million in May and a low of 3.4 million in January.

■ **Monthly volumes of shares traded**

Breakdown of volumes for 1H07

	(in mln)
January	162
February	252
March	251
April	138
May	316
June	261

MAIN MARKET MULTIPLES

Turning to market multiples, the Bank's shares were trading at the end of June 2007 at a multiple 11.8 times projected earnings for 2008. The ratio of price to book value was around 2.0 for 2006.

■ **Market multiples** (in euro)

	June 07
P/E	11.8
P/BV	2.0

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 "positive" to "stable", 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 steady.

Following are the debt ratings as of 30 June 2007:

Rating Agencies	Short term rating 06/30/2007	Medium/Long term rating 06/30/2007
Moody's Investors Service	P - 1	Aa3
Standard & Poor's	A - 1	A
Fitch Ratings	F - 1	A+

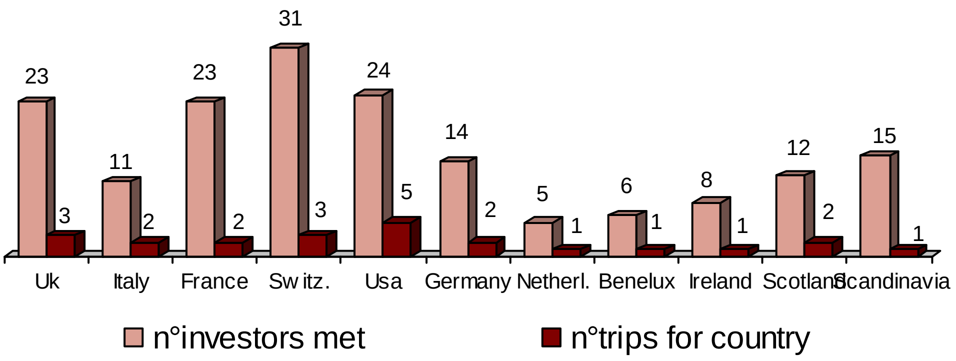
INVESTOR RELATIONS IN 2007

In the first half 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 in the first half of 2007:

- Participation in 4 conferences arranged by the most important international brokers;

- 19 roadshows in the major financial centres.

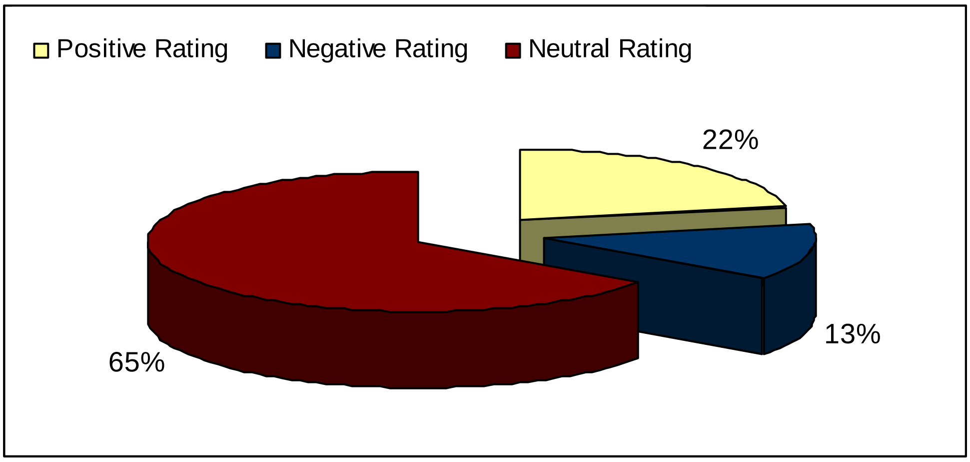
As a whole, the Investor Relations Unit orchestrated meetings with about 170 investors (including the investors met more than once in 2007) in 10 different countries. Following is the breakdown by geographical area:



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 the brokerage firms dealing with BMPS shares.

BMPS SHARES RECOMMENDATIONS

22% of the analysts covering BMPS shares as of 30 June 2007 maintained a positive outlook, 65% maintained a neutral stance on the stock and 13% had a negative outlook.



COMMUNICATIONS

In addition to financial market reporting, as illustrated in the section covering "Investor Relations", in the first half of 2007 the MPS Group's efforts went to intensifying **media relations, institutional communications and the relations with the customers' segments and the public** at large.

In March 2007, the MPS Group launched a TV **institutional advertising campaign** for the purpose of searching for an appropriate positioning in terms of image. Other press advertising campaigns supported sales and marketing, including t**he "no expense" campaign in relation to the closing of current accounts or securities deposits**. This campaign was very important from the viewpoint of image, because the MPS Group was **one of the first banking groups** which complied with market needs. The Group also conducted campaigns with reference to: (i) **corporate financing in relation to the staff severance indemnity** and **retail welfare products**, (ii) the **Private Banking service model,** (iii) **Edilcarnet**, a service package dedicated to the building industry, and (iv) a campaign in support of the **Olympics of the Heart** and promotional products.

On the front of e-banking, **Banca MPS launched its new web site**, based on the principles of ensuring (i) the **best access to the facilities** both from a material viewpoint and in terms of hardware, in accordance with the most recent regulations and (ii) **simple surfing and display, as much as possible**. The Consumers' Association (Adusbef) examined the web sites of the whole banking industry exhaustively and ranked **the BMPS site first by ease of use, transparency and completeness of information.** The sites of the other Group's companies are being restyled on the basis of the same principles of easy access.

The MPS Group published its 2006 report on social responsibility, which was fully re-designed for easier reference by type of stakeholder. The report was also supplemented for the first time with an organic record of the MPS Group **intangible** assets. The report, with a new layout and a more convenient format, was prepared in paper and multimedia version. The relative CDs and DVDs are also based on compliance with the best principles of easy access.

Internal communications incorporate **Filodiretto7**, a weekly electronic newsletter sent to all personnel of the MPS Group, and **Filodiretto30,** a monthly monothematic electronic magazine which deals with specific issues in an exhaustive manner.

During the first half of 2007, the Group **sponsored** several initiatives and organized **meetings which consolidate and develop commercial and business relations with primary players in the business sectors of reference.**

Following are the major **cultural**, **scientific, economic and sports initiatives sponsored** by the MPS Group:

- with respect to **cultural activity**, the exhibition of Etruscan finds and manufactures - "The Etruscans: the Bonci Casuccini collection", the "2007 exhibitions at Palazzo delle Papesse", the "Siena Jazz Foundation – 37th Siena Jazz Sessions ", "Intramoenia extra art – Eclectic Cultural Association of art culture", in Apulia, the "Concert of 1 May 2007" in Rome, the campaign for the excavations in Orvieto by the University of Macerata which contributed to discover the "Etruscan Sanctuary" widely mentioned by the Italian press, and the "Summer Festival" of Lucca.

- on the front of **sports**, the consolidation of previously-started relations with A.C.Siena football club and Mens Sana Basket were flanked by the sponsorship in favour of (i) the summer Beach Volley circuit covering the main Italian beaches, (ii) the Italian Table-Tennis

Championship, (iii) the “Tennis Europe Junior Masters 2007” and (iv) the sponsorship of Bbc Grosseto which won the 2007 Italian Baseball Championship under the name of “Montepaschi”.

- with reference to **social initiatives**, the Group supported the “Summer Olympics of the Heart” and the “Italian Team of Solidarity Correspondents”.

THE MPS GROUP’S COMMITMENT TO SOCIAL RESPONSIBILITY

- STRATEGY

In compliance with the objectives of sustainable growth indicated by the 2006-2009 Business Plan, during the first half of 2007 the MPS Group started reviewing the Group’s social responsibility and consolidated its CSR strategy for the purpose of undertaking more organic and measurable initiatives, with substantial effects expected both on the management and the reputation profile.

The activity was supervised by the Corporate Social Responsibility Committee (reporting to the Parent Bank’s Board of Directors) with the participation of all business units.

- 2006 ANNUAL REPORT

The Bank published its Socio-Environmental Report for the seventh year in a row (the second report at the Group level). The 2006 Socio-Environmental Report - available on the Bank’s web site (www.mps.it) - is prepared in compliance with the new international guidelines on sustainability reporting (G3-Global Reporting Initiative) and certified by KPMG, an independent auditing firm. The Report gives an overall view of MPS commitments to and impact on society, with a focus on non-financial assets which qualify corporate governance and performance.

- THE DIALOGUE WITH THE STAKEHOLDERS

The MPS Group pursued talks and negotiations with the major Italian consumers’ associations (currently, 15 associations) within Consumer Lab, an initiative started in 2004. The topics dealt with in the first half of 2007 incorporate: the MiFID European directive, the CSR Annual Report, MPS staff training in relation to transparency and the quality of customers’ relations.

To this end, the Group prepared a “Relations Manual”, as a steady internal and public point of reference with respect to the commitment of MPS to the management of customers’ relations and communications. Quality relations shall be steadily monitored through measurement systems of customer satisfaction, which will be further consolidated for monitoring in 2007.

In addition, in accordance with the Supplementary Labour Contract, the Group started talks with the Unions in relation to several CSR issues.

- ETHICAL CODE

The MPS Group completed the drafting of an Ethical Code, which is being approved. The Code incorporates and integrates behaviour principles, partly already adopted, which the directors, statutory auditors, executives and employees of the Group companies shall comply with.

The drafting of the Code involved all corporate units, with the adoption of the remarks and suggestions made by the Unions and the consumers' associations participating in Consumer Lab.

Specific conduct rules have been set with respect to credit collection, as it was done in the past with reference to the insurance and asset management area.

- FINANCIAL INCLUSION AND SUSTAINABILITY

Specific working groups with reference to the Business Plan gave further momentum to **product innovation** for the purpose of more effectively meeting the financial needs of **emerging social classes.**

The following paragraphs **summarize the major initiatives**, which had been already analysed in detail in the chapters covering the development of operations in the business areas.

The consolidated range of products targeted at the immigrants (**PaschiSenzaFrontiere**) is flanked by new proposals developed for precarious workers (e.g. **Mutuo on-off** gives the opportunity of stopping home payments and the accrual of interest during inactive periods), the youth (e.g. **Conto giovani più** and **Prs Master** were devised for education and first job purposes) and the elderly (e.g. **Prestisenior** provides a 20-year income through a real estate mortgage which can be redeemed by the heirs).

Assistance to micro businesses was strenghtened with the creation of "**Prs Microbusiness**" and the participation in a risk fund promoted by the Region of Tuscany to provide the entrepreneurs lacking in appropriate guarantees with financial services (**Smoat** - Tuscan assisted oriented microcredit System).

Progress was made in the activity of "**Microcredito di Solidarietà SpA**", a Group company which has already disbursed 46 loans in a total amount of EUR 170,000 since the beginning of the year, and additional 28 loans in a total amount of EUR 125,000 are still in their preliminary stage of inquiry.

MPS has dealt in different ways with the salient topics which have recently affected the banking industry, such as the cost of services and the growing indebtedness of Italian households. It was one of the first banking groups which (i) cancelled closing costs for current accounts and securities transfers, (ii) designed a **prepaid card (Spider**) for the purpose of executing the main bank transactions without opening a current account, (iii) proposed a cap mortgage loan which limits the effects of interest rate increases.

In addition, the Group has recently issued a secured capital three-year bond (**Reddito Sustainable Europ**e) indexed to the Dow Jones Euro Stoxx Sustainability 40, a financial index based on the companies which are most committed to socio-environmental issues.

- ENERGY AND CLIMATE

The MPS Group scrupulously monitored the regulatory and market developments linked with climate emergency.

On the front of risks, MP Asset Management participated for the third year in a row in the Carbon disclosure project, an initiative endorsed by the United Nations which gives a steady updating on the commitments and strategies concerning energy and climate changes of more than 2,000 top international companies.

On the front of opportunities, the Group consolidated its commercial supply to contribute to the growth of the sector of renewable energy and encourage the diffusion of quality and energy efficiency among companies and households. The new products offered at very favourable conditions include: **Welcome energy**, promoted also through an agreement with Enel.si, and **Mutuo natura**.

- CONTRIBUTIONS TO COMMUNITIES

The Group continued to raise funds for solidal and humanitarian purposes through some products of the Group's companies. During the first half of 2007 Banca Toscana issued **two new prepaid cards for the charitable purposes** of some associations committed to children's care, including Meyer Children's Hospital. The Hospital Foundation also benefited from the income resulting from the "Olympics of the Heart" and "Heart products", a promotional campaign.

The public call for bids for the second edition of "Dialogos-Voci di Solidarietà" has got the green light. MP Asset Management shall assign a considerable portion of the management fees from its ethical funds to the winning social projects.

- SUSTAINABILITY RATINGS AND AWARDS

BMPS shares have been confirmed among the components of the European and world indices of FTSE4Good, the benchmarks created in co-operation by the Financial Times and the London Stock Exchange to report on the most sustainable companies to the financial markets. BMPS has also been added, as the only Italian bank, to "**Environmental Leaders Europe 40**", the new FTSE4Good index which includes the 40 European companies with the best environmental policies and performances. The European Bank for Investments has recently linked the issue of bonds in relation to climate changes to this index.

Within the European project of research "Rhetoric and Realities – analysing corporate social responsibility in Europe", Transparency International developed a case study on the MPS policies covering CSR, corruption and money laundering. The case was shown to the European Commission as an excellent example in the banking industry and produced during an international meeting in Brussels on 27 June 2007.

The Dialogos project (a CSR programme of MP Asset Management) was awarded the 2007 Social Award promoted by Sodalitas, as the finalist in the category of "internal governance processes and social responsibility management".

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 and Credit 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 loan transactions with other Group companies or banks, prior favourable resolution of the Board of Directors passed unanimously and by the 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 representative's company 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 recently 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 with reference to (CE) Regulation no.1606/2002 of the European Parliament and Council, with respect to the definition of related parties (hereinafter referred to as IAS 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 qualified 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 the MPS 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 Bank Division, the Heads of the Parent Bank's Areas and of the BMPS 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 related parties) consist of: (i) *Ordinary Transactions* (with no particular distinctive features), (ii) *Significant Transactions* (which imply an obligation of disclosure to the market 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 the structure of 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 scope of application of the Code - have been conducted on the basis of valuations of mutual economic benefit and at market values (additional information is provided in section H of the notes to the financial statments – "Transactions with related parties").

MATERIAL EVENTS SUBSEQUENT TO 30 JUNE 2007

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

- **On 26 July 2007**, Banca Monte dei Paschi di Siena and AXA S.A. executed a purchase and sale agreement in relation to the total sale of the share capital of AXA SIM S.p.A. held by AXA through its subsidiaries, AXA Partecipazioni S.p.A. and AXA.

- **As of 1 July 2007, a** newly-incorporated Monegasque-law bank (Monte Paschi Monaco SAM), wholly owned by Monte Paschi Banque SA, Paris, started operating. The new bank shall pursue the operations of the Monaco branch of its direct holding company;

- **On 31 July 2007**, BMPS (in addition to Bell S.A. and other shareholders of Bell) was notified a notice of assessment as a shareholder of Bell S.A. in relation to the capital gains realized by Bell in 2001. As a result of a preliminary examination of the notice of assessment supported by the opinion of our advisors, we believe that the existence of any liabilities to be charged to BMPS is a remote event.

OUTLOOK FOR THE FUTURE

In an operating scenario which is supposed to confirm 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 in the second half of 2007 are expected to be in line with the growth budgeted for the year and the objectives of the 2006-2009 Business Plan.

BANCA MONTE DEI PASCHI DI SIENA

HALF-YEAR FINANCIAL STATEMENTS AS OF 30 JUNE 2007

RECLASSIFIED PROFIT AND LOSS STATEMENT AND RECLASSIFIED BALANCE-SHEET – BANCA MPS

The following statements contain the Bank's balance-sheet and profit-and-loss accounts as of 30 June 2007 which have been reclassified on a comparative basis with prior year's data. In particular, with reference to the profit and loss statements for 2006 and 2007, the major changes concern aggregates of accounts and reclassifications made for the purpose of giving a clear view of the data produced.

a) "Net income from trading/valuation of financial assets" in the reclassified profit and loss statement includes Account 80 in the balance-sheet (*Net income from trading*), Account 100 (*Profit/loss from assignment of credits, financial assets available for sale and held upon maturity, and financial liabilities*), Account 110 (*Net income from financial assets and liabilities valued at fair value*), integrated with the dividends from some "sophisticated" securities transactions closely associated with the trading component (EUR 165.8 million as of 30 June 2007) and adjusted for the cost of funding of said transactions (EUR 10.6 million), once eliminated from "interest expense and similar charges";

b) "Net valuation adjustments for impairment of loans" in the reclassified profit and loss statement resulted from the reclassification of charges in the amount of EUR 21.9 million (writedown of coupons of junior securities, financial plans) which are better posted to "Net provisions for risks and charges and Other operating income/charges";

c) "Other administrative expenses" in the reclassified profit and loss statement include the portion in relation to the recovery of stamp duty and customers' expenses (EUR 52.7 million as of 30.06.07) posted under Account 190 (*Other operating income/charges*) in the balance-sheet;

d) Account 200 in the balance-sheet (*Other operating income/charges*), once eliminated the items as described under point d), became part (together with account 160 Net provisions for risks and charges) of "Net provisions for risks and charges and other operating income/charges" in the reclassified P&L statement. This account was integrated with the charges as per point b).

Following are the major changes introduced in the reclassification of the **balance-sheet**:

e) "Financial assets for trading purposes" on the assets side of the reclassified balance-sheet include Account 20 (*Financial assets held for trading purposes*), Account 30 (*Financial assets valued* *at fair value*) and Account 40 (*Financial assets available for sale*);

f) "Other assets" on the assets side of the reclassified balance-sheet incorporate Account 80 (*Hedging derivatives*), Account 90 (*Value adjustment to financial assets subject to general hedging*), Account 130 (*Fiscal assets*), Account 140 (*Non-current assets and groups of assets being sold- discontinued oeprations*) and Account 150 (*Other assets*);

g) "Customers' deposits and securities" on the liabilities side of the reclassified balance-sheet include Account 20 (*Customers' deposits*), Account 30 (*Outstanding securities*), Account 50 (*Financial liabilities valued at fair value*) and Subordinated Liabilities;

h) "Other liabilities" on the liabilities side of the reclassified balance-sheet include Account 60 (*Hedging derivatives*), Account 70 (*Value adjustment to the assets of financial liabilities subject to general hedging*), Account 80 (*Fiscal liabilities*), Account 90 (*Liabilities linked with groups of assets being sold-discontinued operations)* and Account 100 *(Other liabilities*).

Highlights at 30/06/07

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	30/06/07	30/06/06	% chg
• INCOME STATEMENT FIGURES (in millions of euros)			
Income from banking activities	1,125.6	1,039.4	8.3
Financial income (loss)	1,534.0	1,656.0	-7.4
Net operating income	644.5	786.4	-18.1
Net profit (loss) for the period	501.8	632.7	-20.7
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**30/06/07**	**30/06/06**	**% chg**
Direct funding	76,301	66,992	13.9
Indirect funding	63,666	71,933	-11.5
of which: assets under management	*30,565*	*30,678*	-0.4
of which: assets under custody	*33,101*	*41,255*	-19.8
Customer loans	56,511	47,681	18.5
Group net equity	7,596	6,512	16.6
• KEY LOAN QUALITY RATIOS (%)	**30/06/07**	**31/12/06**	
Net non-performing loans/Customer loans	1.23	1.29	
Net watchlist loans/Customer loans	0.55	0.60	
• PROFITABILITY RATIOS (%)	**30/06/07**	**31/12/06**	
Cost/Income ratio	51.9	55.5	
R.O.E. (on average equity)	8.7	12.5	
R.O.E. (on year-end equity)	9.3	14.9	
Net adjustments to loans / Year-end investments	0.35	0.37	
• CAPITAL RATIOS (%)	**30/06/07**	**31/12/06**	
Solvency ratio	13.75	14.85	
Tier 1 ratio	8.89	10.02	
• INFORMATION ON BMPS STOCK	**30/06/07**	**31/12/06**	
Number of ordinary shares outstanding	2,454,137,107	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	4.94	4.61	
low	4.59	3.72	
high	5.34	5.08	
• OPERATING STRUCTURE	**30/06/07**	**31/12/06**	**Abs. chg**
Total head count - year-end (1)	12,745	12,555	190
Number of branches in Italy	1,173	1,168	5
Number of branches & rep. offices abroad	16	16	0

(1) MPS Group workforce: the figure incorporates all Banca MPS personnel, excluding staff assigned to other companies (minority interests).

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

Parent Company	30/06/07	30/06/06 restated	Change Ins.	Change %
Net interest income	**714.9**	**655.7**	**59.2**	**9.0%**
Net commissions	410.7	383.6	27.0	7.0%
Income from banking activities	**1,125.6**	**1,039.4**	**86.2**	**8.3%**
Dividends and similar income	276.4	441.5	-165.1	-37.4%
Net result from realisation/valuation of financial assets	130.2	175.5	-45.4	-25.9%
Net gain (loss) from hedging	1.9	-0.4	2.4	n.s.
Financial income (loss)	**1,534.0**	**1,656.0**	**-121.9**	**-7.4%**
Net adjustments for impairment of:				
a) loans	-99.0	-78.3	-20.7	26.5%
b) financial assets	6.0	6.7	-0.6	-9.7%
Net financial income (loss)	**1,441.0**	**1,584.3**	**-143.3**	**-9.0%**
Administrative expenses:	-789.3	-791.6	2.3	-0.3%
a) personnel expenses	-436.2	-446.2	10.0	-2.2%
b) other administrative expenses	-353.1	-345.4	-7.7	2.2%
Net adjustments to the value of tangible and intangible fixed assets	-7.3	-6.3	-1.0	15.7%
Operating expenses	**-796.6**	**-797.9**	**1.3**	**-0.2%**
Net operating income	**644.5**	**786.4**	**-142.0**	**-18.1%**
Net provisions for risks and liabilities and Other operating income/costs	-49.1	-15.9	-33.3	n.s.
Profits (losses) from equity investments	55.4	-11.8	67.2	n.s.
Gains (losses) from disposal of investments	0.05	0.0	0.0	n.s.
Gain (loss) from current operations before taxes	**650.8**	**758.8**	**-108.0**	**-14.2%**
Taxes on income for the year from current operations	-149.0	-130.0	-19.1	14.7%
Gain (loss) from current operations after taxes	**501.8**	**628.8**	**-127.1**	**-20.2%**
Gain (loss) on fixed assets due for disposal, net of taxes		3.8	-3.8	n.s.
Net profit (loss) for the year	**501.8**	**632.7**	**-130.9**	**-20.7%**

RECLASSIFIED BALANCE SHEET (in millions)

ASSETS	30/06/07	30/06/06	% chg
Cash and cash equivalents	256	258	-1.1
Receivables :			
a) Customer loans	56,511	47,681	18.5
b) Due from banks	34,754	25,612	35.7
Financial assets held for trading	14,023	15,982	-12.3
Financial assets held to maturity	0	0	
Equity investments	7,356	5,816	26.5
Tangible and intangible fixed assets	1,019	1,014	0.5
of which:			
a) goodwill	*777*	*777*	*0.0*
Other assets	3,259	4,202	-22.4
Total assets	**117,178**	**100,564**	**16.5**

LIABILITIES	30/06/07	30/06/06	% chg
Payables			
a) Due to customers and securities	76,301	66,992	13.9
b) Due to banks	26,770	18,341	46.0
Financial liabilities from trading	3,410	3,781	-9.8
Provisions for specific use			
a) Provisions for employee leaving indemnities	208	225	-7.7
b) Reserve for retirement benefits	29	6	n.s.
c) Other reserves	295	276	6.7
Other liabilities	2,568	4,430	-42.0
Shareholders' equity	7,596	6,512	16.6
a) Valuation reserves	425	425	0.1
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 (-)	-134	-10	n.s.
h) Net profit (loss) for the year	502	633	-20.7
Total liabilities and shareholders' equity	**117,178**	**100,564**	**16.5**

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 Bank Division) realized appreciable results, with a hefty growth in terms of overall funding in relation to all business segments (+EUR 1.9 bn since January 2007), and especially the Corporate segment. The process of funds allocation implied the following flows of placement, with an appreciable growth in all segments except for individual equity/fund portfolios under management (GPM/GPF) which showed a downward trend in line with the banking industry:

■ Product Placements

in million of euros		30/06/07	30/06/06
Mutual funds/SICAVs		304	-392
Individual portfolios under management		-370	-2
Life-insurance policies	including:	1,429	1,339
	Ordinary	665	778
	Index Linked	604	418
	Unit Linked	160	144
Bonds	including:	2,322	2,165
	Linear	1,608	1,203
	Structured	714	963
Total		3,685	3,111

The above-mentioned production volumes and the trend of other technical kinds determined the following development of **overall funding**:

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

	30/06/07	30/06/06	% chg. vs 30/06/06	% weight 30/06/07
Direct customer funding (*)	**76,301**	**66,992**	**13.9%**	***54.5%***
Indirect customer funding	**63,666**	**71,933**	**-11.5%**	***45.5%***
assets under management	*30,565*	*30,678*	-0.4%	*21.8%*
assts under custody	*33,101*	*41,255*	-19.8%	*23.6%*
Total customer funding	**139,967**	**138,926**	**0.8%**	***100.0%***

(*) 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 profitability impact.

DIRECT FUNDING

The aggregate progressed by about 14% (+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 June 2007:

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

	30/06/07	30/06/06	% chg. vs 30/06/06	% weight 30/06/07
Due to customers	37,806	38,923	-2.9%	*49.5%*
Outstanding securities	29,295	19,511	50.1%	*38.4%*
Financial liabilities at fair value	9,201	8,558	7.5%	*12.1%*
Total Direct Funding	**76,301**	**66,992**	**13.9%**	***100.0%***

INDIRECT FUNDING

Indirect funding stood at EUR 63,666 million (EUR 71,933 million as of 30 June 2006 with an increase of 3.6% since January 2007).

<u>In particular:</u>

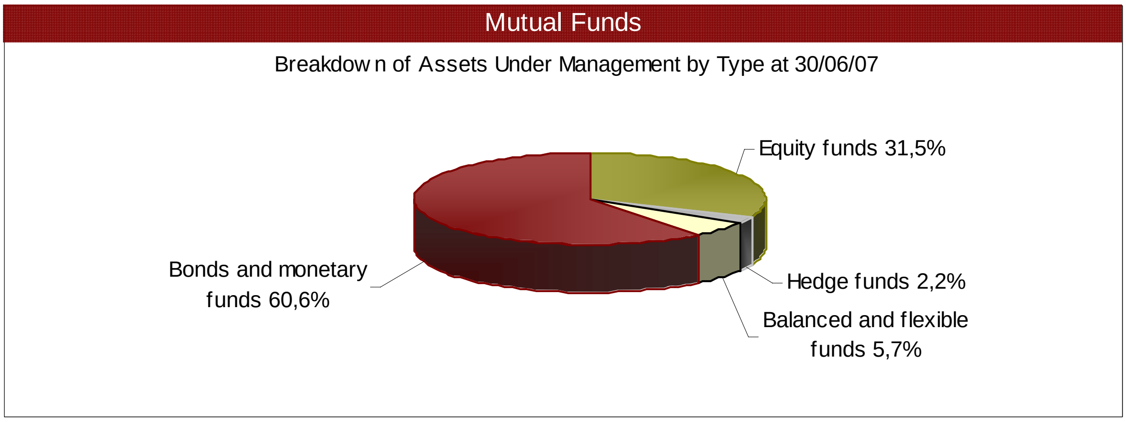
- FUNDS UNDER MANAGEMENT

The aggregate came to EUR 30,565 million (EUR 30,678 million as of 30 June 2006 with an increase of 1% since January 2007) with different trends in accordance with the various components.

Mutual funds

The balance of mutual funds totaled EUR 10,009 million, with positive flows in the amount of EUR 304 million in the first half of 2007.

With reference to the investment funds managed by Monte Paschi Asset Management SGR and placed by the Bank, the weight of equity funds recovered with respect to 30 June 2006 (29%), with a reduction of the portion of Balanced/Opportunities Funds.

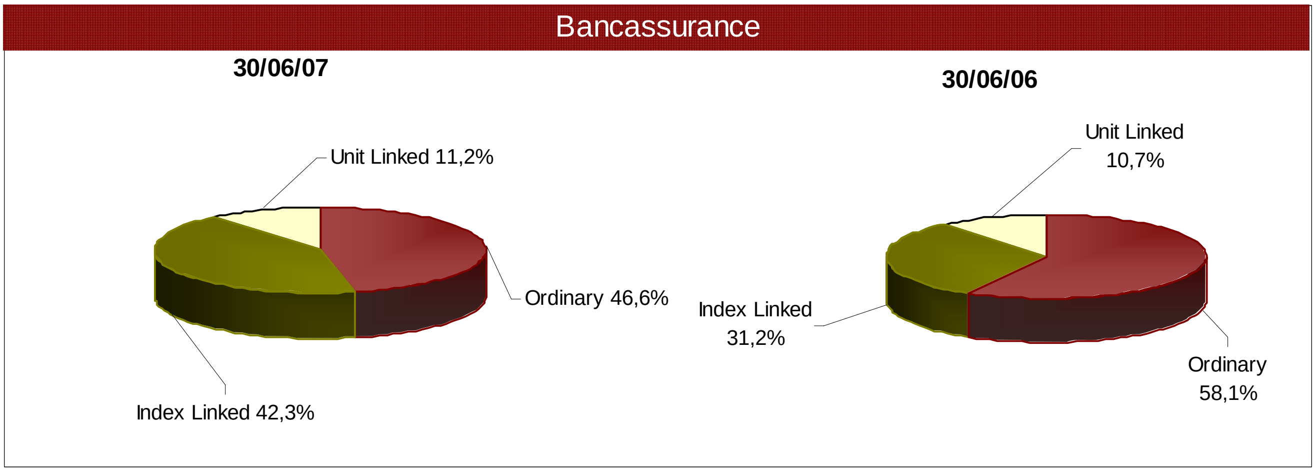


Individual portfolios under management

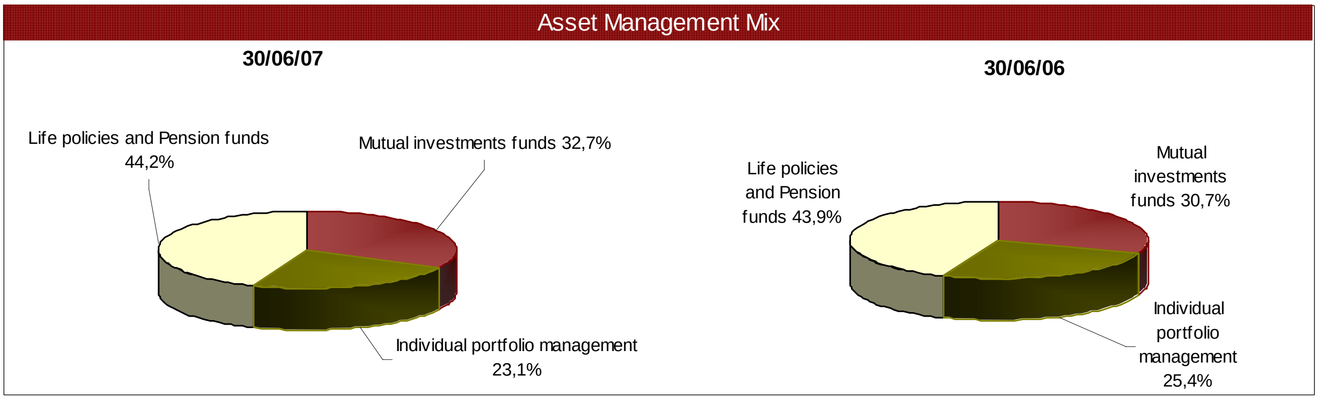
Individual portfolios under management amounted to EUR 7,054 million. The Bank recorded redemptions in the amount of EUR 370 million in the first half of 2007.

Life insurance policies

As of 30 June 2007, the balance - inclusive of pension funds - climbed to EUR 13,502 million. The breakdown of premiums shows that the weight of Index Linked and Unit Linked policies increased with respect to 30 June 2006, whereas ordinary policies continued to record a downward trend, as experienced in the first quarter of 2007.



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



FUNDS UNDER ADMINISTRATION

Funds under administration totaled EUR 33,101 million (EUR 41,255 as of 30 June 2006, or + 6.1% 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 during the first half of 2007.

2) LENDING

A) SALES AND MARKETING ACTIVITY

As of 30 June 2007, bank loans amounted to EUR 56,511 million progressing by about 18.5% year on year (+10.6% since January 2007). With regard to domestic operations, the balances of the BMPS Bank Division confirm a buoyant trend (+14% 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).

<u>With reference to the loans disbursed during the period</u>:

- **The Bank channeled sizeable lending volumes to the Group special credit companies.** In particular, **MPS Leasing & Factoring – Banca per I Servizi Finanziari alle Imprese** executed leasing contracts in an amount of EUR 419 million and its factoring turnover reached EUR 1,579 million, in addition to loans in the amount of EUR 411 million disbursed by **MPS Banca per l'Impresa**.
- New flows (excluding "public works") of **mortgage loans** amounted to EUR 3,170 million (+49.6% year on year);
- **Consumer credit** totaled disbursements – routed by the Bank to **Consum.it** - in the amount of EUR 912 million (+9.7% y-o-y).

■ Specialised credit and corporate financial products

in million of euros		30/06/07	30/06/06
MPS Finance			
	risk management (1)	1,865	1,912
MPS Banca per l'Impresa			
	disbursements	411	418
MPS Leasing & Factoring			
incl.:	new leases executed	419	396
	factoring turnover	1,579	1,660
Consumit			
	disbursements	912	831

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

B) CREDIT QUALITY

Banca MPS closed the first half of 2007 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 NPLs and watchlist credits (net of valuation adjustments) came to 1.78% versus 1.89% as of 31.12.2006.**

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**30/06/07**	**31/12/06**	**Inc. %** **30/06/07**	**Inc. %** **31/12/06**
A) Impaired loans	**1,557**	**1,524**	**2.92**	**2.98**
a1) Non-performing loans	694	658	1.29	1.29
a2) Watchlist loans	310	308	0.59	0.60
a3) Restructured loans	81	63	0.10	0.12
a4) Past due	472	494	0.95	0.97
B) Performing loans	**54,442**	**48,971**	**96.07**	**95.88**
C) Other assets	**511**	**579**	**1.0**	**1.1**
Total customer loans	**56,511**	**51,074**	**100.0**	**100.0**

The percentage of valuation adjustments to the gross exposure of impaired loans (inclusive of interest on arrears) was 42%, but climbed to 57.6% in the case of NPLs. 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 valuation adjustments to performing loans stood at 0.44% 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 total banking income progressing by 8.3% in line of continuity with the hefty growth already recorded in March, and proving the development of the core business.

PROFITABILITY

THE COMPOSITION OF INCOME FROM FINANCIAL BUSINESS

In the first half of 2007 **income from financial business and services of Banca Monte dei Paschi di Siena came to EUR 1,534 million.** As of 30 June 2006, income stood at EUR 1,656 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 7% approx.** The contribution from the BMPS Bank Division advanced by 10% approx.

The major aggregates embrace:

- **The Bank's interest income** totaled EUR 714.9 million with an increase of 9% in comparison with 30 June 2006. The BMPS Bank Division contributed with an increase slightly lower than 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 7% to EUR 410.7 million. Income from traditional banking services increased by about 3.9% and commissions from funds management progressed by 7.7%;

- **Dividends collected** (EUR 276.4 million) declined with respect to 30 June 2006 (EUR 441.5 mln), mainly due to the stop 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 Mp Finance;

- **Net income from trading/valuation of financial assets** came to EUR 130.2 million (EUR 175.5 million in 2006). During the first quarter of 2006, the account incorporated profits from the sale of the equity investments held (above all, in Fiat and Bnl) in an amount higher than the balance collected in 2007.

■ **Net result from realisation/valutation of financial**

	30/06/07	30/06/06
Net Profit from trading	108.9	126.6
Profit/loss from loans, available for sale financial assets and financial liabilities	8.9	46.3
Fair Value financial assets and liabilities	12.4	2.6
Net result from realisation/valuation of financial assets	**130.2**	**175.5**

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

Net valuation adjustments to impaired loans contributed to the income from financial business in an amount of EUR 99 million (EUR 78.3 million as of 30 June 2006), in addition to **net valuation adjustments for impairment of financial assets** (EUR 6 million) in relation to the writeback applicable on the guarantees and commitments fund. As a consequence, **income from financial business** stood at EUR 1,441 million. Excluding said profitability components resulting from non-recurrent items of the first half of 2006 (Fiat, Bnl and dividends from subsidiaries), growth was about 5.5%.

OPERATING EXPENSES

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

A) **Administrative expenses** came to EUR 789.3 million (-2.3 million with respect to 30 June 2006). This was attributable to:

- **personnel expenses (EUR 436.2 million) which fell by roughly 2% with respect to the first half 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 complementary welfare reform (EUR 4 million).

- **Other administrative expenses (EUR 353.1 million, excluding the recovery of stamp duty and customers' expenses**) progressed by 2.2% in relation to the expansion of the geographical network, in support of technological innovation and marketing communications.

B) **Net valuation adjustments to fixed and intangible assets** stood at EUR 7.3 million (EUR 6.3 million as of 30 June 2006).

The Bank's net operating profit amounted to EUR 645.7 million (EUR 786.4 million as of 30 June 2006) with a 13% growth, excluding income components resulting from non-recurrent items of the first half of 2006. **The cost-income ratio came to 51.9% (55.5% in 2006).**

1) EXTRAORDINARY ITEMS, TAXES AND NET PROFIT

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 49.1 million versus –EUR 15.9 million as of 30 June 2006) determined by:

- **the positive balance** of other operating Income/charges **(EUR 0.45 million)** including residual components of non-recurrent income (profits from non-banking companies, contingent assets etc.) ;
- t**he negative balance (-EUR 49.6 million)** of net provisions for risks and charges, mainly due to the covering of possible operational risks (legal suits, actions for revocation, etc.) and the writedown of coupons of junior securities and financial plans.
- **the balance of Profits/losses from equity investments** (EUR 55.4 million), mainly incorporating the sale of a portion of the interest held in Finsoe.

The Bank's profit from current operations before taxes stood at EUR 650.8 million.

Income tax for the period on current operations was EUR 149 million. Therefore, in light of the contribution of said components, the Bank's net profit for the period came to EUR 501.8 million (EUR 632.7 million as of 30 June 2006). The Bank's annualized ROE was 9.3% (ROE calculated on average shareholders' equity: 8.7%).

MATERIAL EVENTS SUBSEQUENT TO 30 JUNE 2007

Please refer to the section covering “Material events subsequent to 30 June 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 provisions”, that the accounting reporting included in this Half-Year Consolidated Report as of 30 June 2007 matches the records, books and accounting entries of our Bank.

The Executive in charge of drafting corporate accounting statements

Daniele Pirondini

Siena, 10 September 2007

GRUPPO MPS

1H Consolidated financial statement

TABLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

30 june 2007

BALANCE SHEET

(in EURO units)

	Assets	30 06 2007	31 12 2006
10	Cash and cash equivalents	453.897.308	611.979.063
20	Financial assets held for trading	26.908.090.665	26.430.327.508
30	Financial assets carried at fair value	-	-
40	Financial assets available for sale	4.271.124.208	4.147.809.464
50	Financial assets held to maturity	2.932	2.932
60	Due from banks	17.461.021.204	11.991.033.451
70	Customer loans and advances	98.829.244.051	91.941.018.880
80	Hedging derivatives	51.250.375	17.229.111
90	Change in value of financial assets recorded as part of a macrohedge (+/-)	15.616.414	32.620.933
100	Equity investments	360.904.582	744.118.419
110	Technical reserves attributable to reinsurers	-	-
120	Tangible assets	2.514.761.181	2.564.184.239
130	Intangible assets	767.401.014	754.720.891
	of which: goodwill	*640.977.464*	*641.277.464*
140	Tax assets	1.102.727.939	1.108.459.898
	a) current	*504.120.569*	*462.391.776*
	b) deferred	*598.607.370*	*646.068.122*
150	Non current assets and disposal groups held for sale and discontinued operations	14.911.684.789	15.410.976.247
160	Other assets	3.499.645.223	2.801.185.378
	Total assets	**171.147.371.885**	**158.555.666.414**

(in EURO units)

	Liabilities and Shareholders' Equity	30 06 2007	31 12 2006
10	Due to banks	21.038.925.523	15.877.618.333
20	Customer deposits	53.846.551.870	54.086.618.528
30	Securities issued	35.275.605.432	29.243.771.906
40	Financial liabilities held for trading	19.384.432.635	16.714.577.238
50	Financial liabilities carried at fair value	10.076.827.161	10.645.899.057
60	Hedging derivatives	43.350.678	94.328.491
70	Change in value of financial liabilities part of a macrohedge	-	-
80	Tax liabilities	253.096.466	324.346.534
	a) current	163.416.065	253.723.121
	b) deferred	89.680.401	70.623.413
90	Liabilities related to discontinued operations	18.137.832.617	18.429.282.283
100	Other liabilities	3.907.851.660	3.930.145.680
110	Staff severance indemnity reserve	366.333.966	386.150.815
120	Reserves for risks and charges	975.558.319	1.010.150.877
	a) pension fund and similar obligations	407.046.202	426.672.926
	b) other reserves	568.512.117	583.477.951
130	Insurance reserves	-	-
140	Valuation reserves	767.423.001	650.254.345
150	Reimbursable shares	-	-
160	Equity instruments	71.487.643	71.487.643
170	Reserves	3.985.019.986	3.597.754.535
180	Additional paid-in capital	560.835.003	560.788.041
190	Share capital	2.029.771.034	2.029.771.034
200	Own shares	(134.115.287)	(45.123.155)
210	Minority interests	46.805.952	37.752.028
220	Profit (loss) for the year	513.778.226	910.092.201
	Total liabilities and shareholders' equity	**171.147.371.885**	**158.555.666.414**

PROFIT AND LOSS STATEMENT

(in EURO units)

	Account	30 06 2007	30.06.2006
10	Interest and similar income	3.481.294.859	2.718.219.567
20	Interest and similar expense	(2.034.456.800)	(1.372.566.383)
30	**Interest margin**	**1.446.838.059**	**1.345.653.184**
40	Commission earned	809.493.457	798.210.251
50	Commission expense	(84.998.803)	(89.381.350)
60	**Net commission income**	**724.494.654**	**708.828.901**
70	Dividend and similar income	452.513.605	305.689.806
80	Net result from trading	(227.720.288)	(94.924.666)
90	Net result from hedging activities	1.704.012	(1.794.347)
100	Profit (loss) on disposal or on repurchase of	5.589.185	51.329.918
	a) loans	*1.147.147*	*73.985*
	b) financial assets available for sale	*7.142.558*	*88.892.935*
	c) financial assets held to maturity	-	-
	d) financial liabilities	*(2.700.520)*	*(37.637.002)*
110	Net result on financial assets and liabilities carried at fair value	11.585.285	1.878.708
120	**Net interest and other banking income**	**2.415.004.512**	**2.316.661.504**
130	Net value adjustments /recoveries on impairment of	(245.812.360)	(239.855.478)
	a) loans	*(248.684.792)*	*(225.960.713)*
	b) financial assets available for sale	*(1.702.336)*	*(12.361.898)*
	c) financial assets held to maturity	-	-
	d) other financial operations	*4.574.768*	*(1.532.867)*
140	**Net income from financial activities**	**2.169.192.152**	**2.076.806.026**
150	Net premiums	-	-
160	Other income/expenses (net) from insurance activities	-	-
170	**Net income from financial and insurance activities**	**2.169.192.152**	**2.076.806.026**
180	Administrative expenses:	(1.430.565.849)	(1.402.058.912)
	a) personnel expenses	*(868.815.803)*	*(875.227.308)*
	b) other administrative expenses	*(561.750.046)*	*(526.831.604)*
190	Net provisions for risks and charges	(46.028.055)	(12.291.476)
200	Net adjustments/recoveries on tangible assets	(33.870.105)	(32.781.897)
210	Net adjustments/recoveries on intangible assets	(20.840.549)	(31.325.864)
220	Other operating income/expenses	131.098.681	129.152.728
230	**Operating Costs**	**(1.400.205.877)**	**(1.349.305.421)**
240	Profit (loss) on equity investments	34.289.222	6.241.524
250	Net result of the tangible and intangible assets carried at fair value	-	-
260	Adjustments to goodwill	(300.000)	(292.103)
270	Profit (loss) on disposal of investments	102.597	170.329
280	**Profit (loss) before tax from continuing operations**	**803.078.094**	**733.620.355**
290	Taxes on income from continuing operations	(330.501.868)	(299.534.354)
300	**Profit (loss) after tax from continuing operations**	**472.576.226**	**434.086.001**
310	Profit (loss) after tax from discontinued operations	50.759.072	54.674.011
320	**Net profit (loss) for the year**	**523.335.298**	**488.760.012**
330	Net profit (loss) attributable to minority interests	9.557.072	6.996.768
340	**Parent company's net profit (loss)**	**513.778.226**	**481.763.244**

		30 06 2007	30 06 2006
	Basic earnings per share	**0,170**	**0,159**
	of continuing operations	0,153	0,141
	Of discontinued operations	0,017	0,018
	Diluted earnings per share	**0,161**	**0,149**
	Of continuing shares	0,145	0,133
	Of discontinued operations	0,016	0,016

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	30 06 2007	31 12 2006 (EUR '000)
1. Cash flow from operations	**1.201.621**	**2.229.530**
net income (+/-)	523.335	929.930
gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	(119.137)	(56.492)
gains/losses on hedging activities (-/+)	(1.704)	7.170
net value adjustments/recoveries on impairment (+/-)	261.910	709.402
net adjustments/recoveries on fixed assets and intangible assets (+/-)	54.711	134.734
net provisions for risks and charges and other costs/revenues (+/-)	104.550	203.533
not cashed net premiums	(6.223)	(10.295)
other not collected incomes/expenses from insurance activities (+/-)	-	-
tax and duties to be settled (+)	330.502	501.441
net value adjustments/recoveries on discontinued operations net of tax effect (+/-)	31.658	33.545
other adjustments	22.019	(223.438)
2. Cash flow from/used in the reduction of the financial assets	**(13.322.124)**	**(5.609.408)**
financial assets held for trading	1.397.755	3.447.902
financial assets carried at fair value	15.507	52.972
financial assets available for sale	(1.358.177)	604.605
due from banks: sight	-	-
due from banks: other credits	(5.504.578)	(2.107.970)
customer loans	(7.148.945)	(8.801.841)
other assets	(723.686)	1.194.924
3. Cash flow from/used in financial liabilities	**12.243.392**	**4.110.762**
due to banks: sight	-	-
due to banks: other debts	5.161.308	(329.556)
customer deposits	(25.264)	1.332.038
securities issued	6.024.473	5.864.785
financial liabilities held for trading	2.712.305	(395.176)
financial liabilities carried at fair value	125.560	(515.327)
other liabilities	(1.754.990)	(1.846.002)
Net cash flow generated/absorbed by operating activities	**122.889**	**730.884**
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**363.720**	**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	434	2.370
sales of intangible assets	39	259
sales of subsidiaries and divisions	-	-
2. Cash flow absorbed by:	**(38.092)**	**(357.070)**
purchases of equity investments		(46)
purchases of financial assets held to maturity	-	-
purchases of tangible assets	(6.203)	(291.202)
purchases of intangible assets	(31.889)	(65.822)
purchases of subsidiaries and divisions		
Net cash flow generated/absorbed by investment activities	**325.628**	**(336.312)**
C. FUNDING ACTIVITIES		
issue/purchases of own shares	(88.944)	77.453
issue/purchases of equity instruments		
dividend distribution and other scopes	(517.696)	(422.818)
Net cash flow generated/absorbed by funding activities	**(606.640)**	**(345.365)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(158.123)**	**49.207**

Reconciliation

Accounts	30 06 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	(158.123)	49.207
Cash and cash equivalents: effect of exchange rate variations		
Cash and Cash equivalents at the end of the year	453.897	612.020

Cash and cash equivalents (EUR 612,020,000) also incorporates the liquid assets (EUR 41,000) 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

(EUR '000)

							Allocation of profit from prior year						Changes during the year										Shareholders' equity as at 30.06.2007	
													Shareholders' Equity transactions								Net profit (loss) of year 2007			
		Balance as at 31.12.06		Change in opening balance	Balance as at 01.01.07		Reserves		Dividends	Dividends	Changes in reserves		Issue of new shares		Acquisition of own shares		Extraordinary distribution of dividends	Change in equity instruments	Own share derivatives	Stock option				
		group	minorities		group	minorities	group	minorities			group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	1.644.272	8.240		1.644.272	8.240					-	(1.068)											1.644.272	7.172
	b) other shares	385.499	-		385.499						-												385.499	-
Additional paid-in-capital		560.788	6.667		560.788	6.667						484	47										560.835	7.151
Reserves	a) retained earnings	3.702.640	2.084		3.702.640	2.084	910.092	19.838	#######	(83)	(4.667)	(343)								-			4.089.905	21.496
	b) other	(104.885)	(378)		(104.885)	(378)						378											(104.885)	-
Valuation Reserves	a) available for sale	383.236	17	-	383.236	17					124.290	129											507.526	146
	b) hedging of financial flows	16.582	-	-	16.582						16.873												33.455	-
	c) other	250.436	1.284	-	250.436	1.284					(23.994)												226.442	1.284
Equity instruments		71.488	-	-	71.488																		71.488	-
Own shares	a) of the parent company	(45.123)	-	-	(45.123)								1.543		(90.482)								(134.062)	-
	b) of the subsidiaries	-	-		-										(53)								(53)	-
Net profit (loss) for the period		910.092	19.838		910.092	19.838	(910.092)	(19.838)													513.778	9.557	513.778	9.557
Shareholders' Equity		7.775.025	37.752		7.775.025	37.752		-	#######	(83)	112.502	(420)	1.590	-	(90.535)	-		-	-	-	513.778	9.557	7.794.200	46.806

In 2007 the Group's net equity, inclusive of profits for the year, increased by EUR 28 at EUR 7,841 mln (EUR 7,812.7 mln at the end of 2006). The movements for the half-year are mainly attributable to the distribution of 2006 profits and own shares trading, EUR 89 mln;in the colmn "changes in reserves" the negative change (EUR 4.7 mln) is mainly due to erogations from subsidiaries

The column of "change in the opening balance" includes, as required by IAS8 par.49, the effects on initial net equity as of 1/1/2006, resulting from the review of the estimated commitment to the pension fund with definite contribution (about EUR 36.8 mln), re-determined by a subsidiary.

Valuation reserves "c) other" include the reclassification (in the amount of EUR 15.3 million) from valuation reserves "a) available for sale" to reserves for assets being sold, in relation to the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni considered as "discontinued operations" as of 31/12/2006. The negative change in valuation reserve "c) (EUR 23.9 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 (EUR134 mln) corresponding to the amount of own shares.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(euro '000)

		Balance as at 31.12.05		Change in opening balance IAS 32 39	Balance as at 01.01.06		Allocation of profit from prior year			Changes during the year												Shareholders' equity as at 31.12.2006	
							Reserves		Dividends	Changes in reserves		Shareholders' Equity transactions								Net profit (loss) of year 2006			
												Issue of new shares		Acquisition of own shares		Extraordinary distribution of dividends	Change in equity instruments	Own share derivatives	Stock option				
		group	minorities		group	minorities	group	minorities		group	minorities	group	minorities	group	minorities					group	minorities	group	minorities
Share Capital:	a) ordinary shares	1.640.489	8.354		1.640.489	8.354					(114)	3.783										1.644.272	8.240
	b) other shares	385.499	-		385.499																	385.499	-
Additional paid-in-capital		539.461	6.915		539.461	6.915					(248)	21.327										560.788	6.667
Reserves	a) retained earnings	3.346.183	5.797		3.346.183	5.797	753.414	23.464	(280.318)		(1.316)					(142.500)						3.702.640	2.084
	b) other					-				(104.885)	(378)											(104.885)	(378)
Valuation Reserves	a) available for sale	520.443	13		520.443	13				(137.207)	4											383.236	17
	b) hedging of financial flows	(20.105)	-		(20.105)					36.687												16.582	-
	c) other	117.645	1.212		117.645	1.212				132.791	72											250.436	1.284
Equity instruments		46.077	-		46.077												25.411					71.488	-
Own shares	a) of the parent company	(97.467)	-		(97.467)							194.864		(142.520)								(45.123)	-
	b) of the subsidiaries	-	-		-																	-	-
Net profit (loss) for the period		790.196	23.464	(36.782)	753.414	23.464	(753.414)	(23.464)												910.092	19.838	910.092	19.838
Shareholders' Equity		7.268.421	45.755	(36.782)	7.231.639	45.755	-	-	(280.318)	(72.614)	(1.980)	219.974		(142.520)		(142.500)	25.411		-	910.092	19.838	7.775.025	37.752

In 2007 the Group's shareholders' equity, including profit for the period, increased by EUR 28 mln, reaching EUR 7,841 mln against EUR 7,812.7 mln of previous year end. This increase results from the profit distribution in 2006 and the purchase of own shares; in the column of the changes

The c)"other valuation reserves" include the reclassification (EUR 15.3 mln) of a) " available for sale valuation reserves to the reserves for assets being sold concerning Monte Paschi Vita and Montepaschi Assicurazioni Danni
considered "discontinued operations" already from 31.12.2006:
the negative change of the valuation reserves "c) other (EUR 23.9 mln) mainly results from the decrease in reserves for the a.m. assets being sold plus the reserves for exchange rate differences

The reserves of profits include EUR 134 mln of unavailable reserves equal to own share amount.

In addition, under the column of "changes in reserves" the net decrease of profit reserves (EUR 104.9 mln) includes a reduction of EUR 107.0 mln attributable to the allocation to the specific revaluation reserve of the effect due to the re-determination of deferred taxes after the realignment of the real estate book values and tax values, in compliance with law no. 266 of 23 December 2005, pursuant to the instructions from the Bank of Italy, net of EUR 47.9 mln distributed by the subsidiary MPS Immobiliare.

Valuation reserves "c) other" include the reclassification (in the amount of EUR 25.7 million) from valuation reserves "a) available for sale" to reserves for assets being sold, in relation to the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni considered as "discontinued operations" as of 31/12/2006.

Profit reserves include unavailable reserves (EUR45.1mln) corresponding to the amount of own shares.

PART A

ACCOUNTING POLICIES

PART B

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Section 2

Financial assets held for trading - Account 20

2.1 Financial assets held for trading: composition

(euro '000)

items/values	Banking group		Insurance companies		Other companies		30 06 2007	31 12 2006
	quoted	unquoted	quoted	unquoted	quoted	unquoted	Total	Total
A. Cash assets								
1. Debt securities	4.386.657	1.768.953	-	-	-	-	6.155.610	6.481.273
1.1 Structured securities	503.249	205.864	-	-	-	-	709.113	1.400.671
1.2 Other debt securities	3.883.408	1.563.089	-	-	-	-	5.446.497	5.080.602
2. Equities	1.080.239	1.255	-	-	-	-	1.081.494	525.112
of which measured at cost								
3. Quotas of UCITS	433.421	430.067	-	-	-	-	863.488	767.036
4. Loans	9.183.317	-	-	-	-	-	9.183.317	10.866.935
4.1 REPOS	5.201.083	-	-	-	-	-	5.201.083	9.534.224
4.2 Other	3.982.234	-	-	-	-	-	3.982.234	1.332.711
5. Non performing assets	-	9.406	-	-	-	-	9.406	9.386
6. Assets sold not derecognised	3.418.552	383.979	-	-	-	-	3.802.531	2.206.177
Total (A)	18.502.186	2.593.660	-	-	-	-	21.095.846	20.855.919
B. Derivative instruments								
1. Financial Derivatives:	234.936	5.374.390	-	-	-	-	5.609.326	5.368.371
1.1 trading	234.936	5.212.931	-	-	-	-	5.447.867	5.076.698
1.2 fair value option	-	60.753	-	-	-	-	60.753	85.376
1.3 other	-	100.706	-	-	-	-	100.706	206.297
2. Credit Derivatives:	1	202.918	-	-	-	-	202.919	206.037
2.1 trading	1	201.578	-	-	-	-	201.579	206.037
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 other	-	1.340	-	-	-	-	1.340	
Total (B)	234.937	5.577.308	-	-	-	-	5.812.245	5.574.408
Total (A+B)	18.737.123	8.170.968	-	-	-	-	26.908.091	26.430.327

The column concerning insurance companies does not show any value due to the classification of Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life as assets being sold. Therefore, the data as of 31/12/2006 have been reclassified under account 150 of the balance-sheet, "non-current assets and groups of assets being sold", sub-account "financial assets for trading purposes".

2.3 Financial assets held for trading: trading derivatives

2.3.1 of the banking group

(euro '000)

type of derivatives/underlying assets	interest rate	foreign exchange and gold	equities	loans	other	Total as at 30 06 2007	Total as at 31 12 2006
A. listed derivatives							
1) financial derivatives:	1.772	-	233.164	-	-	234.936	225.698
with underlying asset exchan	95	-	22.201	-	-	22.296	20.033
- purchased options	25	-	22.201	-	-	22.226	20.006
- other derivatives	70	-	-	-	-	70	27
without underlying asset exch	1.677	-	210.963	-	-	212.640	205.665
- purchased options	252	-	210.963	-	-	211.215	205.665
- other derivatives	1.425	-	-	-	-	1.425	-
2) credit Derivatives:	-	-	-	1	-	1	-
with underlying asset exchan	-	-	-	-	-	-	-
without underlying asset exch	-	-	-	1	-	1	-
Total (A)	**1.772**	**-**	**233.164**	**1**	**-**	**234.937**	**225.698**
B. unlisted derivatives							
1) financial derivatives:	3.491.875	546.717	1.311.458	-	24.341	5.374.391	5.142.672
with underlying asset exchan	13.017	367.317	320.353	-	-	700.687	1.189.964
- purchased options	404	80.491	320.353	-	-	401.248	1.098.500
- other derivatives	12.613	286.826	-	-	-	299.439	91.464
without underlying asset exch	3.478.858	179.400	991.105	-	24.341	4.673.704	3.952.708
- purchased options	414.306	179.016	934.303	-	24.240	1.551.865	837.611
- other derivatives	3.064.552	384	56.802	-	101	3.121.839	3.115.097
2) credit Derivatives:	-	-	-	202.917	-	202.917	206.038
with underlying asset exchan	-	-	-	198.100	-	198.100	195.218
without underlying asset exchange		-	-	4.817	-	4.817	10.820
Total (B)	**3.491.875**	**546.717**	**1.311.458**	**202.917**	**24.341**	**5.577.308**	**5.348.710**
Total (A+B)	**3.493.647**	**546.717**	**1.544.622**	**202.918**	**24.341**	**5.812.245**	**5.574.408**

This table shows that the Group's operations are mainly oriented to non-listed derivative instruments in active markets. The column of interest rates incorporates, by convention, the financial derivatives with underlying debt securities.

Section 4

Financial assets available for sale - Account 40

4.1 Financial assets available for sale: composition

(euro '000)

items/values	banking group		insurance companies		other companies		Total 30 06 2007		Total 31 12 2006	
	listed	unlisted	listed	unlisted	listed	unlisted	listed	unlisted	listed	unlisted
1. debt securities	1.678.226	961.809	-	-	-	-	1.678.226	961.809	1.748.429	1.066.060
1.1 structured	165.028	494.626					165.028	494.626	138.688	533.665
1.2 other debt securiti	1.513.198	467.183	-	-			1.513.198	467.183	1.609.741	532.395
2. equities	347.719	1.001.993	-	-	65.892	83	413.611	1.002.076	269.256	925.720
2.1 Valued at fair value	347.719	622.031		-	65.892	83	413.611	622.114	269.256	620.882
2.2 measured at cost		379.962		-		-	-	379.962		304.838
3. Quotas of UCITS	2.558	208.763	-	-	-	-	2.558	208.763	1.752	136.592
4. loans	-	-	-	-	-	-	-	-	-	-
5. non performing assets									-	-
6. assets sold not derecognised	- 2.354	- 1.727	-	-	-	-	2.354	1.727		-
Total	2.030.857	2.174.292	-	-	65.892	83	2.096.749	2.174.375	2.019.437	2.128.372

The column in relation to the insurance companies does not show any value due to the classification of Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life as assets being sold. Therefore, the data as of 30/06/2007 have been reclassified under account 150 in the balance-sheet, "non-current assets and groups of assets being sold", sub-account of "financial assets available for sale".

Equities valued at fair value include investments in Borsa Italiana and Hopa for EUR 165,609,000 and EUR 117,680,000, respectively.

Section 5

Financial assets held to maturity - Account 50

5.1 Financial assets held to maturity: composition

(euro '000)

Type of operations/Components of the group	banking group		insurance companies		other companies		Total 30 06 2007		Total 31 12 2006	
	book value	Fair value	book value	Fair value	book value	Fair value	book value	Fair value	book value	Fair value
1. debt securities	3	3	-	-	-	-	3	3	3	3
1.1 structured securities							-	-	-	-
1.2 other debt securities	3	3	-	-			3	3	3	3
2. loans										
3. non performing assets										
4. assets sold not derecognised										
Total	3	3	-	-	-	-	3	3	3	3

The column in relation to the insurance companies does not show any value due to the classification of Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life as assets being sold. Therefore, the data as of 30/06/2007 have been reclassified under account 150 in the balance-sheet, "non-current assets and groups of assets being sold", sub-account of "financial

Section 6

Due from banks - Account 60

6.1 Due from banks: composition

6.1.1 of the banking group

(euro '000)

type of operations/value	Total 30 06 2007	Total 31 12 2006
A. Due from central banks	**1.529.000**	**756.363**
1. time deposits	15.000	15.000
2. compulsory reserve	1.513.984	740.972
3. repos	-	-
4. other	16	391
B. Due from banks	**15.932.021**	**11.234.670**
1. current accounts and deposits	1.137.884	656.651
2. time deposits	3.137.224	3.181.683
3. other loans:	11.652.467	7.391.813
3.1 repos	6.194.417	6.018.254
3.2 finance lease	-	-
3.3 other	5.458.050	1.373.559
4. debt securities	346	2.654
4.1 structured securities	-	-
4.2 other debt securities	346	2.654
5. non performing assets	1.845	1.869
6. assets sold not derecognised	2.255	-
Total (book value)	**17.461.021**	**11.991.033**

Section 7

Customer loans: Account 70

7.1 Customer loans: composition

7.1.1 of the banking group

(euro '000)

type of operations	Total 30 06 2007	Total 31 12 2006
1. current accounts	12.409.006	13.650.083
2. repos	1.725.287	774.853
3. mortgages	49.507.912	45.887.822
4. credit cards, personal loans and loans guaranteed by salary	2.334.297	1.829.217
5. finance leases	3.435.382	3.337.388
6. Factoring	1.023.070	869.830
7. other operations	24.258.963	21.492.098
8. debt securities	225.763	260.928
7.1 structured securities		
7.2 other debt securities	225.763	260.928
9. impaired assets	3.909.564	3.838.800
10. assets sold not derecognised	-	-
Total (book value)	**98.829.244**	**91.941.019**

Section 8

Hedging Derivatives - account 80

8.1 Hedging Derivatives: composition by contract and underlying assets

8.1.1 of the banking group

(euro '000)

Type of derivatives i	interest rate	currency and gold	equity investments	loans	other	Total 30 06 2007	Total 31 12 2006
A. listed							
1) financial Derivatives:							
- with underlying asset exchange							
- purchased options							
- other derivatives							
- without underlying asset exchange							
- purchased options							
- other derivatives							
2) credit Derivatives:							
- with underlying asset exchange							
- without underlying asset exchange							
Total A							
B. unlisted							
1) financial Derivatives:	**14.185**	**-**	**-**	**-**	**-**	**14.185**	**#RIF!**
- with underlying asset exchar	#RIF!	-	-	-	-	#RIF!	#RIF!
- purchased options	#RIF!		-			#RIF!	#RIF!
- other derivatives	#RIF!				-	#RIF!	#RIF!
- without underlying asset exc	14.185	-	-	-	-	14.185	14.185
- purchased options	117					117	117
- other derivatives	14.068					14.068	14.068
2) credit Derivatives:	37.066					37.066	
- with underlying asset exchar	**37.066**	**-**	**-**	**-**	**-**	**37.066**	**-**
- without underlying asset exchange	37.066					37.066	
Total B	**51.251**	**-**	**-**	**-**	**-**	**51.251**	**#RIF!**
Total (A+B) (31/12/2006)	**51.251**	**-**	**-**	**-**	**-**	**51.251**	
Total (A+B) (31/12/2005)	**17.229**	**-**		**-**	**-**		**17.229**

Section 9

Change in value of financial assets recorded as part of a macrohedge-Account 90

9.1 Change in value of hedged financial assets: breakdown by hedged portfolio

(euro '000)

Change in value of hedged financial assets	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1. positive changes	**16.755**	**-**	**-**	**16.755**	**32.867**
1.1 of specific portfolio:	15.986			15.986	**32.867**
a) loans	15.986			15.986	**32.867**
b) available for sale assets				-	-
1.2 overall	769			769	
2. negative changes	**1.139**	**-**	**-**	**1.139**	**246**
1.1 of specific portfolio:	1.139			1.139	**246**
a) loans	1.139			1.139	**246**
b) available for sale assets				-	-
1.2 overall				-	-
Total	**15.616**	**-**	**-**	**15.616**	**32.621**

Section 10

Equity investments - Account 100

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

		NAME	MAIN OFFICE	TYPE OF elationshi (*)	ownership relationship held by	ownership relationship 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 BANCA PER L'IMPRESA S.p.A.	Florence	1	A.0	83,060	99,864
					A.1	16,799	
					A.31	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	Mantua		A.7	100,000	100,000
	7.3	AGRISVILUPPO S.p.A.	Mantua		A.7	98,224	99,068
					A.2	0,844	
	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	79,430	100,000
					A.1	6,192	
					A.7	10,550	
					A.3	3,828	
	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	33,954	67,907
					A.7	33,953	
	10.1	JPP EURO SECURITIES	Delaware	1	A.10	100,000	100,000
A.11		MONTE PASCHI FIDUCIARIA S.P.A.	Siena	1	A.0	86,000	100,000
					A.1	14,000	
A.12		ULISSE S.p.A.	Milan	1	A.0	60,000	60,000
A.13		ULISSE 2 S.p.A.	Milan	1	A.0	60,000	60,000
A.14		CONSUM.IT S.P.A.	Florence	1	A.0	70,000	100,000
					A.1	30,000	
	14.1	INTEGRA SPA	Florence	1	A.14	50,000	50,000
A.15		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI S.p.A.	Siena	1	A.0	100,000	100,000
	15.1	AGRICOLA POGGIO BONELLI	Siena	1	A.15	100,000	100,000
A.16		MPS IMMOBILIARE S.p.A.	Siena	1	A.0	100,000	100,000
A.17		MARINELLA S.p.A.	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
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		SAN PAOLO ACQUE S.r.l.	Lecce	1	A.0	100,000	100,000
A.28		BIOS MPS S.p.A.	Milan	1	A.0	100,000	100,000
A.29		VALORIZZAZIONI IMMOBILIARI SPA	Siena	1	A.0	100,000	100,000
A.30		SANTORINI INVESTMENTS LTD	Dublin	1	A.0	100,000	100,000
		A.2 companies proportionally consolidated					
A.31		BANCA POPOLARE DI SPOLETO S.P.A. (book value at 25.930% of par value)	Spoleto	1	A.0	25,930	25,930
					A.6.1		
A.32		BANCA MONTE PARMA S.p.A. (book value at 49.266% of par value)	Parma	1	A.0	49,266	49,266
					A.6.1		

(*) 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)

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

Name	main office	Type of relationship	ownership relationship		voting rights %	olidated book v
			held by	holding %		30/06/07
Aeroporto di Siena S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	23.827	23.827	340
Beta Prima S.r.l	Siena	8	Banca Monte dei Paschi di Siena	34,069	34,069	286
Bio Found S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	799
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
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9,000	30,500	31
			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	24653
			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
Finsoe S.p.a.	Bologna	8	Banca Monte dei Paschi di Siena	13,000	13,000	280529
SI Holding (Carta Si)	Milan	8	Banca Monte dei Paschi di Siena	24,470	24,470	27885
Società Italiana di Monitoraggio	Rome	8	Banca Monte dei Paschi di Siena	24.304	33,333	52
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
					-	
Quadrifoglio Vita S.p.a.	Bologna	8	Banca Agricola Mantovana	50,000	50,000	
Le Robinie S.r.l.	Reggio Emilia	8	Banca Agricola Mantovana	20,000	20,000	792
Fabrica Immobiliare SGR S.p.a.	Rome	8	Monte Paschi Asset Management SGR	45,000	45,000	2986
Immobiliare Ve-Ga S.p.a.	Milan	8	MPS Banca per l'Impresa	20,030	20,030	27
Interporto Toscano Amerigo Vespucci S.p.a.	Livorno	8	MPS Banca per l'Impresa	36,303	36,303	8393
Newco S.p.a.	Naples	8	MPS Banca per l'Impresa	20,000	20,000	1991
NewColle S.r.l.	Colle V.Elsa	8	MPS Banca per l'Impresa	49.002	49.002	2429
Marina Blu S.p.a.	Rimini	8	MPS Banca per l'Impresa	30,001	30,001	4097
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Banca per l'Impresa	29,000	29,000	2168
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Banca per l'Impresa	45,000	45,000	2265
Totale						360637

Section 12

Tangible assets - Account 120

12.1 Tangible assets: composition of assets valued at cost

(euro '000)

items/values	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
A. Assets for operational use					
1.1 owned	**2.304.987**	**-**	**85.734**	**2.390.721**	**2.444.282**
a) land	865.583	-	50.451	916.034	923.919
b) buildings	915.751	-	30.059	945.810	968.498
c) equipment	48.065	-	32	48.097	47.501
d)electronic systems	11.663	-	16	11.679	13.901
e) other	463.925	-	5.176	469.101	490.463
1.2 leased	**9.005**	**-**	**591**	**9.596**	**707**
a) land	2.353	-	(258)	2.095	
b) buildings	4.782	-	258	5.040	
c) equipment	314			314	
d)electronic systems	1.556			1.556	-
e) other			591	591	707
Total A	2.313.992	-	86.325	2.400.317	**2.444.989**
B. held for investment					
2.1 owned	106.891	-	7.538	114.429	119.195
a) land	48.576	-	2.552	51.128	53.254
b) buildings	58.315	-	4.986	63.301	65.941
2.2 leased				15	
a) land	15			15	
b) buildings	15				
Total B	106.906	-	7.538	114.444	**119.195**
Total (A+B)	2.420.898	-	93.863	2.514.761	**2.564.184**

The data in relation to the insurance companies have been reclassified under account 150 of the balance-sheet, Non-current assets and groups of assets being sold, sub-account "tangible assets".

Section 13

Intangible assets - Account 130

13.1 Intangible assets: composition

(euro '000)

	banking group		insurance companies		other companies		Total 30 06 2007		Total 31 12 2006	
items/values	finite life	indefinite life	finite life	indefinite life	finite life	indefinite life	finite life	indefinite life	finite life	indefinite life
A.1 Goodwill	x	640.977	x		x		x	640.977	x	641.277
A.1.1 of the group	x	640.977	x	-	x	-	x	640.977	x	641.277
A.1.2 of minorities	x		x		x		x	-	x	-
A.2 other Intangible assets	125.936	16	-	-	-	472	125.936	488	112.785	659
A.2.1 Assets valued at cost:									112.785	659
a) Intangible assets generated internally	222				-		222	-	138	-
b) other assets	125.714	16	-		-	472	125.714	488	112.647	659
A.2.2 Assets valued at fair valu	x	x	x	x	x	x	x	x	x	x
a) Intangible assets generated internally	x	x	x	x	x	x	x	x	x	x
b) other assets	x	x	x	x	x	x	x	x	x	x
Total	**125.936**	**640.993**	**-**	**-**	**-**	**472**	**125.936**	**641.465**	**112.785**	**641.936**

All the Group's intangible assets are valued at cost.
Goodwill posted on the assets side of the Balance-sheet (EUR 740 million, including intangible assets for EUR 641 million and EUR 99 million in relation to the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni, reclassified under account 150 Assets being sold, sub-account intangible assets) is not subject to systematic amortization, but is subject to a year-end review of the steadiness of the accounting value.
Such process of review (impairment) is carried out on a yearly basis and determines the salvage value, as represented by the use value, that is the current value of expected financial flows resulting from the assets subject to review. The use value is therefore indicative of the estimated financial flows expected from the assets, the estimated possible changes in the amount and/or timing of the financial flows, the financial value of time, the appropriate price in return for the riskiness of the assets and other factors.

Tax assets and tax liabilities - Account 140 (assets) and account 80

14.1 Deferred tax assets: composition

(euro '000)

items/values	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
Credits (included securitizations)	252.233	-		252.233	264.255
other financial instruments	392.220			392.220	346.898
goodwill	443			443	401
deferred charges	5.606		85	5.691	7.952
tangible assets	4.961		122	5.083	5.416
entertainment expenses	1.353	-		1.353	1.667
personnel expenses	82.594	-		82.594	79.896
tax losses	134			134	221
other	280.670		25.431	306.101	300.070
valuation reserves	865			865	865
Gross deferred tax assets	**1.021.079**	**-**	**25.638**	**1.046.717**	**1.007.641**
set-off with deferred tax liabilities	448.110			448.110	361.573
net deferred tax assets	**572.969**	**-**	**25.638**	**598.607**	**646.068**

Advance tax assets, under the line of credits, include tax assets for credit value adjustments which were not deducted in prior years since they topped the limit indicated by art.106 of the Income Tax Act (TUIR). Such adjustments will be deductible in the next financial years on the basis of the straight-line (1/9th) method. The line of "other financial instruments" mostly shows tax assets of the valuation income/loss recorded in relation to payable bonds valued at fair value and hedging derivatives. The relative capital gains generated tax liabilities as shown in table 13.2 under the line of "financial instruments".

The data in relation to the insurance companies have been reclassified under account 150 of the balance-sheet, Non-current assets and groups of assets being sold, sub-account "other assets".

14.2 Deferred tax liabilities: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
gains to be divided into instalments	1.816			1.816	2.718
goodwill	48.116			48.116	38.416
tangible assets	25.948	-	2.151	28.099	27.953
financial instruments	398.645	-		398.645	313.346
personnel expenses	17.915	-	98	18.013	13.198
other	42.586		515	43.101	36.565
Gross deferred tax liabilities	**535.026**	**-**	**2.764**	**537.790**	**432.196**
set-off with deferred tax assets	448.110			448.110	361.573
net deferred tax liabilities	**86.916**	**-**	**2.764**	**89.680**	**70.623**

The data in relation to the insurance companies have been reclassified under account 90 of the balance-sheet, Liabilities

14.3 Changes in deferred tax assets (balancing P&L)

(euro '000)

	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1. Initial amount	**976.594**	**-**	**25.679**	**1.002.273**	**1.136.284**
2. increases	**195.286**	**23.319**	**344**	**218.949**	**393.038**
2.1 deferred tax assets of the year	141.340	1.074		142.414	319.339
a) relating to previous years	69			69	19.733
b) due to changes in accounting policies		-	-	-	318
c)write backs				-	35
d) other	141.271	1.074		142.345	299.253
2.2 new taxes or tax rate increases	3.901			3.901	10.724
2.3 other increases	50.045	22.245	344	72.634	62.975
3. reductions	**163.700**	**289**	**386**	**164.375**	**510.637**
3.1 deferred tax assets eliminated in the yr	157.968			157.968	443.121
a) transfers	157.968			157.968	440.971
b)writedowns of non recoverable items				-	2.137
c) change in accounting policies				-	13
3.2 tax rate Reductions				-	-
3.3 other decreases	5.732	289	386	6.407	67.516
IFRS5 "Discontinuing operations"		(23.030)		(23.030)	16.412
4. Final amount	**1.008.180**		**25.637**	**1.033.817**	**1.002.273**

Comparative data have been re-determined on the basis of the adjustments made in application of IAS 8 (see notes to the financial statements Part A – Accounting Policies Section 2 – General drafting principles).

The flow of assets being sold includes the data concerning the insurance companies, considered as being sold as of 30/06/2007.

14.4 Changes in deferred tax liabilities (balancing P&L)

(euro '000)

	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
Initial amount	**378.478**	**-**	**2.719**	**381.197**	**464.471**
2. increases	**179.851**	**26.866**	**208**	**206.925**	**158.487**
2.1 deferred tax liabilities of the year	115.279	471		115.750	116.695
a) relating to previous yrs	249			249	1.841
b) due to changes in accounting policies	-	-	-	-	
c) other	115.030	471		115.501	114.854
2.2 new taxes or tax rate increases	2.581			2.581	8.568
2.3 other increases	61.991	26.395	208	88.594	33.224
3. reductions	**97.373**	**230**	**163**	**97.766**	**220.558**
3.1deferred tax liabilities eliminated in the yr	95.513	230	-	95.743	207.246
a)transfers	94.358		-	94.358	205.059
b)due to changes in accounting policies			-	-	
c)other	1.155	230		1.385	2.187
3.2 tax rate reductions	-			-	
3.3 other decreases	1.860		163	2.023	13.312
IFRS5 "Discontinuing operations"		(26.636)		(26.636)	20.756
4. final amount	**460.956**		**2.764**	**463.720**	**381.644**

The flow of assets being sold includes the data concerning the insurance companies, considered as being sold as of 30/06/2007

The flow of assets being sold includes the data concerning the insurance companies, considered as being sold as of 31/12/2006.

14.5Changes in deferred tax assets (balancing net equity)

(euro '000)

	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
Initial amount	**5.368**	**-**	**-**	**5.368**	**30.451**
2. increases	**8.996**	**-**	**-**	**8.996**	**2.245**
2.1 deferred tax assets of the year	7.323	-	-	7.323	2.245
a) relating to previous years				-	-
b) due to changes in accounting policies				-	-
c) other	7.323			7.323	2.245
2.2 new taxes or tax rate increases				-	-
2.3 other increases	1.673	-	-	1.673	
3. reductions	**1.464**	**-**	**-**	**1.464**	**27.329**
3.1deferred tax assets eliminated in the yr	**1.464**	-	-	1.464	17.430
a)transfers	**1.464**			1.464	17.430
b) writedowns of non recoverable items				-	-
c) due to changes in accounting policies	-			-	
3.2 tax rate reductions				-	-
3.3 other decreases				-	9.899
4. final amount	**12.900**		**-**	**12.900**	**5.367**

The flow of the column of the insurance companies includes the data in relation to these companies, considered as being sold as of 31/12/2006.

14.6 Changes in deferred tax liabilities (balancing net equity)

(euro '000)

	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
Initial amount	**51.000**	**-**	**-**	**51.000**	**101.617**
2. increases	**28.292**	**2.846**	**-**	**31.138**	**26.480**
2.1 deferred tax liabilities of the year	22.135	10	-	22.145	17.868
a) relating to previous years				-	-
b) due to changes in accounting policies				-	-
c) other	22.135	10		22.145	17.868
2.2 new taxes or tax rate increases	-			-	
2.3 other increases	6.157	2.836	-	8.993	8.612
3. reductions	**5.222**	**25**	**-**	**5.247**	**61.621**
3.1deferred tax liabilities eliminated in the yr	5.199	**25**	-	5.224	52.548
a)transfers	5.199	**25**		5.224	52.325
b)due to changes in accounting policies				-	-
c)other				-	223
3.2 tax rate reductions				-	-
3.3 other decreases	23		-	23	9.073
IFRS5 "Discontinuing operations"		(2.821)		(2.821)	15.923
4. final amount	**74.070**		**-**	**74.070**	**50.553**

Deferred taxes for the year mainly consist of taxes on capital gains resulting from the valuation of the financial instruments of
The flow of the column of insurance companies include the data in relation to the insurance companies, considered as being sold as of 30/06/2007.

14.7 Current tax assets

(euro '000)

items/values	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
Advance payment IRES	72.718	-	-	72.718	51.592
Advance payment IRAP	59.006	-	36	59.042	87.654
other credit and taxes	534.906	-	447	535.353	514.875
gross current tax assets	**666.630**	**-**	**483**	**667.113**	**654.121**
set off with current tax liabilities	162.992	-	-	162.992	191.729
net current tax assets	**503.638**	**-**	**483**	**504.121**	**462.392**

Other credit and taxes mostly consist of income tax credit to be refunded, IRES-IRAP credit or credit resulting from prior tax returns which can be used as a set-off, in addition to taxes incurred and deductible during the year.

The data in relation to the insurance companies have been reclassified under account 150 of the balance-sheet, Non-current assets and groups of assets being sold, sub-account "other assets".

14.8 Current tax liabilities

14.8.1 of the banking group

(euro '000)

items/values	30 06 2007		31 12 2006	
	own		own	
	ascribed to net equity	ascribed to P&L	ascribed to net equity	ascribed to P&L
fiscal debts IRES	1.609	205.711	15.694	235.784
fiscal debts IRAP	3	85.236	529	143.014
other debts for income current taxes	-	33.581		50.416
Debt for gross current taxes	**1.612**	**324.528**	**16.223**	**429.214**
set off with current tax assets	-	162.992		191.729
debts for net current taxes	**1.612**	**161.536**	**16.223**	**237.485**

14.8.3 of other companies

(euro '000)

items/values	30 06 2007		31 12 2006	
	own		own	
	ascribed to net equity	ascribed to P&L	ascribed to net equity	ascribed to P&L
fiscal debts IRES		80		
fiscal debts IRAP				15
other debts for income current taxes	-	188		
Debt for gross current taxes	**-**	**268**		**15**
set off with current tax assets	-			
debts for net current taxes	**-**	**268**		**15**

Section 15

Non current assets and disposal groups held for sale and related liabilities - Account 150 (assets) account 90 (liabilities)

15.1 Non current assets and disposal groups held for sale and related liabilities: composition

(euro '000)

	banking group	insurance companies	other companies	Total	
				30 06 2007	31 12 2006
A. Individual assets					
A.1 equity investments	52.661			52.661	
A.2 tangible assets	13.318			13.318	
A.3 intangible assets					
A.4 other non current assets	-			-	
Total A	**65.979**	**-**	**-**	**65.979**	-
B. Assets groups held for sale					
B.1 financial assets held for trading		5.399.540		5.399.540	7.363.749
B.2 financial assets valued at fair value		2.526.949		2.526.949	2.607.134
B.3 financial assets available for sale		2.052.512		2.052.512	683.830
B.4 financial assets held to maturity		4.293.630		4.293.630	4.299.761
B.5 due from banks		147.949		147.949	113.115
B.6 loans to customers		4.697		4.697	8.705
B.7 equity investments				-	-
B.8 tangible assets	-	26.145		26.145	26.386
B.9 intangible assets	98.223	12.379		110.602	109.685
B.10 other assets		283.681		283.681	198.611
Total B	**98.223**	**14.747.482**	**-**	**14.845.705**	**15.410.976**
C. Liabilities associated with assets held for sale					
C.1 Debts					
C.2 securities					
C.3 other liabilities					
Total C	-	-	-	-	-
D. Liabilities associated to disposal groups held for sale					
D.1 Due to banks		1		1	
D.2 customer deposits		646.623		646.623	431.820
D.3 issued securities		62.707		62.707	70.067
D.4 financial liabilities held for trading		49.653		49.653	2.050
D.5 financial liabilities valued at fair value		6.605.570		6.605.570	6.188.598
D.6 allowances		5.141		5.141	2.216
D.7 other liabilities		10.768.138		10.768.138	11.734.531
Total D	-	**18.137.833**	**-**	**18.137.833**	**18.429.282**

As a result of the operations pending as of 30.06.2007 which will contribute to loss of control in the subsidiaries Montepaschi Vita, Montepaschi Assicurazioni Danni and Montepaschi Life, wholly owned by MPS Finance, these companies were considered as groups of assets being sold. Therefore, balance-sheet data have been reclassified under accounts 150 and 90, non-current assets and groups of assets being sold and associated liabilities.
Sub-account B.9, intangible assets, includes the goodwill in relation to the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni, in the amount of EUR 93.6 million and EUR 4.6 million, respectively.
The valuation of the groups of assets being sold at the lower of cost price and sale price implied no writedowns.

LIABILITIES

Section 1

Due to banks - Account 10

1.1 Due to banks: composition

(euro '000)

values	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1. Due to central banks	797.907			797.907	1.034.600
2. Due to banks	20.241.017	-	1	20.241.018	14.843.018
2.1 current accounts and demand deposits	5.226.665	-	1	5.226.666	2.070.374
2.2 time deposits	7.982.713			7.982.713	6.428.243
2.3 loans	5.837.501			5.837.501	5.623.129
2.3.1 financial lease	-			-	179
2.3.2 other	5.837.501			5.837.501	
2.4 Debt for commitments to repurchase own treasury shares				-	
2.5 liabilities related to assets sold not derecognised	829.191			829.191	361.839
2.5.1 repos	829.142			829.142	356.836
2.5.2 other	49			49	5.003
2.6 other debts	364.947			364.947	359.433
Total	**21.038.924**	**-**	**1**	**21.038.925**	**15.877.618**

Section 2

Customer deposits- Account 20

2.1 Customer deposits: composition

(euro '000)

values	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1. current accounts and demand deposits	43.034.557			43.034.557	42.138.574
2. time deposits	1.847.152			1.847.152	2.309.863
3. deposits received in administration	17.114			17.114	19.515
4. loans	5.156.775			5.156.775	5.749.313
4.1 finance lease				-	2
4.2 other	5.156.775			5.156.775	5.749.311
5. Debts for commitments to repurchase treasury shares					
6. liabilities relating to assets sold but not derecognised	2.364.160			2.364.160	1.925.270
6.1 reverse repos	2.364.160			2.364.160	1.905.105
6.2 other				-	20.165
7. other debts	1.426.794	-		1.426.794	1.944.083
Total	53.846.552	-	-	53.846.552	54.086.618

The data in relation to the insurance companies have been reclassified under account 90 in the balance-sheet, Liabilities associated with groups of assets being sold, sub-account "customer deposits".

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Section 3

Securities issued - Account 30

3.1 Securities issued: composition

(euro '000)

type of securities	banking group		insurance companies		other companies		Total 30 06 2007		Total 31 12 2006	
	book value	fair value	book value	fair value	book value	fair value	book value	fair value	book value	fair value
A. Listed securities	663.962	664.530	**-**	**-**	**-**	**-**	663.962	664.530	448.695	447.404
1. bonds	464.562	465.130	-	-	-	-	464.562	465.130	448.695	447.404
1.1 structured (1)	137.083	134.427					137.083	134.427		
1.2 other	327.479	330.703					327.479	330.703	448.695	447.404
2. other securities	199.400	199.400	-	-	-	-	199.400	199.400		
2.1 structured							-	-	-	-
2.2 other	199.400	199.400					199.400	199.400		
B. Unlisted securities	34.611.643	34.587.691	-	-	-	-	34.611.643	34.587.691	28.795.077	28.976.469
1. bonds	27.136.191	27.069.238	-	-	-	-	27.136.191	27.069.238	23.109.624	23.144.639
1.1 structured (1)	336.778	338.224					336.778	338.224	397.011	409.848
1.2 other	26.799.413	26.731.014					26.799.413	26.731.014	22.712.613	22.734.791
2. other securities	7.475.452	7.518.453	-	-	-	-	7.475.452	7.518.453	5.685.453	5.831.830
2.1 structured			-	-			-	-	25.971	25.000
2.2 other	7.475.452	7.518.453	-	-			7.475.452	7.518.453	5.659.482	5.806.830
Total	35.275.605	35.252.221	-	-	-	-	35.275.605	35.252.221	29.243.772	29.423.873

The data in relation to the insurance companies have been reclassified under account 90 of the balance-sheet, Liabilities associated with groups of assets being sold, sub-account "outstanding securities".

3.2 Details account 30 "securities issued": subordinated securities

(euro '000)

subordinated securities	balance	
	30 06 2007	31 12 2006
Total	**4,386,019**	**4,432,165**

Section 4

Financial liabilities held for trading - Account 40

4.1 Financial liabilities held for trading: composition

(euro '000)

values	banking group				insurance companies				other companies				Total 30 06 2007				Total 31 12 2006		
	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	FV		FV *	NV	FV	
		L	UL			L	UL			L	UL			L	UL			L	UL
A. financial liabilities																			
1. due to banks	3.945.632	3.945.632	3.589			-				-			3.945.632	3.945.632	3.589	-	4.721.126	5.080.999	1.584
2. customer deposits	9.681.457	9.682.123	-			-				-			9.681.457	9.682.123	-	-	5.161.498	6.190.066	-
3. debt securities	70.555	70.555				-				-			70.555	70.555	-		2.265	67.280	
3.1 bonds													-	-	-				
3.1.1 Structured				x				x				x	-	-	-	x			
3.1.2 other bonds				x				x				x	-	-	-	x			
3.2 other securities	70.555	70.555				-				-			70.555	70.555	-		2.265	67.280	
3.2.1 Structured				x				x				x	-	-	-	x			
3.2.2 other	70.555	70.555		x		-		x		-		x				x		67.280	
Total A	13.697.644	13.698.310	3.589	-	-	-	-	-	-	-	-	-	13.697.644	13.698.310	3.589	-	9.884.889	11.338.345	1.584
B. derivative instruments																			
1. financial derivatives	x	209.346	5.562.879	x	x			x	x			x	x	209.346	5.562.879	x	x	195.266	4.942.699
1.1 for trading	x	209.346	5.200.359	x	x			x	x			x	x	209.346	5.200.359	x	x	195.266	4.638.830
1.2 with fair value option	x		18.291	x	x			x	x			x	x	-	18.291	x	x		18.669
1.3 other	x		44.229	x	x			x	x			x	x	-	44.229	x	x		285.200
2. credit Derivatives	x		210.309	x	x			x	x			x	x	-	210.309	x	x	231	236.453
2.1 for trading	x		208.849	x	x			x	x			x	x	-	208.849	x	x	231	216.464
2.2 with fair value option	x			x	x			x	x			x	x	-	-	x	x		
2.3 other	x		1.460	x	x			x	x			x	x	-	1.460	x	x		19.989
Total B	x	209.346	5.473.188	x	x			x	x			x	x	209.346	5.473.188	x	x	195.497	5.179.152
Total (A+B)	13.697.644	13.907.656	5.476.777	-	-	-	-	-	-	-	-	-	13.697.644	13.907.656	5.476.777	-	9.884.889	11.533.842	5.180.736

FV = fair value FV* = fair value calculated excluding any value changes due to a change in the issuer's creditworthiness with reference to the date of issue.
NV = nominal value
L = listed
UL = unlisted

The data in relation to the insurance companies have been reclassified under account 90 in the balance-sheet, Liabilities associated with groups of assets being sold, sub-account "financial liabilities for

Section 5

Financial liabilities carried at fair value - Account 50

5.1Financial liabilities carried at fair value : composition

(euro '000)

transactions	banking group				insurance companies				other companies				Total 30 06 2007				Total 31 12 2006		
	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*	NV	FV		FV*	NV	FV	
		L	UL			L	UL			L	UL			L	UL			L	UL
1. Due to banks													-	-	-		-	-	-
1.1 Structured				x				x				x	-	-	-	x	-	-	-
1.2 other				x				x				x	-	-	-	x	-	-	-
2. customer deposits						-	-						-	-	-		-		
2.1 Structured				x				x				x	-	-	-	x	-		
2.2 other				x		-	-	x				x	-	-	-	x	-		
3. debt securities	10.603.584	394.309	9.682.518	########	-	-	-		-	-	-		10.603.584	394.309	9.682.518		10.975.304	524.027	10.121.871
3.1 Structured	2.054.352	4	1.985.503	x				x				x	2.054.352	4	1.985.503	x	2.054.352		2.603.936
3.2 other	8.549.232	394.305	7.697.015	x				x				x	8.549.232	394.305	7.697.015	x	8.549.232	524.027	7.517.935
Total	10.603.584	394.309	9.682.518		-	-	-		-	-	-		10.603.584	394.309	9.682.518		10.975.304	524.027	10.121.871

FV = fair value
FV* = fair value calculated excluding any value changes due to any variation in the issuer's creditworthiness with reference to the date of issue.
NV = nominal VALUE
L= listed
UL= unlisted

The data in relation to the insurance companies have been reclassified under account 90 in the balance-sheet, Liabilities associated with groups of assets being sold, sub-account "financial liabilities valued at fair value".

5.2 Details account 50 "Financial liabilities carried at fair value": subordinated liabilities

(euro '000)

subordinated liabilities	balance	
	30 06 2007	31 12 2006
Total	**882.562**	**900.361**

Section 6

Hedging derivatives - Account 60

6.1 Hedging derivatives: composition by type of contract and underlying assets

6.1.1 of the banking group

(euro '000)

type of derivatives	interest rates	currency and gold	equity instruments	loans	other	Total 30/06/2007	Total 31/12/2006
A) listed							
1) financial derivatives:							
- with underlying asset exchange							
- options issued							
- other derivatives							
- without underlying asset exchange							
- options issued							
- other derivatives							
2) credit derivatives:							
- with underlying asset exchange							
- without underlying asset exchange							
Total A							
A) unlisted							
1) financial derivatives:	42.479	-	-	-	-	42.479	**94.328**
- with underlying asset exchange	-	-	-	-	-	-	-
- options issued			-				-
- other derivatives							-
- without underlying asset exchange	42.479	-	-	-	-	42.479	**94.328**
- options issued	895					895	
- other derivatives	41.584					41.584	**94.328**
2) credit derivatives:	871					871	
- with underlying asset exchange							
- without underlying asset exchange	871					871	
Total B	43.350	-	-	-	-	43.350	94.328
Total (A+B) (30/06/2007)	**43.350**	**-**	**-**	**-**	**-**	**43.350**	
Total (A+B) (31/12/2006)	**94.328**	**-**		**-**	**-**		**94.328**

6.1.2 of the insurance companies

The data in relation to the insurance companies have been reclassified under account 90 of the balance-sheet, Liabilities associated with groups of assets being sold, sub-account "other liabilities".

Section 9

Liabilities related to discontinued operations - Account 90

Please refer to section 15 of the assets

Section 12

Reserves for risks and charges - Account 120

12.1 Reserves for risks and charges: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1. post retirement benefits	406.427	-	620	407.047	426.672
2. other reserves for risks and cl	568.074	-	437	568.511	583.479
2.1 legal disputes	152.582	-	-	152.582	149.264
2.2 personnel charges	6.819	-	-	6.819	26.048
2.3 other	408.673	-	437	409.110	408.167
Total	**974.501**	**-**	**1.057**	**975.558**	**1.010.151**

The data in relation to the insurance companies have been reclassified under account 90 of the balance sheet, liabilities with groups of assets being sold, sub-account "other liabilities"

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Section 15

Group's shareholders' Equity - Account 140, 160, 170, 180, 190, 200 and 220

15.1 Group's shareholders' Equity:

(euro '000)

items/values	Total 30 06 2007	Total 31 12 2006
1. share Capital (1)	2.029.771	2.029.771
2. share premium reserve	560.835	560.788
3. Reserves (2)	3.985.020	3.597.754
4. (treasury shares)	(134.115)	(45.123)
a) parent company	(134.061)	(45.123)
b) subsidiaries	(54)	-
5. valuation reserves	767.423	650.254
6. equity instruments	71.488	71.488
7. net profit (loss) pertaining to the group	513.778	910.092
Total	**7.794.200**	**7.775.024**

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

15.2.a Share Capital: composition

(euro '000)

items/values	30 06 2007				31 12 2006			
	par value for share	par value shares fully paid	par value shares not fully paid		par value for share	par value shares fully paid	par value shares not fully paid	
			paid in	non paid in			paid in	non paid in
ordinary shares	0,67	1.644.272			0,67	1.644.272		
preferred shares	0,67	379.180			0,67	379.180		
saving shares	0,67	6.320			0,67	6.320		
Total Share Capital		**2.029.772**				**2.029.772**		

15.2.b Treasury shares: composition

(euro '000)

items/values		30 06 2007		31 12 2006	
		par value for share	balance	par value for share	balance
ordinary shares		18.136	134.115	6.259	45.123
preferred shares					
saving shares					
Total Share Capital		18.136	134.115	6.259	45.123

15.4 Share Capital: other information

15.4.a Equity instruments: composition and annual changes

(euro '000)

	Total 30 06 2007		Total 31 12 2006	
	net worth element of convertible bonds	other equity instruments	net worth element of convertible bonds	other equity instruments
previous year's closing balance	**71.488**		**46.077**	
effects of changes in accounting principles				
A. opening balance	**71.488**		**46.077**	
B. increases			**27.353**	
B.1 new issue				
B.2 sales				
B.3 other changes			27.353	
C. decreases			**1.942**	
C.1 repayment				
C.2 repurchase				
C.3 other changes			1.942	
D. closing balance	**71.488**		**71.488**	

15.5 Reserves from allocation of profit from previous year:

15.6 revaluation reserve: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1. financial assets available for sale	500.644		6.882	507.526	383.237
2. fixed assets	x	x	x	x	x
3. intangible assets	x	x	x	x	x
4. foreign investment hedges	-			-	
5. cash flow hedges	33.455			33.455	16.582
6. exchange differences	(2.236)			(2.236)	(793)
7. non current assets held for sale		15.241		15.241	33.478
8. special revaluation laws	185.501		27.936	213.437	217.750
Total	**717.364**	**15.241**	**34.818**	**767.423**	**650.254**

The reserve of "Non current assets being sold" includes the reclassification of the reserves "financial assets available for sale" and the reserves "Special revaluation laws" in relation to the subsidiaries Montepaschi Vita and Montepaschi Assicurazione Danni considered as of 30/06/2007 as being sold.

15.7.1 of the banking group

30 06 2007
(euro '000)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws
Previous years' closing balance	**385.368**				**16.582**	**(793)**		**189.814**
effects of changes in accounting principles								
A. Opening balance	**385.368**	x	x	**-**	**16.582**	**(793)**		**189.814**
B. Increases		x	x	-			-	-
B1. fair value increases	136.004	x	x	-	14.503			-
B2. other changes		x	x		2.370	49		
C. Decreases		x	x	-			-	
C1. fair value decreases	9.260	x	x	-				
C2. other changes	11.467	x	x	-		1.492		4.313
D. closing balance	**500.645**	x	x	**-**	**33.455**	**(2.236)**	**-**	**185.501**

31 12 2006
(euro '000)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws
closing balance prior year	**501.070**	x	x		**(20.105)**	**1.881**		**77.743**
effects of accounting principles' changes		x	x					
A. Opening balance	**501.070**	x	x	**-**	**(20.105)**	**1.881**		**77.743**
B. Increases	136.569	x	x		54.350			118.273
B1. fair value increases	126.369	x	x		54.350			
B2. other changes	10.200	x	x					118.273
C. Decreases	252.271	x	x		17.663,0	(2.674)		6.202,0
C1. fair value decreases	19.834	x	x		16.849,0			
C2. other changes	232.437	x	x		814,0	(2.674)		6.202
D. closing balance	**385.368**	x	x	**-**	**16.582**	**(793)**	-	**189.814**

15.7.2 of the insurance companies

30 06 2007
(euro '000)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws
previous year's closing balance							**33.478**	
effects of changes in accounting principles								
A. Opening balance		x	x				**33.478**	
B. Increases		x	x					
B1. fair value increases	16	x	x					-
B2. other changes	42.167	x	x				41	7.772
C. Decreases		x	x					
C1. fair value decreases		x	x					
C2. other changes	34.754	x	x				33.478	
IFRS5 "Discontinuing operations"	(7.429)						15.200	(7.772)
D. closing balance	**-**	**x**	**x**	**-**	**-**	**-**	**15.241**	**-**

31 12 2006
(euro '000)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws
closing balance prior year	**19.373**	x	x					**10.084**
effects of accounting principles' changes		x	x					
A. Opening balance	**19.373**	x	x					**10.084**
B. Increases	25.474	x	x					
B1. fair value increases		x	x					
B2. other changes	25.474	x	x					
C. Decreases	**19.141**	x	x					2.312
C1. fair value decreases	63	x	x					
C2. other changes	19.078	x	x					2.312
IFRS5 "Discontinuing operations"	(25.706)						33.478	(7.772)
D. closing balance		**x**	**x**	**-**	**-**	**-**	**33.478**	

15.7.3 of other companies

30 06 2007

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws
previous year's closing balance	**(2.131)**							**27.936**
effects of changes in accounting principles								
A. Opening balance	**(2.131)**	x	x					**27.936**
B. Increases		x	x					
B1. fair value increases	9.428	x	x					
B2. other changes		x	x					
C. Decreases		x	x					
C1.fair value decreases		x	x					
C2. other changes	416	x	x					-
D. closing balance	**6.881**	**x**	**x**	**-**	**-**	**-**	**-**	**27.936**

31 12 2006
(in migliaia di euro)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws
closing balance prior year		x	x					**27.936**
effects of accounting principles' changes		x	x					
A. Opening balance		x	x					**27.936**
B. Increases		x	x					
B1. fair value increases		x	x					
B2. other changes		x	x					
C. Decreases	**2.131**	x	x					
C1.fair value decreases	2.131	x	x					
C2. fair value decreases		x	x					
D. closing balance	**(2.131)**	**x**	**x**	**-**	**-**	**-**	**-**	**27.936**

15.8 valuation reserves for financial assets available for sale: composition

(euro '000)

values	banking group		insurance companies		other companies		Total 30 06 2007		Total 31 12 2006	
	positive reserve	negative reserve	positive reserve	negative reserve	positive reserve	negative reserve	positive reserve	negative reserve	positive reserve	negative reserve
1. debt securities	5.208	14.979					5.208	14.979	7.171	14.471
2. equity securities	673.237	175.410			9.013	2.131	682.250	177.541	542.923	149.798
3. Quotas of UCITS	28.309	15.721					28.309	15.721	6.213	8.801
4. loans			-				-	-		-
Total	706.754	206.110	-	-	9.013	2.131	715.767	208.241	556.307	173.070

15.9 valuation reserves of financial assets available for sale: annual changes

15.9.1 of the banking group

30 06 2007
(euro '000)

	debt securities	equity securities	Quotas of UCITS	loans	Total
previous year's closing balance	**(7.301)**	**395.257**	**(2.588)**		**385.368**
effects of changes in accounting principles					
1. opening balance	**(7.301)**	**395.257**	**(2.588)**		**385.368**
2. positive changes				-	
2.1 fair value increases	313	118.280	17.411		136.004
2.2 reclassification through profit and loss of negative provision	23	39	-	-	62
-due to impairment					
-following disposal	23	39			62
2.3 other changes	488				488
3. negative changes				-	
3.1 fair value decreases	3.227	3.798	2.236		9.261
3.2 impairment losses					-
3.3 reclassification through profit and loss of positive reserves: -following disposal	66	9.524			9.590
3.4 other changes		2.426			2.426
4. closing balance	**(9.770)**	**497.828**	**12.587**	**-**	**500.645**

31 12 2006
(euro '000)

	debt securities	equity securities	Quotas of UCITS	loans	Total
closing balance prior year	**1.851**	**500.213**	**(994)**		**501.070**
effects of accounting principles' changes					
1. opening balance	**1.851**	**500.213**	**(994)**		**501.070**
2. positive changes					
2.1 fair value increases	5.236	107.388	13.762		126.386
2.2 reclassification through profit and loss of negative provision		4.212			4.212
-due to impairment		2.200			2.200
-following disposal		2.012			2.012
2.3 other changes	32	5.915			5.947
3. negative changes					
3.1 fair value decreases	11.038	8.490	307		19.835
3.2 impairment losses					-
3.3 reclassification through profit and loss of positive reserves: -following disposal	1.886	### ###	15.049		218.359
3.4 other changes	1.496	12.557			14.053
4. closing balance	**(7.301)**	**395.257**	**(2.588)**		**385.368**

15.9.3 of other companies

30 06 2007
(euro '000)

	debt securities	equity securities	Quotas of UCITS	loans	Total
previous year's closing balance		**(2.131)**			
effects of changes in accounting principles		**(2.131)**			
1. opening balance	**-**	**-**	**-**	**-**	**-**
2. positive changes	-		-	-	
2.1 fair value increases		9.427	-		
2.2 reclassification through profit and loss of negative provision					-
-due to impairment					
-following disposal					
2.3 other changes			-		-
3. negative changes	-		-	-	-
3.1 fair value decreases			-		-
3.2 impairment losses			-		-
3.3 reclassification through profit and loss of positive reserves: -following disposal			-		-
3.4 other changes		415	-		
4. closing balance	-	**6.881**	-	-	

31 12 2006
(euro '000)

	debt securities	equity securities	Quotas of UCITS	loans	Total
closing balance prior year					-
effects of accounting principles' changes					**-**
1. opening balance	**-**				**-**
2. positive changes					
2.1 fair value increases					-
2.2 reclassification through profit and loss of negative provision					-
-due to impairment					
-following disposal					
2.3 other changes					-
3. negative changes					
3.1 fair value decreases		2.131			
3.2 impairment losses					-
3.3 reclassification through profit and loss of positive reserves: -following disposal					-
3.4 other changes					-
4. closing balance	**-**	**(2.131)**	**-**	**-**	**-**

15.9.1a revaluation reserves for assets available for sale: annual changes of group's equity securities

account	opening balance	Positive changes				negative changes				closing balance	
		FV increases	recl profit and loss negat reserves		other changes	FV decreases	recl profit and loss negat reserves		other changes	30 06 2007	31 12 2006
			due to impairment	following disposal			impairment losses	following disposal			
Banca d'Italia	324.844									324.844	324.844
Borsa Italiana	34.282	83.636								117.918	34.282
Centrale Bilanci	19.707									19.707	19.707
Energia Italiana	11.752									11.752	11.751
Istituto per il Credito Sportivo	43.713									43.713	43.713
S.S.B.	8.960									8.960	8.960
Sansedoni	7.322									7.322	7.322
Santorini Investment	(88.642)	12.695								(75.947)	(88.641)
Spoleto Crediti e Servizi	5.044									5.044	5.044
other of Group	14.257	5.820		38		(1.449)		3.234	2.426	15.904	14.257
finance equity securities	14.018	16.129				5.247		6.290		18.610	14.018
Total	**395.257**	**118.280**	-	38	**-**	3.798	-	**9.524**	2.426	**497.827**	**395.257**

Section 16

Minority interests - Account 210

16.1 Minority interests: composition

(euro '000)

items/values	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1) share capital	7.154		18	7.172	7.172
2) additional paid-in capital	7.149		2	7.151	7.165
3) Reserves	3.247		(786)	2.461	2.869
4) (treasury shares)					
5) valuation reserves	1.430			1.430	1.371
6) equity instruments					
7) profit (loss) for the yr -minority interest	9.556		1	9.557	19.175
8) minority interests undivided profits	18.270		764	19.034	
Total	**46.806**	**-**	**(1)**	**46.805**	**37.752**

16.2 Valuation reserves: composition

(euro '000)

account	banking group	insurance companies	other companies	Total 30 06 2007	Total 31 12 2006
1) financial assets available for sale	146			146	87
2) tangible assets	x	x	x	x	x
3) intangible assets	x	x	x	x	x
4) foreign investment hedges				-	-
5) cash flow hedges				-	-
6) exchange differences				-	-
7) non current assets held for sale				-	-
8) special revaluation laws	1.284			1.284	1.284
Total	**1.430**	**-**	**-**	**1.430**	**1.371**

16.3 equity instruments: composition and annual changes

16.4 valuation reserves for financial assets available for sale: composition

(euro '000)

account	banking group		insurance companies		other companies		Total 30/06/2007		Total 31/12/2006	
	positive reserve	negative reserve	positive reserve	negative reserve	positive reserve	negative reserve	positive reserve	negative reserve	positive reserve	negative reserve
1. debt securities									-	-
2. equity securities	9	(10)					9	(10)	5	(12)
3. Quotas of UCITS	219	(72)					219	(72)	141	(47)
4. loans									-	-
Total	**228**	**(82)**					**228**	**(82)**	**146**	**(59)**

16.5 valuation reserves: annual changes

16.5.1 of the banking group

30 06 2007

(euro '000)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws		
previous year's closing balance		x	x	x	x			-		
effects of changes in accounting principles	**-**	**x**	**x**	**x**	**x**					
A. opening balance	**87**	**x**	**x**	**x**	**x**					
B. increases		x	x							
B1. fair value increases	55	x	x					x		
B2. other changes	-									
C. Decreases		x	x							
C1. fair value decreases	(4)	x	x					x		
C2. other changes		x	x							
D. closing balance	**146**	**x**	**x**					**-**		

31 12 2006

(euro '000)

	financial assets available for sale	tangible assets	intangible assets	foreign investment hedges	cash flow hedges	exchange differences	non current assets held for sale	special revaluation laws		
previous year's closing balance	12	x	x	x	x			1.212		
effects of changes in accounting principles	**-**	**x**	**x**	**x**	**x**					
A. opening balance	**12**	**x**	**x**	**x**	**x**			**1.212**		
B. increases		x	x							
B1. fair value increases	81	x	x					x		
B2. other changes	-							81		
C. Decreases		x	x							
C1. fair value decreases	2	x	x					x		
C2. other changes	4	x	x					9		
D. closing balance	**87**	**x**	**x**					**1.284**		

16.5.2 of the insurance companies

16.5.3 of other companies

Section 17

Other information

1 Guarantees given and commitments

(euro '000)

transaction		banking group	insurance companies	other comapnies	total 30 06 2007	total 31 12 2006
1)	financial guarantees given	5.515.074	-	-	5.515.074	5.524.313
	a) Banks	2.341.544			2.341.544	2.292.487
	b) Customers	3.173.530			3.173.530	3.231.826
2)	commercial guarantees given	4.412.450	-	-	4.412.450	3.573.815
	a) Banks	213.261			213.261	158.389
	b) Customers	4.199.189			4.199.189	3.415.426
3)	irrevocable commitments to lend funds	9.408.490	-	-	9.408.490	8.938.324
	a) Banks	923.981	-	-	923.981	1.007.418
	i) usage certain	708.050			708.050	387.516
	ii) usage uncertain	215.931			215.931	619.902
	b) Customers	8.484.509	-	-	8.484.509	7.930.906
	i) usage certain	2.055.498			2.055.498	3.014.590
	ii) usage uncertain	6.429.011			6.429.011	4.916.316
4)	underlying commitments on credit derivatives: protection sales	4.441.983			4.441.983	5.060.462
5)	assets pledged as collateral of third party commitme	8.818			8.818	8.818
6)	other commitments	1.905.629			1.905.629	1.865.283
Total		**25.692.444**	**-**	**-**	**25.692.444**	**24.971.015**

2 Assets used to guarantee own liabilities and commitments

portfolio	30 06 2007	31 12 2006
1. financial assets held for trading	4.619.077	4.205.174
2. financial assets carried at fair value		
3. financial assets available for sale	4.081	3.783
4. financial assets held to maturity		
5. due from banks	5.082.000	2.572.545
6. customer loans	41.902	91.781
7. tangible assets		

5 Management and trading on behalf of others: banking group

(euro '000)

services		total 30 06 2007	total 31 12 2006
1.	**trading in financial instruments on behalf of third parties**	**14.637.313**	**36.895.454**
	a) purchases	7.318.665	18.447.460
	1. settled	7.307.206	18.432.970
	2. to be settled	11.459	14.490
	b) sales	7.318.648	18.447.994
	1. settled	7.307.196	18.433.520
	2. to be settled	11.452	14.474
2.	**asset management**	**10.398.679**	**11.014.563**
	a) individual	9.231.266	4.165.891
	b) collective	1.167.413	6.848.672
3.	**Custody and administration of securities**	**311.945.875**	**263.871.899**
	a)third parties securities held in deposit related to depositary bank activities (excluding asset managementi)	13.048.005	14.929.732
	1. securities issued by companies included in consolidation	32.568	40.160
	2. other securities	13.015.437	14.889.572
	b))third parties securities held in deposit (excluding asset managementi):	138.170.707	112.769.152
	1. securities issued by companies included in consolidation	19.761.317	17.863.750
	2. other securities	118.409.390	94.905.402
	c)third parties securities deposited with third parties	143.139.467	122.225.546
	d) portfolio securities deposited with third parties	17.587.696	13.947.469
4.	**other transactions**	**4.335.610**	**3.900.575**
	4.1 credit collection on behalf of third parties: debit and credit adjustments	(194.463)	(162.018)
	a) debit adjustments	11.001.779	10.795.041
	1. current accounts	50.875	55.091
	2. central portfolio	8.814.651	8.645.021
	3. cash	207	309
	4.other accounts	2.136.046	2.094.620
	b) credit adjustments	11.196.242	10.957.059
	1. current accounts	208.283	217.405
	2. transferor of bills and documents	10.987.959	10.739.654
	3.other accounts	-	-
	4.2 other transactions	4.530.073	4.062.593
	a) third parties portfolio for collection	1.603.292	1.418.276
	b) tax collection service	-	-
	outstanding taxrolls	-	-
	instalmentspayable and already advanced to the tax levying authorities	-	-
	payable received taxrolls	-	-
	c) other	2.926.781	2.644.317

6 Management and trading on behalf of others: insurance companies

7 Management and trading on behalf of others: other companies

PART C

INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

Section 1

Interest - account 10 and 20

1.1 Interest and similar income: composition

1.1.1 of the banking group

(euro '000)

items/values	unimpaired financial assets		non performing financial assets	other assets	Total 30 06 2007	Total 30 06 2006
	debt securities	loans				
1. financial assets held for trading	78.614	205.407		60.453	344.474	332.779
2. financial assets carried at fair value				x	-	40.091
3. financial assets available for sale	54.163			x	54.163	44.674
4. financial assets held to maturity	9.330			x	9.330	
5. due from banks	301	267.905		1.957	270.163	168.095
6. Customers loans	23.114	2.614.636	94.595	2.570	2.734.915	2.093.883
7. hedging derivatives	x	x	x	-	-	38.316
8. financial assets sold but not derecognised	60.303	4.485		x	64.788	147
9. other assets	x	x	x	3.457	3.457	235
Total	225.825	3.092.433	94.595	68.437	3.481.290	2.718.220

1.1.2 of the insurance companies

The table in relation to the insurance companies shows no value, since the subsidiaries Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life have been considered as being sold with the subsequent reclassification of the data as of 30/06/2007 and comparative data under account 310 in the profit and loss statement, Profits from groups of assets being sold after taxes, sub-account "profits".

1.1.3 of other companies

(euro '000)

items/values	unimpaired financial assets		non performing financial assets	other assets	Total 30 06 2007	Total 30 06 2006
	debt securities	loans				
1. financial assets held for trading	-			x	-	-
2. financial assets carried at fair value				x	-	-
3. financial assets available for sale	-			-	-	
4. financial assets held to maturity				x	-	-
5. due from banks		4		x	4	-
6. Customers loans		-	-	x	-	-
7. hedging derivatives	x	x	x	-	-	-
8. financial assets sold but not derecognised				x	-	-
9. other assets	x	x	x	-	-	
Total	-	4	-	-	4	-

1.4 Interest and similar expense: composition

1.4.1 of the banking group

(euro '000)

account		debts	securities	other liabilities	Total 30 06 2007	Total 30 06 2006
1.	due to banks	408.509	x	11.194	419.703	283.545
2.	customer deposits	531.276	x	3.145	534.421	363.384
3.	issued securities		683.019	75	683.094	321.511
4.	financial liabilities held for trading	200.783		16.200	216.983	141.123
5.	financial liabilities carried at fair value		158.243	-	158.243	250.477
6.	financial liabilities relating to assets sold not derecognised	11.411		890	12.301	7.588
7.	other liabilities	x	x	1.019	1.019	1.096
8.	hedging derivatives	x	x	8.532	8.532	3.822
	Total	1.151.979	841.262	41.055	2.034.296	1.372.546

1.4.2 of the insurance companies

The table shows no value, since the insurance companies have been considered as being sold, with the subsequent reclassification of data as of 30/06/2007 and comparative data under account 310 of the profit and loss statement, sub-account "charges".

1.4.3 of other companies

(euro '000)

account		debts	securities	other liabilities	Total 30 06 2007	Total 30 06 2006
1.	due to banks	161	x		161	11
2.	customer deposits		x		-	9
3.	issued securities	x			-	-
4.	financial liabilities held for trading				-	-
5.	financial liabilities carried at fair value				-	-
6.	financial liabilities relating to assets sold not derecognised				-	-
7.	other liabilities	x	x		-	
8.	hedging derivatives	x	x	-	-	-
	Total	161	-	-	161	20

1.5 Interest and similar expense: differentials on hedging transactions

account		banking group	insurance companies	other companies	Total 30 06 2007
A.	**positive differentials relating to operations of:**				
A.1	specific hedges of assets fair value	27.550			27.550
A.2	specific hedges of liabilities fair value	2.579			2.579
A.3	generic hedges of interest rate' risk	8.750			8.750
A.4	specific hedges of assets' financial flows				-
A.5	specific hedges of liabilities' financial flows	31.578			31.578
A.6	financial flows' generic hedges				-
positive differentials Total (A)		70.457	-	-	70.457
B.	**negative differentials relating to operations of:**				
B.1	specific hedges of assets fair value	30.329			30.329
B.2	specific hedges of liabilities fair value	8.906			8.906
B.3	generic hedges of interest rate' risk	5.491			5.491
B.4	specific hedges of assets' financial flows				-
B.5	specific hedges of liabilities' financial flows	34.263			34.263
B.6	financial flows' generic hedges				-
negative differentials Total (B)		78.989	-	-	78.989
C. balance (A-B)		(8.532)	-	-	(8.532)

This table is a breakdown of account "Hedging derivatives" of Table 1.4.1 similar interest expense and charges. In particular, the table shows the opening of negative and positive differentials on ”Hedge accounting” hedging contracts IAS39, with the different types of hedging executed.

Section 2

Commissions - Account 40 and 50

2.1 Earned commissions: composition

2.1.1 of the banking group

(euro '000)

values	Total 30 06 2007	Total 30 06 2006
a) guarantees given	21.685	19.260
b) credit derivatives	-	
c) administration, brokerage and consultancy services:	499.174	464.891
1. financial instrument dealing	30.335	31.219
2. currency dealing	19.487	23.130
3. asset management	203.901	220.853
3 1 individual	62.407	68.190
3.2 collective	141.494	152.663
4. custody and administration of securities	8.615	9.762
5. depositary bank	15.682	12.230
6. placement of securities	35.462	16.826
7. client instructions	24.692	24.239
8. advisory services	5.652	1.545
9. distribution of third party services	155.348	125.087
9.1 asset management	1.282	
9.1.1 individual		
9.1.2 collective	1.282	
9.2 insurance products	55.744	42.306
9.3 other products	98.322	82.781
d) collection and payment services	92.511	90.491
e) securitisation servicing	7.251	6.952
f) factoring	8.012	8.260
g) tax collection services	-	
h) other services	180.860	208.356
Total	809.493	798.210

2.1.2 of insurance companies

The table shows no value since the insurance companies have been considered as being sold, with the subsequent reclassifica

2.2 earned commission: by distribution channel: banking group

(euro '000)

Channels/Sectors	Total 30 06 2007	Total 30 06 2006
a) group branches:		
1. asset management	153.520	47.535
2. security dealing	14.175	11.388
3. third party services and products	148.234	119.881
b) off-site:		
1. asset management	1.383	1.637
2. security dealing	7.103	5.438
3. third party services and products	5.831	5.206
c) other distribution channels:		
1. asset management	48.999	171.682
2. security dealing	14.184	
3. third party services and products	1.282	

2.3 Commission expense: composition

2.3.1 of the banking group

(euro '000)

Services/Sectors	Total 30 06 2007	Total 30 06 2006
a) guarantees received	411	237
b) credit derivatives	-	
c) administration, brokerage and consultancy services:	38.997	36.493
1. financial instrument dealing	6.212	7.069
2. currency dealing	175	280
3. asset management:	8.168	8.720
3.1 own portfolio	6.963	7.013
3.2 others' portfolio	1.205	1.707
4. custody and administration of securities	6.882	6.106
5. placement of securities	1.393	345
6. off-site distribution of financial instruments, products and services	16.167	13.973
d) collection and payment services	14.327	16.644
e) other services	31.264	35.110
Total	84.999	88.484

2.3.2 of the insurance companies

The table shows no value since the insurance companies have been considered as being sold, with the subsequent reclassificat

2.3.3 of other companies

(euro '000)

values	Total 30 06 2007	Total 30 06 2006
a) guarantees received	-	-
b) credit derivatives	-	-
c) administration, brokerage and consultancy services:	-	-
1. financial instrument dealing	-	-
2. currency dealing	-	-
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 others' portfolio	-	-
4. custody and administration of securities	-	-
5. placement of securities	-	-
6. off-site distribution of financial instruments, products and services	-	-
d) collection and payment services	-	-
e) other services		897
Total	-	897

Section 3

Dividend and similar income - Account 70

3.1 Dividend and similar income: composition

(euro '000)

account	banking group		insurance companies		other compnies		Total 30 06 2007		Total 30 06 2006	
	Dividends	income from quotas of UCITS.	Dividends	income from quotas of UCITS.	Dividends	income from quotas of UCITS.	Dividends	income from quotas of UCITS.	Dividends	income from quotas of UCITS.
A. Financial assets held for trading	435.809	1	-				435.809	1	272.016	-
B. Financial assets available for sale	11.255	5.449					11.255	5.449	20.881	12.682
C. Financial assets carried at fair value							-	-	111	-
D. investments		x		x		x	-	x	-	x
Total	447.064	5.450	-	-	-	-	447.064	5.450	293.008	12.682

The column in relation to the insurance companies shows no value since they have been considered as being sold, with the subsequent reclassification of data as of 30/06/2007 and of comparative data under account 310 of the profit and loss statement "profit of assets being sold after tax" , sub-account "income".

Section 4

Net result from trading - Account 80

4.1 Net result from trading: composition

4.1.1 of the banking group

(euro '000)

transactions	capital gains	trading profit	capital losses	trading losses	net profit	
					30 06 2007	30 06 2006
1. financial assets held for trading	175.680	88.804	140.687	492.250	(368.453)	(279.006)
1.1 debt securities	90.485	37.419	112.822	47.472	(32.390)	(117.144)
1.2 equity investments	30.031	48.020	25.639	443.569	(391.157)	(200.454)
1.3 Quotas of UCITS	54.162	1.666	2.226	31	53.571	38.432
1.4 loans	-	-	-	-	-	
1.5 other	1.002	1.699		1.178	1.523	160
2. financial liabilities held for trading	2.758	11.245	7.911	4.553	1.539	(22.283)
2.1 debt securities	2.419	8.677	533	2.786	7.777	5.801
2.2 Debts	-				-	
2.3 other	339	2.568	7.378	1.767	(6.238)	(28.084)
3. other financial assets and liabilities: exchange differences	x	x	x	x	3.010	14.716
4. derivatives	2.210.524	7.179.116	2.171.943	7.078.565	136.184	191.649
4.1 financial derivatives:	2.188.631	7.046.737	2.157.232	6.960.503	133.693	193.632
- on debt securities and interest rates	1.562.969	6.612.874	1.507.026	6.532.828	135.989	213.144
- on equity securities and stock indexes	596.602	422.368	635.717	424.025	(40.772)	603
- on currency and gold	x	x	x	x	16.060	(18.253)
- other	29.060	11.495	14.489	3.650	22.416	(1.862)
4.2 credit Derivatives	21.893	132.379	14.711	118.062	21.499	(1.983)
Total	**2.388.962**	**7.279.165**	**2.320.541**	**7.575.368**	**(227.720)**	**(94.924)**

Section 5

Net result from hedging activities - Account 90

5.1 Net result from hedging activities: composition

(euro '000)

income components	banking group	insurance companies	other companies	Total 30 06 2007	Total 30 06 2006
A. gains on:					
A.1 fair value hedging instruments	48.702			48.702	
A.2 hedged assets items (fair value)	85			85	
A.3 hedged liabilities items (fair value)	4.774			4.774	
A.4 cash flow hedges				-	
A.5 assets and liabilities in currency				-	
A. Total gains on hedging activities	53.561	-	-	53.561	108.181
B. losses on:					
B.1 fair value hedging instruments	4.180			4.180	
B.2 hedged assets items (fair value)	47.505			47.505	
B.3 hedged liabilities items (fair value)	172			172	
B.4 cash flow hedges				-	
B.5 assets and liabilities in currency				-	
B. Total losses on hedging activities	51.857	-	-	51.857	109.975
C. net hedging result (A - B)	**1.704**	**-**	**-**	**1.704**	**(1.794)**

The table shows the net profit/loss resulting from hedging and includes realized income components posted to the profit and loss statement, resulting from the valuation process of assets and liabilities subject to hedging, and the relative hedging derivative contracts, including any foreign exchange differences.

The column in relation to the insurance companies shows no value since these companies have been considered as being sold.

Section 6

Profit (loss) on disposal/repurchase - Account 100

6.1 Profit (loss) on disposal/repurchase: composition

(euro '000)

account	banking group			insurance companies			other companies			Total 30 06 2007			Total 30 06 2006
	profit	losses	net profit	profit	losses	net profit	profit	losses	net profit	profit	losses	net profit	net profit
1. financial assets													
1. due from banks			-			-			-	-	-	-	-
2. customer loans	1.148	1	1.147			-			-	1.148	1	1.147	74
3.financial assets available for sale	15.216	8.073	7.143	-	-	-			-	15.216	8.073	7.143	88.893
3.1 debt securities	263	5.344	(5.081)	-	-	-			-	263	5.344	(5.081)	1.497
3.2 equity investments	14.953	2.729	12.224		-	-			-	14.953	2.729	12.224	87.396
3.3 Quotas of UCITS			-			-			-	-	-	-	-
3.4 loans			-			-			-	-	-	-	-
4. financial assets held to maturity			-	-	-	-			-	-	-	-	-
Total assets	16.364	8.074	8.290	-	-	-	-	-	-	16.364	8.074	8.290	88.967
1. financial liabilities													
1. due to banks	25		25			-			-	25	-	25	
2. customer deposits			-			-			-	-	-	-	-
3. issued securities	1.719	4.444	(2.725)		-	-			-	1.719	4.444	(2.725)	(37.637)
Total liabilities	1.744	4.444	(2.700)	-	-	-	-	-	-	1.744	4.444	(2.700)	(37.637)

The column in relation to the insurance companies shows no value since these companies have been considered as being sold.

Section 7

Net result on financial assets and liabilities carried at fair value - Account 110

7.1 Net change in financial assets and liabilities carried at fair value: composition

7.1.1 of the banking group

(euro '000)

transactions	capital gains	trading profit	capital losses	trading losses	net profit	
					30 06 2007	30 06 2006
1. financial assets	-		-	-	-	2.027
1.1 debt securities	-		-	-	-	225
1.2 equity investments	-			-	-	1.802
1.3 Quotas of UCITS		-			-	-
1.4 loans				-	-	-
2. financial liabilities	259.867	12.515	56.801	3.728	211.853	375.341
2.1 securities issued	259.867	12.515	56.801	3.728	211.853	375.341
2.2 due to banks					-	-
2.3 customer deposits					-	-
3. other financial assets and liabilities: exchange differences	x	x	x	x	(480)	523
4. derivatives						
4.1 financial derivatives:	100.444	66.322	301.068	65.398	(199.788)	(376.012)
- on debt securities and interest rates	82.175	16.099	272.162	2.396	(176.284)	(405.195)
- on equity securities and stock indexes	18.269	50.223	28.906	63.002	(23.416)	22.189
- on currency and gold	x	x	x	x	88	6.994
- other					-	-
4.2 credit Derivatives					-	-
Total derivatives	100.444	66.322	301.068	65.398	(199.788)	(376.012)
Total	360.311	78.837	357.869	69.126	11.585	1.879

7.1.2 of the insurance companies

The column in relation to the insurance companies shows no value since these companies l

Section 8

Net adjustments/recoveries on impairment - Account 130

8.1 Adjustment losses on loans: composition

8.1.1 of the banking group

(euro '000)

Operations	write-downs			write backs				Total	Total
	Specific		portfolio	Specific		portfolio		30 06 2007	30 06 2006
	write-offs	other		A	B	A	B		
A. due from banks		60	567	40	42	-	789	(244)	16.809
B. customer loans	31.586	318.016	101.254	61.632	126.860	-	13.435	248.929	209.144
C. Total	31.586	318.076	101.821	61.672	126.902	-	14.224	248.685	225.953

A=interest
B=other

8.1.2 of the insurance companies

8.1.3 of other companies included in the consolidation

8.2 Net adjustment losses on financial assets available for sale: composition

8.2.1 of the banking group

(euro '000)

Operations	write-downs		write backs		Total	Total
	Specific		Specific		30 06 2007	30 06 2006
	write-offs	other	A	B		
A. debt securities				500	500	
B. equity securities	2.060	142	x	x	(2.202)	150
C. Quotas of UCITS			x		-	
D. loans to banks						
E. customer loans						
F. Total	2.060	142	-	500	(1.702)	150

A=interest
B=other

8.2.2 of the insurance companies

8.2.3 of other companies included in the consolidation

(euro '000)

Operations	write-downs		write backs		Total	Total
	Specific		Specific		30 06 2007	30 06 2006
	write-offs	other	A	B		
A. debt securities					-	-
B. equity securities		-	x	x	-	12.212
C. Quotas of UCITS			x			
D. loans to banks						
E. customer loans						
F. Total	-	-	-	-	-	12.212

A=interest
B=other

8.3 Net adjustment losses on investments held to maturity: composition

8.3.1 of the banking group

8.4 Net adjustment losses on other financial activities: composition

8.4.1 of the banking group

(euro '000)

Operations	write-downs			write backs				Total 30 06 2007	Total 30 06 2006
	Specific		portfolio	Specific		portfolio			
	write-offs	other		A	B	A	B		
A. Guarantees given		1.111	1.910		3.086		4.950	(5.015)	1.152
B. credit Derivatives								-	-
C. commitment to lend funds			-				-	-	
D. other operations			440					440	381
E. Total	-	1.111	2.350	-	3.086	-	4.950	(4.575)	1.533

A=interest
B=other

Section 11

Administrative expenses - Account 180

11.1 Personnel expenses: composition

(euro '000)

values	banking group	insurance companies	other companies	Total 30 06 2007	Total 30 06 2006
1. employees	857.831	-	2.672	860.503	867.911
a) wages and salaries	597.364	-	2.270	599.634	588.420
b) social charges	155.448	-	562	156.010	155.572
c) severance pay	(529)	-	(200)	(729)	1.620
d) social security costs	160	-	-	160	188
e) allocation to staff severance pay provision	34.438	-	1	34.439	38.956
f) provision for pension fund and similar provisions	5.515	-	-	5.515	7.161
- defined contribution	3.000	-	-	3.000	4.502
- defined benefit	2.515	-	-	2.515	2.659
g) payments to external pension funds	11.210	-	-	11.210	6.509
- defined contribution	10.949	-	-	10.949	3.052
- defined benefit	261	-	-	261	3.457
h) costs related to shared based payments	17.305	-	-	17.305	14.986
i) other staff benefits	36.920	-	39	36.959	54.499
2. other staff	3.175	-		3.175	3.005
3. directors	4.986	-	151	5.137	4.311
Total	**865.992**	**-**	**2.823**	**868.815**	**875.227**

The column in relation to the insurance companies shows no value since these companies have been considered as being sold, with the subsequent reclassification of data as of 30/06/2007 and of comparative data under account 310 of the profit and loss account "profit of assets being sols net of tax, sub-account "expenses".

After the reform of supplementary pension funds as per Legislative Decree no. 252 dd 5 Dec. 2005 severance pay quotas accrued

The severance pay quotas accrued as of 31 Dec. 2006, also after the reform, are still based on a defined- contribution system, since the company is obliged to pay to the employee the amount provided for by art. 2120 of the Civil Code, according to t

As to the economic effects, the only change in front of the situation before 31 Dec. 2006 concerns the actuarial expectations of the mo

which must includ the expected wage increase provided for by art. 2120 of the Civil Code, while applying a rate mad of 1.5% fixed and 75% of Istat inflation rate
and not the wage estimated by the compan
Therefore, the fund as of 31 Dec. 2006 has been evaluated according to the new mode
so that liabilities linked with the severance pay fund were calculated from an actuarial point of v
without applying any prorata system since the performance to be evaluated may be considered wholly accru
in compliance with par. 67, letter b) of IAS19; as a result, in the future
there will be no Current Service Cost
As to demographic models, the annual percentage of transfer to the higher category (by age or seniority) is no longer app
With reference to the economic models the variables concerning the yearly average rate of pay increase, pay line depending on seniority, pay percentage increase in tranfer to higher category are no longer taken into a
As to the accounting methods of the reform effects, IAS19 does not specifically deal with plan changes provided for by a new
however, by analogy, the reform effect must be considered in the light of the IAS19 provisio
in the paragraphs concerning "reductions and estinctions" (§§ 109-115
According to these provisions the Group has assigend the profits on plan reduction to p&l statement bene
in the framework of personnel expenses, calculated as difference between the bene
recalculated on the basis of the reform provisions against the financial statements as of 31 Dec. 20
This profit also includes any actuarial profit and loss which, according to par. 92 of IAS1
were not reported in the previous financial years in compliance with the "corridor" rul
The overall effect on the profit and loss account amounted to 1/4 13.3 mln, posted under personnel expense
under the subaccount e) severance pay provisio
The amount as of 30 June has to be considered a reliable estima
pending all elements necessary to definitely quantify the reform effect

The severance pay quotas after 1 Jan. 2007 assigned to the supplementary pension funds of to the INPS Treasurye fur
represent a defined-contribution plan since the company's obligation towards the employee stops with the payments of quotas assigned to the f

11.2 other administrative expenses: composition

account	30 06 2007
stamp duties	83.865
indirect taxes and duties	17.885
rental expenses	48.406
fees paid to external professionals	49.434
expenses for mainteinance of furniture and equipment	25.460
postage expenses	24.567
Telegraph, telephone and telex	12.849
advertising	24.068
various hire charges	18.689
Information and searches	7.626
Transport services	14.274
lighting, central heating, water	13.121
security services	12.159
car expenses and staff trip reimbursement	12.867
cleaning of premises	9.081
local property tax	3.299
rental transmission data	6.126
printing and stationary	4.338
insurances	5.839
supply of services rendered by third party	34.130
Software	45.185
membership fees	3.027
entertainment expenses	3.271
sundry premise costs	7.612
expenses for fixed assets not rented	67
subscriptions	948
car rentals	16.832
expenses for services supplied by companies of the group	60
other costs	56.665
Total	**561.750**

Section 12

Net provisions for risks and charges - Account 190

12.1 Net provisions for risks and charges : composition

12.1.1 of the banking group

(euro '000)

account	Total 30 06 2007			Total 30 06 2006		
	indemnity for damages	legal disputes	other	indemnity for damages	legal disputes	other
provisions for the year	974	7.265	49.238	17.902	19.875	13.356
utilizations	4.241	2.040	5.285		1.783	37.059
Total	(3.267)	5.225	43.953	17.902	18.092	(23.703)

12.1.2 of the insurance companies

(euro '000)

12.1.3 of other companies

account	Total 30 06 2007			Total 30 06 2006		
	indemnity for damages	legal disputes	other	indemnity for damages	legal disputes	other
provisions for the year			157			
utilizations			40			
Total			117	-		

Section 13

Net adjustments/recoveries on tangible assets - Account 200

13.1 Net adjustments on tangible assets: composition

13.1.1 of the banking group

(euro '000)

assets	depreciation	adjustment losses	recoveries	net profit	
				30 06 2007	30 06 2006
A. tangible assets	32.893			32.893	32.392
A.1 owned	32.866			32.866	32.268
- for operational use	31.869			31.869	30.274
- for investment	997	-	-	997	1.994
A.2 finance lease	27	-	-	27	124
- for operational use	27	-	-	27	124
- for investment	-	-	-	-	
B. discontinued operations					2
Total	**32.893**	**-**	**-**	**32.893**	**32.394**

13.1.2 of insurance companies

The table shows no value since the insurance companies have been considered as being sold. Therefore, depreciation of tangible assets was recorded under account 310 "Profits/losses from non-current assets being sold" (sub-account "charges").

13.1.3 of other companies

(euro '000)

assets	depreciation	adjustment losses	recoveries	net profit	
				30 06 2007	30 06 2006
tangible assets	977			977	388
A.1 owned	928	-	-	928	347
- for operational use	889			889	347
- for investment	39			39	
A.2 finance lease	49	-	-	49	41
- for operational use	49			49	41
- for investment				-	-
B. discontinued operations					
Total	**977**	**-**	**-**	**977**	**388**

Section 14

Net adjustments/recoveries on intangible assets - Account 210

14.1 Net adjustments on intangible assets: composition

14.1.1 of the banking group

(euro '000)

assets	depreciation	adjustment losses	recoveries	net profit	
				30 06 2007	30 06 2006
intangible assets	20.787			20.787	31.139
A.1 owned	20.787		-	20.787	31.139
- Generated internally by the company	-			-	
- other	20.787			20.787	31.139
A.2 finance lease				-	-
B. discontinued operations					
Total	**20.787**	**-**	**-**	**20.787**	**31.139**

14.1.2 of insurance companies

The table shows no value, since the insurance companies have been considered as being sold. Therefore, amortization of intangible assets was recorded under account 310 "Profits/losses from non-current assets being sold" (sub-account "charges").

14.1.3 of other companies

(euro '000)

assets	depreciation	adjustment losses	recoveries	net profit	
				30 06 2007	30 06 2006
intangible assets	54			54	187
A.1 owned	54	-	-	54	187
- Generated internally by the company				-	-
- other	54	-		54	187
A.2 finance lease					
B. discontinued operations					
Total	**54**	**-**	**-**	**54**	**187**

Section 16

Profit (loss) on equity investments - Account 240

16.1 Profit (loss) on equity investments: composition

(euro '000)

profit components	banking group	insurance companies	other companies	Total 30 06 2007	Total 30 06 2006
1) jointly owned companies					
A. Income	-	3.052	-	3.052	-
1. Revaluations		3.052		3.052	
2. gains from disposals				-	
3. write backs				-	
4. other positive changes				-	
B. Expense	-	-	-	-	1.450
1. writedowns				-	1.450
2. impairment losses				-	
3. losses from disposals				-	
4. other negative changes				-	
Net Result	**-**	**3.052**	**-**	**3.052**	**(1.450)**
2)companies subject to significant influence					
A. Income	29.445	-	2.567	32.012	9.656
1. Revaluations	3.265	-	2.567	5.832	-
2. gains from disposals	26.162	-	-	26.162	-
3. write backs	-	-	-	-	-
4. other positive changes	18	-	-	18	9.656
B. Expense	268	-	507	775	1.203
1. writedowns	268	-	507	775	-
2. impairment losses	-	-	-	-	
3. losses from disposals	-	-	-	-	531
4. other negative changes	-	-	-	-	672
Net Result	**29.177**	**-**	**2.060**	**31.237**	**8.453**
3) subsidiaries					
A. Income		-	-	-	866
1. Revaluations				-	
2. gains from disposals				-	10
3. write backs				-	
4. other positive changes				-	856
B. Expense		-	-	-	1.627
1. writedowns				-	-
2. impairment losses				-	937
3. losses from disposals				-	
4. other negative changes				-	690
Net Result	**-**	**-**	**-**	**-**	**(761)**
Total	**29.177**	**3.052**	**2.060**	**34.289**	**6.242**

The column concerning the insurance companies does not show any value since they are considered assets being sold. The account gains from disposal of companies subject to significant influence include the sale of the Finsoe 14.839% participation.

Section 18

Adjustments to goodwill - Account 260

18.1 Adjustments to goodwill : composition

(euro '000)

values	Total 30 06 2007	Total 30 06 2006
Adjustments to goodwill	300	292

Section 20

Taxes on income from continuing operations - Account 290

20.1 Taxes on income from continuing operations: composition

(euro '000)

profit components	banking group	insurance companies	other companies	Total 30 06 2007	Total 30/'06/2006
1. current taxes (-)	291.261	-	179	291.440	215.025
2. changes in current taxes of previous yrs (+/-)	15.914		-	15.914	9.633
3. reduction in current taxes of previous yrs (+)	55			55	2.671
4. changes in deferred tax assets (+/-)	28.946		(42)	28.904	(195.049)
5. changes in deferred tax liabilities (+/-)	83.890		45	83.935	98.236
6. taxes on income for the yr (-) (-1+/-2+3+/-4+/-5)	330.236		266	330.502	299.534

The column in relation to the insurance companies shows no value since these companies have been considered as being sold, therefore the depreciation of tangible assets was posted under account 310 "Profits from discountinuing operations", under account "taxes" .

Section 21

Profit (loss) after tax from discontinuing operations - Account 310

21.1 Profit (loss) after tax from discontinuing operations: composition

(euro '000)

profitability components	banking group	insurance companies	other companies	Total 30 06 2007	Total 30 06 2006
Group of assets/liabilities					
1. income		1.017.103		1.017.103	1.409.001
2. charges		934.678		934.678	1.330.428
3. valuation differences on discontinued operations and related liabilities					
4. Profit (loss) on disposal					
5. taxes and duties		31.666		31.666	23.899
profit (losses)	**-**	**50.759**	**-**	**50.759**	54.674

In addition, as a result of the activity being carried out as of 30.06.2007 and resulting into the loss of control in the subsidiaries Montepaschi Vita, Montepaschi Assicurazioni Danni and Montepaschi Life, wholly owned by MPS Finance, these subsidiaries have been considered as groups of assets being sold. Therefore, the data in relation to the profit and loss statement have been reclassified under account 310 of the profit and loss statement, Profits from groups of assets being sold after taxes.

Since the sale of the assets certainly implies capital gains , the assessment of the lower between the book value and the fair value net of sale costs does not imply the posting of any amount to P&L statement as of 30 June 2007 the capital gains will be posted only on executing equity investment sales.

		-
		-
		-
-	-	-

ANNEX TO PART C

OBTAINED IN THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF INCOME AND EXPENSES IN THE CONSOLIDATED FINANCIAL STAT

(euro '000)

	account	30 06 2007	
		Group	third parties
A	**Income and expenses directly appropriated to net equity**	**121.482**	**59**
A1	financial assets available for sale	124.289	59
A1.1	- value appreciation (capital loss) from evaluation in the net equity	136.187	59
A1.2	- turn over to the current year's profit and loss	(9.528)	
A1.3	#NOME?	(2.370)	
A2	hedging of cash flow	16.873	-
A2.1	capital gain (capital loss) from evaluation in the net equity	14.503	
A2.2	- turn over to the current year's profit and loss	-	-
A2.3	- trasfers to the initial balance of hedged instruments	2.370	-
A3	Hedging of net investments in foreign units	-	-
A4	exchange differences on foreign branches	(1.443)	
A5	non current assets held for sale	*(18.237)*	-
B	**Income and expenses directly and definetly appropriated to net equity**	**47**	**-**
B1	Costs deriving from the issue of own equity instruments	-	-
B2	profit (loss) from dealing of own shares	47	
B3	profit (loss) from derivatives on own equity instruments	-	-
C	**Net Income and expenses directly appropriated to net equity (A+B)**	**121.529**	**59**
D	**Net result from the profit and loss**	**513.778**	**9.557**
E	**Total income and expenses of the year (C+D)**	**635.307**	**9.616**
F	**Effects of the accounting principles/error adjustment changing**		**-**
F1	financial assets available for sale		-
F2	hedging of cash flow	-	-
F3	Hedging of net investments in foreign units	-	-
F4	exchange differences on foreign branches	-	-
F5	Profit (loss) appropriated to nelle riserve di utili	-	-
G	**Total income and expenses of the exercise (E+F)**	**635.307**	**9.616**

As a result of the application of the international accounting principles, the financial instruments are placed in different portfolios with different accounting and valuation criteria, including the posting of capital gains or losses, directly to specific net equity reserves rather than to the profit and loss statement. The table gives a view of of the global result achieved during the year, by taking account of income components accrued and realized during the year, which are directly posted to net equity, and by neutralizing already accrued components, directly posted to net equity in prior years, but which are subject to a second final posting to the profit and loss statement (re-transfer) upon actual sale.

The balance-sheet account of the MPS Group which is most influenced by the re-transfer of net equity reserves to the profit and loss statement is represented by assets available for sale.

Point A) refers to the components which, upon valuation, are temporarily posted to net equity whereas, upon actual sale, are posted to the profit and loss statement.

In particular, line A1.1 shows the positive balance corresponding to net capital gains in the amount of EUR 103.2 mln accrued during the year resulting from the process of fair value valuation of the financial instruments classified in the portfolio available for sale. (The main changes are detailed under section 14 Net equity - table 14.1 of the Notes to the financial statements - part B - Balance-sheet).

Net profits in the amount of EUR 214.1 mln realized during the year and posted to the profit and loss statement, but resulting from capital gains accrued and directly posted to net equity in prior years, are offset with negative sign under line A1.2. The item mostly includes the portion of realized profits coming from the re-transfer of the reserve due to the sale of the investment held in Generali s.p.a. (EUR 134.6 mln) and B.N.L. s.p.a. (EUR 46.3 mln).

With reference to these transactions, the profit and loss statement for the year was influenced both by the difference of the amount received and the accounting book value of the equity investments, and by the re-transfer of the net equity reserve existing at the end of prior year.

Point B) is in relation to the components which are directly and definitively posted to net equity, with no possible future re-transfer to the profit and loss statement.

These income components shall never be posted to the profit and loss statement and are shown properly and promptly only in this summary.

In particular, profits in the amount of EUR 10.5 mln resulting from own shares trading are shown under line B2. Pursuant to the provisions of IAS32, they cannot be posted to the profit and loss statement, but directly adjust net equity.

PART D

SEGMENT REPORTING

The MPS Group organization structure

Primary reporting: breakdown by business segment

Secondary reporting: geographical breakdown

PART D – SEGMENT REPORTING

This section of the notes to the financial statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to n° 14. In this regard, after completion of the advisory procedure for the proposed improvements to segment reporting stated in Exposure Draft n°8, the *International Accounting Standards Board* issued the new IFRS 8 accounting principle ("Operating Segment") which will be enforced as of 1 January 2009.

For the purpose of the identification of the business segments and the data to be allocated, the MPS Group segment reporting considers the Group's organization and management structure, as well as the current internal reporting system in support of the Management's operating decisions, as a starting point.

A. PRIMARY REPORTING

BREAKDOWN BY BUSINESS SEGMENT: ECONOMIC DATA (PRIMARY SEGMENT AS PROVIDED FOR BY IAS14)

THE MPS GROUP OPERATIONS

The MPS Group operates all over Italy and in the major international financial centres, with operations ranging from traditional lending (i.e. short-/medium-/long-term loans to retail and corporate customers, leasing, factoring, consumer credit) to asset management, bancassurance and social welfare products, private banking, investment banking and corporate finance. As of 2001 the MPS Group introduced and gradually implemented Value Based management control instruments, with the objective of monitoring profitability by business area and unit. The VBM system adopted by the Group proved to be appropriate for the management of the identification rules of the business segments, and the review of segment reporting regulations. In addition, the system meets the regulatory requirements with respect to the correlation between management reporting for internal purpose and the data used for external reporting.

In this framework, for the purpose of segment reporting as contemplated by the IAS regulations, the MPS Group adopted the business approach and chose the major business segments in relation to consolidated operations as the primary reporting basis for the breakdown of income/capital data. This breakdown results from logical aggregations of data of different legal entities:

- "**divisionalized**" (Banca Monte dei Paschi di Siena, Banca Toscana and Banca Agricola Mantovana);
- "**non divisionalized**" (product companies and other banks);
- **"service units"** which provide services and support within the Group.

As a result of the new 2006-2009 Business Plan approved in June 2006, the Group was divided into new business areas:

- *Commercial Banking & Distribution Network;*
- *Private Banking & Wealth Management;*
- *Corporate Banking & Capital Markets;*
- Capital, Cost and Investment Governance.

As a consequence, following are the segments identified for the purpose of the operating representation of the Group's results, also defined on the basis of the criteria of business representativeness/predominance: **Commercial Banking & Distribution Network; Private Banking & Wealth Management; Corporate Banking & Capital Markets; and the Corporate Center, which includes Capital, Cost and Investment Governance**.

The first three segments incorporate the commercial retail, private and corporate and key clients (former large corporate) networks, which are indicative of the customer segmentation of the divisionalized Banks (**Retail, Private, Corporate and Key Clients**), for the purpose of the Group's internal reporting operated by applying quantitative and qualitative/behavioural criteria. The above-mentioned segments are also assigned the data of non-divisionalized legal entities (product companies) in compliance with the Group's governance rules (that is, in line with the positions and hierarchical relations resulting from the Group's current organization structure).

In particular:

COMMERCIAL BANKING & DISTRIBUTION NETWORK

Commercial Banking & Distribution Network is in charge of funding operations and supplies financial and non-financial services to the Retail customers of the divisionalized entities (including "small businesses") and the customers of the non-divisionalized company which deals with consumer credit, also through the management of electronic payment instruments. In addition, the Area manages minority interests in commercial Banks.

PRIVATE BANKING & WEALTH MANAGEMENT

Private Banking & Wealth Management is in charge of the supply of a customized and exclusive range of products/services to Private customers, in order to meet the most sophisticated requirements in terms of asset management and financial planning, including advice on non-strictly financial services (i.e. tax planning, real estate, art & legal advisory) and financial promotion. The Area also supervises the asset management product company.

CORPORATE BANKING & CAPITAL MARKETS

Corporate Banking and Capital markets is in charge of the management of operations with the Corporate and Key Clients of the divisionalized entities and the product companies operating in the area of short-/medium-/long-term corporate loans, corporate finance, leasing and factoring, investment banking and financial engineering, equity capital market and brokerage.
This business segment also encompasses international operations.

In addition, each one of the said Areas collects income resulting from the distribution of insurance and social welfare products to its own customers.

CORPORATE CENTER

The Corporate Center aggregates the operating units which are below the standards required for external reporting, the Group's Head Office units (such as governance and support units, business finance and depositary bank, equity investments management and the capital segments of the divisionalized entities with particular reference to ALM, treasury and capital management), in addition to the service Units in support of the Group's structure (with particular regard to credit collection, 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 incorporate profitability from the companies consolidated with the net equity method and the eliminations in relation to infragroup items, in addition to profits from groups of assets being sold (after tax) in relation to the disposal of the tax collection and insurance business which is considered as being sold.

PROFIT AND LOSS STATEMENT CRITERIA BY BUSINESS SEGMENT

The composition of net operating income by business segment is based on the following criteria:

- **Interest margin** in relation to the segments of the divisionalized entities is calculated by contribution on the basis of the interal rates of transfer by product and maturity. With reference to the other Group's entities, interest margin is represented by the difference of interest income and similar income and interest expense and similar expenses.
- **Net commissions** are determined by direct allocation of real commissions to the business segments.
- **Net value adjustments/recoveries on loan impairment** are allocated to the business segments which originated them. With reference to the segments of the divisionalized entities, the balance-sheet aggregate is allocated on the basis of the distribution of the expected loss to each business segment (the "Private" business segment is not included in this allocation, by convention), with the following comparison of these results with the historical distribution of adjusting reserves between customers and parties subject to creditors' agreement proceedings.
- **Operating expenses** include administrative expenses and net value adjustments to tangible and intangible assets. Said accounts, in relation to the IT Service, the Corporate Center organization unit and the Head Offices of the Divisionalized Entities, are allocated to each segment in accordance with a model which is based on the logic of service supplied to the different organization units and allocates operating expenses to the identified units before re-distributing them to the segments. The costs which are not reasonably attributable to the business segments are allocated to the Corporate Center. With specific reference to personnel expenses for the network staff of the Divisionalized Entities, the allocation to the Business Segments is based on the univocal job position of human resources and, if this is not univocal, according to specific criteria in relation to the activity carried out. As regards non-divisionalized Entities (monosegment), total operating expenses converge on the corresponding business segments.

BASIC CRITERIA FOR THE STATEMENT OF CAPITAL AGGREGATES BY BUSINESS SEGMENT

Capital aggregates are represented by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to income/expenses assigned to each segment.

In particular:

- Customer loans are the assets used for the segment operations, directly attributable to the segment itself.
- Customer deposits and outstanding securities are the liabilities resulting from the segment operations, directly attributable to the segment itself.

OPERATIONS BETWEEN SEGMENTS

Income and the results of each segment include the transfers between business segments and geographical areas. These transfers are reported in accordance with the best practice accepted by the market (i.e. the method of ordinary market value or the method of cost increased by a proper margin) both with respect to commercial and financial transactions.

The income of each business segment is determined before infragroup balances and infragroup transactions are eliminated during the process of consolidation. If infragroup transactions are executed between entities belonging to the same business segment, the respective balances are eliminated within such segment. The balances of infragroup transactions are not shown separately, in compliance with par.28 of IAS 14 (“Therefore, with rare exceptions, a company shall provide a segment reporting in its financial statements as in the case of the internal reports to the directors”) and its internal reporting system.

CHANGES IN THE DRAFTING PRINCIPLES

In compliance with IAS 14 accounting principle and in order to correctly compare data, the data published as of 30 June 2006 have been restated on the basis of the changes adopted starting from the financial statements as of 31 December 2006 due to:

- Changes in the business segments, as a result of the new organization of the Parent Bank;
- Further implementation/finetuning of the cost allocation model, with no amendments to the method of allocation of operating expenses to each business segment;
- Adjustments made after the application of IAS 8 (additional information is provided in the section covering the accounting principles):
- Reclassifications as a result of the application of IFRS 5 in relation to the (sold) tax collection unit and the insurance companies, considered as assets being sold, after the negotiations which will lead to the sale of the controlling interest in these companies.

Following is a breakdown of the MPS Group economic results/capital aggregates as of 30 June 2007 and 30 June 2006, on the basis of the above-mentioned business segments:

PRIMARY REPORTING

(in millions of euro)

30/06/07	Direzione Commercial Banking/ Distribution network	Direzione Private Banking/Wealth Management	Direzione Corporate Banking / Capital Markets	Corporate Center	Total Reclassified Group
INCOME AGGREGATES					
Net Financial income (loss)	**1,392.3**	**158.9**	**706.5**	**181.4**	**2,439.1**
Net adjustments for impairment of loans and financial assets	-144.9	-1.7	-87.1	11.1	-222.7
Operating expenses	-798.8	-85.3	-312.1	-195.0	-1,391.2
Net operating income	**448.7**	**71.8**	**307.2**	**-2.5**	**825.2**
CAPITAL AGGREGATES					
Performing loans	39,375.2	788.1	51,597.0	5,279.1	97,039.4
Due to customers and securities	44,821.5	4,236.9	26,878.3	23,262.3	99,199.0

■ **SEGMENT REPORTING - Primary segment**
(in millions of euro)

30/06/06	Direzione Commercial Banking/ Distribution network	Direzione Private Banking/Wealth Management	Direzione Corporate Banking / Capital Markets	Corporate Center	Total Reclassified Group
INCOME AGGREGATES					
Net Financial income (loss)	**1,273.3**	**172.2**	**682.7**	**197.5**	**2,325.8**
Net adjustments for impairment of loans and financial assets	-138.1	-0.8	-87.5	9.6	-216.8
Operating expenses	-771.4	-87.2	-310.4	-200.9	-1,369.8
Net operating income	**363.8**	**84.3**	**284.8**	**6.3**	**739.2**
CAPITAL AGGREGATES					
Performing loans	35,602.3	796.9	44,757.3	3,329.0	84,485.4
Due to customers and securities	42,485.9	3,708.6	25,836.3	17,801.7	89,832.4

GEOGRAPHICAL BREAKDOWN: ECONOMIC RESULTS (SECONDARY REPORTING AS PROVIDED BY IAS 14)

As a basis for secondary reporting, the MPS Group adopted the breakdown of operating results by geographical area. Geographical areas are grouped with reference to the place of actual distribution of the products (which is indicative of the actual geographical location of the customers). This complies with the internal organization and reporting structure of the MPS Group which operates almost exclusively in the domestic market, with a particular concentration in the areas of central and northern Italy.

B. SECONDARY REPORTING

■ **SEGMENT REPORTING - Secondary segment**
(in millions of euro)

30/06/07	Italy	Foreign	Total Reclassified Group
INCOME AGGREGATES			
Net Financial income (loss)	**2,382.9**	**56.2**	**2,439.1**
Net adjustments for impairment of loans and financial assets	-223.9	1.2	-222.7
Operating expenses	-1,348.3	-42.9	-1,391.2
Net operating income	**810.7**	**14.6**	**825.2**
CAPITAL AGGREGATES			
Performing loans	94,435	2,605	97,039
Due to customers and securities	90,044	9,155	99,199

As far as the previous year is concerned:

■ **SEGMENT REPORTING - Secondary segment**

(in millions of euro)

30/06/06	Italy	Foreign	Total Reclassified Group
INCOME AGGREGATES			
Net Financial income (loss)	**2,270.8**	**55.0**	**2,325.8**
Net adjustments for impairment of loans and financial assets	-213.8	-2.9	-216.8
Operating expenses	-1,327.5	-42.4	-1,369.8
Net operating income	**729.5**	**9.7**	**739.2**
CAPITAL AGGREGATES			
Performing loans	82,620	1,865	84,485
Due to customers and securities	82,729	7,104	89,832

PART E

INFORMATION ON RISKS
AND RELATIVE HEDGING POLICIES

Qualitative information

A. CREDIT QUALITY

A.1 Impaired and performing loans: amounts, writedowns, changes, distribution by business activity/region

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

30 06 2007

(euro '000)

Portfolio/quality	banking group						other companies		Total
	NPL	doubtful assets	restructured loans	past due	country risk	other assets	loan losses	other	
1. financial assets held for trading	18.854	278	-	14	-	26.888.945	-	-	26.908.091
2.financial assets available for sale	-	-	-	-	-	4.205.150	-	65.974	4.271.124
3. financial assets held to maturity	-	-	-	-	-	3	-	-	3
4. due from banks	1.845	-	-		248.868	17.210.308	-	-	17.461.021
5. customer loans	1.789.849	963.131	137.535	1.019.049	238.411	94.681.269	-	-	98.829.244
6. financial assets valued at fair value	-	-	-	-	-	-	-	-	-
7. financial assets held to be sold	-	-	-	-	-	-	-	14.456.983	14.456.983
8. hedging Derivatives	-	-	-	-	-	51.250	-	-	51.250
Total 30/06/2007	1.810.548	963.409	137.535	1.019.063	487.279	143.036.925	-	14.522.957	161.977.716
Total 31/12/2006	1.702.168	1.015.350	111.126	1.021.818	467.424	130.152.988	-	15.142.777	149.613.651

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

30 06 2007

(euro '000)

Portfolio/quality	impaired assets				other assets			Total (net exposure)
	gross Exposure	specific adjustments	portfolio adjustments	net Exposure	gross Exposure	portfolio adjustments	net Exposure	
A. banking Group								
1. financial assets held for trading	31.039	(11.893)		19.146	x	x	26.888.945	26.908.091
2.financial assets available for sale				-	4.205.767	(617)	4.205.150	4.205.150
3. financial assets held to maturity				-	3		3	3
4. due from banks	4.386	(2.541)		1.845	17.462.632	(3.456)	17.459.176	17.461.021
5. customer loans	6.471.846	(2.386.407)	(175.875)	3.909.564	95.458.372	(538.692)	94.919.680	98.829.244
6. financial assets valued at fair value				-	x	x	-	-
7. financial assets held to be sold				-	-		-	-
8. hedging Derivatives				-	x	x	51.250	51.250
Total A	6.507.271	(2.400.841)	(175.875)	3.930.555	117.126.774	(542.765)	143.524.204	147.454.759
B. other consolidated companies								
1. financial assets held for trading					x	x		
2.financial assets available for sale					65.975		65.975	65.975
3. financial assets held to maturity								
4. due from banks					-		-	-
5. customer loans								
6. financial assets valued at fair value					x	x		
7. financial assets held to be sold					14.456.983		14.456.983	14.456.983
8. hedging Derivatives					x	x		
Total B	-	-	-	-	14.522.958	-	14.522.958	14.522.958
Total 30/06/2007	6.507.271	(2.400.841)	(175.875)	3.930.555	131.649.732	(542.765)	158.047.162	161.977.717
Total 31/12/2006	6.275.022	(2.244.037)	(180.522)	3.850.463	119.871.209	(545.785)	145.763.188	149.613.651

A.1.3 cash and off-balance sheet exposures to banks: gross and net values

30.06.2007
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	4.386	2.541		1.845
b) watchlist credits				-
c) restructured loans				-
d) past due				-
e) country risk	248.877	X	9	248.868
f) other assets	26.561.541	X	3.447	26.558.094
Total A.1	26.814.804	2.541	3.456	26.808.807
A.2 other companies				
a)loan losses				
b) other	2.483.825	X		2.483.825
Total A.2	2.483.825	-	-	2.483.825
Total A	29.298.629	2.541	3.456	29.292.632
B. off-balance sheet exposure				
B.1 Banking group				
a)loan losses				-
b) other	11.702.183	X	914	11.701.269
Total B.1	11.702.183	-	914	11.701.269
B.2 other companies				
a)loan losses				
b) other	118.434	X		118.434
Total B.2	118.434			118.434
Total B	11.820.617	-	914	11.819.703

31 12 2006
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	5.684	3.818		1.866
b) watchlist credits	32	32		
c) restructured loans				-
d) past due	4			4
e) country risk	252.845	X	798	252.047
f) other assets	24.094.514	X	-9.210	24.103.724
Total A.1	24.353.079	3.850	(8.412)	24.357.641
A.2 other companies				
a)loan losses				
b) other	14.970.981	X		14.970.981
Total A.2	14.970.981	-	-	14.970.981
Total A	39.324.060	3.850	(8.412)	39.328.622
B. off-balance sheet exposure				
B.1Banking group				
a)loan losses				-
b) other	5.631.849	X	384	5.631.465
Total B.1	5.631.849	-	384	5.631.465
B.2 other companies				
a)loan losses				
b) other	37.234	X		37.324
Total B.2	37.234			37234
Total B	5.669.083	-	384	5.668.699

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

30 06 2007
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	3.958.572	2.079.711	79.606	1.799.255
b) watchlist credits	1.279.801	285.930	30.740	963.131
c) restructured loans	150.295	12.760		137.535
d) past due	1.104.477	19.899	65.529	1.019.049
e) country risk	238.556	x	145	238.411
f) other assets	111.164.240	x	539.164	110.625.076
Total A.1	**117.895.941**	**2.398.300**	**715.184**	**114.782.457**
A.2 other companies				
a)loan losses				-
b) other	11.920.698	x		11.920.698
Total A.2	**11.920.698**	**-**	**-**	**11.920.698**
Total A	**129.816.639**	**2.398.300**	**715.184**	**126.703.155**
B. off-balance sheet exposure				
B.1 banking group				
a)loan losses	87.964	17.990	316	69.658
b) other	17.754.282	x	21.196	17.733.086
Total B.1	**17.842.246**	**17.990**	**21.512**	**17.802.744**
B.2 other companies				
a)loan losses				-
b) other	-	X		-
Total B.2	**-**	**-**	**-**	**-**
Total B	**17.842.246**	**17.990**	**21.512**	**17.802.744**

31 12 2006
(euro '000)

kind of exposure	gross Exposure	specific adjustments	portfolio adjustments	net Exposure
A. cash exposures				
A.1 banking group				
a) npl	3.689.206	1.932.684	56.372	1.700.150
b) watchlist credits	1.355.311	298.837	41.314	1.015.160
c) restructured loans	118.313	6.327	860	111.126
d) past due	1.106.065	2.338	81.976	1.021.751
e) country risk	217.953	x	2.574	215.379
f) other assets	101.024.467	x	539.139	100.485.328
Total A.1	**107.511.315**	**2.240.186**	**722.235**	**104.548.894**
A.2 other companies				
a)loan losses				-
b) other	134.562	x		134.562
Total A.2	**134.562**	**-**	**-**	**134.562**
Total A	**107.645.877**	**2.240.186**	**722.235**	**104.683.456**
B. off-balance sheet exposure				
B.1 banking group				
a)loan losses	86.018	20.363	327	65.328
b) other	22.990.170	x	25.709	22.964.461
Total B.1	**23.076.188**	**20.363**	**26.036**	**23.029.789**
B.2 other companies				
a)loan losses				-
b) other		X		-
Total B.2	**-**	**-**	**-**	**-**
Total B	**23.076.188**	**20.363**	**26.036**	**23.029.789**

B.5 Important risks (in compliance with supervisory regulations)

(euro '000)

account	30 06 2007	31 12 2006
a) Amount		2.156.350
b) Number		2

PART F

INFORMATION ON BANK'S SHAREHOLDERS' EQUITY

SECTION 1

BANK'S SHAREHOLDERS' EQUITY

A. Qualitative information

Net equity management deals with policies and resolutions necessary to define net equity size as well as the best mix of capital adequacy options in order to guarantee that the Bank's net equity and ratios are consistent with risk profile and comply with regulatory requirements. From this point of view, consolidated net equity management has become increasingly important and strategic. Net equity quality and size of each bank of the Group are therefore defined in the framework of more general Group targets.

The Bank must comply with capital adequacy requirements provided for by the Basle Committee according to the regulations issued by the Bank of Italy, according to which for each bank the net equity/weighted risk assets ratio must at least amount to 8%; the individual compliance with regulatory requirements is half-yearly verified by the Bank of Italy.

The review of the compliance with regulatory requirements and of the resulting capital adequacy is dynamic, changing according to the targets of the Business Plan.

The first review takes place on assigning budget targets: in view of expected loan growth trends, of other assets and of economic aggregates, risks, such as credit, market and operating risks, are quantified and, as a result, ratio compatibilities for each bank and the Group as a whole are reviewed. Capital adequacy compliance is obtained through several means, such as pay out policies, definition of strategic finance transactions (capital increase, convertible loans, subordinated bonds, etc.), and loans management in view of counterpart risk level.

During the year, the compliance with regulatory ratios is monitored by governing and checking, if necessary, capital aggregates through also measures aimed at more adequately re-allocating capital resources within the Group. If extraordinary transactions, such as acquisitions, sales, etc., are carried out, capital adequacy is previously reviewed and analysed. In this case, the effect on ratios is estimated and any steps necessary to comply with regulatory rules, issued by Supervisory Authorities, are planned.

B. Quantitative information

Section 15 – Liabilities of the Note to the Financial Statements should be referred to as far as the Bank’s net equity composition and the Italian Civil Law regulations.

Section 2

Capital and ratios for regulatory purposes

1 2.1 Banking capital for regulatory purposes

A. 1. Qualitative information

The capital for regulatory purposes and net equity ratios are computed on the basis of financial statements values calculated applying the IAS/IFRS international accounting standard IAS/IFRS and taking into account regulatory instructions issued by the Bank of Italy with the latest updating of Circular Letter no. 155/91 "Instructions in how to draw up reports on capital for regulatory purposes and prudential ratios". The capital for regulatory purposes is calculated by adding positive and negative components according to the quality of their capital. Positive components must be fully available to the bank so that they can be used in capital absorption calculations.

The capital for regulatory purposes is made up of Tier I Capital and Tier II Capital net of a few deductions; in particular:

- Tier I capital includes the paid in capital, issue-premiums, profit and capital reserves, innovative capital instruments and the profit of the financial period net of own portfolio shares, of intangible assets including goodwill as well as of losses, if any, registered in the previous financial statements and in the current one

- Tier II capital includes valuation reserves, capital adequacy hybrid instruments, subordinated liabilities net of doubtful outcomes on country risk loans and other negative elements.

Equity investments and other items such as innovative capital instruments, hybrid capital instruments and subordinated assets, issued by banks, financial institutions and insurance companies are deducted from Tier I capital and Tier II capital

The latest instructions of the above-mentioned Circular Letter are aimed at achieving compliance of determination criteria of capital for regulatory purposes and of ratios with the international accounting standards.
In particular, they provide for the so-called prudential filters mentioned by the Basle Committee to rule the criteria, domestic supervisory authorities must comply with to standardize statutory rules with the new financial statements principles.

Prudential filters aim at safeguarding the quality of the capital for regulatory purposes and reducing any potential volatility resulting from the application of the new principles; they are amendments of accounting data before their use for regulatory purposes. In particular, with reference to the most relevant aspects for Banca Monte dei Paschi di Siena, new rules provide that:

- as to financial assets held for trading, both unrealized capital gains and capital losses recorded in the profit and loss account are fully relevant;

- as to financial assets available for sale, unrealized capital gains and capital losses are recorded after clearing in a specific net equity reserve; if the balance of this reserve is negative, it reduces Tier I capital, if positive, it supplies a 50% contribution to Tier II capital;

- as to hedging transactions, unrealized capital gains and capital losses on cash flow hedging, recorded in the special net equity reserve are frozen while no prudential filter is applied to fair value hedging;

- as to fair value option liabilities of natural hedge both unrealized capital gains and capital losses recorded in the profit and loss account are fully relevant except for the component due to changes in its creditworthiness;

- equity investments held in insurance companies are deducted from Tier I capital and Tier II capital, if purchased, as in the case of Mps Group, after 20/7/2006
- the participation in the Bank of Italy's net equity is deducted from the capital for regulatory purposes

According to the regulatory instructions, the Bank's net equity must amount to at least 8% of the total weighted assets (total capital ratio), in relation to the credit risk profile, assessed according to the category of debtors, to the period of validity , to the country risk and to the guarantees obtained.

Banks must also comply with the capital requirement linked with intermediation: these market risks are computed on the whole portfolio held for trade for regulatory purposes by each kind of risks separately, position risk on debt and capital securities, settlement risk, counterpart risks and concentration risk. With reference to the whole financial statements, it is also necessary to calculate forex risk and the position risk on goods.

B. Quantitative information

	30 06 2007	31 12 2006 (euro '000)
A. Tier I before solvency filters	**6.804.716**	**5.985.567**
solvency filters of Tier I		
- positive IAS/IFRS solvency filters	2.098	32.778
- negative IAS/IFRS solvency filters		(7.301)
B. Tier I after solvency filters	**6.806.814**	**6.549.499**
C. Tier II before solvency filters	**3.549.871**	**3.640.073**
solvency filters of Tier II		
- positive IAS/IFRS solvency filters		
- negative IAS/IFRS solvency filters	(83.731)	(18.080)
D. Tier II after solvency filters	**3.466.140**	**3.621.993**
E. Total Tier I and Tier II after solvency filters	**10.272.954**	**10.171.492**
Elements to be deducted from total Tier I and Tier II	(1.286.740)	(1.364.575)
F. capital for regulatory purposes	**8.986.214**	**8.806.917**

2.3 Capital adequacy

A. Qualitative information

B. Quantitative information

values	non weighted amounts		weighted amounts/requirements	
	30 06 2007	31 12 2006	30 06 2007	31 12 2006
A. Risk assets				
A.1 credit risk	196.692.424	181.137.381	96.239.077	88.802.666
standard method				
cash assets	120.159.071	111.590.173	90.752.790	83.724.436
1. exposures (other than equity instruments and other subordinated assets) to (or guaranteed by):	84.647.389	77.752.049	69.502.217	63.913.890
1.1 Governments and Central banks	-			
1.2 public entities	9.227.735	7.711.933	745.109	639.841
1.3 Banks	8.477.582	8.423.757	1.815.036	1.777.333
1.4 other entities(other than mortgage loans on residential and non proprieties)	66.942.072	61.616.359	66.942.072	61.496.716
2. mortgage loans on residential property	20.042.016	18.124.076	10.021.008	9.062.038
3. mortgage loans on non residential property	6.498.652	6.209.563	6.498.652	6.209.563
4. shares, equity investments and subordinated assets	1.127.692	1.140.537	1.231.559	1.218.258
5. other cash assets	7.843.322	8.363.948	3.499.354	3.320.687
off-balance sheet assets	79.502.720	72.220.186	8.351.990	7.687.748
1. guarantees and commitments with (or guaranteed by):	78.868.980	71.796.711	8.209.775	7.588.945
1.1 Governments and Central banks				
1.2 public entities	4.178.047	3.259.946	64.010	42.630
1.3 Banks	13.655.932	13.746.138	263.041	253.316
1.4 other entities	61.035.001	54.790.627	7.882.724	7.292.999
2. derivative contracts with (or guaranteed by):	633.740	423.475	142.215	98.803
1.1 Governments and Central banks				
1.2 public entities				
1.3 Banks				
1.4 other entities	633.740	423.475	142.215	98.803
doubtful results	(2.969.367)	(2.672.978)	(2.865.703)	(2.609.518)
1. doubtful results	(2.969.367)	(2.672.978)	(2.865.703)	(2.609.518)
B. solvency requirements				
B.1 credit risk			7.699.139	7.104.213
B.2 market risk			846.197	694.994
1. standard method	x	x		
of which:				
- position risk on debt securities	x	x	499.881	467.494
- position risk on equity securities	x	x	202.913	99.730
- exchange risk	x	x	18.321	13.042
-other risks	x	x	125.082	114.728
2. internal models	x	x		
of which:				
- position risk on debt securities	x	x		
- position risk on equity securities	x	x		
- exchange risk	x	x		
B.3 other solvency requirements	x	x	217.747	219.725
B.4 Total solvency requirements(B1+B2+B3)	x	x	8.763.083	8.018.932
C. risk assets and solvency requirements	x	x		
C.1 risk weighted assets	x	x	109.538.541	100.236.654
C.2 (Tier 1 capital ratio)	x	x	6,06	6,53
C.3 (Total capital ratio)	x	x	8,74	9,48

PART G

BUSINESS COMBINATIONS

Section 1

Business combinationsof the year

1.1 Business combinations

In 2006 no significant business combinations were executed outside the Group

PART H

RELATED-PARTY TRANSACTIONS

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

account	Total 30 06 2007
short term benefits post retirement benefits other long term benefits termination benefits share based payment other compensation	2.943
Total	2.943

2 Information on the related party transactions

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

30 06 2007
(euro '000)

account	key management personnel	other related parties	Incidence
Total financial assets	577		
Total financial liabilities	166.822		0,14
Total variable cost	2.943		
guarantees given			
guarantees received	577		