Quarterly report as of 31 March 2007

Siena, 15 May 2007

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A SUMMARY OF THE TRENDS AS OF 31 MARCH 2007

This introduction summarizes the MPS Group's trends of operations as of 31 March 2007. The major projects under way are analysed in the following sections covering the development of operations in the business areas.

In the first quarter of 2007, the MPS Group continued to implement all the projects necessary for achieving the objectives set by the Business Plan. In particular, with reference to the streamlining of its strategic portfolio, in a logic of freeing up capital, the Group sold its stake of about 14.8% in Finsoe.

Early in 2007, the Group reached an agreement with AXA for the implementation of a long-term strategic partnership in the area of bancassurance (life and property casualty insurance) and supplementary social welfare. The partnership with Axa gives a great opportunity of consolidating and further strenghtening the competitive positioning of BMPS in the domestic market, and paves the way for the international expansion of BMPS.

This joint venture will actually represent the only platform of Axa in Italy, excluding its current operations, in the area of social welfare and for the expansion of its operations to non-captive networks, but it is also a useful platform for exploring new international opportunities. In view of this agreement, the MPS Group will be able to distribute its banking products to the current Italian customers of Axa (about 1.6 million).

Axa will contribute its know-how to the partnership for the purpose of taking advantage of the market growth and profitability, improving volume management and enhancing the quality of products and services for the MPS Group customers.

The MPS Group's value added is the strength of its network, flanked by its leading position in the Italian bancassurance market.

Axa also invited the Chairman of Banca Monte dei Paschi to join its Supervisory Board, as a material token of the strategic importance Axa attaches to the agreement signed.

From the viewpoint of management, in the first quarter of 2007 the MPS Group achieved appreciable commercial results taking advantage of the massive investments made in the second half of 2006 for the purpose of implementing the Business Plan. In so doing, the Group confirmed the soundness of its strategies, with the objective of better linking the Group to its market of reference and its customers, capturing the actual requirements of retail and corporate customers, as a fundamental element to pursue flexible marketing policies and levels of service, thus consolidating confidence and laying the foundations for the steady development of relations.

In particular:

- with reference to **funds management**, the Group commercial networks **realized assets flows totaling about EUR 3.5 billion,** with a global mix characterized by an increase in the weight of linear bonds and insurance products. As a result, total funding progressed by 3.8% year on year, **with direct funding growing by 12.1%;**

- with reference to **loan management**, the Group operations were oriented to financially support business initiatives with the utmost rigor and selectivity, and to further increase the weight of medium-/long-term loans. **The networks and the special credit companies disbursed loans in the amount of EUR 4.03 billion (+13.9% with respect to the volumes as of 31 March 2006), with a hefty growth of corporate loans (+14.6% y-o-y).** As a result of the Group's traditional conservative lending policy, in addition to the rigorous criteria of identification of doubtful outcomes, the amount of net impaired loans increased by only 1.34% and good credit quality was confirmed, **with a ratio of net NPLs+ watchlist credits/customers' loans of about 2.8%**.

With reference to income aggregates, primary banking income came to EUR 1094.8 milion (+5.9%) and the Net Operating Profit advanced to EUR 391.5 million, or +12.2% excluding the components resulting from the sale of equity investments. In view of the contribution from non-operating activities, the consolidated profit for the period stood at EUR 253.6 million (EUR 277.5 million as of 31 March 2006), and progressed by 9.7%, excluding income from the sale of equity investments, with respect to 31 March 2006. The cost/income ratio continued to improve at 56.4% (60.9% as of 31 December 2006); ROE on year-end equity reached 13.1%.

With reference to the regulatory ratios, as of 31 March 2007 [1]the **TIER I ratio** was estimated at 6.4% (6.53% at the end of 2006) with a solvency ratio of 9.4% (9.48% as of 31.12.2006).

[1] Ratios calculated in compliance with the new regulations on "prudential filters" as issued by the Bank of Italy in November 2005.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/03/07

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	31/03/07	31/03/06	% chg
INCOME STATEMENT FIGURES (in millions of euros)			
Financial and insurance income (loss)	1,094.8	1,034.3	5.9
Financial and insurance income (loss)	1,212.7	1,216.9	-0.3
Net operating income	417.5	430.9	-3.1
Net profit (loss) for the period	253.6	277.5	-8.6
BALANCE SHEET FIGURES AND INDICATORS (in millio	**31/03/07**	**31/03/06**	**% chg**
Direct funding	95,827	85,495	12.1
Indirect funding	107,353	110,312	-2.7
of which: assets under management	*48,398*	*49,726*	-2.7
of which: assets under custody	*58,955*	*60,586*	-2.7
Customer loans	95,253	83,145	14.6
Group net equity	7,971	7,616	4.7
KEY LOAN QUALITY RATIOS (%)	**31/03/07**	**31/12/06**	
Net non-performing loans/Customer loans	1.8	1.8	
Net watchlist loans/Customer loans	1.1	1.1	
PROFITABILITY RATIOS (%)	**31/03/07**	**31/12/06**	
Cost/Income ratio	56.4	60.9	
R.O.E. (on average equity)	12.1	12.1	
R.O.E. (on year-end equity)	13.1	13.3	
Net adjustments to loans / Year-end investments	0.45	0.50	
CAPITAL RATIOS (%)	**31/03/07**	**31/12/06**	
Solvency ratio	9.40	9.48	
Tier 1 ratio	6.40	6.53	
(a) determined using the Bank of Italy's prudential filters.			
INFORMATION ON BMPS STOCK	**31/03/07**	**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	4.91	4.61	
low	4.59	3.72	
high	5.24	5.08	
OPERATING STRUCTURE	**31/03/07**	**31/12/06**	**Abs. chg**
Total head count - year-end (1)	24,285	24,348	-63
Number of branches in Italy	1,905	1,903	2
Financial advisor branches	139	139	0
Number of branches & rep. offices abroad	36	36	0

(1) Figure at 03/31/07 do not include staff relative to insurance business, asset due for disposal.

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

MPS Group	31/03/07	31/03/06	Change Abs.	Change %
Net interest income	**705.4**	**645.9**	**59.5**	**9.2%**
Net commissions	389.4	388.4	1.0	0.3%
Income from banking activities	**1,094.8**	**1,034.3**	**60.5**	**5.9%**
Dividends, similar income and profits (losses) from equity investments	30.3	6.0	24.3	n.s.
Net result from realisation/valuation of financial assets	88.2	176.3	-88.1	-50.0%
Net gain (loss) from hedging	-0.5	0.3	-0.8	n.s.
Financial and insurance income (loss)	**1,212.7**	**1,216.9**	**-4.1**	**-0.3%**
Net adjustments for impairment of:				
a) loans	-107.2	-101.8	-5.4	5.3%
b) financial assets	-4.4	1.4	-5.8	n.s.
Net financial and insurance income (loss)	**1,101.2**	**1,116.5**	**-15.3**	**-1.4%**
Administrative expenses:	-654.2	-654.3	0.2	0.0%
a) personnel expenses	-430.8	-435.3	4.4	-1.0%
b) other administrative expenses	-223.3	-219.1	-4.3	2.0%
Net adjustments to the value of tangible and intangible fixed assets	-29.5	-31.3	1.7	-5.5%
Operating expenses	**-683.7**	**-685.6**	**1.9**	**-0.3%**
Net operating income	**417.5**	**430.9**	**-13.4**	**-3.1%**
Net provisions for risks and liabilities and Other operating income/costs	-13.7	-11.1	-2.6	22.9%
Goodwill impairment	0.0	0.0	0.0	0.0%
Gains (losses) from disposal of investments	0.06	0.0	0.0	n.s.
Gain (loss) from current operations before taxes	**403.9**	**419.8**	**-15.9**	**-3.8%**
Taxes on income for the year from current operations	-176.6	-178.2	1.6	-0.9%
Gain (loss) from current operations after taxes	**227.2**	**241.6**	**-14.3**	**-5.9%**
Gain (loss) on fixed assets due for disposal, net of taxes	29.7	39.2	-9.4	-24.0%
Minority interests in profit (loss) for the year	-3.4	-3.2	-0.1	4.6%
Net profit (loss) for the year	**253.6**	**277.5**	**-23.9**	**-8.6%**

Earning per share (€)	**31/03/07**	**31/03/06**
Base	**0.084**	**0.092**
Diluted	**0.079**	**0.086**

QUARTERLY TREND IN INCOME STATEMENT FIGURES RECLASSIFIED ACCORDING TO OPERATING CRITERIA (€ millions)

	2007	2006				Quarterly Avg.
MPS Group	**1st quarter**	**4th quarter**	**3rd quarter**	**2nd quarter**	**1st quarter**	**2006**
Net interest income	**705.4**	**717.8**	**680.3**	**670.2**	**645.9**	**678.6**
Net commissions	389.4	379.7	358.1	364.4	388.4	372.7
Income from banking activities	**1,094.8**	**1,097.4**	**1,038.5**	**1,034.6**	**1,034.3**	**1,051.2**
Dividends, similar income and profits (losses) from equity investments	30.3	0.0	13.5	24.3	6.0	11.0
Net result from realisation/valuation of financial assets	88.2	277.8	24.4	52.1	176.3	132.6
Net gain (loss) from hedging	-0.5	-5.4	0.0	-2.1	0.3	-1.8
Financial and insurance income (loss)	**1,212.7**	**1,369.9**	**1,076.4**	**1,108.9**	**1,216.9**	**1,193.0**
Net adjustments for impairment of:						
a) loans	-107.2	-149.6	-101.8	-107.8	-101.8	-115.3
b) financial assets	-4.4	-117.6	-0.6	-8.6	1.4	-31.3
Net financial and insurance income (loss)	**1,101.2**	**1,102.7**	**974.0**	**992.5**	**1,116.5**	**1,046.4**
Administrative expenses:	-654.2	-793.9	-669.9	-653.9	-654.3	-693.0
a) personnel expenses	-430.8	-535.6	-448.8	-441.9	-435.3	-465.4
b) other administrative expenses	-223.3	-258.3	-221.1	-212.0	-219.1	-227.6
Net adjustments to the value of tangible and intangible fixed assets	-29.5	-36.4	-34.2	-32.9	-31.3	-33.7
Operating expenses	**-683.7**	**-830.3**	**-704.1**	**-686.7**	**-685.6**	**-726.7**
Net operating income	**417.5**	**272.4**	**269.9**	**305.8**	**430.9**	**319.7**
Net provisions for risks and liabilities and Other operating income/costs	-13.7	-4.3	9.3	10.2	-11.1	1.0
Goodwill impairment	0.0	-0.3	0.0	-0.3	0.0	-0.1
Gains (losses) from disposal of investments	0.1	2.73	0.01	0.16	0.01	0.7
Gain (loss) from current operations before taxes	**403.9**	**270.5**	**279.2**	**315.9**	**419.8**	**321.4**
Taxes on income for the year from current operations	-176.6	-73.2	-117.8	-131.6	-178.2	-125.2
Utile (Perdita) della operatività corrente al netto delle imposte	**227.2**	**197.3**	**161.4**	**184.3**	**241.6**	**196.1**
Gain (loss) on fixed assets due for disposal, net of taxes	29.7	35.4	48.7	22.1	39.2	36.3
Minority interests in profit (loss) for the year	-3.4	-10.2	-2.7	-3.8	-3.2	-5.0
Net profit (loss) for the year	**253.6**	**222.5**	**207.4**	**202.6**	**277.5**	**227.5**

MPS GROUP

 RECLASSIFIED BALANCE SHEET (in millions of euros)

ASSETS	31/03/07	31/03/06	% chg
Cash and cash equivalents	430	442	-2.6
Receivables :			
a) Customer loans	95,253	83,145	14.6
b) Due from banks	14,060	11,099	26.7
Financial assets held for trading	36,074	43,560	-17.2
Financial assets held to maturity	0	4,193	n.s.
Equity investments	424	707	-40.1
Underwriting reserves/reinsurers	0	10	
Tangible and intangible fixed assets	3,304	3,461	-4.5
of which:			
a) goodwill	*641*	*740*	*-13.4*
Other assets	20,235	3,445	n.s.
Total assets	**169,779**	**150,061**	**13.1**

LIABILITIES	31/03/07	31/03/06	% chg
Payables			
a) Due to customers and securities	95,827	85,495	12.1
b) Due to banks	20,627	17,060	20.9
Financial liabilities from trading	20,680	15,752	31.3
Provisions for specific use			
a) Provisions for employee leaving indemnities	385	403	-4.4
b) Reserve for retirement benefits	415	385	7.7
c) Other reserves	573	591	-3.1
Other liabilities	23,260	10,789	115.6
Underwriting reserves	0	11,936	
Group portion of shareholders' equity	7,971	7,616	4.7
a) Valuation reserves	659	591	11.5
b) Reimbursable shares	0	0	0.0
c) Capital instruments	71	46	55.1
d) Reserves	4,509	4,128	9.2
e) Share premium account	561	548	2.3
f) Share capital	2,030	2,026	0.2
g) Treasury shares (-)	-112	-1	n.s.
h) Net profit (loss) for the year	254	277	-8.6
Minority interests in shareholders' equity	41	34	19.9
Total liabilities and shareholders’ equity	**169,779**	**150,061**	**13.1**

MPS GROUP

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

ASSETS	**31/03/07**	**31/12/06**	**30/09/06**	**30/06/06**	**31/03/06**
Cash and cash equivalents	430	612	410	436	442
Receivables :					
a) Customer loans	95,253	91,941	88,791	86,124	83,145
b) Due from banks	14,060	11,991	13,434	11,358	11,099
Financial assets held for trading	36,074	30,578	41,252	40,505	43,560
Financial assets held to maturity	0	0	4,247	4,214	4,193
Equity investments	424	744	728	717	707
Underwriting reserves/reinsurers	0	0	12	11	10
Tangible and intangible fixed assets	3,304	3,417	3,411	3,406	3,461
of which:					
a) goodwill	*641*	*740*	*740*	*740*	*740*
Other assets	20,235	19,272	4,175	6,748	3,445
Total assets	**169,779**	**158,556**	**156,458**	**153,520**	**150,061**

LIABILITIES	**31/03/07**	**31/12/06**	**30/09/06**	**30/06/06**	**31/03/06**
Payables					
a) Due to customers and securities (°)	95,827	93,976	86,298	89,832	85,495
b) Due to banks	20,627	15,878	23,145	16,476	17,060
Financial liabilities from trading	20,680	16,715	14,729	13,144	15,752
Provisions for specific use	0	0	0	0	0
a) Provisions for employee leaving indemnities	385	386	399	398	403
b) Reserve for retirement benefits	415	427	337	330	385
c) Other reserves	573	583	557	566	591
Other liabilities	23,260	22,778	11,511	13,438	10,789
Underwriting reserves	0	0	11,755	11,868	11,936
Group portion of shareholders' equity	7,971	7,775	7,688	7,430	7,616
a) Valuation reserves	659	650	637	579	591
b) Reimbursable shares	0	0	0	0	0
c) Capital instruments	71	71	46	46	46
d) Reserves	4,509	3,598	3,768	3,765	4,128
e) Share premium account	561	561	545	545	548
f) Share capital	2,030	2,030	2,026	2,026	2,026
g) Treasury shares (-)	-112	-45	-23	-10	-1
h) Net profit (loss) for the year	254	910	688	480	277
Minority interests in shareholders' equity	41	38	39	37	34
Total liabilities and shareholders' equity	**169,779**	**158,556**	**156,458**	**153,520**	**150,061**

RECLASSIFICATION PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The foregoing balance-sheet and profit and loss accounts as of 31 March 2007 have been restated on the basis of operating criteria.

In order to ensure continuity to the trends of the insurance sector disclosed so far, the profits and losses from insurance business have been reclassified under "Profits (losses) from groups of assets being sold, after taxes".

REPORT ON THE MPS GROUP OPERATIONS

▪ OVERVIEW OF OPERATIONS

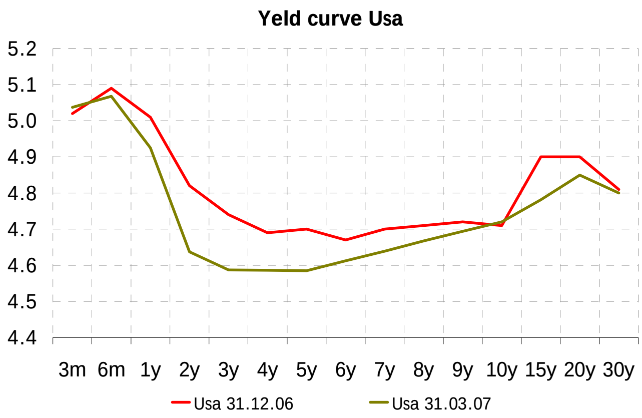
THE MACROECONOMIC AND FINANCIAL SCENARIO

In the first quarter of 2007, the world economy continued to expand at a fast pace despite some signs of a mitigated growth coming from a few countries and in particular the US. **The GDP grew in the range of 2/2.5% on a yearly basis in the three major economic areas** (i.e. the USA, the EU and Japan). **The prices of raw materials** increased again, with the price of quality crude oil advancing by about 10% with respect to January 2007. The prices of non-energy materials progressed by about 30% on a yearly basis.

Growth rates in the Leading Economies

	2005	2006	2007 (forecast)
Usa	3.2	3.3	2.2
Eurozone	1.5	2.8	2.5
Italy	0.2	1.9	1.8
Germany	0.9	2.7	2.5
France	1.2	2.0	2.1
China	10.2	10.7	10.0
Japan	1.9	2.3	2.0

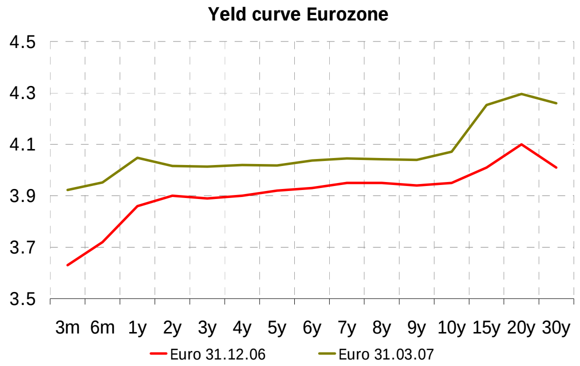
In the **US**, **the trend of the GDP slowed down remarkably** (+1.3% on a yearly basis) thus reflecting the weakness of the real estate market and the negative contribution from net exports. The contribution from consumption and the trend of the labour market were positive, although the manufacturing industry slowed down somewhat. Growth prospects were more uncertain. The corporate and consumers' confidence indicators deteriorated, but the **FED believed that the risk of non-mitigation of inflationary pressures was prevailing** (core prices grew by +2.5% in March, on a yearly basis) with respect to the possible end of the expansionary cycle. During the first quarter, interest rates fell, with particular regard to medium-term interest rates (by about 20 bp). This is indicative of the trends of real economy and the shift of portfolio investments to less risky assets (so-called "flight to quality").



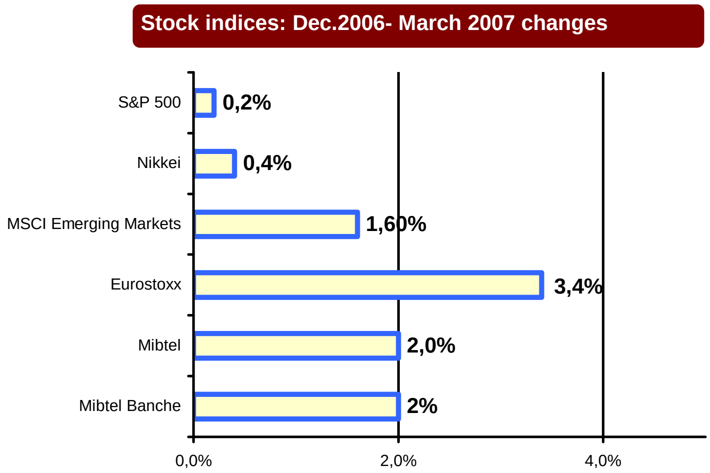
In Asia the Japanese

production decelerated, after the boost of the fourth quarter of 2006 (+1.1% with respect to the third quarter). In February 2007, the Bank of Japan increased the overnight interest rate to 0.5% but considered the prospect of keeping mitigated monetary terms for the rest of the year. **There were no signs of a slowdown in China**, where the monetary authorities increased the reference borrowing rate again (by 27 bp) to 6.39% in order to avoid any risks of excess growth.

After the significant acceleration recorded in the fourth quarter of 2007, **the Eurozone developed at a moderate pace.** Industrial production kept level with last year, with declining qualitative indicators (corporate and SMEs confidence). The uptrend of retail sales slowed down, but retail customers' confidence further improved gradually. The inflation rate rose to 1.9% in March, thus reflecting the VAT increase in Germany.



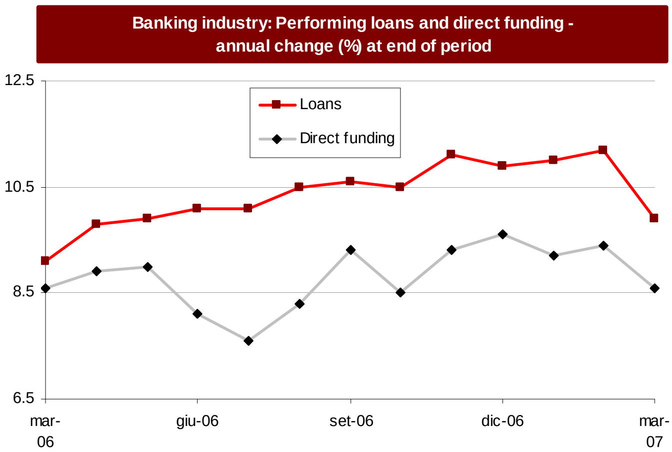
On 8 March 2007, **the European Central Bank increased the refinancing rate again by 25 bp to 3.75%.** Medium-term expectations for price stability were still subject to the risk of increases, whereas the monetary policy was appeasing in view of the strong expansion of money supply and credit (M3 and retail loans: +10% in the first quarter of 2007) and abundant liquidity in the Eurozone. The interest rate curve showed a general increase and a limited flattening with respect to the end of 2006. **The ECB is expected to increase interest rates (to 4%) in the next few months.** In Italy, according to preliminary estimates, the growth of the GDP was expected to be slightly higher than 1%, on an annual basis. Industrial production **recorded a decline by about 1%. The turnover and purchase orders slowed down. The trend of exports was very positive**, with an increase of around 13% mostly due to the good trend of the European markets. The manufacturing companies and trade confidence indicator stood slightly below the levels recorded at the end of 2006. The confidence indicator of service companies and households improved, despite a slowdown in the growth of consumption**.**



The macroeconomic and financial scenario described above is indicative of stock quotations**. Stock prices progressed in the first two months of 2007 but bounced back later, due to the sudden drop in the prices of the Shanghai Stock Exchange and fears of possible company crack-ups** in the US market of *sub-prime* mortgage loans. The bull trend in stock prices resumed in the second half of March; therefore, in Q1 the Stock indices increased with respect to the end of 2006 (world MSCI index +2%). B**ond market** prices advanced by about 1% in the USA but declined slightly in Europe. **On the front of the foreign exchange markets,** the euro appreciated with respect to the US dollar (slightly more than 1%) and the GB pound, and marginally with respect to the Japanese yen and the yuan. Afterwards, it resumed its growth with respect to the US dollar in the following months.

BANKING BUSINESS

In Q1 2007, the banking business was characterized by the persistent appreciable growth of direct funding and lending, in addition to the redemption of mutual funds and individual portfolios under management, despite the revival of the insurance market. **The interest rate spread was in line with the levels recorded at the end of 2006.**



On average, the **trend of direct funding was over 9% on an annual basis,** in line with the last months of 2006**. Th**e slowdown of current accounts (+ 5% approx. with respect to a growth of 7% last year) was offset by the acceleration of repurchase agreements (about + 30% during Q1) and bonds (over +12%). As of 31 March 2007, the **MPS Group market share of direct funding**

rose to 6.7% (from 6.5% at the end of 2006).

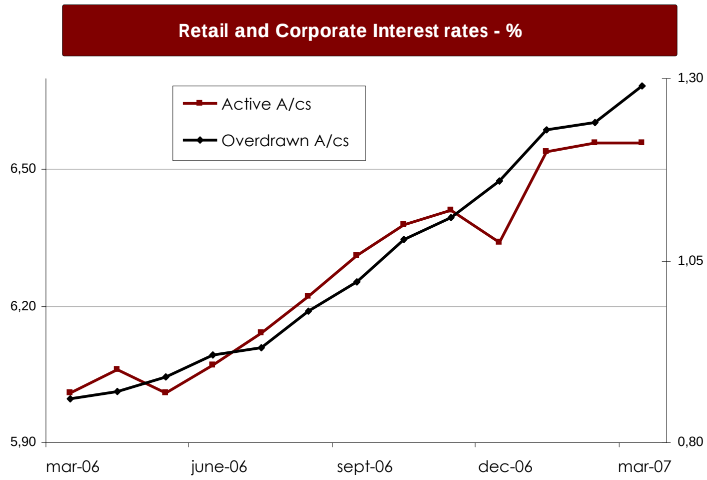
Net redemptions from investment funds continued (with a decline of more than 10 bn), due to the considerable redemptions (14.5 billion) from Italian-law funds, only partly offset by the positive contribution of foreign products. Unfortunately, the contribution of roundtrip funds was nil, despite incoming flows in the amount of EUR 8.6 bn recorded during the same period of 2006. Net funding from opportunities and hedge funds was still successful (totalling more than EUR 8 bn), with net redemptions mostly concerning bond and equity funds (almost -11 bn and -5 bn, respectively).

As of 31 March 2007, the MPS Group market share stood at 3.54%, in line with the levels recorded at the end of 2006.

The new production of bancassurance (including post offices) was boosted by 14% year on year. The recovery was driven by unit-linked policies (+52%) with an additional decline in traditional policies (-13%). Index-linked policies were also positive (+20%). The **MPS Group market share jumped to 8.1%**.

The MPS Group market share advanced to 8.7% (from 8% last year). The trend of (Retail and private) individual portfolios under management of banks and asset management companies showed net redemptions totalling more than 6 bn in the first three months of the year, which is above all indicative of the trend of individual fund portfolios under management (GPF) which are affected by the "flight" from mutual funds. Assets under management declined by more than 2% with respect to the end of 2006, despite positive management performances. **The MPS Group market share stood slightly below 4%.**

During the first quarter of 2007, **the average growth of bank loans came close to 11%, in line with the trend recorded in the second half of 2006.** The growth was driven by medium-/long-term loans, which decelerated somewhat, but grew at a pace higher than 11% , and rapidly increasing short-term loans (+9.6% with respect to 5.2% last year). With reference to customers' segments, corporate loans stood around 12%, a level which is slightly higher than the percentage concerning retail loans. **The Group market share of total bank loans gradually progressed until it reached a level slightly below 6.4% in March 2007.**



On the front of special loans, **leasing transactions jumped from 8.4% in 2006 to 9.4%** and **consumer loans continued to grow at a percentage higher than 12%.** The MPS Group market share in relation to **leasing transactions came to 4.05%** with a hefty progress with respect to 2006 (2.40%). **The Group market share of consumer loans fell to 4.70%** from last year's 5.06%, mostly due to the expansion of the Assofin sample (the market share would be around 4.90% excluding such effect).

In the first quarter of 2007 bank interest rates reflected the increases decided by the ECB only partially, with movements lower than 20 bp.

With respect to November 2005 (the month before the first restrictive measures adopted by the ECB), short-term interest rates on loans and deposits increased by 82 bp and 70 bp, respectively, with a 1.75% increase in the official ECB interest rate. In March 2007, the markup (as measured in relation to 1-month Euribor) stood at 2.28% (in line with the level recorded at the end of 2006, but about 70 bp lower than in November 2005). The markdown rose to 2.2%. **The short-term bank interest rate spread** stood at 4.5% in Q1 2007, in line with the data as of December 2006, and topped by only 6-7 bp the average registered in the prior two years.

REGULATORY ISSUES

The provisions in relation to supplementary social welfare introduced by Legislative Decree 252/2005 were enforced as of 1 January 2007. As a result, private employees shall decide no later than 30 June 2007 whether they intend to invest the portion of their staff severance indemnity still to be accrued in supplementary pension funds (open-end and closed-end pension funds, individual pension plans) 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-managed fund. In addition, law 40/2007 introduced a few innovations, including – inter alia - the removal of all expenses and penalties to be paid in the case of **advance (total or partial) repayment of a residential housing mortgage loan by an individual**. The law also includes the opportunity of redeeming a mortgage with no involvement of a notary public and no notarial expenses.

THE MPS GROUP DOMESTIC SALES AND MARKETING ACTIVITY AND CUSTOMER PORTFOLIO

In the first quarter of 2007, the MPS Group achieved considerable results tapping into the major investments made in the second half of 2006 to implement the 2006-2009 Business Plan, with particular reference to the wide reorganization of the distribution network and the additional specialization of service models. Such results confirm that the Group is following a solid path, with the primary objective of **getting closer to the market of reference and the customers** in view of **rapidly and tangibly fulfilling the actual requirements of retail and corporate customers**. This is a prerequisite to prepare flexible sales and marketing policies and levels of service, consolidate the customers' confidence and lay the foundations for a steady growth of customers' relations ("leadership at the service of the customers"). Following are the main elements which characterized commercial operations in relation to funds management and lending.

1) FUNDS MANAGEMENT

Tangible benefits in relation to the development of the business model can be observed in the placement of asset management products, which in the first quarter of 2007 recovered considerably with respect to the previous quarters. In this scenario, the **flows of products placed by the MPS Group Commercial Networks topped EUR 3.5 billion, with a hefty progress (+14.3%) year on year and an increase in the production of insurance policies, bonds, mutual funds/SICAVs, in line with the customers' risk propensity.**
Following is the mix of the main products placed by the MPS Group:

■ Product Placements

in million of euros

		31/03/07	31/03/06
Mutual funds/SICAVs (*)		410	-156
Individual portfolios under management		-257	437
Life-insurance policies	including:	1,265	1,119
	Ordinary	688	637
	Index Linked	436	319
	Unit Linked	140	163
Bonds	including:	2,103	1,680
	Linear	1,599	1,006
	Structured	504	674
Total		3,520	3,079

into other product

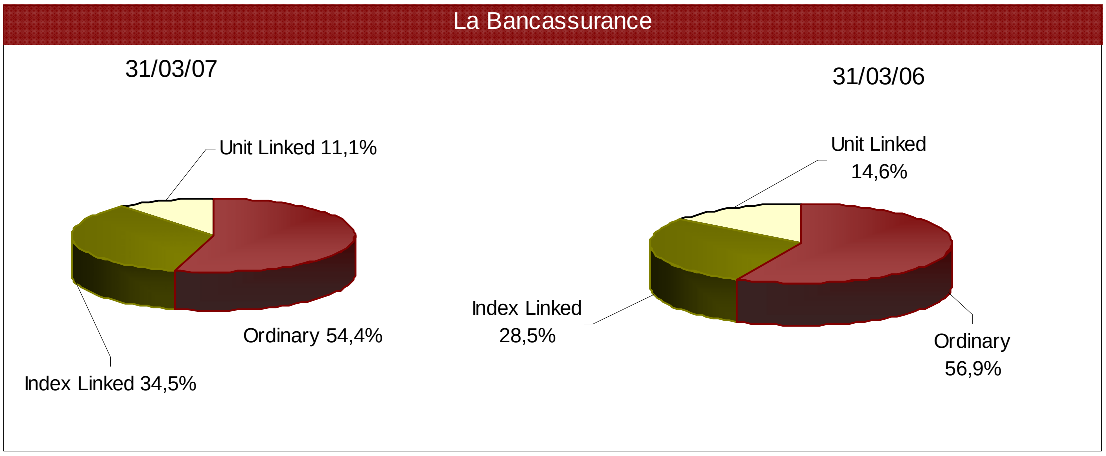
In particular:

- **<u>The net flow of collective and individual portfolios under management amounted to EUR 153 million approx. (EUR 281 million as of March 2006)</u>**, including:

  - **<u>Production flows of mutual funds/SICAVs</u> came to EUR 410 million** with respect to redemptions totalling EUR 156 million in 2006;

  - **<u>Net redemptions of individual portfolios under management totalled EUR 257 million</u>** (+ EUR 437 million as of 31 March 2006) as the balance of (i) flows in the amount of EUR 57 million concentrated on individual equities portfolios under management (GPM/GPA) and (ii) redemptions in the amount of EUR 315 million in relation to individual fund portfolios (GPF)/individual SICAV portfolios (GPS) due to the actual flight from this kind of investment involving the whole industry;

  - **<u>Life insurance premiums underwritten</u> came to EUR 1,265 million (EUR 1,119 million in 2006), which confirmed the Group's leading position in the "bancassurance and post" industry, with a market share for the period around 8.1%.** Premiums underwritten by the MPV Group as of 31 March 2007 amounted to EUR 1 bn. The contribution of Quadrifoglio Vita Spa (a 50% subsidiary of Banca Agricola Mantovana) is also positive, with placements in the amount of EUR 148 million as of 31 March 2007. An analysis of the premiums underwritten shows the increasing weight of index-linked products with respect to other categories of policies.



- **<u>Bond volumes totalled EUR 2,103 million approx.</u> (EUR 1,680 million as of 31 March 2006),** concentrated on plain bonds (EUR 1,599 million) with structured bonds totalling EUR 504 million.

2) LENDING

In the first quarter of 2007, the MPS Group confirmed the trends which emerged during the second half of 2006 which were **characterized by hefty – although declining – loan disbursements in the area of consumer loans and retail mortgage loans, and a clear recovery of short-term loans**. **New loans disbursed by the Group networks and the special credit companies came to EUR 4,025 million, with a 13.9% increase with respect to 31 March 2006**, also due to advanced processes of creditworthiness selection matching fast response time and the utmost rigour in risk assessment. In particular, the **new mortgage loans granted and disbursed by the main Group networks** directly to the customers topped EUR 2.3 bn (+14.8% with respect to March 2006), mainly as a result of the contribution of BMPS which executed some major transactions in relation to the Public Agencies segment.

With reference to specialized lending, **Consum.it (consumer credit**) continued to expand and recorded a flow of total disbursements in the amount of about EUR 720 million (+12% with **a market share of 4.7%**). Agricultural and investment credit disbursed by Mps Banca per l'Impresa progressed considerably (+27.6%). L**easing operations expanded by an appreciable 15.9% (with a share of about 4% with respect to 2.4 % as of 31 December 2006). Factoring operations slowed down (-4.1% year on year) with a market share of roughly 4%.**

■ Specialised credit and corporate financial products

in million of euros

		31/03/07	31/03/06
MPS Finance			
	risk management (1)	1,338	1,049
MPS Banca per l'Impresa			
	disbursements	674	600
MPS Leasing & Factoring			
incl.:	new leases executed	462	399
	factoring turnover	1,099	1,146
Consumit			
	disbursements	720	643

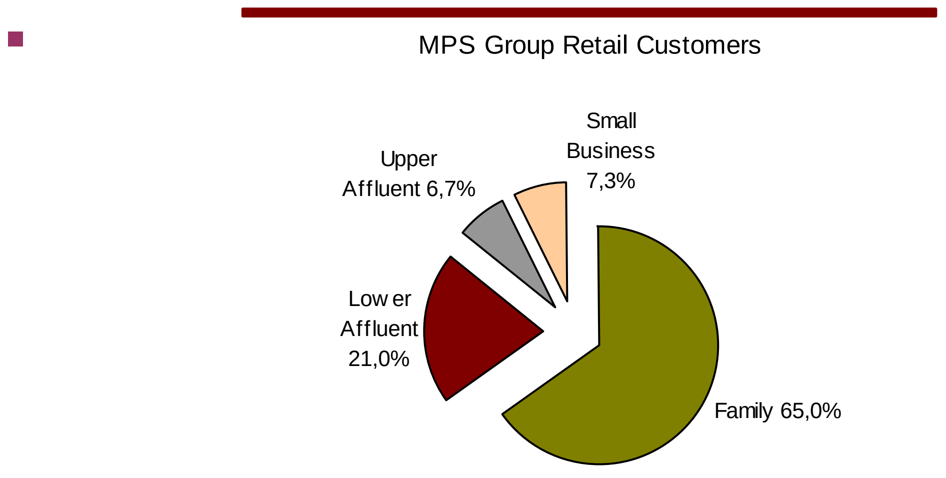
(1) figures also include products issued by the Networks directly

3) CUSTOMER PORTFOLIO

The development of customers' relations proves the Group's growing effectiveness in terms of response to the actual requirements of retail and corporate customers.

As of 31 December 2007, the customers of the Group (including the direct customers of Consum.it) **numbered about 4,557,000.** The commercial networks[2] customers were as many as 4,188,000, **with about 44,000 new Customers with respect to 31 December 2006,** resulting from an acceleration in the acquisition and retention rates. Following is the mix of customers by segment: Retail Customers, Private Customers and Corporate Customers account for 97.8%, 0.7% and 1.5%, respectively.

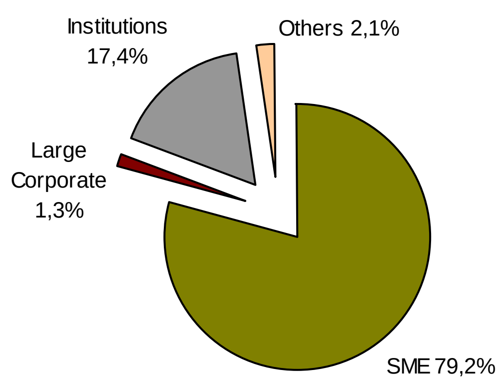
A review of the **retail business** (4,099,000 customers) shows that the weight of the **Family segment** is 65% of total and represents the majority of customers, followed by the Lower Affluent segment (21%), Small Business (7.3%) and Upper Affluent customers (6.7%).



SMEs, Government Agencies and Large Corporates (now referred to as Key Clients for organizational purposes) account for 79.2%, 17.4% and 1.3%, respectively, of the Group's **60,834 corporate customers**.

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

MPS Group Corporate Customers



CAPITAL AGGREGATES

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

1) FUNDING AGGREGATES

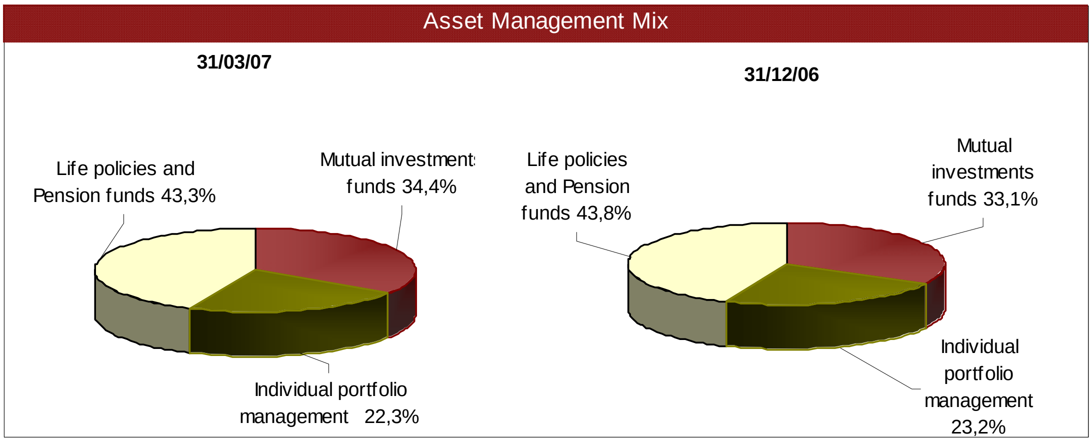
As a result of the Group's commercial operations, total funding grew by about 3.8%, mostly driven by the development of direct funding.

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

	31/03/07	31/03/06	% chg. vs 31/03/06	% weight 31/03/07
Direct customer funding	**95,827**	**85,495**	**12.1%**	***47.2%***
Indirect customer funding	**107,353**	**110,312**	**-2.7%**	***52.8%***
assets under management	*48,398*	*49,726*	-2.7%	*23.8%*
assts under custody	*58,955*	*60,586*	-2.7%	*29.0%*
Total customer funding	**203,180**	**195,807**	**3.8%**	***100.0%***

In particular, **indirect funding came to EUR 107.4 bn as of 31.03.2007** (with an increase of EUR 8.3 bn with respect to January 2007):

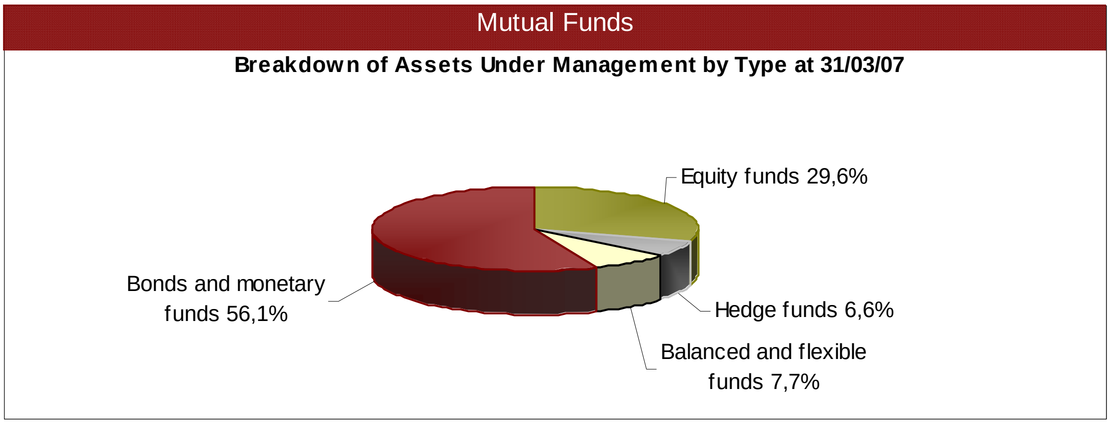
- **The balance of funds managed totalled EUR 48.4 bn** (+ 0.9% with respect to 31 December 2006), with the weight of the component of "life insurance policies and pension funds" at 43.3% (42.7% as of 31 March 2006).



- **<u>With reference to life insurance policies</u>, the technical reserves in relation to the Group commercial networks came to EUR 20.9 bn (EUR 21 bn as of 31 December 2006)**;

- **<u>The balance of the Group mutual funds/SICAVs</u> amounted to EUR 16.7 billion,** increasing by 5.1% with respect to 31 December 2006 (+1% with respect to 31 March 2006)**.**

The chart below illustrates the mix of investment funds by type and evidences a virtually unchanged mix with respect to 2006, with the weight of bond/monetary funds higher than the banking industry, thus showing a significant upgrading potential in the investment lines.

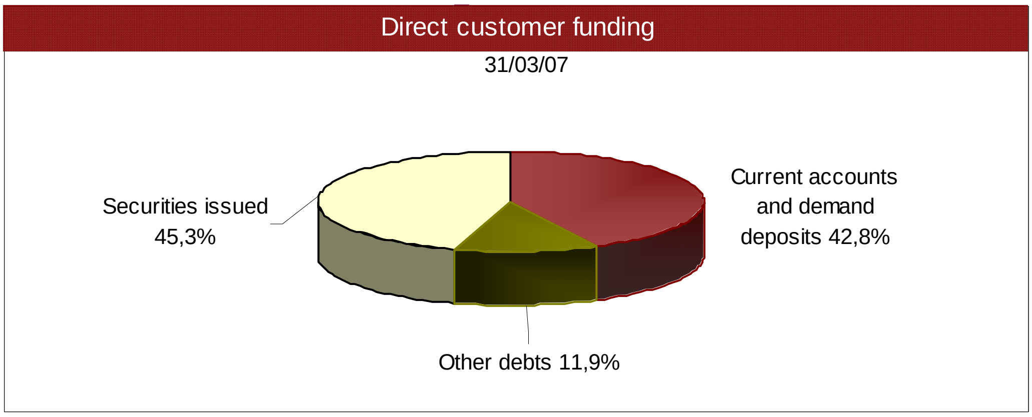


- **The balance of <u>individual portfolios under management</u> stood at EUR 10.8 billion** (EUR 11.1 bn as of 31.12.2006), with the reduction concentrated on individual portfolios of funds (GPF) under management.

- The total balance of **<u>funds under administration</u>** amounted to EUR 58.9 billion, with a 15.4% progress with respect to 31 December 2006, also in relation to the partial return of the custody of a large corporate customer.

Direct funding (at about EUR 95.8 billion, **with a domestic market share of 6.7% approx.**) advanced considerably by 12.1% in comparison with the data as of 31 March 2006 (+2% with respect to January 2007), mainly driven by bonds placed with retail customers, short-term deposits, but also funding with institutional customers.

Following is the mix of the aggregate by type:



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

MPS GROUP
DEPOSITS OF ORDINARY CUSTOMERS WITH ITALIAN BRANCHES
Distribution by Customer Residence - in EUR mn

GEOGRAPHICAL AREA	31.03.07	% weight	
(in millions of euro)		31.03.07	31.03.06
Northern Italy	9,280	22.4	21.9
Central Italy	21,649	52.2	53.2
Southern Italy and Islands	10,532	25.4	24.9
Total	**41,462**	**100.0**	**100.0**

■

Following is a breakdown of funding by business segment:

Commercial funding
(in millions of euro)

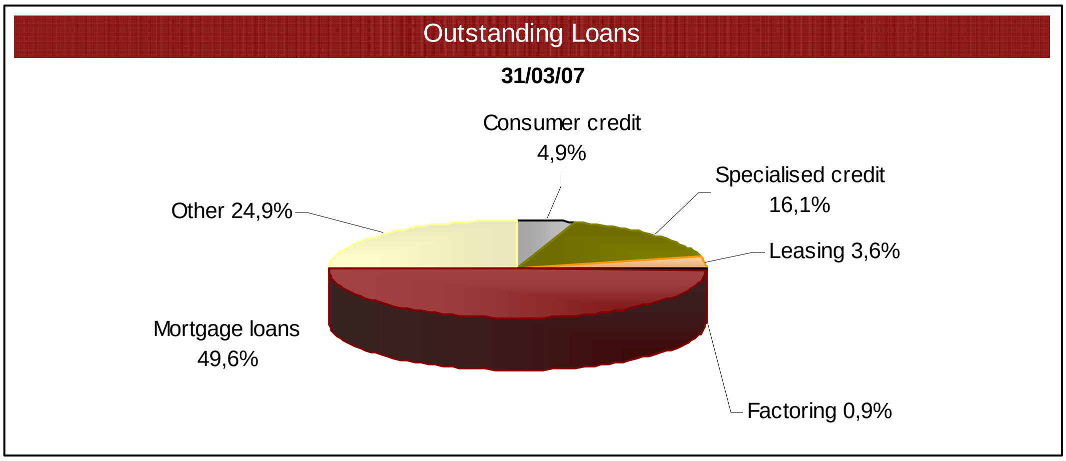
	31/03/07	% chg yoy	% weight	
			31/03/07	31/03/06
Commercial Banking/ Distribution network	46,288	6.2%	61.3%	61.2%
Corporate Banking / Capital Markets	24,785	1.8%	32.8%	34.2%
Private Banking/Wealth Management	4,478	35.5%	5.9%	4.6%
Total	**75,551**	**6.0%**	**100.0%**	**100.0%**

2) LENDING

A) THE MPS GROUP COMMERCIAL OPERATIONS

As a result of the above-mentioned hefty flows of disbursements, outstanding loans totalled EUR 95.3 billion (+14.6% in comparison with the data as of 31 March 2006; + 3.6% with respect to January 2007). Growth was mainly driven by domestic performing loans which advanced by approx. 13.3% **(with a market share of roughly 6.4%)** boosted by short-term loans (+19.8% year on year) and the considerable – although decelerating – growth of medium-/long-term loans (+9.5% y-o-y).

Following is a breakdown of consolidated loans by type:



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

LOANS TO ORDINARY RESIDENT CUSTOMERS ITALIAN BRANCHES
Distribution by Customer Residence - in EUR mn

GEOGRAPHICAL AREA	31.03.07	% weight	
(in millions of euro)		31.03.07	31.03.06
Northern Italy	27,792	32.6	32.8
Central Italy	39,807	46.7	46.5
Southern Italy and Islands	17,625	20.7	20.6
Total	**85,224**	**100.0**	**100.0**

Following is a breakdown by business sector:

Customer loans
(in millions of euro)

	31/03/07	% chg yoy	% weight 31/03/07	% weight 31/03/06
Commercial Banking/ Distribution network	40,065	10.0%	44.2%	46.0%
Corporate Banking / Capital Markets	49,744	18.5%	54.9%	53.0%
Private Banking/Wealth Management	793	-3.0%	0.9%	1.0%
Total	**90,602**	**14.4%**	**100.0%**	**100.0%**

B) CREDIT QUALITY

The MPS Group closed the first quarter of 2007 <u>with a net exposure in terms of impaired loans</u> estimated to be slightly increasing (abt. +1.3%) with respect to the end of 2006. This confirmed the declining weight of impaired loans with respect to total customers' loans recorded in 2006.
The ratio of NPLs and watchlist credits (net of valuation adjustments) to total loans came to 2.88% with respect to 2.94% as of 31 December 2006.

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**31/03/07**	**31/12/06**	**% weight 31/03/07**	**% weight 31/12/06**
A) Impaired loans	**3,890**	**3,839**	**4.08**	**4.18**
a1) Non-performing loans	1,734	1,691	1.82	1.84
a2) Watchlist loans	1,010	1,015	1.06	1.10
a3) Restructured loans	106	111	0.11	0.12
a4) Past due	1,041	1,022	1.09	1.11
B) Performing loans	**90,838**	**87,523**	**95.37**	**95.19**
C) Other assets	**524**	**579**	**0.6**	**0.6**
Total customer loans	**95,253**	**91,941**	**100.0**	**100.0**

These results were due to the good trend of gross exposures, with a modest increase in NPLs (+4%), a limited decrease in watchlist credits (-0.3%), and the positive outcome in terms of management of the NPLs portfolio mandated to MPS Gestione Crediti Banca which collected a total amount of EUR 141 million for the whole Group (+6.6% with respect to 31 March 2006).

With reference to the coverage of impaired loans, the amount of value adjustments stood at 39.4% of total loans (+0.7% approx. with respect to December 2006) **and came to 54.7% in relation to NPLs** (over 58.3% in relation to the commercial networks). **The percentage of coverage of the original value of NPLs (inclusive of the losses posted in prior years) approximated 70% in relation to ordinary loans. Portfolio valuation adjustments to performing loans accounted for roughly 0.5% of the aggregate.**

■ **PROVISIONING RATIOS**

	31/03/07	31/12/06	31/12/05
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**47.0%**	**46.3%**	**44.9%**
"provisions for watchlist loans"/"gross watchlist loans"	**25.3%**	**25.1%**	**26.0%**
"provisions for NPLs"/"gross NPLs"	**54.7%**	**54.1%**	**52.8%**

Following is the 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	1,734	676	236	149	567	57	24
% weight on customer loans	1.8%	1.3%	1.7%	1.4%	5.1%	1.3%	0.5%
"loan loss provisions"/"gross NPLs"	**54.7%**	**58.4%**	**57.8%**	**58.4%**	**33.3%**	**77.3%**	**75.9%**
Watchlist loans	1,009.5	306	195	82	238	97	26
% weight on customer loans	1.1%	0.6%	1.4%	0.8%	2.1%	2.2%	0.6%
"loan loss provisions"/"gross watchlist loans"	**25.3%**	**32.4%**	**24.3%**	**17.9%**	**13.1%**	**31.5%**	**30.0%**

Banca per l'Impresa registered a more limited weight of valuation adjustments, due to the guarantees securing the loans disbursed by the company.

THE OPTIMIZATION OF THE LENDING PROCESS

In the first quarter of 2007 the MPS Group continued to develop its **loan disbursement processes** to the customers and the **monitoring processes,** with a view to identifying deteriorating customer loans and introducing the appropriate instruments for the coverage of increased risks.

With reference to the procedure developed for the management of "individual" Customers (**Retail Electronic Loan File)**, the pilot stage was started in five branches of Banca MPS. Its extension to the commercial bank networks, which is expected to be completed no later than the end of May 2007, will contribute to the finetuning of the coverage of the portfolios subject to Basle II validation by the Bank of Italy.

In March 2007, after the release of the new models for PD calculation, the MPS Group implemented the rules in relation to the management of customers shared by the Group banks with their introduction in the **Corporate Customer Electronic Loan File,** with the objective of issuing a single rating.

On the front of projects, the Credit Policies and Control Area, in co-operation with the Risk Management Unit, within the scope of the validation programme of the IRB approach (Basle II) with reference to credit risk, adjusted all internal rating models for each counterparty category. However, the whole process – which is almost completed - is still being finetuned. With regard to the additional factors of credit risk (LGD, EAD and Mitigation), the estimates of the respective ratios in relation to loss rates on default positions have been adjusted and the Conversion Factors for the determination of Default Exposure have been calculated.

PROFITABILITY AGGREGATES

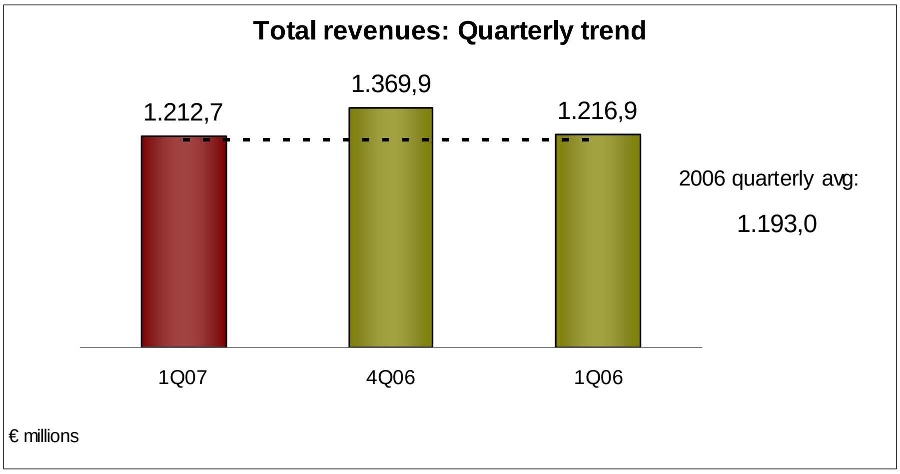
As a result of the above-mentioned dynamics, primary banking Income grew by 5.9%. This confirms the acceleration experienced in the last quarters (June, September, December) in comparison with the 3.4% increase in 2006 (+3.2% in September 2006 and +2.2% in June 2006), driven by the structural development of the core business.

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, in the first quarter of 2007 **financial and insurance income stood at EUR 1,212.7 million, virtually steady (-0.3%) year on year, with the "core" component (interest income + customers commissions) advancing by 5.9%.** Therefore, income from financial and insurance business – excluding income resulting from the sale of equity investments – **increased by 4.6%.**

The main aggregates developed as follows:



- **Interest income (in the amount of EUR 705.4 million) rose by 9.2% with respect to 31 March 2006, accelerating the strong momentum recorded in 2006 (+5.2%).** The Commercial Areas contributed with a global increase of around 8% (about +5% in December 2006) which benefited from the expansion of average volumes traded (more than 10%), and a virtually steady spread (in line with the levels recorded as of 31 March 2006);

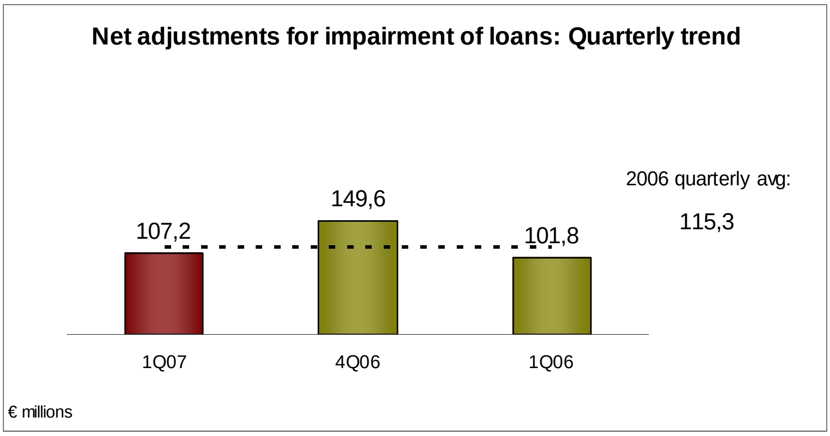
- **Net commissions grew modestly by 0.3% with respect to 31.03.2006 at EUR 389.4 million.** Income from asset management dropped by 6.8%, thus absorbing the elimination of overperfomance commissions in relation to the Ducato funds. Income from service commissions rose by 4.5%, in view of the development of fiduciary relations ;

- **<u>Dividends, similar income and Profits (Losses) from equity investments</u>** amounted to **EUR 30.3 million** (EUR 6 million as of 31 March 2006) including profits in the amount of EUR 26 million attributable to the disposal of a portion of the stake held in Finsoe spa;
- **<u>Net income from trading/valuation of financial assets</u>** came to EUR 88.2 million (EUR 176.3 million as of 31.03.2006). It is important to point out that in the first quarter of 2006 profits from the sale of the equity investments held in Fiat and BNL amounted to about EUR 80 million.

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

	31/03/07	31/03/06
Net Profit from trading	79.2	107.3
Profit/loss from loans, available for sale financial assets and financial liabilities For sale and financial liabilities	3.5	74.3
Fair Value financial assets and liabilities	5.5	-5.3
Net result from realisation/valuation of financial assets	**88.2**	**176.3**

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



With reference to income resulting from loan disbursements, in the first quarter of 2007 the Group posted **<u>net valuation adjustments to impaired loans</u> in the amount of EUR 107.2 million (EUR 101.8 million as of 31.03.2006), with a decreasing provisioning rate in comparison with 2006 (50 bp)**. This is indicative of the improved quality of the Group's loan portfolio, which is proved by the falling weight of net impaired loans to customers' loans.

Net valuation adjustments to losses on financial assets showed a **negative balance** (**EUR 4.4 million**), mainly attributable to valuation adjustments made to some equity investments.

As a result, **<u>income from financial and insurance business</u> totalled EUR 1,101.2 million (EUR 1,116.5 million as of 31 March 2006), with a 3.9% growth excluding income from the sale of the equity investments held in FINSOE (in 2007) and FIAT and BNL (in Q1 2006)** .

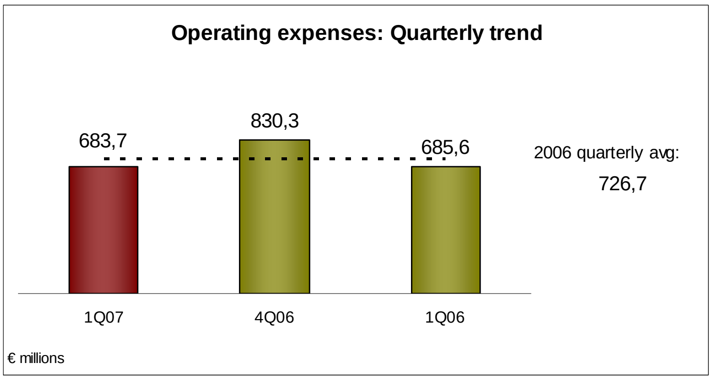
OPERATING EXPENSES: OPERATING CHARGES

In line of continuity with past years, the MPS Group continued to carry out initiatives for the structural containment of expenses during the first quarter of 2007. Although in light of developing investments in technologies, and communications and investments oriented to geographical expansion, the MPS Group was able **to close the period with virtually steady operating charges year on year, in line with the planned objectives which expect a decreasing expense trend at year-end.**

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

	31/03/07	31/03/06	Abs. chg. vs 31/03/06	% chg. vs 31/03/06
Personnel expenses	430.8	435.3	-4.4	-1.0%
Other administrative expenses	223.3	219.1	4.3	2.0%
Administrative expenses	**654.2**	**654.3**	**-0.2**	**0.0%**
Net adjustments to the value of tangible and intangible fixed assets	29.5	31.3	-1.7	-5.5%
Operating expenses	**683.7**	**685.6**	**-1.9**	**-0.3%**

■ <u>In particular:</u>



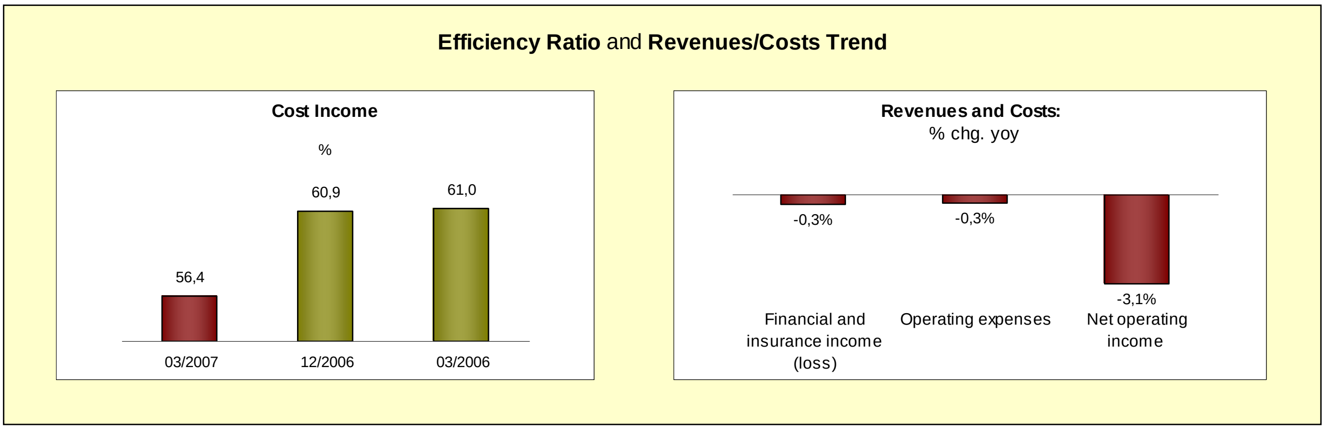
A) **<u>Administrative expenses</u> remained steady in comparison with 31.03.06,** as a result of:

- **Personnel expenses** in the amount of EUR 430.8 million, with a 1% decline mostly attributable to the structural benefits resulting from the reduction and re-mix of personnel, implemented in the final part of last year (huge outflow of human resources with high seniority and old age);

- **<u>Other administrative expenses</u> (EUR 223.3 million,** net of recoveries of stamp duty) **progressed by 2%,** 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.

B) **<u>Net valuation adjustments to tangible and intangible assets</u>** amounted to EUR 29.5 million declining by 5.5**%** with respect to 31 March 2006.

Accordingly, the Net Operating Profit stood at EUR 417.5 million (EUR 430.9 million as of 31.03.2006) and climbed by 12.2% excluding income resulting from the above-mentioned sales**. The cost/income ratio was 56.4% (60.9% as of 31 December 2006).**



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

The negative balance of **<u>Net provisions for risks and charges and Other operating income/charges</u>** in the amount of EUR 13.7 million (-EUR 11.1 million as of 31 March 2006) contributes to **Net profit for the period**.

Given the effect of the foregoing, profits from current operations before taxes came to EUR 403.9 million (EUR 419.8 million as of 31 March 2006).

Rounding out the picture of profitability are:

- **Income taxes on current operations for the year** in the amount of EUR 176.6 million (EUR 178.2 million as of 31 March 2006), with a tax rate of roughly 40% compromised by an increase in IRAP rates decided by the Region of Tuscany as of 1 January 2007.
- **Profits from groups of assets being sold after taxes** in the amount of EUR 29.7 million, totally attributable to the insurance business (the contribution of the insurance business in the first quarter of 2006 came to EUR 24.9 million. The decline with respect to the prior year was determined by the final elimination from consolidation of the tax-

collection business, which contributed to the Group's results with EUR 14.3 million as of 31 March 2006.

Therefore, also in view of the contribution from the above-mentioned components and minority interests, consolidated net profit for the period stood at EUR 253.6 million (EUR 277.5 million as of 31 March 2006) and progressed by 9.7% with respect to estimated profits for the first quarter of 2006, excluding profits from the sale of equity investments. Annualized ROE was 13.1% (ROE calculated on average shareholders' equity: 12.1%).

Such results took 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 23.9 million) and **Banca Toscana** (EUR 31.7 million).

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SEGMENT REPORTING, SALES AND MARKETING POLICY, RESEARCH AND DEVELOPMENT

1) PRIMARY SEGMENT REPORTING

With reference to the *Segment 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 areas committed to carrying out consolidated operations**.

- On the basis of said approach, following is a breakdown of the results achieved by the business areas as of 31 March 2007, in accordance with the pattern adopted in the Financial Statements as of 31 December 2006 and in compliance with the new organization structure as defined by the 2006-2009 Business Plan.

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

31/03/07	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)	**679.7**	**8.0%**	**79.5**	**-16.7%**	**339.5**	**1.2%**	**114.1**	**-27.1%**	**1,212.7**	**-0.3%**
Net adjustments for impairment of loans and financial assets	-69.3	10.4%	-0.4	-71.7%	-38.3	-5.6%	-3.6	-182.5%	-111.6	11.2%
Operating expenses	-388.3	1.2%	-42.8	-5.0%	-158.5	1.7%	-94.1	-6.9%	-683.7	-0.3%
Net operating income	**222.1**	**21.3%**	**36.3**	**-26.0%**	**142.6**	**2.6%**	**16.5**	**-72.5%**	**417.5**	**-3.1%**
CAPITAL AGGREGATES										
Performing loans	40,065.3	10.0%	793.3	-3.0%	49,743.7	18.5%	2,916.5	25.4%	93,518.8	14.7%
Due to customers and securities	46,288.1	6.2%	4,477.8	35.5%	24,785.4	1.8%	20,275.5	42.3%	95,826.8	12.1%
Assets under management	32,237.6	-1.8%	11,937.1	0.6%	3,209.0	-13.0%	1,014.4	-15.89%	48,398.1	-2.4%
PROFITABILITY RATIOS										
Cost Income	57.1%		53.8%		46.7%		82.4%		56.4%	
Raroc	30.1%		24.4%		13.8%				12.1%	

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

A) COMMERCIAL BANKING AND DISTRIBUTION NETWORK

The sales and marketing policy and product/service innovation

In the first quarter of 2007, the activity of the Commercial Banking and Distribution Network Area continued **to focus on the customer's centrality** and was based on the "ethical" principles of clarity, transparency and the utmost attention to the requirements indicated, with emphasis placed on the optimization of the quality of the services rendered.

On the front of **product innovation**, several initiatives were launched in all the main competitive areas, ranging from funding instruments to payment instruments, mortgage loans and consumer credit. In particular, the **renewal of the range of current accounts** was intensified and based on (i) the specialization on customer clusters with similar requirements and (ii) the sharp reduction in the categories of ordinary accounts. With a view to enabling full operations without visiting the Bank, the Area launched **online access to Ulisse account,** with the Customer executing the agreements of current account, Internet Banking and debit card (international circuit) directly online.

With reference to **mortgage loans**, the Area released (i) **Mutuo Domani**, a fixed rate mortgage loan with pre-determined growing instalments oriented to facilitating access to mortgage loans to low-income customers who intend to buy their first house and (ii) **On/Off Mortgage Loan** targeted at atypical workers. This was flanked by the restyling of the pricing of the **Cap Mortgage Loan**, for the purpose of better adjusting its competitive potential.

As far as **personal loans** are concerned, the Area launched a loan (PRS Microbusiness) targeted at individuals who own one-man businesses or are partners of companies, for business requirements or for the purpose of the recapitalization of small companies. **The restyling of PRS Casa and PRS UNA** involved new loan ceilings and new maturities. The commercial campaigns started in relation to these two products involved more than 200,000 customers. **PRS Pubblico** (i.e. the assignment to civil servants of one fifth of their salary) is currently being promoted. 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 Damage Policy).

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**, the Area completed the involvement of all the Group's branches in the **Method** project, which plans the account managers' business activity on a monthly basis, in relation to the **Affluent** segment. Several training initiatives were also activated in relation to the Affluent segment, including the new version of the **Investments and Social Welfare Academy** classes. Training is under way on **ISVAP regulations**, which contemplate compliance with specific constraints for the placement of insurance products.

The sales and marketing policy for the **Family segment** was mostly oriented to implementing initiatives for the purpose of increasing funding flows and the customers' portfolio. Both the increase in funding flows and in customers' portfolio were based on **promotions**, with commercial campaigns included in the so-called "Family Programme" in the case of funding. With regard to the development of the customers' portfolio, promotion 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, including the Ducato Ethical Funds and the funding instruments targeted at the youth characterized by very low management fees.

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 service of remittance with no fees rendered to the immigrants who send money to their countries of origin (an almost unique business transaction in the banking industry).

COMMERCIAL PLATFORMS

From the viewpoint of organization, the activity focused on the innovation of relations management instruments with reference to the **Family** and **Affluent** segments. In addition, the Group launched a **real new Small Business Service model.**

On the front of the management of **Affluent Customers** portfolios, **BMPS inaugurated the relation Groups** which optimize the follow-up of the Customers' portfolio by the account manager through their "re-mapping".

As of 31 March 2007, **the percentage of Affluent Customers managed through the Carattere platform topped 70%,** with the upper segment accounting for roughly 87%. The application of the Carattere platform implies a higher contribution in terms of deposits and a higher percentage of funds under management and innovative finance with respect to total portfolio funding.

The application of the **Family platform** mostly focused on **customers' retention and upgrading** to more advanced service models. In particular, the Contact Center and the Networks were in charge of arranging the campaigns in relation to customers' retention, with (i) the Contact Center clustering the targets so as to make more targeted phone calls and (ii) the Networks giving specific lists of customers showing defection risk directly to the Family account managers.
The process of innovation continued by fully designing an instrument of customer interaction (**Cruscotto Family)** which automatically displays the distinctive features of a customer "captured" at the bank counters. The pilot stage, training and extension of this project will be completed in the second quarter of 2007. Besides, the Parent Bank used a multichannel communications platform **("Prompting customers' calls"),** with customized messages being sent to the customers through ATMs or Home Banking. This technology is expected to be extended to the other Group Banks in the second quarter of 2007.

The operations in relation to the Small Business segment were reviewed and about 3,000 businesses were selected for migration to the Corporate segment, due to their sophisticated banking requirements, for the purpose of better meeting their needs and ensuring smoother business actions.

The **business rules of conduct involving the Small Business segment have been reworded.** In particular, the Group prepared a new model of sub-segmentation, which classifies the customers by relation intensity, and a new method of business relations management. In this logic, the Group re-defined the product catalogue, identified the primary needs to be met, by sub-segment and business macro-area, and selected a string of priority products for each customer. In addition, the **lending process was reviewed** with an innovative monitoring of simplified loan files *(see the section covering "The optimization of the lending process" in the chapter dealing with the Corporate market*).

In addition to these structural elements, the MPS Group embarked on some **major commercial campaigns – especially in relation to the staff severance indemnity reserve and professionals** – and campaigns in support of the market development of newly-opened branches, which contributed to the sizeable expansion of the Group's Small Business customer base (more than 5,000 new businesses in 3 months).

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 totalling EUR 2,513.84 million and EUR 1,964.64 million, respectively, mostly driven by bonds and index-linked policies. As a result, total funding progressed, although it was influenced by customers' upgrading to the segment of Private Customers. Loan volumes advanced remarkably with respect to 31 March 2006, with medium-/long-term loans emerging.

Total income (EUR 680 million) rose by 8% y-o-y, driven by interest income which accelerated its growth (total income growth in 2006: 6.1%). Net Operating Profit stood at EUR 222 million with an increase of 21.3% year-on-year. The cost/income ratio for Commercial Banking & Distribution Network was 57.1% (60.9% in December 2006).

■ Commercial Banking / Distribution network

(in millions of euro)	31/03/07	% chg yoy
INCOME AGGREGATES		
Net interest income	442.1	9.8%
Net commissions	235.6	4.7%
Financial income (loss)	2.0	6.5%
Net Financial income (loss)	**679.7**	**8.0%**
Net adjustments for impairment of loans and financial assets	-69.3	10.4%
Operating expenses	-388.3	1.2%
Net operating income	**222.1**	**21.3%**
CAPITAL AGGREGATES		
Performing loans	40,065.3	10.0%
Due to customers and securities	46,288.1	6.2%
Assets under management	32,237.6	-1.8%

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 7.2 million (-EUR 2.4 mln in comparison with 31 March 2006);
- **Banca Monte Parma (**a 49.3% associated company consolidated with the proportional method) realized a net profit of EUR 3.48 million (+39.5% y-o-y);
- **Banca Popolare di Spoleto** (equity investment consolidated with the proportional method: 25.9%) realized a net profit of EUR 3.21 million (-0.2 mln y-o-y).

B) PRIVATE BANKING & WEALTH MANAGEMENT

The sales and marketing policy and product/service innovation

In the first quarter of 2007, the major initiatives undertaken included **the development of private banking supply (**financial and non-financial services**) and the expansion of geographical presence**, with the opening of the Private Centers of Reggio Calabria and Chiusi (Siena).

During Q1, the MPS Group set the **guidelines for the development in 2007 of the range of Private products:**

- **Search for specific solutions for Private Customers** (certificates, bonds, UCITS III, with underlying alternative and innovative strategies) expected to be released no later than the first half of 2007;
- **Increasing flexibility in relation to the customers' requirements**, with the opportunity of changing management lines also by subscribing only one management mandate (expected implementation: no later than the end of 2007).

With reference to communications, the Group started **a series of conferences ("Scenarios and perspectives of the financial world in 2007")** which will take place during the year in 12 of the main Italian cities. About 450 people participated in the events organized in Milan, Mantua and Rome during the first quarter of 2007.

In relation to **product innovation**, a series of initiatives oriented to consolidate business with respect to **Assets Management, Life Insurance Policies and Innovative Finance** were organized in the area of **Wealth Management.** These initiatives were based on quality components of the existing range and innovations. In particular:

- **Assets management**: the Group **pursued the process of review of the whole range of Ducato funds,** with some mergers which decreased the number of funds from 33 to 27. In addition, the Group streamlined the structure of costs in relation to managed UCITs, with management fees now including all expenses incurred by the fund.
- **Life policies**: the Group undertook some initiatives, such as the restyling of Bussola Speciale and the launch of other versions of Bussola Certo insurance policy with a more attractive payoff, in support of **the traditional life insurance sector. An index-linked policy** with underlying indices and multibrand funds was made available. On the front of **unit-linked policies**, the Group concentrated its activity on the revival of Personalità through a promotional campaign to be held from March to June and arranged portfolios in compliance with the Carattere platform.

- **Innovative finance**: New products were devised **in co-operation with primary international investment firms**, with the objective of further diversifying supply for our Customers.

During the first quarter of 2007, the **PGA (Professional Global Advisor) System - w**hich represents the main support in the process of relational interaction with Private customers – was further upgraded. In general, the advisory PGA and Carattere platforms have been developed and finetuned (within the Wealth Management excellence platform) in view of creating a **more structured advisory service, in compliance with the MFID provisions,** which incorporates contractual relationship and the monetization of business, in accordance with the markets and the modes/scope of application.

OPERATING RESULTS

As of 31 March 2007, the **commercial flows** of the Private Banking and Wealth Management Area (total flows in the amount of EUR 656 million) accelerated substantially and – as a distinctive feature of the Service model - were mainly concentrated on Wealth Management, with a weight of more than 37.75% of total flows.

As a result, total funding of Private Banking progressed considerably year on year.

Total income of Private Banking & Wealth Management came to EUR 79.5 million, dropping by 16.7% 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 collected the Ducato Funds assets). Net Operating Profit stood at EUR 36.3 million with a decrease of 26.0%. The cost/income ratio was 53.8% (54.6% in December 2006).

■ Private Banking/Wealth Management

(in millions of euro)	31/03/07	% chg yoy
INCOME AGGREGATES		
Net interest income	15.9	22.3%
Net commissions	61.5	-23.3%
Financial income (loss)	2.1	-7.0%
Net Financial income (loss)	**79.5**	**-16.7%**
Net adjustments for impairment of loans and financial assets	-0.4	-71.7%
Operating expenses	-42.8	-5.0%
Net operating income	**36.3**	**-26.0%**
CAPITAL AGGREGATES		
Performing loans	793.3	-3.0%
Due to customers and securities	4,477.8	35.5%
Assets under management	11,937.1	0.6%

The companies contributing to Private Banking & Wealth Management include:

- **MP Asset Management SGR** posted a consolidated net profit of EUR 10.9 million (- EUR 11.7 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 22.4% growth of total funding y-o-y and the containment of net losses (EUR 1.8 million), as planned.

C) CORPORATE BANKING & CAPITAL MARKETS

THE SALES AND MARKETING POLICY AND PRODUCT/SERVICE INNOVATION

In the first quarter of 2007, 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**, **in support of the development of the domestic entrepreneurial fabric.**

Particular emphasis was placed on the relationship with **Confidi**, which play a more prominent role after the reform and their transformation into a risk-mitigating party. **The survey conducted in relation to the size of the Confidi operating in the domestic territory** 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 services, and **exchanging IT flows on common platforms.**

The numberless projects in co-operation with primary Italian partners for the **development and competitive corporate 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.** On the basis of the positive outcome of this initiative, a working group was set up with the objective of arranging a process for the **submission of loan applications in relation to the projects produced and their disbursement;**

- **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** after the closing of loan disbursements (about 240 million) in December 2006, the activation of the procedures **of control of the existence of the conditions required for securitization**.

- **With reference to Local Authorities,** the first contacts with ANCI Toscana in order to arrange negotiating tables and encourage know-how exchange in support of technical staff, operating in the Local Authorities participating in ANCI, and involved in the management of financial and capital services of Tuscan Municipalities.

With reference to support to corporate development, the MPS Group – together with other primary Italian Banking Groups – is one of the main sponsors of the **initiative for the establishment of ACM** (Alternative Capital Market). This market, expected to be started soon and to be 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 Calls for Bids (industry, tourism and trade). 240 transactions were qualified for obtaining subsidized loans, with investments topping EUR 400 million and Banca per l'Impresa playing the role of Concessionaire/Agent and, in most cases, Lender.

The **new products** launched during the first quarter incorporate:

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

- The completion of "**Edilcarnet", a package targeted at the building industry**, represented by an appropriate 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 continued activity in relation to "**A Basilea"** (To Basle), a medium-/long-term loan 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 product was completed and made available to the Commercial Bank Networks in April 2007;

- The completion of the activity in relation to the "**Loan with EIB funds**". This new product – which allows to raise funds for specific investment projects at very profitable rates due to the EIB funds – is being released and is expected to be made available to the Commercial Bank Networks in May 2007.

Furthermore, the MPS Group undertook a series of initiatives oriented to seizing the opportunities given by the **Reform of Supplementary Social Welfare** to the companies and their employees. Against this backdrop, the Group prepared **IT instruments** to be used by the Network employees participating in the relative commercial campaigns. In particular, the initiatives undertaken in the first quarter incorporate **"Tool TFR (Staff severance indemnity)",** an instrument devised for the purpose of estimating the economic impact on the companies of the transfer of the accrued staff severance indemnity reserve (TFR) to the Pension Funds and/or INPS (the National Social Security Agency), also in view of the cost of any loans in relation to such transfers.

With reference to leasing operations carried out by **MPS Leasing & Factoring**, **MPS Commercial Leasing** – a wholly-owned subsidiary of MPS L&F - started operating with the objective of optimizing the activity with leasing agents and expanding operations to suppliers and dealers.

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.

Following are the key initiatives with reference to **corporate finance**:

- As regards **project financing**, the Group became Mandated Lead Arranger (MLA) in relation to the General Contractor for the High Speed project – Florence junction. As far as **utilities** are concerned, and in particular Integrated Water Supply, the MPS Group executed structured loans in favour of ATO no.4 Liguria (La Spezia) and ATO no.5 Sicily (Enna), with the Bank having the mandate to arrange a loan in relation to the whole thirty-year environment plan.
- **The Acquisition Financing** business continued to expand with 12 acquisitions conducted during the first quarter of 2007. They were promoted by primary private equity institutional players in relation to important Italian corporates (e.g. Saeco, Ferretti, Riello). The MPS Group also played the role of Mandated Lead Arranger (MLA) in the deal concerning Tech Med (Arkimedica Group) and of Co-Arranger in the deals concerning Alpha (Vini Giordano group), Gatto Astucci Group and Morris Profumi.
- **M&A advisory services** were developed through the acquisition and/or management of mandates which mainly concerned deals with private counterparts in relation to extraordinary corporate finance operations.

- In the area of **private equity**, **MPS Venture SGR** (the Italian asset management company, a subsidiary of MPS Banca per l'Impresa, which manages most closed-end funds in Italy) executed two new investment transactions: Erelid SA **(Phard Group**) through MPS Venture 2, MPS Venture Sud and MPS Venture Sud 2 and **Segis S.p.A.** through Siena Venture Fund.

Service-related activity encompasses the business line in relation to **loans for scientific research.** MPS Banca per l'Impresa and the Ministry of Economic Development already renewed or are renewing the Conventions signed for the inquiry and management of operations in relation to the **Fund for Technological Innovation** (FTI). MPS Banca per l'Impresa and the Ministry of

University and Research (MUR) have renewed the agreement in force for similar operations in relation to the **Fund for Research (FAR)**.

COMMERCIAL PLATFORMS

As already mentioned with reference to the implementation of the **2006-2009 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 basis of additional segmentation criteria concerning loans granted by the Bank, the banking industry and foreign operations.

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 the Parent Bank.

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.

OPERATING RESULTS

In the first quarter 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. In this framework, the growth of **new loan disbursements** remained hefty and the positive trend of **specialized credit** continued, with all business lines developing considerably in comparison with prior year.

As a result, 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 the outflow of a large corporate deposit at the end of 2006, which was recovered only partially in the first quarter of 2007.

Total income for Corporate Banking & Capital Market (EUR 339.5 million) progressed in comparison with the results as of 31 March 2006 (+1.2%), due to clearly developing operations which implied an expansion of interest income and net commissions (+8.9%). The net operating profit amounted to EUR 142.6 million, increasing by 2.6% y-o-y. The cost/income ratio for the Area came to 46.7% (versus 49.4% as of December 2006).

■ Corporate Banking / Capital Markets

(in millions of euro)	31/03/07	% chg yoy
INCOME AGGREGATES		
Net interest income	221.4	-1.5%
Net commissions	89.1	8.9%
Financial income (loss)	28.9	0.5%
Net Financial income (loss)	**339.5**	**1.2%**
Net adjustments for impairment of loans and financial assets	-38.3	-5.6%
Operating expenses	-158.5	1.7%
Net operating income	**142.6**	**2.6%**
CAPITAL AGGREGATES		
Performing loans	49,743.7	18.5%
Due to customers and securities	24,785.4	1.8%
Assets under management	3,209.0	-13.0%

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 15.2 million (+1.1%).

- **MPS Leasing & Factoring – Banca per i servizi finanziari alle imprese** consolidated its market position and posted a net profit of EUR 4.4 million (+129.6% y-o-y).

- **MPS Finance** posted a net profit of EUR 5.2 million (-76% y-o-y which benefited from the distribution of once-only dividends from a subsidiary).

- **Intermonte** closed the period with a net profit of EUR 10.3 million (+4% y-o-y).

D) CORPORATE CENTER

The Corporate Center is an aggregation of (i) all operating units which are individually below the benchmarks required for primary reporting, (ii) 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), (iii) 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**

A) PROPRIETARY FINANCE

The first quarter of 2007 initially experienced good performances of the riskiest asset classes (equities and loans), as already shown in the prior quarter. The sharp adjustment occurred between the end of February and the beginning of March was attributable to the dramatic decline of some Asian equity indices (in particular, China) and a few alarming signs coming from the sector of the US sub-prime mortgages. However, the adjustment stage did not last for a long time and was fully re-absorbed at the end of the quarter.

Against this backdrop, the activity of the Proprietary Finance Unit did not change considerably during Q1 2007. As a whole, the Group maintained a net "buying" exposure in relation to the riskiest assets classes, which was tactically adjusted in accordance with alternating market cycles. As a result of this situation at the end of the quarter, the Banking Group's trading assets were positioned at EUR 31.9 bn (EUR 26.4 bn as of 31 December 2006).

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

	Parent Company			MPS Group		
	31/03/07	abs. Chg		31/03/07	abs. Chg	
		yoy	%		yoy	%
FINANCIAL ASSETS FOR TRADING PURPOSES	**11,742**	**958**	**8.9%**	**31,926**	**5,483**	**20.7%**

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

	Parent Company			MPS Group		
	31/03/07	abs. Chg		31/03/07	abs. Chg	
		yoy	%		yoy	%
FINANCIAL LIABILITIES FOR TRADING PURPOSES	**3,377**	**(531)**	**-13.6%**	**20,680**	**2,498**	**13.7%**

The portfolio of financial assets available for sale stood at EUR 4,148 million, with a 1.4% increase in comparison with 31 December 2006:

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

	Parent Company			MPS Group		
	31/03/07	abs. Chg		31/03/07	abs. Chg	
		yoy	%		yoy	%
Financial assets available for sale	**2,712**	**4**	**0.1%**	**4,148**	**56**	**1.4%**

B) TREASURY

Treasury operations in the first quarter of 2007 recorded an additional increase in trading volumes both in relation to the management of liquidity flows of the MPS Group's commercial and financial lending and the management of the respective interest rate risk. Therefore, as shown in the following table, **the MPS Group's consolidated interbank balances increased, with the net borrowing position increasing with respect to 31 December 2006 at – EUR 6.6 bn,**

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

	Parent Company			MPS Group		
	31/03/07	abs. Chg		31/03/07	abs. Chg	
		yoy	%		yoy	%
Amounts due from banks	33,082	3,328	11.2%	14,060	2,069	17.3%
Amounts due to banks	24,110	3,653	17.9%	20,627	4,750	29.9%
Net borrowing position	**8,972**	**(325)**	**-3.5%**	**(6,568)**	**(2,681)**	**69.0%**

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 14 new issues in a total amount of EUR 763 mln (for the Parent Bank only), including 32% of structured bonds and 68% of plain vanilla bonds;
- international operations – mainly targeted at institutional investors – with 7 new issues as part of the Debt Issuance Programme in a total amount of EUR 2,340 mln.

OPERATING RESULTS

The Finance Area of the Parent Bank made a contribution of EUR 93.4 million to total income, with a 5.1% decline year on year. The net operating profit, inclusive of costs, stood at EUR 84.9 million (+5.6%).

■ **Parent Company - Finance**

(in millions of euro)	**31/12/06**	**% chg yoy**
INCOME AGGREGATES		
Net interest income	21.7	-34.7%
Net commissions	6.2	-29.9%
Financial income (loss)	65.4	40.2%
Net Financial income (loss)	**93.4**	**5.1%**
Operating expenses	-8.5	1.0%
Net operating income	**84.9**	**5.6%**

THE MANAGEMENT OF THE GROUP'S EQUITY INVESTMENTS

1) Acquisitions of new equity investments

No significant acquisitions were carried out by the Bank and the MPS Group during the first quarter of 2007.

2) Participation in capital increase/reinstatement and equity investments increase

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, that is 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 according to IAS principles.

3) Disposal/Sales of equity investments

In addition to the total disposal of Saped Servizi and the partial sale of Evolution Bassilichi, during the **third quarter of 2007** the Parent Bank 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 13.0%, with a IAS book value of EUR 306,967,000.

INSURANCE AREA

The life insurance companies **(Monte Paschi Vita and Monte Paschi Life)** posted net profits in the amount of EUR 15.4 million and EUR 7.8 million, respectively. On the property casualty front, the net profit of **Monte Paschi Assicurazione Danni** advanced to a sizeable EUR 3.9 mln.

2) SECONDARY REPORTING

The Group international 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 support to the commercial penetration of new or emerging markets and assistance to foreign investment projects.

In the first quarter of 2007, the MPS Group started implementing the programme of transformation of its foreign operations in compliance with the **MPS Group Business Plan for International Operations (2007-2009).** The activities carried out include, in particular, the programme concerning the **domestic network and oriented to the sale of international products as a whole** and the development of relations with the customers operating in the international markets. The current pilot stage conducted in some SME Centers will be followed by the gradual extension to the rest of the domestic territory.

The developments of the **MPS Group international direct presence** incorporate:

- The **restructuring plan** of the branches in Frankfurt, New York and London.
- The definition of the organization model of the new **network HUBs** which will be in charge of co-ordinating the operations of the units located in the geographical areas of their competence.
- The start of the **establishment of Monte Paschi Monaco SAM**, with the spin-off of the assets of the Montecarlo Branch of MP Banque.

OPERATING RESULTS

The trading volumes of **International Banking** progressed y-o-y, in particular in terms of loan portfolio.

Income from financial and insurance business totalled EUR 25.7 million with a 9.1% increase with respect to March 2006. The net operating profit stood at EUR 6.4 million (with a 105.1% increase y-o-y). The cost/income ratio came to 83.4% (82.7% in December 2006).

■ SEGMENT REPORTING - Secondary segment

(in millions of euro)

31/03/07	Foreign	% chg yoy
DATI ECONOMICI		
Net Financial income (loss)	**25.7**	**9.1%**
Net adjustments for impairment of loans and financial assets	2.1	ns
Operating expenses	-21.5	2.2%
Net operating income	**6.4**	**105.1%**
CAPITAL AGGREGATES		
Customer loans	2,280.3	30.9%
Due to customers and securities	8,683.5	28.7%
PROFITABILITY RATIOS		
Cost Income	83.4%	
Raroc	3.8%	

With reference to the foreign banking subsidiaries:

- **Monte Paschi Banque:** net profits amounted to EUR 6.1 million (EUR 3.9 million as of 31 March 2006);

- **Monte Paschi Belgio:** posted a net profit of EUR 0.58 million (EUR 0.74 as of 31 March 2006).

INTEGRATED RISK MANAGEMENT

RISK MANAGEMENT PROCESS AND COMPLIANCE WITH BASLE 2 STANDARD

The risk management process at the MPS Group is based on several fundamental principles which provide for a clear definition of control roles and responsibilities at three levels.

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

The Head Office is responsible for ensuring compliance with risk management policies and procedures. The Risk Committee prepares risk management policies and verifies the overall observance of the limits on risks assigned at various levels of operations. The Parent Bank Risk Committee has the responsibility of evaluating the risk profile of the single companies 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 Group funding, identifying initiatives to be adopted for the best risk-return profile of Asset & Liability Management and defining any capital management actions.

The Internal Controls Area is charged with defining the regulations applicable to the internal control systems and verifying the actual application and observance thereof.

The Risk Management Unit of the Parent Bank defines integrated methodologies of analysis for the measurement of overall risks in order to accurately and steadily monitor risks and quantify economic capital. The Unit produces daily and periodic reports for monitoring compliance with the operating 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 as well as Capital Requirements Directive (CRD) criteria, above all as far as the second pillar is concerned.

In the first quarter of 2007, the internal programme of compliance with the new Basle 2 Accord on Capital Adequacy to obtain the approval of the Supervisory Authorities of the advanced internal models for credit risks, operating risks and market risks was carried on.
In particular, the aims of the several programmes are: as to the AIRB model, to directly involve the four commercial banks of the Group (Banca MPS, Banca Toscana, Banca Agricola Mantovana and Banca per l'Impresa); as to the AMA model on operating risks, to involve 14 companies of the Group starting from the first stage, including the above-mentioned commercial banks, thus implying a huge organizational work; finally, as to the internal model on market risks, to involve, from the very beginning, the Risk-Taking Centres (i.e Banca MPS, MPS Finance BM and MP Ireland Ltd) of the Group with remarkable accounts as far as the Held-for-Trading portfolio is concerned which is the new trading supervisory portfolio framework (i.e. Banca MPS, MPS Finance BM and MP Ireland Ltd), in compliance with the new provisions.

In compliance with Basle 2 Standard, in the first months of 2007, the Group activities aimed at optimizing credit, market and operating risk management continued.

CURRENT RISK KINDS

MPS Group risks can be summarized as follows: credit risks, market risks on the trading book, interest rate risks as registered in the Banking Book (Asset & Liability Management), liquidity risks, equity risks, counterpart and issuer risks, operating risks, insurance risks related to the Group insurance companies, business risks, i.e. the risks of losses resulting from the volatility of cost and income structure, image risks differing from the operating risks, i.e. the worsening of the trust relationship between the customers and the bank.

The Risk Management Unit of the Parent Bank defined integrated methodologies for the measurement and the monitoring of the overall risks, in particular, directly impacting on the Group total assets, and produces daily reports for monitoring compliance with the operating limits set by the Board of Directors concerning 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 the image risks are concerned, in particular those regarding products and portfolios of Group customers and therefore indirectly impacting on the Group total assets, the latest organizational restructuring assigned to the Wealth Risk Management Unit, depending on the Private Banking/Wealth Management Area, the task of measuring and monitoring such risk.

Economic Capital definition

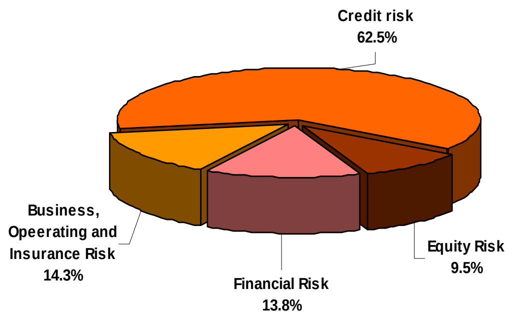
The MPS Group adopted, for all legal entities, common measurement methodologies of the economic capital meant as minimum asset resources necessary to cover economic losses resulting from unexpected risks events for all legal entities, as defined by the Risk Management Unit of the Corporate Center of the MPS Group.

The relevant risks within the assessment framework concern: a) **credit risk** (including counterpart risk**), b) market risk on trading book, c) rate risk registered on the Banking Book (ALM), d) operating risk, e) equity risk**, meant as the risk for losses resulting from the Investment portfolio.

VaR measurements - while keeping their individual value according to the ruling provisions and to the international best practices - are determined with holding periods and confidence intervals diversified by risk factors in compliance with the guidelines of the latest Supervisory Provisions for Banks issued by the Bank of Italy. However, in order to express an overall economic capital, risk measurements were standardized as far as both the time period (yearly holding period) and the selected confidence interval (99.93% in line with the rating level assigned to the MPS Group by the rating agencies). They are then diversified in "intra-risks" and "inter-risks" . The final output shows the overall internal capital diversified by Legal Entities, Business Units, Responsibility Areas, and is periodically reported in the Risk Management Report published by the Risk Management Unit of the Parent Bank. Moreover, the same measurement is carried out – at centralised level – for each Legal Entity, is shared with the corporate bodies of each entity while preparing the adequate reporting which is adjusted to the specific lines of business within the consolidation framework.

The above-mentioned risk measurements use, as input, the risk parameters provided for by the New Supervisory Regulations for Banks (Default Probability, Loss Given Default, Exposure at Default, Credit Risk Mitigation) and therefore follow their metrics, evolutions and updating according to the programmes of the Basle 2 Committee for the validation approach with the domestic Supervisory Authorities. The outputs of the Credit Portfolio internal Model developed and used by the Risk Management Unit of the Parent Company, on the one hand, are essential to monitor credit risks, both as to space and time, and, on the other hand, are also used according to different analysis guidelines such as a) evolution analysis of risk and overall internal capital resulting from the application of Business Plan/Budget guidelines b) definition of reference values aimed at underlying the consistency of accounting provisions in compliance with IAS regulations; c) the "active" risk management through risk profile/performance optimization techniques by customer kinds, legal entities and exposures; d) the use of internal management processes which are consistent with the policies of the operating credit units; e) the use of the same credit risk in monitoring.

Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - March 31th 2007



As of 31 March 2007, the economic capital of the MPS Group is attributable for more than 63% to the credit risk, for 9% to the equity risk, for 14% to the business, operating and insurance risks. The operating capital against the financial risks (including the trading portfolio, the ALM-Banking Book and the ALM in life insurance) amounts to 14% of the overall economic capital.

In this regard, the incidence of the economic capital on insurance risk is decreasing because of Banking Group equity investment restructuring. Moreover, interest rate risk measuring is also undergoing major reorganization linked with the sight items modeling which will be carried out in the next months of 2007 and which, in the light of better understanding and measuring risks, will produce effects on sensitivity measures of interest margin and economic value, which cannot be valued now given the absence of any simulation.

CREDIT RISK

Also in 2007, the MPS Group credit risk was analysed and monitored through the use of a Loan Portfolio Model internally developed by the Risk Management Unit of the Parent Bank including items of the most important legal entities of the Group.

The Loan Portfolio Model methodologically is in line with the quantity techniques mostly spread at international level and incorporates: a) probability defaults (PD) stemming from the internal rating systems which are subdivided by kinds of customers (Large Corporate, Small and Medium Enterprises, Small Business and Retail) but expressed according to a corporate and a retail masterscales which however 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 set of direct and indirect recoveries and costs of positions closed in default; c) the default exposure ratios to calculate the EAD; d) the factors mitigating risks such as collaterals, financial collaterals and personal securities.

The Model also calculates the effect of diversification through a sophisticated matrix of structural and dynamic correlation which is sensitive to the effect of risk concentration/diversification and consequently re-distribute the Unexpected Loss to each unit/company. This gives the Group the opportunity to aggregate and represent risks in accordance with the requirements of the MPS Group.

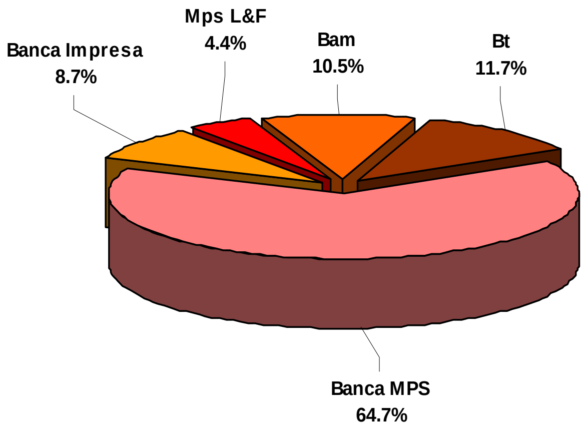
The output of the Loan Portfolio Model, included in the Risk Management Report periodically submitted to the top management during the meeting of the Risk Committee of the Corporate Center as well as to the top management of Banca Monte dei Paschi di Siena , is diversified since it underlines the evolution in time of credit risk through different aggregation of the analysed variables, such as legal entity, kind of customer, geographical areas, industries, rating categories, continental areas, etc.)

Main summarizing measurements are represented by a) the expected loss, representing the expected yearly average loss; b) the unexpected loss, representing the difference between the loss measured at the 99.93% confidence level – in a solar year – and the expected loss; c) risk measurements concerning default portfolio (i.e. bad debts, watchlist credit, restructured loans, past due loans, etc.; d) the economic capital actually representing capital absorption ratios resulting from each positions. Special stress testing analysis on certain variables such as default probability increase, loss ratio increase, guarantee value decrease, increase of margins available on revocation technical kinds is added, aimed at verifying the expected loss and the economic capital levels which would be achieved on the basis of extreme but possible backgrounds. However, as already mentioned, the relative measurements will be remarkably modified in 2007 within the Pillar II project.

Internal rating models were specifically developed on the basis of the Banking Group data within the validation area, as for EAD and LGD parameters, which were assessed using the work-out method: loss ratios was calculated on the basis of recoveries and historical costs which Banca MPS collected on bad debts during several years, properly discounted and amended through the cure-rate method to comply with the same default definition used by internal rating systems.

The above-mentioned input parameters, which are substantially the same as those used to determine the Statutory Capital in compliance with the new Basle 2 Accord, will be further improved in 2007 as to method and implementation, in view of the Workshops provided for by the Basle 2 Programme implemented by the MPS Group to reach, already in 2008, the validation goal of the Advanced approach. In particular, the EAD ratio estimates and the implementation procedures of the Credit Risk Management are being examined again, subject to a better identification of the guarantee framework.

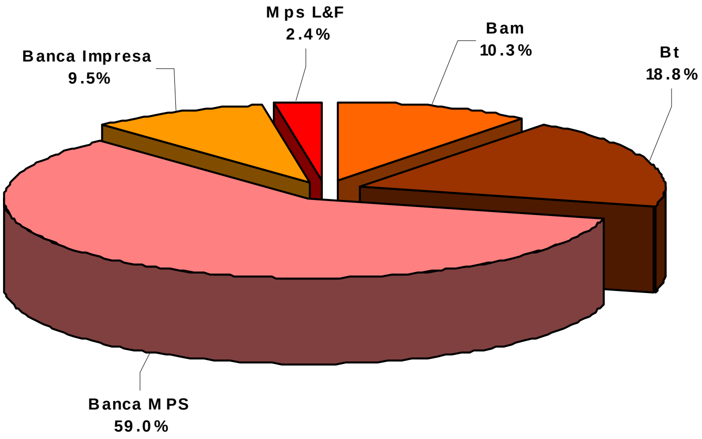
Risk Exposure
(ex. Intra-Group operations)
MPS Group* - March 31th 2007



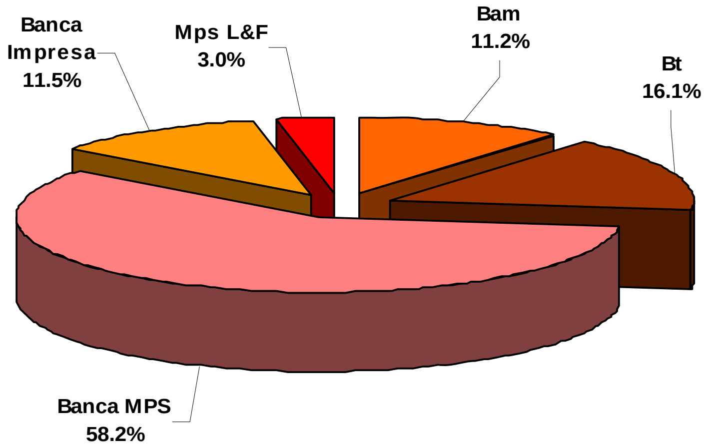
As of 31 March 2007, the breakdown of risk exposures recorded by the MPS Group slightly increased, with respect to the records at the end of December 2006, brought about by more loans to Banks and Financial Institutions, and, slighthly less, Financial Companies, Governments and Local Authorities.

Expected Loss has slightly decreased whereas Economic Capital, compared to 31 December 2006, slightly increased.

Expected loss
(ex. Intra-Group operations)
MPS Group* - March 31th 2007

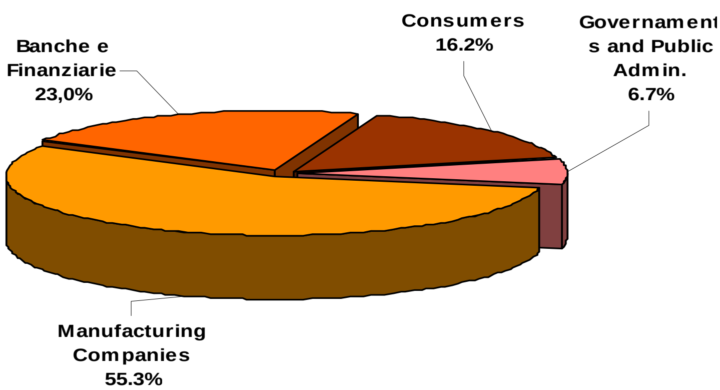


Economic Diversified Capital
(ex. Intra-Group operations)
MPS Group* - March 31th 2007



The graphs confirm the marginal contribution – in terms of exposure, of expected loss and economic capital – as far as credit risk of the three commercial banks (MPS, BT and BAM), of MP Banca per l'Impresa (Bimp) and of MP Leasing & Factoring (MP L&F) is concerned and weighting more than 80% of the MPS Group total lending. The economic capital with respect to credit risk is attributable for about 64.7 to Banca MPS, showing an increase with respect to December 2006, with Banca Toscana accounting for 11.7%; Banca per l'Impresa and Banca Agricola Mantovana for 8.7% and 10.5%, respectively and MP Leasing and Factoring for the rest.

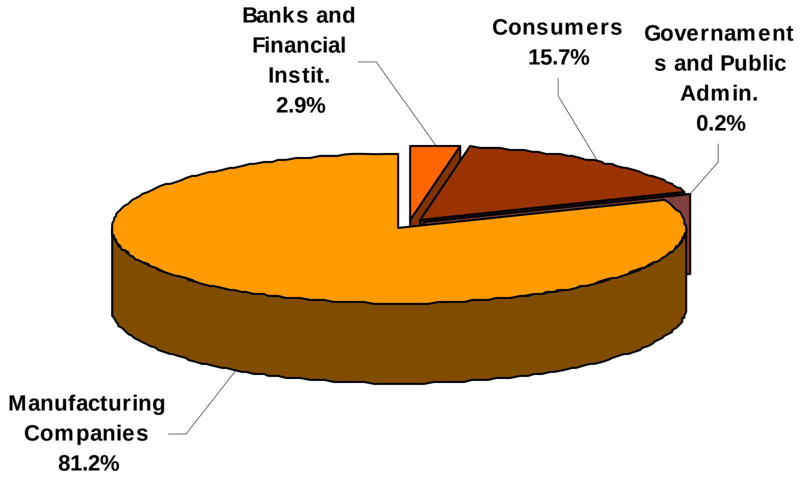
Risk Exposure
(ex. Intra-Group operations)
MPS Group* - March 31th 2007



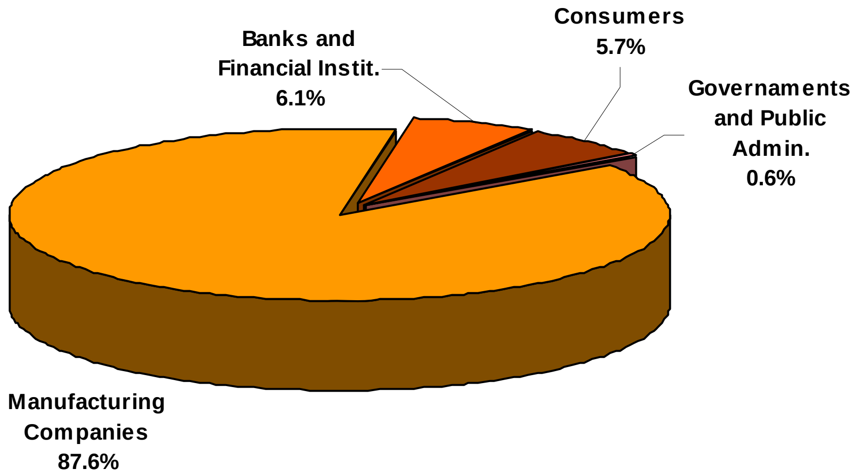
In view of the MPS Group geographical distribution and domestic vocation, it is clear that lending operations are mainly oriented to Corporate Customers (above all SMEs) (55.3 %), to Banks and Financial Institutions (23%), showing an increase if compared with the previous quarter, and to Retail Customers

(16.2%). Risk exposures to “Governments and Local Authorities” amounted to 6.7%.
The graph also shows that Corporate Customers absorb more than 87% of the total economic capital, whereas Retail Customers are near to 6%. 6.1% of the total capital is given to Banks and Financial Institutions.

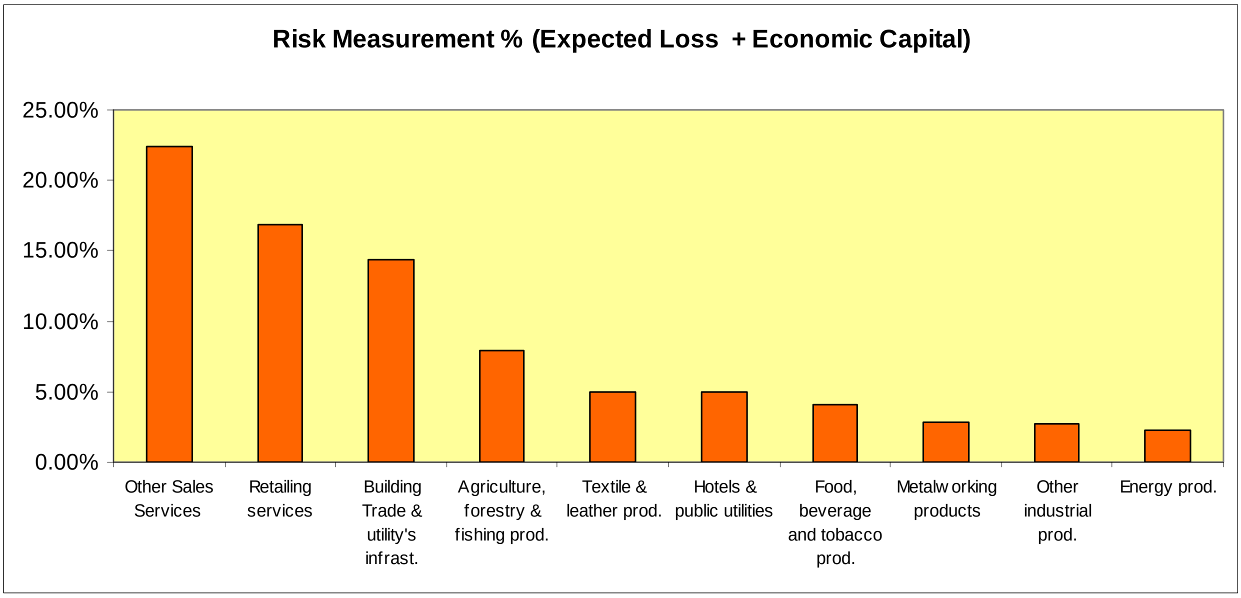
Expected loss
(ex. Intra-Group operations)
MPS Group* - March 31th 2007



Economic Capital
(ex. Intra-Group operations)
MPS Group* - March 31th 2007



The exposure analysis of the top 10 fields by economic activity, representing abt. 83% of overall lending, according to the Bank of Italy classification, shows that “retailing services” and “other sale services” absorb 16.8% and 22.3%, respectively, of total risk measures. Then the building, agriculture and textile sectors follow, thus representing a further 27% of the total Expected Loss and Economic Capital



INTEREST-RATE RISK ON THE CONSOLIDATED BANKING BOOK

- The term "Banking Book" refers, in compliance with international best-practices, to all of the non-trading operations in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches, and derivative instruments providing for risk hedging.

- The objectives underlying the Banking Book strategies, which are adopted by the Finance and Capital Management Committee and monitored by the Risk Committee of the Parent Bank are based on a measurement of interest rate risk, in a logic of total return, in order to minimize the volatility of the interest margin expected in the ruling financial year (12 months) or to minimize the volatility of the total economic value in accordance with the change of interest rates.

- The analysis of the change of the risk interest margin and of the economic value of the banking book assets and liabilities is carried out by applying deterministic shifts of 25 bp, 100 bp and 200 bp, the latter in compliance with the provisions of the second fundamental pillar of the Basle 2 Accord, with reference both to the consolidate Tier 1 capital and to consolidated the capital computed for regulatory purposes.

MPS Group	31/03/07	
Risk indicators for shift of 100 basis point	**+100 bp**	**-100 bp**
Net interest income at risk / Net interest income	4.97%	4.79%
Economic Value at risk / Tier 1 capital	2.76%	2.60%
Economic Value at risk / Capital computed for regulatory purposes	2.05%	1.93%

- As of 30 March 2007 the MPS Group shows a liability-sensitive risk profile, i.e. a profile which is exposed to potential losses in case of rate cuts. These values include the stickiness of items at sight, which is monitored at management level and which above all concerns items on the liabilities side and therefore implies a benefit in terms of economic value and interest margin in case of rate increase.

- **LIQUIDITY RISKS**

- The overall liquidity profile is monitored on the basis of unbalances as of the date of settlement of cash flows mainly expiring in the first months of the projection period.

- Special attention is given to the planning of funding policies at Group level which is coordinated and guided by the Finance Area of the Parent Bank both as to the usual bond funding and to the issue of subordinated liabilities and the size of the indebtness on the interbanking market, consistently with capital management needs and conversion rate trend estimates.

MARKET RISKS

- MARKET RISKS ON MPS GROUP TRADING PORTFOLIO

- The MPS Banking Group Trading Portfolio is made up of the portfolios managed by the Parent Bank (Banca MPS), MPS Finance BM and Monte Paschi Ireland. The commercial subsidiaries' portfolios are not subject to market risks, expect for residual amounts of bonds of own issue held to assist operating activities with retail customers.

- The aggregate is monitored and daily reported by the Risk Management Unit of the Parent Bank on the basis of owned systems. Periodically, the reporting flow on the market risk is transmitted to the Risk Committee and to the Board of Directors of the Parent Bank within the Risk Management Report, through which the Senior Management is informed about the overall MPS Group risk profile.

- Operating limits to trading activities, which are established by the Board of Directors of BMPS, are expressed by level of delegated authority in terms of VaR, which is diversified and not diversified by risk factors. Limits of Maximum Acceptable Loss (MAL) by level of delegated authority are also set on a monthly and yearly basis. Such limits consider both actual or potential earnings results (P&L) and the measure of risk on open positions (VaR) at the same time.

- Measurements of income components were adjusted for the AFS (Available-For-Sale) positions from a management point of view so that they can be compared with the Held-For-Trading positions.

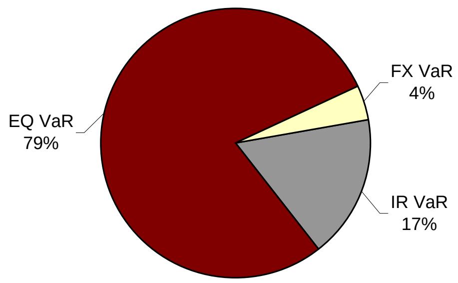
- Credit risk related to the trading portfolio is measured and monitored through credit spread sensitivity metrics, whereas operating limits of issuing risk and stock and bonds concentrations are established providing for ceilings by counterparts and rating categories.

- Market risks are mainly monitored in terms of Value-at- Risk as to management both as to the Parent Bank and the other entities of the Group.

- VaR is autonomously calculated by the Risk Management Unit of the Parent Bank by using the Integrated System of Group Risk Management developed by the Unit itself, on the basis of a confidence interval of 99% with a holding period of one business day. The historical simulation with full revaluation of all basic positions method contemplates a two-year historical report (500 historical records) with a daily scrolling. As a result, the VaR calculated in this way considers all the effects of diversification among risk factors, portfolios and type of traded instruments. It is not necessary to previously assume any functional form of income distribution and also the correlations between different financial instruments are implicitly taken into account by the VaR model on the basis of the historical trend of risk factors.

MPS Bank VaR - 30.03.2007

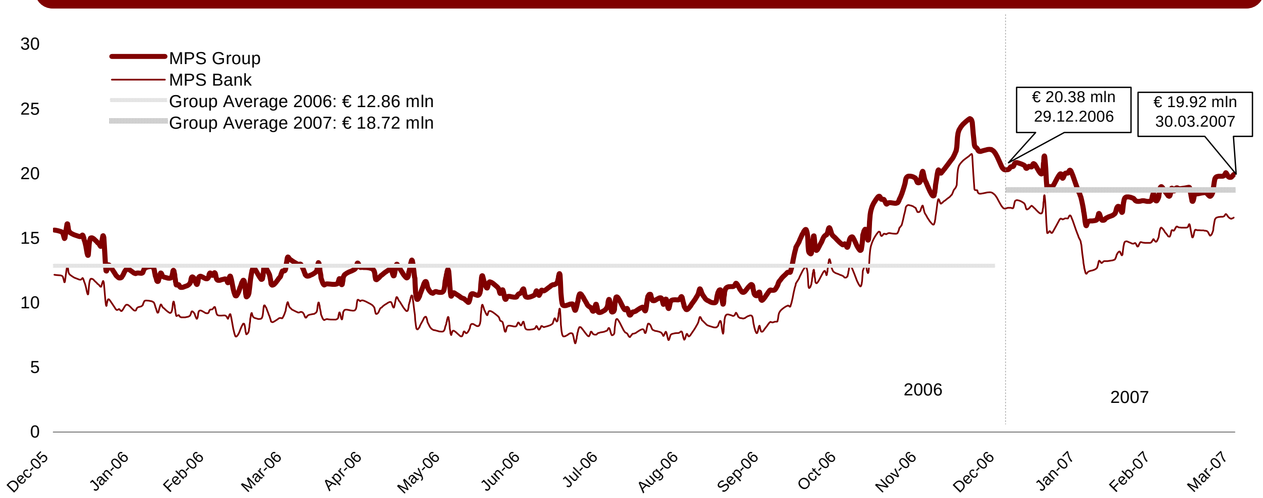
VaR breakdown per Risk Factor



At Group level, VaRs are reported without taking into account the benefit of diversification among banks, whereas within each bank VaR is fully diversified by risk factor, portfolio and traded instruments. With reference to the macro-categories of risk factors, the VaR is subdivided in Interest Rate VaR (IR VaR), Forex VaR (FX VaR) and Equity VaR (EQ VaR).

MPS Group - Trading Book VaR

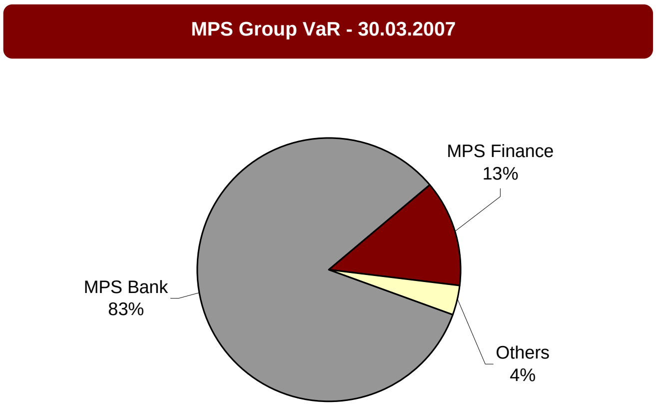
- VaR 99% 1 day not diversified between banks in Euro/mln -



Moreover, scenario analyses are regularly carried out on risk rate factor, equity risk, rate risk and credit risk starting from the front office applications.

In the first quarter of 2007, the overall trend of Group risks was in line with the values of the last two months of 2006.

The MPS Group market risks are mostly concentrated on Banca MPS.



The VaR of the Group was remarkably influenced by the VaR dynamics of BMPS. As of 30 March 2007 the Parent Bank held 83% of the overall risk, MPS Finance BM 13% and the remaining 4% is attributable to the risk taken by the other banks.

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

	VaR (EUR mln)	Date
Min 2007	16.00	01/02/2007
Max 2007	21.33	16/01/2007
Average 2007	18.72	

During the first quarter, the Group VaR ranged between EUR 16,00 mln (minimum) of 1° February and EUR 21,33 mln of 16 January (maximum). The average VaR of the reference period amounts to EUR 18.72 mln and at as of 30 March 2007 to EUR 19.92 mln.

With reference to the Parent Company, the VaR, diversified among risk factors and portfolios, was substantially decreasing in the first month of the year and bounced progressively in the two following months of 2007. This trend mirrors the VaR Equity movements, in particular.

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

	VaR (EUR mln)	Date
Min 2007	12.26	01/02/2007
Max 2007	18.28	16/01/2007
Average 2007	15.46	

The BMPS VaR quarterly average reached EUR 15.46 mln. As of 30 March 2007 amounted to EUR 16,58 mln.

As to breakdown by risk factors as of 30.03.2007 (last working day of the quarter) the Parent Company's portfolio showed 79% for equity risk factors (EQ VaR), 17% for interest rate risks (IR VaR) and the remaining 4% for forex risks (FX VaR).

OPERATING RISKS

The MPS Group has implemented an integrated system of operating risk management based on a governance model involving all MPS Group banks and financial companies within the reference framework. The approach defines the standards, methods and instruments for evaluating risk exposure and the effects of mitigation by business area.

All domestic banks and financial companies are included in the framework of the advanced approach (AMA). Standardized methods are adopted for foreign companies, at least in the starting stage. The companies included in the "advanced approach" framework represent more than 90% of the intermediation margin of the Group.

During the first quarter of the year, statistical models of computation of equity requirements were consolidated and the integration of qualitative analysis in the estimates of capital requirements was underlined.

The qualitative component is focused on the evaluation of the risk profile of each unit and is based on the identification of significant scenarios. In this context, the companies are involved in the stage of process and own risk identification, in the self- evaluation- through the staff in charge of the process - of the operating context and of the monitoring system, as well as in the assessment of any potential loss linked with risk scenarios by the top management.

The process ends with the identification of priorities and of technical and economic feasibilities of mitigating actions.

The above-mentioned component, which is requested for the advanced model of measurement, is essential to insert a forward looking view, since time series alone cannot quickly register the organization, process and business changes which steadily occur inside the bank.

CAPITAL COMPUTED FOR REGULATORY PURPOSES AND PRUDENTIAL REQUIREMENTS

The estimated[3] Group capital adequacy ratios report a total risk ratio reaching 9.4% (9.48% as of end 2006). Tier I ratio amounted to 6.4% compared to 6.53% of 31 December 2006.

THE OPERATING STRUCTURE AND OTHER INFORMATION

THE OPERATING STRUCTURE

The **research and development initiatives,** implemented in first quarter 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 operating structure, with particular regard to **distribution channels, payment systems and human resources**.

DOMESTIC DISTRIBUTION CHANNELS

In the first quarter of 2007, the MPS Group continued its activity geared toward **developing and streamlining its distribution channels,** with **1,905** domestic outlets of the commercial banks plus 139 financial promoters of MPS Banca Personale.

MPS Group Distribution Network

Channel	31.03.07	31.12.06
Domestic branches*	1,905	1,903
Financial promoter offices	139	139
Total domestic sales outlets	2,044	2,042
Foreign branches	36	36
ATMs	2,227	2,233

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

In line with the steady **improvement of the service level provided to the customers,** the 100-Employee Plan has to be underlined, i.e. for the strengthening of smaller branches while increasing the staff from 2 to 3. The Plan was already implemented in 28 branches and is expected to be completed by 30 June 2007.

With reference to ATM activities, besides the migration plans to microcircuit and the compliance with ADA regulations (disabled people), a pilot project was

[3] As known, the consolidated capital adequacy ratios are reported on a half-year basis. The values were therefore stimated according to the Supervisory regulations currently in force.

started to supply the **payment service through cash-in equipment** in 50 pilot branches.

As far as **remote channels** are concerned, the contracts signed with corporate and retail customers confirmed a buoyant trend:

- **Internet retail home and mobile banking contracts** (including Small Business and the customers of MPS Banca Personale) and **private** contracts topped 642,000, with a 12% increase compared to December 2006.
- **Internet corporate banking contracts** (UNI EN ISO 9001/2000 certified in relation to Banca MPS) came to 157,000, with a 5.1% increase compared to December 2006;
- **Internet corporate banking contracts in relation to Local Authorities and the Public Administration** stood at 1,155 with a growth of roughly 6.1% in comparison with 31.12.2006.

During the first quarter of 2007 **some important Internet banking services** were added, such as:

- the **on-line Pension Funds service** enabling Retail Customers to monitor their positions whereas an overall view of the employees' positions is available for the companies;
- the **on-line underwriting of the Ulisse account,** on the Banca MPS institutional website (s. chapter "Commercial Banking & Distribution Network") ;
- the **light version** of the channel exclusively assigned to Spider Card customers (s. chapter "Payment and collection systems").

As far as the **Contact Center** is concerned, in the first quarter of 2007 the so-called "**Network Island**" was created, a commercial advising and supporting service for the branches. The project, which is **highly innovative and unique in the Italian market,** offers an organizational structure by teams specialized in certain business activities. The first three teams will be: Current account and payment systems, Common funds and Asset Management, Small Business loans.

PAYMENT AND COLLECTION SYSTEMS

Payment and collection system services are aimed at **enhancing functionality and improving quality** to meet requirements of retail and corporate customers.

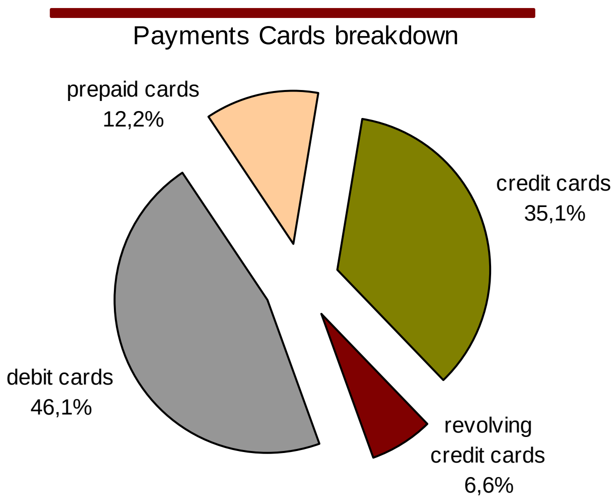
Within the standardization process of the Area Euro payment systems, impacts and **expected adjustments in view of future SEPA (Single Europe Payment Area**) services were assessed. As a matter of fact, in February 2007, the MPS Group, as a pilot bank, has joined the tests which will be carried out in the next few months on Credit Transfer and Direct Debit, so that the new services can be issued starting from January 2008, as scheduled by the European Payment Council.
As to the **development of new services**, in March **an agreement between Banca MPS and UNRAE** (National Union of Representatives of Foreign Vehicles)

was undersigned concerning a new procedure dealing with virtual car certificates of conformity: it is estimated that in Italy abt 2.5 mln certificates will be eliminated thanks to the new procedure. Banca MPS will start in May to test the procedure with foreign car manufacturers linked with Banque PSA (PSAC and PEUG).

Talks started with **Poste Italiane** to reach an agreement allowing the payment of post forms through the Bank's channels aiming at launching the new service by May.

The **MPS Group credit and debit cards** at the end of the first quarter of 2007 numbered about 2,215,696, with a 3.7% increase in comparison with 31.12. 2006.

In particular, the fastest growing segments are those of **prepaid cards** (+ 18.6% compared to end 2006) and **revolving cards** (+2.6%) in line with market trends.



In co-operation with the Supplementary Pension Funds Unit, a **co-marketing campaign was launched, linking Spider to the offer of Supplementary Welfare products** aiming at fostering them while enabling counterparts who are not account holders to consult their personal welfare position via internet. **As to research and development**, the marketing campaign of **Spider** started with **more than 17.000 units already sold**: Spider is a product enabling basic current account transactions by integrating remote banking (in particular, internet and mobile phoning) with the prepaid card.

During the first quarter of 2007, a new product, called **Blu Revolution**, previously tested only in some geographical areas, was added to the Group Card portfolio. **Blu Revolution is an option card, issued and managed by Consum.it:** card holders may autonomously modify repayment procedures (in settlement or revolving) depending on their specific current needs.

In March an agreement between Consum.it and the Siena University was undersigned to issue the **co-branded card for university students** enabling the division of university admission fees into eight-month installments at zero rate.

HUMAN RESOURCES

During the first quarter of 2007 the operating management of human resources was consistent with the strategic guidelines of the new Group Business Plan and with the budget programs. In particular, such management policies are aimed at improving professional skills of front office human resources with special attention to the capacity of dealing with customers with a proactive approach, at covering key roles for businesses and managerial positions, at implementing specific programs of re-conversion and re-qualification of the human resources to improve the relationships between front end and back office.

STAFFING

As of 31 March 2007, the MPS Group[4] had a total of 24,285 employees **(24,205 in terms of workforce)[5]** with a decrease in staffing of 2,484 year on year and of 2,257 units if compared with 31/12/2005 (base line of the Business Plan) largely due (-2,084 units) to the termination of tax collection activity and the transfer to the Inland Revenue on 1 October 2006.

MPS GROUP STAFFING

	31/12/02*	31/12/05	31/03/06	31/12/06	31/03/07
Banking activity staff	*25,087*	*24,386*	*24,642*	*24,348*	*24,285*
Tax collection activity staff	*2,952*	*2,156*	*2,127*	*0*	*0*
Total	**28,039**	**26,542**	**26,769**	**24,348**	**24,285**
MPS GROUP WORKFORCE					
Banking activity staff		*24,303*	*24,262*	*24,262*	*24,205*

Not only the overall staffing decreased but was also internally redistributed in favor of the front office network, which grew by 1,240 units during the year through a parallel decrease of the Head Office (-1,340 units). This result was achieved through the following measures (progressive data from the Business Plan starting):

- remarkable **number of retirements of staff with high seniority and high hierarchical level** (abt 550 units against 1,170, of which 130 executives),

[4] Employees on the payroll of the Group companies consolidated on a line-by-line basis, in compliance with the new IAS standards.
[5] The figures incorporate all MPS Group personnel, excluding staff assigned to other companies (minority interests) and cleaning staff.

through Early Retirement Plans and Solidarity Fund and mostly in the central structures[6];

- **new entries** of high-potential young recruits (abt. 1,000 units) almost all in the front office network[7] in compliance with the geographical expansion program (Outlet Plan) and the strengthening of other commercial units (SME Centres and Private Centres above all):
- transfer to the front office of abt. 540 units from the Head Office thanks to restructuring processes in line with the Business Plan and also thanks to training courses supported by operating experiences.

The back-office/front-office ratio is therefore decreased to 32% from 42% of 31/12/2005.

The tables below show the **distribution of the MPS Group's workforce by job category** and, as far as the domestic network, by **operating location:**

BREAKDOWN OF STAFF BY JOB CATEGORY

Category	Actual Number	% of Total Workforce
Executives	512	2.1%
Managers	6,853	28.3%
Other Professional Areas	16,840	69.6%
TOTAL	**24,205**	**100%**

[6] Parent Bank, Head Offices, Geographical Areas Centres, Product and Services Companies
[7] Branches, SME Centres, Private Centres and Institutional Centres

WORKFORCE BY BANK

			Actual Workforce 31/03/07	%
BANCA MONTE DEI PASCHI DI SIENA	H.O. (Corporate center and back office)		1,852	15.0%
	GEOGRAPHICAL AREA		1,900	15.4%
	FRONT OFFICE & CALL CENTER		8,603	69.6%
		TOTAL	**12,355**	**100%**
BANCA TOSCANA	H.O.		511	13.3%
	GEOGRAPHICAL AREA		287	7.4%
	FRONT OFFICE		3,056	79.3%
		TOTAL	**3,854**	**100%**
BANCA AGRICOLA MANTOVANA	H.O.		514	16.9%
	GEOGRAPHICAL AREA		177	5.8%
	FRONT OFFICE		2,359	77.3%
		TOTAL	**3,050**	**100%**
TOTAL COMMERCIAL BANKS	H.O.		2,877	14.9%
	GEOGRAPHICAL AREA		2,364	12.3%
	FRONT OFFICE		14,018	72.8%
		GRAND TOTAL	**19,259**	**100%**

The average age of the Group personnel is around 41,8 year, gradually decreasing (at the end of 2005 amounted to 42.7); in particular, 37% of the **BMPS** staff is **under 40** with a relatively low seniority and with **an increasingly growing women percentage** (40.7% from 39.5% at the end of 2005 and 39.5% at the end of 2005):

BMPS PERSONNEL: MIX OF CREDENTIALS

AGE	% female	% male	% of total
Up to 30 years	4.9%	4.6%	9.5%
31 to 40 years	15.2%	12.6%	27.8%
41 to 50 years	15.3%	19.7%	35.0%
Over 50 years	5.2%	22.4%	27.6%
TOTAL	**40.7%**	**59.3%**	**100%**

BMPS PERSONNEL: BREAKDOWN OF STAFF BY SENIORITY

YEARS OF SERVICE	% female	% male	% of total
Up to 10 years	16.0%	20.2%	36.2%
11 to 20 years	12.5%	13.0%	25.6%
21 to 30 years	9.1%	11.6%	20.6%
Over 30 years	3.1%	14.5%	17.7%
TOTAL	**40.7%**	**59.3%**	**100%**

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

	Category	Total	%
CORPORATE CENTER	Executives	158	10.5%
	Managers	681	45.3%
	Other Professional Areas	663	44.1%
	TOTAL	**1,502**	**100%**
BANCA MPS DIVISION	Executives	98	0.9%
	Managers	2,560	23.6%
	Other Professional Areas	8,195	75.5%
	TOTAL	**10,853**	**100%**
INTERNATIONAL BANKING (*)	Executives	5	3.3%
	Managers	53	34.6%
	Other Professional Areas	95	62.1%
	TOTAL	**153**	**100%**
TOTAL BANCA MPS S.p.A.	Executives	261	2.1%
	Managers	3,294	26.3%
	Other Professional Areas	8,953	71.6%
	GRAND TOTAL	**12,508**	**100%**

(*) Foreign branches and representative offices.

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	48.0%	52.0%
Managers 4/3 Level	33.7%	66.3%
Managers 2/1 Level	23.9%	76.1%
Other Professional Areas	29.0%	71.0%
TOTAL	**29.4%**	**70.6%**

OPERATIONAL STRATEGIES

In the framework of the above-mentioned strategies, i.e. in the so-called new model of human resources development, following points of the first quarter of the year should be underlined:

- implementation of *professional paths***,** aimed at fostering professional growth by planning role sequences, line operating experiences and training courses. Vertically, the paths are addressed to target roles such as Branch Manager and SME Team Manager. Horizontally, they foster competence integration on equal roles within the Retail and Corporate structures.
- In the MPS network, starting of the *verification of the 2006 PaschiRisorse* system to define the specific competences of each role and the verification of staff's adequacy levels with the planned profiles. During the first quarter of 2007 all staff in charge of human resources was trained to efficiently manage the interview with personnel on the occasion of verification form delivery;

- the implementation of a system to *structurally map managerial qualities,* at Group level, concerned abt. 400 executives, consistently with the key target of implementing managerial continuity plan to ensure the supply and fostering of top manager roles;
- the *new selection process* aimed at more efficiently include young recruits while reviewing admission and pre-screening mechanisms, integrating selections with systems to survey inclinations/attitudes of the candidates above all in terms of relationships with the customers and with final lists by geographical areas, to allocate resources more rationally.

The strengthening of the training activity in view of improving role professional skills, according to the 2007-2009 Training Plan should be underlined; it is carried out according to the following guidelines:

- for the *technical-professional* staff: consolidation of skills of human resources operating in commercial activities such as active management of the relationship with customer and service quality; in this regard, steps were taken with employees dealing with affluent customers, SMEs and foreign business;
- for the *managerial* staff: growth of strategic capacities focusing on leadership and vision with priority given to front office roles and branches' managers.

As of 31 March 2007, training hours totaled more than 150,000 hours including classes and online courses, and were mainly (85%) addressed to staff operating in commercial and credit activities. The training also includes training courses on the ISVAP regulation for all policies sellers which will involve abt 2,600 employees by September 2007.

Moreover, an *integrated application* with the on-line platform is being developed to plan personal training courses supporting human resources managers and staff in charge of training personnel, such as Branch managers, Operations managers, staff in charge of Units, etc. in the preparation of training courses according to the different roles.

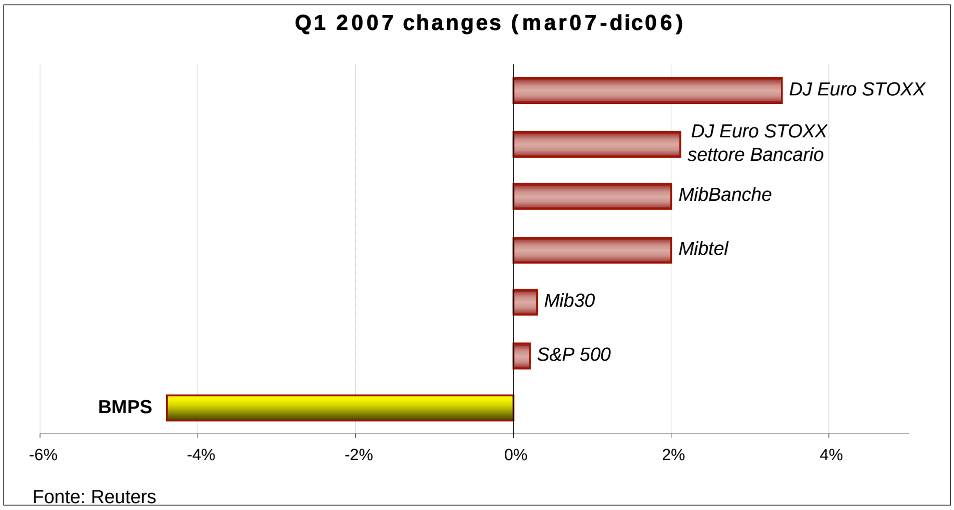
Finally, as far as *labour relations* are concerned, in the first quarter of 2007 talks between the Bank and the Trade Unions went on positively on the implementation of the 2007-2009 Business Plan and its strong impact on human resources, particularly on re-qualification processes.

OTHER INFORMATION

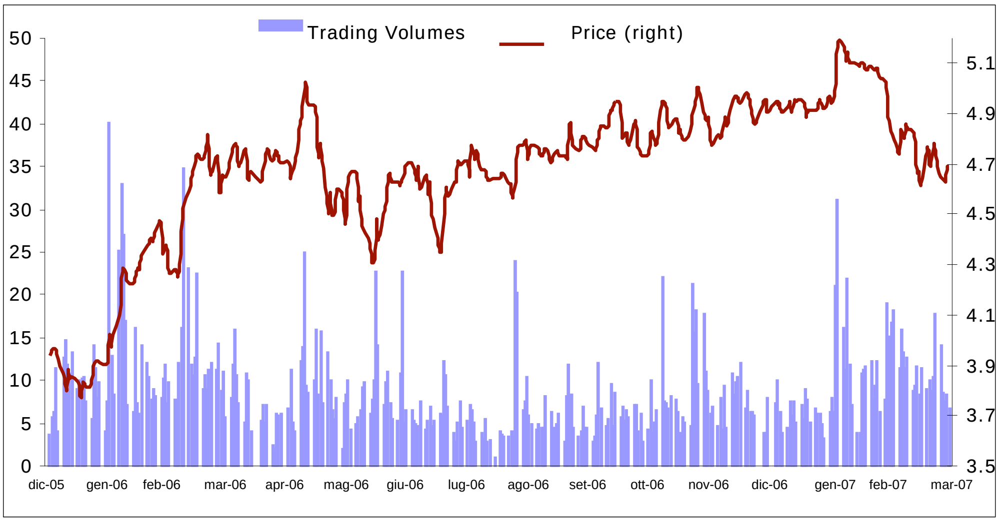
TREND OF BMPS SHARES, SHAREHOLDERS' BASE AND DEBT RATING

PRICES

The major share indices showed signs of volatility: after a good start in January they were strongly rectified in February and in the first part of March and then progressed again at the end of the quarter. The closures at the end of March were slightly positive: DJ Euro Stoxx + 3.4%, S&P 500 +0.2%, Mibtel + 2.0% and Mib30 +0.3% and the MibBanks + 2.0%.



The Bank's shares hit a high at EUR 5.24 on 5 February 2007 and was affected by the market rectification and closed the period as of 30 March 2007 at EUR 4.69%.(- 4,4% compared to the beginning of the year, 18.9% to the beginning of 2006).



■ **BMPS share price: Statistical Summary** (from 01/01/07 to 31/03/07)

Average	4,91
Low	4,59
High	5,24

CAPITALIZATION AND SHAREHOLDERS' BASE

As of end of March 2007, the market value of BMPS computed on the basis of 3,020,076,836 (ordinary and preferred) shares outstanding amounted to EUR 14.2 billion approx.

■ **Summary of reference prices and capitalization**

	Dec 06	Mar 07
• Price (euro)	4,91	4,69
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	14.164

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 31 March 2007 he 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%):

■ **Major Shareholders**

Fondazione MPS	49%
Caltagirone Francesco Gaetano	4,71%
Hopa S.p.A.	3,00%
Unicoop Firenze – Società cooperativa	2,98%

VOLUMES

In the first quarter of 2007, BMPS shares traded on a daily basis averaged around 10.1 million, with a low of 3 million in January and a peak of 31 million in February.

■ **Monthly volumes of shares traded**

Breakdown of volumes for 1Q07

	(in mln)
January	162
February	252
March	251

MAIN MARKET MULTIPLES

Turning to market multiples, the Bank's shares were trading at the end of March 2007 a multiple 11.2 times projected earnings for 2008 and the ratio of price to book value was around 1.8 for 2006.

■ **Market Multiples** (in euro)

	Mar 2007
P/E per share 2008	11,2
P/BV 2006	1,8

DEBT RATING

Following are debt ratings, unchanged in comparison with 31 December 2006:

	Short term rating as of 03.31.2007	Medium/Long term Rating as of 03/31/2007
Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch Ratings	F-1	A+

On 16 January 2007, Standard & Poor's, a rating agency, upgraded the outlook of Banca Monte dei Paschi di Siena, Banca Toscana and Banca Agricola Mantovana from "positive" to "stable" confirming the progressive improvement of profitability for the whole MPS Group. The long- and short-term ratings were confirmed.

On 13 April 2007, Moody's, a rating agency, upgraded to Aa3 from a-1 the Banca Monte dei Paschi di Siena rating on long-term terms and deposits, as a result of the application of a new assessment method. The rating on short-term debt and deposits was P-1; the outlook remained stable.

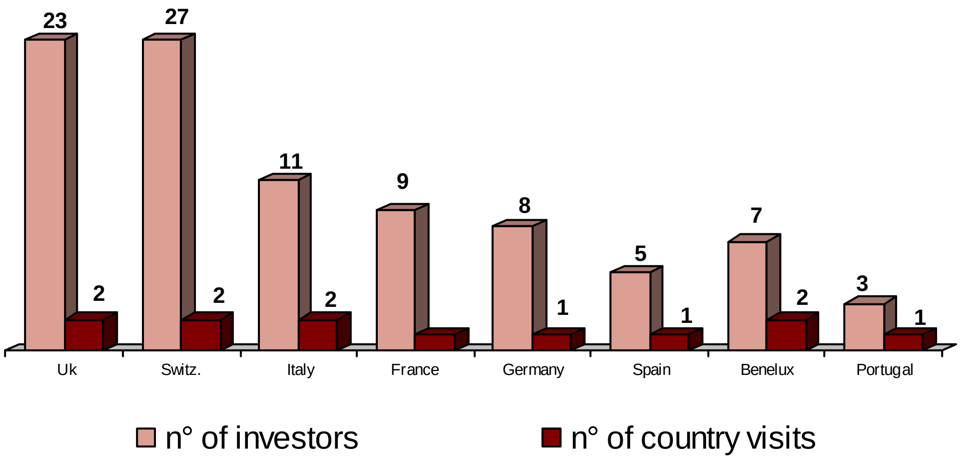
INVESTOR RELATIONS ACTIVITY IN THE FIRST MONTHS OF 2007

In the first months of 2007, the investor relations team intensively operated in the financial market further accelerating market disclosure thus continuing the 2007 activity . The most significant initiatives were the following:

- participation in 2 conferences organized by the most important international brokers;
- 6 road shows in the major financial places

As a result of said communications efforts, the Group's representatives met a total of 100 investors (the number also includes investors met more then once in

2007) during the period, in 8 different countries. Hereunder the details by geographical area



2007 FINANCIAL CALENDER

Main corporate events scheduled for 2007 are listed below:

Financial Calendar 2007	
10 September 2007	BoD Meeting – Interim Report for 1st half 2007
8 November 2007	BoD Meeting – Interim Report for 3rd quarter 2007

TRANSACTIONS WITH RELATED PARTIES

In accordance with the provisions of the Code, lately the Board of Directors changed the Code of Conduct for transactions with related parties, on the basis of the changed reference regulations framework. As a matter of fact, Consob modified the Issuer Regulation in light of the adoption of the EC Regulation no. 2238/2004 of 19 December 2004 concerning International Accounting Principles, referring, as far as the related parties definition is concerned, to the EC regulations no. 1606/2002 of the Parliament and the European Council (hereunder principle IAS 24). The provisions concerning the “link” and the “significant influence” definitions of the international accounting principle dealing with investments in related companies as per EC regulations no. 1606/2002 of the Parliament and of the European Council (hereunder principle IAS 28) and by the article 2359 paragraph 3 of the Civil Code as well as the provisions concerning the kinds of transactions concerned and of information integrating the financial statements about transactions and balances outstanding with related parties according to IAS 24 were also taken into account.

In general, in the above-mentioned Code, the concept of "related parties" is based on the following criteria:

a) *Group correlation*, which regards relationships of control, interconnecting relationships and relationships of significant influence which directly affect the Bank and the MPS Group;
b) *Direct correlation*, which involves corporate officers (directors and statutory auditors), the Chief Executive Officer, and Executives vested with powers conferred by the Board of Directors (Deputy Chief Executive Officers, the General Manager of the bank division, the Heads of the areas of the Parent Bank and of bank division business units who have independent authority for credit approval, as well as shareholders joining shareholders' agreements as per art.122, paragraph 1 of the Legislative Decree no. 58/98, referring to exercising the voting rights in the BMPS shareholders' meetings, if these agreements allow a significant influence on BMPS);
c) *Indirect correlation*, which involves the family members of the physical persons included under points a) and b) meaning family members which may potentially influence or be influenced by the physical person in relationship with BMPS as well as the controlled entities, or the jointly controlled entities by the physical persons joining the above-mentioned shareholders' agreements or on which these physical persons exercise a significant influence or directly or indirectly hold a significant share of voting rights.

In addition, transactions with related parties (i.e. transactions carried out by the Bank – including through subsidiary companies – with related parties) have been subdivided as follows: *Ordinary Transactions* (transactions without any particular elements). *Significant Transactions* (transactions which require public disclosure in accordance with Article 71 bis of the CONSOB Resolution n. 11971), *Material Transactions* (transactions which, though they cannot be considered as "Significant Transactions", have atypical and/or unusual elements).

The Ordinary Transactions are approved in accordance with the limits of authority established by the current system of the delegation of authority within the Bank. Significant Transactions and Material Transactions must instead be approved by the Board of Directors (without prejudice, however, to the powers provided by the Bank's Charter for exercising authority in urgent situations). Depending on the nature, the value or other

features of the transactions the Board may order that its assessment must be supported by opinions issued by one or more independent Advisors, on economic conditions and/or technical structure and/or legal aspects of the transactions.

Subsidiary companies must adopt the Rules approved by the parent company in relation to any transactions effected by the subsidiaries with "related parties" of the Bank. Subsidiary companies are to adopt such Rules with regard to their respective structures of approval authority. Any such transactions are to be communicated expressly to the parent company in a timely manner.

The obligations of banking representatives set forth in Article 136 of Legislative Decree n. 385 of 1 September 1993 (Italy's Banking Consolidation Act) remain unchanged.

***

All transactions with related parties within the Banking Group are settled on the basis of mutual economic advantage and anyway of market conditions, as the transactions with other related Parties within the Code application framework.

None of these transactions implied disclosure obligations to the market according to art. 71 bis if the Consob regulation n. 11971.

MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FIRST QUARTER

Material events subsequent to 31 March 2007 are hereunder detailed:

- **on 3 April 2007**: Banca Monte dei Paschi di Siena and Holmo underwrote a new agreement ruling the relationships between the two companies concerning Finsoe SpA. Said agreement provides for: the right of joint sale in favour of BMPS, if Holmo sales the Finsoe majority shareholding; a consulting agreement between Holmo and BMPS concerning main strategic issues for Finsoe such as capital transactions, amendments to the Charter, appointment of the main corporate positions, alliance projects, strategic and business plans, mergers and split-ups; the BMPS appointment of three directors in the Board of Directors of Finsoe.
- **On 16 April 2007**: Moody's, an international rating agency upgraded the rating of Banca Monte dei Paschi di Siena from A1 to Aa3 on long-term

debts and deposits following a new assessment method. The rating of short-term debts and deposits was P-1, whereas the rating of financial creditworthiness was C+ compared with the previous B

- **On 20 April 2007**: Banca Monte dei Paschi di Siena and Spoleto Credito e Servizi holding 51.3% of Banca Popolare di Spoleto underwrote the renewal of the three-year shareholders' agreement concerning the same Banca Popolare di Spoleto.

OUTLOOK FOR THE FUTURE

In 2007, the operating background should confirm the recovery signals of the economic situation of 2006. MPS Group will follow a management development consistent with the 2006-2009 Business Plan targets.

ACCOUNTING PRINCIPLES

The Group quarterly Report is drawn up according to art. 82 of the Issuers Regulations as per Consob Resolution no. 11971 dated 14 May 1999 as further amended and integrated in compliance with the 3D enclosure. Therefore, the quarterly report was drawn up on the basis of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and of the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission according to the Community Regulation no. 1606 of 19 July 2002. The international accounting standards were applied with reference to the "Framework for the drawing up and submission of the financial statements".

In particular, the same accounting standards used to draw up the 2006 Consolidated Financial Statements were applied and are to be referred to for further details.

With reference to the applied criteria, following points should be underlined:

- The quarterly report was drawn up according to the principle of "period independence", according to which the reference period is considered as an autonomous financial year. From this point of view, the interim profit and loss account mirrors the ordinary and extraordinary items pertaining to the period in compliance with the accrual basis method;
- The currency is the euro and values are expressed in millions, if not otherwise stated;
- The balance sheet and the profit and loss account are reported on the basis of the reclassified pattern already used in the Financial Statements as of 31 December 2006 in the Report on Operations;
- The accounting items used for the consolidation were processed by the subsidiaries as of 31 March 2007 and amended, if necessary, to comply with the Group's accounting standards;
- Intra-group accounts of balance sheet and income statement were eliminated.

The consolidated situation of balance sheet and profit and loss account as of 31 March 2007 is not certified by the independent auditors.

Taking advantage of the faculty provided for by the CONSOB resolution no.14990 of 14 April 2005 Banca Monte dei Paschi di Siena will disclose the consolidated half-year report as of 30 June

2007 within the expected terms and therefore will not draw up the consolidated report concerning the second quarter of 2007.

Changes in the consolidation area

The quarterly consolidated report includes the balance sheet and profit and loss account of the Parent Bank and of its directly or indirectly associated companies. In particular, the consolidation areas include all subsidiaries, independently from their legal status, from their being operating or in liquidation or from the fact that the investment is a merchant banking transaction. The area also includes companies which previously have been excluded because of different activities in compliance with the domestic accounting principles. Some minor entities are excluded from the consolidation area because, the consolidated financial statements would, anyway, not be affected by their consolidation.

Moreover, last February the preliminary agreement to sell the 50% of the Group's insurances companies was signed with the AXA Group which, subject to the necessary authorizations, will result in the loss of the controlling interest in the subsidiaries Montepaschi Vita, Montepaschi Assicurazioni Danni e Montepaschi Life, wholly owned by MPS Finance. That being said, the above-mentioned assets were considered assets being sold and therefore the data of the balance sheet and the profit and loss account were reclassified under the item 150/80 of the balance sheet "Assets and groups of assets being sold"/"Liabilities related to assets being sold" and item 300 of the profit and loss account "Loss/profit of assets being sold after tax", respectively.

Qualifying them as assets being sold or discontinuing operations has implied the restatement of the correspondent comparative data in the profit and loss account.

As to the consolidation area, if compared with 31 December 2006, following changes within the Group should be underlined:

as to the Parent Bank:

- sale of 14.839% in Finsoe S.p.A. the interest in which decreases from 27.839% to 13%, keeping the link, anyway;

- deconsolidation of the subsidiary San Paolo Acque, as a result of its being liquidated.

Further details concerning the whole consolidation area and the companies assessed according to the equity method may be found in the following enclosure.

Consolidation area and methods

Equity investments

Consolidation area

Equity investments in subsidiaries exclusively and jointly controlled (consolidated on the basis of the proportional method)

31 03 2007

		NAME	HEAD OFFICE	TYPE (*)	SHAREHOLDERS		AVAILABLE VOTING RIGHTS % (**)
					INVESTING CO.	SHARE %	
		Companies included in the consolidation area					
		A.1 Fully 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.30	0,005	
	2.1	MPS VENTURE SGR S.P.A.	Florence	1	A.2	70,000	100,000
					A.10	30,000	
A.3		MPS BANCA PERSONALE S.p.A.	Lecce	1	A.0	100,000	100,000
A.4		MPS GESTIONE CREDITI S.p.A.	Siena	1	A.0	99,500	100,000
					A.1	0,500	
A.5		MPS LEASING E FACTORING S.p.A.	Siena	1	A.0	86,916	100,000
					A.1	6,647	
					A.7	6,437	
	5.1	MPS COMMERCIALE LEASING SPA	Siena	1	A.5	100,000	100,000
A.6		MPS FINANCE BANCA MOBILIARE S.P.A.	Siena	1	A.0	100,000	100,000
	6.1	MONTEPASCHI VITA	Rome	1	A.6	100,000	100,000
	6.2	MONTEPASCHI LIFE LTD	Dublin	1	A.6.1	100,000	100,000
	6.3	MONTEPASCHI ASSICURAZIONE DANNI	Rome	1	A.6	100,000	100,000
	6.4	FONTANAFREDDA SRL	Siena	1	A.6	100,000	100,000

A.7		GRUPPO BANCA AGRICOLA MANTOVANA	Mantua	1	A.0	100,000	100,000
	7.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua	1	A.0	100,000	100,000
	7.2	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		A.7	100,000	100,000
	7.3	AGRISVILUPPO S.p.A.	Mantua		A.7	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.1 0		INTERMONTE SIM S.p.A.	Milan	1	A.6	33,954	67,907
					A.7	33,953	
	10. 1	JPP EURO SECURITIES INC.	Delawar e	1	A.10	100,000	100,000
A.1 1		MONTE PASCHI FIDUCIARIA S.P.A.	Siena	1	A.0	86,000	100,000
					A.1	14,000	
A.1 2		ULISSE S.p.A.	Milan	1	A.0	60,000	60,000
A.1 3		ULISSE 2 S.p.A.	Milan	1	A.0	60,000	60,000
A.1 4		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.1 5		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.	Brussels	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.	Brussels	1	A.0 A.24	99,200 0,800	100,000
A.2 6		DIPRAS S.p.A.	Rome	1	A.0	100,000	100,000
A.2 7		BIOS MPS S.p.A.	Milan	1	A.0	100,000	100,000
A.2 8		VALORIZZAZIONI IMMOBILIARI SPA	Siena	1	A.0	100,000	100,000
A.2 9		SANTORINI INVESTMENTS LTD	Dublin	1	A.0	100,000	100,000
		A.2 Companies consolidated on the basis of the proportional method					
A.3 0		BANCA POPOLARE DI SPOLETO S.P.A. (book value: 25.930% of par value)	Spoleto	1	A.0 A.6.1	19,983 5,947	25,930
A.3 1		BANCA MONTE PARMA S.p.A. (book value: 49.266% of par value)	Parma	1	A.0 A.6.1	41,000 8,266	49,266

(*) Type:
1 majority of voting rights in the Ordinary Shareholders' Meeting
2 predominant influence in the Ordinary Shareholders' Meeting
3 agreements with other shareholders
4 other types of control
5 pursuant to art. 26, par. 1, Legislative Decree 87/92
6 pursuant to art. 26, par. 2, Legislative Decree 87/92
7 joint control

(**) Available voting rights in the Ordinary Shareholders' Meeting with a distinction between actual and potential rights.

10.1 Equity investments in jointly controlled companies (valued with the net equity method) and in companies subject to significant influence: information on the shareholders and accounting information

	Head Office	Type (*)	Shareholders		Available voting rights %	Consolidated book value (EUR '000s)	
			Investing Co.	Share %		31 03 2007	31 12 2006
Aeroporto di Siena S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	10,050	10,050	2	2
Beta Prima S.r.l	Siena	8	Banca Monte dei Paschi di Siena	34,069	34,069	354	354
Bio Found S.p.A.	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	797	797
Cestud S.p.a. - Centro Studi per lo Sviluppo e l'Innovazione	Roma	8	Banca Monte dei Paschi di Siena	46,281	46,281	453	453
Crossing Europe GEIE	Siena	8	Banca Monte dei Paschi di Siena	9,000	30,500	39	39
			MPS Banca per l'Impresa	18,000			
			Banca Monte Paschi Belgio	3,500			
Fidi Toscana S.p.a.	Florence	8	Banca Monte dei Paschi di Siena	13,530	29,179	24.180	24.180
			Banca Toscana	10,468			
			MPS Banca per l'Impresa	5,181			
Microcredito di Solidarietà	Siena	8	Banca Monte dei Paschi di Siena	40,000	40,000	400	400
Finsoe S.p.a.	Bologna	8	Banca Monte dei Paschi di Siena	13,000	13,000	286.164	608.272
SI Holding (Carta Si)	Milan	8	Banca Monte dei Paschi di Siena	24,470	24,470	29.625	29.625
Società Italiana di Monitoraggio	Rome	8	Banca Monte dei Paschi di Siena	24,304	24,304	29	-
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	190	190
Uno a Erre S.p.A.	Arezzo	8	Banca Monte dei Paschi di Siena	23,820	23,820	-	-
Quadrifoglio Vita S.p.a.	Bologna	8	Banca Agricola Mantovana	50,000	50,000	56.661	55.911
Le Robinie S.r.l.	Reggio Emilia	8	Banca Agricola Mantovana	20,000	20,000	792	793
Fabrica Immobiliare SGR S.p.a.	Rome	8	Monte Paschi Asset Management SGR	45,000	45,000	2.938	3.254

Immobiliare Ve-Ga S.p.a.	Milan	8	MPS Banca per l'Impresa	20,030	20,030	25	25
Interporto Toscano Amerigo Vespucci S.p.a.	Leghorn	8	MPS Banca per l'Impresa	36,303	36,303	7.867	7.717
Newco S.p.a.	Naples	8	MPS Banca per l'Impresa	20,000	20,000	1.993	1.992
NewColle S.r.l.	Colle V.Elsa (SI)	8	MPS Banca per l'Impresa	49,002	49,002	2.434	1.698
Marina Blu S.p.a.	Rimini	8	MPS Banca per l'Impresa	30,001	30,001	4.097	4.097
S.I.C.I.- Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Banca per l'Impresa	29,000	29,000	2.166	2.133
Società Incremento Chianciano Terme S.p.a.	Chianciano T. (SI)	8	MPS Banca per l'Impresa	45,000	45,000	2.189	2.185
						423.395	744.117

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	31 03 2007	31 12 2006
1. Cash flow from operations	**568,389**	**2,229,530**
net income (+/-)	256,985	929,930
gains/losses on financial assets held for trading and on assets/liabilities carried at fair value (-/+)	(60,380)	(56,492)
gains/losses on hedging activities (-/+)	538	7,170
net value adjustments/recoveries on impairment (+/-)	115,670	709,402
net adjustments/recoveries on fixed assets and intangible assets (+/-)	26,927	134,734
net provisions for risks and charges and other costs/revenues (+/-)	14,994	203,533
not cashed net premiums	(4,820)	(10,295)
other not collected incomes/expenses from insurance activities (+/-)	-	-
tax and duties to be settled (+)	177,656	501,441
net value adjustments/recoveries on discontinued operations net of tax effect (+/-)	16,691	33,545
other adjustments	24,128	(223,438)
2. Cash flow generated/absorbed by financial assets	**(11,865,213)**	**(5,609,408)**
financial assets held for trading	(4,436,788)	3,447,902
financial assets carried at fair value	(1,210)	52,972
financial assets available for sale	(900,154)	604,605
due from banks: sight	-	-
due from banks: other credits	(2,216,967)	(2,107,970)
customer loans	(3,366,552)	(8,801,841)
other assets	(943,542)	1,194,924
3. Cash flow generated/absorbed by financial liabilities	**11,057,487**	**4,110,762**
due to banks: sight	-	-
due to banks: other debts	4,752,530	(329,556)
customer deposits	(1,490,423)	1,332,038
securities issued	3,690,616	5,864,785
financial liabilities held for trading	3,964,153	(395,176)
financial liabilities carried at fair value	128,354	(515,327)
other liabilities	12,257	(1,846,002)
Net cash flow generated/absorbed by operating activities	**(239,337)**	**730,884**

B. INVESTMENT ACTIVITIES		
1. Cash flow generated by:	**141,545**	**20,758**
sales of equity investments	26,297	1,153
collected dividends on equity investments	-	16,976
sales/repayment of financial assets held to maturity	115,069	-

sales of tangible assets	179	2,370
sales of intangible assets	-	259
sales of subsidiaries and divisions	-	-
2. Cash flow absorbed by:	**(16,552)**	**(357,070)**
purchases of equity investments	(5)	(46)
purchases of financial assets held to maturity	-	-
purchases of tangible assets	(4,127)	(291,202)
purchases of intangible assets	(12,420)	(65,822)
purchases of subsidiaries and divisions		
Net cash flow generated/absorbed by investment activities	**124,993**	**(336,312)**
C. FUNDING ACTIVITIES		
issue/purchases of own shares	(67,156)	77,453
issue/purchases of equity instruments		
dividend distribution and other scopes	-	(422,818)
Net cash flow generated/absorbed by funding activities	**(67,156)**	**(345,365)**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(181,500)**	**49,207**

Reconciliation

Accounts	31 03 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	(181,500)	49,207
Cash and cash equivalents: effect of exchange rate variations		
Cash and Cash equivalents at the end of the year	430,520	612,020

Cash and cash equivalents (EUR 430,508,000) also incorporates the cash equivalents (EUR 15,000) of the subsidiaries Montepaschi Vita, Montepaschi Assicurazione Danni and Montepaschi Life, which have been reclassified in the balance-sheet under account 150 -

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR '000)

		Balance as at 31.12.06		Change in opening balance	Balance as at 01.01.07		Allocation of profit from prior year: Reserves		Allocation of profit from prior year: Dividends	Changes during the year: Changes in reserves		Shareholders' Equity transactions: Issue of new shares		Acquisition of own shares		Extraordinary distribution of dividends	Change in equity instruments	Own share derivatives	Stock option	Net profit (loss) of 2007		Shareholders' equity as at 31.03.2007	
		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)											#######	7,172
	b) other shares	385,499	-		385,499					-												385,499	-
Additional paid-in-capital		560,788	6,667		560,788	6,667					486	75										560,863	7,153
Reserves	a) retained earnings	3,702,640	2,084		3,702,640	2,084	######	19,838			504								-			#######	22,426
	b) other	(104,885)	(378)		(104,885)	(378)				1,022												(103,863)	(378)
Valuation Reserves	a) available for sale	383,236	17	-	383,236	17				#####												396,482	17
	b) cash flow hedges	16,582	-	-	16,582					3,565												20,147	-
	c) other	250,436	1,284	-	250,436	1,284				(8,069)	112											242,367	1,396
Equity instruments		71,488	-	-	71,488																	71,488	-
Own shares	a) of the parent company	(45,123)	-	-	(45,123)							######										(112,279)	-
	b) of the subsidiaries	-	-		-																	-	-
Net profit (loss) for the period		910,092	19,838		910,092	19,838	#######	(19,838)												######	3,374	253,611	3,374
Shareholders' Equity		7,775,025	37,752		7,775,025	37,752	-	-	-	9,764	34	######	-			-		-		######	3,374	#######	41,160

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21.2.c Earnings per share and diluted earnings

1) Accounts
2) Current operations and belonging to the Parent Company
3) Groups of assets being sold and belonging to the Parent Company
4) Total belonging to the Parent Company
5) Current operations and belonging to the Parent Company
6) Groups of assets being sold and belonging to the Parent Company
7) Total belonging to the Parent Company

1. Earnings per share
2. Diluted earnings

OVERVIEW ON THE OPERATIONS OF BANCA MONTE DEI PASCHI DI SIENA

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

BANCA MONTE DEI PASCHI DI SIENA

Highlights at 31/03/07

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP	31/03/07	31/03/06	% chg
• INCOME STATEMENT FIGURES (in millions of euros)			
Income from banking activities	567.2	521.6	8.7
Financial income (loss)	704.1	872.5	-19.3
Net operating income	266.0	436.2	-39.0
Net profit (loss) for the period	222.1	359.4	-38.2
• BALANCE SHEET FIGURES AND INDICATORS (in millions of euros)	**31/03/07**	**31/03/06**	**% chg**
Direct funding	72,950	62,730	16.3
Indirect funding	68,541	72,845	-5.9
of which: assets under management	*30,395*	*31,725*	-4.2
of which: assets under custody	*38,147*	*41,120*	-7.2
Customer loans	52,283	44,318	18.0
Group net equity	7,840	6,654	17.8
• KEY LOAN QUALITY RATIOS (%)	**31/03/07**	**31/12/06**	
Net non-performing loans/Customer loans	1.3	1.3	
Net watchlist loans/Customer loans	0.6	0.6	
• PROFITABILITY RATIOS (%)	**31/03/07**	**31/12/06**	
Cost/Income ratio	55.4	55.5	
R.O.E. (on average equity)	6.3	12.5	
R.O.E. (on year-end equity)	6.8	14.9	
Net adjustments to loans / Year-end investments	0.36	0.37	
• INFORMATION ON BMPS STOCK	**31/03/07**	**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	4.91	4.61	
low	4.59	3.72	
high	5.24	5.08	
• OPERATING STRUCTURE	**31/03/07**	**31/12/06**	**Abs. chg**
Total head count - year-end (1)	12,508	12,555	-47
Number of branches in Italy	1,170	1,168	2
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) and cleaning staff. The 2006 figure includes 125 subsidiaries staff (transferred to the Parent Company in 2006 from MPS Net, MPS Professional and Banca MPS Tax Collection)

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

Parent Company	31/03/07 (°)	31/03/06 restated (*)	Change Ins.	Change %
Net interest income	**361.1**	**329.8**	**31.3**	**9.5%**
Net commissions	206.1	191.8	14.3	7.5%
Income from banking activities	**567.2**	**521.6**	**45.6**	**8.7%**
Dividends and similar income	71.3	233.2	-161.9	-69.4%
Net result from realisation/valuation of financial assets	65.9	116.1	-50.2	-43.2%
Net gain (loss) from hedging	-0.3	1.6	-1.9	-118.1%
Financial income (loss)	**704.1**	**872.5**	**-168.4**	**-19.3%**
Net adjustments for impairment of:				
a) loans	-47.2	-43.9	-3.3	7.6%
b) financial assets	-0.6	3.3	-4.0	n.s.
Net financial income (loss)	**656.2**	**831.9**	**-175.7**	**-21.1%**
Administrative expenses:	-386.7	-392.6	5.9	-1.5%
a) personnel expenses	-213.1	-223.1	10.0	-4.5%
b) other administrative expenses	-173.6	-169.5	-4.1	2.4%
Net adjustments to the value of tangible and intangible fixed assets	-3.5	-3.2	-0.3	10.9%
Operating expenses	**-390.2**	**-395.7**	**5.5**	**-1.4%**
Net operating income	**266.0**	**436.2**	**-170.2**	**-39.0%**
Net provisions for risks and liabilities and Other operating income/costs	-19.6	-10.8	-8.9	82.3%
Profits (losses) from equity investments	60.2	-3.7	63.9	n.s.
Gains (losses) from disposal of investments	0.05	0.0	0.0	n.s.
Gain (loss) from current operations before taxes	**306.6**	**421.7**	**-115.1**	**-27.3%**
Taxes on income for the year from current operations	-84.4	-65.8	-18.7	28.4%
Gain (loss) from current operations after taxes	**222.1**	**355.9**	**-133.8**	**-37.6%**
Gain (loss) on fixed assets due for disposal, net of taxes		3.4	-3.4	n.s.
Net profit (loss) for the year	**222.1**	**359.4**	**-137.2**	**-38.2%**

(*) Data restated to exclude tax collection area results, which are included into "Gain (loss) on fixed assets due for disposal, net of taxes", according IFRS 5 rules.

■ RECLASSIFIED BALANCE SHEET (in millions)

ASSETS	31/03/07	31/03/06	% chg
Cash and cash equivalents	215	233	-7.6
Receivables :			
a) Customer loans	52,283	44,318	18.0
b) Due from banks	33,082	25,573	29.4
Financial assets held for trading	14,454	17,388	-16.9
Financial assets held to maturity	0	0	
Equity investments	7,320	5,841	25.3
Tangible and intangible fixed assets	1,024	996	2.9
of which:			
a) goodwill	*777*	*777*	*0.0*
Other assets	3,358	3,671	-8.5
Total assets	**111,737**	**98,021**	**14.0**

LIABILITIES	31/03/07	31/03/06	% chg
Payables			
a) Due to customers and securities	72,950	62,730	16.3
b) Due to banks	24,110	20,092	20.0
Financial liabilities from trading	3,377	4,482	-24.6
Provisions for specific use			
a) Provisions for employee leaving indemnities	216	232	-6.9
b) Reserve for retirement benefits	38	45	-14.6
c) Other reserves	276	282	-2.2
Other liabilities	2,930	3,504	-16.4
Shareholders' equity	7,840	6,654	17.8
a) Valuation reserves	408	437	-6.6
b) Reimbursable shares	0	0	
c) Capital instruments	71	46	55.1
d) Reserves	4,659	3,238	43.9
e) Share premium account	561	548	2.3
f) Share capital	2,030	2,026	0.2
g) Treasury shares (-)	-112	0	n.s.
h) Net profit (loss) for the year	222	359	-38.2
Total liabilities and shareholders' equity	**111,737**	**98,021**	**14.0**

OVERVIEW ON OPERATIONS

As far as the Parent Bank, **Banca Monte dei Paschi di Siena**, is concerned, following are the major results on the front of commercial operations achieved, as usual, through a management hinged on the customer's centrality and the growing customization of services.

CAPITAL AGGREGATES

1) FUNDS MANAGEMENT

With reference to funds management, the commercial network (BMPS Bank Division) realized appreciable results, with a hefty growth of total funding in the " corporate" (+EUR 401 million with respect to 31 December 2006) and "retail" segments (+EUR 133 million with respect to 31 December 2006). **Following is the breakdown of the flows of placement:**

■ Product Placements

in million of euros

		31/03/07	31/03/06
Mutual funds/SICAVs		135	-186
Individual portfolios under management		-132	235
Life-insurance policies	including:	903	726
	Ordinary	475	396
	Index Linked	319	227
	Unit Linked	110	103
Bonds	including:	1,216	1,003
	Linear	822	492
	Structured	395	512
Total		2,123	1,779

In addition to the other technical kinds, this determined the following breakdown of **total funding:**

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

	31/03/07	31/03/06	% chg. vs 31/03/06	% weight 31/03/07
Direct customer funding (*)	**72,950**	**62,730**	**16.3%**	***51.6%***
Indirect customer funding	**68,541**	**72,845**	**-5.9%**	***48.4%***
assets under management	*30,395*	*31,725*	-4.2%	*21.5%*
assts under custody	*38,147*	*41,120*	-7.2%	*27.0%*
Total customer funding	**141,492**	**135,574**	**4.4%**	***100.0%***

DIRECT FUNDING

The buoyant growth of the aggregate (+16%) was mainly driven by the bonds placed with retail customers, short-term deposits and funding with institutional investors. Following is the breakdown of direct funding by kind as of 31 March 2007:

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

	31/03/07	31/03/06	% chg. vs 31/03/06	% weight 31/03/07
Due to customers	36,689	35,965	2.0%	*50.3%*
Outstanding securities	27,361	18,611	47.0%	*37.5%*
Financial liabilities at fair value	8,900	8,154	9.1%	*12.2%*
Total Direct Funding	**72,950**	**62,730**	**16.3%**	***100.0%***

INDIRECT FUNDING

Indirect funding stood at EUR 68,541 million (+11.5% from the beginning of the year)

<u>In particular:</u>

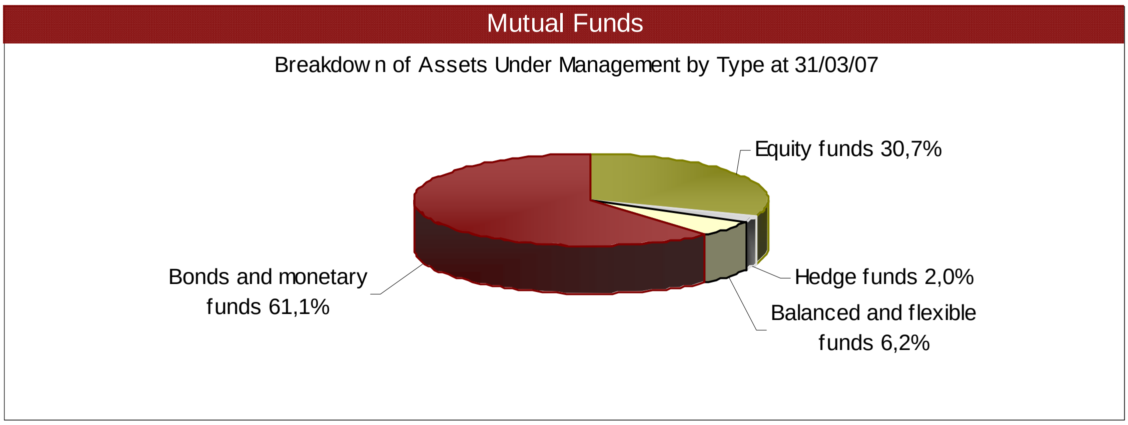
- FUNDS UNDER MANAGEMENT

The aggregate came to EUR 30,395 million (EUR 30,258 million as of 31 December 2006) with diversified changes summarized as follows:

Mutual funds

The balance of mutual funds totaled EUR 9,726 million. In the first quarter of 2007 flows amounted to EUR 135 million.

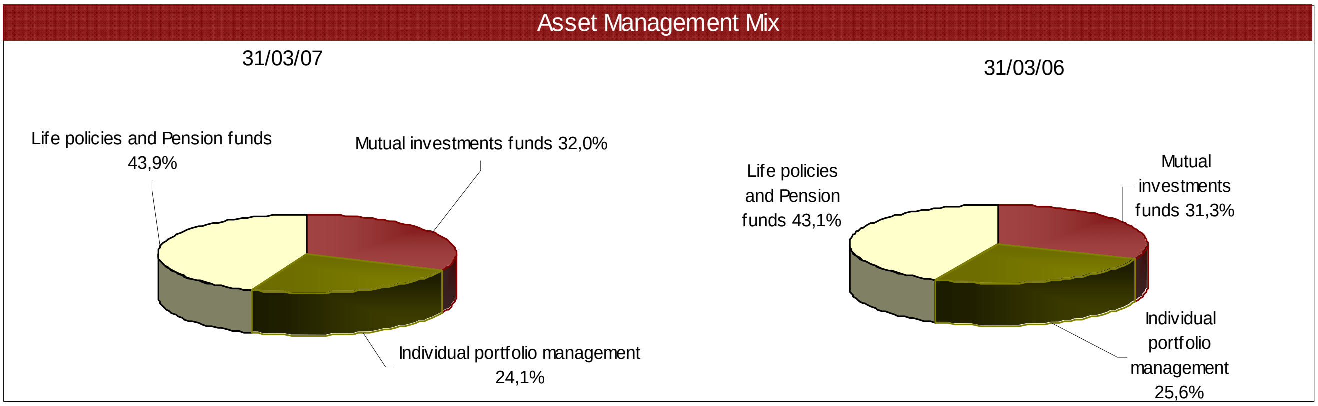
With reference to the investment funds of Monte Paschi Asset Management SGR placed by the Bank, the weight of equity funds decreased in comparison with 31 March 2006 (31.2%).



Individual portfolios under management

Individual portfolios under management amounted to EUR 7,321 million . In the first quarter of 2007 flows amounted to EUR 132 million.

The breakdown of the asset management by kinds of product is the following



Life insurance policies

As of 31 March 2007, the balance inclusive of pension funds amounted to EUR 13,348 million.

FUNDS UNDER ADMINISTRATION

Funds under administration came to EUR 38,147 million (- 7.2% if compared with 31/03/06; from the beginning of the year the aggregate is growing by 22.3%), as a consequence of the redemption of a large corporate deposit which occurred at the end of the financial year and was partially recovered during the first quarter of 2007.

2) LENDING

A) SALES AND MARKETING ACTIVITY

As of 31 March 2007, customers' loans amounted to EUR 52,283 million progressing by 18% year on year. Domestic operations with *Retail and Corporate* customers of the BMPS Commercial Bank Division confirmed a buoyant trend (+13.7% in terms of average balances) with medium-/long-term loans prevailing, mostly driven by corporate mortgage loans, but also showing short-term accelerating .

<u>In particular</u>:

- **Lending business channeled to the Group special credit companies** came to EUR 249 million in terms of **leasing** contracts executed by **MPS Leasing & Factoring – Banca per I Servizi Finanziari alle Imprese** and to EUR 179 million in terms of loans disbursed by **MPS Banca per l'Impresa**.
- New flows (excluding "public works") of **mortgage loans** amounted to EUR 1,426 million (+34.8 y.o.y);

- **With reference to consumer credit, Consum.it** totaled disbursements – routed by the Bank - in the amount of EUR 437 million (+11.8% y-o-y).

■ Specialised credit and corporate financial products

in million of euros	31/03/07	31/03/06
MPS Finance		
risk management (1)	875	747
MPS Banca per l'Impresa		
disbursements	179	184
MPS Leasing & Factoring		
incl.: new leases executed	249	225
factoring turnover	814	867
Consumit		
disbursements	437	391

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

B) CREDIT QUALITY

Banca MPS closed the period with a substantially stable net exposure to loan losses with respect to the beginning of the year, with moderate levels in comparison with total customers' loans. **The weight of NPLs and watchlist credits (net of valuation adjustments) came to 1.88% roughly versus 1.89% as of 31.12.2006.**

■ **BREAKDOWN OF CUSTOMER LOANS BY RISK**

Risk category - Net book values *in million EUR*	**31/03/07**	**31/12/06**	**Inc. % 31/03/07**	**Inc. % 31/12/06**
A) Impaired loans	**1,529**	**1,524**	**2.92**	**2.98**
a1) Non-performing loans	676	658	1.29	1.29
a2) Watchlist loans	306	308	0.59	0.60
a3) Restructured loans	52	63	0.10	0.12
a4) Past due	494	494	0.95	0.97
B) Performing loans	**50,230**	**48,971**	**96.07**	**95.88**
C) Other assets	**524**	**579**	**1.0**	**1.1**
Total customer loans	**52,283**	**51,074**	**100.0**	**100.0**

As shown in the table, the above ratio results from an increase of NPLs (+18 million) balanced by the substantial stability of watchlist credits (-2 million) and the decrease of restructured loans. The percentage of value adjustments to loan losses (inclusive of interest on arrears) was 42,7 % but climbed to 58,4 % in the case of NPLs. The percentage of coverage of the loss original value (including losses registered in the previous financial statements) amounts to more than 70% for ordinary credit. Portfolio value adjustments to good loans stood at 0.45% of the aggregate of reference.

PROFITABILITY AGGREGATES

In line with the results at consolidated level, Banca Monte dei Paschi di Siena posted positive results for the period, with the intermediation margin increase (+8.7% accelerating with respect to 2.4% of 2006) confirming the trend of structural development of core activities.

1) PROFITABILITY

THE COMPOSITION OF INCOME FROM FINANCIAL BUSINESS

In the first quarter of 2007, **income from financial business and services** of Banca Monte dei Paschi di Siena **amounted to EUR 704.1 million**. In the first quarter of 2006, income amounted to EUR 872.5 million due to the sale of some important investments as well as to the collection of dividends from subsidiaries. Net of above-mentioned components income from financial business and services would amount to around 7%. In this respect, the contribution made by the MPS Network Division increased by about 8.9%.

The major aggregates embrace:

- **The Bank's interest income** stood at EUR 361.1 million with an increase of 9.5% in comparison with 31 March 2006. The BMPS Network Division contributed with a 10% increase, which benefits from the development of average traded volumes (more than 10%) and from a slight improvement of the spread;

- **Commissions** grew, in respect of the previous year, to EUR 206.1 million (+7.5%). Iincome from traditional banking services rose by about 6% as well as commissions from funds management by about 3.8%;

- **Dividends collected** (EUR 71.3 million) decreased with respect to 31 December 2006 (EUR 233.2 million), due to the loss of the dividends from MPS Immobiliare and Monte Paschi Serit and to recording delays of some subsidiaries;

- **Net income from trading/valuation of financial assets** came to EUR 65.95 million against EUR 116.1 million as of 31 March 2006. It should be underlined the recording, in the first quarter of 2006, of income resulting from sale of investments in Fiat and Bnl.

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

	31/03/07	31/03/06
Net Profit from trading	56.9	49.6
Profit/loss from loans, available for sale financial assets and financial liabilities	6.6	71.6
Fair Value financial assets and liabilities	2.4	-5.1
Net result from realisation/valuation of financial assets	**65.9**	**116.1**

COST OF CREDIT: NET VALUATION ADJUSTMENTS TO LOAN LOSSES AND FINANCIAL ASSETS

Net valuation adjustments to loan losses contributed to income from financial business, in an amount of EUR 47.2 million (EUR 43.9 million as of 31 March 2006). As a result, the Bank's **income from financial business** stood at EUR 656.2 million; a 7% growth is reported net of income components resulting from non-recurrent items in the first quarter of 2006 (Fiat, Bnl and dividends from subsidiaries)

OPERATING EXPENSES

Operating expenses are substantially stable y.o.y. In particular:

A) **Administrative expenses** came to EUR 386.7 million (-5.9% if compared with 31 March 2006). This was attributable to:

- **personnel expenses** amount to EUR 213.1 million (-4.5%) above all due to structural benefits resulting from staff cuts and reorganization implemented in the final period of the previous financial year (retirement of personnel with high seniority and hierarchical level).

- **Other administrative expenses** (EUR 173.6 million, net of the recovery of stamp duty and customers' expenses) increased slightly by 2.4% absorbing charges related to the expansion of the network and the technological innovation and communication.

B) **Net valuation adjustments to fixed and intangible assets** stood at EUR 3.5 million (EUR 3.2 million as of 31 March 2006).

The Bank's net operating profit amounted to EUR 266 million (436.2 million as of 31 March 2006; 20% increase is recorded net of income resulting from non-**recurrent** items of the first quarter of 2006**. The cost-income ratio came to 55.4% (55.5% in 2006).**

2) EXTRAORDINARY ITEMS, TAXES AND NET PROFIT

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

- the positive balance of **Net provisions for risks and charges and Other operating income/charges** (-EUR 19.6 million versus –EUR 10.8 million as of 31 March 2006)

- **the balance of Profit/loss from equity investments in the amount of EUR 60.2 million** which includes the sale of equity investments in Finsoe

- **The Bank's gross profit from current operations (incl. taxes) stood at EUR 306.6.**

Rounding out the picture of the Bank's profitability is **Income tax for the period on current operations** (EUR 84.4 million). **Therefore, in light of the contribution of such components, the Bank's net profit for the period came to EUR 222.1 million (EUR 359.4 million as of 31 March**

2006). The Bank's annualized ROE was 6.8% (ROE calculated on average shareholders' equity: 6.3%).

MATERIAL EVENTS SUBSEQUENT TO YEAR END

Please refer to the section covering "Material events subsequent to year end" 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.

Siena, 15 May 2007