GRUPPO MPS

Quarterly Report as of September 30th, 2006

Siena, November 9th, 2006

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CONSOLIDATED QUARTERLY REPORT

REPORT ON THE OPERATIONS OF THE PARENT BANK "BANCA MONTE DEI PASCHI DI SIENA"

Q3 2006 RESULTS

SUMMARY OF OPERATIONS

This introductory chapter contains a summary of operations as of the end of September 2006. Key projects and initiatives are discussed in more detail in the sections that follow, entirely devoted to operating developments in different business areas.

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The projects outlined in the **new 2006-2009 Group Business Plan** were started during the third quarter of 2006, with the aim of strenghtening the market leadership of the Group by improving its customer service, enhancing the efficiency of its operating structure, increasing its overall profitability and optimising its capital management. More specifically, business plans were developed for the Group commercial banks and all of the 23 projects outlined in the Group Business Plan were started, with approximately 60 full-time resources allocated to them. The new organization chart for the Parent Bank was implemented by integrating skills present in the Group structures into it and by minimising middle management levels, partially through a centralization of non core business. An ad-hoc structure was set up for this purpose, with the aim of training and better leveraging existing resources, in an attempt to re-relocate the resources released by central structures to network activities. A detailed chart of the new local structures was developed, leading to a decrease from 21 to 9 of the areas in charge of centralized operations and network supervision for Banca Monte dei Paschi alone. Finally, the dismissal of the tax-collection business was completed and 409 employees (including 105 managers) joined an early retirement incentive program.

From an operating standpoint, the MPS Group confirmed the gradual improvement of the operating results posted in previous quarters. Such results, achieved as usual by pursuing a customer-centric approach, relationships ethics and service quality, are proof to the growing commercial effectiveness of segment-specific platforms and to the increasing benefits of a policy that favours structural, recurring income flows.

Highlights:

o In the **asset management business**, the Group commercial networks generated **approx. EUR 7.4B's worth of investment flows,** with the overall product mix being characterised by a larger share of structured/linear bonds. This led to an increase in overall funding (+1.6% yoy), with **direct funding up 5.6%.**

o In the **lending business**, the Group finalised its support to corporate customers based on an extremely rigorous and selective approach and further increased its share of medium/long-term loans. **Loans disbursed by the networks and specialised lending companies totalled EUR 10.3B (+5.6% over 2005 volumes)** and resulted in a **significant increase in outstanding loans (+12.1% yoy).** The Group's traditionally conservative approach to the lending business, together with rigorous criteria for the detection of doubtful loans, led to a significant reduction in net doubtful loans (-14.4%) and confirmed a good asset quality, with a **<u>net NPLs+watchlist loans/total loans</u> ratio of 3%.**

o As far as **regulatory capital ratios** are concerned**, at 30/09/06**[1] **TIER I ratio** was estimated at 6.80% (versus 6.51% at the end of 2005) and solvency ratio stood at 9.69% (compared to 9.16% at 31/12/05).

Finally, with respect to **<u>income aggregates,</u> net operating profit totalled EUR 1,129.6M (+13.5)%**, driven mainly by a growth in revenues (+5.1%). **If non-banking operations are included, consolidated profit for the quarter amounts to EUR 687.5M, up significantly (+19.8%) from September 30th, 2005. The cost/income ratio improved to 60.7% (versus 64.8% in 2005), and ROE on end-of-period equity reached 13%.**

[1] Ratios were calculated according to the new "prudential filters" guidelines issued by the Bank of Italy in November 2005.

RESTATED FINANCIAL STATEMENTS

CONSOLIDATED REPORT ON OPERATIONS

Summary of results as of September 30th, 2006

 KEY P&L/BALANCE SHEET DATA AND RATIOS

MPS GROUP	30/09/06	30/09/05	% chg
PROFIT & LOSS AGGREGATES (in million EUR)			
Total banking and insurance income	3.730,4	3.547,7	5,1%
Net operating income	1.129,6	995,2	13,5%
Net income	687,5	573,7	19,8%
BALANCE SHEET AGGREGATES (in million EUR)	**30/09/06**	**30/09/05**	**Var.%**
Direct funding (1)	86.398	81.787	5,6%
Indirect funding	108.325	109.906	-1,4%
Assets under management	*48.407*	*48.351*	0,1%
Assets under custody	*59.918*	*61.555*	-2,7%
Receivables from customers	88.791	79.237	12,1%
Net shareholders' equity	7.688	6.637	15,8%
CREDIT QUALITY RATIOS (%)	**30/09/06**	**31/12/05**	
Net non-performing loans/Total loans	1,9	1,9	
Net watchlist loans/Total loans	1,1	1,2	
PROFITABILITY RATIOS (%)	**30/09/06**	**31/12/05**	
Cost/Income ratio	60,7	64,8	
Operating cost/income ratio (2)	59,5	63,3	
R.O.E. (on average net equity)	12,0	11,6	
R.O.E. (on end-of-period equity)	13,0	12,9	
Net loan loss provisions / End-of-period loans	0,49	0,51	
CAPITAL RATIOS (%)	**30/09/06 (a)**	**31/12/05 (a)**	
Solvency ratio	9,69	9,16	
Tier 1 ratio	6,80	6,51	
(a) calculate based on Bank of Italy's prudential filters			
BMPS stock data	**30/09/06**	**31/12/05**	
Number of ordinary shares outstanding	2.448.491.901	2.448.491.901	
Number of preferred shares outstanding	565.939.729	565.939.729	
Number of savings shares outstanding	9.432.170	9.432.170	
Price per ordinary share during the year:			
average	4,52	3,13	
low	3,72	2,43	
high	5,07	4,17	
OPERATING STRUCTURE	**30/09/06**	**31/12/05**	**Var. ass.**
Totale employees at end of period	26.479	26.542	-63
Employees of domestic commercial network branches	1.884	1.862	22
Employees of foreign branches and representative offices	36	30	6

(1) Balance shees data were purged of investments in Index-Linked products, which were posted to "Assets under Management" as usual

(2) Operating cost-income ratios were purged of staff retirement operating costs posted at 30/9/06 (approx. EUR 44.1M) and at 31/12/05 (EUR 73M).

■ **PROFIT & LOSS ACCOUNT - RESTATED ACCORDING TO OPERATING CRITERIA (in million EUR)**

MPS Group	30/09/06 (°)	30/09/05 restated (*)	Changes Abs.	Changes %
Interest income	**1.999,1**	**1.905,0**	**94,2**	**4,9%**
Net fees	1.334,4	1.322,1	12,3	0,9%
Basic income	**3.333,5**	**3.227,0**	**106,5**	**3,3%**
Dividends, similar income and profit/losses from equity investments	43,8	82,0	-38,2	-46,6%
Net income from trading/valuation of financial assets	252,7	163,3	89,4	54,8%
Net income/losses from hedging	-1,8	-12,2	10,5	ns.
Total insurance income	102,2	87,6	14,5	16,6%
Total banking and insurance income	**3.730,4**	**3.547,7**	**182,7**	**5,1%**
Net loss provisions for:				
a) loans	-324,4	-302,2	22,3	7,4%
b) financial assets	-12,8	-1,5	ns.	ns.
Gross operating income	**3.393,2**	**3.244,1**	**149,1**	**4,6%**
Administrative expenses:	-2.162,2	-2.137,6	24,7	1,2%
a) personnel expenses	-1.435,2	-1.412,2	23,0	1,6%
b) other administrative expenses	-727,1	-725,4	1,6	0,2%
Net value adjustments to tangible and intangible assets	-101,4	-111,3	-9,9	-8,9%
Operating costs	**-2.263,7**	**-2.248,9**	**14,7**	**0,7%**
Net operating income	**1.129,6**	**995,2**	**134,4**	**13,5%**
Net provisions for risks and charges and Other operating income/charges	33,6	-36,5	70,1	ns.
Goodwill amortization	-0,3	-29,0	28,7	ns.
Profit/Losses from investments sold	0,18	-0,6	-0,4	ns.
Profit/Losses from ordinary operations before taxes	**1.163,0**	**929,0**	**234,0**	**25,2%**
Income taxes on ordinary operations	-465,8	-341,3	124,5	36,5%
Profit/Losses from ordinary operations after taxes	**697,2**	**587,8**	**109,5**	**18,6%**
Minority interests	-9,7	-14,0	-4,4	-31,1%
Net income	**687,5**	**573,7**	**113,8**	**19,8%**

Earnings per share (in EUR)	**30/09/06**	**30/09/05**
Basic	**0,227**	**0,189**
Diluted	**0,214**	**0,175**

(°) 2006 data include "line by line" income from the tax collection business and are consistent with 2005 data.
(*) Figures were restated based on Bank of Italy guidelines as per circular letter No. 262 issued in December 2005.

PROFIT & LOSS ACCOUNT RESTATED ACCORDING TO OPERATING CRITERIA - QUARTERLY EVOLUTION (in million EUR)

	Fiscal year 2006			Fiscal year 2005 (*)				Average	Average	
MPS Group	**Q3 06**	**Q2 06**	**Q1 06**	**Q4 05**	**Q3 05**	**Q2 05**	**Q1 05**	**quarter '05**	**Quarter '06**	**31/12/05**
Interest income	**680,3**	**671,8**	**647,0**	**673,2**	**636,8**	**633,1**	**635,1**	**644,5**	**666,4**	**2.578,1**
Net fees	431,4	441,2	461,8	459,2	441,0	449,9	431,1	445,3	444,8	1.781,2
Basic income	**1.111,7**	**1.113,0**	**1.108,9**	**1.132,4**	**1.077,7**	**1.083,0**	**1.066,2**	**1.089,8**	**1.111,2**	**4.359,4**
Dividends, similar income and profit/losses from equity investments valued at net equity	13,5	24,3	6,0	10,5	21,0	38,0	23,0	23,1	14,6	92,5
Net income from trading/valuation of financial assets	24,4	52,1	176,3	12,0	47,0	51,7	64,7	43,8	84,2	175,3
Net income from hedging	0,0	-2,1	0,3	-1,1	-3,7	-4,3	-4,3	-3,3	-0,6	-13,4
Insurance income	60,6	9,1	32,4	26,0	31,6	31,5	24,5	28,4	34,1	113,7
Total banking and insurance income	**1.210,2**	**1.196,3**	**1.323,9**	**1.179,7**	**1.173,6**	**1.200,0**	**1.174,2**	**1.181,9**	**1.243,5**	**4.727,5**
Net loss provisions for:										
a) loans	-103,5	-113,4	-107,5	-124,7	-103,7	-109,2	-89,2	-106,7	-108,1	-426,9
b) financial assets	1,1	-11,9	-1,9	-137,7	-3,7	1,1	1,1	-34,8	-4,3	-139,2
Gross operating income	**1.107,8**	**1.071,0**	**1.214,5**	**917,3**	**1.066,1**	**1.091,9**	**1.086,1**	**1.040,3**	**1.131,1**	**4.161,4**
Administrative expenses:	-729,0	-714,6	-718,6	-776,7	-723,5	-706,0	-708,0	-728,6	-720,7	-2.914,3
a) personnel expenses	-483,4	-477,2	-474,5	-519,1	-474,1	-462,5	-475,5	-482,8	-478,4	-1.931,3
b) other administrative expenses	-245,6	-237,5	-244,0	-257,6	-249,4	-243,5	-232,5	-245,7	-242,4	-983,0
Net value adjustments to tangible and intangible assets	-35,0	-34,0	-32,5	-39,1	-37,7	-37,8	-35,8	-37,6	-33,8	-150,4
Operating costs	**-764,0**	**-748,6**	**-751,0**	**-815,8**	**-761,2**	**-743,8**	**-743,8**	**-766,2**	**-754,6**	**-3.064,7**
Net operating income	**343,8**	**322,3**	**463,5**	**101,5**	**304,9**	**348,0**	**342,2**	**274,2**	**376,5**	**1.096,7**
Provisions for risks and charges and Other operating income/charges	9,5	23,0	1,1	63,5	-6,4	-12,6	-17,6	6,8	11,2	27,0
Goodwill amortization		-0,3		0,0	0,0	-14,5	-14,5	-7,3	-0,1	-29,0
Profit/Losses from invstments sold	0,01	0,16	0,01	1,10	-0,56	-0,02	-0,02	0,1	0,1	0,5
Profit/Losses from ordinary operations before taxes	**353,3**	**345,2**	**464,5**	**166,2**	**298,0**	**320,9**	**310,1**	**273,8**	**387,7**	**1.095,2**
Income taxes on ordinary operations	-143,2	-138,8	-183,8	59,7	-92,3	-106,8	-142,2	-70,4	-155,3	-281,5
Profit/Losses from ordinary operations after taxes	**210,1**	**206,4**	**280,7**	**225,9**	**205,7**	**214,1**	**168,0**	**203,4**	**232,4**	**813,7**
Minority interests	-2,7	-3,8	-3,2	-9,4	-4,5	-4,7	-4,7	-5,9	-1,5	-23,5
Net income	**207,4**	**202,6**	**277,5**	**216,5**	**201,3**	**209,3**	**163,1**	**197,5**	**229,2**	**790,2**

(°) 2006 data include "line by line" income from the tax collection business and are consistent with 2005 figures.

(*) Data were restated based on Bank of Italy guidelines as per circular letter No.262 issued in December 2005.

MPS GROUP

RESTATED BALANCE SHEET (in million EUR)

ASSETS	30/09/06	30/09/05	% chg.
Cash and deposits with central banks and post offices	410	415	-1,2
Receivables:			
a) from customers	88.791	79.237	12,1
b) from banks	13.434	9.373	43,3
Financial assets held for trade	41.252	47.339	-12,9
Financial assets held to maturity	4.247	4.298	-1,2
Equity investments	728	607	19,9
Underwriting reserves	12	9	38,5
Tangible and intangible assets	3.411	3.226	5,8
of which:			
a) goodwill	*740*	*740*	*0,0*
Other assets	4.175	5.889	-29,1
Total assets	**156.458**	**150.392**	**4,0**

LIABILITIES	30/09/06	30/09/05	Var %
Payables:			
a) to customers, plus securities (°)	92.848	88.484	4,9
b) to banks	23.145	16.751	38,2
Financial liabilities from trading	14.729	19.140	-23,0
Reserves for specific use			
a) Staff severance indeminity reserve	399	402	-0,8
b) Pension funds	337	441	-23,7
c) Othe reserves	557	760	-26,6
Other liabilities	4.962	6.160	-19,5
Technical reserves	11.755	11.580	1,5
Shareholders' equity	7.688	6.637	15,8
a) Valuation reserves	637	888	-28,2
b) Reimbursable shares	0	0	n.s.
c) Capital instruments	46	46	0,0
d) Reserves	3.768	3.163	19,2
e) Share premium accounts	545	523	4,3
f) Share capital	2.026	1.935	4,7
g) Treasury shares (-)	-23	-491	-95,3
h) Profit/Loss for the quarter	688	574	19,8
Minority interests	39	36	7,5
Total liabilities and shareholders' equity	**156.458**	**150.392**	**4,0**

(°) Data include funding from Index-Linked products posted to insurance companies' "Payables to customers" - "Othes liabilities" (EUR 6,449M at 30/9/06)

MPS GROUP

■ RESTATED BALANCE SHEET - Quarterly evolution (in million EUR)

ASSETS	30/09/06	30/06/06	31/03/06	31/12/05
Cash and deposits with central banks and post offices	410	436	442	563
Receivables:				
a) from customers	88,791	86,124	83,145	83,526
b) from banks	13,434	11,358	11,099	9,994
Financial assets held for trading	41,252	40,505	43,560	45,819
Financial asset held to maturity	4,247	4,214	4,193	4,302
Equity investments	728	717	707	703
Underwriting reserves	12	11	10	12
Tangible and intangible assets	3,411	3,406	3,461	3,517
of which:				
a) goodwill	*740*	*740*	*740*	*740*
Other assets	4,175	6,748	3,445	5,314
Total assets	**156,458**	**153,520**	**150,061**	**153,749**

LIABILITIES	30/09/06	30/06/06	31/03/06	31/12/05
Payables:				
a) to customers, plus securities	92,848	96,263	92,082	94,279
b) to banks	23,145	16,476	17,060	16,207
Financial liabilities from trading	14,729	13,144	15,752	17,106
Reserves for specfic purposes				
a) Staff severance indemnity reserve	399	398	403	403
b) Pension funds	337	330	385	549
c) Other reserves	557	566	591	586
Othe liabilities	4,962	7,007	4,202	5,383
Technical reserves	11,755	11,868	11,936	11,922
Shareholders' equity	7,688	7,430	7,616	7,268
a) Valuation reserves	637	579	591	618
b) Reimbursable shares	0	0	0	0
c) Capital instruments	46	46	46	46
d) Reserves	3,768	3,765	4,128	3,346
e) Share premium accounts	545	545	548	539
f) Share capital	2,026	2,026	2,026	2,026
g) Treasury shares (-)	-23	-10	-1	-97
h) Profit/Loss for the quarter	688	480	277	790
Minority interests	39	37	34	46
Total liabilities and shareholders' equity	**156,458**	**153,520**	**150,061**	**153,749**

RESTATEMENT CRITERIA

The P&L account and balance sheet above were restated according to operating criteria. The main changes to the P&L account for fiscal years 2005-2006 were aggregations of items and restatements aimed at making the evolution of trends more easily understandable.

Moreover, to make a consistent comparison with operations in previous quarters possible, the figures associated to the tax-collection business were restated as other sources of income (EUR 2.7M as interest income; EUR 223.4M as net fees; EUR 165.5M as operating charges; EUR 16.5M as net provisions for risks and charges and other operating income/charges; EUR 12.7M as taxes on operating profit).
The data at September 30th 2005 were restated according to guidelines issued by the Bank of Italy as per circular letter n. 262 issued in December 2005.

REPORT ON GROUP OPERATIONS

BACKGROUND ECONOMIC INFORMATION

THE MACRO-ECONOMIC AND FINANCIAL SCENARIO

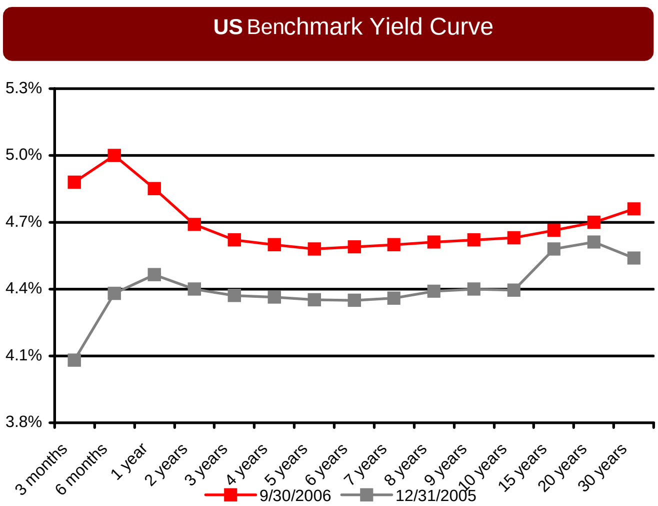
Despite a slow-down in the US and Japan since the second quarter, **2006 should close with an economic growth of 5% worlwide**, in line with last year's trends, with both the industrialised world and emerging countries contributing to a positive outcome. All in all, inflation is still under control, as a result of the fine-tuning and timeliness of monetary policies and of a strong competition in manufactured product markets. **Last September oil prices fell below $60 per barrel** (after remaining close to $75 since April), whereas **medium-term interest rates went down by approx. 50 bp in the US and by 30-35 bp in the Eurozone in the third quarter**.

GROWTH OF MAJOR WORLDWIDE ECONOMIES

	2004	2005	2006 (est.)
Usa	4.2	3.2	3.2
Eurozone	1.8	1.5	2.5
Italy	0.9	0.1	1.7
Germany	1.1	1.1	2.2
France	2.0	1.2	2.3

After a brilliant 1st quarter, with annualised GDP up 5.6%, growth in the US slowed down considerably (+1.6% in the 3rd quarter). This was mainly due to a negative evolution of the real estate market, where investments in residential buildings decreased and average housing prices fell after rising constantly for over ten years. Consumption and investment trends remained positive, but inventory reductions and the foreign trade balance were net negative contributors to the economic growth.

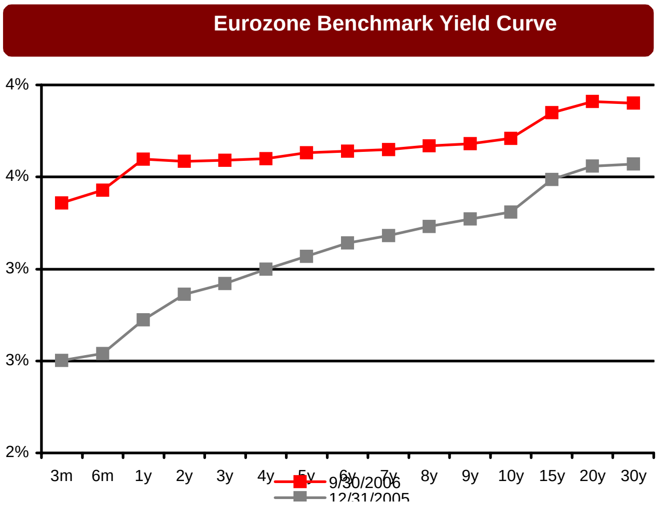
After four more 25-bp rate rises during the first half of the year, the **FED stopped its tightening policy, at least for the time being.** The risk of an excess slowdown in economic growth is being given priority over some lingering inflation risk, highlighted by an **increase in core consumer prices, which rose to 2.9% per year last September,** more than deemed desirable by the FED (1/2%). A decrease by approx. 50 bp in medium/long term benchmark yields in the 3rd quarter reflected the expectation that policy-based rate rises are over. Even **in Japan**, after a satisfactory 1st quarter with GDP up 0.8% over the previous period, real economy trends showed a significant slowdown



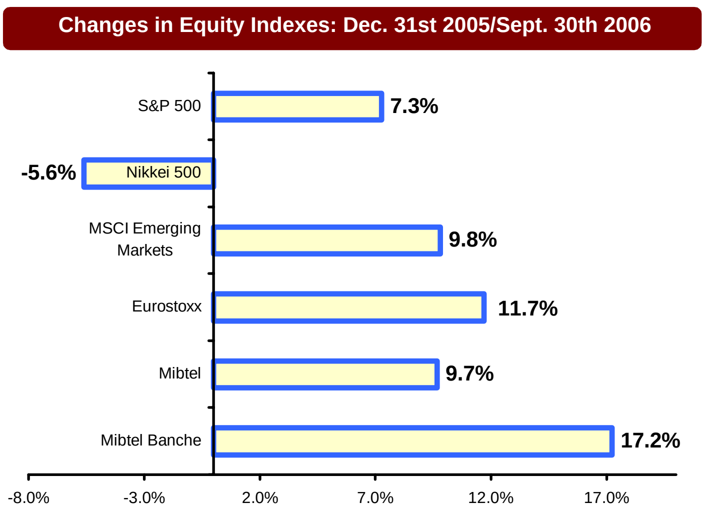
caused by exports and investments in residential buildings. After six years of stability at zero level, the Central Bank **raised the prime rate to 0.25%** in mid July. However, the end of a deflationary period is far from certain, which makes monetary policy actions in the near future unlikely. **In Asia, growth slowed down despite being still robust, whereas in China it exceeded 10%,** mainly driven by a positive evolution of fixed investments and by an increase in foreign trade surpluses. Political authorities, worried by swelling liquidity volumes and by a massive urban expansion, are taking restrictive actions.

In Euroland growth accelerated to approx. 2.5% mainly as a consequence of domestic demand, while net exports provided a more limited contribution. After being raised twice during the first half of the year, **the ECB prime rate was increased to 3% in August and again to 3.25% in early October**, reflecting stability risks in consumer prices, which however only grew by less than 2% on an annual basis last September (+2.4% in Italy).

The benchmark yield curve flattened considerably. At the end of September its short-term segment was already discounting the ECB's October rate rise, and **the Q3 reduction in medium/long-term durations (approx. 30 bp** for 5-10 year bonds) might reflect doubts about the ability of economic growth to keep its current pace in the long run. The spread between Italian BTPs and ten-year Bunds came to slightly below 30 bp.



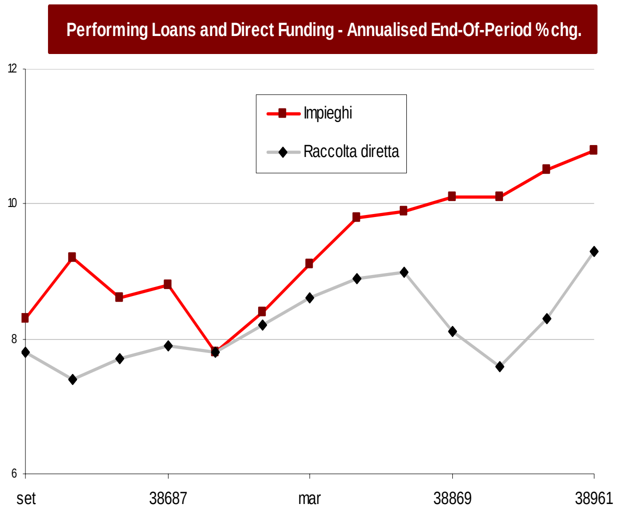
After a satisfactory growth in the first half of the year (+1.6%), performance indicators remained **moderately positive for the Italian economy** in the following months. Exports were on the increase, driven by a strong demand from Germany and Eastern European countries. Domestic demand, including retail consumption and investiments, confirmed a gradual recovery. Industrial production expanded further in the 3rd quarter (+1.1% over the previous period, following an annualised 2% increase in the first six months of the year), driven mainly by the automotive and mechanical industries. Corporate turnovers and industrial orders increased, and confidence and expectations in the manufacturing world also improved.



After remaining basically flat for six months, equity markets showed a moderately upward trend, driven by a good performance of listed companies, a decrease in medium/long-term interest rates and a decline in oil prices. The **MSCI World index grew by 6.2% ytd**. On average, European and emerging market Stock Exchanges improved thei performance, while the Japanese equity market underperformed. Market capitalization in Italy increased by approx. 15% annually, with the banking sector accounting for 32.6% of the total at the end of September. Since July, the sovereign **bond markets** have been showing a reversal in the downward trend that had begun early this year. In the **currency markets,** an imbalance in US trade accounts and a diversification in investors' currency portfolios supported a revaluation of the euro over the dollar (+8% compared to the beginning of the year).

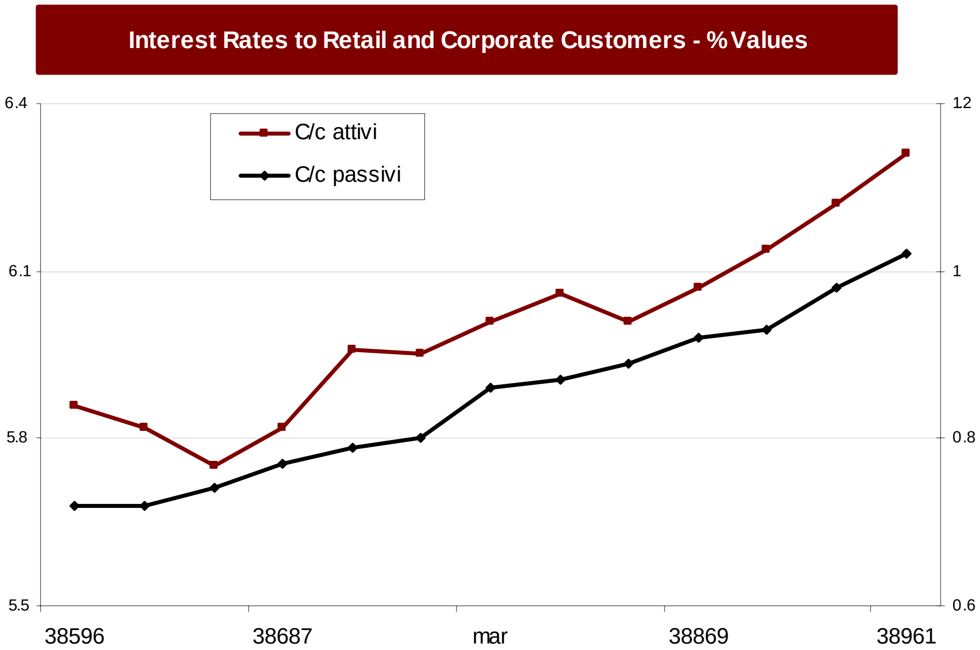
■ THE BANKING INDUSTRY AND THE POSITIONING OF THE MPS GROUP

In the third quarter of the year the banking sector posted a **considerable growth in loans and funding, as well as a decline in assets under management.**



Direct funding increased by more than 8% on an annual basis. Bonds grew more than 10% over the 2nd quarter, partially driven by the abolition of rules about maturity transformation and the placement of "extendible" maturity bonds on international markets. Conversely, the growth in current accounts opened declined gradually, from approx. +7% in the 1st quarter to +5% in the 3rd quarter, because of increased opportunity costs. Repos continued to grow (around +20% ytd), savings accounts remained stable and fixed duration deposits performed considerably well (from +1.5% in the first months of the year to over +9% in the 3rd quarter). The direct funding **market share of the MPS Group** exceeded 6.3%[2]. With respecte to **assets under management,** in the first nine months of the year **net flows from mutual funds** *(see note 2)* **were negative by over EUR 11B**. Italian and roundtrip products suffered from significant exits (-EUR 24.4B), partially offset by positive net investment flows in funds issued by foreign brokers. Flexible funds and hedge funds remained successful, with funding totalling almost EUR 24B ytd. Bond-based funds and liquidity funds were most severely hit by redemptions (totalling approx. EUR 30B), but equity products also suffered. In September the **market share of the MPS Group** was 3.6%.

[2] Latest available figures refer to August 2006



New bankassurance business (including post offices) decreased[3] by over 10% compared to the same period of 2005, whereas investment flows from financial advisors and insurance agencies grew by 2% and 7%, respectively. Funding from unit-linked products improved, but traditional policies and index-linked products posted a significant decline; single-premium policies were penalised, whereas new business from recurring-premium contracts increased. **The share of the MPS Group** was estimated at 8.4% in the bankassurance business and at 6.3% in the market as a whole.

Net funding from individual portfolios managed by the Retail and Private business units of banks, SGRs and SIMs was positive by a mere EUR 342M in the first eight months of the year, but assets under management rose by 7% on an annual basis (+3% over the end of last year). Investments in funds accounted for 58.1% of the total, down approx. 1 percentage point over December 2005. The **MPS Group market share in retail asset management was estimated at 4.3%.**

Performing loans picked up gradually, exceeding 10% on an annual basis in the 3rd quarter compared to an average +8.3% last year. The increase in medium/long-term loans remained significant, at around 13% annually. Short-term loans recovered considerably, growing by approx. 6% in Q3 2006 after two years of decline. The demand for loans remained high as a consequence of a better economic situation and of the strong performance of the consumer credit sector. In the corporate area, a rise in short-term loans was caused by an increasing need for operating capital and by the impact of extraordinary fund-raising operations.

Net NPLs fell by over EUR 200M in the first seven months of the year (-1.6%), but their annual variation turned out to be far more in the negative (-15.8%) due to large transactions closed by banks on a without-recourse basis at the end of last year. Consequently, NPLs now account for 1.26% of total loans, compared to 1.35% in December 2005.

Following the recent actions by the ECB, **bank interest rates fluctuated less than monetary policy benchmark rates and other market rates**. Interest rates on loans rose to 5.7%, up approx. 45 bp over last December, and rates on deposits and bonds increased by almost 34 bp in the same period. The mark-up (measured on current accounts overdrafts - 1-month Euribor) fell to 3.15% (23 bp less compared to the end of 2005), whereas the mark-down on current accounts increased from 1.63 to 2.12 percent.

[3] Figures refer to January-August timeframe.

DOMESTIC COMMERCIAL BUSINESS AND CUSTOMER PORTFOLIO

D**uring the third quarter of 2006 the MPS Group's commercial performance posted very good quantitative and qualitative results, and efforts aimed at fully leveraging personal relationships with existing and potential customers gained further momentum.** As usual, these results were achieved by guaranteeing high-quality structural relationships with customers at all times, in order to meet the investment needs of retail customers in such a way as to increase their confidence level while at the same time providing adequate financial and advisory support to corporate customers. Here follows a description of the main elements that characterised asset management and lending commercial operations.

1) ASSET MANAGEMENT

With respect to **asset management**, as usual the allocation process was consistent with customer risk profiles. **New investments totalled approx. EUR 7.4B, down 12.4% from Q3 2005 but up approx. 18% from Q3 2004.**

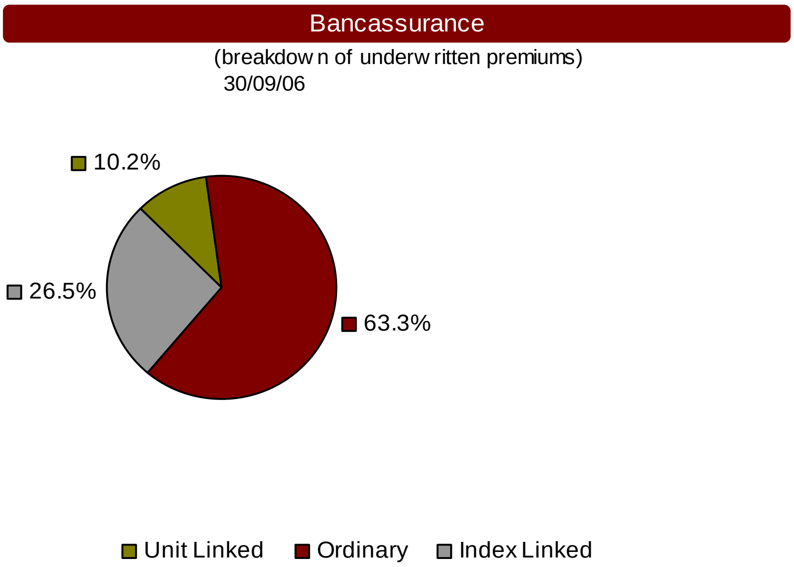
The following table shows the allocation of investments to the main products of the MPS Group. The overall product mix profile was characterised by **an increase in bonds.**

Product Placements

in million EUR		Final data at 30/09/06	Final data at 30/09/05
Mutual funds/Investment trusts		-386	187
Invest. in funds and securities (GPM/GPF)		-81	695
Life-insurance policies including:		2,953	4,103
	Ordinary	1,870	2,992
	Index Linked	781	851
	Unit Linked	302	260
Bonds including:		4,868	3,410
	Linear	3,405	1,983
	Structured	1,463	1,427
Total		7,353	8,395

Highlights:

- **In the life insurance business, premiums underwritten totalled EUR 2,953M**, thus placing the Group once again among the leading players in the bancassurance/postal system, **with an end-of-quarter market share of 8.4%.** With respect to new business for the MPV Group, at 30/09/06 premiums underwritten amounted to EUR 2,273M. A positive contribution also came from Quadrifoglio Vita Spa (50% of which is owned by Banca Agricola Mantovana) , with EUR 592 million's worth of premiums underwritten as of September 30th 2006. An analysis of premiums shows a shift towards Index-Linked and Unit-Linked policies compared to September 30th 2005, with ordinary policies suffering from a downturn that characterised the whole market in the first nine months of the year.



- **<u>Net individual and collective portfolios under management</u> decreased by approx. EUR 467M.** More specifically:

▪ **flows from <u>investments in mutual funds and investments trusts (Sicavs)</u> were negative by EUR 386M** (compared to EUR +187M at 30/09/2005) due to a shift from monetary funds (net flows: EUR –1,022M) to other, more dynamic investment products;

▪ **net flows from <u>individual portfolio management</u> were negative by EUR 81M** (vs. EUR 695M at 30/09/2005) resulting from EUR 497 million's worth of investments in funds and from EUR 579 million's worth of sales of individual stocks;

▪ **<u>bond volumes</u>** totalled **EUR 4,868M (vs. EUR 3,410 at 30/09/05),** broken down as follows:

o **<u>structured bonds:</u>** EUR 1,463M with limited options (the networks stopped receiving up-front fees on these bonds in 2005);

o **<u>linear bonds:</u>** EUR 3,405M.

■ 2) LENDING

In the lending business, the Group finalised its support to corporate customers based on an extremely rigorous and selective approach and further increased its share of medium/long-term loans, often secured by collaterals. **Loans disbursed by the networks and specialised lending companies totalled EUR 10.3B (+5.6% over September 30th 2005 and +23.4% over the same period of 2004)**, despite a decline in quarterly trends. More specifically, **disbursements for new customer loans by the main Group networks** exceeded EUR 5.7B (+0.8% compared to a very good performance in September 2005).

■ LOAN DISBURSEMENTS (*) TO RETAIL, CORPORATE AND PRIVATE CUSTOMERS

in million EUR	30/09/06	30/09/05	Abs. chg. y-o-y	% chg. y-o-y
Monte dei Paschi di Siena	3,055	2,927	128	4.4
Banca Toscana	1,292	1,318	-26	-2.0
Banca Agricola Mantovana	1,381	1,431	-50	-3.5
Mps Banca Personale	40	47	-7	-14.6

(*) ex. disbursements for public works

In the specialised lending business, the performance of **Consum.it (consumer credit)**, which focuses especially on retail customers, was particularly good, with overall disbursements totalling approx. EUR 1,984M (+28.5% compared to September 30th 2005) and **market share at 5.1% vs. 4.6% in December 2005.** Loan disbursed to manufacturing and agricultural companies by Mps Banca per l'Impresa also increased significantly (+14.6%). In the corporate area, **factoring transactions** grew considerably (+9.6%, resulting in an **estimated market share of 4.2% compared to 4.1% at the end of 2005),** whereas **leases** slowed down (-2.6% over September 30th 2005), **nevertheless resulting in a market share above 2.9% (vs. 2.7% at the end of 2005).**

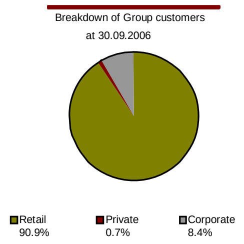
■ Specialised credit and corporate financial products

in million EUR		Final data at 30/09/06	Final data at 30/09/05
MPS Finance			
	risk management (1)	3,408	3,017
MPS Banca per l'Impresa			
	loans	1,842	1,607
MPS Leasing & Factoring			
Including:	leasing contracts	894	918
	factoring turnover	3,263	2,976
Consumit			
	loans	1,984	1,544

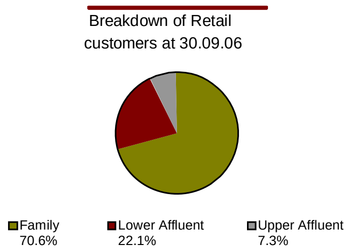
(1) figures also include products issued by the Networks directly

CUSTOMER PORTFOLIO

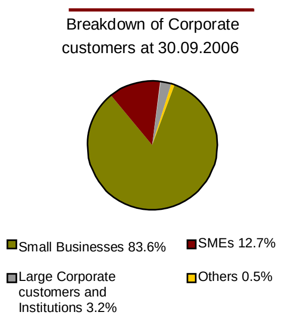
As of September 30th 2006, **the Group's overall customer base** (inclusive of customers managed by Consum.it directly) **increased further, to approx. 4.5 million. Commercial networks**[4] **totalled 4,164,000 customers (+1.1%** over 31/12/05), with retail customers accounting for 91% of the total, private customers accounting for 1% and corporate customers accounting for the remaining 8%.



Out of 3,784,000 **retail customers**, the **Family segment** (assets below EUR 25,000) was the largest group, accounting for over 70% of the total, followed by Lower Affluent customers (assets between EUR 25,000 and 125,000) and by Upper Affluent customers (assets between EUR 125,000 and 500,000).



Small businesses accounted for 83.6% out of **352,000 corporate customers**, with SMEs making up the balance (12.7%).



[4] Includes customers of: Banca Monte dei Paschi, Banca Toscana, Banca Agricola Mantovana and Mps Banca Personale.

CAPITAL AGGREGATES

The asset management and lending areas described above, combined to the commercial operations of the Group's international network, resulted in a significant improvement of the main capital aggregates, as highlighted below.

■ 1) FUNDING AGGREGATES

The asset management business furthered a significant progress in overall funding (+1.6% yoy).

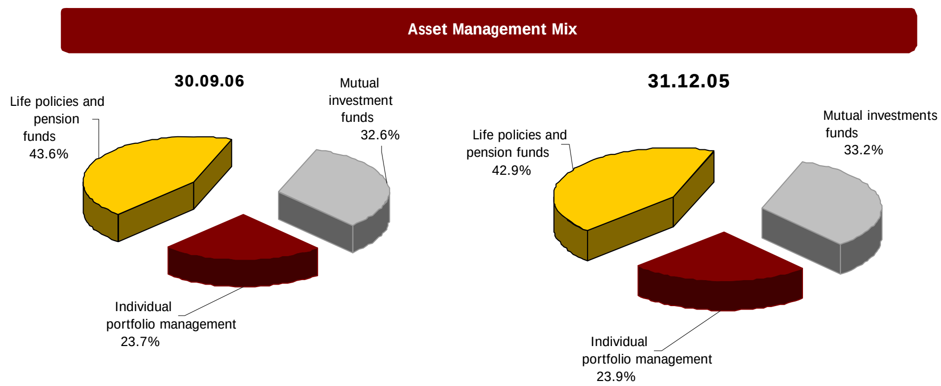
■ CUSTOMER FUNDING (in million EUR)

	30/09/06	% chg. Over 30/09/05	% weight 30/09/06
Direct customer funding (*)	**86,398**	**5.6%**	**44.4%**
Indirect customer funding	**108,325**	**-1.4%**	**55.6%**
assets under management	*48,407*	0.1%	24.9%
assts under custody	*59,918*	-2.7%	30.8%
Total customer funding	**194,723**	**1.6%**	**100%**

(*) Balance sheet data at 30/9/06 and 30/09/05 were purged of Index-Linked products, which were posted to "Assets under Management" as usual.

With respect to **indirect funding, which stood at EUR 108,325M as of 30/09/06:**

• **assets under management remained basically stable compared to September 30th 2005 (+0.1%) at EUR 48,407M**, with life insurance policies and pension funds accounting for 43.6% of the total (vs 42.9% at 31/12/05).

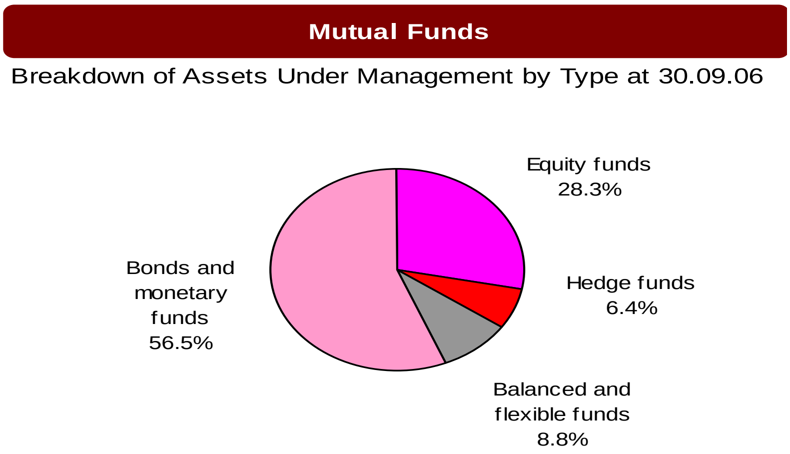


Highlights:

▪ **Technical reserves for insurance policies underwritten by the Group's commercial networks totalled EUR 21,108M,** confirming a significant upward trend (roughly 1.8% over 30/09/05), with traditional policies still providing a strong contribution despite a slowdown compared to the previous year.

▪ **Investments in <u>mutual funds and investment trusts (Sicavs)</u> by Group customers came to EUR 15,803M,** down 2.1% over September 30th 2005.

The following chart shows a breakdown of assets under management by type. Despite a stop in the upward trend of equity funds (which accounted for 28.3% of the total, compared to 30% in the first quarter of 2006, 29.2% at the end of 2005 and 25.8% at the end of 2004), the product mix could still change considerably, especially in its monetary component.

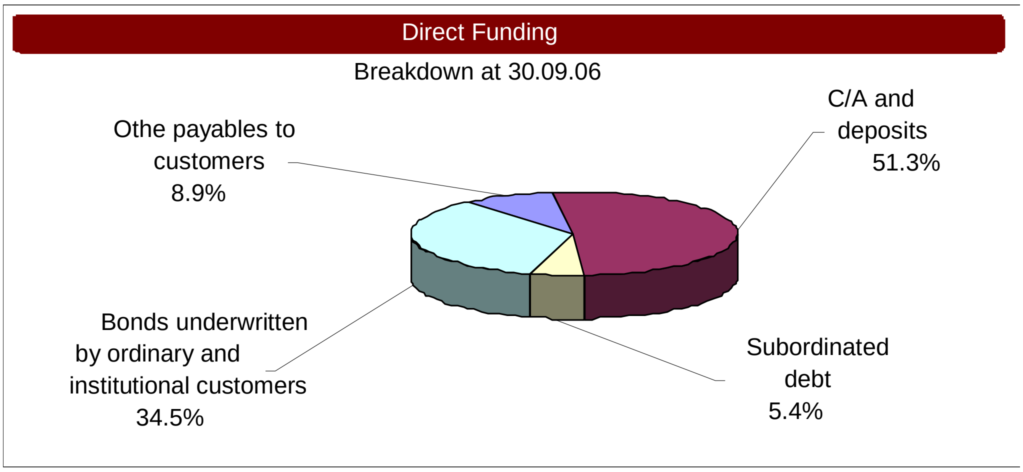


▪ **<u>Individual portfolios under management</u> amounted to EUR 11,496M,** up 0.3% over 30/09/05.

• **<u>Assets under custody</u>** totalled EUR 59,918M, down 2.7% on an annual basis, mainly due to relationships with institutional customers.

Finally, **<u>direct funding</u>** came to EUR 86,398M, resulting in a **domestic market share of approx. 6.3%** - a significant progress (+5.6% compared to 31/03/05 data), driven mainly by bonds underwritten by Retail customers and by short-term deposits, which absorbed the liquidity from indirect funding.

The following table shows a breakdown of this aggregate by type:



The table below shows a geographical breakdown of customer deposits among Italian branches:

MPS GROUP
Deposits by customers of Italian branches
Breakdown by areas of residence - *in million EUR*

Area	30.09.06	% weight	
		30.09.06	30.09.05
Northern Italy	9,386	22.9	22.1
Central Italy	20,821	50.8	53.5
Suothern Italy and islands	10,798	26.3	24.4
Total Italy	**41,005**	**100.0**	**100.0**

as well as a breakdown by business segment:

Customer Deposits by Business Segment*
in million EUR

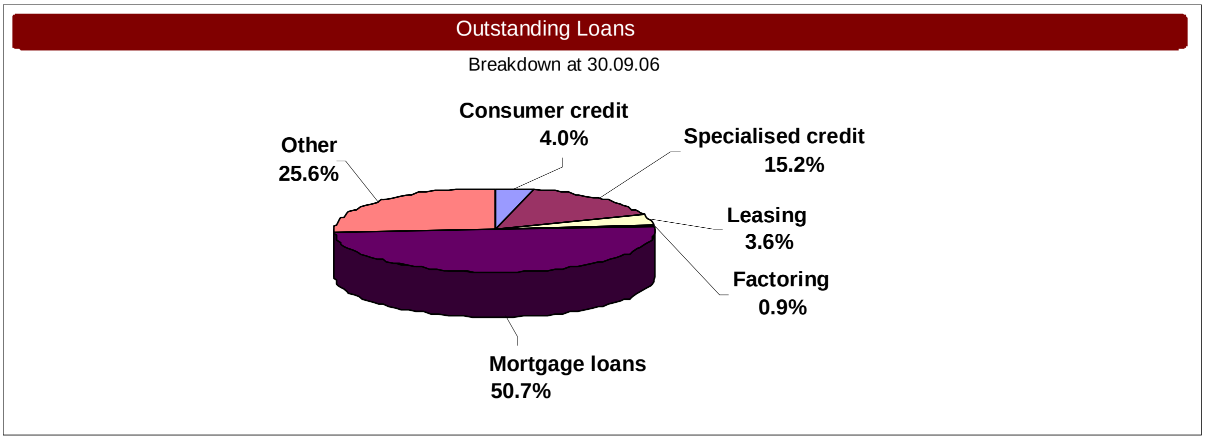
		% chg.	% weight	
	30/09/06	y-o-y	30/09/06	30/09/05
Retail	37,673	9.8%	60.5%	59.7%
Corporate	18,918	3.3%	30.4%	31.8%
Private	3,228	22.6%	5.2%	4.6%
Large Corporate	2,412	8.0%	3.9%	3.9%
Total	**62,231**	**8.2%**	**100.0%**	**100.0%**

*Direct funding from domestic customers

2) LENDING AGGREGATES

A) GROUP COMMERCIAL ACTIVITY

The significant disbursements described above resulted in EUR 88,791M's worth of outstanding loans (+12.1% compared to 30/09/05). Growth was driven by domestic performing loans, which grew by approx. 10.6% **(resulting in a 6.2% market share)** thanks to the key contribution of medium- and long-term loans (+10.8%) as well as to an improved performance of short-term loans since the second quarter (+10.4% yoy). The charts below show a breakdown of consolidated loans by type:



by geographical distribution among customers of Italian branches:

MPS GROUP
Loans to ordinary customers of Italian branches
Breakdown by areas of residence - *in million EUR*

Area	30.09.06	% weight	
		30.09.06	30.09.05
Northern Italy	25,789	32.6	33.9
Central Italy	36,848	46.6	45.6
Southern Italy and islands	16,495	20.8	20.4
TOTAL	**79,131**	**100.0**	**100.0**

and by business segment:

Loan disbursements by Business Segments*
in million EUR

	30/09/06	% chg. y-o-y	% weight 30/09/06	% weight 30/09/05
Retail	23,396	17.8%	29.9%	28.1%
Corporate	50,149	6.7%	64.0%	66.4%
Private	410	18.4%	0.5%	0.5%
Large Corporate	4,344	23.1%	5.5%	5.0%
Total	**78,299**	**10.7%**	**100.0%**	**100.0%**

*Performing loans to domestic customers

B) CREDIT QUALITY

At the end of Q3 2006 the Group's net exposure to impaired loans decreased significantly compared to the end of 2005, driven mainly by a decline in watchlist loans and loans past due (the latter, as mentioned in the Q1 2006 report, benefited from organizational actions taken to post actually performing loans more accurately).

The impaired loans/total loans ratio was once agan fairly low, with NPLs and watchlist loans at 3% (after provisions for loan losses).

BREAKDOWN OF CUSTOMER LOANS BY RISK

Risk category - Net values	**30/09/06**	**31/12/05**	**% weight**	**% weight**
in million EUR			**30/09/06**	**31/12/05**
A) Impaired loans	**3,804**	**4,442**	**4.28**	**5.32**
a1) Non-performing loans	1,693	1,573	1.91	1.88
Watchlist loans	968	1,026	1.09	1.23
Restructured loans	108	88	0.12	0.10
a4) Loans past due	1,035	1,756	1.17	2.10
B) Performing loans	**84,558**	**78,701**	**95.23**	**94.22**
C) Other assets	**429**	**383**	**0.48**	**0.46**
Total customer loans	**88,791**	**83,526**	**100.0**	**100.0**

The ratio mentioned above resulted from a limited growth in gross exposure (+7.5% for NPLs and -5.2% for watchlist loans), combined to a good management of NPLs by MPS Gestione Crediti Banca. In the first nine months of 2006, overall credit recovery **for the Group amounted to EUR 377.4M (+5.1% over 31.09.05)**.

With respect to protection against impaired loans, loan loss provisions stood at 38% of total exposure, up from the beginning of the year, and amounted to 52.8% for NPLs alone (over 56% for the commercial networks alone). Coverage of original NPL values (including losses posted to previous years) exceeded 60% (approx. 70% without mortgage loans, which needed more limited provisions due to the presence of collaterals). Provisioning on performing loans amounted to approx. 0.6% of the related aggregate.

■ PROVISIONING RATIOS

	30/09/06	31/12/05	30/09/05
"provisions for NPLs and watchlist loans" / "gross NPLs + gross watchlist loans"	**45.7%**	**44.9%**	**46.7%**
"provisions for watchlist loans"/"gross watchlist l	**26.4%**	**26.0%**	**24.4%**
"provisions for NPLs"/"gross NPLs"	**52.8%**	**52.8%**	**56.6%**

The following table shows credit quality ratios for the Group's main members:

BREKDOWN OF NPLs AND WATCHLIST LOANS BY BUSINESS UNIT

Risk category - Net values at 30/09/06 *in million EUR*	**Group**	**BMPS**	**BT**	**BAM**	**MPS Banca per l'Impresa**	**MPS Leasing & Factoring**	**CONSUM.IT**
Non-performing loans	1,693	677	226	160	523	61	19
% weight on customer receivables	1.9%	1.4%	1.7%	1.7%	4.8%	1.4%	0.5%
"loan loss provisions"/"gross NPLs"	**52.8%**	**56.3%**	**56.1%**	**56.9%**	**23.6%**	**72.1%**	**76.6%**
Watchlist loans	967.5	296	206	62	244	76	13
% weight on customer receivables	1.1%	0.6%	1.5%	0.6%	2.3%	1.8%	0.3%
"loan loss provisions"/"gross watchlist loans"	**26.4%**	**34.9%**	**24.5%**	**22.3%**	**12.9%**	**33.7%**	**33.0%**

INCOME AGGREGATES

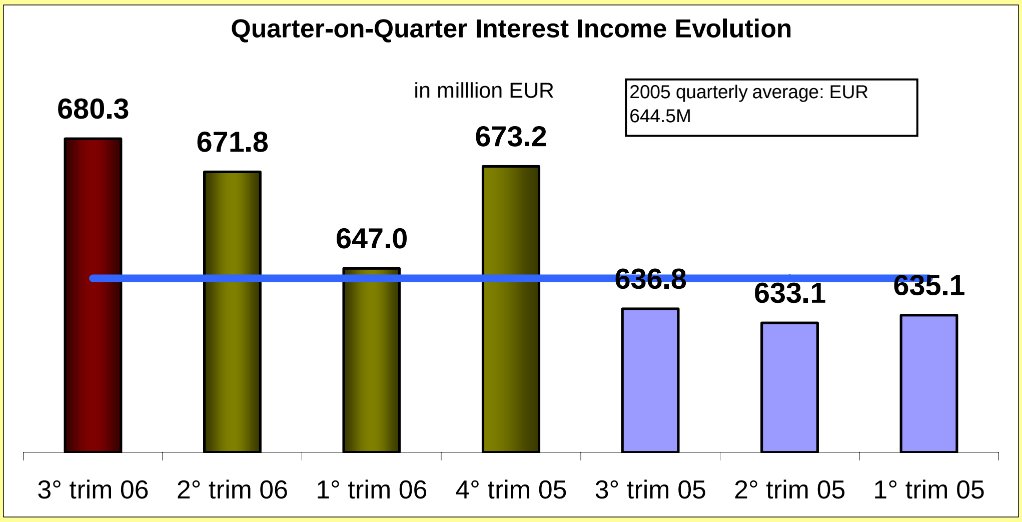
The trends described above resulted in a significant improvement in operating profitability (with net operating income up 13.5%) and end-of-period profit (+19.8%), as detailed below.

1) OPERATING INCOME

CONTRIBUTORS TO TOTAL BANKING AND INSURANCE INCOME

As of September 30th 2006, **total banking and insurance income amounted to EUR 3,730.4M, up 5.1% over 30/09/2005**. **Basic income (interest income + customer fees) was up 3.3% over 2005 - the highest contribution since the beginning of the year, confirming the effectiveness of the sustainable growth policy started some time ago.**

The development of key aggregates can be summarised as follows:



Q3 2006 overperformed both the previous quarter (+1.3%) and Q3 2005 (+6.8%)

- **Interest income totalled EUR 1,999.1M and contributed strongly to total income (+4.9% over September 30th 2005 and +1.3% on a quarterly basis).** The Commercial Units contributed with an overall increase by 5.9% (versus +5.2% last June), driven by an 8% growth in average volumes which was however partially offset by a 10 bp drop in interest spreads (versus 15 bp last June).

<u>Net fees</u> totalled EUR 1,334.4M, up 0.9% over 30.09.2005. More specifically, fees from asset management increased by 3.6%, with recurring fees up 8.7% despite a quarterly decline in performance fees, thanks to structural activities started in the previous years. Fees from banking services were down 3.4%, also due to the cancellation of current accounts exit fees and security transfer fees.

- **<u>Dividends, similar income and profits/losses from equity investments</u>** amounted to **EUR 43.8M (compared to EUR 82M as of September 30th 2005),** with dividends accounting for EUR 27M and income from companies consolidates at net equity accounting for EUR 16.8M.

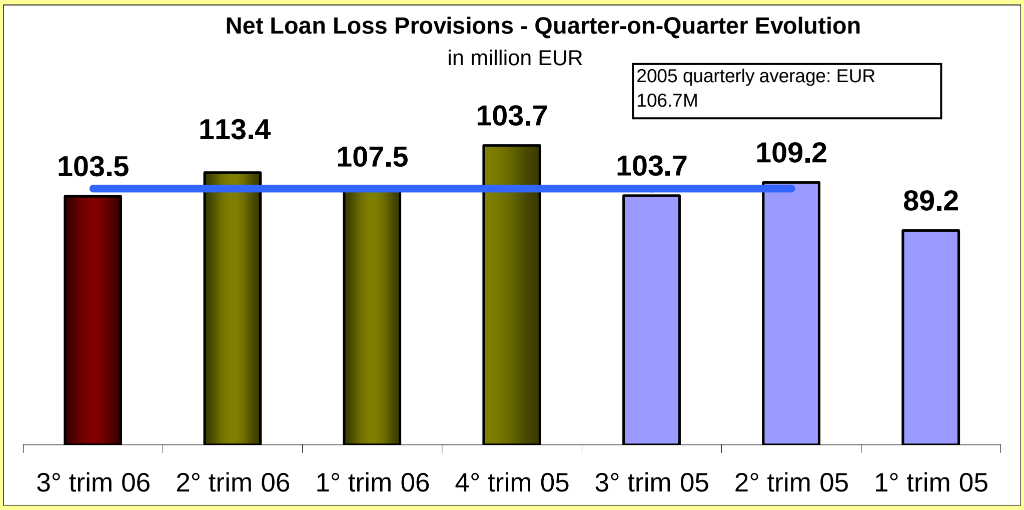
- **<u>Net income from trading/valuation of financial assets</u>** totalled EUR 252.7M (compared to EUR 163.3M at 30/09/2005):

■ NET INCOME FROM TRADING/VALUATION OF FINANCIAL ASSETS (in million EUR)

	30/09/06
Income from trading	165.8
Profit/Losses from transfer of receivables, financial assets available and financial liabilities	77.7
Net income from financial assets and liabilities at fair value	9.1
Total net income from trading/valuation of financial assets	**252.7**

- **Income from insurance operations** totalled EUR 102.2M, up significantly (+16.6%) over September 30th 2005. Such a good performance largely offset the portfolio value decline posted in Q2, as anticipated in the half-year report.

LENDING EXPENSES: NET PROVISIONS FOR IMPAIRED LOANS AND FINANCIAL ASSETS



Q3 2006 was down 8.7% over Q2 and remained basically unchanged over the same period of 2005 (-0.2%)

In the third quarter of 2006, income from the lending business was associated to **net provisions for impaired loans totalling EUR 324.4M (versus EUR 302.2M at 30/09/05).** This trend also reflects an improvement in the Group's loan portfolio, which also benefited from the roll-out of new loan-granting and monitoring processes, as shown by a provisioning rate below 50 bp.

Net provisions for impaired financial assets were **negative by EUR 12.8M;** this item includes a write-down of the Group's stake in Sorin spa to reflect the negative market performance of this stock.

Consequently, **total banking and insurance income came to EUR 3,393.2M, up 4.6% over 30/09/05.**

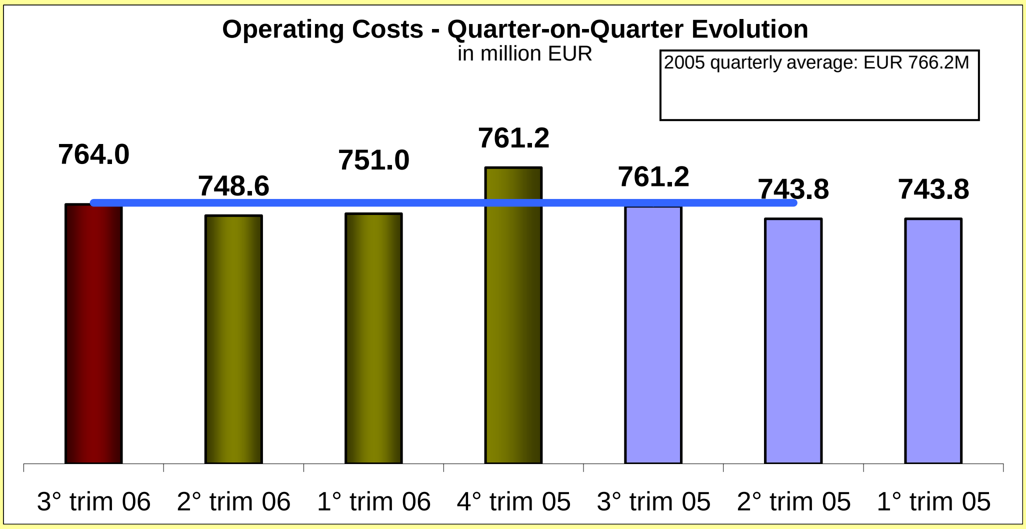
OPERATING COSTS

Building on the results achieved during previous years, initiatives aimed at structural cost reductions continued in Q3 2006. Despite significant investments in technology, communications and geographical expansion, this enabled the Group **to close the third quarter with only a limited increase in operating costs (+0.7%), in line with BP targets.**

OPERATING COSTS (in million EUR)

	30/09/06	30/09/05	Absolute changes	%
Personnel expenses	1,435.2	1,412.2	23.0	1.6
Other administrative expenses	727.1	725.4	1.6	0.2
Total administrative expenses	**2,162.2**	**2,137.6**	**24.7**	**1.2**
Value adjustments to tangible and intangible assets	101.4	111.3	-9.9	-8.9
Total operating costs	**2,263.7**	**2,248.9**	**14.7**	**0.7**

Highlights:



Q3 2006 was up from both the previous quarter (+2.1%) and the same period of 2005 (+0.4%)

A) **Administrative expenses** grew by 1.2% over **30/09/05,** due to the following:

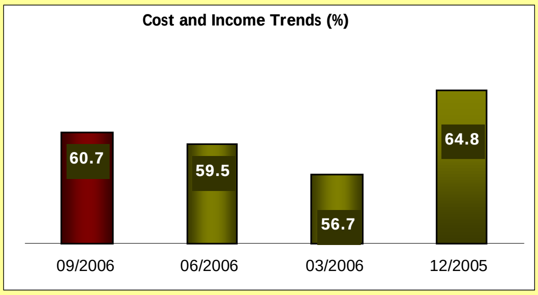
- **personnel costs totalled EUR 1,435.2M, with a 1.6% increase over September 30th 2005.** This was mainly due to an increase in wages, with the changes from the contract renewal signed in 2005 fully impacting this item in 2006. From a structural viewpoint, this aggregate benefited from the implementation of initiatives focused on headcount reduction and remixing, and from a very strict management of other significant cost variables. **The item includes approx. EUR 44M's worth of early retirement incentives** (versus EUR 43M at 30/09/05).

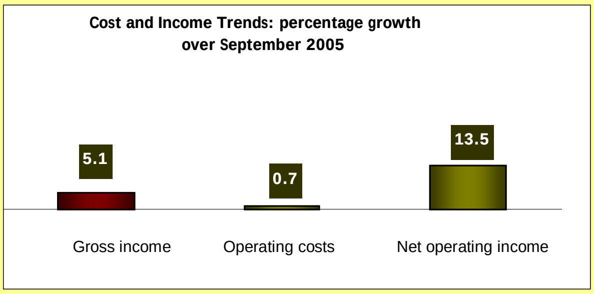
- **Other administrative expenses (totalling EUR 727.1M** after recovery of stamp duties) **increased by 0.2%** as a result of costs associated to network expansion, development of rapidly growing business segments (consumer credit) and support to technological innovation.

B) **Net value adjustments to tangible and intangible assets** amounted to **EUR 101.4M**, down 8.9% from September 30th 2005.

The income and cost trends described above resulted in a net operating income of EUR 1,129.6M, up 13.5% from EUR 995.2M at September 30th 2005. The cost-income ratio stood at 60.7% (compared to 64.8% at 31/12/05), declining to 59.9% when purged of the tax collection business (versus 63.3% at 31/12/05).

EFFICIENCY RATIO and INCOME/COSTS TREND COMPARISON





2) NON-CORE BUSINESS, TAXES AND NET INCOME

Net income for the quarter was influenced by positive **net provisions for risks and charges and other operating income/expenses,** which totalled EUR 33,6M (versus EUR –36.5M at September 30th 2005).

The trends described above resulted in an operating income before taxes of EUR 1,163M (up 25.2% over 30/09/05).

Finally, **taxes on income from ordinary operations** totalled EUR 465.8M (compared to EUR 341.3M at 30/09/2005), resulting in a tax rate of approx. 40% - somewhat higher than the previous year (around 37%). The recent introduction of new legislation about the non-deductibility of loan loss provisions not deducted in previous fiscal years also played a negative role. **Therefore, including minority interests and the contribution of the items discussed above, the consolidated net profit for the quarter amounted to EUR 687.5M, up 19.8% over September 30th 2005. Annualized ROE was 13%, with ROE on average net equity at 12%.**

These results benefited from a positive contribution by the Parent Bank (Banca MPS) and by all Group Business Units (described later in the Segment Reporting section), especially **Banca Agricola Mantovana** (EUR 57M) and **Banca Toscana** (EUR 72M).

SEGMENT REPORTING, COMMERCIAL POLICY, R&D

1) PRIMARY SEGMENT REPORTING

In compliance with the *Segment Reporting* procedures required by IAS regulations, the MPS Group adopted a business approach and resolved to base its **primary segmentation** of income/capital data on **a breakdown of results by business areas involved in consolidated operations**.

In line with this approach, the table below shows a summary of the results achieved by the group business areas as of 30/09/2006, using the same layout as in previous quarters. However, such layout will be changed in the future to reflect the new organizational structure defined by the Business Plan.

PRIMARY SEGMENT REPORTING
(in million EUR)

30/09/06	Retail Banking	Private Banking	Corporate Banking	Investment Banking	Other sectors	Corporate Center	Restated Group Sub-total	Contribution of Tax Collection	Restated Group Grand Total
P&L AGGREGATES									
Total banking and insurance income	**1,506.0**	**101.7**	**1,372.5**	**294.0**	**182.5**	**47.6**	**3,504.4**	**226.1**	**3,730.4**
Net provisions for impared loans and financial assets	-97.9	-0.2	-226.5		-7.9	-4.7	-337.2		-337.2
Operating Costs	-909.0	-50.5	-734.1	-76.6	-135.3	-192.7	-2,098.2	-165.5	-2,263.7
Net Operating Income	**499.1**	**51.1**	**411.8**	**217.4**	**39.4**	**-149.8**	**1,069.0**	**60.6**	**1,129.6**
BALANCE SHEET AGGREGATES									
Performing customer loans	23,396.0	409.8	50,149.4	22.6	9,020.5	4,099.4	87,097.6		
Payables to customers/securities	37,672.5 *	3,227.9	18,918.1	173.5	12,148.8	14,257.7	86,398.4 *		

(*) Figures were purged of income from Index-Linked products, which was posted to "Assets under Management" as usual.

As usual, the following pages describe the key aspects of operations in the first nine months of 2006.

A) RETAIL BANKING

- COMMERCIAL POLICY AND PRODUCT/SERVICE INNOVATION

The activities and initiatives carried out by the MPS Group during the quarter were oriented to **strenghtening trust-based customer relationships** through clarity, transparency and focus on customer requirements.

Concerning product innovation, the **asset management** area continued to successfully sell the "Ducato Multimanager Cash Premium" fund. **Falling under the category of Assogestioni flexible funds**, the new fund **enables Retail customers to invest indirectly in hedge funds** or other asset classes that are usually unavailable to them. Its inclusion into the Group's product range is part of a **broad review of the whole Ducato fund platform** which led to several innovations in term of operating opportunities, also resulting in the renaming of a few funds as well as in a regulation restructuring process.

Development of index-linked policies continued in the bankassurance business. More specifically, after the first six months of the year focus shifted to the Italian equity market starting with the end-of-September issue. **In non-life bancassurance**, in order to guarantee a better knowledge of and more visibility to **health and property protection products,** a pilot project featuring ad-hoc information counters for the "Casualty" insurance business was further pursued in some branches of Banca Monte dei Paschi.

With respect to **project "Banca per la Previdenza"** – the Group's operating response to the reform of the Italian social security system – activities focused on the implementation of a **broad training and awareness program for the sales network**, with special emphasis on individual subscriptions by Retail customers, in an attempt to gain a leadership position in this new market right from the start.

The **new current account for young customers ("Giovani più")** continued to perform well in the third quarter. The value and competitiveness of this product are based on an integrated supply of banking- and non-banking services especially suited to the lifestyle of this highly diversified world, which includes students, salaried workers and independent workers. Moreover, a **project aimed at developing a new packaged current account for private families** was finally completed, resulting in several product lines whose price per transaction is fine-tuned to the spending behaviour of each customer group.

The third quarter was also characterized by a **promotional initiative carried out by the Group's BMPS branches, called "Campioni del Monte".** Launched to celebrate Italy's victory of the world soccer championship, it promoted a set of 11 products including social-security, Pac Ducato funds, some current accounts, a savings account for children under 14 and Gps Carattere funds, among others. This initiative contributed to a significant increase in monthly/quarterly subscriptions, with special emphasis on Pac Ducato, "Salvadanaio" savings accounts, "Money Cards" and current accounts for the young.

Following the end of the test phase, implementation began for a **project aimed at achieving a closer collaboration with** MPS Banca Personale's **network of financial advisors**, in an attempt to improve commercial effectiveness and integration among Group networks, with a hopefully positive fallout on the overall **acquisition of new customers.**

In the past few months the Group tested a **new, highly innovative CRM platform** called GECO (Gestione Comunicazione Commerciale), capable of conveying tailor-made ads to target customers during promotional campaigns through the use of telematic channels such as ATMs and Internet banking. In the third quarter work continued for the development of **Cruscotto Family**, a new tool for interaction with Family customers that can deliver key customer information to the salesforce in real time, enabling them to develop tailor-made proposals.

Moving to communications, special emphasis in the advertising campaigns supporting the Group's commercial activity was placed on zero-cost closing of current accounts or securities folders. This campaign was crucial for the image of the Group - one of the first banks to respond to a market requirement that was later translated into new legislation.

- Consumer credit

The demand for loans by retail customers remained strong, thus favouring considerable disbursements of **Retail mortage and personal loans that allowed the MPS Group to strenghten its leadership position**.

Existing products in the **mortgage loan business** were complemented with the addition of two new products, called "13 Modulare" and "100%", **in order to keep the offering of retail mortgage loans highly flexible and comprehensive**.

The marketing of a new line of **personal loans** called **"Prs Carattere"**, designed for Affluent customers only, continued successfully. These products are characterized by **very short processing times and particularly favourable rates, durations and amounts**.

For information on the latest developments in **payment systems** for Retail customers, *see the"Payment Systems " section.*

- SERVICE MODELS

As of September 30th 2006, approx. 675,000 **Affluent customers** were served through the Carattere platform, which is approaching full coverage of this customer segment. Positive results were achieved **in terms of both volumes and asset portfolio mix,** with a 24% increase in assets under management and subscriptions to innovative banking products compared to customers served in the traditional way. The other pillar of our service model, ie regular contacts with customer over time, recorded a significant increase in the number of customers contacted on a regular basis (+15%). Actions aimed at making the **new service platform for the Family segment** even more effective intensified during the quarter.

- OPERATING RESULTS

- With respect to **commercial flows**, funding and lending volumes in the Retail area were basically unchanged vis-à-vis the high levels reached during the same period of 2005, with linear bonds and consumer credit products performing particularly well. As a results of these business trends, at 30/09/2006 rolling average Retail lending volumes stood at approx. EUR 22.3B, up significantly (+21%) from 30/09/2005, with medium- and long-term loans accounting for over 93% of the total. Overall funding remained stable yoy and was influenced by an upgrading of customers to the Private sector. Within the aggregate, direct funding kept growing strongly (+8.8% yoy), driven by the bond sector.

With respect to economic results, total income (EUR 1,506M) grew by 9.4% over the previous year. Net operating income stood at EUR 499.1M, up 27.1% yoy. The cost-income ratio for the sector was 60.4% (versus 66% in December 2005).

▯■ RETAIL BANKING

(in millon EUR)	30/09/06	% chg. Yoy
P&L AGGREGATES		
Interest income	795,5	17,0%
Net fees	587,5	-2,9%
Othe income	123,0	33,6%
Total banking and insurance income	**1.506,0**	**9,4%**
Net provisions for impaired loans and financial assets	-97,9	27,3%
Operating costs	-909,0	0,2%
Net operating income	**499,1**	**27,1%**
BALANCE SHEET DATA		
Receivables from customers	23.396,0	17,8%
Payables to customers and securities	37.672,5	9,8%
Assets under Management	31.253,7	-1,2%
PROFITABILITY RATIOS		
Cost-Income ratio	60,4%	
Raroc	36,8%	

Highlights on operations and results of Group companies in this area include the following:

- The consolidated net income of the insurance companies operating in the life insurance business (**Monte Paschi Vita and Monte Paschi Life** came to EUR 58M, up +23% over 30/09/05 due to security revaluations during the third quarter. In the non-life business, **Monte Paschi Assicurazioni Danni** achieved a net profit of EUR 10M, up considerably over 2005 (+54%).

- **MP Asset Management SGR** totalled a consolidated net profit of EUR 49M (+33% yoy), driven by a positive market performance.

- **Consum.it** confirmed its upward trend and achieved a net profit of EUR 28M (+36% compared to 2005).

- **MPS Banca Personale** was positively influenced by the early effects of the Revamping Plan launched in 2005, with total funding up 14.8% yoy and net losses decreasing to EUR –11M (compared to EUR –36.2M in September 2005).

B) PRIVATE BANKING

The third quarter of the year was characterized by a process of consolidation and gradual **development of actions to support the commercial networks**. Geographical coverage was increased further through the opening of **the sixtieth Private Banking Center of the MPS Group** in Taranto**.**

With respect to products, the individual portfolio management business **focused on product lines that could offer the highest added value to customers**. The insurance business is currently launching **Unit Private – a unit-linked policy issued by MP Life that invests in a selection of multi-manager investment company funds** with switching opportunities on a monthly basis; also, the review of the Melody policy was completed. A broadening of the ancillary product offering was also carried out during the quarter through the **opening of subscriptions to MPAM SGR's real estate fund Socrate**, with a view to giving even more investment opportunities to customers.

The **Professional Global Advisor (PGA) system** became available to the Private Banking networks last July and is now the main support tool for managing personal relationships with customers. The use of business support tools (especially MAP, used to **monitor private banking aggregates**) gradually consolidated during the third quarter.

In the field of **communications,** a **series of local mini-conventions** designed to provide an in-depth analysis of market scenarios and product offerings to all commercial network resources began in September. Concerning external communications, three seminars included in a cycle about scenarios and outlooks for the financial world were attended by over 250 customers.

- OPERATING RESULTS

In September 2006, **product placement** in the Private Banking area confirmed the good performance of the first six months, with total commercial flows exceeding EUR 1,020M despite the traditional slowdown of the summer months. As far as service models are concerned, production focused on the Wealth Management business, which accounted for over 26% of total flows.

As a consequence of the business trends mentioned above, total funding for the Private Banking area stood at approx. EUR 18,394M (+6.1% yoy), driven by asset management (+8%).

Total income for this area amounted to EUR 101.7M, up considerably (+17.7%) over 30/09/2005. Net operating income increased by 39% to EUR 51.1M. Cost/income ratio stood at 49.6% (versus 56.5% in December 2005).

PRIVATE BANKING

(in million EUR)	30/09/06	% chg. Yoy
P&L AGGREGATES		
Interest income	24.0	29.2%
Net fees	77.4	14.9%
Other income	0.3	-31.8%
Total banking and insurance income	**101.7**	**17.7%**
Net loss provisions for impaired loans and financial assets	-0.2	-38.4%
Operating costs	-50.5	2.2%
Net operating income	**51.1**	**39.0%**
BALANCE SHEET AGGREGATES		
Receivables from customers	409.8	18.4%
Payables to customers and securities	3,227.9	22.6%
Assets under Management	10,434.1	8.0%
PROFITABILITY RATIOS		
Cost-Income ratio	49.6%	
Raroc	318.4%	

C) CORPORATE BANKING

- COMMERCIAL POLICY AND PRODUCT / SERVICE INNOVATION

In the third quarter of 2006 R&D and business initiatives in the **corporate market** maintained their focus on consolidating the **Group's role as the reference banking partner to support the growth of domestic corporate customers.**

A particularly significant role was played by a special **nation-wide agreement signed with the Italian SME Confederation (CNA)** last July. The Confederation represents a significant share (approx. 50%) of Italian small businesses – a segment the MPS Group has always been particularly interested in. The agreement aims at **streamlining existing arrangements between MPS Group companies and industry associations**.

Highlights on the numerous initiatives aimed at closing special banking agreements include the following:

- **A framework agreement with Tuscany's regional administration** was signed on April 15th. As a consequence, negotiations were started to implement the action measures defined in the agreement itself, including a **Guarantee Fund for renewable energy sources and "micro-lending" transactions**.

- **An agreement between the MPS Group and the Italian National Research Council (CNR)** was signed early this year, with the three following industrial clusters being defined as focus areas for the development of innovation projects:
  - **agricultural and food industry** in the Puglia industrial cluster;
  - **wood-processing industry** in the Pordenone industrial cluster;
  - **textile industry** in the Prato industrial cluster.

Loan disbursements within the framework of **"bond di sistema Toscana"** (a special lending plan developed jointly with Fidi Toscana and Tuscany's regional administration to support the development of local SMEs) continued and **will be completed at the end of the year with the definition of the final quality of the loan portfolio**, to be evaluated for securitization purposes.

Easy credit instruments were the distinctive feature of the **Corporate product catalogue,** with great emphasis on **activities associated to the passing of the "new" law 488** (a field in which **Banca MPS per l'Impresa plays a leadership role nationwide**). Special focus was placed on the review of the "Agevolo" bridging finance package, also following the new law provisions included in the so-called Italian "competitiveness decree".

With respect to **corporate cash flow management,** the offering of structured bonds and certificates of deposit provided attractive returns to investors. The **Group's leadership position in the Corporate insurance market** was confirmed again in the third quarter thanks to a broad and differentiated product range. The placement of both standard and custom-made **products to hedge against interest rate and forex risks** was further pursued. **Hedge products against floating-rate loans** continued to be attractive**.**

New products launched during the quarter also included:

- The development of **a new medium/long term loan type called "A Basilea"** designed for small businesses and SMEs that meet specific economic and capital requirements and are willing to take actions to partially re-balance their financial position before implementing Basel II criteria.

- The marketing of a **loan type** (Conto Energia) **specifically targeted to projects in the photovoltaic sector** that are eligible for the incentives granted by Italian Ministerial Decree of 6/2/2006.

- The further development of a new product called **"*Sovvenzione con covenant*"** targeted to new SMEs or SMEs that seldom need loans, featuring **variable spreads linked to the improvement of specific corporate performance indicators** to be automatically detected by the system. This product is scheduled to be launched by the end of November.

- The development of a product called **"*Welcome Bridge*"**, specifically targeted to business organizations investing abroad and designed **to support the commercial actions of the Group's International Partner Team**.

For information about the latest developments in **payment systems** for Corporate customers, *see the "Payment Systems " section.*

As part of the optimization of loan disbursement procedures, the new **electronic loan-processing system (PEF) for small businesses** was carefully monitored and fine-tuned after being rolled-out throughout the Group early last July following a pilot roll-out in Banca Toscana. This simplified procedure will complement the "full-lenght" one currently being used for SMEs. A **credit-worthiness assessment process for large groups and organizations (the so-called *Large Corporate* route***)* was also rolled out last July. The three routes currently in production allow the MPS Group to deploy Basel II risk measurement methods for all Corporate customers.

- CORPORATE FINANCE

The actions carried out by **MPS Banca per l'Impresa** on behalf of the Group in the Corporate Finance area resulted in several initiatives for the operating segments involved, based on state-of-the-art solutions that could complement the traditional range of lending products.

In the **project financing** area, a mandate for financial advisory services concerning the implementation of a tram-based transport system in the municipality of Latina was acquired.

In the **acquisition financing** area, 8 deals worth approx. EUR 100M were closed during the third quarter. MBPI acted as Mandated Lead Arranger in three out of these eight deals – a clear sign of the leading position achieved by the Bank in LBOs carried out by professional investors in the mid-corporate segment.

With respect to **subsidized loans**, and more specifically to actions related to the passing of the **"new law" 488**, MPS Banca per l'Impresa strenghtened its leading position through the implementation of the revised law – as many as 800 applications flooded in, accounting for 20% of the domestic market, basically doubling our Bank's past share.

In the **private equity** area, designed to support the development of SMEs with a strong growth potential, **MPS Venture SGR** is currently managing seven closed-end funds, with **total equity expected to amount to approx. EUR 400M at the end**

of the placement period (first quarter of 2007). During the third quarter the company acquired a minority stake in Raco Spa (components for the automotive industry) and Savino del Bene SpA (freight-forwarding agents) through its MPS Venture 1 private equity fund. The stakes in Cirio De Rica SpA (food industry) held by MPS Venture 1 and MPS Venture Sud were sold in July. The Ducato Venture fund, listed at the Milan Stock Exchange, dismissed its Moby Spa shares in August, whereas Ducato Venture and MPS Venture 1 sold their stakes in ISEO Holding SpA (locks) in September. Two acquisitions (by MPS Venture Sud - MPS Venture Sud 2 and Emilia Venture) and one dismissal were also planned during the quarter and finalised in October 2006. As of September 30th the company managed 15 different stakes in Italy on behalf of its funds.

- SERVICE MODELS

In compliance with the guidelines of the new **2006-2009 Business Plan,** working groups were set up to plan for the **migration of the Small Business segment to the Commercial Banking and Distribution Network Central Office** and the new SME/Small Business segmentation, with Banca Agricola Mantovana acting as a pilot for this project.

The roll-out of SME Centers in Banca Toscana was completed in October. The fine-tuning of operating procedures, as well as the structuring of commercial activities and their accounting methods were also further pursued.

Concerning the **Enti e PA project**, developed to enhance the role of the MPS Group as a reference banking partner for local authorities, pubblic institutions and associated SMEs and households, the implementation and fine-tuning of the Group's structures and integrated offering continued.

- OPERATING RESULTS

in a market scenario characterised by aggressive competition in the lending business, the Corporate Banking area basically confirmed 2005 trends in the first nine months of 2006, with medium/long term loans performing strongly and short-term loans picking up considerably. The growth in **new mortgage loans** remained high (almost EUR 2.8B, +12% yoy for the commercial banks alone). The good performance of **specialised credit** continued, with all lines of business recording a significant increase over the previous year.

As a consequence of the business trends mentioned above, **average total loans** amounted to EUR 49,503M (+5.2% yoy), with medium-long-term loans accounting for approx. 60.3% of the total (versus 58.6% last year). **Total funding** was down slightly **(-1.1%)** due to the withdrawal of some indirect funding deposits by large customers that were only partially offset by an increase in **direct funding**.

Income for the Corporate Banking area amounted to EUR 1,372.5M, up slightly (+0.4%) over 30/09/2005 levels due to the contrasting effects of a downturn in interest income (with a declining mark-up) and an upturn in net fees. Net operating income stood at EUR 411.8M, down slightly compared to the same period of the previous year (-2.4%). The cost-income ratio was 53.5% (versus 54.9% in December 2005).

CORPORATE BANKING

(in milllion EUR)	30/09/06	% chg. Yoy
P&L AGGREGATES		
Interest income	1,038.2	-1.1%
Net fees	322.3	4.5%
Other income	11.9	32.3%
Total banking and insurance income	**1,372.5**	**0.4%**
Net loss provisions fro impaired loans and financial assets	-226.5	2.7%
Operating costs	-734.1	1.3%
Net operating income	**411.8**	**-2.4%**
BALANCE SHEET AGGREGATES		
Receivables from customers	50,149.4	6.7%
Payables to customers and securities	18,918.1	3.3%
Assets under Management	4,449.8	-6.9%
PROFITABILITY RATIOS		
Cost-Income ratio	53.5%	
Raroc	8.4%	

Highlights on operations and results of Corporate Banking Group companies include the following:

- **MPS Banca per l'Impresa** consolidated its leading position, with a net income of EUR 53M (+28%).

- **Mps Leasing & Factoring (which specialises in financial services to the corporate world)** strenghtened its market position, with a net income of EUR 8M versus a minor loss at 30/09/05 (EUR –0.3M).

D) INVESTMENT BANKING

- PROPRIETARY FINANCE

The third quarter of the year was dominated by a considerable upturn in both bond and equity markets. **The exposure of Proprietary Finance to the equity market remained moderately "*net long*"**, after a sharp reduction in the second quarter, when the market declined significantly. **A "buy" exposure was recreated during the quarter in the lending business as well**. **As far as volatility is concerned, 2006 once again proved** to be a difficult year because of the strong rally of equity markets. Equity index volatility is still down at all-time lows and this makes the creation of value from trading quite problematic.

On bond markets, exposure to interest rate risk was generally "long" after a decline in the first half of the year, when bond yields rallied strongly.

The tables below show financial assets and liabilities from trading for Banca Monte dei Paschi and the whole Group:

■ **FINANCIAL ASSETS FROM TRADING** (end-of-period data in million EUR)

	BANCA MPS 30/09/06	Abs. Change over 31/12/05	%	MPS GROUP 30/09/06	Abs. Change over 31/12/05	%
FINANCIAL ASSETS FROM TRADING	**12,623**	**(3,374)**	**-21.1%**	**32,961**	**(4,512)**	**-12.0%**

■ **FINANCIAL LIABILITIES FROM TRADING** (end-of-period data in million EUR)

	BANCA MPS 30/09/06	Abs. Change over 31/12/05	%	MPS GROUP 30/09/06	Abs. Change over 31/12/05	%
FINANCIAL LIABILITIES FROM TRADING	**4,438**	**(778)**	**-14.9%**	**14,729**	**(2,377)**	**-13.9%**

The portfolio of **financial assets available for sale** stood at EUR 5,662M, down slightly (-0.4%) over 31/12/2005, mainly due to the dismissal of Fiat and BNL stakes.

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

	BANCA MPS 30/09/06	Abs. Change over 31/12/05	%	MPS GROUP 30/09/06	Abs. Change over 31/12/05	%
Financial assets available for sale	**3,756**	**-291**	**-7.2%**	**5,662**	**-23**	**-0.4%**

Financial assets held to maturity, represented by securities included in the portfolio of the Group insurance company (Montepaschi Vita) and for which a decision was formalised to hold them to maturity, went up moderately since the beginning of the year.

■ **FINANCIAL ASSETS HELD TO MATURITY** (end-of-period data in million EUR)

	BANCA MPS 30/09/06	Abs. Change over 31/12/05	%	MPS GROUP 30/09/06	Abs. Change over 31/12/05	%
Financial assets held to maturity	**0**	**0**	**n.s.**	**4,247**	**144**	**3.5%**

- TREASURY AND ALM

In the third quarter of 2006, **centralised Treasury operations** recorded a gradual increase in volumes. This applies both to the cash flows associated to the commercial and financial transactions of the MPS Group and to the management of associated interest rate risks.

Consequently, as shown in the table below, **the Group net borrowing position was negative by EUR 9.7B.**

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

	BANCA MPS 30/09/06	Abs. Change over 31/12/05	%	MPS GROUP 30/09/06	Abs. Change over 31/12/05	%
Receivables from banks	27,869	2,330	9.1%	13,434	3,440	34.4%
Payables to banks	25,895	5,750	28.5%	23,145	6,938	42.8%
Net borrowing position	1,974	-3,421	-63.4%	(9,711)	(3,498)	56.3%

During the third quarter of 2006, **domestic bond-based funding** for the Parent Bank BMPS totalled EUR 831M, resulting from 15 new issues plus 7 initiatives started in the previous quarter and finalised in Q3. Whenever the Group's commercial policy guidelines permitted, those operations were channeled through the Group commercial banks and MPS Finance's *Structuring Solutions* desk.

Funding from the placement of **structured bonds** was affected by changes in the legislation regulating bond issues by banks. Following the changes introduced by Law No. 262 of 28.12.2005, a Baseline Bond Issue Program was developed, and work on its "structured" bond component is still in progress. While waiting for all the necessary authorizations, we are currently issuing exempt bonds at a nominal unit value of EUR 50,000. More specifically, the structured bonds in question - which feature an advance repayment in favour of the issuer - are an "*inflation-linked*" protection product and an "*index linked*" product. Their placement so far accounts for only **8.6%** of the total, or EUR 71M spread over 4 issues, whereas the placement of "*Plain Vanilla*" bonds accounts for approx. **91.4%**, or EUR 760M spread over 18 issues.

Issues focused on **durations below six years**; more specifically, two-to-three year durations were by far the most popular ones among customers and accounted for **91.4%** of total issues. Hedging on all structured bonds was provided through agreements with MPSF in order to neutralise interest rate risk.

The placement of **Certificates of Deposit** during the quarter totalled. EUR 33M.

Activities in the **international market** through the **Debt Issuance Programme,** mainly targeted to institutional investors, amounted to EUR 385M spread over 4 issues.

These issues by BMPS took the form of private placements and were subscribed by the insurance companies of the BMPS Group as a way to hedge their policies with Index-Linked instruments.

- OPERATING RESULTS

The Investment Banking area contributed EUR 294M to total income, down 2% from the same period of the previous year. Net operating income including

costs stood at EUR 217.4M (-3.4%), with the cost/income ratio at 26.1% (versus 28.8% in December 2005).

■ INVESTMENT BANKING

(in million EUR)	30/09/06	% chg. Yoy
P&L AGGREGATES		
Interest income	78,9	-33,2%
Net fees	51,0	24,2%
Other income	164,1	16,5%
Total banking and insurance income	**294,0**	**-2,0%**
Net loss provisions for impaired loans and financial assets		n.s.
Operating costs	-76,6	2,2%
Net operating income	**217,4**	**-3,4%**
PROFITABILITY RATIOS		
Cost-Income ratio	26,1%	
Raroc	72,9%	

Highlights on operations and results of Investment Banking Group companies include the following:

- **MPS Finance** totalled a net income of EUR 43M (+45%) at 30/09/06;

- **Intermonte** closed the quarter with a net income of EUR 28M (-36%);

- **MPS Ireland** closed the quarter with a net income of approx. EUR 1M.

E) OTHER AREAS

Other areas include international banking, "large corporate" customers, minor "non-divisionalised" units and, up to 31/03/06, the tax collection business.

Individual margins from the tax collection business are still included in the P&L account restated according to operating criteria. In Q3 its income was higher than at 30/9/05 (about 8%), and the efficiency of production processes improved further despite a challenging environment resulting from the passing of Law Decree No. 203 at the end of 2005. That Decree, which concerns the reform of the tax-collection concession system, paved the way for an all-encompassing restructuring of the sector. As a consequence, all private companies currently acting as domestic tax collectors on behalf of the Italian State were required to hand back their concessions on 1/10/2006. Given this scenario, during 2006 the Parent Bank demerged Italriscossioni's subsidiaries and its own tax-collection subsidiaries (Serit, Sorit, Gerit, Padana Riscossioni, Seit, plus the Parent Bank's own tax-collection department) and considered them as "assets to be dismissed" as of June 30th 2006.

E.1) INTERNATIONAL BANKING

See the "Secondary segment reporting" section later in this document.

E.2) LARGE CORPORATE AREA

As mentioned before, the centralisation of business from the **Large Corporate and Financial Institutions area** into a single desk within the Parent Bank was completed. With respect to operating results, average cash loans totalled EUR 3.9B (+5.5% over Q3 2005) and total funding stood at approx. EUR 15.5B, with rolling average direct funding up 9.6%. Total income from the banking and insurance business amounted to EUR 45.6M, down 31% from 30/09/05, which however was characterised by major arrangement transactions.

F) CORPORATE CENTER

For segment reporting purposes, business areas allocated to the Corporate Center include (but not limited to) the loan collection company MPS Gestione Crediti Banca and the Group equity investments area, whose operating contributions are described below.

GROUP EQUITY INVESTMENTS

In the third quarter of 2006 the **Equity Investments area** continued to focus on the disposal of its stake in Parmalat SpA, with sales totalling EUR 22.7M and resulting in capital gains of EUR 7.7M.

As of September 30th, dividends from extra-Group minority stakes amounted to EUR 34M, up EUR 2M from half-year results.

In Q3 the Parent Bank's Board of Directors resolved to transfer its stakes in Assicurazioni Generali, HOPA and Finsoe to MPS FINANCE's subsidiary Banca Mobiliare SpA.

Highlights on changes[5] to Group equity investments in Q3 include:

- **Acquisition of new stakes and participation in capital increases**

- Valorizzazioni Immobiliari SpA is the result of a spin-off from MPS Immobiliare Spa completed early last February. This fully-owned company has a book value of EUR 100M.

- Banca Monte dei Paschi di Siena invested EUR 41.8M in the capital increase of MPS Banca per l'Impresa SpA, with additional EUR 8.5M being contributed by Banca Toscana.

- The participation in Monte Paschi Vita SpA's capital increase resulted in a further investment of EUR 54.9M, with Banca Toscana contributing an additional EUR 5.1M.

- The share capital of MPS Professional SpA was restored following losses posted on November 30th,2005.

- The incorporation of a new company called Microcredito di Solidarietà SpA last January resulted in an investment of EUR 0.4M and in a 40% stake.

- Our stake in SI Holding SpA - Carta SI SpA's controlling company - was increased from 19.712% to 24.47%, resulting in a further investment of EUR 6.96M.

- The underwriting of Fidi Toscana Spa's capital increase resulted in an investment of approx. EUR 1M, with additional EUR 0.8M and 0.4M being contributed by Banca Toscana and MPS Banca per l'Impresa, respectively.

- Banca Agricola Mantovana underwrote a share capital increase by Agrisviluppo SpA that resulted in a further investment of EUR 5.8M. As a consequence, its stake in this company grew from 97.802% to 98.224% .

- Intermonte Sim Spa acquired the whole share capital of JPP Eurosecurities, New York, resulting in an investment of EUR 1.6M.

- MPS Leasing & Factoring set up MPS Commerciale Leasing SpA and currently owns all of its shares, worth EUR 5.2M.

- Our stake in Sansedoni SpA was increased from 15.14% to 17.088% following a partial spin-off of Valorizzazioni Immobiliari SpA. This transaction was worth EUR 21.3M.

- Banca Toscana increased its stake in Immobiliare Novoli SpA from 5% to 8.33%, resulting in an investment of EUR 2.8M.

- Monte Paschi Asset Management Sgr underwrote Fabrica Immobiliare SpA's capital increase and consequently invested EUR 1.8M more in this company. Its stake remained unchanged at 45%

[5] UNLESS OTHERWISE STATED, CHANGES IN EQUITY INVESTMENTS REFER TO THE GROUP PARENT BANK, BANCA MONTE DEI PASCHI DI SIENA.

Dismissals and sales

- 0.566% of the equity capital of Turin-based FIAT Spa was sold to the market, with an additional 0.405% being dismissed by Banca Toscana. Shares were sold at EUR 8.245 each, versus a book share price of EUR 7.333.

- A 2.45% stake in MTS SpA was sold to S.Paolo IMI and the Royal Bank of Scotland at a total price of EUR 6M.

- Our 4.345% stake in Banca Nazionale del Lavoro was sold to Deutsche Bank at a price per share of EUR 2.6727, versus a book share price of EUR 2.2623.

- Our 14.526% stake in Charme Investments Sca, based in Luxembourg, was sold to FI.SVI.TRE srl at a total price of EUR 14M.

- MPS Banca per l'Impresa contributed to the listing of Kerself SpA on the Italian Stock Exchange through a partial sale of its shares during the IPO. Consequently, its stake in this company decreased from 20.034% to 6.51%.

- MPS Banca per l'Impresa sold its 10.9% stake in PRO.MO.MAR. Spa.

- Our 40% stake in Riscossione Sicilia SpA, based in Palermo, was transferred to the Sicilian Regional administration and to Italy's Inland Revenue Service, resulting in an investment of EUR 6.4M. Concurrently, 60% of Montepaschi SE.RI.T. SpA's share capital was transferred to Riscossione Sicilia SpA.

- Banca Monte dei Paschi di Siena transferred its 99.978% stake in GERIT SpA and its 76.225% stake in SO.Ri.T. SpA to Riscossione SpA - Rome; following this transfer, the business unit through which Banca Monte dei Paschi di Siena collected taxes directly in the areas of Rome, Grosseto, Latina, Leghorn and Siena was transferred to GERIT.

- Banca Agricola Mantovana transferred its 54.538% stake in PADANA RISCOSSIONI SpA to Riscossione SpA - Rome;

- Our 0.555% stake in Parmalat Spa was sold to the market at a unit price of EUR 2.498.

• 2) SECONDARY SEGMENT REPORTING

As a basis for its secondary segment reporting, the MPS Group adopted a segmentation of operating results by geographical areas. It should be pointed out, however, that Group operations focus almost entirely on the domestic market, with special emphasis on the central areas of the country. As a matter of fact, Italy accounts for approx. 97% of Group net operating income. International banking is mainly designed to **support the operations of domestic customers**. Special focus is placed on the **development and follow-up of internationalisation projects**, especially those developed by SMEs, in an attempt to support their commercial penetration into new markets (both emerging and developing countries) and to assist them in their investments abroad.

During the quarter, a service model designed to support SMEs was further implemented as part of a project entitled **"Fostering the internationalisation of SMEs"** through the development of an **"integrated multi-channel system"** to be used as a telematic support to sell products and provide services to customers. Within the framework of a **program aimed at developing products and services for immigrants**, more foreign banks became involved in **"Paschi senza frontiere" product**: more specifically, membership agreements were signed in Albania, Senegal and Morocco.

Recent developments in MPS Group direct operations abroad include:

o further work for the opening of a **new branch in Shanghai,** scheduled to take place early next year following a conversion of the existing Representative Office there;

o **the opening of a Representative Office in Prague (Czech Republic)**, within the framework of a commercial agreement with CSOB (Ceskoslewenska Obchodni Banka), a subsidiary of the Belgian banking group KBC;

o the opening of an **Italian Desk** at Banca Transilvania **in Timisoara** (Romania).

OPERATING RESULTS

Average volumes for the **International Banking area** increased from the previous year, with the credit portfolio up 3.5%.

Total income from the banking and insurance business amounted to EUR 79.3M, up 7% from September 2005 after the closing of the Madrid and Singapore branches in the second half of 2005. Net operating income stood at EUR 13.6M (-51.3% yoy) and the cost/income ratio was 79.1% (versus 81.5% in December 2005).

■ **SEGMENT REPORTING**
(in million EUR)

30/09/06	Foreign countries	% chg. Yoy
P&L AGGREGATES		
Total banking and insurance income	**79.3**	**7.0%**
Net loss provisions for impaired loans and financial assets	-3.0	n.s.
Operating costs	-62.7	-5.5%
Net operating income	**13.6**	**-51.3%**
BALANCE SHEET AGGREGATES		
Performing loans to customers	1,829.0	5.7%
Payables to customers and securities	6,970.4	ns
PROFITABILITY RATIOS		
Cost-Income ratio	79.1%	
Raroc	0.0%	

With respect to foreign banks, Monte Paschi Banque contributed a net income of EUR 7M (basically unchanged vis-à-vis September 2005), driven by a 7% growth in interest income and a 4% growth in net fees. Monte Paschi Belgio, which further pursued a quantitative and qualitative repositioning of its business and also opened two more branches, contributed a net income of EUR 2M.

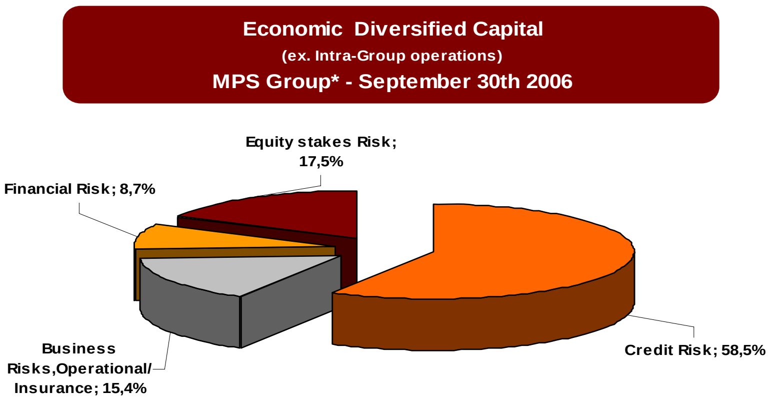
INTEGRATED RISK AND CAPITAL MANAGEMENT

ECONOMIC CAPITAL REQUIREMENTS

The amount of capital required by the MPS Group to cover its risk exposure at any given time is analysed by means of proprietary models developed by the Corporate Center Risk Management Service.

The resulting risk measurements are standardised in terms of both time frame (1-year holding time) and confidence interval (99.93%, in line with the rating level assigned to the MPS Group by official rating companies). After being diversified by risk category and individual risks, they are aggregated and allocated to business units and legal entities according to their "marginal" contribution to the overall risk profile.

While being a crucial tool for the monitoring of risks over space and time, these operating measurements can serve other analytical purposes as well. First, they allow an "active" management of the risks being analysed – especially credit risks – through risk/return optimisation techniques that can be applied to different customer segments, legal entities and types of exposure. Secondly, risk measurements can be applied to several MPS Group internal management processes, such as central and local lending, equity investments, budgeting and capital allocation, capital management, risk-adjusted Group performance (as part of value-based management processes), and accounting procedures, especially after the implementation of the new IAS standards. All these capital analyses are summarised on a regular basis to provide information to senior managers, resulting in reports to the Corporate Center Risk Management Committee and to the Board of Directors.



As of September 30th 2006, credit risk accounted for 58.5% of the economic capital requirements of the MPS Grup (- 1.1% over June), followed by equity risk (17.5%, up 1.2% over the same month). The amount of capital required to cover business, operating and insurance risks (15.4%) as well as financial risks (8.7%, including trading portfolio market risk, ALM banking-book risk and financial risks for Monte dei Paschi Vita) remained basically the same compared to 2006 half-year data.

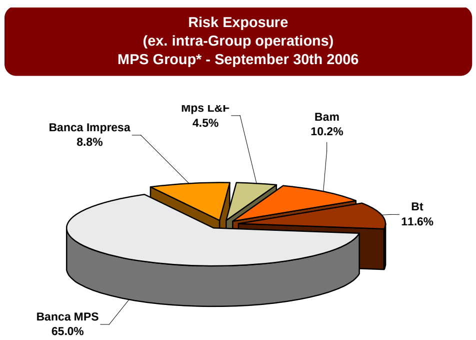
CREDIT RISK

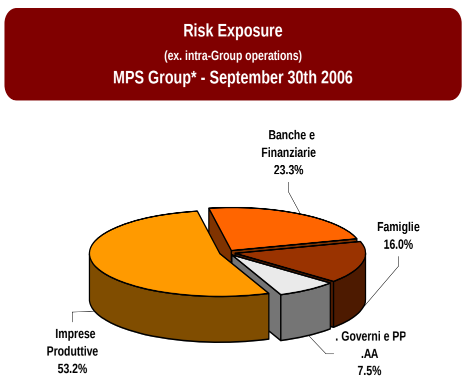
At the end of September 2006, risk exposure for the MPS Groups – calculated from the Group loan portfolio model developed by the Risk Management Service – had grown by approx. 3.6% since June 2006, driven mainly by Banca MPS (with an exposure of 65%, up 1.3% over June 2006) and Banca Toscana (11.6%, down 0.5% compared to half-year data). The other legal entities, i.e. Banca Agricola Mantovana (10.2%, down 0.3% from June 2006), Mps L&F (4.5%, down 0.2% compared to June 2006) and Banca per l'Impresa (8.8%) remained basically unchanged.

A breakdown by customer segment shows a decreased risk exposure to manufacturing companies (from 55.4% at the end of June to 53.2%, down 2.2%) and, to a lesser extent, to consumer credit (-0.3%). Exposure to governments and public administrations as well as to banks and financial companies rose slightly (+2.2% and +0.3%, respectively).

The MPS Group loan portfolio was once again mainly exposed to domestic customers: 29.2% of risk loans were disbursed in Northern Italy, 21.4% in Tuscany and Umbria (-1.1% over June 2006), 17.5% in Central Italy and Sardinia (+1.9% over the same month), 12.5% in Southern Italy and Sicily (-0.5%). Loans to foreign customers decreased slightly during the quarter (-0.6%), from 19.9% in June 2006 to 19.3% in September 2006.

Expected losses and economic capital requirements for the MPS Group as a whole decreased by approx. 3% over June data, whereas both related quarterly risk ratios (i.e. expected losses/exposure at risk and economic capital/exposure at risk) showed a downward trend (-3.5 bp and 0.2%, respectively). These changes can partially be ascribed to a widespread improvement in the quality of loans disbursed to Corporate and Retail customers and, more significantly, to an increase in the overall amount of loans disbursed to banks and governments.

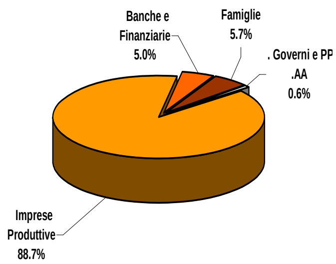




* Banca MPS, Banca Toscana, Banca Agr. Mant., MPS Leas. & Fact., MPS Banca per L'Impresa

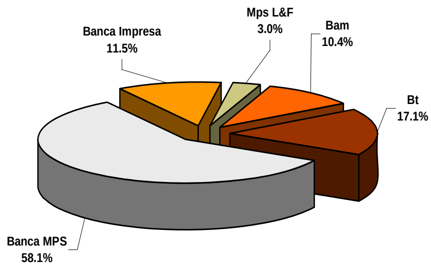
The absorption of economic capital by individual Group legal entities remained basically stable, whereas an analysis of absorption by customer segment showed a few differences, with more capital absorbed by manufacturing companies (+ 1.4% over June 2006) and less capital required by banks and financial companies (-1.7%). All other sectors remained basically unchanged.

Economic Capital
(ex. intra-Group operations)
MPS Group* - September 30th 2006



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

Economic Capital
(ex. Intra-Group operations)
MPS Group* - September 30th 2006



* Banca MPS, Banc

MARKET RISK FOR THE GROUP

INTEREST RATE RISK ON THE GROUP BANKING BOOK

According to international best practices, a Banking Book identifies all commercial transactions carried out by a bank in relation to transformation of maturities in balance sheet assets and liabilities, Treasury transactions, foreign branch operations and hedging derivatives.

The Banking Book operating and strategic choices adopted by the Finance and Capital Management Committee and monitored by the Risk Management Committee of the Parent Bank are based on a "total return" approach to interest rate risk measurement, and aim at minimising the volatility of the interest income expected for a financial year (12 months), i.e. the volatility of the total economic value as interest rates change.

Changes in the economic value of Banking Book assets and liabilities are calculated by applying, for operating purposes, deterministic interest-rate shifts of 25 bp and 200 bp (with the latter scenario implementing the provisions of the "second pillar" of the Basel II Agreement) to consolidated Tier 1 capital and regulatory capital.

As of September 30th 2006 the risk profile of the MPS Group was "liability sensitive", i.e. liable to incur potential economic value losses in the case of a reduction in interest rates. The sensitivity measurement was slightly higher than at the end of June 2006, with the ratio between value at risk (measured in a 200-bp rate shock scenario) and Tier-1/regulatory capital rising from 0.25% last June to 1.05% last September.

Compared to last June, interest income at risk increased during the quarter. This was due to a cyclical repricing of floating-rate assets (mainly mortgage loans), whose interest income at risk is higher in March and September than in June and December –

with all other conditions remaining unchanged – due to a longer residual life over the 1-year timeframe considered. As a matter of fact, in September and March 2005 the income at risk/final income ratio was similar to that calculated for the current quarter (2.7 % in September and 3.7 % in March 2005). However, these values do not take into account the elasticity of on-demand entries (monitored on an operating level), which impacts mainly liabilities and therefore has a beneficial influence on interest income in the case of an increase in interest rates.

The "economic value at risk/Tier-1 capital" and "economic value at risk/regulatory-capital" ratios for the Parent Bank Banca MPS in a 200-bp parallel shift scenario rose compared to June 2006. This increased impact on interest income was mainly due to a cyclical repricing of floating-rate mortgage loans.

LIQUIDITY RISK

The monitoring of the overall structural liquidity profile is based on a quantification of the imbalances, by settlement date, of expiring cash flows over the first few months of the projected horizon.

Special attention is devoted to the planning of funding policies for the Group, coordinated and steered by the Parent Bank Finance Area. This is true both for regular bond-based funding and for the issuing of subordinated debt, as well as for amounts of money to be borrowed from other banks, in line with capital management requirements and the expected evolution of the maturities transformation index.

MARKET RISK ON THE GROUP TRADING PORTFOLIO

For operating purposes, market risk is monitored as *Value at Risk* (VaR) both for the Parent Bank and for other Group legal entities that act as independent risk-taking centers. Operating limits to trading activities are set by the Board of Directors of the Parent Bank and are expressed as VaR for each authorization level. Monthly and annual Maximum Acceptable Losses (MALs) are also set for the same authorization levels, taking into account both potential and actual economic results (P&L) as well as risk measurements on open positions (VaR).

Operating VaR is calculated by the Parent Bank Risk Management Service independently from Group operating functions, using a Group Integrated Risk Management Model developed in-house. VaR is calculated based on a confidence interval of 99% and a holding period of one business day. The historical simulation method used includes 500 historical measurements, with daily scrollings.

Moreover, shift sensitivity analyses are carried out on a regular basis (usually by applying 1bp- and 25bp-shifts) on interest-rate sensitive positions, based on ad-hoc assumptions on the volatility of other risk factors in relation to price risk.

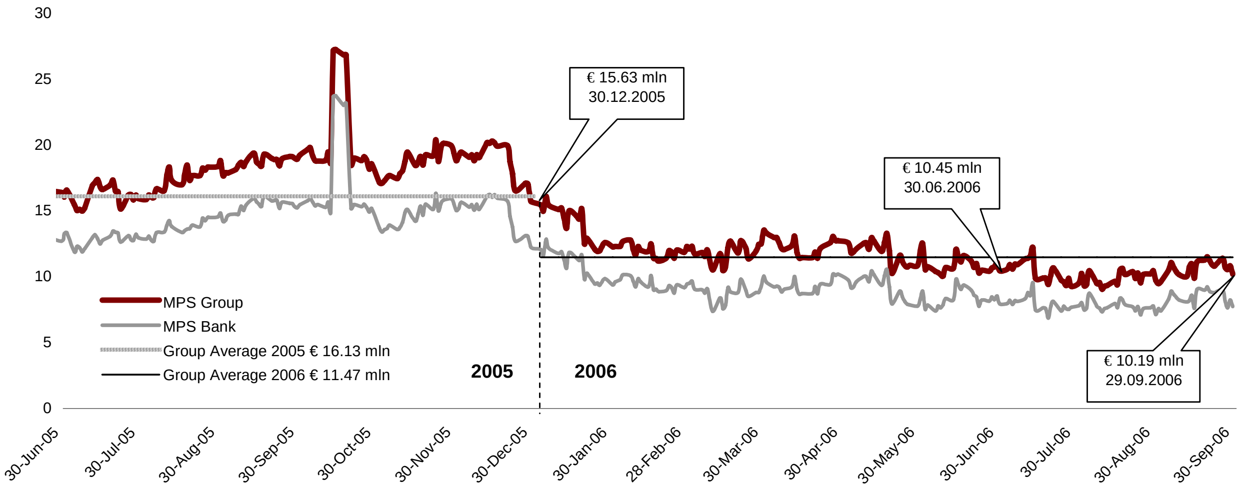
■ **VaR: MPS Group**

	VaR (EUR mln)	Date
Min 2006	9.05	09/08/2006
Max 2006	16.10	04/01/2006
Average 2006	11.47	

In Q3 2006 the Group market risk, measured as VaR, kept declining slightly compared to average values for the year. At the end of September the MPS Group 2006 average VaR amounted to EUR 11.47M, down from the first half of the year and considerably lower than the average 2005 VaR (EUR 16.13M). End-of-quarter VaR at 29.09.2006 was EUR 10.19M.

MPS Group - Trading Book VaR

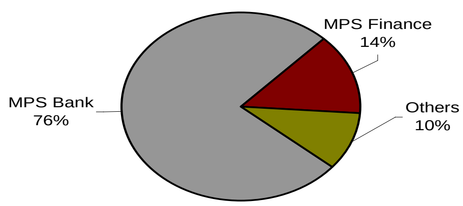
- VaR 99% 1 day not diversified between banks in million Euro -



On a business unit level, the Parent Bank VaR accounted for the bulk of the overall value (76%) as usual, with MPS Finance BM following suit with approx. 14%. The other banks of the Group (basically Monte Paschi Ireland and the portfolios of the commercial banks serving Retail customers) contributed the remaining 10%.

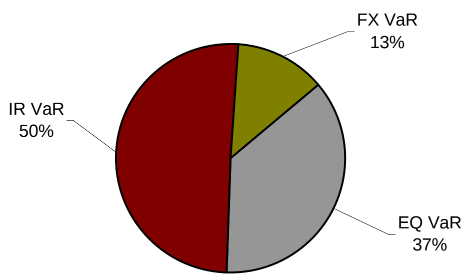
MPS Group VaR

Bank breakdown - 29.09.2006



MPS Bank VaR

VaR breakdown per risk factor - 29.09.2006



The overall risk profile of the Parent Bank, measured as VaR diversified among risk factors, ranged between EUR 6.86M and EUR 12.84M in 2006. The average VaR for Banca MPS over the quarter amounted to EUR 8.86M, with an end-of-period value of EUR 7.75M euro.

A breakdown by risk factors shows that interest rate risks (IR VaR) dominated the third quarter as well and accounted for for approx. 50% of the Gross VaR of Banca MPS. Equity risks (EQ VaR) accounted for 37% and foreign exchange risks (FX VaR) for the remaining 13%.

OPERATING RISKS

To manage operating risks, the MPS Group has implemented an integrated system based on a governance model that involves all MPS Group members operating in the sector considered. This approach defines standards, methodologies and tools for assessing risk exposure and the impact of mitigation in each business area. The scope of this advanced management approach (AMA) encompasses all Group domestic banking and financial entities. Standardised methods will be adopted for the foreign companies, at least in the start-up phase. The entities included in this "advanced approach" account for more than 90% of total Group income.

During the third quarter of the year the statistical models used to calculate capital requirements were consolidated. Special emphasis was placed on the qualitative analysis of risk profiles (scenarios), with contributions by the senior management of all the companies involved.

Qualitative analyses focus on the assessment of risk profiles for each unit and are based on the development of scenarios associated to significant criticalities. The individual companies are involved in: identification of processes and risks to be assessed, assessment of said risks by process managers, development of mitigations plans, sharing of priorities and of the technical/economic feasibility of mitigation actions with the central functions. Within the methodological framework developed, the Parent Bank and all companies involved share the same risk management and control organizational model. The organizational design provides for an involvement of the corporate functions in risk identification, measurement, monitoring and management/control. An ad-hoc organizational structure within the Parent Bank guarantees the coordination of activities and implementation of the advanced approach.

INSURANCE RISKS

Market risks for the insurance company, related to the ownership of a financial assets portfolio whose value is dependent on market conditions (interest rates and share prices) and to the ensuing need to guarantee a certain financial performance to holders of Type-I and Type-V policies (minimum annual return, partial or total redemption with guaranteed principal and return), are monitored using an integrated assets/liabilities risk measurement model developed jointly by the Corporate Center Risk Management Service and by the Company itself.

This model, based on a duplicated representation of the asset portfolio plus all policy-related options, showed a total average risk level (calculated as VaR 99% - holding period one month) of EUR 88.625M in the first nine months of 2006, in line with the same period of 2005 (EUR 89.574M). Risk measurements, calculated on a monthly basis (VaR 99%, 1 day and 1 month, duration and sensitivity to a +25bp change in interest rates) based on Mark-to-Market assumptions for both assets and liabilities so as to quantify maximum risk levels in the case of perfectly sensible customer behaviours (arbitraged redemptions and total flexibility), outlined a risk profile that was always consistent with the Company's equity capital. The results of insurance risk monitoring are regularly brought before the Corporate Center Risk Management Committee and contribute to the determination of Value-Based Management and Capital Allocation processes for the insurance business of the MPS Group, in full compliance with the provisions on financial conglomerates issued by the Basel Committee and recently implemented by the Bank of Italy.

REGULATORY CAPITAL AND PRUDENTIAL REQUIREMENTS

An estimate[6] of consolidated capital ratios resulted in a solvency ratio of 9.69% (versus 9.16% at the end of 2005), with Tier-1 ratio amounting to 6.80% (compared to 6.51% at December 31st 2005).

[6] Consolidated capital ratios are only calculated on a half-year basis. Therefore, values were estimated according to the current regulations of the Supervisory Authority.

OPERATING STRUCTURE AND OTHER INFORMATION

OPERATING STRUCTURE

The section on operations in different business areas described the **"research & development" initiatives** implemented during the third quarter of 2006. This section describes the Group operating structure, with special emphasis on **distribution channels, payment systems** and **human resources.**

DISTRIBUTION CHANNELS

In the third quarter of 2006 the Group continued its activity aimed at **developing and streamlining its distribution channels**. To that purpose, 27 new branches were opened as part of the implementation of the **"2004/2006 Group Plan of Branch Opening"**, which aims at making the presence of the Group increasingly more consistent with potential developments in local areas. As a result, the **number of domestic branches of the Group** commercial banks rose to **1,884**, plus 138 financial advisors's offices run by MPS Banca Personale.

MPS GROUP DISTRIBUTION NETWORK

Channel	30.09.06	31.12.05
Domestic branches*	1,884	1,862
Financial advisors' offices	138	138
Total domestic points of sale	2,022	2,000
Foreign branches	36	30
ATMs	2,206	2,179

* Special-purpose offices run by MPS Banca per l'Impresa are not included

An initiative focusing on **"longer branch-opening hours"** was concluded in July after being tested for a three-month period in 60 selected branches of Banca MPS's commercial network as follows:

- 30 branches were open to the public all day on Saturdays;
- 30 more branches remained open non-stop (including lunch breaks) on workdays.

An in-depht analysis of the outcome and impact of this initiative is currently under way. The possibility of **extending the scope of this project** and making it permanent is being considered.

With reference to **telematic channels,** the number of contracts closed with both Corporate and Retail customers confirmed an upward trend:

▪ Corporate I**nternet banking** contracts (UNI EN ISO 9001/2000-certified for Banca MPS) exceeded 171,000 as of 30.9.2006, up 14% over December 2005;

▪ **Retail and Private Internet banking** contracts almost reached 543,000, up 7% over December 2005.

▪ Corporate **Internet Banking contracts for local authorities and public administrations** stood at 1,051, up 6.5% since 31.12.2005. An innovative feature – i.e. the electronic management of payment and collection orders by **digital signature** - is gradually becoming very popular in this business area.

▪ PAYMENT SYSTEMS

Highlights for the quarter include:

▪ **for Retail customers -** launching of the new **Bankpass Bills** service, **which enables customers to receive dematerialised utility payment notices**, and to pay them via Internet banking;

▪ **for Corporate customers -** marketing of the "incassipiù" service, designed for organisations (especially utilities) and local authorities requiring end-to-end management of collection processes. The use of this innovative product **grew significantly**, with 1,100,000 documents issued during the quarter (up 62% over the same period of 2005), and an increasing popularity **among small- and medium-sized customers** as well;

▪ **for Public Administration customers -** development of a management program for collection and payment orders. Almost 2 million orders were processed In the first nine months of the year, totalling almost EUR 31B. Approx. 33.300 of them (worth roughly EUR 12B) originated from Tuscany and from the Reggio Calabria Hospital Network (the latter starting operations last February) through an **innovative procedure based on the use of digital signatures, with a consequent dematerialisation of documents**.

The total number of payment cards (credit and debit cards) **for the MPS Group** came to approx. 2,115,000 units at September 30th 2006, up 5.6% since the end of 2005.

Concerning the evolution of individual card types, **pre-paid cards** (No. 210,658) **and revolving cards issued by Consum.it** (No. 132,744) **became increasingly successful** and were up 82.4% and 13% respectively since the end of 2005.

Moving to product innovation, in the second half of August the Group complemented its line of **"pre-paid and rechargeable products** by launching the **Krystal Best multi-purpose card,** which can be used domestically through the Bancomat/Pagobancomat network and abroad through Visa.

HUMAN RESOURCES

Operations were managed consistently with Business Plan guidelines, with focus on enhancing the value (professional skills and motivation) of existing resources, reducing/changing the staff mix and structurally cutting costs.

In compliance with the strategic goals outlined by the new Business Plan, in Q3 2006 actions focused especially on:

- strenghtening professional skills and improving the filling of critical roles, with special emphasis on Network positions, in order to pursue the strategic goal of customer service leadership;

- fostering the exit of senior, high-level staff from central structures while at the same time strenghtening branch organizational flowcharts.

The re-training of resources "released" following the early organizational reviews implemented as part of the streamlining projects outlined in the Plan was also started.

HEADCOUNT

As of 30/09/2006, the MPS Group[7] had a total of 26,479 employees, down 217 units (mainly from the tax-collection business) compared the same period of 2005 and down 1,560 units over 31/12/2002 (the baseline of the previous Business Plan).

MPS GROUP EMPLOYEES

	31/12/02	30/09/05	31/12/05	30/09/06
Total employees	**27,732**	**26,695**	**26,542**	**26,479**
Total employees incl. tax-collection staff	***28,039***	***26,696***	***26,542***	***26,479***

In line with the objective of consolidating and growing the salesforce and as part of the Branch-Opening Plan, all newly-hired employees from the basic selection process plus some post-graduate resources were allocated to the branches and SME Centers since the beginning of the year. As of September 30th 2006, network staff had increased by approx. 300 units over the beginning of the year.

At the same time the Parent Bank deployed early-retirement incentive plans that were subscribed by approx. 400 employees (mainly from the headquarters offices), 130 of whom will leave the company in Q4 2006. Similar initiatives are being implemented by Banca Toscana, Banca Agricola Mantovana and other Group companies, resulting in about 150 further exits by the end of the year.

Consequently, employees who have left the Group after 31/12/2002 through the Solidarity Fund and Early Retirement Plans will total 2,340 units by the end of 2006. The average age of Group staff is now 41.7 years, down from 42.7 years at the end of 2005.

[7] Data relates to employees on the payroll of Group companies consolidated on a line-by-line basis, according to new IAS accounting standards.

The following tables show a breakdown of the actual workforce[8] (26,407 units) by professional category and operating area:

GRUPPO MPS al 30/09/06

BREAKDOWN OF STAFF BY PROFESSIONAL CATEGORY

Category/Level	Total	% of total
Managers	611	2.3%
Middle managers	7,207	27.3%
Professional areas	18,589	70.4%
GRAND TOTAL	**26,407**	**100%**

MPS GROUP STAFF AT 30.09.06 (*)

	Actual workforce	% weight
Banca Monte dei Paschi di Siena	**12.490**	**47,3%**
Parent Bank	1.315	5,0%
BMPS Division	11.021	41,7%
International operations (**)	154	0,6%
Banca Toscana	**3.827**	**14,5%**
Banca Agricola Mantovana	**3.082**	**11,7%**
MPS Banca Personale	**169**	**0,6%**
TOTAL DOMESTIC BANKS	**19.568**	**74,1%**
Foreign banks	**446**	**1,7%**
Product companies	**1.633**	**6,2%**
Service companies - including	**2.531**	**9,6%**
Operating Consortium	2.234	8,5%
Tax-collection business	**1.929**	**7,3%**
Insurance business	**173**	**0,7%**
Other companies	**127**	**0,5%**
GROUP TOTAL	**26.407**	**100,0%**

(*) Totals are purged of 1st professional area staff (single remuneration level, short working hours)
(**) Foreign branches and Representative Offices

Please notice the high number of resources allocated to the commercial network:

[8] Data relates to the employees of all Group members, excluding staff assigned to other companies (minority interests) and cleaning personnel.

BREAKDOWN OF STAFF BY GEOGRAPHICAL DISTRIBUTION

		Actual workforce	% weight	Actual workforce	% weight
		31/12/02		30/09/06	
PARENT BANK	HEAD OFFICE UNITS	968	100,0%	1.180	89,7%
	CALL CENTER	-	0,0%	135	10,3%
	TOTAL	**968**	**100%**	**1.315**	**100%**
	HEAD OFFICE UNITS	649	5,7%	480	4,4%
MPS DIVISION	NETWORK	10.597	92,7%	10.541	95,6%
	CALL CENTER	187	1,6%	-	0,0%
	TOTAL	**11.433**	**100%**	**11.021**	**100%**
	HEAD OFFICE UNITS	471	11,8%	429	11,2%
BANCA TOSCANA	NETWORK	3.449	86,6%	3.398	88,8%
	CALL CENTER	61	1,5%	-	0,0%
	TOTAL	**3.981**	**100%**	**3.827**	**100%**
	HEAD OFFICE UNITS	510	16,1%	398	12,9%
BAM	NETWORK	2.635	83,3%	2.684	87,1%
	CALL CENTER	18	0,6%	-	0,0%
	TOTAL	**3.163**	**100%**	**3.082**	**100%**
	HEAD OFFICE UNITS	2.598	13,3%	2.487	12,9%
TOTAL - COMMERCIAL BANKS	NETWORK	16.681	85,3%	16.623	86,4%
	CALL CENTER	266	1,4%	135	0,7%
	GRAND TOTAL	**19.545**	**100%**	**19.245**	**100%**

The breakdown of the Parent Bank actual workforce by professional category/level is as follows:

BANCA MPS S.P.A. 30/09/06

	Category/Level	Total	% of total
	Managers	163	12,4%
PARENT BANK	Middle managers	564	42,9%
	Professional areas	588	44,7%
	TOTAL	**1.315**	**100%**
	Managers	122	1,1%
BMPS DIVISION	Middle managers	2.649	24,0%
	Professional areas	8.250	74,9%
	TOTAL	**11.021**	**100%**
	Managers	4	2,6%
INTERNATIONAL OPERATIONS (*)	Middle managers	53	34,4%
	Professional areas	97	63,0%
	TOTAL	**154**	**100%**
	Managers	289	2,3%
TOTAL - BANCA MPS S.p.A.	Middle managers	3.266	26,1%
	Professional areas	8.935	71,5%
	GRAND TOTAL	**12.490**	**100%**

(*) Foreign branches and Representative Offices

Please also notice the young average age of resources (approx. 38% of employees are under 40 years), their relatively low seniority and the significant number of women (40.4%):

BANCA MPS S.P.A. 30/09/06

BREAKDOWN OF BMPS STAFF BY AGE GROUP

AGE	% women	% men	% of total
up to 30 years	5.3%	4.9%	10.2%
from 31 to 40 years	15.4%	12.7%	28.1%
from 41 to 50 years	14.9%	19.9%	34.7%
over 50 years	4.8%	22.1%	26.9%
TOTAL	**40.4%**	**59.6%**	**100%**

BREAKDOWN OF BMPS STAFF BY SENIORITY

SENIORITY	% women	% men	% of total
up to 10 years	15.6%	19.6%	35.3%
from 11 to 20 years	13.4%	13.7%	27.2%
from 21 to 30 years	8.6%	12.2%	20.8%
over 30 years	2.8%	14.0%	16.8%
TOTAL	**40.4%**	**59.6%**	**100%**

BREAKDOWN OF BMPS STAFF BY EDUCATION LEVEL

CATEGORY/LEVEL	% of graduates on Tot. Category/Level	% other diplomas on Tot. Category/Level
Managers	46.4%	53.6%
Middle managers - 4th	33.6%	66.4%
Middle managers - 2nd	23.1%	76.9%
Professional areas	29.0%	71.0%
TOTAL	**29.3%**	**70.7%**

WOMEN	40.4%
MEN	59.6%

■ OPERATING GUIDELINES

Within the framework of the strategic guidelines mentioned in the introduction to this section, activities for the quarter included the following:

– Operating development continued for *PaschiRisorse* (a competence-checking system that evaluates the skills, capabilities and accountabilities required to fill specific positions). The implementation of this system plays an extremely important strategic role in leveraging the professional skills and talents of individual employees.

– *Training* remained focused on contents and tools required for the growth of core competences, and took the form of actions increasingly targeted to individual resources, also following the outcome of a "gap analysis" on the filling of open positions. Other available information about individual employees (past experiences, expectations, potential) was also taken into account. Training aimed to support organizational and commercial changes by means of highly differentiated technical and professional actions, with special focus on Network positions.

During the third quarter of 2006, training amounted to approx. 130,000 hours (including both classroom time and on-line courses), thus bringing the year-to-date total to 537,770 hours. As part of the Basic Courses 2006, training continued on 4 professional theme areas (Finance, Lending, Foreign Operations, Human Resources) at different levels. 350 editions were provided since the beginning of the year, with approx. 5,200 employees in attendance. Training in the fourth quarter will focus on the skills of front-office resources, with special emphasis on a proactive management of customer relationships and service quality. Implementation started for the Human Resource Policy and Function Plan – a new management and development model designed to support a strategic leadership approach to customer service as well as the achievement of the Group structural, operating and income growth goals outlined in the 2006-2009 Business Plan.

Highlights on projects currently being implemented include:

– a "mapping of Group managers' quality" to support the identification of a structured behavioural model for managers, with a view to implementing a succession planning system;

– a Career-Planning system capable of guaranteeing the growth of Network resources up to "target positions" (role sequences, experience in the field and training);

– a HR management & intelligence tool to support HR development systems and decision-making processes;

– a new organizational flowchart for the Parent Bank HR function, divided into expertise, management and administration centers. This also includes the setting up of an ad-hoc unit for the planning, implementation and monitoring of staff relocation from headquarters positions (head offices, Parent Bank and Operating Consortium) to Network jobs, in order to improve the relationships between front end and back office.

Finally, highlights on relationships with trade unions include the following:

– Negotiations for the renewal of the integrative labour contracts of BAM, Banca Impresa, Banca Personale and Consum.it continued, with a view to standardising different corporate regulations within the Group; furthermore, in compliance with the "Protocol on Work Organization", discussions started between the Group and the trade unions on the 2006-2009 Business Plan, which is going to have a strong impact on human resources.

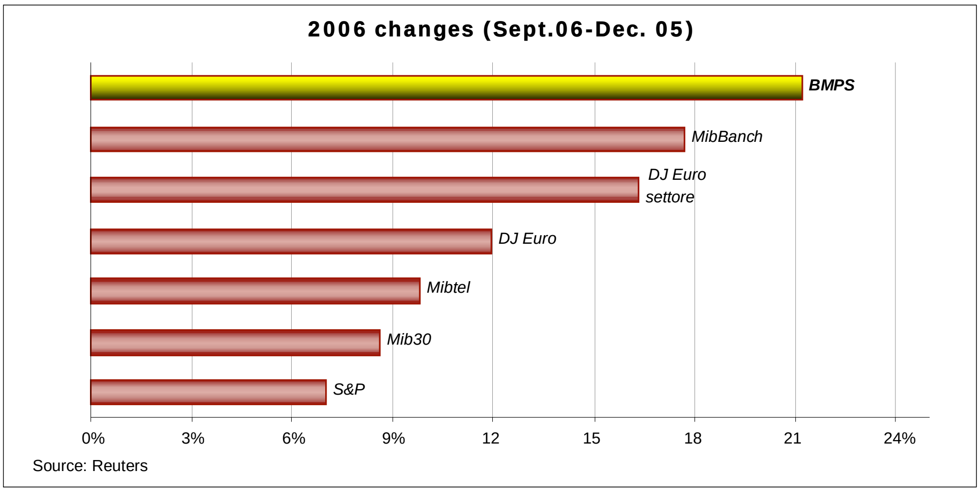
– The terms and conditions for the transfer of the tax-collection business to Riscossione S.p.A. were set in September; when the business unit was finally transferred on October 1st 2006, 540 employees were relocated to the new public concession company, with 72 more being hired by the Bank.

OTHER INFORMATION

BMPS STOCK PERFORMANCE, SHAREHOLDER BASE AND RATINGS

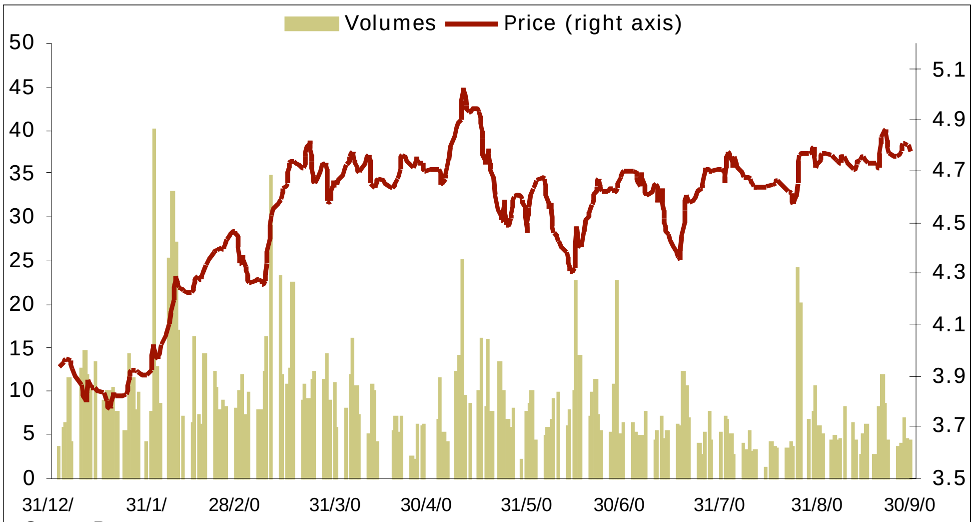
STOCK PRICE

The first nine months of the year turned out positive for the main share indexes (DJ Euro Stoxx +11.9%, S&P 500 +7.0%, Mibtel +9.8% and Mib30 +8.6%), with MibBanche up an outstanding +17.7%.



On September 30th 2006, BMPS stock was priced at EUR 4.78 per share (+21.2% compared to the beginning of the year and +81.8% since early 2005), with a year-to-date high of EUR 5.07 on May 10th and a year-to-date low of EUR 3.72 on January 18th. Consequently, BMPS stock outperformed the market and the banking sector again in the first nine months of this year.

■ **STOCK PERFORMANCE** (from 31/12/05 to 30/09/06)



Source Reuters

■ **STOCK PRICE - SUMMARY** (from 01/01/06 to 30/09/06)

Average	4.52
Low	3.72
High	5.07

CAPITALISATION AND SHAREHOLDER BASE

At the end of the month the market value of BMPS, computed on the basis of 3,014,431,630 common and preferred shares outstanding, amounted to roughly EUR 14.4B.

■ **REFERENCE PRICES AND CAPITALISATION - SUMMARY**

	31.12.05	30.09.06
• Price (EUR)	3.95	4.78
No. common shares	2,448,491,901	2,448,491
No. preferred shares	565,939,729	565,939,7
No. savings shares	9,432,170	9,432,170
Capitalisation (ord + pref) (EUR M)	11,892	14,412

Concerning the Bank's shareholder base, according to the notifications sent to BMPS and Consob pursuant Art. 120 of Law Decree No.58/98, the main shareholders as of September 30th 2006 were: Fondazione Mps (the majority shareholder, with 49% of common shares); Caltagirone Francesco Gaetano (4.72%); Hopa S.p.A. (3.00%); Unicoop Firenze (2.99%).

■ **MAJOR SHAREHOLDERS as per Art. 120 of Law Decree No. 58/98**

Fondazione MPS	49%
Caltagirone Francesco Gaetano	4.72%
Hopa S.p.A.	3.00%
Unicoop Firenze – Società cooperativa	2.99%

VOLUMES

The number of MBPS shares traded on a daily basis during the first nine months of 2006 averaged around 9 million, with a 40-million high in February and a 1-million low in August. The overall turnover amounted to approximatey 70% of all BMPS common shares and to 1.4 times the market float.

■ **MONTHLY VOLUMES OF SHARES TRADED**

SUMMARY - 3RD QUARTER 2006

	(in million EUR)
January	202
February	287
March	292
April	131
May	216
June	202
July	127
August	139
September	116

MAIN MARKET MULTIPLES

In terms of market multiples, at the end of September the shares were trading at 15.33 times the projected earnings for 2006 (source of earnings estimates: *IBES*) and at 1.98 times the 2005 book value.

■ **MARKET MULTIPLES** (in EUR)

	Sept. 2006
Price/earnings per share	15.33
P/BV	1.98

DEBT RATINGS

he following table summarises the assessments of rating agencies, unchanged vis-à-vis 31/12/2005:

Agency	Short-term debt at 30.09.2006	Medium/Long-term debt at 30.09.2006
Moody's Investors Service	P-1	A-1
Standard & Poor's	A-1	A
Fitch Ratings	F-1	A+

INVESTOR RELATIONS

In the first nine months of 2006, investor relations were very intense and aimed primarily at guaranteeing constant and transparent information about Group operations and strategies to the market. To that purpose, meetings were organised with approx. 200 investors and 20 analysts in Europe's major financial cities. Moreover, the Group attended five international conferences, including one in New York and one in Tokio organised by the Italian Stock Exchange, two in London organised by Merrill Lynch and Cazenove and one in Barcelona organised by Goldman Sachs. The above-mentioned initiatives involved approx. 10 Group top managers. On June 27th 2006 the new 2006-2009 Group Business Plan was presented in Milan, followed by a crowded roadshow through both Europe and America which involved over 100 investors. As a result, the MPS Group had meetings with approx. 300 investors since the beginning of the year.

TRANSACTIONS WITH RELATED PARTIES

The Bank adopted a Code of Conduct for transactions with related parties which sets internal reference guidelines on the matter. The general concept of "related parties" is to be construed as follows: **a)** *Group relation* refers to control, association and significant influence on/by the Bank and its Group; **b)** *Direct relation* includes the members of corporate bodies (Directors and Auditors), the General Manager, Managers empowered by the Board (i.e. Deputy General Managers, the Manager of the MPS Network Head Office, Managers of the Parent Bank Business Units and Managers of the Network Head Offices with decision-making power on loan-disbursement matters); **c)** *Indirect relation* refers to the next-of-kins of Related Parties (physical persons). Moreover, transactions entered in by the Bank (even through its subsidiaries) with related parties were divided into: *Ordinary Transactions* (with no special characteristics involved), *Significant Transactions* (which require a notification to the market as per Art. 71 *bis* of the "Regolamento Emittenti" (Issuers' Regulations) implemented by Consob with Resolution No. 11971), *Non-Ordinary Transactions* (which cannot be deemed as Significant Transactions but nevertheless feature non-typical and/or unusual characteristics).

It was resolved that Ordinary Transactions be authorised as per the hyerarchical decision-making system currently applied by the Bank, with Significant Transactions and Non-Ordinary Transactions being authorised by the Board of Directors only (decision-making power on urgent matters will continue to lie with the persons or bodies indicated by the Bank By-Laws).

It was also resolved that all Subsidiaries adopt the same Code as the Parent Bank when entering into transactions with related parties, after adjusting it to their own decision-making system, with suitable and timely notification of such transactions to the Parent Bank. The provisions of Art. 136 of Law Decree No. 385 of 1/9/1993 about the duties and obligations of bank employees and bodies remain unchanged.

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The Bank's Board of Directors adjusted the above-mentioned code based on a recent review of the applicable legislation. Following the implementation of EC Regulation No. 2238/2004 of December 19th 2004 on International Accounting Standards, Consob revised the "Regolamento Emittenti" to reflect the **definition of related parties** found in EC Regulation No. 1606/2002 issued by the European Parliament and Council (later IAS 24). Other provisions that were taken into account concerned the **definition of "link"** and **"remarkable influence"** found in the international accounting standard on shareholdings in related companies, as per EC Regulation No. 1606/2002 issued by the European Parliament and Council (later IAS 28), per Art. 2359 - Clause 3 of the Italian Civil Code and per IAS 24 with respect to **applicable types of transactions** and to **notes to the accounts concerning transactions entered into with related parties**.

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It should be pointed out that intra-Group transactions between Banca MPS and Group Related Parties were only entered into after their economic benefits to both parties had been ascertained and only at market values; the same applies to transactions entered into with other Related Parties that fall within the subjective scope of the Code. No such transaction required any notification to the market as per Art. 71 bis of Consob Regulation No. 11971.

MATERIAL EVENTS SUBSEQUENT TO THE CLOSING OF Q3

Here follows a list of the most significant events occurred after the closing of the third quarter on September 30th 2006:

- **On October 12th 2006** Banca Monte dei Paschi di Siena and Holmo S.p.A. announced that their shareholders' agreement, due to expire on October 15th 2006, will remain in force until April 15th 2007.

- **On October 23rd 2006** No. 5,645,206 Bmps common shares were issued following the conversion of EUR 18,516,275.68's worth of convertible Floating-Rate Equity-linked Subordinated Hybrid Preferred Securities (F.R.E.S.H.), as specified in a statement issued by the President of Banca Monte dei Paschi di Siena on October 23rd 2006 and filed with the Enterprise Registry in Siena on the same day. This issue accounts for 0.23% of the common share capital before conversion; as a consequence, such capital will now increase from No. 2,448,491,901 shares to No. 2,454,137,107 shares.

FUTURE OUTLOOK

In an operating scenario characterised by signs of an economic recovery, and in line with the growth path outlined by the 2006-2009 Business Plan, Group operating policy will focus on:

o fully leveraging the business potential of customer relations;

o enhancing and diversifying income sources;

o optimising costs, services and allocated capital.

Assuming the evolution of the financial markets and real economy does not turn particularly negative, the results as of September 30th 2006, combined to current trends and to the initiatives scheduled, should enable operations to be in line with planned targets

NOTES TO THE QUARTERLY FINANCIAL REPORT

The Group quarterly report was prepared pursuant to Art. 82 of the Regolamento Emittenti (Issuers' Regulation) as per Consob Resolution No. 11971 of May 14th 1999 and later changes and additions, in the form set out in Attachment 3D. As a consequence, the quarterly report was prepared according to the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission as per EC Regulation No.1606 of July 19th 2002. The international accounting standards were also implemented by taking into account the "systematic framework for the preparation of financial statements".

More specifically, the accounting standards used were the same as those found in the 2005 end-of-year financial statements (please see those statements for further details).

Highlights on the criteria used include the following:

- The quarterly report was prepared in accordance with the "independence of periods" principle, which regards any given period as a stand-alone fiscal period. Consequently, the year-to-date P&L account reflects ordinary and extraordinary economic components for the period based on the accrual accounting method.
- The currency used is the euro. If not otherwise stated, values are expressed in millions.
- The balance sheet and P&L account were restated according to operating criteria, as was the report on Group operations included in the 2005 end-of-year financial statements.
- The financial reports used as a basis for the consolidation process were those prepared by Goup companies as of September 30th 2006, which were revised whenever necessary to adjust them to Group accounting standards.
- Intra-Group financial balance sheets and P&L accounts were removed.

The balance sheet and P&L account included in the consolidated quarterly report as of September 30th 2006 are compared to the IAS-compliant financial statements at December 31st 2005 and to the restated P&L account at September 30th 2005.

The consolidated balance sheet and P&L account as of September 30th 2006 are not subject to financial audits by the independent auditor.

Plaese notice that, in compliance with CONSOB Regulation No. 14990 of April 14th 2005, Banca Monte dei Paschi di Siena will announce its consolidated 2006 end-of-year financial statements before expiry of the regulatory deadline. As a consequence, no consolidated report will be prepared for Q4 2006.

Changes to the consolidation perimeter

The consolidated financial statements include the balance sheets and P&L accounts of the Parent Bank and of the companies it controls, either directly or indirectly. More specifically, consolidation extends to all controlled companies, regardless of their legal nature and status (i.e. still in operation or being liquidated), including all merchant banking investments that were excluded in the past, when domestic accounting standards still applied, because of non-similar business activities.

Compared to December 31st 2005, the following changes to the Group consolidation perimeter should be higlighted:

- the Parent Bank:

deconsolidated Italriscossioni subsidiaries (i.e. G.I.Profidi and CDO Net) and its tax-collection subsidiaries (Serit, Sorit, Gerit, Padana Riscossioni, Seit, including the Parent Bank's own tax-collection department), deemed to be under dismissal as of June 30th 2006.
For the latter, the following transfer contracts were signed last September with Riscossione S.p.A.:

- the Parent Bank transferred all of its stake in GERIT S.p.A. and Sorit S.p.A., as well as its own business unit;
- its subsidiary BAM transferred its stake in Padana Riscossioni S.p.A.;
- its subsidiary Banca del Monte di Parma transferred its stake in SEIT S.p.A. and Padana Riscossioni S.p.A.;
- its subsidiary Banca Popolare di Spoleto transferred its stake in Sorit S.p.A..

Furthermore, the Parent Bank signed a contract with Riscossione Sicilia S.p.A. to transfer a 60% stake in SERIT to it.

Further highights include the following:

subsidiary Intermonte S.p.A:

- consolidated its subsidiary JPP Euro Securities Inc;

subsidiary Consumit S.p.A:

- consolidated its subsidiary Integra;

subsidiary Valorizzazioni Immobiliari S.p.A:

- performed a partial spin-off of Valorizzazioni Immobiliari S.p.A. in order to transfer a real-estate investment business unit to Sansedoni S.p.a.

Consolidation area and methods

Holdings in fully- and partially-owned companies (consolidated on a pro-rata basis)

		COMPANY NAME	BASED IN	TYPE OF RELAT. (*)	SHAREEHOLDING RELATIONSHIP Shareholder	SHARE %	AVLB. VOTES % (**)
		Companies included in the consolidation process					
		A.1 Companies consolidated on a line-by-line basis					
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		BANCA PER L'IMPRESA S.p.A.	Florence	1	A.0 A.1 A.35	83.060 16.799 0.005	99.847
	2.1	MPS VENTURE SGR S.P.A.	Florence	1	A.2 A.10	70.000 30.000	100.000
A.3		MPS BANCA PERSONALE S.p.A.		1	A.0	100.000	100.000
A.4		MPS GESTIONE CREDITI S.p.A.	Siena	1	A.0 A.1	99.500 0.500	100.000
A.5		MPS LEASING E FACTORING S.p.A.	Siena	1	A.0 A.1 A.7	86.916 6.647 6.437	100.000
A.6		MPS FINANCE BANCA MOBILIARE S.P.A.	Siena	1	A.0	100.000	100.000
A.7		GRUPPO BANCA AGRICOLA MANTOVANA	Mantua	1	A.0	100.000	100.000
	7.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua	1	A.0	100.000	100.000
	7.2	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		A.7	100.000	100.000
	7.3	AGRISVILUPPO S.p.A.	Mantua		A.7 A.2	98.224 0.844	99.068
	7.4	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA	Mantua		A.7	100.000	100.000
A.8		MPS ASSET MANAGEMENT SGR S.P.A.	Milan	1	A.0 A.1 A.7 A.3	79.430 6.192 10.550 3.828	100.000
	8.1	MPS ALTERNATIVE INVESTMENTS SGR S.P.A.	Milan	1	A.8	100.000	100.000
	8.2	MPS ASSET MANAGEMENT IRELAND LTD	Dublin	1	A.8	100.000	100.000
A.9		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100.000	100.000
A.10		INTERMONTE SECURITIES SIM S.p.A.	Milan	1	A.6 A.7	33.954 33.953	67.907
	10.1	JPP EURO SECURITIES INC.	Delaware	1	A.10	100.000	100.000
				TYPE OF	SHAREHOLDING		AVLB.

		COMPANY NAME	BASED IN	RELAT. (*)	RELATIONSHIP Shareholder	Share %	VOTes % (**)
A.11		MONTE PASCHI FIDUCIARIA S.P.A.	Siena	1	A.0 A.1	86.000 14.000	100.000
A.12		ULISSE S.p.A.	Milan	1	A.0	60.000	60.000
A.13		ULISSE 2 S.p.A.	Milan	1	A.0	60.000	60.000
A.14		ULISSE 3 S.p.A.	Milan	1	A.0	100.000	100.000
A.15		CONSUM.IT S.P.A.	Florence	1	A.0 A.1	70.000 30.000	100.000
	15.1	INTEGRA S.p.A.	Florence	1	A.15	50.000	50.000
A.16		MPS TENIMENTI FONTANAFREDDA E CHIGI SARACINI S.p.A.	Siena	1	A.0	100.000	100.000
	16.1	AGRICOLA POGGIO BONELLI	Siena	1	A.16	100.000	100.000
A.17		MPS IMMOBILIARE S.p.A.	Siena	1	A.0	100.000	100.000
A.18		MARINELLA S.p.A.	La Spezia	1	A.0	100.000	100.000
A.19		G.IMM.ASTOR Srl	Lecce	1	A.0	52.000	52.000
A.20		PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena	1	A.0	100.000	100.000
A.21		CONSORZIO OPERATIVO GRUPPO MPS	Siena	1	A.0 A.1 A.2 A.3 A.4 A.5 A.6 A.7	99.760 0.030 0.060 0.030 0.030 0.030 0.030 0.030	100.000
A.22		BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	A.0 A.1	77.531 22.469	100.000
A.23		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	100.000
A.24		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	100.000
A.25		MONTE PASCHI BANQUE S.A.	Paris	1	A.0 A.1	70.175 29.825	100.000
	25.1 25.2 25.3 25.4	MONTE PASCHI CONSEIL FRANCE MONTE PASCHI INVEST FRANCE S.A. M.P. ASSURANCE S.A. IMMOBILIARE VICTOR HUGO	Paris Paris Paris Paris		A.25 A.25 A.25 A.25	100.000 100.000 99.400 100.000	100.000 100.000 99.400 100.000
A.26		MONTEPASCHI LUXEMBOURG S.P.A.	Brussels	1	A.0 A.25	99.200 0.800	100.000
A.27		MONTE PASCHI VITA S.p.A.	Rome	1	A.0 A.1	91.523 8.477	100.000
	27.1	MONTE PASCHI LIFE IRELAND LTD	Dublin	1	A.0 A.27	40.000 60.000	100.000
A.28		MONTE PASCHI ASSICURAZIONE DANNI S.p.A.	Rome	1	A.0	100.000	100,.000
A.29		DIPRAS S.p.A.	Rome	1	A.0	100.000	100.000
A.30		MPS NET S.p.A.	Siena	1	A.0	100.000	100.000
				TYPE OF	SHAREHOLDING		AVLB.

		COMPANY NAME	BASED IN	RELAT. (*)	RLATIONSHIP Shareholder	Share %	VOTES % (**)
A.31		MPS PROFESSIONAL S.p.A.	Siena	1	A.0	100.000	100.000
A.32		SAN PAOLO ACQUE S.r.l.	Lecce	1	A.0	100.000	100.000
A.33		BIOS MPS S.p.A.	Milan	1	A.0	100.000	100.000
A.34		VALORIZZAZIONI IMMOBILIARI S.p.A.	Siena	1	A.0	100.000	100.000
		A.2 Companies consolidated on a pro-rata basis					
A.35		BANCA POPOLARE DI SPOLETO S.P.A. (balance sheet values at 25,930% of nominal value)	Spoleto	1	A.0 A.27	19.983 5.947	25.930
A.36		BANCA MONTE PARMA S.p.A. (balance sheet value at 49.266% of nominal value)	Parma	1	A.0 A.27	41.000 8.266	49.266

(*) Type of relationship:

1 majority of voting rights at ordinary shareholders' meetings
2 dominating influence at ordinary shareholders' meetings
3 agreements with other shareholders
4 other types of control
5 sole control as per Art. 26 Clause 1 of Law Decree 87/92
6 sole control as per Art. 26 Clause 2 of Law Decree 87/92
7 joint control

(**) Available votes at ordinary shareholders' meeting are divided into actual and potential votes

REPORT ON THE OPERATIONS OF THE PARENT BANK - BANCA MONTE DEI PASCHI DI SIENA

RESTATED FINANCIAL ACCOUNT

■ **RESTATED P&L ACCOUNT** (in million EUR)

Banca MPS	30/09/06	30/09/05 restated (*)	Changes	
			Abs.	%
Interest income	**992.5**	**969.6**	**22.9**	**2.4%**
Net fees	577.9	577.5	0.4	0.1%
Basic income	**1,570.4**	**1,547.0**	**23.3**	**1.5%**
Dividends and similar income	467.7	304.5	163.2	ns.
Net income from trading/valuation of financial assets	196.5	104.4	92.1	ns.
Net income/losses from hedging	0.4	-1.1	1.4	
Total banking and insurance income	**2,235.0**	**1,954.9**	**280.1**	**14.3%**
Net loss provisions for impaired:				
a) loans	-129.0	-136.6	-7.6	-5.6%
b) financial assets	0.0	6.1	-6.1	ns.
Gross operating income	**2,106.0**	**1,824.3**	**281.7**	**15.4%**
Administrative expenses:	-1,199.7	-1,193.2	6.5	0.5%
a) personnel expenses	-677.2	-658.1	19.1	2.9%
b) other administrative expenses	-522.5	-535.0	-12.6	-2.3%
Net value adjustments to tangible and intangible assets	-10.0	-8.0	2.0	24.9%
Operating costs	**-1,209.6**	**-1,201.2**	**8.5**	**0.7%**
Net operating income	**896.4**	**623.2**	**273.2**	**43.8%**
Net provisions for risks and charges and Other operating income/charges	13.2	-65.2	78.4	ns.
Profit/Losses from equity investments	-15.3	-51.4	36.1	ns.
Profit/Losses from investments sold	0.0	0.0	0.0	
Profit/Losss from ordinary operations before taxes	**894.3**	**506.5**	**387.8**	**76.6%**
Income taxes on ordinary operations	-172.7	-91.4	81.3	88.9%
Profit/Losses from ordinary operations after taxes	**721.6**	**415.1**	**306.5**	**73.8%**
Profit/Losses from assets under dismissal after taxes	0.0	8.5	-8.5	-100.0%
Net profit/losses	**721.6**	**423.6**	**298.0**	**70.3%**

(*) Data were restated according to Bank of Italy regulations as per Circular Letter No. 262 issued in December 2005, after purging individual figures from the direct tax-collection business (posted under "Profit/Loses from assets under dismissal after taxes").

REPORT ON OPERATIONS

CAPITAL AGGREGATES

Here follow highlights on the commercial operations of the Group Parent Bank **Banca Monte dei Paschi di Siena**, which were achieved as usual through a customer-centric approach and increasing service customisation.

1) ASSET MANAGEMENT

The performance of the commercial network (Bmps Network Head Office) in the asset management business was quite good, resulting in a quarter-on-quarter growth of total Retail funding (+ EUR 808M over June 30th 2006) and of total Private funding (+ EUR 139M compared to June 30th 2006). As usual, the allocation process was consistent with customer risk profiles. **The following table shows a breakdown of total funding as of 30/09/06:**

CUSTOMER FUNDING **(in million EUR)**

	30/09/06	% chg. on 30/09/05	% weight 30/09/06
Direct customer funding	**63,291**	**6.0%**	**46.9%**
Indirect customer funding	**71,594**	**-1.5%**	**53.1%**
Assets under Management	*30,725*	-1.5%	22.8%
Assets under Custody	*40,869*	-1.6%	30.3%
Total customer funding	**134,884**	**1.9%**	**100%**

Funding trends can be summarised as follows:

o DIRECT FUNDING

This aggregate grew by 6%, mainly driven by bond placements to Retail customers and short-term deposits. Here follows a breakdown by investment type at 30/09/2006:

DIRECT FUNDING (in million EUR)

in million EUR	30/09/06	30/09/05	% chg.over 30/09/05	% weight a 30/09/06
Payables to customers	36,187	33,693	7.4%	57.18
Securities outstanding	18,416	17,499	5.2%	29.10
Financial liabilities valued at fair value	8,687	8,521	2.0%	13.73
TOTAL DIRECT FUNDING	**63,291**	**59,713**	**6.0%**	**100.00**

o INDIRECT FUNDING

Indirect funding stood at EUR 71,594M, down 1.5% from 30/09/05.

Highlights:

♦ ASSETS UNDER MANAGEMENTS

Assets under management stood at EUR 30,725M. Trends varied by investment type, as summarised below:

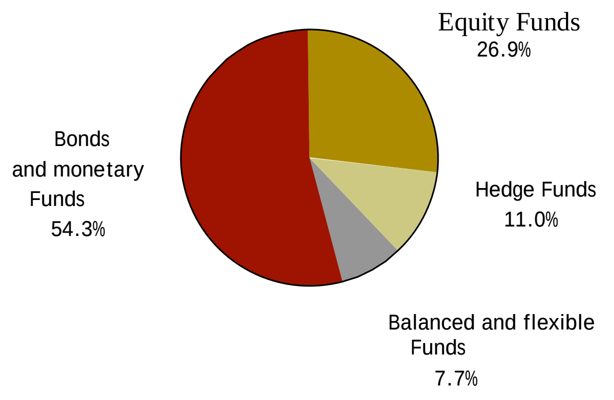
o Mutual funds

Mutual funds totalled EUR 9,349M, down 5.3% over 30/09/05. In the first nine months of the year disinvestments amounted to EUR 522M.

With respect to Monte Paschi Asset Management SGR mutual investment funds placed by the Bank, equity-based funds declined by 29% compared to 31/12/05.

Mutual Funds

Portfolio breakdown by type at 30.09.06



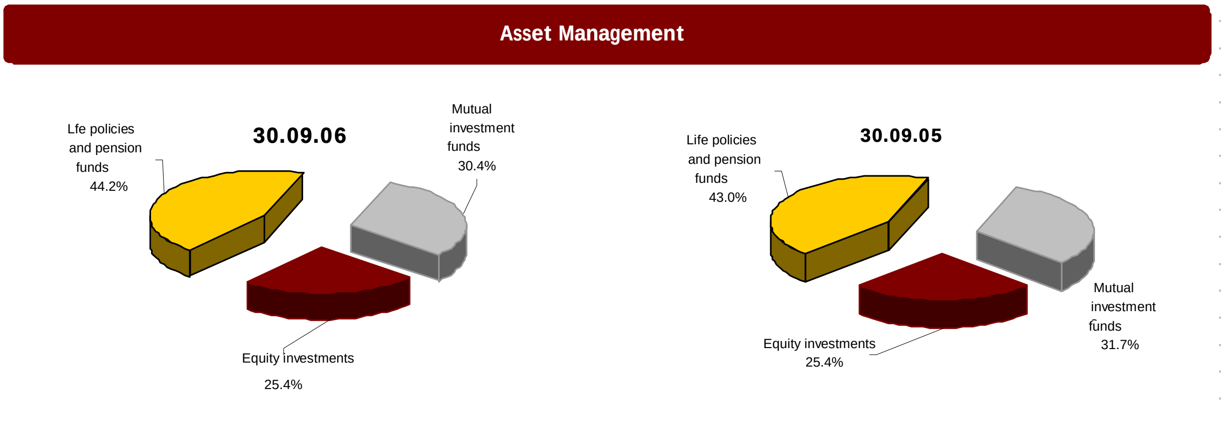
o Individual Portfolio Management

Individual portfolios under management totalled EUR 7,806M, down 1.4% over 30/09/05. Investment flows were marginally negative in the first nine months of the year.

o Life insurance policies

At 30/09/06, life insurance policies - including pension funds – were still performing considerably well and amounted to EUR 13,570M, up 1.3% since September 2005. Premiums collected stood at EUR 1,800M.

Here follows a breakdown of assets under management by product type:



♦ ASSETS UNDER CUSTODY

Assets under custody totalled EUR 40,869M, down slightly (-1,6%) since 30/09/05.

Investment flows are summarised in the following table:

Placement of Investment Products by Banca Monte Paschi

in million EUR

		30/09/06	30/09/05
Mutual funds/Investments trusts		-573	53
Equity investments/Funds-based investments (GPM/GPF)		-80	226
Life insurance policies	*including:*	1,800	2,465
	Ordinary	1,080	1,747
	Index Linked	565	587
	Unit Linked	155	131
Structured/Linear bonds		3,209	1,944
Total		4,356	4,688

■ 2) LENDING

o A) COMMERCIAL ACTIVITY

The outstanding loan aggregate stood at EUR 49,569M at September 30th 2006, up 21% yoy. Bmps Network Head Office data on domestic business with *Retail* and *Corporate* customers confirmed a significant upward trend, with average volumes up 11.3%. Medium- and long-term loans, driven manly by Retail mortgage loans, were especially successful.

With respect to loans disbursed during the quarter:

- **loans disbursed by the Group specialised lending companies** were broken down as follows: **MPS Leasing&Factoring-Banca per i Servizi Finanziari alle Imprese** totalled EUR 495M's worth of **leasing** contracts, whereas **MPS Banca per l'Impresa** disbursed EUR 574M;
- new **mortgage loans** (ex. "public works") totalled EUR 3,055M, up 4.4% over the same quarter of 2005;
- **consumer credit** disbursed by the Bank's subsidiary **Consum.it** totalled EUR 1,207M (+27% yoy)**.**

 Specialised Credit and Corporate Financial Products

in million EUR		Year-to-date 30/09/06	Year-to-date 30/09/05
MPS Finance			
	risk management (1)	2,456	1,744
MPS Banca per l'Impresa			
	loans disbursed	574	511
MPS Leasing & Factoring			
including:	leasing contracts	495	447
	factoring turnover	2,437	2,242
Consumit			
	loans disbursed	1,207	951

(1) Figures include products issued by the Network directly

o B) CREDIT QUALITY

At the end of Q3 2006, the net exposure of Banca MPS to impaired loans decreased compared to the beginning of the year and accounted for only a limited portion of total customer loans, driven mainly by a decline in loans past due. **The "NPLs + watchlist loans/total loans" ratio after provisions for loan losses was approx. 1.97% compared to 2.3% as of 31/12/05.**

 BREAKDOWN OF CUSTOMER LOANS BY RISK CATEGORY

Risk caategory- **Net values** *in million EUR*	**30/09/06**	**31/12/05**	**% weight** **30/09/06**	**% weight** **31/12/05**
A) Impaired loans	**1,545**	**1,871**	**3.12**	**4.25**
a1) NPLs	677	644	1.37	1.46
a2) Watchlist loans	296	375	0.60	0.85
a3) Restructured loans	66	57	0.13	0.13
a4) Loans past due	505	796	1.02	1.81
B) Performing loans	**47,536**	**41,615**	**95.90**	**94.58**
C) Other assets	**488**	**512**	**1.0**	**1.2**
Total customer loans	**49,569**	**43,998**	**100.0**	**100.0**

The ratio mentioned above resulted from a considerable decrease in watchlist loans and a moderate increase in NPLs. Loan loss provisions amounted to 40.9% of total exposure to impaired loans (including interest on arrears), and to 56.3% of NPLs. Coverage of original NPL values (including losses posted to previous years) stood at approx. 65% (approx. 70% without mortgage loans, which benefited from a more limited provisioning due to the presence of collaterals). Provisioning on performing loans accounted for approx. 0.5% of the aggregate.

INCOME AGGREGATES

The positive consolidated performance of the Group was also reflected in the operations of the Parent Bank Banca Monte dei Paschi di Siena, whose net operating income was up 43.8% over 2005 restated data.

■ 1) OPERATING INCOME

TOTAL BANKING AND INSURANCE INCOME

In the first nine months of 2006, the total interest and non-interest income of Banca Monte dei Paschi di Siena **grew by 14.3% over 30/09/05** to **EUR 2,235M,** with the Mps Network Head Office increasing its insurance-related contribution by approx. 4%. **Basic income (interest income + customer fees) totalled EUR 1,570.4M, up 1.5% from 30/09/05.**

Here follows a summary of trends for the main aggregates:

o **Interest income** stood at EUR 992.5M, up 2.4% over September 30th 2005. The contribution of the Mps Network Head Office increased by approx. 6%, driven by an 8% growth in average volumes which was however partially offset by a 12 bp drop in interest spreads.

o **Net fees** stood at EUR 577.9M, basically unchanged over the previous year (+0.1%). More specifically, fees from traditional banking services dropped approx. 1.6% and asset management fees rose approx. 3.1%.

o **Dividends** totalled EUR 467.7M, up strongly over 30/09/05 (+ EUR 163.2M).

o **Net income from trading/valuation of financial assets** stood at EUR 196.5M, up considerably (+ EUR 92M) since 30/09/2005.

NET INCOME FROM TRADING/VALUATION OF FINANCIAL ASSETS (in million EUR)

	30/09/06
Income from trading	119.4
Profit/Losses from credit transfer, financial assets available for sale and financial liabilities	71.8
Net income from financial assets and liabilities at fair value	5.3
Total income from trading/ valuation of financial assets	**196.5**

LENDING EXPENSES: PROVISIONING FOR IMPAIRED LOANS AND FINANCIAL ASSETS

A role in determining total banking income was also played by **net provisioning for impaired loans,** which totalled EUR 129M (versus EUR 136.6M at 30/09/05). Consequently, **total banking income after lending expenses** amounted to EUR 2,106.0M, up 15.4% from EUR 1,824.3M at 30/09/05.

OPERATING COSTS

Operating costs increased by 0.7%. More specifically:

A) **Administrative expenses** totalled EUR 1,199.7M (+0.5%), broken down as follows:

- **Personnel costs** stood at EUR 677.2M, up 2.9% over September 30th 2005. After purging the impact of staff relocation following corporate consolidation and restructuring (which was offset at Group level),the increase in personnel costs would drop to +1.2%, driven mainly (as was the case at Group level) to higher wages, with changes from the contract renewal signed in 2005 fully impacting this line item in 2006. From a structural viewpoint, this aggregate benefited from the implementation of initiatives focused on headcount reduction and re-mixing, and from a very strict management of other significant cost variables. This line item includes approx. EUR 35M's worth of early retirement incentives.

- **Other administrative expenses** totalled EUR 522.5M (after recovery of stamp duties and customer expenses) and showed a slight downward trend (-2.3%).

B) **Net value adjustments to tangible and intangible assets** stood at EUR 10M (versus EUR 8M at 30/09/05).

The income and cost trends discussed above resulted in a net operating income of EUR 896.4M, up significantly (+43.8%) over September 2005 levels. The cost-income ratio stood at 54.1% (versus 63.2% in 2005) and declined to 52.6% when purged of extraordinary charges associated to the early retirement of staff.

■ 2) NON-OPERATING INCOME, TAXES AND NET INCOME

Net income for the quarter was also influenced by:

- positive **net provisions for risks and charges and other operating income/expenses,** which totalled EUR +13.2M (versus EUR –65.2M at 30/09/05);

- **losses from equity investments, totalling EUR 15.3M.**

The trends discussed above resulted in an operating income before taxes of EUR 894.3M (up 76.6% over 30/09/05).

Finally, **taxes on income from ordinary operations** totalled EUR 172.7M. **Consequently, including the contribution of the items discussed above, net profit for the quarter amounted to EUR 721.6M (+70.3% since September 30th 2005). Annualised ROE was 13.5%, with ROE on average net equity at 12.2%.**

MATERIAL EVENTS SUBSEQUENT TO THE CLOSING OF THE QUARTER

See the section with the same title in the Report on Consolidated Operations.

FUTURE OUTLOOK

See the section with the same title in the Report on Consolidated Operations.

Siena, November 9th, 2006