



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

 **GRUPPOMPS**

***2006 Results presentation and
Business Plan update***

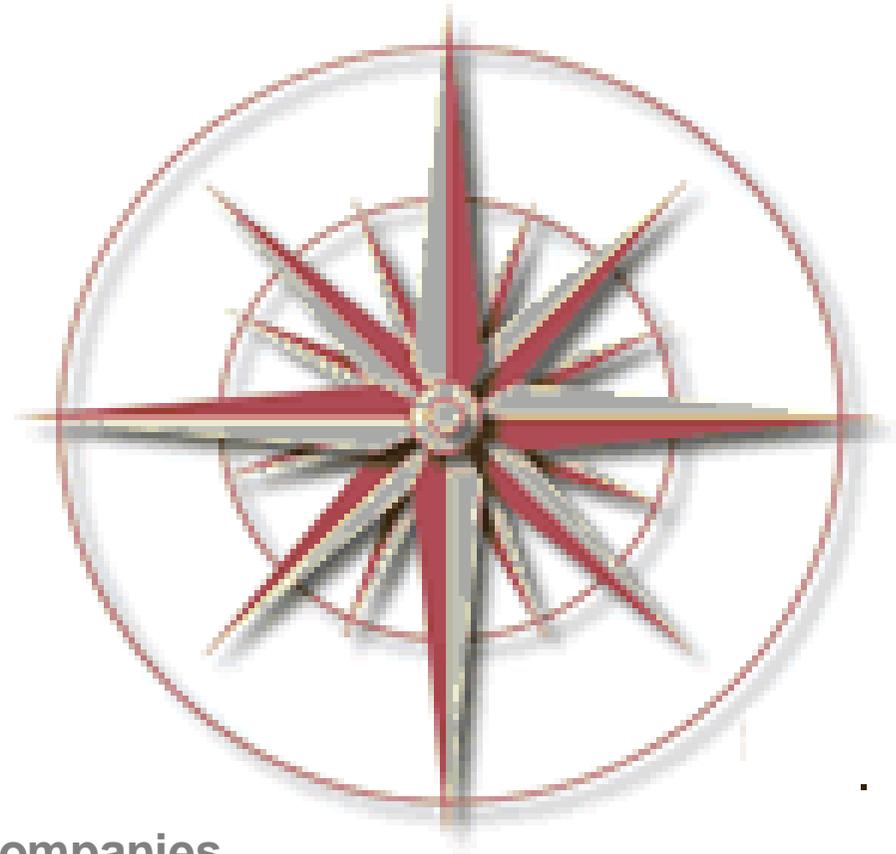
***Milan
23rd March 2007***



Pictures from our latest
advertising campaign

Agenda

1. 2006 and 4Q06 Results
2. ALM and Capital Allocation
3. Network re-organization
4. Human Resources
5. Clients
6. Commercial Areas and Product Companies
7. Conclusions



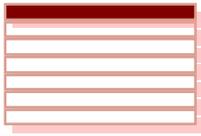


2006 Highlights and 4Q06 Results*

Profit & Loss (mln €)	2006	<i>2006/2005**</i>	4Q06	<i>4Q06/3Q06</i>	<i>4Q06/avgQ05**</i>
Net Interest Income	2,714	5.2%	718	5.5%	11.3%
Net Fees	1,491	0.3%	380	6.0%	2.2%
Basic Income	4,204	3.4%	1,097	5.7%	7.9%
Total Revenues	4,772	10.4%	1,370	27.3%	26.8%
Loan Loss Provisions	461	10.5%	150	46.9%	43.4%
Operating Costs	2,907	1.9%	830	17.9%	16.4%
Net Operating Income	1,279	40.1%	272	0.9%	19.3%
Net Income	910	20.8%	223	7.3%	18.2%

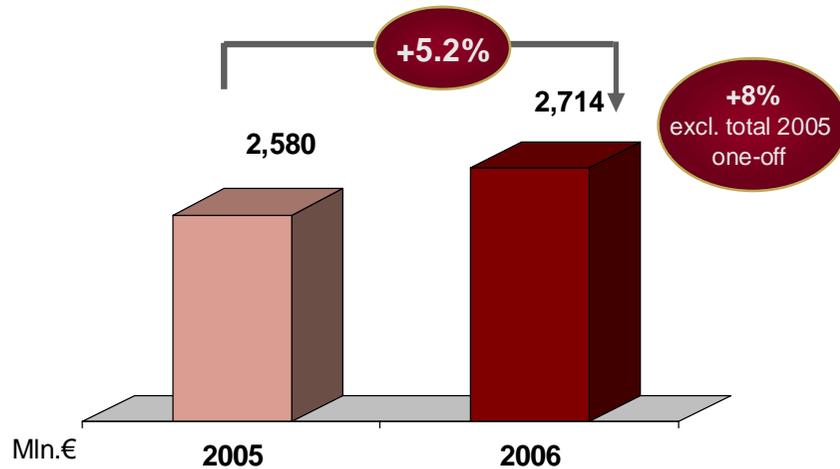
* Considering the handover of Tax Collection Department in October 2006 and the expected partial dismissal of the control of MPS Vita Group, the contribution of these two businesses have been reclassified among Profit/loss on assets due for disposal, net of taxes

** 2005 P&L has been recalculated in accordance with IAS 8

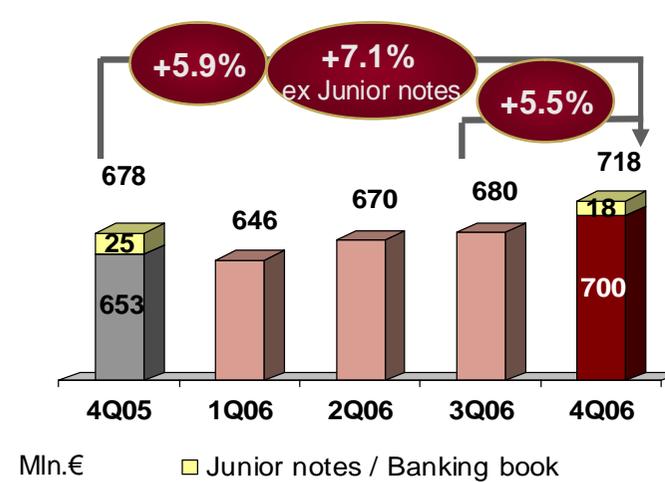


Net Interest Income and Volumes

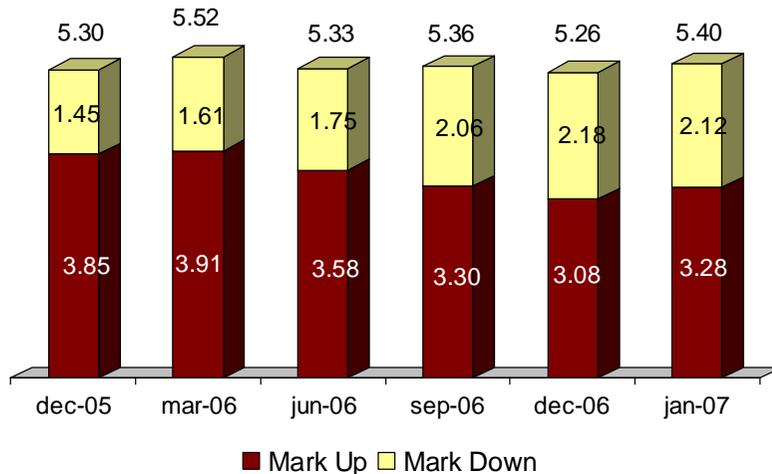
Net Interest Income: YoY trend



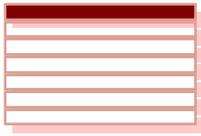
Net Interest Income: QoQ trend



Mark Up and Mark Down Evolution

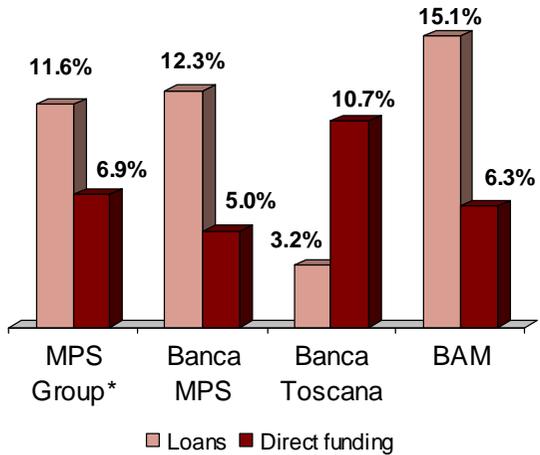


- Strong pick up in 4Q'06 driven by strong contribution by Retail Banking division (+9.1% YoY in 2006)
- Result negatively impacted by one-off results 2005 and and Financial Assets decrease (-39% YoY)
- Good spread recovery in first months of 2007 vs Dec 2006

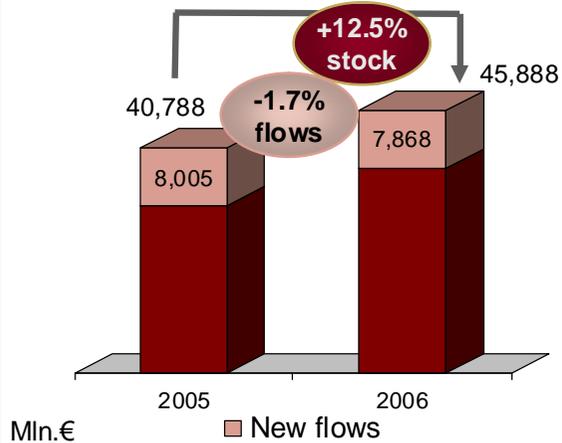


Commercial flows: growth goes on

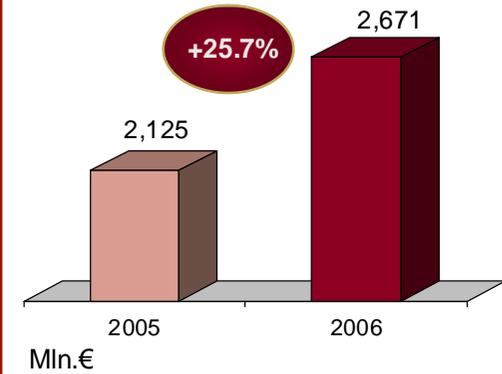
Loans and direct funding growth of bank divisions: YoY trend



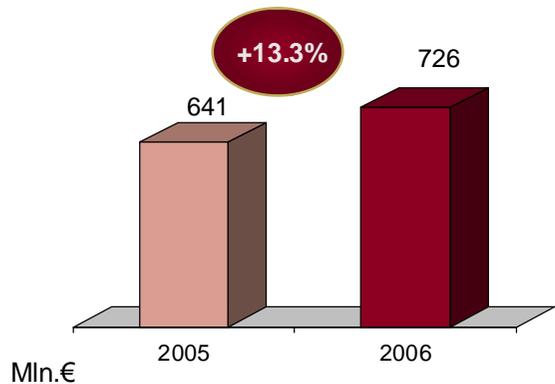
Mortgages: new flows and stock at 31.12.2006



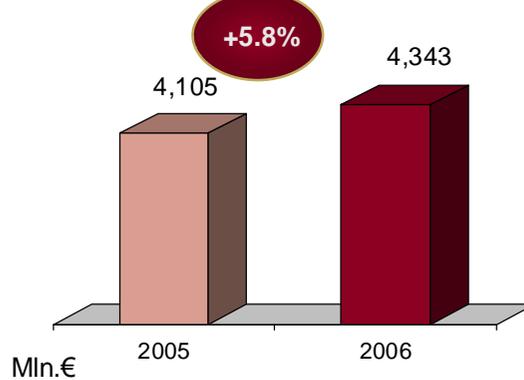
Consumer Finance Flows



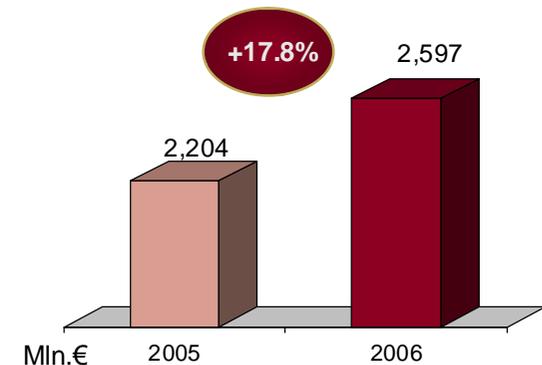
Leasing Flows (ex Real Estate)



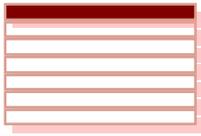
Turnover Factoring Flows



Banca per l'Impresa (Specialised for Corporate Lending) Flows

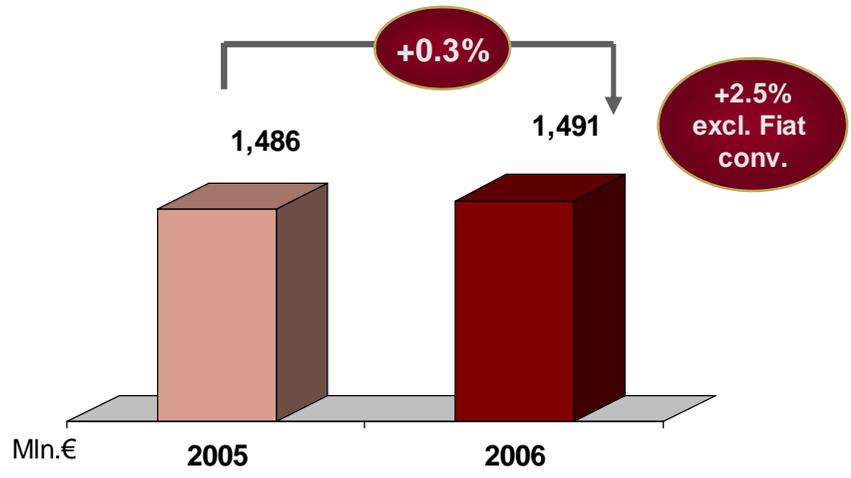


* Retail, Corporate, Private, Key Clients areas and MPS Banca Personale

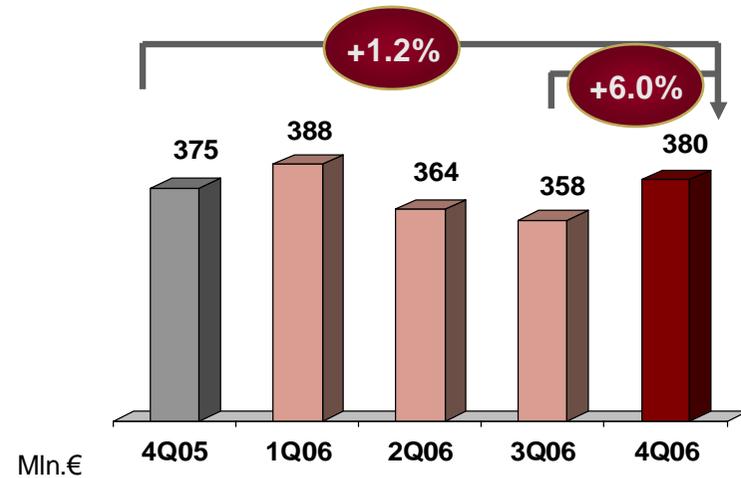


Net Fees: promoting sound growth

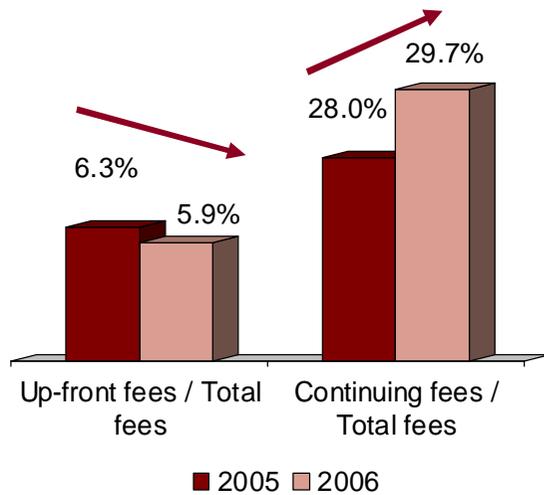
Net Fees: YoY trend



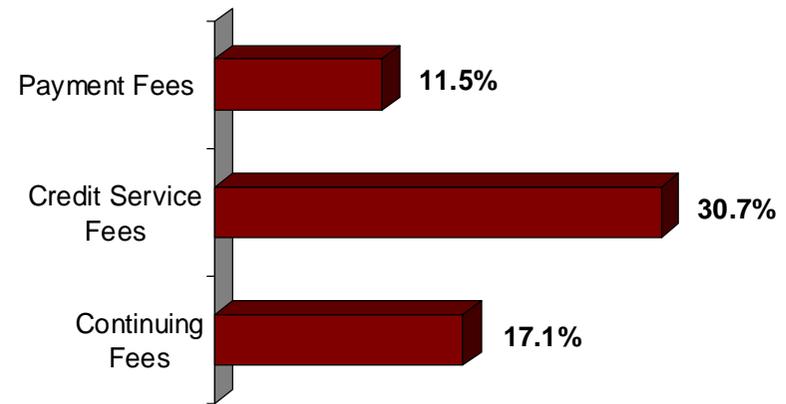
Net Fees: QoQ trend

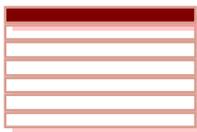


Up-front Fees and Continuing Fees



Main fees: QoQ (4Q/3Q) increase

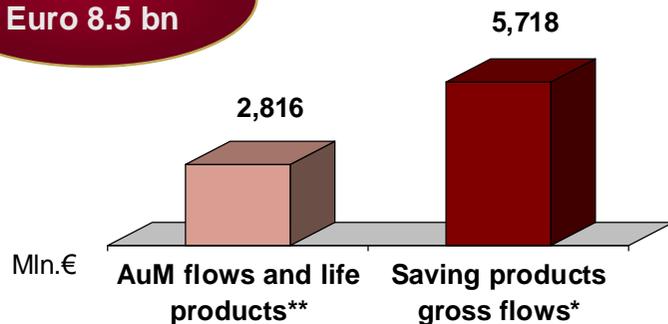




Trends in saving products: moving rapidly towards an open architecture

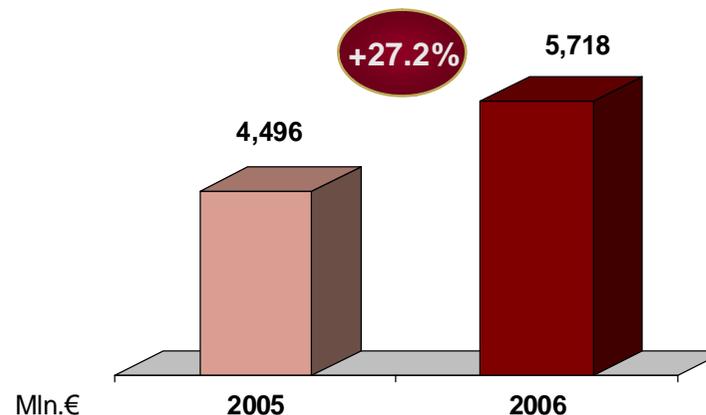
Total 2006 Flows

**Total 2006 Flows:
Euro 8.5 bn**

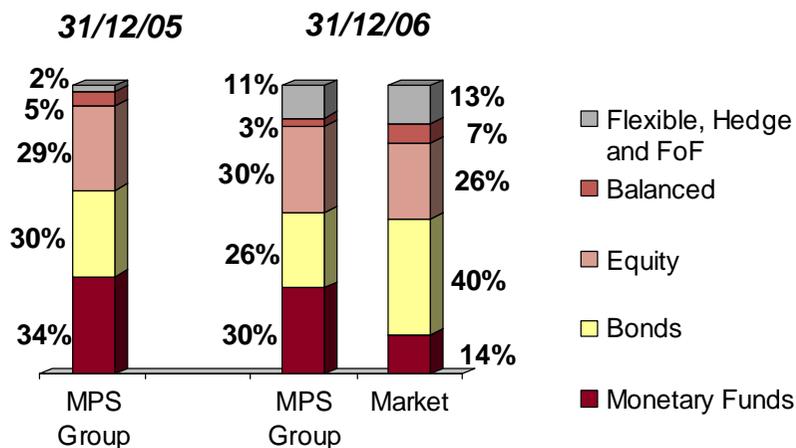


* Plain Vanilla, Structured Bonds,
** Mutual Funds, SICAV, GPS/GPF, GPM, Traditional Policies, Index Linked, Unit Linked

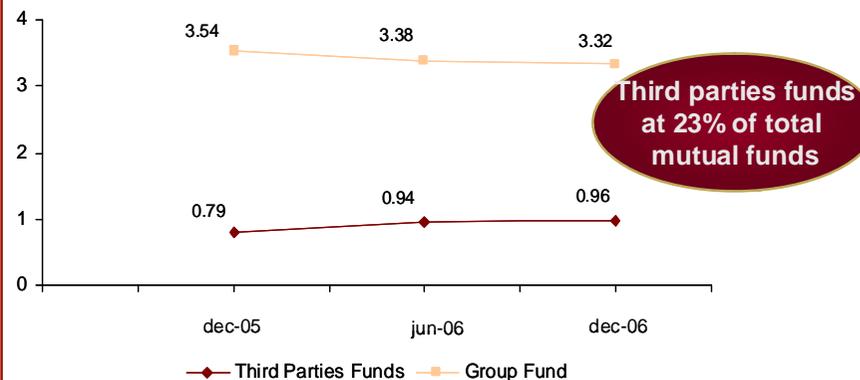
Plain Vanilla and Structured Bonds

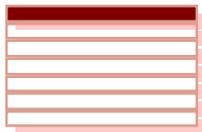


Mutual Funds Breakdown



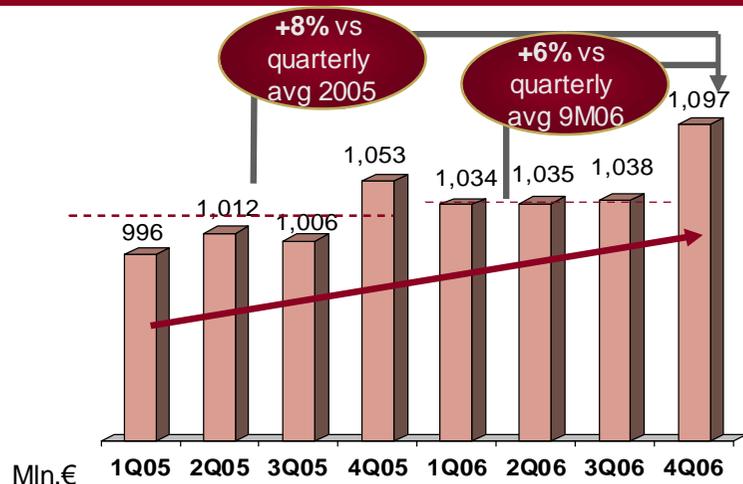
Mutual Funds: GMPS market share



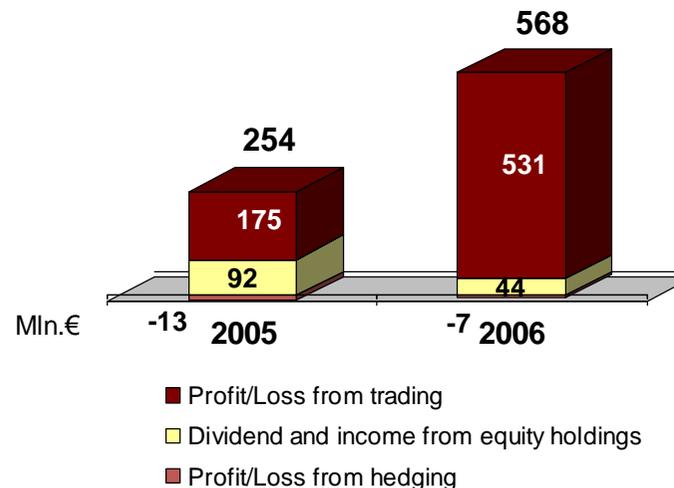


Total Revenues: strong recurring income pickup in 4Q06

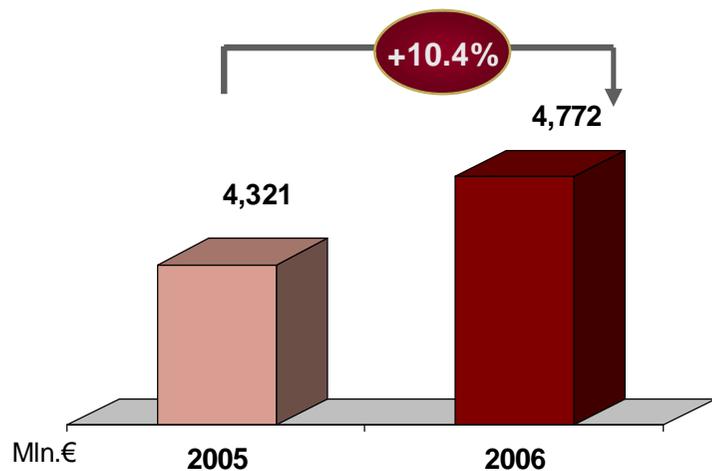
Basic Income evolution



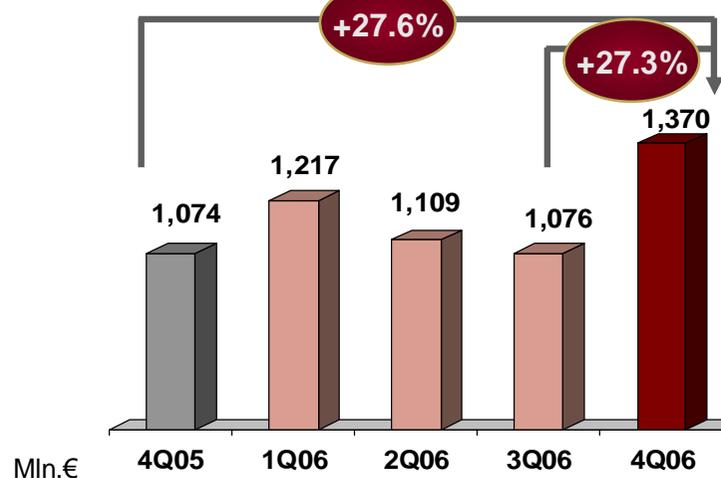
Contribution of non commercial components

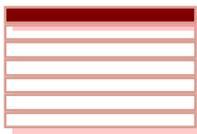


Total Revenues: YoY trend



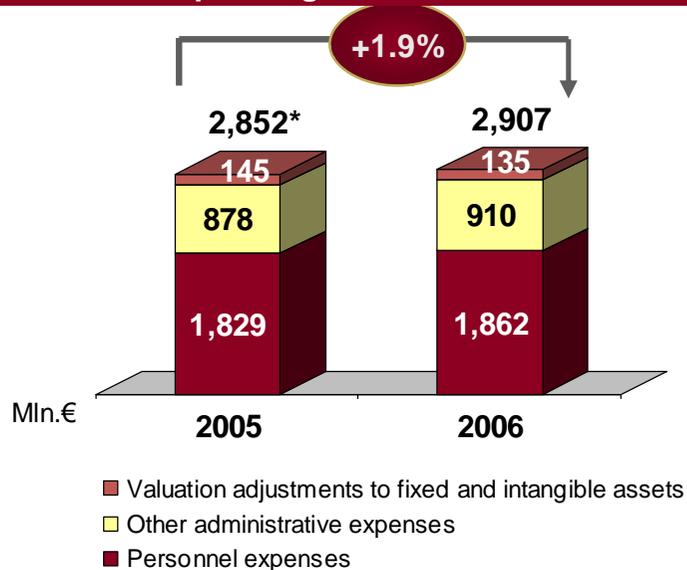
Total Revenues: QoQ trend



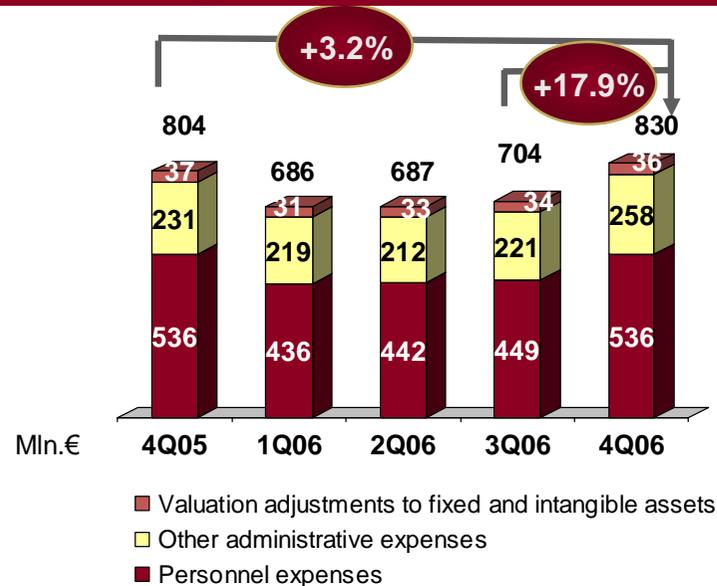


Operating costs: good cost control while investing significantly

Operating Costs: YoY trend

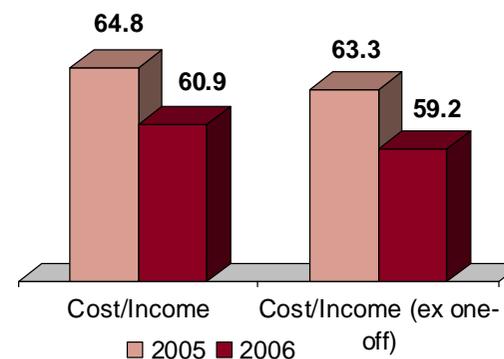


Operating Costs: QoQ trend

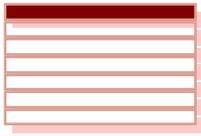


- Good cost control considering the high impact of investments in 2006 with a significant concentration in 4Q'06
- Increase in personnel costs includes a wage increase by of 3.5% YoY

Cost/Income

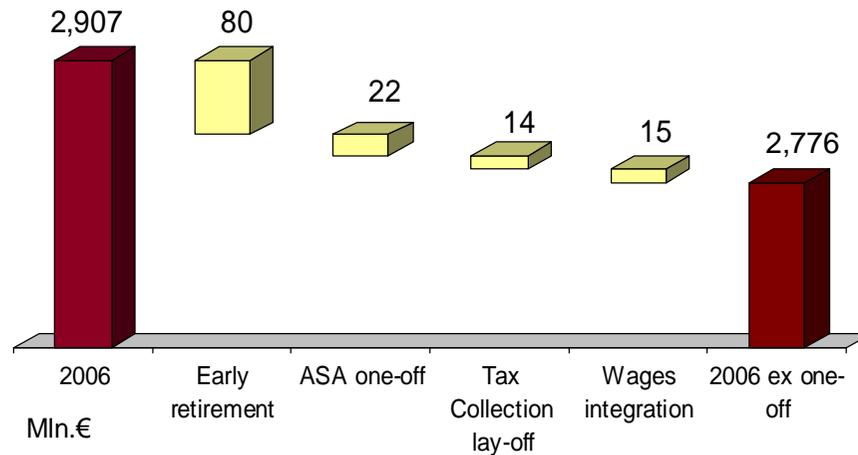


* 2005 P&L has been recalculated in accordance with IAS 8



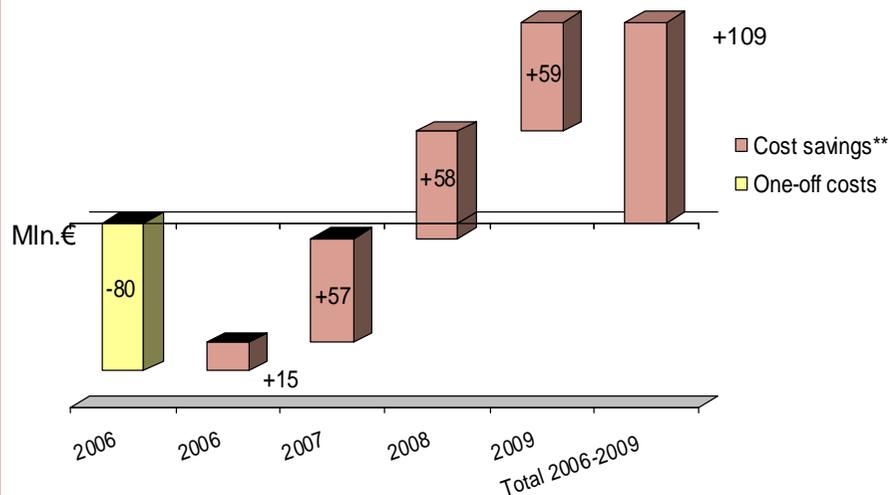
Clear identification of cost cutting areas

2006 Operating Costs (excl. one-off)*



- Acceleration of investments in 4Q06 with early retirement schemes (of which Euro 34 mln in 4Q06)
- 4Q06 ASA one-off costs of Euro 22 mln related mainly to IT and consultancy

Staff cost: expected trend

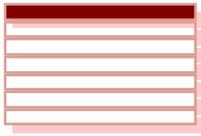


Other initiatives on Administrative costs

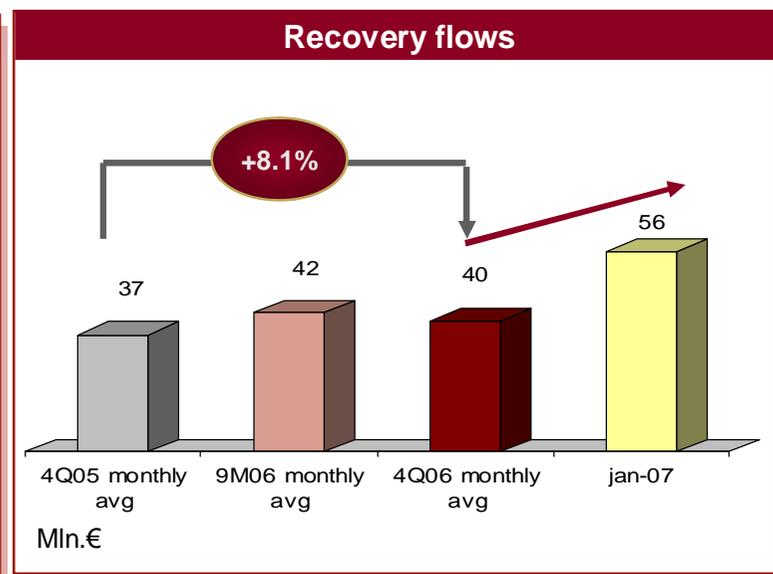
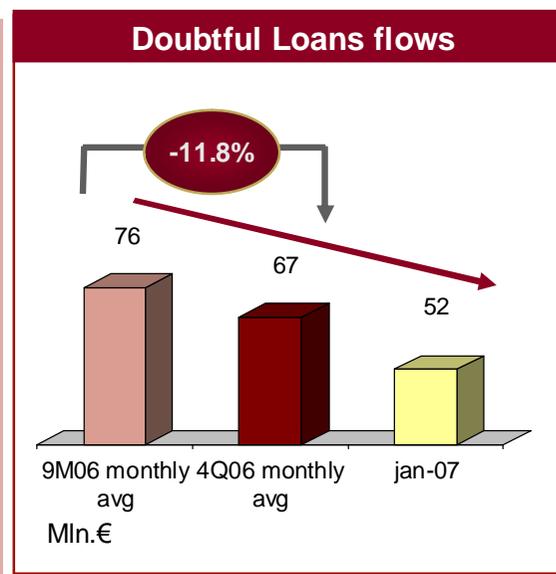
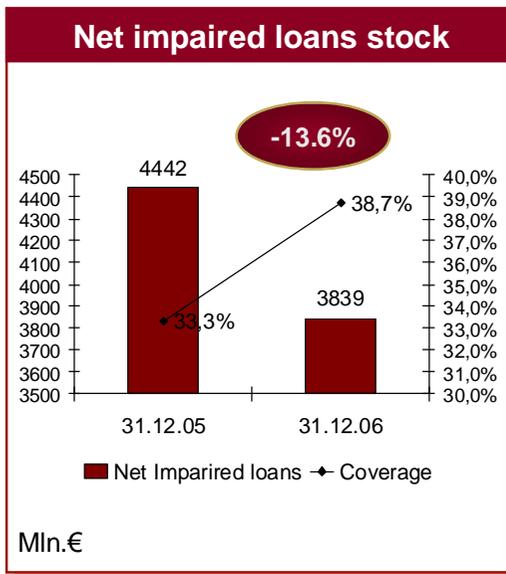
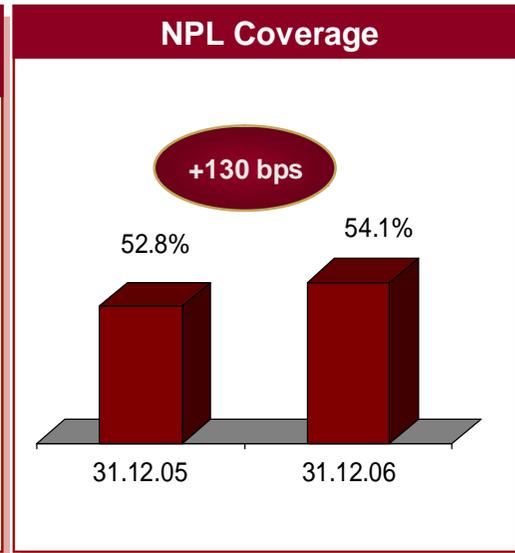
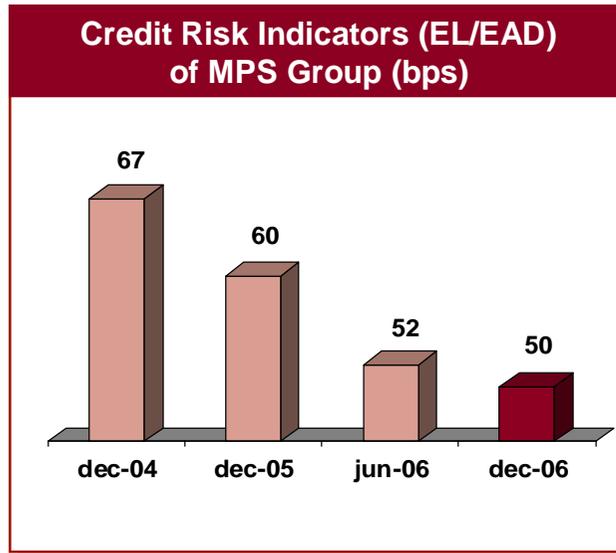
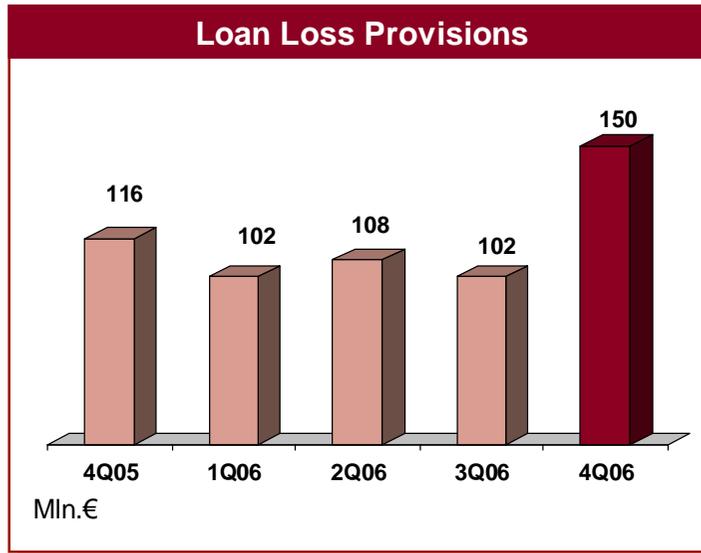
- Group Service Centre implemented all planned initiatives to achieve our BP target to reduce Euro 80-90 mln administrative costs
- A planned 10% reduction in real estate costs thanks to space management

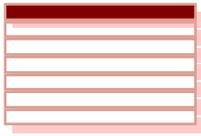
* Based on average costs

** Linked to staff rationalization and considering 2.5% inflation rate



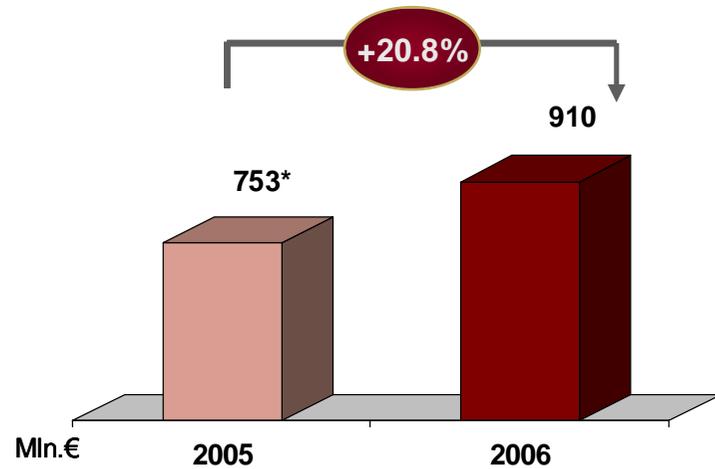
Loan loss provisions and doubtful loans



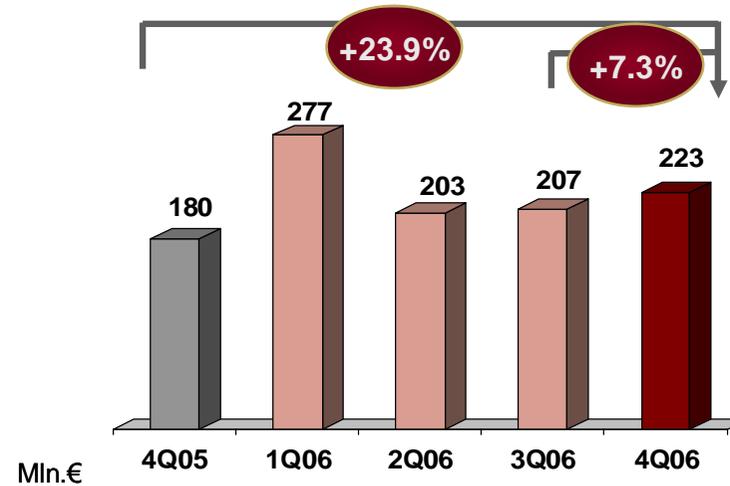


Net Profit: best ever result

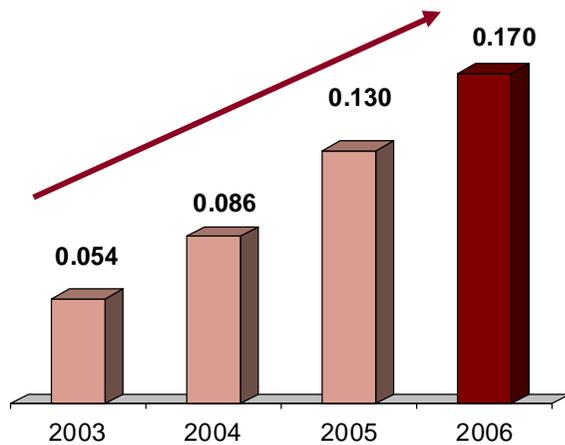
Net Profit:YoY trend



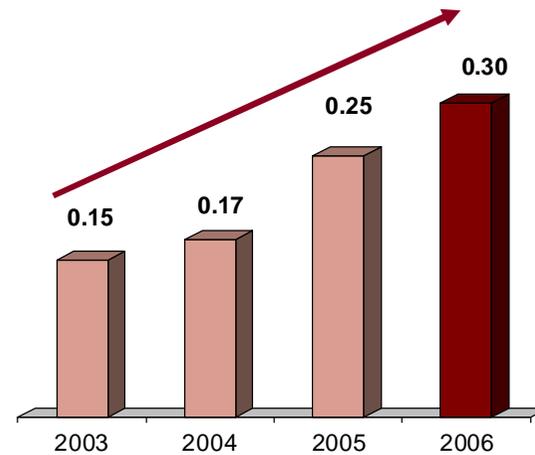
Net Profit : QoQ trend



DPS (Euro)



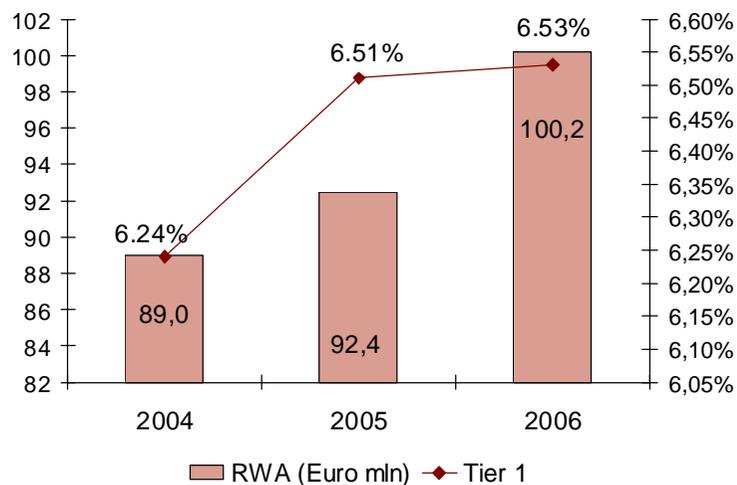
EPS (Euro)



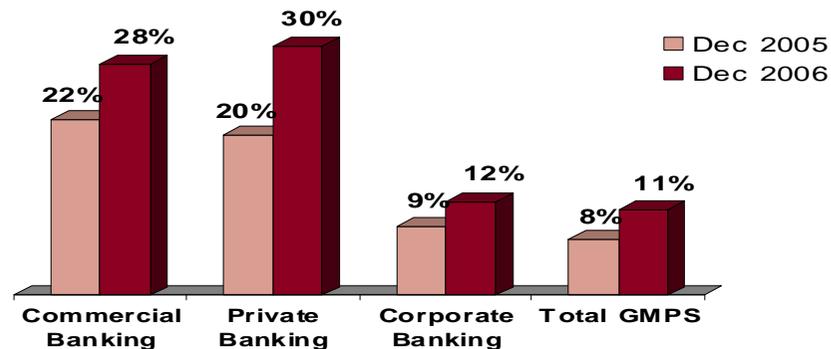
* 2005 P&L has been recalculated in accordance to IAS 8

ALM remix and Capital Allocation

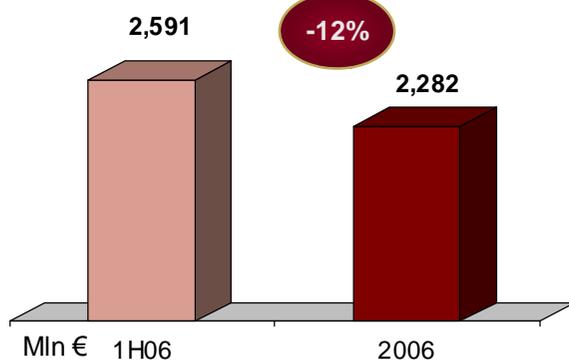
Tier 1 and RWA



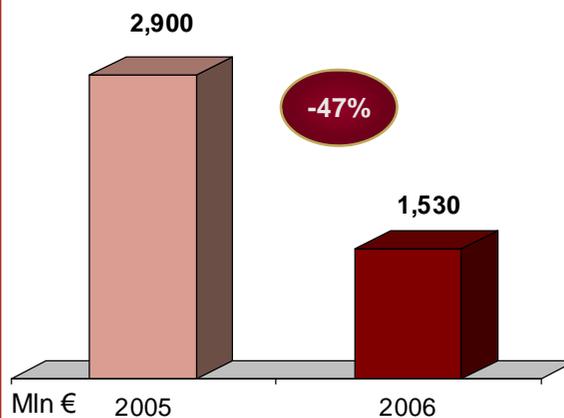
Divisional Raroc*



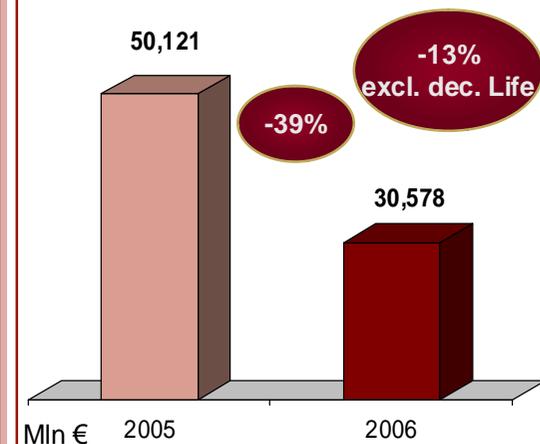
Subordinated Debts



Fair value of equity stakes



Financial Assets



* 2005 restated

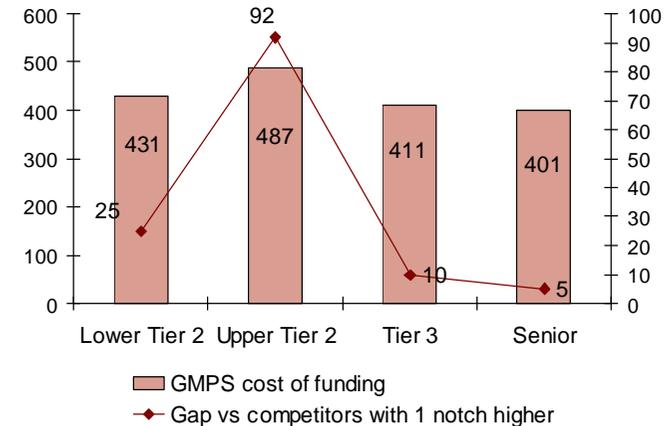


Equity Investment: delivering our promises

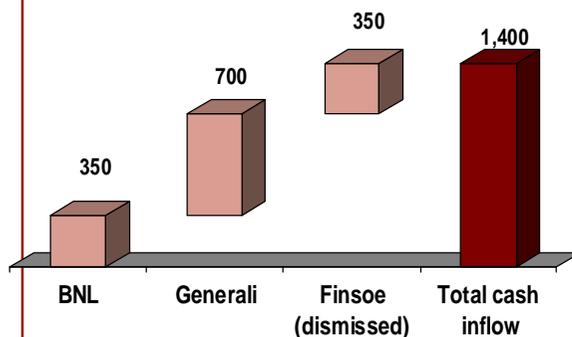
S&P's revised outlook

- ❑ Standard & Poor's revised (16th January 2007) its **outlooks to positive from stable**, "reflecting the Group's strengthened and improving profitability and adoption of more conservative capital management"
- ❑ "The bank's capital position is set to significantly improve with the adoption of a capital policy much more attentive to an efficient allocation to the banking business"
- ❑ "Profitability is on a positive trend"

GMPS cost of funding and rating upgrade opportunities (bps)*

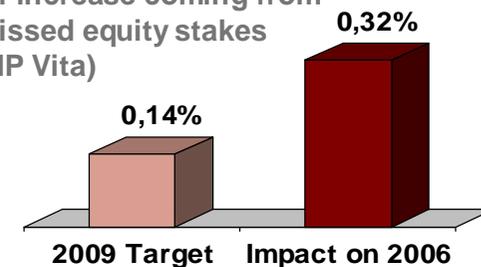


Equity investments: dismissal cash inflow (Euro mln)

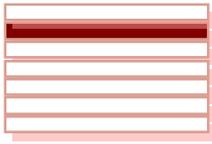


- ❑ In December 2006, sale to Mediobanca of the stake in **Generali** (1,583%), with a cash inflow of c Euro 700 mln
- ❑ On 13th February 2007, sale of 14.8% of our stake in **Finsoe** with a cash inflow of Euro 350 mln and a capital gain of Euro 26 mln (our stake in Finsoe is now 13%)
- ❑ Equity dismissals have already generated **Euro 1.4 bn cash inflow**
- ❑ The buy back of 51% of Santorini and the change of its consolidation gives us lower capital absorption. Natural expiry date 2009

Tier 1 increase coming from dismissed equity stakes (ex MP Vita)



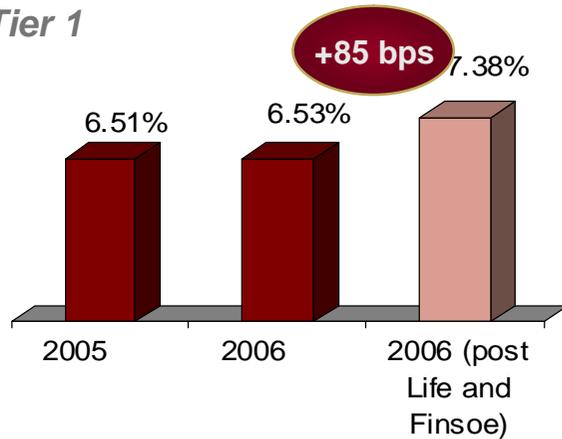
* Cost calculated considering Euribor 3M at 386 bps (value at 13 March 2007)



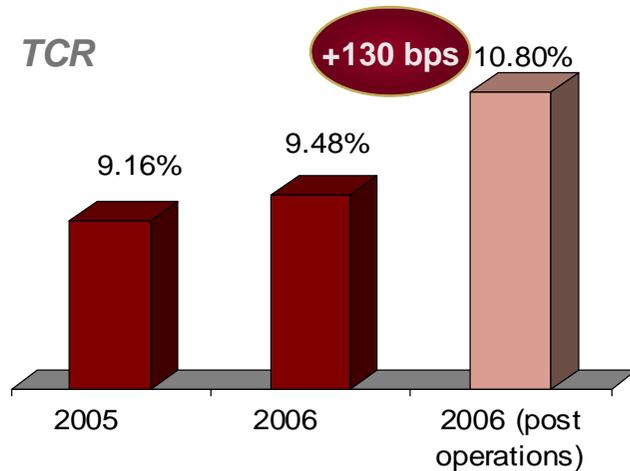
MPS Vita and Finsoe disposal*: impact on Tier 1 and Total Capital

Impact on Tier 1 and Total Capital

Tier 1

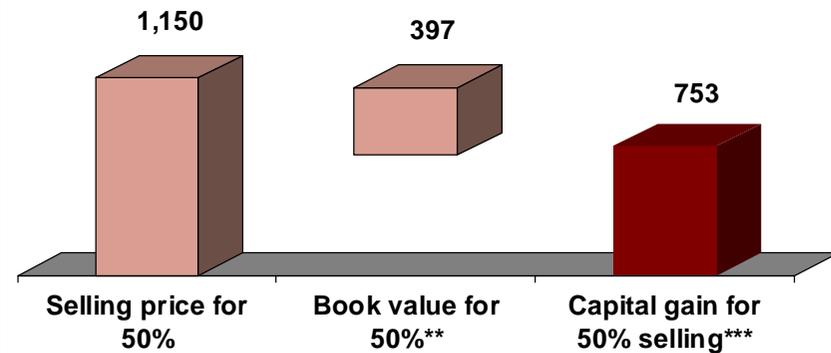


TCR



Source: GMPS Planning Department on estimates and data provided by SERM, Capital Mgmt, Account Office

MPS Vita Capital gain (EUR mln)

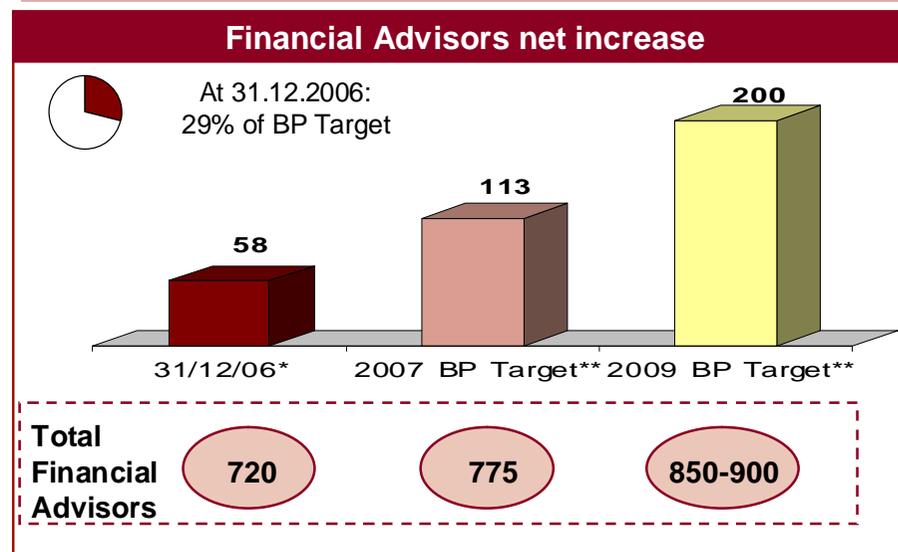
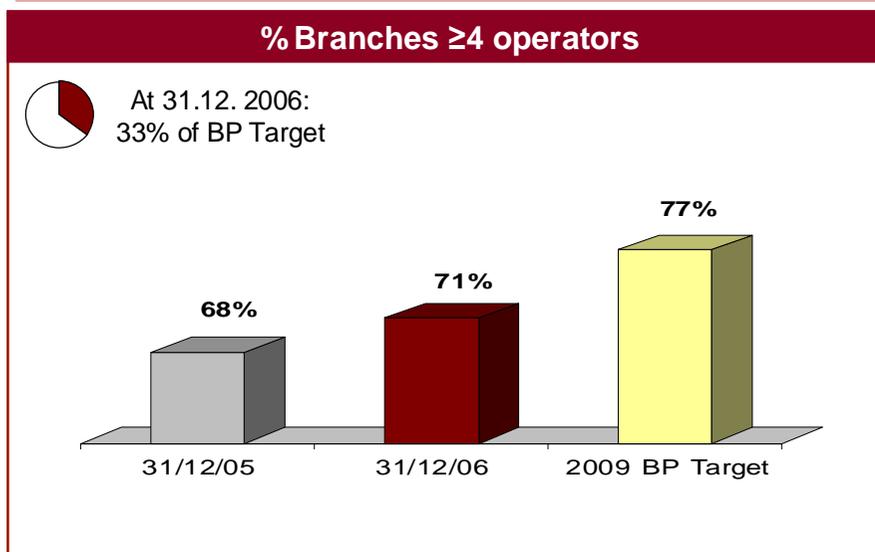
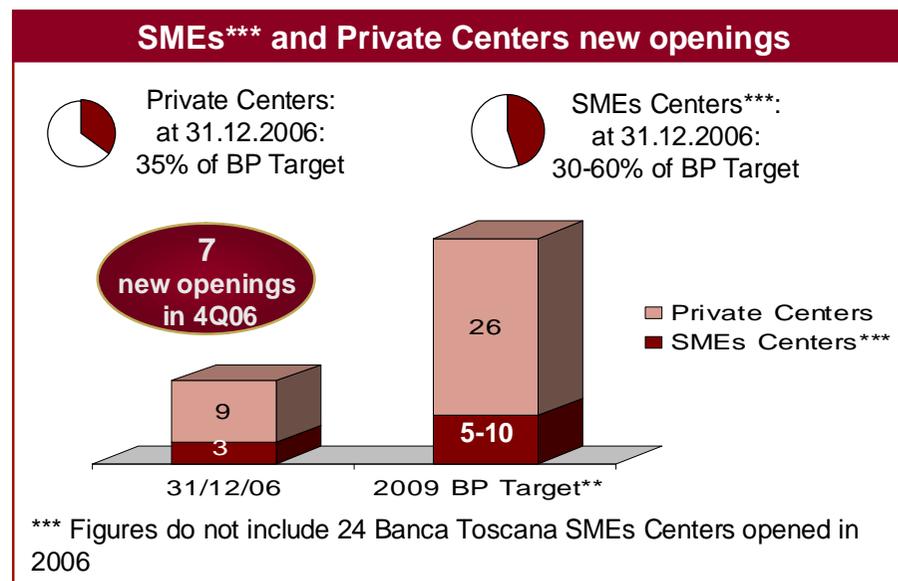
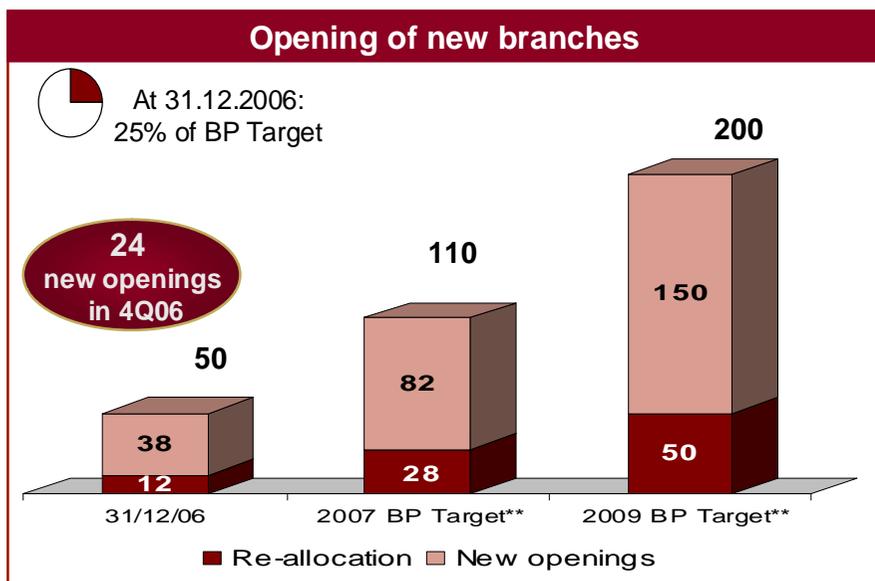


** Net of capital increase of Euro 144 mln

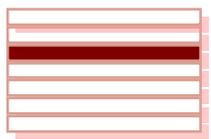
*** Including Life, P&C, Pension fund and Deleghe di gestione degli attivi businesses



Network re-organization

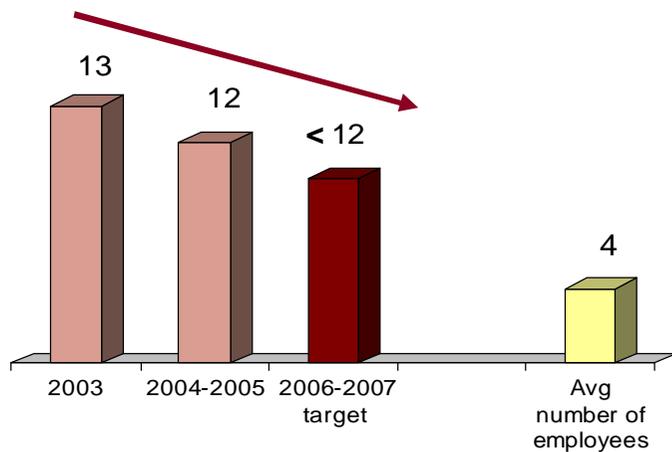


* Coming from 143 new entries and 85 exits
 ** Cumulative target

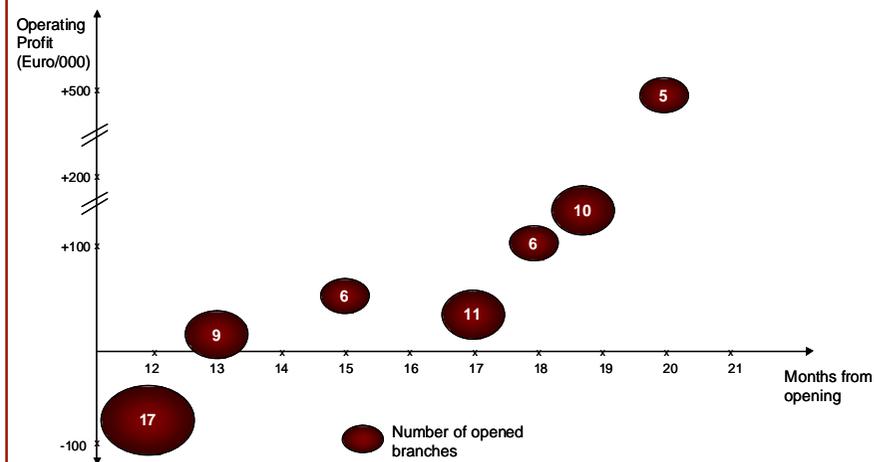


Branches opened in 2005: breakeven for most of them

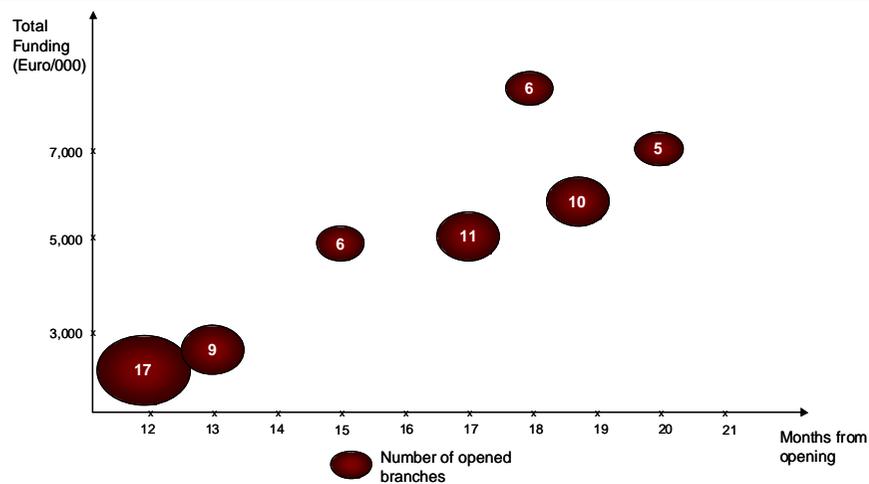
Time to breakeven (months) and number of employees



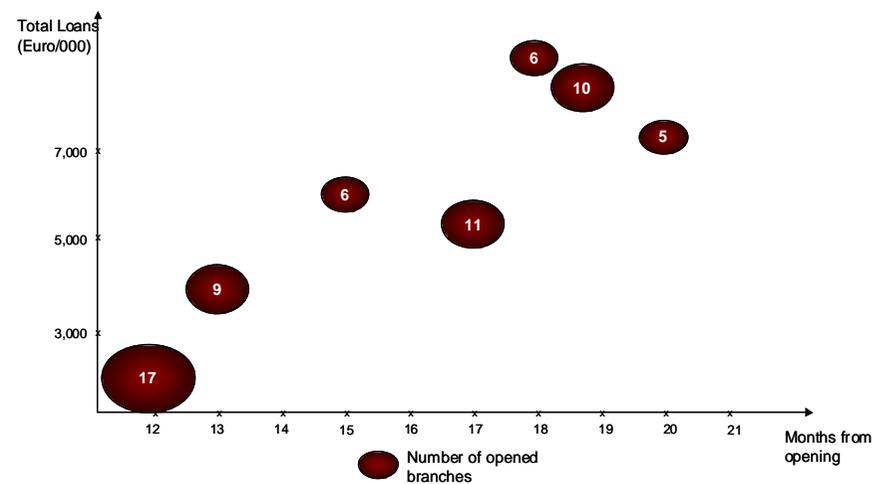
Operating Profit at 31.12.2006



Total Funding at 31.12.2006



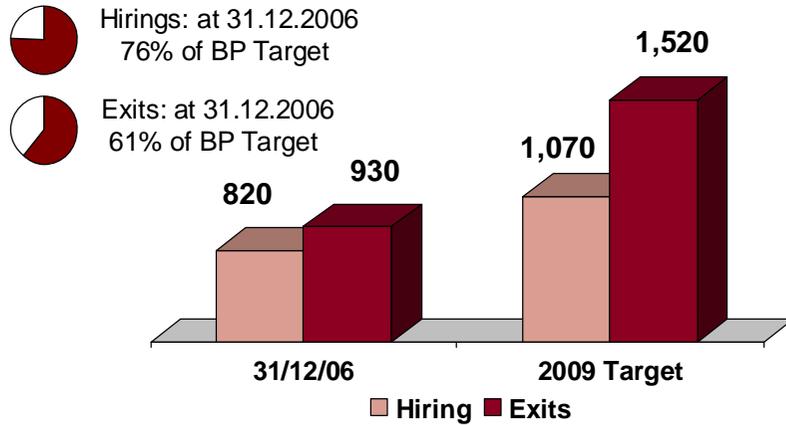
Total Loans at 31.12.2006





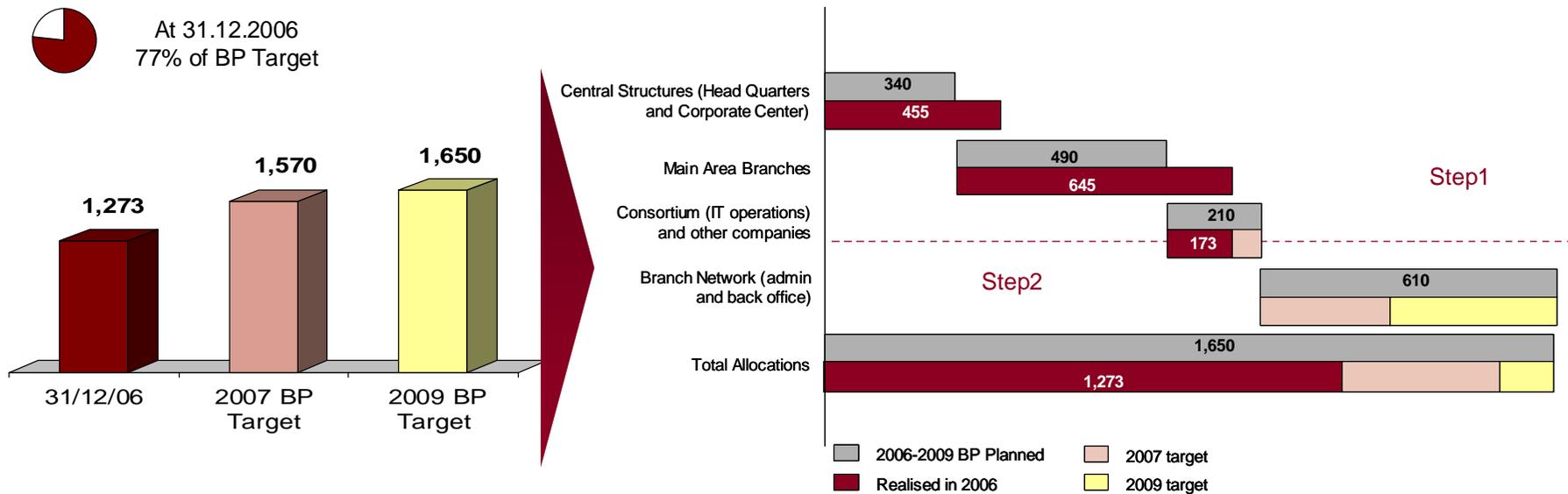
Human Resources

Hiring and exits



- Total reduction of 2,194 employees in 2006 of which 2,084 in tax collection
- 1,273 employees involved in re-allocation programme. Further 300 employees will be re-assigned to front office roles in 2007

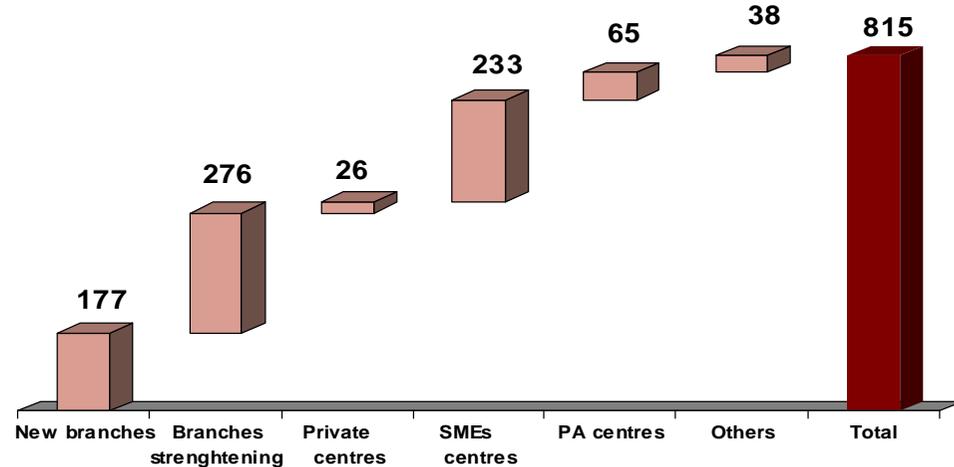
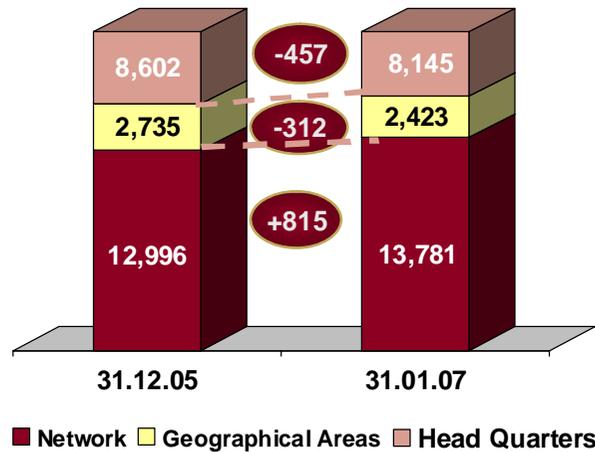
Resources involved in re-allocation programme





Network back office/front office reorganisation

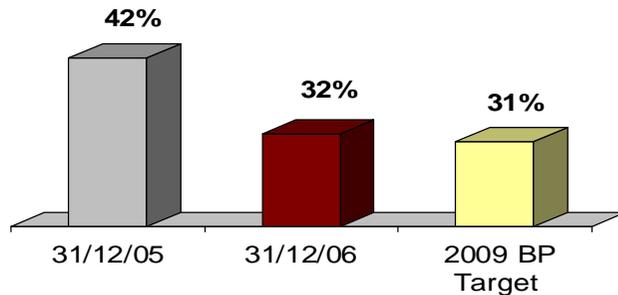
Number of employees moved from back office to front office



Back office / Front office ratio*



At 31.12.2006
82% of BP Target



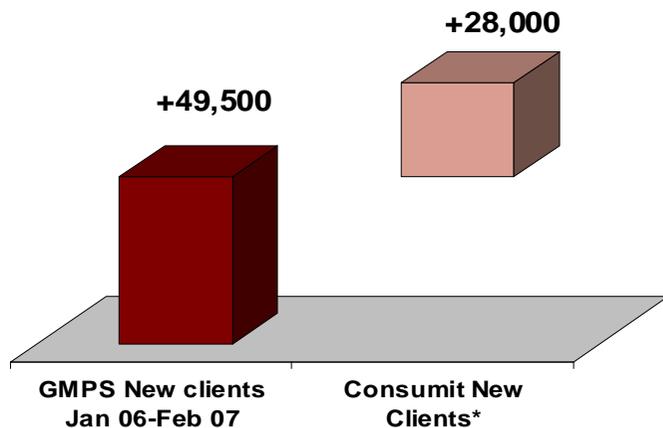
- ❑ Strong shift of employees from back office to front office, with an increase by 6.2% of people dealing directly with customers
- ❑ Back office/front office ratio decreased by 9% in just one year

* Calculated as Headquarters and Main Branches Staff / Network staff pag. 19

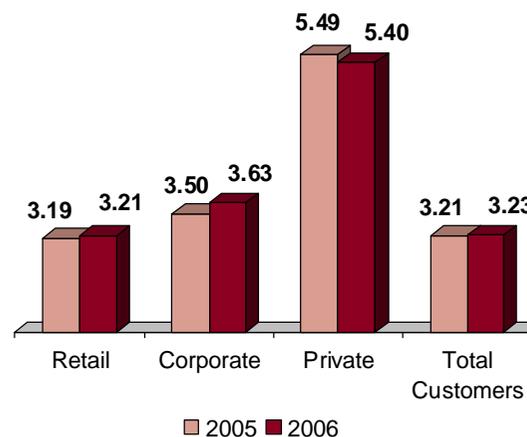


Customer acquisition and cross selling

Net New Clients

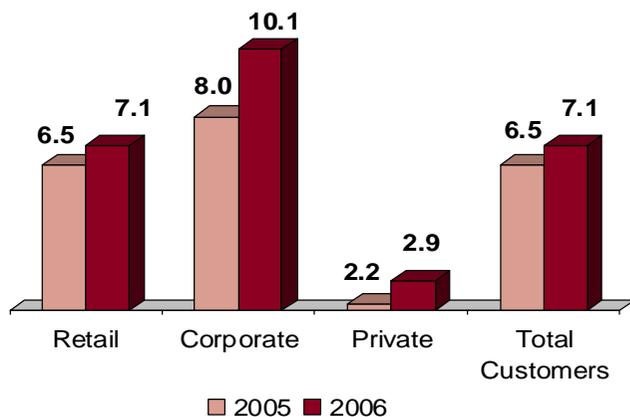


Cross selling

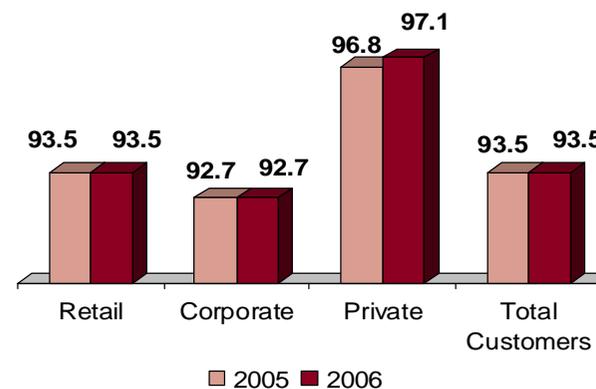


Acquisition and retention rate

Acquisition rate



Retention rate



* From November 2005 to November 2006

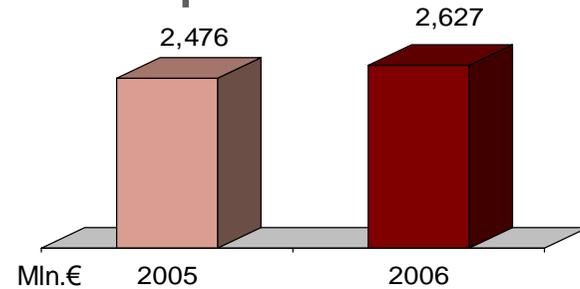


Commercial Banking & Distribution Network

Main results

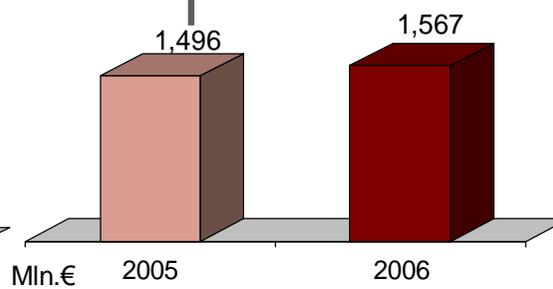
Revenues
YoY Trend

+ 6.1%



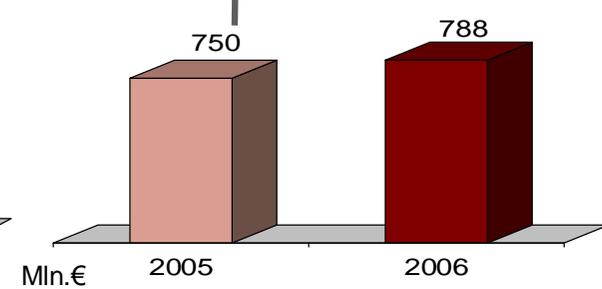
Total costs
YoY Trend

+ 4.7%*



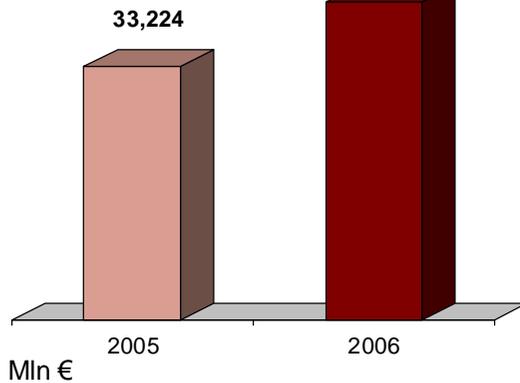
Operating profit
YoY Trend

+ 5.1%



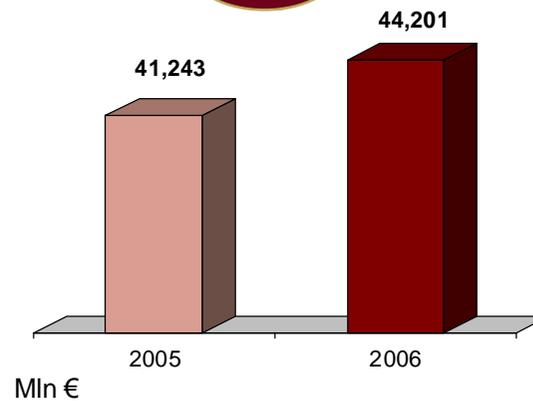
Total Loans

+10.0%



Direct Deposits

+7.2%



- Cost / Income at 59.6% vs 60.4% in 2005 and Raroc at 27.8% vs 21.5% in 2005
- Remarkable volumes with Euro 6.4 bn in funding and Euro 7.4 bn in lending
- Significant flows: direct deposits +9.1% YoY and lending +13.6% YoY

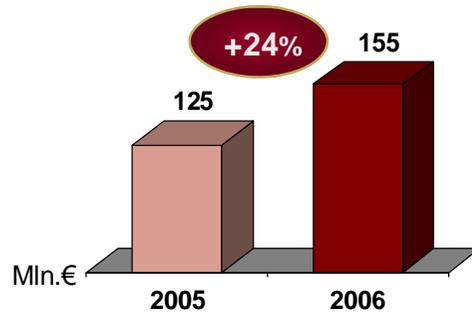
* +2.5% ex one-off



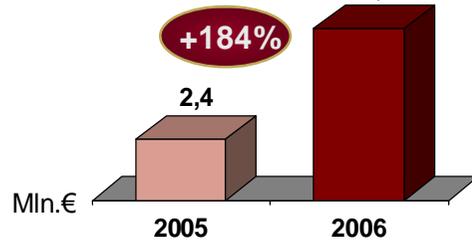
Consum.it: a leading Italian player

Economic figures

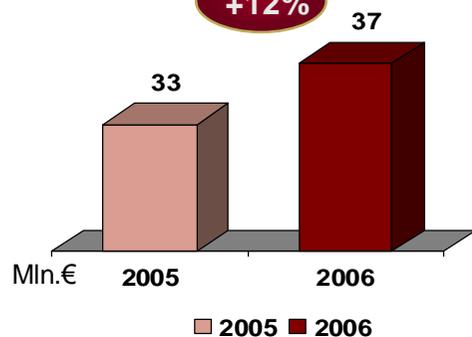
Net Interest Margin



Net Fees

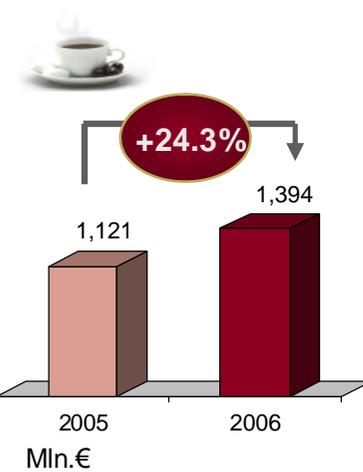


Net Profit

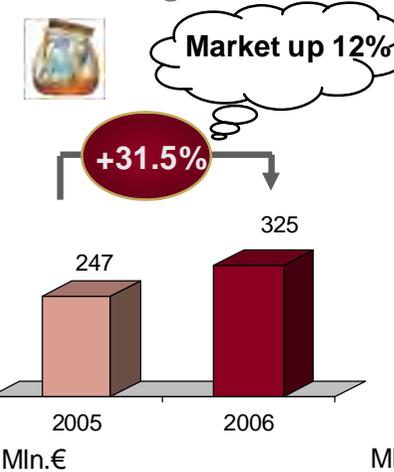


Commercial Flows

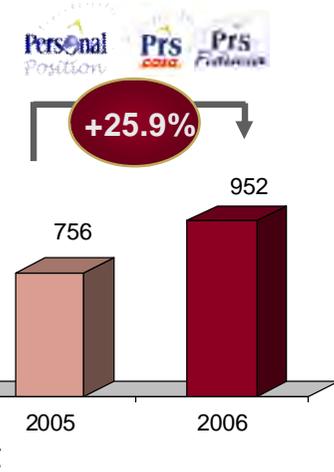
Consumer finance



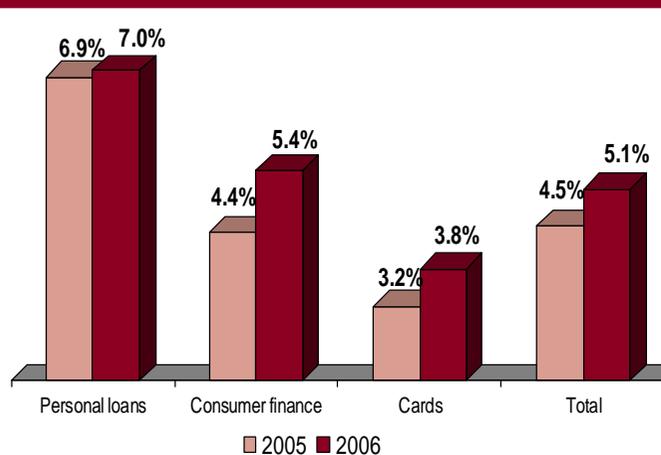
Revolving cards



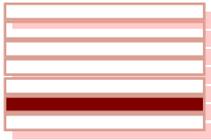
Personal loans



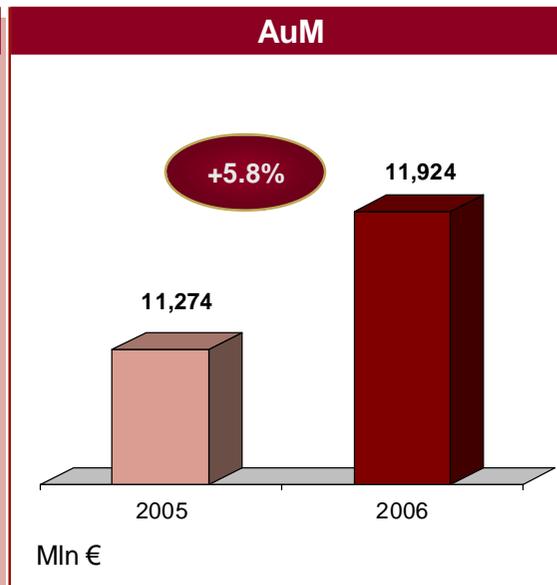
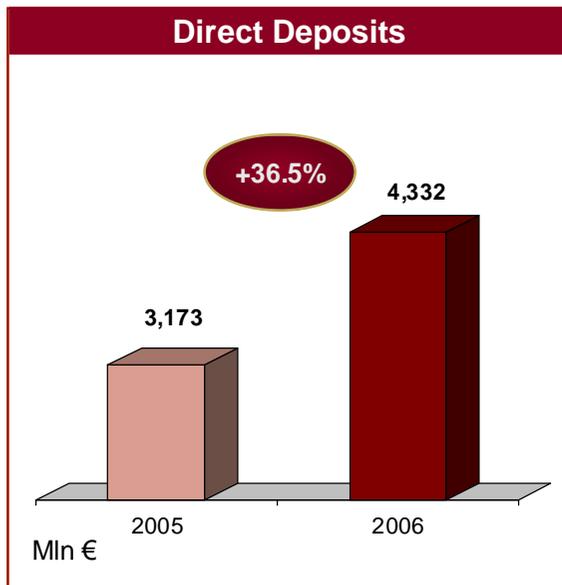
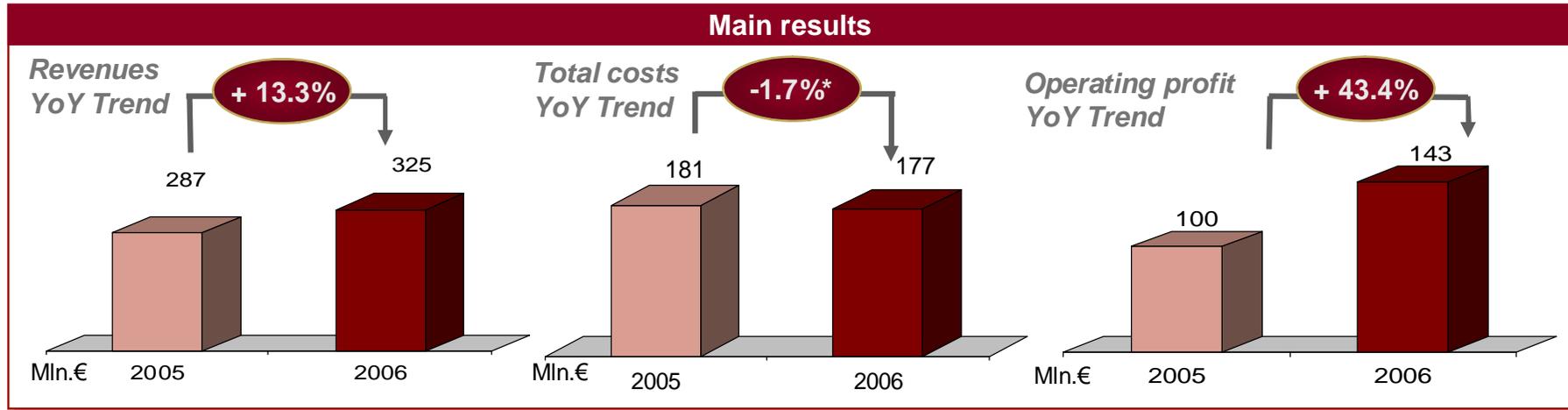
Market Share evolution



- Strong cross-selling with life and P&C products (+82% vs '05) with 25 € mil new premiums
- Positive launching of BluRevolution revolving/charge credit card. 7.800 new cards with 5,2 € mil new flows
- Significant investment with an increase in total costs of 22% in 2006 vs 2005



Private Banking & Wealth Management

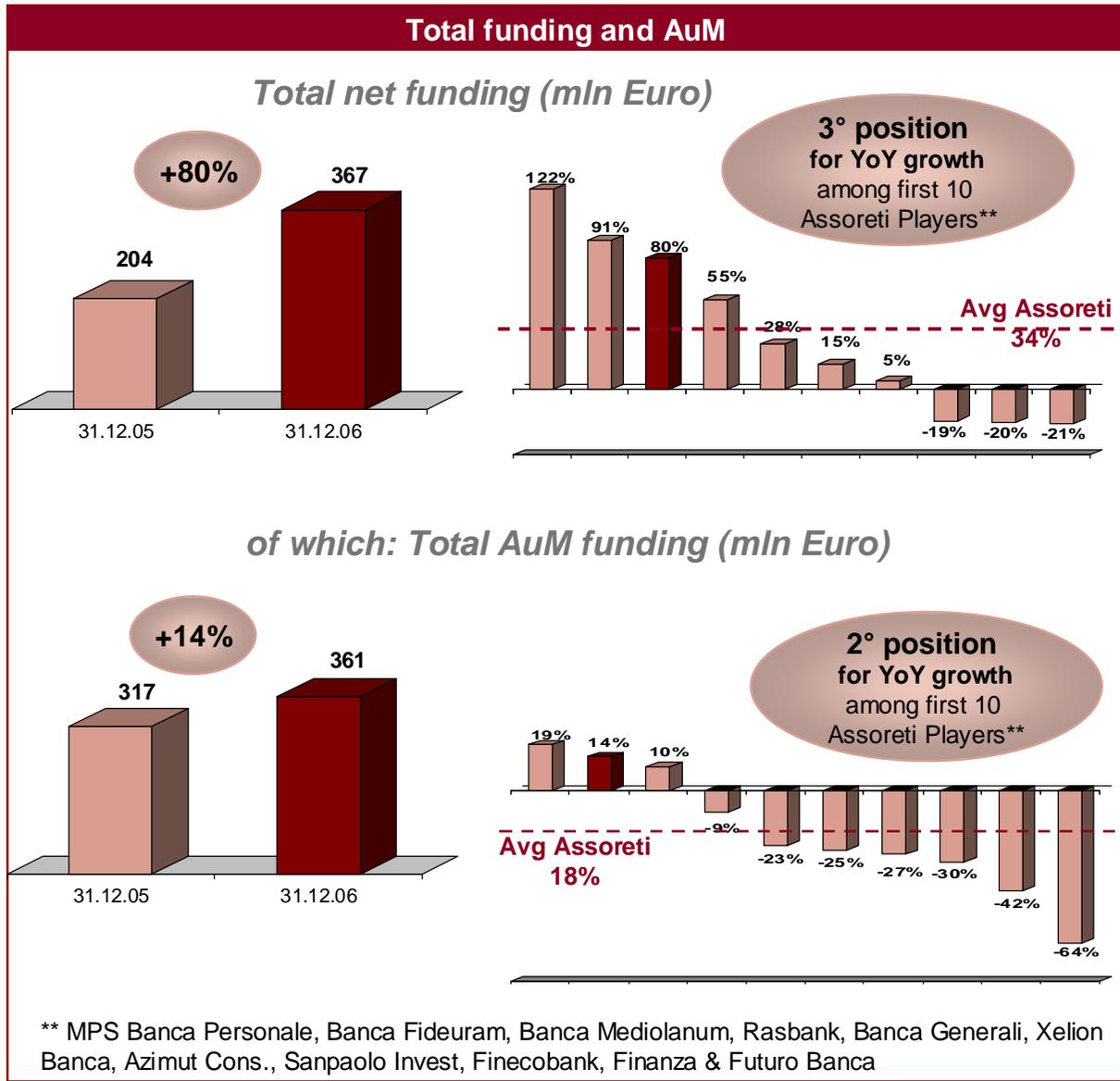
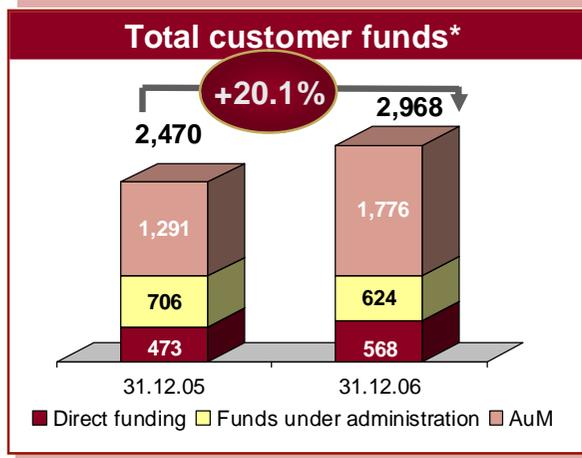
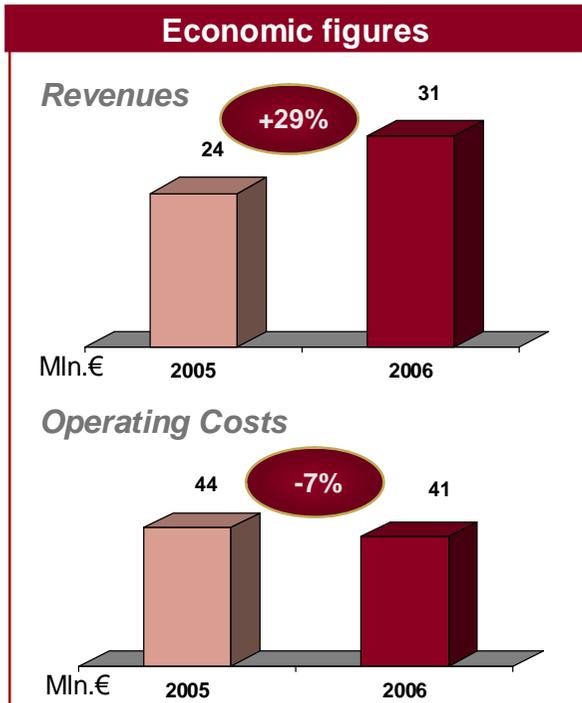


- AuM increased by 5.8% YoY at Euro 11.9 bn and direct deposits increased by 36.5% at Euro 4.3 bn
- Good performance of MPS SGR with an increase in net profit by 26.3% YoY at Euro 65 mln
- New multibrand offer in 2006 (i.e. Morgan Stanley, Franklin Templeton, Mellon)

* -3.3% ex one-off



FA Network (MPS Banca Personale): among best performers



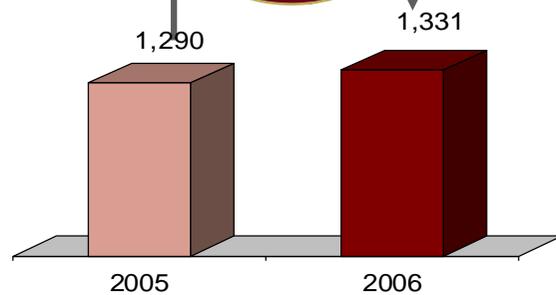
*The YoY increase includes about Euro 130 mln of performance effects



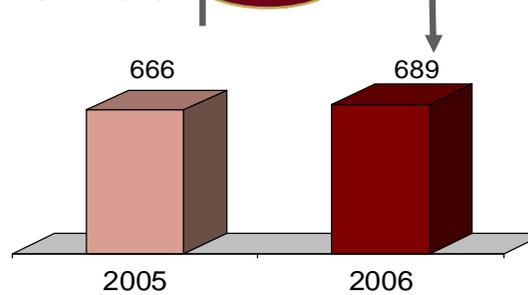
Corporate Banking & Capital Markets

Main results

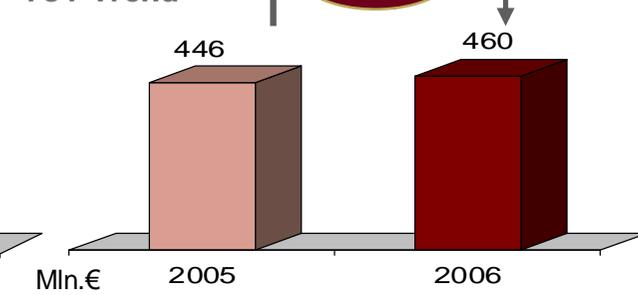
Revenues
YoY Trend



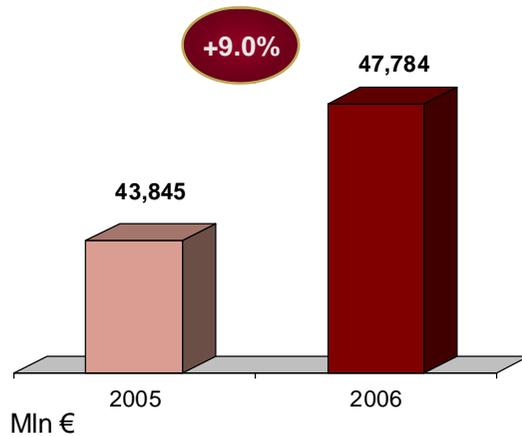
Costs
YoY Trend



Operating profit
YoY Trend



Total Loans



- Good volume growth (+9% YoY) with a significant increase on mortgages (Euro 2.2 bn net flows +21% YoY)
- Enhancement of our product range. Some examples:
 - Structured finance products on commodities;
 - Edilcarnet for real estate developers;
 - New M/LT financing (BEI plafond, Welcome Energy, New Frontier, Unico, etc);
- Intensive use of new performance measurement tools of SMEs Centres

* +1.2% ex one-off

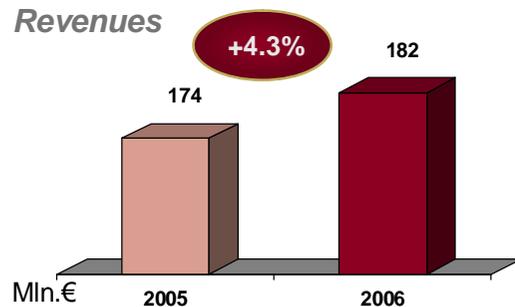


Banca per l'Impresa and MPS Finance

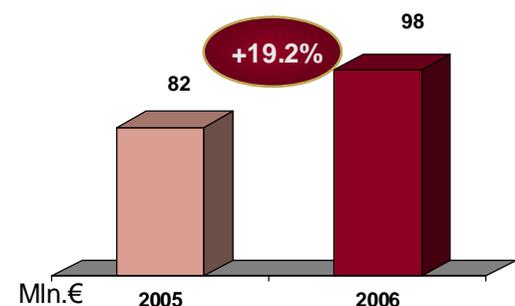


Economic figures B. Impresa

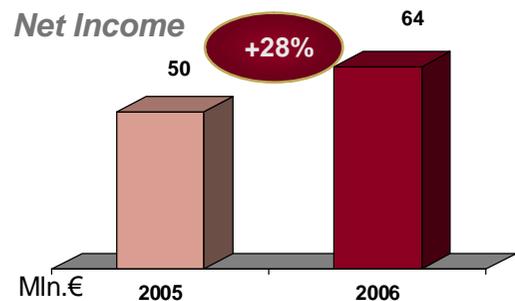
Revenues



Net Operating Profit

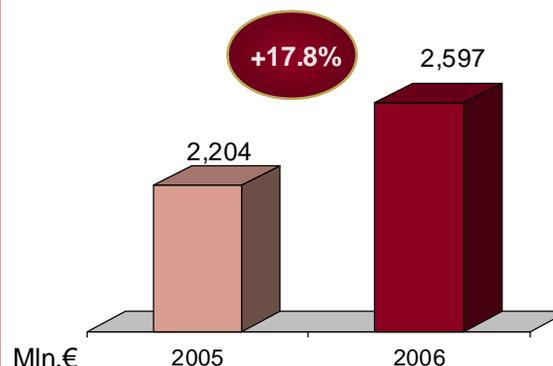


Net Income

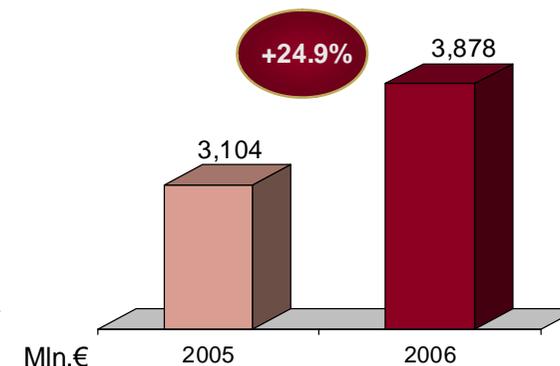


Commercial Flows

MPS Banca per l'impresa: Disbursements



MPS Finance: Corporate derivatives



Main corporate banking initiatives

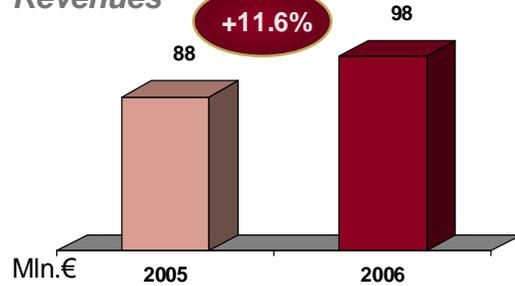
- ❑ Full merging of Banca per l'Impresa and MPS Finance from May 2007
- ❑ Advising Activity: MPS BI was Mandated Lead Arranger of 29 deals during 2006
- ❑ Private Equity: MPS Venture (controlled by MPS BI) confirmed as the company operating the highest number of Fondi Chiusi in Italy
- ❑ MPS Finance: Net Profit at Euro 66 mln (+92% YoY)



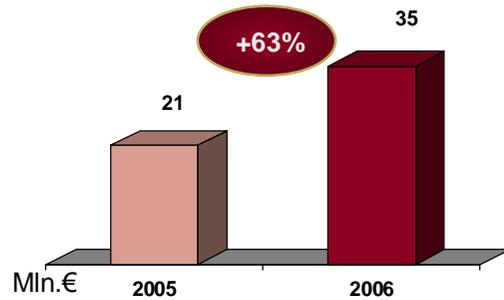
MPS Leasing & Factoring

Economic figures L&F

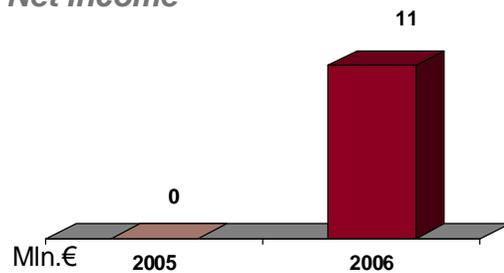
Revenues



Net Operating Profit

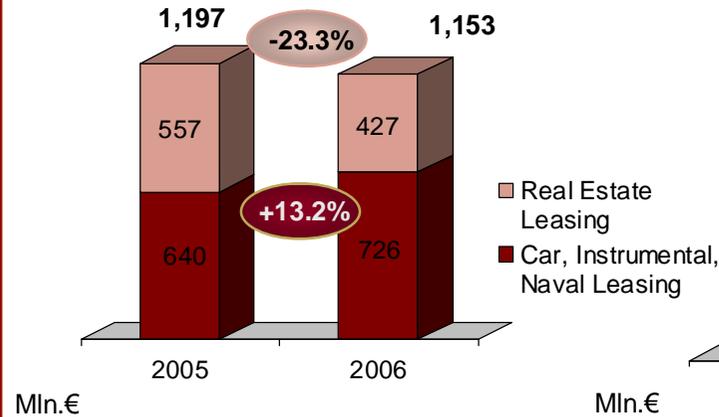


Net Income

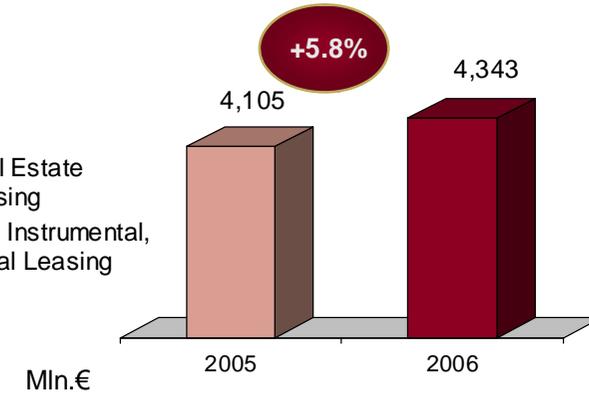


Commercial Flows

Leasing

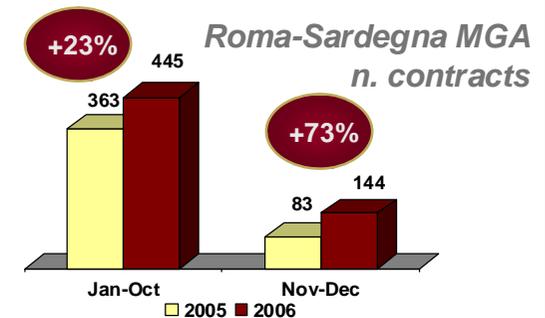
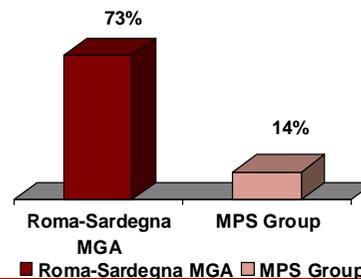


Turnover Factoring



"Filiale Leasing" Project

- The project "Filiale Leasing" was launched in October, involving the Roma-Sardegna Main Geographical Area: in 2 months, the number of Leasing contracts leaped to 73% YoY vs a Group increase of 14% and vs a 23% growth rate of the other 10 months of the year





Other restructuring initiatives (2007-2009)

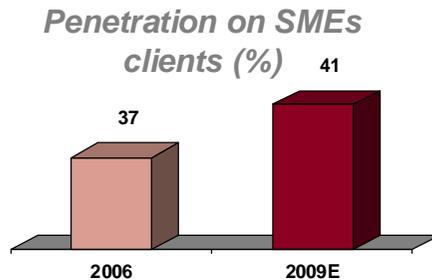
IT structure

- ❑ Increase the efficiency through the review of internal processes, the centralisation of local IT structures and outsourcing of non-core activities
- ❑ **Increase in the efficiency for c300 employees:** 170 have been requalified to work in the branches and 130 internally re-assigned
- ❑ Focus on **cost cutting and renegotiation with suppliers: expected reduction of operating costs** from IT in 2007-2009

International Activities

Actions

- ❑ Development of a **new offer for SMEs**
- ❑ Network covering more than 40 countries



Targets

- ❑ **Strong cost control and profitability optimization**
- ❑ **Increase in our market share** and higher **penetration** in the SMEs operating on foreign markets

Real Estate rationalization

- ❑ Significant **opportunity for space management on instrumental real estate** thanks to the reduction of Geographical Areas (from 21 to 9) and the reduction of personnel (-10% 2006-2009 business plan target considering the tax collection)
- ❑ We will consider potential opportunities coming from our real estate assets. **Total overall real estate assets worth >Euro 1.5 bn**



Conclusion and takeaways



Mr. Giuseppe Mussari
Chairman

Mr. Antonio Vigni
General Manager



- ❑ **The partnership in Bancassurance is now finalised: “To build a leader in Life, P&C and Pensions Italian bancassurance”**
- ❑ **Consistent management commitment to improve capital allocation**
- ❑ **Focus on growth based on recurring revenues and strong cost control**
- ❑ **We confirm our target for a reduction in costs in 2007 vs 2006**

...our compass of change is pointing in the right direction



Contacts and next events

Contacts



Investor Relations

Piazza Salimbeni, 3

53100 Siena

Tel: +39 0577-296477

Investor Relations Team:

Alessandro Santoni (Head)

Simone Maggi

Guido Poli

Elisabetta Pozzi

Email: Investor.Relations@banca.mps.it

Next events. Roadshows/Conferences

- ❑ 23 March: Milan
- ❑ 26 March: Paris, Madrid
- ❑ 27 March: Frankfurt, Zurich
- ❑ 28-29 March: London, Morgan Stanley conference
- ❑ April dates tbc: Scandinavia, Edimburg, Dublin
- ❑ 16-20 April: USA (East and West coast)

Disclaimer

This document has been prepared by Gruppo Monte dei Paschi di Siena solely for information purposes and for use in presentations of the Group's strategies and financials. The information contained herein has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. Neither the company, its advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The forward-looking information contained herein has been prepared on the basis of a number of assumptions which may prove to be incorrect and, accordingly, actual results may vary.

This document does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

The information herein may not be reproduced or published in whole or in part, for any purpose, or distributed to any other party. By accepting this document you agree to be bound by the foregoing limitations.