



## **Interim Results 2005**

Milan, 29<sup>th</sup> September 2005

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## SECTION 1

- Summary of FTA and IFRS Impacts
- Main pre-IAS operating trends

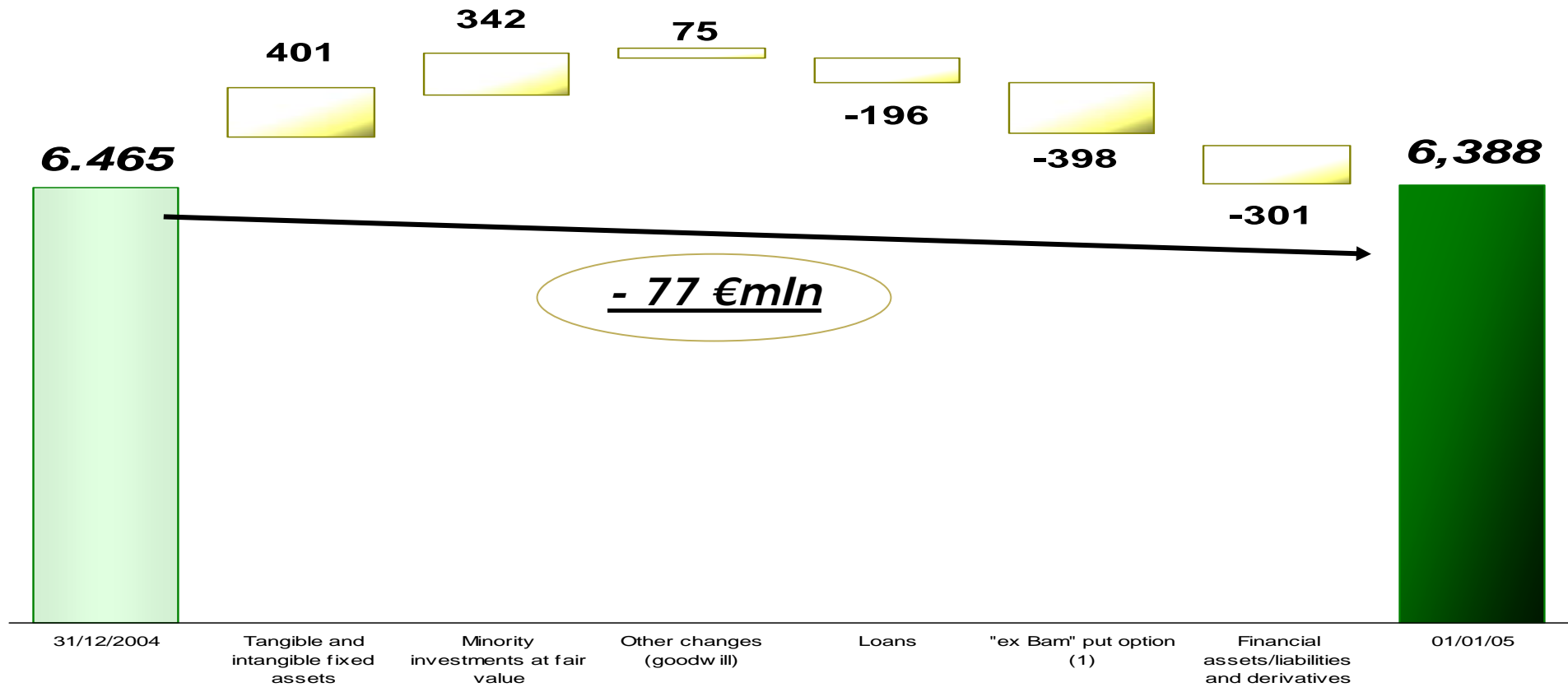
## SECTION 2

- Analysis of 1H05 results IAS compliant

## SECTION 1

- Summary of FTA and IFRS Impacts

# FIRST TIME ADOPTION OF IAS/IFRS



(1) Following the recent market operation with JPMorgan, the impact on shareholders equity has been reduced to 120 € mln

## Details

### FIRST TIME ADOPTION OF IAS/IFRS

<b>FTA Impacts on capital</b>			
€mln	31.12.04	1.1.2005 IFRS	<b>Impact</b>
<b>Shareholders' equity</b>	6.465	6.388	<b>-77</b>
<b>Tier I Capital</b>	6.001	5.594	<b>-407</b>
<b>Tier II Capital</b>	2.955	3.068	<b>+113</b>
<b>Total Capital</b>	8.159	7.947	<b>-212</b>
<b>Core Tier I Ratio</b>	6,52%	6,08%	<b>-44bp</b>
<b>Tier I Ratio</b>	6,74%	6,24%	<b>-50bp</b>
<b>Total Capital Ratio</b>	9,95%	9,67%	<b>-28bp</b>

\* Estimated according to Bank of Italy indications based on april consultations on solvency ratios and considering the recent operation on "Put Bam"

## Details

### FIRST TIME ADOPTION OF IAS/IFRS

<b>FTA Impact on Loans</b>			
<b><i>Total Impact: – 196 €mIn</i></b>			
€mIn	31.12.04	31.12.04 IFRS	Impact/Time Value effect
Gross NPLs	3.077	3.077	
Write-downs	1.513	1.755	+242
Net NPLs	1.564	1.322	-242
<b>Coverage</b>	<b>49,17%</b>	<b>57,05%</b>	<b>+7.88%</b>
<b>Coverage including write offs</b>	<b>&gt; 70.0%</b>	<b>&gt; 80.0%</b>	<b>+10.0%</b>
Gross Watchlists	1.436	1.436	
Write-downs	281	385	+104
Net Watchlists	1.155	1.051	-104
<b>Coverage</b>	<b>19.56%</b>	<b>26.85%</b>	<b>+7.29%</b>
Gross performing loans	71.842	71.842	
Write-downs	<b>569</b>	<b>605</b>	<b>+36</b>
Net performing loans	71.273	71.237	-36
<b>Coverage of performing loans</b>	<b>0.79%</b>	<b>0.85%</b>	<b>+0.06%</b>

Impact post taxes

-162 €mIn

-70 €mIn

+36 €mIn after restatement of reserve for loan losses for an amount of 245 €mIn

**TOTAL: -196 €mIn**

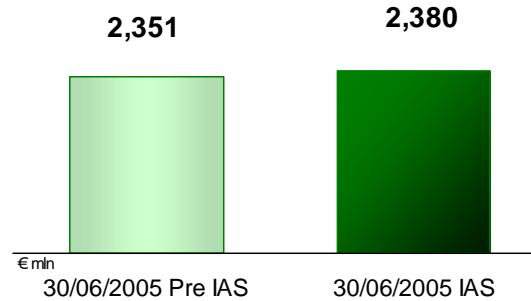
## Impact of IAS on First Half P&L

€m	30/06/2005PF Italian GAAP	30/06/2005 IAS/IFRS	<u>Difference</u>
<b>Total Revenues</b>	2,351	2,380	29
<b>Operating costs</b>	1,534	1,488	-46
<b>Loan Loss Provisions</b>	219	242	23
<b>Net operating income</b>	598	652	54
<i>Goodwill</i>	44	0	44
<b>Net income</b>	340	372	32



# Impact of IAS on First Half P&L

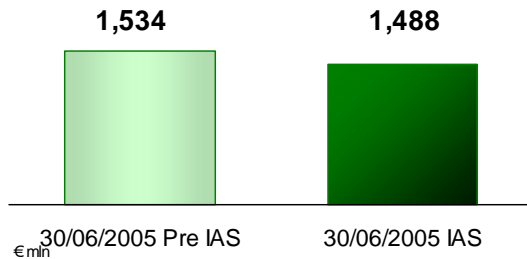
## Revenues + 29 €mIn



### Main effects

1. +23 €mIn Bancassurance business
2. +54 €mIn Time value effect of impaired loans
3. +62 €mIn Gains on AFS portfolio
4. - 122 €mIn Other income (indirect taxes recoveries and non operating revenues)

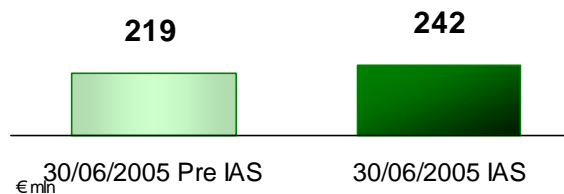
## Costs (-46 €mIn)



### Main effects

1. +49 €mIn Staff expenses
2. -66 €mIn Other administrative expenses
3. -28 €mIn Value adjustments

## LLP (+ 23 €mIn)



### Main effects

1. -17 €mIn Securitization amortization ex lege 130/99
2. +40 €mIn IAS 39 effect on impaired loans

## Focus on Put Bam operation

### Structure of the operation

- *MPS sold approx 92 mln treasury shares to JP Morgan at a price for share of 3,34 €*
- *JP Morgan at the same time has issued an exchangeable (called FRESH) into BMPS shares at a price of 4,18 € (exchange premium of 25%) with a coupon of 3months Euribor plus 0,85%*
- *MPS and JP Morgan entered into an agreement that allows MPS to have the same financial profile as the FRESH and, in particular, to retain dividends and share upside*

### Benefits for MPS

- *Definitive solution to the “put Bam”*
- *Retain future upside on the share price appreciation*
- *Reduction of the negative impact on the Core Tier I ratio (from 44 bp to 15 bp)*

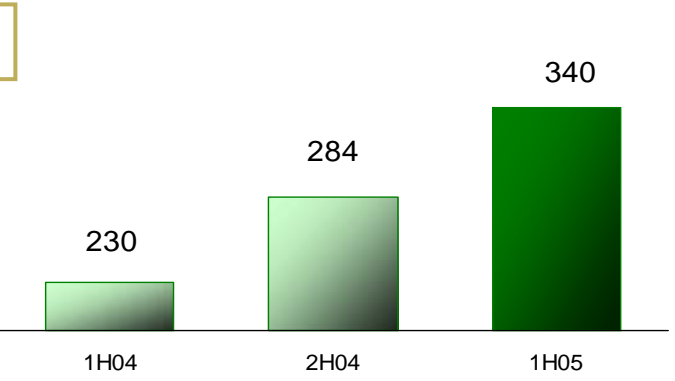
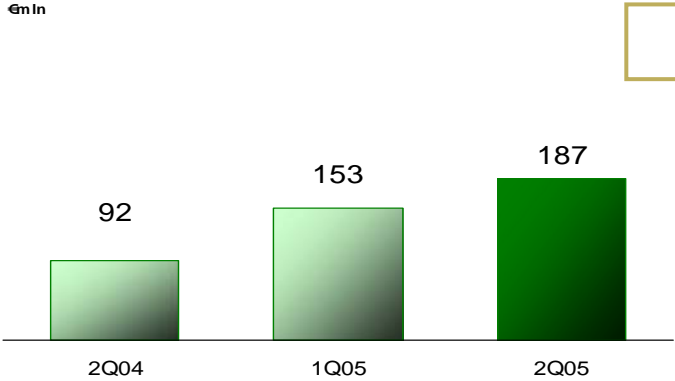
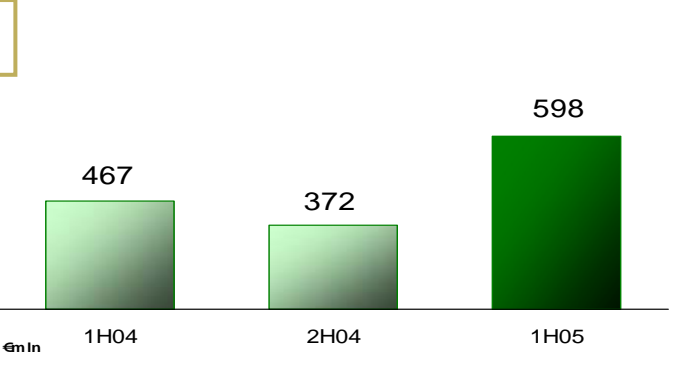
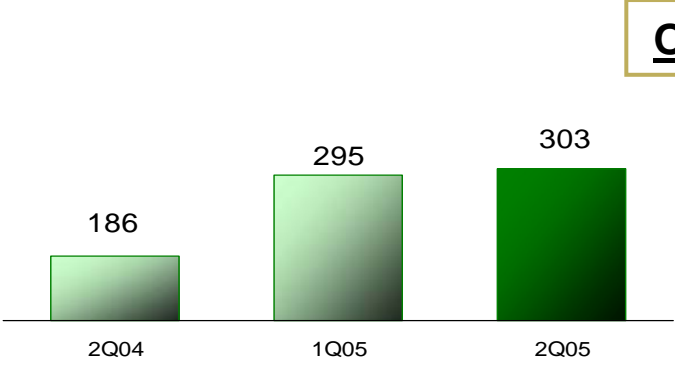
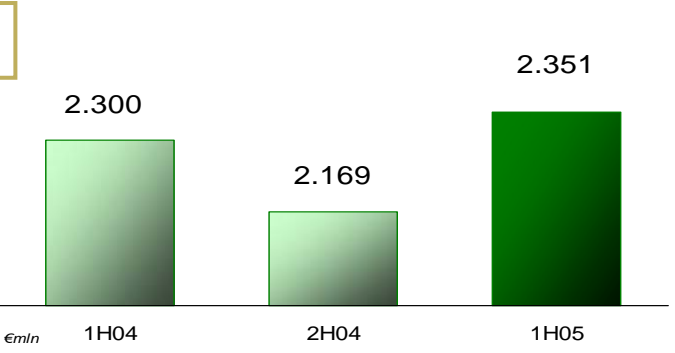
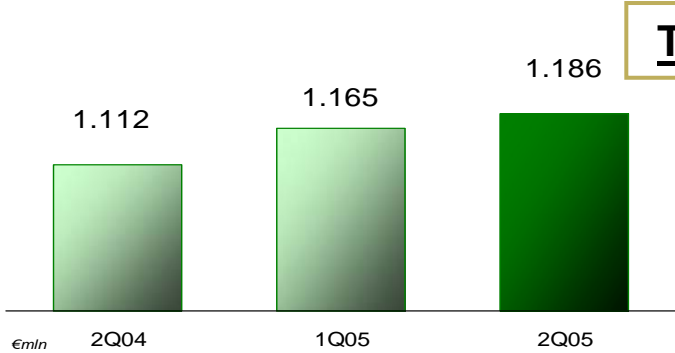
## SECTION 1

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# Structural increase in profitability...

Quarterly evolution

Semi-annual evolution

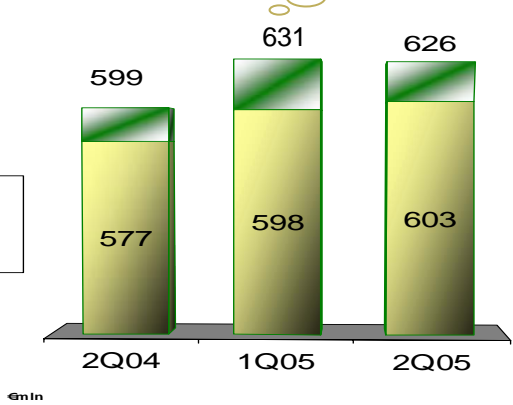


# ....thanks to steady improvements on both revenues and costs

## Net interest income

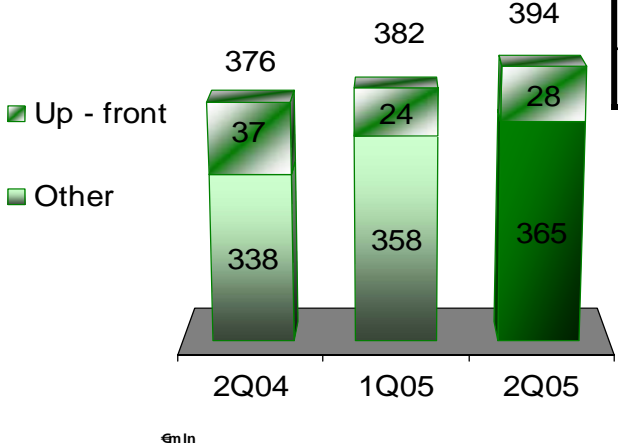
Included 15 mil.€ one off coupon on junior notes

Commercial banking



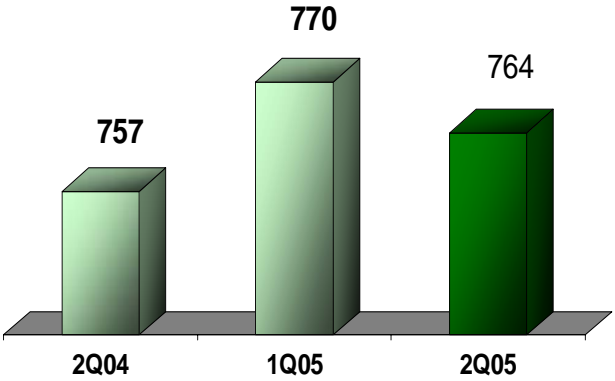
## Net fees\*

% total (AuM + IFP) up - front fees \*

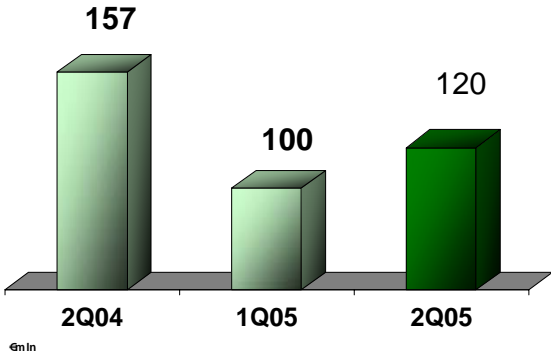


2Q04	1Q05	2Q05
9.9%	6.3%	7.1%

## Operating costs



## LLP



\* Reclassified following management criteria

## SECTION 2

- Analysis of 1H05 results IAS compliant

## 1H05 HIGHLIGHTS

- Strong growth of net inflows from commercial banking : +37% from saving products, +17% from lending products
- Increasing of market shares in main business (consumer credit, bancassurance, PM, leasing)
- Decreasing doubtful loans inflows
- Improvement of main operating ratios

## 1H05 HIGHLIGHTS

<b>P&amp;L aggregates</b>				
€mln	MPS Group	1H05 vs 1H04 Var. % (1)	Commercial Banking	1H05 vs 1H04 Var. % (1)
Basic income	2.317	+5.1%	1.964	3,2%
Total income	2.380	+4.1%	1.964	3,2%
Valuation adjustments on loans and Financial Assets	240	-27.5%	227	-28.5%
Operating Costs	1.488	-2.8%	1.161	-2.9%
Net Operating Profit	652	+53.2%	576	+47.4%
Net income	372	+53.8%	352	+47.5%

<b>Balance sheet Aggregates</b>		
	€mln	Yoy chg. %(2)
AuM	45.997	+12%
Funds under administration*	61.864	0%
Direct funding	84.521	+5.3%
Loans	80.252	+9.5%

<b>Key indicators (%)</b>		
	1H05	1H04
Cost / Income ratio	62.5%	69.3%
Provisioning	61 b.p.	67 bp
ROE (net equity as of end of period)	12.2%	8.6%
Tier 1	6.4%	6.7%

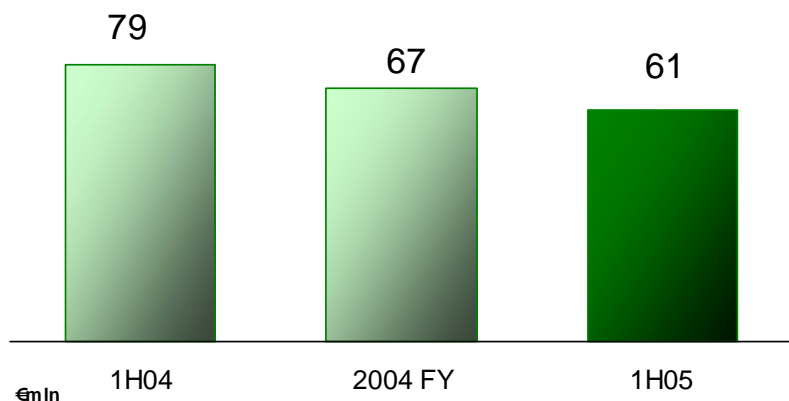
1) Comparative data based on IAS/IFRS principles, included estimates on IAS 32 and IAS 39

2) % annualised changes vs 1/1/2005 (transitional date to IAS/IFRS)

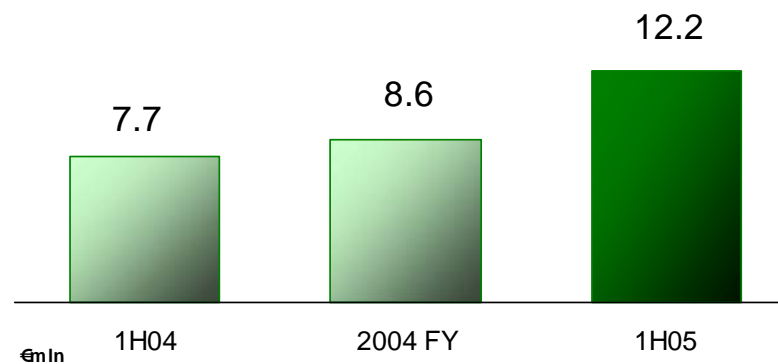


# 1H05 HIGHLIGHTS

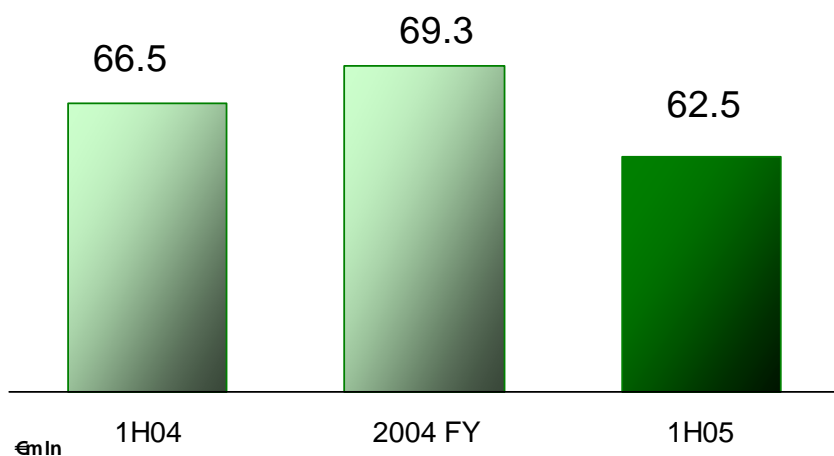
## Provisioning (bp)



## Roe (%)



## Cost/Income (%)

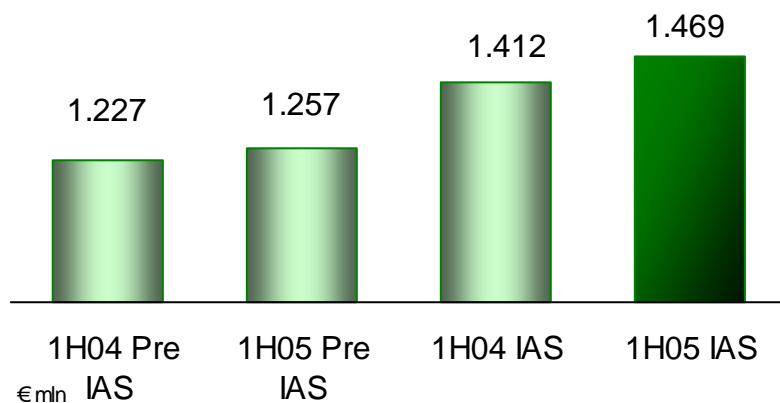


1) 1H04 and 2004 FY reported figures pre-*IAS rules*

## BUSINESS Growth: Net interest income

### Net interest income:

Y/Y chg	Q/Q chg
<b>+4%</b>	<b>-0.3%</b>



### Main IAS effects

at 30 June 05

- Time value reversal for impaired loans: +54 €mln
- Bancassurance: +177 mln.

### Main operating trends

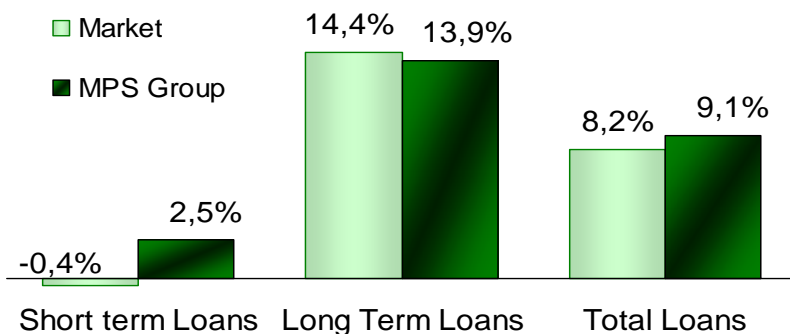
1H05 vs 1H04

- Commercial banking: +3.2% yoy
- Investment Banking: +20.1%

# BUSINESS Growth: Volumes and pricing

## Customer Loans (end of period): **+9.5% annualised**

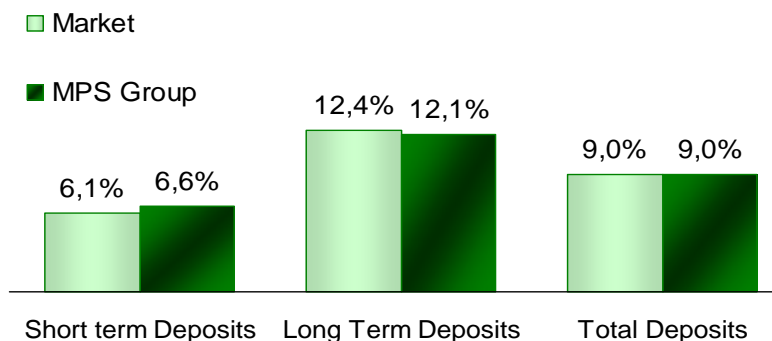
Domestic Customer Loans (at year end): % chg 1H05 vs 1H04



Customer Loans **market share**: 6.3% from 6,2% of Mar 05

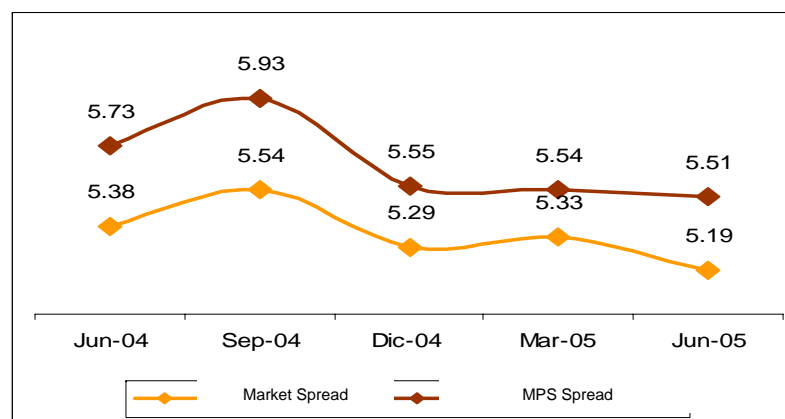
## Customer Funds (end of period): **+5.3% annualised**

Domestic Customer Funds (at year end): % chg 1H05 vs 1H04



Customer Funds **market share**: 6.6% from 6,5% of Mar 05

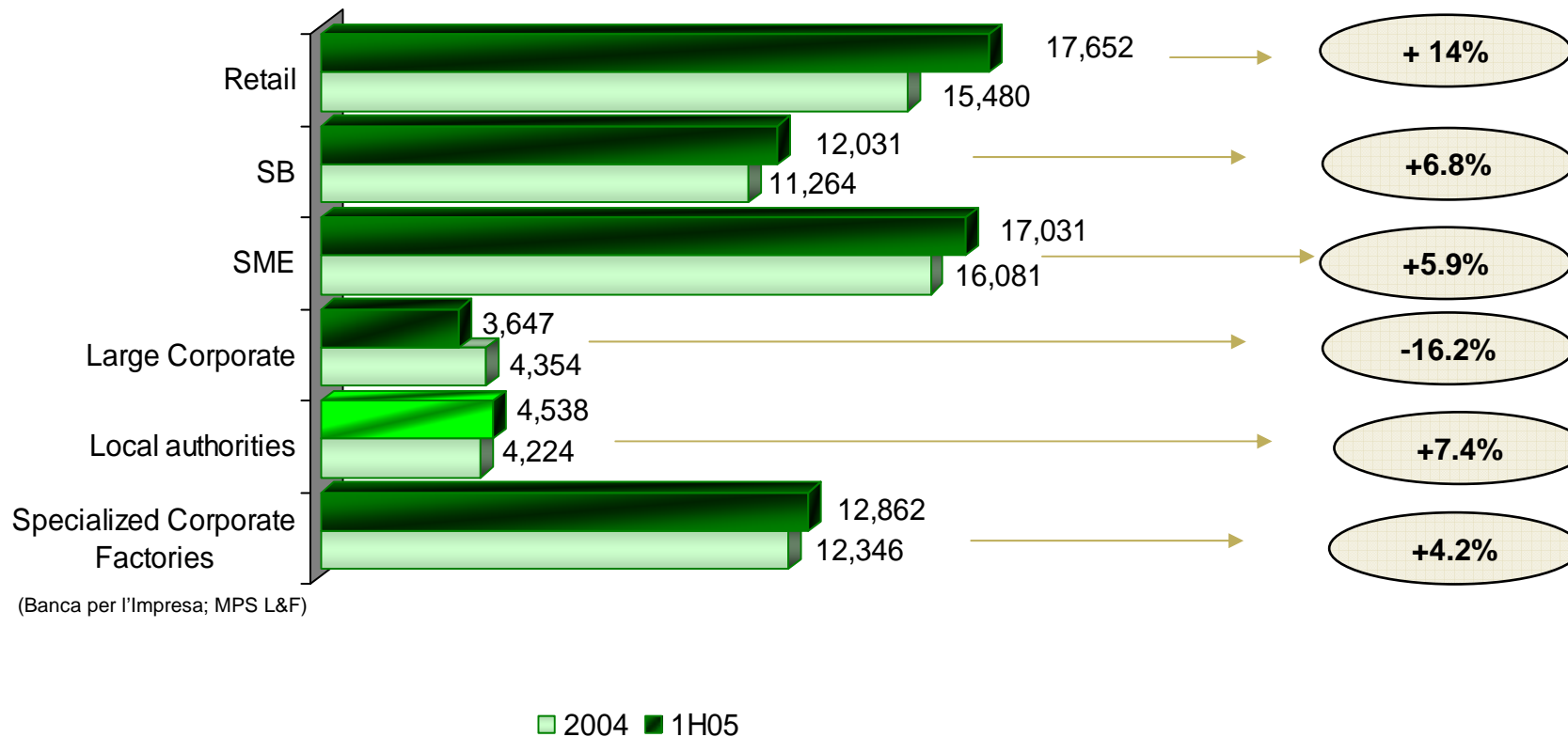
## Trend in s/t customer spread\*



## BUSINESS Growth: Commercial Loans

### Breakdown of Domestic Customer Loans: *avg balances*

**Trend 1H05 vs 2004**

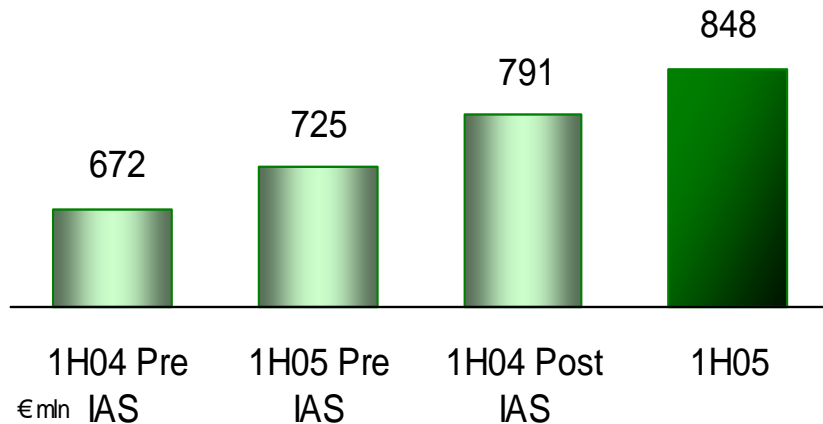


**Total Domestic Customer Loans: 69,362 €mln (+6.3% 1H05 vs 2004)**

# BUSINESS Growth: Net Fees

## Net fees:

Var. Y/Y	Var q/q
<b>+7.1%</b>	<b>+5.8%</b>



## Main IAS effects

at 30 June 05

- Expense recoveries on current accounts: +103 €mIn
- Consolidation perimeter: +9 mnl.€

## Main operating trends

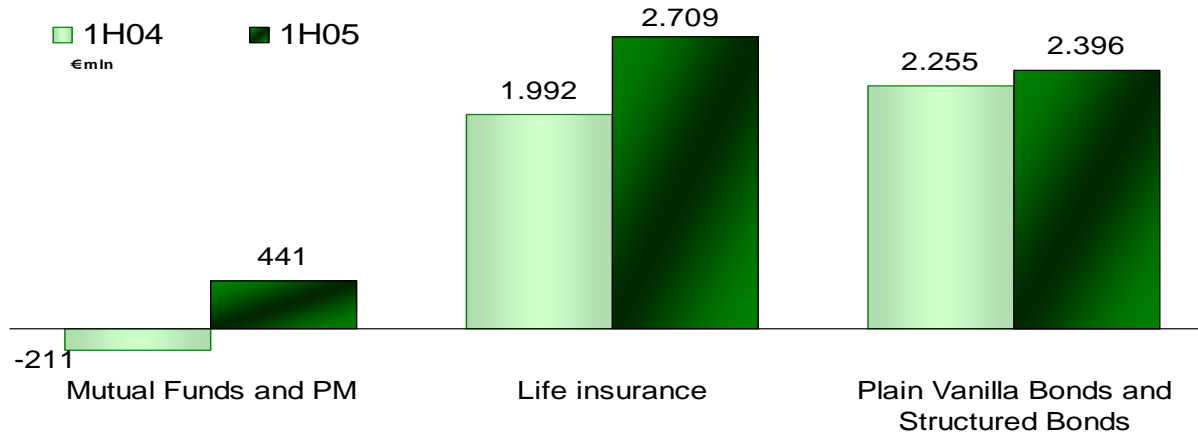
1H05 vs 1H04

- Traditional banking fees: +7.5% yoy (o/w +28% yoy credit fees)
- AuM Fees: +3.2% yoy (performance fees at 23 €mIn)
- Innovative financial products fees: -36% yoy

# BUSINESS Growth: acceleration of commercial flows

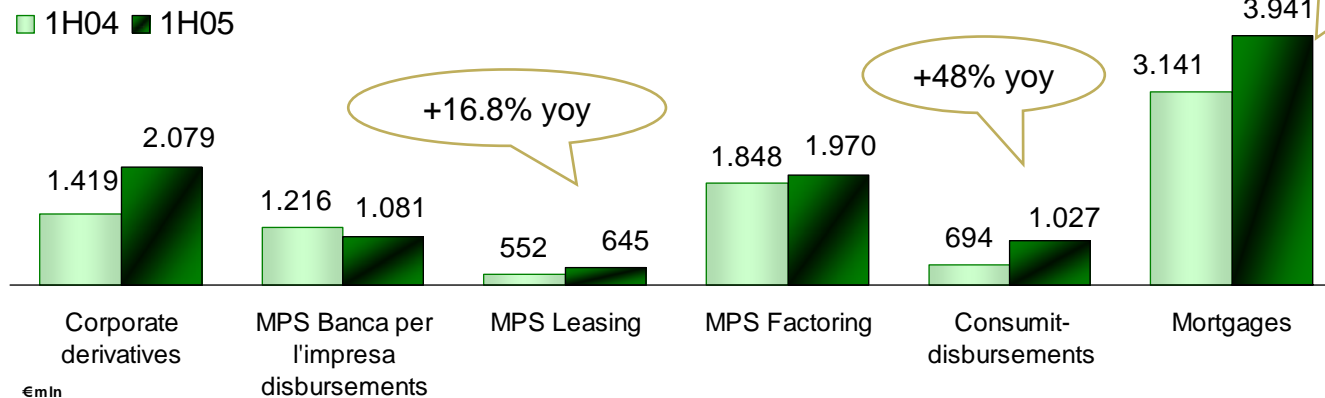
## Saving products

Q/Q chg	Y/Y chg
<b>+11.4%</b>	<b>+37.4%</b>



## Lending products

Var q/q	Var y/y
<b>+20.5%</b>	<b>+16.9%</b>

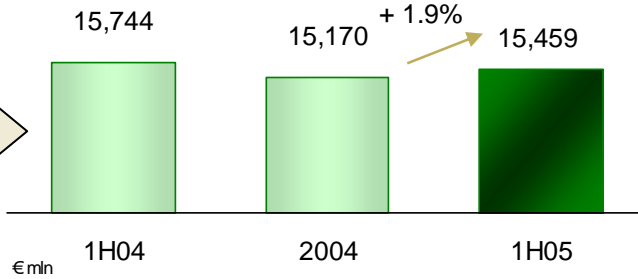


# BUSINESS Growth: AuM trends

**Total AuM: 45,997 €mln (+5,9% yoy)**

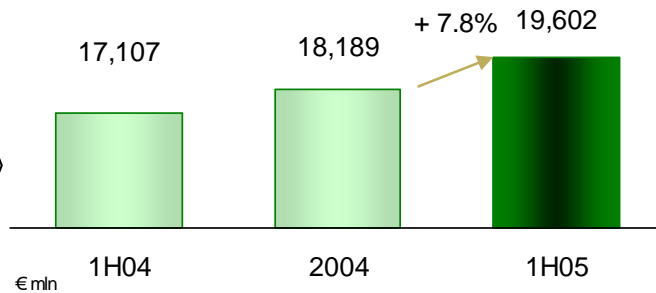
**Market share: 6%** (5,9% at dec 2004)

## Mutual Funds



Market share of stock\*: 3.93% (3.91% at dec 2004)

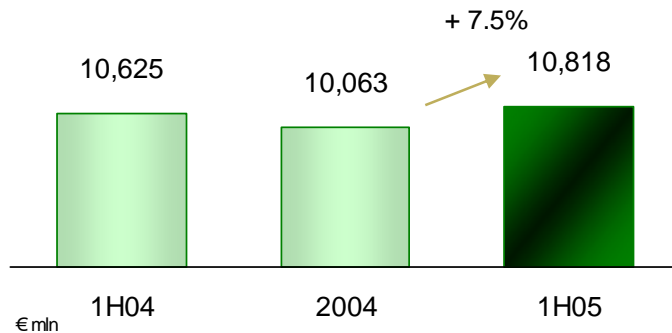
## Life insurance



Market share of flows: 10.5% (10% at dec 2004)

Recurring premiums: 228 €mln vs 200 €mln in 1H04

## PM



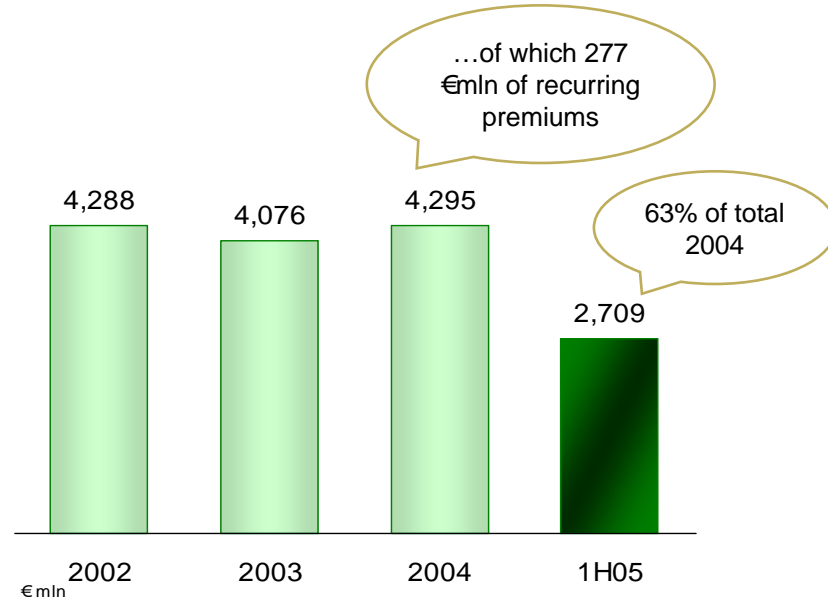
Market share of stock: 7.1% (6.7% at dec 2004)

(\* ) From January 2005, following the new Assogestioni criteria, data include all funds of funds and also non domestic funds of italian brokers subscribed by not italian resident people. For MPS Group, that has not funds of funds and has not collocated share of non domestic funds to non italian resident people, this has caused a reduction of market share.

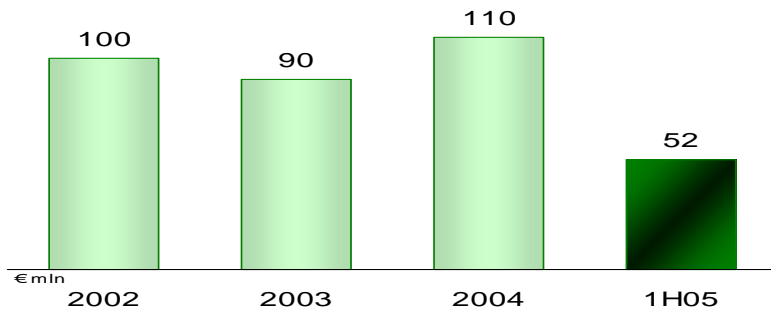
# Focus on high growth/ high value business: bancassurance

## Gross premiums

- 1 out of 4 new policies with recurring premiums
- 55% of new production originated from new customers
- Traditional policies 1,915 €mIn (+39.6% yoy)
- Index Linked 622 €mIn (+31.5% yoy)
- Unit Linked 172 €mIn (+17%)



## Embedded value of new production



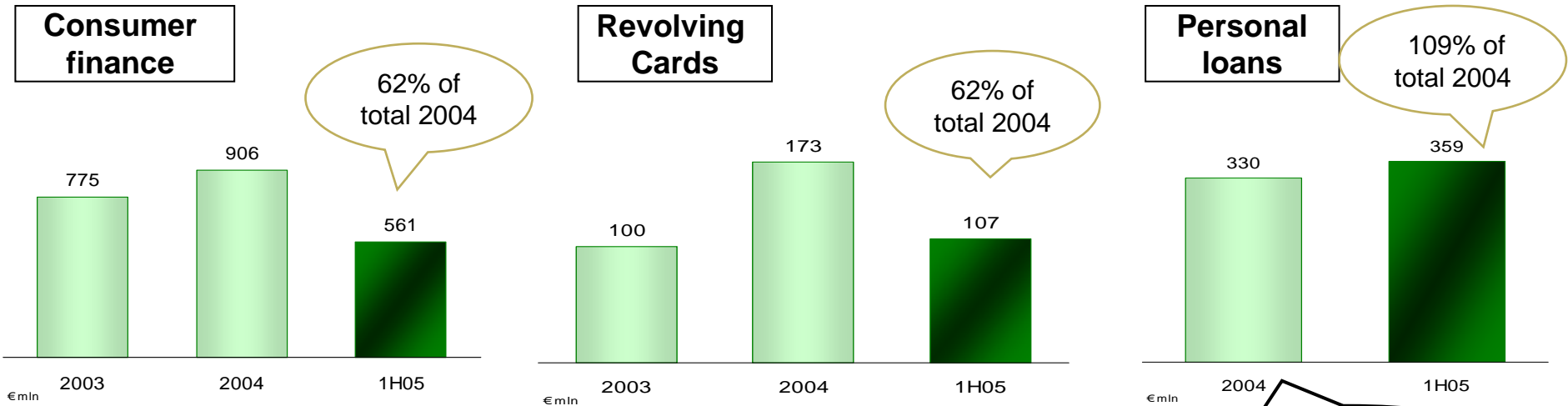
**Group Embedded Value**  
**1,1 €mld at Dec 2004**

(\*) Embedded value is calculated as the sum of adjusted shareholders' equity, the present value, on the basis of statistical probabilities, of earnings expected from policies outstanding, and the cost of maintenance for coverage of the solvency margin; the calculations and the assumptions underlying the same have been verified by a leading independent audit firm.

In particular at December 2004 MPV Group Embedded Value was 810 €mIn, Commercial networks Embedded Value was estimated at 198 €mIn, Quadrifoglio Vita Embedded Value was 100 €mIn.



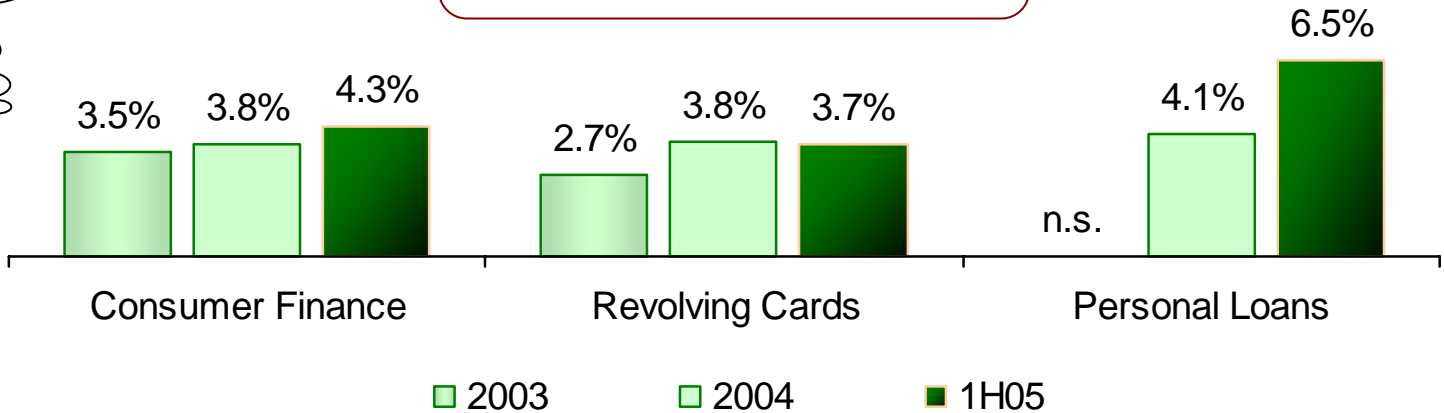
# Focus on high growth/ high value business: consumer finance



Group production concentrated in Consum.it frm 2004

Progressive growth of market shares

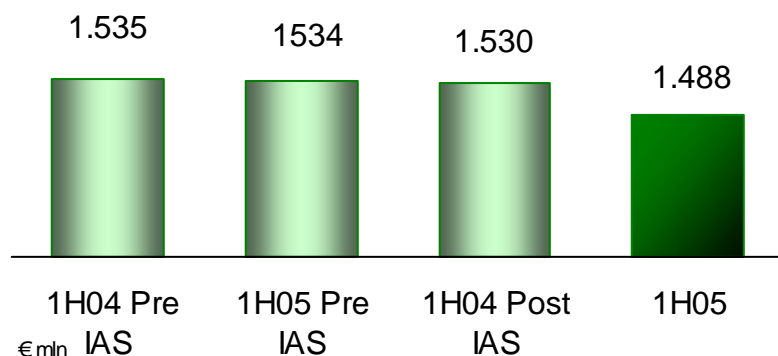
Consum.it Market share: 4.6% (3.6% at year end)



## Operating costs: continued reduction despite higher investments

### Operating costs:

Y/Y chg	Q/Q chg
<b>-2.8%</b>	<b>+0%</b>



### Main IAS effects

at 30 June 05

- Early retirement extraordinary costs: +39 €mln
- Stock granting: +10 €mln
- Indirected tax recoveries: -75 €mln
- Real Estates and other intangibles (value adjustments): -28 €mln
- Consolidation perimeter: +30 €mln

### Main operating trends

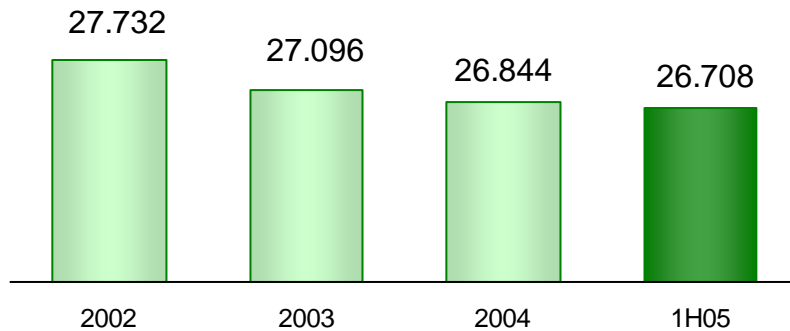
1H05 vs 1H04

- Stability of staff costs notwithstanding the new labour contract (+24 €mln on yearly basis)
- Slight increase of other administrative expenses due to the opening of new branches and the advertising campaign
- Normalised level of ICT investments

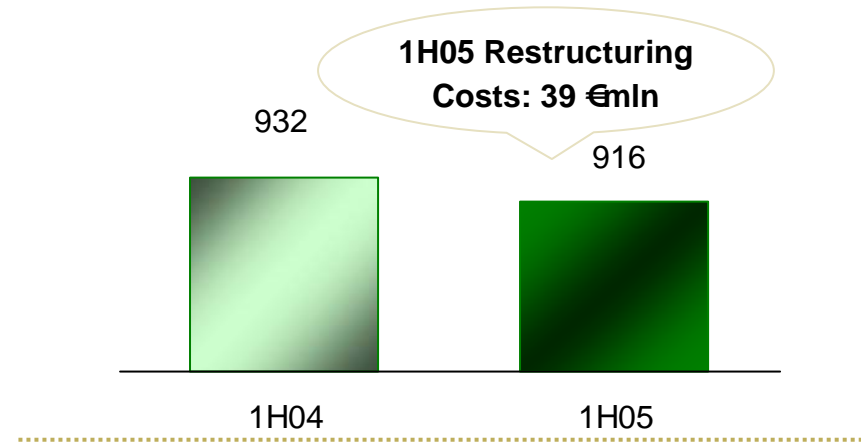
# Operating costs: continued reduction despite higher investments

**Employees (end of period) : -1,330 units from Dec02**

Staff referred to new Group IAS perimeter

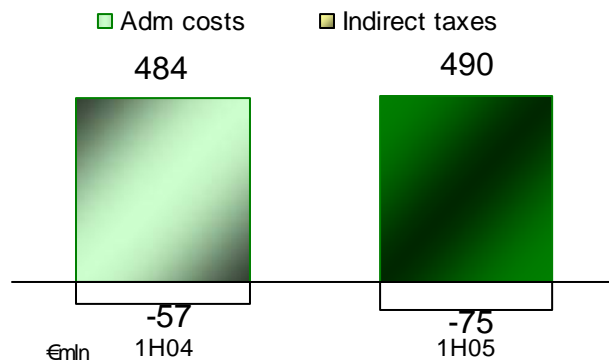


**Staff costs: -1.7% y/y**

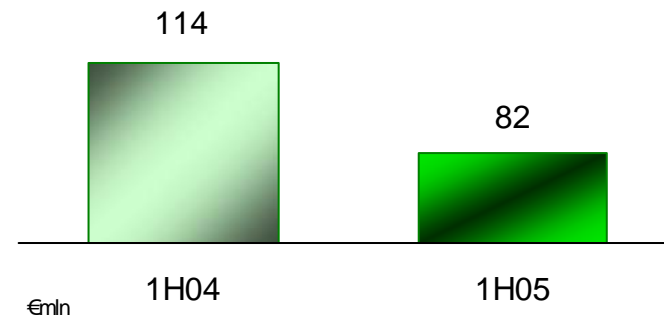


**Other administrative costs: +1.2.% y/y**

*Include higher expenses for the opening of new branches, the advertising campaign and to support high growth businesses*



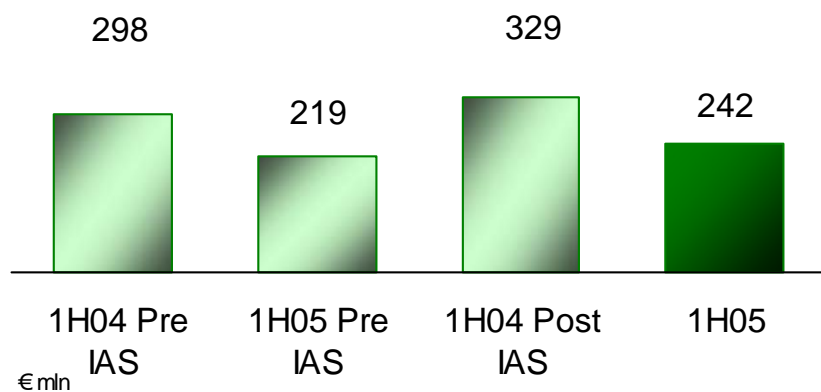
**Valuation adjustments: -28.4% y/y**



## **Credit Risk: sharp reduction of Loan Loss Provisions (LLP)**

**LLP**:

<b>Y/Y chg</b>	<b>Q/Q chg</b>
<b>-26.4%</b>	<b>+18%</b>



### **Main IAS effects**

at 30 June 05

- Securitization amortization ex lege 130/99: -17 €mln
- IAS 39 effect on impaired loans: + 40 €mln

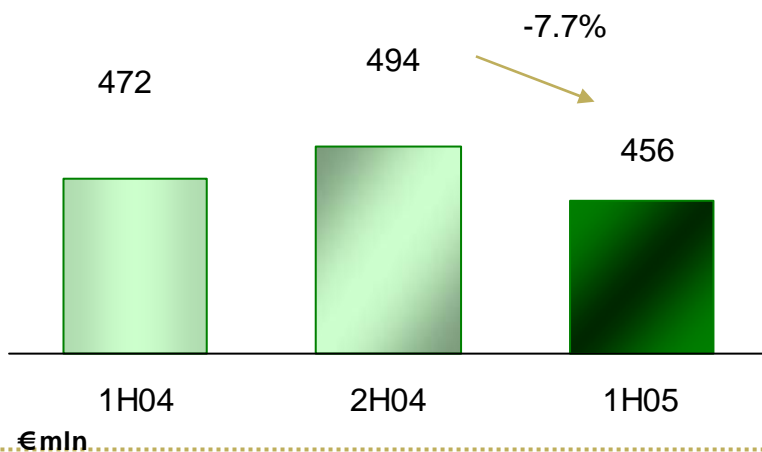
### **Main operating trends**

1H05 vs 1H04

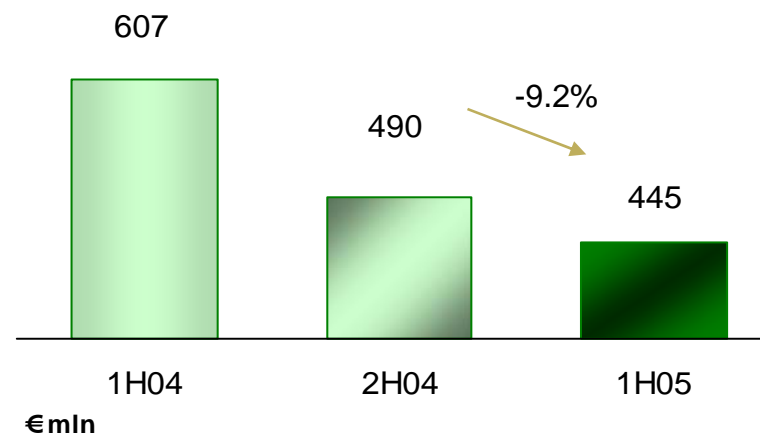
- Reduction of impaired loans inflows
- High level of recoveries
- Fair level of coverage

## **Credit Risk: decreasing inflows and high recoveries**

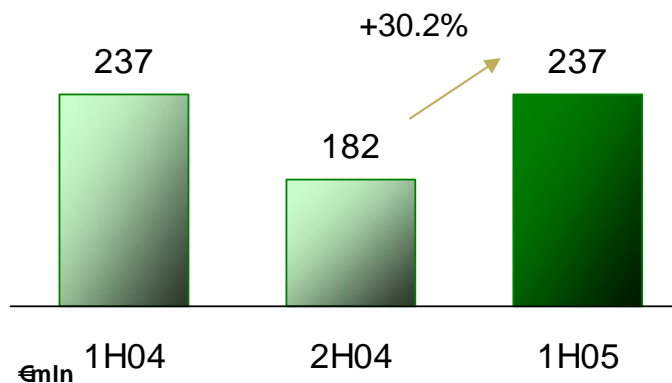
**NPLs Inflows: -3,3% yoy**



**Substandard Loans inflows: -26.7% yoy**



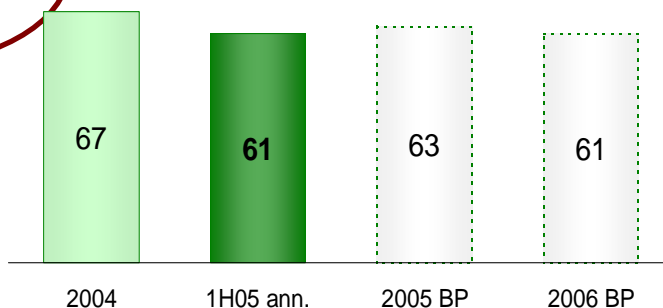
**Recoveries: +0.2% yoy**



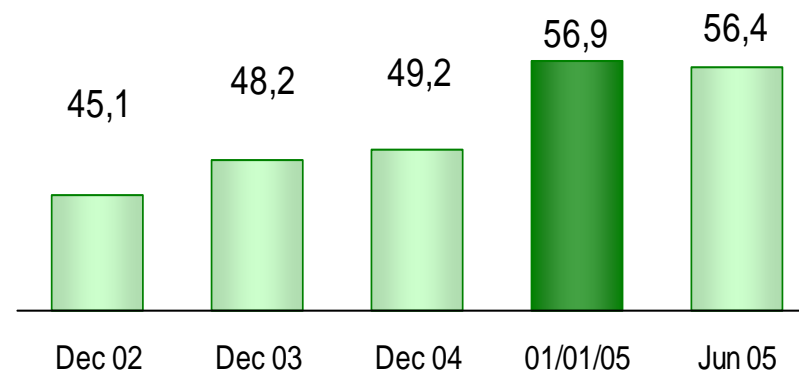
# Credit Risk: improvement of asset quality

Credit Cost (b.p.)

New 2005 target < 61 bp

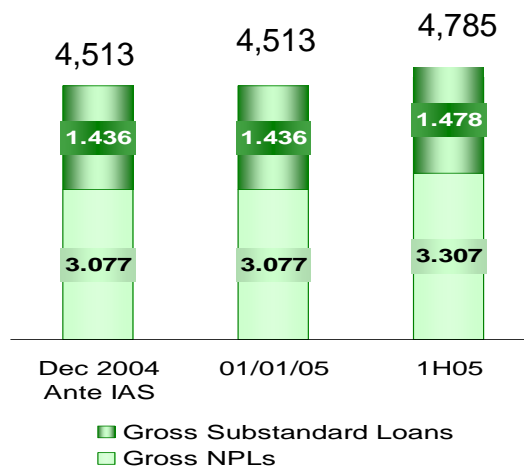


NPL Coverage Ratio (%)



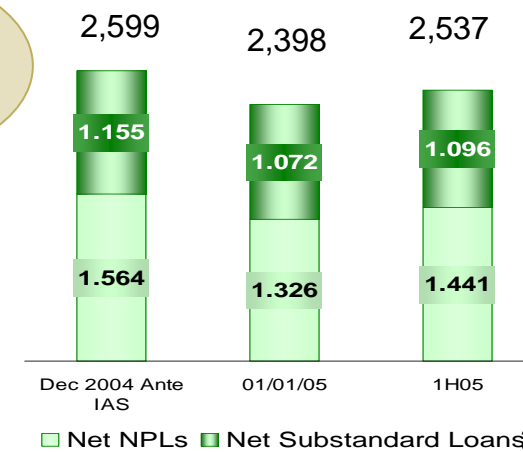
Gross NPLs and Substandard Loans (€m): +6,0% vs Dec 04

Gross NPL ratio at 4.1% (4.5% avg system)



Net NPLs and Substandard Loans (€m): -2.4% vs Dec 04

Net NPL ratio at 1.8%

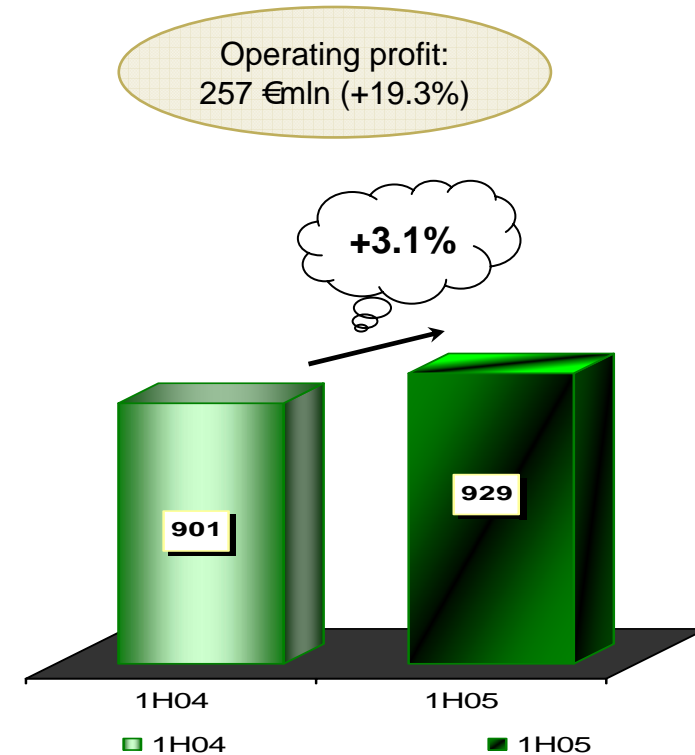


## Segment Reporting: Retail Banking

### Highlights

- New inflows of saving products at 3,795 €mln (+37.2% y/y)
- New mortgages at 2,205 €mln (+18.3% y/y); Consumer finance at 1,027 €mln (+48% y/y)
- Loans: 18 €bln (+22.3% y/y)
- AuM: 30.5 €bln (+6.7% y/y)
- Cost/income: 66.5%
- Raroc: 24.8%

### Revenues(€m)



**Residential mortgages market share: >7% (6.7% at dec 2004)**

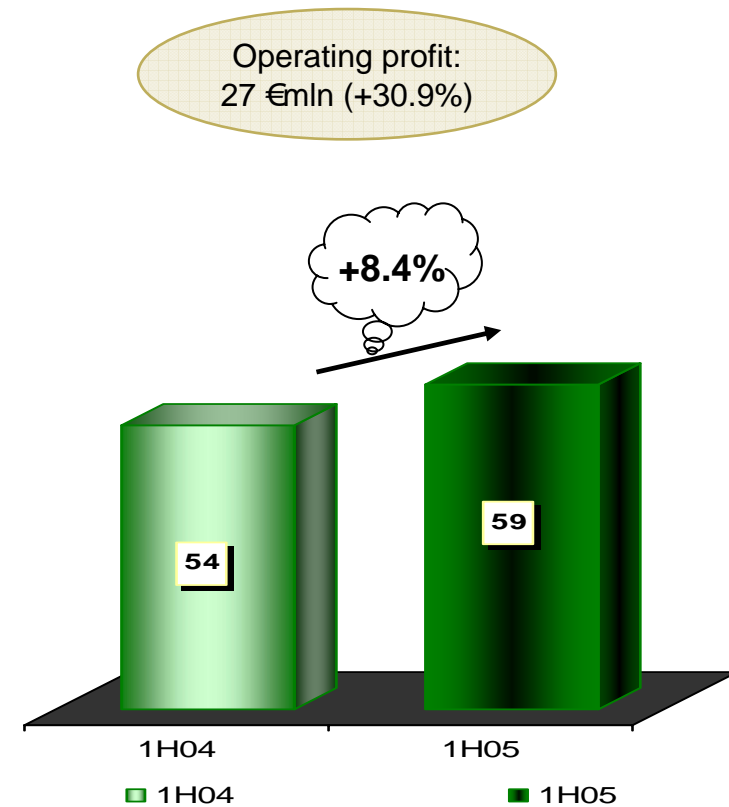
**Consum.it market share: 4.6% (3.6% at dec 2004)**

# Segment Reporting: Private Banking

## Highlights

- New inflows at 646 €mln
- AuM: 9 €bln (+9.5% y/y)
- Cost/income: 59,6%
- Raroc: 168%

## Revenues(€m)



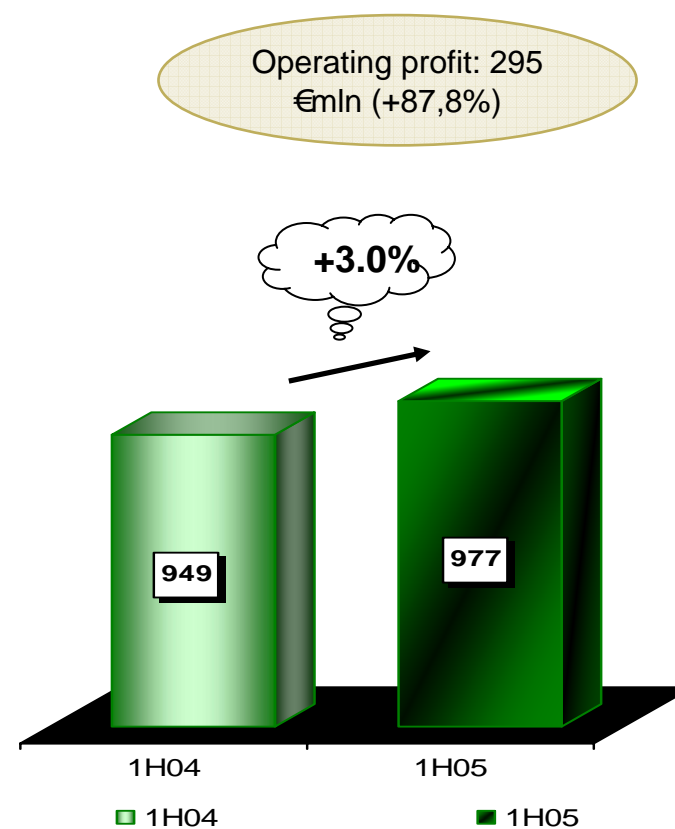


# Segment Reporting: Corporate Banking

## Highlights

- Corporate Derivatives flows at 2,079 € mln (+46% y/y)
- Loans: 51 € bln (+5.0% y/y)
- Cost/Income: 51.9%
- Raroc: 6.2%

## Revenues(€m)



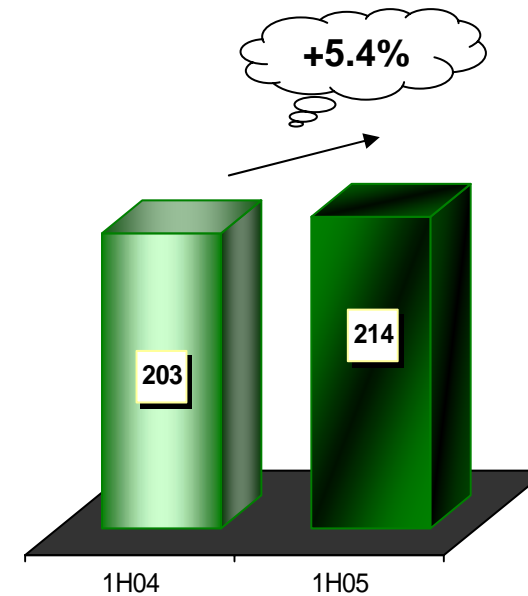
# Segment Reporting: Investment Banking

## Highlights

- Held for trading portfolio at 38.5 €bn including 9.5 €bn for insurance business and 8.8 €bn of derivatives
- Cost/Income: 23%
- Raroc: 33%

## Revenues(€m)

Operating profit: 164  
€m (+8.2%)



## Summary of the main ratios and comparison with Strategic Plan targets

	2003	1H05 ann.	2006 E
<b>ROE</b>	7.7%	12.2%	14%
<b>Cost/income% (1)</b>	68.3%	62.5%	57%
<b>Provisions and drawings on loans</b>	77 b.p (2)	61 b.p	61 b.p.
<b>Core Tier 1</b>	6.3%	6.2%	7.0%

(1) Including amortisation

(2) Ordinary provisioning restated excluding Parmalat and other extraordinary events

## Operating trends for 3Q05

- Commercial retail/private flows still high
- Slight increase for short term loans to SME's and SB
  - Still high growth for m/l loans
- Stability of NPL/Watchlist inflows
  - Pressure on Pricing

This presentation of MPS Group 2005 interim results has been prepared solely for illustrative purposes to the financial community. With the aim of giving a more comprehensive picture of the main operating trends and facilitate the analysis of 2005 results, 2004 results have been restated according to preliminary and unaudited information under IAS/IFRS standards, including estimates of IAS 32 and 39 effects, as currently set out. Since IAS/IFRS principles might be subject to future modifications, the form, but not the substance, of the information contained in this presentation could be subject to modification before 2005 Annual Report are approved. Readers are advised to refer to the Interim Report as at 30 June 2005, which contains the specific accounts approved by th Board of Directors of the Bank.

# Annexes

# MPS Group : Reclassified P&L Statement

	30/06/05	30/06/04	Change	
		restated with IAS 32/39*	absolute	%
<b>Net Interest Income</b>	<b>1.469,0</b>	<b>1.412,1</b>	<b>57,0</b>	<b>4,0%</b>
Net Commissions	847,7	791,3	56,4	7,1%
<b>Basic income</b>	<b>2.316,7</b>	<b>2.203,4</b>	<b>113,3</b>	<b>5,1%</b>
Dividends, other income and profit (loss) from participations	61,0	64,3	-3,3	-5,1%
Profit (Loss) from trading/valuation of financial assets	195,7	210,0	-14,3	-6,8%
Profit (Loss) from hedging	-8,5	0,0	-8,5	ns.
Other Profits (Loss) from insurance business	-184,7	-190,2	-5,5	-2,9%
<b>Total Income</b>	<b>2.380,3</b>	<b>2.287,6</b>	<b>92,7</b>	<b>4,1%</b>
Valuation adjustments :				
a) loans	-242,0	-329,4	-87,4	-26,5%
b) financial assets	2,2	-2,0	ns.	ns.
<b>Profit from financial and insurance business</b>	<b>2.140,5</b>	<b>1.956,2</b>	<b>184,3</b>	<b>9,4%</b>
Administratives expenses	-1.406,5	-1.416,3	-9,7	-0,7%
a) personnel expenses	-916,4	-931,9	-15,5	-1,7%
b) other administrative expenses	-490,1	-484,4	5,7	1,2%
Valuation adjustment to fixed and intangible assets	-81,8	-114,2	-32,4	-28,4%
<b>Operating Costs</b>	<b>-1.488,3</b>	<b>-1.530,5</b>	<b>-42,1</b>	<b>-2,8%</b>
<b>Net operating profit</b>	<b>652,1</b>	<b>425,7</b>	<b>226,4</b>	<b>53,2%</b>
Net provisions for risk and charges and other non operating income (expenses)	8,0	-10,9	ns.	ns.
Fair value results on tangible and intangible assets	0,0	0,0	0,0	ns.
Net impairment losses on other assets	-29,0	0,0	29,0	ns.
Income (loss) from disposal of investments	-0,03	-2,8	-2,7	ns.
<b>Income (loss) before tax from continuing operations</b>	<b>631,1</b>	<b>412,1</b>	<b>219,0</b>	<b>53,1%</b>
Taxes on income of continuing operations	-249,0	-163,2	85,8	52,5%
<b>Income (loss) after tax from continuing operations</b>	<b>382,1</b>	<b>248,9</b>	<b>133,2</b>	<b>53,5%</b>
Income / loss after tax from discontinuing operations	-0,2	0,0		
Minority interests	-9,5	-6,8	2,7	39,7%
<b>Net Income</b>	<b>372,4</b>	<b>242,1</b>	<b>130,3</b>	<b>53,8%</b>

(\*) restated including an estimate of IAS 32/39 impact on financial instruments.

# MPS Group: quarterly P&L Statement

## MPS GROUP

### ■ RECLASSIFIED QUARTERLY CONSOLIDATED PROFIT AND LOSS STATEMENT (in euro mln)

	2005		2004 (1)			
	2nd Quarter	1st Quarter	4th Quarter	2nd Quarter	2nd Quarter	1st Quarter
<b>Net Interest Income</b>	<b>733,5</b>	<b>735,5</b>	<b>692,6</b>	<b>701,6</b>	<b>690,5</b>	<b>721,5</b>
Net Commissions	435,8	412,0	413,8	365,8	386,2	405,2
<b>Basic income</b>	<b>1.169,3</b>	<b>1.147,5</b>	<b>1.106,5</b>	<b>1.067,5</b>	<b>1.076,7</b>	<b>1.126,7</b>
<b>Total Income</b>	<b>1.205,5</b>	<b>1.174,7</b>	<b>1.105,1</b>	<b>1.024,1</b>	<b>1.094,8</b>	<b>1.192,8</b>
Valuation adjustments :						
a) loans	-131,0	-111,0	-156,7	-141,7	-184,7	-144,7
<b>Operating Costs</b>	<b>-744,2</b>	<b>-744,2</b>	<b>-815,2</b>	<b>-760,4</b>	<b>-764,2</b>	<b>-766,3</b>
<b>Net operating profit</b>	<b>331,5</b>	<b>320,7</b>	<b>131,9</b>	<b>120,7</b>	<b>144,9</b>	<b>280,8</b>
<b>Income (loss) before tax from continuing operations</b>	<b>320,9</b>	<b>310,1</b>	<b>131,1</b>	<b>176,9</b>	<b>156,6</b>	<b>255,5</b>
Taxes on income of continuing operations	-106,8	-142,2	87,2	-70,0	-62,0	-101,1
<b>Net Income</b>	<b>209,3</b>	<b>163,1</b>	<b>215,1</b>	<b>103,7</b>	<b>91,2</b>	<b>151,0</b>

(1) restated including an estimate of IAS 32/39 impact on financial instruments.