



## **9M 2005 Results**

Siena, November 14<sup>th</sup>, 2005

## 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.*

- Highlights of 9M 2005 Results

- Analysis of 9M 2005 Results

- Evolution of main operating trends (pre-IAS)
- Analysis of 9M 2005 IAS Results

## 3Q 2005 Highlights

- **Saving products commercial flows:**
  - +13.8% vs 2Q 2005
  - +56.4% vs 3Q 2004
- **AuM stock:**
  - +5.1% vs 2Q 2005
- **Commercial banking net interest income:**
  - +0.8% vs 2Q 2005
  - +2.5% vs 3Q 2004
- **Net fees:**
  - -0.2% vs 2Q 2005
  - +18.9% vs 3Q 2004
- **Gross NPL flows:**
  - -17% vs 2Q 2005

## 9M 2005 Highlights

- **Strong growth of commercial flows:**
  - **Saving products: +44%**
  - **Lending products: +22%**
- **Increasing market shares in the main businesses:**
  - **Bancassurance: +0.8%**
  - **Portfolio Management: +0.6%**
  - **Consumer Finance: +1.1%**
- **High growth of net fees: +11% y/y**
- **Strong increase of operating income (+73%) and net income (+66%)**

## 9M 2005 Highlights

<b>P&amp;L Aggregates</b>				
Mln.€	MPS Group	9M 2005 vs 9M 2004 % chg (1)	Commercial Banking	9M 2005 vs 9M 2004 % chg Pro-Forma (1)
Basic income	3,488	+6.6%	3,013	+4.2%
Total income	3,562	+7.6%	3,013	+4.2%
Valuation adjustments on loans and Financial Assets	366	-22.4%	362	-21.8%
Operating Costs	2,250	-1.8%	1,768	-1.9%
Net Operating Profit	946	+73.0%	883	+41%
Net income	574	+65.8%	539	+41%

<b>Balance sheet Aggregates</b>		
	Mln.€	y/y chg (2) %
AuM	48,351	+11.2%
Funds under administration	61,555	+2.3%
Direct funding	81,787	+4.9%
Loans	79,237	+7.8%

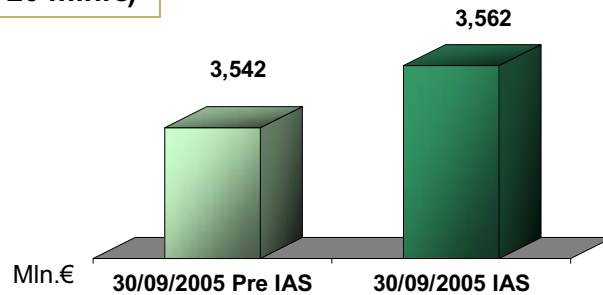
<b>Key indicators (%)</b>		
	9M 2005	31/12/04
Cost / Income ratio	63.2%	69.3%
Provisioning	61 bp	67 bp
ROE (net equity as of end of period)	12.5%	8.6%
Tier 1	6.5%	6.7%

1) Comparative data based on IAS/IFRS principles, including an estimate of IAS 32 and IAS 39 impacts

2) % annualised changes vs 30/9/2004 including an estimate of IAS 32 and IAS 39 impacts

## IAS impacts on 9M 2005 P&L

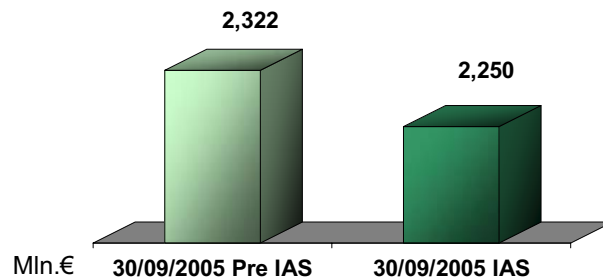
### Revenues (+20 mln.€)



### Main effects

- +43 mln.€: contribution from bancassurance business
- +79 mln.€: time value reversal effect of impaired loans
- -135 mln.€: other income (indirect taxes recoveries and non-operating revenues)
- Other secondary effects (agricultural sector, ...)

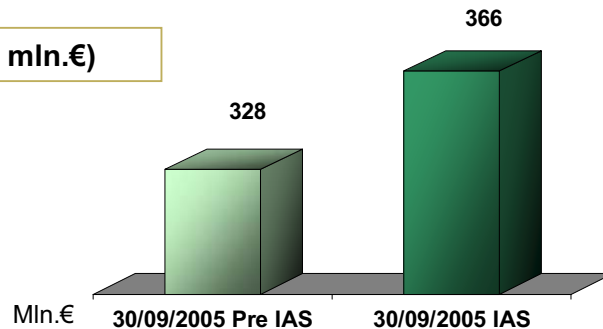
### Operating costs (-72 mln.€)



### Main effects

- Staff costs: +74 mln.€
- Other administrative costs: -105 mln.€
- Value adjustments: -41 mln.€

### LLP (+38 mln.€)



### Main effects

- -25 mln.€: securitization amortization ex lege 130/99
- +62 mln.€: IAS 39 effect on impaired loans

- Highlights of 9M 2005 Results

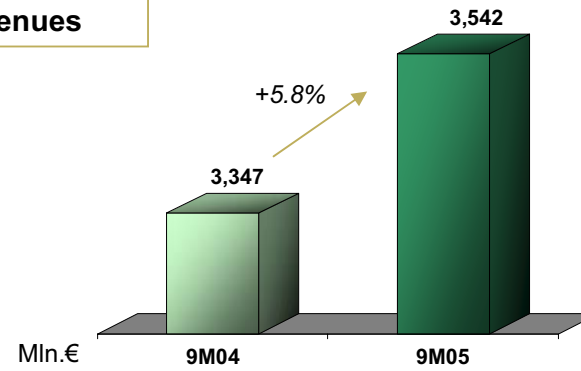
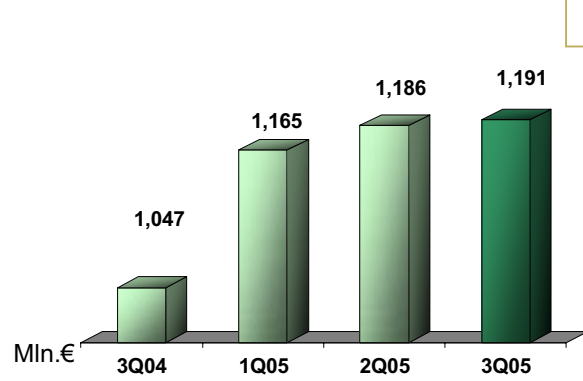
- Analysis of 9M 2005 Results

- Evolution of main operating trends (pre-IAS)
- Analysis of 9M 2005 IAS Results

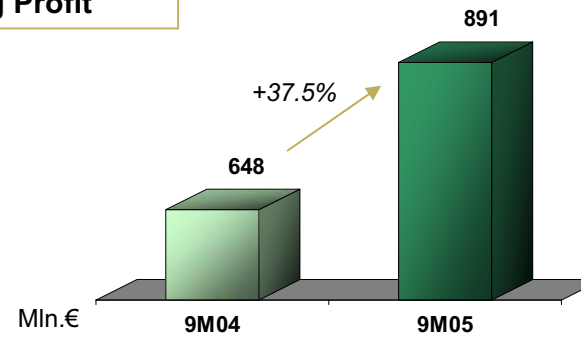
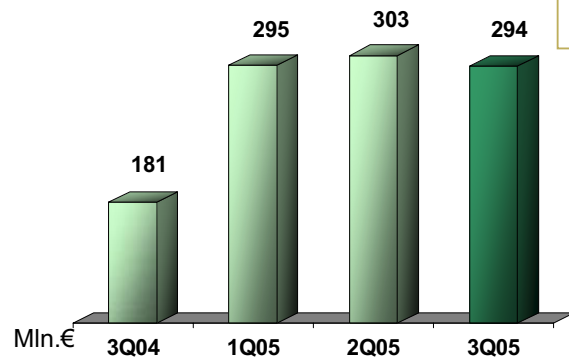


## Structural increase in profitability ...

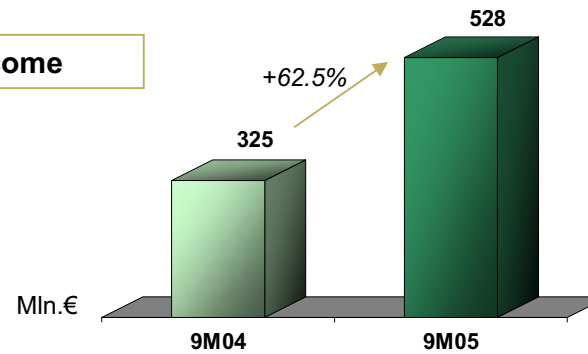
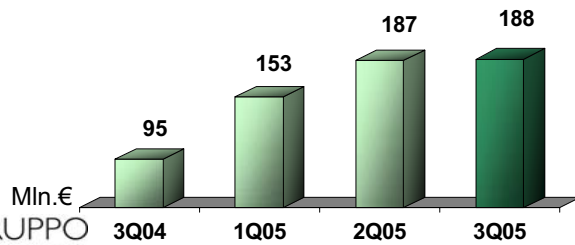
### Total Revenues



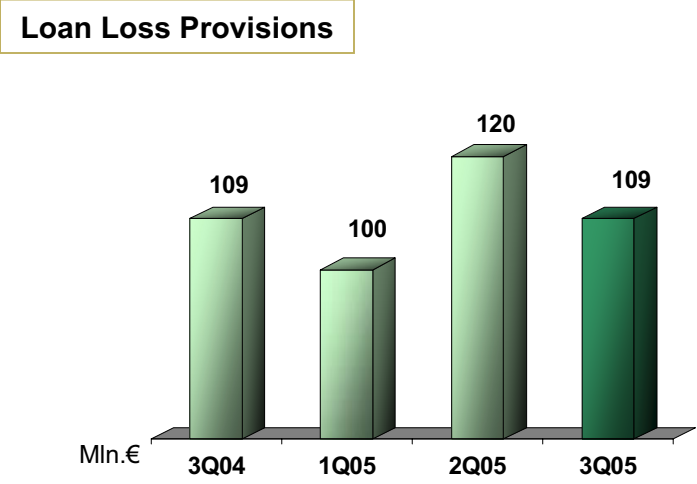
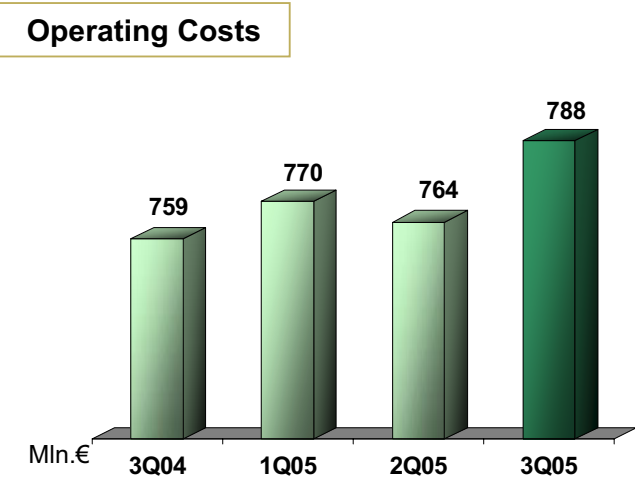
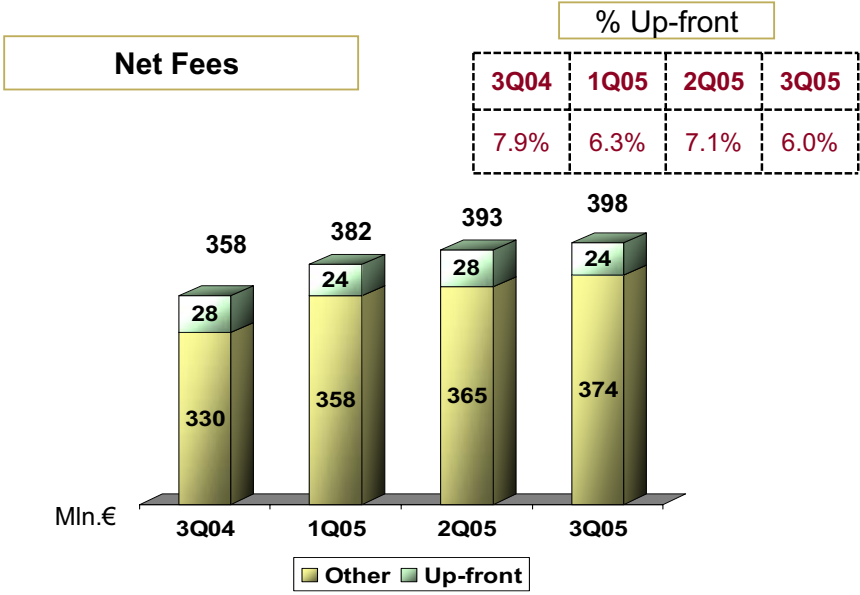
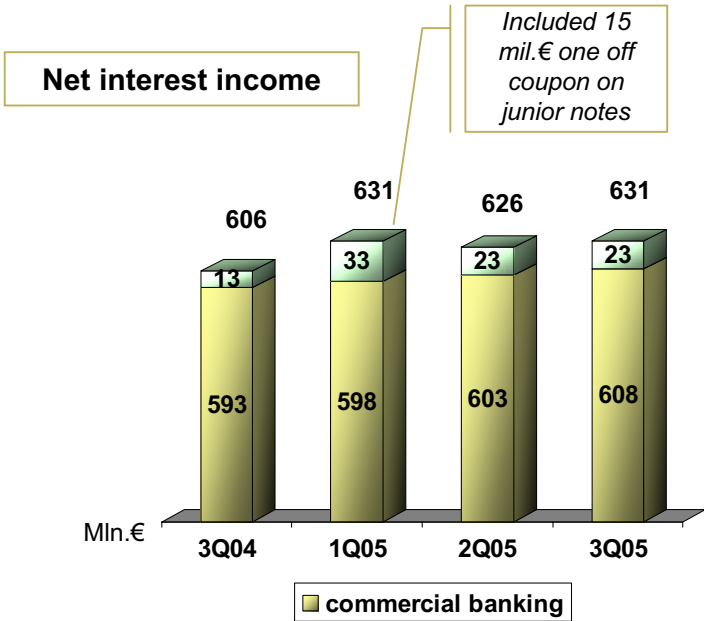
### Operating Profit



### Net income



**... thanks to steady improvements on both revenues growth and cost control**



- Highlights of 9M 2005 Results

- Analysis of 9M 2005 Results

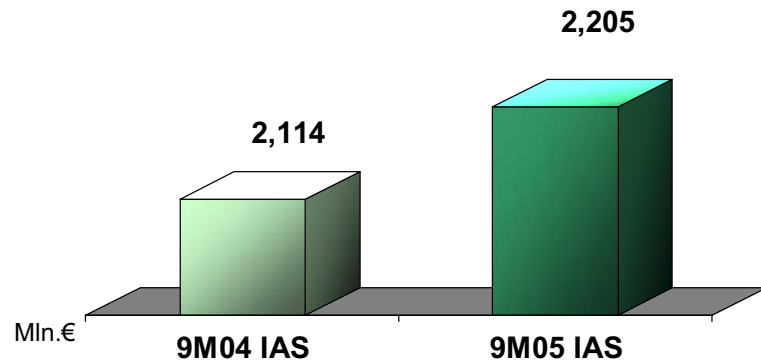
- Evolution of main operating trends (pre-IAS)

- Analysis of 9M 2005 IAS Results

# Net interest income

## Net interest income

y/y chg	q/q chg
+4.3%	+0.4%



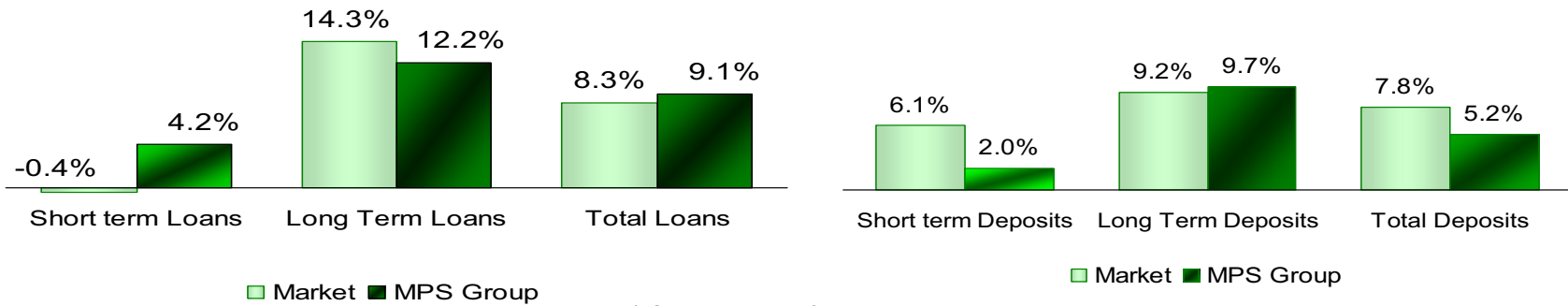
## Main effects

- Commercial banking (excluding insurance): +2.9% y/y
- Investment banking: +12.9% y/y

# Net interest income: volumes and pricing

**Domestic Customer Loans (end of period):**  
**+ 9.1% 9M 2005 vs 9M 2004\***

**Domestic Customer Funds (end of period):**  
**+ 5.2% 9M 2005 vs 9M 2004\***

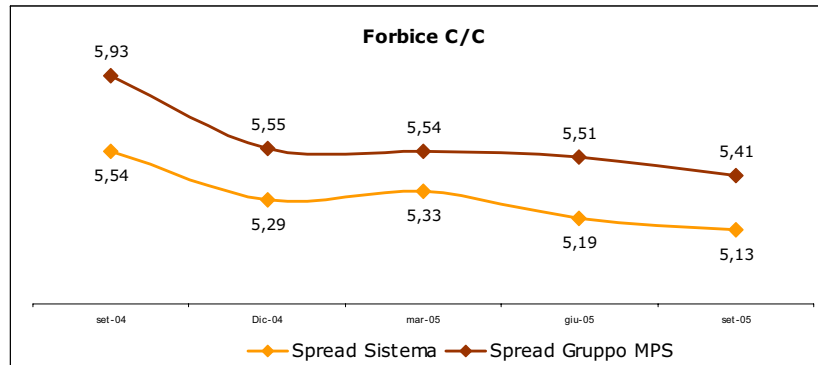


\* Source: Bank of Italy Matrix Data

Customer Loans **market share**: 6.2% stable from year end

Customer Funds **market share**: 6.5% stable from year end

## Trend in s/t customer spread\*

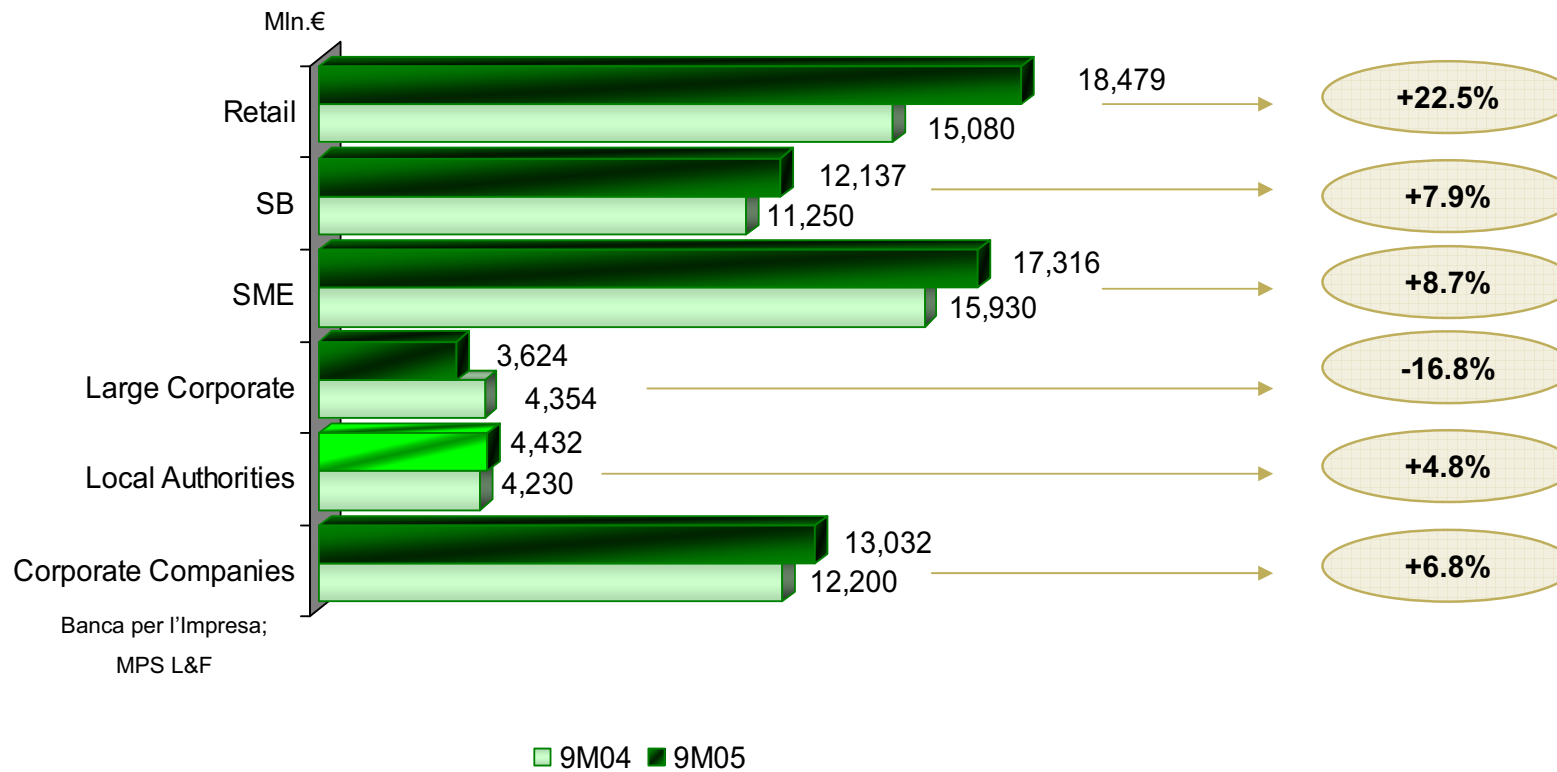


\*Mark-up and mark-down are calculated considering interest rate on current accounts

# Net interest income: domestic commercial loans breakdown

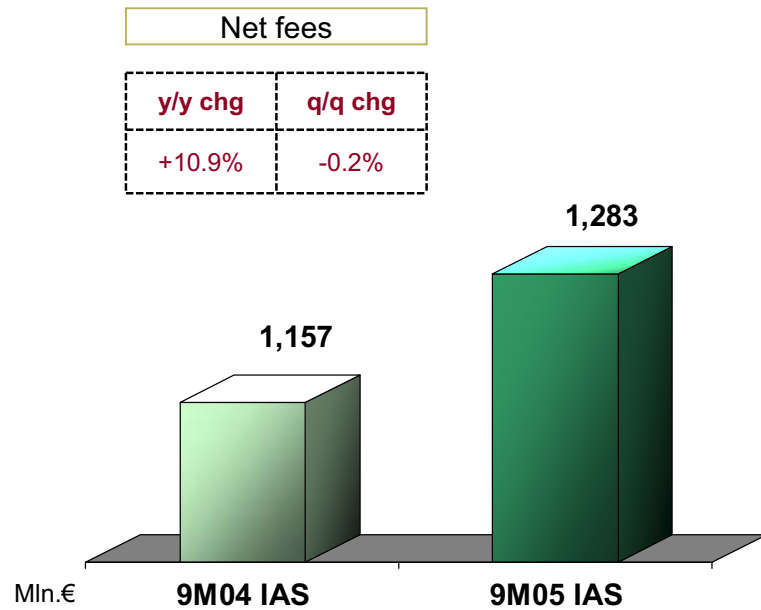
Breakdown of domestic customer loans: avg balances

Trend 9M 2005 vs 9M 2004



**Total domestic customer loans:**  
70,228 mln.€ (+9.4% y/y)

## Net fees

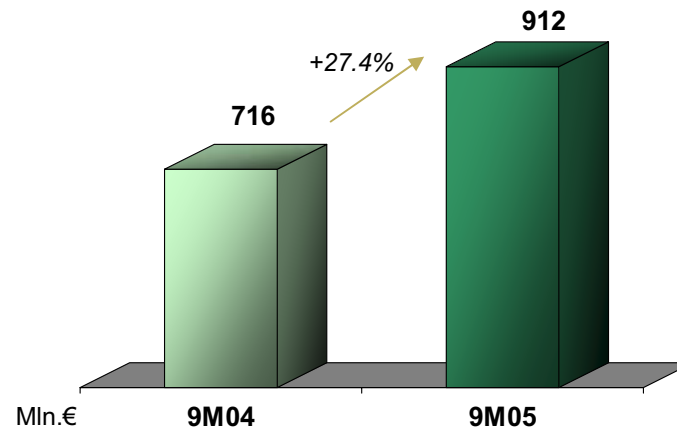


### Main effects

- +9.2%: AuM fees
- +9.2%: traditional banking fees
- -68.3%: innovative financial products fees
- Lower contribution from tax collection q/q (-7.0%)

## Strong growth of recurring revenues from the new production

### Recurring revenues (1) from new production



(1): Recurring fees embedded in new production = total amount of revenues to be earned in the next years from the sale of the following products: plain vanilla/structured bonds + retail mortgages + personal loans + life insurance single premiums

### Increasing market shares in main businesses

- Consum.it consumer finance: 4.7% vs 3.6% at year end
- Bancassurance: 10.9% vs 10.1% at year end
- PM: 7.3% vs 6.7% at year end
- Mutui: 7.1% vs 6.7% at year end

### Pricing

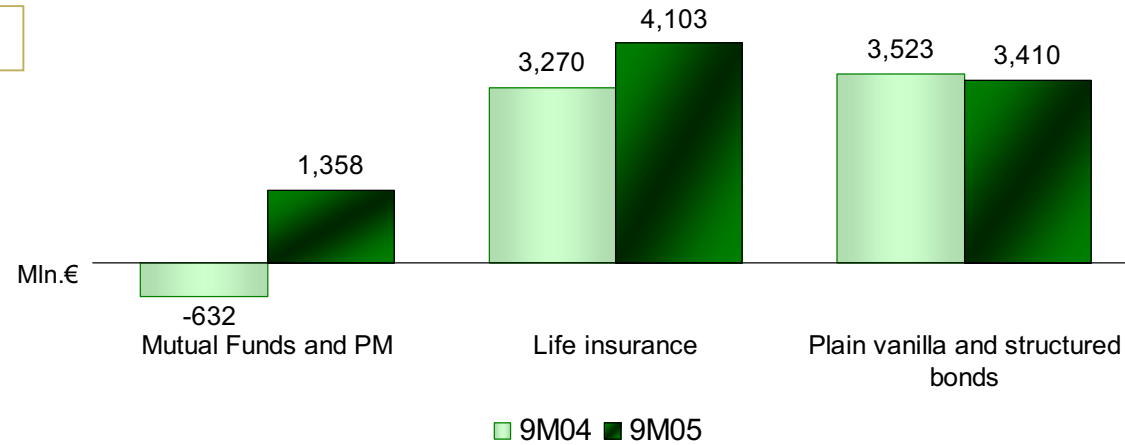
- Pressure on short term spread in line with the system
- Slight erosion on mortgages/consumer finance spread
- AuM pricing stable



## Acceleration of commercial flows ...

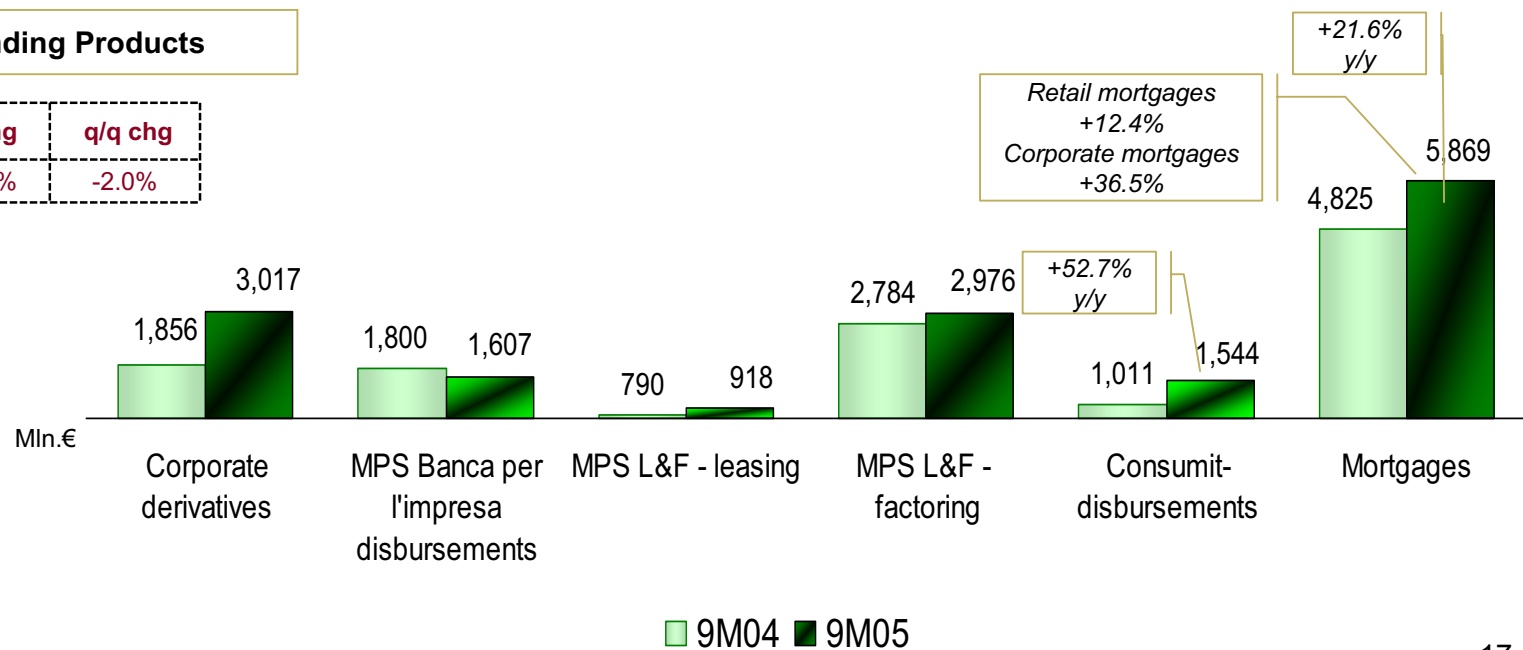
### Saving Products

y/y chg	q/q chg
+44%	+13.8%



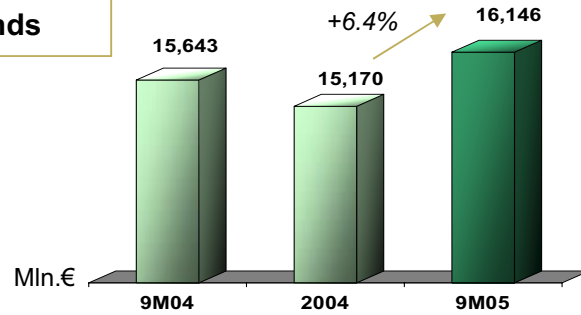
### Lending Products

y/y chg	q/q chg
+22.1%	-2.0%



## ... with strong increase of AuM stocks

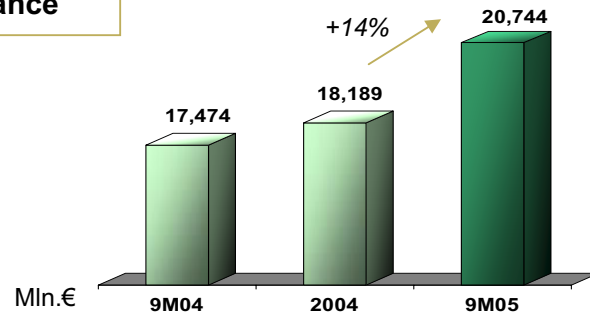
### Mutual funds



**Market share\*:**  
5.9% (5.7% at Dec 2004)

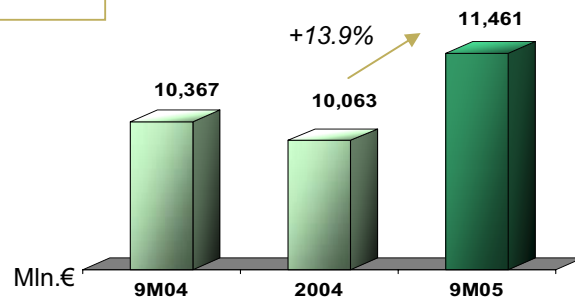
- **Market share of stock\*:** 3.96% (from 3.91% at dec 2004)

### Life insurance



- **Market share of flows:** 10.9% (10.1% at dec 04)
- **Embedded Value estimated on new production:** 80 mln.€
- **Recurring premiums:** 237 mln.€ vs 207 mln.€ at September 04

### PM



- **Market share of stock:** 7.3% (6.7% at dec 2004)

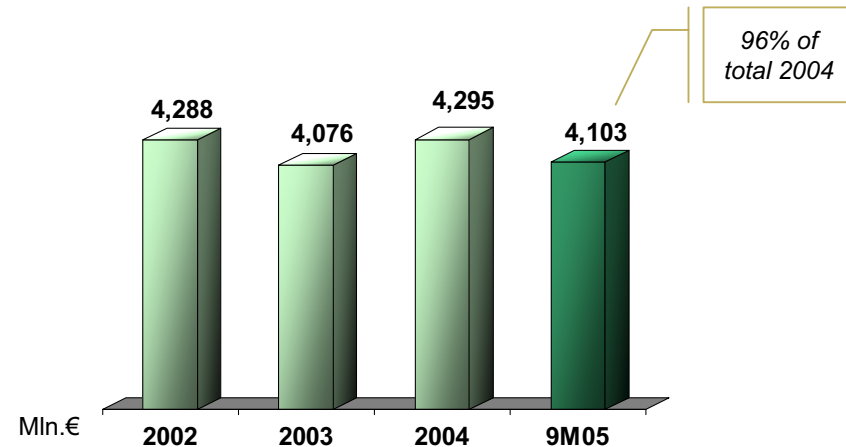
**AuM: 48,351 mln. € (+11.2% y/y), of which:**

- Mutual funds: +3.2% y/y
- Life insurance: +18.7% y/y
- PM: +10.6% y/y

## Focus on high growth/high value businesses: Bancassurance

### Gross Premiums

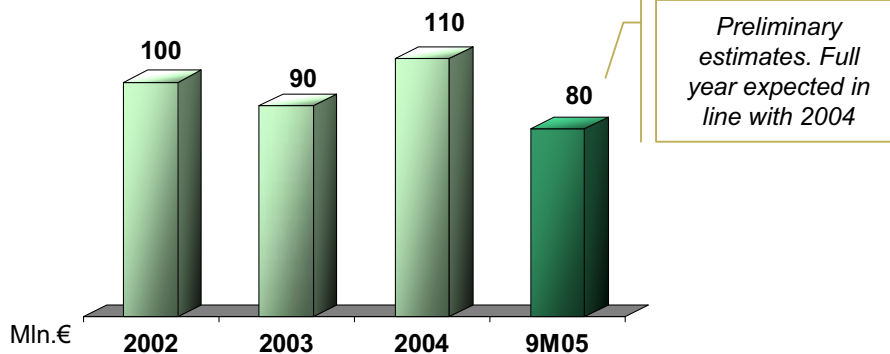
- 1 out of 4 new policies with recurring premiums
- 55% of new production originated from new customers
- Traditional policies 2,992 mln. € (+31.6% y/y)
- Index Linked 851 mln. € (+7.7% y/y)
- Unit Linked 260 mln. € (+26.2%)



### Group Embedded value\*

**1.1 bln.€ at Dec 2004**

### Embedded value\* of new production



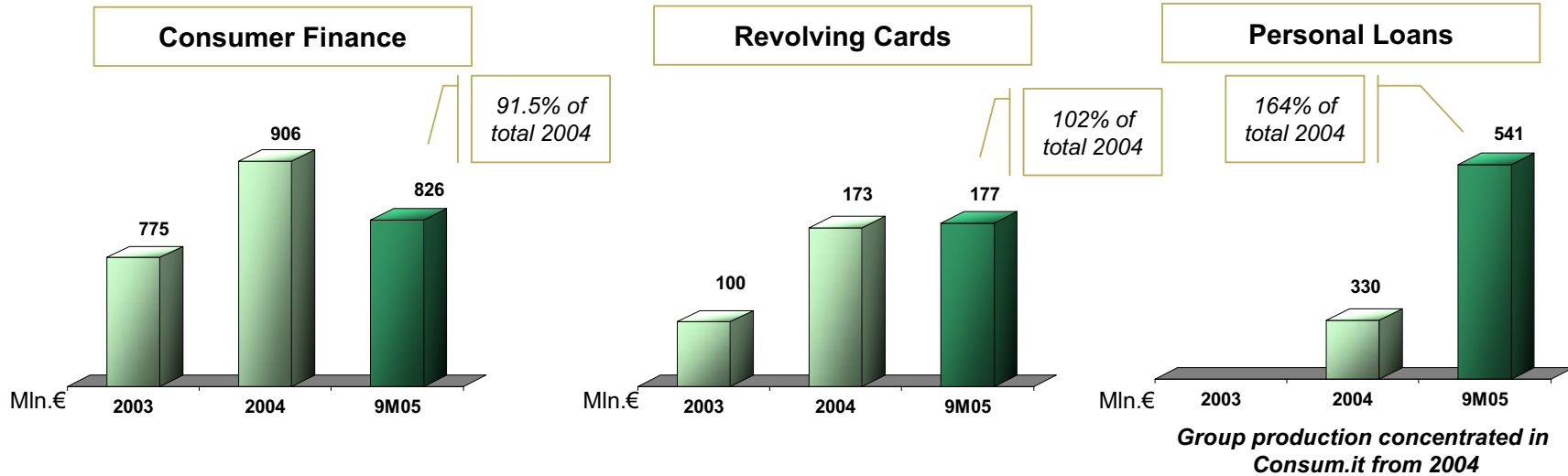
### MPV Group (excluding network)

<b>Total Revenues</b>	<b>102 mln. €</b>
<b>- Net interest income</b>	<b>277 mln. €</b>
<b>- Other income</b>	<b>46 mln. €</b>
<b>- Other profits/losses from insurance business</b>	<b>-221 mln. €</b>

(\*) 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.

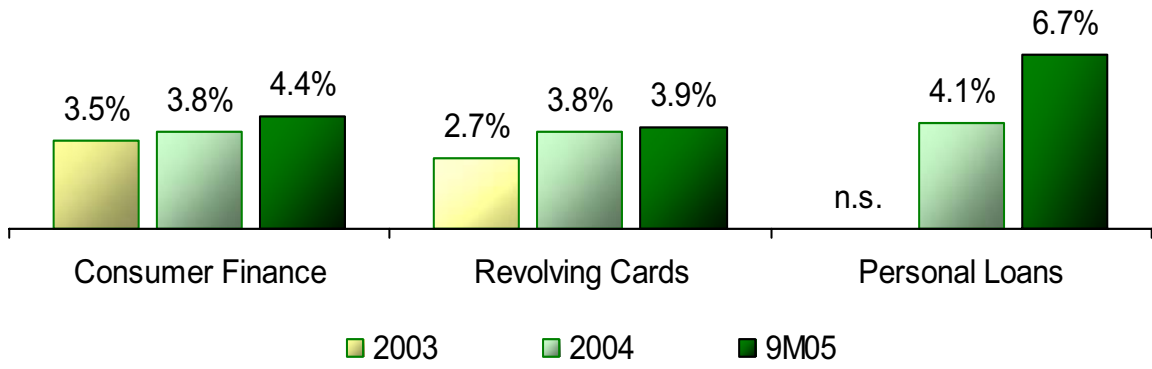
In particular at December 2004 MPV Group Embedded Value was 810 mln.€, Commercial networks Embedded Value was estimated at 198 mln.€, Quadrifoglio Vita Embedded Value was 100 mln.€.

# Focus on high growth/high value businesses: Consumer Finance

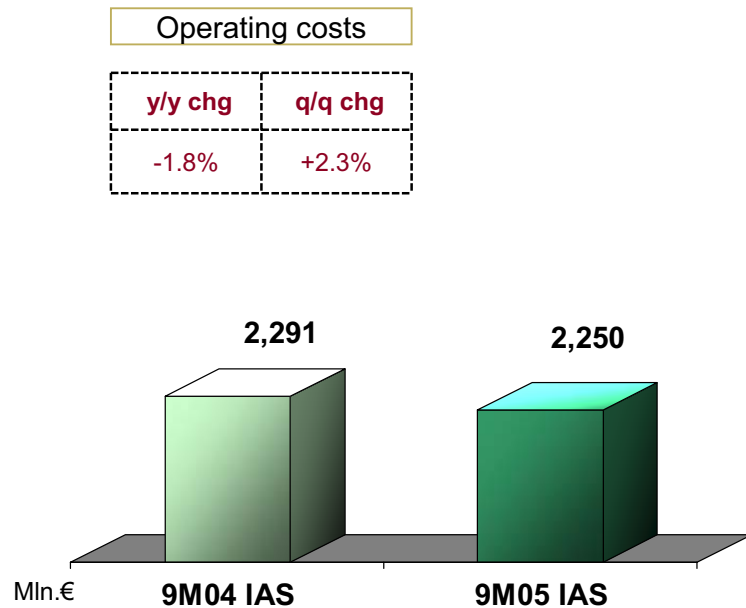


**Progressive growth of market shares**

**Consum.it market share: 4.7% (3.6% at year end)**



# Operating Costs

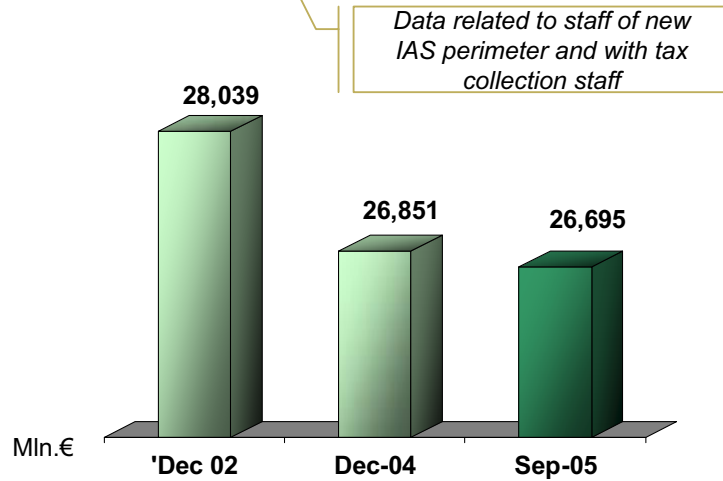


## Main effects

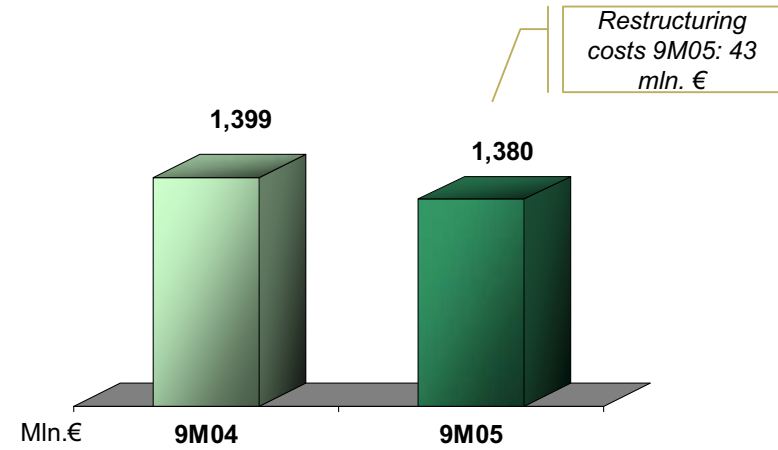
- Staff costs: -1.4 % y/y notwithstanding the new labour contract (+1.8% yearly avg) and:
  - +43 mln.€ for early retirement extraordinary costs
  - +17.1 mln.€ for stock granting
- Slight increase of other administrative costs due to:
  - Higher advertising expenses
  - Opening of 46 new branches
  - Support to high growth businesses (e.g. Consum.it)
- Valuation adjustments: -27% y/y due to normalization of IT expenses

# Operating Costs

Employees (end of period): -1.343 units from Dec 02

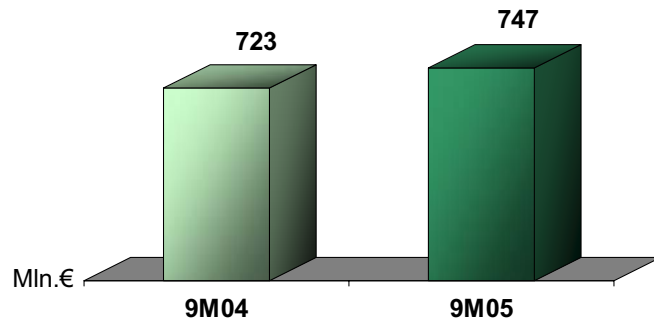


Staff Costs: -1.4% y/y

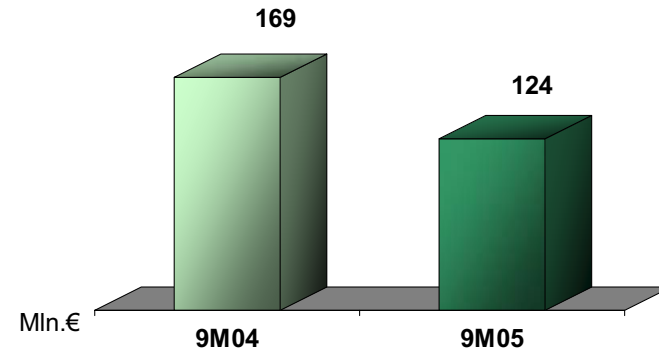


Other administrative costs: +3.3% y/y

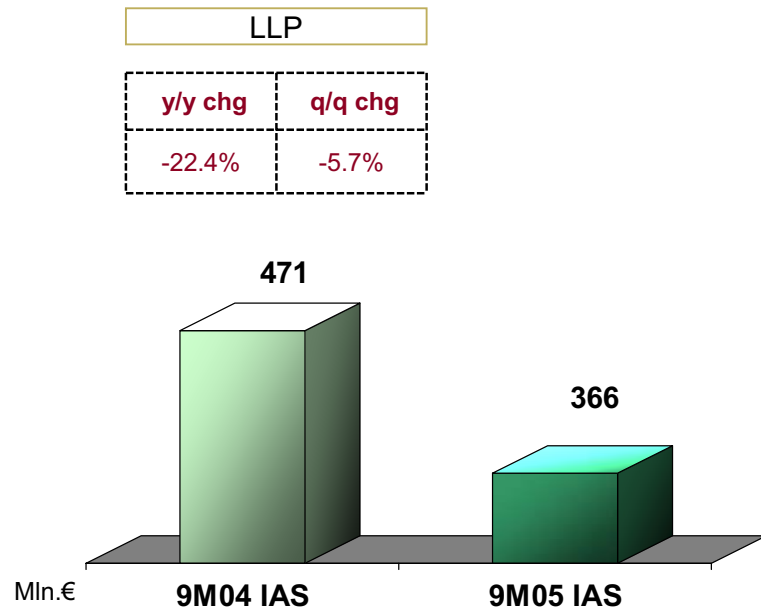
*Include higher expenses for the opening of new branches, the advertising campaign and to support high growth businesses*



Valuation adjustments: -27% y/y



# Loan Loss Provisions

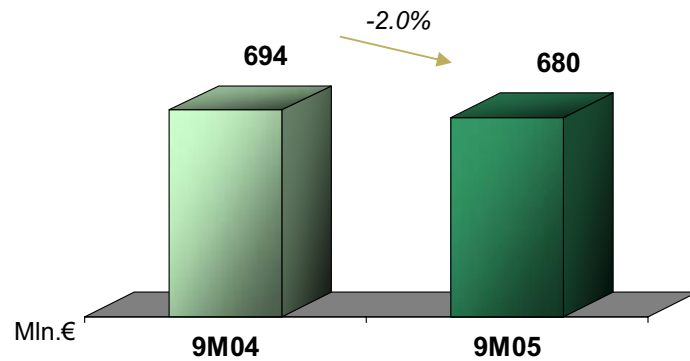


## Main effects

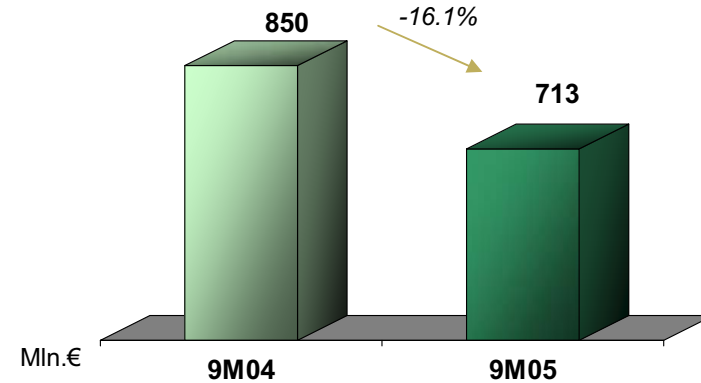
- Reduction of doubtful loans inflows
- High level of recoveries
- Fair level of coverage

## Credit Risk: decreasing inflows and increasing recoveries

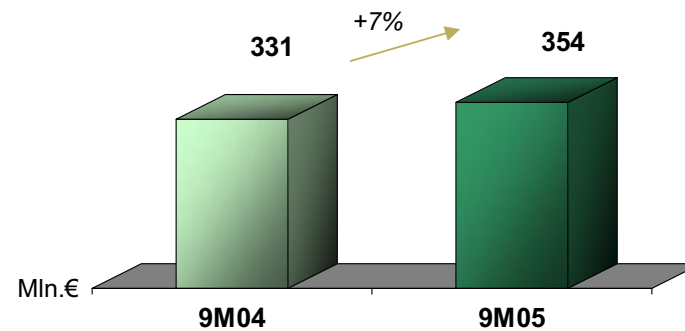
NPLs inflows: -2.0% y/y



Substandard Loans inflows: -16.1% y/y



Recoveries: +7% y/y

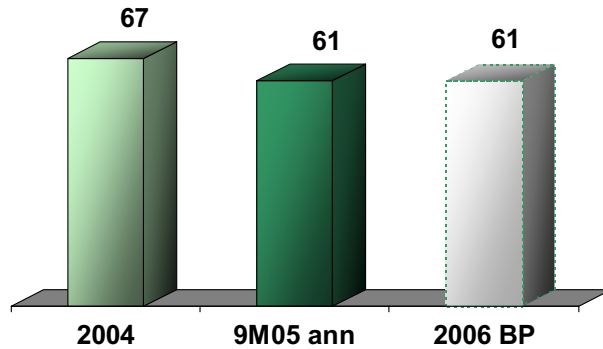




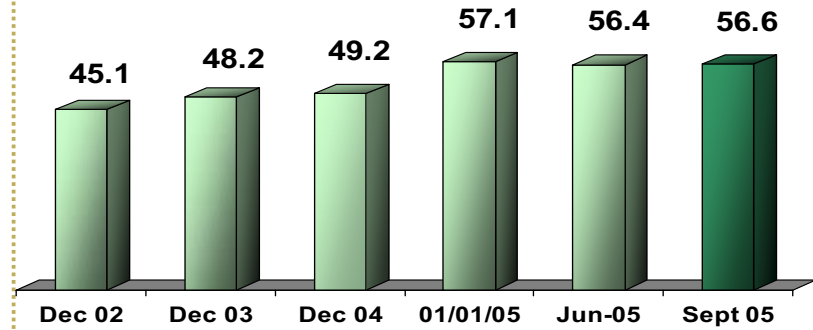
# Credit Risk: steady improvement of asset quality

Credit cost (b.p.)

New 2005 target < 61 b.p.

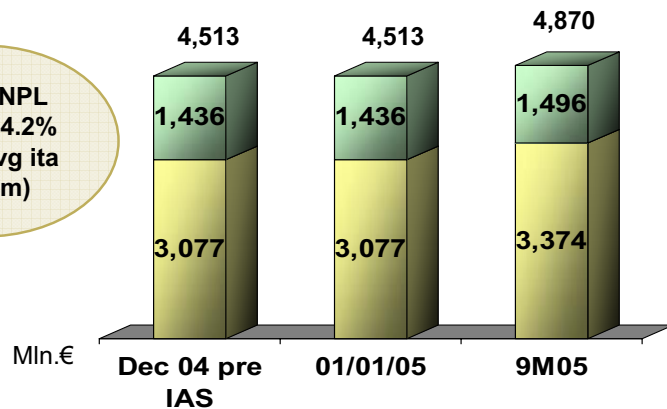


NPL Coverage Ratio (%)



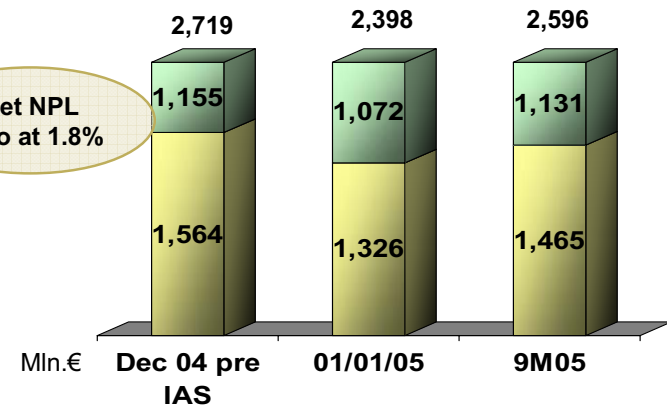
Gross NPLs and Substandard Loans (mln. €):  
+7.9% vs Dec '04

Gross NPL ratio at 4.2%  
(4.6% avg ita system)



Net NPLs and Substandard Loans (mln. €):  
-4.5% vs Dec '04

Net NPL ratio at 1.8%



# Segment Reporting: Retail Banking

## Highlights

- New inflows of saving products at 5,687mln. € (+32% y/y)
- New mortgages at 3,200 mln. € (+12.4% y/y);
- Consumer finance at 1,544 mln. € (+53% y/y)
- Loans: 18.5 mld. € (+22.5%)
- AuM: 31.6 mld.€ (+6.7% y/y)
- Cost/income : 67.2%
- Raroc: 24.9%

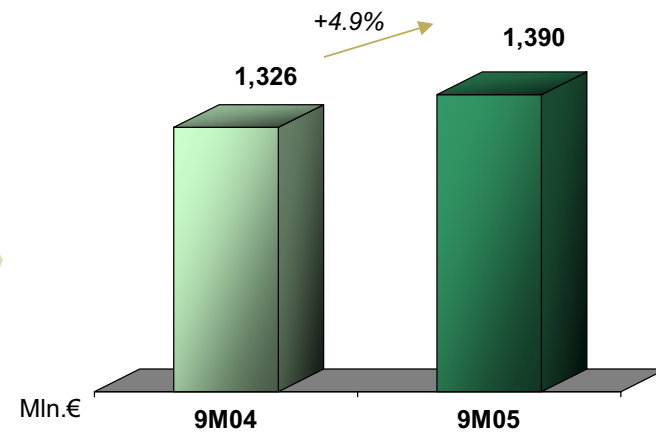
### Residential mortgages market share:

**7.1%** (6.7% at dec 2004)

### Consum.it market share:

**4.7%** (3.6% at dec 2004)

## Revenues



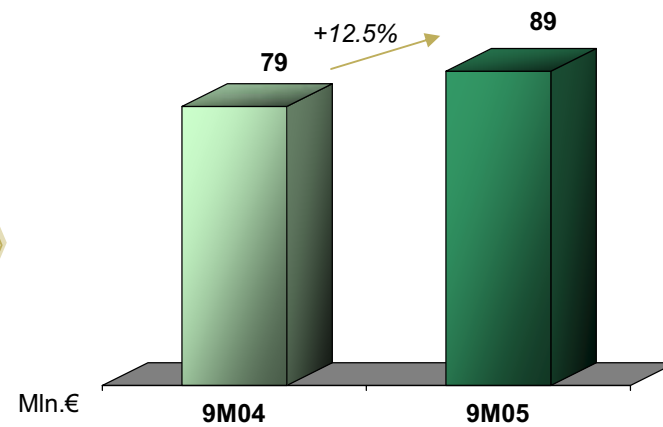
**Operating profit:**  
**375 mln.€**  
**(+24%)**

## Segment Reporting: Private Banking

### Highlights

- New inflows at 1,049 mln.€
- AuM: 9.7 mld.€ (+18.6% y/y)
- Cost/income : 57.6%
- Raroc: 165%

### Revenues



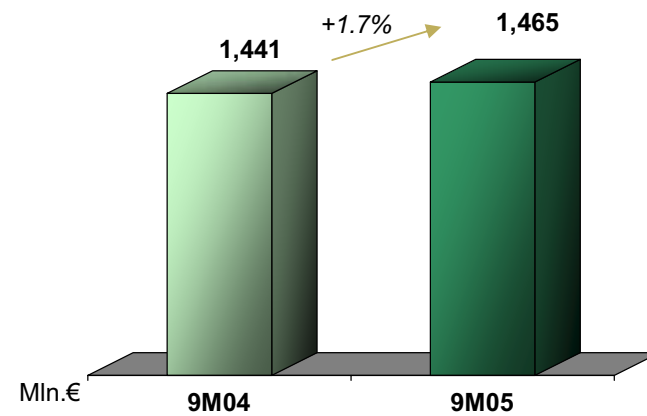
**Operating profit:**  
36 mln.€  
(+43%)

## Segment Reporting: Corporate Banking

### Highlights

- Corporate Derivatives flows at 3,071 mln.€ (+62.5% y/y)
- Loans: 47.7 bln.€ (+5.5% y/y)
- Cost/income : 52.2%
- Raroc: 6.2%

### Revenues



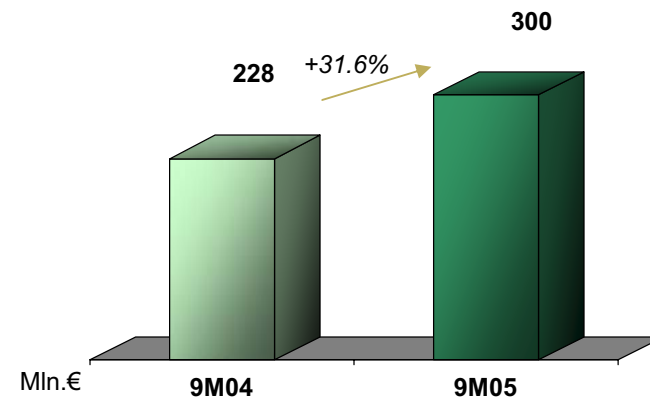
**Operating profit:**  
417 mln.€  
(+56%)

## Segment Reporting: Investment Banking

### Highlights

- Cost/Income: 24.8%
- Raroc: 31%

### Revenues



**Operating profit:**  
226 mln.€  
(+48%)

## Summary of the main ratios and comparison with 2003-2006 Business Plan targets

	2003	2004	9M 2005 ann.ed	2006 Business Plan targets
<b>Roe</b>	<b>7.7%*</b>	<b>8.6%</b>	<b>12.5%</b>	<b>14%</b>
<b>Cost/Income (%)</b>	<b>68.3%</b>	<b>69.3%</b>	<b>63.2%</b>	<b>57%</b>
<b>Provisions and drawing on loans</b>	<b>77 b.p.**</b>	<b>67 b.p.</b>	<b>61 b.p.</b>	<b>61 b.p.</b>
<b>Core Tier I</b>	<b>6.3%</b>	<b>6.5%</b>	<b>6.3%</b>	<b>7.0%</b>

2003 and 2004 IT GAAP.

\* On average net equity.

\*\* Ordinary provisioning restated excluding Parmalat and other extraordinary events

## Operating trends for 4Q 2005

- **Commercial flows:**
  - consumer finance and mortgages still consistently growing
  - AuM slowing compared to third quarter but in line with the system
- **Loans:**
  - short term (to SME and SB) slightly increasing
  - long term again double digit growth
- **NPL/Watchlist inflows** substantially stable
- **Pressure on pricing** confirmed

This presentation of MPS Group 9M 2005 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 9M 2005 Report, which contains the specific accounts approved by th Board of Directors of the Bank.



- Annexes

■ RECLASSIFIED CONSOLIDATED BALANCE SHEET (in euro mln)

MPS GROUP	09/30/2005	Ias/IFRS balances at	12/31/2004	09/30/2004
ASSETS		01/01/2005	(excluding IAS 32, 39 and IFRS 4)	(excluding IAS 32, 39 and IFRS 4)
Cash and liquid Assets	415	618	618	423
Loans :				
Loans to customers	79,237	76,649	74,819	71,666
Loans to Banks	9,373	7,218	11,462	11,392
Available for sale financial assets	47,339	37,305	29,591	28,414
Held to maturity investments	4,298	4,102	0	0
Investment in associates, subsidiaries and joint ventures	607	593	2,391	2,326
Technical reserves reassured with third parties	9	10	10	10
Tangible and intangible assets :	3,226	3,319	3,311	3,352
Of which: Goodwill	740	770	770	756
Other assets	5,889	6,612	20,556	17,925
<b>Total Assets</b>	<b>150,392</b>	<b>136,426</b>	<b>142,758</b>	<b>135,507</b>
LIABILITIES AND SHAREHOLDERS' EQUITY	09/30/2005	Ias/IFRS balances at	12/31/2004	09/30/2004
		01/01/2005	(excluding IAS 32, 39 and IFRS 4)	(excluding IAS 32, 39 e IFRS 4)
Debts:				
Due to customers (*)	88,484	89,103	82,770	78,724
Due to Banks	16,751	10,239	15,266	14,580
Financial Liabilities Held for trading	19,140	13,178	0	0
Reserves for specific use :				
Staff severance indemnity reserve	402	405	405	400
Pension funds	441	411	411	456
Other funds	760	671	645	709
Other Liabilities	6,160	6,161	19,780	17,874
Technical reserves	11,580	9,836	16,195	15,662
Shareholders' equity :	6,637	6,388	7,250	7,064
Valuation reserves	888	841	461	465
Shares with withdrawal rights	0	0	0	0
Capital instruments	46	46	0	0
Reserves	3,163	3,439	3,731	3,762
Additional paid-in-capital	523	523	523	523
Share Capital	1,935	1,935	1,935	1,935
(-) Own shares	-491	-396	0	0
Profit (Loss) for the period	574	0	599	379
Minority interests	36	35	35	37
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>150,392</b>	<b>136,426</b>	<b>142,758</b>	<b>135,506</b>

(\*) Figure at 1/1/05 and at 9/30/05 includes Index Linked Premiums (6,697 mln.€ as at 9/30/05)

■ Reclassified Consolidated Profit and Loss Statement (euro mln.)

MPS Group	09/30/2005	09/30/2004 restated with IAS 32/39 (*)	Change	
			Abs.	%
<b>Net Interest Income</b>	<b>2,205.2</b>	<b>2,113.7</b>	<b>91.4</b>	<b>4.3%</b>
Net Commissions	1,282.8	1,157.2	125.6	10.9%
<b>Basic Income</b>	<b>3,487.9</b>	<b>3,270.9</b>	<b>217.1</b>	<b>6.6%</b>
Dividends & income from participations valued on equity method	82.0	81.4	0.6	0.8%
Profits/Losses from trading	225.0	252.2	-27.2	-10.8%
Profits / Losses from hedging	-12.2	0.0	-12.2	ns.
Other profits / losses from insurance business	-220.4	-292.7	-72.4	-24.7%
<b>Total Income</b>	<b>3,562.3</b>	<b>3,311.7</b>	<b>250.6</b>	<b>7.6%</b>
Valuation adjustments :				
a) loans	-365.5	-471.1	-105.6	-22.4%
b) financial assets	-1.5	-3.4	ns.	ns.
<b>Gross operating income</b>	<b>3,195.4</b>	<b>2,837.3</b>	<b>358.1</b>	<b>12.6%</b>
Administratives expenses	-2,126.3	-2,121.6	4.8	0.2%
a) personnel expenses	-1,379.7	-1,398.8	-19.1	-1.4%
b) other administrative expenses	-746.6	-722.8	23.8	3.3%
Valuation adjustment to fixed and intangible assets	-123.5	-169.3	-45.7	-27.0%
<b>Operating Costs</b>	<b>-2,249.9</b>	<b>-2,290.9</b>	<b>-41.0</b>	<b>-1.8%</b>
<b>Net operating profit</b>	<b>945.5</b>	<b>546.4</b>	<b>399.1</b>	<b>73.0%</b>
Net provisions for risk and charges and other non operating income (expenses)	13.2	20.1	-6.9	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.
Realised gains / losses on sales of assets	-0.59	22.5	-21.9	ns.
<b>Income (loss) before taxes from continuing operations</b>	<b>929.0</b>	<b>589.0</b>	<b>340.0</b>	<b>57.7%</b>
Taxes on income of continuing operations	-341.3	-233.0	108.3	46.5%
<b>Income / loss after tax from continuing operations</b>	<b>587.8</b>	<b>356.0</b>	<b>231.7</b>	<b>65.1%</b>
Income (loss) after tax from discontinuing operations	0.0	0.0		
Minority interests	-14.0	-9.9	4.1	41.0%
<b>Net Income</b>	<b>573.7</b>	<b>346.1</b>	<b>227.7</b>	<b>65.8%</b>

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

■ Reclassified Consolidated Profit and Loss Statement Third Quarter 2005

MPS Group	06/30/2005	Third Quarter 2005	09/30/2005
<b>Net Interest Income</b>	<b>1,469.0</b>	<b>736.1</b>	<b>2,205.2</b>
Net Commissions	847.7	435.1	1,282.8
<b>Basic Income</b>	<b>2,316.7</b>	<b>1,171.2</b>	<b>3,487.9</b>
Dividends & income from participations valued on equity method	61.0	21.0	82.0
Profits/Losses from trading	195.7	29.2	225.0
Profits / Losses from hedging	-8.5	-3.7	-12.2
Other profits / losses from insurance business	-184.7	-35.6	-220.4
<b>Total Income</b>	<b>2,380.3</b>	<b>1,182.1</b>	<b>3,562.3</b>
Valuation adjustments :			
a) loans	-242.0	-123.5	-365.5
b) financial assets	2.2	-3.7	-1.5
<b>Gross operating income</b>	<b>2,140.5</b>	<b>1,054.9</b>	<b>3,195.4</b>
Administratives expenses	-1,406.5	-719.8	-2,126.3
a) personnel expenses	-916.4	-463.3	-1,379.7
b) other administrative expenses	-490.1	-256.5	-746.6
Valuation adjustment to fixed and intangible assets	-81.8	-41.8	-123.5
<b>Operating Costs</b>	<b>-1,488.3</b>	<b>-761.6</b>	<b>-2,249.9</b>
<b>Net operating profit</b>	<b>652.1</b>	<b>293.3</b>	<b>945.5</b>
Net provisions for risk and charges and other non operating income (expenses)	8.0	5.2	13.2
Fair value results on tangible and intangible assets	0.0	0.0	0.0
Net impairment losses on other assets	-29.0	0.0	-29.0
Realised gains / losses on sales of assets	-0.03	-0.6	-0.59
<b>Income (loss) before taxes from continuing operations</b>	<b>631.1</b>	<b>298.0</b>	<b>929.0</b>
Taxes on income of continuing operations	-249.0	-92.3	-341.3
<b>Income / loss after tax from continuing operations</b>	<b>382.1</b>	<b>205.7</b>	<b>587.8</b>
Income (loss) after tax from discontinuing operations	-0.2	0.2	0.0
Minority interests	-9.5	-4.5	-14.0
<b>Net Income</b>	<b>372.4</b>	<b>201.3</b>	<b>573.7</b>