



## **2003 Third quarter Results**

**Milan, 17 November 2003**

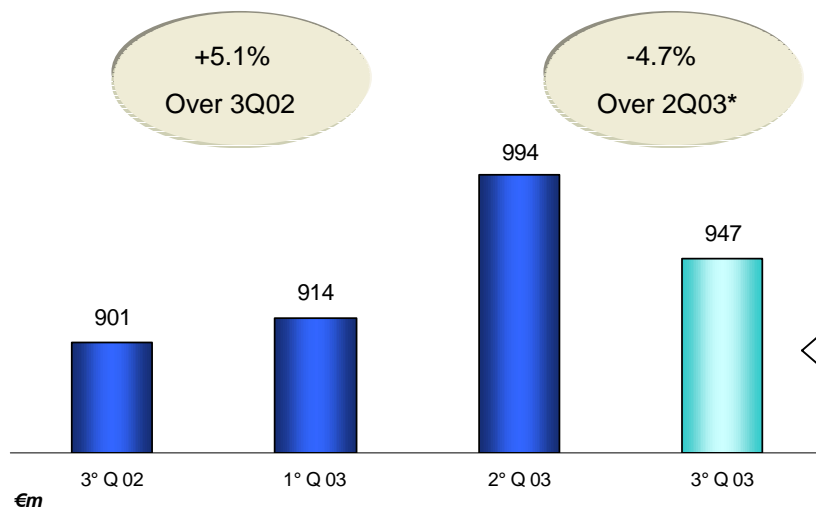
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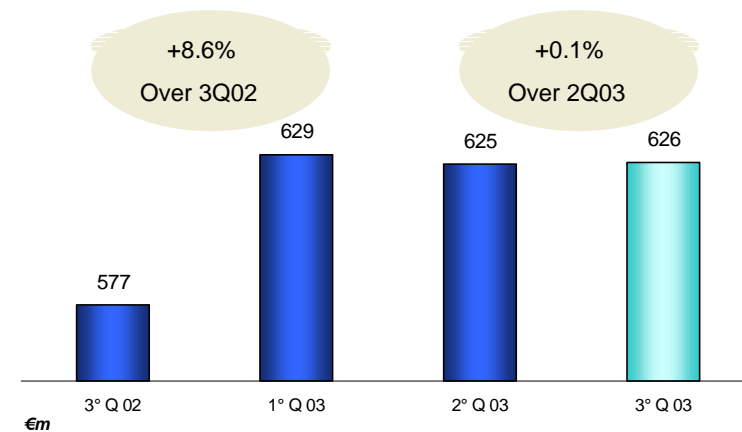
# Basic Income: +4.1% yoy

## Basic Income

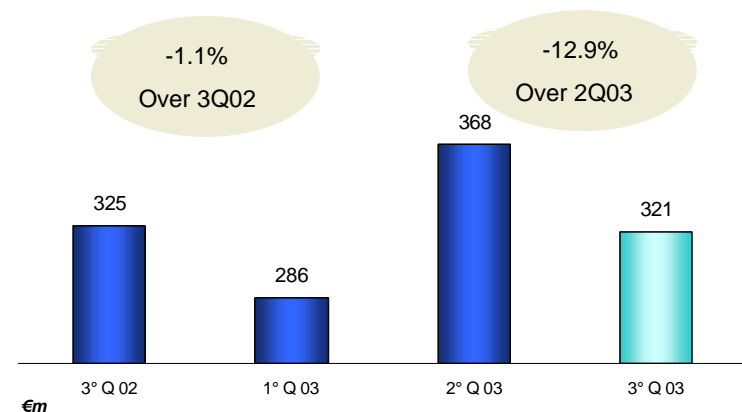


\* The second quarter traditionally is affected by the dividend and tax credit relative to equity investment

## Net Interest Income

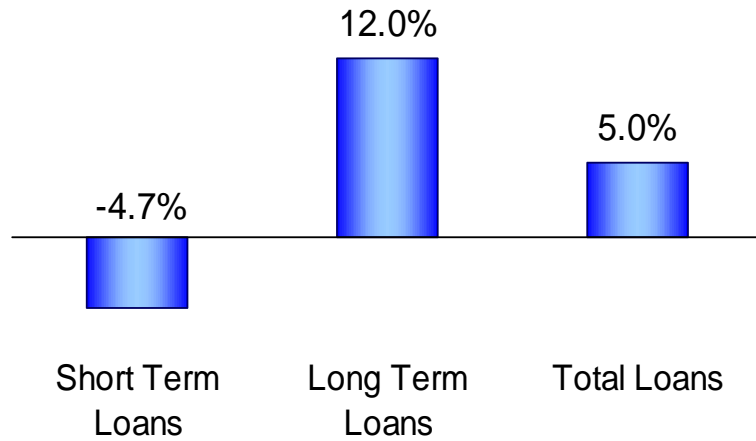


## Net Fees

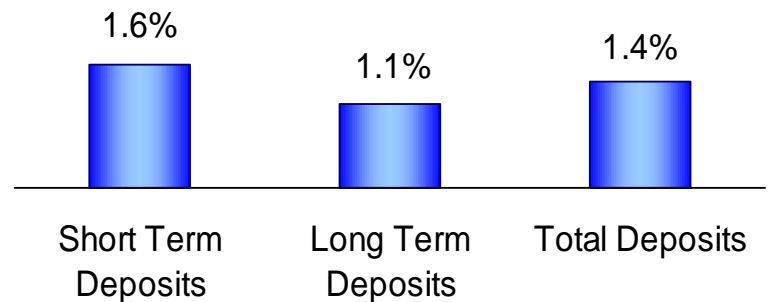


# Net Interest Income: +9.2% yoy

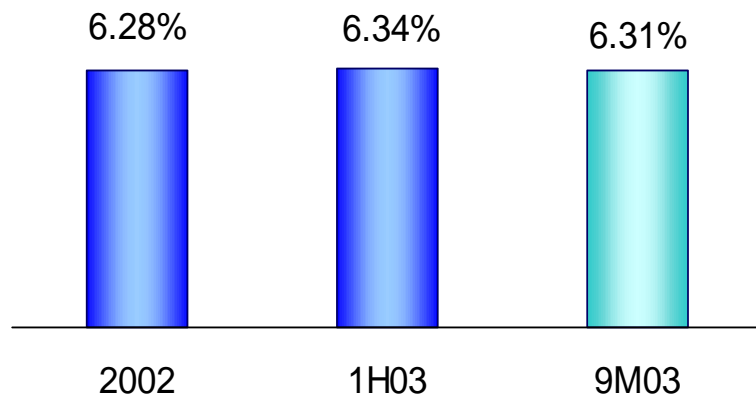
**Customer Loans**  
Change % 9M03 vs 9M02 (average balances)



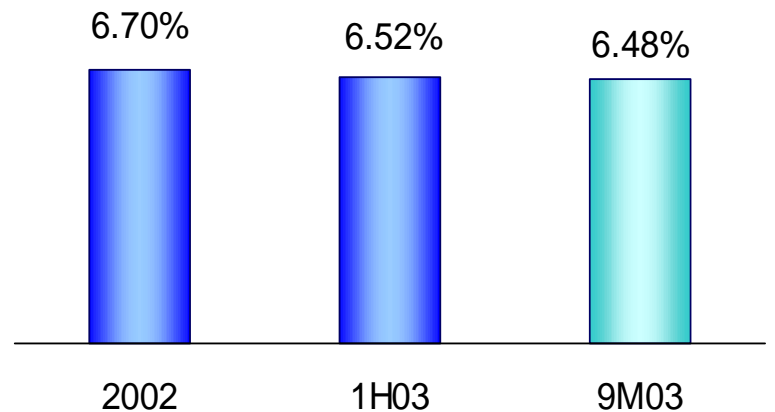
**Customer Funds**  
Change % 9M03 vs 9M02 (average balances)



**Customer loans market shares**

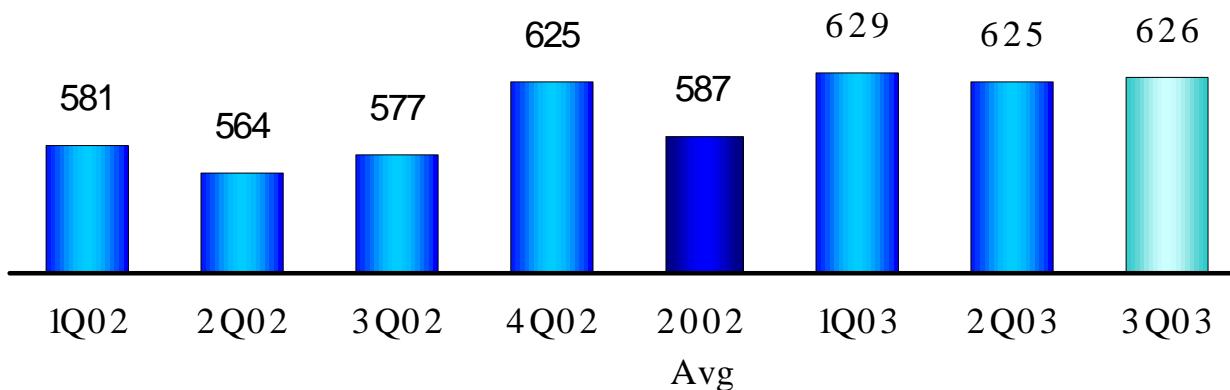


**Customer funds market shares**

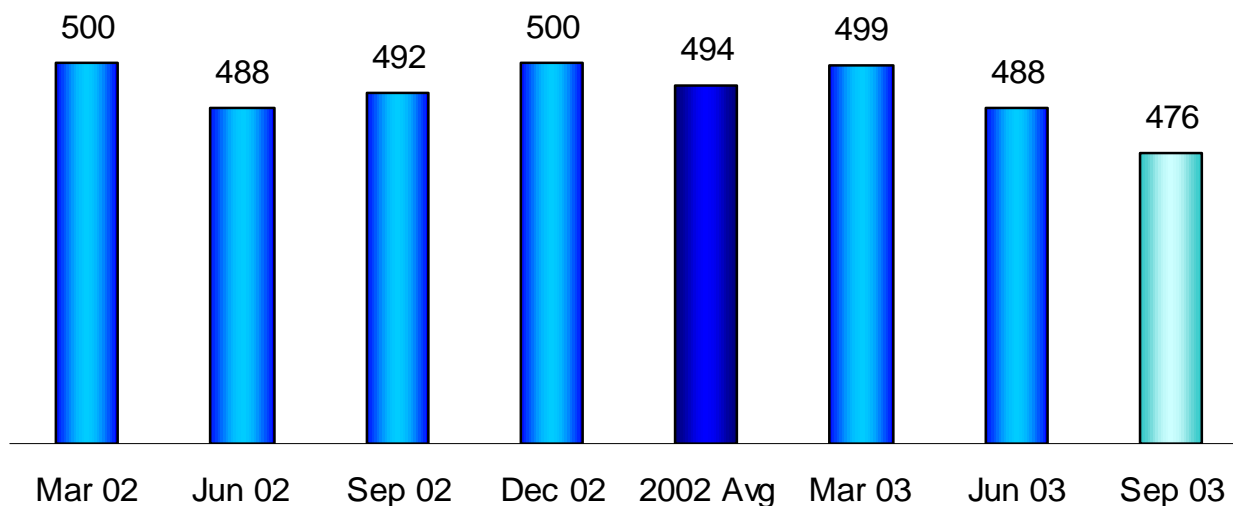


# Net Interest Income: +9.2% yoy

Quarterly evolution\*  
€m



Short term customer spread (bps, end of period)

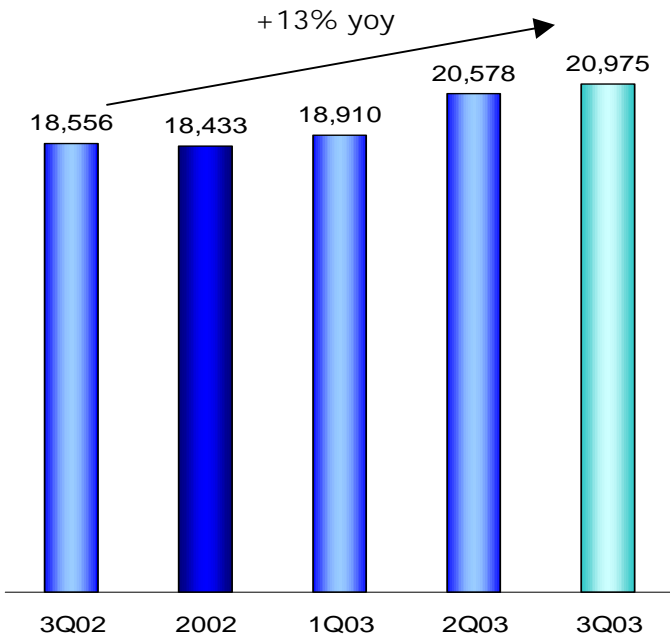


- Mortgages (retail and corporate): over € 4.1 bn of new inflows in 2003 (+18% yoy);
- Specialized lending flows: over € 6.4 bn;
- Lower Interbank borrowing;
- The MPS Group managed to contain the reduction of the short-term spread to around 28 bps in comparison with the level reported at the end of 2002, whereas industrywide, the variation averaged almost 38 basis points.

\*Quarterly evolution stated by deducting CRP and CRSM average quarterly figures from Group's official ones

## Details on AuM (€m)

### Mutual Funds: stock

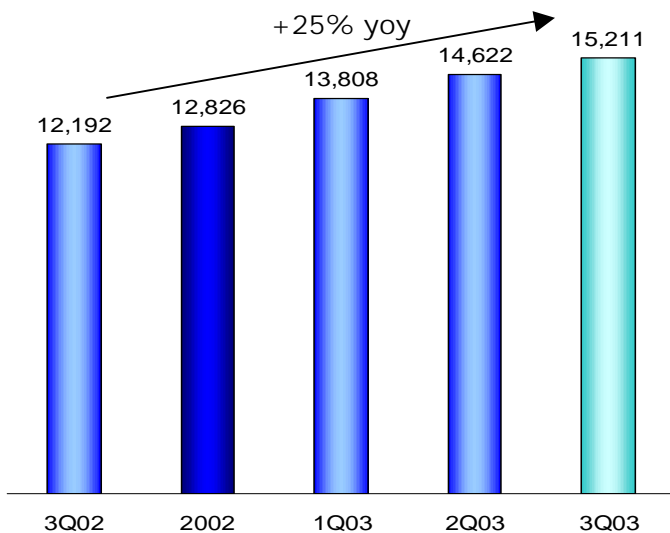


Stock of Mutual Funds growth at +13.8% compared with 31 december 2002. Market share: 4.2%

Market share of new inflows: 6.9%

Market performance: +2.41%

### Life Insurance Technical Reserves

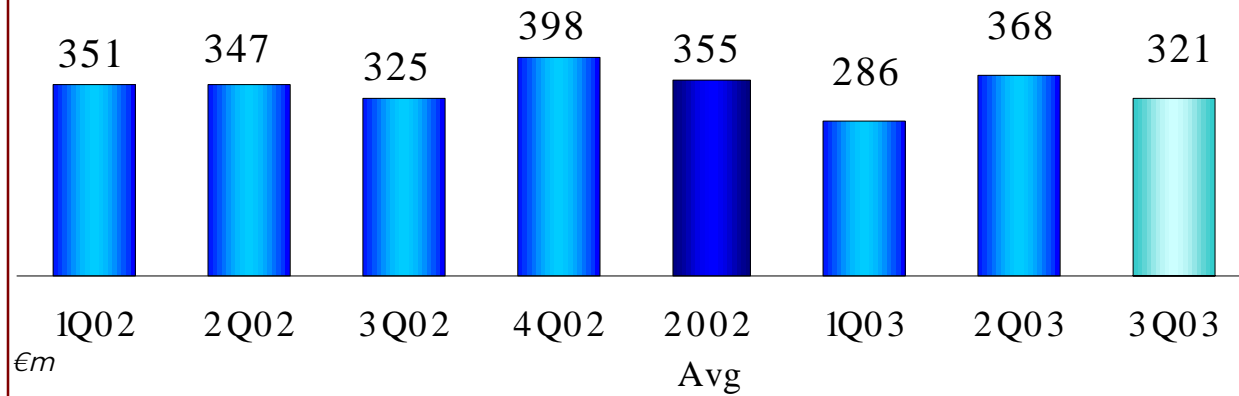


Stock of Technical Reserves +24.8%; "Bancassurance and Poste" market share of new inflows: >9.5%;

Life insurance recurring premiums contributes to total premiums for about 5%.

# Net Fees: -4.5% yoy

Quarterly evolution



## 3Q03 vs 1H03 average :

+10.5 euro mln from **brokerage**

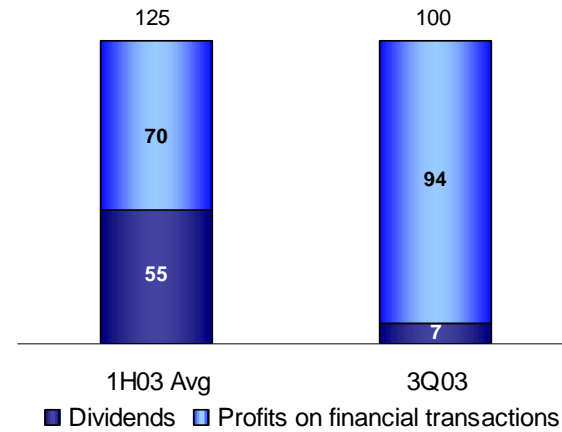
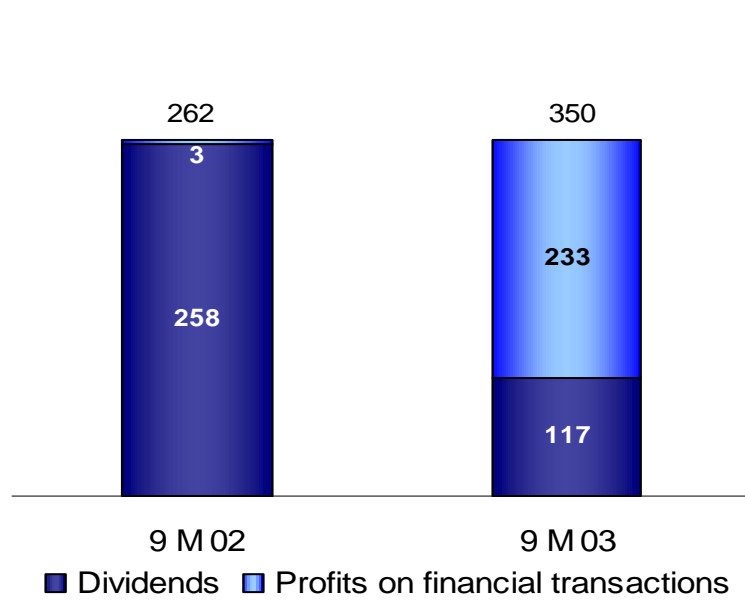
+13.5 euro mln from **traditional banking fees**

**innovative financial product and asset management** in line

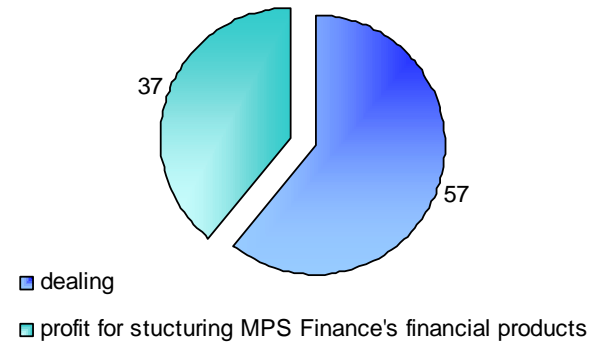
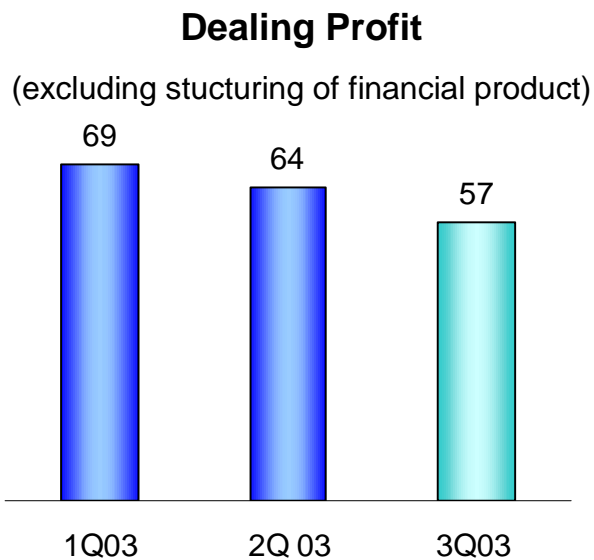
-25 euro mln from **other fees** (tax collection)

# Profits on financial transactions

In 2003 lower Dividends from San Paolo IMI and Hopa for about 100 euro mln.



40 euro mln from dividend and tax credit from equity investment in the 2Q03

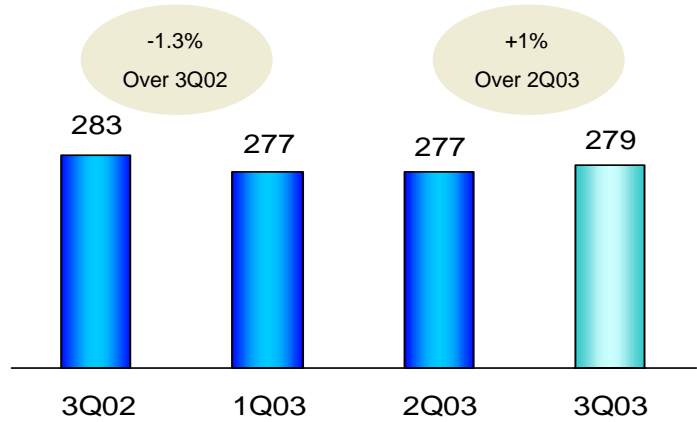




# Operating costs: Cost/Income reduced by 1.8 point from year end

## Administrative costs: +0.2% yoy

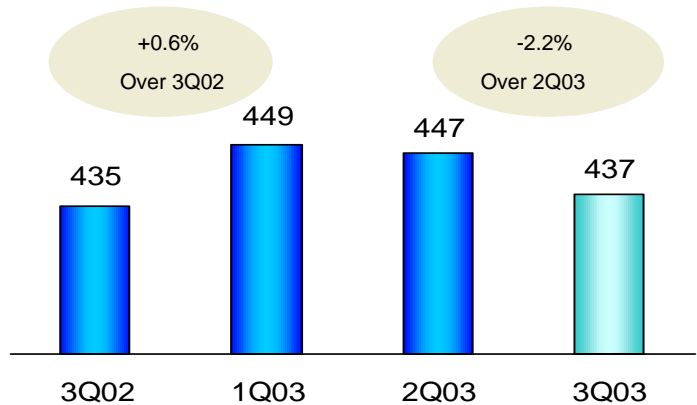
(€m)



Tighter cost governance to bring a decrease at year end

## Personnel costs

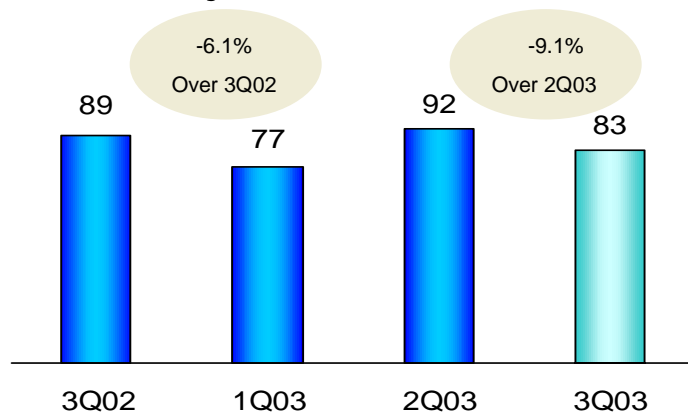
(€m)



Reduction of 477 headcount from end of 2002 to exploit incentives

## Valuation adjustments to fixed and intangible assets

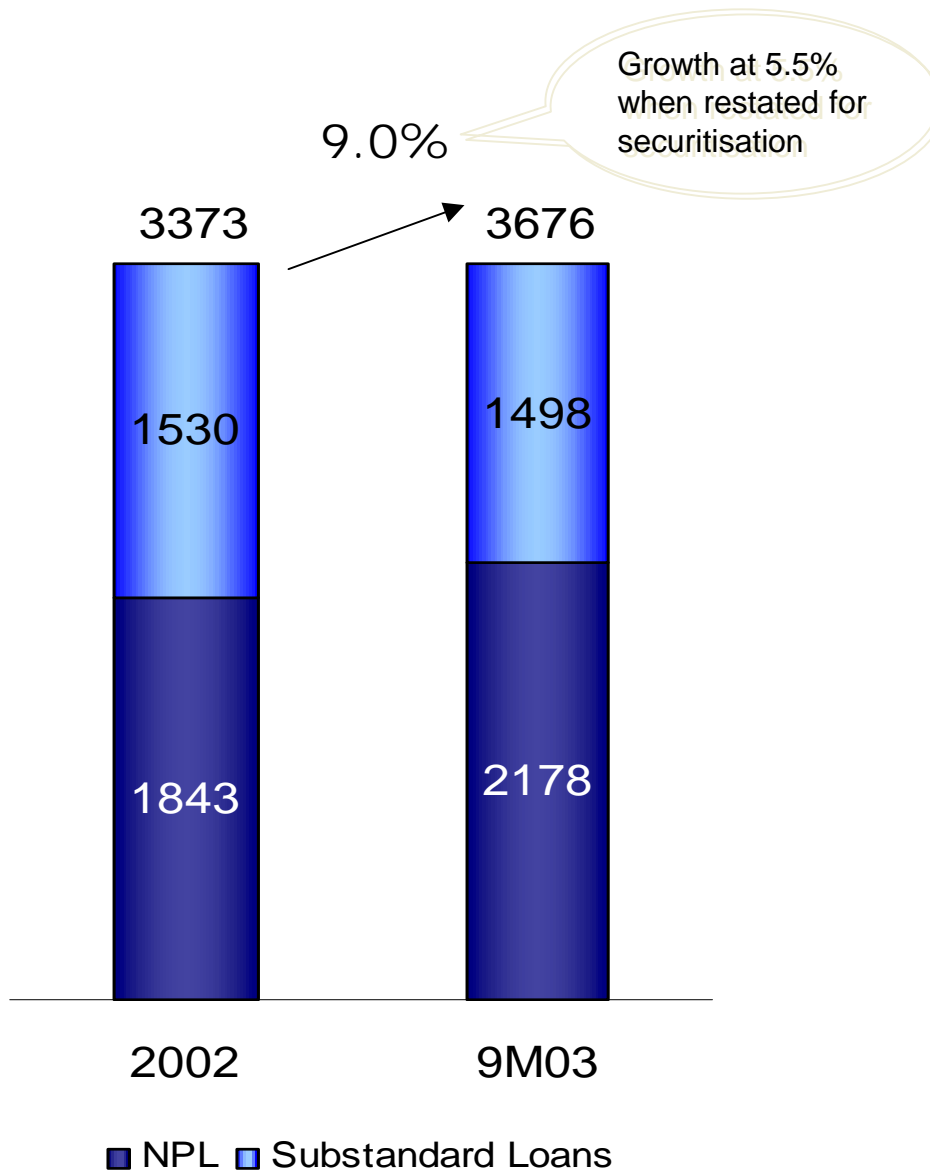
(€m)



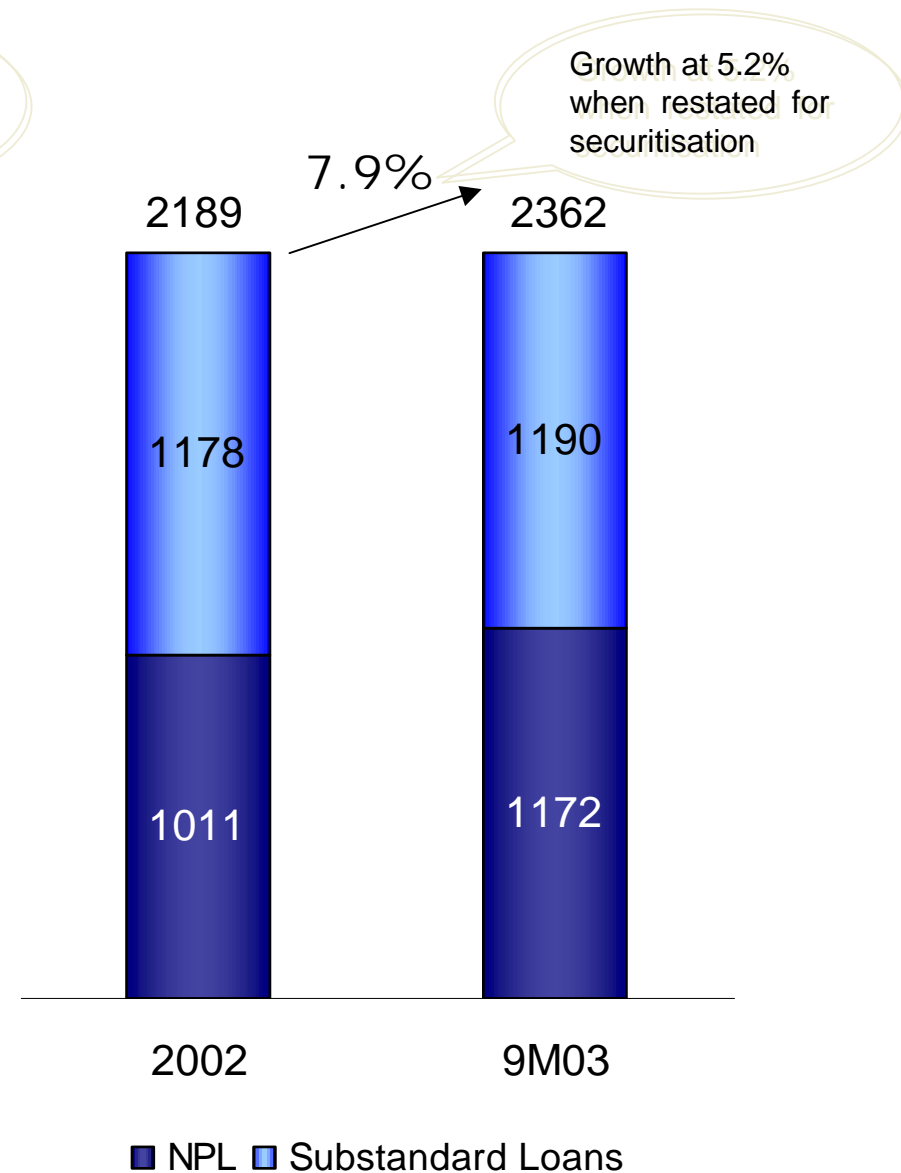
Deceleration of the trend compared to the previous year.

# Asset quality: NPL and Substandard Loans

Gross NPL and Substandard loans (€m)



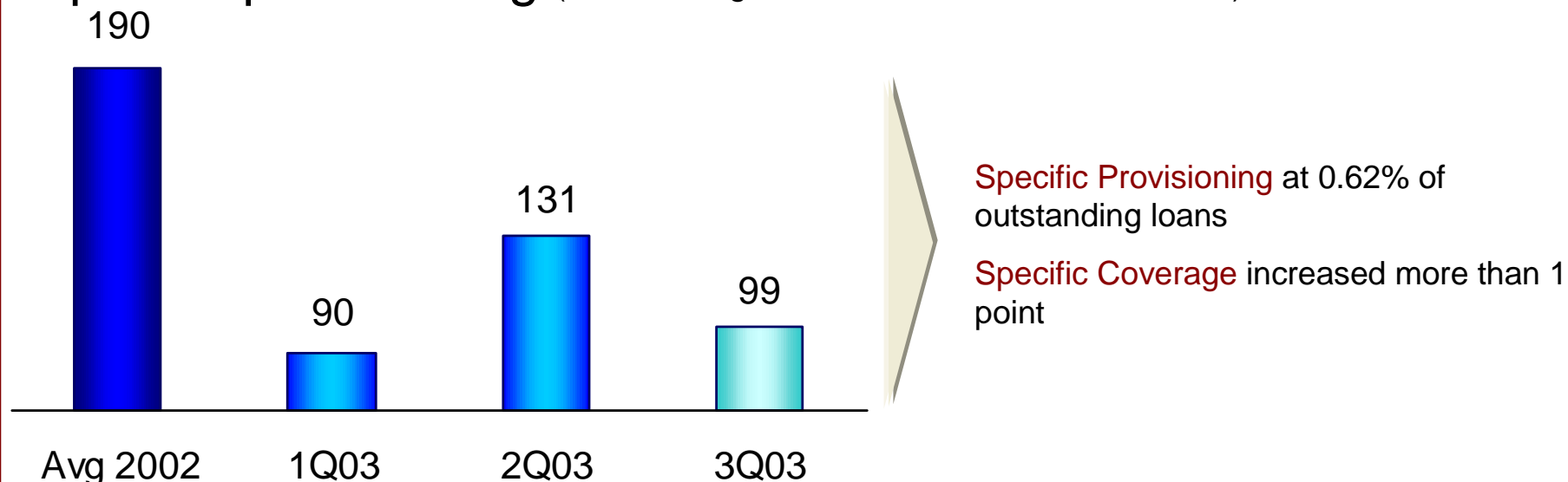
Net NPL and Substandard loans (€m)



# Specific and Generic provisioning

(€m)

## Specific provisioning (not including amortization of securitised NPL'S)



### NPL's coverage by Business Unit

MPS Group	BMPS	BT	BAM	MPS Merchant	MPS Banca Verde
46.2%	44.4%	49.3%	51.5%	22.7%	16.4%

Including write offs Group NPL's  
 Specific Coverage is over 55% (over 65% for commercial banks short term lending)

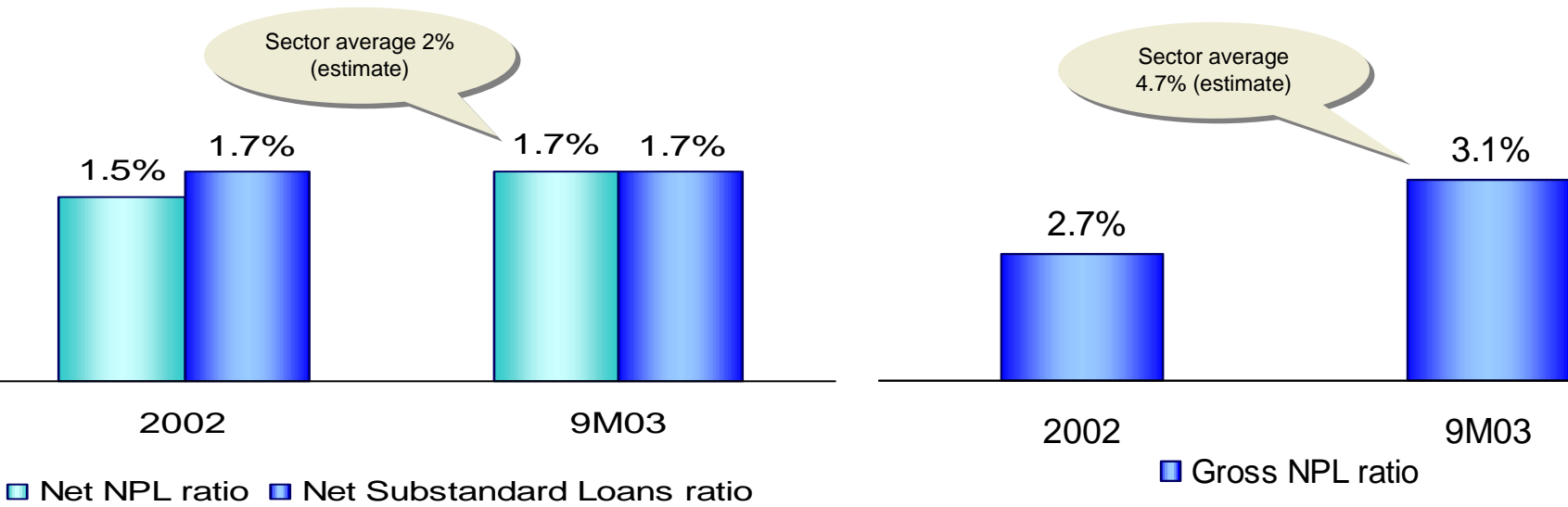
### NPL's coverage by Business unit (change % over 31/12/2003)

+1.1%	+4.4%	+2.7%	-1.0%	+3.4%	-2.5%
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Generic provisioning at 28 €mIn (9M03)

Coverage at 0.9% of performing loans

# Asset quality: NPL and Substandard loans ratio's



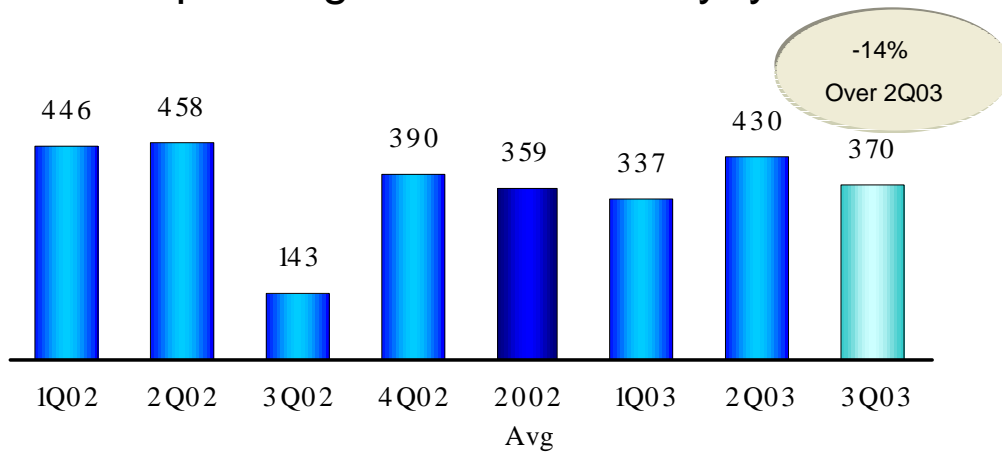
NPL's ratio by Business Unit

MPS Group	BMPS	BT	BAM	MPS Merchant	MPS Banca Verde
1.7%	1.6%	1.0%	1.9%	3.3%	2.5%

# Summary of main economic results

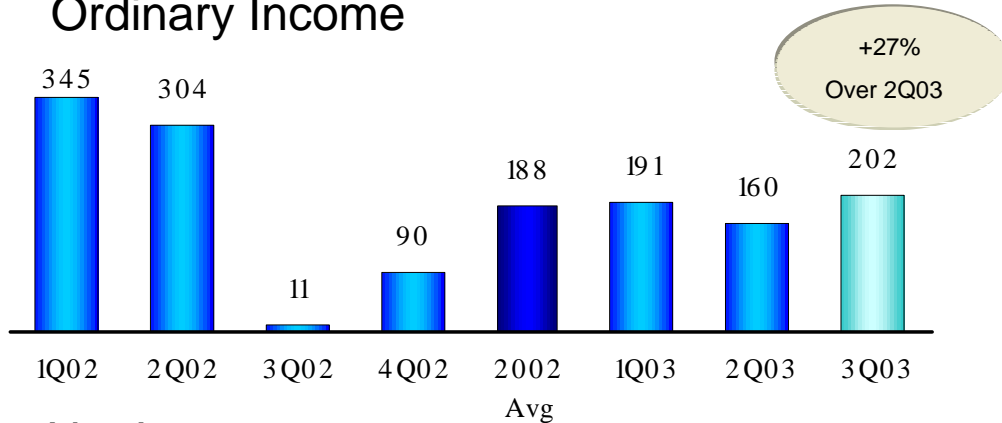
(€m)

Net Operating Income: +8.6% yoy



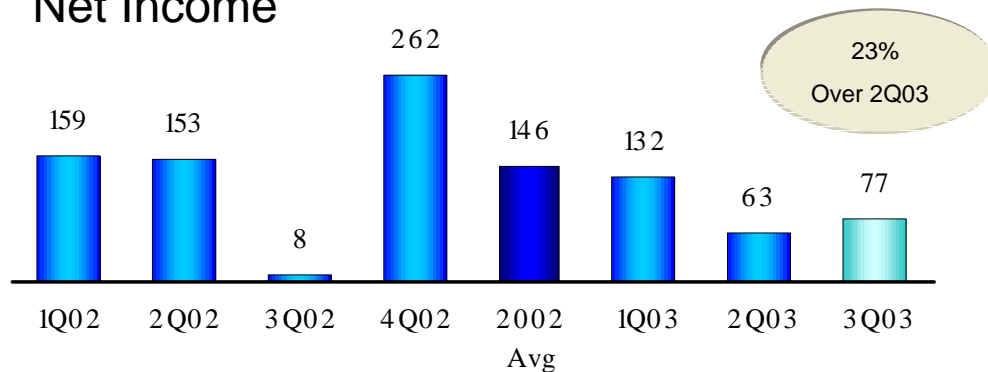
+3% over 2002 Avg which benefited of non-recurring items (securitization and extraordinary dividends).

## Ordinary Income



Rise by 8% over 2002 Avg

## Net Income



ROE stood at about 7 percent (versus 8 percent as of 30 June 2003) and at about 9 percent net of goodwill.

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## Summary of first nine months 2003 results

### Profit and Loss

€m	9M03	YoY chg. %
Net Interest Income	1,880	+9.2%
Basic Income*	2,855	+4.1%
Total Income	3,555	+3.0%
Administrative costs	2,166	+0.5%
Operating Income	1,388	+7.2%
Provisions	584	+51.0%

\*Net interest income and net banking fees

## Summary of first nine months 2003 results Loans, Deposits and AuM

€m	9M03	YoY chg. %
Direct Funds *	77,958	+1.6%
Indirect Funds	105,669	+3.9%
AuM	41,945	+13.3%
Assets Under Custody	63,724	-1.5%
Customer Loans	69,802	+4.4%

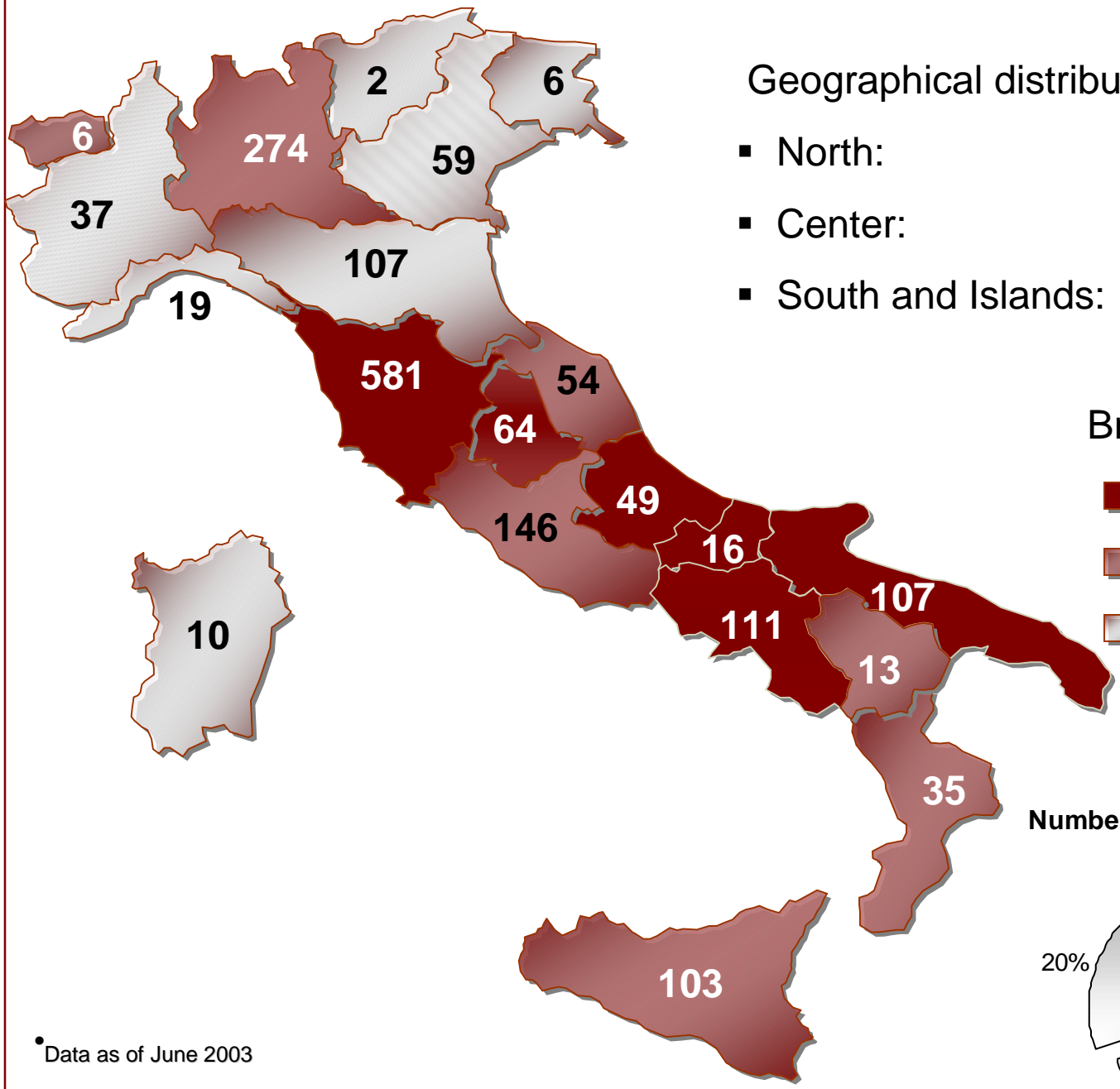
\* Incl. subordinated debts



## Distribution Network and Customers

	2002	9M03
Domestic branches	1,827	1,835
Financial Shops – Teleboutiques	262	232
No of employees	27,517	27,040
ATM	2,312	2,268
POS	62,920	66,084
No of customers	4,450,400	4,425,000

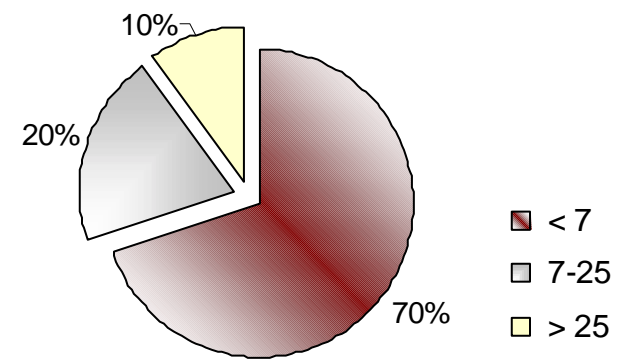
# Regional franchise



- Geographical distribution:
- North: 28.3%
  - Center: 47.0%
  - South and Islands: 24.7%

- Branch market share\*:
- Over 7%
  - Over 4%
  - < 4%

Number of employees for branche



\*Data as of June 2003