



**9M 2006 Results
and
update on the Business Plan**

Siena, 9th November 2006

Highlights

3Q 2006 Results

- ❑ Strong growth in volumes: direct deposits +5.6% YoY, loans +12.1% YoY
- ❑ QoQ stabilization of banking spread
- ❑ Growth in Net Interest Income (+4.9% YoY), with an acceleration in 3Q
- ❑ Operating costs under control (+0.7% YoY despite one-off early retirement costs) and in line with BP target
- ❑ Provisions down to 49 bps vs 50 bps in June '06
- ❑ Net income Euro 688 mln (+19.8% YoY)

Business Plan Update

- ❑ Human resources: main initiatives implemented and BP target already partially reached
- ❑ Retail Banking: good commercial momentum, also thanks to new acquisition strategies, new marketing campaigns and the launch of the hi-tech branch
- ❑ Corporate Banking: initiatives are in progress and good performance of MPS Banca per l'Impresa
- ❑ Real estate and equity holdings: first initiatives for rationalization in progress
- ❑ ALM re-mix: significant results of the activities implemented
- ❑ Tax Collection: handed over to the Government

- Analysis of 9M06 Results**

- Business Plan update**

- Conclusions**

- Annexes**

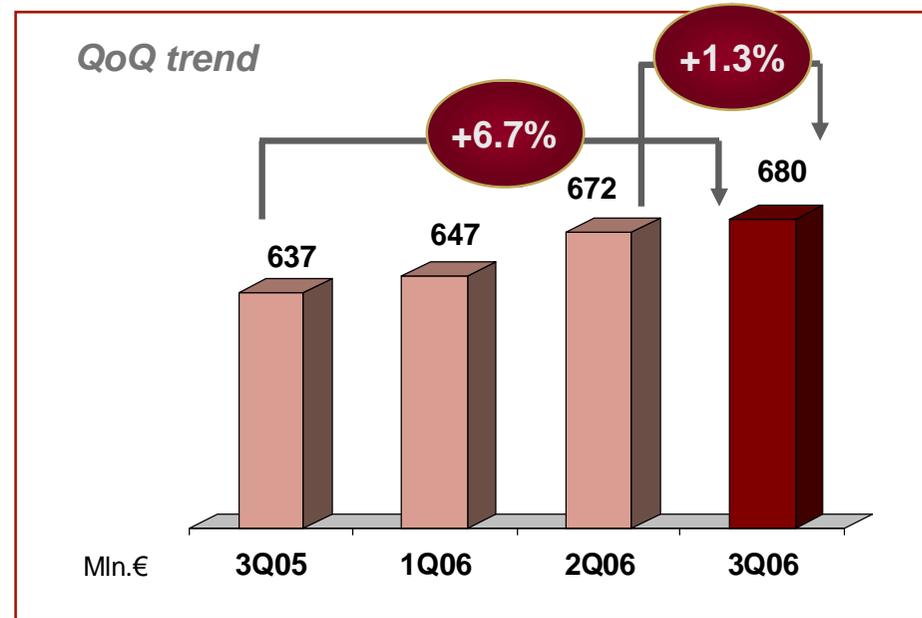
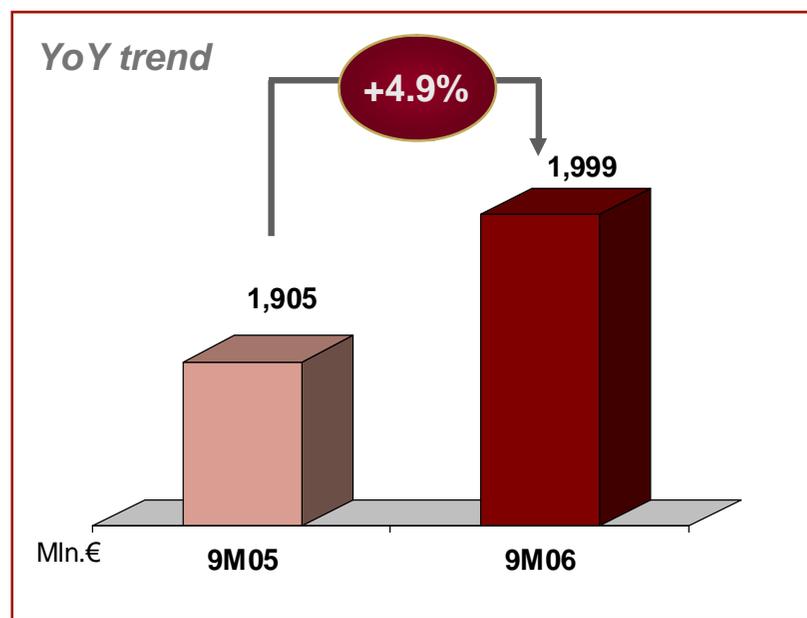
Highlights of 9M06 and 3Q06 Results

Profit & Loss

(mln €)

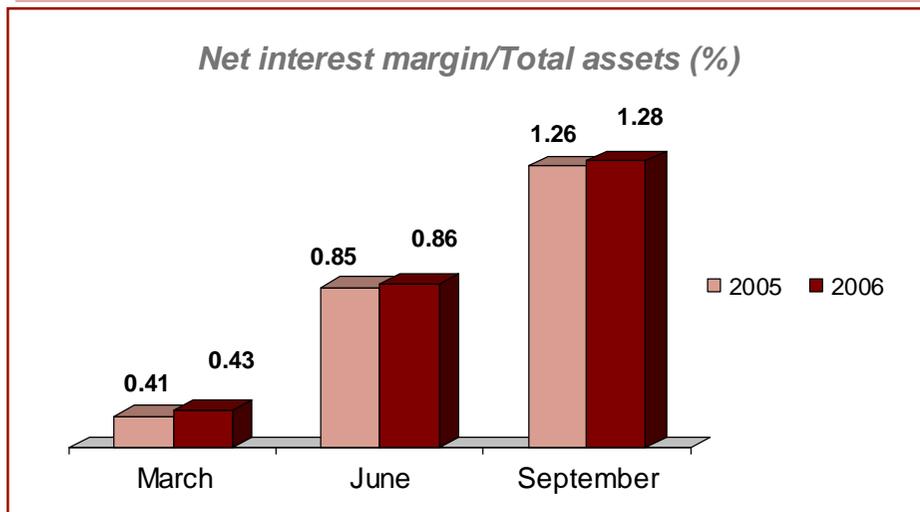
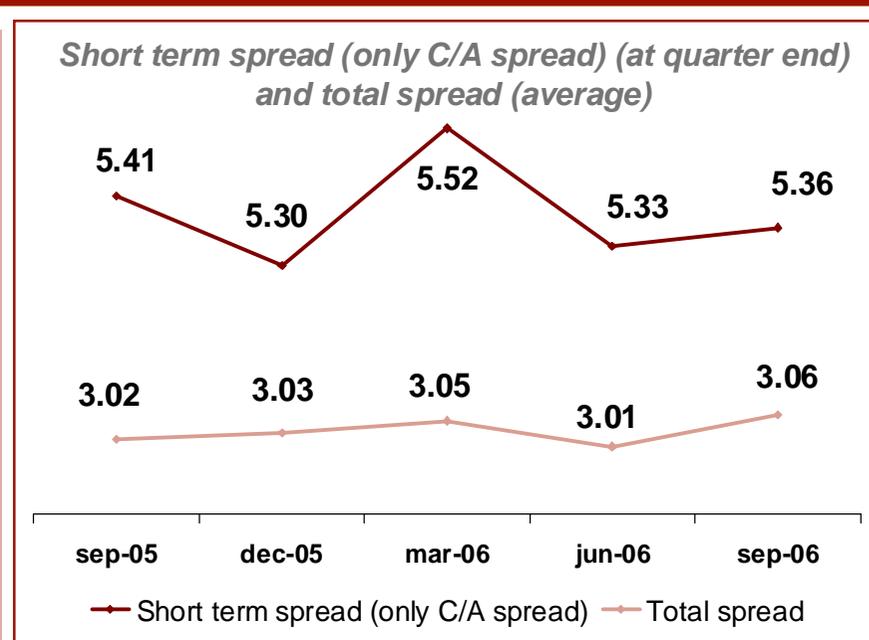
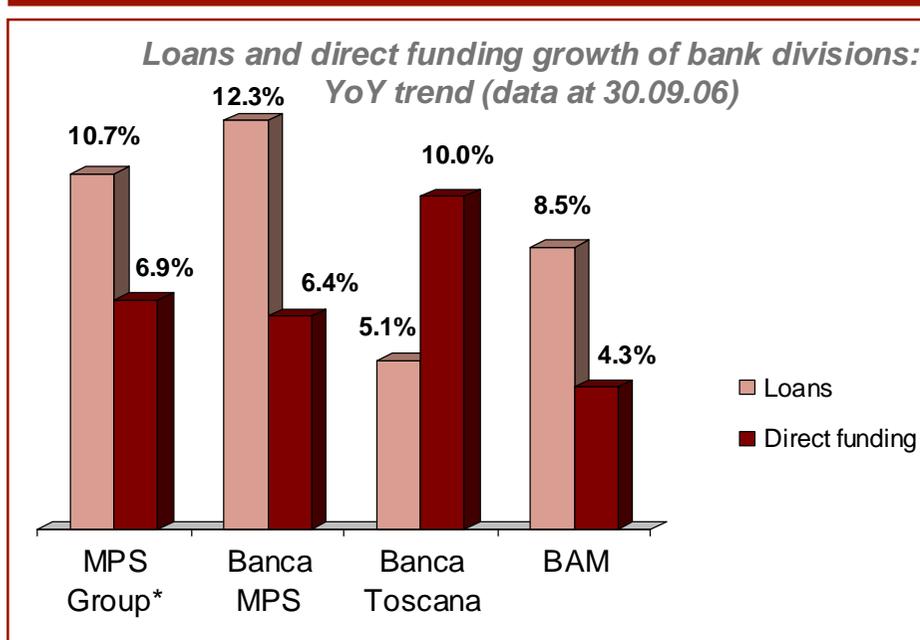
	9M06	<i>9M06/9M05</i>	3Q06	<i>3Q06/2Q06</i>	<i>3Q06/av.2005</i>
Net Interest Income	1,999	4.9%	680	1.3%	5.6%
Net Fees	1,334	0.9%	431	-2.2%	-3.1%
Basic Income	3,334	3.3%	1,112	0.0%	2.0%
Total Revenues	3,730	5.1%	1,210	1.2%	2.4%
Loan Loss Provisions	324	7.4%	104	-8.7%	-3.0%
Operating Costs	2,264	0.7%	764	2.1%	-0.3%
Net Operating Income	1,130	13.5%	344	6.7%	25.4%
Net Income	688	19.8%	207	2.4%	5.0%

Net Interest Income: ongoing structural pick up



- ❑ Good growth in 9M (+4.9% YoY) with a strong acceleration in 3Q (+6.7% YoY) thanks to volume growth and in spite of spread stability
- ❑ Retail banking contributed with an increase of NII of 17% YoY driven by 17.8% volume growth
- ❑ Interest income growth from commercial areas accelerated in 3Q with an increase of 5.9% YoY versus 5.2% in June 06

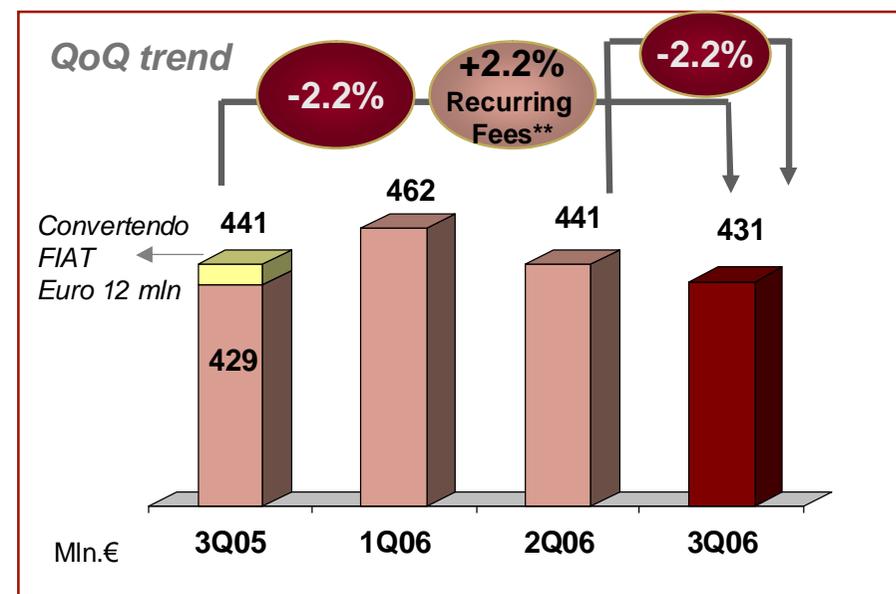
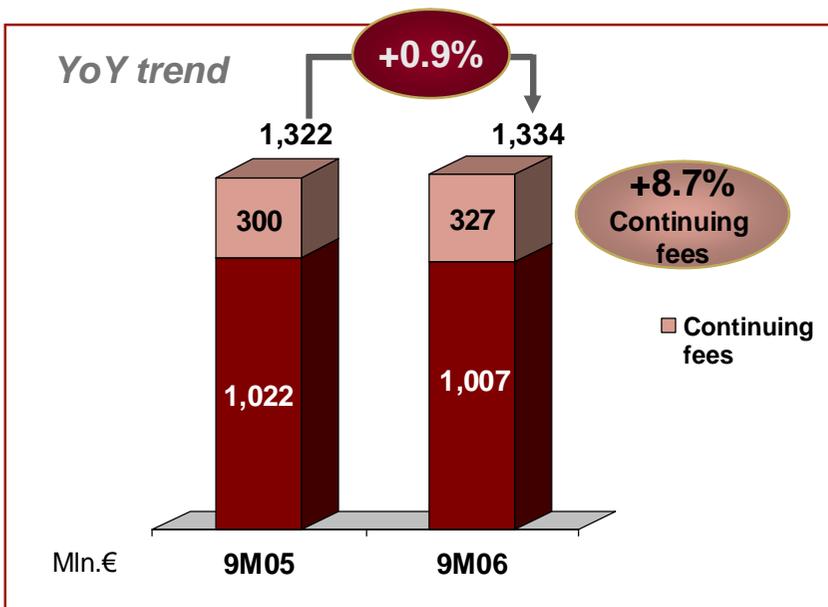
Growth in volumes combined with spread stabilization



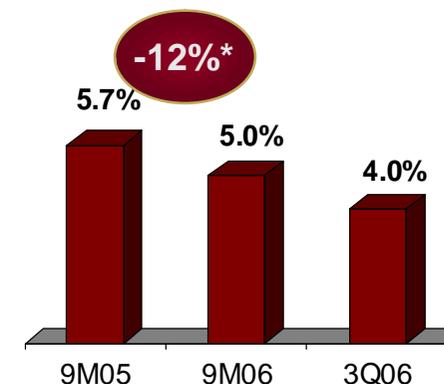
- ❑ **Significant acceleration of loans growth in particular for MPS network with an increase on retail of 12.7% YoY and corporate of 11.8% YoY**
- ❑ **QoQ spread stabilisation thanks to the recovery of mark down and spread increase on Key clients segment**

* Retail, Corporate, Private and Key Clients areas

Net Fees: choosing the right pace of growth



- Good increase in continuing fees (+8.7% YoY) in line with our commercial *Up Front fees/Total fees* policy focus
- 3Q upfront fees down 30% vs average of the first two quarters (3Q upfront fees/Total fees at 4%)
- Good contribution from Private Banking (+14.9% YoY) and Corporate Banking (+4.5% YoY)
- 3Q affected by seasonal weakness, reduction of performance fees and cancellation of bank accounts exit fees

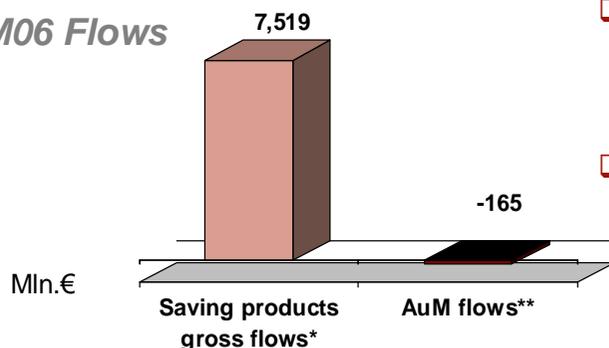


* In absolute value

** Ex Up front and one-off components

Trends in saving products flows

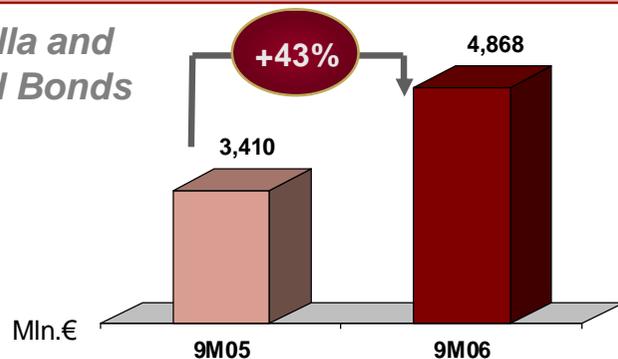
Total 9M06 Flows



- Saving products gross flows* reached Euro 7.5 bn (+3.7% YoY) thanks good performance of Plain Vanilla and Structured Bonds
- For bancassurance flows, continued the switch from traditional products (-37% YoY) to unit linked products (+16% YoY)

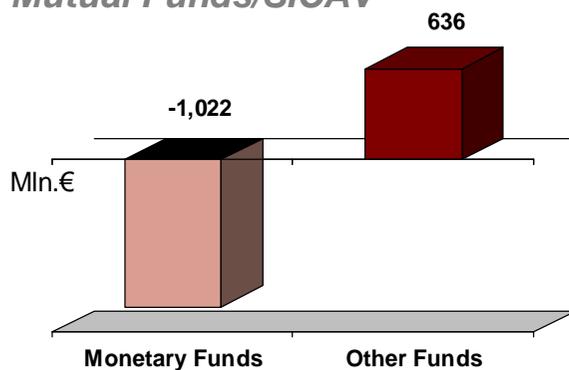
* Plain Vanilla, Structured Bonds, Traditional Policies, Index Linked
** Mutual Funds, SICAV, GPS/GPF, GPM, Unit Linked

Plain Vanilla and Structured Bonds

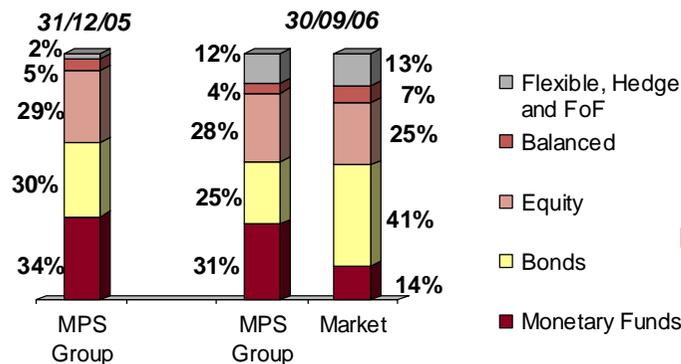


- Total Bonds flows reached Euro 4.8 mln vs Euro 3.4 mln of 9M05 (+43%)
- Good performance for Plain Vanilla: +72% YoY and +9% QoQ

Mutual Funds/SICAV

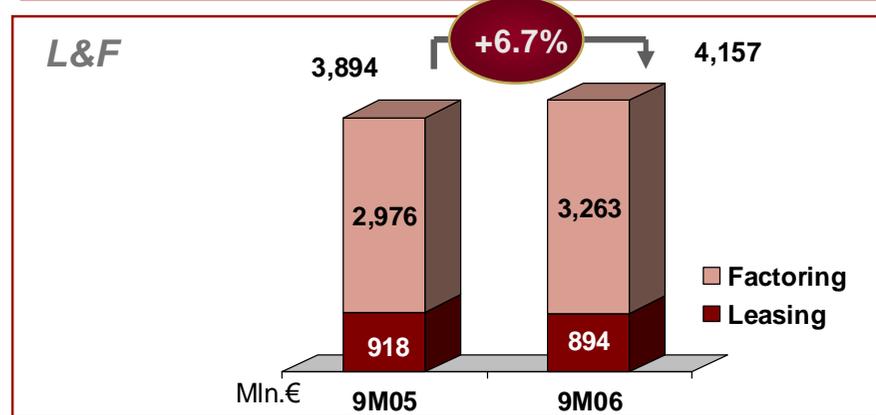
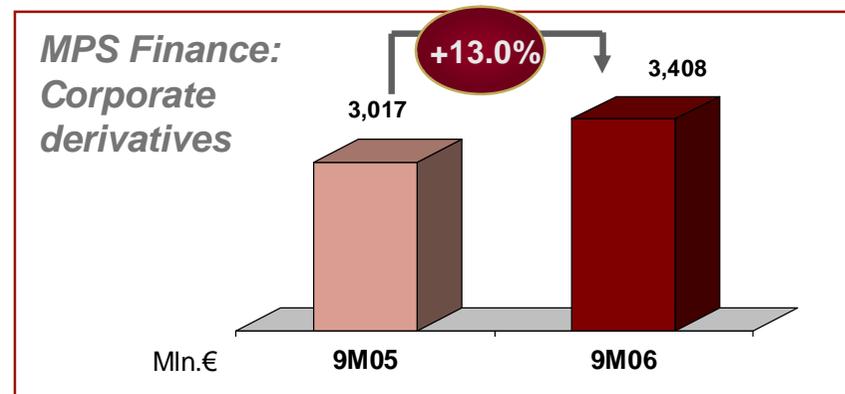
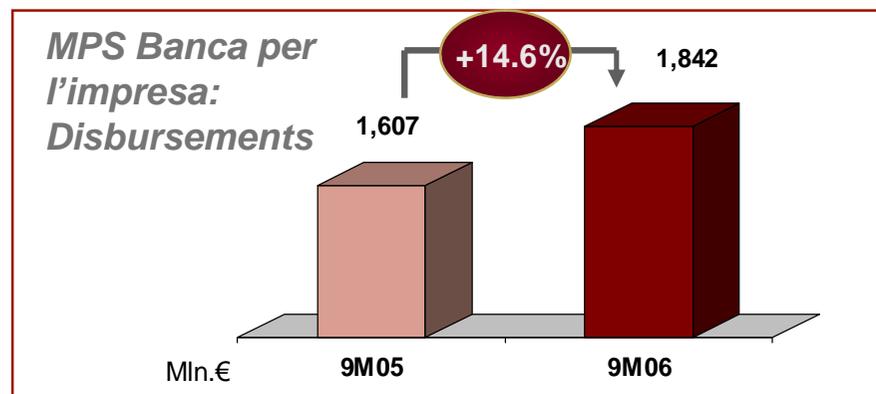
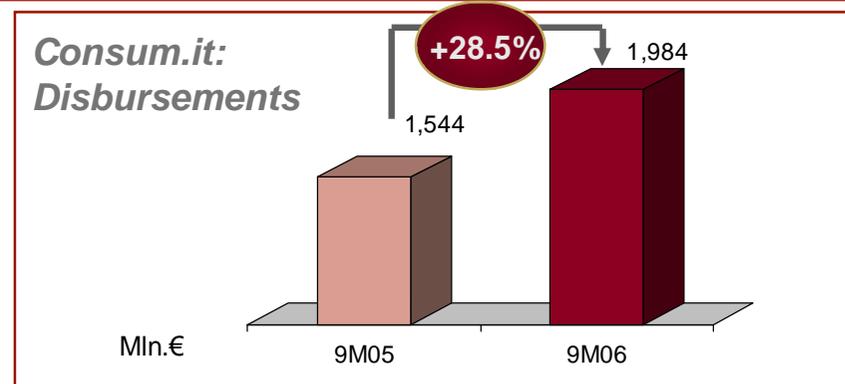
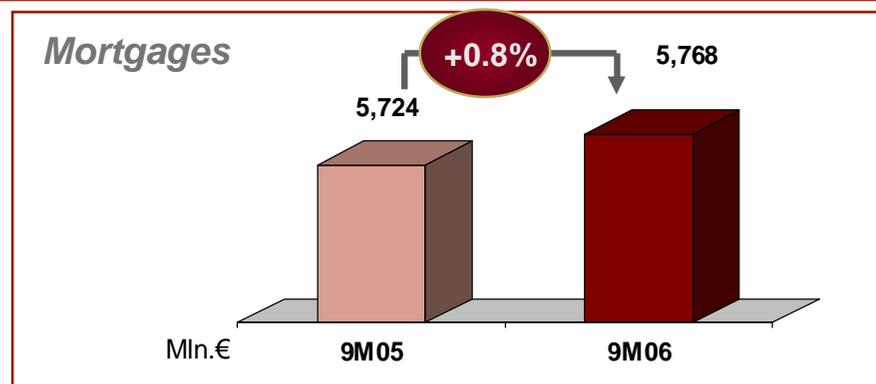


Mutual funds breakdown



- Mutual fund weakness driven by planned outflows from Monetary Funds (-Euro 1 bn since Dec 05)
- Positive net inflows in October '06

Commercial flows: overall good performance

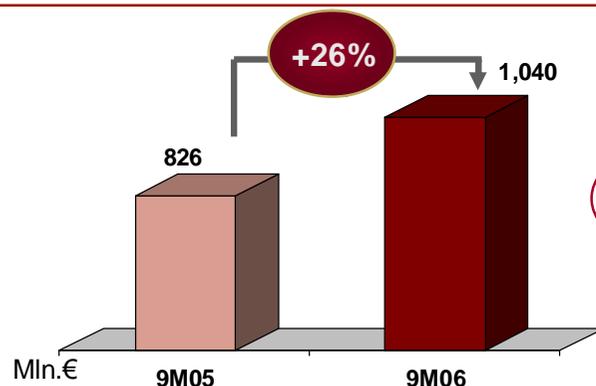


- Since December 2005, strong increase in long term flows, with a good contribution of Consumit (+28.5%), MPS Banca per l'impresa (+14.6%) and MPS Finance (+13%)
- Increase in factoring turnover (+10%), with a market share of 4.2% (4.1% at December 2005)

Focus on Consum.it: the first pure Italian player

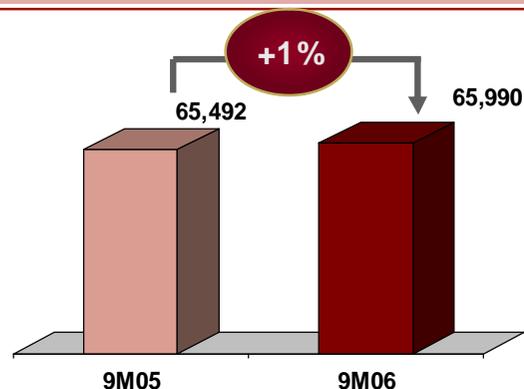
Consumer finance

consum.it
credito al consumo



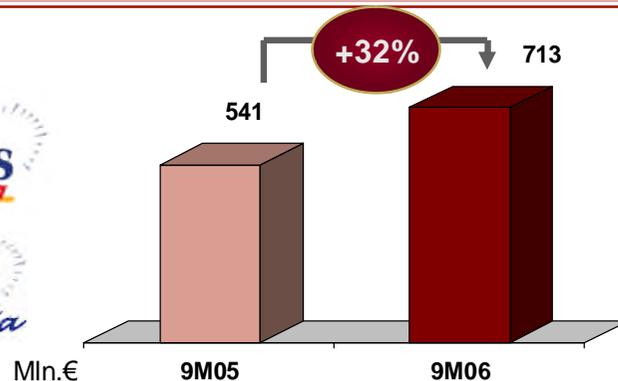
Market share:
5.34%

Revolving cards (issued cards)



Market share:
3.69%

Personal loans



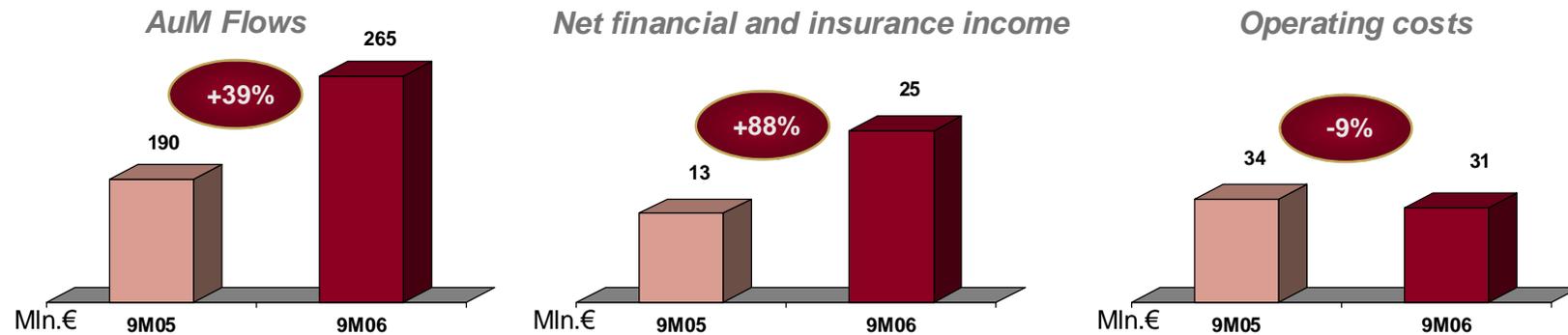
Market share:
7.12%

- ❑ Market share: 5.1% vs 4.6% at 31.12.2005
- ❑ Significant growth in revenues at Euro 118 mln in 9M06 (+35% YoY)
- ❑ Net operating profits at Euro 44 mln (+30% YoY) notwithstanding significant investments (costs +13% YoY)
- ❑ NPL ratio: 0.5%

FAs and P&C: good growth momentum



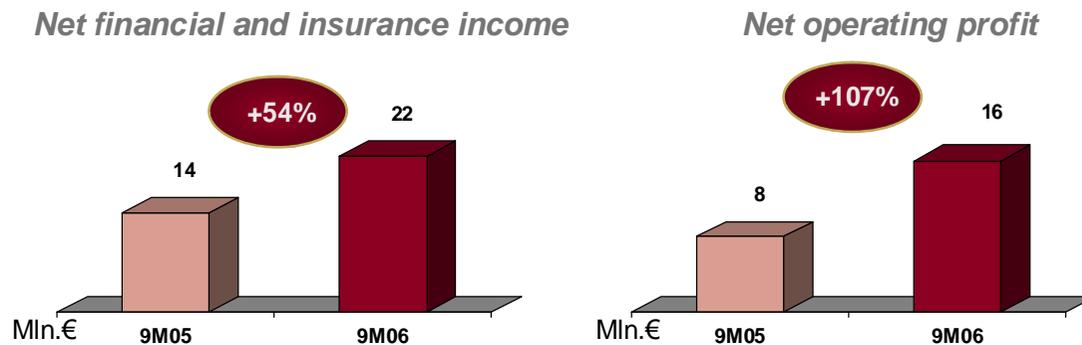
Banca Personale



- MPS Banca Personale FAs planned reorganization proceeds successfully
- The recruitment of new financial advisors continues (+42 in the first 9M06) together with the optimization of the 138 FAs financial shops



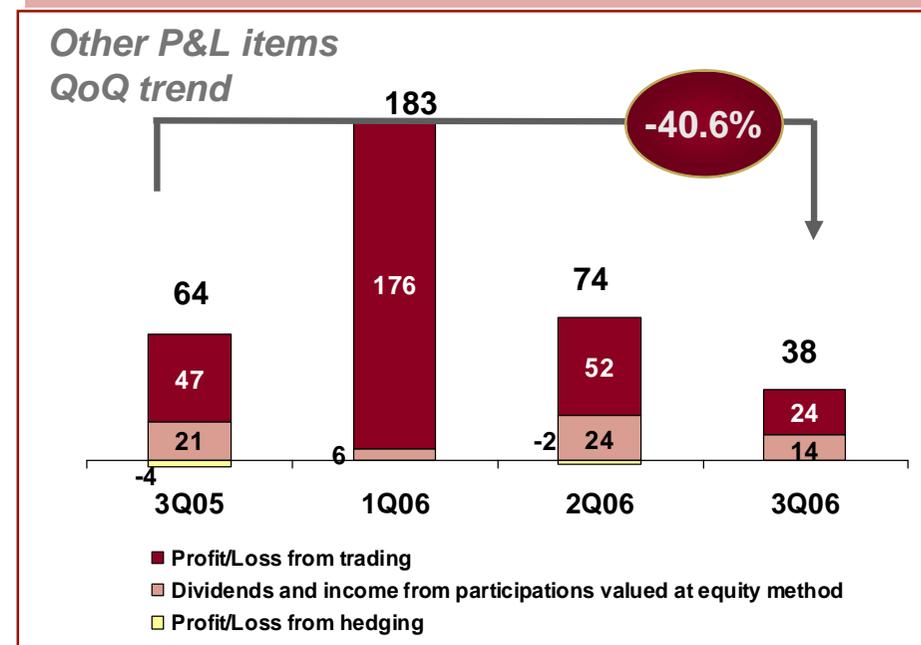
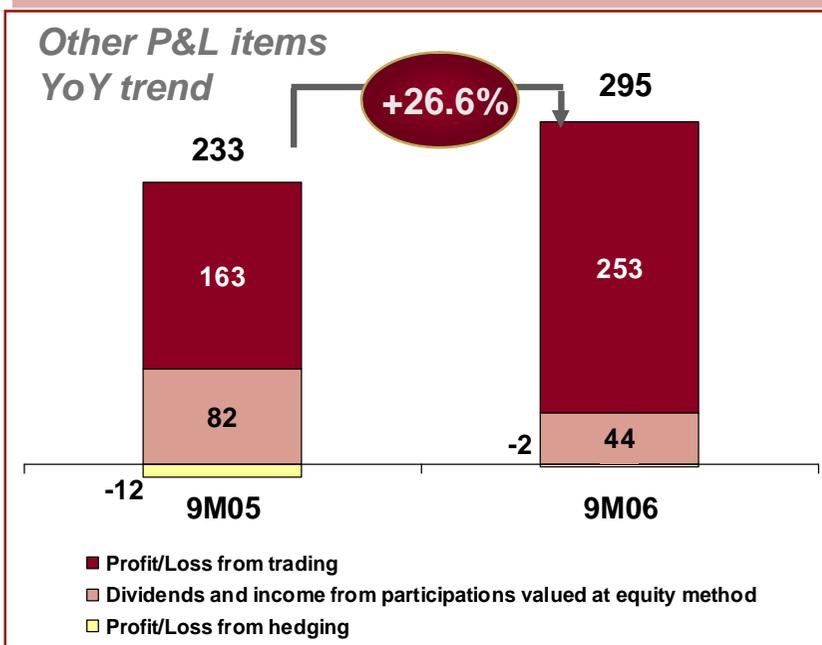
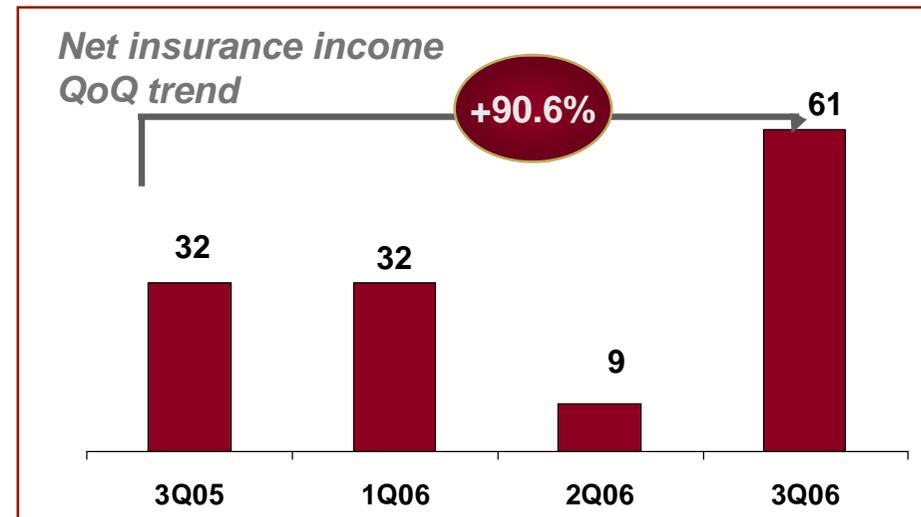
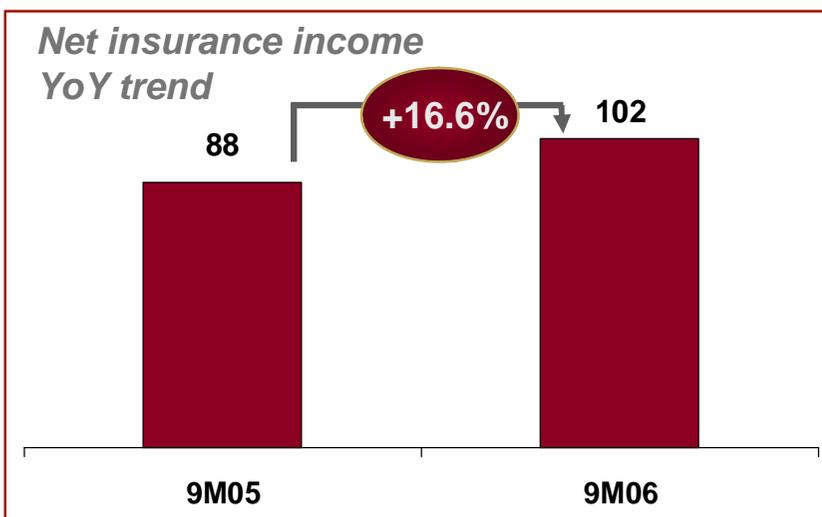
MPS Assicurazione Danni



- Strategy: from traditional protection products linked to banking products to more specialized products (healthcare, injuries, casualty)

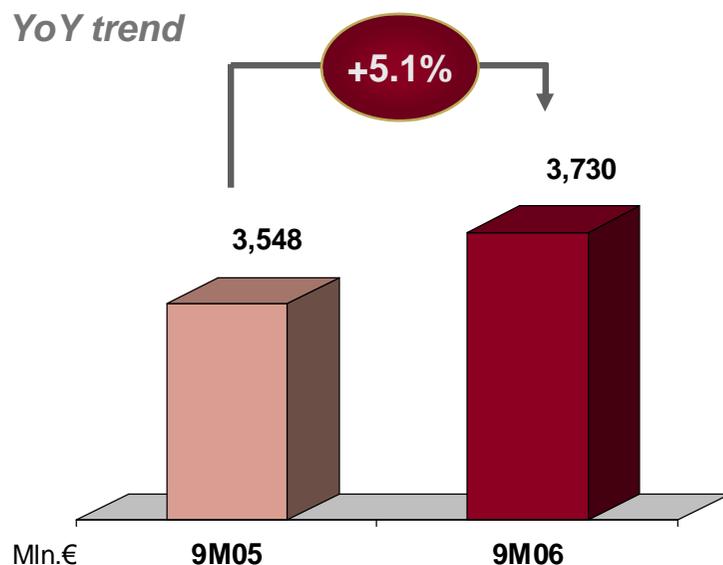


Net insurance income and other P&L items

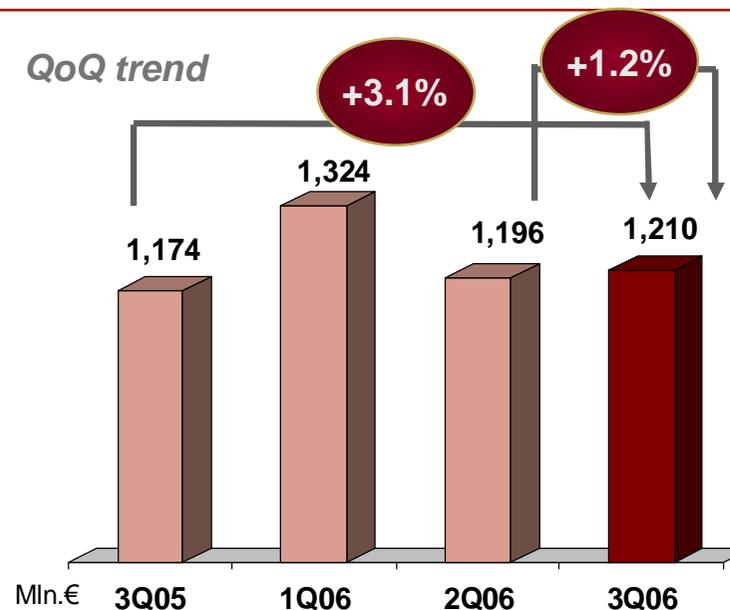


Total Revenues: growth and improving quality

YoY trend

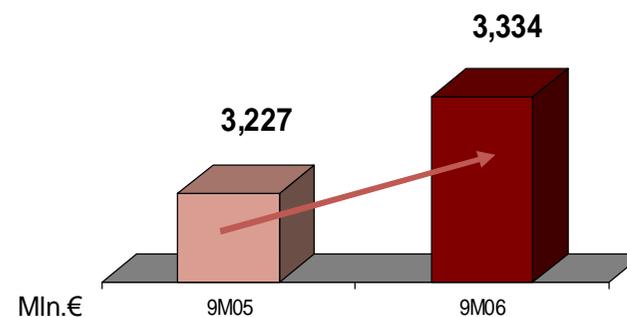


QoQ trend

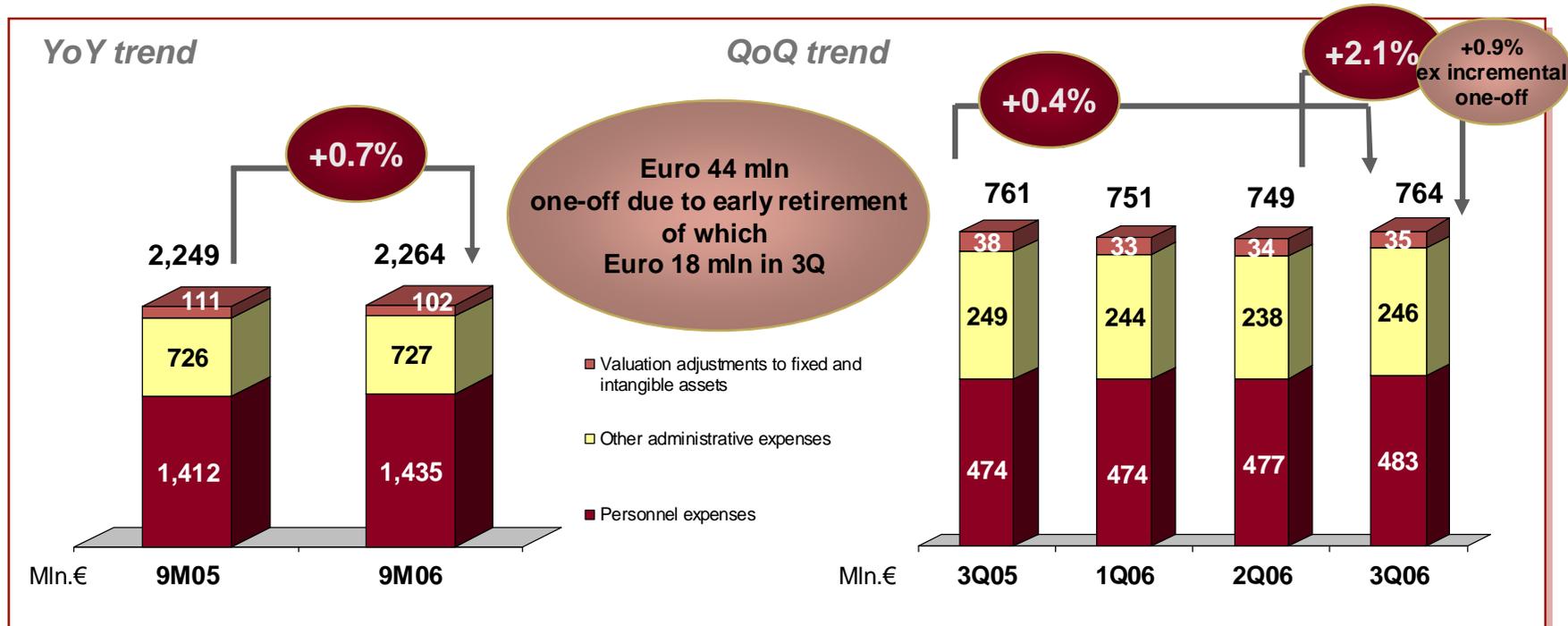


- ❑ Good revenues growth in 9M06 (+5.1%)
- ❑ Basic income component continues the steady upward trend notwithstanding the seasonal weakness of 3Q

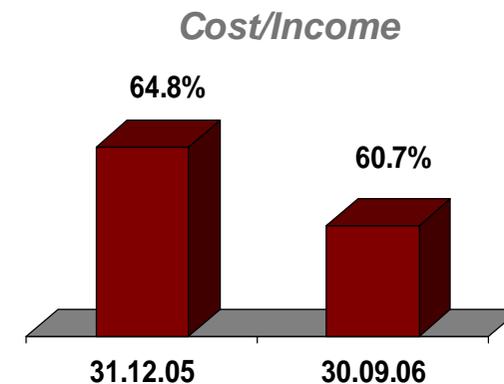
Basic income (NII + Net fees)



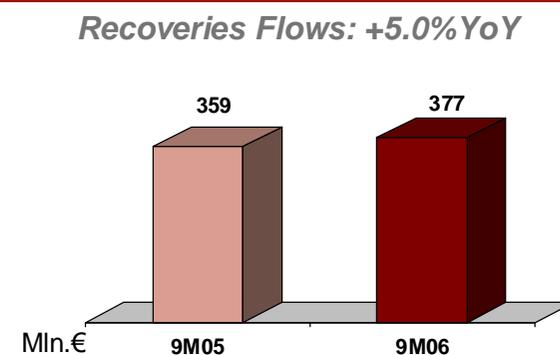
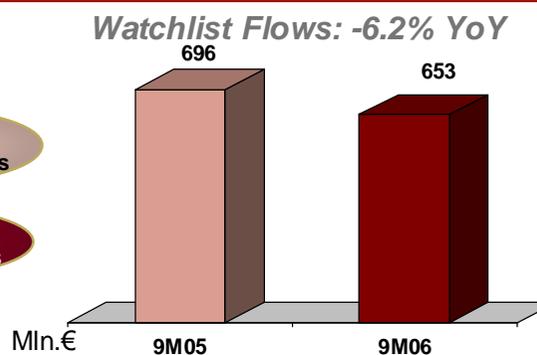
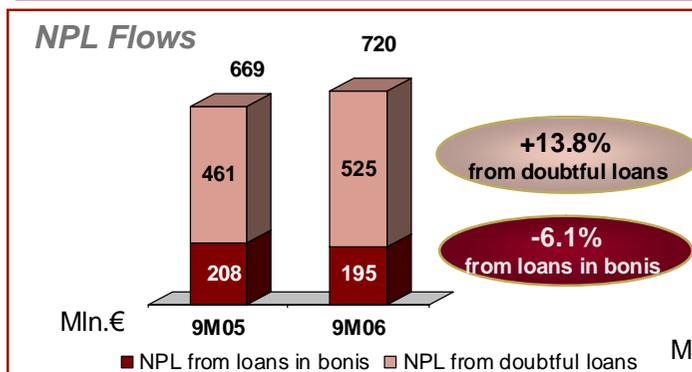
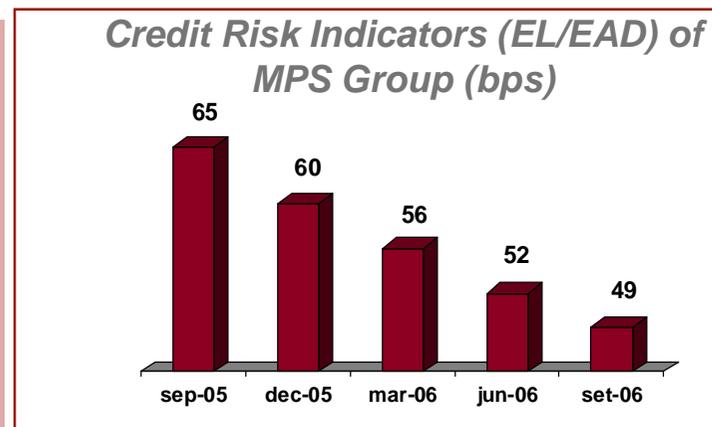
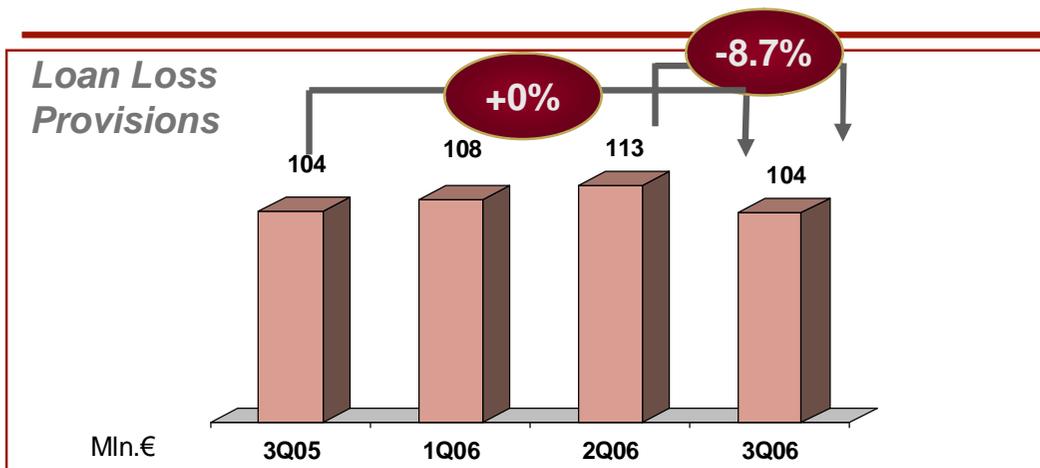
Operating costs: under control combined with ongoing investments



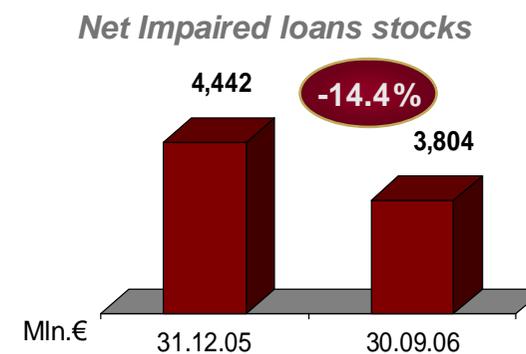
- Slight increase in costs (+0.7% YoY), in line with our targets, thanks to our steady commitment to cost cutting
- Personnel expenses down 0.5% QoQ excluding one-off early retirements (Euro 18 mln in 3Q06 and Euro 10 mln in 2Q06)
- Administrative expenses flat YoY notwithstanding the opening of 27 branches and 7 new Private Banking centers



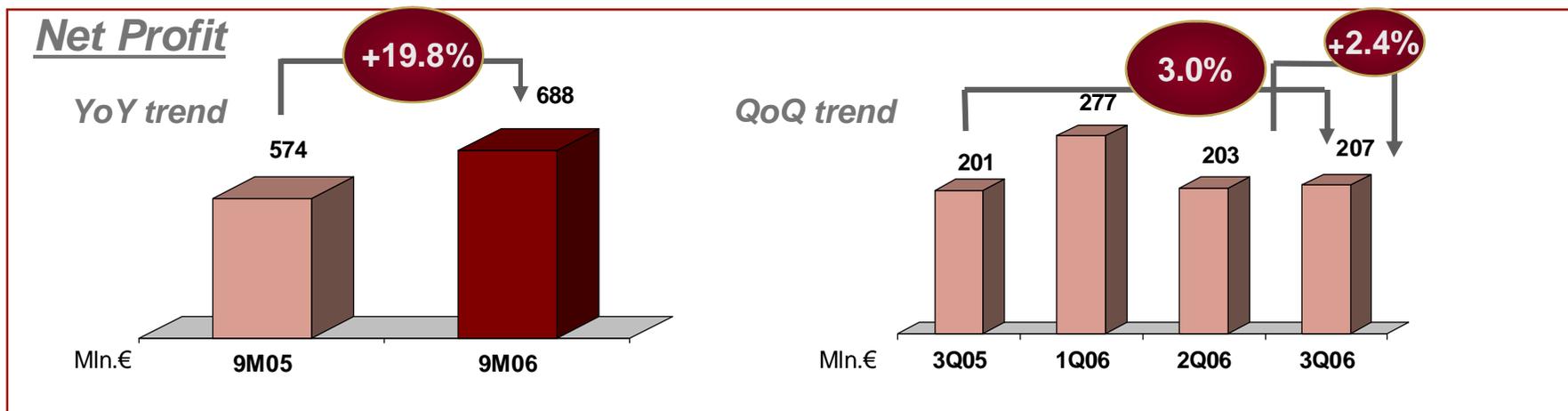
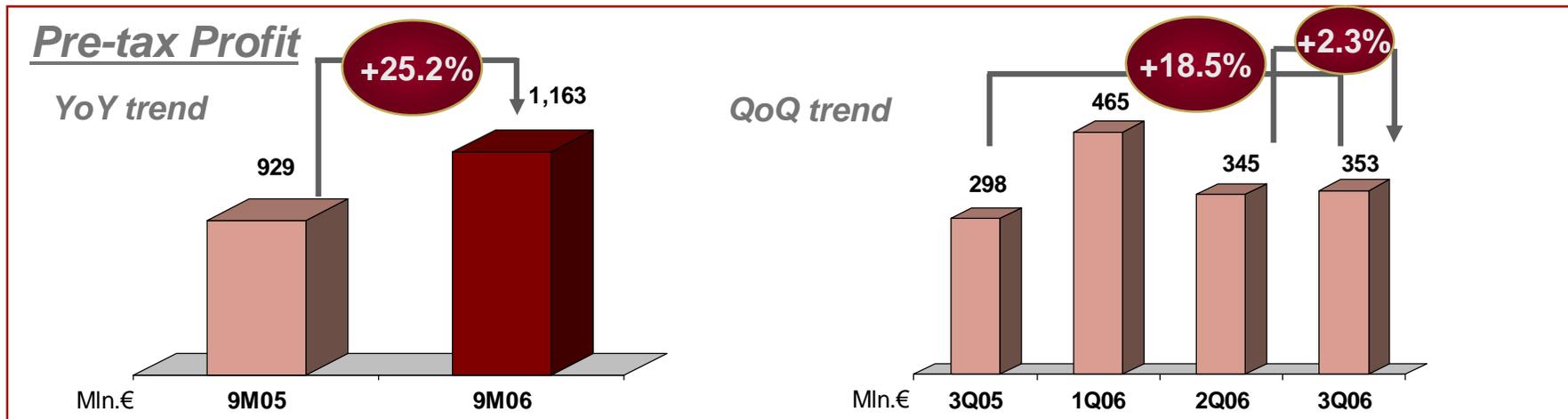
Loan loss provisions and doubtful loans



- Provisioning down to 49 bps from 50 bps in June '06 in line with the reduction of EL/EAD
- Improvement of watchlist coverage by 2% YoY. NPL coverage at 52.8% (close to 65% considering write-off on initial loans and 70% excluding mortgages)
- Annualized weight of gross non performing flows on total loans equal to 1.16%



Pre-tax Profit and Net Profit



- **Steady quarterly growth despite negative one-off components combined with ongoing focus on continuing fees at expense of upfront fees**

Analysis of 9M06 Results

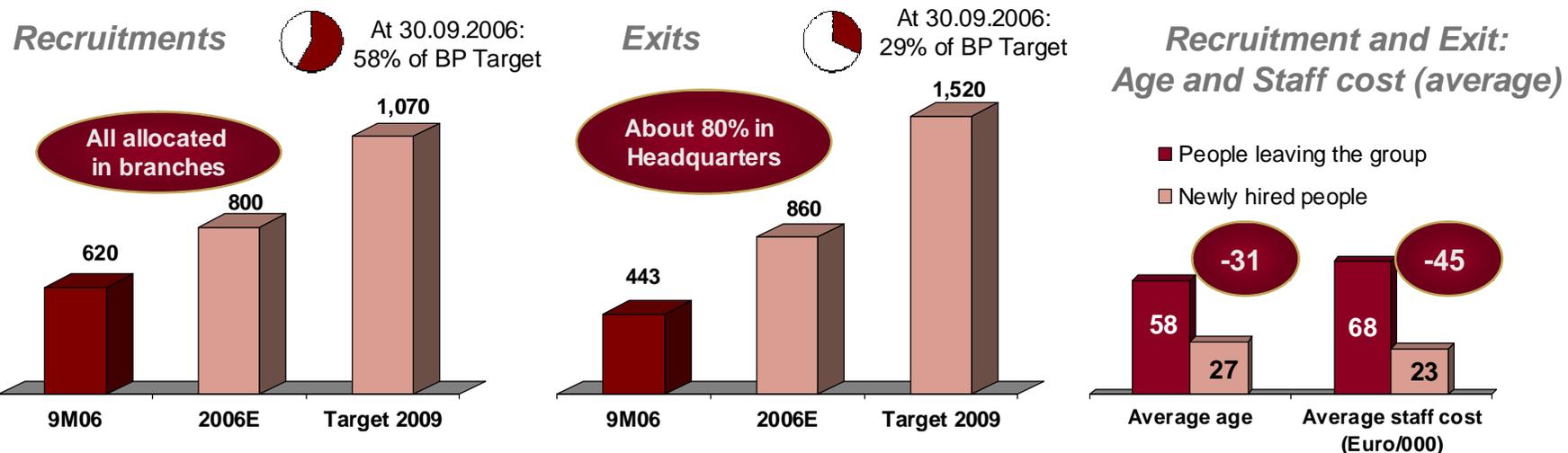
Business Plan update

Conclusions

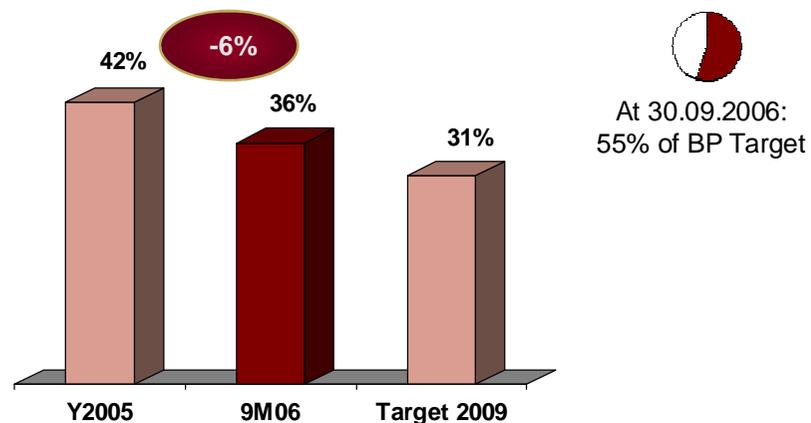
Annexes

1) Human Resource optimization (ex Tax Collection)

Recruitment and Exit (ex Tax Collection)



Headquarters and Main Branches Staff/Network Staff ratio*



* Ex. Tax Collection

- ❑ In 4Q more than 400 employees, of which majority from Headquarters, will exit
- ❑ Continues the reinforcement of front office with young resources
- ❑ Average age of personnel decreased from 42.7 in Dec 05 to 41.7 in September '06
- ❑ Back office/front office ratio decreased by 6% in 9M

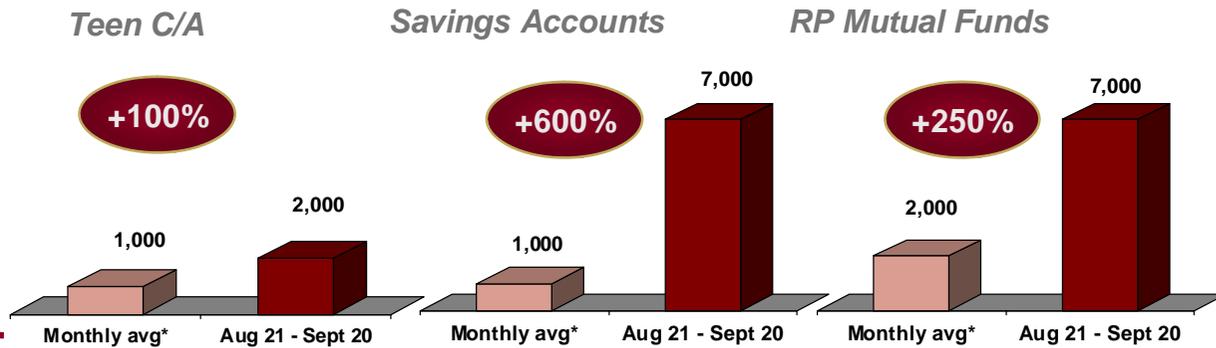
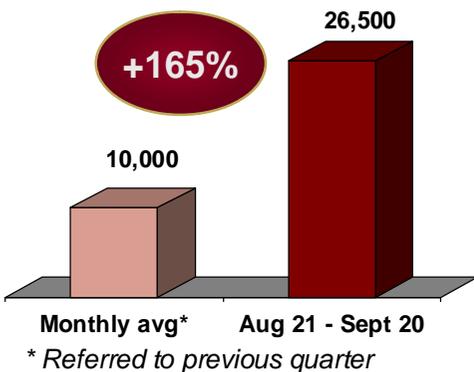
2) A new customer acquisition campaign: “Campioni del Monte”

- Strategy** ➔ couple bank’s name with consumer goods/brands to generate a highly positive feeling in our customers
- Target** ➔ build incremental traffic into our branches to offset typical adverse seasonality
- Concept** ➔ from Aug 21st through Sept 20th, every purchase from a panel of 11 products (“a soccer team”) was rewarded with an official World Championship soccer ball and a copy of the most popular sport newspaper issued the day after Italy’s recent world cup victory
- Results** ➔ beyond expectations in terms of new clients (+9,672) and volumes. Rewarded clients will be monitored in 6 months time to verify the targeted superior loyalty



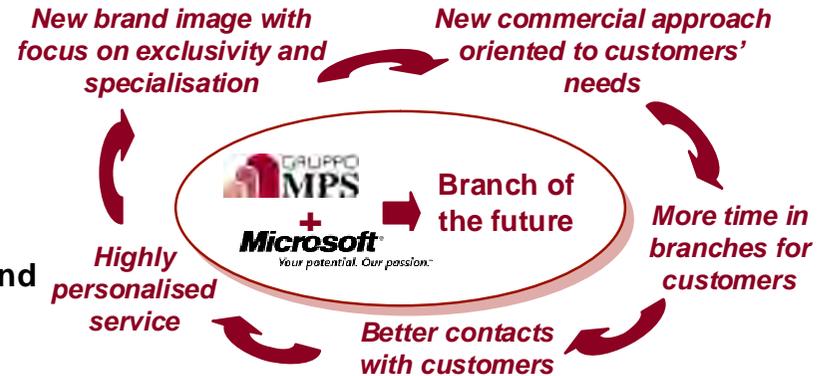
9,672
new clients thanks to this campaign
out of +43,000 new clients
since January

Purchased products

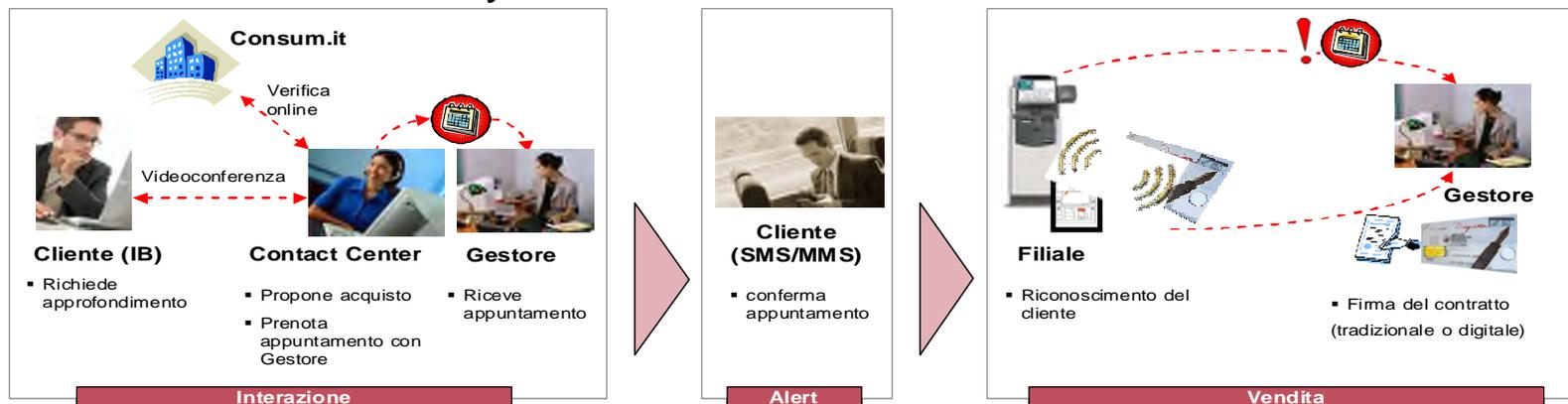


3) Branches re-thinking: the branch of the future

Concept ➔ multi-channel approach to customers, based on the integration of traditional channels (branches, call center, ATM and Internet) and the use of technological tools (IP telephony, videoconference, instant messaging and mobile devices)

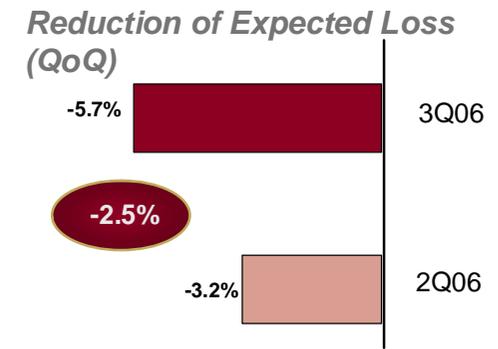
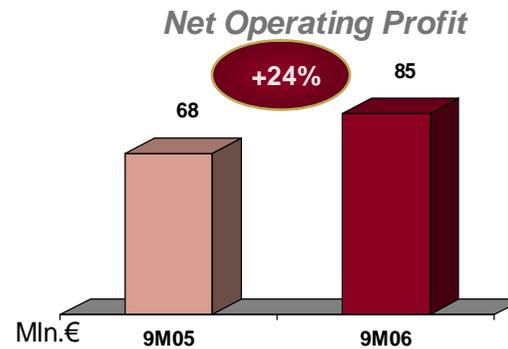
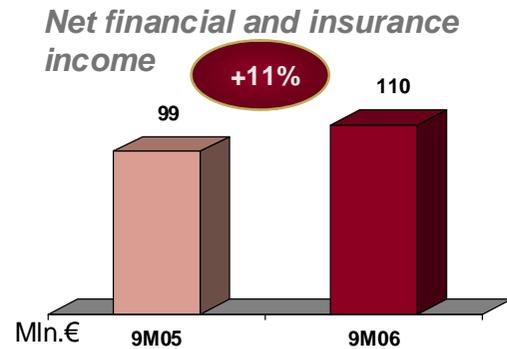


- New services** ➔
- Client Relation Space:** virtual environment available to commercial staff where all contracts are recorded
 - Single multi-channel ID access** for each customer
 - Digital signature**, which enables direct sales through innovative channels
 - Smart card** to access the branch and to use self-service devices
 - Online VideoSportello**, which enables customers to call directly the call center through a video call or to ask for an appointment with the branch manager
 - Advisory from Contact Center**

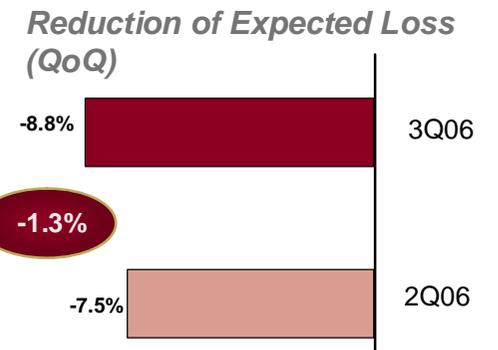
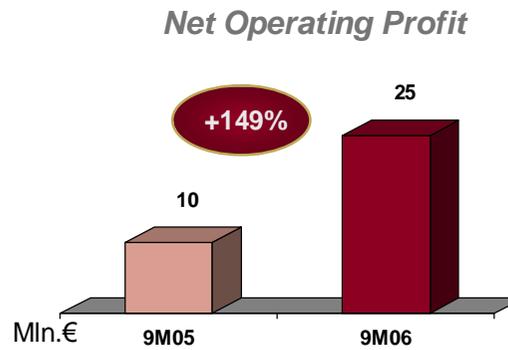
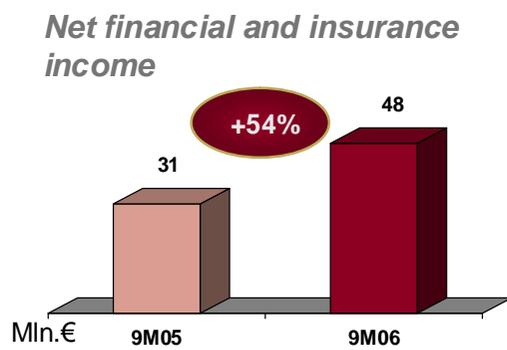


4) Corporate Banking and Key Clients results

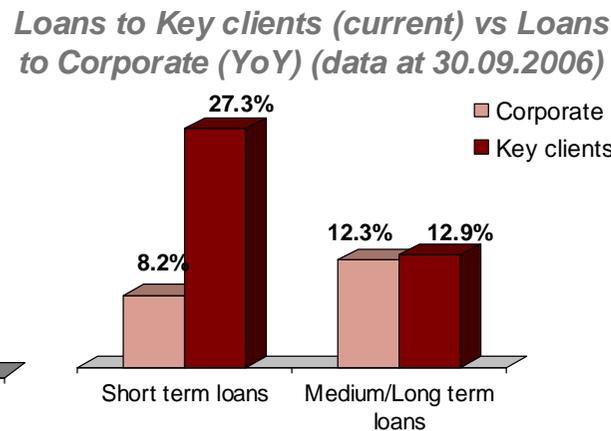
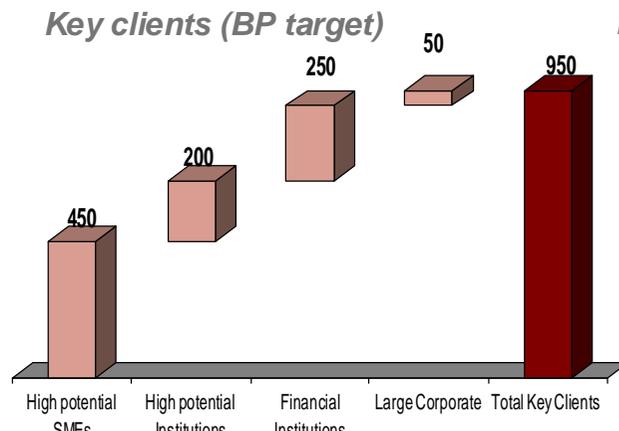
MPS Banca
per l'Impresa



MPS LEASING & FACTORING



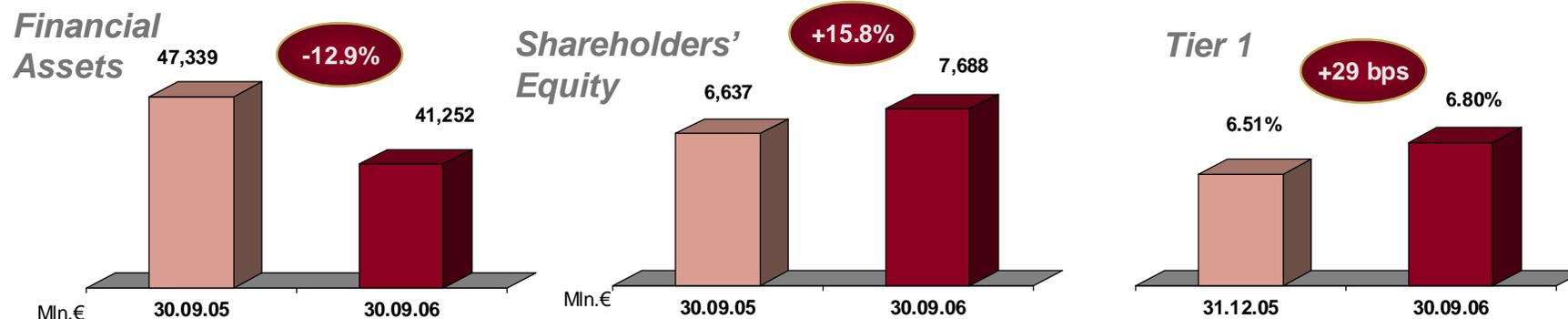
Key clients
and Corporate



Significant increase in Corporate Banking activity with volumes increased by 6.7% YoY and commissions increased by 4.5% YoY

5) ALM and Capital Allocation rebalancing and Real Estate rationalization

ALM and Capital Allocation rebalancing

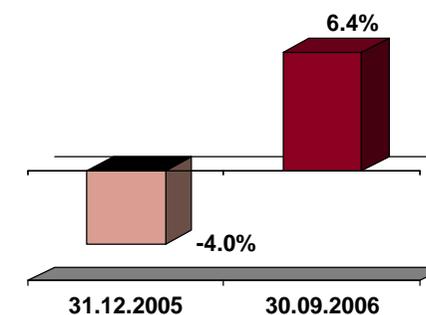


- ❑ Average VAR of Banca MPS at Euro 7.75 mln in September versus Euro 9.31 mln in 1H06
- ❑ Quarterly increase in interbanking exposure due to a decrease of subordinated debt (-3.5% QoQ), a decrease in funding from foreign branches CDs (-36% QoQ) and a strong growth of loans
- ❑ Tier 1 increase from 6.5% at 31.12.05 to 6.8% at 30.06.06
- ❑ Capital allocated to equity holdings down 10% vs 2005 year end

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 evaluate potential opportunities for our numerous non instrumental assets
- ❑ Total overall real estate assets worth >Euro 1.5 bn

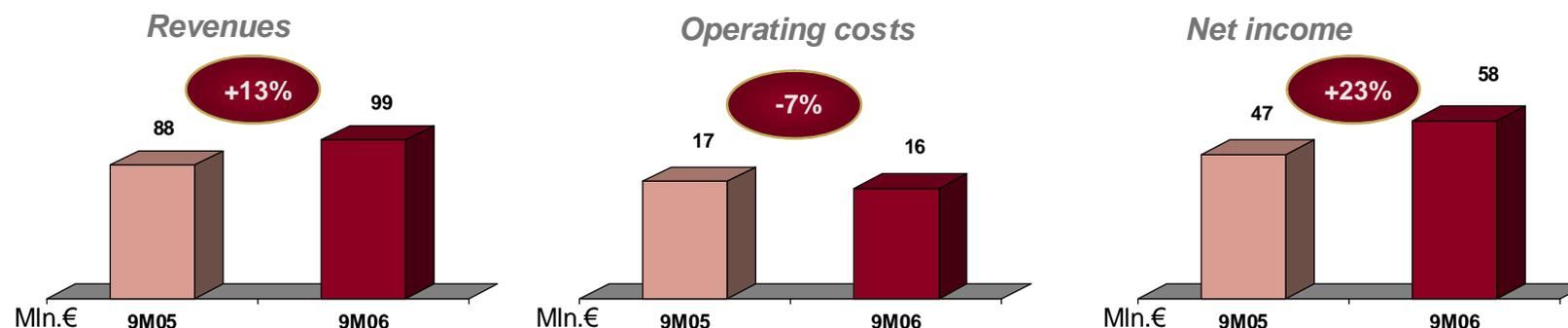
Equity inv. and Real Estate Portfolio RAROC



6) Other initiatives

Bancassurance

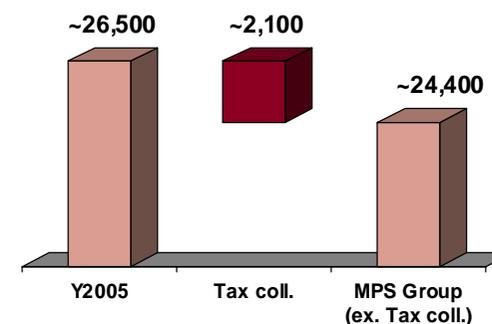
- ❑ We gave mandate to JP Morgan and Mediobanca to find a partner for a JV in Bancassurance
- ❑ At the moment, there is a list of 29 potential bidders
- ❑ The decision will be taken within 2006 or at the latest within 1Q07



Tax Collection

- ❑ We have deconsolidated our Tax Collection companies (Serit, Sorit, Gerit, Padana Riscossioni, Seit) and in September we signed contracts for their hand over
- ❑ About 2,100 people left the Group (as of 1st October)
- ❑ Potential future opportunities:
 - ❑ real estate management: we have an active lease contract for a 36,000 square metres building in Rome with a monthly rent of Euro 400,000
 - ❑ IT services supply: we are finalizing the contract

Tax Collection: Evolution of headcount: ~2,100



Tax Collection: Economic indicators (mIn Euro)

	30.09.2005	30.09.2006
Total Revenues	213	226
Operating Costs	177	165

Analysis of 9M06 Results

Business Plan update

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Annexes

Conclusions: 9M06 achievements and outlook

- ❑ **Good operating performance (Operating income: +13.5% YoY and +7% QoQ) and ongoing positive commercial momentum**
- ❑ **The initiatives and projects provided for in our Business Plan are being implemented as scheduled**
- ❑ **We are on track with our 2006 Business Plan and we confirm our profitability targets while keeping a low risk profile**



Q&A

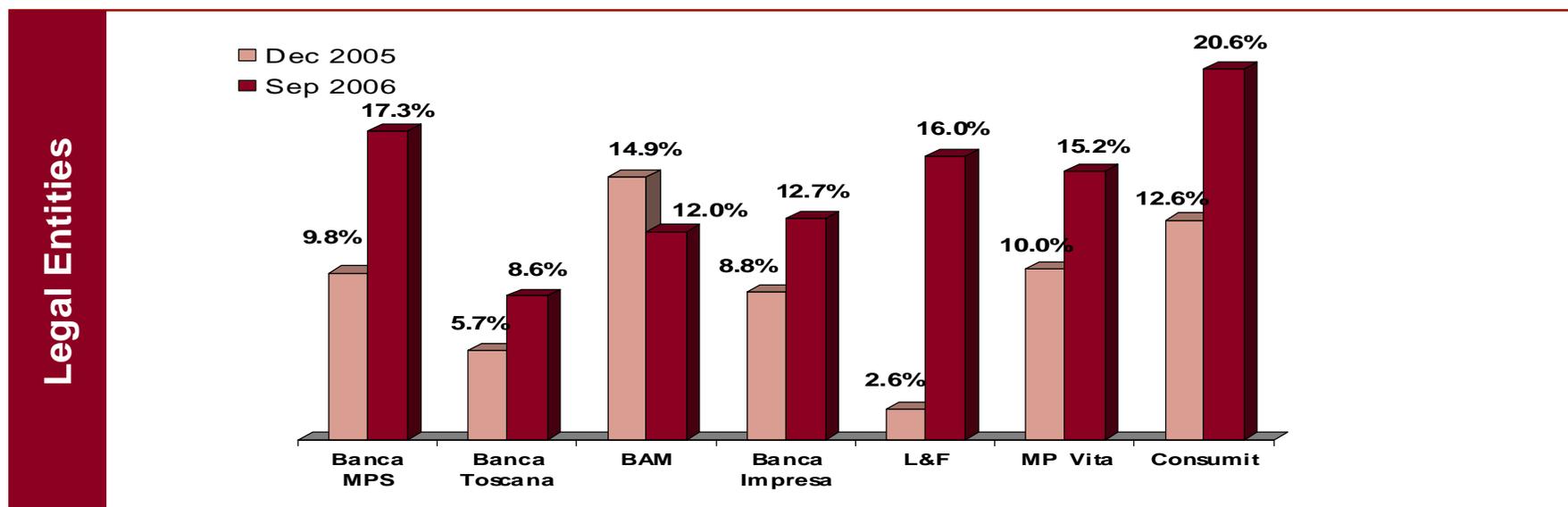
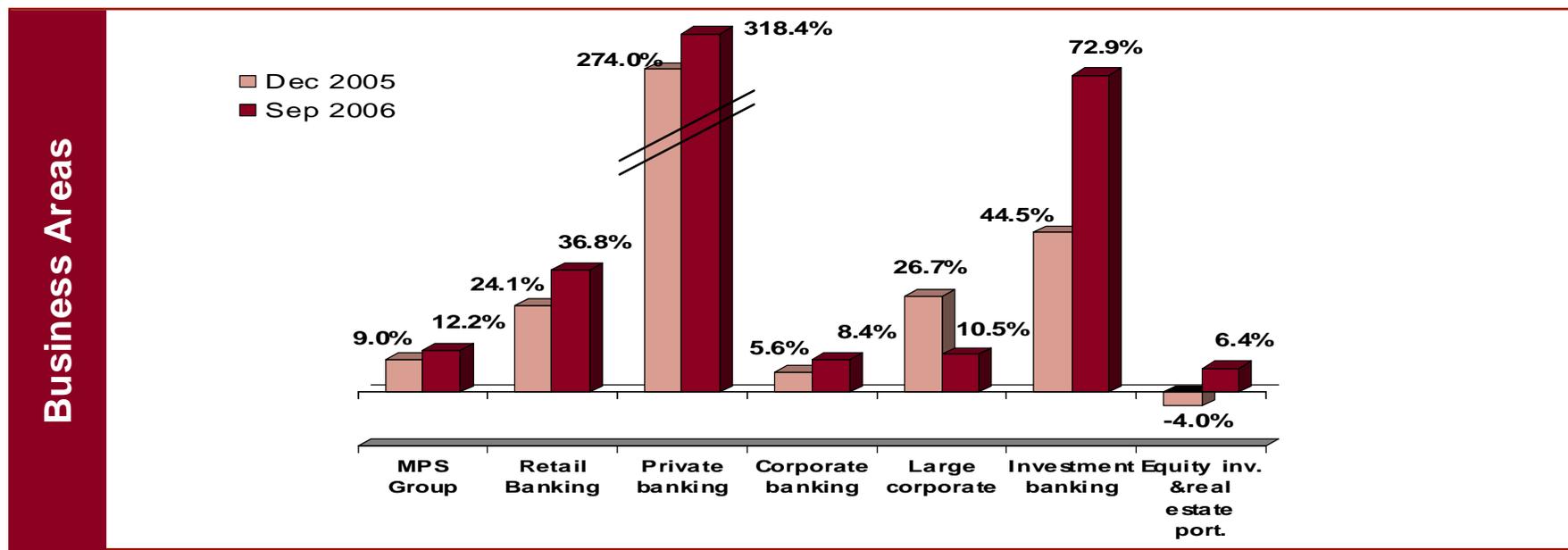
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Conclusions

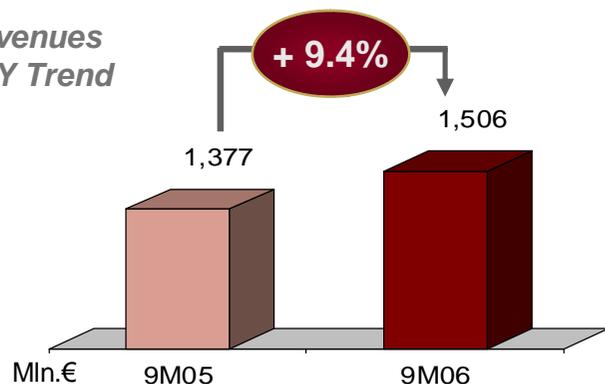
Annexes

RAROC: overall positive trend

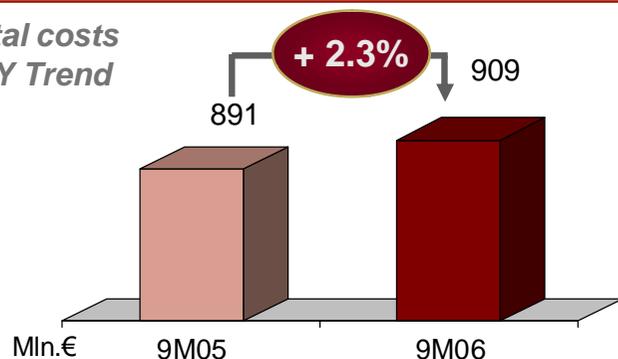


Retail Banking

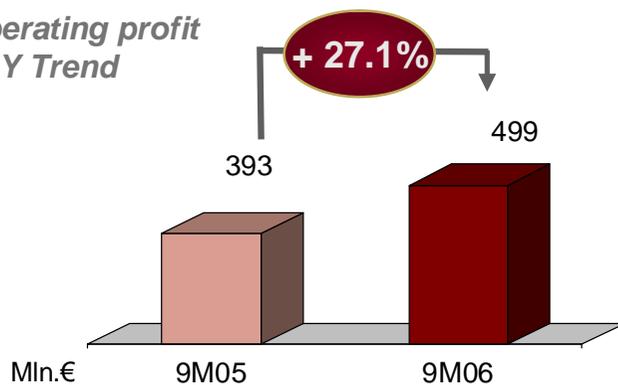
Revenues
YoY Trend



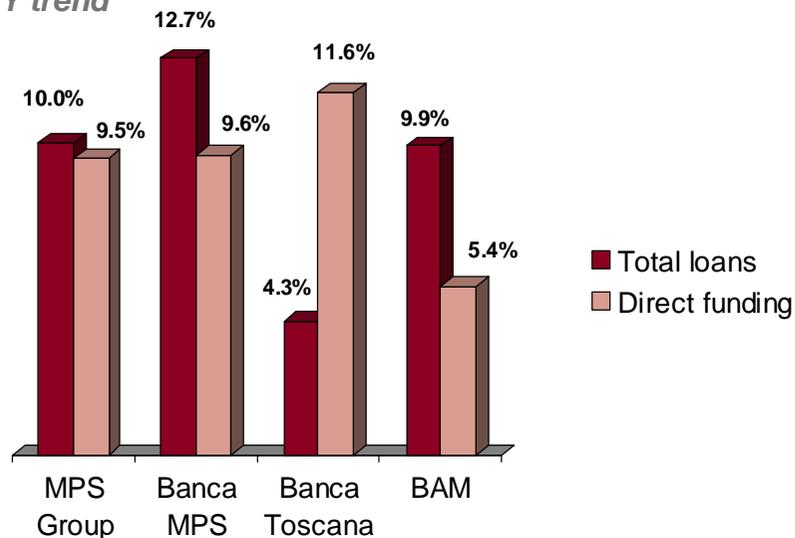
Total costs
YoY Trend



Operating profit
YoY Trend



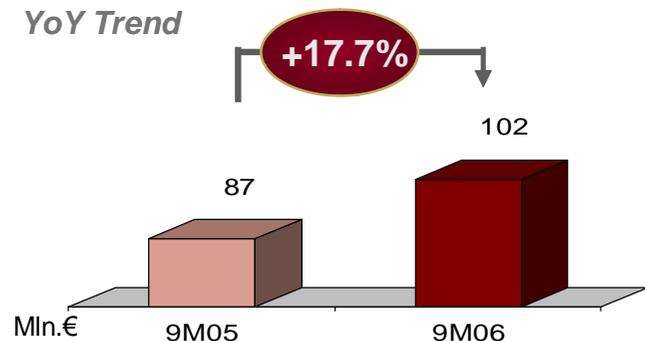
Total loans and direct funding (at 30.09.06)
YoY trend



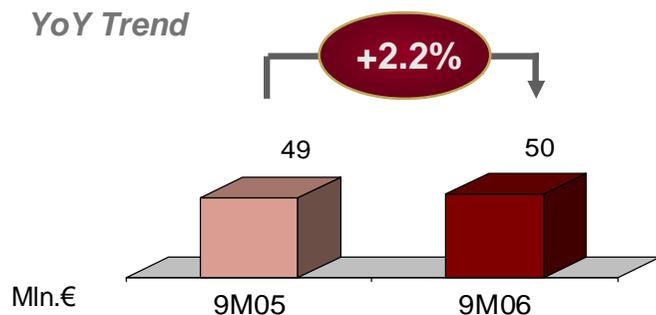
- ❑ Credit products flows at Euro 22.3 bn (+21% YoY), of which 93% related to long terms loans
- ❑ Strong increase in total funding, thanks to good performance of bond flows (+20% YoY)
- ❑ Cost/income down to 60.4% (vs 66% at 31.12.2005)

Private Banking

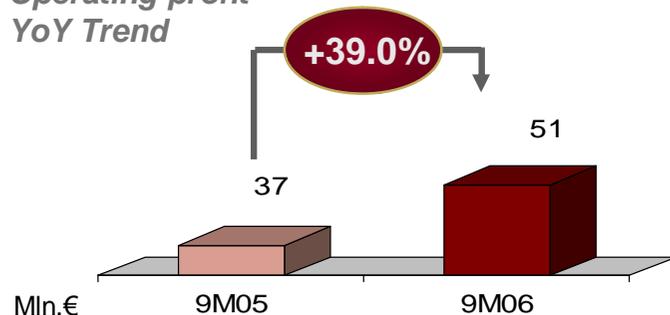
Revenues
YoY Trend



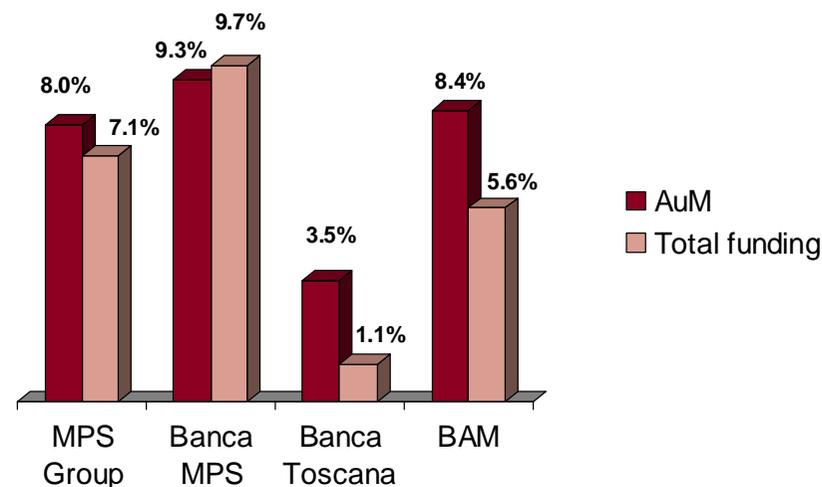
Costs
YoY Trend



Operating profit
YoY Trend



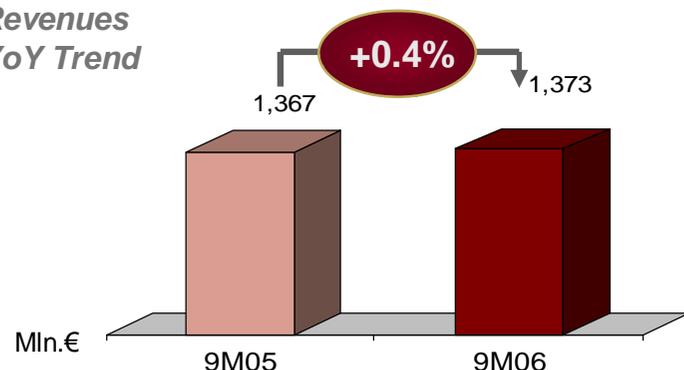
AUM and total funding (at 30.09.2006)
YoY trend



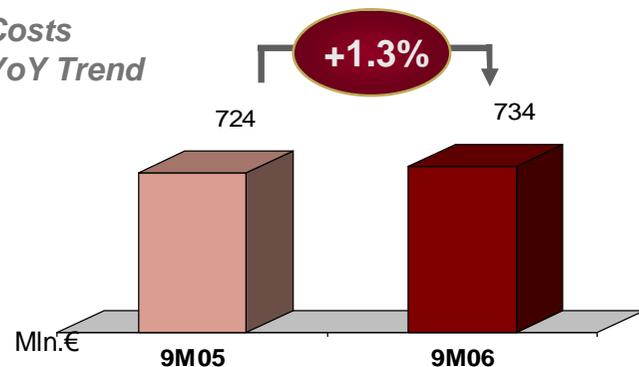
- ❑ **Good savings flows: AuM +8% YoY, Direct funding +21% YoY**
- ❑ **Cost/income down to 48.2% (vs 56.5% at 31.12.2005)**
- ❑ **Further investment in the network that reached 60 Private Banking Centers**

Corporate Banking

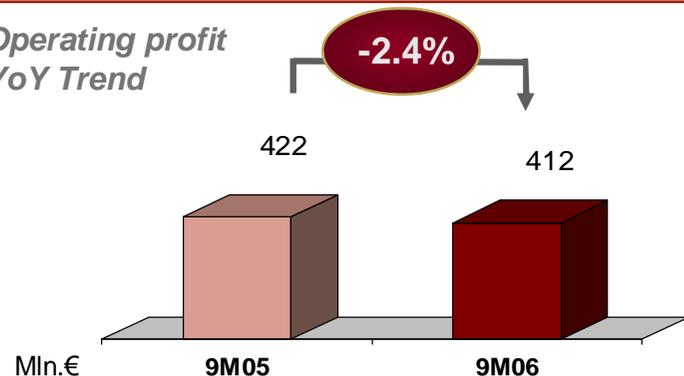
Revenues
YoY Trend



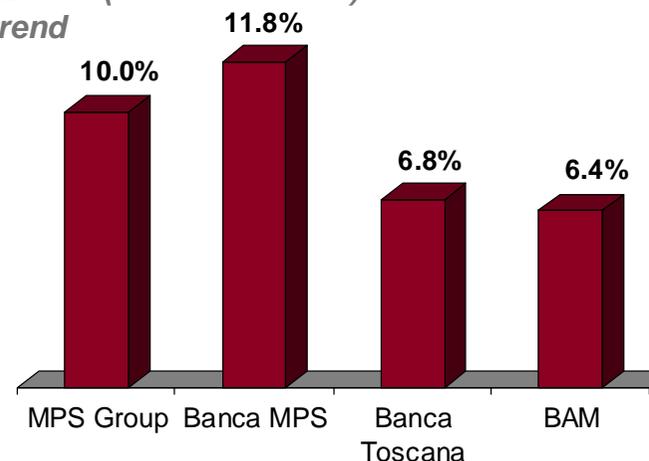
Costs
YoY Trend



Operating profit
YoY Trend

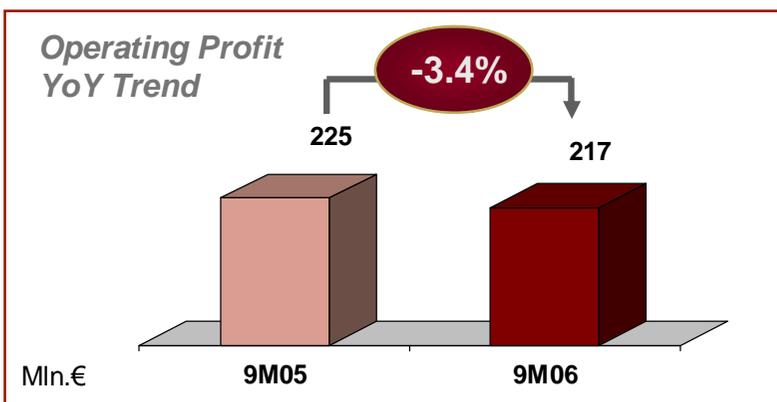
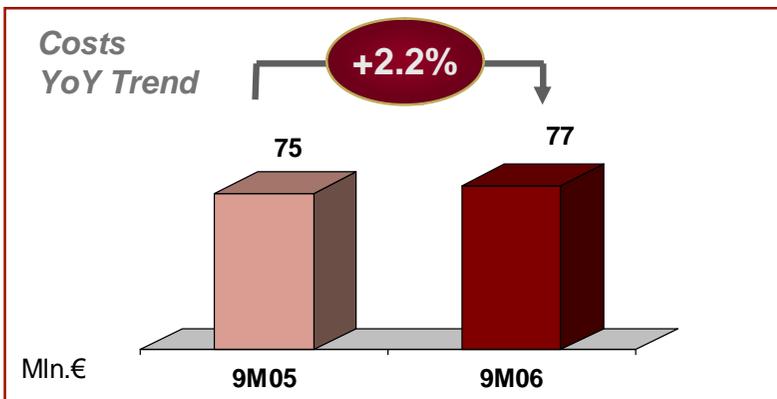
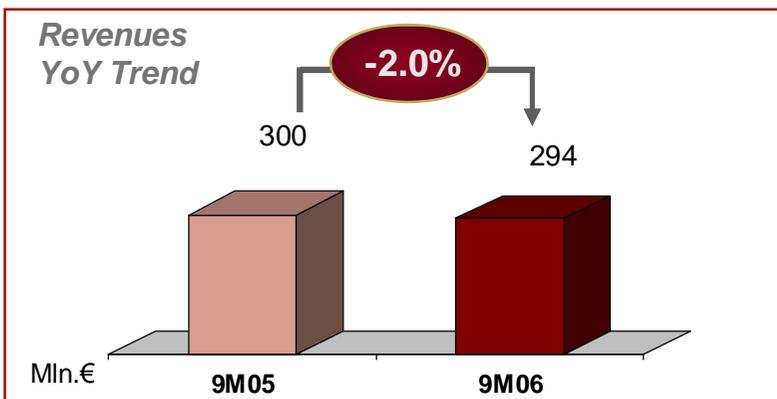


Total Loans (data at 30.09.06)
YoY trend



- ❑ Loans to customers reached Euro 50 bn (+6.7% YoY)
- ❑ Strong mortgages flows from network banks: Euro 2.8 bn (+12% YoY)
- ❑ Strong increase in net commissions (+4.5% YoY)

Investment Banking



- ❑ **Decrease in revenues (no more FIAT fees related to Convertendo)**
- ❑ **MPS Finance: Net income at Euro 43 mln (+45% YoY)**
- ❑ **Profitability ratios still top of the market, with cost/income ratio at 26% and Raroc at 72%**

Segment Reporting

■ SEGMENT REPORTING -

(mln.€)

30/09/06	Retail Banking	Private Banking	Corporate Banking	Investment Banking	Other Sectors	Corporate Center	Subtotal	Tax Collection	Total
INCOME AGGREGATES									
Financial and insurance income (loss)	1,506.0	101.7	1,372.5	294.0	182.5	47.6	3,504.4	226.1	3,730.4
Net adjustments for impairment of loans and financial assets	-97.9	-0.2	-226.5		-7.9	-4.7	-337.2		-337.2
Operating expenses	-909.0	-50.5	-734.1	-76.6	-135.3	-192.7	-2,098.2	-165.5	-2,263.7
Net operating income	499.1	51.1	411.8	217.4	39.4	-149.8	1,069.0	60.6	1,129.6
Capital aggregates									
Customer loans	23,396.0	409.8	50,149.4	22.6	9,020.5	4,099.4	87,097.6		
Due to costumers and securities *	37,672.5	3,227.9	18,918.1	173.5	12,148.8	14,257.7	86,398.4 *		

(*) The balance sheet figures do not include index-linked funding, included as usual in the aggregate "assets under management".

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