



**Our best results in history as a solid base  
for future growth**

**2005 FY Results**

Milan, 30th March 2006

# Agenda

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- Highlights of 2005 Results**
- Analysis of 2005 IAS Compliant Results**
- Divisional analysis**
- Conclusions**
- Annexes**

# Best results in history for MPS Group

- ❑ **Strong growth of commercial flows: +40% saving products, +14% lending products**
- ❑ **Increase of market share in the main business areas:**
  - ❑ ***Consumer credit: 4.6% (vs 3.6% in 2004)***
  - ❑ ***Bancassurance: 10.7% (vs 10.1% in 2004)***
  - ❑ ***Short term loans: 6.51% (vs 6.28% in 2004)***
  - ❑ ***Mortgages: 7.2% (vs 7.0% in 2004) of which retail mortgages: 7.16% (vs 6.16% in 2004)***
  - ❑ ***Asset Under Management: 5.91% (vs 5.72% in 2004)***
- ❑ **Strong growth of basic income: +7.7% YoY**
- ❑ **Third consecutive year of cost cutting: -1.3% YoY**
- ❑ **Pre-tax profits grow of 52% YoY regardless €190 mln of negative one-off items**
- ❑ **Jump in net profit: +42% YoY**

- ❑ **We still have room for improvement vis-a-vis best market competitors and within our divisions**
- ❑ **We have different opportunities to optimize costs and to improve capital allocation**

# Highlights of 2005 Results

✓ Strong revenues growth combined with ongoing cost containment

## Profit & Loss

(mln €)

	Y05	Y05 / Y04	4Q05	4Q05/3Q05	4Q05/4Q04
Net Interest Margin	2,578	7.3%	673	5.7%	14.1%
Net Commissions	1,781	8.3%	459	4.1%	6.4%
Basic Income	4,359	7.7%	1,132	5.1%	10.9%
Total Revenues	4,728	7.4%	1,180	0.5%	5.1%
Loan Loss Provisions	427	-19.2%	125	20.3%	-3.1%
Operating Costs	3,065	-1.3%	816	7.2%	0.1%
Net Operating Income	1,097	44.2%	102	<i>n.m.</i>	<i>n.m.</i>
Net Income	790	42.4%	217	7.6%	-6.8%

# 2005 Results vs 2003-2006 Business Plan targets

✓ Results in line with 2003-2006 Business Plan targets with a strong acceleration of commercial volumes and the network expansion

## Business volumes

	CAGR 03-05	Chg 05/04	Expected CAGR 03-06 Business Plan
AuM	+7.1%	+11.6%	+10.6%
Funds under administration	-2.6%	-2.6%	+1 %
Direct funding	+3.2%	+6.5%	+3.4 %
Loans	+8.9 %	+9%	+5.8 %

## Key indicators

	2003	2005	BP Target 2006
Roe	+7%	+13%	+14%
Cost/income	68%	64.8%	57%
Cost/income (ex Early Retirement)		63.3%	57%
Credit Cost	77 b.p.	51 b.p	61 b.p.
Core Tier I	6.3%	6.3%	7%
Tier I	6.5%	6.5%	n.a.

## Other figures

	2005	BP Target 2006
Opening/relocalization of branches	107*	150**
Net headcount reduction	1,500***	1,700

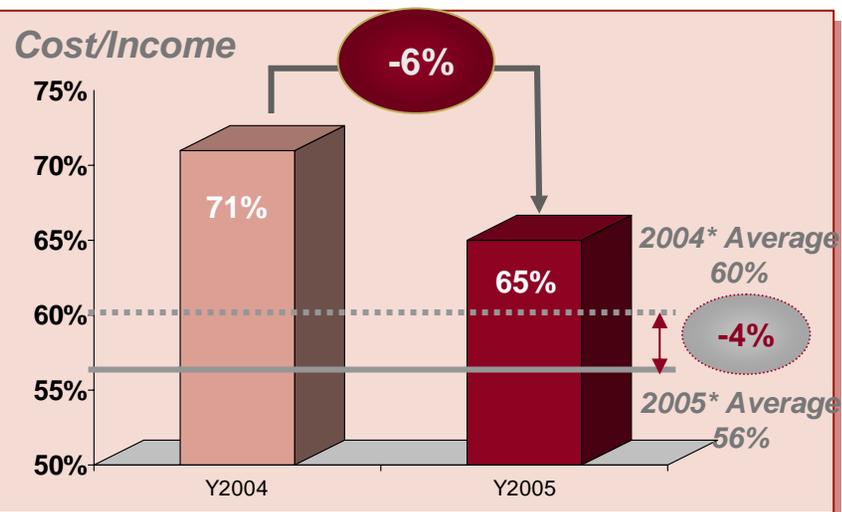
\* More than 90 new branches planned for 2006

\*\* Increased to 200 in 2005

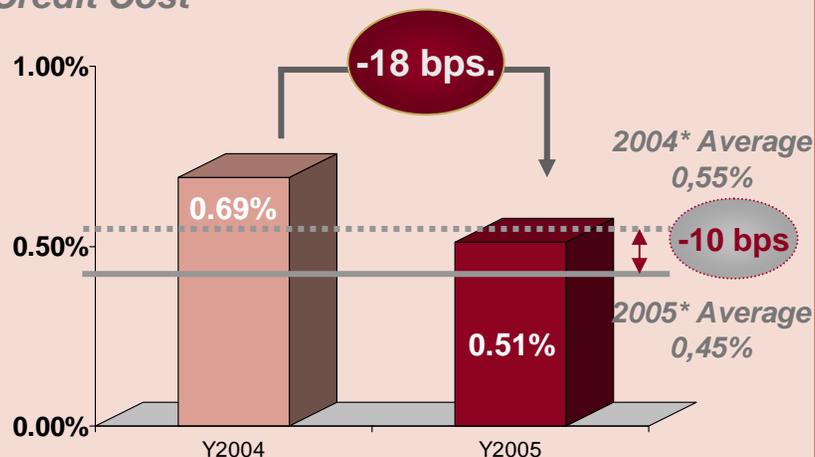
\*\*\* 1,900 exits through early retirements

# Next target: closing the gap with top market performers

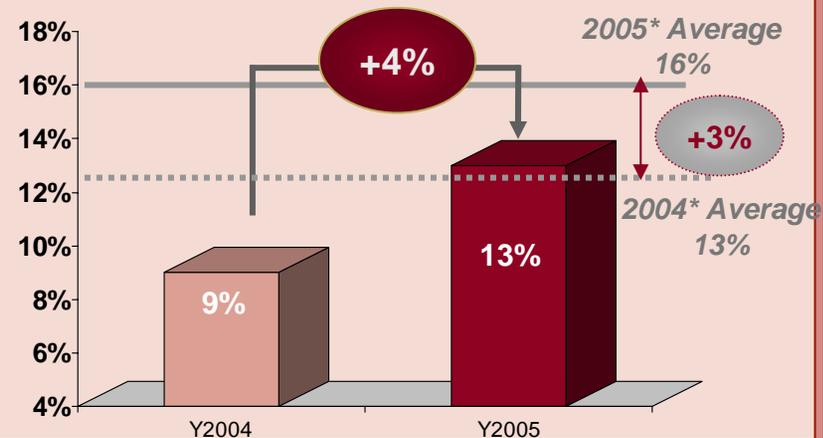
- During 2005 MPS Group main ratios have outperformed best market average
- Still important room to improve efficiency
- MPS Management strongly focused on closing the gap



## Credit Cost



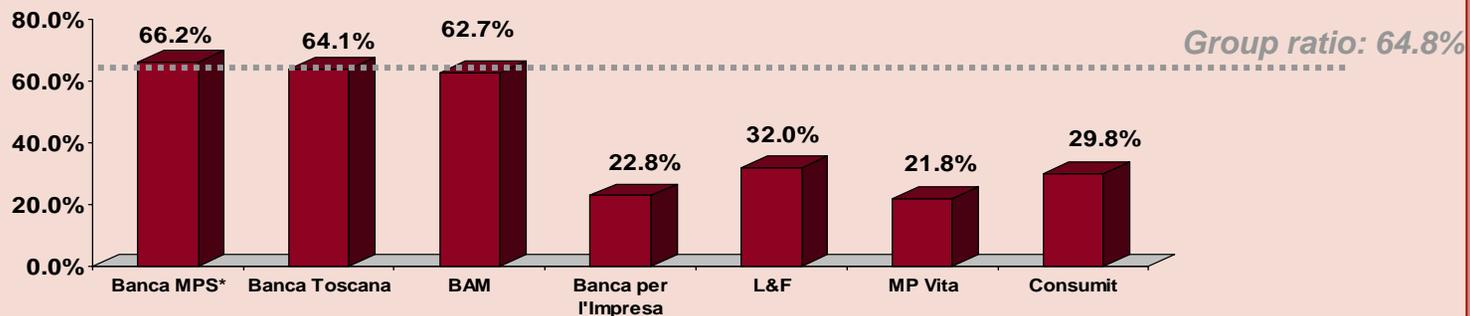
## ROE



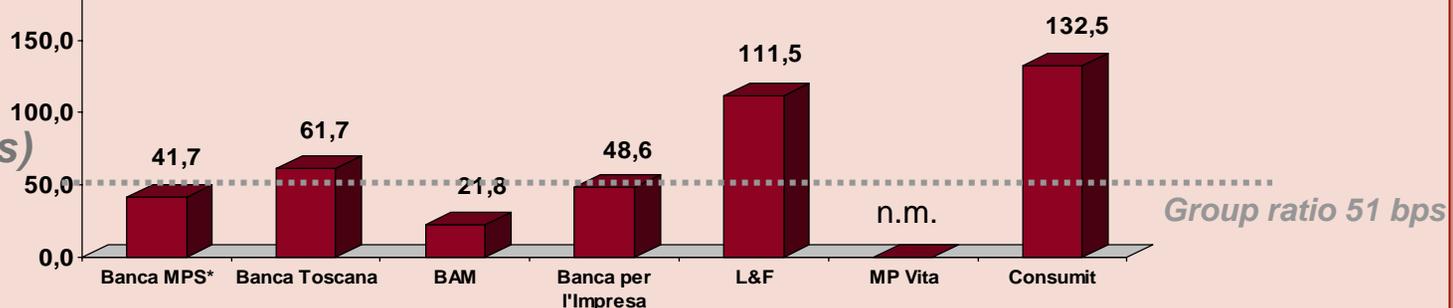
\* The average has been obtained comparing the best three performers for each ratio from the following peers: Capitalia, Banca Intesa, Unicredit (ex Hypo-und Vereinsbank), San Paolo IMI

# Next target: improving efficiency within the Group

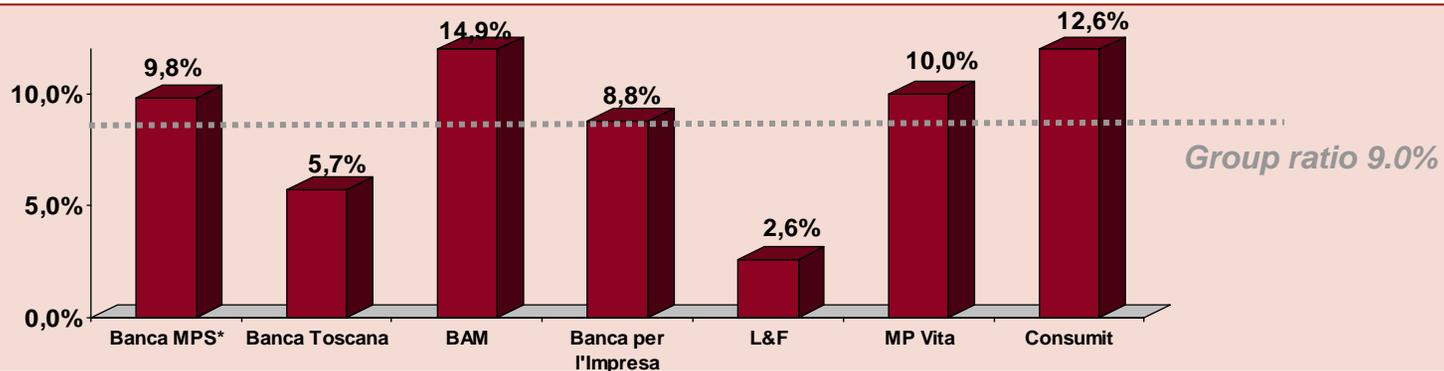
## Cost/Income



## Provisioning (bps)



## Raroc



\* Parent company

# Agenda

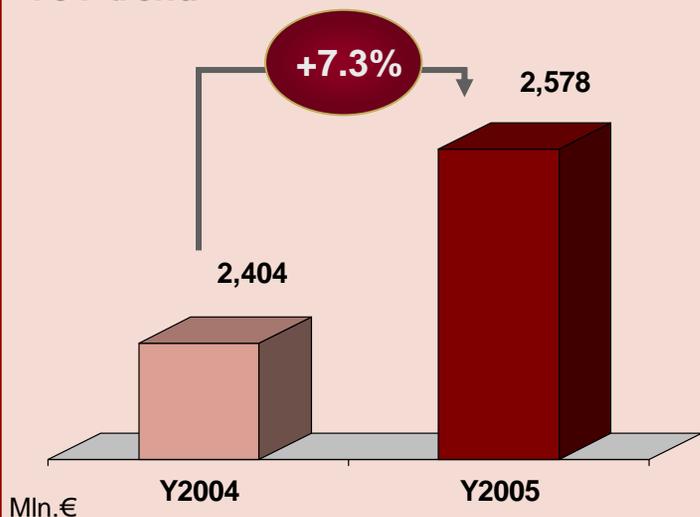
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- ❑ **Highlights of 2005 Results**
- ❑ **Analysis of 2005 IAS Compliant Results**
- ❑ **Divisional analysis**
- ❑ **Conclusions**
- ❑ **Annexes**

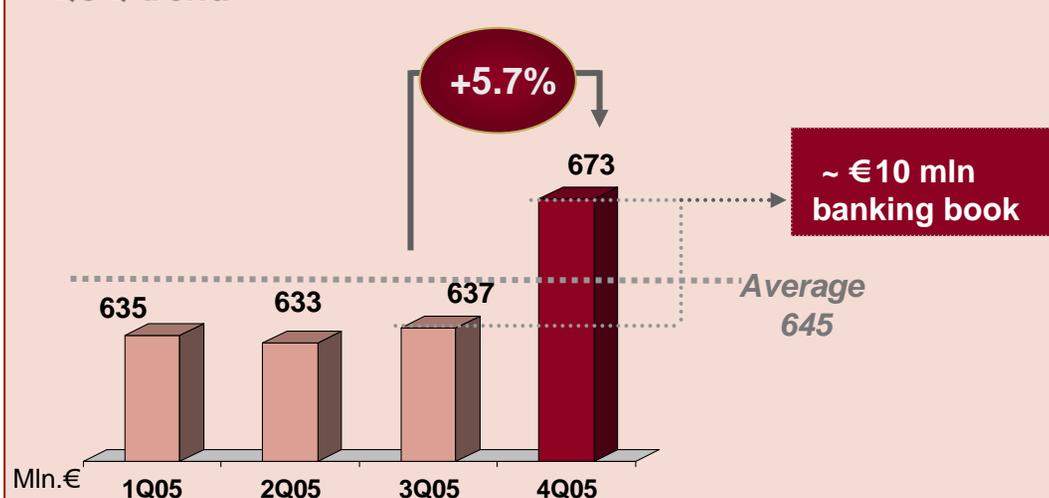
# Net Interest Income

✓ Annual and quarterly strong evolution driven by acceleration of volumes

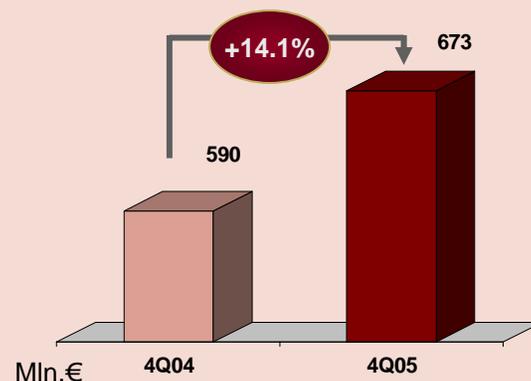
YoY trend



QoQ trend



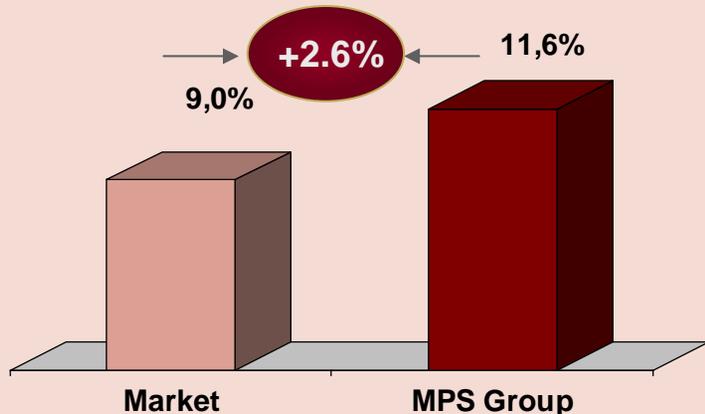
- ❑ Strong increase of commercial activity during 4Q05
- ❑ Important contribution from Retail Banking (+8.1% YoY)
- ❑ Large expansion of funding and m/l loans with containment on pricing pressure



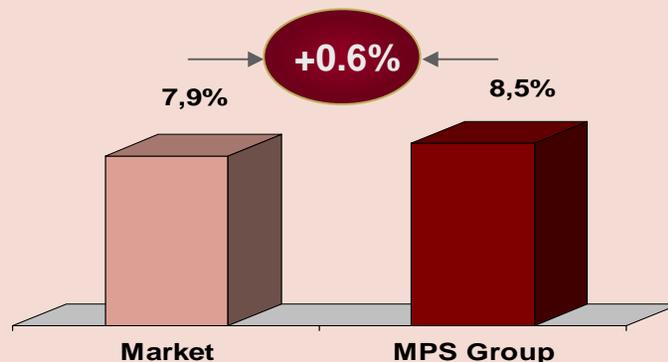
# Volumes and pricing

✓ Above market average growth of main volumes while spread recovers versus December

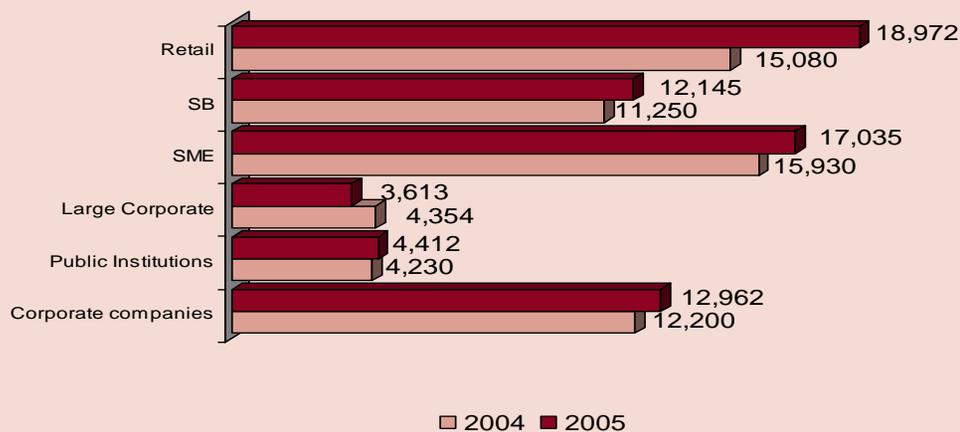
Domestic loan growth (avg balances): +11.6% YoY  
Loans market share: 6.35%



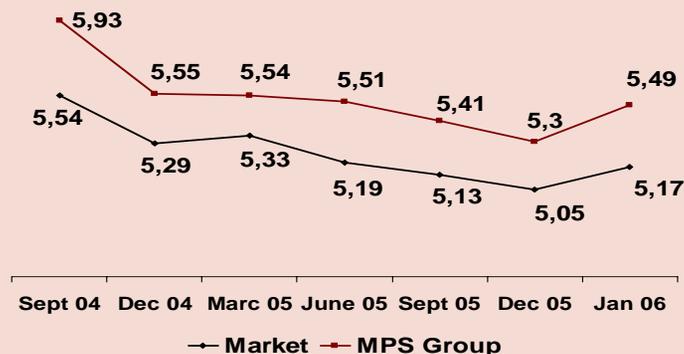
Domestic direct funding growth (avg balances): 8.5%  
Direct funding market share: 6.62%



## Loans breakdown evolution



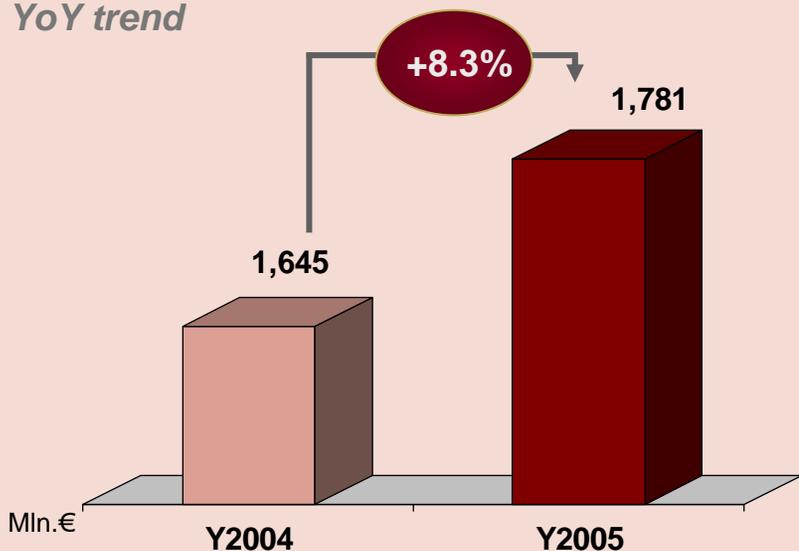
## Spread Trend – GMPS vs Market



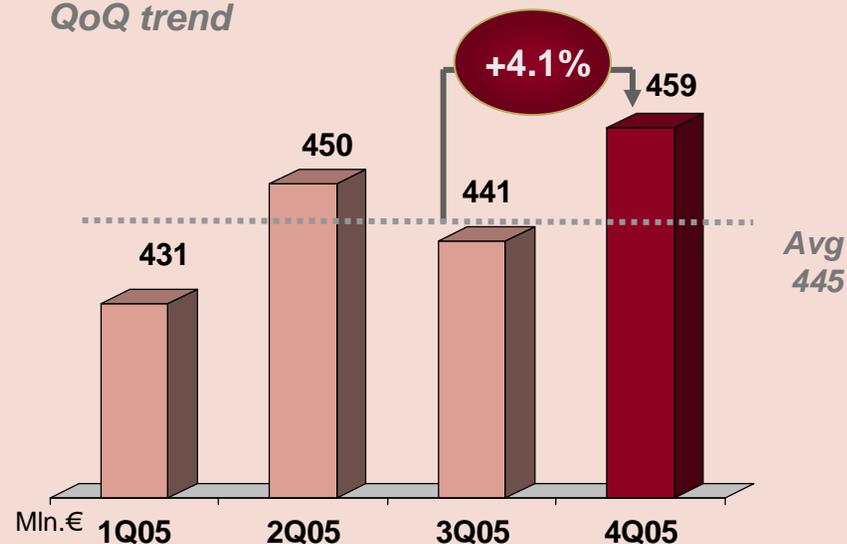
# Net Fees

✓ Strong growth of net fees, with a significant increase of traditional commissions during 4Q05

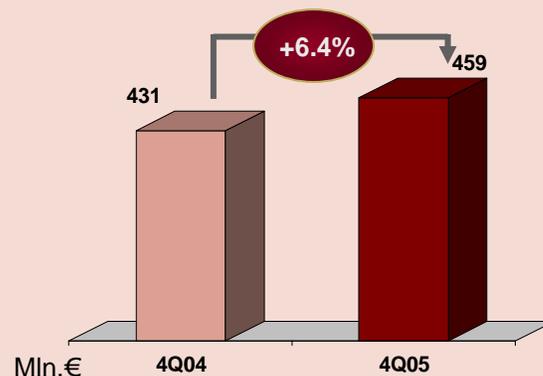
YoY trend



QoQ trend

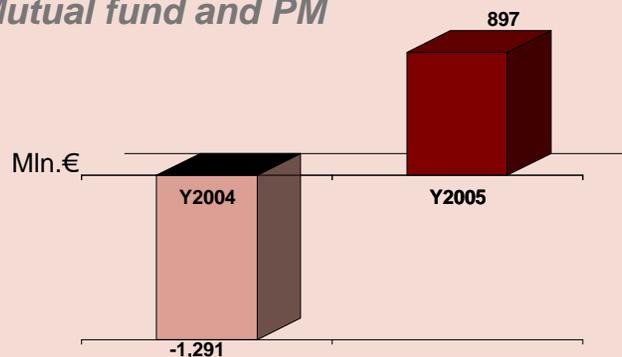


- ❑ Strong growth of traditional banking fees (+9.1% YoY) and AuM fees (+7,2% YoY)
- ❑ Up-front fees 4Q05: €17 mln (- 29,2% vs 3Q05 and - 41% vs 4Q04)
- ❑ The weight of up-front fees on total fees now is at 5.2% vs 9.4% in 2004 and 13.7% in 2003



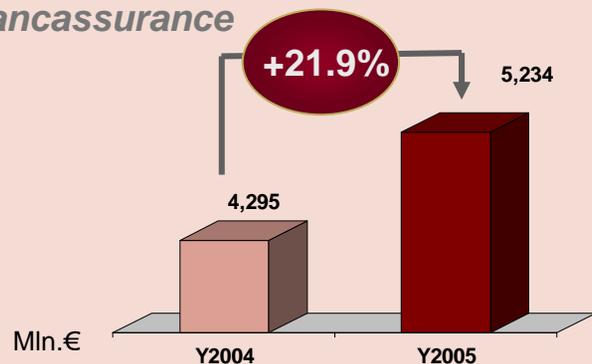
# Commercial flows: Saving products

## Mutual fund and PM



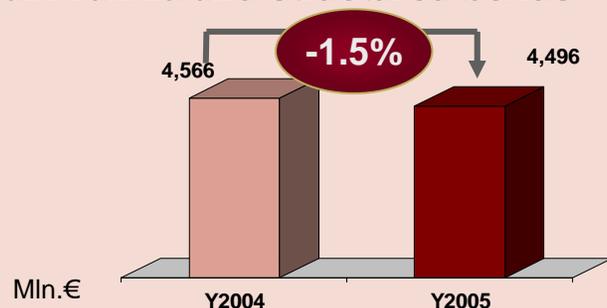
- ❑ Total stock of mutual funds: 16,704 mln (+6% vs 2004)
- ❑ Breakdown of stock: 29.2% Equity, 63.4% Bonds and Monetary, 5.4% Balanced, 2.0% Funds of Funds
- ❑ Mutual funds market share: 3.87%

## Bancassurance



- ❑ Bancassurance market share: 10.7% (vs 10.1% in 2004)
- ❑ Breakdown bancassurance flows: 19.9% Index Linked, 6.6% Unit Linked, 73.5% Traditional
- ❑ Embedded value: c €1,200 mln (including approved capital increase)
- ❑ Recurring premiums: €369 mln

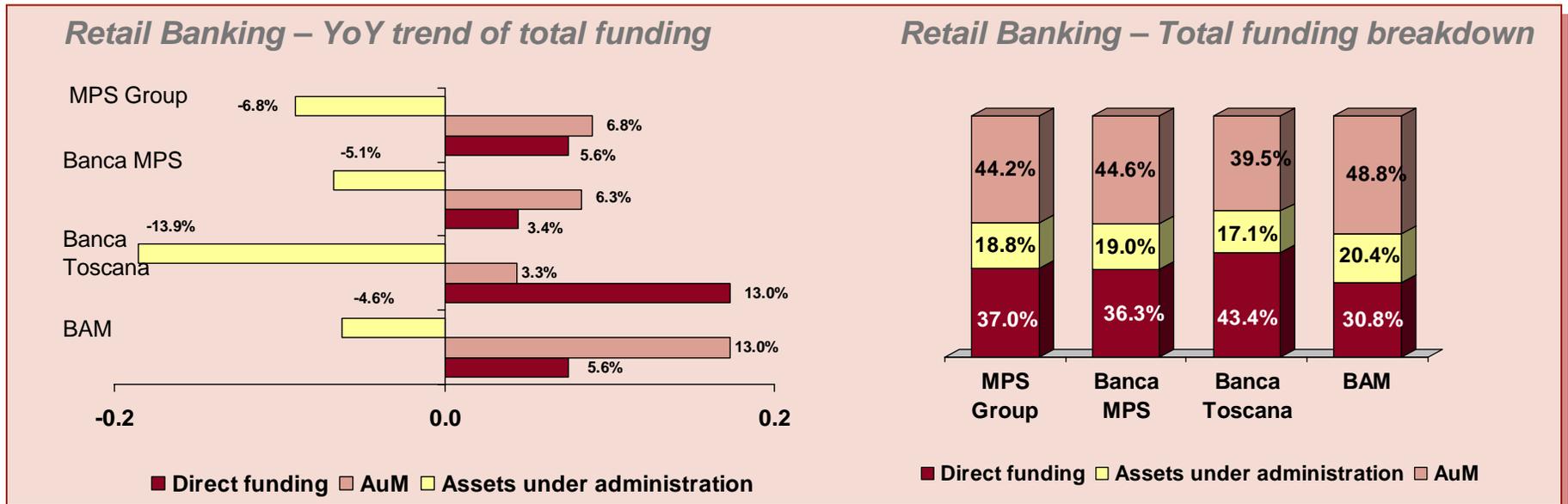
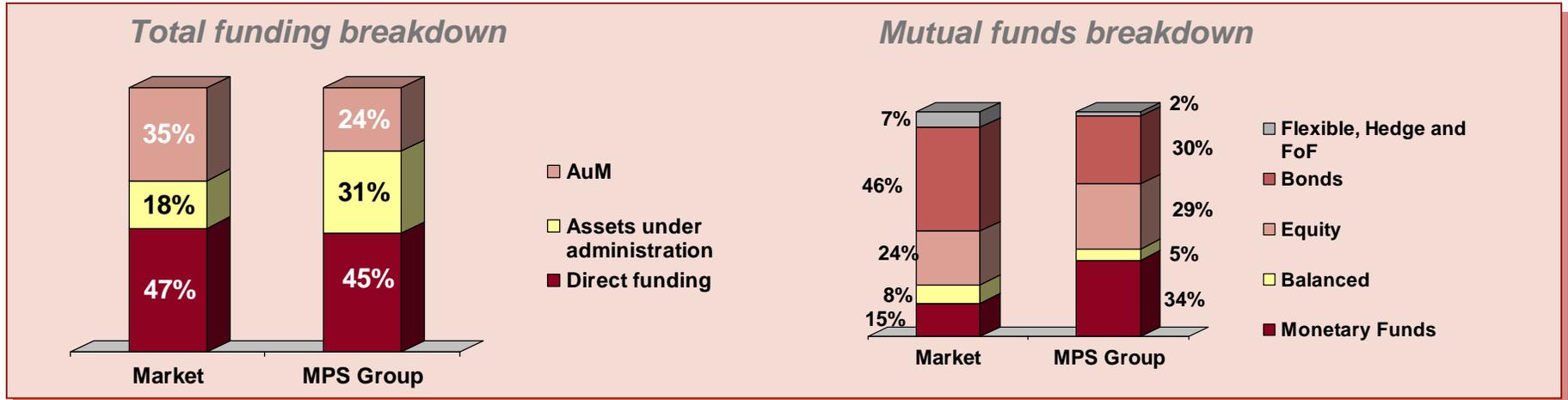
## Plain vanilla and structured bonds



- ❑ Structured bonds at €1.8 bn (€2.0 in 2004)
- ❑ Plain vanilla bonds at €2.7 bn (€2.5 in 2004)

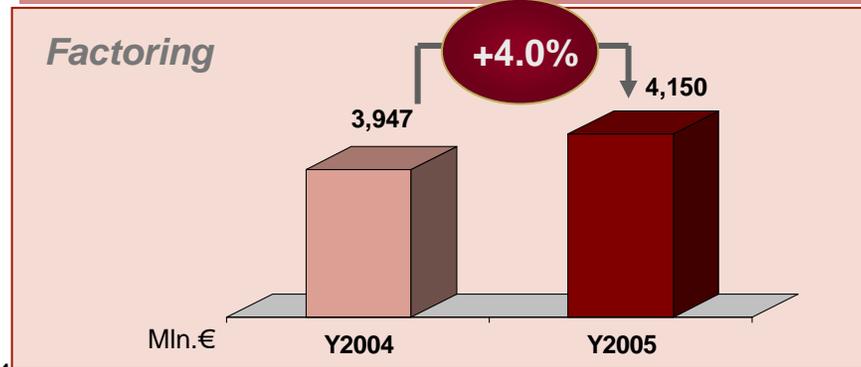
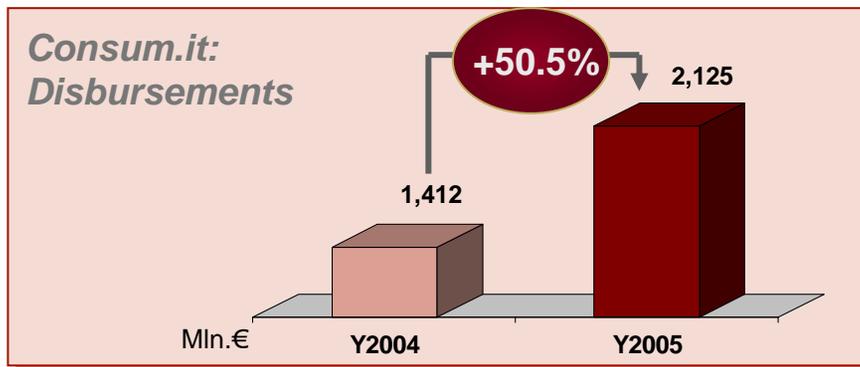
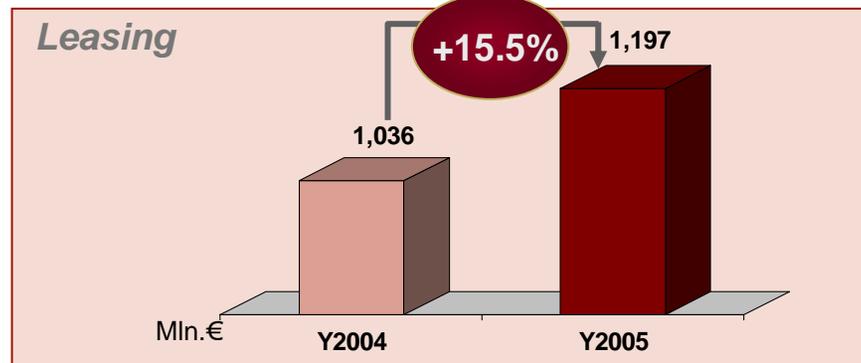
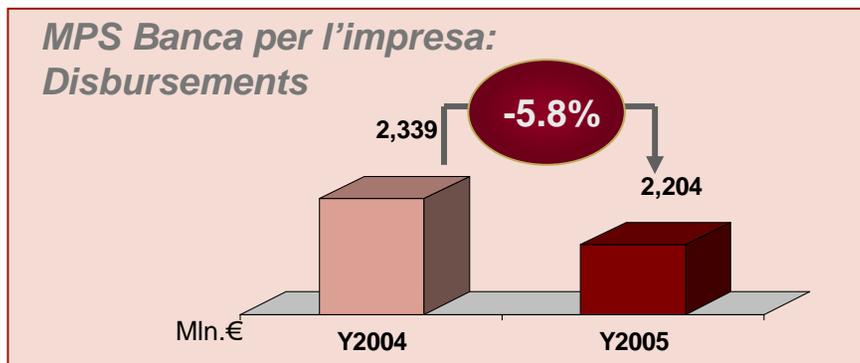
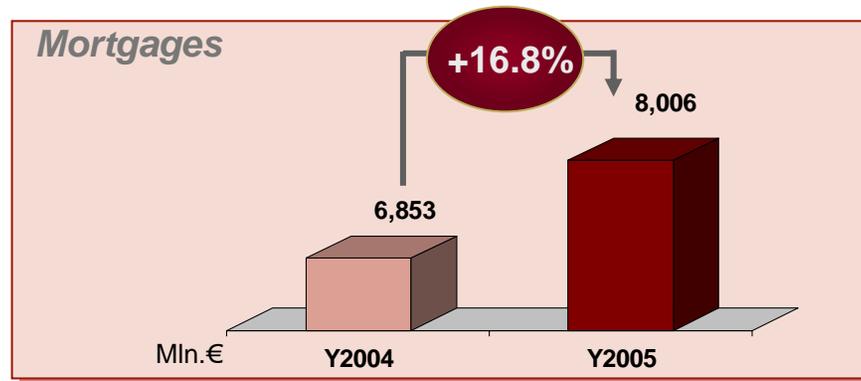
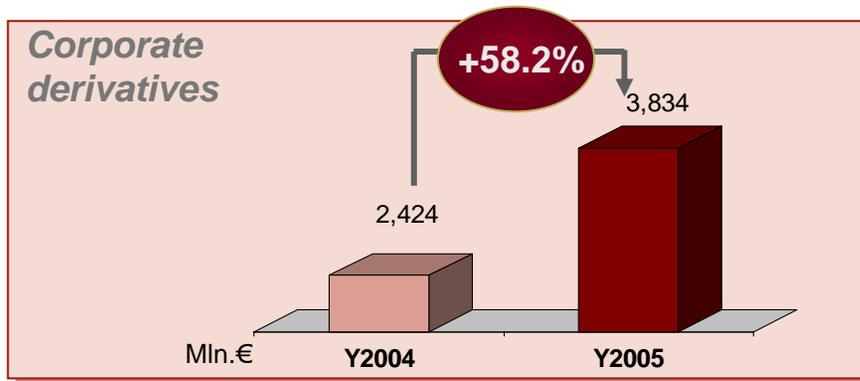
# Total funding breakdown

✓ Still large room for switching towards AuM



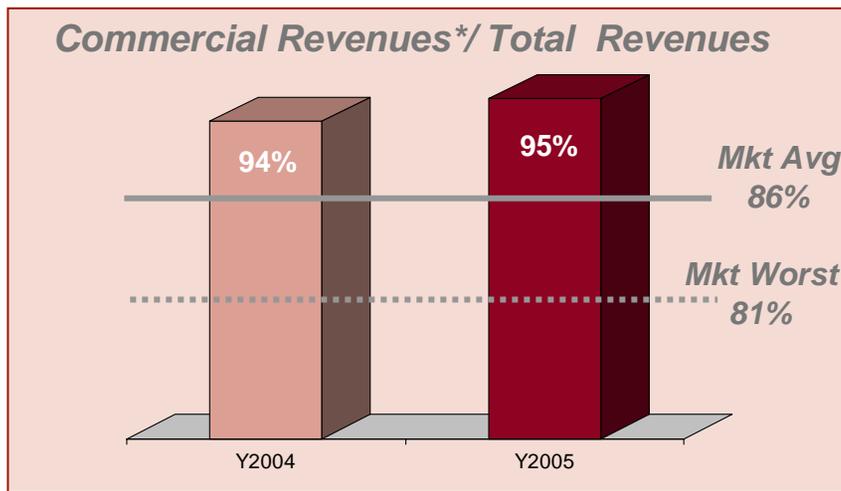
# Commercial Flows: Lending products

✓ Lending products flows up 13.7% YoY

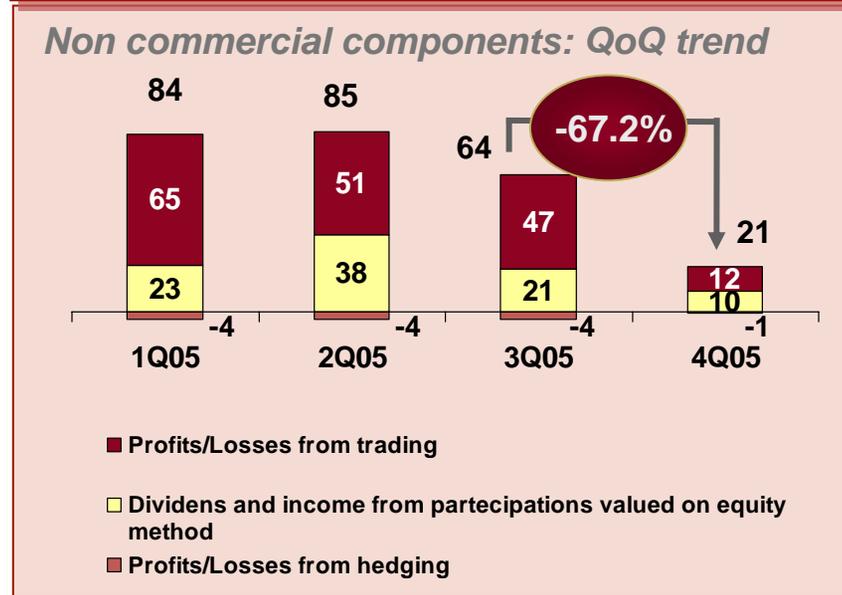
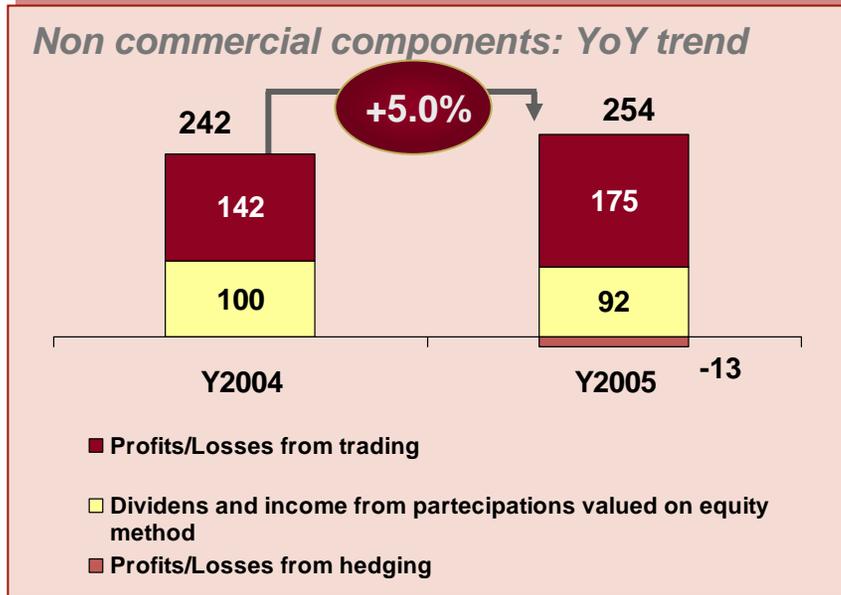


# Commercial Revenues\*

✓ Commercial revenues\* weight on total revenues is one of the highest on the market



- ❑ Commercial revenues weight on total revenues is stable and among the highest on the market
- ❑ Positive yoy growth of volatile components (+5% YoY)
- ❑ Trading profits penalized by market volatility in the fourth quarter

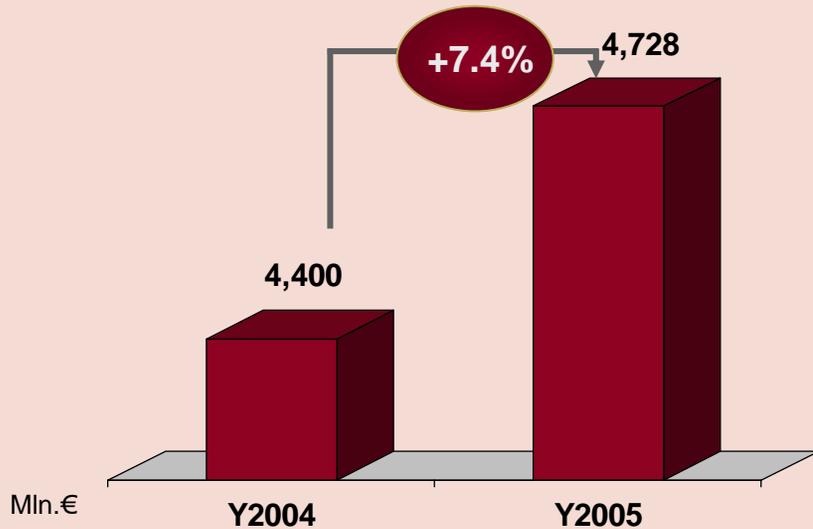


\* Commercial revenues: Net interest income + Net commission + Revenues from Bancassurance

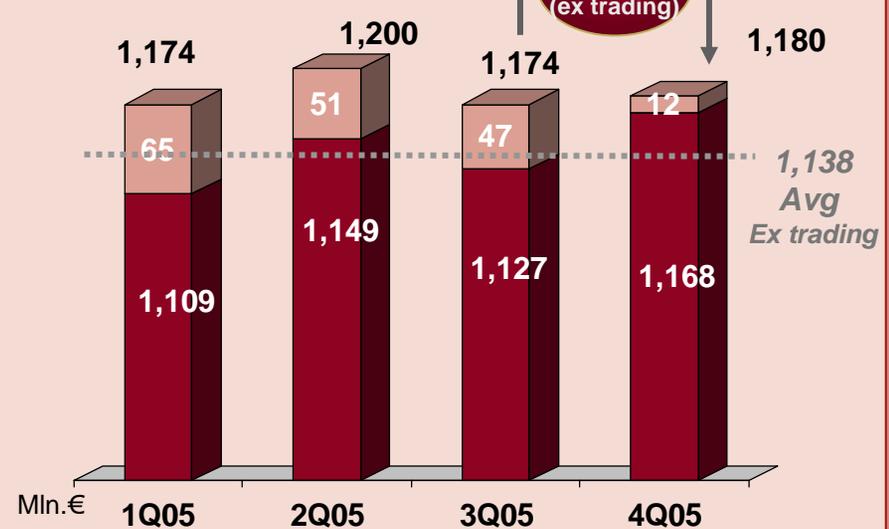
# Total Revenues

✓ Strong revenue growth (+7.4% YoY)

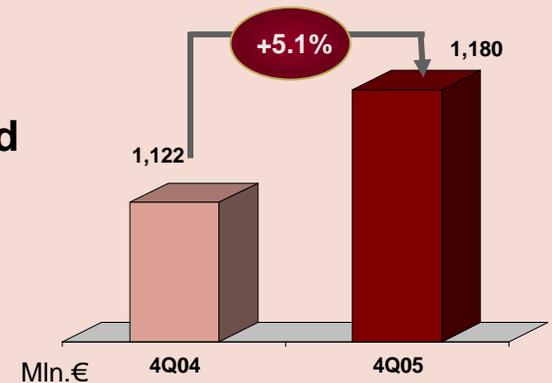
YoY trend



QoQ trend



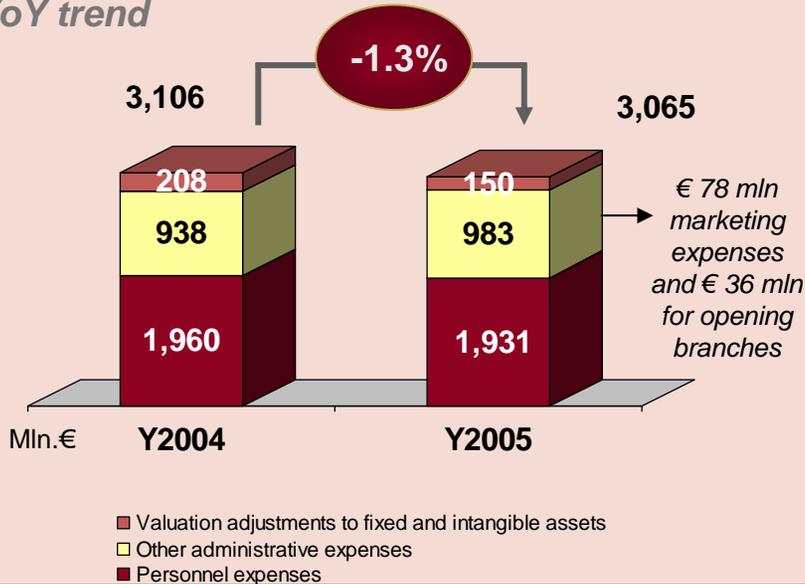
- The revenue growth of 7.4% is characterized by the high increase of NII and net fees while reducing upfronting and low volatile elements



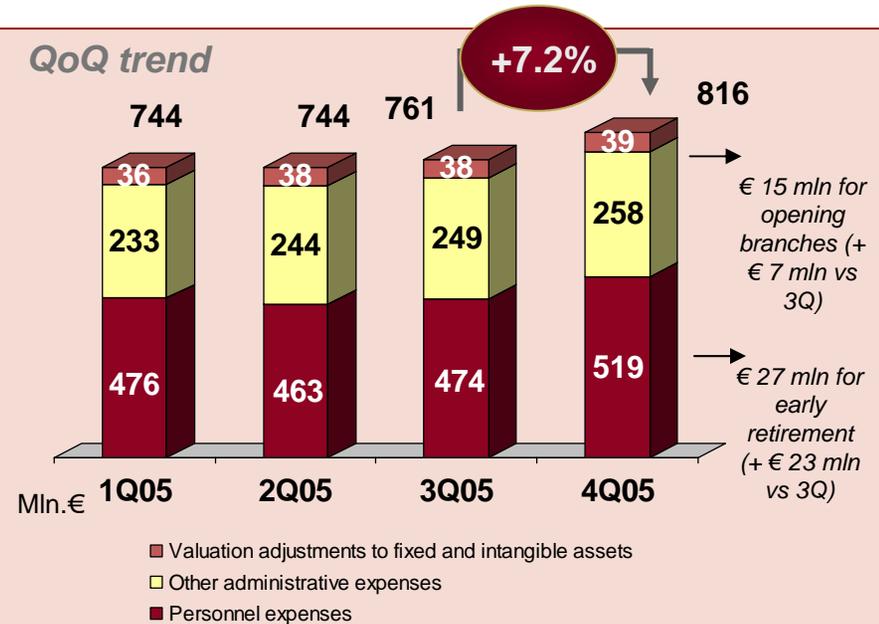
# Operating Costs

✓ Steady operating costs containment despite strong investments for the development of commercial network

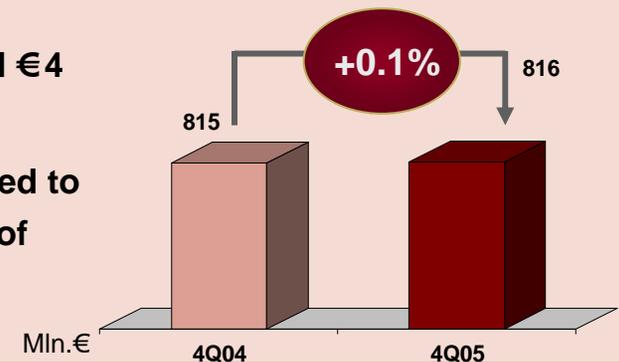
YoY trend



QoQ trend

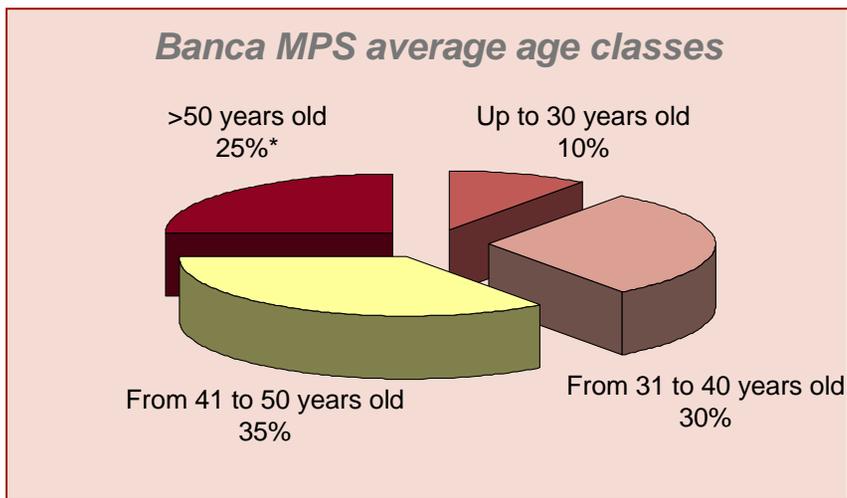
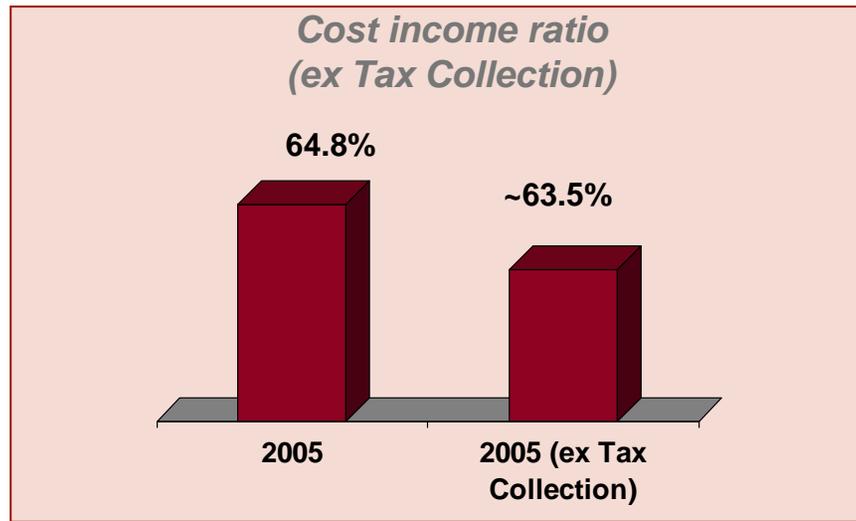
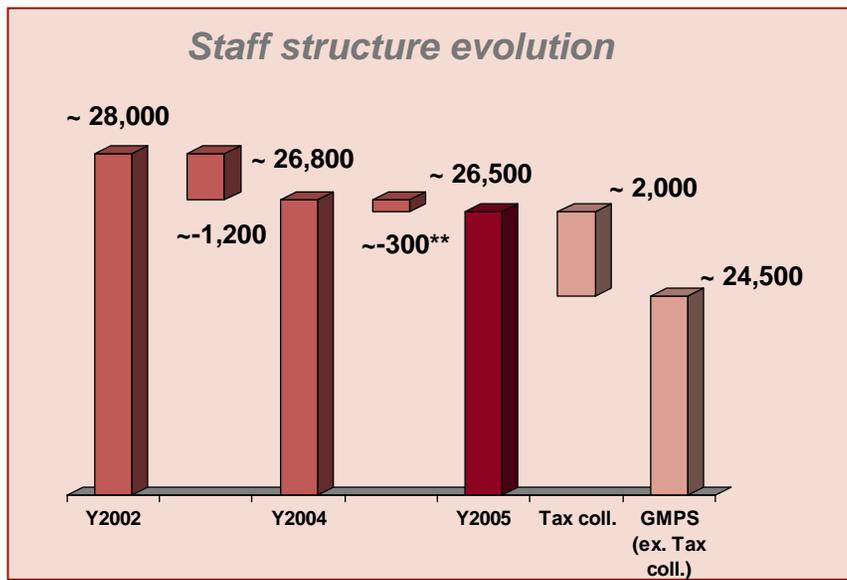


- Personnel expenses absorbed the new labour contract, the early retirements costs (around €72.7 mln, of which €27 mln in 4Q05 and €4 mln in 3Q05) and €23.5 mln related to stock granting
- The evolution of other administrative expenses includes costs related to advertising campaign, the opening of new branches (107 branches of which 48 in the last two months of 2005) and for supporting the development of high growth businesses (consumer finance)



# Staff structure

✓ In October 2006, sharp reduction of staff due to the handover to the Italian Government of tax collection business



- ❑ During the last years MPS Group has reduced staff of more than 5%
- ❑ We envisage room for further improvement for staff allocation

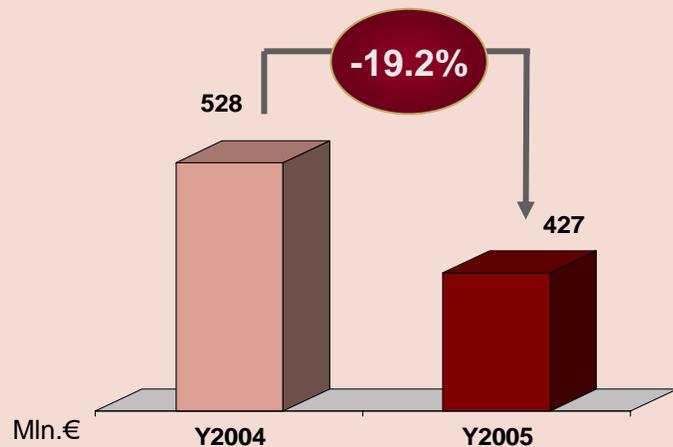
\* 15% with more than 30 years in service

\*\* 300 net reduction while 582 exits from early retirement programme

# LLP and credit quality

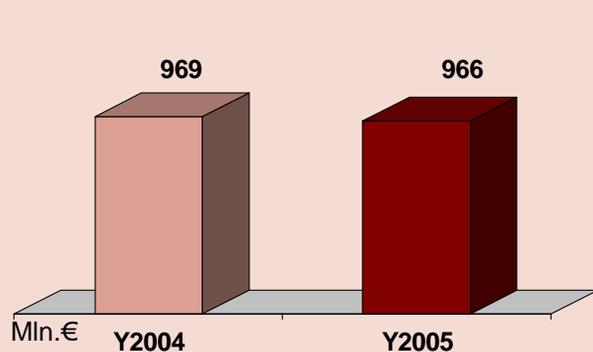
✓ Credit quality improves thanks to consistent enhancement on Expected Losses

YoY trend

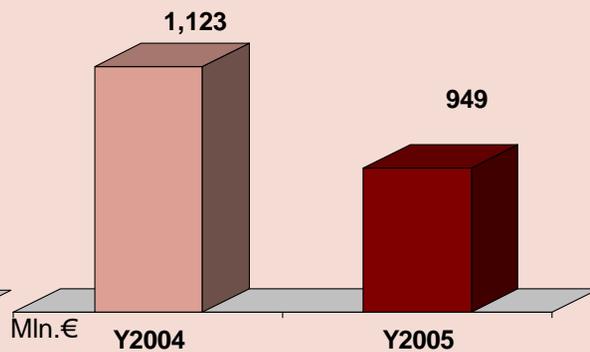


- ❑ Credit cost at 51 bps vs 61 bps 2003-2006 BP target
- ❑ NPLs Coverage at 52.8% (vs 49.2% in 2004)
- ❑ Watchlist Coverage at 26% (vs 19% in 2004)
- ❑ Asset quality trend improving in 4Q in all divisions

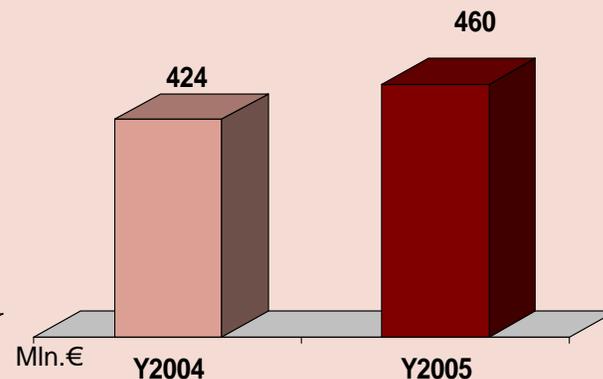
NPLs Flows: -0.3% YoY



Watchlist Flows: -15.5% YoY



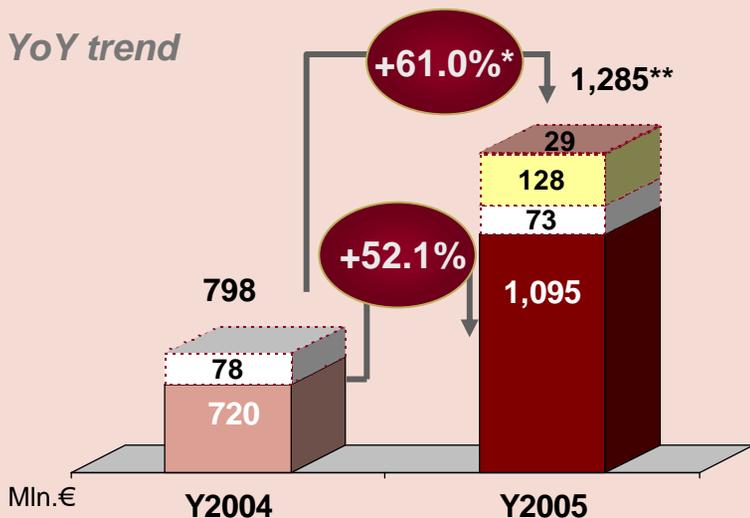
Recoveries Flows: +8.5% YoY



# Pre-tax profit

✓ Growth of pre-tax profit more than 52% yoy (61% excluding non recurring items)

YoY trend

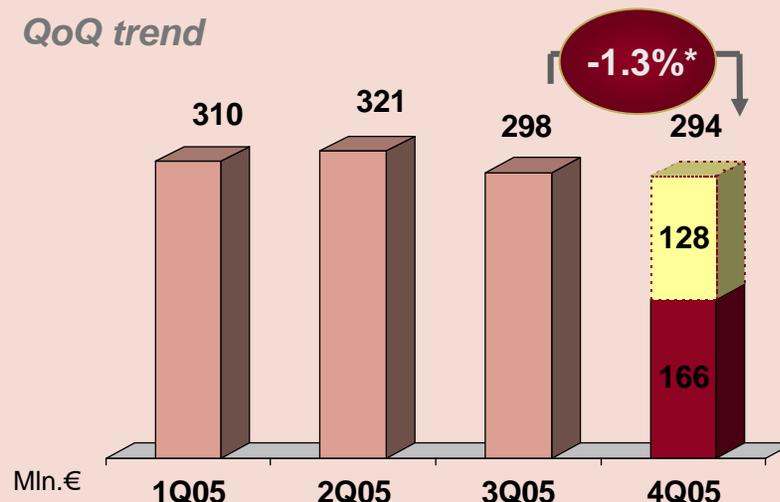


- Banca Monte Parma Impairment Test
- Hopa write off
- Early retirement incentive

\* Excluding extraordinary items

\*\* Excluding write backs on tax collection funds for € 40 mln

QoQ trend

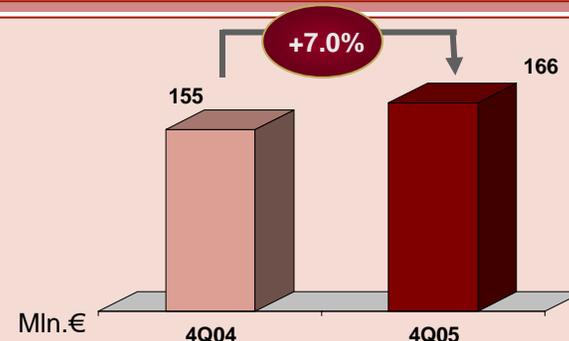


- Hopa write off

\* Not considering Hopa write off

## Non recurring items

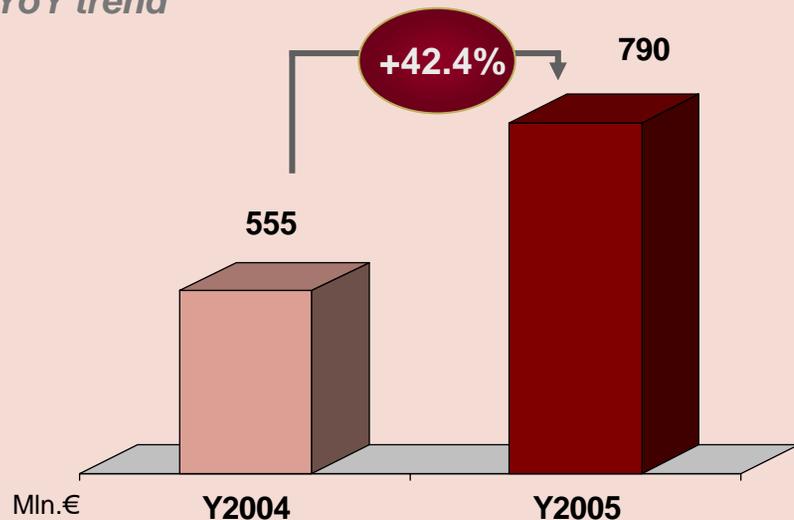
- ❑ Hopa write off: €128 mln
- ❑ Impairment test: €29 mln
- ❑ Costs related to early retirement: €72.7 mln
- ❑ Write back on tax collection funds for €40 mln



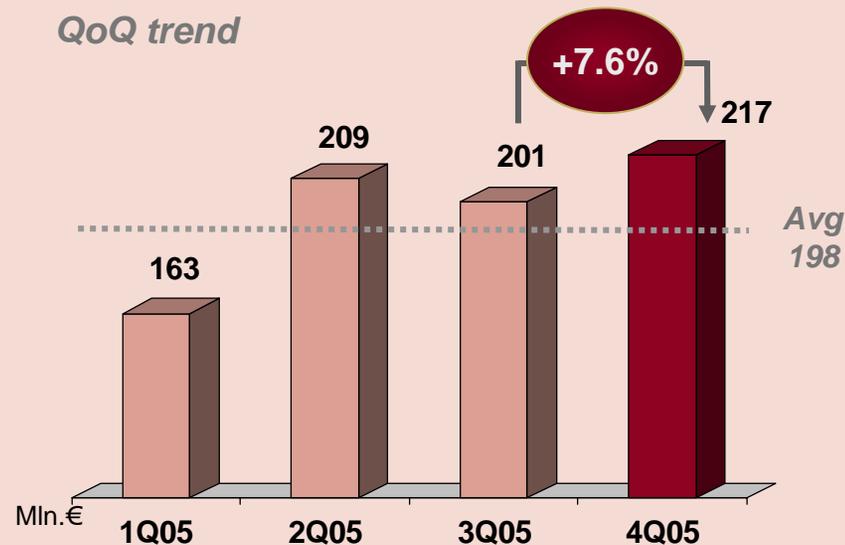
# Net Profit

✓ Best results in history for MPS Group

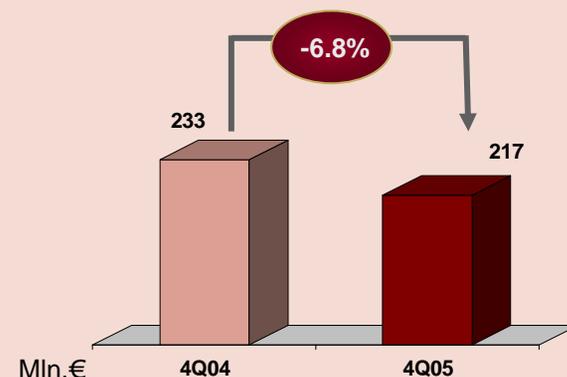
YoY trend



QoQ trend

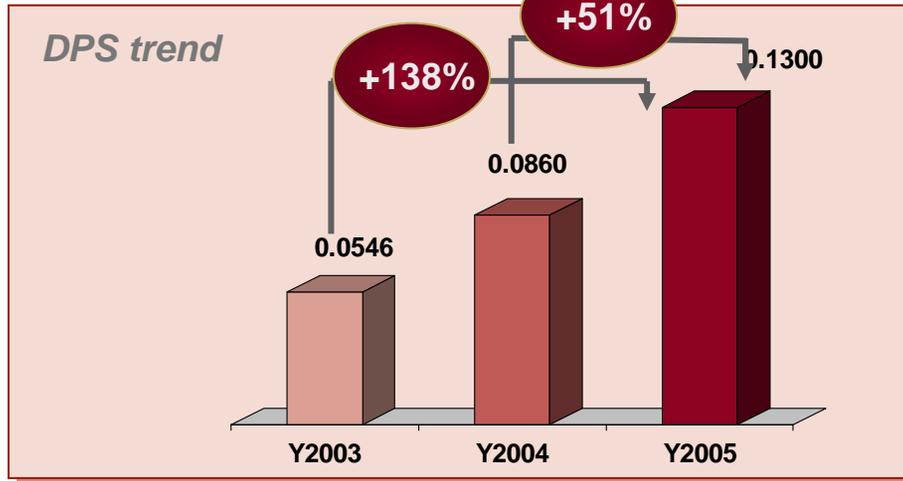


- ❑ Tax rate: 25.7%, with the relevant contribution of the benefits coming from I.266/05 which partially offset non recurring components
- ❑ Net profit growth: 42.4% YoY and 7.6% QoQ

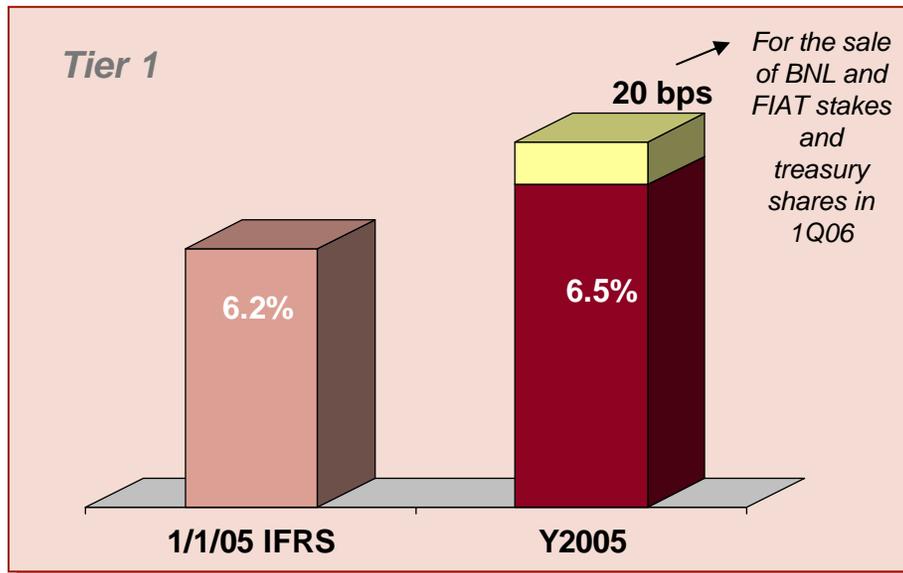


# Capital Ratios and Payout

✓ Capital structure strenghtening associated with a DPS increase of 138% vs 2003



- ❑ DPS at EUR 0.13 with a growth of 51% vs 2004 and 138% vs 2003
- ❑ Payout ratio at 50.2%



- ❑ Further improvement of Tier 1 in 1Q06 thanks to the sale of BNL and FIAT stakes and treasury shares
- ❑ Tier 1 2005 does not include € 150 mln hybrids for 15% limit

# Agenda

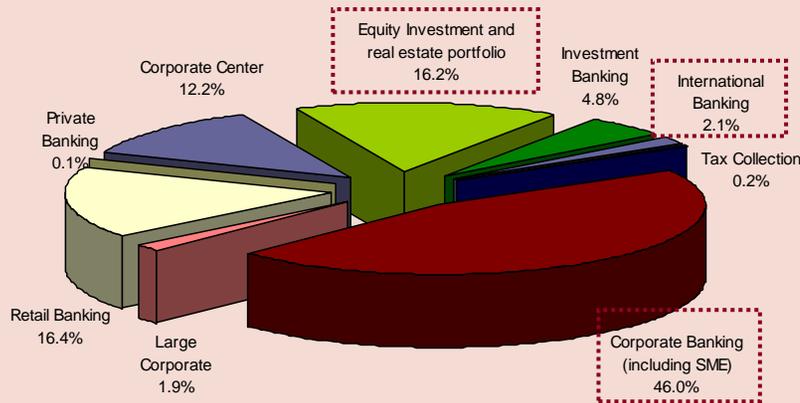
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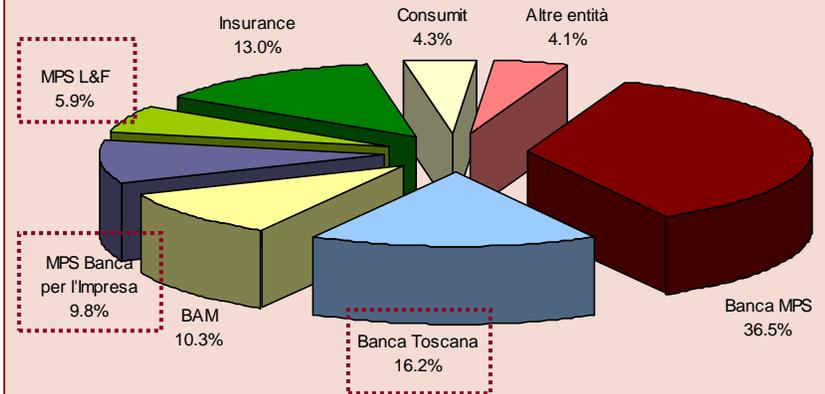
# Economic capital and RAROC

✓ Still room for improving capital allocation and return on capital

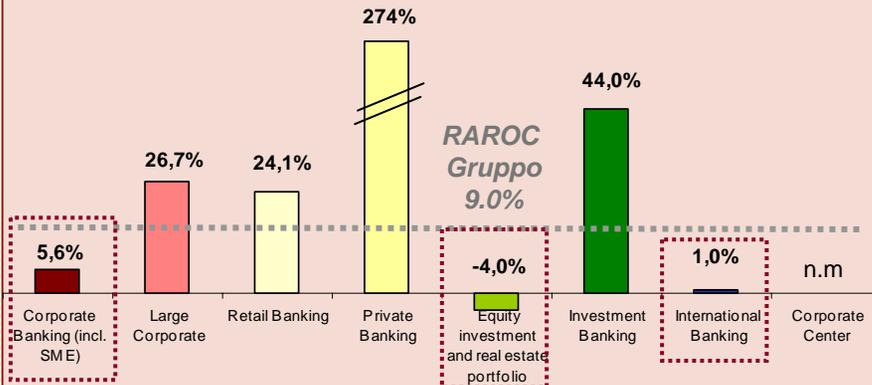
## Economic Capital Business Areas



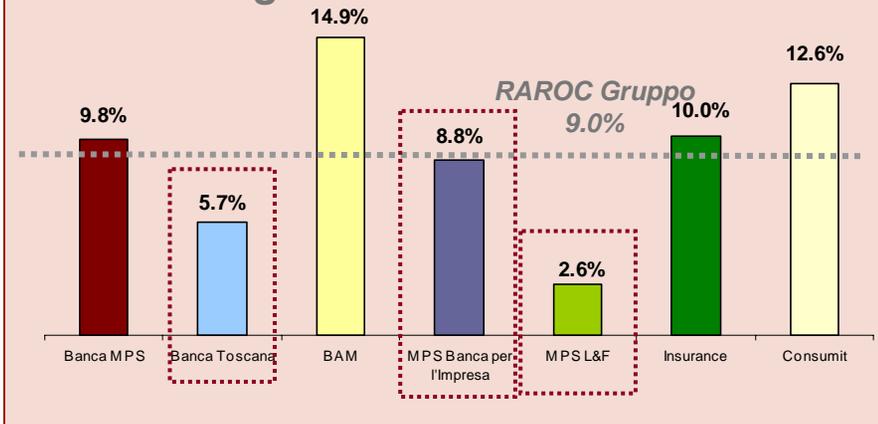
## Economic Capital Legal Entities

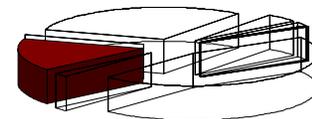


## RAROC Business Area

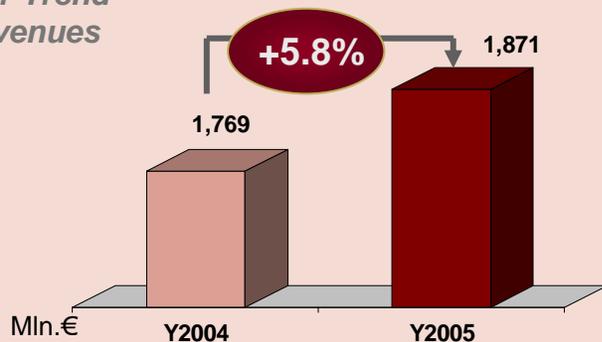


## RAROC Legal Entities

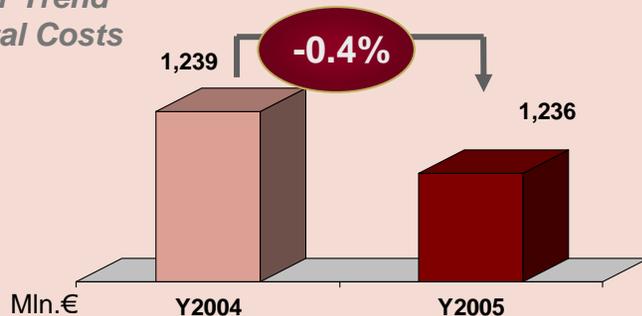




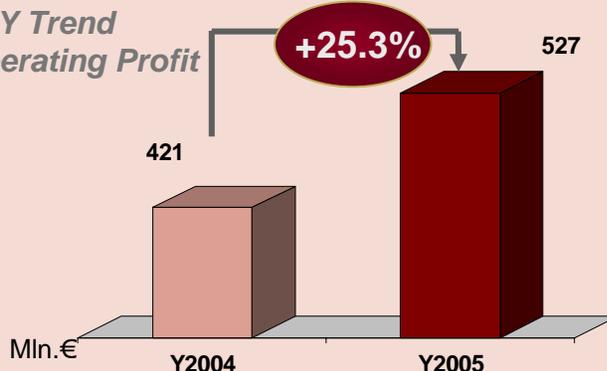
YoY Trend  
Revenues



YoY Trend  
Total Costs



YoY Trend  
Operating Profit



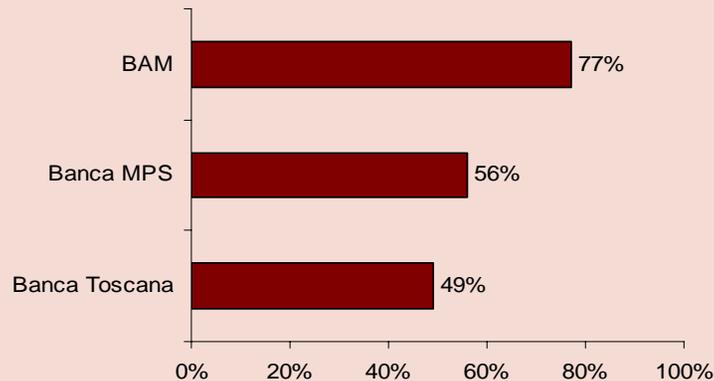
## Highlights

- ❑ Strong growth of net interest income (+8.1% YoY)
  - ❑ Stability of LLP (+0.9%)
  - ❑ Mortgages flows: €4,435 mln (+15.5% YoY)
  - ❑ AuM products flows: €7,159 mln (+28% YoY)
- 
- ❑ Further room for internal restructuring
  - ❑ Very good results despite MPS Banca Personale loss (€38 mln)
  - ❑ MPS Banca Personale first recovery signs:
    - \* Good AuM products flows: + 43% vs 2004
    - \* AuM/Total Funding at 60% (40% in 2004 and 80% top 10 players average)

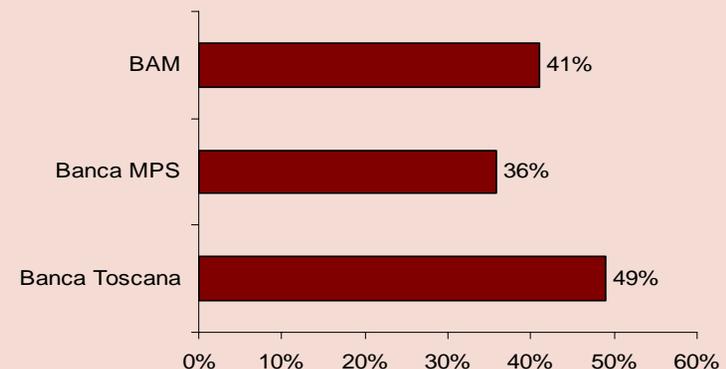
# Analysis of Retail Banking

## ✓ Further opportunities from commercial platforms

*Affluent customers reached by Carattere platform*



*Family customers contacted (February 2006)*



- ❑ Service models for Affluent Segment (“Carattere Platform”) and for Family Segment (“Family Platform”) show their added value, but also great unexpressed potential:

- ❑ Carattere Platform vs traditional approach:

- ❑ Erosion Rate: 90% lower
- ❑ Duration: 4.5 years vs 3 years
- ❑ AUM/Total funding: 61% vs 38%

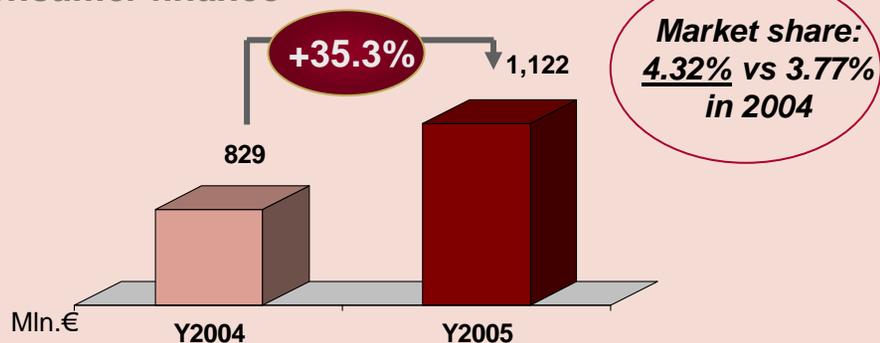
- ❑ Family Platform vs traditional approach:

- ❑ Erosion Rate: 65% lower
- ❑ Selling Acts: +51% BMPS, +71%BT, +63% BAM
- ❑ New customers in 2005: 211,567 (+30.5% vs 2004)

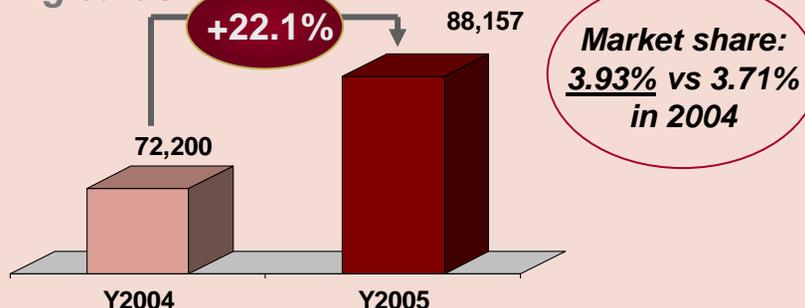
- ❑ Banca Toscana is ready to fill the gap with the other banks of the Group. The gap was due to the different timing of the roll out of the platform

# Consum.it

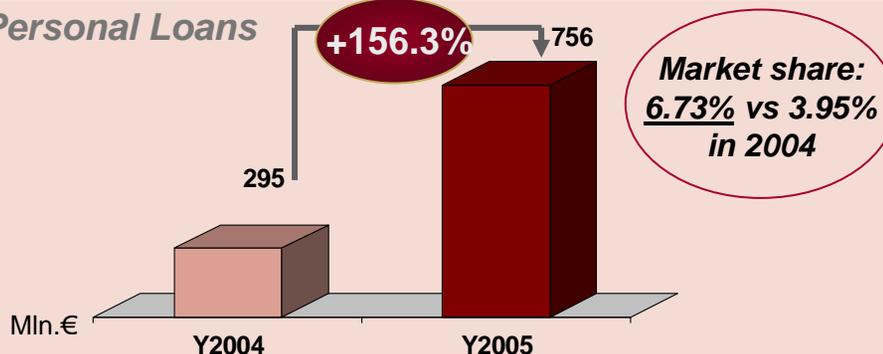
## Consumer finance



## Revolving cards



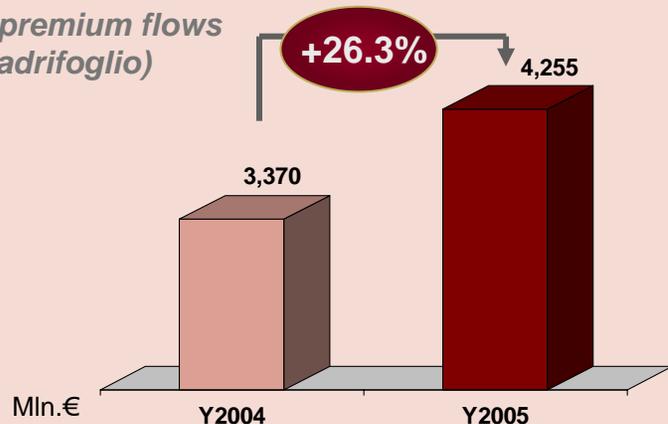
## Personal Loans



- Income and disbursements grow more than 50% vs 2004
- Cost/income at 29.8% (incl. valuation adjustments)
- Net profit above €33 mln (+54% vs 2004)
- Loans at €2.96 bln (+58% vs 2004)
- Ratio NPLs/Loans at 0.37% (0.40% in 2004)
- 600,000 customers
- Still irrelevant “loans up to one-fifth of salary” which represents almost 6% of total market disbursements

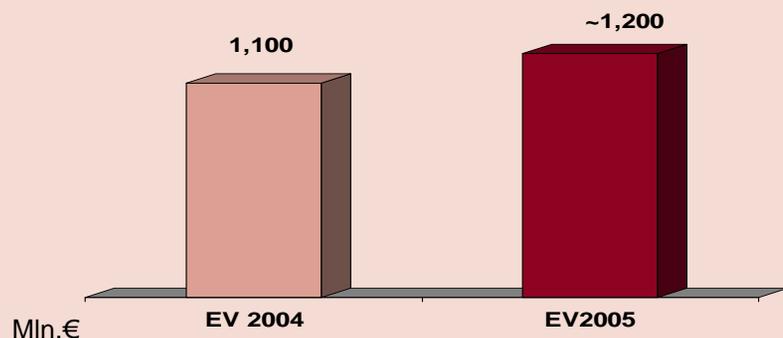
# Monte Paschi Vita\*

Gross premium flows  
(ex Quadrifoglio)



- ❑ Gross premiums flows: +26.3%
- ❑ Traditional flows: €3,127 mln
- ❑ Index linked flows: €990 mln
- ❑ Unit linked flows: €216 mln
- ❑ MPV market share: 9.2% (vs 8.4% in 2004), including Quadrifoglio 10.7% (vs 10.1% in 2004)
- ❑ Total Embedded value: c €1,200 mln\*\*\*
- ❑ Embedded Value on new production: €100 mln
- ❑ MPV Revenues: €111.3 mln
- ❑ MPV net income: €61.2 mln (+4% YoY)

Group EV\*\* (including Quadrifoglio)

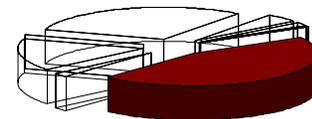


- ❑ Important growth for MPS Assicurazioni Danni (P&C): net profit at €10.7 mln (+39% yoy) for a RoE of 31.4%

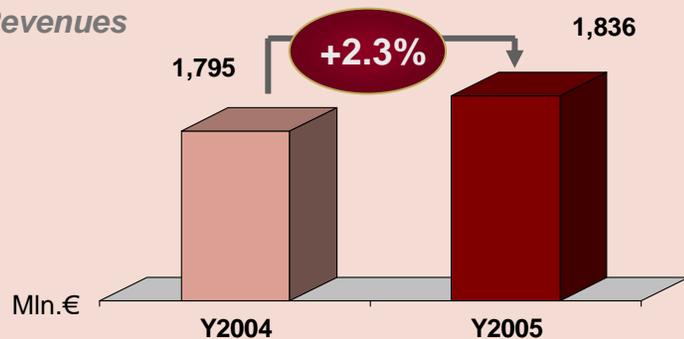
• Includes: MPV +MP Life + MP Assicurazione Danni

\*\*\*Includes approved capital increase and issuance of subordinated debt

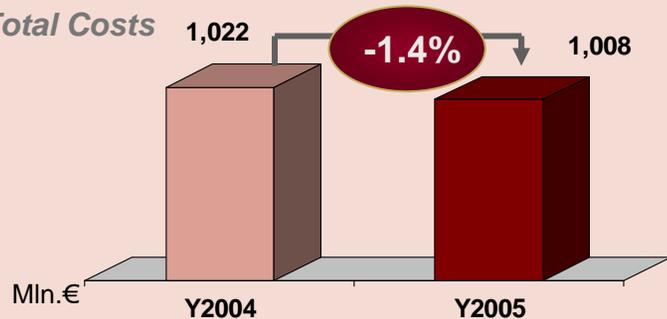
\*\* Embedded value is calculated as the sum of adjusted shareholders' equity, the present value, on the basis of statistical probabilities, of earnings expected from policies outstanding, and the cost of maintenance for coverage of the solvency margin; the calculations and the assumptions underlying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



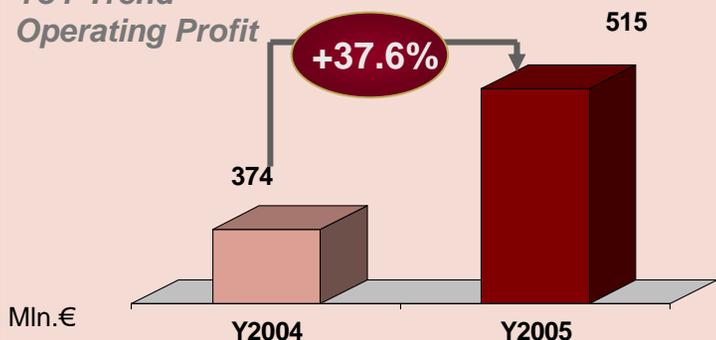
## YoY Trend Revenues



## YoY Trend Total Costs



## YoY Trend Operating Profit

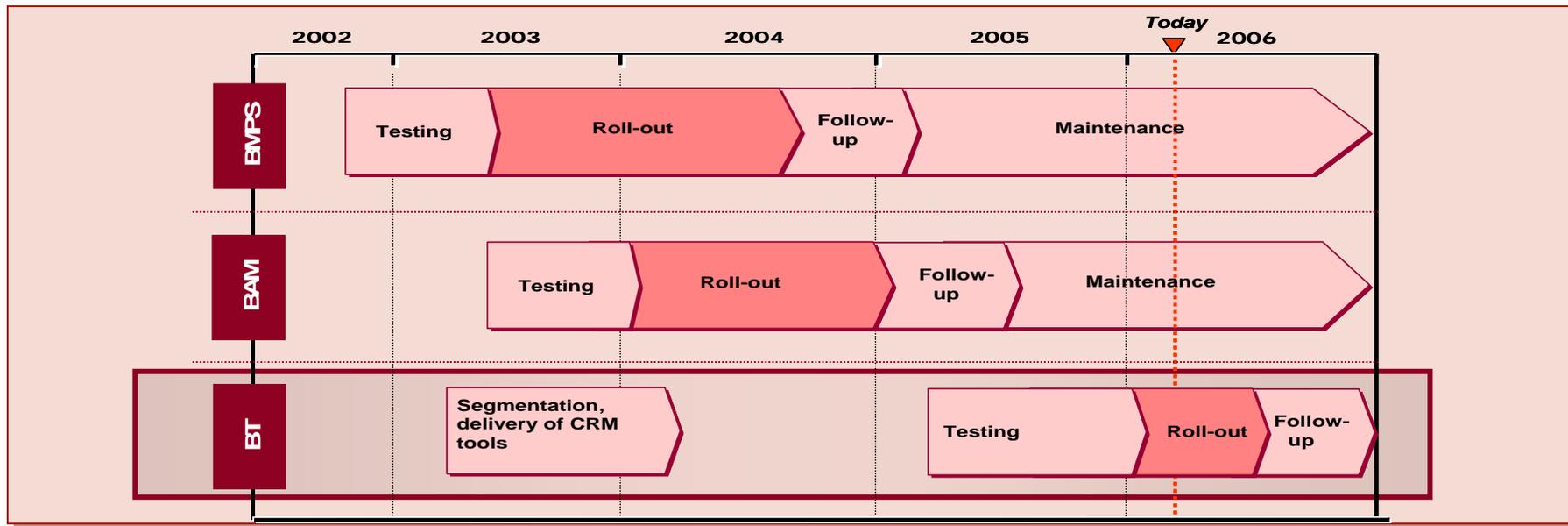


## Highlights

- ❑ Growth of fees (+5.7% YoY)
- ❑ Decrease of LLP (-21.3% YoY)
- ❑ Mortgages: €3,552 mln (+25.5% YoY)
- ❑ Hedging products: €3,834 mln (+58%)

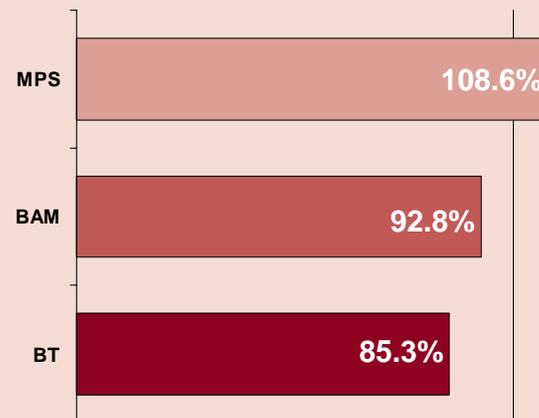
- ❑ Further room for improvement thanks to rolling out of commercial platforms
- ❑ MPS L&F business plan is entering the implementation phase

# SB/SME Project: Timetable



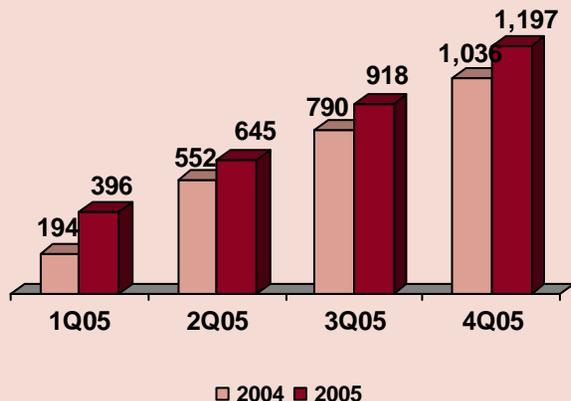
- ❑ The project roll-out has been completed by MPS and BAM
- ❑ Banca Toscana is rolling-out the Corporate commercial platform

Revenues for corporate customer



# MPS Leasing & Factoring

## Leasing flows

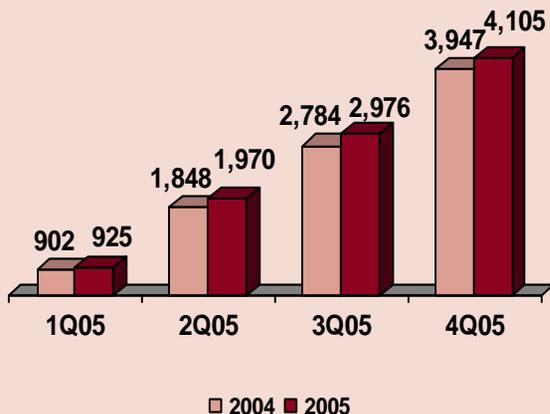


Flows  
+15.5 yoy

Market share:  
2.7%

- Increasing flows, but still room for further improvement
- Cost/income: 32%
- Credit cost: 111 bps for increasing NPLs coverage
- Raroc: 2.6%

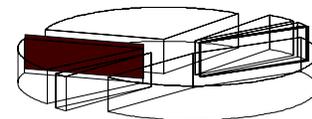
## Factoring flows



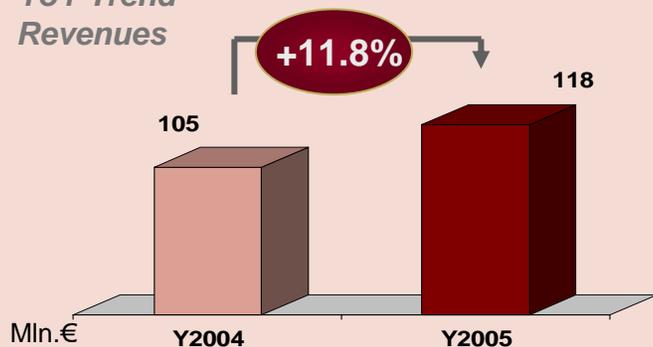
Flows:  
+4.0 yoy

Market share:  
4.1% vs 3.6% in  
2004

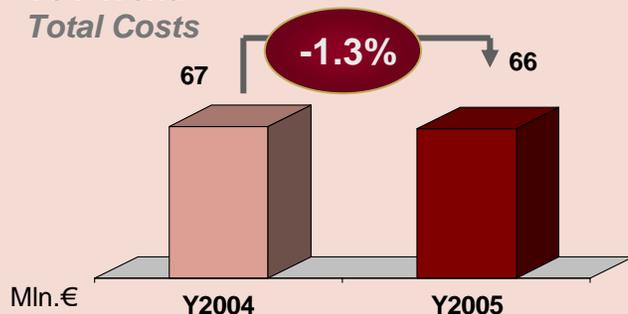
- MPS L&F Business Plan in progress contains the upgrade of the IT system and the improvement of the operating processes



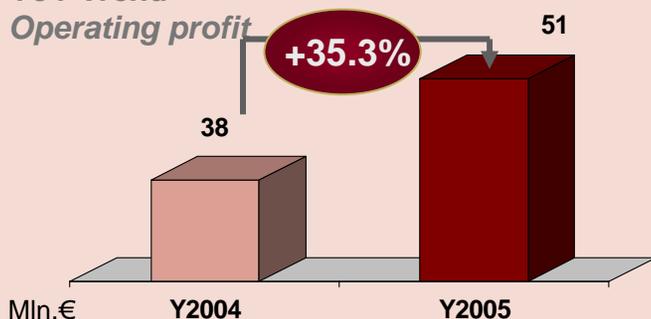
YoY Trend  
Revenues



YoY Trend  
Total Costs

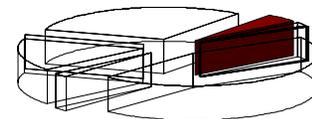


YoY Trend  
Operating profit

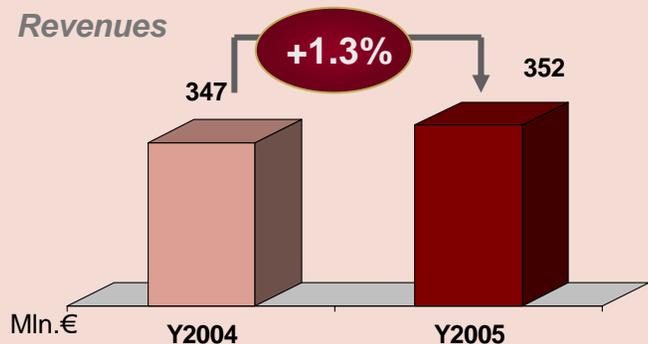


## Highlights

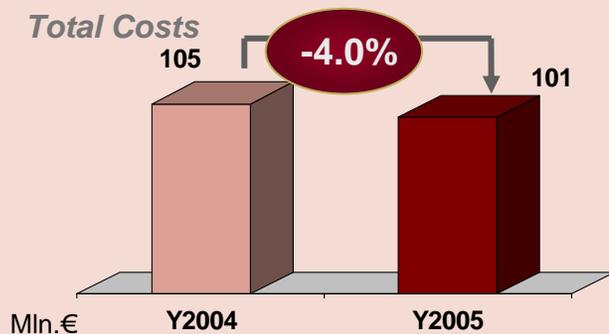
- ❑ Strong growth of fees (+14% YoY)
- ❑ Customer base growth: +5% vs 2004
- ❑ AuM products flows: €1,314 mln (+12.6% YoY)
- ❑ Roll out of the new service model started in June 2004 for BMPS, in May 2005 for BAM and in July 2005 for Banca Toscana
- ❑ Planned 10 new openings of Private centres for 2006



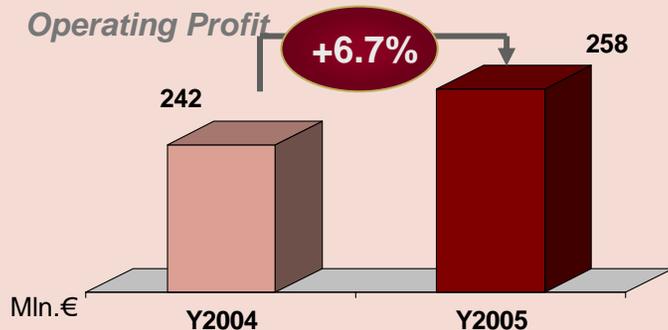
YoY Trend  
Revenues



YoY Trend  
Total Costs



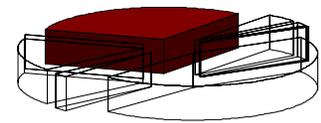
YoY Trend  
Operating Profit



## Highlights

- ❑ Good results despite market volatility in 4Q05
- ❑ Raroc: 44.5%
- ❑ Cost/Income: 28.8%
- ❑ MPS Finance has reached in 2005 a net income of €34.3 mln (+7.9% vs 2004)
- ❑ Intermonte has recorded in 2005 a net income of €49.6 mln (+21.3% vs 2004) (1° in “Assofin” ranking on traded volumes with a ratio of 5.77%) (+21.3% vs 2004)

# Equity investments and real estate portfolio



- ❑ In 2005, 30 non strategic stakes have been dismissed (book value €70 mln) for a capital gain of €17 mln
  - ❑ Book value of the strategic holdings amounts at around €2,5 bn
  - ❑ BNL and FIAT stakes have been dismissed in first quarter 2006 with a net capital gain of around €60 mln
  - ❑ A significant economic capital gain on Assicurazioni Generali stake (initial cost €22.5 for share)
- 
- ❑ Group has a real estate portfolio of around €1.5 bn

# Agenda

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- ❑ **Highlights of 2005 Results**
- ❑ **Analysis of 2005 IAS Compliant Results**
- ❑ **Divisional analysis**
- ❑ **Conclusions**
- ❑ **Annexes**

## 2006 Operating trends

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- Confidence on the ability to reach 2003-2006 Business Plan profitability targets**
- Good growth of commercial volumes in Retail and Private Banking in the first two months of 2006**
- Corporate loans growth concentrated in the medium long term in a contest of sluggish macro recovery**
- Good growth in the mark down even if linked with pricing pressure on mark up**
- Positive growth in AUM**

# Conclusions

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- Strong 2005 results**
- The Group has the target to close the gap with the best peers thanks to room for internal divisional restructuring**
- Relevant possibility to improve staff efficiency**
- Better capital allocation as an important tool to improve capital ratios and profitability**

**Business Plan 2006-2009**  
**Work in progress**

# Agenda

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- Highlights of 2005 Results**
- Analysis of 2005 IAS Compliant Results**
- Divisional analysis**
- Conclusions**
- Annexes**

# Commercial Banks

Banca MPS	<i>P&amp;L (mln. €)</i>		<i>Key financials (mln. €)</i>		<i>Structure indicators</i>	
		Y05		Y05		Y05
	Net Interest Margin	1,314				
	Total Revenues	2,664	Total assets	103,377	Personnel	12,413
	Operating Costs	1,764	Loans (average)	37,766	Branches	1,138
	Loan Loss Provisions	184	Deposits (average)	56,014		
	NOPAT	369				
	RAROC	9.8%				

Banca Toscana	<i>P&amp;L (mln. €)</i>		<i>Key financials (mln. €)</i>		<i>Structure indicators</i>	
		Y05		Y05		Y05
	Net Interest Margin	494				
	Total Revenues	766	Total assets	16,231	Personnel	3,783
	Operating Costs	491	Loans (average)	12,416	Branches	432
	Loan Loss Provisions	81	Deposits (average)	11,919		
	NOPAT	101				
	RAROC	5.7%				

BAM	<i>P&amp;L (mln. €)</i>		<i>Key financials (mln. €)</i>		<i>Structure indicators</i>	
		Y05		Y05		Y05
	Net Interest Margin	277				
	Total Revenues	489	Total assets	11,536	Personnel	3,024
	Operating Costs	307	Loans (average)	8,834	Branches	292
	Loan Loss Provisions	20	Deposits (average)	8,114		
	NOPAT	90				
	RAROC	14.9%				

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