



**MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472



**GRUPPOMPS**

*1H 2007 Results*

*Siena  
10<sup>th</sup> September 2007*

# An outstanding commercial performance

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**Acceleration in commercial flows continues: Loans +14.8% YoY (vs 10.1% market), Direct Funding +10.4% YoY (vs 8.5% market)**



**Loans market share up 19bps at 6.46%, with an acceleration in 2Q07 (+12bps vs 1Q07), leveraging the positive momentum of Italian economy**



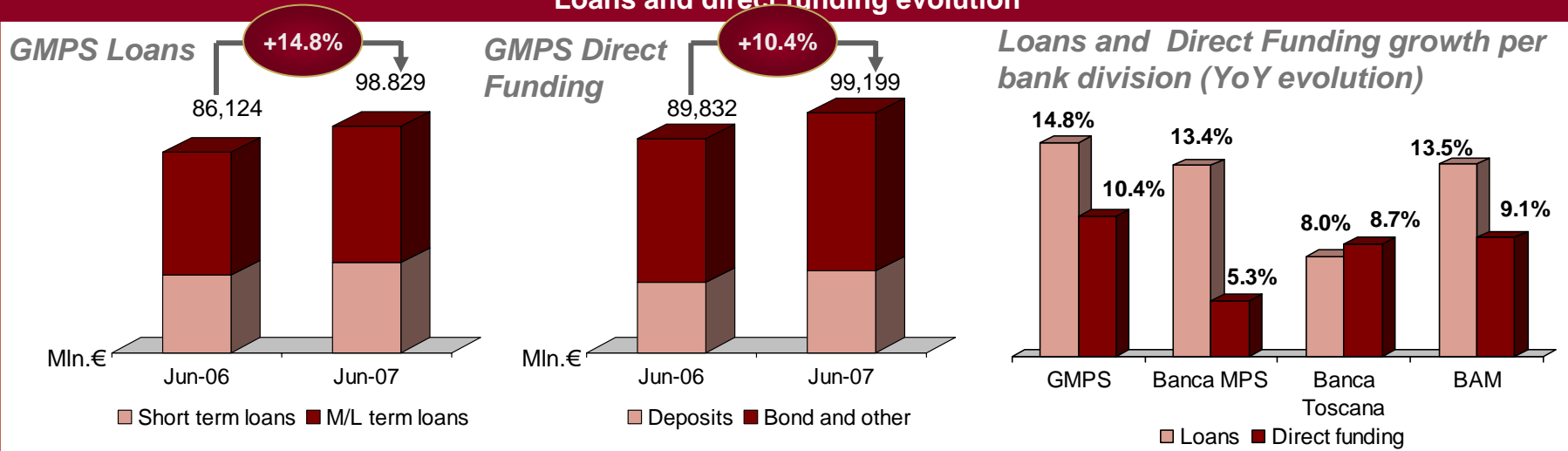
**+83,000 new clients (+219% YoY)**



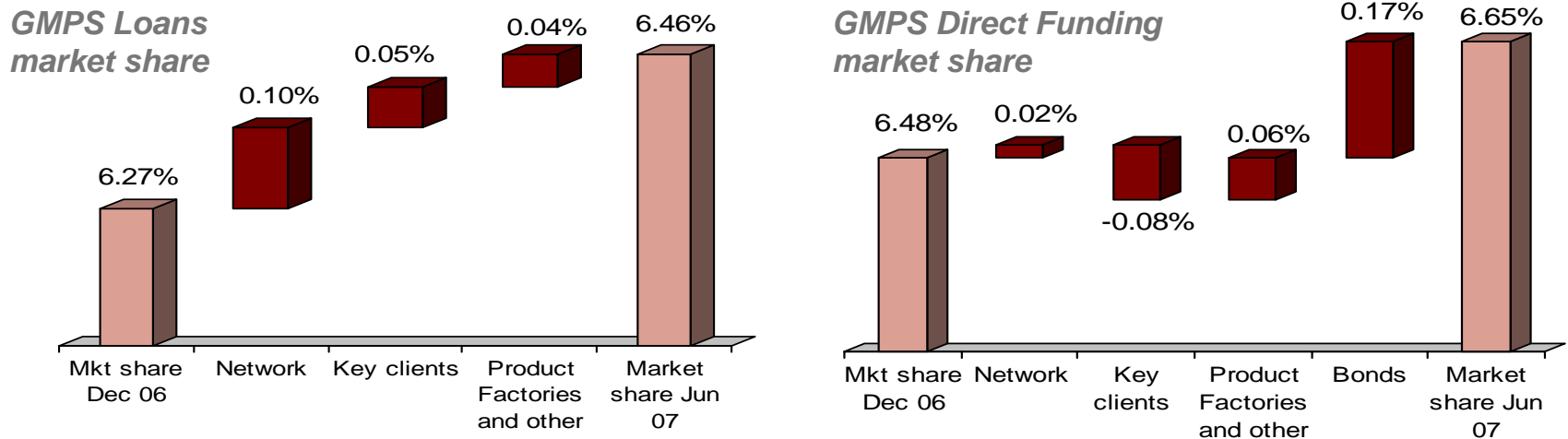
**Margins under control**

# ... across the network

## Loans and direct funding evolution

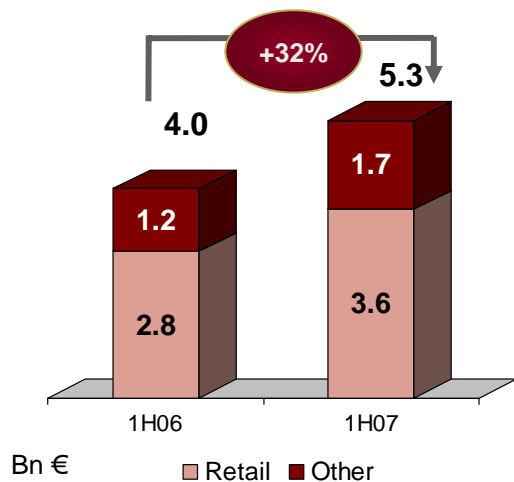


## Loans and direct funding market share evolution

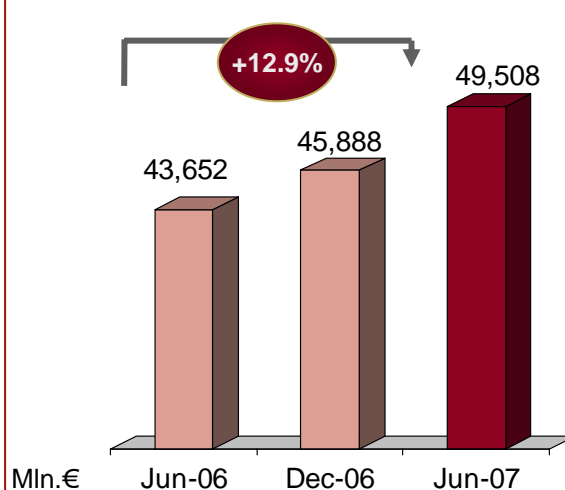


# A good quality mortgage business

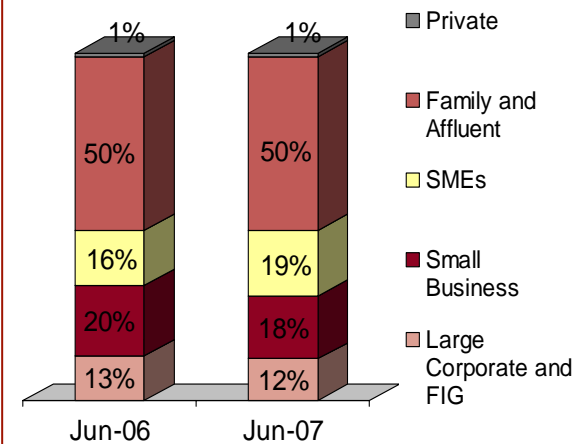
## Mortgage flows



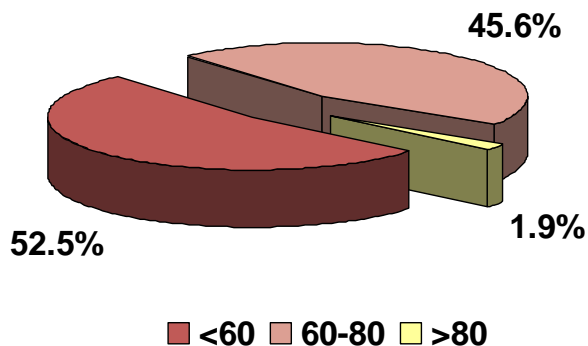
## Mortgage stock



## Mortgages per customer segment\*



## Loan to Value\*

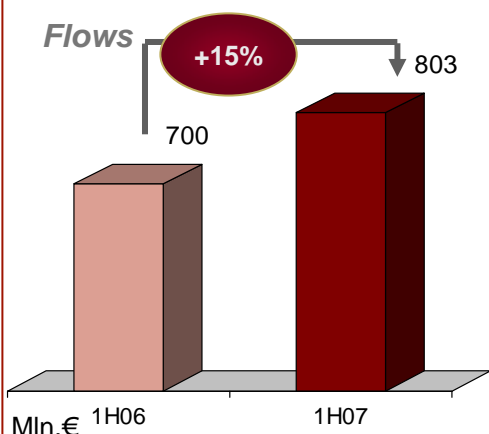


- ❑ Good momentum in residential mortgage flows remains, also owing to underpenetration of the Italian market
- ❑ In 1H07, fixed rate mortgages accounted for 75% of net stock increase, due to the possibility to pay off mortgage or to change mortgage type with no additional costs (Bersani decree)

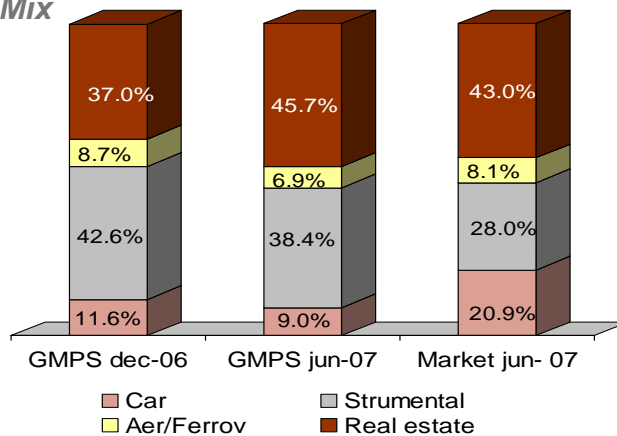
\* Residual debt/Asset value

# Leasing and Consumer Finance

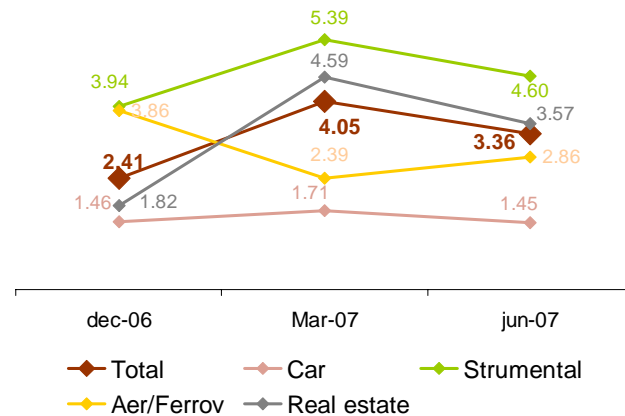
## Leasing



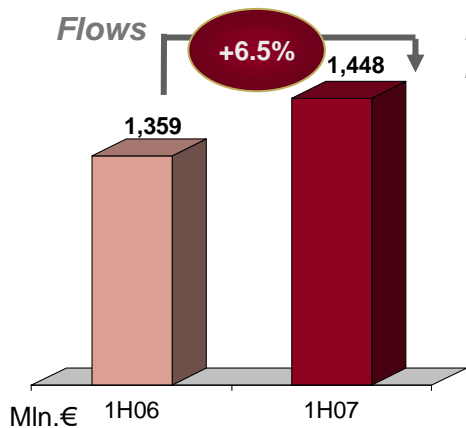
**Business Mix**



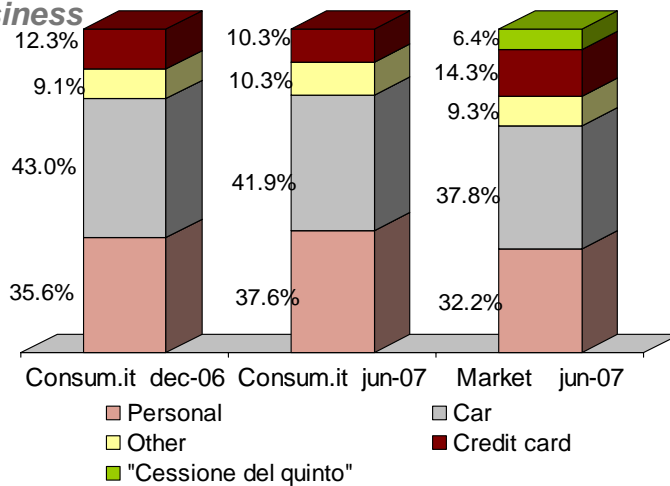
**Market share (%)**



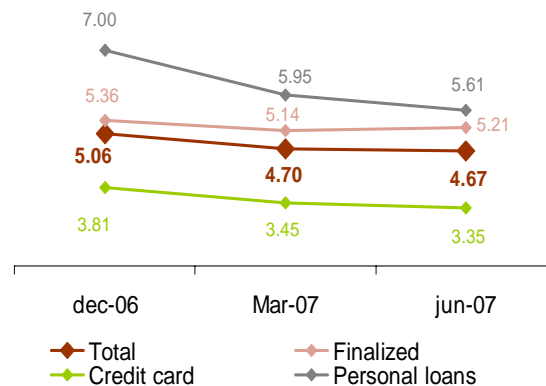
## Consumer finance



**Business Mix**

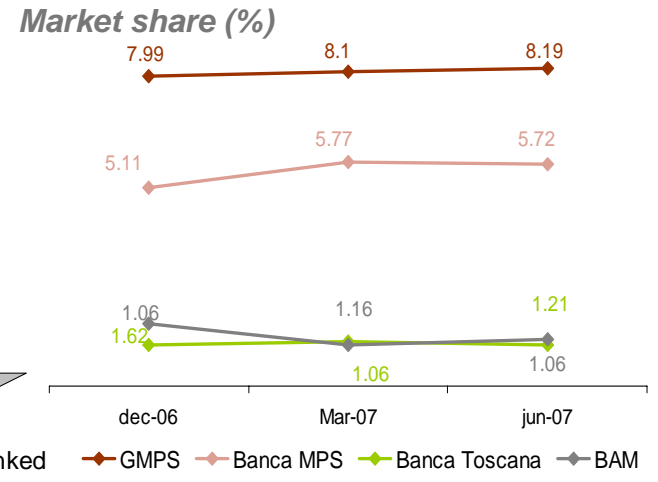
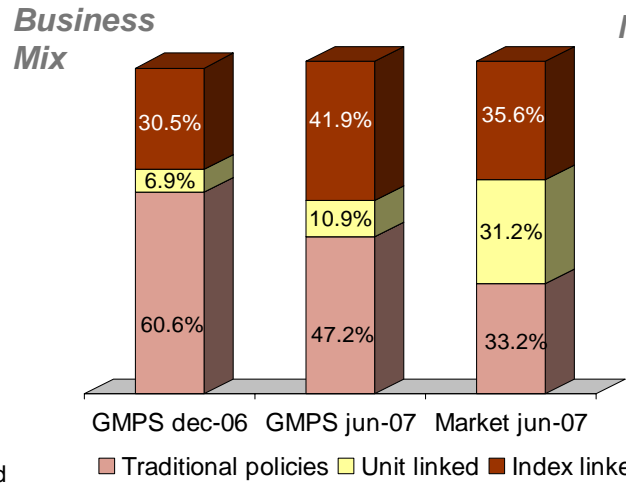
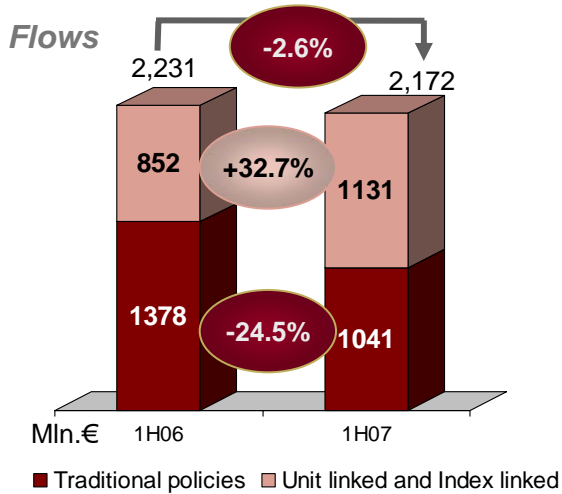


**Market share (%)**

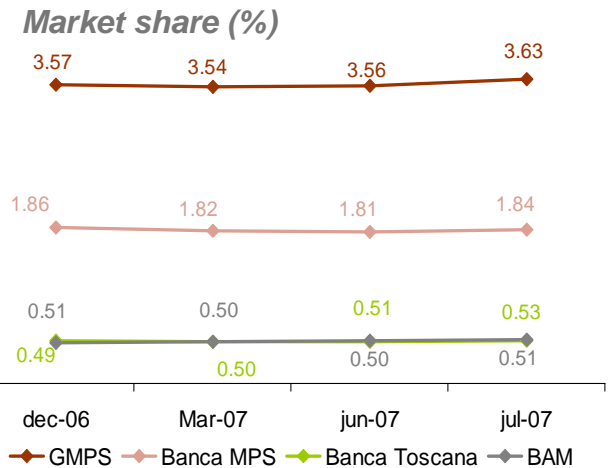
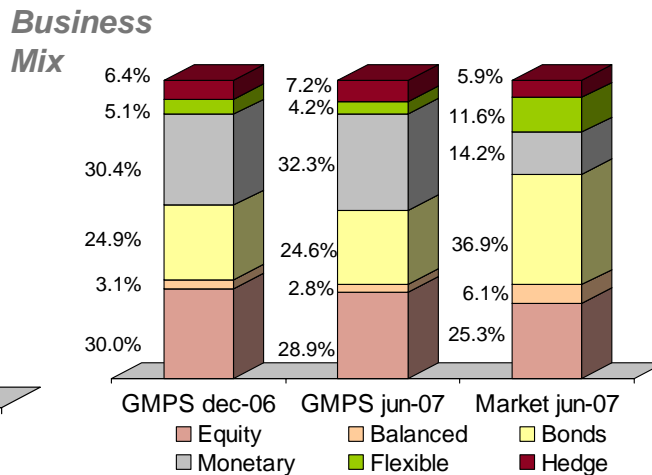
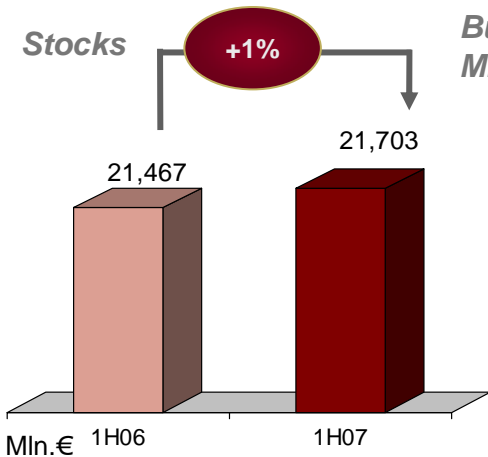


# Bancassurance and Mutual Funds

## Bancassurance

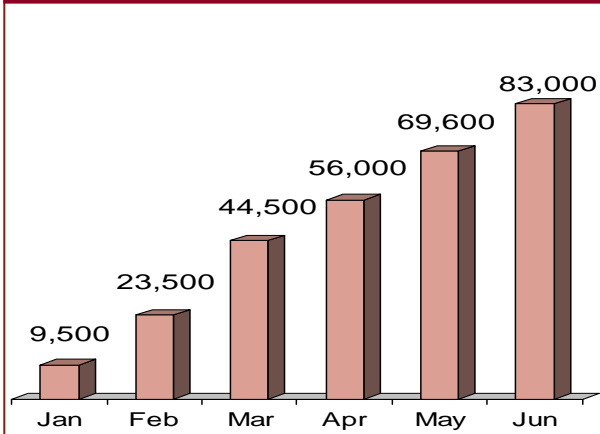


## Mutual Funds

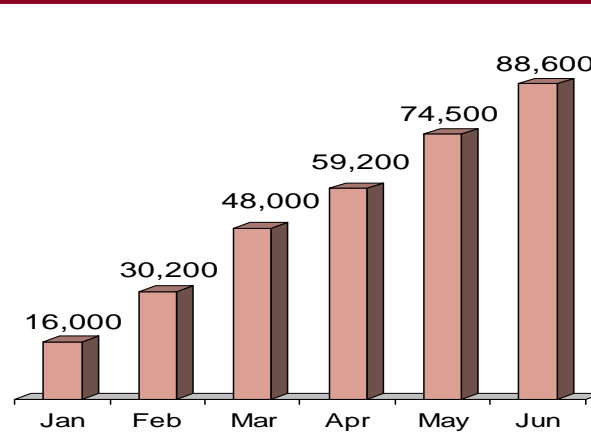


# Customer base: +83,000 new customers and increased retention rate

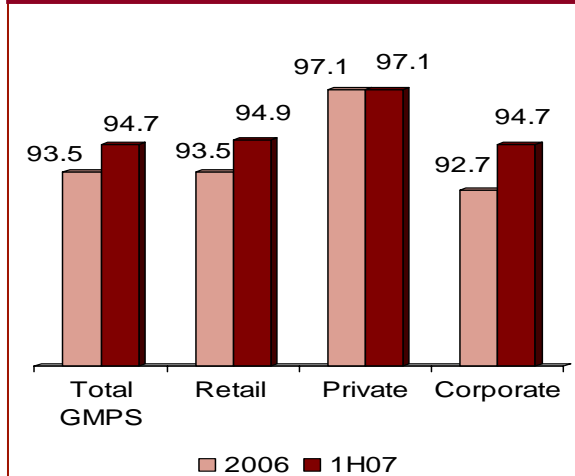
### New customers - 2007\*



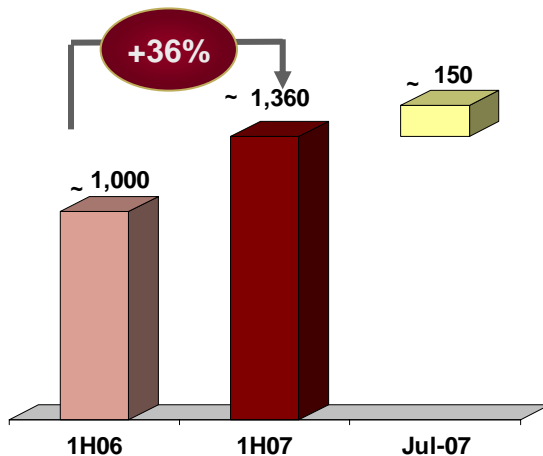
### New Current Accounts - 2007



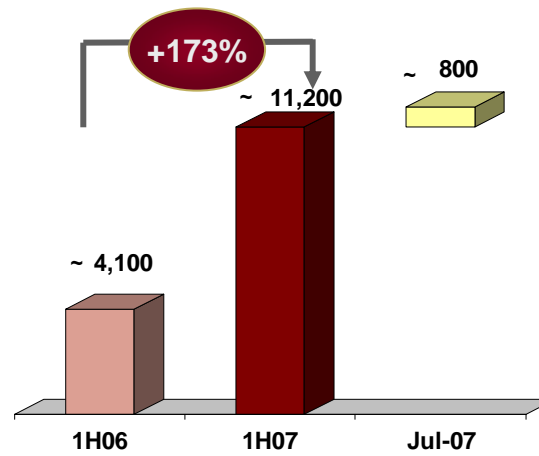
### Retention rate



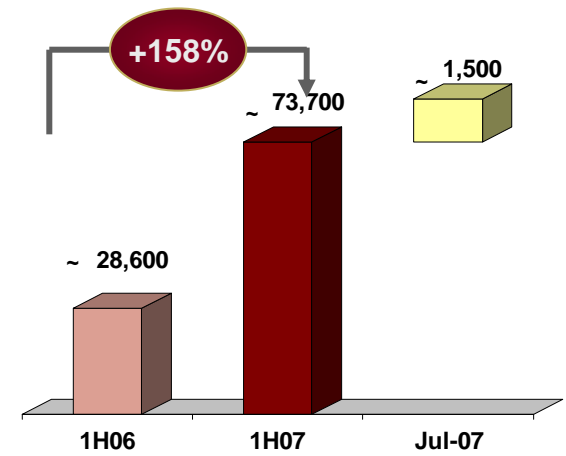
### New Corporate Clients\*



### New Small Business Clients\*



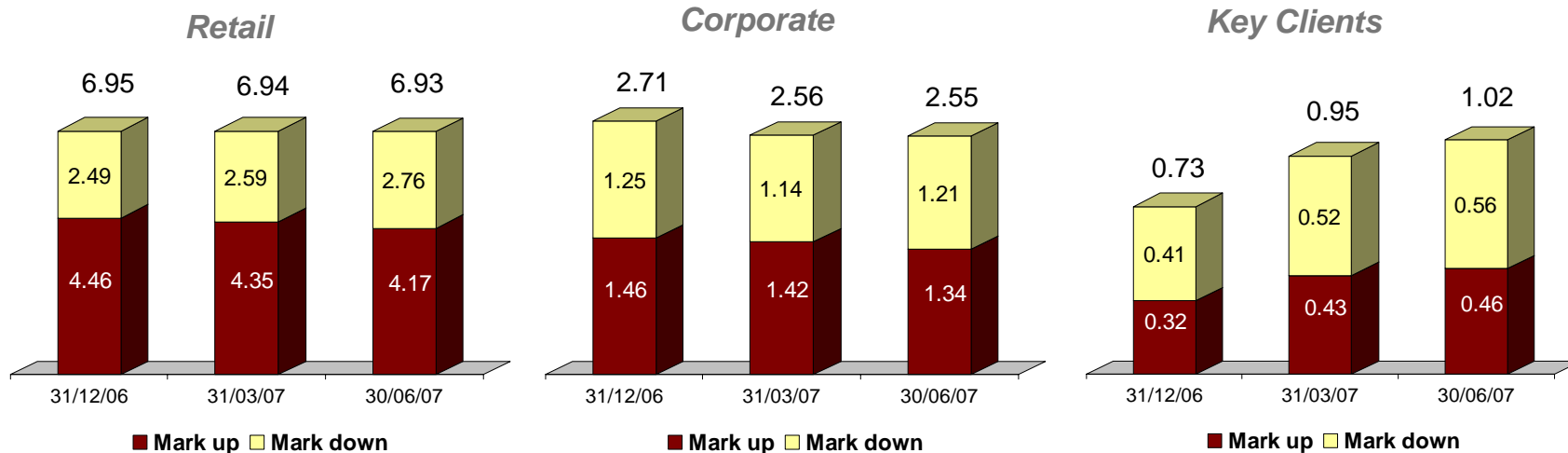
### New Family Clients\*



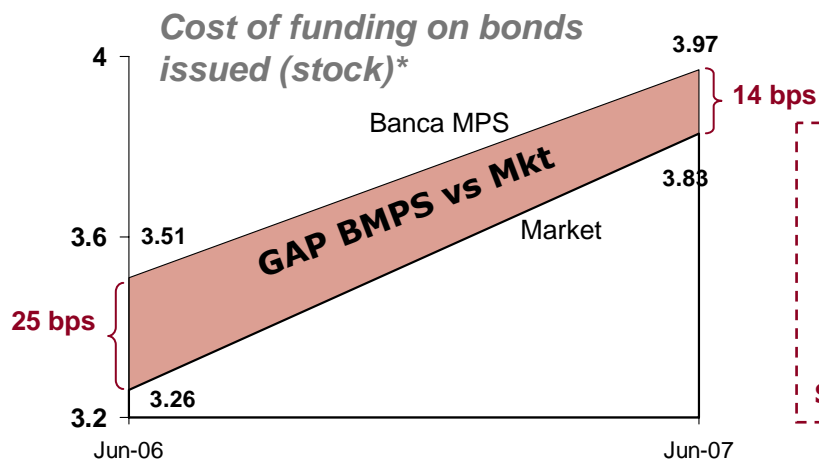
\*Net of lost clients

# Margins under control notwithstanding volumes

## Mark Up and Mark Down evolution (bps)



## Improved cost of funding



## Current Ratings

	Moody's	S&P	Fitch
<b>Outlook</b>	Stable	Positive	Stable
<b>Long-Term</b>	Aa3	A	A+
<b>Short-Term</b>	P-1	A-1	F1

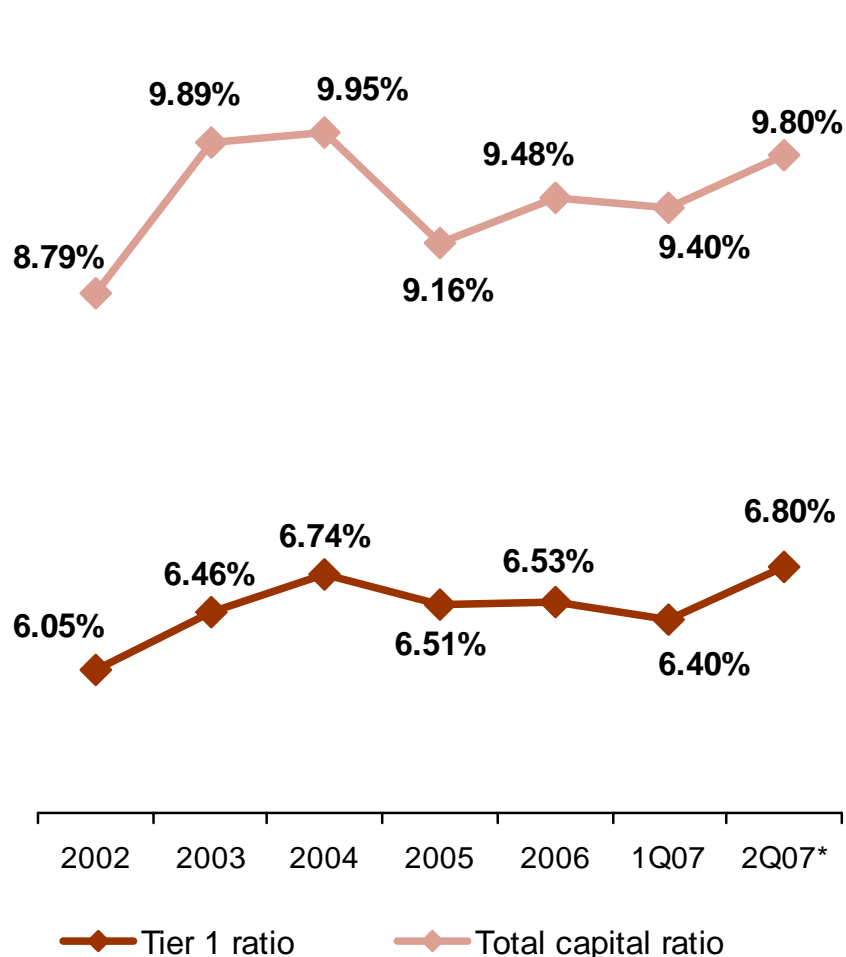
Revised from **Stable** to **Positive** on 16th January 2007

Revised from **A1** to **Aa3** on 16th April 2007

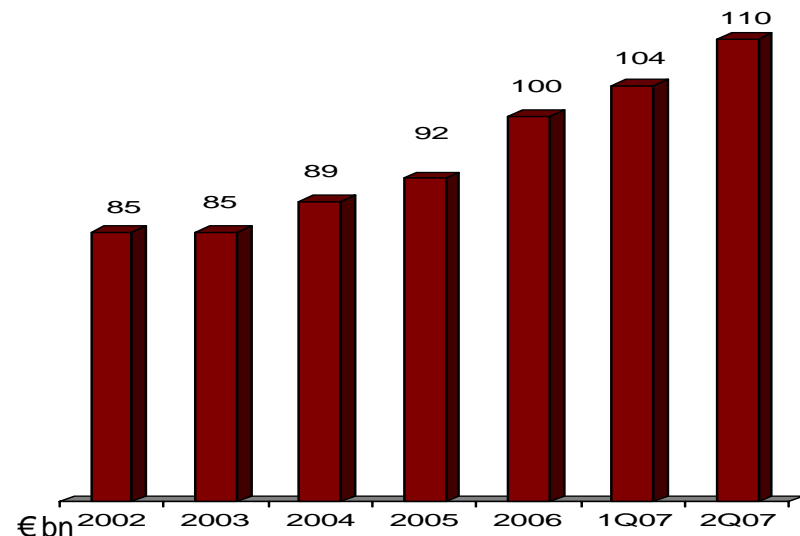


# Strong RWA growth and an improving capital position

## Capital Ratios



## Analysis of RWA growth and options to sustain it

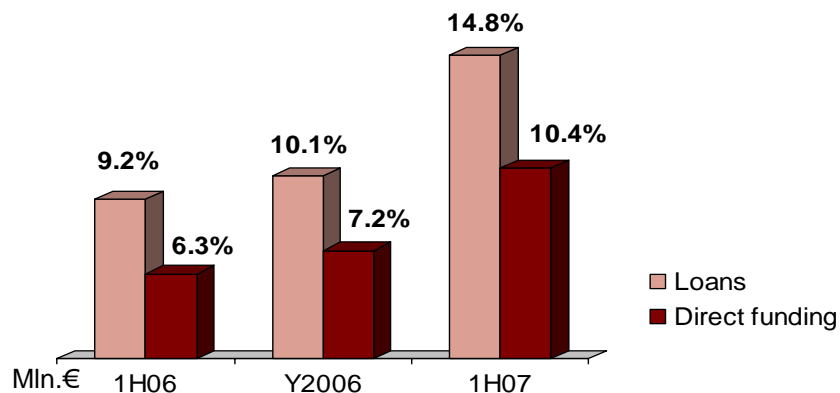


- > € 2 bln related to one-off short term operations, partially expired or due to expire within year end
- credit RWA growth anticipating excess capital by AXA and supported by economic recovery and residential mortgages. Quality of performing loan book improving, with EL/EAD down to 48 from 50 as at 31-12-06
- additional excess capital available from reallocation of non-core business asset >50 bps

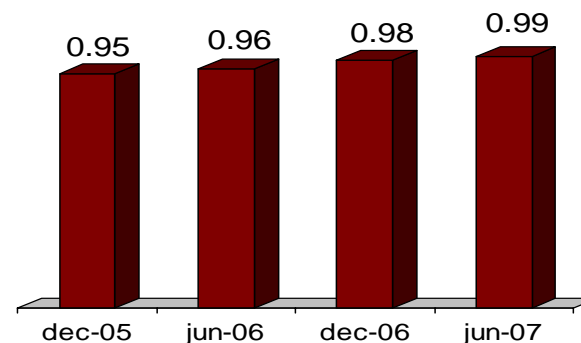
\* Includes the effect of MP Vita deconsolidation

# Good liquidity position

## GMPS Loans and Direct Funding YoY growth

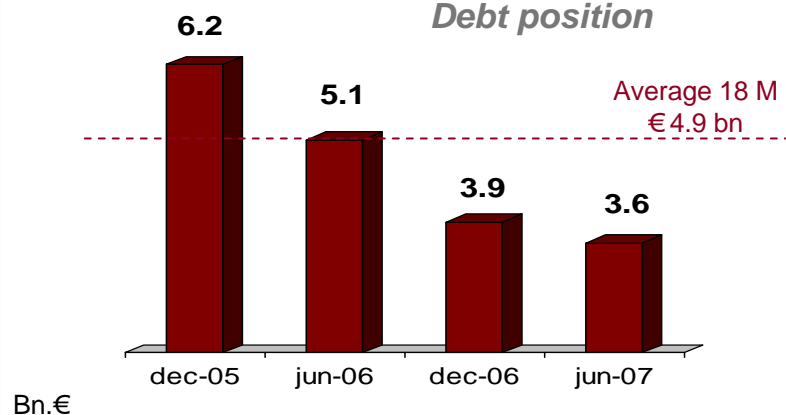


## Loan/Deposit ratio



## Interbanking exposure

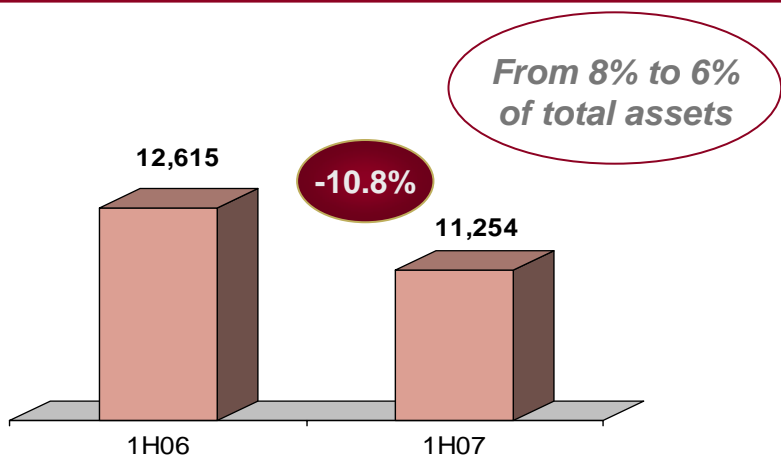
### Debt position



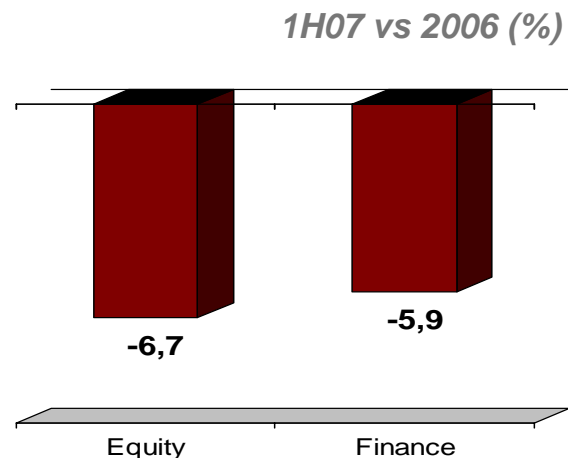
- ❑ Good fund-raising capacity of BMPS network
- ❑ As for interbanking exposure, sound funding mix decisions made in the past have placed us in a favourable position
- ❑ L/D ratio  $\leq 1$  in 1H07

# Funding and capital used to finance business

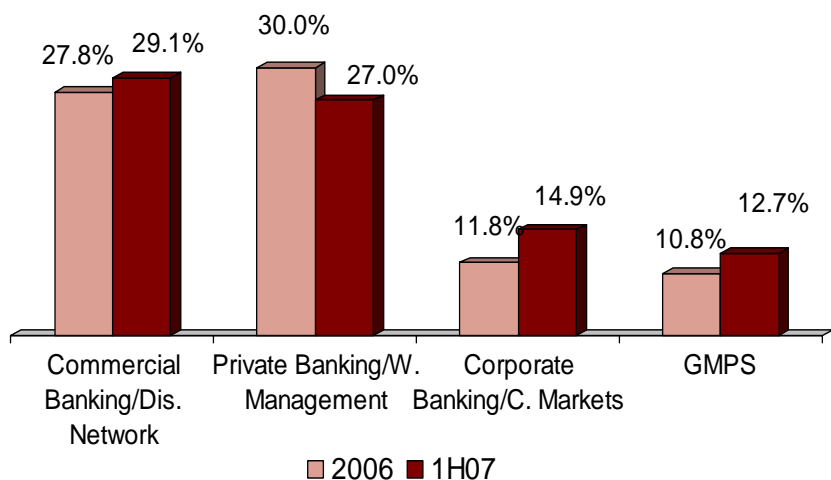
## Banca MPS Trading Portfolio



## Capital Invested in Equity Stakes and Finance



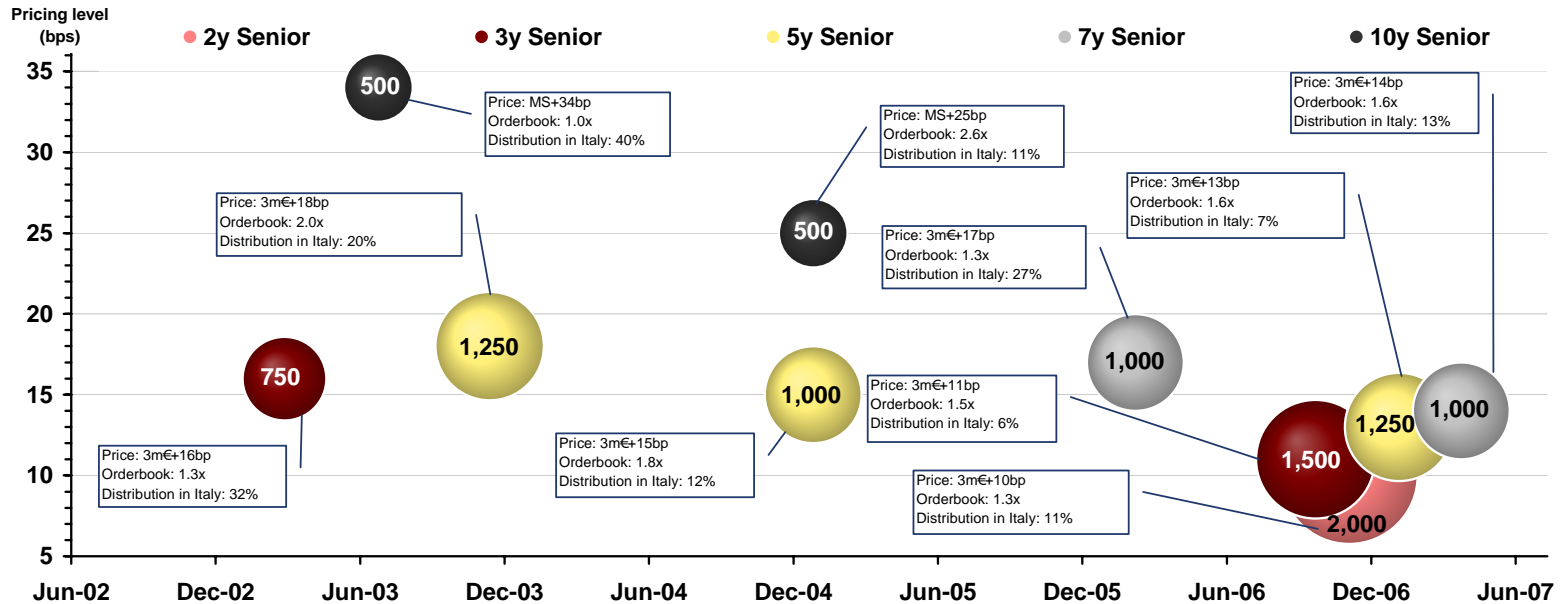
## Raroc



- Our trading portfolio and equity stakes were reduced to optimize capital and funding allocation
- Significant improvement of core business Raroc

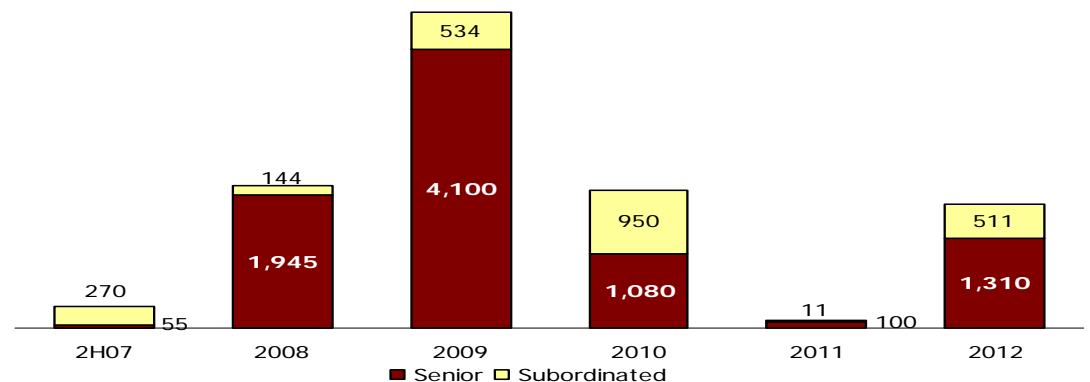
# Funding structure under control

Public Senior Benchmarks Issued by MPS since 2003 (€mm)



- ❑ We have been opportunistic in timing our bond issues
- ❑ Low amount of expiring notes in 2H07 and 2008

Planned debt reimbursement outflows



# Subprime-related positions on proprietary side and attention to customer's risk profile

## Proprietary position in subprime

CDOs/  
Subprime  
Investments

Notional: €50 Mln  
Rating S&P: AAA

**POSITION  
HEDGED**

- ❑ Sub-prime CDOs exposure substantially offset by an hedging structure
- ❑ No exposure to Conduit/SIV vehicles
- ❑ No exposure through hedge funds/private equity

## Clients position

- ❑ € 7.5 mln invested in sub-prime positions through third-party products
- ❑ € 0 mln invested in sub-prime positions through GMPS funds

# Good profitability and a strong cost control

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**A sound Basic Income growth in 1H07 (+5.7% YoY)**



**Personnel costs: -0.7%**



**Other administrative costs affected by one-off components (marketing campaign, consultancies and contracts for new branch openings)**



**Provisions: 46 bps**

# 1H07 and 2Q07 Results - Highlights

## Profit & Loss

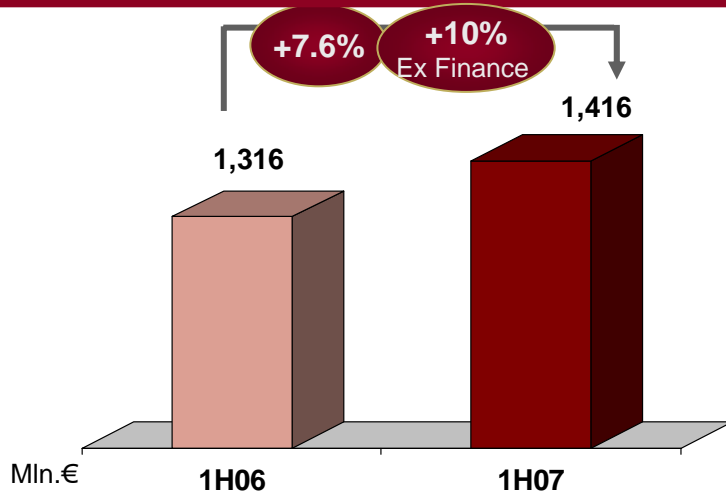
(mln €)

	<b>1H07</b>	<i>1H07 / 1H06</i>	<b>2Q07</b>	<i>2Q07 / 2Q06</i>	<i>2Q07 / avg Q06</i>
Net Interest Income	1,416	7.6%	710	6.0%	4.6%
Net Fees	771	2.4%	382	4.7%	2.4%
Basic Income	2,187	5.7%	1,092	5.5%	3.9%
Total Revenues	2,439	4.9%	1,226	10.6%	2.8%
Loan Loss Provisions	226	7.6%	118	9.7%	2.6%
Operating Costs	1,391	1.6%	708	3.4%	-2.6%
Net Operating Income	825	11.6%	408	32.2%	27.5%
Net Income	514	6.6%	260	27.4%	14.4%

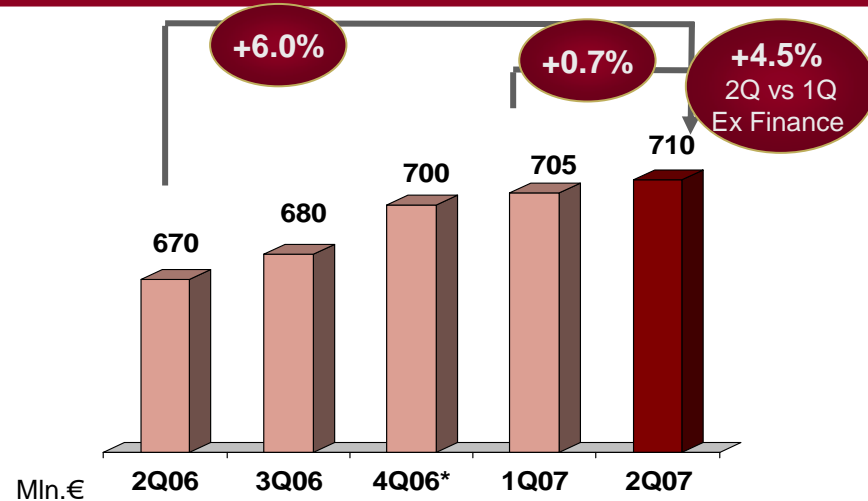
+7.5%  
ex one-off

# Net Interest Income: A strong commercial growth

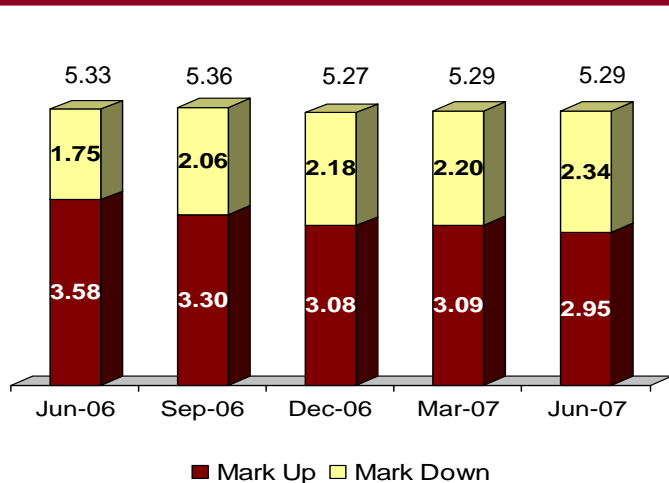
Net Interest Income: YoY trend



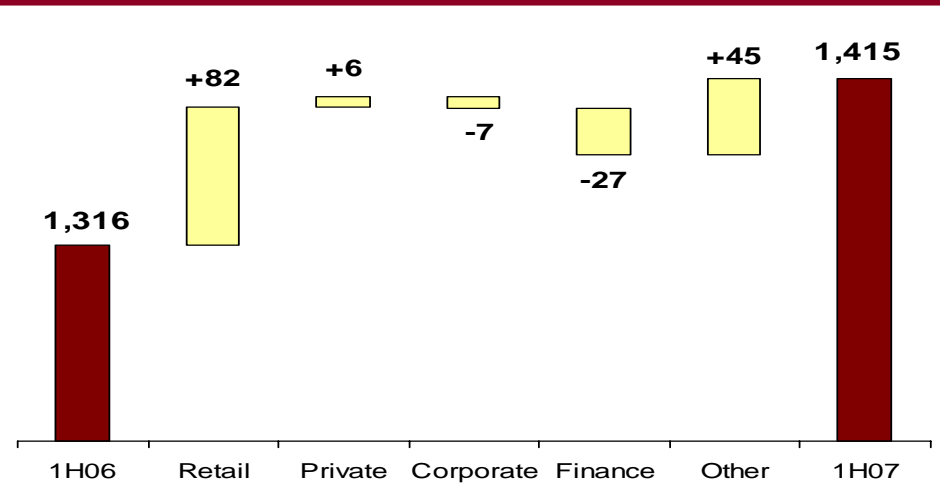
Net Interest Income: QoQ trend



Mark Up and Mark Down Short Term Evolution



Contribution by Business Area

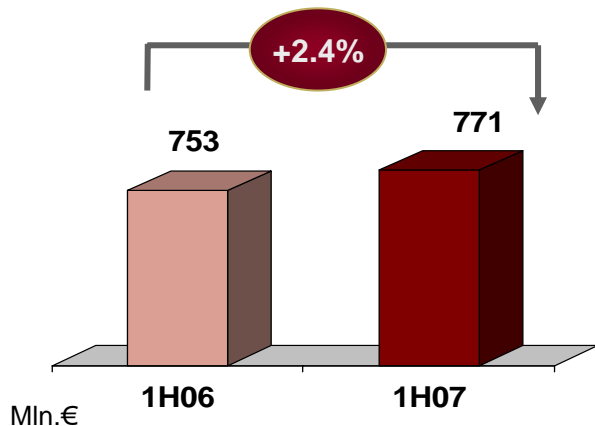


\*4Q06 net of Junior bonds / Banking book (Euro 18 mln)

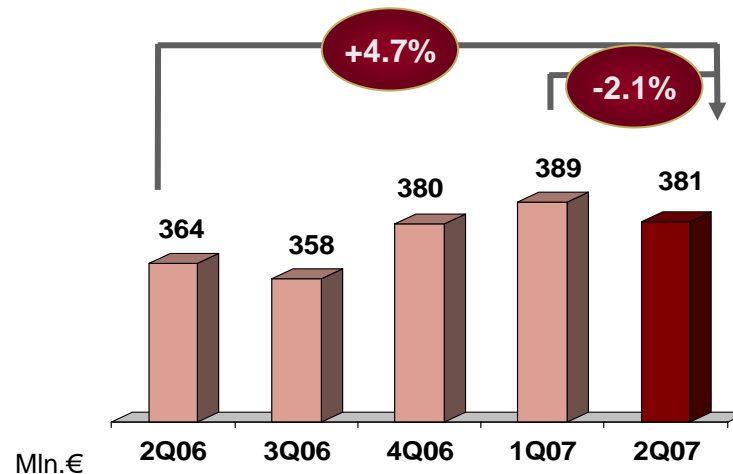


# Net Fees: recurring fees keep growing

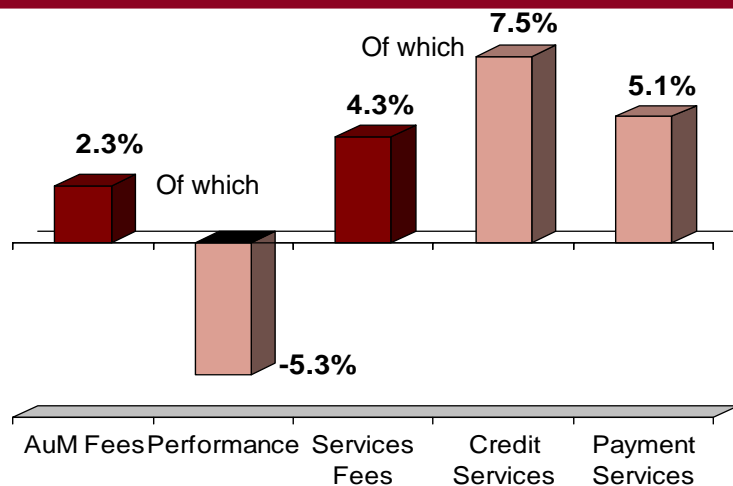
Net Fees: YoY trend



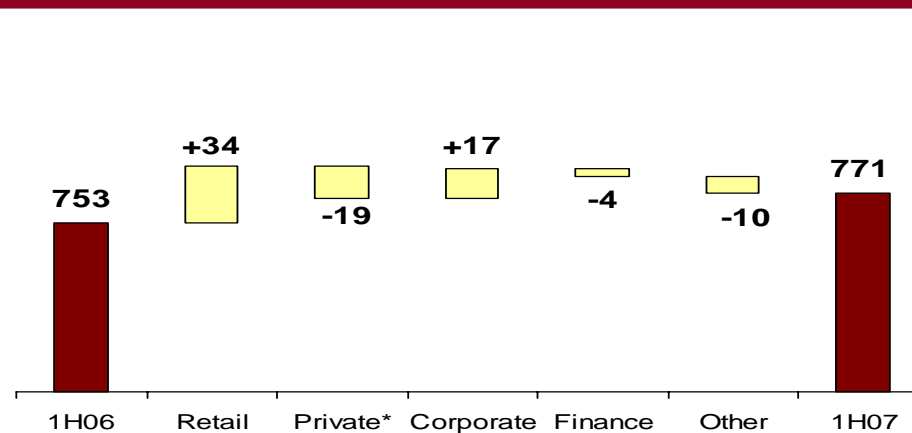
Net Fees: QoQ trend



Main Fees



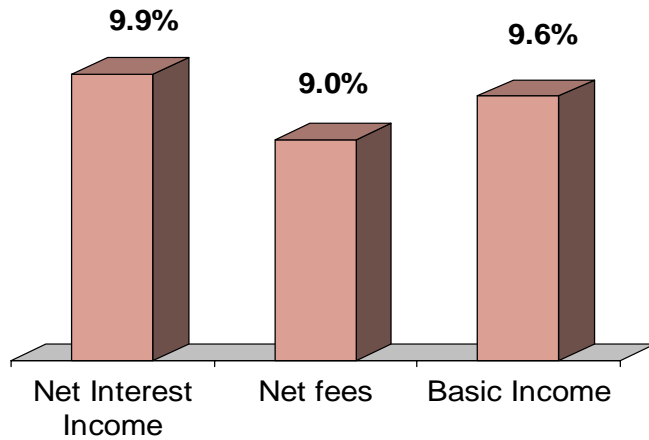
Business Areas Contribution



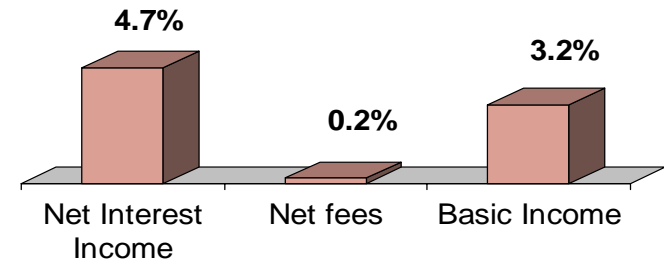
\* The decrease is due to the cancellation of Performance Fees

# A Good Network Performance

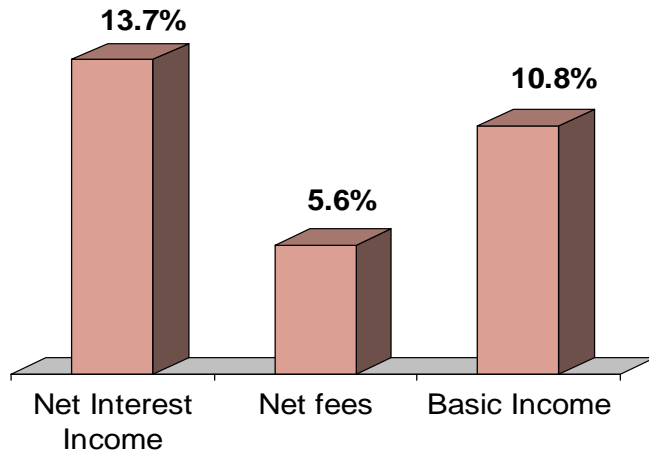
## Banca MPS Network (YoY trend)



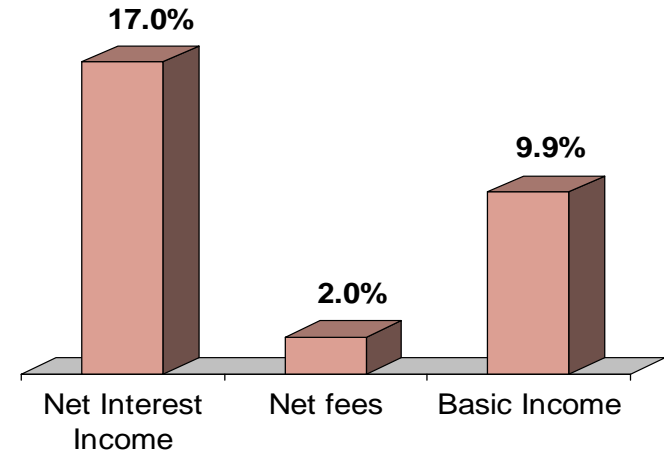
## Banca Toscana (YoY evolution)



## BAM (YoY evolution)

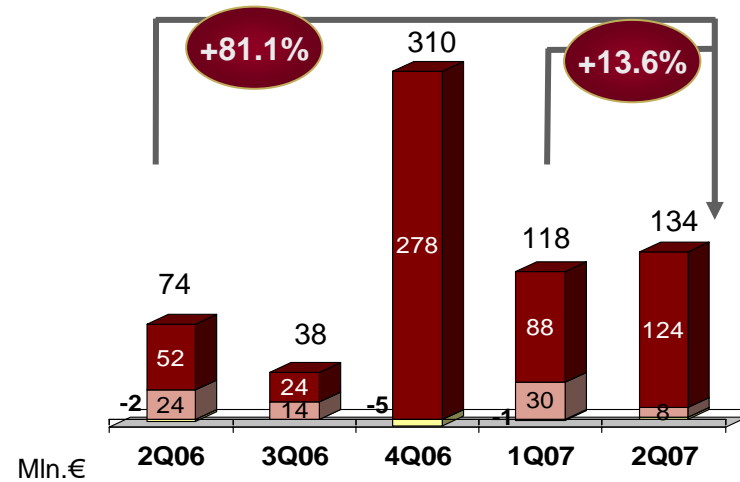
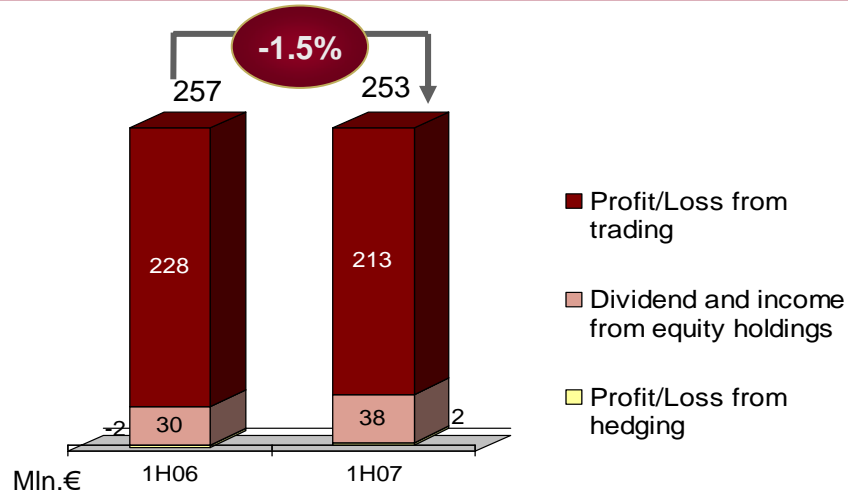


## Key Clients (YoY evolution)

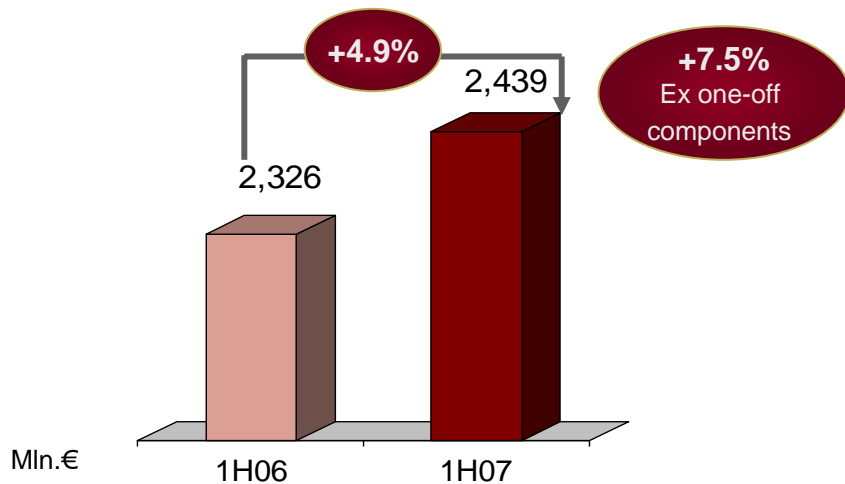


# Non-Commercial Components and Revenues

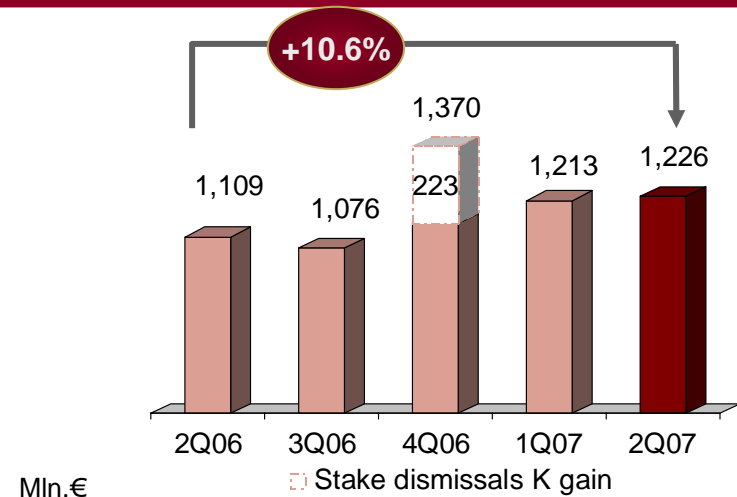
## Non-commercial components



## Total Revenues: YoY trend

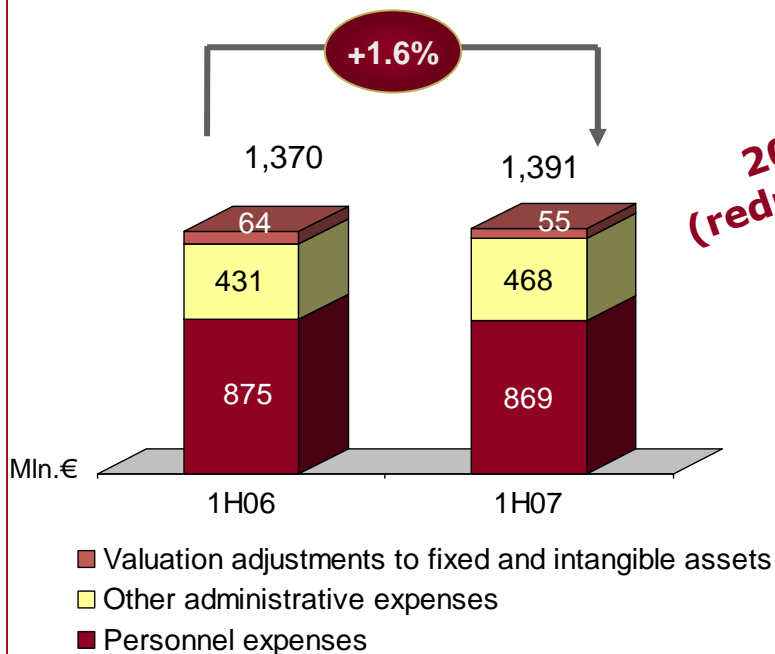


## Total Revenues: QoQ trend



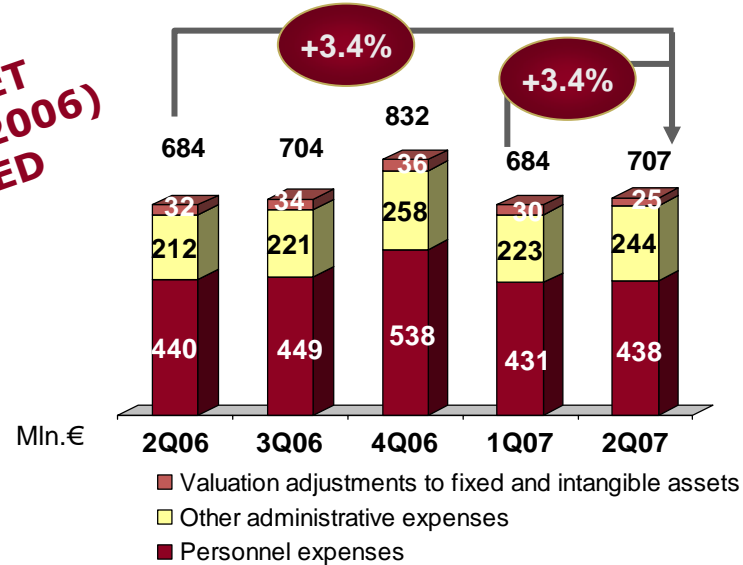
# Operating costs

Operating Costs: YoY trend



**2007 TARGET  
(reduction vs 2006)  
CONFIRMED**

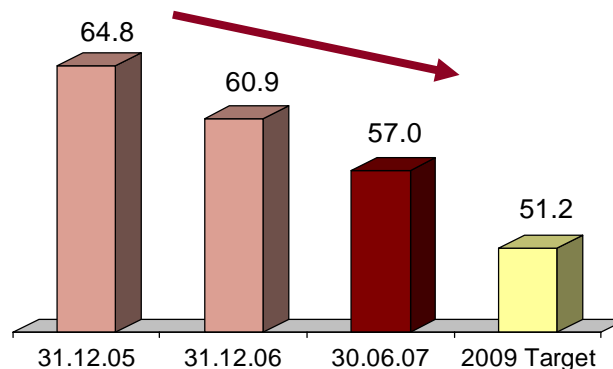
Operating Costs: QoQ trend



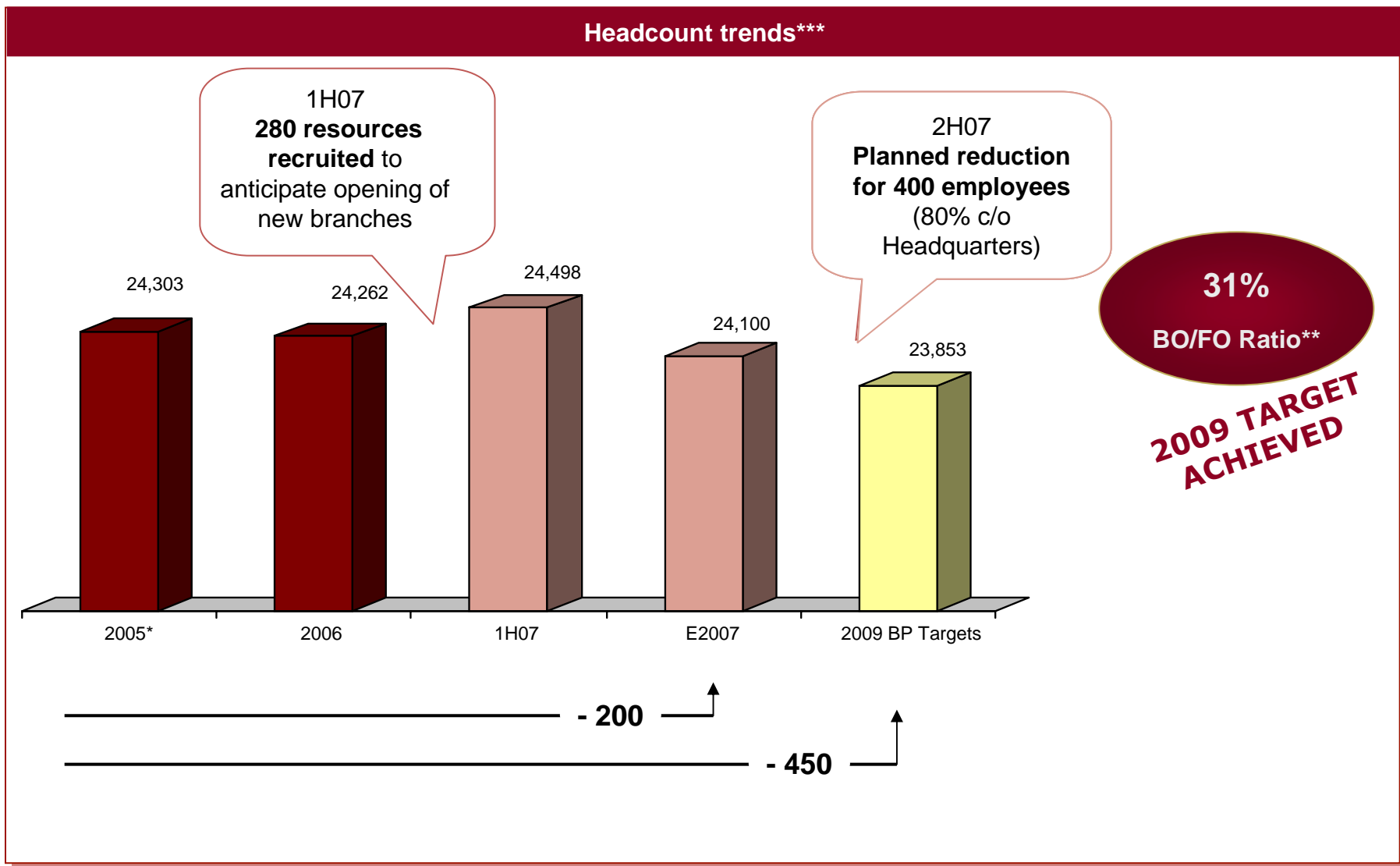
## One-off components:

- Domestic marketing campaign in Q2 and consulting services: EUR 20 mln
- Opening of 19 branches/SMEs and Private Centers and signing of contracts for 60 branch openings planned in 2H
- Revaluation of severance pay fund (TFR): EUR 13 mln

Cost/Income



# Staff Reduction: On Track with Business Plan Target



\* Net of Tax Collection Department (2,167 employees)

\*\* Counted as Headquarters and Main Branches Staff/Network Staff

\*\*\* Figures not include staff allocated in companies not included in the Group perimeter

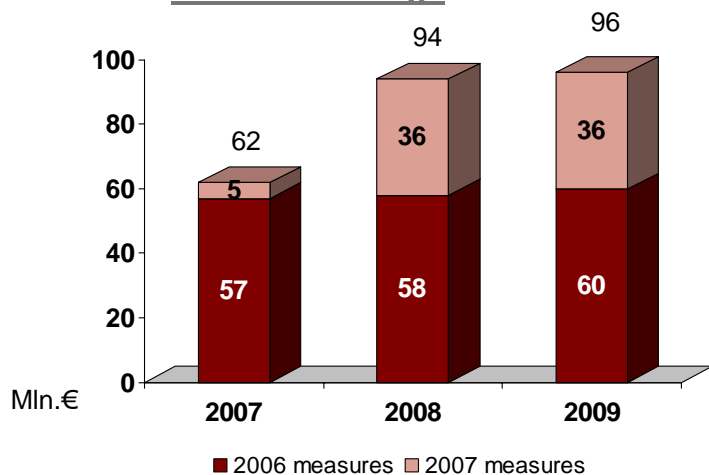
# Ongoing cost control: new initiatives not included in BP

## Personnel expenses:

Economic benefits of Early Retirement schemes  
(over BP period)

	2006 measures	2007 measures	Total
<b>Resources involved</b>	550	400	950
<b>One-off costs (€ mln)</b>	80 (2006)	50 (2H2007)	130
<b>Net cost savings (€ mln)</b>	109 (2006-2009)	27 (2007-2009)	136

### Staff cost savings

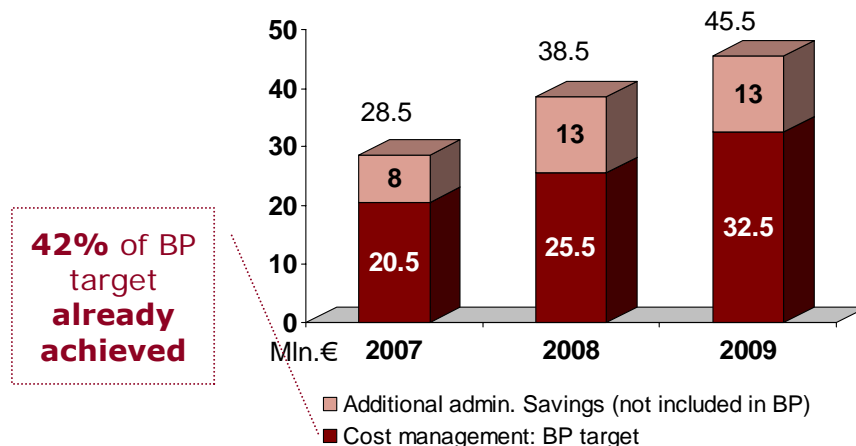


## Other administrative expenses:

Cost savings related to new investments  
(over BP period)

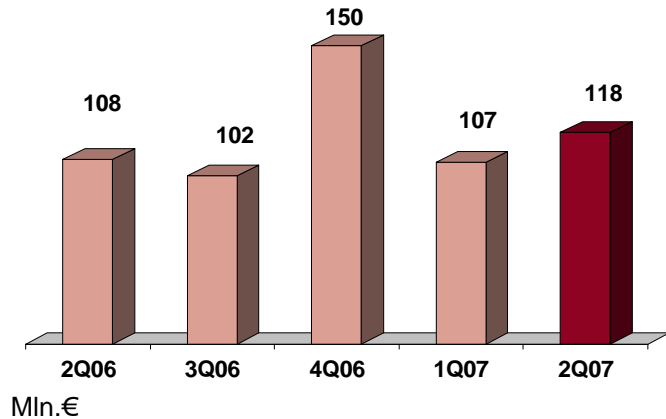
	Telecom Italia	IBM	Total
<b>Timeframe</b>	2008- 2010	2007- 2012	
<b>Investments planned (€ mln)</b>	46	421	467
<b>Average cost savings per year (€ mln)</b>	5	8	13

### Administrative cost savings

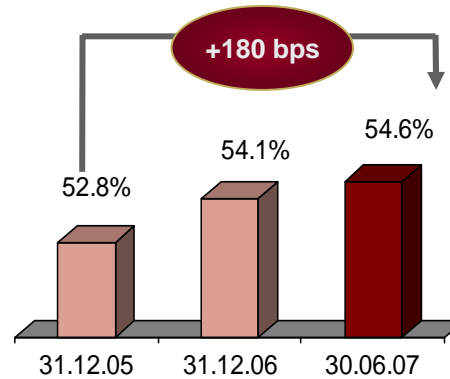


# Loan loss provisions and NPL coverage

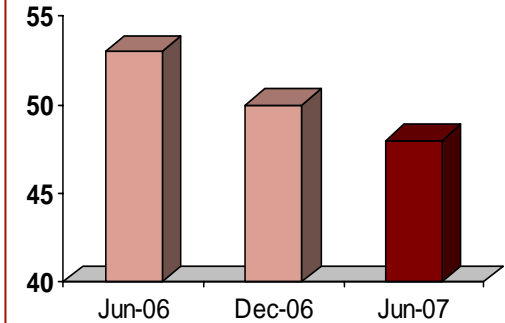
Loan Loss Provisions



NPL Coverage

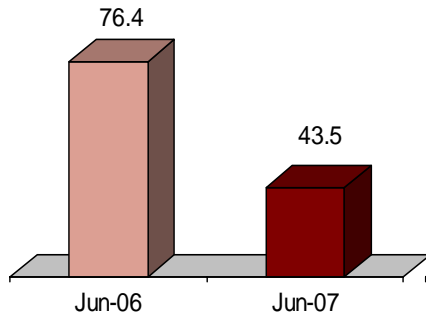


GMPS PA/EAD (bps)

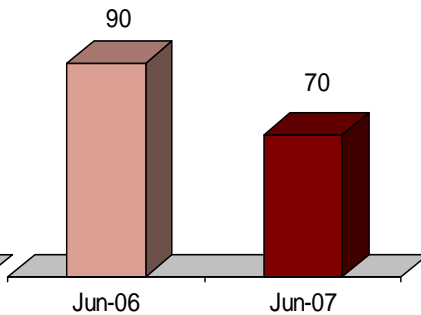


Banca Toscana

Provision (bps)

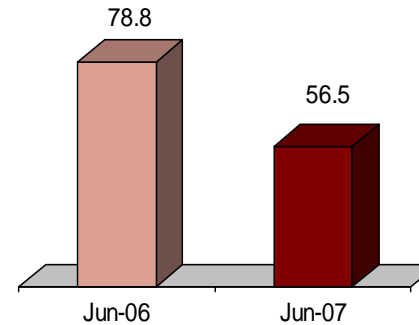


PA/EAD (bps)

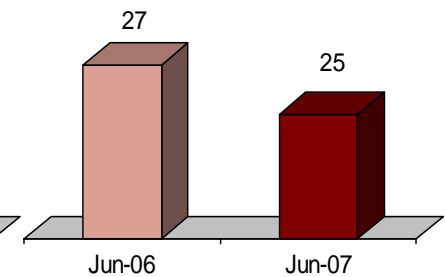


MPS L&F

Provision (bps)

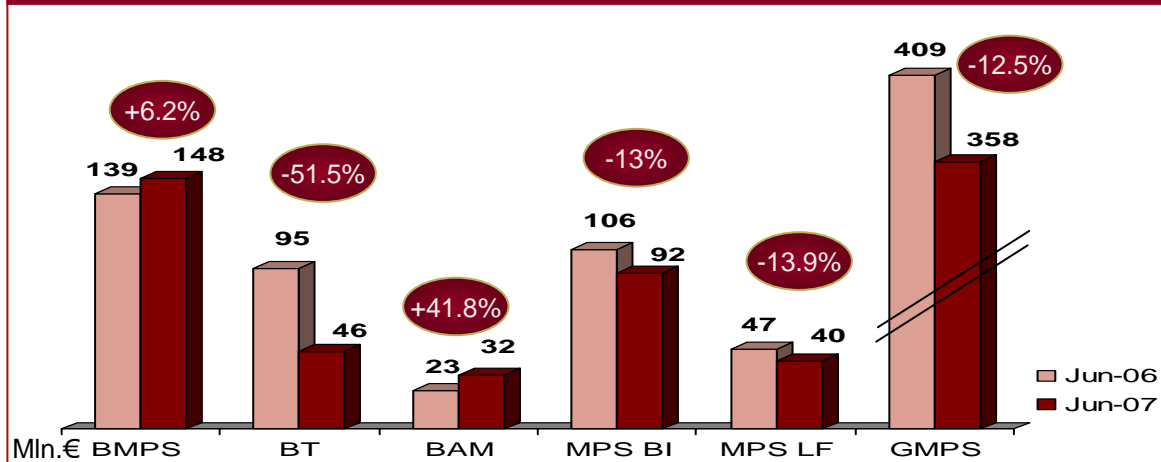


PA/EAD (bps)

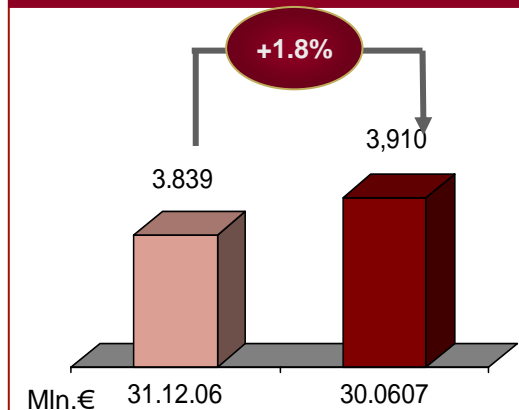


# Doubtful Loans and Recoveries

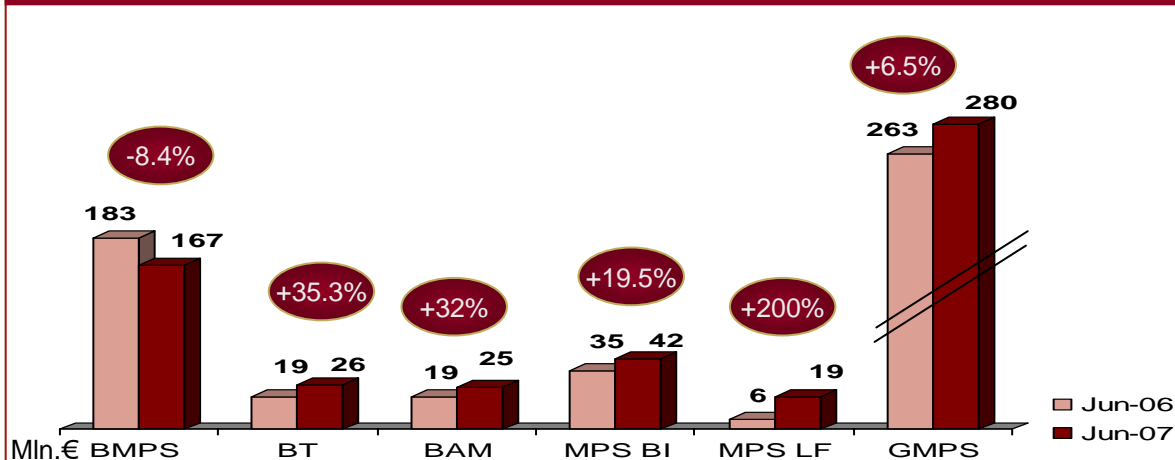
## Doubtful loan flows



## Total Impaired Loans



## Recovery flows

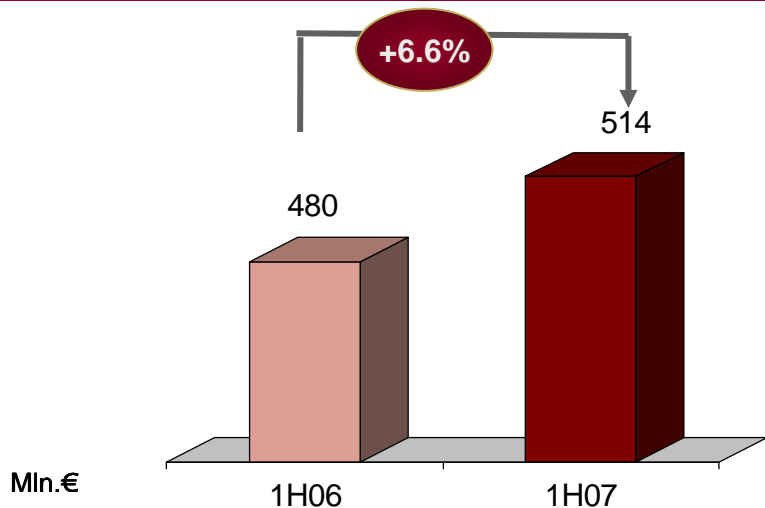


- Asset quality is under control, with a significant reduction of doubtful loans
- Improving recovery rates indicate a good portfolio coverage

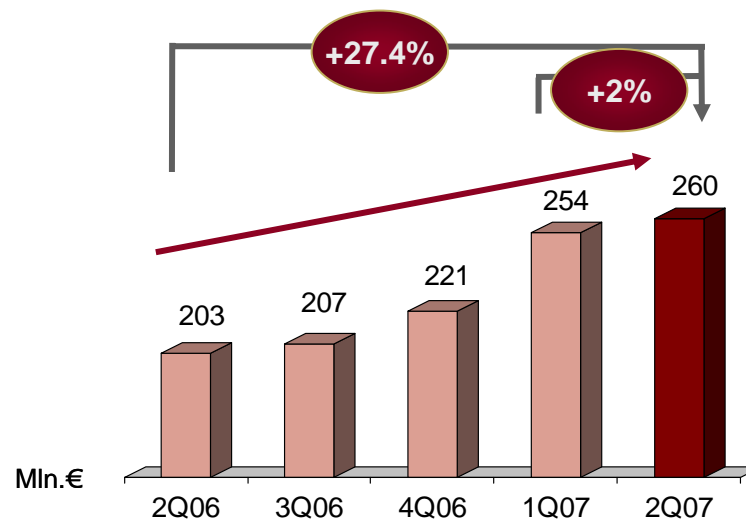


# Net Profit Growth

Net Profit:YoY trend



Net Profit : QoQ trend



- ❑ Good profit growth at +6.6% (would be 18% net of non-recurring capital gains)
- ❑ Profits were also impacted by the missing contribution of the tax collection business (EUR 38 mln in 1H06)

# Focus on .....

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**Segment Reporting**



**MPS L&F**



**MPS Banca Personale: Operating break-even achieved and a stronger position expected following AXA SIM acquisition**

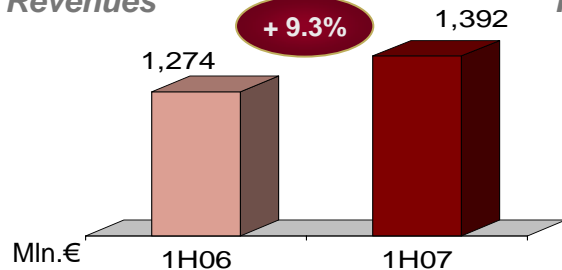


**Capital Services Banca per le Imprese**

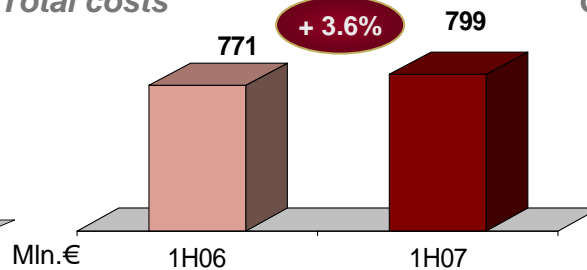
# Segment Reporting

## Commercial Banking & Distribution Network

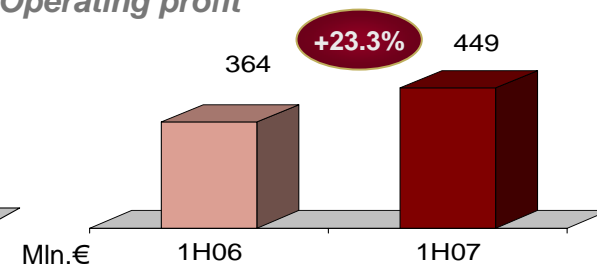
Revenues



Total costs

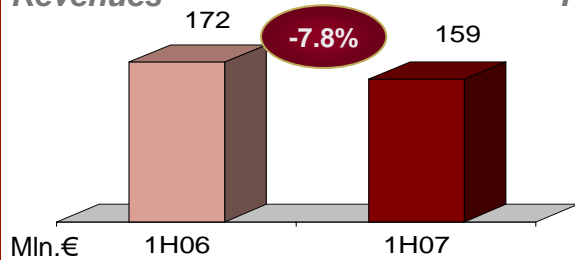


Operating profit

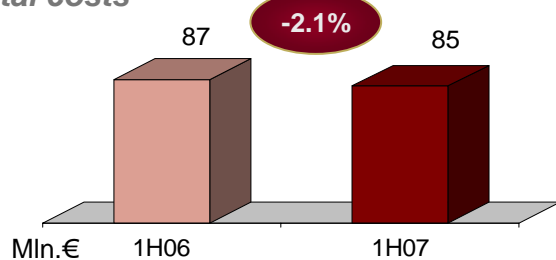


## Private Banking & Wealth Management

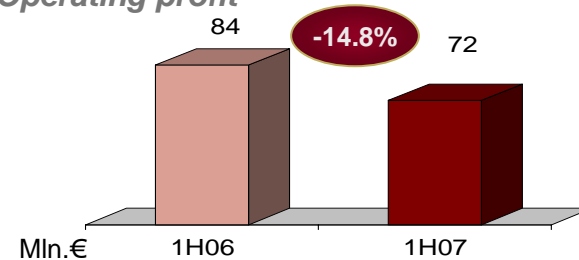
Revenues\*



Total costs

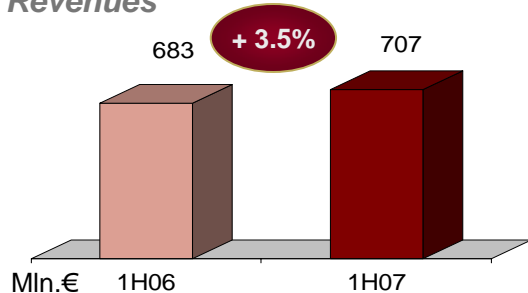


Operating profit

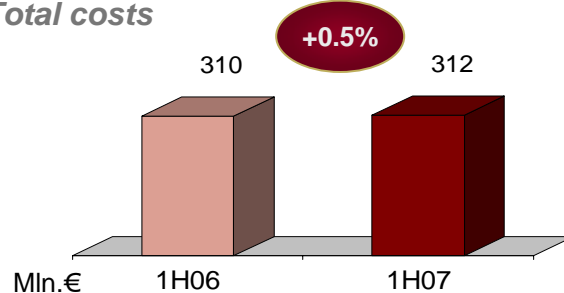


## Corporate Banking & Capital Markets

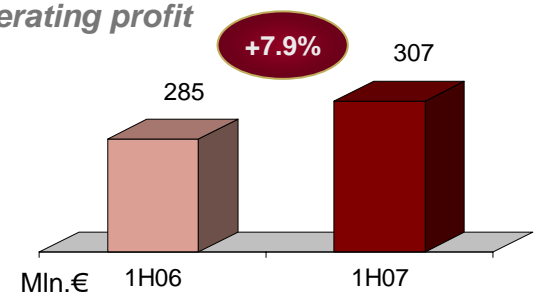
Revenues



Total costs



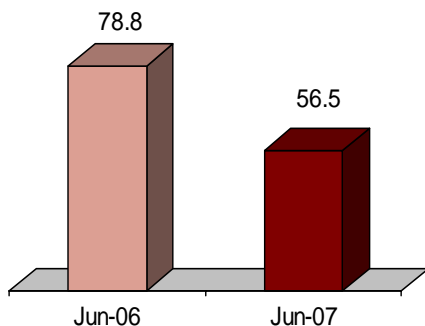
Operating profit



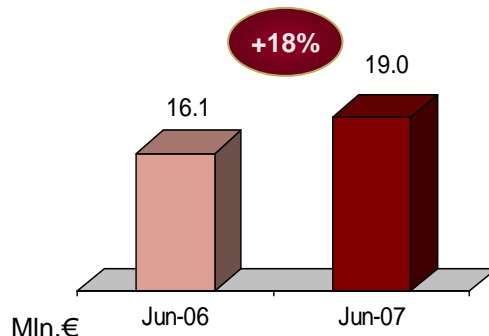
\* The decrease is due to the cancellation of Performance Fees

## MPS L&F – Key indicators

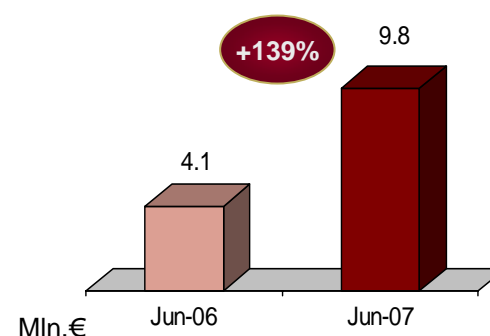
*Provisions (bps)*



*Net operating profit*

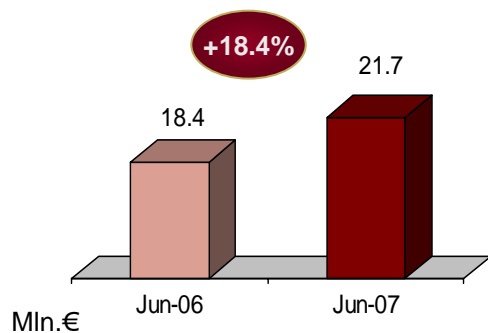


*Net profit*

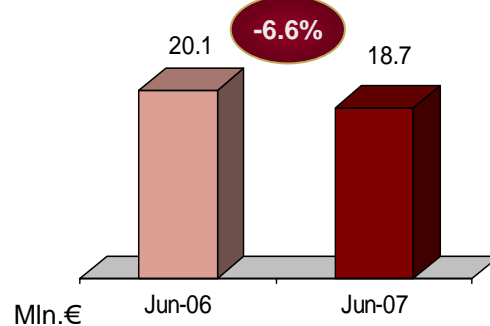


## Banca Personale - Key indicators

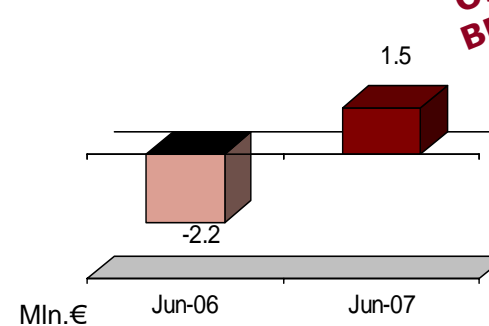
*Revenues*



*Operating costs*



*Net operating profit*



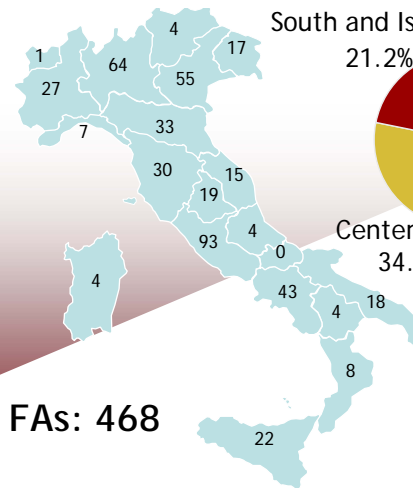
# MPS Banca Personale and AXA SIM

## MPS Banca Personale FAs

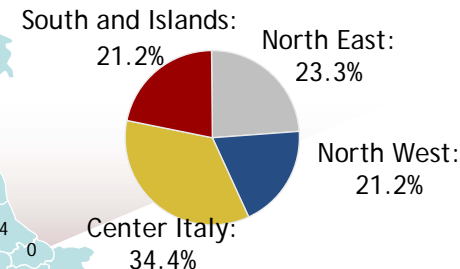


Total FAs: 720

## AXA SIM FAs



Total FAs: 468



## MPS Banca Personale + AXA SIM FAs

**ACQUISITION OF AXA SIM TO BE FINALIZED IN 3Q07**

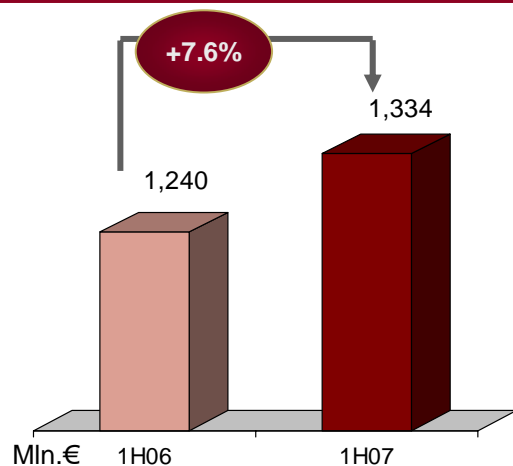


Total FAs: 1,188

- ❑ Significant footprint increase in affluent Northern Italy (ie. Lombardy, Emilia Romagna, Piedmont and Veneto), currently not sufficiently covered by MPS Banca Personale
- ❑ Increased coverage of highly populated regions (ie. Lazio and Campania)

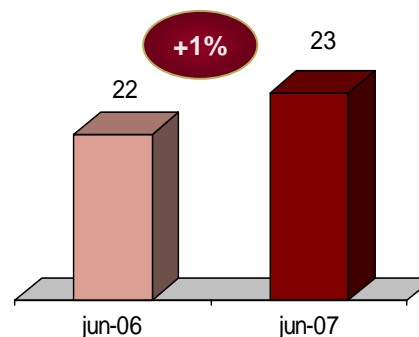
# 10<sup>th</sup> September: take off Capital Services Banca per le Imprese

## Banca per l'Impresa Flows

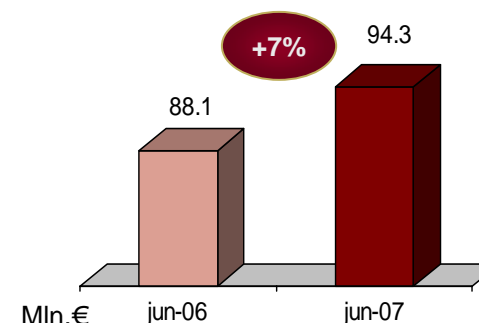


## MPS Banca per l'Impresa – Key indicators

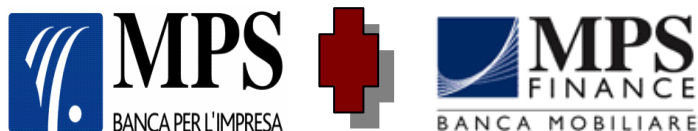
### Cost/Income ratio (bps)



### Basic Income



## Capital Services Banca per le Imprese



- 10<sup>th</sup> September: Integration of MPS Banca Impresa and MPS Finance specialized competences and creation of a single Group platform that will focus on delivering high added value products:

- Corporate Finance
- Commercial and Ordinary Finance
- Capital Market

# Conclusions

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**1H07 results show a good core business performance. The risk profile of both the Bank and its clients remains low in a volatile scenario**



**Core business in 3Q in acceleration**



**Takeoff of the AXA JV**

## Contacts



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## Declaration

**In accordance with section 2, Article 154-bis of the Consolidated Law on Finance (TUF), the Financial Reporting Manager Daniele Pirondini, declares that the accounting information contained in this press release corresponds to documentary records, ledgers and accounting entries.**



# Disclaimer

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