



Focus on delivery

1Q 2006 Results

Siena, 16th May 2006

Agenda

- Highlights of 1Q06 Results**

- Analysis of 1Q06 Results**

- Division analysis**

- Conclusions**

- Annexes**

Focus on delivery

- ❑ **Strong commercial flows: +10% YoY saving products, +19% YoY lending products. Acceleration in March versus first two months of 2006**
- ❑ **Strong growth of revenues for the retail banking (+12.0% YoY), private banking (+21.6% YoY), investment banking (+17.4% YoY)**
- ❑ **We keep focusing on cost control (+1% YoY) while opening new branches (+117 in the last year) and promoting an early retirement scheme (265 employees will leave starting from 2Q06 - 582 during 2005)**
- ❑ **Strong improvement in key ratios during 1Q06: cost/Income at 60.4% (excluded positive one-offs) versus 64.8% (end of 2005)**
- ❑ **Ongoing delivery in terms of profitability for Banca Toscana and MPS L&F and remarkable reduction of MPS Banca Personale losses**
- ❑ **NPLs coverage improves of 1.3% QoQ at 46.2%. Reduction of NPL flows (-22% QoQ) and watchlist (-13% QoQ), with stabilization of quarterly Loan Loss Provisions**
- ❑ **Improvement of capital ratios: Tier 1 at 6.73% versus 6.51% (end of 2005). We are currently issuing subordinated debt which will further benefit ratios**

Highlights 1Q 2006 Results

✓ Growth of revenues and cost control continue

Profit & Loss (mln €)	1Q06	1Q06/1Q05	1Q06/4Q05	1Q06/avQ05
Net Interest Income	647	1.9%	-3.9%	0.4%
Net Commissions	462	7.1%	0.6%	3.7%
Basic Income	1,109	4.0%	-2.1%	1.7%
Total Revenues	1,324	12.8%	12.2%	12.0%
Loan Loss Provisions	108	20.4%	-13.8%	0.7%
Operating Costs	751	1.0%	-7.9%	-2.0%
Net Operating Income	464	35.4%	356.7%	69.1%
Net Income	278	70.1%	28.2%	40.5%

Focus on delivery

✓ 1Q06 results confirm delivery on 2003-2006 Business Plan Targets

Business volumes

	CAGR 03-05	Chg 05/04	Chg 1Q06/ 1Q05	Expected CAGR 03-06 Business Plan
AuM	+7.1%	+11.6%	+11.9%	+10.6%
Funds under custody	-2.6%	-2.6%	-3.5%	+1 %
Direct funding	+3.2%	+6.5%	+4.8%	+3.4 %
Loans	+8.9 %	+9%	+7%	+5.8 %

Key indicators

	2003	2005	1Q06	BP Target 2006
Roe*****	+7%	+13%	+13.3%	+14%
Cost/income (1Q06 ex One-off)	68%	64.8%	60.4%	57%
Credit Cost	77 b.p.	51 b.p	52 b.p	61 b.p
Tier I	6.5%	6.5%	6.7%	7.2%****

Other figures

	2005	1Q06 cum.	BP Target 2006
Opening/transfer of branches	107*	117	150**
Net headcount*** reduction	1,500	1,530	1,700

* More than 90 new branches planned for 2006

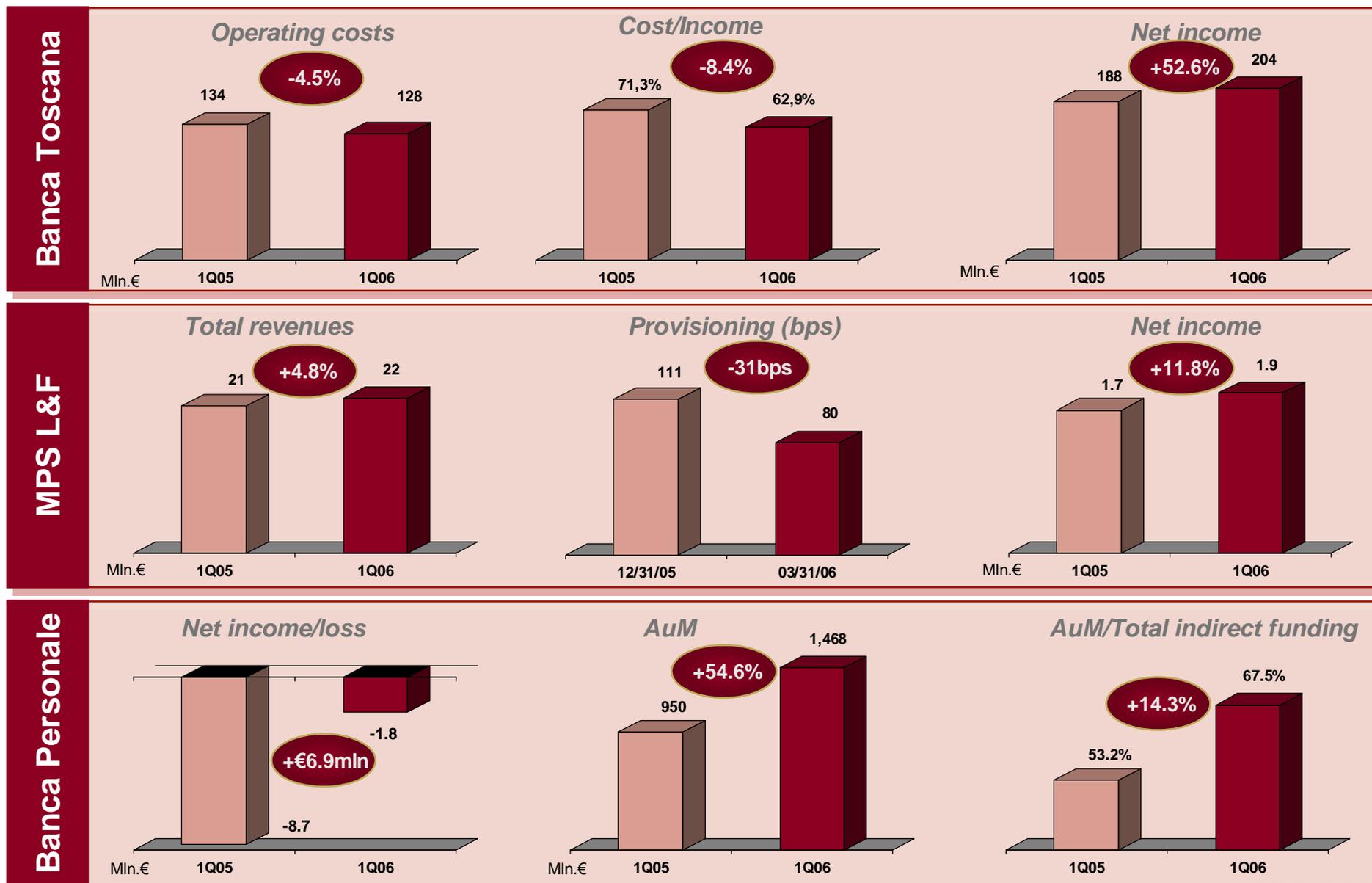
** Increased to 200 in 2005

*** 2,156 early retirements out of which 256 from 2Q06

**** Core Tier 1 target: 7%

***** Annualised, excluded BNL and FIAT

We are closing the internal gap



Agenda

Highlights of 1Q06 Results

Analysis of 1Q06 Results

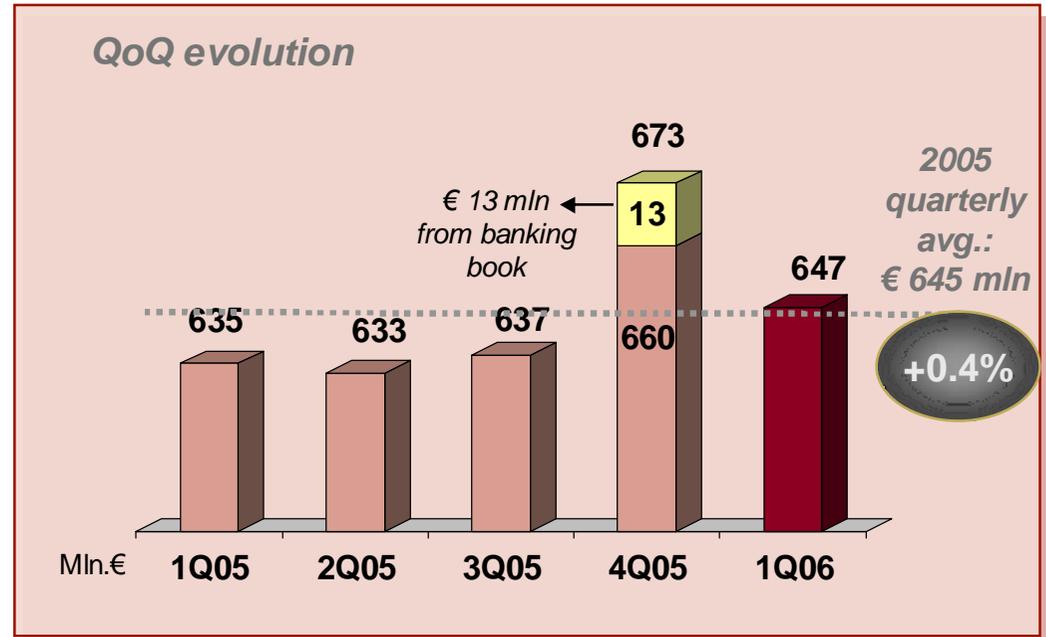
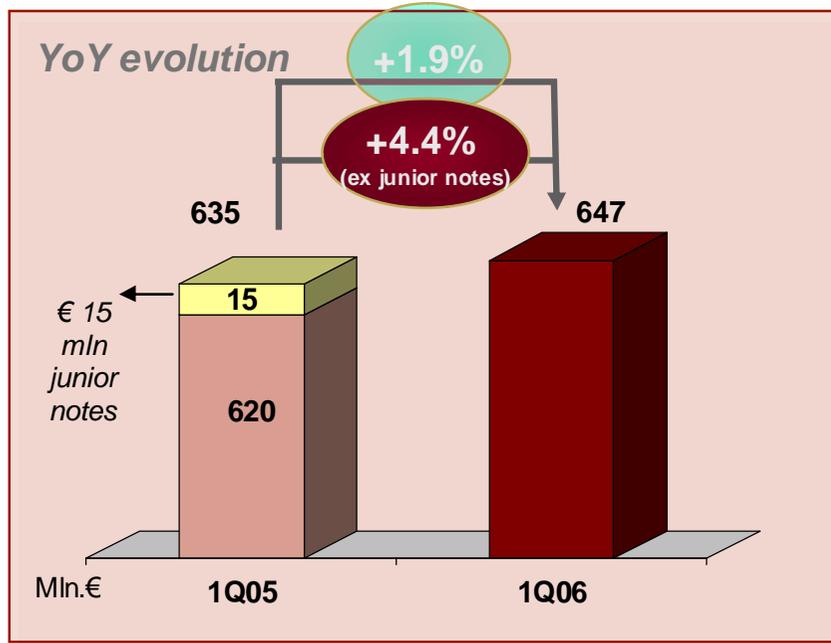
Division analysis

Conclusions

Annexes

Net Interest Margin

✓ Consolidated growth versus 2005 average and potential growth in 2Q06

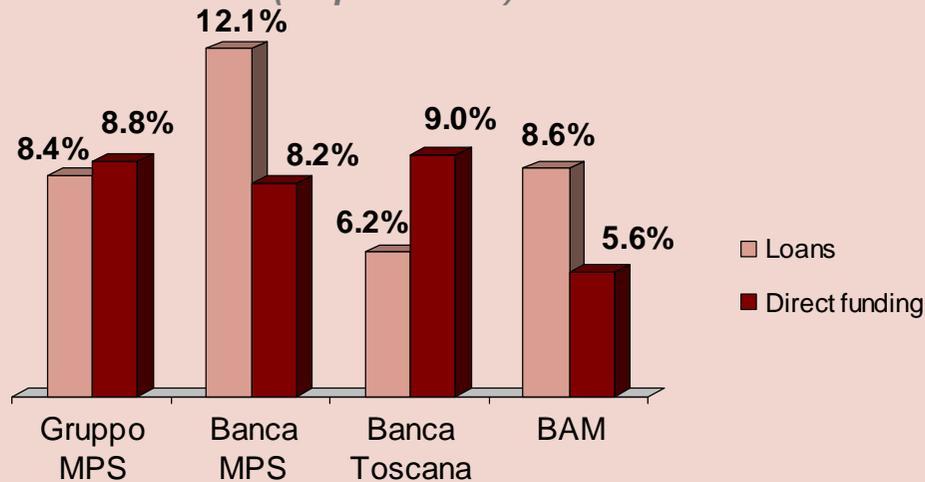


- ❑ Annual growth of volumes offsets the pressure on mark-up
- ❑ Not including junior notes related to securitisation in 1Q05 (€15 mln), net interest margin increases of 4.4% YoY
- ❑ Net Interest Margin is affected by the number of working days and the absence of the one-off items (€14 mln and €13 mln, respectively) and by the delay in the repricing of floating rates mortgages, which are mainly updated on a six months basis (June and December)

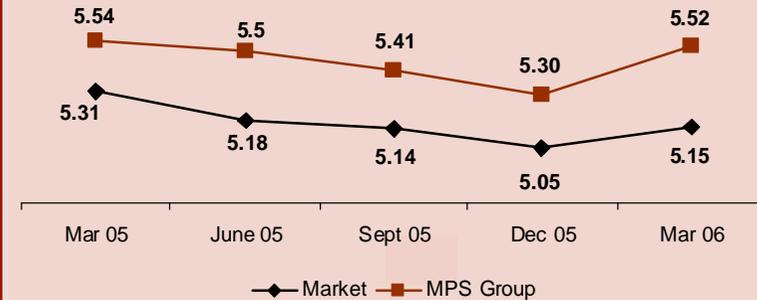
Volumes and Pricing

✓ Volumes and spread growth, still higher than market average

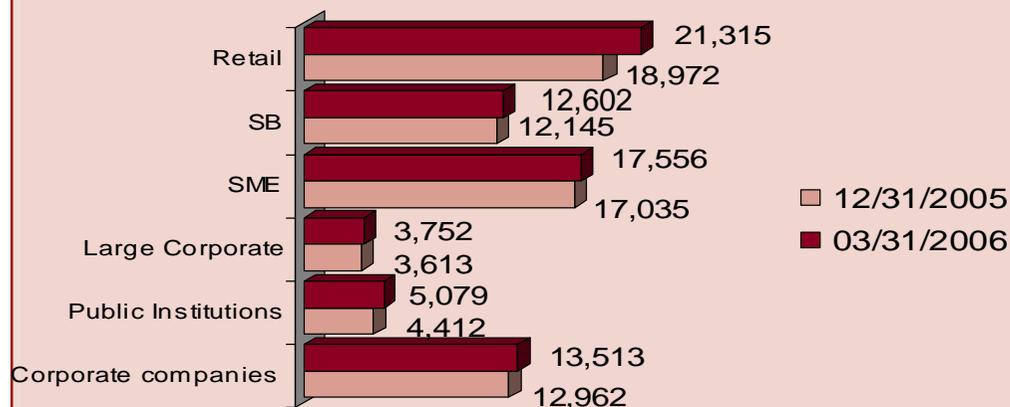
Loans and direct funding growth of bank divisions (at quarter end)



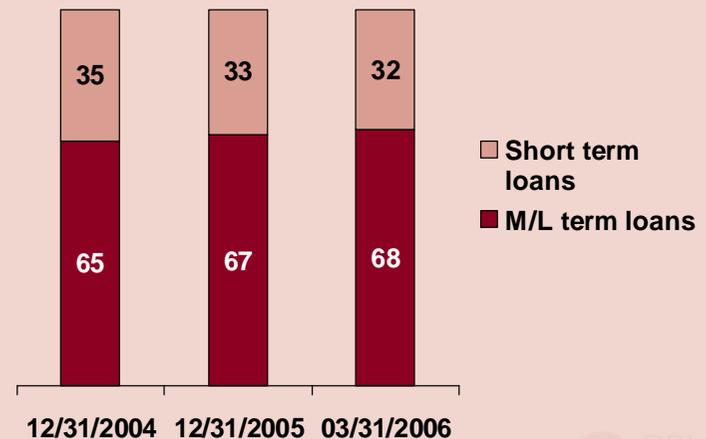
Spread Trend (short term loans) GMPS vs Market (data at the end of quarters)



Loans breakdown evolution

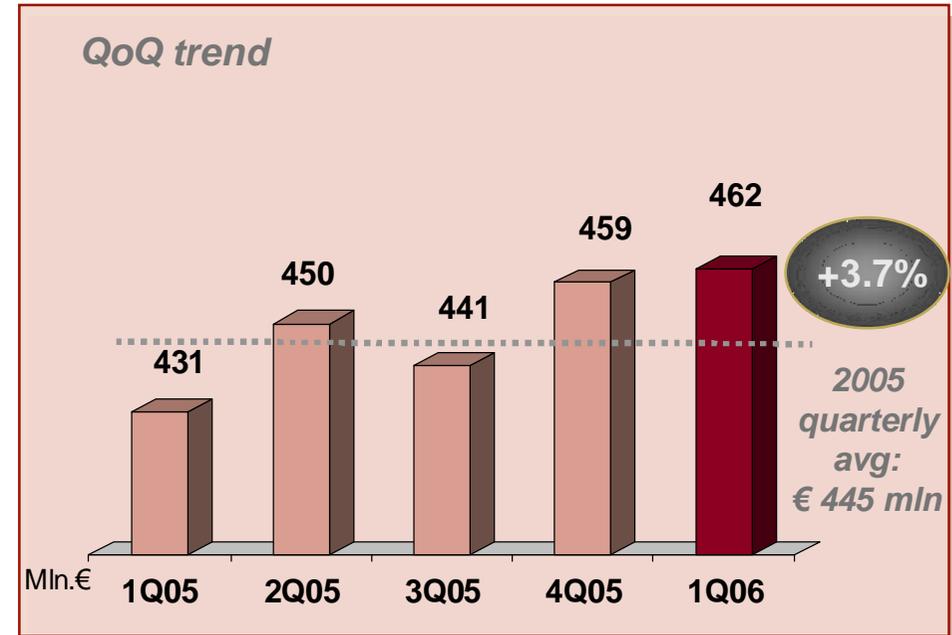
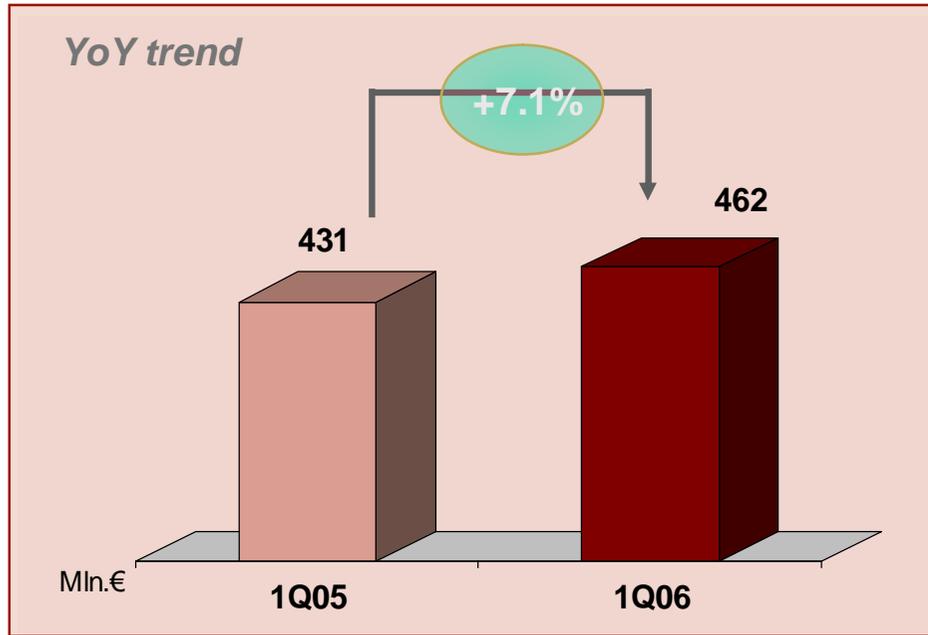


Short and m/l term loans breakdown



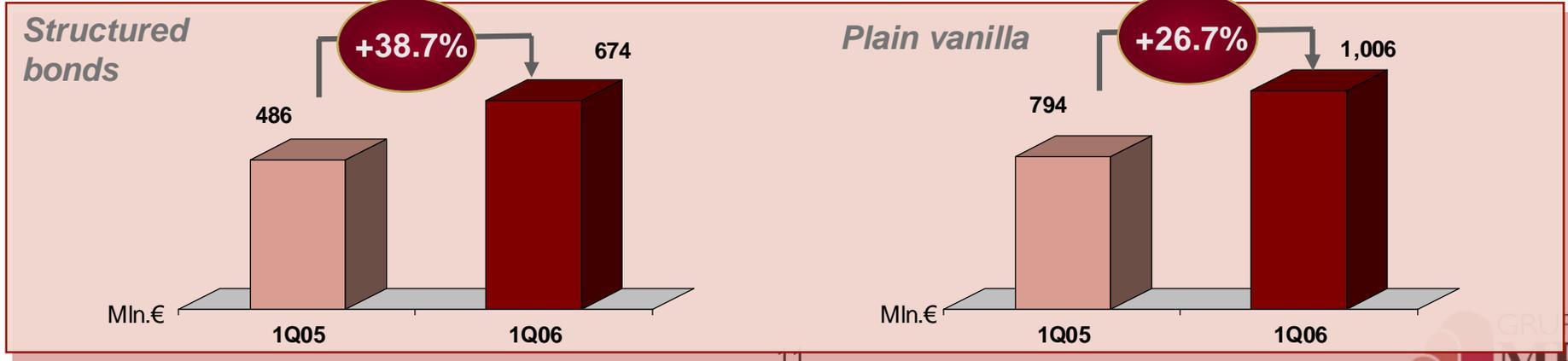
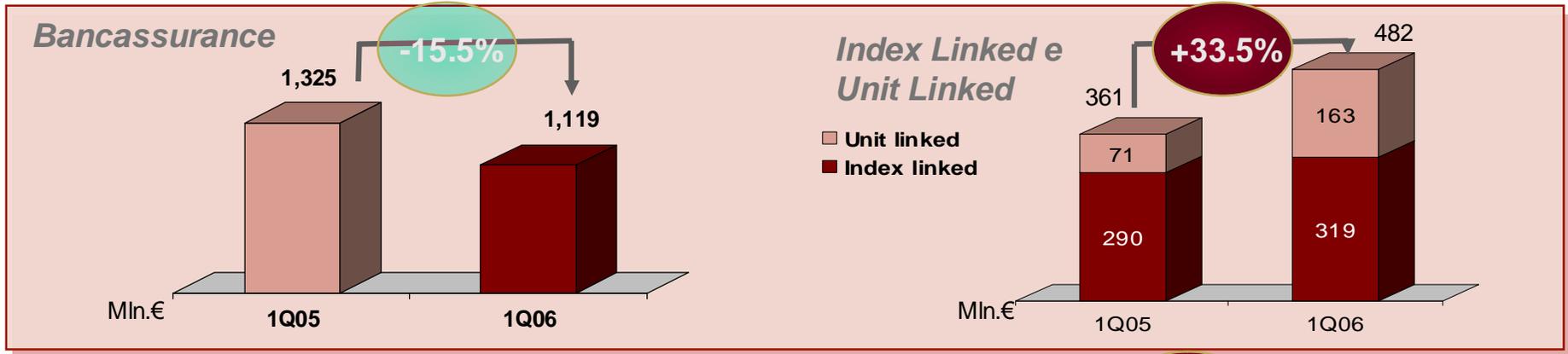
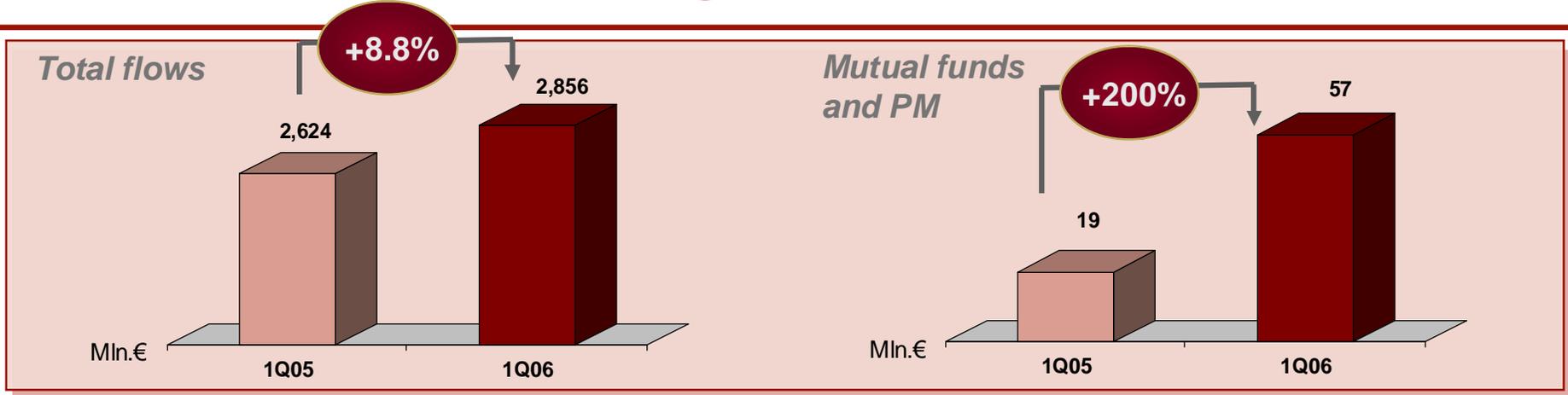
Net Fees

✓ The improvement of the AUM mix fosters the steady growth of net fees



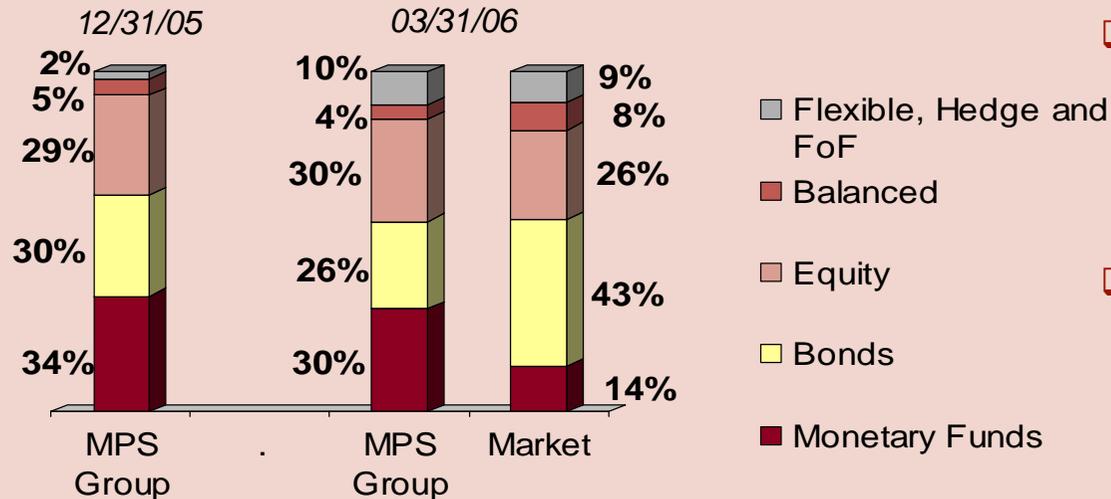
- ❑ Net fees increase driven by AUM volumes growth (7.1% YoY)
- ❑ Improvement of AUM mix with an increase of recurring fees of 20.8% YoY
- ❑ Upfront fees at 5.3% of total fees versus 6.3% in 1Q05

Commercial flows: Saving Products



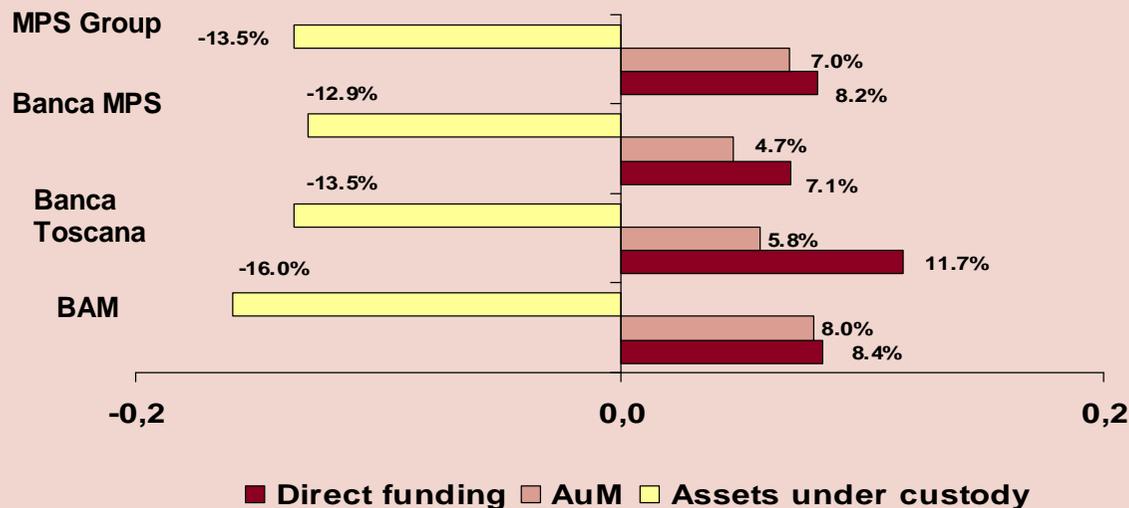
Total funding breakdown: rebalancing goes on

Mutual funds breakdown



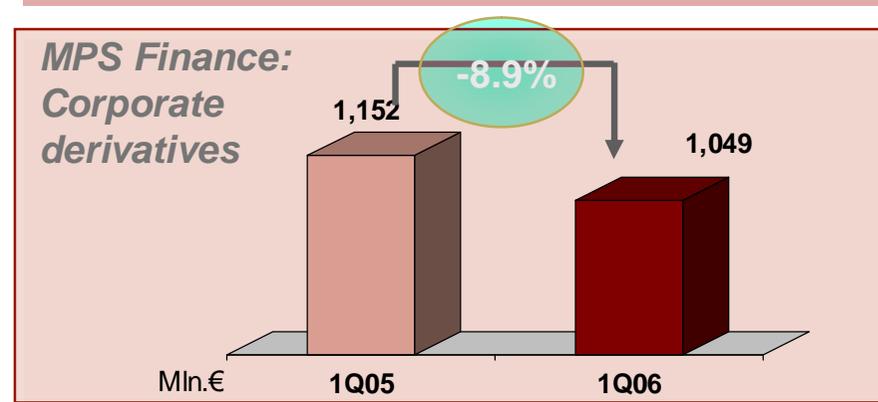
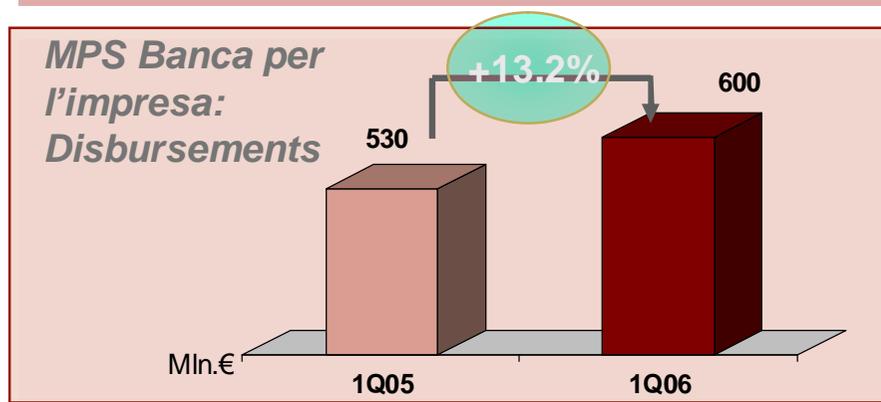
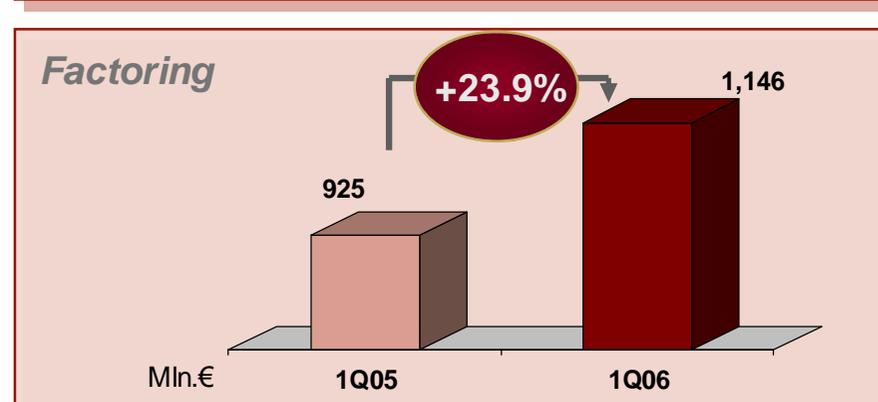
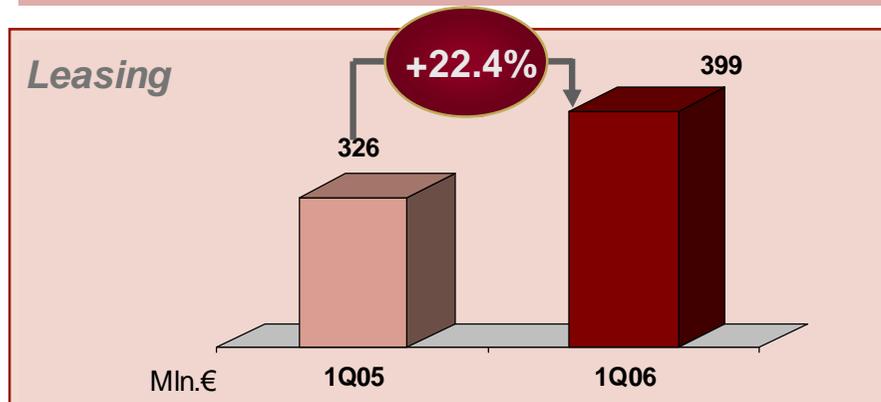
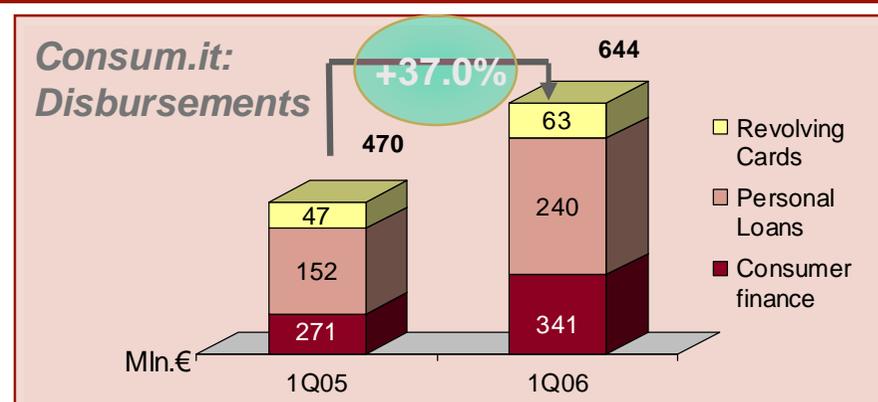
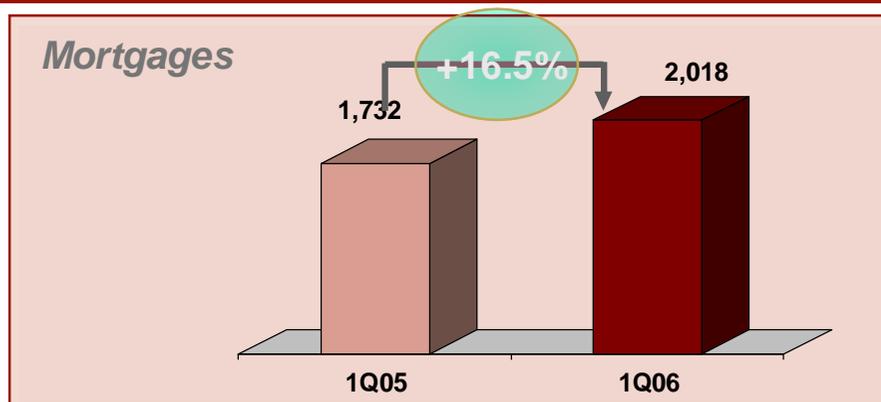
- A better asset mix has supported the increase in the average profitability of the AuM stock for 4 bps
- Performance effect in 1Q06: +1.81% versus market average of +1.49%

Retail Banking – YoY trend of total funding



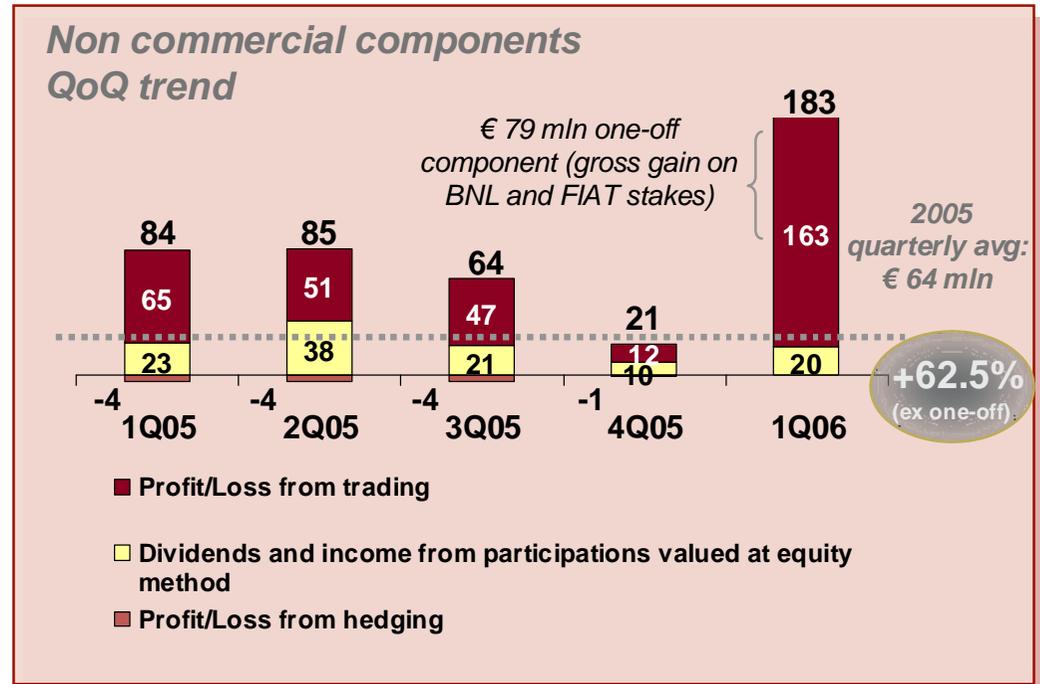
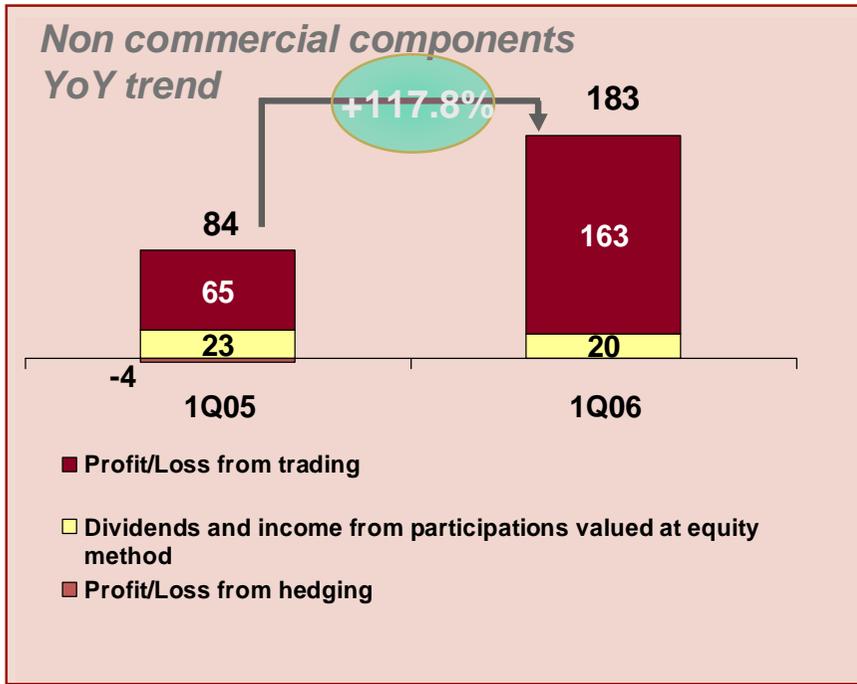
- Profitable switch from assets under custody (-12% YOY) to AuM (+7% YOY) and direct funding

Commercial Flows: Lending Products



Non commercial components

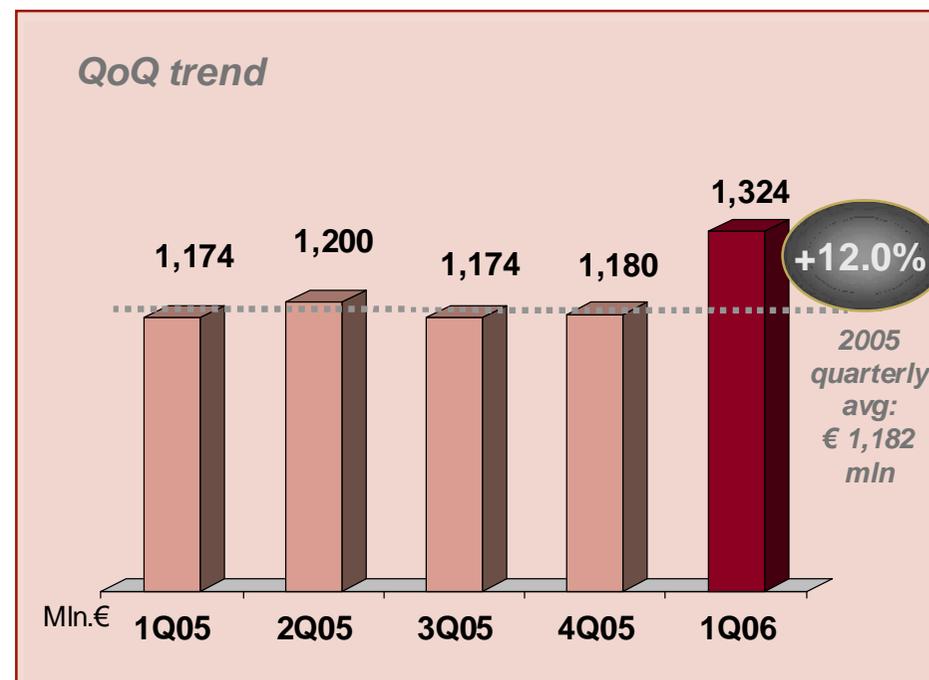
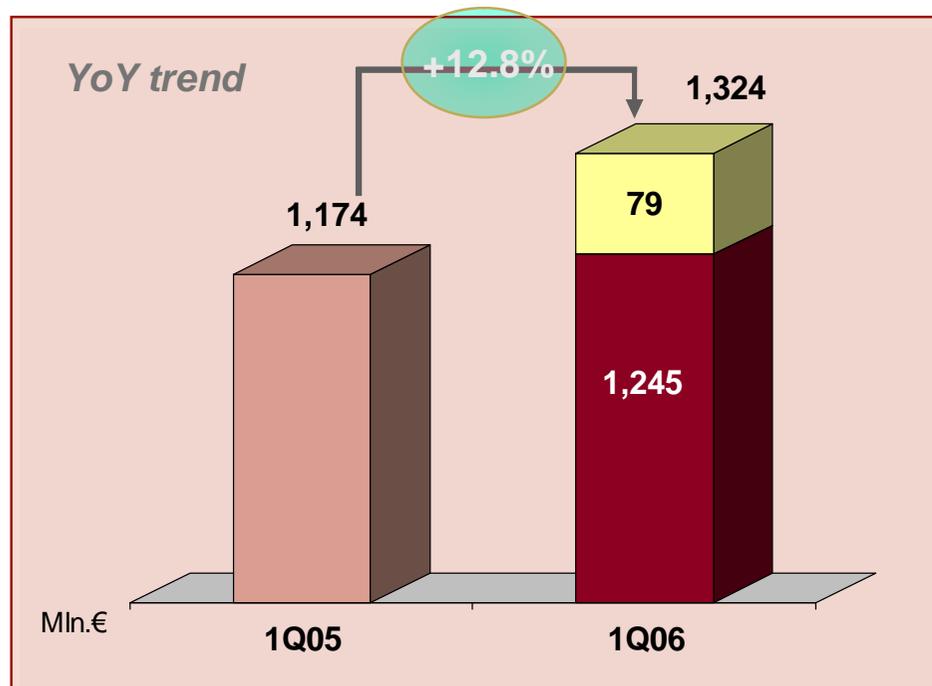
✓ Strong growth also with the contribution of non commercial components



- ❑ Gross income from the selling of FIAT and BNL stakes: € 79 mln (net income of around € 60 mln)
- ❑ Good growth of profit/loss from trading versus 4Q05 driven by the performance of the equity market

Total Revenues

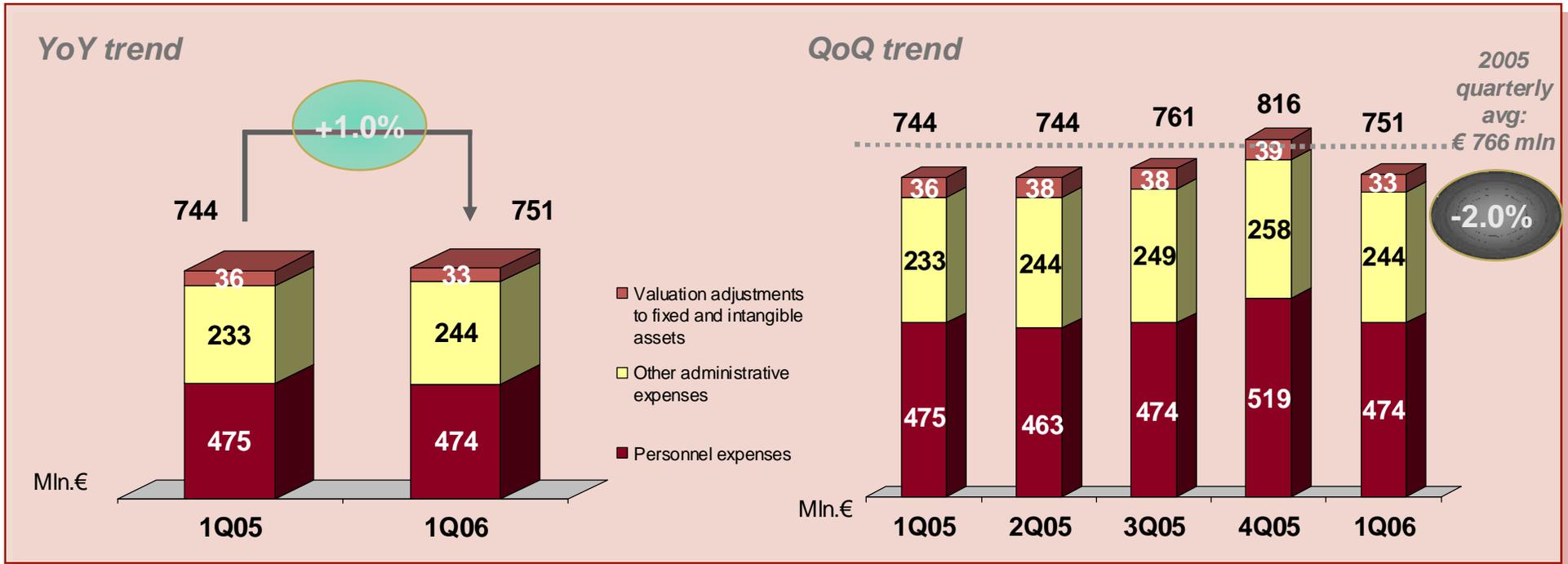
✓ Strong growth also excluding one-off components



- ❑ Commercial revenues and profits from trading contribute to a significant increase in total revenues (+12.8% YoY)
- ❑ Also excluding one-off items, there is a very positive growth (+6% YoY)

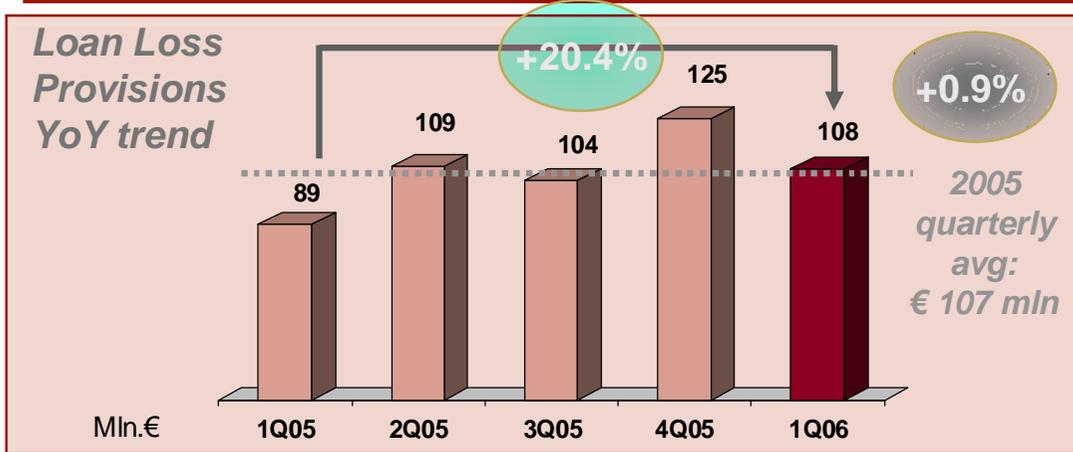
Operating costs

✓ Focus on cost reduction continues

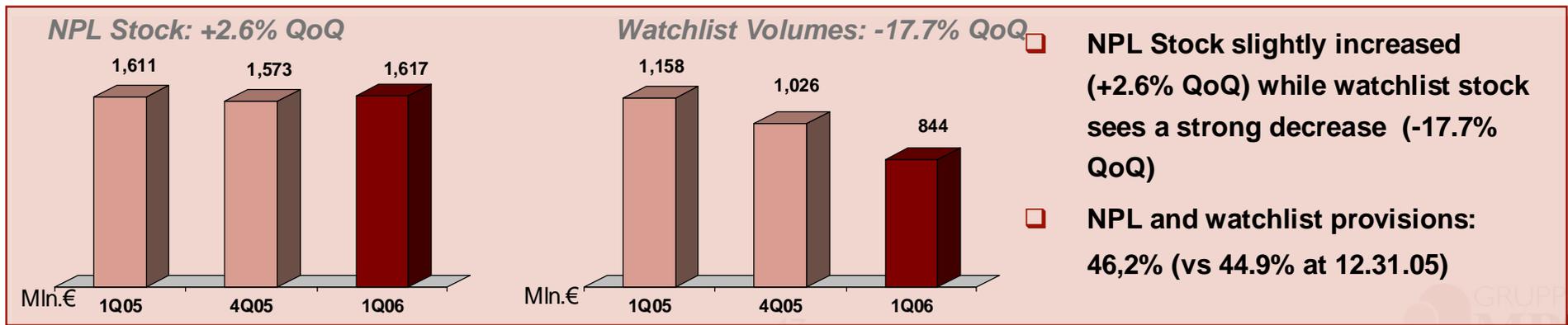
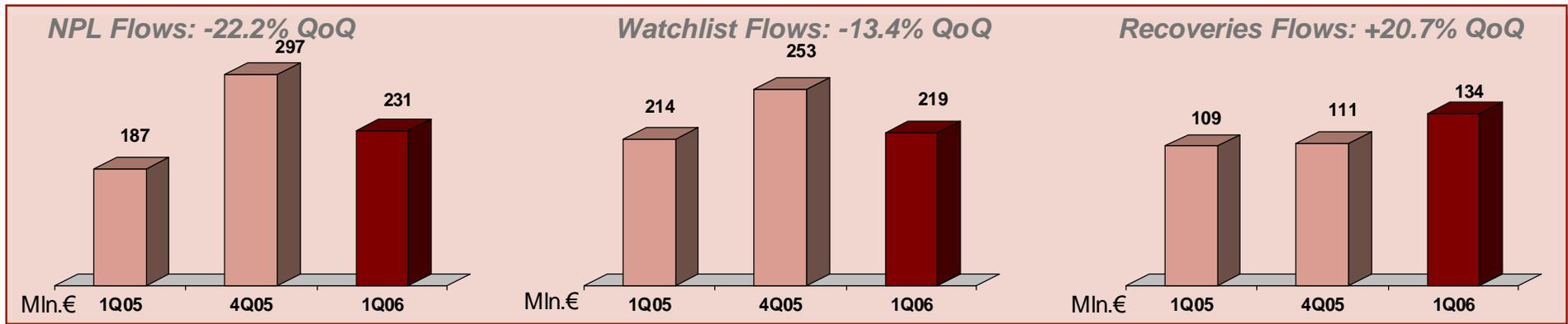


- ❑ Decrease of personnel expenses (-0.2% YoY). Early retirement expenses € 16 mln. 265 early retirements to take place in 2Q06
- ❑ Increase of other administrative expenses mainly due to the development of commercial network: 10 new branches and also 10 new SME centres in Banca Toscana (26 planned for the full year) during the first quarter

Loan loss provisions and doubtful loans



- ❑ Strong decrease of NPL (-22% QoQ) and watchlist (-13% QoQ)
- ❑ Still positive the recovery flows: +20.7% QoQ and +23% YoY



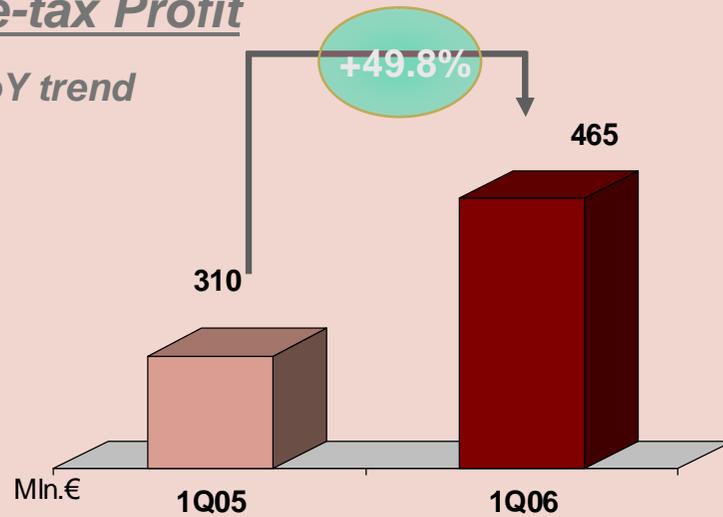
- ❑ NPL Stock slightly increased (+2.6% QoQ) while watchlist stock sees a strong decrease (-17.7% QoQ)
- ❑ NPL and watchlist provisions: 46,2% (vs 44,9% at 12.31.05)

Pre-tax Profit and Net Profit

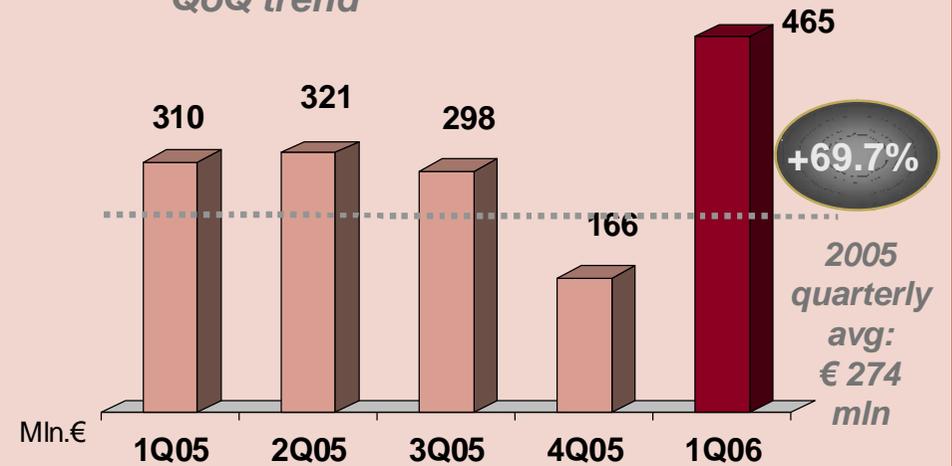
✓ Yearly and quarterly strong acceleration

Pre-tax Profit

YoY trend

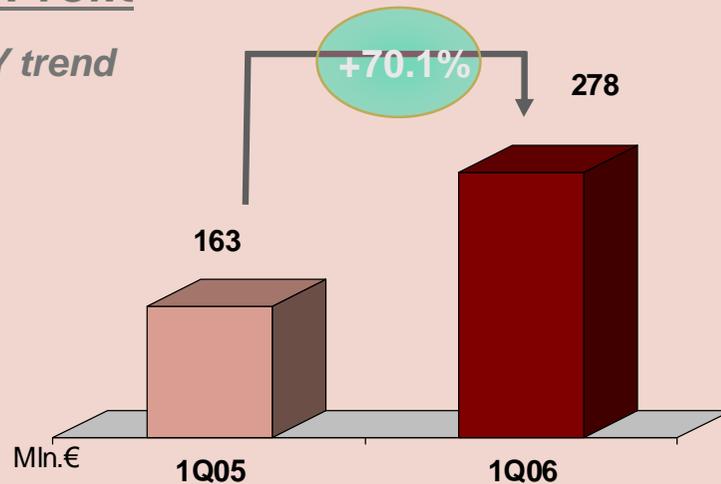


QoQ trend

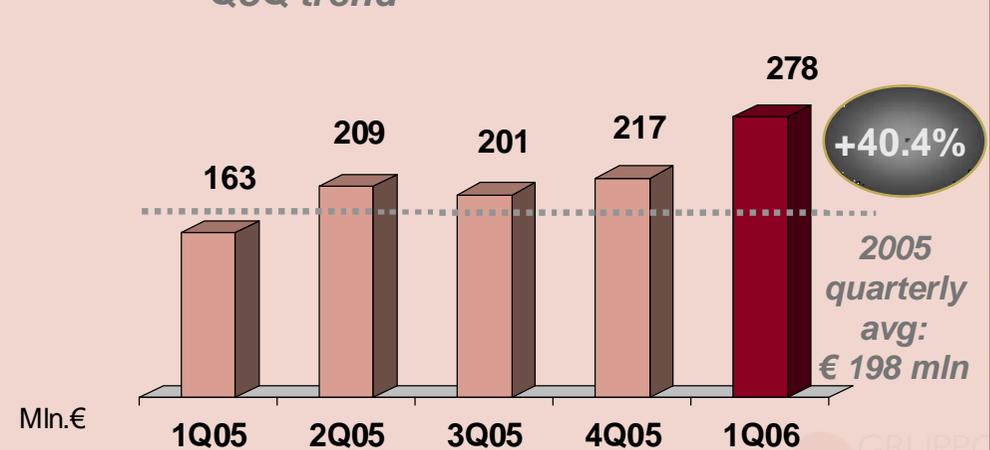


Net Profit

YoY trend



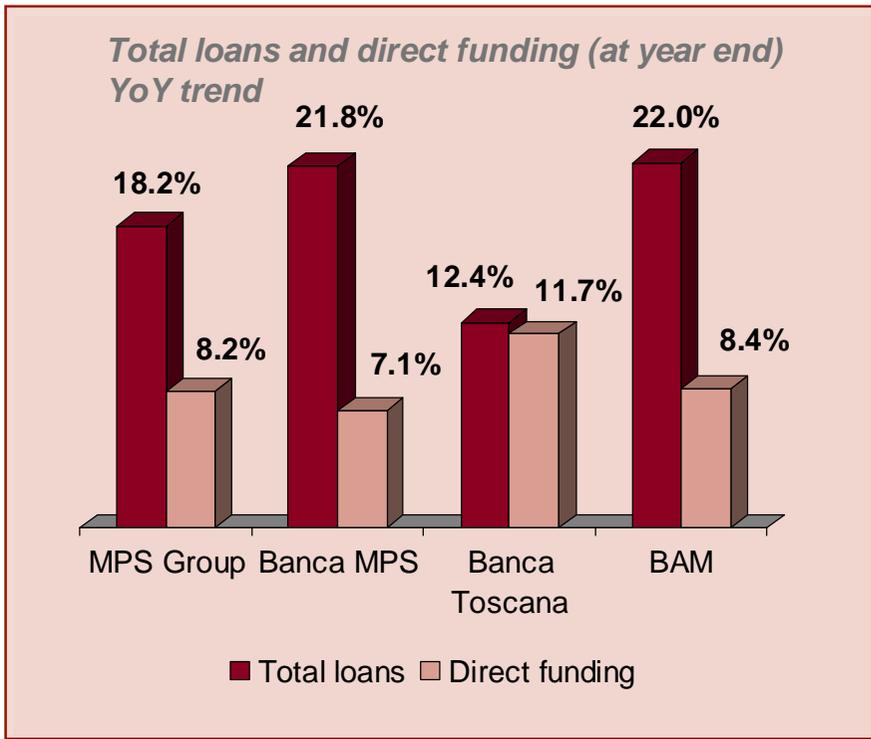
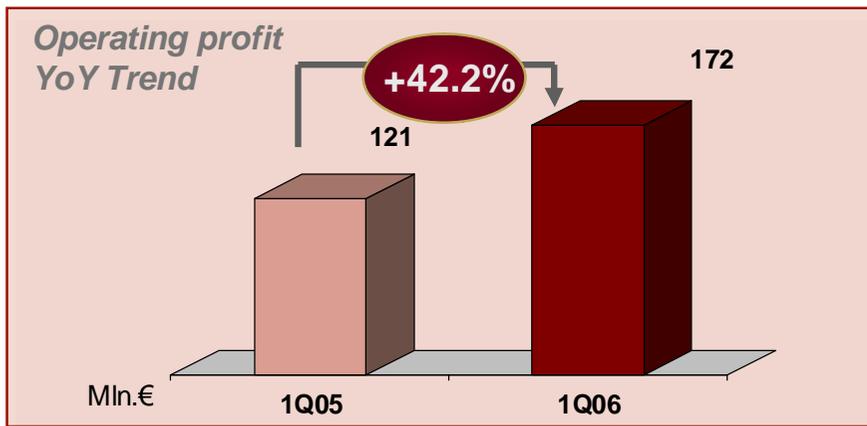
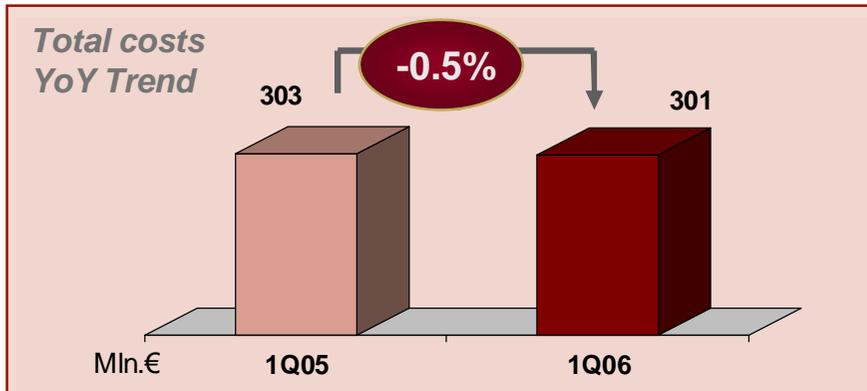
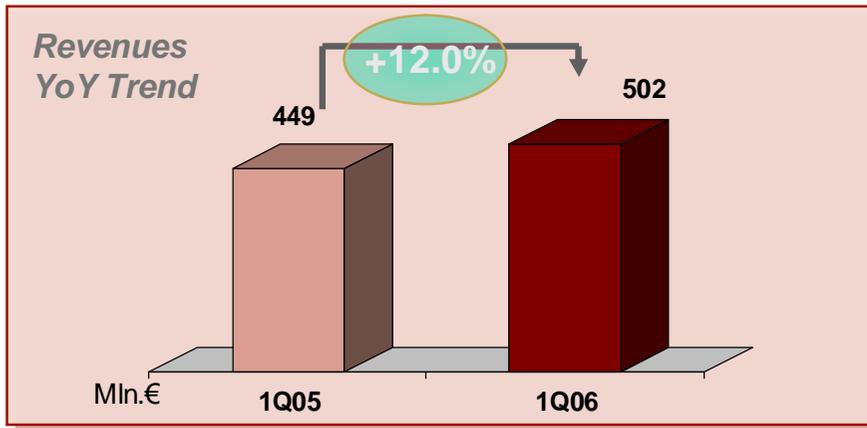
QoQ trend



Agenda

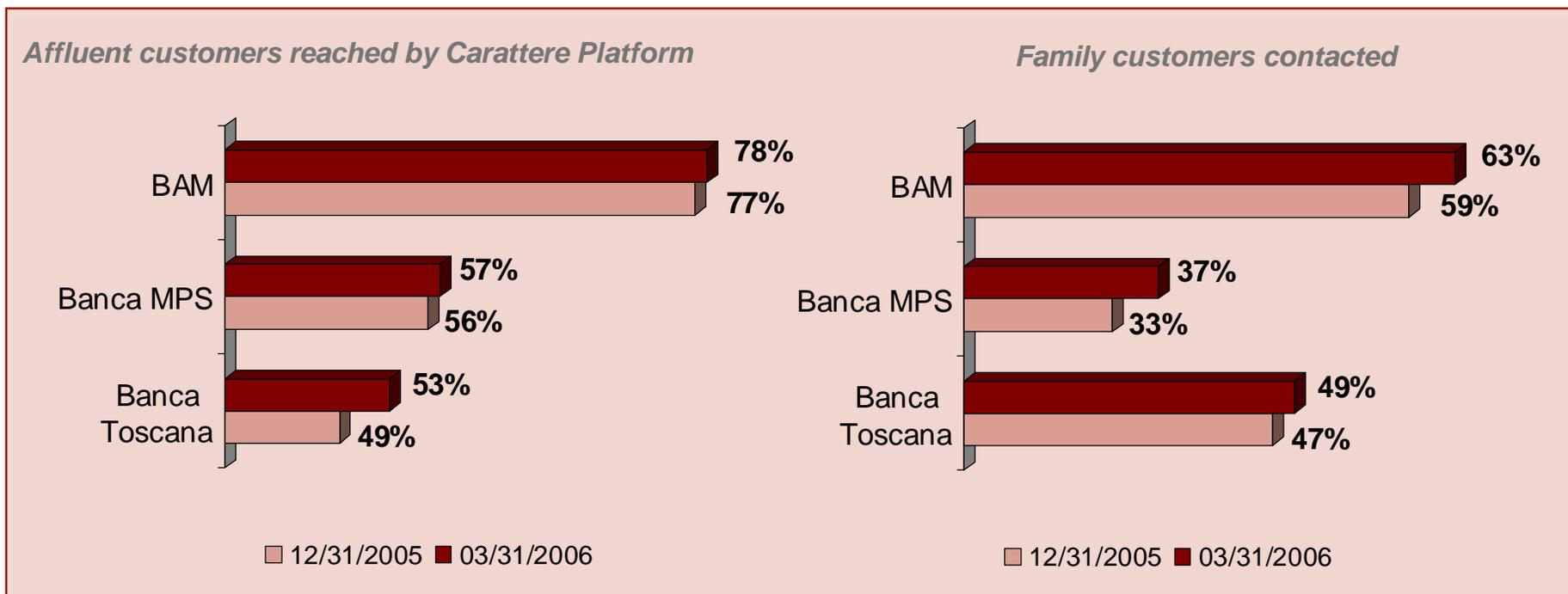
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Retail Banking



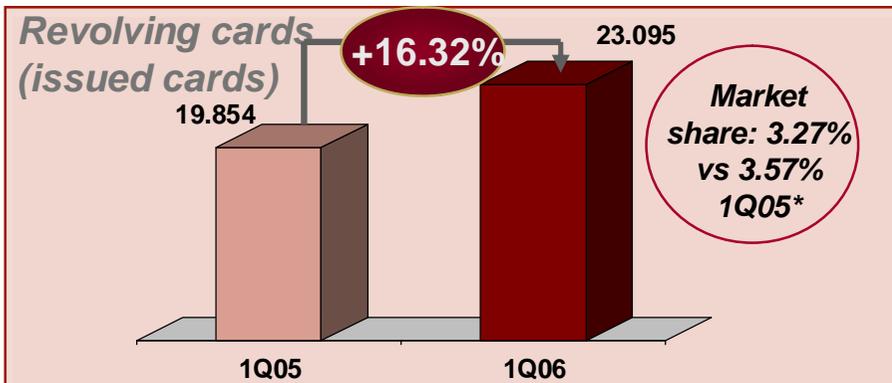
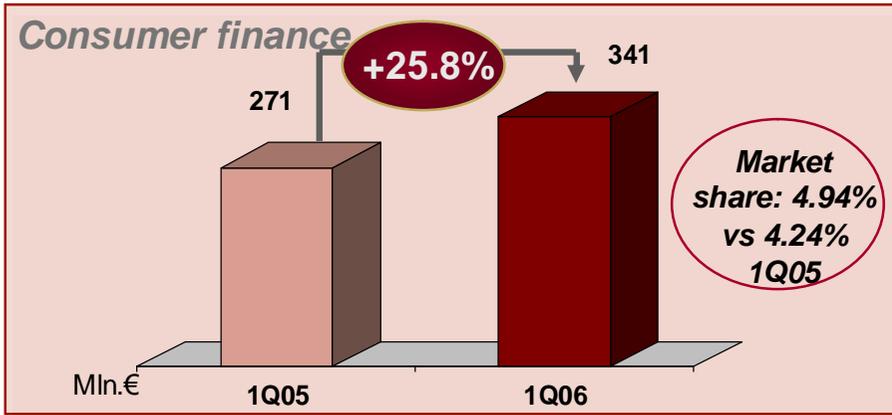
- ❑ Strong increase of loans (+18% YoY) driven by mortgages (+4.8% YoY) and consumer credit (+37% YoY)
- ❑ Total funding at € 2.1 mld in 1Q06 (+9.4% YoY)
- ❑ Increase of new customers: roughly 9,000 vs December 2005

Focus on Family and Affluent customers



- ❑ Increase in the percentage of customers reached by Affluent and Family platforms
- ❑ Acquisition of Family customers in March: 9% versus 8.2% at the end of 2005
- ❑ Selling acts (on 1,000 customers): +27.5% products sold versus 2005
- ❑ Strong increase in the use of remote channels: home banking +28.9% and call center +10.1% versus 1Q05
- ❑ New savings per client in 12 months: 5 times higher (Affluent Platform)

Consum.it

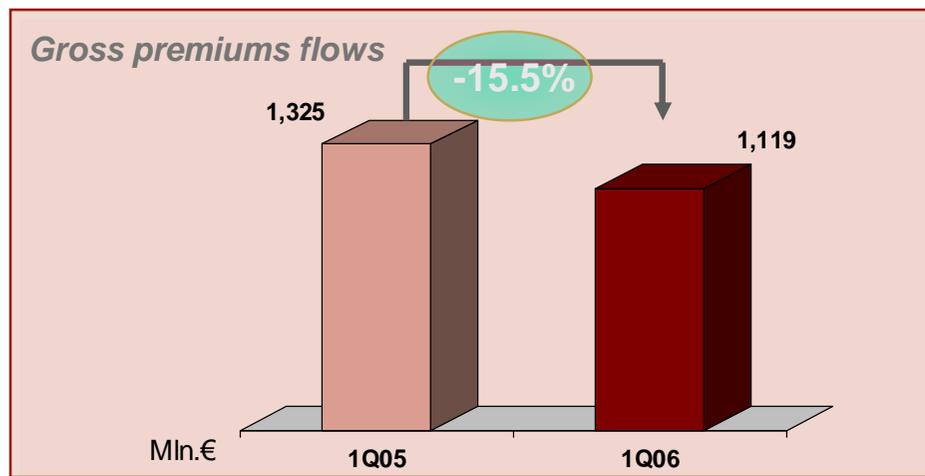


- ❑ Lending flows: € 644 mln (+37%)
- ❑ Market share: 5%
- ❑ Cost/Income: 25.08%
- ❑ Net profit: € 9.8 mln
- ❑ New commercial agreements with leading companies in order to develop “Loans up to one fifth of salary” business

- ❑ Non performing loans ratio: 0.2%
- ❑ LLP in line with market average (146 bps)

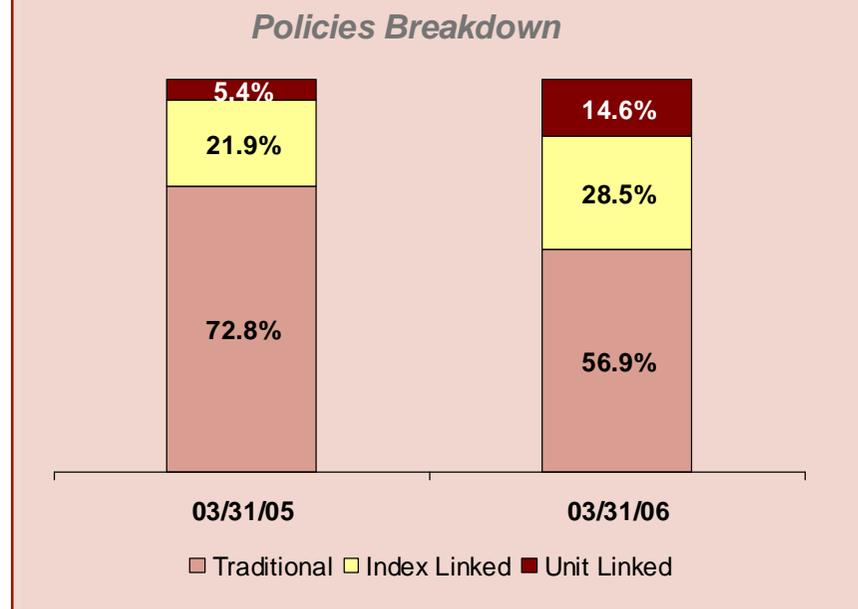
* Non comparable information as starting from 2006, the perimeter for the calculation of this data has changed including cards with non revolving option

Monte Paschi Vita* + Quadrifoglio**



- ❑ Traditional flows: € 637 mln
- ❑ Index linked flows: € 319 mln
- ❑ Unit linked flows: € 163 mln
- ❑ Remix in the portfolio from traditional policies to Unit Linked and Index Linked policies

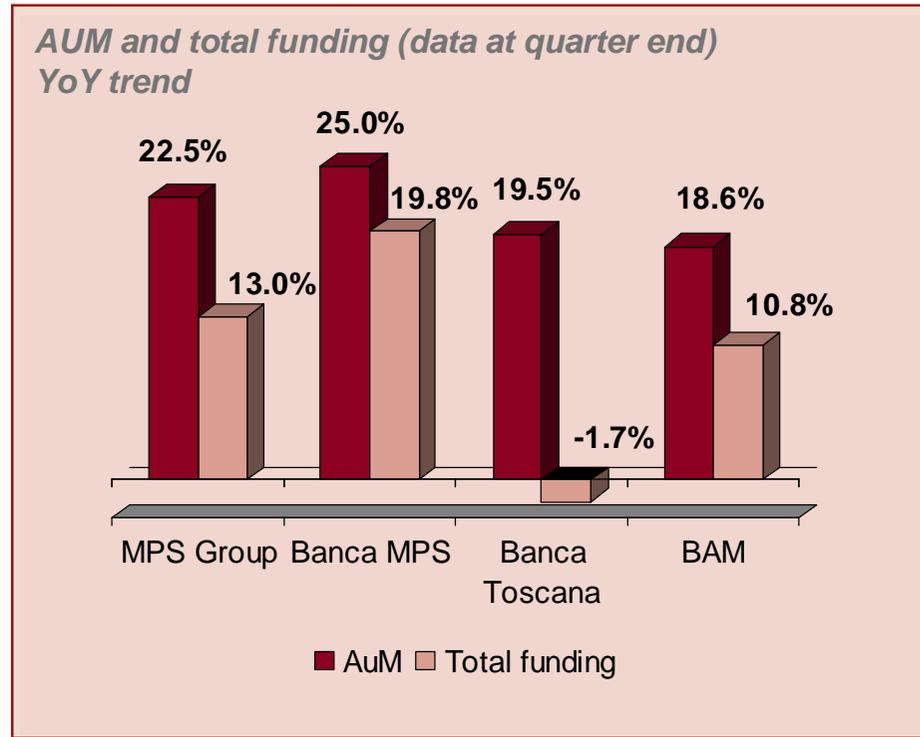
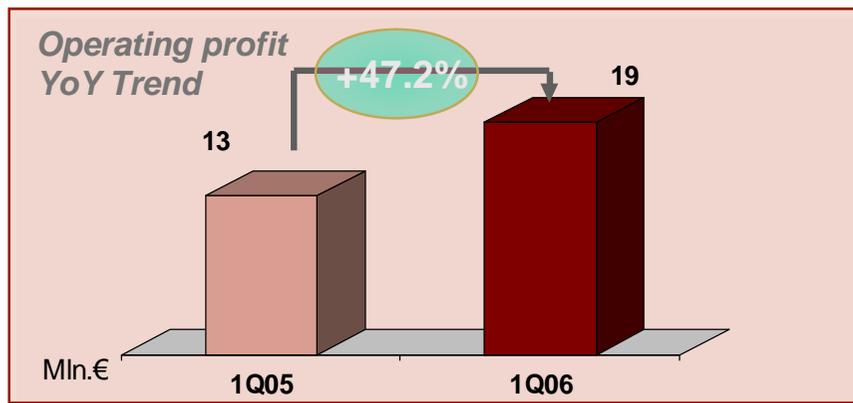
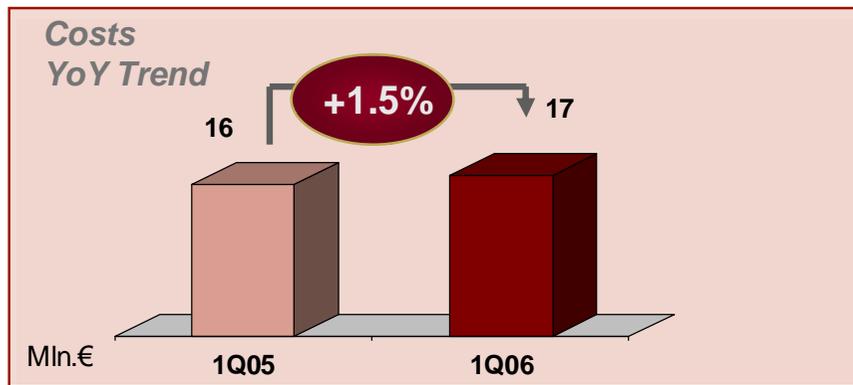
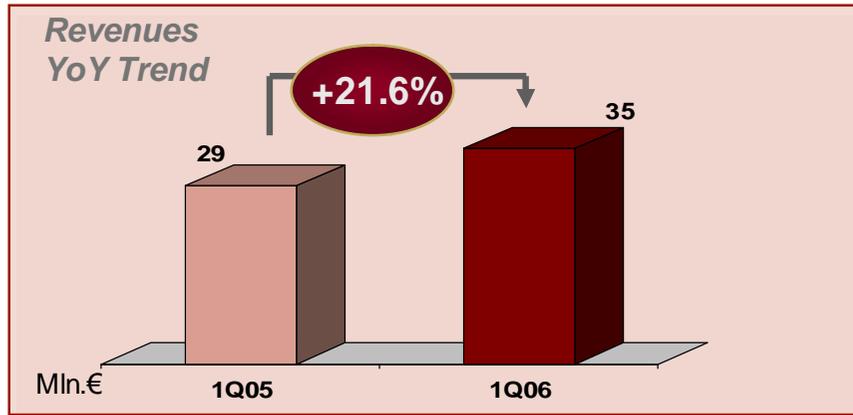
- Focus on P&C**
- ❑ MPS Assicurazione Danni:
 - ❑ new production: € 14 mln
 - ❑ net income: € 2.4 mln
 - ❑ In March the project “Linea Protezione” was launched, involving 70 branches of Banca MPS: in two months 12,000 Property & Personal Protection new policies were signed (vs 29,000 in 2005 across all Banca MPS network – 1,138 branches)



* Includes: MP Vita +MP Life

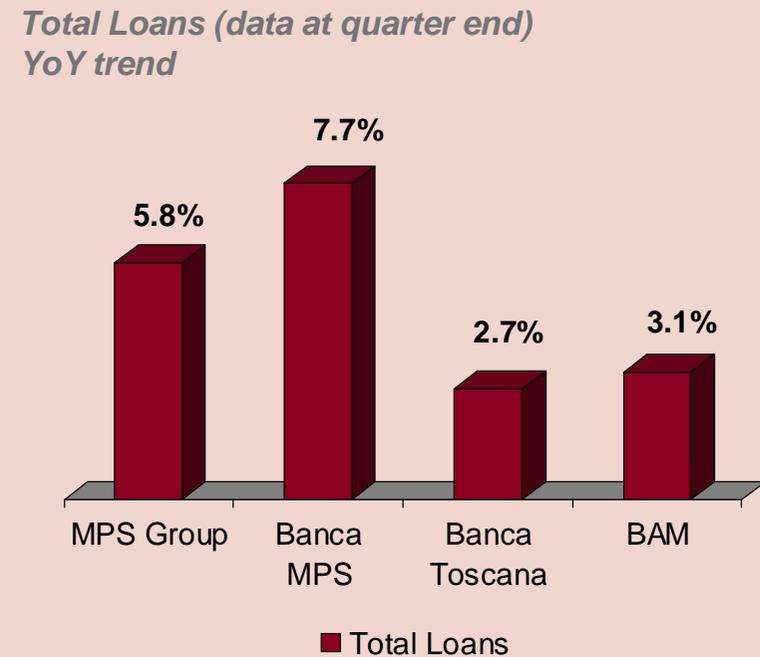
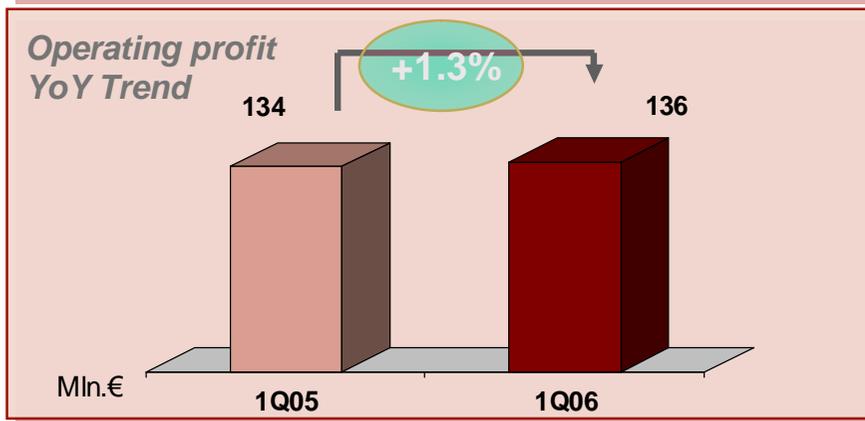
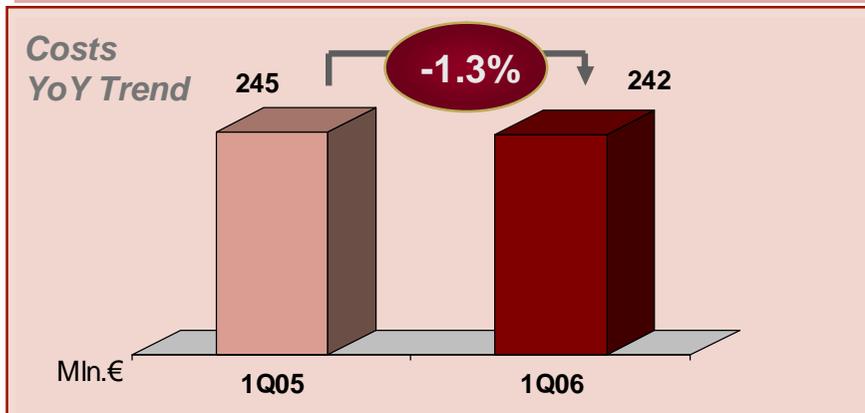
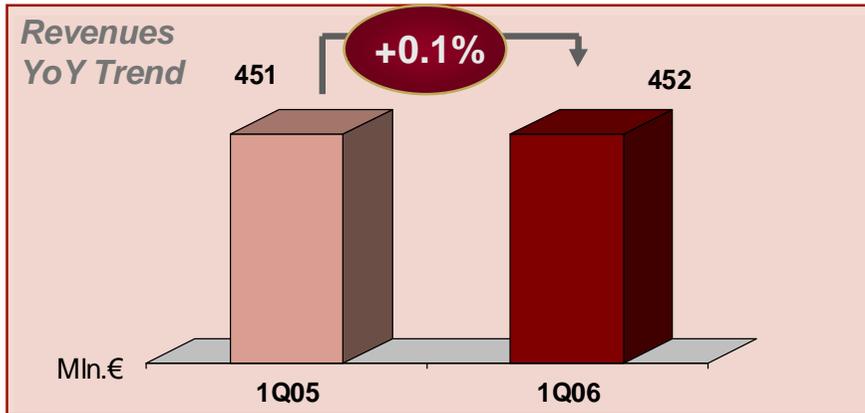
** Participated at 50%

Private Banking



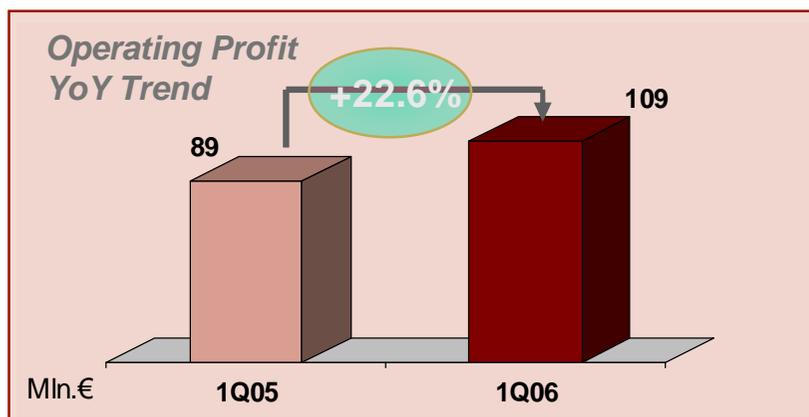
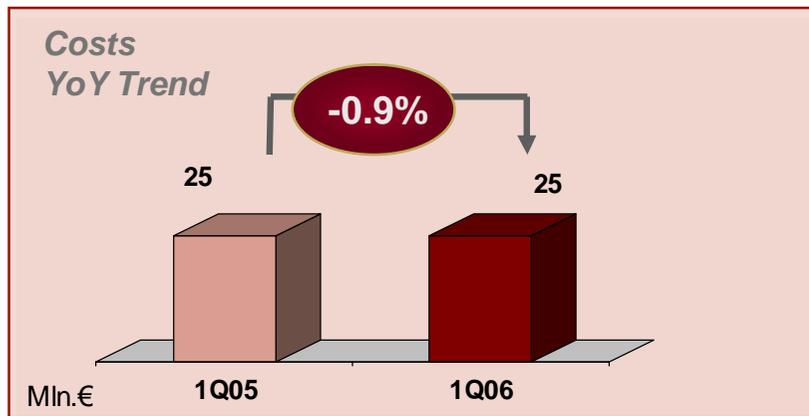
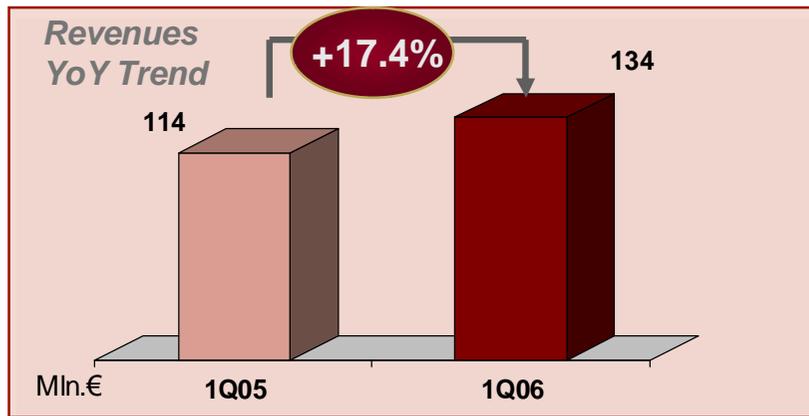
- Strong growth of net fees (+21.5% YoY) driven by consistent growth of AUM (+22.5% YoY)
- Banca Toscana total funding decrease due to a targeted reduction of assets under custody (-25% YoY)

Corporate Banking



- ❑ Revenues do not suffer despite strong mark up pressure (-33bps YoY)
- ❑ New customer acquisition continues (+4,000 versus December 2005)

Investment Banking



- ❑ **Cost\Income at 18.7%, positively influenced by a good operational performance**
- ❑ **MPS Finance Net Profit: € 21.54 mln (+1.02% YoY)**
- ❑ **Intermonte Net Profit: € 9.9 mln (+38% YoY)**
- ❑ **MPS Ireland Net Profit: € 4.2 mln (versus € 0.528 in 1Q05)**

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Conclusions

- Strong commitment in order to achieve the goals announced to the market. We confirm our 2003-2006 Business Plans Targets**
- The structural growing trend in retail banking continues**
- Positive macroeconomic scenario justifies a positive view on credit quality for the rest of 2006**

- Business plan will be presented before mid-July 2006**

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Profit & Loss

MPS Group

INCOME STATEMENT RESTATED ACCORDING TO OPERATING CRITERIA (Euro mln)

	03/31/2006	03/31/05 ricostruito (*)	Change	
			Ins.	%
Net interest income	647.0	635.1	11.9	1.9%
Net commission	461.8	431.1	30.7	7.1%
Income from banking activities	1,108.9	1,066.2	42.6	4.0%
Dividends, similar income and profits (losses) from equity investments	19.7	23.0	-3.3	-14.5%
Net result from realisation/valuation of financial assets	162.6	64.7	97.9	151.4%
Net gain (loss) from hedging	0.3	-4.3	4.6	ns.
Net insurance income (loss)	32.4	24.5	7.9	32.3%
Financial and insurance income (loss)	1,323.9	1,174.2	149.7	12.8%
Net adjustments for impairment of:				
a) loans	-107.5	-89.2	18.2	20.4%
b) financial assets	-1.9	1.1	ns.	ns.
Net financial and insurance income (loss)	1,214.5	1,086.1	128.4	11.8%
Administrative expenses:	-718.6	-708.0	10.5	1.5%
a) personnel expenses	-474.5	-475.5	-1.0	-0.2%
b) other administrative expenses	-244.0	-232.5	11.5	5.0%
Net adjustments to the value of tangible and intangible fixed assets	-32.5	-35.8	-3.3	-9.3%
Operating expenses	-751.0	-743.8	7.2	1.0%
Net operating income	463.5	342.2	121.2	35.4%
Net provisions for risks and liabilities and Other operating income/costs	1.1	-17.6	-16.5	-106.1%
Net gain (loss) from the fair-value posting of tangible and intangible fixed assets	0.0	0.0	0.0	ns.
Goodwill impairment	0.0	-14.5	14.5	ns.
Gains (losses) from disposal of investments	0.01	0.0	0.0	ns.
Gain (loss) from current operations before taxes	464.5	310.1	154.4	49.8%
Taxes on income for the year from current operations	-183.8	-142.2	41.6	29.3%
Gain (loss) from current operations after taxes	280.7	168.0	112.7	67.1%
Gain (loss) on fixed assets due for disposal, net of taxes	0.0	-0.1		
Minority interests in profit (loss) for the year	-3.2	-4.7	-1.5	-32.0%
Net profit (loss) for the year	277.5	163.1	114.4	70.1%

(*) Comparative data based on IAS/IFRS, including the estimated effects of applying IAS 32/39 to financial instruments and the Bankit provisions introduced with Circular 262 of December 2005.

Segment Reporting

■ SEGMENT REPORTING

(Euro mil.)

03/31/06	Retail Banking	Private Banking	Corporate Banking	Investment Banking	Altri Settori	Corporate Center	MPS Group
INCOME AGGREGATES							
Financial and insurance income (loss)	502	35	452	134	132	68	1,324
Net adjustments for impairment of loans and financial assets	-30	0	-74	0	-1	-5	-109
Operating expenses	-301	-17	-242	-25	-104	-62	-751
Net operating income	171	19	136	109	27	1	463
Capital aggregates							
Customer loans	21,673	399	48,787	13	8,116	2,540	81,528
Due to costumers and securities	36,417	2,831	19,692	188	11,788	14,580	85,495
Cost Income	60.0%	46.6%	53.5%	18.7%	78.9%	n.s.	56.7%

RAROC Analysis

■ RAROC ANALYSIS at 03/31/06

	Retail Banking	Private Banking	Corporate Banking	Investment Banking	Altri Settori	Corporate Center	MPS Group
RAROC	31%	nm	8%	59%	nm	nm	11%
	Banca MPS	Banca Toscana	BAM	MP Vita Group	Consum.it		
RAROC	15%	5%	9%	10%	14%		

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