



2004 Interim Results

Siena, 2004

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Group Results

Summary of 2004 interim results

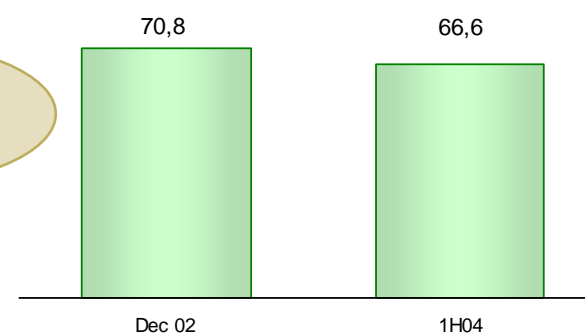
	Group	1H04 vs 1H03 chg. %	Commercial Banking Division	1H04 vs 1H03 chg. %
Total Income	2,304	-2.9%	1,934	1.3%
Operating costs	1,535	-5.3%	1,283	-5.8%
Operating Income	769	2.3%	651	19.1%
Total Provisions and Extraordinary items	-361	n.m.	-325	n.m.
Net Income	230	18.4%	202	+28%

Group Volumes

	1H04 €mln	Yoy chg. %
AUM	43,454	+6.2%
Assets under adm.	61,468	-2.3%
Direct funding	83,372	+7.2%
Loans	71,912	+1.8%
Core Tier1	6.50%	+85 bp

Domestic loans
+4.1%yoy vs 5.6%
of banking system

Cost/Income: -4.2 point from Dec 2002



ROE at 9,1% excluding goodwill (9,5% as at Dec 03)

Return on business volumes at 1.4% in 1H04

2004 Interim Results and Business Plan targets

OPERATING COSTS

> Operating costs at 1,535 €mln (-5.3% yoy): -1.8% vs Business Plan target for 2006. Cost/Income at 66.6% down 4.2 point from Dec02.

CAPITAL RATIOS

> Core Tier 1 at 6.5% improved by approximately 1 full point vs Dec02 and by 19 bp vs Dec03. 2006 target at 7%

> Total capital ratio at 10.3% improved by approximately 150 bp vs Dec02 and by 40 bp vs Dec03. 2006 target at 11%

BUSINESS GROWTH

> Total Income at 2,304 €mln: -2.9% yoy

> Commercial banking income at 1,934 €mln: +1.3% yoy

> Business Plan revenues Cagr03-06 : +4.8%

> Tougher environment than expected:

- i) Actual Italian Gdp 1.1% vs 1.6% business plan estimate
- ii) 1m Euribor at 2.1% vs Business Plan estimate of 2,6% for year end
- iii) Market short term loans: -4.1% yoy
- iv) Market Mutual funds flows at -4,744 €mln

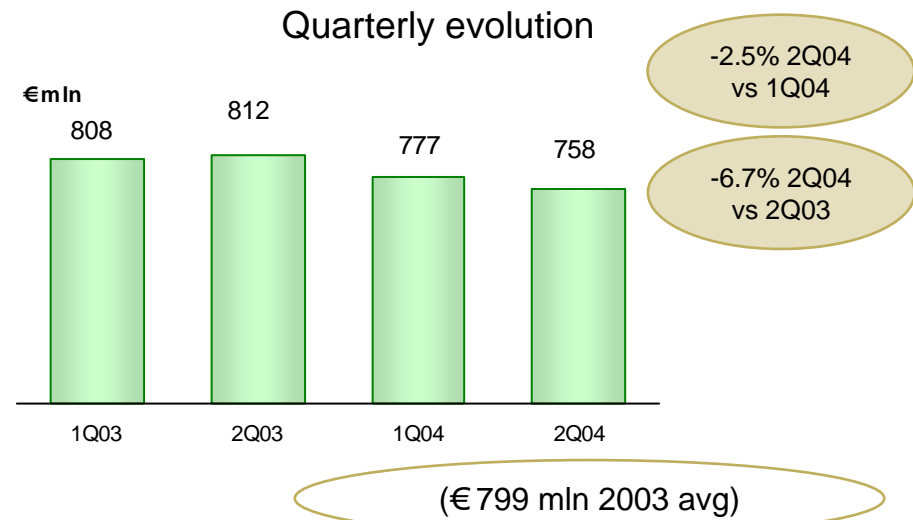
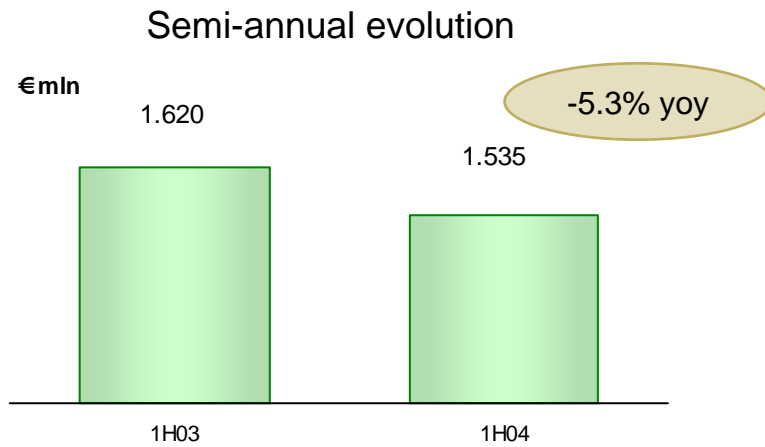
CREDIT RISK

> Credit cost at 79 bp. Business Plan target for 2006: 61 bp

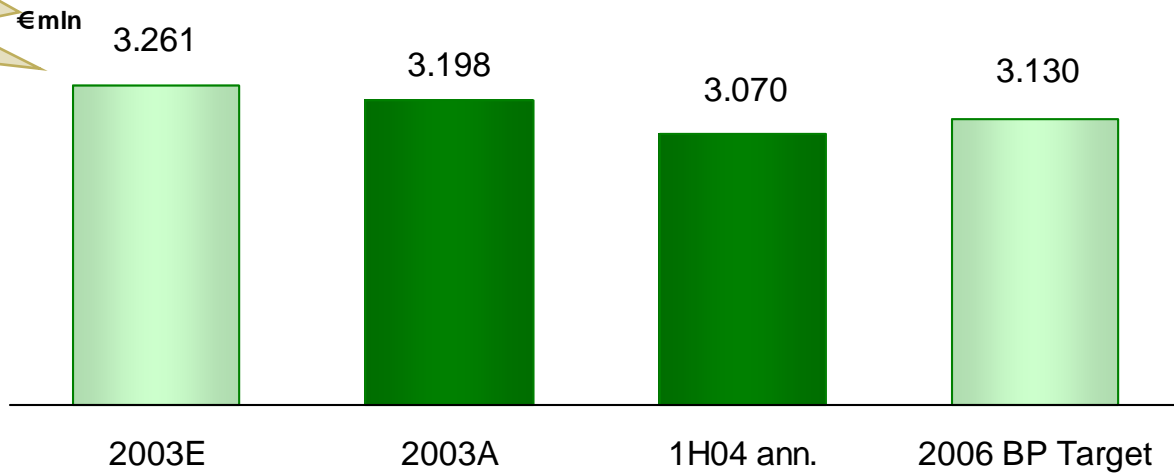
> 9 bp over 2004 target o/w:

- i) 2 bp due to Parmalat provisions;
- ii) 3 bp related to lower loan growth
- iii) 4 bp linked to the worsening of macroeconomic scenario and to the strengthening of coverage ratio

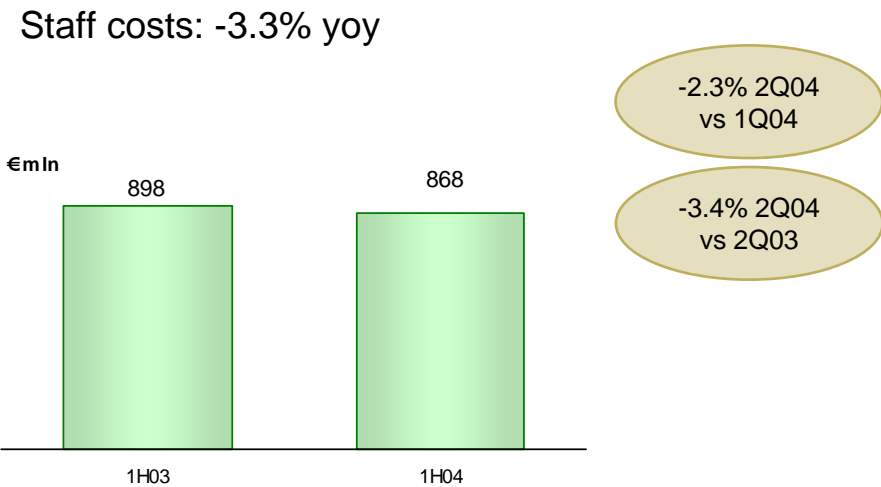
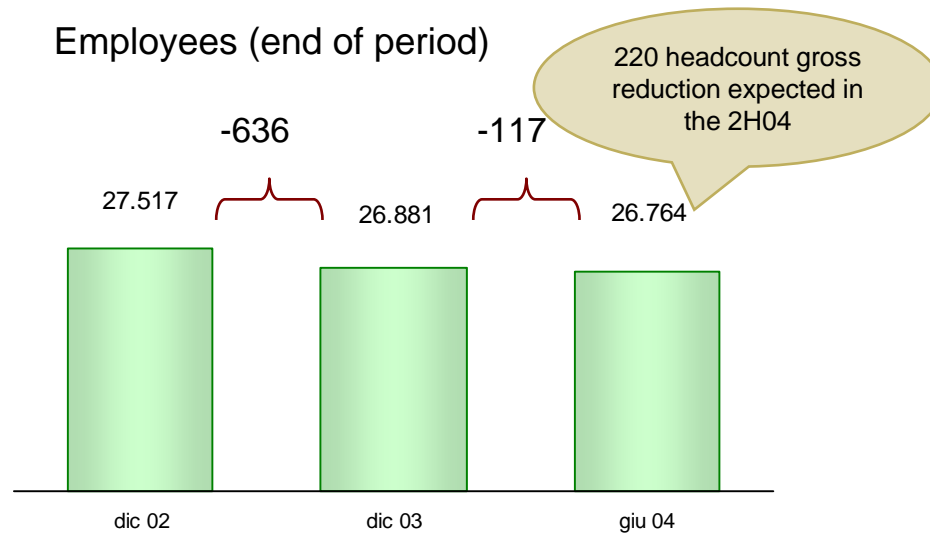
Operating costs: behaving well below Business Plan targets



1H04 annualized is well below targeted levels through 2006



Net headcount reduction: -753 employees from Dec02 (44% of the Business Plan target for 2006)



Restructuring costs

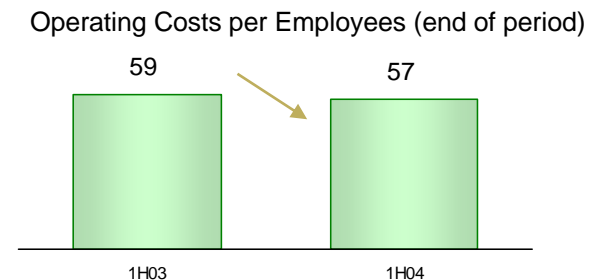
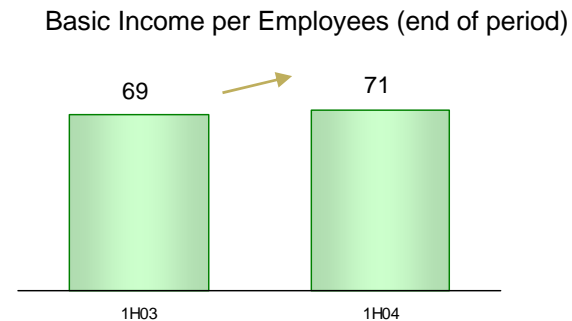
Extraordinary costs related to incentives for early retirement and severance fund of the year entirely charged and not amortized as previously projected in the Business Plan.

Total extraordinary costs for 2003-2004: about 130 €mln (of which 100 €mln already charged to P&L until June 2004) vs 50 €mln projected in the Business Plan

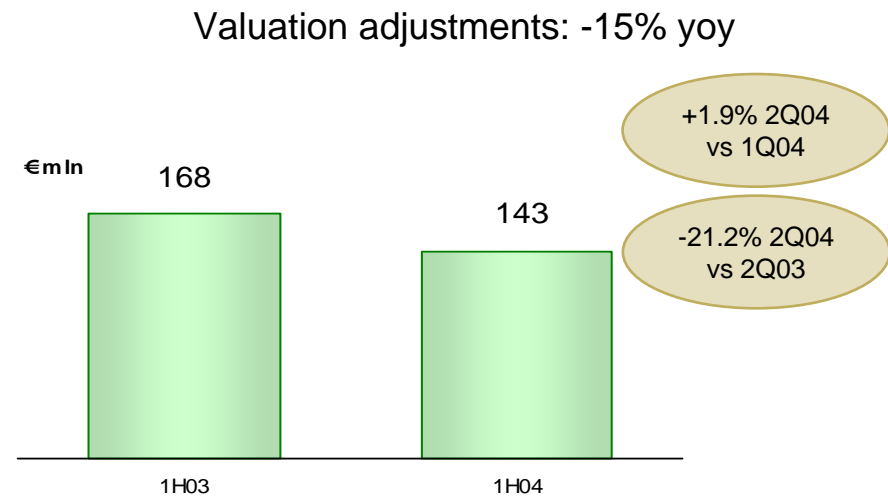
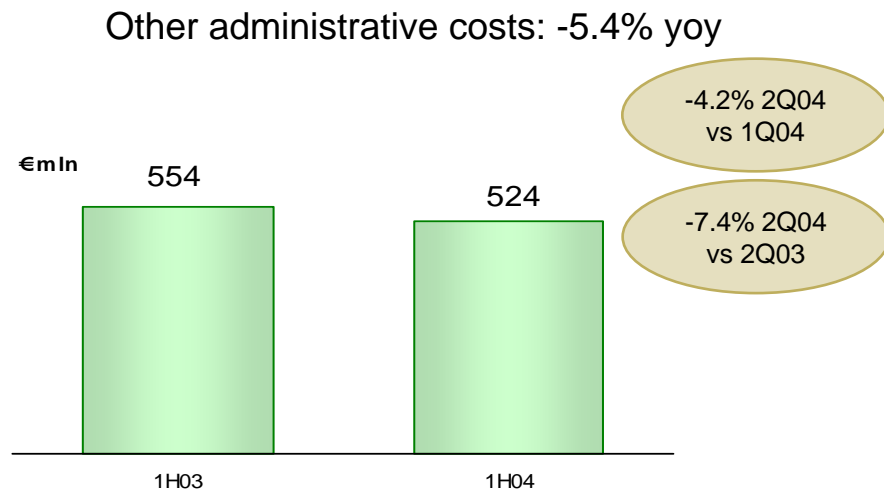
Staff costs

> 50 €mln of savings expected in 2004 ahead of this extraordinary costs, 60 €mln from 2005 on

Improving efficiency



Tighter governance on the other administrative and ICT costs.



Tighter cost governance, renegotiation of contracts, centralization of decisions. In particular:

- > communication and marketing expenses (-18.3% yoy)
- > advisory (-20.8%yoy)
- > service and logistic (-15.0% yoy)
- > ICT (-5,2%)

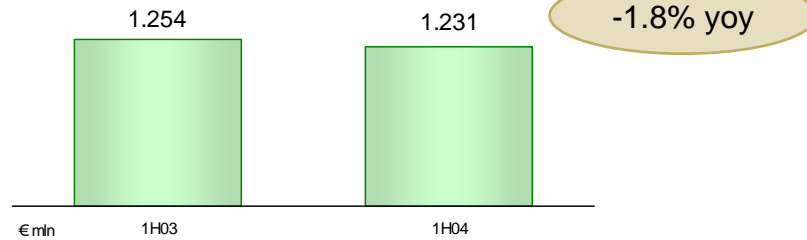
> Normalized level of ICT investments: below 100 €mIn planned in budget 2004 vs more than 200 €mIn per year invested in 2001-2002

> - 77 € mIn write-downs of intangible assets made in 2002-2003

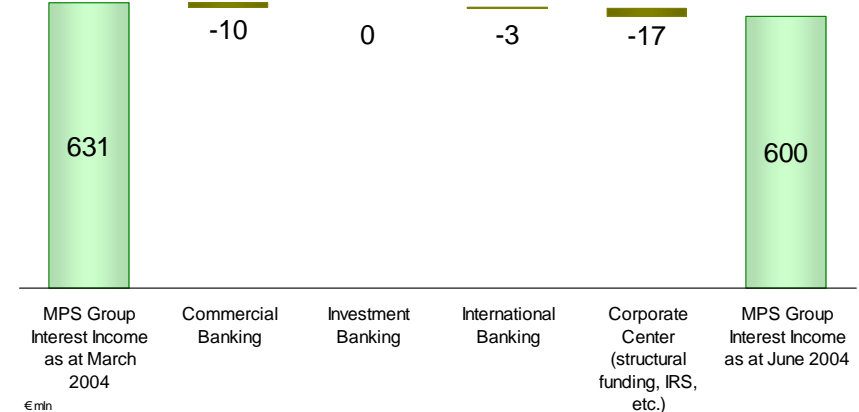
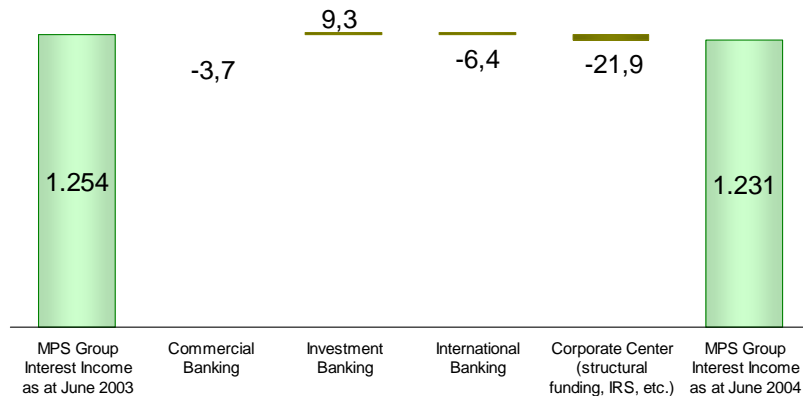
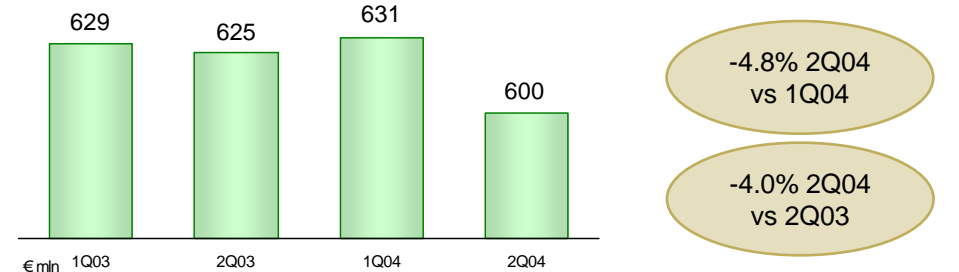
Business growth

Net Interest Income: -1.8% yoy

Semi-annual evolution



Quarterly evolution



Commercial banking: +21.7 €mln from volume effect; -25.4 €mln from spread effect

Investment banking: lower interbank funding and higher return on corporate bond portfolio

International Banking: RWA reduction (-19.4% from year end)

Corporate Center: one-off negative effect on Banking Book contribution; increase of structural funding related to strengthening of capital ratios and to interest rate expectations

Commercial banking: -5 €mln from volume effect; -5 €mln from spread effect

International Banking: RWA reduction, now completed

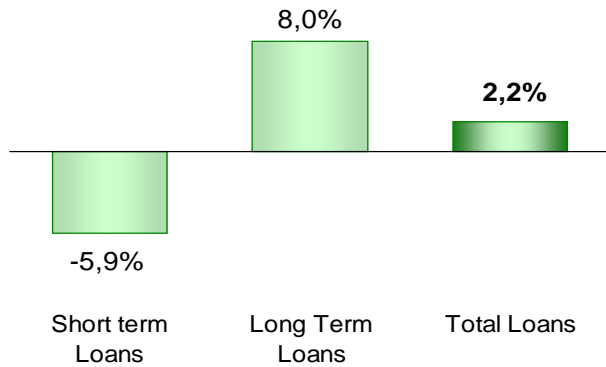
Corporate Center: -17 €mln o/w

-4 €mln from structural funding (FRESH, subordinated debt, etc.); -10 €mln from the unwinding of Banking Book swaps (**one-off effect**)

Business growth

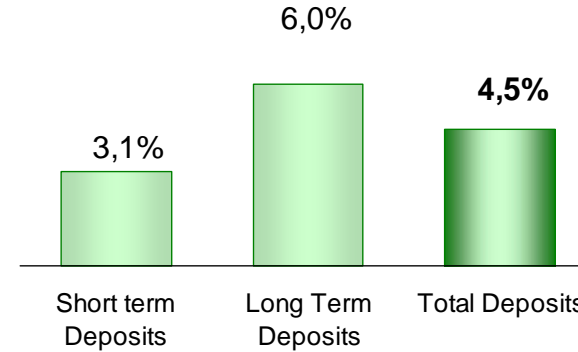
Net Interest Income: -1.8% yoy

Customer Loans: change % 1H04 vs 1H03 (average balances)



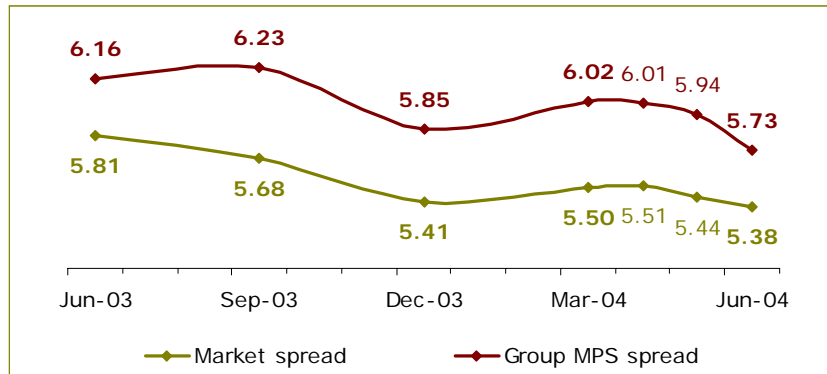
Customer loans market shares: 6.25% from 6.22% at Dec03

Customer Funds: change % 1H04 vs 1H03 (average balances)



Customer funds market shares: 6.55% from 6.54% at Dec03

Trend in short term customer spread*



*Mark-up and mark-down are calculated considering interest rate on current accounts

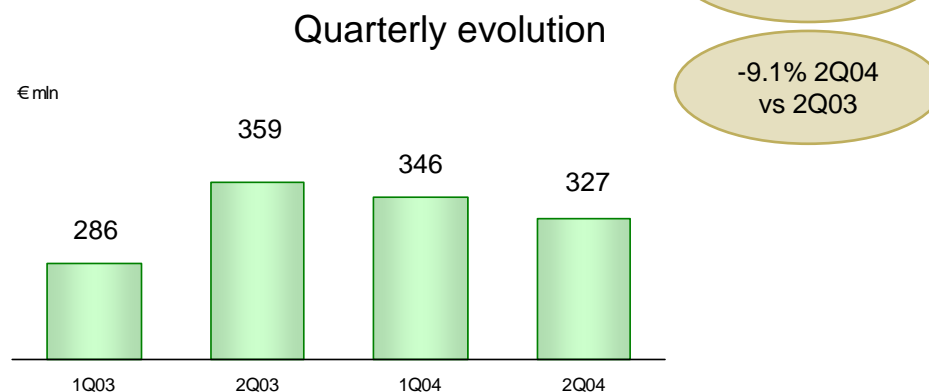
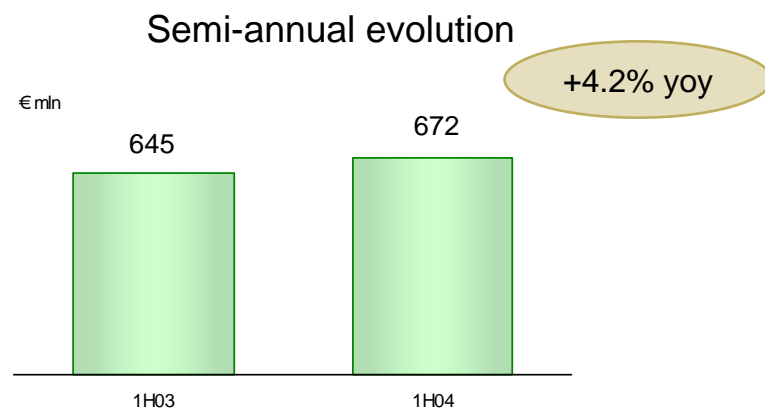
The Group is positively effected in case of interest rate increase:

- > Economic Value at Risk for +200 bp at +1.6% for Tier1
- > Expected increase of Net Interest Income for +50 bp: +2.5% (12 month horizon)
- > Short term loans are moderately picking-up: august/june +2.5%
- > Short term spread has been repriced

2H04 quarters expected at 610-620 €mln

Business growth

Net Fees: +4.2% yoy



Net banking fees analysis

2Q04 in line with € 329 mln 2003 avg

- +2.9% yoy from **AuM commissions** (stocks up 6.2% yoy)
- +7.4% yoy from **traditional banking fees*** (collection and payments +11.6% yoy)
- +19.6% yoy from **tax collection**
- -31.8% yoy from sale of **innovative financial product***, due to:

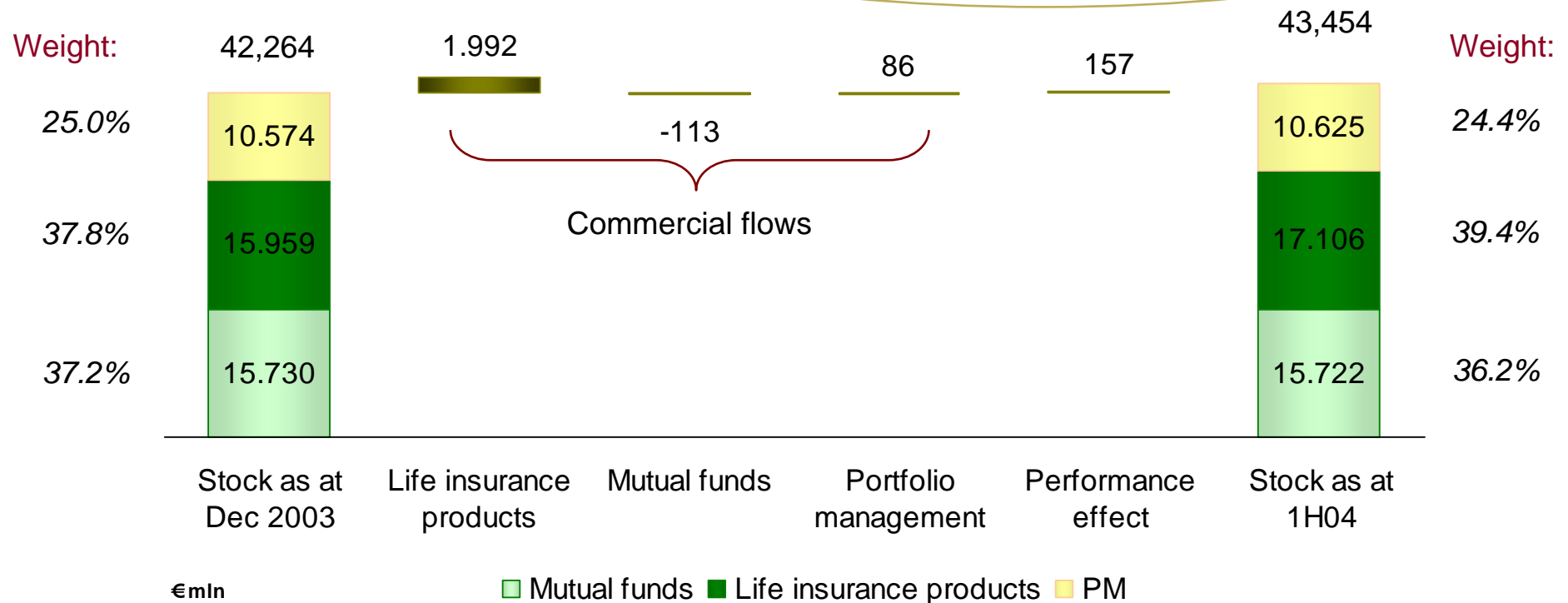
- 11 €mln yoy from sale of retail product (in line with the budget projections);
- 12 €mln yoy from sale of corporate products

- +3.4% from **traditional banking fees***
- -10.5% from **AuM commissions**, due to a slight reduction in management fees (from 1.09% to 1,07%) and lower performance fees (-6 €mln vs 1Q04)
- -23.4% from sale of **innovative financial product*** due mainly to lower up-front margin on retail product (-4.6 €mln)

* Reclassified following management criteria: excluding tax collection and including recoveries of account expenses and taxes, netting all contribution from financial products structuring

Business growth

AuM Breakdown



Moreover:

+1,950 €mIn new Retail Mortgages (+23% yoy)

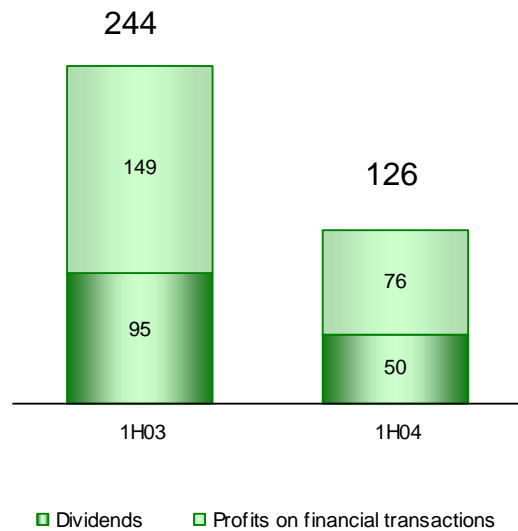
+700 €mIn Consumer Finance flows (+65% yoy)

Business growth

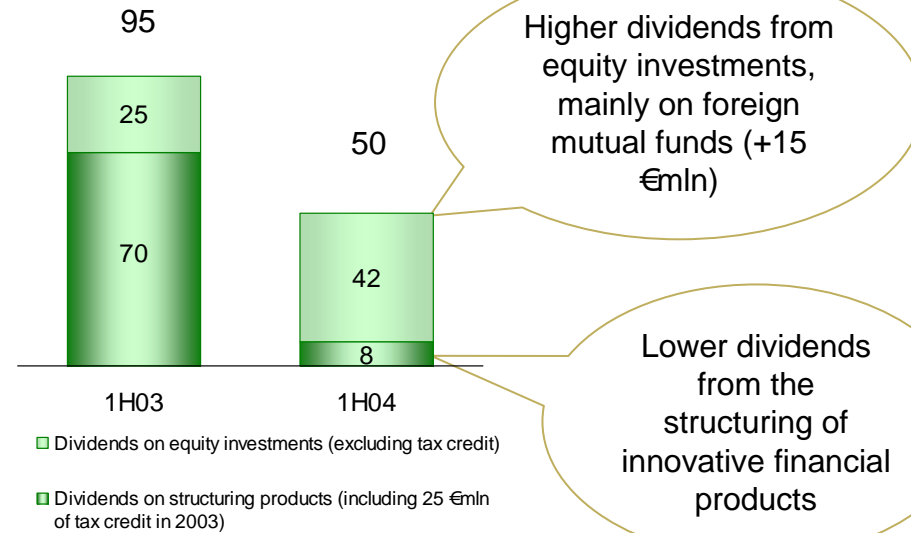
Lower contribution from trading

€ mln

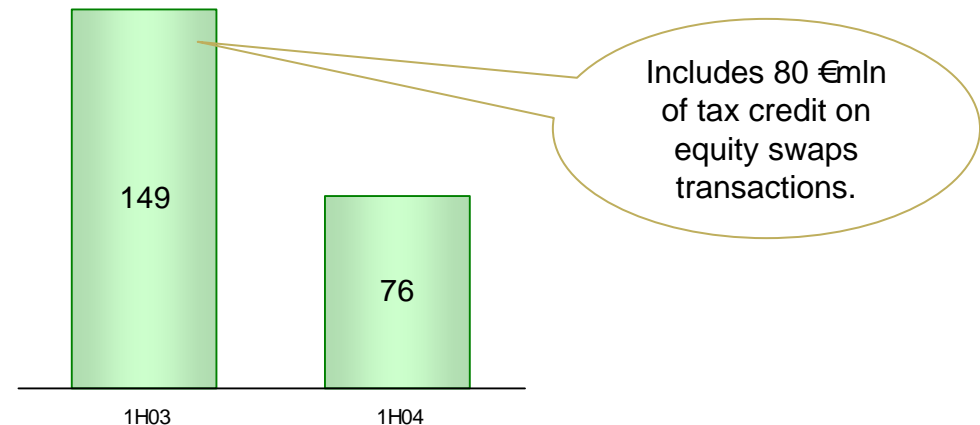
Dividends and Profit on financial transaction



Dividends



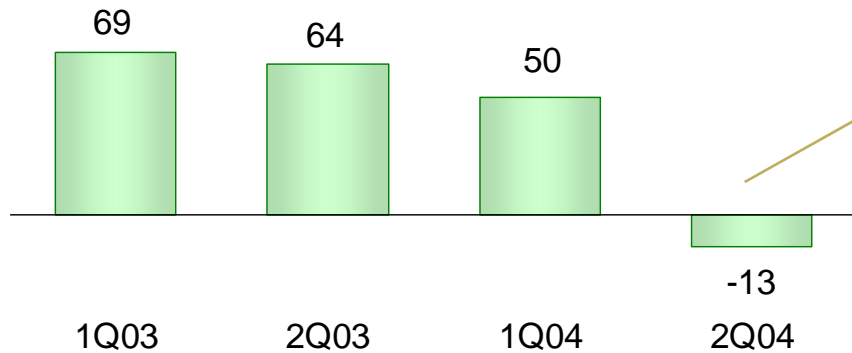
Profits on financial transactions



Business growth

Lower contribution from dealing...

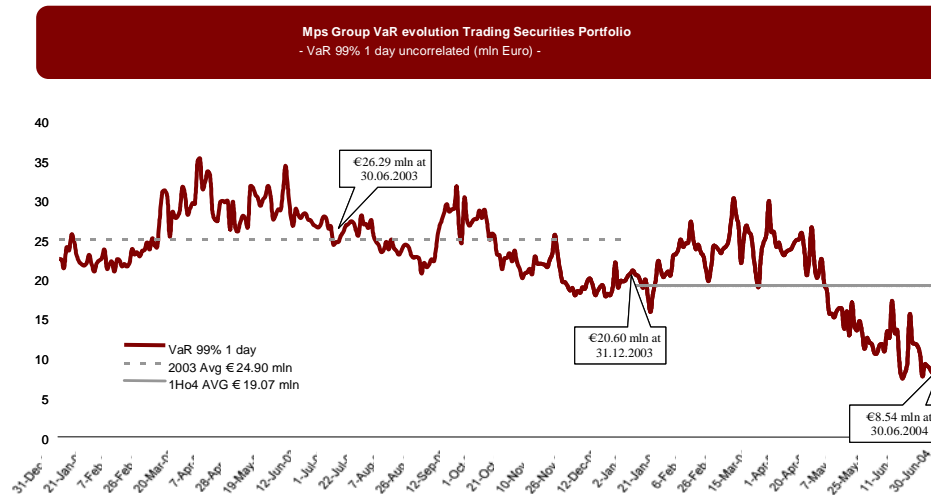
Dealing Profit (excluding structuring of financial product)



- Adverse currency trend
- Highest decrease (+500 bp) in a single quarter of long term bond since 1994
- Lower equity market volatility

Considering all the components of dealing activity (Interest Income and Dividends) the results of Finance Division are +8 €mln in the 2Q04

...but also lower risk exposure

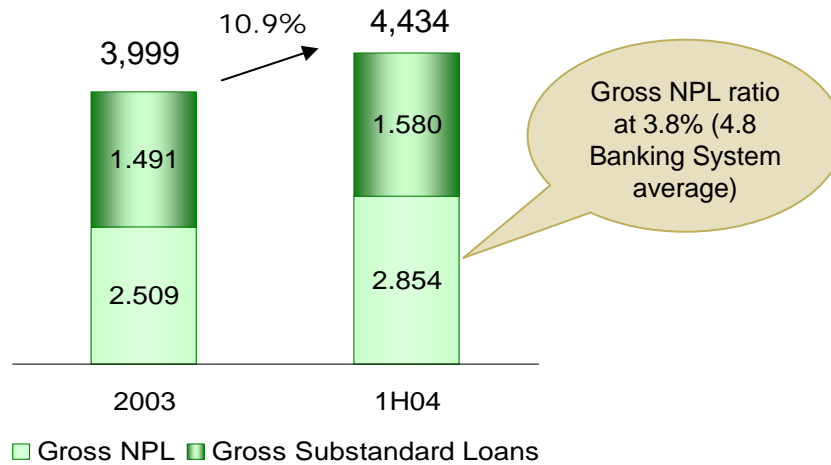


➢ Reduction of Parent company VaR (-12 €mln since year end) not yet fully reflected in RWA

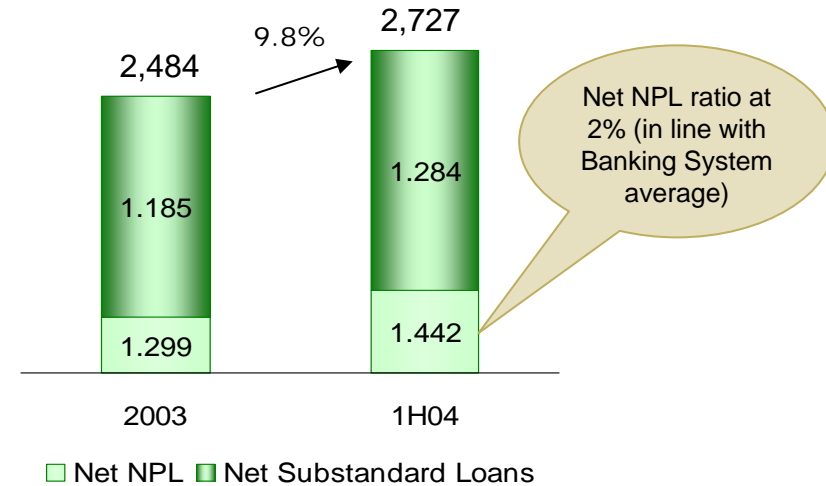
➢ VaR of MPS Finance at 1.07 €mln from 1.1 €mln at year end

Credit Risk

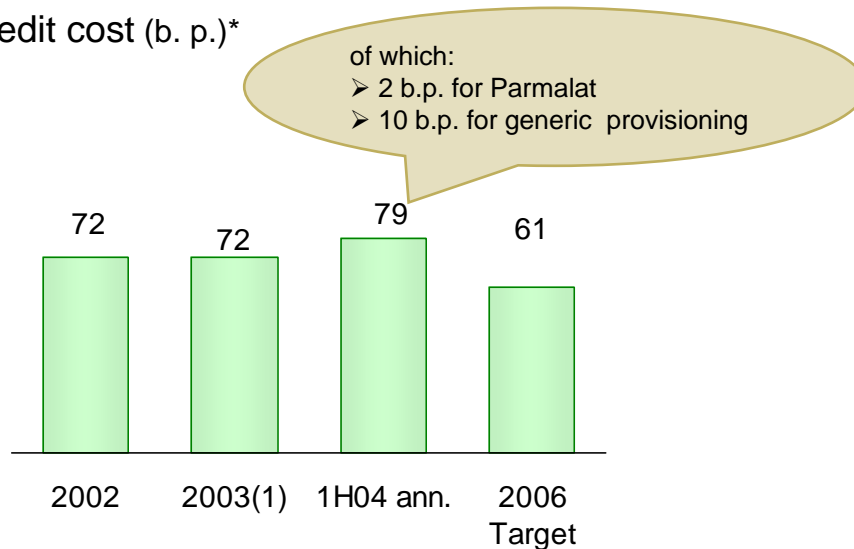
Gross NPL and Substandard loans (€m)



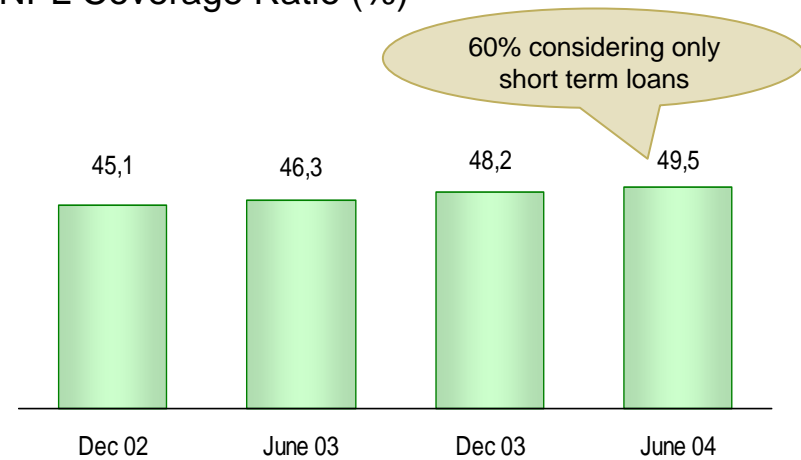
Net NPL and Substandard loans (€m)



Credit cost (b. p.)*



NPL Coverage Ratio (%)

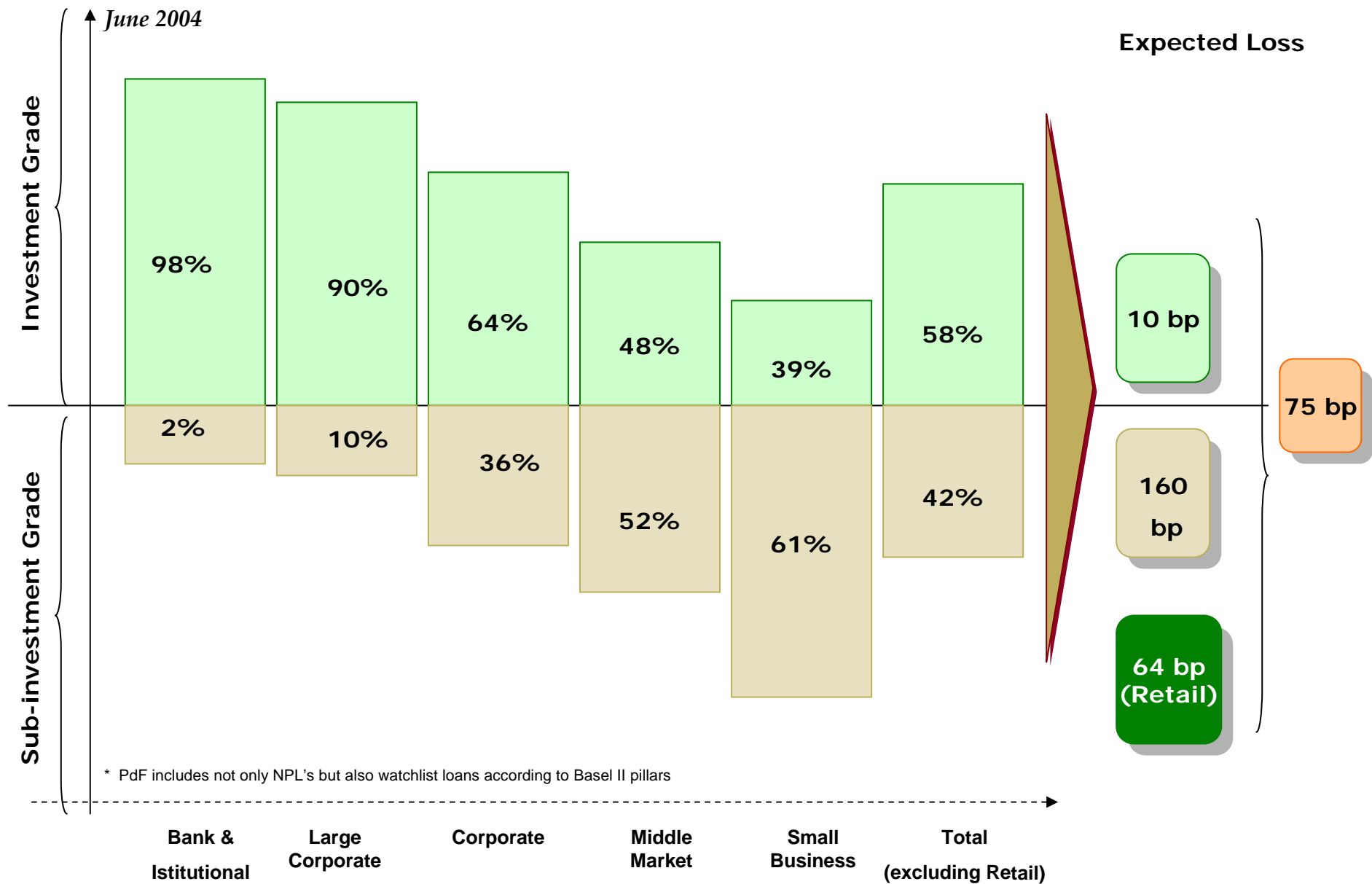


Coverage of performing loans at 0.85%

* Excluding 5 bp due to the NPL's securitization loss amortised in 5 years (2001-2005). (1) considering only ordinary provisions

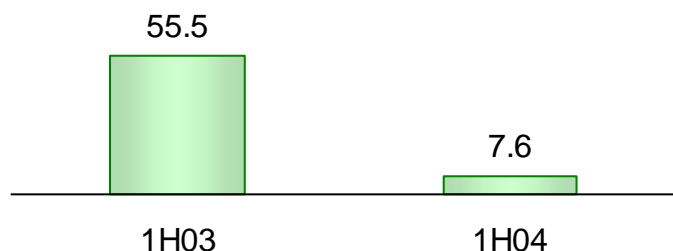
Credit risk management

Performing Loan Portfolio: Credit Risk Estimates*



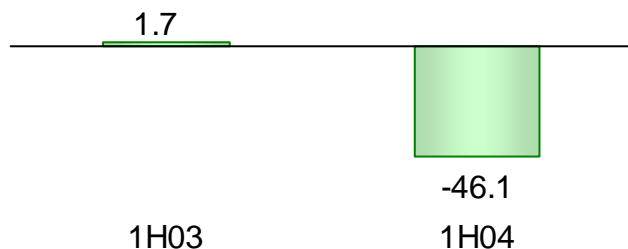
Other provisions

Provisions for risk & charges: 7.6 € mln (55.5 € mln. in 2003)



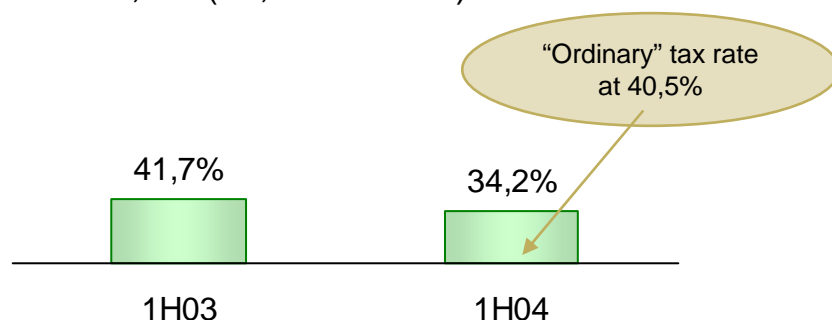
- 27.2 € mln related to financial plans and B121 structured products, to cover potential charges on new claims registered as at the end of August 2004
- 4 € mln for the national salary increase for banking staff
- Write backs on some funds due to their new risk profile:
 - 19 € mln related to the statute-barred legal suit; -7 € mln related to the restatement of other legal suits; -7 € mln of MPS Leasing & Factoring reclassified as provisions for credit risk

Extraordinary items: -46.1 € mln (1.7 € mln in 2003)



- -39.1 € mln related to incentives for early retirement and severance fund (entirely charged and not amortized)
- +29.6 € mln for divestment of minority stakes (E-Biscom, Autostrade To-Mi, Sias, etc.)
- -21.9 € mln related to claims on financial plans and B121 structured products settled and paid until now

Tax rate: 34,2% (41,7% in 2003)



- 10 € mln benefit on tax free income items (capital gain on sale of equity holdings)
- Lower taxation on dividends
- Benefits from positive deferred taxation
- 12 € mln of higher taxes due to DL 168 of July 2004

Provisions for risk and charges: focus on Financial Plans and B121 structured products

- Total number of claims arrived in 1H04 :18,317 of which
 - 12,714 on Financial Plans
 - 5,603 on B121 structured products

In July /August the flow has decreased by 40% vs 2Q04

Management of claims: as far as Financial Plans claims are concerned, the examination with Consumer Associations was completed on 31/05/2004 (after 138 meetings held between July 03 and May 04), with the following outcome:

- In 21% of the cases was agreed to refund between 80% and 100% of the monies paid in, without any charges related to discounting provided for under the plans.
- In 51% of the cases was agreed to restructure the plans, with the effect of reducing the instalments or the length of the subscription period
- In 28% of the cases was agreed that complaint were inadmissible.

Commercial initiatives:

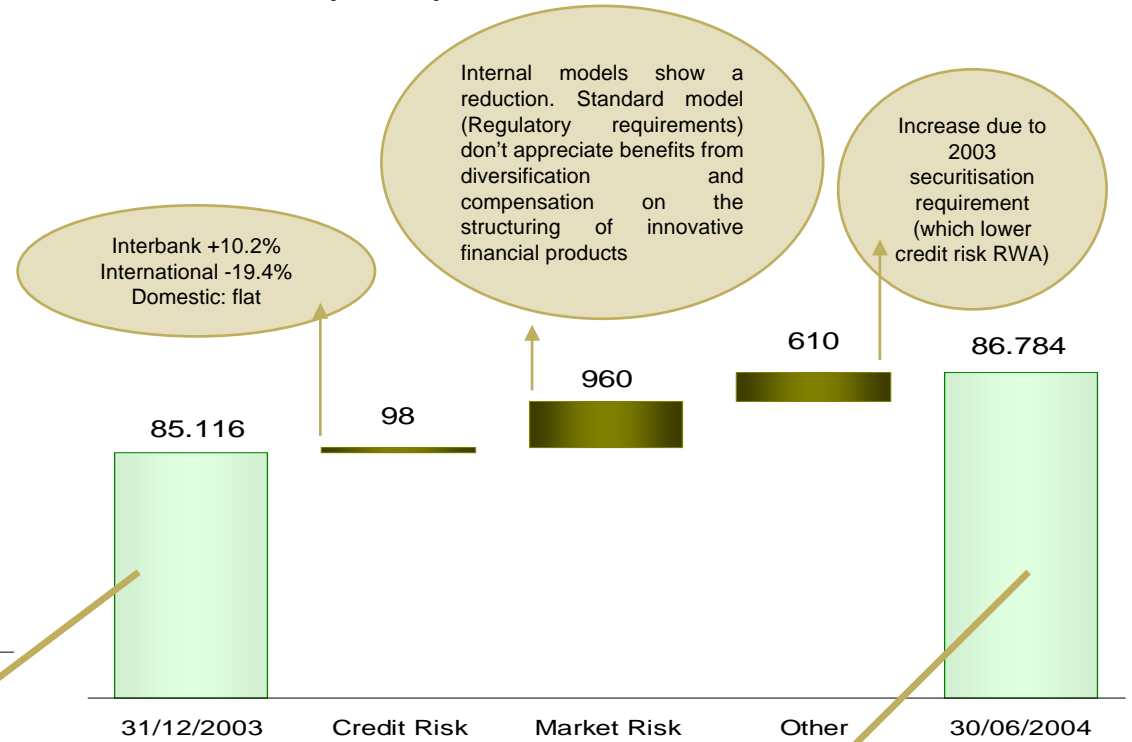
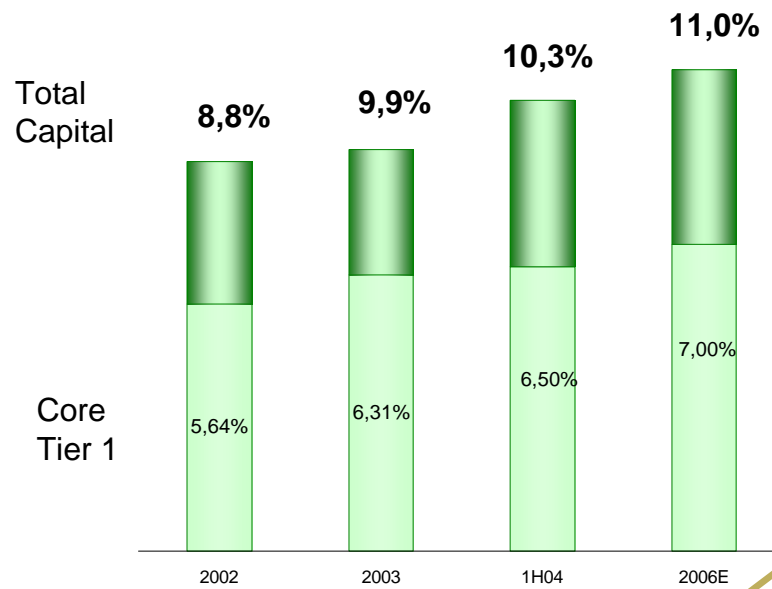
- In progress initiatives aimed at disposing in an accelerated and simplified way the claims on structured products, in order to generate positive feed-back in the relation with the customers involved

Assessment of P&L impact as at 30 June 2004 :

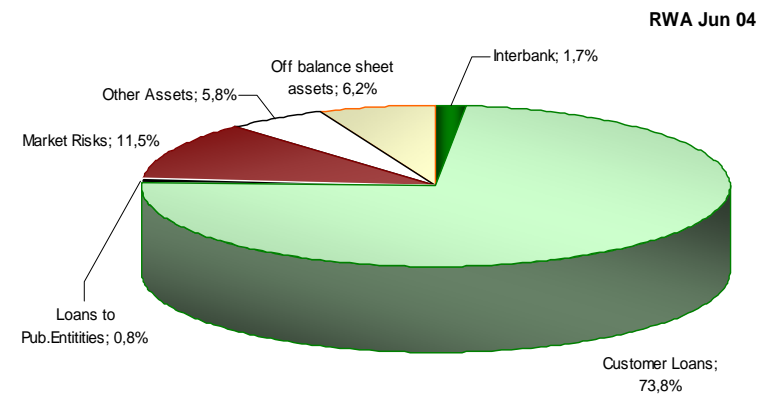
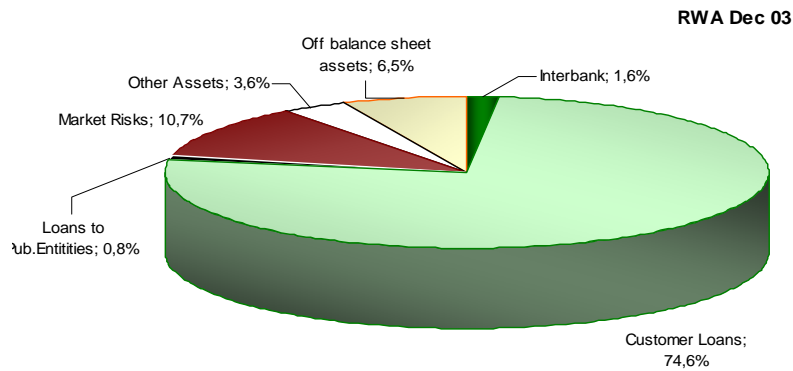
- Direct charges of about 22 €mln related to claims settled and paid in 1H04
- Provisions of about 27 €mln to cover both known and estimated charges, based on a very prudent assessment of all potential liabilities, considering also the evidences as at the end of August 2004

Capital Ratios

Gross RWA (mln.€): +1.96% from December 2003



RWA breakdown



Operational trends expected for 2H04

- Business volumes:

slight acceleration for short term loans; recovery of spreads; good commercial flows; deceleration of NPL/watchlist flows

- Revenues:

Commercial revenues improving over 1H04; expected recovery from trading profit in 4Q04

- Operating costs:

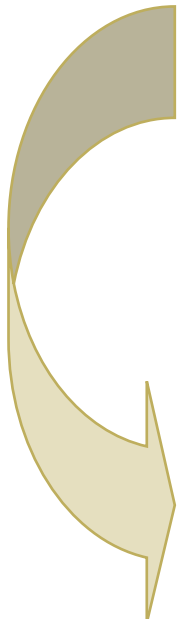
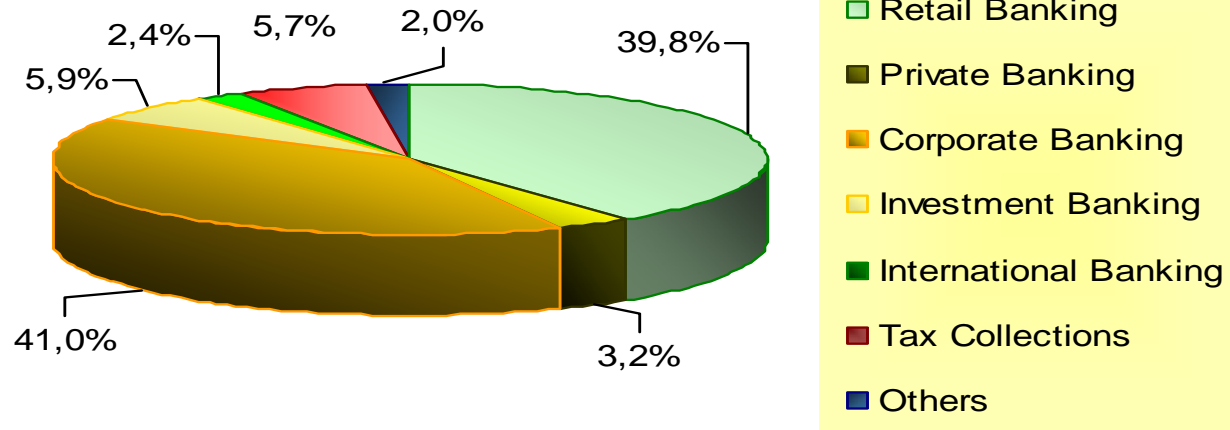
slightly higher than 1H04 (IAS; Basilea 2, acceleration of Industrial Plan projects, etc.), even though we are working to do better

- Provisions on loans:

lower than first half

Results per Business Area

Contribution to Total Income



Total Income	1H04 vs 1H03 chg. %
Retail Banking*	+5.1%
Corporate Banking	-2.4%
Investment Banking	-34.0%
International Banking	-7.4%
Tax collections	+27.5%

* Including private banking

Results per Business Area

€m	Retail & Private Banking	
	1H04	Yoy chg. %
Total Income	990	+5.1%
Operating Costs	725	-6.2%
Operating Income	265	+57.0%
Cost/Income (1)	73.2%	
Raroc (2)	27.3%	

€m	International Banking	
	1H04	Yoy chg. %
Total Income	55	-7.4%
Operating Costs	44	na
Operating Income	11	-1.8%
Cost/Income (1)	79.3%	
Raroc (2)	4.1%	

€m	Corporate Banking	
	1H04	Yoy chg. %
Total Income	944	-2.4%
Operating Costs	558	-5.3%
Operating Income	386	2.2%
Cost/Income (1)	59.1%	
Raroc (2)	5.5%	

€m	Investment Banking	
	1H04	Yoy chg. %
Total Income	136	-34.0%
Operating Costs	45	unch.
Operating Income	92	-43.4%
Cost/Income (1)	32.9%	
Raroc (2)	31.2%	

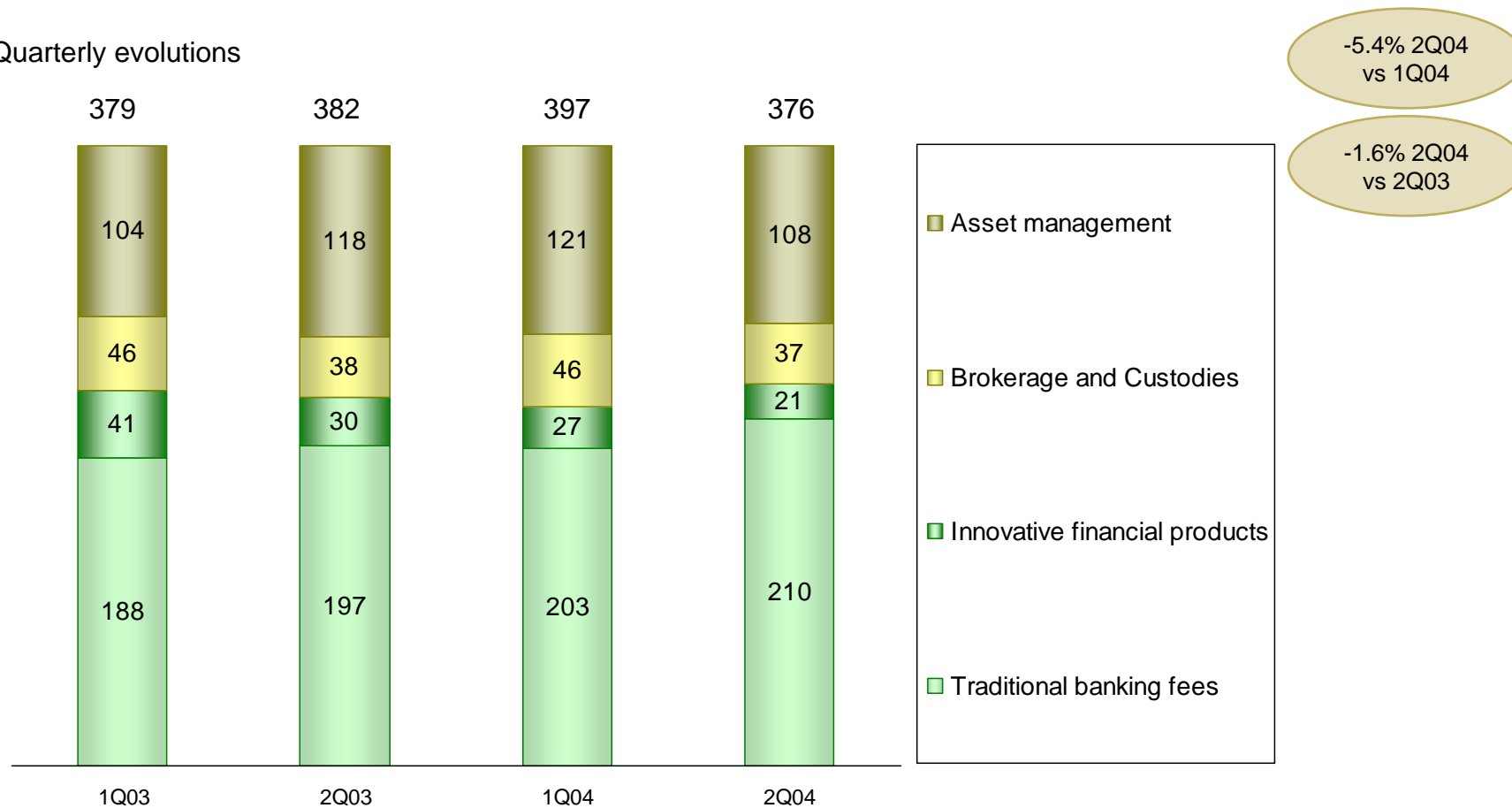
(1) Including amortisation; (2) Calculated over Economic Capital

Annexes

Net Fees: +4.2% yoy

Net banking fees* +1.5% yoy

Quarterly evolutions

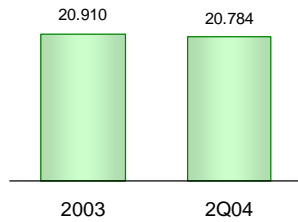


* Reclassified following management criteria: excluding tax collection and including recoveries of account expenses and taxes

Widespread increases in operating volumes

Mutual Funds +1% yoy

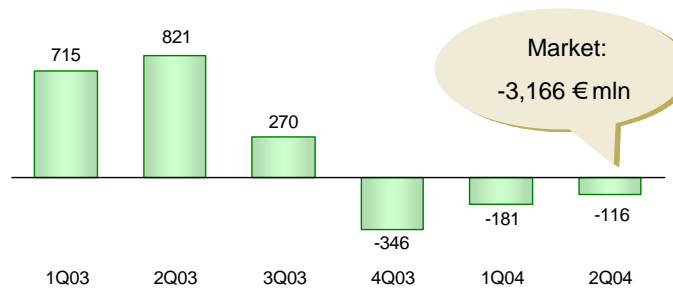
Stock Quarterly Evolution



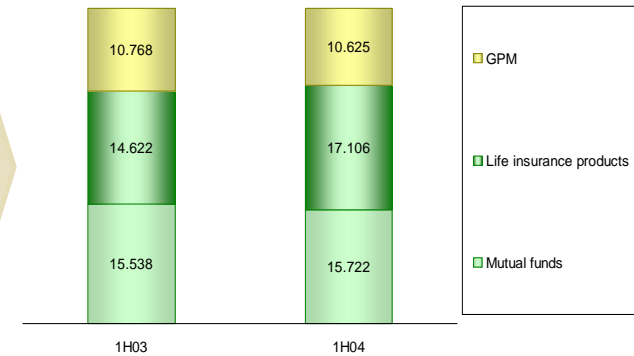
Market share: 4.14%

Funds performance: +1.8%

Flows Quarterly Evolution

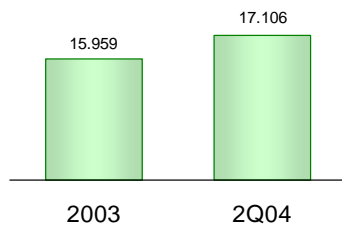


AuM Breakdown



Life Insurance +17% yoy

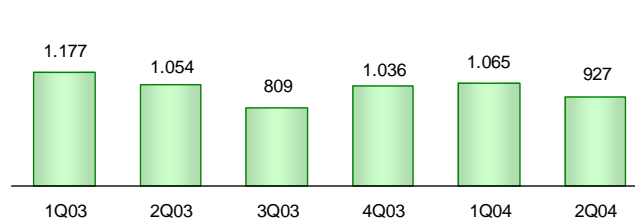
Stock Quarterly Evolution



Market share of new inflows: 10%

Life insurance recurring premiums at 200 mln €

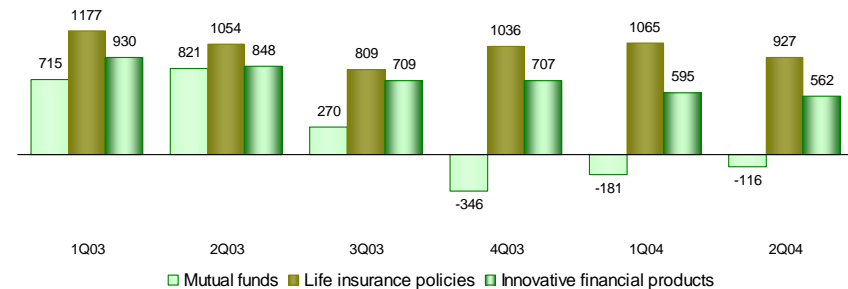
Flows Quarterly Evolution



New inflows: details on saving product and details on specialized lending flows

Investments Product Flows

	June 2004	June 2003
Mutual Funds	-297	1,536
Life Insurance policies o/w	1,992	2,231
<i>Ordinary life insurance policies</i>	1,372	1,546
<i>Index-linked policies</i>	473	354
<i>Unit-linked policies</i>	147	331
Innovative financial products	1,157	1,778
Plain Vanilla	1,098	461



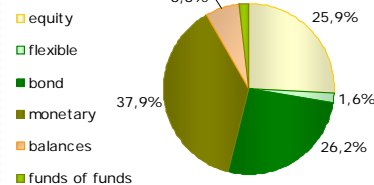
Specialized lending and financial products for business

	June 2004	June 2003
MPS Finance	1,419	3,168
Risk-management products		
MPS Merchant		
Disbursements	844	929
MPS Banca Verde		
Disbursements	372	386
MPS Leasing & Factoring o/w		
Leases signed	552	779
Factoring turnover	1,848	1,922
Consum.it		
Disbursements	694	416

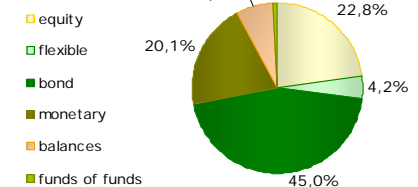
	31/03/2003	30/06/2003	31/12/2003	31/03/2004	30/06/2004
Indirect Funding	101.700	103.850	105.937	106.887	104.921
Funds under management	38.448	40.927	42.264	43.260	43.454
Mutual funds	14.200	15.538	15.730	15.876	15.722
Individual portfolio under mng	10.440	10.768	10.574	10.890	10.625
Life & Pension funds	13.808	14.622	15.959	16.494	17.106
Funds under administratio	63.252	62.922	63.674	63.627	61.468

Mutual Funds Breakdown

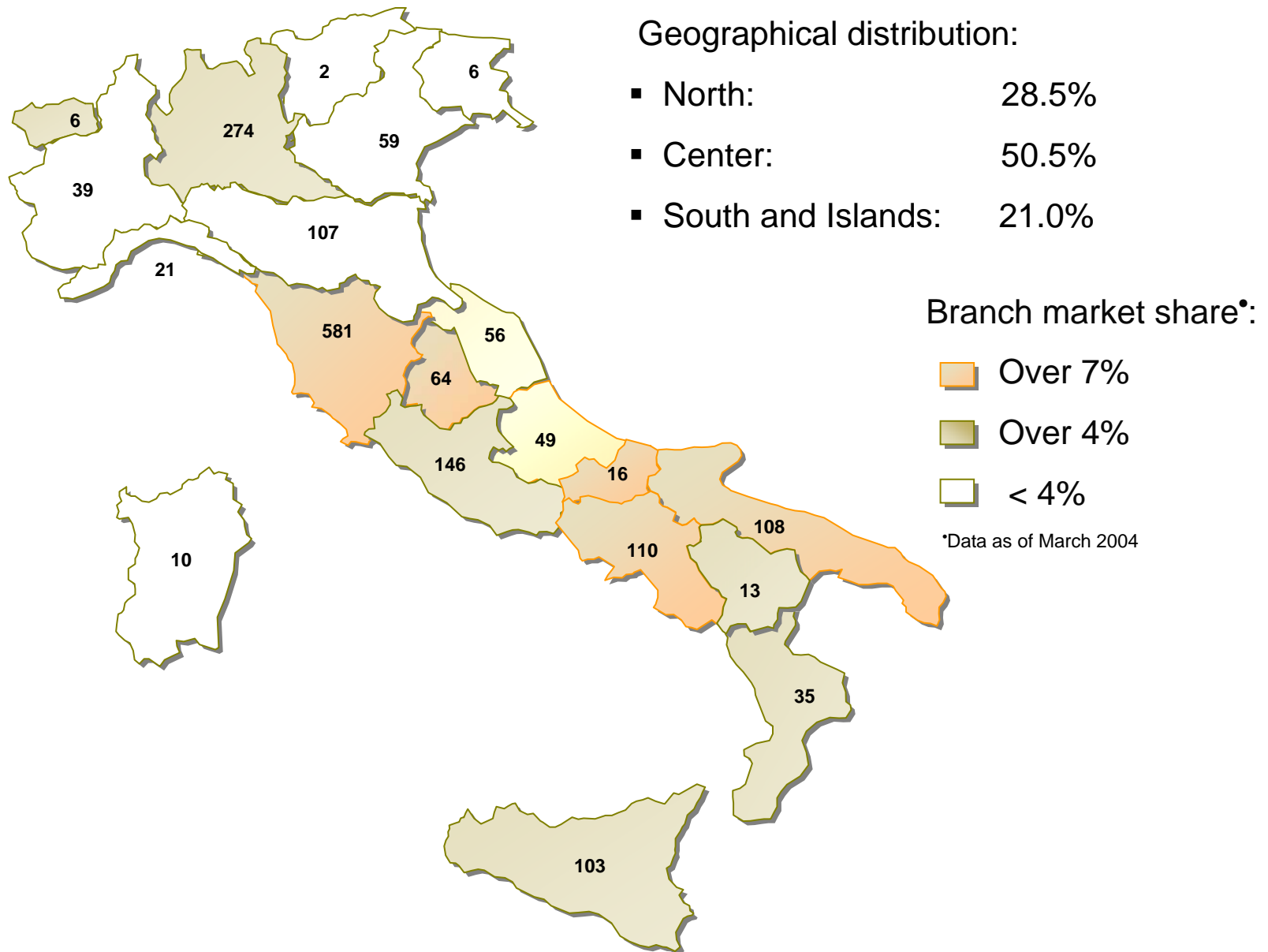
Group MPS



Market

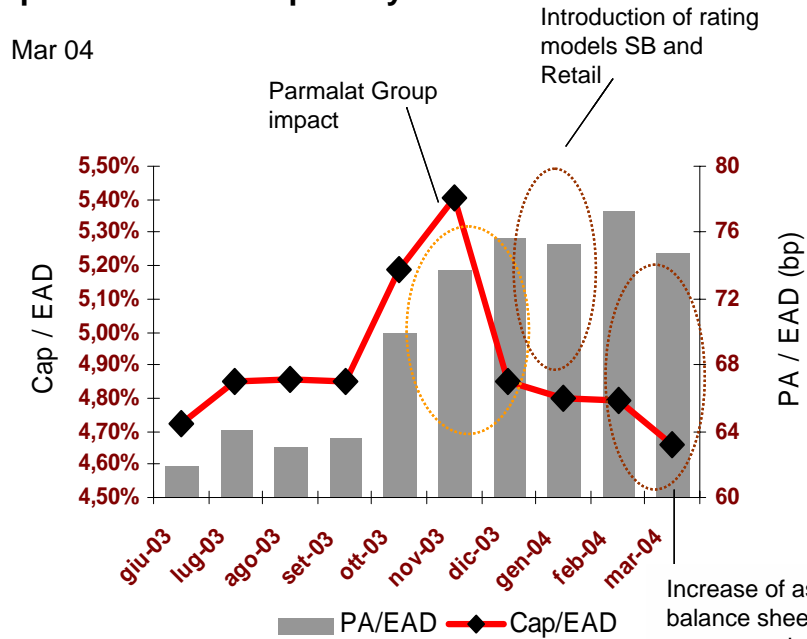


Regional franchise



Credit risk management

Expected Loss & Capital Dynamic

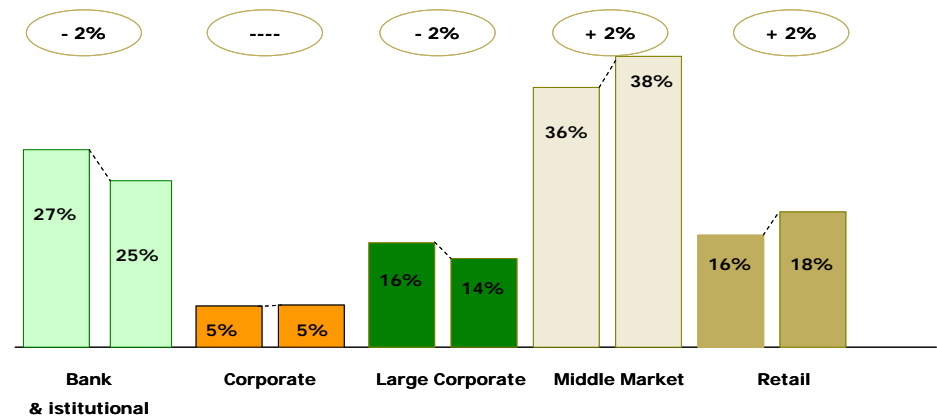


Increase of assets out of balance sheet towards banking counterparties (low capital required and high volumes)

Rebalancing Performing loan portfolio*

Mar03-Mar04

BMPS, BT, BAM



* excluding loans to subsidiaries and foreign counterparts

Performing Loan Quality distribution

- December 2003
- June 2004

Macro-classi Master Scale

