



Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

Overview MPS

&

Funding Presentation

10 April 2014



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

Agenda



MPS Overview

2013 Results: highlights

Covered Bond

MPS Covered Bond

MPS Covered Bond Programme at a glance

MPS Current Cover Pool Description

Annexes

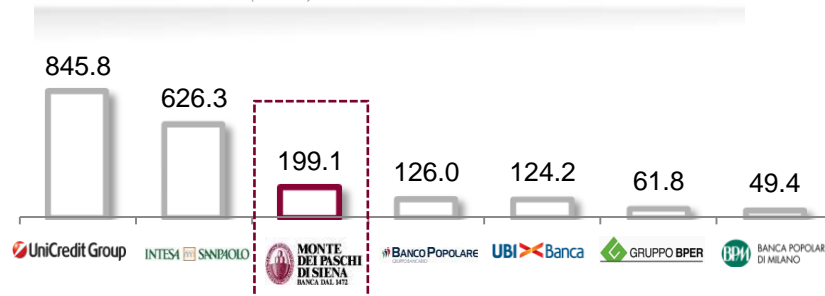
MPS is the third largest Italian banking group



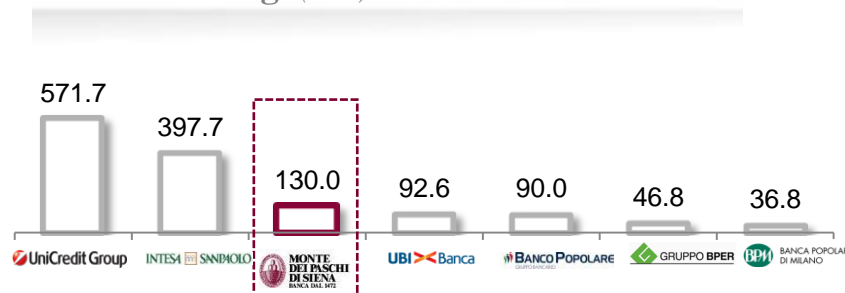
❑ **Monte dei Paschi di Siena** is one of the main banks in Italy. It is the flagship of the MPS Group, **the third Italian largest banking group**



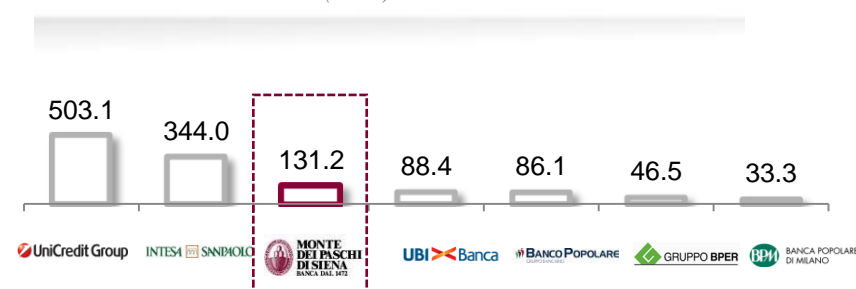
Total Assets* (€bn)



Direct Funding* (€bn)



Customer Loans* (€bn)



*Data as at 31 Dec-13. Source FY2013 Company Reports

MPS Group Overview



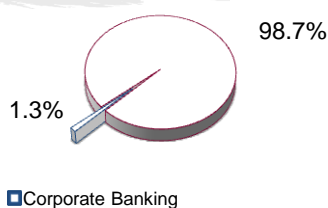
With some **28,400 employees** and **2,340 branches**, the Montepaschi Group offers, to approx. 5.5 million customers, a wide range of financial services and products to private individuals and corporations

Business breakdown

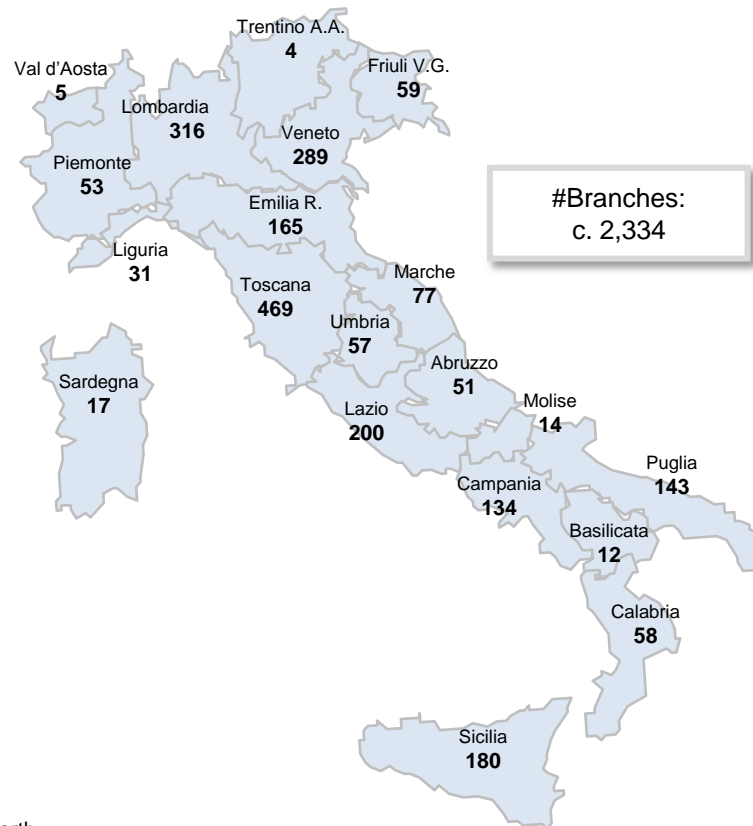
Revenues:
€4.0 bn



#Clients:
5.5 mln

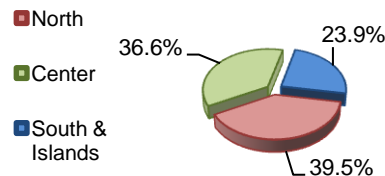
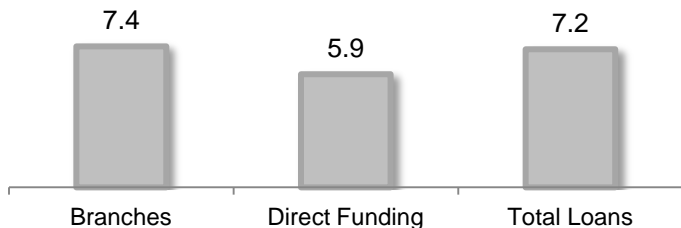


MPS Branches*



#Branches:
c. 2,334

Market share** (%)



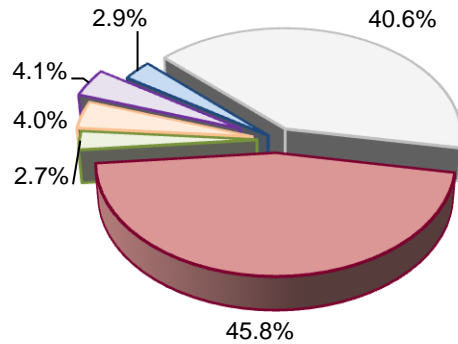
*Data as at 31 Dec 2013

**Source: Bank of Italy, Matrice di vigilanza. Direct Funding market share is calculated on deposits (excluding those associated with securitisations), repurchase agreements (excluding central counterparties) and bonds (net of buybacks). Total loans net of repo with institutional counterparties

Shareholder structure

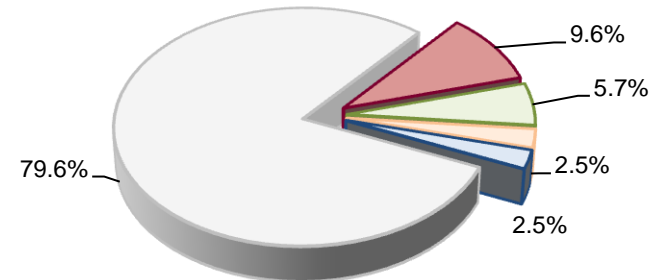


31 December 2011



- Fondazione MPS
- J.P. Morgan
- AXA
- Caltagirone
- UNICOOP Firenze
- Free Float

04 April 2014*



- Fondazione MPS **
- Blackrock
- JP Morgan Chase
- AXA S.A.
- Other and Free Float



On 18 July 2013, the extraordinary Shareholders' Meeting resolved the **removal of the share ownership ceiling of 4%**

*Source: Consob

** It should be noted that the percentage indicated includes the 6.5% shareholding of the Monte dei Paschi di Siena Foundation which will be transferred to the companies Fintech Advisory Inc. and BTG Pactual Europe LLP pursuant to the disposal agreement signed on 31 March 2014, the effectiveness of which is currently subject to the condition precedent of concluding the authorization procedure initiated with the MEF and Bank of Italy.

Main companies of the Group & strategic alliances



Main companies of the Group



Specialised in developing an offer of integrated leasing and factoring packages for businesses, artisans and professionals



Aims to satisfy the needs of individuals and legal entities wishing to have their assets managed with the utmost confidentiality. It may take on the custody of goods in its capacity as a trustee and act as a protector in trusts



Its business includes the custody and management (ordinary and extraordinary), of real estate by reason of which it may also purchase, sell, exchange and lease properties; activities are carried out primarily for the companies of the Group



Group banks supporting business trade and investments by Italian companies abroad.



Consumer credit company. It issues special-purpose loans, personal loans including fifth-of-salary backed loans, credit cards (option and revolving)



Provides customers with solutions to financial and credit issues, focusing its business on medium-long term credit facilities, special purpose loans, corporate finance, capital markets and structured finance

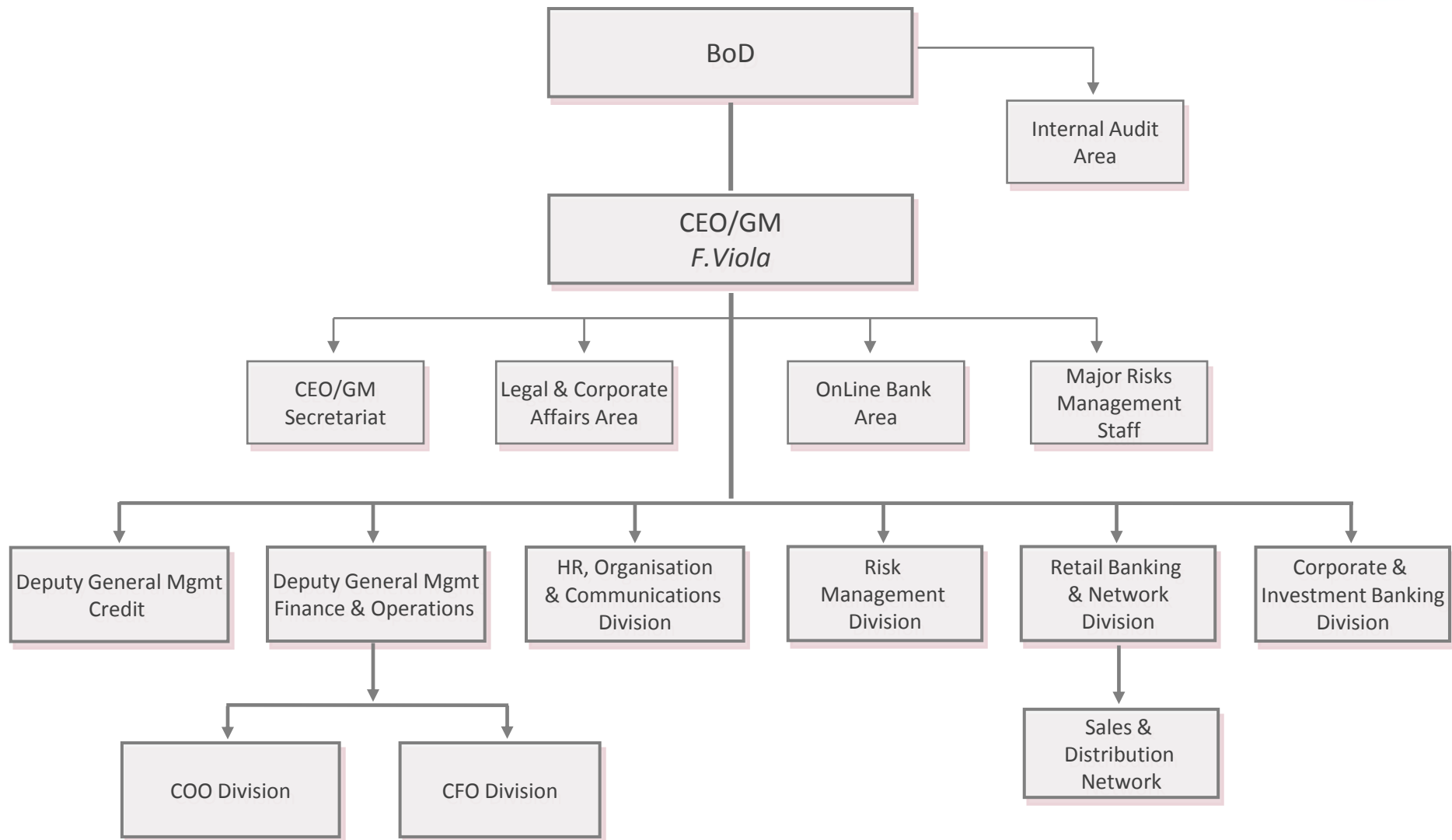


Centre for the development and management of ICT and telecommunication systems

Strategic JVs and distribution agreements



MPS organisation chart



Ratings Summary



Principali banche italiane								
Last rating action	09-May-13	21-Mar-14	18-Feb-14	31-Jan-14	18-Dec-13	18-Sep-13		13-Aug-13
BFSR	E (caa3)	D+ (ba1)	D+ (baa3)	E+ (b3)	D+ (ba1)	E+ (b2)	<i>n.d.</i>	E+ (b1)
Issuer Credit Rating	B2 / 'NP'	Baa2 / P-2	Baa2 / P-2	Ba3 / NP	Baa3 / P-3	B1 / 'NP'	<i>n.d.</i>	Ba3/NP
Outlook	Negativo	Stabile	Stabile	Positivo	Negativo	Negativo	<i>n.d.</i>	Negativo
Last rating action	28-Nov-13	28-Nov-13	28-Nov-13	28-Nov-13	28-Nov-13	18-Nov-13	26-Jul-13	26-Jul-13
Viability Rating	ccc	bbb+	bbb+	bbb-	bbb+	bb-	bb+	bb+
Issuer Credit Rating	BBB / F3	BBB+ / F2	BBB+ / F2	BBB / F3	BBB+ / F2	BB+ / B	BB+ / B	BB+ / B
Outlook	Negativo	Negativo	Negativo	Negativo	Negativo	Negativo	Negativo	Negativo
Last rating action	09-Jan-14		19-Sep-13					08-Feb-13
Intrinsic Assessment (IA)	BBB (low)	<i>n.d.</i>	A (low)	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	BBB (low)
Long-Term Rating/Outlook	BBB/UR	<i>n.d.</i>	A (low) / Negativo	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	BBB (low) / Negativo
Short-Term Rating/Outlook	R-2 (mid) /UR	<i>n.d.</i>	R-1 (low) / Stabile	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	<i>n.d.</i>	R-2 (low) / Negativo
Last rating action		12-Jul-13	12-Jul-13	19-Feb-14	24-Jul-13	06-Nov-13	29-Aug-13	
SACP	<i>n.d.</i>	bbb	bbb	b	bbb-	b+	b+	<i>n.d.</i>
Issuer Credit Rating	<i>n.d.</i>	BBB / A-2	BBB / A-2	BB- / B	BBB- / A-3	BB- / B	BB- / B	<i>n.d.</i>
Outlook	<i>n.d.</i>	Negativo	Negativo	Negativo	Negativo	Credit Watch Negativo	Stabile	<i>n.d.</i>

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Key messages



P&L: *core business results in line with BP; bottom line impacted by several non recurring items*

- Improved basic income vs. 3Q13 with **NII up 11.2%**, mainly thanks to cost of funding reduction, and **improving fees**
- Acceleration in cost cutting: **Operating costs -12.7% YoY; -15.8% 4Q13 vs. 4Q12**
- LLP (210bps) impacted by increasing impaired loan inflows and rise in coverage, in view of the forthcoming AQR
- **Net Profit (loss) at -EUR 1,439mln**, affected by several non recurring components



Balance Sheet: *ongoing deleveraging, derisking and optimization of funding mix*

- **Total assets: -9% YoY** (-EUR 20bn vs. Dec 12)
- **Loans: -7.6% YoY**, -EUR 4.3bn in 4Q13
- **L/D ratio*: 101.0%** vs. 104.7% in Dec 12
- **Counterbalancing capacity:** EUR 16bn, up to **EUR 19.6bn at the end of February 2014**
- **Financial Assets: -11.3% YoY**, -EUR 2.7bn in 4Q13
- Partial shift from direct funding (-4.2% YoY) to AuM (+1.3% YoY) continues
- In line with B3 Liquidity targets: **NSFR >100** and **LCR >100**

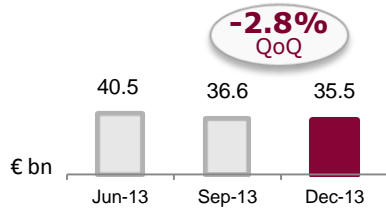
*Customer loans/Customer deposits and securities issued (retail and wholesale)

FY13 and 4Q13 results consistent with our strategy



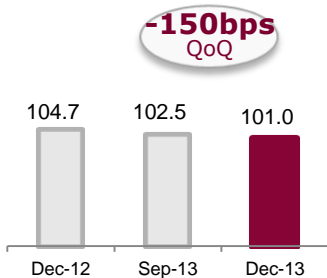
De-risking and Deleveraging

- **De-risking** of financial portfolio
Securities and Derivatives Portfolio



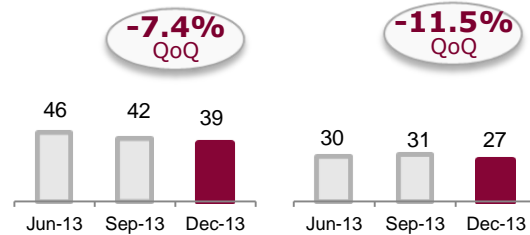
- **Deleveraging**

Loan/Deposit** ratio (%)



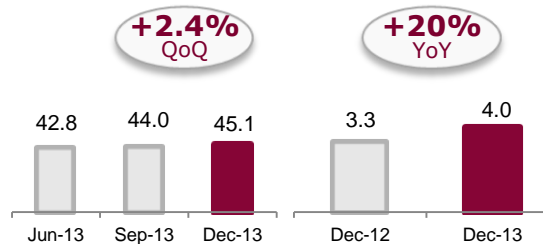
Switching funding mix

- **Decrease** in higher cost funding sources and interbanking exposure
Bonds* (€bn) Interb. Exposure (€bn)



- **Increase** in AUM

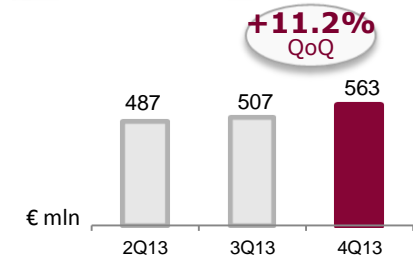
AuM Stock (€bn) Bancassurance Gross Flows (€bn)



Positive impact on top line

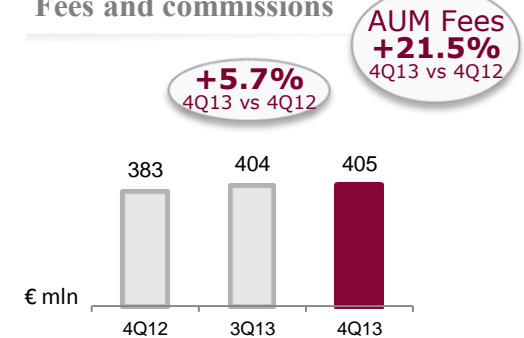
- Improvement in **net interest income** thanks to lower cost of funding

Net Interest Income



- YoY **growth** in fees and commissions

Fees and commissions



*Retail and wholesale

**Customer Loans / Deposits from customers and securities issued (retail and wholesale)

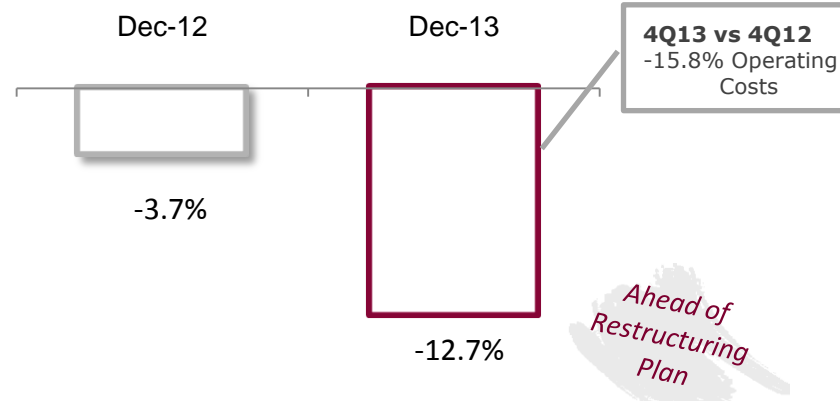
Continued leadership in cost optimization



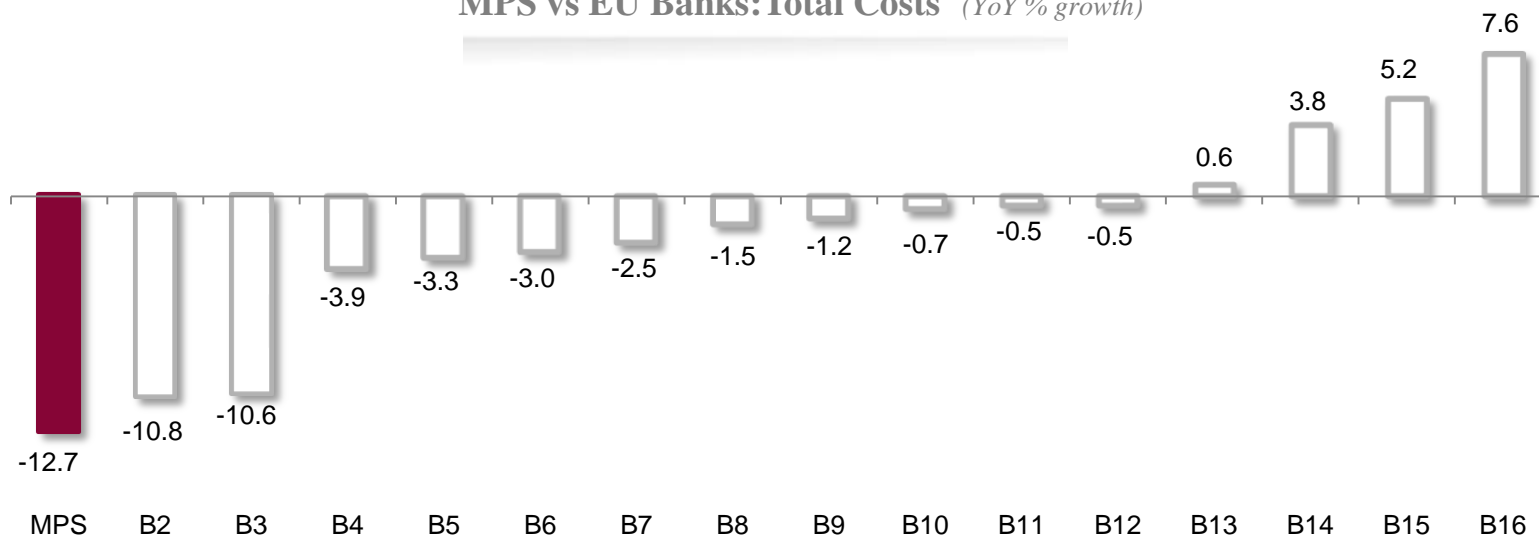
Main initiatives

- Exit of 3,800 resources (of which 156 Executives) since start of Plan (reached 48% of BP target), including disposal of Back Office business unit with approx. 1,100 resources
- Closure of 400 branches (73% of BP target)
- Renegotiation of vendor agreements with improved service levels and average savings of 17% in 2013

Total Costs (YoY % growth)



MPS vs EU Banks: Total Costs* (YoY % growth)

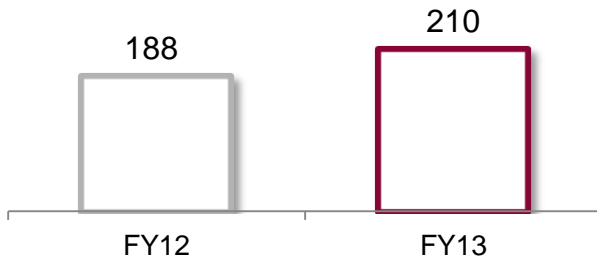


* Source: company financial reports as at Dec-13. Peers analysed (banks reported 2013 results so far): Banco Popular, BCP Millennium, Santander, BBVA, Nordea, ING (Banking), Commerzbank, Danske Bank, Credit Agricole, RBS, BNP Paribas, Credit Suisse, Barclays, DB

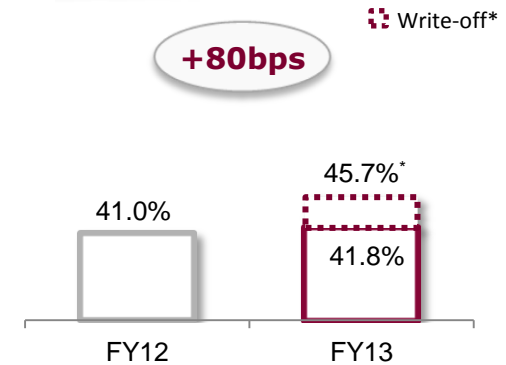
Improved risk profile



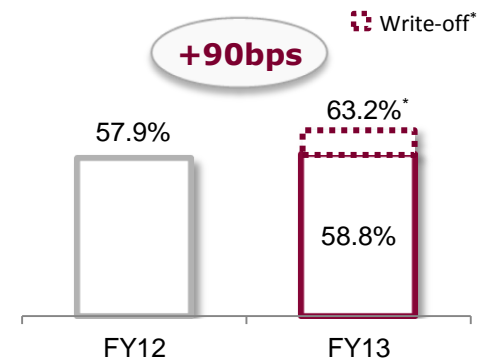
Cost of credit (bps)



Impaired Loans Coverage



NPL Coverage



- ❑ Loan loss provisions affected in 4Q13 by impairment losses recognized on selected significant positions and full write-down of several non-performing, aged loans (with a view to their potential disposal), as well as stricter valuation criteria and classification processes
- ❑ Further increase in provisioning, with NPLs Coverage at 63.2%* (including write-offs)

* Figures from operational data management system (Risk Management)

P&L FY2013



€ mln	12M12*	12M13	Change (YoY %)
1 Net Interest Income	2,829.6	2,153.4	-23.9
Net Fees	1,632.8	1,657.6	+1.5
Basic income	4,462.4	3,810.9	-14.6
2 Other revenues from financial activities	532.5	146.5	-72.5
Total Revenues	4,994.9	3,957.4	-20.8
Operating Costs	(3,219.2)	(2,811.5)	-12.7
Personnel costs	(1,918.3)	(1,718.7)	-10.4
Other admin expenses	(1,102.1)	(937.8)	-14.9
3 Total provisions	(2,894.2)	(2,823.3)	-2.4
Of which: LLP	(2,671.6)	(2,749.8)	+2.9
Profit (Loss) before tax	(1,806.5)	(2,000.1)	10.7
4 Taxes	363.0	652.3	79.7
Purchase Price Allocation	(50.2)	(39.2)	-20.7
Net income	(3,168.2)	(1,439.0)	-54.6

- 1** Net Interest Income: YoY trend impacted by : higher amounts of NFIs issued in 2013 compared to "Tremonti Bonds" (EUR 162mln); reclassification of income from fast-track credit facility fees and changes in the calculation of interest on overdrafts occurred in September 2012
- 2** Other income from financial activity: 4Q13 impacted by non recurring items: closure of Santorini deal, revaluation of the stake in Bankit and disposal of Consum.it's portfolio of 1/5 of salary backed loans; 2012 results mainly due to the capital gain arising from the public exchange offer concluded in July 2012
- 3** Loan loss provisions: increase vs. 2012 due to a different composition of impaired loans inflows, with a higher weight of NPLs
- 4** Taxes: impacted by the recovery of tax losses on previous years and the effect of the Stability Law

* Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo

Assets & Liabilities trend



Total Assets

€/mln	Dec-12*	Sep-13*	Dec-13	QoQ%	YoY%
Customer loans	142,015	135,564	131,218	-3.2%	-7.6%
Loans to banks	11,225	11,439	9,914	-13.3%	-11.7%
Financial assets	49,163	46,267	43,618	-5.7%	-11.3%
PPE and intangible assets	2,526	2,441	3,924	60.8%	55.3%
Other assets**	13,957	11,226	10,432	-7.1%	-25.3%
Total Assets	218,886	206,936	199,106	-3.8%	-9.0%

Total Liabilities

€/mln	Dec-12*	Sep-13*	Dec-13	QoQ%	YoY%
Deposits from customers and securities issued	135,670	132,286	129,963	-1.8%	-4.2%
Deposits from banks	43,399	42,377	37,279	-12.0%	-14.1%
Other liabilities***	33,494	25,835	25,700	-0.5%	-23.3%
Group equity	6,320	6,435	6,155	-4.3%	-2.6%
Minority interests	3	3	8	<i>n.m.</i>	<i>n.m.</i>
Total Liabilities	218,886	206,936	199,106	-3.8%	-9.0%

- ❑ Customer loans down in line with deleveraging plans, with run-off of poor risk-return positions
- ❑ Financial assets down due to closure of the Santorini transaction and other portfolio optimization measures
- ❑ PPE and intangible assets up due to restructuring of the Chianti real estate transaction (EUR 1.4bn)
- ❑ Funding from customers down as a result of deleveraging and cost of funding optimization (mainly on corporate side)
- ❑ Reduced reliance on Deposits from banks
- ❑ Shareholders' equity down driven by net loss for the period, partially offset by improved AFS Reserve

** Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) and with IAS 19 "Employee benefits" and to reflect the accounting reclassification of a portion of reserves in deposits from banks in connection with reviews conducted on the "Fresh 2008" transaction

**Cash and cash equivalents, equity investments, other assets

*** Financial liabilities held for trading, provision for specific use, other liabilities

Direct funding optimization

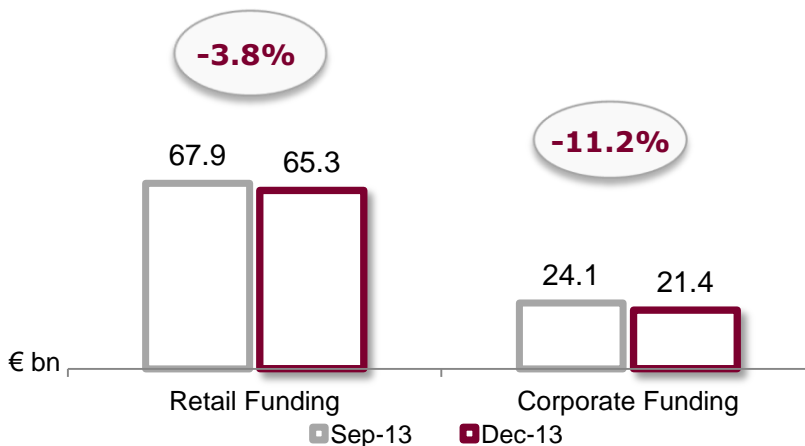


Direct funding by Source

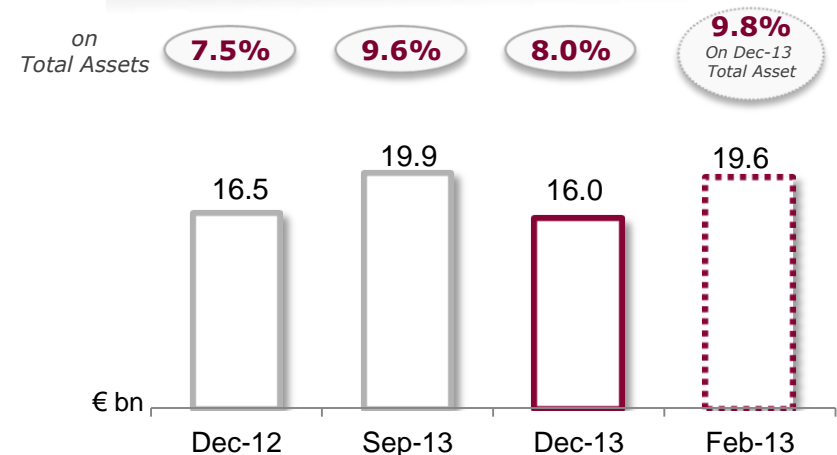
€/mln	Dec-12	Sep-13	Dec-13	QoQ%	YoY%
Current accounts	56,006	57,264	55,076	-3.8%	-1.7%
Time deposits	5,802	8,759	8,064	-7.9%	39.0%
Repos	13,839	13,465	16,096	19.5%	16.3%
Bonds	52,115	41,781	38,706	-7.4%	-25.7%
Other types of direct funding*	7,908	11,017	12,021	9.1%	52.0%
Total	135,670	132,286	129,963	-1.8%	-4.2%

- ❑ Bond decrease (-25.7% YoY), affected by market trend and wholesale funding market situation, on top of the suspension, for a good part of the year, of retail issuances following a request for several supplements to the base prospectuses and registration document as a result of highly-publicised events
- ❑ Increase in time deposits (+39% YoY), mainly thanks to "Conto Italiano di Deposito"
- ❑ QoQ fall for both **Retail funding** (-EUR 2.6bn with a part of volumes shifting to AuM) and **Corporate funding** (-EUR 2.7bn due to cost of funding optimization)

Direct Funding by Segment**



Unencumbered counterbalancing capacity



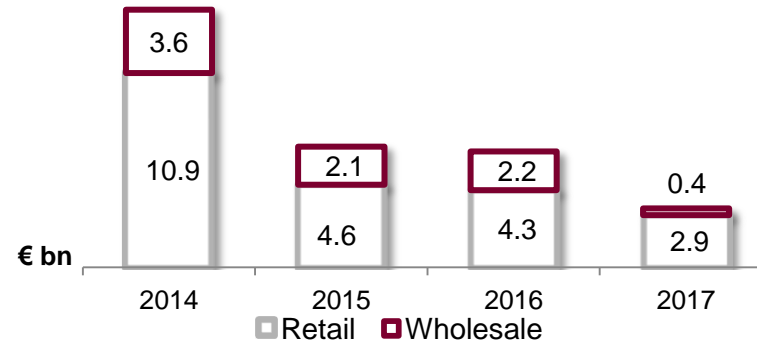
*September and December 2013 include NFIs amounting to EUR 4.1 bn

** Customer accounts and securities - Distribution network

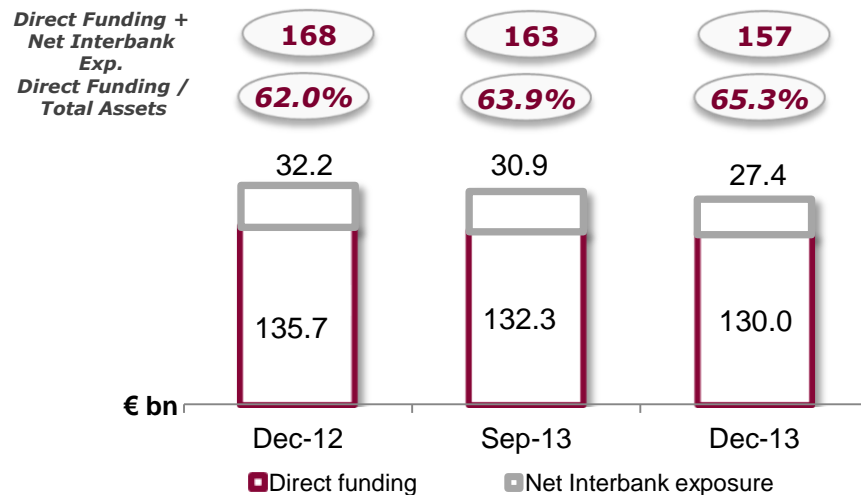
Bond maturities and Interbank exposure



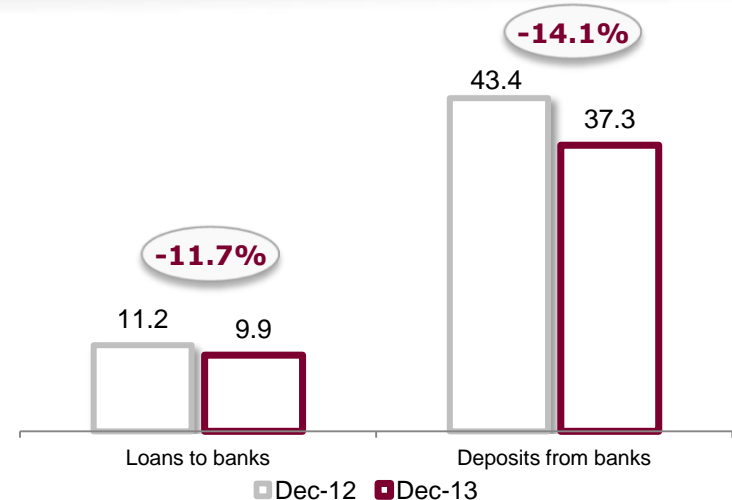
Bond Maturities breakdown*



Direct Funding and Net Interbank Exposure**



Interbank Exposure



* Figures from operational data management system (Finance Area). Outstanding amount are net of repurchases

**Loans to/deposits from banks include loans to/from banks comprised in HFT financial assets/liabilities

Lending: selected deleverage



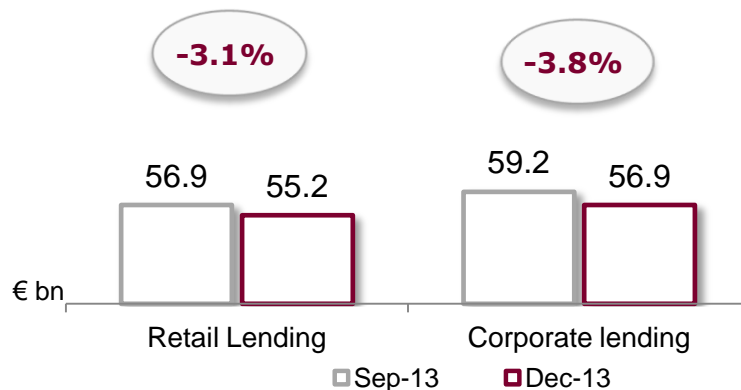
Total Lending

€/mln	Dec-12	Sep-13	Dec-13	QoQ%	YoY%
Current accounts	13,099	12,060	10,962	-9.1%	-16.3%
Mortgages	72,329	66,735	64,822	-2.9%	-10.4%
Other forms of lending	34,770	31,345	29,782	-5.0%	-14.3%
Reverse repurchase agreements	2,199	3,384	2,737	-19.1%	24.4%
Loans represented by securities	2,221	1,978	1,924	-2.7%	-13.4%
Impaired loans	17,397	20,061	20,992	4.6%	20.7%
Total	142,015	135,564	131,218	-3.2%	-7.6%

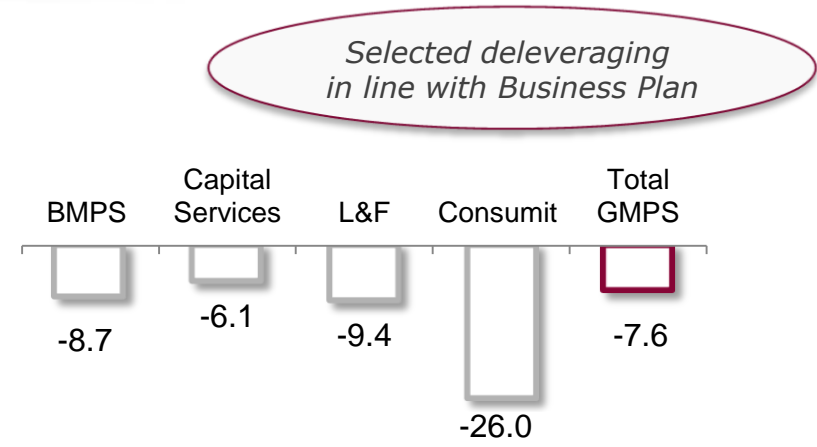


- Loans to customers down 7.6% YoY and 3.2% QoQ, due to slowing economic cycle and the Group's more selective credit policies
- Decline in performing loans in 4Q13 also due to migration within the portfolio to default status

Interest Bearing* Loans by segment



Loans breakdown by segment** (% YoY)



*Loans excluding net NPLs. Distribution network

** Figures from operational data management system (Planning Area)

Focus on Financial Assets



Securities and Derivatives Portfolio

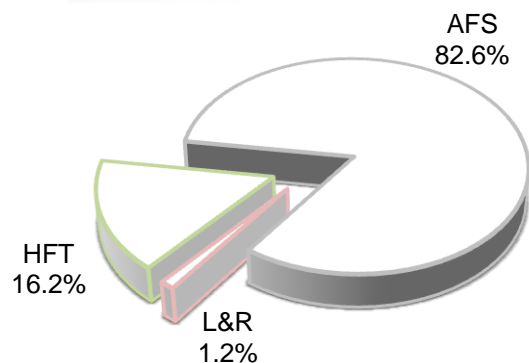
Market Value (€mln)	Dec-13	QoQ%	YoY%
HFT	9,252	+11.9%	-3.3%
AFS	23,680	-7.6%	-7.7%
L&R	2,604	-3.1%	-19.0%
Total	35,536	-2.8%	-7.5%

of which

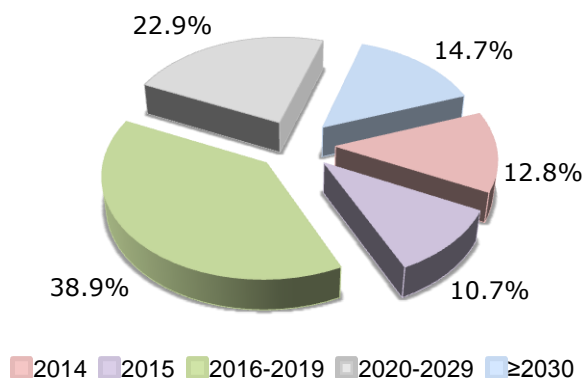
Italian Government Bonds: EUR 26 bn*

- Portfolio down 7.5% YoY, mainly in the AFS component, as a result of ongoing optimization activities
- Portfolio decreased 2.8% QoQ:
 - **HFT**: evolution affected by short term Italian govies purchases; Dec-13 portfolio came back to standard levels
 - **AFS**: down thanks to closure of Santorini transaction and the ongoing de-risking
 - **L&R**: down driven by natural maturity of certain securities
- L3**/Total Assets at 0.35% vs 0.94% Average major IT banks*** as at Jun-13

Breakdown by IAS category



Breakdown by maturity



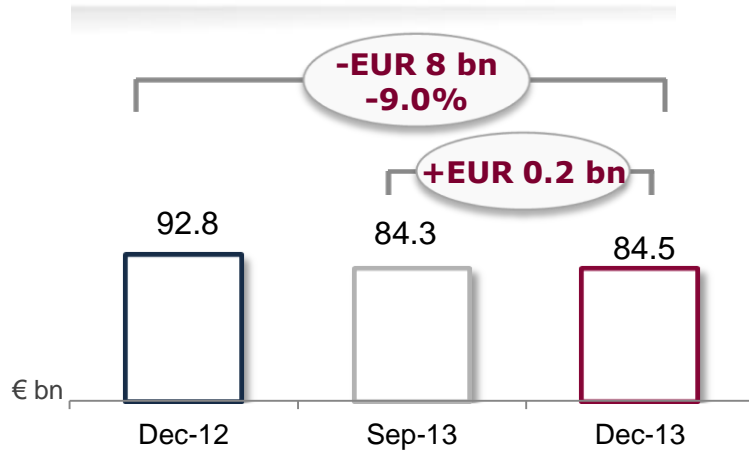
Maturity >2020:
~38% vs ~45%
(Sep-13)

* Market Value
**Including Bank of Italy
*** UCI, ISP, BAPO,UBI, BPM, BPER. Source 1H2013 Company Reports

RWAs, Capital Ratios and AFS reserve

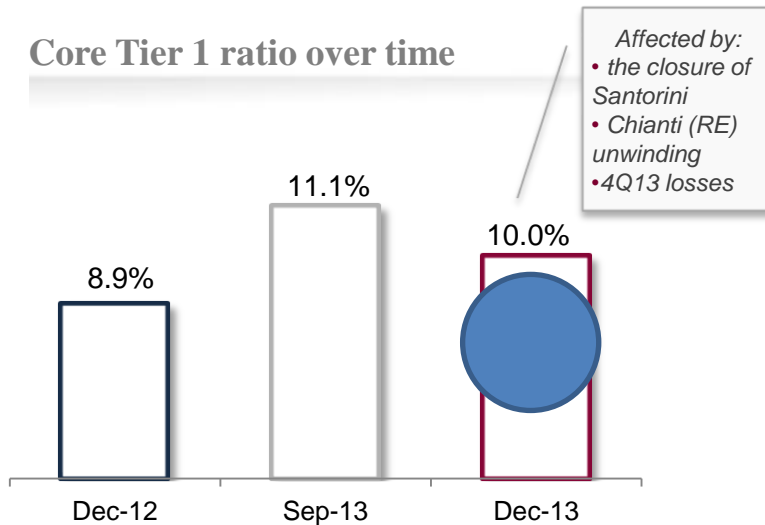


RWAs over time

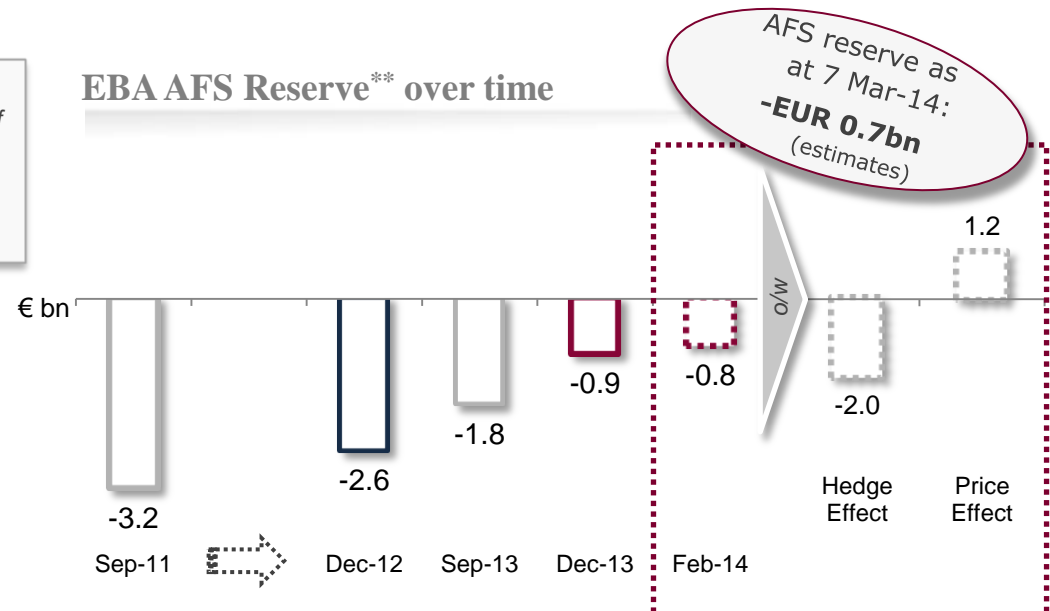


- Core Tier 1 *ratio*, including EUR 4.1bn of New Financial Instruments, at 10% (8.9% as at Dec-12)
- Ongoing **optimization of RWAs** (EUR 84.5bn as at Dec-13; -9% YoY) mainly driven by a significant reduction in credit and counterparty risk
- RWA/Total Assets at 42.4% vs 29.7% Average EU banks*
- AFS reserve** at Dec-13 was -EUR 0.9bn (compared to -EUR 3.2bn at time of EBA stress test on Sep-11)

Core Tier 1 ratio over time



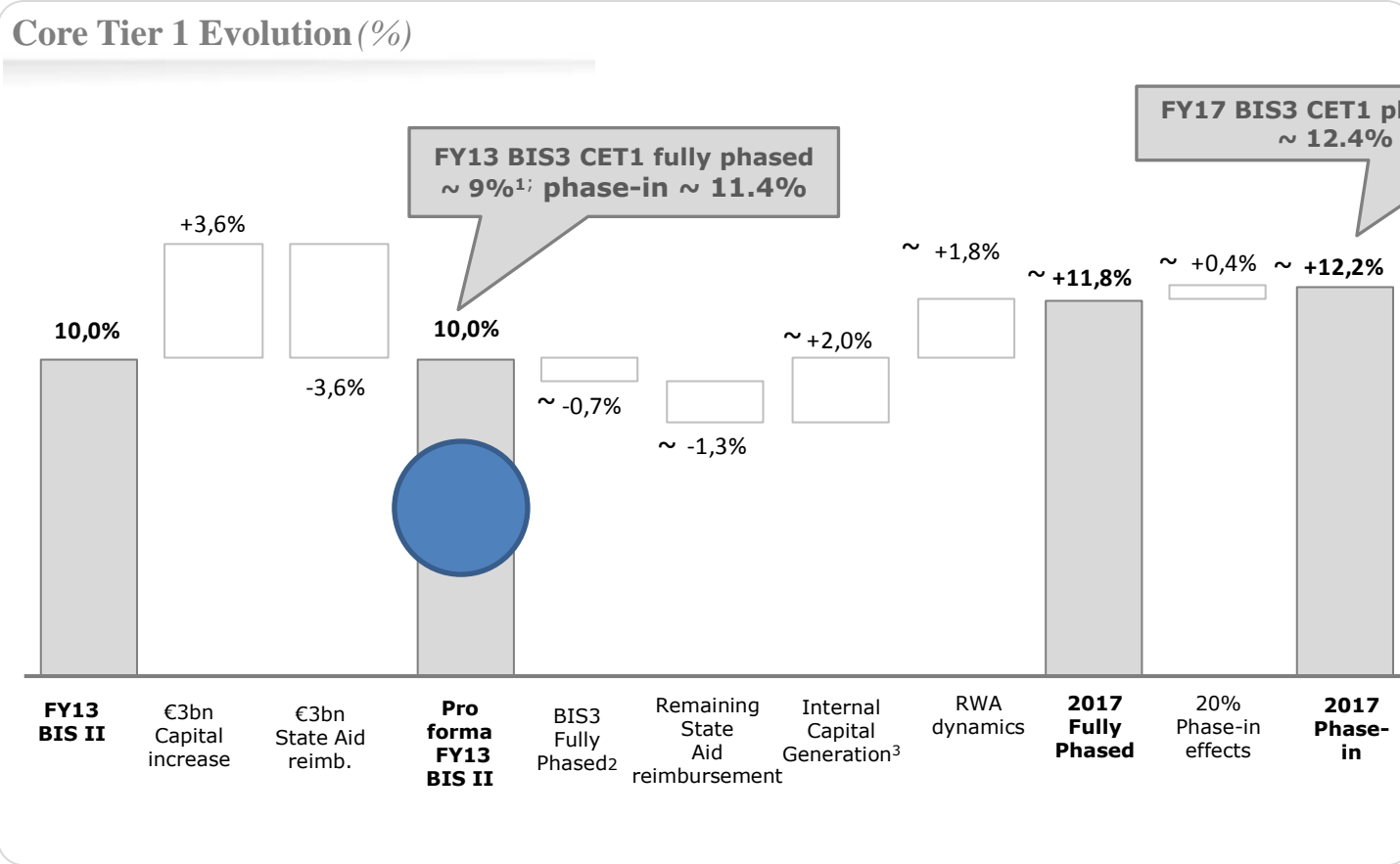
EBA AFS Reserve** over time



* Source: R&S report. Figures as at Jun-13

** Figures from operational data management system (Risk management)

2013: 10% Core Tier 1 & 9% CET1 BIS 3 fully phased



RWA
(€bn)

84.5

84.5

Evolution due to deleveraging, revision of expected B3 RWA absorption (CVA related) and reduction of BIS 1 "Floor"

72.8

72.8



1 Based on current rules and regulations. Impact is fully phased-in Basel 3 and based on 31.12.13 financial statements including: filter on AFS net reserves on European Government bonds, SMEs Supporting Factor, Bank of Italy equity investment eligible in regulatory capital, disposals of announced equity investments.
 2 Net impacts of BIS 3 introduction on Restructuring plan dynamics. Estimated impact according to present regulations.
 3 Includes retained earnings and NFI coupon matured 2014 paid in equity in 2015

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Summary of Banca Monte dei Paschi OBG Programme



Issuer:	<input type="checkbox"/> Banca Monte dei Paschi di Siena S.p.A.; Rating B2/ BBB/ BBB (Moody's / Fitch/DBRS)
Seller:	<input type="checkbox"/> Banca Monte dei Paschi di Siena S.p.A.*
Programme Size:	<input type="checkbox"/> EUR 10 billion
Guarantor:	<input type="checkbox"/> MPS Covered Bond S.r.l., a bankruptcy remote special purpose entity which benefits of segregations principals well established under Article 7-bis of Law 130/1999
Cover Pool:	<input type="checkbox"/> Italian prime, first economic lien residential mortgages originated by the Seller
Maximum Current LTV:	<input type="checkbox"/> 80% by law (residential mortgage loans)
Listing:	<input type="checkbox"/> Regulated Market of the Luxembourg Stock Exchange
Over-Collateralisation and Cover Pool Tests:	<input type="checkbox"/> The statutory tests are run quarterly and Asset Coverage Tests ("ACT") is run monthly to ensure sufficient programme support. Banca MPS will be the test calculation agent **
Back-Up Servicer	<input type="checkbox"/> Securitisation Services S.p.A.
Guarantor Calculation Agent:	<input type="checkbox"/> Securitisation Services S.p.A
Joint-Arrangers:	<input type="checkbox"/> Morgan Stanley, MPS Capital Services, Royal Bank of Scotland
Rating (Moody's / Fitch):	<input type="checkbox"/> Ba1 / A
Asset Monitor:	<input type="checkbox"/> Deloitte & Touche S.p.A. to confirm compliance with the statutory test on a quarterly basis, monthly on the Asset Coverage Test, and to report to the Issuer on a semi-annual basis
Governing Law:	<input type="checkbox"/> Italian
Representative of CB Holders:	<input type="checkbox"/> BNY Corporate Trustee Services Ltd
English Account Bank:	<input type="checkbox"/> The Bank of New York Mellon S.A.

*Acting as principal seller. Additional Servicers might be any other eligible bank which is a member of the Montepaschi Group

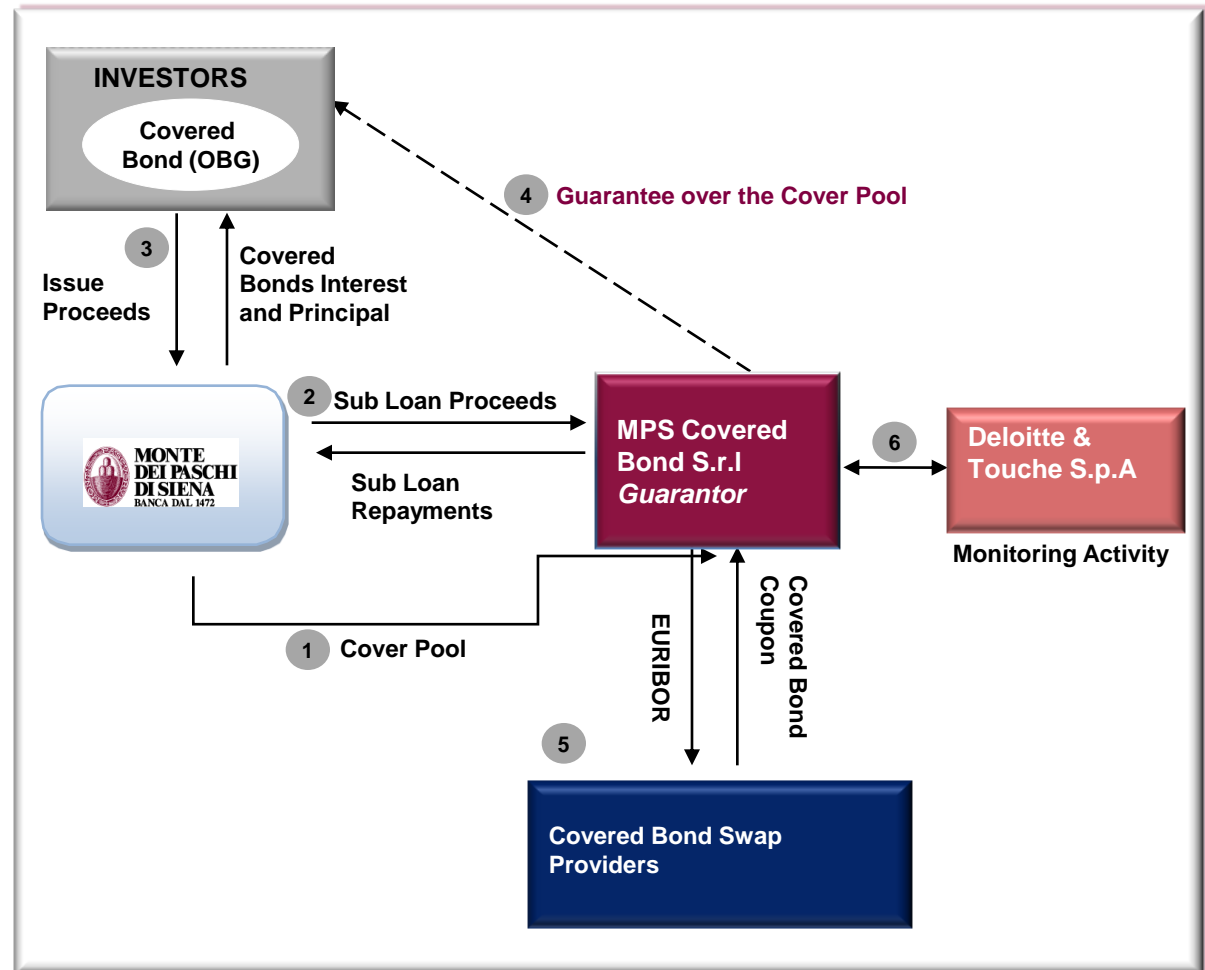
** Only for the period prior to the delivery of and Issuer Default Notice. Following the delivery of an Issuer Default Notice, Securitisation Services (acting as test calculation agent for the period after the delivery of an Issuer Default Notice) will perform calculation of the Amortisation Test

Covered Bond Structure for MPS Group



Covered Bond Structure for Banca Monte dei Paschi di Siena

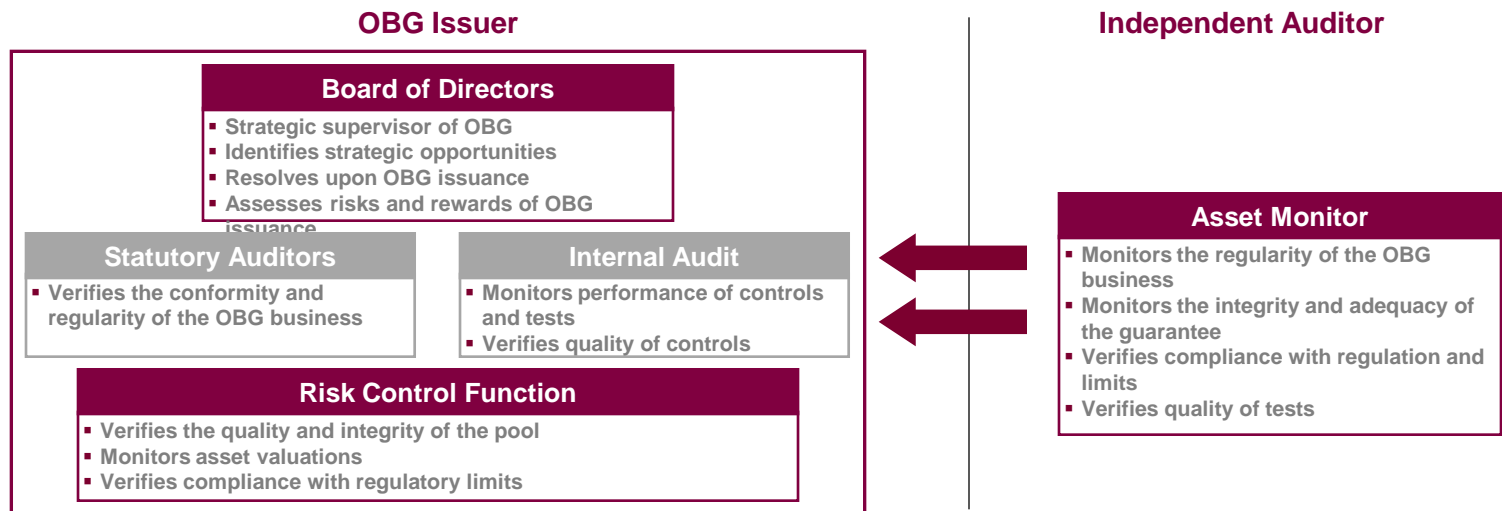
- 1 Banca Monte dei Paschi ("Banca MPS") transfers a portfolio of Eligible Assets (the "Cover Pool") (mortgage loans and asset backed securities) to MPS Covered Bond S.r.l. (the "Guarantor"), an SPV under Article 7-bis of Law 130/99, whose sole corporate purpose is to purchase these assets and to grant a guarantee for the benefit of the holders of OBG issued by Banca MPS
- 2 The Guarantor funds the purchase of the Cover Pool by means of subordinated loans granted by Banca MPS
- 3 Banca MPS issues OBG which are supported by a first demand, unconditional and irrevocable guarantee granted by the Guarantor for the exclusive benefit of the holders of the OBGs
- 4 The guarantee is collateralised by the entire Cover Pool
- 5 The Guarantor enters into some swap agreements with external counterparties where it will swap a floating rate into the fixed coupon due to the CB holders. The notional amount of liabilities swap will be determined from time to time in connection to the net exposure of the SPV to fix rate.
- 6 The Asset Monitor confirms compliance with the Asset Coverage Test and with the statutory tests on a monthly and quarterly basis, respectively, and reports to the Issuer on a semi-annual basis



Strong Emphasis on Controls and Monitoring



- ❑ The Bank of Italy puts particular focus on the controls and risk management for OBG issuers and on the ongoing involvement of the issuer's governing bodies:
 - Decisions in respect of Programme establishment and OBG issuance need to be taken directly by the top management of the Bank, with the involvement of the Statutory Auditors
 - Risk management and internal audit functions are involved on an on-going basis to ensure adequacy and robustness of the procedures in place
 - A review of the risk controls must be performed by the internal auditors at least annually, the result of which is subject to a specific report for the governing bodies of the issuer
 - The Asset Monitor must produce a report addressed to the issuer (and its control body)



Focus on Current Rating: Moody's



On **21 February 2014** -- Moody's has raised its timely payment indicator (TPI) on MPS Covered Bond Programme and other Italian covered bonds to "Probable" from "Improbable".

A combination of different factors that have lowered the refinancing risk of the Italian covered bonds underpin Moody's raising of the TPIs to "Probable": (1) The stabilisation of the Italian economy, reflected in the change of Italian's Baa2 government bond rating outlook to stable from negative; (2) Stronger market liquidity, reflected in an improvement of funding conditions for Italian banks; (3) The high level of over-collateralisation (OC) maintained by Italian issuers, (4) Credit quality of the cover pool.

On **23 December 2013** Moody's has announced that the hedging structure amendments of the residential mortgage Covered Bond Programme of Banca Monte dei Paschi di Siena (MPS) have no rating impact on the Programme. The hedging structure amendments consist of the cancellation of the asset swap and four liability swap for the bonds for a notional amount of € 1.2 mln; and the novation of three liability swaps to two external counterparties (Societe Generale and UBS Limited).

On **09 May 2013** Moody's has downgraded to Ba1 from Baa1 on review for downgrade the ratings of the mortgage covered bond issued by Banca Monte dei Paschi di Siena (MPS). This follows Moody's downgrade of MPS's rating on 09 May 2013.

Focus on current rating: Fitch



On **1 April 2014** Fitch affirmed Banca Monte dei Paschi's (BMPS; BBB/Negative/F3) OBG at 'A'/Negative based on the bank's 'BBB' IDR, a newly assigned IDR uplift of '1', an unchanged D-Cap of 1 and the AP which Fitch takes into account in its analysis, and which provides more protection than the breakeven AP for the current rating as calculated by the agency.

The Negative Outlook on the 'A' rating of BMPS's OBG reflects the Negative Outlook on the bank's IDR and that a potential downgrade of the IDR may not be entirely compensated by the IDR uplift of '1' assigned to the programme. The Negative Outlook also reflects the outlook for the Italian residential mortgage market."

On **20 March 2013** Fitch Ratings has affirmed Banca Monte dei Paschi di Siena S.p.A.'s mortgage covered bonds at "A" from "A+". The rating is based on MPS's Long-Term (LT) Issuer Default Rating (IDR) of "BBB/Negative/F3), a Discontinuity Cap (D-Cap) of 1 (very high risk) and the committed asset percentage (AP) of 7.50%.

On **15 January 2013** Fitch Ratings has affirmed Banca Monte dei Paschi di Siena S.p.a.'s mortgage covered bonds at 'A+' with a Negative Outlook. The affirmation follows a full review of the programme.

The rating is based on BMPS's Long-term (LT) Issuer Default Rating (IDR) of 'BBB', a Discontinuity Cap (D-Cap) of 2 (high risk) and the committed asset percentage (AP) of 67.70%. Given that the issuer's Short-term IDR is 'F3', the agency relies on the publicly stated level of AP.

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MPS Covered Bond programme at glance



- Covered Bonds:
 - ✓ OBG Issuance: EUR 7.3bln; EUR 3.92bln publicly issued as of April 1st 2014
 - ✓ Portfolio: EUR 12.5bln as of February 28th 2014
- Public Issuance:

Issue Date	Moody's Rating	Fitch Rating	Nozional Outstanding (million)	Coupon	Frequency	Maturity
06/30/10	Ba1	A	1,000,000,000.00	3125%	Annual	Jun-15
02/09/11	Ba1	A	1,470,000,000.00	5,0%	Annual	Feb-18
03/15/11	Ba1	A	1,250,000,000.00	4875%	Annual	Sep-16
05/13/11	Ba1	A	75,000,000.00	5375%	Annual	May-26
05/13/11	Ba1	A	75,000,000.00	5,5%	Annual	May-30
05/13/11	Ba1	A	50,000,000.00	Zc	Zc	May-31
Total			3,920,000,000.00			

- Securitisations:
 - ✓ Siena Mortgages Platform: 5 outstanding transaction of which 1.6bln outstanding has been sold to the market
 - ✓ Subsidiaries : 3 transaction (Siena Consumer, Siena LEASE, Siena SME)

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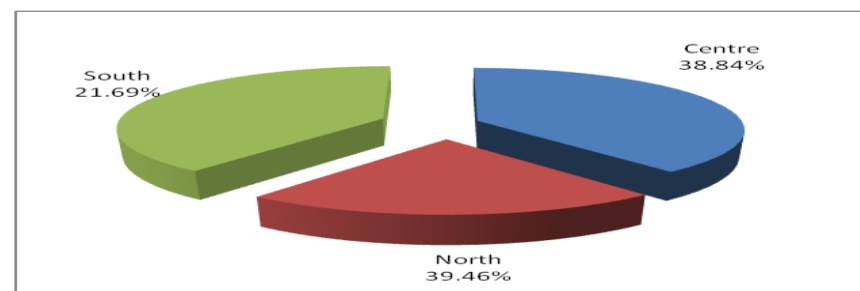
Cover Pool Characteristics (1/5)



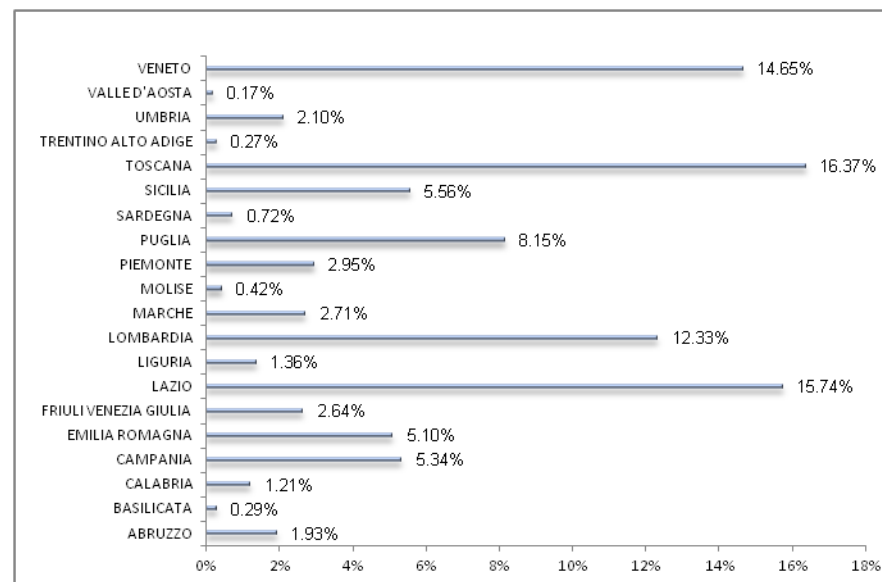
Balance (EUR)	12,494,009,984.36
Number of Loans	140,176
Number of Borrowers	138,662
Average Loan balance (EUR)	89,130.88
Residential Assets	100%
WA Margin (Floating Rate Loans)	1.62%
WA Interest Rate (Fixed Rate Loans)	5.34%
WA Seasoning (Months)	59
WA Original Term (Years)	24.12
WA Remaining Term (Years)	19.25
WA OLTV	63.90%
WA CLTV	53.27%
LTV Treshold	80.00%
Interest Only Loans	0.0%
Loans in Arrears > 90 days	0.45%

As of 28 February 2014

Geographical Distribution (%)



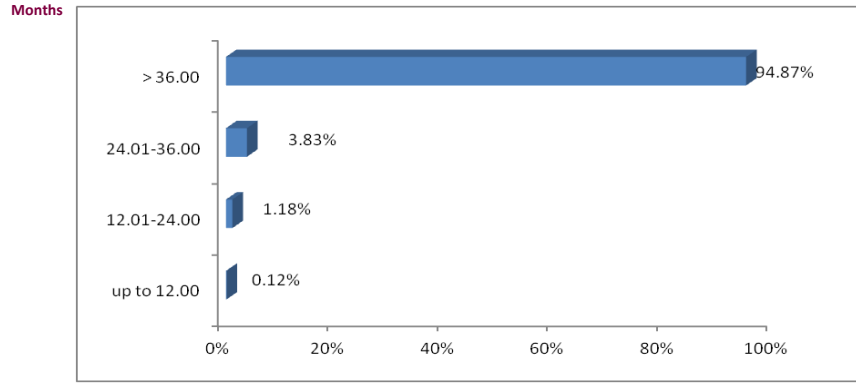
Regional Distribution by Property Location (%)



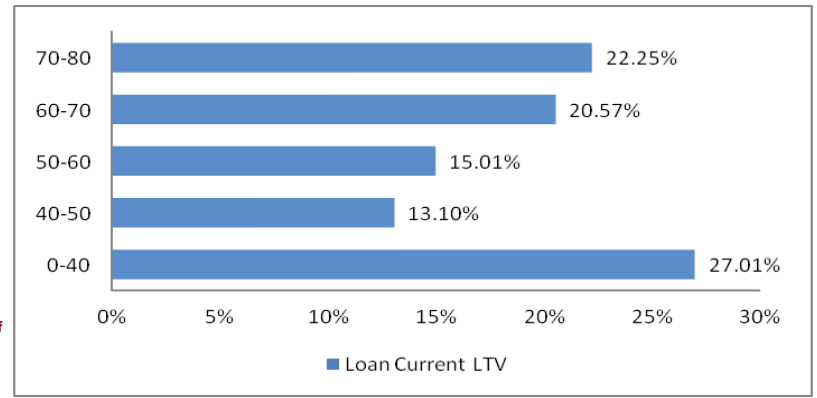
Cover Pool Characteristics (2/5)



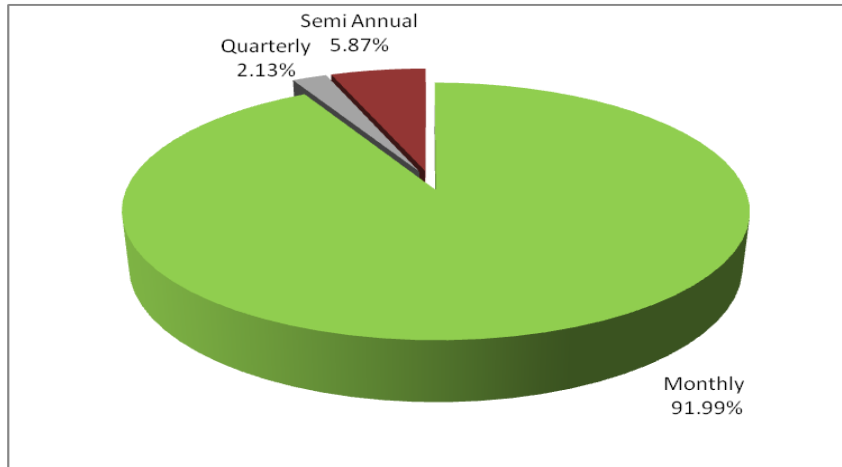
Loan Seasoning (Months)



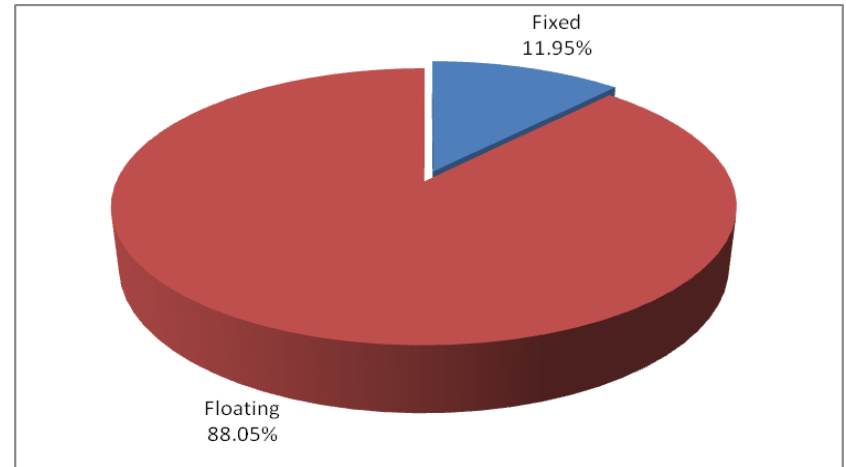
Loan Current LTV (%)



Payment Frequency (%)



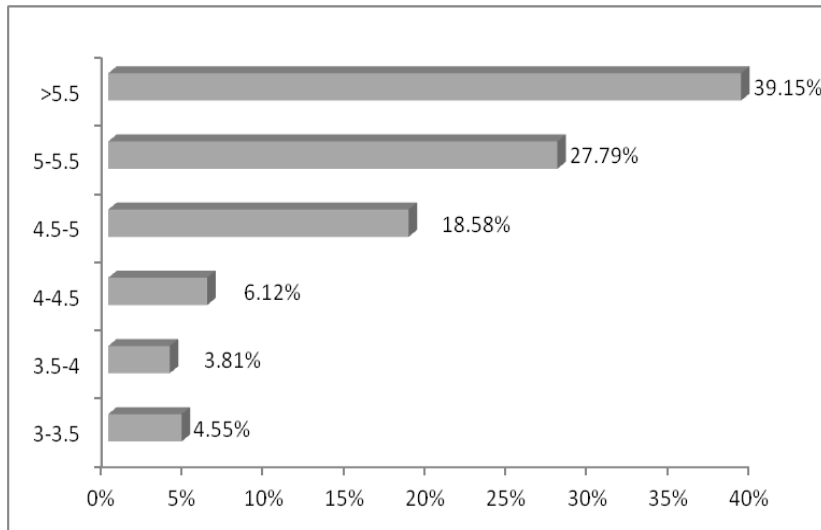
Interest Type (%)



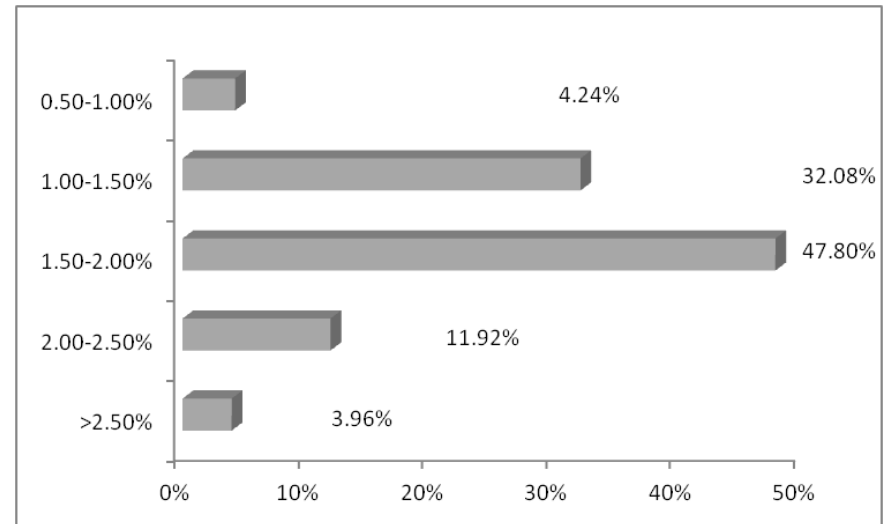
Cover Pool Characteristics (3/5)



Loan Interest Rate (%) (Fixed Only)



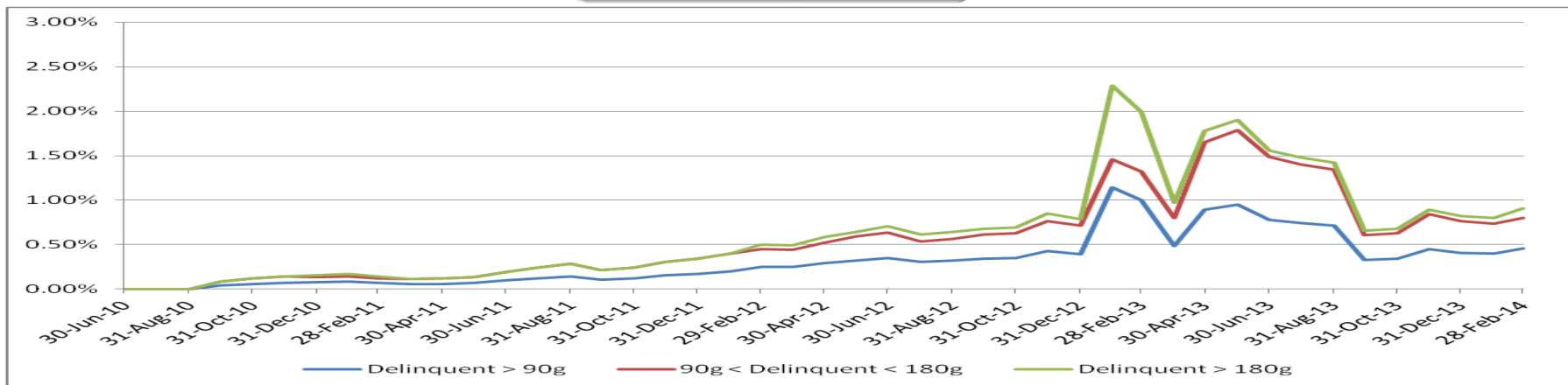
Loan Margin (%) (Floating Only)



Cover Pool Characteristics (4/5)

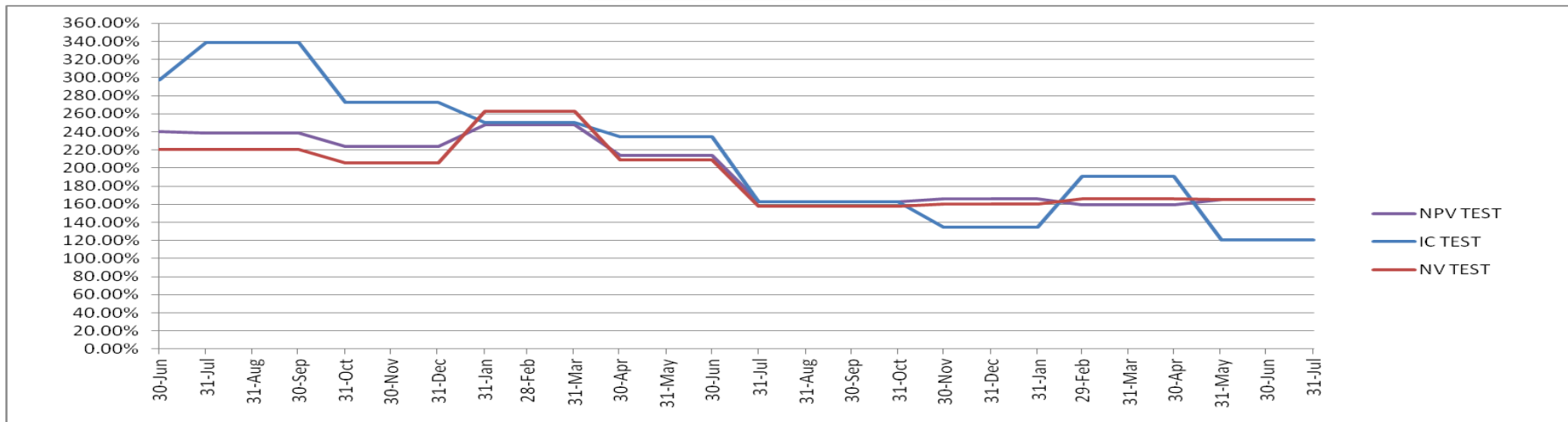


Covered Pool Performance



Covered Pool Test

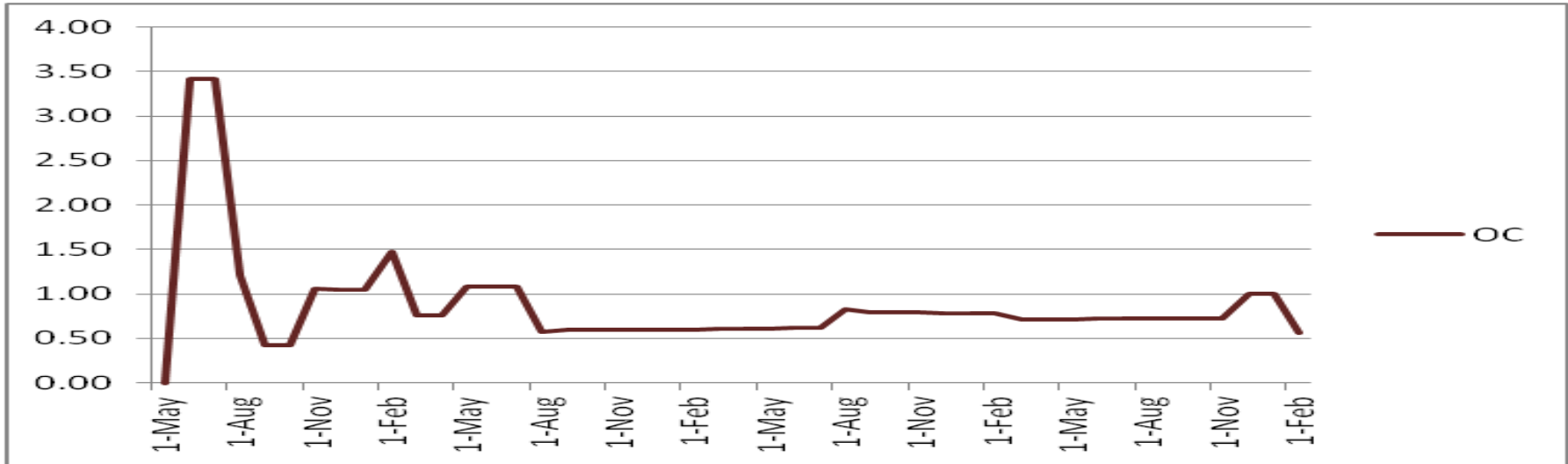
Solo NPV - NV - ICT



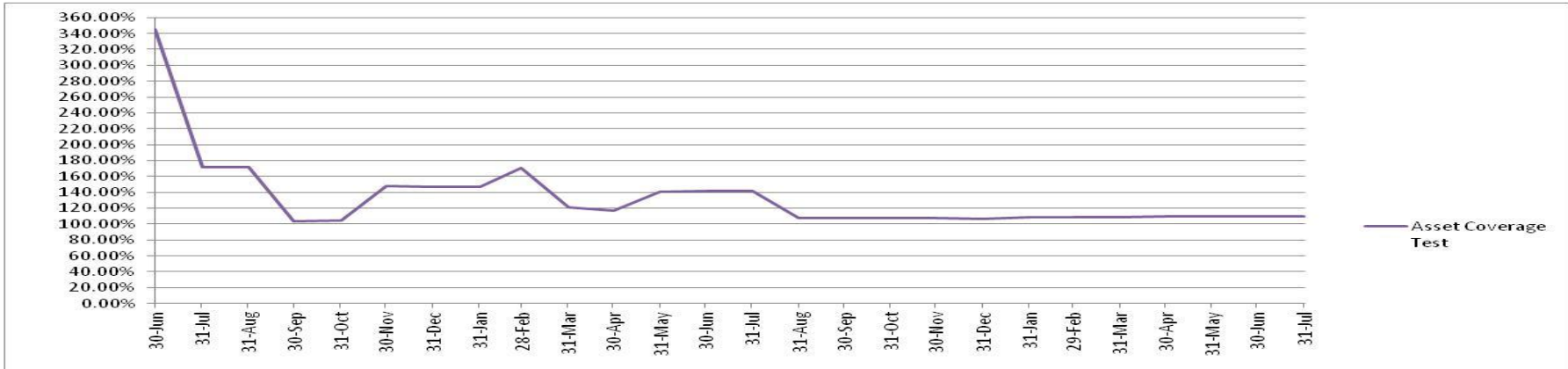
Cover Pool Characteristics (5/5)



OVERCOLLATERALISATION



ASSET COVERAGE



Italian OBG Programme Overview



	BMPS	Unicredit	Intesa	UBI	Banco Popolare	Banca CARIGE
	(as of 28 february 2014)	(as of 7 February 2014)	(as of 13 January 2014)	(as of 31 January 2014)	(as of 31 December 2013)	(as of 28 February 2014)
Outstanding Portfolio Amount:	12,494,009,984.36	23,362,387,144.29	13,315,051,394.43	3,145,713,454.36	10,127,014,603	4,953,434,273.00
Average Outstanding Potfolio Amount :	89,131	93,717.58	85,162	121,386	96,175	80,950
Weighted Average Seasoning (months) :	59	67.57	56.31	64.56	55	71.89
Weighted Average Current Indexed LTV :	53.27%	53.33%	49.51%	45.88%	53.4%	47.73%
Weighted Average Remaining Term (years) :	19.25	18.50	17.80	12.04	18.16	12.65
> 90 days delinquencies	0.45%	2.43%	n.a.	n.a.	n.a.	2.77%
Total outstanding issuance	8,220,000,000.00	13,331,000,000.00	11,326,278,000.00	2,120,000,000.00	5,700,000,000.00	2,812,000,000.00
Overcollateralisation (Portfolio/Covered Bond)-1	52%	75%	18%	48%	78%	76%
Rating (Fitch/Moody's/S&P)	A/Ba1/n.a.	A+/A2/AA+	A2 (Moody's)	BBB+/BAA3/BBB-	BBB+/A3/n.a.	BB/B2/B

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Tests Performed Under the OBG Programme



Test	Frequency	Description
Mandatory Tests (by Law) Nominal Value Test	Quarterly	The nominal value of the Assets constituting the Cover Pool is at least equal to nominal amount of the OBG outstanding. If breached, the NVT will be carried out monthly until cured
	Quarterly	The net present value of the Assets constituting the Cover Pool - net of all transaction costs (including costs of any swap agreements) – is at least equal to the net present value of the outstanding OBG. If breached, the NPVT will be carried out monthly until cured
	Quarterly	Interest and other revenues generated by the assets included in the Cover Pool, net of all costs to be borne by the Guarantor, is higher than the interests due on the outstanding OBG, taking into account any swap agreement entered into to cover financial risk. If breached, the ICT will be carried out monthly until cured
Asset Coverage Test	Monthly *	The nominal value of the assets constituting the Cover Pool, adjusted conservatively to consider Rating Agencies stresses (e.g. for arrears, defaults, potential set-off and comingling risks etc.) is at least equal to nominal amount of the OBG outstanding
Amortization Test	Monthly **	The nominal value of the assets constituting the Cover Pool, adjusted conservatively to consider the current status of the Assets (e.g. in arrears or in default receivables) is at least equal to nominal amount of the OBG outstanding
Pre-Maturity Test***	12 Months Prior Maturity	Test to ascertain that sufficient liquidity will be available for the Hard Bullet OBG to be redeemed on the relevant maturity date

* To be performed only prior to the delivery of an Issuer Default Notice

** To be performed only post Issuer Event of Default

*** Applicable only in respect of Hard Bullet OBG

Segregation Events



A Segregation Event will occur upon the notification by the relevant Test Calculation Agent that:

- Breach of one of the Mandatory Tests (quarterly); and/or
- Breach of the Asset Coverage Test (monthly)

has not been remedied within the applicable Test Grace Period*

- ❑ Upon the occurrence of a Segregation Event, the Representative of the Bondholders will serve notice on the Issuer and the Guarantor that a Segregation Event has occurred
- ❑ In such case:
 - No further Series or Tranche of Covered Bonds may be issued by the Issuer;
 - There shall be no further payments to the Subordinated Lender under any relevant Term Loan;
 - The purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only using the proceeds of a Term Loan; and
 - Payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default Notice has been delivered

* The Test Grace Period is the period starting on the date on which the breach of any of the Mandatory Tests or of the Asset Coverage Test is notified by the Pre-Issuer Default Test Calculation Agent and ending on the immediately following Test Performance Report Date

Issuer Event of Default



Issuer Event of Default

- ❑ *Non-Payment*: Issuer fails to pay any amount of interest and/ or principal due and payable on any Series or Tranche of OBG and does not remedy within 15 days, in case of amounts of interests, or 7 days, in case of amounts of principal, as the case may be
- ❑ *Breach of other obligation*: Material breach by the Issuer of any obligation under the Programme Documents and such breach is not remedied within the applicable grace period*
- ❑ *Insolvency Event*: Insolvency Event occurs in respect of Issuer
- ❑ *Article 74 resolution*: Suspension of payments ex art 74 of the Italian Banking law occurs in respect of the Issuer
- ❑ *Cessation of business*: Issuer ceases to carry on its primary business in accordance with its corporate object
- ❑ *Breach of tests*: Following the delivery of a Breach of Tests Notice, one of the relevant Tests is not cured within the applicable remedy period **
- ❑ *Breach of Pre-Maturity test*: The Pre-Maturity test is breached on a Pre-Maturity Test Date falling within [12] months prior to the Maturity Date, and the breach has not been cured before the earlier of (i) 14 calendar days from the date that the Issuer is notified of the breach of the Pre-Maturity Test and (ii) the Maturity Date



Enforcement of the OBG Guarantee

- ❑ The Representative of the Bondholders shall serve an Issuer default notice on the Issuer and the Guarantor demanding payment under the Guarantee
- ❑ Upon service on an Issuer Default Notice
 - *Segregation Event*: No further covered bonds may be issued and no further payments will be made under the Subordinated Loan Agreements and purchase price for any Eligible Assets or Top-Up Assets to be acquired by the Guarantor shall be paid only using the proceeds of the Term Loan
 - *Guarantee*: Interest and principal will be paid by the Guarantor when due in accordance with the Guarantee Priority of Payments
 - *Disposal of Assets*: As required, the Guarantor shall sell the Eligible Assets and Top-Up assets included in the Cover Pool
 - *Amortisation Test*: will be calculated monthly to ensure that, on each calculation date, the principal balance of the Cover Pool is greater than or equal to the principal amount of covered bonds outstanding

* Grace period: 30 days from the notice thereof

** Test remedy period starts on the date in which the breach of test notice is delivered and ends on the immediately following test performance report date

Guarantor Event of Default



Guarantor Event of Default

- Following the occurrence of an Issuer Event of Default and delivery of the relevant Issuer Default Notice, a Guarantor Event of Default will occur if:
 - *Non-Payment*: Guarantor fails to pay any amount of interest and/ or principal due under the guarantee and does not remedy within 7 business days
 - *Breach of other obligation*: Material breach by the Guarantor of any obligation under the Programme Documents and such breach is not remedied within the applicable grace period*
 - *Insolvency*: Insolvency Event occurs in respect of the Guarantor
 - *Breach of the Amortisation Test*: The Amortisation Test is breached on any test calculation date



Acceleration of the OBG

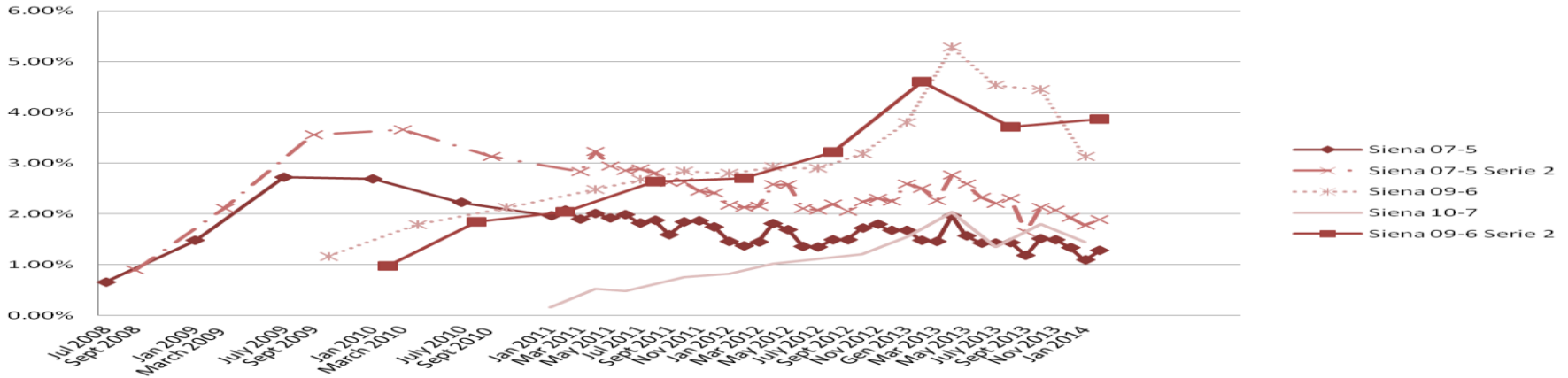
- The Representative of the Bondholders shall serve a Guarantor default notice
- Upon service of a Guarantor default notice
 - *Acceleration*: Covered bonds shall become immediately due and payable (together with any accrued interest) in accordance with the Post-enforcement Priority of Payments
 - *Guarantee*: The Representative of Bondholders shall have a claim against the Guarantor for an amount equal to the Early Termination Amount (together with accrued interest)
 - *Disposal of Assets*: The Guarantor shall immediately sell all Assets included in the Cover Pool
 - *Enforcement*: The Representative of the Bondholders may take steps against the Issuer or the Guarantor to enforce the payments due

* Grace period: 30 days from the notice thereof

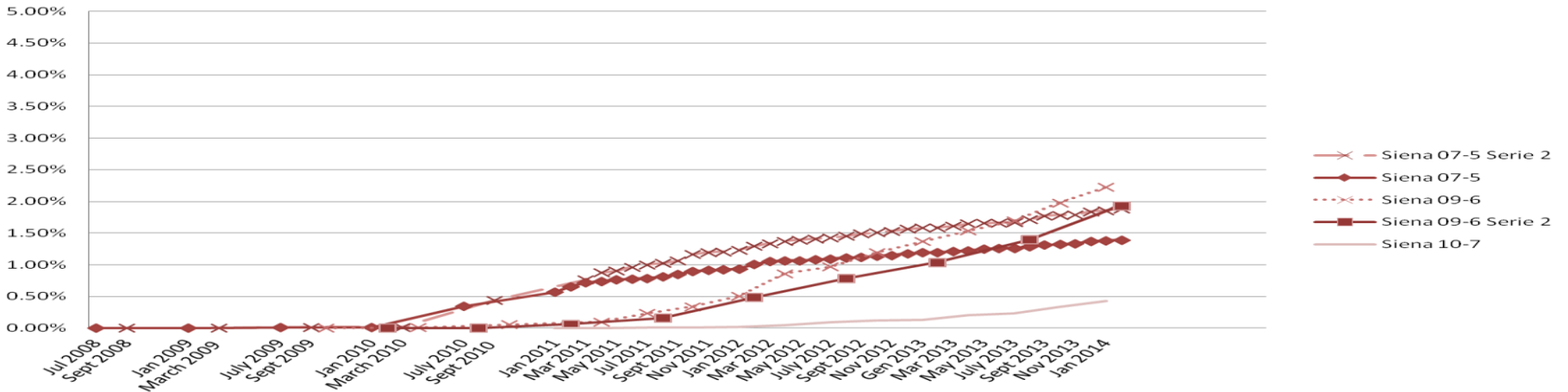
MPS RMBS Portfolios Performance



**Arrears > 60 days
(% Current Balance)**



**Cumulative default
(% Original Balance)**



The Italian Covered Bond Legal Framework



Name of the instrument	Obbligazioni Bancarie Garantite (“OBG”)
Legislation	Article 7-bis of Law 130/1999, Ministry of Economy & Finance decree 310 dated 14 December 2006 and Bank of Italy regulations issued on 17 May 2007 as supplemented on 24 March 2010
Special banking principle	Any Italian bank fulfilling specific legal and regulatory criteria for transfer of Assets and issuance of OBG (e.g. total capital and Tier 1 minimum ratios – see next page)
Asset Allocation	Assets included in the Cover Pool are segregated by operation of law through the transfer to a separate legal entity (SPV)
Integration Assets	Limit at 15% for top up assets (cash and eligible investments)
Geographical scope for public assets	EEA states and Switzerland, subject to a maximum risk weighting of 20% Non-EEA states and Switzerland (limit of 10% of the cover pool) with a 0% or 20% risk-weighting
Geographical scope for mortgage assets	EEA and Switzerland
LTV barrier residential / commercial	80% / 60%
Supervision	Bank of Italy
Protection against liquidity risk	Yes – Mandatory Tests (set out under the law), Contractual Tests (Asset Coverage Test and Amortisation Test) and Maturity Extension (other than for Hard Bullet OBG)
Protection against credit risk	Seller may replace non-eligible loans, defaulted loans or loans breaching R&W
Mandatory over - collateralisation	Assessed through the Asset Coverage Test, on a contractual basis
Contractual over - collateralisation	Yes
1st claim in the event of insolvency of the Issuer	Post-Issuer default, OBG do not accelerate since timely payment under the OBG is made by the Guarantor pursuant to the Guarantee which is backed by the Cover Pool cash flows
Compliance with CRD	Yes
Compliant with UCITS Art. 22 par. 4	Yes

Bank of Italy OBG Requirements



- ❑ Pursuant to Bank of Italy supervisory regulation (dated 17 May 2007), OBG may only be issued by banks with:
 - ❑ Minimum consolidated regulatory capital of € 500mln
 - ❑ Minimum Total Capital Ratio of 9%
 - ❑ Minimum Tier 1 Ratio of 6%

- ❑ In addition the assignment of assets to the cover pool is subject to certain limits based on the bank's total capital and Tier 1 ratios:



Disclaimers



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This document includes certain forward looking statements, projections, objectives and estimates reflecting the current views of the management of the Company with respect to future events. Forward looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Group participates or is seeking to participate. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Group's ability to achieve its projected objectives or results is dependent on many factors which are outside Group's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. Moreover, such forward-looking information contained herein has been prepared on the basis of a number of assumptions which may prove to be incorrect and, accordingly, actual results may vary. All forward-looking statements included herein are based on information available to the Company as of the date hereof. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this document corresponds to the underlying documentary evidence and accounting records.

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