Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

1H2014 GMPS Results

Fabrizio Viola
CEO & General Manager

Bernardo Mingrone
Deputy General Manager, Head of Finance & Operations

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Siena, 7 August 2014

Contents

1H14 Highlights

1 **Strong, high quality capital base** thanks to the successful completion of the EUR 5bn capital increase:

- **CET1 *phased in:* 13.5%**
- **CET1 *fully phased*: 12.0%***

2 **Sound liquidity position,** allowing for LTRO reimbursement (EUR 10bn**, of which EUR 8bn in 1H14), thanks to restored customer and market confidence:

- **Net Interbanking exposure** at EUR 23bn (EUR 31bn in March) and Counterbalancing Capacity at EUR 29bn (approx. 15% of total assets)
- **Total Funding increased** EUR 4.8bn in 1H14, mainly driven by current accounts, time deposits and AM
- Re-gained **access to capital markets**: 3 bonds issued since the beginning of the year at attractive yield. More than 80% of wholesale funding requirements for 2014 already complete
- **NSFR >100%***** and **LCR ~150%*****, with low leverage (TBV/Tangible Assets**** at 5.2%)

3 Restructuring Plan initiatives underway, **confirming the commitment to meet DG Comp targets**:

- Cost control
- Productivity increase (i.e. Regata)
- Business model repositioning (i.e. Widiba)

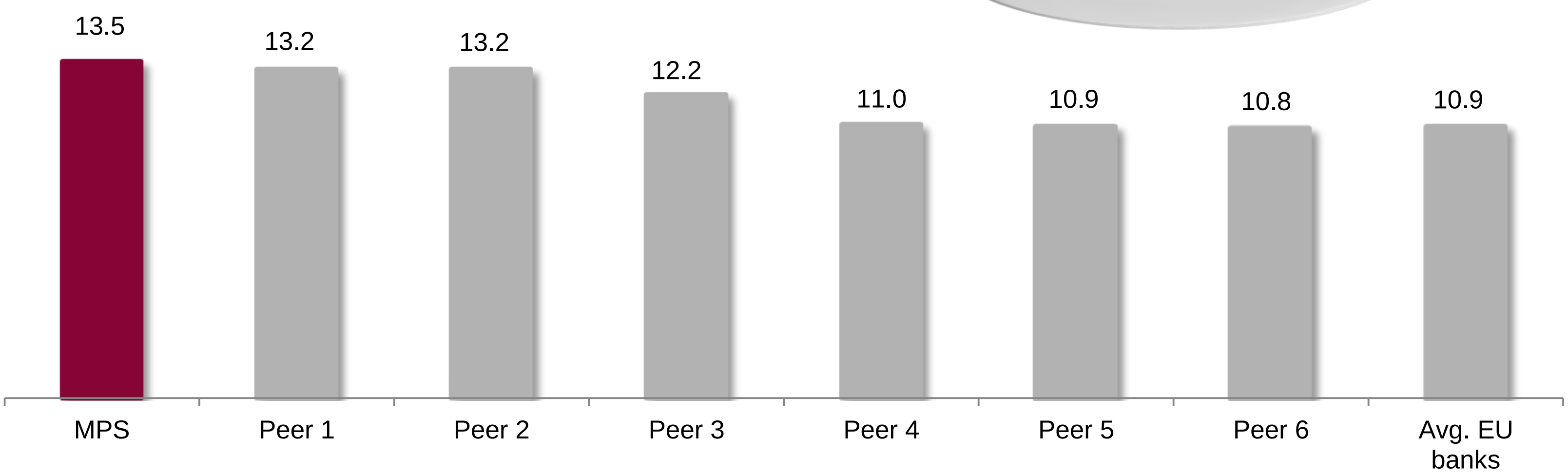
Result of the period (-EUR 353mln) still affected by difficult macroeconomic cycle (deleverage ahead of plan and high cost of risk) only partially offset by improving cost of funding trend and ongoing cost reduction; **1H14 "normalized" net profit substantially at breakeven**

*The BIS 3 fully loaded ratio has been estimated on the basis of results as at 30 June 2014 including then remaining amount of NFIs (EUR 1.071mln) and the filter on AFS net reserves on European Government bonds
** Of which EUR 1bn repaid on 13 August
*** BMPS estimates
**** Net of EUR 3bn of NFI reimbursement

1 CET1 at 13.5%, in line with best practise

CET1[*] *phased-in* (%)

CET1 *Fully phased*: 12%[**]

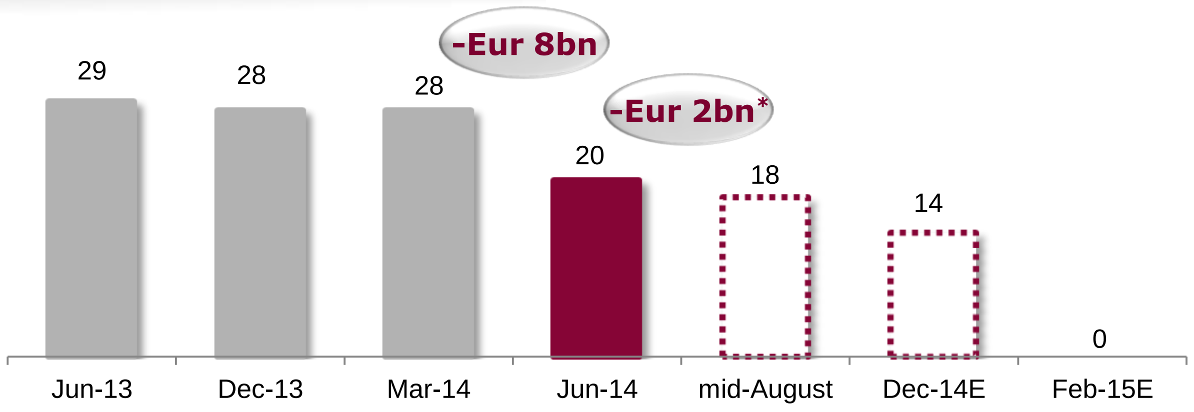


- **Successful completion of the EUR 5bn rights issue: 99.85% take-up** vs. 97.4% average of Italian deals done since 2010)
- **Redeemed EUR 3bn of NFIs** (nominal value), reducing overhang for shareholders
- Average buffer for the Comprehensive Assessment in the range of approx EUR 6.5bn (vs. 5.5% limit) and approx EUR 4.5bn (vs. 8% limit)[***]

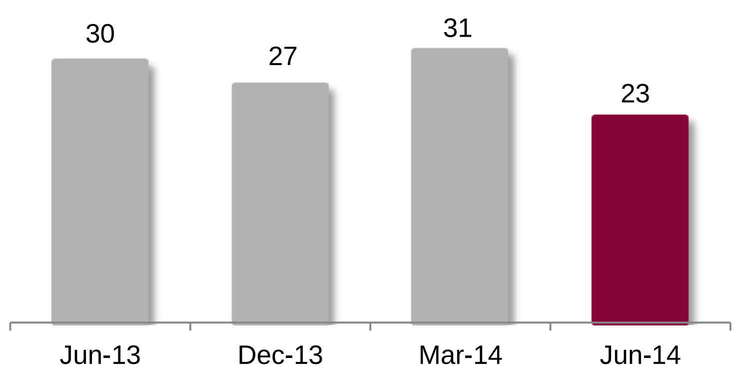
*Italian peers: UCI and ISP (figures as at Jun-14), BAPO,UBI, BPM and BPER (data as at Mar-14). Sample EU banks: data as at Jun-14. Source: 1Q14 and 1H14 Company Reports, Press Release and Presentations.
** The BIS 3 fully loaded ratio has been estimated on the basis of results as at 30 June 2014 including then remaining amount of NFIs (EUR 1.071mln) and the filter on AFS net reserves on European Government bonds
*** Estimated range vs. a Common Equity Tier 1 ratio threshold of 5.5% in a negative Stress Test scenario (the simulated impact of an adverse macroeconomic scenario on the financial strength of European banks currently being tested by the competent authorities) and 8% in the Asset Quality Review (review of asset quality currently being conducted on European banks by the competent authorities). The amounts correspond to a pre-tax absorption capacity of around EUR 9.5bn and EUR 6.5bn respectively

2 Sound liquidity position allowing for LTRO reimbursement …

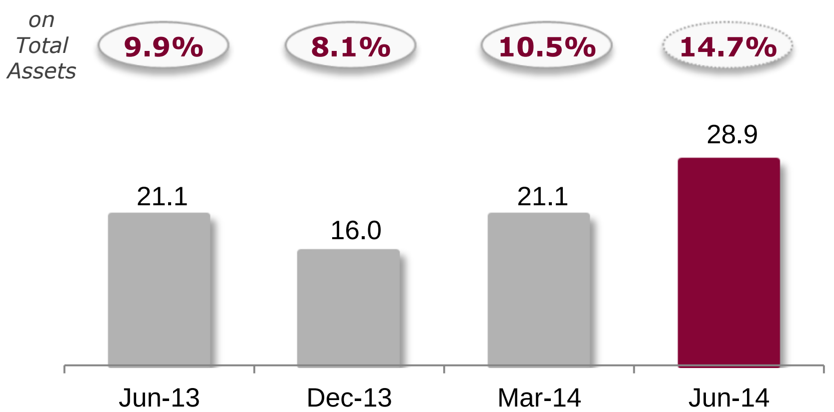
LTRO evolution *(€/bn)*



Net Interbanking exposure *(€/bn)*



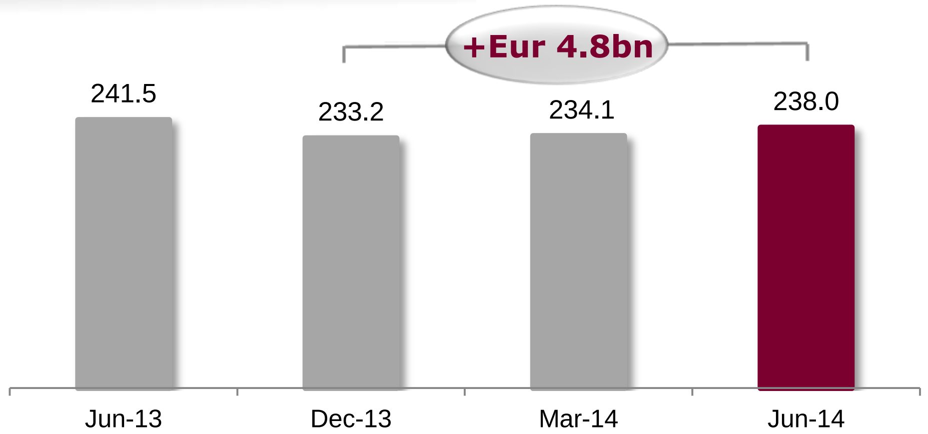
Unencumbered counterbalancing capacity *(€/bn)*



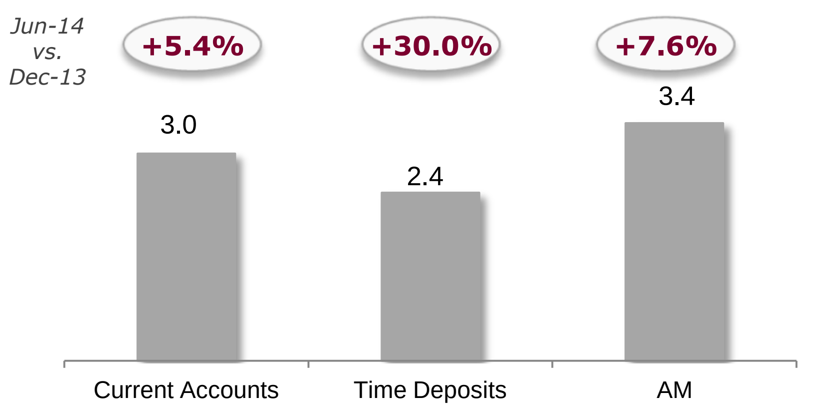
*Of which EUR 1bn repaid on 13 August

2 … thanks to restored customer and market confidence

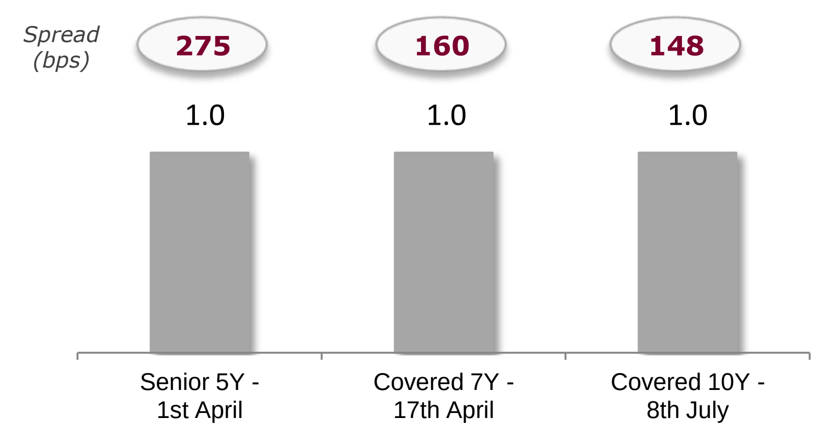
Total Funding *(€/bn)*



Retail and corporates net inflows since Dec-2013 *(€bn)*



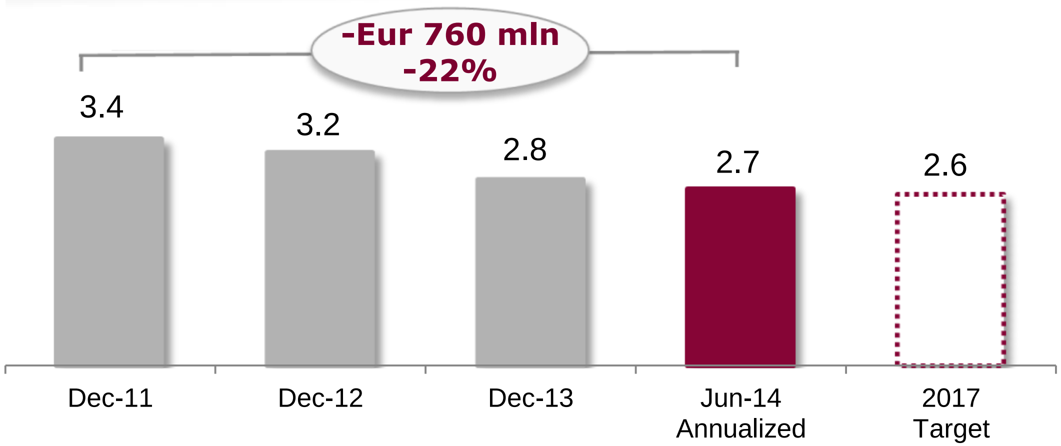
New Wholesale Bonds issued *(€bn)*



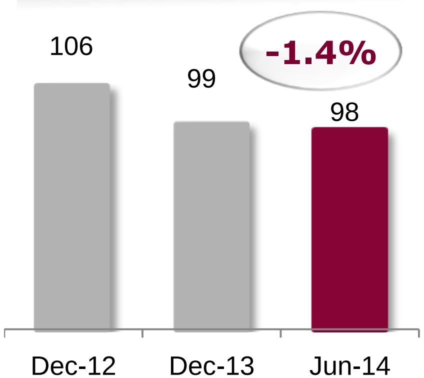
3

Unwavering commitment on cost control

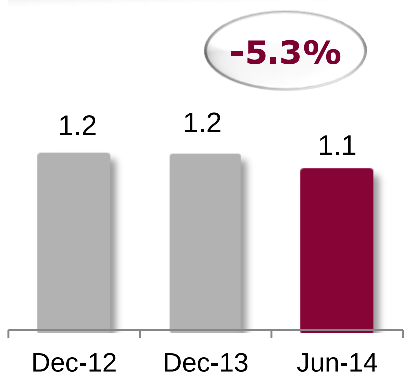
Operating Costs evolution *(€/bn)*



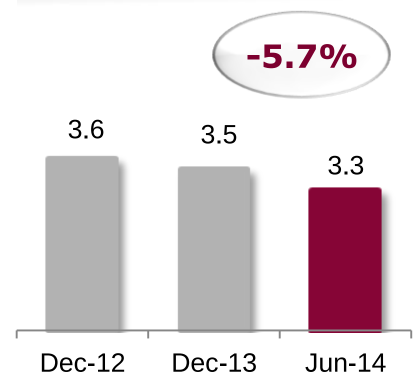
Operating costs per headcount *(€/000)*



Operating costs per branch *(€/mln)*



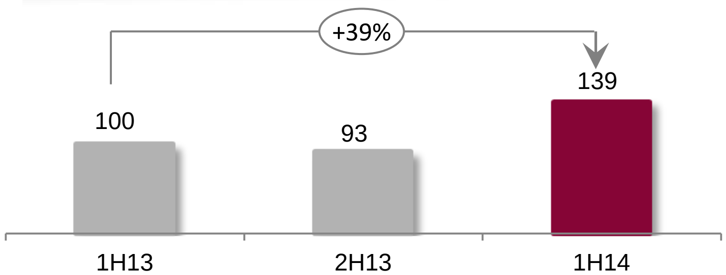
Operating costs per sqm *(€/000)*



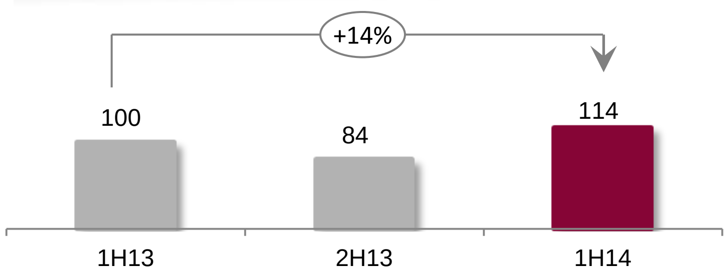
3 Retail sales productivity continues to increase; new Regata projects for SMEs launched in April

PROGETTO REGATA

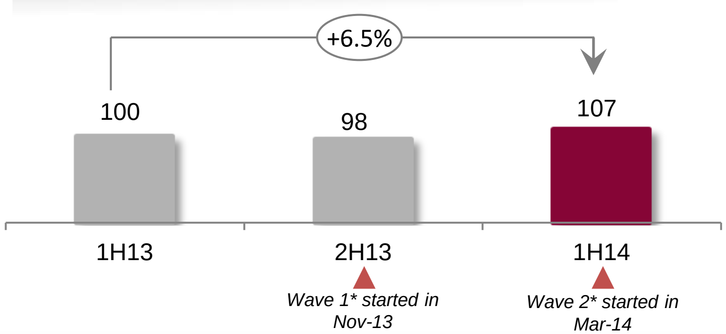
Contacts *(# per RM/day - index 1H13 =100)*



Sales *(# per RM/day -index 1H13 =100)*



Retail Net Commissions *(index 1H13 =100)*



- Significant impacts of Regata project on Retail business
  - +39% contacts, +14% sales per RM/day and +6.5% net commissions (1H14 vs. 1H13)
- New "**Regata Corporate and Regata Credito**" projects launched in Apr-14 to boost profitability of SMEs business
  - New projects aim to **enhance commercial results** on **high potential clients**
  - ...and **improve credit quality** by **reducing risky exposures** and **focusing on higher credit rating segments**
  - Roll-Out in 3 waves to be completed by Dec-14
  - First wave started in Jun-14 in “Nord Ovest” and “Toscana Nord” areas

Figures from operational data management system   Source: data from Planning, processing by Regata Project

*Wave1 includes: Nord Ovest, Toscana Sud Umbria Marche, Centro e Sardegna and Sud.   Wave2 includes: Antonveneta, Lombardia Sud Emilia Romagna, Toscana Nord and Sicilia Calabria.

3 Widiba: New Financial Adviser & digital bank ready to go beyond customer expectations

widiba

Get in the game

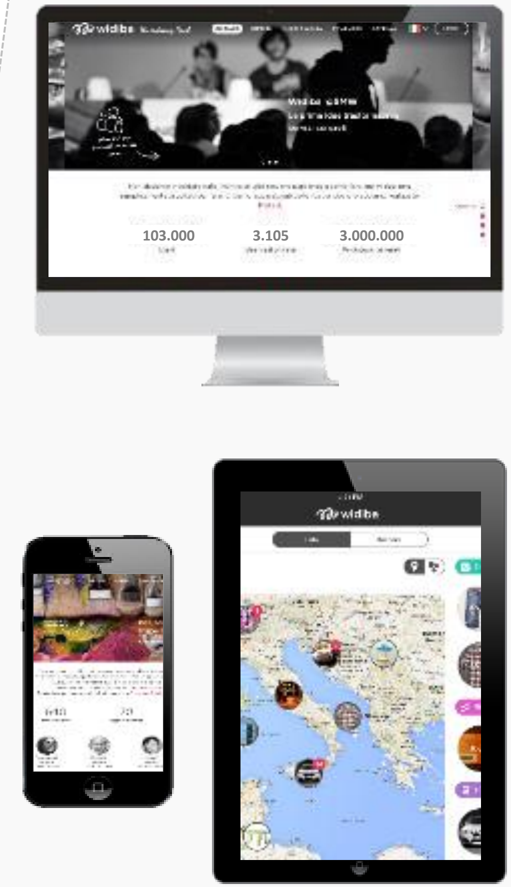
- **Obtained banking authorization** from Bank of Italy
- **Associated** to the **National Bank's Register**
- **Registered with ABI**, Fondo nazionale di Garanzia and Fondo Interbancario di tutela dei Depositi

Ready for the three screen world

- Designed and tested **digital processes** with **top tier results** in terms of **performance** and **reliability**
- Platform **already activated** and **operating**: full **deployment** in **4Q14**
- **Business Model** being deployed with **native integration** between **Online** and **Financial Advisors**

Customer 'waiting list' growing

- Fast **growing social community** on Facebook and Twitter with about **100k fans/followers**
- **Crowdsourced 3,000 new business ideas** through a proprietary engagement platform
- **Highest social sentiment** quality compared to **competitors** with **10+ years** experience



Confirmed ability and steadfast commitment to meet DG Comp targets …

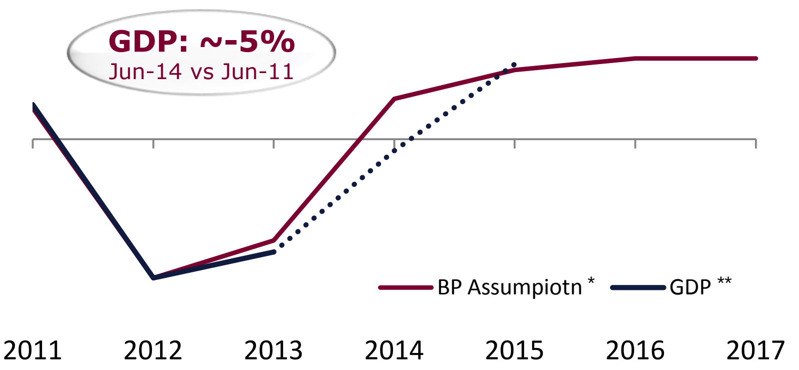
3

Commitments/BP targets		Major accomplishments and Outlook
Execution of a capital increase in 2014	✓ Jun-14	▪ Capital increase for EUR 5bn, 2x the amount included in the Business Plan, completed ▪ No new shares were subscribed by the underwriting syndicate
Reimbursement of State Aid	✓ Jul-14	▪ EUR 3bn NFIs reimbursed
LTRO entirely paid back by 2015	Well on track	▪ EUR 10bn* of LTRO reimbursed since the beginning of the year ▪ Reimbursement of further EUR 4bn by year-end
Deleveraging	Well on track	▪ Total assets decreased EUR 22bn since Dec-12 ▪ Deleveraging of Customer loans ahead of Plan, due to slowing economic cycle
Cost reduction	✓ Ahead of Plan	▪ Already met BP target ▪ Cost reduction continues thanks to cost management actions implemented ▪ Union agreement signed for the release of 1,334 resources by 31/12/2014 through initiation of a Solidarity Fund
Reduction of Italian sovereign bonds in the AFS category	Well on track	▪ Reduction in AFS Italian sovereign bonds ahead of target ▪ Closing of Santorini transaction
Closure of domestic branches	✓ Ahead of Plan	▪ Closed 400 branches in 2013, 2 years ahead of plan ▪ Further 150 branch closures planned by 1Q15, ahead of Plan

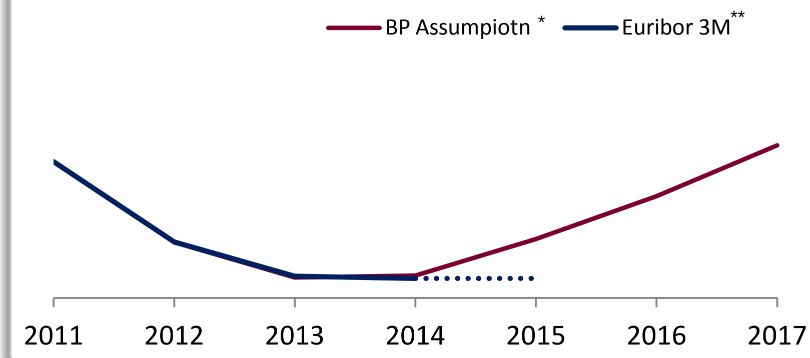
*Of which EUR 1bn repaid on 13 August

3 …but strong headwinds remain

Gross Domestic Product *(YoY %)*

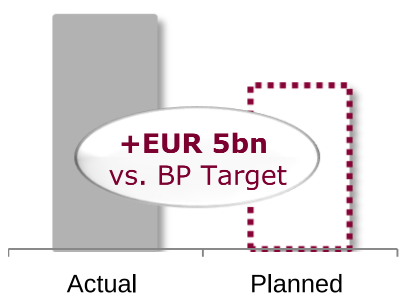


Euribor 3M - annual average *(%)*



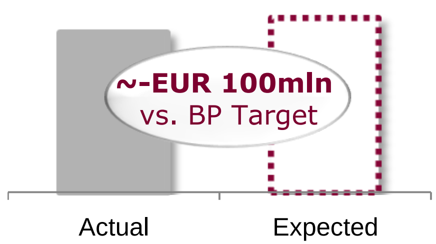
Deleveraging

"Core" loans*** decrease *(€ bn)*
(Jun-14 vs. Dec-12)



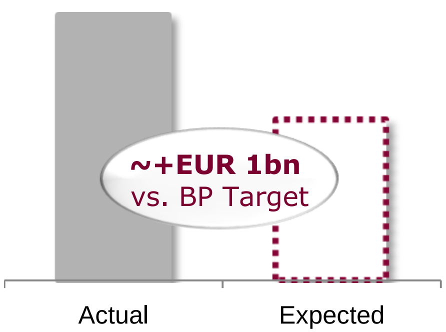
Fees

Cumulative income from Traditional banking fees *(€ mln)*
(2013 and 1H14)



Cost of Risk

Cumulative Loan loss provisions
(€ mln) (2013 and 1H14)



*Source: BMPS Research
**Source: Istat and Bank of Italy "Bollettino Economico" Jul-14
***Core loans: Total loans net of Repos and NPLs

Contents

- *Key messages*
- ***1H14 Results - Balance sheet***
- *1H14 Results - P&L*
- *Final Remarks*
- *Annexes*

Assets & Liabilities trend

Total Assets*

€/mln	Jun-13	Dec-13	Mar-14	Jun-14	QoQ%	YoY%
Customer loans	138,082	130,598	132,677	132,770	0.1%	-3.8%
Loans to banks	12,240	10,485	10,204	8,638	-15.3%	-29.4%
Financial assets	49,655	42,919	43,500	39,863	-8.4%	-19.7%
PPE and intangible assets	2,465	4,046	4,004	3,971	-0.8%	61.1%
Other assets**	11,428	10,413	10,637	11,286	6.1%	-1.2%
Total Assets	**213,870**	**198,461**	**201,022**	**196,528**	**-2.2%**	**-8.1%**

Total Liabilities*

€/mln	Jun-13	Dec-13	Mar-14	Jun-14	QoQ%	YoY%
Deposits from customers and securities issued	137,078	129,836	128,859	130,777	1.5%	-4.6%
Deposits from banks	41,741	37,279	40,991	31,810	-22.4%	-23.8%
Other liabilities***	28,493	25,166	24,888	22,864	-8.1%	-19.8%
Group equity	6,555	6,147	6,251	11,048	76.7%	68.5%
Minority interests	3	33	34	29	-13.5%	*n.m.*
Total Liabilities	**213,870**	**198,461**	**201,022**	**196,528**	**-2.2%**	**-8.1%**

- Customer loans slightly up QoQ, with deleverage on commercial loans (Current account overdrafts decreased EUR 0.5bn and Mortgages EUR 1.7bn) offset by the increase in repos (+EUR 2.2bn) on which temporary surpluses of liquidity, coming from the capital increase were placed
- HFT financial assets reduced as a result of MPS CS brokerage business (sale of Ordinary Treasury Bills purchased during 1Q14)
- Funding from customers up 1.5% QoQ, driven by Current accounts and Time deposits
- Deposits from Banks decreased due to reimbursement of LTRO (EUR 8bn)
- Shareholders' equity up on the back of the capital increase

* Previous-year figures have been restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014

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

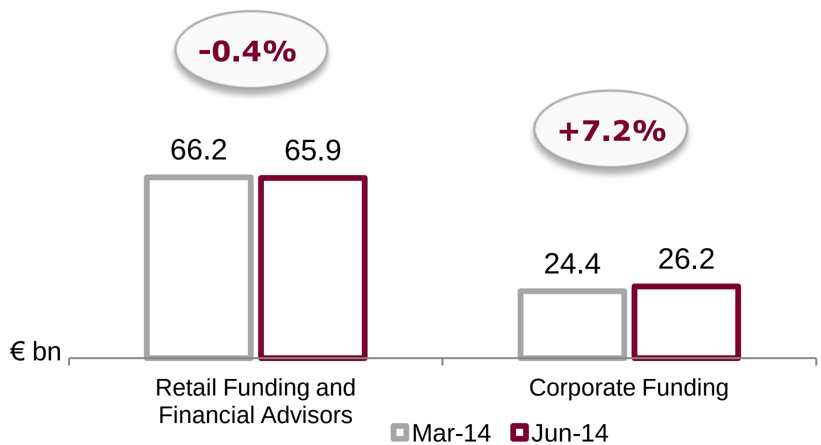
*** Financial liabilities held for trading, provision for specific use, other liabilities

Direct funding optimization

Direct funding by Source

€/mln	Jun-13	Dec-13*	Mar-14	Jun-14	QoQ%	YoY%
Current accounts	57,536	55,076	56,912	58,042	2.0%	0.9%
Time deposits	8,766	8,003	8,709	10,406	19.5%	18.7%
Repos	14,868	16,096	13,749	14,478	5.3%	-2.6%
Bonds	45,958	39,909	38,022	36,396	-4.3%	-20.8%
Other types of direct funding**	9,950	10,751	11,466	11,455	-0.1%	15.1%
Total	**137,078**	**129,836**	**128,859**	**130,777**	**1.5%**	**-4.6%**

Direct Funding by Segment***



- **Direct funding** stood at about EUR 131bn (+1.5% QoQ), with an increase focused on cheapest forms of funding: Current accounts (+2.0% QoQ) and Time deposits (+19.5% QoQ)
- In line with the market trend, **Retail Bonds** continued to decline (-EUR 1.6bn), with a shift to short-term products; **Wholesale Bonds** largely stable with maturities almost entirely replaced by new issuances
- **Corporate funding** increase EUR 1.8bn thanks to sight deposits from institutions (+7.2% QoQ); **Retail funding** substantially stable at EUR 66bn

* Figures as at 31/12/2013 for Direct funding from customers were restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014
** The item includes EUR 4.747 bn in NFIs, including accrued, unpaid interest
*** Customer accounts and securities - Distribution network

AuM: growing momentum

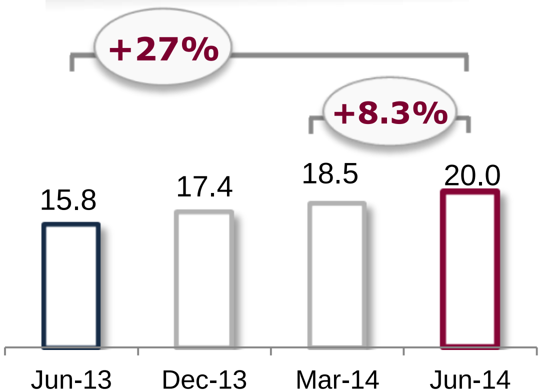
AuM/AuC

€/mln	Jun-13	Dec-13	Mar-14	Jun-14	QoQ%	YoY%
Assets under custody	61,606	58,292	58,617	58,680	0.1%	-4.7%
Assets under management	42,828	45,106	46,656	48,535	4.0%	13.3%
Total	**104,434**	**103,397**	**105,273**	**107,215**	**1.8%**	**2.7%**

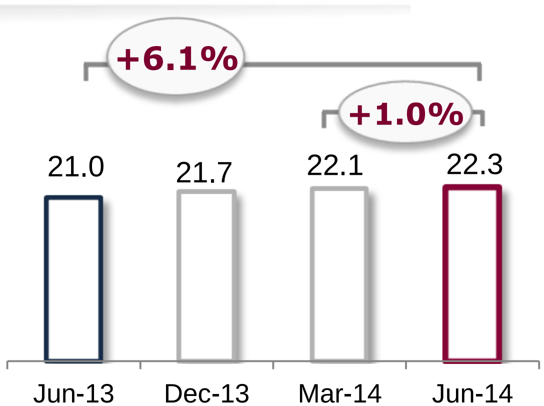
Breakdown AuM
(€/bn)

- **Indirect funding** was up 2.7% YoY and 1.8% vs 1Q14:
  - **Assets under management** increased 4.0% QoQ:
    - **Mutual funds** increased 8.3% QoQ, due to positive inflows and market impact
    - **Life insurance** increased 1% QoQ, approx. EUR 2.7bn in gross placements as at Jun-14 (+19.4% YoY)
  - **Assets under custody**: substantially stable vs. Mar-14 (+0.1% QoQ) thanks also to positive market effect

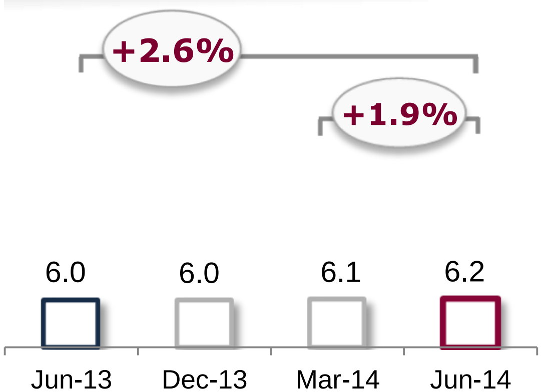
Mutual Funds/Sicav



Life insurance policies



Individual portfolios under mgmt



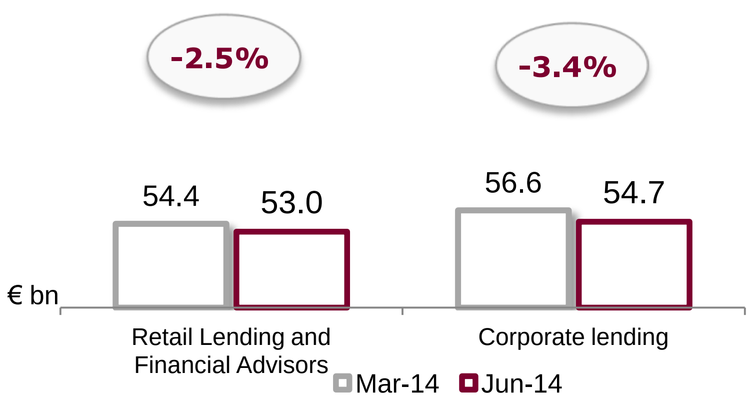
Lending: deleverage ahead of plan due to sluggish growth and overall macro environment

Total Lending*

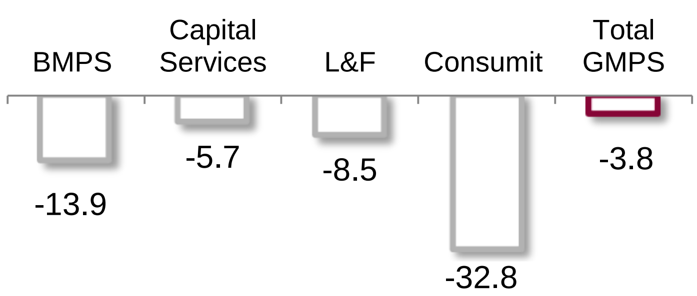
€/mln	Jun-13	Dec-13	Mar-14	Jun-14	QoQ%	YoY%
Current accounts	12,028	10,953	11,404	10,906	-4.4%	-9.3%
Mortgages	69,231	64,757	62,966	61,212	-2.8%	-11.6%
Other forms of lending	31,807	29,710	29,474	29,112	-1.2%	-8.5%
Reverse repurchase agreements	3,835	2,737	5,457	7,664	40.4%	99.9%
Loans represented by securities	2,142	1,449	1,453	1,434	-1.3%	-33.0%
Impaired loans	19,039	20,992	21,925	22,442	2.4%	17.9%
Total	**138,082**	**130,598**	**132,677**	**132,770**	**0.1%**	**-3.8%**

- **Loans to customers** broadly stable vs. 1Q14 (+0.1% QoQ) with an increase in Repos, where temporary surpluses of liquidity coming from capital increase were placed
- **Downward trend in retail and corporate lending** (especially in the medium/long term), due to sluggish growth and overall macro environment (affecting credit quality and demand) and the Group's more selective credit policies

Interest Bearing** Loans by segment



Loans breakdown by Business unit*** (% YoY)



* Figures as at 31/12/2013 were restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014

**Loans excluding net NPLs. Distribution network

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

Financial Assets

Securities and Derivatives Portfolio

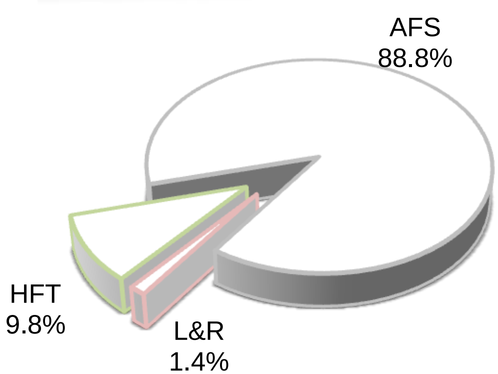
Market Value *(€mln)*	**Jun-14**	**QoQ**	**YoY**
HFT	8,578	-20.1%	-25.3%
AFS	23,031	-0.3%	-12.0%
L&R	2,459	-0.7%	-14.1%
Total	**34,067**	**-6.2%**	**-15.9%**

of which

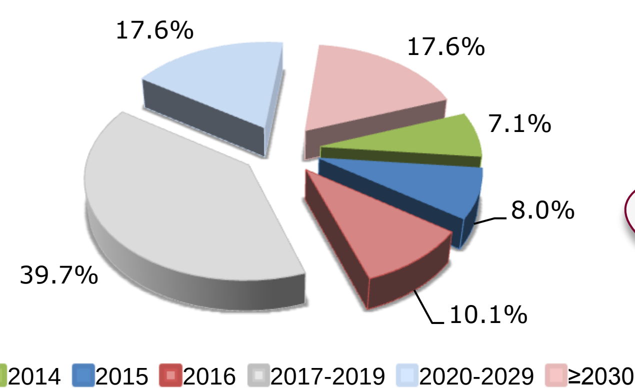
Net Italian Government Bonds: EUR 24bn*

- Portfolio down 15.9% YoY (-EUR 6.4bn) and 6.2% QoQ due to the ongoing optimization of the AFS portfolio, with a reduction of the average duration:
  - **HFT**: down from the end of March due to the sale of Ordinary Treasury Bills (BOT) purchased in auction by MPSCS during 1Q14, in its capacity as primary dealer. VaR down EUR 5.71mln as at 30/06/14 vs. EUR 7.46mln as at 31/03/14 and EUR 9.77mln as at 31/12/13
  - **AFS**: stable following the sale of medium-long term bonds and repurchase of securities with shorter term maturities and positive market effect
  - **L&R**: substantially stable

Breakdown by IAS category



Breakdown by maturity



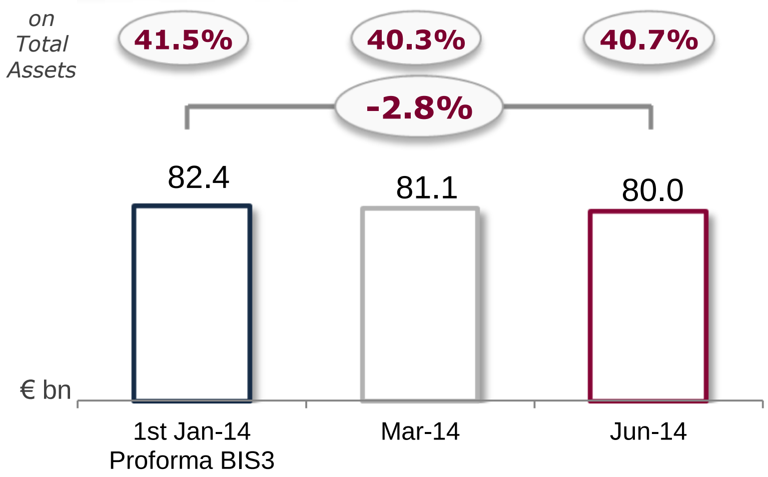
Nominal Value of the Italian Government Bond Portfolio in AFS: **EUR 19.2bn** vs. EUR 22.4bn in Jun-13

Duration AFS portfolio: **6.3Y** vs. 6.4Y in Mar-14 and vs. 6.6Y in Jun-13

* Market Value

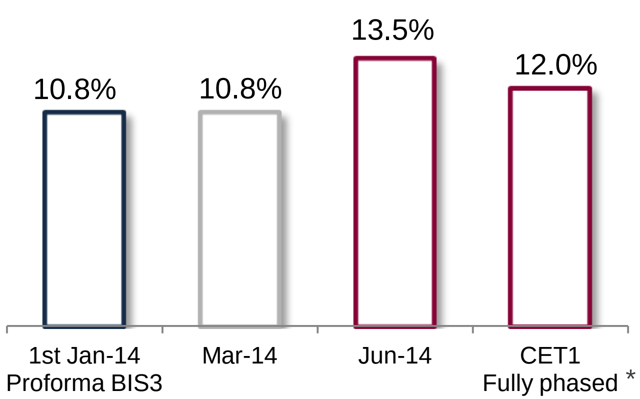
RWAs, Capital Ratios and AFS reserve

RWAs over time

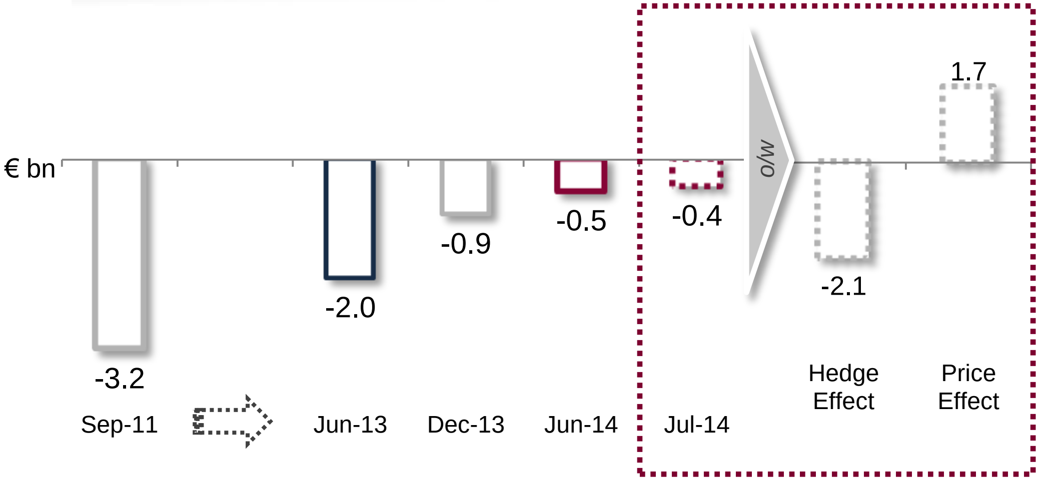


- Ongoing **optimization of RWAs** (EUR 80bn as at Jun-14) due to a combined effect arising from the reduction in credit risk (mainly due to portfolio optimisation) partially offset by increased requirements related to financial investments and DTAs (non-covertible), not deducted from CET1 but included in RWAs with a risk weight of 250%
- **CET1 ratio** *phased-in* at **13.5%** vs. 10.8% as at Dec-13 restated for BIS3
- **AFS reserve** at Jun-14 was –EUR 0.5bn (compared to -EUR 3.2bn at time of EBA capital exercise in Sep-11)

CET 1 ratio over time



EBA AFS Reserve** over time



* The BIS 3 fully loaded ratio has been estimated on the basis of results as at 30 June 2014 including then remaining amount of NFIs (EUR 1.071mln) and the filter on AFS net reserves on European Government bonds

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

Contents

1H2014 P&L: Highlights

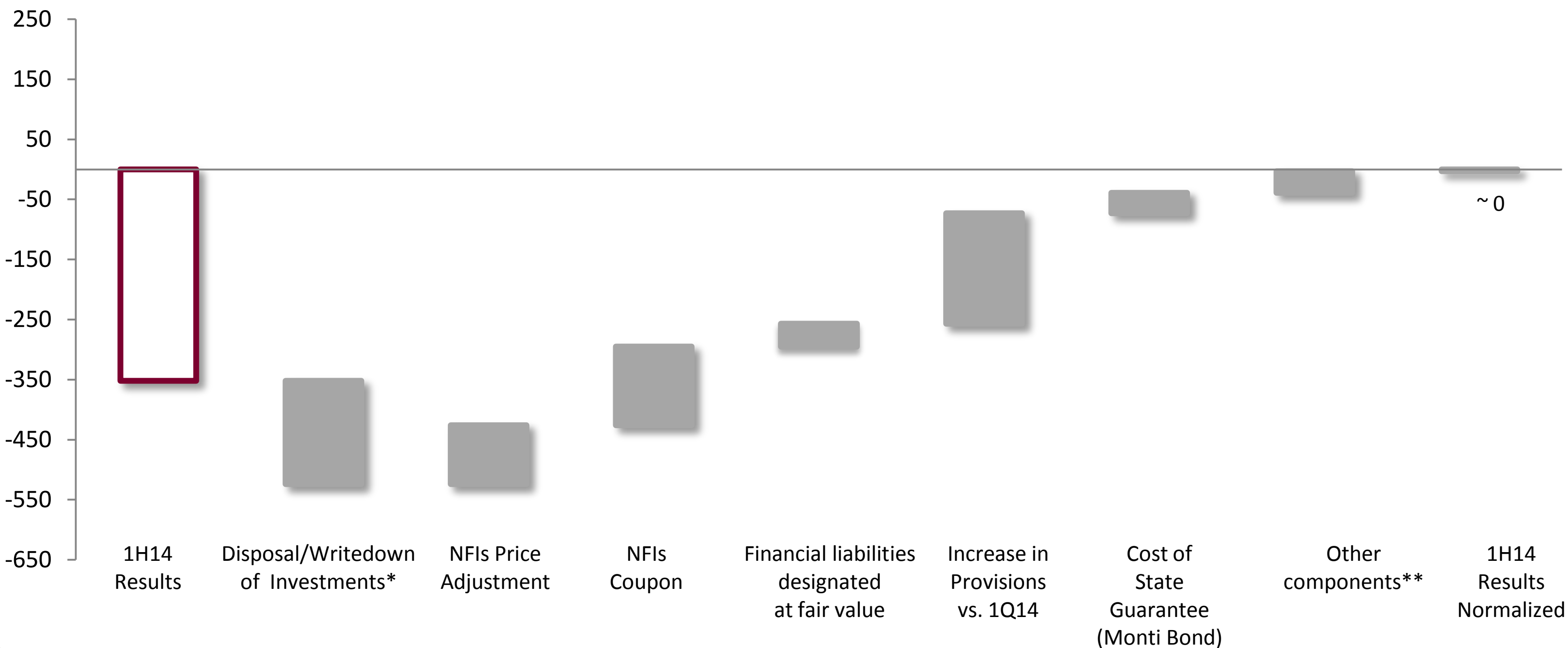
€ mln	1H13*	1H14	Change (YoY %)
Net Interest Income	1,084.9	972.0	-10.4
Net Fees	848.6	871.0	+2.6
Basic income	**1,933.5**	**1,843.0**	**-4.7**
Other revenues from financial activities	256.9	109.9	-57.2
Total Revenues	**2,190.4**	**1,952.8**	**-10.8**
Operating Costs	**(1,433.6)**	**(1,331.2)**	**-7.1**
Personnel costs	(875.5)	(851.3)	-2.8
Other admin expenses	(482.8)	(381.1)	-21.1
Total provisions	**(1,051.0)**	**(1,226.9)**	**+16.7**
Of which: LLP	(1,029.0)	(1,208.0)	+17.4
Non recurring items	(30.8)	(78.3)	*n.m.*
Profit (Loss) before tax	**(325.0)**	**(527.0)**	**+62.2**
Taxes	(6.1)	193.9	*n.m.*
Purchase Price Allocation	(21.5)	(18.8)	-12.6
Net income	**(379.4)**	**(353.0)**	**-6.9**

- **1H14 Results: Main underlying trends**
  - **Deleverage ahead of plan**, due to market environment, with negative impact on revenues
  - **Cost of funding continues to decline**, supporting NII performance (expected to continue also in the coming quarters)
  - **Ongoing structural cost containment**
  - **Increase in provisions in 2Q14** due to transition of impaired loans to higher risk positions, provisions on selected problem exposures, revised estimates of losses on certain NPLs
  - Results continue to be significantly affected by **non recurring items**

* Previous-year figures have been restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014

Normalized Net Profit

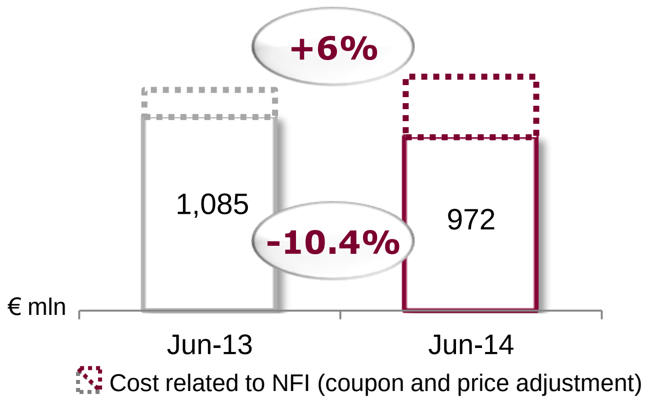
Normalized Net Profit (€/mln)



* Among which: Sorin capital gain (EUR 17 mln), Anima capital gain (EUR 92mln), Biver earn-out (EUR 57mln), SIA capital gain (EUR 37mln)
** Among which EUR 13mln one- off costs related to capital increase, strategic initiatives and asset disposals

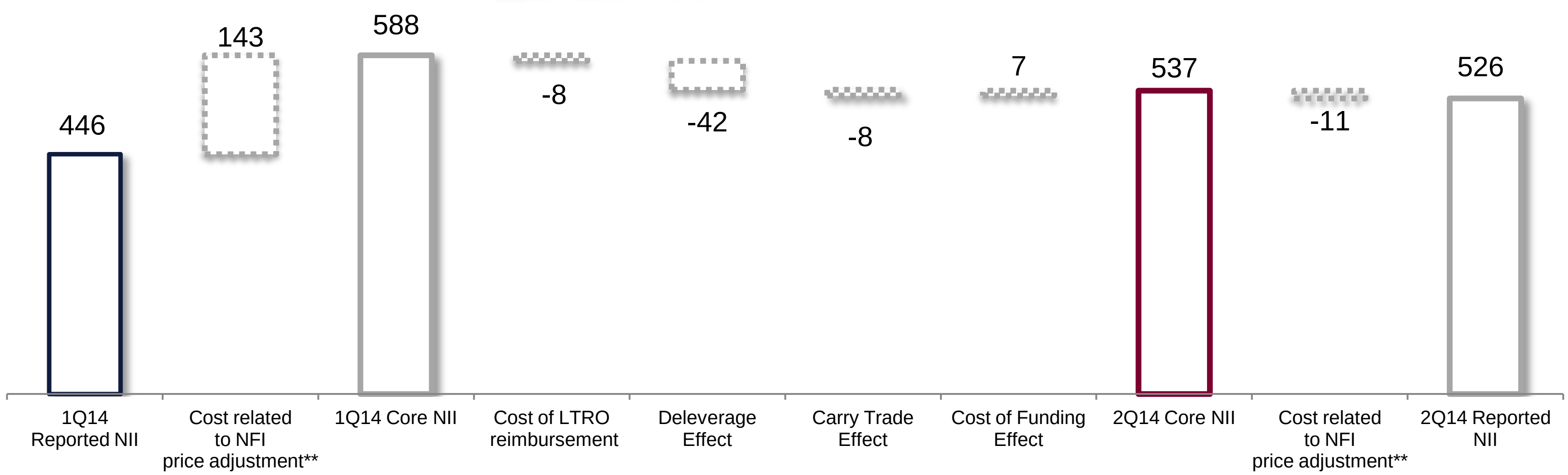
Increasing "Core" Net Interest Income, notwithstanding >EUR 9bn YoY deleverage*

Net Interest Income (YoY)



- "Core" Net Interest Income (net of costs related to NFIs) increased 6% YoY
- Quarterly evolution mainly affected by:
  - deleverage ahead of plan
  - cost of replacement of LTRO
  - carry trade effect, mainly due to the optimization of the AFS portfolio
- 2H14 will benefit from the EUR 3bn NFIs reimbursement (approx. EUR 150mln)

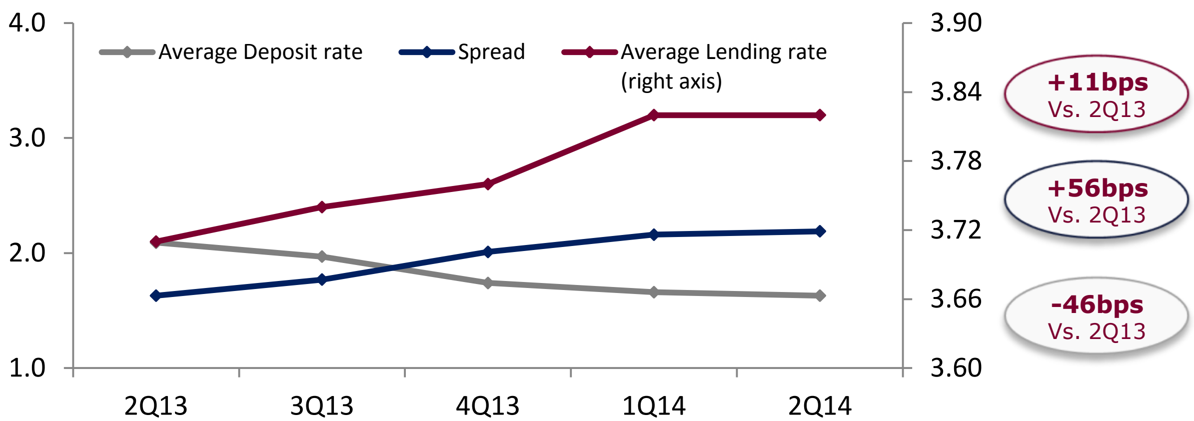
Net Interest Income* (QoQ)



*Considering only Current Account overdratfs and Mortages components
** Cost related to the repayment of State-subscribed securities (NFIs) adjusted to the contractual provisions governing the instruments, which bind the repayment amount to the consideration that the Monte dei Paschi di Siena Foundation communicated to have received for the sale of ordinary shares of Banca Monte dei Paschi

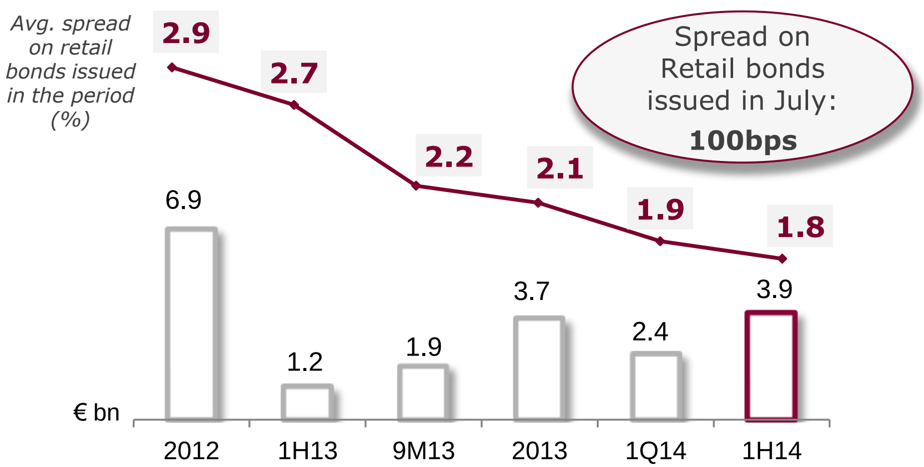
Focus on Cost of funding

Spread trend (%)

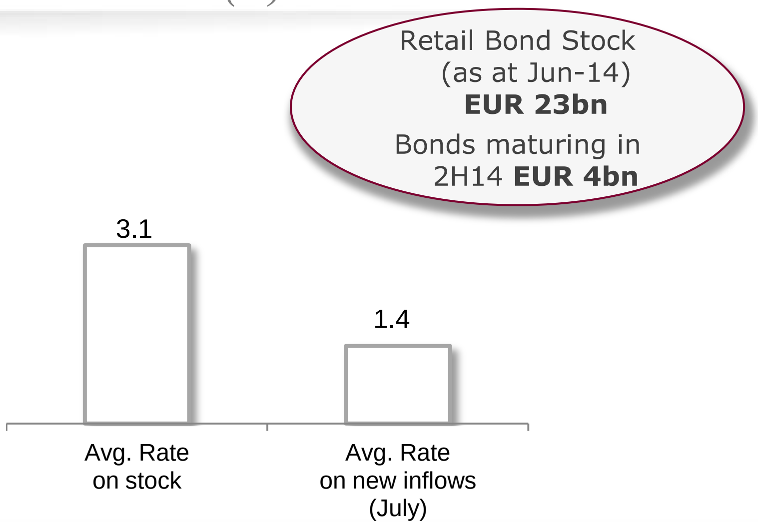


- Ongoing decrease of cost of funding, expected to continue also in coming quarters
- Cost of new Retail bonds: -175bps vs. average cost of the stock

Spread on Retail Bonds



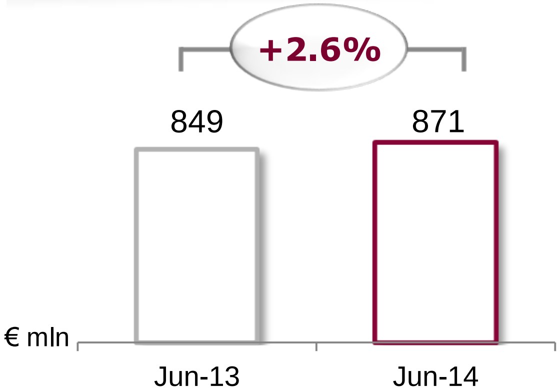
Retail Bonds rate *(%)*



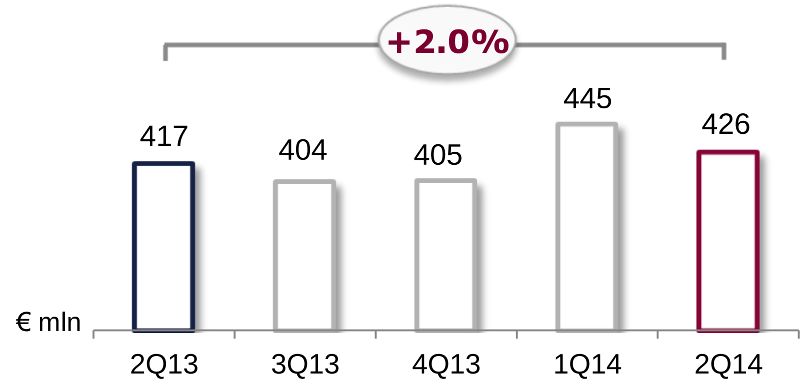
Figures from operational data management system (Planning Area and Finance Area)

Fee and Commission Income

Fees YoY



Fees QoQ



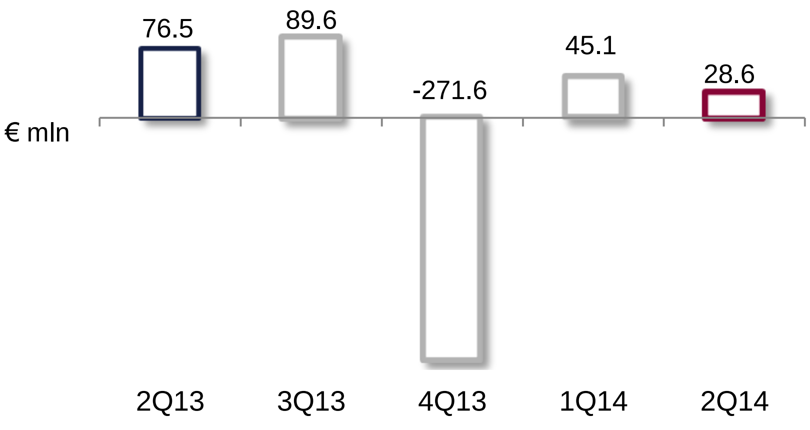
Fees Breakdown

€/mln	1H13	1HQ14	YoY	2Q13	2Q14	2Q14 vs 2Q13
AuM fees, o/w	**316**	**355**	**12.4%**	**157**	**168**	**7.2%**
AuM Placement	*151*	*188*	*24.7%*	*78*	*83*	*6.3%*
Continuing	*117*	*118*	*0.9%*	*58*	*61*	*6.2%*
Bond Placement	*37*	*36*	*-4.6%*	*16*	*19*	*14.8%*
Protection	*11*	*13*	*25.0%*	*5*	*6*	*7.9%*
Traditional Banking fees, o/w	**667**	**633**	**-5.2%**	**327**	**314**	**-3.9%**
Credit facilities	*338*	*303*	*-10.2%*	*162*	*152*	*-6.3%*
Trade finance	*38*	*38*	*-0.5%*	*19*	*18*	*-1.8%*
Payment services and client expense recovery	*292*	*292*	*0.1%*	*146*	*144*	*-1.5%*
Other	**-135.0**	**-117.4**	*-13.1%*	**-67**	**-57.0**	*-14.9%*
Total Net Fees	**849**	**871**	**2.6%**	**417**	**426**	**2.0%**

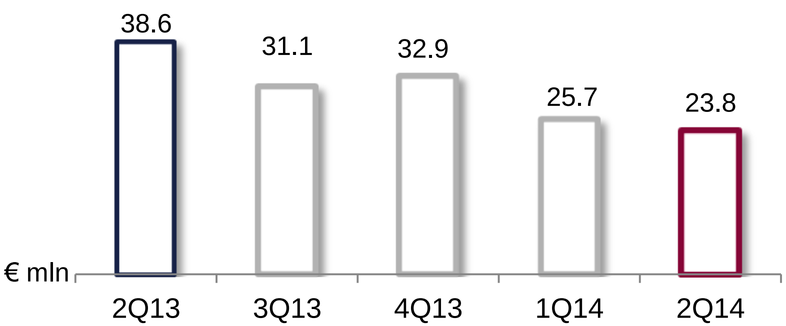
- **Net fees and commissions** +2.6% YoY driven by the increase of AuM components (+12.4% YoY) that more than offset the reduction in the traditional banking fees component
- 2Q14 results affected by seasonality effects, but pick up 2% vs. 2Q13

Dividends and trading

Trading*/valuation of financial assets QoQ



Dividends /Profit (loss) from investments QoQ

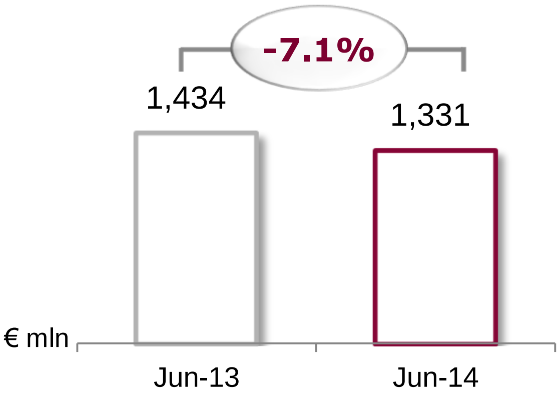


- **Net profit (loss) from trading / valuation / repurchase of financial assets/liabilities** in 1H14 totalled approx. EUR 74mln and included:
  - **+EUR 90mln** net profit from trading, almost entirely due to revenues from MPS CS
  - **+EUR 41mln** from disposals, mainly securities and AFS equity investments, including the disposal in June of an NPL portfolio at a small loss of about EUR 13mln
  - **-EUR 57mln** mainly due to the higher value of bonds placed with Retail and Institutional customers that are designated at fair value, thanks to considerable improvement in MPS Bank's credit worthiness
- **Dividends, similar income and gains (losses) on investments** at EUR 50mln in 1H14 with EUR 34mln from AXA and EUR 16mln of dividend from SIA and Bankit

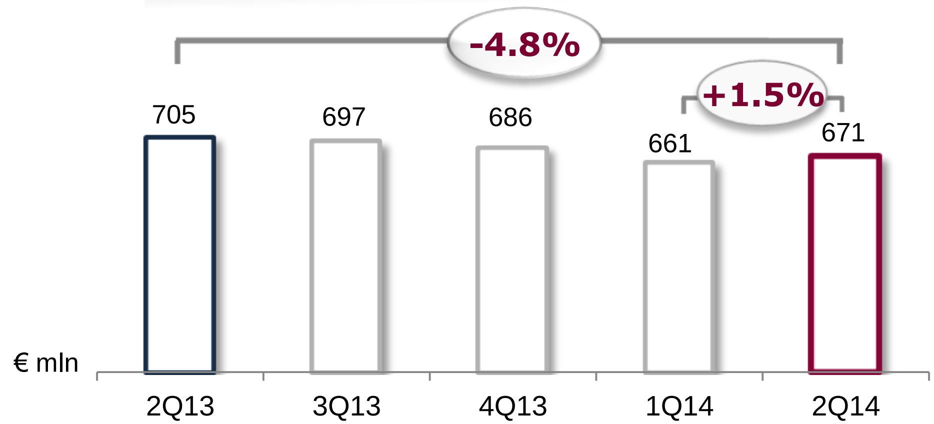
* Previous-year figures have been restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014

Operating Costs

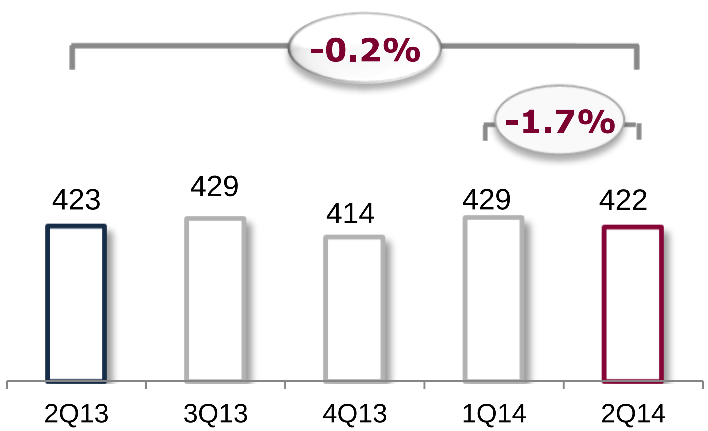
Total Costs* (YoY % growth)



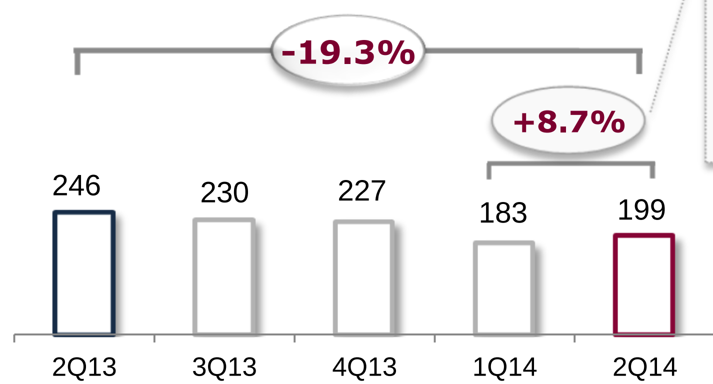
Operating Costs* QoQ



Personnel expenses* (€/mln)



Admin expenses* (€/mln)

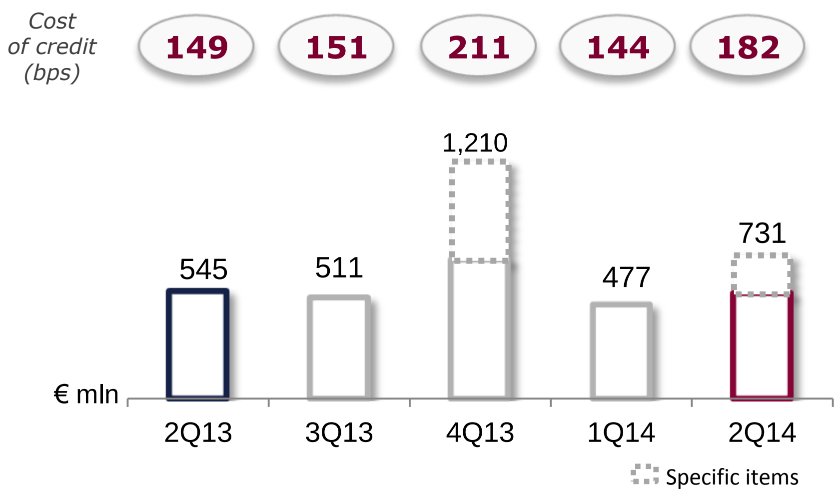


~flat excluding one-off costs related to capital increase, asset disposals and other strategic initiatives

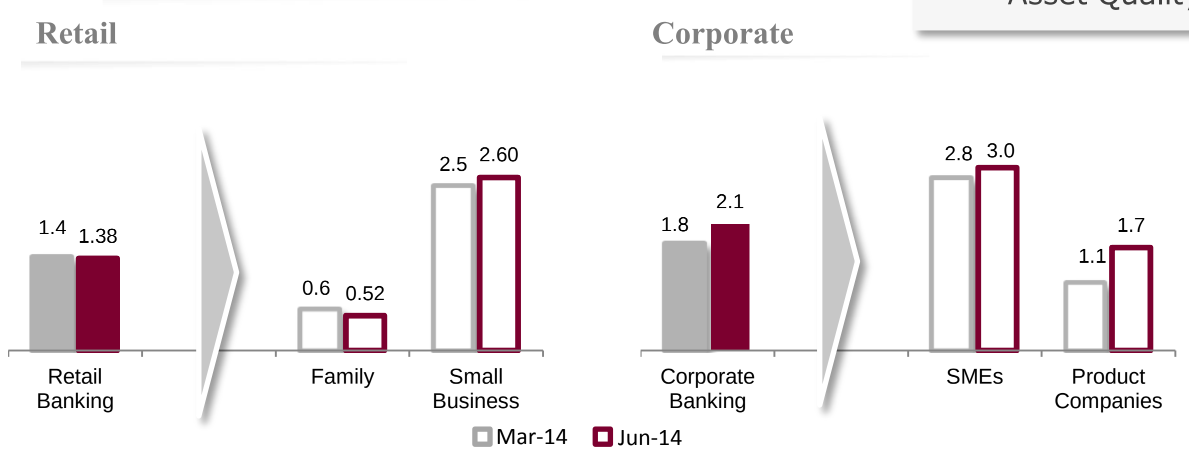
* Previous-year figures have been restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014

Provisioning

Net loan loss provisions and Cost of Credit



Cost of Credit by Segment *(%)

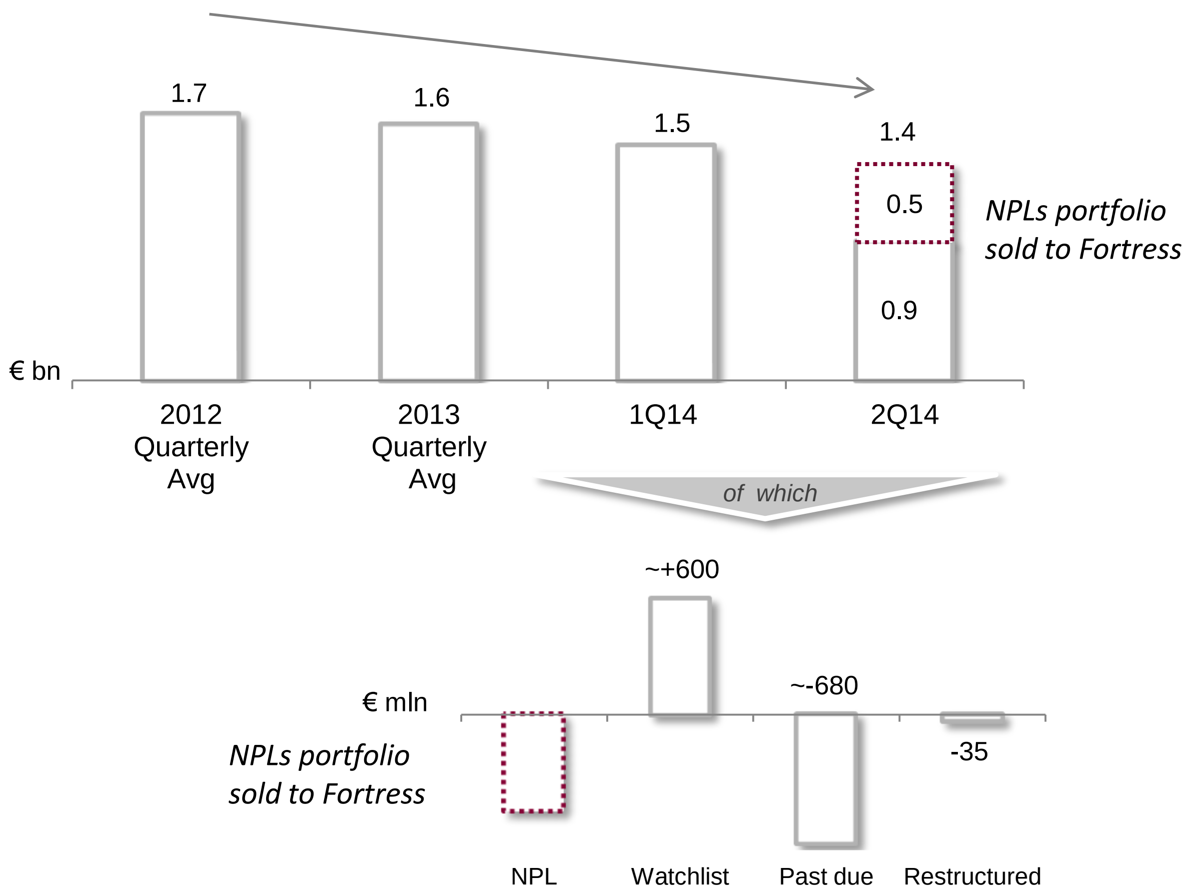


- **Net loan loss provisions** up approx by EUR 250mln vs. the previous quarter due to:
  - transition of impaired loans to higher risk positions
  - provisions on selected/large problematic exposures due to events occured over the period
  - revised estimates of losses on selected NPLs following the updated value of real estate collateral (as a result of persisting negative market price trends) and information regarding other sources of recovery by the Bank, also for the preparation of information required by the Asset Quality Review

*Figures from operational data management system (Planning Area)

New impaired loans substantially in line with 1Q14

Gross Impaired loans*: delta stock

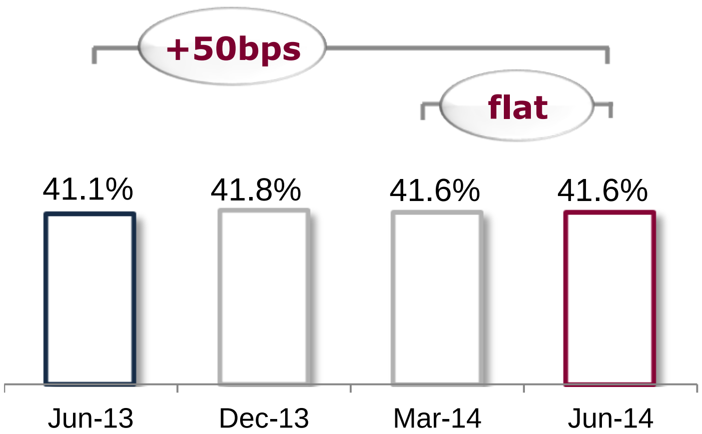


- In 2Q14, completed the disposal pro soluto to Fortress of an NPL portfolio composed of almost 12k borrowers with a total book value, gross of provisions, of approx. EUR 500mln
- Net of the effect of the disposal, **Gross Impaired Loans net inflows slightly decreased vs. 1Q14**, with the transition of some impaired exposures to higher-risk categories, partly the result of certain credit events during the period

* NPL, Watchlist, Restructured and Past due

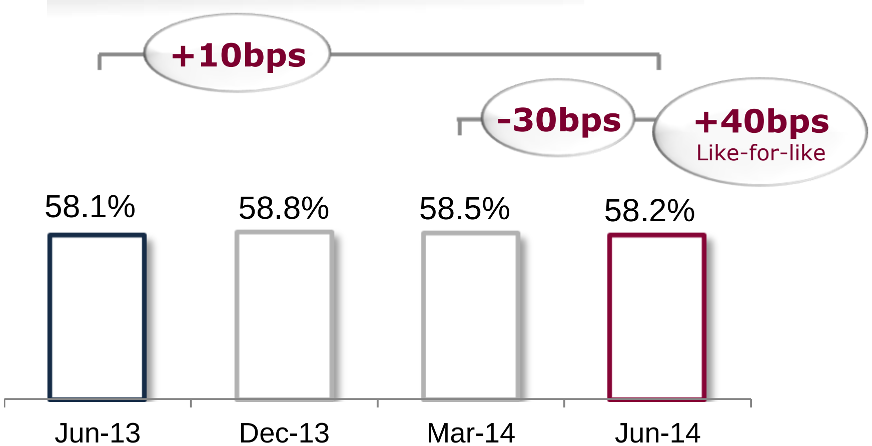
Coverage ratios

Impaired Loans Coverage

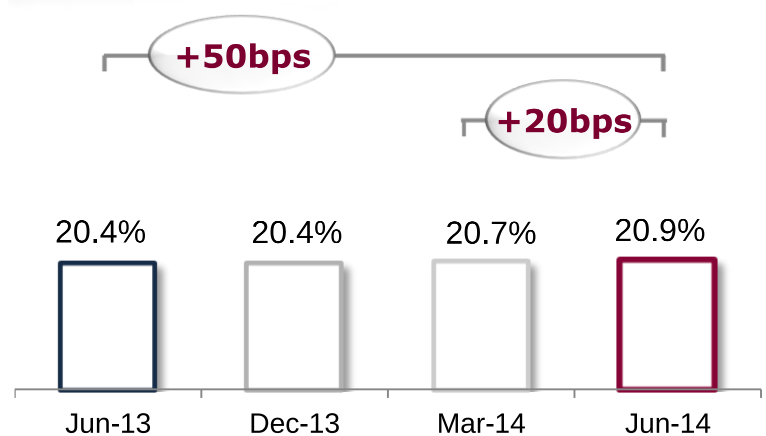


- Impaired loans coverage stable vs. Mar-14 levels: 41.6%
- Specifically:
  - **NPL coverage**: -30bps QoQ (+40bps not considering the sale of EUR 500mln of NPLs to Fortress) and +10bps YoY
  - **Watchlist coverage**: +20bps QoQ, +50bps YoY

NPL Coverage



Watchlist Coverage



Contents

Conclusion

- *Balance Sheet repair substantially completed:*
  - *capital issue addressed*
  - *sound liquidity position and pay down of LTRO well under way*
  - *significant de-risking of financial assets portfolio*

- *Focus for coming quarters on restoring P&L profitability with key challenges (as a result of the difficult macroeconomic cycle and Comprehensive Assessment) from:*
  - *pressure on new production and ongoing deleverage*
  - *commission revenue linked to traditional banking activity*
  - *cost of credit*

Thank you for your attention

Q&A

Annexes

P&L: Quarterly trend

MPS Group	2013 (*) 1st quarter	2nd quarter	3rd quarter	4th quarter	2014 1st quarter	2nd quarter
Net interest income	597.7	487.2	507.3	564.0	445.8	526.2
Net fee and commission income	431.3	417.3	404.2	404.8	445.2	425.8
Income from banking activities	**1,029.0**	**904.4**	**911.5**	**968.8**	**891.0**	**952.0**
Dividends, similar income and gains (losses) on investments	27.2	38.6	31.1	32.9	25.7	23.8
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	119.5	76.5	89.6	(271.6)	45.1	28.6
Net profit (loss) from hedging	(4.0)	(0.9)	7.0	5.0	(4.6)	(8.7)
Income from financial and insurance activities	**1,171.8**	**1,018.7**	**1,039.1**	**735.2**	**957.2**	**995.6**
Net impairment losses (reversals) on:	**(494.5)**	**(556.5)**	**(519.3)**	**(1,252.8)**	**(491.7)**	**(735.2)**
a) loans	(484.2)	(544.8)	(511.0)	(1,209.7)	(476.6)	(731.4)
b) financial assets	(10.3)	(11.7)	(8.3)	(43.1)	(15.2)	(3.8)
Net income from financial and insurance activities	**677.3**	**462.1**	**519.8**	**(517.6)**	**465.5**	**260.4**
Administrative expenses:	(689.7)	(668.7)	(658.8)	(640.9)	(611.9)	(620.4)
a) personnel expenses	(452.9)	(422.6)	(429.0)	(414.3)	(429.3)	(421.9)
b) other administrative expenses	(236.8)	(246.1)	(229.8)	(226.6)	(182.6)	(198.5)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(39.3)	(36.0)	(38.0)	(45.4)	(48.6)	(50.2)
Operating expenses	**(728.9)**	**(704.7)**	**(696.9)**	**(686.3)**	**(660.5)**	**(670.7)**
Net operating income	**(51.7)**	**(242.5)**	**(177.1)**	**(1,204.0)**	**(195.0)**	**(410.2)**
Net provisions for risks and charges and other operating expenses/income	8.5	11.5	(29.2)	(223.0)	(53.2)	(45.2)
Gains (losses) on investments	1.0	(32.6)	(0.5)	(25.9)	41.9	133.4
Reorganisation costs / one-off charges	-	(17.6)	(0.2)	(6.7)	(1.1)	(2.7)
Gains (losses) on disposal of investments	0.2	(1.9)	1.2	1.9	4.7	0.4
Profit (loss) before tax from continuing operations	**(41.9)**	**(283.1)**	**(205.7)**	**(1,457.7)**	**(202.7)**	**(324.3)**
Tax expense (recovery) on income from continuing operations	(37.4)	31.3	89.8	563.5	38.4	155.4
Profit (loss) after tax from continuing operations	**(79.3)**	**(251.8)**	**(116.0)**	**(894.2)**	**(164.3)**	**(168.9)**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	(12.9)	(12.9)	(12.9)	(12.6)	-	-
Net profit (loss) for the period including non-controlling interests	**(92.2)**	**(264.6)**	**(128.8)**	**(906.8)**	**(164.3)**	**(168.9)**
Net profit (loss) attributable to non-controlling interests	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(92.7)**	**(265.2)**	**(129.3)**	**(907.3)**	**(164.7)**	**(169.5)**
PPA (Purchase Price Allocation)	(8.5)	(13.0)	(9.2)	(9.1)	(9.4)	(9.4)
Net profit (loss) for the period	**(101.2)**	**(278.2)**	**(138.6)**	**(916.3)**	**(174.1)**	**(178.9)**

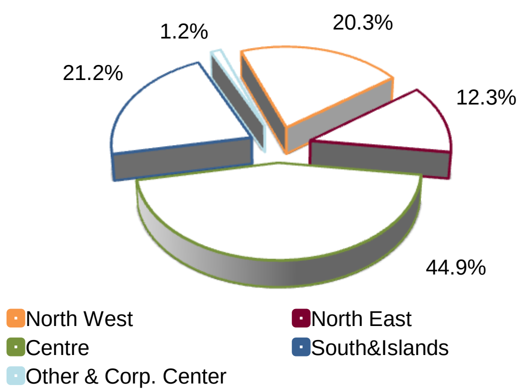
*Previous-year figures have been restated to reflect the changes shown in the Explanatory Notes in the Chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changing in accounting estimates and errors)" following the introduction of new accounting policies which came into force on 1/1/2014

Asset quality overview

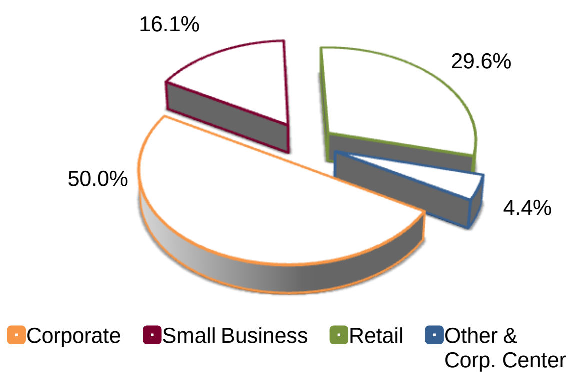
Impaired Loans as at Jun-14

(€ mln)	Gross	QoQ (%)	YoY (%)	Net	QoQ (%)	YoY (%)
NPL	22,928	+1.9	+20.2	9,584	+2.7	+20.0
Watchlist	10,544	+8.8	+22.2	8,345	+8.6	+21.4
Restructured	2,221	+6.7	+41.9	1,958	+6.2	+48.1
Past Due	2,727	-16.6	-10.7	2,556	-16.6	-10.6
Total	**38,421**	**+2.4**	**+18.8**	**22,442**	**+2.4**	**+17.9**

Loan book by Geography



Loan book by Segment



Figures from operational data management system (Planning Area and Credit Department)

Disclaimers

This document has been prepared by Gruppo Monte dei Paschi di Siena solely for information purposes and for use in presentations of the Group's strategies and financials. The information contained herein has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. Neither the company, nor its advisors or representatives shall have any liability whatsoever (in negligence nor otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The 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.

This document does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

The information herein may not be reproduced or published in whole or in part, for any purpose, or distributed to any other party. By accepting this document you agree to be bound by the foregoing limitations.

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.

MONTE
DEI PASCHI
DI SIENA
BANCA DAL 1472

www.mps.it