Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

1H2013 Results

Siena, 07 August 2013

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Contents

Executive Summary (1/2)

P&L affected by challenging macro and improvement of liquidity position

- NII performance impacted by ongoing **de-leveraging**, **sales & marketing policies to boost funding** and interest paid on **New Financial Instruments (EUR 152 mln)**
- Strong commercial performance with increase in deposits (+3.3% YoY) and significant increase in **AuM commissions (+22.7% YoY)**
- **Total costs significantly down by 10.5% YoY** and more expected in 2H13
- **Cost of credit at 149bps** affected by difficult macro conditions and significant increase in coverage of impaired loans (+190bps YoY) already among the highest in Italy
- **Costs for early retirement** schemes and **Provisions for risks and charges** impacted by more than EUR 60 mln

Financial and capital profile

- **Shareholders' Equity: +EUR 360 mln vs March, +EUR 235 mln vs Dec 2012** mainly due to improvement of AFS Reserve
- **Unencumbered Counterbalancing Capacity: EUR 21 bn** vs EUR 14 bn as at March and EUR 8 bn as at June 2012
- **Loan/Deposit ratio*: 100.7%** vs 103.8% as at March and 108.9% as at June 2012
- **Net interbank exposure, substantially stable compared to March, largely consisting of LTROs** (EUR 29 bn)

* Customer Loans / Deposit from customer and securities issued (ref. slide n.6)

Executive Summary (2/2)

Improving Balance sheet structure

- **Impaired Loans Coverage: 41.1%** (+70bps vs March, +190bps vs June 2012) and **NPL Coverage: 58.1%** (+20bps vs March, +290bps vs June 2012), among the best of the sector
- **Bankit** audit on impaired loans closed

Corporate Governance

- **Removal of share ownership ceiling of 4%**
- Introduction of a **maximum limit of two consecutive terms** after the first mandate for members of the Board of Directors with the exception of the outgoing Managing Directors

Business plan delivery ahead of schedule

- **90% of branch closure target reached:** full delivery of target expected by September
- **Cost management actions implemented have already delivered 54% of BP target savings***
- Approx **2,700 employees released** since the end of 2011, accounting for **58% of the BP Target**
- **Overhaul of credit function completed**
- **Group Reorganization completed,** management team continues to be reinforced

* Excluding Back Office Project cost

Contents

Assets & Liabilities

Total Assets

€/mln	Jun-12*	Mar-13	Jun-13	QoQ%	YoY%
Customer loans	144,462	140,510	138,082	-1.7%	-4.4%
Loans to banks	17,130	13,676	12,240	-10.5%	-28.5%
Financial assets	51,565	47,732	50,702	6.2%	-1.7%
Tangible and intangible fixed assets	2,685	2,496	2,465	-1.2%	-8.2%
Other assets**	16,326	11,814	11,429	-3.3%	-30.0%
Total Assets	**232,168**	**216,227**	**214,918**	**-0.6%**	**-7.4%**

Total Liabilities

€/mln	Jun-12*	Mar-13	Jun-13	QoQ%	YoY%
Deposits from customers and securities issued	132,673	135,311	137,078	1.3%	3.3%
Deposits from banks	46,995	42,677	41,665	-2.4%	-11.3%
Other liabilities***	43,437	31,965	29,540	-7.6%	-32.0%
Group equity	8,840	6,271	6,631	5.7%	-25.0%
Minority interests	223	3	3	-2.0%	-98.7%
Total Liabilities	**232,168**	**216,227**	**214,918**	**-0.6%**	**-7.4%**

- Customer lending down in line with deleveraging plans
- Financial assets up owing to mark-to-market of government bonds in AFS portfolio; HFT growth as a result of temporary purchase of government bonds by MPS Capital Services at end of June, placed back on the market in July
- Strong customer deposit growth thanks to targeted sales policies
- Shareholders' equity up driven by increased valuation reserve

*Figures published in 1Q13 Interim Report
**Cash and cash equivalents, equity investments, other assets
*** Financial liabilities held for trading, provision for specific use, other liabilities

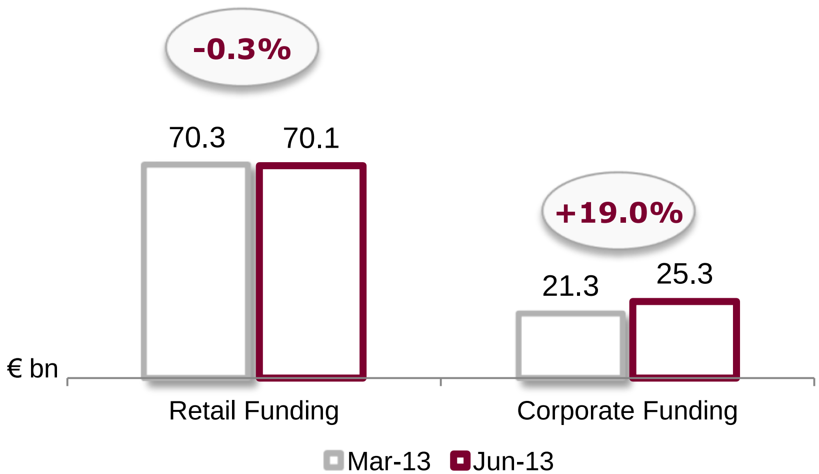
Direct funding

Direct funding by Source

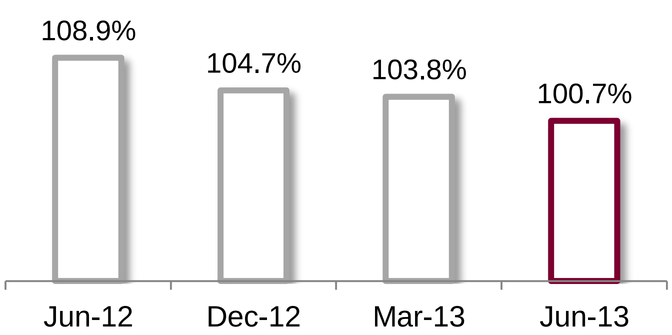
€/mln	Jun-12*	Mar-13	Jun-13	QoQ%	YoY%
Current accounts	56,928	52,892	57,536	8.8%	1.1%
Time deposits	3,743	8,324	8,766	5.3%	134.2%
Repos	8,877	16,482	14,868	-9.8%	67.5%
Bonds	57,096	48,113	45,958	-4.5%	-19.5%
Other types of direct funding**	6,027	9,501	9,950	4.7%	65.1%
Total	**132,673**	**135,311**	**137,078**	**1.3%**	**3.3%**

- Direct funding up, driven by current accounts and time deposits, partly thanks to the “Conto Italiano di Deposito” product
- Upsurge in Corporate funding vs 1Q13; Retail funding substantially stable
- Market share 7.2% as at May 2013 (+18bps vs May-12; +30bps vs Dec-12)

Direct Funding by Segment***



Loan/Deposit ratio****

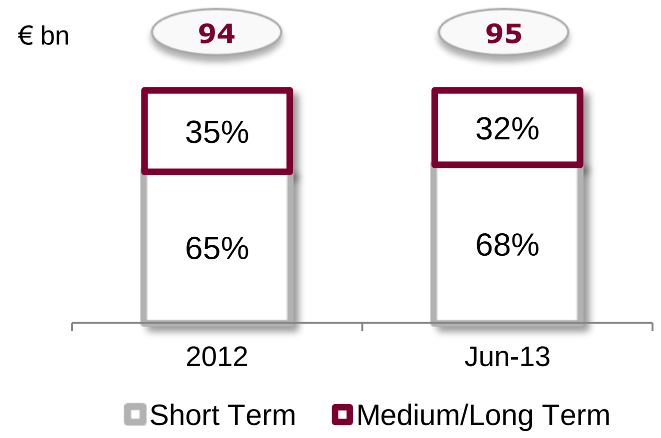


Key messages
Balance sheet
P&L
Business Plan update

* Figures were restated by taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)
**March and June 2013 include NFIs amounting to EUR 4.1 bn
*** Customer accounts and securities - Distribution network.
**** Customer Loans / Deposit from customer and securities issued (ref. slide n.6)

Focus on the network's placing power

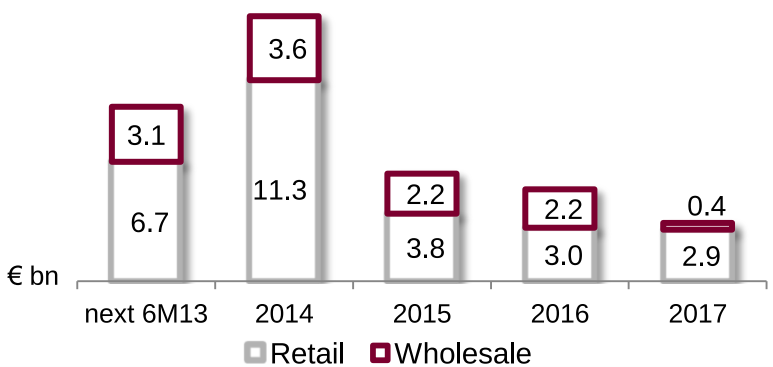
Retail/Corporate Funding breakdown*



- The issuance programme was substantially stopped in 1H13 due to restatement of 2012 accounts and need to align disclosure in prospectus
- Funding Plan 2013:
  - subject to market conditions, return to the institutional market through secured funding is expected for 2013
  - in addition, securitisations and other actions identified to increase Counterbalancing Capacity

Placing power: Bonds issued**

Bond Maturities breakdown***



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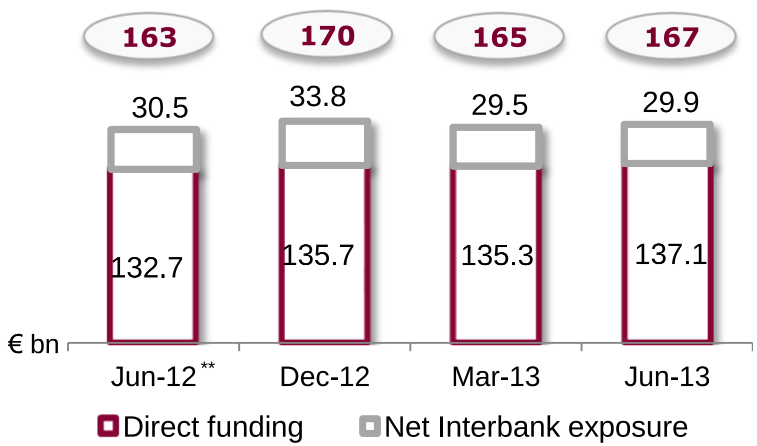
*Figures from operational data management system (Planning Area)
** Figures from operational data management system (Finance Area)
*** Figures from operational data management system (Finance Area). Outstanding amount are net of repurchases

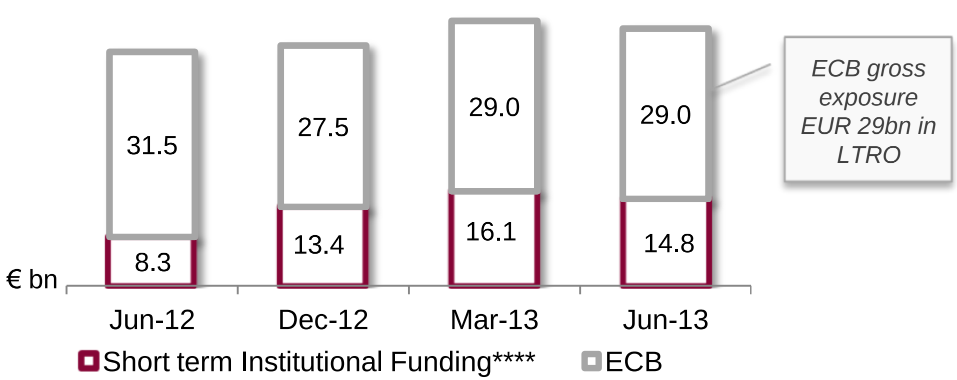
Institutional funding and Interbank Exposure

Direct Funding and Net Interbank Exposure*

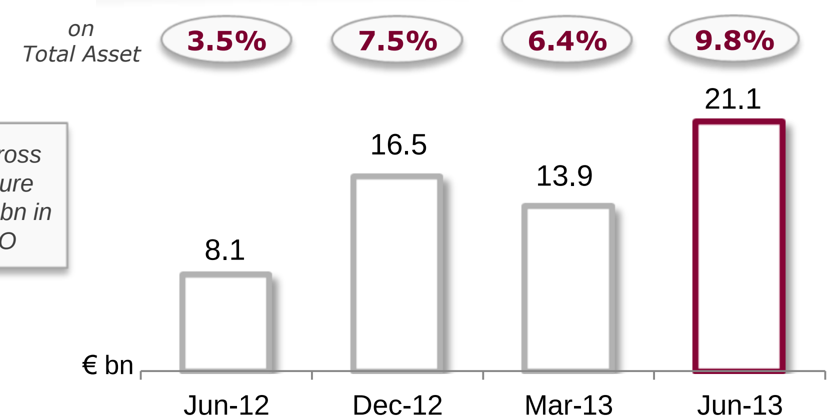


- **Net interbank exposure** substantially stable since March but down approx. EUR 4 bn since end 2012 and consists of EUR 29bn in LTRO exposure with the ECB
- Increase in **counterbalancing capacity** driven by liquidity coming from the network and supported by the tighter sovereign spread

Institutional Funding vs ECB Net Exposure***



Unencumbered counterbalancing capacity



*Loans to/deposits from banks include loans to/from banks comprised in HFT financial assets/liabilities
**Figures were restated by taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)
*** Figures from operational data management system (Finance Area)
**** Wholesale certificates of deposit and Repos

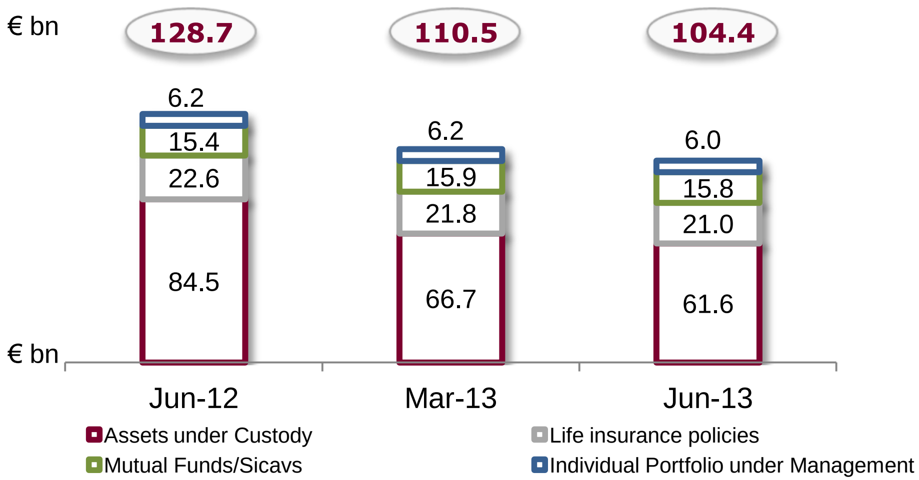
Indirect funding

Indirect funding

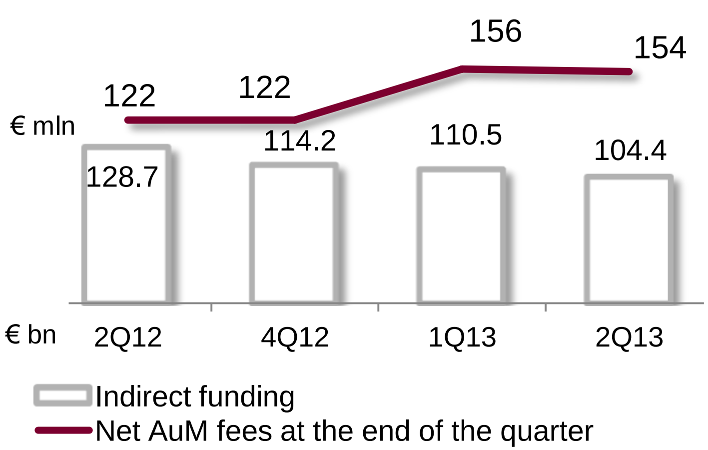
€/mln	Jun-12*	Mar-13	Jun-13	QoQ%	YoY%
Assets under custody	84,452	66,695	61,606	-7.6%	-27.1%
Assets under management	44,286	43,820	42,828	-2.3%	-3.3%
Total	**128,738**	**110,515**	**104,434**	**-5.5%**	**-18.9%**

- **Assets under Custody**: the decline is primarily due to changes in shares under custody by key clients of the Group but with minimal P&L impact
- **Assets under Management:** slightly down by 2.3% QoQ due to net outflows in bancassurance and Individual portfolio management; mutual funds substantially stable

Indirect funding breakdown



Indirect funding over time vs. AuM Fees**



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* Figures were restated by taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)
** Figures from data management system (Planning Area)

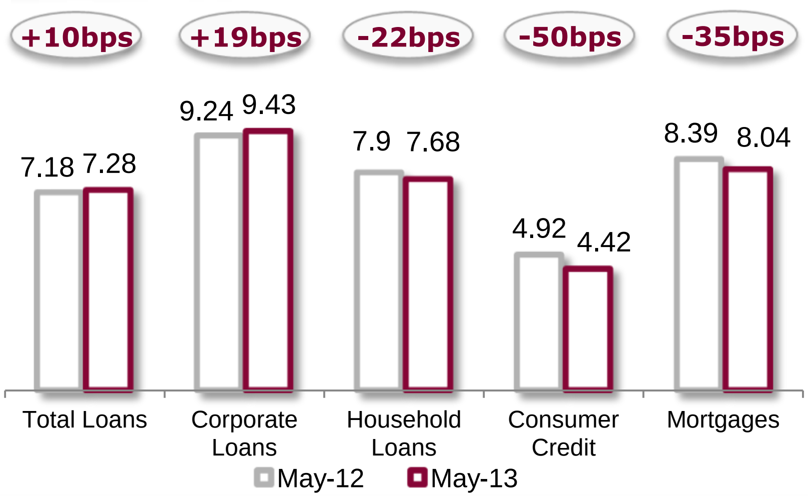
Lending

Total Lending

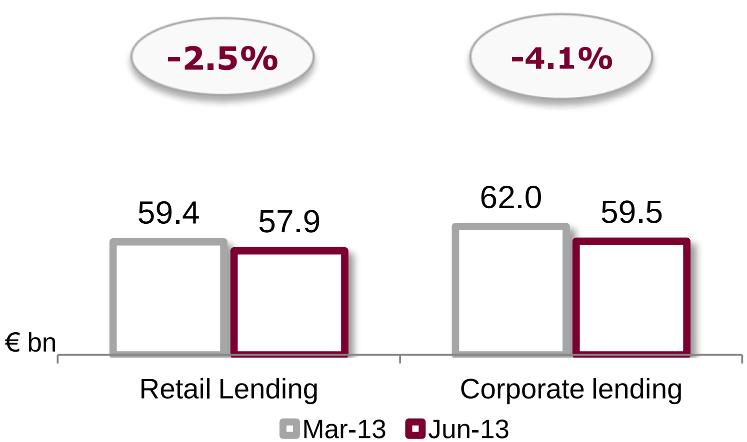
€/mln	Jun-12*	Mar-13	Jun-13	QoQ%	YoY%
Current accounts	13,570	12,626	12,028	-4.7%	-11.4%
Mortgages	76,756	70,515	69,231	-1.8%	-9.8%
Other forms of lending	34,596	34,262	31,807	-7.2%	-8.1%
Reverse repurchase agreements	508	2,246	3,835	70.8%	*n.m.*
Loans represented by securities	3,016	2,182	2,142	-1.8%	-29.0%
Impaired loans	16,016	18,681	19,039	1.9%	18.9%
Total	**144,462**	**140,510**	**138,082**	**-1.7%**	**-4.4%**

- **Loans to customers** down 4.4% YoY and 1.7% QoQ, due to slowing economic cycle (affecting credit quality and demand) and the Group's more selective credit policies
- **Mortgages**: -1.8% QoQ, -9.8% YoY; deleveraging objective is also to reduce duration of the balance sheet
- Market share for loans (net of Repos) stable at 7.26% vs Dec-12

Market share in specialized products** (%)



Interest Bearing*** Loans by segment



*Figures were restated by taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)
**Source: Bank of Italy, Matrice di vigilanza
***Loans excluding net NPLs. Distribution network

Asset Quality and Risk profile

Asset Quality

- Increasing **diversification of loan portfolio**, with top 10 customers accounting for EUR 3.1 bn (2.7% of total loans as at Jun-13 vs. 2.8% in Mar-13)
- Coverage ratio of Impaired Loans at 41.1% vs. 39.2% on Jun-12 (+190bps)
- New organisation for Parent Company's Credit Division, with merger of MPS **Gestione Crediti Banca and formation of a new Credit Management Area**

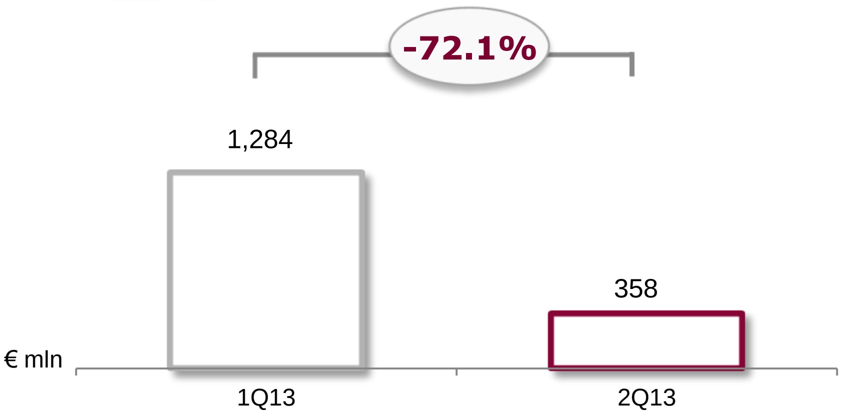
Risk profile

- **Financial Assets down 1.7% YoY**;
  - Financial Assets/Total Assets at 23.6% vs 25.5% Italian bank average * and 43% EU bank average*
- Key points of "Operation Transparency":
  - Review of accounting treatment of three structured transactions (i.e. Alexandria and Santorini with a loss of approx EUR 730 mln) and legal proceedings initiated with regards to Alexandria and Santorini
  - Completion of a review of accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel
  - Finance portfolio fully audited

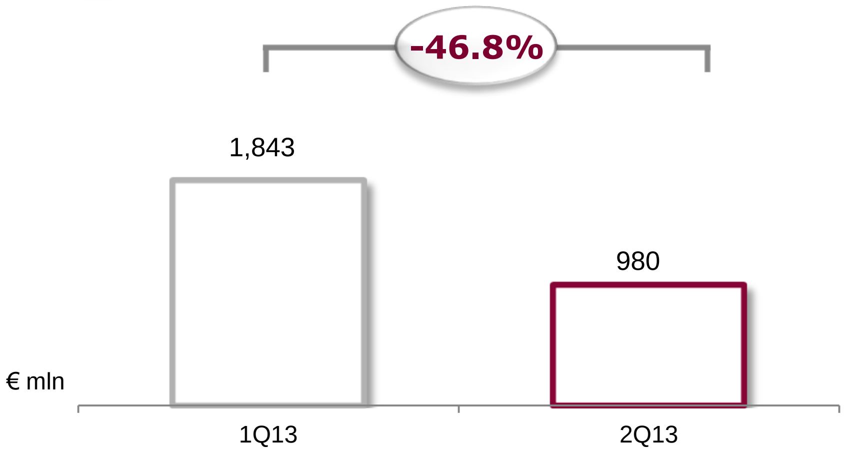
*Source: EBR "Osservatorio semestrale sui risultati economici delle maggiori banche Europee". December 2012. Sample includes: Commerzbank (DE), Deutsche Bank (DE), Deutsche Postbank (DE), Hypo Real Estate Holding (DE), Banco Santander (ES), Banco Bilbao Vizcaya Argentaria (ES), Banco de Sabadell (ES), Banco Popular Espanol (ES), Banco Espanol de Crédito, BANESTO (ES), BNP Paribas (FR), Crédit Agricole (FR), Natixis (FR), Société Générale (FR), Intesa Sanpaolo (IT), UBI Banca (IT), UniCredito Italiano SpA (IT), Banca Popolare di Milano (IT), Banca popolare dell' Emilia (IT), Banco Popolare (IT), MPS (IT), Banca Carige (IT), Rabobank Nederland (NL), ING Groep (NL), RBS Holdings (NL), HSBC Holdings (UK), Barclays (UK), Lloyds Banking Group (UK), Royal Bank of Scotland Group (UK).

Asset Quality trend

Net Impaired Loans Increase



Gross Impaired Loans Increase



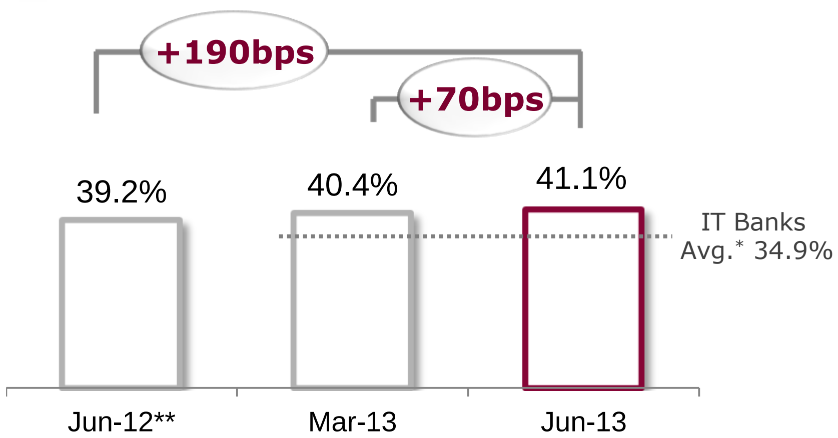
(€ mln)	1Q13	2Q13
NPL	**357**	**331**
Watchlist	**576**	**333**
Past Due & Restructured	**350**	**-305**

Impaired loan volumes on a slowing trend

*Figures from operational data management system (Planning Area) as at 31st July 2013
** Excluding objective watchlist
*** Figures from operational data management system (Credit Department). Small Business: turnover below EUR 5 mln or turnover between EUR 2.5 and 5 mln depending on sector

Coverage ratios

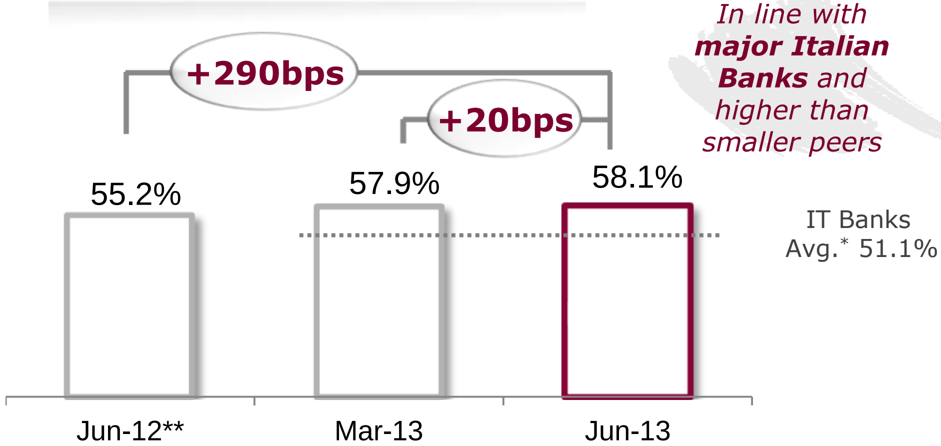
Impaired Loans Coverage



- Impaired loans coverage up 70bps vs. March-13 owing to adjustments to provisioning funds on certain non-performing loans
- Slight reduction of watchlist coverage, at 20.4% (-50 bps vs. March)

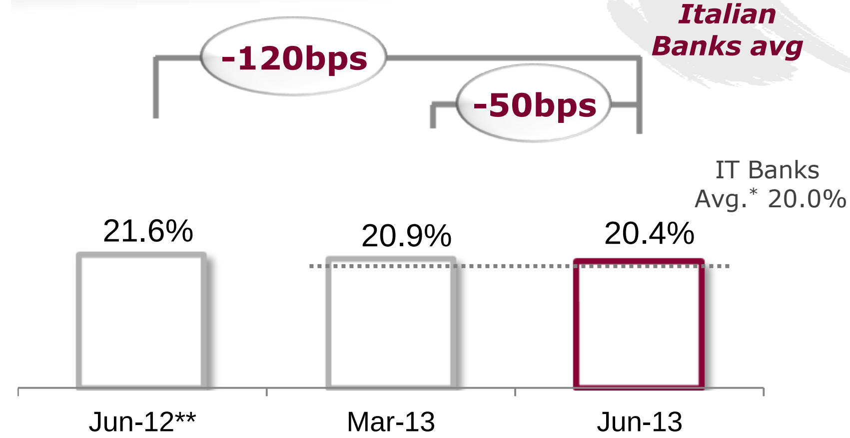
NPL Coverage

*In line with **major Italian Banks** and higher than smaller peers*



Watchlist Coverage

*In line with **Italian Banks avg***



*UCI, ISP, BAPO,UBI, BPM, BPER. Source 1Q2013 Company Reports
**Figures were restated by taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)

Financial Assets

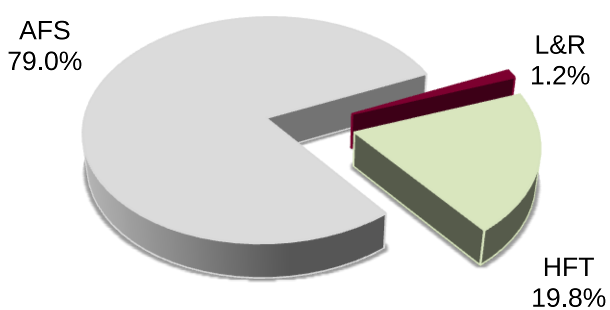
Securities and Derivatives Portfolio

Market Value *(€ mln)*	**Jun-13**	**QoQ%**
HFT	11,487	+22.9%
AFS	26,159	+2.3%
L&R	2,861	-7.3%
Total Portfolio	**40,507**	**+6.6%**

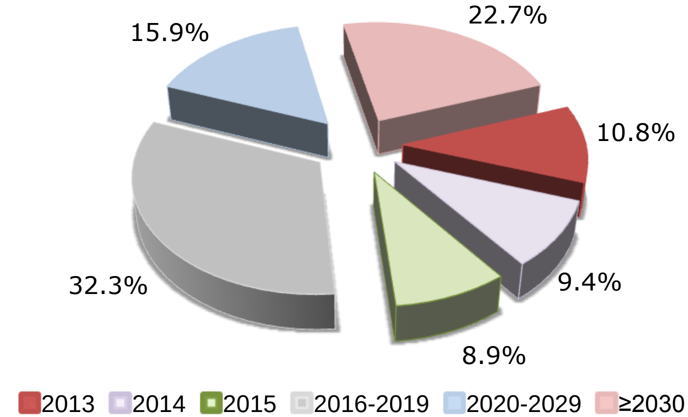
- Total portfolio +6.6% QoQ:
  - **HFT**: up as a result of temporary purchase of government bonds by MPS Capital Services at end of June, placed back on the market in July
  - **AFS**: up as a result of mark to market on government bonds
  - **L&R**: down driven by natural maturity of certain securities

Italian Government Bonds: EUR 29 bn*

Breakdown by IAS category



Breakdown by maturity



* Market Value

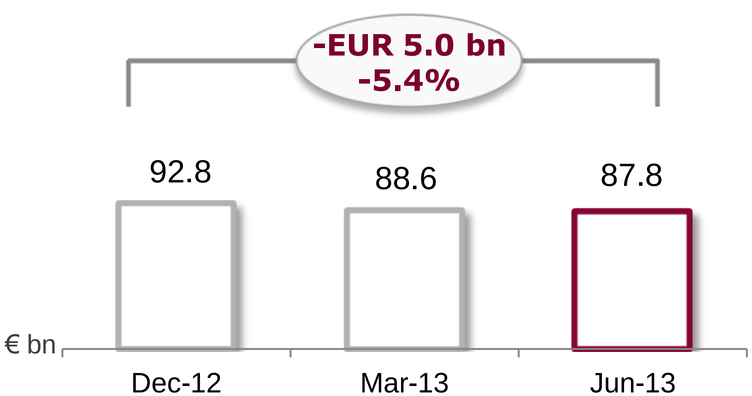
RWAs and Regulatory Capital Ratios

RWA and Regulatory Capital Ratios

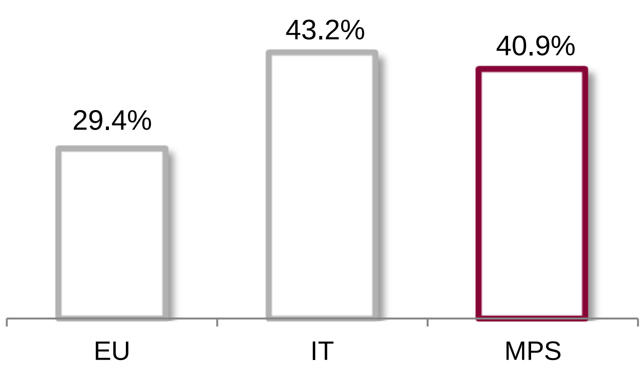
€/mln	Mar-13	Jun-13	QoQ
RWA	88,596	87,804	-0.9%
Core Tier 1	9,845	9,665	-1.8%
Tier 1 Capital	10,448	10,270	-1.7%
Total Capital	14,480	14,387	-0.6%
Ratios (%)			
Core Tier 1 ratio	11.1	11.0	-0.10
Tier 1 ratio	11.8	11.7	-0.10
Total Capital ratio	16.3	16.4	0.04

- **Core Tier 1 *ratio***, including EUR 4.1 bn of New Financial Instruments, at 11.0% (8.9% as at 31 Dec-12)
- Ongoing **RWA optimization** has delivered a reduction of EUR 800 mln since Mar-13 and EUR 5 bn since Dec-12 partly due to sharp reduction of Basel I Floor (down from EUR 5,9 bn as at Dec-12 to EUR 3,5 bn as at Jun-13)

RWAs over time



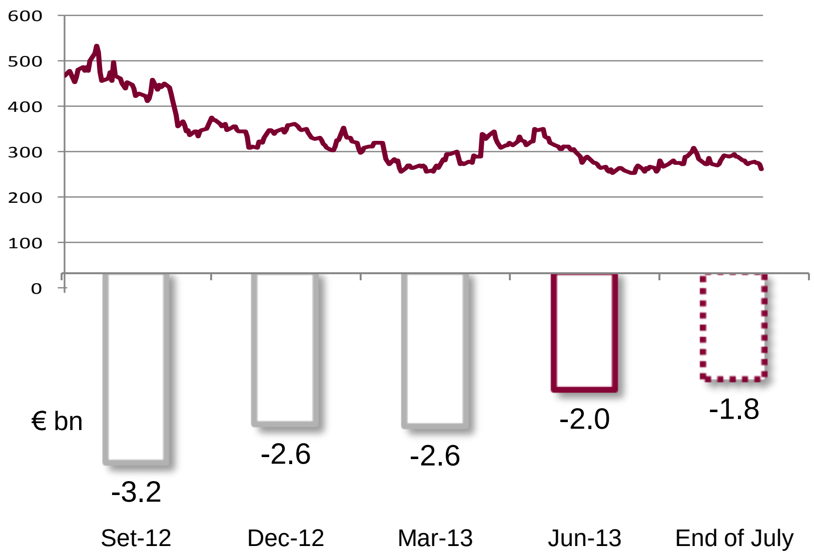
RWA/Total Assets*



*Source: EBR "Osservatorio semestrale sui risultati economici delle maggiori banche Europee". December 2012

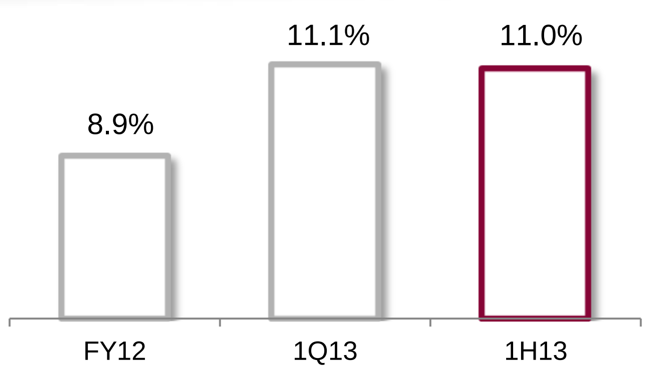
Focus on AFS reserve and core tier 1

EBA AFS Reserve* over time vs Spread (bps)

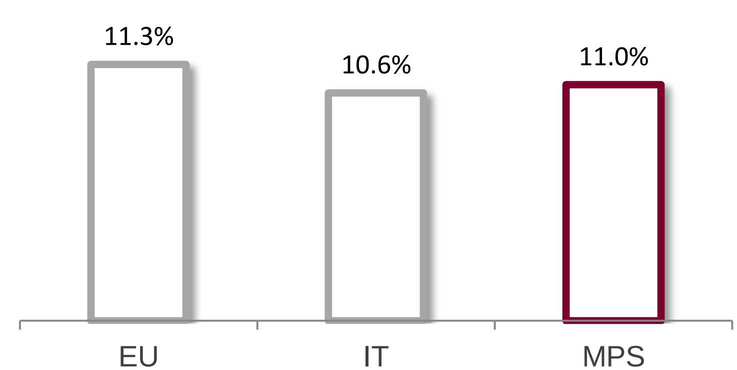


- **AFS reserve** at Jun-13 was -EUR 2.0 bn (compared to -EUR 3.2 bn at time of EBA stress test on Sep-11)
- **Core Tier 1 ratio** in line with Italian and European level
- Estimated sensitivity of Banca MPS' Italian govies AFS reserve *(based on 2012 figures)*:
  - Credit spread sensitivity**: ranging from EUR 10.1 mln to EUR 14.6 mln/bps (positive effect of tighter credit spread on AFS)
  - Rate sensitivity***: EUR 3.6 EUR mln/bps (positive effect of higher rates on AFS)

Core Tier 1 ratio over time



Core Tier 1 ratio****



*Figures from operational data management system (Risk management Area)
** Defined as 1 basis point decrease in Italy yields while swap rates unchanged ar increase in swap rate while BTP yields unchanged
*** Defined as 1 basis point increase in both Italy yields and swap rates (ie. Credit spread unchanged)
****Source: EBR "Osservatorio semestrale sui risultati economici delle maggiori banche Europee". December 2012

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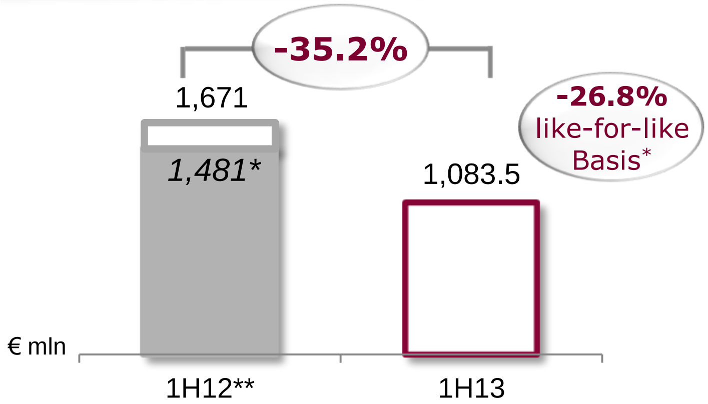
P&L: 1H2013

MPS Group	Jun-12*	Jun-13	Change Ins.	Change %
Net interest income	1,671.1	1,083.5	(587.6)	-35.2%
Net fee and commission income	836.9	848.6	11.7	1.4%
Income from banking activities	**2,507.9**	**1,932.1**	**(575.9)**	**-23.0%**
Dividends, similar income and gains (losses) on investments	39.1	65.8	26.7	68.4%
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	258.4	196.3	(62.1)	-24.0%
Net profit (loss) from hedging	5.1	(4.9)	(9.9)	n.m.
Income from financial and insurance activities	**2,810.5**	**2,189.4**	**(621.1)**	**-22.1%**
Net impairment losses (reversals) on:	**(954.6)**	**(1,051.1)**	**(96.4)**	**10.1%**
a) loans	(839.0)	(1,029.0)	(190.0)	22.7%
b) financial assets	(115.6)	(22.0)	93.6	-80.9%
Net income from financial and insurance activities	**1,855.8**	**1,138.3**	**(717.6)**	**-38.7%**
Administrative expenses:	(1,548.7)	(1,393.7)	155.1	-10.0%
a) personnel expenses	(1,030.2)	(908.8)	121.4	-11.8%
b) other administrative expenses	(518.6)	(484.9)	33.7	-6.5%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(91.1)	(73.4)	17.6	-19.4%
Operating expenses	**(1,639.8)**	**(1,467.1)**	**172.7**	**-10.5%**
Net operating income	**216.0**	**(328.8)**	**(544.9)**	**n.m.**
Net provisions for risks and charges and other operating expenses/income	(94.4)	14.6	108.9	n.m.
Gains (losses) on investments	(1.8)	(30.8)	(29.0)	n.m.
Reorganisation costs / one-off charges	(21.1)	(17.6)	3.5	n.m.
Gains (losses) on disposal of investments	0.8	(1.7)	(2.5)	n.m.
Profit (loss) before tax from continuing operations	**99.6**	**(364.4)**	**(464.0)**	**n.m.**
Tax expense (recovery) on income from continuing operations	(55.4)	6.0	61.4	n.m.
Profit (loss) after tax from continuing operations	**44.2**	**(358.4)**	**(402.6)**	**n.m.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	**10.7**	-	(10.7)	n.m.
Net profit (loss) for the period including non-controlling interests	**54.8**	**(358.4)**	**(413.2)**	**n.m.**
Net profit (loss) attributable to non-controlling interests	**(4.4)**	**(0.1)**	**4.3**	**n.m.**
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investm	**50.5**	**(358.5)**	**(408.9)**	**n.m.**
PPA (Purchase Price Allocation)	**(27.6)**	**(21.5)**	**6.1**	**-22.2%**
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(1,574.3)	-	1,574.3	n.m.
Net profit (loss) for the period	**(1,551.5)**	**(380.0)**	**1,171.5**	**n.m.**

* Figures as at 30.06.2012 were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as was done for the Consolidated Financial statements as at 31.12.2012, and with IAS 19 "Employee benefits" as was done for the Interim Report as at 31.03.2013

Net Interest Income

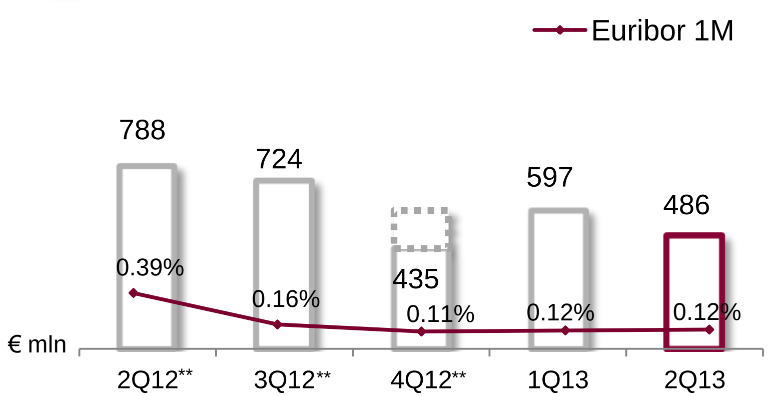
Net Interest Income (YoY)



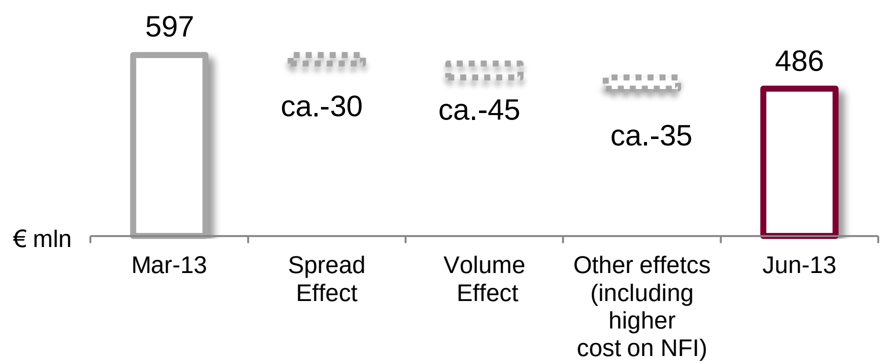
❑ Corrective actions to boost profitability:

- Re-balancing of cost of funding: BMPS deposit rate over approx. 50bps higher than average of top 10 Banking Groups
- Optimisation of risk-return profile of retail & corporate portfolio
- Review of SME service model

Net Interest Income (QoQ)



2Q13 NII Analysis



* Some elements of discontinuity, partly relating to events of prior periods under accrual accounting, emerged in 4Q12, including: recognition of interest on Tremonti Bonds for the entire amount relating to 2012, the elimination of the 'urgent facility fee' and changes in the calculation of interest payable on overdrawn amounts and changes in criteria for consolidation of Banca Popolare di Spoleto following loss of 'significant influence"

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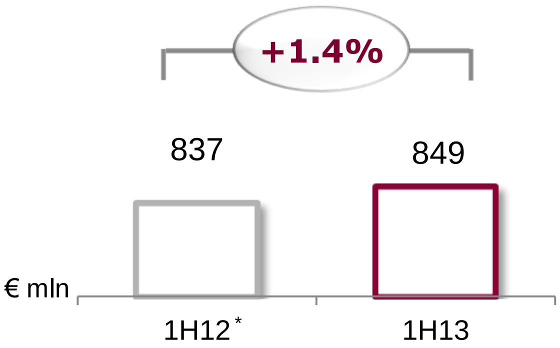
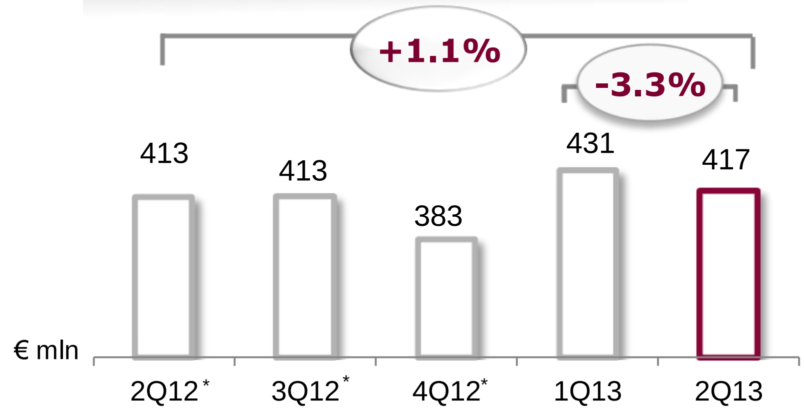
Fee and Commission Income

Fees YoY



Fees QoQ



Fees breakdown

€/mln	2Q12	1Q13	2Q13	QoQ%	YoY%
AuM fees, o/w	**122**	**156**	**154**	**-1.1%**	**26.5%**
AuM Placing	*48*	*75*	*81*	*6.9%*	*66.6%*
Continuing	*59*	*59*	*58*	*-2.9%*	*-1.7%*
Bond Placement	*15*	*21*	*16*	*-24.3%*	*7.5%*
Traditional Banking fees, o/w	**347**	**338**	**324**	**-4.0%**	**-6.5%**
Credit facilities	*179*	*173*	*160*	*-7.8%*	*-10.9%*
ForeignTrade	*19*	*20*	*19*	*-3.7%*	*0.8%*
Payment services and client expense recovery	*149*	*145*	*146*	*0.4%*	*-2.0%*
Other	**-56**	**-63**	**-62**	**-2.0%**	**9.4%**
Total Net Fees	**413**	**431**	**417**	**-3.3%**	**1.1%**

- **Net fees and commissions** up from Jun-12 due to increase in revenues from asset management which more than offset the downturn in revenues from lending, despite the adverse media climate in 1Q13

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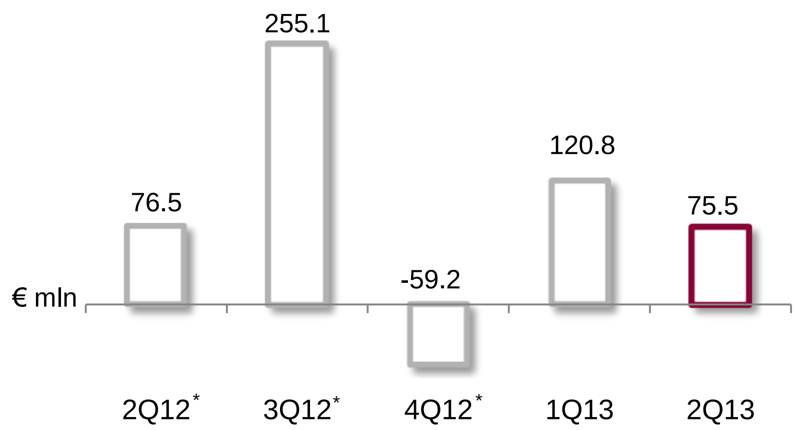
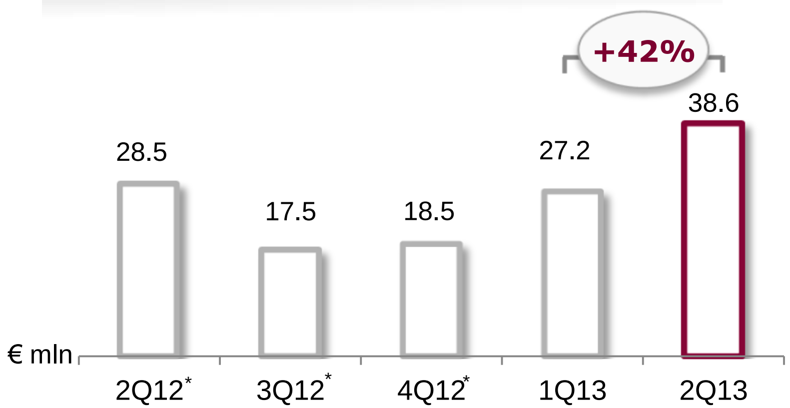
Dividends and trading

Trading/valuation of financial assets QoQ

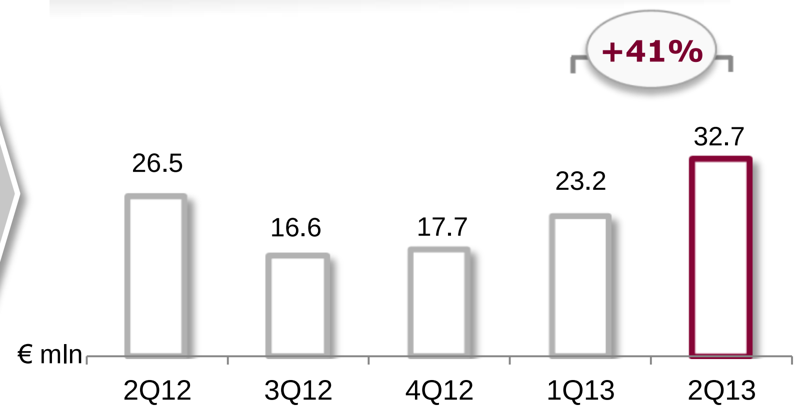


- **Net profit (loss) from trading / valuation / repurchase of financial assets/liabilities** totalled approximately EUR 196 mln at the end of June (-24% YoY)
- **Dividends, similar income and gains (losses) on investments** up significantly thanks to contribution from AXA-MPS
- Fair value option negative by EUR 11 mln in 2Q13 vs +EUR 33 mln in 1Q13

Dividends /Profit (loss) from investments QoQ



Bancassurance Contribution



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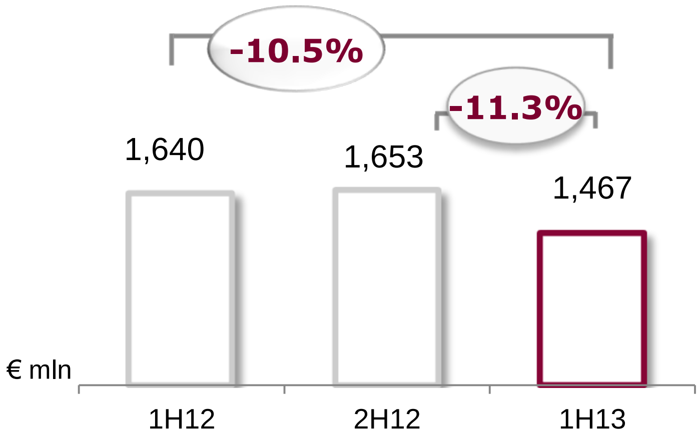
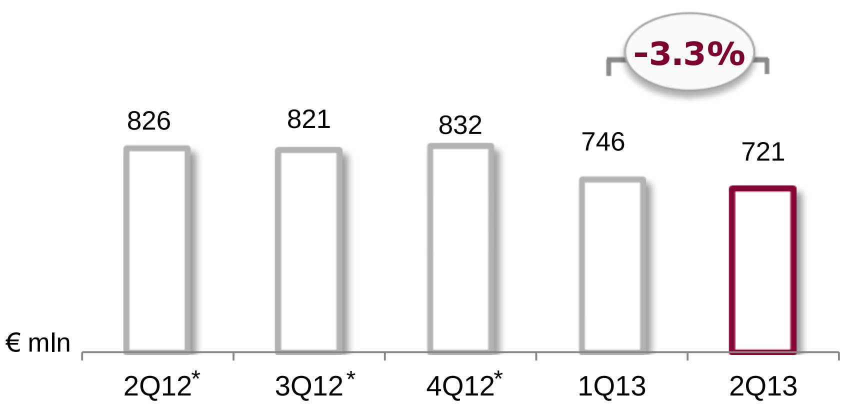
Operating Costs (1/2)

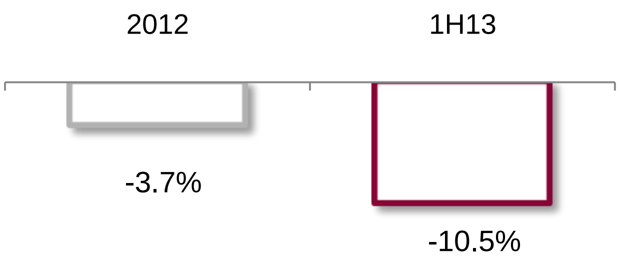
Operating Costs



Operating Costs QoQ



Total Costs (YoY % growth)



- **Cost rationalisation ongoing**, with operating expenses down 10.5% YoY. In particular:
  - **Personnel expenses** down 11.8% YoY, due to headcount reduction and agreements with the unions signed at the end of 2012 which are expected to release further benefits during 2013 primarily on account of the early retirement schemes put in place in the second quarter
  - **Other administrative expenses** down 6.5% YoY
  - **Net value adjustments to tangible and intangible assets** down 19.4% YoY

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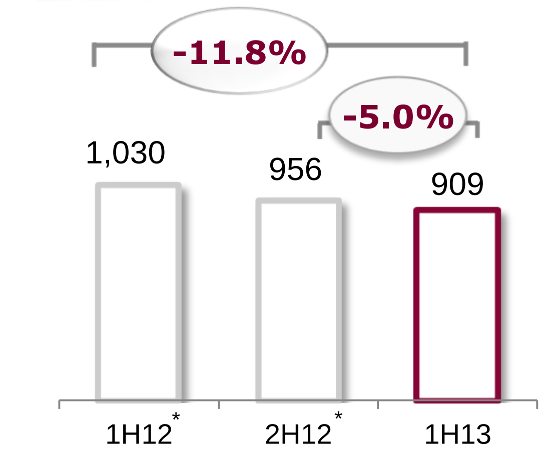
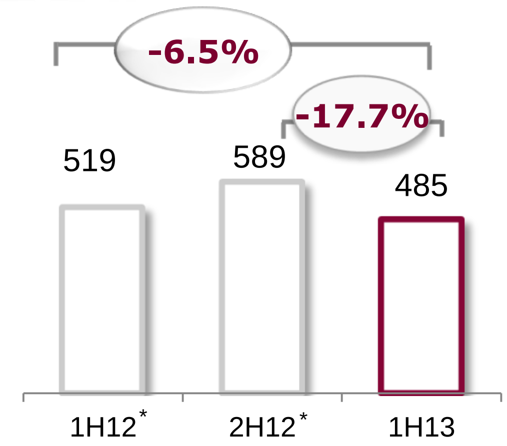
Operating Costs (2/2)

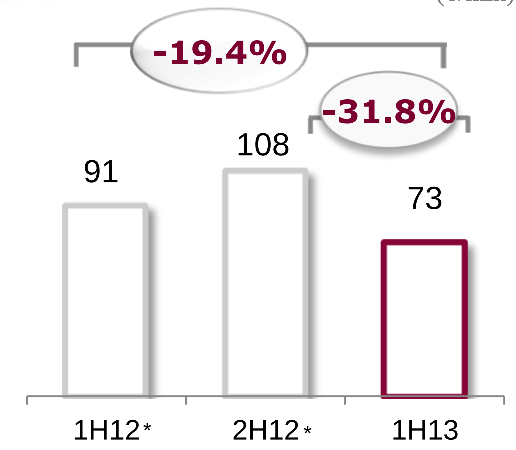
Personnel expenses (€/mln)



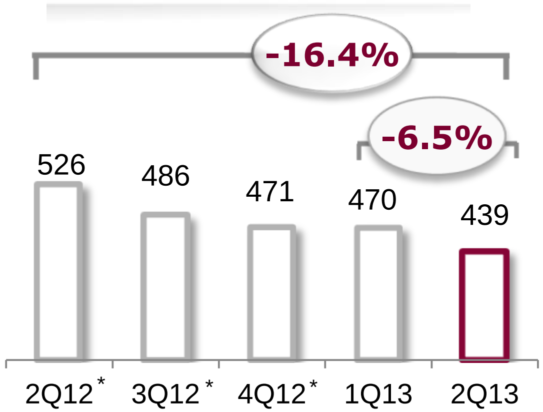
Admin expenses (€/mln)



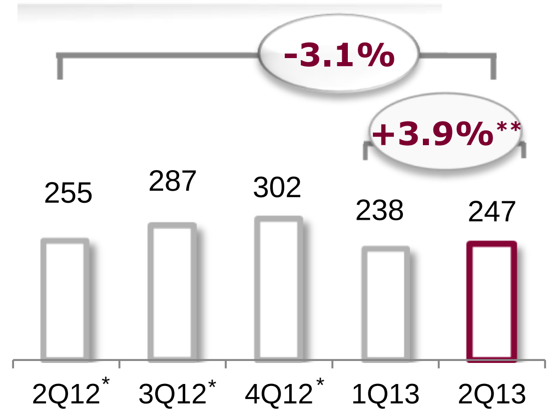
Amortization and Depreciation (€/mln)



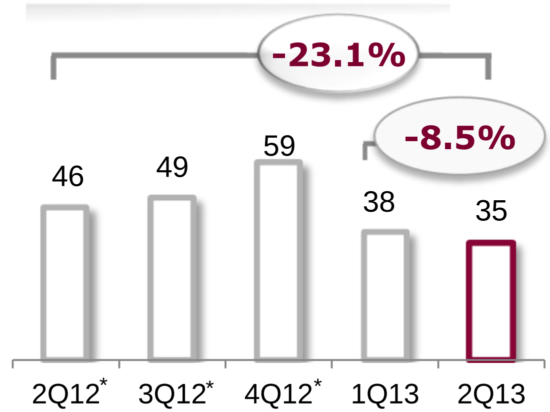
Personnel expenses QoQ (€/mln)



Admin expenses QoQ (€/mln)



Amortization and D.QoQ (€/mln)



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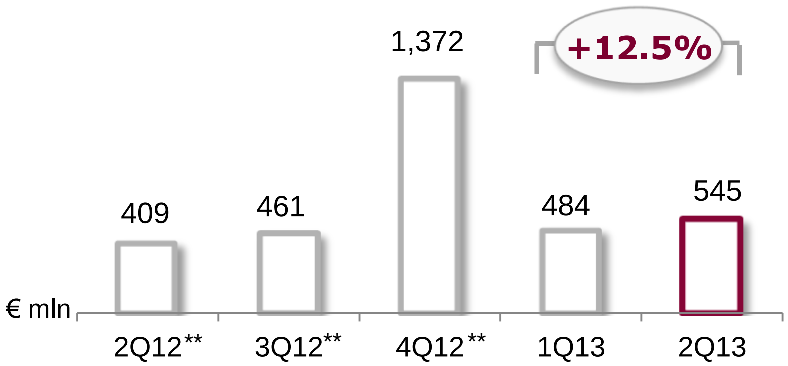
**Quarter increase mainly due to step up in Business Plan implementation and higher legal expenses related to NPL recoveries

Provisioning

Cost of credit* (bps)

Net loan loss provisions over time



- Net loan loss provisions up on 1Q13 due to **increase in coverage** driven by the ongoing economic weakness and within the framework of a prudential provisioning policy
- As a consequence, **the cost of credit remains high**

Key messages | Balance sheet | P&L | Business Plan update

* Net loan loss provisions / End-of-period loans
**Figures were restated by taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)

Contents

Retail Business - *Significant focus on Business Productivity, new Business Lines and Growth opportunities*

Productivity

- Structured and continuous plan of **targeted microcampaigns/promotions with positive impact on contact** (+30/40% vs. 2012)
- Ongoing business plan project aiming to design, test and deploy new **Business Processes "From the Center to the Network"** (test run on 2 Local Market Units shows important results on every single KPI)

P&C

- Overall production **+31% YoY and increase in market share (+16%)**
- **Multi-guarantee product**: P&C Retail **+130% YoY** and new **P&C SMEs** (33k policies in 2 months)
- **Motor**: in May13 **+262% YoY**

Life

- Launch of "Vita Preziosa", **pioneer in critical illness products in Italy**

Pension

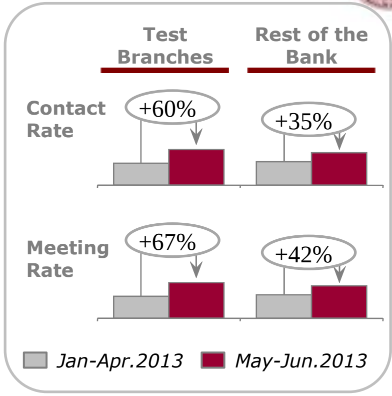
- Pension funds: Bundle with long term care policies (1° player in Italy on LTC) - **Market share in Individual Pension Plans: 16,1%**

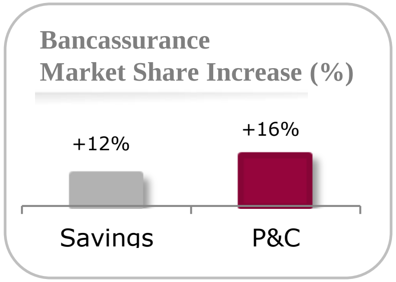
WM

- Over **EUR 3 bn ytd** placement of principal-protected policies (Unit and Target Fund)
- **BA savings** - New Flows **Market Share: 8,4%** (Unit Linked: 27%)
- **Advice**: over 35% in placement activities through the Advice Process (over EUR 100k monthly revenues from proposals)

Cards & Payment

- Launch of **new Credit Card offer and services** and a **new acquiring platform**





MPS Advice

Back Office Project - SAACA

Industrial partners identified, further investigation continues

- The Back Office - SAACA (Societarizzazione Attività Amministrative Contabili e Ausiliarie) project is underway and solid potential partners have been selected to further negotiate

- The selection was based not only on economic but also industrial criteria (efficiency and effectiveness): improvement of service levels, control of operational risk, ability of operating models to safeguard employment levels

- The scope, identified in alignment with the Union Agreement of 19 December 2012, is a business unit of approximately 1,100 resources who carry out administrative, accounting and ancillary activities considered as "support"

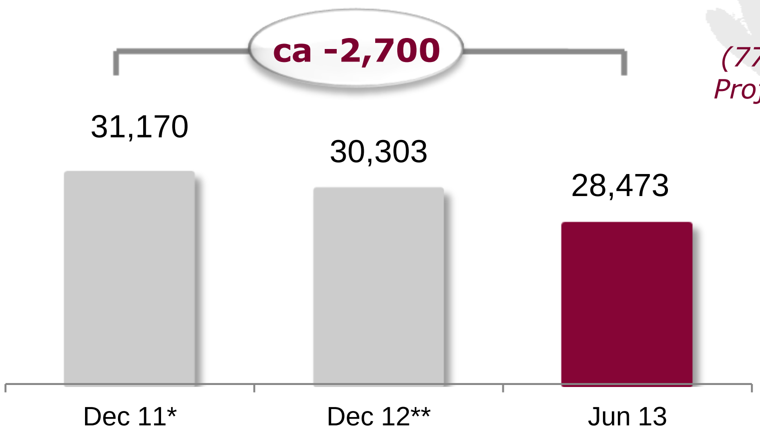
‘Banca On line’ initiative

To be presented on 18 September

Vision	Key elements		
New Entity built up and managed by the community	Local roots	▪ **Strong involvement** of the **community** in order to ease the co creation of the new e-entity	**Social Engagement**
	Internal community	▪ **Involvement** of the **Bank employees** in the creation of the new entity, starting from the financial advisors	
	Social media focus	▪ **Constant dialogue** with **clients** and prospects through social media	
“Seamless” Entity focused on customer centricity	Synergic approach	▪ Complementary and synergic management of the on-line channels and the financial advisors	**Customer Experience**
	Advanced functionalities	▪ **Advanced functionalities provided to customers** (e.g. paperless, digital and multi-language)	
	Offering ‘tailored’ on customers needs	▪ **Fully comprehensive and innovative offering**, also available on self-service channels	
Service model based on trust and relationships	Relationships built through financial advisors	▪ **Leverage on financial advisors** in order to build a “need driven” offer, able to meet new market trends	**Innovative Banking Model**
	Focus on customer of the ‘digital’ era	▪ **Banking model in line** with the **customers changing needs and expectations**: from transaction to relationship	
	Ability to meet complex customer needs	▪ Advisory on **long term, complex and high value products**	

Personnel
Focus not only on staff reduction but also better allocation

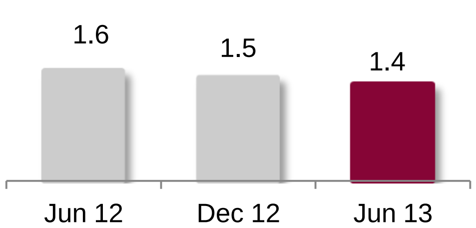
Personnel over time



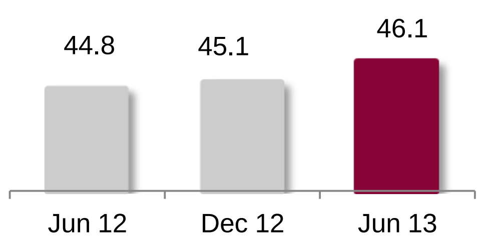
58% of BP Target
(77% excl. B.O. Project - SAACA)

- c2,700 people have left the Group since Dec 2011, of whom ca. 1,660 supported into retirement through activation of the Banking Industry’s Solidarity Fund
- Total number of executives dismissed as of Plan start date: 122
- Managers/Total Staff at 1.4% vs 1.6% as at June 2012

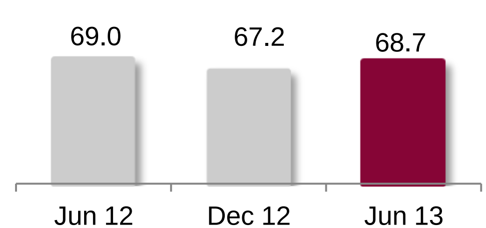
Managers/Total Staff (%)



Female/Total Staff (%)



Front office***/Total Staff (%)



*Historical Data. Including MPS Tenimenti and Magazzini Generali Fiduciari di Mantova, total staff as at Dec 11 would be 31,198

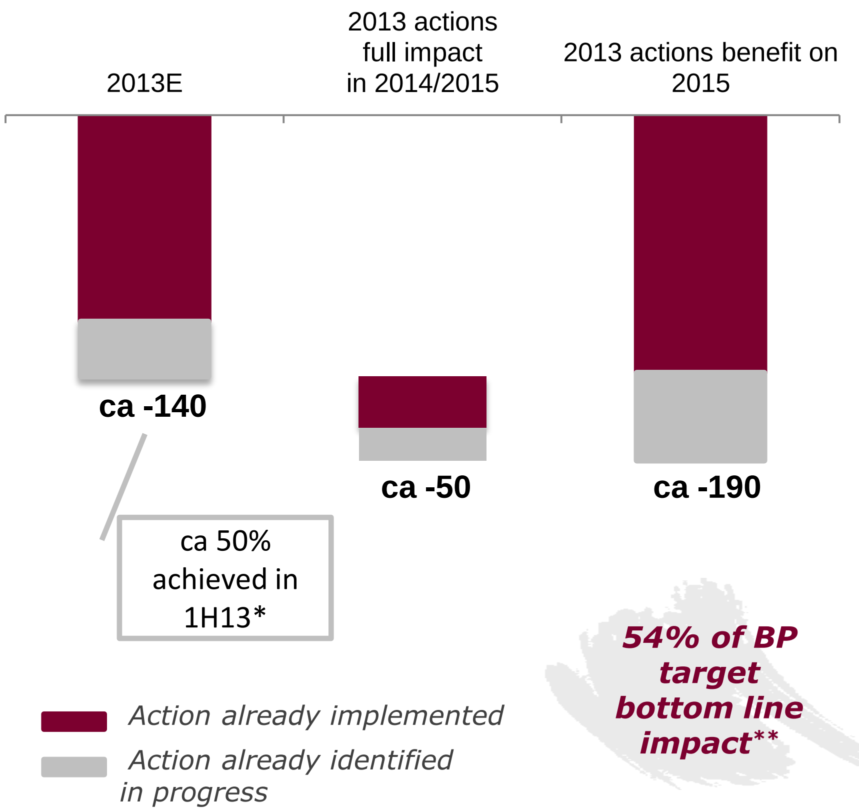
**Data restated following extension of operational monitoring scope to include ‘MPS Tenimenti’ and Mantua-based ‘Magazzini Generali Fiduciari’

*** Italian Network and Foreign Network

Operating excellence
Sustainable cost optimization driving performance

Levers	Main actions
Operational efficiency	• New Organizational Models • Process reengineering • HC reduction/new internal services
Space Management	• 400 branches and 66 HQ offices closing • 620 rental contracts renegotiation (50% of total) • New Branch Security System • Non core buildings sale
Logistics and others services reshaping	• 35 supply contracts fully renegotiated (80% of spending) • Multi-hub logistics/archiving model • HR expenses policies optimization • Energy procurement initiatives • Strong cost and vendor management
Paperless	• Branch activities digitalization • HQ digital processes • Online client documents
IT Demand Spending review	• Application and Technology architecture simplification • Main suppliers renegotiation • Automation Demand & Spending review

Cost management benefits (€/mln)



* Versus 2012 half-year average
** Excluding Back Office Project cost. Not including all the potential benefits derived from the entire manoeuvre.

Thank you for your attention

Q&A

Annexes

P&L: quarterly trend

MPS Group	2012 (*) 1st quarter	2012 (*) 2nd quarter	2012 (*) 3rd quarter	2012 (*) 4th quarter	2013 1st quarter	2013 2nd quarter
Net interest income	882.6	788.5	724.1	434.5	597.0	486.5
Net fee and commission income	424.3	412.6	413.1	382.9	431.3	417.3
Income from banking activities	**1,306.9**	**1,201.0**	**1,137.1**	**817.4**	**1,028.3**	**903.7**
Dividends, similar income and gains (losses) on investments	10.6	28.5	17.5	18.5	27.2	38.6
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	182.0	76.5	255.1	(59.2)	120.8	75.5
Net profit (loss) from hedging	3.2	1.9	(3.6)	1.6	(4.0)	(0.9)
Net insurance income (loss)	-	-	-	-	-	-
Income from financial and insurance activities	**1,502.7**	**1,307.8**	**1,406.2**	**778.3**	**1,172.3**	**1,017.0**
Net impairment losses (reversals) on:	**(435.8)**	**(518.8)**	**(474.8)**	**(1,464.8)**	**(494.5)**	**(556.6)**
a) loans	(430.3)	(408.7)	(461.0)	(1,371.6)	(484.2)	(544.8)
b) financial assets	(5.5)	(110.1)	(13.8)	(93.2)	(10.3)	(11.7)
Net income from financial and insurance activities	**1,066.8**	**789.0**	**931.4**	**(686.5)**	**677.8**	**460.4**
Administrative expenses:	(768.0)	(780.7)	(772.6)	(772.9)	(707.3)	(686.3)
a) personnel expenses	(504.5)	(525.7)	(485.8)	(470.6)	(469.6)	(439.2)
b) other administrative expenses	(263.5)	(255.0)	(286.8)	(302.3)	(237.8)	(247.1)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(45.4)	(45.7)	(48.5)	(59.2)	(38.3)	(35.1)
Operating expenses	**(813.4)**	**(826.4)**	**(821.1)**	**(832.0)**	**(745.7)**	**(721.4)**
Net operating income	**253.4**	**(37.4)**	**110.3**	**(1,518.5)**	**(67.9)**	**(261.0)**
Net provisions for risks and charges and other operating expenses/income	(28.3)	(66.0)	(47.1)	(184.7)	5.8	8.8
Gains (losses) on investments	4.0	(5.8)	1.5	(57.8)	1.4	(32.2)
Reorganisation costs / one-off charges	(1.1)	(20.0)	(11.7)	(278.2)	-	(17.6)
Gains (losses) on disposal of investments	0.3	0.6	6.4	0.1	0.2	(1.9)
Profit (loss) before tax from continuing operations	**228.3**	**(128.7)**	**59.4**	**(2,039.2)**	**(60.5)**	**(303.9)**
Tax expense (recovery) on income from continuing operations	(127.2)	71.8	(76.9)	516.5	(31.7)	37.7
Profit (loss) after tax from continuing operations	**101.1**	**(56.9)**	**(17.5)**	**(1,522.7)**	**(92.2)**	**(266.2)**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	**4.0**	**6.6**	**3.2**	**(3.0)**	**-**	**-**
Net profit (loss) for the period including non-controlling interests	**105.1**	**(50.2)**	**(14.3)**	**(1,525.7)**	**(92.2)**	**(266.2)**
Net profit (loss) attributable to non-controlling interests	**(1.7)**	**(2.7)**	**(1.1)**	**27.0**	**(0.0)**	**(0.0)**
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**103.4**	**(52.9)**	**(15.4)**	**(1,498.7)**	**(92.3)**	**(266.2)**
PPA (Purchase Price Allocation)	(14.4)	(13.3)	(10.9)	(11.7)	(8.5)	(13.0)
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-	(1,574.3)	-	(80.0)	-	-
Net profit (loss) for the period	**89.0**	**(1,640.5)**	**(26.3)**	**(1,590.5)**	**(100.7)**	**(279.3)**

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Declaration of the Financial Reporting Officer

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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