



**Banca Monte dei Paschi di Siena**

Una storia italiana dal 1472

# “1Q 2011 Results Presentation”

Siena, 12<sup>th</sup> May 2011



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

# 1Q2011 Results Highlights



## Business & Market

- ❑ c.22,000 net new customers in 3M (+c.1,000 vs 1Q10); c.18,000 net new current account (vs c.7,200 new current accounts opened in 2010)
- ❑ Retention rate at 98.8% vs 95.3% at Dec 10
- ❑ Total Funding: around +5 €bn in 1Q vs Dec10; Direct Funding: +5.0% YoY and Loans +4.2% YoY

## P&L analysis

- ❑ Total Revenues: +6.4% YoY
- ❑ NII +0.7% YoY
- ❑ Costs: -7.2% vs 4Q10 and +1.1% YoY, with a C/I at 57.7% (vs 61.6% in 2010)
- ❑ Net Operating Profit at 348.7 €mln (+45.8 YoY)

## The value of diversification

- ❑ High value from the Group's product companies:
  - MPS Capital Services: disbursement +87.4% YoY, Net Operating Profit +92% YoY and Net profit at 54 €mln
  - MPS L&F: Factoring inflow +71.6% YoY, Net Operating Profit +86% YoY
  - Consum.it: Net Operating Profit at 18 €mln (+101% YoY)
  - BAV: Net Operating Income +54.2% at 38.4 €mln
  - B.U. Financial Advisors: Net Operating Profit +135% YoY, AUM +19%

## Risk and Capital Management

- ❑ Cost of credit: 71bps (-3bps vs Dec 10)
- ❑ Net adjustments for impairment of loans: -10.5% YoY and -4.9% vs 2010 quarterly avg
- ❑ NPL Flows: -13% YoY; Watchlist Flows: -5% YoY
- ❑ Tier 1 at 9.1% (+70bps vs Dec 2010, excluding the benefit from RE deal)

# 1Q11 Results



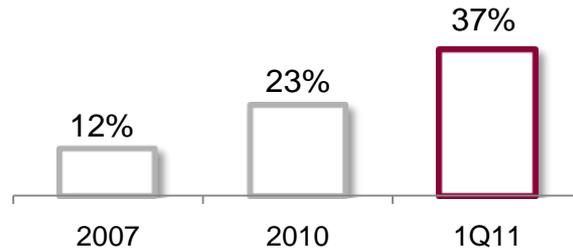
1Q11 P&L (mln €)	1Q11	1Q10*	1Q11/1Q10*	4Q10*
Net Interest Income	877.7	871.7	+0.7%	900.8
Net Fees	472.7	480.5	-1.6%	489.0
<b>Basic income</b>	<b>1,350.4</b>	1,352.1	<b>-0.1%</b>	1,389.8
Dividends	27.4	14.4	+89.9%	32.2
Trading	103.9	19.7	n.m.	-5.7
<b>Total Revenues</b>	<b>1,482.6</b>	1,392.9	<b>+6.4%</b>	1,406.2
<b>Operating Costs</b>	<b>-855.2</b>	-846.1	<b>+1.1%</b>	-921.1
Personnel costs	-543.5	-558.1	-2.6%	-597.4
Other admin expenses	-270.2	-247.9	+9.0%	-271.4
<b>Loan Loss Provisions</b>	<b>-274.6</b>	-307.0	<b>-10.5%</b>	-284.1
<b>Net Operating Profit</b>	<b>348.7</b>	239.1	<b>+45.8%</b>	189.0
Taxes	-145.0	-42.3	n.m.	-73.1
Purchase Price Allocation	-25.8	-27.7	-6.8%	-27.6
<b>Net income</b>	<b>140.3</b>	142.2	<b>-1.4%</b>	628.6

\* Excluding contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

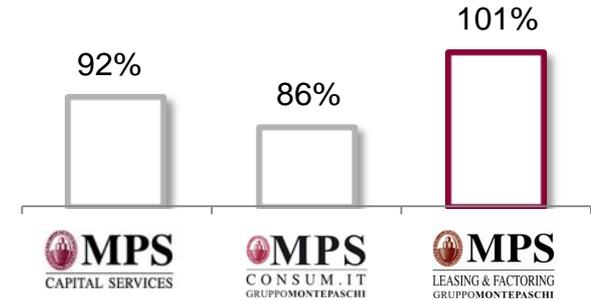
# 1Q11 Results: first steps towards the “2015 Ambition” (1/3)



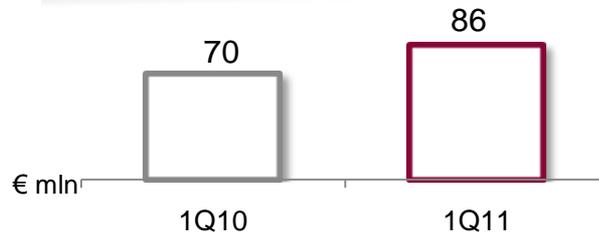
Product Companies\* contribution



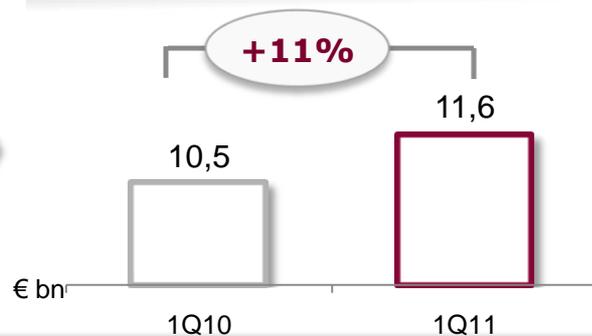
Net Operating Profit (YoY increase)



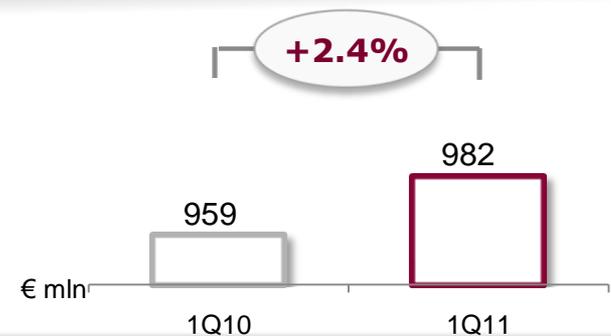
AXA MPS, Prima Sgr and B.U. Financial Advisors Contribution\*\*



Antonveneta Direct Funding



Antonveneta Wealth Management flows



Increasing diversification of the top line



Closing the productivity gap



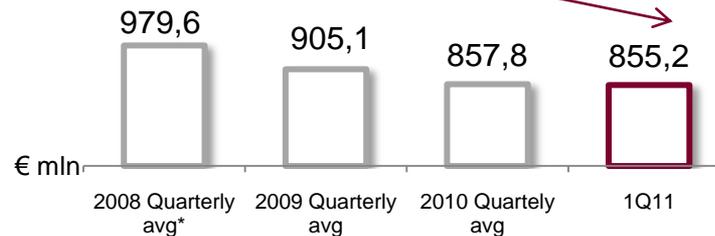
\* MPS Capital Services, Consum.it, MPS L&F, MPS Gestione Crediti contribution to GMPS Net Operating Income

\*\* Dividends and Fees

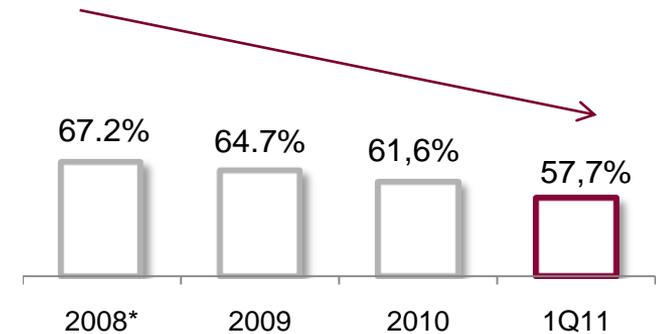
# 1Q11 Results: first steps towards the “2015 Ambition” (2/3)



### Operating Costs evolution



### Cost/Income



**Further efficiency recovery**



- L/D ratio now at 0.96x (0.99x in Dec 2010)
- Financial assets (including Repos) down by 9.0 €bn (-16.1% vs Dec 2010); Bond portfolio reduced by 4.4 €bn vs Dec 2010
- Interbank position down by c.6€bn since Dec 2010

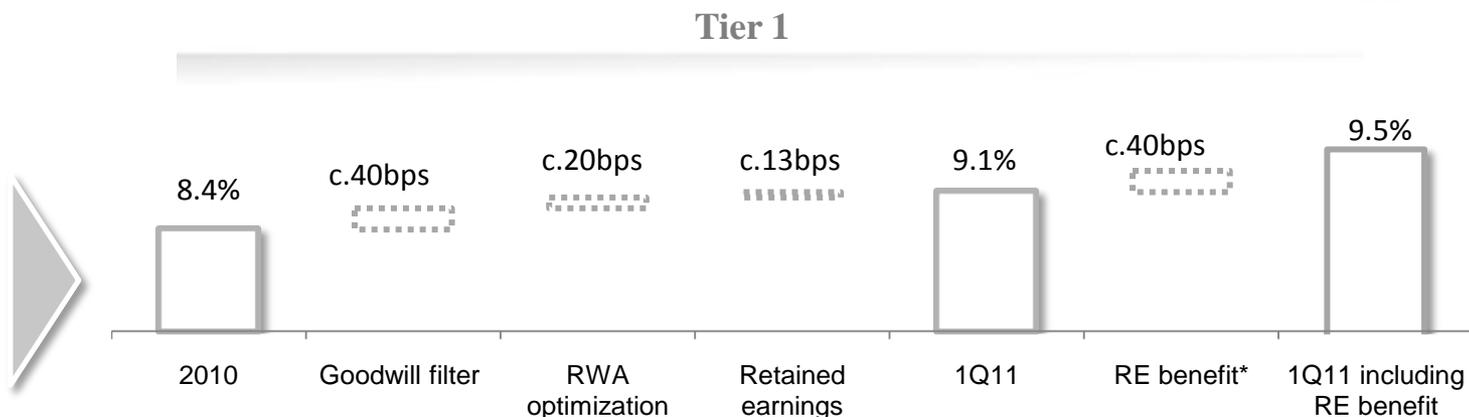
**ALM rebalancing**



# 1Q11 Results: first steps towards the “2015 Ambition” (3/3)



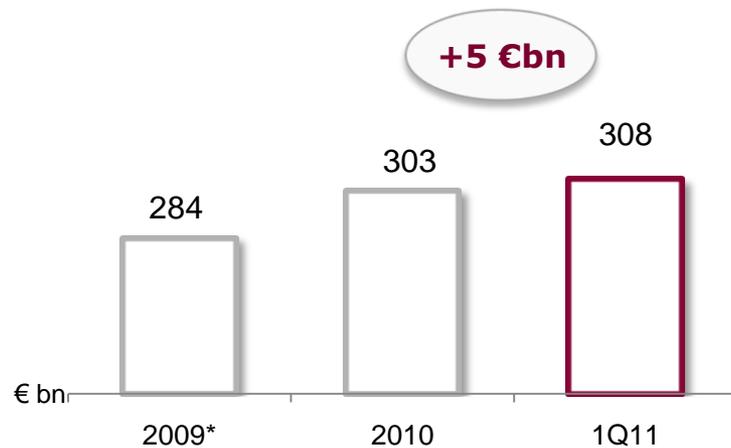
## Capital strengthening



- Tier 1 at 9.1% (+70bps vs December 2010)
- Tier 1 at 9.5% considering Real Estate deal\* (c40bps)
- 6th June: Extraordinary shareholders meeting to approve capital increase of up to 2.471 €bn
- Condition for future repayment of the Tremonti Bonds, subject to the Bank of Italy's authorization (1.9 €bn)



## Total funding



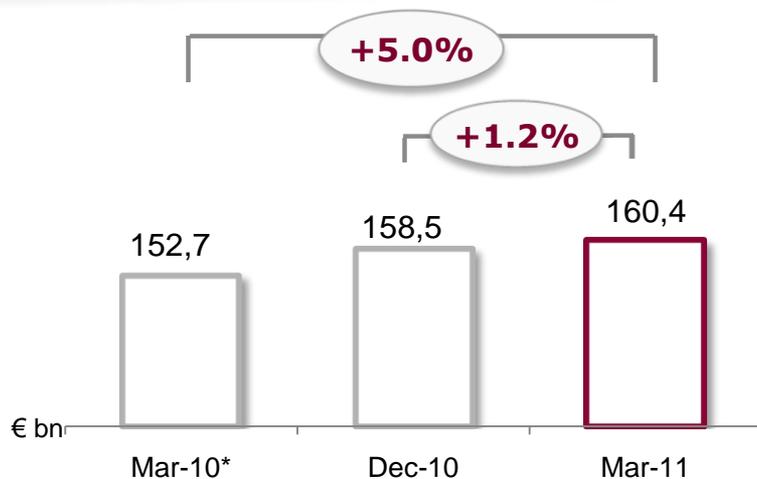
## Good funding and lending and strong attention to our customer base

- **Good funding and lending:** Total Funding +7.0% YoY (o/w Direct Funding +5.0% YoY) and Total lending +4.2% YoY
- **Strong focus on our customer base:** around +22,000 net new customers in 1Q with retention rate at 98.8% (vs 95.3% in 2010)

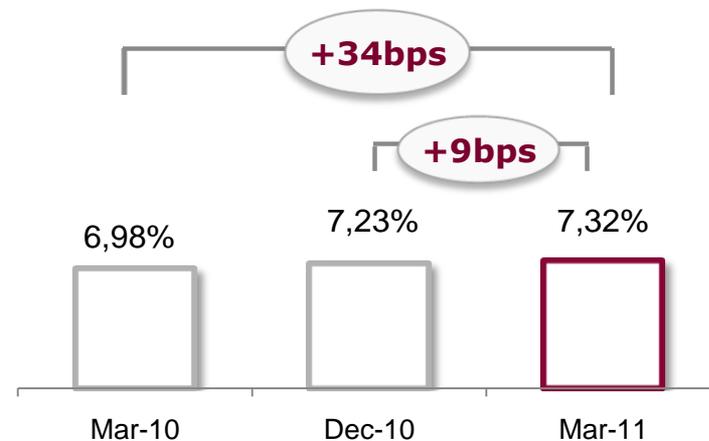
# Funding and lending volumes



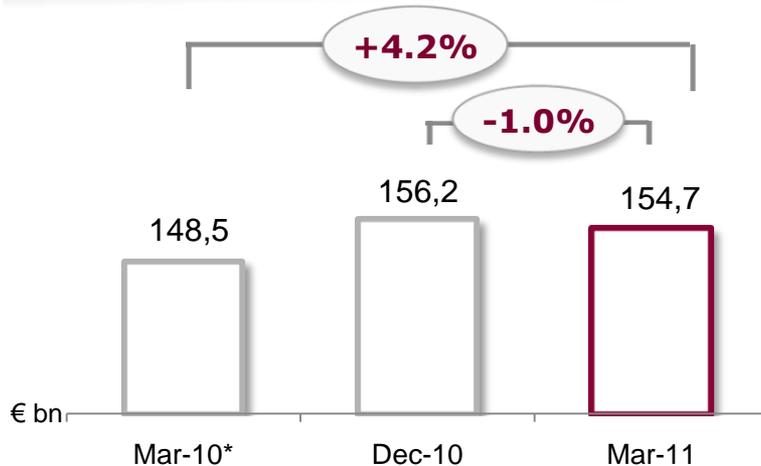
## Direct Funding



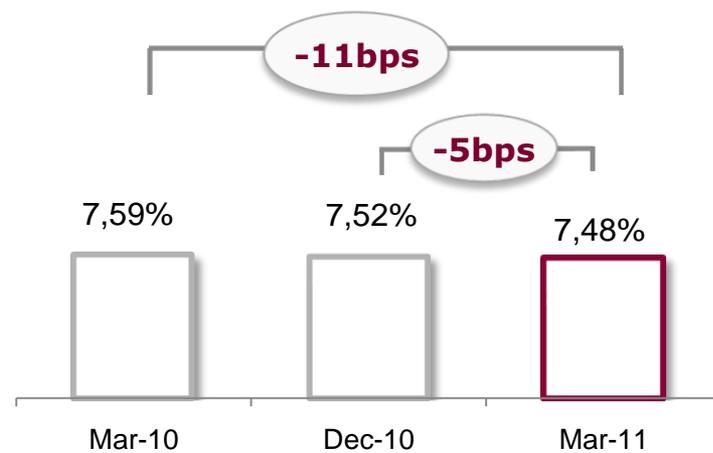
## Direct Funding Market Shares\*\*



## Total Lending



## Total Lending Market Shares



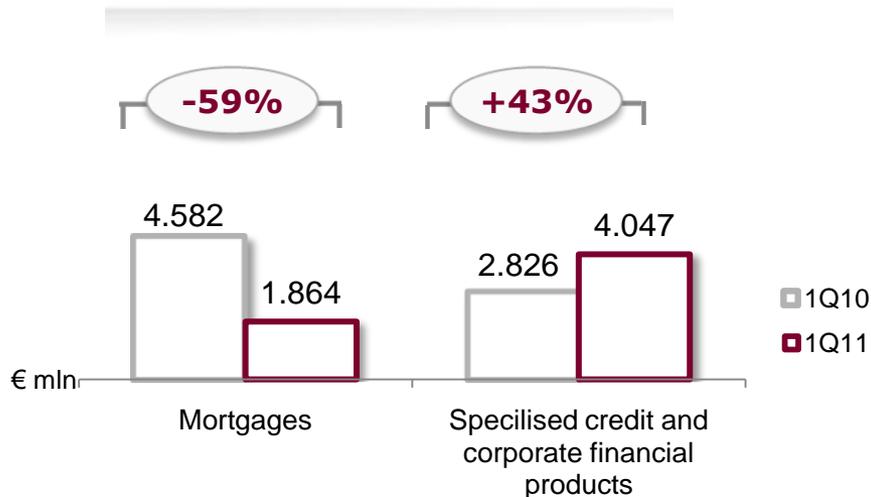
\* Figures at 2010 exclude contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

\*\* Figures net of Repos MPS CS

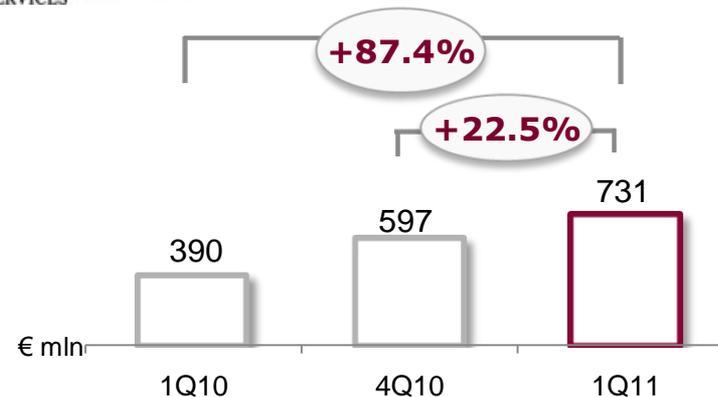
# Specialized Product Flows



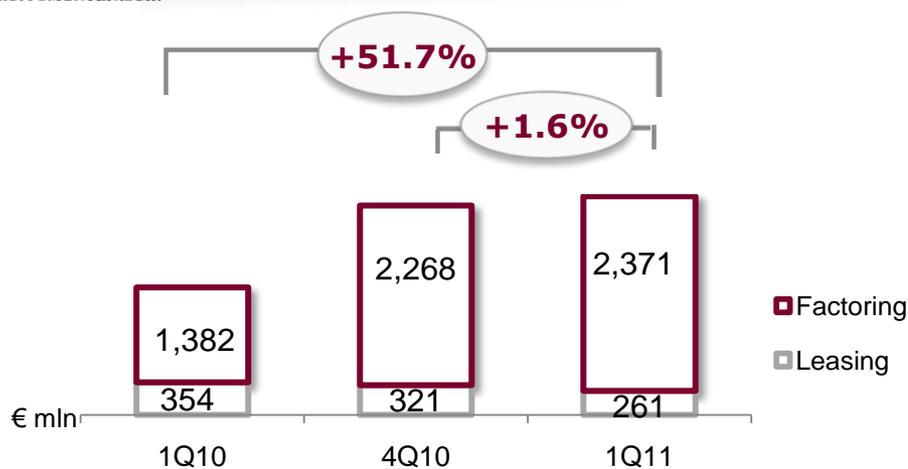
## Lending flows



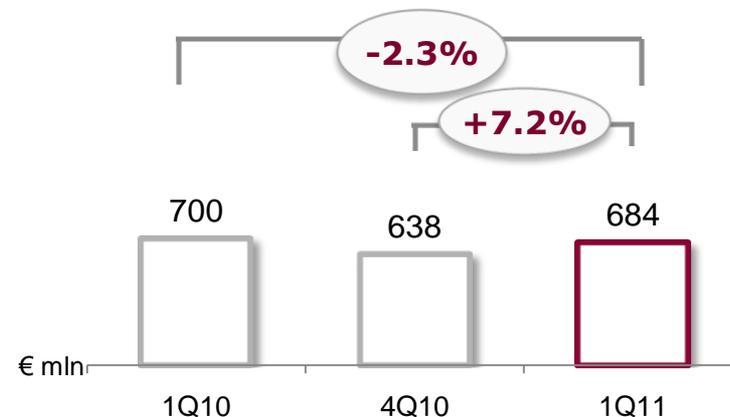
## MPS CAPITAL SERVICES MPS Capital Services Disbursements



## Leasing Flows & Turnover Factoring



## Consumer Credit Flows



# Increasing customer base



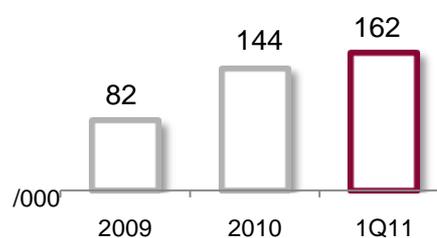
**c22,000**  
Net new customers  
in 1Q11  
(+1.4%\*)

**c18,000**  
New current accounts  
in 1Q11  
(+59% YoY)

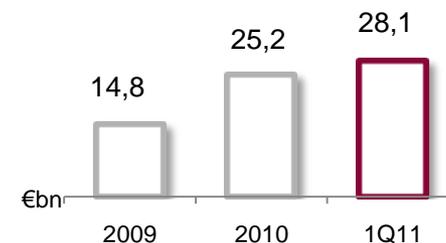
## High Value-Added Services



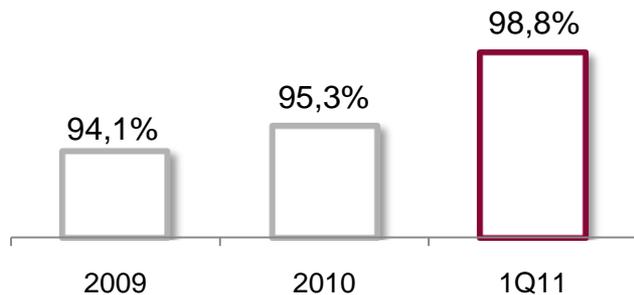
Financial Advisory  
Services: Customers



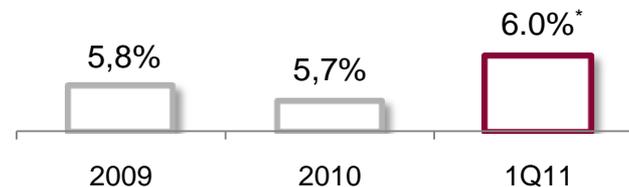
Financial Advisory  
Services: Assets



## Retention rate



## Acquisition Rate

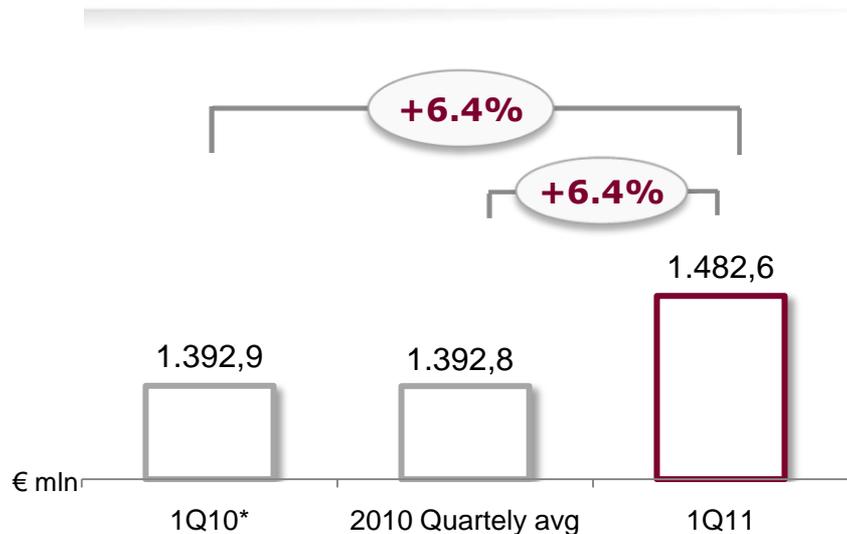


\* Annualized

# An Analysis of Revenues



Total Revenues



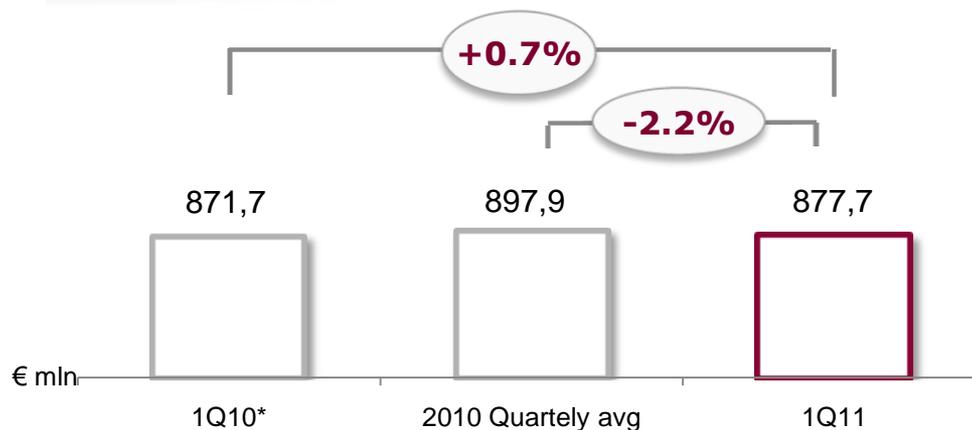
## Resilient revenues with a strong contribution from product companies

- **Total Revenues: +6.4% YoY and vs 2010 quarterly avg**
- **NII +0.7% YoY; QoQ trend negatively impacted by fewer working days (c20 €mln) and by reduction of ALCO components due to 4.4 €bn portfolio reduction**
- **Strong contribution from product companies: Dividends +90% YoY**
- **Increasing contribution from trading**

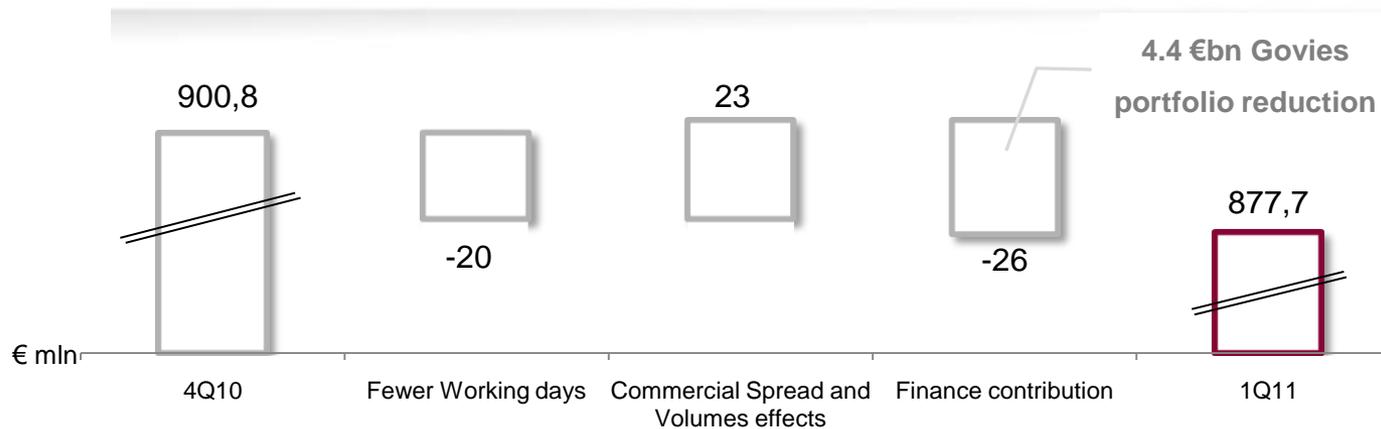
# A focus on Net Interest Income



## Net Interest Income



## 1Q11 vs 4Q10

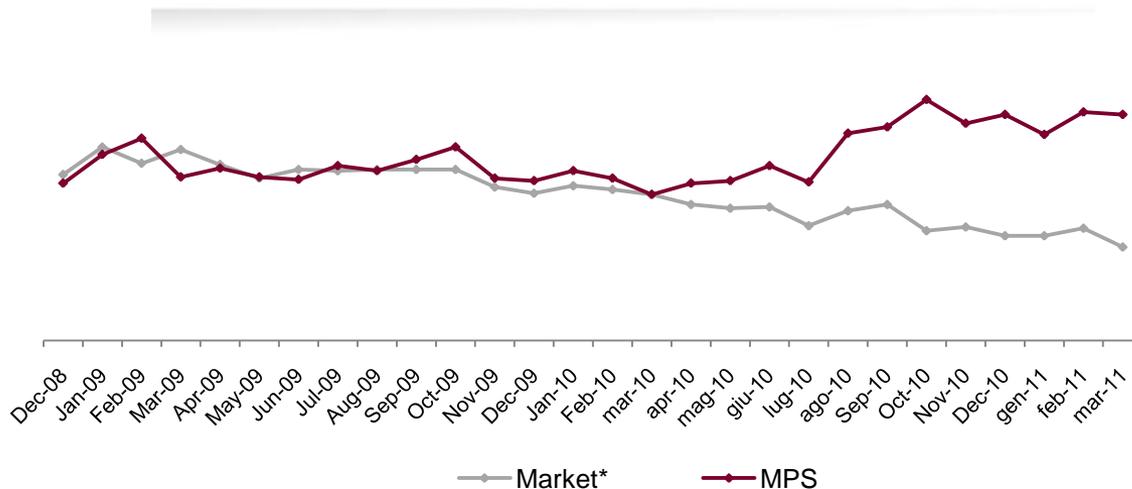


\* Excluding contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

# Mark up and Mark down

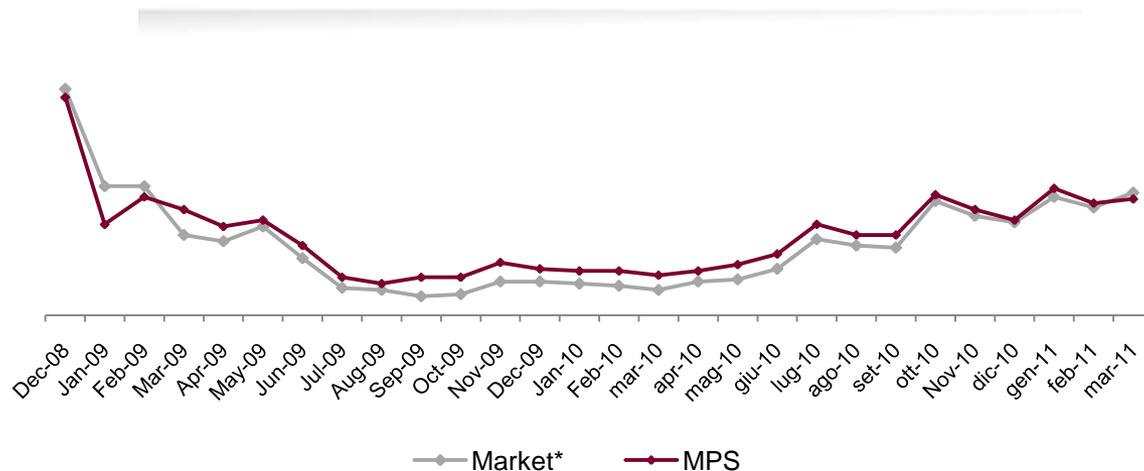


## Short term Mark up



- **Consumer Mark up: -2bps vs Dec 2010**
- **Corporate Mark up: +19bps vs Dec 2010**

## Short term Mark down



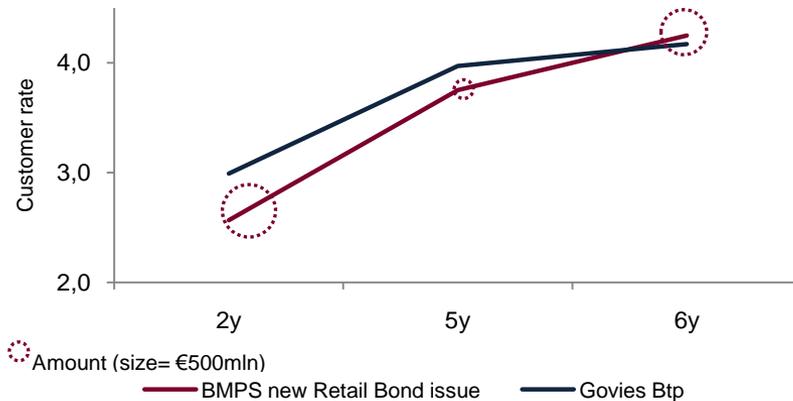
- **Consumer Mark down: +17bps vs Dec 2010**
- **Corporate Mark down: -14bps vs Dec 2010**

\* Bank of Italy matrix

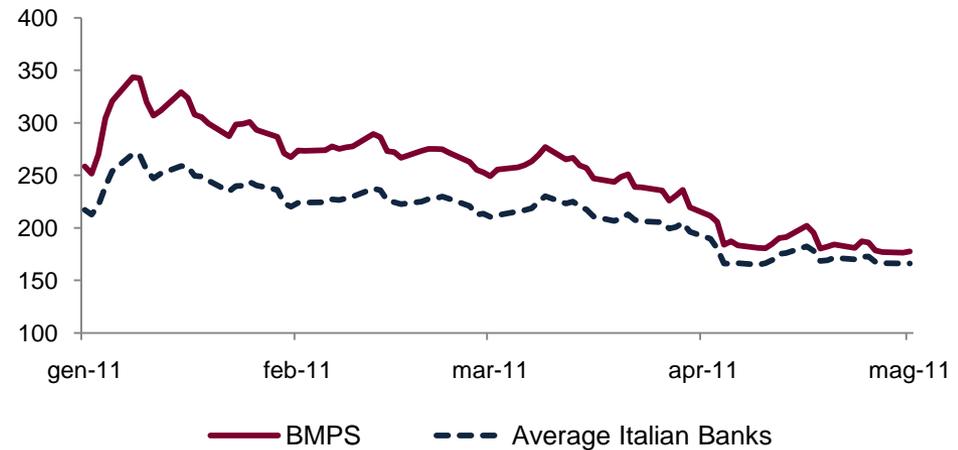
# Funding: focus on new bond issues and CDS trend



### Customer rate % (fixed)



### CDS: MPS vs Avg Italian Banks



### Rating evolution

S&P upgrade MPS's INDIVIDUAL RATING to "A-" from "BBB+" and preferred stock to 'BBB-' from 'BB+'

**STANDARD & POOR'S**

Short term credit rating: A-2

Long term credit rating: A-

Outlook: Stable

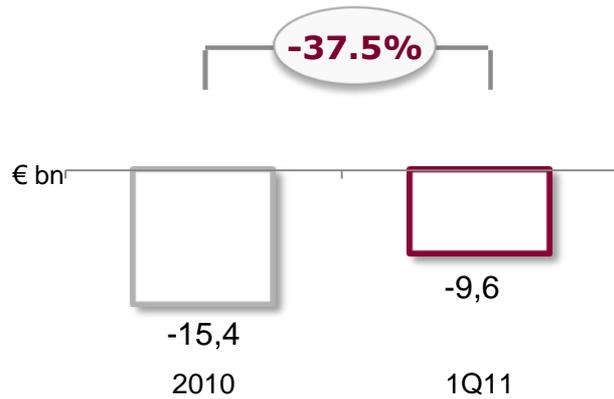
### Funding cost expected to improve

- MPS Retail Bonds rate in line with Govies
- Significant improvement in CDS ongoing
- Rating upgrade from S&P

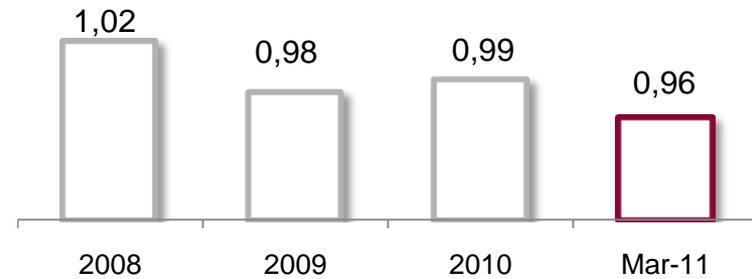
# ALM Rebalancing



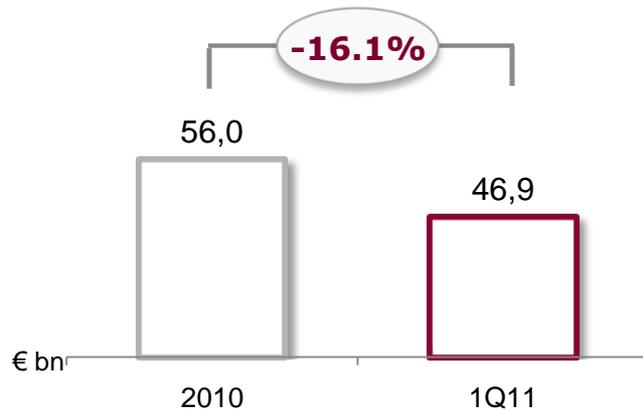
### Interbank Position \*



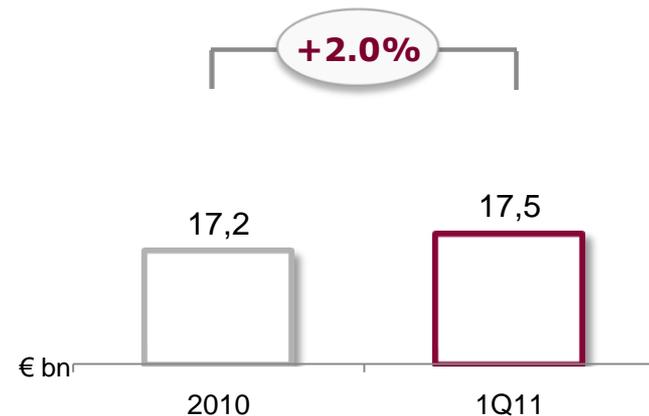
### Loan/Deposit ratio



### Financial Assets (including Repos)



### Shareholders' Equity

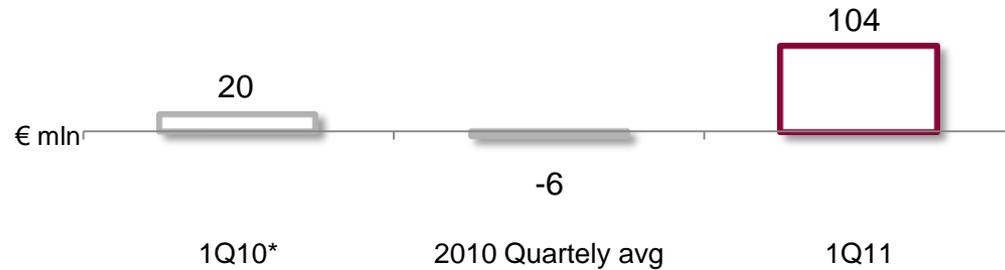


\* Loans and advances to banks' and 'deposits from banks' include loans to/from banks classified as held-for-trading financial assets

# Trading/valuation of financial assets



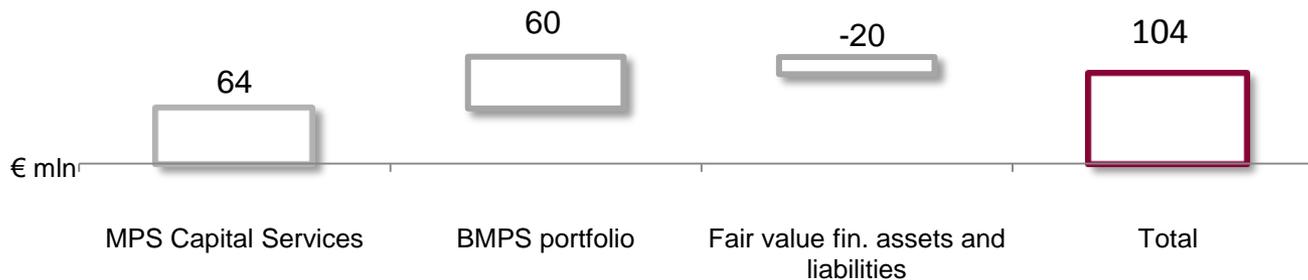
## Trading/valuation of financial assets



**Bond Portfolio:**  
**c -4.4 €bn since Dec 2010**

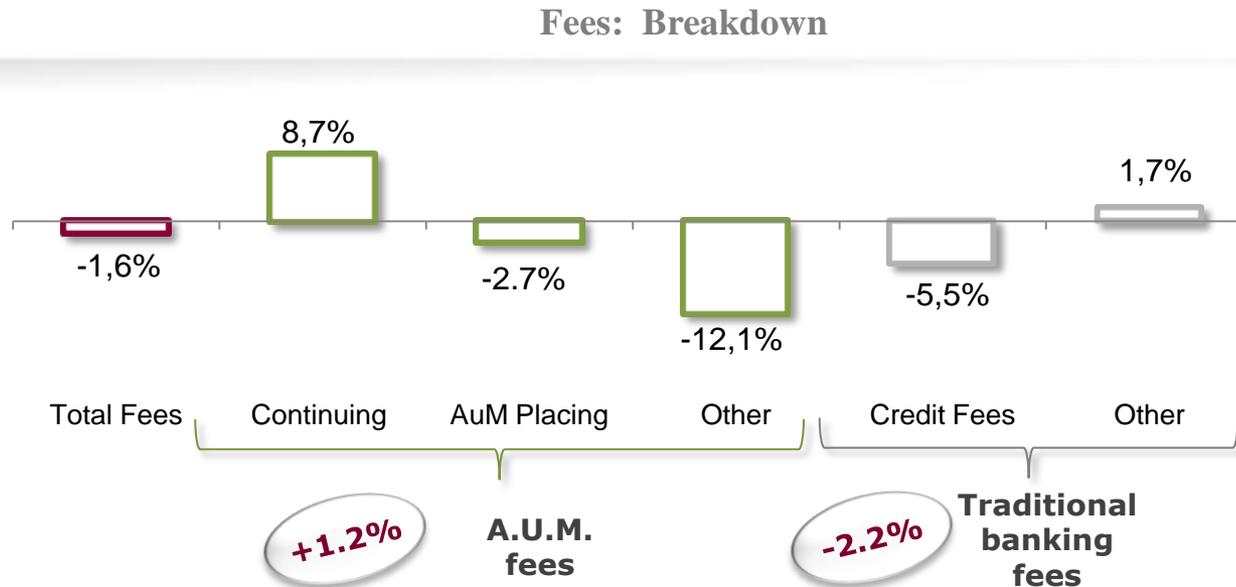
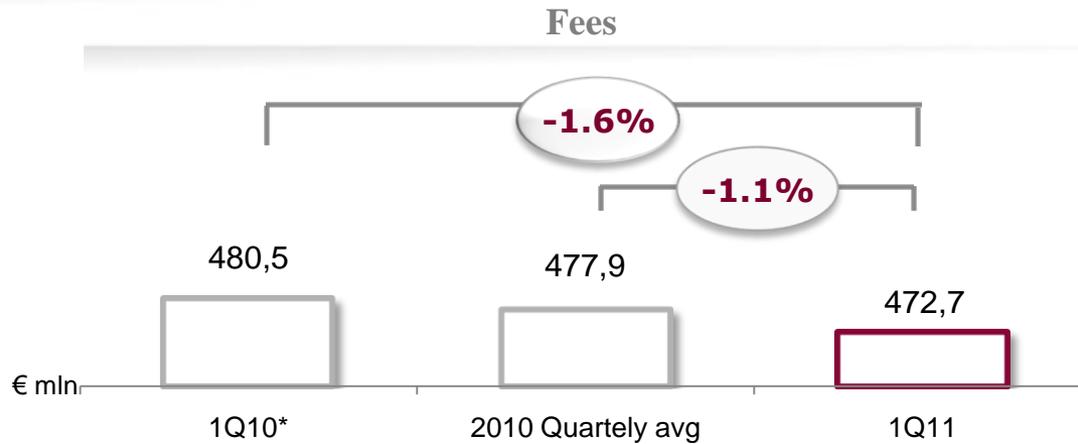
- **HFT:** -3.7 €bn
- **AFS:** -0.2 €bn
- **L&R:** -0.5 €bn

## Trading/valuation of financial assets: breakdown



\* Excluding contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

# A focus on fees

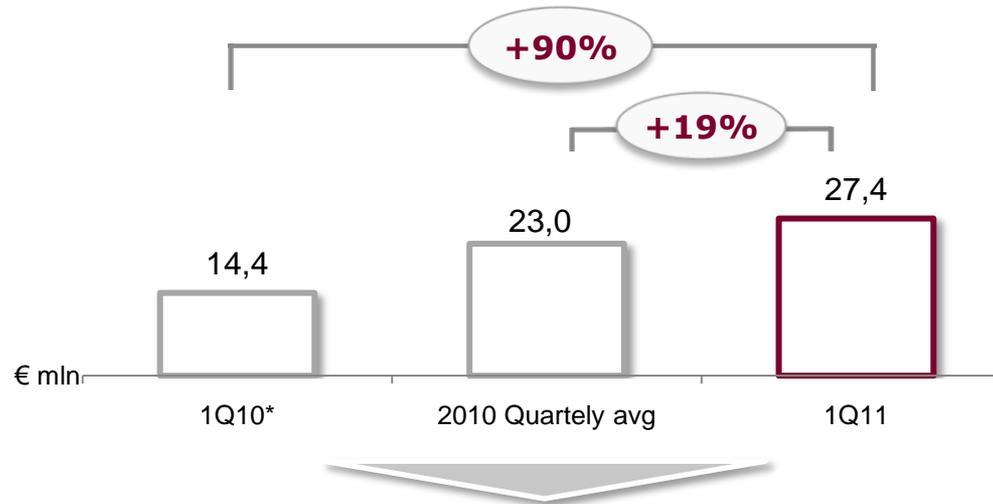


\* Excluding contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

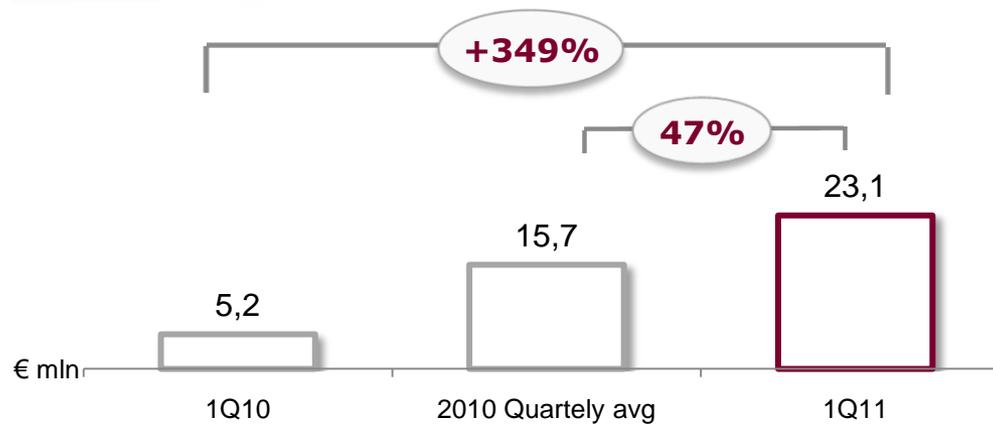
# Dividends from product companies



## Dividends

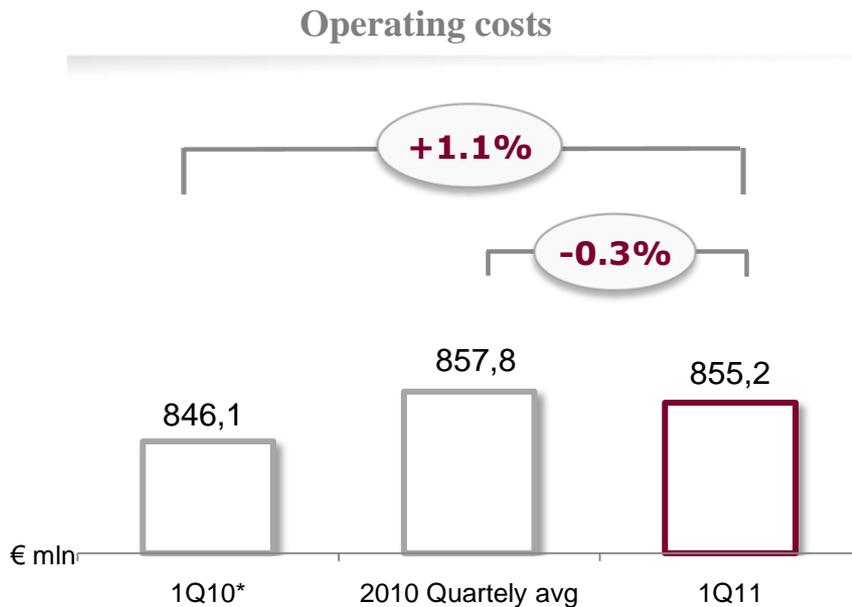


## Bancassurance contribution



\* Excluding contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

# Operating costs



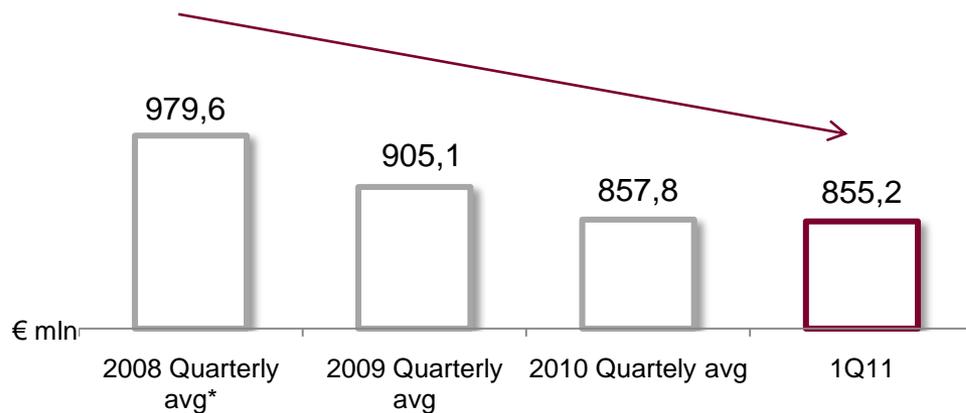
## Efficiency improvement continues

- **C/I at 57.7%** vs 61.6% Dec 10
- **Cost of personnel:** -2.6% YoY, -9.0% QoQ, positively affected by HR restructuring initiatives implemented
- **Other Admin Expenses** (+9.0% YoY, -0.4% QoQ) negatively affected by the impact from RE Deal (net of which the item would decrease)
- **Second phase of reorganization plan is underway:** €180mln cost reduction, 1,400 outflows mainly from HQs and higher Front Office/Total Staff ratio are expected within 2013

# A focus on Operating costs

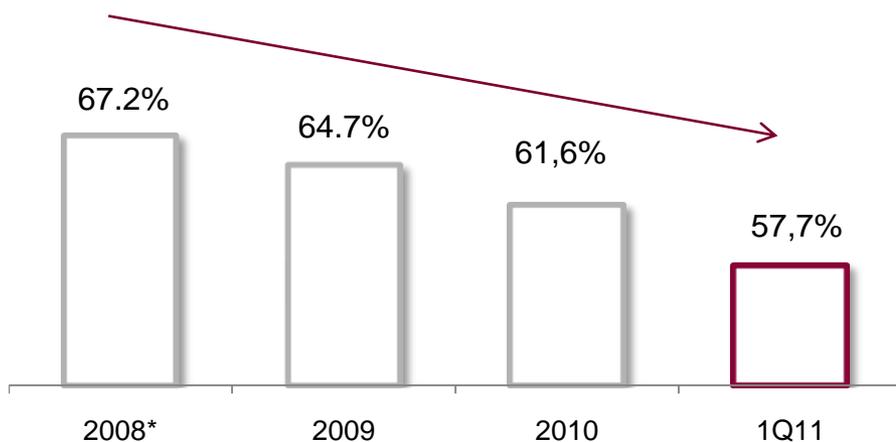


## Operating Costs evolution



- **Costs reduced** as a result of **implemented headcount reduction and redeployment processes**

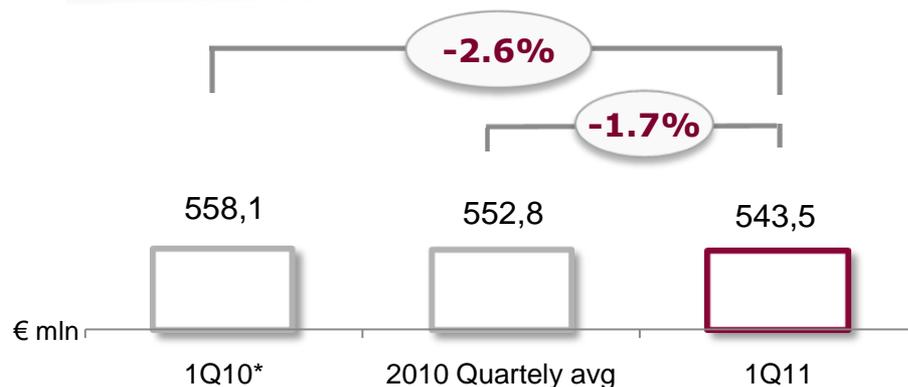
## Cost/Income



# Personnel costs and Other Admin Expenses



## Personnel Expenses



- **90 net outflows** in 1Q11

## Other Administrative Expenses



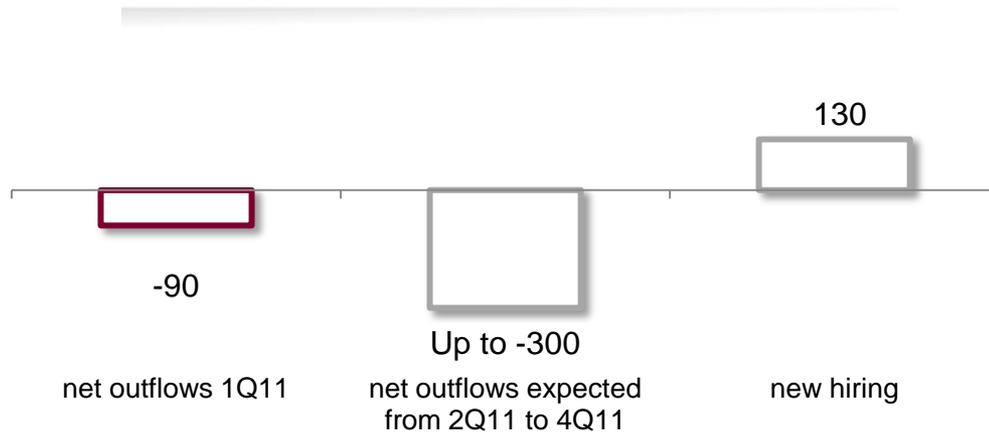
- The increase is due to the impact from RE deal; without which the item would decrease

\* Excluding contribution from branches sold and from MP Monaco SAM and MPS Venture under disposal

# Outlook on Personnel and Other Admin Expenses

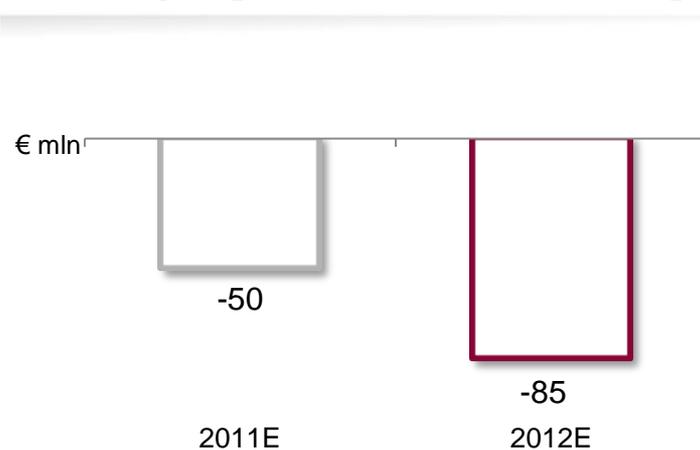


## Group Headcount



- **Expected in 2011: -1.3% reduction of total workforce**

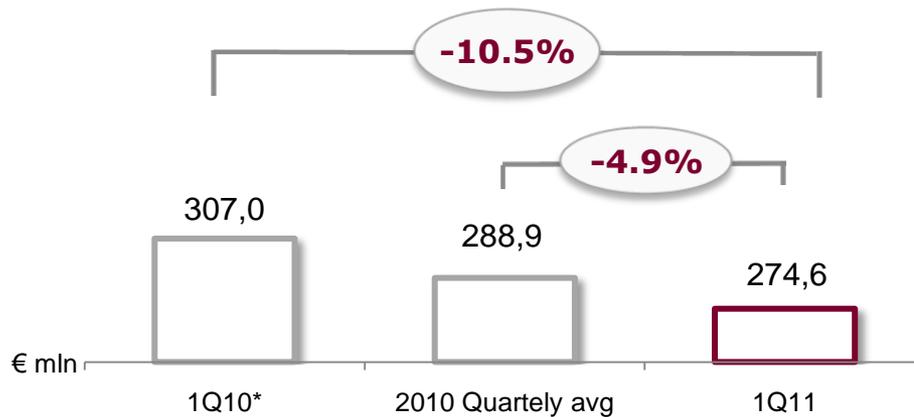
## Savings expected on Other Admin. Expenses



- Revision of internal processes
- Savings on IT, Space Management, Back Office, Paschi Face



## Net adjustments for impairment of loans



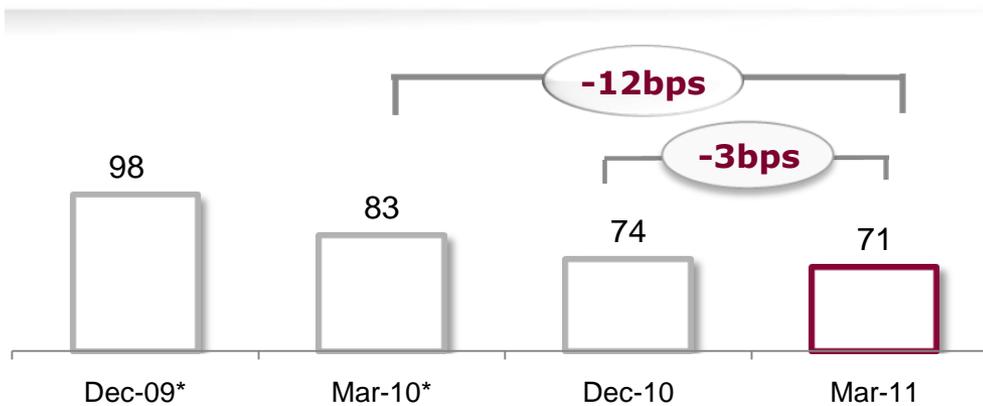
## Asset quality in control:

- **Cost of credit at 71bps** (vs 74bps as at Dec 2010), with increased NPL coverage (+20bps vs 2010)
- **Decreasing Impaired loan inflows:** NPL inflows -13% YoY, Watchlist inflows -5% YoY
- **NPLs market share:** -594bps since Dec 08

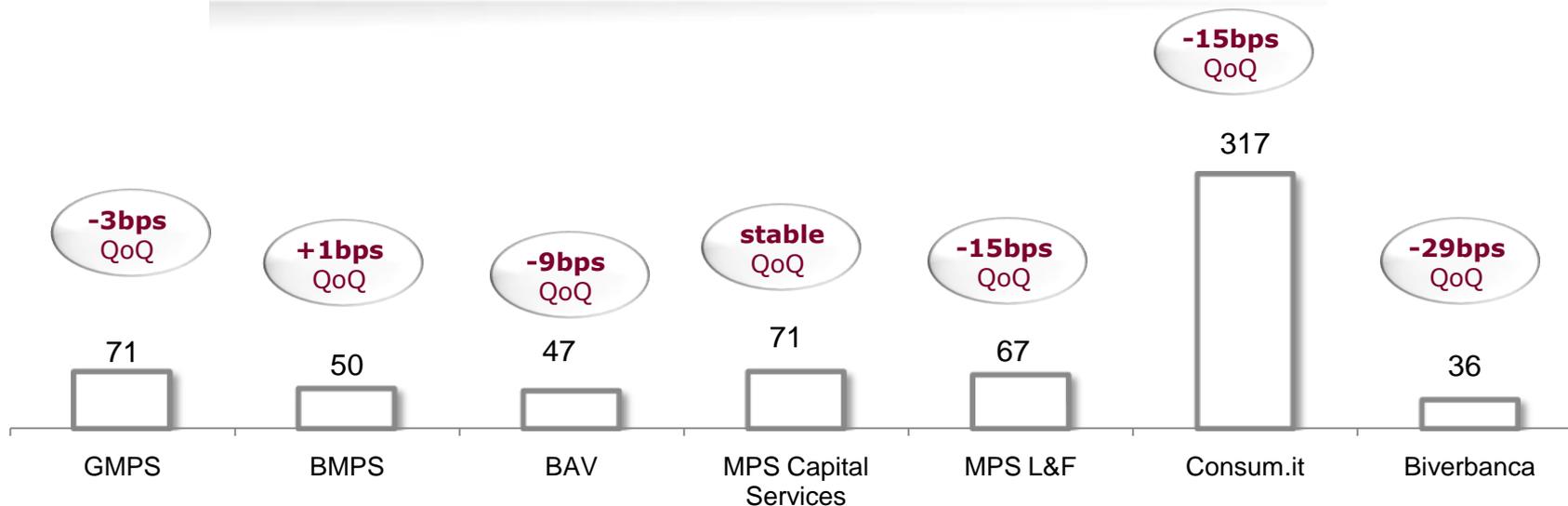
# Provisions towards a normalised level



Provisions (bps)



Breakdown by Business Units (bps)

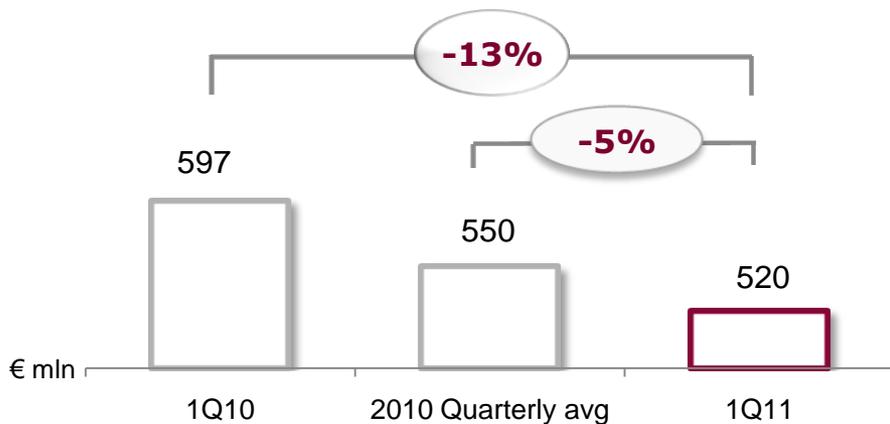


\* Restated figures, excluding contribution from branches sold to Intesa and Carige. Historical data: Dec-09: 96bps. Historical data: Mar-10: 81 bps.

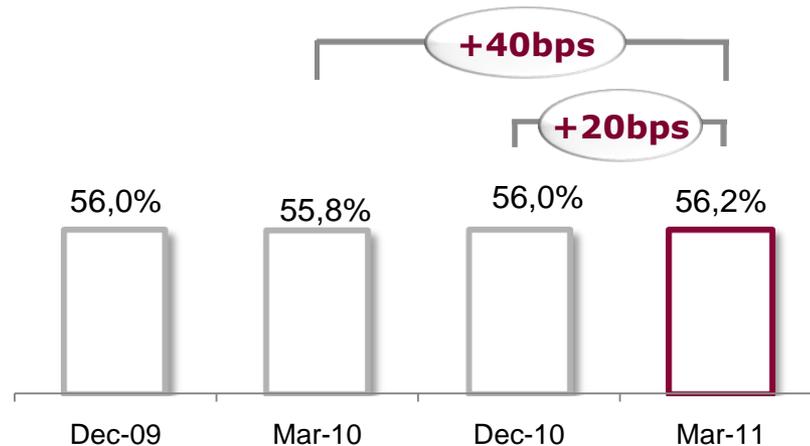
# Trend on NPL and Watchlist inflows and coverage



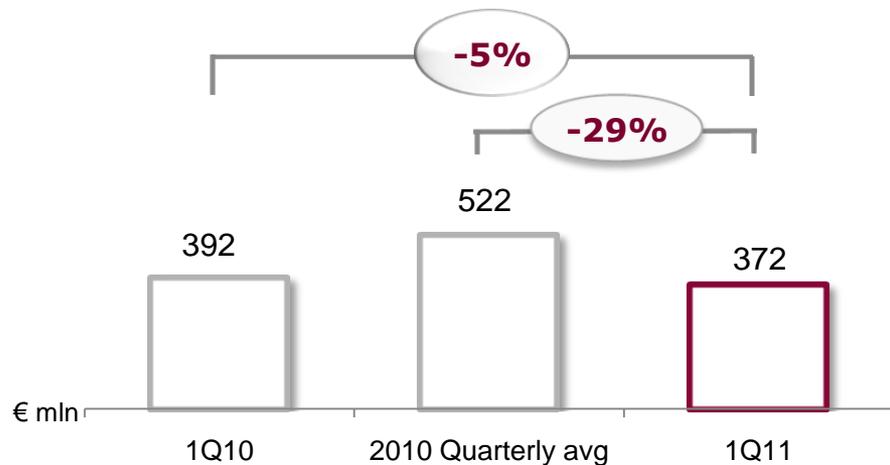
## NPL Inflows



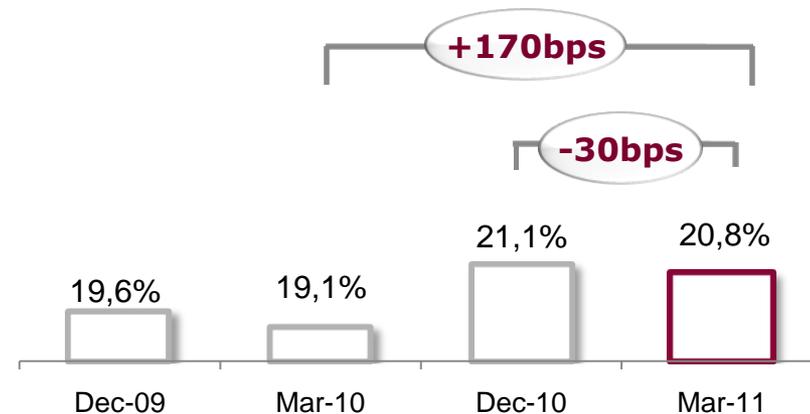
## NPL coverage



## Watchlist Inflows



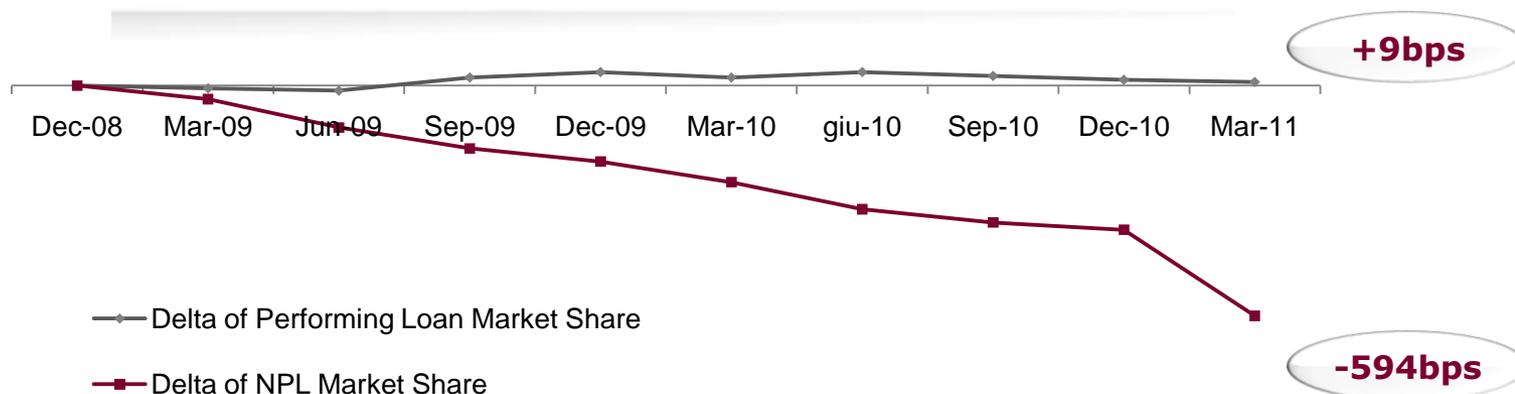
## Watchlist coverage



# Reduction in Impaired Loan



Market share of Performing and Non Performing Loans \*



## Impaired loans

(€ mln)	Gross	Net
<b>NPL</b> vs Dec 10	<b>12,808</b> +2.8%	<b>5,605</b> +2.2%
<b>Watchlist</b> vs Dec 10	<b>5,176</b> +1.7%	<b>4,102</b> +2.2%
<b>Restructured</b> vs Dec 10	<b>1,502</b> +11.8%	<b>1,370</b> +9.8%
<b>Past Due</b> vs Dec 10	<b>987</b> +46.1%	<b>925</b> +46.2%

- **Market share on NPL down a further 220 bps on Dec 2010, highlighting a credit quality trend better than the System**
- **Past due increase owing to a seasonal trend**

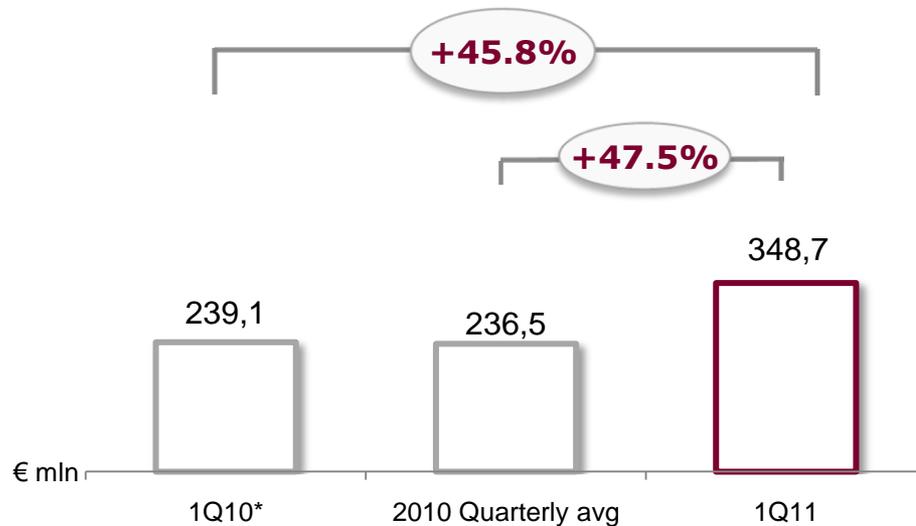
\* Source: Matrice Banca d'Italia

# The value of diversification



Net Operating Income

## GRUPPOMONTEPASCHI



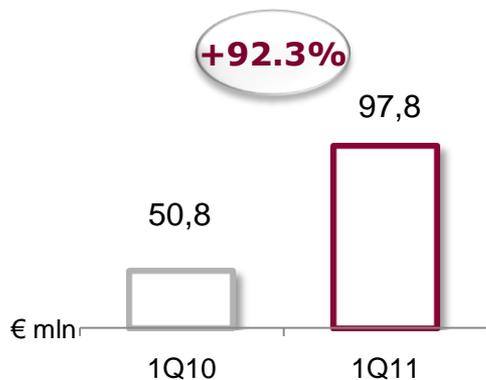
**The Group managed to deliver a strong operational rebound thanks to:**

- **Antonveneta:** pick up in funding and lending: Direct Funding +11% YoY; loans +4.5% YoY
- **MPS Capital Services:** strong increase in disbursements (+87% YoY), with a 92% YoY increase in Net Operating Income and Net Income at €54mln
- **MPS L&F:** Increasing Net Operating Income(+86% YoY), thanks to strong business performance (flows up 51.7% YoY) and revenues up 13% YoY
- **Consum.it:** increase in revenues (+7.5% YoY), net adjustments on loans decreasing 3.8% YoY. Consumer credit flows up 7.2% vs Dec 2010

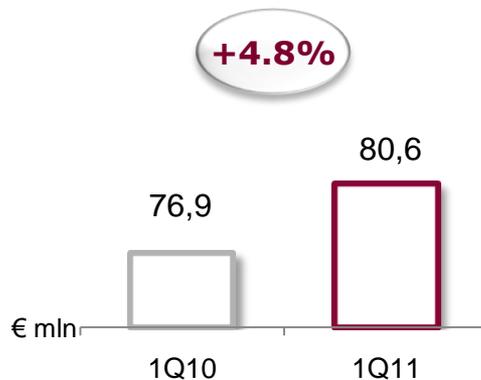
# A focus on MPS Capital Services



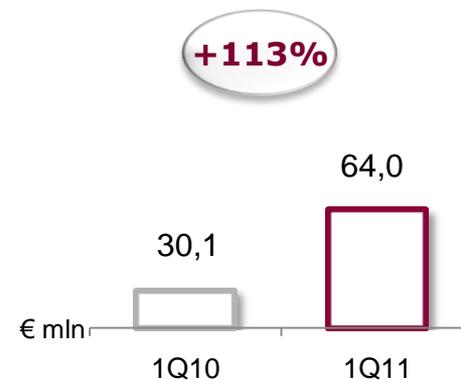
### Net Operating Income



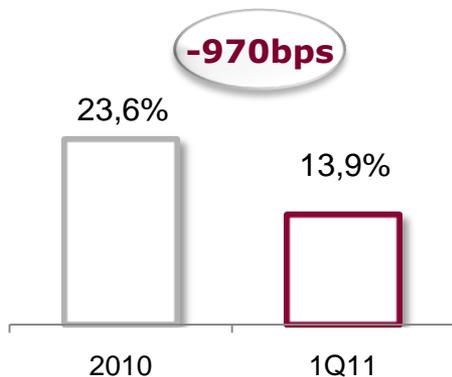
### Basic Income



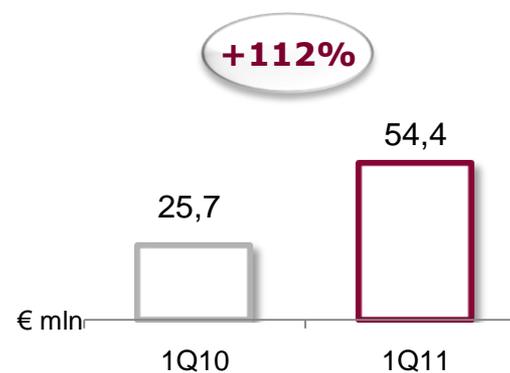
### Net Profit from trading



### Cost/Income



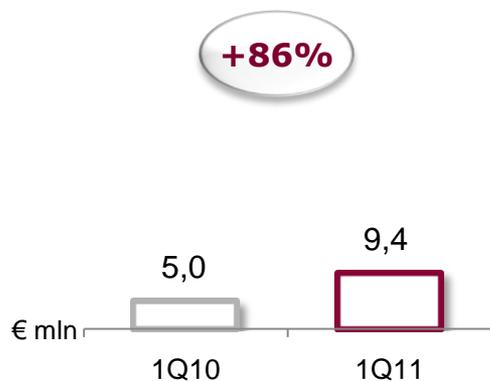
### Net Income



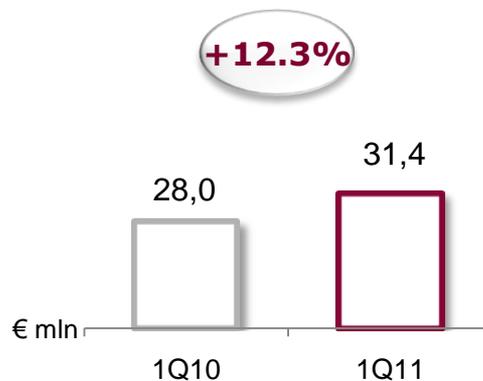
# A focus on MPS Leasing & Factoring



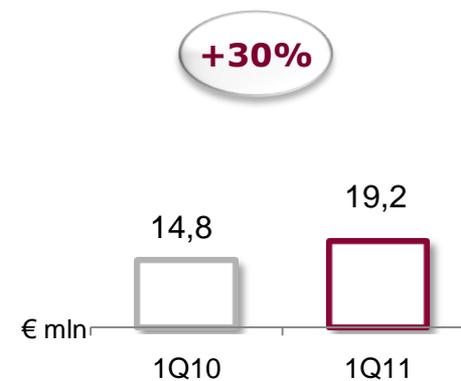
## Net Operating Income



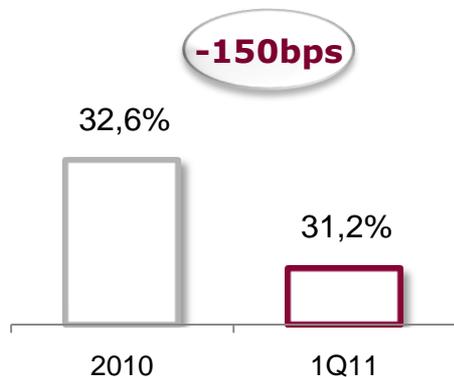
## Basic Income



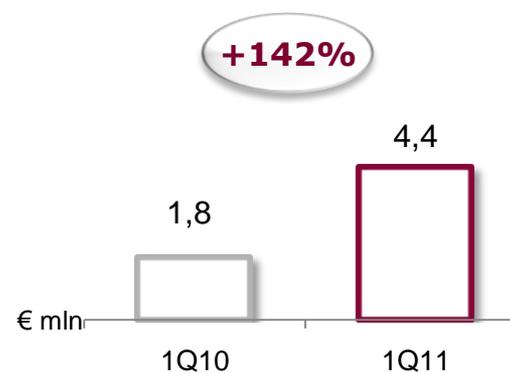
## Revenues



## Cost/Income



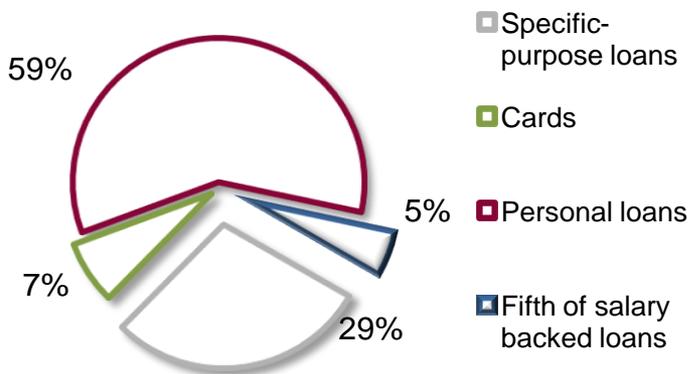
## Net Income



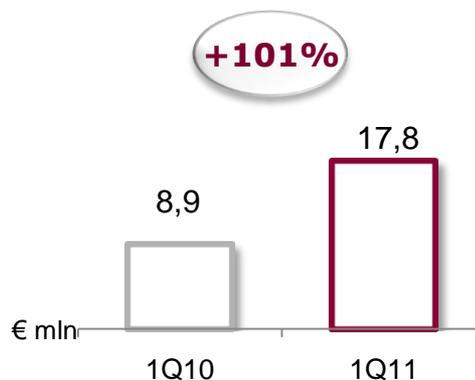
# A focus on MPS Consum.it



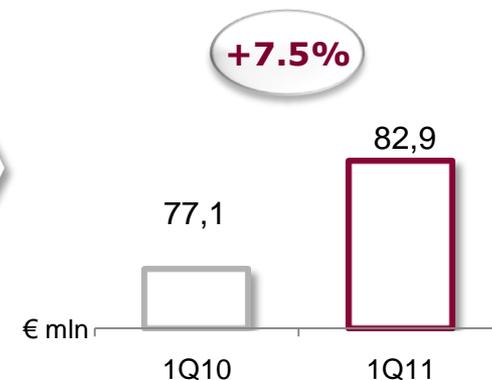
## Consumer Credit Stock €6.4bn



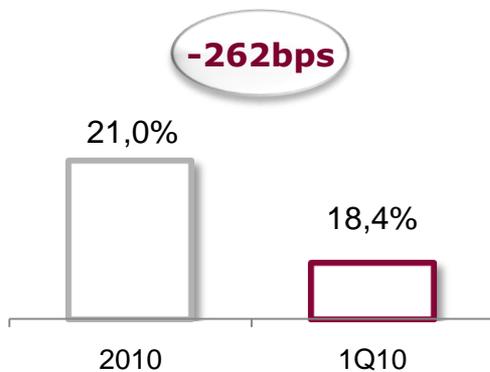
## Net Operating Income



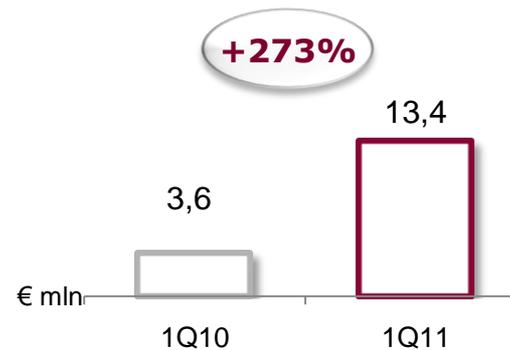
## Basic Income



## Cost income



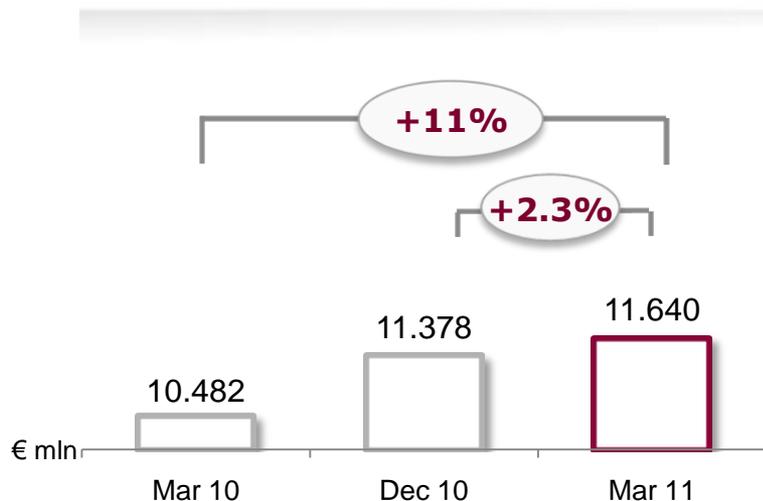
## Net Income



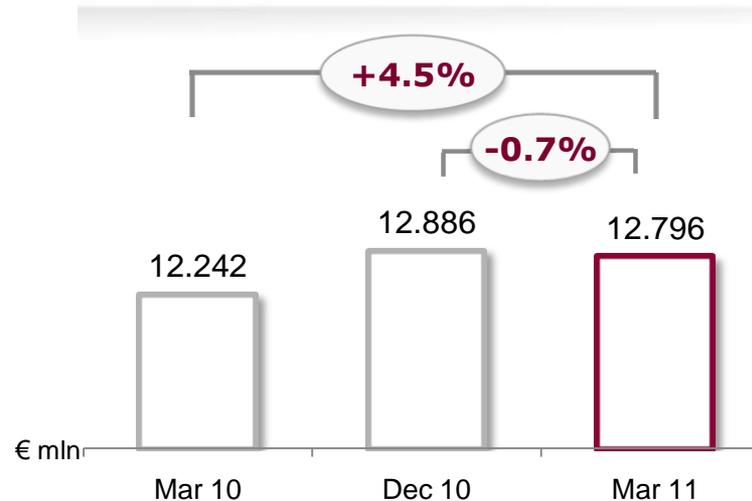
# Recovering profitability



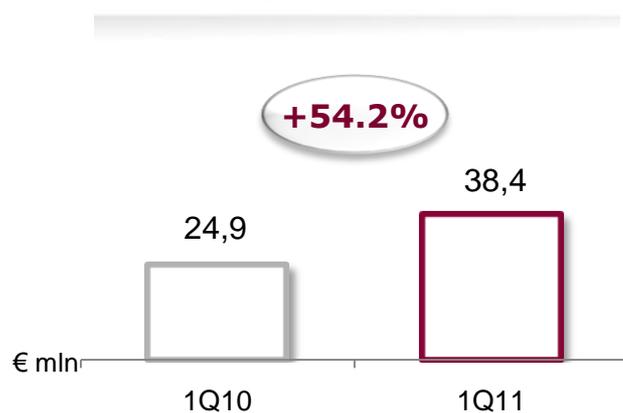
## Direct Funding\*



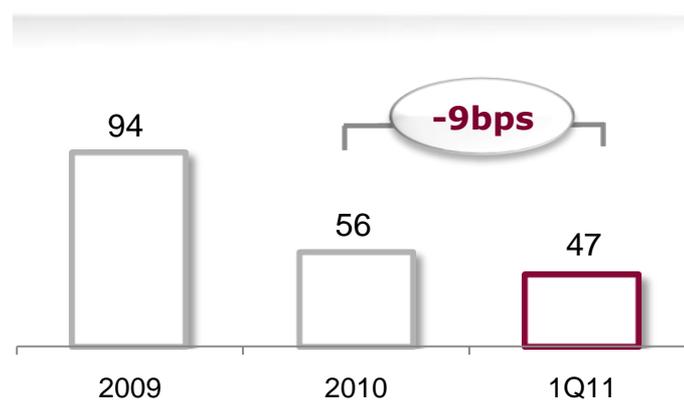
## Loans\*



## Net Operating Income



## Cost of credit (bps)

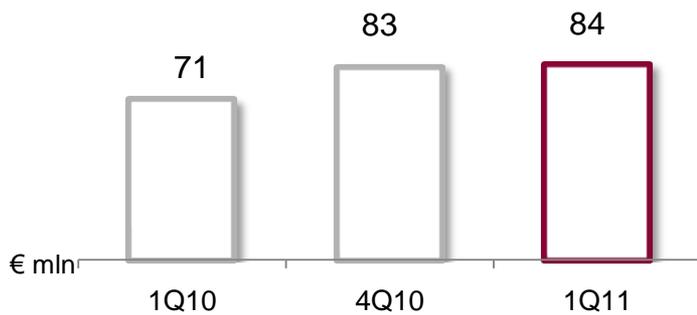


\* Restated figures about commercial network

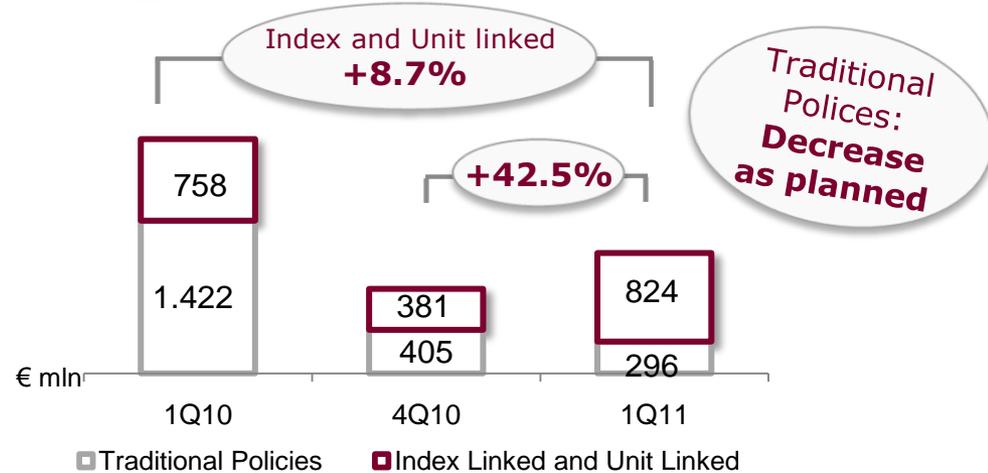
# Bancassurance and Asset Management Contribution



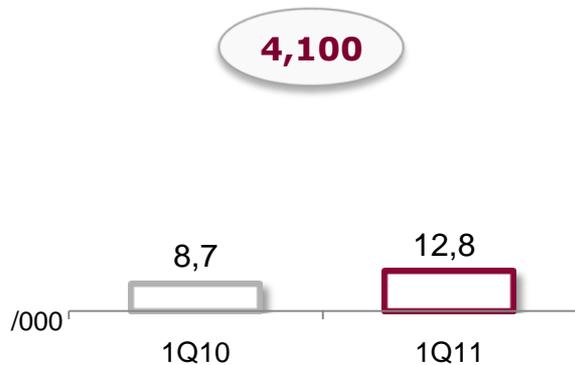
Fees and Dividends from AXA MPS and Prima Sgr



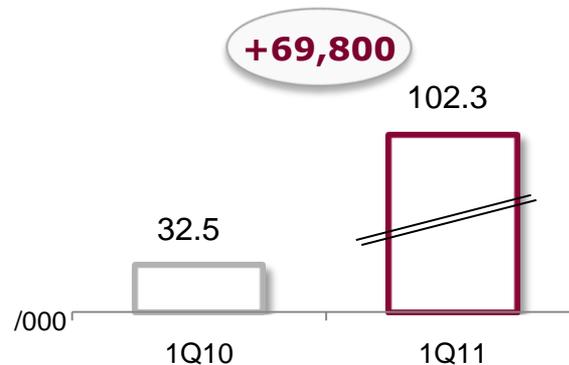
Bancassurance



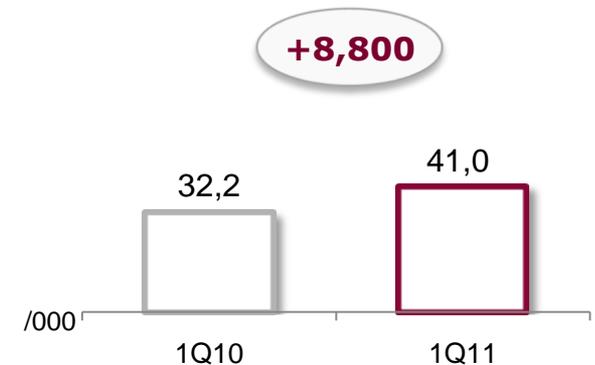
Pension products\*



P&C\*



PAC\*

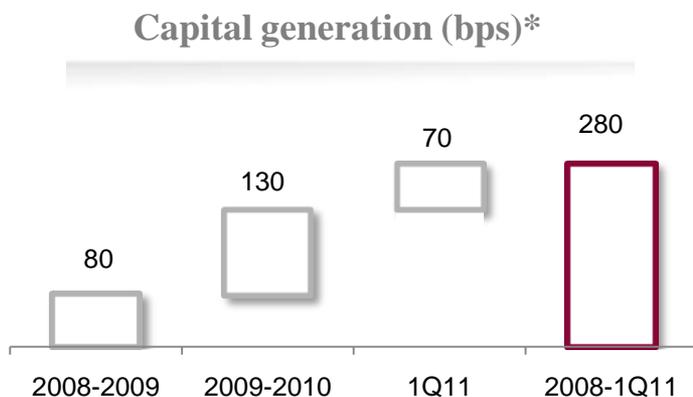


\* Number of contracts



## Monitoring of capital and liquidity position:

- **Loan/Deposit ratio down at 0.96**
- **Counterbalancing capacity: €10.3bn** in April 2011
- **Tier 1 Ratio at 9.1% (+70bps vs December 2010)**
- **Organic capital generation continues** (+280bps since 2008, excluding estimated benefits from RE deal)



\* 1Q11 figures excluding Real Estate deal

# 2011 funding needs covered

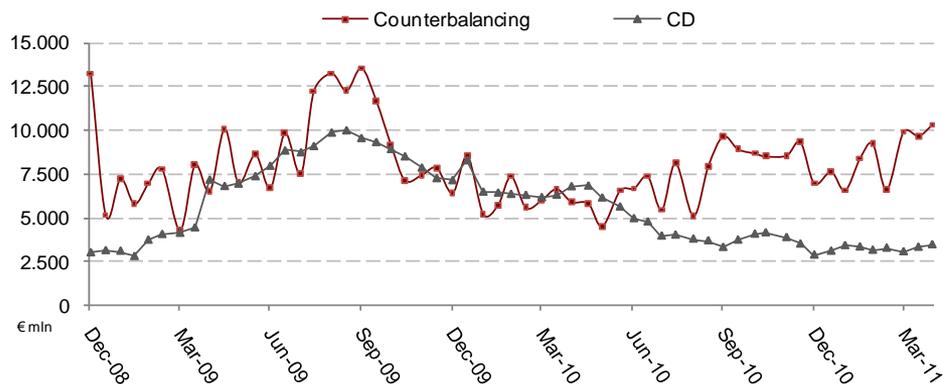


## Maturity of Institutional Bonds from 2011 (€bln)

	Senior	Subordinated	Covered Bonds	Total
2011	2.9	-	-	2.9
2012	4.6	0.5	-	5.1
2013	1.1	0.9	1.3	3.3
2014	2.0	-	-	2.0
2015	0.5	0.1	1.0	1.6
2016	-	1.2	1.3	2.5

✓ Completed

## CD Programme and Free Counterbalancing Capacity\*



**Institutional Funding  
coming to maturity in 2011  
already covered**

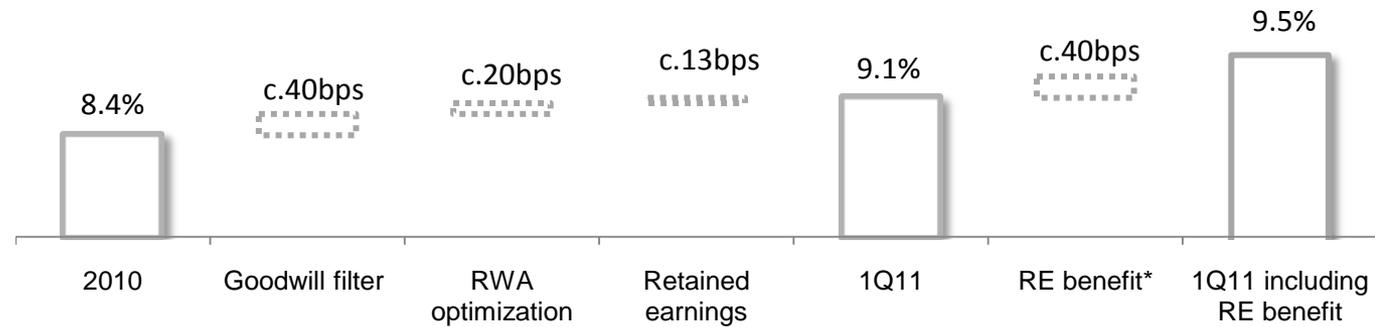
□ **Free Counterbalancing capacity  
at €10.3bn (April 2011)**

\* The Counterbalancing capacity is the total amount of assets immediately available for use in order to face liquidity needs

# Tier 1



Main Tier 1 Items (%)



**6<sup>th</sup> June: Extraordinary shareholders meeting to approve capital increase**

\* Subject to Regulatory approval



# Conclusions

**1Q2011 results are the first step for full delivery of 2010-2015 Business Plan:**

- **Strong revenue improvement driven by revenue diversification**
- **Upturn in core earnings expected thanks to new Capital and ALM structure**
- **Cost under control, with full delivery of Phase 2 of restructuring plan starting from 2Q**
- **Asset quality improving, also as a result of credit risk mitigation actions implemented and ongoing PD improvement**



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**Thank you for your  
attention**

**Q&A**



# Annexes

# Financial assets

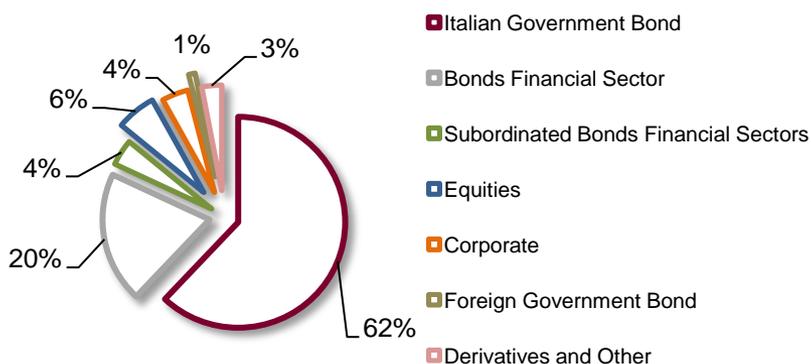


## GMPS Securities and Derivatives Portfolio

Market Value (€ mln)	31 Mar 2011
HFT	6,464
AFS	21,642
L&R	3,832
<b>Total Portfolio</b>	<b>31,939</b>

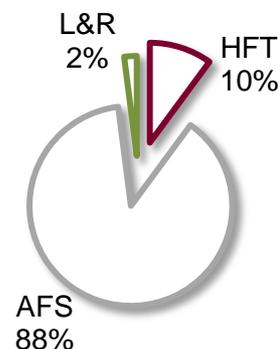
In Q1 2011 the **Group's trading book** saw a **4.4 €bln decrease** primarily concentrated in the HFT component, **due to Government bond maturities and value realised from capital gain-generating positions** particularly involving MPS Capital Services and Banca Monte dei Paschi di Siena.

### Portfolio Breakdown by type of issuer

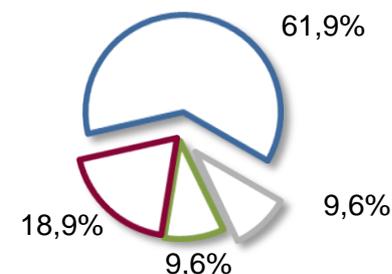


### Italian Government Bonds

#### Breakdown by IAS category



#### Breakdown by maturity

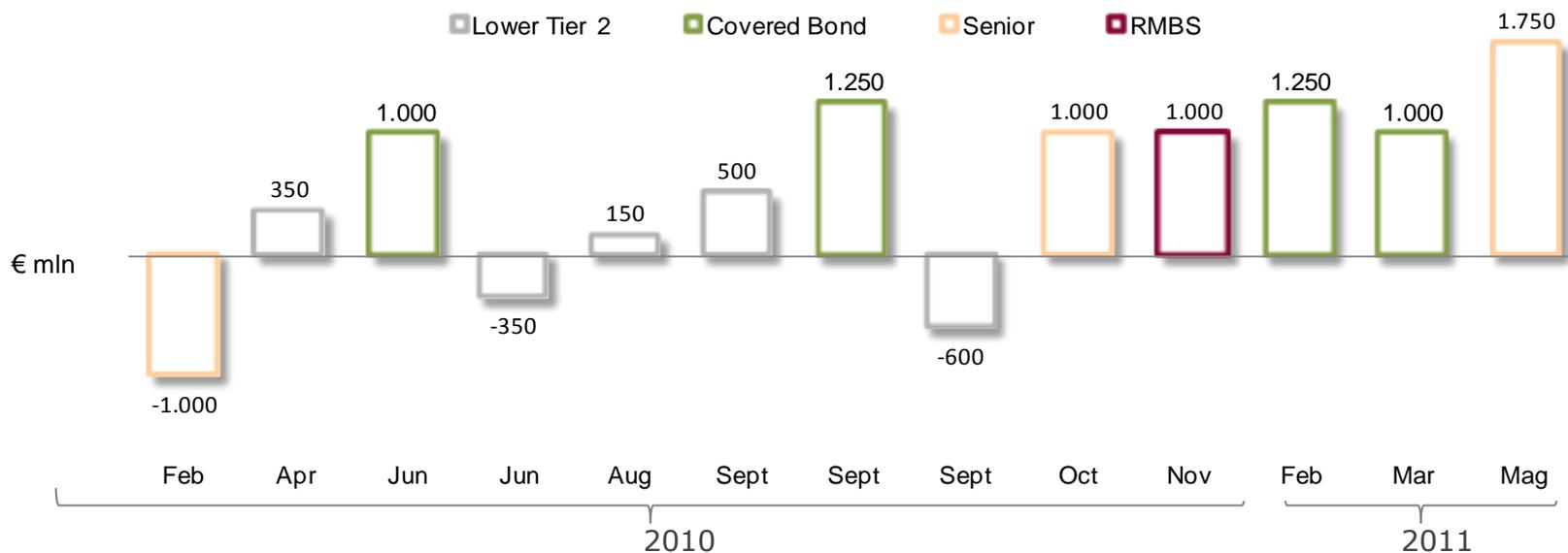


2011 2012 2013 >2014

# A focus on BMPS institutional funding



Issuance and Maturities of Senior and Subordinated Notes in 2010 and in 2011



	LT2	CB	LT2	CB	Senior	CB	CB	Senior
Issue date	Apr-Aug 2010	Jun 2010	Sept 2010	Sept 2010	Oct 2010	Feb 2011	Mar 2011	May 2011
Maturity	21/04/20	30/06/15	09/09/20	23/09/13	19/10/12	15/09/16	03/02/18	11/11/13
Amount (mln)	€ 350 + €150	€ 1,000	€ 500	€ 1,250	€ 1,000	€ 1,250	€ 1,000	€ 1,750
Re-offer Spread	m/s + 180 bps	m/s + 105bps	m/s+ 320 bps	ms + 105bps	3m€ + 135bps	ms+ 180bps	ms+ 185bps	ms+ 163bps



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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. Daniele Bigi, declares that the accounting information contained in this document corresponds to the underlying documentary evidence and accounting records.

# Disclaimer



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