

PRESS RELEASE

**BANCA MPS: SETTLEMENT AGREEMENT  
WITH DEUTSCHE BANK ON THE SANTORINI TRANSACTION**

- **Significant reduction in the Bank's risk profile through downsizing of long-term government bonds portfolio (BTP 6% 2031) by EUR 2 bn**
- **+25 bps in fully-loaded Basel 3 CET1**
- **Transaction termination cost lower by approximately EUR 220 mln**
- **Positive impact on prospective P&L (NII) of EUR 33mln per year as of 2014**
- **Negative one-off impact of approximately EUR 194 mln after tax on 2013 P&L**
- **Immediate liquidity injection of EUR 200 mln**

*Siena, 19 December 2013* - With reference to the structured finance transaction known as "Santorini", Banca Monte dei Paschi di Siena (BMPS) and Deutsche Bank (DB) have today entered into an agreement governing the terms and conditions for early termination of the transactions put into effect between December 2008 and July 2009, concerning an investment in Italian BTPs 6% due 2031, for an amount of Euro 2 bn, funded with a *Long Term Repo* for the same duration and an *Interest Rate Swap* entered into for the purpose of reducing the investment's interest rate risk.

As part of termination of the afore-mentioned transactions, the claim for compensation brought by BMPS against DB before the Court of Florence in March 2013 in relation to the same transactions, has been resolved by way of a settlement agreement.

In particular, based on calculations made by BMPS using its assessment parameters, early termination *per se* would have entailed a cost of approximately EUR 746 mln (equal to the *mark-to-market* value of the overall position consisting in BTPs, *Long Term Repo* and *Interest Rate Swap*). As a result of the settlement agreement, the actual cost charged to BMPS, has been lowered to EUR 525 mln. Consequently, BMPS estimates the resulting economic benefit at approximately EUR 221 mln.

Against termination of the transaction under the economic terms described above, BMPS has settled the claims for compensation filed as part of the legal action cited above, to an extent limited to DB's share of liability in the deal, without prejudice to -and under reservation of all rights in connection with- the corporate liability action brought against the former General Manager. The settlement agreement shall also be without prejudice to any other claim brought by BMPS against any additional individuals jointly liable for the "Santorini" transaction.

The P&L impact of the settlement agreement for BMPS is negative by approx. EUR 287 mln (approx. EUR 194 mln after tax), as graphically illustrated below.

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<b>Key transaction components</b>	<b>Accounting impact (EUR mln)</b>
BTP 2031	(2,345.9)
Long Term Repo (inclusive of Euro 429 mln restatement as at 31 12 2008 <sup>1</sup> )	2,475
Interest Rate Swap	497.3
<b>Partial balance (A)</b>	<b>626.4</b>
AFS Reserve recycled through Profit and Loss	(388.4)
<b>Partial balance (B)</b>	<b>238.0</b>
Transaction cost	(525)
<b>Total net balance in P&amp;L</b>	<b>287.0</b>

As compared to pro-forma treatment as a CDS –provided in the interim financial reports pursuant to joint document no. 6 jointly by Consob, the Bank of Italy and the Italian Insurance Supervisory Authority (IVASS) of 8 March 2013– the P&L impact of the terminated transaction would largely be for the same amount, considering that the transaction termination value has been determined based upon the mark-to-market value of the various transaction components.

Moreover, the following table summarises the negative trend, significantly decreasing , registered by the AFS reserve over the last two years.

	Gross reserve**	Net reserve**
9.11.2011*	-1.155	-780
31.12. 2011	-937	-633
31.12.2012	-652	-440
30.9.2013	-478	-322

\* Date of maximum value

\*\* Operating data

From a capital standpoint, with respect to figures as at 30.09.2013 the agreement brings about a positive impact of approx. 25 bps in terms of fully-loaded Basel 3 CET1 (without considering any additional benefits potentially associated with reductions in risk-weighted assets). This impact is therefore in addition to the positive effects from the capital increase

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<sup>1</sup> As at today, the residual effect of restatement amounts to approximately EUR 293 mln

already approved by the Board of Directors, for an amount which remains confirmed as per previous market disclosures.

In addition to the positive effects on regulatory capital, termination of the transaction generates a positive impact on both BMPS's prospective P&L (Net Interest Income) and on its risk and liquidity profiles. As regards the first aspect, the set of terminated transactions would have had a negative impact on estimated net interest income of approx. EUR 33 mln per year before tax (as a balance of the economic effects generated by asset swaps, long term repos, collateral, funding and restatements). As regards the liquidity profile, an overall positive impact has been estimated at EUR 173 mln, resulting from the difference between the value of collaterals reimbursed (EUR 698 mln) and the price paid to DB for early termination of the transactions (EUR 525 mln).

In this regard, it should be noted that the accuracy and consistency (including from a methodological perspective) of the benefits achievable through such a negotiation have also been determined with the support of external advisors.

*This press release will be available at [www.mps.it](http://www.mps.it)*

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