PRESS RELEASE

BANCA MONTE DEI PASCHI DI SIENA:

2013-2017 BUSINESS PLAN APPROVED

The document implements the strategic and operational priorities of the Restructuring Plan submitted on 7 October 2013 and approved by the European Commission on 27 November 2013.

The Plan entails a ***radical transformation*** *in the "way of banking''. In 2017 Banca Monte dei Paschi di Siena will be a profoundly different bank reducing branches from 2,750 to 2,200, employees from approx 31k*[1] *to approx 23k, with revenues per employee up from EUR 165k to EUR 225k, cost-income down from 66% to 50% and with 10% of digital customers against the current 1%.*

Main objectives for 2017: ***increase in Net Interest income*** *(+EUR 390 mln as compared to annualised 9M2013 result),* ***increase in fees and commissions*** *(+EUR 767 mln compared to 2012),* ***reduction in operating costs*** *(-EUR 713 mln compared to 2012) and* ***improved cost of risk*** *which should stabilise at 90 basis points;* ***return to a sustainable level of profitability*** *(net income of approximately EUR 900 mln and RoTE of approximately 9% by 2017).*

Regulatory capital compliant with regulatory requirements *(approximately 10% "phased in" CET1 in 2017).*

Siena, 28 November 2013 – The Board of Directors of Banca Monte dei Paschi di Siena has today approved the 2013-2017 Business Plan. The document implements the strategic and operational priorities of the Restructuring Plan approved by Banca Monte dei Paschi di Siena on 7 October, submitted, through the Ministry of Economy and Finance, to the European Commission on the same day and approved yesterday by the Commission.

Aimed at a **radical transformation** in the "way of banking", the Plan is at the forefront of changes underway in the banking industry and will change Banca Monte dei Paschi di Siena's P&L and business model. In particular, the 2013-2017 Business Plan articulates the actions necessary to attain the objectives of the Restructuring Plan, which are centred around three key priorities:

- achieving sustainable levels of profitability (9% RoTE in 2017);
- strengthening capital quantity and quality d (10% Basel 3 common equity in 2017);
- structural rebalancing of liquidity (90% loan/deposits[2] ratio in 2017)

In the 2013-2017 Business Plan, these priorities incorporate elements of significant discontinuity and change, i.e. the **business transformation of the Bank** with **management actions which will have positive effects even in the short term**.

The Bank's **business transformation** is based on:

[1] *As at 31 December 2011.*

[2] *Calculated as loans/deposits and securities issued*

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- A **new distribution model** more accessible to customers and less expensive for the bank, with fewer branches but more relationship-oriented, flexible sales points with increased customer interaction;
- An **evolution in the intermediation model** with more third-part products offered and a leaner balance sheet, aiming at an expansion of distribution agreements with third parties (consumer credit, leasing), an additional boost to "bancassurance" and innovative solutions to support SMEs (e.g. recent launch of Italy's first Minibond fund);
- **Strengthening of operating efficiency** with initiatives aimed at making the Bank leaner, more productive and "digital";
- **HR enhancement** and development with a merit-based approach.

Management actions, which the Bank believes will have positive effects even in the short term, include:

- **Increasing commercial productivity** in the Retail, Private and Corporate segments, with a view to becoming the Bank of choice for SMEs;
- **Improving loan book quality** through a stronger monitoring process and prevention actions on performing loans, reduction in watchlist/non-performing loan stock, maximisation of debt collection and new organizational setup for the loan disbursement and credit monitoring process;
- **Increasing quantity and quality of capital**, with a capital increase of up to EUR 3 bn and full repayment of the New Financial Instruments by 2017.
- **A conservative risk management strategy** and the **rationalisation of the asset portfolio**, with Government Bonds classified as AFS downsized from EUR 23 bn to 17 bn in 2017.
- Continuing with incisive actions on renewal of **operating and cost management models** with a substantial upturn in efficiency and sustainable optimisation of the entire operating costbase.

The Plan entails a radical transformation which will enable Banca Monte dei Paschi di Siena to anticipate future developments, i.e. a structural change in the "way of banking", in compliance with the guidelines set out by the European Commission. The Plan envisages an efficient and productive network of 2,200 branches in 2017 (vs. 2,750 in 2012, of which 400 already closed as at 30 September 2013) and approx 23k employees by 2017 (as compared to approx 31k in 2011) with revenues per employee growing from EUR 165k to EUR 225k, a cost/income ratio down from 66% to 50% and 10% of digital customers against the current 1%.
Branch visits will decline and customer-bank interaction will become increasingly multichannel (branch, ATMs, telephone, internet), with a service designed to anticipate new market demands and increase business contacts.

Profitability
Key objectives by end of Plan (2017) include:
- Increase of EUR 390 mln in net interest income as compared to annualised 9M 2013 result, thanks to a lower cost of funding and higher market interest rates, partly absorbed by the adverse impacts from deleveraging of loan book and financial assets;
- Increase of EUR 767 mln in net fee & commission income compared to 2012 (+8% Y/Y average) through a rise in commissions on asset management, bancassurance, payment services, distribution (especially in the leasing and consumer credit sectors), from the Corporate segment and a reduction in commission expense on Italian government-backed bonds;

- Decline of EUR 713 mln in operating costs as compared to 2012 (-4.8% Y/Y average) following the reduction in administrative expenses (-EUR 433 mln as at 2017) and personnel costs (-EUR 288 mln as at 2017). Headcount will decrease from approx 31k resources at end-2011 (approx 30k at end-2012) to approx 23k as at 2017 as a result of access to the Solidarity Fund, outsourcing of the back office and disposal of non-core assets as well as natural turnover;
- Improvement in cost of credit with a 2017 target of 90 basis points against 191 basis points in 2012 following the expected upturn in the macroeconomic cycle and a reduction in the risk profile of the bank's loan book.

Business Plan targets are enhanced by a positive track record of delivering results in the last two years, including a reduction in operating costs (-11.4% on 30 September 2012), financial assets (-16.6% on 2011) and total assets (-14.1% from 2011) as well as completion of a new management team with 20 new executives placed in key roles.

Capital

As previously disclosed to the market, on 26 November 2013 Banca Monte dei Paschi di Siena resolved to submit a proposal for a capital increase of up to EUR 3 bn to the Shareholders' Meeting. Full execution of the capital increase would achieve the objective of a phased-in Basel 3 common equity of 10% as at 2017.

Asset & Liability Restructuring and Liquidity

The aforementioned capital increase, deleveraging actions and increase in retail & corporate funding would allow for improvement in the structure of funding sources and strengthening of counterbalancing capacity, with the objective of a total loan-to-deposit ratio[3] of 90% in 2017.
The Bank will also continue its risk containment policy with a decrease in AFS government bonds from EUR 23 bn to EUR 17 bn as well as a reduction of risk in the trading book (VAR).

[3] *Calculated as loans/deposits and securities issued*

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Targets (EUR bn)	2012 Value	2017 Target	2012-17 Compound Annual Growth Rate (%)
Total revenues	5.0	~ 5.2	+1%
- of which: net interest income	2.8	~ 2.5	-3%
- of which: net fee & commission income	1.6	~ 2.4	+8%
Operating costs	- 3.3	~ - 2.6	-5%
Net LLPs	- 2.7	~ - 1.0	-18%
Net Operating Income	- 1.2	~ 1.6	n.m.
Net profit	- 3.2	~ 0.9	n.m.
Total assets	218.9	~ 180.7	-4%
Direct funding	133.4	~ 125.7	-1%
Indirect funding	114.2	~ 127.2	+2%
Total revenues / Assets	2.3%	2.9%	+0.6 p.p. *
Cost / income	66%	~ 50%	-16 p.p. *
Total loans/deposits**	105%	~ 90%	-15 p.p. *
Cost of Risk (basis points)***	191	90	-101*
Return on tangible equity (RoTE)	n.m.	~ 9%	n.m.
Common equity Tier 1****	8.9%	~ 10.0 %	+1.1 p.p. *
RWAs (Risk Weighted Assets)****	92.8	~ 80.9	-3%

** 2012-17 Delta*
*** Calculated as loans/deposits and securities issued*
****Calculated on loans to customers at end of the period, not inclusive of debt securities*
***** 2012 figure: Basel II Core Tier 1 and RWAs. 2017 figure: Basel III phased-in common equity and RWAs.*

This press release will be available at www.mps.it

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