Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

2013 GMPS Results

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Siena, 12th March 2014

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

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Key messages

- Core Revenues improving and above 2013 Business Plan targets (Δ +1.4%). Additional upside for 2014-2017 period coming from actions implemented in 4Q13
- Core Tier 1 at 10%, **CET1 2013 fully phased*** at approx 9% thanks to regulatory changes and actions implemented in 4Q13. CET1 2017 phased-in > 12%
- **Operational turnaround** confirmed by strong **NII** recovery in 4Q13 (+11.2% vs 3Q13) and **commission** improvement (+1.5% YoY)
- Strong acceleration on **cost cutting** (-12.7% YoY) better than 2013 Business Plan targets (Δ-4.8%)
- Increased **coverage** on NPLs (58.8%, +90bps vs. Dec-12, 63.2% including write-offs) and Impaired loans (41.8%, +80bps vs. Dec-12, 45.7% including write-offs)
- Profitability in 2013 impacted by several **non recurring items**
- Signed a new pre-underwriting agreement for EUR 3bn capital increase

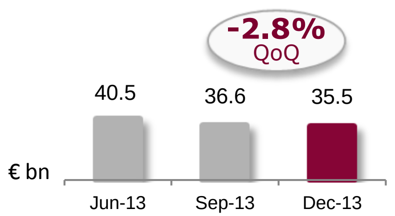
* Based on current rules and regulations. Impact is fully phased-in Basel 3 and based on 31.12.13 financial statements including: filter on AFS net reserves on European Government bonds, SMEs Supporting Factor, Bank of Italy equity investment eligible in regulatory capital, disposals of announced equity investments.

FY13 and 4Q13 results consistent with our strategy

De-risking and Deleveraging

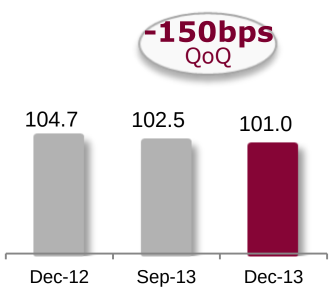
- **De-risking** of financial portfolio

Securities and Derivatives Portfolio



- **Deleveraging**

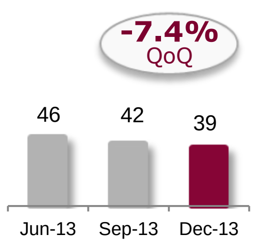
Loan/Deposit ratio (%)**



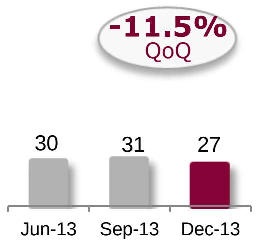
Switching funding mix

- **Decrease** in higher cost funding sources and interbanking exposure

Bonds* *(€bn)*

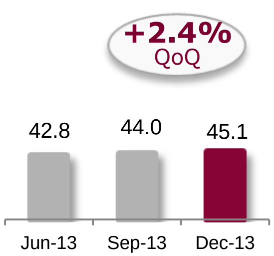


Interb. Exposure *(€bn)*

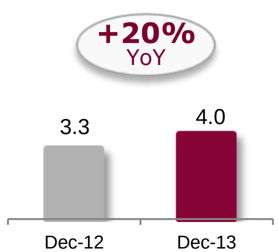


- **Increase** in AUM

AuM Stock *(€bn)*



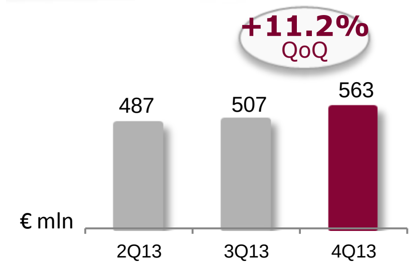
Bancassurance Gross Flows *(€bn)*



Positive impact on top line

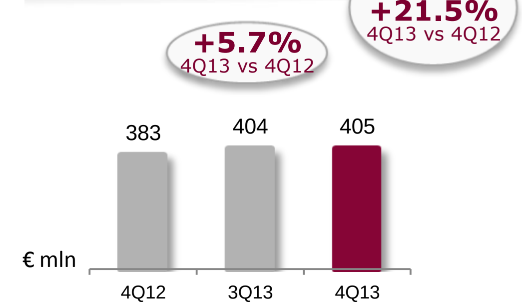
- Improvement in **net interest income** thanks to lower cost of funding

Net Interest Income



- YoY **growth** in fees and commissions

Fees and commissions



*Retail and wholesale

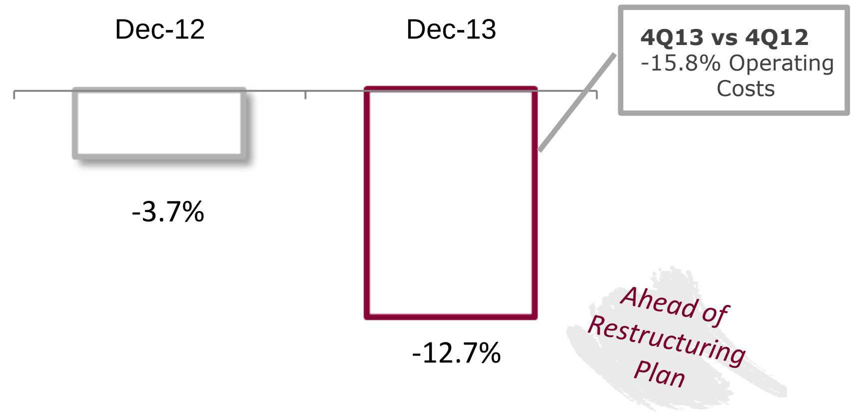
**Customer Loans / Deposits from customers and securities issued (retail and wholesale)

Continued leadership in cost optimization

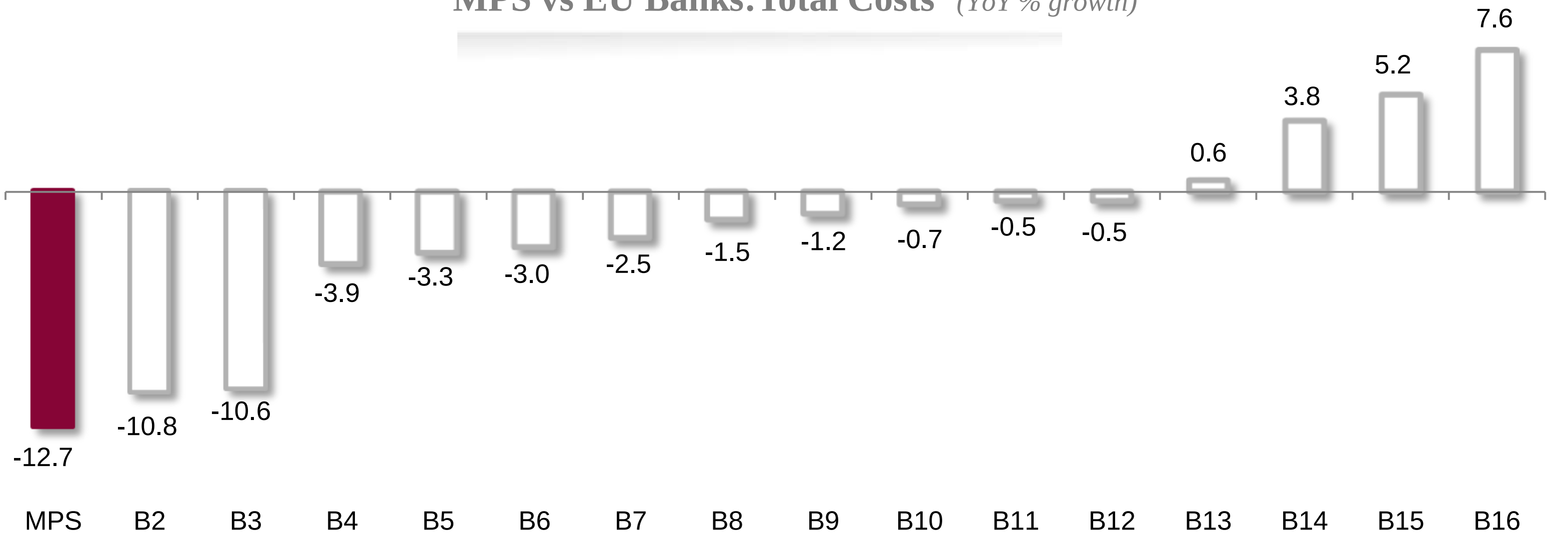
Main initiatives

- Exit of 3,800 resources (of which 156 Executives) since start of Plan (reached 48% of BP target), including disposal of Back Office business unit with approx. 1,100 resources
- Closure of 400 branches (73% of BP target)
- Renegotiation of vendor agreements with improved service levels and average savings of 17% in 2013

Total Costs *(YoY % growth)*



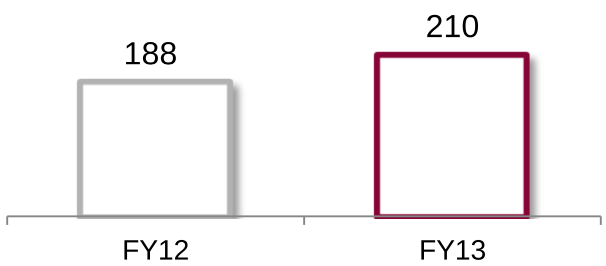
MPS vs EU Banks:Total Costs* *(YoY % growth)*



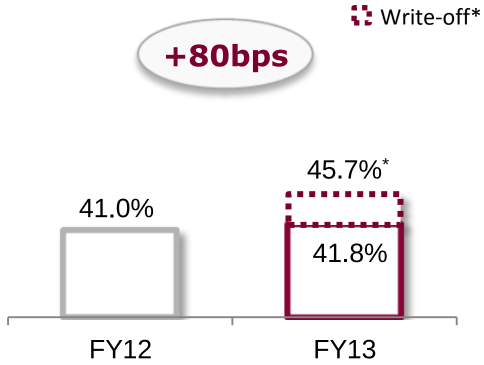
* Source: company financial reports as at Dec-13. Peers analysed (banks reported 2013 results so far): Banco Popular, BCP Millennium, Santander, BBVA, Nordea, ING (Banking), Commerzbank, Danske Bank, Credit Agricole, RBS, BNP Paribas, Credit Suisse, Barclays, DB

Improved risk profile

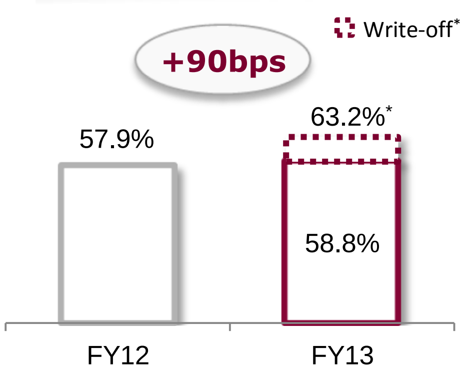
Cost of credit (bps)



Impaired Loans Coverage



NPL Coverage



- Loan loss provisions affected in 4Q13 by impairment losses recognized on selected significant positions and full write-down of several non-performing, aged loans (with a view to their potential disposal), as well as stricter valuation criteria and classification processes
- Further increase in provisioning, with NPLs Coverage at 63.2%* (including write-offs)

* Figures from operational data management system (Risk Management)

Contents

Executive Summary

Balance Sheet:
ongoing deleveraging, derisking and optimization of funding mix

- **Total assets: -9% YoY** (-EUR 20bn vs. Dec 12)
- **Loans: -7.6% YoY**, -EUR 4.3bn in 4Q13
- **L/D ratio*: 101.0%** vs. 104.7% in Dec 12
- **Counterbalancing capacity:** EUR 16bn, up to **EUR 19.6bn at the** end of February 2014
- **Financial Assets: -11.3% YoY**, -EUR 2.7bn in 4Q13
- Partial shift from direct funding (-4.2% YoY) to AuM (+1.3% YoY) continues
- In line with B3 Liquidity targets: **NSFR >100** and **LCR >100**

P&L:
core business results in line with BP; bottom line impacted by several non recurring items

- Improved basic income vs. 3Q13 with **NII up 11.2%**, mainly thanks to cost of funding reduction, and **improving fees**
- Acceleration in cost cutting: **Operating costs -12.7% YoY; -15.8% 4Q13 vs. 4Q12**
- LLP (210bps) impacted by increasing impaired loan inflows and rise in coverage, in view of the forthcoming AQR
- **Net Profit (loss) at –EUR 1,439mln**, affected by several non recurring components

*Customer loans/Customer deposits and securities issued (retail and wholesale)

Assets & Liabilities trend

Total Assets

€/mln	Dec-12*	Sep-13*	Dec-13	QoQ%	YoY%
Customer loans	142,015	135,564	131,218	-3.2%	-7.6%
Loans to banks	11,225	11,439	9,914	-13.3%	-11.7%
Financial assets	49,163	46,267	43,618	-5.7%	-11.3%
PPE and intangible assets	2,526	2,441	3,924	60.8%	55.3%
Other assets**	13,957	11,226	10,432	-7.1%	-25.3%
Total Assets	**218,886**	**206,936**	**199,106**	**-3.8%**	**-9.0%**

Total Liabilities

€/mln	Dec-12*	Sep-13*	Dec-13	QoQ%	YoY%
Deposits from customers and securities issued	135,670	132,286	129,963	-1.8%	-4.2%
Deposits from banks	43,399	42,377	37,279	-12.0%	-14.1%
Other liabilities***	33,494	25,835	25,700	-0.5%	-23.3%
Group equity	6,320	6,435	6,155	-4.3%	-2.6%
Minority interests	3	3	8	*n.m.*	*n.m.*
Total Liabilities	**218,886**	**206,936**	**199,106**	**-3.8%**	**-9.0%**

- Customer loans down in line with deleveraging plans, with run-off of poor risk-return positions
- Financial assets down due to closure of the Santorini transaction and other portfolio optimization measures
- PPE and intangible assets up due to restructuring of the Chianti real estate transaction (EUR 1.4bn)
- Funding from customers down as a result of deleveraging and cost of funding optimization (mainly on corporate side)
- Reduced reliance on Deposits from banks
- Shareholders' equity down driven by net loss for the period, partially offset by improved AFS Reserve

* * Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) and with IAS 19 "Employee benefits" and to reflect the accounting reclassification of a portion of reserves in deposits from banks in connection with reviews conducted on the "Fresh 2008" transaction

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

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

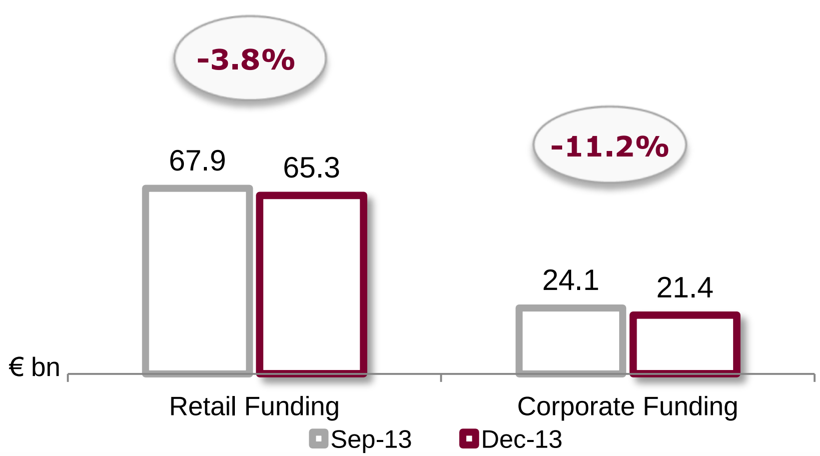
Direct funding optimization

Direct funding by Source

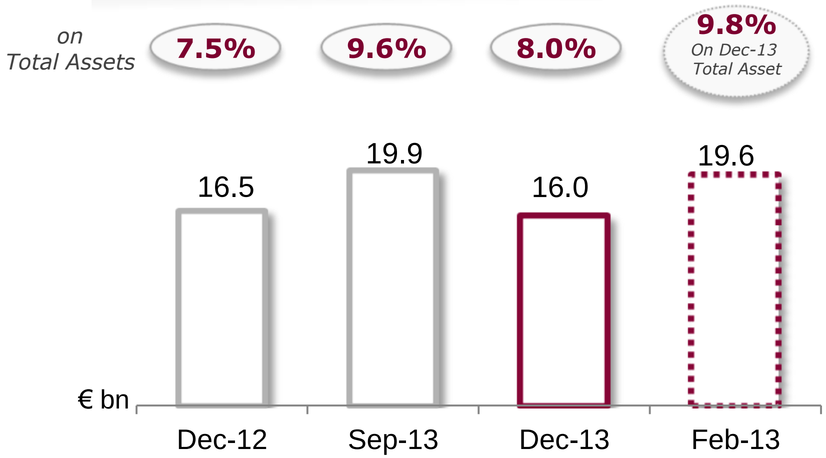
€/mln	Dec-12	Sep-13	Dec-13	QoQ%	YoY%
Current accounts	56,006	57,264	55,076	-3.8%	-1.7%
Time deposits	5,802	8,759	8,064	-7.9%	39.0%
Repos	13,839	13,465	16,096	19.5%	16.3%
Bonds	52,115	41,781	38,706	-7.4%	-25.7%
Other types of direct funding*	7,908	11,017	12,021	9.1%	52.0%
Total	**135,670**	**132,286**	**129,963**	**-1.8%**	**-4.2%**

- Bond decrease (-25.7% YoY), affected by market trend and wholesale funding market situation, on top of the suspension, for a good part of the year, of retail issuances following a request for several supplements to the base prospectuses and registration document as a result of highly-publicised events
- Increase in time deposits (+39% YoY), mainly thanks to "Conto Italiano di Deposito"
- QoQ fall for both **Retail funding** (-EUR 2.6bn with a part of volumes shifting to AuM) and **Corporate funding** (-EUR 2.7bn due to cost of funding optimization)

Direct Funding by Segment**



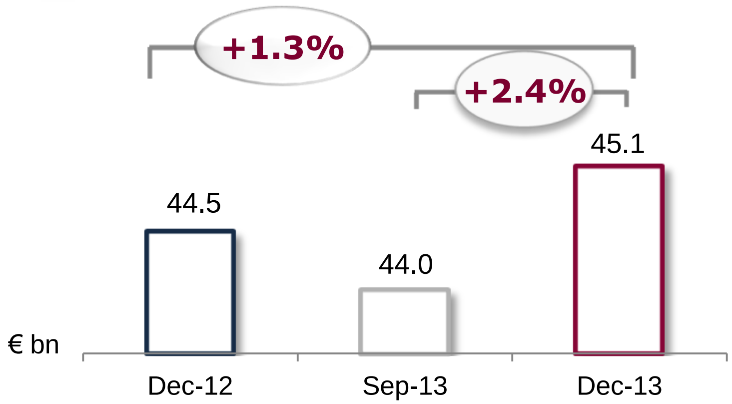
Unencumbered counterbalancing capacity



*September and December 2013 include NFIs amounting to EUR 4.1 bn
** Customer accounts and securities - Distribution network

Focus on AuM: accelerating momentum

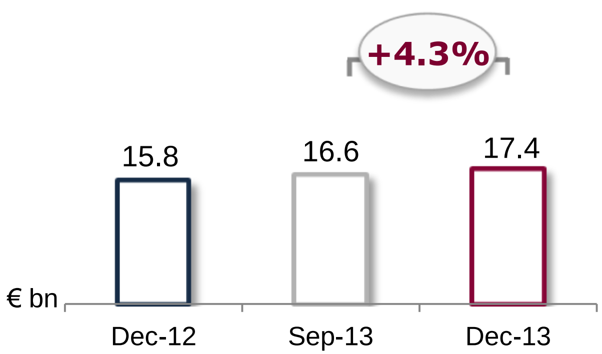
AuM



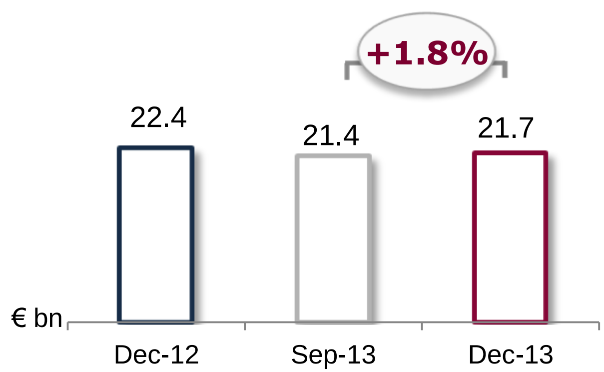
Breakdown

- **Assets under management**: increase due to positive flows (concentrated in funds and bancassurance) and positive market impact
- For the insurance sector:
  - **Life**: approx. EUR 4bn in gross placements as at Dec-13 (up approx. EUR 0.8bn in 4Q13)
  - **Protection**: placements up 13% YoY
- **Assets under custody**: decrease (-16.3% YoY) mainly due to the change of shares in custody by the key customers of the Group, but with minimal P&L impact. Slight recovery in the 4Q13 (+1.7% QoQ)

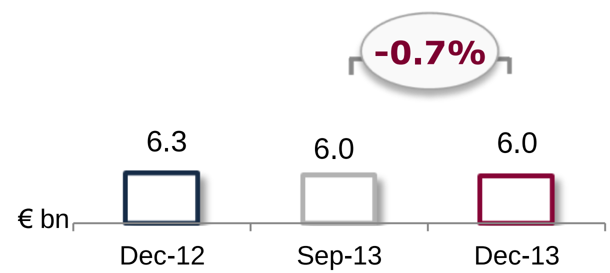
Mutual Funds/Sicav



Life insurance policies



Individual portfolios under mgmt



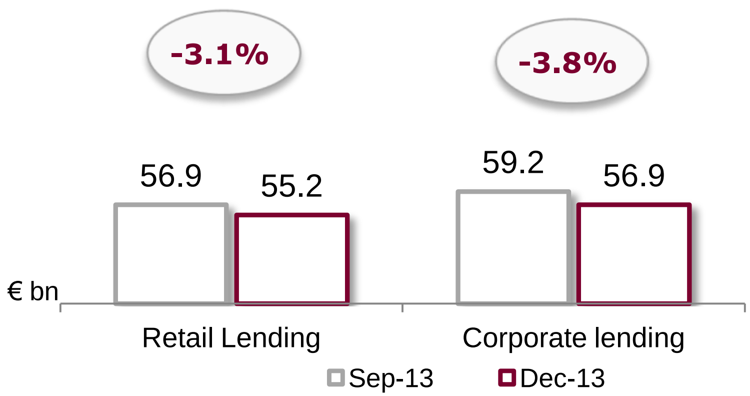
Lending: selected deleverage

Total Lending

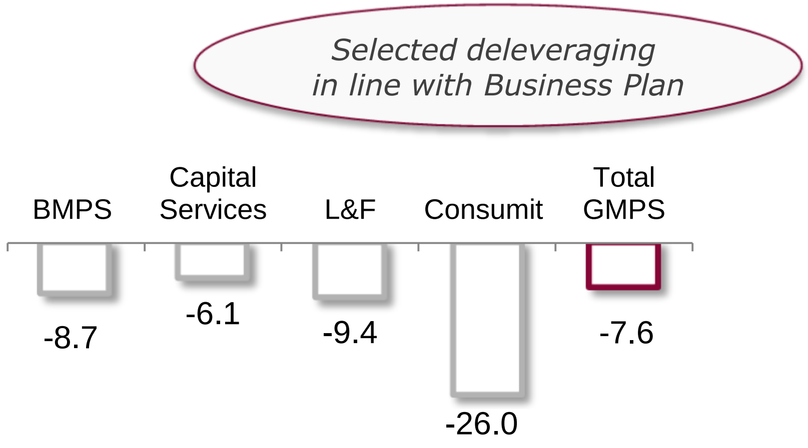
€/mln	Dec-12	Sep-13	Dec-13	QoQ%	YoY%
Current accounts	13,099	12,060	10,962	-9.1%	-16.3%
Mortgages	72,329	66,735	64,822	-2.9%	-10.4%
Other forms of lending	34,770	31,345	29,782	-5.0%	-14.3%
Reverse repurchase agreements	2,199	3,384	2,737	-19.1%	24.4%
Loans represented by securities	2,221	1,978	1,924	-2.7%	-13.4%
Impaired loans	17,397	20,061	20,992	4.6%	20.7%
Total	**142,015**	**135,564**	**131,218**	**-3.2%**	**-7.6%**

- **Loans to customers** down 7.6% YoY and 3.2% QoQ, due to slowing economic cycle and the Group's more selective credit policies
- Decline in performing loans in 4Q13 also due to migration within the portfolio to default status

Interest Bearing* Loans by segment



Loans breakdown by segment** (% YoY)

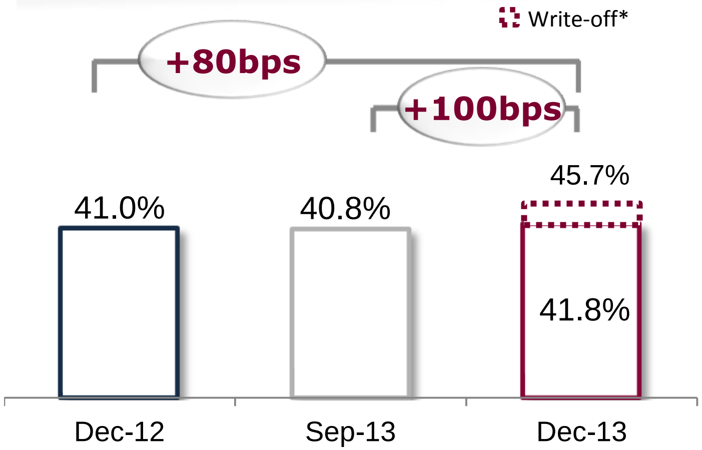


*Loans excluding net NPLs. Distribution network

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

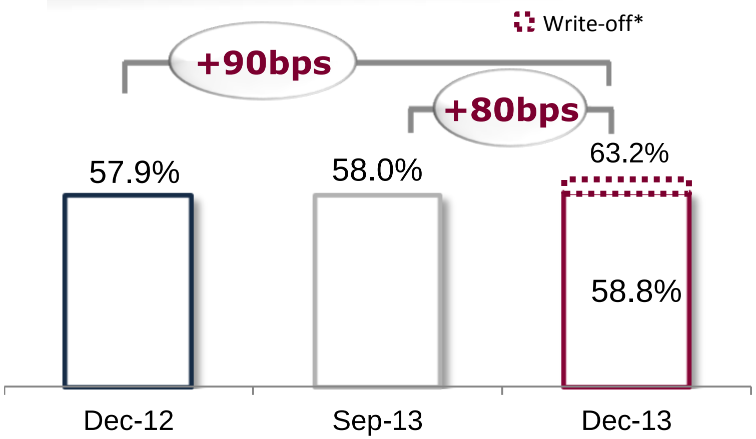
Coverage ratios improving

Impaired Loans Coverage

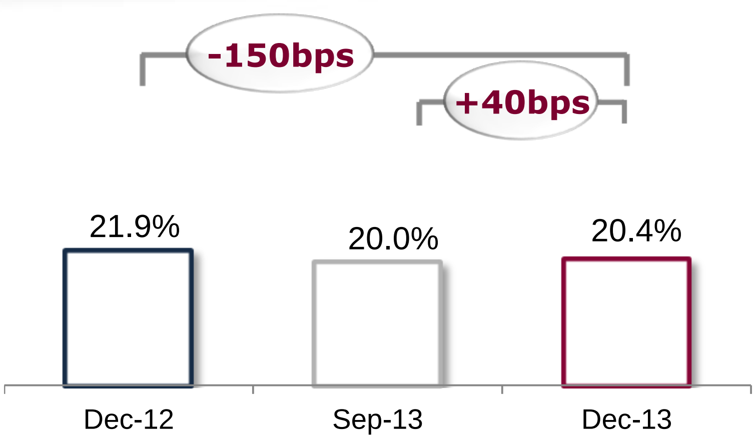


- Impaired loans coverage **up** vs. **Sep-13**. Specifically:
  - **NPL coverage**: +80bps QoQ and +90bps YoY
  - **Watchlist coverage**: +40bps QoQ, -150bps YoY owing to the higher rate of "objective"** watchlists requiring more limited coverage

NPL Coverage



Watchlist Coverage



* Figures from operational data management system (Risk Management)

**Objective watchlist loans' are exposures for which the following conditions have jointly occurred: past due or over credit limits for more than 270 days with amounts over credit limits exceeding overall exposure amount by no less than 10%

Financial Assets

Securities and Derivatives Portfolio

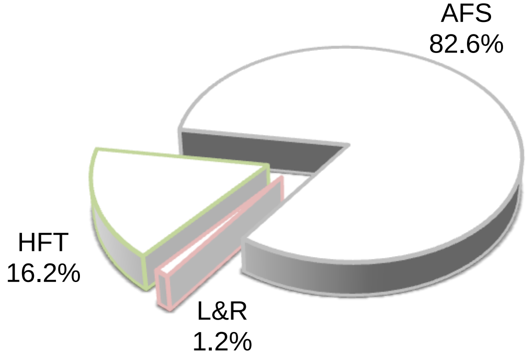
Market Value (€mln)	Dec-13	QoQ%	YoY%
HFT	9,252	+11.9%	-3.3%
AFS	23,680	-7.6%	-7.7%
L&R	2,604	-3.1%	-19.0%
Total	**35,536**	**-2.8%**	**-7.5%**

of which

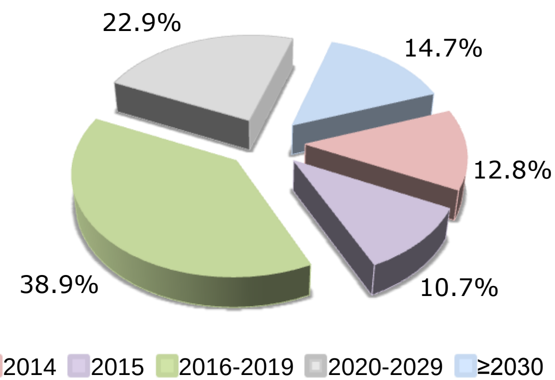
Italian Government Bonds: EUR 26 bn*

- Portfolio down 7.5% YoY, mainly in the AFS component, as a result of ongoing optimization activities
- Portfolio decreased 2.8% QoQ:
  - **HFT**: evolution affected by short term Italian govies purchases; Dec-13 portfolio came back to standard levels
  - **AFS**: down thanks to closure of Santorini transaction and the ongoing de-risking
  - **L&R**: down driven by natural maturity of certain securities
- L3**/Total Assets at 0.35% vs 0.94% Average major IT banks*** as at Jun-13

Breakdown by IAS category



Breakdown by maturity

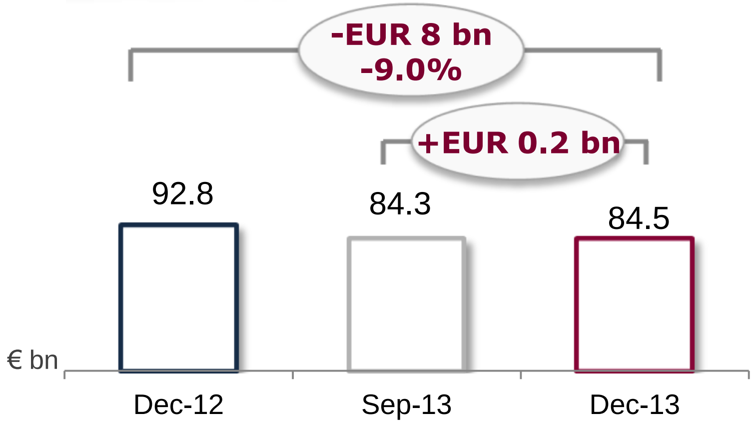


Maturity >2020: ~38% vs ~45% (Sep-13)

* Market Value
**Including Bank of Italy
*** UCI, ISP, BAPO,UBI, BPM, BPER. Source 1H2013 Company Reports

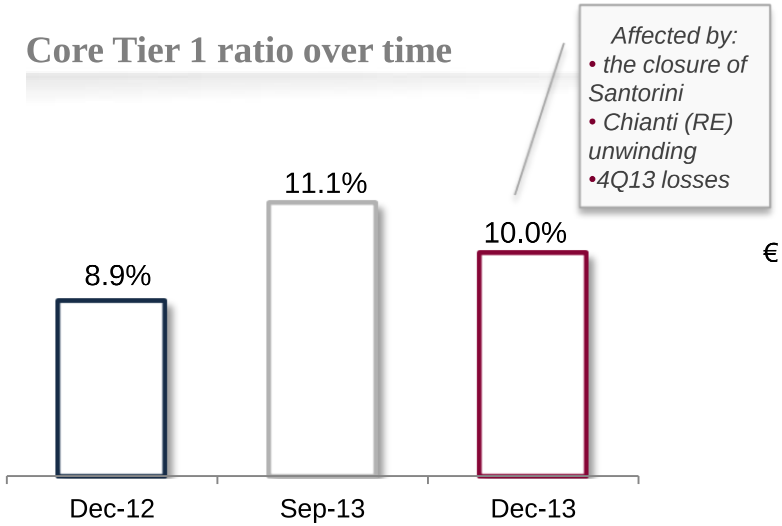
RWAs, Capital Ratios and AFS reserve

RWAs over time

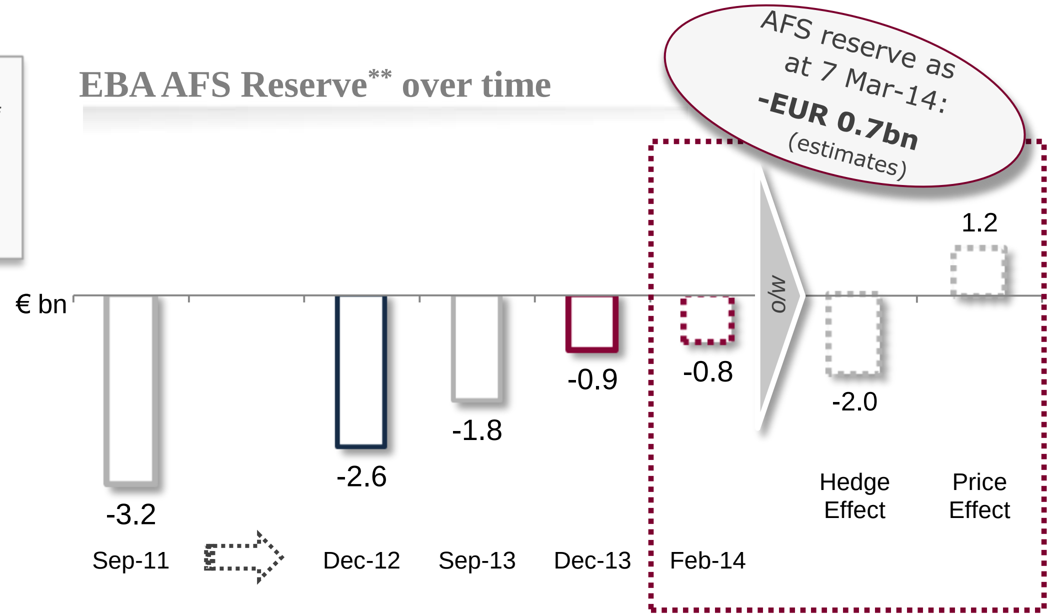


- **Core Tier 1 *ratio***, including EUR 4.1bn of New Financial Instruments, at 10% (8.9% as at Dec-12)
- Ongoing **optimization of RWAs** (EUR 84.5bn as at Dec-13; -9% YoY) mainly driven by a significant reduction in credit and counterparty risk
- RWA/Total Assets at 42.4% vs 29.7% Average EU banks*
- **AFS reserve** at Dec-13 was –EUR 0.9bn (compared to -EUR 3.2bn at time of EBA stress test on Sep-11)

Core Tier 1 ratio over time



EBA AFS Reserve** over time

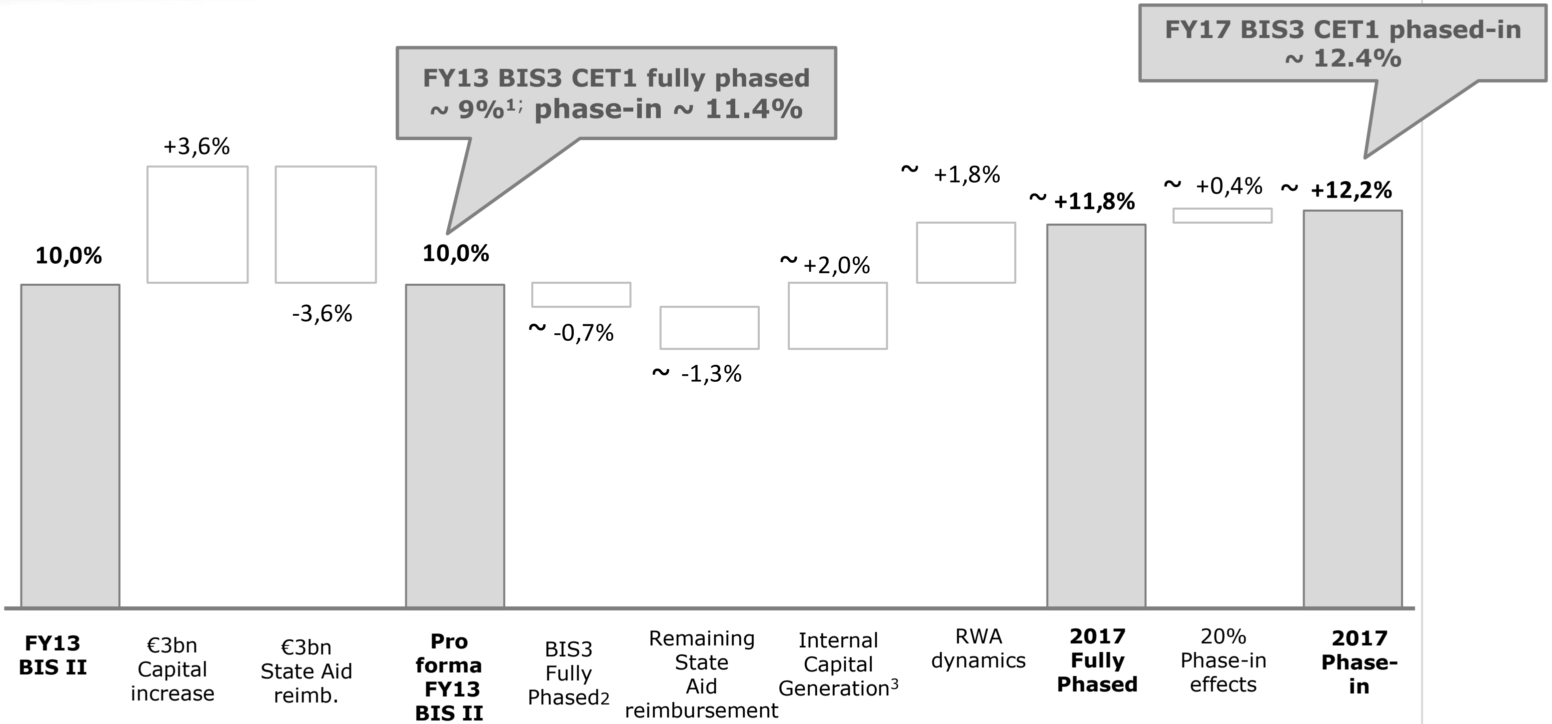


* Source: R&S report. Figures as at Jun-13

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

2013: 10% Core Tier 1 & 9% CET1 BIS 3 fully phased

Core Tier 1 Evolution *(%)*



RWA *(€bn)*: **84.5** | **84.5** | Evolution due to deleveraging, revision of expected B3 RWA absorbtion (CVA related) and reduction of BIS 1 "Floor" | **72.8** | **72.8**

1 Based on current rules and regulations. Impact is fully phased-in Basel 3 and based on 31.12.13 financial statements including: filter on AFS net reserves on European Government bonds, SMEs Supporting Factor, Bank of Italy equity investment eligible in regulatory capital, disposals of announced equity investments.
2 Net impacts of BIS 3 introduction on Restructuring plan dynamics. Estimated impact according to present regulations.
3 Includes retained earnings and NFI coupon matured 2014 paid in equity in 2015

Capital levers

Stability Law

CET1 ratio
2014-2017
+45/55bps

- **Deductibility of loan loss provisions for IRAP (regional productivity tax) purposes:** the deduction of losses and loan loss provisions is immediate on 20% of their amount and at regular intervals over the four subsequent financial years on the remaining 80%
- **Convertibility of DTAs:** IRAP-related DTAs on LLP are entirely convertible into credits (and therefore are not deductible from Regulatory Capital but are to be accounted for under risk-assets weighted at 100%)

Bank of Italy discretion

CET1 ratio
2014-2017
+50/100bps

- **AFS reserve on EU government bonds**: regulatory filter maintained until approval of amendment to IAS 39
- **Deduction of DTAs not convertible into credits:** a gradual phase-in is expected for DTAs arising prior to January 2014: 0% in 2014, 10% in 2015, 20% in 2016 and 30% in 2017
- **Unrealized profits measured at fair value:** inclusion of positive valuation reserves with a phase-in of 40% in 2015, 60% in 2016 and 80% in 2017

Disposal of assets

+EUR 100 mln

- **Sorin:** disposal of entire stake at EUR 2.05mln per share for EUR 56.3mln (pre tax). Capital gain of approx EUR 19mln (post tax)
- **Sia:** disposal of entire stake in SIA (5.8%). Capital gain of approx. EUR 37 mln, to be posted after the completed disposal of the shareholding
- Other disposals, including Anima and SAT

NOT included in Business Plan

Bank of Italy stake

CET1 ratio
2013
+10bps

- **Law Decree no. 133 of 30 November 2013** authorized the Bank of Italy to increase its capital to EUR 7.5 bn
- BMPS had adjusted the (i) book value of the shareholding (2.5%) on the basis of the maximum value attributable to Bank of Italy capital ie. EUR 7.5 bn, (ii) AFS reserve, and (iii) related taxation
- The difference between the historical cost and revaluation of the shareholding has been calculated for the 2013 Profit & Loss statement, with a benefit in terms of CT1 of approx 10 bps

P&L FY2013

€ mln		12M12*	12M13	Change (YoY %)
1	Net Interest Income	2,829.6	2,153.4	-23.9
	Net Fees	1,632.8	1,657.6	+1.5
	Basic income	**4,462.4**	**3,810.9**	**-14.6**
2	Other revenues from financial activities	532.5	146.5	-72.5
	Total Revenues	**4,994.9**	**3,957.4**	**-20.8**
	Operating Costs	**(3,219.2)**	**(2,811.5)**	**-12.7**
	Personnel costs	(1,918.3)	(1,718.7)	-10.4
	Other admin expenses	(1,102.1)	(937.8)	-14.9
3	**Total provisions**	**(2,894.2)**	**(2,823.3)**	**-2.4**
	Of which: LLP	(2,671.6)	(2,749.8)	+2.9
	Profit (Loss) before tax	**(1,806.5)**	**(2,000.1)**	**10.7**
4	Taxes	363.0	652.3	79.7
	Purchase Price Allocation	(50.2)	(39.2)	-20.7
	Net income	**(3,168.2)**	**(1,439.0)**	**-54.6**

1. **Net Interest Income:** YoY trend impacted by : higher amounts of NFIs issued in 2013 compared to "Tremonti Bonds" (EUR 162mln); reclassification of income from fast-track credit facility fees and changes in the calculation of interest on overdrafts occurred in September 2012

2. **Other income from financial activity**: 4Q13 impacted by non recurring items: closure of Santorini deal, revaluation of the stake in Bankit and disposal of Consum.it's portfolio of 1/5 of salary backed loans; 2012 results mainly due to the capital gain arising from the public exchange offer concluded in July 2012

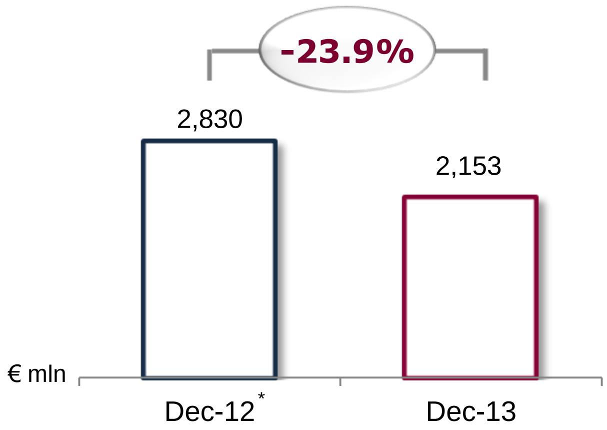
3. **Loan loss provisions**: increase vs. 2012 due to a different composition of impaired loans inflows, with a higher weight of NPLs

4. **Taxes**: impacted by the recovery of tax losses on previous years and the effect of the Stability Law

* Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo

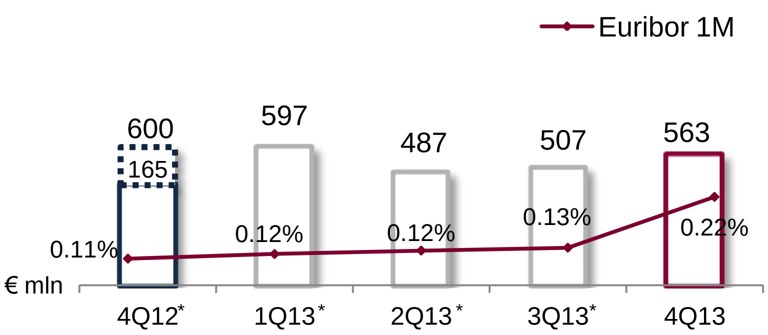
Net Interest Income: structural quarterly increase

Net Interest Income (YoY)

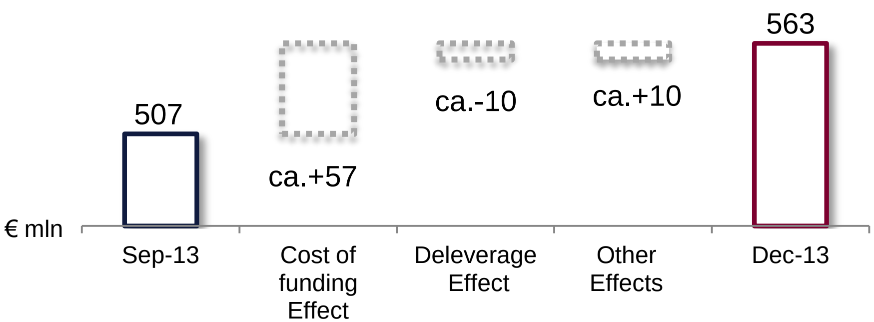


- Up by approx. EUR 57mln QoQ due to:
  - **Cost of funding effect**: mainly from pricing containment, remix in consumer & corporate funding and ECB rate reduction
  - **Deleverage effect**: reduction in average loans both for the network and product companies
  - **Other effects:** includes impact from the disposal of part of Consum.it's portfolio

Net Interest Income (QoQ)



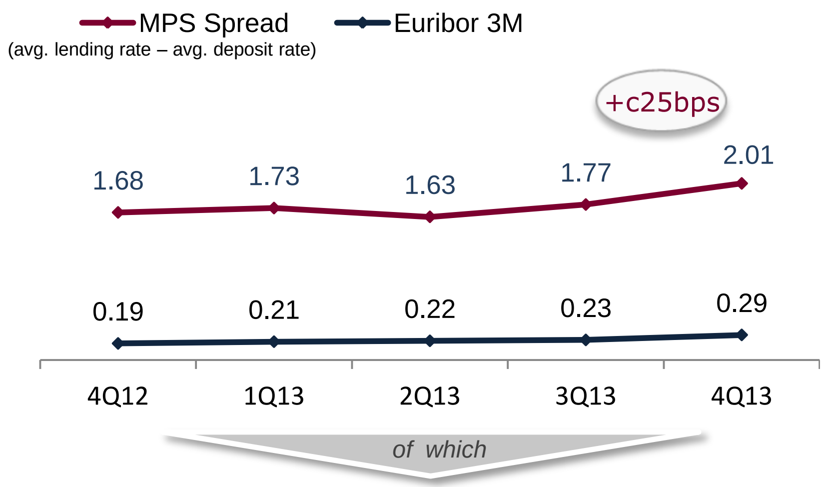
4Q13 NII Analysis



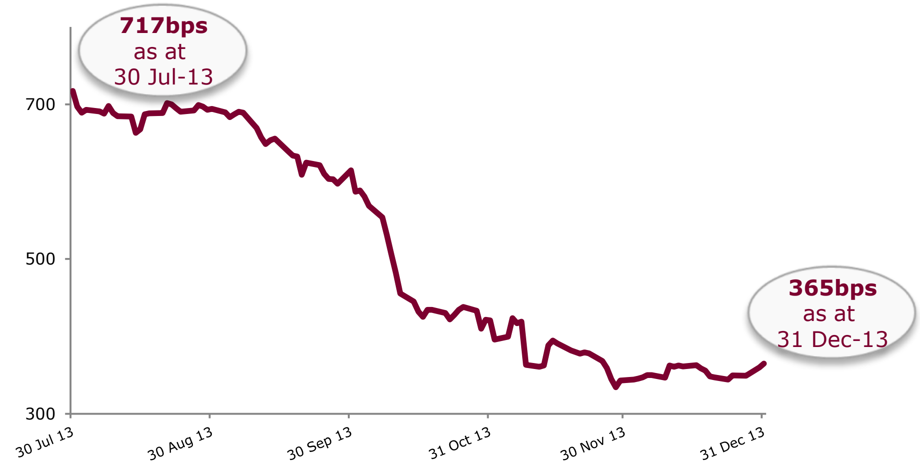
* Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo

…driven by lower cost of funding

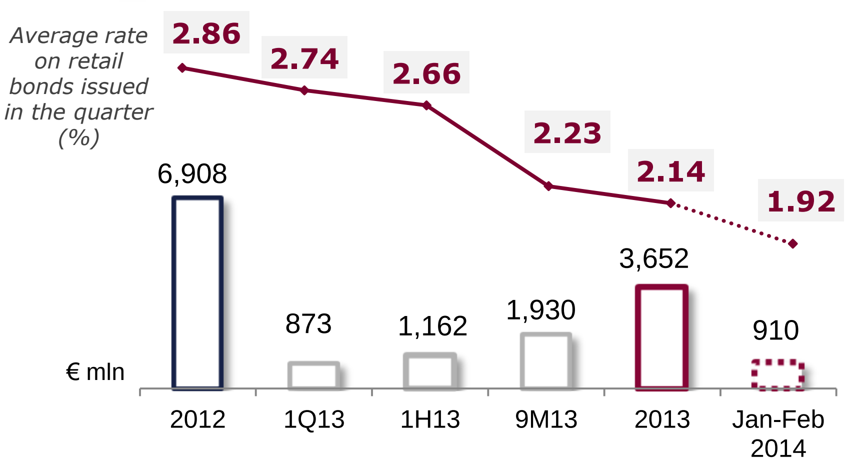
MPS Spread* trend (%)



MPS 5Y CDS evolution**



Retail Bonds*** *(cumulative)*

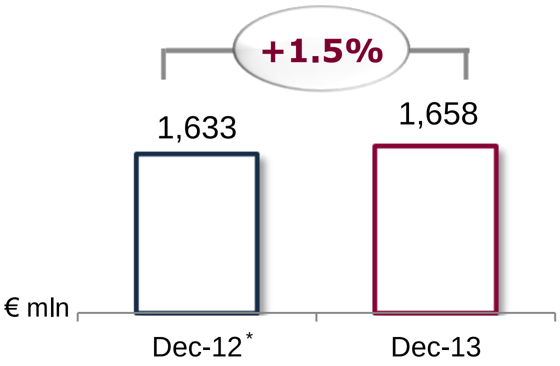


- In 4Q13, market spread up approx. 25 bps owing to:
  - reduction of 23 bps in funding rate payable both for Consumer (approx. -11 bps) and, above all, Corporate (-56 bps)
  - rise of approx. 2 bps in lending rate receivable (+4 bps on Consumer; -3 bps on Corporate)

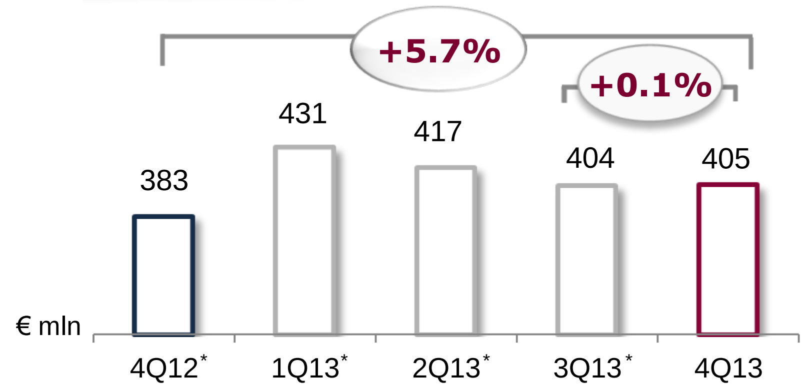
* Figures from operational data management system (Planning Area)
** Source: Bloomberg
*** Figures from operational data management system (Finance Area)

Fee and Commission Income

Fees YoY



Fees QoQ



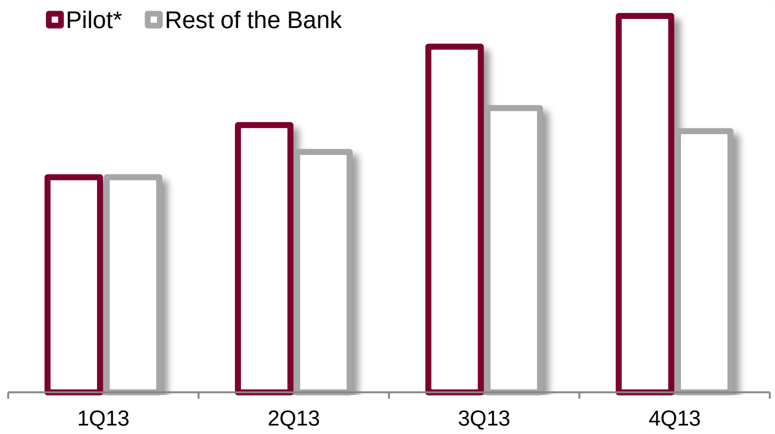
Breakdown

€/mln	4Q12	3Q13	4Q13	4Q13 vs 3Q13 *(%)*	4Q13 vs 4Q12 *(%)*
AuM fees, o/w	**122**	**152**	**149**	**-2.5%**	**21.5%**
AuM Placement	*43*	*78*	*73*	*-5.5%*	*72.0%*
Continuing	*60*	*59*	*58*	*-1.2%*	*-2.9%*
Bond Placement	*20*	*16*	*17*	*8.5%*	*-13.2%*
Traditional Banking fees, o/w	**332**	**316**	**311**	**-1.5%**	**-6.2%**
Credit facilities	*167*	*155*	*151*	*-2.8%*	*-9.6%*
ForeignTrade	*19*	*19*	*18*	*-4.5%*	*-3.0%*
Payment services and client expense recoverv	*147*	*142*	*143*	*0.2%*	*-2.7%*
Other	**-71**	**-64**	**-55**	*-14.3%*	*-22.6%*
Total Net Fees	**383**	**404**	**405**	**0.1%**	**5.7%**

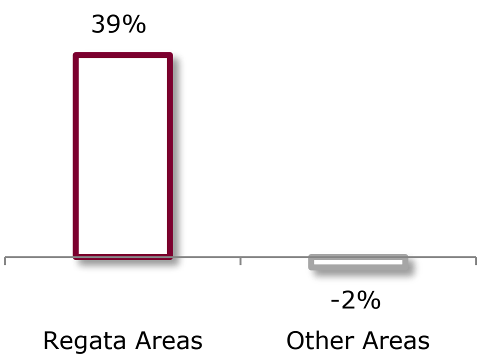
- **Net fee and commission income up 1.5% YoY** due to the rise in placement commissions on asset management products, partially offset by the decline in revenues from lending activities

Progetto Regata: the results of the pilot show a positive impact on the P&L

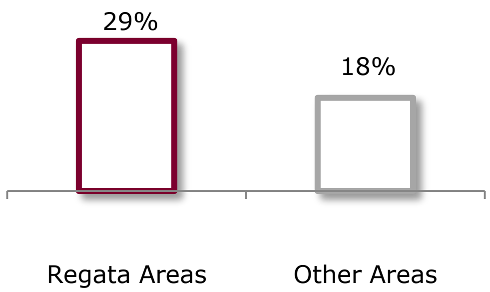
Revenue growth 2013 vs. 2012 *(% yoy)*



Daily contact** (%)



Daily sales** (%)

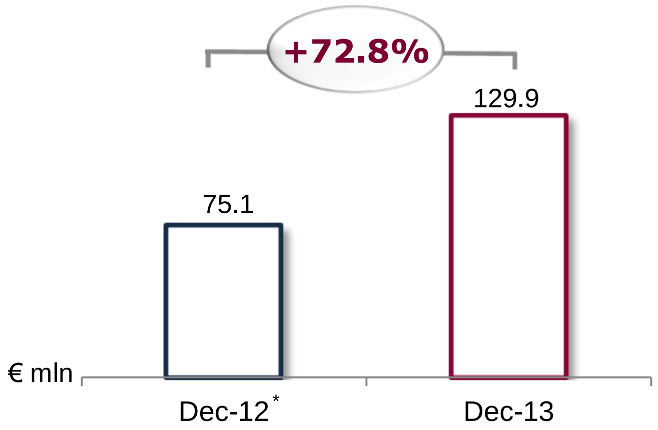


- Objective of Progetto Regata: Substantially increase Retail sales productivity, contributing significantly to growth of revenues, through:
  - Strengthening and optimization of marketing leverage (targeting, initiatives, monitoring...)
  - Structuring of management processes and sales & marketing execution
- **Regata** aceleration effects: 4-5% growth difference in the period May-December 2013 and the impact on the P&L starting from the second month
- Significant increase in commercial productivity: contacts increase by 39% in Regata Area (vs. -2%) and sales by 29% in Regata Area (vs. 18%)

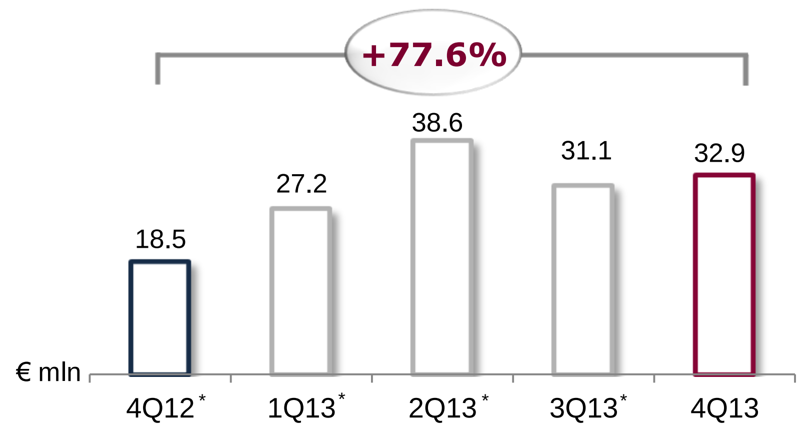
Figures from operational data management system (Retail Area)
* DTM "Roma Centro" and "Roma Nord". Source: data from Planning, processing by Regata Project
** Change between May-October 2013 period and November 2013 – Mid February 2014 period

Dividends, similar income and gains (losses) on equity investments

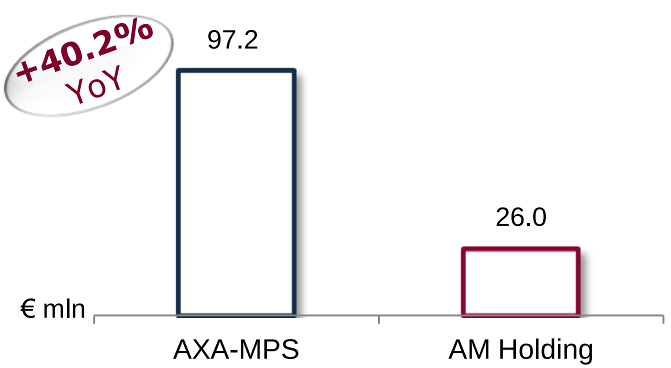
Dividends /Profit (loss) from investments YoY



Dividends /Profit (loss) from investments QoQ



Companies Contribution

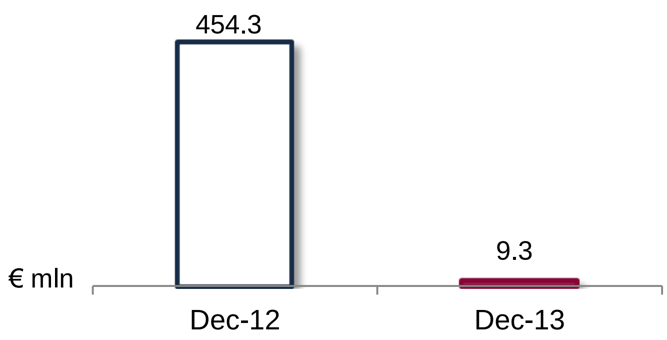


- **Dividends, similar income and gains (losses) on investments** up significantly thanks to contribution of AXA-MPS (+40.2% YoY) and AM Holding

* Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo

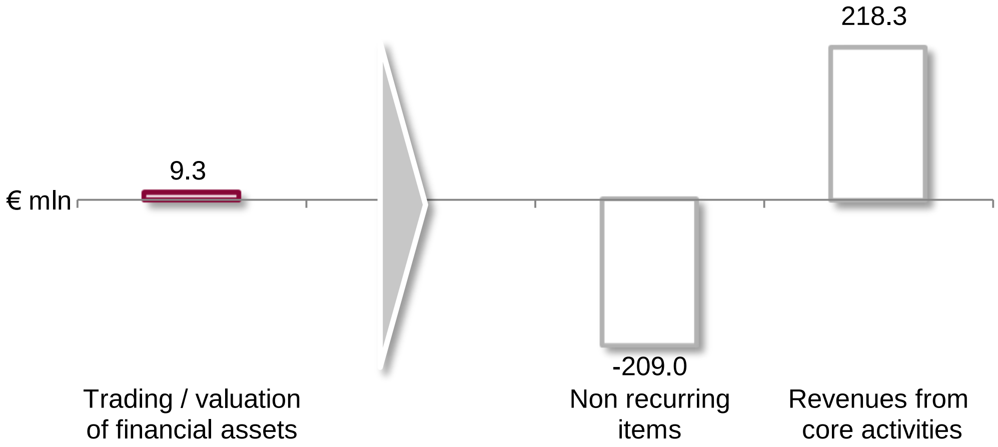
Trading/valuation of financial assets

Trading/valuation of financial assets YoY



- **Net profit (loss) from trading / valuation / repurchase of financial assets/liabilities** impacted in 4Q by non recurring items:
  - closure of Santorini deal
  - value adjustment Bankit stake
  - disposal of Consum.it's portfolio of 1/5 of salary backed loans
  - other one-offs

Breakdown Trading/valuation of financial assets



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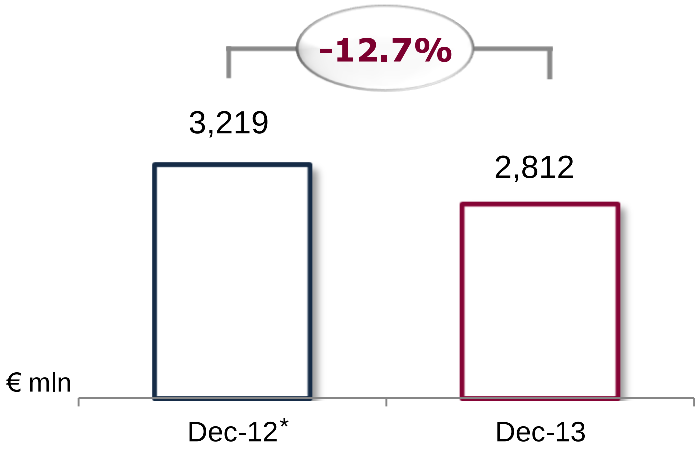
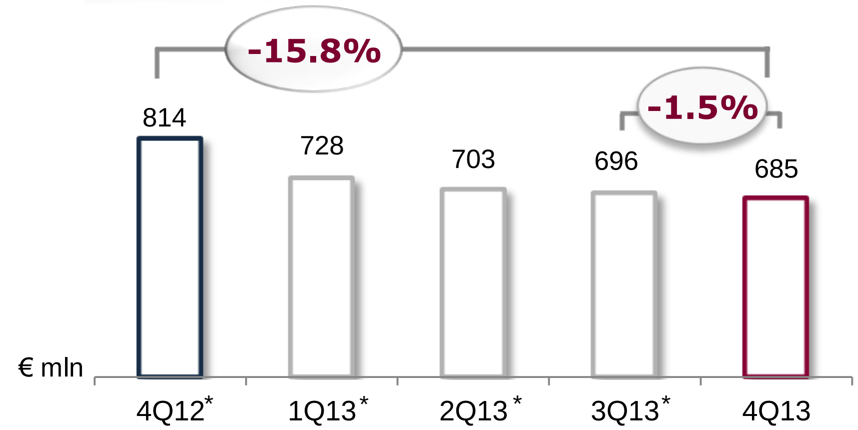
Operating Costs (1/2)

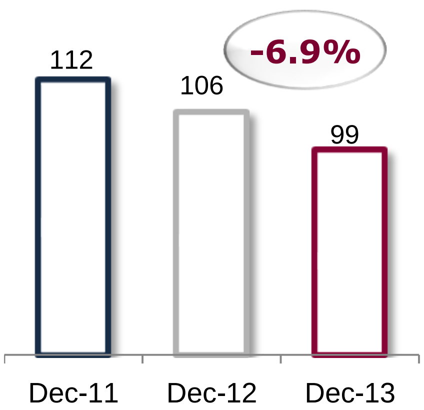
Operating Costs YoY



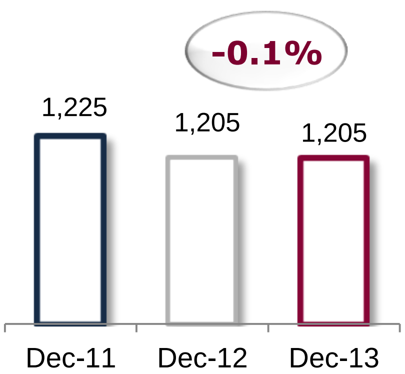
Operating Costs QoQ



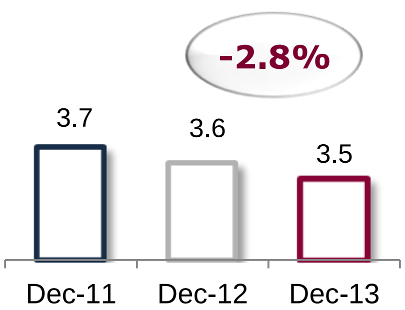
Operating costs per headcount (€/000)



Operating costs per branch (€/000)



Operating costs per sqm (€/000)



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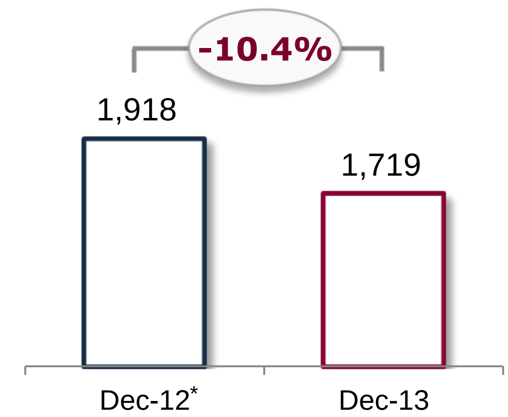
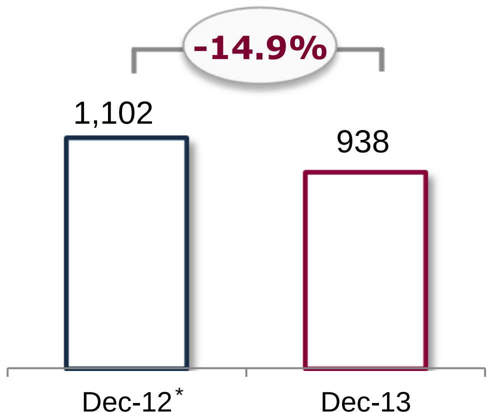
Operating Costs (2/2)

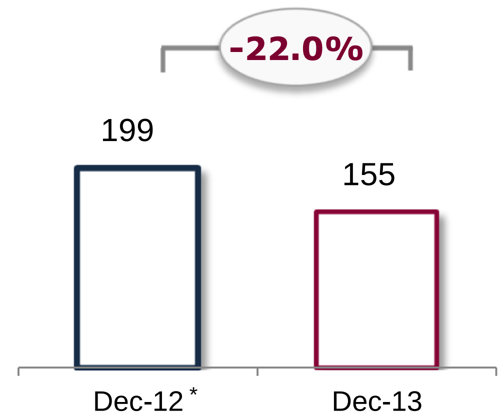
Personnel expenses (€/mln)



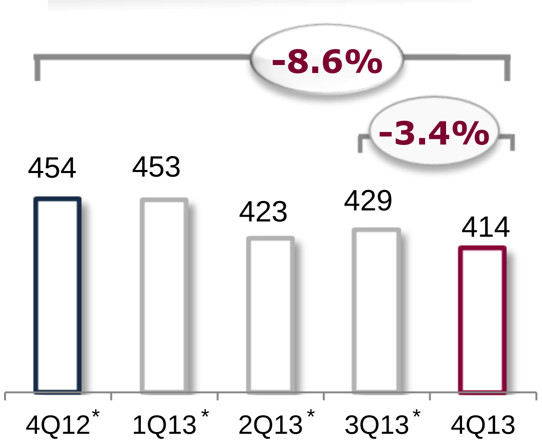
Admin expenses (€/mln)



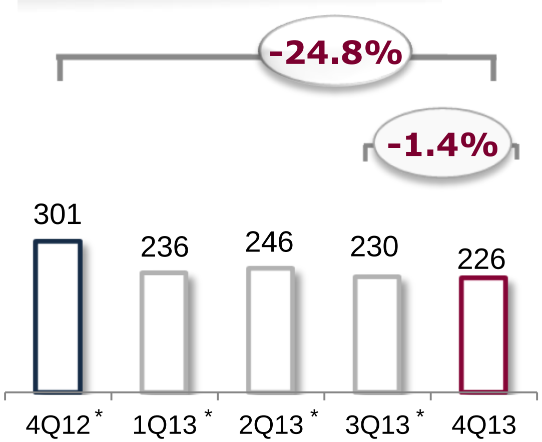
Amortization and Depreciation (€/mln)



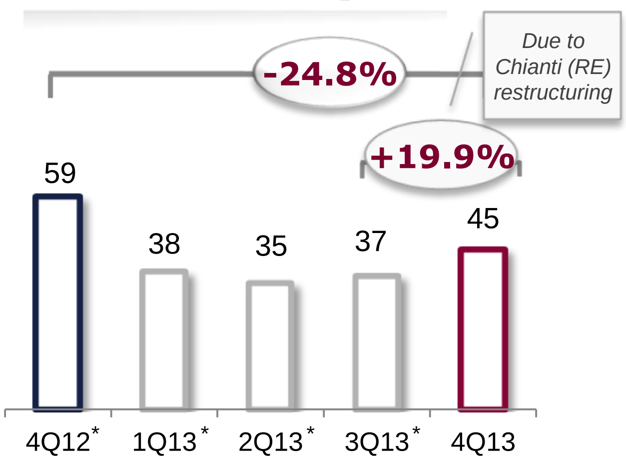
Personnel expenses (€/mln)



Admin expenses (€/mln)



Amortization and Depreciation (€/mln)



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Cost reduction implemented across-the-board

Main cost saving actions *(€ mln)*

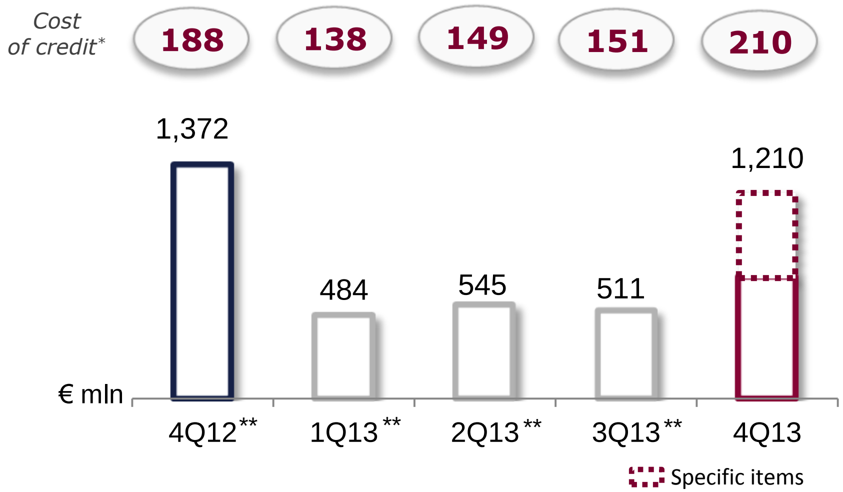
	2012	Cost Saving	2013		Actions
Logistics	158	27	131	-17.1%	▪ New cash mgmt and document transportation model ▪ Branches and Head office processes digitalization ▪ Customer communication digitalization
HR expenses	68	26	42	-38.2%	▪ New travel expenses and car policies ▪ Web collaboration
Space Mgmt	329	25	304	-7.6%	▪ Office/branches rationalization and space management initiatives (-400 branches and -70 HQ buildings) ▪ Real estate contracts renegotiation ▪ More efficient energy consumption
Security	62**	18	44	-29.0%	▪ Branch security Hi-tech model turnaround ▪ Review of security/concierge services
Legal	94	10	84	-10.6%	▪ Legal and tax litigation processes strengthening ▪ Agreements renegotiation, with SLA and performance incentive mechanisms
ICT* and TLC	208	6	202	-2.9%	▪ Bank automation roadmap and IT architecture simplification ▪ Replatforming on open source technologies and workplace virtualization ▪ IT demand process introduction to strengthen connection with business and investment selection
Others**	183	52	131	-28.4%	▪ Info providers workstations rationalization ▪ Sponsorship and hospitality expenses reduction ▪ Professional services reduction
Total Admin expenses	**1,102**	**164**	**938**	**-14.9%**	***Further cost savings from actions implemented in 2013: EUR 150mln (including Chianti transaction effects) in 2014 and EUR 20 mln in 2015***

77% of 2017 BP target

Figures from operational data management system (COO)
*EUR 40 Mln Cost Saving not included in the accounting result due to amortization policy change in 2013
**Communication, Sponsorship, Info Provider, Credits, Tax, Hospitality, Outsourcing, Consulting, Other expenses

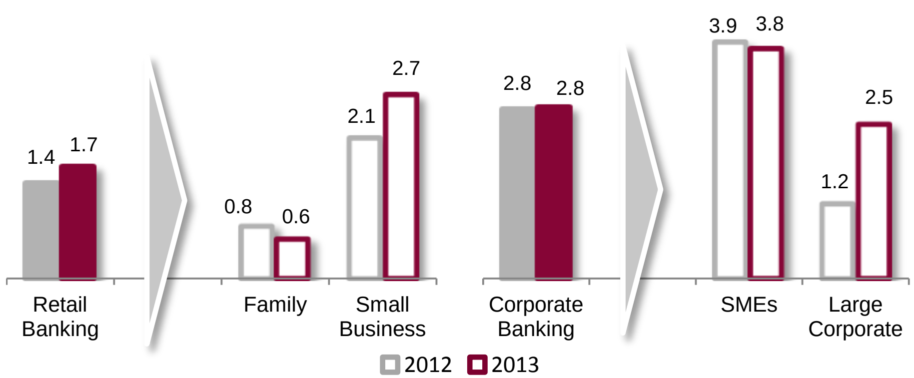
Provisioning

Net loan loss provisions and Cost of Credit (bps)

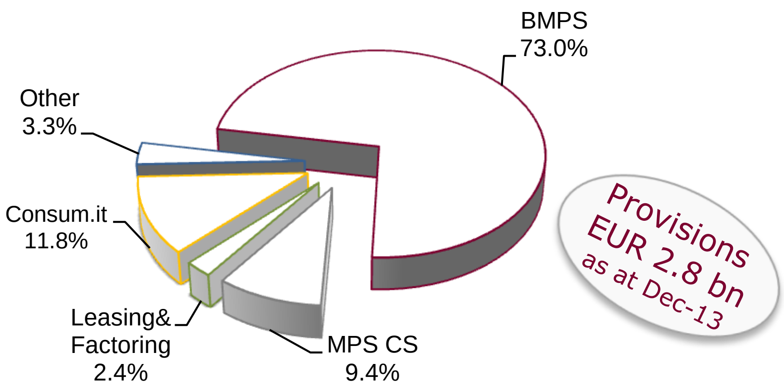


- Loan loss provisions affected in 4Q13 by impairment losses recognized on selected significant positions and full write-down of several non-performing, aged loans (with a view to their potential disposal), as well as stricter valuation criteria and classification processes
- Provisions coming from performing portfolio decreased 4% YoY

Cost of Credit by Segment ***(%)



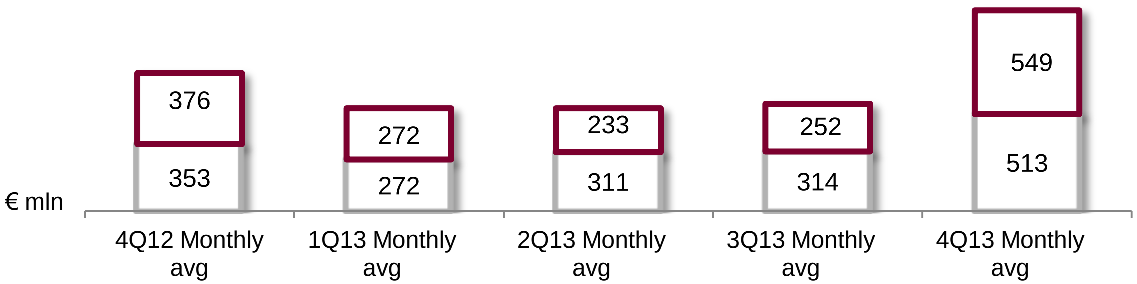
FY13 Provisions breakdown by Business units***



* Annualized figures. Net loan loss provisions / End-of-period loans
** Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo
*** Figures from operational data management system (Planning Area)

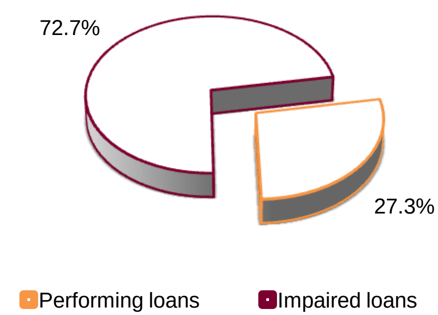
NPL and watchlist inflows

Gross NPL and Watchlist Inflows*



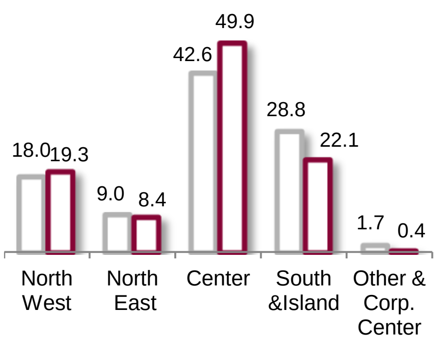
NPLs inflows by Type***

Data as at Dec-13

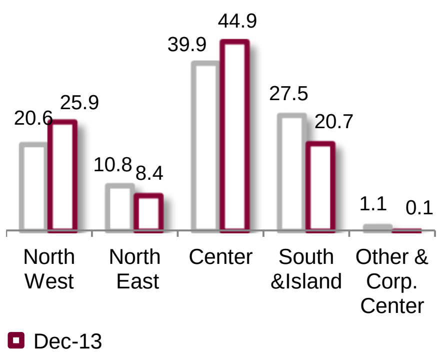


Inflows by Geography*** (%)

NPL

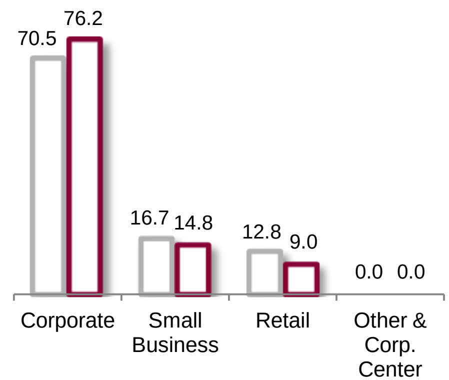


Watchlist**

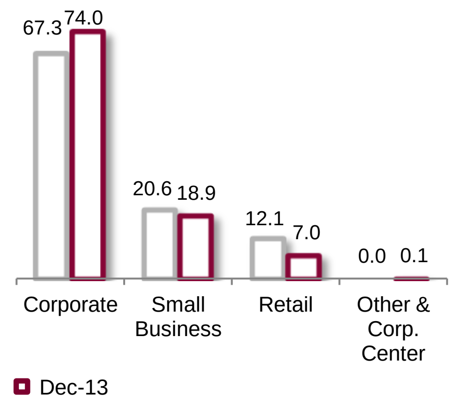


Inflows by Customer segment*** (%)

NPL



Watchlist**

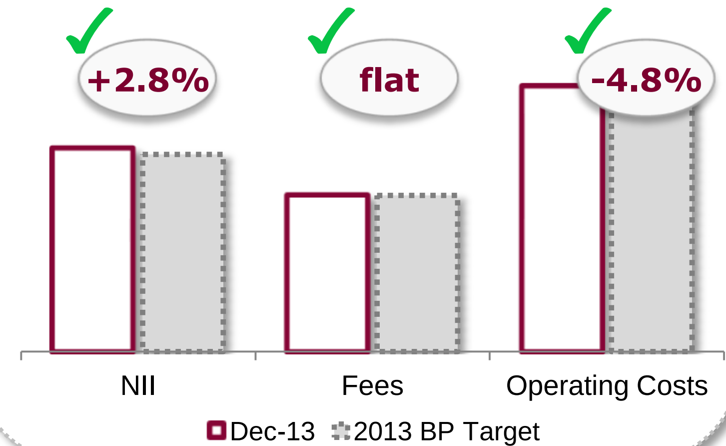


*Figures from operational data management system (Planning Area)
** Excluding objective watchlist
*** Figures from operational data management system (Credit Department). Small Business: turnover below EUR 5 mln or turnover between EUR 2.5 and 5 mln depending on sector

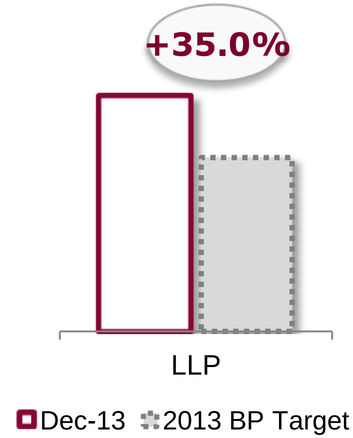
Contents

2013 Results in line with Business Plan

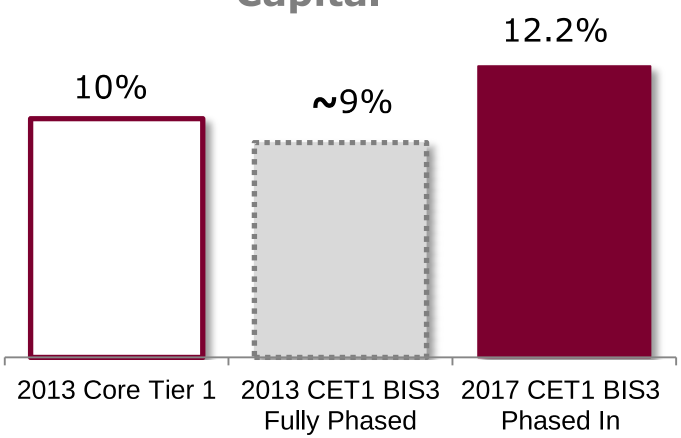
2013 Results in line with/better than core activity targets ...



... cost of credit still higher than Plan ...



Capital



2017 BP targets confirmed

Potential to improve our 2015-2017 P&L

€ mln	2015	2017	Impacts on:
Net Profit Target	**≈ 200**	**≈ 900**	
✓ *Chianti*	–	–	*Administrative expenses*
✓ *Outsourcing Back Office*	–	–	*Personnel Operating Cost*
✓ *Compass*	–	–	*Net fees & commissions*
Santorini	***+22****	***+21***	*Net Interest Income Balance sheet*
Stability Law	***+70***	***+56***	*Taxes*

Already included in Business Plan (Chianti, Outsourcing Back Office, Compass)

NOT included in Business Plan (Santorini, Stability Law)

- Events after 2013-2017 Business Plan approval, which impact targets in the next few years:
  - *Closure of Santorini* – positive P&L impact expected as of 2014 onwards
  - *Stability Law*: deductibility of loan loss provisions for IRAP (regional productivity tax) purposes will result in P&L benefits over the Plan's time span

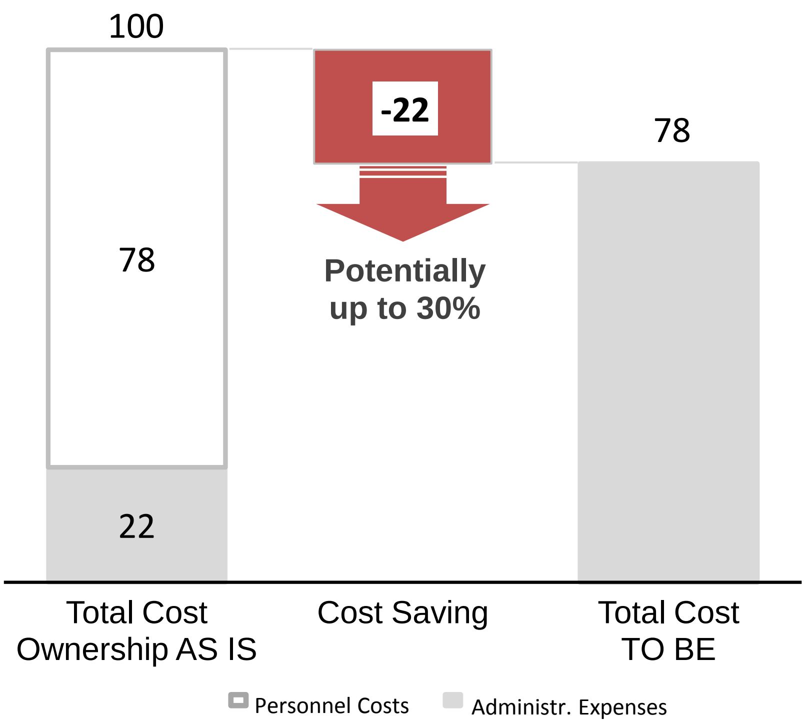
* Net of Tax, EUR 33mln gross of tax. The amount does not include the potential benefits coming from liquidity reinvestment.

Focus on: *Fruendo* (Back Office Outsourcing)

fruendo

With the outsourcing of Back Office in Fruendo, MPS has implemented in **just 14 months**, the **largest banking Business Process Outsourcing deal in Europe**

Structural Cost Saving starting from 2014
(annual average %)



- **Quality of Service** excellence for branches and final customers through process/technology innovation and work force transformation
- Total **Cost Saving of 22%** guaranteed (potentially up to 30%), with transfer to Fruendo of more than 1,000 head counts
- A new important **Italian Industrial Reality**, able to work as an optimization platform for Financial Services, enabling similar initiatives
- **Two solid and recognized partners** (Accenture, Bassilichi) to support transformation and go to market strategy, not only in banking

Figures from operational data management system

Capital increase update

- **Size:** EUR 3 bn capital increase, for the purposes of reimbursing EUR 3bn of NFI subject to Bank of Italy authorization

- **Expected timing:** post May 12th, as per the EGM authorization of December 2013

- **Pre-underwriting syndicate**: new pre-underwriting commitment, covering the full EUR 3 bn capital increase

  - Confirmed same syndicate of banks, led by UBS as global coordinator and bookrunner
    - Citigroup, Goldman Sachs and Mediobanca co-global coordinators and joint bookrunners
    - Barclays, BofA Merrill Lynch, Commerzbank, J.P. Morgan, Morgan Stanley and Société Générale joint bookrunners

Conclusions

- *4Q13 confirmed deleveraging, funding and operating profit targets*
- *Further improved MPS risk profile ahead of asset quality review*
- *Enhanced capital position, benefiting from balance sheet deleverage and regulatory changes, with capital increase again fully underwritten*
- *Ongoing restructuring is accelerating MPS Business Plan targets*

Thank you for your attention

Q&A

Annexes

P&L: FY13

MPS Group	12/31/12 (*)	12/31/13	Change Inc.	Change %
Net interest income	2,829.6	2,153.4	(676.2)	-23.9%
Net fee and commission income	1,632.8	1,657.6	24.7	1.5%
Income from banking activities	**4,462.4**	**3,810.9**	**(651.5)**	**-14.6%**
Dividends, similar income and gains (losses) on investments	75.1	129.9	54.7	72.8%
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	454.3	9.3	(445.0)	-97.9%
Net profit (loss) from hedging	3.1	7.2	4.2	n.m.
Income from financial and insurance activities	**4,994.9**	**3,957.4**	**(1,037.6)**	**-20.8%**
Net impairment losses (reversals) on:	(2,894.2)	(2,823.3)	70.9	-2.4%
a) loans	(2,671.6)	(2,749.8)	(78.2)	2.9%
b) financial assets	(222.6)	(73.5)	149.1	-67.0%
Net income from financial and insurance activities	**2,100.7**	**1,134.1**	**(966.6)**	**-46.0%**
Administrative expenses:	(3,020.4)	(2,656.5)	363.9	-12.0%
a) personnel expenses	(1,918.3)	(1,718.7)	199.7	-10.4%
b) other administrative expenses	(1,102.1)	(937.8)	164.3	-14.9%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(198.8)	(155.1)	43.7	-22.0%
Operating expenses	**(3,219.2)**	**(2,811.6)**	**407.7**	**-12.7%**
Net operating income	**(1,118.5)**	**(1,677.4)**	**(559.0)**	**50.0%**
Net provisions for risks and charges and other operating expenses/income	(326.2)	(243.1)	83.1	-25.5%
Gains (losses) on investments	(58.1)	(56.4)	1.7	-2.9%
Reorganisation costs / one-off charges	(311.0)	(24.5)	286.4	n.m.
Gains (losses) on disposal of investments	7.3	1.4	(5.9)	-80.6%
Profit (loss) before tax from continuing operations	**(1,806.5)**	**(2,000.1)**	**(193.6)**	**10.7%**
Tax expense (recovery) on income from continuing operations	363.0	652.3	289.3	79.7%
Profit (loss) after tax from continuing operations	**(1,443.5)**	**(1,347.8)**	**95.7**	**-6.6%**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	(41.7)	(51.2)	(9.5)	22.8%
Net profit (loss) for the year including non-controlling interests	**(1,485.2)**	**(1,399.1)**	**86.1**	**-5.8%**
Net profit (loss) attributable to non-controlling interests	21.6	(0.1)	(21.7)	n.m.
Profit (loss) for the year before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(1,463.6)**	**(1,399.2)**	**64.4**	**-4.4%**
PPA (Purchase Price Allocation)	(50.2)	(39.8)	10.4	-20.7%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(1,654.4)	-	1,654.4	n.m.
Net profit (loss) for the year	**(3,168.2)**	**(1,439.0)**	**1,729.2**	**-54.6%**

* Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo

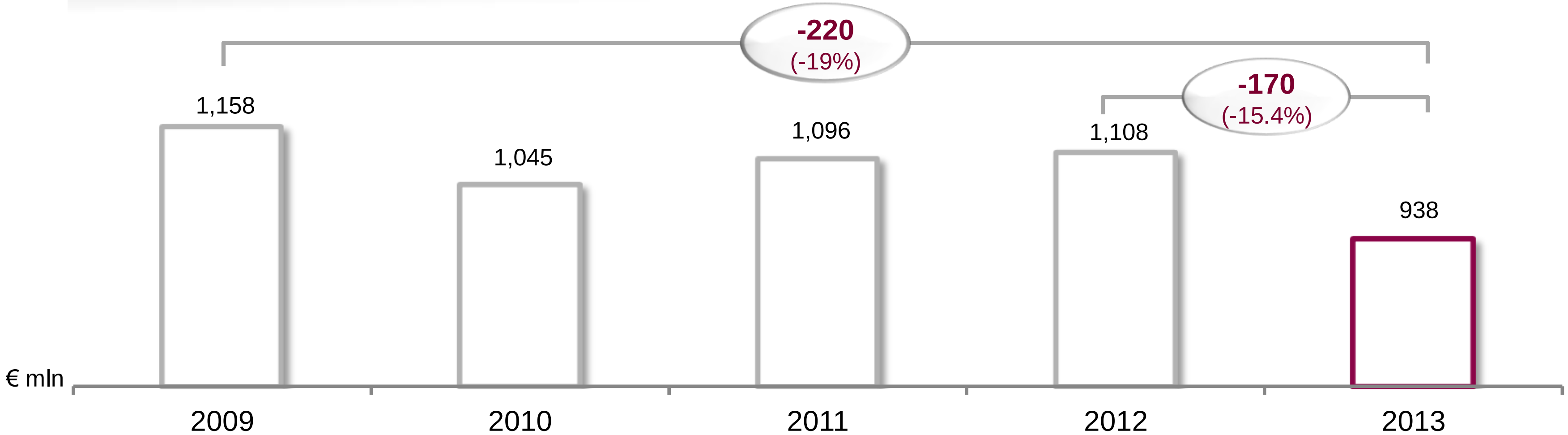
P&L: Quarterly figures

MPS Group	2012 (*) 1st quarter	2012 (*) 2nd quarter	2012 (*) 3rd quarter	2012 (*) 4th quarter	2013 (*) 1st quarter	2013 (*) 2nd quarter	2013 (*) 3rd quarter	2013 (*) 4th quarter
Net interest income	882.6	788.5	724.0	434.5	597.0	486.5	506.6	563.3
Net fee and commission income	424.3	412.6	413.1	382.9	431.3	417.3	404.2	404.8
Income from banking activities	**1,306.9**	**1,201.0**	**1,137.1**	**817.4**	**1,028.3**	**903.7**	**910.8**	**968.1**
Dividends, similar income and gains (losses) on investments	10.6	28.5	17.5	18.5	27.2	38.6	31.1	32.9
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	182.0	76.5	255.1	(59.2)	120.8	75.5	90.5	(277.5)
Net profit (loss) from hedging	3.2	1.9	(3.6)	1.6	(4.0)	(0.9)	7.0	5.1
Income from financial and insurance activities	**1,502.7**	**1,307.8**	**1,406.2**	**778.3**	**1,172.3**	**1,017.0**	**1,039.4**	**728.6**
Net impairment losses (reversals) on:	**(435.8)**	**(518.8)**	**(474.8)**	**(1,464.8)**	**(494.5)**	**(556.6)**	**(519.4)**	**(1,252.8)**
a) loans	(430.3)	(408.7)	(461.0)	(1,371.6)	(484.2)	(544.8)	(511.0)	(1,209.7)
b) financial assets	(5.5)	(110.1)	(13.8)	(93.2)	(10.3)	(11.7)	(8.3)	(43.1)
Net income from financial and insurance activities	**1,066.8**	**789.0**	**931.4**	**(686.5)**	**677.8**	**460.4**	**520.0**	**(524.2)**
Administrative expenses:	(749.6)	(762.3)	(754.1)	(754.4)	(689.3)	(668.3)	(658.4)	(640.5)
a) personnel expenses	(487.4)	(508.7)	(468.7)	(453.5)	(452.9)	(422.6)	(429.0)	(414.3)
b) other administrative expenses	(262.1)	(253.6)	(285.4)	(300.9)	(236.4)	(245.7)	(229.5)	(226.3)
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)	(37.1)	(44.5)
Operating expenses	**(795.0)**	**(808.0)**	**(802.7)**	**(813.6)**	**(727.6)**	**(703.4)**	**(695.6)**	**(685.0)**
Net operating income	**271.8**	**(19.0)**	**128.7**	**(1,500.1)**	**(49.8)**	**(242.9)**	**(175.5)**	**(1,209.2)**
Net provisions for risks and charges and other operating expenses/income	(28.3)	(66.0)	(46.8)	(185.1)	5.8	8.8	(31.9)	(225.8)
Gains (losses) on investments	4.0	(5.8)	1.5	(57.8)	1.4	(32.2)	(0.1)	(25.5)
Reorganisation costs / one-off charges	(1.1)	(20.0)	(11.7)	(278.2)	-	(17.6)	(0.2)	(6.7)
Profit (loss) before tax from continuing operations	**246.7**	**(110.2)**	**78.2**	**(2,021.1)**	**(42.4)**	**(285.8)**	**(206.6)**	**(1,465.3)**
Tax expense (recovery) on income from continuing operations	(132.5)	66.5	(82.2)	511.2	(36.9)	32.5	90.4	566.3
Profit (loss) after tax from continuing operations	**114.2**	**(43.8)**	**(4.0)**	**(1,509.9)**	**(79.3)**	**(253.3)**	**(116.2)**	**(899.0)**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	(9.1)	(6.5)	(10.0)	(16.2)	(12.9)	(12.9)	(12.9)	(12.6)
Net profit (loss) for the period including non-controlling interests	**105.1**	**(50.2)**	**(14.0)**	**(1,526.1)**	**(92.2)**	**(266.2)**	**(129.1)**	**(911.6)**
Net profit (loss) attributable to non-controlling interests	(1.7)	(2.7)	(1.1)	27.0	(0.0)	(0.0)	(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)**	**(15.0)**	**(1,499.1)**	**(92.3)**	**(266.2)**	**(129.1)**	**(911.6)**
PPA (Purchase Price Allocation)	(14.4)	(13.3)	(10.9)	(11.7)	(8.5)	(13.0)	(9.2)	(9.1)
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)**	**(25.9)**	**(1,590.8)**	**(100.7)**	**(279.3)**	**(138.3)**	**(920.7)**

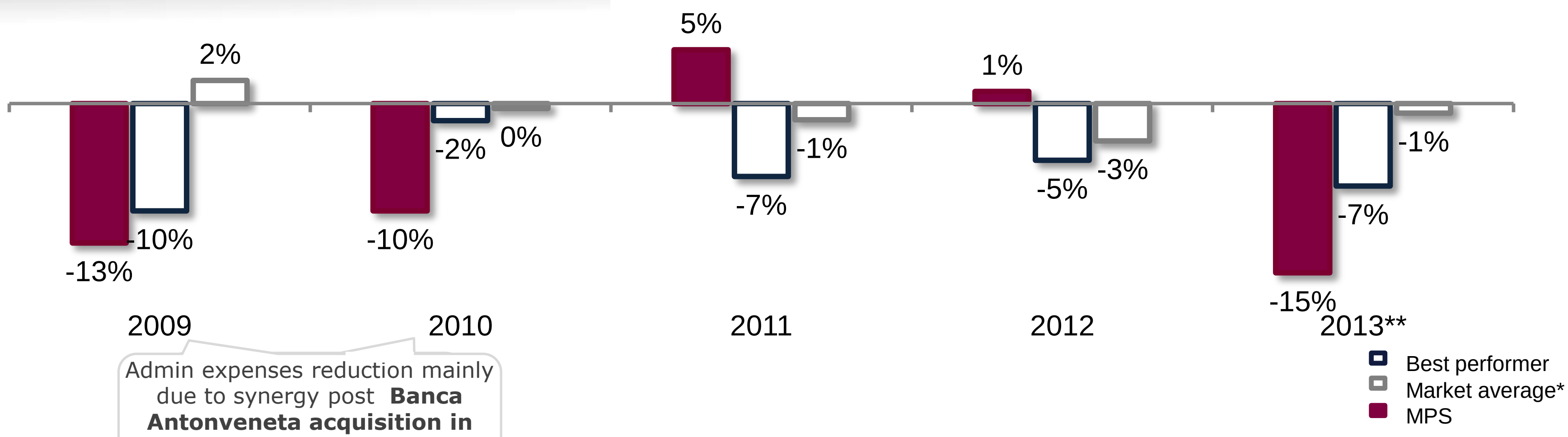
* Figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), with the retrospective application of IAS 19 "Employee benefits" and to take account of the disposal of a business unit (accounting, administrative and ancillary activities) to the company Fruendo

Best cost reduction performance in the Italian mkt in last 5 years

Administrative expenses 2009-2013 *(% yoy)*



Administrative expenses 2009-2013 *(% yoy)*



Admin expenses reduction mainly due to synergy post **Banca Antonveneta acquisition in 2008**

Figures from operational data management system (COO)
* Market Average includes Unicredit, Intesa SanPaolo, BPER, UBI and Banco Popolare
** Projection of semestral data annualized for other palyers

Operational Excellence initiatives

Operating efficiency

New Organization Model

- Realised 23 organization model revisions, among which
  - Incorporation of BAV and MPS GCB
  - DAACA (Back Office) and Private Banking
  - Credits and COO
  - Fruendo – Back Office spin-off

Process Reengineering

- Back Office Lean Transformation
- Paperless Bank
- Productivity Increase (i.e. LPO, behaviours)

New HeadCount Tragets

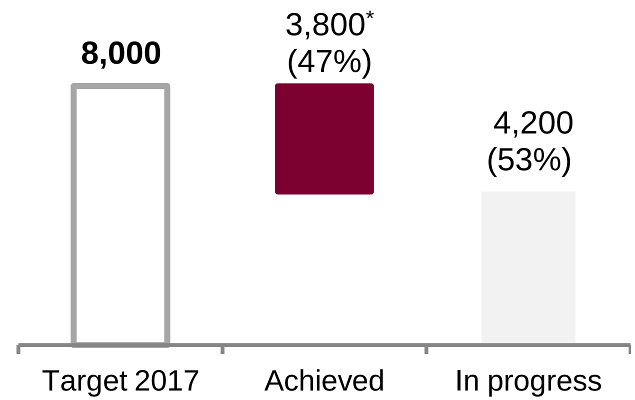
Headcount Reduction

- Early Retirement
- Natural Exits
- Solidarity Fund

Sales Enforcement and New Services

- Sales Force Increase
- Re – Insourcing
- New Business (i.e. Bank On Line, Private)

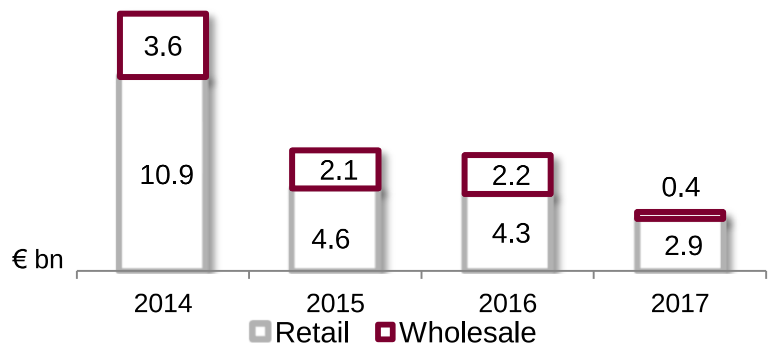
Evolution of number of employees (2011-2017)



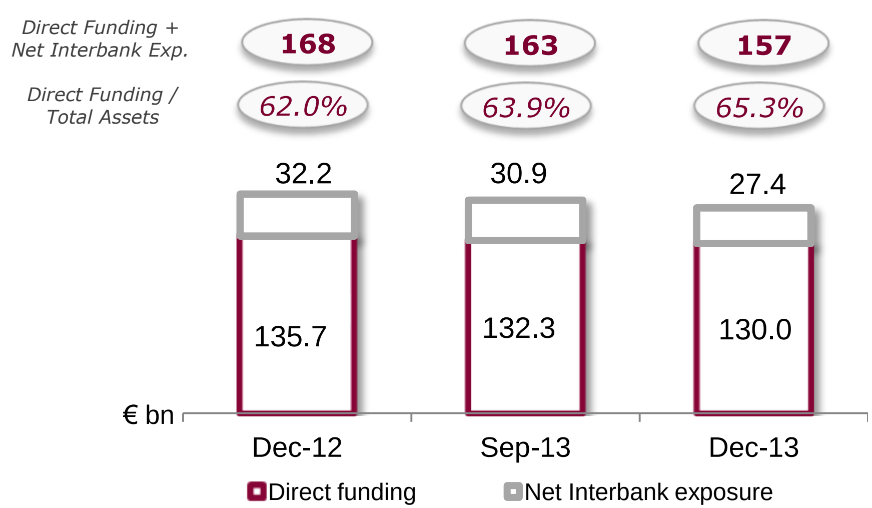
Figures from operational data management system (COO)
* Including Back Office

Bond maturities and Interbank exposure

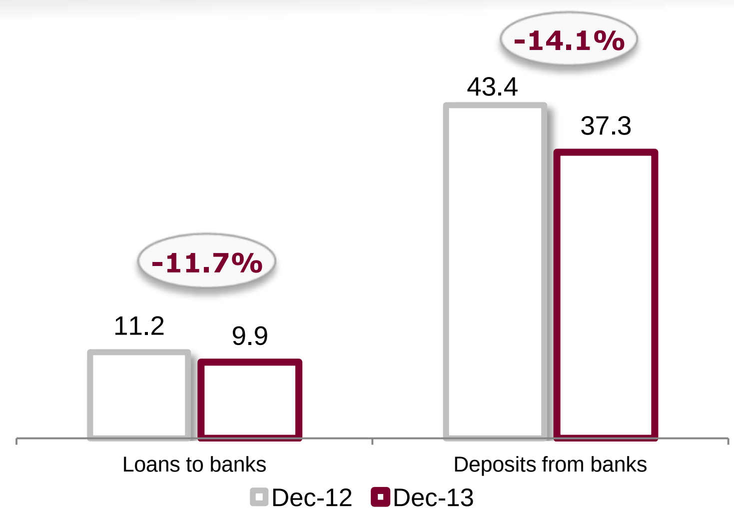
Bond Maturities breakdown*



Direct Funding and Net Interbank Exposure**



Interbank Exposure



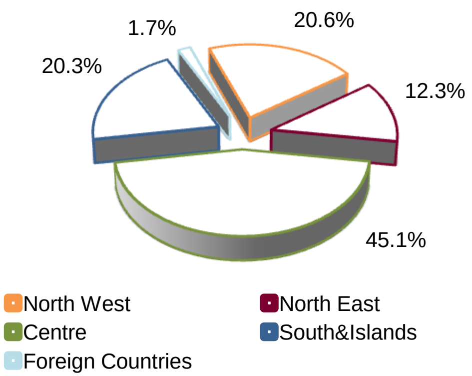
* Figures from operational data management system (Finance Area). Outstanding amount are net of repurchases
**Loans to/deposits from banks include loans to/from banks comprised in HFT financial assets/liabilities

Asset quality overview

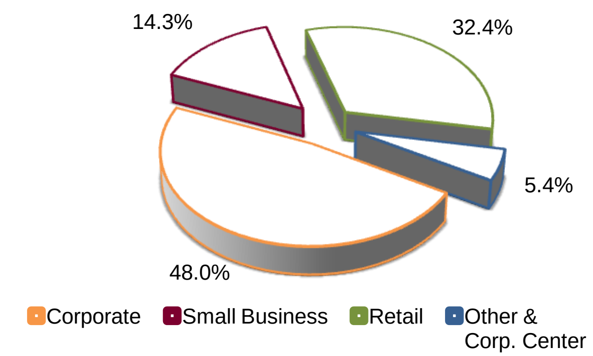
Impaired Loans

(€ mln)	Gross	QoQ (%)	YoY (%)	Net	QoQ (%)	YoY (%)
NPL	21,557	+7.9%	+24.5%	8,880	+5.8%	+21.7%
Watchlist	9,440	+4.5%	+23.6%	7,511	+3.9%	+26.0%
Restructured	1,906	+11.1%	+17.5%	1,683	+14.0%	+20.4%
Past Due	3,135	-1.2%	+7.2%	2,918	-1.5%	+6.6%
Total	**36,038**	**+6.3%**	**+22.1%**	**20,992**	**+4.6%**	**+20.7%**

Loan book by Geography



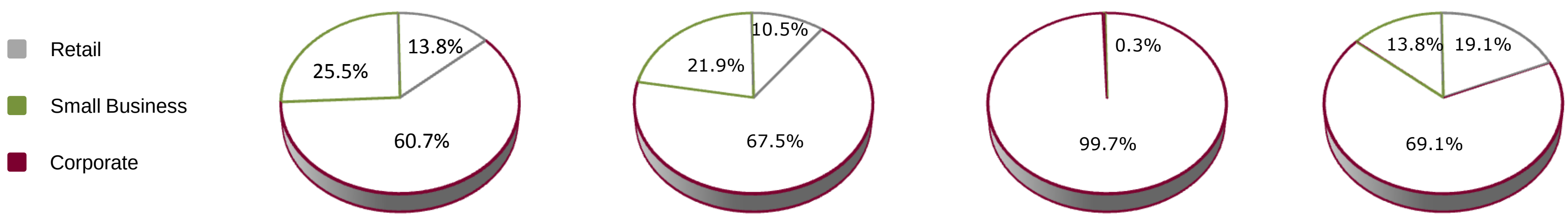
Loan book by Segment



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

Impaired loans: composition

NPL | Watchlist* | Restructured | Past due



Corporate and Small Business breakdown

	NPL	Watchlist*	Restructured	Past due
Real Estate	**25.7%**	**38.8%**	**30.7%**	**42.5%**
Construction	17.9%	22.2%	13.8%	21.0%
RE related activities	7.8%	16.6%	16.9%	21.5%
Industry	**33.3%**	**19.4%**	**32.4%**	**12.9%**
Other**	**41.0%**	**41.8%**	**36.9%**	**44.6%**

Figures from operational data management system (Credit Department)
*Including objective watchlist
** Agriculture, Trade, Services and other

Update on *non-core* transactions (1/2)

Transaction

Impacts

Chianti

Consolidation of Perimetro Gestione Proprietà Immobiliari S.c.p.A. and Casaforte S.r.l. and, therefore, consolidation of a real estate portfolio consisting of 683 properties used in the bank's banking activities and Asset-Backed securities (ABS) issued by Casaforte

- **Capital requirement: 35 bps** based on RE valuation* due to the reduction in Common Equity Tier I and increase in RWAs
- **Net profit: approx +EUR 40 mln** for 2014 and gradually increasing thereafter, mainly due to lower rental expenses
- Recovery, over time, of property rights on real estate owned by Perimetro, with further related economic and operating benefits

Already included in Business Plan

Santorini

Early termination of the Santorini transaction, concerning an investment in Italian BTPs 6% due 2031, for an amount of EUR 2 bn, funded with a Long Term Repo for the same duration and an Interest Rate Swap

- **One-off negative P&L impact in 2013 of approx. –EUR 194mln post-tax**
- Positive P&L impact (net interest income) of approx. EUR 22mln** net per year expected as of 2014 onwards. Moreover, the reinvestment of EUR 2.0 bn of liquidity in short-term government bonds could generate benefits on net interest income
- Immediate return of approx. EUR 170mln of liquidity

NOT included in Business Plan

*40-45 bps indicated in Press Release of 24 Dec-13 were estimated
** Net of Tax, EUR 33mln gross of tax. The amount does not include the potential benefits coming from liquidity reinvestment.

Update on *non-core* transaction (2/2)

Transaction	Impacts	
SIA *Disposal of the 5.8% stake in SIA to Fondo Strategico Italiano, F2i SGR and Orizzonte SGR*	▪ **P&L impact: positive for approx. EUR 37mln,** to be posted after the completed disposal of the shareholding	***NOT included in Business Plan***
SORIN *Sale of the entire stake at EUR 2.05 per share for EUR 56.3mln (pre tax)*	▪ **Capital gain of approx. EUR 19mln (post tax)** ▪ Sale of the entire stake at EUR 2.05 per share for EUR 56.3mln (pre tax)	***NOT included in Business Plan***
Bassilichi - Accenture *JV in finance and accounting, administration, and other back-office services*	▪ **Transfer of 1,100 employees** in the new JV	*Already included in Business Plan*
Compass *Agreement for the distribution of Compass lending products through MPS branches*	▪ Complementing the current range of products offered by Consum.it with more solutions in terms of duration, amount and types of loans	*Already included in Business Plan*

P&L FY2013 proforma excluding effects of Bankit valuation

€ mln	12M13 **excluding** effects of Bankit valuation	12M13 **including** effects of Bankit valuation	
Net Interest Income	2,153.4	2,153.4	
Net Fees	1,657.6	1,657.6	
Basic income	**3,810.9**	**3,810.9**	
Other revenues from financial activities	(41.0)	146.5	1
Total Revenues	**3,769.9**	**3,957.4**	
Operating Costs	**(2,811.5)**	**(2,811.5)**	
Personnel costs	(1,718.7)	(1,718.7)	
Other admin expenses	(937.8)	(937.8)	
Total provisions	**(2,823.3)**	**(2,823.3)**	
Profit (Loss) before tax	**(2,187.6)**	**(2,000.1)**	
Taxes	674.8	652.3	2
Net income	**(1,604.0)**	**(1,439.0)**	

- On the **P&L**:

1. Including the effects from the updated value of shareholdings in the Bank of Italy (difference between the current value of the shareholding in Bank of Italy and its historical cost)
2. Net impact on the profit for the financial year 2013 amounted to EUR 165 mln

- On the **capital adequacy**:
  - Net impact on Core Tier 1 capital amounted to EUR 71 million

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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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