PRESS RELEASE

BANCA MONTE DEI PASCHI DI SIENA*:*

BoD APPROVES 2013-2017 RESTRUCTURING PLAN

- ***Restructuring Plan, prepared under guidelines agreed upon with the Ministry of Economy and Finance (MEF) and the European Commission (DG Comp[1]), approved by the Board of Directors and submitted to the relevant Authorities.***
- ***Approval of European Commission expected by Quarterly Report approval date scheduled for 14 November 2013.***

Full relaunch of Banca Monte dei Paschi di Siena as a leading Retail & Corporate Bank in Italy

- *Restructuring Plan strengthened with respect to Business Plan 2012-2015, geared to recovery of productivity and efficiency, based on prudent macro-economic assumptions.*
- *Aim is to return to a sustainable level of profitability (net profit of approx. EUR 900 mln and ROTE of approx. 9% by 2017).*
- *Regulatory capital fully compliant with requirements (10.0% phased-in CET1 and 9.3% fully loaded CET1 in 2017)[2].*
- *Liquidity profile strengthened: loan to deposit[3] ratio at approx. 90% by 2017, with no recourse to ECB funding.*
- *Commitment to reducing total assets, the portfolio of Italian sovereign bonds held in AFS (from EUR 23 bn in June 2013 to a nominal value of approx EUR 17 bn in 2017) and VaR in the trading book. Reduction of assets with negative value added.*

Capital strengthening through a EUR 2.5 bn capital increase

- *Commitment to carrying out a capital increase of EUR 2.5 bn by the end of 2014, subject to approval of the Shareholders' Meeting.*
- *Commitment to repaying EUR 3 bn of New Financial Instruments by 2014 (over 70% of total), subject to approval by the Supervisory Authorities.*
- *Outstanding amount of New Financial Instruments fully repaid through internally generated capital.*
- *Significant savings forecast on interest expense thanks to lower charges on New Financial Instruments.*

Significant track record in the Bank's restructuring

- *Management team completely renewed with proven track-record in delivering results over recent months despite exceptional challenges faced.*

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[1] Directorate General for Competition
[2] Calculated according to Basel 3, assuming a BTP-Bund spread of approx. 160 basis points. 80% Phase-in as at 2017.
[3] Calculated as loans to customers divided by customer deposits and securities issued. Excluding wholesale funding, L/D ratio in 2017 is estimated at 100%.

- *Significant simplification of Group structure, with renewed focus on core business and strong reinforcement of compliance and risk monitoring functions.*
- *Comprehensive in-depth review of financial assets and asset quality completed in H1 2013.*
- *Structural review of cost-base and related cost management with a reduction of EUR 140 mln to be delivered by 31 December 2013 and closure of 400 branches (September 2013).*
- *Renewed governance structure with removal of 4% share ownership cap, as approved by the Shareholders' Meeting in July 2013.*

Siena, 7 October 2013 – Banca Monte dei Paschi di Siena has today approved the 2013-2017 Restructuring Plan, prepared under the guidelines agreed upon with the Ministry of Economy and Finance and the European Commission (DG Comp).

The Restructuring Plan has been presented to the Ministry of Economy and Finance for subsequent submission to the European Commission (DG Comp). Banca Monte dei paschi di Siena is expecting to receive approval of the Plan by the relevant Authorities by the Quarterly Report approval date scheduled for 14 November 2013.

RESTRUCTURING PLAN GUIDELINES

The Restructuring Plan provides for a **Net Profit of around EUR 900 mln and a ROTE in the region of 9% by 2017**, with more ambitious targets than those specified in the 2012-2015 Business Plan.

Targets (Reductions calculated as of December 2011)	**2012-2015 Business Plan** **2015 Target**	**2013-2017 Restructuring Plan** **2017 Target**
Staff number reduction	~4,640	~8,000 (of which ~2,700 exits already delivered as at 30 June 2013)
Reduction of other administrative expenses	EUR 285 mln	~EUR 440 mln (of which ~EUR 140 mln to be achieved by 31 December 2013) [4]
Branch number reduction	400	550 (of which ~400 already closed as at September 2013)
Revenue growth (CAGR 2012-2017)	-	+0.8%
Operating cost growth (CAGR 2012-2017)	-	-4.8%
Cost / Income	58.5%	~50%
Cost of credit (2017)	-	90 bps
Net profit (mln/EUR)	~EUR 600 mln	~EUR 900 mln
ROTE	~7%	~9%

[4] Estimated as difference between annualised number as at 1H13 and 2011 base

Loan /deposit ratio	~88%	~90%
Phased-in CET1	~8%	~10%

The Restructuring Plan entails a series of actions aimed at **restoring a level of profitability that is in line with the cost of capital and sustainable over time as well as fully strengthening the asset structure, capital and liquidity of the bank.**

Fee and commission income: Inclusion of a number of initiatives, already launched in 2012 and 2013, aimed at recovering the bank's productivity gap against its main Italian peers (net fee and commissions/ volumes traded 0.55% vs an Italian bank average of 0.64%). Among these are: relaunching the private banking sector with a focus on HNW customers, reinforcing bancassurance activities and launching the on-line bank project (Widiba).

Personnel costs: Commitment to reducing the number of employees by approx. 8,000 and personnel costs by approx. EUR 500 mln in the 2011-2017 period. The 2017 headcount reduction objective is consistent with results delivered so far (approx. 2,700 exits), largely through staff reorganisation actions already implemented. The remaining reduction (5,300 employees) will result from disposal of non-core assets, outsourcing initiatives and solutions identified in the Plan which will allow for objectives to be achieved with the least occupational impact possible with recourse to the Solidarity Fund, within the framework of the planned stages of negotiation with the trade unions.

Other administrative expenses: Commitment to reducing costs by around EUR 440 mln between 2011-2017, of which approx. EUR 140 mln to be achieved by 31 December 2013[4]. The further reduction, amounting to approx. EUR 300mln, will be delivered through full implementation of the 170 actions undertaken/in progress in 2013, the closure of an additional 150 branches (in addition to the 400 already closed), restructuring of the transaction “Chianti Classico”[5], additional space and facility management actions, renegotiation of vendor agreements, rationalization of IT architecture and associated costs, disposal of non-core assets and containment of personnel administrative expenses linked to the further reduction in the number of employees.

In the event that certain business and profitability targets are not met, further actions will be implemented on operating costs.

Remuneration of the Top Management: Commitment to respecting the maximum remuneration limit (agreed upon with the European Commission for the amount of EUR 500,000) until completion of the capital raising or full repayment of the New Financial Instruments. This remuneration limit is within a context which has already seen the bank adopt significant salary containment measures in 2012 and 2013. In particular, a reduction of 47% on fixed salary and of 54% on total remuneration, including the potential maximum variable portion, as compared to plan implementation as at 31 December 2011.

Loan loss provisions: Cost of risk conservatively estimated at less than 100 basis points only from 2017 onwards - to take account of the persisting economic crisis and future uncertainties - despite significantly rebalancing the loan portfolio.

Financial assets: Commitment to reducing the portfolio of Italian government bonds classified as available-for-sale from EUR 23 bn in June 2013 to a nominal value of approx EUR 17 bn in 2017 (with interest rate risk largely covered by hedging). Reduction of VaR in trading book.

[5] Transaction for value creation from part of the Group’s real estate used in the business, completed in 2010

Non-core assets: Reduction of consumer credit and leasing portfolio and gradual run-off of assets with negative value added.

Liquidity: The Bank's liquidity profile will be strengthened so as to reach a loan to deposit ratio[6] (excluding wholesale funding) of approx.100% and a total loan to deposit ratio[6] of around 90% in 2017, fully repay the European Central Bank loans (LTROs) by 2015 and additionally reinforce counterbalancing capacity.

The Restructuring Plan provides for a capital increase of EUR 2.5 bn (as more fully outlined below) for repayment of the New Financial Instruments and maintenance of **capital levels compliant with regulatory requirements** over the Plan's entire time horizon, **achieving a phased-in CET1 target of 10.0% and a fully loaded CET1 of 9.3%[7] in 2017**.

As a consequence of the above actions, it is expected that the Restructuring Plan will deliver a **reduction in the cost of funding** thanks to easier access to funding. It should also be noted that the economic and capital/financial projections in the Restructuring Plan are not only based on the decision to bring forward repayment of the New Financial Instruments and the one-off items registered in 2012, but also on conservative assumptions dictated by the ongoing economic crisis in Europe and in Italy.

CAPITAL STRENGTHENING

As part of its Restructuring Plan, the Bank intends to launch specific initiatives aimed at allowing for **full repayment of the New Financial Instruments by 2017, ahead of previous projections**:

- **Capital strengthening through a capital increase of EUR 2.5 bn** (instead of EUR 1 bn in the previous Business Plan), to be carried out by December 2014.
- **Repayment of New Financial Instruments for an amount of EUR 3 bn** (over 70% of total) **in 2014**, subject to prior authorization by the Bank of Italy.
- Repayment of the outstanding amount by the end of 2017 through internally generated capital based on Restructuring Plan actions and improvement of the AFS reserve.

The capital increase and early repayment offer significant benefits to the Bank. In particular:

- Better quality of capital through replacement of the New Financial Instruments with primary capital.
- Quicker return to a level of profitability that is sustainable and in line with cost of capital by reducing interest expense on the New Financial Instruments.
- Potential benefits with rating agencies, reduced cost of funding and improved access to the *wholesale* market.
- Removal of dividend payment ban imposed by the European Commission (DG Comp) subject to completion of the capital increase.

The capital increase will have to be submitted for approval by the Extraordinary Shareholders' Meeting of the Bank, which will be convened by the Board of Directors once approval of the Restructuring Plan by the European Commission (DG Comp) has been obtained.

It is noted that, should market conditions prevent completion of the capital raising within the timeframe set, the Restructuring Plan envisages conversion of the New Financial Instruments into new Bank shares.

[6] Calculated as loans to customers divided by deposits to customers and securities issued.
[7] Calculated according to Basel 3, conservatively assuming a BTP-Bund spread of approx. 160 basis points Phase-in of 80% as at 2017.

With regard to "Upper Tier 2" subordinated notes, the Bank has the option to pay interest payable in 2013, **without enforcement of a deferral clause**. Payment of subsequent coupons is subject to the signing of **a binding underwriting agreement relating to the capital increase.**

Chairman Alessandro Profumo stated: "*The Restructuring Plan preserves our vision and the Bank's strategic priorities but allows us to accelerate the Bank's relaunch through capital strengthening and early repayment of the new Financial instruments, in the best interest of all our stakeholders*".
Chief Executive Officer, Fabrizio Viola added: "*Over the past year, the Bank's relaunch has materialised through significant results in terms of internal reorganisation, sales and distribution development and strong cost containment, despite a more challenging macroeconomic scenario than the one initially expected. We are now moving into the second phase, which will see our commitment to proceeding with the relaunch, implementing the Restructuring Plan and repaying the State aid"*.

Further details on the actions and financial objectives set out in the Restructuring Plan will be announced after approval of the Plan by the European Commission (DG Comp) and will be contained in the new 2013-2017 Strategic Plan of Banca Monte dei Paschi di Siena which will be promptly disclosed to the market.

UBS has been engaged as *financial advisor to Banca Monte dei Paschi SpA* for the study and structuring of the capital increase with Linklaters acting as *legal advisor*.

RESIGNATION OF A DIRECTOR
The Board of Directors has today acknowledged the resignation for personal reasons of Prof. Tania Groppi with effect as of 13 October 2013.

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

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