Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

Analysts & Press Presentation

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Siena – 7th February 2013

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Contents

Description of transactions

"Alexandria"

- 2006 investment in CDOs
- 2009 restructuring of underlying securities with switch into lower risk assets
- Existence of a restructuring agreement ("Mandate Agreement") linking cost of switching underlying Alexandria securities, to a new BMPS investment in long dated BTP's funded through a *Long Term Repo ("LTR")* at an off-market price
- The result of a higher financial liability to be recorded at the inception date (September 2009), for EUR 308.5 mln, would result in lower financial charges in subsequent years

"Nota Italia"

- EUR 500 mln investment by BMPS in 2006 in credit a linked note investing in Spanish and Austrian covered bonds and selling protection by BMPS on Italian sovereign risk
- Accounting of sale of protection on Italian sovereign risk was incorrect until 1 October 2012, leading to an adjustment
- Such exposure was closed by BMPS in January 2013
- In 4Q12, the embedded derivative appears to have a positive fair value change, compared to 30 September 2012, for EUR 24.7 mln, which would also correspond to the net impact in 4Q12 Profit Before Tax

"Santorini"

- SPV Santorini created in 2002 to hold BMPS legacy investment in Sanpaolo Imi shares
- Investment in Sanpaolo IMI shares hedged through a collared equity swap
- Restructuring of Santorini (100% held by BMPS) in 2008 through twin investments by BMPS and Santorini in long dated BTP's for same notional amounts (EUR 2 bn) funded through *TRS* priced at different spreads (Santorini favourable, BMPS unfavourable)
- Liquidation of Santorini in 2009 with closure of investment and *TRS* with gain on investment offsetting loss on collared equity swap, leaving only BMPS' investment standing funded at unfavourable rates.
- The result of a higher financial liability to be recorded at the inception date (December 2008), for EUR 428.9 mln, would result in lower financial charges in subsequent years

Contents

- *Description of transactions*
- ***Impacts***
- *Capital Ratios*

Impacts on consolidated net equity and impacts on budgeted P&L

- Impacts on consolidated net equity as at 31 December 2010 and estimation of impacts on forecasted income statement for FY13, FY14, FY15 and FY16

Impacts on consolidated equity

Description estimated impact	Net equity Impact as at 31 Dec 12
"Alexandria" transaction- Remeasurement of LTR* liability	(273,5)
"Santorini" transaction- Remeasurement of LTR* liability	(305,2)
"Nota Italia" transaction - Remeasurement of fair value of embedded derivative	(151,7)
Total	**(730,3)**

in millions of Euro

* Long Term Repo

Estimated Impacts on forecasted income statement*

Description	FY13	FY14	FY15	FY16 →
"Alexandria" transaction - estimation of lower financial charges	12,1	12,2	12,2	12,3
"Santorini" transaction - estimation of lower financial charges	13,3	12,0	14,2	14,7
Total	**25,4**	**24,2**	**26,4**	**c. 27.0**

in millions of Euro

Notes:

- *The above amounts exclude any tax effects, where applicable, which will be subject to a separate analysis*
- *Based on the Bank of Italy statement dated 28 January 2013 it appears that both Bank of Italy and Consob are performing an assessment on the accounting treatment used for transactions similar to Alexandria and Santorini. Note if the current accounting treatment applied by the bank is amended, the above reported figures may be subject to significant change*
- *The above data has been the subject of analysis by the Bank, its consultants and auditors, but remains formally unaudited until signing of the 2012 accounts*

*The above amounts were estimated assuming the interest rate as at 31 December 2012 was flat over the entire period

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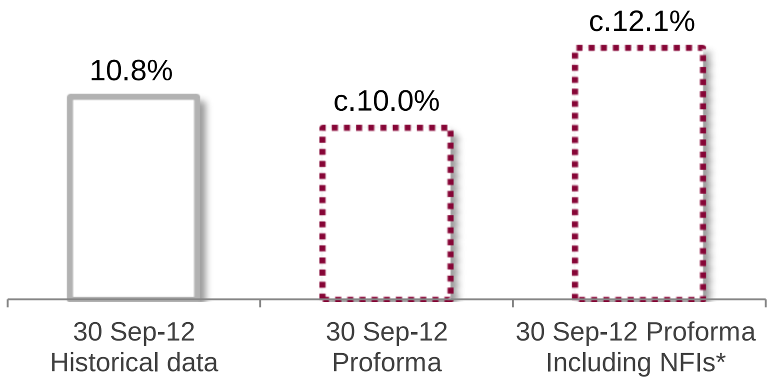
BMPS regulatory capital ratio

Estimated Core Tier 1 *ratio*



AFS *(Eba calculations)* over time vs Spread

- As at **31 December 2012**, the AFS reserve was EUR -2.6 bn, in the presence of a BTP-Bund spread of 320 bps. The reserve amount continued to decline in January (EUR -2 bn as at 31 January 2013) as a result of a further contraction in the spread

*"Proforma CT1 including NFIs" differs from "Proforma CT1" by approx. EUR 2bn in additional NFIs
The ratio is unaudited and estimated

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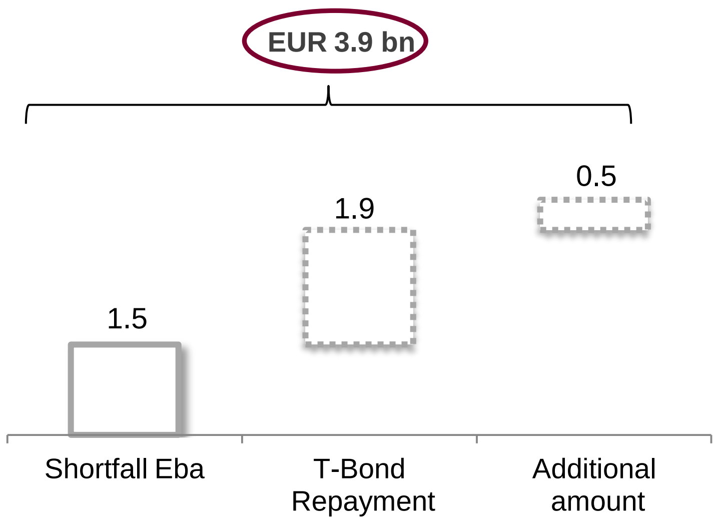
Annexes

New Financial Instruments: Amount requested (1/2)

Breakdown of New Financial Instruments



- On **28 November 2012** BMPS started procedures for obtaining issuance (and subscription by the Italian Ministry of Economy and Finance) of government-backed financial instruments (the “New Financial Instruments”) eligible for inclusion in the Bank’s Core Tier 1 so as to make use of the maximum amount allowed for by Legislative Decree no. 95/2012, totalling **EUR 3.9 bn**
- EUR 1,9 bn of such amount will be used - subject to Bank of Italy authorisation - to redeem and entirely substitute the financial instruments issued pursuant to article 12 of Decree n. 185 of 29 November 2008, converted by Law n. 2 of 28 January 2009 (the so-called “Tremonti Bonds”)

- The **EUR 500 mln** increase of the overall amount previously announced by the Bank is due to the possible impacts on capital arising from the results of the ongoing analysis of certain structured transactions carried out in previous financial years. Considering the negative profitability of such transactions, currently included in the portfolio of financial assets whose underlying are sovereign bonds, the Bank will re-negotiate their funding structure to the end of improving their profitability

New Financial Instruments: Terms and conditions (2/2)

Coupon

- The coupon is **set at 9%** for the current year, then increased by 0.5% every two years until reaching 15%

Interest payment conditions

- Interest is **paid annually, on a deferred basis (1st July) in cash,** up to the operating result for the year
- Interest payable exceeding profit for the year shall be paid at Payment Date by **allocating a number of newly-issued ordinary shares to the Ministry of Economy and Finance** (the price of shares is set on the basis of the Bank's average market capitalisation during the **10 trading days** prior to the Board meeting date for approval of the draft financial results)
- Interest payable on Existing Financial Instruments **as at 1st July 2013** may also be paid by the Issuer prior to that date through the **allocation of new Securities**

Conditions of repayment

- Each security will be redeemed at the higher of:
  - a percentage of the Initial Nominal Value in the case of redemption by 30.06.2015, increased by 5% every two years up to a limit of 160%
  - the product of underlying shares and the price paid by the bidder in the event of a public tender offer
  - the product of underlying shares and the consideration which the Monte dei Paschi di Siena Foundation announces to have received for the sale of the Issuer's ordinary shares (no disposals below 10% of the capital in 12 months shall be considered)

Terms of conversion

- The Issuer has the option (to be exercised with appropriate notification to the Ministry of Economy and Finance no later than between 30 and 60 days prior to the date on which conversion is intended) **to convert all or part of the Securities**
- The option may be exercised only once
- For those securities where the conversion option is excercised, the number of ordinary shares resulting from the following formula is allocated to the Ministry of Economy and Finance:
  Number of shares = NV (nominal value) **/ SP** (subscription price given by TERP times (1 – Discount to TERP)

Update on execution Business Plan:
1) Extraordinary Shareholders' meeting

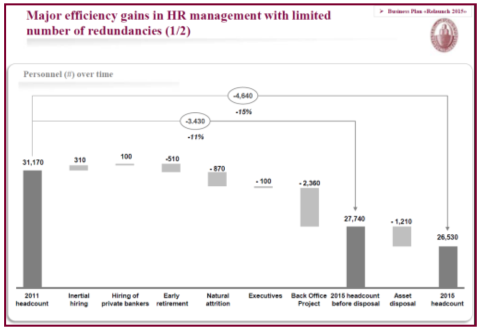
Capital increases accorded

Type	Purpose
In one tranche, for up to a maximum aggregate amount of **EUR 4.5 bn**, inclusive of share premium if any	✓ Conversion of NFI into equity
In one or more tranches, for up to a maximum aggregate amount of **EUR 2 bn**, inclusive of share premium if any	✓ Payment of interest on NFI in BMPS shares

- ❑ On **25 January 2013**, the extraordinary shareholders' meeting of Banca Monte dei Paschi di Siena S.p.A. resolved to accord to the Board five-year authority to increase capital through the issuance of ordinary shares with exclusion of the pre-emptive rights

- ❑ Assignment to the Board of Directors of the authority to increase capital is a **pre-requisite for the Ministry of the Economy and Finance to subscribe** to the New Financial Instruments following addition of art. 23-septies para. 2-bis to Legislative Decree 95/2012 as part of the 2013 Stability Law

2) Trade union agreement



- On **20 December 2012**, a draft agreement was reached between the bank and the trade unions on all issues pertaining to Business Plan projects
- Negotiations concluded with Agreements being signed by the majority of unions (FABI, FIBA, UGL and UILCA)

"NewCo" of back office activities

- Search for a selected supplier with whom to establish a partnership for "newCo" of Business Unit
- Reduce total scope of activities affected (indicatively, concerns 1,110 units in terms of workforce)

Management of surplus personnel

- **Activate Income Support Fund** – funded with one-off "solidarity" initiatives for three years – which will enable approx. 1,000 employees to leave employment
- Initiatives consist in:
  - **Early retirement schemes** for employees who are eligible for retirement as at 31.12.12
  - **Activation of Solidarity Fund** for employees who will be eligible for retirement by 31.12.2017

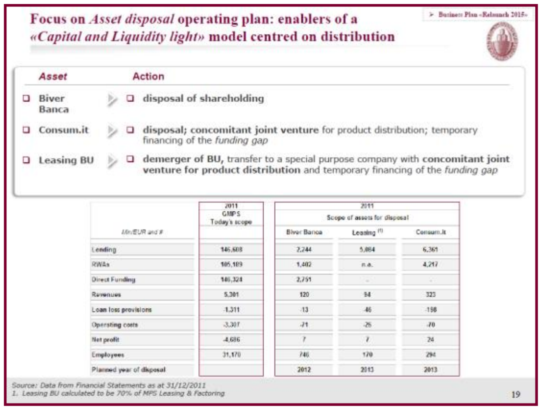
Containment of labour costs

- **Introduce 6-day work suspension** per year for three years
- Reduce calculation basis for severance pay provision
- Limit recourse to overtime
- Facilitate **use of part-time and unpaid leave**

Collective agreements

- New collective agreements reached, confirming the:
  - **Corporate Welfare** system
  - Lunch voucher amounts
  - Rationalisation of salary structures

3) Disposal of Biverbanca to C.r. Asti



Focus on *Asset disposal* operating plan: enablers of a *«Capital and Liquidity light»* model centred on distribution

➢ Business Plan «Relaunch 2015»

Asset	Action
Biver Banca	**disposal of shareholding**
Consum.it	**disposal; concomitant joint venture** for product distribution; temporary financing of the *funding gap*
Leasing BU	**demerger of BU,** transfer to a special purpose company with **concomitant joint venture for product distribution** and temporary financing of the *funding gap*

Mn/EUR and #	2011 GMPS Today's scope	2011 Scope of assets for disposal		
		Biver Banca	Leasing [1]	Consum.it
Lending	146,608	2,244	5,084	6,361
RWAs	105,109	1,402	n.a.	4,217
Direct Funding	146,324	2,751	-	-
Revenues	5,301	120	54	323
Loan loss provisions	-1,311	-13	-46	-158
Operating costs	-3,307	-71	-26	-70
Net profit	-4,686	7	7	24
Employees	31,170	746	170	294
Planned year of disposal		2012	2013	2013

Source: Data from Financial Statements as at 31/12/2011
1. Leasing BU calculated to be 70% of MPS Leasing & Factoring

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- On **28 December 2012** BMPS has finalised the disposal of its 60.42% shareholding in Cassa di Risparmio di Biella e Vercelli (Biverbanca) to Cassa di Risparmio di Asti
- The sale was settled at a price of approx. EUR 209 mln. By way of this transaction, BMPS recognises a **total net effect of approx. EUR 25 mln** in its income statement, subject to the usual adjustments within agreed financial parameters
- The transaction has a 10 bps impact on the current Tier 1 ratio of the MPS Group. Biverbanca relies on a sales and distribution network of 122 branches located in Northern Italy, of which 116 in Piedmont, 5 in the Aosta Valley and 1 in Lombardy. The acquisition of Biverbanca will enable Banca C.R. Asti to expand its market share in these areas and, more generally, in the North West of Italy

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