



Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

1H and 2Q2011 Results Presentation

Siena, 26th August 2011



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

1H2011 Results: Highlights (1/2)



Sound commercial performance

- ❑ Direct Funding: +5.4% YoY, with Market share up 15bps in 2Q
- ❑ Loans: +2.9% YoY, with Market share up 21bps in 2Q
- ❑ Specialized credit flows*: €8bn in 1H, +31% YoY
- ❑ Pension Funds Market Share at 6.5% (+5bps in 2Q); Factoring Market Share at 6% (+110bps vs Dec 2010)
- ❑ c.32,000 net new customers in 6M, with a 98% retention rate

Asset quality under control

- ❑ Cost of Credit: 72bps
- ❑ Loan loss provisions: -3.5% YoY

Sound liquidity and capital position

- ❑ L/D ratio: 0.94 (vs 0.99 as of Dec 2010)
- ❑ All retail and institutional funding needs for 2011 already funded
- ❑ Tier 1 at c9.5% including RE deal impact**, capital increase and T-Bond repayment***

* Flows disbursed by Consum.it, MPS Capital Services and MPS L&F

** Inclusion in Tier 1 Capital is expected by September 2011

*** Tier 1 reported at 8.9% is not inclusive of these effects

1H2011 Results: Highlights (2/2)



Profitability increases

- ❑ Revenues: +5.1% YoY
- ❑ Net Operating Profit: +26.3% YoY
- ❑ Net Profit: €261mln

Revenue diversification goes on

- ❑ High value from the Group's product companies:
 - MPS Capital Services: Net Operating Profit +70% YoY
 - MPS L&F: Net Operating Profit +131% YoY
 - Consum.it: Net Operating Profit +44% YoY
 - Dividends and fees from Bancassurance, Asset Management and B.U. Financial Advisors: +14% (€156mln)

Cost containment continues

- ❑ Personnel costs -1.4% YoY; 294 net outflows since Dec 2010
- ❑ Other Admin Expenses (net of RE deal impact) -3.4% YoY
- ❑ Cost/Income 58.4% (vs 61.6% as of Dec 2010)
- ❑ Strong acceleration of Network Reorganization in 2Q with full completion in July

While redesigning and implementing the new MPS organisation ...



**Network Reorganization saw a strong acceleration in 2Q
with full completion in July**

Actions

- ✓ **100 Local Market Units created**
- ✓ **New organisational structure introduced for Geographical Areas**
- ✓ **New credit processes implemented**

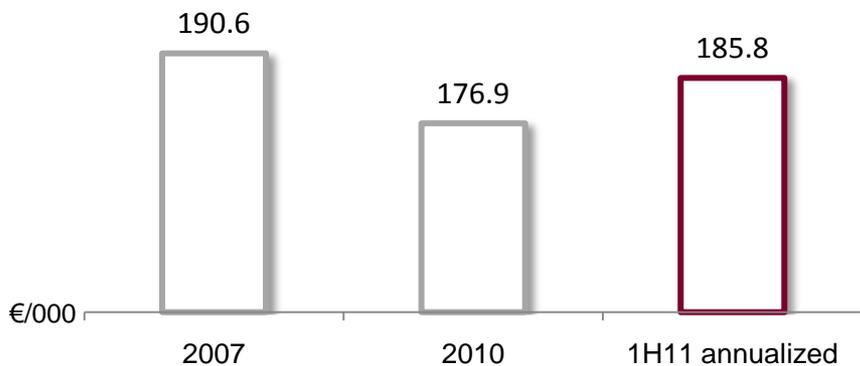
Human Resources (Ytd)

- ❑ **700** resources redeployed from head office to network units (to intensify market presence)
- ❑ Over **1,000** network-internal redeployments to other assignments:
 - **100** Local Market Units
 - **160** credit disbursement and quality control units
 - **225** sales and marketing coordination units
 - **200** developers
 - **350** other sales roles
- ❑ **In July, Front Office/Total Staff at c70% versus 68% at Dec 2010**

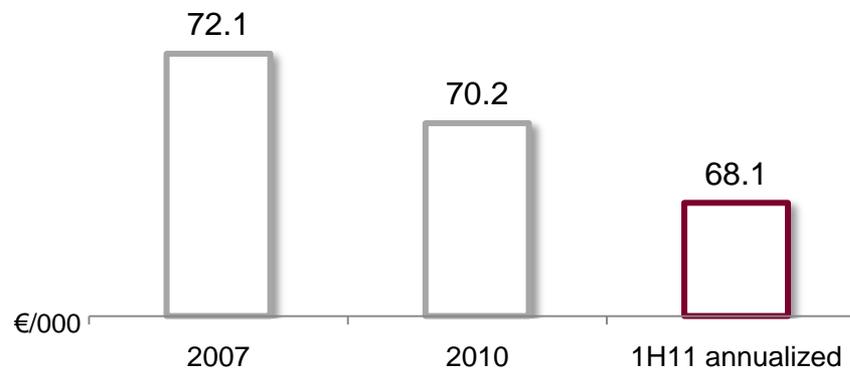
... with no negative impact on productivity



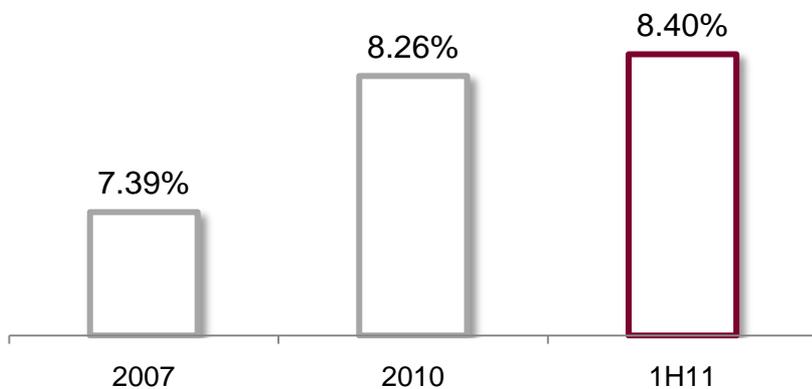
Revenues per employee



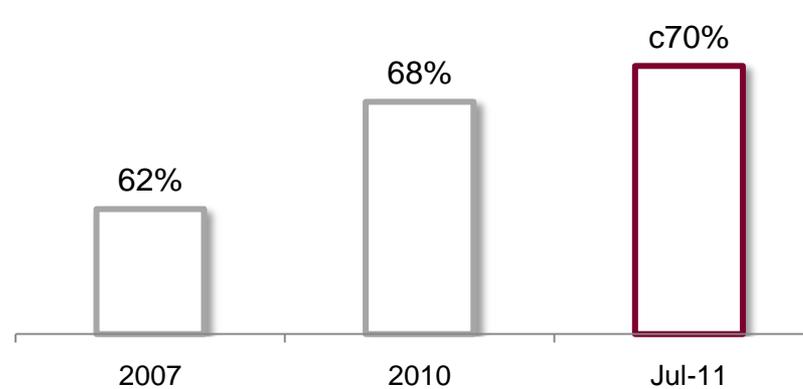
Costs per employee



Deposits Market Share



Front / Total Staff Ratio



..maintaining a solid liquidity/capital position



- **Maturity of Institutional funding:**
 - **2H2011: €0.4bn (already funded)**
 - **2012: €5.2bn (>20% already funded)**
- **Maturity of Retail Funding:**
 - **2H2011: €3.4bn (already funded)**
 - **2012: €7.7bn (>12% already funded)**
- **Unencumbered Counterbalancing Capacity: €8.3bn in June**
- **Interbanking position*: €10bn of which €6bn from ECB**
- **Tier 1 at c9.5% including RE Deal impact**, capital increase and T-Bond repayment*****

* 'Loans and advances to banks' and 'deposits from banks' include loans to/from banks classified as held-for-trading financial assets

**Inclusion in Tier 1 Capital is expected by September 2011

*** Tier 1 reported at 8.9% is not inclusive of these effects

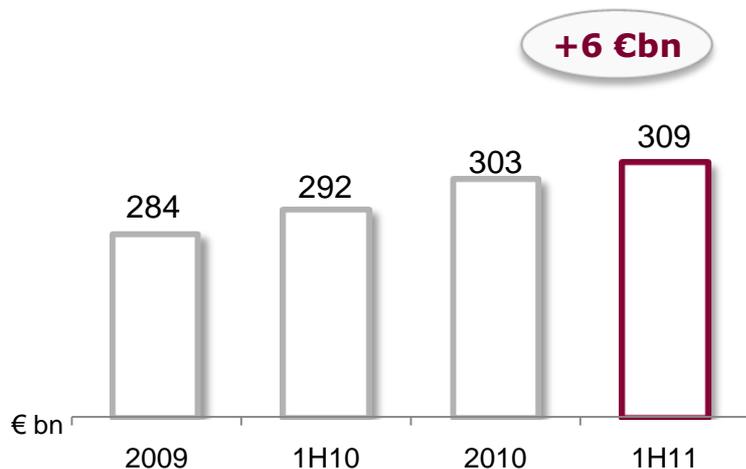
1H and 2Q11 Results



1H and 2Q11 P&L (mln €)	1H11	1H11/1H10	2Q11	2Q11/1Q11
Net Interest Income	1,696.4	-4.9%	818.7	-6.7%
Net Fees	932.0	-3.3%	459.3	-2.8%
Basic income	2,628.4	-4.3%	1,278.0	-5.4%
Dividends	47.4	+57.5%	20.1	-26.7%
Trading	222.4	n.s.	118.5	+14.1%
Total Revenues	2,898.0	+5.1%	1,415.4	-4.5%
Operating Costs	-1,692.9	+1.7%	-837.6	-2.1%
Personnel costs	-1,061.6	-1.4%	-518.1	-4.7%
Other admin expenses	-550.5	+9.0%	-280.3	+3.8%
Loan Loss Provisions	-569.4	-3.5%	-294.8	+7.3%
Net Operating Profit	611.6	+26.3%	262.9	-24.6%
Taxes	-187.4	-14.4%	-42.4	-70.7%
Purchase Price Allocation	-56.1	-2.1%	-30.2	+17.1%
Net income	261.4	+0.1%	121.1	-13.7%



Total funding



Sound commercial performance

- **Direct Funding: +5.4% YoY** and +3.8% vs March 2011, at €166.5bn
- **Direct Funding Market Share*: +15bps** vs March 2011
- **Loans: +2.9% YoY** and +1.7% vs March 2011, at €157.3bn
- **Loans Market Share**: +21bps** vs March 2011
- **Specialized credit and corporate financial products flows: +31% YoY**, at €8bn
- **32,000 net new customers** in 1H, with a **98% retention rate**

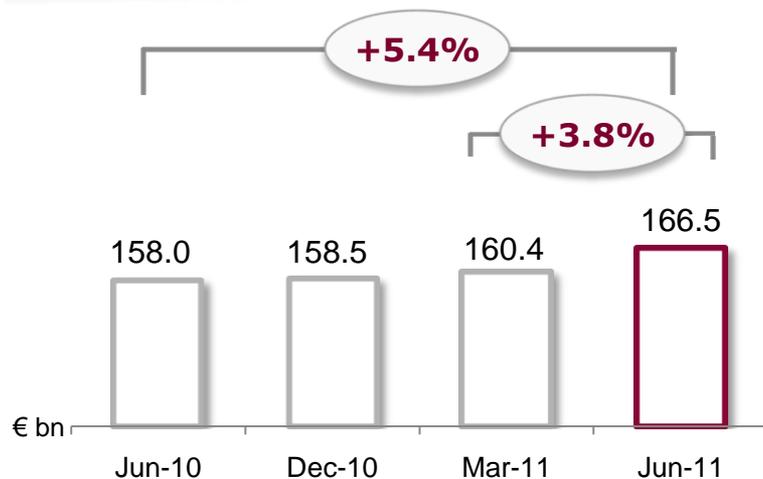
* Net of MPS Capital Services Repos

** Net of Non Performing Loans

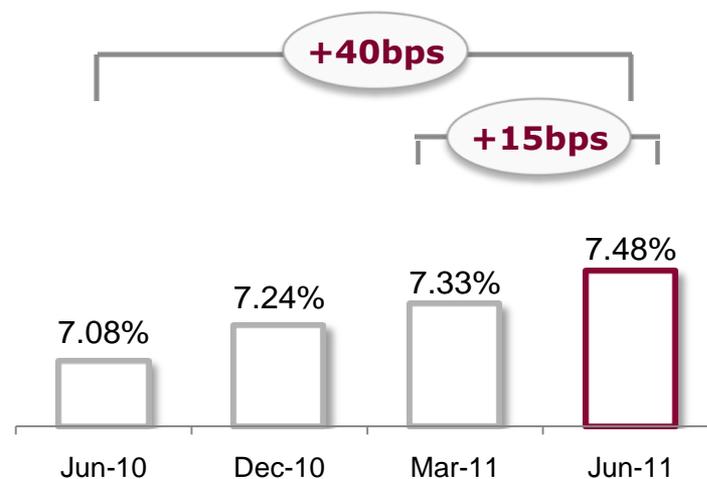
Funding and lending volumes



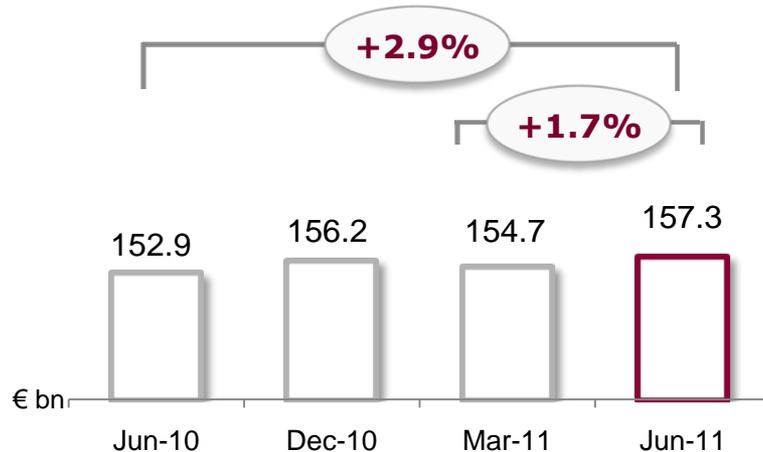
Direct Funding



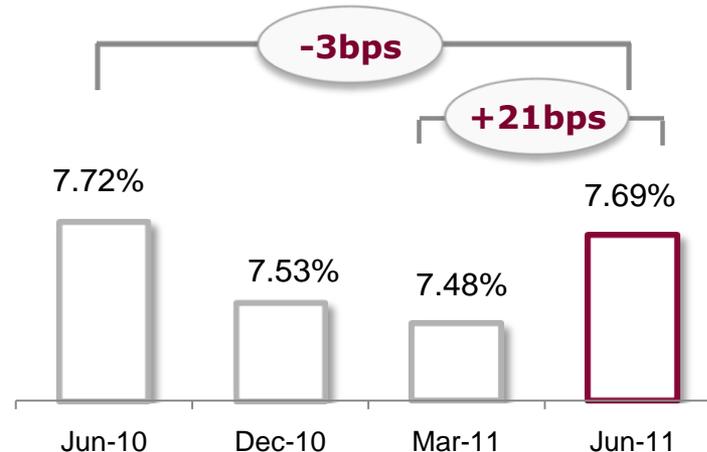
Direct Funding Market Share*



Total Lending



Total Lending Market Share**



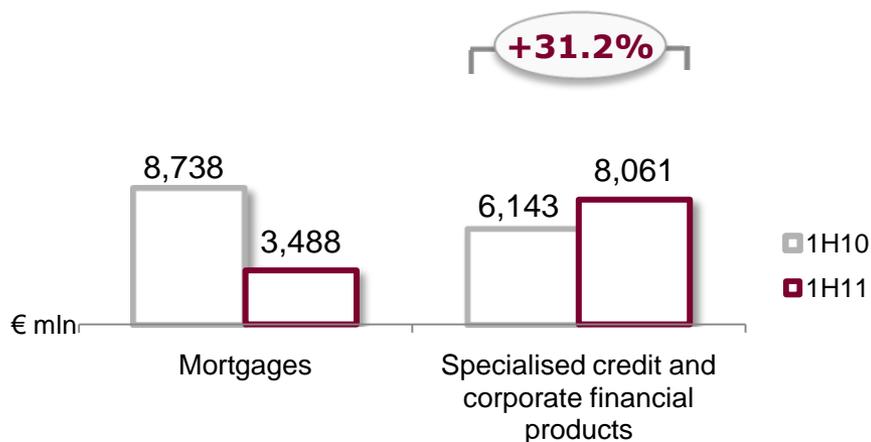
* Figures net of MPS Capital Services Repos

** Figures net of Non Performing Loans

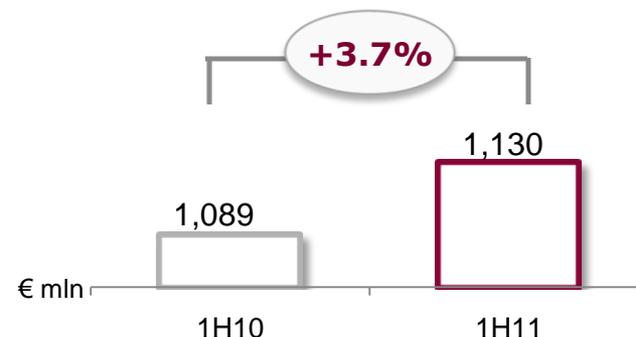
Specialized Product Flows



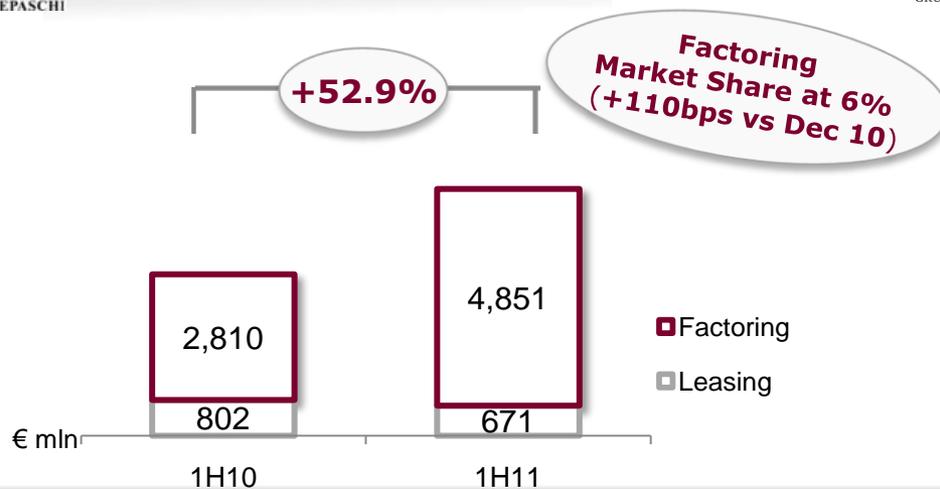
Lending flows



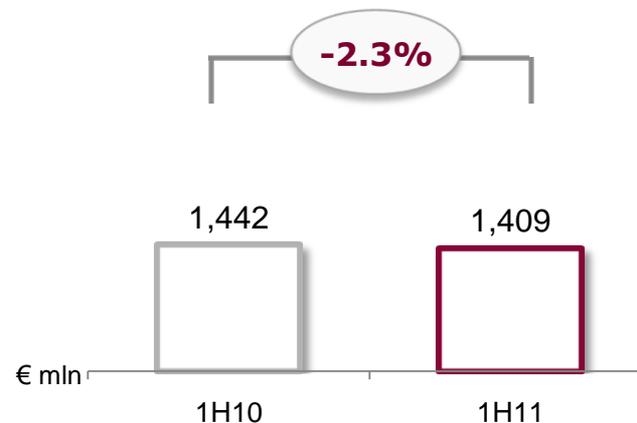
MPS CAPITAL SERVICES MPS Capital Services: Disbursements



Leasing Flows & Factoring Turnover



Consumer Credit Flows



Increasing customer base



c32,000
Net new customers
in 1H11
 (+1%*)

c19,000
New current accounts
in 1H11
 (7,200 in FY10)



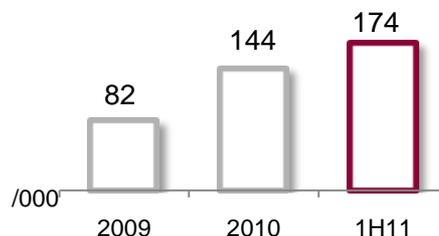
Conto Zip:

an average of 255 new accounts
opened daily

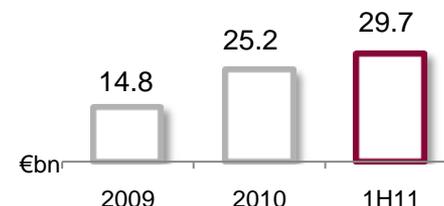
High Value-Added Services



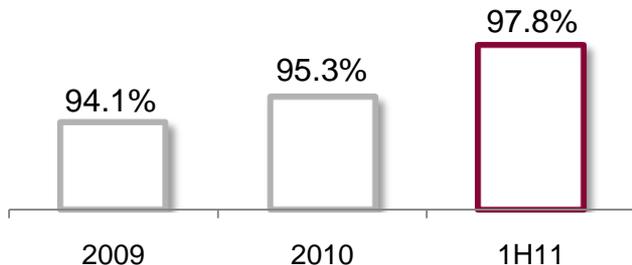
Financial Advisory Services: Customers



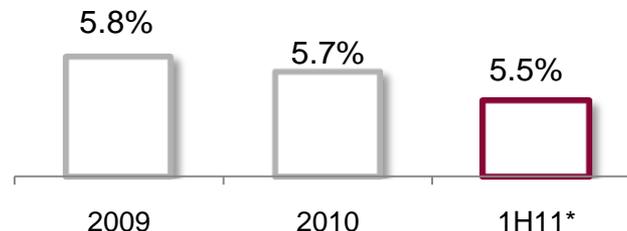
Financial Advisory Services: Assets



Retention rate



Acquisition Rate

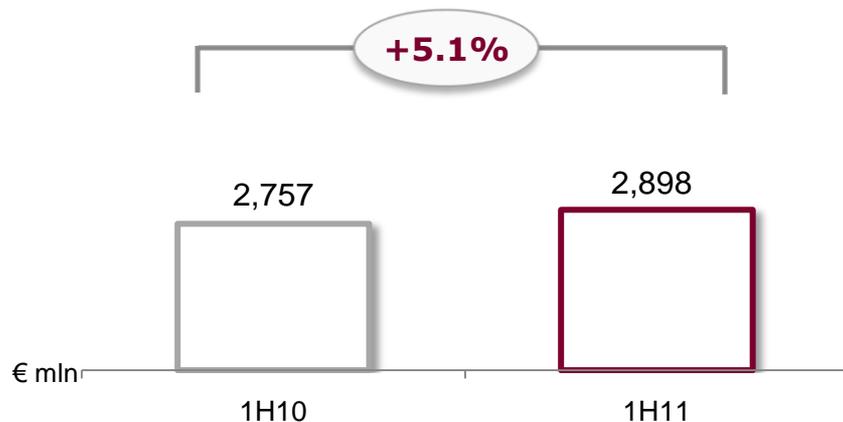


* Annualized

An Analysis of Revenues



Total Revenues



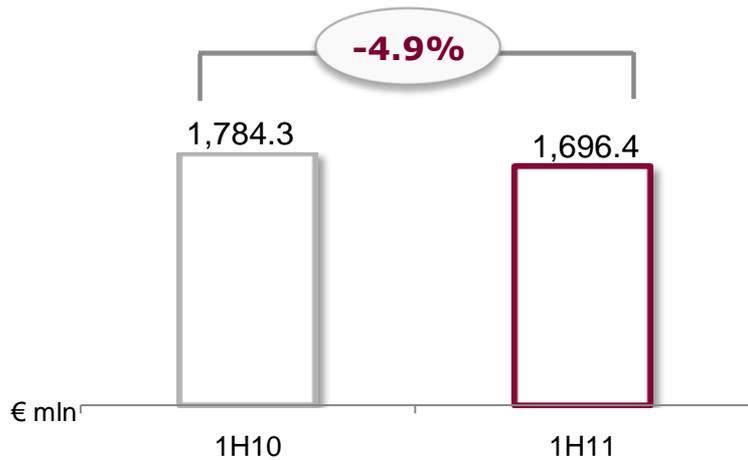
Resilient revenues with a strong contribution from product companies

- **Total Revenues: +5.1% YoY**, with 2Q revenues up 3.8% vs 2Q10
- **NII -4.9 YoY**, with **Consumer/Corporate components +2.1% YoY** (benefitting from an increase in the short term spread) and ALM/Finance contribution -34% YoY (due to a temporary shift of funding, from short term to medium/long term)
- **Increasing contribution from trading/valuation of financial assets**
- **Strong input from product companies**

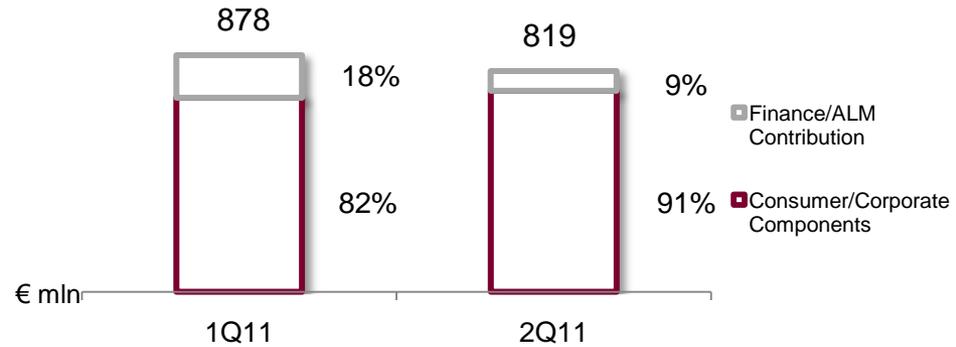
A focus on Net Interest Income



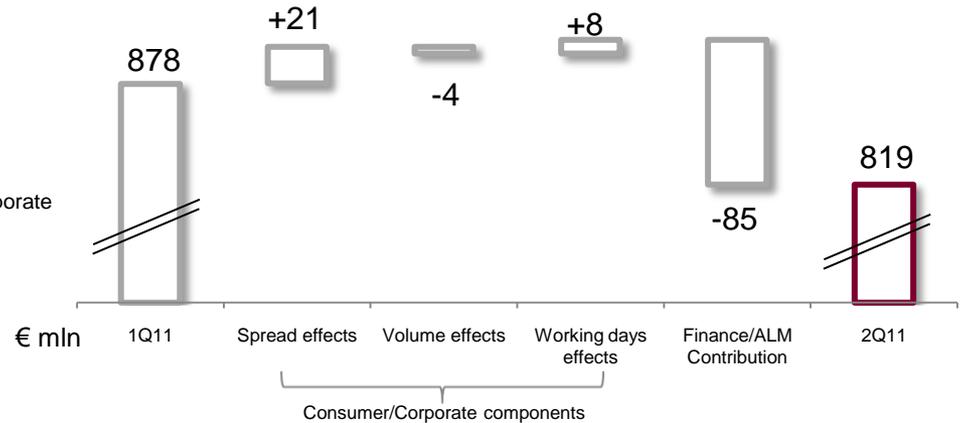
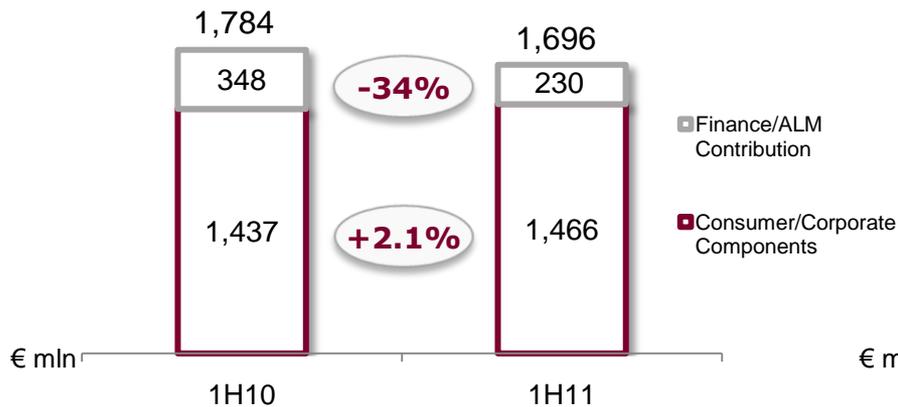
Net Interest Income



1H11 vs 1H10



2Q11 vs 1Q11

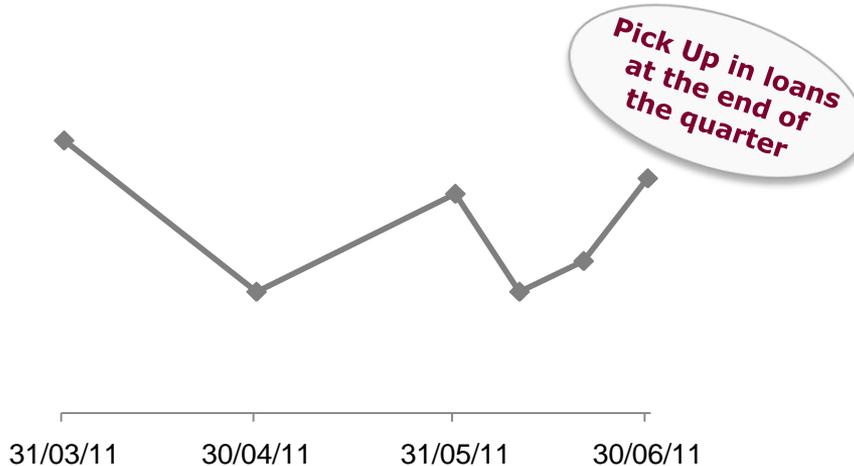


Net Interest Income: a focus on input from Consumer/Corporate and Finance/ALM components

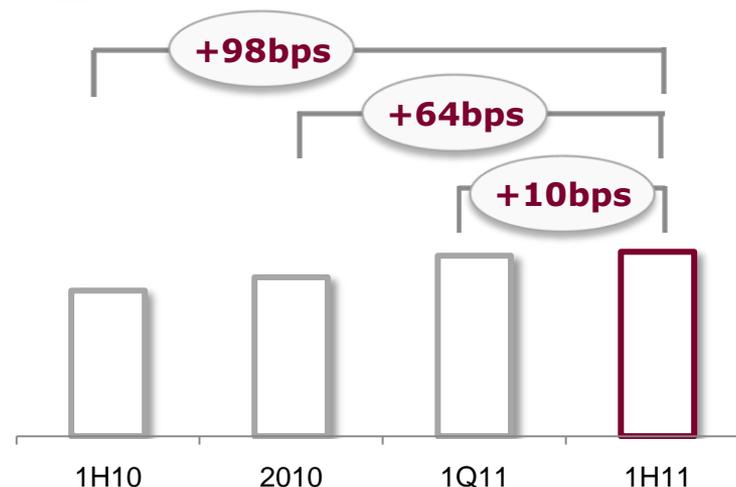


2Q Main Consumer/Corporate effect

Consumer/Corporate Loans

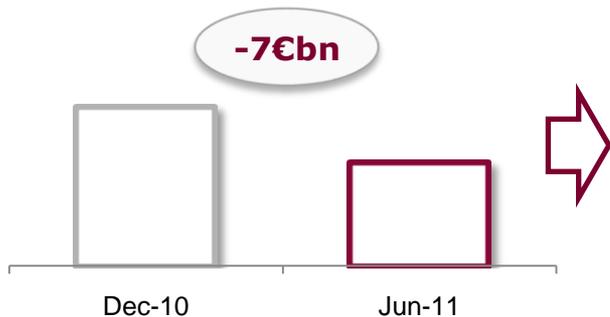


Short Term Spread



2Q Main ALM/Finance effect

Short Term Funding



Medium/Long Term Funding

- Senior Notes €1.75bn
- Covered Bonds €2.25bn
- Other M/L term funding €4bn

Positive lending actions effective late in the quarter + Temporary funding shift: from short term to medium/long term

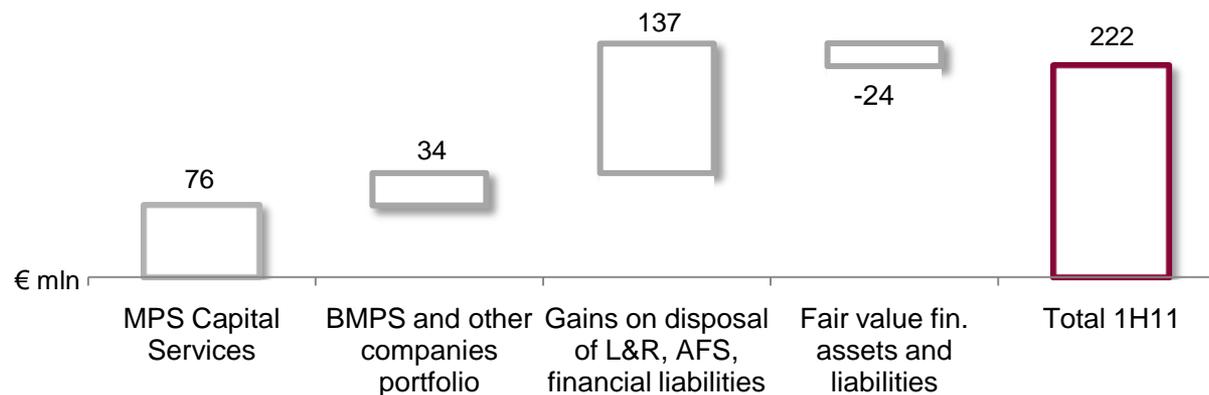
Trading/valuation of financial assets



Trading/valuation of financial assets



Trading/valuation of financial assets: 1H11 breakdown





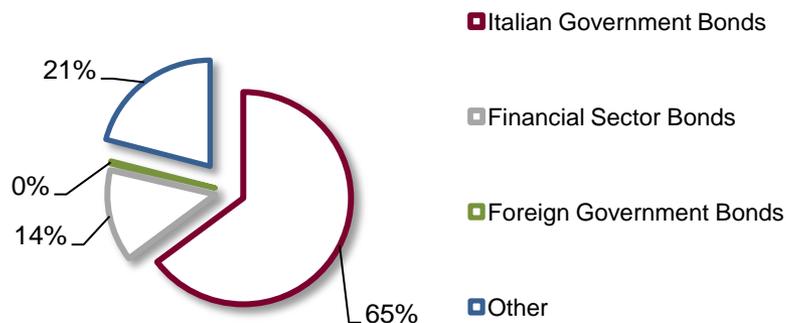
GMPS Securities and Derivatives Portfolio

Market Value (€ mln)	30 June 2011
HFT	9,744
AFS	24,935
L&R	3,750
Total Portfolio	38,430

Bond Portfolio €38.4bn:
c +2.1€bn since Dec 2010

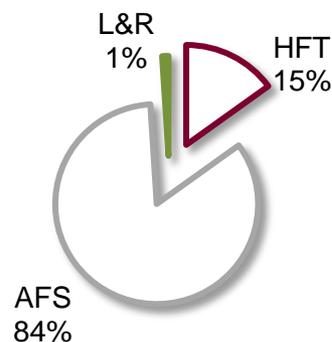
- **HFT:** -0.4 €bn
- **AFS:** +3.1 €bn
- **L&R:** -0.6 €bn

Portfolio Breakdown by type of issuer

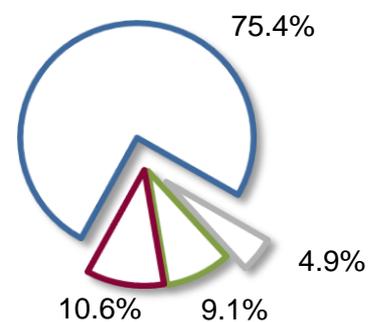


Italian Government Bonds

Breakdown by IAS category



Breakdown by maturity

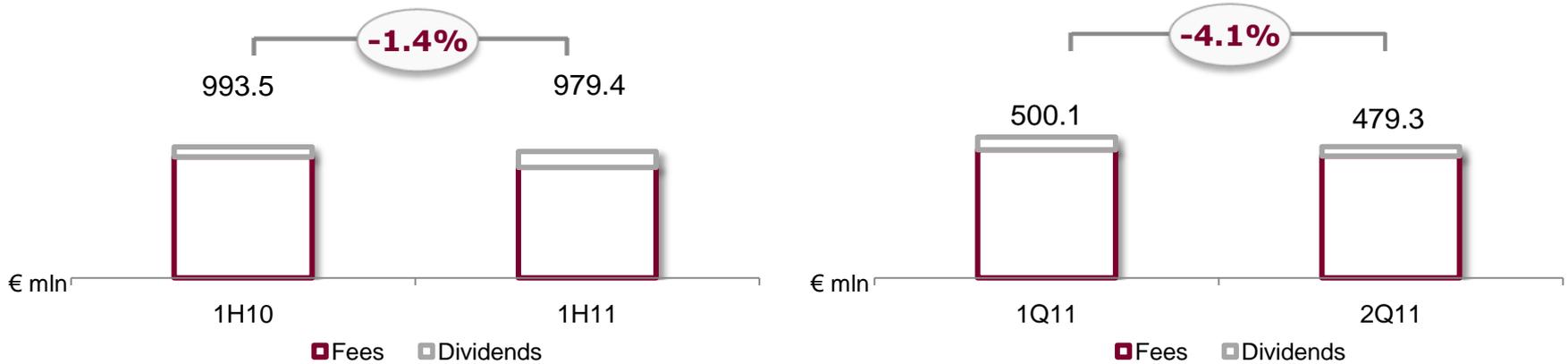


■ 2011 ■ 2012 ■ 2013 ■ >2014

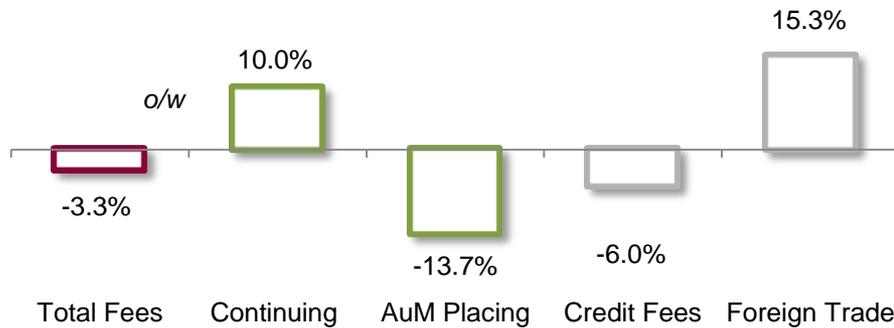
Fees and Dividends



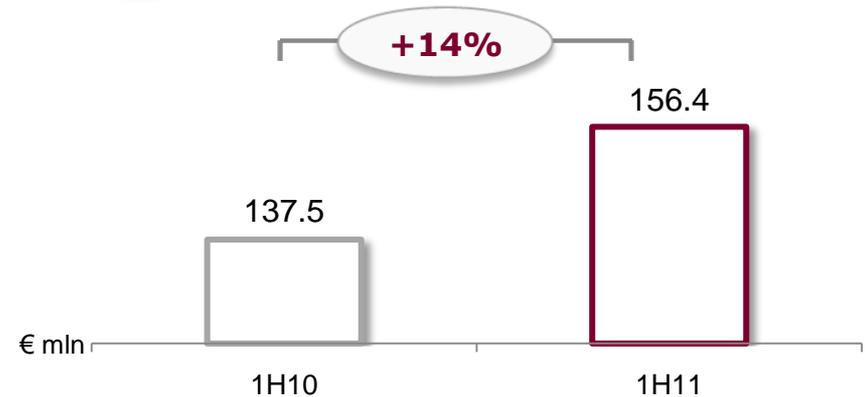
Fees and Dividends



Fees 1H11 vs 1H10



AXA MPS, Prima Sgr and B.U. Financial Advisors Contribution*

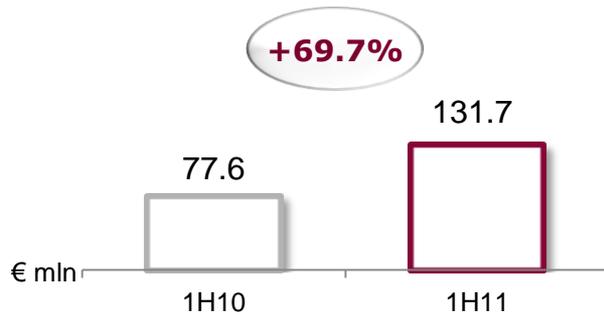


* Fees and Dividends

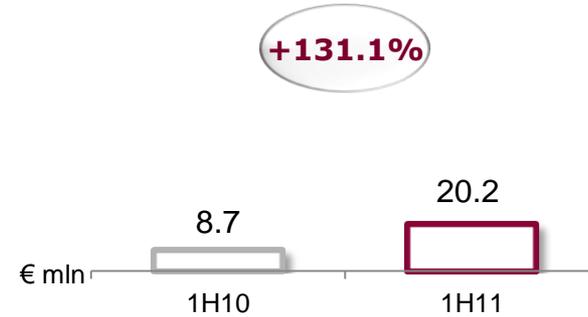
The value of diversification



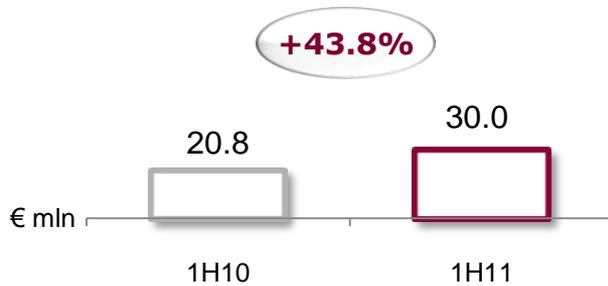
MPS Capital Services* (CIB Unit)



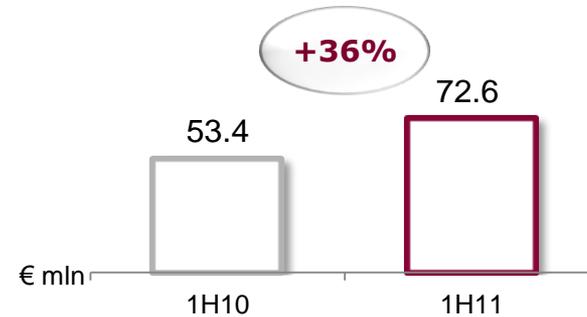
MPS Leasing & Factoring*



Consum.it* (Consumer Credit)



Antonveneta*



Operating costs



Further cost containment

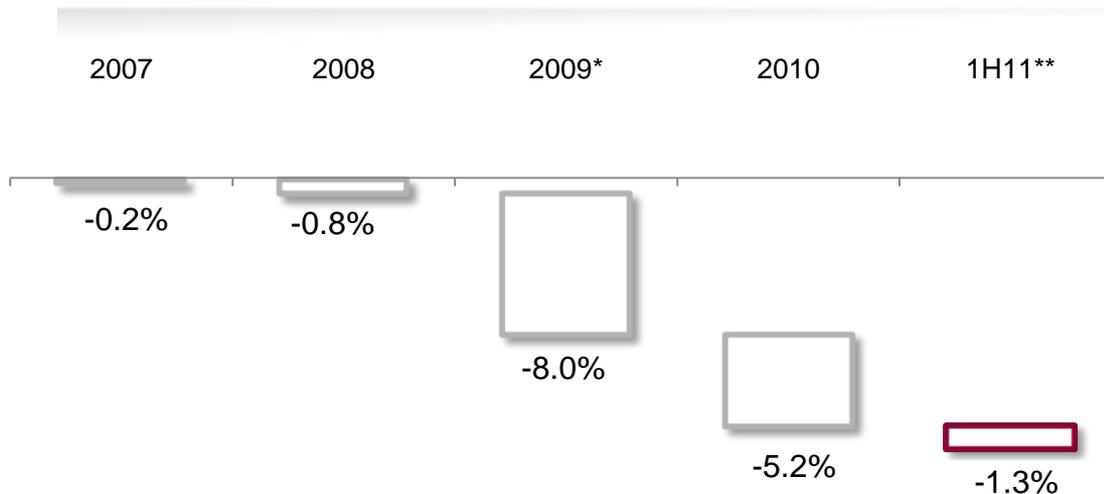
- **Operating Costs: -1.3% YoY** (excluding impact from RE deal)
- **C/I at 58.4%** vs 61.6% Dec 10
- **Personnel Costs: -1.4% YoY, -4.7% QoQ;** 294 net outflows since Dec 2010, mainly from HQ
- **Front Office/Total Staff* at c70%** (vs 68% as of Dec 2010)
- **Other Admin Expenses: -3.4% YoY** (excluding impact from RE Deal)

* After full completion of the reorganization (July)

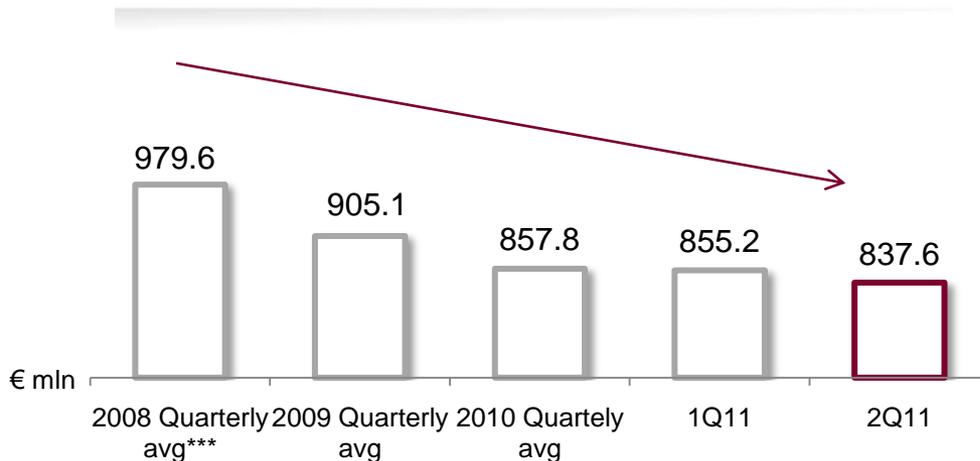
Efficiency improvement continues



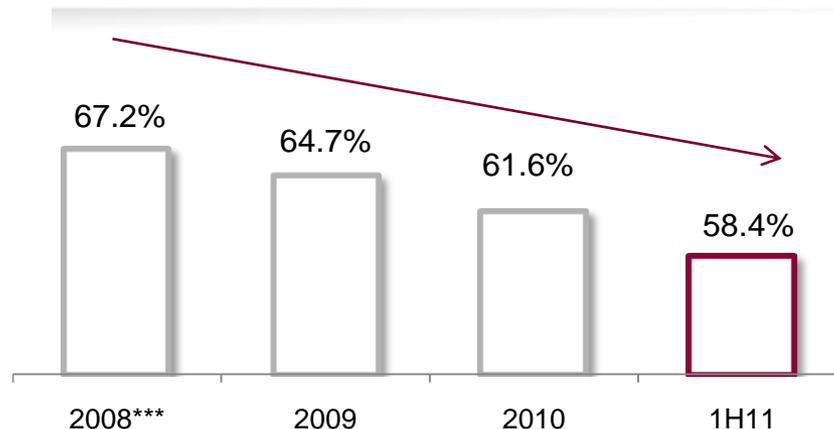
Trend of GMPS Total Costs



Operating Costs over time



Cost/Income



* Net of € 60m in early retirement one-off classified as personnel costs

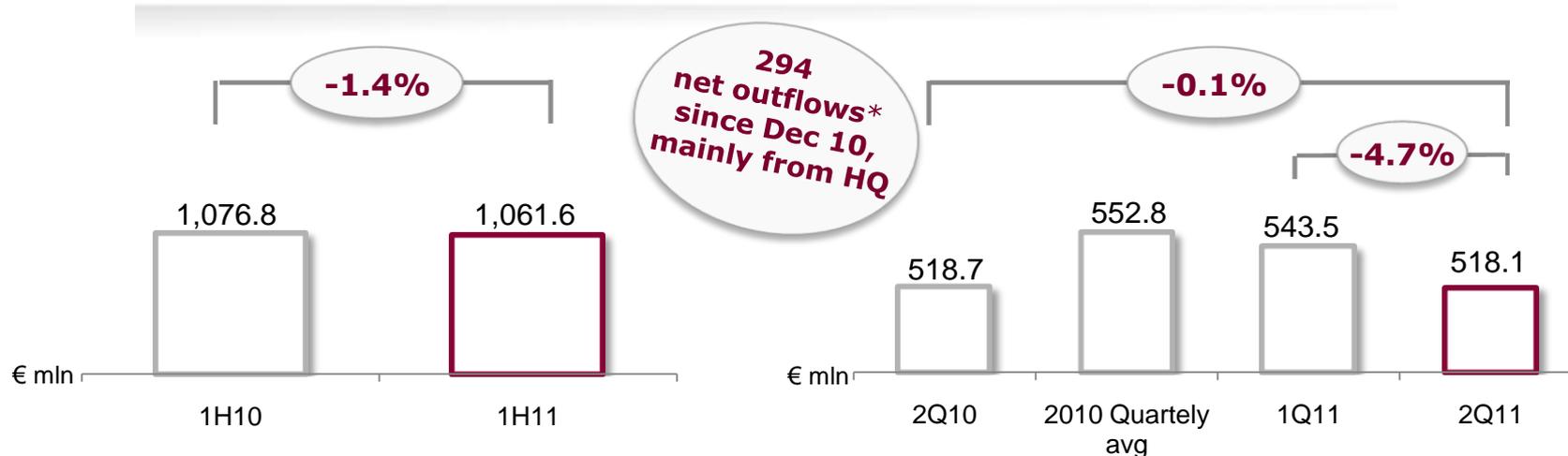
** Net of RE deal impact

*** Pro Forma

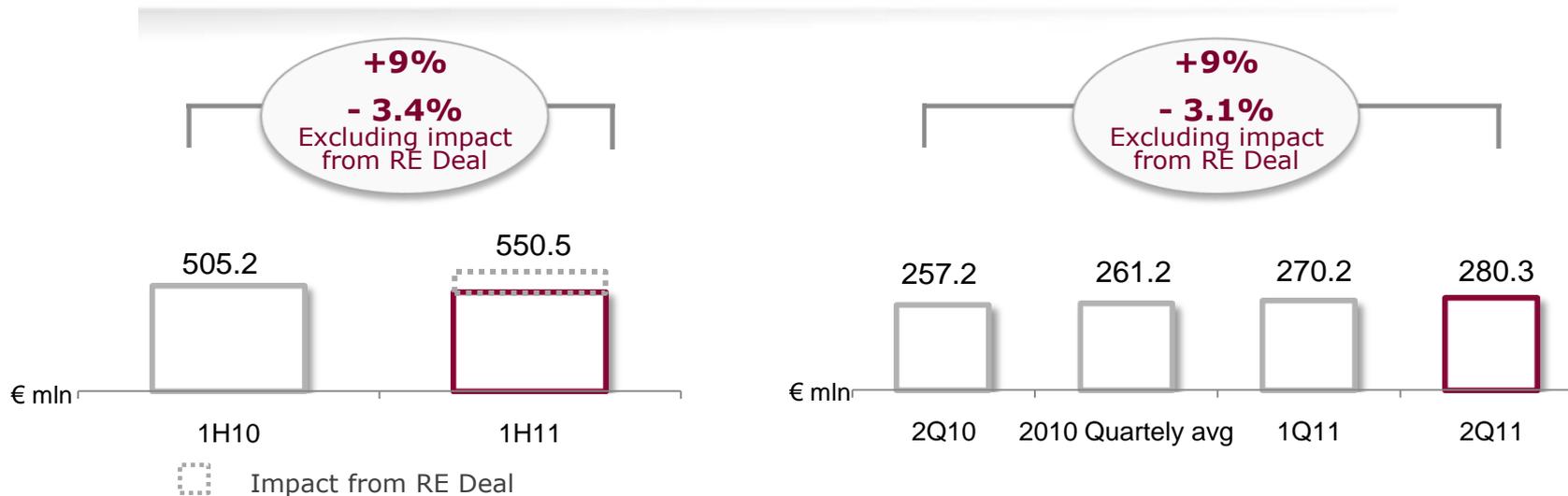
Personnel Expenses and Other Admin Expenses



Personnel Expenses



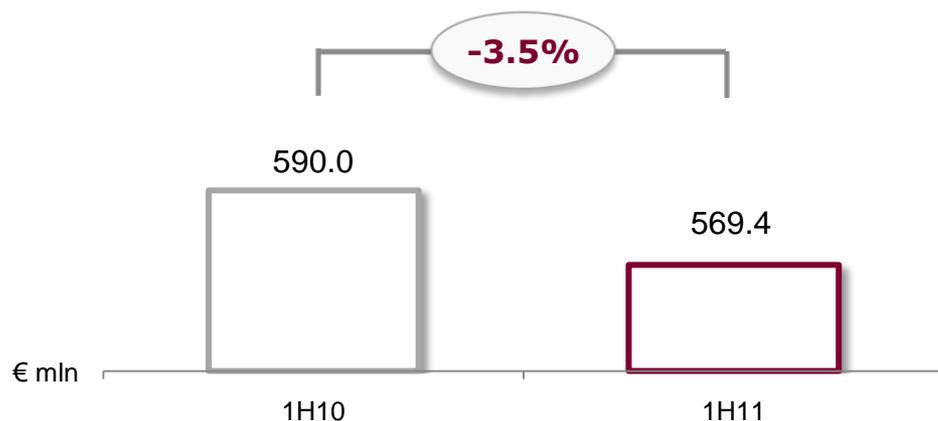
Other Administrative Expenses



* Gross outflows: c400 resources.



Loan loss provisions



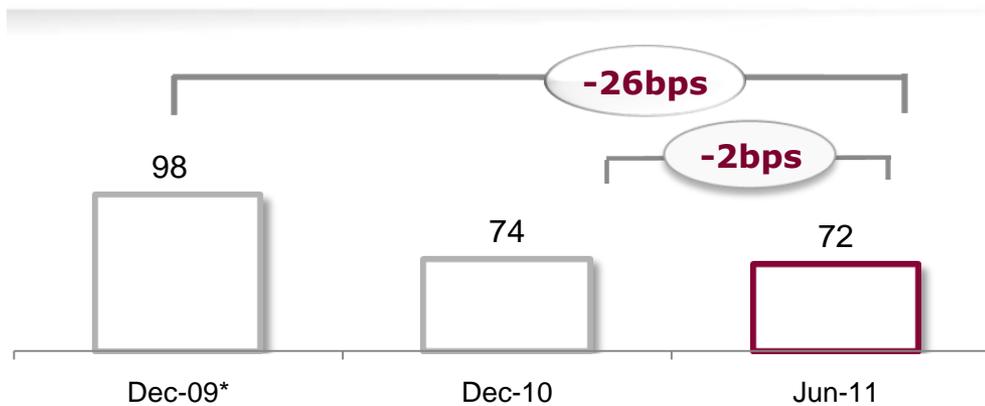
Asset quality in control:

- **Cost of credit at 72bps** (vs74bps as at Dec 2010)
- **Loan loss provisions: -3.5% YoY**
- **NPLs market share: -590bps** since Dec 08

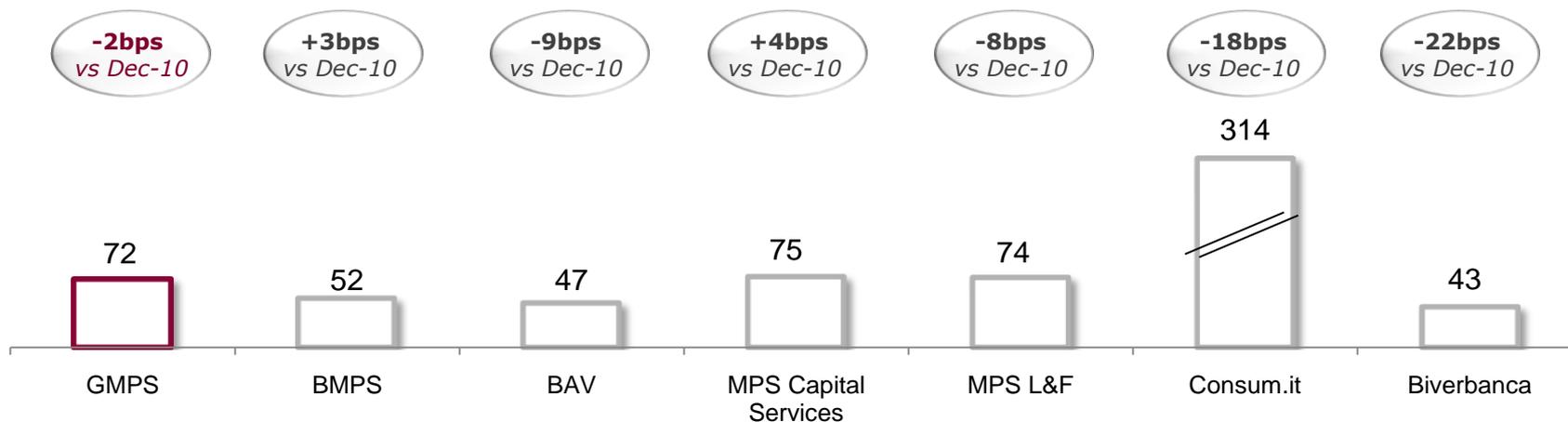
Provisions back on track



Provisions (bps)



Breakdown by Business Units (bps)

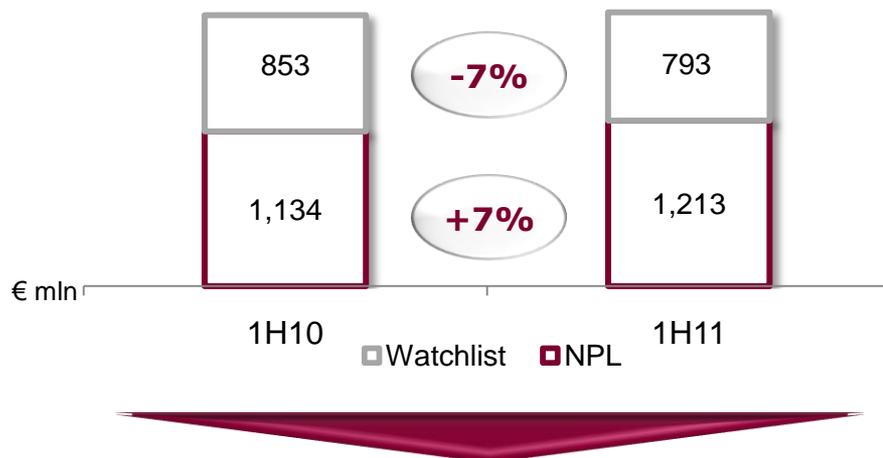


* Restated figures, excluding input from branches sold to Intesa and Carige. Historical data: 96bps.

Trend in NPL and Watchlist inflows



NPL and Watchlist Inflows

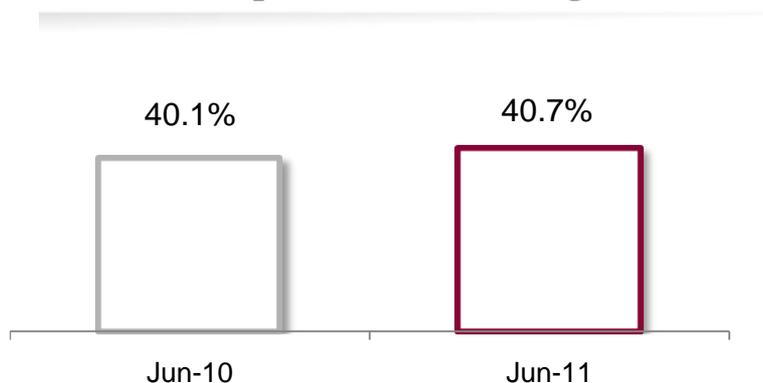


BMPS Watchlist & NPL flows (€ mln)	1Q Monthly Avg	2Q Monthly Avg	Trend
North West	10.2	28.4	↑
North East	15.3	11.0	↓
Center	27.9	26.3	↓
Tuscany	26.4	16.1	↓
South	30.0	32.8	↑

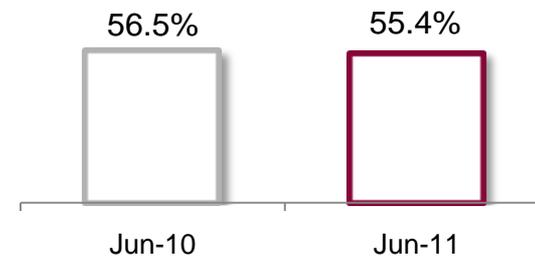
Trend in Impaired Loans coverage



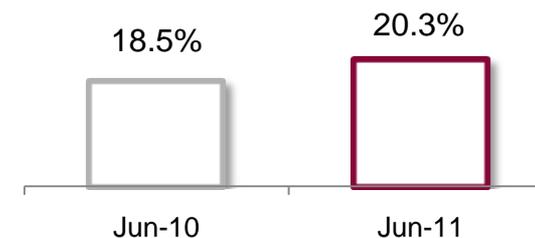
Impaired loans coverage



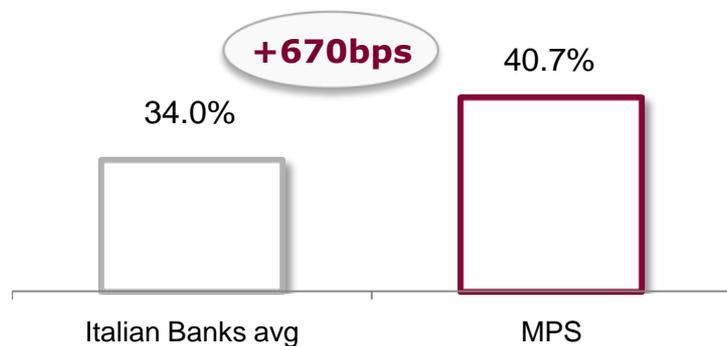
NPL coverage



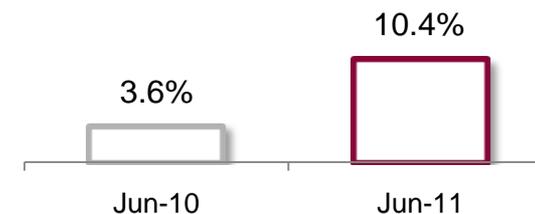
Watchlist coverage



Impaired loans coverage: MPS vs Italian Banks*



Restructured Loans coverage

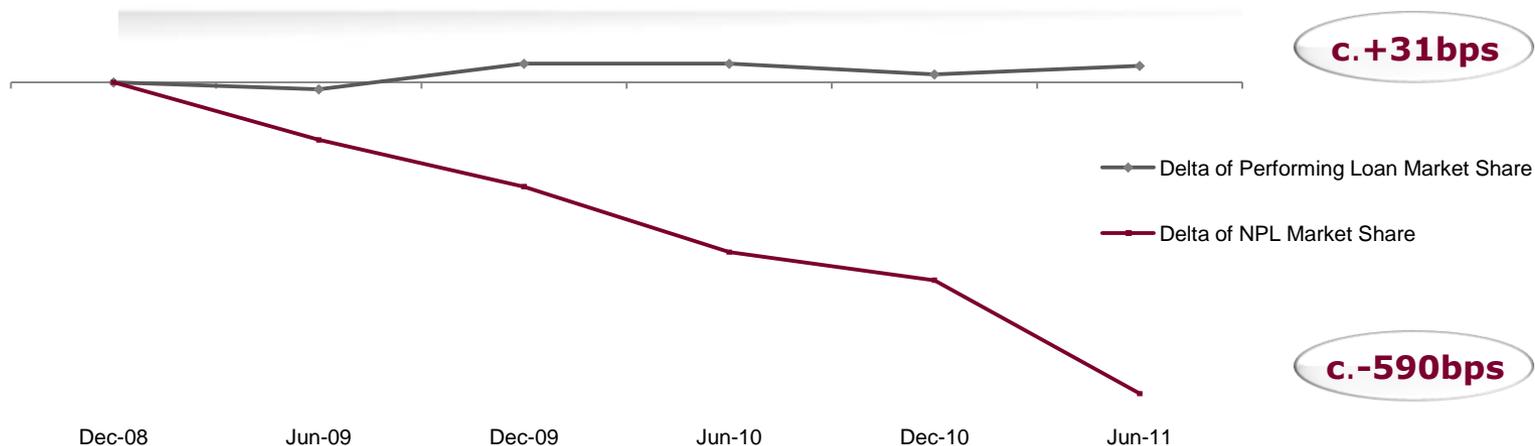


* The sample includes the 5 major Italian banks. Figures at June 2011 for banks that have already presented 1H results; at March 2011 for the others.

Trend in Impaired Loan



Market share of Performing and Non Performing Loans *



Impaired loans

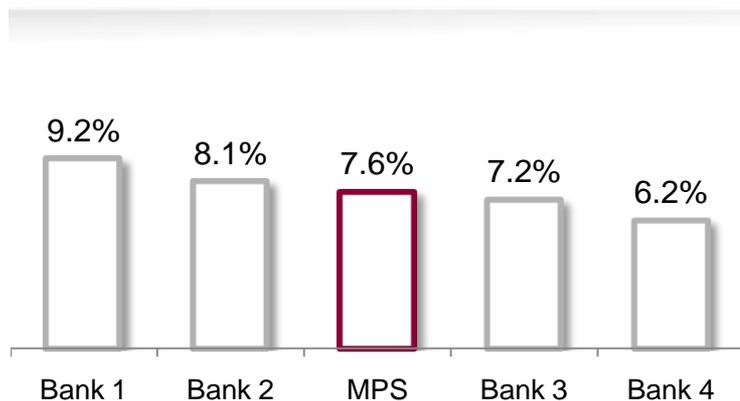
(€ mln)	Gross	Net
NPL vs Mar 11	13,584 +6.1%	6,055 +8.0%
Watchlist vs Mar 11	5,229 +1.0%	4,168 +1.6%
Restructured vs Mar 11	1,643 +9.4%	1,472 +7.4%
Past Due vs Mar 11	1,233 +24.9%	1,158 +25.3%

* Source: Bank of Italy matrix

Risk and Capital Management



CT1 2012 Stress, with additional measures*
Italian Banks sample



Monitoring of capital and liquidity position:

- **Loan/Deposit ratio down to 0.94 vs 0.99 in Dec 2010**
- **Unencumbered Counterbalancing capacity at €8.3bn (June 2011)**
- **Tier 1 Ratio at c9.5%**, including T-Bond coupon payment and Fresh 2003 buyback (c. -30bps), effect from **RE Deal (to be included in 3Q)**, capital increase and T-Bond repayment**
- **Retail and institutional funding needs for 2011 already funded**

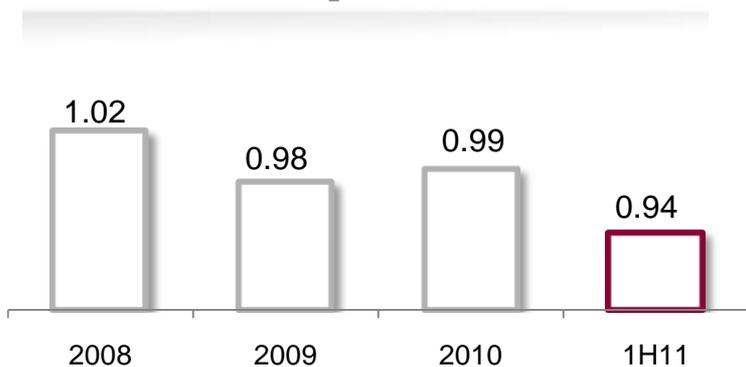
* Including capital base strengthening measures implemented by April 2011 and additional strengthening actions planned or adopted. The sample includes Italian Banks subject to EBA Stress Test. MPS CT1 factors in benefits expected from the RE deal and T-Bond repayment.

** Tier 1 reported at 8.9% is not inclusive of these effects

2011 funding needs funded



Loan/Deposit ratio



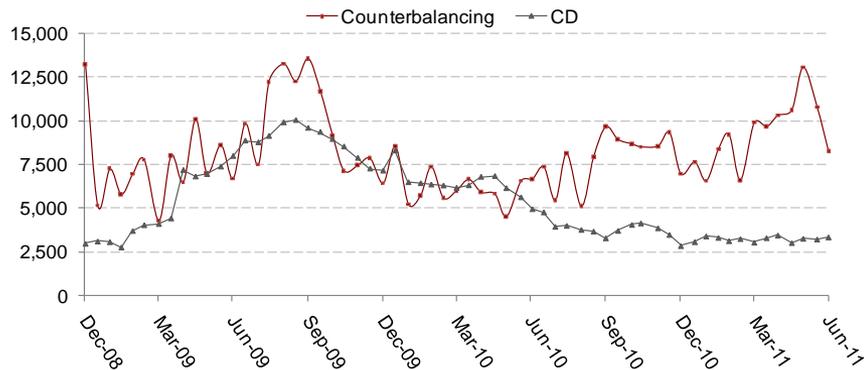
Maturity of Institutional Bonds from 2011 (€bln)

	Senior Notes	Subordinated Notes	Covered Bonds	Total
2011	0.4	-	-	0.4
2012	4.6	0.5	-	5.2
2013	3.5	0.9	1.3	5.6
2014	2.1	-	-	2.1
2015	0.5	0.1	1.0	1.6
2016	-	1.2	1.3	2.5

100% Completed

>20% Completed

CD Programme and Unencumbered Counterbalancing Capacity*



Institutional Funding coming to maturity in 2011 already funded

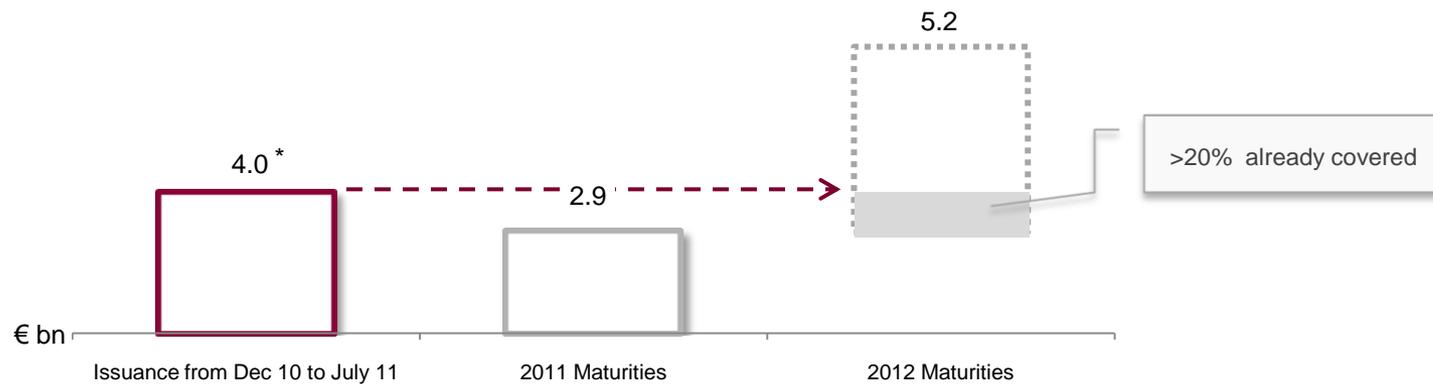
□ **Unencumbered Counterbalancing capacity at €8.3bn (June 2011)**

* The Counterbalancing capacity is the total amount of assets immediately available for use in order to face liquidity needs

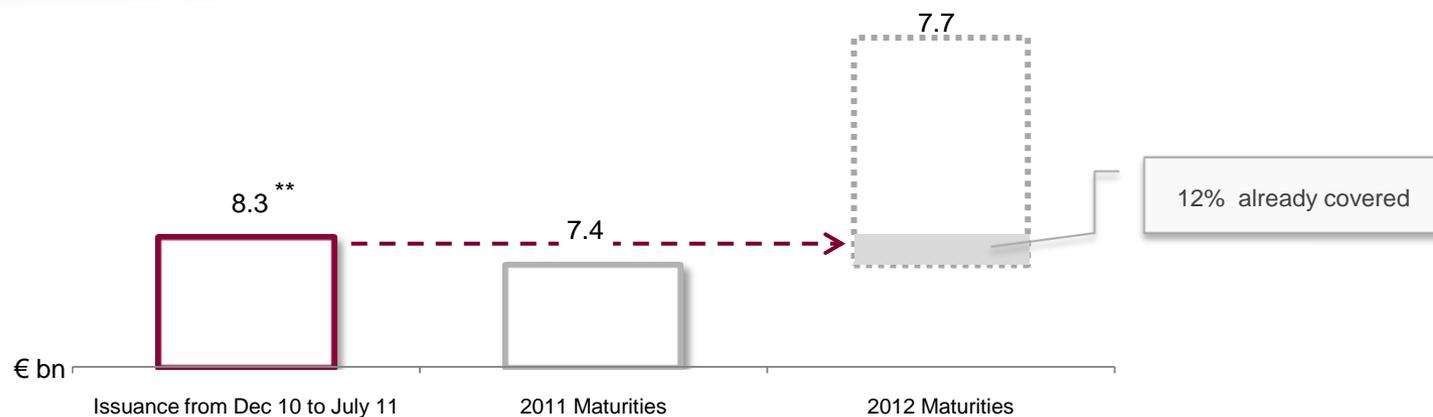
A focus on BMPS funding



Institutional Issuance and Maturities in 2011 and in 2012



Retail Issuance and Maturities in 2011 and in 2012

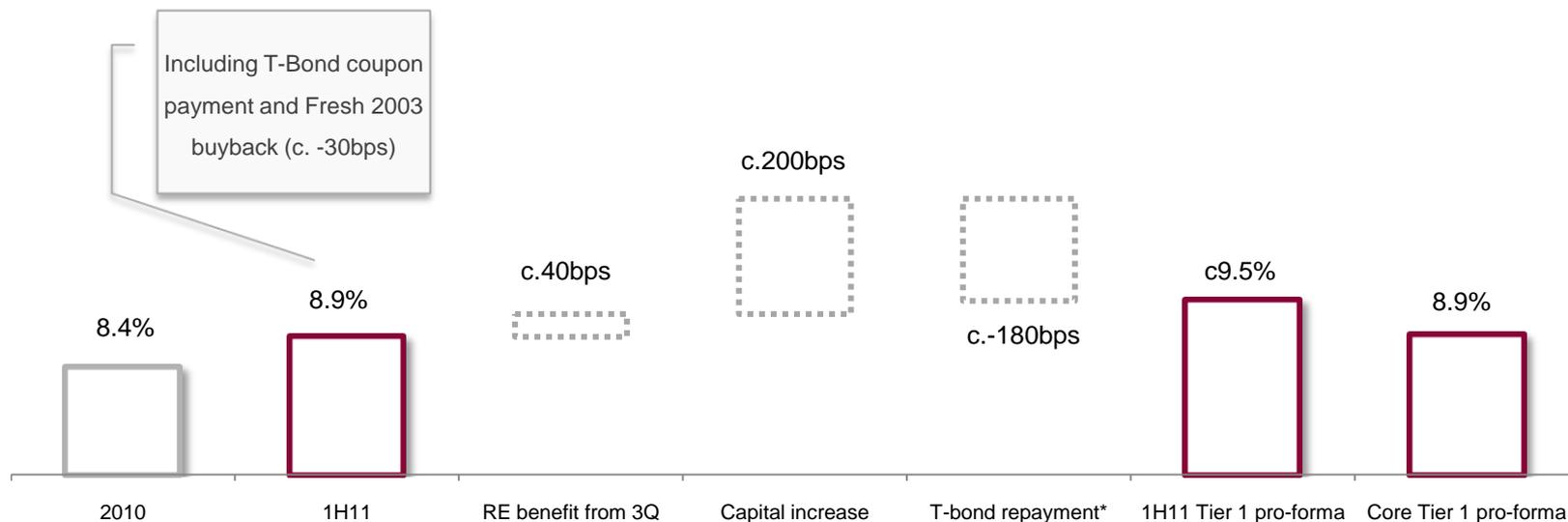


* 4.6 €bn including private placement

** 9 €bn including third party bonds



Tier 1 over time



RE Deal: inclusion in Tier 1 Capital from September 2011

* Subject to Regulatory approval



Conclusions

- **Despite a very challenging environment, the Group has strengthened its competitive positioning, while continuing to expand its market share**
- **The Balance sheet structure has been reinforced and is more than ever based on a strong liquidity position thanks to its funding capacity and strong capital base**
- **The high volatility and uncertainty of the market led the management to adopt tactical measures to protect the long-term soundness of the balance sheet, partially to the detriment of more volatile short-term profitability that we believe can be restored once the market normalizes**
- **As an offset to the above, the management is actively implementing further cost containment actions.**



**Thank you for your
attention**

Q&A



Annexes

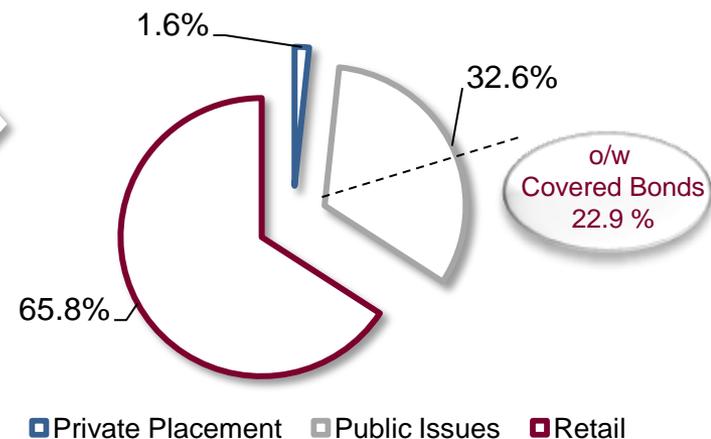
A focus on funding volumes and inflows



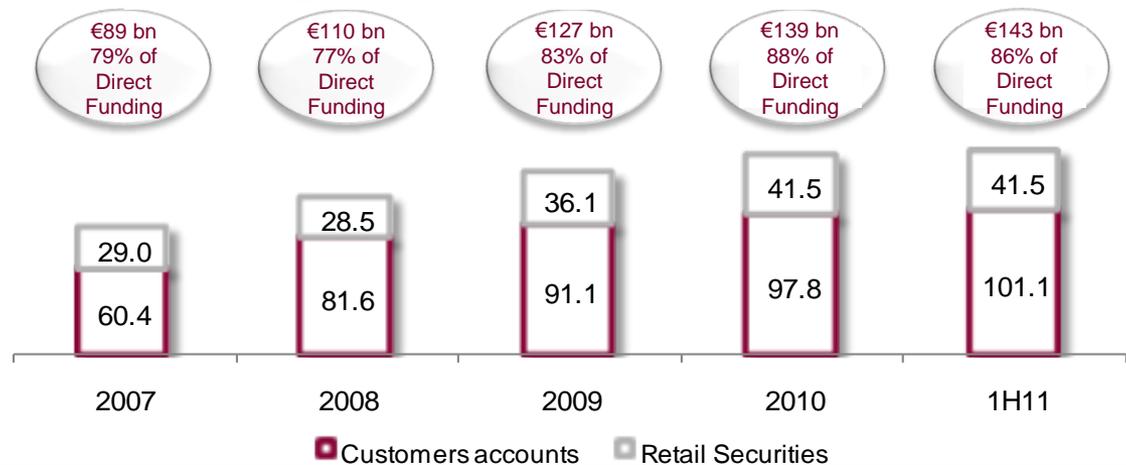
Direct Funding (€bn)



Securities 2011: Breakdown



Retail Funding (€bn)



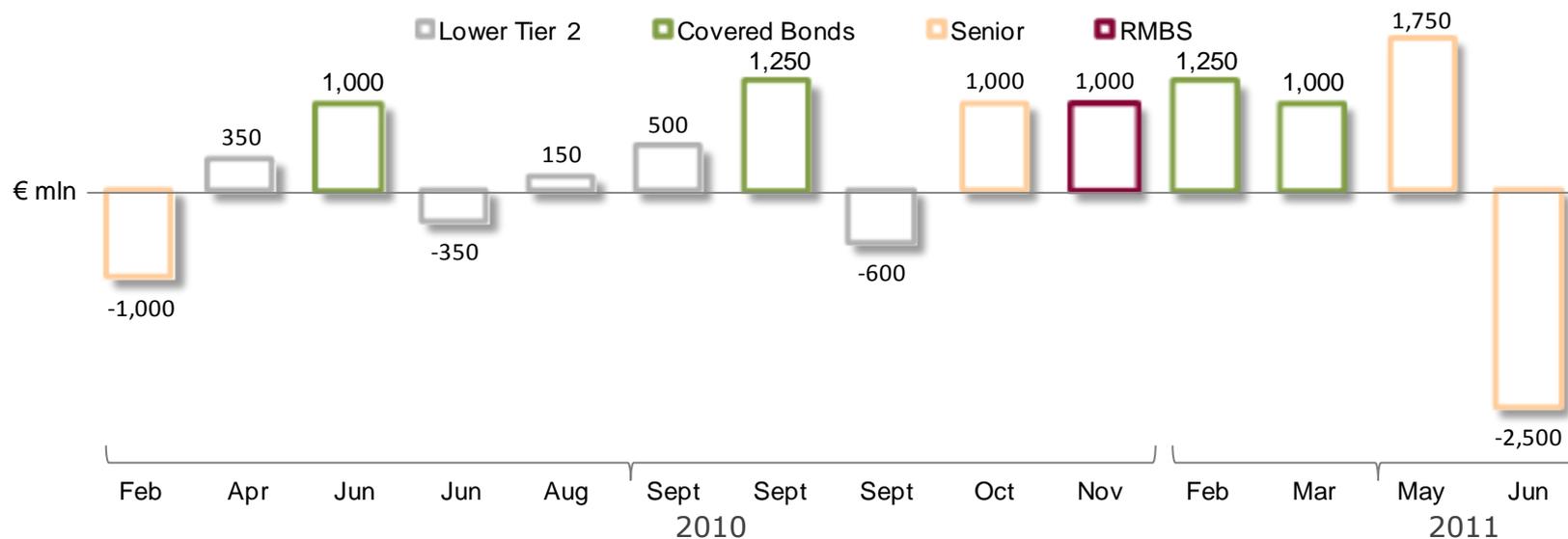
Around 86% of Direct Funding from Retail

"...stable retail funding base ... MPS' satisfactory funding is based on its wide and loyal client base.."
(S&P, 2011)

A focus on BMPS institutional funding



Issuance and Maturities of Senior and Subordinated Notes in 2010 and in 2011



	LT2	CB	LT2	CB	Senior	CB	CB	Senior
Issue date	Apr-Aug 2010	Jun 2010	Sept 2010	Sept 2010	Oct 2010	Feb 2011	Mar 2011	May 2011
Maturity	21/04/20	30/06/15	09/09/20	23/09/13	19/10/12	15/09/16	03/02/18	11/11/13
Amount (mln)	€ 350 + €150	€ 1,000	€ 500	€ 1,250	€ 1,000	€ 1,250	€ 1,000	€ 1,750
Re-offer Spread	m/s + 180 bps	m/s + 105bps	m/s+ 320 bps	ms + 105bps	3m€ + 135bps	ms+ 180bps	ms+ 185bps	ms+ 163bps



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Declaration of the Financial Reporting Officer

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Daniele Bigi, declares that the accounting information contained in this document corresponds to the underlying documentary evidence and accounting records.

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