Pillar 3 Disclosure

Update as at
30 June 2014

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
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Banca Monte dei Paschi di Siena SpA
Company Head office in Siena, Piazza Salimbeni 3, www.mps.it
Registered with the Companies Register of Siena – registration number, tax code and VAT number: 00884060526
Parent Company of the Monte dei Paschi di Siena Banking Group - code Bank and code group 1030.6
Included in the National Register of Banks No. 5274
Member of the Italian Interbank Deposit Protection Fund

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Introduction

The New Regulations for the Prudential Supervision of banks and banking groups entered into force as of 1 January 2014. The regulations aim to align national requirements with the changes introduced to the International regulatory framework, particularly the European Union's New Regulatory and Institutional Framework for Banking Supervision.

The new regulatory package, commonly known as the "Basel 3 framework" is governed by the:

- ✓ CRR – Capital Requirements Regulation (EU) 575/2013 of the European Parliament and Council of 26 June 2013 regarding prudential requirements for credit institutions and investment firms, which amends Regulation (EU) 648/2012;
- ✓ CRD IV – Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

The regulatory package includes application criteria, set out in the Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) adopted by the European Commission, upon the proposal of the European Supervisory Authorities.

At national level, the new harmonised framework has been implemented by Bank of Italy with:

- ✓ Circular 285 of 17 December 2013 – Supervisory Provisions for Banks;
- ✓ Circular 286 of 17 December 2013 – Instructions for Prudential reporting for banks and securities' firm;
- ✓ Circular 154 of 22 November 1991 – 54th Update, July 2014 – Supervisory reports of banks and financial institutions. Reporting templates and instructions for transmission of information flows.

The new regulatory framework aims to improve the ability of banks to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen the bank's transparency and disclosures, while taking into account developments from the financial crisis.

The Basel Committee has maintained a three Pillars-based approach which was at the basis of the previous capital accord known as "Basel 2", but has integrated and strengthened it to increase the quantity and quality of banks' capital base and introduce countercyclical supervisory tools as well as new standards for liquidity risk management and financial deleveraging.

More specifically, Pillar 3 was designed on the notion that Market Discipline can be harnessed to reinforce capital regulation to promote stability and soundness in banks and financial systems.

Pillar 3, therefore, aims to complement the minimum capital requirements (Pillar 1) and supervisory review process (Pillar 2) by developing a set of transparent disclosure requirements which will allow market participants to have access to key, fully comprehensive and reliable information on capital adequacy, risk exposures and risk identification, measurement and management processes.

Public Disclosure (Pillar3) is now governed directly by European Regulation no. 575/2013 of 26 June 2013 of the European Parliament and Council, Part 8 and Part 10, Title I, Chapter 3 (hereinafter referred to as "The Regulations" or "CRR").

The previous Regulations (Bank of Italy Circular 263/06, Paragraph IV) along with the reporting templates and rules provided therein are to be considered no longer applicable.

Under the new regulations, the CRR requires banks to publish information at least on an annual basis along with their financial statements and to evaluate the need to publish some or all disclosures more frequently than once a year depending on their specific activities.

Pending the EBA's release (as required by the CRR) of general guidelines by 31-12-2014 as well as the evaluation by institutions of the need for more frequent disclosure, the Montepaschi Group shall continue to publish its Pillar 3 Disclosure on a quarterly basis thought with different criteria and procedures as established by the CRR.

The current document, therefore, provides an update as at 30 June 2014 of quantitative data considered most important by the Group and, in particular, quantitative information relating to Own Funds, Capital Requirements, Exposures subject to Credit Risk and the use of Credit Risk Mitigation Techniques.

For additional information not contained in this document, particularly regarding the general, organisational and methodological aspects relating to the different types of risk, please refer to the Annual Report as at 31 December 2013.

The current update introduces the new information templates required by the Basel 3 framework and reports pro-forma values as at 31-12-2013, restated solely for comparative purposes.

Pillar 3 Disclosure is prepared at consolidated level by the Parent Company.

Unless otherwise indicated, all the amounts in this report are stated in TEUR (thousand Euros).

The Montepaschi Group regularly publishes its Pillar 3 disclosure on its website at: **www.mps.it/Investor+Relations**.

Own Funds

The introduction of Basel 3 regulations is subject to a transition period that extends the full application of the rules to 2019 (2022 for the phase-out of certain capital instruments) and during which the new rules will be applied in an increasing proportion.

Own Funds, an element of Pillar 1, are therefore calculated according to Basel 3 rules. For this purpose for the New Financial Instruments (NFIs), considered within a context of State aid, may be included in CET 1 up to 31.12.2017. In June 2014, the Montepaschi Group, in accordance with the provisions of the Restructuring Plan prepared in November 2013 as part of the procedure for the issuance of the New Financial Instrument (NFIs) and the regulation on State aid, initiated and successfully completed a capital increase of up to 5 billion euro.

On the basis of this outcome and the authorisations received by the Bank of Italy and the Ministry of Economy and Finance by the 30 June 2014, on 1 July 2014 the Parent Company redeemed a nominal value of EUR 3 bn of New Financial Instruments as well as New Financial Instruments relating to interest accrued for the financial year 2013 and issued at the same time, for a total consideration of EUR 3,455.6 mln, which includes the effects from the terms and conditions of the NFIs following the sale of shares by Monte dei Paschi di Siena Foundation.

As a result of these events and in application of the rules of prudential supervision, as at 30 June 2014 CET 1 included the shares subscribed and regulated at this date, ie. EUR 4,992 net of costs of the transaction amounting to EUR 170 mln, and excluded the EUR 3 bn of NFIs authorised for repayment. Thus Common Equity T1 as at 30 June 2014 includes EUR 1,071 mln of NFIs.

For a detailed description of the items included in Own Funds (CET1, AT1, T2) whether relating to transitional or final requirements, and of the NFIs, please refer to the Half-Year Financial Report as at 30 06 2014 - Notes to Part F - Information on consolidated shareholders' equity.

As provided for in Circular 285 of 17 December 2013, in January 2014 MPS Group exercised the option to exclude from CET1 the unrealised profits and losses on exposures with central governments classified in the AFS portfolio, until approval by the European Commission of the IFRS that replaces IAS 39 following the introduction of national discretion rules provided for by the CRR established as part of the transition requirements by Bank of Italy.

Below is the quantitative information on the Own Funds.

Table 1 – Own Funds

	jun-14	dec-13*
Common Equity Tier 1 (CET1) before the application of prudential filters	11,926,850	9,907,048
↳ *of which tools of CET1 subject to transitional provisions***	*1,071,000*	*4,071,000*
Prudential Filters of CET1 (+/-)	145,934	87,958
Items to be deducted from CET1	2,981,176	3,669,993
Transitional Requirements - Impact on CET1 (+/-)	1,689,945	2,600,577
Common Equity Tier 1 - CET1	**10,781,553**	**8,925,590**
Additional Tier 1 Capital (AT1) before items to be deducted and the effects of the transitional requirements	538,420	539,127
↳ *of which tools of AT1 subject to transitional provisions*	*321,347*	*321,347*
Items to be deducted from AT1	-	-
Transitional Requirements - Impact on AT1 (+/-)	(538,420)	(539,127)
Additional Tier 1 Capital (AT1)	-	-
TIER 1 Capital	**10,781,553**	**8,925,590**
Tier 2 Capital (T2) before items to be deducted and the effects of the transitional requirements	3,805,393	4,307,820
↳ *of which tools of T2 subject to transitional provisions*	-	-
Items to be deducted from T2	66,558	216,616
Transitional Requirements - Impact on T2 (+/-)	(437,729)	(583,412)
Tier 2 Capital (T2)	**3,301,106**	**3,507,792**
Own Funds	**14,082,659**	**12,433,382**

** Recalculated Data accordinding with BIS3 for comparative purposes only*

*** The aggregate at 30 June 2014 and 31 December 2013 is referred to the amount of the New Financial Instruments.*

As at 30/06/2014 there was significant capital strengthening compared to the pro-forma BIS3 figure as at 31/12/2013, as a result of the share capital increase of EUR 5 bn successfully completed at the end of June 2014.

The positive effect of this transaction was reduced by the impact deriving mainly from repayment of the first tranche of New Financial Instruments for EUR 3 bn, the loss recorded for the period and capitalised costs associated with the share capital increase.

In the first half of 2014 Own Funds registered an increase of 1,649.3 mln euro, amounting a total of 14,082.7 mln euro, compared to 12,433.4 mln euro pro forma at year-end 2013.

The rise in Own Funds is attributable to an increase of EUR 1,856 mln in Common Equity Tier 1, only partly offset by a reduction of EUR 206,7 mln Tier 2 Capital (T2).

Common Equity Tier 1 (CET1) registered an increase and amounted to EUR 10,781.6 mln, compared to EUR 8,925.6 mln pro forma at year-end 2013. At the same date, Tier 2 Capital stood at EUR 3,301.1 mln, compared with EUR 3,507.8 mln pro forma at year-end 2013.

As at 31 December 2013, the official data - calculated according to the previous regulatory framework - for T1, T2 and regulatory capital was EUR 8,973 mln, EUR 3,865 mln and EUR 12,838 mln, respectively.

Capital Requirements

Capital Management involves all the policies and choices necessary to define the amount of capital and the optimum combination between different alternative equity instruments, so as to ensure that the amount of capital and the correlated ratios are consistent with the risk profile assumed and compliant with regulatory requirements. From this standpoint, group-wide capital management has become increasingly more fundamental and strategic, in consideration of the fact that the quality and sizing of capital resources of Group companies are defined within the Group's more general objectives.

The New regulatory framework (s.c. Basel 3) of prudential supervisory for banks and banking groups became operational as of 1 January 2014, with the aim of aligning national regulations with the changes introduced to the international regulatory framework, particularly the European Union's new regulatory and institutional framework for banking supervision.

The new regulatory framework aims to improve the ability of banks to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen the bank's transparency and disclosures, while taking into account developments from the financial crisis. The reforms have two types of focus: microprudential, involving regulation at individual bank level; macroprudential, addressing systemic risk which can build up across the banking sector as well as the procyclical amplification of these risks over time.

The approach based on three pillars was maintained, which was also the basis of the previous capital agreement known as "Basel 2", which was supplemented and strengthened with measures that increase the quantity and quality of banks' capital base, as well as introduce counter-cyclical supervisory tools and new standards for liquidity risk management and financial deleveraging.

More specifically, Pillar 1 has been strengthened through a more harmonised definition of capital as well as higher capital requirements. In the face of more stringent capital requirements that more accurately reflect the potential risk of certain activities (e.g. securitisations and trading book), a definition of higher quality capital has been added, essentially focused on common equity. Capital reserves are added to this definition, which function to conserve primary capital, provide counter-cyclical buffers, and hedge against greater losses for systemically important financial institutions. These reserves are envisaged at the discretion of Supervisory Authorities, net of the capital conservation buffer, which is required to be set up and equal to 2.5%.

In addition to the system of capital requirements aimed at covering credit, counterparty, market and operational risk, there is now a plan to introduce leverage caps (including off-balance sheet exposures) as a backstop to capital requirements based on risk and to reduce excessive leverage across the system.

“Basel 3” also introduces new liquidity risk monitoring requirements and tools which focus on short-term liquidity resilience (Liquidity Coverage Ratio - LCR) and longer term structural balance (Net Stable Funding Ratio - NSFR) as well as providing standards for liquidity risk management and monitoring at both individual and system-wide level.

The introduction of Basel 3 regulations is subject to a transition period that extends the full application of the rules to 2019 (2022 for the phase-out of certain capital instruments) and during which the new rules will be applied in an increasing proportion.

Regulatory capital, an element of Pillar 1, is therefore calculated according to Basel 3 rules implemented in Europe through a comprehensive body of regulations, consisting of the Capital Requirements Regulation (CRR), European Regulation no. 575/2013, and related integrations, by the Capital Requirements Directive (CRD IV), by Regulatory Technical Standards and Implementing Technical Standards issued by the EBA, and by supervisory instructions issued by Bank of Italy (specifically, Circular nos. 285 and 286).

Minimum capital requirements

The following capital requirements are envisaged for 2014:

- CET1 ratio of at least 4.5% of the Group’s total risk exposure;
- Tier 1 ratio of at least 5.5% of the Group’s total risk exposure; in 2015 the threshold will increase to 6%;
- Total Capital ratio of at least 8% of the Group’s total risk exposure.

In addition, the Parent Company must have additional CET1 reserves.

More specifically, the new regulations envisage that banks must have the following reserves:

- *Capital conservation buffer* - aimed at conserving the minimum level of regulatory capital during difficult periods in the market, through the allocation of high quality capital in periods in which there are no market tensions. This reserve is mandatory and must be at least 2.5% of the Bank’s total risk exposure. The reserve consists of CET1 capital;
- *Countercyclical capital buffer* - aimed at protecting the banking sector in phases of excessive growth in loans. The buffer provides for the accumulation of CET1 capital during phases of rapid growth in the credit cycle, which can then be used to absorb losses in the downward phase of the cycle. As opposed to the capital conservation buffer, the countercyclical buffer is imposed only during periods of loan growth and is calculated according to pre-established criteria. Supervisory Authorities have not yet defined the amount of this reserve;
- *G-SII buffer* for global systemically important banks and *O-SII buffer* for other systemically important entities - impose higher capital requirements on those

entities based on their systemic relevance, at a global or national level, which pose greater risks for the financial system and for which a crisis could have impacts on contributors. The Montepaschi Group falls under the Basel Committee's definition of systemically important banks required to publish indicators according to established methods and times. Thus, as of 2016, the Group will be subject to additional loss absorbency requirements in an amount that will be determined by the Bank of Italy.

Liquidity and Leverage Ratio

In reference to the Liquidity Coverage Ratio, the observation period by the Supervisory Authorities started from March 2014, which precedes the official introduction of this ratio in January 2015. In addition, 31 March 2014 started the observation period for the Net Stable Funding Ratio. These two ratios and the associated minimum requirements will become effective 1 January 2018, upon authorisation of the European Council and Parliament.

The Leverage Ratio is calculated with a denominator that is based on the assets not risk weighted at the end of the quarter. The Leverage Ratio will come into effect in 2018. The transition observation phase will last from 2014 to the end of December 2017.

At this time, the Supervisory Authorities have not yet established the minimum thresholds for the Leverage Ratio.

Capital Adequacy

In reference to defining regulatory requirements, in June 2008, the Montepaschi Group was authorised to use advanced internal rating-based (AIRB) systems for the determination of capital requirements for credit risk in relation to retail and corporate portfolios and Advanced Measurement Approaches (AMA) for operational risks. The company scope to which the internal models are applied has been extended over time according to a roll-out plan shared with the Supervisory Board.

The key regulatory impacts of the new framework B3 on capital requirements are associated with the following elements:

- increase in capital requirements associated with deferred tax assets (DTAs) that are not based on future profitability and that derive from temporary differences, which can be transformed into credits and therefore included in RWA with a weight of 100%;
- increase in capital requirements associated with financial equity investments and DTAs (that cannot be transformed into credits) not deducted from CET1 as a result of the exemption, and therefore included in RWA with a weight of 250%;
- increase in the capital requirements associated with the introduction of the Credit Value Adjustment (CVA) as part of counterparty risk;
- decrease of the requirement for credit risk for exposures with SMEs that, within certain limits, benefit from a discount of 24% (SME Supporting Factor);
- elimination of the inclusion of the capital requirement associated with Basel

1 Floor as, according to the new rules, it is no longer expressed in terms of a higher requirement, but rather in terms of a restriction on regulatory capital; this minimum amount of capital to be held cannot be less than 85% of what would be necessary to have a Total Capital ratio of 8%, considering the Basel 1 requirement.

The following table contains information on capital adequacy, reported by the Group in accordance with the new "Basel 3" information templates.

Table 2 - Capital Requirements and Regulatory Capital Ratios

Regulatory Capital Requirements	jun-14	dec-13*
Credit and Counterparty Risk	**5,147,531**	**5,333,359**
Standardised Approach	2,849,419	2,865,863
Advanced Internal Rating Based Approach	2,298,112	2,467,496
Market Risk	**483,101**	**504,621**
Operational Risk	**661,195**	**659,407**
Foundation Approach	29,327	29,343
Standardised Approach	-	-
Advanced Approach	631,868	630,064
Credit Valuation Adjustment risk	**111,529**	**93,313**
Regulatory Risk	-	-
Concentration Risk	-	-
Total	**6,403,356**	**6,590,700**
Risk-weighted assets	**80,041,950**	**82,383,750**
CET1 Capital Ratio	**13.47%**	**10.83%**
Tier1 Capital Ratio	**13.47%**	**10.83%**
Total Capital ratio	**17.60%**	**15.09%**

** Recalculated Data according with BIS3 for comparative purposes only*

Following the capital increase successfully completed at the end of June 2014 for an amount of 5 bn euro and the simultaneous repayment of 3 bn euro for NFIs, the CET1 ratio and the total capital ratio showed a significant of + 264 bp and +250 bp respectively against a 31/12/2013 pro forma value of at 13.47% and 17.60%.

The improvement in capital ratios was also enhanced by a reduction in RWAs of approximately -2.3 bn compared to 31/12/2013, amounting to approximately 80 bn euro. The reduction is due to a combined effect which saw a positive impact from the decrease in credit risk, attributable mainly to the portfolio optimisation process, and a negative one from the increased requirements associated with financial equity investments and DTAs (that cannot be transformed into credits), not deducted from CET1 as a result of the exemption, and therefore included in RWA with a weighting of 250%.

Capital strengthening processes and alignment with EBA requirements

On 27 November 2013, the European Commission approved Montepaschi Group's Restructuring Plan, drafted under the procedure for issuance of the New Financial Instruments and within the European framework for State Aid. The strategic guidelines of the Plan can essentially be summarised as follows:

- quantitative and qualitative strengthening of capital;
- structural re-balancing of liquidity;
- attainment of sustainable levels of profitability.

The Group is currently carrying out the Plan, which as already mentioned, included a share capital increase of EUR 5 bn during 2014.

The objective of the share capital increase is to provide the Group with additional buffer capital to absorb any negative effects of the *Comprehensive Assessment* so that the commitments made in the Plan can continue to be met. Furthermore, the extent of the share capital increase implemented will allow the Group to accelerate the implementation of the 2013-2017 Business Plan, by being able to better exploit the opportunities from a possible recovery in macro-economic conditions and banking activities and to potentially accelerate, based on the results of the *Comprehensive Assessment*, the full repayment of the New Financial Instruments with respect to the timing agreed with the European Commission.

The following tables give details of capital requirements broken down by methodology and regulatory portfolio.

Table 2.1 - Capital Requirements for Credit and Counterparty Risk

Standardised Approach	jun-14
Exposures to Central Governments and Central Banks	341,978
Exposures to Regional Governments and Local Authorities	36,251
Exposures to Non-Commercial and Public Sector Entities	33,241
Exposures to Multilateral Development Banks	-
Exposures to International Organisations	-
Exposures to Supervised Institutions	315,553
Exposures to Corporates and Other Entities	702,872
Retail Exposures	281,742
Exposures Secured by Real Estate Property	115,222
Default Exposures	163,142
High-risk Exposures	8,680
Exposures in the form of Covered Bonds	5,846
Short term Exposures to Corporates and Other Entities	-
Exposures to Undertakings for Collective Investments in Transferable Securities (UCITS)	102,595
Equity Exposures	226,371
Other Exposures	425,466
Securitization Positions	90,460
Total Standardised Approach	**2,849,419**
Advanced Internal Ratings-Based Approach	
Exposures to Corporates	1,462,700
↳ *SMEs*	742,619
↳ Other Companies	720,081
Retail Exposures	835,412
↳ *Secured by real estate - SMEs*	226,566
↳ *Secured by real estate - Individuals*	230,242
↳ *Qualifying revolving*	98
↳ *Other retail exposure - SMEs*	343,608
↳ *Other retail exposures - Individuals*	34,898
Other assets	-
Total Advanced Internal Ratings-Based approach	**2,298,112**
Total Credit and Counterparty Risk	**5,147,531**

Table 2.2 - Capital Requirements for Market Risk

	jun-14
Standardised Approach	
Position risk on debt instruments	290,335
Position risk on equity	134,117
Foreign exchange risk	43,543
Commodities risk	15,106
Total Standardised Approach	**483,101**
Internal models	
Total Internal models	**-**
Total Market Risk	**483,101**

Table 2.3 - Capital Requirements for Operational Risk

	jun-14
Breakdown of Operational Risk by:	
Foundation Approach	29,327
Standardised Approach	-
Advanced Approach	631,868
Total Operational Risk	**661,195**

Exposures subject to Credit and Counterparty Risk

The Group, in accordance with the provisions of the supervisory regulations adopt the standardized approach and the internal ratings based approach (AIRB) for determining the capital requirements for credit risk since June 2008, having been authorized by the Bank of Italy, by decision n. 647555 of 12 June 2008. The AIRB approach allows banks to use their own internal estimates of risk parameters to calculate the risk weighted exposures. In particular, the Group has been authorized to use for the corporate portfolio and retail exposures:

- internal Probability of Default (PD) estimates;
- internal Loss Given Default (LGD) estimates,

for the following entities:

- *Banca Monte dei Paschi di Siena,*
- *MPS Capital Services Banca per le Imprese,*
- *MPS Leasing & Factoring.*

For Exposure at Default (EAD), however, the Montepaschi Group, is using ratios provided by the standardized approach pending validation by the Regulatory Authority.

For portfolios other than those mentioned above, the standardized approach will be used and applied.

The exposures values reported are determined according to the rules of prudential supervision. The exposures under the standard approach already include the effect from risk mitigation techniques (compensation, guarantees, etc..).

AIRB exposure values are reported gross of value adjustments and do not consider the effects of risk mitigation techniques which, in the case of exposures subject to methodology based on internal models, are included directly in the weighting factor applied. The off-balance sheet exposures relating to guarantees and commitments (including undrawn credit lines) are those after application of credit conversion factors (CCF) required by prudential regulations.

Table 3.1 - Exposures subject to credit and counterparty risk: Standardized and Advanced Internal Rating-Based Approach

	Exposures	RWA	Capital Requirements
	jun-14	jun-14	jun-14
Standardised Approach			
Central Governments and Central Banks	33,523,343	4,274,724	341,978
Regional Governments and Local Authorities	2,849,457	868,646	69,492
Institutions*	16,088,810	3,944,418	315,553
Corporates and Other Entities	9,181,530	8,785,903	702,872
Retail Exposures	4,815,792	3,521,776	281,742
Exposures Secured by Real Estate Property	3,261,256	1,440,270	115,222
Default Exposures	1,652,999	2,039,278	163,142
Equity Exposures	1,688,251	2,829,642	226,371
Other Exposures	8,786,193	5,318,326	425,466
Securitization Positions	276,264	1,130,746	90,460
Other **	1,707,773	1,464,010	117,121
Total Standardised Approach	**83,831,669**	**35,617,739**	**2,849,419**
Metodo AIRB			
Exposures to Corporates	50,690,851	18,283,749	1,462,700
SMEs	32,341,686	9,282,742	742,619
Other Companies	18,349,165	9,001,007	720,081
Retail Exposures	65,323,752	10,442,648	835,412
Secured by real estate - SMEs	10,370,556	2,832,075	226,566
Secured by real estate - Individuals	28,465,597	2,878,019	230,242
Qualifying revolving	9,213	1,224	98
Other retail exposure - SMEs	21,649,343	4,295,105	343,608
Other retail exposures - Individuals	4,829,043	436,225	34,898
Total Advanced Internal Ratings-Based approach	**116,014,603**	**28,726,397**	**2,298,112**
Total Exposures Credit and Counterparty Risk	**199,846,272**	**64,344,135**	**5,147,531**

**includes the following portfolios: Supervised Institutions, Multilateral Development Banks and International Organisations*

***includes the following portfolios: Undertakings for Collective Investments in Transferable Securities (UCITS), Exposures in the form of Covered Bonds, High-risk Exposures and Short term Corporates and Other Entities Exposures*

The following tables shows the breakdown by PD band, identified by the MPS Group to allow for a meaningful differentiation of credit risk, of the exposures subject to the AIRB approach broken down by regulatory portfolio.

Table 3.2 - Total AIRB exposures: breakdown by regulatory portfolio and PD class

	jun-14		
PD Class	Exposures to Corporates	Retail Exposures	Total AIRB Exposures
Class 1	1,395,925	12,678,381	14,074,306
Class 2	6,158,263	12,425,498	18,583,761
Class 3	10,806,511	11,415,347	22,221,858
Class 4	9,191,158	10,410,612	19,601,770
Class 5	2,933,091	2,776,345	5,709,435
Class 6	20,205,903	15,617,570	35,823,472
Total	**50,690,851**	**65,323,752**	**116,014,603**

The following tables shows the breakdown by PD band with quantitative details for the advanced IRB Approach of the most important portfolios.

Table 3.2.1 - Exposures to corporates - SMEs

PD Class	jun-14 Exposure	Unused Amount [(a)]	Credit equivalent	Average Credit Conversion Factor (average CCF)	Average weighted LGD (LDG%)	Average Risk Weighting factor (RW%)
Class 1	544,632	298,608	34,998	11.72%	26.75%	15.72%
Class 2	2,129,050	824,202	116,539	14.14%	25.66%	29.31%
Class 3	5,431,657	1,073,567	235,730	21.96%	22.78%	43.42%
Class 4	6,932,457	825,504	209,307	25.35%	22.28%	59.43%
Class 5	2,079,669	313,069	81,646	26.08%	22.11%	100.72%
Class 6	15,224,221	569,909	96,187	16.88%	38.27%	-
Total	**32,341,686**	**3,904,858**	**774,407**			

(a) For reporting purposes, Unused Margins and respective Credit Equivalents refer to issued guarantees and revocable and irrevocable commitments to disburse funds.

Table 3.2.2 - Exposures to corporates - Other companies

PD Class	jun-14 Exposure	Unused Amount [(a)]	Credit equivalent	Average Credit Conversion Factor (average CCF)	Average weighted LGD (LDG%)	Average Risk Weighting factor (RW%)
Class 1	851,293	3,865,388	398,412	10.31%	33.25%	18.14%
Class 2	4,029,213	6,998,883	907,560	12.97%	31.94%	39.37%
Class 3	5,374,854	4,342,246	902,688	20.79%	33.04%	64.81%
Class 4	2,258,701	1,149,003	315,163	27.43%	29.83%	90.76%
Class 5	853,421	241,988	60,476	24.99%	35.08%	202.38%
Class 6	4,981,682	805,662	189,895	23.57%	43.54%	-
Total	**18,349,165**	**17,403,171**	**2,774,194**			

(a) For reporting purposes, Unused Margins and respective Credit Equivalents refer to issued guarantees and revocable and irrevocable commitments to disburse funds.

Table 3.2.3 - Retail exposures – Secured by real estate - SMEs

PD Class	jun-14					
	Exposure	Unused Amount [(a)]	Credit equivalent	Average Credit Conversion Factor (average CCF)	Average weighted LGD (LDG%)	Average Risk Weighting factor (RW%)
Class 1	90,799	1,914	1,104	57.69%	14.81%	2.98%
Class 2	656,347	40,141	22,306	55.57%	15.16%	8.68%
Class 3	2,991,260	90,127	46,254	51.32%	15.06%	19.60%
Class 4	3,237,303	192,256	98,855	51.42%	15.43%	42.28%
Class 5	1,027,586	120,059	59,367	49.45%	15.73%	79.53%
Class 6	2,367,261	101,672	45,367	44.62%	19.33%	-
Total	**10,370,556**	**546,168**	**273,253**			

(a) For reporting purposes, Unused Margins and respective Credit Equivalents refer to issued guarantees and revocable and irrevocable commitments to disburse funds.

Table 3.2.4 - Retail exposures – Secured by real estate - Individuals

PD Class	jun-14					
	Exposure	Unused Amount [(a)]	Credit equivalent	Average Credit Conversion Factor (average CCF)	Average weighted LGD (LDG%)	Average Risk Weighting factor (RW%)
Class 1	11,754,403	43,992	21,858	49.69%	13.17%	4.05%
Class 2	9,609,197	23,952	13,501	56.37%	12.40%	7.75%
Class 3	3,889,954	16,037	9,888	61.66%	12.47%	15.54%
Class 4	1,419,423	9,608	4,052	42.17%	12.82%	41.10%
Class 5	633,414	4,299	1,086	25.26%	12.72%	74.09%
Class 6	1,159,206	20,190	2,130	10.55%	15.03%	-
Total	**28,465,597**	**118,077**	**52,515**			

(a) For reporting purposes, Unused Margins and respective Credit Equivalents refer to issued guarantees and revocable and irrevocable commitments to disburse funds.

Table 3.2.5 - Other retail exposure - SMEs

	jun-14					
PD Class	Exposure	Unused Amount [(a)]	Credit equivalent	Average Credit Conversion Factor (average CCF)	Average weighted LGD (LDG%)	Average Risk Weighting factor (RW%)
Class 1	546,311	2,251,739	190,747	8.47%	34.67%	6.30%
Class 2	1,642,930	3,199,324	304,081	9.50%	33.89%	16.02%
Class 3	3,995,798	3,806,111	424,322	11.15%	33.27%	30.35%
Class 4	5,270,444	2,368,567	171,948	7.26%	32.89%	41.03%
Class 5	996,683	292,204	33,248	11.38%	32.52%	62.47%
Class 6	9,197,176	562,584	50,758	9.02%	56.51%	-
Total	**21,649,343**	**12,480,529**	**1,175,104**			

(a) For reporting purposes, Unused Margins and respective Credit Equivalents refer to issued guarantees and revocable and irrevocable commitments to disburse funds.

Table 3.2.6 - Other retail exposures - Individuals

	jun-14					
PD Class	Exposure	Unused Amount [(a)]	Credit equivalent	Average Credit Conversion Factor (average CCF)	Average weighted LGD (LDG%)	Average Risk Weighting factor (RW%)
Class 1	285,954	552,892	4,684	0.85%	22.68%	5.55%
Class 2	514,940	372,603	27,182	7.30%	21.73%	11.59%
Class 3	536,709	338,004	18,426	5.45%	23.56%	23.43%
Class 4	479,219	141,208	50,542	35.79%	23.93%	35.72%
Class 5	118,432	7,055	331	4.69%	22.75%	53.88%
Class 6	2,893,789	20,895	2,128	10.18%	42.71%	-
Total	**4,829,043**	**1,432,657**	**103,292**			

(a) For reporting purposes, Unused Margins and respective Credit Equivalents refer to issued guarantees and revocable and irrevocable commitments to disburse funds.

Credit Risk Mitigation Techniques

Table 4 - Value of guarantees by guaranteed exposures portfolio

Regulatory portfolio	Financial collaterals	Personal guarantees	Total
	jun-14	jun-14	jun-14
Central Governments and Central banks	-	-	-
Regional governments and local authorities	-	-	-
Non-commercial and public sector entities	1,294	9,431	10,725
Supervised institutions	35,984,661	1,993	35,986,655
Exposures to Corporates	1,828,136	74,957	1,903,093
Retail Exposures	82,054	28,130	110,183
Exposures Secured by Real Estate	2,277	2,001	4,278
Default Exposures	39,349	554	39,903
Exposures to UCITs	22,716	-	22,716
Equity Exposures	-	-	-
Other Exposures	-	-	-
SMEs	-	293,702	293,702
Other Companies	-	70,301	70,301
Secured by Real Estate - SMEs	-	531	531
Other Retail Exposure - SMEs	-	358,385	358,385
Other Retail Exposures - Individuals	-	2,617	2,617
Total	**37,960,488**	**842,602**	**38,803,090**

The value of the guarantees shown in the tables refers to the portion of the Standard Exposures covered by financial collateral and personal guarantees and is thus a supplement to the Standard Exposures reported in Table 3.1, which, on the other hand, highlight the residual exposure not covered by such guarantees (exposures with risk mitigation credit). The exposures considered are determined according to the rules of prudential supervision and are represented by the guaranteed regulatory portfolio.

Declaration of the Financial Reporting Officer

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

Siena, 7 August 2014

Arturo Bertunio

Financial Reporting Officer

List of Tables

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