Pillar 3 Disclosure

Update as at
30 September 2012

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
30 September 2012

GRUPPO MONTEPASCHI

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 and of the National Guarantee Fund

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Introduction

The existing Prudential supervisory framework, commonly referred to as "Basel 2", was developed by the Basel Committee and transposed into European Union Directives 2006/48 and 2006/49. The Basel 2 framework is based around three mutually underpinning concepts (so called "Pillars").

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.

The purpose of Pillar 3 therefore is to complement the operation of minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) by developing a set of disclosure recommendations and requirements which will allow market participants to assess key, fully comprehensive and reliable information on capital adequacy, risk exposures and risk identification assessment and management processes.

In Italy, Pillar 3 disclosure is pursuant to Paragraph IV, Chapter 1 of Bank of Italy Circular 263 of 27.12.2006 ("New Regulations for the Prudential Supervision of Banks", hereafter "Circular").

Under the Circular, banks that are authorised to use internal methodologies in their assessment of capital requirements for credit or operational risk – as is the case with the Montepaschi Group – are also required to disclose certain information at least on a quarterly basis, albeit with different criteria and methodologies.

The information provided is both qualitative and quantitative and is presented in fourteen synoptic tables as defined in Appendix A, Paragraph IV, Chapter 1 of the aforementioned Circular.

In compliance with this requirement, the current publication provides the update as at 30 September 2012 of quantitative data contained in Tables 3 and 4 with regard, respectively, to the Breakdown of Regulatory Capital and Capital Adequacy.

For other information not contained in this document, please refer to the already-published annual report as at 31 December 2011 and as at 30 June 2012.

Information has been updated according to the templates and criteria adopted for previous reports. Considering the time mismatch between publication requirements for Pillar

3 Public Disclosure and the corresponding consolidated Supervisory report, some of the values contained herein may still be subject to further modification.

The disclosures 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.

Table 3 - Regulatory capital structure

Quantitative disclosure

Table 3.1 - Breakdown of Regulatory Capital

	sep-12	dec-11
Total Tier 1 positive items	15,077,964	20,051,774
Total Tier 1 negative items	-3,129,598	-7,730,746
Total items to be deducted	-1,040,078	-672,291
Tier 1 capital	**10,908,288**	**11,648,737**
Total Tier 2 positive items	5,422,802	6,046,703
Total Tier 2 negative items	-73,412	-17,312
Total items to be deducted	-1,040,078	-672,291
Tier 2 capital	**4,309,312**	**5,357,100**
Items to be deducted from Tier 1 and Tier 2 capital	-547,040	-502,416
Regulatory Capital	**14,670,560**	**16,503,420**
Tier 3 capital	-	-
Regulatory Capital inclusive of Tier 3	**14,670,560**	**16,503,420**

Under the measures set forth by the Bank of Italy on 18 May 2010 regarding prudential filters for regulatory capital, the Group opted for the symmetrical treatment of revaluation reserves relating to debt securities issued by the Central Governments of EU countries held in the "Available for Sale" portfolio. Consequently, with regard to these securities, the impact of variations in AFS reserves upon regulatory capital as of 1 January 2010, amounting to approximately Euro 3,467.6 mln, has been completed sterilized.

Table 3.1.1 - Breakdown of Tier 1 and Tier 2 Capital

	sep-12	dec-11
Share capital	7,534,613	6,769,881
Share premium	268,500	4,131,276
Reserves	4,944,426	6,586,680
Innovative capital instruments and Non-innovative capital instruments with final expire	401,804	622,676
Non innovative capital instruments	28,622	28,622
Capital instruments subject to transition requirements (grandfathering)	-	12,639
Profit for the period	-	-
Prudential filters: increases in Tier 1 capital	1,900,000	1,900,000
Total Tier 1 positive items	**15,077,964**	**20,051,774**
Treasury shares	-24,658	-26,461
Goodwill	-761,920	-2,312,795
Other intangible assets	-623,601	-676,688
Loss for the period	-1,659,095	-4,688,739
Other negative items	-	-
Prudential filters: decreases in Tier 1 capital	-60,324	-26,063
Total Tier 1 negative items	**-3,129,598**	**-7,730,746**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	-98,578	-92,687
Shareholdings in credit and financial institutions with a share of > 10% but <20% of the equity of the investee	-33,648	-31,248
Shareholdings in credit and financial institutions with a share of ≤ 10% of the equity of the investee	-	-
Shareholdings in insurance companies	-38,626	-39,990
Surplus of expected losses in respect of related write-downs	-869,227	-508,366
Total items to be deducted	**-1,040,078**	**-672,291**
Total Tier 1 Capital	**10,908,288**	**11,648,737**

Table 3.1.1 - Breakdown of Tier 1 and Tier 2 Capital *(continued)*

	sep-12	dec-11
Valuation reserve	212,237	100,988
Innovative capital instruments and Non-innovative capital instruments with final expire not eligible for inclusion in Tier 1 capital	-	-
Non-innovative capital instruments not eligible for inclusion in Tier 1 capital	-	-
Hybrid capital instruments	2,654,141	3,008,209
Subordinated liabilities	2,556,424	2,937,506
Other positive items	-	-
Total Tier 2 positive items	**5,422,802**	**6,046,703**
Other negative items	-1,499	-1,314
Prudential filters: deductions from Tier 2 capital	-71,913	-15,998
Total Tier 2 negative items	**-73,412**	**-17,312**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	-98,578	-92,687
Shareholdings in credit and financial institutions with a share of > 10% but <20% of the equity of the investee	-33,648	-31,248
Shareholdings in insurance companies	-38,626	-39,990
Surplus of expected losses in respect of overall write-downs xvalue adjustments	-869,227	-508,366
Total items to be deducted	**-1,040,078**	**-672,291**
Tier 2 Capital	**4,309,312**	**5,357,100**
Items to be deducted from Tier 1 and Tier 2 capital	-547,040	-502,416
Regulatory Capital	**14,670,560**	**16,503,420**
Tier 3 Capital	-	-
Regulatory Capital inclusive of Tier 3	**14,670,560**	**16,503,420**

Table 4 - Capital Adequacy

Quantitative disclosure

Table 4.1 - Capital requirements and capital ratios

	set-12	dec-11
Credit Risk		
Standardised approach	2,815,629	3,394,628
Advanced Internal Rating Based approach	3,670,080	3,743,963
Total	**6,485,709**	**7,138,591**
Market Risk		
Standardised approach	495,592	547,244
Internal models approach	-	-
Concentration risk	-	-
Total	**495,592**	**547,244**
Operational Risk	-	-
Foundation approach	27,538	46,081
Standardised approach	-	-
Advanced Measurement Approach	615,176	649,710
Total	**642,714**	**695,791**
Regulatory Capital Floor	-	33,497
Other requirements	-	-
Aggregate Capital Requirements	**7,624,015**	**8,415,122**
Risk-weighted assets	**95,300,193**	**105,189,030**
Tier 1 Ratio	**11,4%**	**11,1%**
Total Capital Ratio	**15,4%**	**15,7%**

Table 4.1.2 - Capital Requirements for Credit Risk

Standardised Approach	sep-12	dec-11
Exposures to central governments and central banks	14,589	5,780
Exposures to regional governments and local authorities	52,039	47,717
Exposures to non-commercial and public sector entities	67,994	56,405
Exposures to multilateral development banks	3	2
Exposures to international organisations	-	-
Exposures to supervised institutions	439,648	422,043
Exposures to corporates	872,685	1,233,447
Retail exposures	424,326	512,286
Exposures secured by real estate property	108,840	211,384
Past due exposures	137,673	218,033
High-risk exposures	85,026	107,187
Exposures in the form of covered bonds	8,109	5,255
Short term exposures to corporates	-	-
Exposures to Undertakings for Collective Investments in Transferable Securities (UCITS)	134,991	103,466
Other exposures	339,275	398,995
Securitisation exposures	130,431	72,628
Total Standardised Approach	**2,815,629**	**3,394,628**
Advanced Internal Ratings-Based Approach		
Corporate exposures	2,584,194	2,589,265
Retail exposures	1,085,886	1,153,627
↳ *Secured by real estate property*	*553,422*	*591,486*
↳ *Qualifying revolving retail exposures*	*419*	*489*
↳ *Other exposures*	*532,045*	*561,652*
Other assets	-	1,072
Total Advanced Internal Ratings-Based approach	**3,670,080**	**3,743,963**
Total Credit Risk	**6,485,709**	**7,138,591**

Table 4.3 - Capital requirements for Market Risk

Standardised approach	sep-12	dec-11
General market risk	231,324	287,188
Specific risk*	184,024	171,935
Position risk of Undertakings for Collective Investments in Transferable Securities (UCITS)	33,896	17,719
Options	5,939	15,182
Foreign exchange risk	40,409	55,219
Commodities risk	-	-
Total Standardised Approach	**495,592**	**547,244**
Internal models		
Total Internal models	**-**	**-**
Concentration risk	**-**	**-**
Total Market Risk	**495,592**	**547,244**

(*) Capital requirements under Specific Risk for positions with securitisations included in the Regulatory Trading Book amounted to EUR 26,336 (in thousands of Euro) at 30 September 2012.

Table 4.4 - Capital requirements for Operational Risk

Breakdown of Operational Risk by:	sep-12	dec-11
Foundation approach	27,538	46,081
Standardised approach	-	-
Advanced approach	615,176	649,710
Total Operational Risk	**642,714**	**695,791**

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.

Siena, 13 November 2012

Daniele Bigi

Financial Reporting Officer

List of Tables

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