Pillar 3 Disclosure

Update as at
31 March 2012

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Pillar 3 Disclosure

Update as at
31 March 2012

GRUPPO MONTEPASCHI

Banca Monte dei Paschi di Siena SpA
Company Head Offices in Siena, Piazza Salimbeni 3,
Recorded in the Siena Company Register in – Registration no. and tax code 00884060526
Member of the Italian Interbank Deposit Protection Fund. Bank Register no. 5274
Monte dei Paschi di Siena Banking Group, Register of Banking Groups

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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 – as is the case with the Montepaschi Group – for credit and operational risk 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 31 March 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.

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

	mar-12	dec-11
Total Tier 1 positive items	15,447,251	20,051,774
Total Tier 1 negative items	-3,033,584	-7,730,746
Total items to be deducted	-806,238	-672,291
Tier 1 capital (Tier 1)	**11,607,429**	**11,648,737**
Total Tier 2 positive items	6,109,300	6,046,703
Total Tier 2 negative items	-48,529	-17,312
Total items to be deducted	-806,238	-672,291
Tier 2 capital (Tier 2)	**5,254,533**	**5,357,100**
Items to be deducted from Tier 1 and Tier 2 capital	-510,727	-502,416
Regulatory Capital	**16,351,235**	**16,503,420**
Tier 3 capital (Tier 3)	**-**	**-**
Regulatory Capital inclusive of Tier 3 Capital	**16,351,235**	**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 Central Governments of EU countries held in the "Available for Sale" portfolio. Consequently, for these securities, the impact of changes in AFS reserves upon regulatory capital as of 1 January 2010, amounting to approximately Euro 2,995.9 mln, has been completely sterilized.

Table 3.1.1 - Breakdown of Tier 1 and Tier 2 Capital

	mar-12	dec-11
Share capital	7,534,782	6,769,881
Share premium	3,379,015	4,131,276
Reserves*	1,899,443	6,586,680
Innovative capital instruments and Non-innovative capital instruments with final expire	649,178	622,676
Non innovative capital instruments	28,622	28,622
Capital instruments subject to transition requirements (grandfathering)	-	12,639
Profit for the period	56,211	-
Prudential filters: increases in Tier 1 capital	1,900,000	1,900,000
Total Tier 1 positive items	**15,447,251**	**20,051,774**
Treasury shares	-24,680	-26,461
Goodwill	-2,312,796	-2,312,795
Other intangible assets	-681,692	-676,688
Loss for the period	-	-4,688,739
Other negative items	-	-
Prudential filters: decreases in Tier 1 capital	-14,416	-26,063
Total Tier 1 negative items	**-3,033,584**	**-7,730,746**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	-93,053	-92,687
Shareholdings in credit and financial institutions with a share of > 10% but < 20% of the equity of the investee	-42,371	-31,248
Shareholdings in credit and financial institutions with a share of ≤ 10% of the equity of the investee	-	-
Shareholdings in insurance companies	-42,318	-39,990
Surplus of expected losses in respect of related write-downs	-628,496	-508,366
Total items to be deducted	**-806,238**	**-672,291**
Total Tier 1 capital	**11,607,429**	**11,648,737**

(*) The item "Reserves" at 31/03/2012 has been reduced by the established whole loss of FY 2011. The loss was allocated in April after the balance-sheet approval.

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

	mar-12	dec-11
Valuation reserve	156,786	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	2,998,212	3,008,209
Subordinated liabilities	2,954,302	2,937,506
Other positive items	-	-
Total Tier 2 positive items	**6,109,300**	**6,046,703**
Other negative items	-4,342	-1,314
Prudential filters: deductions from Tier 2 capital	-44,187	-15,998
Total Tier 2 negative items	**-48,529**	**-17,312**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	-93,053	-92,687
Shareholdings in credit and financial institutions with a share of > 10% but <20% of the equity of the investee	-42,371	-31,248
Shareholdings in insurance companies	-42,318	-39,990
Surplus of expected losses in respect of related write-downs value adjustments	-628,496	-508,366
Total items to be deducted	**-806,238**	**-672,291**
Total Tier 2 capital	**5,254,533**	**5,357,100**
Items to be deducted from Tier 1 and Tier 2 capital	-510,727	-502,416
Regulatory Capital	**16,351,235**	**16,503,420**
Tier 3 Capital	-	-
Regulatory Capital inclusive of Tier 3	**16,351,235**	**16,503,420**

Table 4 - Capital Adequacy

Quantitative disclosure

Table 4.1 - Capital requirements and capital ratios

	mar-12	dec-11
Credit Risk		
Standardised approach	3,414,812	3,394,628
Advanced Internal Rating Based approach	3,502,468	3,743,963
Total	**6,917,280**	**7,138,591**
Market Risk		
Standardised approach	597,554	547,243
Internal models approach	-	-
Concentration risk	-	-
Total	**597,554**	**547,243**
Operational Risk		
Foundation approach	46,004	46,081
Standardised approach	-	-
Advanced Measurement approaches	646,997	649,710
Total	**693,001**	**695,791**
Regulatory Capital Floor	-	33,497
Other requirements	-	-
Aggregate Capital Requirements	**8,207,835**	**8,415,122**
Risk-weighted assets	**102,597,938**	**105,189,030**
Tier 1 Ratio	**11.3%**	**11.1%**
Total Capital Ratio	**15.9%**	**15.7%**

Table 4.2 - Capital requirements for Credit Risk

Standardised Approach	mar-12	dec-11
Exposures to central governments and central banks	3,306	5,780
Exposures to regional governments and local authorities	50,235	47,717
Exposures to non-commercial and public sector entitles	54,795	56,405
Exposures to multilateral development banks	4	2
Exposures to international organisations	-	-
Exposures to supervised institutions	421,454	422,043
Exposures to corporates	1,293,545	1,233,447
Retail exposures	497,303	512,286
Exposures secured by real estate property	219,949	211,384
Past due exposures	239,161	218,033
High-risk exposures	101,784	107,187
Exposures in the form of covered bonds	4,969	5,255
Short term exposure to corporates	-	-
Exposures to Undertakings for Collective Investments in Transferable Securities(UCITS)	102,421	103,466
Other exposures	343,941	398,995
Securitization exposures	81,945	72,628
Total Standardised Approach	**3,414,812**	**3,394,628**
Advanced Internal Rating Based Approach		
Corporate exposures	2,411,130	2,589,265
Retail exposures	1,090,313	1,153,627
↳ *Secured by real estate property*	*574,065*	*591,486*
↳ *Qualifying revolving retail exposures*	*474*	*489*
↳ *Other exposures*	*515,774*	*561,652*
Other assets	1,025	1,072
Total Advanced Internal Rating Based Approach	**3,502,468**	**3,743,963**
Total Credit Risk	**6,917,280**	**7,138,591**

Table 4.3 - Capital requirements for Market Risk

Standardised Approach	mar-12	dec-11
General market risk	302,748	287,188
Specific risk	200,060	171,935
Position risk of Undertaking for Collective investments in Transferable Securities (UCITS)	29,712	17,719
Options	9,343	15,182
Foreign exchange risk	55,691	55,219
Commodities risk	-	-
Total Standardised Approach	**597,554**	**547,243**
Internal models		
Total Internal models	**-**	**-**
Concentration risk	**-**	**-**
Total Market Risk	**597,554**	**547,243**

(*) Capital requirements included in the Specific Risk related to exposures securitized of Regulatory trading book amount to 21,894.4 (thousands of Euros) at 31/03/2012.

Table 4.4 - Capital requirements for Operational Risk

Breakdown of Operational Risk by:	mar-12	dec-11
Foundation approach	46,004	46,081
Standardised approach	-	-
Advanced approaches	646,997	649,710
Total Operational Risk	**693,001**	**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, 15 May 2012

Daniele Bigi

Financial Reporting Officer

List of Tables

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