Pillar 3 Disclosure

Update as at
31 March 2013

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Pillar 3 Disclosure

**Update as at
31 March 2013**

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 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 31 March 2013 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 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

	mar-13	dec-12
Total Tier 1 positive items	13,201,369	14,162,029
Total Tier 1 negative items	-1,588,350	-4,545,450
Total items to be deducted	-1,164,631	-775,210
Tier 1 capital (Tier 1)	**10,448,389**	**8,841,370**
Total Tier 2 positive items	5,305,374	5,324,651
Total Tier 2 negative items	-109,602	-103,414
Total items to be deducted	-1,164,631	-775,210
Tier 2 capital (Tier 2)	**4,031,141**	**4,446,027**
Items to be deducted from Tier 1 and Tier 2 capital	-	-563,560
Regulatory Capital	**14,479,530**	**12,723,837**
Tier 3 capital (Tier 3)	**-**	**-**
Regulatory Capital inclusive of Tier 3 Capital	**14,479,530**	**12,723,837**

Regulatory capital was determined on the basis of the calculation criteria set forth by the Basel 2 Accord for banks that apply internal models for the determination of capital requirements for credit and operational risks (respectively AIRB and AMA approaches for portfolios and legal entities in scope of validation). Comparative data as at 31December 2012 reported in this document differs from data published in the Pillar 3 Disclosure to the Public as at 31 December because the Bank was requested by the Supervisory Authority on 7 May 2013 to implement a retrospective change to Tier 1, which reduced it by EUR 76 mln.

As at 31 March 2013, Regulatory Capital (inclusive of Tier 3) increased by approximately EUR 1,755.7 mln (+13.8%) totalling EUR 14,479.5 mln as compared to EUR 12,723.8 mln as at the end of 2012. The increase in Regulatory Capital is essentially attributable to Core Capital (Tier 1), which was up EUR 1,607 mln (+18.2%). The latter is linked to the issuance of New Financial Instruments (NFIs) which, net of Tremonti Bonds (EUR 1,900 mln), contributed additional capital of EUR 2,171 mln. Tier 1 was instead reduced by: loss for the period (-EUR 100.7 mln), increased deductions on the surplus of expected losses over total impairment provisions (-EUR 97.4 mln) and higher deductions (-EUR 294.4 mln) on shareholdings in insurance companies, due to the expiry of transitional regulations which allowed for their overall deduction from total regulatory capital rather than 50% from Tier 1 and 50% from Tier 2. The EUR 415 mln reduction in Tier 2, totalling EUR 4,031 mln vs. EUR 4,446 mln as at the end of 2012, is due to the aforementioned increases in deductions on the surplus of expected losses (-EUR 97.4 mln) and shareholdings in insurance companies (-EUR 294,4 mln).

As previously explained, items deductible from Tier 1 and Tier 2, were zeroed after the expiry of transitional regulations which allowed for the deduction of insurance shareholdings purchased prior to 20/07/2006 from total Tier 1 and Tier 2 capital (see Title 1, Chapter 2 of Circ. 263/2006 are still applicable). As of 1 January 2013, these elements were deducted, 50% from Tier 1 and 50% from Tier 2.

It is noted that, 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 EUR 2.741,9 mln, has been completed sterilized.

Table 3.1.1 - Breakdown of Tier 1 and Tier 2 Capital

	mar-13	dec-12
Share capital	7,296,179	7,296,181
Share premium	255,311	255,311
Reserves	903,258	4,091,074
Innovative capital instruments and Non-innovative capital instruments with final expire	400,618	401,684
Non innovative capital instruments	217,779	217,779
Capital instruments subject to transition requirements (grandfathering)	-	-
Profit for the period	-	-
Prudential filters: increases in Tier 1 capital*	4,128,225	1,900,000
Total Tier 1 positive items	**13,201,369**	**14,162,029**
Treasury shares	-24,532	-24,532
Goodwill	-728,255	-728,255
Other intangible assets	-455,951	-465,628
Loss for the period	-100,675	-3,191,919
Other negative items	-64,475	-
Prudential filters: decreases in Tier 1 capital	-214,462	-135,116
Total Tier 1 negative items	**-1,588,350**	**-4,545,450**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	-97,059	-98,035
Shareholdings in credit and financial institutions with a share of > 10% but < 20% of the equity of the investee	-23,736	-25,099
Shareholdings in credit and financial institutions with a share of ≤ 10% of the equity of the investee	-	-
Shareholdings in insurance companies	-333,691	-39,294
Surplus of expected losses in respect of related write-downs	-710,144	-612,782
Total items to be deducted	**-1,164,631**	**-775,210**
Total Tier 1 capital	**10.448.389**	**8.841.370**

(*)On 28 February 2013, the issuance of New Financial Instruments was completed, as provided for by articles 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended. In particular, the Ministry of Economy and Finance subscribed to the New Financial Instruments issued by the Bank for a total of EUR 4,071 mln, of which EUR 1,900 mln allocated to full repayment of the Tremonti Bonds already issued by the Bank in 2009, and EUR 171 mln, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 December 2012, in consideration of the operating loss for the year.

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

	mar-13	dec-12
Valuation reserve	285,061	270,195
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	2,625,266	2,659,096
Subordinated liabilities	2,367,280	2,372,596
Surplus of total write-downs value in respect of related expected losses	27,767	22,765
Other positive items	-	-
Total Tier 2 positive items	**5,305,374**	**5,324,651**
Other negative items	-1,272	-2,540
Prudential filters: deductions from Tier 2 capital	-108,330	-100,874
Total Tier 2 negative items	**-109,602**	**-103,414**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	-97,059	-98,035
Shareholdings in credit and financial institutions with a share of > 10% but <20% of the equity of the investee	-23,737	-25,099
Shareholdings in insurance companies	-333,691	-39,294
Surplus of expected losses in respect of related write-downs value adjustments	-710,144	-612,782
Total items to be deducted	**-1,164,631**	**-775,210**
Total Tier 2 capital	**4,031,141**	**4,446,027**
Items to be deducted from Tier 1 and Tier 2 capital*	-	-563,560
Regulatory Capital	**14,479,530**	**12,723,837**
Tier 3 Capital	-	-
Regulatory Capital inclusive of Tier 3	**14,479,530**	**12,723,837**

(*) Items deductible from Tier 1 and Tier 2, were zeroed after the expiry of transitional regulations which allowed for the deduction of insurance shareholdings purchased prior to 20/07/2006 from total Tier 1 and Tier 2 capital (see Title 1, Chapter 2 of Circ. 263/2006). As of 1 January 2013, these elements were deducted, 50% from Tier 1 and 50% from Tier 2.

Table 4 – Capital Adequacy

Quantitative disclosure

Table 4.1 - Capital requirements and capital ratios

	mar-13	dec-12
Credit Risk		
Standardised approach	2,665,183	2,677,649
Advanced Internal Rating Based approach	3,066,896	3,126,001
Total	**5,732,079**	**5,803,650**
Market Risk		
Standardised approach	463,935	483,831
Internal models approach	-	-
Concentration risk	-	-
Total	**463,935**	**483,831**
Operational Risk		
Foundation approach	31,404	31,404
Standardised approach	-	-
Advanced Measurement approaches	634,003	636,387
Total	**665,407**	**667,791**
Regulatory Capital Floor	226,259	470,968
Other requirements	-	-
Aggregate Capital Requirements	**7,087,680**	**7,426,240**
Risk-weighted assets	**88,595,998**	**92,828,000**
Tier 1 Ratio	**11,8%**	**9,5%**
Total Capital Ratio	**16,3%**	**13,7%**

It is noted that the herein reported capital requirements as at 31 December 2012 do not take account of the NFIs, which are instead considered in the requirements as at 31 March 2013

Total risk-weighted assets as at 31 March 2013, amounting to EUR 88,596 mln, were down by approximately EUR 4,232 mln (-4.6%) as compared to the end of the previous year (see Table 4.1). The reduction is primarily attributable to a significantly lower Basel 1 Floor, which was down from EUR 5,887 mln (EUR 471 mln in terms of requirements) to EUR 2,828 mln (EUR 226 mln in terms of requirements) as at 31 March 2013.

The "floor", (i.e. threshold limit under which the ratio of total capital to risk weighted assets must not fall) is now set at 85% of the risk weigthed assets calculated on the basis of the previous regulatory framework (Basel 1).

The reduction in RWAs and related capital requirements was also contributed to by a contraction in RWAs by -EUR 895 mln for credit risk (-EUR 72 mln in terms of requirements) and by -EUR 249 mln for market risk (-EUR 20 mln in terms of requirements).

At the end of March 2013, the Tier 1 capital ratio was 11.8% (vs. 9.5% as at 31 December 2012), while the total capital ratio was 16.3% (vs. 13.7% as at 31 December 2012). Solvency ratios as at 31 March 2013 include EUR 4,071 mln in New Financial instruments (NFIs). A detailed description of the NFI features is provided in the Pillar 3 Disclosure to the Public as at 31 December 2012. Comparative data for the Tier 1 ratio and Total capital ratio as at 31 December 2012 reported in this document differs from data published in the Pillar 3 Disclosure to the Public as at 31 December because the Bank was requested by the Supervisory Authority on 7 May 2013 to implement a retrospective change to Tier 1, which reduced it by EUR 76 mln and resulted also in a slight variation in solvency ratios.

Table 4. 2 - Capital requirements for Credit Risk

Standardised Approach	mar-13	dec-12
Exposures to central governments and central banks	6,511	15,603
Exposures to regional governments and local authorities	49,376	50,018
Exposures to non-commercial and public sector entitles	67,343	65,364
Exposures to multilateral development banks	-	-
Exposures to international organisations	-	-
Exposures to supervised institutions	390,132	403,802
Exposures to corporates	841,941	845,730
Retail exposures	415,456	400,601
Exposures secured by real estate property	112,790	104,056
Past due exposures	140,876	141,566
High-risk exposures	48,313	57,158
Exposures in the form of covered bonds	9,601	12,196
Short term exposure to corporates	-	-
Exposures to Undertakings for Collective Investments in Transferable Securities(UCITS)	130,441	139,564
Other exposures	351,811	339,225
Securitization exposures	100,593	102,766
Total Standardised Approach	**2,665,183**	**2,677,649**
Advanced Internal Rating Based Approach		
Corporate exposures	2,196,285	2,230,408
Retail exposures	870,611	895,592
↳ *Secured by real estate property*	*441,059*	*461,768*
↳ *Qualifying revolving retail exposures*	*353*	*385*
↳ *Other exposures*	*429,199*	*433,440*
Other assets	-	-
Total Advanced Internal Rating Based Approach	**3,066,896**	**3,126,001**
Total Credit Risk	**5,732,079**	**5,803,650**

(*) The capital requirement for Counterparty Risk amounts to 220,963 EUR/000 and is calculated based not only on the Trading Book but also on the Banking Book. This requirement is reported for each individual regulatory portfolio under the Standardised and Advanced IRB approach (in thousands of Euro).

Table 4.3 - Capital requirements for Market Risk

Standardised Approach	mar-13	dec-12
General market risk	256,331	242,192
Specific risk	140,708	139,120
Position risk of Undertaking for Collective investments in Transferable Securities (UCITS)	20,457	52,965
Options	11,266	5,505
Foreign exchange risk	8,742	13,489
Commodities risk	26,432	30,558
Total Standardised Approach	**463,935**	**483,831**
Internal models		
Total Internal models	-	-
Concentration risk	-	-
Total Market Risk	**463,935**	**483,831**

(*) Capital requirements under Specific Risk for positions with securitisations included in the Regulatory Trading Book as at 31 March 2013 amounted to EUR 29,922 (in thousands of Euro).

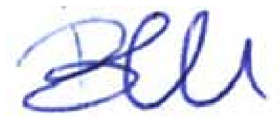
Table 4.4 - Capital requirements for Operational Risk

Breakdown of Operational Risk by:	mar-13	dec-12
Foundation approach	31,404	31,404
Standardised approach	-	-
Advanced approaches	634,003	636,387
Total Operational Risk	**665,407**	**667,791**

Declaration of the Financial Reporting Officer

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

Siena, 14 May 2013



Bernardo Mingrone

Financial Reporting Officer

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