Comunicazione della BCE del 10 febbraio 2015

EUROPEAN CENTRAL BANK

BANKING SUPERVISION

ECB-CONFIDENTIAL

Banca Monte dei Paschi di Siena S.p.A.
Board of Directors

ECB/SSM/2015/10 – J4CP7MHCXR8DAQMKIL78/3

DECISION OF THE EUROPEAN CENTRAL BANK

of 10 February 2015

establishing prudential requirements for Banca Monte dei Paschi di Siena S.p.A.

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions[1], and in particular Article 16 thereof,

Whereas:

1. The European Central Bank (ECB) is the consolidating supervisor for Banca Monte dei Paschi di Siena S.p.A. and the competent authority responsible for the supervision of its subsidiaries MPS Leasing & Factoring SpA, MPS Capital Services Banca per le Imprese SpA, Monte Paschi Banque S.A., Banca Monte Paschi Belgio S.A. and Banca Widiba SpA.

2. Article 4(1)(f) of Council Regulation (EU) No 1024/2013 authorises the ECB to carry out, within the framework established by Article 6 of that Regulation, supervisory reviews, including where appropriate in coordination with the European Banking Authority (EBA), stress tests and their possible publication, in order to determine whether the arrangements, strategies, processes and mechanisms put in place by credit institutions and the own funds held by these institutions ensure a sound management and coverage of their risks, and on the basis of that supervisory review to impose on credit institutions specific additional own funds requirements, specific publication requirements, specific liquidity requirements and other measures, where specifically made available to competent authorities by relevant Union law.

[1] OJ L 287, 29.10.2013, p. 63

ECB-CONFIDENTIAL

3. The review and evaluation of Banca Monte dei Paschi di Siena Group have been conducted in accordance with national methodologies. The review and evaluation have been risk based, and have had regard to the size, systemic importance, nature, scale and complexity of the activities of the institution concerned and have taken into account the principle of proportionality.

4. As part of the review and evaluation, in accordance with Article 33(4) of Council Regulation (EU) No 1024/2013, the ECB carried out a supervisory stress test in cooperation with the EBA. The result of the stress test for Banca Monte dei Paschi di Siena Group was a capital shortfall of EUR 4,250 million. Considering the mitigating measures accomplished from 1 January to 30 September 2014, the adverse scenario shortfall is reduced to EUR 2,110 million.

5. Article 16 of Regulation (EU) No 1024/2013 provides for the exercise by the ECB of supervisory powers for the purpose of carrying out its tasks referred to in Article 4(1) of that Regulation.

6. Pursuant to Article 16(2)(a) of Regulation (EU) No 1024/2013, the ECB has the power to require institutions to hold own funds in excess of the capital requirements laid down in the acts referred to in the first subparagraph of Article 4(3) of Regulation (EU) No 1024/2013 related to elements of risks and risks not covered by the relevant Union acts.

7. Pursuant to Article 16(2)(b) of Regulation (EU) No 1024/2013, the ECB has the power to require institutions to reinforce the arrangements, processes, mechanisms and strategies.

8. Pursuant to Article 16(2)(i) of Regulation (EU) No 1024/2013, the ECB has the power to restrict or prohibit distributions by institutions to shareholders, members or holders of Additional Tier 1 instruments where the prohibition does not constitute an event of default of the institution.

9. On the basis of the reasons set out in the annexes to this Decision, the ECB has concluded that the conditions referred to in Article 16(1) of Regulation (EU) No 1024/2013 have been fulfilled and the ECB may exercise the powers provided for in Article 16(2)(a), (b) and (i) of Regulation (EU) No 1024/2013 as detailed in the annexes to this Decision.

10. By a letter dated 18 December 2014 the ECB informed the supervised entities that they have the opportunity to comment on a draft of this Decision. Prior to adopting this Decision the ECB assessed all comments received from the supervised entities and where appropriate changed the initial assessment based on those comments. The comments received from the supervised entities have been evaluated and are addressed in an explanatory note which has been communicated to the supervised entities.

ECB-CONFIDENTIAL

11. Pursuant to Article 26(8) of Regulation (EU) No 1024/2013, the Supervisory Board proposed a complete draft decision to the Governing Council on [insert date].

HAS ADOPTED THIS DECISION:

Article 1

Definitions

For the purposes of this Decision:

1. 'own funds requirement' means the own funds requirements laid down in Regulation (EU) No 575/2013[1] and in Directive 2013/36/EU[2], combined with an additional requirement established herewith in accordance with Article 16(2)(a) of Council Regulation (EU) No 1024/2013;

   An additional own funds requirement established in this Decision shall be treated as a requirement established in accordance with Article 104(1)(a) of Directive No 2013/36/EU for the purpose of the national legislation implementing Articles 129(5), 130(5), 131(13), and 133(4) of Directive No 2013/36/EU;

2. 'liquidity requirement' means the liquidity requirements laid down in Regulation (EU) No 575/2013 and in Directive 2013/36/EU, combined with an additional requirement established herewith in accordance with Article 16(2)(k) of Council Regulation (EU) No 1024/2013.

Article 2

Prudential requirements

1. Banca Monte dei Paschi di Siena S.p.A.shall at all times satisfy the requirements detailed in Annex I to this Decision.

2. Banca Monte Paschi Belgio S.A. shall at all times satisfy the requirements detailed in Annex II to this Decision.

3. Monte Paschi Banque S.A. shall at all times satisfy the requirements detailed in Annex III to this Decision.

1 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

2 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

ECB-CONFIDENTIAL

4. Subsidiaries that have not been waived from prudential requirements and to which no decisions are addressed on an individual basis are listed in Annex Annex IV to this Decision.

Article 3

Notification

1. Banca Monte del Paschi di Siena, S.p.A. shall notify the management body of each of its subsidiaries listed in Article 2:

   (a) the body of the text of this Decision; and

   (b) the relevant annex to this Decision.

2. Banca Monte dei Paschi di Siena, S.p.A. shall inform the ECB of the dates on which the notifications referred to in paragraph 1 have taken place.

Article 4

Administrative review and appeal

1. In accordance with Article 24 of Regulation (EU) No 1024/2013, within one month of being notified of this Decision, a supervised entity may write to the ECB's Administrative Board of Review requesting it to carry out an internal administrative review of the decision. A request for review should be sent preferably by electronic mail to:

   SSMSecretariat@ecb.europa.eu.

   or by post to:

   The Secretary of the Administrative Board of Review
   European Central Bank
   Sonnemannstrasse 22
   60314 Frankfurt am Main
   Germany.

2. Proceedings may be instituted against this decision before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

4

ECB-CONFIDENTIAL

Article 5

Taking effect

This Decision shall take effect on the day of its notification to the addressee.

Article 6

Addressee

This Decision is addressed to Banca Monte dei Paschi di Siena S.p.A.

Done at Frankfurt am Main, 10 February 2015

The President of the ECB

Mario DRAGHI

5

ANNEX I

PRUDENTIAL REQUIREMENTS FOR BANCA MONTE DEI PASCHI DI SIENA S.p.A.

Point I

Conclusion of the supervisory review

1. Based on the supervisory review conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 and the information available as at reference date 31 December 2013, the European Central Bank (ECB) has made the following determinations.

a) The arrangements, strategies, processes and mechanisms implemented by the Banca Monte dei Paschi di Siena Group (the 'MPS Group') and the own funds and liquidity held by it do not fully ensure the sound management and coverage of its risks.

(i) The MPS Group is the third largest Italian banking group in terms of total assets listed on the Italian Stock Exchange and is mainly focused on traditional banking activity in the domestic environment with a limited presence abroad. During 2013, the MPS Group was subject to an EU state aid procedure and the European Commission approved the 2013-2017 restructuring plan[1]. The main drivers of the plan are the strengthening of the capital base, the rationalisation of the group structure, the return to a sustainable level of profitability, mainly through cost cutting (personnel and administrative cost reduction and asset disposal) and increase in productivity (increase in sales proactivity, growth of fees, development of new business opportunities), the rebalancing of the liquidity profile and the total reimbursement of the two long term refinancing operations (LTRO) with the ECB (EUR 29 billion) within 2015.

Regarding the strengthening of the MPS Group's capital base, in May 2014 a capital increase of EUR 5 billion was completed, and was primarily concerned with repaying EUR 3 billion of the EUR 4.1 billion of new financial instruments as part of the state aid procedure as well as dealing with the possible negative impacts stemming from the comprehensive assessment.
In relation to the rationalisation of the group structure, several initiatives have already been achieved. These include the incorporation of Banca Anton Veneta, Monte Paschi di Siena Ireland, Monte Paschi di Siena GC, the disposal of BIVER Banca, the closure of 450 branches and the reduction of around 3800 units from 2012. In August the MPS Group signed an agreement with the Italian Labour Unions for the release of 1 300 staff by 2014, through the activation of the solidarity fund.

---

11 State Aid Procedures SA.35137 and SA.36175.

ECB-CONFIDENTIAL

(ii) The sale of foreign banks (Monte dei Paschi Banque and Banca Monte dei Paschi Belgio) and MPS Leasing and Factoring appears to be challenging, due to the low profitability of the assets and the negative market conditions. The Banca d'Italia has recently granted the authorisation for the merger of Consum.it and the parent company.

(iii) Regarding the return to profitability, the 30 September 2014 accumulated consolidated results were significantly lower than the expected figures planned in the Restructuring Plan.

(iv) The ECB exposure LTRO has been reduced from EUR 29 billion to EUR 14 billion. The MPS Group participated in the first T LTRO for EUR 3 billion.

(v) Since the relevant changes to the top management of the MPS Group in 2012, the ownership structure has changed significantly during 2013 and 2014, in particular in connection with the 2014 capital increase. Two new foreign investors, BTG Pactual and Fintech, acquired a total stake of 6.5% in MPS (4.5% Fintech and 2% BTG Pactual) from the foundation. Together with the share purchase agreement, the parties also signed a shareholders' agreement relating to the governance of the bank, which enables the parties to exert a significant influence on the MPS Group. In the renewed ownership structure the foundation plays a less significant role in comparison to previous years. Nevertheless, due to the shareholders' agreement with BTG and Fintech, the foundation is still able to play a pivotal role in decisional processes.

(vi) The overall supervisory review and evaluation process (SREP) assessment of the MPS Group led to the assignment of an overall unfavourable SREP score. This was based on high credit risk, mainly due to the considerable flow and stock indicators of non-performing loans (NPL) that confirm a trend of deterioration, to the still high level of loan losses and to the weaknesses remained in the organisation and procedures, especially with reference to credit misclassifications. Delays in the credit recovery procedures, level of provisioning and collateral management, high business risk linked to the fact that profitability levels are lower than those expected in the Restructuring Plan, high operational risk mainly owing to high level of exposure to reputational and legal risks due to the bank's involvement in judicial cases all contributed to the unfavourable score. All the other risks are assessed as medium-high.

(vii) At the end of 2013 the core Tier 1 and the total capital ratio were equal to 10% and 15.2% above the minimum regulatory requirements. Common Equity Tier 1 as at 1 January 2014, as publicly disclosed by the ECB in the comprehensive assessment exercise, was 10.2% and reached 12.8% as at 30 September 2014 according to the presentation of the September 2014 results.

7

ECB-CONFIDENTIAL

(viii) Nonetheless, the regulatory capital is deemed inadequate to cover the risks related to the stress testing. The main outcomes of the comprehensive assessment are as follows.

— There is a capital shortfall of EUR 4.2 billion in the adverse scenario of the stress test, after which the Common Equity Tier 1 ratio is equal to -0.09%. Considering the mitigating measures accomplished from 1 January to 30 September 2014, the adverse scenario shortfall is reduced to EUR 2.1 billion. The required Common Equity Tier 1 ratio in point II of this Annex was calculated as a result of the sum of the Common Equity Tier 1 ratio as of 31st December 2013, as in the comprehensive assessment disclosure, plus the capital shortfall adjusted by the asset quality review provisions fully accounted for by the MPS Group, the double counting effects produced by the reimbursement of the State Aid and the part of the excess Pre Provision Profit with respect to the Stress Test accepted as part of the Capital Plan. Additionally, the provisions accounted for in the fourth quarter of 2014 with respect to non-AQR portfolios but triggered by the qualitative findings of the AQR were also considered to reduce the required Common Equity Tier 1 ratio of MPS Group. Notwithstanding, the SREP ratio requirement does not fully benefit from the above mentioned effects for the following reasons, among others: 1) even though the clean-up effort carried out by the bank in 2014 is acknowledged and that, as a result, the coverage ratio (48%) will be substantially in line with the largest Italian banking groups, the adequateness of the level of non-performing exposure (NPE) recognition and provisioning needs to be assessed, as well as the adequate implementation of mitigating measures to address the weaknesses identified in the past with respect to credit risk origination and management; 2) the viability concerns persist, due to the low profitability profile (reliance on cheap ECB funding, 31% of the credit exposures not contributing to cash flow generation, losses of EUR 87mn forecasted in the 2015 budget and based on income and credit losses projections that could be challenged in view of the still difficult macroeconomic environment). As a result, the Common Equity Tier 1 ratio of 10.2% reached by the bank as of end 2013 will be required after the period established in Point II (1) in order to maintain an appropriate buffer in view of the still elevated downside risks of the MPS Group.

The required Common Equity Tier 1 ratio must be interpreted according to the previous considerations, so that in the event that provisions effectively booked in the Audited Financial Accounts were lower than the provisional figures provided to the European Central Bank during the hearing period, adjustments to the own funds requirements may become necessary. Under the principles of Union law, the ECB as

8

ECB-CONFIDENTIAL

the institution which adopts this decision also has the power to abrogate and amend it with a new decision if necessary.

— The calculation of the comprehensive assessment shortfall considers, as Common Equity Tier 1 prudential adjustment, the inclusion of 100% of unrealised losses on Italian government bonds encompassed in the 'Alexandria transaction', in anticipation of the full implementation of Article 35 and Article 467 of Regulation (EU) No 575/2013, in order to eliminate any potential arbitrage incentive from a prudential point of view. The ECB considers appropriate to maintain this prudential measure going forward.

— The qualitative findings of the AQR showedrelevant deficiencies in management and internal controls with respect to credit risk in the areas of default detection, specific provisioning, collateral valuation and collective provisioning.

(ix) Further improvements need to be carried out particularly in the light of the new prudential regulation on internal control systems detailed by Banca d'Italia in the 15th update of Circular No 263. Weaknesses and gaps in prudential regulation are still in place, as pointed out by the 2013 internal audit report with reference in particular to credit risk, Anti Money Laundering and administrative procedures, for example supplier selection, outsourcing procedure, pending items in accounting..

(x) The MPS Group shows weak profitability and has serious difficulties generating internal capital. This is primarily related to the inability of the operational income to cover the still high level of provisions and the further clean-up costs of the credit portfolio as shown by the comprehensive assessment. The quality of loans is still affected by the expansive loan policy adopted in the past years (2008-2010), the below average quality of the ex Banca Antonveneta portfolio and past low credit standards in origination of loans to related parties and local economy.

(xi) The MPS Group's liquidity position improved during the first nine months of 2014 by aligning its liquidity indicators with those of its peers. Nevertheless, despite this improvement, areas of vulnerability still remain.

(xii) Sovereign risk, a high reliance on government bonds and government guaranteed bonds, represents a risk factor for the bank. As a result, the MPS Group's liquidity situation suffers from volatility of the counterbalancing capacity (CC) due to a variation of BTP-Bund spread and given the sizeable amount of government bonds in the CC.

9

ECB-CONFIDENTIAL

(xiii) The MPS Group's funding structure continues to place a high reliance on short term and ECB funding. MPS Group is exposed to reputational risks which may have repercussions on their liquidity profile.

(xiv) In conclusion, in the context of a deteriorated economic situation, the MPS Group suffers from serious weaknesses which make the bank particularly vulnerable. These weaknesses include capital shortfall, weak profitability profile and continued losses with an increasing amount of non-performing assets that are unlikely to improve. The MPS Group suffers from underperformance in terms of profits with respect to the Restructuring Plan approved by the European Commission and is still highly dependent on funding from the ECB as well as being at risk of high reputational exposure and uncertain market reaction.

(xv) On the 26 November 2014, Banca Monte dei Paschi di Siena S.p.A communicated a breach of the regulatory limits to large exposures with Nomura, as at 30 September 2014, in line with Article 396(1) of Regulation (EU) No 575/2013, following a decrease in total capital due to additional losses booked and the decrease in the Italian sovereign debt yield. As it is likely that the breach cannot be permanently solved with the measures already envisaged by the bank, on 8 January 2015 a letter was sent by the ECB to Banca Monte dei Paschi di Siena S.p.A asking for additional decisive actions to reduce the exposure to Nomura, including the possible unwinding of the Alexandria transaction .

Banca Monte dei Paschi di Siena S.p.A replied to the above mentioned letter on the 28th January 2015, stating that MPS's legal department confirmed the possibility to net the long term repo and the repo facility within the General Master Repurchase Agreement according to Article 296 of the Regulation No 575/2013, reducing the regulatory exposure by EUR 500 mn.

Additionally, the effective counterparty risk (economic exposure) would not include the value of the collateral as an incremental credit exposure, according to MPS, which estimated the exposure to Nomura as falling below the large exposure limit if estimated following the new regulatory proposal by the Basel Committee[1].

MPS informed in the above mentioned letter sent to the European Central Bank that the unilateral unwinding of the transaction would imply a high loss (EUR 1bn gross of tax) and would entail waiving the pending claims against Nomura, with potential liabilities for the current managers of MPS. Nomura has proposed to negotiate an out of the court settlement and MPS believes this

[1] Basel Committee for Banking Supervision: *Non-internal model method for capitalizing counterparty credit risk exposures*

ECB-CONFIDENTIAL

could be reached in the first half of 2015. MPS commits to close the Alexandria transaction as soon as possible from a legal perspective.

Therefore, no formal plan was provided by MPS. The ECB is of the view that the solution of the large exposure breach cannot be postponed for more than the 9 month period referred to in Point II (1) of this Decision, unless a proven legal impediment arose in the future as a consequence of the on-going civil proceedings or criminal investigations.

b) The MPS Group does not fully have in place sound, effective and complete strategies and processes for assessing, maintaining and distributing internal capital:

Although Banca Monte dei Paschi di Siena S.p.A has in place strategies and processes for assessing, maintaining and distributing internal capital, these did not prevent the occurrence of a shortfall in the comprehensive assessment.

c) The amount, type and distribution of internal capital are not fully adequate to cover the nature and level of risks to which the MPS Group is exposed or might be exposed.

(i) The capital shortfall identified is EUR 2.1 billion, after the realisation of mitigating measures that reduced the initial amount from EUR 4.2 billion. The comprehensive assessment shows that the MPS Group's amount and type of internal capital are not adequate to cover the nature and level of the risks.

(ii) In order to define the overall capital requirement, pillar II add-ons for strategic risk and litigation costs, not covered by the comprehensive assessment, have been considered within the risk assessment conducted by Banca d'Italia for an amount of EUR 520 million and EUR 63 million, respectively.

d) The MPS Group has broadly implemented robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons.

e) The liquidity held by the MPS Group does not fully provide sufficient coverage of liquidity risks.

(i) Although, as of December 2013, the liquidity position is in line with the bank's peers and the buffer has improved in comparison with the previous year, a number of vulnerabilities still remain.

11

ECB-CONFIDENTIAL

— Sovereign risk, the high reliance on government bonds and government guaranteed bonds, presents a risk factor for the bank. As a result, the MPS Group's liquidity situation suffers from volatility of the CC due to variation of BTP-Bund spread, given the sizeable amount of government bonds in the CC.

— The MPS Group's funding structure currently places a high reliance on short term and ECB funding.

— The MPS Group is exposed to reputational risks which may have repercussions on their liquidity profile.

2. Taking into consideration the conclusions detailed in paragraph 1 (a) the ECB has concluded that the conditions referred to in Article 16(1)(c) of Regulation (EU) No 1024/2013 are fulfilled and that it may exercise the powers provided for in Article 16(2)(a) of that Regulation to require the institution to hold own funds in excess of the capital requirements laid down in the acts referred to in the first subparagraph of Article 4(3) of that Regulation related to elements of risks and risks not covered by the relevant Union acts.

3. Taking into consideration the conclusions detailed in paragraph 1 (a) and (b) the ECB has concluded that the conditions referred to in Article 16(1)(c) of Regulation (EU) No 1024/2013 are fulfilled and that it may exercise the powers provided for in Article 16(2)(i) of that Regulation to prohibit distributions of dividends to shareholders.

4. Taking into consideration the conclusions detailed in paragraph 1(b) the ECB has concluded that the conditions referred to in Article 16(1)(c) of Regulation (EU) No 1024/2013 are fulfilled and that it may exercise the powers provided for in Article 16(2)(b) of that Regulation to require the institution to reinforce the strategies and the processes for assessing, maintaining and distributing internal capital.

Point II

Prudential Requirements

1. Based on the capital shortfall identified by the comprehensive assessment conducted by the ECB, Banca Monte dei Paschi di Siena S.p.A must cover its capital shortfall in the 9 months following 26 October 2014, according to the capital plan received by the ECB on 10 November 2014, by implementing a rights issue for EUR 2.5 billion.

ECB-CONFIDENTIAL

2. Based on the conclusions stated in point I.1 (a) , Banca Monte dei Paschi di Siena S.p.A. must at all times satisfy, on a consolidated basis, an overall own funds requirement of 10.9% total capital ratio as well as an overall Common Equity Tier 1 ratio requirement of 10.2% as defined in Regulation (EU) No 575/2013, after completion of point II (1). Pending completion of point II (1), Banca Monte dei Paschi di Siena S.p.A. must comply at all times with the 2013 Joint Decision on capital adequacy for the group as communicated by the Banca d'Italia on 2 May 2014.

3. Based on the conclusions stated in point I. 1 (a) (viii), Banca Monte dei Paschi di Siena S.p.A. must apply a prudential adjustment, including in the calculation of Common Equity Tier 1, of the 100% of unrealised losses on Italian government bonds encompassed in the 'Alexandria transaction' with Nomura, in anticipation, only for the purposes of this transaction, of the implementation of Article 35 and Article 467 of Regulation (EU) No 575/2013 in order to eliminate any potential arbitrage incentive from a prudential point of view.

4. Based on the conclusions stated in point I.1. (a), Banca Monte dei Paschi di Siena S.p.A. must not make dividend payments to shareholders while this Decision is in force.

5. Based on the conclusions stated in Point I.1. (a) (xv) and in accordance with Article 396 (1) of Regulation (EU) no. 575/2013, Banca Monte dei Paschi di Siena S.p.A. must solve the current breach of the limit to large exposures with Nomura in the 9 month period established in Point II (1), avoiding also future breaches of the large exposures regulation regarding Nomura, unless a proven legal impediment arose in the future as a consequence of the on-going civil proceedings or criminal investigations.

6. Based on the conclusions stated in point I.1. (a) to (c), Banca Monte dei Paschi di Siena S.p.A. must address non-performing exposures and restructuring, including mergers or acquisitions, within the 9 month period established in point II (1), by setting specific milestones.

7. Based on the conclusions stated in point I.1. (b), Banca Monte dei Paschi di Siena S.p.A. must reinforce its strategies and the processes for assessing, maintaining and distributing internal capital.

ECB-CONFIDENTIAL

ANNEX II

PRUDENTIAL REQUIREMENTS FOR BANCA MONTE PASCHI BELGIO S.A.

Point I

Conclusion of the supervisory review

1. Based on the supervisory review conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 and the information available as at reference date 31 December 2013, the European Central Bank (ECB) has made the following determinations.

The arrangements, strategies, processes and mechanisms implemented by Banca Monte Paschi Belgio S.A. (BMPB) and the own funds and liquidity held by it broadly ensure the sound management and coverage of its risks.

With a Common Equity Tier 1 ratio at 11.56%, BMPB's capital position as at 31 December 2013 is compliant with the 9% required level of Tier 1 capital ratio based on the previous supervisory review and evaluation process (SREP) outcome derived from the Nationale Bank van België/Banque Nationale de Belgique (NBB) pillar 2 approach starting from the pillar 1 requirements and adding specific pillar 2 add-ons. Nevertheless, this 3% margin of EUR 21 million requires close monitoring, taking into account the overall 2014 SREP assessment of BMPB.

Governance and liquidity risk have been identified as having a higher risk and, going forward, these areas in particular will require increased monitoring. This is primarily due to an increased turnover on the Board of Directors during the last few months and years (for example, a new Chairman has just been appointed) as well as the high concentration and liquidity risks.

Liquidity and concentration risks are caused by the current business model that makes the bank highly dependent on corporate clients and as well as the parent company.

At present, despite adequate liquidity risk policy as well as limits and monitoring given the size of the bank, BMPB will not reach a liquidity position ensuring a sound coverage of risks. This is owing to a high concentration in banking securities (28% of securities portfolio) as well as a high dependence on intragroup funding, which is not eligible for high quality liquid assets. However, there are enough possible measures to improve the liquidity situation. The question is to what extent their implementation could impact the already fragile level of profitability.

14

ECB-CONFIDENTIAL

The early 2014 strategy regarding deposits could not be achieved due to the current difficult Belgian market. In addition, the net commission income and net interest income (owing to lower corporate assets) were below budget, whereas administrative costs remain relatively stable, leading to a still high cost-income ratio of 80%.

Given the absence of trading activities and the relatively low interest rate risk (2% impact on own funds based on the NBB 200 basis points parallel shift stress test), the other main area of focus for 2014 were the credit and operational risks as well as internal governance.

The two main sources of credit risk are lending activity and the securities portfolio. The securities portfolio is predominantly held for liquidity purpose and good credit quality (67% exposure on public counterparts) with only 2% speculative grade and one structured product, whose unrealised loss is fully provisioned. BMPB's loan portfolio however, reflects a large concentration in Belgian and Italian counterparties,61% and 23% of the balance sheet respectively. Based on the statutory auditors report and spot checks on the loans portfolio, the individual provisioning process and the current monitoring of credit risk as a whole are assessed as adequate taking into account the size of the bank. Nevertheless, some deficiencies have been identified in the internal scoring IT system used for the monitoring of the credit portfolio which require mitigating actions.

In order to solve these issues, the implementation of a new IT system, Temenos, has been agreed upon but the implementation date has been postponed on numerous occasions (necessary modules end of 2014 and fully in March/April 2015). A lot of inputs are required from key personnel reducing their time for other risk/business-oriented tasks, for example, arrears are created in the revision of the corporate credit files, which also increases operational risk.

2. Taking into consideration the conclusions detailed in paragraph 1(a) the ECB has concluded that the conditions referred to in Article 16(1)(c) of Regulation (EU) No 1024/2013 are fulfilled and that it may exercise the powers provided for in Article 16(2)(a) of that Regulation to require the institution to hold own funds in excess of the capital requirements laid down in the acts referred to in the first subparagraph of Article 4(3) of that Regulation related to elements of risks and risks not covered by the relevant Union law.

Point II

Prudential Requirements

Based on the conclusions stated in point I, BMPB must at all times satisfy, on an individual basis, an overall own funds requirement of 9 % Common Equity Tier 1.

15

ECB-CONFIDENTIAL

ANNEX III

PRUDENTIAL REQUIREMENTS FOR MONTE PASCHI BANQUE S.A.

Point I

Conclusion of the supervisory review

1. Based on the supervisory review conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 and the information available as at reference date 31 December 2013, the European Central Bank (ECB) has made the following determinations.

The arrangements, strategies, processes and mechanisms implemented by Monte Paschi Banque S.A. and the own funds and liquidity held by it do not fully ensure the sound management and coverage of its risks.

As at December 31, 2013, the core capital ratio stood at 9.2% thus remaining close to the 8% minimum imposed by national regulation at that date.

Within the framework of the Banca Monte dei Paschi di Siena Group Restructuring Plan[1] approved by the European Commission on November 27, 2013, the French and Belgian subsidiaries have been put up for sale, but there is currently no serious purchaser interested in the French subsidiary. The profitability of Monte Paschi Banque S.A. has increased in 2013 mainly thanks to a fall in expenses of banking activities, but despite this increase it is nevertheless still very weak.

A large part of Monte Paschi Banque S.A. counterparties have negative ratings. In December 2013, the percentage of impaired loans was significant. The provisioning rate improved in 2013 but remains low.

Sectorial concentration remains high, especially in the French real estate sector.

Operational risk is one of the main risks for Monte Paschi Banque S.A. due to the nature of its activity. According to the basic indicator approach, as at December 2013, the capital requirements for operational risk are 8.2 % of the total capital requirements.

The stress scenarios developed by Monte Paschi Banque S.A. with regard to liquidity need to be enhanced to include, in addition to the assumption of significant withdrawal, the assumption of a total

[1] State Aid Procedures SA.35137 and SA.36175.

ECB-CONFIDENTIAL

or partial absence of refinancing from its parent company, given the fragile economic situation of the latter. Overall, the liquidity and funding management remains improvable.

Up to now, Monte Paschi Banque S.A. has complied with the French regulation on the liquidity ratio. This is also still the case even when the USD 350 million refinancing agreement from the parent is excluded.

2. Taking into consideration the conclusions detailed in paragraph 1(a) the ECB has concluded that the conditions referred to in Article 16(1)(c) of Regulation (EU) No 1024/2013 are fulfilled and that it may exercise the powers provided for in Article 16(2)(a) of that Regulation to require the institution to hold own funds in excess of the capital requirements laid down in the acts referred to in the first subparagraph of Article 4(3) of that Regulation related to elements of risks and risks not covered by the relevant Union law.

Point II

Prudential Requirements

Based on the conclusions stated in point I, Monte Paschi Banque S.A. must at all times satisfy, on an individual basis, an overall own funds requirement of 9 % Common Equity Tier 1.

ECB-CONFIDENTIAL

ANNEX IV

SUBSIDIARY INSTITUTIONS THAT HAVE NOT BEEN WAIVED FROM PRUDENTIAL REQUIREMENTS AND TO WHICH NO DECISIONS ARE ADDRESSED ON AN INDIVIDUAL BASIS

Based on the supervisory review conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 and the information available as at reference date 31 December 2013, the European Central Bank has determined that no decision pursuant to Article 16 of Regulation (EU) No 1024/2013 is required for the subsidiaries listed in this Annex.

The subsidiaries listed herein must at all times satisfy the own funds requirements which apply pursuant to Article 92 of Regulation (EU) No 575/2013 and national legislation implementing Articles 103, 129, 130, 131 and 133 of Directive 2013/36/EU.

1. MPS Leasing & Factoring SpA

2. MPS Capital Services Banca per le Imprese SpA

3. Banca Widiba SpA

ECB-CONFIDENTIAL

Explanatory note - Assessment of comments received from Banca Monte dei Paschi di Siena SpA

BANCA MONTE DEI PASCHI DI SIENA SpA				
Comment no.	**Decision reference**	**Summary of the comment**	**Assessment of the comment**	**Adjustments made to the decision document**
Recognition of the Restructuring Effort Made by the Bank	Annex I	The SREP conclusions fail to recognise the full extent of the restructuring effort undergone and the measures taken in the last years.	The aim of the SREP is to assess the Risk Profile of the Bank in 2013 and to support the SREP Decision for 2015 considering the latest developments. Also it is acknowledged that the loan quality is affected by past events.	Addition in Point I. 1 (a) (x) to clarify that the poor credit quality of the loans is highly affected by the loan policy adopted in the past years (2008-2010), the below average quality of the ex Banca Antonveneta portfolio and past low credit standards in origination of loans to related parties and local economy.
CET1 Target Ratio and its calculation	Annex I Point II	The SREP Ratio should be reduced by the following items: - Double counting of items that overlap with calculation of Capital Shortfall: ○ Nomura Transaction ○ PPP 2014 ○ Reimbursement State Aid ○ Effects of changes in provisioning policies in IRB Models. - AQR provisions. - Loan Loss Provisions on entire loan book, triggered by the AQR and the new classification and provisioning policies	- Double counting recognized for: ○ Reimbursement of State-Aid (EUR 750 mn, impact of about 90 bps in SREP ratio), as it is included both in the starting point and in the shortfall. - Double counting partially recognized for: ○ PPP 2014: accepted for EUR 151mn. Apart from other less relevant conservative adjustments, the ECB, for consistency with the stress test Adverse scenario, adjusted the NII for the interest income on defaulted assets net of the effect of the discount unwinding. - Double counting not recognized for	CET1 SREP Ratio reduced from 14.3% to 10.2%. See rationale in Point I (1) (a) (viii) and requirement in Point II (2).

ECB-CONFIDENTIAL

		and procedures it introduced (the 'Extraordinary Provisions').	o Nomura transaction: the effect of the treatment of Nomura on the shortfall is neutral. o Effects of changes in provisioning policies in IRB Models: there is no double counting, as the increase in RWA is not consistent with the outcome of the stress test adverse scenario. Additionally, the reduction in the IRB shortfall due to the provisioning more than offset the increase in RWA. - AQR provisions registered in the fourth quarter of 2014 for EUR 2.1 bn (reducing the SREP ratio in about 252 bp): accepted. - Loan Loss Provisions triggered by the AQR and the new classification and provisioning policies and procedures it introduced (the 'Extraordinary Provisions') registered in the fourth quarter of 2014 for EUR 1.6 bn (reducing the SREP ratio in about 128 bp): recognised up to the starting CET1 of the Comprehensive Assessment.	
SREP Assessment	Annex I Several aspects of Point I (a). Point I (b).	MPS understands that the assessment fails to capture adequately the full extent of the restructuring and de-risking taken place since the appointment of the current Board of Directors. In particular, MPS understands that: - Increase in provisions and changes in management, policies and procedures should be mentioned. - Greater credit should be given to new strategy for managing NPEs.	As explained in the SREP Decision, the SREP assessment of the Risk Profile of the Bank refers to 31.12.2013 and includes the conclusions obtained in the Comprehensive Assessment. The cleaning up efforts undertaken during 2014 and the fact that the bank gives serious consideration to improvements in the Credit Risk Management are acknowledged and have been taken into account when setting the final SREP ratio requirement. However, the risk profile of the bank remains high, as explained in the content of the Decision.	Point I.1 (b) was reformulated.

ECB-CONFIDENTIAL

Nomura Transaction	Annex I	MPS would like to receive clear instructions with respect to its prudential treatment.	It is considered adequate to include such requirement in point II of the SREP Decision (up to now, only stated in point I and in the O9B letter).	A SREP requirement has been added to require a prudential adjustment, including in the calculation of Common Equity Tier 1 the 100% of unrealised losses on Italian government bonds encompassed in the 'Alexandria transaction'. See Point I (1) (a) (viii) and Point II (3).
Weaknesses in Internal Control Systems	Annex I - Point I.1.a).IX.	MPS understands that no credit is given to the progress and investment made by the Bank in the last years.	The SREP Decision refers to the current risk profile of the Bank. Also, there is still need for further improvements in the field of Internal Controls.	No changes.
Reputational issues	Annex I Point I.1.a).XIII. and Point I.1.a).XIV.	MPS understands that the main reputational and legal risks are currently faced as a result of the ongoing uncertainty with regard to the outcome of the Comprehensive Assessment instead of judicial cases.	One of the main components of the SREP Decision is the outcome of the Comprehensive Assessment which adds higher reputational pressure to the Reputational Risk Profile of the Bank, as acknowledged by MPS. Notwithstanding, we refer to our previous comment about the reference date of the assessment.	No changes.
Lower profitability with respect to Restructuring Plan	Annex I Several recitals in Point I.1.a)	Underperformance is due to provisions and a macroeconomic scenario worse than envisaged.	Underperformance is not just focused on additional loan loss provisions but also in relevant items of the recurring profits of the Bank. For instance, fees and commissions were significantly lower than expected, challenging the capacity of the Bank to comply with the changes of the business model as envisaged in the Restructuring Plan. The macroeconomic scenario certainly played a role but does not change this assessment.	No changes

ECB-CONFIDENTIAL

Strategic alternatives – Provide permanent solution to MPS problems	Annex I Point II. 4.	MPS considers unreasonable and unrealistic to impose a 9 month timeframe.	Persistence of the weak position of the Bank even after the capital increase will contribute to continue the path of capital and liquidity destruction, leading to a still more unfavourable outlook in terms of viability. Therefore, the restructuring, including merger and acquisition, has to be found as soon as possible within the 9 month timeframe provided in the context of the CA exercise.	No changes
Large Exposures Breach	Annex I	-	In November 2014, MPS informed about a breach of the limit to Large Exposures with Nomura, where the exposure is mainly focused on the Alexandria transaction. MPS proposed several measures to solve the breach but each measure taken singularly might not be sufficient to enable the Bank to fall back within regulatory limits, given the trend in own funds, linked also to the additional provisioning foreseen in MPS' 2014 financial accounts and to the planned repayment of the New Financial Instruments. This means that the Large Exposure Breach will remain and even worsen as of end-2014.The rights issue envisaged for 2015 would not be enough to solve it.	Point II includes a new requirement to solve the breach in the 9 month period established to cover the Comprehensive Assessment capital shortfall and to avoid future breaches of the limit to large exposures with Nomura, unless a proven legal impediment arose in the future as a consequence of the on-going civil proceedings or criminal investigations. Additional background on this issue is also provided in Point I.1.(a) (xv).

Comunicazione della BCE del 12 maggio 2015

EUROPEAN CENTRAL BANK
BANKING SUPERVISION

ECB-CONFIDENTIAL

Banca Monte dei Paschi Di Siena S.p.A.
The Board of Directors
Piazza Salimbeni, 3
53100 Siena
Italy

ECB/SSM/2015/6 - J4CP7MHCXR8DAQMKIL78/5

12 May 2015

Decision on the classification of Common Equity Tier 1 instruments in accordance with Articles 26 and 28 of Regulation (EU) No 575/2013 and on the reduction of own funds in accordance with Articles 77 and 78 of Regulation (EU) No 575/2013 of Banca Monte dei Paschi di Siena (the 'Supervised Entity').

1. LEGAL BASIS OF THE DECISION

Article 4(1)(d) of Regulation (EU) No 1024/2013[1] confers on the European Central Bank ('ECB'), within the framework of Article 6 of that Regulation, the task of ensuring compliance with the acts referred to in Article 4(3) of that Regulation, which impose prudential requirements on credit institutions in the area of own funds.

Article 9(1) of Regulation (EU) No 1024/2013 provides that for the purpose of carrying out the tasks conferred on it by Article 4(1) of that Regulation, the ECB is considered the competent authority in the participating Member States as established by the relevant Union law. The ECB is also given all the powers and obligations that competent authorities have under the relevant Union law, unless otherwise provided for by Regulation (EU) No 1024/2013.

Pursuant to Article 26(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council[2], the ECB shall evaluate whether issuances of Common Equity Tier 1 ('CET1') instruments meet the criteria set out in Article 28 or, where applicable, Article 29 of that Regulation.

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

[2] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

1

ECB-CONFIDENTIAL

Pursuant to Article 77 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, the Supervised Entity has to seek the prior permission of the ECB as the competent authority to reduce, redeem or repurchase Common Equity Tier 1 ('CET1') instruments issued by the Supervised Entity in a manner that is permitted under applicable national law and to effect the call, redemption, repayment or repurchase of Additional Tier 1 (AT1) instruments or Tier 2 instruments (as applicable), prior to the date of their contractual maturity.

The ECB, as the competent authority, will grant the Supervised Entity permission to reduce its own funds where the conditions set out in Article 78 of Regulation (EU) No 575/2013 are met.

2. FACTS ON WHICH THE ECB'S DECISION HAS BEEN BASED

2.1 APPLICATIONS

On 19 March 2015 the Supervised Entity submitted an application to be granted permission to classify capital instruments to be issued by the Supervised Entity as Common Equity Tier 1 ('CET1') instruments (the 'Rights issue application'). On the same date, the Supervised Entity also submitted an application to be granted permission, "conditional upon the approval of the Rights Issue by the Bank's Shareholders' Meeting and the execution of such capital increase for an amount close to the maximum amount of EUR 3 billion", to fully redeem the outstanding amount of the New Financial Instruments (the 'NFI') pursuant to Article 26-sexies of the Italian Legislative Decree No 95 of 6 July 2012, converted with amendments by the Italian Law No 135 of 7 August 2012, as subsequently amended and supplemented (the 'NFI redemption application'). Upon request of the JST, the Supervised Entity has subsequently provided further information related to the two abovementioned applications on 13, 14, 15 and 16 April 2015.

Regarding the Rights issue application, the relevant instruments are ordinary shares ("azioni ordinarie") representing equity capital of the Supervised Entity in accordance with Article 2348(1) of the Italian Civil Code, up to a maximum amount of EUR 3 billion – entirely backed by a pre-underwriting agreement signed with nine investment banks and expiring on 30 June 2015 – to be carried out no later than 30 September 2015 (the 'Items').

The Items are included in the European Banking Authority ('EBA') list of capital instruments that in each Member State qualify as CET1 instruments in accordance with Article 28 of Regulation (EU) No 575/2013, published on 23 December 2014 in accordance with Article 26(3) of Regulation (EU) No 575/2013 (the 'EBA List of CET1 instruments').

In the context of the rights issue, a reverse stock split of ordinary shares shall be effected by the Supervised Entity, at the ratio of one new share for every twenty outstanding shares in order to simplify the administrative management of shares.

Regarding the NFI redemption application, the Supervised Entity has requested the authorization to the full redemption of the outstanding amount of NFI (EUR 1,071 million plus the other amounts due pursuant to the NFI prospectus, reported equal to EUR 45 million) to be executed upon completion of the Rights Issue.

2

ECB-CONFIDENTIAL

According to paragraph 8, points vi) and viii) of the pre-underwriting agreement, the Joint Book-runners' undertaking to enter into the underwriting agreement shall be subject to, among others, the following conditions precedent being satisfied on or before the execution of the underwriting agreement: vi) "that all necessary regulatory approvals for the Rights Issue shall have been received and remain in effect; and viii) that the Company has requested to the competent supervisory authority(ies) the authorisation for the reimbursement of the outstanding Euro 1.071 billion in nominal amount of so-called New Financial Instruments ("Nuovi Strumenti Finanziari") issued by the Company in 2013 and that no circumstances preventing such reimbursement have arisen, as determined by a majority in number of the Global Coordinators".

Based upon the information provided by the Supervised Entity, upon completion of the rights issue and the NFI redemption, and also taking into account the allocation of newly issued ordinary shares to the Italian Treasury Ministry as payment of interest accrued in 2014 (EUR 243 million) in accordance with the NFI prospectus, the pro-forma capital ratios as of 31 December 2014 would increase: CET1 and T1, from 8.7% to 11.4%; Total capital, from 13.0% to 15.8%. The pro-forma capital ratios as of 1 January 2015, that include also the phase-in envisaged in the National Discretions for 2015, are estimated to be: CET1 10.7%, Tier 1 11.2%, Total capital 15.5%.

2.2 ASSESSMENT

Based upon the Rights issue application and its subsequent integrations by the Supervised Entity, and upon the EBA List of CET1 instruments, the ECB has determined that the Items meet the criteria set out in Articles 26 and 28 of Regulation (EU) No 575/2013 and the Supervised Entity may therefore classify the Items as CET1 instruments.

The ECB also considers that the abovementioned rights issue will improve the Supervised Entity's capital position and represent a fundamental step towards the successful execution of the other two components of the Capital Plan, i.e., the addressing of the non-performing exposures and of restructuring, including merger and acquisition.

The ECB notes that the Supervised Entity must comply with the terms of the Capital Plan and provide a permanent solution to its structural problems, namely non performing exposures, weak capital situation and earnings underperformance. The ECB reminds the Supervised Entity that the rights issue alone will not be sufficient to address these structural problems. Therefore, the ECB recalls that not only this first element of the capital plan, but also the two other components mentioned above, must be delivered. In this context, it is noted that the Supervised Entity must be transparent concerning its financial situation, including downside risks and ECB requirements, vis-à-vis potential investors taking part in the planned rights issue.

Based upon the NFI redemption application and its subsequent integrations by the Supervised Entity, and taking into account that the NFI currently included in the Supervised Entity's own funds will be replaced by own funds instruments of higher quality (ordinary shares) and larger amount (EUR 3 billion), the ECB

3

ECB-CONFIDENTIAL

has determined that the conditions for reducing own funds set out in Articles 78 of Regulation (EU) No 575/2013 are met.

3. DECISION

The ECB hereby grants the Supervised Entity the permission to:

1. classify as CET 1 the capital instruments to be issued by the Supervised Entity up to a maximum of EUR 3 billion through a rights issue;
2. fully redeem the outstanding amount of the NFI for a nominal amount of EUR 1,071 million plus the other amounts due pursuant to the NFI prospectus, reported equal to EUR 45 million, subject to completion of the rights issue sub 1) for the envisaged amount.

In accordance with the 2014 SREP Decision notified to the Supervised Entity on 10 February 2015, the rights issue must be completed in the 9 months following 26 October 2014.

In accordance with Article 24 of Regulation (EU) No 1024/2013, within one month of the date of notification, the Supervised Entity may write to the ECB's Administrative Board of Review requesting an internal administrative review of the decision. A request for review should be sent, preferably by electronic mail, to: SSMSecretariat@ecb.europa.eu

or by post to:

Secretary of the Administrative Board of Review
European Central Bank
Sonnemannstrasse 22
60314 Frankfurt am Main
Germany.

This decision may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

The President of the ECB

Mario DRAGHI

4

[QUESTA PAGINA È STATA LASCIATA VOLUTAMENTE BIANCA]

Impaginazione e Stampa: SERVIF RR Donnelley