Pillar 3 Disclosure

Update as at
30 September 2011

MONTE
DEI PASCHI
DI SIENA
BANK SINCE 1472

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Banca Monte dei Paschi di Siena SpA
Company Head office in Siena, Piazza Salimbeni 3, www.mps.it
Registered with the Companies Register of Siena – registration number, tax code and VAT number: 00884060526
Parent Company of the Monte dei Paschi di Siena Banking Group - code Bank and code group 1030.6
Included in the National Register of Banks No. 5274
Member of the Italian Interbank Deposit Protection Fund 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 2011 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 2010 and as to update as at 30 June 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

	sep-11	dec-10
Total Tier 1 positive items	20.376.911	17.962.240
Total Tier 1 negative items	7.529.909	7.959.141
Total items to be deducted	964.303	860.698
Tier 1 capital (Tier 1)	**11.882.699**	**9.142.401**
Total Tier 2 positive items	6.259.271	6.404.315
Total Tier 2 negative items	43.349	87.779
Total items to be deducted	964.303	860.698
Tier 2 capital (Tier 2)	**5.251.620**	**5.455.838**
Items to be deducted from tier 1 and tier 2 capital	483.558	454.700
Regulatory Capital	**16.650.761**	**14.143.539**
Tier 3 capital (Tier 3)	**-**	**-**
Regulatory Capital inclusive of Tier 3 Capital	**16.650.761**	**14.143.539**

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 3.357 mln, has been completed sterilized.

Table 3.1.1 - Breakdown of Tier 1 and Tier 2 Capital

	sep-11	dec-10
Share capital	6.692.526	3.782.216
Share premium	3.929.995	4.002.908
Reserves	6.568.690	5.964.635
Innovative capital instruments and Non-innovative capital instruments with final expire	647.401	650.000
Non innovative capital instruments	318.422	470.596
Capital instruments subject to transition requirements (grandfathering)	12.639	770.998
Profit for the period	307.239	413.764
Prudential filters: increases in Tier 1 capital	1.900.000	1.907.123
Total Tier 1 positive items	**20.376.911**	**17.962.240**
Treasury shares	30.371	24.613
Goodwill	6.610.385	6.607.843
Other intangible assets	878.453	864.524
Loss for the period	-	-
Other negative items	-	-
Prudential filters: decreases in Tier 1 capital	10.700	462.161
Total Tier 1 negative items	**7.529.909**	**7.959.141**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	87.891	100.438
Shareholdings in credit and financial institutions with a share of > 10% but < 20% of the equity of the investee	39.124	19.956
Shareholdings in credit and financial institutions with a share of ≤ 10% of the equity of the investee	-	-
Shareholdings in insurance companies	51.765	49.461
Surplus of expected losses in respect of related write-downs	785.522	690.842
Total items to be deducted	**964.303**	**860.698**
Total Tier 1 capital	**11.882.699**	**9.142.401**

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

	sep-11	dec-10
Valuation reserve	149.452	239.827
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	3.155.020	3.191.454
Subordinated liabilities	2.954.800	2.973.034
Other positive items	-	-
Total Tier 2 positive items	**6.259.271**	**6.404.315**
Other negative items	3.119	2.730
Prudential filters: deductions from Tier 2 capital	40.230	85.049
Total Tier 2 negative items	**43.349**	**87.779**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the equity of the investee	87.891	100.438
Shareholdings in credit and financial institutions with a share of > 10% but <20% of the equity of the investee	39.124	19.956
Shareholdings in insurance companies	51.765	49.461
Surplus of expected losses in respect of related write-downs value adjustments	785.522	690.842
Total items to be deducted	**964.303**	**860.698**
Total Tier 2 capital	**5.251.620**	**5.455.838**
Items to be deducted from tier 1 and tier 2 capital	483.558	454.700
Regulatory Capital	**16.650.761**	**14.143.539**
Tier 3 Capital	-	-
Regulatory Capital inclusive of Tier 3	**16.650.761**	**14.143.539**

Table 4 - Capital Adequacy

Quantitative disclosure

Table 4.1 - Capital requirements and capital ratios

	sep-11	dec-10
Credit Risk		
Standardised approach	4.486.306	4.481.841
Advanced Internal Rating Based approach	3.836.203	3.982.477
Total	**8.322.508**	**8.464.318**
Market Risk		
Standardised approach	592.936	504.848
Internal models approach	-	-
Concentration risk	-	-
Total	**592.936**	**504.848**
Operational Risk		
Foundation approach	52.016	52.016
Standardised approach	-	-
Advanced Measurement approaches	599.968	641.001
Total	**651.984**	**693.017**
Adjustment to capital requirements for intra-group transactions	-967.484	-923.127
Regulatory Capital Floor	-	-
Other requirements	-	-
Aggregate Capital Requirements	**8.599.945**	**8.739.056**
Risk-weighted assets	**107.499.313**	**109.238.200**
Tier 1 Ratio	**11,1%**	**8,4%**
Total Capital Ratio	**15,5%**	**12,9%**

Table 4.2 - Capital requirements for Credit Risk

Standardised Approach	sep-11	dec-10
Exposures to central governments and central banks	3.848	1.555
Exposures to regional governments and local authorities	52.573	51.866
Exposures to non-commercial and public sector entities	60.969	72.564
Exposures to multilateral development banks	2	1
Exposures to international organisations	-	-
Exposures to supervised institutions	403.479	318.871
Exposures to corporates	2.300.816	2.293.335
Retail exposures	507.544	486.975
Exposures secured by real estate property	240.220	280.052
Past due exposures	208.078	155.621
High-risk exposures	101.660	101.398
Exposures in the form of covered bonds	3.807	562
Short term exposure to corporates	-	-
Exposures to Undertakings for Collective Investments in Transferable Securities(UCITS)	108.711	93.355
Other exposures	445.016	585.297
Securitization exposures	49.581	40.390
Total Standardised Approach	**4.486.306**	**4.481.841**
Advanced Internal Rating Based Approach		
Corporate exposures	2.691.099	2.795.957
Retail exposures	1.144.164	1.185.065
↳ *Secured by real estate property*	*604.117*	*640.693*
↳ *Qualifying revolving retail exposures*	*405*	*484*
↳ *Other exposures*	*539.642*	*543.888*
Other assets	939	1.455
Total Advanced Internal Rating Based Approach	**3.836.203**	**3.982.477**
Total Credit Risk	**8.322.508**	**8.464.318**

Table 4.3 - Capital requirements for Market Risk

Standardised Approach	sep-11	dec-10
General market risk	321.590	238.863
Specific risk	159.932	167.430
Position risk of Undertaking for Collective investments in Transferable Securities (UCITS)	38.262	43.238
Options	17.308	7.493
Foreign exchange risk	55.844	47.824
Commodities risk	-	-
Total Standardised Approach	**592.936**	**504.848**
Internal models		
Total Internal models	**-**	**-**
Concentration risk	**-**	**-**
Total Market Risk	**592.936**	**504.848**

Table 4.4 - Capital requirements for Operational Risk

Breakdown of Operational Risk by:	sep-11	dec-10
Foundation approach	52.016	52.016
Standardised approach	-	-
Advanced approaches	599.968	641.001
Total Operational Risk	**651.984**	**693.017**

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, 10 November 2011

Daniele Bigi

Financial Reporting Officer

List of Tables

Contacts

Head Office

Banca Monte dei Paschi di Siena S.p.A.

Piazza Salimbeni, 3

53100 Siena

Tel: 0577.294111

Investor Relations

Piazza Salimbeni, 3

53100 Siena

Email: Investor.relations@banca.mps.it

Press Relations

Piazza Salimbeni, 3

53100 Siena

Email: Ufficio.Stampa@banca.mps.it

Internet

www.mps.it

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