Pillar 3 Disclosure

Updates as at
30 September 2010

MONTE
DEI PASCHI
DI SIENA
BANCA DAL 1472

Pillar 3 Disclosure

Updates as at
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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 and tax code 00884060526
Member of the Italian Interbank Deposit Protection Fund. Register of Banks no. 5274.
Parent Company of the Monte dei Paschi di Siena Banking Group registered in the Roll 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 methodology.

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 2010 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 2009 and at the Update as at 30 June 2010.

Information has been updated according to the templates and criteria adopted for previous reports. It should be noted that the quantitative information provided herein is not subject to specific reporting to the Bank of Italy and is the result of an assessment process that endeavours to be as accurate as possible.

It should also be noted that in August 2010, the Montepaschi Group obtained authorisation by the Supervisory Authorities for (i) the extension of credit risk AIRB models to all Antonveneta and former Antonveneta branches merged into the Parent Company, and (ii) a floor reduction from 90% to 85%, on the basis of prudential reporting as at 30 September 2010.

Since the current update has been prepared at Group-level, the changes have been included for consolidated capital requirement estimation purposes.

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-10	dec-09
Total Tier 1 positive items	17,895,227	17,689,738
Total Tier 1 negative items	7,882,135	8,028,078
Total items to be deducted	672,808	568,233
Tier 1 capital (Tier 1)	**9,340,284**	**9,093,427**
Total Tier 2 positive items	6,248,744	6,349,436
Total Tier 2 negative items	72,641	84,385
Total items to be deducted	672,808	568,233
Tier 2 capital (Tier 2)	**5,503,295**	**5,696,818**
Items to be deducted from Tier 1 and Tier 2 capital	405,219	409,818
Regulatory Capital	**14,438,360**	**14,380,427**
Tier 3 capital (Tier 3)	-	-
Regulatory Capital inclusive of Tier 3	**14,438,360**	**14,380,427**

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 932 mln, has been completed sterilized.

Table 3.1.1 - Breakdown of Tier 1 and Tier 2 Capital

	sep-10	dec-09
Share capital	4,552,127	4,553,774
Share premium	3,990,002	4,048,671
Reserves	5,975,434	5,842,272
Non-innovative capital instruments	470,596	470,596
Innovative capital instruments	650,000	650,000
Profit for the period	357,068	224,426
Prudential filters: increases in Tier 1 capital	1,900,000	1,900,000
Total Tier 1 positive items	**17,895,227**	**17,689,738**
Treasury shares	17,624	32,079
Goodwill	6,566,490	6,723,204
Other intangible assets	819,513	803,156
Loss for the period	-	-
Other negative items	-	-
Prudential filters: decreases in Tier 1 capital	478,508	469,639
Total Tier 1 negative items	**7,882,135**	**8,028,078**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the entity involved	49,187	50,566
Shareholdings in credit and financial institutions with a share of > 10% but < 20% of the entity involved	26,997	30,090
Shareholdings in credit and financial institutions with a share of ≤ 10% of the entity involved	-	-
Shareholdings in insurance companies	61,241	62,332
Surplus of expected losses in respect of related write-downs	535,383	425,245
Total items to be deducted	**672,808**	**568,233**
Total Tier 1 capital	**9,340,284**	**9,093,427**

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

	sep-10	dec-09
Valuation reserve	207,856	226,258
Non-innovative capital instruments not eligible for inclusion in Tier 1 capital	-	-
Hybrid capital instruments	3,198,783	3,191,978
Subordinated liabilities	2,842,105	2,931,200
Other positive items	-	-
Total Tier 2 positive items	**6,248,744**	**6,349,436**
Other negative items	3,577	5,462
Prudential filters: deductions from Tier 2 capital	69,064	78,923
Total Tier 2 negative items	**72,641**	**84,385**
Shareholdings in credit and financial institutions with a share of ≥ 20% of the entity involved	49,187	50,566
Shareholdings in credit and financial institutions with a share of > 10% but <20% of the entity involved	26,997	30,090
Shareholdings in insurance companies	61,241	62,332
Surplus of expected losses in respect of related write-downs	535,383	425,245
Total items to be deducted	**672,808**	**568,233**
Total Tier 2 capital	**5,503,295**	**5,696,818**
Items to be deducted from Tier 1 and Tier 2 capital	405,219	409,818
Regulatory Capital	**14,438,360**	**14,380,427**
Tier 3 Capital	-	-
Regulatory Capital inclusive of Tier 3	**14,438,360**	**14,380,427**

Table 4 - Capital adequacy

Quantitative disclosure

Table 4.1 - Capital requirements and capital ratios

	sep-10	dec-09
Credit Risk		
Standardised approach	4,546,941	6,453,797
Advanced Internal Ratings Based approach	4,055,235	2,958,171
Total	**8,602,176**	**9,411,968**
Market Risk		
Standardised approach	560,784	580,144
Internal models approach	-	-
Concentration risk	-	-
Total	**560,784**	**580,144**
Operational Risk		
Foundation approach	53,284	53,714
Standardised approach	-	-
Advanced Measurement Approach	624,882	648,544
Total	**678,166**	**702,258**
Adjustment to capital requirements for intra-group transactions	-896,011	-1,072,389
Regulatory Capital Floor	-	49,961
Other requirements	-	-
Aggregate Capital Requirements	**8,945,115**	**9,671,942**
Risk-weighted assets	**111,813,938**	**120,899,279**
Tier 1 Ratio	**8.4%**	**7.5%**
Total Capital Ratio	**12.9%**	**11.9%**

Subsequent to the authorisation obtained by the Supervisory Authorities last August and in line with Prudential reporting as at 30/09/2010, for the estimation of capital requirements against credit risk, the advanced model was extended to all Antonveneta and former Antonveneta branches (merged into the Parent Company) and the floor was reduced from 90% to 85%.

Table 4.2 - Capital requirements for Credit Risk

Standardised approach	sep-10	dec-09
Exposures to central governments and central banks	3,891	363
Exposures to regional governments and local authorities	59,491	52,307
Exposures to non-commercial and public sector entities	73,193	81,787
Exposures to multilateral development banks	-	-
Exposures to international organisations	-	-
Exposures to supervised institutions	372,027	325,301
Exposures to corporates	2,478,510	3,778,744
Retail exposures	477,762	782,819
Exposures secured by real estate property	280,802	355,302
Past due exposures	185,937	448,817
High-risk exposures	97,033	96,606
Exposures in the form of covered bonds	-	-
Short term exposures to corporates	-	-
Exposures to Undertakings for Collective Investments in Transferable Securities (UCITS)	33,677	27,886
Other exposures	450,223	466,126
Securitisation exposures	34,393	37,739
Total Standardised Approach	**4,546,941**	**6,453,797**
Advanced Internal Ratings-Based approach		
Corporate exposures	2,875,630	2,186,615
Retail exposures	1,178,178	769,712
↳ *Secured by real estate property*	*639,515*	*312,801*
↳ *Qualifying revolving retail exposures*	*490*	*36*
↳ *Other exposures*	*538,173*	*456,874*
Other assets	1,427	1,844
Total Advanced Internal Ratings-Based approach	**4,055,235**	**2,958,171**
Total Credit Risk	**8,602,176**	**9,411,968**

Table 4.3 - Capital requirements for Market Risk

Standardised approach	sep-10	dec-09
General market risk	326,957	337,647
Specific risk	155,183	179,507
Position risk of Undertakings for Collective Investments in Transferable Securities (UCITS)	37,735	29,874
Options	3,693	9,113
Foreign exchange risk	37,216	24,004
Commodities risk	-	-
Total Standardised Approach	**560,784**	**580,144**
Internal models		
Total Internal models	**-**	**-**
Concentration risk	**-**	**-**
Total Market Risk	**560,784**	**580,144**

Table 4.4 - Capital requirements for Operational Risk

Breakdown of Operational Risk by:	sep-10	dec-09
Foundation approach	53,284	53,714
Standardised approach	-	-
Advanced approach	624,882	648,544
Total Operational Risk	**678,166**	**702,258**

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 2010

Daniele Bigi

Financial Reporting Officer

List of tables

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