

## Banca Monte dei Paschi di Siena SpA

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# Banca Monte dei Paschi di Siena SpA

## Major Rating Factors

### Strengths:

- Leading market position in central Italy.
- High systemic importance within the Italian banking industry.
- Stable retail funding base.

### Weaknesses:

- High nonperforming assets relative to peers'.
- Low risk-adjusted core profitability.
- High single-name concentration.

### Counterparty Credit Rating

A-/Stable/A-2

## Rationale

The ratings on Italy's third-largest bank, Banca Monte dei Paschi di Siena SpA (MPS), are supported by Standard & Poor's Ratings Services' view of its high systemic importance to the country's banking industry, strong franchise in its home market of central Italy, and satisfactory funding profile. Constraining the ratings are weaker asset quality metrics than for peers and low risk-adjusted profitability metrics.

MPS holds 8.3% of Italy's deposits, and boasts a dominant position in the Region of Tuscany (not rated). Taking into account our view of MPS' high systemic importance in Italy, we believe the government would probably provide extraordinary support to MPS if needed.

MPS' 2011-2015 business plan focuses on strengthening profitability, mainly through continued cost optimization and increased cross-selling. MPS' ability to continue improving the cost efficiency of its operations after sharp cost cuts in 2010 could, in our opinion, allow it to narrow its profitability gap with peers.

We believe MPS' satisfactory funding comes from its wide and loyal client base. In the past two years, the bank has increased its retail funding and covered bond issuance to refinance maturing bonds. MPS' recourse to wholesale market financing and European Central Bank (ECB) tenders stems mainly from its opportunistic decision to bulk up its government securities portfolio since 2009.

With net nonperforming assets (NPAs) representing 6.75% of loans as of year-end 2010, MPS' asset quality metrics are weaker than for higher rated domestic peers Intesa Sanpaolo SpA (A+/Negative/A-1) and Unione di Banche Italiane (UBI, A/Negative/A-1). Net inflows of NPAs dropped to about €2.4 billion in 2010, compared with €4.3 billion in 2009.

MPS has low, risk-adjusted profitability for historical reasons, along with the current very low interest rate environment and Italy's weak GDP growth. In the past, MPS' noninterest income has been weaker than that of peers. Its cost base has historically been higher than that of its peers, but the bank has aggressively cut costs since 2009.

MPS completed a capital increase of €2.15 billion on July 20, 2011, which represents about 33% of our measure of

its core adjusted common equity (ACE) as of year-end 2010. We understand the bank will use the proceeds to reimburse hybrid instruments totaling €2.1 billion. MPS' controlling foundation subscribed to the increase to be able to maintain a 50% stake in the bank.

We take a positive view of MPS' decision to address its weak quality of capital, which we consider to be one of the bank's main rating constraints. Based on our measure of risk-adjusted capital (RAC), in which we incorporate the increased ACE, we estimate a RAC ratio for MPS at about 6.8% before diversification effects and 7.6% after diversification effects. This puts MPS close to our average for the world's largest banks.

In our view, the improvement in quality of capital will also enable the bank to comfortably comply with Basel III's minimum common equity ratio of 7%.

## Outlook

The stable outlook reflects our opinion that MPS' capital and earnings offer adequate protection against a recession while continuing to be below levels of higher rated domestic peers. The outlook also factors in our expectation that our estimated RAC ratio for MPS, after the capital increase, will remain steady in the foreseeable future.

Under our base-case scenario, we anticipate that MPS' NPAs will continue accumulating in 2011 at a rate that does not significantly differ from that of 2010 and that credit provisions will decline marginally from 75 basis points (bps) in 2010.

We believe that MPS' earnings bottomed out last year, and expect slow earnings improvement in 2011 and 2012 on the back of further cost savings and moderate volume growth. The bank's credit loss absorption capacity by operating profit stood at about 112 bps in 2010, which largely covers the 2009 historical peak in credit cost, but offers less of a cushion than for higher-rated domestic peers.

We could take a positive rating action on MPS over the next two years if it improves the net NPA ratio and the NPA coverage by reserves to levels similar to higher rated domestic peers, and if the bank's core profits recover.

Any worsening in economic conditions that have negative implications for MPS' financial profile could result in a weaker stand-alone credit profile (SACP), but not necessarily in a downgrade of the bank. We expect that any worsening in the SACP would be mitigated by extraordinary support from the government to MPS, given its high systemic importance in Italy's banking industry.

## Profile: A Nationwide Commercial Bank With A Sound Market Share In Tuscany And Veneto

MPS is the third-largest banking group in Italy, with a nationwide network and an 8.3% market share in customer deposits as of Dec. 31 2010. It significantly increased its domestic footprint when it acquired northeastern regional bank Banca Antonveneta SpA. The enlarged group has a distribution network of about 3,000 branches and is better positioned to compete with other major Italian banks in the medium term. MPS enjoys a particularly strong position in the regions of Tuscany and Veneto. Reflecting the demographics of the regions where the bank operates, the group's customer base of over 6.2 million mainly consists of households, small and midsize enterprises (SMEs), and entrepreneurs.

MPS radically restructured its operations following its acquisition of Antonveneta. The bank merged its subsidiaries Banca Toscana SpA, Banca Agricola Mantovana SpA, and Antonveneta SpA in the second half of 2008, thus paving the way for significant cost savings. MPS then spun off Antonveneta's branch network in Veneto as a new subsidiary to give it the operational autonomy necessary to revitalize its local market share.

In our view, MPS' business diversification has declined as a consequence of its decision to optimize its capital allocation by concentrating on distributing financial services and products and reducing its insurance and asset management activities. Between 2007 and 2009, the bank sold its majority stakes in its insurance subsidiaries to the international insurer AXA (A/Stable/A-1) and its asset management subsidiary to fund manager Clessidra, which renamed it Prima Sgr. By selling these activities to sector specialists, MPS hopes to improve its position in sales of asset management and insurance products, as its market share is far behind the double-digit shares of the two leading Italian banking groups.

MPS has a 5% share of Italy's consumer finance business. Although this share is smaller than the bank's branch market share, it has rapidly increased in the past few years due to improved commercial effectiveness.

MPS is less geographically diversified than international peers because most of its activities are in Italy, where economic growth is lower than the EU average.

## Support And Ownership: High Systemic Importance, Foundation Controlled

We consider that MPS has high systemic importance within the Italian banking industry and believe that the government would likely provide additional extraordinary support if needed. We consider Italy, like other EU countries, to be "supportive" of its banking system.

The Fondazione Monte dei Paschi di Siena controls MPS, holding 42.27% of the group's ordinary shares on June 7, 2011, and appointing half the members of the board of directors. Including non-voting "azioni privilegiate" (preferred shares) and the subscription of new shares from the July 2011 capital increase, the foundation holds about 50% of MPS' capital. The remaining ordinary shares are widely held.

## Strategy: Focus On Group Restructuring And Capital Generation

MPS' main strategic priorities for the next few years are reducing costs and improving revenues to reach a profitability target of a return on tangible equity above 13% by 2013.

The bank is targeting about €350 million in cost savings between 2011 and 2013 through the adoption of more efficient back-office processes and front-office IT systems. MPS has already implemented most of the cost-saving measures, including merging all subsidiaries, centralizing IT, harmonizing cost-management policies, and eliminating duplicate legal entities. We view these actions positively.

MPS also intends to gain €225 million in revenues by realigning all of its subsidiary and single branch operations to internal best practice.

## Risk Profile And Management: Dominated By Italian Corporate SME Risk

In our view, the single largest risk to which MPS is exposed is credit risk, given its retail and commercial banking profile. Creditworthiness benefits from a sound funding and liquidity profile. MPS has overall moderate market risk, mainly stemming from its equity investments.

### Enterprise risk management: Adequate

MPS' enterprise risk management is adequate, in our opinion. The bank has become more proactive in credit risk management since the Bank of Italy approved the implementation of the Basel II advanced internal ratings-based model in 2008.

Risk appetite is consistent with MPS' business strategy. The parent's management board defines policies for acceptance of credit and financial risks, with support from the risk committee. Lending decisions, policies, and processes are the responsibility of the credit department, whose head reports directly to the general manager. Risk managers concentrate on controlling group market and operational risks, but do not take a proactive approach to managing single-name credit concentrations. This reduces the bank's ability to manage credit risk on a portfolio basis.

### Credit risk: Economic recession has significantly damaged asset quality

Asset quality metrics show MPS has more NPAs than its peers, due to the high proportion of credits it grants to SMEs and small businesses, which were particularly vulnerable to 2009's economic recession (see table 1). In addition, the large stock of NPAs inherited with the Antonveneta acquisition worsened MPS' asset quality metrics.

The group's lending book is fairly diversified by region and sector, but has some single-name concentration, which is usual for Italian banks.

MPS' total risk exposure on Mar. 31, 2011, was mainly divided between corporations and SMEs, with 63.3% of total risk exposure, and households with 28.7%. The household share of exposure has increased over the past two years because residential mortgages have grown faster than other types of loans. Geographic diversification has improved since the consolidation of Antonveneta. At the end of March 2011 about 37% of total exposure was in central Italy and 40% in northern Italy. Corporate lending is relatively diversified by sector, and the risky real estate development sector represents only about 5% of MPS' loan book. Construction and public works make up about 10% of the loan book.

With a gross NPA ratio of 12.1% and an NPA coverage ratio (including loan reserves on performing loans) of 44.7%, MPS' asset quality metrics are weaker than peers', even though the pace of deterioration has significantly slowed in 2010 (see table 1).

**Table 1**

Banca Monte dei Paschi di Siena SpA Breakdown Of Nonperforming Assets						
(Mil. €)	2010 versus 2009 (% change)	Dec.31, 2010	2009 versus 2008 (% change)	Dec. 31, 2009	Dec. 31, 2009	30-Jun-08
Sofferenze	18	12,456	26	10,598	8,380	7,646
Incagli	9	5,088	42	4,672	3,288	2,613
Restructured	85	1,344	249	726	208	251
Past-due	(43)	676	15	1,177	1,020	1,071

**Table 1**

<b>Banca Monte dei Paschi di Siena SpA Breakdown Of Nonperforming Assets (cont.)</b>						
Total NPAs	14	19,564	33	17,173	12,897	11,581
Total loan reserve	16	9,014	17	7,745	6,624	5,888
NPA coverage (%)	2	46	(12)	45	51	51
Total gross loans	2	163,464	6	160,158	151,709	145,699
Gross NPA ratio (%)		12		11	9	8
Net NPA/ net loans (%)		7		6	4	4

Sofferenze--nonperforming assets. Incagli--doubtful assets. NPA--Nonperforming asset.

Credit provisions have greatly increased since the end of 2008, following the drop in economic activity in Italy. We expect the cost of credit risk to remain high in the coming quarters because an increasing portion of NPAs are likely to move into the category of severe distress ("sofferenze"), which generally implies higher expected losses and requires greater provisioning than other NPA categories.

### **Funding and liquidity risk: MPS' reliance on stable retail funding limits its liquidity risk**

MPS enjoys a sound funding and liquidity profile. One of the bank's enduring strengths is its long regional history, which means it can tap a large and stable pool of customer deposits, covering most of its financing needs. Liquidity is also bolstered by a sizable amount of unencumbered securities eligible for repurchase agreements with the European Central Bank--€10 billion on March 31, 2011. MPS significantly strengthened rules and procedures for liquidity management in 2007 by introducing short-term and structural liquidity limits.

In the current context of tight liquidity, the group's liquidity strategy is to almost cover asset growth and debt maturities through retail funding and covered bonds. This strategy has proven successful. Thanks to its retail funding profile, MPS has only a modest amount of wholesale bonds maturing in 2011 (€2.9 billion) and in 2012 (€5 billion).

The group intends to continue to tap certificate of deposit and commercial paper markets. MPS generally maintains a pool of unencumbered assets eligible for ECB financing in excess of short-term funding to limit refinancing risk.

### **Market risk: Moderate in terms of trading activity**

We view market risk on the trading book as moderate. As a reference, value-at-risk (VAR; one day holding period, 99% confidence level, historical simulation with full revaluation of all instruments) during the period from January to March 2011 averaged €13 million, with maximum absorption of €20 million on March 15, 2011.

VAR has declined significantly compared with 2010 because MPS reduced its trading portfolio by €4.4 billion in the first quarter of 2011, taking advantage of maturing government bonds and an improvement in government bond prices in March 2011.

While MPS substantially reduced market risk stemming from its equity investments by making several disposals in the past two years, it still has quite a large portfolio that Standard & Poor's classifies as equity in the banking book, and is composed of equities, funds, and equity stakes. (see table 4).

## Profitability: Still Lags Better Rated Peers'

Table 2

Banca Monte dei Paschi di Siena SpA Profitability Ratios					
	--Year-ended Dec. 31--				
(%)	2011*	2010	2009	2008	2007
Net interest income/average earning assets	1.6	1.7	1.9	2.4	2.2
Net interest income/revenues (%)	57.6	62.4	64.2	68.7	57.6
Fee income/revenues (%)	31.6	34.0	29.6	25.3	28.8
Market-sensitive income/revenues (%)	7.0	(1.1)	0.5	(3.0)	7.5
Personnel expense/revenues	36.4	39.2	40.1	41.0	35.2
Noninterest expenses/revenues	63.3	68.1	70.6	71.1	59.5
New loan loss provisions (LLP) /revenues	18.4	19.8	25.4	20.8	13.8
Preprovision operating income/LLP (%)	199.5	160.8	115.9	139.1	293.1
Operating income after loss provisions/revenues (%)	18.3	12.1	4.0	8.1	26.7
Pretax profit/revenues	18.4	23.4	4.5	0.0	38.1
Tax/pretax profit	48.3	25.7	12.0	(73,756.5)	27.5
Core earnings/revenues	9.5	9.0	3.6	8.6	19.3
Core earnings/average adjusted assets	0.2	0.2	0.1	0.3	0.6
Noninterest expenses/average adjusted assets	1.6	1.7	1.9	2.2	2.0
Core earnings/average risk-weighted assets	0.5	0.4	0.2	0.4	1.0
Core earnings/average adjusted common equity	8.0	7.8	3.4	8.3	18.1
Pretax profit/average common equity (%)	7.6	9.3	1.8	0.0	24.6

\*Data as of March 31.

Although MPS' efficiency strongly improved on the back of significant cost savings in 2010, profitability remains weaker than peers' due to modest revenue generation from fees and other noninterest income, and a high cost of credit risk. The rise in the cost of wholesale funding will weigh on profits in 2011. We believe that profitability is likely to improve modestly in 2011 on the back of a gradual rise in interest rates and loan volumes, combined with additional cost savings. Nevertheless, loan loss provisions are likely to remain high.

MPS' traditional business model, which focuses mainly on domestic commercial banking with limited reliance on investment banking and trading activity, protected the bank from the financial crisis of 2008. In 2009 and 2010, however, the sharp drop in the three-month Euro Interbank Offered Rate (Euribor), from 2.8% in January 2009 to a low of 0.63% on March 31, 2010, significantly lowered MPS' interest income, the main source of revenues.

Fee income generation, while more modest than peers' at about 1.2% of average assets in 2010 and 35% of revenues in 2010, has improved compared with previous years. This reflects MPS' efforts to increase the sale of savings and insurance products, particularly those made by insurance joint ventures with AXA. The accounting shift in income on overdraft accounts from interest to fee income has also supported fee income. MPS' fee income structure has become less volatile since the group's 2003 move away from an aggressive revenue recognition policy that tended to anticipate revenues.

We expect costs to continue to decline in 2011, allowing MPS to reach a cost-to-income ratio for full-year 2011 in the mid 60% range, in line with peers. We also expect integration costs to decline, as the bank booked a significant

portion at the end of 2008.

Provisions for loans and other financial assets represented over half of operating profit in 2010 and undermine MPS' bottom-line profitability. We expect provisions as a share of operating profit to fall gradually for the remainder of 2011, and to account for less than half of operating profit by the end of 2012.

Net income in 2010 benefitted from gains on asset sales, notably the sale of property occupied by 683 of the bank's branches. The transactions generated a gain of about €450 million

MPS also booked an additional capital gain of €170 million on Dec. 31, 2010, after the dilution of its stake in Prima Sgr following a merger of Prima with Anima Sgr, another asset manager.

## Capital: Capital Increase To Remove Weakness For The Ratings

**Table 3**

Banca Monte dei Paschi di Siena SpA Capital Ratios					
(%)	--Year-ended Dec. 31--				
	2011*	2010	2009	2008	2007
Adjusted common equity/risk assets (%)	6.8	6.3	5.1	4.4	5.3
Tier 1 capital ratio (%)	9.1	8.4	7.5	5.1	6.1
Adjusted total equity/adjusted assets	3.9	3.6	3.5	3.5	4.1
Adjusted total equity/managed assets	3.8	3.4	3.3	3.4	4.1
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	11.1	10.7	9.9	9.1	9.0
Common dividend payout ratio	17.0	17.0	0.0	10.7	44.5

\*Data as of March 31.

**Table 4**

Banca Monte dei Paschi di Siena SpA Risk-Adjusted Capital Framework Data					
(€ 000s)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
<b>Credit risk</b>					
Government and central banks	32,424,890	1,571,619	5	1,701,427	5
Institutions	15,164,859	4,967,930	33	3,214,001	21
Corporate	68,595,618	52,314,378	76	49,540,202	72
Retail	74,986,557	24,361,497	32	31,382,494	42
Of which mortgage	41,684,594	8,008,660	19	10,014,831	24
Securitization	561,175	504,871	90	539,348	96
Other assets	21,067,996	8,786,700	42	20,842,268	99
Total credit risk	212,801,095	92,506,995	43	107,219,740	50
<b>Market risk</b>					
Equity in the banking book¶	1,908,371	1,757,890	105	14,480,004	759
Trading book market risk	--	6,310,600	--	9,465,900	--
Total market risk	--	8,068,490	--	23,945,904	--
<b>Insurance risk</b>					
Total insurance risk	--	--	--	6,920,275	--

Table 4

Banca Monte dei Paschi di Siena SpA Risk-Adjusted Capital Framework Data (cont.)					
<b>Operational risk</b>					
Total operational risk	--	8,662,715	--	13,988,994	--
<b>(€ 000s)</b>	<b>Basel II RWA</b>		<b>Standard &amp; Poor's RWA</b>		<b>% of Standard &amp; Poor's RWA</b>
<b>Diversification adjustments</b>					
RWA before diversification	109,238,200		152,074,913		100
Total adjustments to RWA	--		(15,670,029)		(10)
RWA after diversification	109,238,200		136,404,884		90
<b>(€ 000s)</b>	<b>Tier 1 capital</b>	<b>Tier 1 ratio (%)</b>	<b>Total adjusted capital</b>	<b>Standard &amp; Poor's RAC ratio (%)</b>	
<b>Capital ratio</b>					
Capital ratio before adjustments	9,142,401	8.4	9,213,573	6.1	
Capital ratio after adjustments§	9,142,401	8.4	9,213,573	6.8	

\*Exposure at default. Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. ¶Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2010, Standard & Poor's.

MPS completed a capital increase of €2.15 billion on July 20, 2011, which represents about 33% of our measure of its core adjusted common equity (ACE) at year-end 2010. We understand MPS will use the proceeds to reimburse hybrid instruments totaling €2.1 billion. MPS' controlling foundation subscribed to the increase so as to maintain a 50% stake in the bank.

We take a positive view of MPS' decision to address its weak quality of capital, which we consider to be one of the bank's main rating constraints. Based on our measure of risk-adjusted capital (RAC), in which we incorporate the increased ACE, we estimate that our RAC ratio for MPS would stand at about 6.8% before diversification effects and 7.6% after diversification effects. This puts MPS close to our average for the world's largest banks.

In our view, the improvement in quality of capital will also enable the bank to comfortably comply with Basel III's minimum common equity ratio of 7%. We believe the stability of the RAC ratio between year-end 2008 and year-end 2009 masks an underlying improvement of the risk profile of MPS's exposures. The stability is due, in our view, to the allocation of past-due obligations and non-credit obligations to other asset exposures in 2009, as opposed to corporate exposures in 2008, which carry a higher risk weighting.

A significant proportion of MPS' Tier 1 capital currently consists of hybrid instruments, namely:

- A €1.9 billion instrument subscribed to by the Italian government, qualifying as core capital by the Bank of Italy. MPS will reimburse the hybrid with the proceeds of the capital increase.
- A FRESH (floating rate exchangeable subordinated hybrid) issued in December 2003 for an outstanding amount of €470.6 million. The FRESH will convert into equity in 2011, partially by way of conversion, and partially in exchange for new shares issued by the capital increase.
- Three preferred security tranches for €650 million.
- In June 2008, MPS raised €950 million with a JP Morgan Chase vehicle that is booked by the bank as ordinary

capital. MPS nevertheless pays coupons to the vehicle under a total return swap, and we reclassify this operation as a hybrid instrument in its measure of capital.

Table 5

<b>Banca Monte dei Paschi di Siena SpA Summary Balance Sheet</b>					
<b>(Mil. €)</b>	<b>--Year-ended Dec. 31--</b>				
	<b>2011*</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>					
Cash and money market instruments	12,269.7	13,908.1	17,060.2	18,910.3	15,679.4
Securities	37,498.9	44,342.1	29,055.0	16,521.5	25,829.4
Trading securities (marked to market)	15,817.0	22,293.5	13,885.4	11,345.5	21,024.2
Nontrading securities	21,681.9	22,048.7	15,169.6	5,176.1	4,805.2
Mortgage-backed securities included above	N/A	N/A	N/A	N/A	N/A
Loans to banks (net)	N/A	N/A	N/A	N/A	N/A
Customer loans (gross)	162,959.3	163,464.3	154,721.3	151,708.9	109,540.5
Loan loss reserves	9,295.4	9,014.0	7,745.0	6,623.9	3,218.2
Customer loans (net)	153,663.9	154,450.3	146,976.3	145,085.0	106,322.4
Earning assets	211,265.6	219,042.5	198,191.0	179,092.1	146,977.2
Equity interests/participations (nonfinancial)	684.8	666.7	580.9	422.4	816.1
Investments in unconsolidated subsidiaries (financial companies)	240.8	240.8	161.3	160.6	4.0
Intangibles (nonservicing)	7,539.4	7,551.6	7,661.6	7,765.9	1,104.1
Interest-only strips	N/A	N/A	N/A	N/A	N/A
Fixed assets	1,403.9	1,407.1	2,733.0	2,792.6	2,428.0
Derivatives credit amount	9,737.3	11,961.8	9,851.9	10,582.5	5,281.5
Accrued receivables	N/A	N/A	N/A	N/A	N/A
All other assets	9,087.2	9,750.3	10,734.7	11,555.1	4,518.8
Total assets	232,125.8	244,278.9	224,815.0	213,796.0	161,983.6
Intangibles (nonservicing)	7,539.4	7,551.6	7,661.6	7,765.9	1,104.1
Minus insurance statutory funds	N/A	N/A	N/A	N/A	N/A
Adjusted assets	224,586.4	236,727.3	217,153.3	206,030.0	160,879.5
<b>Liabilities</b>					
Total deposits	93,065.2	102,009.7	95,532.8	98,362.8	70,423.7
Noncore deposits	15,609.4	22,981.2	18,292.5	22,427.7	13,460.3
Core/customer deposits	77,455.7	79,028.5	77,240.3	75,935.1	56,963.4
Acceptances	N/A	N/A	N/A	N/A	N/A
Repurchase agreements	25,069.9	24,094.3	18,357.8	10,442.3	3,755.7
Other borrowings	64,635.7	60,765.6	64,307.5	59,734.4	51,930.8
Other other borrowings	58,157.2	54,287.0	57,894.7	54,203.1	48,913.0
Other credit reserves	N/A	N/A	N/A	N/A	N/A
Other liabilities	31,634.2	40,032.7	29,210.3	29,018.4	25,998.1
Total liabilities	214,405.0	226,902.3	207,408.3	197,557.8	152,108.2
Total equity	17,720.7	17,376.7	17,406.6	16,238.1	9,875.4
Limited life preferred and quasi equity	N/A	N/A	N/A	N/A	N/A
Preferred stock and other capital	2,850.1	2,850.1	2,850.1	2,132.0	1,050.0

**Table 5**

<b>Banca Monte dei Paschi di Siena SpA Summary Balance Sheet (cont.)</b>					
Mandatorily convertible securities	N/A	N/A	N/A	N/A	N/A
Enhanced trust preferred	N/A	N/A	N/A	N/A	N/A
Government-owned hybrids included in TAC without limit	N/A	N/A	N/A	N/A	N/A
Minority interest-equity	272.7	269.6	281.3	279.0	246.6
Common shareholders' equity	14,598.0	14,257.0	14,275.3	13,827.1	8,578.8
Share capital and surplus	7,541.6	7,541.8	7,600.7	7,631.2	2,219.1
Revaluation reserve	52.7	(146.2)	720.6	401.2	1,022.4
Retained profits	140.3	985.5	220.1	922.8	1,437.6
Other equity	N/A	N/A	N/A	N/A	N/A
Total liabilities and equity	232,125.8	244,278.9	224,815.0	213,796.0	161,983.6

\*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Table 6**

<b>(Mil. €)</b>	<b>--Year-ended Dec. 31--</b>				
	<b>2011*</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Common shareholders' equity	14,598.0	14,257.0	14,275.3	13,827.1	8,578.8
Plus minority interest (equity)	272.7	269.6	281.3	279.0	246.6
Minus dividends (not yet distributed)	(23.8)	(167.8)	0.0	(98.8)	(640.2)
Minus revaluation reserves	(52.7)	146.2	(720.6)	(401.2)	(1,022.4)
Minus nonservicing intangibles	(7,539.4)	(7,551.6)	(7,661.6)	(7,765.9)	(1,104.1)
Minus interest-only strips (net)	N/A	N/A	N/A	N/A	N/A
Minus tax loss carryforwards	(25.9)	(25.9)	(10.7)	0.0	0.0
Minus postretirement benefit adjustment	0.0	0.0	0.0	0.0	0.0
Minus cumulative effect of credit-spread related revaluation of liabilities	N/A	N/A	N/A	N/A	N/A
Minus other adjustments	N/A	N/A	N/A	N/A	N/A
Adjusted common equity	7,228.8	6,927.5	6,163.7	5,840.2	6,058.7
Plus admissible preferred and hybrids	2,385.5	2,286.1	2,034.0	1,927.3	1,050.0
Total Adjusted Capital	9,614.3	9,213.6	8,197.7	7,767.5	7,108.7
Plus general reserves	0.0	0.0	0.0	0.0	0.0
Plus unrealized gains	N/A	N/A	N/A	N/A	N/A
Minus equity in unconsolidated subsidiaries	(240.8)	(240.8)	(161.3)	(160.6)	(4.0)
Minus capital of insurance subsidiaries	(553.6)	(553.6)	(534.5)	(435.0)	(443.6)
Minus adjustment for securitized assets	0.0	0.0	0.0	0.0	0.0
Adjusted total equity	8,819.9	8,419.2	7,501.9	7,171.9	6,661.1

\*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 7

<b>Banca Monte dei Paschi di Siena SpA Profit And Loss</b>					
<b>(Mil. €)</b>	<b>--Year-ended Dec. 31--</b>				
	<b>2011*</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net interest income	860.7	3,540.7	3,674.8	3,937.8	3,027.0
Interest income	1,692.0	6,471.7	7,097.5	10,502.5	7,488.5
Interest expense	831.4	2,931.0	3,422.7	6,564.7	4,461.5
Operating noninterest income	633.6	2,133.5	2,046.1	1,791.0	2,228.7
Fees and commissions	472.7	1,929.1	1,695.3	1,448.7	1,515.3
Net brokerage commissions	N/A	N/A	N/A	N/A	N/A
Trading gains	63.9	(82.4)	(33.6)	(170.3)	189.0
Other market-sensitive income	41.0	22.6	64.8	(1.1)	207.4
Net insurance income	N/A	N/A	N/A	N/A	N/A
Equity in earnings of unconsolidated subsidiaries	(1.3)	53.0	96.1	145.5	141.9
Other noninterest income	57.4	211.2	223.6	368.2	175.1
Operating revenues	1,494.3	5,674.1	5,720.9	5,728.8	5,255.7
Noninterest expenses	945.2	3,864.2	4,036.9	4,075.8	3,126.5
Personnel expenses	543.5	2,224.7	2,291.2	2,348.2	1,848.9
Other general and administrative expense	339.8	1,381.9	1,503.1	1,536.9	1,162.6
Preprovision operating income	549.1	1,809.9	1,684.0	1,653.0	2,129.2
Credit loss provisions (net new)	275.3	1,125.5	1,452.7	1,188.8	726.5
Operating income after loss provisions	273.8	684.4	231.3	464.3	1,402.7
Nonrecurring/special income	31.6	766.4	254.0	203.3	742.9
Nonrecurring/special expense	30.2	122.0	230.1	515.4	140.1
Amortization of intangibles	0.0	0.0	0.0	150.9	0.7
Impairment of intangibles	N/A	N/A	N/A	N/A	N/A
Pretax profit	275.3	1,328.8	255.1	1.3	2,004.8
Tax expense/credit	133.0	341.8	30.5	(929.8)	551.6
Net income (before minority interest)	142.3	987.0	224.6	931.1	1,453.2
Minority interest in consolidated subsidiaries	1.9	1.5	4.5	8.4	15.6
Net income before extraordinaries	140.3	985.5	220.1	922.8	1,437.6
Net income after extraordinaries	140.3	985.5	220.1	922.8	1,437.6

\*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 8

<b>Banca Monte dei Paschi di Siena SpA Core Earnings Reconciliation Table</b>					
<b>(Mil. €)</b>	<b>--Year-ended Dec. 31--</b>				
	<b>2011*</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Net income (before minority interest)	142.3	987.0	224.6	931.1	1,453.2
Minus nonrecurring/special income	(31.6)	(766.4)	(254.0)	(203.3)	(742.9)
Plus nonrecurring/special expense	30.2	122.0	230.1	515.4	140.1
Plus or minus tax impact of adjustments	0.7	165.8	2.8	(900.0)	165.9
Plus amortization/impairment of goodwill/intangibles	0.0	0.0	0.0	150.9	0.7
Minus preferred dividends	0.0	0.0	0.0	0.0	0.0

**Table 8**

<b>Banca Monte dei Paschi di Siena SpA Core Earnings Reconciliation Table (cont.)</b>					
Plus or minus other earnings adjustments	N/A	N/A	N/A	N/A	N/A
Core earnings	141.5	508.3	203.7	494.1	1,017.0

\*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Table 9**

<b>Banca Monte dei Paschi di Siena SpA Asset Quality, Funding, And Liquidity Ratios</b>					
(%)	--Year-ended Dec. 31--				
	2011*	2010	2009	2008	2007
Gross nonperforming assets/customer loans + other real estate owned (%)	12.6	12.0	11.1	8.5	5.9
Net nonperforming assets/customer loans plus other real estate owned	7.4	6.8	6.4	4.3	3.1
Loan loss reserves/gross nonperforming assets (%)	45.1	46.0	45.2	51.4	49.7
Loan loss reserves/customer loans	5.7	5.5	5.0	4.4	2.9
New loan loss provisions/average customer loans (%)	0.7	0.7	0.9	0.9	0.7
Net charge-offs/average customer loans (%)	N.M.	0.1	0.1	0.2	0.4
Customer deposits/funding base	42.4	42.3	43.3	45.1	45.2
Total loans/customer deposits	210.4	206.8	200.3	199.8	192.3
Total loans/customer deposits plus long-term funds	160.3	158.9	153.1	155.3	156.8
Customer loans (net)/assets (adjusted)	68.4	65.2	67.7	70.4	66.1

\*Data as of March 31.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

## Related Criteria And Research

- Risk-Adjusted Capital Framework For Financial Institutions, April 21, 2009
- Assumptions For Base-Case Credit Losses For Italian Banks, April 23, 2010
- Review Of Italian Banks On Implementation Of Credit Loss Assumptions And Reappraisal Of Earnings Leads To Rating Action, April 23, 2010

### Ratings Detail (As Of August 25, 2011)\*

#### Banca Monte dei Paschi di Siena SpA

Counterparty Credit Rating	A-/Stable/A-2
Certificate Of Deposit	A-/A-2
Junior Subordinated (3 Issues)	BBB-
Preferred Stock (2 Issues)	BBB-
Senior Unsecured (44 Issues)	A-
Subordinated (6 Issues)	BBB+

#### Counterparty Credit Ratings History

01-Oct-2009	A-/Stable/A-2
12-Nov-2007	A/Negative/A-1
16-Jan-2007	A/Positive/A-1

**Ratings Detail** (As Of August 25, 2011)\***(cont.)**

**Sovereign Rating**

Italy (Republic of) (Unsolicited Ratings)

A+/Negative/A-1+

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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