Pillar 3 Disclosure

Update as at
30 September 2022

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
30 September 2022

Banca Monte dei Paschi di Siena SpA
Company Head Office in Siena, Piazza Salimbeni 3, www.mps.it
Recorded in the Arezzo-Siena Company Register – Registration no. and tax code 00884060526
MPS VAT Group – VAT no. 01483500524
Member of the Italian Interbank Deposit Protection Fund. Bank Register no. 5274
Parent Company of the Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register

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Introduction

The new Pillar 3 disclosure framework, that aims to foster the role of institutions'disclosures in promoting market discipline, entered into force as of 30 June 2021. 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.

It thus incorporates the minimum capital requirements (Pillar I) and the prudential control process (Pillar II).

In particular, the **new Pillar 3 disclosure framework, in force since 30 June 2021**, seeks to:

- improve clarity for users of information, by provide a single comprehensive package;
- ensure consistency and comparability among the intermediaries;
- facilitate access by users of information to institutions' key prudential data by introducing the new key metrics templates;
- facilitate technical implementation for the retrieval of information;
- increase the efficiency of disclosures and reduce costs through synergies and integration of quantitative information with supervisory reporting.

The regulatory sources of reference are: - the new EU Regulation 2019/876 (**CRR2**) amending EU Regulation no. 575/2013 (CRR), which, in Article 434a, mandated the EBA to develop implementing technical standards (ITS) specifying the uniform disclosure formats required under Titles II and III of Part 8 of the CRR.

The standardisation process pursued by the EBA through subsequent ITS releases (EBA/ITS/2020/04 and EBA/ITS/2021/07 – IRRBB) is not applied in the following cases, which continue to be governed by the previous guidelines:

- disclosure requirements of the IFRS 9 transitional arrangement (EBA/GL/2020/12);
- temporary information on exposures subject to measures applied due to the COVID 19 crisis (EBA/GL/2020/07).

Pillar 3 Disclosure is prepared at consolidated level by the Parent Company.

Further information on the Group's risk profile, pursuant to Art. 434 of the CRR, is also published in the Consolidated Interim Report as at 30 September 2022, the Report on Corporate Governance and the Remuneration Report.

Unless otherwise indicated, all the amounts in this report are stated in thousand Euros.

The Montepaschi Group regularly publishes its Pillar 3 disclosures on its website at: english.mps.it/investors.

Annex I – Disclosure of key metrics and overview of risk-weighted exposure amounts

EU KM1 – Key metrics template

		a	b	c	d	e
		Sep-22	Jun-22	Mar-22	Dec-21	Sep-21
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	4,633,535	5,575,701	5,551,618	5,991,778	5,948,693
2	Tier 1 capital	4,633,535	5,575,701	5,551,618	5,991,778	5,948,693
3	Total capital	6,438,667	7,371,018	7,335,639	7,705,129	7,685,725
	Risk-weighted exposure (amounts)					
4	Total risk-weighted exposure amount	46,359,725	47,780,464	47,962,809	47,786,902	48,206,191
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	9.9950%	11.6690%	11.5748%	12.5385%	12.3401%
6	Tier 1 ratio (%)	9.9950%	11.6690%	11.5748%	12.5385%	12.3401%
7	Total capital ratio (%)	13.8880%	15.4270%	15.2944%	16.1239%	15.9434%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7500%	2.7500%	2.7500%	2.7500%	2.7500%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.5469%	1.5469%	1.5469%	1.5469%	1.5469%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.0625%	2.0625%	2.0625%	2.0625%	2.0625%
EU 7d	Total SREP own funds requirements (%)	10.7500%	10.7500%	10.7500%	10.7500%	10.7500%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.0030%	0.0020%	0.0020%	0.0030%	0.0030%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer	0.2500%	0.2500%	0.2500%	0.1900%	0.1900%
11	Combined buffer requirement (%)	2.7530%	2.7520%	2.7520%	2.6930%	2.6930%
EU 11a	Overall capital requirements (%)	13.5030%	13.5020%	13.5020%	13.4430%	13.4430%
12	CET1 available after meeting the total SREP own funds requirements (%)	1.9322%	3.6069%	3.5123%	4.4760%	0.0774%
	Leverage ratio					
13	Leverage ratio total exposure measure	140,558,343	141,162,158	127,019,222	126,834,475	129,024,289
14	Leverage ratio	3.2970%	3.9500%	4.3710%	4.7240%	4.6110%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	*of which: to be made up of CET1 capital (percentage points)*					
EU 14c	Total SREP leverage ratio requirements (%)	3.0000%	3.0000%	3.0972%	3.0972%	3.0972%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)					
EU 14e	Overall leverage ratio requirement (%)	3.0000%	3.0000%	3.0972%	3.0972%	3.0972%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	24,926,939	25,290,454	26,362,267	27,968,567	29,564,545
EU 16a	Cash outflows - Total weighted value	15,671,135	15,695,476	16,110,572	16,816,392	17,709,113
EU 16b	Cash inflows - Total weighted value	1,801,669	1,781,533	1,734,317	1,736,233	1,796,057
16	Total net cash outflows (adjusted value)	13,869,466	13,913,943	14,376,254	15,080,159	15,913,056
17	Liquidity coverage ratio (%)	179.88%	181.79%	183.19%	185.23%	186.14%
	Net Stable Funding Ratio					
18	Total available stable funding	95,466,850	97,240,975	107,120,874	107,399,740	110,495,097
19	Total required stable funding	68,927,872	70,967,710	79,069,242	82,883,030	84,232,169
20	NSFR ratio (%)	138.50%	137.02%	135.48%	129.58%	131.18%

EU OV1 – Overview of total risk exposure amounts

		RWA		Capital requirements	
		Sep-22	Jun-22	Sep-22	Jun-22
1	**Credit risk (excluding CCR)**	**31,001,381**	**31,925,190**	**2,480,110**	**2,554,015**
2	Of which the standardised approach	11,245,706	12,016,443	899,656	961,315
3	Of which the foundation IRB (FIRB) approach	-	-	-	-
4	Of which: slotting approach	909,608	1,017,737	72,769	81,419
EU 4a	Of which: equities under the simple riskweighted approach	-	-		
5	Of which the advanced IRB (AIRB) approach	18,846,067	18,633,378	1,507,685	1,490,670
6	**Counterparty credit risk - CCR**	**1,386,564**	**1,460,359**	**110,925**	**116,829**
7	Of which the standardised approach	756,717	762,121	60,537	60,970
8	Of which internal model method (IMM)	-	-	-	-
EU 8a	Of which exposures to a CCP	43,452	45,805	3,476	3,664
EU 8b	Of which credit valuation adjustment - CVA	465,693	517,683	37,255	41,415
9	Of which other CCR	120,703	134,750	9,656	10,780
15	**Settlement risk**	-	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	**951,201**	**717,742**	**76,096**	**57,419**
17	Of which SEC-IRBA approach	923,917	695,228	73,913	55,618
18	Of which SEC-ERBA (including IAA)	19,025	14,938	1,522	1,195
19	Of which SEC-SA approach	8,259	7,576	661	606
EU 19a	Of which 1250%/ deduction	-	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**2,335,696**	**2,646,659**	**186,856**	**211,733**
21	Of which the standardised approach	2,335,696	2,646,659	186,856	211,733
22	Of which IMA	-	-	-	-
EU 22a	**Large exposures**	-	-	-	-
23	**Operational risk**	**10,684,883**	**11,030,515**	**854,791**	**882,441**
EU 23a	Of which basic indicator approach	81,212	81,212	6,497	6,497
EU 23b	Of which standardised approach	-	-	-	-
EU 23c	Of which advanced measurement approach	10,603,671	10,949,303	848,294	875,944
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**1,624,906**	**1,972,684**	**129,992**	**157,815**
29	**TOTAL**	**46,359,725**	**47,780,464**	**3,708,778**	**3,822,437**

A slight decrease of the main risks (credit, market and operational) was observed during the quarter.

For credit risk, the decrease is mainly attributable to the standard area. In particular, the decrease in standard credit risk is due to lower RWA from capital and a reduction attributable in particular to lower operations in GOF (large financial transactions). On the airb credit risk side, there was a slight increase attributable to the residual effects of the recalibration of the rating models on the probability of default (linked to the new DOD).

Finally, on the market risk side, the decrease was mainly due to the decrease in bond and equity exposures, while on the operational risk side it was due to the low materiality of the operational loss events observed in the last quarter.

Template IFRS 9/Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

		a Sep-22	b Jun-22	c Mar-22	d Dec-21
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	4,633,535	5,575,701	5,551,618	5,991,778
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,235,239	5,182,698	5,160,423	5,234,741
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	4,555,913	5,531,044	5,541,712	6,023,075
3	Tier 1 capital	4,633,535	5,575,701	5,551,618	5,991,778
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,235,239	5,182,698	5,160,423	5,234,741
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	4,555,913	5,531,044	5,541,712	6,023,075
5	Total capital	6,438,667	7,371,018	7,335,639	7,705,129
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,040,371	6,978,015	6,944,444	6,948,091
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	6,361,045	7,326,361	7,325,734	7,736,426
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	46,359,725	47,780,464	47,962,809	47,786,902
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	46,293,253	47,725,030	47,909,681	47,704,380
Coefficienti Patrimoniali					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	9.99%	11.67%	11.57%	12.54%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.15%	10.86%	10.77%	10.97%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9.83%	11.58%	11.56%	12.60%
11	Tier 1 (as a percentage of risk exposure amount)	9.99%	11.67%	11.57%	12.54%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9.15%	10.86%	10.77%	10.97%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	9.83%	11.58%	11.56%	12.60%
13	Total capital (as a percentage of risk exposure amount)	13.89%	15.43%	15.29%	16.12%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.05%	14.62%	14.49%	14.56%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	13.73%	15.34%	15.27%	16.19%
Coefficiente di Leva Finanziaria					
15	Leverage ratio total exposure measure	140,558,343	141,162,158	127,019,222	126,834,475
16	Leverage ratio	3.30%	3.95%	4.37%	4.72%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.02%	3.68%	4.08%	4.15%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	3.24%	3.92%	4.36%	4.75%

The application of the IFRS 9 fully loaded without taking into account the impact deriving from the cohesion with he transitional regime expected from 2018, would have entailed a reduction of 85 bp and 84 bp, respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 9.15% (instead of 9.99% transitional arrangements) and 13.05% (instead of 13.89%) respectively of CET1 ratio and total capital ratio. IFRS 9 fullyloaded application would have entailed a total CET1 decrease of about 0.4 bn euro linked to major provisions implemented during FTA on IRB credit exposure.

Annex XIII – Disclosure of liquidity requirements

EU LIQ 1 – Quantitative information of LCR

	Currency and units (XXX million)	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**Sep-22**	**Jun-22**	**Mar-22**	**Dec-21**	**Sep-22**	**Jun-22**	**Mar-22**	**Dec-21**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
1	**Total high-quality liquid assets (HQLA)**					**24,927**	**25,290**	**26,362**	**27,969**
2	Retail deposits and deposits from small business customers, of which:	53,338	53,372	53,232	53,251	3,455	3,451	3,433	3,433
3	*Stable deposits*	*41,940*	*42,026*	*42,020*	*42,076*	*2,097*	*2,101*	*2,101*	*2,104*
4	*Less stable deposits*	*11,398*	*11,346*	*11,212*	*11,175*	*1,358*	*1,350*	*1,332*	*1,329*
5	**Unsecured wholesale funding**	**19,381**	**19,694**	**20,679**	**21,995**	**9,023**	**9,130**	**9,550**	**10,136**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	19,321	19,634	20,657	21,970	8,963	9,070	9,528	10,111
8	Unsecured debt	60	60	22	25	60	60	22	25
9	Secured wholesale funding					197	295	335	295
10	Additional requirements	3,507	3,430	3,473	3,690	1,141	1,046	1,069	1,242
11	Outflows related to derivative exposures and other collateral requirements	722	613	634	710	722	613	634	710
12	Outflows related to loss of funding on debt products	88	97	102	197	88	97	102	197
13	Credit and liquidity facilities	2,697	2,720	2,737	2,783	331	336	334	336
14	Other contractual funding	1,444	1,619	1,615	1,629	13	8	8	8
15	Other contingent funding obligations	28,764	28,062	27,306	26,445	1,842	1,765	1,716	1,703
	TOTAL CASH OUTFLOWS					15,671	15,695	16,111	16,816
16	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	2,779	3,520	4,346	5,664	99	108	109	106
18	Inflows from fully performing exposures	1,910	1,818	1,713	1,733	1,041	1,000	952	963
19	Other cash inflows	3,094	3,071	3,061	3,050	661	674	674	667
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	7,783	8,409	9,120	10,447	1,802	1,782	1,734	1,736
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*7,783*	*8,409*	*9,120*	*10,447*	*1,802*	*1,782*	*1,734*	*1,736*
EU-21	LIQUIDITY BUFFER					24,927	25,290	26,362	27,969
22	TOTAL NET CASH OUTFLOWS					13,869	13,914	14,376	15,080
23	LIQUIDITY COVERAGE RATIO (%)					179.8752%	181.7909%	183.1879%	185.2303%

EU LIQB on qualitative information on LCR, which complements template EU LIQ1

The *Liquidity Coverage Ratio* (LCR) promotes the short-term resilience of a bank's liquidity risk profile.

In the Q3 2022, the Group liquidity was characterized by the lack of signs of strain in the short term, with the LCR (calculated as laid down in the Delegated Regulation (EU) 2015/61) stably and largely above the regulatory limit of 100%.

The indicator is essentially stable compared to the previous quarter (+4.8% from 179.9%in June 2022, to 184.7% in September 2022. For information purposes only, it should be noted that access to the Deposit Facility, a strategic choice made on the basis of the monetary policy interventions implemented by the ECB in September, as at 30 September 2022 amounted to €15.0bn.

From a methodological point of view, the only change made in Q3 2022 concerns the introduction of contracts with non-financial counterparties in the estimation of expected cash flows from derivative transactions. On a monthly basis, the Group monitors the risk of concentration of sources of financial and commercial funding, with a particular focus on the details of the main non-retail counterparties. At the end of September 2022, in accordance with what is monitored through the Additional Liquidity Monitoring Metrics (ALMM) regulatory reporting, funding through unsecured channels amounts to roughly 69% of the total, of which 8% relating to financial non-retail counterparties and 15% relating to non-financial non-retail counterparties.

In September 2022, the *Liquidity buffer* shows a prevalence of available liquidity deriving from the reserve held with the ECB (73% of the total *Liquidity Buffer* of which *Deposit Facility* accounts for 57% of the section) and a significant component of Italian and European (25%) government bonds, and other residual components (2%), listed on regulated markets and easily liquidated in the short term.

It should be noted that *outflows* relating to derivative positions and potential requests for collateral have an impact on the reference aggregate of less than 7%.

It should be noted, moreover, that the liquidity reserves, as well as the *outflows* and *inflows* in currencies other than the Euro - components having an incidence below 1% each - are marginal for the MPS Group and do not provoke currency misalignments in the LCR. Lastly, it is specified that all elements considered relevant to the Group's liquidity profile are considered in determining the LCR.

Annex XXI – Disclosure of the use of the IRB approach to credit risk

EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

		Importi delle RWA
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**19,940,199**
2	Asset size	-115,566
3	Asset quality	253,450
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-11,209
7	Foreign exchange movements	-
8	Other	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**20,066,874**

The information in this template includes counterparty credit risk (CCR) exposures and specialised lending.

Declaration of the Financial Reporting Officer

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

Siena, 15 November 2022

Nicola Massimo Clarelli

Financial Reporting Officer

Nicola Massimo Clarelli

List of tables

Appendix 1 – Details of Information provided in compliance with EBA/ITS/2020/04

Guidelines on disclosure requirements EBA/ITS/2020/04		Reference to the present document Pillar III 30/09/2022	Annex
EU KM1	Key Metrics	Disclosure of key metrics and overview of risk weighted exposure amounts	I
EU OV1	Overview of risk weighted exposure amounts		
EU LIQ 1	Quantitative information of LCR	Disclosure of liquidity requirements	XIII
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1		
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Disclosure of the use of the IRB approach to credit risk	XXI

Appendix 2 – Details of Information provided in compliance with EBA Guidelines GL/2020/12

Details of Information provided in compliance with EBA Guidelines GL/2020/12		*Reference to the present document Pillar III 30/09/2022*
Template IFRS 9/Article 468-FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	*Disclosure of key metrics and overview of risk-weighted exposure amounts*

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