Pillar 3 Disclosure

Update as at
31 March 2023

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
31 March 2023

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

Index

Index 5

Introduction 7

Annex I – Disclosure of key metrics and overview of risk-weighted exposure amounts 9

Annex XIII – Disclosure of liquidity requirements 12

Annex XXI – Disclosure of the use of the IRB approach to credit risk 14

Declaration of the Financial Reporting Officer 15

List of tables 16

Appendix 1 – Details of Information provided in compliance with EBA/ ITS/2020/04 17

Appendix 2 – Details of Information provided in compliance with EBA/GL/2020/12 17

Contacts 18

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);

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 March 31th, 2023, 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 Mar-23	b Dec-22	c Sep-22	d Jun-22	e Mar-22
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,117,522	7,601,176	4,633,535	5,575,701	5,551,618
2	Tier 1 capital	7,117,522	7,601,176	4,633,535	5,575,701	5,551,618
3	Total capital	8,908,932	9,373,413	6,438,667	7,371,018	7,335,639
	Risk-weighted exposure (amounts)					
4	Total risk-weighted exposure amount	49,382,021	45,686,193	46,359,725	47,780,464	47,962,809
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.4132%	16.6378%	9.9947%	11.6694%	11.5748%
6	Tier 1 ratio (%)	14.4132%	16.6378%	9.9947%	11.6694%	11.5748%
7	Total capital ratio (%)	18.0408%	20.5169%	13.8885%	15.4268%	15.2944%
	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 (%)	0.0080%	0.0080%	0.0030%	0.0020%	0.0020%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer	0.2500%	0.2500%	0.2500%	0.2500%	0.2500%
11	Combined buffer requirement (%)	2.7580%	2.7580%	2.7530%	2.7520%	2.7520%
EU 11a	Overall capital requirements (%)	13.5080%	13.5080%	13.5030%	13.5020%	13.5020%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.3507%	8.5753%	1.9322%	3.6069%	3.5123%
	Leverage ratio					
13	Leverage ratio total exposure measure	131,695,912	131,823,310	140,558,343	141,162,158	127,019,222
14	Leverage ratio	5.4045%	5.7662%	3.2965%	3.9500%	4.3710%
	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%	3.0000%	3.0000%	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%	3.0000%	3.0000%	3.0972%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	25,298,979	25,215,509	24,925,367	25,288,883	26,360,681
EU 16a	Cash outflows - Total weighted value	15,348,470	15,587,705	15,671,135	15,695,476	16,110,572
EU 16b	Cash inflows - Total weighted value	1,920,604	1,863,889	1,801,669	1,781,533	1,734,525
16	Total net cash outflows (adjusted value)	13,427,865	13,723,817	13,869,466	13,913,943	14,376,046
17	Liquidity coverage ratio (%)(*)	189.12%	183.95%	179.88%	181.79%	183.19%
	Net Stable Funding Ratio					
18	Total available stable funding	83,541,632	86,919,862	95,466,850	97,240,975	107,120,874
19	Total required stable funding	63,342,904	64,795,074	68,927,872	70,967,710	79,069,242
20	NSFR ratio (%)	131.89%	134.15%	138.50%	137.02%	135.48%

(*) *The values shown are calculated as simple averages of month-end observations in the twelve months preceding the end of each quarter, consistent with the representation provided in the EU LIQ1 table*

EU OV1 – Overview of total risk exposure amounts

		RWA		Capital requirements
		Mar-23	Dec-22	Mar-23
1	**Credit risk (excluding CCR)***	**35,457,849**	**31,541,256**	**2,836,628**
2	Of which the standardised approach	11,729,617	12,370,078	938,369
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	949,724	883,836	75,978
EU 4a	Of which: equities under the simple riskweighted approach	-	-	
5	Of which the advanced IRB (AIRB) approach	21,683,403	18,287,343	1,734,672
6	**Counterparty credit risk - CCR**	**1,275,734**	**1,383,243**	**102,059**
7	Of which the standardised approach	649,335	722,178	51,947
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	38,723	36,594	3,098
EU 8b	Of which credit valuation adjustment - CVA	464,834	497,140	37,187
9	Of which other CCR	122,843	127,331	9,827
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)****	**595,055**	**586,531**	**47,604**
17	Of which SEC-IRBA approach	571,552	562,170	45,724
18	Of which SEC-ERBA (including IAA)	15,716	16,606	1,257
19	Of which SEC-SA approach	7,787	7,755	623
EU 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,922,890**	**2,026,758**	**153,831**
21	Of which the standardised approach	1,922,890	2,026,758	153,831
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**10,130,493**	**10,148,405**	**810,439**
EU 23a	Of which basic indicator approach	90,290	90,290	7,223
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	10,040,203	10,058,116	803,216
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**2,681,681**	**2,737,424**	**214,534**
29	**TOTAL**	**49,382,021**	**45,686,193**	**3,950,562**

(*) *Total credit risk-weighted exposure also includes the +5% RWA Limitation required by the ECB (amounting to about €1.1/bn), which is not included in the underlying "Of which".*

(**) *The amount shown does not include equivalent deducted securitisations equale to 988 €/th in terms of RWA and 79 €/th in terms of requirement.*

The increase in Credit Risk RWAs recorded in the first quarter is almost wholly due to the adoption of the new version of AIRB models authorized by the ECB in February 2023. The introduction of the new models generated an increase in RWA of 3.7 €/bn including the *Limitation* that provides for 5% increase of RWA from models, mainly due to the adjustment of the calculation of PD and LGD risk parameters to the latest regulatory provisions, the first adoption of the EAD models and, in a residual part, the extension of the scope of AIRB models to additional exposure types (credit cards and capital companies without balance sheet).

Roughly stable is the Operational Risk component.

Finally, the decrease in the Market Risk component is mainly related to the sharp decrease in trading securitizations as well as activity in the commodity derivatives segment.

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 Mar-23	b Dec-22	c Sep-22	d Jun-22
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,117,522	7,601,176	4,633,535	5,575,701
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,107,492	7,202,405	4,235,239	5,182,698
3	Tier 1 capital	7,117,522	7,601,176	4,633,535	5,575,701
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,107,492	7,202,405	4,235,239	5,182,698
5	Total capital	8,908,932	9,373,413	6,438,667	7,371,018
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,898,902	8,974,642	6,040,371	6,978,015
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	49,382,021	45,686,193	46,359,725	47,780,464
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	49,371,991	45,619,863	46,293,253	47,725,030
Capital Ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.41%	16.64%	9.99%	11.67%
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	14.40%	15.79%	9.15%	10.86%
11	Tier 1 (as a percentage of risk exposure amount)	14.41%	16.64%	9.99%	11.67%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.40%	15.79%	9.15%	10.86%
13	Total capital (as a percentage of risk exposure amount)	18.04%	20.52%	13.89%	15.43%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.02%	19.67%	13.05%	14.62%
Leverage ratio					
15	Leverage ratio total exposure measure	131,695,912	131,822,945	140,558,343	141,162,158
16	Leverage ratio	5.40%	5.77%	3.30%	3.95%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.40%	5.48%	3.02%	3.68%

(*) *The above model only considers the scenario "with and without the application of IFRS 9 transitional provisions or similar expected credit losses" .*

The application of the IFRS 9 fully loaded without taking into account the impact deriving from the cohesion with the transitional regime expected from 2018, would have entailed a reduction of 2 bp in both the CET1 ratio and total capital ratio. Such coefficients would have resulted in 14.40% (instead of 14.41% transitional arrangements) and 18.02% (instead of 18.04%) respectively of CET1 ratio and total capital ratio.

Annex XIII – Disclosure of liquidity requirements

EU LIQ 1 – Quantitative information of LCR

	Currency and units (EUR million)	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	**Mar-23**	**Dec-22**	**Sep-22**	**Jun-22**	**Mar-23**	**Dec-22**	**Sep-22**	**Jun-22**
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)**					**25,299**	**25,216**	**24,925**	**25,289**
2	Retail deposits and deposits from small business customers, of which:	52,687	53,111	53,338	53,372	3,412	3,440	3,455	3,451
3	*Stable deposits*	*41,462*	*41,763*	*41,940*	*42,026*	*2,073*	*2,088*	*2,097*	*2,101*
4	*Less stable deposits*	*11,224*	*11,348*	*11,398*	*11,346*	*1,339*	*1,352*	*1,358*	*1,350*
5	**Unsecured wholesale funding**	**18,649**	**19,080**	**19,381**	**19,694**	**8,539**	**8,864**	**9,023**	**9,130**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	18,589	19,020	19,321	19,634	8,479	8,804	8,963	9,070
8	Unsecured debt	60	60	60	60	60	60	60	60
9	Secured wholesale funding					109	183	197	295
10	Additional requirements	3,508	3,441	3,507	3,430	1,271	1,173	1,141	1,046
11	Outflows related to derivative exposures and other collateral requirements	975	850	722	613	975	850	722	613
12	Outflows related to loss of funding on debt products	19	21	88	97	19	21	88	97
13	Credit and liquidity facilities	2,514	2,570	2,697	2,720	277	302	331	336
14	Other contractual funding	1,471	1,312	1,444	1,619	19	9	13	8
15	Other contingent funding obligations	30,384	29,487	28,764	28,062	1,999	1,919	1,842	1,765
16	TOTAL CASH OUTFLOWS					15,348	15,588	15,671	15,695
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	2,527	2,383	2,779	3,520	84	92	99	108
18	Inflows from fully performing exposures	2,117	2,022	1,910	1,818	1,159	1,102	1,041	1,000
19	Other cash inflows	3,206	3,147	3,094	3,071	678	669	661	674
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	7,850	7,552	7,783	8,409	1,921	1,864	1,802	1,782
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*7,850*	*7,552*	*7,783*	*8,409*	*1,921*	*1,864*	*1,802*	*1,782*
EU-21	LIQUIDITY BUFFER					25,299	25,216	24,925	25,289
22	TOTAL NET CASH OUTFLOWS					13,428	13,724	13,869	13,914
23	LIQUIDITY COVERAGE RATIO (%)					189.12%	183.95%	179.86%	181.78%

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

The Liquidity Coverage Ratio (LCR) is the regulatory index used to monitor short-term liquidity risk. In the first quarter of 2023, the Group liquidity was characterized by the absence of any signs of strain in the short term, with the LCR (calculated according to Delegated Regulation (EU) 2015/61) remaining stable, well above the regulatory limit of 100%, with an adequate safety buffer. The indicator was up compared to the previous quarter (+18.3%, with LCR rising from 192.3% at end-December 2022 to 210.6% at end-March 2023) since, given the substantially stable buffer, the indicator benefits from an overall reduction in net outflows.

It should be noted that no methodological changes were made to the indicator in Q1 2023.

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 March 2023, in accordance with what is monitored through the Additional Liquidity Monitoring Metrics (ALMM) regulatory reporting, funding through unsecured channels amounts to roughly 73% of the total, of which 8% relating to financial non-retail counterparties and 16% relating to non-financial non-retail counterparties.

In March 2023, the Liquidity buffer shows a strong prevalence of available liquidity deriving from the reserve held with the ECB (50% of the total Liquidity Buffer of which Deposit Facility accounting for 48% of the section), the Italian and European government bonds (48% pf the aggregate), and other remaining items (2%), all of which are listed on the main 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 8%. It should also be noted that the liquidity reserves in currencies other than the Euro, as well as the outflows and inflows in currencies other than the Euro – all of which account for less than 1% each – are marginal for the MPS Group and do not cause currency misalignments in the calculation of the LCR.

Finally, it should be noted that all elements considered relevant to the institution's liquidity profile are included in the calculation of the LCR indicator.

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

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**19,411,633**
2	Asset size	488,576
3	Asset quality	-
4	Model updates	2,951,599
5	Methodology and policy	-
6	Acquisitions and disposals	27
7	Foreign exchange movements	-
8	Other	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**22,851,836**

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

The risk-weighted exposure reported under *Model Updates* does not include the +5% RWA Limitation required by the ECB (amounting to about €1.1/bn) and lower RWAs of about €0.3/bn due to exposures disbursed through credit cards and to unbalanced corporations that with the Model Update moved from the Standard portfolio to the AIRB portfolio.

Therefore, the total impact of the Model Change is about 3.7€/bn.

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, 22 May 2023

Nicola Massimo Clarelli

Financial Reporting Officer

List of tables

EU KM1 – Key metrics template 9

EU OV1 – Overview of total risk exposure amounts 10

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 11

EU LIQ 1 – Quantitative information of LCR. 12

EU LIQB on qualitative information on LCR, which complements template EU LIQ1 13

EU CR8 - RWEA flow statements of credit risk exposures under the IRB approach 14

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 31/03/2023	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/GL/2020/12

Details of Information provided in compliance with EBA/GL/2020/12		Reference to the present document Pillar III 31/03/2023	Annex
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*	I

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