Pillar 3 Disclosure

Update as at
30 September 2023

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
30 September 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

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.

For additional information not contained in this document, particularly regarding the general, organizational, and methodological aspects relating to the different types of risk, please refer to Annual Pillar 3 Report as of December 31st, 2022.

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 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.

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

EU KM1 – Key metrics template

		a	b	c	d	e
		Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,867,879	7,895,855	7,117,522	7,601,176	4,633,535
2	Tier 1 capital	7,867,879	7,895,855	7,117,522	7,601,176	4,633,535
3	Total capital	9,582,195	9,648,923	8,908,932	9,373,413	6,438,667
	Risk-weighted exposure (amounts)					
4	Total risk-weighted exposure amount	49,046,796	49,793,740	49,382,021	45,686,193	46,359,725
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.0416%	15.8571%	14.4132%	16.6378%	9.9947%
6	Tier 1 ratio (%)	16.0416%	15.8571%	14.4132%	16.6378%	9.9947%
7	Total capital ratio (%)	19.5368%	19.3778%	18.0408%	20.5169%	13.8885%
	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 (%)	0.0150%	0.0140%	0.0080%	0.0080%	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%	0.2500%	0.2500%
11	Combined buffer requirement (%)	2.7650%	2.7640%	2.7580%	2.7580%	2.7530%
EU 11a	Overall capital requirements (%)	13.5150%	13.5140%	13.5080%	13.5080%	13.5030%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.9791%	7.7946%	6.3507%	8.5753%	1.9322%
	Leverage ratio					
13	Leverage ratio total exposure measure	127,978,933	126,974,590	131,695,912	131,823,310	140,558,343
14	Leverage ratio	6.1478%	6.2185%	5.4045%	5.7662%	3.2965%
	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%	3.0000%
	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%	3.0000%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	24,067,555	24,941,115	25,298,979	25,215,509	24,925,367
EU 16a	Cash outflows - Total weighted value	14,541,961	14,937,275	15,348,470	15,587,705	15,671,135
EU 16b	Cash inflows - Total weighted value	1,982,558	1,954,637	1,920,604	1,863,889	1,801,669
16	Total net cash outflows (adjusted value)	12,559,403	12,982,639	13,427,865	13,723,817	13,869,466
17	Liquidity coverage ratio (%)*	192.21%	193.11%	189.12%	183.95%	179.88%
	Net Stable Funding Ratio					
18	Total available stable funding	79,511,173	82,468,406	83,541,632	86,919,862	95,466,850
19	Total required stable funding	60,801,199	61,699,412	63,342,904	64,795,074	68,927,872
20	NSFR ratio (%)	130.77%	133.66%	131.89%	134.15%	138.50%

(*) 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
		Sep-23	Jun-23	Sep-23
1	**Credit risk (excluding CCR)**	**35,354,322**	**35,416,906**	**2,828,346**
2	Of which the standardised approach	11,892,464	11,912,731	951,397
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	1,058,091	1,000,228	84,647
EU 4a	Of which: equities under the simple riskweighted approach	-	-	
5	Of which the advanced IRB (AIRB) approach	21,327,162	21,422,450	1,706,173
6	**Counterparty credit risk - CCR**	**1,039,871**	**1,207,755**	**83,190**
7	Of which the standardised approach	510,674	613,993	40,854
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	41,102	33,944	3,288
EU 8b	Of which credit valuation adjustment - CVA	363,888	446,315	29,111
9	Of which other CCR	124,206	113,503	9,937
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**[*]	**534,757**	**595,639**	**42,781**
17	Of which SEC-IRBA approach	509,878	573,711	40,790
18	Of which SEC-ERBA (including IAA)	16,603	13,942	1,328
19	Of which SEC-SA approach	8,275	7,986	662
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**2,030,981**	**2,349,952**	**162,478**
21	Of which the standardised approach	2,030,981	2,349,952	162,478
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**10,086,866**	**10,223,489**	**806,949**
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	9,996,576	10,133,199	799,726
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**2,942,744**	**2,952,652**	**235,420**
29	**TOTAL**	**49,046,796**	**49,793,740**	**3,923,744**

(*) *The amount shown does not include equivalent deducted securitisations. The amount as at 30.09.2023 would still be zero as RWA and, of course, as a requirement.*

Credit and market risk requirements decreased during the quarter. In credit risk, the requirement decreased across all components. In particular, the AIRB component decreased due to lower disbursements, partially offset by the unwinding of the CRC synthetic securitisation. The regulatory unwinding of the CRC results in a decrease in the securitisation requirement. In standard credit risk, there was a decrease mainly related to the unwinding of derivative positions and lower other assets. Finally, in the area of market risk, the decrease is related to reduced activities in the equity securities area, as well as to the return of the foreign exchange position below the 2% level of regulatory capital (which reduces the requirement to zero), while in the area of operational risk the requirement is essentially unchanged.

Template IFRS 9-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

		a Sep-23	b Jun-23	c Mar-23	d Dec-22
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	7,867,879	7,895,855	7,117,522	7,601,176
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,858,403	7,892,625	7,107,492	7,202,405
3	Tier 1 capital	7,867,879	7,895,855	7,117,522	7,601,176
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,858,403	7,892,625	7,107,492	7,202,405
5	Total capital	9,582,195	9,648,923	8,908,932	9,373,413
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,572,718	9,645,692	8,898,902	8,974,642
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	49,046,796	49,793,740	49,382,021	45,686,193
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	49,044,726	49,790,510	49,371,991	45,619,863
Capital Ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.04%	15.86%	14.41%	16.64%
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	16.02%	15.85%	14.40%	15.79%
11	Tier 1 (as a percentage of risk exposure amount)	16.04%	15.86%	14.41%	16.64%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.02%	15.85%	14.40%	15.79%
13	Total capital (as a percentage of risk exposure amount)	19.54%	19.38%	18.04%	20.52%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.52%	19.37%	18.02%	19.67%
Leverage ratio					
15	Leverage ratio total exposure measure	127,978,933	126,974,590	131,695,912	131,822,945
16	Leverage ratio	6.15%	6.22%	5.40%	5.77%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.14%	6.22%	5.40%	5.48%

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, respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 16.02% (instead of 16.04% transitional arrangements) and 19.52% (instead of 19.54%) respectively of CET1 ratio and total capital ratio. IFRS 9 fully loaded application would have entailed a total CET1 decrease of about 9,477 ths euro.

Disclosure of liquidity requirements – (Annex XIII)

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-23**	**Jun-23**	**Mar-23**	**Dec-22**	**Sep-23**	**Jun-23**	**Mar-23**	**Dec-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)**					**24,068**	**24,941**	**25,299**	**25,216**
2	Retail deposits and deposits from small business customers, of which:	50,897	51,908	52,687	53,111	3,277	3,354	3,412	3,440
3	*Stable deposits*	*40,289*	*40,940*	*41,462*	*41,763*	*2,014*	*2,047*	*2,073*	*2,088*
4	*Less stable deposits*	*10,608*	*10,968*	*11,224*	*11,348*	*1,262*	*1,307*	*1,339*	*1,352*
5	**Unsecured wholesale funding**	**17,732**	**18,096**	**18,651**	**19,082**	**7,845**	**8,143**	**8,541**	**8,865**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	17,709	18,074	18,589	19,020	7,822	8,122	8,479	8,804
8	Unsecured debt	22	21	62	62	22	21	62	62
9	Secured wholesale funding					63	59	109	183
10	Additional requirements	3,488	3,503	3,507	3,440	1,311	1,322	1,269	1,171
11	Outflows related to derivative exposures and other collateral requirements	1,075	1,066	975	850	1,075	1,066	975	850
12	Outflows related to loss of funding on debt products	8	12	18	19	8	12	18	19
13	Credit and liquidity facilities	2,405	2,426	2,514	2,570	229	245	277	302
14	Other contractual funding	2,035	1,694	1,471	1,312	41	23	19	9
15	Other contingent funding obligations	30,601	30,938	30,384	29,487	2,005	2,035	1,999	1,919
	TOTAL CASH OUTFLOWS					14,542	14,937	15,348	15,588
16	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	3,671	3,007	2,527	2,383	78	75	84	92
18	Inflows from fully performing exposures	2,161	2,139	2,117	2,022	1,198	1,183	1,159	1,102
19	Other cash inflows	3,238	3,256	3,206	3,147	706	697	678	669
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	9,070	8,402	7,850	7,552	1,983	1,955	1,921	1,864
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*9,070*	*8,402*	*7,850*	*7,552*	*1,983*	*1,955*	*1,921*	*1,864*
EU-21	LIQUIDITY BUFFER					24,068	24,941	25,299	25,216
22	TOTAL NET CASH OUTFLOWS					12,559	12,983	13,428	13,724
23	LIQUIDITY COVERAGE RATIO (%)					192.2101%	193.1076%	189.1151%	183.9544%

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

The *Liquidity Coverage Ratio* (LCR) is the regulatory indicator used to monitor short-term liquidity risk. In Q3 2023, the Group's liquidity was characterized by the absence of any signs of short-term stress, with the LCR (calculated in accordance with Delegated Regulation (EU) 2015/61) remaining stable and well above the regulatory limit of 100%, with an adequate safety buffer. The indicator decreased compared to the end of the previous quarter (change of -14.4%, from 180.5% at the end of June 2023 to 166.1% at the end of September 2023), mainly due to the reduction of the total exposure to the ECB by EUR 2.25 billion, of which EUR 3.0 billion due to the maturity of the TLTRO, partially offset by the issuance of the Senior Preferred bond for EUR 0.50 billion.

It should be noted that no methodological changes were made to the presentation of the indicator in the third quarter of 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 September 2023, in accordance with what is monitored through the Additional Liquidity Monitoring Metrics (ALMM) regulatory reporting, funding through unsecured channels amounts to roughly 76% of the total, of which 8% relating to financial non-retail counterparties and 18% relating to non-financial non-retail counterparties.

In September 2023, the Liquidity buffer shows a prevalence of available liquidity deriving from the reserve held with the ECB (51% of the total Liquidity Buffer, of which Deposit Facility accounting for 49% of the section) and a significant component of Italian and European (45%) government bonds, and other residual components (4%), 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.

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

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

		RWA
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**22,630,160**
2	Asset size	40,796
3	Asset quality	-80,760
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	-
8	Other	-
9	**Risk weighted exposure amount as at the end of the reporting period**	**22,590,196**

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, 7 November 2023

Nicola Massimo Clarelli

Financial Reporting Officer

List of tables

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

		Pillar 3 disclosure – 30 September 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

		Pillar 3 disclosure – 30 September 2023
Template IFRS 9-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	Disclosure of key metrics and overview of risk-weighted exposure amounts

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@mps.it

Press Relations

Piazza Salimbeni, 3

53100 Siena

Email: ufficio.stampa@mps.it

Internet

www.mps.it

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472