Pillar 3 Disclosure

Update as at 30 June 2020

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
30 June 2020

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 Regulations for the Prudential Supervision of banks and banking groups entered into force as of 1 January 2014.

The regulations aim to align national requirements with the changes introduced to the International regulatory framework, following reforms in the Basel Committee agreements (Basel 3), particularly the European Union's New Regulatory and Institutional Framework for Banking Supervision.

In particular, the contents of the "Basel 3 framework" have been adopted within the EU through two capital requirement rules:

✓ CRR – Capital Requirements Regulation (EU) 575/2013 of the European Parliament and Council of 26 June 2013 regarding prudential requirements for credit institutions and investment firms, which amends Regulation (EU) 648/2012;

✓ CRD IV – Capital Requirements of the European Parliament and Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

The current regulatory package includes application criteria, set out in the Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) adopted by the European Commission, upon the proposal of the European Supervisory Authorities.

At national level, the new harmonized framework has been implemented by Bank of Italy with Circular No 285 of 17 December 2013 and subsequent updates – Supervisory Provisions for Banks, which contains the prudential supervision regulations applicable to Italian banks and banking groups, reviewed and updated to adjust the internal regulations to the new elements of the international regulatory framework, with special reference to the new regulatory and institutional structure of banking supervision of the European Union and taking into account the needs detected while supervising banks and other intermediaries.

The current regulatory framework aims to improve the ability of banks to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen the bank's transparency and disclosures, while taking into account developments from the financial crisis.

The Basel Committee has maintained a three Pillars-based approach which was at the basis of the previous capital accord known as "Basel 2", but has integrated and strengthened it to increase the quantity and quality of banks' capital base and introduce countercyclical supervisory tools as well as new standards for liquidity risk management and financial deleveraging.

More specifically, Pillar 3 was designed on the notion that Market Discipline can be harnessed to reinforce capital regulation to promote stability and soundness in banks and financial systems.

Pillar 3, therefore, aims to complement the minimum capital requirements (Pillar 1) and supervisory review process (Pillar 2) by developing a set of transparent disclosure requirements which will allow market participants to have access to key, fully comprehensive and reliable information on capital adequacy, risk exposures and risk identification, measurement and management processes.

Public Disclosure (Pillar3) is now governed directly by European Regulation no. 575/2013 of 26 June 2013 of the European Parliament and Council, Part 8 and Part 10, Title I, Chapter 3 (hereinafter referred to as "The Regulations" or "CRR").

Under the new regulations, the CRR requires banks to publish information at least on an annual basis along with their financial statements and to evaluate the need to publish some or all disclosures more frequently than once a year depending on their specific activities. Institutions are to assess the possible need for more frequent disclosure of items of information laid down in Article 437 (Own Funds), and Article 438 (Capital Requirements), and information on risk exposure and other items prone to rapid change.

The EBA (European Banking Authority) subsequently issued its guidelines (EBA/GL/2014/14 of 23-12-2014), on the need to publish information more frequently than once a year.

In view of the above regulations and in the interest of transparency and continuity, the Group publishes summary information on its Own Funds, Capital Requirements and Leverage in its quarterly reports, providing further information on exposures subject to internal models in its half-year report.

In December 2016, the European Banking Association (EBA) published its Guidelines on disclosure requirements under Part Eight of the Capital Requirement Regulation (CRR), providing financial institutions with specifications on the information requested in specific articles of Part Eight of the CRR. The EBA has also integrated the outcomes as expected from the aforementioned guidelines, by issuing the LCR Guidelines from art. 435, CRR of June 2017 and the reports guidelines in accordance with the law of Art. 473 bis, CRR of January 2018 on transitional arrangements aimed at lessening the impact of the introduction of the IFRS9 on own funds, by introducing additional informational requisites.

Subsequent to the public consultation process launched in April, in December 2018 the EBA published the final version of the document "Guidelines on disclosures of non-performing and forborne exposures" (EBA/GL/2018/10), effective as of 31 December 2019 (in line with the "Guidelines for banks on non-performing loans", published by the ECB in March 2017) and aimed at promoting consistency in NPL disclosure requirements.

Lastly, on 2 June 2020, the EBA published its Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07).

The current document, therefore, provides an update as at 30 June 2020 of quantitative information deemed most significant by the Group and, in particular, the quantitative information on Own Funds, Capital requirements, the Leverage Ratio, Credit and Counterparty risk's exposures and the use of risk mitigation techniques.

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 the Annual Report as at 31 December 2019. Further information on the Group's risk profile, pursuant to Art. 434 of the CRR, is also published in the Consolidated Half-year Report as at 30 June 2020, the Report on Corporate Governance and the Compensation Report.

The current update introduces the information templates required by the Basel 3 framework and also reports values as at 31 December 2019.

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

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

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

Own Funds

Own funds, an element of Pillar 1, are calculated according to Basel 3 rules implemented in Europe throug a comprehensive body of regulations, consisting of the Capital Requirements Regulation (CRR), European Regulation No. 575/2013, and related integrations, by the Capital Requirements Directive (CRD IV), by Regulatory Technical Standards and Implementing Technical Standards issued by the EBA, and by supervisory instructions issued by Bank of Italy (specifically, Circular nos. 285 and 286). The introduction of a new regulatory framework is subject to a transition period that extends the full application of the rules to 2019 (2022 for the phase-out of certain capital instruments) and during which the new rules will be applied in an increasing proportion.

Own funds, calculated according to the transitional arrangements in force, differ from the net equity book value since prudential regulations aim to protect the quality of assets and reduce any potential volatility caused by the application of IAS/IFRS. The items that constitute own funds, therefore, must be fully available to the Group so that they may be used to cover risks and losses without any restrictions. Institutions are, in fact, required to demonstrate the quality and quantity of own funds in compliance with applicable European legislation.

Own funds are made up of Tier 1 capital (T1), in turn consisting of Common Equity Tier 1 (CET1) and of Additional Tier 1 (AT1), and of Tier 2 (T2).

For a detailed description of the items included in Own Funds (CET1, AT1, T2) whether relating to transitional or final requirements, please refer to the Pillar 3 Report as at 31 December 2019.

On 1 January 2018, the new accounting standard IFRS 9 “Financial Instruments”, which replaces IAS 39 (on the classification and evaluation of financial assets and liabilities), came into effect. In January 2018, the Montepaschi Group, availing itself of the option provided for by Regulation UE 2395/2017, has communicated to the competent supervisory authorities the intention to apply the IFRS9 transitional arrangements aimed at mitigating the impact on the own funds linked to the introduction of the new accounting standards. Such transitional regime, applicable from 1 January 2018 to 31 December 2022, under Article 473a, Regulation (UE) No 575/2013, allows the isolation of the CET1 through a mechanism of gradual introduction of the IFRS 9 impact relative to the amendments carried out during FTA. In particular, coherently with the diminution of the equity linked to the major rectifications arisen from the application of the impairment model introduced by the IFRS 9, it is allowed to be included, as positive element, a decreasing progressive quota of the increased reserves for attended credit losses in the Common Equity Tier 1, according to the following percentages:

- ✓ 95% during the period from 1 January 2018 to 31 December 2018
- ✓ 85% during the period from 1 January 2019 to 31 December 2019
- ✓ 70% during the period from 1 January 2020 to 31 December 2020
- ✓ 50% during the period from 1 January 2021 to 31 December 2021
- ✓ 25% during the period from 1 January 2022 to 31 December 2022.

On 26 June 2020, Regulation (EU) 2020/873 was published in the Official Journal of the European Union, amending the CRR and CRR II regulations, in order to adjust the prudential regulation framework to the requirements linked to the COVID-19 emergency. The Regulation introduces, inter alia, measures to relax the capital requirements applicable as of 27 June 2020, such as changing the IFRS 9 transitional provisions, which allows banks to sterilise the capital impacts associated with the increase in credit value adjustments recognised in the period 2020-2024 with respect to 1 January 2020 for stage 1 and 2 portfolios. In particular, the Regulation provides for the re-introduction into common equity Tier 1 capital of a progressively decreasing share of the effect of the higher adjustments, equal to 100% in 2020 and 2021, 75% in 2022, 50% in 2023 and 25% in 2024. In addition, banks are allowed to re-introduce within CET 1 capital any increase in value adjustments recognized at 1 January 2020 with respect to 1 January 2018 for exposures classified in stages 1 and 2 (progressively decreasing until 2022; that is, 95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022).

For the purposes of the calculation of minimum capital requirements for credit risk, starting from 30 June 2020, the Montepaschi Group, has availed itself of the option set out in paragraph 7bis of Article 473bis, which allows institution to replace the rescaling of all exposure values that are reduced by ECL provisions with a standard risk weight of 100% to be assigned to the amounts added back to CET1 capital.

On 26 June 2020, BMPS, availing itself of the option provided for by Article 648 of CRR, as amended by Regulation (EU) 2020/873, has communicated to the competent supervisory authorities the intention to apply, at consolidated and individual level, the prudential filter relating to the OCI reserve on government bonds to attenuate the negative impact of the levels of volatility in the financial markets and the debt of central administrations on regulatory capital. The temporary treatment, applicable in the period from 1 January 2020 to 31 December 2022, allows banks to exclude from common equity Tier 1 capital the progressively decreasing amount of unrealised profits and losses accumulated starting from 31 December 2019, accounted for in the financial statement item “Changes in the fair value of debt instruments measured at fair value through other comprehensive income”, with reference to exposures to central administrations, provided such exposures are not classified as non-performing financial assets. Institutions shall apply the following percentages:

- ✓ 100% during the period from 1 January 2020 to 31 December 2020;
- ✓ 70% during the period from 1 January 2021 to 31 December 2021;
- ✓ 40% during the period from 1 January 2022 to 31 December 2022.

The following table is based on the templates from Implementing Regulation (EU) no. 1423 of 20 December 2013, which lays out the implementing technical standards for disclosure of own fund requirements for institutions according to Regulation (EU) no. 575/2013 of the European Parliament and of the Council. In particular, Annex II of the Regulation contains a specific template for publication of the main features of equity instruments. The table provides a description of instruments issued by the Bank and eligible for calculation within Tier 2 Capital.

MAIN FEATURES OF THE INSTRUMENT (*)

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS1752894292**
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	750
9	Nominal amount of instrument (currency in million)	750
9a	Issue price	100,00
9b	Redemption price	100,00
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	18/01/18
12	Perpetual or dated	On maturity
13	Original maturity date	18/01/28
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Issuer's optional call on 18/01/2023 (the "Issuer Call Date") at par, plus accrued interests. Upon occurrence of a "Capital Event" or for tax reasons at par, plus accrued interests.
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a. with reset after 5 years
18	Coupon rate and any related index	5.375% till 18/01/2023, thereafter 5y eur mid swap rate +5.005%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or Noncumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

(*) *"N/A" if the question is not applicable.*

MAIN FEATURES OF THE INSTRUMENT (*)

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS2031926731**
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	300
9	Nominal amount of instrument (currency in million)	300
9a	Issue price	100,00
9b	Redemption price	100,00
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	23/07/19
12	Perpetual or dated	On maturity
13	Original maturity date	23/07/29
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Upon occurrence of a "Capital Event" or for tax reasons at par, plus accrued interests.
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a.
18	Coupon rate and any related index	10,500%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or Noncumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

(*) *"N/A" if the question is not applicable.*

MAIN FEATURES OF THE INSTRUMENT (*)

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS2106849727**
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	400
9	Nominal amount of instrument (currency in million)	400
9a	Issue price	100,00
9b	Redemption price	100,00
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	22/01/20
12	Perpetual or dated	On maturity
13	Original maturity date	22/01/30
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Issuer's optional call on 18/01/2023 (the "Issuer Call Date") at par, plus accrued interests. Upon occurrence of a "Capital Event" or for tax reasons at par, plus accrued interests.
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a. with reset after 5 years
18	Coupon rate and any related index	8,000% till 22/01/2025, thereafter 5y eur mid swap rate +8,149%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or Noncumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

(*) *"N/A" if the question is not applicable.*

Here follows the Own Funds quantitative information exposed according to the general model for the publication of the information on the Own Funds (Annex IV of the Rule of Execution (UE) No 1423/2013 if the European Committee), with the application of the transitional regime IFRS 9 and of the other transitional arrangements in force.

Moreover, the comparison with 31 December 2019 is brought according to the rules in force on 31 December 2019.

Own Funds disclosure template

	Common Equity Tier 1: instruments and reserves	Jun-2020	Dec-2019
1	Capital instruments and the related share premium accounts	10,328,618	10,328,618
	of which: Paid up capital instruments	*10,328,618*	*10,328,618*
2	Retained earnings	-1,768,045	-734,190
3	Accumulated other comprehensive income (and other reserves, to include unrealised gain and losses under the applicable accounting standards)	215	31,411
3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premiun account subkect to phase out from CET1	-	-
5	Minority Interests (amount allowed in consolidated CET1)	-	-
5a	Independently reviewed interim profits net of any foreseeable change or dividend	-1,088,711	-1,033,011
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**7,472,077**	**8,592,829**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-41,257	-47,063
8	Intangible assets (net of related tax liability) (negative amount)	-236,424	-225,209
10	Deferred tax assets that rely on future probability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-122,754	-344,817
11	Fair value reserves related to gains or losses on cash flow hedges	-1,306	-1,328
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resullting from changes in own credit standing	-37,582	-39,486
15	Defined-benefit pension fund assets	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-313,710	-313,710
17	Holdings of the CET1 instruments of financial sector entitites where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negarive amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entitites where the institution has a significant investment in those entities (amount above 10% threshold and net the eligible short positions) (negative amount)	-133,262	-22,414
20a	Exposure amount of the following items which quality for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	-
20c	*of which: securitisation positions (negative amount)*	-	-
20d	*of which: free deliveries (negative amount)*	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-	-
22	Amount exceeding the 15% threshold (negative amount)	-	-149,715
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entites where the institution has a significatn investment in those entitites*	-	*-90,039*
25	*of which: deferred tax assets arising from temporary differences*	-	*-59,676*
25a	Losses for the current financial year (negative amount)	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR [1]	1,138,086	1,171,237
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**251,791**	**27,495**
29	**Common Equity Tier 1 (CET1) Capital**	**7,723,868**	**8,620,324**

[1] *Such item includes IFRS 9 transitional adjustments for 1,129,452 €/thousand (1,169,984 €/thousand as of 31/12/2019), and Regulatory adjustments to unrealised gains and losses pursuant to Articles 467 and 468 for 8,634 €/thousand.*

Own Funds: Additional Tier 1 (AT1) capital

	Additional Tier 1 (AT1) capital: instruments	Jun-2020	Dec-2019
30	Capital instruments and the related share premium accounts	-	-
31	*of which: classified as equity under applicable accounting standards*	-	-
32	*of which: classified as liablilities under applicable accounting standards*	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	Holdings of the AT1 instruments of financial sector entities where those entitites have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**
44	**Additional Tier 1 (AT1) capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7,723,868**	**8,620,324**

Own Funds: Tier 2 (T2) capital

	Tier 2 (T2) capital: instruments and provisions	Jun-2020	Dec-2019
46	Capital instruments and the realted share premium accounts	1,450,000	1,050,000
47	Amopunt of qualifying items referred to in Articole 484 (5) and the related share premium accounts subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Credit risk adjustments	160,730	169,999
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,610,730**	**1,219,999**
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings iof the T2 instruments and subordinated loans of financial sector entitites where those entitites have recirpocal cross holdings with the institution designed to inflate artificialli the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entitites where the institution does not have a significant investment in those entities (amount above 10% threshdol and net of eligible short positions) (negative amount)	-	-
55	Direct and indrect holdings by the institution of the T2 instruments and subordinated loans fo financial sector entitites where the institution has a significant investment in those entities (net eligible of short positions)	-65,861	-65,663
	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No. 575/2013	-	-
	of whichi: Losses for the current year	-	-
	of which: Significant financial instruments	-	-
	of which: Not Significant financial instruments	-	-
	of which: outstanding amount related to the excess of expected losses with respect to adjustments for IRB positions	-	-
	of which: unrealised gains	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-65,861**	**-65,663**
58	**Tier 2 (T2) capital**	**1,544,869**	**1,154,336**
59	**Total Capital (TC= T1+T2)**	**9,268,738**	**9,774,660**
60	**Total Risk Weighted Assets**	**57,799,860**	**58,559,094**

Own Funds: Capital ratios and buffers

	Capital ratios and buffer	Jun-2020	Dec-2019
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.36%	14.72%
62	Tier 1 (as a percentage of risk exposure amount)	13.36%	14.72%
63	Total capital (as a percentage of risk exposure amount)	16.04%	16.69%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.13%	7.01%
65	*of which: capital conservation buffer requirement*	*2.500%*	*2.500%*
66	*of which: countercyclical buffer requirement*	*0.001%*	*0.011%*
67	*of which: systemic risk buffer requirement*	-	-
67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*0.13%*	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2]	7.36%	8.69%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	161,683	162,340
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	671,904	762,122
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	302,626	505,115
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to sIRB approach (prior to the application of the cap)	824,594	490,751
79	Cap on inclusion of credit risk adjustments in T2 under IRB approach	160,730	169,999
	Capital instruments subject to phase-out arrangements (only 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess mover cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

[2] Tier 1 capital available for reserves is calculated as the difference between the Common Equity Tier 1 and the requirement referring to Tier 1 capital for the portion covered by Common Equity Tier 1 Capital and Tier total capital components, expressed as a percentage of risk exposure amount.

Reconciliation of shareholders' equity and the Common Equity Tier 1

Items	Jun-2020	Dec-2019
Group Equity	7,158,368	8,279,119
Minority Equity	1,371	1,770
Net Assets of the Balance Sheet	**7,159,739**	**8,280,889**
Net Assets after distribution to shareholders	**7,159,739**	**8,280,889**
Adjustments for instruments computable in AT1 or T2		
- Capital share computable in AT1	-	-
- Minority interests computable	-1,371	-1,770
- Own shares included in the regulatory adjustments	-	-313,710
- Other components non computable in regime	-1,306	-1,328
Common Equity Tier 1 (CET1) before the regulatory adjustments	**7,157,061**	**8,277,791**
Regulatory adjustments (including adjustments of the transitional period)	566,807	342,533
Common Equity Tier 1 (CET1) net of regulatory adjustments	**7,723,868**	**8,620,324**

Full reconciliation of the components of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital, as well as the filters and deductions applied to the institution's own funds and the balance sheet of the financial statements

Items (Euro th)	Financial Statement	Prudential Statement	Information about differences	Relevant amount for the purpose of Own Funds	See Table "Own Funds Disclosure Template"
Assets					
70 Equity investments	953,920	1,008,600	54,680	-182,373	8, 18, 19, 23
of which: implicit goodwill	*49,112*	*49,112*	-	*-49,112*	*8*
100 Intangible assets	187,313	187,313			8
of which: goodwill	*7,900*	*7,900*	-	*-187,313*	*8*
of which: other intangible assets	*179,413*	*179,413*	-	*-7,900*	*8*
110 Tax assets	2,193,131	2,193,131	-	-179,413	10, 21, 25
of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability	*135,675*	*135,675*			*10*
Liabilities and Shareholders' Equity					
10 Financial liabilities measured at amortised cost - c) debts securities issued	12,009,431	12,009,431	-	1,450,000	32, 33, 46, 52
30 Financial liabilities designated at fair value	240,655	240,655	-	-	33
120 Valuation reserves	35,203	35,203	-	7,747	3, 11
of which: FVOCI	*103,663*	*103,663*	-	-	*3 (FVOCI)*
of which: CFH	*1,306*	*1,306*	-	*-1,306*	*3(CFH),11*
of which: legally-required revaluations	*9,053*	*9,053*	-	*9,053*	*3(rival)*
of which: other	*-78,820*	*-78,820*	-	-	*3(other)*
150 Reserves	-1,803,033	-1,803,033	-	-1,776,883	2, 3
160 Share premium reserve	-	-	-	-	-
170 Share Capital	10,328,618	10,328,618	-	10,328,618	1, 2, 31
180 Treasury shares	-313,710	-313,710	-	-313,710	16
200 Profit/loss for the period	-1,088,711	-1,088,711	-	-1,088,711	5a, 25a
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-	-	-	-37,582	14
Value adjustments due to the requirements for prudent valuation	-	-	-	-41,257	7
IRB Shortfall of credit risk adjustments to expected losses	-	-	-	-	12
IRB Excess of provisions over expected losses eligible	-	-	-	160,730	50
Filter on double tax realignment	-	-	-	-	26b
Filter for IAS 39 and IFRS 9	-	-	-	1,138,086	26b
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities	-	-	-	-	39
Direct and indirect holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment	-	-	-	-65,861	54, 55
Indirect investments	-	-	-	-	-
Total Own Funds	**-**	**-**	**-**	**9,268,738**	**-**

The information was summarized according to the methodology described in Annex I of the Implementing Regulation (EU) No. 1423/2013 which establishes technical standards implementation with regard to the disclosure on Own Funds.

Capital requirements

For additional information not contained in this document, particularly regarding risk management objective and policies, capital and liquidity adequacy, please refer to the Pillar 3 disclosure report as at 31 December 2019.

Capital requirements

The reference for quantification of capital requirements is the prudential legislation, which sets under Pillar 1, a minimum regulatory capital requirement in terms of CET1, Tier 1 and Total Capital in relation to the Risk Weighted Assets (RWA) for credit, market and operational risk.

These coefficients, set by the CRR (Art. 92), are the following: a CET1 ratio of at least 4.5%, a Tier 1 ratio of at least 6% and a Total Capital ratio of at least 8% of the Group's total risk exposure. Additionally, Banks are also required to hold the following buffers against Pillar 1 risks. In addition to maintaining these minimum requirements against Pillar 1 risk, there is a further Core Equity Tier 1 component against Pillar 2 risk, established following the CRD IV and the national legislation transposing the European directives, as well as the following buffers:

- Capital conservation buffer ("CCB") aimed at conserving the minimum level of regulatory capital during difficult periods in the market, through the allocation of high quality capital in periods in which there are no market tensions.
- Countercyclical capital buffer ("CCB") aimed at protecting the banking sector in phases of excessive growth in loans. The buffer provides for the accumulation of CET1 capital during phases of rapid growth in the credit cycle, which can then be used to absorb losses in the downward phase of the cycle. As opposed to the Capital Conservation Buffer, the Countercyclical buffer is imposed only during periods of loan growth and it is calculated according to CRD IV provisions by the competent national authorities;
- a non-cyclical systemic risk or macroprudential buffer to be set by the Member States and currently not yet determined by the Bank of Italy.
- A G-SII capital buffer for global systematically important banks and a O-SII capital buffer for other systematically important institutions – impose higher capital requirements on those entities that may determine spillover effects on the international or domestic financial system.

The combination of these buffers determines the combined buffer requirement (CBR).

In addition to maintaining the minimum capital requirements against Pillar 1 risk and the above mentioned buffers, there is an additional The Pillar 2 Requirement (P2R, which applies in addition to, and covers risks which are underestimated or not covered by, the minimum capital requirement (known as Pillar 1). The P2R is determined via the Supervisory Review and Evaluation Process (SREP). P2Rs are binding and, together with the Pillar 1 Requirement, determine the Total SREP Capital Requirement ("TSCR").
The capital demand resulting from the SREP also includes the Pillar 2 Guidance (P2G), which indicates to banks the adequate level of capital to be maintained to provide a sufficient buffer to withstand stressed situations.
Please note that failure to comply with the Pillar 2 Guidance (P2G) requirement is not equivalent to failure to comply with capital requirements; however, in the case of a reduction of capital below the level that includes the P2G requirement, BMPS will need to promptly disclose the reasons for non-observance to the Supervisory Authority, which will evaluate and communicate any measures on a case by case basis.

Capital adequacy

As a result of the conclusion of the SREP conducted with reference to the figures as at 31 December 2018 and taking into account the information received after that date, with the submission on 10 December 2019 of the 2019 SREP Decision, the ECB asked the Parent Company to comply with a CET1 ratio of at least 4.5%, a Tier 1 ratio of at least 6% and a Total capital Ratio of at least 8% of the Group's total risk exposure.
In addition to maintaining these minimum requirements against Pillar 1 risks, there is an additional Pillar 2 requirement (P2R) of 3%, unchanged from 2019, to be held entirely in the form of CET1 capital.
According to this decision, in 2020 the Group must fulfil a Total SREP Capital Requirement (TSCR) of 11% on a consolidated basis, with a minimum requirement of 7.5% and 9% in terms of CET1 capital and Tier 1 capital, respectively.
In terms of CBR:

- 2.50% Capital Conservation Buffer;
- 0.001% Countercyclical Capital Buffer;
- 0.13% O-SII Buffer.

Note that, on 30 November 2019, Bank of Italy identified MPS Group as a systematically important institution in Italy for 2020 and therefore, starting from 1 January 2020, MPS Group is required to maintain a capital reserve of 0.13% (0.19% from 1 January 2021 and 0.25% from 1 January 2022).
The CBR is therefore equal to 2.63%.
The overall minimum requirement in terms of Total Capital Ratio is 13.63%, while the overall minimum requirement in terms of CET1 ratio is 8.82%.
In consideration of the potential impacts on the activities of significant banks linked to the spread of COVID-19, on 8 April

2020 the ECB communicated to the Parent Company the modification, effective from 12 March 2020, of the 2019 SREP Decision, with reference to the composition of the additional Pillar 2 capital requirement.

In particular, the additional Pillar II capital requirement to be held in the form of CET1 must be met by at least 56.25% Common Equity Tier 1 (CET1) and at least 75% by Tier 1 Equity (Tier 1). Accordingly, the Group must meet the following requirements at the consolidated level as at 30 June 2020:

Capital adequacy indicators **as of 30 June 2020**	CET 1 Ratio	Tier 1 Ratio	Total Capital Ratio
Pillar I minimum Requirements (art. 92 CRR)	*4.50%*	*6.00%*	*8.00%*
TSCR (P1R+P2R)	6.19%	8.25%	11.00%
Combined Buffer Requirement (CBR)	*2.63%*	*2.63%*	*2.63%*
OCR (TSCR+CBR)	**8.82%**	**10.88%**	**13.63%**
Capital ratios	**13.36%**	**13.36%**	**16.04%**

TSCR - Total SREP Capital Requirement
P2R - Pillar 2 Requirement
CBR - Combined Buffer Requirement
OCR - Overall Capital Requirement

As of 30 June 2020, the Bank had a CET 1 ratio of 13.36%, higher than the minimum requirements set. Likewise, the Tier 1 ratio and the Total Capital ratio equal to 13.36% and 16.04% are higher than the minimum requirements established.

With regard to Pillar II Capital Guidance, the ECB expects the Parent Company to adapt, on a consolidated basis, to a requirement of 1.3%, to be fully met with Common Equity Tier 1 capital in addition to the overall capital requirement (OCR)(not only in terms of CET1 capital, as defined in the previous decision). It should be noted that as at 30 June 2020 the Group complies with the Pillar 2 Guidance.

For additional information on the Group's risk profile in the context of the Covid-19 outbreak, please refer to the Interim Report on operations as at 30 June 2020, with specific reference to regulatory and supervisory interventions, MPS Group initiatives within the context of the COVID-19 pandemic, business continuity, and disclosure on risk.

Countercyclical Capital Buffer

As of 30 June 2020, the Montepaschi Group is required to hold a countercyclical capital buffer of EUR 578.0. This buffer, as established by Article 130 of the CRD IV, is equal to the total risk exposure amount (expressed in terms of risk-weighted assets) multiplied by the institution's specific countercyclical rate, which, for the Montepaschi Group, stands at 0.001%. The latter is equal to the weighted average of the countercyclical rates applicable in the countries where the Institution has exposures. Each Member State, in accordance with article 130, paragraph 1 of Directive 2013/36/UE of the European Parliament and Council (CRD), shall require institutions to maintain an institution-specific countercyclical capital buffer against exposures to their own Country and establish the related countercyclical buffer rate. In particular, the Bank of Italy has set the countercyclical buffer rate for exposures to

Italian counterparties at 0% for 2019 and the second quarter of 2020. As far as the other credit exposures are concerned, the Group uses the rates established by the competent authorities of the State in order to calculate its own indicator. As of 30 June 2020, only the competent authorities of Bulgaria, Hong Kong, Lithuania, Luxembourg, Norway, Czech Republic and Slovakia, among the countries to which the Group has relevant exposures for the purpose of calculating the countercyclical buffer, have established a non-zero countercyclical capital buffer rate. The Montepaschi Group holds 95.8% of relevant exposures to Italy, which has a 0% rate, for the purpose of calculating the countercyclical buffer. Reported below are the main items of calculation of the countercyclical capital buffer, presented in the standard format shown in table 2, Attachment I of Commission Delegated Regulation (EU) 1555/2015.

Amount of institution-specific countercyclical buffer

		Jun-20
10	Total risk exposure amount (RWA)	57,799,860
20	Specific countercyclical coefficient of the institution	0.001%
30	**Specific countercyclical capital buffer requirement of the institution**	**578.0**

The table below provides details on the Group's various capital requirements as at 30 June 2020 and 31 December 2019.

Capital requirements and Regulatory capital ratios

Regulatory Capital Requirements	Jun-20	Dec-19
Credit and Counterparty Risk	**3,492,786**	**3,618,890**
Standardised Approach	1,338,591	1,340,481
Advanced IRB Approach	2,154,195	2,278,409
Market Risks	**212,727**	**211,703**
Standardised Approach	212,727	211,703
Internal Models	-	-
Operational Risk	**884,032**	**825,620**
Foundation Approach	7,307	7,743
Standardised Approach	-	-
Advanced Approach	876,726	817,877
CVA Risk	**34,443**	**28,515**
Originary Exposure Method (OEM)	-	-
Standardised Approach	34,443	28,515
Advanced Approach	-	-
Concentration Risk	-	-
Settlement Risk	-	-
Regulatory Capital Requirements	**4,623,989**	**4,684,728**

Risk Weighted Assets	**57,799,860**	**58,559,094**
CET1 Capital Ratio	**13.36%**	**14.72%**
Tier1 Capital Ratio	**13.36%**	**14.72%**
Total Capital Ratio	**16.04%**	**16.69%**

Report on IFRS 9

Having opted for the adoption of the transitional arrangements, the Group, under the EBA Guidelines GL 2018/01, is required to provide a comparison between own funds, risk-weighted assets, capital and leverage ratios, with and without the application of the IFRS9 transitional arrangements or equal losses on credits. Here follows the required information, according to the specified informative model in the Annex I of EBA Guidelines GL 2018/01 on uniform disclosure requirements of IFRS9.

EU IFRS 9 - 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	b	c	d
		Jun-20	**Mar-20**	**Dec-19**	**Sep-19**
	Available capital (amounts)				
1	Common Equity Tier 1 (CET1) capital	7,723,868	8,049,172	8,620,324	8,596,789
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,594,351	7,013,684	7,450,340	7,327,907
3	Tier 1 capital	7,723,868	8,049,172	8,620,324	8,596,789
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,594,351	7,013,684	7,450,340	7,327,907
5	Total capital	9,268,738	9,604,658	9,774,660	9,751,013
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,139,221	8,569,170	8,604,676	8,482,131
	Risk-weighted assets (amounts)				
7	Total risk-weighted assets	57,799,860	59,257,978	58,559,094	58,217,402
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	58,063,032	59,350,924	58,634,894	58,041,854
	Capital Ratios				
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.36%	13.58%	14.72%	14.77%
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	11.36%	11.82%	12.71%	12.63%
11	Tier 1 (as a percentage of risk exposure amount)	13.36%	13.58%	14.72%	14.77%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.36%	11.82%	12.71%	12.63%
13	Total capital (as a percentage of risk exposure amount)	16.04%	16.21%	16.69%	16.75%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.02%	14.44%	14.68%	14.61%
	Leverage ratio				
15	Leverage ratio total exposure measure	156,278,504	148,953,773	141,097,698	140,537,131
16	Leverage ratio	4.94%	5.40%	6.11%	6.12%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.25%	4.72%	5.29%	5.23%

The application of the IFRS 9 fully loaded without considering the impact deriving from the cohesion with the transitional regime expected from 2018, would have entailed a reduction of 200bp and 202 bp respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 11.36% (instead of 13.36% transitional arrangements) and 14.02% (instead of 16.04%).

IFRS 9 fully loaded application would have entailed a total CET1 decrease of about EUR 1.0 bn linked to major provisions implemented during FTA on IRB credit exposure.

Report on Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic

Having opted for the adoption of the transitional arrangements, the Group, under Regulation (EU) 2020/837 of 24 June 2020, is required to provide the amounts of own funds, Common Equity Tier 1 capital and Tier 1 capital, the total capital ratio, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, and the leverage ratio they would have in case they were not to apply the temporaty treatment in accordance with Article 468 of the above-mentioned Regulation. In particular, 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 would be equal to 9,260,104 €/thousand, while the CET1 capital and Tier 1 capital would be equal to 7,715,235 €/thousand. The coefficients would have resulted in 16.01% (instead of 16.04% - with the temporaty prudential filter) and 13.34% (instead of 13.36%) in terms of Total capital ratio, CET1 ratio and Tier1 ratio, respectively.

The leverage ratio calculated pursuant to Article 468 of Regulation (EU) 2020/873, is equal to 4.937%.

As to the definition of regulatory capital requirements, in June 2008 the Montepaschi Group was authorised to use the Advanced Internal Rating Based (AIRB) models for the measurement of capital requirements against credit risk in the retail and corporate portfolios and the Advanced Measurement Approach (AMA) for operational risk. The AIRB model's scope of application currently includes the Parent Company Banca MPS, MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring, for the regulatory portfolios "Retail Exposures" and "Exposures to corporates". For the remaining portfolios and Group entities, capital requirements against Credit Risk are calculated using the standard approach. Capital requirements against Counterparty Risk are calculated independently of the portfolio. More specifically, the Market value method is applied for OTC derivatives and the comprehensive approach for the treatment of financial collateral is used for repos, sell-buy backs and security lending.

Capital requirements against CVA Risk are calculated according to the standard approach.

Capital requirements for Operational Risk are calculated almost completely according to the AMA – Advanced Measurement Approach. The standardized approach is used for the remaining part of the scope.

Capital requirements in relation to Market Risk are instead calculated for all Group entities by adopting the standard approach.

The following table provides a general overview of the total RWAs and capital requirements.

EU OV1 – Overviews of RWAs

			RWA		Capital requirements	
			Jun-20	Mar-20	Jun-20	Mar-20
	1	**Credit risk (excluding CCR)**	**39,881,702**	**41,360,902**	**3,190,536**	**3,308,872**
Article 438(c)(d)	2	Of which the standardised approach	13,371,808	13,076,032	1,069,745	1,046,083
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	-	-	-	-
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	26,509,894	28,284,870	2,120,792	2,262,790
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-
Article 107 Article 438(c)(d)	6	**CCR**	**1,832,874**	**1,817,585**	**146,630**	**145,407**
Article 438(c)(d)	7	Of which mark to market	755,370	757,530	60,430	60,602
Article 438(c)(d)	8	Of which original exposure	-	-	-	-
	9	Of which the standardised approach	-	-	-	-
	10	Of which internal model method (IMM)	-	-	-	-
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	4,149	17,846	332	1,428
Article 438(c)(d)	12	Of which CVA	430,543	383,616	34,443	30,689
Article 438(e)	13	**Settlement risk**	-	-	-	-
Article 449(o)(i)	14	**Securitisation exposures in the banking book (after the cap)**	**172,582**	**207,170**	**13,807**	**16,574**
	15	Of which SEC-IRBA approach	139,046	167,634	11,124	13,411
	16	Of which SEC-ERBA approach	13,877	14,194	1,110	1,136
	17	Of which SEC-SA approach	19,659	25,342	1,573	2,027
	18	Of which 1250% deduction	-	-	-	-
Article 438(e)	19	**Of which standardised approach**	**2,659,088**	**2,795,075**	**212,727**	**223,606**
	20	Of which the standardised approach	2,659,088	2,795,075	212,727	223,606
	21	Of which IMA	-		-	-
Article 438(e)	22	**Large exposures**	-	-	-	-
Article 438(f)	23	**Operational risk**	**11,050,406**	**10,379,222**	**884,032**	**830,338**
	24	Of which basic indicator approach	91,332	96,790	7,307	7,743
	25	Of which standardised approach	-	-	-	-
	26	Of which advanced measurement approach	10,959,074	10,282,432	876,726	822,595
Article 437(2), Article 48 and Article 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,203,208**	**2,698,023**	**176,257**	**215,842**
Article 500	28	Floor adjustment	-	-	-	-
	29	**Total**	**57,799,860**	**59,257,978**	**4,623,989**	**4,740,638**

The sum of rows 1,6 (excluding row 12), 14 and 27 is consistent with the item of total credit and counterparty risk of tables "Capital requirements for Credit and Counterparty Risk". Row 6(consistent with table EU CCR1), in addition to rows 7,8,9,10,11, and 12, includes the amount related to the financial collateral comprehensive method (for SFTs) equal to 642,812 of RWA as of 30/06/2020.

Further information on exposures (non-weighted amounts) and RWAs (weighted amounts), are reported:

- for exposures subject to the standard approach – Credit Risk in Section "Credit Risk: Standard approach" (which also contains the amounts of off-balance sheet transactions after weighting by credit conversion factors – CCF);
- for exposures subject to internal credit risk models in section "Credit Risk: use of the AIRB approach";
- for exposures subject to the Counterparty Risk in specific section.

As of 30 June 2020, RWAs recorded a decrease due to lower RWAs relating to credit and counterparty risk resulting to a significant extent from the application of the amendments introduced by Regulation (EU) 2020/873 of 24 June 2020, particularly with reference to the calculation of the supporting factor relating to loans to small and medium enterprises, and higher RWAs relating to market risk, essentially due to exchange rate risk. and operational risk, mainly attributable to the effetcs of provisions on NPL disposal and updates to the scenario analysis carried out in the first half of 2020.

Capital requirements for Credit and Counterparty Risk

	Jun-20	Dec-19
	Requirements	Requirements
Standard Approach		
Standard Approach Total	**1,338,591**	**1,340,481**
of which: Counterparty Risk	*89,575*	*85,139*
IRB Approach		
IRB Approach Total	**2,154,195**	**2,278,409**
of which: Counterparty Risk	*22,280*	*19,374*
Total	**3,492,786**	**3,618,890**
of which: Counterparty Risk	*111,855*	*104,512*

The capital requirement for Counterparty Risk amounts to 111,855 €/thousand and has been calculated on both the Trading Portfolio and the Banking Book. The requirement, summarised by methodology in the table above, is reported in the individual regulatory portfolios of the Standard Apporach and the AIRB Approach in the table below.

Capital requirements for Credit and Counterparty Risk

Standard Approach	Jun-20	Dec-19
Exposures to central governments or central banks	111,941	139,689
Exposures to regional governments or local authorities	24,750	24,657
Exposures to public sector entities	30,640	28,966
Exposures to multilateral development banks	-	-
Exposures to International organisations	-	-
Exposures to institutions	158,071	161,965
Exposures to Corporates	296,256	266,280
Retail exposures	36,938	47,422
Exposures secured by mortgages on immovable property	36,187	44,566
Exposures in default	32,778	36,424
Exposures associated with high risk	32,148	39,754
Exposures in the form of covered bonds	6,893	6,843
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures to collective investments undertaking	13,091	18,362
Equity exposures	162,600	179,493
Other exposures	393,283	344,224
Securitization positions *	2,683	712
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	332	1,123
Total standardised approach	**1,338,591**	**1,340,481**
AIRB Approach		
Exposures to or secured by corporates:	1,435,602	1,578,584
- SMEs	596,123	717,067
- Other companies	728,944	740,363
- Specialized lending	110,535	121,154
Retail exposures:	707,470	688,067
- secured by real estate: SMEs	159,022	148,355
- secured by real estate: Individuals	304,998	292,365
- Qualifying revolving	450	597
- Other retail exposures: SMEs	221,468	223,332
- Other retail exposures: Individuals	21,532	23,418
Securitization positions **	11,124	11,757
Total AIRB approach	**2,154,195**	**2,278,409**
Total Credit and Counterparty Risk	**3,492,786**	**3,618,890**

* *Securitization positions subject to Standard approach include securitizations under the SEC-ERBA and SEC-SA.*
** *Securitization positions subject to AIRB approach include securitizations under the SEC-IRBA.*

Below is a breakdown of capital requirements for Credit and Counterparty Risk (IRB method) – Specialised Lending – slotting criteria, for Market Risk and Operational Risk.

Capital requirements for Credit and Counterparty Risk (IRB methods) – Specialised lending – slotting criteria

Risk Weight	Jun-20	Dec-19
Category 1 - 50%	668	118
Category 1 - 70% equal to or greater than 2.5 years	12,633	9,787
Category 2 - 70% less than 2.5 years	12,974	7,502
Category 2 - 90%	56,777	68,762
Category 3 - 115%	25,143	27,213
Category 4 - 250%	2,341	7,771
Category 5 - 0%	-	-
Total	**110,535**	**121,154**

Capital requirements for Market Risk

Standardised Approach	Jun-20	Dec-19
Position risk on debt instruments	153,264	125,313
Position risk on equity	28,046	45,442
Foreign exchange risk	10,724	14,451
Commodities risk	13,551	9,960
CIU Risk	7,142	16,536
Total standardised approach	**212,727**	**211,703**
Internal models		
Total internal models	**-**	**-**
Total Market Risks	**212,727**	**211,703**

The capital requirement included in Marekt Risk for securitisaiton positions in the Regulatory Trading Portfolio amount 21,631 (expressed in thousands of Euros) as of 30/06/2020.

Capital requirements for Operational Risk

Requirements by approach	Jun-20	Dec-19
Foundation approach	7,307	7,743
Standardised approach	-	-
Advanced Measurement approach	876,726	817,877
Total Operational Risk	**884,032**	**825,620**

The following table shows the main changes in RWA and capital requirements for Credit Risk under the IRB approach.

EU CR8 – RWA flow statements of Credit Risk exposures under the IRB approach

		a	b
		RWA amounts	Capital requirements
1	**RWAs as of 31/03/2020**	**28,284,870**	**2,262,790**
9	**RWAs as of 30/06/2020**	**26,509,894**	**2,120,792**

The amounts are net of the counterparty risk component. The values correspond to the row 4 of the EU OV1 table.

Details on the impact on RWAs in terms of the authorisation granted to entities not to deduct instruments of own funds held in a financial entity in which the entities hold a significant investment are provided below.

EU INS1 – Non-deducted participations in insurance undertakings

	Jun-20
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	673,012
Total RWAs	**1,682,530**

Credit Risk

Credit Risk: general disclosure

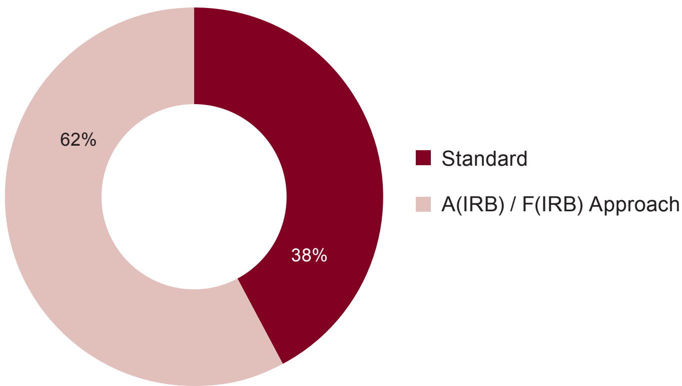
The MPS group gives special attention to the management and the measurement of Credit Risk, which represents the greatest risk to which the Group is exposed, accounting for approximately 76% of total capital requirements. The main objective of the Credit Risk Management function is to promote a culture of "responsible lending" within the Group and pursue a sustainable growth in lending transactions that is in line with risk appetite and value creation. The Group's strategies in the area of risk management are aimed at limiting the economic impact from defaulting loans and containing the cost of credit. The credit risk management function is involved in defining credit policy guidelines by identifying the customer segments with greater opportunities from risk-return perspective, promoting risk diversification, limiting the concentration of risk exposure in single business groups/sectors and geographical areas. The function also defines the supports available to Credit disbursement strategies. The use and allocation of ratings is crucial, since they are the synthetic measurement of a customer's creditworthiness both during the loan disbursement and monitoring processes. This forms the basis of the preliminary procedure that is followed as a loan proposal is processed and then subsequently monitored. The assignment of a rating to each borrower means that borrowers can be classified into actual levels of risk and that both an overall or broken-down objective assessment of risk components may be made; this system, therefore, provides the basis of information for supporting both strategic decisions and the ordinary management of risk positions. Credit policy guidelines are thus provided by the sales network according to customer segments, rating categories, business sector, Regional Area, loan type and types of collateral used. In addition, operational guidelines are structured into quantitative and qualitative objectives to develop and reclassify the loan portfolio, according to business sector and regional units. The Credit Risk Management function is also involved in the monitoring phase and verifies that the Network Structures achieve their goals of credit quality and alignment with established benchmarks, identifying the appropriate remedial actions to be implemented, reviewing objectives and, on a more general level, analysing trends in the quality of the loan portfolio in terms of market/product/customer segment and related causes. For a detailed description of the tasks of the Credit Risk function, please refer to Chapter 1 of the Pillar 3 Report as of 31 December 2019.

As concerns capital requirements, for credit risks the Group uses the Advanced Internal

Rating Based (AIRB) method with reference to the "Retail exposures" and "Exposures to corporates" regulatory portfolios. The scope of application of the AIRB method currently includes the Parent Company Banca MPS, MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring. For the remaining portfolios and Group entities, capital requirements relative to credit risks are calculated according to the standard method.

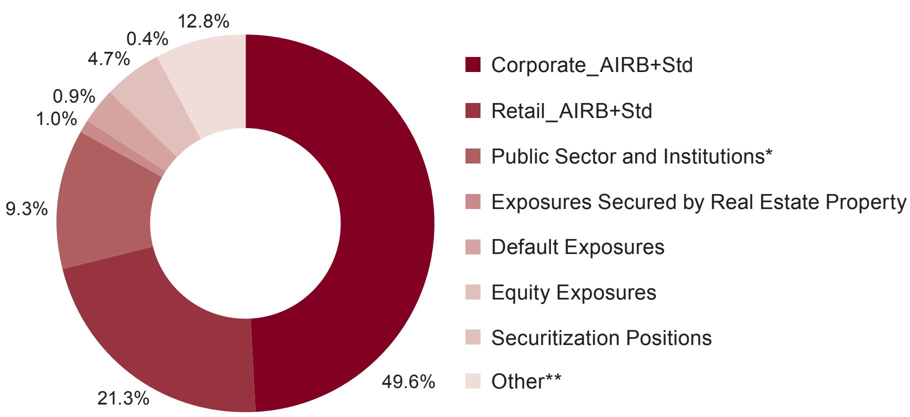
RWAs by credit risk show a prevalence of exposures treated under the advanced approach (62%) over those subject to the Standard Approach (38%).

Credit Risk's RWAs by approach



An analysis by type of exposure reveals that 70.9% of Credit Risk refers to the Corporate and Retail portfolios. The remaining 29.1% is mainly concentrated in the Public Sector and Institutions (9.3%).

RWAs by type pf exposure



* *Includes the following portfolios: Central Governments or Central Banks, Regional Governments or Local Authorities, Public sector entities, Multilateral Development Banks, International Organisations, and Institutions.*

** *Includes the following portfolios: Exposures associated with a particularly high risk, Exposures in the form of covered bonds, Exposures to institutions and corporates with a short-term credit assessment, Exposures to CIUs, Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund, Other exposures.*

The following table shows a breakdown of exposures and RWAs by approach (Standard/AIRB) and by regulatory portfolio. In compliance with regulatory standards, in the case of the standard approach, the EAD value corresponds to the value of the exposure, which takes account of the prudential filters, risk mitigation techniques and credit conversion factors. In the case of the Internal Ratings Based Approach, the EAD value reported corresponds to the "Exposure At Default" calculated according to the rules of prudential supervision and therefore expressed gross of value adjustments and without the impacts from risk mitigation techniques which, in the case of exposures subject to an internal models-based approach, are directly included in the weighting factor applied. Instead, the EAD value takes into account the credit conversion factors for guarantees issued and commitments to disburse funds.

EAD and RWA overview between Credit Risk and Counterparty Risk

	Jun-20		Dec-19			
	EAD	RWA	EAD	RWA	Δ EAD	Δ RWA
Standard Approach						
Total standard approach	**62,649,072**	**16,732,383**	**56,119,352**	**16,747,111**	**6,529,720**	**-14,728**
of which: Counterparty Risk	*3,759,642*	*1,119,682*	*3,301,542*	*1,064,236*	*458,099*	*55,446*
IRB approach						
Total IRB approach	**74,757,442**	**26,927,441**	**75,048,349**	**28,480,112**	**-290,906**	**-1,552,672**
of which: Counterparty Risk	*682,295*	*278,500*	*759,357*	*242,170*	*-77,063*	*36,331*
Total	**137,406,514**	**43,659,823**	**131,167,701**	**45,227,223**	**6,238,813**	**-1,567,400**
of which: Counterparty Risk	*4,441,936*	*1,398,182*	*4,060,900*	*1,306,406*	*381,037*	*91,776*

The following table shows a breakdown of exposures and RWAs by approach (Standard/AIRB) and by regulatory portfolio.

Exposure and RWA Distribution of Credit and Counterparty Risk

Regulatory portfolios	Jun-20		Dec-19	
Standardised approach	EAD	RWA	EAD	RWA
Exposures to central governments or central banks	36,071,854	1,399,267	29,868,127	1,746,118
Exposures to regional governments or local authorities	1,549,688	309,371	1,542,472	308,211
Exposures to public sector entities	498,316	382,996	403,830	362,070
Exposures to multilateral development banks	73,586	-	111,402	-
Exposures to International organisations	-	-	-	-
Exposures to institutions	9,716,404	1,975,890	9,568,602	2,024,563
Exposures to corporates	3,938,276	3,703,205	3,467,782	3,328,505
Retail exposures	659,662	461,726	858,019	592,771
Exposures secured by mortgages on immovable property	1,194,352	452,340	1,477,102	557,071
Exposures in default	367,895	409,727	424,348	455,305
Exposures associated with high risk	267,898	401,848	331,285	496,928
Exposures in the form of covered bonds	713,091	86,158	705,148	85,542
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Exposures to collective investments undertakings	163,634	163,634	229,524	229,524
Equity exposures	1,029,963	2,032,502	1,115,714	2,243,660
Other exposures	6,303,804	4,916,035	6,015,995	4,302,804
Securitization positions *	100,649	33,536	8,898	8,898
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	-	4,149	-	14,039
Total standardised approach	**62,649,072**	**16,732,383**	**56,128,250**	**16,756,009**
AIRB approach				
Exposures to or secured by corporates:	31,318,358	17,945,023	31,169,669	19,732,305
- SMEs	16,390,002	7,451,537	16,731,364	8,963,341
- Other companies	13,169,558	9,111,800	12,613,289	9,254,542
- Specialized lending	1,758,797	1,381,686	1,825,016	1,514,422
Retail exposures:	43,372,035	8,843,372	43,783,366	8,600,843
- secured by real estate: SMEs	5,728,543	1,987,773	5,801,907	1,854,434
- secured by real estate: Individuals	28,137,360	3,812,474	27,907,035	3,654,559
- Qualifying revolving	72,709	5,621	93,584	7,469
- Other retail exposures: SMEs	7,827,793	2,768,353	8,252,376	2,791,655
- Other retail exposures: Individuals	1,605,629	269,151	1,728,465	292,725
- Securitization positions **	67,050	139,046	95,314	146,964
Total AIRB approach	**74,757,442**	**26,927,441**	**75,048,349**	**28,480,112**
Total Credit and Counterparty Risk	**137,406,514**	**43,659,823**	**131,176,599**	**45,236,121**

* *Securitization positions subject to Standard approach include securitizations under the SEC-ERBA and SEC-SA.*
** *Securitization positions subject to AIRB approach include securitizations under the SEC-IRBA.*

Credit Risk: Standard approach

Quantitative disclosure

The table below shows the details of the banking Group's exposures subject to Credit Risk – standard approach, determined according to the rules of Prudential Supervision and including the effects from risk mitigation techniques (netting agreements, guarantees, etc.).

The quantitative disclosures in this Section complement those provided in section "Use of risk mitigation techniques". In fact, each regulatory portfolio provided for by regulations under the standard approach is broken down as follows:

- amount of on- and off-balance exposures, "without" the risk mitigation (Exposure before CRM), which does not take into account the decrease in exposure arising from the application of collateral and guarantees; in the case of guarantees, which transfer risk in respect of the guaranteed portion, reference is made to the guarantor's regulatory portfolios and weightings, while as to the residual exposure, reference is made to the guaranteed party's information;
- amount of the same exposures "with" the risk mitigation effect (Exposure after CRM), i.e. net of the guarantees mentioned in the previous point, thus the difference between exposures "with" and "without" credit risk mitigation represents the amount of approved collateral, disclosed also in section "Use of risk mitigation techniques".

Standard approach: Ante and Post CRM Exposure Value

Regulatory Portfolio (Standard Approach)	Jun-20 Ante CRM Exposure	Jun-20 Post CRM Exposure	Jun-20 Credit Risk Mitigation Techniques	Dec-19 Ante CRM Exposure	Dec-19 Post CRM Exposure	Dec-19 Credit Risk Mitigation Techniques
Exposures to central governments or central banks	36,233,119	36,233,119	-	29,994,417	29,994,417	0
Exposures to regional governments or local authorities	2,806,758	2,806,758	-	2,302,900	2,302,900	-
Exposures to public sector entities	694,931	680,034	-14,897	654,231	639,387	-14,844
Exposures to multilateral development banks	88,586	88,586	-	126,402	126,402	-
Exposures to international organisations	-	-	-	-	-	-
Exposures to institutions	60,352,296	12,528,910	-47,823,386	40,996,762	12,406,244	-28,590,518
Exposures to corporates	6,254,415	5,653,527	-600,889	5,962,470	5,305,353	-657,117
Retail exposures	1,561,771	1,539,248	-22,523	1,888,520	1,852,477	-36,043
Exposures secured by mortgages on immovable property	1,206,024	1,205,009	-1,015	1,482,948	1,482,928	-20
Exposures in default	560,185	557,328	-2,857	618,177	612,426	-5,751
Exposures associated with particularly high risk	280,703	280,115	-588	370,168	367,909	-2,258
Exposures in the form of covered bonds	713,091	713,091	-	705,148	705,148	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures to collective investments undertakings	314,983	168,928	-146,055	444,617	303,701	-140,916
Equity exposures	1,029,963	1,029,963	-	1,115,714	1,115,714	-
Other exposures	6,303,804	6,303,804	-	6,016,015	6,016,015	-
Items representing securitization positions	167,699	167,699	-	8,898	8,898	-
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	-	-	-	-	-	-
Total	**118,568,328**	**69,956,118**	**-48,612,210**	**92,687,387**	**63,239,920**	**-29,447,468**

The table shows the Group's exposures reported by regulatory exposure classes and also contains off-balance sheet exposures relating to guarantees and commitments before the application of credit conversion factors (CCF).

As of 30 June 2020, the total amount of exposures deducted from Funds came to EUR 321.9 million. The exposures reported in the table "Standard approach: Distribution in classes of creditworthiness (EAD post CRM)" also include the off balance-sheet exposures relating to guarantees and commitments (including undrawn credit lines) subsequent to the application of the Credit Conversion Factors (CFFs) required by prudential regulations. The off-balance sheet exposures in relation to guarantees and commitments are disclosed side by side with the counterparty weighting factor. The exposure value shown in the tables of this section is stated net of adjustments in accordance with the prudential regulations.

Reported below are the Post CRM exposures broken down by weighting factor.

Standard approach: Distribution in classes of creditworthiness (EAD post CRM)

Regulatory Portfolio (Standardised approach)	Classes of credit worthiness (Weighting Factors)									Total as at 30/06/20
	0%	Until 20%	35%	50%	70% - 100%	150%	225% - 250%	370%	1250%	
Exposures to central governments or central banks	34,974,639	-	-	20,404	868,539	-	208,271	-	-	36,071,854
Exposures to regional governments or local authorities	-	1,549,688	-	-	-	-	-	-	-	1,549,688
Exposures to public sector entities	2,769	140,689	-	-	354,858	-	-	-	-	498,316
Exposures to multilateral development banks	73,586	-	-	-	-	-	-	-	-	73,586
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	41,680	7,534,253	-	1,864,908	275,563	-	-	-	-	9,716,404
Exposures to corporates	-	38,711	-	109,658	3,749,276	40,631	-	-	-	3,938,276
Retail exposures	-	-	1,649	-	658,013	-	-	-	-	659,662
Exposures secured by mortgages on immovable property	-	-	787,994	406,358	-	-	-	-	-	1,194,352
Exposures in default	-	-	-	-	284,231	83,664	-	-	-	367,895
Exposures associated with particularly high risk	-	-	-	-	-	267,898	-	-	-	267,898
Exposures in the form of covered bonds	-	710,075	-	3,016	-	-	-	-	-	713,091
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures to collective investments undertaking	-	-	-	-	163,634	-	-	-	-	163,634
Equity exposures	-	-	-	-	361,603	-	668,359	-	-	1,029,963
Other exposures	758,448	789,147	-	370	4,751,476	4,363	-	-	-	6,303,804
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	-	-	-	-	-	-	-	-	-	-
Total as at 30/06/2020	**35,851,123**	**10,762,562**	**789,644**	**2,404,714**	**11,467,194**	**396,556**	**876,630**	**-**	**-**	**62,548,423**
Total as at 31/12/2019	**29,660,453**	**11,056,877**	**1,048,931**	**2,058,145**	**10,806,091**	**445,682**	**1,052,072**	**-**	**-**	**56,128,250**

The table shows the Group's exposures reported by regulatory exposure classes and also contains off-balance sheet exposures relating to guarantees and commitments post application of credit conversion factors (CCF).

EU CR5 – Standard approach

	Exposures classes	Classes of credit worthiness (Weighting Factors)															Total	Without rating
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	225 - 250%	370%	1250%	Deducted		
1	Central governments or central banks	34,974,185	-	-	-	-	-	20,404	-	-	865,986	-	208,271	-	-	122,754	**36,068,846**	-
2	Regional governments or local authorities	-	-	-	-	1,537,089	-	-	-	-	-	-	-	-	-		**1,537,089**	-
3	Public sector entities	2,769	-	-	-	140,687	-	-	-	-	348,598	-	-	-	-		**492,054**	-
4	Multilateral development banks	73,586	-	-	-	-	-	-	-	-	-	-	-	-	-		**73,586**	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
6	Institutions	41,680	2,266,441	71,486	-	3,179,264	-	468,690	-	-	262,477	-	-	-	-		**6,290,038**	-
7	Corporates	-	-	-	-	38,711	-	109,658	-	-	3,501,366	40,631	-	-	-		**3,690,366**	-
8	Retail	-	-	-	-	-	1,649	-	-	657,886	-	-	-	-	-		**659,535**	-
9	Secured by mortgages on immovable property	-	-	-	-	-	787,994	406,358	-	-	-	-	-	-	-		**1,194,352**	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	284,210	79,806	-	-	-		**364,016**	-
11	Higher-risk categories	-	-	-	-	-	-	-	-	-	-	267,898	-	-	-		**267,898**	-
12	Covered bonds	-	-	-	573,654	136,421	-	3,016	-	-	-	-	-	-	-		**713,091**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-	104,143	-	-	-	-		**104,143**	-
15	Equity	-	-	-	-	-	-	-	-	-	361,603	-	668,359	-	-	133,262	**1,029,963**	-
16	Other items	758,448	-	-	-	789,147	-	370	-	-	4,751,476	4,363	-	-	-		**6,303,804**	-
17	**Total as at 30/06/2020**	**35,850,669**	**2,266,441**	**71,486**	**573,654**	**5,821,318**	**789,644**	**1,008,496**	-	**657,886**	**10,479,859**	**392,699**	**876,630**	-	-	**256,015**	**58,788,782**	-
18	**Total as at 31/12/2019**	**29,659,620**	**1,783,766**	**50,121**	**563,893**	**6,808,269**	**1,048,931**	**914,753**	-	**858,019**	**9,632,764**	**445,677**	**1,052,072**	-	-	**516,945**	**52,817,883**	-

The exposure shown in the table does not include the counterparty credit risk (CCR). The deducted items include exposures required to be deducted in accordance with Part Two of the CRR.

Credit Risk: use of the AIRB approach

AIRB Authorization

With decree no. 647555 of 12 June 2008, the Bank of Italy authorised Montepaschi Group to use Advanced Internal Ratings Based (AIRB) systems to calculate the capital requirements for Credit Risk and Operational Risk. In particular, whereas the Montepaschi Group uses the standard approach ratios for Exposure at default (EAD) pending validation by the Supervisory Authorities, the Group is instead authorised to use:

- Internal Probability of Default (PD) estimates, for the portfolio of exposures to corporates and retail exposures;
- Internal Loss Given Default (LGD) estimates for the portfolio of exposures to corporates and retail exposures.

For portfolios other than those mentioned above, the standard approach is used. As for legal entities, the scope of application of the authorised approaches shall be the following:

- AIRB: Banca Monte dei Paschi di Siena, MPS Capital Services, Banca Antonveneta, MPS Leasing & Factoring;
- the remaining legal entities of the Montepaschi Group use the standard approach.

Quantitative information

The following table reports the Group's exposure to Credit Risk – AIRB, as of 30 June 2020 divided by classes of regulatory activities. The exposure values reported are determined according to prudential supervisory requirements and as such are inclusive of value adjustments and do not factor in the effects of risk mitigation techniques which, in the case of exposures subject to an internal models-based approach, are directly included in the risk-weighting factor applied. As for guarantees issued and commitments to disburse funds, the values reported take into account credit conversion factors. The exposure value reported in the table, therefore, shows the credit equivalent. Following are the values of Risk Weighted Assets (RWAs), Expected Loss (EL), and Actual Losses (AL) as at the end of June 2020. It is noted that the amount of value adjustments on general-purpose and special-purpose receivables relating to securitisation exposures are not included in the calculation of the Expected Loss Delta, as required by the CRR.

The nominal value in following tables show the exposure value before applying the credit conversion factor.

AIRB Approach: Summary of Exposures, RWAs, expected and actual losses

	Jun-20			
Regulatory Portfolio	EAD	RWA	EL	AL
Exposures to or secured by corporates:	31,318,358	17,945,023	3,220,286	3,808,134
- SMEs	16,390,002	7,451,537	2,334,727	2,807,209
- Other companies	13,169,558	9,111,800	758,707	868,591
- Specialized lending	1,758,797	1,381,686	126,852	132,334
Retail exposures:	43,372,035	8,843,372	2,480,703	2,717,449
- Secured by real estate: SMEs	5,728,543	1,987,773	661,803	601,665
- Secured by real estate: Individuals	28,137,360	3,812,474	524,592	538,940
- Qualifying revolving	72,709	5,621	326	648
- Other retail exposures: SMEs	7,827,793	2,768,353	1,076,915	1,291,190
- Other retail exposures: Individuals	1,605,629	269,151	217,067	285,007
Total as at 30/06/2020	**74,690,393**	**26,788,395**	**5,700,988**	**6,525,583**
Total as at 31/12/2019	**75,048,349**	**28,480,112**	**5,931,480**	**6,422,232**

Reported below is the breakdown by PD class, identified by the MPS Group to allow for a significant distinction to be made for credit risk (*see* para. “Credit Risk: use of the AIRB approach”) by Group exposures and regulatory portfolio.

IRB Approach: Exposures, expected and actual losses distribution by regulatory portfolio and PD classes (except for Specialized lending)

	Jun-20				
Classes of creditworthiness	Corporates Exposure	Retail Exposure	AIRB Total Exposures	AIRB Total EL	AIRB Total AL
Class 01					
Class 02	168,897	19,064	187,961	24	360
Class 03	132,197	69,058	201,255	42	314
Class 04	445,334	120,558	565,892	204	853
Class 05	821,469	7,404,515	8,225,985	1,710	2,382
Class 06	1,190,636	5,330,564	6,521,200	2,532	3,095
Class 07	2,482,457	3,864,578	6,347,035	4,935	11,220
Class 08	3,212,315	3,160,046	6,372,362	8,170	10,752
Class 09	2,850,750	4,606,456	7,457,206	13,238	16,381
Class 10	3,406,337	4,687,077	8,093,415	22,862	32,453
Class 11	2,766,931	2,612,179	5,379,110	26,506	42,447
Class 12	1,610,500	2,008,838	3,619,339	26,889	48,782
Class 13	2,600,476	1,972,969	4,573,445	59,378	145,822
Class 14	1,138,082	1,008,892	2,146,975	38,772	107,261
Class 15	484,505	528,735	1,013,241	28,594	63,669
Class 16	174,397	298,019	472,416	20,610	37,778
Class 17	120,656	131,834	252,490	14,719	23,014
Class 18	54,721	105,937	160,657	12,441	18,854
Class 19	95,005	67,585	162,590	21,896	23,985
Class 20	5,803,895	5,375,131	11,179,025	5,270,613	5,803,827
Total as at 30/06/2020	**29,559,560**	**43,372,035**	**72,931,595**	**5,574,137**	**6,393,249**
Totale as at 31/12/2019	**29,344,652**	**43,783,366**	**73,128,019**	**5,794,829**	**6,275,021**

The following table shows a breakdown by PD band with quantitative details for the Advanced IRB approach of the Portfolio “Exposures to or secured by corporates” divided by regulatory asset class:

– *Specialized lending – slotting criteria;*
– *SMEs;*
– *Other companies.*

EU CR10 - IRB (Specialized lending and equities)

Rating Class	Nominal Value	Exposure Value	Off-balance-sheet amount	RWA	Value adjustments	Expected Loss
Category 1 - 50%	16,698	16,695	180	8,347	34	-
Category 1 - 70% equal to or greater than 2.5 years	227,678	225,583	4,190	157,908	655	902
Category 2 -70% less than 2.5 years	353,187	231,676	159,794	162,173	375	927
Category 2 - 90%	874,508	788,574	173,167	709,717	5,351	6,309
Category 3 - 115%	284,482	273,289	25,715	314,282	12,755	7,652
Category 4 - 250%	11,709	11,703	6	29,258	844	936
Category 5 - 0%	214,943	211,277	7,224	-	112,319	110,126
Total as at 30/06/2020	**1,983,206**	**1,758,797**	**370,275**	**1,381,686**	**132,334**	**126,852**
Totale as at 31/12/2019	**2,002,651**	**1,825,016**	**319,562**	**1,514,422**	**147,211**	**136,651**

EU CR6 – IRB approach: Exposures to or secured by corporates - SMEs

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	166,549	160,728	39,851	127,212	4.98%	122	0.03%	39.67%	2,26	7.32%	86	5	2,916
Class 03	303,763	291,797	73,447	231,444	5.66%	265	0.05%	41.73%	1,77	9.92%	96	15	7,286
Class 04	619,174	592,524	239,349	384,967	8.26%	584	0.09%	37.45%	2,50	15.24%	499	81	36,473
Class 05	810,931	773,927	333,843	476,545	7.65%	629	0.13%	38.77%	2,13	18.45%	777	168	61,597
Class 06	1,076,700	1,013,163	522,560	533,991	8.13%	841	0.20%	36.54%	2,35	22.68%	906	382	118,512
Class 07	1,915,691	1,827,563	1,017,914	901,021	10.14%	1,327	0.30%	38.36%	2,27	30.96%	5,155	1,171	315,102
Class 08	1,758,775	1,677,119	1,049,540	681,678	7.94%	1,251	0.46%	34.19%	2,80	36.07%	3,746	1,650	378,544
Class 09	1,989,525	1,882,675	1,226,659	720,330	8.93%	1,611	0.69%	34.92%	2,56	41.97%	5,421	2,956	514,783
Class 10	2,289,476	2,177,949	1,510,814	721,951	7.59%	1,877	1.05%	34.55%	2,70	49.19%	10,093	5,481	743,213
Class 11	2,293,459	2,179,865	1,655,362	583,320	10.08%	1,856	1.59%	32.59%	2,97	55.11%	15,778	8,577	912,326
Class 12	1,625,025	1,553,766	1,181,223	423,164	11.96%	1,441	2.42%	32.32%	2,80	59.06%	15,288	9,240	697,646
Class 13	1,879,956	1,825,464	1,492,290	415,881	19.89%	1,455	3.99%	33.03%	3,01	70.95%	59,424	19,664	1,058,749
Class 14	1,007,515	987,530	818,124	200,977	15.71%	756	6.31%	29.72%	3,42	74.34%	46,925	15,341	608,215
Class 15	500,946	488,213	418,801	81,302	14.63%	385	9.95%	28.25%	3,13	82.06%	22,462	11,771	343,670
Class 16	171,996	169,056	145,079	26,668	10.09%	186	16.03%	28.30%	3,47	99.65%	12,655	6,581	144,566
Class 17	126,565	123,701	117,857	6,690	12.64%	89	22.12%	29.50%	3,46	114.42%	10,833	7,690	134,857
Class 18	62,821	60,706	51,545	9,665	5.22%	50	31.63%	27.32%	3,86	113.14%	8,101	4,454	58,318
Class 19	77,568	76,986	69,573	8,681	14.61%	56	45.00%	30.95%	4,23	130.74%	11,282	9,691	90,960
Class 20	4,733,838	4,626,770	4,426,170	252,337	20.50%	2,634	100.00%	49.31%	1,81	27.65%	2,577,681	2,229,808	1,223,804
Total as at 30/06/2020	**23,410,272**	**22,489,502**	**16,390,002**	**6,787,825**	**9.74%**	**17,415**	**2.83%**	**33.79%**	**2,53**		**2,807,209**	**2,334,727**	**7,451,537**
Total as at 31/12/2019	**22,617,809**	**21,999,823**	**16,731,364**	**6,022,083**	**11.51%**	**17,630**	**2.65%**	**34.04%**	**2,83**		**2,744,080**	**2,421,943**	**8,963,341**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CR6 – IRB approach: Exposures to or secured by corporates - Other companies

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	467,664	467,664	129,046	448,441	24.49%	34	0.03%	44.50%	2,77	16.48%	215	17	21,264
Class 03	273,146	269,755	58,750	220,816	4.44%	68	0.05%	42.82%	1,64	14.31%	82	13	8,408
Class 04	639,541	636,670	205,985	485,992	11.38%	136	0.09%	43.26%	2,27	26.10%	168	80	53,757
Class 05	1,599,718	1,584,441	487,626	1,252,586	12.44%	205	0.13%	43.64%	1,82	29.66%	757	277	144,638
Class 06	1,555,373	1,540,827	668,076	1,019,413	14.39%	271	0.20%	43.07%	1,97	39.29%	967	576	262,467
Class 07	3,140,378	3,133,718	1,464,543	1,862,537	10.38%	501	0.30%	42.60%	2,11	49.11%	4,043	1,872	719,308
Class 08	4,060,719	4,025,724	2,162,775	2,286,130	18.51%	441	0.46%	39.47%	2,35	56.95%	4,165	3,926	1,231,799
Class 09	2,846,835	2,828,311	1,624,091	1,421,720	15.30%	451	0.69%	42.99%	1,80	72.02%	4,716	4,818	1,169,724
Class 10	3,140,276	3,113,206	1,895,524	1,497,481	18.68%	568	1.05%	42.61%	1,77	83.29%	10,905	8,480	1,578,752
Class 11	1,647,302	1,620,324	1,111,569	586,108	13.20%	388	1.59%	42.45%	1,92	97.74%	6,894	7,503	1,086,436
Class 12	661,631	652,163	429,278	254,206	12.32%	223	2.42%	41.51%	1,56	104.70%	4,264	4,313	449,449
Class 13	1,546,168	1,518,882	1,108,186	557,213	26.29%	266	3.99%	43.39%	2,01	136.02%	20,250	19,186	1,507,344
Class 14	410,145	408,530	319,958	131,165	32.47%	120	6.31%	30.07%	1,19	104.86%	11,599	6,072	335,505
Class 15	106,791	104,945	65,704	48,013	18.27%	53	9.95%	38.62%	1,73	151.46%	6,501	2,525	99,516
Class 16	36,205	36,205	29,318	9,586	28.15%	20	16.03%	39.97%	1,59	198.53%	2,047	1,878	58,206
Class 17	4,411	4,411	2,799	1,664	3.10%	10	22.12%	40.97%	1,23	200.45%	469	254	5,611
Class 18	3,540	3,540	3,175	728	49.96%	5	31.63%	46.95%	1,01	241.47%	206	472	7,667
Class 19	30,262	30,262	25,432	5,430	11.04%	8	45.00%	41.34%	1,15	216.33%	4,510	4,731	55,016
Class 20	1,766,138	1,765,229	1,377,724	568,904	31.89%	357	100.00%	49.97%	1,59	23.00%	785,829	691,717	316,934
Total as at 30/06/2020	**23,936,245**	**23,744,806**	**13,169,558**	**12,658,131**	**15.73%**	**4,125**	**1.39%**	**41.83%**	**1,93**		**868,591**	**758,707**	**9,111,800**
Total as at 31/12/2019	**23,709,546**	**23,671,114**	**12,613,289**	**13,206,316**	**15.39%**	**4,182**	**1.92%**	**41.37%**	**2,21**		**1,039,453**	**970,701**	**9,254,542**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

The following table shows a breakdown by PD band with quantitative details for the advanced IRB approach of the Portfolio “Retail Exposures” divided by regulatory asset class:

– *Secured by real estate - SMEs,*
– *Secured by real estate - Individuals,*
– *Qualifying revolving,*
– *Other retail exposures - SMEs,*
– *Other retail exposures - Individuals.*

EU CR6 - IRB approach: Retail Exposures Secured by real estate - SMEs

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	1,267	1,267	1,267	-	0.00%	9	0.03%	17.97%	-	1.45%	1	0	18
Class 03	12,034	12,034	10,799	1,335	7.50%	50	0.05%	19.27%	-	2.27%	8	1	245
Class 04	25,177	24,767	21,182	4,800	25.29%	162	0.09%	19.38%	-	3.84%	13	4	814
Class 05	47,099	47,075	41,401	7,763	26.91%	315	0.13%	19.02%	-	5.04%	36	10	2,086
Class 06	94,426	93,061	87,363	5,862	2.80%	644	0.20%	19.41%	-	7.18%	87	34	6,269
Class 07	214,823	212,794	196,550	16,377	0.81%	1,426	0.30%	19.81%	-	9.86%	315	117	19,385
Class 08	316,738	315,676	287,307	28,888	1.80%	1,982	0.46%	19.87%	-	13.79%	516	263	39,624
Class 09	499,898	496,804	453,909	44,271	3.11%	3,268	0.69%	19.80%	-	18.24%	1,268	620	82,772
Class 10	726,801	722,915	648,625	75,051	1.01%	4,286	1.05%	20.10%	-	24.36%	2,721	1,369	157,995
Class 11	846,212	839,598	755,297	85,945	1.91%	5,021	1.59%	20.18%	-	31.62%	5,131	2,424	238,797
Class 12	698,549	690,201	615,500	75,842	1.50%	3,821	2.42%	20.31%	-	41.48%	7,418	3,025	255,283
Class 13	617,390	612,302	551,216	62,112	1.65%	3,062	3.99%	20.13%	-	53.88%	17,480	4,427	296,969
Class 14	355,763	350,141	311,259	38,897	0.04%	1,624	6.31%	20.43%	-	68.13%	11,952	4,013	212,048
Class 15	146,981	146,129	131,434	14,864	1.13%	655	9.95%	20.46%	-	83.56%	7,458	2,675	109,821
Class 16	101,132	100,642	90,025	10,769	1.41%	440	16.03%	20.61%	-	99.05%	6,076	2,974	89,168
Class 17	44,649	44,279	40,845	3,434	0.00%	207	22.12%	20.19%	-	103.97%	3,249	1,824	42,466
Class 18	38,081	37,893	32,103	5,790	0.00%	146	31.63%	19.90%	-	109.96%	3,013	2,021	35,300
Class 19	32,728	32,521	27,341	5,181	0.00%	126	45.00%	20.48%	-	98.90%	2,573	2,519	27,041
Class 20	1,447,505	1,441,341	1,425,120	19,686	17.60%	5,938	100.00%	41.75%	-	26.08%	532,352	633,484	371,670
Total as at 30/06/2020	**6,267,253**	**6,221,441**	**5,728,543**	**506,864**	**2.16%**	**33,182**	**3.25%**	**20.11%**	**0,00**		**601,665**	**661,803**	**1,987,773**
Total as at 31/12/2019	**5,866,130**	**5,829,220**	**5,801,907**	**44,269**	**37.34%**	**33,699**	**3.18%**	**19.82%**	**0,00**		**558,566**	**654,355**	**1,854,434**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CR6 – IRB approach: Retail Exposures Secured by real estate - Individuals

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 03	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 04	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 05	7,408,847	7,188,675	7,133,999	56,069	2.48%	84,924	0.13%	12.46%	-	3.84%	582	1,156	273,590
Class 06	5,462,318	4,959,602	4,892,959	66,962	0.48%	63,019	0.20%	13.05%	-	5.55%	675	1,277	271,601
Class 07	3,431,093	3,209,533	3,157,826	51,914	0.40%	40,013	0.30%	12.60%	-	7.22%	813	1,193	228,033
Class 08	2,507,727	2,345,784	2,296,126	50,341	1.36%	30,420	0.46%	12.53%	-	9.76%	908	1,324	224,192
Class 09	3,563,187	3,426,426	3,357,081	69,708	0.52%	44,802	0.69%	11.69%	-	12.09%	1,982	2,708	405,769
Class 10	3,238,482	3,159,438	3,097,655	61,878	0.15%	41,006	1.05%	11.38%	-	15.61%	3,350	3,700	483,548
Class 11	889,285	855,801	825,553	30,430	0.60%	10,980	1.59%	12.06%	-	21.64%	3,637	1,583	178,685
Class 12	486,469	470,269	449,875	20,810	2.00%	5,644	2.42%	12.04%	-	27.98%	3,772	1,310	125,889
Class 13	617,748	604,600	584,263	20,352	0.07%	7,123	3.99%	12.04%	-	37.27%	13,610	2,806	217,767
Class 14	249,687	244,075	232,060	12,015	0.00%	2,717	6.31%	11.74%	-	46.06%	5,941	1,719	106,882
Class 15	146,192	142,968	139,536	3,432	0.00%	1,663	9.95%	11.67%	-	56.05%	4,270	1,620	78,216
Class 16	92,954	91,204	89,409	1,796	0.06%	1,054	16.03%	11.38%	-	64.41%	3,083	1,631	57,586
Class 17	49,840	49,011	47,481	1,533	0.22%	577	22.12%	11.14%	-	67.60%	1,773	1,170	32,096
Class 18	45,131	44,400	41,787	2,613	0.00%	513	31.63%	12.71%	-	78.48%	1,745	1,680	32,794
Class 19	16,495	16,368	16,170	198	0.00%	228	45.00%	10.74%	-	60.80%	686	781	9,831
Class 20	1,803,193	1,796,204	1,775,580	20,659	0.17%	16,973	100.00%	23.41%	-	61.16%	492,113	498,933	1,085,993
Total as at 30/06/2020	**30,008,647**	**28,604,358**	**28,137,360**	**470,710**	**0.82%**	**351,656**	**0.82%**	**12.32%**	**0,00**		**538,940**	**524,592**	**3,812,474**
Total as at 31/12/2019	**29,150,505**	**27,916,297**	**27,907,035**	**13,044**	**41.65%**	**348,527**	**0.77%**	**12.28%**	**0,00**		**460,769**	**492,304**	**3,654,559**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CR6 - IRB approach: Qualifying revolving Retail Exposures

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 03	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 04	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 05	41,121	41,121	18,890	22,231	0.00%	34,224	0.13%	21.40%	-	1.70%	7	5	321
Class 06	18,893	18,893	8,174	10,719	0.00%	14,674	0.20%	26.91%	-	3.04%	5	4	249
Class 07	25,105	25,105	9,998	15,107	0.00%	16,602	0.30%	22.02%	-	3.46%	9	7	346
Class 08	12,724	12,724	5,067	7,656	0.00%	7,193	0.46%	25.81%	-	5.71%	7	6	290
Class 09	14,496	14,496	6,790	7,707	0.00%	9,346	0.69%	22.70%	-	6.92%	18	11	470
Class 10	12,742	12,742	7,406	5,337	0.00%	9,441	1.05%	22.15%	-	9.33%	37	17	691
Class 11	7,782	7,782	5,078	2,704	0.00%	6,416	1.59%	22.69%	-	13.06%	45	18	663
Class 12	5,741	5,741	3,723	2,018	0.00%	4,840	2.42%	22.51%	-	17.60%	50	20	655
Class 13	3,074	3,074	2,170	905	0.00%	2,716	3.99%	24.33%	-	26.98%	40	21	585
Class 14	4,239	4,239	3,908	330	0.00%	4,465	6.31%	15.66%	-	23.47%	101	39	917
Class 15	623	623	350	273	0.00%	483	9.95%	23.68%	-	46.66%	17	8	163
Class 16	277	277	159	118	0.00%	227	16.03%	21.89%	-	55.28%	11	6	88
Class 17	201	201	49	152	0.00%	111	22.12%	24.27%	-	70.06%	4	3	34
Class 18	255	255	208	47	0.00%	314	31.63%	13.95%	-	44.46%	20	9	92
Class 19	262	262	123	140	0.00%	277	45.00%	14.35%	-	46.09%	16	8	56
Class 20	1,089	1,089	617	473	0.00%	1,046	100.00%	23.33%	-	0.00%	257	144	-
Total as at 30/06/2020	**148,624**	**148,624**	**72,709**	**75,915**	**0.00%**	**112,375**	**1.27%**	**22.52%**	**0,00**		**648**	**326**	**5,621**
Total as at 31/12/2019	**183,014**	**183,014**	**93,584**	**89,430**	**0.00%**	**120,397**	**1.31%**	**22.81%**	**0,00**		**657**	**365**	**7,469**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CR6 – IRB approach: Other retail Exposures - SMEs

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	62,015	56,123	17,797	40,881	6.25%	495	0.03%	44.63%	-	3.79%	59	2	674
Class 03	200,848	189,146	58,259	135,957	3.73%	1,021	0.05%	43.73%	-	5.41%	127	13	3,150
Class 04	732,522	701,787	99,376	619,489	2.76%	10,698	0.09%	43.55%	-	8.48%	172	39	8,424
Class 05	423,909	390,435	129,145	274,983	4.98%	2,962	0.13%	43.08%	-	11.11%	186	72	14,343
Class 06	732,044	672,243	256,826	438,270	5.21%	5,405	0.20%	43.21%	-	15.00%	416	222	38,532
Class 07	1,003,624	912,440	385,439	566,514	6.97%	8,755	0.30%	42.98%	-	19.57%	802	497	75,422
Class 08	1,031,863	923,872	441,429	522,219	7.62%	10,610	0.46%	42.53%	-	25.60%	1,248	864	113,007
Class 09	1,386,262	1,237,065	642,455	638,749	6.91%	15,576	0.69%	42.68%	-	32.32%	2,617	1,892	207,644
Class 10	1,579,827	1,383,771	775,918	648,627	6.29%	19,878	1.05%	42.42%	-	39.20%	4,506	3,456	304,179
Class 11	1,776,381	1,553,668	882,014	732,979	8.37%	23,431	1.59%	41.96%	-	44.60%	9,205	5,885	393,345
Class 12	1,571,703	1,371,325	822,475	588,241	6.70%	21,615	2.42%	41.95%	-	49.45%	15,738	8,350	406,693
Class 13	1,330,259	1,153,931	745,751	440,865	7.41%	19,479	3.99%	41.88%	-	52.50%	31,552	12,462	391,483
Class 14	718,756	615,255	424,555	205,265	7.10%	14,623	6.31%	41.32%	-	53.83%	28,930	11,071	228,533
Class 15	342,786	297,674	222,036	91,391	17.24%	5,282	9.95%	40.68%	-	58.05%	21,821	8,988	128,896
Class 16	174,205	146,865	108,399	43,877	12.33%	3,133	16.03%	41.25%	-	71.30%	13,099	7,168	77,292
Class 17	61,275	51,122	39,888	12,508	10.18%	1,162	22.12%	40.72%	-	81.53%	6,377	3,593	32,520
Class 18	42,882	36,732	29,412	8,700	15.86%	1,446	31.63%	39.11%	-	87.03%	5,518	3,639	25,597
Class 19	30,986	26,831	21,392	5,755	5.49%	3,051	45.00%	40.77%	-	92.44%	4,545	3,925	19,775
Class 20	2,002,589	1,851,448	1,725,228	164,213	23.14%	49,321	100.00%	57.62%	-	17.32%	1,144,272	1,004,778	298,844
Total as at 30/06/2020	**15,204,737**	**13,571,731**	**7,827,793**	**6,179,481**	**6.61%**	**217,943**	**2.86%**	**42.19%**	**0,00**		**1,291,190**	**1,076,915**	**2,768,353**
Total as at 31/12/2019	**14,102,719**	**13,198,312**	**8,252,376**	**5,401,073**	**7.83%**	**216,898**	**2.79%**	**42.30%**	**0,00**		**1,195,810**	**1,058,065**	**2,791,655**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CR6 – IRB approach: Other retail Exposures - Individuals

Rating Class	On-balance-sheet gross exposures	Nominal Value	Exposure Value	Revocable and Irrevocable Margins	CCF% (Average)	Number of obligors	Weighted Average PD (%)	Weighted Average LGD (%)	Average maturity	Average Risk Weight %(RW%)	Value adjustments	Expected Loss	RWA
Class 01													
Class 02	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 03	-	-	-	-	0.00%	-	0.00%	0.00%	-	0.00%	-	-	-
Class 04	15	15	-	15	0.00%	0	0.09%	0.00%	-	0.00%	-	-	-
Class 05	506,831	506,612	81,080	438,591	2.98%	81	0.13%	20.72%	-	6.59%	38	22	5,340
Class 06	209,542	209,223	85,241	135,674	8.62%	17	0.20%	21.92%	-	9.41%	40	37	8,023
Class 07	249,483	249,054	114,765	150,445	10.74%	28	0.30%	22.82%	-	12.79%	82	79	14,678
Class 08	233,279	232,034	130,118	120,816	15.64%	16	0.46%	23.00%	-	16.72%	161	138	21,753
Class 09	289,004	287,289	146,222	160,830	12.29%	25	0.69%	23.18%	-	21.00%	359	234	30,711
Class 10	283,962	282,450	157,473	138,251	9.60%	26	1.05%	21.64%	-	23.82%	841	358	37,515
Class 11	232,558	231,532	144,238	96,526	9.56%	23	1.59%	22.54%	-	28.86%	1,757	517	41,631
Class 12	172,627	171,837	117,266	59,875	8.86%	20	2.42%	22.23%	-	31.69%	2,252	631	37,160
Class 13	109,752	109,462	89,569	22,482	11.52%	12	3.99%	22.73%	-	34.80%	3,466	812	31,172
Class 14	44,765	44,354	37,110	8,050	10.01%	19	6.31%	22.13%	-	35.54%	1,812	518	13,190
Class 15	37,958	37,884	35,379	13,988	82.10%	4	9.95%	28.61%	-	50.83%	1,140	1,007	17,985
Class 16	11,416	11,408	10,027	1,582	12.70%	2	16.03%	23.13%	-	49.70%	806	372	4,983
Class 17	3,940	3,936	3,571	437	16.32%	1	22.12%	23.57%	-	57.94%	309	186	2,069
Class 18	2,675	2,675	2,426	418	40.39%	4	31.63%	21.73%	-	59.56%	250	167	1,445
Class 19	2,753	2,721	2,559	167	3.14%	11	45.00%	20.88%	-	58.44%	373	240	1,496
Class 20	461,489	460,525	448,585	14,136	15.54%	92	100.00%	44.97%	-	0.00%	271,323	211,749	-
Total as at 30/06/2020	**2,852,048**	**2,843,010**	**1,605,629**	**1,362,281**	**9.10%**	**379**	**1.97%**	**22.56%**	**0,00**		**285,007**	**217,067**	**269,151**
Total as at 31/12/2019	**2,989,626**	**2,985,141**	**1,728,465**	**1,389,308**	**9.52%**	**406**	**2.12%**	**22.85%**	**0,00**		**275,686**	**197,096**	**292,725**

For reporting purposes, Unused Margin refer to issued guarantees and revocable and irrevocable commitments to disburse funds. The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

Exposures subject to the AIRB approach broken down by geographical location

The Montepaschi Group operates almost exclusively in the domestic market. If the geographical location of the counterparties is considered, 100% of AIRB exposures are towards counterparties resident in Italy.

For the purposes of this disclosure and in accordance with Article 452 of the CRR, the relevant geographical location of credit exposures means exposures in the Member States in which the institution has been authorized and Member States or third countries in which institutions carry out activities through a branch or subsidiary. As far as credit risk is concerned, the Group is currently authorized to use internal estimates of PD, LGD parameters for portfolios of loans to locals counterparties (Corporate and Retail Exposures) of the main Italian subsidiaries of the Group, namely Banca Monte dei Paschi di Siena, MPS Capital Services and MPS Leasing & Factoring. The other foreign subsidiaries (MP Banque) adopt standard models and their exposures are included among those subject to Credit Risk – Standard approach. The Group also operates in Member States or third countries via foreign branches, whose operations focus on supporting the expansion of Italian businesses and investments abroad and in the major foreign financial markets. AIRB credit exposures (net of default) held by foreign branches amount to 0% and are entirely towards local counterparties (with headquarters/residence or domicile in Italy). The exposures are towards counterparties that were assigned an internal PD and LGD estimate since they are already counterparties of Italian subsidiaries and are reported under the Parent Company Banca MPS for regulatory purposes. Accordingly, the values of the exposure-weighted average PD and LGD by geographical location coincide with those reported in the tables above which show the AIRB exposures of authorized Italian subsidiaries broken down by class of exposure. Reported below are the credit exposures subject to the AIRB approach (net of default) according to the definition of geographical location described above, i.e. by Member State in which the institution has been authorized (Italy) and by Member State or third country in which the institution operates through a branch.

IRB approach: Exposures to or secured by corporates – Geographic Segmentation

Exposures to or secured by corporates

	EAD	Incidence	Weighted Average PD	Weighted Average LGD	RWA	EL	AL
Italy	23,755,666	100.00%	2.12%	37.78%	15,022,599	171,909	312,290
Other EU Countries	-	-	-	-	-	-	-
Other not EU Countries	-	-	-	-	-	-	-
Total as at 30/06/2020	**23,755,666**	**100.00%**	**2.12%**	**37.78%**	**15,022,599**	**171,909**	**312,290**
Total as at 31/12/2019	**22,255,552**	**100.00%**	**2.42%**	**37.32%**	**16,177,128**	**182,268**	**258,658**

IRB approach: Retail Exposures – Geographic Segmentation

Retail exposures

	EAD	Incidence	Weighted Average PD	Weighted Average LGD	RWA	EL	AL
Italy	37,996,904	100.00%	1.46%	18.33%	7,086,864	131,615	277,132
Other EU Countries	-	-	-	-	-	-	-
Other not EU Countries	-	-	-	-	-	-	-
Total as at 30/06/2020	**37,996,904**	**100.00%**	**1.46%**	**18.33%**	**7,086,864**	**131,615**	**277,132**
Total as at 31/12/2019	**38,505,432**	**100.00%**	**1.43%**	**18.60%**	**6,848,519**	**133,568**	**197,786**

Credit Risk: credit quality

Quantitative information

The following table provide a comprehensive picture of the credit quality of the Group.

EU CR1-A – Credit quality of exposures by exposure class and instrument

		a	b	c	d	e	f	g
		Gross carrying values of:		Specific credit risk adjustments	General credit risk adjustment	Accumulated write-off	Credit risk adjustments charges of the period	Net value (a+b-c-d)
		Defaulted exposures	Non-defaulted exposures					
1	Central governments or central banks	-	-	-				-
2	Institutions	-	-	-				-
3	Corporates	4,836,361	42,510,156	3,675,800				43,670,717
4	*Of which: SMEs*	*1,989,525*	*21,420,747*	*2,807,209*				*20,603,062*
5	*Of which: other corporates*	*2,846,835*	*21,089,409*	*868,591*				*23,067,654*
6	**Retail**	**5,752,848**	**48,728,461**	**2,717,449**				**51,763,860**
7	Secured by real estate property	4,063,085	32,212,814	1,140,604				35,135,295
8	*SMEs*	*499,898*	*5,767,354*	*601,665*				*5,665,588*
9	*Non-SMEs*	*3,563,187*	*26,445,460*	*538,940*				*29,469,707*
10	Qualifying revolving	14,496	134,128	648				147,976
11	Other retail	1,675,266	16,381,519	1,576,197				16,480,588
12	*SMEs*	*1,386,262*	*13,818,475*	*1,291,190*				*13,913,547*
13	*Non-SMEs*	*289,004*	*2,563,044*	*285,007*				*2,567,041*
14	Equity							-
15	**Total AIRB approach**	**10,589,208**	**91,238,617**	**6,393,249**	-			**95,434,577**
16	Central governments or central banks	-	29,920,682		36,052			29,884,630
17	Regional governments or local authorities	-	2,778,988		3,446			2,775,542
18	Public sector entities	-	733,718		2,214			731,503
19	Multilateral development banks	-	88,589		3			88,586
20	International organisations	-	-		-			-
21	Institutions	-	59,112,251		4,368			59,107,883
22	Corporates	-	6,486,046		13,293			6,472,754
23	*Of which: SMEs*		*1,392,048*		*2,792*			*1,389,256*
24	Retail	-	1,635,683		8,043			1,627,640
25	*Of which: SMEs*		*702,669*		*846*			*701,823*
26	Secured by mortgages on immovable property	-	1,217,779		5,613			1,212,166
27	*Of which: SMEs*		*283,801*		*2,807*			*280,994*
28	Exposures in default	1,107,453	-		543,458			563,995
29	Items associated with particularly high risk	90,953	234,060		44,272			280,742
30	Covered bonds	-	713,657		566			713,091
31	Exposures to institutions and corporates with a short-term credit assessment	-	-		-			-
32	Collective investments undertakings	-	315,353		370			314,983
33	Equity exposures	1,054	1,028,908		-			1,029,963
34	Other exposures	-	6,317,776		27,128			6,290,648
35	**Total standardised approach**	**1,199,461**	**110,583,491**	-	**688,825**			**111,094,127**
36	**Total**	**11,788,669**	**201,822,108**	**6,393,249**	**688,825**			**206,528,704**
37	*Of which: Loans*	*126,568,166*		*6,353,065*	*682,450*			*119,532,651*
38	*Of which: Debt securities*	*39,992,896*		*34,495*	*1,524*			*39,956,876*
39	*Of which: Off-balance-sheet exposures*	*49,032,921*		*138,022*	*4,851*			*48,890,048*

The figures shown in the table under IRB approach do not include specialised lending-slotting criteria.

Subsequent to the public consultation process launched in April, in December 2018 the EBA published the final version of the document "Guidelines on disclosures of non-performing and forborne exposures" (EBA/GL/2018/10), effective as of 31 December 2019 (in line with the "Guidelines for banks on non-performing loans", published by the ECB in March 2017) and aimed at promoting consistency in NPL disclosure requirements. This document has been taken into account in the preparation of the following tables.

Credit quality Credit quality of forborne exposures (Template 1 – EBA GL 2018/10)

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**1,817,997**	4,190,321	4,190,321	**3,954,438**	-139,504	-1,725,191	3,260,164	2,012,286
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	*4,965*	*164*	*164*	*164*	*-65*	*-74*	-	-
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	*43,298*	*111,371*	*111,371*	*55,685*	*-670*	-68,366	*76,059*	*34,963*
6	*Non-financial corporations*	*1,205,241*	*3,043,016*	*3,043,016*	*2,863,920*	*-111,743*	-1,375,105	*1,978,037*	*1,267,448*
7	*Households*	*564,493*	*1,035,770*	*1,035,770*	*1,034,669*	*-27,026*	-281,647	*1,206,068*	*709,875*
8	**Debt securities**	**225,478**	**2,052**	**2,052**	-	**-2**	-2,052	-	-
9	**Loan commitments given**	**52,188**	**61,940**	**61,940**	**61,940**	-	-	**36,139**	**14,877**
10	**Total**	**2,095,663**	**4,254,313**	**4,254,313**	**4,016,378**	**-139,507**	**-1,727,244**	**3,296,304**	**2,027,164**

The figures shown in the table do not include the amounts relating to assets held for sale. Forborne exposures were not significantly affected by contract amendments granted by the Group to performing debtors as of 31 December 2019, in difficulty following the outbreak of the COVID-19 pandemic, as laid down by the specific indications published by the EBA.

Credit Quality of performing and non performing exposures by past due days (Template 3 – EBA GL 2018/10)

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
		Total	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Total	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**81,748,240**	81,005,368	742,872	**11,374,150**	1,979,336	346,079	805,672	1,208,537	2,941,318	2,187,303	1,905,906	**11,374,150**
2	Central banks	255,571	255,571	-	-	-	-	-	-	-	-	-	-
3	General governments	2,085,148	2,049,597	35,551	243,793	42,888	733	721	574	2,735	195,645	497	243,793
4	Credit institutions	4,193,829	4,175,846	17,983	4,666	-	-	1,494	-	3,172	-	-	4,666
5	Other financial corporations	8,540,646	8,540,348	298	172,996	50,271	3,184	14,479	45,925	33,690	8,004	17,443	172,996
6	Non-financial corporations	32,812,927	32,390,087	422,840	7,926,184	1,526,935	212,871	537,461	878,478	1,825,495	1,464,369	1,480,575	7,926,184
7	*Of which SMEs*	*21,245,081*	*20,965,658*	*279,423*	*6,477,373*	*1,085,941*	*160,455*	*421,794*	*671,139*	*1,538,301*	*1,302,237*	*1,297,505*	*6,477,373*
8	Households	33,860,119	33,593,919	266,200	3,026,512	359,242	129,291	251,518	283,560	1,076,226	519,285	407,391	3,026,512
9	**Debt securities**	**16,618,175**	16,535,766	82,410	**33,284**	14,584	-	-	-	18,700	-	-	33,284
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	12,385,949	12,334,866	51,084	-	-	-	-	-	-	-	-	-
12	Credit institutions	1,302,868	1,276,777	26,091	-	-	-	-	-	-	-	-	-
13	Other financial corporations	2,500,701	2,500,701	-	18,700	-	-	-	-	18,700	-	-	18,700
14	Non-financial corporations	428,657	423,422	5,235	14,584	14,584	-	-	-	-	-	-	14,584
15	**Off-balance-sheet exposures**	**46,367,756**			**1,224,853**								**1,224,853**
16	Central banks	70			-								-
17	General governments	1,680,201			120,135								120,135
18	Credit institutions	2,094,329			9,815								9,815
19	Other financial corporations	15,183,189			5,741								5,741
20	Non-financial corporations	24,705,835			1,051,309								1,051,309
21	Households	2,704,132			37,854								37,854
22	**Total**	**144,734,171**	**97,541,134**	**825,281**	**12,632,288**	**1,993,920**	**346,079**	**805,672**	**1,208,537**	**2,960,018**	**2,187,303**	**1,905,906**	**12,632,288**

Exposures relating to Loans and Advances and to Debt Securities are represented by assets valued at amortised cost and by assets that must necessarily be valued at fair value. The figures shown in the table do not include the amounts relating to assets held for sale and debt securities and derivatives included in the item Financial assets held for trading. The gross NPL ratio, which is calculated as column (d) row (1) divided by the sum of column (d) row (1) plus column (a) row (1), is equal to 12.21%.

As of 30 June 2020, figures still include insolvency flows which do not fall within the initiatives implemented by the banking system to support business and households particularly affected by the economic crisis.

Performing and non-performing exposures and related provisions (Template 4 – EBA GL 2018/10)

		a	b	c	d	e	f	g	h	i	j	h	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Total	of which STAGE 1	of which STAGE 2	Total	of which STAGE 2	of which STAGE 3	Total	of which STAGE 1	of which STAGE 2	Total	of which STAGE 2	of which STAGE 3			
1	**Loans and advances**	**81,748,240**	66,050,262	15,328,837	**11,374,150**	-	11,133,038	**-635,224**	-77,481	-557,710	**-5,577,246**	-	-5,411,877	-244,000	58,767,885	4,674,960
2	Central banks	255,571	20,001	-	-	-	-	-	-	-	-	-	-	-	-	-
3	General governments	2,085,148	2,013,797	71,351	243,793	-	243,793	-5,843	-3,708	-2,135	-118,467	-	-118,467	-4	154,972	68
4	Credit institutions	4,193,829	4,158,609	36,546	4,666	-	4,666	-2,047	-2,214	-186	-3,093	-	-3,093	-	1,021,465	-
5	Other financial corporations	8,540,646	8,430,317	127,781	172,996	-	117,310	-5,714	-2,536	-3,177	-113,124	-	-72,553	-202	7,054,524	47,629
6	Non-financial corporations	32,812,927	20,818,187	11,876,978	7,926,184	-	7,742,787	-497,713	-48,033	-449,680	-4,285,162	-	-4,160,857	-217,751	18,719,030	2,877,946
7	*Of which SMEs*	*21,245,081*	*12,325,590*	*8,587,678*	*6,477,373*	-	*6,395,258*	*-410,916*	*-30,565*	*-379,622*	*-3,435,709*	-	*-3,349,229*	*-62,294*	*14,993,382*	*2,631,221*
8	Households	33,860,119	30,609,350	3,216,181	3,026,512	-	3,024,483	-123,907	-20,990	-102,532	-1,057,401	-	-1,056,907	-26,043	31,817,893	1,749,317
9	**Debt securities**	**16,618,175**	**16,164,011**	**20,045**	**33,284**	-	**12,532**	**-16,874**	**-16,116**	**-758**	**-31,891**	-	**-11,139**	-	-	-
10	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	General governments	12,385,949	12,334,861	-	-	-	-	-11,650	-11,650	-	-	-	-	-	-	-
12	Credit institutions	1,302,868	1,269,283	14,010	-	-	-	-3,241	-2,773	-469	-	-	-	-	-	-
13	Other financial corporations	2,500,701	2,290,879	-	18,700	-	-	-1,319	-1,319	-	-18,700	-	-	-	-	-
14	Non-financial corporations	428,657	268,988	6,035	14,584	-	12,532	-664	-374	-290	-13,191	-	-11,139	-	-	-
15	**Off-balance-sheet exposures**	**46,367,756**	**41,762,801**	**2,628,960**	**1,224,853**	-	**1,221,992**	**28,065**	**11,608**	**16,457**	**124,553**	-	**124,553**		**21,983,319**	**252,640**
16	*Central banks*	**70**	**70**	-	-	-	-	-	-	-	-	-	-		-	-
17	*General governments*	**1,680,201**	**1,633,791**	**46,410**	**120,135**	-	**120,135**	**53**	**37**	**16**	-	-	-		**21,831**	-
18	*Credit institutions*	**2,094,329**	**2,043,117**	**23,876**	**9,815**	-	**9,815**	**1,410**	**1,219**	**191**	-	-	-		**3,784,162**	-
19	*Other financial corporations*	**15,183,189**	**13,345,687**	**25,585**	**5,741**	-	**5,741**	**534**	**438**	**96**	**239**	-	**239**		**12,256,769**	**1,348**
20	*Non-financial corporations*	**24,705,835**	**22,222,261**	**2,350,346**	**1,051,309**	-	**1,049,148**	**22,485**	**8,404**	**14,081**	**119,232**	-	**119,232**		**5,431,474**	**242,710**
21	*Households*	**2,704,132**	**2,517,875**	**182,743**	**37,854**	-	**37,153**	**3,582**	**1,509**	**2,073**	**5,083**	-	**5,083**		**489,083**	**8,583**
22	**Total**	**144,734,171**	**123,977,074**	**17,977,841**	**12,632,288**	-	**12,367,562**	**-624,034**	**-81,989**	**-542,011**	**-5,484,584**	-	**-5,298,463**	**-244,000**	**80,751,204**	**4,927,601**

Exposures relating to Loans and Advances and Debt Securities are represented exclusively by assets valued at amortised cost. The total does not include off-balance sheet exposures. The figures shown in the table do not include amounts relating to assets held for sale and debt securities and derivatives included in the item Financial assets held for trading.

Following the outbreak of the COVID-19 pandemic, which has triggered an ongoing economic crisis and caused global and national economic forecasts to undergo important changes, the Group has updated its risk assessment tools and related losses. The forecast macroeconomic scenarios relating to the 2020-2022 period led to a significant change in exposures classified as "significant risk" (stage 2 - IFRS9) as well as an increase in adjustments on the entire portfolio and, in particolar, on non-performing loans deriving from the changed macroeconomic scenario due to the spread of the COVID-19 pandemic.

Quality of non-performing exposures by geography (Template 5 – EBA GL 2018/10)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount			Of which: subject to impairment	Accumulated impairment	Provisions on off-balancesheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
			Of which: non-performing					
				Of which: defaulted				
1	**On-balance-sheet exposures**	**126,141,216**	11,416,443	11,416,443	**125,367,290**	-6,084,733		**-186,121**
2	*Abu dhabi*	*49,504*	*4*	*4*	*49,504*	*-141*		*0*
3	*Antigua and barbuda*	*321*	*0*	*0*	*321*	*-0*		*0*
4	*Albania*	*78*	*13*	*13*	*78*	*-9*		*0*
5	*Armenia*	*7,725*	*0*	*0*	*7,725*	*-0*		*0*
6	*Angola*	*0*	*0*	*0*	*0*	*-0*		*0*
7	*Argentina*	*4,882*	*132*	*132*	*4,882*	*-45*		*0*
8	*Austria*	*10,747*	*7*	*7*	*10,747*	*-13*		*0*
9	*Australia*	*6,412*	*8*	*8*	*6,412*	*-15*		*0*
10	*Azerbaijan*	*570*	*2*	*2*	*570*	*-2*		*0*
11	*Bosnia and herzegovina*	*389*	*0*	*0*	*389*	*-1*		*0*
12	*Barbados*	*0*	*0*	*0*	*0*	*0*		*0*
13	*Bangladesh*	*1,239*	*3*	*3*	*1,239*	*-4*		*0*
14	*Belgium*	*49,946*	*9,666*	*9,666*	*49,946*	*-1,994*		*0*
15	*Burkina faso*	*0*	*0*	*0*	*0*	*0*		*0*
16	*Bulgaria*	*656*	*5*	*5*	*656*	*-4*		*0*
17	*Bahrain*	*14*	*0*	*0*	*14*	*-0*		*0*
18	*Burundi*	*1*	*1*	*1*	*1*	*-0*		*0*
19	*Benin*	*557*	*0*	*0*	*557*	*-2*		*0*
20	*Bermuda*	*1,254*	*0*	*0*	*1,254*	*-3*		*0*
21	*Brunei darussalam*	*109*	*0*	*0*	*109*	*-0*		*0*
22	*Belize*	*0*	*0*	*0*	*0*	*0*		*0*
23	*Brazil*	*13,897*	*4*	*4*	*13,897*	*-57*		*0*
24	*Bahamas*	*0*	*0*	*0*	*0*	*-0*		*0*
25	*Botswana*	*0*	*0*	*0*	*0*	*-0*		*0*
26	*Belarus*	*17,486*	*0*	*0*	*17,486*	*-123*		*0*
27	*Canada*	*6,027*	*10*	*10*	*6,027*	*-19*		*0*
28	*Congo, democratic republic of*	*570*	*273*	*273*	*570*	*-82*		*0*
29	*Congo*	*1*	*0*	*0*	*1*	*-0*		*0*
30	*Switzerland*	*27,473*	*2,226*	*2,226*	*27,407*	*-688*		*0*
31	*Cote d'ivoire*	*1*	*1*	*1*	*1*	*-0*		*0*
32	*Chile*	*7,345*	*0*	*0*	*7,345*	*-59*		*0*
33	*Cameroon*	*36*	*36*	*36*	*36*	*-14*		*0*
34	*China*	*151,189*	*48*	*48*	*151,189*	*-917*		*0*
35	*Colombia*	*326*	*1*	*1*	*326*	*-2*		*0*
36	*Costa rica*	*685*	*0*	*0*	*685*	*-2*		*0*
37	*Cuba*	*25,790*	*12,181*	*12,181*	*25,790*	*-12,375*		*0*
38	*Cape verde*	*0*	*0*	*0*	*0*	*0*		*0*
39	*Curacao*	*0*	*0*	*0*	*0*	*0*		*0*
40	*Cyprus*	*289*	*30*	*30*	*289*	*-4*		*0*
41	*Czech republic*	*812*	*1*	*1*	*812*	*-2*		*0*
42	*Germany*	*416,100*	*1,690*	*1,690*	*416,100*	*-955*		*0*
43	*Djibouti*	*0*	*0*	*0*	*0*	*0*		*0*
44	*Denmark*	*1,318*	*5*	*5*	*1,318*	*-9*		*0*
45	*Dominican republic*	*4*	*0*	*0*	*4*	*-0*		*0*
46	*Algeria*	*12,963*	*2*	*2*	*12,963*	*-104*		*0*
47	*Ecuador*	*103*	*0*	*0*	*103*	*-0*		*0*
48	*Estonia*	*3*	*1*	*1*	*3*	*-1*		*0*
49	*Egypt*	*1,405*	*512*	*512*	*1,405*	*-326*		*0*
50	*Eritrea*	*1*	*1*	*1*	*1*	*-0*		*0*
51	*Spain*	*2,063,189*	*1,340*	*1,340*	*2,063,189*	*-1,317*		*0*
52	*Ethiopia*	*2*	*0*	*0*	*2*	*-0*		*0*
53	*Finland*	*193*	*0*	*0*	*193*	*-0*		*0*
54	*France*	*1,352,725*	*110,340*	*110,340*	*1,352,725*	*-56,628*		*0*
55	*Gabon*	*5*	*5*	*5*	*5*	*-4*		*0*
56	*United kingdom*	*3,205,322*	*11,306*	*11,306*	*3,205,322*	*-6,324*		*0*
57	*Georgia*	*1*	*0*	*0*	*1*	*-0*		*0*
58	*Guernsey, c.i.*	*0*	*0*	*0*	*0*	*0*		*0*
59	*Ghana*	*265*	*31*	*31*	*265*	*-21*		*0*

Quality of non-performing exposures by geography (Template 5 – EBA GL 2018/10)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount			Of which: subject to impairment	Accumulated impairment	Provisions on off-balancesheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
			Of which: non-performing					
				Of which: defaulted				
60	Gibraltar	0	0	0	0	-0		0
61	Gambia	0	0	0	0	-0		0
62	Guatemala	0	0	0	0	0		0
63	Greece	56	4	4	56	-3		0
64	Hong kong	13,745	1	1	13,745	-39		0
65	Kyrgyzstan	0	0	0	0	-0		0
66	Croatia	2,151	6	6	2,151	-19		0
67	Hungary	1,523	1	1	1,523	-8		0
68	Indonesia	3,450	520	520	3,450	-337		0
69	Ireland	29,223	126	126	29,223	-155		0
70	Israel	1,772	1	1	1,772	-1		0
71	Isle of man	0	0	0	0	-0		0
72	India	27,855	8	8	27,855	-88		0
73	Iraq	18,909	0	0	18,909	-0		0
74	Iran (islamic republic of)	41	4	4	41	-3		0
75	Iceland	567	0	0	567	-1		0
76	Italy	117,644,486	11,224,254	11,224,254	116,870,627	-5,971,122		-186,121
77	Jersey, c.i.	0	0	0	0	0		0
78	Jordan	37	4	4	37	-3		0
79	Japan	5,972	1	1	5,972	-7		0
80	Kenya	3,193	1	1	3,193	-8		0
81	Korea, republic of	1,982	3	3	1,982	-8		0
82	Kuwait	861	0	0	861	-6		0
83	Cayman islands	21,157	10,152	10,152	21,157	-9,242		0
84	Kazakhstan	7,642	1	1	7,642	-4		0
85	Lebanon	300	1	1	300	-0		0
86	Saint lucia	0	0	0	0	0		0
87	Liechtenstein	0	0	0	0	-0		0
88	Sri lanka	173	0	0	173	-0		0
89	Lithuania	413	1	1	413	-1		0
90	Luxembourg	186,650	5,819	5,819	186,650	-927		0
91	Latvia	296	0	0	296	-0		0
92	Libya	3	1	1	3	-1		0
93	Morocco	1,421	4	4	1,421	-7		0
94	Monaco	6,129	734	734	6,129	-131		0
95	Moldova, republic of	18	2	2	18	-1		0
96	Montenegro	95	0	0	95	-0		0
97	Madagascar	0	0	0	0	0		0
98	Marshall islands	0	0	0	0	0		0
99	Macedonia,the former yugoslav republ. of	1	1	1	1	-1		0
100	Myanmar	81	2	2	81	-2		0
101	Macao	125	0	0	125	-0		0
102	Mauritania	0	0	0	0	-0		0
103	Malta	755	1	1	755	-4		0
104	Mauritius	482	0	0	482	-21		0
105	Maldives	3,409	0	0	3,409	-9		0
106	Mexico	29,191	94	94	29,191	-107		0
107	Malaysia	1,981	3	3	1,981	-16		0
108	Mozambique	0	0	0	0	0		0
109	Nigeria	97	1	1	97	-1		0
110	Netherlands	102,486	580	580	102,486	-141		0
111	Norway	8,107	1	1	8,107	-7		0

Quality of non-performing exposures by geography (Template 5 – EBA GL 2018/10)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount						
			Of which: non-performing					
				Of which: defaulted	Of which: subject to impairment	Accumulated impairment	Provisions on off-balancesheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
112	Nepal	0	0	0	0	-0		0
113	New zealand	701	0	0	701	-1		0
114	Oman	329	0	0	329	-0		0
115	Panama	58	0	0	58	-0		0
116	Peru	795	1	1	795	-4		0
117	Philippines	7,395	1	1	7,395	-49		0
118	Pakistan	1,244	1	1	1,244	-1		0
119	Poland	1,787	3	3	1,787	-16		0
120	Puerto rico	0	0	0	0	-0		0
121	Palestinian territory, occupied	0	0	0	0	-0		0
122	Portugal	20,027	5	5	20,027	-8		0
123	Paraguay	537	0	0	537	-1		0
124	Qatar	15,351	1	1	15,351	-21		0
125	Reunion	329	0	0	329	-5		0
126	Romania	9,117	73	73	9,117	-51		0
127	Serbia	1,375	253	253	1,375	-34		0
128	Russian federation	35,088	142	142	35,088	-87		0
129	Rwanda	255	0	0	255	-0		0
130	Saudi Arabia	25,976	153	153	25,976	-238		0
131	Sudan	1	0	0	1	-0		0
132	Sweden	1,138	581	581	1,138	-110		0
133	Singapore	1,055	0	0	1,055	-5		0
134	Slovenia	3,711	29	29	3,711	-23		0
135	Slovakia	1,843	151	151	1,843	-42		0
136	San marino	2,180	152	152	2,180	-132		0
137	Yemen	2	2	2	2	-2		0
138	Suriname	31,485	0	0	31,485	-0		0
139	El salvador	0	0	0	0	-0		0
140	Syrian arab republic	0	0	0	0	-0		0
141	Chad	15	15	15	15	-1		0
142	Togo	1	1	1	1	-0		0
143	Thailand	1,174	0	0	1,174	-7		0
144	Turkmenistan	0	0	0	0	-0		0
145	Tunisia	1,861	13	13	1,861	-10		0
146	Turkey	35,414	1	1	35,414	-311		0
147	Taiwan	266	0	0	266	-1		0
148	Tanzania, united republic of	5,408	1	1	5,408	-16		0
149	Ukraine	17	12	12	17	-7		0
150	Uganda	95	0	0	95	-0		0
151	United states	255,433	10,526	10,526	255,433	-8,882		0
152	Uruguay	26	0	0	26	-0		0
153	Holy see (vatican city state)	3	0	0	3	-0		0
154	Venezuela	437	14	14	437	-8		0
155	Virgin islands, british	12,087	12,087	12,087	12,087	-9,914		0
156	Viet nam	1,829	0	0	1,829	-19		0
157	South africa	4,698	2	2	4,698	-27		0
158	Zambia	0	0	0	0	-0		0
159	Zimbabwe	0	0	0	0	-0		0
160	Other Countries	93,907	1	1	93,907	-5		0

Quality of non-performing exposures by geography (Template 5 – EBA GL 2018/10)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount						
			Of which: non-performing					
				Of which: defaulted	Of which: subject to impairment	Accumulated impairment	Provisions on off-balancesheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
161	**Off-balance-sheet exposures**	**45,758,769**	**1,224,853**	**1,224,853**			**152,618**	
162	*Abu dhabi*	*72,340*	*-*	*-*			*15*	
163	*Albania*	*1*	*0*	*0*			*0*	
164	*Armenia*	*2,635*	*-*	*-*			*-*	
165	*Argentina*	*2,127*	*0*	*0*			*0*	
166	*Austria*	*6,303*	*-*	*-*			*1*	
167	*Australia*	*18,214*	*0*	*0*			*0*	
168	*Bosnia and herzegovina*	*227*	*-*	*-*			*0*	
169	*Bangladesh*	*11,954*	*0*	*0*			*25*	
170	*Belgium*	*134,586*	*-*	*-*			*6*	
171	*Bulgaria*	*4,032*	*0*	*0*			*0*	
172	*Bahrain*	*5,273*	*-*	*-*			*3*	
173	*Benin*	*351*	*0*	*0*			*0*	
174	*Brazil*	*30,987*	*-*	*-*			*5*	
175	*Belarus*	*11,390*	*0*	*0*			*4*	
176	*Canada*	*31,025*	*-*	*-*			*1*	
177	*Switzerland*	*47,785*	*6*	*6*			*33*	
178	*Cote d'ivoire*	*101*	*-*	*-*			*0*	
179	*Chile*	*11,494*	*0*	*0*			*4*	
180	*Cameroon*	*1*	*-*	*-*			*-*	
181	*China*	*201,859*	*0*	*0*			*76*	
182	*Colombia*	*7,109*	*-*	*-*			*1*	
183	*Costa rica*	*9,000*	*0*	*0*			*3*	
184	*Cuba*	*16,829*	*3,172*	*3,172*			*235*	
185	*Cyprus*	*256*	*0*	*0*			*2*	
186	*Czech republic*	*4,022*	*-*	*-*			*0*	
187	*Germany*	*22,725*	*0*	*0*			*34*	
188	*Denmark*	*11,309*	*-*	*-*			*0*	
189	*Dominican republic*	*5*	*0*	*0*			*0*	
190	*Algeria*	*28,633*	*18*	*18*			*227*	
191	*Estonia*	*8,500*	*0*	*0*			*1*	
192	*Egypt*	*12,481*	*-*	*-*			*21*	
193	*Spain*	*22,491*	*0*	*0*			*5*	
194	*Ethiopia*	*500*	*-*	*-*			*0*	
195	*Finland*	*1*	*0*	*0*			*0*	
196	*France*	*173,166*	*6,270*	*6,270*			*4*	
197	*United kingdom*	*64,319*	*782*	*782*			*11*	
198	*Ghana*	*178*	*-*	*-*			*0*	
199	*Eritrea*	*17*	*0*	*0*			*0*	
200	*Greece*	*331*	*-*	*-*			*0*	
201	*Hong kong*	*26,285*	*0*	*0*			*1*	
202	*Croatia*	*7,615*	*-*	*-*			*2*	
203	*Hungary*	*4,046*	*0*	*0*			*0*	
204	*Indonesia*	*30,035*	*-*	*-*			*2*	
205	*Ireland*	*3,932*	*0*	*0*			*0*	
206	*Israel*	*18,926*	*-*	*-*			*1*	
207	*India*	*80,589*	*0*	*0*			*39*	
208	*Iraq*	*3,057*	*-*	*-*			*-*	
209	*Iran (islamic republic of)*	*10*	*0*	*0*			*0*	
210	*Iceland*	*102*	*-*	*-*			*0*	
211	*Italy*	*43,898,205*	*1,211,122*	*1,211,122*			*150,957*	
212	*Jordan*	*1,285*	*-*	*-*			*1*	

Quality of non-performing exposures by geography (Template 5 – EBA GL 2018/10)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount			Of which: subject to impairment	Accumulated impairment	Provisions on off-balancesheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
			Of which: non-performing					
				Of which: defaulted				
213	Japan	16,902	0	0			1	
214	Kenya	2,069	-	-			2	
215	Korea, republic of	24,560	0	0			6	
216	Kuwait	19,333	-	-			1	
217	Kazakhstan	2,807	0	0			0	
218	Lebanon	92	-	-			0	
219	Liechtenstein	21	0	0			0	
220	Sri lanka	1,846	-	-			0	
221	Lithuania	1,723	0	0			0	
222	Luxembourg	4,316	71	71			1	
223	Latvia	1,024	0	0			0	
224	Morocco	2,786	-	-			1	
225	Monaco	3,052	0	0			0	
226	Moldova, republic of	4	-	-			0	
227	Montenegro	588	0	0			1	
228	Macedonia,the former yugoslav republ. of	-	-	-			-	
229	Mongolia	66	0	0			0	
230	Macao	-	-	-			-	
231	Malta	1,529	292	292			179	
232	Mauritius	95	-	-			0	
233	Maldives	2,531	0	0			0	
234	Mexico	27,962	-	-			5	
235	Malaysia	16,509	0	0			1	
236	Nigeria	4,187	-	-			7	
237	Netherlands	114,283	0	0			4	
238	Norway	514	-	-			0	
239	New zealand	2,784	0	0			0	
240	Oman	11,235	-	-			3	
241	Panama	1,048	0	0			2	
242	Peru	11,090	-	-			1	
243	Philippines	6,857	0	0			0	
244	Pakistan	5,973	-	-			10	
245	Poland	10,183	0	0			0	
246	Palestinian territory, occupied	26	-	-			0	
247	Portugal	12,227	0	0			1	
248	Paraguay	2,828	-	-			0	
249	Qatar	24,626	0	0			22	
250	Romania	4,112	-	-			1	
251	Serbia	167	0	0			0	
252	Russian federation	37,752	3,120	3,120			10	
253	Saudi Arabia	43,990	0	0			15	
254	Sweden	9,029	1	1			1	
255	Singapore	6,920	0	0			0	
256	Slovenia	3,843	-	-			1	
257	Slovakia	50	0	0			0	
258	San marino	1,917	1	1			0	
259	Senegal	3	0	0			0	
260	Suriname	5,648	-	-			-	
261	Syrian arab republic	300	0	0			0	
262	Thailand	21,209	-	-			2	
263	Tunisia	10,049	0	0			26	
264	Turkey	89,508	-	-			564	

Quality of non-performing exposures by geography (Template 5 – EBA GL 2018/10)

		a	b	c	d	e	f	g
		Gross carrying/nominal amount			Of which: subject to impairment	Accumulated impairment	Provisions on off-balancesheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on nonperforming exposures
			Of which: non-performing					
				Of which: defaulted				
265	*Taiwan*	*16,405*	*0*	*0*			*0*	
266	*Tanzania, united republic of*	*1,471*	*-*	*-*			*11*	
267	*Ukraine*	*200*	*0*	*0*			*0*	
268	*United states*	*86,856*	*-*	*-*			*13*	
269	*Uruguay*	*1,098*	*0*	*0*			*1*	
270	*Venezuela*	*5*	*-*	*-*			*0*	
271	*Viet nam*	*9,657*	*0*	*0*			*2*	
272	*South africa*	*7,257*	*-*	*-*			*1*	
273	*Other Countries*	*15,000*	*0*	*0*			*0*	
	Total	**171,899,984**	**12,641,296**	**12,641,296**	**125,367,290**	**-6,084,733**	**152,618**	**-186,121**

Credit quality of loans and advances by industry (Template 6 – EBA GL 2018/10)

		a	b	c	d	e	f
		Gross carrying amount			Of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which: non-performing				
				Of which: defaulted			
1	Agriculture, forestry and fishing	1,478,735	306,934	306,934	1,475,174	-149,291	-
2	Mining and quarrying	100,281	34,405	34,405	100,115	-14,439	-32
3	Manufacturing	11,371,425	1,608,655	1,608,655	11,202,462	-932,398	-42,824
4	Electricity, gas, steam and air conditioning supply	1,371,317	156,158	156,158	1,356,489	-135,910	-
5	Water supply	772,798	90,780	90,780	772,798	-72,824	-
6	Construction	4,725,307	1,823,639	1,823,639	4,692,624	-1,106,702	-24,893
7	Wholesale and retail trade	6,953,146	919,612	919,612	6,939,043	-587,149	-3,359
8	Transport and storage	1,552,868	366,211	366,211	1,552,868	-176,876	-
9	Accommodation and food service activities	2,045,218	423,254	423,254	2,034,073	-218,963	-9,876
10	Information and communication	812,126	81,472	81,472	812,126	-55,709	-
11	Financial and insurance activities	295,879	60,074	60,074	295,879	-55,323	-
12	Real estate activities	5,238,320	1,371,685	1,371,685	5,189,721	-730,422	-36,685
13	Professional, scientific and technical activities	1,312,790	235,269	235,269	1,304,212	-138,557	-6,635
14	Administrative and support service activities	1,098,019	226,786	226,786	1,098,019	-152,651	-
15	Public administration and defence, compulsory social security	10,009	2,269	2,269	10,009	-992	-
16	Education	35,266	3,482	3,482	35,266	-2,146	-
17	Human health services and social work activities	483,588	39,719	39,719	483,588	-26,536	-
18	Arts, entertainment and recreation	286,162	75,453	75,453	283,918	-46,257	-
19	Other services	795,857	100,325	100,325	795,857	-55,426	-
20	**Total**	**40,739,110**	**7,926,184**	**7,926,184**	**40,434,239**	**-4,658,570**	**-124,304**

As of 30 June 2020, "Manufacturing activities" posted an increase of €738m on non-performing loans. In the second quarter of 2020, the volumes of growth are mainly linked to the measures implemented by the Italian government to support companies' liquidity.

Changes in the stock of non-performing loans and advances Guidelines NPL (Template 8 – EBA GL 2018/10)

		a	b
		Gross carrying amount	Related net accumulated recoveries
1	**Initial stock**	**11,362,063**	
2	Inflows to non-performing portfolios	1,091,412	
3	Outflows from non-performing portfolios	-1,079,325	
4	Outflow to performing portfolio	-124,385	
5	Outflow due to loan repayment, partial or total	-310,444	
6	Outflow due to collateral liquidation	-71,465	56,072
7	Outflow due to taking possession of collateral	-	-
8	Outflow due to sale of instruments	-257,343	107,412
9	Outflow due to risk transfer	-	-
10	Outflow due to write-off	-123,526	
11	Outflow due to other situations	-44,890	
12	Outflow due to reclassification as held for sale	-147,273	
13	**Final stock**	**11,374,150**	

The figures shown in the table are represented only by assets valued at amortised cost the figures shown in the table do not include amounts relating to assets held for sale and to assets that must necessarily be valued at fair value.

Foreclosed assets (Template 9 – EBA GL 2018/10)

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	750	-
2	Other than PP&E	702,720	-447,167
3	*Residential immovable property*	*62*	*-32*
4	*Commercial Immovable property*	*41,858*	*-16,976*
5	*Movable property (auto, shipping, etc.)*	*-*	*-*
6	*Equity and debt instruments*	*660,799*	*-430,159*
7	*Other*	*-*	*-*
8	**Total**	**703,470**	**-447,167**

The reason behind the differences relating to foreclosures and repossessions probably lies in the 'operational block' of such activities, due to the longer periods of closure of offices and courts.

On 2 June 2020, the EBA published its Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07). These guidelines require that information be provided on:

1) Loans and advances subject to moratoria on loan repayments applied in the light of the COVID-19 crisis, in accordance with EBA/GL/2020/02;
2) Loans and advances subject to forbereance measures applied in the light of COVID-19 crisis;
3) Newly originated loans and advances subject to public guarantee schemes introduced in response to COVID-19 crisis.

This document has been taken into account in the preparation of the following tables.

Information on loans and advances subject to legislative and non-legislative moratoria (Template 1 – EBA GL 2010/07)

		Gross carrying amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				In bonis			Deteriorate		
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	**Loans and advances subject to moratorium**	**12,337,103**	**624,190**	**4,504,861**	**53,980**	**8,320**	**49,100**	**-199,418**	**-188,695**			**-10,722**			-
2	of which: Households	5,369,414	194,367	1,041,711	30,870	5,225	28,027	-39,945	-35,738	-8,957	-31,199	-4,208	-994	-3,886	-
3	*of which: Collateralised by residential immovable property*	*4,844,940*	*148,047*	*869,185*	*26,018*	*4,523*	*23,673*	*-30,102*	*-27,104*	*-5,273*	*-23,798*	*-2,998*	*-658*	*-2,732*	-
4	of which: Non-financial corporations	6,967,689	429,823	3,463,150	23,109	3,095	21,073	-159,472	-152,958	-48,076	-139,351	-6,514	-1,033	-5,738	-
5	*of which: Small and Medium-sized Enterprises*	*5,640,579*	*342,931*	*2,871,498*	*18,894*	*2,486*	*17,171*	*-126,769*	*-121,465*	*-35,357*	*-110,632*	*-5,304*	*-823*	*-4,628*	-
6	*of which: Collateralised by commercial immovable property*	*3,082,774*	*265,978*	*1,685,024*	*9,044*	*1,471*	*8,952*	*-65,286*	*-63,880*	*-21,345*	*-60,519*	*-1,406*	*-231*	*-1,390*	-

Measures applied mainly consist of rescheduling of payments related to payment suspension.

Households accounts for 30% of the moratoria, while Non-financial corporations and Institutions accounts for 66% and 4%, respectively. With regard to Non-financial corporations, the following industry sectors were the most affected by moratoria: real estate activities and construction (31% of the total), manufacturing (22%), wholesale and retail sale (14%) and accommodation and food service activities (13%).

Economic losses are calculated according to the Delta Net Present Value apporach. This approach implies a substantial actuarial neutrality, as envisaged in the "Cura Italia" decree.

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Template 2 – EBA GL 2010/07)

			Gross carrying amount						
					Residual maturity of moratoria				
	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1 **Loans and advances for which moratorium was offered**	**98,221**	**12,782,973**							
2 **Loans and advances subject to moratorium (granted)**	**96,602**	**12,391,083**							
3 of which: Households		5,400,285			4,826	2,839,982	2,022,738	525,456	7,284
4 *of which: Collateralised by residential immovable property*		*4,870,958*	*2,611,800*	-	*1,073*	*2,367,102*	*1,981,411*	*514,565*	*6,808*
5 of which: Non-financial corporations		6,990,798	6,601,317	-	71,152	6,715,809	109,600	40,912	53,324
6 *of which: Small and Medium-sized Enterprises*		*5,659,472*	*5,491,099*	-	*44,888*	*5,552,411*	*30,250*	*24,548*	*7,375*
7 *of which: Collateralised by commercial immovable property*		*3,091,818*	*2,973,102*	-	*36,519*	*3,010,812*	*27,407*	*15,005*	*2,074*

In March 2020, legislative measures were implemented to support business and households which faced liquidity shortages following the outbreak of the COVID-19 pandemic by payment suspension.

The "Cura Italia" decree (Law Decree n. 18/2020), converted into Law n. 27/2020 of 29 April 2020, includes suspension of payments until September 30, 2020.

In addition, the Group has undertaken a series of System-level initiatives (in particular by the ABI) which provide for the suspention (up to 12 months following the Bank's initiatives) of the capital portion of loan repayment instalments.

In limited cases, due to particular difficulties in timely payment of their financial and other commitments, moratoria with a maturity of more than 12 months was granted. For this reason, at the reference date, most of the loans subject to suspension measures (77% of the total, 98% for SMEs) will resume the payment of the instalments within 6 months (94% of the total within 9 months).

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3 – EBA GL 2010/07)

		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	**1,225,821**	**-**	**820,267,49**	**-**
2	of which: Households	321,808			-
3	*of which: Collateralised by residential immovable property*	-			-
4	of which: Non-financial corporations	904,013	-	820,267,49	-
5	*of which: Small and Medium-sized Enterprises*	*622,445*			-
6	*of which: Collateralised by commercial immovable property*	*1,248*			-

In March 2020, legislative measures were implemented to facilitate new liquidity to support companies temporarily in difficulty due to the ongoing pandemic by issuing public guarantees (SACE, Fund for SMEs, ISMEA) that applied to loans disbursed to Banks starting from March 2020.

On 7 June 2020, Law no. 40/2020, converting Law Decree no. 23/2020 ("Liquidity Decree"), was published in the Official Gazette no. 143 and provides for debt consolidation initiatives that are not classified as forbereance measures.

Public guarantees schemes are not applied to non-performing loans originated prior the start of the financial crisis triggered by the COVID-19 pandemic.

As of 30 June 2020, disbursement of State-guaranteed loans involved new lending.

Credit Risk: use of risk mitigation techniques

With reference to the retail and corporate loan portfolio, the Montepaschi Group does not apply any netting processes to the credit risk exposures with on- or off-balance sheet items with opposite sign. The Montepaschi Group adopts policies reducing counterparty risk with institutional counterparties, by entering into netting agreements according to the international ISDA and ISMA standards and related collateral agreements in relation to derivatives.

Management of collateral

The Montepaschi Group has fulfilled the obligations set out by EU Regulations (CRR 575/2013) for the purpose of recognition of risk mitigation effects produced by any existing collaterals securing the loan.

Quantitative information

The values shown below refer to the exposures of the banking group considered for credit risk purposes, Standard approach and IRB approach, secured by financial collaterals, personal guarantees and credit derivatives. The exposures taken into consideration are determined according to prudential supervisory regulations, net of any netting agreements. Therefore, the values do not include all types of guarantees; for example, exposures guaranteed by real estate to which preferential risk weights are assigned by regulatory provisions and which are, therefore, directly reported in the same class, as shown in table “Standard approach: Distribution in classes of creditworthiness “EAD post CRM” and table “AIRB Approach: Summary of Exposures, RWAs, expected and actual losses”. Collateral on transactions secured by real estate are for marginal additional collateral received on these types of transactions. The Montepaschi Group does not have credit exposures hedged with credit derivatives, which are valid for the purpose of risk mitigation techniques. It follows, therefore, that the values reported under Personal Guarantees and credit derivatives refer to collateral received in the form of personal guarantees.

Credit risk mitigation techniques (Standard approach)

Regulatory Portfolio (Standard Approach)	Jun-20			Dec-19		
	Financial Collaterals	Guarantees and Credit Derivatives	Other Guarantees	Financial Collaterals	Guarantees and Credit Derivatives	Other Guarantees
Exposures to central governments or central banks	-	-	-	-	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	14,897	36,890	-	14,844	41,650	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-
Exposures to institutions	47,823,386	-	-	28,590,518	-	-
Exposures to corporates	600,889	252,605	-	657,117	185,910	-
Retail exposures	22,523	65,870	-	36,043	55,202	-
Exposures secured by mortgages on immovable property	1,015	6,142	-	20	44,914	-
Exposures in default	2,857	3,810	-	5,751	3,619	-
Exposures associated with high risk	588	39	-	2,258	40	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures to collective investments undertakings	146,055	-	-	140,916	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-
Securitization positions *	-	-2,067,331	-	-	-	-
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	-	-	-	-	-	-
Total standard approach	**48,612,210**	**-1,701,975**	-	**29,447,468**	**331,335**	-

**Regarding securitization positions, the entire amount without making distinction between methods is considered.*

The column Financial Guarantees in the table above is a supplement to the Post CRM exposure reported in table "Standard approach: Ante and Post CRM Exposure Value" (values of exposures pre and post CRM), which shows the portion of exposure outstanding not covered by these collaterals. Please note that, pursuant to regulations, if the line-by-line method is applied, the collateral reduces risk exposure, whereas personal guarantees (simplified approach) transfer the related risk to the regulatory portfolio of the guarantor; thus the representation of personal guarantees in the table above is broken down by collateralized exposure, whereas the same exposure, in line with the substitution principle, is shown in reference to the guarantor in table "Standard approach: Distribution in classes of creditworthiness (EAD post CRM)".

Credit risk mitigation techniques (IRB approach)

Regulatory Portfolio (IRB approach)	Jun-20 Financial Collaterals	Jun-20 Guarantees and Credit Derivatives	Jun-20 Other Guarantees	Dec-19 Financial Collaterals	Dec-19 Guarantees and Credit Derivatives	Dec-19 Other Guarantees
Exposures to or secured by corporates:	507,845	2,775,981	-	589,469	2,331,631	-
- SMEs	117,813	1,742,610	-	109,360	1,454,148	-
- Other companies	390,032	1,033,371	-	480,109	877,483	-
- Specialized Lending	-	-	-	-	-	-
Retail exposures:	206,498	1,909,020	-	240,654	3,070,887	-
- secured by real estate: SMEs	3,780	88,840	-	3,443	79,042	-
- secured by real estate: Individuals	3,785	1,407,923	-	3,593	1,235,727	-
- Qualifying revolving	-	-	-	-	-	-
- Other retail exposures: SMEs	128,057	2,450,321	-	145,820	1,728,817	-
- Other retail exposures: Individuals	70,876	29,267	-	87,798	27,301	-
Securitization positions *	-	-2,067,331	-	-	-	-
Total IRB approach	**714,343**	**2,617,670**	**-**	**830,123**	**5,402,518**	**-**

**Regarding securitization positions, the entire amount without making distinction between methods is considered.*

The values reported in the table above are referred to all of the AIRB-scope exposures to businesses and consumers, backed by collaterals or personal guarantees. Exposures to Businesses or Consumers backed by mortgage collateral on real estate, for which the Group adopts the AIRB approach, are not included in this table, as they have already been shown in the tables under the Section dedicated to the use of the AIRB method.

The following table provides the extent of the use of CRM techniques; it shows all collateral, financial guarantees and credit derivatives used as credit risk mitigants for all secured exposures, irrespective of whether the standard approach or the IRB approach is used for RWA calculation.

EU CR3 – CRM Techniques – Overview

		a	b	c	d	e
		Unsecured exposures – Accounting value	Secured exposures – Accounting value	Exposures secured by real guarantees	Exposures secured by personal guarantees	Exposures guaranteed by credit derivatives
3	**Total loans**	**156,286,455**	**50,242,248**	**49,326,553**	**915,695**	
4	*Total debt securities*	*10,904,245*	*792,416*	*54,705*	*737,711*	
5	**Total as at 30/06/2020**	**143,162,020**	**36,011,444**	**30,277,590**	**5,733,854**	
6	*Of which defaulted*	*10,981,462*	*-2,725*	*37,080*	*-39,805*	

The following table shows the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR, including the financial collateral simple method and the financial collateral comprehensive method in the application of Article 222 and Article 223 of the same regulation on standard approach capital requirements' calculations.

EU CR4 – Standard approach – Credit Risk Exposure and CRM effects

		a	b	c	d	e	f
	Exposures class	Exposures before CCF and CRM		Exposures before CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	29,787,129	94,494	35,997,412	71,434	1,396,714	3.87%
2	Regional governments or local authorities	1,346,745	1,416,198	1,375,117	161,972	306,851	19.96%
3	Public sector entities	477,662	247,580	446,616	45,438	376,735	76.56%
4	Multilateral development banks	73,586	15,000	73,586	-	-	0.00%
5	International organisations	-	-	-	-	-	0.00%
6	Institutions	5,667,268	15,180,902	5,767,119	522,920	1,179,209	18.75%
7	Corporates	3,293,738	2,360,697	3,088,863	601,503	3,456,909	93.67%
8	Retail	687,317	940,197	611,710	47,825	461,653	70.00%
9	Secured by mortgages on immovable property	1,198,002	14,164	1,190,846	3,507	452,340	37.87%
10	Exposures in default	361,824	198,293	355,542	8,474	403,919	110.96%
11	Higher-risk categories	257,830	22,912	257,203	10,695	401,848	150.00%
12	Covered bonds	713,091	-	713,091	-	86,158	12.08%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14	collective investments undertakings	104,119	5,695	103,743	400	104,143	100.00%
15	Equity	1,029,687	276	1,029,687	276	2,032,502	197.34%
16	Other items	6,290,648	-	6,302,826	978	4,916,035	77.99%
17	**Total as at 30/06/2020**	**51,288,645**	**20,496,406**	**57,313,358**	**1,475,423**	**15,575,016**	**26.49%**
17	**Total as exposure**	**71,785,050**		**58,788,782**			
17	**Total as at 31/12/2019**	**46,621,928**	**12,000,266**	**51,584,799**	**1,233,011**	**15,668,836**	**29.67%**
17	**Total as exposure**	**58,622,194**		**52,817,810**			

Counterparty Risk

Quantitative information

The following table provide a comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method.

EU CCR1 – Analysis of CCR exposure by approach

		a Notional	b Replacement cost/current market value	c Potential futurecredit exposure	d EEPE	e Multiplier	f EAD post CRM	g RWAs
1	Market value method	x	1,938,673	1,435,134	x	x	2,031,917	755,370
9	Financial collateral comprehensive method (for SFTs)	x	x	x	x	x	2,410,019	642,812
11	**Total**	**x**	**1,938,673**	**1,435,134**	**x**	**x**	**4,441,936**	**1,398,182**

The following table provide CVA regulatory calculations (with a breakdown by standard and advanced approaches).

EU CCR2 – CVA capital charge

	Exposure value	RWAs
Total portfolios subject to the advanced method	-	-
(i) VaR component (including the 3× multiplier)		-
(ii) SVaR component (including the 3× multiplier)		-
All portfolios subject to the standardised method	**609,100**	**430,543**
Based on the original exposure method	-	-
Total subject to the CVA capital charge	**609,100**	**430,543**

The following table provide a breakdown of CCR exposures by portfolio (type of counterparties) and by risk weight (riskiness attributed according to the standard approach).

EU CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk

	Exposures classes	Classes of credit worthiness (Weighting Factors)												Total	Without rating
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	Others		
1	Central governments or central banks	454	-	-	-	-	-	-	-	-	2,553	-	-	**3,007**	-
2	Regional governments or local authorities	-	-	-	-	12,599	-	-	-	-	-	-	-	**12,599**	-
3	Public sector entities	-	-	-	-	2	-	-	-	-	6,260	-	-	**6,262**	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
6	Institutions	-	1,509,277	289,104	-	218,681	-	1,396,218	-	-	13,086	-	-	**3,426,366**	-
7	Corporates	-	-	-	-	-	-	0	-	-	247,910	-	-	**247,910**	-
8	Retail	-	-	-	-	-	-	-	-	127	-	-	-	**127**	-
9	Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	22	3,857	-	**3,879**	-
11	Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
14	Collective investment undertakings	-	-	-	-	-	-	-	-	-	59,491	-	-	**59,491**	-
15	Equity	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
16	Other items	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-
17	**Total as at 30/06/2020**	**454**	**1,509,277**	**289,104**	**-**	**231,283**	**-**	**1,396,218**	**-**	**127**	**329,323**	**3,857**	**-**	**3,759,642**	**-**
18	**Total as at 31/12/2019**	**833**	**737,150**	**314,177**	**-**	**799,503**	**-**	**1,143,392**	**-**	**-**	**306,410**	**5**	**-**	**3,301,469**	**-**

Template EU CCR4 (EBA/GL/2016/11) provides information on CCR exposures subject to AIRB approach broken down by portfolio and PD scale.

EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale: Total

	a	b	c	d	e	f	g
Rating Class	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01							
Class 02	1,198	0.03%	11	48.04%	4,21	296	24.74%
Class 03	524	0.05%	26	47.31%	2,52	81	15.40%
Class 04	1,915	0.09%	58	46.15%	2,06	396	20.66%
Class 05	5,300	0.13%	73	47.30%	2,35	1,800	33.96%
Class 06	9,085	0.20%	118	46.43%	3,31	4,513	49.68%
Class 07	17,452	0.30%	221	47.62%	3,27	10,723	61.44%
Class 08	271,652	0.46%	183	7.68%	4,71	35,906	13.22%
Class 09	42,854	0.69%	206	20.11%	1,57	14,741	34.40%
Class 10	45,160	1.05%	284	47.23%	2,70	43,917	97.25%
Class 11	35,131	1.59%	282	47.42%	3,99	38,875	110.66%
Class 12	12,853	2.42%	201	47.29%	3,05	14,590	113.52%
Class 13	40,660	3.99%	150	23.97%	1,66	25,781	63.41%
Class 14	78,740	6.31%	74	4.42%	0,38	9,861	12.52%
Class 15	1,742	9.95%	31	46.35%	2,73	2,471	141.87%
Class 16	209	16.03%	15	43.84%	2,97	233	111.48%
Class 17	85	22.12%	7	47.57%	1,92	151	178.65%
Class 18	210	31.63%	6	45.67%	4,98	318	151.28%
Class 19	703	45.00%	8	44.30%	1,82	1,462	208.04%
Class 20	34,683	100.00%	130	55.03%	1,08	1,488	4.29%
Total as at 30/06/2020	**600,155**	**1.80%**	**2.084**	**18.54%**	**3,17**	**207,602**	

The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale: Exposures to or secured by corporates - SMEs

	a	b	c	d	e	f	g
Rating Class	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01							
Class 02	90	0.03%	4	47.92%	1,00	5	6.03%
Class 03	328	0.05%	12	47.54%	3,04	55	16.80%
Class 04	1,279	0.09%	30	45.82%	1,89	222	17.35%
Class 05	1,385	0.13%	39	46.31%	1,71	290	20.92%
Class 06	2,816	0.20%	45	45.44%	3,88	1,151	40.87%
Class 07	3,764	0.30%	88	47.08%	3,87	1,933	51.36%
Class 08	3,102	0.46%	66	47.04%	3,08	1,709	55.09%
Class 09	6,146	0.69%	101	47.02%	4,14	4,481	72.91%
Class 10	7,776	1.05%	99	46.21%	4,24	6,345	81.60%
Class 11	24,141	1.59%	112	47.44%	4,46	26,368	109.23%
Class 12	5,065	2.42%	69	46.72%	3,66	4,972	98.15%
Class 13	9,445	3.99%	56	47.71%	4,67	10,714	113.44%
Class 14	2,488	6.31%	25	45.44%	4,01	2,991	120.23%
Class 15	1,079	9.95%	15	46.87%	3,38	1,511	140.00%
Class 16	113	16.03%	6	44.30%	2,97	164	144.63%
Class 17	62	22.12%	2	47.81%	1,50	111	178.30%
Class 18	107	31.63%	2	45.94%	4,98	220	205.53%
Class 19	61	45.00%	2	45.33%	4,56	106	171.84%
Class 20	15,636	100.00%	41	52.58%	1,13	1,061	6.79%
Total as at 30/06/2020	**84,885**	**2.02%**	**814**	**46.99%**	**3,56**	**64,410**	

The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale: Exposures to or secured by corporates - Other companies

	a	b	c	d	e	f	g
Rating Class	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01							
Class 02	1,089	0.03%	3	48.13%	4,48	290	26.63%
Class 03	154	0.05%	7	46.96%	1,42	23	15.03%
Class 04	536	0.09%	11	47.19%	2,45	165	30.85%
Class 05	3,751	0.13%	21	47.68%	2,59	1,490	39.71%
Class 06	6,110	0.20%	37	46.91%	3,06	3,335	54.59%
Class 07	12,714	0.30%	64	47.84%	3,10	8,581	67.50%
Class 08	267,794	0.46%	55	7.12%	4,74	33,979	12.69%
Class 09	35,552	0.69%	42	14.81%	1,09	9,903	27.85%
Class 10	35,586	1.05%	64	47.50%	2,37	36,798	103.40%
Class 11	9,417	1.59%	41	47.68%	2,81	11,769	124.98%
Class 12	6,456	2.42%	20	48.04%	2,57	8,907	137.97%
Class 13	30,163	3.99%	24	15.76%	0,66	14,467	47.96%
Class 14	74,926	6.31%	6	2.38%	0,22	6,131	8.18%
Class 15	440	9.95%	2	44.80%	1,44	814	185.05%
Class 16	-	16.03%	-	0.00%	-	-	0.00%
Class 17	10	22.12%	1	45.39%	4,51	28	280.55%
Class 18	-	31.63%	-	0.00%	-	-	0.00%
Class 19	533	45.00%	1	44.74%	1,50	1,260	236.22%
Class 20	3,223	100.00%	16	57.64%	1,05	260	8.07%
Total as at 30/06/2020	**488,454**	**1.74%**	**415**	**13.89%**	**3,17**	**138,202**	

The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale: Exposures to or secured by corporates - Other retail exposures - SMEs

	a	b	c	d	e	f	g
Rating Class	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01							
Class 02	18	0.03%	4	43.40%	2,96	1	4.41%
Class 03	42	0.05%	7	46.79%	2,45	2	5.85%
Class 04	100	0.09%	17	44.78%	2,42	8	8.41%
Class 05	164	0.13%	13	47.05%	4,18	20	12.46%
Class 06	159	0.20%	36	45.55%	2,00	27	16.90%
Class 07	974	0.30%	69	46.76%	2,70	208	21.37%
Class 08	756	0.46%	62	46.29%	4,05	218	28.77%
Class 09	845	0.69%	62	45.22%	4,12	285	33.66%
Class 10	1,797	1.05%	121	46.21%	4,27	773	43.03%
Class 11	1,573	1.59%	129	45.54%	4,24	737	46.84%
Class 12	1,332	2.42%	112	45.82%	4,52	712	53.43%
Class 13	1,052	3.99%	70	46.20%	3,18	599	56.93%
Class 14	1,045	6.31%	42	47.24%	1,57	622	59.53%
Class 15	222	9.95%	14	46.93%	2,09	145	65.47%
Class 16	96	16.03%	9	43.30%	4,21	70	72.41%
Class 17	12	22.12%	4	48.09%	4,29	12	97.90%
Class 18	103	31.63%	4	45.39%	4,94	98	95.06%
Class 19	108	45.00%	5	41.55%	4,67	97	89.53%
Class 20	15,824	100.00%	73	56.92%	0,07	167	1.05%
Total as at 30/06/2020	**26,224**	**3.06%**	**853**	**46.06%**	**1,49**	**4,801**	

The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale: Exposures to or secured by corporates - Other retail exposures - Individuals

	a	b	c	d	e	f	g
Rating Class	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity	RWEA	Density of risk weighted exposure amount
Class 01							
Class 02	-	0.03%	-	0.00%	-	-	0.00%
Class 03	-	0.05%	-	0.00%	-	-	0.00%
Class 04	-	0.09%	-	0.00%	-	-	0.00%
Class 05	-	0.13%	-	0.00%	-	-	0.00%
Class 06	-	0.20%	-	0.00%	-	-	0.00%
Class 07	-	0.30%	-	0.00%	-	-	0.00%
Class 08	-	0.46%	-	0.00%	-	-	0.00%
Class 09	310	0.69%	1	25.77%	1,00	72	23.35%
Class 10	-	1.05%	-	0.00%	-	-	0.00%
Class 11	-	1.59%	-	0.00%	-	-	0.00%
Class 12	-	2.42%	-	0.00%	-	-	0.00%
Class 13	-	3.99%	-	0.00%	-	-	0.00%
Class 14	281	6.31%	1	25.77%	1,00	116	41.39%
Class 15	-	9.95%	-	0.00%	-	-	0.00%
Class 16	-	16.03%	-	0.00%	-	-	0.00%
Class 17	-	22.12%	-	0.00%	-	-	0.00%
Class 18	-	31.63%	-	0.00%	-	-	0.00%
Class 19	-	45.00%	-	0.00%	-	-	0.00%
Class 20	-	100.00%	-	0.00%	-	-	0.00%
Total as at 30/06/2020	**591**	**3.36%**	**2**	**25.77%**	**1,00**	**189**	

The weighted average PD (%) and weighted average LDG (%) under Total does not include class 20.

Table EU CCR5-A shows the gross positive fair of the contracts, the advantages resulting from the netting agreements, the netted fair value and the net credit exposure of the Group to counterparty risk for derivative instruments. All the financial and credit derivatives traded over the counter (OTC) with any counterparty (institutional, corporate, retail counterparties etc.) are included in the table irrespective of the regulatory (trading and banking) portfolio they belong to. In particular, the "gross positive fair value" corresponds to the book value of the above-mentioned contracts and is therefore inclusive of the netting agreements. The Nettings represent the gross positive fair value amount, which as a result of the agreements executed with the counterparties, is offset with negative value transactions. The net "netted fair value" indicates the positive fair value amount remaining after the nettings.

EU CCR5-A – Impact of netting and collateral held on exposure values

		a Gross positive fair value or net carrying amount	b Netting benefits	c Netted current credit exposure	d Collateral held	e Net credit exposure
1	Derivatives	6,743,408	-3,862,766	2,880,641	2,752,766	127,875
4	**Total as at 30/06/2020**	**6,743,408**	**-3,862,766**	**2,880,641**	**2,752,766**	**127,875**

The figures shown in the table are represented only by derivatives with netting agreements.

The following table provide a breakdown of all types of collateral (cash, sovereign debt, corporate bonds, etc.) used by banks to support or reduce CCR exposures related to derivative transactions or to SFTs.

EU CCR5-B – Composition of collateral for exposures to CCR

	Jun-2020		Dec-2019	
	Real collateral on SFT	Real collaterals on derivatives	Real collateral on SFT	Real collaterals on derivatives
Standardised Approach				
Integral Method	1,341,890	35,336,812	1,716,071	23,949,931
Simplified method	-	-	-	-
Standard total	**1,341,890**	**35,336,812**	**1,716,071**	**23,949,931**
AIRB Approach				
Substitution principle	-	-	-	-
AIRB Total	-	-	-	-
Total	**1,341,890**	**35,336,812**	**1,716,071**	**23,949,931**

Table EU CCR6 shows the notional values of credit derivative contracts, by portfolio (banking and trading book) and the role played by the Montepaschi Group (buyer/ seller of protection).

It should be noted that as at the date of this document, the Group did not have any transactions in credit derivatives hedging loan book exposures.

EU CCR6 - Credit derivatives exposures

	a	b	c
	Credit derivative hedges		Other Credit derivatives
Notionals	Protection bought	Protection sold	
Total rate of return swaps	-	-	3,866,003
Total rate of return swaps	-	-	
Total notionals	**-**	**-**	**3,866,003**
Fair value			
Positive Fair value positivo	-	-	***8,680***
Negative Fair value	-	-	***151,435***

The following table provide a comprehensive picture of the institution's exposures to CCPs: in particular, the template includes all types of exposures (due to operations, margins, and contributions to default funds) and related capital requirements.

EU CCR8 – Exposures to CCPs

		Jun-2020	
		a EAD post CRM	b RWAs
1	**Exposures to QCCPs (total)**	x	**41,750**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,798,381	41,750
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	935,488	18,710
6	(iv) Netting sets where cross-product netting has been approved	862,892	23,040
7	Segregated initial margin	549,927	x
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Alternative calculation of own funds requirements for exposures	x	-
11	**Exposures to non-QCCPs (total)**	x	
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		x
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

Market Risk

The Group's Regulatory Trading Portfolio (RTP), or Trading Book, is made up of all the Regulatory Trading Books managed by the Parent Bank (BMPS) and MPS Capital Services (MPSCS). The Trading Portfolios of the other subsidiaries are immune to market risk. Trading in derivatives, which are brokered on behalf of customers, calls for risk to be centralised at, and managed by, MPSC.

The market risks in the trading book of both the Parent Company and the other Group entities (which are relevant as independent market risk taking centres), are monitored in terms of Value-at-Risk (VaR) for operational purposes. The Group's Finance and Liquidity Committee is responsible for directing and coordinating the overall process of managing the Group's proprietary finance thereby ensuring that the management strategies of the various business units are consistent.

The Group's Trading Book is subject to daily monitoring and reporting by Financial Risk Officer Area of the Parent Company on the basis of proprietary systems. VaR for management purposes is calculated separately from the operating units, using the internal risk measurement model implemented by the Risk Management function in keeping with international best practices. However, the Group uses the standardised methodology in the area of market risks solely for reporting purposes.

Operating limits for trading activities, defined and approved by the Parent Company in accordance with the Risk Appetite Framework, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios, monthly and annual stop losses and Stress. Furthermore, the trading book's credit risk, in addition to being included in VaR computations and in the respective limits for the credit spread risk component, is also subject to specific operating limits for issuer and bond concentration risk which specify maximum notional amounts by type of guarantor and rating class.

The management reporting flow on market risks is periodically transmitted to the Management Risk Committee, the Group's Top Management and the Board of Directors of the Parent Company in a Risk Management Report, which keeps Executive Management and governing bodies up to date on the overall risk profile of the Group.

The macro-categories of risk factors covered by the Internal Market Risk Model are IR, EQ, CO, FX and CS as described below:

- IR: interest rates on all relevant curves, inflation curves and related volatilities;
- EQ: share prices, indexes and relative volatilities;
- CO: commodity prices and indexes;
- FX: exchange rates and related volatilities;
- CS: credit spread levels.

VaR (or diversified or net VaR) is calculated and broken down daily for internal management purposes, even with respect to other dimensions of analysis:

- organisational/management analysis of portfolios,
- analysis by financial instrument,
- analysis by risk family.

It is then possible to assess VaR along each combination of these dimensions in order to facilitate highly detailed analyses of events characterising the portfolios.

In particular, with reference to risk factors the following are identified: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Commodity VaR (CO VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these items gives the so-called Gross VaR (or non-diversified VaR), which, when compared with diversified VaR, makes it possible to quantify the benefit of diversifying risk factors resulting from holding portfolios on asset class and risk factor allocations which are not perfectly correlated. This information can also be analysed along all the dimensions referenced above.

The model enables the production of diversified VaR metrics for the entire Group in order to get an integrated overview of all the effects of diversification that can be generated among the banks of the Group on account of the specific joint positioning of the various business units.

Moreover, scenario and stress-test analyses are regularly conducted on various risk factors with different degrees of granularity across the entire tree structure of the Group's portfolios and for all categories of instruments analysed.

Stress tests are used to assess the bank's capacity to absorb large potential losses in extreme market situations, so as to identify the measures necessary to reduce the risk profile and preserve assets.

Stress tests are developed on the basis of discretionary and trend-based scenarios.

It should be noted that the VaR methodology described above is, for operational purposes, also applied to the portion of the Banking Book consisting of financial instruments that are similar to trading instruments (e.g. Equity instruments/Bonds held in portfolios, measured at fair value, classified as FVTPL and FVOCI, and in AC portfolios). The Group has implemented a backtesting procedure compliant with current regulations governing Market Risk as part of its own risk management system.

Backtesting refers to a series of tests conducted on VaR model results against day-to-day changes in the trading book value, with a view to assessing the model's forecasting capacity as regards the accuracy of risk metrics generated. If the model is robust, by periodically comparing the estimated daily VaR against daily trading losses from the previous day, the result should be that actual losses greater than the VaR occur with a frequency consistent with that defined by the confidence level. Based on applicable regulatory provisions, the Financial Risk Officer Area considered it appropriate to apply the theoretical and actual backtesting methods and integrate these into the Group's management reporting system.

Each bank of the MPS Group which is relevant as a market risk-taking centre contributes to the generation of interest rate risk and price risk in the overall Trading Book.

With reference specifically to the Parent Company, the Finance, Treasury & Capital Management Area (FTCMA) within the CFO division is the Business Area in charge of trading. The Global Markets Division carries out trading activities for MPSCS.

MPSCS and, to a lesser extent, the Finance, Treasury & Capital Management Area (FTCMA hereinafter) manage a proprietary portfolio which takes trading positions on interest rates and credit. In general, interest rate positions are taken by purchasing or selling bonds, and by creating positions in listed derivatives (futures) and OTCs (IRS, swaptions). The FTCMA operates in the short-term portion of the main interest rate curves, mostly through bonds and listed derivatives.

With regard to credit risk in the trading book, the equity positions are generally managed through the purchase or sale of bonds issued by companies or by creating synthetic positions in derivatives. The activity is oriented to achieve a long or short position on individual issuers, or a long or short exposure on specific commodities. The activity is carried out solely on the Bank's own behalf with objectives of absolute return and in compliance with other specific issuer and concentration risk limits.

The Business Area in charge of the Parent Company's trading activity with respect to price risk is the FTCMA which manages a proprietary portfolio and takes trading positions on equities, Stock Exchange indexes and commodities. In general, positions on equity securities are taken both through the purchase/sale of equities and through the positions created in listed derivatives (e.g. futures) and OTC (e.g. options). Trading is carried out exclusively on the Bank's own behalf, with objectives of absolute return, in compliance with the delegated limits of monthly and yearly VaR and stop loss.

For further information, please refer to the **Notes to the Consolidated Financial Statements 2019**, *Part E – Information on risks and hedging policies – Section 2.1 – Interest Rate Risk and Price Risk – Regulatory Trading Book.*

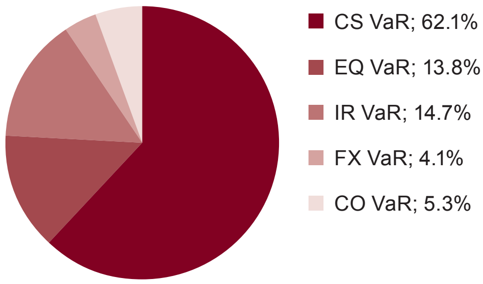
During the first half 2020, the market risks of the Group's Regulatory Trading Book showed, in terms of VaR, a performance influenced by the subsidiary MPS Capital Services, mainly for own trading activities in the CS-IR segment (transactions in Italian government bonds and long futures) and, to a lesser extent, client-driven activities in the EQ segment (options and equity futures on the main market indices). The Parent Company's portfolio contribution to total VaR was negligible.

The first half of 2020 was heavily impacted by the crisis in the markets triggered by the outbreak of the COVID-19 pandemic, with particular effect on the VaR model due to the extreme variations recorded in most market parameters during March, predominantly affecting the primary dealer activities on Italian government bonds of the subsidiary MPS Capital Services.

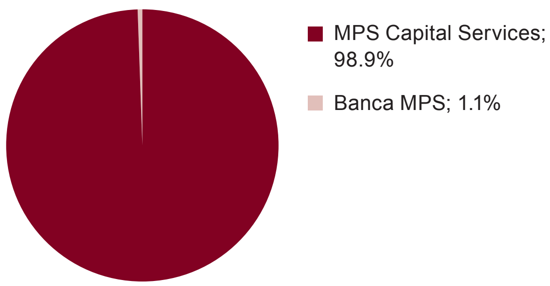
In particular, the increase in the Italian Credit Spread in March caused a considerable increase in the VaR measure with the incorporation in the model of tail events represented by extreme and sudden increases on a daily basis in the yields of Italian government bonds in the short portion of the curve.

During the second quarter, with the attenuation of tensions on market parameters, the exposure to Italy credit spread risk by the subsidiary MPSCS reduced considerably, particularly in June. This contributed towards reducing the VaR for the quarter (EUR -3 mln, with a prevalent effect in May) and scrolling the time window of scenarios underlying the model, with the exit of the May-June 2018 Italy credit spread tail scenarios, triggered by the political crisis concerning the formation of the government.

MPS Group: Trading Book
VaR Breakdown by Risk Factor as at 30/06/2020



MPS Group: Trading Book
VaR Breakdown by Bank as at 30/06/2020



VaR breakdown

A breakdown of VaR by risk factors shows that 62.1% of the Group's portfolio was allocated to credit-spread risk factors (CS VaR), 14.7% was absorbed by interest rate risk factors (IR VaR), 13.8% by equity risk factors (EQ VaR), 4.1% by foreign exchange risk factors (FX VaR), and the remaining 5.3% by commodity risk factors (CO VaR).

With regard to the legal entities, MPS Capital Services accounted for 98.9 and the Parent Company for 1.1% of overall risk as at 30 June 2020.

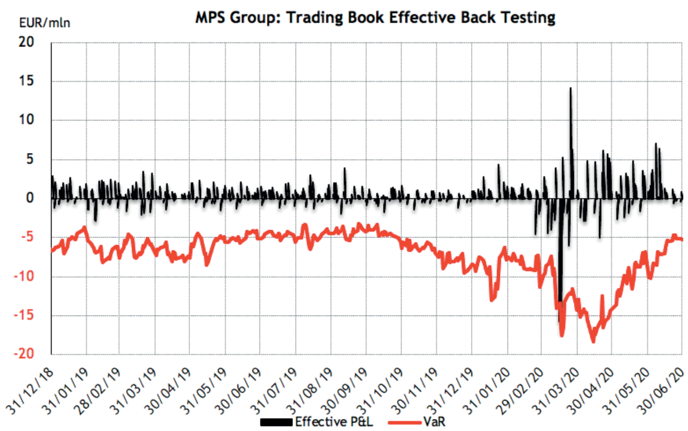
Group VaR

In the first half 2020, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 4.67 mln recorded on 22 June 2020 and a high of EUR 17.32 mln on 9 April 2020 with an average value registered of EUR 9.89 mln. The Regulatory Trading Book VaR as at 30 June 2020 amounted to EUR 5.47 mln.

MPS Group
VaR PNV 99% 1 day in EUR/mln

	VaR	Date
End of Period	5.47	30/06/2020
Mn	4.67	22/06/2020
Max	11.32	09/04/2020
Average	9.89	

The following chart shows the data Effective Backtesting of the internal model for Market Risk, related to the Supervisory Trading Portfolio of the group.



Two exceptions were recorded in the first half of 2020, concentrated in March, referring entirely by the risk exposure of the subsidiary MPSCS. These exceptions were recorded on 16 and 17 March, as a result of the extreme increase in volatility on the markets following the health emergency linked to the spread of the COVID-19 pandemic. The days past due recorded simultaneous tension scenarios on all the main risk factors, with particular pressure in terms of P&L on the positions in Italian government securities (temporary widening of the Italian short-term credit spread, which for the most part had reversed by the end of the quarter due to effect of the ECB's new Quantitative Easing programme to cope with the economic emergency triggered by the pandemic) and on corporate and financial securities.

Quantitative information

The following table display the components of own funds requirements under the standard approach for Market Risk.

EU MR1 – Market Risk under the standard approach

		Jun-20	
		a	b
		RWA	Capital requirements
	Prodotti diversi dalle opzioni		
1	Interest rate risk (generic and specific)	1,622,152	129,772
2	Equity risk (generic and specific)	376,906	30,152
3	Exchange risk	128,126	10,250
4	Commodity risk	161,766	12,941
	Options		
5	Simplified Method	-	-
6	Delta-Plus Method	99,753	7,980
7	Scenario Method	-	-
8	**Securitisation (specific risk)**	**270,385**	**21,631**
9	**Total**	**2,659,088**	**212,727**

Operational Risk

The Montepaschi Group has implemented an integrated risk management system on the basis of a governance model which involves all the companies of the Montepaschi Group included in the scope of application. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

The Montepaschi Group was authorized by the Bank of Italy on 12 June 2008 to use the internal advanced measurement approach (AMA) for the calculation of capital requirements for operational risks. The advanced model officially started operating on 1 January 2008. The first consolidated regulatory reporting on the basis of the model was prepared in relation to the results as at 30 June 2008.

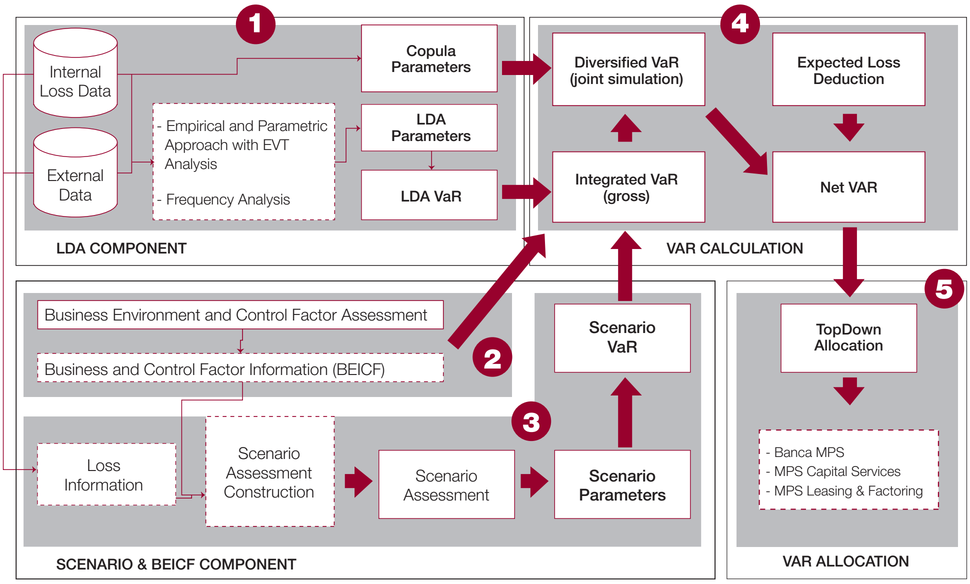
All the domestic banking and financial components are incorporated in the scope of advanced measurement approach (AMA). For remaining components and foreign companies, the foundation model has been adopted.

Today's internal model coverage in terms of total banking income exceeds 95%. The advanced approach adopted by the Montepaschi Group is designed so as to homogeneously combine all the main qualitative and quantitative information (or data) sources (mixed LDA-Scenario model).

The quantitative loss Distribution Approach component is based on the statistical collection, analysis and modelling of internal and external historical loss data (Italian Database of Operational Losses, DIPO). The model includes calculation in relation to the 7 categories of events established by Basel 2 used as risk classes, with the adoption of Extreme Value Theory techniques. The estimated frequency of occurrence is based exclusively on internal data.

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of relevant scenarios. In this framework, the companies are involved in process and risk identification, risk evaluation by process managers, identification of possible mitigation plans, discussion (in scenario-sharing sessions) of priorities and technical-economic feasibility of mitigation actions with the H.O. units.

Despite having insurance coverage to mitigate operational risk, the MPS Group does not use insurance for the mitigation of risk in the calculation of capital requirements since this has not yet been authorized by the supervisor. As of 30 June 2017, the Advanced Measurement Model was changed to increase the historical depth of internal loss data from 5 to 10 years and to introduce the scaling of external data in order to discourage unexpected requirement fluctuations.



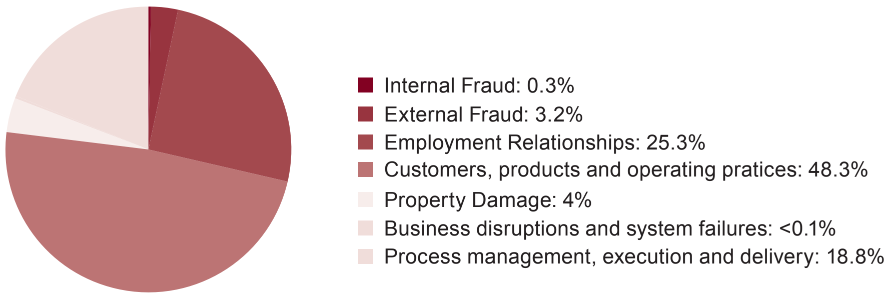
Finally, the percentage breakdown of events and operational losses recorded in the first half of 2020 is reported, divided into the following risk classes:

- Internal fraud: losses arising from unauthorised activities, fraud, embezzlement or violation of laws, regulations or corporate directives that involve at least one internal resource of the Group;
- External fraud: losses due to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment relationships and Occupational safety: losses arising from actions in breach of employment, occupational health and safety laws and agreements, payment of compensation for personal injury or episodes of discrimination or failure to apply equal treatment;
- Customers, products and operating practices: losses arising from non-fulfilment of professional obligations with customers or from the nature and characteristics of the product or service provided;
- Property damage: losses arising from external events, including natural disasters, acts of terrorism or vandalism;
- Business disruptions and system failures: losses due to business disruption or system failures or interruption;
- Process management, execution and delivery: losses arising from operational and process management shortfalls, as well from transactions with business counterparties, vendors and suppliers.

As at 30 June 2020, the number of operational risk events and the losses were down compared to December 2019.

The type of events with the greatest P&L impact refer to the violation of professional obligations towards customers (category "Customers, products and operating practices": approximately 48% of the total) and employment relationships (category "employment relationships": 25% of the total).

Losses breakdown
Montepaschi Group - 30/06/2020



The Regulatory Requirement as at 30 June 2020 was up compared to December 2019, also due to the increase in the recorded operating losses. The breakdown of operational losses clearly differs from the breakdown of capital in that the latter is calculated using a 10-year time series and the incidence of the unexpected loss component prevails.

Liquidity Ratios

With reference to the liquidity indicators, Liquidity Coverage Ratio and the Net Stable Funding Ratio, the observation period by the Supervisory Authorities began in March 2014. As of October 2015, the minimum obligatory requirement for the Liquidity Coverage Ratio came into force, with a level that gradually increases over the years (100% in 2018).

As regards the Net Stable Funding Ratio, EU legislation does not currently contemplate a regulatory limit.

Leverage Ratio

In addition to the system of capital requirements aimed at covering credit, counterparty, market, operational, CVA and regulatory risks, it is expected

that the current regulatory framework will monitor a limit on leverage with a twofold purpose to limit the accumulation of debt within the banking industry so as to avoid destabilizing deleveraging process which may harm the financial system and the economy in general, and to strengthen the system of capital requirements associated with risk with a simple backstop measure that is not based on risk profile.

To this end, Circular no. 285 of 17 December 2013 of the Bank of Italy, "supervisory Provisions for banks" requires banks to calculates their leverage ratio.

As required by the Regulation EU 62/2015, the Leverage Ratio is calculated as a ratio between Tier1 and a denominator that is based on the non-risk weighted assets (including off-balance sheet exposures) calculated at the end of the quarter. The exposures must be reported net of the regulatory adjustments included in the calculation of T1 in order to avoid any double counting. At present, the minimum thresholds for the Leverage Ratio have not yet been established by the Supervisory Authorities. However, as of 1 January 2015, quarterly disclosure has become obligatory in addition to the disclosure requirement already in force. Moreover, as provided for by Commission Implementing Regulation (EU) 2016/200 of 15 February 2016, banks publish this disclosure as of 16 February 2016, the date following this regulation's publication in the Official Journal of the European Union.

The Group's leverage ratio was 4.94% as of 30 June 2020. Using regulatory capital calculated by applying the rules established for full implementation, the ratio stands at 4.21%.

In accordance with public disclosure requirements, the data necessary for its calculation is provided below.

The templates used to report the information are those provided for by the ITS on Disclosure (*see* "EBA FINAL draft Implementing Technical Standards on disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) - Second submission following the EC's Delegated Act specifying the LR" - link) published by the EBA on 15/06/2015 and included in the Commission Implementing Regulation (EU) 2016/200 of 15 February 2016.

The tables below show the financial leverage ratio as of 30 June 2020 as well as a breakdown of the total exposure measure in the main categories, as required by articles 451(1)(a), 451(1)(b) and 451(1)(c). The figures shown relate to the calculation of the leverage ratio according to applicable transitional provisions for reporting purposes. The ratio is subject to a regulatory minimum threshold of 3% (the Basel Committee's reference value).

Leverage Ratio

		Jun-20	Dec-19
Capital and total exposures			
20	Tier 1 capital	7,723,868	8,620,324
21	Total exposures	156,278,504	141,097,698
Leverage ratio			
22	Basel III leverage ratio	4.94%	6.11%

Process used to manage the risk of excessive leverage
(in accordance with article 451(1) letter d) of the CRR)

The Group's Risk Appetite Framework (RAF) constitutes the basic risk management framework in the Montepaschi Group. The RAF is governed at Group level by a regulatory framework that establishes a system of governance, processes, tools and procedures for fully managing the Group's risk. Leverage risk is included in the RAF and is therefore subject to the control procedures contained therein. The Leverage Ratio is one of the Key Risk Indicators monitored within the RAF for 2020. As of 30 June 2020, the Group recorded a decrease in the financial leverage indicator linked to the increase in Total exposures and to the decrease in Tier1 capital compared to 31/12/2019.

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, 6 August 2020

Nicola Massimo Clarelli

Financial Reporting Officer

List of Tables

Appendix 1: Summary of Information published in line with CRR requirements

CRR Article		*Reference to the present document Pillar 3*
Art. 431 - *Scope of disclosure requirements*	*Par.1; 2 ;3; 4*	Introduction
Art. 432 - *Non-material, proprietary or confidential information*		Introduction
Art. 433 - *Frequency of disclosure*		Introduction
Art. 434 - *Means of disclosures*		Introduction
Art. 435 - *Risk management objectives and policies*	*Par.2*	Introduction: reference to the link: https://www.gruppomps.it/en/corporate-governance/corporate-governance-report.html
Art. 437 - *Own Funds*	*Par.a*	Chapter - Own Funds
	Par. d	Chapter - Own Funds
	Par. e/f	Chapter - Own Funds
Art. 438 - *Capital requirements*	*Par. a*	Chapter - Capital requirements
	Par. b	Chapter - Capital requirements
	Par. c; d	Chapter - Capital requirements
	Par. e; f	Chapter - Capital requirements
	Slotting criteria	Chapter - Capital requirements
Art. 439 - *Exposure to counterparty credit risk*	*Par. e; f; g; h; i*	Chapter - Counterparty risk
Art. 440 - *Capital buffers*	*Par. b*	1. Executive Summary; 2. Chapter - Section countercyclical capital buffer
Art. 442 - *Credit risk adjustments*	*Par. e*	Chapter - Credit risk: AIRB approach – IRB Approach: Summary of Exposures, RWAs, expected and actual losses
Art. 444 - *Use of ECAIs*	*Par. e*	Chapter - Credit risk: Standard approach
Art. 445 - *Exposure to market risk*		Chapter - Capital requirements
Art. 450 - *Remuneration Policy*		Introduction -reference to BMPS websitehttps://www.gruppomps.it/en/corporate-governance/remuneration.html
Art. 451 - *Leverage*		Chapter - Capital requirements
Art. 452 - *Use of the IRB Approach to credit risk*	*Par.a*	Chapter - Credit risk: use of the AIRB approach
	Par. d, e, f	Chapter - Credit risk: use of the AIRB approach
	Par. j	Chapter - Credit Risk: use of the AIRB approach - Section "Exposures subject to the AIRB approach broken down by geographical location"
Art. 453 - *Use of credit risk mitigation techniques*		Chapter - Credit risk: use of risk mitigation techniques

Appendix 2 - Details of Information provided in compliance with EBA Guidelines GL 2016/11

Guidelines on disclosure requirements EBA/GL/2016/11		*Reference to the present document Pillar 3*	
EU OVI1	Overview of RWAs	Capital requirements	
EU INS1	Non-deducted participations in insurance undertakings	Capital requirements	
EU CR1-A	Credit quality of exposures by exposure class and instrument	Credit Risk: credit quality	
EU CR1-B	Credit quality of exposures by industry or counterparty types	Credit Risk: credit quality	template 6
EU CR1-C	Credit quality of exposures by geography	Credit Risk: credit quality	template 5
EU CR1-D	Credit quality of performing and non-performing exposures by past due days	Credit Risk: credit quality	template 3
EU CR1-E	Non-performing and forborne exposures	Credit Risk: credit quality	templates 1 and 3
EU CR2-A	Changes in the stock of general and specific credit risk adjustments	Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level (Consolidated Half-Yearly Report - p. 90)	
EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Credit Risk: credit quality	template 8
EU CR3	CRM techniques – Overview	Credit Risk: use of risk mitigation techniques	
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Credit Risk: use of risk mitigation techniques	
EU CR5	Standardised approach	Credit Risk: Standard approach	
EU CR6	IRB approach – Credit risk exposures by exposure class and PD range	Credit Risk: use of the AIRB approach	
EU CR7	IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques	n.s.	
EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Capital requirements, liquidity ratios and leverage	
EU CR10	IRB (specialised lending and equities)	Credit Risk: use of the AIRB approach	
EU CCR1	Analysis of CCR exposure by approach	Counterparty Risk: general disclosure	
EU CCR2	CVA capital charge	Counterparty Risk: general disclosure	
EU CCR3	Standardised approach – CCR exposures by regulatory portfolio and risk	Counterparty Risk: general disclosure	
EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	Counterparty Risk: general disclosure	
EU CCR5-A	Impact of netting and collateral held on exposure values	Counterparty Risk: general disclosure	
EU CCR5-B	Composition of collateral for exposures to CCR	Counterparty Risk: general disclosure	
EU CCR6	Credit derivatives exposures	Counterparty Risk: general disclosure	
EU CCR7	RWA flow statements of CCR exposures under the IMM	Na	
EU CCR8	Exposures to CCPs	Counterparty Risk: general disclosure	
EU MR1	Market risk under the standardised approach	Market Risk	
EU MR2-A	Market risk under the IMA	Na	
EU MR2-B	RWA flow statements of market risk exposures under the IMA	Na	
EU MR3	IMA values for trading portfolios	Na	
EU MR4	Comparison of VaR estimates with gains/losses	Na	

n.a *Not applicable as Montepaschi Group adopts the standardized approach to calculate capital requirements for market risk*
n.s. *Not significant as Montepaschi Group does not have credit exposures hedged with credit derivatives, which are valid for the purpose of risk mitigation techniques*
n.d. *Not available*

Appendix 3 - Details of Information provided in compliance with EBA Guidelines GL 2018/01

Guidelines on disclosure requirements EBA/GL/2018/01		*Reference to the present document Pillar 3*
IFRS 9	*Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs*	**Capital requirements**

Appendix 4 - Details of Information provided in compliance with EBA Guidelines GL 2018/10

Guidelines on disclosure requirements EBA/GL/2018/10		*Reference to the present document Pillar 3*
Template 1	*Credit quality of forborne exposures*	Credit Risk: credit quality
Template 3	*Credit quality of performing and non-performing exposures by past due days*	Credit Risk: credit quality
Template 4	*Performing and non-performing exposures and related provisions*	Credit Risk: credit quality
Template 5	*Quality of NPEs by geography*	Credit Risk: credit quality
Template 6	*Credit quality of loans and advances by industry*	Credit Risk: credit quality
Template 8	*Changes in the stock of non-performing loans and advances*	Credit Risk: credit quality
Template 9	*Collateral obtained by taking possession and execution processes*	Credit Risk: credit quality

Appendix 5 - Details of Information provided in compliance with EBA Guidelines GL 2020/07

Guidelines on disclosure requirements EBA/GL/2020/07		*Reference to the present document Pillar 3*
Template 1	*Information on loans and advances subject to legislative and non-legislative moratoria*	Credit Risk: credit quality
Template 2	*Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria*	Credit Risk: credit quality
Template 3	*Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis*	Credit Risk: credit quality

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