

Pillar 3 Disclosure

Update as at
31 March 2022



**MONTE
DEI PASCHI
DI SIENA**
BANK SINCE 1472



Pillar 3 Disclosure

Update as at
31 March 2022

**Banca Monte dei Paschi di Siena SpA**

Company Head Office in Siena, Piazza Salimbeni 3, www.mps.it

Recorded in the Arezzo-Siena Company Register – Registration no. and tax code 00884060526

MPS VAT Group – VAT no. 01483500524

Member of the Italian Interbank Deposit Protection Fund. Bank Register no. 5274

Parent Company of the Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register



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Introduction

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

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

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

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

- ✓ improve clarity for users of information, by provide a single comprehensive package;
- ✓ ensure consistency and comparability among the intermediaries;
- ✓ facilitate access by users of information to institutions' key prudential data by introducing the new key metrics templates;
- ✓ facilitate technical implementation for the retrieval of information;
- ✓ increase the efficiency of disclosures

and reduce costs through synergies and integration of quantitative information with supervisory reporting.

The regulatory sources of reference are:

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

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

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

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



Further information on the Group's risk profile, pursuant to Art. 434 of the CRR, is also published in the Consolidated Interim Report as at 31 March 2022, the Report on Corporate Governance and the Remuneration Report.

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

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



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

EU KM1 – Key metrics template

		^a Mar-22	^b Dec-21	^c Sep-21	^d Jun-21	^e Mar-21
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	5,551,618	5,991,778	5,948,693	6,058,299	5,957,629
2	Tier 1 capital	5,551,618	5,991,778	5,948,693	6,058,299	5,957,629
3	Total capital	7,335,639	7,705,129	7,685,725	7,742,337	7,761,153
Risk-weighted exposure (amounts)						
4	Total risk-weighted exposure amount	47,962,809	47,786,902	48,206,191	49,985,782	48,901,422
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	11.5748%	12.5385%	12.3401%	12.1200%	12.1829%
6	Tier 1 ratio (%)	11.5748%	12.5385%	12.3401%	12.1200%	12.1829%
7	Total capital ratio (%)	15.2944%	16.1239%	15.9434%	15.4891%	15.8710%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7500%	2.7500%	2.7500%	2.7500%	2.7500%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.5469%	1.5469%	1.5469%	1.5469%	1.5469%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.0625%	2.0625%	2.0625%	2.0625%	2.0625%
EU 7d	Total SREP own funds requirements (%)	10.7500%	10.7500%	10.7500%	10.7500%	10.7500%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.0020%	0.0030%	0.0030%	0.0020%	0.0020%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer	0.2500%	0.1900%	0.1900%	0.1900%	0.1900%
11	Combined buffer requirement (%)	2.7520%	2.6930%	2.6930%	2.6920%	2.6920%
EU 11a	Overall capital requirements (%)	13.5020%	13.4430%	13.4430%	13.4420%	13.4420%
12	CET1 available after meeting the total SREP own funds requirements (%)	3.5123%	4.4760%	4.2776%	4.0575%	1.5116%
Leverage ratio						
13	Leverage ratio total exposure measure	127,019,222	126,834,475	129,024,289	131,655,473	129,883,491
14	Leverage ratio	4.3710%	4.7240%	4.6105%	4.6016%	4.5870%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.0972%	3.0972%	3.0972%	3.0972%	
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)					
EU 14e	Overall leverage ratio requirement (%)	3.0972%	3.0972%	3.0972%	3.0972%	
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	26,362,267	27,968,567	29,564,545	29,584,344	28,315,278
EU 16a	Cash outflows - Total weighted value	16,110,572	16,816,392	17,709,113	18,324,084	18,115,356
EU 16b	Cash inflows - Total weighted value	1,734,317	1,736,233	1,796,057	1,890,282	2,049,380
16	Total net cash outflows (adjusted value)	14,376,254	15,080,159	15,913,056	16,433,802	16,065,976
17	Liquidity coverage ratio (%)	183.1879%	185.2303%	186.1375%	180.4600%	176.4331%
Net Stable Funding Ratio						
18	Total available stable funding	107,120,874	107,399,740	110,495,097	114,114,802	-
19	Total required stable funding	79,069,242	82,883,030	84,232,169	84,450,283	-
20	NSFR ratio (%)	135.4773%	129.5799%	131.1792%	135.1266%	-



EU OV1 – Overview of total risk exposure amounts

		RWA		Capital requirements	
		Mar-22	Dec-21	Mar-22	Dec-21
1	Credit risk (excluding CCR)	31,917,355	31,742,053	2,553,388	2,539,364
2	Of which the standardised approach	11,802,404	11,776,629	944,192	942,130
3	Of which the foundation IRB (FIRB) approach	-	-	-	-
4	Of which: slotting approach	999,132	1,265,125	79,931	101,210
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-	-
5	Of which the advanced IRB (AIRB) approach	18,494,014	17,691,815	1,479,521	1,415,345
6	Counterparty credit risk - CCR	1,624,237	1,624,023	129,939	129,922
7	Of which the standardised approach	805,301	849,751	64,424	67,980
8	Of which internal model method (IMM)	-	-	-	-
EU 8a	Of which exposures to a CCP	51,799	35,726	4,144	2,858
EU 8b	Of which credit valuation adjustment - CVA	626,832	556,633	50,147	44,531
9	Of which other CCR	140,305	181,913	11,224	14,553
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	783,845	747,319	62,708	59,786
17	Of which SEC-IRBA approach	761,027	724,652	60,882	57,972
18	Of which SEC-ERBA (including IAA)	15,722	16,115	1,258	1,289
19	Of which SEC-SA approach	7,097	6,552	568	524
EU 19a	Of which 1250%/ deduction	-	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	2,668,894	2,724,114	213,512	217,929
21	Of which the standardised approach	2,668,894	2,724,114	213,512	217,929
22	Of which IMA	-	-	-	-
EU 22a	Large exposures	-	-	-	-
23	Operational risk	10,968,478	10,949,393	877,478	875,951
EU 23a	Of which basic indicator approach	81,212	80,728	6,497	6,458
EU 23b	Of which standardised approach	-	-	-	-
EU 23c	Of which advanced measurement approach	10,887,266	10,868,665	870,981	869,493
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	1,969,232	2,015,771	157,539	161,262
29	TOTAL	47,962,809	47,786,902	3,837,025	3,822,952



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

	^a Mar-22	^b Dec-21	^c Sep-21	^d Jun-21
Available capital (amounts)				
1 Common Equity Tier 1 (CET1) capital	5,551,618	5,991,778	5,948,693	6,058,299
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,160,423	5,234,741	5,181,250	5,238,609
2a CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	5,541,712	6,023,075	5,991,275	6,103,086
3 Tier 1 capital	5,551,618	5,991,778	5,948,693	6,058,299
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,160,423	5,234,741	5,181,250	5,238,609
4a Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	5,541,712	6,023,075	5,991,275	6,103,086
5 Total capital	7,335,639	7,705,129	7,685,725	7,742,337
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,944,444	6,948,091	6,925,571	6,962,242
6a Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	7,325,734	7,736,426	7,728,307	7,787,124
Risk-weighted assets (amounts)				
7 Total risk-weighted assets	47,962,809	47,786,902	48,206,191	49,985,782
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47,909,681	47,704,380	48,117,428	49,874,762
Capital Ratios				
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	11.57%	12.54%	12.34%	12.12%
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	10.77%	10.97%	10.77%	10.50%
10a CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11.56%	12.60%	12.42%	12.21%
11 Tier 1 (as a percentage of risk exposure amount)	11.57%	12.54%	12.34%	12.12%
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.77%	10.97%	10.77%	10.50%
12a Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	11.56%	12.60%	12.42%	12.21%
13 Total capital (as a percentage of risk exposure amount)	15.29%	16.12%	15.94%	15.49%
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.49%	14.56%	14.39%	13.96%
14a Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.27%	16.19%	16.03%	15.57%
Leverage ratio				
15 Leverage ratio total exposure measure	127,019,222	126,834,475	129,024,289	131,655,473
16 Leverage ratio	4.37%	4.72%	4.61%	4.60%
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.08%	4.15%	4.04%	4.00%
17a Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	4.36%	4.75%	4.64%	4.64%

The application of the IFRS 9 fully loaded without taking into account the impact deriving from the cohesion with the transitional regime expected from 2018, would have entailed a reduction of 80 bp in both the CET1 ratio and total capital ratio. Such coefficients would have resulted in 10.77% (instead of 11.57% transitional arrangements) and 14.49% (instead of 15.29%) respectively of CET1 ratio and total capital ratio. IFRS 9 fullyloaded application would have entailed a total CET1 decrease of about 0.4 bn euro linked to major provisions implemented during FTA on IRB credit exposure.



Annex XIII - Disclosure of liquidity requirements

EU LIQ 1 – Quantitative information of LCR

Currency and units (XXX million)		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYYY)	Mar-22	Dec-21	Sep-21	Jun-21	Mar-22	Dec-21	Sep-21	Jun-21
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
1	Total high-quality liquid assets (HQLA)					26,362	27,969	29,565	29,584
2	Retail deposits and deposits from small business customers, of which:	53,232	53,251	52,935	52,093	3,433	3,433	3,408	3,346
3	<i>Stable deposits</i>	42,020	42,076	41,890	41,347	2,101	2,104	2,094	2,067
4	<i>Less stable deposits</i>	11,212	11,175	11,046	10,746	1,332	1,329	1,313	1,279
5	Unsecured wholesale funding	20,679	21,995	23,440	24,159	9,550	10,136	10,902	11,379
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	20,657	21,970	23,410	24,132	9,528	10,111	10,872	11,351
8	Unsecured debt	22	25	30	28	22	25	30	28
9	Secured wholesale funding					335	295	331	248
10	Additional requirements	3,473	3,690	3,720	3,829	1,069	1,242	1,263	1,337
11	Outflows related to derivative exposures and other collateral requirements	634	710	793	861	634	710	793	861
12	Outflows related to loss of funding on debt products	102	197	136	139	102	197	136	139
13	Credit and liquidity facilities	2,737	2,783	2,791	2,829	334	336	333	337
14	Other contractual funding	1,615	1,629	1,896	2,142	8	8	108	336
15	Other contingent funding obligations	27,306	26,445	25,428	24,179	1,716	1,703	1,698	1,677
16	TOTAL CASH OUTFLOWS					16,111	16,816	17,709	18,324
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	4,346	5,664	6,714	6,715	109	106	103	93
18	Inflows from fully performing exposures	1,713	1,733	1,795	1,950	952	963	995	1,071
19	Other cash inflows	3,061	3,050	3,176	3,374	674	667	697	726
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	9,120	10,447	11,685	12,040	1,734	1,736	1,796	1,890
EU-20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
EU-20b	<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
EU-20c	<i>Inflows subject to 75% cap</i>	9,120	10,447	11,641	11,997	1,734	1,736	1,796	1,890
EU-21	LIQUIDITY BUFFER					26,362	27,969	29,565	29,584
22	TOTAL NET CASH OUTFLOWS					14,376	15,080	15,913	16,434
23	LIQUIDITY COVERAGE RATIO (%)					183.1879%	185.2303%	186.1375%	180.4600%

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

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

In Q1 2022, the Group liquidity was characterized by the lack of signs of strain in the short term, with the LCR (calculated as laid down in the Delegated Regulation (EU) 2015/61) stable, significantly above the regulatory limit of 100% with an adequate safety buffer.

The indicator increased compared to the previous quarter (+13.3% from 172.7% in December 2022 to 186.0% in March 2022) mainly due to the higher availability of HQLA securities as a result of the ECB's pooling of both A.BA.CO collateralised assets (+1.25 EUR/mln) and two Covered Bond tranches issued in February (a total of +1.20 EUR/mln). It should be noted that no methodological changes in the representation of the indicator were made in the first quarter of 2022.

On a monthly basis, the Group monitors the risk of concentration of sources of financial and commercial funding, with a particular focus on the details of the main non-retail counterparties.

At the end of March 2022, in accordance with what is monitored through the Additional Liquidity Monitoring Metrics (ALMM) regulatory reporting, funding

through unsecured channels amounts to roughly 68% of the total, of which 8% relating to financial non-retail counterparties and 15% relating to non-financial non-retail counterparties.

In March 2022, the Liquidity buffer shows a prevalence of available liquidity deriving from the reserve held with the ECB (58% of the total Liquidity Buffer) and a significant component of Italian and European (39%) government bonds and other residual components (3%), listed on regulated markets and easily liquidated in the short term.

It should be noted that outflows relating to derivative positions and potential requests for collateral are not significant, in view of their impact on outflows is for both less than 4%.

It is noted that the liquidity reserves in currencies other than the Euro, as well as the outflows and inflows in foreign currency, components having an incidence below 1% each, are marginal for the MPS group and do not provoke currency misalignments in the LCR.

Lastly, it is specified that all elements considered relevant to the Group's liquidity profile are considered in determining the LCR.



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

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

	Importi delle RWA
1 Risk weighted exposure amount as at the end of the previous reporting period	19,280,923
2 Asset size	-227,733
3 Asset quality	719,760
4 Model updates	-
5 Methodology and policy	-
6 Acquisitions and disposals	-295
7 Foreign exchange movements	-
8 Other	-
9 Risk weighted exposure amount as at the end of the reporting period	19,772,655

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



Declaration of the Financial Reporting Officer

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

Siena, 25 May 2022

Nicola Massimo Clarelli

Financial Reporting Officer



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

Guidelines on disclosure requirements EBA/ITS/2020/04		Reference to the present document Pillar III 31/03/2022	Annex
EU KM1	Key Metrics	Disclosure of key metrics and overview of risk weighted exposure amounts	I
EU OV1	Overview of risk weighted exposure amounts		
EU LIQ 1	Quantitative information of LCR	Disclosure of liquidity requirements	XIII
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1		
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Appendix 2 – Details of Information provided in compliance with EBA Guidelines GL/2020/12

Details of Information provided in compliance with EBA Guidelines GL/2020/12		Reference to the present document Pillar III 31/03/2022
Template IFRS 9/Article 468-FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	<i>Disclosure of key metrics and overview of risk-weighted exposure amounts</i>



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