

# Pillar 3 Disclosure

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Update as at  
30 September 2020



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





# Pillar 3 Disclosure

Update as at  
30 September 2020

**Banca Monte dei Paschi di Siena SpA**

Company Head Office in Siena, Piazza Salimbeni 3, [www.mps.it](http://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



## Content

<b>Content</b> .....	5
<b>Introduction</b> .....	7
<b>Own Funds</b> .....	11
<b>Capital requirements</b> .....	24
<b>Liquidity Ratios</b> .....	36
<b>Leverage Ratio</b> .....	37
<b>Declaration of the Financial Reporting Officer</b> .....	39
<b>List of Tables</b> .....	40
<b>Appendix 1: Summary of Information published in line with CRR requirements</b> .....	41
<b>Appendix 2 - Details of Information provided in compliance with EBA Guidelines GL 2016/11</b> .....	41
<b>Appendix 3 - Details of Information provided in compliance with EBA Guidelines GL 2020/12</b> .....	41
<b>Contacts</b> .....	43





## 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) No 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 considering 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 (Pillar 3) is now governed directly by Regulation (EU) 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 Regulation" or "CRR").

The previous Regulations (Bank of Italy Circular No 263/06, Paragraph IV) along with the reporting templates and rules provided therein are to be considered no longer applicable.

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

In the 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 report.

In December 2016, the European Banking Association (EBA) published its Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013, subsequently updated in June 2017, 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 Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01) of June 2017 as well



as guidelines in accordance with the law of Article 473a of the 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.

On 2 June 2020, the EBA published the final version of the document “Guidelines to address gaps in reporting data and public information in the context of COVID-19” (EBA/GL/2020/07), which contains the guidelines for reporting and disclosure of exposures subject to the measures applied in response to the COVID-19 crisis, whose first-time application, for disclosure purposes, starts on 30 June 2020.

In the context of the aforementioned crisis, Regulation (EU) 2020/873 of 24 June 2020, amending Regulations (EU) 575/2013 and Regulation (EU) 2019/876 containing temporary support provisions in terms of capital and liquidity, was published with

an accelerated approval procedure (the “quick fix”). The Regulation establishes that institutions that decide to apply the provisions of the new transitional IFRS 9 rules relating to adjustments to loans after 31 December 2019, amending the rules introduced by Regulation (EU) 2017/2395, and/or the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic (the prudential filter for exposures to central governments classified as FVTOCI) in addition to disclosing the information required in Part Eight of the CRR, are required to disclose 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 that treatment.

The current document, therefore, provides an update as at 30 September 2020 of quantitative information deemed most significant by the Group on Own Funds, capital requirements, the leverage ratio, and liquidity indicators.

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 Article 434 of the CRR, is also published in the Consolidated Interim Report as at 30 September 2020, the Report on Corporate Governance and the Compensation Report.

The current update introduces the information templates required by the Basel 3 framework and 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](http://english.mps.it/investors).



## Own Funds

Own funds, an element of Pillar 1, are calculated according to Basel 3 rules implemented in Europe through 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 2018.

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 2935/2017, 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.

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 <sup>(\*)</sup>**

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	<b>XS1752894292</b>
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
<b>Regulatory treatment</b>		
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
<b>Coupons / dividends</b>		
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

<sup>(1)</sup> "N/A" se la domanda non è applicabile.

**Main features of the instrument <sup>(\*)</sup>**

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	<b>XS2031926731</b>
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
<b>Regulatory treatment</b>		
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
<b>Coupons / dividends</b>		
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

<sup>(1)</sup> "N/A" se la domanda non è applicabile.

**Main features of the instrument <sup>(\*)</sup>**

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	<b>XS2106849727</b>
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
<b>Regulatory treatment</b>		
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 22/01/2025 (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
<b>Coupons / dividends</b>		
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

<sup>(1)</sup> "N/A" se la domanda non è applicabile.

**Main features of the instrument <sup>(\*)</sup>**

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	<b>XS2228919739</b>
3	Governing law(s) of the instrument	Italian law
<b>Regulatory treatment</b>		
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	10/09/20
12	Perpetual or dated	On maturity
13	Original maturity date	10/09/30
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Issuer's optional call on 10/09/2025 (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
<b>Coupons / dividends</b>		
17	Fixed or floating dividend/coupon	Fixed rate p.a. with reset after 5 years
18	Coupon rate and any related index	8,500% till 10/09/2025, thereafter 5y eur mid swap rate +8,917%
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

<sup>(1)</sup> "N/A" se la domanda non è applicabile.



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		Sep-2020	Dec-2019
1	Capital instruments and the related share premium accounts	10,328,618	10,328,618
	<i>of which: Paid up capital instruments</i>	10,328,618	10,328,618
2	Retained earnings	-1,823,659	-734,190
3	Accumulated other comprehensive income (and other reserves, to include unrealised gain and losses under the applicable accounting standards)	118,486	31,411
3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium account subject 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	-1,539,378	-1,033,011
6	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>7,084,068</b>	<b>8,592,829</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
7	Additional value adjustments (negative amount)	-37,084	-47,063
8	Intangible assets (net of related tax liability) (negative amount)	-232,841	-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)	-124,584	-344,817
11	Fair value reserves related to gains or losses on cash flow hedges	-1,321	-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 resulting from changes in own credit standing	-33,004	-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 entities 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) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net the eligible short positions) (negative amount)	-222,449	-22,414
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b	<i>of which: qualifying holdings outside the financial sector (negative amount)</i>	-	-
20c	<i>of which: securitisation positions (negative amount)</i>	-	-
20d	<i>of which: free deliveries (negative amount)</i>	-	-
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)	-6,069	-149,715
23	<i>of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>	-4,169	-90,039
25	<i>of which: deferred tax assets arising from temporary differences</i>	-1,900	-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 <sup>1</sup>	1,112,944	1,171,237
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	<b>Total regulatory adjustments to Common equity Tier 1 (CET1)</b>	<b>141,882</b>	<b>27,495</b>
29	<b>Common Equity Tier 1 (CET1) Capital</b>	<b>7,225,949</b>	<b>8,620,324</b>

<sup>1</sup> Such item includes IFRS 9 transitional adjustments for EUR 1,136,661 thousand (EUR 1,169,984 thousand as of 31/12/2019), others transitional deductions for EUR 42 thousand and regulatory adjustments to unrealised gains and losses pursuant to Articles 467 and 468 for EUR -23,759 thousand.

**Own Funds: Additional Tier 1 (AT1)**

<b>Additional Tier 1 (AT1) capital: instruments</b>		Sep-2020	Dec-2019
30	Capital instruments and the related share premium accounts	-	-
31	<i>of which: classified as equity under applicable accounting standards</i>	-	-
32	<i>of which: classified as liabilities under applicable accounting standards</i>	-	-
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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
36	<b>Additional Tier 1 (AT1) capital before regulatory adjustments</b>	-	-
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>			
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 entities 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	<b>Total regulatory adjustments to Additional Tier 1 (AT1) capital</b>	-	-
44	<b>Additional Tier 1 (AT1) capital</b>	-	-
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>7,225,949</b>	<b>8,620,324</b>



## Own Funds - Tier 2 Capital

Tier 2 (T2) capital: instruments and provisions		Sep-2020	Dec-2019
46	Capital instruments and the related share premium accounts	1,750,000	1,050,000
47	Amount of qualifying items referred to in Article 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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	-
50	Credit risk adjustments	156,189	169,999
51	<b>Tier 2 (T2) capital before regulatory adjustments</b>	<b>1,906,189</b>	<b>1,219,999</b>
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 of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net eligible of short positions)	-66,039	-65,663
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 i.e. CRR residual amounts)	-	-
56a	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	-	-
	<i>of which: Losses for the current year</i>	-	-
	<i>of which: Significant financial instruments</i>	-	-
	<i>of which: Not Significant financial instruments</i>	-	-
	<i>of which: outstanding amount related to the excess of expected losses with respect to adjustments for IRB positions</i>	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No. 575/2013	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	-
	<i>of which: unrealised gains</i>	-	-
57	<b>Total regulatory adjustments to Tier 2 (T2) capital</b>	<b>-66,039</b>	<b>-65,663</b>
58	<b>Tier 2 (T2) capital</b>	<b>1,840,150</b>	<b>1,154,336</b>
59	<b>Total Capital (TC= T1+T2)</b>	<b>9,066,100</b>	<b>9,774,660</b>
60	<b>Total Risk Weighted Assets</b>	<b>56,125,871</b>	<b>58,559,094</b>



## Own Funds: Capital ratios and buffers

Capital ratios and buffer		Sep-2020	Dec-2019
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.87%	14.72%
62	Tier 1 (as a percentage of risk exposure amount)	12.87%	14.72%
63	Total capital (as a percentage of risk exposure amount)	16.15%	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) <sup>2</sup>	6.87%	8.69%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)	132,304	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)	634,152	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)	288,997	505,115
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
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)	791,921	490,751
79	Cap on inclusion of credit risk adjustments in T2 under IRB approach	156,189	169,999
<b>Capital instruments subject to phase-out arrangements (only 1 Jan 2014 and 1 Jan 2022)</b>			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over 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)	-	-

<sup>2</sup> 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	Sep-2020	Dec-2019
Group Equity	6,770,358	8,279,119
Minority Equity	1,339	1,770
<b>Net Assets of the Balance Sheet</b>	<b>6,771,697</b>	<b>8,280,889</b>
<b>Net Assets after distribution to shareholders</b>	<b>6,771,697</b>	<b>8,280,889</b>

**Adjustments for instruments computable in AT1 or T2**

- Capital share computable in AT1	-	-
- Minority interests computable	-1,339	-1,770
- Own shares included in the regulatory adjustments	-	-313,710
- Other components non computable in regime	-1,321	-1,328
<b>Common Equity Tier 1 (CET1) before the regulatory adjustments</b>	<b>6,769,037</b>	<b>8,277,791</b>
Regulatory adjustments (including adjustments of the transitional period)	456,912	342,533
<b>Common Equity Tier 1 (CET1) net of regulatory adjustments</b>	<b>7,225,949</b>	<b>8,620,324</b>



**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"
<b>Assets</b>					
70 Equity investments	991,788	1,046,424	54,636	-275,730	8, 18, 19, 23
<i>of which: implicit goodwill</i>	49,112	49,112	-	-49,112	8
100 Intangible assets	183,729	183,729	-	-183,729	8
<i>of which: goodwill</i>	7,900	7,900	-	-7,900	8
<i>of which: other intangible assets</i>	175,829	175,829	-	-175,829	8
110 Tax assets	2,111,138	2,111,138	-	-126,483	10, 21, 25
<i>of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability</i>	142,196	142,196	-	-124,584	10
<b>Liabilities and Shareholders' Equity</b>					
10 Financial liabilities measured at amortised cost - c) debts securities issued	12,161,134	12,161,134	-	1,750,000	32, 33, 46, 52
30 Financial liabilities designated at fair value	244,563	244,563	-	-	33
120 Valuation reserves	153,473	153,473	-	7,732	3, 11
<i>of which: FVOCI</i>	179,661	179,661	-	0	3 (FVOCI)
<i>of which: CFH</i>	1,321	1,321	-	-1,321	3(CFH), 11
<i>of which: legally-required revaluations</i>	9,053	9,053	-	9,053	3(reval)
<i>of which: other</i>	-36,561	-36,561	-	-	3(other)
150 Reserves	-1,858,646	-1,858,646	-	-1,714,226	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	-1,539,378	-1,539,378	-	-1,539,378	5a, 25a
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities				-33,004	14
Value adjustments due to the requirements for prudent valuation				-37,084	7
IRB Shortfall of credit risk adjustments to expected losses				-	12
IRB Excess of provisions over expected losses eligible				156,189	50
Filter on double tax realignment				-	26b
Filter for IAS 39 and IFRS 9				1,112,944	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				-66,039	54, 55
Indirect investments				-	-
<b>Total Own Funds</b>				<b>9,066,100</b>	

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 Institutions* and a O-SII capital buffer for *Other Systematically Important Institutions* that 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.

In this regard, please note that in the ECB press release “ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus” published on 12 March 2020, the ECB announced that banks are allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G).

### 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 September 2020:

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 September 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 both the Interim Report on operations as of 30 June 2020 and 30 September 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.

Capital adequacy indicators as of 30 September 2020	CET 1 Ratio	Tier 1 Ratio	Total Capital Ratio
<i>Pillar I minimum Requirements (art. 92 CRR)</i>	4.50%	6.00%	8.00%
TSCR (P1R+P2R)	6.19%	8.25%	11.00%
<i>Combined Buffer Requirement (CBR)</i>	2.63%	2.63%	2.63%
<b>OCR (TSCR+CBR)</b>	<b>8.82%</b>	<b>10.88%</b>	<b>13.63%</b>
<b>Capital Ratios</b>	<b>12.87%</b>	<b>12.87%</b>	<b>16.15%</b>

*TSCR - Total SREP Capital Requirement*

*P1R - Pillar 1 Requirement*

*P2R - Pillar 2 Requirement*

*CBR - Combined Buffer Requirement*

*OCR - Overall Capital Requirement*

As of 30 September 2020, the Bank had a CET 1 ratio of 12.87%, higher than the minimum requirements set. Likewise, the Tier 1 ratio and the Total Capital ratio equal to 12.87% and 16.15% are higher than the minimum requirements established.

With regard to Pillar II Capital Guidance,



### Countercyclical Capital Buffer

As of 30 September 2020, the Montepaschi Group is required to hold a countercyclical capital buffer of EUR 561.3 thousand. 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 third 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 September 2020, only the competent authorities of Bulgaria, Hong Kong, Norway, Czech Republic, Slovak Republic, and Luxembourg 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. As shown in the following tables, 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 capital buffer

	Sep-20
10 Total risk exposure amount (RWA)	56,125,871
20 Specific countercyclical coefficient of the institution	0.001%
30 <b>Specific countercyclical capital buffer requirement of the institution</b>	<b>561.3</b>

The tables below provide details on the 30 September 2020 and 31 December 2019. Group's different capital requirements as at



## Capital requirements and Regulatory capital ratios

Regulatory Capital Requirements	Sep-20	Dec-19
<b>Credit and Counterparty Risk</b>	<b>3,358,381</b>	<b>3,618,890</b>
Standardised Approach	1,265,334	1,340,481
Advanced IRB Approach	2,093,046	2,278,409
<b>Market Risks</b>	<b>193,172</b>	<b>211,703</b>
Standardised Approach	193,172	211,703
Internal Models	-	-
<b>Operational Risk</b>	<b>906,269</b>	<b>825,620</b>
Foundation Approach	7,307	7,743
Standardised Approach	-	-
Advanced Approach	898,963	817,877
<b>CVA Risk</b>	<b>32,248</b>	<b>28,515</b>
Originary Exposure Method (OEM)	-	-
Standardised Approach	32,248	28,515
Advanced Approach	-	-
<b>Concentration Risk</b>	<b>-</b>	<b>-</b>
<b>Settlement Risk</b>	<b>-</b>	<b>-</b>
<b>Regulatory Capital Requirements</b>	<b>4,490,070</b>	<b>4,684,728</b>
<b>Risk Weighted Assets</b>	<b>56,125,871</b>	<b>58,559,094</b>
<b>CET1 Capital Ratio</b>	<b>12.87%</b>	<b>14.72%</b>
<b>Tier1 Capital Ratio</b>	<b>12.87%</b>	<b>14.72%</b>
<b>Total Capital Ratio</b>	<b>16.15%</b>	<b>16.69%</b>

**Template IFRS 9/Article 468-FL**

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 IFRS 9 transitional arrangements or equal losses on credits.

The aggregates of prudential supervision contained in this disclosure include any further impact resulting from the new transitional arrangements introduced by Regulation (EU) 2020/873 in response to the COVID-19 pandemic, which extended and strengthened the transitional arrangements pursuant to art. 473 bis of the CRR Regulation.

Here follows the required information, according to the specified informative template in the Annex I of EBA Guidelines

GL/2020/12 (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) amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic.



**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	b	c	d
	Sep-20	Jun-20	Mar-20	Dec-19
<b>Available capital (amounts)</b>				
1 Common Equity Tier 1 (CET1) capital	7,225,949	7,723,868	8,049,172	8,620,324
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,074,513	6,594,351	7,013,684	7,450,340
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	7,249,708	7,715,235	-	-
3 Tier 1 capital	7,225,949	7,723,868	8,049,172	8,620,324
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,074,513	6,594,351	7,013,684	7,450,340
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	7,249,708	7,715,235	-	-
5 Total capital	9,066,100	9,268,738	9,604,658	9,774,660
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,914,663	8,139,221	8,569,170	8,604,676
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	9,089,858	9,260,104	-	-
<b>Risk-weighted assets (amounts)</b>				
7 Total risk-weighted assets	56,125,871	57,799,860	59,257,978	58,559,094
8 Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	56,306,612	58,063,032	59,350,924	58,634,894
<b>Capital Ratios</b>				
9 Common Equity Tier 1 (as a percentage of risk exposure amount)	12.87%	13.36%	13.58%	14.72%
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	10.79%	11.36%	11.82%	12.71%
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	12.92%	13.34%	-	-
11 Tier 1 (as a percentage of risk exposure amount)	12.87%	13.36%	13.58%	14.72%
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.79%	11.36%	11.82%	12.71%
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	12.92%	13.34%	-	-
13 Total capital (as a percentage of risk exposure amount)	16.15%	16.04%	16.21%	16.69%
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.06%	14.02%	14.44%	14.68%
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	16.20%	16.01%	-	-
<b>Leverage Ratio</b>				
15 Leverage ratio total exposure measure	139,521,675	156,278,504	148,953,773	141,097,698
16 Leverage ratio	5.18%	4.94%	5.40%	6.11%
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.34%	4.25%	4.72%	5.29%
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	5.14%	4.94%	-	-



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 208bp and 209bp respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 10.79% (instead of 12.87% transitional arrangements) and 14.06% (instead of 16.15%).

IFRS 9 fully loaded application would have entailed a total CET1 decrease of about EUR 1.2 bn linked to major provisions implemented during FTA on IRB credit exposure.

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.

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.

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".

Capital ratios 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.

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

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

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



## EU OV1 – Overview of RWAs

		RWA		Capital requirements		
		Sep-20	Jun-20	Sep-20	Jun-20	
	1	Credit risk (excluding CCR)	38,313,311	39,881,702	3,065,065	3,190,536
Article 438(c)(d)	2	Of which the standardised approach	12,545,537	13,371,808	1,003,643	1,069,745
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	-	-	-	-
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	25,767,773	26,509,894	2,061,422	2,120,792
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	1,815,838	1,832,874	145,267	146,630
Article 438(c)(d)	7	Of which mark to market	713,246	755,370	57,060	60,430
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	7,803	4,149	624	332
Article 438(c)(d)	12	Of which CVA	403,098	430,543	32,248	34,443
Article 438(e)	13	Settlement risk	-	-	-	-
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	165,796	172,582	13,264	13,807
	15	Of which SEC-IRBA approach	131,509	139,046	10,521	11,124
	16	Of which SEC-ERBA approach	12,558	13,877	1,005	1,110
	17	Of which SEC-SA approach	21,729	20,158	1,738	1,613
	18	Of which 1250%/deductions	-	-	-	-
Article 438(e)	19	Market risk	2,414,649	2,659,088	193,172	212,727
	20	Of which the standardised approach	2,414,649	2,659,088	193,172	212,727
	21	Of which IMA	-	-	-	-
Article 438(e)	22	Large exposures	-	-	-	-
Article 438(f)	23	Operational risk	11,328,364	11,050,406	906,269	884,032
	24	Of which basic indicator approach	91,332	91,332	7,307	7,307
	25	Of which standardised approach	-	-	-	-
	26	Of which advanced measurement approach	11,237,032	10,959,074	898,963	876,726
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	2,087,914	2,203,208	167,033	176,257
Article 500	28	Floor adjustment	-	-	-	-
	29	Total	56,125,871	57,799,860	4,490,070	4,623,989

The sum of rows 1,6 (excluding row 12), 14 and 27 is consistent with the item of total credit and counterparty risk of following tables. Row 6 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 691,690 of RWA as at 30/09/2020.



As of 30 September 2020 RWAs recorded an decrease, compared to the previous quarter, mainly attributable to lower RWAs relating to credit and counterparty risk for which there was a decrease in the advanced IRB portfolios, mainly attributable to the application of the supporting factor for exposures to SMEs as well as to new disbursements which benefit from high standing guarantees. The decrease in RWAs relating to market risk is linked to lowe positions in debt securities.

### Capital requirements for Credit and Counterparty Risk

	Sep-20	Dec-19
	Requirements	Requirements
<b>Standard Approach</b>		
<b>Standard Approach Total</b>	<b>1,265,334</b>	<b>1,340,481</b>
<i>of which: Counterparty Risk</i>	<i>91,291</i>	<i>85,139</i>
<b>IRB Approach</b>		
<b>IRB Approach Total</b>	<b>2,093,046</b>	<b>2,278,409</b>
<i>of which: Counterparty Risk</i>	<i>21,104</i>	<i>19,374</i>
<b>Total</b>	<b>3,358,381</b>	<b>3,618,890</b>
<i>of which: Counterparty Risk</i>	<i>112,395</i>	<i>104,512</i>

The capital requirement for counterparty risk is reported in the individual regulatory amounts to EUR 112,395 thousand and has portfolios of the standard approach and the been calculated on both the Trading Portfolio AIRB approach in following table. and the Banking Book. The requirement, summarised by methodology in table above,



## Capital requirements for Credit and Counterparty Risk

Standard Approach	Sep-20	Dec-19
Exposures to central governments or central banks	112,583	139,689
Exposures to regional governments or local authorities	25,246	24,657
Exposures to public sector entities	29,810	28,966
Exposures to multilateral development banks	-	-
Exposures to International organisations	-	-
Exposures to institutions	152,304	161,965
Exposures to Corporates	248,377	266,280
Retail exposures	38,036	47,422
Exposures secured by mortgages on immovable property	33,364	44,566
Exposures in default	28,097	36,424
Exposures associated with high risk	27,734	39,754
Exposures in the form of covered bonds	6,745	6,843
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures to collective investments undertaking	16,091	18,362
Equity exposures	154,211	179,493
Other exposures	389,370	344,224
Securitization positions*	2,743	712
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	624	1,123
<b>Total standardised approach</b>	<b>1,265,334</b>	<b>1,340,481</b>
<b>AIRB Approach</b>		
Exposures to or secured by corporates:	1,396,461	1,578,584
- SMEs	569,460	717,067
- Other companies	728,719	740,363
- Specialized lending	98,282	121,154
Retail exposures:	686,065	688,067
- secured by real estate: SMEs	142,966	148,355
- secured by real estate: Individuals	328,287	292,365
- Qualifying revolving	470	597
- Other retail exposures: SMEs	193,125	223,332
- Other retail exposures: Individuals	21,217	23,418
Securitization positions*	10,521	11,757
<b>Total AIRB approach</b>	<b>2,093,046</b>	<b>2,278,409</b>
<b>Total Credit and Counterparty Risk</b>	<b>3,358,381</b>	<b>3,618,890</b>

\* 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 method) –Specialised Lending - slotting for credit and counterparty risk (IRB criteria, for market risk and operational risk.



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

Risk weight	Sep-20	Dec-19
Category 1 - 50%	532	118
Category 1 - 70% equal to or greater than 2.5 years	11,021	9,787
Category 2 -70% less than 2.5 years	13,039	7,502
Category 2 - 90%	50,870	68,762
Category 3 - 115%	20,898	27,213
Category 4 - 250%	1,922	7,771
Category 5 - 0%	-	-
<b>Total</b>	<b>98,282</b>	<b>121,154</b>

### Capital requirements for Market Risk

Standardised Approach	Sep-20	Dec-19
Position risk on debt instruments	135,795	125,313
Position risk on equity	27,605	45,442
Foreign exchange risk	9,344	14,451
Commodities risk	12,252	9,960
CIU Risk	8,175	16,536
<b>Total standardised approach</b>	<b>193,172</b>	<b>211,703</b>
<b>Internal models</b>		
<b>Total internal models</b>	-	-
<b>Total Market Risks</b>	<b>193,172</b>	<b>211,703</b>

### Capital requirements for Operational Risk

Requirements by approach	Sep-20	Dec-19
Foundation approach	7,307	7,743
Standardised approach	-	-
Advanced Measurement approach	898,963	817,877
<b>Total Operational Risk</b>	<b>906,269</b>	<b>825,620</b>

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

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

	a RWA amounts	b Capital requirements
1 <b>RWA as of 30 June 2020</b>	<b>26,509,894</b>	<b>2,120,792</b>
9 <b>RWA as of 30 September 2020</b>	<b>25,767,773</b>	<b>2,061,422</b>

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



## 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.

### Liquidity ratios

	Sep-20	Dec-19
LCR	173.6%	152.4%
NSFR	119.3%	112.6%



## 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 calculate 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 5.18% as of 30 September 2020. Using regulatory capital calculated by applying the rules established for full implementation, the ratio stands at 4.42%.

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 table below shows the financial leverage ratio as of 30 September 2020. The figures shown relate to the calculation of the leverage ratio according to applicable transitional provisions for reporting purposes.

**Leverage Ratio**

		Sep-20	Dec-19
<b>Capital and total exposures</b>			
20	Tier 1 capital	7,225,949	8,620,324
21	Total exposures	139,521,675	141,097,698
<b>Leverage ratio</b>			
22	Basel III leverage ratio	5.18%	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 2019. As of 30 September 2020, the Group recorded a decrease in the financial leverage indicator linked to the decrease in both, the total exposures and the Tier 1 capital, compared with 31 December 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, 5 November 2020

**Nicola Massimo Clarelli**

Financial Reporting Officer



## List of Tables

Main features of the instrument . . . . .	14
Main features of the instrument . . . . .	15
Main features of the instrument . . . . .	16
Main features of the instrument . . . . .	17
Own funds disclosure template . . . . .	18
Own funds disclosure template . . . . .	19
Own Funds: Additional Tier 1 (AT1) . . . . .	20
Own Funds: Capital ratios and buffers . . . . .	21
Reconciliation of shareholders' equity and the Common Equity Tier 1 . . . . .	22
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 . . . . .	23
Amount of institution-specific countercyclical capital buffer . . . . .	27
Capital requirements and Regulatory capital ratios . . . . .	28
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 . . . . .	30
EU OV1 – Overview of RWAs . . . . .	32
Capital requirements for Credit and Counterparty Risk . . . . .	33
Capital requirements for Credit and Counterparty Risk . . . . .	34
Capital requirements for Credit and Counterparty Risk (IRB methods) – Specialised lending - slotting criteria . . . . .	35
Capital requirements for Market Risk . . . . .	35
Capital requirements for Operational Risk . . . . .	35
EU CR8 – RWA flow statements of credit risk exposures under the IRB approach . . . . .	35
Liquidity ratios . . . . .	36
Leverage Ratio . . . . .	36



## 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: Available at: <a href="https://www.gruppomps.it/en/corporate-governance/corporate-governance-report.html">https://www.gruppomps.it/en/corporate-governance/corporate-governance-report.html</a>
Art. 437 - Own funds	Par.a	Chapter Own Funds
	Par. d	Chapter Own Funds
	Par. e/f	Chapter Own Funds
Art. 438 - Capital requirement	Par. a,b,c,d	Chapter Capital requirements
	Par. e; f	Chapter Capital requirements
	Slotting criteria	Chapter Capital requirements
Art. 440 - Capital buffers	Par.a;	Chapter Capital requirements
	Par. b	Chapter Capital requirements - Section countercyclical capital buffer
Art. 445 - Exposure to market risk		Chapter Capital requirements
Art. 450 - Remuneration Policy		Introduction: Available at: <a href="https://www.gruppomps.it/en/corporate-governance/remuneration.html">https://www.gruppomps.it/en/corporate-governance/remuneration.html</a>
Art. 451 - Leverage		Chapter leverage ratio

## 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 OV1	Overview of RWAs	Chapter Capital requirements
EU CR8	RWA flow statements of credit risk exposures under the IRB approach	Chapter Capital requirements

## Appendix 3 - Details of Information provided in compliance with EBA Guidelines GL 2020/12

Guidelines on uniform disclosure of IFRS 9 transitional arrangements EBA/GL/2020/12	Reference to the present document Pillar 3
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	Chapter Capital requirements





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