Pillar 3 Disclosure

Update as at
30 September 2021

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
30 September 2021

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 publication of information in accordance with recent regulatory guidance continues with this document for the third quarter of 2021. These disclosures are made in accordance with the requirements of CRR2 and associated European guidance.

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.

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.

Pillar 3 disclosure provides sufficient and accurate information as well as key prudential data for investors to make informed investment decisions regarding Montepaschi Group.

The reference regulation is the Regulation (EU) No 2019/876 (CRR2) amending Regulation (EU) No 575/2013 (CRR), which mandates the EBA, in Article 434a, to develop draft implementing technical standards (ITS) specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required under Titles II and III of Part Eight of the CRR shall be made.

The new Pillar 3 disclosure framework does not replace the following guidelines, which will continue to apply:

- Guidelines on disclosure requirements of IFRS 9 transitional arrangement (EBA/GL/2020/12);
- half-yearly reports, of a temporary nature, based on Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07).

In addition, starting from June 2021, templates and tables required by the Consultation Paper EBA/CP/2021/20 on the disclosure of exposures to interest rate risk on positions not held in the trading book, were introduced.

In addition, the new Interest rate Banking Book (IRRBB) disclosures required by Consultation Paper EBA/CP/2021/20 are introduced with effect from 30-06-2021.Pillar 3 Disclosure is prepared at consolidated level by the Parent Company. For additional information not contained in this document, particularly regarding the general, organizational, and methodological aspects relating to the different types of risk, please refer to Annual Pillar 3 Report as of December 31st, 2020. Further information on the Group's risk profile, pursuant to Art. 434 of the CRR, is also published in the Consolidated Half-yearly Report as at June 30th, 2021, the Report on Corporate Governance, and the Remuneration Report. The current update introduces the templates required by the Final draft ITS on institutions' public disclosures e riporta anche i valori relativi ai periodi precedenti. 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.

Annex I - Disclosure of key metrics and overview of risk-weighted exposure amounts EU KM1 – Key metrics template

EU KM1 – Key metrics template

		a	b	c	d	e
		Sep-21	Jun-21	Mar-21	Dec-20	Sep-20
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,948,693	6,058,299	5,957,629	6,053,319	7,225,949
2	Tier 1 capital	5,948,693	6,058,299	5,957,629	6,053,319	7,225,949
3	Total capital	7,685,725	7,742,337	7,761,153	7,859,937	9,066,100
	Risk-weighted exposure (amounts)					
4	Total risk-weighted exposure amount	48,206,191	49,985,782	48,901,422	49,903,123	56,125,871
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	12.34%	12.12%	12.18%	12.13%	12.87%
6	Tier 1 ratio (%)	12.34%	12.12%	12.18%	12.13%	12.87%
7	Total capital ratio (%)	15.94%	15.49%	15.87%	15.75%	16.15%
	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%	3.0000%	3.0000%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.5469%	1.5469%	1.5469%	1.6880%	1.6880%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.0625%	2.0625%	2.0625%	2.2500%	2.2500%
EU 7d	Total SREP own funds requirements (%)	10.7500%	10.7500%	10.7500%	11.0000%	11.0000%
	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 (%)	0.0030%	0.0020%	0.0020%	0.0010%	0.0010%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	0.1900%	0.1900%	0.1900%	0.1300%	0.1300%
11	Combined buffer requirement (%)	2.6930%	2.6920%	2.6920%	2.6310%	2.6310%
EU 11a	Overall capital requirements (%)	13.4430%	13.4420%	13.4420%	13.6310%	13.6310%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.2776%	4.0575%	1.5116%	0.8124%	1.2152%
	Leverage ratio					
13	Leverage ratio total exposure measure	129,024,289	131,655,473	129,883,491	137,983,522	139,521,675
14	Leverage ratio	4.6105%	4.6016%	4.5870%	4.3870%	5.1790%
	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%	-	-	-
	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%	-	-	-
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	29,564,545	29,584,344	28,315,278	26,843,983	26,046,816
EU 16a	Cash outflows - Total weighted value	17,709,113	18,324,084	18,115,356	18,044,518	17,588,646
EU 16b	Cash inflows - Total weighted value	1,796,057	1,890,282	2,049,380	2,201,879	2,393,719
16	Total net cash outflows (adjusted value)	15,913,056	16,433,802	16,065,976	15,842,639	15,194,927
17	Liquidity coverage ratio (%)	186.14%	180.46%	176.43%	169.75%	172.86%
	Net Stable Funding Ratio					
18	Total available stable funding	110,495,097	114,114,802	-	-	-
19	Total required stable funding	84,232,169	84,450,283	-	-	-
20	NSFR ratio (%)	131.18%	135.13%	124.35%	123.77%	119.31%

EU OV1 – Overview of total risk exposure amounts

		RWA		Capital requirements	
		Sep-21	Jun-21	Sep-21	Jun-21
1	**Credit risk (excluding CCR)**	**30,987,843**	**32,852,971**	**2,479,027**	**2,628,238**
2	Of which the standardised approach	12,133,762	12,340,453	970,701	987,236
3	Of which the foundation IRB (FIRB) approach	-	-	-	-
4	Of which: slotting approach	1,328,243	1,301,383	106,259	104,111
EU 4a	Of which: equities under the simple riskweighted approach	-	-	-	-
5	Of which the advanced IRB (AIRB) approach	17,525,838	19,211,136	1,402,067	1,536,891
6	**Counterparty credit risk - CCR**	**2,245,053**	**2,308,055**	**179,604**	**184,644**
7	Of which the standardised approach	1,039,354	1,030,932	83,148	82,475
8	Of which internal model method (IMM)	-	-	-	-
EU 8a	Of which exposures to a CCP	47,099	34,346	3,768	2,748
EU 8b	Of which credit valuation adjustment - CVA	890,502	812,967	71,240	65,037
9	Of which other CCR	268,098	429,810	21,448	34,385
15	**Settlement risk**	**-**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**873,032**	**806,510**	**69,843**	**64,521**
17	Of which SEC-IRBA approach	843,559	777,136	67,485	62,171
18	Of which SEC-ERBA (including IAA)	16,394	16,935	1,312	1,355
19	Of which SEC-SA approach	13,079	12,440	1,046	995
EU 19a	Of which 1250%/ deduction	-	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**2,777,601**	**2,586,837**	**222,208**	**206,947**
21	Of which the standardised approach	2,777,601	2,586,837	222,208	206,947
22	Of which IMA	-	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**	**-**
23	**Operational risk**	**11,322,662**	**11,431,410**	**905,813**	**914,513**
EU 23a	Of which basic indicator approach	84,207	84,207	6,737	6,737
EU 23b	Of which standardised approach	-	-	-	-
EU 23c	Of which advanced measurement approach	11,238,455	11,347,203	899,076	907,776
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**1,985,759**	**1,985,631**	**158,861**	**158,850**
29	**TOTAL**	**48,206,191**	**49,985,782**	**3,856,495**	**3,998,863**

Credit Risk RWAs under the standardized approach decreased, largely due to normal business activities with institutions and corporates, while RWAs related to AIRB Credit Risk fell due to the introduction of the new LGD grids. Operational Risk RWAs declined by end Q3 relating to updates to operational losses already included in the time series. Market Risk RWAs increased essentially due to bond positions in US dollars, securitizations, and commodity. CVA Risk RWAs was down in Q3, linked to transactions carried out with major banking counterparties.

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 Sep-21	b Jun-21	c Mar-21	d Dec-20
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,948,693	6,058,299	5,957,629	6,053,319
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,181,250	5,238,609	5,042,575	4,835,626
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	5,991,275	6,103,086	6,006,669	6,121,124
3	Tier 1 capital	5,948,693	6,058,299	5,957,629	6,053,319
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,181,250	5,238,609	5,042,575	4,835,626
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	5,991,275	6,103,086	6,006,669	6,121,124
5	Total capital	7,685,725	7,742,337	7,761,153	7,859,937
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,925,571	6,962,242	6,846,099	6,642,244
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	7,728,307	7,787,124	7,810,193	7,927,743
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	48,206,191	49,985,782	48,901,422	49,903,123
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48,117,428	49,874,762	48,787,794	49,798,401
Capital Ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	12,34%	12,12%	12,18%	12,13%
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%	10.50%	10.34%	9.71%
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	12.42%	12.21%	12.27%	12.26%
11	Tier 1 (as a percentage of risk exposure amount)	12.34%	12.12%	12.18%	12.13%
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%	10.50%	10.34%	9.71%
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	12.42%	12.21%	12.27%	12.26%
13	Total capital (as a percentage of risk exposure amount)	15.94%	15.49%	15.87%	15.75%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.39%	13.96%	14.03%	13.34%
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	16.03%	15.57%	15.96%	15.88%
Leverage ratio					
15	Leverage ratio total exposure measure	129,024,289	131,655,473	129,883,491	137,983,522
16	Leverage ratio	4.61%	4.60%	4.59%	4.39%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4.04%	4.00%	3.91%	3.54%
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	4.64%	4.64%	4.62%	4.44%

The application of the IFRS 9 fully loaded without taking into account the impact deriving from the cohesion with he transitional regime expected from 2018, would have entailed a reduction of 157 bp and 155 bp, respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 10.77% (instead of 12.34% transitional arrangements) and 14.39% (instead of 15.94%) respectively of CET1 ratio and total capital ratio. IFRS 9 fullyloaded application would have entailed a total CET1 decrease of about 0.8 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 YYY)	**Sep-21**	**Jun-21**	**Mar-21**	**Dec-20**	**Sep-21**	**Jun-21**	**Mar-21**	**Dec-20**
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)**					**29,565**	**29,584**	**28,315**	**26,844**
2	Retail deposits and deposits from small business customers, of which:	52,935	52,093	51,063	49,713	3,408	3,346	3,276	3,186
3	*Stable deposits*	*41,890*	*41,347*	*40,634*	*39,628*	*2,094*	*2,067*	*2,032*	*1,981*
4	*Less stable deposits*	*11,046*	*10,746*	*10,429*	*10,085*	*1,313*	*1,279*	*1,244*	*1,205*
5	**Unsecured wholesale funding**	**23,440**	**24,159**	**23,885**	**23,589**	**10,902**	**11,379**	**10,911**	**10,507**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	*1,710*	*3,530*	-	-	*390*	*808*
7	Non-operational deposits (all counterparties)	23,410	24,132	22,148	19,924	10,872	11,351	10,493	9,565
8	Unsecured debt	30	28	27	135	30	28	27	135
9	Secured wholesale funding					331	248	176	252
10	Additional requirements	3,720	3,829	3,758	3,625	1,263	1,337	1,326	1,229
11	Outflows related to derivative exposures and other collateral requirements	793	861	859	856	793	861	859	856
12	Outflows related to loss of funding on debt products	136	139	136	42	136	139	136	42
13	Credit and liquidity facilities	2,791	2,829	2,762	2,727	333	337	331	331
14	Other contractual funding	1,896	2,142	2,501	2,992	108	336	742	1,180
15	Other contingent funding obligations	25,428	24,179	23,496	23,128	1,698	1,677	1,685	1,690
16	TOTAL CASH OUTFLOWS					17,709	18,324	18,115	18,045
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	6,714	6,715	6,305	5,352	103	93	76	67
18	Inflows from fully performing exposures	1,795	1,950	2,165	2,303	995	1,071	1,180	1,249
19	Other cash inflows	3,176	3,374	3,681	4,114	697	726	793	886
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	11,685	12,040	12,151	11,769	1,796	1,890	2,049	2,202
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*11,641*	*11,997*	*12,108*	*11,717*	*1,796*	*1,890*	*2,049*	*2,202*
EU-21	LIQUIDITY BUFFER					29,565	29,584	28,315	26,844
22	TOTAL NET CASH OUTFLOWS					15,913	16,434	16,066	15,843
23	LIQUIDITY COVERAGE RATIO (%)					186.14%	180.46%	176.43%	169.75%

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 Q3 2021, 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 and adequate safety buffer.

The indicator was down by end Q3 (from 194.2% in Q2 to 181.2% - end of period values) driven by an expected contraction in commercial funding due to business strategies.

It should be noted that no methodological changes in the representation of the indicator were made in the third quarter of 2021.

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

At the end of September 2021, in accordance with what is monitored through the Additional Liquidity Monitoring Metrics (ALMM) regulatory reporting, funding through unsecured channels amounts to roughly 64% of the total, of which 8% relating to financial non-retail counterparties and 14% relating to non-financial non-retail counterparties.

Significant mitigation of the concentration risk of the MPS Group's funding sources was determined by the termination of the relationshio with "CSEA Cassa per i Servizi Energetici e Ambientali", which absorbed around 16% of the total non-financial non-retail counterparties while, currently, the largest exposure does not exceed 1% of the total funding carried out through unsecured channels.

In September 2021, the Liquidity buffer shows a prevalence of available liquidity deriving from the reserve held with the ECB (82% of the total Liquidity Buffer) and a significant component of Italian and European (16%) government bonds, 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 3%. 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

		RWA
1	**Risk weighted exposure amount as at the end of 30.06.2021**	**20,917,418**
2	Asset size	-280,041
3	Asset quality	-
4	Model updates	-1,071,644
5	Methodology and policy	-329,213
6	Acquisitions and disposals	-742,680
7	Foreign exchange movements	-
8	Other	-
9	**Risk weighted exposure amount as at the end of 30.09.2021**	**19,235,777**

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, 4 November 2021

Nicola Massimo Clarelli

Financial Reporting Officer

List of tables

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 30/09/2021	Annex
EU KM1	Key Metrics	Disclosure of key metrics and overview of risk weighted exposure amounts	I
EU OV1	Overview of risk weighted exposure amounts		
EU LIQ 1	Quantitative information of LCR	Disclosure of liquidity requirements	XIII
EU LIQB	Qualitative information on LCR, which complements template EU LIQ1		
EU CR8	RWEA flow statements of credit risk exposures under the IRB approach	Disclosure of the use of the IRB approach to credit risk	XXI

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

Details of Information provided in compliance with EBA Guidelines GL/2020/12		*Reference to the present document Pillar III 30/09/2021*
Template IFRS 9/Article 468-FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	*Disclosure of key metrics and overview of risk-weighted exposure amounts*

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