Pillar 3 Disclosure

Update as at
31 March 2021

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
31 March 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

Content

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").

Under the terms of Article 433 of the CRR, banks to publish information previste dalla normativa comunitaria 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, supplemented in the half-yearly report with additional information on credit, counterparty, market and operational risks.

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. This document was supplemented with the information schemes of such Guidelines, the placement of which within the document is summarised in Appendix 2. The information was also supplemented on the basis of the EBA orientations. Information must be both qualitative and quantitative in nature and be structured so as to provide a comprehensive overview of the risks assumed, the features of the management and control system and the capital adequacy of the Montepaschi Group. 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 (cf. Appendix 3).

The current document, therefore, provides an update as at 31 March 2021 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 2020.

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 31 March 2021, 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 2020.

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

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

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

Own Funds

Own funds, an element of Pillar 1, are calculated according to Basel 3 rules implemented in Europe throug a comprehensive body of regulations, consisting of the Capital Requirements Regulation (CRR), European Regulation No. 575/2013, and related integrations, by the Capital Requirements Directive (CRD IV), by Regulatory Technical Standards and Implementing Technical Standards issued by the EBA, and by supervisory instructions issued by Bank of Italy (specifically, Circular nos. 285 and 286).

Own funds calculation is not only subject to the transitional period for the introduction of the "Basel 3" regulatory framework, which moreover expired on 31 December 2017 but also to the transitional provisions introduced by Regulation (EU) 2017/2395, aimed at mitigating the capital impacts linked to the introduction of the financial reporting standard IFRS 9 as well as the new grandfathering framework introduced by CRR to the instruments issued before 27 June 2019 and valid till 28 June 2025 for those instruments that do not comply with the new computability conditions presented.

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 the following:

- Tier 1 (T1) capital, consisting of:
  - Common equity Tier 1 (CET1);
  - Additional Tier 1 (AT1);
- 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 2020.

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 introduced, inter alia, measures to relax the capital requirements applicable as of 27 June 2020, including 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 2020-2024 period with respect to 1 January 2020 for stage 1 and 2 portfolios. In particular, theinto Common Equity Tier 1 capital of a progressively decreasing share of the effect of the higher adjustments, equal to 100% in 2020 and 2021, 75% in 2022, 50% in 2023 and 25% in 2024. In addition, banks are allowed to re-introduce within CET 1 capital any increase in value adjustments recognized at 1 January 2020 with respect to 1 January 2018 for exposures classified in stages 1 and 2 (progressively decreasing until 2022; that is, 95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022).

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

On 26 June 2020, BMPS, availing itself of the option provided for by Article 468 of CRR, as amended by Regulation (EU) 2020/873, has communicated to the competent supervisory authorities the intention to apply, at consolidated and individual level, the prudential filter relating to the OCI reserve on government bonds to attenuate the negative impact of the levels of volatility in the financial markets and the debt of central administrations on regulatory capital linked to the COVID-19 emergency. The temporary treatment, applicable in the period from 1 January 2020 to 31 December 2022, as set out in Article 468, allows banks to exclude from Common Equity Tier 1 capital the progressively decreasing amount of unrealised profits and losses accumulated starting from 31 December 2019, accounted for in the financial statement item "Changes in the fair value of debt instruments measured at fair value through other comprehensive income", with reference to exposures to central administrations, exposures to regional governments or local authorities (Article 115, paragraph 2 of CRR), and exposure to public sector entities (Article 116, paragraph 4 of CRR) provided such exposures are not classified as non-performing financial assets. Institutions shall apply the following percentages:

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

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

Main Features of the instrument*

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS1752894292**
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	750
9	Nominal amount of instrument (currency in million)	750
9a	Issue price	100,00
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	43118
12	Perpetual or dated	On maturity
13	Original maturity date	46770
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Issuer's optional call on 18/01/2023 (the "Issuer Call Date") at par, plus accrued interests. Upon occurrence of a "Capital Event" or for tax reasons at par, plus accrued interests.
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a. with reset after 5 years
18	Coupon rate and any related index	5.375% till 18/01/2023, thereafter 5y eur mid swap rate +5.005%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or Noncumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

* *"N/A" if the question is not applicable*

Main Features of the instrument*

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS2031926731**
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	300
9	Nominal amount of instrument (currency in million)	300
9a	Issue price	100,00
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	43669
12	Perpetual or dated	On maturity
13	Original maturity date	47322
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Upon occurrence of a "Capital Event" or for tax reasons at par, plus accrued interests.
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a.
18	Coupon rate and any related index	0,105
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or Noncumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

* *"N/A" if the question is not applicable*

Main Features of the instrument*

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS2106849727**
3	Governing law(s) of the instrument	English law except for subordination and "Statutory Loss Absorption Powers" conditions which are governed by Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	400
9	Nominal amount of instrument (currency in million)	400
9a	Issue price	100,00
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	43852
12	Perpetual or dated	On maturity
13	Original maturity date	47505
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
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a. with reset after 5 years
18	Coupon rate and any related index	8,000% till 22/01/2025, thereafter 5y eur mid swap rate +8,149%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Cumulative or Noncumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

* *"N/A" if the question is not applicable*

Main Features of the instrument*

1	Issuer	Banca Monte dei Paschi di Siena S.p.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**XS2228919739**
3	Governing law(s) of the instrument	Italian law
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Individual entity and consolidated
7	Instrument type	Tier 2 instrument pursuant to Art. 63 CRR
8	Amount recognised in regulatory capital or eligible liabilities (currency in million)	300
9	Nominal amount of instrument (currency in million)	300
9a	Issue price	100,00
9b	Redemption price	100
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	44084
12	Perpetual or dated	On maturity
13	Original maturity date	47736
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
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed rate p.a. with reset after 5 years
18	Coupon rate and any related index	8,500% 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

* *"N/A" if the question is not applicable*

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

Moreover, the comparison with 31 December 2020 is brought according to the rules in force on 31 December 2020.

Own funds disclosure template

	Common Equity Tier 1: instruments and reserves	Mar-2021	Dec-2020
1	Capital instruments and the related share premium accounts	9,195,012	9,195,012
	of which: Paid up capital instruments	*9,195,012*	*9,195,012*
2	Retained earnings	-3,522,287	-1,822,533
3	Accumulated other comprehensive income (and other reserves, to include unrealised gain and losses under the applicable accounting standards)	474,176	412,885
3a	Funds for general banking risk	-	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premiun account subkect to phase out from CET1	-	-
5	Minority Interests (amount allowed in consolidated CET1)	-	-
5a	Independently reviewed interim profits net of any foreseeable change or dividend	-	-1,688,984
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6,146,901**	**6,096,381**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-29,601	-35,014
8	Intangible assets (net of related tax liability) (negative amount)	-119,375	-120,709
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)	-156,183	-147,133
11	Fair value reserves related to gains or losses on cash flow hedges	-1,071	-1,071
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resullting from changes in own credit standing	-27,412	-29,828
15	Defined-benefit pension fund assets	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-260,737	-313,710
17	Holdings of the CET1 instruments of financial sector entitites where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negarive amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entitites where the institution has a significant investment in those entities (amount above 10% threshold and net the eligible short positions) (negative amount)	-384,176	-439,045
20a	Exposure amount of the following items which quality for a RW of 1250%, where the institution opts for the deduction alternative	-7,142	-6,981
20b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	-
20c	*of which: securitisation positions (negative amount)*	*-7,142*	*-6,981*
20d	*of which: free deliveries (negative amount)*	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	-	-
22	Amount exceeding the 15% threshold (negative amount)	-68,220	-91,270
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entites where the institution has a significatn investment in those entitites*	*-45,455*	*-59,978*
25	*of which: deferred tax assets arising from temporary differences*	*-22,766*	*-31,292*
25a	Losses for the current financial year (negative amount)	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR [1]	864,645	1,141,696
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	**Total regulatory adjustments to Common equity Tier 1 (CET1)**	**-189,272**	**-43,063**
29	**Common Equity Tier 1 (CET1) Capital**	**5,957,629**	**6,053,319**

[1] *Such item includes IFRS 9 transitional adjustments for EUR 913,507 thousand (EUR 1,209,107 thousand as of 31/12/2020), and other deduction with 17.65% thresholds for 395 €/thousand (395 €/thousand as at 31/12/2020). The amount as at 31/03/2021 also includes regulatory adjustments to unrealised gains and losses pursuant to Articles 467 and 468 for -49,040 €/thousand (-67,806 €/thousand as at 31/12/2020).*

Own Funds: Additional Tier 1 (AT1) capital

		Mar-2021	Dec-2020
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	-
31	*of which: classified as equity under applicable accounting standards*	-	-
32	*of which: classified as liablilities under applicable accounting standards*	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	Holdings of the AT1 instruments of financial sector entities where those entitites have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**-**
44	**Additional Tier 1 (AT1) capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**5,957,629**	**6,053,319**

Own Funds: Tier 2 (T2) capital

		Mar-2021	Dec-2020
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the realted share premium accounts	1,750,000	1,750,000
47	Amopunt of qualifying items referred to in Articole 484 (5) and the related share premium accounts subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Credit risk adjustments	119,523	122,511
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,869,523**	**1,872,511**
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings iof the T2 instruments and subordinated loans of financial sector entitites where those entitites have recirpocal cross holdings with the institution designed to inflate artificialli the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entitites where the institution does not have a significant investment in those entities (amount above 10% threshdol and net of eligible short positions) (negative amount)	-	-
55	Direct and indrect holdings by the institution of the T2 instruments and subordinated loans fo financial sector entitites where the institution has a significant investment in those entities (net eligible of short positions)	-65,999	-65,892
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-65,999**	**-65,892**
58	**Tier 2 (T2) capital**	**1,803,524**	**1,806,619**
59	**Total Capital (TC= T1+T2)**	**7,761,153**	**7,859,937**
60	**Total Risk Weighted Assets**	**48,901,422**	**49,903,123**

Own Funds: Capital ratios and buffers

		Mar-2021	Dec-2020
	Capital ratios and buffer		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.18%	12.13%
62	Tier 1 (as a percentage of risk exposure amount)	12.18%	12.13%
63	Total capital (as a percentage of risk exposure amount)	15.87%	15.75%
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)	7.19%	7.13%
65	*of which: capital conservation buffer requirement*	*2.500%*	*2.500%*
66	*of which: countercyclical buffer requirement*	*0.002%*	*0.001%*
67	*of which: systemic risk buffer requirement*	-	-
67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*0.19%*	*0.13%*
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) [2]	6.18%	6.13%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	177,626	148,680
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)	554,538	544,194
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)	277,738	283,924
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to sIRB approach (prior to the application of the cap)	423,033	373,101
79	Cap on inclusion of credit risk adjustments in T2 under IRB approach	119,523	122,511
	Capital instruments subject to phase-out arrangements (only 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess mover cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

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

Reconciliation of shareholders' equity and the Common Equity Tier 1

Items	Mar-2021	Dec-2020*
Group Equity	6,005,425	5,771,880
Minority Equity	1,450	1,310
Net Assets of the Balance Sheet	**6,006,874**	**5,773,190**
Net Assets after distribution to shareholders	**6,006,874**	**5,773,190**
Adjustments for instruments computable in AT1 or T2		
- Capital share computable in AT1	-	-
- Minority interests computable	-1,450	-1,310
- Own shares included in the regulatory adjustments	-260,737	-313,710
- Other components non computable in regime	-1,071	-1,071
Common Equity Tier 1 (CET1) before the regulatory adjustments	**6,004,353**	**5,770,809**
Regulatory adjustments (including adjustments of the transitional period)	-46,725	282,510
Common Equity Tier 1 (CET1) net of regulatory adjustments	**5,957,629**	**6,053,319**

* *The balance sheet values as at 31 December 2020 have been restated compared to what was published in the 2020 Annual Report, following the retrospective application of the change in the approach for the valuation of investment property (pursuant to IAS 40).*

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

Items (Euro th)	Financial Statement	Prudential Statement	Information about differences	Relevant amount for the purpose of Own Funds	See Table "Own Funds Disclosure Template"
Assets					
70. Equity investments	1,069,189	1,130,042	60,853	-375,895	8, 18, 19, 23
of which: implicit goodwill	*49,112*	*49,112*	-	*-49,112*	*8*
100. Intangible assets	180,252	180,252	-	-180,252	8
of which: goodwill	*7,900*	*7,900*	-	*-7,900*	*8*
of which: other intangible assets	*172,352*	*172,352*	-	*-172,352*	*8*
110. Tax assets	1,919,762	1,918,574	-1,188	-178,949	10, 21, 25
of which: tax assets that rely on future profitability and do not arise from temporary differences net of the related deferred tax liability"	*205,881*	*205,881*	-	*-156,183*	*10*
Liabilities and Shareholders' Equity					
10. Financial liabilities measured at amortised cost - c) debts securities issued	12,573,185	12,573,185	-	1,750,000	32, 33, 46, 52
30. Financial liabilities designated at fair value	190,853	190,853	-	-	33
120. Valuation reserves	367,641	367,641	-	360,092	3, 11
of which: FVOCI	*232,082*	*232,082*	-	*361,163*	*3 (FVOCI)*
of which: CFH	-	-	-	*-1,071*	*3(CFH),11*
of which: legally-required revaluations	-	-	-	-	*3(rival)*
of which: other	*135,559*	*135,559*	-	-	*3(other)*
150. Reserves	-3,415,752	-3,415,752	-	-3,409,274	2, 3
160. Share premium reserve	-	-	-	-	-
170. Share Capital	9,195,012	9,195,012	-	9,195,012	1, 2, 31
180. Treasury shares	-260,737	-260,737	-	-260,737	16
200. Profit/loss for the period	119,260	119,260	-	-	5a, 25a
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-	-	-	-27,412	14
Value adjustments due to the requirements for prudent valuation	-	-	-	-29,601	7
IRB Shortfall of credit risk adjustments to expected losses	-	-	-	-	12
IRB Excess of provisions over expected losses eligible	-	-	-	119,523	50
Filter on double tax realignment	-	-	-	-	26b
Filter for IAS 39 and IFRS 9	-	-	-	864,645	26b
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities	-	-	-	-	39
Direct and indirect holdings of Tier 2 instruments of financial sector entities where the institution has a significant investment	-	-	-	-65,999	54, 55
Indirect investments	-	-	-	-	-
Total Own Funds	**-**	**-**	**-**	**7,761,153**	

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 2020.

Capital Adequacy

Starting from January 2014, under the prudential regulation, the minimum equity requirements are as follows: CET1 ratio of at least 4.5%, un AT1 ratio of at least 6% e unTotal Capital ratio of at least 8% of the Group's total risk exposure. In addition to maintaining these minimum requirements against Pillar 1 risk, there is a further Core Equity Tier 1 component against Pillar 2 risks established following the annual SREP, as well as the following buffers also made up of CET1:

- capital conservation buffer – aimed at preserving the minimum level of regulatory capital during difficult periodsin the market, through the allocation of high-quality capital in periods in which there are no market tensions. This reserve is mandatory and must be 2.5% from of 1 January 2019;
- countercyclical capital buffer - 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 is calculated according to CRD IV provisions by the competent national authorities; in the fourth quarter of 2020, the countercyclical buffer for Italy was kept at 0%. For the other credit exposures, the Group uses the countercyclical buffers established by the counterparty's Member State authorities in accordance with applicable regulations;
- the systemic risk buffer, aimed at dealing with long-term non-cyclical systemic risk in the financial sector, is to be established by the Member States and, currently, has not yet been determined by the Bank of Italy;
- G-SII buffer for global systemically important banks and O-SII buffer for other systemically important institutions - impose higher capital requirements on those entities based on their systemic relevance, at a global or national level, which pose greater risks for the financial system and for which a crisis could have impacts on contributors. It should be noted that from 1 January 2020,

compared to 2019, the Monte dei Paschi di Siena is back to being identified as an institution of relevance national systemic (Other Systemically Important Institution, O-SII), exceeding the minimum thresholds indicated by the EBA guidelines in terms of size, importance for the economy Italian, complexity and interconnection with the financial system.

The combination of these buffers determines the Combined Buffer Requirement (CBR).

Capital requirements – 2021

On 28 December 2020, the ECB sent the 2020 SREP Decision to the Parent Company, which indicates the capital requirements to be met starting from 1 January 2021, Specifically, the MPS Group must meet a Total SREP Capital Requirement (TSCR) of 10.75%, at consolidated level, , which includes a minimum Pillar 1 requirement ("P1R") of 8% (of which 4.50% in CET1 capital) and an additional Pillar 2 requirement ("P2R") of 2.75% (compared to 3% of the 2019 SERP Decision), which must be satisfied with CET1 capital for at least 56.25% and with Tier 1 capital for at least 75%.

The overall minimum requirement for the Total Capital ratio, obtained by adding a Combined Buffer Requirement (CBR) of 2.69% to the TSCR, is 13.44%. The overall minimum requirement in terms of CET1ratio is 8.74%, the sum of P1R (4.50%), P2R (1.55%) and CBR (2.69%); the overall minimum requirement in terms of Tier 1 is 10.75%, including P1R of 6%, P2R of 2.06% 3 and CBR of 2.69%.

In terms of CBR:

- 2.5% of Capital Conservation;
- 0.002% of Countercyclical Capital;
- 0.19% O-SII Buffer. Note that from 1 January 2020, MPS Group is back to being identified as a systematically important institution in Italy and therefore, for 2021, MPS Group is required to maintain a capital reserve of 0.19% from 1 January 2021 (0.25% from 1 January 2022).

Capital adequacy indicators **as of 31 March 2021**	**CET 1 Ratio**	**Tier 1 Ratio**	**Total Capital Ratio**
Pillar I minimum Requirements (art. 92 CRR)	*4.50%*	*6.00%*	*8.00%*
TSCR (P1R+P2R)	6.05%	8.06%	10.75%
Combined Buffer Requirement (CBR)	*2.69%*	*2.69%*	*2.69%*
OCR (TSCR+CBR)	**8.74%**	**10.75%**	**13.44%**
Capital Ratio	**12.18%**	**12.18%**	**15.87%**

TSCR - Total SREP Capital Requirement

P2R - Pillar 2 Requirement

CBR - Combined Buffer Requirement

OCR - Overall Capital Requirement

Countercyclical Capital Buffer

As of 31 March 2021, the Montepaschi Group is required to hold a countercyclical capital buffer of EUR 978.0 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 0.002%. 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 2020 and the first quarter of 2021. 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 31 March 2021, 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 94.2% 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

		Mar-21
10	Total risk exposure amount (RWA)	48,901,422
20	Specific countercyclical coefficient of the institution	0.002%
30	Specific countercyclical capital buffer requirement of the institution	978.0

The tables below provide details on the Group's different capital requirements as at 31 March 2021 and 31 December 2020.

Capital requirements and Regulatory capital ratios

Regulatory Capital Requirements	Mar-21	Dec-20
Credit and Counterparty Risk	**2,766,781**	**2,832,771**
Standardised Approach	1,134,191	1,156,123
Advanced IRB Approach	1,632,590	1,676,648
Market Risks	**216,296**	**198,994**
Standardised Approach	216,296	198,994
Internal Models	-	-
Operational Risk	**892,571**	**925,251**
Foundation Approach	6,737	6,738
Standardised Approach	-	-
Advanced Approach	885,835	918,513
CVA Risk	**36,466**	**35,235**
Originary Exposure Method (OEM)	-	-
Standardised Approach	36,466	35,235
Advanced Approach	-	-
Concentration Risk	**-**	**-**
Settlement Risk	**-**	**-**
Regulatory Capital Requirements	**3,912,114**	**3,992,250**
Risk Weighted Assets	**48,901,422**	**49,903,123**
CET1 Capital Ratio	**12.18%**	**12.13%**
Tier1 Capital Ratio	**12.18%**	**12.13%**
Total Capital Ratio	**15.87%**	**15.75%**

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 (c.d. CRR *"Quick/fix"*).

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

		Mar-21	Dec-20	Set-20	Jun-20
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,957,629	6,053,319	7,225,949	7,723,868
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,042,575	4,835,626	6,074,513	6,594,351
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	6,006,669	6,121,124	7,249,708	7,715,235
3	Tier 1 capital	5,957,629	6,053,319	7,225,949	7,723,868
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,042,575	4,835,626	6,074,513	6,594,351
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	6,006,669	6,121,124	7,249,708	7,715,235
5	Total capital	7,761,153	7,859,937	9,066,100	9,268,738
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,846,099	6,642,244	7,914,663	8,139,221
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	7,810,193	7,927,743	9,089,858	9,260,104
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	48,901,422	49,903,123	56,125,871	57,799,860
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48,787,794	49,798,401	56,306,612	58,063,032
Capital Ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.18%	12.13%	12.87%	13.36%
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	10.34%	9.71%	10.79%	11.36%
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	12.27%	12.26%	12.92%	13.34%
11	Tier 1 (as a percentage of risk exposure amount)	12.18%	12.13%	12.87%	13.36%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.34%	9.71%	10.79%	11.36%
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	12.27%	12.26%	12.92%	13.34%
13	Total capital (as a percentage of risk exposure amount)	15.87%	15.75%	16.15%	16.04%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.03%	13.34%	14.06%	14.02%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	15.96%	15.88%	16.20%	16.01%
Leverage ratio					
15	Leverage ratio total exposure measure	129,883,491	137,983,522	139,521,675	156,278,504
16	Leverage ratio	4.59%	4.39%	5.18%	4.94%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.91%	3.54%	4.34%	4.25%
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	4.62%	4.44%	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 185bp respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 10.34% (instead of 12.18% transitional arrangements) and 14.03% (instead of 15.87%). IFRS 9 fully loaded application would have entailed a total CET1 decrease of about EUR 0.9 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.

The AIRB model's scope of application currently includes the Parent Company Banca MPS, MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring, for the regulatory portfolios "Retail exposures" and "Exposures to corporates". For the remaining portfolios and Group entities, capital requirements against Credit risk are calculated using the standard approach. Capital requirements against Counterparty risk are calculated independently of the portfolio. More specifically, the market value method is applied for OTC derivatives and the comprehensive approach for the treatment of financial collateral is used for repos, sell-buy backs and security lending. Capital requirements against CVA risk are calculated according to the standard approach.

Capital 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.

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		Minimum capital requirements	
			Mar-21	Dec-20	Mar-21	Dec-20
	1	**Credit risk (excluding CCR)**	**30,887,180**	**31,620,466**	**2,470,974**	**2,529,637**
Article 438 (c) (d)	2	Of which the standardised approach	11,205,933	11,477,325	896,475	918,186
Article 438, (c) (d)	3	Of which the foundation IRB (FIRB) approach	-	-	-	-
Article 438 (c) (d)	4	Of which the advanced IRB (AIRB) approach	19,681,247	20,143,141	1,574,500	1,611,451
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**	**1,726,137**	**1,825,798**	**138,091**	**146,064**
Article 438(c) (d)	7	Of which mark to market	736,537	758,582	58,923	60,687
Article 438, lettere c) e 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	15,052	17,448	1,204	1,396
Article 438 (c) (d)	12	Of which CVA	455,825	440,432	36,466	35,235
Article 438 (e)	13	**Settlement risk**	-	-	-	-
Article 449 (o) (i)	14	**Seecuritisation exposures in the banking book (after the cap)**	**516,277**	**568,241**	**41,302**	**45,459**
	15	Of which SEC-IRBA approach	486,766	539,642	38,941	43,171
	16	Of which SEC-ERBA (including IAA)	17,216	17,115	1,377	1,369
	17	Of which SEC-SA approach	12,296	11,485	984	919
	18	Of which 1250% deduction	-	-	-	-
Article 438 (e)	19	**Market risk**	**2,703,694**	**2,487,420**	**216,296**	**198,994**
	20	Of which the standardised approach	2,703,694	2,487,420	216,296	198,994
	21	Of which IMA	-	-	-	-
Article 438 (e)	22	**Large exposures**	-	-	-	-
Article 438 (f)	23	**Operational risk**	**11,157,143**	**11,565,638**	**892,571**	**925,251**
	24	Of which basic indicator approach	84,207	84,222	6,737	6,738
	25	Of which standardised approach	-	-	-	-
	26	Of which advanced measurement approach	11,072,937	11,481,417	885,835	918,513
Article 437(2), Article 48 and 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**1,910,989**	**1,835,559**	**152,879**	**146,845**
Article 500	28	Floor adjustment	-	-	-	-
	29	**Total**	**48,901,422**	**49,903,123**	**3,912,114**	**3,992,250**

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 518,722 of RWA as at 31/03/2021.

As of 31 March 2021 the total amount of RWA decreased, compered to the previous quarter, supported by a contraction in its credit risk component. In particular, there was a decrease for the AIRB portfolios of ca. -498 €/mln linked to an increase of publicly guaranteed new loans. In addition, there was a decrease for the Standard portfolios of ca. -275 €/mln while the remaining decrease (-52 €/mln) is linked to securitisation positions, essentially due to the amortizations of underlying credits. For operational risk, there was a decrease of ca. -408 €/mln linked to the release of provisions accrued on disputes closed during the quarter or assessed as not probable. For market, the increase mainly derives from new bond positions.

Capital requirements for Credit and Counterparty Risk

	Mar-21	Dec-20
	Requirements	Requirements
Standard Approach		
Standard Approach Total	**1,134,191**	**1,156,123**
of which: Counterparty Risk	*81,272*	*87,409*
IRB Approach		
IRB Approach Total	**1,632,590**	**1,676,648**
of which: Counterparty Risk	*19,149*	*22,025*
Total	**2,766,781**	**2,832,771**
of which: Counterparty Risk	*100,421*	*109,433*

The capital requirement for counterparty risk amounts to EUR 100,421 thousand and has been calculated on both the Trading Portfolio and the Banking Book. The requirement, summarised by methodology in table above, is reported in the individual regulatory portfolios of the standard approach and the AIRB approach in following table.

Capital requirements for Credit and Counterparty Risk

Standard Approach	Mar-21	Dec-20
Exposures to central governments or central banks	109,954	106,028
Exposures to regional governments or local authorities	23,314	22,283
Exposures to public sector entities	25,957	24,999
Exposures to multilateral development banks	-	-
Exposures to International organisations	-	-
Exposures to institutions	121,356	153,986
Exposures to Corporates	214,949	208,704
Retail exposures	31,423	36,429
Exposures secured by mortgages on immovable property	36,066	34,758
Exposures in default	20,915	21,157
Exposures associated with high risk	24,296	27,480
Exposures in the form of covered bonds	6,212	6,598
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures to collective investments undertaking	18,873	18,165
Equity exposures	135,499	131,280
Other exposures	361,816	360,572
Securitization positions*	2,357	2,288
Exposures to Central Counterparties in the form of pre-funded contributions to the guarantee fund	1,204	1,396
Total standardised approach	**1,134,191**	**1,156,123**
AIRB Approach		
Exposures to or secured by corporates:	1,060,068	1,078,215
- SMEs	412,886	425,742
- Other companies	548,371	559,294
- Specialized lending	98,810	93,180
Retail exposures:	533,577	555,261
- secured by real estate: SMEs	111,791	116,319
- secured by real estate: Individuals	272,958	275,778
- Qualifying revolving	371	469
- Other retail exposures: SMEs	129,860	142,783
- Other retail exposures: Individuals	18,597	19,912
Securitization positions**	38,946	43,171
Total AIRB approach	**1,632,590**	**1,676,648**
Total Credit and Counterparty Risk	**2,766,781**	**2,832,771**

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

** *Securitization positions subject to AIRB approach include securitizations under the SEC-IRBA*

Below is a breakdown of capital requirements for credit and counterparty risk (IRB method) –Specialised Lending - slotting criteria, for market risk and operational risk.

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

Risk weight	Mar-21	Dec-20
Category 1 - 50%	122	130
Category 1 - 70% equal to or greater than 2.5 years	9,334	8,813
Category 2 -70% less than 2.5 years	8,968	8,871
Category 2 - 90%	52,846	50,782
Category 3 - 115%	15,907	14,064
Category 4 - 250%	11,633	10,520
Category 5 - 0%	-	-
Total	**98,810**	**93,180**

Capital requirements for Market Risk

Standardised Approach	Mar-21	Dec-20
Position risk on debt instruments	148,571	131,457
Position risk on equity	42,588	32,277
Foreign exchange risk	7,879	13,460
Commodities risk	7,953	10,971
CIU Risk	9,304	10,829
Total standardised approach	**216,296**	**198,994**
Internal models		
Total internal models	**-**	**-**
Total Market Risks	**216,296**	**198,994**

Capital requirements for Operational Risk

Requirements by approach	Mar-21	Dec-20
Foundation approach	6,737	6,738
Standardised approach	-	-
Advanced Measurement approach	885,835	918,513
Total Operational Risk	**892,571**	**925,251**

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

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

		a RWA amounts	b Capital requirements
1	**RWAs as of 31/12/2020**	**20,143,141**	**1,611,451**
9	**RWAs as of 31/03/2021**	**19,681,247**	**1,574,500**

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% from 2018).

As regards the Net Stable Funding Ratio, it will be subject to a regulatory limit (100%), starting from June 2021.

Liquidity ratios

	Mar-21	Dec-20
LCR	187.2%	196.7%
NSFR	124.3%	123.8%

Leverage Ratio

In addition to the system of capital requirements aimed at covering credit, counterparty, market, operational, CVA and regulatory risks, it is expected that the current regulatory framework will monitor a limit on leverage with a twofold purpose to limit the accumulation of debt within the banking industry so as to avoid destabilizing deleveraging process which may harm the financial system and the economy in general, and to strengthen the system of capital requirements associated with risk with a simple backstop measure that is not based on risk profile.

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

As required by the Regulation EU 62/2015, the Leverage Ratio is calculated as a ratio between Tier 1 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. It should be noted that will be subject to a minimum thresholds of 3%, starting from June 2021. However, as of 1 January 2015, quarterly disclosure has become obligatory in addition to the disclosure requirement already in force. Moreover, as provided for by Commission Implementing Regulation (EU) 2016/200 of 15 February 2016, banks publish this disclosure as of 16 February 2016, the date following this regulation's publication in the Official Journal of the European Union. The Group's leverage ratio was 4.59% as of 31 March 2021 Using regulatory capital calculated by applying the rules established for full implementation, the ratio stands at 3.95%. 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 show the financial leverage ratio as of 31 March 2021. The figures shown relate to the calculation of the leverage ratio according to applicable transitional provisions for reporting purposes.

Leverage Ratio (transitional)

		Mar-21	Dec-20
Capital and total exposures			
20	Tier 1 capital	5,957,629	6,053,319
21	Total exposures	129,883,491	137,983,522
Leverage ratio			
22	Basel III leverage ratio	4.59%	4.39%

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 2021. As of 31 March 2021, the Group recorded an increase in the leverage ratio, linked to the decrease in the denominator (total exposure), compared to December 2020.

Declaration of the Financial Reporting Officer

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

Siena, 6 May 2021

Nicola Massimo Clarelli

Financial Reporting Officer

List of Tables

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

Articolo del CRR		*Riferimento nel Pillar III*
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: https://www.gruppomps.it/en/corporate-governance/corporate-governance-report.html
Art. 437 - *Own funds*	*Par.a*	Chapter Own Funds
	Par. d	Chapter Own Funds
	Par. e/ f	Chapter Own Funds
Art. 438 - *Capital 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: https://www.gruppomps.it/en/corporate-governance/remuneration.html
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 disclosure requirements 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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