Pillar 3 Disclosure

Update as at
31 March 2024

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Pillar 3 Disclosure

Update as at
31 March 2024

Banca Monte dei Paschi di Siena SpA
Company Head Office in Siena, Piazza Salimbeni 3, www.mps.it
Recorded in the Arezzo-Siena Company Register – Registration no. and tax code 00884060526
MPS VAT Group – VAT no. 01483500524
Member of the Italian Interbank Deposit Protection Fund. Bank Register no. 5274
Parent Company of the Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register

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Introduction

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

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

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

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

- improve clarity for users of information, by provide a single comprehensive package;
- ensure consistency and comparability among the intermediaries;
- facilitate access by users of information to institutions' key prudential data by introducing the new key metrics templates;
- facilitate technical implementation for the retrieval of information;
- increase the efficiency of disclosures and reduce costs through synergies and integration of quantitative information with supervisory reporting.

The regulatory sources of reference are:

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

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

- disclosure requirements of the IFRS 9 transitional arrangement (EBA/GL/2020/12).

From its publication in December 2022, the document is supplemented by the Prudential Disclosure on Environmental, Social and Governance (ESG) risks in accordance with EBA/ITS/2022/01 implementing technical standards pursuant to Article 449a of the CRR.

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, 2023.

Further information on the Group's risk profile, pursuant to Art. 434 of the CRR, is also published in the Consolidated Interim Report as at 31 March 2024, the Report on Corporate Governance and the Remuneration Report.

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

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

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

EU KM1 – Key metrics template

		a Mar-24	b Dec-23	c Sep-23	d Jun-23	e Mar-23
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	8,659,553	8,726,677	7,867,879	7,895,855	7,117,522
2	Tier 1 capital	8,659,553	8,726,677	7,867,879	7,895,855	7,117,522
3	Total capital	10,305,533	10,407,095	9,582,195	9,648,923	8,908,932
	Risk-weighted exposure (amounts)					
4	Total risk-weighted exposure amount	48,473,131	48,099,061	49,046,796	49,793,740	49,382,021
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.8646%	18.1431%	16.0416%	15.8571%	14.4132%
6	Tier 1 ratio (%)	17.8646%	18.1431%	16.0416%	15.8571%	14.4132%
7	Total capital ratio (%)	21.2603%	21.6368%	19.5368%	19.3778%	18.0408%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.7500%	2.7500%	2.7500%	2.7500%	2.7500%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.5469%	1.5469%	1.5469%	1.5469%	1.5469%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2.0625%	2.0625%	2.0625%	2.0625%	2.0625%
EU 7d	Total SREP own funds requirements (%)	10.7500%	10.7500%	10.7500%	10.7500%	10.7500%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.0180%	0.0170%	0.0150%	0.0140%	0.0080%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (**)	-	0.2500%	0.2500%	0.2500%	0.2500%
11	Combined buffer requirement (%)	2.5180%	2.7670%	2.7650%	2.7640%	2.7580%
EU 11a	Overall capital requirements (%)	13.2680%	13.5170%	13.5150%	13.5140%	13.5080%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.8021%	10.0806%	7.9791%	7.7946%	6.3507%
	Leverage ratio					
13	Leverage ratio total exposure measure	129,994,625	125,362,536	127,978,933	126,974,590	131,695,912
14	Leverage ratio	6.6615%	6.9612%	6.1478%	6.2185%	5.4045%
	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 (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
	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 (%)	3.0000%	3.0000%	3.0000%	3.0000%	3.0000%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	22,449,356	23,201,172	24,067,555	24,941,115	25,298,979
EU 16a	Cash outflows - Total weighted value	14,818,455	14,546,709	14,541,961	14,937,275	15,348,470
EU 16b	Cash inflows - Total weighted value	2,025,709	2,008,306	1,982,558	1,954,637	1,920,604
16	Total net cash outflows (adjusted value)	12,792,746	12,538,403	12,559,403	12,982,639	13,427,865
17	Liquidity coverage ratio (%)(*)	176.3125%	185.9576%	192.2101%	193.1076%	189.1151%
	Net Stable Funding Ratio					
18	Total available stable funding	78,404,908	79,015,218	79,511,173	82,468,406	83,541,632
19	Total required stable funding	60,626,789	60,740,253	60,801,199	61,699,412	63,342,904
20	NSFR ratio (%)	129.3239%	130.0871%	130.7724%	133.6616%	131.8879%

(*) *The values shown are calculated as simple averages of month-end observations in the twelve months preceding the end of each quarter, consistent with the representation provided in the EU LIQ1 table.*

(**) *It should be noted that as of 1 January 2024, the Group is no longer required to comply with the O-SII buffer as it has not been identified by the Bank of Italy as a nationally systemically important institution in Italy.*

EU OV1 – Overview of total risk exposure amounts

		RWA		Capital requirements
		Mar-24	Dec-23	Mar-24
1	**Credit risk (excluding CCR)**	**35,018,622**	**34,809,902**	**2,801,490**
2	Of which the standardised approach	11,490,506	11,871,547	919,240
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	1,099,759	1,064,322	87,981
EU 4a	Of which: equities under the simple riskweighted approach	-	-	
5	Of which the advanced IRB (AIRB) approach	22,428,357	21,874,033	1,794,269
6	**Counterparty credit risk - CCR**	**1,031,448**	**1,098,582**	**82,516**
7	Of which the standardised approach	496,942	562,301	39,755
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	55,682	55,083	4,455
EU 8b	Of which credit valuation adjustment - CVA	372,777	398,207	29,822
9	Of which other CCR	106,048	82,991	8,484
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)(*)**	**517,602**	**537,518**	**41,408**
17	Of which SEC-IRBA approach	506,586	525,269	40,527
18	Of which SEC-ERBA (including IAA)	10,935	12,172	875
19	Of which SEC-SA approach	81	77	6
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**2,205,712**	**2,121,123**	**176,457**
21	Of which the standardised approach	2,205,712	2,121,123	176,457
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**9,699,747**	**9,531,937**	**775,980**
EU 23a	Of which basic indicator approach	140,577	140,720	11,246
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	9,559,170	9,391,217	764,734
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**3,128,215**	**3,135,360**	**250,257**
29	**TOTAL**	**48,473,131**	**48,099,061**	**3,877,850**

(*) *The amount shown does not include equivalent deducted securitisations equale to 575 €/th in terms of RWA and 46 €/th in terms of requirement.*

During the quarter, there was a slight increase in AIRB disbursements in the form of instalments, advances and financial guarantees, which was partially offset by repayments on loans measured using the standard method. There was also a slight increase in market risk due to transactions in debt and equity securities. Operational risk increased slightly due to minor loss events in the first quarter.

Template IFRS 9-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 (*)

		a Mar-24	b Dec-23	c Sep-23	d Jun-23
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	8,659,553	8,726,677	7,867,879	7,895,855
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,652,600	8,711,212	7,858,403	7,892,625
3	Tier 1 capital	8,659,553	8,726,677	7,867,879	7,895,855
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,652,600	8,711,212	7,858,403	7,892,625
5	Total capital	10,305,533	10,407,095	9,582,195	9,648,923
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,298,580	10,391,630	9,572,718	9,645,692
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	48,473,131	48,099,061	49,046,796	49,793,740
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	48,470,348	48,096,569	49,044,726	49,790,510
Capital Ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.86%	18.14%	16.04%	15.86%
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	17.85%	18.11%	16.02%	15.85%
11	Tier 1 (as a percentage of risk exposure amount)	17.86%	18.14%	16.04%	15.86%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.85%	18.11%	16.02%	15.85%
13	Total capital (as a percentage of risk exposure amount)	21.26%	21.64%	19.54%	19.38%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.25%	21.61%	19.52%	19.37%
Leverage ratio					
15	Leverage ratio total exposure measure	129,994,625	125,362,536	127,978,933	126,974,590
16	Leverage ratio	6.66%	6.96%	6.15%	6.22%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.66%	6.95%	6.14%	6.22%

(*) *The above model only considers the scenario "without the application of IFRS 9 transitional provisions or similar expected credit losses".*

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 1 bp, respectively of CET1 ratio and total capital ratio. Such coefficients would have resulted in 17.85% (instead of 17.86% transitional arrangements) and 21.25% (instead of 21.26%) respectively of CET1 ratio and total capital ratio. IFRS 9 fullyloaded application would have entailed a total CET1 decrease of about 0.01 bn euro.

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)	**Mar-24**	**Dec-23**	**Sep-23**	**Jun-23**	**Mar-24**	**Dec-23**	**Sep-23**	**Jun-23**
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)**					**22,449**	**23,201**	**24,068**	**24,941**
2	Retail deposits and deposits from small business customers, of which:	49,507	50,015	50,897	51,908	3,183	3,213	3,277	3,354
3	*Stable deposits*	*39,281*	*39,684*	*40,289*	*40,940*	*1,964*	*1,984*	*2,014*	*2,047*
4	*Less stable deposits*	*10,225*	*10,332*	*10,608*	*10,968*	*1,219*	*1,229*	*1,262*	*1,307*
5	**Unsecured wholesale funding**	**18,736**	**18,051**	**17,732**	**18,096**	**8,228**	**7,944**	**7,845**	**8,143**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	18,623	17,942	17,709	18,074	8,115	7,835	7,822	8,122
8	Unsecured debt	113	109	22	21	113	109	22	21
9	Secured wholesale funding					54	43	63	59
10	Additional requirements	3,643	3,531	3,488	3,503	1,340	1,317	1,311	1,322
11	Outflows related to derivative exposures and other collateral requirements	1,081	1,078	1,075	1,066	1,081	1,078	1,075	1,066
12	Outflows related to loss of funding on debt products	0	3	8	12	0	3	8	12
13	Credit and liquidity facilities	2,561	2,450	2,405	2,426	259	236	229	245
14	Other contractual funding	2,543	2,338	2,035	1,694	30	41	41	23
15	Other contingent funding obligations	30,347	30,443	30,601	30,938	1,983	1,989	2,005	2,035
16	TOTAL CASH OUTFLOWS					14,818	14,547	14,542	14,937
	CASH – INFLOWS								
17	Secured lending (e.g. reverse repos)	5,179	4,476	3,671	3,007	78	79	78	75
18	Inflows from fully performing exposures	2,221	2,184	2,161	2,139	1,269	1,231	1,198	1,183
19	Other cash inflows	3,050	3,174	3,238	3,256	678	699	706	697
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	10,449	9,834	9,070	8,402	2,026	2,008	1,983	1,955
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*10,449*	*9,834*	*9,070*	*8,402*	*2,026*	*2,008*	*1,983*	*1,955*
EU-21	LIQUIDITY BUFFER					22,449	23,201	24,068	24,941
22	TOTAL NET CASH OUTFLOWS					12,793	12,538	12,559	12,983
23	LIQUIDITY COVERAGE RATIO (%)					176.3125%	185.9576%	192.2101%	193.1076%

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

The Liquidity Coverage Ratio (LCR) is the regulatory index used to monitor short-term liquidity risk. In the firts quarter of 2024, the Group liquidity was characterized by the absence of any signs of strain in the short term, with the LCR (calculated according to Delegated Regulation (EU) 2015/61) remaining stable and well above the regulatory limit of 100%, with an adequate safety buffer. The indicator was stable compared to the previous quarter (variation of 0.3%, with LCR rising from 163.3% at end-December 2023 to 163.0% at end-March 2024) mainly due to a lower access to ECB Auctions (EUR -1.6 billion), partially offset by the positive effects from the issuance of the senior BMPS TM MR29 (EUR +0.5 billion) and the overall reduction in net outflows, mainly due to the maturity of the CB1 BMPS TV JN24, which was fully placed on the market (EUR -1.0 billion). It should be noted that no methodological changes were made to the indicator in Q1 2024.

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

At the end of March 2024, in accordance with what is monitored through the Additional Liquidity Monitoring Metrics (ALMM) regulatory reporting, funding through unsecured channels amounts to roughly 77% of the total, of which 9% relating to financial non-retail counterparties and 20% relating to non-financial non-retail counterparties.

In March 2024, the Liquidity buffer shows a strong prevalence of available liquidity deriving from the reserve held with the ECB (63% of the total Liquidity Buffer of which Deposit Facility accounting for 60% of the section), the Italian and European government bonds (33% pf the aggregate), and other remaining items (4%), all of which are listed on the main regulated markets and easily liquidated in the short term.

It should be noted that outflows relating to derivative positions and potential requests for collateral have an impact on the reference aggregate of less than 7%.

It should also be noted that the liquidity reserves in currencies other than the Euro, as well as the outflows and inflows in currencies other than the Euro – all of which account for less than 1% each – are marginal for the MPS Group and do not cause currency misalignments in the calculation of the LCR.

Finally, it should be noted that all elements considered relevant to the institution's liquidity profile are included in the calculation of the LCR indicator.

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

		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**23,143,396**
2	Asset size	343,545
3	Asset quality	-
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	193
7	Foreign exchange movements	-
8	Other	263,627
9	**Risk weighted exposure amount as at the end of the reporting period**	**23,750,761**

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

The estimates of the ELBE component for the LGD Defaulted Asset models, including the latest macroeconomic time series information, are currently being updated and will be completed by the first half of 2024. This update will only impact the RWAs of the Non-Performing portfolio.

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 2024

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 31/03/2024	Annex
EU OV1	Key Metrics	Disclosure of key metrics and overview of risk weighted exposure amounts	I
EU KM1	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 31/03/2024	Annex
Template IFRS 9-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.	*Disclosure of key metrics and overview of risk-weighted exposure amounts*	I

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