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Protocollo Sisifo: **076E75E032**

Siena, 14/03/2018

FUNZIONI COMPILATRICI:
Area Lending Risk Officer - MPS

Comunicazione per:

Consiglio Di Amministrazione - MPS

OGGETTO:

Notifica ECB su IMI40 e definizione piano attività su finding e deviations rivenienti da IMI 40 e General Topics TRIM

Indice degli allegati:

1) *Allegato 1 2018-01-15 - ITMPS - TRIM - General Topics feedback letter*
2) *Allegato 2 2018-03-05 RTBH - ITMPS - Cover letter - draft Decision on Internal Rating*
3) *Allegato 3 2018-03-05 RTBH - ITMPS - draft Decisions on Internal Rating*
4) *Allegato 4 2018-03-14 Annex Response to Deviations Trim General Topics final*
5) *Allegato 5 2018-03-14 Annex Response to Finding IMI40*
6) *Allegato 6 2018-03-14 Impact analysis add on imi40*

1. MOTIVAZIONE

Informare il Consiglio di Amministrazione sulle remediation proposte dalla Banca alle deviation contenute della lettera di feedback del processo TRIM - *Targeted Review of Internal Models- General Topics* inviata dalla BCE all'attenzione del CEO della Banca MPS in data 18 Gennaio u.s. e oggetto di comunicazione a codesto organo in data 9/2/2018.
Informare il Consiglio di Amministrazione sui risultati dell'Ispezione IMI40, effettuata sui modelli interni Airb nel 4Q2015, e sui finding ad essa collegati contenuti nella lettera inviata dalla BCE al Gruppo MPS in data 5 Marzo 2018; su di essi la Banca ha definito un piano di azione che sarà oggetto di comunicazione alla BCE.

2. INFORMAZIONI RILEVANTI

2.1 Notifica BCE: TRIM General Topics review feedback letter

La TRIM prevedeva una prima fase di raccolta di informazioni su base documentale che si è svolta nella seconda metà del 2016 attraverso la compilazione, da parte della Banca, di un questionario di autovalutazione (c.d. TRIM - General Topics review).
Con lettera del 18 Gennaio u.s. indirizzata al CEO della Banca, la BCE ha inviato la final decision riguardo la fase di autovalutazione TRIM – General Topics (cfr comunicazione al CdA del 9 Febbraio u.s.). A seguito di tale comunicazione, la Banca è tenuta a fornire entro il 31 marzo 2018 un feedback scritto al JST, con l'aggiornamento dello stato attuale di ogni "deviation" e con evidenza delle misure e delle tempistiche che la Banca ritiene adeguati per l'allineamento completo ai requisiti normativi. In allegato si riporta il dettaglio delle

risposte e le tempistiche definite dalla Banca; in sintesi, a fronte delle sette deviation, la Banca ha individuato le seguenti misure e tempistiche di risoluzione:

1. Deviation 1: redigere una policy contenente linee guida e principi da rispettare nella produzione della documentazione sui modelli interni:
   Risposta: la Banca definirà una policy interna per la redazione della documentazione tecnica in linea con i requisiti previsti nella CRR (regolamento n. 575/2013 EU); tempistica proposta: Q3 2018.
2. Deviation 2: definire una specifica policy di Model Risk Management Framework che espliciti il ruolo di ogni suo singolo referente (Model Governance, Risk Control Function, Validation Function, Internal Audit):
   Risposta: la Banca definirà una policy interna per il Model Risk Management (MRM) in linea con i requisiti previsti nella CRR (regolamento n. 575/2013 EU); nella policy saranno formalizzati gli aspetti di governance, management e assessment del Model Risk; tempistica proposta: Q4 2018.

3. Deviation: predisporre un periodico reporting al Board sul piano di Roll Out (fino ad oggi predisposto solo in caso di variazione dello stesso)
4. Deviation: definire policies e procedures per monitorare il portafoglio non oggetto di sviluppo di modelli interni (classificato in PPU, Permanent Partial Use):

   Risposta: per le deviation 3 e 4, la Banca definirà una policy interna per la definizione e gestione del piano di roll-out e dei portafogli in PPU, individuando ruoli e responsabilità per la governance e il monitoraggio del piano di roll-out/PPU. Nella policy saranno indicati i contenuti/tempistiche dei report da portare all'attenzione del Comitato Gestione Rischi prima e del Board dopo, da inviare periodicamente all'Autorità di Vigilanza per rappresentare il rispetto del piano e il livello di materialità dei portafogli in PPU; inoltre saranno definiti i criteri e il processo formale per apportare cambiamenti al piano di roll-out/PPU. Tempistica proposta: Q4 2018.

5. Deviation: si richiede alla funzione di Internal Audit di compiere un'analisi approfondita dei vari aspetti del sistema interno di rating in un arco di 3 anni contro i quattro attualmente previsti.

   Risposta: come richiesto la full review dei modelli Airb, oggi prevista nell'arco di 4 anni sarà effettuata in 3 anni e terrà conto di tutti i punti toccati dalla Recommendation

6. Deviation: stabilire un trattamento specifico per quelle posizioni che non avendo oggi un rating airb valido (ad esempio posizioni con un bilancio più vetusto di due

anni) passano da essere trattate dal metodo airb a quello standard (unica deviation con possibili impatti sugli RWA, ritenuti marginali):

Risposta: nel novembre 2017 sono state introdotte nuove regole nel sistema di rating che hanno gestito una parte delle casistiche di esposizioni "unrated" in modo tale da attribuire un rating valido ai fini IRB. Nel corso di una prossima review saranno analizzate ed individuate regole di assegnazione del rating per le altre casistiche di unrated con l'obiettivo di eliminare la migrazione di esposizione da approccio IRB ad approccio standard.

7. Deviation: formalizzare in nuove policy il processo di aggiornamento del rating:

   Risposta: le policy riguardo il processo di assegnazione del rating sono formalizzate nel documento normativo interno D767; nel documento 767 verranno esplicitate gli aspetti riguardanti il processo di aggiornamento del rating in caso di modifica riguardante il sistema di rating (i.e. aggiornamento dei modelli e/o perimetro di applicazione dei modelli)

2.2 Notifica BCE: feedback IMI40 2015

La BCE ha svolto, tramite un team di ispettori della Banca d'Italia, un'attività di Internal Model Investigation (IMI) dal 21 ottobre 2015 al 4 dicembre 2015; l'obiettivo dell'ispezione era quello di controllare le performance di modelli IRB di alcuni segmenti e di verificare come gli esiti dell'AQR erano stati incorporati nelle stime dei modelli. Lo scope dell'IMI sono stati i modelli PD e LGD per i segmenti PMI (fatturato 10-200 €/mln), Small PMI (fatturato 2,5-10 €/mln) e Small Business (fatturato inferiore a 2,5 €/mln). La BCE ha inviato una lettera con una "draft decision" in data 5 marzo 2018 in cui riporta che, sulla base dell'assessment delle evidenze emerse in fase di ispezione, i requisiti per la conferma dell'autorizzazione all'utilizzo del sistema IRB sono stati rispettati ma, tuttavia, ha rilevato la presenza di elementi del sistema interno IRB non compliant alla normativa per i quali ha individuato:

- **21 Findings** cui sono associate **14 Obligations** (cioè Remedial Actions obbligatorie per l'utilizzo dei modelli interni) con evidenza della scadenza attesa;
- **2 Limitations,** cioè criteri per il calcolo di un add-on patrimoniale dovuto alla non presenza di modelli di stima degli rwa sui defaulted assets, da applicare al solo perimetro in scope;
- **2 Recommendations** (cioè Remedial Actions sempre connesse ai Findings) ma non strettamente vincolanti.

La Banca può elaborare e contestare i finding rilevati entro due settimane dalla data di invio della draft decision (scadenza 22 marzo 2018); la Banca dovrà presentare un piano con la definizione dettagliata degli interventi che intende adottare per assicurare la compliance con quanto prescritto nelle Obligations entro 4 settimane dalla notifica della decisione finale.

In allegato si riporta il dettaglio delle risposte e le tempistiche definite dalla Banca; di seguito si riporta una descrizione sintetica delle Obligation e la strategia che la Banca intende intraprendere per ognuna di esse:

- **Obligation 1**: si riferisce a 4 finding sul processo di assegnazione del rating; tempistica prevista 3 mesi dalla notifica.
  Il finding 1 evidenzia la mancata formalizzazione del potere di delibera del rating da parte del Comitato Rater nella normativa interna.
  Il finding 2 evidenzia che per alcuni ruoli non era rispettato il principio della separatezza tra ruolo di deliberante del rating e ruolo di deliberante delle concessioni di credito.
  Il finding 4 richiede la formalizzazione dei cut-off di stabilizzazione del rating nella policy interna del processo di assegnazione del rating.
  Il finding 5 richiede la formalizzazione dei criteri seguiti dai rater interni per l'esercizio dell'override al fine di garantire la replicabilità del processo di assegnazione del rating.

  Risposta: il Gruppo MPS provvederà a contestare il finding 1 in quanto il Comitato Rater è un comitato interno dell'Area Lending Officer che ha solo carattere consultivo e non ha poteri di delibera. Per tali motivi è regolato da un documento di processo di Area e non è necessaria la formalizzazione nel Regolamento 1 del Gruppo MPS.
  Il finding 2 è stato risolto con la riorganizzazione aziendale che ha trasferito tutti i ruoli di deliberante del rating a riporto della Direzione Chief Risk Officer.
  Per quanto riguarda il finding 4, il Gruppo MPS provvederà ad aggiornare la normativa di riferimento sul processo di assegnazione del rating (D767) esplicitando maggiormente le policy interne di approvazione e le modalità di utilizzo dei cut-off; la tempistica prevista è pari a 9 mesi dalla data di notifica.
  Per il finding 5, il Gruppo MPS ha avviato un'attività di revisione e razionalizzazione del processo di override; in considerazione delle attività da svolgere e degli aspetti tecnici per l'implementazione del nuovo processo, il Gruppo MPS intende proporre una tempistica pari a 9 mesi dalla data di notifica.

  Obligation 2: si riferisce a 3 finding relativi alle attività svolte e alla necessità di adeguare il dimensionamento delle funzioni di Convalida Interna e di Revisione Interna. Il finding 3 evidenzia gli elevati tempi di risoluzione dei GAP aperti dalla funzione di Convalida Interna sul perimetro IRB. Il finding 19 evidenzia che la funzione di Convalida Interna svolge le proprie analisi senza applicare approcci alternativi (modelli challenging) per sfidare i modelli interni ufficiali. Il finding 20 evidenzia alcune criticità riscontrate sulle attività poste in essere dall'Audit sulla review della calibrazione della Probabilità di default.

Risposta: il Gruppo MPS intende evidenziare che il finding 3 può essere considerato risolto in quanto, come risultante dalla Relazione Annua di Convalida 2017, attualmente sul perimetro IRB sono in essere 8 GAP tutti censiti nel corso del 2017. Inoltre tramite il Comitato di Coordinamento delle Funzioni di Controllo viene assicurato un puntuale monitoraggio dei GAP di convalida ed una adeguata informativa al senior management della Banca. Per il finding 19 si evidenzie che lo staffing della Funzione di Convalida verrà rivalutato nei prossimi mesi al fine di poter iniziare a sviluppare i modelli challenging richiesti. Tale processo richiederà almeno 12 mesi. Per quanto riguarda le criticità sollevate sulla funzione Audit Risk, con riferimento alle attività previste nell'audit plan 2018, il dimensionamento organizzativo risulta adeguato anche in funzione dell'innalzamento dell'efficienza media delle risorse e dei processi di audit costantemente perseguita. Al fine di fronteggiare gli esodi a piano nel periodo 2017-2021, la DCAE ha, di concerto con la funzione HR, attivato una selezione interna finalizzata a individuare nuove figure con elevati skill professionali (in termini di competenza ed esperienze) da inserire nelle strutture specialistiche della direzione e in grado quindi di acquisire le complementari competenze in materia di audit in tempi rapidi. Tale manovra, che a inizio 2018 ha già portato all'inserimento di 14 risorse provenienti in parte dalla Rete e in parte dalle funzioni di DG, proseguirà in arco piano, rappresentando una rilevante opportunità per permettere a risorse giovani, con forti skill tecnico-operativi, di inserirsi in tale attività. La DCAE fronteggerà eventuali ulteriori richieste dalle Autorità di Vigilanza, valutando nel modo più opportuno di concerto con HR ulteriori rafforzamenti con ingressi di nuove risorse. Si propone pertanto una tempistica pari a 9 mesi dalla data di notifica.

- **Obligation 3**: il sistema interno di rating deve tener conto delle informazioni presenti nell'Early Warning Systems aggiornando i rating in caso di eventi negativi che rilevano un significativo deterioramento del rischio della controparte; tempistica prevista 6 mesi dalla notifica.

  Risposta: il Gruppo MPS avvierà un'attività di analisi delle informazioni presenti nell'Early Warning System al fine di individuare gli eventi negativi maggiormente significativi in termini di predittività del default, da incorporare successivamente nel processo di assegnazione del rating. Per la tipologia di attività e per gli aspetti tecnici di implementazione il Gruppo MPS intende proporre una tempistica pari a 12 mesi dalla data di notifica.

- **Obligation 4**: il Gruppo MPS dovrà definire nuove regole nel processo di assegnazione del rating al fine di attribuire un rating alle posizioni che attualmente vengono segnalate unrated e trattate con l'approccio standard in quanto mancano alcune informazioni necessarie al calcolo del rating (i.e. assenza di bilancio aggiornato); tempistica prevista 6 mesi dalla notifica.

Risposta: il Gruppo MPS individuerà specifiche regole di assegnazione del rating per le posizioni che attualmente sono segnalate unrated; le regole si baseranno sulle evidenze storiche di rischiosità associate alle casistiche in esame. Per le tipologia di attività e per gli aspetti tecnici di implementazione il Gruppo MPS intende proporre una tempistica pari a 9 mesi dalla data di notifica.

- **Obligation 5**: il Gruppo MPS dovrà verificare che l'attuale trattamento delle controparti forborne nella calibrazione dei modelli di rating risulti adeguato a tener conto della rischiosità di tale posizioni e che il trattamento adottato non generi criticità sulla rappresentatività sul campione di calibrazione; tempistica prevista 3 mesi dalla notifica.

  Risposta: la Banca intende modificare la metodologia di trattamento dei forborne introducendo un floor da applicare alla Pd di tali esposizioni. La nuova metodologia prevederà l'utilizzo dell'intera popolazione di calibrazione senza alcun intervento di esclusione di controparti. Per le controparti con esposizioni in forborne verrà introdotto un opportuno correttivo di modifica del rating (Margine di Conservatismo) che si baserà sulla rischiosità osservata per tali controparti. Per le tipologia di attività e per gli aspetti tecnici di implementazione il Gruppo MPS intende proporre una tempistica pari a 9 mesi dalla data di notifica.

- **Obligation 6**: il Gruppo MPS dovrà calcolare gli anchor point di calibrazione dei modelli di PD adottando il criterio della media semplice dei tassi di default annuali come previsto dalla normativa. Tempistica prevista 3 mesi dalla notifica.

  Risposta: il finding è già stato risolto; il Gruppo MPS ha già introdotto l'approccio della media semplice dei tassi di default annuali per il calcolo dell'anchor point con la calibrazione dei modelli PD effettuata nel 2016.

- **Obligation 7**: il Gruppo MPS dovrà monitorare su base periodica le performance delle regole di cut-off utilizzati nel processo di assegnazione del rating e intervenire in caso di superamento di soglie prefissate per la verifica dell'efficacia di tali cut-off. Tempistica prevista 6 mesi dalla notifica.

  Risposta: il Gruppo MPS avvierà una attività di predisposizione di una policy per disciplinare in modo dettagliato i criteri di applicazione, il reporting sulle performance dei cut-off e il processo di revisione in caso di esito negativo del monitoraggio. Per le tipologia di attività e per gli aspetti tecnici di *implementazione il Gruppo MPS intende proporre una tempistica pari a 9 mesi dalla data di notifica.*

- **Obligation 8**: il Gruppo MPS dovrà disciplinare in una policy le soglie di tolleranza dei test di monitoraggio dei modelli PD e le azioni da intraprendere in caso di superamento delle stesse. Tempistica prevista 6 mesi dalla notificazione.

  Risposta: il Gruppo MPS provvederà ad aggiornare la policy interna di monitoraggio dei modelli interni disciplinando le modalità di determinazione degli esiti del monitoraggio e le azioni da intraprendere in caso di esiti negativi. Il Gruppo MPS intende proporre una tempistica pari a 9 mesi dalla data di notifica.

- **Obligation 9**: il Gruppo MPS dovrà attribuire una quota di spese indirette su tutte le pratiche presenti nel campione di stima dalla LGD per la sofferenza. Tempistica prevista 6 mesi dalla notificazione. Tempistica prevista 6 mesi dalla notifica.

  Risposta: il finding è stato già risolto con l'attività di ristima del modello LGD effettuata nel 2017 oggetto di istanza di approvazione per material changes model.

- **Obligation 10**: il Gruppo MPS dovrà rivedere l'approccio per la stima della LGD downturn. Il nuovo approccio dovrà essere validato da Convalida e Audit. Tempistica prevista 6 mesi dalla notifica.

  Risposta: Il finding è stato già indirizzato con la ristima del 2017 oggetto di istanza di change models. Dato che le obligation 11 e 14 (sul quale la BCE ipotizza un tempo di 12 mesi dalla data della notifica), impattano sulle informazioni utilizzate per la stima del tasso di LGD, si dovrà riaggiornare tale metodologia di stima. Si ritiene opportuno pertanto allineare le scadenze dei tre finding che saranno necessariamente oggetto di invio di istanza per l'approvazione di material change. Per tali motivi il Gruppo MPS intende proporre una tempistica pari a 12 mesi dalla data di notifica e il ritiro dell'attuale istanza di change models inviata a Novembre 2017 alla BCE.

- **Obligation 11**: il Gruppo MPS dovrà verificare se l'attuale metodologia di inclusione dell'incomplete workout nel campione di stima della LGD risulti adeguato per la coprire la rischiosità potenziale dovuta all'esclusione delle pratiche aperte. Le analisi dovranno essere validate da Convalida e Audit. Tempistica prevista 6 mesi dalla notifica.

  Risposta: al fine di recepire oltre a questo finding anche quello relativo alla obligation 14 (sul quale la BCE ipotizza un tempo di 12 mesi dalla data della *notifica), dato che entrambi impattano contemporaneamente sulle informazioni utilizzate per la stima del tasso di LGD, sulle quali incide anche il finding 10, si ritiene opportuno allineare le scadenze dei tre finding che saranno necessariamente oggetto di invio di istanza per l'approvazione di material change. Per tali motivi il Gruppo MPS intende proporre una tempistica pari a 12 mesi dalla data di notifica.*

- **Obligation 12**: il Gruppo MPS dovrà estendere le analisi di backtesting anche al modello interno di danger rate. Tempistica prevista 6 mesi dalla notifica.

  Risposta: Il finding è stata già risolto. A partire da giugno 2017 le analisi di backtesting dei danger rate sono state introdotte nel framework di monitoraggio condotto dalla Funzione di Convalida.

- **Obligation 13**: la Convalida e Audit devono verificare l'allineamento del framework interno di CRM rispetto ai requisiti normativi. Tempistica prevista 6 mesi dalla notifica.

- *Risposta: La funzione di Revisione Interna, nel corso del 2017, ha condotto un'attività di audit avente come oggetto la gestione delle garanzie ipotecarie in Banca MPS S.p.A. In particolare, per quanto riguarda l'ambito del "data quality" è stata condotta un'analisi di raffronto della documentazione fornita dalle strutture auditate e dei dati presenti nel sistema informativo. Nell'audit plan 2018 è prevista invece una specifica attività di revisione relativa alla verifica dell'effettività delle azioni di rimedio poste in essere dalla banca correlate al finding #3 OSI 12-38 (Double and multi-counting of collaterals). Inoltre verrà inserito nell'audit plan 2019 una specifica attività di revisione dedicata all'analisi complessiva del framework CRM con un focus specifico sul tema del "data quality" come richiesto. Per quanto riguarda la Funzione di Validazione Interna, tenuto conto anche dell'adeguamento del dimensionamento richiesto nell'ambito dell'Obligation, pianificherà durante il primo trimestre 2019 un'analisi sulla documentazione interna sulla CRM con l'obiettivo di verificare il rispetto dei requisiti normativi connessi all'eleggibilità delle garanzie. Tempistica prevista 12 mesi dalla notifica.*

- **Obligation 14**: il Gruppo MPS dovrà sviluppare modelli interni per la determinazione dell'ELBE e degli RWA defaulted asset e procedere alla richiesta di autorizzazione per il loro utilizzo ai fini regolamentari. Tempistica prevista 12 mesi dalla notifica.

  Risposta: il finding è stato già indirizzato con la ristima del 2017 oggetto di istanza di change models. Al fine di recepire oltre a questo finding anche le obligation 10 e 11, che ovviamente impattano contemporaneamente sulle informazioni utilizzate per la stima del tasso di LGD, si ritiene necessario allineare le scadenze dei tre

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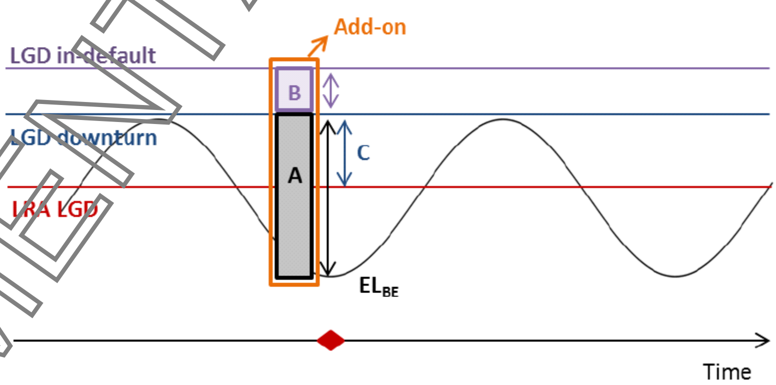
finding che saranno necessariamente oggetto di approvazione per material change. Per tali motivi il Gruppo MPS intende allineare la scadenza per le tre obligation ad una tempistica pari a 12 mesi dalla data di notifica.

Per quanto riguarda il contenuto delle **due limitation**, a causa dell'assenza dei modelli interni per la misurazione di ELBE ed RWA defaulted asset (obligation 14), la BCE ha imposto 2 add on per la determinazione dei requisiti patrimoniali.
Si ricorda che I modelli Airb sono stati disciplinati per la prima volta dalla Circ 263 del 27 dicembre 2006. Nel titolo II capitolo 1 allegato B, par 1.B si esplicitava che **per le esposizioni in default** il requisito patrimoniale (RWA) era uguale a zero. non si disciplinava chiaramente il concetto di ELBE. Con la pubblicazione del regolamento 575/EU del 27 giugno 2013 negli articoli 153 e 154 (rispettivamente per imprese e per le esposizioni al dettaglio), si esplicita che per le posizioni in default

$$RWA = \max (0{,}125 * (LGD-ELBE)) * EAD$$

dove l'ELBE era definita come la miglior stima della perdita attesa effettuata dall'ente per le esposizioni in stato di default. L'interpretazione data dal sistema bancario italiano con sistemi interni Airb validati (oltre a MPS, Unicredit, Intesa, Ubi e Popolare) fu quella di identificare l'ELBE con la LGD, ossia di ritenere che fra la LGD (downturnata) e appunto l'ELBE non si presentassero significativi scostamenti, dato anche il periodo recessivo perdurante. Da tale interpretazione, il requisito sui crediti in default continuava pertanto ad essere posto uguale a zero. Su tale interpretazione l'Autorità di Vigilanza italiana non ha mai presentato rilievi nel corso delle ispezioni sui sistemi Airb delle banche validate.
Con la pubblicazione delle Final Guideline EBA/GL/2017/16 (GL) nel novembre 2017 e con le linee guida della TRIM (TRIM Guide), pubblicate a febbraio 2017, il regolatore ha chiarito la netta distinzione fra LRA LGD (Long Run Average), LGD downturn, LGD in default (data dalla LGD downturn + Margin of Conservativism) e ELBE, ossia LGD correlata all'andamento del ciclo economico.



Nel corso del 2017, il Gruppo MPS aveva già indirizzato la risoluzione di tale gap regolamentare con la stima di un modello interno ELBE e LGD per la determinazione degli RWA dei defaulted asset; per l'utilizzo dei nuovi modelli è stata richiesta l'autorizzazione con l'invio di formale istanza alla BCE a novembre 2017.

Tuttavia con l'arrivo delle deviation relativi alla TRIM General Topics review e le obligation relative all'ispezione IMI40, il Gruppo MPS ritiene opportuno ritirare l'istanza sopracitata e pianificare una nuova ristima dei modelli con l'obiettivo di recepire anche gli altri finding rilevati dalla BCE, anche in virtù del fatto che l'istanza a suo tempo inviata comprendeva altre modifiche sostanziali sui modelli di LGD che l'SSM non ritiene in questo momento oggetto di possibile validazione.

Gli add-on sui requisiti patrimoniali saranno applicati sul solo portafoglio PMI, Small PMI e Small Business in default, separatamente per le esposizioni in sofferenza e su quelle in default ma non in sofferenza:

- **floor sugli RWA** dei default pari al valore che si otterrebbe utilizzando la metodologia standard (oggi i modelli interni determinano RWA=0 sui default);
- **floor sulla percentuale ELBE/EAD** ai fini del calcolo dello shortfall. La percentuale sul totale delle esposizioni non può essere più bassa della percentuale di rettifiche di valore contabilizzate al 31/12/2017 sul totale delle esposizioni per gli stati di default diversi dalle sofferenze. Per le esposizioni in sofferenza tale percentuale è fissata al 65%.

I floor su RWA ed ELBE delle sofferenze saranno applicati a partire **dal 1 Luglio 2018**. Gli add-on rimarranno fintanto che il Gruppo, a seguito di istanza, avrà ricevuto l'autorizzazione all'utilizzo di modelli per LGD ed ELBE per i defaulted asset. I floor su RWA ed ELBE delle esposizioni in default, ma con stato diverso da sofferenza, **si applicano da subito** (a ricezione della Decision Letter).

Sulla base delle prime simulazioni sul portafoglio a fine 2017, l'impatto in termini di %CET1, al netto delle esposizioni rientranti nella cessione Valentine, è pari a circa 100 bps, sostanzialmente in linea con quanto previsto nel RAS 2018; l'impatto sarà ovviamente condizionato dalle dinamiche di portafoglio e dalle rettifiche di valore su di esso fatte.

La presente comunicazione sarà sottoposta all'attenzione del Comitato Rischi ed è stata redatta con il contributo della Direzione CAE sui rispettivi punti di pertinenza.

Allegato File: 2018-01-15 - ITMPS - TRIM - General Topics feedback letter.pdf
Allegato File: 2018-03-05 RTBH - ITMPS - Cover letter - draft Decision on Internal Rating.pdf
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EUROPEAN CENTRAL BANK

BANKING SUPERVISION

ECB-RESTRICTED

Mr Marco Morelli
Chief Executive Officer
Banca Monte dei Paschi di Siena S.p.A.
Piazza Salimbeni 3
53100 Siena
Italy

15 January 2018

TRIM General Topics review feedback letter

Dear Mr Morelli,

As announced in the fourth TRIM information letter sent to you on 25 August, we hereby send a letter providing feedback on the review performed by the Centre of Competence on General Topics[1].

We want to start by expressing our gratitude on the collaboration, time and effort provided by your institution to date as part of the TRIM project.

The General Topics review was launched on 1 July 2016, starting with a request to complete a questionnaire. This assessment was followed-up by on-site supervisory visits, in order to further assess and challenge the answers provided in the Questionnaire on General Topics. The review aimed at collecting information on current practices across all significant institutions in scope, as well as assessing the compliance of institutions' IRB framework with the current applicable regulatory framework.

The review led to the identification of a number of cases of non-compliance with current regulatory requirements which require timely supervisory remediation and a specific Supervisory Board decision on those cases will be communicated to you.

Considering both the industry's comments received on the first version of the guide to TRIM published in February 2017 and the experience gained from the dedicated on-site visits, the guide to TRIM has been further refined and the revised General Topics chapter will be published for a public consultation in the coming weeks.

[1] Within the TRIM project, the Centre of Competence on General Topics is in charge of the review of model governance aspects at institution level.

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In this context and in order to provide you with a timely opinion, the Appendix of this letter outlines the deviations identified during the on-site supervisory visit from the principles elaborated in the revised version of the General Topics chapter of the guide to TRIM.

By 31 March 2018, your institution is expected to provide the JST with written feedback on the current status of each of the identified deviations together with the measures and expected timeline that you consider adequate to meet the corresponding ECB principles. Your proposed measures and expected timelines should be subsequently agreed with the JST.

Yours sincerely,

Patrick Amis

Deputy Director General

DG-Microprudential Supervision I

TRIM GUIDE – General Topics deviations

Overarching principles

ID	Legal background	Deviation summary
Deviation #1	Article 175 of Regulation (EU) No 575/2013 Article 3 (Quality and auditability of documentation) of Final Draft RTS on assessment methodology for IRB Section 2.2 of the TRIM GT guide: Documentation of internal models	The institution does not have any formal internal principles or guidelines for producing documentation of internal risk models (whether IRB or otherwise). **ECB's principle** The institution should ensure that principles and guidelines for model documentation are developed and applied in a consistent way within the group. These principles should encompass guidance for the governance of the model documentation. The scope of the model documentation by type of model should be defined. In-scope areas should include at least the technical aspects of the model (methodology and assumptions), data (processes), instructions for model users and performance/validation (including the results of implementation testing).

ID	Legal background	Deviation summary
Deviation #2	Paragraph 235 of the SREP Guidelines Section 2.3 of the TRIM GT guide: Implementation of a model risk management framework	A Model Risk Management framework exists within the institution but it is not documented in a specific policy. **ECB's principle** The institution should have a model risk management framework in place that comprise, at least, the following: (a) A written model risk management policy. This policy should include, as a minimum, a concept or a definition of what constitutes a model, should provide the institution's interpretation of model risk and should describe the model risk framework with reference to its different components (e.g. model governance, risk control function, validation function, internal audit) and their related documented policies; (b) A register of the institution's internal models. This register should facilitate a holistic understanding of the application and use of the models and it should provide the institution's management body and senior management with a comprehensive overview of the models in place; (c) Guidelines on identifying and mitigating the areas where measurement uncertainty and model deficiencies are known, according to their materiality. In particular the elements that relate to qualitative aspects of model risk (such as data deficiencies, model misuse or implementation errors) should be considered. This methodology should be applied consistently across the group (e.g. subsidiaries or regions); (d) Guidelines and methodologies for the qualitative and/or quantitative assessment and measurement of the institution's model risk; (e) Guidelines with respect to the model life cycle; (f) Procedures for model risk communication and reporting (internal and

		external); (g) Definition of roles and responsibilities within the model risk management framework.

Roll-out and Permanent partial use

ID	Legal background	Generic request
Generic request	Articles 143, 144, 148 and 150 of Regulation (EU) No 575/2013	The institution is expected to provide the JST with full transparency on the regulatory treatment of its exposures. To that purpose, the institution should communicate an up-to-date representation, at consolidated level, of all its credit exposures (all subsidiaries and portfolios) and their corresponding regulatory treatment. Such a representation should identify the exposures currently under the range of application of an IRB rating system, the exposures treated under the SA that are included in an approved roll-out plan, the exposures treated under SA with an explicit PPU permission and the other exposures treated under the SA along with the reasons for such a treatment.

ID	Legal background	Deviation summary
Deviation #3	Article 189 of Regulation (EU) No 575/2013 Article 7 (Sequential implementation of the IRB Approach) of Final Draft RTS on Assessment Methodology for IRB Section 3.2 of the TRIM GT guide: Governance of the Roll-Out Plan for the IRB Approach	The institution shows no evidence of a regular reporting of the IRB roll-out plan to the Management Board/Designated Committee. Furthermore, there is no evidence of a formalised governance framework for the roll-out plan. **ECB's principle** The institution is expected to have a framework or policy for the governance of its roll-out plan that includes internal bodies, frequency of reporting, criteria used for changes and controls to assess compliance with the roll-out plan.

ID	Legal background	Deviation summary
Deviation #4	Article 150(1) of Regulation (EU) No 575/2013 Article 8 (Conditions for permanent partial use) of Final Draft RTS on Assessment Methodology for IRB Section 3.4 of the TRIM GT guide: Monitoring of the	The institution does not show evidence of an internal monitoring procedure for the appropriateness of the PPU use. Furthermore, thresholds or measures are not in place in order to trigger possible IRB re-assessments. **ECB's principle** The institution should have policies and procedures in place to ensure compliance with the requirements for permanent partial use (PPU) as listed in Article 150 of the CRR, to ensure that PPU is applied appropriately. In particular, the institution should develop the following: (a) Measures and triggers for a re-assessment of the suitability for PPU of PPU-authorised exposure classes or types of exposure. (b) A reporting process monitoring the materiality (in terms of both RWA

	compliance with PPU provisions	and EAD) of the exposure classes or types of exposures in PPU over time. (c) Processes and guidelines to assess whether further exposure classes or types of exposures – currently treated under the IRB Approach - may become eligible for PPU.

Internal Audit

ID	Legal background	Deviation summary
Deviation #5	Article 191 of Regulation (EU) No 575/2013 Article 17 (Internal audit) of Final Draft RTS on assessment methodology for IRB Chapter 6 of the TRIM GT Guide: Scope and frequency of the review of the rating system	The Internal Audit function performs a full review in a 4 year cycle. The new planning methodology ensures that only the high, high-medium and medium relevant macro-processes are all covered (at least once) within a full audit cycle. Areas with low relevance assigned could not be covered during the assessment. **ECB's principle** The institution should ensure that the Internal Audit function annually renews its opinion on the following aspects: (a) The development and performance of the rating systems. (b) The use of the models. The use assessment should show that the rating systems play an essential role in the most relevant areas of the risk management, decision-making process, the credit approval, internal capital allocation and corporate governance functions of the institution. (c) The process for the materiality classification, impact assessment and compliance with regulatory requirements of all changes to the rating systems as well as their consequent implementation. The internal audit function is expected to be informed of all changes to the rating systems. (d) The quality of the data used for the quantification of risk parameters. (e) The integrity of the rating assignment process. (f) The validation function, challenging its independence from the CRCU, as well as the scope and suitability of the tasks and outputs performed. (g) The process for calculating own funds requirements. The Internal Audit function is expected to update its opinion by completing a deep dive mission at least every three years in order to ensure that Internal Audit's opinion reflects the current situation.

Model use

ID	Legal background	Deviation summary
Deviation #6	Article 143(3) of Regulation (EU) No 575/2013 Article 23 (General) of Final Draft RTS on Assessment Methodology for IRB Section 7.4 of the TRIM GT guide: Assignment of exposures to grades or pools	The institution uses the Standardised approach as a fall-back solution for treating either outdated ratings or unrated exposures. **ECB's principle** The institution should not use the Standardised Approach as a fall-back solution for either unrated exposures or outdated ratings within the scope of application of the IRB systems (neither in roll-out nor PPU).

Management of model changes

ID	Legal background	Deviation summary
Deviation #7	Article 143(3)(a) and (b) of Regulation (EU) No 575/2013 Article 87 (Change policy content) of Final Draft RTS on Assessment Methodology for IRB Section 8.4 of the TRIM GT guide: Impact assessment	The re-rating process in case of changes/extensions to the range of application of a rating system or to a rating system has not been formalised in the relevant policies. **ECB's principle** The institution is expected to include the re-rating process in its relevant policies.

EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Petra Senkovic
Secretary of the Supervisory Board

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MPS Leasing and Factoring SpA
Via Aldo Moro 11/13
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ITALY

Notified via: Banca Monte dei Paschi di Siena S.p.A.

SSM/2018/0085
5 March 2018

Notification of the ECB's intention to adopt a Decision confirming the permission to use the Internal Ratings Based Approach for calculating own funds requirements for credit risk for the corporate and retail exposure classes

Dear Sir or Madam,

On the basis of a draft proposal of the Supervisory Board under Article 26(8) of Council Regulation (EU) No 1024/2013[1], the European Central Bank ('ECB') has decided to adopt the enclosed draft Decision.

In accordance with Article 22 of Regulation (EU) No 1024/2013 and Article 31 of Regulation (EU) No 468/2014, you have the opportunity to make submissions in writing regarding this draft Decision within two weeks from the day of receipt of this letter.

1 Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

Please send any submissions preferably by electronic mail to SSMSecretariat@ecb.europa.eu or alternatively by post to:

Secretariat to the Supervisory Board

European Central Bank

Sonnemannstrasse 22

60314 Frankfurt am Main

Germany

For your information, we also enclose the ECB's Internal Model Assessment Report (IMI-2015-ITMPS-40), finalised on 4 December 2015.

Yours sincerely,

Encl. (2)

EUROPEAN CENTRAL BANK

BANKING SUPERVISION

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DRAFT

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53100 Siena
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(hereinafter the 'Supervised Entities')

Notified via: Banca Monte dei Paschi di Siena S.p.A.

cc. The Banca d'Italia

ECB-SSM-2018-ITMPS-XX

Frankfurt am Main, DD, Month, YYYY

Decision confirming the permission to use the Internal Ratings Based Approach for calculating own funds requirements for credit risk for the corporate and retail exposure classes

Dear Sirs,

I am writing to notify you that the Governing Council of the European Central Bank (ECB) on the basis of a draft proposal of the Supervisory Board under Article 26(8) of Council Regulation (EU) No 1024/2013[1] has decided, that the Supervised Entities may continue using the Internal Ratings Based (IRB) approach for the calculation of own funds requirements for credit risk for the corporate and retail exposure classes at the consolidated and individual level.

The Supervised Entities shall comply with the limitations set out in Annex II to the satisfaction of the ECB.

The Supervised Entities shall fulfil the obligations set out in Annex III to the satisfaction of the ECB by the stated deadlines.

The Supervised Entities are recommended to take action in accordance with the recommendations set out in Annex IV.

1 Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

Within four weeks of notification of this Decision, the Supervised Entities shall present a plan explaining in detail how compliance with the obligations set out in Annex III is intended to be ensured. The Supervised Entities shall send the ECB a status report on a quarterly basis until the Supervised Entities consider that all of the obligations have been fulfilled. The first report shall be submitted at the latest by the end of the quarter following the quarter in which the Decision was notified.

This Decision is adopted pursuant to the Banca d'Italia's Circular 285[2] (Parte Prima, Titolo III, Capitolo 1, Sezione III) transposing Article 101 of Directive 2013/36/EU of the European Parliament and of the Council[3].

1. Facts on which the decision is based

1.1. Internal model investigation

1.1.1. On 12 October 2015, the ECB announced to the Supervised Entities an internal model investigation (IMI) to review its IRB approach. The investigation aimed at reviewing the performances of some selected models seven years after their initial approval and to ascertain to what extent the outcome of the Asset Quality Review, that was part of the Comprehensive Assessment conducted in 2014, had been incorporated in those models. More specifically, Probability of Default (PD) and Loss Given Default (LGD) models for the small business (SB), Small and medium-sized enterprises (SME) small, and SME were in the scope of the IMI.

1.1.2. An assessment to determine whether the model complies with Part Three, Title II, Chapter 3 of Regulation (EU) No 575/2013 was carried out on-site from 21 October 2015 to 4 December 2015 by inspectors from the Banca d'Italia on behalf of the ECB. The assessment is summarised in the model assessment report IMI-2015-ITMPS-40 finalised on 22 April 2016.

1.2. Opportunity to comment

1.2.1. By letter dated 5 March 2018, the addressees were given the opportunity to comment on a draft of this Decision with a time limit of two weeks. [Option A: The addressee[s] did not provide any comments within the given time limit.] [Option B: By letter dated [DD Month YYYY], the Supervised Entities [and [insert names of other addressee(s) providing comments]] provided comments. The comments received were assessed by the ECB. The assessment is set out [Option B1: in a separate assessment note that has been provided to the addressee[s].][Option B2: in paragraph [insert the number, e.g. [2.X].]

2. Assessment

2.1 The ECB has assessed the permission based on the above facts and having regard to any other relevant information. The ECB's findings are summarised in Annex I.

2.2 Based on this assessment, the ECB has concluded that the conditions for confirming the permission are broadly met.

2.3 The permission granted by this Decision is subject to the ancillary provisions set out above. The

2 Disposizioni di vigilanza per le banche, Circolare n. 285 del 17 dicembre 2013

3 Directive 2013/36/EU of the European Parliament and of the 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 (OJ L 176, 27.6.2013, p. 338).

imposition of these ancillary provisions is necessary for the reasons set out in Annex I.

3. General

3.1. Non-compliance with limitations or obligations

3.1.1. If the Supervised Entities cease to comply with any requirement, limitation or obligation set out in this Decision, or if the applicable law changes, and without prejudice to any other cases set out in the applicable law providing for revocation, the ECB will reconsider the terms of the Decision, including revoking it in full or in part.

3.2. Taking Effect

This Decision shall take effect on the date of its notification to the addressees.

4. Administrative and judicial review

4.1. In accordance with Article 24 of Regulation (EU) No 1024/2013, within one month of the date of notification, the addressee of this Decision may write to the ECB's Administrative Board of Review requesting an internal administrative review of the Decision. A request for a review should be sent, preferably by electronic mail, to: ABoR@ecb.europa.eu, or by post to:

The Secretary of the Administrative Board of Review
European Central Bank
Sonnemannstrasse 22
60314 Frankfurt am Main
Germany.

4.2. This Decision may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

Yours sincerely,

The Secretary of the Governing Council

Pedro Gustavo TEIXEIRA

Annex I

List of findings

The following findings have been observed at the Supervised Entities.

ID	Legal requirement	Finding
Finding 1	Article 175 of Regulation (EU) No 575/2013	The "Servizi Specialistici del Credito" contains a "rating committee" that analyses and approves the assignment of rating for a set of counterparties. This structure is not envisaged by internal regulation.
Finding 2	Article 173 of Regulation (EU) No 575/2013	The head of "Servizi Specialistici del Credito" is a member of the Credit Committee, and is actively involved in the credit granting process through its vote in such committee.
Finding 3	Article 189 of Regulation (EU) No 575/2013	The investigation observed that internal findings (called GAPs) have often been kept 'open' for a long time. For instance, looking at the GAPs raised by the Internal Validation Function (IVF) concerning IRB matters, findings have been closed, on average, in 20 months after the activation date, while still open gaps have an average vintage of 20 months.
Finding 4	Article 189 of Regulation (EU) No 575/2013	During the investigation it has been found that a rule underlying the functioning of the rating system (namely the stabilisation rule called "cut- off') was neither approved by the "Comitato Operativo Basilea" nor ratified by the "Comitato Gestione rischi", contrary to the internal governance policy of the bank.
Finding 5	Article 171 and Article 174(e) of Regulation (EU) No 575/2013	As the methodology applied by the rating agencies regarding the override process is not formally regulated in a specific documentation, assessments performed by the raters have a high degree of discretion. In addition, this shortcoming does not allow for a complete replicability of all steps of the rating assignment.

Finding 6	Article 173(1)(c) of Regulation (EU) No 575/2013	Strong signals and negative feedbacks deriving from the credit monitoring process are not incorporated into the determination of the counterparty rating, thus not allowing the Supervised Entities to capture in a proper and timely manner all the important and available information, and partially limiting the predictive capacity of the rating as measure of credit worthiness.
Finding 7	Article 144(1)(h) of Regulation (EU) No 575/2013	In the current practice, the Supervised Entities, when the necessary information for the rating calculation is missing or expired (firms for which the qualitative questionnaire has not yet been filled in or firms with obsolete balance sheets), treat the related exposures for prudential purposes using the standardised approach (so called unrated obligors).
Finding 8	Article 174(c) of Regulation (EU) No 575/2013	The Supervised Entities use an approach aimed at classifying the forborne exposures through an ex-post rule in the calibration phase. This approach determines the exclusion of a significant share of counterparties for whom the observation period is not over yet. In order to offset this data exclusion, the Supervised Entities defined an add-on on the PDs. Although the internal validation function expressed a positive opinion on this calibration process, a challenger model was not put in place by the internal control function to confirm the accuracy of the add-on. According to the understanding of ECB, the Supervised Entities do not fulfil the legal requirements set out for this finding since the data used to calibrate the model is not fully representative of the actual exposures of the institution. This understanding is reflected in Article 40 (2) of EBA/RTS/2016/03[4].
Finding 9	Article 180 of Regulation (EU) No 575/2013	Although there might be causes where this could be appropriate, the Supervised Entities estimate the anchor point for the calibration of PD models by dividing the sum of the number of default events observed in a period of several years by the sum of the non-default observations at the beginning of the respective years. This is an implicit weighting of the yearly default rates which is not in line with Article 180(1)(a) of Regulation (EU) No 575/2013.
Finding 10	Article 179(1)(c) and Article 173(1)(c) of	In the internal system, the migration of the rating is limited by a stabilisation rule (so called cut-off rule). It does not allow for migrations among ratings whenever the cumulate difference between the new PD and the old one is lower than the

4 Final Draft Regulatory Technical Standards on the specification of the assessment methodology for competent authorities regarding compliance of an institution with the requirements to use the IRB Approach in accordance with Articles 144(2), 173(3) and 180(3)(b) of Regulation (EU) No 575/2013 of 21 July 2016.

	Regulation (EU) No 575/2013	given thresholds (157 basis points (bps) for SME, Large Corporate, Corporate and 120 bps for Small business). This rule, applied also in the recalibration phase, should determine a decrease in the discriminatory power of the rating, so that it cannot jeopardize the informative power of the rating.
Finding 11	Article 185(e) of Regulation (EU) No 575/2013	For the SME small and SB portfolios, the difference between default rates with estimated PDs has been statistically significant for a high number of rating grades and persistent over time, especially for the riskier obligors. The poor performance of the SME small and SB internal systems could hamper the effectiveness of these models to capture the inherent risk.
Finding 12	Article 5(2) of Regulation (EU) No 575/2013	The indirect cost allocation mechanism assigns zero costs to approximately 15% of files in the Reference Data Set (RDS) for the LGD of the Supervised Entities. Such effect is due to the fact that the cost allocation is based on the residual debt of customers.
Finding 13	Article 181 of Regulation (EU) No 575/2013	The LGD downturn is estimated taking into account a high number of clusters. Such approach reveals that for some clusters downturn LGDs are lower than average LGDs. Checks on the representativeness of the bad loan LGDs assigned, especially in these cases, are missing.
Finding 14	Article 179(1)(a) and Article 179(1)(f) of Regulation (EU) No 575/2013	Even if the relevant Union law does not provide for clear and specific quantitative criteria to address the Internal Workout issue, Articles 179(1)(a) and Article 179(1)(f) of Regulation (EU) No 575/2013 state that "the less data an institution has, the more conservative it shall be in its estimation; " and that "an institution shall add to its estimates a margin of conservativeness that is related to the expected range of estimation errors". The margin of conservatism adopted by the Supervised Entities to cope with the incomplete workouts could not be sufficient to capture the whole risk embedded in the large amount of positions not included, thus leading to potential impacts on prudential ratios.
Finding 15	Article 174(d) of Regulation (EU) No 575/2013	The back-testing analyses on LGD are only related to the bad loans. A specific back-testing framework for the danger rate module has not been performed yet.

Finding 16	Article 208 of Regulation (EU) No 575/2013	Article 208 of Regulation (EU) No 575/2013 defines the criteria of the eligibility of the immovable propriety collateral. The requirements are related to the legal certainty, monitoring of the property values, and property valuation. Although the issue of the real estate collateral is part of a recent action plan, the Supervised Entities have not issued a framework on the Credit Risk Mitigation (CRM) system in line with the specific requirements envisaged by Regulation (EU) No 575/2013 yet.
Finding 17	Article 21 (1) (b) of EBA/RTS/2016/03 Final Draft	Even though Banca Monte dei Paschi di Siena 's internal models have been extended to MPS Capital Services Banca per Le Imprese Spa (MPS CS) and to MPS Leasing & Factoring Spa (MPS L&F), the use of the rating in the monitoring systems of these two entities is missing because of delays in the integration process.
Finding 18	Article 19(2)(a) of EBA/RTS/2016/03 Final Draft	A weak rating-spread relationship was observed in particular product categories and internal models.
Finding 19	Article 185(c) of Regulation (EU) No 575/2013	Reports performed by the internal validation are not carried out applying alternative approaches or estimates in order to increase the challenging power of the internal validation reviews.
Finding 20	Article 191 of Regulation (EU) No 575/2013	Audit activities carried out on the PD were not able to detect the shortcoming on the calibration of the anchor point, as highlighted by the investigation.
Finding 21	Article 181(1)(h) of Regulation (EU) No 575/2013	No specific LGD and ELBE models for defaulted exposures are in place.

Annex II

List of limitations

The Supervised Entities are required to comply with the following limitations to the satisfaction of the ECB.

ID	Finding	Limitation
Limitation 1	Finding 21	For defaulted exposures (i.e., if PD=1) classified differently from “Sofferenze” and falling within the scope of application of the rating systems “Small Business”, “SME small” and “SME” the Supervised Entities shall: - Floor the risk weighted assets by the amounts calculated by applying the provisions of Article 127 of Regulation (EU) No 575/2013. The exposure value shall be calculated according to Article 111 of Regulation (EU) No 575/2013; - For the purpose of determining the ELBE, floor the ratio between the total ELBE and the corresponding exposure value by the level of the ratio between the total credit risk adjustments and the corresponding exposure value as recorded at the end of 2017. This limitation shall apply until the Supervised Entities have obtained permission by the ECB to implement specific LGD and ELBE models for defaulted exposures classified differently from “Sofferenze”, which it is required to develop in accordance with obligation 14.
Limitation 2	Finding 21	For defaulted exposures (i.e., if PD=1) classified as “Sofferenze” and falling within the scope of application of the rating systems “Small Business”, “SME small” and “SME” the Supervised Entities shall: - Floor the risk weighted assets by the amounts calculated by applying the provisions of Article 127 of Regulation (EU) No 575/2013. The exposure value shall be calculated according to Article 111 of Regulation (EU) No 575/2013; - For the purpose of determining the ELBE, floor the ratio between the total ELBE and the corresponding exposure value by the level of 65%. This limitation shall apply as of 1 July 2018 and until the Supervised Entities have obtained permission by the ECB to implement specific LGD and ELBE models for defaulted exposures classified as “Sofferenze”, which is required to develop in accordance with

		obligation 14.

Annex III

List of obligations

By virtue of Article 16 of the Council Regulation No 1024/2013 the Supervised Entities are required to complete the following obligations to the satisfaction of the ECB by the stated deadlines.

ID	Finding	Obligation	Deadline
Obligation 1	Findings 1, 2, 4 and 5	The Supervised Entities shall supplement the documentation on the design and the operational details of its rating systems and ensure the integrity of the assignment process with specific reference to the following elements: – Role and responsibilities of the rating committee established within the “Servizi Specialistici del Credito” – that in the current practice is in charge of analysing and approving ratings assigned to a set of counterparties – shall be clarified in the internal regulation; – A clear separation between the credit granting process and rating assignment process shall be ensured having regard to the membership of the head of “Servizi Specialistici del Credito” in the Credit Committee; – The adoption of the “cut-off” stabilisation rule shall be formalised via the internal approval process in order to restore consistency with the internal governance policy; and – Specific criteria to be applied by the rating managers in their valuations shall be formalised; in order to ensure the replicability of all steps of the rating assignment process.	Three months after the date of notification of this Decision
Obligation 2	Findings 3, 19 and 20	The Supervised Entities shall ensure that the Internal Validation and the Internal Audit functions are adequately staffed, and able to further develop their effectiveness and challenging power. The internal validation framework shall be enhanced by including additional tests based on alternative approaches in order to challenge the assumptions or methodologies currently applied.	Six months after the date of notification of this Decision

		Furthermore, the Supervised Entities shall undertake actions to foster a timely remediation of the identified weaknesses by the internal validation function, including the establishing of a specific quarterly reporting to the Risk Committee of open gaps.	
Obligation 3	Finding 6	The Supervised Entities shall revise the rating assignment process and ensure that ratings promptly incorporate all relevant information stemming from the Early Warning System, signalling potential negative developments of the counterparties.	Six months after the date of notification of this Decision
Obligation 4	Finding 7	The Supervised Entities shall discontinue the current practice of treating exposures, for which necessary information for the rating calculation are missing or expired, using the standardised approach. A new processes shall be established to ensure that exposures, for which rating information are missing or expired, are assigned to an adequate and sufficiently conservative rating grade or pool.	Six months after the date of notification of this Decision
Obligation 5	Finding 8	The Supervised Entities shall strengthen the internal validation analysis supporting the appropriateness of the PD add-on set for taking into account the exclusion of a significant share of counterparties for whom the forborne observation period was not over yet from the calibration sample. The additional analysis shall be aimed at verifying soundness and robustness of the add-on with specific reference to data representativeness and consistency.	Three months after the date of notification of this Decision
Obligation 6	Finding 9	When determining the anchor point for PD calibrations, the Supervised Entities shall refrain from adopting a weighting scheme of the yearly default rates giving higher importance to the oldest observations.	Three months after the date of notification of this Decision
Obligation 7	Finding 10	The Supervised Entities shall monitor on a regular basis the reduction in the discriminatory power of the IRB systems led by the "cut-off" stabilisation rule and foresee the undertaking of appropriate actions whenever this reduction goes beyond properly defined thresholds set internally.	Six months after the date of notification of this

			Decision
Obligation 8	Finding 11	The Supervised Entities shall define an internal policy setting tolerance thresholds as well as the related actions to be undertaken in case the results of the back-testing show significant differences between the internally estimated parameters and the values actually observed over time.	Six months after the date of notification of this Decision
Obligation 9	Finding 12	The Supervised Entities shall allocate indirect costs to all files included in the RDS for the LGD estimation.	Six months after the date of notification of this Decision
Obligation 10	Finding 13	The Supervised Entities shall reconsider the LGD downturn approach in order to ensure that the LGD estimates are more conservative than the long-run average of realised LGDs. In addition the Supervised Entities shall ensure the proper level of representativeness of each cluster. The new approach shall be assessed by the Internal Validation as well as the Internal Audit Functions.	Six months after the date of notification of this Decision
Obligation 11	Finding 14	The Supervised Entities shall produce additional analysis in order to verify that the criteria currently adopted for the inclusion of the incomplete workouts in the LGD estimates do not lead to underestimation of the risk parameters. It should also demonstrate that the margin of conservatism added to the LGD estimates is sufficient to cover all potential risks linked to the exclusion of defaults without complete workouts. The analysis shall be submitted and assessed by the Internal Validation and the Internal Audit Functions that are required to express an opinion on the matter. In case the abovementioned additional analysis does not allow for excluding that there is an undue reduction of the LGD, the Supervised Entities shall quantify and add an adequate margin of conservatism to its own estimates of the risk parameters.	Six months after the date of notification of this Decision

Obligation 12	Finding 15	The Supervised Entities shall extend back-testing analyses to all modules and components of the LGD model, including a specific back-testing on the danger rate estimates.	Six months after the date of notification of this Decision
Obligation 13	Finding 16	The Supervised Entities shall ensure that the CRM framework underlying the internal models is documented and aligned with the applicable regulatory requirements. To this extent, the internal validation function and the internal audit function of the Supervised Entities are required to perform an in-depth analysis on its CRM framework, also with reference to data quality aspects.	Six months after the adoption of this decision
Obligation 14	Finding 21	The Supervised Entities shall develop and apply for permission to use for regulatory purposes specific LGD and EL_{BE} models for defaulted exposures.	Twelve months after the date of notification of this Decision

Annex IV

List of Recommendations

The Supervised Entities are recommended to implement the following remedial actions.

ID	Finding	Recommendation
Recommendation 1	Finding 17	The Supervised Entities are recommended to extend the use of internal ratings to the monitoring system of MPS CS and MPS L&F. In general, as already highlighted by previous JST recommendations (follow-up letter to OSI 34-35 dated 30 November 2015), the Supervised Entities should integrate its subsidiaries into the control framework of the group, extending where applicable the necessary IT tools.
Recommendation 2	Finding 18	The Supervised Entities should ensure that probability of default and ratings are appropriately considered in the credit process of the bank. In particular, discretions in the credit granting and pricing should be only used in exceptional cases, also by mean of enhancing the relevant IT tools.

EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Annex to the Follow – Up letter TRIM GT review deviations

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Deviation # 1	**Deviation Description:** The institution does not have any formal internal principles or guidelines for producing documentation of internal risk model (whether IRB or otherwise).	
	Recommendation The institution should ensure that principles and guidelines for model documentation are developed and applied in a consistent way within the group. These principles should encompass guidance for the governance of the model should be defined. In scope areas\should include at least the technical aspects of the model (methodology and assumptions), data (processes), instructions for model users and performance/validation (including the results of implementation testing)	**Deadline** **Q3 2018**
	Bank's response to recommendation GMPS already develops the technical documentation of internal risk models belonging to Group's Rating System, compliant with CRR (regulation No 575/2013 EU). When AIRB models are updated, this documentation is analysed by the internal validation Function. The Group is defining the policy with guidelines for producing documentation of internal risk models, which will be applied to validated internal models.	

<table>
<tr><td rowspan="2">Deviation # 2</td><td colspan="2">Deviation Description:
A model of risk management framework exists within the institution but it is not documented in a specific policy</td></tr>
<tr><td>Recommendation
The institution should have a model risk management framework in place that comprise, at least, the following:
(a) a written model risk management policy. This policy should include, as a minimum, a concept or a definition of what constitutes a model, should provide the institution’s interpretation of model risk and should describe the risk framework with reference to its different components (e.g. model governance, risk control function, validation function, internal audit) and their related documented policies;
(b) A register of the institution’s internal models. This register should facilitate an holistic understanding of the application and use of the models and it should provide the institution’s management body and senior management with a comprehensive overview of the models in place,
(c) Guidelines on identifying and mitigating the areas where measurement uncertainty and model deficiencies are known, according to their materiality. In particular the elements to related o qualitative aspects of the model risk (such as data deficiencies, model misuse or implementation errors) should be considered. This methodologies should be applied consistently across the group (e.g. subsidiaries or regions).
d) Guidelines and methodologies for the qualitative and /or quantitative assessment and measurement of the institution’s model risk;
e) Guidelines with the respect of the model life cycle;
f) Procedures for model risk communication and reporting (internal and external);
g) definition of roles and responsibilities within the model risk management framework</td><td>Deadline

Q4 2018</td></tr>
</table>

	Bank's response to recommendation GMPS is currently defining a Model Risk Management (MRM) policy that will summarize and formalize the several elements of MRM framework that are currently in place. The policy will formalize the different components of Model Risk Management framework to be applied mainly to the validated Internal Models. The policy will include guidelines for the following main elements: • Organization and governance: roles and responsibilities, establishing in particular the ownership of model risk management activities • Model management: including model classification, inventory, documentation, model life cycle and reporting • Model risk measurement: guidelines for the identification of model deficiencies, qualitative and /or quantitative assessment and measurement of model risk according to its nature and classification

Generic request	**Generic request:** The institution is expected to provide to JST with full transparency on the regulatory treatment of its exposures. To that purpose the institution should communicate an up-to-date representation, at consolidated level, of all its credit exposures (all subsidiaries\ and portfolios) and their corresponding regulatory treatment. Such a representation should identify the exposures currently under the range of application of an IRB rating system, the exposures treated under the SA that are included in an approved roll-out plan, the exposures treated under SA with an explicit PPU permission and the other exposures treated under the SA along with the reasons for such a treatment.	
	Bank's response to recommendation The bank will provide the required details	**Deadline** **Q2 2018**

Deviation # 3

Deviation Description:

The institution shows no evidence of a regular reporting of the IRB roll-out plan to the Management board/Designated Committee. Furthermore, there is no evidence of a formalised governance framework for the roll-out plan.

Recommendation	Deadline
The institution is expected to have a framework or policy for the governance of its roll-out plan that includes internal bodies, frequency of reporting, criteria used for changes and controls to assess compliance with the roll-out plan.	Q4 2018

Bank's response to recommendation

As reported in the Topic 01 TRIM General Topics, GMPS has an internal procedure for the governance of roll-out plan with roles, responsibilities and decision making process. The authorized roll-out plan is the official guideline for IRB implementation together with Capital Requirement Regulation and the publication of Regulatory of the Technical Standard over the time.

The Risk Management is responsible for developing the roll-out plan, which is reviewed by Internal Validation and submitted to the Comitato Gestione Rischi.

The Comitato Gestione Rischi has the responsibility of the final decision of the implementation of roll-out plan and the validation of any changes of current roll-out plan and reports his decision to the Board for the final approval and for the authorization to proceed with the submission of the formal request to the Supervisory Authority (1030D00751RegolamentoN1OrganizzazioneDellaBancaMPS).

As prescribed in the internal regulation (1030D00751RegolamentoN1OrganizzazioneDellaBancaMPS), the "Comitato Gestione Rischi" monitors, at least on annual basis, the evolution of development and the validation of internal models.

The last internal process of roll-out plan governance was performed in the 2Q 2017: the review of roll-out plan was approved internally by the Board on 22 June 2017 and it was submitted to Supervisory Authority on 30 October 2017 within the official Request of material model changes to AIRB MPS models.

The current described process is not formalized within an internal policy; in order to meet the compliance with regulatory requirement and with the indications reported in “Guide for the Targeted Review of Internal Models (February 2017 version), the Bank will formalize an internal policy to regulate the governance and the monitoring of roll-out plan and PPU portfolio; regarding the roll-out plan, the policy will include the following issues:

- formalization of internal framework with roles and responsibility of the governance of internal roll-out plan and any change to it
- the controls to assess compliance with the roll-out plan
- implementation of roll-out report be presented to Comitato Gestione Rischi/Management board and to competent authority on a regular basis
- the criteria used for changes to the roll-out plan

Deviation # 4		
	Deviation Description: The institution does not show evidence of an internal monitoring procedure for the appropriateness of the PPU use. Furthermore, thresholds or measures are not in place in order to trigger possible IRB re-assessments.	
	Recommendation The institution should have policies and procedures in place to ensure compliance with the requirements for permanent partial use (PPU) as listed in Article 150 of the CRR, to ensure that PPU is applied appropriately. In particular, the institution should develop the following: (a) Measures and triggers for a re-assessment of the suitability for PPU of PPU-authorised exposure classes or types of exposure. (b) A reporting process monitoring the materiality (in terms of both RWA and EAD) of the exposure classes or types of exposures in PPU over time. Processes and guidelines to assess whether further exposure classes or types of exposures – currently treated under the IRB Approach – may become eligible for PPU.	**Deadline** **Q4 2018**
	Bank's response to recommendation As reported in the Topic 01 TRIM General Topics, the regular monitoring is performed by the department "Segnalazioni" which, on a quarterly basis, reviews the regulatory reporting and controls that evolution of exposures to each rating class, including those subject to PPU. Anomalous variations in exposures are further investigated; in order to meet the compliance with regulatory requirement and with the indications reported in "Guide for the Targeted Review of Internal Models (February 2017 version), the Bank will formalize an internal policy on the governance and the monitoring of roll-out plan and PPU portfolio; regarding PPU portfolio, the policy will include the following issues: - formalization of internal framework with roles and responsibility of the governance of PPU portfolio - implementation of PPU report be presented to Comitato Gestione Rischi/Management board and to competent authority on a regular basis with materiality (in terms of RWA and EAD) of exposure classes in PPU - implementation and formalization of trigger for a re-assessment of the suitability for PPU of already authorized PPU exposure classes - guidelines to assess when further exposure may be suitable for PPU	

Deviation # 5

Deviation Description:

The Internal Audit function performs a full review in a 4 year cycle.

The new planning methodology ensures that only the high, high-medium and medium relevant macro-processes are all covered (at least once) within a full audit cycle.

Areas with low relevance assigned could not be covered during the assessment.

Recommendation

The institution should ensure that the Internal Audit function annually renews its opinion on the following aspects:

(a) The development and performance of the rating systems.
(b) The use of the models. The use assessment should show that the rating systems play an essential role in the most relevant areas of the risk management, decision-making process, the credit approval, internal capital allocation and corporate governance functions of the institution.
(c) The process for the materiality classification, impact assessment and compliance with regulatory requirements of all changes to the rating systems as well as their consequent implementation. The internal audit function is expected to be informed of all changes to the rating systems.
(d) The quality of the data used for the quantification of risk parameters.
(e) The integrity of the rating assignment process.
(f) The validation function, challenging its independence from the CRCU, as well as the scope and suitability of the tasks and outputs performed.
(g) The process for calculating own funds requirements.

The Internal Audit function is expected to update its opinion by completing a deep dive mission at least every three years in order to ensure the Internal Audit's opinion reflects the current situation.

Deadline

Q4 2018

Bank's response to recommendation

The full review cycle of Internal Audit is no more based on a 4 year period. With the 2018 Audit Plan we introduce a new methodology which spans over the Restructuring Plan period, taking into account the EC commitments and any potential restrictions resulting from the granting of State Aid.

This new approach (SREP based) has been defined on a 3 year cycle and, as already stated above, takes into account both SSM supervision priorities for 2018 and the specific supervisory plan presented for the MPS group by the JST.

The approach is going to be compliant with the request of completing a deep dive mission at least every three years and will avoid the risk that low-relevance areas could not be covered during the plan.

Regarding compliance with ECB's principle, the Internal Audit function will perform each year a mandatory review on the Internal Validation function, challenging its independence from the Risk Management function as well as the scope and suitability of the tasks and outputs performed. In this contest there will be also a check on the development and performance of the rating systems, from a general point of view, and a focus on the integrity of the rating assignment process. This is the opportunity to make a general assessment on the rating system and evaluate if there are areas showing signs of increased risk (or new exposures in the range of application of the rating system) identifying any issue that should be subject to a thorough new review ("deep dive").

As far as data quality issues are concerned, the internal audit function is being increasingly required by the supervisor to conduct analyses and audits regarding «data quality assurance» where, alongside the traditional, purely IT aspects, is often preponderant the issue of data plausibility and correctness, i.e. ensuring that the information provided faithfully mirrors the real situation at the time the data is transmitted. Two specific audits have been planned for 2018 to test the reconciliation of PD and LGD data while a buffer of man-days was taken into account in the case of any further requests by the ECB on this front. Finally, the process for calculating own funds requirements is controlled on a year basis during the mandatory review on ICAAP statement.

Deviation # 6

Deviation Description:
The institution uses the Standardized approach as a fall-back solution for treating either outdated ratings or unrated exposures

Recommendation	**Deadline**
The institution should not use the Standardized Approach as a fall-back solution for either unrated exposures or outdated ratings within the scope of application of the IRB systems (neither in roll-out nor PPU).	**Q4 2018**

Bank's response to recommendation

At present the "unrated" exposures within the scope of application of the IRB systems are assessed by the standardized approach, while "outdated" ratings remain within the IRB portfolio in the following ways:

- Counterparts valued with process rating:
  - if the updated monthly statistical rating is better than the outdated rating, the latter is used prudently in determining the RWA;
  - if the updated monthly statistical rating is worse than the outdated rating, the RWA are determined on the basis of a new official rating calculated by applying, to the updated monthly statistical rating, the notching related to the qualitative analysis and to the original override.

The MPS Group is gradually intervening to manage the correct process of assignment of the rating.

With reference to exposures such as start-up, taking-over mortgage, corporate acquisition and/or merger operations, for which the available information is not sufficient for the assignment of an internal rating (absence of balance sheet data and/or data related to trend of credit lines), the standardized approach will be applied until obtaining sufficient information for the assignment of an internal rating. For these types of exposures MPS Group did not develop an internal rating model, so in the future these portfolio components should be included into a roll out plan, currently not foreseen.
For exposures initially treated with the AIRB method listed below, the following solutions will be applied:

- Unrated Exposures without credit lines (drawn exposure without credit lines): shall assign to a pool;
- Counterparts valued with process ratings migrating from Default to Bonis Portfolio: shall assign to a pool until the new rating review;
- Exposures covered by "outdated" ratings (including migrations from statistical rating or missing update of Balance Sheet): introduction of conservative mechanisms for automatic worsening of internal ratings over the time.

<table>
<tr><td rowspan="3">Deviation # 7</td><td colspan="2">Deviation Description:
The re-rating process in case of changes/extensions to the range of application of a rating system or to a rating system has not been formalised in the relevant policies.</td></tr>
<tr><td>Recommendation

The institution is expected to include the re-rating process in its relevant policies.</td><td>Deadline

Q4 2018</td></tr>
<tr><td colspan="2">Bank’s response to recommendation

The migration of the rating is limited by a stabilisation rule that are explicated in the internal document 767. The Official Rating has a due date of twelve months after the assignment. During this period the stabilization rule does not allow for migrations among ratings whenever the cumulate difference between the new PD and the old one is lower than the given thresholds. The rating of large corporations and companies of big dimensions will in that case be reviewed through the Internal Rating Agency process.
The variation of the statistical rating due to changes or extensions of the range of application of a rating system are treated the same way as those regarding changes of the current statistical rating.
This aspect will be clearly formalised in the policies and utterly explained in the internal document 767</td></tr>
</table>

EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Annex to the Follow – up IMI40 Obligations

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Obligation # 1	**Finding 1 Description:** The "Servizi Specialistici del Credito" contains a "rating committee" that analyses and approves the assignment of rating for a set of counterparties. This structure is not envisaged by internal regulation.	
	Obligation The Supervised Entities shall supplement the documentation on the design and the operational details of its rating systems and ensure the integrity of the assignment process with specific reference to the following elements: − Role and responsibilities of the rating committee established within the “Servizi Specialistici del Credito” – that in the current practice is in charge of analysing and approving ratings assigned to a set of counterparties – shall be clarified in the internal regulation;	**Deadline** n.a.
	Bank’s response The finding is not accepted: the “Rating Committee” never had deliberative authority to approve any rating. As described in the document 2072, the Rating Committee (so called Comitato Consultivo Rater) is merely an advisory board supporting the decision-making bodies defined in the document D976. Furthermore it is only a committee within the Area Lending Risk Office (Area Servizi Specialistici del Credito until February 2017), and cannot be disciplined within the “Regolamento 1” because of the Internal Regulations. Please note that MPS Group has remarkably reduced the number of committees during 2017 because of efficiency needs.	

Obligation # 1	**Finding 2 Description** The head of "Servizi Specialistici del Credito" is a member of the Credit Committee, and is actively involved in the credit granting process through its vote in such committee.	
	Obligation The Supervised Entities shall supplement the documentation on the design and the operational details of its rating systems and ensure the integrity of the assignment process with specific reference to the following elements: − A clear separation between the credit granting process and rating assignment process shall be ensured having regard to the membership of the head of "Servizi Specialistici del Credito" in the Credit Committee;	**Deadline** 3 months after the date of notification of the Decision
	Bank's response Already Resolved	

<table>
<tr>
<td rowspan="3">Obligation # 1</td>
<td colspan="2">Finding 4 Description:
During the investigation it has been found that a rule underlying the functioning of the rating system (namely the stabilisation rule called "cutoff') was neither approved by the "Comitato Operativo Basilea" nor ratified by the "Comitato Gestione rischi", contrary to the internal governance policy of the bank.
Finding 5 Description:
As the methodology applied by the rating agencies regarding the override process is not formally regulated in a specific documentation, assessments performed by the raters have a high degree of discretion. In addition, this shortcoming does not allow for a complete replicability of all steps of the rating assignment.</td>
</tr>
<tr>
<td>Obligation
The Supervised Entities shall supplement the documentation on the design and the operational details of its rating systems and ensure the integrity of the assignment process with specific reference to the following elements:

− The adoption of the “cut-off” stabilisation rule shall be formalised via the internal approval process in order to restore consistency with the internal governance policy;

− Specific criteria to be applied by the rating managers in their valuations shall be formalised; in order to ensure the replicability of all steps of the rating assignment process.</td>
<td>Deadline

9 months after the date of notification of the Decision</td>
</tr>
<tr>
<td colspan="2">Bank's response
MPS Group will review the stabilization rules, considering whether to apply them also in the recalibration phase.
The new rules will be subject to approval according to the internal model change policy.
Also MPS Group will formalized the criteria for rating assignment process.</td>
</tr>
</table>

<table>
<tr>
<td rowspan="2">Obligation # 2</td>
<td colspan="2">Finding 3 Description:
The investigation observed that internal findings (called GAPs) have often been kept 'open' for a long time. For instance, looking at the GAPs raised by the Internal Validation Function (IVF) concerning IRB matters, findings have been closed, on average, in 20 months after the activation date, while still open gaps have an average vintage of 20 months.

Finding 19 Description:
Reports performed by the internal validation are not carried out applying alternative approaches or estimates in order to increase the challenging power of the internal validation reviews.

Finding 20 Description:
Audit activities carried out on the PD were not able to detect the shortcoming on the calibration of the anchor point, as highlighted by the investigation.</td>
</tr>
<tr>
<td>Obligation
The Supervised Entities shall ensure that the Internal Validation and the Internal Audit functions are adequately staffed, and able to further develop their effectiveness and challenging power.
The internal validation framework shall be enhanced by including additional tests based on alternative approaches in order to challenge the assumptions or methodologies currently applied.
Furthermore, the Supervised Entities shall undertake actions to foster a timely remediation of the identified weaknesses by the internal validation function, including the establishing of a specific quarterly reporting to the Risk Committee of open gaps.</td>
<td>Deadline
12 months after the date of notification of the Decision</td>
</tr>
</table>

Bank's response

The finding 3 is overcomed as results also in the 2017 Validation Report: as of the date of 31st December 2017, there was 8 GAPs related to IRB perimeter each of which opened in 2017. Moreover the internal validation GAPs, as for all the other GAPs opened by the control functions, are quarterly monitored and reported by the "Comitato di Coordinamento delle Funzioni di Controllo (CCFC)" whose Secretary is the Head of "Servizio Segreteria Amministrativa e Supporto Amministratore Incaricato". This Servizio informs the Secretaries of "Collegio Sindacale" and "Comitato Rischi". Besides the "Amministratore Incaricato" (CEO) reports the overall evidences on GAPs stated by CCFC to the "Comitato Direttivo" composed by the senior management of the Bank.
As regards the finding 19, the current staffing of the internal validation functions dedicated to IRB models is in line with the one observed in 2015 due to the effort referred to IFRS9 impairment models and to the validation activities outsourced by MPS Capital Services and MPS Leasing & Factoring.
The internal validation function staffing will be revaluated in the next months in order to start developing challenging models by which challenge the official ones. That process will last at least 12 months.

With reference to the activities envisaged in the audit plan 2018, the Internal Audit function are adequately staffed in relation to the increase in the average efficiency of the resources and the auditing processes constantly pursued.
In order to face the retirement forecast in the period 2017-2021, the Internal Audit function (DCAE) has activated, in conjunction with the HR function, an internal selection aimed at identifying new figures with high professional skills (in terms of competence and experiences) to be included in the specialist management structures and therefore able to acquire the complementary skills in the field of auditing quickly. This maneuver, which at the beginning of 2018 has already led to the inclusion of 14 resources coming partly from the Network and partly from the functions of DG, will continue throughout the multiannual audit plan representing a significant opportunity to allow young resources, with strong technical and operational skills, to enter this activity.
DCAE will face any further requests from the supervisory bodies, evaluating in the most appropriate way - in conjunction with HR - further strengthening of resources.

<table>
<tr><td rowspan="3">Obligation # 3</td><td colspan="2">Finding 6 Description:
Strong signals and negative feedbacks deriving from the credit monitoring process are not incorporated into the determination of the counterparty rating, thus not allowing the Supervised Entities to capture in a proper and timely manner all the important and available information, and partially limiting the predictive capacity of the rating as measure of credit worthiness.</td></tr>
<tr><td>Obligation
The Supervised Entities shall revise the rating assignment process and ensure that ratings promptly incorporate all relevant information stemming from the Early Warning System, signaling potential negative developments of the counterparties.</td><td>Deadline
12 months after the date of notification of the Decision</td></tr>
<tr><td colspan="2">Bank’s response to recommendation
MPS Group will test the predictive capacity of the data used by the Early Warning System. In order to integrate effective negative alarms deriving from the EWS, the data giving the best predictive performance will be incorporated in the rating assignment process.</td></tr>
</table>

Obligation # 4

Finding 7 Description:
In the current practice, the Supervised Entities, when the necessary information for the rating calculation is missing or expired (firms for which the qualitative questionnaire has not yet been filled in or firms with obsolete balance sheets), treat the related exposures for prudential purposes using the standardised approach (so called unrated obligors).
.

Obligation	**Deadline**
The Supervised Entities shall discontinue the current practice of treating exposures, for which necessary information for the rating calculation are missing or expired, using the standardised approach. A new processes shall be established to ensure that exposures, for which rating information are missing or expired, are assigned to an adequate and sufficiently conservative rating grade or pool.	9 months after the date of notification of this Decision

Bank's response to recommendation
At present the "unrated" exposures within the scope of application of the IRB systems are assessed by the standardized approach, while "outdated" ratings with process remain within the IRB portfolio in the following ways:

- if the updated monthly statistical rating is better than the outdated rating, the latter is used prudently in determining the RWA;
- if the updated monthly statistical rating is worse than the outdated rating, the RWA are determined on the basis of a new official rating calculated by applying, to the updated monthly statistical rating, the notching related to the qualitative analysis and to the original override.

The MPS Group is gradually intervening to manage the correct process of assignment of the rating.

With reference to exposures such as start-up, taking-over mortgage, corporate acquisition and/or merger operations, for which the available information is not sufficient for the assignment of an internal rating (absence of balance sheet data and/or data related to trend of credit lines), will be applied the standardized approach until obtaining sufficient information for the assignment of an internal rating. For these types of exposures MPS Group did not develop an internal rating model, so in the future these portfolio components should be included into a roll out plan, currently not foreseen.

For exposures initially treated with the AIRB method listed below, the following solutions will be applied:

- Unrated Exposures without credit lines (drawn exposure without credit lines): shall assign to a pool;
- Counterparts valued with process ratings migrating from Default to Bonis Portfolio: shall assign to a pool until the new rating review;
- Exposures covered by "outdated" ratings (including migrations from statistical rating or missing update of Balance Sheet): introduction of conservative mechanisms for automatic worsening of internal ratings over the time.

Obligation # 5

Finding 8 Description:
The Supervised Entities use an approach aimed at classifying the forborne exposures through an ex-post rule in the calibration phase. This approach determines the exclusion of a significant share of counterparties for whom the observation period is not over yet. In order to offset this data exclusion, the Supervised Entities defined an add-on on the PDs. Although the internal validation function expressed a positive opinion on this calibration process, a challenger model was not put in place by the internal control function to confirm the accuracy of the add-on.
According to the understanding of ECB, the Supervised Entities do not fulfil the legal requirements set out for this finding since the data used to calibrate the model is not fully representative of the actual exposures of the institution. This understanding is reflected in Article 40 (2) of EBA/RTS/2016/03

Obligation	Deadline
The Supervised Entities shall strengthen the internal validation analysis supporting the appropriateness of the PD add-on set for taking into account the exclusion of a significant share of counterparties for whom the forborne observation period was not over yet from the calibration sample. The additional analysis shall be aimed at verifying soundness and robustness of the add-on with specific reference to data representativeness and consistency.	9 months after the date of notification of the Decision

Bank's response
The MPS Group intends to revise the methodology for intercepting the greater riskiness of forborne positions, also taking into account the new process of classification of forborne credits, implemented in the MPS Group in November 2015, which allows a more precise identification of positions with forborne exposure. The revision of the methodology will prevail the following macro steps:
1) Calibration of the PD using the observed historical series without any particular exclusion intervention of counterparties due to lack of observation period. The use of the entire historical series observed makes 'de facto' no longer necessary to implement specific monitoring analyzes of representativity and consistency due to particular exclusions made during calibration;
2) Interception of forborne positions from 2015 onwards and detection of historical default rates observed on these counterparties;
3) Introduction of MOC through a definition of a floor, to be applied post calibration to the statistical pd of the positions with a Forborne exposure, equal to the historical observed default rate on these position (default rate observed and defined in point 2).
This approach will be submitted to validation analysis.

Obligation # 6		
	Finding 9 Description: Although there might be causes where this could be appropriate, the Supervised Entities estimate the anchor point for the calibration of PD models by dividing the sum of the number of default events observed in a period of several years by the sum of the nondefault observations at the beginning of the respective years. This is an implicit weighting of the yearly default rates which is not in line with Article 180(1)(a) of Regulation (EU) No 575/2013.	
	Obligation When determining the anchor point for PD calibrations, the Supervised Entities shall refrain from adopting a weighting scheme of the yearly default rates giving higher importance to the oldest observations.	**Deadline** 3 months after the date of notification of this Decision
	Bank's response Already Resolved	

<table>
<tr>
<td rowspan="3">Obligation # 7</td>
<td colspan="2">Finding 10 Description:
In the internal system, the migration of the rating is limited by a stabilisation rule (so called cut-off rule). It does not allow for migrations among ratings whenever the cumulate difference between the new PD and the old one is lower than the given thresholds (157 basis points (bps) for SME, Large Corporate, Corporate and 120 bps for Small business). This rule, applied also in the recalibration phase, should determine a decrease in the discriminatory power of the rating, so that it cannot jeopardize the informative power of the rating.</td>
</tr>
<tr>
<td>Obligation
The Supervised Entities shall monitor on a regular basis the reduction in the discriminatory power of the IRB systems led by the “cut-off” stabilisation rule and foresee the undertaking of appropriate actions whenever this reduction goes beyond properly defined thresholds set internally.</td>
<td>Deadline
9 months after the date of notification of the Decision</td>
</tr>
<tr>
<td colspan="2">Bank’s response
MPS Group will review the stabilization rules, considering whether to apply them also in the recalibration phase.
The new rules will be subject to approval according to the internal model change policy.</td>
</tr>
</table>

<table>
<tr>
<td rowspan="3">Obligation # 8</td>
<td colspan="2">Finding 11 Description:
For the SME small and SB portfolios, the difference between default rates with estimated PDs has been statistically significant for a high number of rating grades and persistent over time, especially for the riskier obligors. The poor performance of the SME small and SB internal systems could hamper the effectiveness of these models to capture the inherent risk.</td>
</tr>
<tr>
<td>Obligation
The Supervised Entities shall define an internal policy setting tolerance thresholds as well as the related actions to be undertaken in case the results of the back-testing show significant differences between the internally estimated parameters and the values actually observed over time.</td>
<td>Deadline

9 months after the date of notification of the Decision</td>
</tr>
<tr>
<td colspan="2">Bank’s response

MPS Group has an internal PD monitoring framework, whose current structure provides for the execution of a series of tests carried out in parallel on several levels: tests on the discriminating power of the model and on the accuracy of the calibration. MPS Group will formalize internal policy to define the result of monitoring framework and the actions to be taken in case of negative results</td>
</tr>
</table>

<table>
<tr><td rowspan="3">Obligation # 9</td><td colspan="2">Finding 12 Description:
The indirect cost allocation mechanism assigns zero costs to approximately 15% of files in the Reference Data Set (RDS) for the LGD of the Supervised Entities. Such effect is due to the fact that the cost allocation is based on the residual debt of customers.</td></tr>
<tr><td>Obligation
The Supervised Entities shall allocate indirect costs to all files included in the RDS for the LGD estimation.</td><td>Deadline
9 months after the date of notification of this Decision</td></tr>
<tr><td colspan="2">Bank’s response
Already resolved in the last re-estimation, subject to approval for material model change</td></tr>
</table>

Obligation # 10	**Finding 13 Description:** The LGD downturn is estimated taking into account a high number of clusters. Such approach reveals that for some clusters downturn LGDs are lower than average LGDs. Checks on the representativeness of the bad loan LGDs assigned, especially in these cases, are missing.	
	Obligation The Supervised Entities shall reconsider the LGD downturn approach in order to ensure that the LGD estimates are more conservative than the long-run average of realised LGDs. In addition the Supervised Entities shall ensure the proper level of representativeness of each cluster. The new approach shall be assessed by the Internal Validation as well as the Internal Audit Functions	**Deadline** 12 months after the date of notification of the Decision
	Bank's response The finding has already been treated within the review of LGD model carried out in 2017 and subject to approval for material model change. In order to incorporate also the LGD finding 14 and 21 (on which the regulator assumes a resolution time of 12 months from the date of notification), a new application for material change will be submitted, withdrawing the one currently sent, because the finding 13,14,21 have a simultaneous impact on the information used to estimate the LGD; it is considered necessary to align the deadlines of the three finding that will necessarily be subject to approval for material change.	

<table>
<tr><td rowspan="3">Obligation # 11</td><td colspan="2">Finding 14 Description:
Even if the relevant Union law does not provide for clear and specific quantitative criteria to address the Internal Workout issue, Articles 179(1)(a) and Article 179(1)(f) of Regulation (EU) No 575/2013 state that “the less data an institution has, the more conservative it shall be in its estimation; “ and that "an institution shall add to its estimates a margin of conservativeness that is related to the expected range of estimation errors".
The margin of conservatism adopted by the Supervised Entities to cope with the incomplete workouts could not be sufficient to capture the whole risk embedded in the large amount of positions not included, thus leading to potential impacts on prudential ratios.</td></tr>
<tr><td>Obligation
The Supervised Entities shall produce additional analysis in order to verify that the criteria currently adopted for the inclusion of the incomplete workouts in the LGD estimates do not lead to underestimation of the risk parameters.
It should also demonstrate that the margin of conservatism added to the LGD estimates is sufficient to cover all potential risks linked to the exclusion of defaults without complete workouts.
The analysis shall be submitted and assessed by the Internal Validation and the Internal Audit Functions that are required to express an opinion on the matter.
In case the abovementioned additional analysis does not allow for excluding that there is an undue reduction of the LGD, the Supervised Entities shall quantify and add an adequate margin of conservatism to its own estimates of the risk parameters.</td><td>Deadline

12 months after the date of notification of the Decision</td></tr>
<tr><td colspan="2">Bank’s response
Please refers to obligation 10</td></tr>
</table>

<table>
<tr><td rowspan="3">Obligation # 12</td><td colspan="2">Finding 15 Description:
The back-testing analyses on LGD are only related to the bad loans. A specific back-testing framework for the danger rate module has not been performed yet.</td></tr>
<tr><td>Obligation
The Supervised Entities shall extend back-testing analyses to all modules and components of the LGD model, including a specific back-testing on the danger rate estimates.</td><td>Deadline

6 months after the date of notification of the Decision</td></tr>
<tr><td colspan="2">Bank’s response
Already resolved , starting from June 2016 the back-testing analyses carried out by the Internal Validation function on LGD models include a specific back-testing on the danger rate estimates.These analyses cover the three main components of the LGD model (LGD “Sofferenze”, danger rate and LGD bonis calibration).</td></tr>
</table>

Obligation # 13

Finding 16 Description:
Article 208 of Regulation (EU) No 575/2013 defines the criteria of the eligibility of the immovable propriety collateral. The requirements are related to the legal certainty, monitoring of the property values, and property valuation. Although the issue of the real estate collateral is part of a recent action plan, the Supervised Entities have not issued a framework on the Credit Risk Mitigation (CRM) system in line with the specific requirements envisaged by Regulation (EU) No 575/2013 yet.

Obligation	Deadline
The Supervised Entities shall ensure that the CRM framework underlying the internal models is documented and aligned with the applicable regulatory requirements. To this extent, the internal validation function and the internal audit function of the Supervised Entities are required to perform an in-depth analysis on its CRM framework, also with reference to data quality aspects.	12 months after the date of notification of the Decision

Bank's response
The Internal Validation Function, taking also into consideration the Obligation #2, will plan during the first quarter 2019 a specific analysis on the internal documentation defining the CRM framework focusing on the requirements related to the legal certainty, monitoring of the property values, and property valuation. The perimeter of these activities will lap the ARGO 3 Project scope which already reports to ECB.

The Internal Audit function, in 2017, performed an audit activity concerning the management of mortgage loans in MPS bank. In particular, as regards data quality issues, an analysis was carried out comparing the documentation provided by the operating functions and the data in the information system. Furthermore, in the audit plan 2018 there is a specific audit activity related to the verification of the effectiveness of the remedial actions carried out by the bank related to the finding # 3 OSI 12-38 (Double and multi-counting of collaterals). Finally, a specific review activity will be included in the audit plan 2019 dedicated to the overall analysis of the CRM framework with a specific focus on the topic of "data quality" as requested.

<table>
<tr><td rowspan="3">Obligation # 14</td><td colspan="2">Finding 21 Description:
No specific LGD and ELBE models for defaulted exposures are in place.</td></tr>
<tr><td>Obligation
The Supervised Entities shall develop and apply for permission to use for regulatory purposes specific LGD and ELBE models for defaulted exposures.</td><td>Deadline

12 months after the date of notification of the Decision</td></tr>
<tr><td colspan="2">Bank's response
Please refers to obligation 10</td></tr>
</table>

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Sintesi Impatti rivenienti da rilievi BCE su ispezione IMI40

Direzione CRO
Area Lending Risk Officer
Marzo 2018

Summary

Dal 20 ottobre 2015 al 4 dicembre 2015 il Gruppo MPS è stato oggetto di una ispezione on-site (IMI40), da parte dell'organo di vigilanza, sui modelli interni Airb, relativi ai portafogli in scope Sme, Sme Small e Small Business. Prima dell'ispezione, al 30/06/2015, i suddetti portafogli rappresentavano circa il 17,3% e il 27,5% del portafoglio complessivo Airb Performing in termini rispettivamente di Ead e RWA.

In data 5 marzo 2018 sono stati comunicati alla banca gli esiti dell'accertamento ispettivo, che si sostanziano in:

- **2 Limitations,** ossia regole da applicare per il calcolo di un add-on patrimoniale, solo al perimetro dei crediti in scope, riconducibili alla mancanza, a fine 2015, di un modello specifico per la stima degli RWA e di un ELBE (expected loss best estimate) sui crediti NPE (non performing);
- **21 Findings,** ricondotti in 14 Obligations, con evidenza di una deadline attesa;
- **2 Recommendations** (sempre connesse ai Findings) ma non strettamente vincolanti e riconducibili al tema dell'incorporazione delle controllate MPS CS e MPS LF, sulle quali non è indicata una dead line attesa.

Scopo della seguente presentazione è quello di fornire una stima circa gli impatti attesi dalle 2 limitations in termini di RWA e definire quanto di essi sia già compreso nel RAS2018.

Abstract (1/2)

I modelli Airb sono stati disciplinati per la prima volta dalla Circ 263 del 27 dicembre 2006.

Nel titolo II capitolo 1 allegato B, par 1.B si esplicitava che **per le esposizioni in default** il requisito patrimoniale era uguale a zero.

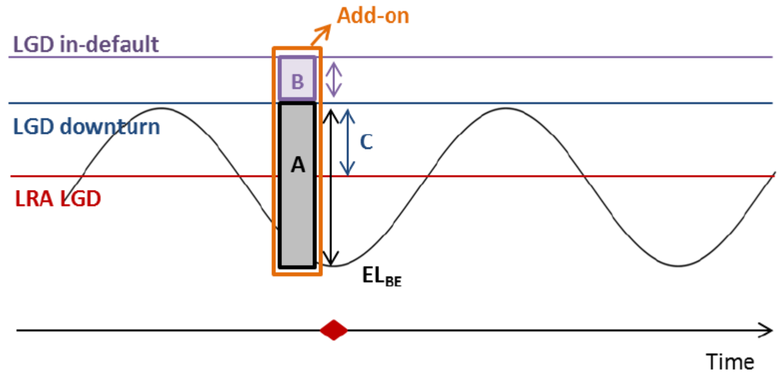
Con la pubblicazione del regolamento 575/EU del 27 giugno 2013 negli articoli 153 e 154 (rispettivamente per imprese e per le esposizioni al dettaglio), si esplicita che per le posizioni in default

$$RWA = \max(0{,}125 * (LGD - ELBE)) * EAD$$

dove l'ELBE era definita come la miglior stima della perdita attesa effettuata dall'ente per le esposizioni in stato di default.

L'interpretazione data dal sistema bancario italiano con sistemi interni Airb validati (oltre a MPS, Unicredit, Intesa, Ubi e Popolare) è stata quello di identificare l'ELBE con la LGD, ossia di ritenere che fra la LGD (downturnata) e appunto l'ELBE non si presentassero significativi scostamenti, dato anche il periodo recessivo perdurante. Da tale interpretazione, il requisito sui crediti in default continuava pertanto ad essere posto uguale a zero. Su tale interpretazione l'Autorità di Vigilanza italiana non ha mai presentato rilievi nel corso delle ispezioni sui sistemi Airb delle banche validate.

Con la pubblicazione delle Final Guideline EBA/GL/2017/16 (GL) nel novembre 2017 e con le linee guida della TRIM (TRIM Guide), pubblicate a febbraio 2017, il regolatore ha chiarito la netta distinzione fra LRA LGD (Long Run Average), LGD downturn, LGD in default (data dalla LGD downturn + Margin of Conservativism) e ELBE, ossia LGD correlata all'andamento del ciclo economico.



Abstract (2/2)

Sulla base delle indicazioni della GL e TRIM Guide la Banca fra il secondo semestre del 2016 e il primo semestre del 2017 ha avviato una ristima dei modelli di LGD che includeva anche un modello di stima per gli RWA delle esposizioni in default e un nuovo approccio per la stima dell'ELBE. Come inizialmente condiviso con il JST, la ristima conteneva una serie di ulteriori importanti variazioni sui modelli Airb, quali l'aggiornamento della definizione di default, la lunghezza delle serie storiche, il trattamento dei default tecnici e dei default multipli.

L'istanza di change model è stata inviata informalmente al JST a luglio del 2017 e formalmente il 10 novembre del 2017.

A fine 2017 il JST ha comunicato alla Banca il SEP previsto per il 2018, dove non si prevede un accesso ispettivo nel 2018 per il change model in tutte le sue componenti ma solo per gli RWA delle esposizioni in default e per l'ELBE.

Dato che per la stima degli RWA e dell'ELBE la lunghezza delle serie storiche, la definizione di default e tutte le altre componenti hanno un peso rilevante, informalmente il JST ha consigliato alla Banca di ritirare l'istanza e di lavorare nei prossimi mesi sui finding della TRIM e dell'IMI e sul solo tema degli RWA dei default e sull'ELBE, in attesa che l'SSM fornisca le linee guida definitive sulla definizione di default che devono essere recepite nella stima dei modelli entro la fine del 2020.

Per questo nel 2Q del 2018 la Banca presenterà al Board un nuovo piano di roll out e la proposta di ritiro ufficiale dell'istanza di change models del 2017 da inviare al JST.

Limitations

Limitation 1: default diversi da sofferenza

For defaulted exposures (i.e., if PD=1) classified differently from “Sofferenze” and falling within the scope of application of the rating systems “Small Business”, “SME small” and “SME” the Supervised Entities shall:
- Floor the risk weighted assets by the amounts calculated by applying the provisions of Article 127 of Regulation (EU) No 575/2013. The exposure value shall be calculated according to Article 111 of Regulation (EU) No 575/2013;
- For the purpose of determining the ELBE, floor the ratio between **the total ELBE** and the corresponding exposure value by the level of the **ratio between the total credit risk adjustments and the corresponding exposure value** as recorded at the end of 2017.

This limitation shall apply until the Supervised Entities have obtained permission by the ECB to implement specific LGD and ELBE models for defaulted exposures classified differently from “Sofferenze”, which it is required to develop in accordance with obligation 14.

Limitation 2: sofferenza

For defaulted exposures (i.e., if PD=1) classified as “Sofferenze” and falling within the scope of application of the rating systems “Small Business”, “SME small” and “SME” the Supervised Entities shall:
- Floor the risk weighted assets by the amounts calculated by applying the provisions of Article 127 of Regulation (EU) No 575/2013. The exposure value shall be calculated according to Article 111 of Regulation (EU) No 575/2013;
- For the purpose of determining the ELBE, floor the ratio between the total ELBE and the corresponding exposure value by the level of 65%.

This limitation shall apply as of 1 July 2018 and until the Supervised Entities have obtained permission by the ECB to implement specific LGD and ELBE models for defaulted exposures classified as “Sofferenze”, which is required to develop in accordance with obligation 14.

Contenuto delle limitations

Il floor per gli RWA Defaulted Asset è pari all'RWA previsto per le esposizioni a default trattate con il metodo standard (CRR art.127):

- se coverage >= 20% il fattore di ponderazione è pari al 100% da applicare all'esposizione netta
- se coverage < 20% il fattore di ponderazione è pari al 100% sull'esposizione al netto delle rettifiche coperta da garanzie ipotecarie, pari al 150% sulla parte rimanente di esposizione

La stessa metodologia viene applicata sia per le sofferenze sia per gli altri stati di default
Nella determinazione dello shortfall (ELBE – rettifiche) è stato introdotto un floor sull'ELBE differenziato per tipologia di default

Default diverso dalla sofferenza:

Coverage ratio: totale rettifiche su totale esposizioni calcolato sul perimetro di riferimento
$Floor_{ELBE}$= coverage ratio calcolato al 31/12/2017
Shortfall = max($Floor_{ELBE}$;coverage ratio) * EAD - rettifiche

Il $Floor_{ELBE}$ sul perimetro IMI al 31/12/2017 è risultato pari a 40,8%.

Sofferenza:

$Floor_{ELBE}$= 65%
Shortfall = max(65%;coverage ratio) * EAD - rettifiche

Il valore del 65% è determinato sulla base del coverage osservato sullo stock delle sofferenze in arco piano dal 2018 al 2021.

Impatti limitation sui dati al 31/12/2017

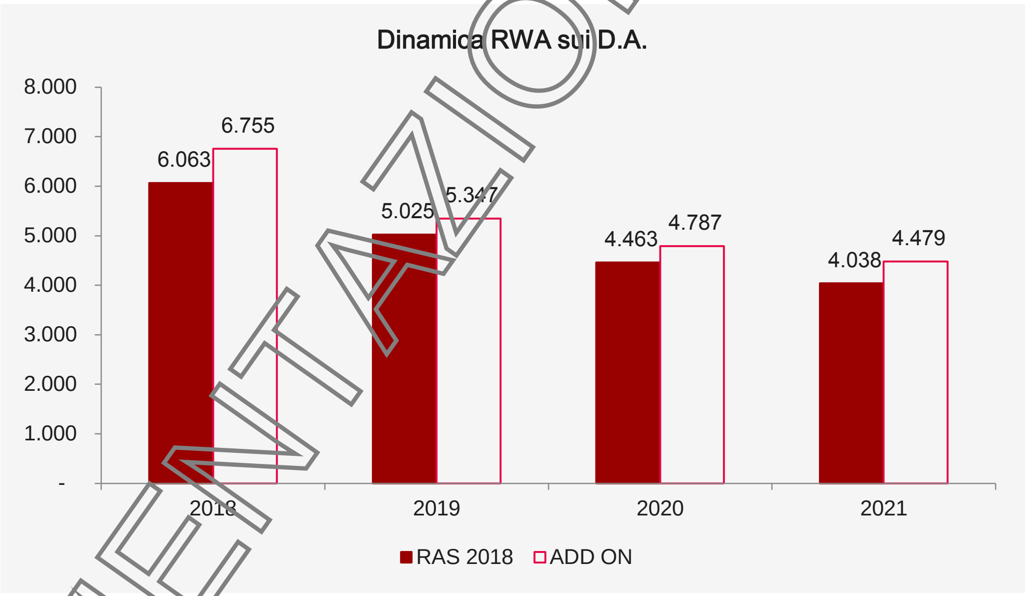
	AS IS al 31/12/2017	Simulazione limitation **perimetro IMI**	post VALENTINE	post VALENTINE +LEASING	post VALENTINE +LEASING +SMALL TICKETS
CET1	8.951,23	8.951,23	8.951,23	8.951,23	8.951,23
RWA totali	60.562,51	68.149,36	65.876,65	65.521,57	65.474,20
RWA default	**0,00**	**7.586,85**	**5.314,14**	**4.959,06**	**4.911,69**
di cui Soff	***0,00***	***3.644,53***	***1.371,82***	***1.016,75***	***969,37***
EAD AIRB default	42.082,56	42.082,56	18.805,24	17.194,33	15.966,96
di cui Soff	*31.514,32*	*31.514,32*	*8.237,01*	*6.626,09*	*5.398,78*
% COV AIRB default Other	67,1%	67,1%	49,1%	47,2%	44,4%
di cui Soff	*77,0%*	*77,0%*	*63,7%*	*62,3%*	*57,7%*
Shortfall default	-7.069,41	-5.452,18	-365,94	-283,45	-101,81
di cui Soff	*-6.570,32*	*-5.342,20*	*-268,40*	*-185,91*	*-4,26*
% CET1	**14,78%**	**13,13%**	**13,59%**	**13,66%**	**13,67%**

	AS IS al 31/12/2017	Simulazione limitation **Corporate+Retail**	post VALENTINE	post VALENTINE +LEASING	post VALENTINE +LEASING +SMALL TICKETS
CET1	8.951,23	8.951,23	8.848,09	8.775,12	8.556,32
RWA totali	60.562,51	74.859,63	70.589,92	70.097,46	69.886,30
RWA default	**0,00**	**14.297,11**	**10.027,41**	**9.534,95**	**9.323,78**
di cui Soff	***0,00***	***7.282,08***	***3.012,37***	***2.519,91***	***2.308,80***
EAD AIRB default	42.082,56	42.082,56	18.805,24	17.194,33	15.966,96
di cui Soff	*31.514,32*	*31.514,32*	*8.237,01*	*6.626,09*	*5.398,78*
% COV AIRB default Other	67,1%	67,1%	49,1%	47,2%	44,4%
di cui Soff	*77,0%*	*77,0%*	*63,7%*	*62,3%*	*57,7%*
Shortfall default	-7.069,41	-3.858,60	103,14	176,11	394,91
di cui Soff	*-6.570,32*	*-3.846,17*	*103,14*	*176,11*	*394,91*
% CET1	**14,78%**	**11,96%**	**12,53%**	**12,52%**	**12,24%**

L'add on, che, ripetiamo, è al momento riferibile al solo portafoglio in scope IMI40, non ha un impatto sullo Shortfall mentre incrementa gli RWA di circa 7,6 €/bn.
Tenendo conto che l'add on sulle sofferenze si applicherà solo dal 1° luglio 2017, pertanto auspicabilmente post cessione delle sofferenze Valentine l'add on scenderà a 5,3 €/bn che si assesteranno a 4,9 €/bn post cessione delle sofferenze Leasing e small ticket fully unsecured.

Estendendo, solo a fini simulativi, l'add on a tutto il portafoglio Airb i 4,9 €/bn salirebbero a 9,3 €/bn.

Impatti sulla dinamica degli Rwa dei Defaulted Assets inclusi nel Piano



Il grafico mostra gli RWA dei defaulted assets inseriti nel RAS 2018 e il ricalcolo degli stessi tenendo conto sul solo portafoglio IMI40 dell'add on della BCE.

I delta sono contenuti nel range di 400/700 €/mln.