

**BANCA MPS's notification regarding an ex-ante non-material change or extension of the permission for IRB, IMM, A-CVA, IMA and AMA<sup>1</sup>**

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<sup>1</sup> Internal Ratings Based Approach (IRB Approach), Internal Model Method (IMM), Advanced Method for Credit Valuation Adjustment Risk (A-CVA), Internal Models approach (IMA), Advanced Measurement Approach (AMA).

## 1. General information

Name of the institution	Banca Monte dei Paschi di Siena				
Entities affected by the modification	Banca Monte dei Paschi di Siena, Widiba				
Date of notification	03/12/2018				
Modification type	Change:	Yes			
	Extension:	No			
Change or extension classification by institution according to the relevant Regulation	Delegated Regulation (EU) No 529/2014 – Annex 1, Part 1, Section 2 (Changes requiring prior notification to competent authorities), art. 1) “Reducing the range of application or the scope of use of a rating system”				
Description of the change or extension	<p>MPS model change 2018_3: transfer of a limited portfolio (n.280 mortgages) from the Parent Company MPS, with Airb approach, to the subsidiary Widiba, with Standard approach. Quantitative thresholds have been designed to take into account the overall impact of the changes on the capital required and RWAs based on the internal approaches as well as the standardised approaches, in order to reflect the change to which internal approaches are used for the overall own funds requirements and risk-weighted exposure amounts. In section ‘2 - Irb information’ we have reported only the variation connected to Airb RWA. The verification of the quantitative criteria envisaged in the internal policy (D02221), carried out with data as of 30th September 2018, has confirmed the non-material classification of the intervention, as the model change has determined a relative reduction of 0.07% for AIRB RWA and an increase of 0.01% for total RWA: the small reduction in Airb RWA (- € 3 million) has been compensated by the increase in Standard RWA for an amount of € 10 million, thereby determining an overall increase in total RWA of € 7 million. Airb approach is currently adopted for Corporate and Retail exposure of Banca MPS, Banca L&amp;F e MPS CS, while Banca Widiba is in roll-out by the end of 2019.</p>				
Affected risk type(s)	Credit risk	Market risk	Operational risk	Counterparty credit risk	CVA risk
	Yes	No	No	No	No
Model version number	before change: PD7, PD9, PD10		after change: PD7, PD9, PD10		
Planned implementation date of the	01/02/2019				

change or extension			
Impact on consolidated level	Tier 1 Capital Ratio	before change/extension: 12.49%	
		after change/extension: 12.49%	
	Common Equity	before change/extension: 12.49%	
		Tier 1 Capital Ratio	after change/extension: 12.49%
Relevant competent body and date of the internal approval	Update of strategic project Rondine for relaunching and repositioning BMPS Group, has been approved by the Board of Directors on October 10th2018		
List of relevant documents	CDA 08108018 Aggiornamento Progetto Rondine		

## 2. IRB information

Exposure class(es) affected by the change or extension	Central govern. or central banks	Institutions	Corporates	Retail	Equity	Securitisatio n positions	Other non credit- obligation assets
	No	No	No	Yes	No	No	No
Basic properties of the population of clients/exposures	Number of obervation: 280; total EAD: 29 105 401 Eur; minimum EAD: 9 350 Eur; first quartile EAD: 77 681 Eur; median EAD: 103 425 Eur; average EAD: 103 948 Eur; Third quartile EAD: 129 762 Eur; Maximum EAD: 229 688 Eur						
Rating system(s) affected by the change or extension	Number: 3						
	Rating System name	Date of reference	Currency and unit	Total EAD	Total RWA	RWA change absolute	RWA change relative
	PD7	30/9/2018	Eur/million	4 568	1 378	-0.31	-0.02%
	PD9	30/9/2018	Eur/million	13 809	1 310	-1.13	-0.09%
	PD10	30/9/2018	Eur/million	15 481	1 865	-1.86	-0.10%

	<Please add as many rows as necessary>						
Impact on consolidated level	Currency: Eur		Unit: million		Date of reference: 30/09/2018		
	RWA		absolute change: -3.30				
			relative change: -0.07%				
	Expected Loss		absolute change: -0.05				
			relative change: 0.00%				

### 3. IMA information

Risk number(s) affected by the change or extension	VaR	SVaR	IRC	CRM
	Choose an item.	Choose an item.	Choose an item.	Choose an item.

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Time period of reference: Click here to enter text.
	OFR	absolute change (highest absolute value over testing period): Click here to enter text.	
		relative change (highest absolute value over testing period): Click here to enter text.	
Impact on solo/(sub)consolidated levels with IMA approval <sup>2</sup>	Time period of reference:	Click here to enter text.	
	Entity name:	VaR relative change (highest absolute value over testing period): Click here to enter text.	
	Level of consolidation:	SVaR relative change (highest absolute value over testing period): Click here to enter text.	
	<solo/ sub consolidated/	IRC relative change (highest absolute value over testing	

<sup>2</sup> Competent authorities' permissions to use internal models for the determination of own funds requirements for market risk may apply to solo and/or (sub)consolidated levels. Please provide here the impact for all level with IMA approval which are affected by the model change or extension – including the consolidated level itself if applicable.

	consolidated>	period): Click here to enter text.
		CRM relative change (highest absolute value over testing period): Click here to enter text.

#### 4. AMA information

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Date of reference: Click here to enter a date.
	OFR	absolute change: Click here to enter text.	
		relative change: Click here to enter text.	
Impact on subsidiary level (if parent institution is not using AMA)	Currency:	Unit: Click here to enter text.	Date of reference: Click here to enter a date.
	OFR	absolute change: Click here to enter text.	
		relative change: Click here to enter text.	

#### 5. IMM and A-CVA information

For extensions or changes to IMM approach:

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Time period of reference: Click here to enter text.
	RWA	absolute change (highest absolute value over testing period): Click here to enter text.	
		relative change (highest absolute value over testing period): Click here to enter text.	

For changes to the A-CVA approach that do not coincide with either IMM or IMA model changes in accordance with EGMA Section 1 (4)(c)(iii):

Impact on consolidated level	Currency: Click here to enter text.	Unit: Click here to enter text.	Time period of reference: Click here to enter text.
	OFR	absolute change (highest absolute value over testing period): Click here to enter text.	

		relative change (highest absolute value over testing period): <a href="#">Click here to enter text.</a>
	VaR	relative change (highest absolute value over testing period): <a href="#">Click here to enter text.</a>
	SVaR	relative change (highest absolute value over testing period): <a href="#">Click here to enter text.</a>

## 6. Contact details

Institution's contact name for this notification

Lorenzo Boetti

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Job title

Area Lending Risk Officer

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Business address

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## 7. Declaration and signatures

By submitting this notification form:

- a) It is confirmed that all the information is accurate, complete and up-to-date, and that it is not omitting material facts.
- b) It is confirmed that this notification and accompanying documentation have been approved through the institution's(s') approval processes by the competent bodies.
- c) I agree to provide any additional information that the Supervisor considers necessary for the assessment of the notification.

Please include the signature and the role of the person authorised to represent the institution. If the application is submitted also on behalf of other institutions or jointly with other institutions, please attach a power of attorney of those institutions.

Signature

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## **8. Annex**

Credit Risk - Prior Notification of changes range application Airb\_2waveWidiba.pdf