



**MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472

## **Risk Management Report**

MPS Group Risk Profile as at 31-07-2018

Direzione Chief Risk Officer

# Index

## **Executive Summary**

### **Section 1 – Adequacy (IXAAP on-going)**

### **Section 2 – Integrated Risks**

### **Section 3 – Credit Risks (Lending, Securitization)**

### Section 4 – Operational Risks (Operational, Legal) [Quarterly Only]

### **Section 5 – Financial Risks (Market, Issuer, Counterparty, IRRBB, Liquidity)**

### Section 6 – IT Risks [Quarterly Only]

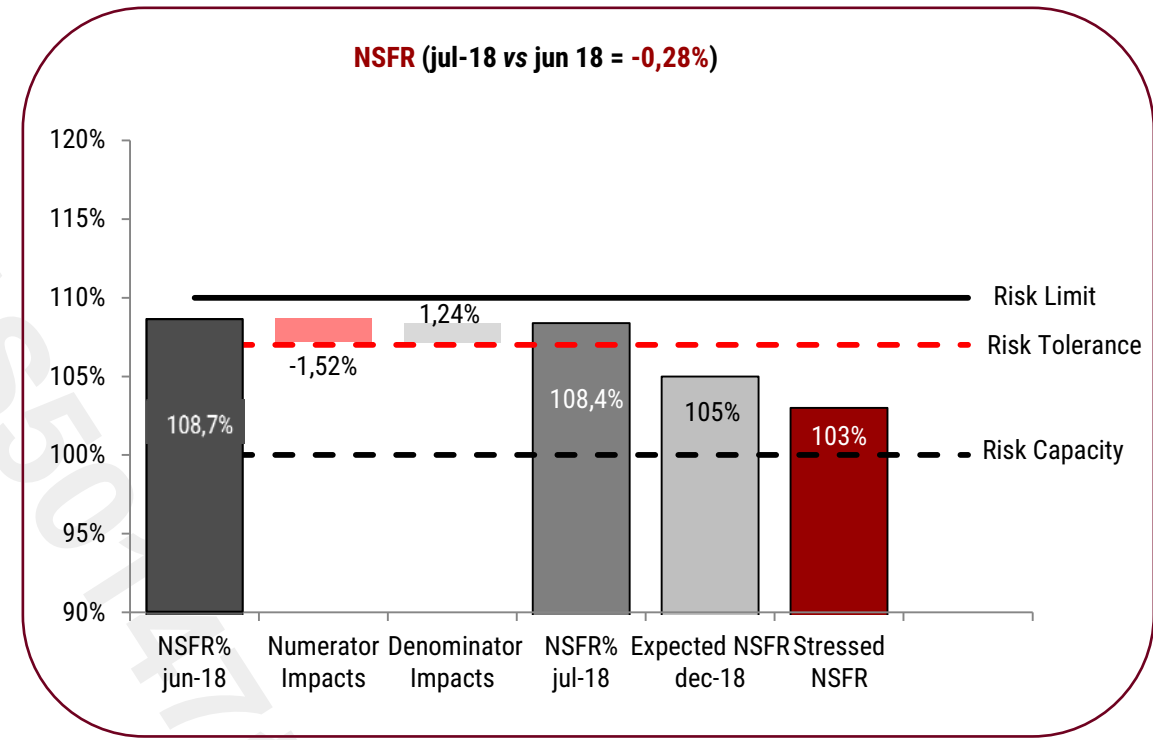
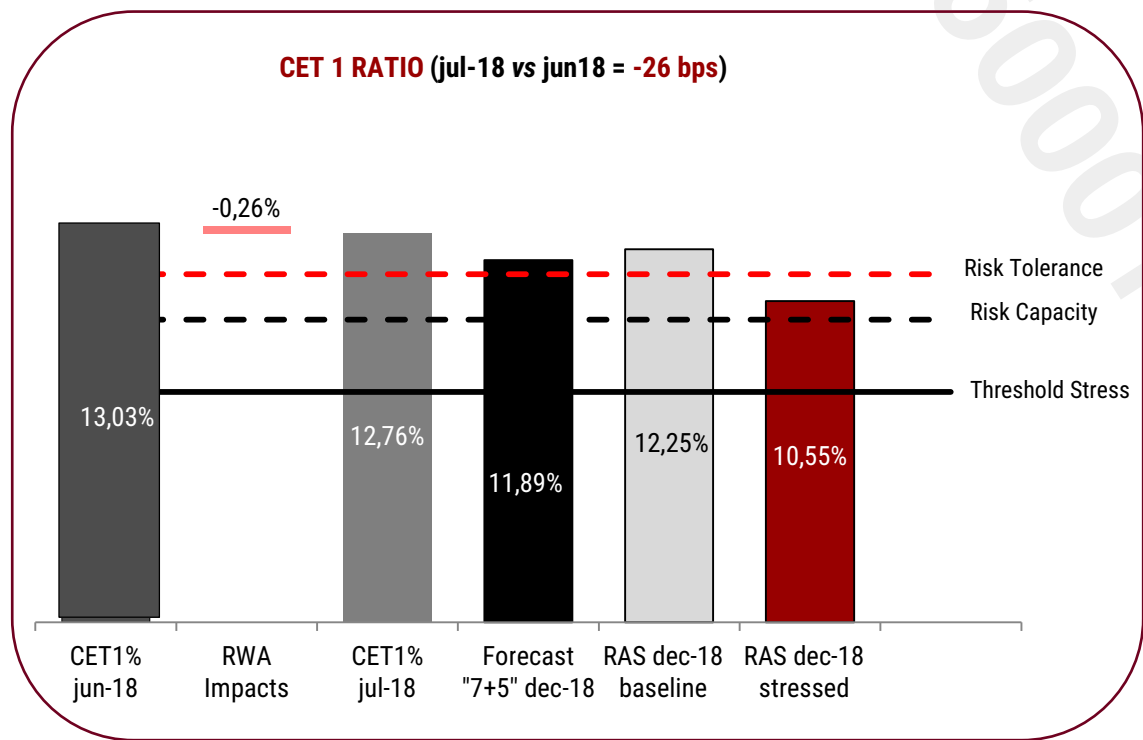


## Executive Summary – Highlights as at 31-07-2018

- CET1 ratio reduction: CET1 Ratio decreases from 13,03% to 12,76% because of a increase of RWA component and lightly decrease of own funds.
- Gap Ratio Profile: the entire profile of liquidity is light lower than previous reference date. Gap Ratio 3Y (88,7%) is breached as risk limits (94%) as risk tolerance (90%). The Gap Ratio 2Y is breached as risk limit too (98,2% vs 99%)
- Improvement in the LCR: From 178% (jun-18) to 200% (jul-18) mainly due to a net outflows reduction (-1,02 €/bn) related to a decrease in wholesale funding, and to new secured transactions collateralized by GGBs.
- Slightly decrease of NSFR: From 108,7% (jun-18) to 108,4% (jul-18) mainly due to decrease of commercial funding.
- Credit Risk Non Performing RWA AIRB increase: Introduction of regulatory bad loans add-on for about 1,2 €/mld.
- Market Risk: breaches of Group [VaR BB and VPB Limit], CFO – AFTC [VaR BB], MPS CS [Average VaR TB 3M PNV], MPS Belgio [VaR BB]



# Executive Summary – IXAAP on-going as at 31-07-2018

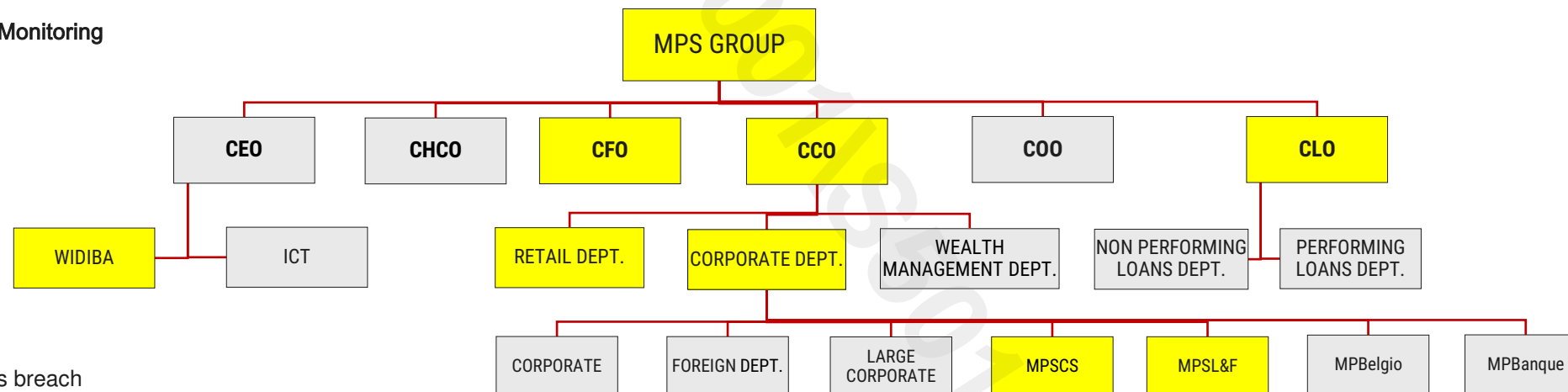


# Executive Summary – Main issues as at 31-07-2018

**Adequacy Monitoring** \*: GR3Y is also brached in Risk Tolerance in July

\* complete Risk Appetite Monitoring is observed on Quarterly

## Risk Limit Monitoring



### ▪ MPS Group:

- Market Limits Breaches [see page 23]
- Liquidity Limits Breaches [see pages 7, 19]

### ▪ CCO:

- Credit Limits Breaches [see page 16]

### ▪ CCO Corporate:

- Credit Limits Breaches [see page 16]

### ▪ CCO Retail:

- Credit Limits Breaches [see page 16]

### ▪ CFO:

- Market Limits Breaches [see page 23]

### ▪ CLO:

- Credit Limits Breaches [see page 16]

### ▪ MPBelgio:

- Market Limits Breaches [see page 23]

### ▪ Widiba:

- IRRBB Limits Breaches [see page 21]

### ▪ MPSCS:

- Credit Limits Breaches [see page 16]
- Market Limits Breaches [see page 23]

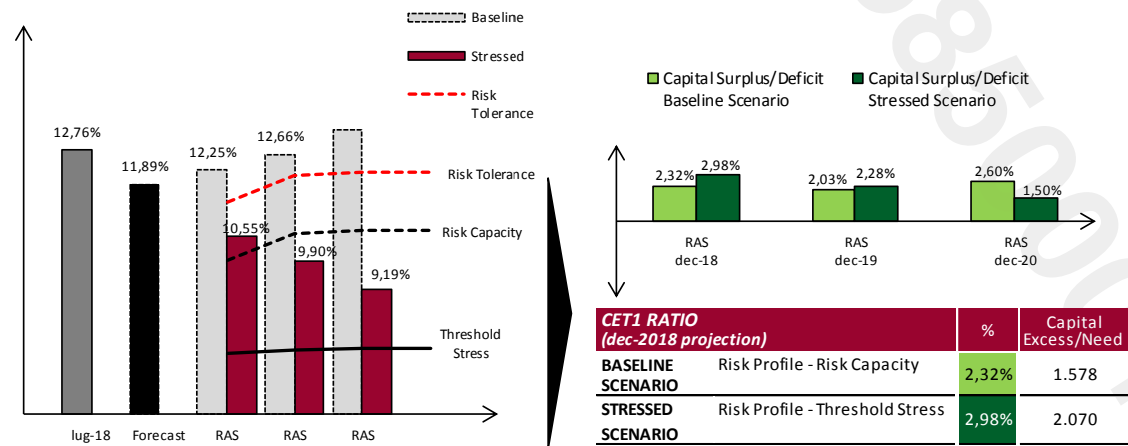
### ▪ MPSL&F:

- Credit Limits Breaches [see page 16]

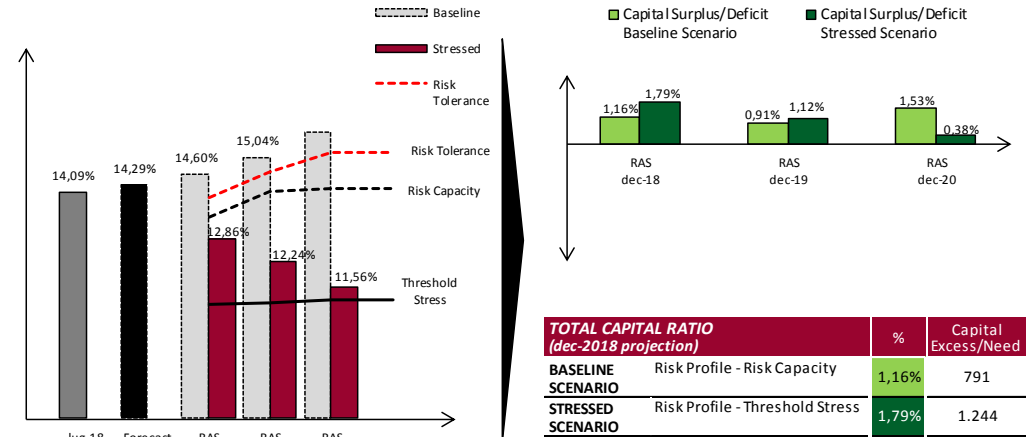


Section 1 – Capital Adequacy overview

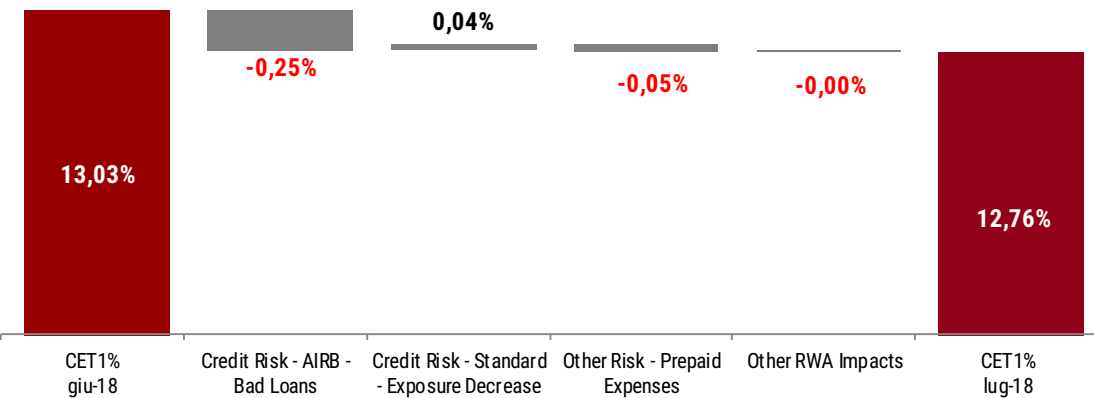
CET 1 Ratio



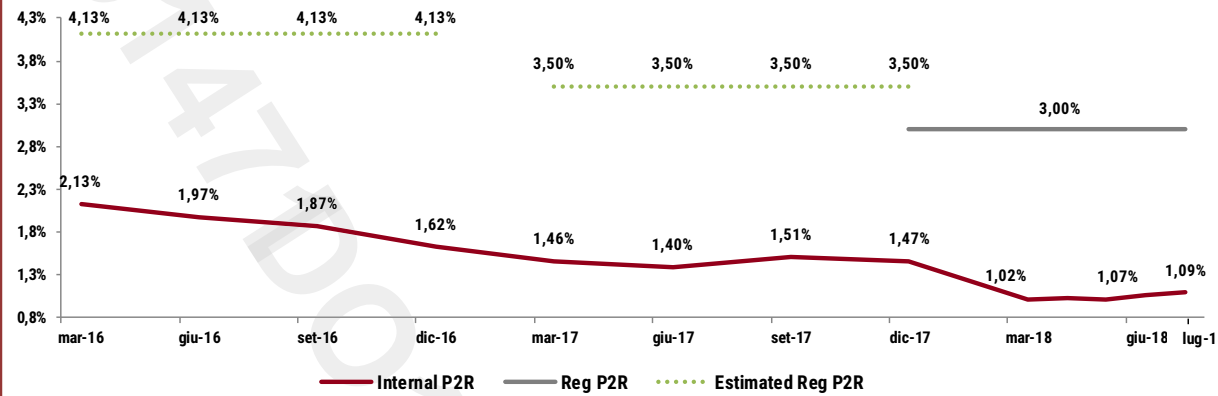
Total Capital Ratio



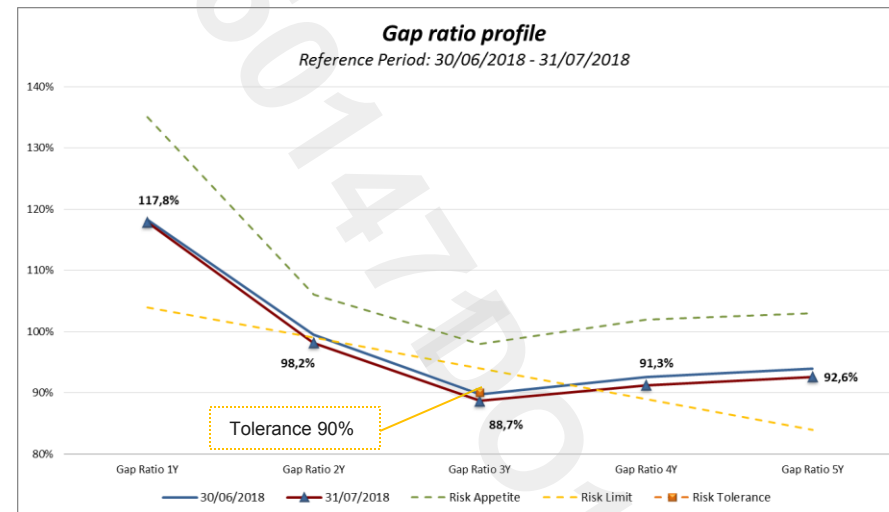
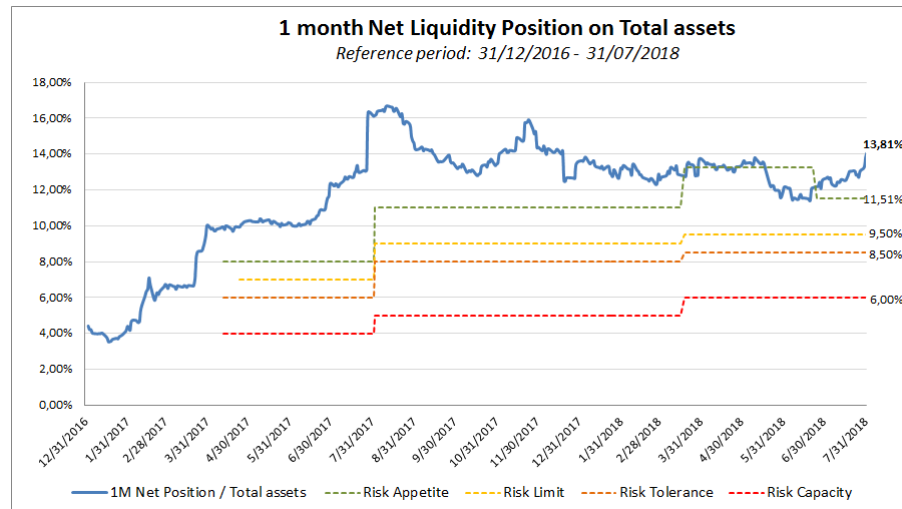
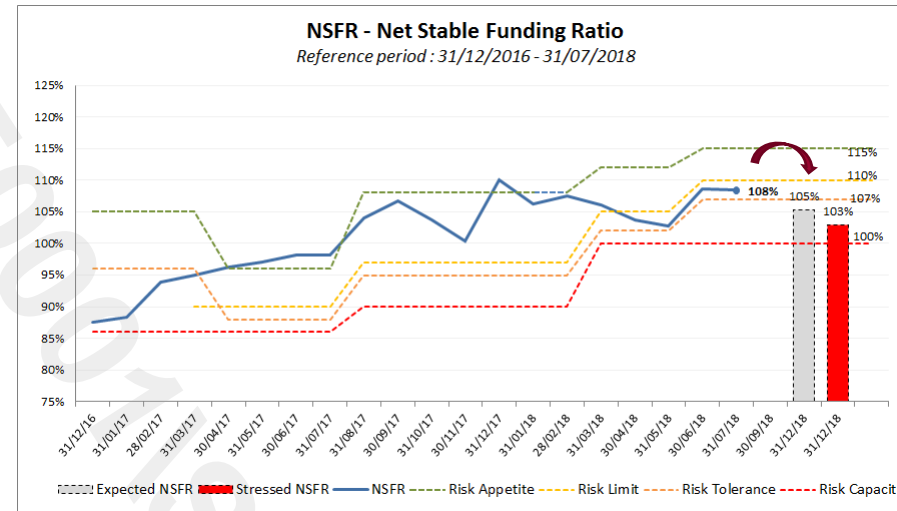
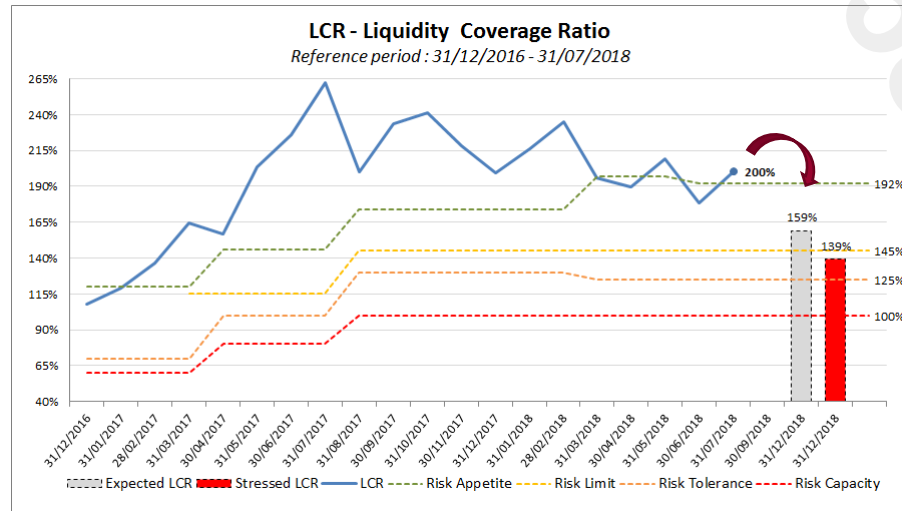
CET 1 RATIO (lug-18 vs giu 18 = -26 bps)



Internal P2R vs Regulatory P2R



## Section 1 – Liquidity Adequacy overview



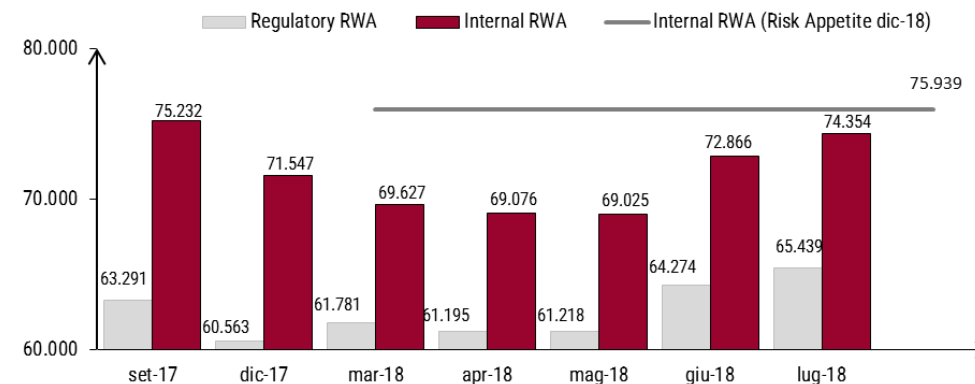
### Monthly Overview

- Retail and wholesale funding reduction, mostly on sight deposits , over -2 €/bn;
- commercial lending growth, over +0,5 €/bn;
- new secured transactions, mostly collateralized by GGBs, about +1 €/bn;
- reverse repos increase, around +4 €/bn;
- GR2Y new breaches Risk Limit.



## Section 2 – Integrated Risks: Group Regulatory RWA (Pillar1) and Internal RWA (Pillar2) as at 31-07-2018

	(Eur mln)	GROUP MPS						
		dic-17	mar-18	giu-18	lug-18	%/INT.RWA	Δ	Δ%
<b>Regulatory / Internal RWA</b>								
<b>Credit and Counterparty Risk</b>		<b>47.713</b>	<b>47.963</b>	<b>50.590</b>	<b>51.838</b>	<b>69,7%</b>	<b>1.249</b>	<b>2%</b>
<b>Credit Risk</b>		<b>35.600</b>	<b>36.172</b>	<b>38.956</b>	<b>40.020</b>	<b>53,8%</b>	<b>1.064</b>	<b>3%</b>
AIRB		26.650	27.241	30.489	31.752	42,7%	1.263	4%
Standard		8.951	8.932	8.467	8.268	11,1%	-199	-2%
<b>Counterparty Risk - Default Risk</b>		<b>1.429</b>	<b>1.370</b>	<b>1.284</b>	<b>1.260</b>	<b>1,7%</b>	<b>-24</b>	<b>-2%</b>
Issuer Risk Banking Book		1.705	1.796	1.990	1.939	2,6%	-51	-3%
Market Risk Banking Book		228	195	197	195	0,3%	-3	-1%
Participation Risk		2.525	2.438	2.076	2.075	2,8%	-1	0%
Real Estate Risk		2.157	2.173	2.167	2.167	2,9%	0	0%
DTA Risk		2.697	2.252	2.368	2.360	3,2%	-8	0%
Other Risk		1.371	1.565	1.551	1.822	2,4%	271	17%
<b>Market Risk</b>		<b>2.493</b>	<b>3.628</b>	<b>3.198</b>	<b>3.125</b>	<b>4,2%</b>	<b>-73</b>	<b>-2%</b>
Market Risk Trading Book		2.177	3.113	2.694	2.648	3,6%	-46	-2%
Issuer Risk Trading Book		315	515	503	477	0,6%	-26	-5%
<b>Operational Risk</b>		<b>10.012</b>	<b>9.816</b>	<b>10.037</b>	<b>10.037</b>	<b>13,5%</b>	<b>0</b>	<b>0%</b>
<b>Counterparty Risk - CVA Risk</b>		<b>346</b>	<b>375</b>	<b>451</b>	<b>439</b>	<b>0,6%</b>	<b>-12</b>	<b>-3%</b>
<b>REGULATORY RWA</b>		<b>60.563</b>	<b>61.781</b>	<b>64.274</b>	<b>65.439</b>	<b>88,0%</b>	<b>1.164</b>	<b>2%</b>
<b>PILLAR 1 Component</b>		<b>58.157</b>	<b>58.473</b>	<b>61.383</b>	<b>62.596</b>		<b>1.213</b>	<b>2%</b>
<b>Market Risk</b>		<b>5.450</b>	<b>3.157</b>	<b>3.816</b>	<b>4.139</b>	<b>5,6%</b>	<b>324</b>	<b>8%</b>
Market Risk BB		4.620	2.393	2.980	3.256	4,4%	277	9%
Market Risk TB		829	764	836	883	1,2%	47	6%
<b>Interest Rate Risk BB</b>		<b>1.959</b>	<b>2.029</b>	<b>2.089</b>	<b>2.159</b>	<b>2,9%</b>	<b>70</b>	<b>3%</b>
<b>Concentration Risk</b>		<b>1.145</b>	<b>1.193</b>	<b>1.102</b>	<b>1.102</b>	<b>1,5%</b>	<b>0</b>	<b>0%</b>
<b>Business and Strategic Risk</b>		<b>4.837</b>	<b>4.774</b>	<b>4.476</b>	<b>4.357</b>	<b>5,9%</b>	<b>-118</b>	<b>-3%</b>
<b>INTERNAL RWA</b>		<b>71.547</b>	<b>69.627</b>	<b>72.866</b>	<b>74.354</b>	<b>100,0%</b>	<b>1.489</b>	<b>2%</b>



**Credit Risk – AIRB:** Introduction of regulatory bad loans add-on;  
**Other Risk:** Prepaid expenses have been introduced as Risk Weighted Assets

(Eur mln)	giu-18	lug-18
<b>Credit Risk</b>	<b>38.956</b>	<b>40.020</b>
AIRB	30.489	31.752
Performing	27.569	27.548
Non Performing	2.920	4.204
Standard	8.467	8.268
Performing*	7.619	7.468
Non Performing**	847	800

\* = Regulatory RWA - Market Risk banking Book - Market Risk Trading Book



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\*BMP Belgio and MP Banque: 1.277

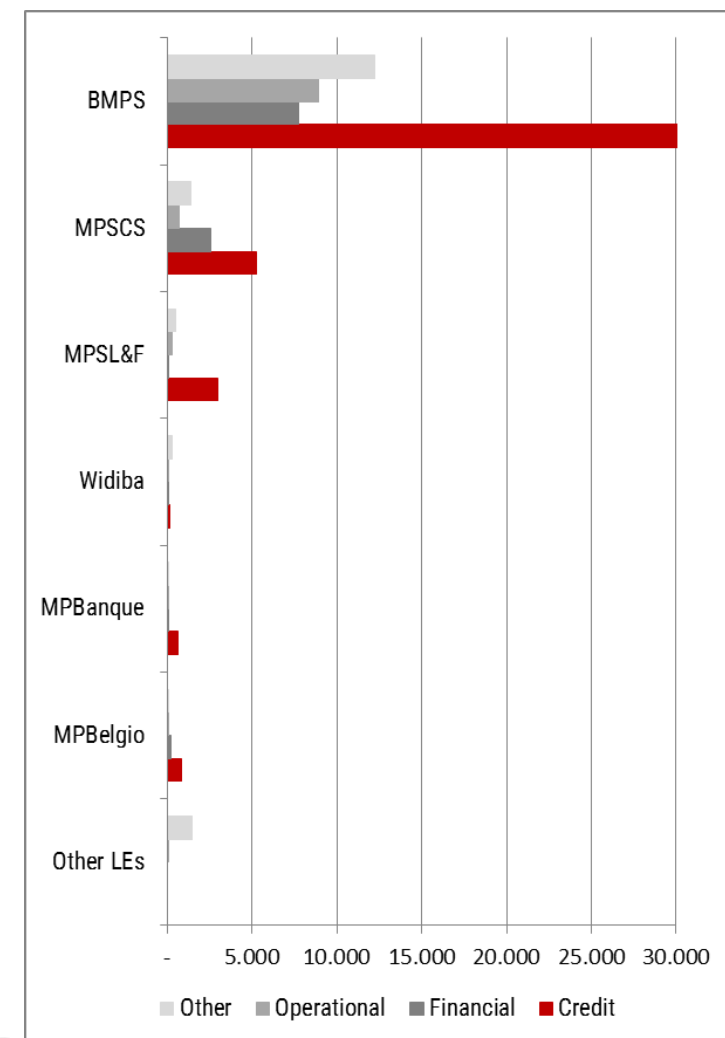
\*\*BMP Belgio and MP Banque: 68



## Section 2 – Integrated Risks: RWA per BU/LE's as at 31-07-2018

(Eur mln)		lug-18						
Regulatory / Internal RWA		GROUP MPS	CCO	CFO	CEO	COO	CLO	CHCO
P I L L A R 1	Credit and Counterparty Risk	51.838	35.354	7.335	2.530	2.167	4.581	-
	Credit Risk	40.020	33.977	725	792	0	4.580	-
	AIRB	31.752	27.802	0	1	0	3.937	-
	Standard	8.268	6.175	725	791	0	643	-
	Counterparty Risk - Default Risk	1.260	858	402	-	-	-	-
	Issuer Risk Banking Book	1.939	179	1.781	15	0	0	-
	Market Risk Banking Book	195	21	173	0	-	-	-
	Participation Risk	2.075	-	1.868	-	-	-	-
	Real Estate Risk	2.167	-	-	-	2.167	-	-
	DTA Risk	2.360	190	2.377	36	0	0	-
	Other Risk	1.822	128	9	1.687	0	1	-
	Market Risk	3.125	3.050	75	-	-	-	-
	Market Risk Trading Book	2.648	2.573	75	-	-	-	-
	Issuer Risk Trading Book	477	477	0	-	-	-	-
	Operational Risk	10.037	6.896	540	1.403	626	0	626
	Counterparty Risk - CVA Risk	439	282	157	-	-	-	-
REGULATORY RWA		65.439	45.582	8.107	3.933	2.792	4.581	626
P I L L A R 2	PILLAR 1 Component	62.596	42.987	7.860	3.933	2.792	4.581	626
	Market Risk	4.139	969	3.160	165	0	0	0
	Market Risk BB	3.256	97	3.132	155	0	0	0
	Market Risk TB	883	872	28	11	0	0	0
	Interest Rate Risk BB	2.159	-	2.159	-	-	-	-
	Concentration Risk	1.102	2.048	-	1	-	-	-
	Business and Strategic Risk	4.357	684	0	4.617	0	0	0
INTERNAL RWA		74.354	46.688	13.179	8.715	2.792	4.581	626
INTERNAL RWA - Dec-18		75.939	46.086	13.909	8.379	2.691	6.460	634
Internal RWA Lug-18/Internal RWA Dic-18		98%	101%	95%	104%	104%	71%	99%

Internal RWA  
Breakdown per Legal Entity/Risk  
Eur/mln as at 31-07-2018



The CLO estimated Internal RWA at dec-18 include the RWA on defaulted asset expected by December 2018.

The Group is based on consolidated data. Chief Level RWA drill down are based on "individual" data.

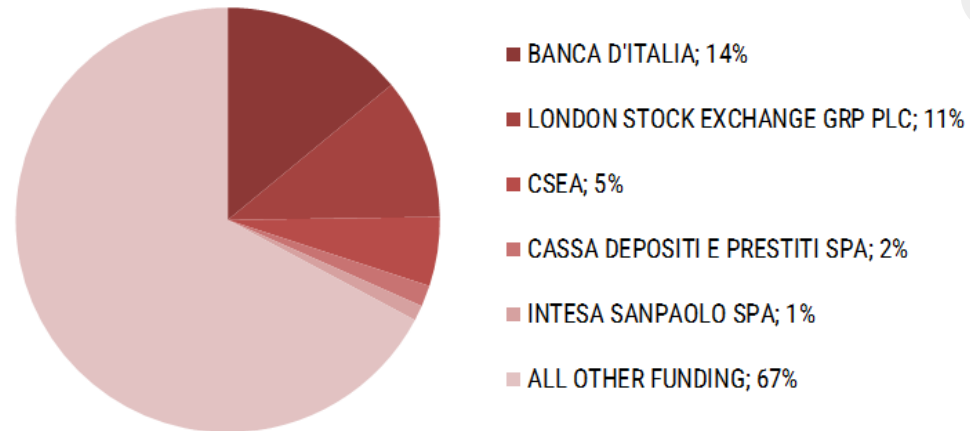


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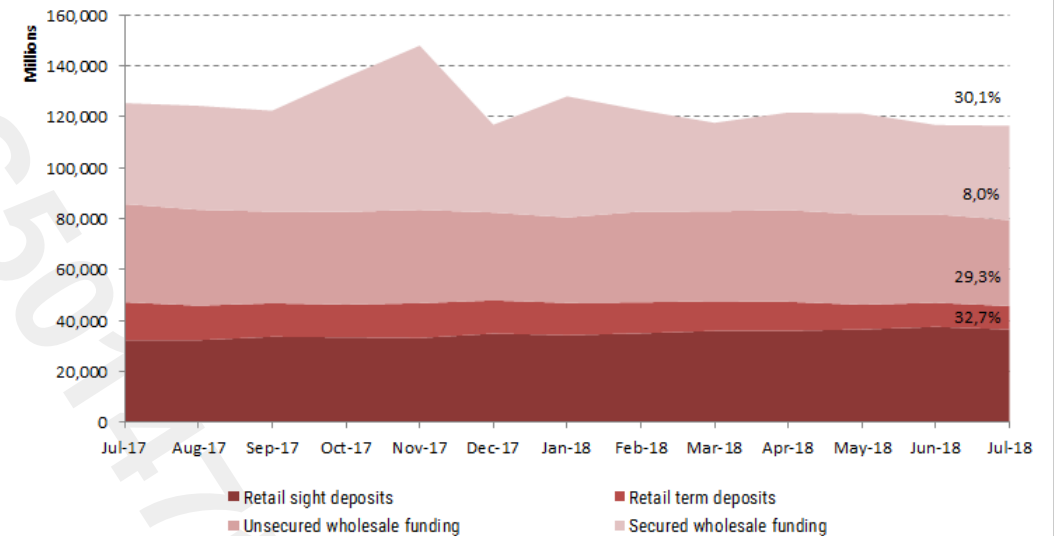
## Section 2 – Integrated Risks: Risk Concentrations as at 31-07-2018

### Concentrations of Funding

CONCENTRATION OF FUNDING BY COUNTERPARTY



C 68.00 - CONCENTRATION OF FUNDING BY PRODUCT TYPE



## Section 3 - Total Credit Portfolio: AIRB and Standard

Values in €/mln, regulatory risk measures	RWA by Portfolio							Change (MoM)	Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	May-18	Jun-18	Jul-18	Sep-18	Dec-18			
<b>Standard</b>	<b>7.543</b>	<b>7.448</b>	<b>7.229</b>	<b>7.050</b>	<b>6.858</b>			<b>-2,73%</b>	<b>-9,09%</b>	<b>7.057</b>
- of which Performing	6.580	6.493	6.213	6.272	6.127			-2,32%	-6,89%	6.169
- of which Non-Performing	963	955	1.016	778	731			-6,05%	-24,11%	888
<b>AIRB</b>	<b>26.631</b>	<b>27.238</b>	<b>27.294</b>	<b>30.475</b>	<b>31.729</b>			<b>4,11%</b>	<b>19,15%</b>	<b>34.544</b>
- of which Performing	26.631	27.238	27.294	27.555	27.536			-0,07%	3,40%	28.487
- of which Non-Performing	0	0	0	2.920	4.193			43,60%	0,00%	6.058
<b>TOTAL</b>	<b>34.173</b>	<b>34.687</b>	<b>34.523</b>	<b>37.525</b>	<b>38.587</b>			<b>2,83%</b>	<b>12,91%</b>	<b>41.601</b>

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

Values in €/mln, regulatory risk measures	Shortfall							Change (MoM)	Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	May-18	Jun-18	Jul-18	Sep-18	Dec-18			
<b>Performing</b>	<b>-48</b>	<b>-314</b>	<b>-294</b>	<b>-296</b>	<b>-284</b>			<b>-3,95%</b>	<b>495,38%</b>	<b>-242</b>
<b>Non-Performing</b>	<b>-7.059</b>	<b>-8.090</b>	<b>-8.061</b>	<b>-1.723</b>	<b>-1.482</b>			<b>-13,96%</b>	<b>-79,00%</b>	<b>-1386</b>
PD	16	17	27	24	25			4,17%	59,46%	27
UtoP	-517	-1.058	-1.043	-602	-576			-4,26%	11,32%	-461
Sofferenza	-6.557	-7.049	-7.045	-1.145	-931			-18,68%	-85,80%	-953
<b>Total</b>	<b>-7.107</b>	<b>-8.404</b>	<b>-8.355</b>	<b>-2.019</b>	<b>-1.767</b>			<b>-12,49%</b>	<b>-75,14%</b>	<b>-1.628</b>

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

Values in €/mln, regulatory risk measures	EAD by Portfolio							Change (MoM)	Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	May-18	Jun-18	Jul-18	Sep-18	Dec-18			
<b>Standard</b>	<b>22.049</b>	<b>16.330</b>	<b>17.075</b>	<b>18.076</b>	<b>16.496</b>			<b>-8,74%</b>	<b>-25,18%</b>	<b>19.231</b>
- of which Performing	21.027	15.337	16.048	17.260	15.715			-8,95%	-25,27%	17.555
- of which Non-Performing	1.022	993	1.027	816	782			-4,23%	-23,53%	1.676
<b>AIRB</b>	<b>105.671</b>	<b>106.133</b>	<b>106.405</b>	<b>83.530</b>	<b>83.337</b>			<b>-0,23%</b>	<b>-21,14%</b>	<b>79.022</b>
- of which Performing	62.863	63.750	64.184	64.638	64.589			-0,08%	2,75%	64.194
- of which Non-Performing	42.809	42.383	42.221	18.892	18.748			-0,76%	-56,20%	14.828
<b>TOTAL</b>	<b>127.721</b>	<b>122.463</b>	<b>123.481</b>	<b>101.606</b>	<b>99.834</b>			<b>-1,74%</b>	<b>-21,83%</b>	<b>98.253</b>

- ❑ **RWAs at 38,6 €/bn**, up by 1 €/bn vs. June due to **RWAs of AIRB Non Performing Portfolio**. In particular, at the end of July has been introduced the RWAs on Bad Loans by approx. 1,3 €/bn.
- ❑ In July, **EAD** down by approx. 1,8 €/bn vs. June, in particular:
  - ✓ **CCO** down by 0,3 €/bn mainly due to the six-monthly repayments on mortgages accounted for on July, that affect primarily the Corporate Division;
  - ✓ **CFO** down by 1,2 €/bn, due to the decrease of the exposure vs. Bankit.
- ❑ **Shortfall** up by 0,25 €/bn, mainly due to the introduction of the floor on the ELBE related to Bad Loans (with effect of +220 €/mln on EL).



## Section 3 - AIRB Performing Portfolio\*: RWA Density by Rating Classes, PD and LGD Evolution

LGD Evolution

Values in €/mln, regulatory risk measures

	Dec-17	Mar-18	May-18	Jun-18	Jul-18	Sep-18	Dec-18
<b>FINANCIAL COLLATERAL</b>	406	367	365	360	356		
<b>LGD</b>	0,00%	0,00%	0,00%	0,00%	0,00%		
<b>REAL ESTATE COLLATERAL</b>	37.051	36.472	36.537	36.775	36.713		
<b>LGD</b>	16,15%	16,02%	16,03%	16,02%	16,05%		
<b>PERSONAL GUARANTEES</b>	1.226	1.393	1.433	1.404	1.385		
<b>LGD</b>	37,43%	37,58%	37,84%	37,89%	38,20%		
<b>UNSECURED</b>	22.670	23.955	24.278	24.618	24.629		
<b>LGD</b>	42,32%	42,32%	42,32%	42,35%	42,50%		
<b>TOTAL EAD</b>	<b>61.352</b>	<b>62.187</b>	<b>62.612</b>	<b>63.157</b>	<b>63.082</b>		
<b>AVERAGE LGD</b>	<b>26,14%</b>	<b>26,54%</b>	<b>26,63%</b>	<b>26,68%</b>	<b>26,77%</b>		

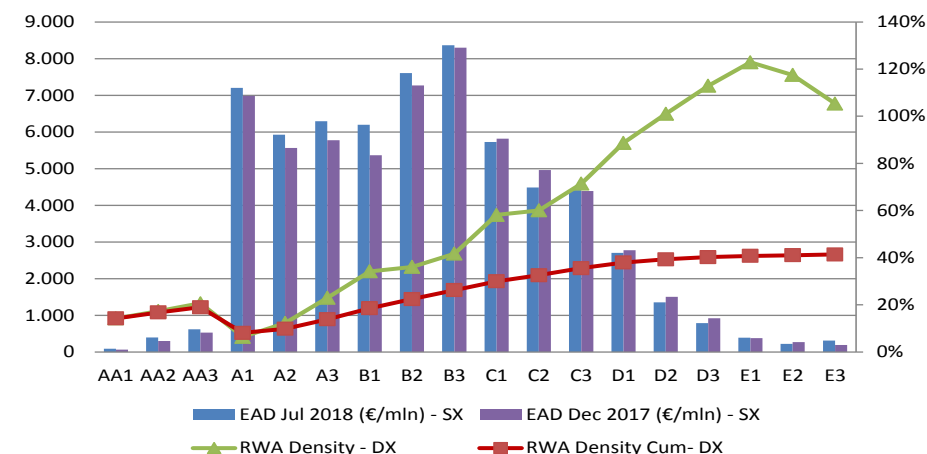
PD Evolution

Values in €/mln, regulatory risk measures

	EAD		AVG PD		
	Dec-17	Jul-18	Dec-17	Jul-18	Δ bps
<b>Upgrading</b>	12.078	12.056	3,07%	1,35%	-34
<b>Stable</b>	34.387	34.214	1,69%	1,61%	-5
<b>Downgrading</b>	12.333	12.220	1,88%	4,17%	46
<b>Default flow</b>	647	615	12,40%	100,00%	-11
<b>Out</b>	1.907	0	2,70%	0,00%	-2
<b>Cured</b>	388	348	100,00%	11,17%	5
<b>New Inputs</b>	0	4.244	0,00%	1,24%	-6
<b>Total Performing</b>	<b>61.352</b>	<b>63.082</b>	<b>2,14%</b>	<b>2,08%</b>	<b>-6</b>

+ 7 bps

RWA Density



- ❑ The Average LGD of AIRB Performing Portfolio at 26,77% continues to grow (+9 bps vs. June; +63 bps vs. December 2017) due to unsecured positions (whose weight increases to 39% as at July vs. 37% as at December 2017 and average LGD to 42,50% as at July vs. 42,32% as at December 2017).
- ❑ Average PD slightly improved vs. December 2017 (-6 bps):
  - ✓ improvements by **Default flow** (-11 bps), **New Inputs** (-6 bps) and **Out** (-2 bps), *partially offset by*
  - ✓ worsening of **positions classified performing from the begin of the year** (+7 bps, in reduction vs +9 bps as of June 2018) and by **Cured positions** (+5 bps).
- ❑ Average RWA Density equal to approx. 41%.



## Section 3 - Credit Portfolio: Performing and Non-Performing Exposures

Values in €/mln

		Dec-17 IAS39			Dec-17 FTA			Mar-18			Jun-18			Jul-18		
Stage 1		GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage
RATING	A	30.729	12,8	0,04%	30.729	8,6	0,03%	26.338	11,3	0,04%	29.168	12	0,04%	27.613	11	0,04%
	A**	24.117	12,8	0,05%	24.117	8,6	0,04%	24.516	11	0,05%	25.391	11,5	0,05%	25.078	11,3	0,04%
	B	22.339	54,1	0,24%	22.339	35,9	0,16%	22.477	31	0,14%	23.146	28,3	0,12%	23.266	27,3	0,12%
	C	11.229	81,0	0,72%	11.229	39,4	0,35%	11.523	37	0,32%	11.326	47,3	0,42%	11.116	46,1	0,41%
	D	840	21,3	2,53%	840	8,1	0,96%	870	10	1,11%	932	7,8	0,83%	888	7,6	0,86%
	E	57	6,4	11,08%	57	2,0	3,48%	60	2	3,08%	51	1,5	2,98%	61	1,1	1,88%
TOTAL**		58.582	175,5	0,30%	58.582	93,9	0,16%	59.447	90,6	0,15%	60.845	96,4	0,16%	60.409	93,4	0,15%

❑ In the month of July performing exposure down of 651 €/mln, mainly due to the six-monthly repayments on mortgages accounted for on July (approx. 1,5 €/bn in July vs. 0,5 €/bn in June). In particular:

- ✓ Stage 1 GBV down of about 436 €/mln vs. June, mainly on rating classes A and C, and Provisions substantially stable;
- ✓ Stage 2 GBV decreases of about 215 €/mln vs. June, with Provisions substantially stable.

Values in €/mln

		Dec-17 IAS39			Dec-17 FTA			Mar-18			Jun-18			Jul-18		
Stage 2		GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage
RATING	A	870	1,3	0,15%	870	7,9	0,90%	1.068	8	0,71%	678	5	0,71%	648	6	0,94%
	A**	870	1,3	0,15%	870	7,9	0,90%	1.068	8	0,71%	678	5	0,71%	648	6	0,94%
	B	1.839	16,7	0,91%	1.839	36,7	1,99%	2.016	31	1,54%	2.110	32	1,49%	2.101	31	1,48%
	C	8.034	78,7	0,98%	8.034	233,7	2,91%	7.613	217	2,85%	7.273	206	2,84%	7.193	218	3,03%
	D	5.711	180,1	3,15%	5.711	341,9	5,99%	5.717	321	5,62%	5.533	306	5,54%	5.467	297	5,44%
	E	1.148	91,9	8,00%	1.148	124,2	10,81%	1.337	163	12,17%	1.268	164	12,95%	1.237	155	12,53%
TOTAL		17.602	368,7	2,09%	17.602	744,3	4,23%	17.751	739,6	4,17%	16.862	713,2	4,23%	16.648	707,7	4,25%

Values in €/mln

		Dec-17 IAS39			Dec-17 FTA			Mar-18			Jun-18			Jul-18		
Stage 3		GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage
DEFAULT	Past due	530	139,6	26,35%	530	194,8	36,79%	479	173	36,12%	409	152	37,13%	410	148	36,03%
	IP Rete	1.532	450,7	29,42%	1.532	553,5	36,13%	1.205	429	35,64%	858	285	33,24%	827	270	32,70%
	Ristrutturati	3.888	1.577,8	40,58%	3.888	1.701,7	43,76%	4.069	1.851	45,48%	3.773	1.690	44,80%	3.635	1.632	44,90%
	Massivo	774	302,5	39,07%	774	386,6	49,94%	986	476	48,33%	1.038	529	50,92%	1.071	550	51,32%
	Rischio Anomalo	5.312	2.331,8	43,90%	5.312	2.609,8	49,13%	4.929	2.446	49,63%	4.774	2.323	48,66%	4.586	2.231	48,64%
	Sofferenze ***	9.295	5.965,9	64,18%	9.295	6.567,4	70,65%	9.590	6.775	70,65%	9.989	7.026	70,34%	10.035	7.091	70,66%
TOTAL		21.332	10.768,3	50,48%	21.332	12.013,9	56,32%	21.257	12.150	57,16%	20.841	12.005	57,60%	20.566	11.922	57,97%

Budget format - Loans on/off balance sheet and related provisions both inclusive of default interest

\*\*net of exposures to Bankit

\*\*\*net of Valentine Perimeter

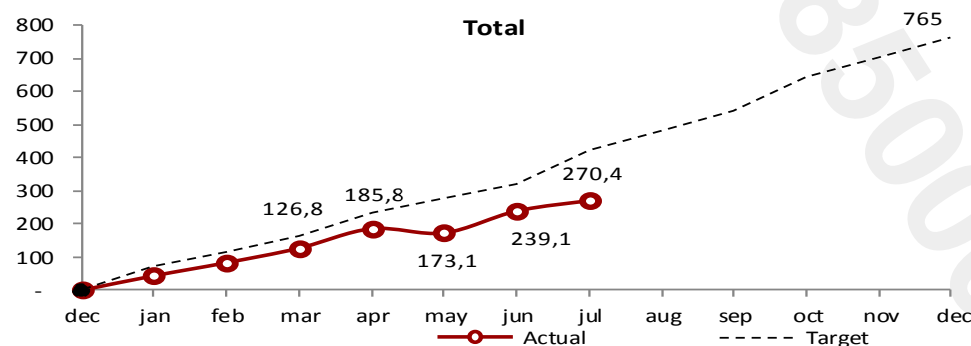
❑ The month of July shows a decrease in Stage 3 GBV of about -275 €/mln vs. June, in particular on the Restructured and Rischio Anomalo.



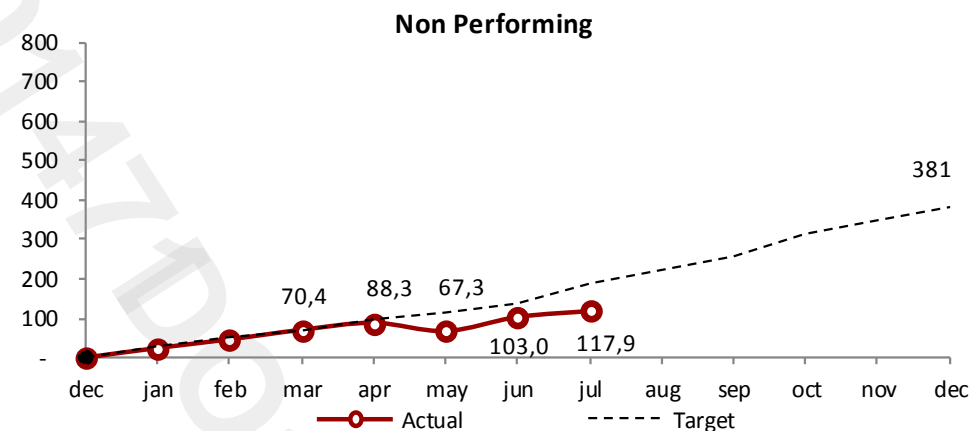
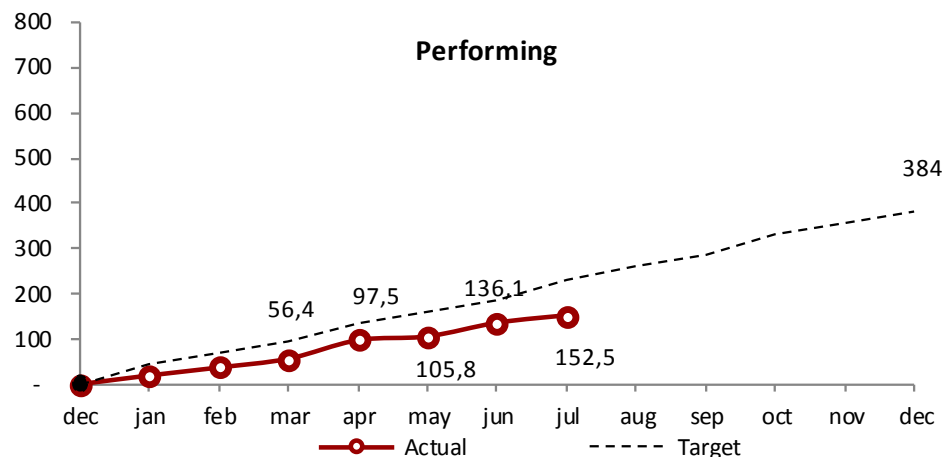
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The GBV includes the loans that breach SPPI test, and that are designated at FVTPL; consequently the provisions include the difference between nominal value and fair value of these assets  
The GBV and Provision include also interests for late payments

## Section 3 - Net Loan Loss Provision: Cost of Performing and Non-Performing Loans



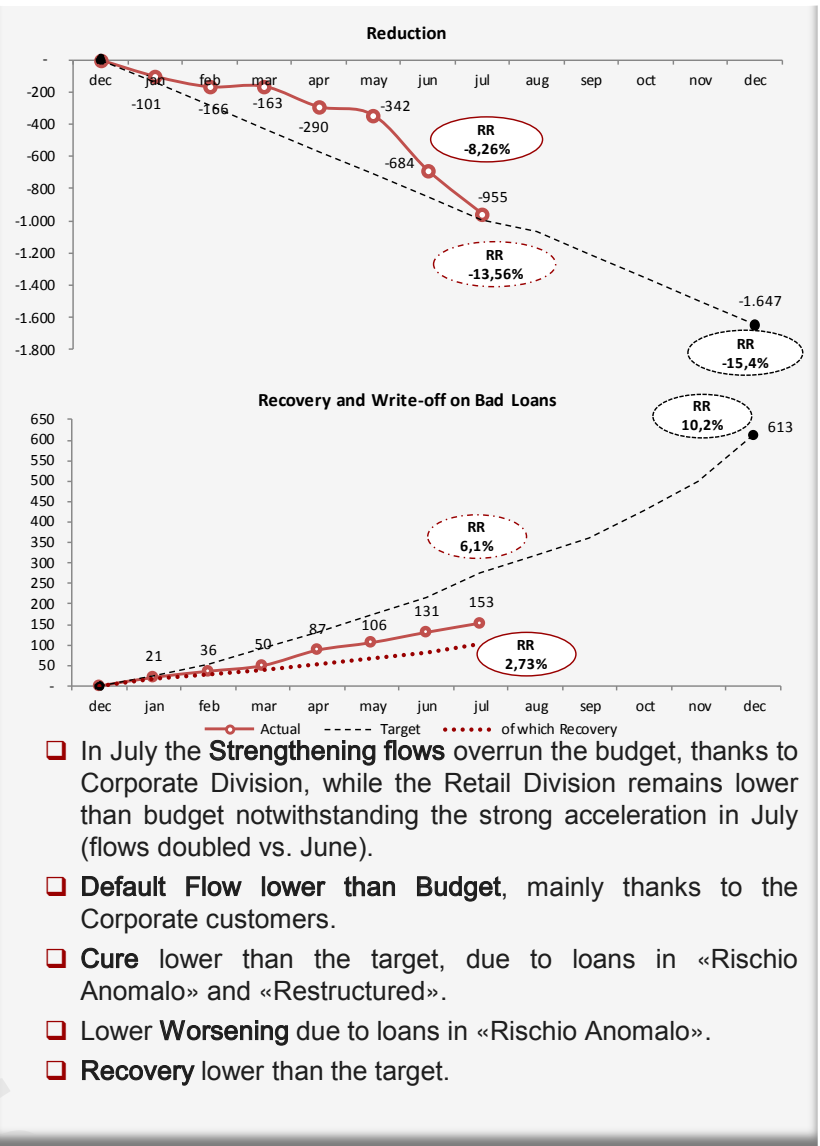
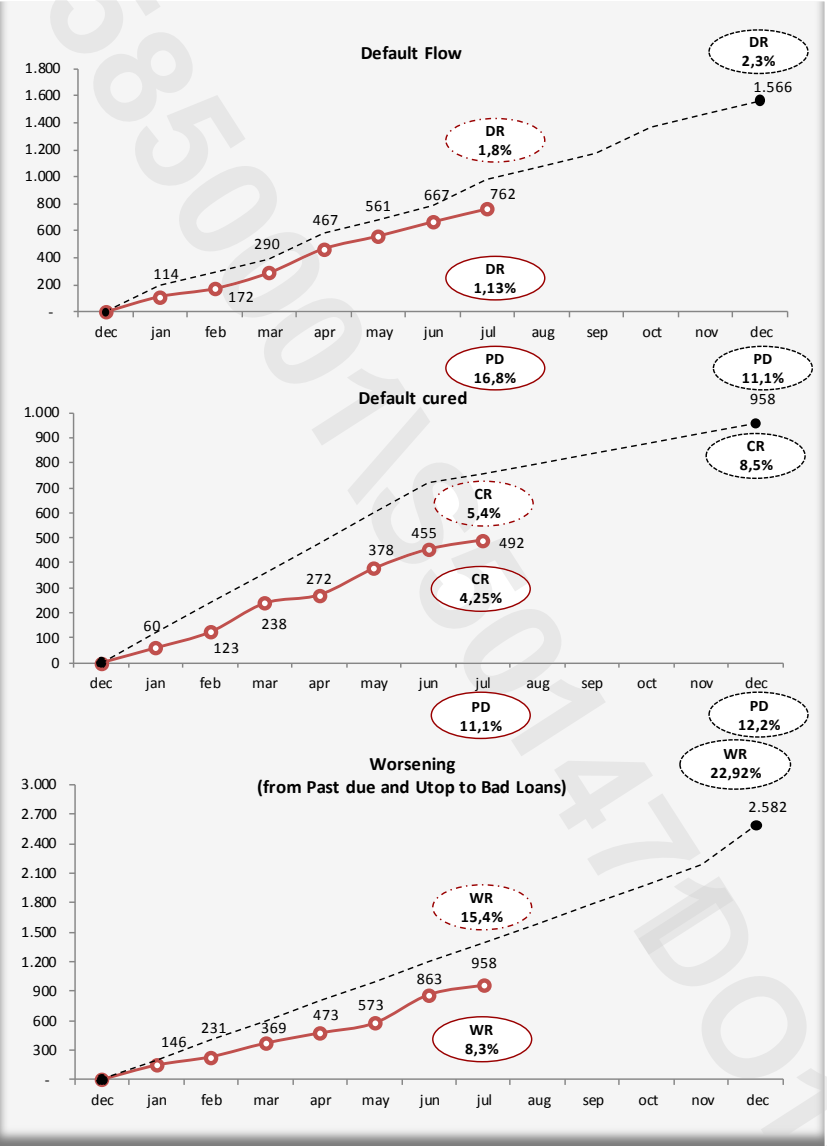
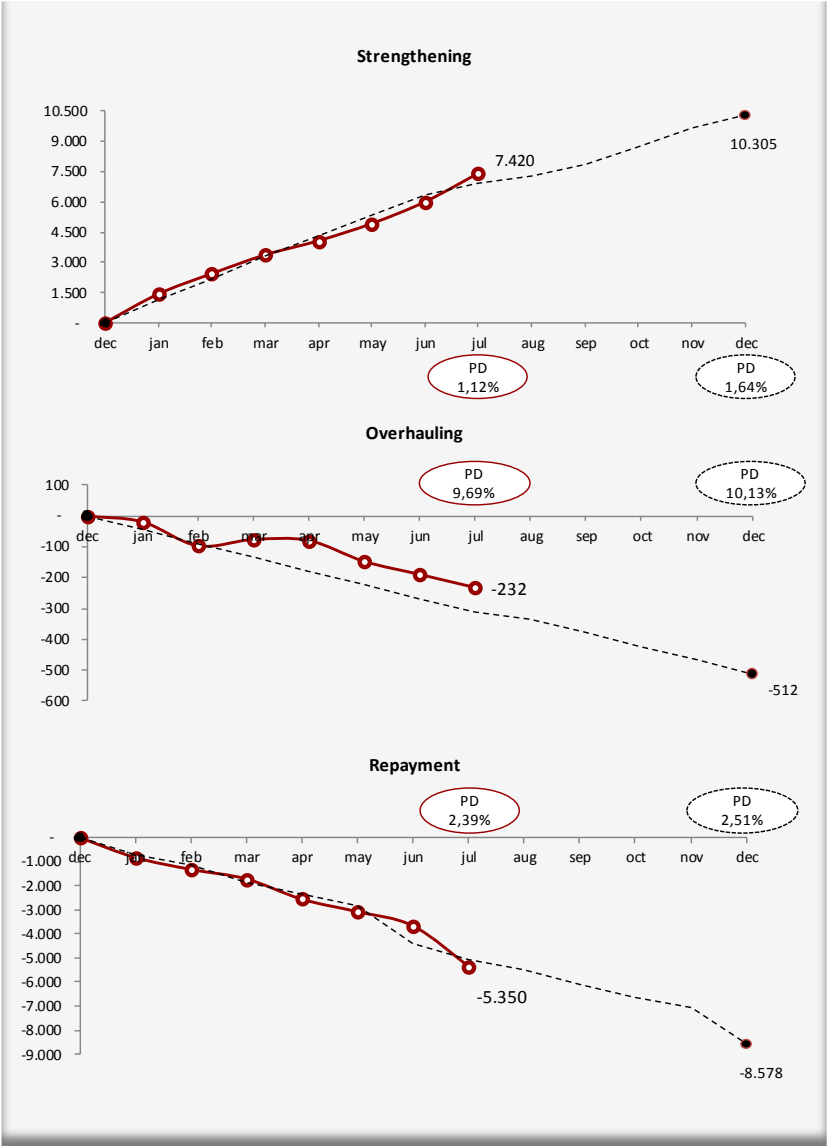
	Balance Sheet 130 Item									
Values in €/mln	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	dec-18
Actual	134	188	164	241	272					



- ❑ **Net Loan Loss Provision** as at July 2018 equal to 270,4 €/mln vs. 422,1 €/mln of the Budget, in particular:
  - ✓ **Cost of the Performing Loans** at 152,5 €/mln vs. 231,8 €/mln of the Budget, mainly due to the default flow lower than expected (Annualized Default Rate 1,41% vs. 1,99% of the Budget);
  - ✓ **Cost of the Non Performing Loans** at 117,9 €/mln, lower than the Budget equal to 190,3 €/mln, mainly due to the cost of the Worsening (Annualized Worsening Rate at 13% vs 22% of the Budget), partially off-set by the Cure (Cure Rate 5,32% vs. 8,15% off the Budget) and cost of Stable positions.
- ❑ **The month of July** shows a cost of about 31 €/mln, with **Performing Cost** at 16 €/mln and **non Performing Cost** at 15 €/mln.



Section 3 - Dashboard: Parameters - Credit Policies\*



- ❑ In July the **Strengthening flows** overrun the budget, thanks to Corporate Division, while the Retail Division remains lower than budget notwithstanding the strong acceleration in July (flows doubled vs. June).
- ❑ **Default Flow** lower than **Budget**, mainly thanks to the Corporate customers.
- ❑ **Cure** lower than the target, due to loans in «Rischio Anomalo» and «Restructured».
- ❑ Lower **Worsening** due to loans in «Rischio Anomalo».
- ❑ **Recovery** lower than the target.

○—○ Actual  
○---○ Actual annualized

\* Included only on balance exposures and commercial exposures



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○—○ Actual  
○---○ Target



## Section 3 - Credit Risk Limits: Summary of limits breach

Risk Limits	Aggregation Level	FY17						EXPECTED SIGN	LIMITS			
			31/03/2018	30/04/2018	31/05/2018	30/06/2018	31/07/2018		mar-18	jun-18	sep-18	dec-18
Cure Rate on UtoP Loans	CLO	4,04%	0,62%	0,78%	1,74%	2,13%	2,30%	>	1,93%	3,86%	4,50%	5,15%
Reduction (Bad Loans)	CLO	1.231	49	87	106	131	154	>	83	196	330	558
Average Pd (Airb)	CCO	2,13%	2,17%	2,16%	2,13%	2,12%	2,08%	<	2,08%	2,03%	1,98%	1,93%
Average Pd (Airb)	CCO Corporate	2,64%	2,73%	2,76%	2,73%	2,70%	2,65%	<	2,58%	2,51%	2,45%	2,39%
Exposures Amount (Performing)	CCO Corporate	32.853	34.074	33.919	34.137	34.488	34.236	<	33.398	33.298	33.198	33.098
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO Retail	601	109	164	201	368	404	<	123	246	369	533
Average Pd (Airb)	MPS CS	3,32%	3,18%	3,66%	3,57%	3,15%	3,18%	<	3,22%	3,11%	3,01%	2,91%
Cure Rate on UtoP Loans	MPS CS	8,00%	1,43%	1,60%	2,18%	2,40%	2,93%	>	2,34%	4,67%	5,45%	6,23%
Reduction (Bad Loans)	MPS CS	152	9	10	15	25	28	>	16	38	64	108
Exposures Amount (Performing)	MPS CS	4.435	4.504	4.492	4.476	4.398	4.406	<	4.514	4.393	4.271	4.150
Average Pd (Airb)	MPS LF	2,68%	2,74%	2,79%	2,91%	2,82%	2,76%	<	2,68%	2,60%	2,51%	2,42%
Cure Rate on UtoP Loans	MPS LF	3,16%	0,91%	1,42%	2,11%	2,42%	2,38%	>	1,56%	3,13%	3,65%	4,17%

Risk Limits	Aggregation Level	FY17						EXPECTED SIGN	LIMITS			
			31/03/2018	30/04/2018	31/05/2018	30/06/2018	31/07/2018		mar-18	jun-18	sep-18	dec-18
Cured Exposures	CCO	270	180	195	226	249	266	>	126	252	294	336
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO	1.442	383	468	516	701	745	<	258	516	775	1.119
Exposures Amount (Performing)	CCO	72.262	73.444	73.162	73.463	73.900	73.533	<	74.016	73.816	73.616	73.416
Average Lgd (Airb)	CCO Corporate	37,54%	38,11%	38,18%	38,23%	38,31%	38,50%	<	38,23%	38,23%	41,94%	41,94%
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO Corporate	841	273	303	315	332	340	<	132	264	396	572
Cured Exposures	CCO Retail	170	111	123	138	159	174	>	86	173	202	230

- The table above summarizes the limits breaches at 31/7/2018 and the breaches turned off in July. During July any new breach has been observed, while have been confirmed the breaches related to:
- **Cure** and **Reduction** (Bad Loans), that continue to show a trend lower than expected;
  - **Worsening** towards UtoP/Bad Loans, that continues to show a trend higher than expected;
  - **Exposures Amount** (Performing) on Corporate Division and Capital Services, mainly due to strengthening flow;
  - **Average PD (Airb)** mainly due to downgrading of some big counterparties.
- **Average Lgd (Airb)** at 38,50%, up by 27 bps vs June but below the limit as at 30/9/2018, equal to 41,94%. Considering that the increase of the limit between June and September is only due to the impact of re-estimate of LGD model, that will be run in October, the indicator, without corrective actions, is expected to breach again the limit in IVQ18.

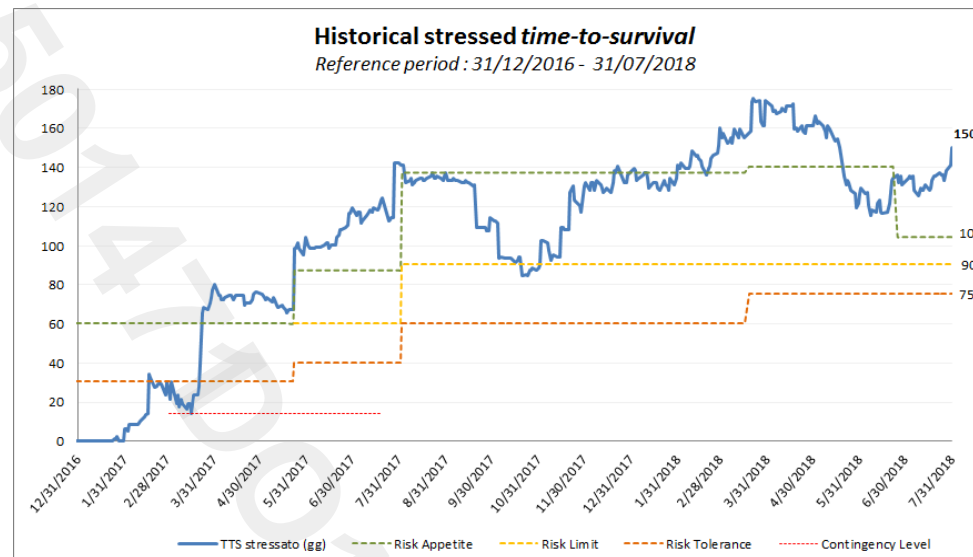
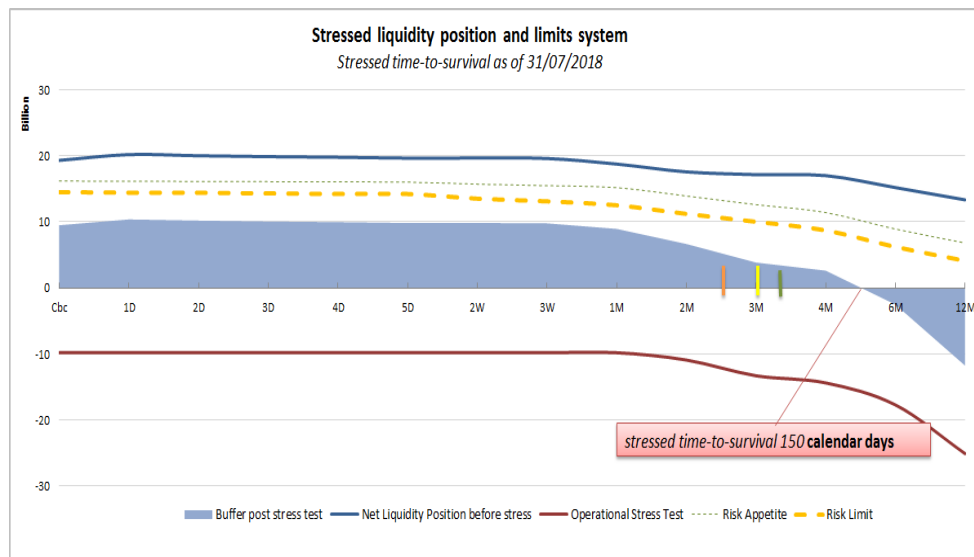
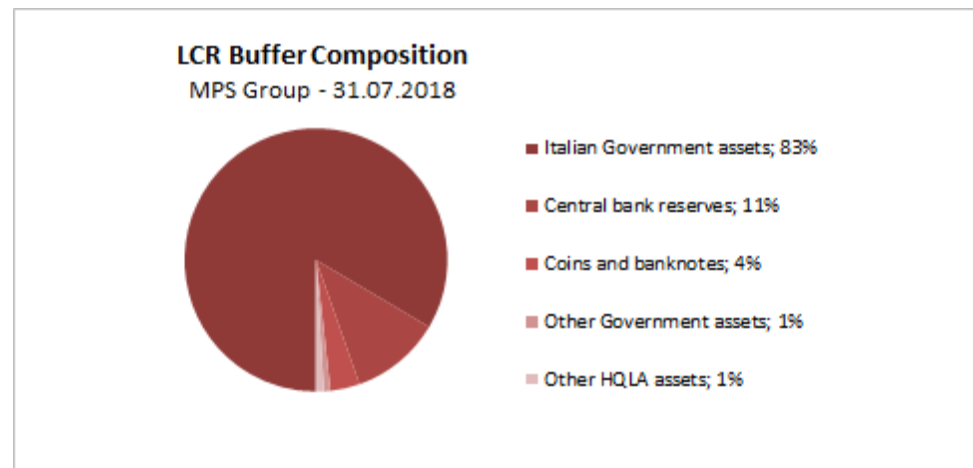




## Section 5 – Financial Risks: Short Term Liquidity Inherent Risk

LCR DA	30/06/18	31/07/18	Δ
(a) buffer	18.643	18.805	161
(b) outflows	13.120	12.096	-1.024
(c) inflows	2.657	2.708	51
ratio [a/(b-c)]	178%	200%	22%

LCR increase is mainly due to a net outflows reduction (-1,02 €/bn) related to a decrease in wholesale funding, and to new secured transactions collateralized by GGBs.



## Section 5 – Financial Risks: M/L Term Liquidity Inherent Risk

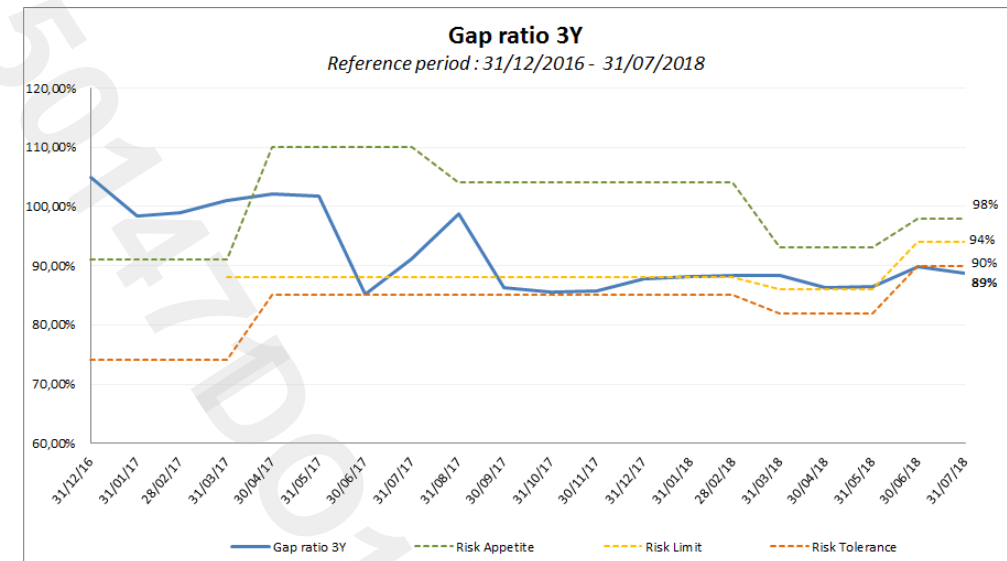
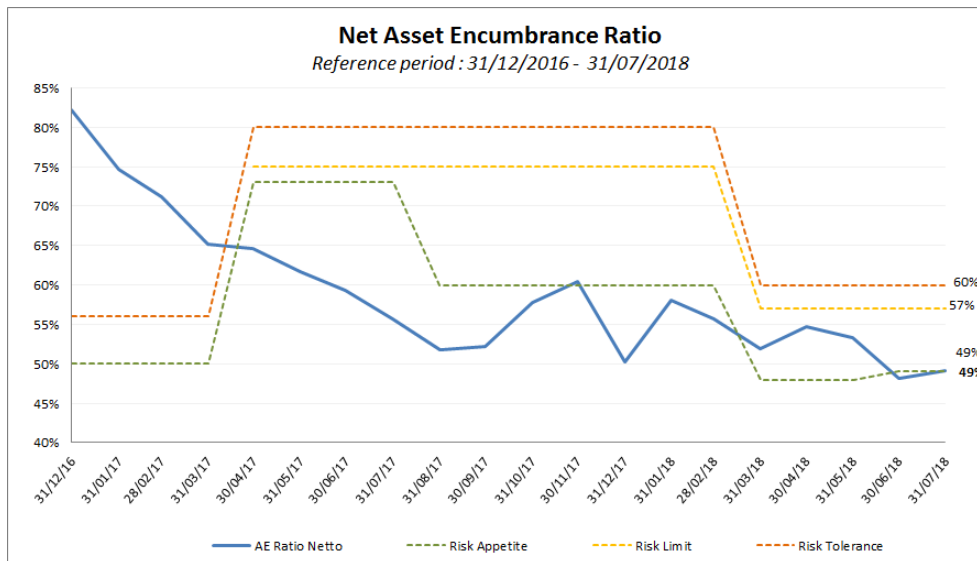
NSFR Basel III	30/06/18	31/07/18	Δ
(a) ASF	96.286	94.943	-1343
(b) RSF	88.592	87.593	-999
ratio [a/b]	108,7%	108,4%	-0,29%

The decrease of NSFR is mainly due to decrease of commercial funding (-1,3 €/bn). RSF decrease because of the optimization of covered pools, despite the increase in commercial assets and reverse repos. NSFR still breaches Risk Limit (109%) as at 31/07/2018.

As of 31/07/2018, Gap Ratio 2Y breaches the Risk Limit and Gap Ratio 3Y still breaches Risk Tolerance.

The main differences between RAF forecasts for Gap Ratio 2Y and actual figures are related to:

- negative impact from commercial assets trend (-5%);
- bigger negative impact of IFRS9 adoption on capital position (-2%);
- negative impact from unrealized long term secured funding (covered bond, -1,5%).



## Section 5 – Financial Risks: Liquidity Limits/Processes

			LIQUIDITY RISK LIMITS - MPS GROUP												Risk Limits	Check
			dec-17	jan-18	feb-18	mar-18	apr-18	may-18	jun-18	jul-18	aug-18	sep-18	oct-18	nov-18	dec-18	
SHORT TERM	Short Term Liquidity Indicators	Counterbalancing Capacity	€/mln	21.095	20.450	18.936	19.555	19.810	17.289	19.330	19.294				14.500	✓
		Net 1M Position	€/mln	18.726	18.402	17.933	18.764	18.249	16.314	17.009	18.739				12.500	✓
		Net 1M Position/tot assets	%	12,89%	12,67%	12,89%	13,72%	13,34%	11,93%	12,53%	13,81%				9,50%	✓
		Time-to-Survival	days	136	141	160	174	161	126	132	150				90	✓
		Contingency Reserve	€/mln				6.668	7.891	7.881	7.925	8.370				4.000	✓
MEDIUM & LONG TERM	Regulatory Indicators	LCR		199%	216%	235%	196%	189%	209%	178%	200,3%				145%	✓
		NSFR		110,0%	106,3%	107,6%	106,0%	103,7%	102,7%	108,7%	108,4%				110%	!
	Asset Encumbrance	Net Asset Encumbrance ratio		50,2%	58,0%	55,6%	51,9%	54,7%	53,3%	48,2%	49,1%				57%	✓
	Gap Ratio	MPS GROUP	Gap Ratio 1 Y	125,7%	125,9%	124,9%	114,7%	114,0%	115,9%	118,2%	117,8%				104%	✓
			Gap Ratio 2 Y	121,8%	115,8%	115,9%	108,3%	108,8%	111,2%	99,5%	98,2%				99%	!
			Gap Ratio 3 Y	87,7%	88,2%	88,3%	88,3%	86,3%	86,4%	89,8%	88,7%				94%	!
			Gap Ratio 4 Y	86,8%	85,9%	86,1%	88,7%	88,8%	88,9%	92,6%	91,3%				89%	✓
			Gap Ratio 5 Y	86,0%	86,9%	86,7%	90,6%	90,5%	90,6%	94,0%	92,6%				84%	✓
			Com Gap Ratio	78,8%	78,0%	78,9%	81,2%	80,3%	78,7%	85,6%	82,3%				75%	✓

			LIQUIDITY RISK LIMITS												Risk Limits	Check
			dec-17	jan-18	feb-18	mar-18	apr-18	may-18	jun-18	jul-18	aug-18	sep-18	oct-18	nov-18	dec-18	
DOMESTIC SUBSIDIARIES	MPS CS	Gap Ratio 1 Y	109,6%	109,5%	107,7%	105,6%	101,4%	104,3%	104,7%	105,0%					103%	✓
		Gap Ratio 2 Y	106,1%	105,4%	105,2%	107,9%	108,4%	103,7%	105,1%	105,8%					103%	✓
		Gap Ratio 3 Y	109,2%	109,3%	108,5%	116,4%	116,8%	109,4%	104,3%	105,8%					103%	✓
		Gap Ratio 4 Y	121,6%	121,6%	120,9%	107,9%	108,6%	103,5%	106,1%	106,6%					103%	✓
		Gap Ratio 5 Y	120,3%	121,4%	120,2%	113,5%	114,1%	115,7%	107,9%	108,2%					103%	✓
	MPS L&F	Gap Ratio 1 Y	117,9%	117,3%	117,7%	103,7%	104,0%	102,2%	113,2%	112,4%					103%	✓
		Gap Ratio 2 Y	122,8%	124,5%	125,1%	109,3%	109,8%	109,8%	120,3%	119,8%					103%	✓
		Gap Ratio 3 Y	132,3%	134,5%	135,2%	117,8%	118,4%	118,6%	128,6%	128,4%					103%	✓
		Gap Ratio 4 Y	144,4%	147,3%	148,3%	128,7%	129,7%	130,0%	138,9%	139,4%					103%	✓
		Gap Ratio 5 Y	154,9%	158,0%	158,9%	135,2%	136,1%	136,6%	145,1%	146,0%					103%	✓
	WIDIBA	Gap Ratio 1 Y	204,9%	226,3%	227,0%	243,2%	252,9%	261,3%	299,0%	287,6%					130%	✓
		Gap Ratio 2 Y	202,2%	226,2%	223,0%	260,5%	269,0%	276,7%	308,6%	294,5%					130%	✓
		Gap Ratio 3 Y	209,8%	238,8%	232,4%	300,0%	307,9%	315,2%	301,7%	288,0%					130%	✓
		Gap Ratio 4 Y	187,9%	214,5%	206,8%	293,8%	301,3%	308,5%	295,2%	281,9%					130%	✓
		Gap Ratio 5 Y	170,7%	195,1%	186,1%	288,2%	295,3%	302,4%	289,2%	276,3%					130%	✓
FOREIGN SUBSIDIARIES	MP BANQUE	LCR		562%	702%	325%	340%	441%	443%	376%					145%	✓
		NSFR		121%	-	-	119%	-	-	119%					110%	✓
	MPS BELGIO	LCR		556%	225%	628%	366%	262%	403%	202%	234%				145%	✓
		NSFR		117%	118%	115%	124%	121%	118%	119%	115%				110%	✓

### Liquidity Operating Limits

#### ➤ MPS Group:

- NSFR breaches Risk Limit.
- GR2Y breaches Risk Limit.
- GR3Y breaches Risk Tolerance.

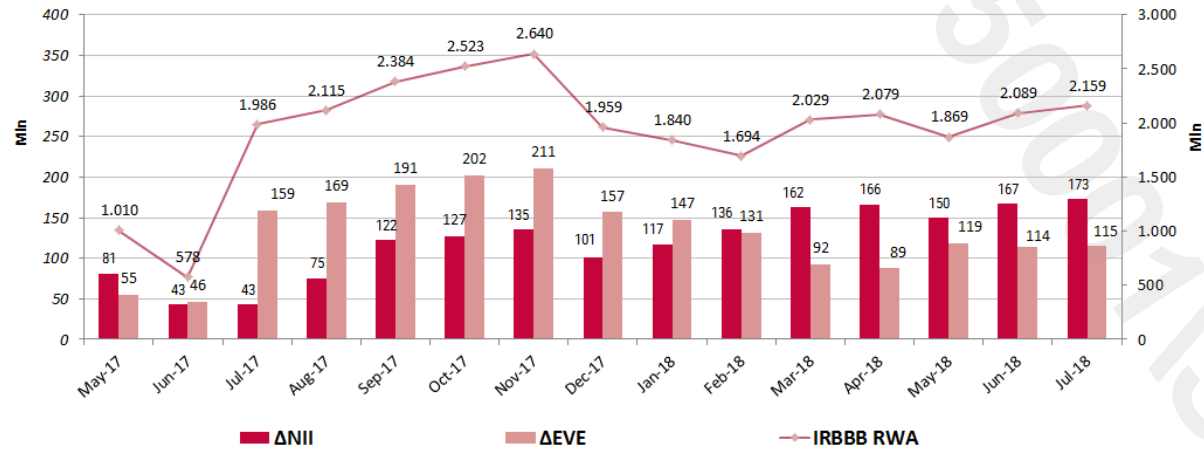
### Processes: Open Gaps

- No relevant Gaps Detected

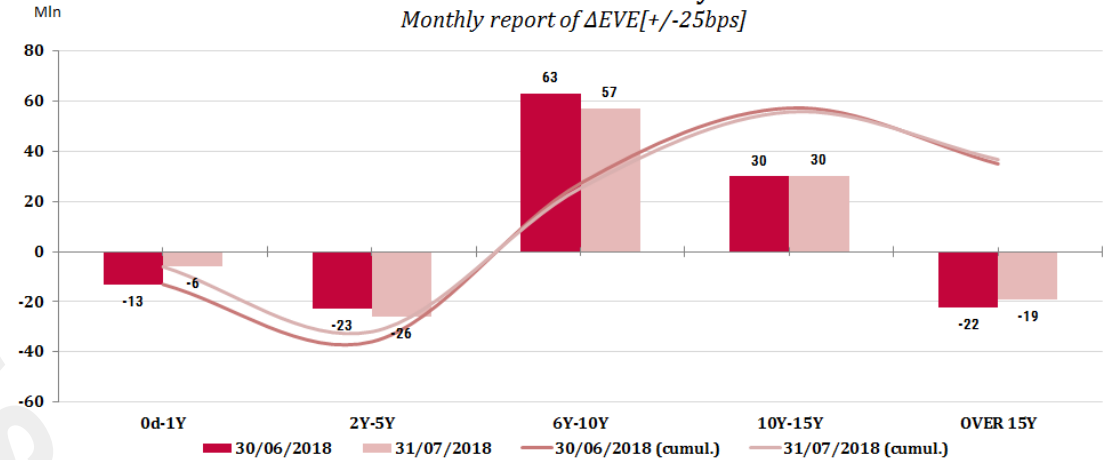


## Section 5 – Financial Risks: IRRBB Inherent Risk

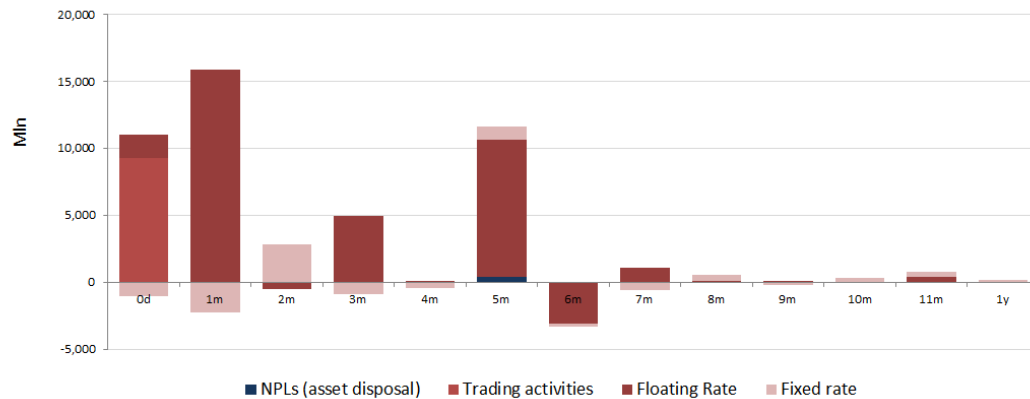
**IRRBB RWA and Internal Capital**  
Hystorical Time Series



**Time-band sensitivity**  
Monthly report of ΔEVE[+/-25bps]



**Repricing Gap analysis**  
Assets/Liabilities in maturing/repricing up to 1Y

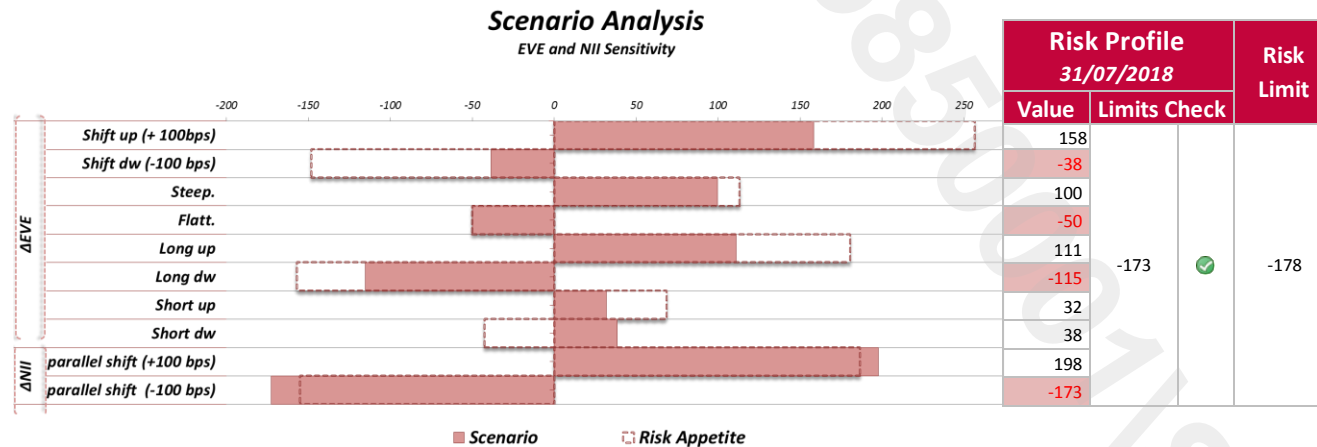


	ΔEVE +25 bps	Δ	ΔEVE -25 bps	Δ
<b>Gap Risk</b>	<b>-162</b>	<b>0</b>	<b>167</b>	<b>1</b>
Contractual Maturity Mismatch	-211	-3	222	4
Derivatives	74	3	-80	-3
NPLs ("Sofferenze")	-25	0	25	0
Other (NPLs "Sofferenze" disposal)	0	0	0	0
<b>Option Risk</b>	<b>197</b>	<b>2</b>	<b>-182</b>	<b>-3</b>
Behavioral model	227	0	-235	0
NMDs	168	-1	-172	1
Prepayment	59	1	-62	-1
Automatic Options	-30	2	53	-2
Embedded	-50	0	88	-1
Explicit	20	2	-35	-1
<b>Totale</b>	<b>37</b>	<b>2</b>	<b>-16</b>	<b>-1</b>

Monthly ΔEVE variation is mainly due to new Automatic Explicit Options (new cap bought over floating rate mortgages partially offsetting by new floor sold over floating rate mortgages).



## Section 5 – Financial Risks: IRRBB Limits/Processes



### IRRBB Limits

- Risk Limit: -173€mln (around 97%) due to the NII sensitivity stemming from the parallel down interest rate scenario (-100 bps).

Entity	Owner	IRRBB Indicators		Risk Profile 31/07/2018			Risk Limit
		Metrics	Scenario	Value	Tier 1 capital al 30/06/2018	Limits Check	
Italian Legal Entities	MPS Capital Services	ΔEVE	parallel shift (+100 bps)	-13	1.160	1,1% Tier 1 capital	2,5% Tier 1 capital
			parallel shift (-100 bps)	3			
	MPS Leasing & Factoring	ΔEVE	parallel shift (+100 bps)	-0	561	0,9% Tier 1 capital	2,5% Tier 1 capital
			parallel shift (-100 bps)	-5			
	WIDIBA	ΔEVE	parallel shift (+100 bps)	-4	95	3,8% Tier 1 capital	2,5% Tier 1 capital
			parallel shift (-100 bps)	8			

### IRRBB Limits: Italian Legal Entities

- WIDIBA: Risk Limit breach (3,8% absorption versus 2,5% threshold). The GMPS head office is working to identify the appropriate actions to rebalance the position.

### Processes: Open Gaps

No relevant Gaps Detected



## Section 5 – Financial Risks: Market Inherent Risk – Trading Book & Banking Book

MPS GROUP - REGULATORY CAPITAL REQUIREMENTS			
	giu-18	lug-18	Δ
<b>Rischio di Posizione Tit. di Deb/Cartolarizzazione</b>			
Rischio Generico	128.59	112.36	-16.24
Rischio Specifico	14.82	12.11	-2.71
OIC	0.29	0.22	-0.07
Opzioni	8.02	7.05	-0.97
Rsk Spec. Cartolariz.	25.43	26.05	0.62
Rsk Spec. Ricartolariz.	-	-	-
<b>Totale</b>	<b>177.16</b>	<b>157.79</b>	<b>-19.37</b>
<b>Rischio di Posizione Titoli di Capitale</b>			
Rischio Generico	6.41	9.05	2.64
Rischio Specifico	16.08	29.67	13.59
OIC	11.23	13.08	1.86
Opzioni	19.81	19.80	-0.01
<b>Totale</b>	<b>53.52</b>	<b>71.60</b>	<b>18.08</b>
<b>Rischio Cambio</b>			
Rischio Cambio	12.31	7.75	-4.56
Opzioni	0.37	0.35	-0.03
<b>Totale</b>	<b>12.68</b>	<b>8.09</b>	<b>-4.59</b>
<b>Rischio Merci</b>			
Rischio Merci	11.99	12.02	0.02
Opzioni	0.45	0.50	0.04
<b>Totale</b>	<b>12.44</b>	<b>12.51</b>	<b>0.07</b>
<b>Rischio Correlazione</b>			
	-	-	-
<b>TOTAL CAP. REQ.</b>	<b>255.80</b>	<b>250.00</b>	<b>-5.80</b>
<b>TOTAL RWA</b>	<b>3,197.54</b>	<b>3,124.98</b>	<b>-72.56</b>

€/mln

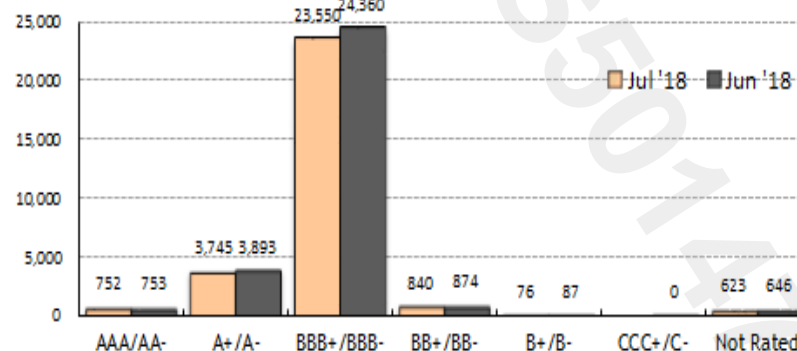
**CAP. REQ:** Jul-Jun18 slight decrease (-5.80€/mln). The reduction on generic IR Risk on Securities (-16.2€/mln) has been partially offset by the increase on specific Risk for equity instruments (+13.6€/mln), attributable to new structured products (increase of equity exposure) related to activities of the subsidiary MPSCS.

**SENSITIVITY:** sensitivity exposures of July nearly in line with Appetite estimations for the end of 2018 (total CR sensitivity of -4.17€/mln in July, compared to -4.7€/mln in december under appetite conditions, mainly on Italian Sovereign Bonds).

MPS GROUP - SENSITIVITIES BOND BB FVOCI		Profile	Appetite	Appetite - Profile
Portfolio	Sensitivity	lug-18	dic-18	Δ
Sov Ita	+1bp CR	-3.66	-3.83	-0.17
	+1bp IR	-1.81	-1.30	0.51
Sov Other	+1bp CR	-0.11	-0.43	-0.32
	+1bp IR	-0.11	-0.06	0.05
Corp&Fin	+1bp CR	-0.40	-0.44	-0.04
	+1bp IR	-0.40	-0.45	-0.05

€/mln

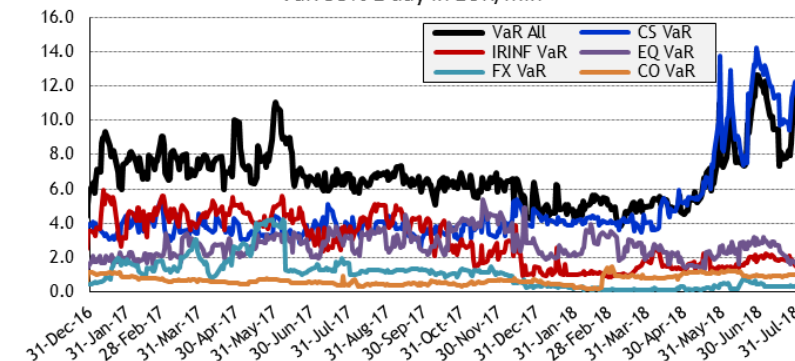
MPS Group: Issuer Risk (Trading Book & Banking Book)  
Net Notional Amount (Bond & Credit Derivatives)  
31-07-2018 in EUR/mln



**Issuer Risk:** on a monthly basis (end of Jul-Jun18) decrease of about 0.60 €/bln on Italian Sovereign bonds in FVTPL portfolio of MPSCS and decrease of about 0.10 €/bln on Financial bond in AC portfolio of MPS.

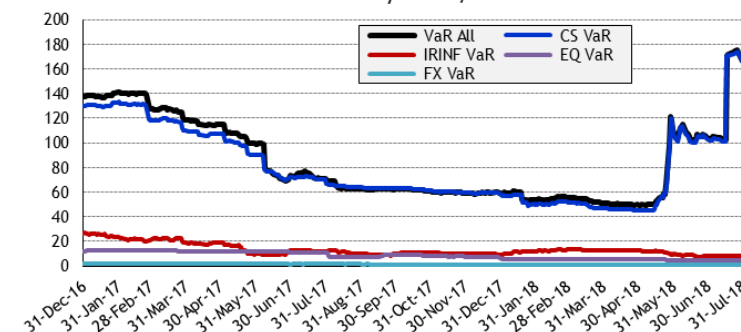
MPS Group: Trading Book

- VaR 99% 1 day in EUR/mln -



MPS Group: Banking Book

- VaR 99% 1 day in EUR/mln -



**TB VaR:** Decrease: 11.6€/mln by the end of Jul18 vs. 12.6 €/mln by the end of Jun18 (decrease in VaRALL and VaRCS of about 1.0 €/mln and 1.9 €/mln respectively); intra-month VaR volatility mainly caused by a gradually reduction and subsequent increase of short term exposure on sovereign bond (the VaR increase at the end of July has been expanded by the widening of Italian spread curve of about 10bps).

**BB VaR:** Sharp increase: 166 €/mln end-Jul18 vs. 103€/mln end- Jun18, entirely due to the obtaining at the half of July of the State guarantee on the senior tranche (GACS) of MPS NPL securitizations for a total nominal amount of about 2.9 €/bn (the corresponding increase of exposure on AC portfolio is referred to the previous month).

The NPL evaluation curve has been subsequently updated from a financial benchmark curve to a sovereign Italy curve causing an increase effect on VaR measures due to a higher volatility foreseen by that curve on historical scenarios.





## Section 5 – Financial Risks: Market Limits/Processes

€/mln		RISK LIMITS						Check
		jan-18	mar-18	jun-18	jul-18	Limit	Usage%	
<b>MPS GROUP</b>	Issuer OCI Bond Portfolio *	12,553	12,342	12,890.78	12,891	14,000	92%	✓
<b>MPS GROUP</b>	VaR Trading Book (PNV) °	4.11	4.93	12.61	11.67	15.00	78%	✓
	Average VaR Trading Book (3M PNV) °°	5.61	4.90	6.97	8.70	8.50	102%	✓
	Stop Loss Annual Drawdown Trading	-3.40	0.00	-10.96	-6.92	-30.00	23%	✓
	Monthly Stop Loss Trading Book °°°	10.29	11.24	25.04	3.56	-21.50	-	✓
	VaR Banking Book (PB)	51.37	32.80	85.44	84.75	75.00	113%	✗
	VPB Limit	5.51	210.46	-254.56	-243.68	-200.00	122%	✗
<b>AFTCM</b>	VaR Trading Book (PNV)	0.09	0.39	0.35	0.35	2.80	12%	✓
	Average VaR Trading Book (3M PNV)	0.07	0.07	0.35	0.34	1.80	19%	✓
	Stop Loss Annual Drawdown Trading	0.00	-0.27	-1.74	-1.11	-6.00	19%	✓
	Monthly Stop Loss Trading Book	0.72	0.15	1.36	0.63	-2.50	-	✓
	Stress Limit Trading Book (PNV)**	-0.96	-13.31	-3.71	3.61	-60.00	-6%	✓
	VaR Banking Book (PB)	50.45	31.33	82.78	82.13	70.00	117%	✗
	VPB Limit	-2.15	210.09	-189.76	-182.91	-190.00	96%	✓
	Hedge fund - complessivo	1.01	1.01	1.01	1.01	5.00	20%	✓
	Hedge fund - singola società***	0.36	0.36	0.34	0.36	5.00	7%	✓
<b>MPSCS</b>	Defaulted - complessivo	0.00	0.00	0.03	0.00	10.00	0%	✓
	Defaulted - singolo emittente***	0.00	0.00	0.03	0.00	5.00	0%	✓
	VaR Trading Book (PNV)	4.17	4.90	12.14	11.16	13.50	83%	✓
	Average VaR Trading Book (3M PNV)	5.61	4.92	6.82	8.38	8.00	105%	✗
	Stop Loss Annual Drawdown Trading	-3.45	0.00	-10.11	-6.98	-23.50	30%	✓
	Monthly Stop Loss Trading Book - TP	0.73	2.66	25.30	-1.58	-8.00	20%	✓
	Stress Limit Trading Book (PNV)	-198.73	-208.98	-129.05	114.82	-260.00	-44%	✓
	VaR Banking Book (PB)	0.00	0.30	0.38	0.38	3.00	13%	✓
	VPB Limit	0.00	0.60	-1.61	-0.81	-7.50	11%	✓
<b>MPSCS</b>	Hedge fund - complessivo	0.00	0.00	0.00	0.00	5.00	0%	✓
	Hedge fund - singola società***	0.00	0.00	0.00	0.00	5.00	0%	✓
	Defaulted - complessivo	0.37	0.00	0.00	0.03	30.00	0%	✓
	Defaulted - singolo emittente***	0.37	0.00	0.00	0.09	10.00	1%	✓
	VaR Banking Book (PB)	0.91	0.87	2.21	2.17	2.00	109%	✗
<b>MP Belgio</b>	VPB Limit	5.60	8.40	-0.15	-0.07	-16.00	0%	✓
<b>MP Banque</b>	VaR Banking Book (PB)	0.11	0.09	0.08	0.08	0.50	16%	✓
	VPB Limit	5.25	5.41	4.43	4.70	-4.00	-	✓

° Commitment DG Comp limit 20 €/mln

°° Commitment DG Comp limit 14,4 €/mln

°°° Commitment DG Comp limit -31€/mln

\* The limit will tend towards the end of 2018 on the level of 13,5€bn

\*\* The limit has been amended by CEO from -20 €/mln to -60 €/mln on 20/04/2018

\*\*\* For Single Issuer we report maximum utilization

Operating Limits are monitored and reported, with respect to the new autonomies approved by the resolution of the CEO dated 14-03-18 (2018 authorizations are active since 19-03-18).

### EU Commitments

No breaches recorded compared to the previous month.

### Operating Limits

MPS Group: the following breaches are recorded:

- VaR Banking Book (PB): July 1-31
- VPB Limit: July 1-16, July 20-31

Banca MPS: the following breaches are recorded:

- VaR Banking Book (PB): July 1-31

MPSCS: the following breaches are recorded:

- Average VaR Trading Book (3M PNV): July 24-31

MP Belgio: the following breaches are recorded:

- VaR Banking Book (PB): July 1-31

The Breaches have been ratified directly by the CEO.

### Issuer Risk Limits

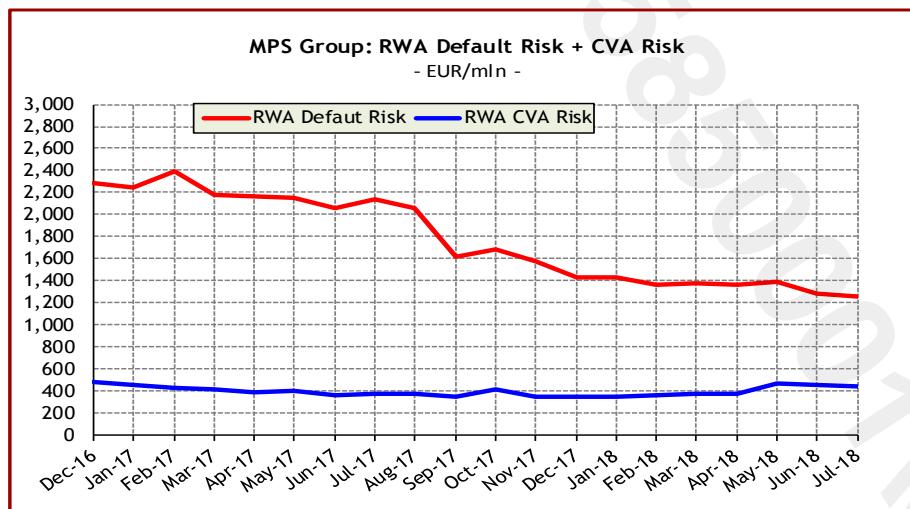
No breaches recorded for BMPS and MPSCS.

NPL Securitization – senior tranche: exposure on "ABS / A + A-" category, due to the senior tranche of the NPL securitization for a nominal amount of 2.3 €/bn (BMPS) and 615 €/mln (MPSCS). The State guarantee on the senior tranche (GACS) was obtained on 16/07 with retroactive effects starting since 28/06 and determined the exclusion of the Senior tranche from the Issuer Risk limits (both Global and Single, not applicable to Italian Sovereign exposures).

NPL Securitization – junior and mezzanine tranche: exposure on unrated category of approximately 56 €/mln (BMPS) and 15 €/mln (MPSCS) as of end-June. These positions are related to the mandatory retention of the Junior and Mezzanine tranches of the NPL securitization. The exposure is monitored within a specific plafond (equal to the mandatory retention amount) segregated from the ordinary limits structure, which has been ratified directly by the CEO.



## Section 5– Financial Risks: Counterparty Inherent Risk



		MPS GROUP - COUNTERPARTY RISK					
		dec-17	mar-18	jun-18	jul-18	Δ%	ΔQ%
RWA	<b>DEFAULT RISK</b> of which:	<b>1,429</b>	<b>1,370</b>	<b>1,284</b>	<b>1,260</b>	<b>-1.8%</b>	<b>-1.8%</b>
	Derivatives + LST	505	518	541	528	-2.4%	-2.4%
	STANDARD SFT	567	489	367	379	3.2%	3.2%
	<b>Total</b>	<b>1,072</b>	<b>1,007</b>	<b>908</b>	<b>907</b>	<b>-0.1%</b>	<b>-0.1%</b>
	Derivatives + LST	352	361	360	337	-6.4%	-6.4%
	AIRB SFT	5	2	15	16	3.0%	3.0%
	<b>Total</b>	<b>357</b>	<b>363</b>	<b>376</b>	<b>353</b>	<b>-6.0%</b>	<b>-6.0%</b>
	<b>CVA RISK</b>	<b>346</b>	<b>375</b>	<b>451</b>	<b>439</b>	<b>-2.6%</b>	<b>-2.6%</b>
<b>TOTAL RWA</b>		<b>1,774</b>	<b>1,744</b>	<b>1,734</b>	<b>1,699</b>	<b>-2.1%</b>	<b>-2.1%</b>

		MPS GROUP - COUNTERPARTY RISK					
		dec-17	mar-18	jun-18	jul-18	Δ%	ΔQ%
EAD	<b>DEFAULT RISK</b> of which:	<b>3,711</b>	<b>3,912</b>	<b>3,937</b>	<b>4,081</b>	<b>3.6%</b>	<b>3.6%</b>
	Derivatives + LST	1,812	1,903	2,081	2,050	-1.5%	-1.5%
	STANDARD SFT	1,551	1,637	1,466	1,663	13.4%	13.4%
	<b>Total</b>	<b>3,363</b>	<b>3,541</b>	<b>3,547</b>	<b>3,713</b>	<b>4.7%</b>	<b>4.7%</b>
	Derivatives + LST	345	370	358	336	-6.2%	-6.2%
	AIRB SFT	3	1	32	32	0.0%	0.0%
	<b>Total</b>	<b>348</b>	<b>371</b>	<b>390</b>	<b>368</b>	<b>-5.7%</b>	<b>-5.7%</b>
	<b>CVA RISK</b>	<b>674</b>	<b>714</b>	<b>798</b>	<b>765</b>	<b>-4.1%</b>	<b>-4.1%</b>
<b>TOTAL EAD</b>		<b>4,385</b>	<b>4,626</b>	<b>4,735</b>	<b>4,846</b>	<b>2.3%</b>	<b>2.3%</b>

Relevant RWA variations – July18 / June18

**STANDARD : reduction (- 1 €/mIn)**

**SFT: increase (+12 €/mIn)**

- For BMPS increase on THE ROYAL BANK OF SCOTLAND (+28 €/mIn) due to new collateral swap on BMPS 0.75 MR20. For the same entity reductions on GOLDMAN SACHS INTERNATIONAL (-8 €/mIn) due to expiry of financing repos.
- On MPSCS reduction on J.P.MORGAN LND (-8 €/mIn) due to a lower risk weight applied on financing Repos coming to due date.

**Derivatives+LST: reduction (-13 €/mIn)**

- For BMPS no relevant variations.
- On MPSCS reduction on DEUTSCHEBANK (-7 €/mIn) due to expiry of credit derivative transactions. For the same entity increase on ANIMA ORIZZONTE BENESSERE 2023 (+8 €/mIn) due to new derivative transactions.

**AIRB: reduction (- 23 €/mIn)**

**Derivatives+LST: reduction (-23 €/mIn)**

- For BMPS reductions on SUNSHIRE SRL (-5 €/mIn) due to unwinding of interest rate derivatives.
- For MPSCS reduction on POSTE ITALANE SPA (-5 €/mIn) due to change in fair value of interest derivatives positions.

**CVA risk : reduction (-12 €/mIn)**

**RWAs Composition – July 18**

GMPS level:

- SFT: relevant activity in structured funding mainly on BANCA IMI S.P.A. (112 €/mIn) and THE ROYAL BANK OF SCOTLAND (110 €/mIn) for about 56% of total RWAs of SFT;
- Derivatives & LST: 42% for activity with commercial (non financial) customers and 22% for activity in AXA products;

Exposure with Central Counterparties (1.731 €/mIn) is about 42% of total outstanding EAD - Default Risk - that is 3.8% of total RWAs.



**MONTE DEI PASCHI DI SIENA**  
BANCA DAL 1472



