| Informazione Regolamentata n. 0035-19-2021 | Data/Ora Ricezione 10 Febbraio 2021 08:00:24 | MTA |
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|---|---|---|
| Societa' | : | BANCA MONTE DEI PASCHI DI SIENA |
| Identificativo Informazione Regolamentata | : | 142364 |
| Nome utilizzatore | : | PASCHIN02 - Avv. Quagliana |
| Tipologia | : | 1.1; 2.2 |
| Data/Ora Ricezione | : | 10 Febbraio 2021 08:00:24 |
| Data/Ora Inizio Diffusione presunta | : | 10 Febbraio 2021 08:00:26 |
| Oggetto | : | BMPS: BOARD APPROVES PRELIMINARY RESULTS AS OF 31 DECEMBER 2020 |

*Testo del comunicato*

Vedi allegato.

**PRESS RELEASE**

**BANCA MPS: BOARD APPROVES PRELIMINARY RESULTS AS OF 31 DECEMBER 2020**

**PRE-PROVISION PROFIT AT EUR 714 MILLION, SUSTAINED BY FEES & COMMISSIONS, REBOUNDED AFTER THE LOCKDOWN PERIOD, AND BY FURTHER REDUCTION OF OPERATING EXPENSES**

**NET OPERATING RESULT NEGATIVE BY EUR 39 MILLION, INCLUDING EUR 348 MILLION ADDITIONAL LOAN LOSS PROVISIONS RELATED TO THE COVID SCENARIO**

**NET RESULT FOR THE YEAR (EUR -1,689 MILLION) IMPACTED BY NON-OPERATING ITEMS (EUR -1,305 MILLION), MAINLY RELATED TO PROVISIONS FOR RISKS AND CHARGES, AND BY THE WRITE-DOWN OF PREVIOUSLY RECORDED DTAs (APPROX. EUR 340 MILLION)**

**STRONG COMMITMENT TO SUPPORTING THE ECONOMY IN A MACROECONOMIC CONTEXT AFFECTED BY THE PANDEMIC: FINANCIAL SUPPORT INITIATIVES FOR ABOUT EUR 23 BILLION DEPLOYED**

**POSITIVE COMMERCIAL DYNAMICS:**
**WEALTH MANAGEMENT FLOWS STABLE VS. FY19 DESPITE LOCKDOWNS AND COMMERCIAL DIRECT FUNDING (CURRENT ACCOUNTS + TIME DEPOSITS) GROWING BY MORE THAN EUR 11 BILLION IN 2020 (+17% Y/Y)**

**"HYDRA" DERISKING TRANSACTION COMPLETED: GROSS NPE RATIO AT 4.3% (COMPARED TO 12.4% IN 2019), OR 3.4% ACCORDING TO NEW EBA DEFINITION[1]**

**POST-HYDRA CAPITAL RATIOS SUPPORTED BY CAPITAL MANAGEMENT ACTIONS:**
**TRANSITIONAL CET1 RATIO: 12.1% (vs. 8.7% SREP 2021 OVERALL CAPITAL REQUIREMENT)**
**TRANSITIONAL TOTAL CAPITAL: 15.7% (vs. 13.4% SREP 2021 OVERALL CAPITAL REQUIREMENT)**

**SIGNIFICANT IMPROVEMENT IN LIQUIDITY POSITION:**
**COUNTERBALANCING CAPACITY AT EUR 33 BILLION (EUR +8 BILLION Y/Y)**
**LOAN/DEPOSIT RATIO <80%, VS. 85% IN 2019**

[1] Ratio between gross impaired loans to customers and banks, net of assets held for sale, and total gross loans to customers and banks, net of assets held for sale.

## FY 2020 RESULTS

- **Pre-provision profit at EUR 714 million:**
  - **net interest income at EUR 1,291 million (-14% Y/Y). In addition to the changed interest rate scenario, the decrease in net interest income is largely linked to the actions implemented to fulfil some of the commitments set out in the Restructuring Plan (sale of UTP portfolios, return of the Bank to the subordinated bond market, sale of the subsidiary BMP Belgio S.A.), whereas NII benefits from the effects of the access to TLTRO3 auctions (total exposure EUR 24 bn)**
  - **fees and commissions at EUR 1,430 million, down year-on-year (-1.3%) as a result of reduced placement of third-party consumer credit products and reduced banking service fee income, both impacted by lower customer activity as a result of the Covid-19 emergency. Net fees and commissions account for 50% of revenues and 53% of "core" revenues;**
  - **other income from banking business[2] amounts to EUR 197 million, compared to EUR 333 million in 2019 which, among other things, included benefits arising from the revaluation of securities recognised as assets from the Sorgenia and Tirreno Power debt restructuring (EUR +155 million) and the cost relating to the exercise of the right of withdrawal from the Juliet agreement (approximately EUR -49 million)**
  - **operating expenses at EUR 2,204 million, down 3.7% Y/Y, as a result of the reduced average headcount (with further benefits expected starting from 1Q21) and the Bank's cost-saving activities**
- **Cost of customer loans amounting to EUR 748 million, including EUR 348 million additional provisions for the changed macroeconomic scenario arising from the spread of the COVID-19 pandemic**
  - **provisioning rate at 90 basis points (48 basis points net of additional provisions)**
  - **not included in the cost of credit, approximately EUR 0.9bn equity reduction resulting from the spin-off of non-performing loans in favour of AMCO**
- **Net operating result for the year amounting to EUR -39 million. Adjusted for additional provisions related to the COVID scenario, result positive by approximately EUR 300 million**
- **Negative non-operating items for EUR 1,305 million, including EUR 984 million provisions for risks and charges and EUR 154 million restructuring charges related to Hydra and employee exits in 4Q20**

## FOURTH QUARTER 2020 RESULTS

- **Pre-provision profit at EUR 144 million, down 29% Q/Q:**
  - **net interest income at EUR 312 million, with resilient commercial component but negatively impacted by Hydra derisking transactions (including the related subordinated bond issue) and the cost of excess liquidity held with central banks, partly against the significant growth in customer deposits;**

[2] Dividends, similar income and profit (loss) from equity investments, Net result from trading, from fair value measurement of assets/liabilities and gains from sales/repurchases, Net result from hedging activities, Other operating income/expenses.

  - **fees and commissions amounting to EUR 380 million – the best quarter in two years – up 7% Q/Q, with positive performance of continuing fees and pick-up of commissions on credit facilities**
  - **other income from banking business[3] equal to EUR 25 million, mainly for the contribution of the AXA-MPS Bancassurance partnership**
  - **operating expenses at EUR 573 million, up 5.2% Y/Y due to typical end-of-year acceleration and non-recurring items, but down 3.5% compared to the fourth quarter of 2019**
- **Net operating profit of EUR 18 million, despite EUR 48 million additional loan loss provisions connected with the Covid scenario.**

*Siena, 10 February 2021* – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved preliminary results as at 31 December 2020.

## Group profit and loss results as at 31 December 2020

The Group's **total revenues** as at 31 December 2020 stand at **EUR 2,917 million**, down 11.2% Y/Y.

This decrease is mainly due to reduced net interest income – ascribable to the disposal of UTP loans and to the effects of the other actions implemented in 2019 and 2020 in compliance with certain Restructuring Plan commitments – but also to the decline in short-term interest rates. Net interest income benefitted from the positive effects of access to the TLTRO3 auctions (EUR 24 billion take-up). Net fees and commissions, slightly down Y/Y, were affected by reduced operations during the months of lockdown and by fewer placements of third-party consumer credit products. The decline in other income from banking business is mainly due to the lack of the positive impact of more than EUR 150 million booked in 2019, linked to the revaluation of securities recognised as assets resulting from the debt restructuring of Gruppo Sorgenia and Tirreno Power. Trading results are also down, negatively impacted by tensions in the financial markets due to the COVID-19 emergency. An improvement, on the other hand, was recorded on other operating income/expenses, which in 2019 included the recognition of approximately EUR 49 million for the indemnity relating to the exercise of the right of withdrawal from the Juliet agreement.

The quarter-on-quarter comparison shows a fall in revenues of EUR -31 million in Q4, primarily due to lower profits from the sale of securities. By contrast, there is an increase both in income from banking activities, with the reduction in net interest income (approximately EUR -20 million) more than offset by the rise in net fees and commissions (approximately EUR +25 million), and in the contribution generated by the Bancassurance partnership with AXA.

**Net interest income** as at 31 December 2020 stands at **EUR 1,291 million**, down 14.0% Y/Y. The decrease was driven by (i) the disposal of unlikely-to-pay loans in 2019 and the deconsolidation of the Hydra portfolio, (ii) the completed sale of subsidiary BMP Belgio S.A. in June 2019, (iii) the Bank's return to the institutional funding market, with significant volumes placed in the second half of 2019 and during 2020 and (iv) declining asset yields, driven by interest rate trends, together with a

[3] See note 2.

recomposition of exposures with decrease of sight and short-term components and increase of the medium/long-term component. NII was benefitted by the positive effects of access to the TLTRO3 auctions, totalling EUR 129 million, albeit partly offset by the greater cost of deposits with central banks (approx. EUR 39 million).

In 4Q20 NII is down compared to the previous quarter (-6%), primarily due to the higher cost of market funding following the issues in September and December 2020.

**Net fees and commissions** as at 31 December 2020, amounting to **EUR 1,430 million,** record a slight downturn Y/Y (-1.3%). A significant portion of the decrease in fees and commissions stems from the reduced placement of third-party consumer credit products and commissions on services, which were particularly affected by reduced customer activity following the COVID-19 emergency. Wealth management fees, with placements affected by reduced network operations during the months of lockdown, decrease by -2.5%. Other net fees and commissions, however, are up, due to the lower cost of government guarantees following the reimbursement of the Government-Guaranteed Bonds in 1Q20.

The contribution of 4Q20 is up from the previous quarter (+7%) largely due to the improvement in other net fees and commissions. The Q/Q comparison shows an increase across all net fee and commission components, with wealth management fees recording an upturn of +3.0% Q/Q and commissions from traditional banking services increasing by +3.7% Q/Q.

**Dividends, similar income and profit (loss) on investments** amount to **EUR 101 million** and mainly include the contribution from the Bancassurance partnership with AXA[4]. The item shows an increase from 31 December 2019 (EUR +5 million) with the result in 4Q20 registering an improvement compared to the previous quarter (EUR +32 million) thanks to the recovery of the financial markets.

**Net profit (loss) from trading, financial assets/liabilities measured at fair value and gains from disposals/repurchases** as at 31 December 2020 amounts to **EUR 144 million**, recording a year-on-year decrease (-55.4%) with the contribution in 4Q20 falling against the previous quarter (EUR -72 million). An analysis of the main aggregates shows the following:

- **Net profit from trading comes to EUR +36 million,** down from 31 December 2019 due to the lower contribution of both subsidiary MPS Capital Services – affected, particularly in the first quarter of the year, by tensions on the financial markets owing to the COVID-19 emergency – and BMPS, partly owing to the lack of the positive effects which had been recorded in 2019 on liabilities at fair value. Performance in 4Q20 is down compared to the previous quarter, due to the lower contribution from MPS Capital Services' results.

- **Net profit from other financial assets and liabilities measured at fair value through profit and loss shows a negative balance of EUR 10 million,** down compared to the previous year (at EUR +118 million), which had benefitted from the positive impact of more than EUR 150 million linked to the revaluation of securities recognised as assets resulting from the debt restructuring of Gruppo Sorgenia and Tirreno Power.

[4] AXA-MPS is consolidated at net equity in the Group's financial accounts.

The 4Q20 result shows a negative balance of EUR 6 million, down from the positive contribution of EUR 2 million in 3Q20 following the recognition of higher capital losses particularly on UCITS.

- **Gains on disposals/repurchases** (excluding customer loans at amortised cost) **show a positive balance of EUR 118 million**, largely stable compared to the previous year. The 4Q20 result of EUR -10 million is down EUR 62 million from 3Q20, which benefitted from the higher profits from the sale of securities.

The following items also contribute to total revenues:

- **Net income from hedging, in the amount of EUR +3 million**, up from 31 December 2019 (at EUR -5 million), with the result in 4Q20 (EUR 2 million) up from 3Q20 (at EUR +0.5 million).
- **Other operating expenses/income negative by EUR 51 million,** an improvement on the result recorded in 2019 (at EUR -80 million), which included the recognition of approximately EUR 49 million in costs for the unwinding of the Juliet agreement. The 4Q20 result, amounting to EUR -10 million, improves from 3Q20 (at EUR -13 million).

As at 31 December 2020, **operating expenses** amount to **EUR 2,204 mln di euro**, -3.7% Y/Y, with 4Q20 increasing vs. 3Q20 (+5.2%). An analysis of the individual aggregates shows that:

- **Administrative expenses** stand at **EUR 1,978 million**, falling by approx. EUR 56 million Y/Y with 4Q20 contributing EUR 515 million, up by approx. EUR 24 million against 3Q20. Within the aggregate:
  - **Personnel expenses**, amounting to **EUR 1,415 million**, are down 1.2% Y/Y, having mainly benefitted from the reduced average headcount (particularly as a result of the 750 Solidarity Fund exits in 2019, the 105 exits from the deconsolidation of BMP Belgio S.A. in June 2019 and the 560 Solidarity Fund exits in 4Q20) and lower expenses due to the expansion of remote working as a result of the ongoing COVID-19 emergency. The trend was only partially offset by the contractual salary increases/adjustments largely resulting from the renewed National Collective Labour Agreement. The aggregate slightly worsens with respect to the previous quarter (-0.9%).
  - **Other administrative expenses,** amounting to **EUR 563 million**, are down by 6.3% Y/Y. Despite the additional expenses required to address the COVID-19 emergency (especially for the purchase of Personal Protection Equipment and the cleaning of work premises), the aggregate benefitted from cost-saving measures put in place, as well as from the deconsolidation of BMP Belgio S.A. in June 2019, savings from the 2019 branch closures and from reduced activity during lockdown. The aggregate is up by approx. 15.1% Q/Q following the typical end-of-year increase in expenses.

- **Net value adjustments to tangible and intangible assets** as at 31 December 2020 stand at **EUR 225 million**, down 11.7% Y/Y, mainly due to the lower depreciation of both intangible and tangible assets. 4Q20 contribution worsens by 7.6% compared to the previous quarter due to higher impairments on property, plant and equipment.

As a result of the above trends, the Group's **pre-provision profit** amounts to **EUR 714 million** (EUR 994 million as at 31 December 2019), with the 4Q20 contribution down by approx. EUR 59 million from the previous quarter.

The **cost of customer loans** booked by the Group as at 31 December 2020 amounts to **EUR -748 million**, down by EUR 165 million from 2019 (at EUR -583 million). In particular:

- the figure for 2020 includes around EUR 348 million of increased provisioning resulting from the new macroeconomic scenario that emerged following the outbreak of the COVID-19 emergency.

- the figure for 2019, on the other hand, had included a negative effect of approx. EUR 52 million owing to the updated macroeconomic scenario and a net positive effect of approx. EUR 209 million from the unwinding of the servicing agreement with Juliet (positive effect for approx. EUR 457 million due to the elimination of the prospective costs of the agreement which were reflected in loan loss provisions) and the simultaneous review of the NPE reduction strategy, which provided for an acceleration of the 2019 disposal plan (negative effect for approx. EUR 248 million).

Excluding these effects, the aggregate records a Y/Y decrease, mainly due to lower provisions on already-impaired positions and to reduced loan defaults, thanks to the beneficial effects of moratoria granted under the Covid-19 financial relief Governmental Decrees, only partly offset by the lower benefits deriving from the return of impaired positions to performing status. In the yearly comparison, the aggregate also benefits from the positive effect of state guarantees on loans disbursed under the mentioned Decrees.

The cost of customer loans for 4Q20 is up from the previous quarter primarily due to the increase in loan defaults and higher provisions on already-impaired positions. These are partly offset by the benefits arising from the acquisition of state guarantees as part of the disbursement of loans pursuant to the Liquidity Decree.

The ratio of Cost of Customer Loans over Total Customer Loans reflects a **provisioning rate of 90 bps** (73 bps as at 31 December 2019).

The Group's **net operating result** as at 31 December 2020 shows a **negative balance of approx. EUR 39 million**, against a positive balance of EUR 406 million recorded for the previous year. The contribution in 4Q20, amounting to EUR 18 million, is down from the previous quarter.

The following items also contribute to the **result for the period**:

- **Net provisions for risks and charges** amounting to **EUR -984 million,** mainly attributable to provisions for legal risks, particularly on previous capital increases and risks connected with contractual agreements. A negative balance of EUR 156 million had been recorded as at 31 December 2019, largely due to provisions for commitments undertaken by the Parent Company against settlements related to diamond transactions.
- **Gains on investments** amounting to approx. **EUR 3 million**, against a loss of EUR 6 million recorded in 2019, with a contribution of EUR +2 million in 4Q20 compared to approximately EUR +0.4 million in 3Q20.

- **Restructuring costs/one-off charges** totalling **EUR -154 million**, mainly including expenses relating to the headcount reduction scheme with the exit of 560 employees through the Solidarity Fund as well as expenses (interests, fees and commissions and other administrative charges) relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO.

  As at 31 December 2019, the aggregate showed a negative balance of EUR 0.3 million and included the costs relating to project expenses as well as the price adjustment for the sale of BMP Belgio S.A, partially offset by the recoveries recognised by INPS for the previous headcount reduction/solidarity fund schemes.

- **Risks and charges related to SRF, DGS and similar schemes,** totalling **EUR -140 million,** consisting of the Group's contribution to the Single Resolution Fund (SRF), which amounted to EUR 58 million in 1Q20, the additional contribution to the National Resolution Fund (NRF) booked for EUR 18 million in 2Q20, the total contribution paid to the IDPF (DGS) in the amount of EUR 60 million and the net capital loss of EUR 4 million on the exposure towards the IDPF Voluntary scheme (for the Carige intervention).

  The aggregate as at 31 December 2019, amounting to EUR -123 million, included the Group's annual contribution of EUR 54 million to the Single Resolution Fund (SRF), the extraordinary contribution of EUR 20 million to the National Resolution Fund (NRF), the total contribution paid to the FITD (DGS) in the amount of EUR 41 million and the net capital loss of EUR 8 million on the exposure towards the IDPF Voluntary scheme (for the Carige intervention).

- **DTA fees**, totalling **EUR -71 million.** The amount, which was calculated according to the criteria of Law Decree 59/2016 converted into Law no. 119 of 30 June 2016, consists of the fees due as at 31 December 2020 for DTAs (Deferred Tax Assets) which are convertible into tax credit.

- **Gains on disposal of investments** for **EUR 41 million** from the sale of real estate properties. The aggregate showed a positive balance of EUR 3 million as at 31 December 2019.

As a result of the above trends, the Group's **pre-tax loss for the period** amounts to **EUR -1,344 million** vs. the positive result of EUR 53 million recorded as at 31 December 2019.

**Taxes on profit (loss) from continuing operations** record a negative contribution of **EUR 340 million** (EUR -1,075 million as at 31 December 2019) owing almost entirely to the revised value of deferred tax assets (DTAs) recorded in the financial statements, following the update of multi-year internal estimates of income statement and balance sheet figures to take into account the evolution of the macroeconomic scenario as a result of the pandemic.

Considering the net effects of PPA (EUR -4 million), **the Parent Company's loss for the period amounts to EUR -1,689 million**, against a loss of EUR 1,033 million reported for 2019.

## Group balance sheet aggregates as at 31 December 2020

The Group's **total funding** volumes as at 30 September 2020 amount to **EUR 205.8 billion**, up by EUR 7.8 billion from 30 September 2020, both in direct funding (EUR +5.3 billion) and indirect funding (EUR +2.5 billion). The aggregate is also up from 31 December 2019 (EUR +9.8 billion) primarily thanks to the increase in direct funding (EUR +9.5 billion).

**Direct funding** was particularly influenced by the increase in current accounts following the outbreak of the COVID-19 emergency. This trend has been characteristic of the entire banking system and is linked to the prudent approach of customers against the economic uncertainties that have become more acute with the spread of the pandemic.

More specifically, **direct funding** volumes stand at **EUR 103.7 billion**, up EUR 5.3 billion vs. the end of September 2020. The upturn is mainly attributable to the continued increase in current accounts (EUR +4.4 billion) and an increase in repos (EUR +1.5 billion). An increase is also recorded for bonds (EUR +0.6 billion) following the institutional issue carried out in December. A downturn, on the other hand, was recorded for time deposits (EUR -0.7 billion) and other forms of funding (EUR -0.5 billion).

The aggregate is up by EUR 9.5 billion from the end of December 2019 due to the increase in current accounts (EUR +11.9 billion) and repos (EUR +3.3 billion). Compared to 31 December 2019, a downturn is recorded for other forms of funding (EUR -3.1 billion) and bonds (EUR -1.9 billion), largely due to the impact from the reimbursement of Government-Guaranteed Bonds and closure of the connected structured financing transactions, only partly offset by the bond issues carried out in 1Q20, 3Q20 and 4Q20. Time deposits are also down from 31 December 2019 (EUR -0.8 billion).

The Group's direct funding market share[5] stands at 3.91% (updated to October 2020), registering an increase from December 2019 (at 3.70%).

**Indirect funding** amounts to **EUR 102.1 billion**, up (EUR +2.5 billion) from 30 September 2020 in both assets under management, which total **EUR 60.4 billion** as at 31 December 2020, registering a growth of EUR +1.9 million Q/Q, and assets under custody (EUR +0.5 billion Q/Q). Both components benefit from a positive market effected connected with the recovery of the financial markets.

In the Y/Y comparison, indirect funding is up EUR 0.3 billion thanks to the increase in assets under management (EUR +1.1 billion), which benefits from both positive net inflows and from a positive market effect, only partly offset by reduced assets under custody (EUR -0.8 billion).

As at 31 December 2020, Group **customer loans** amount to **EUR 82.6 billion**, down by EUR 4.5 billion Q/Q, largely due to the decline in net impaired loans (EUR -3.6 billion) – attributable to the deconsolidation of the "Hydra M" portfolio – and to the decrease in repos (EUR -1.2 billion). A downturn was also recorded for other forms of lending (EUR -0.8 billion) and current accounts (EUR -0.6 billion) while mortgages register an increase (EUR +1.8 billion), having been influenced by disbursements and moratoria granted as part of the government decrees issued following the COVID-19 emergency.

In the year-on-year comparison, the aggregate shows an increase of EUR 2.5 billion, largely due to the growth in mortgages (EUR +6.2 billion), influenced by the mentioned disbursements and moratoria granted under the government decrees issued following the COVID-19 emergency, as and increased repos (EUR +4.2 billion). A decrease was registered for current accounts (EUR -1.6

[5] Deposits and repos (excluding repos with central counterparties) from resident consumer customers and bonds net of repurchases placed with resident consumer customers as first-instance borrowers.

billion), other forms of lending (EUR -2.3 billion) and net impaired loans (EUR -3.9 billion), the latter primarily owing to the deconsolidation of the "Hydra M" portfolio.

The Group's market share[6] stands at 4.91% (updated to October 2020), down 2 bps from the end of 2019.

Medium/long term loans recorded new disbursements of EUR 4.8 billion in 4Q20, registering an upturn from 3Q20 (EUR +0.8 billion) and Y/Y, thanks also to the disbursements relating to the "Liquidity Decree".

Stage 1 loans, amounting to EUR 65.5 billion, record an increase from both 30 September 2020 (EUR 64.7 billion) and 31 December 2019 (EUR 62.5 billion). Stage 2 loans, with a gross exposure of EUR 15.4 billion as at 31 December 2020, are down from the EUR 17.1 billion recorded as at 30 September 2020 but up from the EUR 11.9 billion as at 31 December 2019.

**The Group's non-performing customer exposures** as at 31 December 2020, both in terms of gross and net exposure and in terms of average coverage, were mainly influenced by the deconsolidation of "Hydra M" portfolio tickets, amounting to EUR 7.1 billion in terms of gross exposure and EUR 3.5 billion in terms of net exposure.

**The Group's total non-performing customer exposures** as at 31 December 2020 stand at **EUR 4 billion** in terms of gross exposure, decreasing from both 30 September 2020 (at EUR 11.4 billion) and 31 December 2019 (at EUR 11.9 billion). The gross exposure of bad loans, totalling EUR 1.5 billion, is down by EUR 4.8 billion from 30 September 2020 and by EUR 4.9 billion from 31 December 2019. The gross exposure of unlikely-to-pay loans, amounting to EUR 2.4 billion, decreases by EUR 2.5 billion from 30 September 2020 and by EUR 2.9 billion from 31 December 2019. Gross past-due exposures, totalling EUR 76 million, are down by EUR 190 million from 30 September 2020 and by EUR 23 million from 31 December 2019.

As at 31 December 2020, the Group's **net non-performing customer exposures** stand at **EUR 2.2 billion,** down against both 30 September 2020 (EUR -3.6 billion) and 31 December 2019 (EUR -3.9 billion).

The ratio of net non-performing exposures to net customer loans as at 31 December 2020 is 2.6%, down from both September 2020 (6.6%) and December 2019 (7.6%). Over the period, a lower percentage was registered for UTPs (from 3.8% in December 2019 and 3.1% in September 2020 to 1.9% in December 2020), and bad loans (from 3.7% in December 2019 and 3.3% in September 2020 to 0.7% in December 2020). The percentage of past-due exposures goes from 0.1% in December 2019 to 0.2% in September 2020 to 0.1% in December 2020.

As at 31 December 2020, **coverage** of total non-performing customer exposures stands at 46.2%, down from 30 September 2020 (49.5%) and from 31 December 2019 (48.7%). Indeed, the deconsolidation of the "Hydra M" portfolio led to a reduced incidence of bad loans on total **non-performing customer exposures** and an increased incidence of UTPs, with a decline in the average coverage of the latter due to the exit of the more highly provisioned tickets. The trend in

[6] Loans to resident consumer customers, including non-performing loans and net of repos with central counterparties.

average coverage since the start of the year also reflects the increase in adjustments following the changed macroeconomic scenario as a result of the COVID-19 emergency.

As at 31 December 2020, the Group's **securities assets** amount to **EUR 21.6 billion**, down by EUR 1.4 billion from 30 September 2020 due to the decrease in financial assets held for trading, largely attributable to the subsidiary MPS Capital Services, as well as the decrease in financial assets measured at fair value (EUR -0.2 billion), mainly due to the reimbursement of the Sorgenia Group securities. The amortised cost component is also down (EUR -98 million in total). It should be noted that the market value of the securities booked as loans to customers at amortised cost is equal to EUR 9,993.4 million (with implicit capital gains of approximately EUR 472.9 million).

The aggregate is down compared to 31 December 2019 (EUR -2.6 billion) due to the decrease in financial assets held for trading (EUR -1.7 billion), particularly attributable to the subsidiary MPS Capital Services, and financial assets measured at fair value through other comprehensive income (EUR -0.9 billion), mainly attributable to the Parent Company, due to sales and maturities of securities only partially offset by purchases.

As at 31 December 2020, the **financial liabilities held for trading** are up from both the end of 30 September 2020 (EUR +1.4 billion) and the end of December 2019 (EUR +2.1 billion).

As at 31 December 2020, the **net position in derivatives** improves against 30 September 2020 but records a decrease vs. 31 December 2019 (EUR -0.5 billion).

As at 31 December 2020, the Group's **net interbank position** stands at **EUR 5.6 billion** in lending, against EUR 5.1 billion in funding as at 30 September 2020 and EUR 5.2 billion in funding at the end of 2019, following the further increase in deposits on the required reserve account (which also acquired the liquidity from the closing of the "Hydra M" transaction).

As at 31 December, the operational liquidity position shows an **unencumbered counterbalancing capacity of approximately EUR 33.1 billion**, up by EUR 4.9 billion from 30 September 2020 thanks to the liquidity from the closing of the "Hydra M" transaction, the growth in commercial funding and the institutional issue in December. An increase was also registered against 31 December 2019 (EUR +8.4 billion) due to the aforementioned effects of the "Hydra M" transaction, as well as the growth in commercial funding and the implementation of funding plan measures (institutional issues, access to TLTRO3 and reimbursements of LTRO and TLTRO2), which enabled the reimbursement of Government-Guaranteed Bonds without affecting the Group's liquidity profile.

As at 31 December 2020, the **Group's shareholders' equity and non-controlling interests** amount to **approx. EUR 5.8 billion,** down EUR 1.0 billion from 30 September 2020, following the closing of the "Hydra M" transaction on 1 December 2020, which resulted in a EUR 1.1 billion reduction in share capital and an increase in reserves of EUR 0.2 billion. The loss in 4Q was partly "offset" by the change in valuation reserves.

The aggregate is also down EUR 2.5 billion from 31 December 2019, largely due to the aforementioned effects from the demerger and the result for the financial year.

As for capital ratios, the **common equity tier 1 ratio** as at 31 December 2020 stands at **12.1%** (vs. 14.7% at the end of 2019) and the **total capital ratio** stands at **15.7%**, compared to the 16.7% registered at the end of December 2019.

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As already known, as a result of i) the significant provisions for legal risks made during the year, ii) the effects of the Hydra transaction, iii) the macroeconomic scenario penalised by the COVID-19 pandemic and iv) regulatory developments, a prospective capital shortfall emerged with respect to overall capital requirements. In this context, the Board of Directors approved the 2021-2025 Strategic Plan and the Capital Plan, which were sent to DG Comp and the ECB for their respective assessments.

The Strategic Plan was prepared bearing in mind the commitments made by the Italian Government in 2017 with reference to the 2017-2021 Restructuring Plan, recently reaffirmed in a Prime Ministerial Decree of 16 October 2020, which provides for "initiating a process of divestment of the Ministry's stake in the share capital of MPS, to be carried out through market procedures and also through transactions aimed at consolidating the banking system". It should be noted that as of the date of this communication, access to the data room has been requested by the Apollo Fund.

As already highlighted in the context of the January 28th Press Release, in the event that a structural solution is not implemented in the short/medium term, the Capital Plan contemplates a capital strengthening of EUR 2.5 billion which, if carried out, is to be executed at market conditions and with the pro-rata participation of the Italian State, which has already confirmed its full support. The capital strengthening is subject to the shareholders' approval.

The capital strengthening transaction, which has the full support of the controlling shareholder, is subject to uncertainties as it requires the completion of the assessment and approval process already initiated by DG Comp and the ECB.

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**Pursuant to paragraph 2, article 154-bis of the "Consolidated Finance Act", the Financial Reporting Officer, Nicola Massimo Clarelli, declares that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.**

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*This press release will be available at* www.gruppomps.it

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## Income statement and balance sheet reclassification principles

**<u>Reclassified income statement</u>**

To allow for a better reading of the Group's performance results, starting from 2020, impairment losses/reversals and disposal gains/losses on loans to customers have been reclassified under a single item called **"Cost of customer loans"**. The aggregate therefore includes:

- The portion relating to loans to customers of balance sheet items 130a "Net impairment (losses)/reversals on financial assets measured at amortised cost" and 140 "Modification gains/(losses) without derecognition", previously included in the reclassified item "Net impairment (losses)/reversals on financial assets measured at amortised cost" (item no longer present).

- The portion relating to loans to customers of balance sheet items 100a "Gains (losses) on disposal/repurchase of financial assets measured at amortised cost" and 110b "Net profit (loss) from other financial assets measured at fair value", previously included in the reclassified item "Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss".

- Balance sheet item 200a "Net provisions for risks and charges – financial guarantees and other commitments" previously included in the reclassified item "Net provisions for risks and charges".

Impairment losses/reversals relating to financial assets represented by securities and loans to banks have been traced back to an item called **"net impairment (losses)/reversals on securities and loans to banks"**. This aggregate therefore includes the portion relating to securities and loans to banks of balance sheet item 130a "Financial assets measured at amortised cost" and item 130b "Net impairment losses(reversals) on financial assets measured at fair value through other comprehensive income".

2019 figures have been restated to ensure continuity in the reporting of the Group's performance results. It should be noted that the statutory audit of the 2020 full-year financial report has not yet been completed.

Finally, it should be noted that for 2019, the financial data pertaining to the subsidiary BMP Belgio S.A. – which was sold on 14 June 2019 – have been included in the individual income statement items instead of in the balance sheet item "Profit (Loss) from discontinued operations after tax".

The reconciliation criteria adopted for the preparation of the reclassified income statement are as follows:

- Item "**interest income**" was cleared of the negative contribution (EUR -5.6 million) of the Purchase Price Allocation (PPA), referable to past business combinations, which was reclassified to a specific item. The aggregate was also cleared of the negative contribution (EUR -13.6 million) mainly coming from interest expense on the financial debt included in the Compendium of assets demerged in favour of AMCO, which was reclassified under "restructuring costs/one-off charges".

- The item "**net fees and commissions**" was cleared of the negative contribution (EUR -37.1 million), consisting of the commission expense relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, which were reclassified under "restructuring costs/one-off charges.

- Item "**dividends, similar income and gains (losses) on investments**" incorporates item 70 "dividends and similar income" and the share of profit for the period contributed by investments in the associate AXA, consolidated at net equity, equal to EUR 92.2 million, included under item 250 "gains (losses) on investments". The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 1.6 million), reclassified under "Net profit (loss) from trading, financial assets/liabilities measured at fair value and on gains from disposals/repurchases".

- Item "**net profit (loss) from trading, financial assets/liabilities measured at fair value and on gains from disposals/repurchases**" includes item 80 "net profit (loss) from trading", item 100 "gains (losses) on disposals/repurchases, net of the contribution of loans to customers (EUR +0.4 million) reclassified under "cost of customer loans" and 110 ""net profit (loss) on financial assets measured at fair value through profit and loss", net of the contribution of loans to customers (EUR -0.9 million) reclassified under "cost of customer loans". The item also incorporates dividends earned on securities other than equity investments (EUR 1.6 million), while it was cleared of the capital loss recognised on the exposure to the IDPF Voluntary Scheme (Carige intervention) for approximately EUR 3.6 million, recognised under item "Risks and charges associated with SRF, DGS and similar schemes".

- Item "**net income from hedging**" includes item 90 "net income from hedging".

- Item "**other operating income (expense)**" includes item 230 "Other operating expenses (income)" net of stamp duty and other expenses recovered from customers, which are stated under the reclassified item "other administrative expenses" (EUR 259.6 million) and net of other expense recoveries, which are reclassified under item "net value adjustments to tangible assets" (EUR 20.5 million).

- Item "**personnel expenses**" includes the balance of item 190a "personnel expenses" reduced by EUR 93.6 million, relating primarily to provisions for the Solidarity Fund exits as per the agreement with the Trade Unions of 6 August 2020, reclassified under item "restructuring costs/one-off charges".

- Item "**other administrative expenses**" includes the balance of item 190b "other administrative expenses", reduced by the following cost items:

    - Expenses, amounting to EUR 136.7 million, resulting from the EU Deposit Guarantee Schemes Directive – hereinafter DGSD – and Bank Recovery and Resolution Directive – hereinafter BRRD – for the resolution of bank crises, reclassified under "risks and charges associated with SRF, DGS and similar schemes".

    - Fee on DTAs convertible into tax credits, for EUR 71.0 million, reclassified under the item "DTA fees".

- o Charges of EUR 11.4 million, relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, among which the expenses relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, reclassified under item “restructuring costs/one-off charges”.

The item also incorporates stamp duty and other expenses recovered from clients (EUR 259.6 million) posted under item 230 “other operating expenses/income”.

- Item “**net value adjustments to tangible and intangible assets**” includes the amounts from items 210 “net adjustments to/recoveries on property, plant and equipment” and 220 “net adjustments to/recoveries on intangible assets”, and was cleared of the negative contribution (EUR -0.9 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR 20.5 million) posted under item 230 “other operating expenses/income”.

- Item “**cost of customer loans”** includes the income statement components relating to loans to customers under item 100a “gains (losses) on disposal/repurchase of financial assets measured at amortised cost” (EUR +0.4 million), 110b “net profit (loss) on financial assets and liabilities measured at fair value” (EUR -0.9 million), 130a “net impairment losses/reversals on financial assets measured at amortised cost” (EUR -743.7 million), 140 “modification gains/(losses) without derecognition” (EUR -18.8 million) and 200a “net provisions for risks and charges: net provisions for commitments and guarantees issued” (EUR +15.4 million).

- Item “**net value adjustments on securities and bank loans**” includes the portion relating to securities (EUR -4.8 million) and loans to banks (EUR -0.8 million) under item 130a “financial assets measured at amortised cost” and item 130b “net impairment losses/reversals on financial assets measured at fair value through other comprehensive income” (EUR +0.2 million).

- Item “**other net provisions for risks and charges**” includes item 200 “net provisions for risks and charges” reduced by the component relating to loans to customers in item 200a “commitments and guarantees issued” (EUR +15.4 million), which has been reclassified to the specific item “cost of customer loans”.

- Item **“profit (loss) on equity investments”** incorporates the balance of item 250 “profits (losses) on equity investments” reduced by the portion of the profit on the connected equity investments in AXA, consolidated at net equity, equal to EUR 92.2 million reclassified under “dividends, similar income and gains (losses) on investments”.

- Item “**restructuring costs/one-off charges**” includes the following amounts:

  - o Interest expense of EUR 13.6 million, mainly related to the financial debt included in the Compendium of assets in the demerger to AMCO, recorded under balance sheet item 20 “Interest expense and similar charges”.

  - o Commission expenses in the amount of EUR 37.1 million relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, posted under item 60 “Net fees and commissions”.

- o Provisions for the Solidarity Fund exits in the amount of EUR 93.6 million, booked under item 190a “Personnel expenses”.
- o Charges of EUR 11.4 million relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, among which the expenses relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, booked under item 190b “other administrative expenses”.
- o Profit of EUR 2 million from the definition of the price adjustment on the sale of BMP Belgio S.A., booked under item 280 “Gains (losses) on disposal of investments”.

- Item “**risks and charges related to the SRF, DGS and similar schemes**” includes the charges deriving from the EU’s Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD), equal to EUR 136.7 million, posted under item 190b “other administrative expenses”, as well as the capital loss recognised on the exposure to the IDPF Voluntary Scheme (Carige intervention) for EUR 3.6 million booked under item 110 “net result of financial assets and liabilities at fair value through profit or loss”.
- Item “**DTA fees**” contains the costs relating to the fees on DTAs which are convertible into tax credits, provided for by art. 11 of Law Decree no. 59 of 3 May 2016 converted into Law no. 119 of 30 June 2016, booked under item 190b “Other Administrative Expenses” for EUR 71.0 million.
- Item “**gains (losses) from disposal of investments**” includes the balance of item 280 “Gains (losses) from disposal of investments” reduced by the positive effect from the definition of the price adjustment on the sale of MP Belgio (EUR +2 million), which was reclassified under “restructuring costs/one-off charges”.
- Item “**tax expense (recovery) on income**” includes the balance of item 300 “tax expense/recovery on income from continuing operations” and is net of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item in the amount of EUR 2.1 million.
- The overall negative effects of **Purchase Price Allocation (PPA)** have been reclassified to the specific item, thereby separating them from the economic items concerned (in particular “net interest income” for EUR -5.6 million and “Net value adjustments on tangible and intangible assets” for EUR -0.9 million, net of a theoretical tax burden of EUR +2.1 million which integrates the item).

**Reclassified balance sheet**

To allow for a better reading of the Group’s performance results, starting from 2020, the reclassified balance sheet was revised in order to ensure greater consistency of the aggregates with the instruments that constitute them. The main changes concerned:

- The introduction, in the assets side, of a "loans" aggregate, subdivided, according to the counterparty, into "loans to central banks", "loans to banks" and "loans to customers". These items comprise credit instruments, regardless of their accounting allocation among financial assets measured at amortised cost or measured at fair value through profit & loss, or among non-current assets/groups of assets held for sale.

- The introduction, in the assets side, of a "securities assets" aggregate, which includes the more specifically financial instruments, regardless of their accounting allocation among financial assets measured at fair value through profit & loss, measured at fair value through other comprehensive income or measured at amortised cost, or among non-current assets/groups of assets held for sale.

- The introduction, in the liabilities side, of a "securities issued" aggregate, separating it from the previous reclassified item "deposits from customers and securities issued".

2019 figures have been restated to ensure continuity in the reporting of the Group's performance results.

The reconciliation criteria adopted for the preparation of the reclassified income statement are as follows:

- Asset item "**loans to central banks**" includes the portion relating to transactions with central banks under balance sheet item 40 "financial assets measured at amortised cost".

- Asset item "**loans to banks**" includes the portion relating to transactions with banks under balance sheet items 40 "financial assets measured at amortised cost" and 20 "financial assets measured at fair value through profit and loss".

- Asset item "**loans to customers**" includes the portion relating to loans to customers under balance sheet items 20 "financial assets measured at fair value through profit and loss", 40 "financial assets measured at amortised cost" and 120 "non-current assets held for sale and discontinued operations".

- Asset item "**securities assets**" includes the portion relating to securities under balance sheet items 20 "financial assets measured at fair value through profit and loss", 30 "financial assets measured at fair value through other comprehensive income", 40 "financial assets measured at amortised cost" and 120 "non-current assets held for sale and discontinued operations".

- Asset item "**derivative assets**" includes the portion relating to derivatives under items 20 "financial assets measured at fair value through profit and loss" and 50 "hedging derivatives".

- Asset item "**equity investments**" includes balance sheet item 70 "equity investments" and the portion relating to equity investments under item 120 "non-current items held for sale and discontinued operations".

- Asset item "**tangible and intangible assets**" includes balance sheet items 90 "property, plant and equipment", 100 "intangible assets" and the amounts relating to property, plant and equipment and intangible under item 120 “non-current assets held for sale and discontinued operations”.

- Asset item “**other assets**” includes balance sheet items 60 “change in value of macro-hedged financial assets”, 130 “other assets” and the amounts under item 120 “non-current assets held for sale and discontinued operations” not reclassified under the previous items.

- Liability item “**deposits from customers**” includes balance sheet item 10b “financial liabilities measured at amortised cost – deposits from customers” and the component relating to customer securities of item 10c “financial liabilities measured at amortised cost – debt securities issued”.

- Liability item “**securities issued**” includes balance sheet items 10c “financial liabilities measured at amortised cost – debt securities issued”, cleared of the component relating to customer securities, and 30 “Financial liabilities designated at fair value”.

- Liability item “**deposits from central banks**” includes the portion of balance sheet item 10a “deposits from banks” relating to transactions with central banks.

- Liability item “**deposits from banks**” includes the portion of balance sheet item 10a “deposits from banks” relating to transactions with banks (excluding central banks).

- Liability item “**financial liabilities held for cash trading**” includes the portion of balance sheet item 20 “financial liabilities held for trading” net of the amounts relating to trading derivatives.

- Liability item “**derivatives**” includes balance sheet item 40 “hedging derivatives” and the portion relating to derivatives under item 20 “financial liabilities held for trading”.

- Liability item “**provisions for specific use**” includes balance sheet items 90 “provision for employee severance pay” and 100 “provisions for risks and charges”.

- Item “**other liabilities**” includes balance sheet items 50 “changes in value of macro-hedged financial liabilities”, 70 “liabilities associated with non-current assets held for sale and discontinued operations” and 80 “other liabilities”.

- Liability item “**group net equity**” includes balance sheet items 120 “valuation reserves”, 130 “redeemable shares”, 150 “reserves”, 170 “capital”, 180 “treasury shares” and 200 “profit (loss) for the period”.

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## INCOME STATEMENT AND BALANCE SHEET FIGURES

### MPS GROUP

| INCOME STATEMENT FIGURES (EUR mln) | 31 12 2020 | 31 12 2019 | Chg. |
|---|---|---|---|
| Net interest income | 1,290.6 | 1,501.3 | -14.0% |
| Net fee and commission income | 1,430.1 | 1,449.5 | -1.3% |
| Other income from banking business | 247.1 | 413.2 | -40.2% |
| Other operating income and expenses | (50.5) | (80.2) | -37.0% |
| Total Revenues | 2,917.3 | 3,283.8 | -11.2% |
| Operating expenses | (2,203.8) | (2,289.6) | -3.7% |
| Cost of customer credit | (747.6) | (582.7) | 28.3% |
| Other value adjustments | (5.4) | (5.3) | 1.9% |
| Net operating income | (39.5) | 406.2 | n.m. |
| Net profit (loss) for the period | (1,689.0) | (1,033.0) | 63.5% |
| **EARNINGS PER SHARE (EUR)** | **31 12 2020** | **31 12 2019** | **Chg.** |
| Basic earnings per share | (1.546) | (0.936) | 65.3% |
| Diluted earnings per share | (1.546) | (0.936) | 65.3% |
| **BALANCE SHEET FIGURES AND INDICATORS (EUR mln)** | **31 12 2020** | **31 12 2019** | **Chg.** |
| Total assets | 150,356.1 | 132,196.0 | 13.7% |
| Loans to customers | 82,632.3 | 80,135.0 | 3.1% |
| Direct funding | 103,719.3 | 94,217.3 | 10.1% |
| Indirect funding | 102,067.3 | 101,791.5 | 0.3% |
| of which: assets under management | 60,400.3 | 59,302.0 | 1.9% |
| of which: assets under custody | 41,667.0 | 42,489.6 | -1.9% |
| Group net equity | 5,782.7 | 8,279.1 | -30.2% |
| **OPERATING STRUCTURE** | **31 12 2020** | **31 12 2019** | **Chg.** |
| Total headcount - end of period | 21,432 | 22,040 | (608) |
| Number of branches in Italy | 1,418 | 1,422 | (4) |

N.B.: Total headcount refers to the effective workforce and therefore does not include resources posted outside the Group's perimeter.

| ALTERNATIVE PERFORMANCE MEASURES | | | |
|---|---|---|---|
| MPS GROUP | | | |
| PROFITABILITY RATIOS (%) | 31 12 2020 | 31 12 2019 | Chg. |
| Cost/Income ratio | 75.5 | 69.7 | 5.8 |
| R.O.E. | (24.0) | (12.0) | -12.0 |
| Return on Assets (RoA) ratio | (1.1) | (0.8) | -0.3 |
| ROTE (Return on tangible equity) | (24.7) | (12.2) | -12.5 |
| KEY CREDIT QUALITY RATIOS (%) | 31 12 2020 | 31 12 2019 | Chg. |
| Net non performing loans to customers / Loans to Customers | 2.6 | 7.6 | -5.0 |
| Gross NPL ratio | 3.4 | 11.3 | -7.9 |
| Rate of change of non performing loans to customers | (64.8) | (27.4) | -37.4 |
| Bad loans to customers/ Loans to Customers | 0.7 | 3.7 | -3.0 |
| Loans to customers measured at amortised cost - Stage 2/ Performing loans to customers measured at amortised cost | 18.5 | 15.5 | 3.0 |
| Coverage of non perfroming loans to customers | 46.2 | 48.7 | -2.5 |
| Coverage bad loans to customers | 62.3 | 53.6 | 8.7 |
| Cost of customers loans/Cusotmers loans (Provisioning) | 0.90 | 0.73 | 0.17 |
| Texas Ratio | 53.8 | 85.6 | -31.8 |

* *At 31 December 2019 the indicator, calculated as net impaired loans/loans to customers, stood at 6.8% (2.3% at 31 December 2020).*

** *At 31 December 2019 the indicator, calculated as net provisions on loans at amortised cost/loans to customers at amortised cost, stood at 0.68% (0.83% at 31 December 2020).*

**Cost/Income ratio:** ratio between operating expenses (administrative expenses and net value adjustments to property, plant and equipment and intangible assets) and total revenues (for the composition of this aggregate, see the reclassified income statement)

**Return On Equity (ROE):** ratio between annualised net profit (loss) for the period and the average between the Group shareholders' equity (including profit and valuation reserves) at end of period and the Group shareholders' equity at the end of the previous year.

**Return On Assets (ROA):** ratio between annualised net profit (loss) for the period and total assets at the end of the period.

**Return On Tangible Equity (ROTE):** ratio between annualised net profit (loss) for the period and the average between the tangible shareholders' equity[7] at the end of the period and that of the end of the previous year.

**Gross NPL Ratio:** gross weight of non-performing loans calculated, as per EBA guidelines[8], as the ratio between gross non-performing loans to customers and banks, net of assets held for sale, and total gross loans to customers and banks, net of assets held for sale (including assets held for sale pertaining to the Hydra compendium, Gross NPL Ratio is 9.7%). The Gross NPE Ratio already reported in previous financial statements and calculated as the ratio between gross non-performing exposures to customers/gross exposures to customers, thus including securities, stands at 11.1% at 30 September 2020, vs. 12.4% at 31 December 2019.

**Rate of change of impaired loans to customers:** represents the annual growth rate of gross impaired loans to customers based on the difference between annual stocks.

**Coverage of impaired loans to customers and coverage of bad loans to customers:** the coverage ratio on impaired and bad loans to customers is calculated as the ratio between the relative loan loss provisions and the corresponding gross exposures.

**Texas Ratio:** ratio between gross impaired loans to customers and the sum, in the denominator, of the related loan loss provisions and of the tangible shareholders' equity. As at 30 September, this ratio is calculated net of assets held for sale pertaining to the Hydra compendium (including this component, the Texas Ratio[7] is 93.4%).

[7] Book value of the Group's shareholders' equity, inclusive of the profit (loss) for the period, cleared of goodwill and other intangible assets.

[8] EBA GL/2018/10.

| REGULATORY MEASURES | | | |
|---|---|---|---|
| **MPS GROUP** | | | |
| CAPITAL RATIOS (%) | **31 12 2020** | **31 12 2019** | **Chg.** |
| Common Equity Tier 1 (CET1) ratio - phase in | 12.1 | 14.7 | -2.6 |
| Common Equity Tier 1 (CET1) ratio - fully loaded | 9.9 | 12.7 | -2.8 |
| Total Capital ratio - phase in | 15.7 | 16.7 | -1.0 |
| Total Capital ratio - fully loaded | 13.5 | 14.7 | -1.2 |
| FINANCIAL LEVERAGE INDEX (5) | **31 12 2020** | **31 12 2019** | **Chg.** |
| Leverage ratio - transitional definition | 4.4 | 6.1 | -1.7 |
| Leverage ratio - fully phased | 3.6 | 5.3 | -1.7 |
| LIQUIDITY RATIO ( % ) | **31 12 2020** | **31 12 2019** | **Chg.** |
| LCR | 196.7 | 152.4 | 44.3 |
| NSFR | 123.8 | 112.6 | 11.2 |
| Encumbered asset ratio | 39.8 | 36.0 | 3.8 |
| Loan to deposit ratio | 79.7 | 85.1 | -5.4 |
| Unencumbered Counterbalancing capacity (EUR bn) | 33.1 | 24.7 | 8.4 |

In the determination of capital ratios, the "phase-in" (or "transitional") version represents the application of calculation rules according to the regulatory framework in force on the reference date, while the "fully loaded" version incorporates in the calculation the rules as expected when fully operational.

**Common Equity Tier 1 (CET1) ratio:** ratio between core capital[9] and total risk-weighted assets (RWAs) [10].

**Total Capital ratio:** ratio between own funds and total RWAs.

**Leverage ratio:** indicator calculated as the ratio between Tier 1 capital[11] and total assets, introduced by Basel regulations with the objective of containing the increase in leverage in the banking sector and strengthening risk-based requirements through a different measure based on financial statement aggregates.

**Liquidity Coverage Ratio (LCR):** short-term liquidity indicator corresponding to the ratio between the amount of high-quality liquid assets and the total net cash outflows in the subsequent 30 calendar days. The comparative figure relating to the LCR index as at 31 December 2019 was restated to take into account a specific interpretative clarification provided by the supervisory authority.

**Net Stable Funding Ratio (NSFR):** structural 12-month liquidity indicator corresponding to the ratio between the available stable funding amount and the required stable funding amount.

**Encumbered asset ratio:** ratio between the book value of encumbered assets and collateral and total assets and collateral (XVII, section 1.6, point 9, of Regulation (EU) 79/2015).

**Loan to deposit ratio:** ratio between loans to customers and the sum of customer deposits including bonds issued (deposits from customers, debt securities issued and financial liabilities measured at fair value).

**Unencumbered counterbalancing capacity:** sum of items that are certain and free from any commitment that the Group can use to meet its liquidity requirements, consisting of financial and commercial assets eligible for refinancing operations with the ECB and assets granted on the collateralised interbank market and not used, to which a haircut, published on a daily basis by the ECB, is prudentially applied.

[9] Defined by art. 4 of Regulation (EU) no. 575/2013 (Capital Requirements Regulation, CRR). It consists of the eligible elements and capital instruments, net of the envisaged adjustments and deductions.

[10] Risk-weighted assets: the result of the application of certain risk weights to exposures, determined according to supervisory rules.

[11] Sum of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital of the entity, as defined by art. 25 of Regulation (EU) no. 575/2013.

| Reclassified Consolidated Income Statement | | | | |
|---|---|---|---|---|
| | | | Change | |
| MONTEPASCHI GROUP | 31 12 2020 | 31 12 2019 | Abs. | % |
| Net interest income | 1,290.6 | 1,501.3 | (210.7) | -14.0% |
| Net fee and commission income | 1,430.1 | 1,449.5 | (19.4) | -1.3% |
| **Income from banking activities** | **2,720.8** | **2,950.8** | **(230.0)** | **-7.8%** |
| Dividends, similar income and gains (losses) on equity investments | 101.0 | 95.6 | 5.4 | 5.6% |
| Net profit (loss) from trading, from financial assets/liabilities measured at fair value and Net profit (loss) on disposals/repurchases | 143.6 | 322.2 | (178.6) | -55.4% |
| Net profit (loss) from hedging | 2.6 | (4.6) | 7.2 | n.m. |
| Other operating income (expenses) | (50.5) | (80.2) | 29.7 | -37.0% |
| **Total Revenues** | **2,917.3** | **3,283.8** | **(366.5)** | **-11.2%** |
| Administrative expenses: | (1,978.4) | (2,034.4) | 56.0 | -2.8% |
| a) personnel expenses | (1,415.1) | (1,433.0) | 17.9 | -1.2% |
| b) other administrative expenses | (563.3) | (601.4) | 38.1 | -6.3% |
| Net value adjustments to property, plant and equipment and intangible assets | (225.4) | (255.2) | 29.8 | -11.7% |
| **Operating expenses** | **(2,203.8)** | **(2,289.6)** | **85.8** | **-3.7%** |
| **Pre-Provision Profit** | **713.5** | **994.2** | **(280.7)** | **-28.2%** |
| **Cost of customer loans** | **(747.6)** | **(582.7)** | **(164.9)** | **28.3%** |
| **Net impairment (losses)/reversals on securities and loans to banks** | **(5.4)** | **(5.3)** | **(0.1)** | **1.9%** |
| **Net operating income** | **(39.5)** | **406.2** | **(445.7)** | **n.m.** |
| Net provisions for risks and charges | *(984.0)* | (155.9) | (828.1) | n.m. |
| Gains (losses) on investments | 2.8 | (5.6) | 8.4 | n.m. |
| Restructuring costs / One-off costs | (153.7) | (0.3) | (153.4) | n.m. |
| Risks and charges associated to the SRF, DGS and similar schemes | (140.3) | (123.4) | (16.9) | 13.7% |
| DTA Fees | (71.0) | (70.6) | (0.4) | 0.6% |
| Gains (losses) on disposal of investments | 41.4 | 3.0 | 38.4 | n.m. |
| **Profit (Loss) for the period before tax** | **(1,344.4)** | **53.4** | **(1,397.8)** | **n.m.** |
| Tax expense (recovery) on income from continuing operations | (340.3) | (1,074.6) | 734.2 | -68.3% |
| **Profit (Loss) after tax** | **(1,684.8)** | **(1,021.2)** | **(663.6)** | **65.0%** |
| **Net profit (loss) for the period including non-controlling interests** | **(1,684.8)** | **(1,021.2)** | **(663.6)** | **65.0%** |
| Net profit (loss) attributable to non-controlling interests | (0.1) | (0.1) | - | n.m. |
| **Profit (loss) for the period before PPA** | **(1,684.7)** | **(1,021.1)** | **(663.6)** | **65.0%** |
| PPA (Purchase Price Allocation) | (4.3) | (11.9) | 7.6 | -63.5% |
| **Net profit (loss) for the preriod** | **(1,689.0)** | **(1,033.0)** | **(656.0)** | **63.5%** |

Quarterly trend in reclassified consolidated income statement

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Montepaschi Group | 4°Q 2020 | 3°Q 2020 | 2°Q 2020 | 1°Q 2020 | 4°Q 2019 | 3°Q 2019 | 2°Q 2019 | 1°Q 2019 |
| Net interest income | 311.9 | 331.8 | 319.8 | 327.1 | 333.4 | 354.7 | 404.3 | 408.9 |
| Net fee and commission income | 380.4 | 355.4 | 324.4 | 369.9 | 371.1 | 355.9 | 363.7 | 358.8 |
| **Income from banking activities** | **692.4** | **687.3** | **644.1** | **697.0** | **704.5** | **710.6** | **768.0** | **767.7** |
| Dividends, similar income and gains (losses) on equity investments | 43.5 | 11.2 | 34.5 | 11.8 | 15.3 | 36.9 | 27.5 | 15.9 |
| Net profit (loss) from trading, from financial assets/liabilities measured at fair value and Net profit (loss) on disposals/repurchases | (10.2) | 61.7 | 62.3 | 29.8 | 141.1 | 102.0 | 50.5 | 28.6 |
| Net profit (loss) from hedging | 1.6 | 0.5 | 3.3 | (2.8) | (5.8) | 1.8 | (0.6) | - |
| Other operating income (expenses) | (10.1) | (12.9) | (21.1) | (6.4) | 2.2 | (11.1) | (63.0) | (8.3) |
| **Total Revenues** | **717.1** | **747.7** | **723.1** | **729.4** | **857.3** | **840.2** | **782.4** | **804.0** |
| Administrative expenses: | (514.7) | (490.6) | (480.2) | (493.0) | (524.6) | (491.9) | (509.7) | (508.2) |
| a) personnel expenses | (355.2) | (352.0) | (351.2) | (356.7) | (352.5) | (354.5) | (357.4) | (368.6) |
| b) other administrative expenses | (159.5) | (138.5) | (129.0) | (136.3) | (172.1) | (137.4) | (152.3) | (139.6) |
| Net value adjustments to property, plant and equipment and intangible assets | (58.7) | (54.5) | (56.7) | (55.5) | (69.4) | (57.3) | (67.6) | (60.9) |
| **Operating expenses** | **(573.3)** | **(545.1)** | **(536.9)** | **(548.5)** | **(594.0)** | **(549.2)** | **(577.3)** | **(569.1)** |
| **Pre-Provision Profit** | **143.8** | **202.6** | **186.2** | **180.9** | **263.3** | **291.0** | **205.0** | **234.9** |
| **Cost of customer loans** | **(126.6)** | **(101.7)** | **(204.8)** | **(314.5)** | **(191.8)** | **(137.1)** | **(109.9)** | **(143.9)** |
| **Net impairment (losses)/reversals on securities and loans to banks** | **1.2** | **(1.1)** | **(4.4)** | **(1.1)** | **(2.4)** | **(2.2)** | **(0.6)** | **(0.1)** |
| **Net operating income** | **18.4** | **99.8** | **(23.0)** | **(134.7)** | **69.1** | **151.7** | **94.5** | **90.9** |
| Net provisions for risks and charges | (216.2) | (410.7) | (317.0) | (40.1) | (85.6) | (11.9) | (19.4) | (39.0) |
| Gains (losses) on investments | 1.7 | 0.4 | 0.5 | 0.2 | (9.3) | 0.5 | 2.3 | 0.9 |
| Restructuring costs / One-off costs | (25.2) | (100.7) | (30.4) | 2.6 | 2.2 | (5.6) | 0.9 | 2.2 |
| Risks and charges associated to the SRF, DGS and similar schemes | (22.7) | (41.0) | (18.4) | (58.3) | (0.2) | (35.7) | (26.6) | (60.9) |
| DTA Fees | (17.8) | (17.8) | (17.7) | (17.8) | (17.7) | (17.7) | (17.3) | (17.9) |
| Gains (losses) on disposal of investments | 40.0 | 0.3 | (0.8) | 1.9 | 1.9 | 0.4 | 0.1 | 0.6 |
| **Profit (Loss) for the period before tax** | **(221.8)** | **(469.6)** | **(406.8)** | **(246.2)** | **(39.6)** | **81.7** | **34.6** | **(23.3)** |
| Tax expense (recovery) on income from continuing operations | 73.5 | 20.0 | (437.6) | 3.8 | (1,179.0) | 13.3 | 34.4 | 56.7 |
| **Profit (Loss) after tax** | **(148.3)** | **(449.6)** | **(844.4)** | **(242.4)** | **(1,218.6)** | **95.0** | **69.0** | **33.5** |
| **Net profit (loss) for the period including non-controlling interests** | **(148.3)** | **(449.6)** | **(844.4)** | **(242.4)** | **(1,218.6)** | **95.0** | **69.0** | **33.5** |
| Net profit (loss) attributable to non-controlling interests | - | - | (0.1) | - | - | (0.1) | (0.2) | 0.2 |
| **Profit (loss) for the period before PPA** | **(148.3)** | **(449.6)** | **(844.3)** | **(242.4)** | **(1,218.6)** | **95.1** | **69.2** | **33.3** |
| PPA (Purchase Price Allocation) | (1.3) | (1.1) | (0.9) | (1.1) | (1.3) | (1.3) | (4.0) | (5.4) |
| **Net profit (loss) for the preriod** | **(149.6)** | **(450.7)** | **(845.2)** | **(243.5)** | **(1,219.9)** | **93.8** | **65.2** | **27.9** |

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## Reclassified Balance Sheet

| Assets | 31 12 2020 | 31 12 2019 | Chg abs. | Chg % |
|---|---|---|---|---|
| Cash and cash equivalents | 763.8 | 835.1 | (71.3) | -8.5% |
| Loans to central banks | 28,526.2 | 9,405.4 | 19,120.8 | n.m. |
| Loans to banks | 5,452.3 | 5,542.7 | (90.4) | -1.6% |
| Loans to customers | 82,632.3 | 80,135.0 | 2,497.3 | 3.1% |
| Securities assets | 21,623.3 | 24,185.1 | (2,561.8) | -10.6% |
| Derivatives | 3,018.6 | 3,041.2 | (22.6) | -0.7% |
| Equity investments | 1,107.5 | 931.0 | 176.5 | 19.0% |
| Property, plant and equipment/Intangible assets | 2,522.7 | 2,885.2 | (362.5) | -12.6% |
| *of which:* | | | | |
| *a) goodwill* | *7.9* | *7.9* | *-* | *0.0%* |
| Tax assets | 1,986.2 | 2,763.0 | (776.8) | -28.1% |
| Other assets | 2,723.2 | 2,472.3 | 250.9 | 10.1% |
| **Total assets** | **150,356.1** | **132,196.0** | **18,160.1** | **13.7%** |

| Liabilities | 31 12 2020 | 31 12 2019 | Chg abs. | Chg % |
|---|---|---|---|---|
| Direct funding | 103,719.3 | 94,217.3 | 9,502.0 | 10.1% |
| a) Due to customers at amortised cost | 91,506.9 | 80,063.2 | 11,443.7 | 14.3% |
| b) Securities issued | 12,212.4 | 14,154.1 | (1,941.7) | -13.7% |
| Due to central banks at amortised cost | 23,933.6 | 16,041.5 | 7,892.1 | 49.2% |
| Due to banks at amortised cost | 4,484.5 | 4,136.6 | 347.9 | 8.4% |
| Financial liabilities held for trading | 4,545.5 | 2,436.0 | 2,109.5 | 86.6% |
| Derivatives | 3,253.5 | 2,762.5 | 491.0 | 17.8% |
| Provisions for specific use | 2,059.2 | 1,388.5 | 670.7 | 48.3% |
| a) Provisions for staff severance indemnities | 166.6 | 178.7 | (12.1) | -6.8% |
| b) Provisions related to guarantees and other commitments given | 154.1 | 158.8 | (4.7) | -3.0% |
| c) Pensions and other post-retirement benefit obligations | 33.0 | 36.1 | (3.1) | -8.6% |
| d) Other provisions | 1,705.5 | 1,014.9 | 690.6 | 68.0% |
| Tax liabilities | 4.1 | 3.3 | 0.8 | 24.2% |
| Other liabilities | 2,572.4 | 2,929.4 | (357.0) | -12.2% |
| Group net equity | 5,782.7 | 8,279.1 | (2,496.4) | -30.2% |
| a) Valuation reserves | 260.9 | 66.4 | 194.5 | n.m. |
| d) Reserves | (1,670.5) | (769.2) | (901.3) | n.m. |
| f) Share capital | 9,195.0 | 10,328.6 | (1,133.6) | -11.0% |
| g) Treasury shares (-) | (313.7) | (313.7) | - | 0.0% |
| h) Net profit (loss) for the period | (1,689.0) | (1,033.0) | (656.0) | 63.5% |
| Non-controlling interests | 1.3 | 1.8 | (0.5) | -27.8% |
| **Total Liabilities and Shareholders' Equity** | **150,356.1** | **132,196.0** | **18,160.1** | **13.7%** |

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**Reclassified Balance Sheet - Quarterly Trend**

| **Assets** | **31/12/20** | **30/09/20** | **30/06/20** | **31/03/20** | **31/12/19** | **30/09/19** | **30/06/19** | **31/03/19** |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 763.8 | 662.4 | 679.9 | 611.2 | 835.1 | 675.8 | 650.1 | 609.1 |
| Loans to central banks | 28,526.2 | 18,679.7 | 15,037.8 | 8,109.5 | 9,405.4 | 7,275.7 | 6,932.3 | 5,772.8 |
| Loans to banks | 5,452.3 | 4,934.9 | 5,757.3 | 4,938.8 | 5,542.7 | 5,577.2 | 4,776.8 | 4,571.0 |
| Loans to customers | 82,632.3 | 87,098.7 | 82,510.6 | 82,206.1 | 80,135.0 | 81,642.2 | 80,385.8 | 81,900.5 |
| Securities assets | 21,623.3 | 23,024.6 | 25,569.4 | 26,006.3 | 24,185.1 | 24,646.6 | 24,859.6 | 25,749.4 |
| Derivatives | 3,018.6 | 3,023.0 | 3,129.1 | 3,233.8 | 3,041.2 | 3,374.1 | 3,462.5 | 3,288.6 |
| Equity investments | 1,107.5 | 991.8 | 953.9 | 892.0 | 931.0 | 1,053.4 | 958.2 | 901.7 |
| Property, plant and equipment/Intangible assets | 2,522.7 | 2,534.5 | 2,560.6 | 2,845.5 | 2,885.2 | 2,890.8 | 2,921.1 | 2,973.6 |
| *of which:* | | | | | | | | |
| *a) goodwill* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* |
| Tax assets | 1,986.2 | 2,111.1 | 2,193.1 | 2,763.6 | 2,763.0 | 3,913.6 | 4,065.7 | 4,062.6 |
| Other assets | 2,723.2 | 3,220.1 | 3,264.4 | 2,661.9 | 2,472.3 | 2,825.8 | 2,526.8 | 2,293.0 |
| **Total assets** | **150,356.1** | **146,280.8** | **141,656.1** | **134,268.7** | **132,196.0** | **133,875.2** | **131,538.9** | **132,122.3** |

| **Liabilities** | **31/12/20** | **30/09/20** | **30/06/20** | **31/03/20** | **31/12/19** | **30/09/19** | **30/06/19** | **31/03/19** |
|---|---|---|---|---|---|---|---|---|
| Direct funding | 103,719.3 | 98,418.1 | 97,585.2 | 95,367.1 | 94,217.3 | 92,246.3 | 92,215.9 | 92,686.1 |
| a) Due to customers at amortised cost | 91,506.9 | 86,827.3 | 86,139.8 | 83,680.4 | 80,063.2 | 79,263.3 | 80,639.8 | 80,728.1 |
| b) Securities issued | 12,212.4 | 11,590.8 | 11,445.4 | 11,686.7 | 14,154.1 | 12,983.0 | 11,576.1 | 11,958.0 |
| Due to central banks at amortised cost | 23,933.6 | 23,994.9 | 21,330.6 | 15,997.9 | 16,041.5 | 16,561.7 | 16,566.8 | 16,694.4 |
| Due to banks at amortised cost | 4,484.5 | 4,733.6 | 4,853.9 | 4,752.1 | 4,136.6 | 4,484.9 | 4,570.5 | 5,475.8 |
| Financial liabilities held for trading | 4,545.5 | 3,122.2 | 2,192.1 | 2,407.1 | 2,436.0 | 1,777.7 | 1,379.9 | 1,041.3 |
| Derivatives | 3,253.5 | 3,293.9 | 3,419.2 | 3,174.4 | 2,762.5 | 3,346.6 | 2,811.3 | 2,480.9 |
| Provisions for specific use | 2,059.2 | 1,942.4 | 1,570.9 | 1,310.3 | 1,388.5 | 1,417.2 | 1,462.5 | 1,513.7 |
| a) Provisions for staff severance indemnities | 166.6 | 182.1 | 180.3 | 166.4 | 178.7 | 184.7 | 182.8 | 182.1 |
| b) Provisions related to guarantees and other commitments given | 154.1 | 153.0 | 152.6 | 155.3 | 158.8 | 205.0 | 208.1 | 220.6 |
| c) Pensions and other post-retirement benefit obligations | 33.0 | 33.1 | 34.0 | 35.2 | 36.1 | 35.9 | 36.6 | 37.2 |
| d) Other provisions | 1,705.5 | 1,574.2 | 1,204.0 | 953.4 | 1,014.9 | 991.6 | 1,035.0 | 1,073.7 |
| Tax liabilities | 4.1 | 3.0 | 3.0 | 3.3 | 3.3 | 3.9 | 3.8 | 30.8 |
| Other liabilities | 2,572.4 | 4,001.0 | 3,541.4 | 3,327.8 | 2,929.4 | 4,448.0 | 3,189.9 | 3,108.3 |
| Group net equity | 5,782.7 | 6,770.4 | 7,158.4 | 7,927.0 | 8,279.1 | 9,587.0 | 9,336.3 | 9,088.6 |
| a) Valuation reserves | 260.9 | 153.5 | 35.2 | (41.5) | 66.4 | 153.0 | (15.1) | (123.7) |
| d) Reserves | (1,670.5) | (1,858.6) | (1,803.0) | (1,802.9) | (769.2) | (767.8) | (756.6) | (830.5) |
| f) Share capital | 9,195.0 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 |
| g) Treasury shares (-) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) |
| h) Net profit (loss) for the period | (1,689.0) | (1,539.4) | (1,088.7) | (243.5) | (1,033.0) | 186.9 | 93.1 | 27.9 |
| Non-controlling interests | 1.3 | 1.3 | 1.4 | 1.7 | 1.8 | 1.9 | 2.0 | 2.4 |
| **Total Liabilities and Shareholders' Equity** | **150,356.1** | **146,280.8** | **141,656.1** | **134,268.7** | **132,196.0** | **133,875.2** | **131,538.9** | **132,122.3** |

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

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