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Testo del comunicato

Vedi allegato.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

E-MARKET SDIR CERTIFIED

PRESS RELEASE

BANCA MPS: BOARD APPROVES 9M2021 RESULTS

REVENUE GROWTH TREND CONFIRMED FOR 2021 (+6.8% Y/Y[1])

**NET INTEREST INCOME STABLE Y/Y [1] AND +2.5% Q/Q,
WITH 40% NARROWER COMMERCIAL SPREAD GAP VS. SYSTEM**

**FEES AND COMMISSIONS UP 6% Y/Y,
WITH MORE THAN EUR 11 BILLION IN WEALTH MANAGEMENT PLACEMENTS
(+35% VS. FIRST 9 MONTHS OF 2019, PRE-COVID)**

**STRICT CONTROL OF COSTS, DOWN 2% Y/Y AND 3.7% Q/Q
DESPITE NO RENEWAL OF TRADE UNION AGREEMENTS**

**9-MONTH PRE-PROVISION PROFIT AT EUR 679 MILLION
(+35.0% Y/Y[1])
EUR 188 MILLION IN THE THIRD QUARTER**

**"ORDINARY" COST OF CREDIT AT 32 BPS [2],
IN LINE WITH "ORDINARY" 2020 9-MONTH FIGURE [3] DESPITE A BETTER MACROECONOMIC ENVIRONMENT**

WRITEBACKS OF EUR 131 MILLION ON TWO POSITIONS BACK TO PERFORMING STATUS

**9-MONTH NET OPERATING PROFIT AT EUR 648 MILLION
(OF WHICH EUR 321 MILLION IN THE THIRD QUARTER),
BEST RESULT IN THE LAST 6 YEARS**

**NET PROFIT FOR THE PERIOD AT EUR 388 MILLION
(EUR 186 MILLION IN THE THIRD QUARTER),
DESPITE RECOGNITION OF SYSTEMIC CHARGES
FOR EURO 159 MILLION**

ANNUALISED ROTE AT 8.9%

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[1] Pro-forma figure calculated net of the non-performing loans sold to AMCO in December 2020 ("Hydra"); 9M2021 include TLTRO contribution.
[2] Pro-forma cost of credit calculated 1) net of the positive effects, booked in the quarter, deriving from the update of GDP estimates and from the return to performing status of 2 large positions – between September and October, 2) net of negative effects deriving from the update of statistic valuation models and from some methodological refinements and 3) factoring in the impact of calendar provisioning booked directly to capital. "Stated" 9-month cost of credit at 6 basis points.
[3] 9-month 2020 proforma "ordinary" cost of credit at 33 basis points, calculated net of the Hydra portfolio and Covid-related write-downs.

ONGOING IMPROVEMENT OF THE BANK'S RISK PROFILE:

**MORATORIA FURTHER REDUCED IN THE QUARTER
AND DOWN 80% FROM JUNE 2020**

**SIGNIFICANT REDUCTION IN STAGE 2 LOANS
(-22% VS. DECEMBER 2020)**

**GROSS NPEs AT 4 BILLION[4], STABLE VS. DECEMBER 2020
AND DECREASING BY 65% FROM SEPTEMBER 2020
SIGNIFICANT INCREASE OF COVERAGE LEVELS[5]
(+3.8 PPs VS. JUNE 2021)**

**LEGAL DISPUTES DOWN 40% FOLLOWING SETTLEMENT
WITH FONDAZIONE MONTE DEI PASCHI DI SIENA[6]**

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**STRONGER CAPITAL LEVELS THANKS TO
PROFIT FOR THE PERIOD AND CAPITAL MANAGEMENT ACTIONS
AND DESPITE REGULATORY IMPACTS:**

**TRANSITIONAL CET1 RATIO: 12.8%[7],
WITH A BUFFER OF 400 BPs VS. REGULATORY REQUIREMENTS
AND +70 BPs VS. JUNE**

**FULLY LOADED CET 1 RATIO[8]: 11.3%
(+140 BPs VS. DECEMBER 2020)**

NO EXPECTED CAPITAL SHORTFALL AS AT 30 SEPTEMBER 2022

**THE BOARD INTIATING REVIEW OF THE BUSINESS PLAN, ALSO IN LIGHT OF A
POTENTIAL CAPITAL INCREASE TO BE EFFECTED AT MARKET TERMS**

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[4] Pro-forma September 2021 figure, which factors in the return of a large position to performing status occurred on 1 October 2021; "stated" figure of EUR 4.3 billion.
[5] Pro-forma figure, that takes into account the effects of the return to performing status of a large position, occurred on 1 October 2021, and the impacts of calendar provisioning recognised under equity. "Stated" coverage: 46.5%.
[6] Settlement reached on 7 October 2021 regarding a legal dispute of EUR 3.8 billion.
[7] Pro-forma figures, including third-quarter profit. "Stated" transitional CET1: 12.3%; "Stated" fully-loaded CET1: 10.9%.
[8] See note 7.

Siena, 4 November 2021 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has reviewed and approved the results as at 30 September 2021.

Group profit and loss results as at 30 September 2021

The Group's **total revenues** as at 30 September 2021 stand at **EUR 2,266 million**, up 3.0% Y/Y.

This increase is largely due to the rise in net fees and commissions, mainly as a result of higher income from wealth management, especially product placements and an increase in other income from banking business. In contrast, net interest income registers a downturn Y/Y, mainly owing to the lower contribution (approximately EUR 87 million) of the non-performing portfolio as a result, in particular, of the deconsolidation of the "Hydra M" portfolio at the end of 2020, as well as to the decline in asset yields caused by the trend in interest rates and a shift in the composition of exposures with a decrease in sight and short-term components and an increase in the medium/long term component. Net interest income, on the other hand, benefitted from the lower cost of commercial funding and from the positive effects of access to TLTRO3 auctions, albeit partly offset by the cost of increased deposits with central banks.

Revenues in 3Q21 are down 5.2% from the previous quarter. More specifically, there is a 2.5% increase in net interest income, which benefitted from the ongoing cost of funding optimisation measures, and a reduction in net fees and commissions, generated primarily by the decline in placement flows and related income, which is typical of the third quarter of the year. The quarter-on-quarter comparison shows a decrease in other income from banking business, which in the second quarter had benefitted from the recognition of the Banca d'Italia dividend and was affected by the decline in the trading/hedging result as well as the lower contribution from the Bancassurance partnership with AXA.

Net interest income as at 30 September 2021 stands at **EUR 899 million**, down 8.2% Y/Y. The decrease is mainly driven (i) by the lower contribution (approximately EUR 87 million) of the non-performing portfolio, particularly as a result of the deconsolidation of the "Hydra M" portfolio at the end of 2020, and also (ii) by the higher cost of institutional funding linked to the issues in the second half of 2020, (iii) by the lower contribution from BMPS' securities portfolio, partly as a consequence of sales carried out in 2020 and 2021, iv) by the negative contribution from hedging derivatives, and v) by the decline in asset yields caused by interest rate trends and a shift in the composition of exposures with a decrease in sight and short-term components and an increase in the medium/long term component. Net interest income, on the other hand, benefitted from the lower cost of commercial funding and from the positive effects, totalling EUR 203 million of access to the TLTRO3 auctions, albeit partly offset by the cost, amounting to approximately EUR 75 million, of increased deposits with central banks. Excluding the effect of the deconsolidation of the Hydra M portfolio, net interest income for 9M 2021 is in line with that of 9M 2020.

Net interest income in 3Q21 is up compared to the previous quarter (+2.5%), mainly thanks to the ongoing measures put in place by the Parent Company to optimise the cost of customer funding and the greater benefit on TLTRO3, resulting from access to the June auction.

Net fees and commissions in the first nine months of 2021, amounting to **EUR 1,113 million**, are up compared to the same period of the previous year (+6.0%). The increase is attributable to the higher income from wealth management (+19.5%), driven both by higher commissions from product placements and higher continuing fees, which benefitted from an increase in average managed volumes and average yields. In contrast, a downturn is registered for commissions on loans (-5.3%), partly as a result of the shift in loans towards longer-term forms, as well as for commissions on services (-1.9%), linked to lower revenues from the management of current accounts.

The 3Q21 result is down from the previous quarter (-6.3%) as a result of the typical third quarter decline in the following components: (i) wealth management fees EUR -14.1 million, (ii) income from traditional banking services EUR -1.0 million, (iii) other net fees and commissions EUR -9.1 million.

Dividends, similar income and profit (loss) on investments amount to **EUR 76 million** and are up from 30 September 2020 (EUR +18 million) thanks to the higher contribution from the Bancassurance partnership with AXA[9]. The 3Q21 result is down from the previous quarter due to the recognition of the Banca d'Italia dividend in the second quarter as well as the lower contribution from the Bancassurance partnership with AXA[10].

Net profit (loss) from trading, financial assets/liabilities measured at fair value and gains from disposals/repurchases as at 30 September 2021 amounts to **EUR 197 million**, up from the figures recorded in the same period of the previous year (EUR +43 million) with the 3Q21 contribution registering a downturn compared to 2Q21 (EUR -2 million). An analysis of the main aggregates shows the following:

- **Net profit from trading positive for EUR 37 million,** up from the same period of the previous year, which had been affected by tensions on the financial markets owing to the COVID-19 emergency. Performance in 3Q21 is down EUR 14 million compared to the previous quarter due to the lower contribution from the results of MPS Capital Services.

- **Net profit from other financial assets and liabilities measured at fair value through profit and loss shows a positive balance of EUR 20 million,** up from the negative contribution of EUR 4 million recorded in the same period of the previous year thanks to capital gains on debt securities and UCITS. The 3Q21 result, amounting to **EUR +4 million,** registers an improvement on the negative contribution of **EUR 3 million** in the second quarter, in particular, thanks to the capital gains on UCITS.

- **Gains on disposals/repurchases** (excluding customer loans at amortised cost) **show a positive balance of EUR 140 million**, up 9.1% year-on-year thanks to the higher profits from the sale of securities. The 3Q21 result is up EUR 5 million from the previous quarter owing to the higher profits from the sale of securities.

The following items also contribute to revenues:

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

[10] See note 9.

- **Net income from hedging, in the amount of EUR +8 million**, up from 30 September 2020 (at EUR +1.0 million) and with a higher contribution in 3Q21 compared to the previous quarter.

- **Other operating expenses/income show a negative balance of EUR 26 million,** an improvement on the result recorded in the first nine months of 2020 (at EUR -40 million) and with the 3Q21 contribution (EUR -13 million) registering a downturn from the previous quarter (EUR -2 million).

As at 30 September 2021, **operating expenses** amount to **EUR 1,587 million**, down from 30 September 2020 (-2.0%) and with the 3Q21 result falling against the previous quarter (-3.7%). An analysis of the individual aggregates shows that:

- **Administrative expenses** stand at **EUR 1,455 million** and are down 0.6% Y/Y, with a lower contribution from 3Q21 compared to the previous quarter. Within the aggregate:

  - **Personnel expenses**, amounting to **EUR 1,077 million**, are up 1.6% Y/Y despite the downward headcount trend (due, first and foremost, to the 560 Solidarity Fund exits registered between 1 November 2020 and 1 January 2021), related to the contractual salary increases resulting from the renewed National Collective Labour Agreement and to the absence of savings resulting from the non-renewal of the company trade union agreement. The result in 3Q21 is essentially in line with that of 2Q21 (-0.2%).

  - **Other administrative expenses,** amounting to **EUR 378 million**, are down compared to the same period of the previous year (-6.4%) partly as a result of the cost efficiency measures put in place. The 3Q21 result also falls against the previous quarter (-16.0%).

- **Net value adjustments to tangible and intangible assets** as at 30 September 2021 stand at **EUR 132 million,** down from the same period of the previous year (-15.0%), partly due to the introduction of the fair value measurement of real estate. The aggregate registers an increase from the previous quarter (+6.1%).

As a result of the above trends, the Group's **pre-provision profit** amounts to **EUR 679 million** (EUR 581 million as at 30 September 2020) with the contribution in 3Q21 down by approximately EUR 19 million compared to the previous quarter.

The **cost of customer loans** booked by the Group as at 30 September 2021 amounts to **EUR -34 million**, compared to EUR -621 million in the same period of the previous year. The figure for the first nine months of 2021 includes a positive effect of approximately EUR 124 million of lower provisioning resulting from the updated macroeconomic scenario, and a negative impact of EUR -152 million deriving from the update of statistic valuation models and from some methodological refinements (including EUR -99 million from the update of LGD models). The figure for the first nine months of 2020 included a negative effect of around EUR 300 million linked to the changed macroeconomic scenario that emerged following the outbreak of the COVID-19 pandemic.

Excluding these effects, however, the aggregate is still down compared to the first nine months of 2020, mainly due to the writebacks (amounting to approximately EUR 130 million) registered on some significant positions where company events occurred that improved their risk profile. Finally, the cost of credit in the first nine months of 2021 benefitted from the absence of provisioning on tickets included in the “Hydra M” portfolio, which was deconsolidated at the end of December 2020.

The cost of customer loans in 3Q21, positive for EUR +131.5 million, is down by EUR 220 million compared to the previous quarter owing to the aforementioned effects resulting from the updated macroeconomic scenario, and to the writebacks registered on some significant positions, partially offset by the negative effects resulting from the revision of the statistic valuation models and some methodological refinements.

The ratio of annualised cost of customer loans over total customer loans as at 30 September 2021 reflects a **provisioning rate of 6 bps** (90 bps as at 31 December 2020).

The Group’s **net operating result** as at 30 September 2021 shows a **positive balance of approximately EUR 648 million** against a negative balance of EUR 46 million recorded for the same period of the previous year. The 3Q21 contribution of EUR 321 million is up from the previous quarter, which registered a positive balance of approximately EUR 124 million.

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

- **Net provisions for risks and charges** amounting to **EUR -66 million,** an improvement on the same period of the previous year (equal to EUR -768 million) owing to the lower provisions for legal risks. The result in 3Q21 is up from the previous quarter due to the lower provisions for legal risks and guarantees related to loan disposal transactions.

- **Other gains (losses) on investments** amounting to **EUR +2 million**, against a gain of EUR 1 million registered in the same period of the previous year, with 3Q21 contributing EUR +2 million.

- **Restructuring costs/one-off charges** totalling **EUR -8 million di euro**, improving from the EUR -129 million recorded for the same period of the previous year, which included expenses (interests, fees & commissions and other administrative expenses) related to the “Hydra M” transaction. The 3Q21 result (equal to EUR -4 million) is in line with the result registered in the second quarter.

- **Risks and charges related to SRF, DGS and similar schemes,** totalling **EUR -159 million,** consisting of the Group’s contribution to the Single Resolution Fund (SRF), booked in 1Q21 in the amount of EUR 67 million, the additional contribution to the National Resolution Fund (NRF), booked in 2Q21 in the amount of EUR 22 million, and the estimated amount to be paid to the FITD (DGS) booked in 3Q21 in the amount of EUR 70 million, which is higher than the amount registered in the same period of the previous year following increased deposit volumes.

- **DTA fees**, totalling **EUR -47 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 30 September 2021 for DTAs (*Deferred Tax Assets*) which are convertible into tax credit.

- **Net gains (losses) from measurement at fair value of tangible and intangible assets** amounting to approx. **EUR -28 million**, include the write-down of instrumental real-estate properties (as per IAS 16), in application of the new valuation criterion for the Group’s real-estate assets.

- **Gains on disposal of investments** for **EUR 14 million** from the sale of real estate properties. The aggregate showed a negative balance of EUR 0.4 million as at 30 September 2020.

As a result of the above trends, the Group's **pre-tax profit for the period** amounts to **EUR 356 million** vs. EUR -1,112 million registered as at 30 September 2020.

Taxes on profit (loss) from continuing operations record a positive contribution of **EUR 35 million** (EUR -417 million as at 30 September 2020) mainly owing to the valuation of DTAs.

With regard to taxable income for future financial years, it should be noted that the valuation was determined on the basis of the same income projections used for the 2021 Consolidated Half-Year Report. The income projections included in the new 2021-2025 Strategic Plan, approved by the Board of Directors on 17 December 2020, have not been used as this document is still being examined by the competent authorities.

Considering the net effects of PPA (EUR -2.7 million), **the Group's consolidated profit amounts to EUR 388 million** against a loss of EUR -1,532 million reported for the same period in 2020. The contribution of 3Q21, amounting to EUR 186 million, is an improvement on the previous quarter's contribution of EUR 83 million.

Group balance sheet aggregates as at 30 September 2021

The Group's **total funding** volumes as at 30 September 2021 amount to **EUR 197.7 billion,** down EUR 1.0 billion from 30 June 2021, owing to the decrease in direct funding (EUR -1.1 billion). The aggregate is also down compared to 31 December 2020 (EUR -8.1 billion) owing to the decrease of direct funding (EUR -10.8 billion) only partly offset by the increase in indirect funding (EUR +2.7 billion).

Direct funding volumes stand at **EUR 92.9 billion,** down EUR 1.1 billion vs. the end of June 2021. The downturn is mainly due to the decrease in current accounts (EUR -3.0 billion), driven by the ongoing measures put in place by the Parent Company to optimise the cost of funding, only partly offset by the increase in repos (EUR +3.1 billion) owing to the increased operations of MPS Capital Services. A downward trend is registered for time deposits (EUR -0.5 billion), other forms of funding (EUR -0.5 billion) and bonds (EUR -0.2 billion).

The aggregate is down by EUR 10.8 billion from the end of December 2020, with a downturn registered across all funding types. More specifically, there is a decrease in current accounts (EUR -2.8 billion), time deposits (EUR -1.9 billion) and other forms of funding (EUR -1.9 billion). A decline is also registered for repo transactions (EUR -2.5 billion) as well as bonds (EUR -1.7 billion).

The decrease in bonds is due mainly to the maturity of a covered bond, while the downturn in the other segments was driven by the actions taken by the Parent Company to reduce interest rates paid to customers, mainly corporate customers, and more generally by actions to optimise the cost of funding.

The Group's direct funding market share[11] stands at 3.72% (updated to July 2021), down from December 2020 (at 3.93%).

Indirect funding amounts to **EUR 104.8 billion**, up EUR 0.2 billion from 30 June 2021 due to the effect of the increase in assets under management (EUR +0.3 billion), which benefitted from positive net inflows, partly offset by a negative market effect; substantially stable assets under custody (EUR -0.1 billion).

Compared to 31 December 2020, indirect funding is up EUR 2.7 billion, driven by assets under management (EUR +4.0 billion), which benefitted from positive net inflows and a positive market effect. On the other hand, assets under custody register a fall (EUR -1.3 billion) as a result of the transactions of one major client, partly offset by the positive market effect.

As at 30 September 2021, Group **customer loans** amount to **EUR 81.2 billion**, slightly down from the end of June 2021 (EUR -0.2 billion), due to the decrease in repos (EUR -0.6 billion), partly offset by the upturn in other forms of lending (EUR +0.3 billion). All other loan types remain essentially steady.

Compared to 31 December 2020, the aggregate registers a decrease of EUR 1.4 billion due to the reduction in repos (EUR -2.5 billion) as well as a decline in other forms of lending (EUR -0.7 billion) and current accounts (EUR -0.2 billion). Mortgages, on the other hand, record an increase (EUR +1.8 billion), having been influenced in part by disbursements granted as part of the government decrees issued following the COVID-19 emergency.

The Group's market share[12] stands at 4.50% (updated to July 2021), up 8 bps from the end of 2020.

The gross exposure of stage 1 loans, amounting to EUR 67.2 billion, register an increase from both 30 June 2021 (at EUR 64.3 billion) and 31 December 2020 (at EUR 65.5 billion).

Stage 2 loans, with a gross exposure of EUR 12 billion, are down from both the EUR 15.3 billion recorded as at 30 June 2021 and EUR 15.4 billion as at 31 December 2020.

The two trends are entirely attributable to the updated forward-looking scenarios, which were significantly improved compared to the scenarios used to date. The scenarios used for the December 2020 and June 2021 accounting valuations were the 2020-2022 scenarios and thus included the 2020 recessionary peak, while for the purposes of this Report, the scenarios have been updated on the basis of the most recent macroeconomic forecasts for the 2022-2024 time horizon. The overall trend shows that the absolute and coverage levels of the three stages are essentially stable, thereby demonstrating that the portfolio has not deteriorated as a result of the progressive expiry of legislative moratoria granted to customers (the amount of which is now immaterial for retail customers and steadily decreasing for corporate customers).

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[11] 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.

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

The Group's total non-performing customer exposures as at 30 September 2021 stand at **EUR 4.3 billion** in terms of gross exposure, slightly increasing from both 30 June 2021 (at EUR 4.2 billion) and the 31 December 2020 figure (equal to EUR 4.0 billion). In particular,

- the gross exposure of bad loans, totalling EUR 1.7 billion, is up compared to both 30 June 2021 (at EUR 1.6 billion) and 31 December 2020 (at EUR 1.5 billion);
- the gross exposure of unlikely-to-pay loans, amounting to EUR 2.5 billion, is down by approximately 1% compared to 30 June 2021 and slightly higher compared to 31 December 2020 (at EUR 2.4 billion);
- the gross exposure of non-performing past-due exposures, totalling EUR 89 million, is down compared to the EUR 99 million registered as at 30 June 2021 and up from the EUR 76 million as at 31 December 2020.

As at 30 September 2021, the Group's **net non-performing customer exposures** stand at **EUR 2.3 billion,** slightly increasing from both 30 June 2021 (at EUR 2.2 billion) and 31 December 2020 (at EUR 2.2 billion).

The ratio of net non-performing customer loans to total net customer loans at 30 September 2021 is 2.8%, stable vs. 30 June 2021 (2.8%) and slightly up compared to December 2020 (2.6%). In more detail, the percentage of bad loans (equal to 0.7%) and non-performing past due loans (0.1%) remains unchanged compared to both June 2021 and December 2020. The percentage of UTPs, at 2%, remains unchanged from June 2021 and is slightly higher compared to December 2020 (1.9%).

As at 30 September 2021, **coverage of non-performing loans** stands at 46.5%, slightly lower compared to 30 June 2021 (46.9%), mainly as a result of the reduced coverage of UTPs (down from 36.3% to 34.5%) and non-performing past due loans (from 26.0% to 25.2%), only partly offset by the increased coverage of bad loans (from 64.5% to 64.9%). Compared to 31 December 2020, however, coverage of non-performing loans rises from 46.2% to 46.5% thanks to the increased coverage of bad loans (from 62.3% to 64.9%), only partly offset by the reduced coverage of UTPs (down from 36.8% to 34.5%) and non-performing past due loans (from 27.8% to 25.2%).

The temporary reduction of the coverage of UTPs, compared to both 31 December 2020 and 30 June 2021, is mainly due to the writebacks registered on one significant position, for which the classification from UTP to performing took place on 1 October 2021 (if the reclassification had taken place in September, the coverage of UTPs would have been 38.2% and the total coverage of non-performing loans would have been 49.2%).

As at 30 September 2021, the Group's **securities assets** amount to **EUR 25.0 billion**, up from 30 June 2021 (EUR +1.8 billion) due to the increase in financial assets held for trading, largely attributable to the subsidiary MPS *Capital Services*, while the other components remain stable.

The aggregate is also up compared to 31 December 2020 (EUR +3.3 billion) due to the increase in financial assets held for trading, largely attributable to the subsidiary MPS Capital Services, only partly offset by the decline in financial assets measured at fair value through other comprehensive income and at amortised cost. It should be noted that the market value of the securities booked as loans to customers at amortised cost is equal to EUR 9,498.6 million (with implicit capital gains of approximately EUR 180.6 million).

Financial liabilities held for cash trading, attributable especially to the subsidiary MPS *Capital Services*, amount to **EUR 3.3 billion** as at 30 September 2021, registering a decrease from both 30 June 2021 (EUR -0.5 billion) and 31 December 2020 (EUR -1.2 billion).

As at 30 September 2021, the **net position in derivatives, amounting to EUR -227 million**, registers a downturn vs. 30 June 2021 (EUR -41 million) and an improvement compared to 31 December 2020 (EUR -235 million).

The Group's **net interbank position** as at 30 September 2021 stands at **EUR 6.5 billion** in funding, against EUR 3.3 billion in funding as at 30 June 2021. The difference is largely linked to the decline in deposits on the required reserve account.

Compared to 31 December 2020 (when the net interbank position stood at EUR 5.6 billion in lending), the difference is the result of further access to TLTRO3 auctions for a total of EUR 5.5 billion accompanied by a decline in deposits on the required reserve account and loans to banks, due to the decrease in repo transactions.

As at 30 September 2021, the operational liquidity position shows an **unencumbered counterbalancing capacity of approximately EUR 25.6 billion**, down EUR 5.4 billion from 30 June 2021. The result is also down compared to 31 December 2020 (EUR -7.5 billion) due to lower commercial funding and the maturity of market bonds (in particular, the maturity of covered bonds in the second quarter of 2021).

As at 30 September 2021, the **Group's shareholders' equity and non-controlling interests** amount to **approximately EUR 6.3 billion,** up EUR 185 million from 30 June 2021, due to the profit registered in the third quarter. The net effect of the sale of treasury shares (the decrease in treasury shares of EUR 131.5 million offset by the negative trading result of EUR 114.1 million recognised in other reserves) was, in fact, largely offset by the reduction in valuation reserves.

Compared to 31 December 2020, the Group's shareholders' equity and non-controlling interests register an increase of EUR 479 million, attributable to i) the increase in valuation reserves, ii) the profit for the period and iii) the net effect of the EUR 309.7 million decrease in treasury shares as a result of the sales carried out by the Group, offset by the negative trading result of EUR 267.2 million recognised in other reserves.

As regards capital ratios, the **common equity tier 1 ratio** stands at **12.3%** as at 30 September 2021 (vs. 12.1% at the end of 2020 and as at 30 June 2021) and the **total capital ratio** is **15.9%** (vs. 15.8% at the end of 2020 and 15.5% as at 30 June 2021). These ratios do not include the profit for the period of the third quarter of 2021; including the profit for the period the ratios stand at 12.8% and 16.4% respectively.

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<u>Information provided at the request of Consob pursuant to Article 114, paragraph 5 of Legislative Decree No. 58/98</u>

Compared to the estimates made in the 2020 Financial Report, which indicated a shortfall from as early as the first quarter of 2021 with an increase to EUR 1.5 billion as at 1 January 2022, it should be highlighted that, as in the two previous quarters, no shortfall occurred as at 30 September 2021, nor is expected to occur in 12 months after the reporting date, i.e. at 30 September 2022. The zero expected shortfall at 12 months results from the effects of the capital management actions already implemented, the evolution of capital and risk-weighted assets and the expectation that the update of internal models to the EBA Guidelines will take place beyond the valuation time horizon. The capital position is estimated taking into account the results of the first nine months of the year and the expected performance for 2021, figures that are (i) assuming the confirmation of the current business/operating model and (ii) not including the capital strengthening transaction, other extraordinary capital contributions and subordinated issues.

It should also be noted that as at 1 January 2023, in view of the planned reduction in capital linked to the IFRS9 phase-in and assuming the full implementation in 4Q22 of the inflationary effects on risk-weighted assets related to the changes in credit risk measurement models according to EBA Guidelines, the shortfall on the Tier 1 capital aggregate could reach EUR 500 million. This shortfall could be mitigated or eliminated by certain capital management actions available to the Group.

With reference to a potential "structural solution", as already reported, on 24 October UniCredit and the MEF announced the interruption of negotiations regarding the potential acquisition of a selected perimeter of MPS. Currently, only AMCO is granted access to the virtual data room.

Following the press release and having acknowledged the current inability to find a "structural solution", a preliminary dialogue was initiated with the reference shareholder who, in confirming its support for the Bank's activities, informed the management of talks already held with DG Comp to extend the MEF's participation in BMPS' shareholding and determine the necessary measures that the Bank will have to take in terms of capital.

Given the above, the Bank will revise its business plan for the new time horizon 2022-2026. The revision may contain further changes with respect to what already planned for previous discussions with DG Comp.

This measure is in preparation for a capital increase at market conditions to be carried out in 2022, which, on the basis of the ongoing dialogues, is expected to be supported by the reference shareholder.

In this context, DG Comp and the ECB are expected to assess, to the extent of their respective competences, the State's intervention on the basis of the Parent Company's stand-alone viability in light of what indicated in the new business plan. It cannot be excluded that, in principle, in the context of this assessment, not foreseeable elements could arise that could impact on the Parent Company's capital strengthening process and on the structure and on the feasibility of a capital increase at market conditions.

In light of the proposition in the course of 2022 of the potential capital increase, also in the absence of any debt issues in 2021, there may be a temporary breach of MREL requirements as of 1 January 2022. The breach would be cured at the time of the potential capital increase.

Furthermore, in October, the agreement with the MPS Foundation – the main parts of which had already been communicated - was finalised for the settlement of all disputes arising between the parties. The agreement with the MPS Foundation resulted in the closure of the EUR 3.8 billion in claims brought by the Institution against a settlement of EUR150 million paid by the bank. The nearly 40% decrease in the petitum of legal risks will be a significant enabling factor for any transaction aimed at improving the capital position.

Taking into account these elements and the significant improvements recorded by the Group during 2021 in terms of capital as well as those expected in terms of risk reduction, the Bank believes that the above-mentioned capital shortfall can be overcome through a capital strengthening transaction on a stand-alone basis, subject to DG Comp's approval of the 2022-2026 business plan, currently under preparation. The implementation of the business plan could be updated, in light of future economic environment, and, in any event, be subject to amendments - including significant ones – should the preconditions for a potential "structural solution" that provides for the implementation of a business combination project - as envisaged by the Prime Ministerial Decree of 16 October 2020 - occur again. Therefore, even after taking into account the significant uncertainty concerning how the capital strengthening will be executed, there is a reasonable expectation that the Bank will continue to operate as a going concern in the foreseeable future, and thus the use of the going concern basis in the preparation of the interim financial statements as at 30 September 2021 is considered appropriate.

This information, at the request of CONSOB, is disclosed on a monthly basis and in conjunction with the release of the periodic financial information required by current regulations.

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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

Starting from 31 March 2021 and limited to real estate assets, the Group has opted to change the post-recognition valuation criteria, providing for:

- the transition from the cost model to the revaluation model for properties held for instrumental purposes, based on the rules of IAS 16 “Property, Plant and Equipment”;
- the transition from the cost model to the fair value model for properties held for investment purposes, in accordance with IAS 40 “Investment Property”.

The income statement figures for 2020 have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Conversely, the change in valuation criteria for operating properties (ex IAS 16) was applied prospectively starting from 31 March 2021, in accordance with the provisions of IAS 8.

As a result of the change in the valuation criteria for real estate assets, as of the reporting date of 31 March 2021:

- Item “property, plant and equipment” in the balance sheet includes the valuation of instrumental property as per IAS 16 and investment property as per IAS 40, at “revalued value” and “fair value”, respectively;
- Item “net adjustments to tangible and intangible assets” in the income statement includes, as regards property, plant and equipment, only depreciation relating to instrumental real-estate properties, since investment properties measured at fair value are not depreciated;
- Item “net gains (losses) from measurement at fair value of tangible and intangible assets” includes the result of the change in the fair value of real estate properties during the period, in accordance with the new valuation criterion adopted.

It should also be noted that, for the sake of greater comparability, impairment losses of instrumental properties (ex IAS 16) referring to the first nine months of 2020 were reclassified from item “net value adjustments on tangible and intangible assets” to item “net gains (losses) from measurement at fair value of tangible and intangible assets”.

Please note that the reclassified tables, which were prepared in order to enable a managerial review of income statement and balance sheet results, have not been subject to audit by Independent Auditors.

Reclassified income statement

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 -3.3 million) of the Purchase Price Allocation (PPA), referable to past business combinations, which was reclassified to a specific item.

- Item “**net fees and commissions**” includes item 40 “fee and commission income” and 50 “fee and commission expense”.

- 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 66.8 million, included under item 250 “gains (losses) on investments”. The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 3.6 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 -6.0 million), reclassified under “cost of customer loans”. The item also incorporates dividends earned on securities other than equity investments (EUR 3.6 million).

- 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 176.5 million) and net of other expense recoveries, which are reclassified under item “net value adjustments to tangible assets” (EUR 15.6 million).

- Item “**personnel expenses**” includes the balance of item 190a “personnel expenses” reduced by EUR 6.2 million relating to settlements reached in 2021 for individual consensual terminations of Group employees, which were 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 159.0 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 47.4 million, reclassified under the item “DTA fees”;

- charges of EUR 1.9 million, relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, reclassified under item "restructuring costs/one-off charges".

The item also incorporates stamp duty and other expenses recovered from clients (EUR 176.5 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 -0.7 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR 15.6 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 -6.0 million), 130a "net impairment losses/reversals on financial assets measured at amortised cost" (EUR -50.7 million), 140 "modification gains/(losses) without derecognition" (EUR -6.8 million) and 200a "net provisions for risks and charges: net provisions for commitments and guarantees issued" (EUR +29.9 million).

- Item "**net value adjustments on securities and bank loans**" includes the portion relating to securities (EUR 0.2 million) and loans to banks (EUR +1.1 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 +1.6 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 +29.9 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 66.8 million reclassified under "dividends, similar income and gains (losses) on investments".

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

  - Provisions for the early retirement/solidarity fund exits in the amount of EUR 6.2 million, posted under item 190a "personnel expenses";

  - charges of EUR 1.9 million, relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, posted under item 190b "other administrative expenses".

- 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 159.0 million, posted under item 190b “other administrative expenses”.

- 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 47.4 million.

- Item “**net gains (losses) from measurement at fair value of tangible and intangible assets**” includes the balance of item 260 “net fair value gains/losses on property, plant and equipment and intangible assets”.

- Item “**gains (losses) from disposal of investments**” includes the balance of item 280 “Gains (losses) from disposal of investments”.

- 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 1.3 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 -3.3 million and “net value adjustments on tangible and intangible assets” for EUR -0.7 million, net of a theoretical tax burden of EUR +1.3 million which integrates the item).

<u>Reclassified balance sheet</u>

The reconciliation criteria adopted for the preparation of the reclassified balance sheet 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)	30 09 2021	30 09 2020*	Chg.
Net interest income	898.5	978.7	-8.2%
Net fee and commission income	1,112.8	1,049.7	6.0%
Other income from banking business	280.4	212.3	32.1%
Other operating income and expenses	(25.9)	(40.4)	-35.9%
Total Revenues	2,265.8	2,200.2	3.0%
Operating expenses	(1,586.8)	(1,619.0)	-2.0%
Cost of customer credit	(34.0)	(621.0)	-94.5%
Other value adjustments	2.9	(6.6)	n.m.
Net operating income (loss)	647.9	(46.4)	n.m.
Non-operating items	(292.2)	(1,065.3)	-72.6%
Parent company's net profit (loss) for the period	388.1	(1,532.1)	n.m.
EARNINGS PER SHARE (EUR)	**30 09 2021**	**30 09 2020***	**Chg.**
Basic earnings per share	0.396	(1.388)	n.m.
Diluted earnings per share	0.396	(1.388)	n.m.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**30 09 2021**	**31 12 2020***	**Chg.**
Total assets	143,117.9	150,345.0	-4.8%
Loans to customers	81,199.8	82,632.3	-1.7%
Direct funding	92,901.5	103,719.3	-10.4%
Indirect funding	104,758.2	102,067.3	2.6%
of which: assets under management	64,426.6	60,400.3	6.7%
of which: assets under custody	40,331.6	41,667.0	-3.2%
Group net equity	6,250.7	5,771.6	8.3%
OPERATING STRUCTURE	**30 09 2021**	**31 12 2020**	**Chg.**
Total headcount - end of period	21,297	21,432	-135
Number of branches in Italy	1,418	1,418	n.m.

* Balance sheet figures as at 31 December 2020 and income statement figures as at 30 September 2020 have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, impairment losses on functional properties (ex IAS 16) referring to 30 September 2020 were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

ALTERNATIVE PERFORMANCE MEASURES			
MPS GROUP			
PROFITABILITY RATIOS (%)	30 09 2021	31 12 2020*	Chg.
Cost/Income ratio	70.0	74.9	-4.9
ROE (on average equity)	8.6	(24.0)	32.6
ROA	0.4	(1.1)	1.5
ROTE	8.9	(24.6)	33.5
CREDIT QUALITY RATIOS (%)	30 09 2021	31 12 2020	Chg.
Net non performing loans to customers / Loans to Customers (Net NPL ratio)	2.8	2.6	0.2
Gross NPL ratio	3.9	3.4	0.5
Rate of change of non-performing loans to customers	6.3	(64.8)	71.1
Bad loans to custormers/ Loans to Customers	0.7	0.7	n.m.
Loans to customers measured at amortised cost - Stage 2/Performing loans to customers measured at amortised cost	14.8	18.5	-3.7
Coverage of non-performing loans to customers	46.5	46.2	0.3
Coverage of bad loans to customers	64.9	62.3	2.6
Cost of customers credit/Customers loans (Provisioning)	0.06	0.90	-0.84
Texas Ratio	53.0	53.9	-0.9

* Balance sheet figures as at 31 December 2020 and income statement figures as at 30 September 2020 have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, impairment losses on functional properties (ex IAS 16) referring to 30 September 2020 were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

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[13] 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[14], 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[13].

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

[14] EBA GL/2018/10.

REGULATORY MEASURES			
MPS GROUP			
CAPITAL RATIOS (%)	30 09 2021	31 12 2020	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	12.3	12.1	0.2
Common Equity Tier 1 (CET1) ratio - fully loaded	10.9	9.9	1.0
Total Capital ratio - phase in	15.9	15.8	0.1
Total Capital ratio - fully loaded	14.5	13.5	1.0
FINANCIAL LEVERAGE INDEX (%)	30 09 2021	31 12 2020	Chg.
Leverage ratio - transitional definition	4.6	4.4	0.2
Leverage ratio - fully phased	4.1	3.6	0.5
LIQUIDITY RATIO (%)	30 09 2021	31 12 2020	Chg.
LCR	181.2	196.7	-15.5
NSFR	131.2	123.8	7.4
Encumbered asset ratio	41.8	39.8	2.0
Loan to deposit ratio	87.4	79.7	7.7
Unencumbered Counterbalancing capacity (bn of Eur)	25.6	33.1	-7.5

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[15] and total risk-weighted assets (RWAs) [16].

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

Leverage ratio: indicator calculated as the ratio between Tier 1 capital[17] 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.

[15] 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.

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

[17] 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				
MONTEPASCHI GROUP	30 09 2021	30 09 2020*	Change	
			Abs.	%
Net interest income	898.5	978.7	(80.2)	-8.2%
Net fee and commission income	1,112.8	1,049.7	63.1	6.0%
Income from banking activities	**2,011.3**	**2,028.4**	**(17.1)**	**-0.8%**
Dividends, similar income and gains (losses) on investments	75.7	57.5	18.2	31.6%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	197.0	153.8	43.2	28.1%
Net profit (loss) from hedging	7.7	1.0	6.7	n.m.
Other operating income (expenses)	(25.9)	(40.4)	14.5	-35.9%
Total Revenues	**2,265.8**	**2,200.2**	**65.6**	**3.0%**
Administrative expenses:	(1,454.8)	(1,463.8)	9.0	-0.6%
a) personnel expenses	(1,076.9)	(1,059.9)	(16.9)	1.6%
b) other administrative expenses	(377.9)	(403.8)	25.9	-6.4%
Net value adjustments to property, plant and equipment and intangible assets	(132.0)	(155.2)	23.2	-15.0%
Operating expenses	**(1,586.8)**	**(1,619.0)**	**32.2**	**-2.0%**
Pre-Provision Operating Profit	**679.0**	**581.2**	**97.8**	**16.8%**
Cost of customer credit	**(34.0)**	**(621.0)**	**587.0**	**-94.5%**
Net impairment (losses)/reversals on securities and loans to banks	**2.9**	**(6.6)**	**9.5**	**n.m.**
Net operating income	**647.9**	**(46.4)**	**694.3**	**n.m.**
Net provisions for risks and charges	(66.1)	(767.8)	701.7	-91.4%
Other gains (losses) on equity investments	2.2	1.1	1.1	95.0%
Restructuring costs / One-off costs	(8.1)	(128.6)	120.4	-93.7%
Risks and charges associated to the SRF, DGS and similar schemes	(159.0)	(117.7)	(41.3)	35.1%
DTA Fee	(47.4)	(53.3)	5.9	-11.0%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(28.2)	1.3	(29.5)	n.m.
Gains (losses) on disposal of investments	14.4	(0.4)	14.8	n.m.
Profit (Loss) for the period before tax	**355.7**	**(1,111.7)**	**1,467.4**	**n.m.**
Tax (expense)/recovery on income from continuing operations	35.0	(417.4)	452.4	n.m.
Profit (Loss) after tax	**390.7**	**(1,529.1)**	**1,919.8**	**n.m.**
Net profit (loss) for the period including non-controlling interests	**390.7**	**(1,529.1)**	**1,919.8**	**n.m.**
Net profit (loss) attributable to non-controlling interests	(0.1)	(0.1)	-	n.m.
Parent Company's Profit (loss) for the period before PPA	**390.8**	**(1,529.0)**	**1,919.8**	**n.m.**
PPA (Purchase Price Allocation)	(2.7)	(3.0)	0.4	-12.1%
Parent company's net profit (loss) for the period	**388.1**	**(1,532.1)**	**1,920.2**	**n.m.**

* Income statement figures as at 30 September 2020 have been restated, compared to those published, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, impairment losses on functional properties (ex IAS 16) referring to 30 September 2020 were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

Quarterly trend in reclassified consolidated income statement							
MONTEPASCHI GROUP	2021			2020*			
	3°Q 2021	2°Q 2021	1°Q 2021	4°Q 2020	3°Q 2020	2°Q 2020	1°Q 2020
Net interest income	313.3	305.6	279.6	311.9	331.8	319.8	327.1
Net fee and commission income	358.3	382.5	372.0	380.4	355.4	324.4	369.9
Income from banking activities	**671.6**	**688.1**	**651.6**	**692.3**	**687.3**	**644.1**	**697.0**
Dividends, similar income and gains (losses) on investments	20.3	34.2	21.2	43.5	11.2	34.5	11.8
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	17.6	19.6	159.8	(10.2)	61.7	62.2	29.9
Net profit (loss) from hedging	5.8	0.3	1.6	1.6	0.5	3.3	(2.8)
Other operating income (expenses)	(13.4)	(1.8)	(10.7)	(10.1)	(12.9)	(21.0)	(6.5)
Total Revenues	**701.9**	**740.4**	**823.5**	**717.1**	**747.7**	**723.1**	**729.4**
Administrative expenses:	(470.0)	(492.0)	(492.9)	(514.7)	(490.6)	(480.2)	(493.0)
a) personnel expenses	(358.1)	(358.7)	(360.1)	(355.2)	(352.0)	(351.2)	(356.7)
b) other administrative expenses	(111.9)	(133.3)	(132.7)	(159.5)	(138.5)	(129.0)	(136.3)
Net value adjustments to property, plant and equipment and intangible assets	(43.5)	(41.0)	(47.5)	(51.0)	(51.3)	(52.9)	(51.0)
Operating expenses	**(513.5)**	**(533.0)**	**(540.4)**	**(565.6)**	**(541.9)**	**(533.1)**	**(544.0)**
Pre-Provision Operating Profit	**188.4**	**207.4**	**283.1**	**151.4**	**205.8**	**190.0**	**185.4**
Cost of customer credit	**131.5**	**(88.8)**	**(76.7)**	**(126.6)**	**(101.7)**	**(204.8)**	**(314.5)**
Net impairment (losses)/reversals on securities and loans to banks	**1.2**	**5.4**	**(3.7)**	**1.2**	**(1.1)**	**(4.4)**	**(1.1)**
Net operating income	**321.1**	**124.0**	**202.7**	**26.0**	**103.0**	**(19.2)**	**(130.2)**
Net provisions for risks and charges	(23.8)	(50.8)	8.5	(216.2)	(410.7)	(317.0)	(40.1)
Other gains (losses) on equity investments	2.4	2.6	(2.8)	1.7	0.4	0.5	0.2
Restructuring costs / One-off costs	(3.9)	(4.0)	(0.1)	(25.1)	(100.7)	(30.4)	2.6
Risks and charges associated to the SRF, DGS and similar schemes	(69.4)	(21.8)	(67.8)	(22.7)	(41.0)	(18.4)	(58.3)
DTA Fee	(15.8)	(15.9)	(15.7)	(17.8)	(17.8)	(17.7)	(17.8)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	-	(0.4)	(27.8)	(28.9)	(3.1)	0.4	4.0
Gains (losses) on disposal of investments	-	(2.6)	17.0	53.9	0.3	(0.9)	0.2
Profit (Loss) for the period before tax	**210.6**	**31.1**	**114.0**	**(229.0)**	**(469.6)**	**(402.7)**	**(239.4)**
Tax (expense)/recovery on income from continuing operations	(23.7)	52.6	6.1	75.8	20.0	(439.0)	1.6
Profit (Loss) after tax	**186.9**	**83.7**	**120.1**	**(153.2)**	**(449.6)**	**(841.7)**	**(237.8)**
Net profit (loss) for the period including non-controlling interests	**186.9**	**83.7**	**120.1**	**(153.2)**	**(449.6)**	**(841.7)**	**(237.8)**
Net profit (loss) attributable to non-controlling interests	-	-	(0.1)	-	-	(0.1)	-
Parent Company's Profit (loss) for the period before PPA	**186.9**	**83.7**	**120.2**	**(153.2)**	**(449.6)**	**(841.6)**	**(237.8)**
PPA (Purchase Price Allocation)	(0.9)	(0.9)	(0.9)	(1.3)	(1.1)	(0.9)	(1.1)
Parent company's net profit (loss) for the period	**186.0**	**82.8**	**119.3**	**(154.5)**	**(450.6)**	**(842.4)**	**(239.0)**

* 2020 quarterly income statement figures have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, 2020 quarterly impairment losses on functional properties (ex IAS 16) were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

MONTE DEI PASCHI DI SIENA
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E-MARKET SDIR CERTIFIED

Reclassified Balance Sheet				
Assets	30 09 2021	31 12 2020*	Chg	
			abs.	%
Cash and cash equivalents	610.4	763.8	(153.4)	-20.1%
Loans to central banks	20,940.8	28,526.2	(7,585.4)	-26.6%
Loans to banks	4,855.2	5,452.3	(597.1)	-11.0%
Loans to customers	81,199.8	82,632.3	(1,432.5)	-1.7%
Securities assets	24,961.0	21,623.3	3,337.7	15.4%
Derivatives	2,591.8	3,018.6	(426.8)	-14.1%
Equity investments	1,041.8	1,107.5	(65.7)	-5.9%
Property, plant and equipment/Intangible assets	2,757.9	2,614.2	143.7	5.5%
of which:				
a) goodwill	*7.9*	*7.9*	-	0.0%
Tax assets	1,758.7	1,991.6	(232.9)	-11.7%
Other assets	2,400.5	2,615.2	(214.7)	-8.2%
Total assets	**143,117.9**	**150,345.0**	**(7,227.1)**	**-4.8%**

Liabilities	30 09 2021	31 12 2020*	Chg	
			abs.	%
Direct funding	92,901.5	103,719.3	(10,817.8)	*-10.4%*
a) Due to customers	82,389.2	91,506.9	(9,117.7)	-10.0%
b) Securities issued	10,512.3	12,212.4	(1,700.1)	*-13.9%*
Due to central banks	29,230.2	23,933.6	5,296.6	22.1%
Due to banks	3,019.5	4,484.5	(1,465.0)	-32.7%
On-balance-sheet financial liabilities held for trading	3,325.0	4,545.5	(1,220.5)	-26.9%
Derivatives	2,819.1	3,253.5	(434.4)	*-13.4%*
Provisions for specific use	1,969.0	2,059.2	(90.2)	-4.4%
a) Provision for staff severance indemnities	162.2	166.6	(4.4)	-2.6%
b) Provision related to guarantees and other commitments given	121.5	154.1	(32.6)	-21.2%
c) Pension and other post-retirement benefit obligations	30.7	33.0	(2.3)	-7.0%
d) Other provisions	1,654.6	1,705.5	(50.9)	-3.0%
Tax liabilities	8.0	4.1	3.9	95.1%
Other liabilities	3,593.5	2,572.4	1,021.1	39.7%
Group net equity	6,250.7	5,771.6	479.1	8.3%
a) Valuation reserves	302.3	260.9	41.4	15.9%
d) Reserves	(3,630.7)	(1,684.0)	(1,946.7)	n.m.
f) Share capital	9,195.0	9,195.0	-	-
g) Treasury shares (-)	(4.0)	(313.7)	309.7	-98.7%
h) Net profit (loss) for the period	388.1	(1,686.5)	2,074.6	n.m.
Non-controlling interests	1.4	1.3	0.1	7.7%
Total Liabilities and Shareholders' Equity	**143,117.9**	**150,345.0**	**(7,227.1)**	**-4.8%**

* Balance sheet figures as at 31 December 2020 have been restated, compared to those published, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40).

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

E-MARKET SDIR CERTIFIED

Reclassified Balance Sheet - Quarterly Trend							
Assets	**30 09 2021**	**30 06 2021**	**31 03 2021**	**31 12 2020***	**30 09 2020***	**30 06 2020***	**31 03 2020***
Cash and cash equivalents	610.4	587.1	550.3	763.8	662.4	679.9	611.2
Loans to central banks	20,940.8	25,570.5	26,116.8	28,526.2	18,679.7	15,037.8	8,109.5
Loans to banks	4,855.2	4,292.1	4,278.4	5,452.3	4,934.9	5,757.3	4,938.8
Loans to customers	81,199.8	81,355.8	82,259.0	82,632.3	87,098.7	82,510.6	82,206.1
Securities assets	24,961.0	23,121.9	22,562.0	21,623.3	23,041.0	25,569.4	26,006.3
Derivatives	2,591.8	2,689.5	2,757.5	3,018.6	3,023.0	3,129.1	3,233.8
Equity investments	1,041.8	1,027.7	1,069.2	1,107.5	991.8	953.9	892.0
Property, plant and equipment/Intangible assets	2,757.9	2,760.0	2,784.5	2,614.2	2,823.0	2,849.9	2,850.0
of which:							
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	1,758.7	1,800.4	1,919.8	1,991.6	2,114.1	2,196.1	2,768.0
Other assets	2,400.5	2,544.7	2,361.3	2,615.2	2,906.0	2,965.8	2,644.0
Total assets	**143,117.9**	**145,749.7**	**146,658.8**	**150,345.0**	**146,274.6**	**141,649.9**	**134,259.7**
Liabilities	**30 09 2021**	**30 06 2021**	**31 03 2021**	**31 12 2020***	**30 09 2020***	**30 06 2020***	**31 03 2020***
Direct funding	92,901.5	94,036.5	99,053.6	103,719.3	98,418.1	97,585.2	95,367.2
a) Due to customers	*82,389.2*	83,315.3	87,124.1	91,506.9	86,827.3	86,139.8	83,680.4
b) Securities issued	10,512.3	10,721.2	11,929.5	12,212.4	11,590.8	11,445.4	11,686.8
Due to central banks	29,230.2	29,305.6	26,373.1	23,933.6	23,994.9	21,330.6	15,997.9
Due to banks	3,019.5	3,854.3	3,816.4	4,484.5	4,733.6	4,853.9	4,752.1
On-balance-sheet financial liabilities held for trading	3,325.0	3,819.3	3,179.5	4,545.5	3,122.2	2,192.1	2,407.1
Derivatives	2,819.1	2,730.1	2,759.0	3,253.5	3,293.9	3,419.2	3,174.4
Provisions for specific use	1,969.0	2,016.9	2,011.3	2,059.2	1,942.4	1,570.9	1,310.3
a) Provision for staff severance indemnities	162.2	163.3	164.2	166.6	182.1	180.3	166.4
b) Provision related to guarantees and other	121.5	144.6	147.1	154.1	153.0	152.6	155.3
c) Pension and other post-retirement benefit	30.7	31.4	32.3	33.0	33.1	34.0	35.2
d) Other provisions	1,654.6	1,677.6	1,667.7	1,705.5	1,574.2	1,204.0	953.4
Tax liabilities	8.0	8.0	8.1	4.1	3.0	3.0	3.3
Other liabilities	3,593.5	3,912.3	3,451.0	2,572.4	4,001.0	3,541.4	3,327.7
Group net equity	6,250.7	6,065.3	6,005.4	5,771.6	6,764.2	7,152.2	7,918.0
a) Valuation reserves	302.3	324.7	367.6	260.9	153.5	35.2	(41.5)
d) Reserves	(3,630.7)	(3,521.0)	(3,415.8)	(1,684.0)	(1,872.1)	(1,816.5)	(1,816.4)
f) Share capital	9,195.0	9,195.0	9,195.0	9,195.0	10,328.6	10,328.6	10,328.6
g) Treasury shares (-)	(4.0)	(135.5)	(260.7)	(313.7)	(313.7)	(313.7)	(313.7)
h) Net profit (loss) for the period	388.1	202.1	119.3	(1,686.5)	(1,532.1)	(1,081.4)	(239.0)
Non-controlling interests	1.4	1.4	1.4	1.3	1.3	1.4	1.7
Total Liabilities and Shareholders' Equity	**143,117.9**	**145,749.7**	**146,658.8**	**150,345.0**	**146,274.6**	**141,649.9**	**134,259.7**

* 2020 quarterly balance sheet figures have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40).

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