

PRESS RELEASE

BANCA MONTE DEI PASCHI DI SIENA BOARD OF DIRECTORS APPROVES THE 2022-2026 STRATEGIC PLAN

Siena, 17 December 2021 – The Board of Directors of Banca Monte dei Paschi di Siena (the "Bank"), which met today under the chairmanship of Patrizia Grieco, approved the 2022-2026 Strategic Plan (the "Plan"). The Plan fully replaces the previous 2021 - 2025 Strategic Plan, approved by the Bank in December 2020, which had been drawn up underlining a structural solution to be carried out in the short term.

The Plan will be presented as part of the various information, approval and regulatory processes that the Bank has undertaken with the European Central Bank, the Single Resolution Board and the DG Competition. Furthermore, as is known to the market, the Ministry of Economy and Finance maintains a dialogue with the DG Competition regarding its participation in the Bank.

The positions of the aforementioned authorities constitute a prerequisite for the capital strengthening operation envisaged by the Plan. The Bank is currently unable to provide a precise estimate of the time required for the competent authorities to complete the respective processes, but will provide the authorities with the utmost commitment to collaborate so that the aforementioned processes can be completed successfully and promptly.

The Plan, which constitutes the basis for the start of the above approval processes, may however have to incorporate any amendments and changes, even significant ones, to reflect what derives from discussions with the competent Authorities.

The Strategic Objectives of the Plan envisage:

- i) A discontinuity in the business model to set the basis of a new, leaner MPS
- ii) A radical simplification of the operating model and of the Group's structure
- iii) The prosecution of the de-risking and resilience process
- iv) Value generation allowing for adequate shareholders remuneration

For each of these strategic guidelines, priority has been given to initiatives that

- **Create value** as early as the first year of the plan and come into full effect by 2024
- **Are under management's control**, thus reducing volatility in their execution
- **Seize the NRPP and Sustainable Agenda opportunities**, minimizing the need for capital also through partnerships

The strategic objectives of the Plan are based on **three well grounded, readily executable Pillars**, resting on **three enabling factors to be widely embedded within the Bank**

The Three Pillars

- **Refocus towards "core" customers** (families and SMBs), taking advantage of the opportunity of the NRRP
- **Radically simplify** the operational model, bringing it closer to customers through the network
- **Invest in a digital roadmap** focused on well-identified initiatives to ensure successful execution

Enabling Factors

- **Further integrate ESG principles** into the bank's culture, processes and proposition
- **Enhance the value of MPS's staff**, leveraging on talent, new skills and inclusion
- **Continue to preserve asset quality** and complete the normalization of balance sheet risks

Plan Assumptions

The Plan projections are based on the following key assumptions

- A capital increase of Euro 2.5 Bn executed in 2022 - also building on the 170 bps organic CET1 generation in the first 9M 2021 - enabling
 - Ca. Euro 800 MM in IT investments with heavy front loading the first few years of the plan
 - Ca. Euro 1.0 Bn in restructuring expenses
 - Full cover of 2020 Stress Test indications and current MREL requirements
- Net interest income supported by the launch of internal consumer finance, ongoing reduction of cost of time deposits (already visible in 2021 margin) and normalisation of the cost of institutional funding
- Commissions benefitting from commercial momentum, further supported by lower recourse to securitisations and renewed commercial activity allowed by strong capital position
- No special reference period for TLTRO beyond June 2022
- Activation of a voluntary exit scheme, resulting in savings of ca. Euro 275 MM per annum. The saving could be largely achieved by 2024 also depending on negotiations with trade unions

Key Financial Objectives

The plan sets key initiatives to support growth, with immediate and tangible transformational efforts that will result in steady profitability and capitalization benefits:

- Cost-income ratio below 60% by 2024, with further reduction in following years
- Cost of risk of ca. 50 bps, consistent with the Bank's asset quality
- Profit Before Tax of ca. Euro 700 MM in 2024
- ROTE of ca. 8.5-9% in 2024, ca. 11% in 2026
- Fully loaded CET1 ratio above 14% in 2024 and ca. 17.5% in 2026, before any dividend and before positive impact of DTA reassessment deriving from the Plan

Consideration on De-Risking

- The plan continues to envisage for the Bank a Gross NPE ratio below 4%, in line with MPS current level and in line with best-in-class Italian banks
- MPS has legal claims on ordinary banking business of dimensions similar to peers with an above-average coverage
- An ongoing reduction of the Company less than Euro 2 Bn (gross of the provisions already taken) legal risks related to financial disclosure
 - Post settlement of the Euro 3.8 Bn legal claim by the Foundation on 7 October, in 4Q MPS has already closed over Euro 200 MM additional claims on financial disclosure without impact on its provision levels

Highlights on 2024 Profit Before Tax

- Assuming PBT for Full-Year 2021 unchanged vs 9M21, 2024 expected PBT could be constructed as the result of actions largely under management control, concerning inter alia:
 - Ca. Euro 90 MM from reduction of interests on time deposits, already bearing fruits in 2021
 - Ca. Euro 120 MM from NII on the recently launched consumer finance initiatives
 - Ca. Euro 20 MM lower commissions on securitisations, enabled by stronger capital base
 - Ca. Euro 185-275 MM lower personnel expenses, depending on the scheme agreed
 - Ca. Euro 130 MM reduction in other expenses also thanks to digitalisation investments
 - Across the cycle cost of credit of ca. 50 bps
- The sum of the numbers above would lead to a profit before tax of Euro 700 MM
- Further commercial actions will be communicated once relevant approvals to the Plan will be granted.

This press release is available on www.gruppomps.it

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