

PRESS RELEASE

**BANCA MONTE DEI PASCHI DI SIENA HAS APPROVED
THE 2021-2025 STRATEGIC PLAN TO BE SUBMITTED TO DG COMP**

Siena, 17 December 2020 – The Board of Directors of Banca Monte dei Paschi di Siena (“MPS” or the “Bank”), which met today under the chairmanship of Patrizia Grieco, approved the 2021-2025 Strategic Plan (the “Plan”). The Plan will be transmitted to the Ministry of Economy and Finance, which will have to initiate – in compliance with the commitments undertaken – a discussion with DG Comp, pursuant to regulations in force.

The Plan has been prepared taking into account, inter alia, the Commitments assumed by the Italian Government pursuant to the Restructuring Plan defined for the 2017-2021 period and the Prime Minister’s Decree dated 16 October 2020, which recommends to «launch a process for the disposal of the investment held by the Ministry in the share capital of MPS, with market measures and also through transactions aimed at consolidating the banking system». The Plan has therefore been designed assuming strategic initiatives that can be implemented while substantially retaining the Bank’s current operating model and technological infrastructure, so as not to place constraints on consolidation scenarios.

From a capital perspective, the Plan implies a strengthening that will allow the Bank to restore its regulatory capital ratios, with a phased-in CET1 ratio constantly above 12 per cent, and to bear restructuring costs related to a sustainable reduction of its cost base. The impacts of the new MREL framework are fully incorporated in the Plan.

MPS is committed to preparing a new capital plan to be submitted to the European Central Bank by 31 January 2021. The capital plan will contain an assessment of capital needs (over the medium term and not limited to CET1), quantified between EUR 2.0 billion and EUR 2.5 billion, and an indication of how these needs will be met.

The assumed capital strengthening is adequate to solve the regulatory capital shortfall scenario, quantified in more than EUR 0.3 billion as of 31 March 2021 and in about EUR 1.5 billion as of 1 January 2022.

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With regard to the fundamental choices made in the Plan, which may be subject to change following the discussions of the Ministry of Economy and Finance with DG Comp, the main features are outlined below.

The Plan gives priority to industrial initiatives that, through the launch of already identified implementing projects, will be able to rapidly create value, with limited implementation risks and compatibly with the characteristics of the current operating model.

The Plan was developed on the basis of assumptions that are deemed prudent with respect to the macroeconomic scenario, assuming in particular the persistence of current interest rates and a national GDP below pre-pandemic levels for at least the next three years.

The strategic guidelines outlined in the Plan are built on three pillars:

- (i) focusing the business model on key customers, in line with historical market shares, and gradually exiting segments with high capital absorption and reduced profitability;

- (ii) streamlining the organisational structure and bringing the operating model closer to the business;
- (iii) strengthening the balance sheet and continuing to focus on risk management.

From an earnings perspective, the 2021 net result is impacted by restructuring charges and loan loss provisions connected with the pandemic emergency, but commercial activity is in line with that observed in the second half of 2020. The Plan envisages a break-even net result in 2022 and a profit from 2023 onwards.

As far as the Group's workforce is concerned, the estimated reduction – which takes into account Solidarity Fund exits and natural turnover, as well as new recruitments – amounts to approximately 2,670 people over the 2021-2025 plan period.

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With reference to the provisions of Article 2446 of the Italian Civil Code, with respect to which the Bank has declared, in the Half-Yearly Report as at 30 June 2020 and in the Interim Financial Report as at 30 September 2020, that it finds itself in the situation of a net equity decrease of more than one third of the share capital, it should be noted that the Board of Directors, taking into account the information already available to the market and to shareholders, will submit the related measures to the Shareholders' Meeting called to approve the draft financial statements for the year 2020. At the Annual General Meeting, the date of which will be determined in the context of a Board of Directors' meeting to be convened on 19 January, together with the corporate events calendar for 2021, the Bank will submit to the shareholders a proposal for capital measures that adequately take into account *i)* the final effects of the "Hydra" non-proportional partial demerger transaction, expected to be settled at the end of December, and *ii)* the resolutions that will be adopted in relation to the necessary capital strengthening measures that will be detailed in the context of the capital plan.

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At the request of the independent directors, the Bank's Board of Directors resolved to appoint Nicola Maione as lead independent director.

This press release is available on www.gruppomps.it

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