MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

MPS: BOARD APPROVES 1H21 RESULTS

PRE-PROVISION PROFIT FOR SECOND QUARTER AT EUR 207 MILLION
(EUR 491 MILLION FOR THE FIRST HALF OF 2021, +30.7% Y/Y)

NET INTEREST INCOME: SIGNIFICANT GROWTH IN THE SECOND QUARTER (+9.3% Q/Q) MAINLY DRIVEN BY PROGRESSIVE ROLL-OUT OF COST-REDUCTION MEASURES ON CUSTOMER DEPOSITS.
STABLE Y/Y, EXCLUDING COMPONENT RELATED TO THE DECONSOLIDATION OF NPEs

GOOD PERFORMANCE OF FEES AND COMMISSIONS (+8.7% Y/Y), ACHIEVING BEST RESULT IN 3 YEARS THANKS TO EXCELLENT COMMERCIAL PERFORMANCE

GROSS WEALTH MANAGEMENT FLOWS FOR EUR 7.9 BILLION PLACED (WELL ABOVE PRE-COVID LEVELS) AND SUPPORT TO THE ECONOMY MAINTAINED THROUGH NEW LOAN DISBURSEMENTS TOTALLING APPROX. EUR 5 BILLION

OPERATING EXPENSES UNDER CONTROL, DECREASING IN THE QUARTER AND WITH SCOPE FOR FURTHER IMPROVEMENT

COST OF CREDIT AT 41 BPS,
INCLUDING 22 BASIS POINTS FOR MODEL UPDATES AND MANAGEMENT OVERLAY.
RELEASE OF PROVISIONS FOR IMPROVEMENT OF MACROECONOMIC SCENARIO NOT YET BOOKED

HALF-YEARLY NET OPERATING PROFIT AT EUR 327 MILLION, BEST HALF-YEAR FIGURE IN THE LAST 5 YEARS

EUR 202 MILLION NET PROFIT FOR THE PERIOD
(OF WHICH EUR 83 MILLION IN THE SECOND QUARTER), WITH ROTE EQUAL TO 7.0%

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CONTINUOUS WORK ON THE BANK'S RISK PROFILE:

GROSS NPE RATIO (EBA DEFINITION) AT 3.7%, STABLE NET OF THE EFFECTS OF THE INTRODUCTION OF THE NEW DEFINITION OF DEFAULT

CLOSE MONITORING OF COVID PORTFOLIO[1]
"CRASH PROGRAMME" AROUND EUR 13 BILLION LOANS COMPLETED
MORATORIA: -74% Y/Y

AGREEMENT WITH FONDAZIONE MONTE DEI PASCHI DI SIENA TO SETTLE EUR 3.8 BILLION LITIGATION APPROVED

[1]Portfolio including active moratoria as at 1 July 2021 and State-secured loans accepted as at 30 June 2021.

UNENCUMBERED COUNTERBALANCING CAPACITY AT EUR 31 BILLION (OVER 20% OF TOTAL ASSETS)

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CAPITAL RATIOS STABLE COMPARED TO DECEMBER 2020, THANKS TO PROFIT FOR THE PERIOD AND TO CAPITAL MANAGEMENT ACTIONS, WHICH OFFSET REGULATORY IMPACTS RECORDED IN THE FIRST HALF OF THE YEAR (IFRS9 AND FIRST STEP IN UPDATING INTERNAL MODELS)

TRANSITIONAL CET1 RATIO: 12.1%[2] (vs. 8.7% SREP 2021)[3]

FULLY-LOADED CET1 RATIO INCREASES BY 70 BPS COMPARED TO DECEMBER 2020 DESPITE RWA INFLATION FROM REGULATORY HEADWINDS

TRANSITIONAL TOTAL CAPITAL: 15.5% (vs. 13.4% SREP 2021)[4]

EXPECTED CAPITAL SHORTFALL AS AT 30 JUNE 2022 FURTHER IMPROVES TO LESS THAN EUR 0.5 BILLION[5] (COMPARED TO EUR 1.5 BILLION FORECASTED IN NOVEMBER 2020) AND IS NOT ON CET1

EBA STRESS TEST RESULTS RELEASED ON 30 JULY CONSISTENT WITH CAPITAL PLAN – WHICH INCLUDES A CAPITAL INCREASE OF EUR 2.5 BILLION – SUBMITTED TO THE EUROPEAN CENTRAL BANK

CONFIDENTIALITY AGREEMENT SIGNED WITH UNICREDIT FOR ACCESS TO MPS DATA ROOM

Siena, 05 August 2021 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has reviewed and approved the results as at 30 June 2021.

Group profit and loss results as at 30 June 2021

The Group's **total revenues** as at 30 June 2021 stand at **EUR 1,564 million**, up 7.7% Y/Y.

This increase is largely due to the rise in other income from banking business, which benefitted from higher profits from the sale of securities and an increase in net fees and commissions, largely due to higher income from wealth management, especially product placements. In contrast, net interest

[2] Pro forma figures including profit for the period.
[3] Overall capital requirement.
[4] See note 3.
[5] Capital shortfall as at 1H22 calculated with respect to SREP requirements on the basis of the expected result for 2021, which was updated since the Strategic Plan estimates, and of 1H22 RWA projections. Expected results for 2021 based on the following assumptions: no capital strengthening in 2021, deferral of staff exits, no senior bond issuance in 2021, no contribution from in-house consumer credit business, partial execution of capital management actions (i.e. lower synthetic securitisations factored in and revision of Anima deal not factored in), RWA increase of EUR 4.5bn due to model updates (EUR 1.2bn RWA increase already accounted for in 2Q21) and of EUR 4.5bn in 2022 due to EBA guidelines.

income registers a downturn Y/Y, mainly owing to the lower contribution of the non-performing portfolio as a result, in particular, of the deconsolidation of the “Hydra M” portfolio at the end of 2020, to the decline in asset yields caused by the trend in interest rates and to the recomposition of exposures with a decrease in sight and short-term components and an increase in the medium/long term component. On the other hand, net interest income benefitted from the positive effects of access to the TLTRO3 auctions, albeit partly offset by the cost of increased deposits with central banks.

The quarter-on-quarter comparison shows an increase of EUR 37 million in income from banking activities, mainly from net interest income, which benefitted from cost of funding optimisation measures. Revenues, on the other hand, are down by EUR 83 million due to the decline in other income from banking business, which in the first quarter included the recognition of profits from the sale of securities.

Net interest income as at 30 June 2021 stands at **EUR 585 million**, down 9.5% Y/Y. The decrease was driven (i) above all, by the lower contribution 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 the recomposition 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 128 million, of access to the TLTRO3 auctions, albeit partly offset by the cost, amounting to approximately EUR 52 million, of increased deposits with central banks.

Net interest income in 2Q21 is up compared to the previous quarter (+9.3%), mainly thanks to the measures put in place to optimise the cost of customer funding and the greater benefit on TLTRO3, resulting from access to the March and June auctions.

Net fees and commissions in the first half of 2021, amounting to **EUR 755 million**, are up compared to the same period of the previous year (+8.7%). The increase is attributable to the higher income from wealth management (+22.2%), 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 (-5.6%), partly as a result of the recomposition of loans in favour of longer-term forms, as well as for commissions on services (-1.8%), linked to lower revenues from the management of current accounts.

The 2Q21 result is up from the previous quarter (+2.8%). More specifically, there is a rise in wealth management fees (EUR +5.5 million), thanks to the income from continuing fees, and in fees from traditional banking services (EUR +2.2 million), thanks to improving fees on payment services. Other net fees and commissions are also up (EUR +2.8 million).

Dividends, similar income and profit (loss) on investments amount to **EUR 55 million** and are up from 30 June 2020 (EUR +9 million) thanks to the higher contribution from the Bancassurance partnership with AXA[6]. The 2Q21 result is up from 1Q21 due to the recognition of the Banca d'Italia dividend, as well as for the increased contribution from the Bancassurance partnership with AXA[7].

Net profit (loss) from trading, financial assets/liabilities measured at fair value and gains from disposals/repurchases as at 30 June 2021 amounts to **EUR 179 million**, up from the figures recorded in the same period of the previous year (EUR +87 million) but with the 2Q21 contribution registering a downturn compared to 1Q21 (EUR -140 million). An analysis of the main aggregates shows the following:

- **Net profit from trading positive for EUR 32 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 2Q21 is up EUR 5 million compared to the previous quarter due to the increased contribution from the results of Banca MPS.
- **Net profit from other financial assets and liabilities measured at fair value through profit and loss shows a positive balance of EUR 16 million,** up from the negative contribution of EUR 6 million recorded in the same period of the previous year, thanks to capital gains on equity financial instruments, debt securities and UCITS. The 2Q21 result, amounting to **EUR -2.8 million** is down on the positive contribution of **EUR 19 million** in 1Q21, which had benefitted from the mentioned capital gains on equity financial instruments, debt securities and UCITS.

- **Gains on disposals/repurchases** (excluding customer loans at amortised cost) **show a positive balance of EUR 131 million**, up year-on-year thanks to the higher profits from the sale of securities. The 2Q21 result is down on the previous quarter since the sales of securities were carried out in the first part of the year.

The following items also contribute to revenues:

- **Net income from hedging, in the amount of EUR +2 million**, up from 30 June 2020 (at EUR +0.5 million) and with a reduced contribution in 2Q21 compared to the previous quarter.

- **Other operating expenses/income show a negative balance of EUR 12.5 million,** an improvement on the result recorded in the first half of 2020 (at EUR -27.5 million) and with the 2Q21 contribution up from the previous quarter (at EUR -11 million) due to the recognition of higher contingent assets.

As at 30 June 2021, **operating expenses** amount to **EUR 1,073 million**, down from 30 June 2020 (-0.3%) and with the 2Q21 result registering a downturn against the previous quarter (-1.4%). An analysis of the individual aggregates shows that:

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

[7] See note 6.

- **Administrative expenses** stand at **EUR 985 million** and are up 1.2% from the same period of the previous year, but with a contribution from the second quarter of 2021 in line with the previous quarter. Within the aggregate:

    - **Personnel expenses**, amounting to **EUR 719 million**, are up 1.5% 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 2Q21 is essentially in line with that of 1Q21 (-0.4%).

    - **Other administrative expenses,** amounting to **EUR 266 million**, are in line with the same period of the previous year (+0.3%). The 2Q21 result remains largely steady compared to 1Q21 (+0.4%).

- **Net value adjustments to tangible and intangible assets** as at 30 June 2021 stand at **EUR 89 million,** down from the same period of the previous year (-14.8%), partly due to the introduction of the fair value measurement of real estate. The aggregate is also down Q/Q (-13.7%).

As a result of the above trends, the Group's **pre-provision profit** amounts to **EUR 491 million** (EUR 375 million as at 30 June 2020), with the contribution in 2Q21 down by approximately EUR 76 million compared to the previous quarter.

The **cost of customer loans** booked by the Group as at 30 June 2021 amounts to **EUR -166 million**, up by EUR 354 million from the same period of the previous year (EUR -519 million), which included approximately EUR 300 million of increased provisioning resulting from the changed macroeconomic scenario that emerged following the outbreak of the COVID-19 pandemic. Excluding this effect, the aggregate still records a Y/Y decrease, mainly due to the absence of provisioning on tickets included in the "Hydra M" portfolio, which was deconsolidated at the end of 2020.

The cost of customer loans in 2Q21 is up from the previous quarter due to higher provisions on the Performing portfolio resulting mainly from the updated estimate of multi-period PD curves, in accordance with the New Definition of Default, and of quantitative thresholds used for the assignment to the various risk stages.

The ratio of annualised cost of customer loans over total customer loans as at 30 June 2021 reflects a **provisioning rate of 41 bps** (90 bps as at 31 December 2020).

The Group's **net operating result** as at 30 June 2021 shows a **positive balance of approx. EUR 327 million**, against a negative balance of EUR 149 million recorded for the same period of the previous year. The 2Q21 contribution of EUR 124 million is down from 1Q21, which registered a positive balance of approximately EUR 203 million.

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

- **Net provisions for risks and charges** amounting to **EUR -42 million,** an improvement on the same period of the previous year (equal to EUR -357 million). The result in 2Q21 was down from the previous quarter due to higher provisions for legal risks and guarantees related to loan disposal transactions.

- **Other gains (losses) on investments** amounting to **EUR -0.2 million**, against a gain of EUR 0.7 million registered in the same period of the previous year, with 2Q21 contributing EUR +3 million compared to a result of EUR -3 million in 1Q21.

- **Restructuring costs/one-off charges** totalling **EUR -4 million**, improving from the EUR -28 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 2Q21 result (equal to EUR -4 million) was down compared to 1Q21 (at EUR -0.1 million).

- **Risks and charges related to SRF, DGS and similar schemes,** totalling **EUR -90 million,** consisting of the Group’s contribution to the Single Resolution Fund (SRF), booked in 1Q21 in the amount of EUR 68 million, and the additional contribution to the National Resolution Fund (NRF), booked in 2Q21 in the amount of EUR 22 million, which is higher than the amount registered in the same period of the previous year following increased deposit volumes.

- **DTA fees**, totalling **EUR -32 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 June 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 0.7 million as at 30 June 2020.

As a result of the above trends, the Group’s **pre-tax profit for the period** amounts to **EUR 145 million**, vs. EUR -642 million registered as at 30 June 2020.

Taxes on profit (loss) from continuing operations record a positive contribution of **EUR 58.7 million** (EUR -437 million as at 30 June 2020) mainly owing to the valuation of DTAs, determined in continuity with the Financial Statements as at 31 December 2020.

In particular, it should be noted that the estimate of taxable income for future financial years was determined on the basis of the income projections used for the 2020 Financial Statements, with the exception of the expected result for 2021, which has been increased, for the purposes of the valuations in this half-yearly report, to take into account the better-than-expected evolution of the year; 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 -1.8 million), **the Parent Company’s profit for the period amounts to EUR 202 million**, against a loss of EUR -1,081 million reported for the same period in 2020.

Group balance sheet aggregates as at 30 June 2021

The Group's **total funding** volumes as at 31 March 2021 amount to **EUR 198.6 billion,** down EUR 4.9 billion from 31 March 2021, owing to the fall in direct funding (EUR -5.0 billion). The aggregate is also down compared to 31 December 2020 (EUR -7.2 billion) due to the decline in Direct Funding (EUR -9.7 billion) only partly offset by the increase in Indirect Funding (EUR +2.5 billion).

Direct funding volumes stand at **EUR 94.0 billion,** down EUR 5.0 billion vs. the end of March 2021. The downturn is mainly due to the decrease in repos (EUR -2.6 billion), though a downward trend was also registered for other forms of funding (EUR -1.2 billion), bonds (EUR -1.2 billion) and time deposits (EUR -0.7 billion). Current accounts, on the other hand, record an increase (EUR +0.7 billion).

The aggregate is down by EUR 9.7 billion from the end of December 2020, largely due to the decrease in repos (EUR -5.6 billion), bonds (EUR -1.5 billion), time deposits (EUR -1.4 billion) and other forms of funding (EUR -1.3 billion). Current accounts, on the other hand, register an increase (EUR +0.2 billion).

The decrease in bonds is due 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[8] stands at 3.83% (updated to April 2021), down from December 2020 (at 3.93%).

Indirect funding amounts to **EUR 104.6 billion**, remaining steady against 31 March 2021 due to the increase in assets under management (EUR +2.0 billion), which benefit from positive net inflows and a positive market effect, almost entirely offset by the decline in assets under custody (EUR -1.9 billion), impacted by the transactions of one major client.

Compared to 31 December 2020, Indirect Funding is up EUR 2.5 billion, driven by assets under management (EUR +3.7 billion), which benefited from positive net inflows and a positive market effect, while assets under custody fall by EUR 1.2 billion as a result of the above-mentioned transactions of one major client.

As at 30 June 2021, Group **customer loans** amount to **EUR 81.4 billion**, down by EUR 0.9 billion compared to the end of March 2021, mainly due to the decrease in repos (EUR -0.8 billion). A downturn is also recorded for other forms of lending (EUR -0.3 billion) and current accounts (EUR -0.1 billion), while mortgages register an increase (EUR +0.2 billion), having been influenced by disbursements and the extension of moratoria granted as part of the government decrees issued following the COVID-19 emergency.

Compared to 31 December 2020, the aggregate registers a decrease of EUR 1.3 billion. The EUR 1.8 billion growth in mortgages, influenced also by the above-mentioned disbursements and

[8] 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.

moratoria granted under the government decrees issued following the COVID-19 emergency, were more than offset by the decline in repos (EUR -1.9 billion), other forms of lending (EUR -1.0 billion) and current accounts (EUR -0.2 billion).

The Group's market share[9] stands at 4.50% (updated to April 2021), up 7 bps from the end of 2020.

Stage 1 loans, amounting to EUR 64.3 billion, register a decrease from both 31 December 2020 (at EUR 65.5 billion) and from 30 June 2020 (at EUR 65.3 billion). Stage 2 loans, with a gross exposure of EUR 15.3 billion as at 30 June 2021, are stable compared to the EUR 15.4 billion recorded as at 31 December 2020 and EUR 15.3 billion as at 31 March 2020. The overall trend shows essentially stable absolute and coverage levels for the three stages, highlighting at the moment the absence of the expected deterioration of the portfolio due to the progressive maturity of moratoria granted to customers (the amount of which has been steadily decreasing since the end of 2020).

The Group's total non-performing customer exposures as at 30 June 2021 stand at **EUR 4.2 billion** in terms of gross exposure, slightly increasing from the 31 December 2020 figure (equal to EUR 4.0 billion) and from 31 March 2021 (at EUR 4.1 billion). In particular, the gross exposure of bad loans, totalling EUR 1.6 billion, is marginally up compared to both 31 December 2020 (at EUR 1.5 billion) and 31 March 2021. The gross exposure of unlikely-to-pay loans, amounting to EUR 2.5 billion, is steady against both 31 December 2020 (at EUR 2.4 billion) and 31 March 2021. Gross past-due exposures, totalling EUR 99 million, are up by EUR 24 million from 31 December 2020, but down (EUR -22 million) from 31 March 2021.

As at 30 June 2021, the Group's **net non-performing customer exposures** stand at **EUR 2.2 billion,** slightly up both vs. 31 December 2020 and vs. 31 March 2021.

The ratio of net impaired customer loans to total net customer loans at 30 June 2021 was 2.8%, a slight increase compared to both December 2020 (2.6%) and 31 March 2021 (2.6%). In detail, the percentage weight of UTPs went from 1.9% in December 2020 to 1.8% in March 2021 and 2.0% as at 30 June 2021; the percentage of bad loans, equal to 0.7%, was unchanged compared to both December 2020 and March 2021. The incidence of past-due loans was 0.1%, stable compared to both December 2020 and March 2021.

As at 30 June 2021, **coverage** of impaired loans stands at 46.9%, an increase compared to 31 December 2020 (46.2%). In particular, coverage of bad loans rises from 62.3% in December 2020 to 64.5% in June 2021, while that of UTPs decreases slightly from 36.8% in December 2020 to 36.3% in June 2021. Coverage of past-due loans decreases from 27.8% in December 2020 to 26.0% in June 2021.

On the other hand, coverage of total impaired loans is down compared to 31 March 2021 (47.4%) mainly as a result of the reduced coverage of UTPs, down from 37.5% as at 31 March 2021 to 36.3% as at 30 June 2021.

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

The decreased UTP coverage is essentially attributable to the exit towards bad loans of very well-covered tickets accompanied by the entry of mostly secured – and therefore with a below-average coverage – tickets.

As at 30 June 2021, the Group's **securities assets** amount to **EUR 23.1 billion**, up from 31 December 2020 (EUR +1.5 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 9,513.5 million (with implicit capital gains of approximately EUR 206.7 million).

The aggregate is up compared to 31 March 2021 (EUR +0.6 billion) due to the increase in financial assets measured at fair value through other comprehensive income (EUR +0.4 billion) and the amortised cost component (EUR +0.2 billion), attributable, specifically, to the Parent Company's purchase of securities, mainly government bonds.

Financial liabilities held for trading, attributable in particular to the subsidiary MPS *Capital Services*, amount to **EUR 3.8 billion** as at 30 June 2021, registering a decrease from 31 December 2020 (EUR -0.7 billion) and an increase compared to 31 March 2021 (EUR +0.6 billion) for the subsidiary MPS *Capital Services.*

As at 30 June 2021, the **net position in derivatives** improves against 31 December 2020 while worsens compared to 31 March 2020.

As at 30 June 2021, the Group's **net interbank position** stands at **EUR 3.3 billion** in funding, against EUR 5.6 billion in lending as at 31 December 2020, as a 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. Compared to 31 March 2021 (which registered a net interbank position of EUR 0.2 billion in lending), the change is driven by the additional access to TLTRO3 auctions in the amount of EUR 3 billion at the end of June and to the decline in deposits on the required reserve account.

As at 30 June 2021, the operational liquidity position shows an **unencumbered counterbalancing capacity of approximately EUR 31.1 billion**, largely stable against 31 March 2021 but down from 31 December 2020 (EUR -2.1 billion) due to lower commercial funding and the maturity of market bonds.

As at 30 June 2021, the **Group's shareholders' equity and non-controlling interests** amount to **approximately EUR 6.1 billion,** up EUR 294 million from 31 December 2020, due i) to the increase in valuation reserves, ii) to the profit for the period and iii) to the net effect of the EUR 178.2 million decrease in treasury shares as a result of sales carried out by the Parent Company, offset by the negative trading result of EUR 153.1 million recognised as other reserves.

Compared to 31 March 2021, however, an increase of EUR 60 million was recorded, attributable i) to the 2Q21 profit, partly neutralised by reduced valuation reserves and ii) to the net effect of the EUR 125.2 million decrease in treasury shares as a result of disposals carried out by the Parent Company, offset by the negative trading result of EUR 107.6 million recognised in other reserves.

As regards capital ratios, the **common equity tier 1 ratio** stood at **12.1%** as at 30 June 2021 (in line with the end of 2020) and the **total capital ratio** was **15.5%** (compared to 15.8% at the end of 2020).

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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 estimates formulated in previous months, which showed a shortfall already from the first quarter of 2021 estimated at EUR 1.5 billion as at 1 January 2022, it is reported that as at 31 March and 30 June 2021 no capital shortfall occurred and the shortfall at 12 months from the reference date, i.e. 30 June 2022, is expected to be below EUR 500 million, including the effect of updates to internal models according to EBA Guidelines. The decrease in the expected shortfall derives from the effects of already implemented capital management actions and from the evolution of capital and risk-weighted assets. Moreover, the capital shortfall concerns Tier 1 and Total Capital, and is contained within the limits of the Capital Conservation Buffer; no shortfall is expected on Common Equity Tier 1. The shortfall is estimated taking into account the results of the first half of the year and the expected performance for 2021, assuming confirmation of the current business model and excluding the capital strengthening transaction, other extraordinary capital contributions and subordinated issues.

With reference to the “structural solution” it should be noted that on 29 July UniCredit issued a specific press release through which it announced that it had agreed with the MEF on the prerequisite terms for a potential transaction involving the transfer of a defined perimeter of MPS to UniCredit. UniCredit and MEF will enter into exclusive discussions to verify the feasibility of the transaction. To this end, Banca Monte dei Paschi di Siena and UniCredit have signed a confidentiality agreement, necessary to initiate the exchange of information through a data room, to which UniCredit has had access since Tuesday 3 August 2021.

Should the implementation of a “structural solution” not materialise in the short/medium term, the Capital Plan envisages a EUR 2.5 billion capital strengthening transaction. In this context, which constitutes a fall-back option to the pursuit of the “structural solution”, DG Comp and ECB would be required to assess, to the extent of their respective competences, the State’s intervention on the basis of the Parent Company’s stand-alone viability. This assessment poses, in principle, significant uncertainties on the Parent Company’s capital strengthening process and on the feasibility of a capital increase at market conditions. On the basis of the initial discussions with DG Comp following the presentation of the new Group Strategic Plan 2021-2025 – and in light of the breach of certain commitments defined in the 2017-2021 Restructuring Plan – the Bank was asked to propose additional compensation measures, which were approved by the Board of Directors on 5 February 2021 and submitted to DG Comp. Subsequently, discussions with the Authorities continued without any developments.

Should the “structural solution” not prove feasible in the short to medium term, without prejudice to the development of discussions with DG Comp and ECB, it is believed that the capital strengthening transaction, initially envisaged for the third quarter of 2021, can be temporally placed in the first half of 2022.

Furthermore, on 21 July a preliminary agreement was reached with the MPS Foundation, and approved by today's Board of Directors, which provides for the closing of the EUR 3.8 billion claims brought by the Institution against a settlement of EUR 150 million that the Bank has undertaken to pay. The nearly 40% decrease in the petitum of legal risks will be a significant enabling factor for any transaction designed to overcome the capital shortfall.

On the basis of the current information framework, the Bank believes that the capital shortfall can be overcome through the "structural solution" or, having recalled the necessary discussions with DG Comp set out above, through a capital strengthening transaction on a stand-alone basis, and that - also 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 for the foreseeable future, and the use of the going concern basis in the preparation of the half-yearly financial report as at 30 June 2021 is thus considered appropriate.

This information, at the request of CONSOB, will be 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

For further information:

Media Relations	**Investor Relations**
Tel. + 39 0577 296634	Tel: +39 0577 299350
ufficio.stampa@mps.it	*investor.relations@mps.it*

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 quarters 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 accounting policy for investment properties (ex IAS 16) was applied prospectively starting from 31 March 2020, in accordance with the provisions of IAS 8.

As a result of the change in the valuation criteria for real estate assets, as of this reporting date it is specified that:

- 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 functional properties (ex IAS 16) referring to the first quarter 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”.

Finally, it should be noted that the limited audit of the 2021 half-year financial report by the independent auditors has not yet been completed.

<u>Reclassified income statement</u>

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 -2.3 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 46.5 million, included under item 250 "gains (losses) on investments". The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 3.1 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 -0.2 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 -4.9 million),reclassified under "cost of customer loans". The item also incorporates dividends earned on securities other than equity investments (EUR 3.1 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 121.2 million) and net of other expense recoveries, which are reclassified under item "net value adjustments to tangible assets" (EUR 10.9 million).

- Item "**personnel expenses**" includes the balance of item 190a "personnel expenses" reduced by EUR 3.2 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 89.6 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 31.6 million, reclassified under the item "DTA fees";

  - charges of EUR 1.0 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 121.2 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 -0.4 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR 10.9 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 -0.2 million), 110b “net profit (loss) on financial assets and liabilities measured at fair value” (EUR -4.9 million), 130a “net impairment losses/reversals on financial assets measured at amortised cost” (EUR -162.6 million), 140 “modification gains/(losses) without derecognition” (EUR -5.3 million) and 200a “net provisions for risks and charges: net provisions for commitments and guarantees issued” (EUR +7.7 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 +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 +0.9 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 +7.7 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 46.5 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 2.7 million, posted under item 190a “personnel expenses”;

  - charges of EUR 1.0 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 89.6 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 31.6 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 0.9 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 -2. million and "net value adjustments on tangible and intangible assets" for EUR -0.4 million, net of a theoretical tax burden of EUR +0.9 million which integrates the item).

Reclassified balance sheet

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 06 2021	30 06 2020*	Chg.
Net interest income	585.2	646.9	-9.5%
Net fee and commission income	754.5	694.3	8.7%
Other income from banking business	236.7	138.9	70.4%
Other operating income and expenses	(12.5)	(27.5)	-54.5%
Total Revenues	1,563.9	1,452.5	7.7%
Operating expenses	(1,073.3)	(1,077.1)	-0.3%
Cost of customer credit	(165.5)	(519.3)	-68.1%
Other value adjustments	1.7	(5.5)	n.m.
Net operating income (loss)	326.8	(149.3)	n.m.
Non-operating items	(181.7)	(492.8)	-63.1%
Parent company's net profit (loss) for the period	202.1	(1,081.4)	n.m.
EARNINGS PER SHARE (EUR)	30 06 2021	30 06 2020*	Chg.
Basic earnings per share	0.208	(0.980)	n.m.
Diluted earnings per share	0.208	(0.980)	n.m.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	30 06 2021	30 06 2020*	Chg.
Total assets	145,749.7	150,345.0	-3.1%
Loans to customers	81,355.8	82,632.3	-1.5%
Direct funding	94,036.5	103,719.3	-9.3%
Indirect funding	104,594.6	102,067.3	2.5%
of which: assets under management	64,125.4	60,400.3	6.2%
of which: assets under custody	40,469.1	41,667.0	-2.9%
Group net equity	6,065.3	5,771.6	5.1%
OPERATING STRUCTURE	30 06 2021	31 12 2020	Chg.
Total headcount - end of period	21,388	21,432	(44)
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 June 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 the first half 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".

ALTERNATIVE PERFORMANCE MEASURES			
MPS GROUP			
PROFITABILITY RATIOS (%)	30 06 2021	31 12 2020*	Chg.
Cost/Income ratio	68.6	74.9	-6.3
ROE (on average equity)	6.8	(24.0)	30.8
ROA	0.3	(1.1)	1.4
ROTE	7.0	(24.6)	31.6
CREDIT QUALITY RATIOS (%)	30 06 2021	31 12 2020	Chg.
Net impaired loans to customers / Loans to Customers (Net NPE ratio)	2.8	2.6	0.2
Gross NPE ratio	3.7	3.4	0.3
Rate of change of non performing loans to customers	5.1	(64.8)	69.9
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	18.7	18.5	0.2
Coverage of impaired loans to customers	46.9	46.2	0.7
Coverage of bad loans to customers	64.5	62.3	2.2
Cost of customers loans/Customers loans (Provisioning)	0.41	0.90	-0.49
Texas Ratio	53.6	53.9	-0.3

* Balance sheet figures as at 31 December 2020 and income statement figures as at 30 June 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 the first half 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".

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[10] 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[11], 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[10].

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

[11] EBA GL/2018/10.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

REGULATORY MEASURES			
MPS GROUP			
CAPITAL RATIOS (%)	30 06 2021*	31 12 2020	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	12.1	12.1	n.m.
Common Equity Tier 1 (CET1) ratio - fully loaded	10.6	9.9	0.7
Total Capital ratio - phase in	15.5	15.8	-0.3
Total Capital ratio - fully loaded	14.0	13.5	0.5
FINANCIAL LEVERAGE INDEX (%)	30 06 2021	31 12 2020	Chg.
Leverage ratio - transitional definition	4.7	4.4	0.3
Leverage ratio - fully phased	4.1	3.6	0.5
LIQUIDITY RATIO (%)	30 06 2021	31 12 2020	Chg.
LCR	194.2	196.7	-2.5
NSFR	135.1	123.8	11.3
Encumbered asset ratio	40.1	39.8	0.3
Loan to deposit ratio	86.5	79.7	6.8
Unencumbered Counterbalancing capacity (EUR bn)	31.1	33.1	-2.0

* Pro forma figures including profit for the period.

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[12] and total risk-weighted assets (RWAs) [13].

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

Leverage ratio: indicator calculated as the ratio between Tier 1 capital[14] 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.

[12] 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.

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

[14] 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.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Consolidated Income Statement				
MONTEPASCHI GROUP	30 06 2021	30 06 2020*	Change	
			Abs.	%
Net interest income	585.2	646.9	(61.7)	-9.5%
Net fee and commission income	754.5	694.3	60.2	8.7%
Income from banking activities	**1,339.7**	**1,341.1**	**(1.4)**	**-0.1%**
Dividends, similar income and gains (losses) on investments	55.4	46.3	9.1	19.7%
Net profit (loss) from trading, from financial assets/liabilities measured at fair value and Net profit (loss) on disposals/repurchases	179.4	92.1	87.3	94.8%
Net profit (loss) from hedging	1.9	0.5	1.4	n.m.
Other operating income (expenses)	(12.5)	(27.5)	15.0	-54.5%
Total Revenues	**1,563.9**	**1,452.5**	**111.4**	**7.7%**
Administrative expenses:	(984.8)	(973.2)	(11.6)	1.2%
a) personnel expenses	(718.8)	(707.9)	(10.9)	1.5%
b) other administrative expenses	(266.0)	(265.3)	(0.7)	0.3%
Net value adjustments to property, plant and equipment and intangible assets	(88.5)	(103.9)	15.4	-14.8%
Operating expenses	**(1,073.3)**	**(1,077.1)**	**3.8**	**-0.3%**
Pre-Provision Profit	**490.6**	**375.5**	**115.1**	**30.7%**
Cost of customer loans	**(165.5)**	**(519.3)**	**353.8**	**-68.1%**
Net impairment (losses)/reversals on securities and loans to banks	**1.7**	**(5.5)**	**7.2**	**n.m.**
Net operating income	**326.8**	**(149.3)**	**476.1**	**n.m.**
Net provisions for risks and charges	(42.3)	(357.1)	314.8	-88.2%
Other gains (losses) on equity investment	(0.2)	0.7	(0.9)	n.m.
Restructuring costs / One-off costs	(4.2)	(27.9)	23.7	-85.0%
Risks and charges associated to the SRF, DGS and similar schemes	(89.6)	(76.7)	(12.9)	16.8%
DTA Fees	(31.6)	(35.5)	3.9	-11.0%
Net gain (losses) on property, plant and equipment and intangible assets measured at fair value	(28.2)	4.4	(32.6)	n.m.
Gains (losses) on disposal of investments	14.4	(0.7)	15.1	n.m.
Profit (Loss) for the period before tax	**145.1**	**(642.1)**	**787.2**	**n.m.**
Tax (expense)/recovery on income from continuing operations	58.7	(437.4)	496.1	n.m.
Profit (Loss) after tax	**203.8**	**(1,079.5)**	**1,283.3**	**n.m.**
Net profit (loss) for the period including non-controlling interests	**203.8**	**(1,079.5)**	**1,283.3**	**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	**203.9**	**(1,079.4)**	**1,283.3**	**n.m.**
PPA (Purchase Price Allocation)	(1.8)	(2.0)	0.2	-
Parent company's net profit (loss) for the period	**202.1**	**(1,081.4)**	**1,283.5**	**n.m.**

* Income statement figures as at 30 June 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 the first half 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”.

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

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Reclassified Balance Sheet				
Assets	**30 06 2021**	**30 12 2020***	**Chg**	
			abs.	**%**
Cash and cash equivalents	587.1	763.8	(176.7)	-23.1%
Loans to central banks	25,570.5	28,526.2	(2,955.7)	-10.4%
Loans to banks	4,292.1	5,452.3	(1,160.2)	-21.3%
Loans to customers	81,355.8	82,632.3	(1,276.5)	-1.5%
Securities assets	23,121.9	21,623.3	1,498.6	6.9%
Derivatives	2,689.5	3,018.6	(329.1)	-10.9%
Equity investments	1,027.7	1,107.5	(79.8)	-7.2%
Property, plant and equipment/Intangible assets	2,760.0	2,519.7	240.3	9.5%
of which:				
a) goodwill	*7.9*	*7.9*	*-*	*0.0%*
Tax assets	1,800.4	1,991.6	(191.2)	-9.6%
Other assets	2,544.7	2,709.7	(165.0)	-6.1%
Total assets	**145,749.7**	**150,345.0**	**(4,595.3)**	**-3.1%**

Liabilities	**30 06 2021**	**30 12 2020***	**Chg**	
			abs.	**%**
Direct funding	94,036.5	103,719.3	(9,682.8)	-9.3%
a) Due to customers	83,315.3	91,506.9	(8,191.6)	-9.0%
b) Securities issued	10,721.2	12,212.4	(1,491.2)	-12.2%
Due to central banks	29,305.6	23,933.6	5,372.0	22.4%
Due to banks	3,854.3	4,484.5	(630.2)	-14.1%
Financial liabilities held for trading	3,819.3	4,545.5	(726.2)	-16.0%
Derivatives	2,730.1	3,253.5	(523.4)	-16.1%
Provisions for specific use	2,016.9	2,059.2	(42.3)	-2.1%
a) Provisions for staff severance indemnities	163.3	166.6	(3.3)	-2.0%
b) Provisions related to guarantees and other commitme	144.6	154.1	(9.5)	-6.2%
c) Pensions and other post-retirement benefits	31.4	33.0	(1.6)	-4.8%
d) Other provisions	1,677.6	1,705.5	(27.9)	-1.6%
Tax liabilities	8.0	4.1	3.9	95.1%
Other liabilities	3,912.3	2,572.4	1,339.9	52.1%
Group net equity	6,065.3	5,771.6	293.7	5.1%
a) Valuation reserves	324.7	260.9	63.8	24.5%
d) Reserves	(3,521.0)	(1,684.0)	(1,837.0)	n.m.
f) Share capital	9,195.0	9,195.0	-	0.0%
g) Treasury shares (-)	(135.5)	(313.7)	178.2	-56.8%
h) Net profit (loss) for the year	202.1	(1,686.5)	1,888.6	n.m.
Non-controlling interests	1.4	1.3	0.1	7.7%
Total Liabilities and Shareholders' Equity	**145,749.7**	**150,345.0**	**(4,595.3)**	**-3.1%**

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

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Reclassified Balance Sheet - Quarterly Trend						
Assets	**30/06/21**	**31/03/21**	**31/12/20***	**30/09/20***	**30/06/20***	**31/03/20***
Cash and cash equivalents	587.1	550.3	763.8	662.4	679.9	611.2
Loans to central banks	25,570.5	26,116.8	28,526.2	18,679.7	15,037.8	8,109.5
Loans to banks	4,292.1	4,278.4	5,452.3	4,934.9	5,757.3	4,938.8
Loans to customers	81,355.8	82,259.0	82,632.3	87,098.7	82,510.6	82,206.1
Securities assets	23,121.9	22,562.1	21,623.3	23,024.6	25,569.4	26,006.3
Derivatives	2,689.5	2,757.5	3,018.6	3,023.0	3,129.1	3,233.8
Equity investments	1,027.7	1,069.2	1,107.5	991.8	953.9	892.0
Property, plant and equipment/Intangible assets	2,760.0	2,784.5	2,519.7	2,535.8	2,560.0	2,825.2
of which:						
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	1,800.4	1,919.8	1,991.6	2,114.1	2,196.1	2,768.0
Other assets	2,544.7	2,361.2	2,709.7	3,209.6	3,255.7	2,668.8
Total assets	**145,749.7**	**146,658.8**	**150,345.0**	**146,274.6**	**141,649.9**	**134,259.7**
Liabilities	**30/06/21**	**31/03/21**	**31/12/20***	**30/09/20***	**30/06/20***	**31/03/20***
Direct funding	94,036.5	99,053.6	103,719.3	98,418.1	97,585.2	95,367.2
a) Due to customers	83,315.3	87,124.1	91,506.9	86,827.3	86,139.8	83,680.4
b) Securities issued	10,721.2	11,929.5	12,212.4	11,590.8	11,445.4	11,686.8
Due to central banks	29,305.6	26,373.1	23,933.6	23,994.9	21,330.6	15,997.9
Due to banks	3,854.3	3,816.4	4,484.5	4,733.6	4,853.9	4,752.1
Financial liabilities held for trading	3,819.3	3,179.5	4,545.5	3,122.2	2,192.1	2,407.1
Derivatives	2,730.1	2,759.0	3,253.5	3,293.9	3,419.2	3,174.4
Provisions for specific use	2,016.9	2,011.3	2,059.2	1,942.4	1,570.9	1,310.3
a) Provisions for staff severance indemnities	163.3	164.2	166.6	182.1	180.3	166.4
b) Provisions related to guarantees and other	144.6	147.1	154.1	153.0	152.6	155.3
c) Pensions and other post-retirement benefits	31.4	32.3	33.0	33.1	34.0	35.2
d) Other provisions	1,677.6	1,667.7	1,705.5	1,574.2	1,204.0	953.4
Tax liabilities	8.0	8.1	4.1	3.0	3.0	3.3
Other liabilities	3,912.3	3,451.0	2,572.4	4,001.0	3,541.4	3,327.7
Group net equity	6,065.3	6,005.4	5,771.6	6,764.2	7,152.2	7,918.0
a) Valuation reserves	324.7	367.6	260.9	153.5	35.2	(41.5)
d) Reserves	(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	10,328.6	10,328.6	10,328.6
g) Treasury shares (-)	(135.5)	(260.7)	(313.7)	(313.7)	(313.7)	(313.7)
h) Net profit (loss) for the year	202.1	119.3	(1,686.5)	(1,532.1)	(1,081.4)	(239.0)
Non-controlling interests	1.4	1.4	1.3	1.3	1.4	1.7
Total Liabilities and Shareholders' Equity	**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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