# MPS 3Q21 & 9M21 Results

*4 November 2021*

# 9M21 Highlights

**Focused Business machine**

- ✓ **Ongoing improvement in NII**; commercial spread gap vs the market reduced by >40% in 12M
- ✓ **9M21 fees up 6% YoY**; fees + income from AXA-MPS close to 60% of core revenues
- ✓ **9M21 WM gross inflows: + 35% vs 9M19** pre-Covid level

**Asset Quality under Control**

- ✓ **Moratoria down 80%** since Jun-20 peak, now representing **4% of performing loan book***
- ✓ Coverage of moratoria higher than the cost observed on default flow (default rate at 1.7%)
- ✓ **Gross NPE** at 4.4%** stable vs Dec-20, adjusted for the New Definition of Default

**Ongoing Deleverage of Legal Risks**

- ✓ **Legal & threatened claims** at EUR 6bn in 3Q21***, **-40% since Dec-20** and back to 2019 level
- ✓ 2/3 of the overall petitum related to ordinary business
- ✓ Coverage of legal risk at one of the highest level among Italian banks

**Further Improvement in Capital Ratios**

- ✓ **CET1 (transitional) 12.8%****** (12.1% in Jun-21 and in Dec-20), **400bps above regulatory requirement**
- ✓ **170bps of capital generation in 9M21. CET1 fully loaded 11.3%** (+70bps vs Jun-21; 9.9% in Dec-20)
- ✓ Next 12 months EUR 1.5bn regulatory capital shortfall estimated in Nov-20 **now reduced to zero**

* Figures from operational data management system.
** Gross NPE ratio pro-forma, excluding a big ticket back to performing on 1st October 2021.
*** Pro-forma, including the effect of the settlement with Fondazione MPS, reached on 7th October 2021.
****Pro-forma, including 3Q21 net income.

# 9M21 Results

## Pre-provision profit

**EUR 679mln**

(EUR 503mln in 9M20)*

NII stable YoY*

Fees up 6.0% YoY

Costs -2% YoY, despite non-renewal of company trade union agreement

## Cost of risk

**32bps**

"Ordinary" cost of risk, including voluntary cost of calendar provisioning accounted on capital

In line with 2020 level (adjusted for Covid- and Hydra-related provisions)

EUR 131mln net release of provisions in 3Q due to two large tickets back to bonis

## Net operating result

**EUR 648mln**

(EUR 39mln in 9M20*)
Best result of the last 6 years

## Net result

**EUR 388mln**

(including EUR -159mln for systemic charges)

**8.9% ROTE**

## Gross NPE ratio

**4.4%****

stable vs. 2020 YE

**3.9%**

(EBA definition)***

## CET1 ratios****

Transitional: **12.8%**

up +70bps vs Jun-21

Fully loaded*****: **11.3%**

(vs. 9.9% in Dec-20, 10.6% in Jun-21)

## Liquidity

Counterbalancing capacity

**EUR 26bn**

(18% on total assets)

Ongoing activity to manage excess liquidity deposited with central banks

* Adjusted for Hydra transaction.

** 9M21 ratio pro-forma for a big ticket back to performing on 1st October 2021.

*** As per EBA guidelines, ratio between gross impaired loans to customers and banks, net of assets held for sale, and total gross loans to customers and banks, net of assets held for sale.

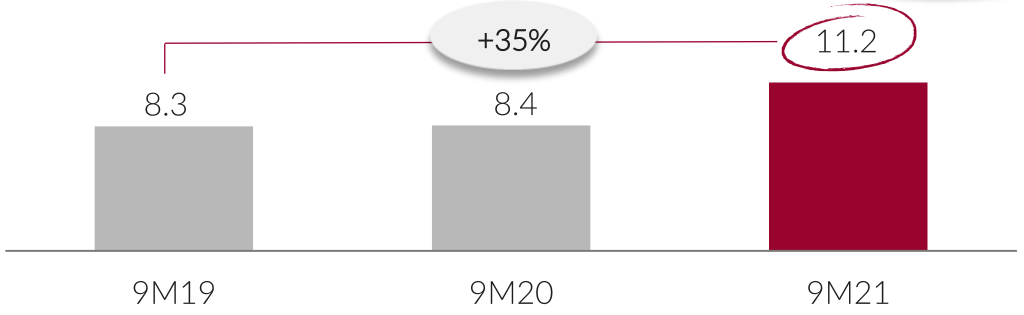
**** Pro forma capital ratios including 3Q21 net income.

***** Including full impact of IFRS9 and FVTOCI reserve on govies.

# Business machine – Focus on fees

WM gross & net inflows with best result in over 3 years

## Wealth management gross inflows* *(€/bn)*

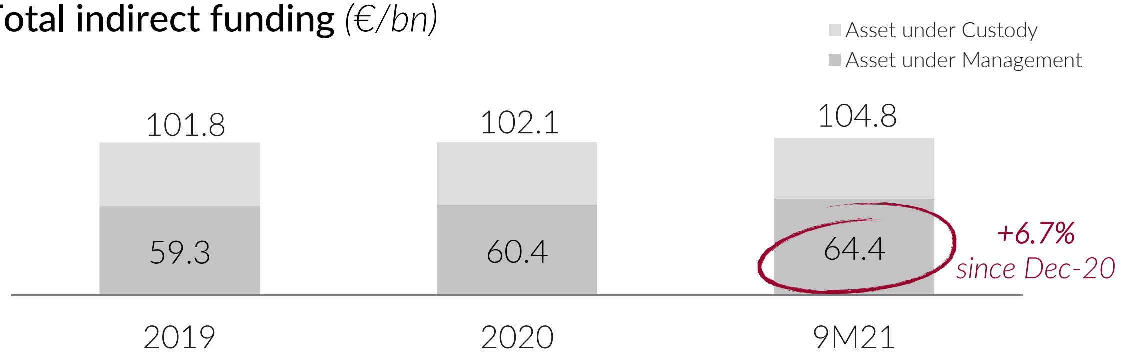



*Wealth management net inflows* (€/bn)*

0 | +0.7 | +2.7

+282% YoY

## Total indirect funding *(€/bn)*

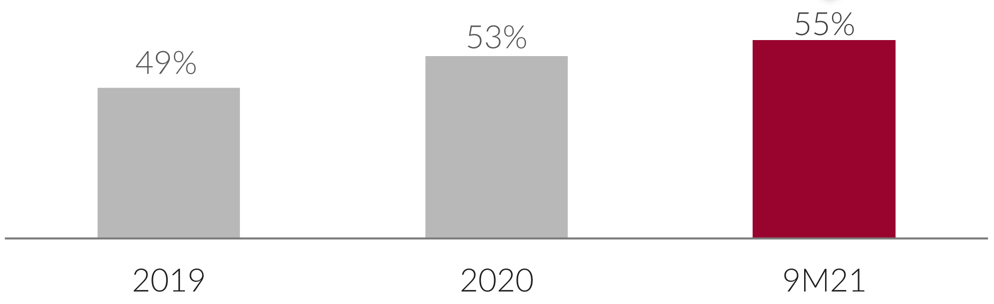



*AuM /Total indirect funding (%)*

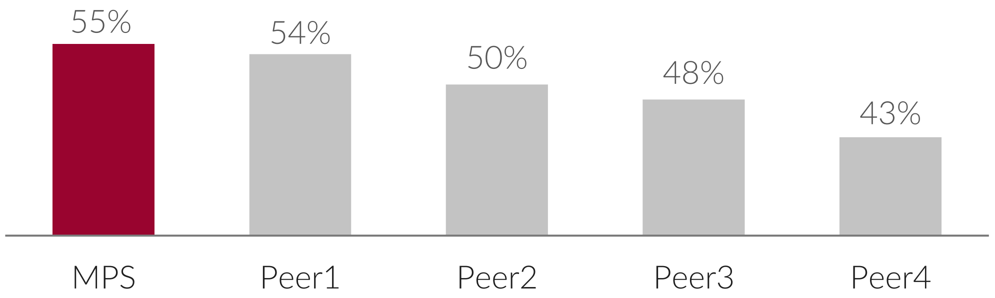
58% | 59% | 62%

## Fees / (Net interest income + Fees)

57% including income from investment in AXA MPS




## Fees / (Net interest income + Fees)**




- Business model increasing focused on fees, representing now 55% of core revenues
- Adjusted fees (including income from AXA MPS, participated at 50% less 1 share) at 57%

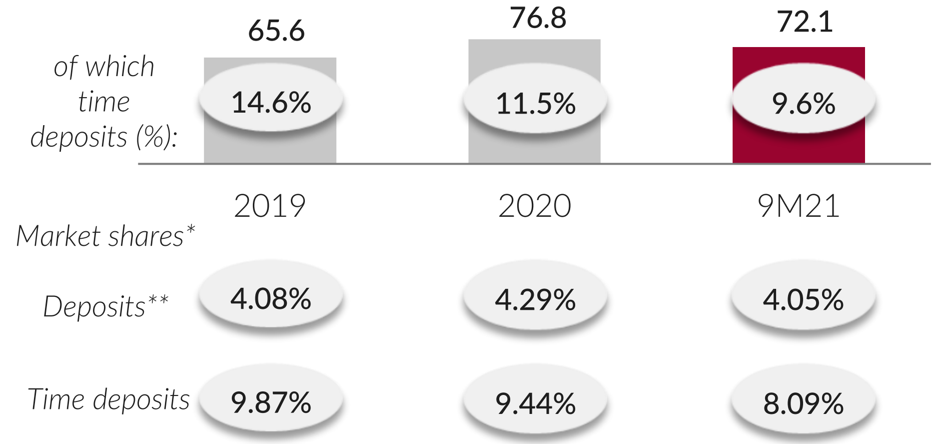


* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.

** Peers: ISP, UniCredit, BAMI, BPER as at Jun-21. MPS data as at Sep-21.

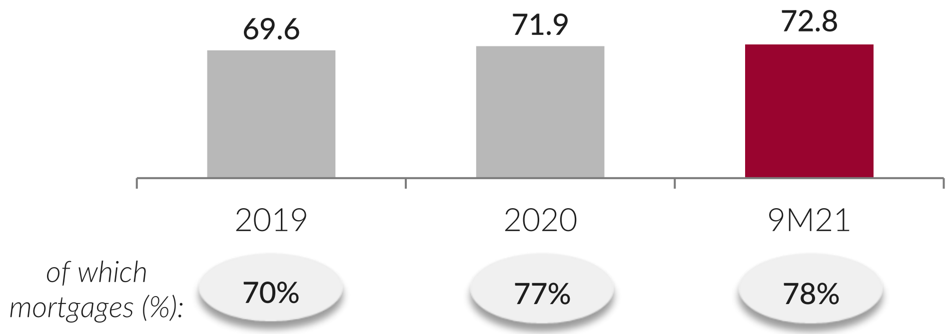
# Business machine - Deposits and Lending: closing the gap vs the market

## Current accounts & time deposits *(€/bn)*



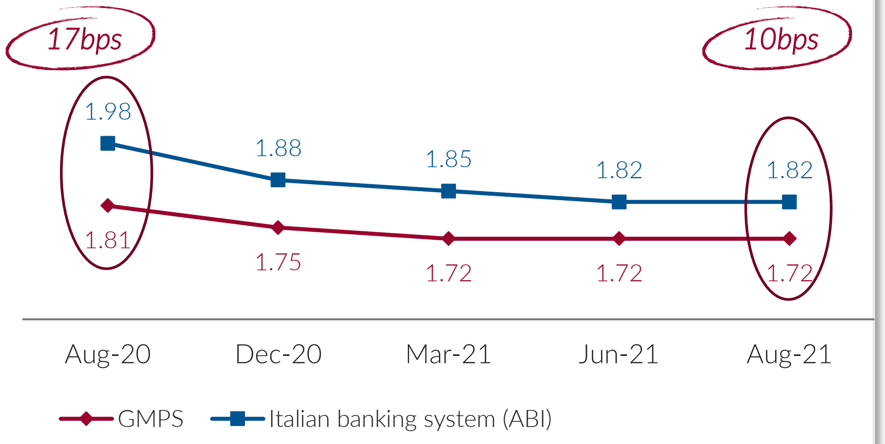

- ✓ Cost of deposit gap vs market reduced to 9bps in Aug-21 (16bps as of Aug-20)
- ✓ Further opportunity from the reduction of time deposits

## Net Lending stock *(excluding repos & impaired loans, €/bn)*




- ✓ Continuous focus on pricing and asset quality:
  - rate on new loans up 25bps YoY
  - ~85% of new ordinary lending are secured
- ✓ Lending market share*** at 4.5%
  - Retail mortgages market share*** at 6.3%

## Commercial spread *(%)*




- ❑ Commercial spread gap vs the market decreased by >40% YoY and now at 10bps, thanks to lower cost of deposits and resilience of loans rate
- ❑ Ongoing initiatives to further reduce cost of funding
- ❑ Launch of consumer finance in 4Q21 to help reducing remaining gap

* Market share as at Jul-21. Latest available data.

** Sight deposits + deposits redeemable at notice + time deposits + repos (net of those with central counterparties).

*** Market share on loans (net of bad loans and of repos with central counterparties) as at Jul-21, latest available data.

# Business machine – Banca Widiba: Leverage on Technology and FAs

BANCAWIDIBA

**Solid growth** in all business metrics continues, with a strong focus on **investments and mortgages**

**Reached EUR 9.6bn** of total **funding stock (EUR +1bn YoY), driven by WM**

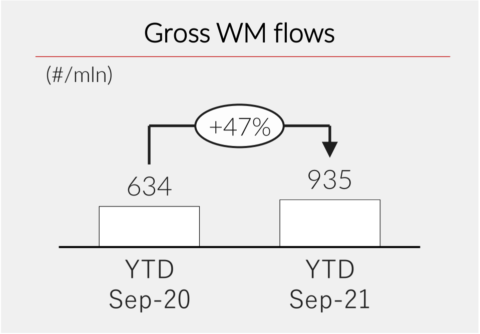
**EUR 0.7bn** of **loans stock; New mortgages up 46% YoY**

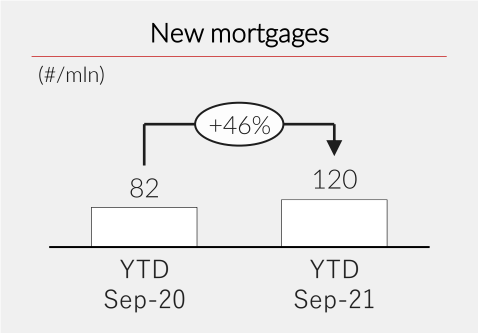
Most relevant innovation facts & initiatives:

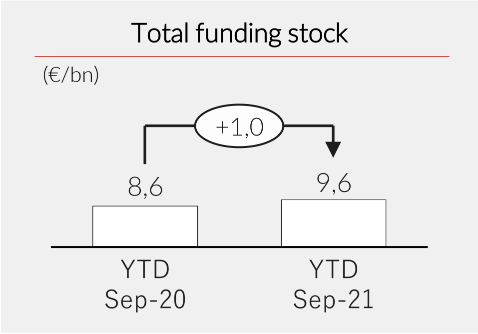
- **Video-banking solution** launched to interact with customers and FAs
- **Chatbot service evolution** through **predictive technology**
- **Enrichment of global advisory financial planning** platform nearly completed with a **new tools** (real estate, pension, succession)

**Business Growth**

**Growth acceleration:** solid growth of investment placements and mortgages following the bank's strategy to transform liquidity into assets under management and lending

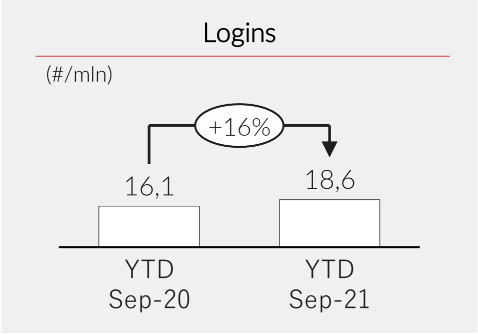


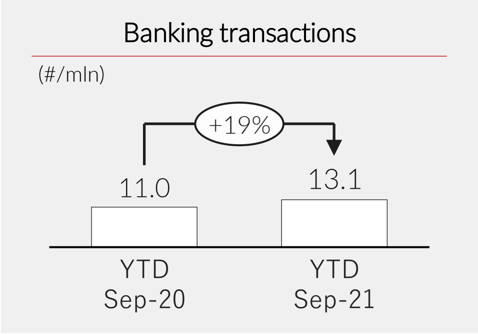



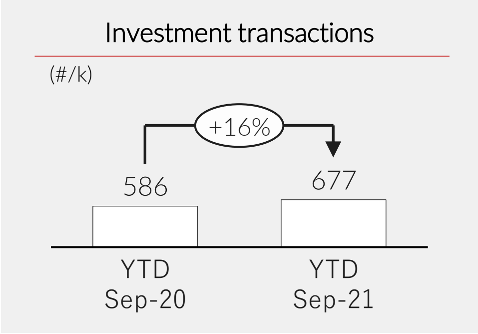




**Transaction Growth**

**Second year of double-digit growth** on **platform usage** and **transactions** mainly driven by the advisory business and digital innovation

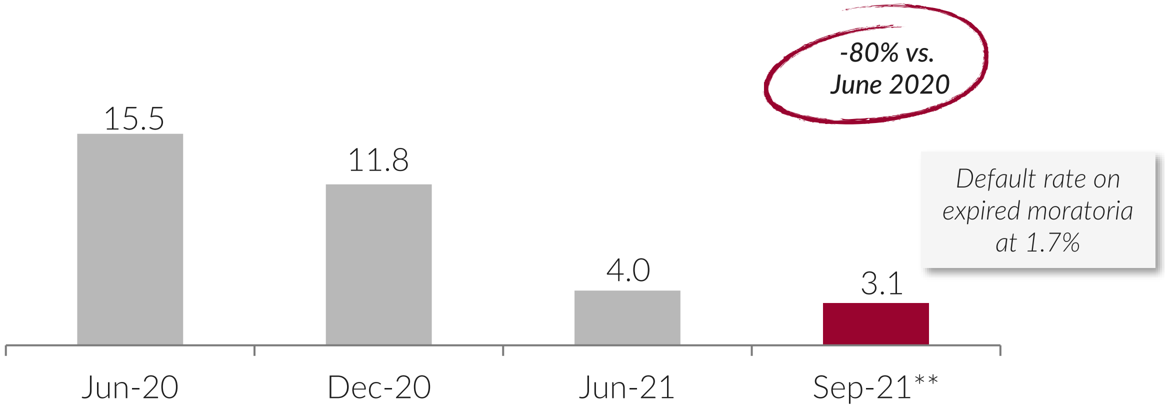


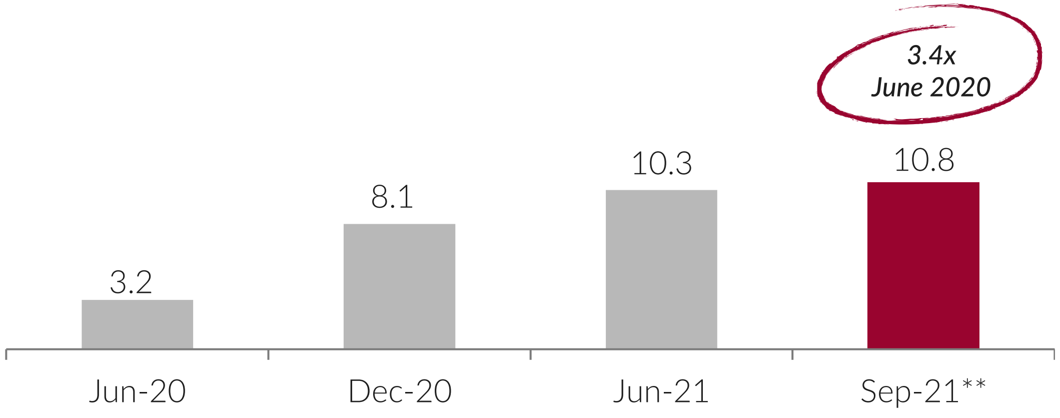
# Asset quality - Ongoing reduction on moratoria and increased guaranteed loans

*Moratoria on performing book* (€/bn)*




- **~EUR 3bn outstanding moratoria,** 4% of performing loan book***
- Riskiest part of the moratoria portfolio analysed in the Crash Programme
- ~50% classified as stage 2 (coverage of ~5%)
- **Coverage of moratoria portfolio significantly higher** than the cost observed on default flow (default rate on expired moratoria at 1.7%)

*New guaranteed loan applications accepted* (€/bn)*



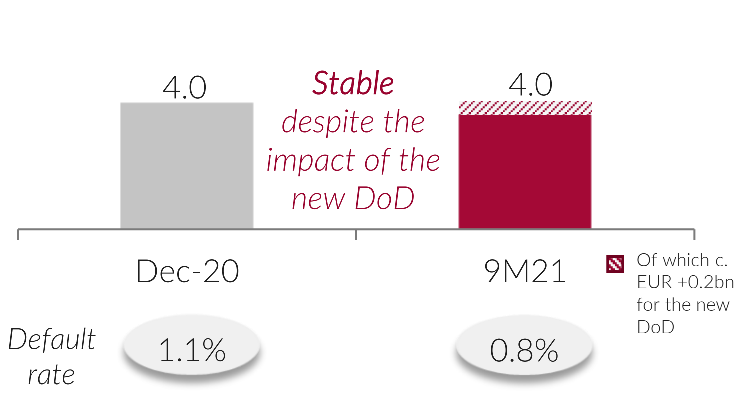

- **~EUR 11bn of State-guaranteed loan applications accepted**, ~15% of performing loan book***
- **5% market share** (in line with MPS natural market share)
- Driver for future lower cost of risk

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

* Figures related to MPS Group.
** Latest updates: 1 October 2021 for moratoria, 30 September 2021 for new-guaranteed loans.
*** Figures from operational data management system.

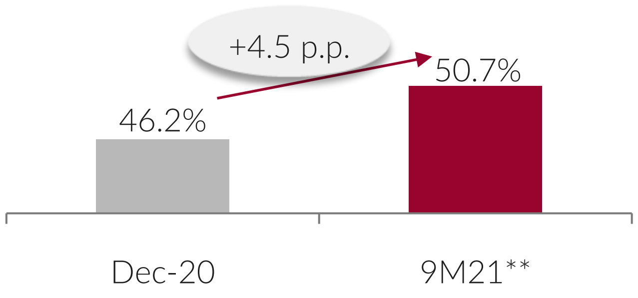
# Asset quality – Ongoing De-Risking of Portfolio

*Gross NPE* (€/bn)*



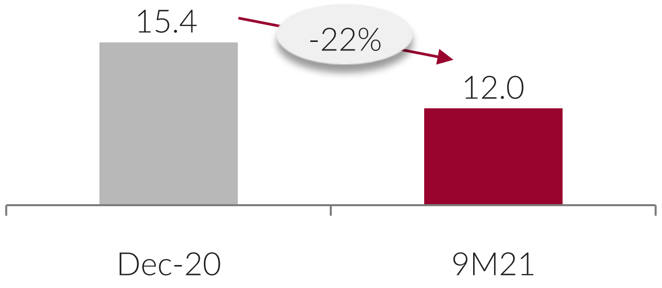

- Gross NPE stock at EUR 4bn, stable vs Dec-20 despite the impact of the new definition of default (EUR +0.2bn in 1Q21)

*NPE Coverage (%)*




- NPE coverage at 50.7% , +4.5 p.p. vs. Dec-20

*Gross Stage 2 (€/bn)*




- Stage 2 stock reduction (EUR -3.4bn vs Dec-20), with a coverage at 3%

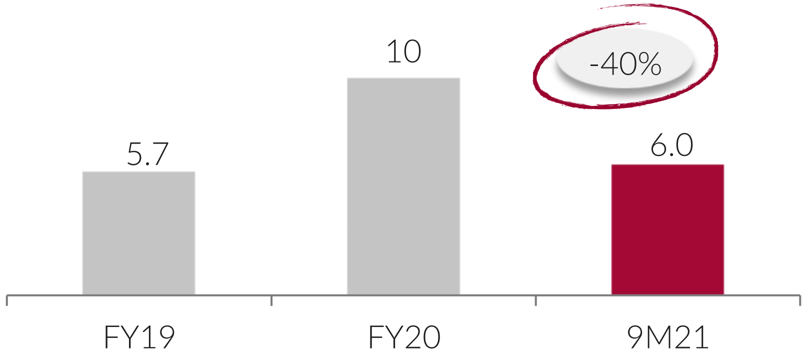
* 9M21 figures pro-forma for a big ticket back to performing on 1st October 2021.

** 9M21 NPE Coverage pro-forma considering the impact of a big ticket back to performing on 1st October 2021 and voluntary calendar provisions booked on capital. NPE Coverage pro-forma considering only the impact of the big ticket at 49.2%.

# Legal risk – Petitum* reduced by c. 40%

- Settlement with Fondazione MPS finalized on 7th October
  - Payment covered by provision already taken
- Overall Petitum (legal risk + threathened litigation) at EUR 6bn, reduced by 40% compared to December 2020
  - Petitum related to disclosed financial information at EUR 1.9bn (vs EUR 5.7bn in Dec-20)
  - Petitum related to ordinary business represent 2/3 of the total
- Coverage of legal risk at one of the highest level among main Italian banks
  - Coverage of legal risk classified as "probable" (EUR 2.2bn) at 45%

**Petitum (legal risk & threatened litigations)**
*(€/bn)**

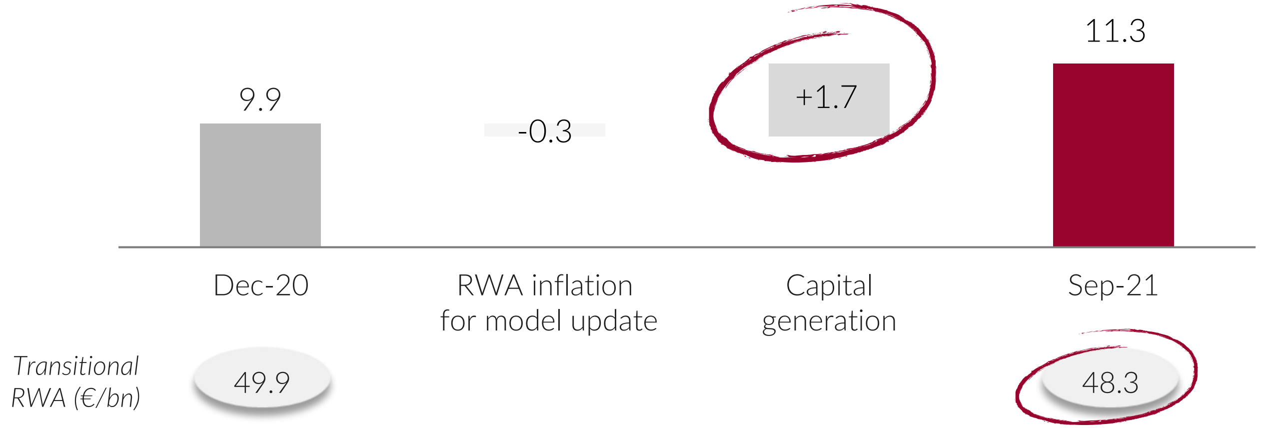





* Legal risk at EUR 4.8bn and threathened litigation at EUR 1.2bn pro-forma for the settlement with Fondazione MPS reached on 7th October 2021.

# Capital ratios* – No shortfall thanks to capital generation and better RWA dynamics

## CET1 Fully Loaded ratio *(%)*

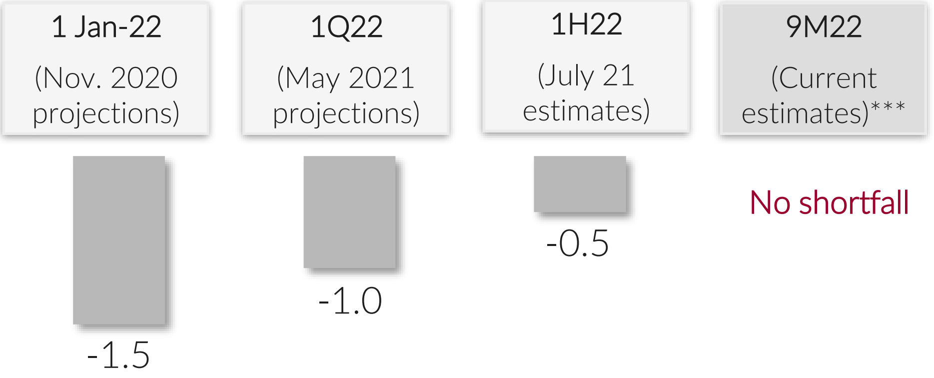



## Transitional Capital ratios (%)

| | Dec-20 | Jun-21 | Set-21 | Buffer vs SREP (bps) |
|---|---|---|---|---|
| CET 1 Ratio | 12.1% | 12.1% | 12.8% | ~400 |
| Tier 1 Ratio | 12.1% | 12.1% | 12.8% | ~200 |
| Total Capital Ratio | 15.8% | 15.5% | 16.4% | ~290 |

- CET1 Fully loaded up by 1.4 p.p. since Dec-20 (0.7 p.p. since Jun-21)
- Voluntary add-on for Calendar provisions accounted for as deduction to capital
- Ongoing RWA reduction, despite EUR 1.2bn increase for model update booked in 2Q, and significant below 9M21 Business Plan projections**
- Additional benefits expected from securitization completed in July and potentially from other capital management actions

## Evolution of regulatory capital shortfall (€/bn)




* Pro-forma capital ratios including 3Q21 net income.

** 2021-2025 Group Strategic Plan submitted to DG Comp in December 2020 and currently being evaluated.

*** Capital position as at 9M22 assumes no capital strengthening in 2021 and in 2022, no staff exits, no senior bond issuance in 2021, no further capital management actions. By 9M22 expected RWA increase of EUR 4.1bn due to model updates. A further EUR 3.7bn increase in RWA due to EBA guidelines is expected after 3Q22.

# NRRP: Launch of commercial campaigns

- The analysis of the NRRP, with a focus on the initiatives scheduled for 2021, has led to the identification of **6 flagship areas of intervention for MPS**
- Such areas were later detailed into **5 commercial campaigns**

## NRRP Commercial Campaigns

- Easy 4.0: Artisans' & Agri bundle
- Agri-green bundle
- Tourism bundle
- Superbonus 2.0
- Agri supply chain integration

- The Bank has put in place a series of **enabling factors** to facilitate the go-live of the first PNRR commercial campaigns (21K clients targeted)

## Key enabling factors put in place

- **Dedicated structures** were defined and trained to support the commercial effort
- **Target clients** prioritised according to likelihood of their application being accepted
- **Superbonus** demands' processing **made leaner** thanks to revised procedures
- **Product flexibility conditions** were pre-approved to better address client needs

# Agenda

- 3Q21 Results
- Annex

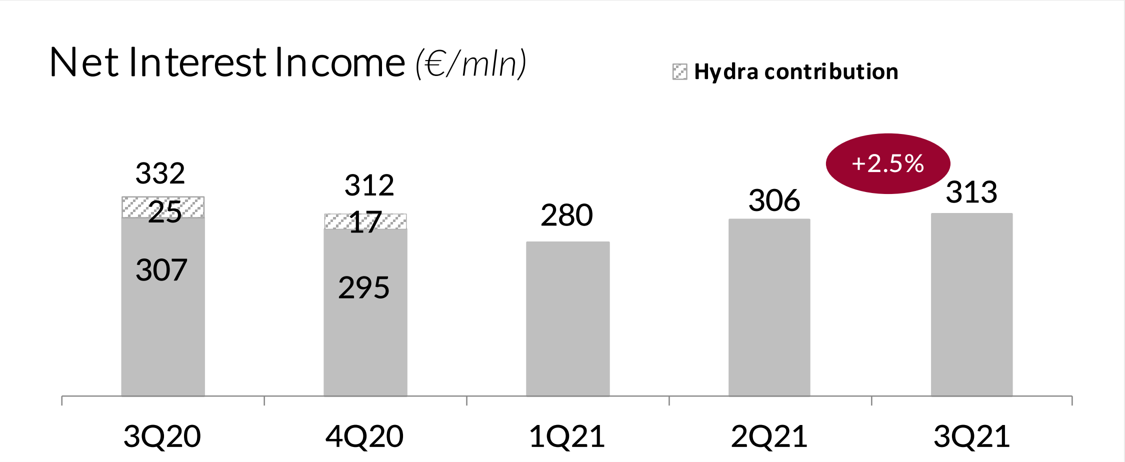
# 9M21 P&L highlights

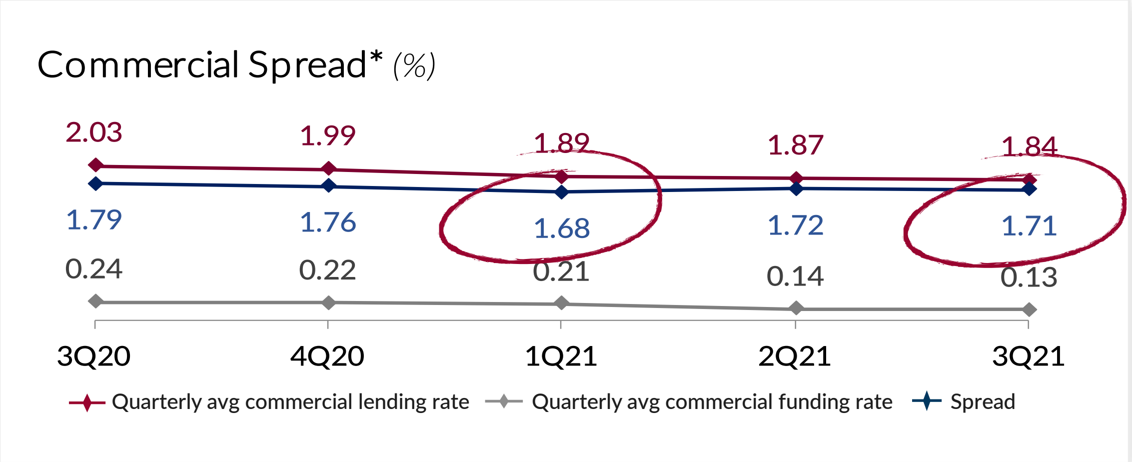
| (€/mln) | 9M20* | 9M21 | Change (YoY, %) | |
|---|---|---|---|---|
| Net Interest Income | 900 | 899 | -0.2% | ➢ Stable NII, despite: i) the systemic-wide margin pressure and ii) increase in deposit base |
| Fees and commissions | 1,050 | 1,113 | 6.0% | ➢ Fees revamp, sustained by WM growth |
| Dividends/Income from investments | 58 | 76 | 31.6% | ➢ Increasing contribution from AXA-MPS JV |
| Core revenues | 2,007 | 2,087 | 4.0% | |
| Total revenues | 2,122 | 2,266 | 6.8% | |
| Operating costs | -1,619 | -1,587 | -2.0% | ➢ Operating costs down significantly, despite non-renewal of unions agreement |
| Pre-provision profit | 503 | 679 | 35.0% | |
| Total provisions** | -464 | -31 | -93.3% | ➢ 9M21 «ordinary» CoR in line with 9M20 level, confirming a conservative approach |
| Net operating result | 39 | 648 | n.m. | |
| Non-operating items | -1,028 | -292 | -71.6% | ➢ Non operating items composed for 70% by systemic charges and DTA fees |
| Profit (Loss) before tax | -989 | 356 | n.m. | |
| Net income (loss) | -1,409 | 388 | n.m. | ➢ ROTE 8.9%***, with positive and negative extraordinary component broadly offsetting |



* 9M20 managerial figures pro-forma, net of Hydra contribution: EUR 78mln NII, EUR 164mln LLP and EUR 37mln restructuring cost.
** "Cost of customer loans", provisions on securities at AC and FVTOCI and provisions on loans to banks.
*** Annualized.

# Net Interest Income – Sustaining the recovery




Average 3M Euribor:

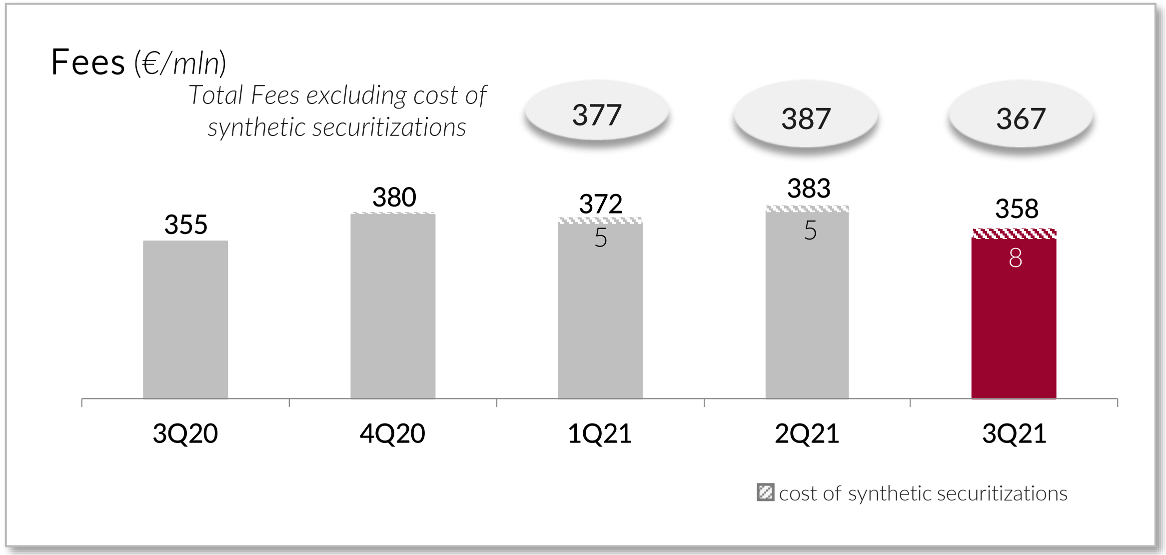
| 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|
| -0.47% | -0.52% | -0.54% | -0.54% | -0.55% |

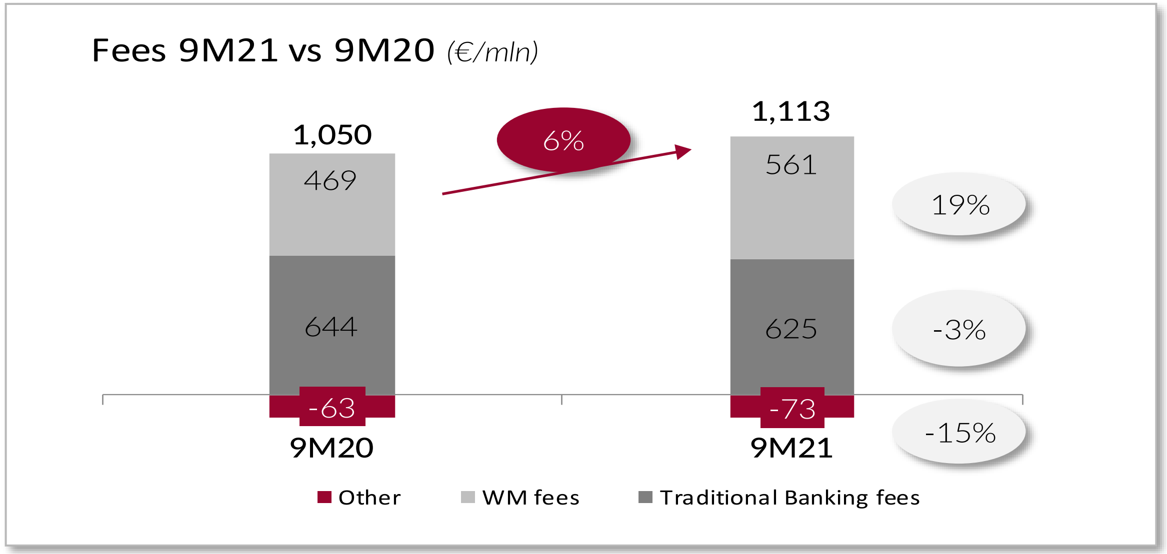
- Ongoing quarterly net interest income rebound vs previous quarters (+2.5% QoQ, +12% vs 1Q21)
  - Up also vs. 3Q20 level adjusting for Hydra transaction
- Commercial spread up in the last 6 months and stable QoQ, despite persistent pressure on asset spread
  - Ongoing management of cost of deposits
  - Front book rates are now above back book rates and have now been for the last 2 quarters
  - Closing the gap on asset side, as we have focused on guaranteed loans due to capital position and consumer finance is to be launched



* Figures from operational data management system.

# Fee and Commission Income – Counterbalancing seasonality

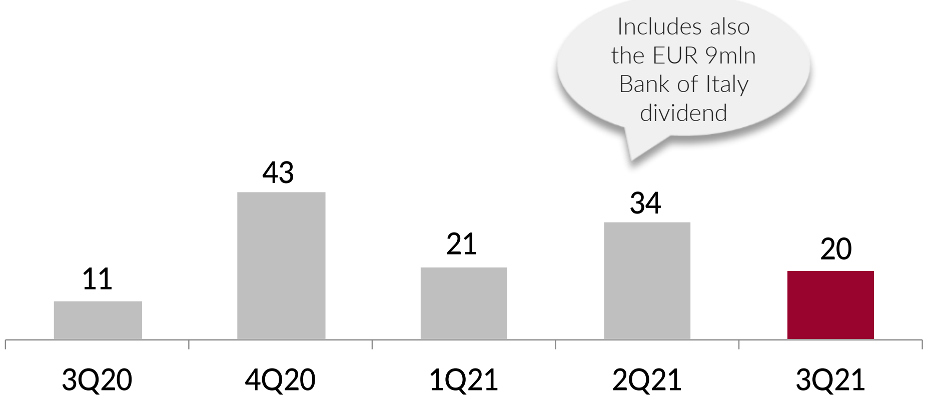


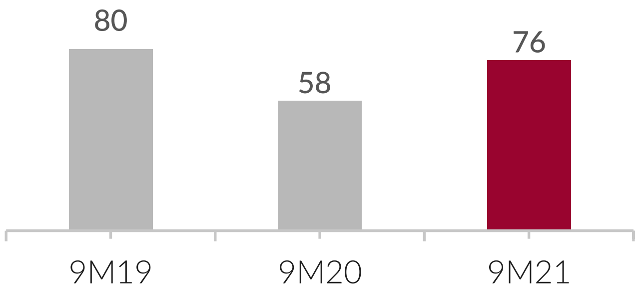




- Quarterly evolution affected by:
  - typical seasonality
  - increased cost of securitizations done in July
- 3Q fees confirming the good momentum in WM, with resilient contribution from traditional banking business, despite lower production of guaranteed loans
- In 9M21 WM placement fees up 38% YoY and continuing fees up 15% YoY driving the total fees up (+6% YoY)

# Financial Revenues* - Sustainable income from AXA MPS JV

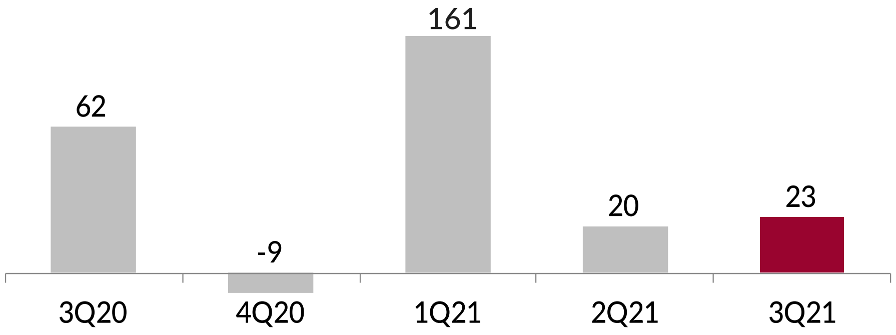
## Dividends/Income from investments (€/mln)

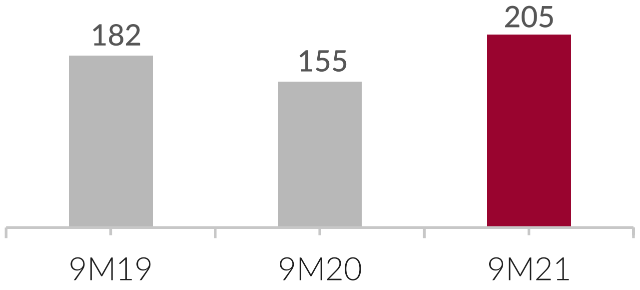



- Dividend/Income from investments include contribution from the JV with AXA:
  - Low volatility
  - Stable source of income

## Trading/Disposal/Valuation Hedging of Financial Assets (€/mln)



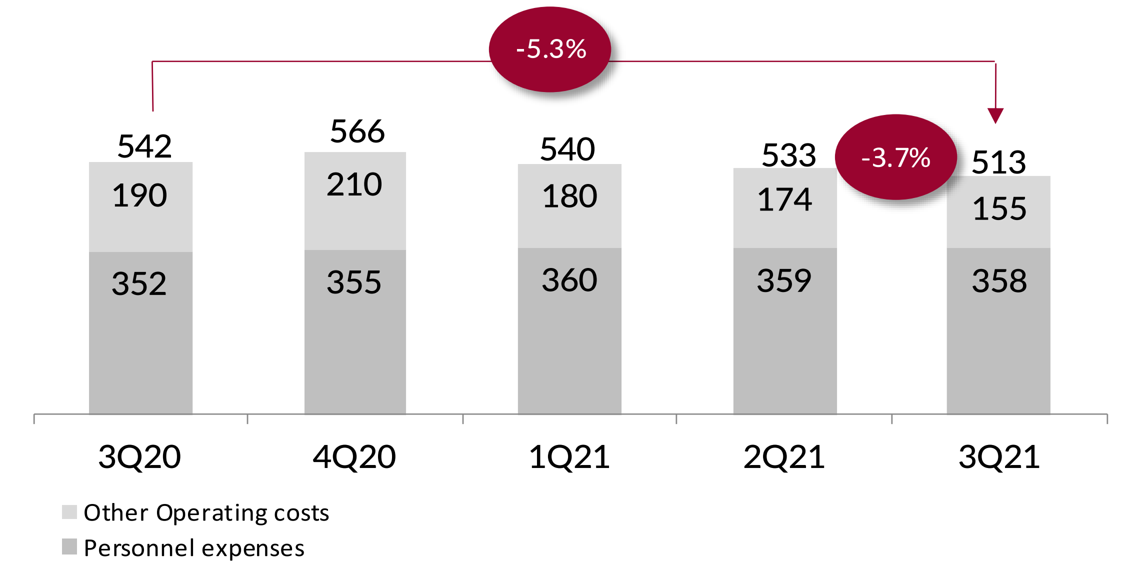

- 9M21 trading income representing 9% of total revenues, in line with main Italian banks**

* The item includes: dividends, similar income and gains (losses) on investments, net profit (loss) from trading, the fair value measurement of assets/liabilities and net gains (losses) on disposals/repurchases, net profit (loss) from hedging.

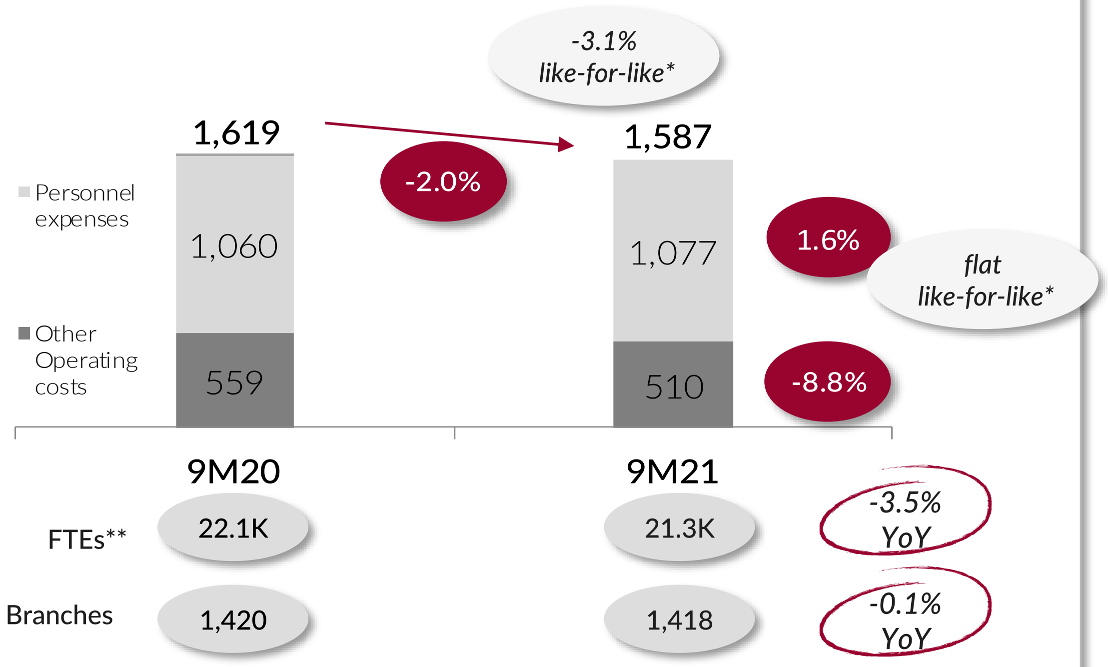
**Trading=Trading investments, net result from trading/hedging, gains/losses on disposals/repurchases, net result from financial assets/liabilities at FVTPL. Trading/Total revenues for peers at 10% in 1H21 (average rate of ISP, UCI, BPM and BPER).

# Operating Costs – Strict control pending union negotiations

## Operating Costs *(€/mln)*




## Operating Costs 9M21 vs 9M20 *(€/mln)*




- **Operating costs:** Down -3.7% QoQ and -2.0% YoY (-3.1% adjusting for non renewal of labour contract)*
  - Personnel expenses:
    - Like-for-like* cost almost flat YoY
    - Non-renewal of labor contract costs about EUR 26mln per year
  - Other administrative expenses and Depreciation & Amortisation:
    - Down 8.8% YoY
    - Ongoing strict cost discipline

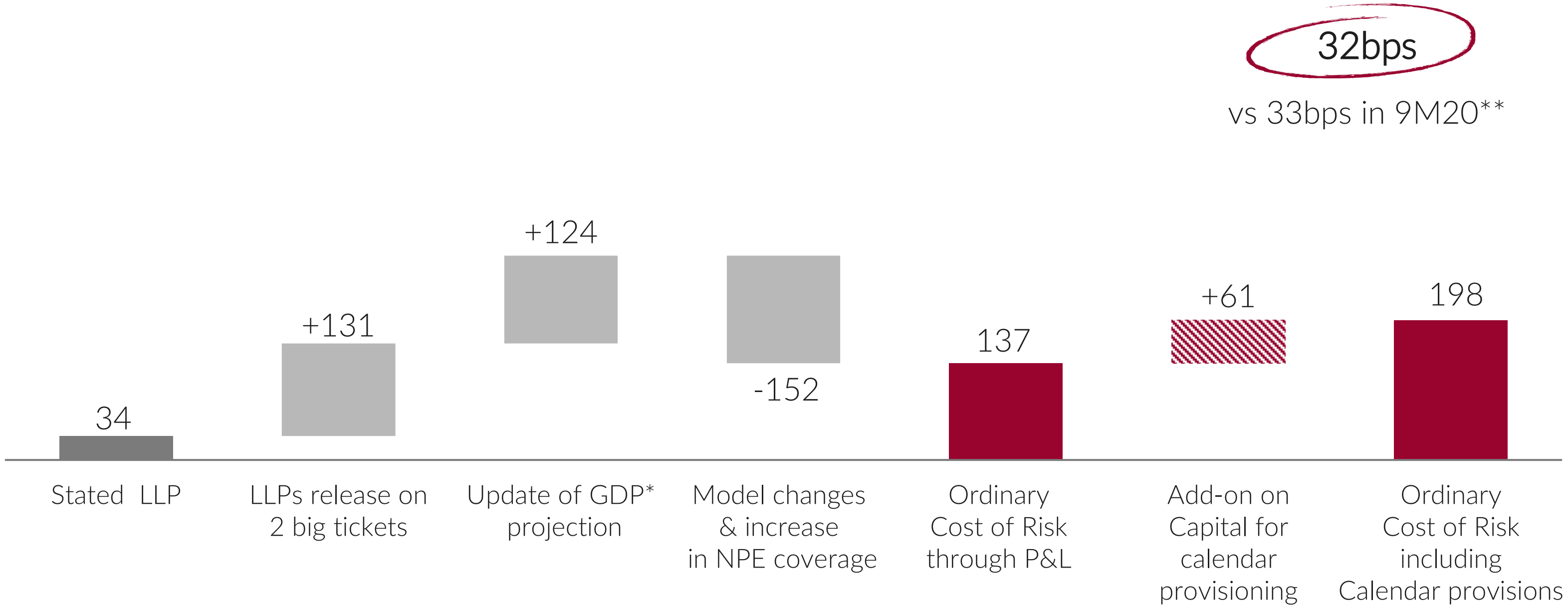


* Like-for-like, excluding EUR 17mln savings in 2020 from union agreement.

** The number of FTEs refers to the effective workforce and therefore does not include employees who were seconded outside of the Group's perimeter.

# Cost of Risk – Increasing NPE coverage and accounting for calendar provisioning

## 9M21 Cost of Risk *(€/mln)*




## 3Q21 Cost of Risk *(€/mln)*

| | 3Q21 |
|---|---|
| Cost of risk | +132 |
| - Ordinary cost of risk | -24 |
| - Release of provisions on large tickets | +131 |
| - Increase in NPE coverage | -99 |
| - Update base case 2021 GDP* | +124 |

- Additional deduction of EUR 61mln from capital due to full reception of calendar provisioning not flowing through P&L

- **Ordinary cost of risk at 32bps,** also benefitting from Hydra de-risking
- Conservative approach confirmed - **Managerial overlays maintained**
- **Voluntary calendar provisioning impact deducted from capital**
- Release of provisions on 2 **big UTPs, moved back to performing** between September and October



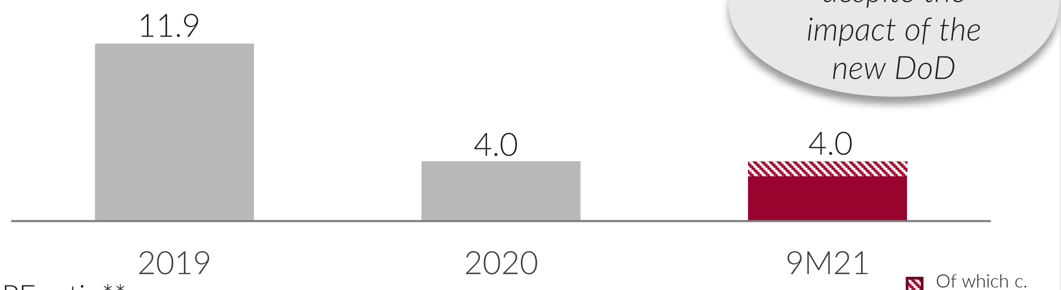
* Release of provisions due to update on GDP estimates, previously based on 2020-2022 projections (with year 1 GDP growth of ca. –10%) and now based on 2022-2024 GDP (with year 1 growth below 4%).

** Ordinary cost of risk calculated excluding Covid-related and Hydra-related provisions.

# NPEs stock and Coverage

## Gross NPE stock* *(€/bn)*

*Stable despite the impact of the new DoD*




| | 2019 | 2020 | 9M21 |
|---|---|---|---|
| Gross NPE ratio** | 12.4% | 4.3% | 4.4% |
| Net NPE ratio | 6.8% | 2.3% | 2.3% |

- Gross NPE stock* at EUR 4bn:
  - EUR 1.7bn bad loans
  - EUR 2.2bn UTPs
  - EUR 0.1bn past-due exposures
- Default rate at 0.8% (0.9% in Jun-21, 1.1% in 9M20)
- Cure rate at 10.4% (7.2% in Jun-21, 4.2% in 9M20)

## NPE coverage

*NPEs coverage +4.5 p.p. vs. Dec-20*

| | 2020 | 1H21 | 9M21 proforma*** |
|---|---|---|---|
| Bad loans | 62.3% | 64.5% | 65.4% |
| UTP loans | 36.8% | 36.3% | 40.5% |
| Past due loans | 27.8% | 26.0% | 25.2% |
| Total NPEs | 46.2% | 46.9% | 50.7% |

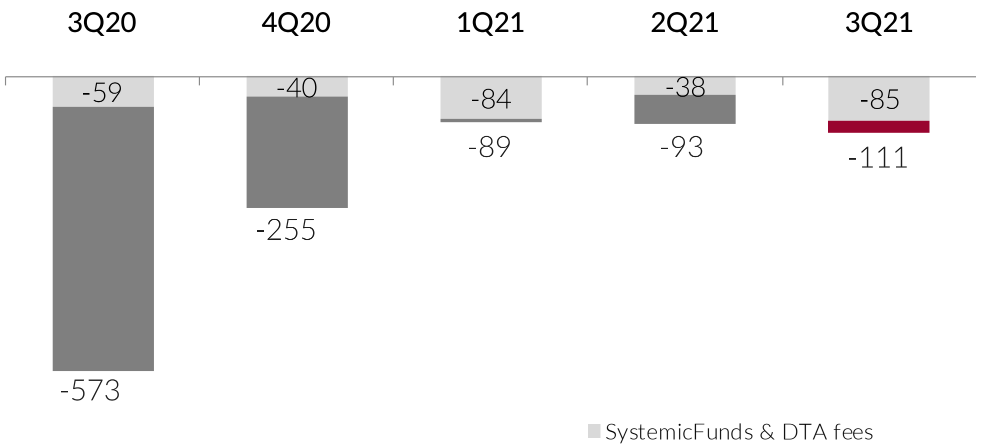
* 9M21 NPE stock and ratios pro-forma for a big ticket back to performing on 1st October 2021.

** Gross NPE ratio calculated as ratio between gross non-performing exposures to customers and total gross exposures to customers. The indicator, calculated according to EBA guidelines, is 3.9%.

*** NPE coverage pro-forma considering the impact of a big ticket back to performing and calendar provisioning accounted on capital. Stated coverage: bad loans 64.9%, UTP 34.5%, Past due 25.2%, Total NPE 46.5%. NPE coverage pro-forma considering only the impact of the big ticket at 49.2% (of which UTP 38.2%).

# Non-Operating Items – Affected by systemic charges

Non-operating items (€/mln)



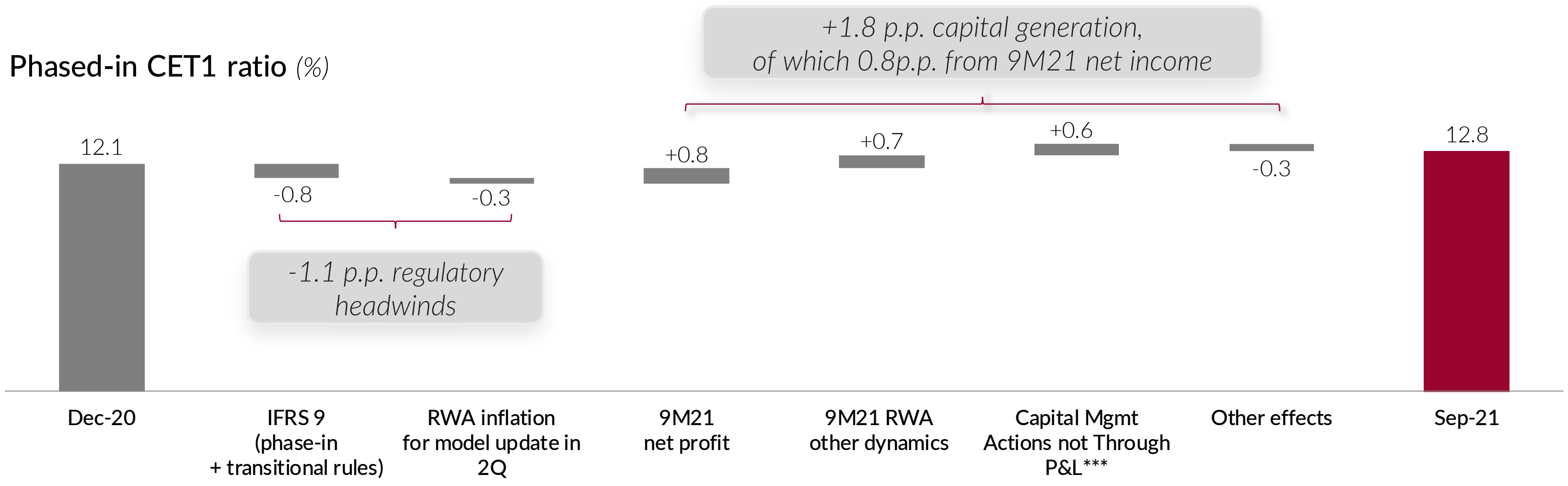

| | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 9M21 |
|---|---|---|---|---|---|---|
| Systemic Funds contribution | -41 | -23 | -68 | -22 | -69 | -159 |
| DTA Fees | -18 | -18 | -16 | -16 | -16 | -47 |
| **Sub-total** | **-59** | **-40** | **-84** | **-38** | **-85** | **-206** |
| Net provisions for risks and charges* | -411 | -216 | 9 | -51 | -24 | -66 |
| Restructuring costs | -101 | -25 | 0 | -4 | -4 | -8 |
| Other | -2 | 27 | -14 | 0 | 2 | -12 |
| Total | -573 | -255 | -89 | -93 | -111 | -292 |

- 3Q Non operating items for EUR 111mln, largely represented by systemic charges:
  - EUR -85mln for Systemic Funds Contribution and DTA fees (EUR -206mln for the first 9 months)
  - EUR -24mln for provisions for risks and charges*
  - EUR -2mln for restructuring costs and other non-operating items



* Including provisions for legal risks.

# Capital Structure*




| Dec-20 | | Sep-21 |
|---|---|---|
| 9.9 | Fully-loaded CET1** (%) | 11.3 |
| 15.8 | Total Capital (%) | 16.4 |
| 13.5 | Fully-loaded Total Capital** (%) | 14.9 |
| 49.9 | Transitional RWA (€ bn) | 48.3 |

| | Jun-21 | Sep-21 |
|---|---|---|
| Transitional CET1 ratio (%) | 12.1% | 12.8% |
| Fully-loaded CET1 ratio (%) | 10.6% | 11.3% |
| RWA (€ bn) | 50.0 | 48.3 |

- **Phased in CET1 ratio up 70bps** since Dec-20 despite regulatory headwinds, thanks to ~180bps of capital generation
- **Fully loaded CET1 ratio up 140 bps** since Dec-20
- **RWA decrease** despite kick-in of model updates and further impact from securitization expected

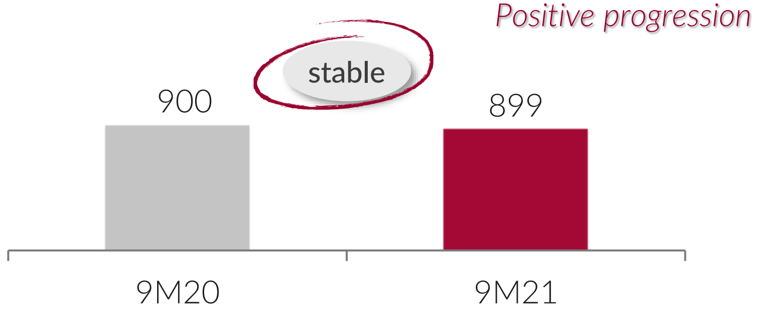


* Pro-forma capital ratios as at 30 September 2021 including 3Q21 net income.
** Including full impact of IFRS9 and FVTOCI reserve on govies.
*** Change in RE valuation criteria, sale of own share, one synthetic securitization.

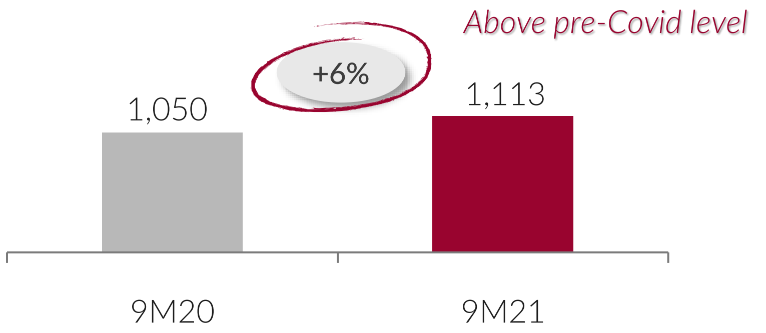
# Key takeaways: 9M21 vs 9M20*

## *Commercial performance*

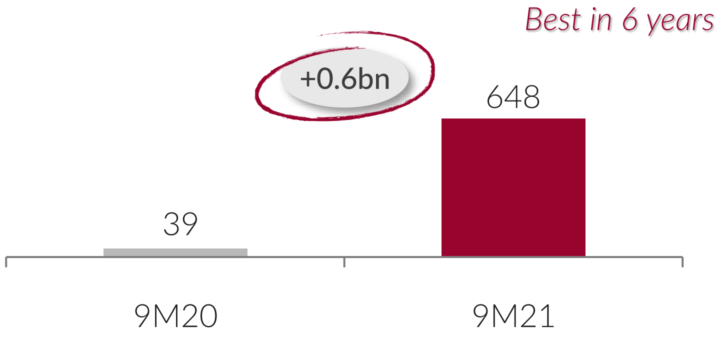
*Net Interest Income (€/mln)*




*Fees (€/mln)*

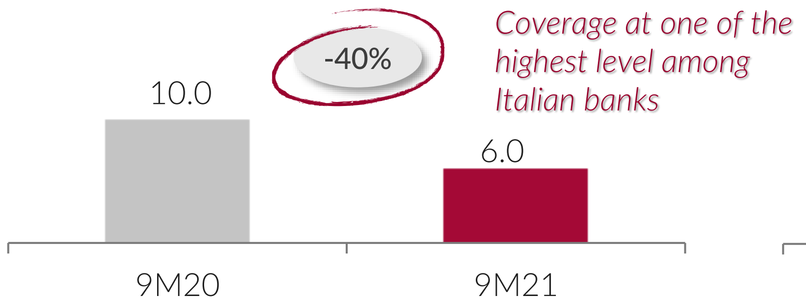



*Net operating result (€/mln)*

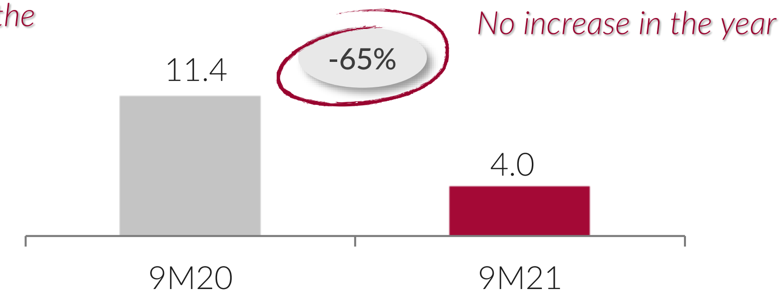



## *De-Risking*

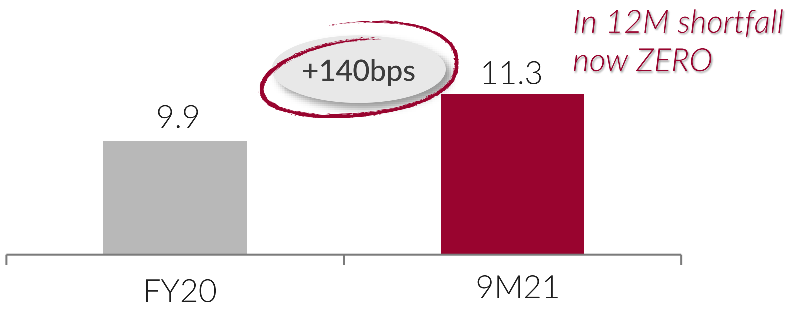
*Legal claims** (€/bn)*




*Gross NPE*** (€/bn)*




*CET1 Ratio Fully Loaded (%) *****




* Like-for-like, net of the Hydra contribution: in 9M20, EUR 78mln NII, EUR 164mln LLP and EUR 37mln restructuring cost (managerial figures).

** Including the effect of the settlement with Fondazione MPS reached on 7th October 2021.

*** 9M21 Gross stock pro-forma for a big ticket back to performing on 1st October.

****9M21 figure pro-forma, including 3Q21 net income.

# Agenda

- 3Q21 Results

- Annex

# 3Q21 & 9M21 P&L: Highlights

| € mln | 2Q21 | 3Q21 | Change (QoQ%) | 9M20 | 9M21 | Change (YoY%) |
|---|---|---|---|---|---|---|
| Net Interest Income | 306 | 313 | +2.5% | 979 | 899 | -8.2% |
| Net Fees | 383 | 358 | -6.3% | 1,050 | 1,113 | +6.0% |
| Financial revenues* | 54 | 44 | -19.2% | 212 | 280 | +32.1% |
| Other operating income/expenses | -2 | -13 | n.m. | -40 | -26 | +35.9% |
| Total revenues | 740 | 702 | -5.2% | 2,200 | 2,266 | +3.0% |
| Operating Costs | -533 | -513 | -3.7% | -1,619 | -1,587 | -2.0% |
| of which personnel costs | -359 | -358 | -0.2% | -1,060 | -1,077 | +1.6% |
| of which other admin expenses | -133 | -112 | -16.0% | -404 | -378 | -6.4% |
| Pre-provision profit | 207 | 188 | -9.2% | 581 | 679 | +16.8% |
| Total provisions** | -83 | 133 | n.m. | -628 | -31 | -95.0% |
| of which cost of customer loans | -89 | 132 | n.m. | -621 | -34 | -94.5% |
| Net Operating Result | 124 | 321 | n.m. | -46 | 648 | n.m. |
| Non-operating items*** | -93 | -111 | +18.9% | -1,065 | -292 | -72.6% |
| Profit (Loss) before tax | 31 | 211 | n.m. | -1,112 | 356 | n.m. |
| Taxes | 53 | -24 | n.m. | -417 | 35 | n.m. |
| PPA & Other Items | -1 | -1 | n.m. | -3 | -3 | -12.5% |
| Net profit (loss) | 83 | 186 | n.m. | -1,532 | 388 | n.m. |

stable excluding Hydra contribution

Comparative figures for 2020 may differ from those published, due to the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). To facilitate comparability of 2020 balances, impairment losses on instrumental properties (IAS 16) have been reclassified from 'Net adjustments on tangible and intangible assets' to 'Gains (losses) from measurement at fair value of tangible and intangible assets' (included in non-operating items)

* Including dividends/income from investments, trading/disposal/valuation/hedging of financial assets.

** Including cost of customer loans, provisions on securities at amortised cost and FVTOCI, and provisions on loans to banks.

*** Net provisions for risks and charges, contributions to SRF, NRF & DGS, DTA fees, restructuring costs/one-off costs, gains (losses) on investments/disposals and gains (losses) on disposal of investments, gains (losses) from measurement at fair value of tangible and intangible assets.

# Balance Sheet

## Total Assets *(€/mln)*

| | Sep-20 | Dec-20 | Jun-21 | Sep-21 | QoQ% | YoY% |
|---|---|---|---|---|---|---|
| Loans to Central banks | 18,680 | 28,526 | 25,571 | 20,941 | -18.1% | 12.1% |
| Loans to banks | 4,935 | 5,452 | 4,292 | 4,855 | 13.1% | -1.6% |
| Loans to customers | 87,099 | 82,632 | 81,356 | 81,200 | -0.2% | -6.8% |
| Securities assets | 23,041 | 21,623 | 23,122 | 24,961 | 8.0% | 8.3% |
| Tangible and intangible assets | 2,823 | 2,614 | 2,760 | 2,758 | -0.1% | -2.3% |
| Other assets* | 9,697 | 9,497 | 8,649 | 8,403 | -2.8% | -13.3% |
| **Total Assets** | **146,275** | **150,345** | **145,750** | **143,118** | **-1.8%** | **-2.2%** |

## Total Liabilities *(€/mln)*

| | Sep-20 | Dec-20 | Jun-21 | Sep-21 | QoQ% | YoY% |
|---|---|---|---|---|---|---|
| Deposits from customers | 86,827 | 91,507 | 83,315 | 82,389 | -1.1% | -5.1% |
| Securities issued | 11,591 | 12,212 | 10,721 | 10,512 | -1.9% | -9.3% |
| Deposits from central banks | 23,995 | 23,934 | 29,306 | 29,230 | -0.3% | 21.8% |
| Deposits from banks | 4,734 | 4,485 | 3,854 | 3,020 | -21.7% | -36.2% |
| Other liabilities** | 12,363 | 12,435 | 12,487 | 11,715 | -6.2% | -5.2% |
| Group net equity | 6,764 | 5,772 | 6,065 | 6,251 | 3.1% | -7.6% |
| Non-controlling interests | 1 | 1 | 1 | 1 | 0.0% | 7.7% |
| **Total Liabilities** | **146,275** | **150,345** | **145,750** | **143,118** | **-1.8%** | **-2.2%** |

Comparative figures for 2020 may differ from those published, due to the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). To facilitate comparability of 2020 balances, impairment losses on instrumental properties (IAS 16) have been reclassified from 'Net adjustments on tangible and intangible assets' to 'Gains (losses) from measurement at fair value of tangible and intangible assets' (included in non-operating items).



* Cash and cash equivalents, derivatives assets, equity investments, tax assets, other assets.

** Financial liabilities held for cash trading, derivatives, provisions, tax liabilities, other liabilities.

# Lending & Direct Funding

## Total Lending *(€/mln)*

| | Sep-20 | Dec-20 | Jun-21 | Sep-21 | QoQ% | YoY% |
|---|---|---|---|---|---|---|
| Current accounts | 3,649 | 3,039 | 2,824 | 2,871 | 1.7% | -21.3% |
| Medium-long term loans | 53,417 | 55,200 | 56,971 | 57,014 | 0.1% | 6.7% |
| Other forms of lending | 14,421 | 13,616 | 12,655 | 12,935 | 2.2% | -10.3% |
| Reverse repurchase agreements | 9,829 | 8,617 | 6,668 | 6,095 | -8.6% | -38.0% |
| Impaired loans | 5,784 | 2,160 | 2,238 | 2,284 | 2.1% | -60.5% |
| **Total** | **87,099** | **82,632** | **81,356** | **81,200** | **-0.2%** | **-6.8%** |

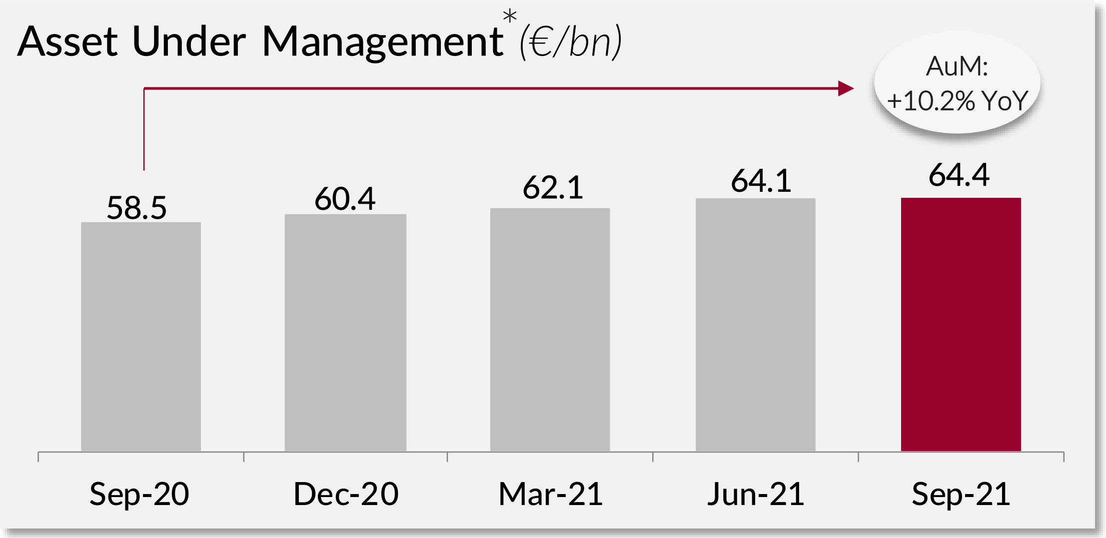
## Direct Funding * *(€/mln)*

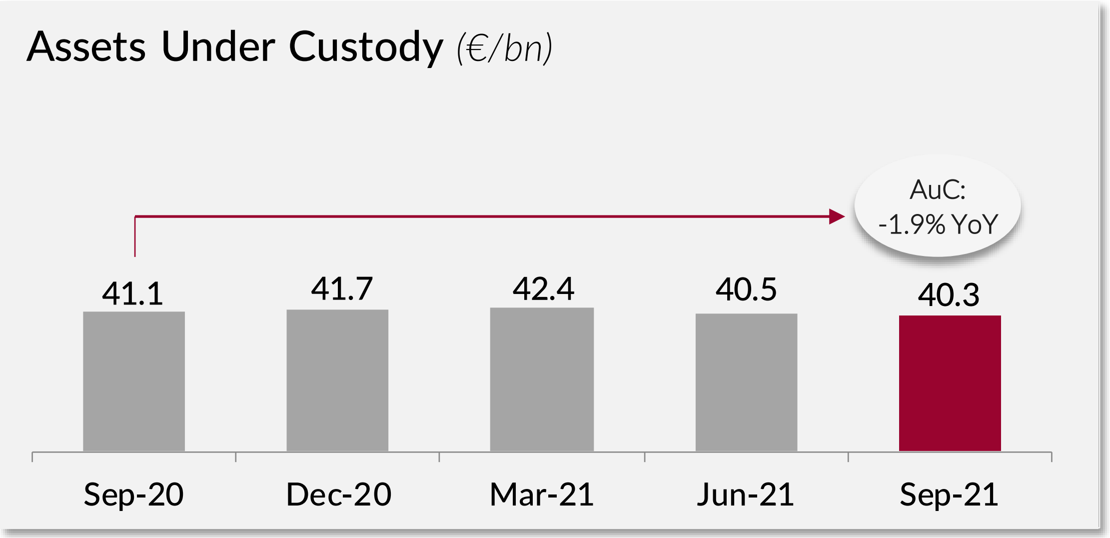
| | Sep-20 | Dec-20 | Jun-21 | Sep-21 | QoQ% | YoY% |
|---|---|---|---|---|---|---|
| Current accounts | 63,607 | 67,989 | 68,156 | 65,141 | -4.4% | 2.4% |
| Time deposits | 9,544 | 8,827 | 7,379 | 6,924 | -6.2% | -27.4% |
| Repos | 8,010 | 9,508 | 3,934 | 6,998 | 77.9% | -12.6% |
| Bonds | 11,591 | 12,212 | 10,721 | 10,512 | -1.9% | -9.3% |
| Other forms of direct funding | 5,667 | 5,182 | 3,846 | 3,326 | -13.5% | -41.3% |
| **Total** | **98,418** | **103,719** | **94,037** | **92,902** | **-1.2%** | **-5.6%** |



* Deposits from customers and securities issued.

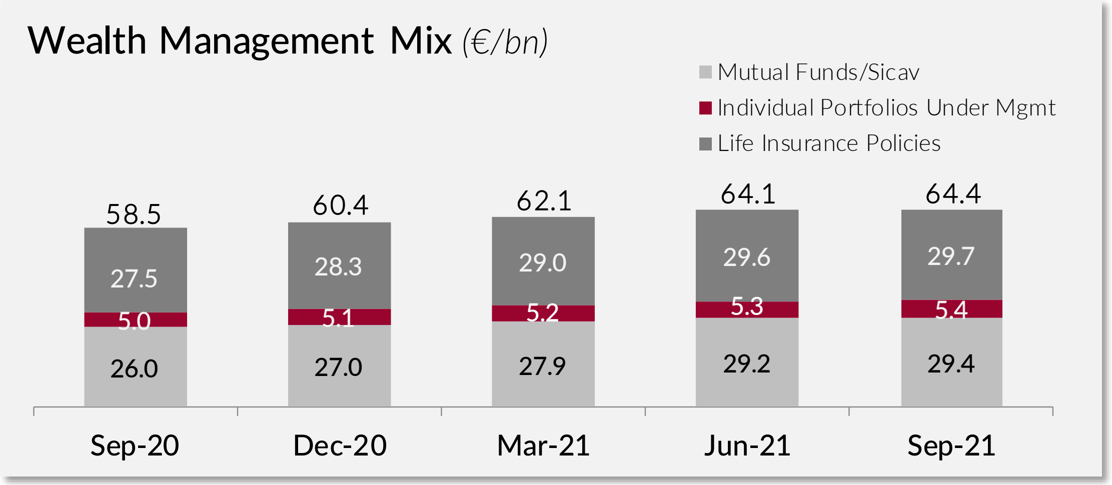
# Assets Under Management and Assets Under Custody




*AuM / Total indirect funding*

| Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
|---|---|---|---|---|
| 59% | 59% | 59% | 61% | 62% |




- AuM up 10% YoY
  - **EUR 4bn increase vs. Dec-20 level,** mainly driven by net inflows (EUR 2.7bn in 9M21)
  - **Strong performance** of both mutual funds (+13% YoY) and bancassurance (+8% YoY)
- **Further upside by switch from deposits**
- **AuC slightly down** due to business mix recomposition

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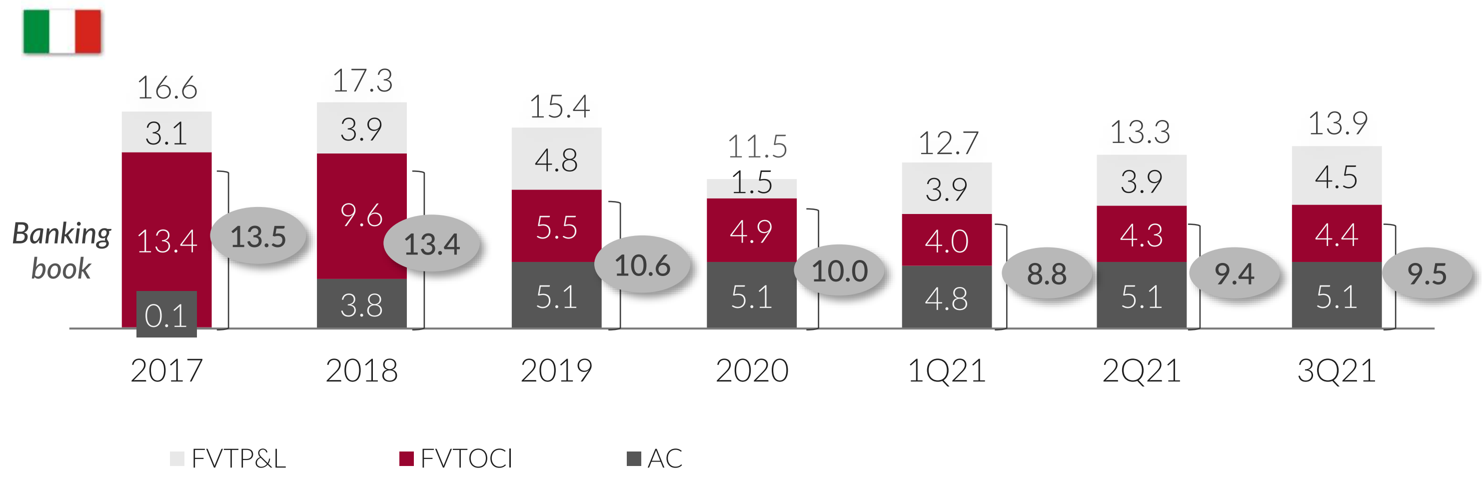
BANCA DAL 1472

* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.

# Italian Govies Portfolio*

**Italian Govies Portfolio** (€/bn)




| | 2017 | 2018 | 2019 | 2020 | 1Q21 | 2Q21 | 3Q21 |
|---|---|---|---|---|---|---|---|
| **FVTOCI / Banking book** (%) | 99% | 72% | 52% | 49% | 45% | 46% | 46% |
| **FVTOCI Duration** (*years*) | ~3.6 | ~2.8 | ~2.3 | ~2.1 | ~2.3 | ~2.4 | ~2.2 |
| **FVTOCI Credit spread sensitivity** (*€/mln, before tax, for 1bp increase in the BTP/Bund spread*) | -5.6 | -2.9 | -1.5 | -1.1 | -1.0 | -1.1 | -1.1 |

- **FVTOCI & AC components** stable post strong derisking
  - Positive reserves for ~EUR 180mln**
  - Credit spread sensitivity to capital at ~EUR 1mln for 1bps
- **FVTP&L component** driven by MPS Capital Services "BTP Specialist" market-making activity



* Figures from operational data management system. Nominal values for Italian govies at amortised cost.

** Gross FVTOCI reserves for c. EUR 39mln in Sep-21 + Unrealised gains on AC banking book for c. EUR 140mln as at 30 Sep-21 (managerial figures).

# Focus on DTAs

Current Italian fiscal regulations do not set any time limit to the use of fiscal losses against the taxable income of subsequent years.

| | Definition | Regulatory treatment | 3Q21 |
|---|---|---|---|
| 1 Convertible DTAs | ○ DTAs related to write-downs of loans, goodwill and other intangible assets are convertible into tax credits (under Law 214/2011)* | ➢ 100% included in Risk-Weighted Assets like any credit | EUR 0.6bn (stable vs. 2Q21) |
| 2 Non-convertible losses | ○ DTAs on non-convertible fiscal losses and DTAs on ACE (Allowance for Corporate Equity) deductions<br>○ May be recovered in subsequent years only if there is positive taxable income, but may both be carried forward indefinitely | ➢ 100% deducted from shareholders' equity (CET1) | EUR 0.2bn (stable vs. 2Q21) |
| 3 Other non-convertible DTAs | ○ DTAs generated as a result of negative valuation reserves, provisions for risks and charges, capital increase costs and temporary differences primarily relating to provisions for guarantees and commitments, provisions for doubtful debts vs. Banks, impairments on property, plant and equipment and personnel costs (pension funds and provisions for staff severance indemnities)<br>○ May only be used in case of tax gains**, and therefore carry an average recoverability risk | ➢ Deducted from CET1 if they exceed 10% of adjusted CET1 and if, added to significant holdings, they exceed 17.65% of adjusted CET1. Amounts in excess of the two thresholds are deducted from CET1. Amounts equal to the thresholds 250% included in Risk-Weighted Assets | EUR 0.2bn (-0.1bn vs. 2Q21) |
| 4 DTAs not recorded in balance sheet | ○ DTAs not recorded in balance sheet due to the probability test | ➢ N.A. | EUR 3.5bn (stable vs. 2Q21) |

* Recovery is certain, regardless of the presence of future taxable income.

** In the case of IRES DTAs, the part that is not absorbed by taxable profit before reversal of convertible DTAs is transformed into non-convertible losses DTAs; in the case of IRAP DTAs, the part that is not absorbed by taxable profit before reversal of convertible DTAs is not recoverable.

# Focus on legal risks

## Legal risks at 30/09/21

**~EUR 4.8bn total *petita* for litigations, classified by disbursement risk profile:**

- **Probable:** ~EUR 2.2bn (for which provisions of EUR 1bn have been booked; 45% coverage)
- **Possible:** ~EUR 1.0bn (no provisions are booked for such disputes: as required by accounting standards, significant amounts are disclosed)
- **Remote:** ~EUR 1.6bn (no provisions are allocated and no disclosures are provided for such disputes)

**~EUR 1.2bn threatened litigations classified as "probable" (considering the effect of the agreement reached with Fondazione MPS on 7th October 2021)***

## Legal risks from financial information

- Overall claims connected to litigations arising from the financial information disclosed by the Bank to the market in the period between 2008 and 2015 are estimated in EUR 5.7bn at the end of September 2021 (EUR 1.9bn considering the effect of the agreement reached with Fondazione MPS in October 2021)
- The Bank deems the risk of disbursement "probable" for both claims regarding the 2008-2011 period (legal proceeding n° 29634/14, threatened litigations) and after the verdict of 15 October 2020, claims relating to the 2012-2015 period (legal proceeding n° 955/16, threatened litigations). Provisions have been booked for this risk
- The Bank does not disclose booked provisions, since that this information could seriously affect its position in existing litigations and in the negotiations of potential out-of-court settlement agreements

**Claims related to disclosed financial information (2008-2015)** *€/bn*

| | 30/06/21 | 30/09/21 | Pro-forma at including the effects of the settlement with Fondazione |
|---|---|---|---|
| Civil litigations brought by shareholders | 0.7 | 0.7 | 0.7 |
| Threatened litigations | 4.7 | 4.7 | 0.9 |
| Civil parties admitted to proceeding n° 29634/14 | 0.1 | 0.1 | 0.1 |
| Civil parties admitted to proceeding n° 955/16 | 0.2 | 0.2 | 0.2 |
| Total | 5.7 | 5.7 | 1.9 |



* EUR 5.0bn as at 30 September 2021.

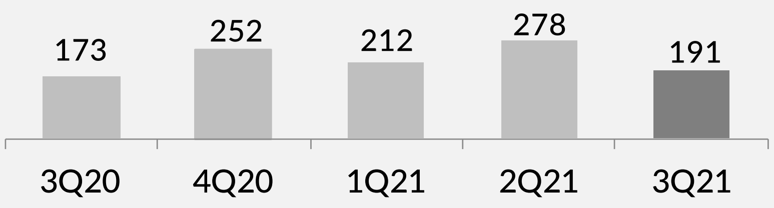
# Asset Quality Migration Matrix

- Resilient asset quality (default rate at 0.8%) thanks to the existing support measures and the strong focus on proactive management of the portfolio in order to preserve asset quality

- Strong improvement in the cure rate (10.4%) benefitting from the cure of a big ticket in 3Q21

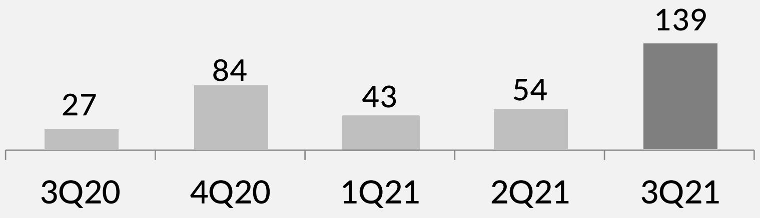
## NPE inflows from performing
*(€/mln)*

**Default rate 0.8%**
(0.9% in 2Q21)




## NPE outflows to performing
*(€/mln)*

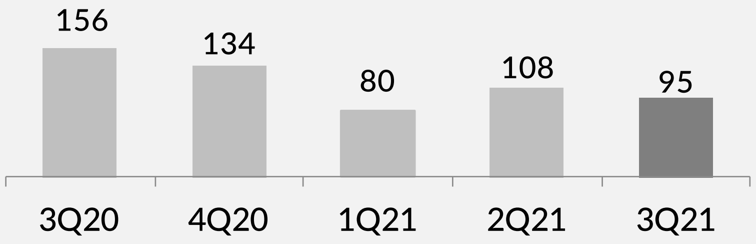
**Cure rate 10.4%**
(7.2% in 2Q21)




*UTP & Past-due gross stock (€/bn)* *5.2* — *Hydra transaction impact* → *2.6*

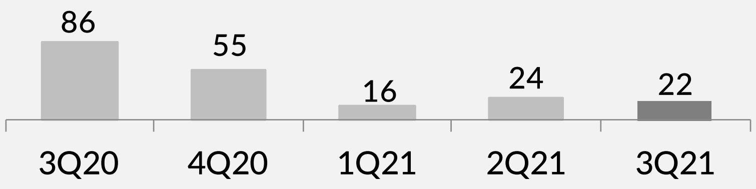
## Migration from UTPs/PDs to bad loans *(€/mln)*

**Danger rate 14.1%**
(14.1% in 2Q21)




## Cash recovery of bad loans *(€/mln)*

**Recovery rate 5.7%**
(5.6% in 2Q21)




*Bad loan gross stock (€/bn)* *6.3* — *Hydra transaction impact* → *1.7*



Data from operational data management system.

# Moratoria and guaranteed loans breakdown

*Moratoria**

| | Applications | | | |
|---|---|---|---|---|
| | # | €/bn | Accepted (€/bn) | % of loan book** |
| Performing customers | 17k | 3.2 | 3.1 | 4% |
| Households | 3k | 0.3 | 0.3 | 1% |
| Corporates & Institutions | 14k | 2.8 | 2.8 | 7% |
| Non-performing customers | 2k | 0.2 | 0.2 | 7%*** |

*New guaranteed loans**

| | Applications | | | |
|---|---|---|---|---|
| | # | €/bn | Accepted (€/bn) | Disbursed (outstanding) (€/bn) |
| Total guaranteed loans | 106.4k | 11.0 | 10.8 | 10.0 |
| 100% guaranteed (≤€30k) | 78.6k | 1.7 | 1.7 | 1.6 |
| 90% guaranteed | 11.1k | 3.7 | 3.6 | 3.3 |
| 80% guaranteed | 16.4k | 3.7 | 3.7 | 3.4 |
| guaranteed by SACE | 0.3k | 1.9 | 1.9 | 1.7 |

* Figures related to MPS Group. Latest update: 1 October 2021 for moratoria, 30 September 2021 for new-guaranteed loans.

** Figures from operational data management system.

***Bad loans not included in percentage calculation.

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