MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

BMPS FY20 and 4Q20 Preliminary Results

10 February 2021

2020 highlights

Focus on supporting our customers

EUR 23bn
Loans subject to moratoria, extended revocable lines and guaranteed loans

Good commercial activity

WM gross flows: stable YoY
Commercial direct funding stock*: +17% YoY

Ongoing cost discipline

Operating costs:
-3.7% YoY

Completion of the derisking process

Gross NPE ratio:
4.3%**

Sound liquidity position

Counterbalancing capacity: EUR 33bn (EUR +8bn YoY)
L/D ratio <80% vs. 85% in 2019

Capital management and State guarantees supporting post-Hydra capital ratios

CET1 ratio: 12.1%
TC ratio: 15.7%

* Current accounts and time deposits.

** Calculated as ratio between gross non-performing exposures to customers and total gross exposures to customers; Gross NPE ratio at 3.4% 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).

Highlights of FY20 Results

Pre-provision profit

EUR 714mln

NII impacted by cost of institutional funding and RWA/NPE derisking

Resilient **fees**, with fees/revenues at 50%

Costs under strict control

Cost of risk

90bps

including 2020 additional provisions (~EUR 348mln) related to the impact of more adverse macroeconomic forecasts

48bps

excluding these additional provisions

~EUR 0.9bn equity impact related to Hydra not included in the cost of risk

Net operating result

EUR -39mln

impacted by Covid-related provisions and environment

Net result

EUR -1.7bn

including non-operating costs for EUR -1.3bn* and the write-down of DTAs for about EUR -0.3bn

Gross NPE ratio

4.3%

(12.4% in 2019)

3.4%

(EBA definition)** below the EBA threshold

Net NPE ratio

2.3%

CET1

12.1% (transitional)

9.9% (fully loaded)***

Total Capital

15.7% (transitional)

13.5% (fully loaded)***

Liquidity indicators

>150% LCR

>100% NSFR

EUR ~33bn

Unencumbered Counterbalancing Capacity (~EUR 25bn in Dec-19)

* Non-operating costs are related to contribution to systemic funds, DTA fees, provisions for risk and charges mainly for legal risks and restructuring costs for the exit of personnel and the AMCO deal.

** 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.

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

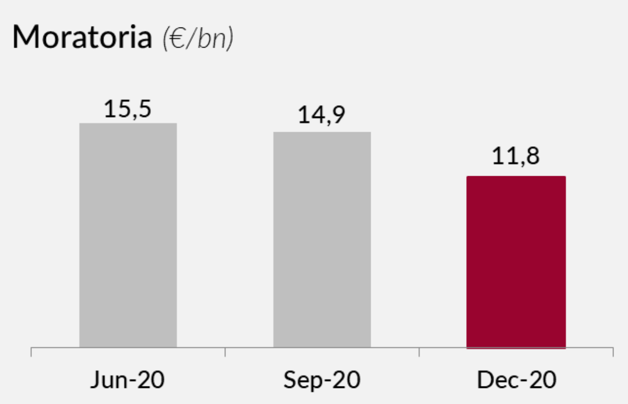
Unwavering support to our customers – Moratoria and new guaranteed loans

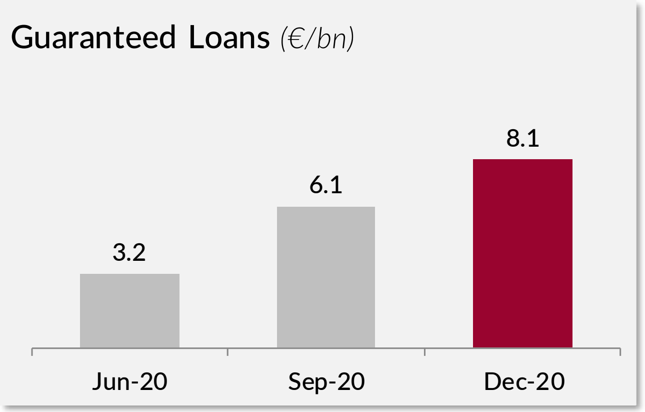
*Moratoria**

	Applications #	Applications €/bn	Accepted (€/bn)	% of loan book
Performing customers	78k	12.0	11.8	15%
Households	23k	2.4	2.3	7%
Corporates & Institutions	55k	9.6	9.5	22%
Non-performing customers	2k	0.4	0.3	11%**

*New guaranteed loans**

	Applications #	Applications €/bn	Accepted (€/bn)
Total guaranteed loans	89.2k	9.0	8.1
100% guaranteed (≤€30k)	71.8k	1.5	1.5
90% guaranteed	6.7k	3.0	2.7
80% guaranteed	10.5k	2.8	2.6
guaranteed by SACE	0.2k	1.6	1.3



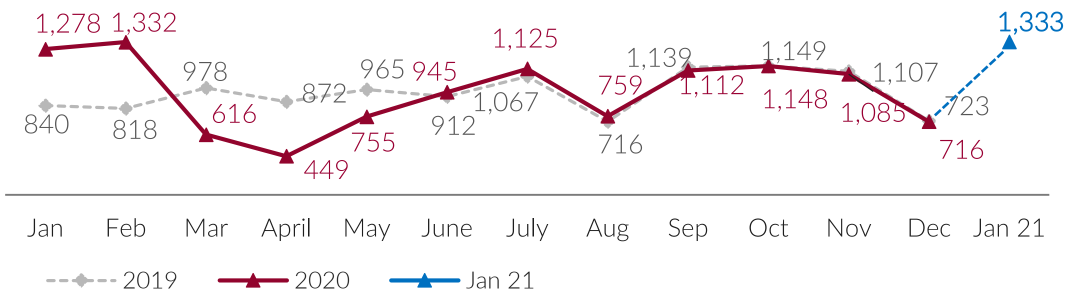


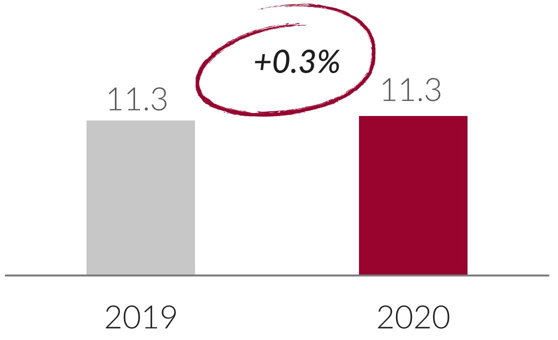
- MPS' extensive and proactive Covid-19 response to support customers – and society – confirmed by the ~EUR 23bn financial support measures deployed as at Dec-20:
  - Loans subject to moratoria c. EUR 12bn
    - In Q4, c. 23% of moratoria stock expired and not renewed
  - EUR 8.1bn new guaranteed loan applications accepted (vs. ~EUR 6bn in Sep-20)
  - EUR 3.3bn advances and revocable lines of credit extended or not revoked***
- Applications for moratoria and guaranteed loans received by MPS represent ~5-6% of total amount received by the system

* Figures related to MPS Group. Latest update: 31 December 2020.
** Bad loans not included in percentage calculation.
***Subject to extension or irrevocability pursuant to art. 56, par. 2 of "Cura Italia" decree.

Good commercial activity thanks to franchise resilience

Wealth management gross inflows* *(€/mln)*

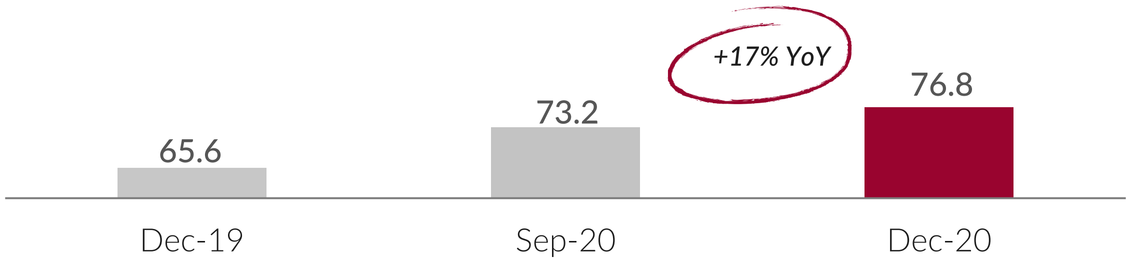




WM/Indirect Funding (%)

58.3% | 59.2%

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



of which time deposits (%):

~15% | ~13% | ~11%

- Current accounts and time deposits **increase by ~EUR 3.7bn vs. Sep-20 and by ~EUR 11bn vs. Dec-19**
  - ~60% households and small businesses
  - ~40% corporates

- **Commercial momentum firmly sustained, despite Covid-19:**
  - **WM gross inflows stable vs. 2019,** notwithstanding Covid-19 and related lockdowns
  - **Entering 2021 with good momentum**
- **Commercial direct funding continues to increase despite cost of funding reduction and funding remix:**
  - Cost of commercial funding decreases by 7bps vs. 2019 (from -0.29% to -0.22%)
  - Ongoing funding remix, with reduction of more expensive time deposits (-EUR 0.7bn vs. 3Q20) and corporate deposit repricing

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

Banca Widiba: strong business growth and innovation achievements continue

BANCAWIDIBA

Significant **growth** in **net flows**, reaching up to **7x the FY19 result** and historical peak on investment transactions

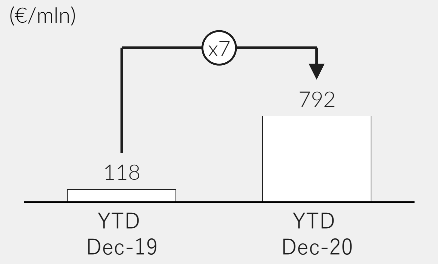
In 2020 the innovation plan has remained the primary **focus of the Bank**:

- New Platform version & New APP
- Re-branding and new identity positioning
- Evolution of the open banking solution
- 100% online product subscription completed with entire insurance and pension product catalogue

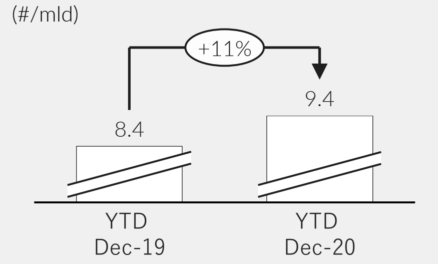
Business Growth

Growth acceleration: best year ever on total net new flow collection and higher customer acquisition

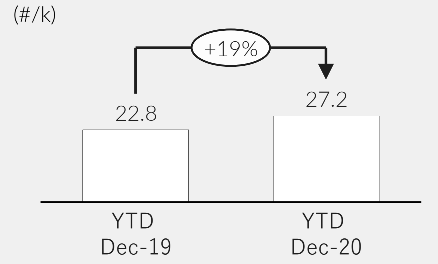
Total Net Flows



Total funding



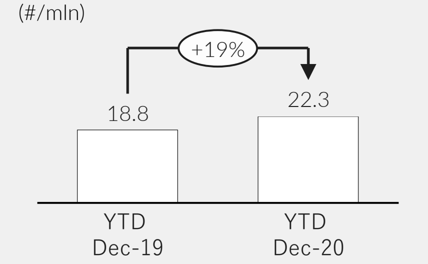
New Accounts



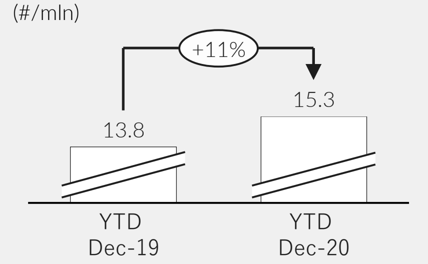
Transaction Growth

Platform usage and **transactions reach** the **historical peak**, mainly driven by the advisory business

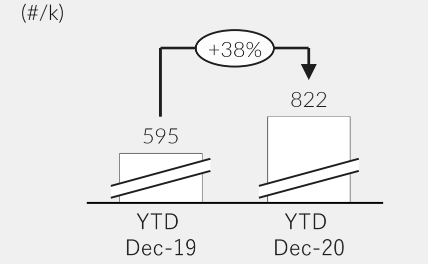
Login



Banking transactions

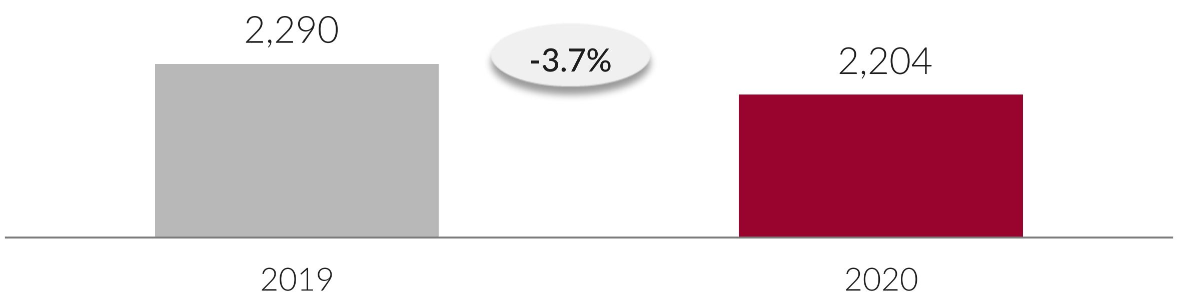


Investment Transactions

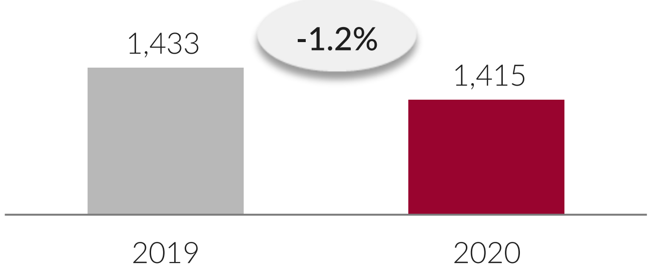


Ongoing cost discipline as a key driver for sustainable profitability

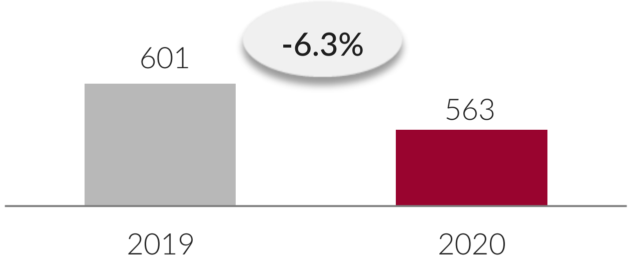
Operating cost evolution *(€/bn)*



Personnel expenses *(€/mln)*



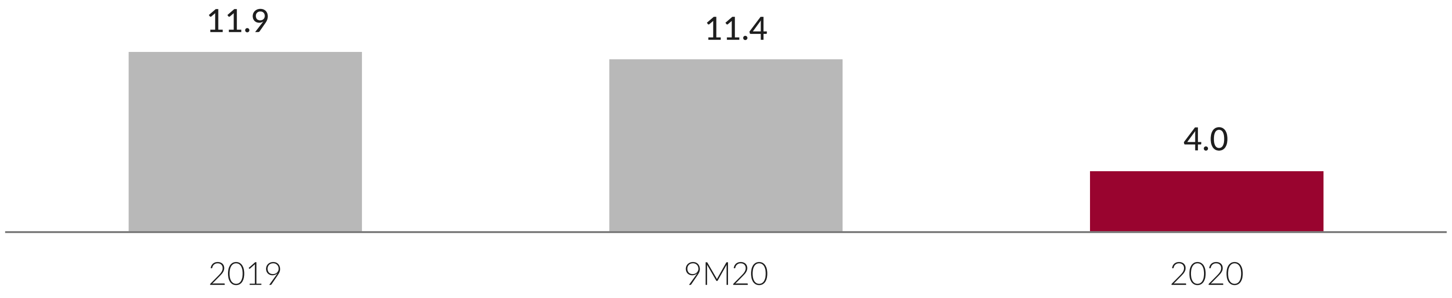
Other administrative expenses *(€/mln)*



- Ongoing strict cost discipline: operating costs -3.7% YoY
  - Personnel costs: -1.2% YoY, benefitting from the exit of around 1.7k people in 2019 and 2020, mainly through the Solidarity Fund; full benefit of 560 exits in Q4 expected starting from 1Q21
  - Other administrative expenses: -6.3% YoY, thanks to optimisation and notwithstanding the additional costs related to Covid-19
- Leveraging on the strong track record in cost containment, **further efficiency gains are expected in the coming years,** thanks to footprint rationalisation and reorganisation of the Group workforce

Derisking process completed with NPE stock at EUR 4bn

Gross NPE stock evolution *(€/bn)*



	2019	9M20	2020
Gross NPE ratio*	12.4%	11.1%	4.3%
Net NPE ratio	6.8%	6.0%	2.3%
Texas Ratio**	86%	93%	54%

- ✓ **Gross NPE ratio at ~4% from ~11% (Sept-20)**, vs. 12.4% in Dec-19, thanks to the completion of Hydra transaction and additional EUR 1.3bn NPE disposals/reductions completed in the year
- ✓ **EUR 4.0bn Gross NPE stock composition, with a vintage decrease from 5.5Y in Sept-20 to 4Y in Dec-2020:**
  - EUR 1.5bn bad loans: 62% coverage and ~60% secured
  - EUR 2.4bn UTPs: >50% with low vintage and ~40% restructured
  - EUR 0.1bn past-due exposures

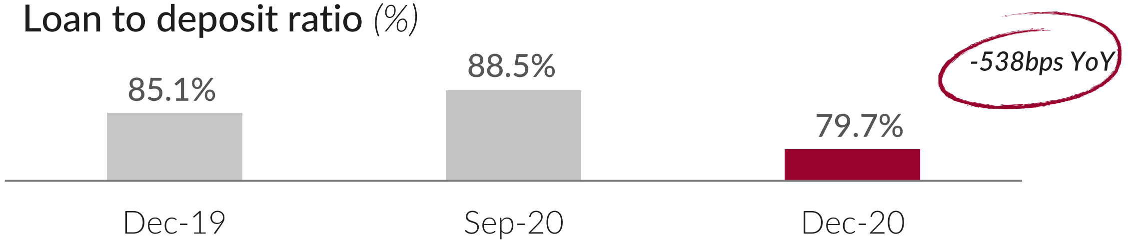
- **In 2020 resilient quality of loan portfolio:** default rate at 1.1% (vs. 1.4% in 2019), danger rate at 10.6% (vs. 8.8% in 2019)
- **Greater focus on credit quality control, redirecting resources** to strengthen the capacity to proactively monitor and manage the «Covid-19» portfolio (moratoria and guarantees)

* 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 3.4% as at December 2020.

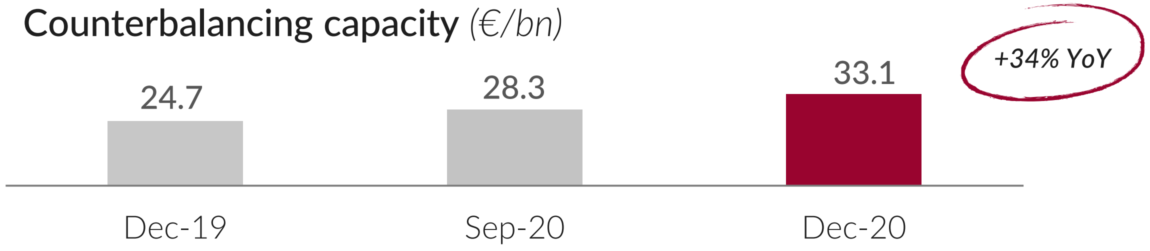
** Gross NPEs/(LLPs + tangible shareholders' equity).

Solid liquidity position

Loan to deposit ratio *(%)*



Counterbalancing capacity *(€/bn)*

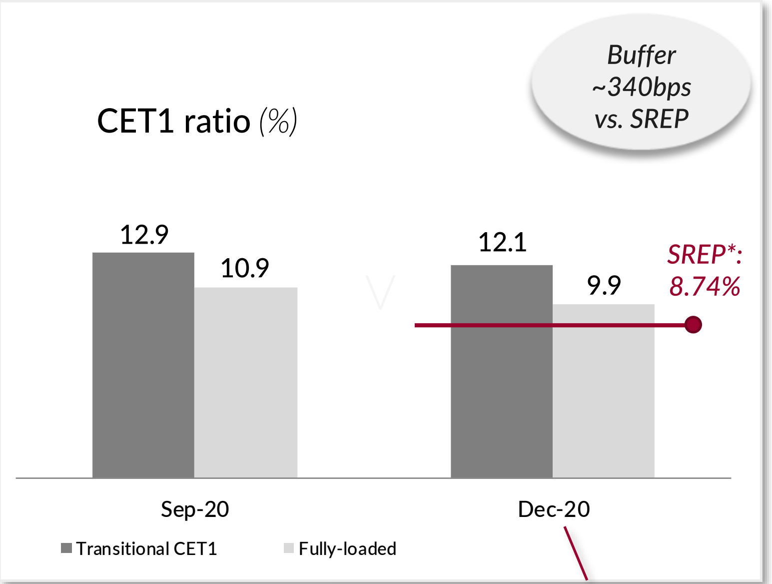


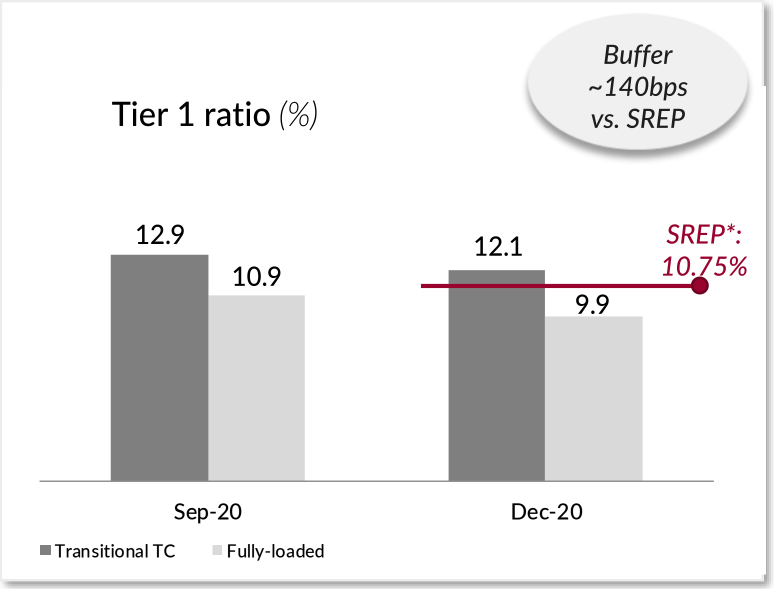
✓ **Liquidity position strongly improved in the year** thanks to:

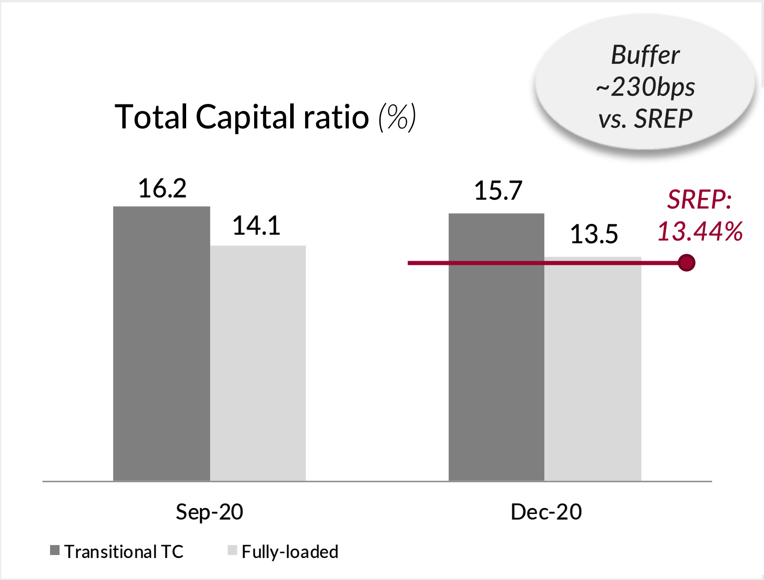
- positive commercial dynamics
- issuance of EUR 0.7bn Tier 2 and EUR 1.5bn Senior Preferred bonds
- take-up of EUR 20bn TLTRO III (for a total amount of EUR 24bn vs. estimated limit of ~EUR 29bn)
- positive impact of Hydra deal

LCR	NSFR
>150%	>100%

Post-Hydra capital ratios sustained by capital management actions & State guarantees







2020 CET1 ratio projected in 2021-2025 Group Strategic Plan**

Phased-in: 11.8%
Fully Loaded: 9.6%

- Capital ratios decrease QoQ mainly by effect of the completion of the Hydra deal (around -140bps), partially offset by RWA reduction brought about by management actions and state-guaranteed loans
- 2021 SREP (Overall Capital Requirement): P2R reduced by 25bps vs. 2020 reflecting, among other things, the significant derisking implemented by the Bank

* 2021 SREP Overall Capital Requirement, as per art. 104a CRD V.

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

Agenda

- FY20 and 4Q20 Results

- Annex

FY20 P&L highlights

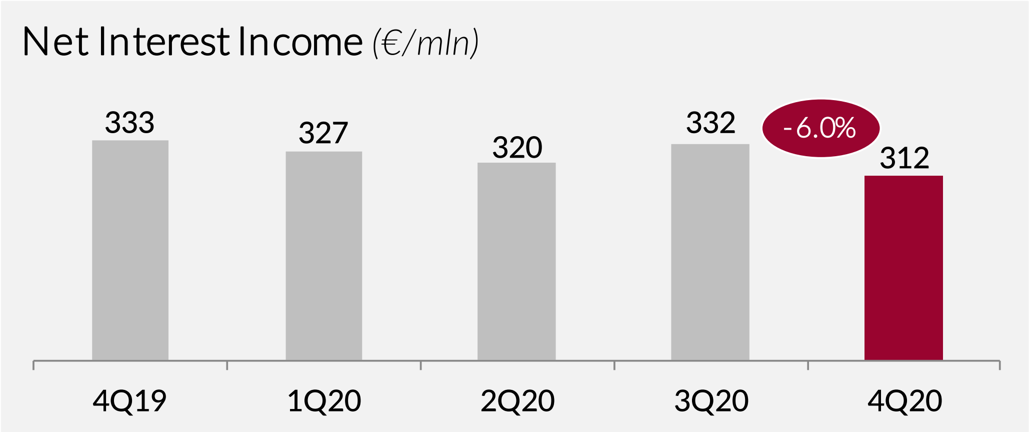
P&L (€/mln)	4Q19	1Q20	2Q20	3Q20	4Q20	FY19	FY20
Net Interest Income	333	327	320	332	312	1,501	1,291
Fees and commissions	371	370	324	355	380	1,450	1,430
Core revenues	705	697	644	687	692	2,951	2,721
Financial revenues*	151	39	100	73	35	413	247
Other operating income/expenses	2	-6	-21	-13	-10	-80	-51
Total revenues	857	729	723	748	717	3,284	2,917
Operating costs	-594	-548	-537	-545	-573	-2,290	-2,204
Pre-provision profit	263	181	186	203	144	994	714
Total provisions**	-194	-316	-209	-103	-125	-588	-753
Net operating result	69	-135	-23	100	18	406	-39
Non-operating items	-109	-112	-384	-569	-240	-353	-1,305
Profit (Loss) before tax	-40	-246	-407	-470	-222	53	-1,344
Tax expense/recovery	-1,179	4	-438	20	73	-1,075	-340
PPA & other items	-1	-1	-1	-1	-1	-12	-4
Net income (loss)	-1,220	-244	-845	-451	-150	-1,033	-1,689

- **Core Revenues:**
  - YoY decrease explained by the cost of institutional funding (also to support Hydra de-risking) and, for a residual portion, by the cost of excess liquidity, boosted by ~EUR +11bn deposit inflows in 2020 (current accounts and time deposits)
  - Fees and commissions stable despite Covid-19 environment, with repayment of Government Guaranteed Bonds offset by lower fees/rappels from third-party consumer credit
- **Non-Core Revenues:** also stable, once one-off contribution of Sorgenia and Tirreno Power in 2019 is taken into account
- **Operating Costs:** sharply down YoY (-3.7%), on both personnel (-1.2% YoY) and other administrative expenses (-6.3% YoY, despite additional pandemic-related spending in 2020)
- **Pre-Provision Profit:** change vs. 2019 (once mentioned one-offs on non-core revenues have been taken into account) driven by current interest rate and macro environment
- **Cost of Risk at 90bps:** in 2020, EUR 348mln provisions booked for the changed macroeconomic scenario emerging from the spread of the pandemic; net of these additional provisions, **cost of risk 48bps.** 2019 figure had benefited for EUR 457mln from the unwinding of the Juliet servicing agreement
- **Net operating results:** negative by EUR 39mln, including the above-mentioned additional loan loss provisions related to the Covid-19 scenario

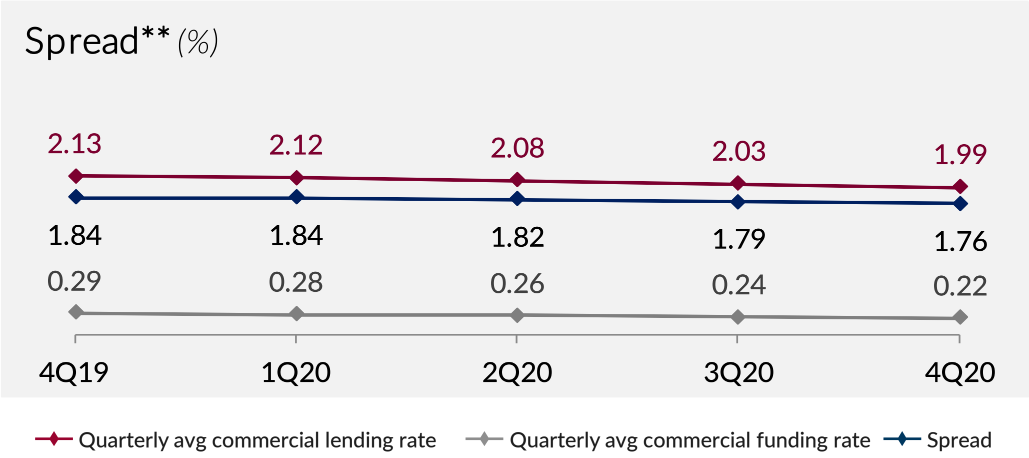
* Financial revenues include: dividends/income from trading investments, net result from trading/hedging, gains/losses on disposals/repurchases, net result from financial assets/liabilities at FVTPL.

** Includes item "Cost of customer loans", provisions on securities at amortised cost and FVTOCI, and provisions on loans to banks.

Net Interest Income

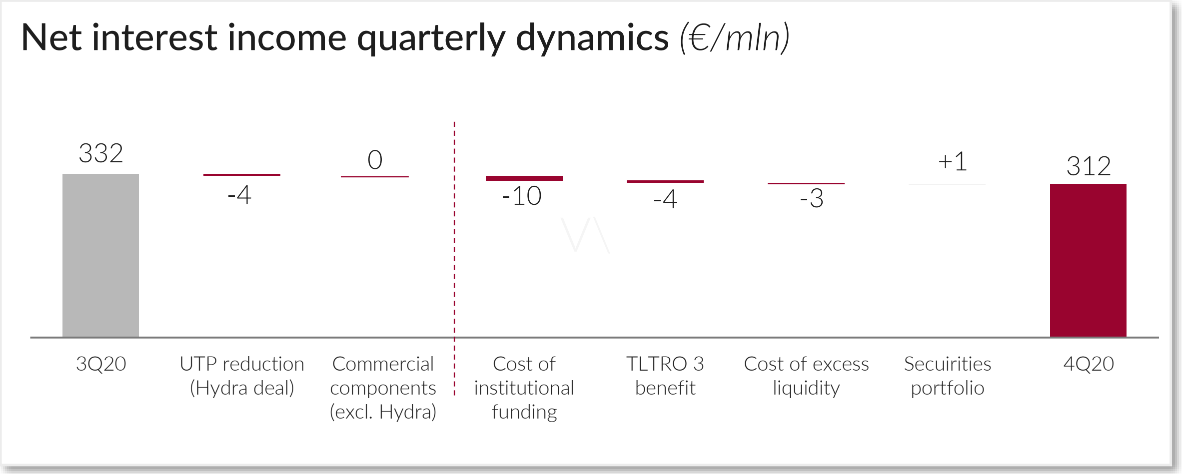


	4Q19	1Q20	2Q20	3Q20	4Q20
Commercial NII* (€/mln):	355	345	339	339	335
Commercial NII*/Total NII:	106%	106%	106%	102%	107%



NII at EUR 312mln (EUR -20mln vs. 3Q20) with:

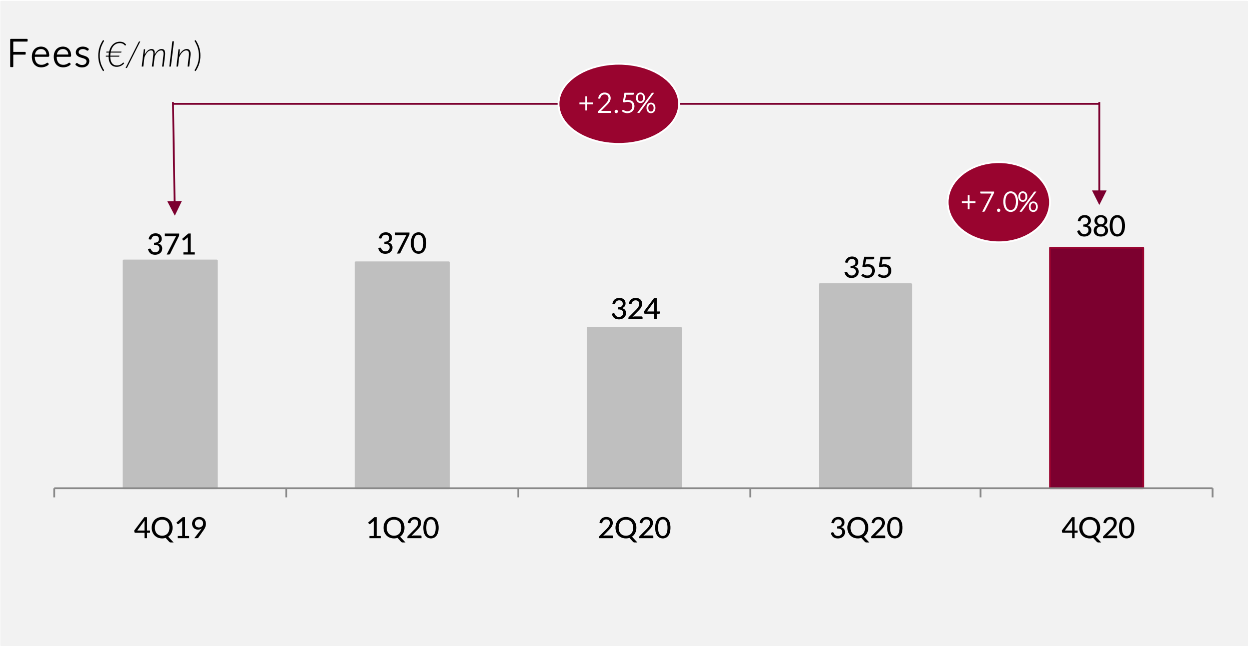
- **Commercial net interest income** largely stable:
  - Reduction fully explained by Hydra transaction, as positive/negative impacts of other commercial components offset each other
- **Non-commercial net interest income**
  - Half of the change explained by cost of recently issued institutional bonds (in particular, the T2 issued to support the Hydra transaction)
  - Remaining part mainly related to lower contribution by TLTRO 3 and cost of increased excess liquidity deposited with central banks



* Net interest income on commercial loans to customers and on commercial direct funding.

** Figures from operational data management system.

Fee and Commission Income



€/mln	1Q20	2Q20	3Q20	4Q20	4Q20 vs. 3Q20
Wealth Management fees:	174	139	157	162	3,0%
WM Placement	63	35	48	46	-3,7%
Continuing	88	82	87	91	4,2%
Custody	10	12	10	11	10,2%
Protection	12	9	12	14	14,5%
Traditional Banking fees:	228	203	214	221	3,7%
Credit facilities	107	91	93	99	7,1%
International business	13	11	11	11	1,3%
Payment services and client expense recovery	108	101	110	111	1,1%
Other	-31	-17	-15	-3	81,1%
TOTAL NET FEES	370	324	355	380	7,0%

- Strongest quarter for fee income in the last 2 years
- Positive quarterly performance of net fees and commissions on all components:
  - WM fees increase by 3% QoQ, led by the more stable continuing WM fees and protection product fees
  - Traditional banking fees are up by 3.7% QoQ, driven by recovering consumer credit business and other credit facilities, also thanks to the activity of MPS Capital Services and MPS Leasing & Factoring

Financial Revenues*

Dividends/Income from investments (€/mln)

	4Q19	1Q20	2Q20	3Q20	4Q20
Dividends/Income from investments	15	12	35	11	43

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

	4Q19	1Q20	2Q20	3Q20	4Q20
Net result from trading/hedging	-8	-25	47	8	8
Gains/losses on disposals/repurchases	8	52	24	52	-10
Net result from financial assets/liabilities at FVTPL	136	0	-6	2	-6
Total	135	27	66	62	-9

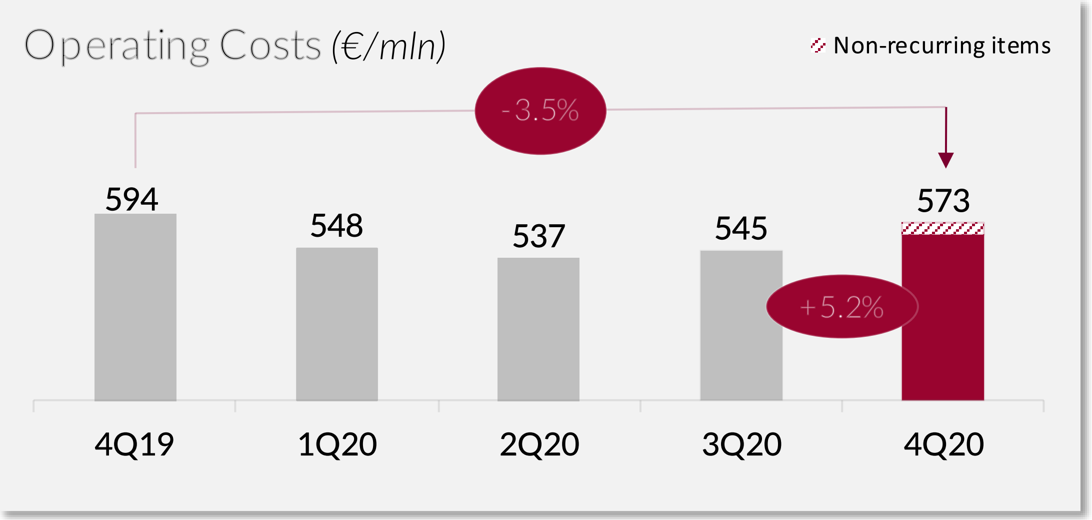
Starting from 1Q20, the portion relating to loans to customers of P&L items 100a, 110b, 130a and 140, plus item 200a, have been traced back to a single aggregate called «Cost of customer loans», with main impacts on items «Financial revenues», «Total provisions» and «Non-operating items». 2019 figures were restated to ease the comparison of the Group's performance results.

- Dividends, similar income and gains (losses) on equity investments up in the quarter thanks to the higher contribution by AXA, positively impacted in 4Q20 by the recovery of financial markets

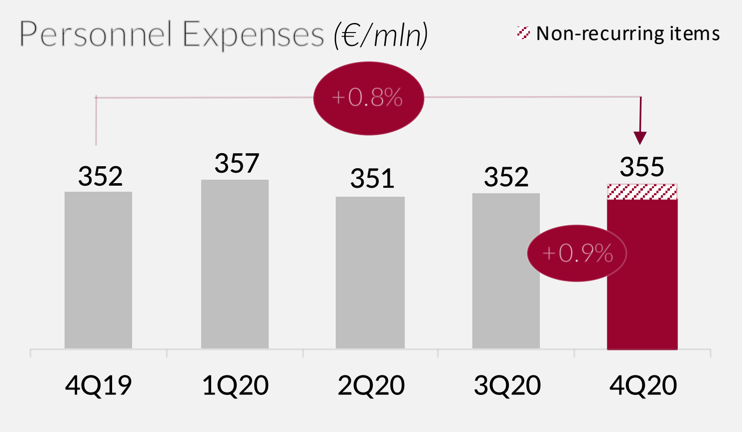
- Trading/disposal/valuation/hedging of financial assets/others:
  - EUR +8mln from trading/hedging, stable QoQ
  - EUR -10mln from disposals/repurchases, mainly due to one-off components. In the quarter, no significant contribution from management of govies and other financial assets portfolios (vs. EUR +52mln in 3Q20)
  - EUR -6mln net result from financial assets/liabilities at FVTPL

* The item includes: dividends/income from trading investments, Net result from trading/hedging, Gains/losses on disposals/repurchases, Net result from financial assets/liabilities at FVTPL.

Operating Costs



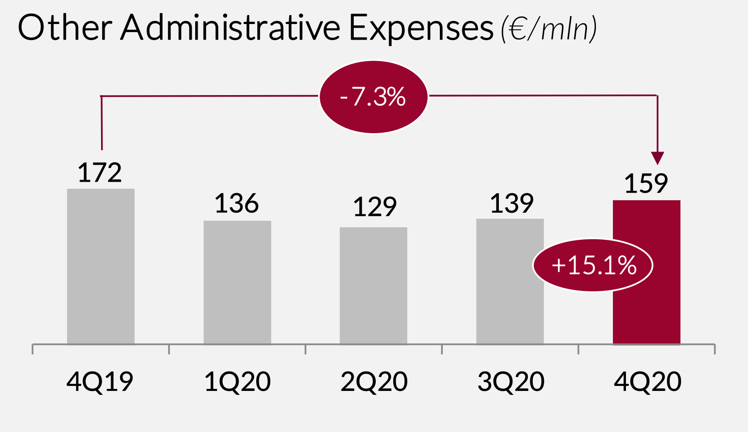
- **Operating costs** up by 5.2% QoQ, but down by 3.7% FY20 vs. FY19
  - **Personnel expenses:** marginally increase QoQ, mainly for non-recurring costs (EUR 5mln); full benefit of 560 exit in 4Q20 starting from 1Q21
  - **Other administrative expenses** down by -6.3% in 2020 vs. 2019, notwithstanding the costs related to Covid-19 safety measures; up vs. 3Q20, affected by typical end-of-year seasonality
  - **Depreciation & Amortisation** increases in the quarter by c. EUR 4mln due to higher impairments on PP&E



22.0K	22.1K	22.1K	22.1K	21.4K

FTEs*

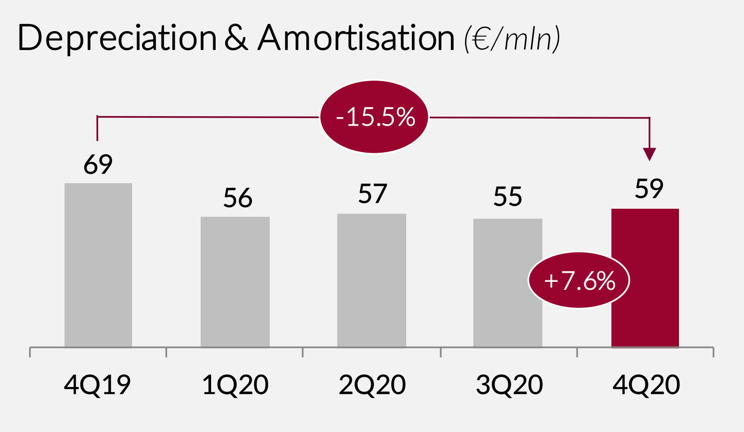
-2.8% YoY



1,422	1,421	1,421	1,420	1,418

Branches

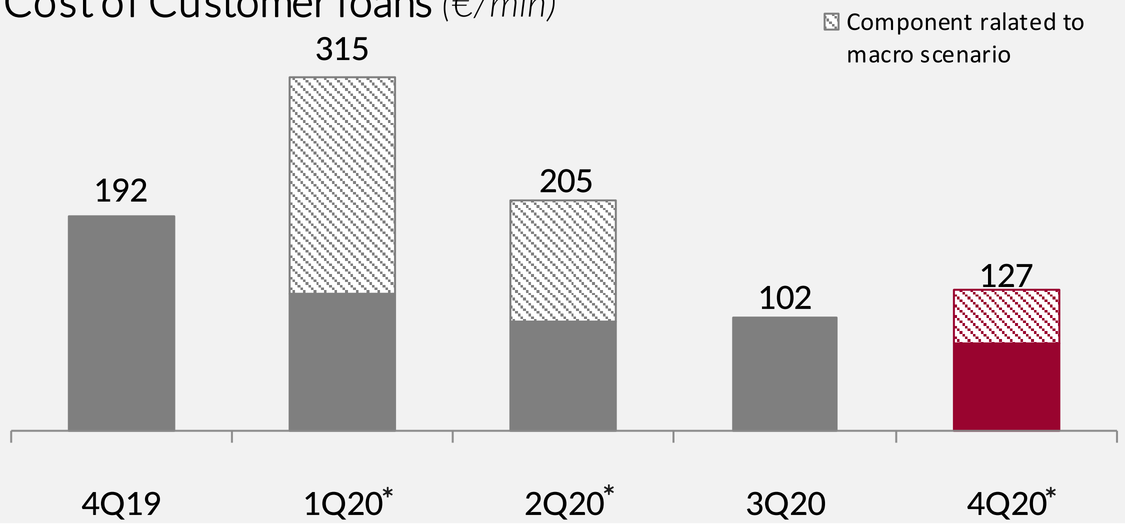
-0.3% YoY



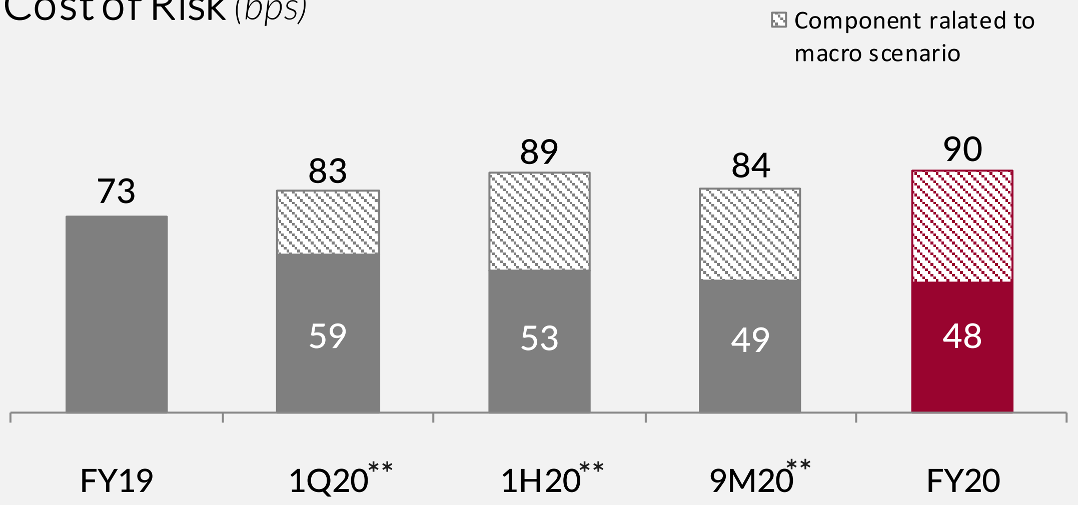
* The number of FTEs refers to the effective workforce and therefore does not include employees who were seconded outside of the Group's perimeter.

Cost of Risk & Coverage

Cost of Customer loans (€/mln)



Cost of Risk (bps)



Non-performing Exposures Coverage (%)

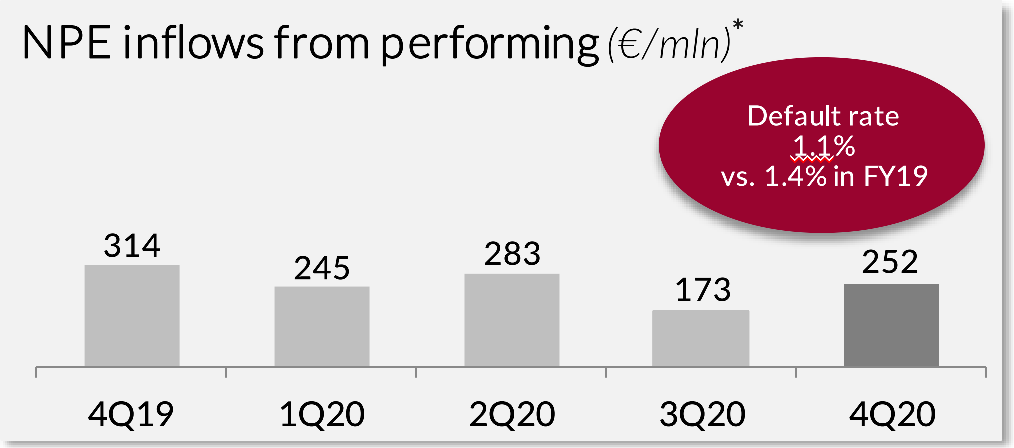
	Dec-19	Sep-20	Dec-20
Bad Loans *(sofferenze)*	53.6	54.6	62.3
Unlikely-to-Pay Loans	43.4	44.3	36.8
Past Due Loans	23.5	23.6	27.8
Total NPEs	**48.7**	**49.5**	**46.2**

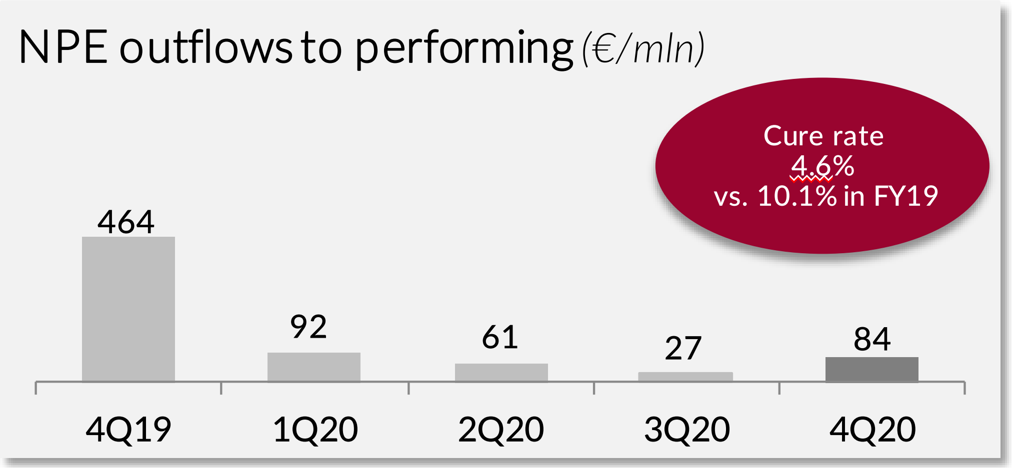
- Cost of customer loans at EUR 127mln for the quarter, including EUR 48mln additional provisions stemming from Covid-19 macroeconomic scenario update
- Cost of risk at 90bps, 48bps excluding the EUR 348mln additional provisions booked in 2020 related to the more adverse macroeconomic forecasts
- NPE coverage impacted by the completion of the Hydra deal

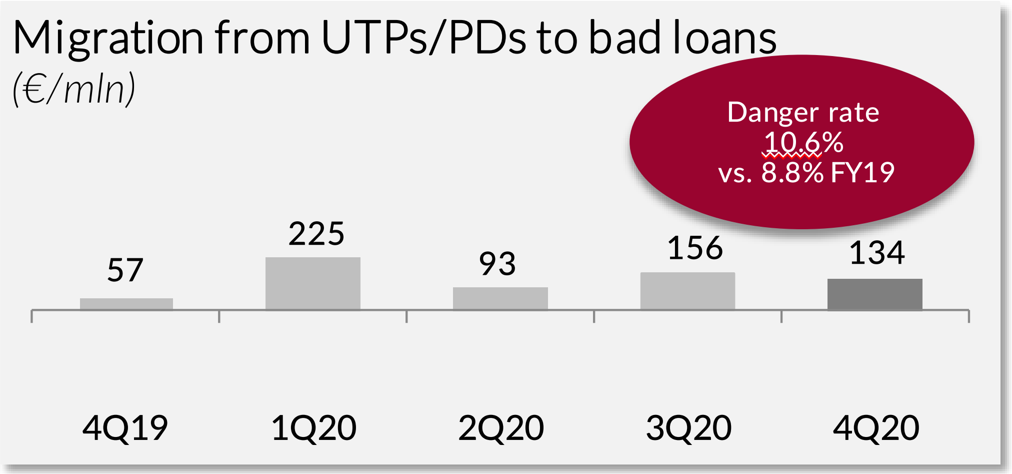
* Including additional provisions related to updated post Covid-19 macroeconomic scenario (~EUR 193mln in 1Q20,~EUR 107mln in 2Q20 and ~EUR 48mln in 4Q20).

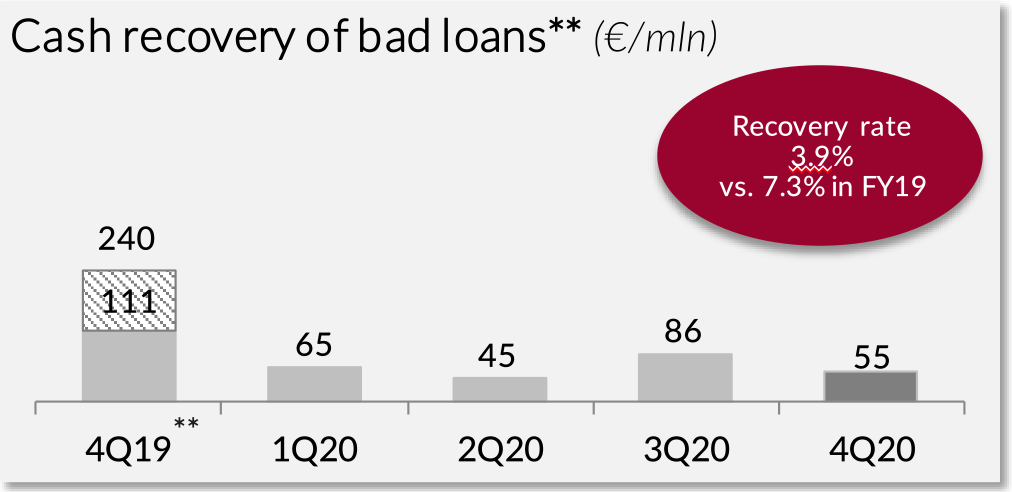
** Net loan loss provisions since the beginning of the period (annualised ordinary component + extraordinary component)/end-of-period loans.

Asset Quality Migration Matrix







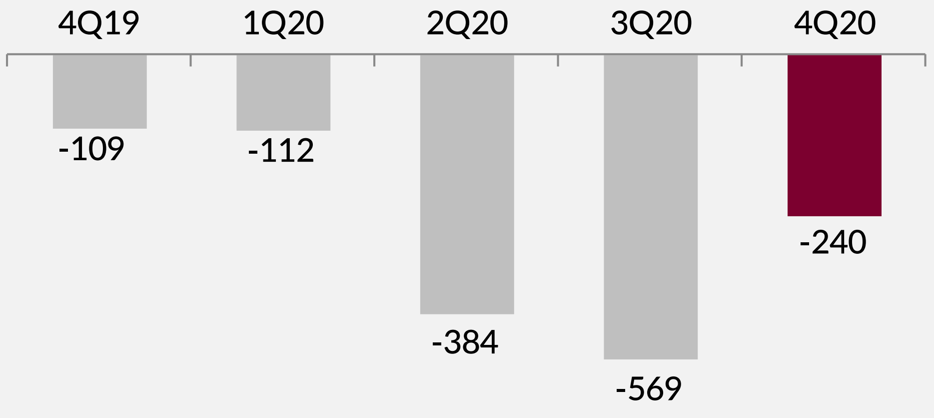


* Data from operational data management system. For 2020: cash + signature + FV. For 2019: cash + signature.

** Including EUR 111mln recoveries on disposed bad loans.

Non-Operating Items and Taxes

Non-operating items* (€/mln)



	4Q19	1Q20	2Q20	3Q20	4Q20
DGS, NRF & SRF	0	-58	-18	-41	-23
DTA Fees	-18	-18	-18	-18	-18
Other	-91	-35	-348	-511	-200
Total	-109	-112	-384	-569	-240

- Non-operating items at EUR -240mln including:
  - EUR -23mln for the contribution to the Deposit Guarantee Scheme (annual contribution ~EUR -60mln, vs. ~EUR-41mln estimated in 3Q20) and the net loss on the exposure with the IDPF Voluntary Scheme (for the Carige intervention)
  - EUR -18mln for quarterly DTA fees introduced by Law Decree 59/2016
  - EUR -200mln for other non-operating items, mainly provisions for risks and charges (EUR 216mln) and further restructuring costs for the AMCO derisking transaction (EUR 23mln), somewhat offset by profits from the sale of real estate to Ardian (EUR 40mln)

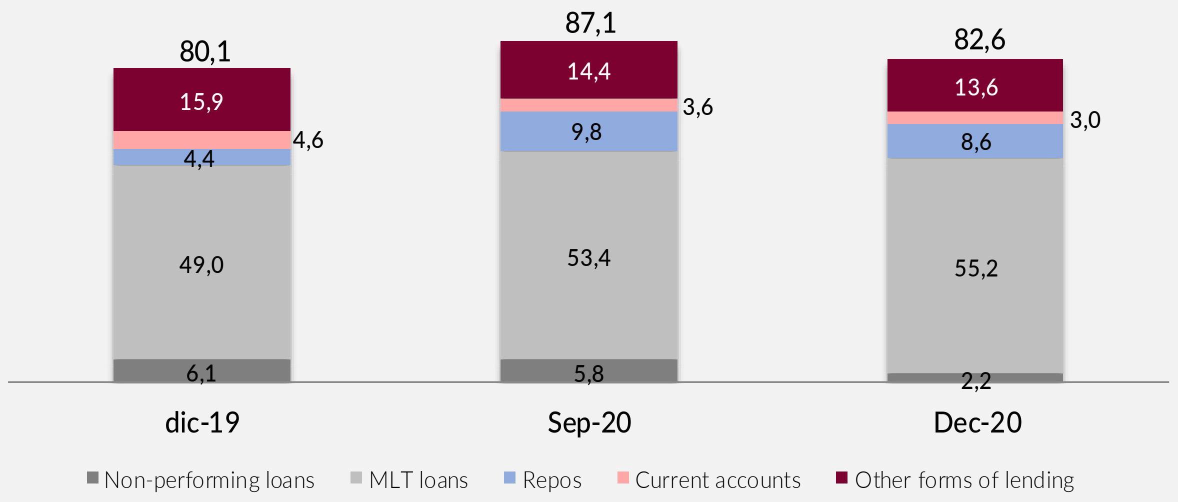
- Taxes for the quarter are positive for EUR 73mln; the amount includes a limited reassessment of DTAs and excludes any impact from the 2021-25 Group Strategic Plan which is currently under review by DG Comp

Starting from 1Q20, the portion relating to loans to customers of P&L items 100a, 110b, 130a and 140, plus item 200a, have been traced back to a single aggregate called «Cost of customer loans», with main impacts on items «Financial revenues», «Total provisions» and «Non-operating items». 2019 figures were restated to ease the comparison of the Group's performance results

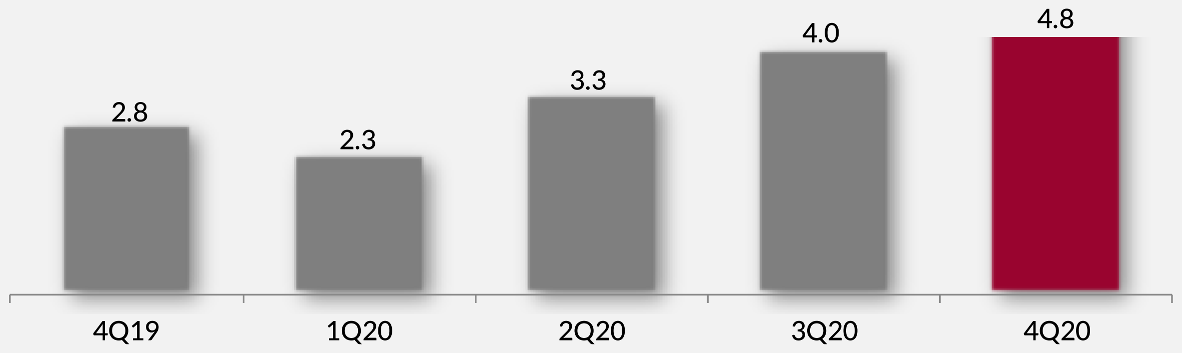
* Net provisions for risks and charges, gains (losses) on investments/disposals, restructuring costs/one-off costs, DTA fees and SRF, NRF & DGS and gains (losses) on disposal of investments.

Customer Loans

Loans to Customers *(€/bn)*



Medium & Long-Term Lending – New Loans *(€/bn)***



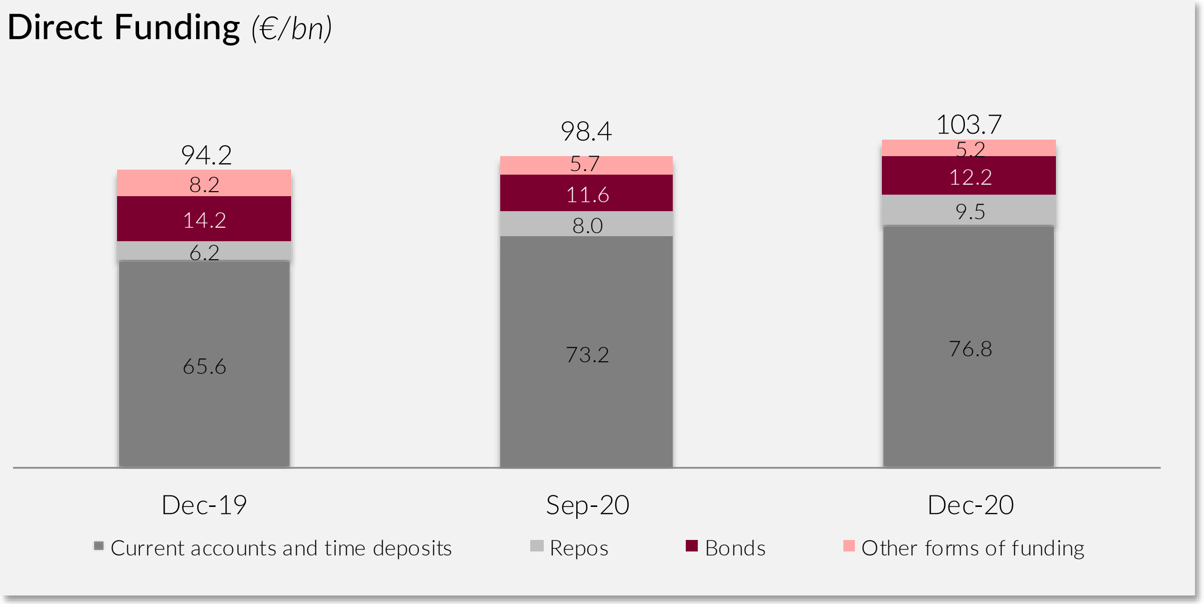
- Customer loans down by ~EUR 4.5bn QoQ, mainly for non-core activities:
  - EUR -3.6bn decrease in NPEs thanks to completion of Hydra deal
  - EUR +1.8bn increase in m/l term loans, mainly related to disbursements and moratoria connected with Covid-19 financial support measures
  - ~EUR -1.5bn decrease in other forms of lending and current account facilities in favour of Large Corporates, Key Clients, Institutions and selected SMEs, in line with the accelerated deleveraging of non-core customers strategy
  - EUR -1.2bn decrease in repos
- Average commercial loans: EUR 73.4bn in 4Q20, slightly increased QoQ (+0.3%)
- Group's loan market share at 4.68%* as at Oct-20, down 11bps YoY

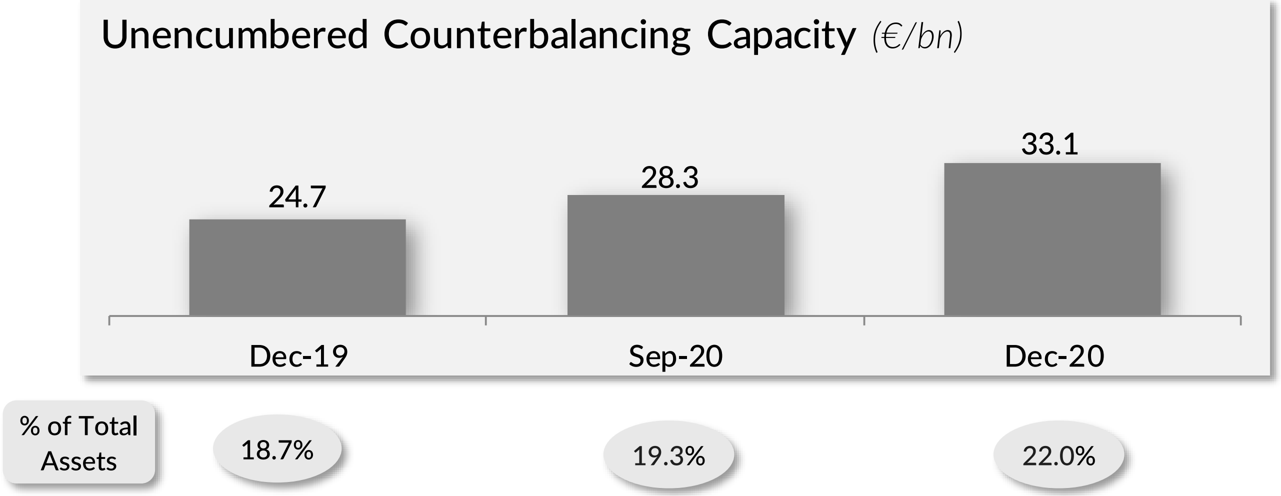
Starting from 1Q20, the reclassified balance sheet was revised in order to ensure greater consistency of the aggregates with the instruments that constitute them. Among the main changes, the introduction of the "Loans" aggregate, subdivided, according to the counterparty, into "Loans to central banks", "Loans to banks" and "Loans to customers". These items comprise credit instruments, regardless of their accounting allocation among financial assets measured at AC or measured at FVTPL or among non-current assets/groups of assets held for sale. 2019 figures were restated to favour the comparison of the Group's performance results

* Lending to domestic customers, including non-performing exposures (net of bad loans) and net of institutional repos.

** Figures from operational data management system.

Direct Funding and Liquidity



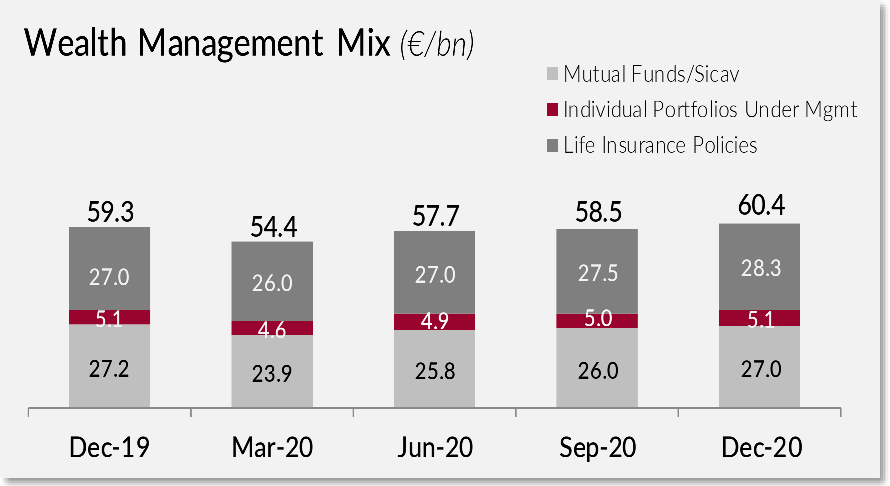


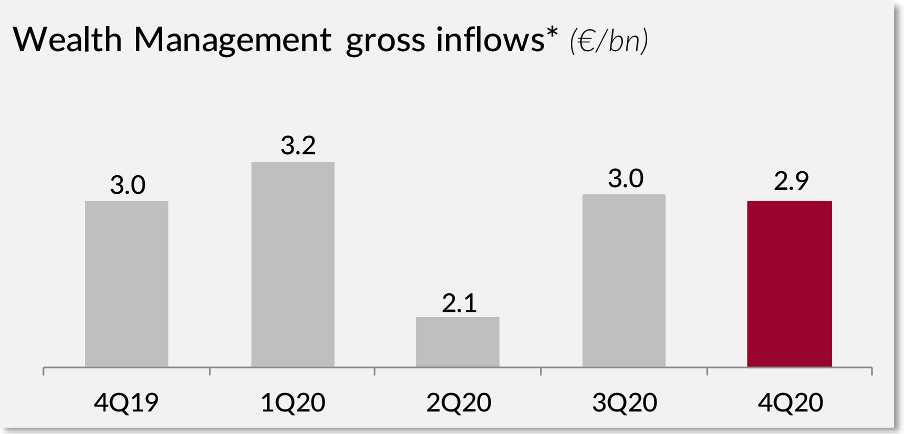
- Total direct funding up by ~EUR 5.3bn QoQ
  - EUR +3.1bn increase in commercial direct funding, with increase concentrated on current accounts
  - More expensive time deposits down 7.5% QoQ
  - EUR +2.2bn from institutional counterparties, with higher activity in repos from MPS CS (+EUR 1.5bn) and increasing amount of bonds (EUR 750mln senior preferred bond issued in December)
- Average commercial direct funding: EUR 78bn in 4Q20, up by EUR 2.3bn (+3.1%) QoQ and by EUR 7bn (+9.9% vs. 4Q19)
- Loans to Central banks at EUR 28.5bn vs. EUR 9.4bn in 2019
- Loan to Deposit ratio <80% (85% in 2019)
- Group's direct funding market share at 3.91%* as at Oct-20, up by 19bps YoY
- Unencumbered Counterbalancing Capacity at EUR 33.1bn, 22% of total assets (vs. 18.7% in Dec-19)
- LCR: >150% and NSFR: >100%

* Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident clients and bonds, net of repurchases, placed with resident clients as first-instance borrowers.

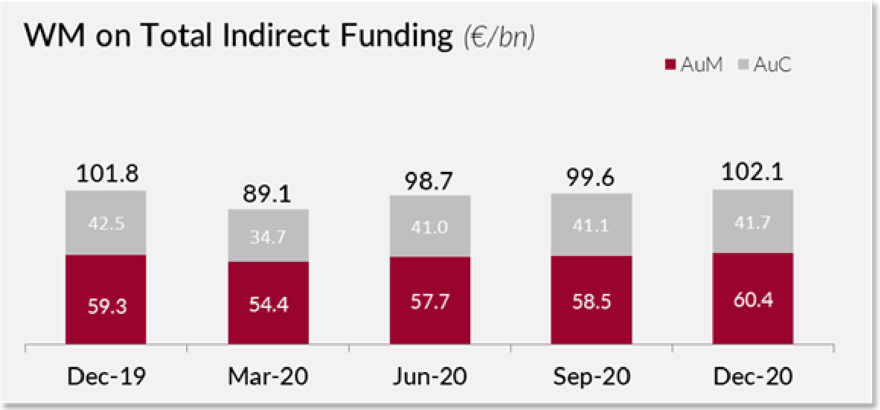
Wealth Management and Assets Under Custody

- **Stock of assets under management** up by EUR 1.9bn QoQ, thanks to positive market effect; up by EUR 1.1bn YoY mostly thanks to new net inflows (EUR +0.7bn)
- **Stock of assets under custody** up by EUR 0.5bn QoQ
- **Market shares:**
  - Mutual funds stock: 4.49%**
  - Bancassurance savings: 6.97%** (+20bps YoY)
  - Bancassurance protection: 5.92%*** (+ 5bps YoY)





	4Q19	1Q20	2Q20	3Q20	4Q20
of which Bancassurance (€/bn):	1.3	1.3	0.7	1.2	1.1



	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
WM / Total indirect funding	58%	61%	58%	59%	59%

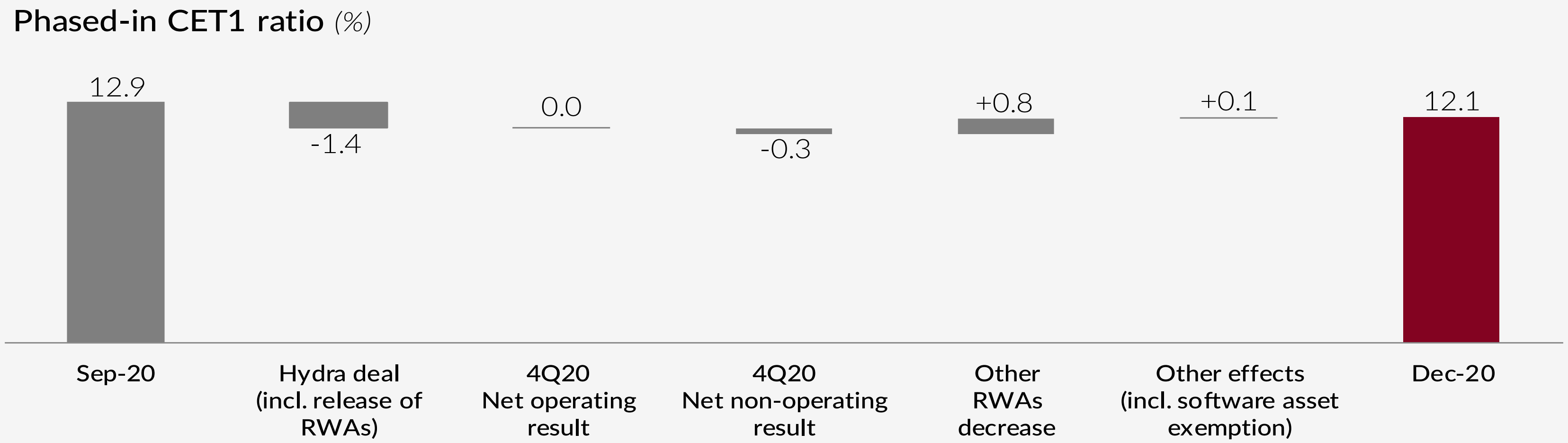
* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.

** Mutual funds market share and bancassurance savings products market share related to AXA products as at Oct-20. Latest available data.

*** Market share related to AXA products as at Sep-20. Latest available data.

Capital Structure

(€/bn)	3Q20	4Q20
TBV	6.6	5.6
Transitional CET1	7.2	6.1
Fully-loaded CET1*	6.1	4.9
RWAs	56.1	49.9



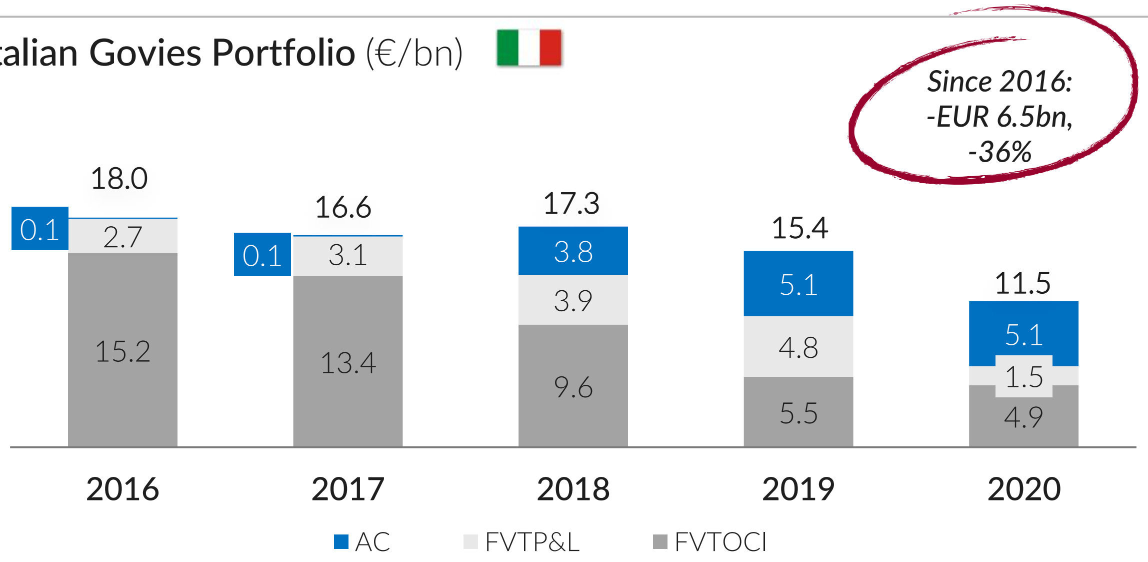
	Sep-20	Dec-20
Fully-loaded CET1* (%)	10,9	9.9
Total Capital (%)	16.2	15.7
Fully-loaded Total Capital* (%)	14.1	13.5

- Quarterly capital ratio evolution mainly affected by:
  - overall impact of Hydra deal (around -140bps including RWA release)
  - 4Q20 net result (EUR -150mln) mainly impacted by non-operating items (EUR -240mln)
  - on top of the effect of Hydra deal on RWAs, decreased credit risk thanks to management actions and state-guaranteed loans (~EUR-3.9bn), partly offset by increase in operational & market risks (~EUR +0.3bn)
  - exemption from deduction of software assets (~+20bps) partly offset by other negative effects

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

Strong de-risking of Italian Govies Portfolio*

Italian Govies Portfolio (€/bn)



	2016	2017	2018	2019	2020
FVTOCI / Banking book (%)	99%	99%	72%	52%	49%
Duration (years)	~4.9	~3.6	~2.8	~2.3	~2.1
Credit spread sensitivity (€/mln, before tax, for 1bp increase in the BTP/Bund spread)	-8.9	-5.6	-2.9	-1.5	-1.1

- Italian Govies portfolio down by ~EUR 4bn QoQ,
  - Decrease mainly connected with the reduction of the FVTPL portfolio of MPS Capital Services
  - In 2020, MPS Capital Services was classified 1st in the MEF Ranking of Specialists in Government Bonds
- Significant improvement in FVTOCI portfolio risk indicators:
  - Average portfolio duration down to around 2.1Y vs. 2.3Y one year ago (and 4.9Y in 2016)
  - Credit spread sensitivity (before tax for 1bp change) down to EUR-1.1mln vs. EUR-1.5mln one year ago (and EUR -8.9mln in 2016)
- Both AC and FVTOCI portfolios have positive reserves embedded
  - Gross FVTOCI** reserves positive for ~68mln (EUR -11mln in Dec-19)
  - Unrealised gains on AC banking book around EUR 370mln***

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

** Net FVTOCI reserve: ~EUR +46mln in Dec-20 (~EUR -8mln in Dec-19). Impact on transitional capital ratios subject to phase-in according to EU rules.

*** Management figures.

Agenda

- FY4Q20 Results

- Annex

4Q20 and FY20 P&L: Highlights

€ mln	3Q20	4Q20	Change (QoQ%)	FY19	FY20	Change (YoY%)
Net Interest Income	332	312	-6.0%	1,501	1,291	-14.0%
Net Fees	355	380	+7.0%	1,450	1,430	-1.3%
Financial revenues*	73	35	-52.5%	413	247	-40.2%
Other operating income/expenses	-13	-10	+21.9%	-80	-51	+37.0%
Total revenues	748	717	-4.1%	3,284	2,917	-11.2%
Operating Costs	-545	-573	+5.2%	-2,290	-2,204	-3.7%
of which personnel costs	-352	-355	+0.9%	-1,433	-1,415	-1.2%
of which other admin expenses	-139	-159	+15.1%	-601	-563	-6.3%
Pre-provision profit	203	144	-29.0%	994	714	-28.2%
Total provisions**	-103	-125	+22.0%	-588	-753	+28.1%
of which cost of customer loans	-102	-127	+24.5%	-583	-748	+28.3%
Net Operating Result	100	18	-81.6%	406	-39	n.m.
Non-operating items***	-569	-240	-57.8%	-353	-1,305	n.m.
Profit (Loss) before tax	-470	-222	+52.8%	53	-1,344	n.m.
Taxes	20	73	n.m.	-1,075	-340	-68.3%
PPA & Other Items	-1	-1	+23.8%	-12	-4	-64.1%
Net profit (loss)	-451	-150	+66.8%	-1,033	-1,689	-63.5%

Starting from 1Q20, the portion relating to loans to customers of P&L items 100a, 110b, 130a and 140, plus item 200a, have been traced back to a single aggregate called «Cost of customer loans», with main impacts on items «Financial revenues», «Total provisions» and «Non-operating items». 2019 figures were restated to ease the comparison of the Group's performance results

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

** Includes the new item "Cost of customer loans" , provisions on securities at amortized cost and FVTOCI, and provisions on loans to banks.

*** Net provisions for risks and charges, gains (losses) on investments/disposals, restructuring costs/one-off costs, DTA fees and SRF, NRF & DGS and gains (losses) on disposal of investments.

Balance Sheet

Total Assets *(€/mln)*

	Dec-19	Jun-20	Sep-20	Dec-20	QoQ%	YoY%
Loans to Central banks	9,405	15,038	18,680	28,526	52.7%	n.m.
Loans to banks	5,543	5,757	4,935	5,452	10.5%	-1.6%
Loans to customers	80,135	82,511	87,099	82,632	-5.1%	3.1%
Securities assets	24,185	25,569	23,025	21,623	-6.1%	-10.6%
Tangible and intangible assets	2,885	2,561	2,535	2,523	-0.5%	-12.6%
Other assets*	10,043	10,220	10,008	9,599	-4.1%	-4.4%
Total Assets	**132,196**	**141,656**	**146,281**	**150,356**	**2.8%**	**13.7%**

Total Liabilities *(€/mln)*

	Dec-19	Jun-20	Sep-20	Dec-20	QoQ%	YoY%
Deposits from customers	80,063	86,140	86,827	91,507	5.4%	14.3%
Securities issued	14,154	11,445	11,591	12,212	5.4%	-13.7%
Deposits from central banks	16,042	21,331	23,995	23,934	-0.3%	49.2%
Deposits from banks	4,137	4,854	4,734	4,485	-5.3%	8.4%
Other liabilities**	9,520	10,727	12,363	12,435	0.6%	30.6%
Group net equity	8,279	7,158	6,770	5,783	-14.6%	-30.2%
Non-controlling interests	2	1	1	1	0.0%	-27.8%
Total Liabilities	**132,196**	**141,656**	**146,281**	**150,356**	**2.8%**	**13.7%**

Starting from 1Q20, the reclassified balance sheet was revised in order to ensure greater consistency of the aggregates with the instruments that constitute them. The main changes concerned:

- The introduction, in the Assets side, of a "Loans" aggregate, subdivided, according to the counterparty, into "Loans to central banks", "Loans to banks" and "Loans to customers". These items comprise credit instruments, regardless of their accounting allocation among financial assets measured at amortised cost or measured at fair value through profit & loss, or among non-current assets/groups of assets held for sale
- The introduction, in the Assets side, of a "Securities assets" aggregate, which includes the more specifically financial instruments, regardless of their accounting allocation among financial assets measured at fair value through profit & loss, measured at fair value through other comprehensive income or measured at amortised cost, or among non-current assets/groups of assets held for sale
- The introduction, in the Liabilities side, of a "Securities issued" aggregate, separating it from the previous reclassified item "Deposits from customers and securities issued"

* 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)*

	Dec-19	Sep-20	Dec-20	QoQ%	YoY%
Current accounts	4.626	3.649	3.039	-16,7%	-34,3%
Medium-long term loans	49.046	53.417	55.200	3,3%	12,5%
Other forms of lending	15.921	14.421	13.616	-5,6%	-14,5%
Reverse repurchase agreements	4.434	9.829	8.617	-12,3%	94,3%
Impaired loans	6.108	5.784	2.160	-62,6%	-64,6%
Total	**80.135**	**87.099**	**82.632**	**-5,1%**	**3,1%**

Direct Funding * *(€/mln)*

	Dec-19	Sep-20	Dec-20	QoQ%	YoY%
Current accounts	56,046	63,607	67,989	6.9%	21.3%
Time deposits	9,594	9,544	8,827	-7.5%	-8.0%
Repos	6,174	8,010	9,508	18.7%	54.0%
Bonds	14,154	11,591	12,212	5.4%	-13.7%
Other types of direct funding	8,250	5,667	5,182	-8.5%	-37.2%
Total	**94,217**	**98,418**	**103,719**	**5.4%**	**10.1%**

* Deposits from customers and securities issued.

Focus on commercial net interest income*

Net interest income (€/mln, %)	4Q19 average volumes	4Q19 average rates	1Q20 average volumes	1Q20 average rates	2Q20 average volumes	2Q20 average rates	3Q20 average volumes	3Q20 average rates	4Q20 average volumes	4Q20 average rates
Commercial Loans	73.2	2.13%	72.5	2.12%	73.3	2.08%	73.2	2.03%	73.4	1.99%
Retail (including small businesses)	40.4	2.32%	40.5	2.30%	40.5	2.28%	41.0	2.18%	42.2	2.11%
Corporate	29.3	1.86%	28.6	1.84%	29.4	1.80%	29.0	1.80%	28.7	1.80%
Non-performing	3.5	2.23%	3.4	2.26%	3.3	2.10%	3.2	2.17%	2.5	2.20%
Commercial Direct funding	71.0	-0.29%	71.1	-0.28%	73.1	-0.26%	75.7	-0.24%	78.0	-0.22%
Retail (including small businesses)	48.5	-0.31%	48.3	-0.29%	49.6	-0.27%	51.2	-0.26%	52.6	-0.25%
Corporate	18.8	-0.17%	18.3	-0.13%	18.7	-0.11%	20.3	-0.10%	21.4	-0.08%
Non-performing	0.4	-0.02%	0.3	-0.02%	0.3	-0.02%	0.3	-0.03%	0.3	-0.04%
Other customers	3.4	-0.75%	4.2	-0.75%	4.5	-0.75%	3.9	-0.75%	3.8	-0.75%
Other commercial components**	13		12		7		10		12	
Commercial NII	355		345		339		339		335	
Non-commercial NII***	-21		-18		-19		-7		-23	
Total Interest Income	333		327		320		332		312	

* Figures from operational data management system.

** Including commissions on advances, amortised cost, interest on arrears, interest adjustments.

*** Positive contribution mainly from govies portfolio and, starting from 2Q18, from the securitised senior notes retained by the Bank. Negative contribution from cost of institutional funding.

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	4Q20
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 0.8bn (EUR –0.1bn vs. 3Q20)
2 Non-convertible losses	DTAs on non-convertible fiscal losses and DTAs on ACE (Allowance for Corporate Equity) deductions 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 (EUR +0.1bn vs. 3Q20)
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) 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 (EUR -0.1bn vs. 3Q20)
4 DTAs not recorded in balance sheet	DTAs not recorded in balance sheet due to the probability test	N.A.	EUR 3.7bn (stable vs. 3Q20)

* 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 31/12/20

~EUR 5.1bn total *petita* for litigations, classified by disbursement risk profile:

- Probable: ~EUR 2.5bn (for which provisions of EUR 1.0bn have been booked)
- Possible: ~EUR 0.6bn (no provisions are booked for such disputes: as required by accounting standards, significant amounts are disclosed)
- Remote: ~EUR 1.9bn (no provisions are allocated and no disclosures are provided for such disputes)

~EUR 4.9bn threatened litigations classified as "probable"

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 December 2020
- The Bank, after the verdict of 15 October 2020, deems the risk of disbursement "probable" for both claims regarding the 2008-2011 period (legal proceeding n° 29634/14, threatened litigations) and 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, inasmuch this information could seriously affect its position in existing litigations and in the negotiations of potential out-of-court settlement agreements
- As at 31.12.2020, EUR 0.4bn claims settled, with no significant impact on P&L

Claims related to disclosed financial information (2008-2015) €/mln	31/12/20	30/09/20
Civil litigations brought by shareholders*	662	831
Threatened litigations**	4,698	4,467
Civil parties admitted to proceeding n° 29634/14	137	137
Civil parties admitted to proceeding n° 955/16	177	177
Total	5,674	5,612

* QoQ decrease of civil litigations due to settlements with counterparties concluded in the quarter, partially offset by new claims received.

** On 31 July 2020, additional out-of-court claims for EUR 3.8bn were received from the MPS Foundation. The EUR 231mln QoQ increase in threatened litigations is attributable to additional claims received in relation to the 2008-2011 and 2014-2015 capital increases.

Focus on Asset Quality

Non-Performing Exposures - NPEs *(€/mln)*

	Gross Book Value		Net Book Value		Coverage	
	3Q20	*4Q20*	*3Q20*	*4Q20*	*3Q20*	*4Q20*
Bad loans *(sofferenze)*	6,287	1,499	2,856	565	54.6%	62.3%
Unlikely-to-Pay loans	4,892	2,438	2,724	1,541	44.3%	36.8%
Past due/overdue exposures	266	76	203	55	23.6%	27.8%
Total NPEs	11,444	4,012	5,784	2,160	49.5%	46.2%

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