BMPS 1Q21 Results

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

6 May 2021

1Q21 Highlights

Pillar of the Italian economy, paying attention to asset quality

- ✓ EUR 7bn loans subject to moratoria (-50% vs. Jun-20)
  - EUR 7bn expired moratoria, with an annualised default rate of~2%
  - Current coverage of moratorium portfolio significantly higher than the observed level of default rate
- ✓ EUR 9bn State-guaranteed loans (+50% vs. Jun-20), ~13% of loan book, driving lower cost of risk

Commercial momentum, with revamp in Wealth Management

- ✓ EUR 4.2bn WM gross flows in 1Q21, the best quarter in over 3 years, notwithstanding Covid-19 restrictions
- ✓ WM fees: +16% QoQ with placement fees +51% QoQ
- ✓ Launch of initiatives to reduce expensive funding mainly from large corporates and institutions

De-risked balance sheet profile

- ✓ Gross NPE ratio 4.4%, one of the lowest in the Italian banking system
- ✓ NPE coverage increased by ~1.3 p.p. in the quarter
- ✓ Solid liquidity position:
  - Unencumbered counterbalancing capacity equal to 21% of total assets
  - LCR >150%; NSFR >100%

Better than expected capital ratios

- ✓ CET1 (transitional) 12.2% (12.1% in Dec-20), CET1 fully loaded 10.4% (9.9% in Dec-20)
  - Prudentially, capital ratios do not include 1Q21 profit, which would account for ~25bps
- ✓ Capital ratios +2 p.p. vs. Capital Plan estimates:
  - In 1Q21: EUR +0.7bn buffer on Tier 1 vs. EUR -0.3bn expected shortfall, also due to the delay of RWA increase for model changes (EUR +0.4bn)
  - In 1Q22: less than EUR -1bn capital shortfall*
  - No shortfall expected on CET1

* Based on the 2021-2025 Strategic Plan initiatives and projections for the remaining part of the year. 2021-2025 Group Strategic Plan submitted to DG Comp in Dec-2020 and currently being evaluated.

1Q21 Results

Pre-provision profit

EUR 283mln

NII mainly affected by NPE derisking

Fees sustained by commercial momentum

Cost reduction continues, with more to do

Cost of risk

37bps

In line with 2020 (33bps), once components related to Hydra portfolio and Covid macro scenario are excluded

Proactive monitoring of loan portfolio in order to preserve asset quality

Net operating result

EUR 203mln

the highest in the last 3 years

Net result

EUR 119mln

Gross NPE ratio

4.4%
(4.3% in 2020)

3.5%
(EBA definition)* below the EBA threshold

CET1 ratios

Transitional: **12.2%**
(vs. 12.1% in Dec-20)

Fully loaded**: **10.4%**
(vs. 9.9% in Dec-20)

Total capital ratios

Transitional: **15.9%**
(vs. 15.8% in Dec-20)

Fully loaded**: **14.1%**
(vs. 13.5% in Dec-20)

Capital ratios do not include 1Q21 net result, which would account for ~25bps

* 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.

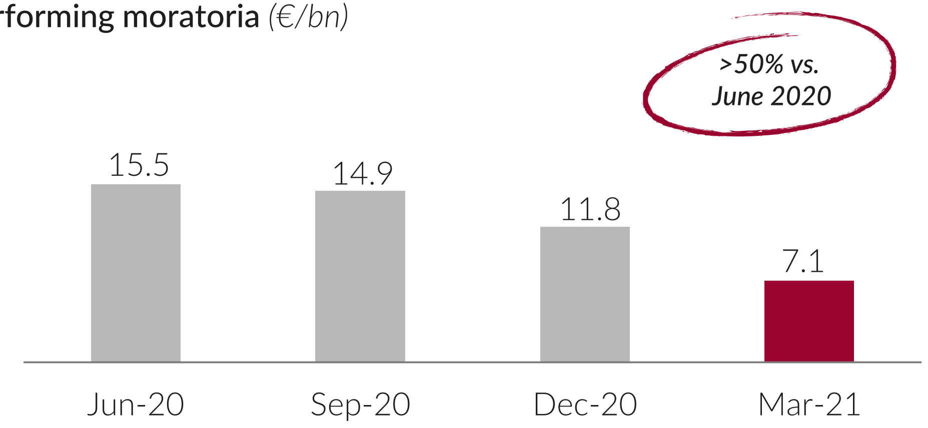
** Including full impact of IFRS9 and FVTOCI reserve on govies.

Moratoria: sustaining customers with attention to asset quality

*Moratoria**

	Applications		Accepted (€/bn)	% of loan book
	#	€/bn		
Performing customers	50k	7.2	7.1	10%
Households	10k	1.1	1.1	4%
Corporates & Institutions	40k	6.1	6.0	14%
Non-performing customers	2k	0.3	0.2	8%**

Performing moratoria *(€/bn)*



- ~EUR 7bn outstanding moratoria, 10% of loan book
  - ~50% classified as Stage 2, with an average coverage of ~4%
- Moratoria decreased by EUR 8.4bn vs June 2020 (-54%)
- In 1Q21 ~EUR 100mln of expired and outstanding moratoria classified as Stage 2 migrated to UTP, equivalent to an annualised default rate of ~2%
- Current coverage of moratoria portfolio significantly higher than observed level of default

- "Crash Programme" activated in March to proactively manage clients potentially impacted by the end of government support measures
  - 25k clients involved for an overall portfolio of EUR 12bn*** (>90% corporate), ~85% already classified as Stage 2
  - >35% of the portfolio already reviewed: migration to Stage 3 has been marginal

* Figures related to MPS Group. Latest update: 31 March 2021.

** Bad loans not included in percentage calculation.

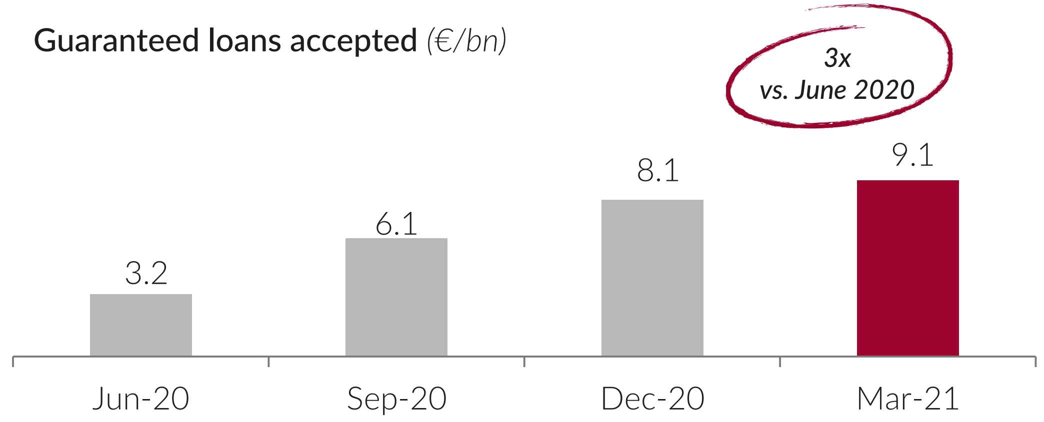
*** Portfolio including moratoria, guarantees and ordinary lending granted to beneficiaries of support measures.

Support to our customers through guaranteed loans

*New guaranteed loans**

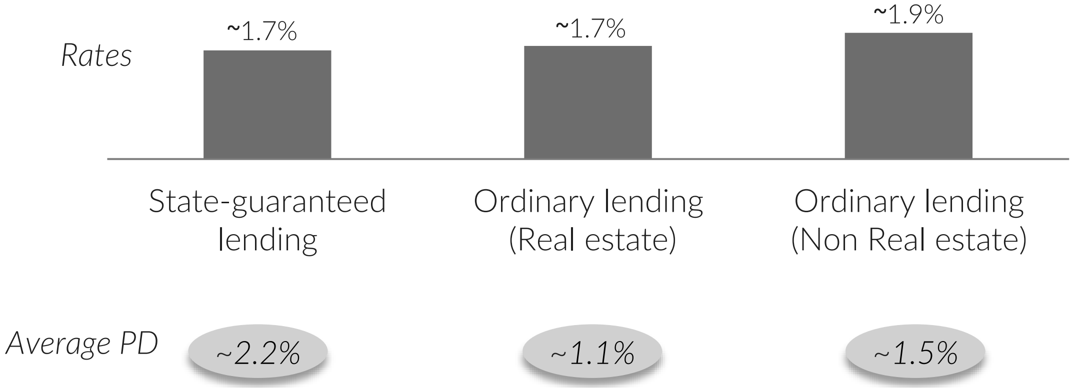
	Applications #	Applications €/bn	Accepted (€/bn)	Disbursed (€/bn)
Total guaranteed loans	96.4k	10.0	9.1	8.3
100% guaranteed (≤€30k)	75.1k	1.6	1.6	1.5
90% guaranteed	8.5k	3.4	3.2	2.8
80% guaranteed	12.6k	3.1	3.0	2.8
guaranteed by SACE	0.3k	1.9	1.4	1.3

Guaranteed loans accepted *(€/bn)*



- ~EUR 9bn of State-guaranteed loan applications accepted, equal to ~13% of loan book, for a 5/6% market share
  - 24% of exposures to clients already classified as stage 2, despite the guarantees
  - Driver for future lower cost of risk
- New lending focused on maximising return to allocated capital while minimising future cost of risk

*1Q21 new loans***



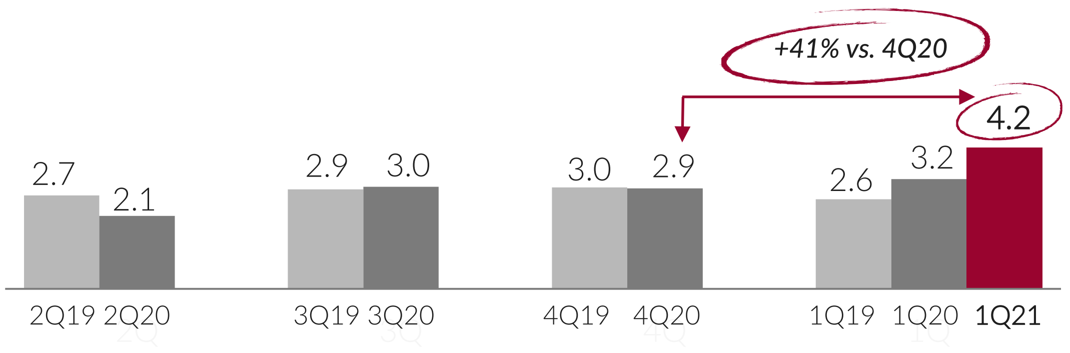
* Figures related to MPS Group. Latest update: 31 March 2021.

** Figures related to Banca MPS. New loans in the quarter amount to EUR 3.2bn, of which 60% State-guaranteed loans, 30% Ordinary lending (Real estate) and 10% ordinary lending (non real estate)

Positive commercial momentum & active management of deposits

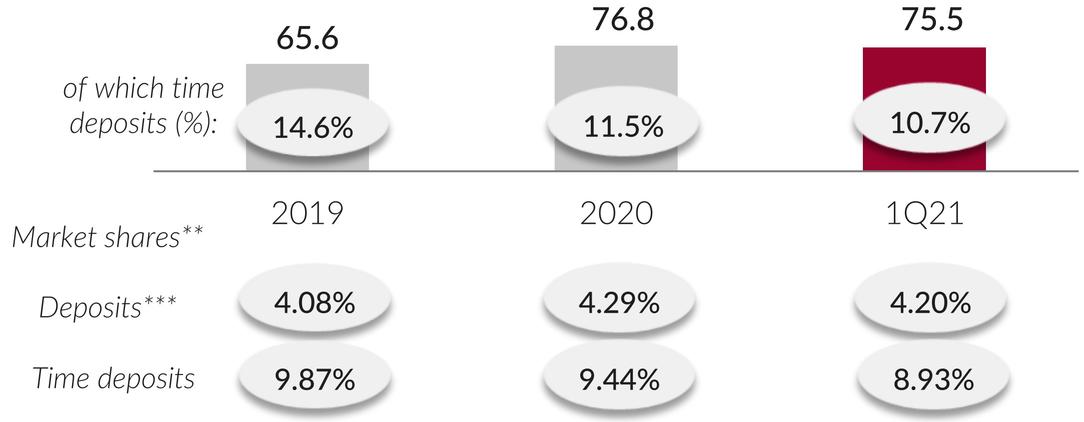
Wealth management gross inflows* *(€/bn)*

Best quarter in over 3 years for WM product placement



- Positive commercial momentum in 1Q21: WM product placements for EUR 4.2bn and EUR 0.9bn WM net flows
  - Strength of the MPS franchise
  - notwithstanding reduced branch activity due to Covid-19:
    - ✓ customers admitted by appointment only
    - ✓ staff rotation
    - ✓ localised lockdowns

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



- Decrease of funding from large corporates and institutions (EUR -1.9bn in the quarter)
- Increase in funding from retail and SME customers (EUR +0.8bn) with potential for further conversion into WM
- Initiatives launched in the quarter to reduce cost of funding:
  - removal of all time deposits from the product catalogue and non-renewal of those maturing from November 2020
  - repricing of all maturing products & bilateral renegotiation of revocable terms
  - introduction of liquidity fees starting gradually from the end of Q1

* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.
** Market share as at Feb-21. Latest available data.
*** Current accounts + time deposits + repos (net of those with central counterparties).

Banca Widiba's 1Q21: double-digit growth in all business segments

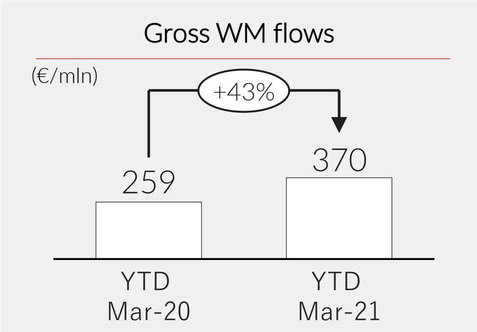
BANCAWIDIBA

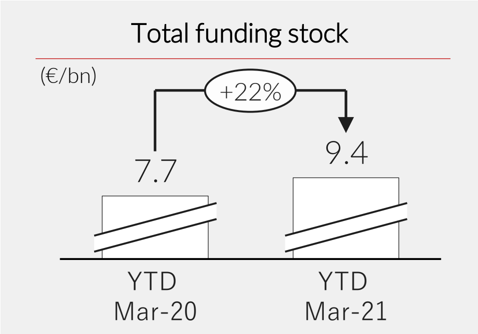
Total funding stock increase (+22%) mainly driven by strong growth on **placements**

Most relevant innovation initiatives:

- New **digital lending product** added
- New **acquiring offer (POS)** and **digital processes for SMEs** introduced
- **Enrichment of advisory** financial planning platform with a new pension tool
- **Video-banking solution** ready to launch to interact with customers and FAs

Business Growth

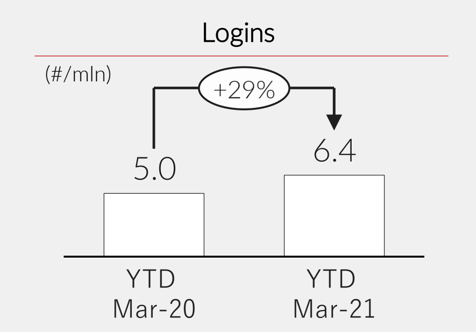


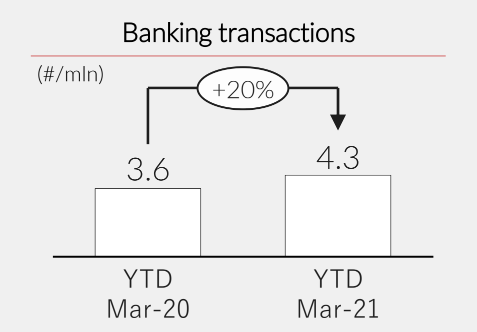


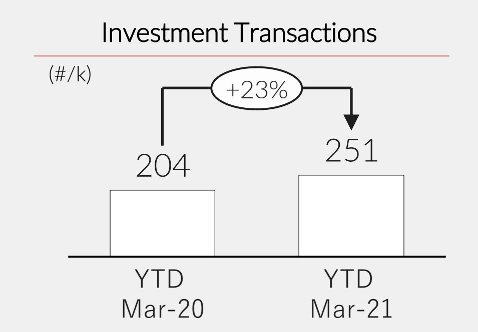
Growth acceleration: solid growth of investment placements following the bank's strategy to transform liquidity into assets under management

Transaction Growth

Double-digit growth on **platform usage** and **transactions continuing** on the back of last year's record, mainly driven by the advisory business

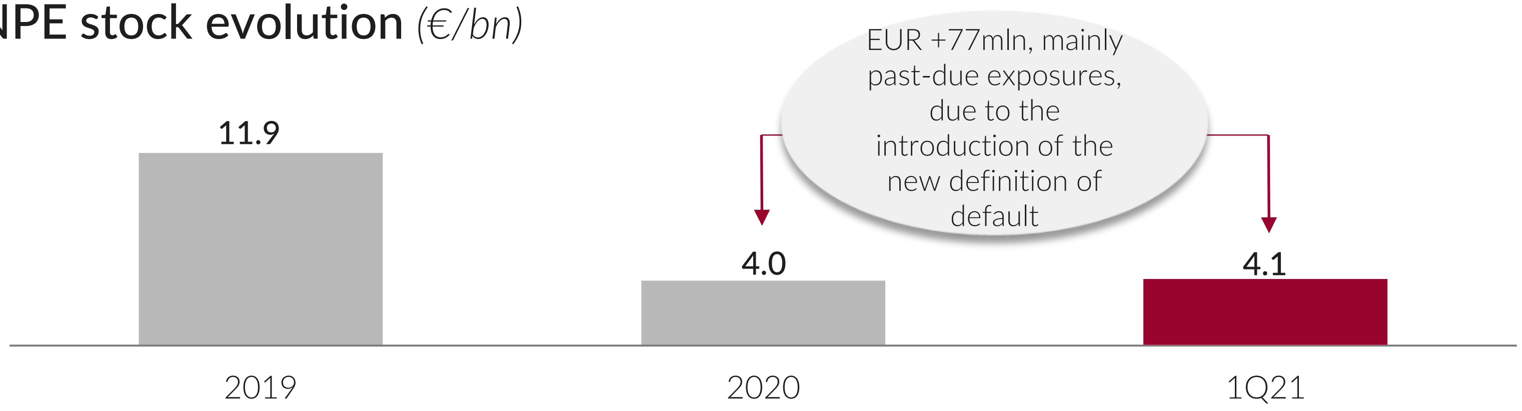






Gross NPE ratio stable, with increased coverage

NPE stock evolution *(€/bn)*



	2019		2020	1Q21	
Gross NPE ratio*	12.4%		4.3%	4.4%	
Net NPE ratio	6.8%		2.3%	2.4%	
Texas Ratio**	86%		54%	53%	
NPE coverage	48.7%	*Hydra transaction impact*	46.2%	47.4%	NPE coverge ~1.3 p.p. QoQ

- ✓ Gross NPE stock stable at ~EUR 4bn with reinforced coverage since Dec-20:
  - EUR 1.5bn bad loans: 64.7% coverage (62.3% in Dec-20) and ~60% secured
  - EUR 2.4bn UTPs: 37.5% coverage (36.8% in Dec-20) >50% with low vintage and ~40% restructured
  - EUR 0.1bn past-due exposures
- ✓ Impact of new definition of default a fraction of initial projections
  - Proactive client management

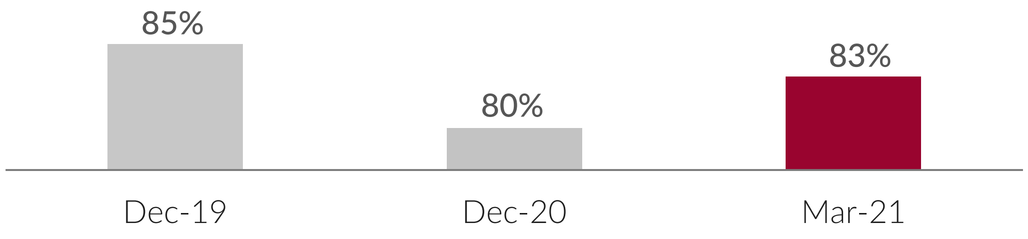
- ❑ In 1Q21 default rate at 0.8% (vs. 1.1% in 2020); danger rate at 12% (vs. 10.6% in 2020)
- ❑ **Continuous focus on credit quality control** confirmed also by the activation of the "Crash programme" in order to mitigate a potential cliff effect

* 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 3.5% as at March 2021.

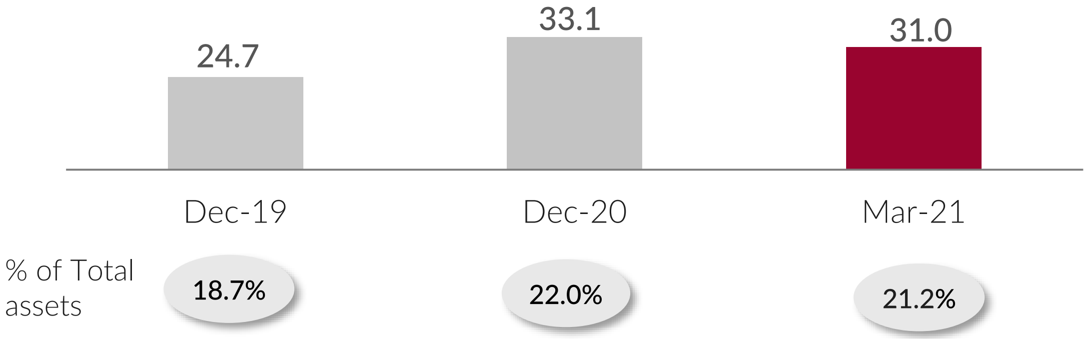
** Gross impaired loans to customers/(LLPs + tangible shareholders' equity).

Sound liquidity position, with upside on profitability

Loan to deposit ratio *(%)*



Counterbalancing capacity *(€/bn)*



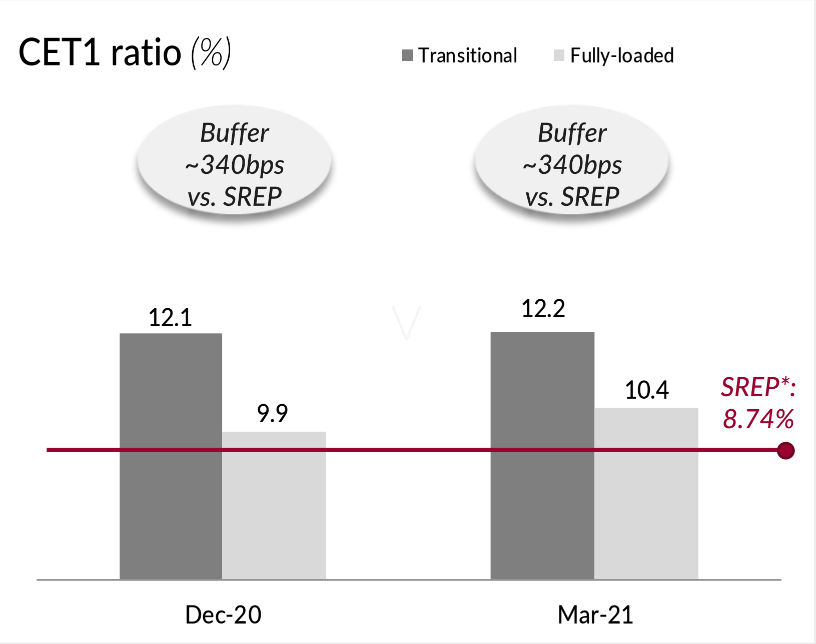
LCR
>150%

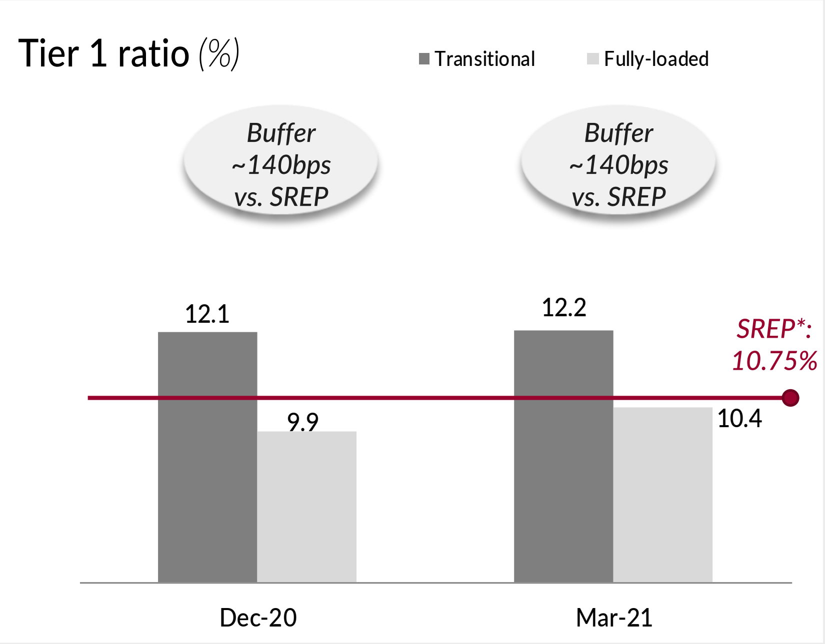
NSFR
>100%

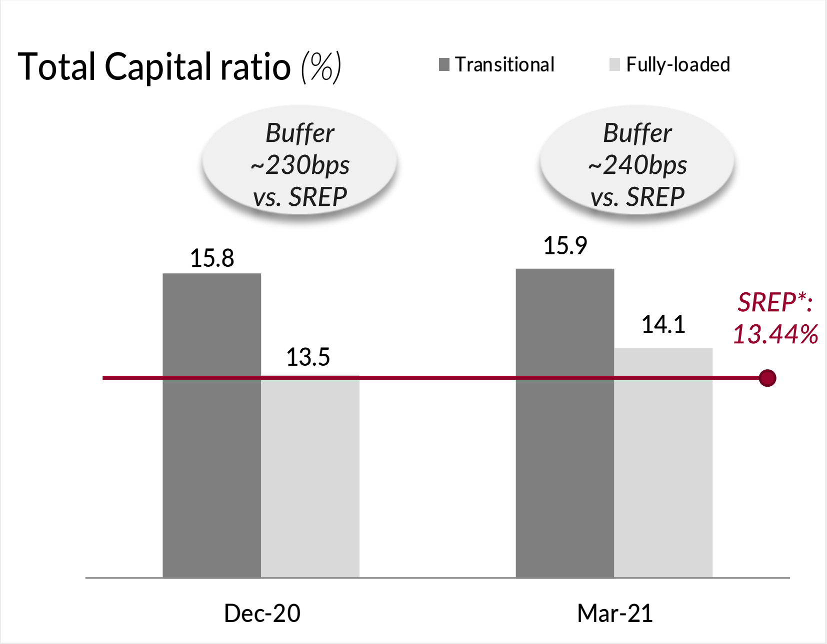
- Sound liquidity position confirmed in 1Q21
  - Loan to deposit ratio and counterbalancing capacity quarterly evolution mainly driven by reduction of expensive funding
- EUR 2.5bn TLTRO3 take-up at the March auction; current total outstanding amount EUR 26.5bn vs. estimated limit of ~EUR 29bn
  - Current loan trend consistent with second special period benchmark
- Funding strategy under review
  - As RWAs are below Strategic and Capital Plan estimates, MREL funding needs could be lower than indicated in the Strategic Plan*

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

Capital ratios sustained by capital management actions







1Q21 Transitional Capital ratio included in Capital Plan

CET1	Tier 1	Total Capital
10.2%	*10.2%*	*13.1%*

- ❑ **Capital ratios +2 p.p. vs. Capital Plan estimates**, thanks to:
  - Capital management actions implemented in 4Q20 and 1Q21
  - Lower credit RWAs thanks to focus on guaranteed loans
  - Delay of RWA increase for model changes
- ❑ Prudentially, **positive net result of the quarter not included in Q1 ratios**

- ✓ **In 1Q21: EUR +0.7bn buffer on Tier 1**, vs. EUR -0.3bn previously expected shortfall
- ✓ **In 1Q22: expected capital shortfall reduced** from EUR -1.5bn to less than EUR -1bn, on the basis of the initiatives and projections of the 2021-2025 Strategic Plan**
  - **No shortfall on CET1**

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

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

Sustainability in our DNA

- MPS is one of the only two Italian banks among the 132 Founding Signatories to UNEP FI's Principles for Responsible Banking, and thus formally committed to align its practices, operations and investments to the UN's 2030 Agenda

Environmental

- MPS Agroalimentare: bringing the Green Deal and Farm-to-Fork strategy to our agri-food customers
- Environmental Scoring: ~EUR 1bn loans with environmental scoring already granted by MPSCS
- Sustainable Lending Project: financing the sustainable transition of client businesses
- 100% Renewable Energy: MPS electricity supply entirely from renewable hydroelectric sources

Social

- Diversity & Inclusion: «Management Plurale» Project, «Women Leadership» Programme, «Disability & Work» research
- MPS employee health insurance covers unmarried couples, regardless of gender
- MPS Solidale: donating time and resources to employees facing personal or family hardship, prioritising childcare
- Officina MPS Campus: comprehensive training programme offered free of charge to 100 startups

Governance

- BoD Risk and Sustainability Committee: risk management geared towards sustainable success
- Greatly developed, sophisticated anti-money laundering & anti-corruption policies and tools, above and beyond regulatory requirements

standard ethics

ESG Rating: EE- (investment grade)

Outlook: positive

Agenda

- 1Q21 Results

- Annex

1Q21 P&L highlights

P&L (€/mln)	1Q20	2Q20	3Q20	4Q20	1Q21
Net Interest Income	327	320	332	312	280
Fees and commissions	370	324	355	380	372
Core revenues	697	644	687	692	652
Core revenues excl. interest on NPEs	653	603	644	659	637
Financial revenues*	39	100	73	35	183
Other operating income/expenses	-7	-21	-13	-10	-11
Total revenues	729	723	748	717	824
Operating costs	-544	-533	-542	-566	-540
Pre-provision profit	185	190	206	151	283
Total provisions**	-316	-209	-103	-125	-80
Net operating result	-130	-19	103	26	203
Non-operating items	-109	-384	-572	-255	-89
Profit (Loss) before tax	-239	-403	-470	-229	114
Tax expense/recovery	2	-439	20	76	6
PPA & other items	-1	-1	-1	-1	-1
Net income (loss)	-239	-842	-451	-154	119

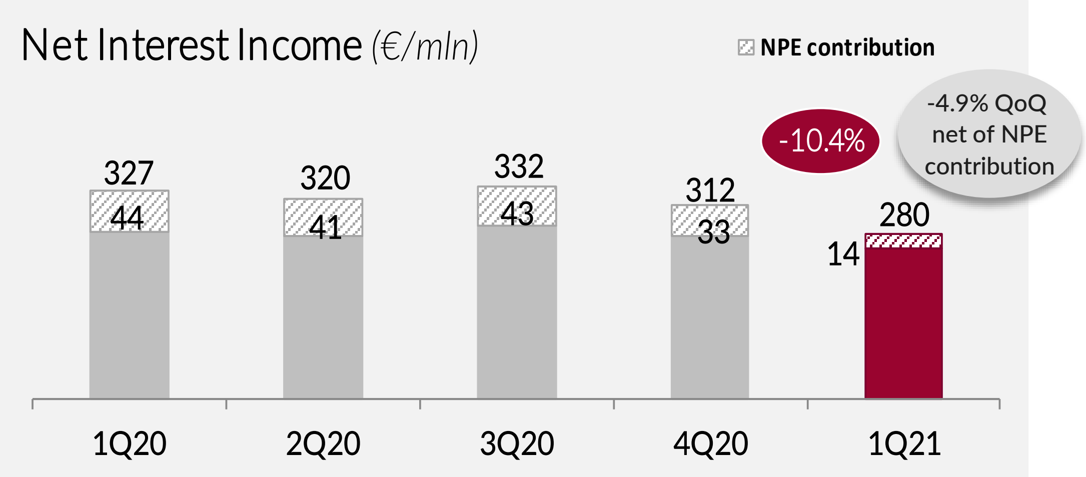
- Core Revenues:
  - Decrease in NII largely driven by NPE reduction (~EUR -19mln QoQ)
  - Fees and commissions benefitted by strong WM product placements that offset reduced credit facilities and cost of certain capital management actions
- Strong total revenues driven by insurance JVs and sale of BTPs
- Operating Costs under control, notwithstanding Covid-related additional expenses
- Cost of Risk at 37bps, in line with 2020 (33bps), once components related to Hydra portfolio and Covid macro scenario are excluded
- Non-operating items include, among others, contribution to systemic funds and DTA fees
  - EUR 9mln release of previously booked provisions for risks and charges (including legal risks)
- Net operating result of EUR 203mln, the highest in the last 3 years
- Net result positive for EUR 119mln (not included in capital ratios)

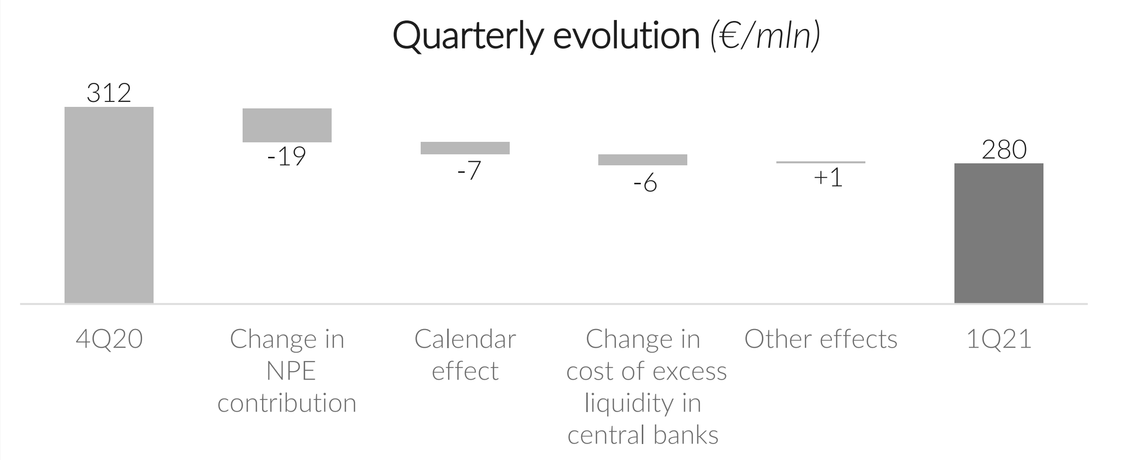
* Financial revenues include: dividends/income from trading investments, net result from trading/hedging, gains/losses on disposals/repurchases, net result from financial assets/liabilities at FVTPL.

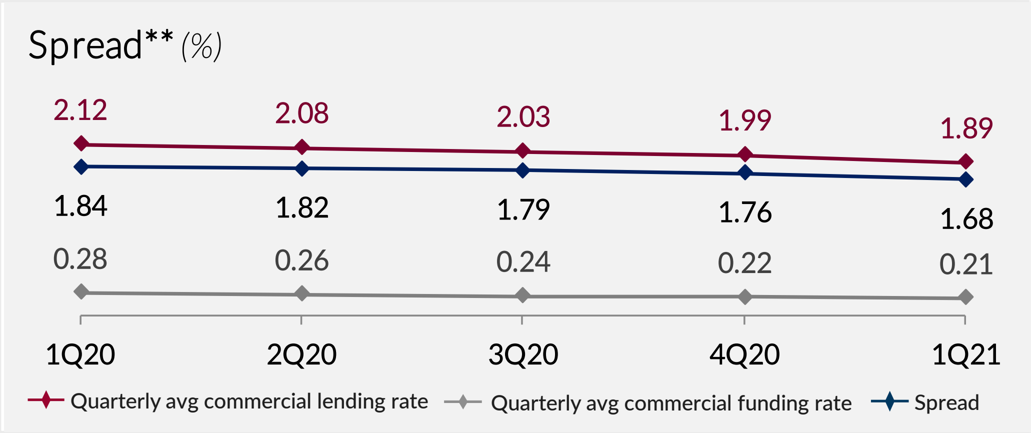
** Including "Cost of customer loans", provisions on securities at amortised cost and FVTOCI, and provisions on loans to banks.

2020 figures may differ from those published, due to the retrospective application of the change in the valuation criteria for investment properties (ex IAS 40).

Net Interest Income





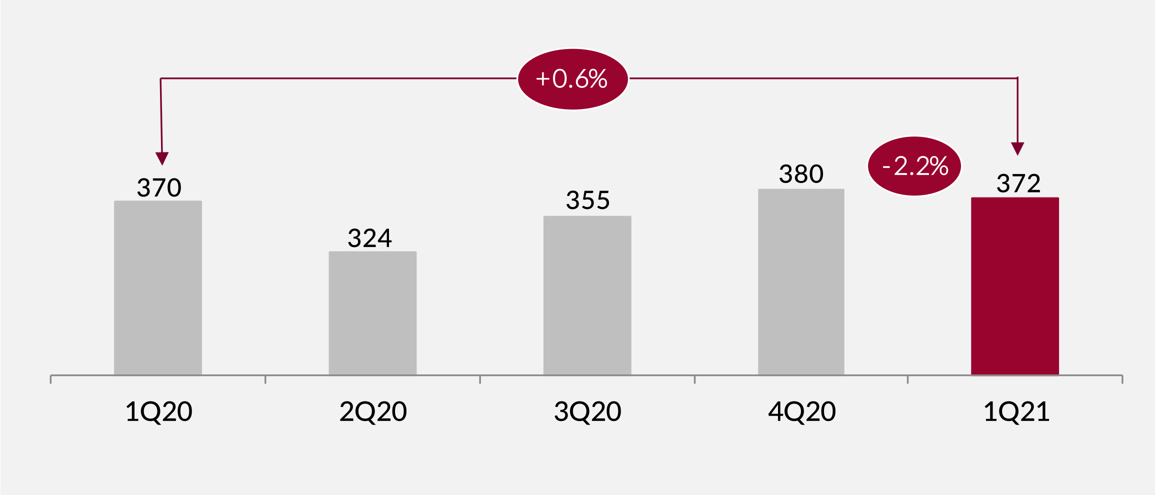


- Net interest income QoQ decrease largely due to the NPE disposal to AMCO concluded in Dec-20
  - Better net interest income quality
  - Lower cost of risk
- Commercial lending rate evolution also impacted by the recomposition of the lending mix with a higher weight of MLT component
- Cost of deposits still a relatively high: new initiatives already launched
- Average spread trend in line with the market

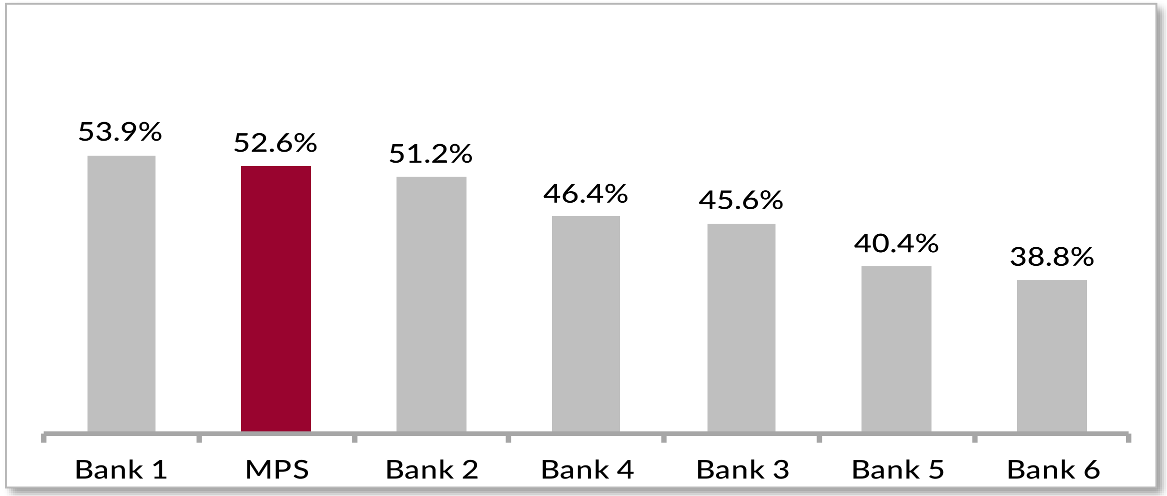
* Net interest income on commercial loans to customers and on commercial direct funding.

** Figures from operational data management system.

Fee and Commission Income



€/mln	1Q20	2Q20	3Q20	4Q20	1Q21	1Q21 vs. 4Q20
Wealth Management fees:	174	139	157	162	188	16.2%
WM Placement	63	35	48	46	70	51.0%
Continuing	88	82	87	91	94	3.6%
Custody	10	12	10	11	11	0.6%
Protection	12	9	12	14	13	-6.6%
Traditional Banking fees:	228	203	214	221	207	-6.4%
Credit facilities	107	91	93	99	94	-5.8%
International business	13	11	11	11	12	5.1%
Payment services and client expense recovery	108	101	110	111	102	-8.3%
Other	-31	-17	-15	-3	-23	n.m.
TOTAL NET FEES	370	324	355	380	372	-2.2%



- Fees performance sustained by WM component (+16% QoQ), driven by placements (+51% QoQ)
- Traditional banking fees affected by weak macro environment and restrictions on operational activity, with lower consumer credit business and lending activity focused on State-guaranteed loans
- Other commissions affected by cost of certain capital management actions
- Fees/Core revenues >50%, despite bancassurance JVs not consolidated line-by-line

* Core Revenues = Net interest income + fees. Peers: UCI, ISP, BAMI, BPER, Credem, Creval.

Financial Revenues*

Dividends/Income from investments (€/mln)

	1Q20	2Q20	3Q20	4Q20	1Q21
Dividends/Income from investments	12	35	11	43	21

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

	1Q20	2Q20	3Q20	4Q20	1Q21
Net result from trading/hedging	-25	47	8	8	16
Gains/losses on disposals/repurchases	52	24	52	-10	127
Net result from financial assets/liabilities at FVTPL	0	-6	2	-6	19
Total	27	66	62	-9	161

- Dividends, similar income and gains (losses) on equity investments include the contribution from the joint venture with AXA

2020 Net Profit

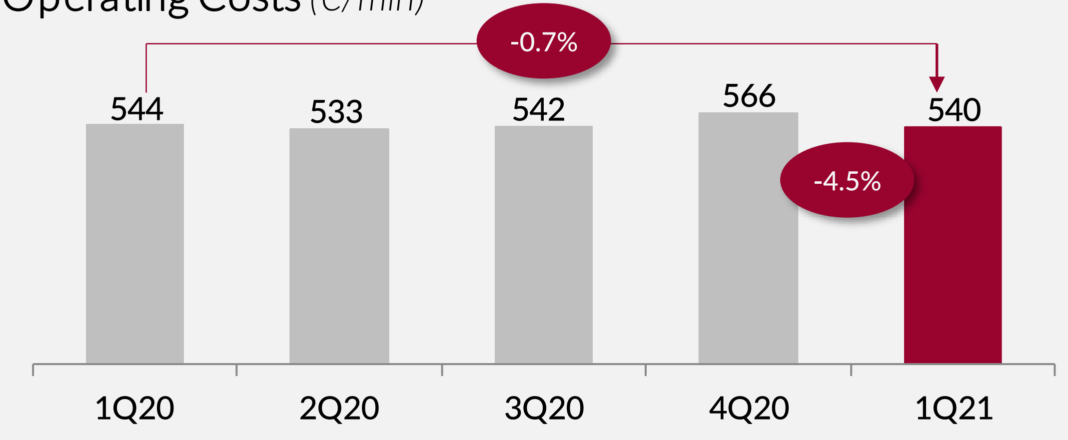
AXA MPS Vita: EUR +134mln
AXA MPS Danni: EUR +54mln

- Trading/disposal/valuation/hedging of financial assets/others:
  - EUR +16mln from trading/hedging, doubled QoQ thanks to MPS Capital Services results
  - EUR +127mln from disposals/repurchases, due to significant contribution from recomposition of govies portfolio
  - EUR +19mln net result from financial assets/liabilities at FVTPL, including the revaluation of Tirreno Power

* 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.

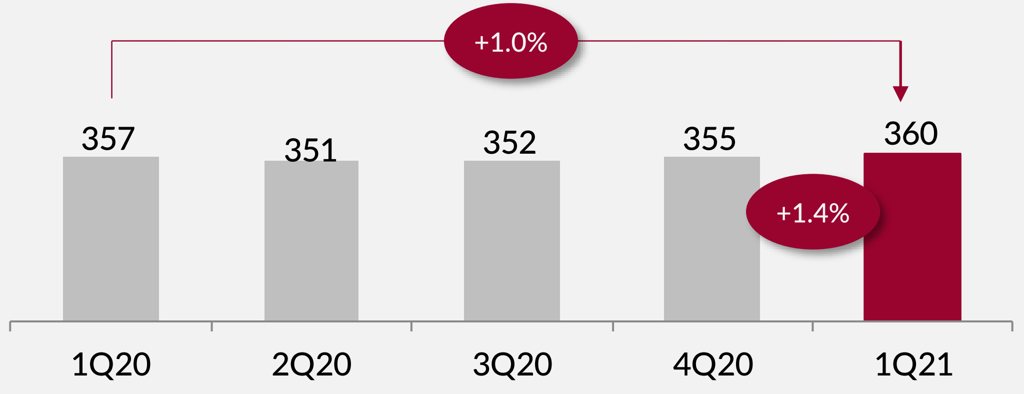
Operating Costs

Operating Costs *(€/mln)*



- Operating costs down both QoQ (-4.5%) and YoY (-0.7%)
  - Personnel expenses: up QoQ and YoY due to contractual increases arising from the renewal of the National Collective Labour Agreement and the lack of savings resulting from the non-renewal of the company-specific trade union agreement, pending overall negotiation for more significant reorganisation
  - Other administrative expenses and Depreciation & Amortisation down vs. 4Q20, which had been affected by typical end-of-year seasonality, and down also vs. 1Q20, notwithstanding the costs related to Covid-19 safety measures

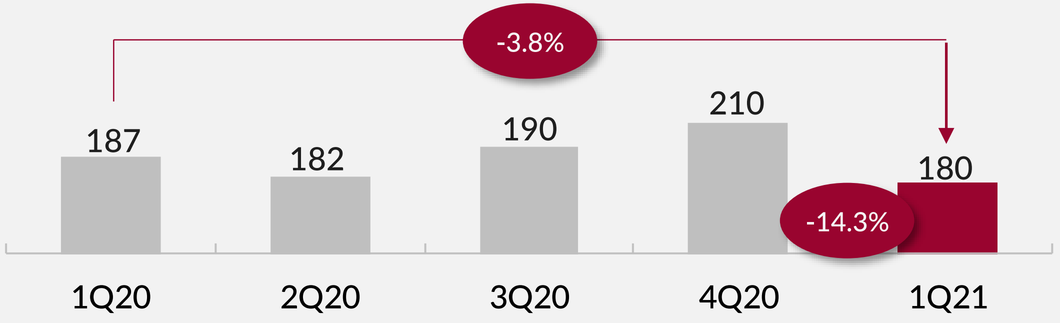
Personnel Expenses *(€/mln)*



1Q20	2Q20	3Q20	4Q20	1Q21	
22.1K	22.1K	22.1K	21.4K	21.5K	-2.8% YoY

FTEs*

Other Administrative Expenses and D&A *(€/mln)*



1Q20	2Q20	3Q20	4Q20	1Q21	
1,421	1,421	1,420	1,418	1,418	-0.2% YoY

Branches

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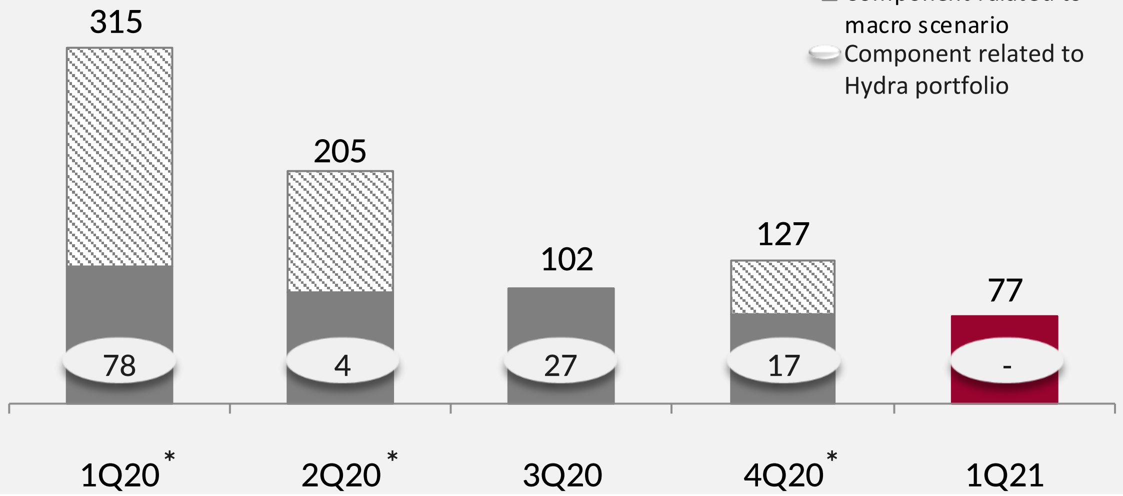
* The number of FTEs refers to the effective workforce and therefore does not include employees who were seconded outside of the Group's perimeter.

Cost of Risk & Coverage

Cost of Customer loans (€/mln)



Cost of risk** (bps)	1Q20	1H20	9M20	FY20	1Q21
Total cost of risk	83	89	84	90	37
Component related to macro scenario	23	36	34	42	-
Ordinary component	60	53	51	48	37
o/w related to Hydra portfolio	*38*	*20*	*17*	*15*	*-*
Ordinary cost of risk net of Hydra	21	33	32	33	37

Non-performing Exposures Coverage (%)

	Mar-20	Dec-20	Mar-21
Bad Loans *(sofferenze)*	54.5	62.3	64.7
Unlikely-to-Pay Loans	44.3	36.8	37.5
Past Due Loans	25.4	27.8	25.6
Total NPEs	**49.6**	**46.2**	**47.4**

- Cost of customer loans at EUR 77mln for the quarter, for a cost of risk of 37bps, in line with 2020 (33bps), net of the additional components related to the more adverse macro scenario and to the Hydra portfolio
- Increased NPE coverage (+1.3 p.p. vs. Dec-20), in bad loans (+2.4 p.p.) and UTPs (+0.7 p.p.)
- Management overlay on Stage 2 classification

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

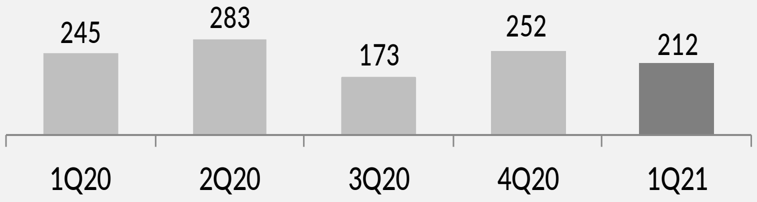
** Net loan loss provisions since the beginning of the period (annualised ordinary component + extraordinary component)/end-of-period loans.

Asset Quality Migration Matrix

- 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 portfolio quality
- Improved cure and recovery rates with reduced flows due to the deconsolidation of Hydra portfolio

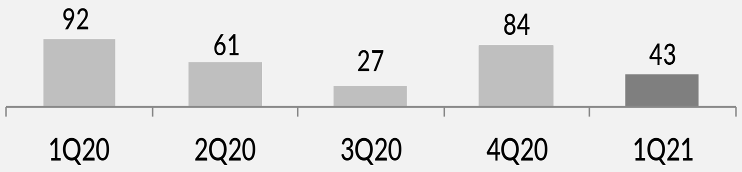
NPE inflows from performing *(€/mln)*

Default rate 0.8%
(1.1% in FY20)



NPE outflows to performing *(€/mln)*

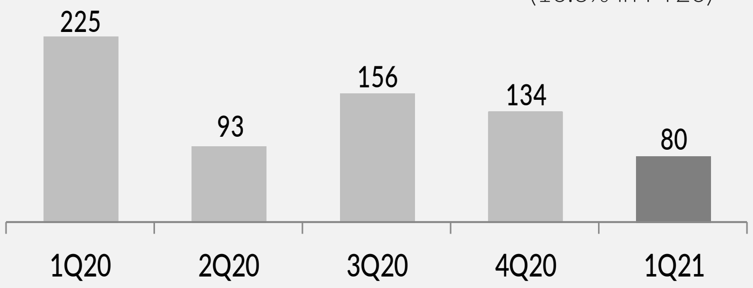
Cure rate 6.4%
(4.6% in FY20)



UTP & Past-due gross stock (€/bn) *5.3* — *Hydra transaction impact* — *2.5*

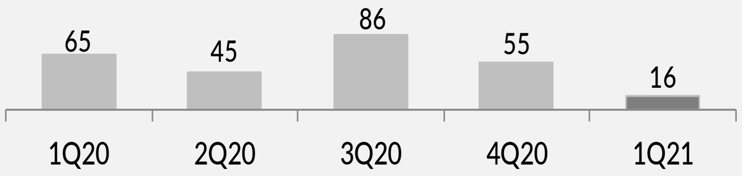
Migration from UTPs/PDs to bad loans *(€/mln)*

Danger rate 12%
(10.6% in FY20)



Cash recovery of bad loans *(€/mln)*

Recovery rate 4.5%
(3.9% in FY20)

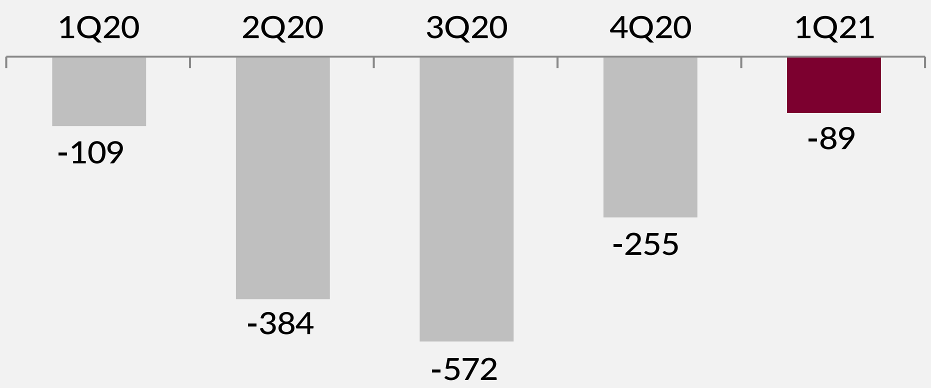


Bad loan gross stock (€/bn) *6.3* — *Hydra transaction impact* — *1.5*

Data from operational data management system.

Non-Operating Items and Taxes

Non-operating items* (€/mln)



	1Q20	2Q20	3Q20	4Q20	1Q21
Net provisions for risks and charges **	-40	-317	-411	-216	9
Systemic Funds contribution	-58	-18	-41	-23	-68
DTA Fees	-18	-18	-18	-18	-16
Restructuring costs	3	-30	-101	-25	0
Other	4	0	-2	27	-14
Total	-109	-384	-572	-255	-89

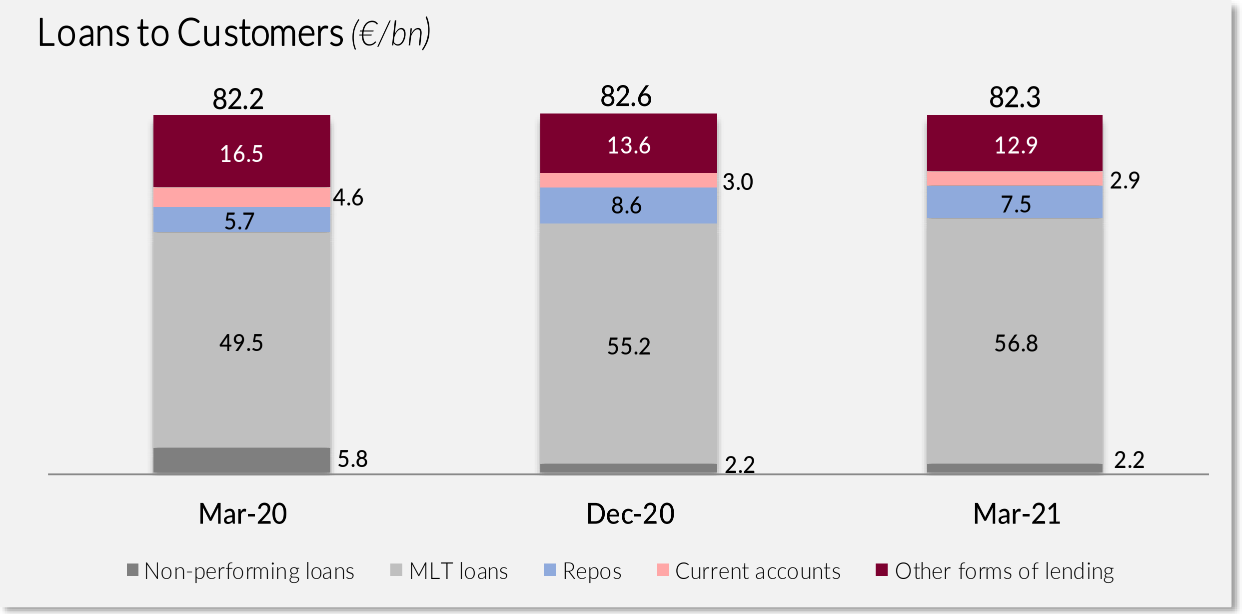
- Non-operating items at EUR -89mln including:
  - EUR +9mln release in provisions for risks and charges, mainly legal risks
  - EUR -68mln for the annual contribution to the Single Resolution Fund
  - EUR -16mln for quarterly DTA fees introduced by Law Decree 59/2016
  - EUR -14mln, including, among others:
    - negative impact from change of real estate valuation criteria (EUR -28mln),
    - net profit from disposals of investments (EUR +17mln), mainly related to the real estate disposal to Ardian

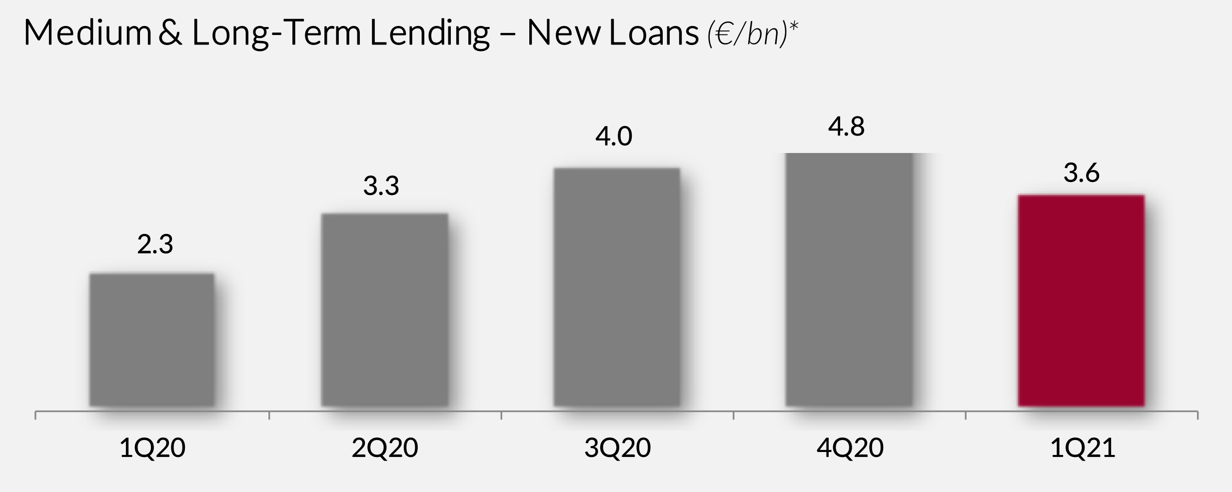
- Taxes for the quarter positive for EUR 6mln:
  - the amount includes a limited reassessment of DTAs and excludes any impact from the 2021-25 Group Strategic Plan which is currently under review by DG Comp

* 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.

** Including provisions for legal risks.

Customer Loans





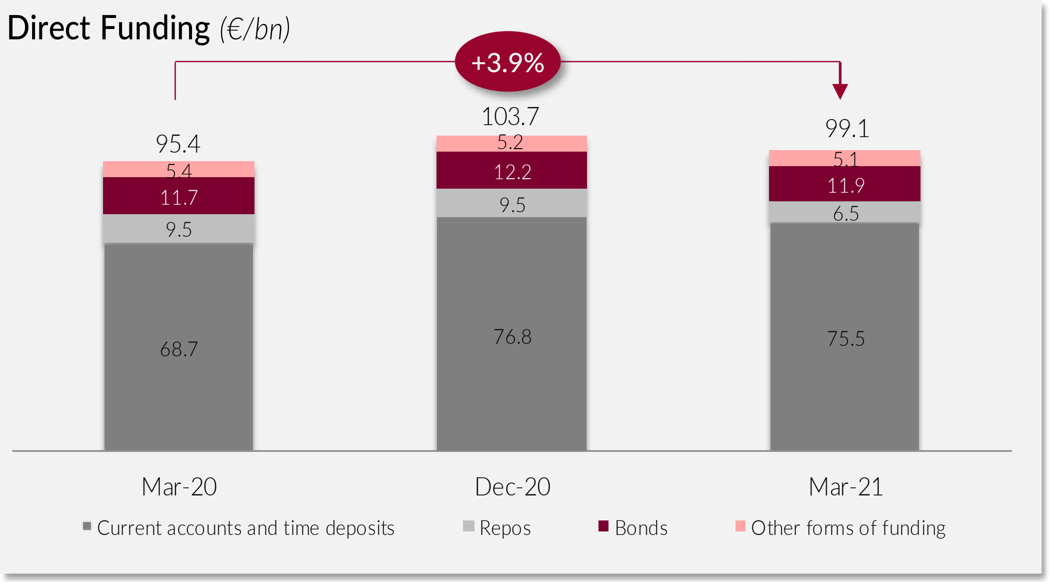
- Customer loans almost stable QoQ:
  - **Increase in MLT loans** (EUR +1.6bn) driven by financial support measures (moratoria and State-guaranteed loans)
  - **Decrease in repos** (EUR -1.1bn) and in other form of lending and current accounts (EUR -0.8bn, mainly on corporate customers, linked to the decrease in short-term loans driven by government support measures)

- **New MLT lending (EUR 3.6bn)** focused on government guarantees and secured ordinary lending to high-quality customers

- Loan book stock (net of repos and NPE) composed for **~60% by retail loans (mostly secured) and 40% by corporate loans,** a third of which are State-guaranteed loans

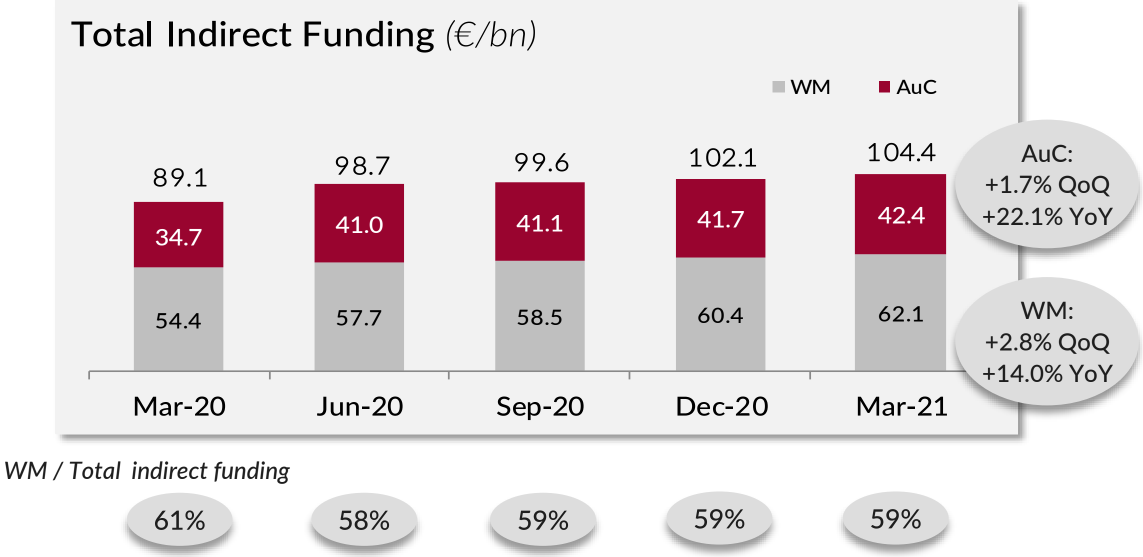
* Figures from operational data management system.

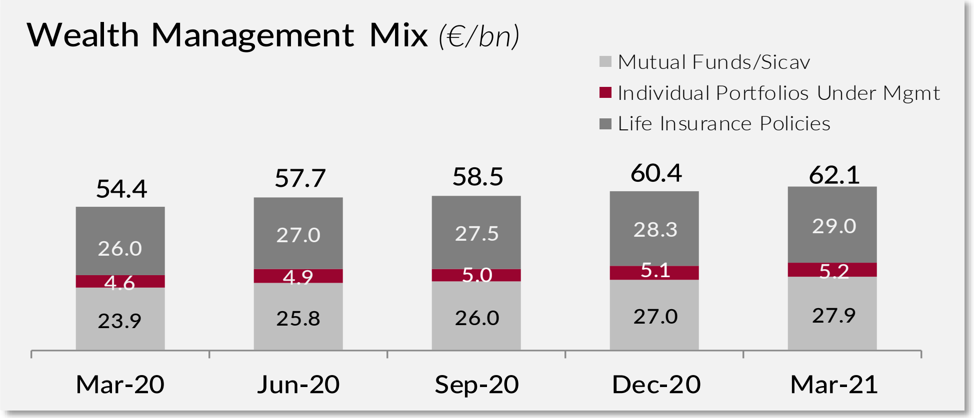
Direct and Indirect Funding



Total direct funding down by EUR 4.7bn QoQ, driven by the active management of commercial cost of funding

- EUR -1.4bn QoQ in commercial direct funding due to the reduction of expensive corporate funding partially offset by increase in retail and small business deposits
  - Time deposits down 8.5% QoQ (-14.6% YoY)
- Repos decrease by EUR -3bn, due to MPS Capital Services activity in repos
- Bonds decrease due to maturities

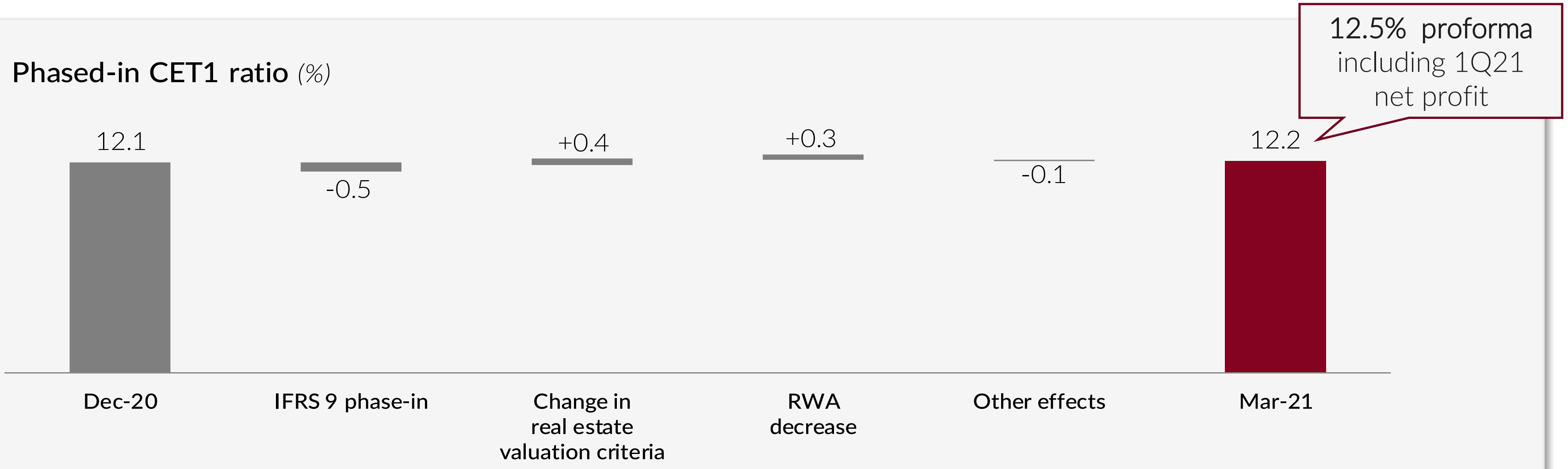




Wealth Management stock up by EUR 1.7bn QoQ, mostly thanks to net new inflows on all components (EUR +0.9bn)

Capital Structure

(€/bn)	4Q20	1Q21
TBV	5.6	5.8
Transitional CET1	6.1	6.0
Fully-loaded CET1*	4.9	5.1
RWAs	49.9	48.9



	Dec-20	Mar-21
Fully-loaded CET1* (%)	9.9	10.4
Total Capital (%)	15.8	15.9
Fully-loaded Total Capital* (%)	13.5	14.1

- Better than expected capital ratios, even though positive net result of the quarter prudentially not included
- Quarterly capital ratio evolution mainly driven by:
  - Phase-in of the IFRS9 FTA (~EUR –270mln)
  - Change in Real estate valuation criteria (+0.4% including increase in RWAs)
  - Decreased RWA (EUR -1bn QoQ): decreased credit risk (~EUR -0.8bn), mainly thanks to state-guaranteed loans and operational risk (~EUR -0.4bn) due to release of provisions, partly offset by market risk increase (~EUR +0.2bn)

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

Capital plan: current estimates

	1Q21	
	Nov. 2020 projections*	Current capital position
Capital ratios (%)		
CET1	10.2%	12.2%
Tier 1	10.2%	12.2%
Total Capital	13.1%	15.9%
Capital surplus / shortfall (€/bn)		
CET1	+0.8	+1.7
Tier 1	-0.3	+0.7
Total Capital	-0.2	+1.2

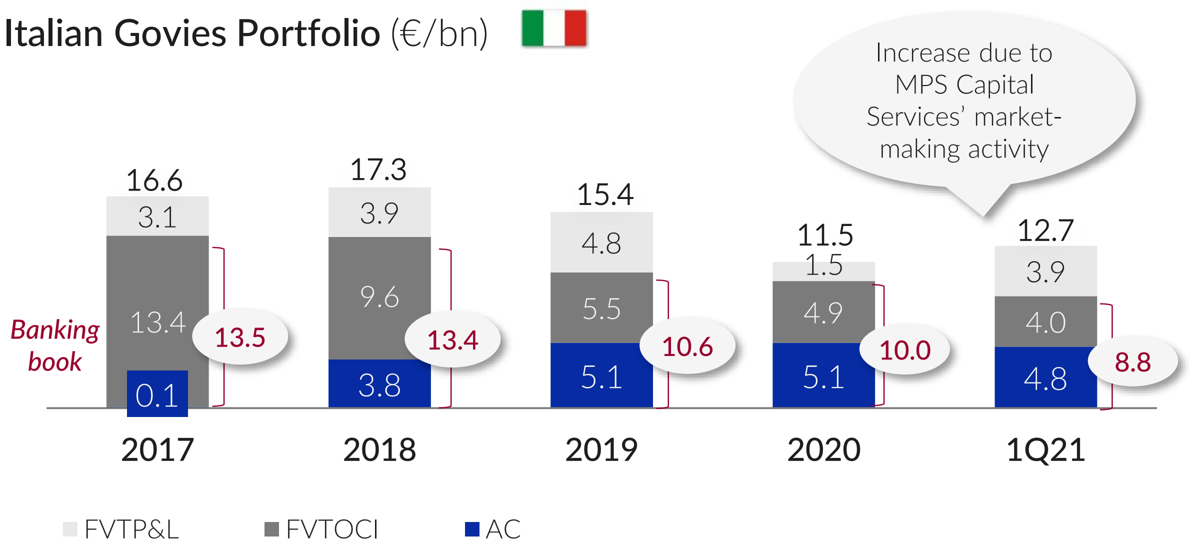
- **In 1Q21: EUR +0.7bn Tier 1 capital surplus** vs. EUR -0.3bn previously expected shortfall
  - **Delay of RWA increase** for model changes (EUR +0.4bn)
  - **Capital management actions implemented** since November 2020 for EUR 0.5bn of capital
    - Valuation of real estate portfolio at FV instead of cost
    - Sale of BTP portfolio (although capital gain not included in 1Q21 ratios)
    - Synthetic securitisations and SACE guarantees
    - Disposal of own shares (activity still in progress)
  - **Focus on guaranteed loans** (credit RWAs down EUR -0.8bn in the quarter)
- **In 1Q22: expected shortfall reduced from EUR -1.5bn to less than EUR -1bn**
  - No shortfall expected on CET1
  - Assuming P&L evolution for the remaining part of the year in line with the assumptions of the 2021-2025 Strategic Plan**

* Strategic Plan projections formulated in November 2020, including the expected capital shortfalls (EUR 0.3bn as at end-March 2021 and EUR 1.5bn as at 1 January 2022) disclosed to the market on 17 December 2020.

** 2021-2025 Group Strategic Plan submitted to DG Comp in Dec-2020 and currently being evaluated. Capital ratios estimated assuming staff exits in 2021 and no capital strengthening. Regarding RWA projected increase: the final decisions of the inspections carried out on the AIRB models in 2019 and 2020 by the ECB are expected in 2021. Following the decision, the Group will roll out the model updates carried out in the last years. These updates will result in an increase in RWAs of approximately EUR 4.9bn. Also in 2021, the Group will re-estimate the models for full alignment with EBA Guidelines (EBA-GL-2017-16), with expected increases in RWAs estimated at around EUR 4.3bn. This estimate will be reviewed by the ECB during the second half of 2021 and the impact will not be booked before 1Q22.

Italian Govies Portfolio*

Italian Govies Portfolio (€/bn)



FVTOCI / Banking book *(%)*

2017	2018	2019	2020	1Q21
99%	72%	52%	49%	45%

FVTOCI Duration *(years)*

2017	2018	2019	2020	1Q21
~3.6	~2.8	~2.3	~2.1	~2.3

FVTOCI Credit spread sensitivity
(€/mln, before tax, for 1bp increase in the BTP/Bund spread)

2017	2018	2019	2020	1Q21
-5.6	-2.9	-1.5	-1.1	-1.0

- **FVTOCI & AC components** down again with potential for further recomposition
- **Both AC and FVTOCI portfolios have positive reserves embedded**
  - Gross FVTOCI** reserves positive for ~EUR 59mln (EUR ~EUR 68mln in Dec-20)
  - Unrealised gains on AC for around EUR 200mln***
- **FVTP&L component** driven by MPS Capital Services' market-making activity

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

** Net FVTOCI reserve: ~EUR +40mln in Mar-21 (~EUR +46mln in Dec-20). Impact on transitional capital ratios subject to phase-in according to EU rules.

*** Managerial figures.

Agenda

- 1Q21 Results
- Annex

1Q21 P&L: Highlights

€ mln	4Q20	1Q21	Change (QoQ%)	1Q20	1Q21	Change (YoY%)
Net Interest Income	312	280	-10.4%	327	280	-14.5%
Net Fees	380	372	-2.2%	370	372	+0.6%
Financial revenues*	35	183	n.m.	39	183	n.m.
Other operating income/expenses	-10	-11	-5.9%	-7	-11	-64.6%
Total revenues	717	824	+14.8%	729	824	+12.9%
Operating Costs	-566	-540	-4.5%	-544	-540	-0.7%
of which personnel costs	-355	-360	+1.4%	-357	-360	+1.0%
of which other admin expenses	-159	-133	-16.8%	-136	-133	-2.6%
Pre-provision profit	151	283	+86.9%	185	283	+52.7%
Total provisions**	-125	-80	-35.9%	-316	-80	-74.5%
of which cost of customer loans	-127	-77	-39.4%	-315	-77	-75.6%
Net Operating Result	26	203	n.m.	-130	203	n.m.
Non-operating items***	-255	-89	-65.2%	-109	-89	-18.8%
Profit (Loss) before tax	-229	114	n.m.	-239	114	n.m.
Taxes	76	6	-91.9%	2	6	n.m.
PPA & Other Items	-1	-1	-35.5%	-1	-1	-26.4%
Net profit (loss)	-154	119	n.m.	-239	119	n.m.

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)*

	Mar-20	Dec-20	Mar-21	QoQ%	YoY%
Loans to Central banks	8,110	28,526	26,117	-8.4%	n.m.
Loans to banks	4,939	5,452	4,278	-21.5%	-13.4%
Loans to customers	82,206	82,632	82,259	-0.5%	0.1%
Securities assets	26,006	21,623	22,562	4.3%	-13.2%
Tangible and intangible assets	2,826	2,520	2,785	10.5%	-1.5%
Other assets*	10,174	9,591	8,658	-9.7%	-14.9%
Total Assets	**134,260**	**150,345**	**146,659**	**-2.5%**	**9.2%**

Total Liabilities *(€/mln)*

	Mar-20	Dec-20	Mar-21	QoQ%	YoY%
Deposits from customers	83,680	91,507	87,124	-4.8%	4.1%
Securities issued	11,687	12,212	11,930	-2.3%	2.1%
Deposits from central banks	15,998	23,934	26,373	10.2%	64.9%
Deposits from banks	4,752	4,485	3,816	-14.9%	-19.7%
Other liabilities**	10,223	12,435	11,409	-8.2%	11.6%
Group net equity	7,918	5,772	6,005	4.0%	-24.2%
Non-controlling interests	2	1	1	7.7%	-17.6%
Total Liabilities	**134,260**	**150,345**	**146,659**	**-2.5%**	**9.2%**

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)*

	Mar-20	Dec-20	Mar-21	QoQ%	YoY%
Current accounts	4,552	3,039	2,935	-3.4%	-35.5%
Medium-long term loans	49,549	55,200	56,751	2.8%	14.5%
Other forms of lending	16,550	13,616	12,925	-5.1%	-21.9%
Reverse repurchase agreements	5,723	8,617	7,498	-13.0%	31.0%
Impaired loans	5,833	2,160	2,150	-0.5%	-63.1%
Total	**82,206**	**82,632**	**82,259**	**-0.5%**	**0.1%**

Direct Funding * *(€/mln)*

	Mar-20	Dec-20	Mar-21	QoQ%	YoY%
Current accounts	59,299	67,989	67,459	-0.8%	13.8%
Time deposits	9,449	8,827	8,075	-8.5%	-14.6%
Repos	9,516	9,508	6,519	-31.4%	-31.5%
Bonds	11,687	12,212	11,930	-2.3%	2.1%
Other types of direct funding	5,416	5,182	5,071	-2.1%	-6.4%
Total	**95,367**	**103,719**	**99,054**	**-4.5%**	**3.9%**

* Deposits from customers and securities issued.

Focus on commercial net interest income*

Net interest income (€/bn,mln)	1Q20 average volumes	1Q20 average rates	2Q20 average volumes	2Q20 average rates	3Q20 average volumes	3Q20 average rates	4Q20 average volumes	4Q20 average rates	1Q21 average volumes	1Q21 average rates
Commercial Loans	72.5	2.12%	73.3	2.08%	73.2	2.03%	73.4	1.99%	72.6	1.89%
Retail (including small businesses)	40.5	2.30%	40.5	2.28%	41.0	2.18%	42.2	2.11%	42.7	2.01%
Corporate	28.6	1.84%	29.4	1.80%	29.0	1.80%	28.7	1.80%	28.4	1.68%
Non-performing	3.4	2.26%	3.3	2.10%	3.2	2.17%	2.5	2.20%	1.5	2.29%
Commercial Direct funding	71.1	-0.28%	73.1	-0.26%	75.7	-0.24%	78.0	-0.22%	77.5	-0.21%
Retail (including small businesses)	48.3	-0.29%	49.6	-0.27%	51.2	-0.26%	52.6	-0.25%	53.4	-0.22%
Corporate	18.3	-0.13%	18.7	-0.11%	20.3	-0.10%	21.4	-0.08%	19.8	-0.06%
Non-performing	0.3	-0.02%	0.3	-0.02%	0.3	-0.03%	0.3	-0.04%	0.2	-0.03%
Other customers	4.2	-0.75%	4.5	-0.75%	3.9	-0.75%	3.8	-0.75%	4.1	-0.75%
Other commercial components**	13		7		10		12		11	
Commercial NII	346		339		339		335		309	
Non-commercial NII***	-19		-19		-7		-23		-30	
Total Interest Income	327		320		332		312		280	

* Figures from operational data management system.

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

*** Positive contribution mainly from govies portfolio and 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	1Q21
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 (stable vs. 4Q20)
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 (stable vs. 4Q20)
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 (stable vs. 4Q20)
4 DTAs not recorded in balance sheet	○ DTAs not recorded in balance sheet due to the probability test	➢ N.A.	EUR 3.6bn (EUR -0.1 vs. 4Q20)

* 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 31/03/21

~EUR 5.0bn total *petita* for litigations, classified by disbursement risk profile:

- **Probable:** ~EUR 2.5bn (for which provisions of EUR 0.9bn have been booked)
- **Possible:** ~EUR 0.7bn (no provisions are booked for such disputes: as required by accounting standards, significant amounts are disclosed)
- **Remote:** ~EUR 1.8bn (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 5.6bn at the end of March 2021
- 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

Claims related to disclosed financial information (2008-2015) *€/mln*	31/03/21	31/12/20
Civil litigations brought by shareholders	676	662
Threatened litigations	4,672	4,698
Civil parties admitted to proceeding n° 29634/14	137	137
Civil parties admitted to proceeding nº 955/16	159	177
Total	5,644	5,674

Focus on Asset Quality

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

	Gross Book Value		Net Book Value		Coverage	
	4Q20	*1Q21*	*4Q20*	*1Q21*	*4Q20*	*1Q21*
Bad loans *(sofferenze)*	1,499	1,544	565	544	62.3%	64.7%
Unlikely-to-Pay loans	2,438	2,424	1,541	1,516	36.8%	37.5%
Past due/overdue exposures	76	122	55	90	27.8%	25.6%
Total NPEs	4,012	4,090	2,160	2,150	46.2%	47.4%

Real estate property: change in valuation

- The MPS Group owns real estate property for EUR 1.8bn (as at 31/12/2020), accounted for using the cost model.
- In order **to align the carrying value of properties with their market value and improve the quality of disclosed financial information**, starting from 1Q21 MPS Group decided to **change the post-recognition valuation criteria of instrumental properties and investment properties**. This change resulted in a EUR 0.2bn (+12%) revaluation compared to 2020 year-end figures

	Accounting treatment	*Effects*

Instrumental Property (EUR +1.5bn at Dec-20) *(IAS 16)*	**Revaluation Model**
	▪ Prospective application: no adjustments to opening balances or comparative data
		▪ Difference between revalued amount and net book value:
		  ▪ If positive: booked in equity reserves*
		  ▪ If negative: recognised in P&L
		▪ Recalculation of future depreciation on the basis of new value

Investment Property (EUR +0.3bn at Dec-20) *(IAS 40)*	**Fair Value Model** ▪ Retrospective application: restatement of opening balances and comparative data	▪ Increases or decreases in value: impact recognised in equity reserves: no impact on P&L ▪ Properties subject to the new accounting model will no longer be depreciated and subsequent changes in value will be recognised in P&L

+0.4% on transitional CET1 ratio

* Unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it is recognised in P&L.

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