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PRESS RELEASE

CONSOB APPROVES PROSPECTUS RELATING TO THE OPTION OFFER OF THE SHARES BANCA MONTE DEI PASCHI DI SIENA

Siena, 14th October 2022 – Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Issuer**") announces that on 13th October 2022, CONSOB approved the Registration Document, the Securities Note and the Summary Note (jointly, the "**Prospectus**") relating to the option offer and the admission to trading on the regulated market Euronext Milan organized and managed by Borsa Italiana S.p.A. ("**Euronext Milan**") of BMPS shares to be issued pursuant to the share capital increase in option, against payment, up to a maximum overall amount of EUR 2.5 billion, in divisible form, resolved by the Extraordinary Shareholders' Meeting on 15 September 2022, whose final terms and conditions were approved by the Board of Directors of BMPS on 11 October 2022 (the "**Capital Increase**").

In particular, please note that the Registration Document contains risk factors relating to the Issuer and the Securities Note contains risk factors relating to the BMPS share issued following the resolution of the Extraordinary Shareholders' meeting held on 15 September 2022.

Regarding the terms and conditions of the Capital Increase, please refer to the press release published on 13 October 2022 and the notice of option offer published today.

The Prospectus is available in accordance with the applicable law at BMPS's registered office, as well as on BMPS' website at *www.gruppomps.it*

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As requested by Consob on 13 October 2022 pursuant to art. 114 paragraph 5 of Italian Legislative Decree no. 58/98 (the "**Consolidated Financial Act**"), the following information is provided:

- Short description of the main steps of the ongoing recapitalization process, by mentioning: (i) the summary of the authorization needed for the Capital Increase, with also evidence of the date of issue and of the object of each authorization; (ii) the commitments received and the underwriting agreement executed by the Company, with evidence of (ii.a) the fact that the Underwriting Agreement and the Algebris Investment Agreement are mutually conditional, giving evidence of the terms and conditions of the same; (ii.b) the fact that the effectiveness of the Direct Underwriting Commitments is not subject to any condition and that the Direct Underwriters will not receive any commission for their respective commitments; (ii.c) the updated figure (with respect to the information published by the Bank in the press release dated 13 October 2022) of the incidence of the countervalue of the commitments taken *vis-à-vis* the Guarantors in the context of the First Allocation Agreements with respect to the "portion reserved for shareholders other than the Ministry of Economy and Finance MEF", with the specification that said percentage may increase given that, to the best of the Bank's knowledge, negotiations are underway with additional investors to take on the role of First Allocation Investors and that the Issuer will provide information to the market on this circumstance; (ii.d) the circumstance that there are no lock-up obligations on the part of the Guarantors, Algebris and the Direct Underwriters.

Relevant authorizations for the Capital Increase

On 2 September 2022 the European Central Bank communicated BMPS the positive outcome of the authorization process concerning the Capital Increase.

In particular, BMPS received by the European Central Bank the authorization to:

(a) reduce the share capital from EUR 9,195,012,196.85 to EUR 4,954,119,492.44;
(b) cancel a number between 37 and 87 of the Supervised Entity ordinary shares in the context of the reverse stock split submitted to the Shareholders' Meeting convened for 15 September 2022;
(c) to classify the shares arising from the Capital Increase as CET1, provided that only those shares for which the subscription price has been paid in full are issued and that the Bank does not contribute, directly or indirectly, to the subscription of those shares;
(d) implement the By-Laws amendments preparatory to the adoption of the above resolutions, confirming that they do not compromise its sound and prudent management.

For the sake of completeness, it should be noted that on 2 August 2022 DG Comp issued a measure regarding the second amendment of the commitments made by BMPS in 2017. It should be noted that this measure is not an authorization measure for the capital increase transaction, but rather a reshaping of the commitments undertaken by the Italian Republic in the context of State aid granted to BMPS in 2017, in order to identify compensatory measures with respect to unfulfilled commitments of the previous 2017- 2022 Business Plan, including the exit by the Ministry from the Bank's share capital by 31 December 2021.

Underwriting commitments

1. MEF

On 11 October 2022, the Ministry of Economy and Finance ("**MEF**") undertook the commitment to subscribe all the New Shares to which it is entitled in proportion to its shareholding in BMPS, in total amounting to 64.23% of the maximum total value of the Capital Increase.

This commitment is characterized by a constraint, namely by the fact that, for the purposes of compliance with EU regulations on State aid, upon completion of the Capital Increase the MEF may not in any case exceed the aforementioned shareholding. Therefore, the MEF's underwriting commitment will become effective only *pari passu* with the other shareholders and, therefore, to the extent that the MEF's percentage shareholding in BMPS's share capital post Capital Increase, equal to 64.23%, remains unchanged.

In light of the foregoing, the MEF's underwriting commitment will become progressively effective once the portion of the Capital Increase subscribed by other shareholders or other parties (including the Guarantors) is determined.

2. *Guarantors*

On 13 October 2022 BMPS, BMPS entered into the underwriting agreement relating to the Capital Increase (the "**Underwriting Agreement**"). More specifically, BofA Securities Europe S.A., Citigroup Global Markets Limited, Credit Suisse Bank (Europe) S.A., Mediobanca - Banca di Credito Finanziario S.p.A., as joint global coordinators (the "**Joint Global Coordinators**") and Banco Santander S.A, Barclays Bank Ireland PLC, Société Générale and Stifel Europe Bank AG, as joint bookrunners (the "**Joint Bookrunners**" and jointly with the Joint Global Coordinators, the "**Guarantors**") have undertaken to underwrite, severally among themselves and without any solidarity obligation, according to the terms and conditions provided by the underwriting agreement, the New Shares not underwritten at the end of the Auction of Unexercised Rights, up to a maximum overall amount of EUR 807 million.

As a result of their commitments under the Underwriting Agreement, the Guarantors will receive commissions.

3. *Algebris*

On 13 October 2022, Algebris (UK) Limited ("**Algebris**") entered into an investment agreement with the Issuer (the "**Algebris Investment Agreement**"), pursuant to which Algebris undertook *vis-à-vis* the Issuer to underwrite, through certain parties identified by it, the New Shares remaining unexercised at the end of the Option Offer up to a maximum overall amount of EUR 50 million which EUR 20 millions as sub-underwriter.

By reason of the commitments undertaken under the aforementioned agreement, Algebris will receive commissions.

4. *Direct Underwriters*

On 11 and 12 October 2022, certain additional investors (collectively, the "**Direct Underwriters**") made irrevocable commitments *vis-à-vis* the Issuer to subscribe the New Shares remaining unexercised at the end of the Option Offer up to the maximum overall amount of EUR 37 million (collectively, the "**Direct Underwriting Commitments**").

The Direct Underwriters will not receive any commission by reason of the commitments respectively undertaken.

5. *Conditions for the effectiveness of the underwriting and guarantee commitments*

In line with market practice in similar transactions, the Underwriting Agreement contains clauses granting the Guarantors the right to terminate the effectiveness of their guarantee commitments upon the occurrence of certain force majeure events or extraordinary circumstances, as well as upon the occurrence or non-occurrence of certain conditions. These conditions include, among others, (i) the fulfillment of the underwriting commitment made by the MEF, (ii) the fulfillment by Algebris of its commitments under the Algebris Investment Agreement, and (iii) the fulfillment of the Direct Underwriting Commitments.

The Algebris Investment Agreement provides, *inter alia*, that Algebris is not obliged to underwrite the New Shares remaining unexercised after the completion of the Option Offer if the guarantee obligations of the Guarantors under the Underwriting Agreement are, in whole or in part as the case may be, terminated and/or lose their validity and effectiveness and/or are declared null and void for any reason or cause whatsoever, including, without limitation, due to the non-fulfilment of the conditions provided for therein or in the event that the Guarantors have terminated, or have exercised their withdrawal from, the Underwriting Agreement. The Algebris Investment Agreement does not provide for any conditions precedent to its effectiveness.

The effectiveness of the Direct Underwriting Commitments is not subject to any conditions.

6. *Lock-up obligations*

The Underwriting Agreement, the Algebris Investment Agreement, and the Direct Subscription Commitments do not provide for lock-up obligations on the part of the Guarantors, Algebris and the Direct Subscribers, respectively.

7. *First Allocation Investors*

Without prejudice to the guarantee commitments set forth in the Underwriting Agreement, the Guarantors have entered into agreements with certain investors (the "**First Allocation Investors**") for the purpose of reducing the risk arising from the Underwriting Agreement (the "**First Allocation Agreements**") for a maximum total amount equal, as at the date of this notice, to EUR 410,000,000.00 (the "**Maximum First Allocation Countervalue**").

It should be noted that the total number of investors that have made commitments to the Guarantors in relation to the subscription of New Shares is equal to more than 50% of the portion reserved to shareholders other than the Ministry of Economy and Finance, including Algebris' sub-underwriting portion of EUR 20,000,000.00 and taking into account the participation of Anima Holding S.p.A. for EUR 25,000,000.00 as indicated in the company's press release published on 13 October 2022.

To the best of BMPS's knowledge, of the day hereof, discussions are ongoing with additional investors to assume the role of First Allocation Investors, on the basis of which it cannot be excluded that the Guarantors may enter into additional First Allocation Agreements with such investors, with a consequent increase of the Maximum First Allocation Countervalue. Upon the occurrence of such circumstance, the Issuer will provide information to the market.

- The content of the paragraph written in bold in the Section A.1.1. "Risks arising from the partial execution of the Capital Increase and the inability to achieve the *Business Plan 2022-2026"* of the Registration Document

The Capital Increase is a necessary prerequisite, together with the implementation of the 2022-2026 Business Plan in accordance with the terms and measures set forth therein, for the maintenance of the Issuer's and the Group's business continuity conditions. To this end, it is necessary that the Capital Increase be fully executed. In this regard, it should be noted that in the context of the Draft SREP Decision 2022, the ECB noted that the Capital Increase is subject to a high execution risk due to the Bank's reduced capitalization and the delicate domestic and international macroeconomic environment.

The Ministry of Economy and Finance (MEF), the Issuer's controlling shareholder with a 64.23% shareholding in BMPS' share capital**, has undertaken the commitment to subscribe the quota of the Capital Increase** to which it is entitled in proportion to its shareholding in BMPS**, i.e. EUR 1,605,750,000.00 (the "MEF Underwriting Commitment"). In particular, the MEF Underwriting Commitment provides that the MEF "*will participate in the Capital Increase on the same terms as the private investors and will proceed with the subscription only after the private investors have subscribed and in proportion to the share that will be subscribed in total by the private investors."* This commitment is characterized by a constraint, namely by the fact that, to comply with EU regulations on State aid, as a result of the Option Offer the MEF cannot exceed the aforementioned shareholding.**

In view of the constraint that characterizes the MEF's commitment, should the Capital Increase not be fully subscribed by the other shareholders or by the market (in the case of

Auction of Unexercised Rights) or by the Guarantors, the MEF would subscribe the Capital Increase only to the extent functional to ensure that, upon completion of the Capital Increase subscriptions by the other shareholders and/or the market and/or the Guarantors, its shareholding in the Bank's share capital would remain unchanged at 64.23%.

On 13 October 2022, the Bank and the Guarantors signed the Underwriting Agreement, which contains clauses giving the Guarantors the right to terminate the effectiveness of their commitments under the Underwriting Agreement upon the occurrence of certain force majeure events or extraordinary circumstances, as well as the occurrence or non-occurrence of certain conditions. On the same date, the Issuer entered into an investment agreement with Algebris (UK) Limited ("Algebris"); in this regard, it should be noted that this investment agreement provides, *inter alia*, that Algebris will not be required to subscribe any shares remaining unopted at the end of the Option Period to which it is entitled if the Guarantors' guarantee obligations under the Underwriting Agreement have, in whole or in part, as the case may be, come to an end and/or lose their validity and effectiveness and/or are declared null and void and/or annulled for any cause or reason whatsoever, including, but not limited to, due to failure to meet the conditions set forth therein or in the event that the Guarantors have terminated the, or have exercised withdrawal from, the Underwriting Agreement. In this regard, it should be noted that the effectiveness of the Guarantors' guarantee commitment is in turn conditional, among other things, on Algebris fulfilling its obligations under the investment agreement it signed with the Bank.

In the Draft 2022 SREP Decision, the ECB notes the high execution risk of the Capital Increase and the gap that would remain, at the end of 2024, between the Tier 1 Ratio of the Group and that of its peers, since on the basis of the Plan the Tier 1 ratio of the Group would increase to 14.2 percent[1] at the end of 2024, still positioning itself about 70 bps below the average level of European significant banks and about 150 bps below the current average of Italian significant banks. The persistence of this gap, in the long run, could be a possible obstacle to future merger transactions with an industrial partner. Moreover, in the event that the Capital Increase is not carried out, BMPS would remain extremely vulnerable to any possible negative developments in the scenario.

It should be noted that the estimated expenses of the Offering - amounting to EUR 132 million, including the fees to the Guarantors and Algebris amounting to EUR 125 million - updated as a result of the signing of the Undewriting Agreement and the Algebris Investment Agreement - produced a negative impact on the Tier 1 ratio targets (envisaged in the 2022-2026 Business Plan horizon approved on 22 June 2022) of 15 bps in 2024 and 13bps in 2026, thereby reducing the capital buffer with respect to SREP requirements and widening the gap with the average level of significant Italian and European banks.

Moreover, in the context of the Draft 2022 SREP Decision, the ECB highlighted points of attention that could limit BMPS's ability to fully achieve the objectives of the 2022-2026 Business Plan in the medium term with reference to: the continued stress on the BTP-Bund spread and market volatility with potential negative effects on the cost of funding; the expected dynamics in commissions which, although considered reasonable, depends on the success of planned commercial initiatives and are subject to competitive pressure; the reduction in personnel costs based on a voluntary redundancy maneuver that is exposed to the risk of lower accessions than planned; the increase in interest rates and a less favorable GDP scenario that may adversely affect the repayment capacity of debtors; the development of claims and lawsuits, which is outside control of BMPS, as well as the ability to prevent the emergence of further litigation. In the aforementioned paper, the ECB also pointed out that additional cost savings of EUR 40 million from 2024 due to branch closures, the Group's corporate reorganization, and IT investments in digitalization could be offset by inflationary

[1] Please note that based on the final costs of the Capital Increase, there will be a negative impact on such indicator in 2024 quantifiable in approximately 15 bps.

levels related to the new macroeconomic scenario that may be higher than expected and may not be limited to utilities, also reducing the savings from the investments in digitization.

Given the divisible form of the Capital Increase, if the Capital Increase is not fully subscribed by the deadline of 12 November 2022 (the deadline set by the Bank's Extraordinary Shareholders' Meeting held on 15 September 2022), the Bank's share capital will be increased by an amount equal to the subscriptions collected.

Failure to complete in full the Capital Increase and/or failure to comply with the assumptions of the 2022-2026 Business Plan (in addition to the one related to the Capital Increase) in the absence of timely corrective actions not yet identified at the Date of the Registration Document, would jeopardise the Issuer's and the Group's going concern perspective. In this regard, it should be noted that, should the assumption of the going concern cease after the investment in the Bank's Shares, the value of such Bank's Shares, could be reduced to zero, thereby incurring the investor in a total loss of the capital invested.

In the event of non-compliance with capital requirements, the Supervisory Authority may impose specific corrective measures for the institution, including requiring the Issuer to submit a plan to restore capital levels that is proportionate in terms of severity and timing to the extent of the breach in terms of deviation from the requirements. To complete the possible interventions of the Supervisory Authority, in the event of a breach of the Total Srep Capital Requirement level ("TSCR") and in the event the going concern assumption ceases, measures such as the Burden Sharing (i.e. the burden sharing by shareholders, holders of certain subordinated bonds, depositors as small and medium-sized enterprises, and, where applicable, depositors for the portion exceeding the portion guaranteed by the Interbank Deposit Protection Fund ("FITD") as well as, in exceptional cases and only after the Burden Sharing, precautionary recapitalization.

It should be noted that as at 30 June 2022, the Group's total liabilities eligible to be called under a Burden Sharing procedure amounted to EUR 1,750 million.

- The information under Section A.1.2 *"Risks arising from the Group earnings perfomance"* of the Registration Document relating to the results' estimates for the 2022 financial year.

The financial year 2022 is expected to be impacted by restructuring costs estimated at more than EUR 0.8 billion, linked to a plan of voluntary exits through the Solidarity Fund that will affect - in line with the provisions of the union agreement signed between BMPS and the trade unions on 4 August 2022 - approximately 3,500 resources and, therefore, it is estimated to close with a negative net result. With reference to the net result for 2022, considered gross of restructuring charges, it is expected to be positive in absolute terms and higher than the net result for 2021, which, also considered gross of restructuring charges, amounted to EUR 316 million. This dynamic is mainly attributable to the higher positive contribution of taxes and the growth in net interest income, only partially offset by the decrease in the item "Dividends, similar income and gains (losses) from equity investments" and in the item "Net income from trading, fair value measurement of assets/liabilities and gains on disposals/repurchases" and to a higher cost of credit that, in 2022, incorporates the effects arising from the disposals of non-performing loans.

- The information under Section A.1.2 *"Risks arising from the Group earnings perfomance"* of the Registration Document relating to the EBC observation contained in the Draft SREP Decision 2022, according to which "The BMPS's ability to generate robust and stable profitability will only be achieved if, after the Capital Increase is executed, management will be able to achieve all the objectives of the new Business Plan in a timely manner, demonstrating over a sufficiently extended period of time that structural weaknesses have been permanently overcome."

In Draft 2022 SREP Decision, ECB continues to assess the business model as a high-risk element, but updated its considerations in light of the Plan. In particular, the ECB highlighted, as part of a balanced set of assumptions with potential upside elements (related, for example, to a higher rate hike than assumed in the Plan), a number of risks, such as:

a) the persistence of tensions on the BTP-Bund spread and market volatility with potential negative repercussions on the cost of funding;
b) the expected dynamics of commissions which, although considered reasonable, depends on the success of planned commercial initiatives and is exposed to competitive pressure;
c) the reduction in personnel costs, based on a staff redundancy maneuver that is exposed to the risk of lower accessions than planned;
d) the increasing interest rates and a less favorable GDP scenario that may adversely affect the repayment capacity of debtors;
e) the trend of complaints and lawsuits, which is not in the full control of BMPS, as well as the ability to prevent new emergencies related to litigation; and
f) cost savings of EUR 40 million as of 2024 due to branch closures, the Group's corporate reorganization, and IT investments in digitalization could be offset by inflationary levels related to the new macroeconomic scenario which may be higher than expected and may not be limited to utilities costs, also reducing the savings from the investments in digitization themselves.

Based on the above, ECB’s conclusion is that BMPS's ability to generate robust and stable profitability will only be achieved if, after the execution of the Capital Increase, management will be able to achieve all the objectives of the new Plan in due time, demonstrating over a sufficiently extended period of time that structural weaknesses have been definitively overcome.

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This press release will be available on the website at www.gruppomps.it and other persons to whom disclosure may lawfully be made in compliance with Article 49(2)(a-d) of the Order (all such persons are collectively referred to as “Relevant Persons”). Any investment activity referred to in this Notice will be available to and of interest only to Relevant Persons. Any person who is not a Relevant Person shall not act upon or rely upon this document or any of its contents.

This press release has been prepared on the assumption that any offer of securities referred to herein will be made in any member state of the European Economic Area (“**EEA**”) where the Prospectus Regulation (each a “**Relevant Member State**”) will be made on the basis of a prospectus approved by the competent authorities and published in accordance with the Prospectus Regulation and/or pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities(the “**Permitted Public Offering**”). Accordingly, any person making or intending to make an offer of securities in a Relevant Member State other than the Permitted Public Offering may do so only in circumstances where there is no requirement for the Company or any of its consolidated subsidiaries or any of the Joint Global Coordinators or the placers to publish a prospectus pursuant to Article 3 of the Prospectus Regulations or a prospectus supplement pursuant to Article 23 of the Prospectus Regulations in connection with such offer.

“**Prospectus Regulation**” means Regulation (EU) 2017/1129 (that Regulation and its amendments, together with any delegated acts and implementing measures). This document is a press release and not a prospectus within the meaning of the Prospectus Regulation. A prospectus meeting the requirements of the Prospectus Regulations has been published.

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