English translation for courtesy purpose only. In case of discrepancies between the Italian version and the English version, the Italian version shall prevail.

OBSERVATIONS OF THE BOARD OF STATUTORY AUDITORS ON THE EXPLANATORY REPORT BY THE BOARD OF DIRECTORS CONCERNING ITEM 2 ON THE ORDINARY SESSION OF THE AGENDA OF THE SHAREHOLDERS' MEETING CALLED FOR 6 APRIL 2021 AND REGARDING THE "PROVISIONS AS SET FORTH IN ARTICLE 2446, PARAGRAPH 1 OF THE CIVIL CODE IN LIGHT OF ARTICLE 6 OF DECREE LAW NO. 23 OF 8 APRIL 2020, TRANSPOSED WITH AMENDMENTS TO LAW NO. 40 OF 5 JUNE 2020, AS AMENDED BY LAW NO. 178 OF 30 DECEMBER; RESOLUTIONS PERTAINING THERETO AND RESULTING THEREFROM"

Dear Shareholders, considering that:

- the Board of Directors, as set forth in Article 2446 paragraph 1 of the Italian Civil Code and by resolution of 28.1.2021, has called a Shareholders' Meeting for 6 April 2021 so that the latter may, *inter alia*, take the appropriate measures following the recognition of a loss of more than one third of the share capital;

- at its subsequent meeting on 25.2.2021, the Board of Directors approved the draft Financial Statements as at 31.12.20, which registered a loss of Euro 1.882,7 million; the Financial Statements, as duly approved, were used as a reference by the Directors for the purpose of illustrating the Bank's Asset and Liabilities, Profit and Loss and Net Financial Position, as requested by Annex 3, diagram 5 of the Regulation adopted with Italian Securities and Exchange Commission resolution no. 11971 of 14 May 1999, and as amended (the Issuers' Regulation);

- at the same meeting of 25.2.2021, the Board of Directors approved the Explanatory Report on item no. 2 on the agenda of the ordinary session of the Shareholders' Meeting called for 6 April, drawn up as set forth in Article 125-ter of Legislative Decree no. 58 of 24 February 1998, as subsequently supplemented and amended (Consolidated Law on Finance) and pursuant to Article 74 of the Issuer Regulation;

- the same Report contains the proposal made to the Shareholders' Meeting regarding the provisions of Article 2446 of the Civil Code, i.e. to defer the decisions pursuant to Article 2446, paragraph 2 of the Civil Code on the reduction of share capital in order to take into account the previous losses and the loss for the year, and therefore to carry forward the yearly loss of Euro 1,882,682,981.

- the Board of Statutory Auditors has received from the Board of Directors a copy of the documentation referred to above, which, together with this Board's observations, will be made available to Shareholders.

That being stated, the Auditors hereby acknowledge the following:

a) as reported in the Annual Report to Shareholders, they have examined the draft Financial Statements for the year as at 31.12.2020 made available by the Board of Directors within the terms set out by applicable regulations. Although the Board of Statutory Auditors has not been entrusted with the statutory auditing of the accounts, this Control Body has supervised the auditing process as well as its overall compliance with the law in terms of formation and structure, and, on these, has no observations to report; in particular, in their frequent discussions with the Directors, the Chief Executive Officer, the Financial Reporting Officer and the Independent Auditors, the Board of Statutory Auditors ensured that the entire process was conducted in compliance with the law and regulations, and did not find any inconsistencies between the information received and the information contained in the Financial Statements; taking into account the findings at the end of the audit, the Board of

Statutory Auditors has reason to believe that the Bank's administrative and accounting system is capable of ensuring the accurate representation of operational events;

b) pursuant to the provisions of Legislative Decree no. 38 of 28.2.2005, the Bank's Financial Statements have been prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the IFRS Interpretation Committee, endorsed by the European Commission as established by EC Regulation no. 1606 of 19 July 2002 and in force as at 31.12.2020, and in compliance with the "Framework for the preparation and presentation of Financial Statements";

c) the provisions contained in the Bank of Italy's Circular no. 262, amended by the sixth update of 30.11.2018 and supplemented by the Bank of Italy's Communication of 15.12.2020 concerning the impact of Covid-19 and economic support measures as well as the amendments to IAS/IFRS, have also been applied to the draft Financial Statements, as well as to the respective Explanatory Notes;

d) the Directors did not make use of the waiver provided for in Article 5, paragraph 1 of Legislative Decree no. 38/05;

e) the Auditors have held frequent meetings with the Independent Auditors, PricewaterhouseCoopers Spa, to exchange information on the adequacy of the Bank's administrative and accounting system. In the course of this activity, no reprehensible facts were reported. In particular, the Auditors had the opportunity to share the auditing procedures adopted in the preparation of the 2020 Financial Statements with the Independent Auditors;

f) on 16.3.21, PricewaterhouseCoopers Spa submitted the Reports issued as seth forth in Article 14 of Legislative Decree no. 39/10 and Article 10 of Regulation (EU) no. 537/14, in which they state that in particular in the opinion of the same auditing firm, the Financial Statements provide a true and fair representation of the Bank's financial position as at 31 December 2020. PricewaterhouseCoopers Spa expressed a not modified opinion in both reports, with an emphasis-of-matter paragraph on the information described by the Directors in the Notes to the Financial Statements regarding the significant uncertainty over the Bank's ability to continue as a going concern.

Regarding the content of the Directors' Report, the Board of Statutory Auditors notes the following:

a) the Report prepared on the draft Financial Statements as at 31.12.2020, as set forth in Article 2446 paragraph 1 of the Civil Code, clarifies the nature and causes of the losses and reports on the outlook for operations as well as the measures that the Directors intend to put in place for a return to economic stability; in view of this, it includes the forecasts of the financial results expected for 2021, 2022 and 2023; the financial results have been extracted from the 2021-2025 Strategic Plan, which was preliminarily approved by the Board of Directors on 17.12.2020 and, in relation to which, the Bank – based on initial discussions with DG-Comp following the presentation of the same Plan – is debating additional compensation measures for non-compliance with some commitments set in the 2017-2021 Restructuring Plan;

b) the Report also states that: (i) the completion of the Hydra transaction entailed an overall reduction in shareholders' equity of Euro 963,718,818; (ii) accumulated losses in the approval of the financial statements as at 31 December 2019, totalling Euro 2,616,292,923; (iii) the Bank holds available reserves of Euro 130,573,382 and, therefore, in summary, (iv) taking into account the aforementioned losses as at 31.12.2020, shareholders' equity is less than two thirds of the share capital of Euro 1,250,682,136;

c) the same Report highlights the initiatives that the Bank intends to take up for turnaround and to maintain the status of going concern, and includes a reference to the specific paragraph contained in the draft Financial Statements;

d) regarding the going concern assumption, in line with the information contained in the annual Report to the Shareholders, the Board of Statutory Auditors has given particular attention to the Board of Directors' main evaluations on the continuation of the going concern assumption and sets them out as follows.
Based on the forward-looking analyses of the capital and liquidity position over a time horizon of at least twelve months, which were conducted following the significant loss for the year of Euro 1.882,7 million - determined also by the significant provisions for legal risks made in 2020, the macroeconomic scenario penalised by the Covid-19 pandemic, by regulatory developments as well as the effects of the Hydra transaction – a prospective capital shortfall emerged with respect to overall capital requirements and could materialise as of the first quarter of 2021, expecting to reach approximately Euro 1.5 billion as at 1 January 2022.
To this end, the Directors approved the 2021-2025 Strategic Plan and the Capital Plan, which were sent to DG-Comp and the ECB for their respective assessments.
The Bank's capital strengthening needs are significant and therefore lead to potential uncertainty regarding the going concern assumption. This uncertainty is mitigated by the full support of the controlling shareholder and the structural solution, concerning which it should be noted that the Prime Ministerial Decree of 16 October 2020 authorized the disposal of the stake held by the Ministry of Economy and Finance in Banca MPS.
For this, the Bank has appointed Mediobanca and Credit Suisse as financial advisors while the Ministry of Economy and Finance has appointed Bank of America and legal advisors Orrick; MPS has also set up the virtual data room for the due diligence of the investors concerned.
The structural solution has not yet materialized but it represents a potential scenario, also in light of the substantial incentives contained in the Budget Law and the ECB Guidelines. In this regard, discussions are underway with the Apollo Fund for access to the data room after the Bank received a non-binding expression of interest.
Should a "structural solution" not be implemented in the short /medium term, the Capital Plan envisages a capital strengthening of Euro 2.5 billion which, if carried out, will be executed at market conditions and with the pro-rata participation of the Italian State, which has already confirmed its full support. The capital strengthening transaction is subject to the approval of Shareholders. The State's intervention is, however, subject to assessment by DG-Comp based on the Bank's stand-alone viability.
These assessments, which are still in progress, present significant uncertainties regarding the Bank's capitals strengthening process and the capital increase at market conditions. Following preliminary interactions with DG-Comp, the Bank has also presented compensation measures in addition to those already included in the 2021-2025 Business Plan for non-compliance with some commitments set in the 2017-2021 Restructuring Plan. Moreover, the Bank is continuing with its efforts to curb business risk while actively working to reduce its legal risks.
In view of the above, the Directors believe that the capital shortfall can be overcome through the "structural solution" or through a capital increase which, if done, is expected to take place at market conditions with the pro-rata participation of the Italian State.
Finally, if it is confirmed that the revision of the AIRB Models – to which a significant part of the expected increase in RWAs in the second half of 2021 is due – is postponed to 2022, it is reasonable to expect that, even in the absence of the capital strengthening transaction, the Bank will be able to contain the 2021 shortfall within the range of the Capital Conservation Buffer, the use of which has been allowed by the ECB since the start of the pandemic. The Bank is also engaged in operations aimed at minimising the impact of the expected shortfall.

Having assessed the significant uncertainty associated with the Parent Company's capital strengthening needs, which may cast significant doubt on the Group's ability to continue to operate as a going concern, the Directors believe that, given the status of the actions taken and especially the mitigating factors referred to above, the totality of these assessments supports the reasonable expectation that the Bank will continue to operate as a going concern in the foreseeable future as well as the use of the going concern assumption in preparing the Financial Statements.

* * *

Within the broader framework of exercising our supervisory and monitoring duties during the preparation and approval of the 2020 Financial Statements by the Bank, we have examined the specific issue of the company's ability to continue to operate on a going concern basis, on which the Directors decided to reach the conclusion outlined above. To the best of our knowledge and expertise, the information provided to this Board of Statutory Auditors on this subject is consistent with that included in the Financial Report.
Reference should also be made to the conclusions reached by the Independent Auditors and reported in paragraph f) above.

e) the Financial Statements describe the significant events that occurred between the end of the financial year and the date of approval of the Explanatory Report. These events are consistent with the forecasts made by the Board of Directors in its Report.

* * *

In conclusion, taking into account the provisions of Article 6 of Law Decree no. 23 of 8 April 2020, converted with amendments by Law no. 40 of 5 June 2020, as amended by Law no. 178 of 30 December 2020, the Board of Statutory Auditors does not raise any objections to the Board of Directors' proposal to defer the decisions as set forth in Article 2446, paragraph 2 of the Civil Code regarding the reduction of share capital to the Shareholders' Meeting that will be summoned to pass resolution on the capital strengthening measures, in order to take into account the previous losses and the loss for the year and to carry forward the yearly loss of Euro 1,882,682,981.

These Observations, together with the Board of Directors' Report, will be filed within the terms set out in Article 125-ter, paragraph 2 of the Consolidated Law on Finance, at the registered office and on the Company's website, as well as in accordance with the other procedures set out by Consob in its Regulation, so that they can be examined by the Shareholders.

on behalf of the
BOARD OF STATUTORY AUDITORS

The Chairperson
Enrico CIai

Rome, 16 March 2021