

**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

Group Strategic Plan 2021-2025

**Board of Directors
17 December 2020**

Disclaimer

Banca Monte dei Paschi (the “Bank”), at the request of Consob, has made the document “Group Strategic Plan 2021-2025” (“Plan”), preliminarily approved by the Board of Directors of the Bank on 17 December 2020, available on the Bank's institutional website.

In this regard, the bank reiterates that:

- The Plan was prepared bearing in mind the commitments undertaken by the Italian Government in 2017 with reference to the 2017-2021 Restructuring Plan, recently reaffirmed in a Prime Ministerial Decree of 16 October 2020, which provides for “launching a process for the disposal of the investment held by Ministry in the share capital of MPS, to be carried out through the market and also through operations aimed at consolidating the banking system”;
- Considering this perspective, the Plan does not envisage a radical transformation of the Bank's operating model and technological infrastructure, which would involve significant investments, absorption of implementation capacity and high execution risks, with benefits that would only manifest themselves in a few years;
- The Plan assumes the necessary dialogue with DG-Comp with reference to the commitments undertaken in 2017 (which requires the intervention of the Italian State and will culminate in an authorisation measure whose timing and outcome are not foreseeable) and with the ECB which is concerned in matters of sound and prudent management, also for the purpose of approving the capital strengthening hypotheses envisaged in the Plan.



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Reference framework for the Strategic Plan

- The Strategic Plan was developed taking into account the commitments undertaken by the Italian Government in 2017, recently confirmed in a Prime Ministerial Decree of 16 October 2020, which envisages «launching a process for the disposal of the investment held by the Ministry in the share capital of MPS, to be completed at market conditions also through transactions aimed at consolidating the banking system»
- Given the above, the plan does **not assume a radical transformation of the Bank's operating model and technological infrastructure** that would involve significant investments, absorption of implementation capacity and high execution risks with benefits achievable only after a while. Indeed, it was deemed appropriate to rethink the operating model and the technological infrastructure only once the landscape on future consolidations will be clarified
- Priority was given instead to initiatives **capable of creating value already in 2021, minimising execution risks given current constraints**. These initiatives enable revenue growth and cost projections in line with analysts' forecasts, in particular:
 - **regarding business model**, repositioning bank's offer towards customer segments, products and territories in which MPS can compete more effectively and for which higher market growth is expected, with the objective of recovering **the market share lost** in recent years
 - **regarding cost base, release of resources both in central functions and in the network**, leveraging major organisational simplifications, rationalisation of footprint and the adoption of “agile” approaches while maintaining the current operating model and technological infrastructure. In order **to manage the release of redundant resources, the most effective solution** in terms of costs and time required for the economic benefits to materialise **was identified**
 - **regarding financial resources**, the plan envisages capital and liquidity indicators well above supervisory thresholds in each year, in spite of conservative macroeconomic forecasts. Even in an adverse scenario that assumes reduced effectiveness of strategic initiatives and an additional increase in defaults for approx. €300 million compared to expectations (implying a return to profitability from 2023), **capital would be sufficient to meet minimum requirements**

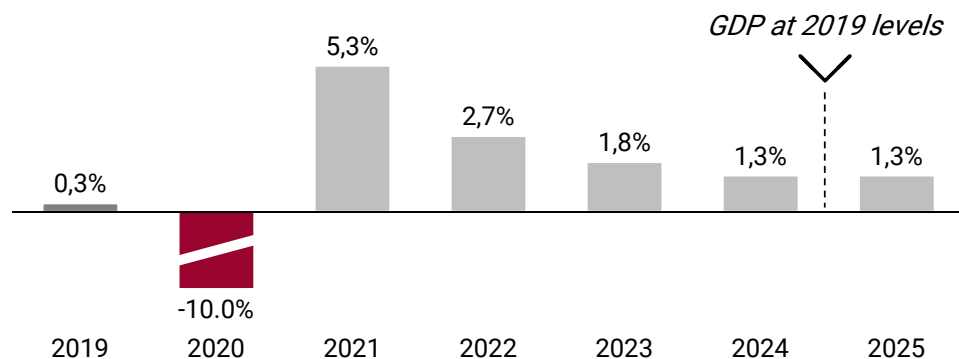




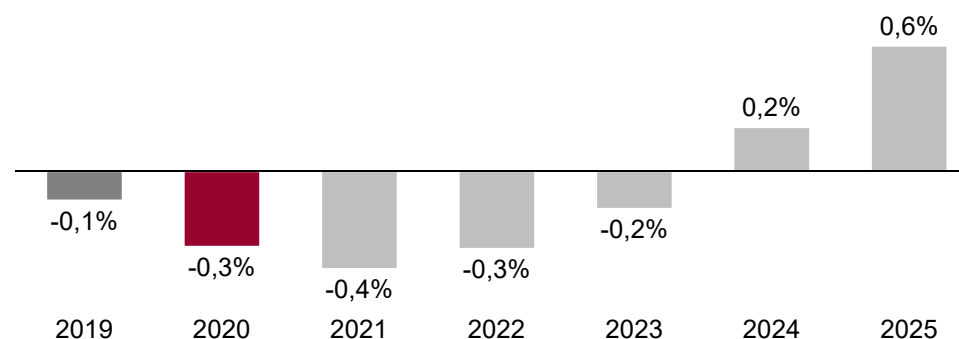
STRATEGIC GUIDELINES AND KEY OBJECTIVES

The new strategic plan takes place amidst an uncertain macroeconomic context

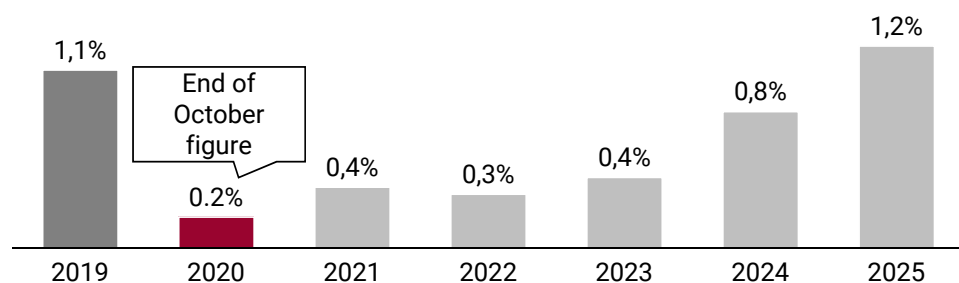
Italian real GDP (YoY change)



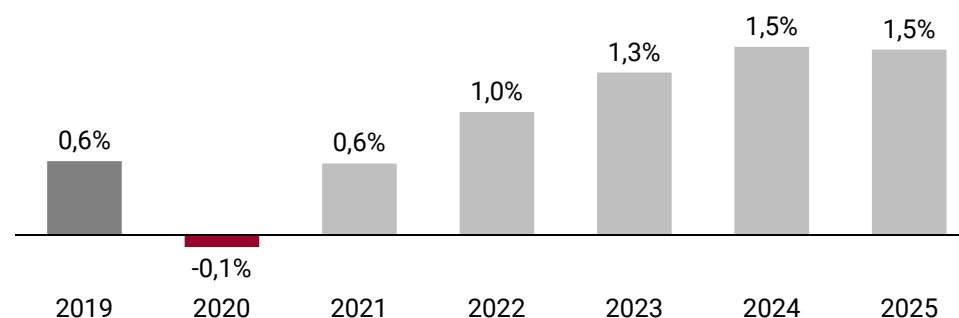
5Y IRS rate



5Y BTP interest rate



Inflation



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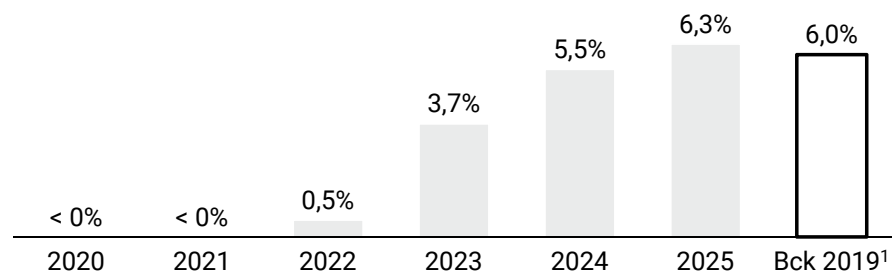
Source: MPS - Planning, Studies and Research Sector, rates expressed as annual averages

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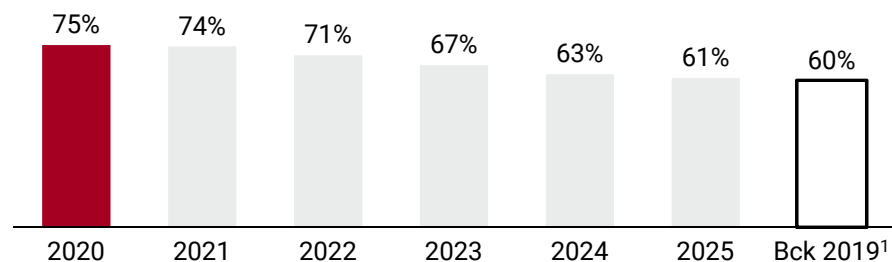
Evolution of key indicators for the Plan

Unless otherwise indicated, here and in the following slides, the envisaged capital strengthening of €2.0bn-€2.5bn is assumed to be executed in 2021 for € 2.0bn

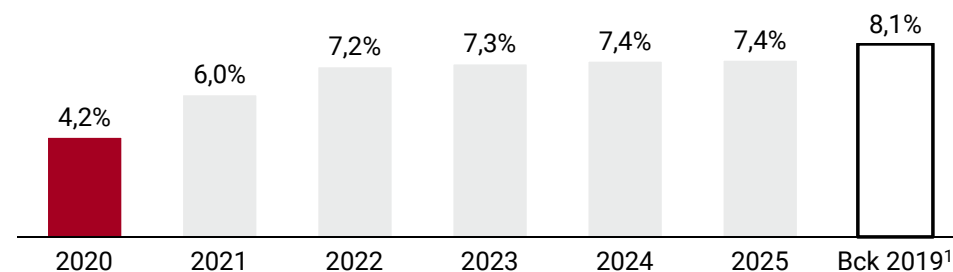
Return on Equity (ROE)



Cost/Income

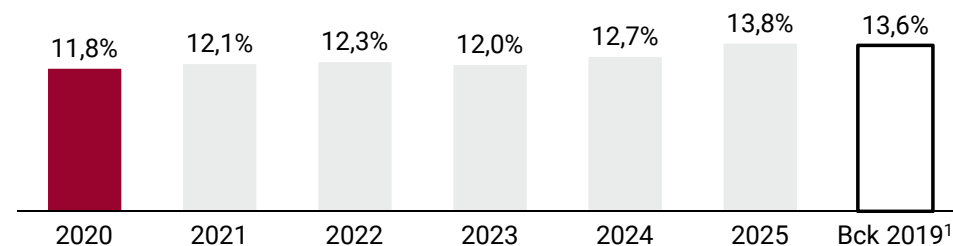


Gross NPL Ratio



CET1% phased-in

Assumes a capital strengthening of €2bn. Strengthening of €2.5bn would result in a further benefit on CET1% of approx. 90-100 bps



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1. ISP, UCG, BBPM, UBI, BPER. Source: Highlights of major Italian banks, MPS Investor Relations. 2019YE figures.

Guidelines for the new Strategic Plan

1 REFOCUS THE BUSINESS MODEL TO RESTORE MPS' COMPETITIVE POSITIONING



Exit from unprofitable and non-differentiating client segments



Leader in the local industrial sectors



Simplification and focusing of the offering to retail customers



Internalization of the consumer credit factory



Enhancement of Wealth Management proposition

2 SIMPLIFY, INCREASE PRODUCTIVITY AND BRING THE OPERATING MODEL CLOSER TO BUSINESS



Reduction of organisational layers and decision-making speed up



Subsidiaries simplification and consolidation of governance



Rationalisation of the footprint and release of commercial time



Cost base control and process redesign



FTEs release and reorganisation of the Group workforce

3 STRENGTHEN BALANCE SHEET AND FURTHER IMPROVE RISK MANAGEMENT



Capital strengthening and valorisation of assets



Tightening in the monitoring of credit quality



Normalisation of the cost of institutional funding



Maintenance of current risk profile on investment portfolio



Confirmation of high liquidity buffers

4 ROBUST AND FOCUSED INVESTMENT PLAN

5 ENGAGEMENT AND RESKILLING OF HUMAN CAPITAL



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Levers identified allow to rebalance MPS financial and industrial indicators

1

REFOCUS THE BUSINESS MODEL TO RESTORE MPS' COMPETITIVE POSITIONING

2

SIMPLIFY, INCREASE PRODUCTIVITY AND BRING THE OPERATING MODEL CLOSER TO BUSINESS

3

STRENGTHEN BALANCE SHEET AND FURTHER IMPROVE RISK MANAGEMENT

	2019	2020	2023	2025
% RWA «non-core» ¹ customer loans	15%	18%	12%	9%
Family businesses' market share	6.5%	6.8%	7.9%	8.6%
Cost of commercial funding	0.29%	0.22%	0.11%	0.05%
AUM / Total commercial funding ²	38%	37%	45%	47%
# employees in central functions	5,064	4,977	4,096	4,096
# branch operations ³ (mln)	19.8	14.3	10.4	7.6
Other Operating Expenses/Total assets	45 bps	39 bps	37 bps	36 bps
Revenues/Employee (€k)	148	137	156	170
	€2bn capital strengthening (€2.5bn would lead to a CET1% increase of approx. 90-100 bps)			
Fully phased CET1%	12.7%	9.6%	12.0%	13.8%
Cost of credit (bps)	68 ⁴	90 ⁵	57	60
NPL stock (€bn)	12.2	4.1	6.8	6.8
Institutional bonds (€bn)	13.7	12.2	14.1	12.3



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1. Institutions, Large Groups, Key Clients, | 2. AuM: (mutual funds, bancassurance, asset management), Total commercial funding: sum of AuM, AuC and commercial deposits from customers | 3. Transactional operations | 4. Not including normalisation of 2019 one-off effects (write-backs related to the Juliet transaction, releases on Sorgenia/Tirreno Power positions and additional adjustments related to the update of the scenario - total approx. €468mln) | 5. Including prudential provisions for deterioration of the macro environment (Covid-19) |

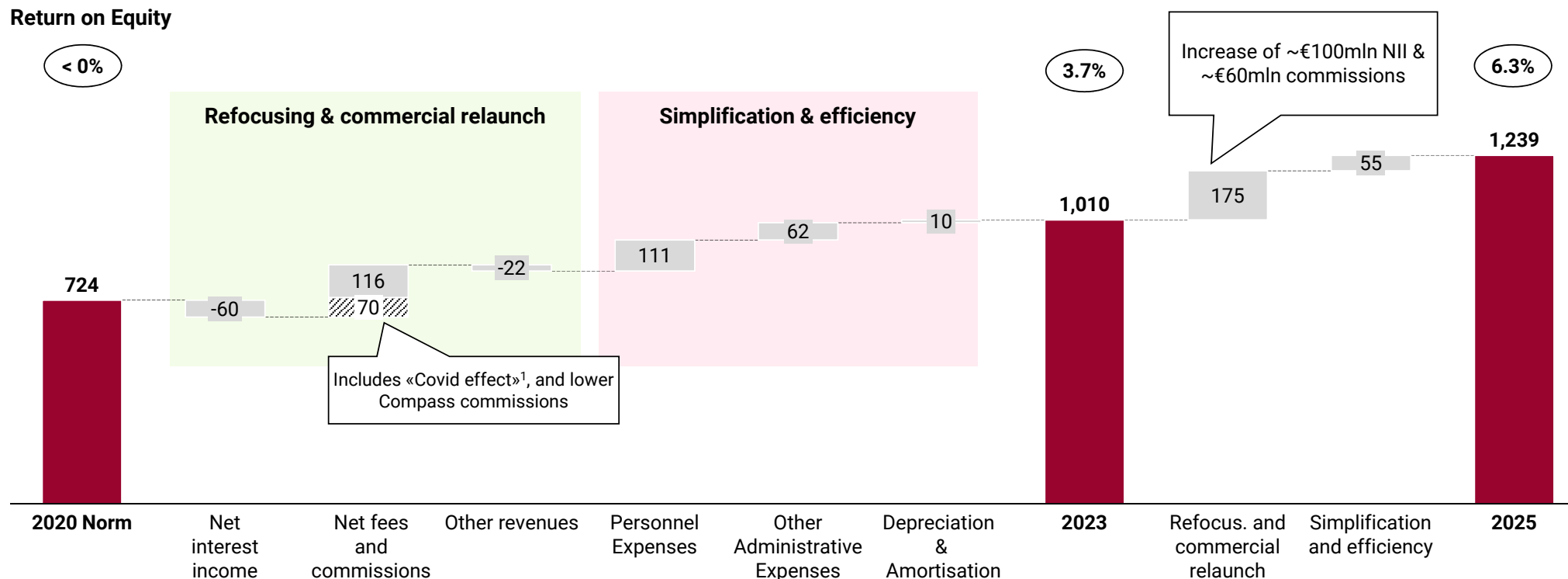
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MPS will generate ~€1.25bn in pre-provision profit by the end of 2025 (~€1bn in 2023)

Pre-provision profit

€mln; total revenues net of operating costs

Return on Equity



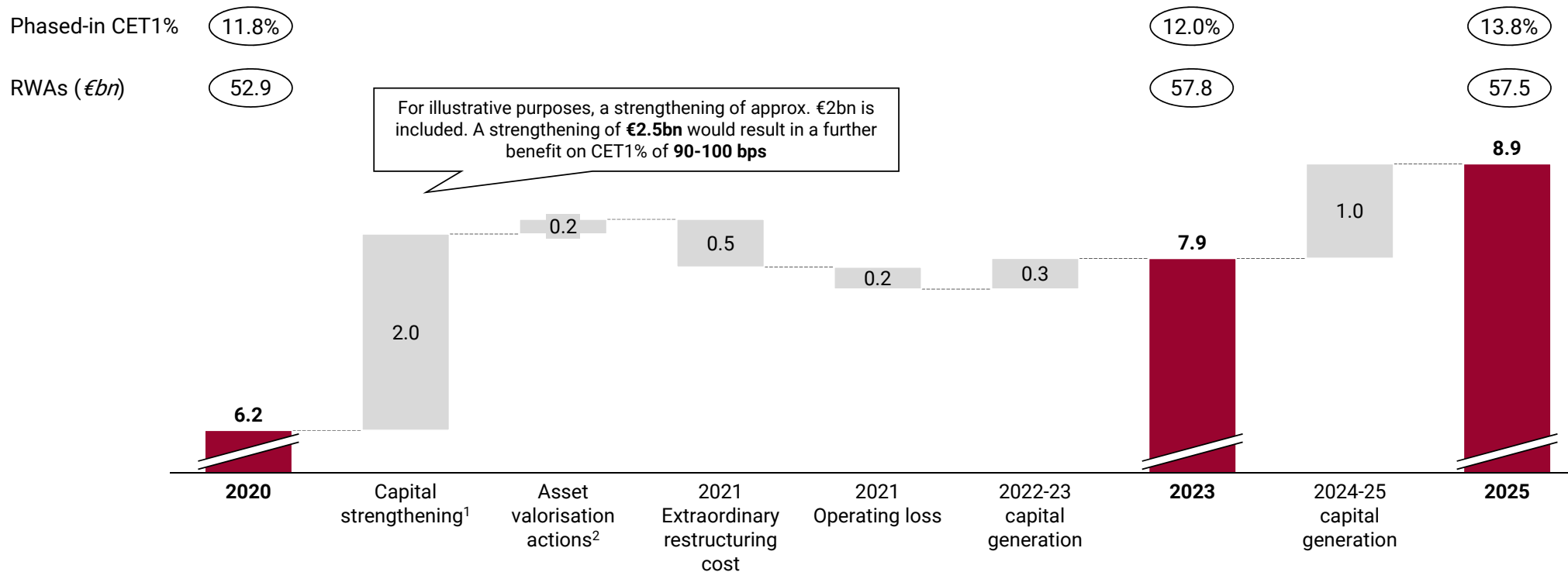
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¹ Negative change in net commissions recorded on the normalised 2020 figure compared to the equivalent normalised figure in 2019

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Capital dynamics assume a strengthening between €2.0bn and €2.5bn, to be defined in the context of the Capital Plan (January 2021), and a return to profit from 2022

Evolution of net book value €bn



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1. Capital strengthening to be defined in the Capital Plan in January 2021 | 2. Does not include capital gains on securities included here in the 2021 capital generation dynamics (unlike section 3 "Strengthen balance sheet and further improve risk management")

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Evolution of key Group economic and financial indicators

For illustrative purposes, a strengthening of €2bn has been assumed in this document. A strengthening of **€2.5bn** would result in an additional **90-100 bps** benefit to CET1%

		2019 Norm	2020 Norm	2021	2022	2023	2024	2025	CAGR 2020-23	CAGR 2020-25
P&L [€mln]	Total revenues	3,270	2,934	2,895	2,945	3,038	3,173	3,212	1%	2%
	of which Net interest income	1,497	1,314	1,270	1,194	1,254	1,339	1,358	-2%	1%
	of which Commissions	1,543	1,422	1,438	1,539	1,608	1,644	1,664	4%	3%
	Operating Costs	-2,280	-2,210	-2,156	-2,085	-2,028	-2,001	-1,973	-3%	-2%
	Pre-provision profit	989	724	739	860	1,010	1,172	1,239	12%	11%
	Total provisions	-1,059 ⁹	-777 ¹⁰	-750	-648	-479	-481	-488		
	Gross profit	-392	-494	-612(-126) ¹¹	-26	299	523	629		
	Net profit ¹	<i>n.s.</i>	<i>n.s.</i>	-562	41	292	454	559		
Balance Sheet [€bn]	Loans to customers ²	80.1	86.0	86.2	84.1	83.4	82.2	81.2	-1%	-1%
	Deposits from customers ³	80.1	85.9	85.0	82.8	79.8	80.7	79.1	-2%	-2%
	Securities issued ⁴	14.2	12.3	12.8	13.1	14.8	13.1	13.1	7%	1%
	AUM (WM + Bancassurance) ⁵	56.3	56.0	60.2	65.0	70.0	74.1	77.4	7%	6%
Financial KPIs	Gross NPL Ratio ⁶	12.4%	4.2%	6.0%	7.2%	7.3%	7.4%	7.4%		
	Cost / Income	70%	75%	74%	71%	67%	63%	61%		
	ROE	< 0%	< 0%	< 0%	0.5%	3.7%	5.5%	6.3%		
	CET1 Ratio phased-in ⁷	14.7%	11.8%	12.1%	12.3%	12.0%	12.7%	13.8%		
	CET1 Ratio fully loaded ⁷	12.7%	9.6%	10.9%	11.6%	12.0%	12.7%	13.8%		
	LCR ⁸	>150%	>160%	>160%	>160%	>160%	>160%	>160%		
	NSFR ⁸	>100%	>100%	>100%	>100%	>100%	>100%	>100%		
Industrial Dimensions	# Branches	1,422	1,420	1,370	1,320	1,320	1,320	1,320	-2%	-1%
	# FTEs	22,040	21,461	20,527	19,943	19,520	18,971	18,880	-3%	-3%

1. Taxes for 2021-25 have been estimated using the simplified assumption of a static income statement for legal entities | 2. Includes commercial lending, reverse repos (up by approx. €6bn in 2020 vs. 2019) and other residual items | 3. Includes commercial funding, repos (up by approx. €4bn in 2020 vs. 2019), out-of-network funding (approx. €3bn maturing in 2022) and other residual items | 4. Includes institutional and retail bonds | 5. Includes only commercial components | 6. Calculated as the ratio of gross impaired loans to gross loans to customers including the AMC securities portfolio to customers | 7. CET1 OCR requirement is equal to ≈8.8% in the period 2021-25 | 8. Minimum requirement 100% | 9. Normalised figure that neutralises extraordinary elements (write-backs related to the Juliet transaction, releases on Sorgeria / Tirreno Power positions and additional adjustments related to the update of the macro scenario) | 10. Includes prudential provisions for deterioration of the macroeconomic environment (Covid) | 11. Gross loss without considering redundancy fund charges and network rationalisation



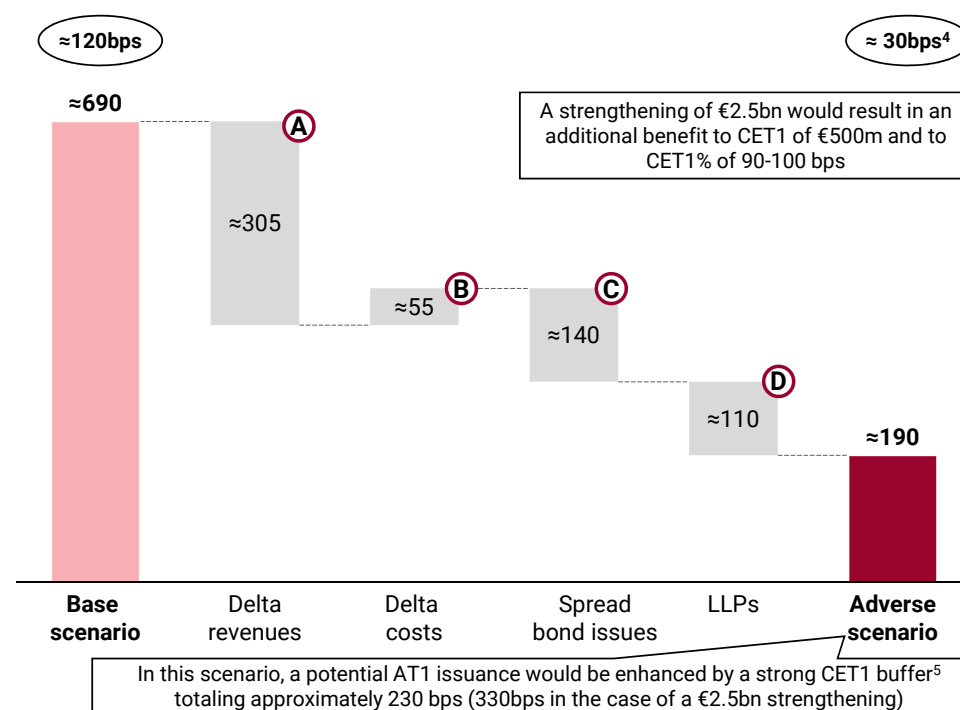
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Adverse scenario – Resilience to «partial execution» of industrial levers and higher defaults (this exercise is not a regulatory stress test)

Hypothesis underlying adverse scenario (as of 2023)

	Base Scenario	Adverse Scenario
A AuM growth 2023 vs. 2020	+13bn€	+10bn€
A Consumer credit new loans ¹ in 2023	1.3bn€	0.9bn€
Small Business loan growth ¹ 2023 vs. 2020	+2.0bn€	+1.2bn€
B Redundancy Fund HC reduction ² 2023 vs. 2020	-1,700 HC	-1,200 HC
C Avg spread senior bond issuances in 2023	180bps	300bps
D Default flows 2021-2023	5.0bn€	5.3bn€
Tier I buffer (€2bn strengthening³) in 2023	≈690mln€ ≈120bps	≈190mln€ ≈30bps
Tier I buffer (€2.5bn strengthening³) in 2023	≈1,240mln€ ≈215bps	≈740mln€ ≈130bps

Minimum Tier I buffer over the three-year period³ (€2bn strengthening) mln€ Tier I Capital and bps



1. With the aim of being more conservative, the adverse scenario assumes an increase in the average RW density on loans and does not assume any reduction in provisions as a consequence of lower growth of loans | 2 The adverse scenario assumes lower one-off charges in 2021 for the activation of the Fund for around € 120 million and a reduction of approx. 25% savings on HR running expenses | 3. OCR Tier1 2023 equals to approx 10,8% | 4 The capital buffer would make it possible to absorb further default inflows equal to approximately € 500 million in the three-year period in the case of capital strengthening of € 2 billion and of approximately € 2 billion in the event of capital strengthening of € 2.5 billion | 5. OCR CET1 2023 equals to approx. 8,8%



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Adverse scenario - Impact on key indicators following the «partial execution» of industrial levers and an increase of defaults for approx. € 300mIn

		2021			2022			2023		
<i>Figures in €mIn</i>		Baseline	Adverse	Delta	Baseline	Adverse	Delta	Baseline	Adverse	Delta
Profit & Loss	MINTER	2,895	2,821	-74	2,945	2,801	-144	3,038	2,827	-261
	of which Net Interest Income	1,270	1,242	-28	1,194	1,126	-68	1,254	1,132	-122
	of which Commissions	1,438	1,392	-46	1,539	1,463	-76	1,608	1,519	-89
	Operating costs	-2,156	-2,167	-11	-2,085	-2,109	-24	-2,028	-2,061	-33
	Pre-provision profit	739	654	-85	860	692	-168	1,010	766	-244
	Total provisions	-750	-805	-55	-648	-700	-52	-479	-474	+5
	Net income ¹	-562	-583	-21	41	-179	-220	292	53	-239
Financial KPI	Gross NPL Ratio ²	6.0%	6.2%	+0.2%	7.2%	7.6%	+0.4%	7.3%	7.7%	+0.4%
	Cost / Income	74%	77%	+3%	71%	75%	+4%	67%	73%	+6%
	ROE	< 0%	< 0%	-	0.5%	< 0%	-	3.7%	0.7%	-3.0%
	CET1 Ratio phased-in (€2bn strength.)	12.1%	12.1%	-	12.3%	11.8%	-0.5%	12.0%	11.1%	-0.9%
	CET1 Ratio phased-in (€2.5bn strength.)	13.0%	13.0%	-	13.2%	12.7%	-0.5%	13.0%	12.1%	-0.9%
	OCR CET 1	8.7%	8.7%	-	8.8%	8.8%	-	8.8%	8.8%	-
	Tier1 Ratio phased-in (€2bn strength.)	12.1%	12.1%	-	12.3%	11.8%	-0.5%	12.0%	11.1%	-0.9%
	Tier1 Ratio phased-in (€2.5bn strength.)	13.0%	13.0%	-	13.2%	12.7%	-0.5%	13.0%	12.1%	-0.9%
	OCR Tier 1	10.7%	10.7%	-	10.8%	10.8%	-	10.8%	10.8%	-

With these impacts, MPS would generate profits starting from 2023, complying with minimum capital requirements over the plan

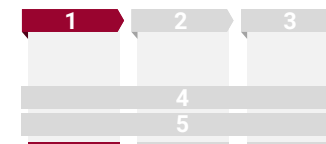


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1. Taxes for 2021-25 have been estimated using the simplified assumption of a static income statement for legal entities. The adverse scenario assumes lower one-off restructuring costs in 2021 for about €120mIn | 2. Calculated as the ratio of gross impaired loans to gross loans to customers including the AMC securities portfolio to customers

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REFOCUS THE BUSINESS MODEL TO RESTORE MPS' COMPETITIVE POSITIONING



Cost-benefit of the key commercial levers

		2025 (2023) Targets			
		Δ Revenues	Δ RWAs	Δ HC	INVESTMENTS ²
	Exit from unprofitable and non-differentiating segments	-130 mln€ (-90 mln€)	-4.5 bn€ (-3.1 bn€)	-200 specialists	Investments to improve customer interaction (e.g. media center)
	Leader in the local industrial sectors	+90 mln€ (+70 mln€)	+1.3 bn€ (+1.0 bn€)	+100 specialists	37 mln€
	Internalization of the consumer credit factory	+120 mln€ (+40 mln€)	+1.5 bn€ (+0.9 bn€)	+60 specialists	23 mln€
	Simplification and focusing of the offering to retail customers	+160 mln€ (+110 mln€)	-	- 300 ¹ (redistribution among business segments)	39 mln€
	Enhancement of Wealth Management proposition	+130 mln€ (+80 mln€)	-	-	5 mln€
Total		+360 mln€ (+210 mln€)	-1.7 bn€ (-1.2 bn€)		-129 mln€

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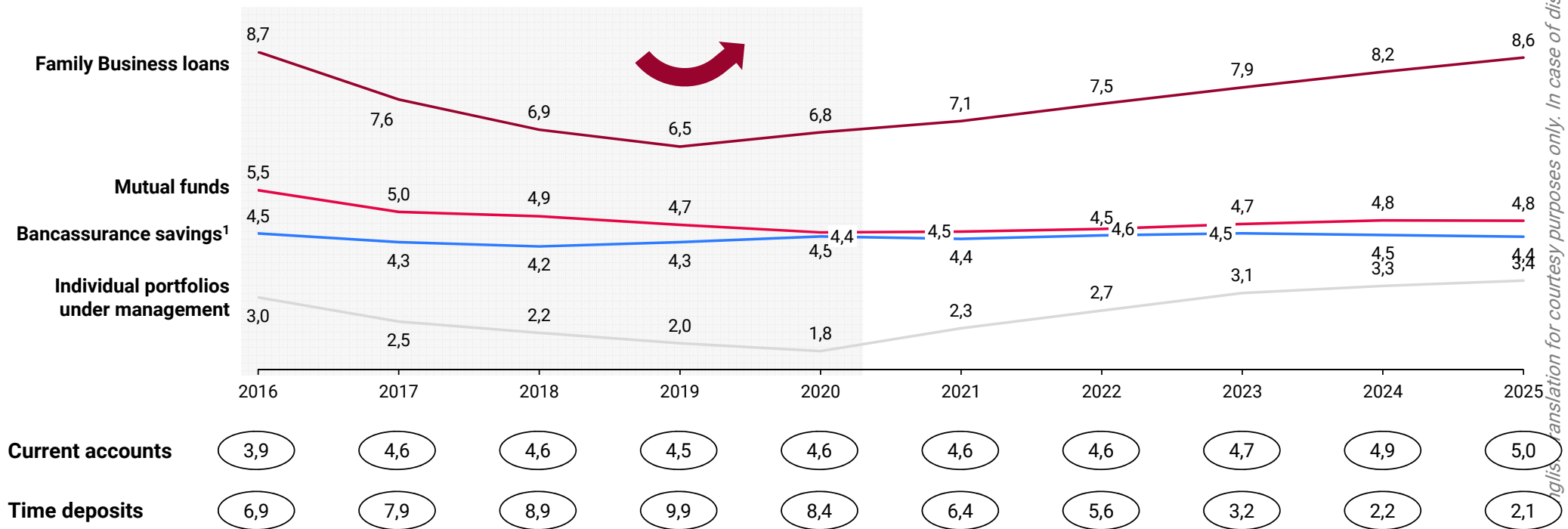


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1. Including reduction of branch personnel serving mass-market customers and improvements in efficiency from automation and digitisation of network sales processes | 2. Preliminary estimate of the allocation to each initiative of investments scheduled over the course of the plan, to be reviewed and confirmed during the preparation of the 2021 "project plan".

The commercial levers will enable the repositioning of MPS on the "key" customer segments, recovering the gap accrued during the last years

MPS Group market share – Historical and prospective evolution
%



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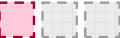











































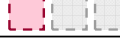
















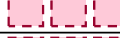































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1. Mkt share is considered with respect to the life bancassurance market, i.e. banking system and post offices (excluding insurance companies and CF networks).
Historical data source: MPS - Planning, Studies and Research Department.

The industrial levers will be fully implemented in the next 24 months

Focus: Business model and commercial plan

	By Dec-20	By Jun-21	By Dec-21	By Jun-22	By Dec-22	By Jun-23	By Dec-23
Simplification and focusing of the offering to retail customers							
<i>Business model specialisation</i>							
<i>Product range simplification</i>							
<i>Media center enhancement</i>							
<i>Rationalising pricing policies</i>							
Internalisation and development of consumer credit (continuous evolution of the scoring model until 2023)							
Enhancement of Wealth Management proposition							
<i>Advisory offer enhancement (and partnership enhancement)</i>							
<i>Strengthening the sales force</i>							
Leader in the local industrial sectors							
<i>Credit Hub for public funds</i>							
<i>ESG business partner of production chains</i>							
<i>Private-SME/SB synergy programme</i>							
<i>Smart Lending</i>							
COVID portfolio management							
Industrialised NPL stock management							

 Design and set-up
  Implementation
  Fully operational



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Exit from unprofitable and non-differentiating client segments

Industrial levers

Description

Loan deleveraging

- **«Fast deleveraging» of «non core» customers** (Large Corporate, Key Clients and Institutions) and selectively of large-scale SME clients¹ **with a decrease of at least 50% in the volume of loans (≈€5bn)** :
 - contraction of new disbursements
 - non-renewal at maturity of MLT loans
 - concurrent closure of short-term and «sight» lines of credit
- **Release of capital for ≈450mln€ (≈80bps CET1%) and of at least 200 people**, including relationship managers who will be refocused on priority customers (e.g. small businesses, local SMEs)

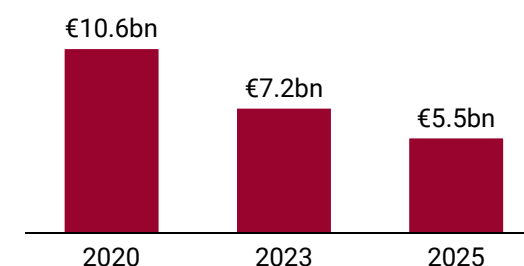
Corporate deposit repricing

- **Rate on deposits from Corporate customers lowered to 0**, both on current and short-term accounts, through a unilateral manoeuvre on the entire stock (currently equal to approx. €12bn)
- The manoeuvre is estimated to induce overall **liquidity outflows of approximately €3bn over the next 3 years**
- **No significant impact on the bank's liquidity position** (ample also thanks to TLTROIII) and on structural liquidity indicators

Key elements

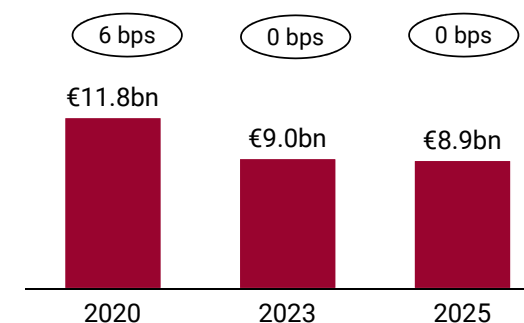
«Non-core» customer loans

Large Corporate, Key Clients, Institutions



«Non-core» customer deposits and rates

Large Corporate, Key Clients, Institutions



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1. The perimeter of «non-core» customers will be declined in a broader set of indicators than the turnover/customer segment, but such as to meet the targeted decrease.

Leader in the local industrial sectors

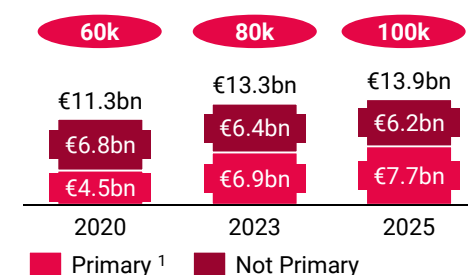
Industrial levers	Description
ESG business partner	<ul style="list-style-type: none"> Evolution of the service model and refocusing of resources to create a privileged relationship with local productive enterprises: <ul style="list-style-type: none"> concentrating on key production chains for which MPS can become the go-to bank, by presiding over and being close to the lead companies, acquiring specialist “sectoral” skills and a wide-ranging network of relationships financing the sustainable (ESG) transition of companies with a dedicated credit and service offer (credit strategies, product catalogue, training, communication)
Credit Hub for public funds	<ul style="list-style-type: none"> Facilitating access to public funds and creating specialist teams to support the commercial network in order to provide an advisory service for subsidized credit: <ul style="list-style-type: none"> post-COVID emergency support (SACE, state guarantee funds and Recovery Fund) green/circular transition (based on the experience of the 110% bonus) growth of international (e.g. SACE) and online competitiveness of businesses
Evolution of credit offering	<ul style="list-style-type: none"> Development of automated evaluation processes and more extensive use of data (web, accounts, ...) to reduce «time to cash» and credit availability in an omni-channel perspective
Strengthening relationships with key customers	<ul style="list-style-type: none"> Creation of transversal Corporate & Private coverage teams, in order to increase the number of entrepreneurs followed both as individuals and in their business pursuits (1,500 clients) Commercial partnerships with third party networks (e.g. Confidi) for the supply of credit and services dedicated to businesses (e.g. POS, insurance products, business credit cards)

Key elements

Realignment over the course of the plan to the 2016 market share

«Go-to» bank for SB

Loans and number of customers



Production chain ESG goals

5.000 businesses in 2021

30% of ESG disbursements²

Entrepreneurs managed at 360°



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1. Customers for whom MPS represents more than 30% of total exposure | 2. Percentage of new disbursements on ESG projects or ESG certified customers

ESG business partner – Mission and guidelines of the initiative



FINANCING THE **SUSTAINABLE**
(ESG) **TRANSITION** OF
SBs/SMEs IN **KEY PRODUCTION**
CHAINS FOR THE **MPS GROUP**

- Targeting **small to medium-sized companies**, both in the bottom-up phase (1 to €50mln turnover) and in the selection of the production chain leaders (€250-500mln)
- Focus on **key sectors/production chains** for MPS in terms of relevance and **distinctive competencies** (e.g. Agri-Agro sector)
- **Step by step coverage of sectors/production chains** as a means of ensuring synergies with other initiatives, critical mass (e.g. statistical significance of diagnostics) and distinctiveness
- Aiming to **intercept the ESG transition** (investments to kick-start sustainable transformation paths)
- **Priority** on **existing customers** with acquisition possibilities
- **Systemic development** approach with **focus on listening to customers**
- A «transmission belt» for local, national and international **aid measures**



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ESG business partner – Timing and goals

Selection and targeting

- **Screening over 220 SIRC micro-sectors** (190k businesses)
- Identification of **70k target businesses** based on
 - ESG Propensity/Risk
 - Relevance for MPS
- Grouping of target companies into **12 sectors** to be potentially developed within the plan's time horizon



Launch of the 2020 pilot

- **Key sectors and production chains:**
 - **Agri-Agro** (wine, dairy, fruit and vegetables)
 - **Mechanics** (agricultural and earth-moving machinery, industrial machinery, ...)
 - **Services** (hauliers, logistics, packaging)



Targets shown refer to current MPS customers – possible increase in ambition by including prospective customers

2021 ambition

- **Completion of 2020 pilot chains**
- **2021 Goals:**
 - 5,000 businesses
 - 10 production chain leaders
 - €500mIn disbursements
- **Other production chains:** agri-agro (e.g. cereals), mechanics (e.g. medical sector), services (e.g. plastic products)
- **Possible progressive extension to other target sectors according to priorities** (energy, utilities, fashion, housing system, ...)



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Evolution of credit offering

Main components



More predictive scoring engine

- Creation of the infrastructure to enable pre-scoring (environments, flows, storage policies) to enable industrialised, timely use of the model



Deliberation workflow

- Fully digital credit process that minimizes manual intervention through an automated workflow available on all channels
- Enabled by the porting of documentation on digital platforms



Omni-channel integration

- Front-end improvement to standardise the credit offering
- Integration of short-term consumer finance and small business products into the offering

Target by 2022

- 10% of new Small Business loans disbursed with **smart campaigns**
- **Time-to-yes** for captive customers **reduced** to 45 minutes (compared to the current 2-3 days for small business customers)

Expected benefits



Increased revenues

- **Greater accuracy in pricing**
- **Fewer false negatives**
- **High margins and more effective proposition for digital customers**
- **Enabling consumer finance growth**



Lower credit & op. costs

- **More accurate assessment of customer risk**
- **Lower adjustments on new disbursements**
- **More effective stock monitoring thanks to predictive rating**



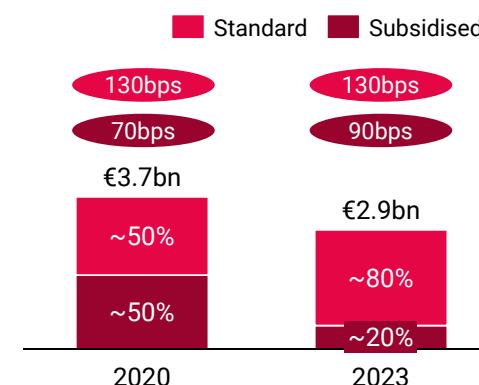
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Simplification, focusing of the offering to retail customers and internalisation of the consumer credit factory

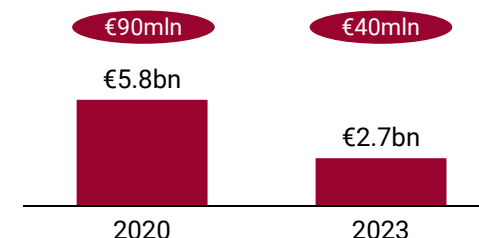
Industrial levers	Description
Improving customer focus at a sustainable cost	<ul style="list-style-type: none"> ▪ Specialisation of the service model and analysis of the customer base to focus on customers with high cross-selling and volume recovery potential ▪ Increased remote operation and enhanced Media Centre (including proactive contact centre) with full integration of direct and physical channels ▪ Streamlined and renewed product offering, focused on products with a greater appeal (e.g. Monetics), which enable cross-selling or offer higher profitability.
Rationalising pricing policies	<ul style="list-style-type: none"> ▪ Evolution of mortgage pricing policies – special offers will be reserved only for the purpose of building customer loyalty and recovering lost customers ("Welcome Back" project) ▪ Massive repricing campaigns for deposits to complete funding cost reduction
Internalising consumer credit in BMPS	<ul style="list-style-type: none"> ▪ Internalising consumer credit generation within the Parent Company and starting distribution on direct bank/physical branch network channels as early as 2021 ▪ Increasing penetration of existing customer base and designing commercial strategies to use credit as a customer acquisition tool ▪ Exploring the option of also distributing MPS consumer credit on selected enabled third-party networks (e.g. other banks with no factory)

Key elements

New mortgage disbursements (volumes and spread)






Retail time deposits (average stocks and interest expense)








Streamlined and renewed product offering

Typical elements of complexity

Catalogue size 	>	The extensiveness of the catalogue creates a complexity that is not justified by the additional revenue
Products subject to run-off 	>	Legacy products require ad-hoc processes , controls and specific data flows that create additional complexity.
High degree of customisation 	>	Lack of standardisation and automation creates additional operational complexities and mark-to-market delays

Types of retail products identified as highly complex (products subject to structural intervention are highlighted)

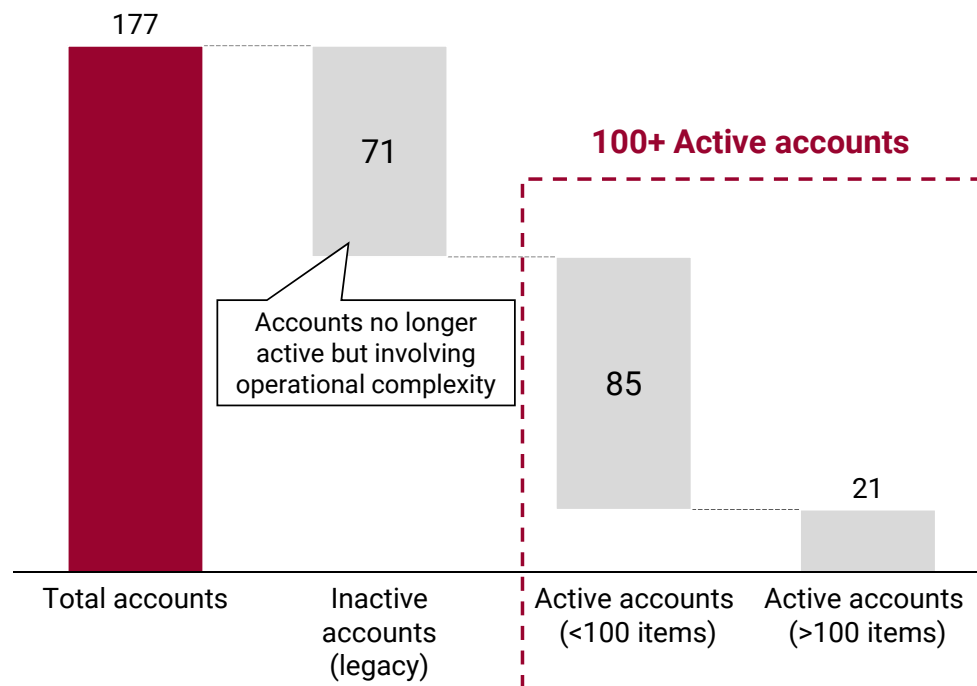
 Meeting expenses	Personal loans	Credit facilities	Fifth assignment	This initiative is synergistic with the wider review of the Bank's processes	
 Health and protection	Personal liability policies	Property damage policies	Life insurance policies		
 Purchasing real estate	Mortgages				
 «Banca reale»	Current Accounts	Prepaid cards	Utilities		
	Debit cards	Credit cards	Salaries/Pensions		
 Asset Management	Pac (Funds/Sicav)	Structured & other bonds	Certificates	MLT deposit accounts	Wealth management
	Index/unit policies	Stocks	Funds/Sicav	Short-term CDs, repos	Advisory



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Example - Rationalisation of 177 existing current accounts

Types of MPS current accounts 2020



Possible rationalisation of current accounts

New offer

PAY-AS-YOU-GO

- #2**
- Standard current account
 - Foreign currency account

PACKAGED

- #2**
- MPS Mio
 - MPS Mio business

SPECIALIST

- #3**
- Conto Private
 - Conto Professionisti
 - Conto Welcome Back

BASIC

- #2**
- Conto Base
 - Conto Base Pensionati



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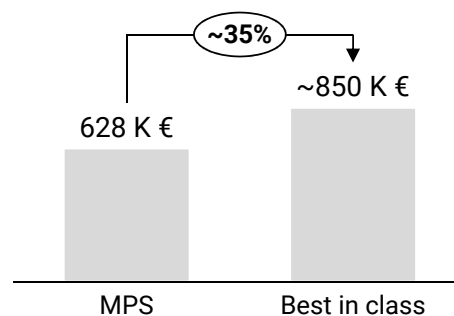
Internalisation of Consumer Credit

Productivity increase over 30%

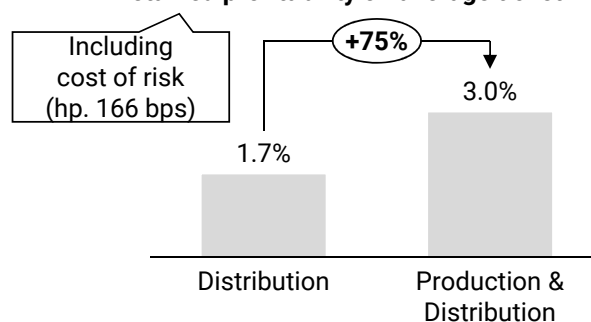
Internalisation of generated profitability

Pre-Covid Performance (2019)

Placements by branch

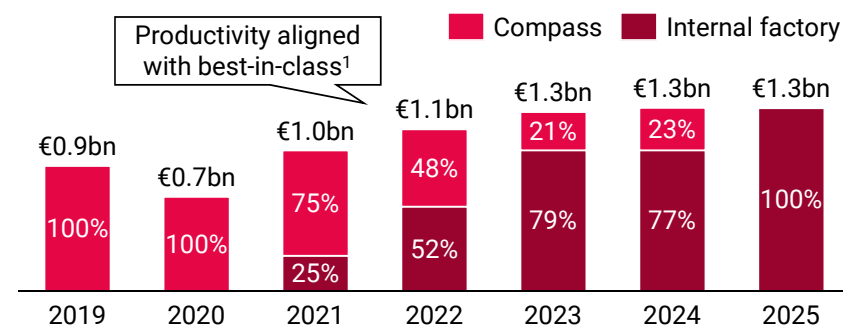


Retained profitability on average ticket²

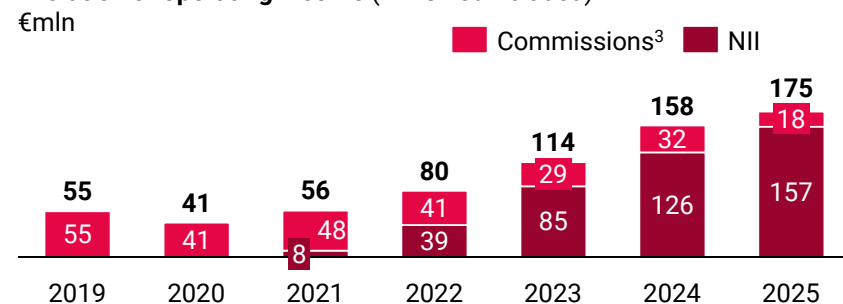


Plan target

Evolution of yearly disbursements



Evolution of operating income (LLPs not included)



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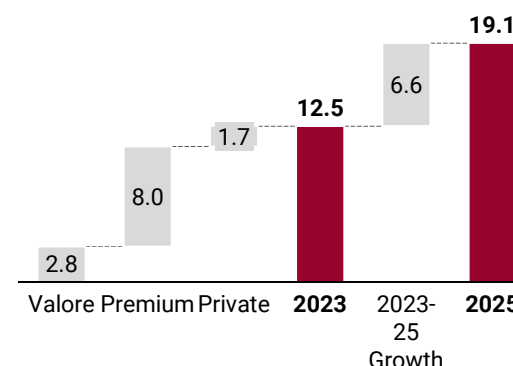
1. Best-in-class productivity estimated at c. €850k of volume disbursed per branch | 2. Assumption: Average ticket = 15k, Duration = 63 months, Rate = 8.5%, Cost of funding c. 0%, Cost of Risk = 166 bps | 3. Commissions from internal factory and Compass payments; rappel not included

Enhancement of Wealth Management proposition

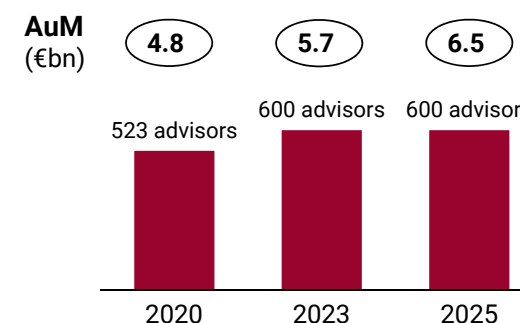
Industrial levers	Description
Expanding advisory services	<ul style="list-style-type: none"> ▪ Centralisation on the new advisory platform (Athena) of all the Group's investment and CRM services (including financial advisors) in an integrated logic between channels ▪ Improving the specialisation of the sales force by investing in training and creating competence centres to support its efforts to cover a wider range of customer needs (e.g. fiduciary services, real estate, inheritance, etc.) ▪ Portfolio segmentation of "Valore" (€50k -€100k) and "hidden affluent" customers to create a stable relationship between customer and advisor similar to that of Premium customers
Enhancing partnerships	<ul style="list-style-type: none"> ▪ Acquisition of new fresh funding to bridge the gap of the last 5 years in terms of average volume of managed savings per customer ▪ Scale-up of factories and commercial partnerships (AXA, Anima) increasing customisation of products and investment solutions (ESG, Alternative PIRs¹, Private Equity, Retail Management, UCITS)
Strengthening the sales force	<ul style="list-style-type: none"> ▪ Expansion of the network of financial advisors (Widiba) with a strong acquisition drive on customers complementary to MPS and in areas with limited coverage ▪ Strengthening supervision over advisor network governance to develop better synergies with branch network and MPS Group ▪ Possible introduction of professionals with flexible banking contracts (part-time) in order to develop underpenetrated "valore" and premium customers

Key elements

AuM volume increase (€bn)



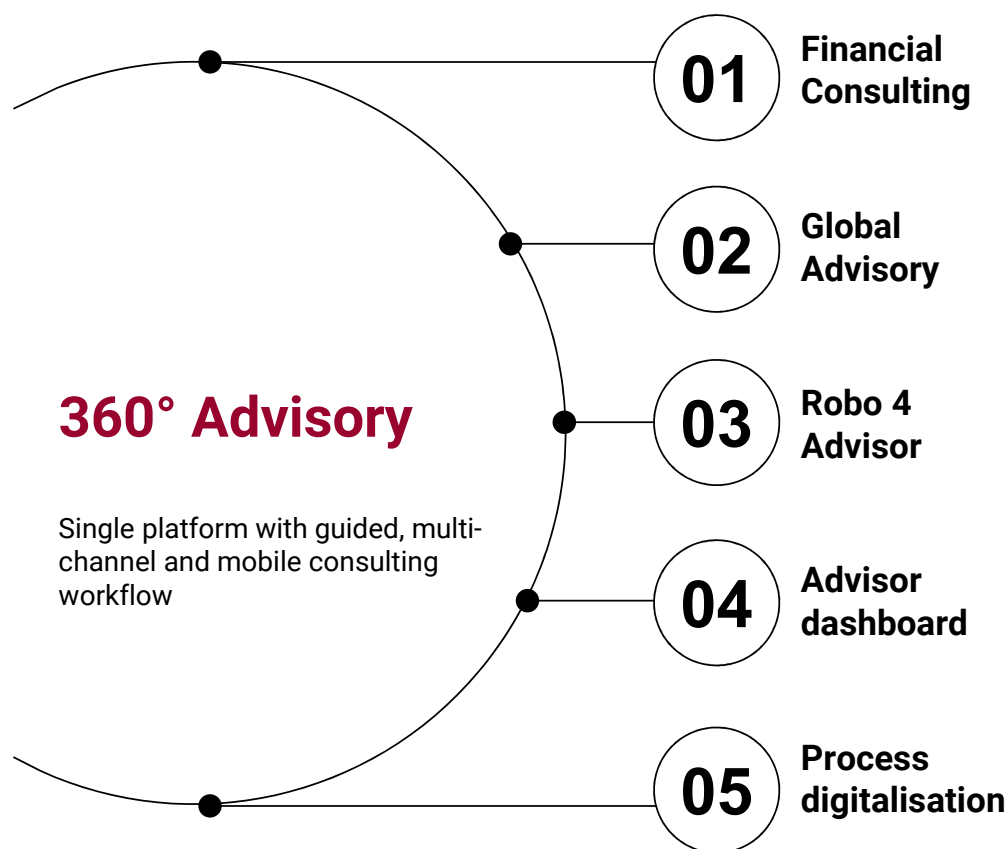
Widiba advisors¹ and volumes



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1. *Piani individuali di risparmio*, (PIRs): tax-exempt long-term investment plans at no extra costs for individual retail investors, introduced by law n. 232/2016 | 2. Any charges related to the acquisition of new portfolios are not factored in

Evolution of the new advisory platform of the Group



Initial roll out 1Q 2021 (completion by 3Q)

- **Introducing census of portfolios** held with third parties to support commercial proactivity
- Introduction of **new reporting available** also on demand

- Introduction of Global Advisory Services
 - **Non-financial analysis** (Real Estate, Corporate and Inheritance)
 - **Pension and Protection Consulting**

- Introduction of a Robo4Advisor for the **massive analysis of portfolios** to direct the commercial action of the Network with the possibility of building **centralised consultancy proposals**

- **Dashboard with summary views** of the Segmented Portfolio Customer Base and alerts to guide the Advisor's actions

- **Digitalisation of contract management** and automation/simplification of financial order execution processes
- **Omnichannel integration** (e.g. Off-site offer, Digital Banking)
- **Integration of digital signature processes** (AdES/RDS) and document management



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The reallocation of loans towards profitable client segments will preserve interest income despite lower volumes (and therefore capital absorption)

Gross loan stock dynamics (excluding bad loans)¹

Group YE volumes; €bn

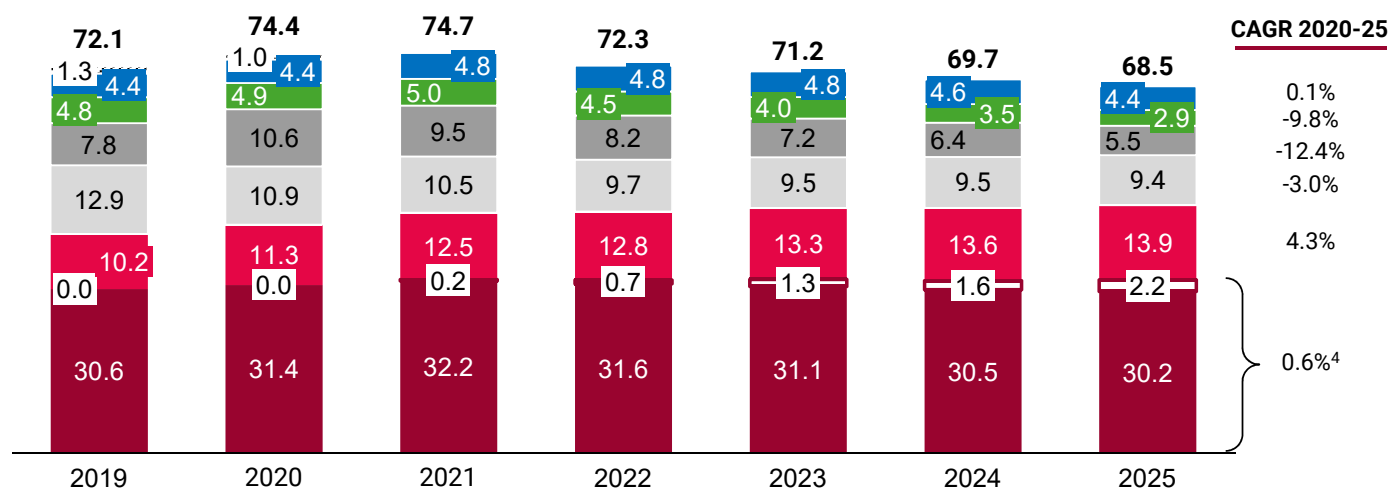
Interest income
€Mln

1,705 1,557 1,544 1,547 1,596 1,607 1,571

Average rate

2.30% 2.11% 2.00% 2.01% 2.10% 2.14% 2.12%

Description



- Progressive shift to more profitable segments (SB and Personal Loans) to compensate for the compression of reference rates
- 2019 and 2020 interest income to be netted of interest accrued on Hydra perimeter (approx. €40-50mIn)

Householder² Consumer finance Small business SME Corporate³ MPSCS MPSL&F «Ritardato pagamento»⁵

1. Total amounts represent the sum of gross performing loans, PDs and UTPs. The breakdown of volumes between service models was derived using Business Plan modelling; to be detailed with micro-founded data (e.g. budget). The evolution of non-performing loans, which are repositioned here between the different service models, is not represented. The volumes pertaining to Widiba, MP Banque, Foreign Branches are not shown. 2. Includes service models: Valore, Premium, Private and FO | 3. Includes service models: Institutions, Large Groups and Key Clients | 4. Includes Individuals and Consumer Finance | 5. «Ritardato pagamento» volumes in 2021-25 are split across service models



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Overall volume of customer funding stable while the share of time deposits will progressively decrease

Customer direct funding stock dynamics

Group YE volumes; €bn

Interest expense

€Mln

187

154

121

105

84

56

47

Average rate

0.29%

0.22%

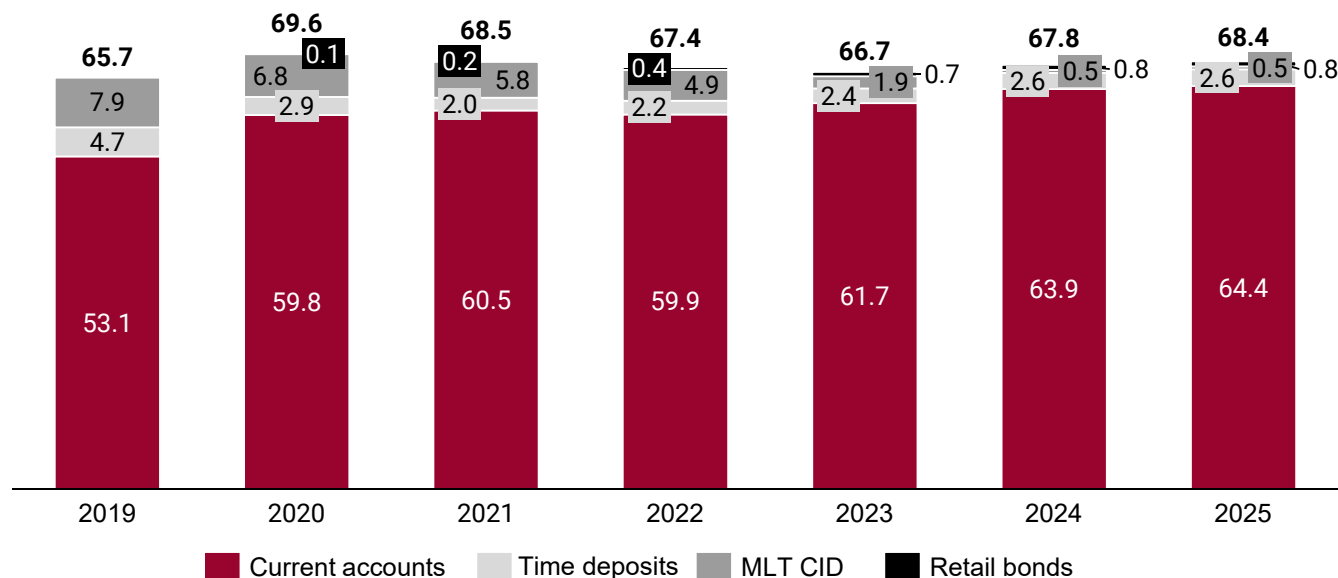
0.18%

0.15%

0.12%

0.08%

0.07%



Description

- Approximately €3bn of direct funding outflows from «Non Core» customers following the sharp reduction in interest rates paid
- Replacement of Retail time deposits (CID) with current accounts, with a significant decrease in interest expense



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The growth of Assets under Management (mutual funds, individual portfolios & bancassurance) will be driven also by the switch of asset in custody

Indirect funding stock dynamics Group YE punctual volumes; €bn

Market shares 2016 ≈4.5%
Bancass. Life policies e ≈5.5%
Mutual Funds/Sicav

Life Bancassurance
market share¹

4.3%

4.4%

4.4%

4.5%

4.5%

4.5%

4.4%

Mutual funds/sicav
market share

4.7%

4.5%

4.5%

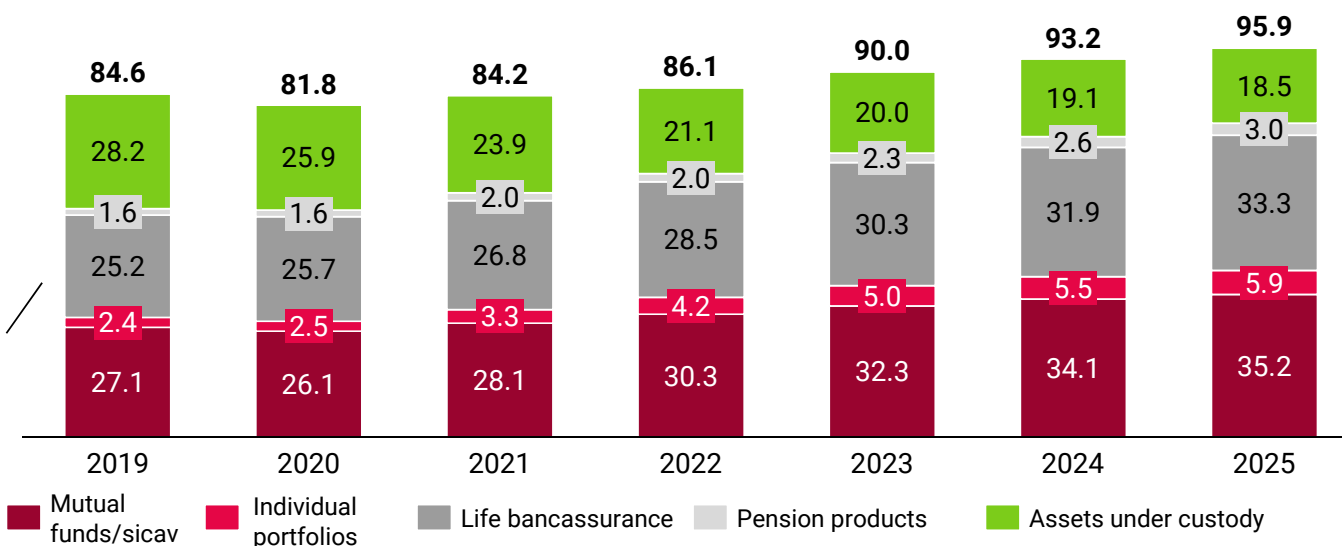
4.6%

4.7%

4.8%

4.8%

70% of
annual
volume
growth is
explained by
a structural
market
growth



Description

- WM growth driven by
 - switch from AuC to AuM (~ 7bn€)
 - new inflows (~ 14bn€) in part recovering the outflows suffered from 2016
- Growth of mutual funds/sicav with the aim of recovering part of the historical market shares
- Growth on bancassurance thanks to the partnership with Axa



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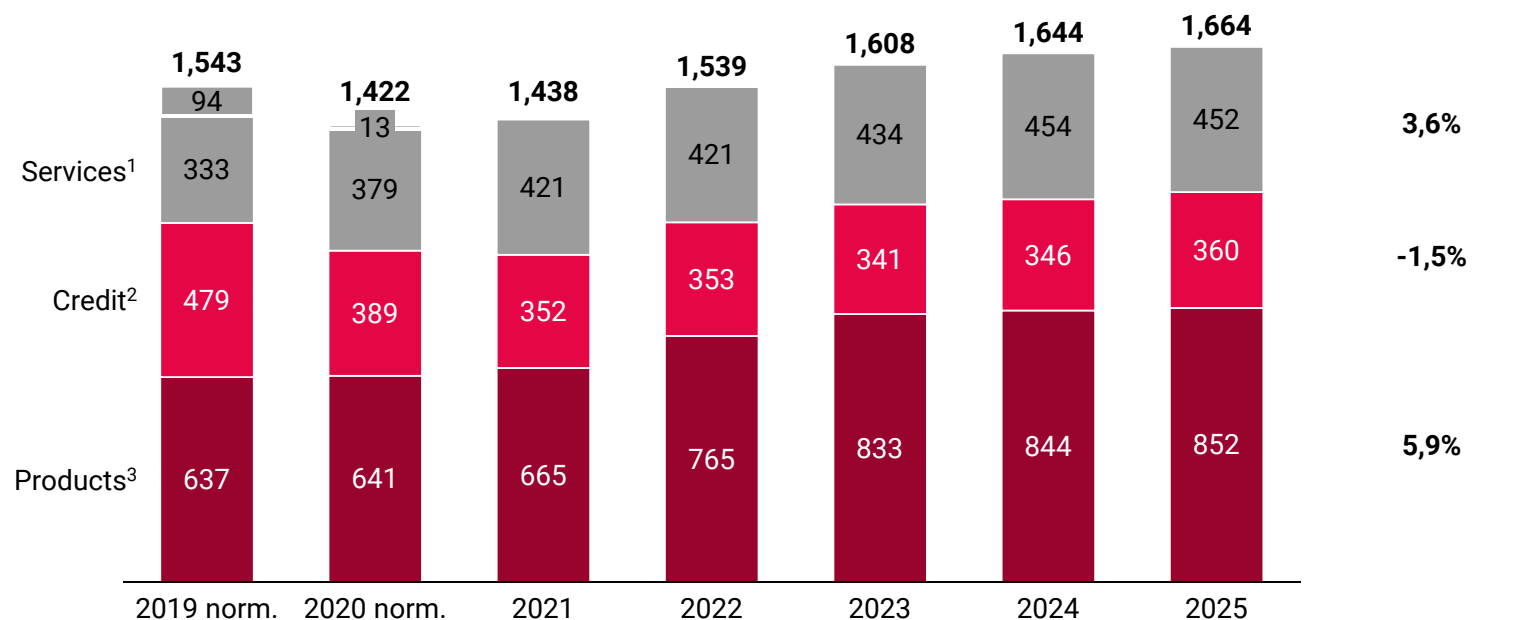
1. Market share in life bancassurance business, comprising banks and post offices (excluding insurance companies and CF networks).

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Growth of net commission mainly driven by AuM and protection (product)

Net Commission dynamics €mln

The growth of about 4% per year in commissions between 2020 and 2023 is in line with comparable banks recent industrial plans (BBPM, BPER,)
This growth would be reduced to approx. 1% by sterilising the COVID effect at the starting point



Description

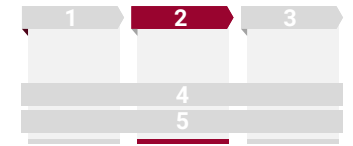
- **Products:** growth driven by WM development and recovery of lost volumes since 2016
- **Credit:** compression compared to 2019 partially due to:
 - Progressive reduction of Compass placement commission contribution (vs € 55m in 2019 excluding rappel)
 - Lower volumes in short-term credit facilities
- **Services:** realignment to pre-Covid levels (gross of charges on state guarantees). From 2021
 - Charges associated with synthetic securitisations (fully operational approx. € 25m)

1. Includes international business and payment services, current account expense recoveries, other recoveries, retrocessions to Widiba advisors, other commercial and non-commercial commissions (e.g. hedging costs for synthetic securitisations) | 2. Includes fees from hedging products, lending, direct lending and brokered credit | 3. Includes commissions from AuM (funds, Sicavs, life bancassurance, pension products), AuC and protection products








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SIMPLIFY, INCREASE PRODUCTIVITY
AND BRING THE OPERATING MODEL
CLOSER TO BUSINESS

Benefits and costs of the main simplification and efficiency levers

		2025 (2023) Targets			Not including charges for the redundancy fund
		Δ Staff costs	Δ HC	Δ ASA ¹	INVESTMENTS ³
	Reduction of organisational layers and decision-making speed up	-56 mln€	-880	-7 mln€ (-7)	6 mln€
	Release of commercial time	-32 mln€	-505	-10 mln€ (-8)	11 mln€
	Rationalisation of footprint	-57 mln€	-890	-8 mln€ (-5)	29 mln€
	Subsidiaries simplification and consolidation of governance	-25 mln€	-394	-1 mln€ (-1)	3 mln€
	Cost base control and process redesign	-45 mln€ (-45)		-49 mln€ ² (-37)	10 mln€
Does not take into account inertial growth (€89m) and the manoeuvre on pensionable persons (-€28m) - at 2025		-215 mln€ (-178)	-2.669 (-2.029)	-75 mln€ (-58)	59 mln€

1. Includes reduction in other personnel-related administrative expenses (-€6mln, allocated pro rata with respect to HC reduction), office closures (-€3.4mln, streamlining H.O.), reinsourcing (-€2mln in H.O. and €4.2mln from commercial refocusing), SMS and documentation (-€4.4mln from commercial refocusing), branch closures and Shanghai (-€3.7mln from footprint rationalisation), ATM rationalisation (-€2.6mln from footprint rationalisation) | 2. Savings for approx. €8m enabled by IT modernisation strategy (Vitruvio): €47mln investment | 3. Preliminary estimate of allocation to each initiative of the investments programmed throughout the plan period, to be reviewed and confirmed when preparing the 2021 project plan



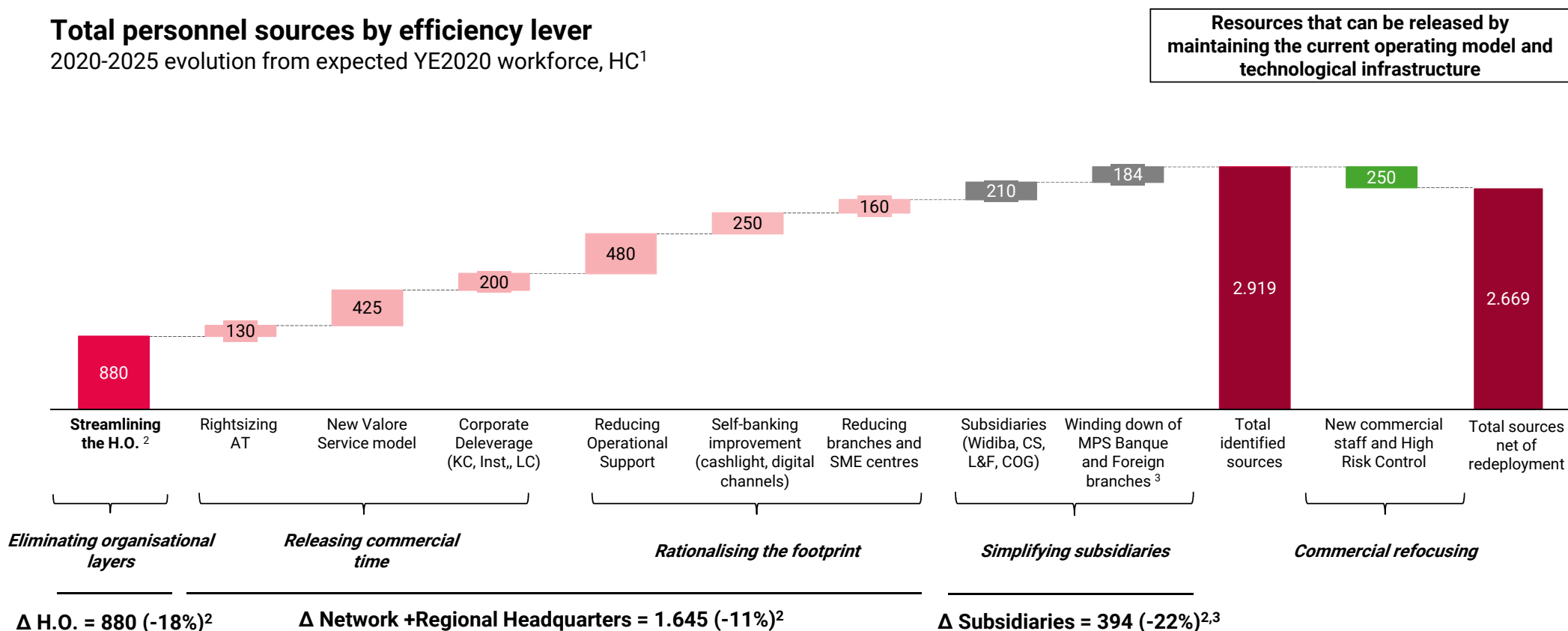
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Identified efficiency levers enable the release of approximately 2,670 resources net of new roles

Total personnel sources by efficiency lever

2020-2025 evolution from expected YE2020 workforce, HC¹



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1. Post redundancy Fund activations in Nov 2020 (513HC) 2. Overall reduction of 1,027 H.O. vs. headcount at Set 2020, of which 146 HC left with the Fund on 1 November 2020, for a net figure of 881 | 2. Difference vs. expected YE2020 headcount (post-Nov 20 exits) | 3. Includes impact of MPS Banque wind-down and Shanghai closure

The plan initiatives must be fully implemented in the first 24 months

Operating efficiency

State of completion	By Jun-21	By Dec-21	By Jun-22	By Dec-22	By Jun-23	By Dec-23
Eliminating organisational layers and increasing decision-making speed						
Simplifying subsidiaries and consolidating governance						
<i>CS e L&F Integration</i>						
<i>COG Efficiency</i>						
Rationalising the footprint and releasing commercial time						
<i>Network process efficiency</i>						
<i>Service model / Staff</i>						
<i>Branches winding-down</i>						
<i>Cashlight and branch operation</i>						
Controlling the cost base and redesigning processes						
<i>Personnel expenses (incl. trade union agreements)</i>						
<i>Administrative expenses</i>						
FTE reduction and Group workforce reorganisation						
<i>Redundancy fund (incl. trade union agreements)</i>						
<i>Reskilling</i>						

Design & set-up
 Implementation
 Fully operational



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Reduction of organisational layers and decision-making speed up

Key drivers

Description

Simplified Organisation

- **Decreasing organisational complexity and increasing the degree of accountability of departments by:**
 - Eliminating an organisational layer (to 4 from 5)
 - Increasing the departments' *span of control*

Streamlined Departments

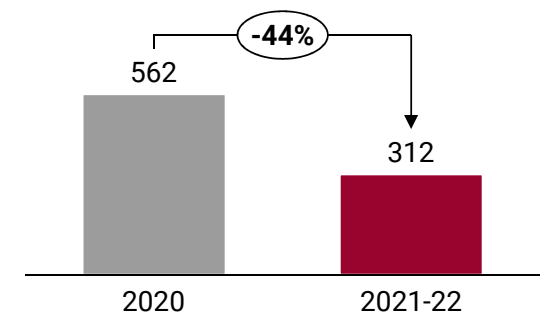
- **Significant decrease in staffing of Head Office structures carrying out support and back office activities, for example:**
 - Ancillary support services¹ (~35%)
 - Operational support functions (~30%)
 - Back office and network support (~20%)
 - Governance functions (~10%)

Revised Back Office processes

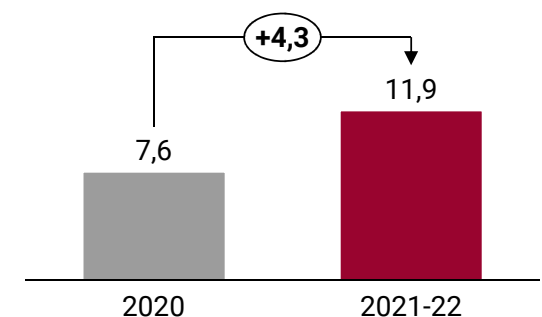
- **Automation of administrative / support activities, with focus on highly resource-intensive processes** (e.g. mortgage and inheritance back-office)
- **Workforce optimisation initiatives to increase the executive efficiency of the operations processes** (e.g. the introduction of new task management models)
- Further strengthening of technologies based on **chatbots and artificial intelligence**

Key elements

Head Office Departments (#)







Average span of control (# of HCs)



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1. e.g. doorkeeping services, switchboard operators

Simplification of the organisational structure will improve both efficiency and managerial effectiveness

			Structure as-is		Target Model			
								
	Level	Structure	# Structures	Average Span of Control	Level	# Structures	Average Span of Control	
Managerial Structures	1°	Chief and 1° CEO reporting level	11	5,3	1°	1° CEO / BoD reporting level	11	3,4
	2°	«Direzione» 2° level	6	4,9	2°	1° Level Structures	37	3,2
	3°	Area	41	3,1	3°	2° Level Structures	119	10,1
	4°	Department	127	2,9	4°	3° Level Structures	122	18,6
	5°	Sector	342	10,1				
Staff		Staff/ Secretariats	35	5,4		Staff/ Secretariats	23	6,1
TOTAL						-250	4,3	

Main changes in the organisational structure

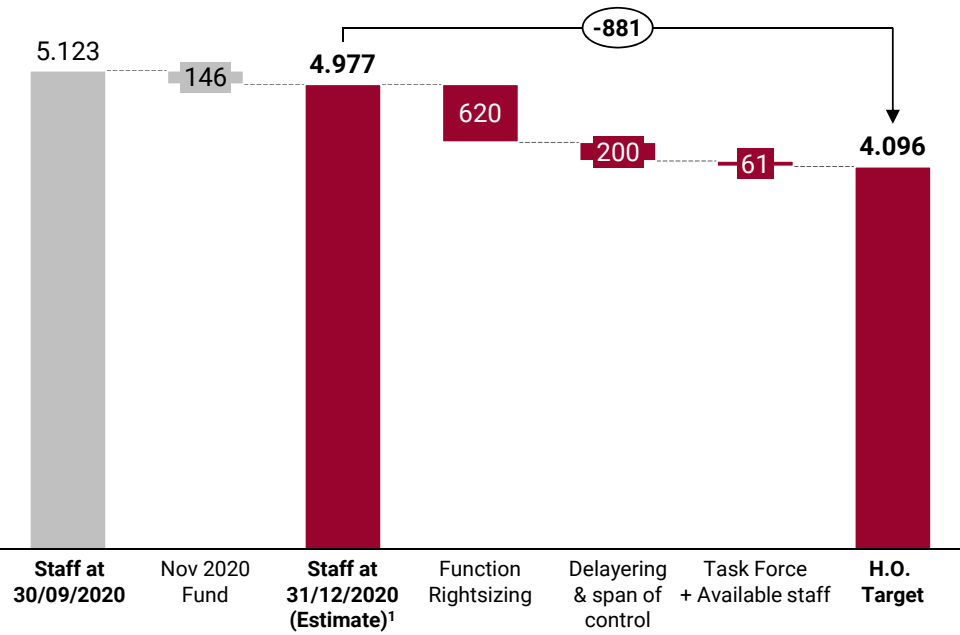
- **Reduction of an organisational layer** and re-parameterisation of the structures on the basis of responsibilities and organisational complexity
- **Elimination of the name associated with the hierarchical level** of the structure (e.g. Area, Service)
- **Review of minimum sizing rules** and span of control
- Establishment of staff and technical secretariats only in 1° level functions
- **Maintaining Executive Directors only as the first level of reporting** to the CEO or BoD



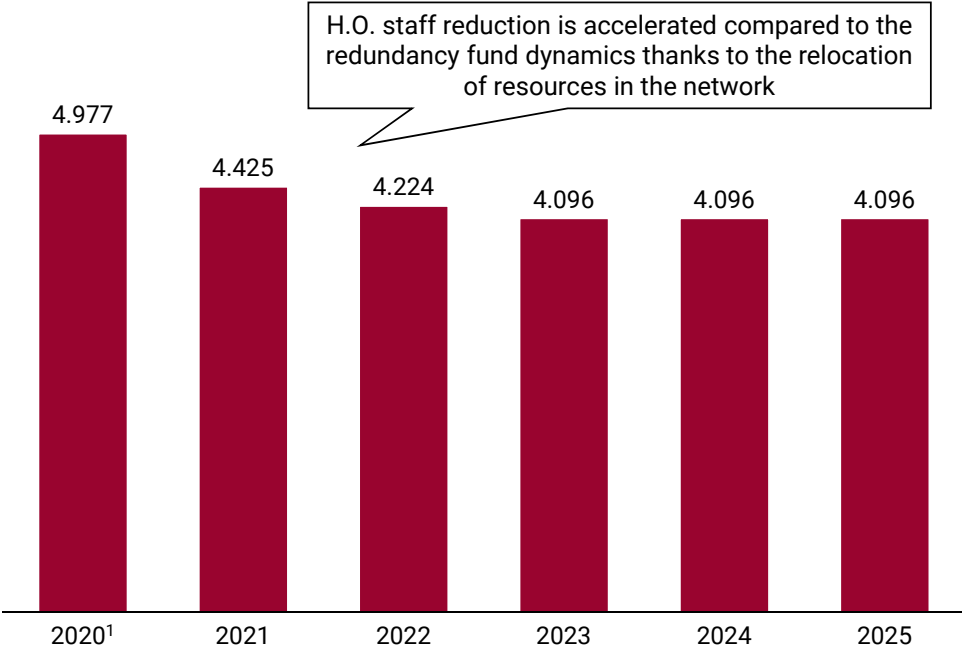
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Implementation of H.O. efficiency initiatives already in the first half of 2021

H.O. Target Size
HC



H.O. Staff Evolution
2020-2025, HC



1. Estimate which, starting from the Sept. 2020 figure, factors in Redundancy Fund exits in Nov 2020 but does not include the impact of other dynamics (e.g. inertial dynamics, temporary secondments) on the workforce

Rationalisation of the footprint and network activity

Key drivers

Description

Revision of the territorial presence

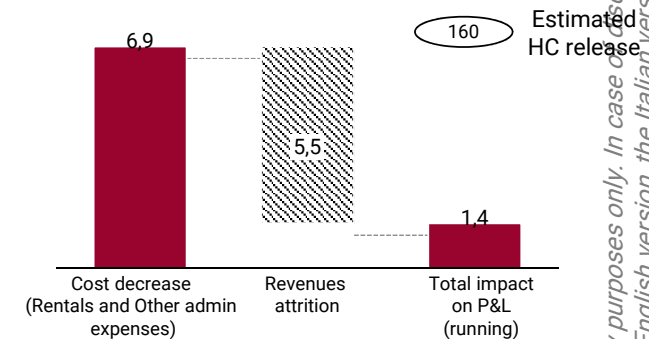
- Rationalisation of the territorial presence, **with the closure of 100 branches in 21-22¹**:
 - **non-performing branches**, with volumes/FTE < 10€/m and cost/income > 85%²
 - **with small size** (< 50€/m of deposits, max 1€/m of revenues, < 10 FTEs)
 - **rented from third parties and with no restrictions on rent termination**
- **Reduction in the number of offices dedicated to non-core customers**: institutions and specialised centres, institution and SME detachments (55 units)
- **Reduction of the workforce in the territorial area** and creation of new specialised centres (e.g. confidi)

Evolution of branch activities

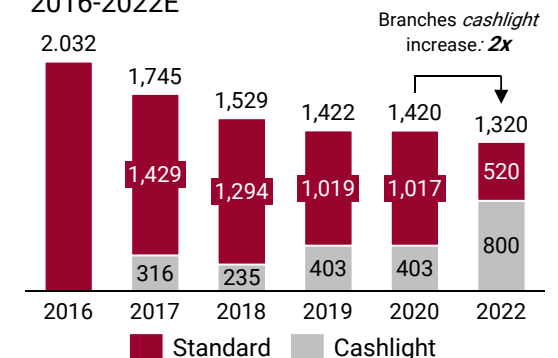
- **Efficiency and increase of operational flexibility**, industrialising the new organisational and interaction methods successfully tested during COVID:
 - **Increase of cashlight branches**, with cash service concentrated in the morning or by appointment managed via the app
 - **Increased flexibility in service hours and in the definition of roles** (e.g. differentiated opening hours for operational services and consultancy, manager can also perform cash functions if necessary)
 - **Adjustment of the sizing to the post-Covid transactional volumes of customers** (including increase in self-banking and digital channels)
- **Revision of the peripheral organisation of work** (reduction of residual administrative activities in the branch and review of operational activities in charge of the managers)

Key elements

Impact of the 100 branch reduction³ (€/m)



Branch model evolution 2016-2022E



1. Commitments taken with DG Comp as part of the previous Restructuring Plan defined a landing at 1,432 branches by 2020 and 1,372 branches by 2021 | 2. Cost / Income includes estimates of allocation of indirect costs to branches | 3. Average attrition on volumes estimated: up to 3km away from the merging branch: -5%, 10% up to 10Km, 20% up to 20KM, does not include one-off costs for closing and moving to the merging branch (estimated ~70€/k per closed branch)



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Release and re-focusing of commercial time

Industrial levers

Description

Network processes streamlining

▪ End-to-end Re-engineering of the most absorbed network:

- *Paperless by design* for products and contracts
- Digitalisation of branch sales processes (e.g. adoption of electronic signature)
- Scale-up of *web collaboration* tools (e.g. remote pre-filling of fields)

Optimisation of network processes to preserve the Bank's overall commercial time in face of a reduction in the resources number

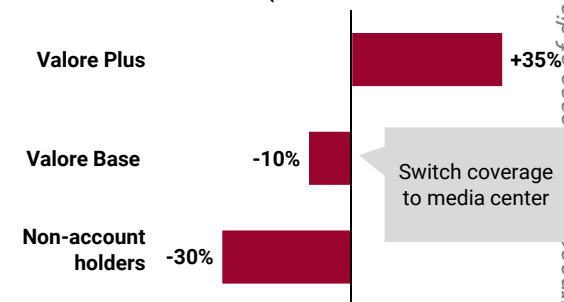
Focusing on "core" customers

▪ Re-allocation of high productivity commercial resources to "core" customer segments:

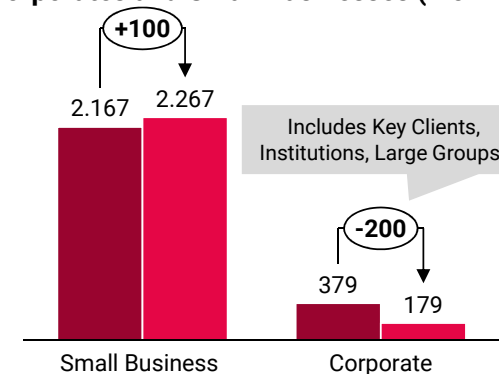
- **Release of ~200 resources thanks to the simplification of "non core customers" follow-up model (Institutions)** with their management in the branch, and the inclusion of Large Groups, Key clients and Institutions in the SME segment
- **Increased focus on Small Business segment (+100 resources)**, to support the acquisition targets of new assets and customers
- **Differentiation of the contact intensity and of commercial channels** (branch, media center, self banking) **for each Valore sub-segment** (Valore Plus, Valore Base, Non-current account holders), with a view to optimising *cost-to-serve*

Key elements

Commercial time spent in branches by «Valore» customers (FTEs vs. current model)



Target relationship managers for Corporates and Small Businesses (# of HC)



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1. Including resources dedicated to key clients, institutions and corporate customers in regional offices (ATs) and large group division

Processes redesigning: 10 key innovation areas that will enable efficiency and the release of resources



Credit processes

- Digital PEF
- Instant lending and targeting engines
- Mortgage and collateral automation



Back office processes

- Paperless by design document management
- Advanced task management models



Product offer

- Simplified approval, management and maintenance workflows



Sales processes

- Web collaboration
- Onboarding and digital identity
- Extension of digital signature



Compliance and AML processes

- KYC automation and AI for control (e.g. regulatory semantics)



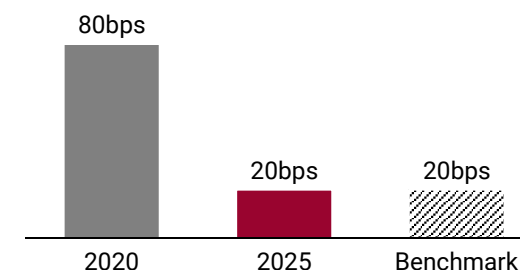
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Subsidiaries simplification and consolidation of governance Widiba, MPS Capital Services, MPS Leasing & Factoring

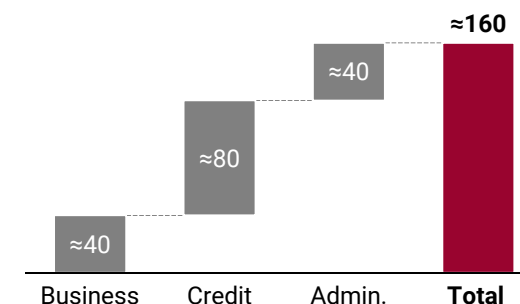
Industrial levers	Description
Focusing of Widiba	<ul style="list-style-type: none"> ▪ Expansion of financial advisors network and improvement of central governance, with acquisition on customers complementary to MPS and in areas with limited supervision ▪ Acquisition of online customers at market costs, reviewing down the logic of liquidity pricing to realign the <i>cost-to-acquire</i> to MPS ▪ Strengthen the role of digital laboratory for the Group, continuing its growth path as a hub of innovative commercial ideas and approaches, valued within the Group's logic
Specialised credit Factory	<ul style="list-style-type: none"> ▪ Creation of the "specialised lending" pole to combine the structured financing skills into a single legal entity, creating a center of excellence at the service of the Group's customers. The specialised lending pole will include: <ul style="list-style-type: none"> – Corporate Finance and Investment banking (currently in MPS Capital Services) – Leasing (currently in MPS L&F)
Centralisation in the Parent Company	<ul style="list-style-type: none"> ▪ Aggregation in the Parent Company of the following activities: <ul style="list-style-type: none"> – Sales & Financial Solutions (currently in MPS CS) in the CCO area to increase synergies with the network corporate relationships – Global Markets (currently in MPS CS) in the CFO area – Factoring (currently in MPS L&F) in the CCO area in synergy with transaction banking activities for a refocusing on Small Business and SME customers – "Crediti" of both LE & Portfolio Monit. (currently in MPS CS) in the CLO area in order to unify logic and skills ▪ Rationalisation of support / administrative functions (e.g. Management, Ops ...) ▪ Potential market making outsourcing for risky asset classes and subscales

Key elements

Average funding rate (bps)





MPS LF e MPS CS efficiencies # HC



Aggregation and refocusing of MPS CS and L&F

Support functions (Operations, Administration) are not shown here and will be reallocated subsequently.

Legal entities	Business line	Activity reconfiguration			
		Single Legal Entity	Parent Company		
			CLO	CCO	CFO
	Sales & Financial Solutions				
	Global Markets				
	Corporate Finance				
	Investment banking				
	Credit & pft. monitoring				
	Factoring				
	Leasing				
	Credit				

Main benefits from the reorganisation

- 01 Commercial synergies between relationship and products**
 - Support to refocusing towards SB / SME
 - Sharing of skills and relationships
 - Simplify business touchpoints
- 02 Cost base efficiency**
 - Cancellation of support function duplications (e.g. administration, operations)
 - Reduction of the costs connected with the "legal entity"
- 03 Better monitoring of Group risks**
 - Outsource of risky and non-core activities
 - Centralize control and credit functions
 - Simplify relations with the authorities

Cost savings = 700 k€
Resources released= ~160 HC



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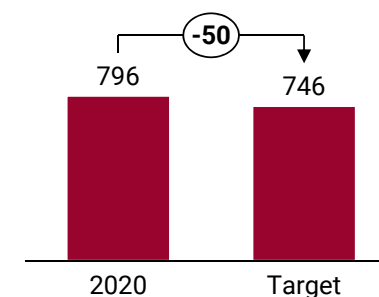
Subsidiaries simplification and consolidation of governance

Consorzio Operativo and foreign subsidiaries

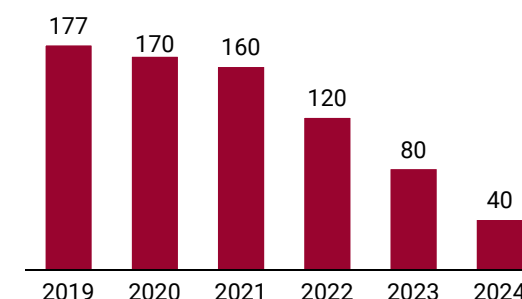
Industrial levers	Description
Transformation of "Consorzio" operational and cultural model	<ul style="list-style-type: none"> Reduction of the COG's headcount of ~50HC by 2022 (compared to 2020) through: <ul style="list-style-type: none"> Increase in execution efficiency by 10-15% thanks to greater employees focus and flexibility, generational turnover, simplification of processes and extension of the "Agile" model Change of the operational and cultural model and evolution of skills to facilitate the modernisation of the information system Potential savings that could result from the internalisation of resources and activities currently outsourced to third party suppliers are not included (hiring about 100 resources³ recent graduates)
Wind-down of MPS Banque and closure of Shanghai branch	<ul style="list-style-type: none"> Completion of the MPS Banque winding-down process within the Plan horizon (closing in December 2025), and with the effective termination of the banking activity: <ul style="list-style-type: none"> release of ~475mln€ of RWA¹ freeing up the bank's workforce, including through specific management actions accompanied by redundancies MPS is evaluating an alternative scenario to the current <i>orderly winding-down</i> by restarting the competitive sale process Closure of the MPS Shanghai branch by 2023

Key elements

Evolution of COG headcount
#HC



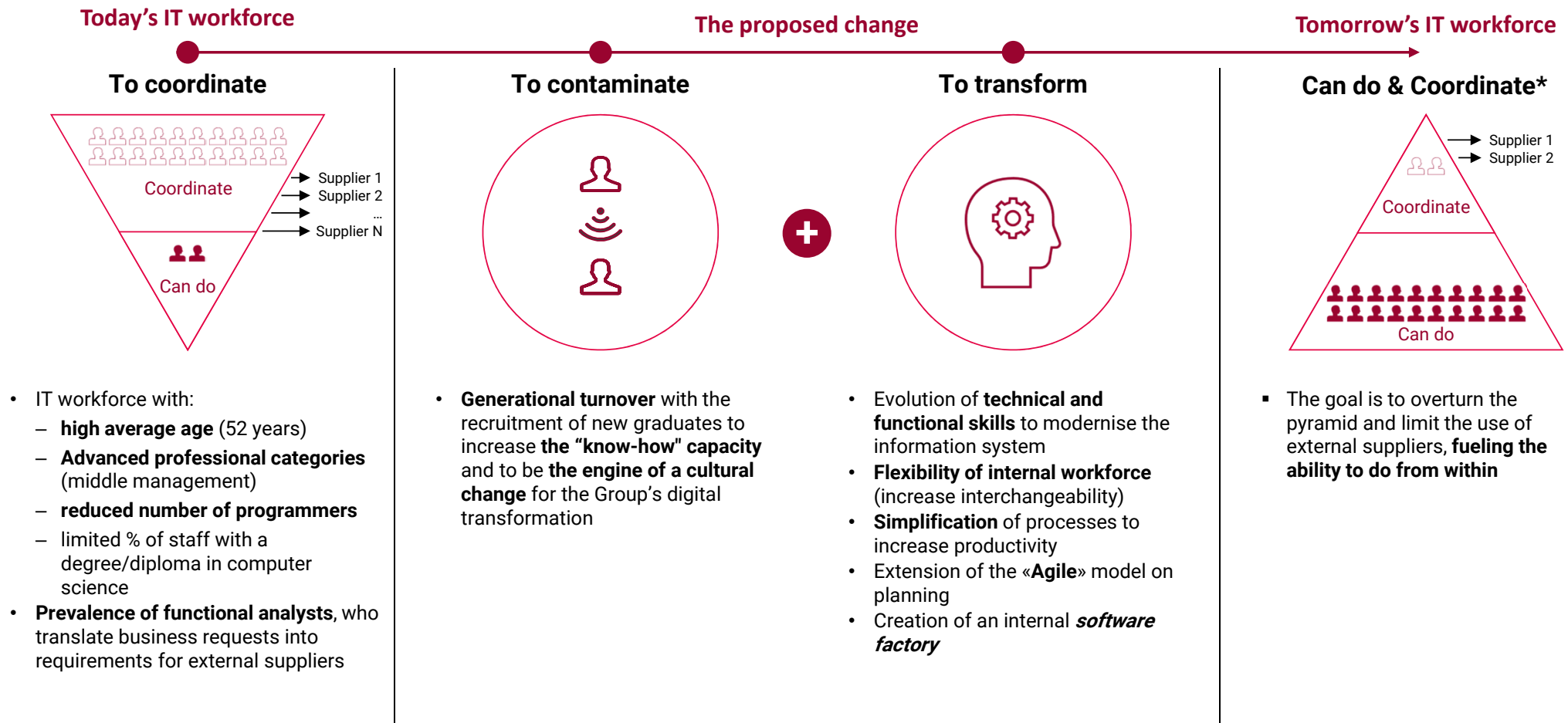
Evolution of MPS Banque headcount
Wind-down (2019-2025, #HC)²



1. Regulatory RWA net of intra-group exposures, as at 30/9/2020 | 2. The MPS Banque workforce includes 2 resources seconded from the Parent Company | 3. Recruitments not included in the evolution of the workforce envisaged in the strategic plan



Transformation of Consorzio Operativo's operational and cultural model



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* "Can do" refers mainly to "knowing how to create software"

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Cost base control

Industrial levers

Description

Personnel costs

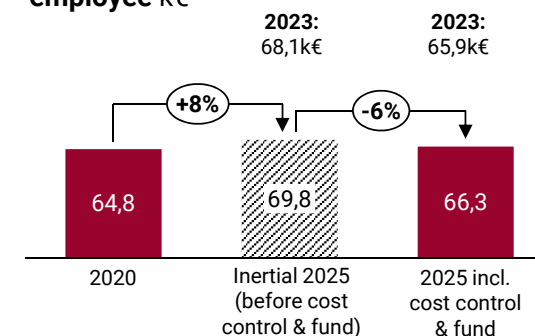
- Efficiency initiatives to mitigate the inertial growth of personnel costs (mainly connected with the NCLA), through:
 - Initiatives to reduce costs with respect to the provisions of the NCLA:** solidarity days and interventions on contractual institutions (e.g. mission per diems, use of days off and other permits); **annual savings of approximately €34 million**¹
 - Focus on *smart working* as a "new normal" way of working** (savings: 9.3mIn€ in 2021; 4.3mIn€ in following years²)
 - Other cost optimisation initiatives** (reduction of cash allowances from adoption of the *cashlight* model, progressive use of unused holidays, etc.; 3.8 mIn€ in 2021, 6.9mIn€ in following years)

Other administrative expenses

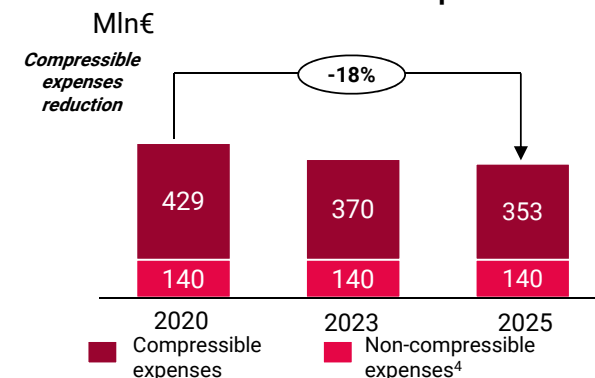
- Net reduction of ~75mIn€³ vs. 2020, through actions offsetting the inertial increases over the plan period (~40 mIn€):
- Rationalisation of real estate, technology and branches infrastructure (-54mIn€ of gross reduction vs. 2020)**
 - Digital agenda, simplification of applications and databases
 - Smart Office
 - Fleet management
- Outsourcing, services, contract and project optimisation (-39mIn€ of gross reduction vs. 2020)**
 - Optimisation and rationalisation of contracts and professional services
 - Gradual reduction of project costs (-50% in 2025 vs. 2021)

Key elements

Evolution of the average cost per employee k€



Evolution of other admin. expenses



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1. Initiatives that require agreements with Trade Unions, already included on 2021 data in the previous 2017-2021 R. Plan | 2. 2021 savings in line with 2020; from 2022: 10 days per month in H.O. and 4 days per month in the network, with voluntary participation estimated at 60%. | 3. Assuming that COVID expenditure is reduced to zero over the plan period, which in 2020 amounts to approx. €22mIn | 4. Include average Fruendo fee (85MIn€), indirect taxes, real estate quotas (40MIn€), mandatory association fees (10MIn€), balance sheet review and issuances of bonds (5MIn€)



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FTEs release and reorganisation of the Group workforce

Industrial levers	Initiatives description	Impacts
Actions already started and turnover management	<ul style="list-style-type: none"> Continuing in the 'MP Banque winding-down ', the action has been started in the Restructuring Plan Dynamics of inertial reduction of the workforce (resignations, etc.), only partially offset by mandatory hiring (protected categories and deceased dependent family members) and by limited hiring of specialist profiles (-237 HC over the course of the plan) 	- 405 HC
Actions on resources that can already retire	<ul style="list-style-type: none"> Individual incentive exit program for resources that will accrue requirements for the early retirement; application of wage penalties (solidarity days) for those who remain in service 	- 387 HC
Redundancy fund	<ul style="list-style-type: none"> Activation of the Solidarity Fund with voluntary membership, by agreement with the trade unions; 80% adhesion rate Four exit windows between 2021 and 2024 and a maximum stay in the Fund of 4 years 	- 2,424 HC
New hiring	<ul style="list-style-type: none"> Introduction of new resources to sustain the business development and to facilitate the generational shift 	+ 606 HC (of which 547 in the course of the plan)
Workforce reskilling	<ul style="list-style-type: none"> Reskilling actions to ensure the matching between resource' skills and new roles following the organisational actions to improve efficiency and related exit initiatives Management of complex mobility chains for the coverage of roles that will remain uncovered following exits 	Reskilling: ~2,000 HC

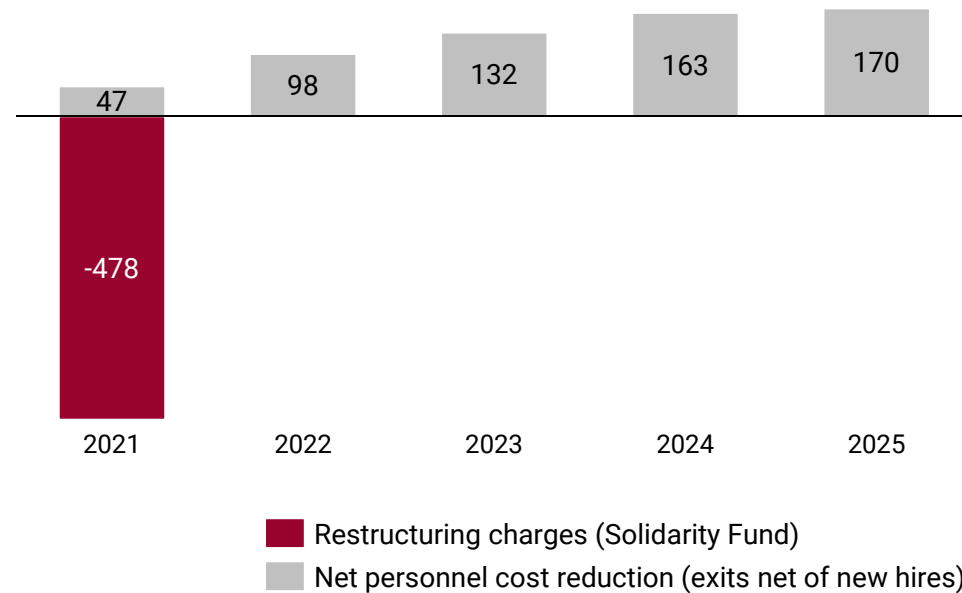


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4-year solidarity fund in 4 annual waves and new deferred hires (50% 12 months and 50% 24 months), fully expensed to 2021

P&L impacts over the plan

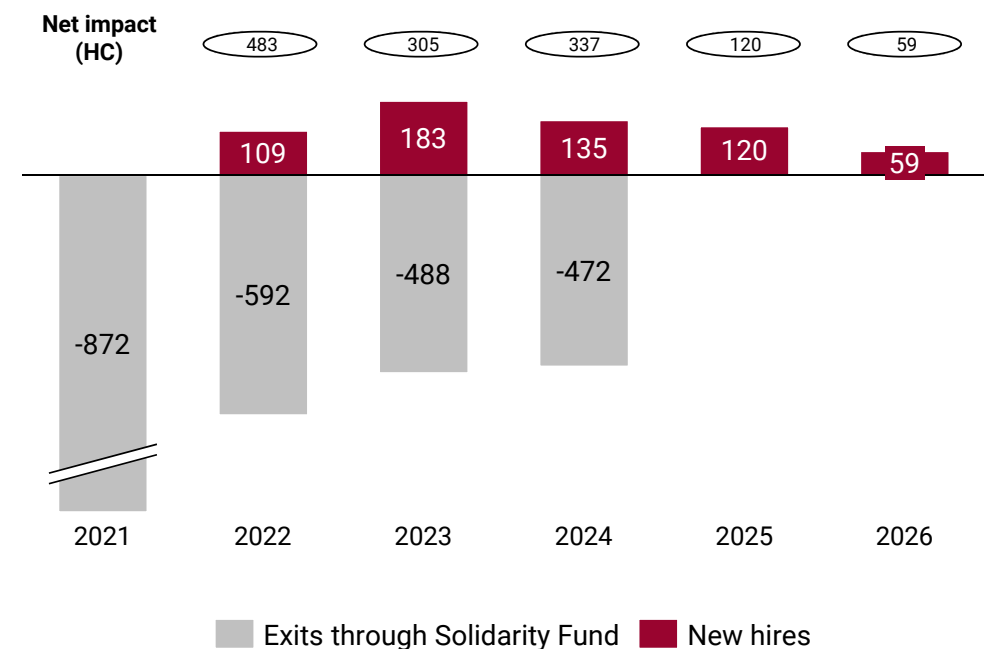
Mln€



Fund exits and hiring dynamics

2021-2025, HC

Based on 80% adhesion to the fund

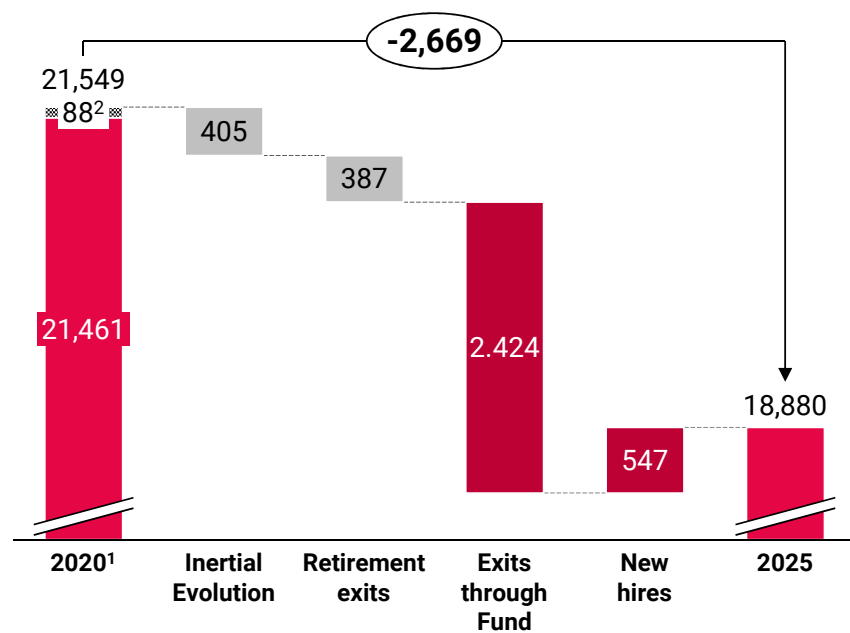


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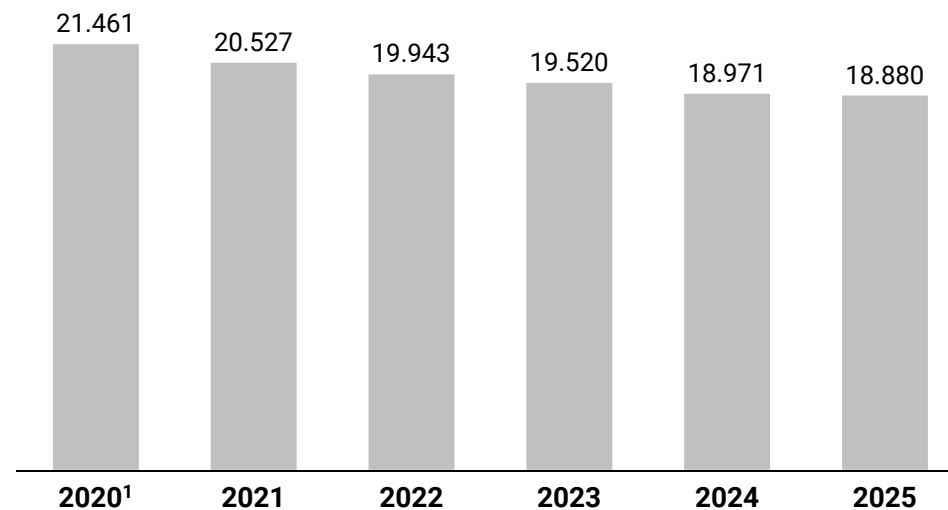
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Expected evolution of the Group's workforce over the plan

Workforce evolution
HC



Workforce evolution year by year
HC



1. Expected estimate - does not include the returns of 88 resources seconded to AMCO | 2. Staff not included in the 2020 end-of-year workforce, because they are seconded outside the group but expected to return in 2021

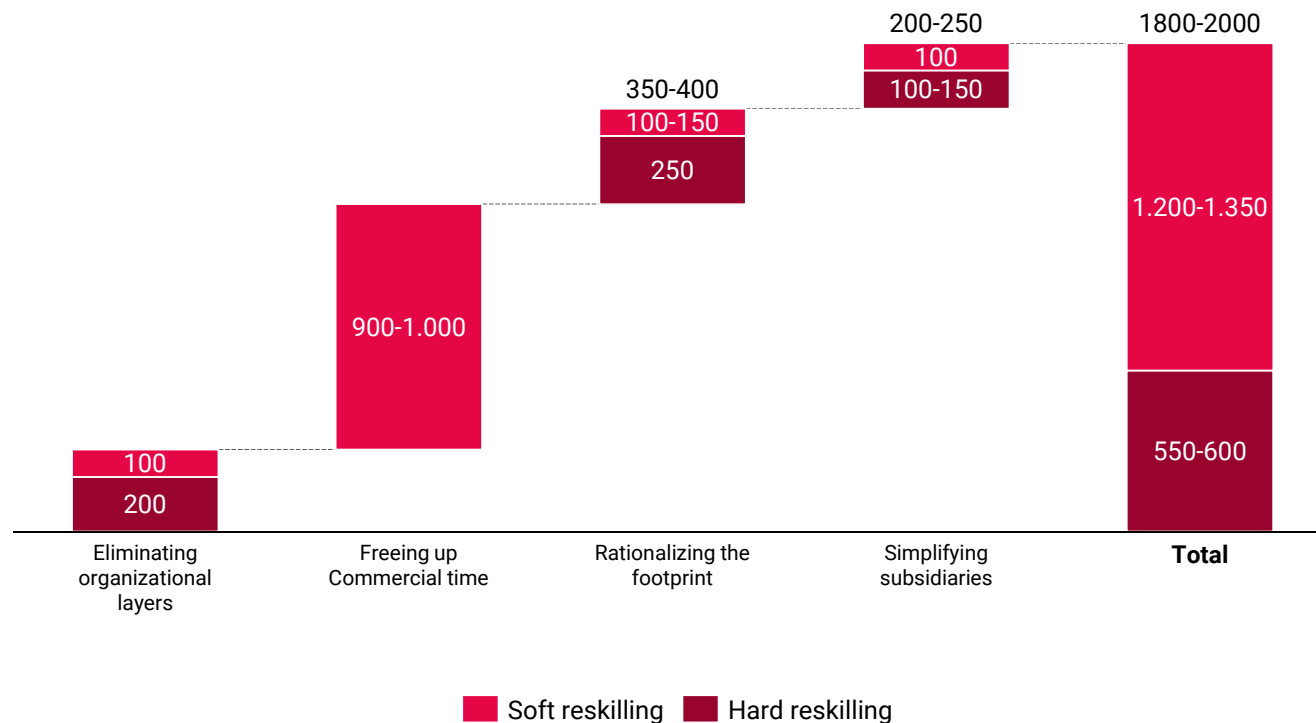


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Strategic Plan implementation requires reskilling actions for approximately 10% of the Bank's staff in 2021-22

Reskilling need induced by efficiency levers #HC, 2020-2025



Reskilling activities

- Reskilling activities:
 - approx. 35% of Hard reskilling¹ (approx. 6/7 training weeks)
 - approx. 65% Soft reskilling (approx. 2/3 training weeks)
- Total estimated costs for reskilling activities of approx. € 4 million** (including training and mobility costs), concentrated in the first two years of the plan

1. Ex. Conversion from GD specialist to "Valore Officer": training on procedures and products, MIFID and IVASS, Commercial



STRENGTHEN BALANCE SHEET AND FURTHER IMPROVE RISK MANAGEMENT

1	2	3
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Capital strengthening and valorisation of assets

Industrial levers	Description
Capital strengthening	<ul style="list-style-type: none"> ▪ Capital reinforcement needed to fund restructuring costs and to restore the Bank solidity through new resources for an amount of 2.0 – 2.5 bn€ (details in the Capital Plan that will be developed in January 2021)
Creation of additional capital buffer	<ul style="list-style-type: none"> ▪ The return to capital generation enable the creation of an additional capital buffer equal to approx. 1.3 billion € (of which approx. 1 billion in the two-year period 2024-25) available for investments or coverage of any unexpected losses, including the use of DTAs currently in the financial statements for a total amount of ≈0.5 billion € over the plan
Asset valorisation	<ul style="list-style-type: none"> ▪ Release of approximately € 400 million of capital through capital relief actions <ul style="list-style-type: none"> ▪ Potential monetisation of the relationship with Anima ▪ Sale of treasury shares in portfolio ▪ Disposal of securities at amortized cost with capital gains in 2021 and 2022
Optimisation of capital absorption	<ul style="list-style-type: none"> ▪ Reduction of RWAs up to € 2.5bn over the plan period (approximately € 300m of equivalent capital) through portfolio transactions: <ul style="list-style-type: none"> – Synthetic securitisations: ca. 1.3 bn€ of RWA in 2021-23, 0.6 bn€ in 2024-25 – SACE guarantee on existing portfolio for 0.75 bn€ of RWA – Disposal of <i>loans</i> and purchase of <i>financial guarantees</i> for ca. 0.4bn€ RWA ▪ The transactions involve a reduction in the expected cost of credit equal to approximately € 25mln, substantially offset by the increase in commission expenses



Tightening in the monitoring of the loan portfolio quality

Industrial levers

Description

Strengthening the monitoring of performing loans

- Deconsolidation of Hydra portfolio allows **resources to focus on the management and on the proactive monitoring of the performing portfolio**
- **The target operating model envisages the following:**
 - the assignment of SMEs to specialised credit centres
 - a control room to coordinate and monitor Small Business positions
 - automated restructuring and early collection strategies for Private customers with the strengthening of IT interception and evolution models

- **The activity will make it possible to mitigate the default rate in 2021/22 and optimise the enforcement of state guarantees**

Industrialised approach for the NPE stock

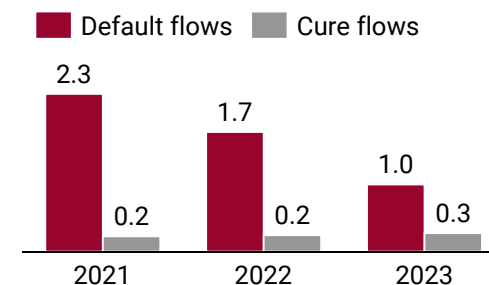
- **Industrialised and data-driven approach for small and medium tickets NPE:**
 - expansion of the database / information set for the assessment of the creditor
 - evolution of clustering logics and strategy definition algorithms
 - creation of a platform for the sale of NPLs
- **Further guidelines:**
 - analytics to evaluate the trade-offs between internal management vs. disposal
 - marketplace set-up for the sale of small-sized NPLs
 - early collection systems to evaluate the most productive recovery paths
 - registering of documentation through blockchain

Key elements

Management of «Covid» bonis loans €bn; Dec 2020



Target state for NPL flows €bn



1. «Erogato» + «deliberato»

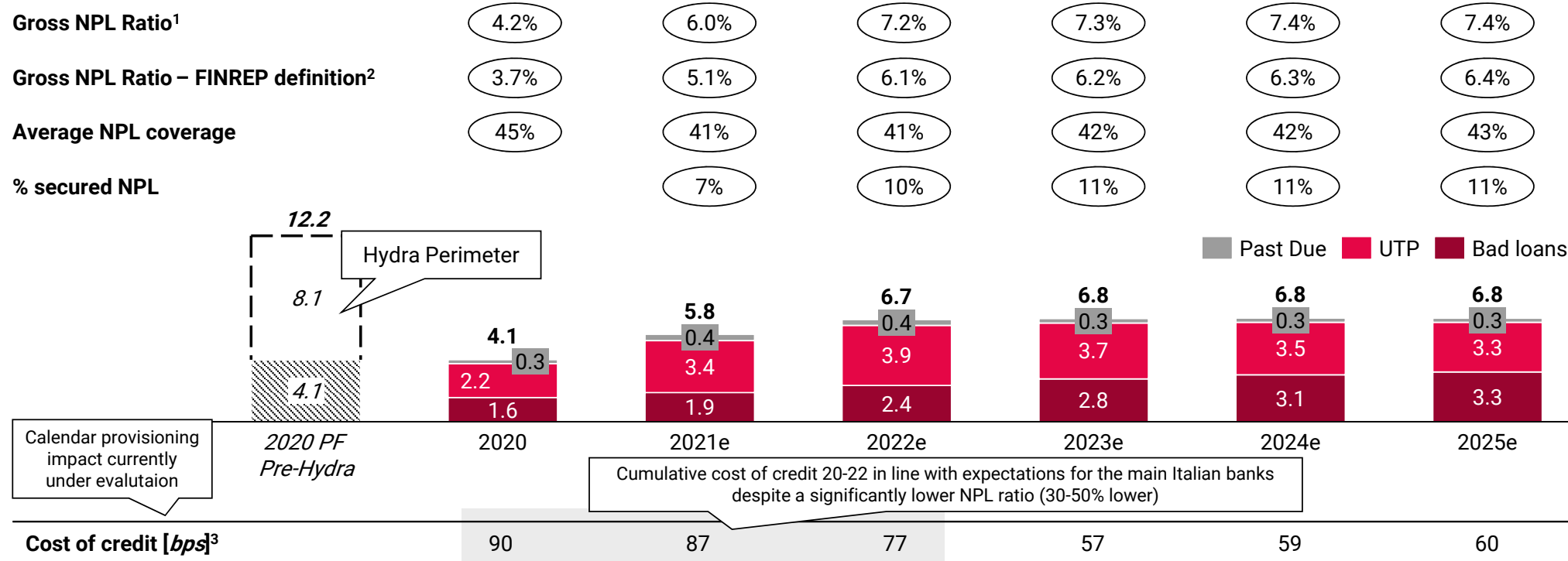


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The enhancement in NPL management capabilities will mitigate COVID impacts and stabilize the stock at ≈ 7bn € (NPL Ratio ≈ 7.5%)

Gross NPL stock evolution €bn

Evolution in the absence of loan disposals



1. Calculated as the ratio between gross impaired loans and gross loans to customers (includes financial assets measured at amortised cost included in loans to customers) | 2. Calculated as the ratio between gross impaired loans, gross loans to customers, loans to banks and loans to central banks | 3. Calculated as the ratio between net provisions and net loans to customers



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Normalisation of the cost of institutional funding and maintenance of the risk profile for the investment portfolio

Industrial levers

Description

Composition of institutional funding

- **Maintaining the volume of institutional bonds in line with MREL requirements, which benefit from capital strengthening.** Over plan period total issues for:
 - approx. €6.5bn senior securities
 - approx. €0.5bn subordinated securities
- **Increase in retail bond volume** by approx. €1bn
- **Assumed to renew TLTRO III funding for EUR 24bn** until the plan expires¹

Realigning bond rates

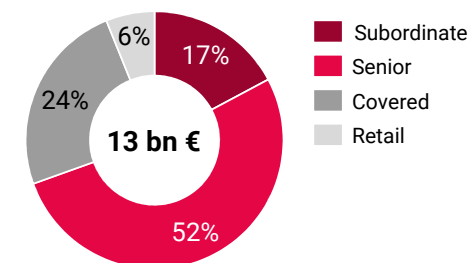
- **Rerating and narrowing bond spreads (vs. 2020)** as creditworthiness improves and profitability is restored:
 - average issuance rate of 1.7% for senior preferred
 - issuance rate of 3.7% for senior non-preferred (2021)
 - issuance rate of 4.7% for subordinated (2023)
- Concurrent reduction in **rates of new retail bond issues**

Maintaining investment portfolio

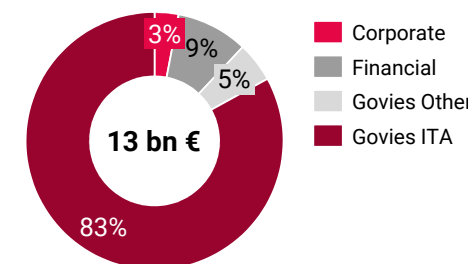
- **Renewal of positions at maturity with essential constancy in the volume and risk/return profile of the securities portfolio. At 2025:**
 - total portfolio volume of approx. €13bn
 - composed of approx. 83% Italian government bonds
 - average duration of 4 years
 - yield compression due to government spread dynamics

Key elements

Composition of securities issued 2025



Securities portfolio 2025



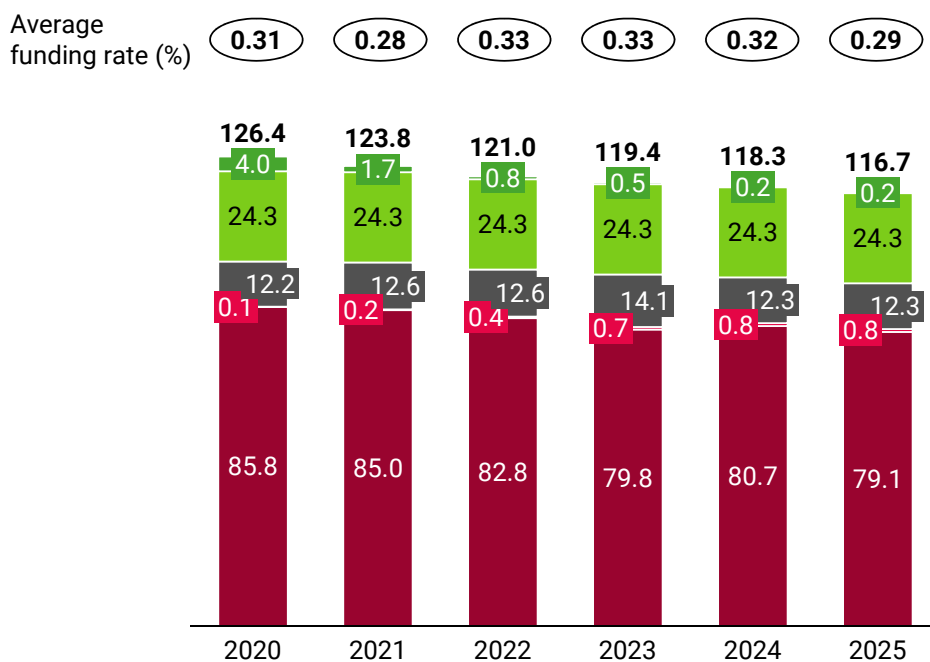
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1. With the possibility of limiting the renewal amount to €14-18bn with minimal impact on the Bank's liquidity profile and profitability

Given the same volume of outstanding bonds, capital strengthening enables a compression of rates

Evolution of funding mix

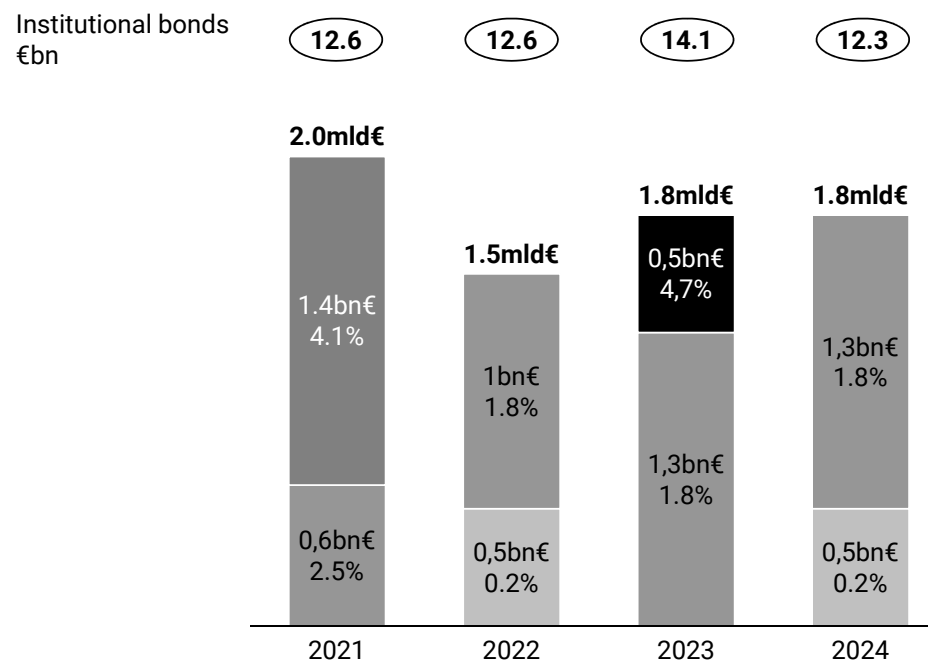
€bn



■ Due to customers¹ ■ Institutional sec. ■ Due to Banks
■ Retail bonds ■ Due to ECB

Focus on institutional bond issues

Volumes issued and spreads vs. reference rates



■ Covered ■ Senior preferred ■ Senior non preferred ■ Subordinated



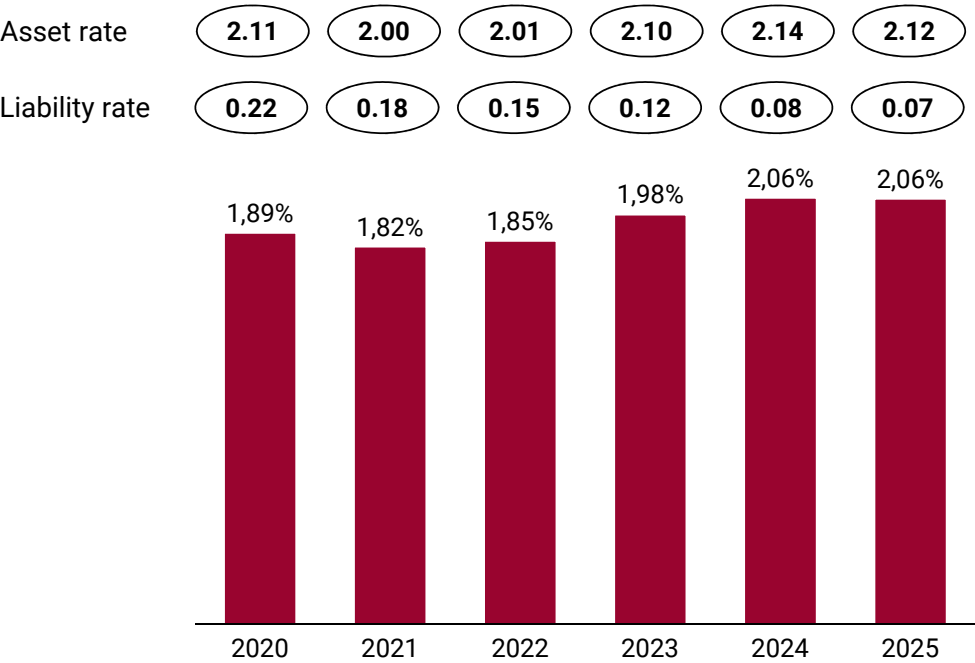
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1. Includes commercial funding from customers, repos, off-network funding and funding from CDP.

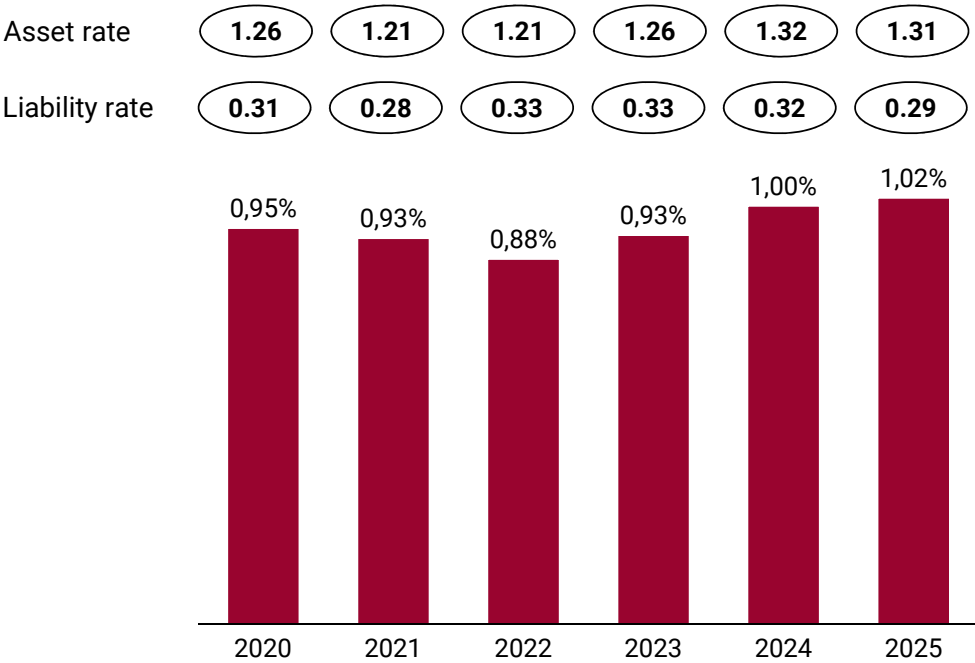
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Evolution of the interest rate spread over the plan's horizon

Commercial rates spread¹
%




Total rates spread²
%



1. Asset rate calculated as the ratio of interest income from commercial lending to customers to gross commercial lending. Liability rate calculated as the ratio of interest expense from commercial funding (including retail bonds) to commercial funding volume (including retail bonds). | 2. Asset rate calculated as the ratio of interest income to interest-bearing assets (gross loans to customers, loans to banks and central banks, securities). Liability rate calculated as the ratio of interest expense to interest-bearing liabilities (amounts due to customers, institutional securities, retail bonds, amounts due to banks and central banks).



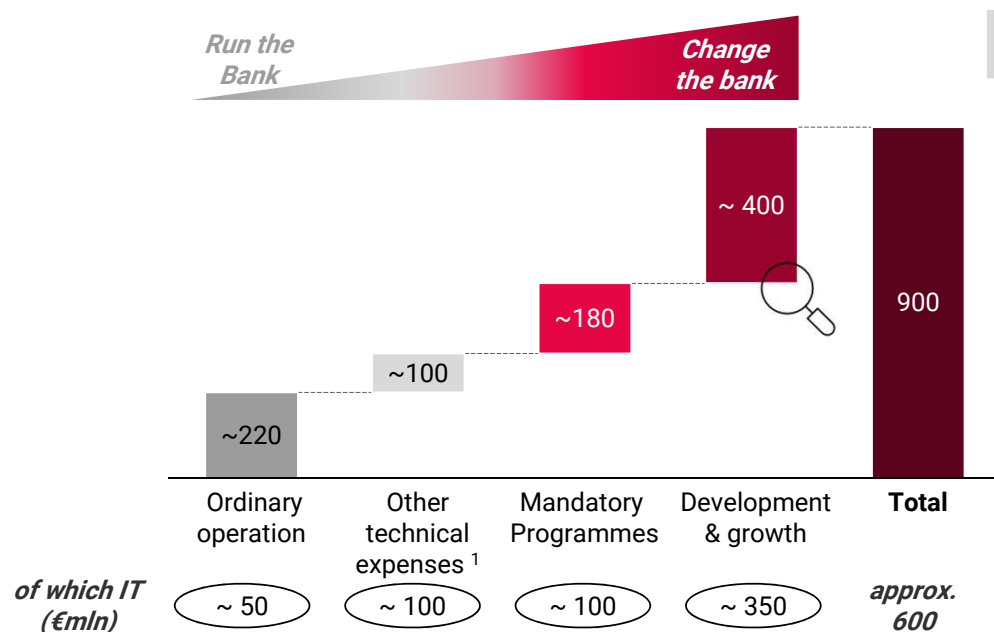


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ROBUST AND FOCUSED INVESTMENT PLAN

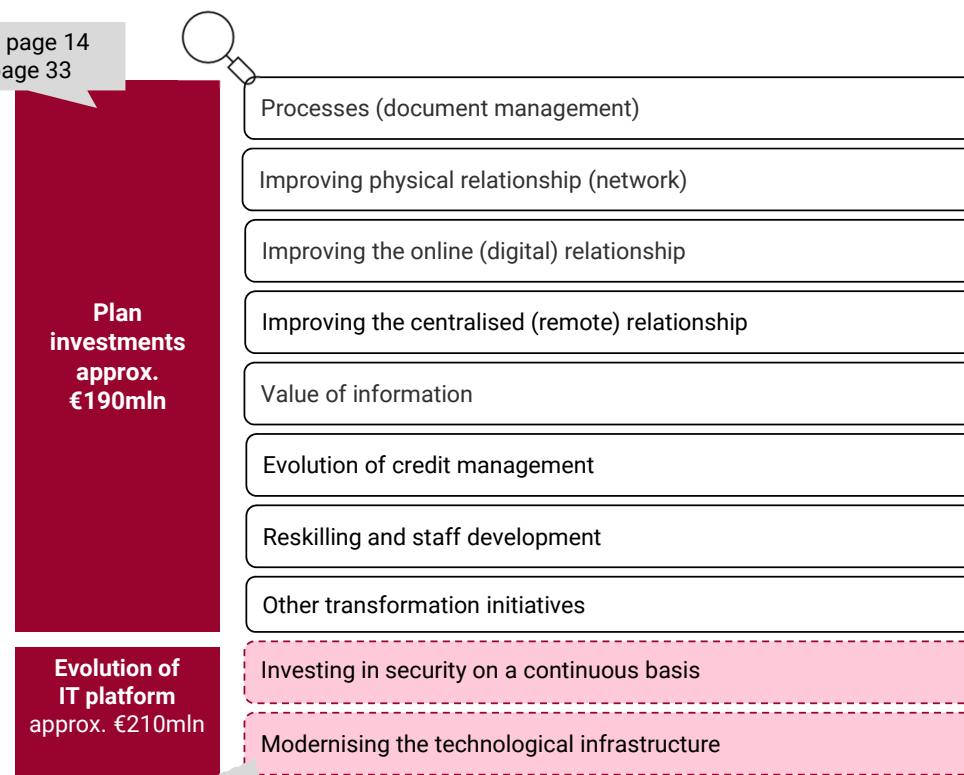
Total investments of €900m over the plan period, of which about half to support the plan's transformational initiatives

Investment plan over the 5-year plan period Total cumulated cash-out (Capex+Opex), €mln



Focus on development and growth investments Investment-enabled initiatives for bank growth

Sum of page 14
and page 33



Details on the
following pages



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1. Technical items for personnel costs (capitalisable) and technical environment costs for project implementation

Digital Agenda initiatives to invest in security and modernise the technological infrastructure



Modernising the technological infrastructure to ensure an excellent digital experience

	2021–2022	2023–2025	Total
Stability, performance and zero obsolescence	31	57	88
Improving service levels and reducing operational risks	11	12	23
Modernisation of the information system (Vitruvio)	17	30	47
IT Data Strategy	5	2	7
Innovation	1	2	3
Total	65	103	168



Investing in security on a continuous basis

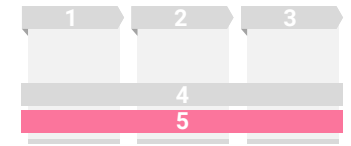
	2021–2022	2023–2025	Total
Awareness & Governance	4	5	9
Technology	16	19	35
Total	20	24	44



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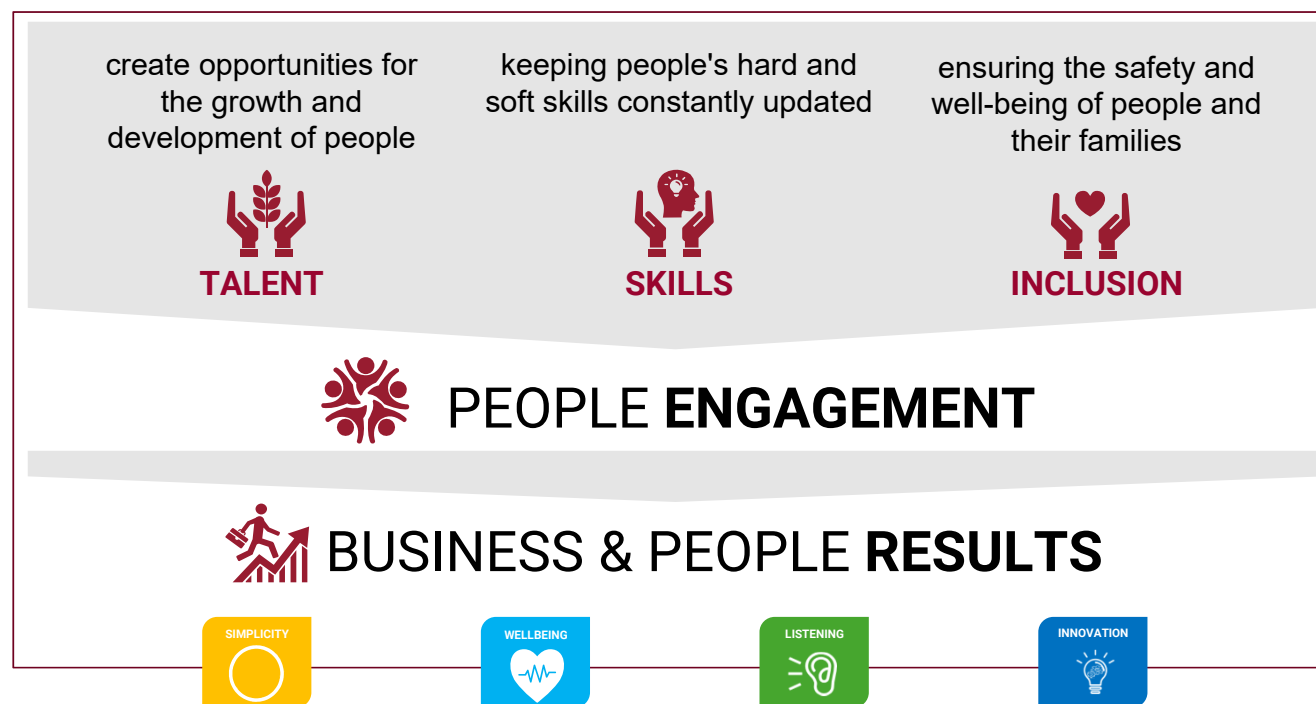
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ENGAGEMENT AND RESKILLING OF HUMAN CAPITAL



Results Oriented Employee Experience

The model



The challenges

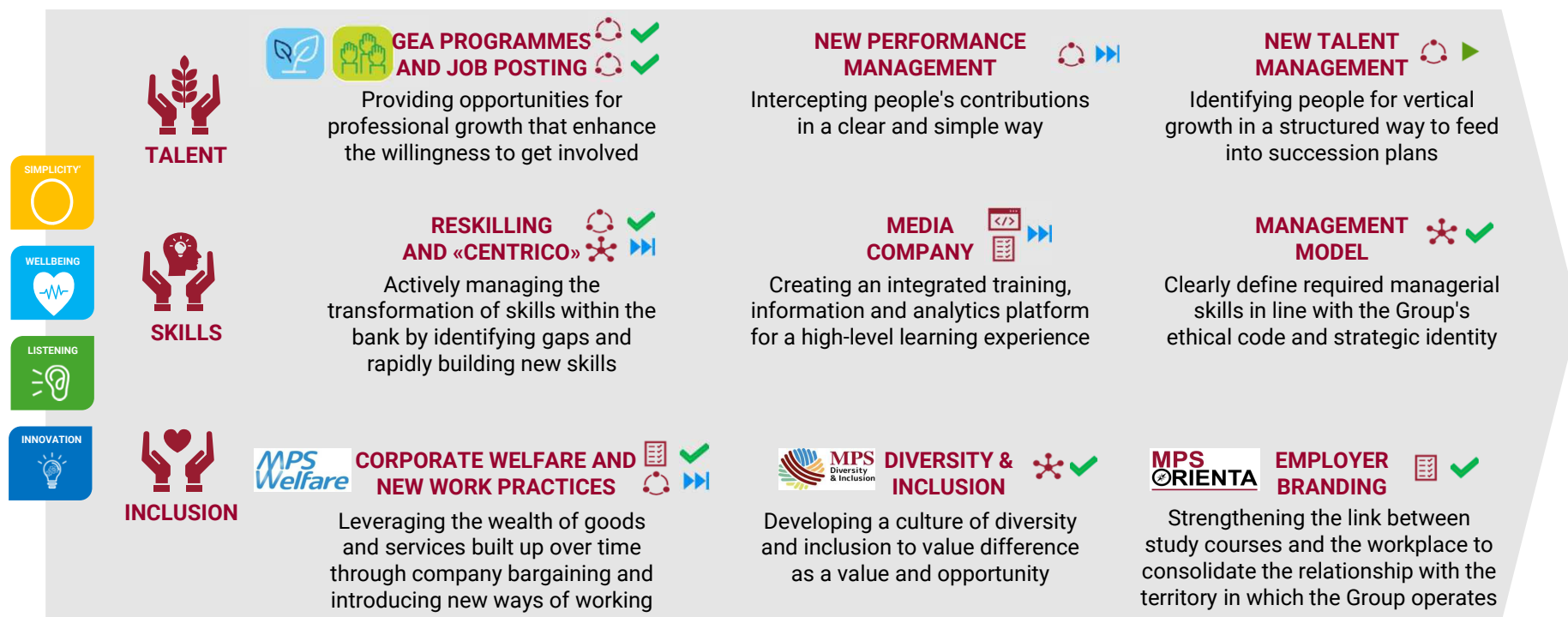
Realignment of the HR model for

- new market and business **environment**
- new needs of **people**
- **digital** evolution



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ROE Experience initiatives



Live
 Launched - Go live 2021
 Start-up phase

Process
 Model
 Tool
 Product



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