MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

BOARD APPROVES FIRST QUARTER 2021 RESULTS:

PRE-PROVISION PROFIT AT EUR 283 MILLION (EUR 151 MILLION IN 4Q20)

NET INTEREST INCOME DRIVEN BY THE DECONSOLIDATION OF NON-PERFORMING EXPOSURES

FEES AND COMMISSIONS SUSTAINED BY FOCUS ON ASSET MANAGEMENT

GOOD PERFORMANCE OF FINANCIAL ACTIVITIES WITH FURTHER DERISKING OF GOVERNMENT BOND PORTFOLIO

OPERATING COSTS DOWN BOTH Y/Y AND Q/Q

COST OF CREDIT AT 37 BPS, IN LINE WITH 2020 LEVEL NET OF ADJUSTMENTS RELATED TO THE WORSENING OF THE MACROECONOMIC SCENARIO AND TO THE "HYDRA" PORTFOLIO

NET OPERATING PROFIT OF EUR 203 MILLION (EUR 26 MILLION IN Q4 2020) – THE HIGHEST QUARTERLY RESULT IN THREE YEARS

EUR 119 MILLION NET PROFIT FOR THE PERIOD

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GOOD COMMERCIAL MOMENTUM, DESPITE COVID-RELATED RESTRAINTS: EUR 4.2 BILLION IN GROSS WEALTH MANAGEMENT FLOWS PLACED, THE BEST QUARTERLY RESULT IN OVER THREE YEARS

ONGOING COMMITMENT TO SUPPORT THE DOMESTIC ECONOMY: OUTSTANDING MORATORIA AND GUARANTEED LOANS FOR EUR 16 BILLION

MORATORIA REDUCED BY MORE THAN 50% FROM JUNE 2020 WITH DEFAULT RATES APPROX. 2% AND AMPLE COVERAGE

COVID PORTFOLIO CLOSELY MONITORED BY THE BANK IN ORDER TO PRESERVE CREDIT QUALITY

GROSS NPE RATIO (EBA DEFINITION) STABLE AT 3.5% – DESPITE THE INTRODUCTION OF THE NEW DEFINITION OF DEFAULT – WITH COVERAGE OF NON-PERFORMING PORTFOLIO UP BY APPROX. 130 BPS Q/Q

SOLID LIQUIDITY POSITION: UNENCUMBERED COUNTERBALANCING CAPACITY AT EUR 31 BILLION, WITH POTENTIAL FOR OPTIMISATION

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CAPITAL RATIOS IMPROVED COMPARED TO DECEMBER 2020 AND HIGHER THAN EXPECTED, THANKS TO CAPITAL MANAGEMENT ACTIONS ALREADY IMPLEMENTED, TO FOCUS ON SECURED LOANS AND TO THE DELAY OF REGULATORY UPDATES ON INTERNAL MODELS

TRANSITIONAL CET1 RATIO: 12.2% (vs. 8.7% SREP 2021)[1]
TRANSITIONAL TOTAL CAPITAL: 15.9% (vs. 13.4% SREP 2021)[2]
RATIOS DO NOT INCLUDE PROFIT FOR THE PERIOD

TIER 1 CAPITAL BUFFER OF MORE THAN EUR 0.7 BILLION[3] RECORDED AS AT 31 MARCH 2021, COMPARED TO A SHORTFALL OF EUR 0.3 BILLION INCLUDED IN CAPITAL PLAN PROJECTIONS

BASED ON THE ASSUMPTIONS AND INITIATIVES OF THE 2021-2025 STRATEGIC PLAN[4], AND EXCLUDING THE IMPACT OF A CAPITAL INCREASE, THE SHORTFALL AT 31 MARCH 2022 IS EXPECTED TO BE LESS THAN 1BN - AND IN ANY CASE NOT AT CET1 LEVEL AND WITHIN THE LIMITS OF THE CAPITAL CONSERVATION BUFFER

Siena, 6 May 2021 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has reviewed and approved the results as at 31 March 2021.

Group profit and loss results as at 31 March 2021

The Group's **total revenues** as at 31 March 2020 stand at **EUR 824 million**, up 12.9% Y/Y.

This increase is largely due to the rise in other income from banking business, in particular to the net profit (loss) from trading, from financial assets/liabilities measured at fair value and from gains on disposals/repurchases, which benefitted from higher profits from the sale of securities. Net interest income is down from the previous year owing to the lower contribution of the non-performing portfolio as a result, in particular, of the deconsolidation of the "Hydra M" portfolio at the end of 2020, to the decline in asset yields caused by the trend in interest rates and to the recomposition of exposures with a decrease in sight and short-term components and an increase in the medium/long term component. On the other hand, net interest income benefitted from the positive effects of access to the TLTRO3 auctions, albeit partly offset by the greater cost of deposits with central banks. Net fees and commissions are up Y/Y largely due to higher income from wealth management, especially product placements. In contrast, other operating income/expenses registered a downturn.

The quarter-on-quarter comparison also shows an increase in revenues of EUR 106 million, primarily due to higher profits from the sale of securities, which more than offset the decline in income from banking activities.

[1] Overall capital requirement.
[2] See note 1.
[3] Of which EUR 0.4 billion for the postponement of internal model updates.
[4] 2021-2025 Group Strategic Plan submitted to DG Comp in December 2020 and currently being evaluated.

Net interest income as at 31 March 2021 stands at **EUR 280 million**, down 14.5% Y/Y. The decrease was driven (i) above all, by the lower contribution of the Non-Performing portfolio as a result of the deconsolidation of the "Hydra M" portfolio at the end of 2020, and also (ii) by the higher cost of institutional funding linked to the issues in the second half of 2020, (iii) by the lower contribution from BMPS' securities portfolio, partly as a consequence of sales carried out in 2020 and 2021, (iv) by the larger negative contribution from hedging derivative spreads, and (v) by the decline in asset yields caused by interest rate trends and the recomposition of exposures with a decrease in sight and short-term components and an increase in the medium/long term component. Net interest income, on the other hand, benefitted from the lower cost of commercial funding and from the positive effects of access to the TLTRO3 auctions, totalling EUR 60 million, albeit partly offset by the cost of increased deposits with central banks, amounting to approximately EUR 27 million.

Net interest income in 1Q21 is also down on the previous quarter (-10.4%), mainly due to the lower contribution of the non-performing portfolio, largely as a result of the deconsolidation of the "Hydra M" portfolio, and to the decline in asset yields caused by interest rate trends and by the further recomposition of exposures, with a decrease in sight and short-term components and an increase in the medium/long-term component. Net interest income in 1Q21 also incorporates, on the one hand, the reduced cost of customer deposits following a decline in both volumes and interest rates, and on the other hand an additional increase of deposits with central banks.

Net fees and commissions as at 31 March 2021, amounting to **EUR 372 million**, are up compared to the same period of the previous year (+0.6%). The increase is attributable to the higher income from wealth management (+8.3%), particularly from product placements, and to the improvement in other net fees and commissions due to the absence of the cost of government guarantees following the reimbursement of the Government-Guaranteed Bonds in 1Q20. In contrast, a downturn is registered for commissions on loans (-12.3%), owing to the lower fees on intermediated loans, as well as for commissions on services (-6.1%).

The contribution of 1Q21 is down from the previous quarter (-2.2%). More specifically, there is a significant rise in wealth management fees (+16.2%), with income from product placement recording a +51.0% increase thanks to the higher gross flows of assets under management. In contrast, commissions from traditional banking services and other net fees and commissions decrease.

Dividends, similar income and profit (loss) on investments amount to **EUR 21 million** and mainly include the contribution from the Bancassurance partnership with AXA[5]. The item shows an increase from 1Q20 (EUR +9 million) – which had been negatively impacted by the effects of the COVID-19 pandemic on the financial markets – and a decrease against the previous quarter (EUR -22 million).

Net profit (loss) from trading, financial assets/liabilities measured at fair value and gains from disposals/repurchases as at 31 March 2021 amounts to **EUR 160 million**, recording an increase both YoY (EUR +130 million) and against the previous quarter (EUR +170 million). An analysis of the main aggregates shows the following:

[5] AXA-MPS is consolidated at net equity in the Group's financial accounts.

- **Net profit from trading comes to EUR +14 million,** up from 1Q20, which had been affected by tensions on the financial markets owing to the COVID-19 emergency.
  Performance in 1Q21 is up EUR 8 million compared to the previous quarter, due to the increased contribution from the results of subsidiary MPS Capital Services.

- **Net profit from other financial assets and liabilities measured at fair value through profit and loss shows a positive balance of EUR 19 million,** up from the virtual lack of contribution recorded in the same period of the previous year and from the negative contribution of EUR 6 million in the fourth quarter of 2020, thanks to capital gains on equity financial instruments, debt securities and UCITS.

- **Gains on disposals/repurchases** (excluding customer loans at amortised cost) **show a positive balance of EUR 127 million**, registering both a Y/Y and Q/Q increase, thanks to the higher profits from the sale of securities.

The following items also contribute to revenues:

- **Net income from hedging, in the amount of EUR +2 million**, up from 1Q20 (at EUR -3 million) and remaining steady against the previous quarter;

- **Other operating expenses/income shows a negative balance of EUR 11 million,** a decrease on the result recorded in 1Q20 (at EUR -7 million) and essentially in line with that of the previous quarter (at EUR -10 million).

As at 31 March 2021, **operating expenses** amount to **EUR 540 million**, falling from 1Q20 (-0.7%) and from the previous quarter (-4.5%). An analysis of the individual aggregates shows that:

- **Administrative expenses** stand at **EUR 493 million**, largely stable against the same period of the previous year and down by approximately EUR 22 million from 4Q20. Within the aggregate:

  - **Personnel expenses**, amounting to **EUR 360 million**, are up 1.0% Y/Y, despite downward headcount trend (due, first and foremost, to the 560 Solidarity Fund exits registered between 1 November 2020 and 1 January 2021), related to the contractual salary increases resulting from the renewed National Collective Labour Agreement and to the absence of savings resulting from the non-renewal of the company trade union agreement. The aggregate is also up from 4Q20 (+1.4%) mainly due to the aforementioned contractual increases resulting from the renewal of the National Collective Labour Agreement and the lack of savings related to the expiry of solidarity initiatives, partly offset by the lower cost resulting from the Solidarity Fund exits in the fourth quarter of 2020.

  - **Other administrative expenses,** amounting to **EUR 133 million**, are down 2.6% Y/Y and 16.8% from 4Q20, which had been impacted by the typical end-of-year increases in expenses.

- **Net value adjustments to tangible and intangible assets** as at 31 March 2021 stand at **EUR 48 million,** down from the same period of the previous year (-6.9%), and from the previous quarter (-6.7%), partly due to the effects of the introduction of fair value measurements of real estate.

As a result of the above trends, the Group's **pre-provision profit** amounts to **EUR 283 million** (EUR 185 million as at 31 March 2020), up by EUR 132 million compared to the previous quarter.

The **cost of customer loans** booked by the Group as at 31 March 2021 amounts to **EUR -77 million**, reduced by EUR 238 million from the same period of the previous year (EUR -315 million), which included EUR -193 million of increased provisioning resulting from the change macroeconomic scenario that emerged following the outbreak of the COVID-19 pandemic. Excluding this effect, the aggregate still records a Y/Y decrease, mainly due to the absence of provisioning on tickets included in the "Hydra M" portfolio, which was deconsolidated at the end of 2020.

The cost of customer loans in 1Q21 is also down from the previous quarter, which included EUR 48 million of increased provisioning resulting from the new macroeconomic scenario. Net of this component, the cost is stable.

The ratio of annualised cost of customer loans over total customer loans as at 31 March 2021 reflects a **provisioning rate of 37 bps** (90 bps as at 31 December 2020).

The Group's **net operating result** as at 31 March 2021 shows a **positive balance of approx. EUR 203 million**, against a negative balance of EUR 130 million recorded for the same period of the previous year and a positive balance of EUR 26 million in 4Q20.

The following items also contribute to the **result for the period**:

- **Net provisions for risks and charges** amounting to approx. **EUR +9 million,** an improvement on the same period of the previous year (equal to EUR -40 million) owing to lower provisions for legal risks. Also an improvement compared to the fourth quarter of 2020 due to lower provisions for legal risks and guarantees related to loan disposals (EUR -216 million).

- **Other gains (losses) on investments** amounting to approx. **EUR -3 million**, against a gain of EUR 0.2 million registered in the same period of the previous year and a gain of EUR +2 million in 4Q20.

- **Restructuring costs/one-off charges** totalling **EUR -0.1 million**, down from the positive balance of EUR 3 million recorded for the same period of the previous year, mainly for positive effects from definition of the price adjustment on the sale of BMP Belgio S.A.. On the other hand, the aggregate improves from the fourth quarter of 2020 (equal to EUR -25 million), which included expenses (interests, fees & commissions and other administrative expenses) related to the non-proportional demerger with asymmetric option of a compendium of impaired loans in favour of AMCO.

- **Risks and charges related to SRF, DGS and similar schemes,** totalling **EUR -68 million,** consisting of the Group's contribution to the Single Resolution Fund (SRF), which is higher than the amount registered in the same period of the previous year, following increased deposit volumes.

- **DTA fees**, totalling **EUR -16 million**. The amount, which was calculated according to the criteria of Law Decree 59/2016 converted into Law no. 119 of 30 June 2016, consists of the fees due as at 31 March 2021 for DTAs (*Deferred Tax Assets*) which are convertible into tax credit.

- **Net gains (losses) from measurement at fair value of tangible and intangible assets** amounting to approx. **EUR -28 million**, include the write-down of instrumental real-estate properties (as per IAS 16), in application of the new valuation criterion for the Group's real-estate assets.

- **Gains on disposal of investments** for **EUR 17 million** from the sale of real estate properties. The aggregate showed a positive balance of EUR 0.2 million as at 31 March 2020.

As a result of the above trends, the Group's **pre-tax profit for the period** amounts to **EUR 114 million**, vs. EUR -239 million registered as at 31 March 2020.

Taxes on profit (loss) from continuing operations record a positive contribution of **EUR 6 million** (EUR 2 million as at 31 March 2020) mainly owing to the valuation of DTAs, determined in continuity with Financial Statements as at 31 December 2020.

In particular, it should be noted that the estimate of taxable income for future financial years was determined on the basis of the same income projections used for the 2020 Financial Statements, since the new 2021-2025 Strategic Plan, approved by the Board of Directors on 17 December 2020, has not yet been approved by the competent authorities.

Considering the net effects of PPA (EUR -0.9 million), **the Parent Company's profit for the period amounts to EUR 119 million**, against a loss of EUR -239 million reported for the same period of the previous year.

Group balance sheet aggregates as at 31 March 2021

The Group's **total funding** volumes as at 31 March 2021 amount to **EUR 203.5 billion,** down EUR 2.3 billion from 31 December 2020, owing to the fall in direct funding (EUR -4.7 billion), only partly offset by in the increase in indirect funding (EUR +2.4 billion). On the other hand, the aggregate registers an upturn from 31 March 2020 (EUR +19.0 billion) primarily thanks to the increase in indirect funding (EUR +15.3 billion).

Direct funding volumes stand at **EUR 99.1 billion,** down EUR 4.7 billion vs. the end of December 2020. The downturn is mainly due to the decrease in repos (EUR -3.0 billion), though a downward trend was also registered for time deposits (EUR -0.8 billion), current accounts (EUR -0.5 billion), bonds (EUR -0.3 billion) and other forms of funding (EUR -0.1 billion). In particular, the trend in time deposits and current accounts was affected by the Parent Company's actions to reduce interest rates paid to customers, mainly corporates.

The aggregate is up by EUR 3.7 billion from the end of March 2020, largely due to the increase in current accounts (EUR +8.2 billion) following the outbreak of the COVID-19 emergency, only partly offset by the decrease repos (EUR -3.0 billion), time deposits (EUR -1.4 billion) and other forms of funding (EUR -0.3 billion). An increase is also registered for bonds (EUR +0.2 billion).

The Group’s direct funding market share[6] stands at 3.90% (updated to January 2021), down from December 2020 (3.93%).

Indirect funding amounts to **EUR 104.4 billion**, up (EUR +2.4 billion) from 31 December 2020 in both assets under management (EUR +1.7 billion), which benefitted from positive net inflows and from a positive market effect, and assets under custody (EUR +0.7 billion), which benefitted from a positive market effect.

In the Y/Y comparison, indirect funding is up EUR 15.3 billion thanks to the increase in both assets under management (EUR +7.6 billion) and assets under custody (+7.7 billion euros), which benefitted from positive net inflows and a positive market effect. Last year, indirect funding volumes had been affected by the negative performance of financial markets and the sharp reduction in placements that gradually began in March following the outbreak of the COVID-19 pandemic. Moreover, assets under custody in 1Q20 were also negatively impacted by the withdrawal of shares deposited with the Parent Company by a large industrial group as part of the latter’s organisational/corporate reorganisation (these shares were withdrawn in 1Q20 and deposited again in 2Q20).

As at 31 March 2021, Group **customer loans** amount to **EUR 82.3 billion**, down by EUR 0.4 billion compared to the end of December 2020, mainly due to the decrease in repos (EUR -1.1 billion). A downturn is also recorded for other forms of lending (EUR -0.7 billion) and current accounts (EUR -0.1 billion), while mortgages register an increase (EUR +1.6 billion), having been influenced by disbursements and the extension of moratoria granted as part of the government decrees issued following the COVID-19 emergency.

In the year-on-year comparison, the aggregate remains stable. The growth of EUR 7.2 billion in mortgages, influenced also by the above-mentioned disbursements and moratoria granted under the government decrees issued following the COVID-19 emergency, and the increase in repos (EUR +1.8 billion) were offset by the decline in current accounts (EUR -1.6 billion), other forms of lending (EUR -3.6 billion) and net impaired loans (EUR -3.7 billion), the latter primarily owing to the deconsolidation of the “Hydra M” portfolio which took place in the month of December 2020.

The Group’s market share[7] stands at 4.49% (updated to January 2021), up 6 bps from the end of 2020.

Stage 1 loans, amounting to EUR 65.3 billion, register a decrease from 31 December 2020 (at EUR 65.5 billion) and an increase from 31 March 2020 (at EUR 63.8 billion). Stage 2 loans, with a gross exposure of EUR 15.3 billion as at 31 March 2021, are stable compared to the EUR 15.4 billion recorded as at 31 December 2020 and up from the EUR 13 billion registered as at 31 March 2020. The overall trend shows that the quality of the loan portfolio is essentially stable, with Stage 3 essentially flat compared to 2020 year-end.

The Group’s total non-performing customer exposures as at 31 March 2021 stand at **EUR 4.1 billion** in terms of gross exposure, in line with the figure at 31 December 2020 (EUR 4.0 billion) and down from 31 March 2020 (at EUR 11.6 billion). In particular, the gross exposure of bad loans,

[6] Deposits and repos (excluding repos with central counterparties) from resident consumer customers and bonds net of repurchases placed with resident consumer customers as first-instance borrowers.

[7] Loans to resident consumer customers, including non-performing loans and net of repos with central counterparties.

totalling EUR 1.5 billion, remains stable against 31 December 2020 and is down EUR 4.7 billion from 31 March 2020. The gross exposure of unlikely-to-pay loans, amounting to EUR 2.4 billion remains stable against 31 December 2020 and is down EUR 2.8 billion from 31 March 2020. Gross past-due exposures, totalling EUR 122 million, are up by EUR 46 million from 31 December 2020 and down EUR di 4 million from 31 March 2020. The change vs. 31 March 2020 figures is mainly attributable to the deconsolidation of “Hydra M” portfolio tickets amounting to EUR 7.1 billion in terms of gross exposure.

As at 31 March 2021, the Group’s **net non-performing customer exposures** stand at **EUR 2.2 billion** in line with 31 December 2020 and down from 31 March 2020 (EUR -3.7 billion). For net exposure as well, the change compared to 31 March 2020 figures is mainly attributable to the deconsolidation of “Hydra M” portfolio tickets amounting to EUR 3.5 billion in terms of net exposure.

The ratio of net non-performing exposures to net customer loans as at 31 March 2021 is 2.6%, in line with December 2020 (2.6%) and down from March 2020 (7.1%). In detail, the ratio of UTPs goes from 3.5% in March 2020 to 1.9% in December 2020 and 1.8% in March 2021; the ratio of bad loans, at 0.7%, is unchanged compared to December 2020 and down compared to March 2020 (3.5%). The ratio of impaired past-due loans is 0.1%, stable compared to both December 2020 and March 2020.

As at 31 March 2021, **coverage** of total non-performing customer loans stands at 47.4%, up from 31 December 2020 (46.2%). In particular, the percentage of coverage of bad loans rises from 62.3% to 64.7% and that of UTPs from 36.8% to 37.5%. On the other hand, the percentage coverage of impaired past-due loans decreases from 27.8% to 25.6%.

By contrast, the percentage coverage of impaired loans is down compared to 31 March 2020 (49.6%), mainly for the deconsolidation of the “Hydra M” portfolio which took place at the end of December 2020.

As at 31 March 2021, the Group’s **securities assets** amount to **EUR 22.6 billion**, up from 31 December 2020 (EUR +0.9 billion) due to the increase in financial assets held for trading, largely attributable to the subsidiary MPS *Capital Services*, only partly offset by the decline in financial assets measured at fair value through other comprehensive income and the amortised cost component. It should be noted that the market value of the securities booked as loans to customers at amortised cost is equal to EUR 9,431.8 million (with implicit capital gains of approximately EUR 314.9 million).

The aggregate is down compared to 31 March 2020 (EUR -3.4 billion) due to the decrease in financial assets held for trading (EUR -1.9 billion), particularly attributable to the subsidiary MPS Capital Services, and financial assets measured at fair value through other comprehensive income (EUR -1.2 billion), mainly attributable to the Parent Company, due to sales and maturities of securities only partially offset by purchases.

As at 31 March 2021, the **financial liabilities held for trading** are down from 31 December 2020 (EUR -1.4 billion) and up from 31 March 2020 (EUR +0.8 billion).

As at 31 March 2021, the **net position in derivatives** improves against 31 December 2020 while it worsens compared to 31 March 2020.

As at 31 March 2021, the Group's **net interbank position** stands at **EUR 0.2 billion** in lending, against EUR 5.6 billion in lending as at 31 December 2020, as a result of the decline in deposits on the required reserve account and further access to TLTRO3. Compared to 31 March 2020 (EUR 7.7 billion in funding), the change is attributable to the further increase in deposits on the required reserve account and to the additional access to TLTRO3 auctions.

Compared to 31 December 2020, amounts due to banks are down (EUR -0.7 billion). This change was driven by the Bank's efforts to reduce interest rates paid on bank deposits.

As at 31 March 2021, the operational liquidity position shows an **unencumbered counterbalancing capacity of approximately EUR 31.0 billion**, down by EUR 2.1 billion from 31 December 2020 largely due to the decline in commercial funding. The result is up from 31 March 2020 (EUR +9.4 billion) thanks to the growth in commercial funding and implementation of funding plan measures (institutional issues, access to TLTRO3), and to liquidity from the sale of loans to AMCO.

As at 31 March 2021, the **Group's shareholders' equity and non-controlling interests** amount to **approximately EUR 6.0 billion**, up EUR 0.2 billion from 31 December 2020, due to the increase in valuation reserves and to the profit for the period.

Compared to 31 March 2020, the aggregate registers a decrease of EUR 1.9 billion, largely ascribable to the closing of the "Hydra M" Transaction on 1 December 2020, which resulted in EUR 1.1 billion reduction in share capital and an increase in reserves of EUR 0.2 billion, and to the evolution of quarterly results.

As for capital ratios, the **common equity tier 1 ratio** as at 31 March 2021 stands at **12.2%** (vs. 12.1% at the end of 2020) and the **total capital ratio** stands at **15.9%**, compared to 15.8% registered at the end of December 2020.

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<u>Information provided at the request of Consob pursuant to Article 114, paragraph 5 of Legislative Decree No. 58/98</u>

Compared to estimates formulated in previous months, which showed a EUR 300 million shortfall in the first quarter of 2021 with an increase to EUR 1.5 billion as at 1 January 2022, attention is drawn to the fact that as at 31 March 2021 no capital shortfall occurred and it is expected that 12 months after the reference date, i.e. as at 31 March 2022, the shortfall could be below EUR 1 billion, including the effect of the update of internal models as per EBA Guidelines. The decrease in the expected shortfall derives from the effects of the capital management actions already carried out and of the evolution of capital and risk-weighted assets. Moreover, the capital shortfall concerns Tier 1 and, to a lesser extent, Total Capital, while no shortfall is expected on Common Equity Tier 1. The shortfall is estimated using the same assumptions underlying the Strategic Plan, taking into account 1Q21 results and excluding the capital strengthening transaction.

Despite the reduced expected shortfall, capital strengthening estimates of EUR 2.5 billion have not been revised for the time being, pending the outcome of the stress tests to be announced to the market in July.

With reference to the “structural solution”, it should be noted that the Apollo fund, which had sent the Parent Company a non-binding expression of interest, has had access to the virtual data room since March.

Should the implementation of a “structural solution” not materialise in the short/medium term, the Capital Plan envisages a EUR 2.5 billion capital strengthening transaction. In this context, DG Comp would be required to assess the State’s intervention on the basis of the Parent Company’s stand-alone viability. This assessment poses, in principle, significant uncertainties on the Parent Company’s capital strengthening process and on a capital increase at market conditions. On the basis of the initial discussions with DG Comp following the presentation of the new Group Strategic Plan 2021-2025 - and in light of the breach of certain commitments defined in the 2017-2021 Restructuring Plan - the Bank was asked to propose additional compensation measures, which were approved by the Board of Directors on 5 February 2021 and submitted to DG Comp. Discussions with the Authority have continued since, and have not recorded any significant development to date.

Pending the outcome of discussions with DG Comp, it is believed that the capital strengthening transaction, initially envisaged for the third quarter of 2021, could take place in the fourth quarter of 2021 or in the first half of 2022.

On the basis of the current information framework, the Bank believes that the capital shortfall can be overcome through the “structural solution” or through a capital strengthening transaction on a stand-alone basis, and that - also taking into account the significant uncertainty concerning how the capital strengthening will be executed - there is a reasonable expectation that the Bank will continue to operate as a going concern for the foreseeable future, and the use of the going concern basis in the preparation of the interim financial statements as at 31 March 2021 is thus considered appropriate.

This information, at the request of CONSOB, will be disclosed on a monthly basis and in conjunction with the release of the periodic financial information required by current regulations.

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Pursuant to paragraph 2, article 154-bis of the “Consolidated Finance Act”, the Financial Reporting Officer, Nicola Massimo Clarelli, declares that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

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This press release will be available at www.gruppomps.it

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Income statement and balance sheet reclassification principles

Starting from 31 March 2021 and limited to real estate assets, the Group has opted to change the post-recognition valuation criteria, providing for:

- the transition from the cost model to the revaluation model for properties held for instrumental purposes, based on the rules of IAS 16 “Property, Plant and Equipment”;

- the transition from the cost model to the fair value model for properties held for investment purposes, in accordance with IAS 40 “Investment Property”.

The income statement figures for 2020 quarters have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Conversely, the change in accounting policy for investment properties (ex IAS 16) was applied prospectively starting from 31 March 2020, in accordance with the provisions of IAS 8.

As a result of the change in the valuation criteria for real estate assets, as of this reporting date it is specified that:

- Item “property, plant and equipment” in the balance sheet includes the valuation of instrumental property as per IAS 16 and investment property as per IAS 40, at “revalued value” and “fair value”, respectively;

- Item “net adjustments to tangible and intangible assets” in the income statement includes, as regards property, plant and equipment, only depreciation relating to instrumental real-estate properties, since investment properties measured at fair value are not depreciated;

- Item “net gains (losses) from measurement at fair value of tangible and intangible assets” includes the result of the change in the fair value of real estate properties during the period, in accordance with the new valuation criterion adopted.

It should also be noted that, for the sake of greater comparability, impairment losses of functional properties (ex IAS 16) referring to the first quarter of 2020 were reclassified from item “net value adjustments on tangible and intangible assets” to item “net gains (losses) from measurement at fair value of tangible and intangible assets”.

Reclassified statements, which were prepared in order to allow managerial commentary on the balance sheet and income statement, were not examined by the Independent Auditors.

<u>Reclassified income statement</u>

The reconciliation criteria adopted for the preparation of the reclassified income statement are as follows:

- Item “**interest income**” was cleared of the negative contribution (EUR -1.2 million) of the Purchase Price Allocation (PPA), referable to past business combinations, which was reclassified to a specific item.

- Item “**net fees and commissions**” includes item 40 “fee and commission income” and 50 “fee and commission expense”.

- Item “**dividends, similar income and gains (losses) on investments**” incorporates item 70 “dividends and similar income” and the share of profit for the period contributed by investments in the associate AXA, consolidated at net equity, equal to EUR 21.2 million, included under item 250 “gains (losses) on investments”. The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 0.4 million), reclassified under “Net profit (loss) from trading, financial assets/liabilities measured at fair value and on gains from disposals/repurchases”.

- Item “**net profit (loss) from trading, financial assets/liabilities measured at fair value and on gains from disposals/repurchases**” includes item 80 “net profit (loss) from trading”, item 100 “gains (losses) on disposals/repurchases, net of the contribution of loans to customers (EUR -0.1 million) reclassified under “cost of customer loans” and 110 ““net profit (loss) on financial assets measured at fair value through profit and loss”, net of the contribution of loans to customers (EUR -4.8 million) reclassified under “cost of customer loans”. The item also incorporates dividends earned on securities other than equity investments (EUR 0.4 million).

- Item “**net income from hedging**” includes item 90 “net income from hedging”.

- Item “**other operating income (expense)**” includes item 230 “Other operating expenses (income)” net of stamp duty and other expenses recovered from customers, which are stated under the reclassified item “other administrative expenses” (EUR 58.6 million) and net of other expense recoveries, which are reclassified under item “net value adjustments to tangible assets” (EUR 4.9 million).

- Item “**personnel expenses**” includes the balance of item 190a “personnel expenses” reduced by EUR 0.2 million, relating to interest on the discounting of the early-retirement solidarity fund, reclassified under item “restructuring costs/one-off charges”.

- Item “**other administrative expenses**” includes the balance of item 190b “other administrative expenses”, reduced by the following cost items:

    - expenses, amounting to EUR 67.8 million, resulting from the EU Deposit Guarantee Schemes Directive – hereinafter DGSD – and Bank Recovery and Resolution Directive – hereinafter BRRD – for the resolution of bank crises, reclassified under “risks and charges associated with SRF, DGS and similar schemes;

    - fee on DTAs convertible into tax credits, for EUR 15.7 million, reclassified under the item “DTA fees”;

    - charges of EUR 0.4 million, relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, reclassified under item “restructuring costs/one-off charges”.

The item also incorporates stamp duty and other expenses recovered from clients (EUR 58.6 million) posted under item 230 “other operating expenses/income”.

- Item "**net value adjustments to tangible and intangible assets**" includes the amounts from items 210 "net adjustments to/recoveries on property, plant and equipment" and 220 "net adjustments to/recoveries on intangible assets", and was cleared of the negative contribution (EUR -0.2 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR 4.9 million) posted under item 230 "other operating expenses/income".

- Item "**cost of customer loans"** includes the income statement components relating to loans to customers under item 100a "gains (losses) on disposal/repurchase of financial assets measured at amortised cost" (EUR -0.1 million), 110b "net profit (loss) on financial assets and liabilities measured at fair value" (EUR -4.8 million), 130a "net impairment losses/reversals on financial assets measured at amortised cost" (EUR -73.5 million), 140 "modification gains/(losses) without derecognition" (EUR -4.4 million) and 200a "net provisions for risks and charges: net provisions for commitments and guarantees issued" (EUR +6.1 million).

- Item "**net value adjustments on securities and bank loans**" includes the portion relating to securities (EUR -2.9 million) and loans to banks (EUR +0.8 million) under item 130a "financial assets measured at amortised cost" and item 130b "net impairment losses/reversals on financial assets measured at fair value through other comprehensive income" (EUR -1.6 million).

- Item "**other net provisions for risks and charges**" includes item 200 "net provisions for risks and charges" reduced by the component relating to loans to customers in item 200a "commitments and guarantees issued" (EUR +6.1 million), which has been reclassified to the specific item "cost of customer loans".

- Item **"profit (loss) on equity investments"** incorporates the balance of item 250 "profits (losses) on equity investments" reduced by the portion of the profit on the connected equity investments in AXA, consolidated at net equity, equal to EUR 21.2 million reclassified under "dividends, similar income and gains (losses) on investments"".

- Item "**restructuring costs/one-off charges**" includes the following amounts:

  - positive contribution of EUR 0.2 million relating to interest on the discounting of the early-retirement solidarity fund, posted under item 190a "personnel expenses";

  - charges of EUR 0.4 million, relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, posted under item 190b "other administrative expenses".

- Item "**risks and charges related to the SRF, DGS and similar schemes**" includes the charges deriving from the EU's Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD), equal to EUR 67.8 million, posted under item 190b "other administrative expenses".

- Item "**DTA fees**" contains the costs relating to the fees on DTAs which are convertible into tax credits, provided for by art. 11 of Law Decree no. 59 of 3 May 2016 converted into Law no. 119 of 30 June 2016, booked under item 190b "Other Administrative Expenses" for EUR 15.7 million.

- Item “**net gains (losses) from measurement at fair value of tangible and intangible assets**” includes the balance of item 260 “net fair value gains/losses on property, plant and equipment and intangible assets”.

- Item “**gains (losses) from disposal of investments**” includes the balance of item 280 “Gains (losses) from disposal of investments”.

- Item “**tax expense (recovery) on income**” includes the balance of item 300 “tax expense/recovery on income from continuing operations” and is net of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item in the amount of EUR 0.5 million.

- The overall negative effects of **Purchase Price Allocation (PPA)** have been reclassified to the specific item, thereby separating them from the economic items concerned (in particular “net interest income” for EUR -1.2 million and “net value adjustments on tangible and intangible assets” for EUR” -0.2 million, net of a theoretical tax burden of EUR +0.5 million which integrates the item).

<u>Reclassified balance sheet</u>

The reconciliation criteria adopted for the preparation of the reclassified balance sheet are as follows:

- Asset item “**loans to central banks**” includes the portion relating to transactions with central banks under balance sheet item 40 “financial assets measured at amortised cost”;

- Asset item “**loans to banks**” includes the portion relating to transactions with banks under balance sheet items 40 “financial assets measured at amortised cost” and 20 “financial assets measured at fair value through profit and loss”;

- Asset item “**loans to customers**” includes the portion relating to loans to customers under balance sheet items 20 “financial assets measured at fair value through profit and loss”, 40 “financial assets measured at amortised cost” and 120 “non-current assets held for sale and discontinued operations”;

- Asset item “**securities assets**” includes the portion relating to securities under balance sheet items 20 “financial assets measured at fair value through profit and loss”, 30 “financial assets measured at fair value through other comprehensive income”, 40 “financial assets measured at amortised cost” and 120 “non-current assets held for sale and discontinued operations”;

- Asset item “**derivative assets**” includes the portion relating to derivatives under items 20 “financial assets measured at fair value through profit and loss” and 50 “hedging derivatives”;

- Asset item “**equity investments**” includes balance sheet item 70 “equity investments” and the portion relating to equity investments under item 120 “non-current items held for sale and discontinued operations”;

- Asset item “**tangible and intangible assets**” includes balance sheet items 90 “property, plant and equipment”, 100 “intangible assets” and the amounts relating to property, plant and equipment and intangible under item 120 “non-current assets held for sale and discontinued operations”;

- Asset item “**other assets**” includes balance sheet items 60 “change in value of macro-hedged financial assets”, 130 “other assets” and the amounts under item 120 “non-current assets held for sale and discontinued operations” not reclassified under the previous items;

- Liability item “**deposits from customers**” includes balance sheet item 10b “financial liabilities measured at amortised cost – deposits from customers” and the component relating to customer securities of item 10c “financial liabilities measured at amortised cost – debt securities issued”;

- Liability item “**securities issued**” includes balance sheet items 10c “financial liabilities measured at amortised cost – debt securities issued”, cleared of the component relating to customer securities, and 30 “Financial liabilities designated at fair value”;

- Liability item “**deposits from central banks**” includes the portion of balance sheet item 10a “deposits from banks” relating to transactions with central banks;

- Liability item “**deposits from banks**” includes the portion of balance sheet item 10a “deposits from banks” relating to transactions with banks (excluding central banks);

- Liability item “**financial liabilities held for cash trading**” includes the portion of balance sheet item 20 “financial liabilities held for trading” net of the amounts relating to trading derivatives;

- Liability item “**derivatives**” includes balance sheet item 40 “hedging derivatives” and the portion relating to derivatives under item 20 “financial liabilities held for trading”;

- Liability item “**provisions for specific use**” includes balance sheet items 90 “provision for employee severance pay” and 100 “provisions for risks and charges”;

- Item “**other liabilities**” includes balance sheet items 50 “changes in value of macro-hedged financial liabilities”, 70 “liabilities associated with non-current assets held for sale and discontinued operations” and 80 “other liabilities”;

- Liability item “**group net equity**” includes balance sheet items 120 “valuation reserves”, 130 “redeemable shares”, 150 “reserves”, 170 “capital”, 180 “treasury shares” and 200 “profit (loss) for the period”.

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INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	31 03 2021	31 03 2020*	Chg.
Net interest income	279.6	327.1	-14.5%
Net fee and commission income	372.0	369.9	0.6%
Other income from banking business	182.6	38.9	n.m.
Other operating income and expenses	(10.7)	(6.5)	64.6%
Total Revenues	823.5	729.4	12.9%
Operating expenses	(540.4)	(544.0)	-0.7%
Cost of customer loans	(76.7)	(314.5)	-75.6%
Other value adjustments	(3.7)	(1.1)	n.m.
Net operating income (loss)	202.7	(130.2)	n.m.
Net profit (loss) for the period	119.3	(239.0)	n.m.
EARNINGS PER SHARE (EUR)	**31 03 2021**	**31 03 2020***	**Chg.**
Basic earnings per share	0.123	(0.216)	n.m.
Diluted earnings per share	0.123	(0.216)	n.m.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**31 03 2021**	**31 12 2020***	**Chg.**
Total assets	146,658.8	150,345.3	-2.5%
Loans to customers	82,259.0	82,632.3	-0.5%
Direct funding	99,053.6	103,719.3	-4.5%
Indirect funding	104,440.5	102,067.3	2.3%
of which: assets under management	62,081.7	60,400.3	2.8%
of which: assets under custody	42,358.8	41,667.0	1.7%
Group net equity	6,005.4	5,771.9	4.0%
OPERATING STRUCTURE	**31 03 2021**	**31 12 2020**	**Chg.**
Total headcount - end of period	21,452	21,432	20
Number of branches in Italy	1,418	1,418	n.m.

* Balance sheet figures as at 31 December 2020 and income statement figures as at 31 March 2020 have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, impairment losses on functional properties (ex IAS 16) referring to the first quarter of 2020 were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

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ALTERNATIVE PERFORMANCE MEASURES			
MPS GROUP			
PROFITABILITY RATIOS (%)	31 03 2021	31 12 2020*	Chg.
Cost/Income ratio	65.6	74.9	-9.3
ROE (on average equity)	8.1	(24.0)	32.1
ROA	0.3	(1.1)	1.4
ROTE	8.4	(24.6)	33.0
CREDIT QUALITY RATIOS (%)	31 03 2021	31 12 2020	Chg.
Net impaired loans to customers / Loans to customers (Net NPL ratio)	2.6	2.6	n.m.
Gross NPL ratio	3.5	3.4	0.1
Rate of change of impaired loans to customers	1.7	(64.8)	66.5
Bad loans to custormers/ Loans to customers	0.7	0.7	n.m.
Stage 2 loans to customers measured at amortised cost /Performing loans to customers measured at amortised cost	18.5	18.5	n.m.
Coverage of impaired loans to customers	47.4	46.2	1.2
Coverage of bad loans to customers	64.7	62.3	2.4
Cost of customer loans/Customer loans (Provisioning)	0.37	0.90	-0.53
Texas Ratio*	52.7	53.9	-1.2

* Balance sheet figures as at 31 December 2020 and income statement figures as at 31 March 2020 have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, impairment losses on functional properties (ex IAS 16) referring to the first quarter of 2020 were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

Cost/Income ratio: ratio between operating expenses (administrative expenses and net value adjustments to property, plant and equipment and intangible assets) and total revenues (for the composition of this aggregate, see the reclassified income statement)

Return On Equity (ROE): ratio between annualised net profit (loss) for the period and the average between the Group shareholders' equity (including profit and valuation reserves) at end of period and the Group shareholders' equity at the end of the previous year.

Return On Assets (ROA): ratio between annualised net profit (loss) for the period and total assets at the end of the period.

Return On Tangible Equity (ROTE): ratio between annualised net profit (loss) for the period and the average between the tangible shareholders' equity[8] at the end of the period and that of the end of the previous year.

Gross NPL Ratio: gross weight of non-performing loans calculated, as per EBA guidelines[9], as the ratio between gross non-performing loans to customers and banks, net of assets held for sale, and total gross loans to customers and banks, net of assets held for sale (including assets held for sale pertaining to the Hydra compendium, Gross NPL Ratio is 9.7%). The Gross NPE Ratio already reported in previous financial statements and calculated as the ratio between gross non-performing exposures to customers/gross exposures to customers, thus including securities, stands at 11.1% at 30 September 2020, vs. 12.4% at 31 December 2019.

Rate of change of impaired loans to customers: represents the annual growth rate of gross impaired loans to customers based on the difference between annual stocks.

Coverage of impaired loans to customers and coverage of bad loans to customers: the coverage ratio on impaired and bad loans to customers is calculated as the ratio between the relative loan loss provisions and the corresponding gross exposures.

Texas Ratio: ratio between gross impaired loans to customers and the sum, in the denominator, of the related loan loss provisions and of the tangible shareholders' equity[8].

[8] Book value of the Group's shareholders' equity, inclusive of the profit (loss) for the period, cleared of goodwill and other intangible assets.

[9] EBA GL/2018/10.

REGULATORY MEASURES			
MPS GROUP			
CAPITAL RATIOS (%)	31 03 2021	31 12 2020	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	12.2	12.1	0.1
Common Equity Tier 1 (CET1) ratio - fully loaded	10.4	9.9	0.5
Total Capital ratio - phase in	15.9	15.8	0.1
Total Capital ratio - fully loaded	14.1	13.5	0.6
FINANCIAL LEVERAGE INDEX (%)	31 03 2021	31 12 2020	Chg.
Leverage ratio - transitional definition	4.6	4.4	0.2
Leverage ratio - fully phased	3.9	3.6	0.3
LIQUIDITY RATIO (%)	31 03 2021	31 12 2020	Chg.
LCR	187.2	196.7	-9.5
NSFR	124.3	123.8	0.5
Encumbered asset ratio	39.1	39.8	-0.7
Loan to deposit ratio	83.0	79.7	3.3
Unencumbered Counterbalancing capacity (EUR bn)	31.0	33.1	-2.1

In the determination of capital ratios, the "phase-in" (or "transitional") version represents the application of calculation rules according to the regulatory framework in force on the reference date, while the "fully loaded" version incorporates in the calculation the rules as expected when fully operational.

Common Equity Tier 1 (CET1) ratio: ratio between core capital[10] and total risk-weighted assets (RWAs) [11].

Total Capital ratio: ratio between own funds and total RWAs.

Leverage ratio: indicator calculated as the ratio between Tier 1 capital[12] and total assets, introduced by Basel regulations with the objective of containing the increase in leverage in the banking sector and strengthening risk-based requirements through a different measure based on financial statement aggregates.

Liquidity Coverage Ratio (LCR): short-term liquidity indicator corresponding to the ratio between the amount of high-quality liquid assets and the total net cash outflows in the subsequent 30 calendar days. The comparative figure relating to the LCR index as at 31 December 2019 was restated to take into account a specific interpretative clarification provided by the supervisory authority.

Net Stable Funding Ratio (NSFR): structural 12-month liquidity indicator corresponding to the ratio between the available stable funding amount and the required stable funding amount.

Encumbered asset ratio: ratio between the book value of encumbered assets and collateral and total assets and collateral (XVII, section 1.6, point 9, of Regulation (EU) 79/2015).

Loan to deposit ratio: ratio between loans to customers and the sum of customer deposits including bonds issued (deposits from customers, debt securities issued and financial liabilities measured at fair value).

Unencumbered counterbalancing capacity: sum of items that are certain and free from any commitment that the Group can use to meet its liquidity requirements, consisting of financial and commercial assets eligible for refinancing operations with the ECB and assets granted on the collateralised interbank market and not used, to which a haircut, published on a daily basis by the ECB, is prudentially applied.

[10] Defined by art. 4 of Regulation (EU) no. 575/2013 (Capital Requirements Regulation, CRR). It consists of the eligible elements and capital instruments, net of the envisaged adjustments and deductions.

[11] Risk-weighted assets: the result of the application of certain risk weights to exposures, determined according to supervisory rules.

[12] Sum of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital of the entity, as defined by art. 25 of Regulation (EU) no. 575/2013.

Reclassified Consolidated Income Statement

MONTEPASCHI GROUP	31 03 2021	31 03 2020*	Change	
			Abs.	%
Net interest income	279.6	327.1	(47.5)	-14.5%
Net fee and commission income	372.0	369.9	2.1	0.6%
Income from banking activities	**651.6**	**697.0**	**(45.4)**	**-6.5%**
Dividends, similar income and gains (losses) on investments	21.2	11.8	9.4	79.7%
Net profit (loss) from trading, from financial assets/liabilities measured at fair value and from gains (losses) on disposals/repurchases	159.8	29.9	129.9	n.m.
Net profit (loss) from hedging	1.6	(2.8)	4.4	n.m.
Other operating income (expenses)	(10.7)	(6.5)	(4.2)	64.6%
Total Revenues	**823.5**	**729.4**	**94.1**	**12.9%**
Administrative expenses:	(492.9)	(493.0)	0.1	0.0%
a) personnel expenses	(360.1)	(356.7)	(3.5)	1.0%
b) other administrative expenses	(132.7)	(136.3)	3.6	-2.6%
Net value adjustments on tangible and intangible assets	(47.5)	(51.0)	3.5	-6.9%
Operating expenses	**(540.4)**	**(544.0)**	**3.6**	**-0.7%**
Pre-Provision Profit	**283.1**	**185.4**	**97.7**	**52.7%**
Cost of customer loans	**(76.7)**	**(314.5)**	**237.8**	**-75.6%**
Net impairment (losses)/reversals on securities and loans to banks	**(3.7)**	**(1.1)**	**(2.6)**	**n.m.**
Net operating income	**202.7**	**(130.2)**	**332.9**	**n.m.**
Net provisions for risks and charges	8.5	(40.1)	48.6	n.m.
Other gains (losses) on equity investments	(2.8)	0.2	(3.0)	n.m.
Restructuring costs/One-off costs	(0.1)	2.6	(2.7)	n.m.
Risks and charges associated to the SRF, DGS and similar schemes	(67.8)	(58.3)	(9.5)	16.3%
DTA Fees	(15.7)	(17.8)	2.1	-11.7%
Net gains (losses) from measurement at fair value of tangible and intangible assets	(27.8)	4.0	(31.8)	n.m.
Gains (losses) on disposal of investments	17.0	0.2	16.8	n.m.
Profit (Loss) for the period before tax	**114.0**	**(239.4)**	**353.4**	**n.m.**
Tax (expense)/recovery on income from continuing operations	6.1	1.6	4.5	n.m.
Profit (Loss) after tax	**120.1**	**(237.8)**	**358.0**	**n.m.**
Net profit (loss) for the period including non-controlling interests	**120.1**	**(237.8)**	**358.0**	**n.m.**
Net profit (loss) attributable to non-controlling interests	(0.1)	-	(0.1)	n.m.
Parent Company's Profit (loss) for the period before PPA	**120.2**	**(237.8)**	**358.1**	**n.m.**
PPA (Purchase Price Allocation)	(0.9)	(1.1)	0.2	-17.6%
Parent company's net profit (loss) for the period	**119.3**	**(239.0)**	**358.3**	**n.m.**

* Income statement figures as at 31 March 2020 have been restated, compared to those published, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, impairment losses on functional properties (ex IAS 16) referring to the first quarter of 2020 were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

Quarterly trend in reclassified consolidated income statement

MONTEPASCHI GROUP	2021	2020 *			
	1°Q 2021	4°Q 2020	3°Q 2020	2°Q 2020	1°Q 2020
Net interest income	279.6	311.9	331.8	319.8	327.1
Net fee and commission income	372.0	380.4	355.4	324.4	369.9
Income from banking activities	**651.6**	**692.3**	**687.3**	**644.1**	**697.0**
Dividends, similar income and gains (losses) on investments	21.2	43.5	11.2	34.5	11.8
Net profit (loss) from trading, from financial assets/liabilities measured at fair value and from gains (losses) on disposals/repurchases	159.8	(10.2)	61.7	62.2	29.9
Net profit (loss) from hedging	1.6	1.6	0.5	3.3	(2.8)
Other operating income (expenses)	(10.7)	(10.1)	(12.9)	(21.0)	(6.5)
Total Revenues	**823.5**	**717.1**	**747.7**	**723.1**	**729.4**
Administrative expenses:	(492.9)	(514.7)	(490.6)	(480.2)	(493.0)
a) personnel expenses	(360.1)	(355.2)	(352.0)	(351.2)	(356.7)
b) other administrative expenses	(132.7)	(159.5)	(138.5)	(129.0)	(136.3)
Net value adjustments on tangible and intangible assets	(47.5)	(50.9)	(51.4)	(52.9)	(51.0)
Operating expenses	**(540.4)**	**(565.6)**	**(542.0)**	**(533.1)**	**(544.0)**
Pre-Provision Profit	**283.1**	**151.5**	**205.7**	**190.0**	**185.4**
Cost of customer loans	**(76.7)**	**(126.6)**	**(101.7)**	**(204.8)**	**(314.5)**
Net impairment (losses)/reversals on securities and loans to banks	**(3.7)**	**1.2**	**(1.1)**	**(4.4)**	**(1.1)**
Net operating income	**202.7**	**26.1**	**102.9**	**(19.2)**	**(130.2)**
Net provisions for risks and charges	8.5	(216.2)	(410.7)	(317.0)	(40.1)
Other gains (losses) on equity investments	(2.8)	1.7	0.4	0.5	0.2
Restructuring costs/One-off costs	(0.1)	(25.1)	(100.7)	(30.4)	2.6
Risks and charges associated to the SRF, DGS and similar schemes	(67.8)	(22.7)	(41.0)	(18.4)	(58.3)
DTA Fees	(15.7)	(17.8)	(17.8)	(17.7)	(17.8)
Net gains (losses) from measurement at fair value of tangible and intangible assets	(27.8)	(28.9)	(3.1)	0.4	4.0
Gains (losses) on disposal of investments	17.0	53.9	0.3	(0.9)	0.2
Profit (Loss) for the period before tax	**114.0**	**(229.0)**	**(469.6)**	**(402.7)**	**(239.4)**
Tax (expense)/recovery on income from continuing operations	6.1	75.8	20.0	(439.0)	1.6
Profit (Loss) after tax	**120.1**	**(153.2)**	**(449.6)**	**(841.7)**	**(237.8)**
Net profit (loss) for the period including non-controlling interests	**120.1**	**(153.2)**	**(449.6)**	**(841.7)**	**(237.8)**
Net profit (loss) attributable to non-controlling interests	(0.1)	-	-	(0.1)	-
Parent Company's Profit (loss) for the period before PPA	**120.2**	**(153.2)**	**(449.6)**	**(841.6)**	**(237.8)**
PPA (Purchase Price Allocation)	(0.9)	(1.3)	(1.1)	(0.9)	(1.1)
Parent company's net profit (loss) for the period	**119.3**	**(154.5)**	**(450.6)**	**(842.4)**	**(239.0)**

* 2020 quarterly income statement figures have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40). Furthermore, for the sake of greater comparability, 2020 quarterly impairment losses on functional properties (ex IAS 16) were reclassified from item "net value adjustments on tangible and intangible assets" to item "net gains (losses) from measurement at fair value of tangible and intangible assets".

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Reclassified Balance Sheet				
Assets	**31 03 2021**	**31 12 2020***	**Chg**	
			abs.	**%**
Cash and cash equivalents	550.3	763.8	(213.5)	-28.0%
Loans to central banks	26,116.9	28,526.3	(2,409.4)	-8.4%
Loans to banks	4,278.4	5,452.3	(1,173.9)	-21.5%
Loans to customers	82,259.0	82,632.3	(373.3)	-0.5%
Securities assets	22,562.1	21,623.3	938.8	4.3%
Derivatives	2,757.5	3,018.6	(261.1)	-8.6%
Equity investments	1,069.2	1,107.5	(38.3)	-3.5%
Property, plant and equipment/Intangible assets	2,784.5	2,520.1	264.4	10.5%
of which:				
a) goodwill	*7.9*	*7.9*	*-*	*0.0%*
Tax assets	1,919.8	1,991.5	(71.7)	-3.6%
Other assets	2,361.1	2,709.6	(348.5)	-12.9%
Total assets	**146,658.8**	**150,345.3**	**(3,686.5)**	**-2.5%**

Liabilities	**31 03 2021**	**31 12 2020***	**Chg**	
			abs.	**%**
Direct funding	99,053.6	103,719.3	(4,665.7)	-4.5%
a) Due to customers	87,124.1	91,506.9	(4,382.8)	-4.8%
b) Securities issued	11,929.5	12,212.4	(282.9)	-2.3%
Due to central banks	26,373.1	23,933.6	2,439.5	10.2%
Due to banks	3,816.4	4,484.5	(668.1)	-14.9%
On-balance-sheet financial liabilities held for trading	3,179.5	4,545.5	(1,366.0)	-30.1%
Derivatives	2,759.0	3,253.5	(494.5)	-15.2%
Provisions for specific use	2,011.3	2,059.2	(47.9)	-2.3%
a) Provisions for staff severance indemnities	164.2	166.6	(2.4)	-1.4%
b) Provisions related to guarantees and other commitments	147.1	154.1	(7.0)	-4.5%
c) Pension and other post-retirement benefit obligations	32.3	33.0	(0.7)	-2.1%
d) Other provisions	1,667.7	1,705.5	(37.8)	-2.2%
Tax liabilities	8.1	4.1	4.0	97.6%
Other liabilities	3,451.0	2,572.4	878.6	34.2%
Group net equity	6,005.4	5,771.9	233.5	4.0%
a) Valuation reserves	367.6	260.9	106.7	40.9%
d) Reserves	(3,415.8)	(1,683.8)	(1,732.0)	n.m.
f) Share capital	9,195.0	9,195.0	-	0.0%
g) Treasury shares (-)	(260.7)	(313.7)	53.0	-16.9%
h) Net profit (loss) for the period	119.3	(1,686.5)	1,805.8	n.m.
Non-controlling interests	1.4	1.3	0.1	7.7%
Total Liabilities and Shareholders' Equity	**146,658.8**	**150,345.3**	**(3,686.5)**	**-2.5%**

* Balance sheet figures as at 31 December 2020 have been restated, compared to those published in the 2020 Annual Report, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40).

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Balance Sheet - Quarterly Trend

Assets	31/03/21	31/12/20*	30/09/20*	30/06/20*	31/03/20*
Cash and cash equivalents	550.3	763.8	662.4	679.9	611.2
Loans to central banks	26,116.9	28,526.3	18,679.7	15,037.8	8,109.5
Loans to banks	4,278.4	5,452.3	4,934.9	5,757.3	4,938.8
Loans to customers	82,259.0	82,632.3	87,098.7	82,510.6	82,206.1
Securities assets	22,562.1	21,623.3	23,024.6	25,569.4	26,006.3
Derivatives	2,757.5	3,018.6	3,023.0	3,129.1	3,233.8
Equity investments	1,069.2	1,107.5	991.8	953.9	892.0
Property, plant and equipment/Intangible assets	2,784.5	2,520.1	2,536.2	2,560.4	2,825.6
of which:					
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	1,919.8	1,991.5	2,114.0	2,196.0	2,767.9
Other assets	2,361.1	2,709.6	3,209.6	3,255.7	2,668.8
Total assets	**146,658.8**	**150,345.3**	**146,274.9**	**141,650.1**	**134,260.0**

Liabilities	31/03/21	31/12/20*	30/09/20*	30/06/20*	31/03/20*
Direct funding	99,053.6	103,719.3	98,418.1	97,585.2	95,367.2
a) Due to customers	87,124.1	91,506.9	86,827.3	86,139.8	83,680.4
b) Securities issued	11,929.5	12,212.4	11,590.8	11,445.4	11,686.8
Due to central banks	26,373.1	23,933.6	23,994.9	21,330.6	15,997.9
Due to banks	3,816.4	4,484.5	4,733.6	4,853.9	4,752.1
On-balance-sheet financial liabilities held for trading	3,179.5	4,545.5	3,122.2	2,192.1	2,407.1
Derivatives	2,759.0	3,253.5	3,293.9	3,419.2	3,174.4
Provisions for specific use	2,011.3	2,059.2	1,942.4	1,570.9	1,310.3
a) Provisions for staff severance indemnities	164.2	166.6	182.1	180.3	166.4
b) Provisions related to guarantees and other commitments	147.1	154.1	153.0	152.6	155.3
c) Pension and other post-retirement benefit obligations	32.3	33.0	33.1	34.0	35.2
d) Other provisions	1,667.7	1,705.5	1,574.2	1,204.0	953.4
Tax liabilities	8.1	4.1	3.0	3.0	3.3
Other liabilities	3,451.0	2,572.4	4,001.0	3,541.4	3,327.7
Group net equity	6,005.4	5,771.9	6,764.5	7,152.4	7,918.3
a) Valuation reserves	367.6	260.9	153.5	35.2	(41.5)
d) Reserves	(3,415.8)	(1,683.8)	(1,871.9)	(1,816.3)	(1,816.2)
f) Share capital	9,195.0	9,195.0	10,328.6	10,328.6	10,328.6
g) Treasury shares (-)	(260.7)	(313.7)	(313.7)	(313.7)	(313.7)
h) Net profit (loss) for the period	119.3	(1,686.5)	(1,532.0)	(1,081.4)	(239.0)
Non-controlling interests	1.4	1.3	1.3	1.4	1.7
Total Liabilities and Shareholders' Equity	**146,658.8**	**150,345.3**	**146,274.9**	**141,650.1**	**134,260.0**

* 2020 quarterly balance sheet figures have been restated, compared to those published at the respective reporting dates, following the retrospective application of the change in valuation criteria for investment properties (ex IAS 40).

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