MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

**PRESS RELEASE**

# BANCA MPS: BOARD APPROVES RESULTS AS OF 30 SEPTEMBER 2020

**PRE-PROVISION PROFIT FOR THE THIRD QUARTER AT EUR 203 MILLION, UP Q/Q (+8.8%), WITH INCREASE IN NET INTEREST INCOME (+3.8%), THANKS TO RESILIENCE OF COMMERCIAL COMPONENT AND TO TLTRO3 BENEFITS, AND IN FEES & COMMISSIONS (+9.6%), FOLLOWING POST-LOCKDOWN RESUMPTION OF ACTIVITY**

**OPERATING COSTS INCREASE MARGINALLY IN THE QUARTER (+1.5%), BUT ARE DOWN Y/Y (-3.8%). BENEFITS EXPECTED FOR THE EXIT OF 560 EMPLOYEES, THROUGH THE SOLIDARITY FUND, FROM NOVEMBER 1ST**

**THE BANK'S STRONG COMMITMENT TO SUPPORT THE ECONOMY CONTINUES: GOVERNMENT PROGRAMMES APPLIED TO A PORTFOLIO OF ABOUT EUR 25 BILLION [1]**

**SIGNIFICANT GROWTH OF COMMERCIAL DIRECT FUNDING: CURRENT ACCOUNTS AND TIME DEPOSITS INCREASED BY ALMOST EUR 3 BILLION IN THE QUARTER, EUR +7.5 BILLION YTD (+11%)**

**WEALTH MANAGEMENT PRODUCTS FOR EUR 8.4 BILLION PLACED IN 9 MONTHS (+0.8% Y/Y)**

**COST OF CREDIT AT 84 BPS, INCLUDING ADDITIONAL PROVISIONS BOOKED IN 1H20 FOLLOWING COVID-INDUCED UPDATE OF MACROECONOMIC SCENARIO; NET OF THIS COMPONENT, COST OF CREDIT AT 49 BPS**

**NET OPERATING RESULT FOR THE QUARTER POSITIVE FOR EUR 100 MILLION, IMPROVED VS. PREVIOUS 2020 QUARTERS AND IN LINE WITH 2019 AVERAGE QUARTERLY RESULTS**

**NET RESULT FOR THE QUARTER NEGATIVE FOR EUR 451 MILLION, IMPACTED BY NON-OPERATING ITEMS FOR EUR 569 MILLION, MAINLY RELATED TO PROVISIONS FOR LEGAL RISKS AND TO RESTRUCTURING COSTS FOR HEADCOUNT REDUCTIONS**

**GROSS NPE RATIO AT 11.1%, DOWN FROM 11.8% IN JUNE; INCLUDING THE EFFECTS OF THE DE-RISKING TRANSACTION IN PROGRESS WITH AMCO – EXPECTED TO BE COMPLETED BY THE BEGINNING OF DECEMBER – PRO FORMA GROSS NPE RATIO ~4%, ONE OF THE SYSTEM'S LOWEST**

**CAPITAL RATIOS AND LIQUIDITY POSITION:**
**TRANSITIONAL CET1 RATIO: 12.9% vs. 8.8% SREP**
**TOTAL CAPITAL RATIO: 16.2% vs. 13.6% SREP**
**LCR >150%, NSFR >100%**

**THE BANK IS REVISING ITS CAPITAL PLAN, WITH THE FULL SUPPORT OF THE CONTROLLING SHAREHOLDER, FOR THE CAPITAL STRENGHTHENING INTITIATIVES CURRENTLY BEING EVALUATED, IN LIGHT OF THE PROVISIONS FOR LEGAL RISKS BOOKED IN THE QUARTER, THE AMCO DEAL IMPACTS AND FUTURE IMPLICATIONS OF REGULATORY AND MACROECONOMIC HEADWINDS**

[1] Moratoria, blocked revocation and extension of lines of credit and advances, government-guaranteed loans.

*Siena, 05 November 2020* – Today the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved the results as at 30 September 2020.

**Group profit and loss results as at 30 September 2020**

The Group's **total revenues** as at 30 September 2020 stand at **EUR 2,200 million**, down 9.3% Y/Y. This decrease is mainly due to the drop in net interest income, ascribable to the disposal of UTP loans and to the effects of the other initiatives set forth during 2019 and the first part of 2020 in compliance with Restructuring Plan commitments, but also to decreasing short-term interest rates and commercial volumes. Net interest income benefitted from the positive effects of access to the TLTRO3 auctions (EUR 24 billion take-up). Net fees and commissions, down Y/Y, were affected by reduced operations during lockdown and by fewer placements of third-party consumer credit products. The decrease in other income from banking business was influenced by the lower contribution from the Bancassurance partnership with AXA and a decline in trading results, negatively impacted by tensions on financial markets for the COVID-19 emergency. Other operating income/expenses improve, having been burdened, in the first nine months of 2019, by the recognition of approximately EUR 49 million for the indemnity relating to the exercise of the right of withdrawal from the Juliet agreement.

The quarter-on-quarter comparison shows an increase in revenues (EUR +25 million) thanks to the improvement in net fees and commissions, particularly asset management fees, which benefitted from the return to ordinary network operations after the lockdown period, and the upturn in net interest income. Other income from banking business recorded a downturn from the previous quarter owing to the lower contribution from trading transactions and AXA-MPS. The 2Q20 result had also benefitted from the recognition of the Bankit dividend.

**Net interest income** as at 30 September 2020 stands at **EUR 979 million**, down 16.2% Y/Y. The decrease in net interest income was driven (i) by the disposal of unlikely-to-pay loans in 2019, (ii) by the completed sale of subsidiary BMP Belgio S.A. in June 2019, (iii) by the Bank's return to the institutional funding market, with significant volumes placed in the second half of 2019 and during 2020 (iv) by the lower contribution from the BMPS securities portfolio and (v) by declining asset yields, driven by interest rate trends and lower volumes of interest-bearing commercial loans. NII was benefitted by the positive effects of access to the TLTRO3 auctions, amounting to EUR 68 million, albeit partly offset by the greater cost of deposits with central banks.

By contrast, the 3Q20 result is up from the previous quarter (+3.8%) thanks to the aforesaid benefit deriving from access to the TLTRO3 auctions, only partially offset by the cost of deposits with central banks and the lower contribution from commercial lending and from the BMPS securities portfolio.

**Net fees and commissions** in the first nine months of 2020, amounting to **EUR 1,050 million**, register a downturn of 2.7% Y/Y, having been influenced by reduced network operations during the months of lockdown. A significant portion of the decrease in fees and commissions stems from the reduced placement of third-party consumer credit products and commissions on services, which were particularly affected by reduced customer activity following the COVID-19 emergency. Wealth Management fees decreased by 0.9%. Finally, other net fees and commissions are up, due to the lower cost of government guarantees following the reimbursement of the Government-Guaranteed Bonds in 1Q20.

The 3Q20 result is up from the previous quarter (+9.6%), with an increase in income from asset management, particularly product placements, which benefitted from the recovery of network operations following the sharp slowdown in the previous quarter due to the COVID-19 emergency, as well as commissions on services. Commissions on credit facilities and other net fees and commissions are also up Q/Q. It should be noted that, as of the end of October, branch operations have again been reduced following the new wave of COVID-19 infections.

**Dividends, similar income and profit (loss) on investments** amount to **EUR 58 million** and include the contribution from the AXA-MPS joint venture[2] in Bancassurance. The item shows a decrease from September 2019 (EUR -23 million) with the result in 3Q20 decreasing vs. the previous quarter (EUR -23 million), which also included the Bankit dividend.

**Net profit (loss) from trading, financial assets/liabilities measured at fair value and gains from disposals/repurchases** as at 30 September 2020 amounts to **EUR 154 million**, registering a year-on-year decrease (-15.1%) with the contribution in 3Q20 remaining largely stable against 2Q20 (EUR -1 million). An analysis of the main aggregates shows the following:

- **Net profit from trading comes to EUR +30 million,** down from 30 September 2019 due to the lower contribution of subsidiary MPS Capital Services – affected, particularly in the first quarter of the year, by tensions on the financial markets owing to the COVID-19 emergency – and of BMPS, partly owing to the lack of the positive effects which had been recorded in 2019 on liability hedging derivatives at fair value. Performance in 3Q20 is also down compared to the previous quarter, due to the lower results from subsidiary MPS Capital Services.

- **Net profit from other financial assets and liabilities measured at fair value through profit and loss shows a negative balance of EUR 4 million,** up compared to the same period of the previous year (at EUR -17 million), penalised by the recognition of losses on liabilities measured at fair value. The 3Q20 result registers an improvement on the EUR 6 million negative contribution in 2Q20, largely due to the recognition of capital gains on UCITS.

- **Gains on disposals/repurchases** (excluding customer loans at amortised cost) **show a positive balance of EUR 128 million**, up from the EUR 110 million registered for the same period of the previous year thanks to higher gains from the sale of securities, particularly Italian government bonds, in 9M20. The third quarter's contribution, amounting to EUR 52 million, is up by EUR 28 million from 2Q20, due to the higher profits from the mentioned sale of securities.

The following items also contribute to total revenues:

- **Net income from hedging, in the amount of EUR +1.0 million**, largely stable on 30 September 2019 (at EUR +1.2 million) with the 3Q20 contribution (EUR 0.5 million) reduced from 2Q20 (at EUR +3.3 million);

- **Other operating expenses/income show a negative balance of EUR 40 million,** an improvement on the result recorded in the first nine months of 2019 (at EUR -82 million), which included the recognition of approximately EUR 49 million in costs relating to the unwinding of the

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

Juliet agreement. The 3Q20 result, amounting to EUR -13 million, is up from 2Q20 (at EUR -21 million).

As at 30 September 2020, **operating expenses** amount to **EUR 1,630 million**, down 3.8% Y/Y, with 3Q20 increasing vs. 2Q20 (+1.5%). An analysis of the individual aggregates shows that:

- **Administrative expenses** stand at **EUR 1,464 million**, falling by approx. EUR 46 million Y/Y, with 3Q20 contributing EUR 491 million, up by approx. EUR 10 million against 2Q20. A closer look at the aggregate shows that:

  - **Personnel expenses**, amounting to **EUR 1,060 million**, are down 1.9% Y/Y, having mainly benefitted from the reduced average headcount (particularly as a result of the 750 Solidarity Fund exits in 2019 as well as the 105 exits from the deconsolidation of BMP Belgio S.A. in June 2019) and lower expenses due to the expansion of remote working as a result of the ongoing COVID-19 emergency. The trend was only partially offset by the contractual salary increases/adjustments largely resulting from the renewed National Collective Labour Agreement. Compared to the previous quarter, the aggregate is essentially stable. Benefits from the 560 exits of personnel through the Solidarity Fund on November 1st are expected from Q4.

  - **Other administrative expenses,** amounting to **EUR 404 million**, are down 5.9% Y/Y. Despite the additional expenses required to deal with the COVID-19 emergency (especially for the purchase of Personal Protection Equipment and the cleaning of work premises), the aggregate benefitted from the deconsolidation of BMP Belgio S.A. in June 2019, from savings related to the 2019 branch closures and from reduced operations during lockdown, as well as from the cost saving initiatives carried out. The aggregate is up by approx. 7.4% Q/Q, mainly due to the additional expenses relating to the protraction of the COVID-19 emergency.

- **Net value adjustments to tangible and intangible assets** as at 30 September 2020 stand at **EUR 167 million**, down 10.3% Y/Y, mainly due to the lower depreciation of both intangible and tangible assets. The result in 3Q20 is up 3.9% Q/Q.

As a result of the above trends, the Group's **pre-provision profit** amounts to **EUR 570 million** (EUR 731 million as at 30 September 2019), with the 3Q20 contribution up by approx. EUR 16 million from the previous quarter.

The **cost of customer loans** registered by the Group as at 30 September 2020 amounts to **EUR 621 million**, worsened by EUR 230 million from the same period of the previous year (at EUR 391 million). In particular:

- the figure for the first nine months of 2020 includes around EUR 300 million of increased provisioning resulting from the new macroeconomic scenario that emerged following the outbreak of the COVID-19 emergency;

- the figure for the first nine months of 2019, on the other hand, had included a negative effect of approx. EUR 37 million owing to the new macroeconomic scenario and a net positive effect of approx. EUR 209 million from the unwinding of the servicing agreement with Juliet (positive effect for approx. EUR 457 million due to the elimination of the prospective costs of the agreement which were reflected in loan loss provisions) and the simultaneous review of the

NPE reduction strategy, which provided for an acceleration of the 2019 disposal plan (negative effect for approx. EUR 248 million).

Excluding these effects, the aggregate decreases Y/Y, mainly due to lower provisions on already-impaired positions and to the reduced impact of loans migrating to bad loan status.

Cost of customer loans for 3Q20 is down from the previous quarter, which included the mentioned additional provisions resulting from the changed macroeconomic scenario, booked for EUR 107 million in 2Q20 (in addition to EUR 193 million in 1Q20).

The ratio of straight-line annualised cost of customer loans for the first nine months of 2020 over total customer loans as at 30 September 2020 reflects a provisioning rate of 95 bps (73 bps as at 31 December 2019). The provisioning rate is 84 bps considering the EUR 300 million increase in adjustments linked to the updated scenario as a one-off effect for the first nine months of 2020 only.

The Group's **net operating result** as at 30 September 2020 is **negative for approx. EUR 58 million,** against a positive balance of EUR 337 million recorded for the same period of the previous year. However, 3Q20 contributes for approx. EUR 99.8 million, improved from the preceding quarters, which had recorded negative results (EUR -23 million in 2Q20 and EUR -134.7 million in 1Q20).

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

- **Net provisions for risks and charges** amounting to **EUR -768 million,** mainly attributable to provisions for legal risks, particularly on previous capital increases and risks connected with contractual agreements. A negative balance of EUR 70 million was registered as at 30 September 2019, largely due to the provisions for commitments undertaken by the Parent Company against settlements related to diamond transactions.

- **Gains on investments** amounting to approx. **EUR 1.1 million**, against a profit of EUR 3.7 million recorded in the same period of the previous year, with a contribution of EUR +0.4 million in 3Q20 compared to approximately EUR +0.5 million registered in 2Q20.

- **Restructuring costs/one-off charges** totalling **EUR -129 million**, mainly including expenses relating to the early retirement scheme with the exit of 560 employees through the Solidarity Fund as well as expenses relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO.

  As at 30 September 2019, the aggregate showed a negative balance of EUR 2 million and included the costs relating to project expenses as well as the price adjustment for the sale of BMP Belgio S.A, partially offset by the recoveries recognised by INPS for the previous headcount reduction/solidarity fund schemes.

- **Risks and charges related to SRF, DGS and similar schemes,** totalling **EUR -118 million,** consisting of the Group's contribution to the Single Resolution Fund (SRF), which amounted to EUR 58 million in 1Q20, the additional contribution to the National Resolution Fund (NRF) booked for EUR 18 million in 2Q20 and the estimated contribution to be paid to the IDPF (DGS), registered in the amount of EUR 41 million in 3Q20.

The aggregate as at 30 September 2019, amounting to EUR -123 million, included the annual contribution of EUR 54 million to the Single Resolution Fund (SRF), the extraordinary contribution of EUR 20 million to the National Resolution Fund (NRF), the capital loss of EUR 13 million on the exposure towards to the IDPF Voluntary Scheme (for the Carige intervention) and the estimated contribution to be paid to the IDPF (DGS) in the amount of EUR 36 million.

- **DTA fees**, totalling **EUR -53 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 30 September 2020 for DTAs (Deferred Tax Assets) which are convertible into tax credit.

- **Gains on disposal of investments** for **EUR 1.4 mln** from the sale of real estate properties. The aggregate showed a positive balance of EUR 1.1 million as at 30 September 2019.

As a result of the above trends, the Group's **pre-tax loss for the period** amounts to **EUR -1,123 million** vs. the positive result of EUR +93 million recorded as at 30 September 2019.

**Taxes on profit (loss) from continuing operations** record a negative contribution of **EUR 414 million** (EUR +104 million in the first nine months of 2019) owing almost entirely to the revised value of deferred tax assets (DTAs) recorded in the financial statements, following the update of multi-year internal estimates (2020-2024) of income statement and balance sheet figures to take into account the evolution of the macroeconomic scenario as a result of the pandemic.

Considering the net effects of PPA (EUR -3 million), **the Parent Company's loss for the period amounts to EUR -1,539 million** against a profit of EUR 187 million reported for the same period in 2019.

## Group balance sheet aggregates as at 30 September 2020

The Group's **total funding** volumes as at 30 September 2020 amount to **EUR 198.0 billion**, up by EUR 1.7 billion from 30 June 2020, both in indirect funding (EUR +0.9 billion) and direct funding (EUR +0.8 billion). The aggregate is also up from 31 December 2019 (EUR +2.0 billion) thanks to the increase in direct funding (EUR +4.2 billion), which more than offsets the decline in indirect funding, negatively affected by the market.

**Direct funding** was particularly influenced by the increase in current accounts following the outbreak of the COVID-19 emergency. This trend has been characteristic of the entire banking system and is linked to the prudent approach of customers against the economic uncertainties that have become more acute with the spread of the pandemic.

More specifically, **direct funding** volumes stand at **EUR 98.4 billion**, up EUR 0.8 billion vs. the end of June 2020. The upturn is mainly attributable to the continued increase in current accounts (EUR +2.7 billion) and deposits, only partly offset by reduced repos (EUR -2.3 billion). An increase was also registered for bonds (EUR +0.1 billion) following the institutional issue carried out in September.

The aggregate is up by EUR 4.2 billion from the end of December 2019 due to the increase in current accounts (EUR +7.6 billion) and repos (EUR +1.8 billion). A downtrend was recorded for other forms of funding (EUR -2.6 billion) and bonds (EUR -2.6 billion), largely due to the impact from the repayment of Government-Guaranteed Bonds and closure of the connected structured funding transactions in 1Q20.

The Group's direct funding market share[3] stands at 3.84% (updated to July 2020), registering an increase from December 2019 (3.70%).

**Indirect funding** amounts to **EUR 99.6 billion**, up (EUR +0.9 billion) from 30 June 2020 in both assets under management (EUR +0.7 million Q/Q) and assets under custody (EUR +0.2 billion Q/Q), thanks to the positive market effect connected with the recovery of the financial markets.

**Assets under management**, amounting to **EUR 58.5 billion**, are up by EUR 0.7 billion from June 2020 across all segments thanks to the positive market effect mentioned above.

Compared with 31 December 2019, the aggregate registers a fall of EUR 2.2 billion owing to a negative market effect that impacted both assets under management and assets under custody.

As at 30 September 2020, Group **customer loans** amount to **EUR 87.1 billion**, up by EUR 4.6 billion Q/Q. Even net of the growth in repos (EUR +3.4 billion), customer loans still rise by EUR 1.2 billion, mainly owing to increased mortgages (EUR +2.4 billion), partly influenced by disbursements and moratoria connected with the government decrees issued following the COVID-19 emergency, only partially offset by the decline in current accounts (EUR -0.2 billion) and other loans (EUR -0.9 billion).

Similar trends can be observed in the comparison with 31 December 2019, against which the aggregate registers an increase of EUR 7.0 billion. Even net of the increase linked to the growth in repos (EUR +5.4 billion), the aggregate still shows a rise of EUR 1.6 billion, mainly owing to the expansion in mortgages (EUR +4.4 billion), which was also influenced by the aforementioned disbursements and moratoria under the government decrees issued following the COVID-19 emergency, only partially offset by the decline in current accounts (EUR -1.0 billion), other forms of lending (EUR -1.5 billion) and net impaired loans (EUR -0.3 billion).

The Group's market share[4] stands at 4.87% (updated to July 2020), down 6 bps from the end of 2019.

Medium/long term loans recorded new disbursements of EUR 4.0 billion in 3Q20, registering an upturn from both 2Q20 (EUR +0.7 billion) and Y/Y, thanks also to the disbursements relating to the "Liquidity Decree".

Stage 1 loans, amounting to EUR 64.7 billion, register an increase from both 30 June 2020 (EUR 61.8 billion) and 31 December 2019 (EUR 62.5 billion). There is also a rise in Stage 2 loans, whose gross exposure amounts to EUR 17.1 billion as at 30 September 2020, against EUR 15.3 billion as at 30 June 2020 and EUR 11.9 billion at 31 December 2019.

**The Group's total non-performing customer exposures** as at 30 September 2020 stand at **EUR 11.4 billion** in terms of gross exposures, decreasing vs. 30 June 2020 (at EUR 11.6 billion) and 31 December 2019 (at EUR 11.9 billion), thanks to disposals and collections completed during the period and the closure of some significant tickets.

[3] 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.

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

The gross exposure of bad loans is essentially stable compared to 30 June 2020 and down EUR 137 million against 31 December 2019, largely owing to disposals and recoveries carried out in the period and to the closure of some large tickets, only partially offset by new inflows for the period. Gross unlikely-to-pay loans are also down, by EUR 213 million Q/Q and by EUR 494 million compared to 31 December 2019, largely the result of migrations to bad loans, cure and disposals, only partially offset by new inflows. Gross past-due exposures show an increase from both 30 June 2020 (EUR +71 million) and 31 December 2019 (EUR +167 million).

Net of tickets pertaining to the Hydra transaction compendium, gross non-performing customer exposures as at 30 September 2020 would have been EUR 3.9 billion.

As at 30 September 2020, the Group's **net non-performing customer exposures** stand at **EUR 5.8 billion,** unchanged from 30 June 2020 and down from 31 December 2019 (EUR -324 million), thanks to reduced gross exposures accompanied by the increase in average coverage resulting from the higher adjustments owing to the new macroeconomic scenario following the spread of the pandemic, which impacted the portfolio's risk levels.

Net of the positions belonging to the Hydra transaction portfolio, the net non-performing customer exposures as at 30 September 2020 would have been EUR 2.1 billion.

The ratio of net non-performing exposures to net customer loans as at 30 September 2020 is 6.6%, down from both June 2020 (7.1%) and December 2019 (7.6%). Over the period, a lower percentage was registered for UTPs (from 3.8% in December 2019 and 3.4% in June 2020 to 3.1% in September 2020) and bad loans (from 3.7% in December 2019 and 3.5% in June 2020 to 3.3% in September 2020). The percentage of past-due exposures, on the other hand, increases from 0.1% in December 2019 to 0.2% in both June 2020 and September 2020.

Net of the positions belonging to the Hydra transaction portfolio, the net non-performing customer exposures to net customer loans as at 30 September 2020 would have been EUR 2.5%.

As at 30 September 2020, **coverage** of total non-performing customer exposures stands at 49.5%, stabled compared to 30 June 2020 (49.5%) and up from 31 December 2019 (48.7%) mainly due to the increase in adjustments following the changed macroeconomic scenario following the spread of the COVID-19 emergency.

Net of loans belonging to the Hydra transaction compendium, coverage of total non-performing customer exposures would have stood at 45.9%.

As at 30 September 2020, **Group financial assets** amount to **EUR 23.0 billion**, down by EUR 1.2 billion from 31 December 2019, mainly due to the decrease in financial assets held for trading (EUR -0.7 billion), attributable to MPS Capital Services, and financial assets measured at fair value through other comprehensive income (EUR -0.8 billion), mainly attributable to the Parent Company, whose sales and maturities were only partially offset by purchases.

The aggregate is down compared to 30 June 2020 (EUR -2.5 billion) due to the decrease in trading, particularly attributable to the subsidiary MPS Capital Services. The amortised cost component is basically stable due to purchases of securities, mainly government bonds, which offset sales. It should be noted that the market value of the securities booked as loans to customers at amortised cost is equal to EUR 9,877.2 million (with implicit capital gains of approximately EUR 271.1 million).

As at 30 September 2020, **financial liabilities held for cash trading** are up from both the end of December 2019 (EUR +0.7 billion) and 30 June 2020 (EUR +0.9 billion).

As at 30 September 2020, the **net position in derivatives** decreases against 31 December 2019 (EUR -0.5 billion) but improves vs. 30 June 2020.

As at 30 September 2020, the Group's **net interbank position** stands at **EUR 5.1 billion** in funding, remaining stable against 30 June 2020 and the end of 2019. The growth in deposits with the ECB, through access to the TLTRO3, was accompanied by higher deposits on the required reserve account. As at 30 September 2020, funding through TLTRO3 totals EUR 24 billion, with the last take-up carried out at the end of September for EUR 3 billion, in addition to the previous take-ups in June 2020 for EUR 17 billion and in December 2019 for EUR 4 billion.

As at 30 September 2020, the operational liquidity position shows an **unencumbered counterbalancing capacity of approximately EUR 28.3 billion**, up EUR 3.2 billion from 30 June 2020 and EUR 3.6 billion from 31 December 2019, thanks to the growth in commercial funding and the implementation of funding plan measures (institutional issues, access to TLTRO3 and reimbursements of LTRO and TLTRO2), which enabled the reimbursement of Government-Guaranteed Bonds without affecting the Group's liquidity profile.

As at 30 September 2020, the **Group's shareholders' equity and non-controlling interests** amount to **approx. EUR 6.8 billion**, down EUR 0.4 billion from 30 June 2020, impacted by the negative result for the period, partially offset by the improvement in valuation reserves.

The aggregate is also down EUR 1.5 billion from 31 December 2019, largely due to the result for the period.

As for capital ratios, the **common equity tier 1 ratio** as at 30 September 2020 is **12.9%** (vs. 14.7% at the end of 2019 and 13.4% at 30 June 2020) and the **total capital ratio** is 16.2% (vs. 16.7% registered at the end of 2019 and 16.0% at 30 June 2020).

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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](http://www.gruppomps.it)

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**Income statement and balance sheet reclassification principles**

__**Reclassified Income statement**__

To allow a better reading of the Group's performance results, starting from 2020, impairment losses/reversals and disposal gains/losses on loans to customers have been reclassified under a single item called **"Cost of customer loans"**. The aggregate therefore includes:

- The portion relating to loans to customers of balance sheet items 130a "Net impairment (losses)/reversals on financial assets measured at amortised cost" and 140 "Modification gains/(losses) without derecognition", previously included in the reclassified item "Net impairment (losses)/reversals on financial assets measured at amortised cost" (item no longer present).

- The portion relating to loans to customers of balance sheet items 100a "Gains (losses) on disposal/repurchase of financial assets measured at amortised cost" and 110b "Net profit (loss) from other financial assets measured at fair value", previously included in the reclassified item "Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss".

- Balance sheet item 200a "Net provisions for risks and charges – financial guarantees and other commitments" previously included in the reclassified item "Net provisions for risks and charges".

Impairment losses/reversals relating to financial assets represented by securities and loans to banks have been traced back to an item called **"net impairment (losses)/reversals on securities and loans to banks"**. This aggregate therefore includes the portion relating to securities and loans to banks of balance sheet 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".

2019 figures have been restated to ensure continuity in the reporting of the Group's performance results. Please note that the reclassified tables, devised to enable a managerial review of income statement results, have not been audited by Independent Auditors.

Finally, it should be noted that for 2019, the financial data pertaining to the subsidiary BMP Belgio S.A. – which was sold on 14 June 2019 – have been included in the individual income statement items instead of in the balance sheet item "Profit (Loss) from discontinued operations after tax".

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 -3.9 million) of the purchase price allocation (PPA), referable to past business combinations, which was reclassified to a specific item.

- The item "**net fees and commissions**" was cleared of the negative contribution (EUR 31.1 million), consisting of the commission expense relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, which were reclassified under "restructuring costs/one-off charges".

- 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 48.9 million, included under item 250 "gains (losses) on investments". The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 1.4 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 +1.9 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 +4.6 million) reclassified under "cost of customer loans". The item also incorporates dividends earned on securities other than equity investments (EUR 1.4 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 196.0 million) and net of other expense recoveries, which are reclassified under item "net value adjustments to tangible assets" (EUR 15.5 million).

- Item "**personnel expenses**" includes the balance of item 190a "personnel expenses" reduced by EUR 92.4 million, relating primarily to provisions for the Solidarity Fund exits as per the agreement with the Trade Unions of 6 August 2020, 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 117.7 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 53.3 million, reclassified under the item "DTA fees".

  - Extraordinary charges of EUR 7.1 million relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, among which the expenses relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, reclassified under item "restructuring costs/one-off charges".

The item also incorporates stamp duty and other expenses recovered from clients (EUR 196.0 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 -0.7 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR +15.5 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+1.9 million), 110b "net profit (loss) on financial assets and liabilities measured at fair value" (EUR +4.6 million), 130a "net impairment losses/reversals on financial assets measured at amortised cost" (EUR -628.8 million), 140 "modification gains/(losses) without derecognition" (EUR -4.5 million) and 200a "net provisions for risks and charges: net provisions for commitments and guarantees issued" (EUR +5.8 million).

- Item "**net value adjustments on securities and bank loans**" includes the portion relating to securities (EUR -2.5 million) and loans to banks (EUR -1.4 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 -2.7 million).

- Item "**other net provisions for risks and charges**" includes item 200 "net provisions for risks and charges" reduced by the component 200a "commitments and guarantees issued" (EUR +5,8 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 48.9 million reclassified under "dividends, similar income and gains (losses) on investments".

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

    - Commission expenses in the amount of EUR 31.1 million relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, posted under item 60 "Net fees and commissions".

    - Provisions for the Solidarity Fund exits in the amount of EUR 92.4 million, booked under item 190a "Personnel expenses".

    - Charges of EUR 7.1 million relating to project activities that include those aimed at implementing the commitments undertaken with DG Comp, among which the expenses relating to the project for the non-proportional demerger with asymmetric option of a compendium of non-performing exposures in favour of AMCO, booked under item 190b "other administrative expenses".

    - Profit of EUR 2 million from the definition of the price adjustment on the sale of BMP Belgio S.A., booked under item 280 "Gains (losses) on disposal of investments".

- 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 117.7 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 53.3 million.

- Item “**gains (losses) from disposal of investments**” includes the balance of item 280 “Gains (losses) from disposal of investments” reduced by the positive effect from the definition of the price adjustment on the sale of MP Belgio (EUR +2 million), which was reclassified under “restructuring costs/one-off charges”.

- 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 1.5 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 -3.9 million and “Net value adjustments on tangible and intangible assets” for EUR -0.7 million, net of a theoretical tax burden of EUR +1.5 million which integrates the item).

**<u>Reclassified balance sheet</u>**

To allow a better reading of the Group’s performance results, starting from 2020, the reclassified balance sheet was revised in order to ensure greater consistency of the aggregates with the instruments that constitute them. The main changes concerned:

- The introduction, in the assets side, of a “loans” aggregate, subdivided, according to the counterparty, into “loans to central banks”, “loans to banks” and “loans to customers”. These items comprise credit instruments, regardless of their accounting allocation among financial assets measured at amortised cost or measured at fair value through profit & loss, or among non-current assets/groups of assets held for sale.

- The introduction, in the assets side, of a “securities assets” aggregate, which includes the more specifically financial instruments, regardless of their accounting allocation among financial assets measured at fair value through profit & loss, measured at fair value through other comprehensive income or measured at amortised cost, or among non-current assets/groups of assets held for sale.

- The introduction, in the liabilities side, of a “securities issued” aggregate, separating it from the previous reclassified item “deposits from customers and securities issued”.

2019 figures have been restated to ensure continuity in the reporting of the Group's performance results. Please note that the reclassified tables, devised to enable a managerial review of balance sheet results, have not been audited by Independent Auditors.

The reconciliation criteria adopted for the preparation of the reclassified income statement 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) | 30 09 2020 | 30 09 2019 | Chg. |
| Net interest income | 978.7 | 1,167.9 | -16.2% |
| Net fee and commission income | 1,049.7 | 1,078.4 | -2.7% |
| Other income from banking business | 212.3 | 262.6 | -19.2% |
| Other operating income | (40.4) | (82.4) | -50.9% |
| Total Revenues | 2,200.2 | 2,426.5 | -9.3% |
| Operating expenses | (1,630.5) | (1,695.6) | -3.8% |
| Cost of customer loans | (621.0) | (390.9) | 58.9% |
| Other value adjustments | (6.6) | (2.9) | n.m. |
| Net operating income | (57.9) | 337.1 | n.m. |
| Net profit (loss) for the period | (1,539.4) | 186.9 | n.m. |
| EARNINGS PER SHARE (EUR) | 30 09 2020 | 30 09 2019 | Chg. |
| Basic earnings per share | (1.394) | 0.169 | n.m. |
| Diluted earnings per share | (1.394) | 0.169 | n.m. |
| BALANCE SHEET FIGURES AND INDICATORS (EUR mln) | 30 09 2020 | 31 12 2019 | Chg. |
| Total assets | 146,280.8 | 132,196.0 | 10.7% |
| Loans to customers | 87,098.7 | 80,135.0 | 8.7% |
| Direct funding | 98,418.1 | 94,217.3 | 4.5% |
| Indirect funding | 99,604.0 | 101,791.5 | -2.1% |
| of which: assets under management | 58,484.1 | 59,302.0 | -1.4% |
| of which: assets under custody | 41,119.8 | 42,489.6 | -3.2% |
| Group net equity | 6,770.4 | 8,279.1 | -18.2% |
| OPERATING STRUCTURE | 30 09 2020 | 31 12 2019 | Chg. |
| Total headcount - end of period | 22,073 | 22,040 | 33 |
| Number of branches in Italy | 1,420 | 1,422 | (2) |

N.B.: Total headcount refers to the effective workforce and therefore does not include resources posted outside the Group's perimeter. The increase of 33 employees since 31 December 2019 reflects the reinstatement of no. 69 resources from Fruendo.

| ALTERNATIVE PERFORMANCE MEASURES | | | |
|---|---|---|---|
| MPS GROUP | | | |
| PROFITABILITY RATIOS (%) | 30 09 2020 | 31 12 2019 | Chg. |
| Cost/Income ratio | 74.1 | 69.7 | 4.4 |
| R.O.E. | -27.3 | -12.0 | -15.3 |
| Return on Assets (RoA) ratio | -1.4 | -0.8 | -0.6 |
| ROTE (Return on tangible equity) | -27.9 | -12.2 | -15.7 |
| KEY CREDIT QUALITY RATIOS (%) | 30 09 2020 | 31 12 2019 | Chg. |
| Net impaired loans to customers / Loans to Customers* (Net NPL ratio) | 2.5 | 7.6 | -5.1 |
| Gross NPL ratio | 3.5 | 11.3 | -7.8 |
| Rate of change of impaired loans to customers | -66.5 | -27.4 | -39.1 |
| Bad loans to customers/ Loans to Customers | 3.3 | 3.7 | -0.4 |
| Loans to Customers measured at amortised cost - Stage 2/Loans to Customers measured at amortised cost | 20.4 | 15.5 | 4.9 |
| Coverage impaired loans to customers | 49.5 | 48.7 | 0.8 |
| Coverage bad loans to customers | 54.6 | 53.6 | 1.0 |
| Cost of customers loans/Cusotmers loans (Provisioning)** | 0.95 | 0.73 | 0.2 |
| Texas Ratio | 46.7 | 85.6 | -38.9 |

* *At 31 December 2019 the indicator, calculated as net impaired loans/loans to customers, stood at 6.8% (6.0% at 30 September 2020). This ratio, at 30 September 2020, is calculated net of assets held for sale belonging to the Hydra compendium (including this component, the ratio would be 6.6%).*

** *At 31 December 2019 the indicator, calculated as net provisions on loans at amortised cost/loans to customers at amortised cost, stood at 0.68% (0.92% at 30 June 2020).*

**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[5] 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[6], 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, ststands 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[5]. As at 30 September, this ratio is calculated net of assets held for sale pertaining to the Hydra compendium (including this component, the Texas Ratio is 93.4%).

[5] Book value of the Group's shareholders' equity, inclusive of the profit (loss) for the period, cleared of goodwill and other intangible assets.
[6] EBA GL/2018/10.

| REGULATORY MEASURES | | | |
|---|---|---|---|
| **MPS GROUP** | | | |
| CAPITAL RATIOS (%) | **30 09 2020** | **31 12 2019** | **Chg.** |
| Common Equity Tier 1 (CET1) ratio - phase in | 12.9 | 14.7 | -1.8 |
| Common Equity Tier 1 (CET1) ratio - fully loaded | 10.9 | 12.7 | -1.8 |
| Total Capital ratio - phase in | 16.2 | 16.7 | -0.5 |
| Total Capital ratio - fully loaded | 14.1 | 14.7 | -0.6 |
| FINANCIAL LEVERAGE INDEX (5) | **30 09 2020** | **31 12 2019** | **Chg.** |
| Leverage ratio - transitional definition | 5.2 | 6.1 | -0.9 |
| Leverage ratio - fully phased | 4.4 | 5.3 | -0.9 |
| LIQUIDITY RATIO ( % ) | **30 09 2020** | **31 12 2019** | **Chg.** |
| LCR | 173.6 | 152.4 | 21.2 |
| NSFR | 119.3 | 112.6 | 6.7 |
| Encumbered asset ratio | 39.0 | 36.0 | 3.0 |
| Loan to deposit ratio | 88.5 | 85.1 | 3.4 |
| Unencumbered counterbalancing capacity | 28.3 | 24.7 | 3.6 |

N.B. 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[7] and total risk-weighted assets (RWAs) [8].

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

**Leverage ratio:** indicator calculated as the ratio between Tier 1 capital[9] 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.

[7] 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.

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

[9] 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.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

**Reclassified Consolidated Income Statement**

| MONTEPASCHI GROUP | 30 09 2020 | 30 09 2019 | Change Abs. | Change % |
|---|---|---|---|---|
| Net interest income | 978.7 | 1,167.9 | (189.2) | -16.2% |
| Net fee and commission income | 1,049.7 | 1,078.4 | (28.7) | -2.7% |
| **Income from banking activities** | **2,028.4** | **2,246.3** | **(217.9)** | **-9.7%** |
| Dividends, similar income and gains (losses) on equity investments | 57.5 | 80.3 | (22.8) | -28.4% |
| Net profit (loss) from trading, from financial assets/liabilities measured at fair value and Net profit (loss) on disposals/repurchases | 153.8 | 181.1 | (27.3) | -15.1% |
| Net profit (loss) from hedging | 1.0 | 1.2 | (0.2) | -16.7% |
| Other operating income (expenses) | (40.4) | (82.4) | 42.0 | -50.9% |
| **Total Revenues** | **2,200.2** | **2,426.5** | **(226.3)** | **-9.3%** |
| Administrative expenses: | (1,463.8) | (1,509.8) | 46.0 | -3.0% |
| a) personnel expenses | (1,059.9) | (1,080.5) | 20.6 | -1.9% |
| b) other administrative expenses | (403.8) | (429.3) | 25.5 | -5.9% |
| Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets | (166.7) | (185.8) | 19.1 | -10.3% |
| **Operating expenses** | **(1,630.5)** | **(1,695.6)** | **65.1** | **-3.8%** |
| **Pre-Provision Profit** | **569.7** | **730.9** | **(161.1)** | **-22.0%** |
| **Cost of customer loans** | **(621.0)** | **(390.9)** | **(230.1)** | **58.9%** |
| **Net impairment (losses)/reversals on securities and loans to banks** | **(6.6)** | **(2.9)** | **(3.7)** | **n.m.** |
| **Net operating income** | **(57.9)** | **337.1** | **(394.9)** | **n.m.** |
| Net provisions for risks and charges | (767.8) | (70.3) | (697.5) | n.m. |
| Gains (losses) on investments | 1.1 | 3.7 | (2.6) | -69.5% |
| Restructuring costs / One-off costs | (128.6) | (2.5) | (126.1) | n.m. |
| Risks and charges related to the SRF, DGS and similar schemes | (117.7) | (123.2) | 5.5 | -4.5% |
| DTA Fees | (53.3) | (52.9) | (0.4) | 0.7% |
| Gains (losses) on disposal of investments | 1.4 | 1.1 | 0.3 | 27.3% |
| **Profit (loss) before tax from continuing operations** | **(1,122.7)** | **93.0** | **(1,215.6)** | **n.m.** |
| Tax expense (recovery) on income from continuing operations | (413.8) | 104.5 | (518.3) | n.m. |
| **Profit (loss) after tax from continuing operations** | **(1,536.5)** | **197.5** | **(1,733.9)** | **n.m.** |
| **Net profit (loss) for the period including non-controlling interests** | **(1,536.5)** | **197.5** | **(1,733.9)** | **n.m.** |
| Net profit (loss) attributable to non-controlling interests | (0.1) | (0.1) | - | n.m. |
| **Profit (loss) for the period before PPA** | **(1,536.4)** | **197.6** | **(1,733.9)** | **n.m.** |
| PPA (Purchase Price Allocation) | (3.0) | (10.7) | 7.6 | -71.4% |
| **Net profit (loss) for the period** | **(1,539.4)** | **186.9** | **(1,726.3)** | **n.m.** |

| Quarterly trend in reclassified consolidated income statement | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | | |
| Montepaschi Group | 3°Q 2020 | 2°Q 2020 | 1°Q 2020 | 4°Q 2019 | 3°Q 2019 | 2°Q 2019 | 1°Q 2019 |
| Net interest income | 331.8 | 319.8 | 327.1 | 333.4 | 354.7 | 404.3 | 408.9 |
| Net fee and commission income | 355.4 | 324.4 | 369.9 | 371.1 | 355.9 | 363.7 | 358.8 |
| **Income from banking activities** | **687.3** | **644.1** | **697.0** | **704.5** | **710.6** | **768.0** | **767.7** |
| Dividends, similar income and gains (losses) on equity investments | 11.2 | 34.5 | 11.8 | 15.3 | 36.9 | 27.5 | 15.9 |
| Net profit (loss) from trading, from financial assets/liabilities measured at fair value and Net profit (loss) on disposals/repurchases | 61.7 | 62.3 | 29.8 | 141.1 | 102.0 | 50.5 | 28.6 |
| Net profit (loss) from hedging | 0.5 | 3.3 | (2.8) | (5.8) | 1.8 | (0.6) | - |
| Other operating income (expenses) | (12.9) | (21.1) | (6.4) | 2.2 | (11.1) | (63.0) | (8.3) |
| **Total Revenues** | **747.7** | **723.1** | **729.4** | **857.3** | **840.2** | **782.4** | **804.0** |
| Administrative expenses: | (490.6) | (480.2) | (493.0) | (524.6) | (491.9) | (509.7) | (508.2) |
| a) personnel expenses | (352.0) | (351.2) | (356.7) | (352.5) | (354.5) | (357.4) | (368.6) |
| b) other administrative expenses | (138.5) | (129.0) | (136.3) | (172.1) | (137.4) | (152.3) | (139.6) |
| Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets | (54.5) | (56.7) | (55.5) | (69.4) | (57.3) | (67.6) | (60.9) |
| **Operating expenses** | **(545.1)** | **(536.9)** | **(548.5)** | **(594.0)** | **(549.2)** | **(577.3)** | **(569.1)** |
| **Pre-Provision Profit** | **202.6** | **186.2** | **180.9** | **263.3** | **291.0** | **205.0** | **234.9** |
| **Cost of customer loans** | **(101.7)** | **(204.8)** | **(314.5)** | **(191.8)** | **(137.1)** | **(109.9)** | **(143.9)** |
| **Net impairment (losses)/reversals on securities and loans to banks** | **(1.1)** | **(4.4)** | **(1.1)** | **(2.4)** | **(2.2)** | **(0.6)** | **(0.1)** |
| **Net operating income** | **99.8** | **(23.0)** | **(134.7)** | **69.1** | **151.7** | **94.5** | **90.9** |
| Net provisions for risks and charges | (410.7) | (317.0) | (40.1) | (85.6) | (11.9) | (19.4) | (39.0) |
| Gains (losses) on investments | 0.4 | 0.5 | 0.2 | (9.3) | 0.5 | 2.3 | 0.9 |
| Restructuring costs / One-off costs | (100.7) | (30.4) | 2.6 | 2.2 | (5.6) | 0.9 | 2.2 |
| Risks and charges related to the SRF, DGS and similar schemes | (41.0) | (18.4) | (58.3) | (0.2) | (35.7) | (26.6) | (60.9) |
| DTA Fees | (17.8) | (17.7) | (17.8) | (17.7) | (17.7) | (17.3) | (17.9) |
| Gains (losses) on disposal of investments | 0.3 | (0.8) | 1.9 | 1.9 | 0.4 | 0.1 | 0.6 |
| **Profit (loss) before tax from continuing operations** | **(469.6)** | **(406.8)** | **(246.2)** | **(39.6)** | **81.7** | **34.6** | **(23.3)** |
| Tax expense (recovery) on income from continuing operations | 20.0 | (437.6) | 3.8 | (1,179.0) | 13.3 | 34.4 | 56.7 |
| **Profit (loss) after tax from continuing operations** | **(449.6)** | **(844.4)** | **(242.4)** | **(1,218.6)** | **95.0** | **69.0** | **33.5** |
| **Net profit (loss) for the period including non-controlling interests** | **(449.6)** | **(844.4)** | **(242.4)** | **(1,218.6)** | **95.0** | **69.0** | **33.5** |
| Net profit (loss) attributable to non-controlling interests | - | (0.1) | - | - | (0.1) | (0.2) | 0.2 |
| **Profit (loss) for the period before PPA** | **(449.6)** | **(844.3)** | **(242.4)** | **(1,218.6)** | **95.1** | **69.2** | **33.3** |
| PPA (Purchase Price Allocation) | (1.1) | (0.9) | (1.1) | (1.3) | (1.3) | (4.0) | (5.4) |
| **Net profit (loss) for the period** | **(450.7)** | **(845.2)** | **(243.5)** | **(1,219.9)** | **93.8** | **65.2** | **27.9** |

| Reclassified Balance Sheet | | | | |
|---|---|---|---|---|
| **Assets** | **30 09 2020** | **31 12 2019** | **Chg** | |
| | | | **abs.** | **%** |
| Cash and cash equivalents | 662.4 | 835.1 | (172.7) | -20.7% |
| Loans to central banks | 18,679.7 | 9,405.4 | 9,274.3 | 98.6% |
| Loans to banks | 4,934.9 | 5,542.7 | (607.8) | -11.0% |
| Loans to customers | 87,098.7 | 80,135.0 | 6,963.7 | 8.7% |
| Securities assets | 23,024.6 | 24,185.1 | (1,160.5) | -4.8% |
| Derivatives | 3,023.0 | 3,041.2 | (18.2) | -0.6% |
| Equity investments | 991.8 | 931.0 | 60.8 | 6.5% |
| Property, plant and equipment / Intangible assets | 2,821.5 | 2,909.2 | (87.7) | -3.0% |
| *of which:* | | | | |
| *a) goodwill* | *7.9* | *7.9* | - | *0.0%* |
| Tax assets | 2,111.1 | 2,763.0 | (651.9) | -23.6% |
| Other assets | 2,933.1 | 2,448.3 | 484.8 | 19.8% |
| **Total assets** | **146,280.8** | **132,196.0** | **14,084.8** | **10.7%** |

| **Liabilities** | **30 09 2020** | **31/12/19** | **Chg** | |
|---|---|---|---|---|
| | | | **abs.** | **%** |
| Direct funding | 98,418.1 | 94,217.3 | 4,200.8 | 4.5% |
| a) Deposits from customers at amortised cost | 86,827.3 | 80,063.2 | 6,764.1 | 8.4% |
| b) Securities issued | 11,590.8 | 14,154.1 | (2,563.3) | -18.1% |
| Deposits from central banks at amortised cost | 23,994.9 | 16,041.5 | 7,953.4 | 49.6% |
| Deposits from banks at amortised cost | 4,733.6 | 4,136.6 | 597.0 | 14.4% |
| Financial liabilities held for cash trading | 3,122.2 | 2,436.0 | 686.2 | 28.2% |
| Derivatives | 3,293.9 | 2,762.5 | 531.4 | 19.2% |
| Provisions for specific use | 1,942.4 | 1,388.5 | 553.9 | 39.9% |
| a) Provisions for staff severance indemnities | 182.1 | 178.7 | 3.4 | 1.9% |
| b) Provisions related to guarantees and other commitments given | 153.0 | 158.8 | (5.8) | -3.7% |
| c) Pensions and other post-retirement benefit obligations | 33.1 | 36.1 | (3.0) | -8.3% |
| d) Other provisions | 1,574.2 | 1,014.9 | 559.3 | 55.1% |
| Tax liabilities | 3.0 | 3.3 | (0.3) | -9.1% |
| Other liabilities | 4,001.0 | 2,929.4 | 1,071.6 | 36.6% |
| Group net equity | 6,770.4 | 8,279.1 | (1,508.7) | -18.2% |
| a) Valuation reserves | 153.5 | 66.4 | 87.1 | n.m. |
| d) Reserves | (1,858.6) | (769.2) | (1,089.4) | n.m. |
| f) Share capital | 10,328.6 | 10,328.6 | - | 0.0% |
| g) Treasury shares (-) | (313.7) | (313.7) | - | 0.0% |
| h) Net profit (loss) for the period | (1,539.4) | (1,033.0) | (506.4) | 49.0% |
| Non-controlling interests | 1.3 | 1.8 | (0.5) | -27.8% |
| **Total Liabilities and Shareholders' Equity** | **146,280.8** | **132,196.0** | **14,084.8** | **10.7%** |

## Reclassified Balance Sheet - Quarterly Trend

| Assets | 30/09/20 | 30/06/20 | 31/03/20 | 31/12/19 | 30/09/19 | 30/06/19 | 31/03/19 |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 662.4 | 679.9 | 611.2 | 835.1 | 675.8 | 650.1 | 609.1 |
| Loans to central banks | 18,679.7 | 15,037.8 | 8,109.5 | 9,405.4 | 7,275.7 | 6,932.3 | 5,772.8 |
| Loans to banks | 4,934.9 | 5,757.3 | 4,938.8 | 5,542.7 | 5,577.2 | 4,776.8 | 4,571.0 |
| Loans to customers | 87,098.7 | 82,510.6 | 82,206.1 | 80,135.0 | 81,642.2 | 80,385.8 | 81,900.5 |
| Securities assets | 23,024.6 | 25,569.4 | 26,006.3 | 24,185.1 | 24,646.6 | 24,859.6 | 25,749.4 |
| Derivatives | 3,023.0 | 3,129.1 | 3,233.8 | 3,041.2 | 3,374.1 | 3,462.5 | 3,288.6 |
| Equity investments | 991.8 | 953.9 | 892.0 | 931.0 | 1,053.4 | 958.2 | 901.7 |
| Property, plant and equipment / Intangible assets | 2,821.5 | 2,850.6 | 2,870.5 | 2,909.2 | 2,921.8 | 2,943.1 | 2,992.6 |
| *of which:* | | | | | | | |
| *a) goodwill* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* | *7.9* |
| Tax assets | 2,111.1 | 2,193.1 | 2,763.6 | 2,763.0 | 3,913.6 | 4,065.7 | 4,062.6 |
| Other assets | 2,933.1 | 2,974.4 | 2,636.9 | 2,448.3 | 2,794.8 | 2,504.8 | 2,274.0 |
| **Total assets** | **146,280.8** | **141,656.1** | **134,268.7** | **132,196.0** | **133,875.2** | **131,538.9** | **132,122.3** |

| Liabilities | 30/09/20 | 30/06/20 | 31/03/20 | 31/12/19 | 30/09/19 | 30/06/19 | 31/03/19 |
|---|---|---|---|---|---|---|---|
| Direct funding | 98,418.1 | 97,585.2 | 95,367.1 | 94,217.3 | 92,246.3 | 92,215.9 | 92,686.1 |
| a) Deposits from customers at amortised cost | 86,827.3 | 86,139.8 | 83,680.4 | 80,063.2 | 79,263.3 | 80,639.8 | 80,728.1 |
| b) Securities issued | 11,590.8 | 11,445.4 | 11,686.7 | 14,154.1 | 12,983.0 | 11,576.1 | 11,958.0 |
| Deposits from central banks at amortised cost | 23,994.9 | 21,330.6 | 15,997.9 | 16,041.5 | 16,561.7 | 16,566.8 | 16,694.4 |
| Deposits from banks at amortised cost | 4,733.6 | 4,853.9 | 4,752.1 | 4,136.6 | 4,484.9 | 4,570.5 | 5,475.8 |
| Financial liabilities held for cash trading | 3,122.2 | 2,192.1 | 2,407.1 | 2,436.0 | 1,777.7 | 1,379.9 | 1,041.3 |
| Derivatives | 3,293.9 | 3,419.2 | 3,174.4 | 2,762.5 | 3,346.6 | 2,811.3 | 2,480.9 |
| Provisions for specific use | 1,942.4 | 1,570.9 | 1,310.3 | 1,388.5 | 1,417.2 | 1,462.5 | 1,513.7 |
| a) Provisions for staff severance indemnities | 182.1 | 180.3 | 166.4 | 178.7 | 184.7 | 182.8 | 182.1 |
| b) Provisions related to guarantees and other commitments given | 153.0 | 152.6 | 155.3 | 158.8 | 205.0 | 208.1 | 220.6 |
| c) Pensions and other post-retirement benefit obligations | 33.1 | 34.0 | 35.2 | 36.1 | 35.9 | 36.6 | 37.2 |
| d) Other provisions | 1,574.2 | 1,204.0 | 953.4 | 1,014.9 | 991.6 | 1,035.0 | 1,073.7 |
| Tax liabilities | 3.0 | 3.0 | 3.3 | 3.3 | 3.9 | 3.8 | 30.8 |
| Other liabilities | 4,001.0 | 3,541.4 | 3,327.8 | 2,929.4 | 4,448.0 | 3,189.9 | 3,108.3 |
| Group net equity | 6,770.4 | 7,158.4 | 7,927.0 | 8,279.1 | 9,587.0 | 9,336.3 | 9,088.6 |
| a) Valuation reserves | 153.5 | 35.2 | (41.5) | 66.4 | 153.0 | (15.1) | (123.7) |
| d) Reserves | (1,858.6) | (1,803.0) | (1,802.9) | (769.2) | (767.8) | (756.6) | (830.5) |
| f) Share capital | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 | 10,328.6 |
| g) Treasury shares (-) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) | (313.7) |
| h) Net profit (loss) for the period | (1,539.4) | (1,088.7) | (243.5) | (1,033.0) | 186.9 | 93.1 | 27.9 |
| Non-controlling interests | 1.3 | 1.4 | 1.7 | 1.8 | 1.9 | 2.0 | 2.4 |
| **Total Liabilities and Shareholders' Equity** | **146,280.8** | **141,656.1** | **134,268.7** | **132,196.0** | **133,875.2** | **131,538.9** | **132,122.3** |

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