



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

A Clear and Simple Commercial Bank 1H 22 Financial Results

Siena, 5th August 2022

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



- Net profit 1H22 at EUR 27mln, Q2 at EUR 18mln, y/y comparison impacted by 1H21 higher gains on securities and lower provisions for risks
- 1H22 gross operating profit up by +12.6% y/y, thanks to NII up by +12.8% y/y, excluding capital gains on securities in both periods
- Operating costs under control, lower by -0.4% y/y after 6 months
- GBV EUR 0.9bn NPEs portfolio sale just finalised, delivering ahead of time the Business Plan target. Impact included in 1H22 results. Gross NPE proforma ratio after the disposal at 3.9% (-100bps) with coverage at 45.6%
- 1H22 cost of risk at 57 bps, reflecting also the NPEs disposal
- Fully loaded CET1 at 10.8%, stable vs 1Q22, CET1 phased-in at 11.7% (vs 8.8% SREP)



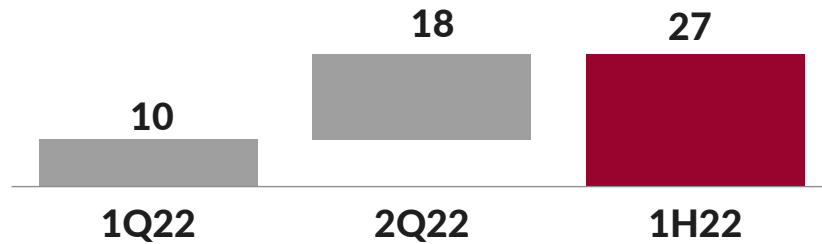
- On 2 August 2022, DG Comp approved the extension of the restructuring period and revised commitments related to the Bank. The commitments are consistent with the MPS Business Plan
- On 4 August 2022, an agreement with Trade Unions Organizations for 3,500 voluntary exits through the Solidarity Fund was signed
- Underwriting syndicate for EUR 2.5bn capital increase extended by additional four banks, bringing the total number of members to eight
- The shareholders' meeting was called for 15 September 2022 to approve the rights issue and related resolutions



Net profit

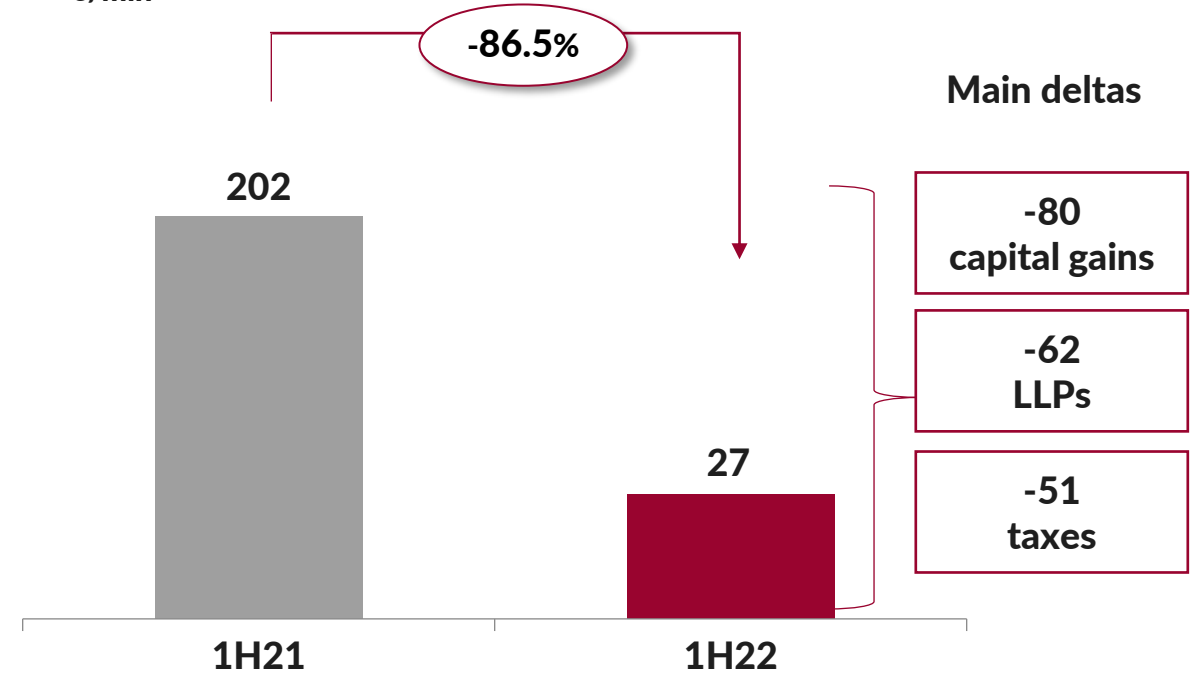
Quarterly evolution

€/mln



Yearly evolution

€/mln



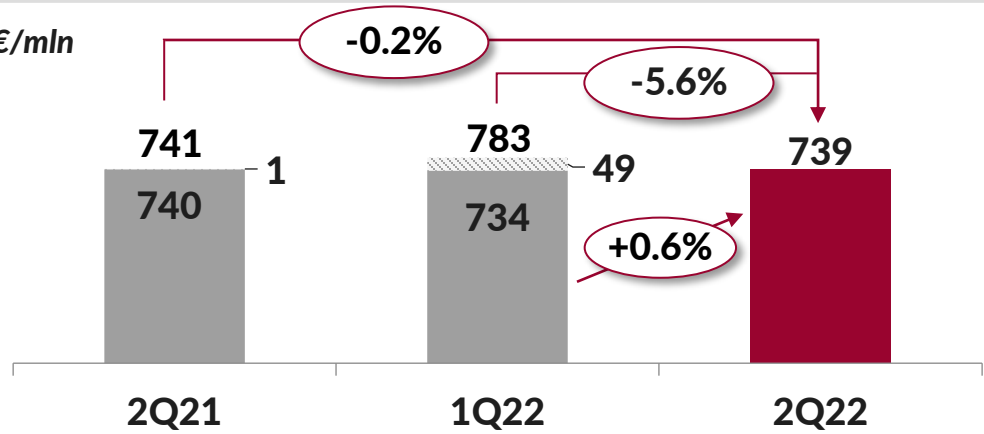
- 1H22 net profit at EUR 27mln, with 2Q22 contribution of EUR 18mln
- Y/y dynamics impacted by higher gains on securities, lower provisions and higher tax benefit in 2021



Gross operating profit quarterly evolution

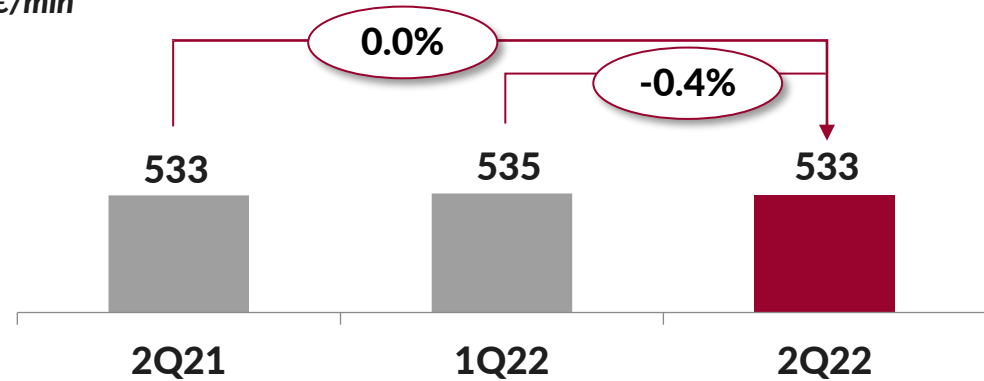
Operating income

€/mln



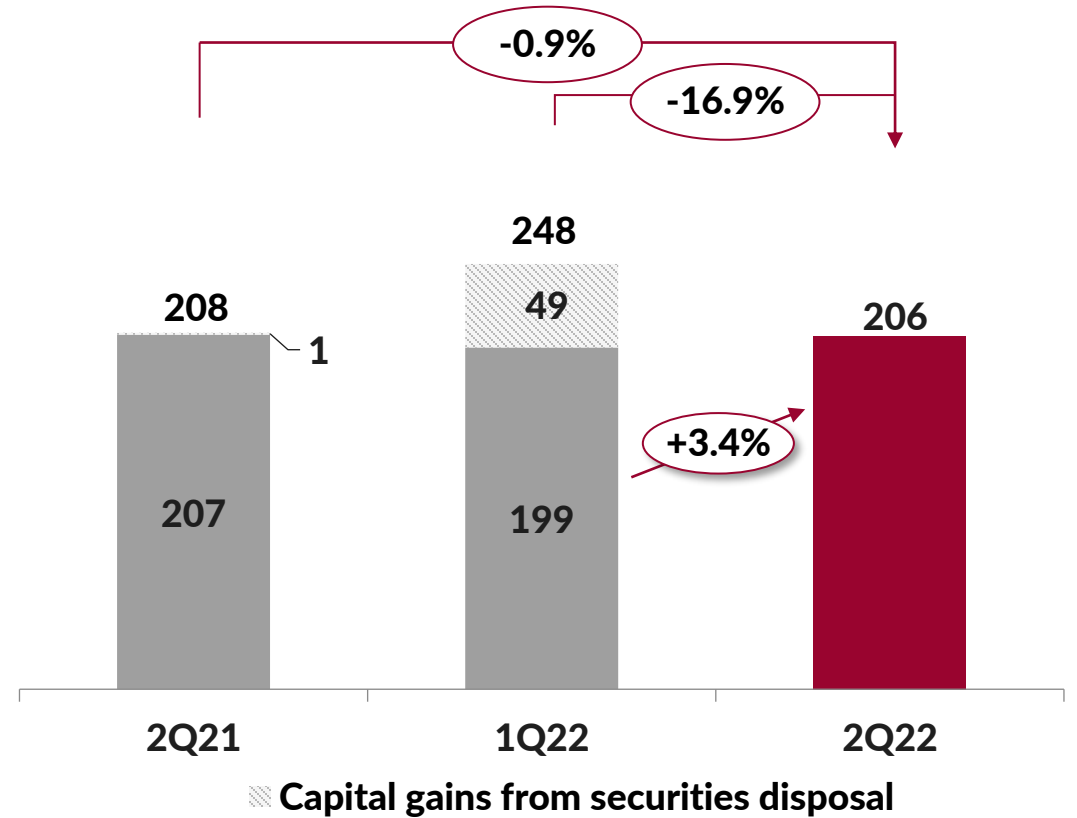
Operating costs

€/mln



Gross operating profit

€/mln



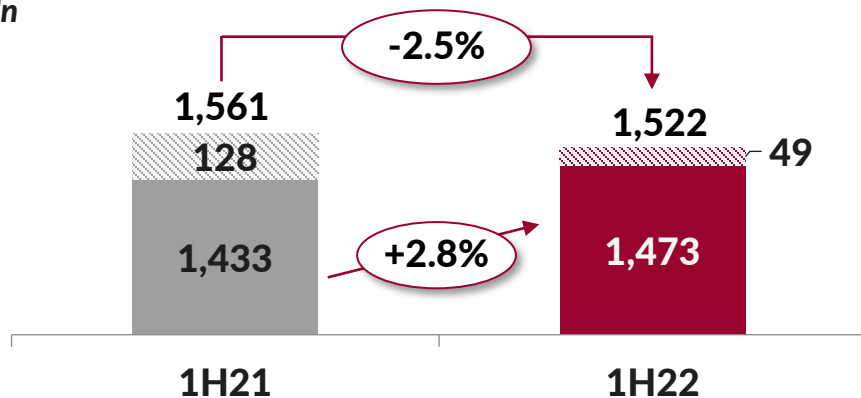
- 2Q22 gross operating profit stable y/y with resilient operating income and flat costs
- Positive q/q dynamics +3.4% (net of capital gains from securities disposal) supported by growing NII and decreasing costs



Gross operating profit yearly evolution

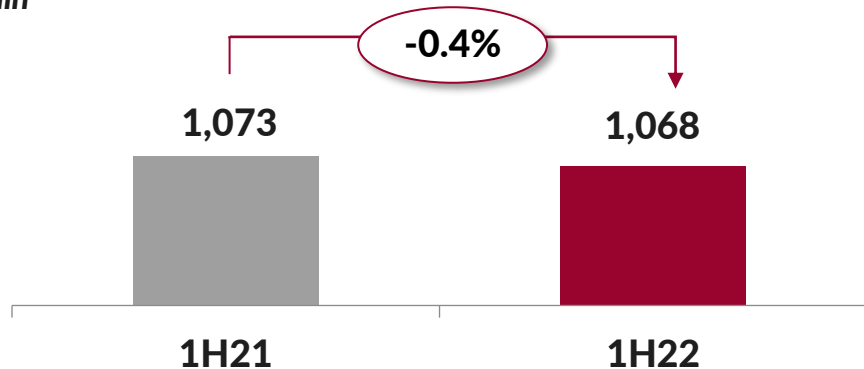
Operating income

€/mln



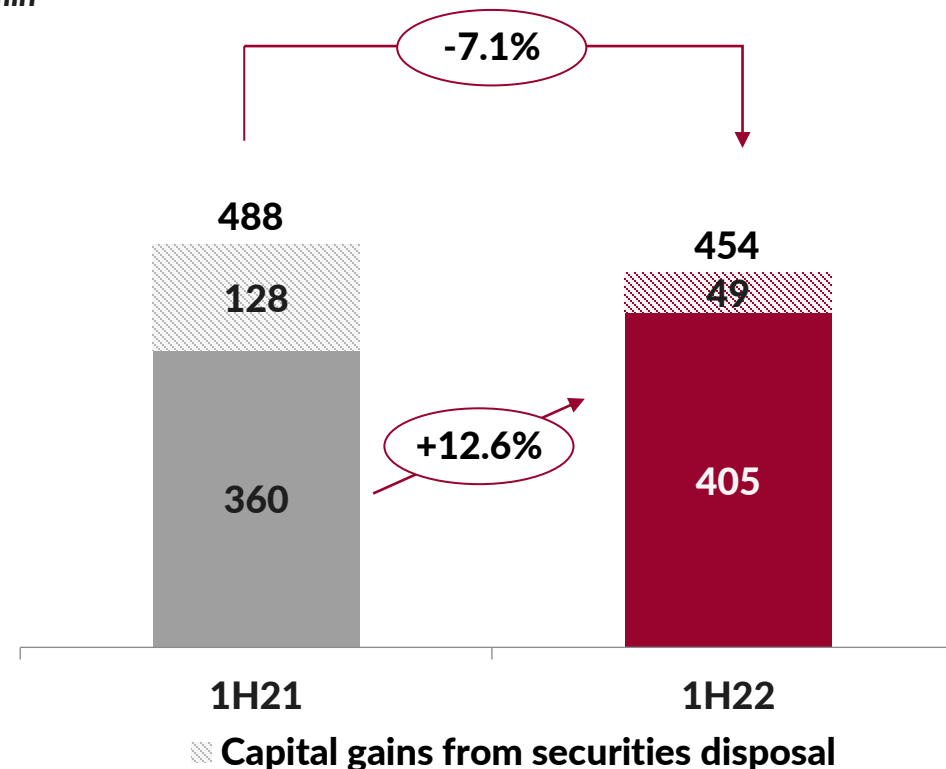
Operating costs

€/mln



Gross operating profit

€/mln



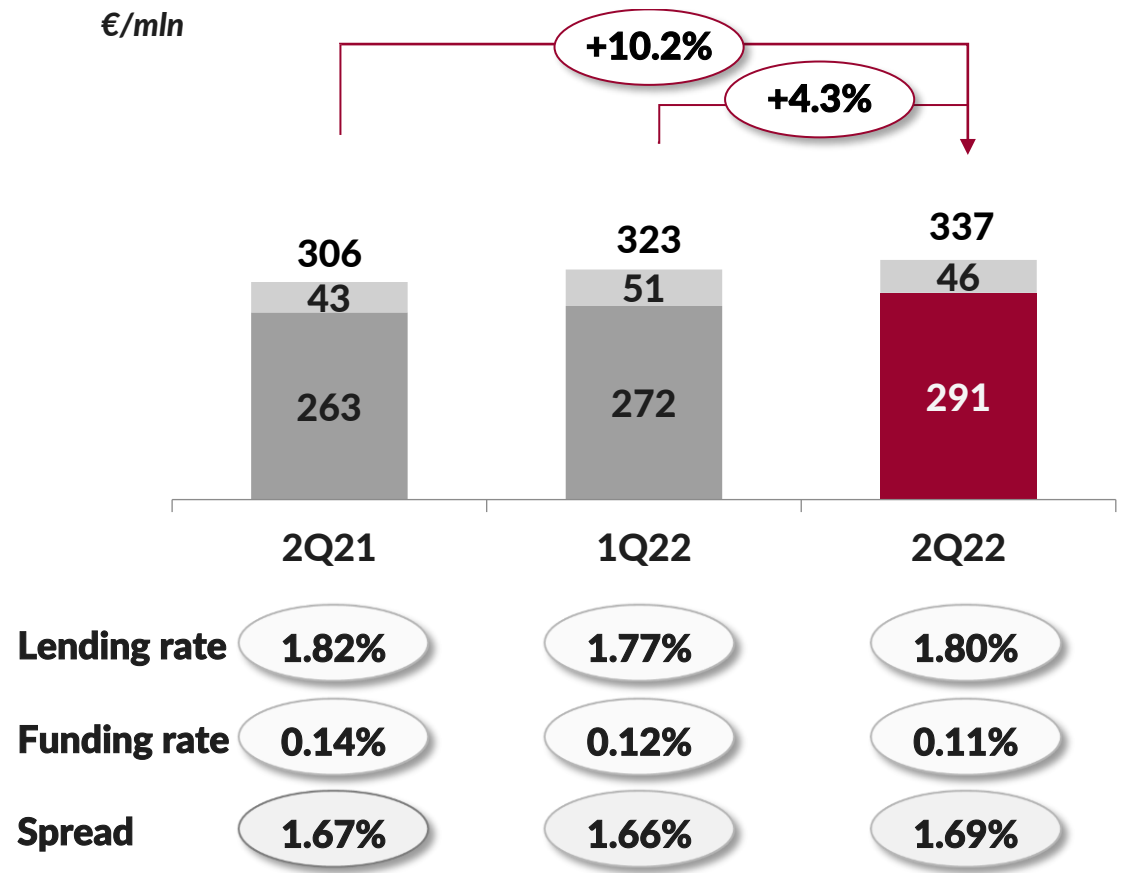
- 1H22 gross operating profit up by +12.6% y/y excluding gains on securities disposal, driven by double digit NII growth
- Costs decreasing by -0.4% y/y



Net interest income

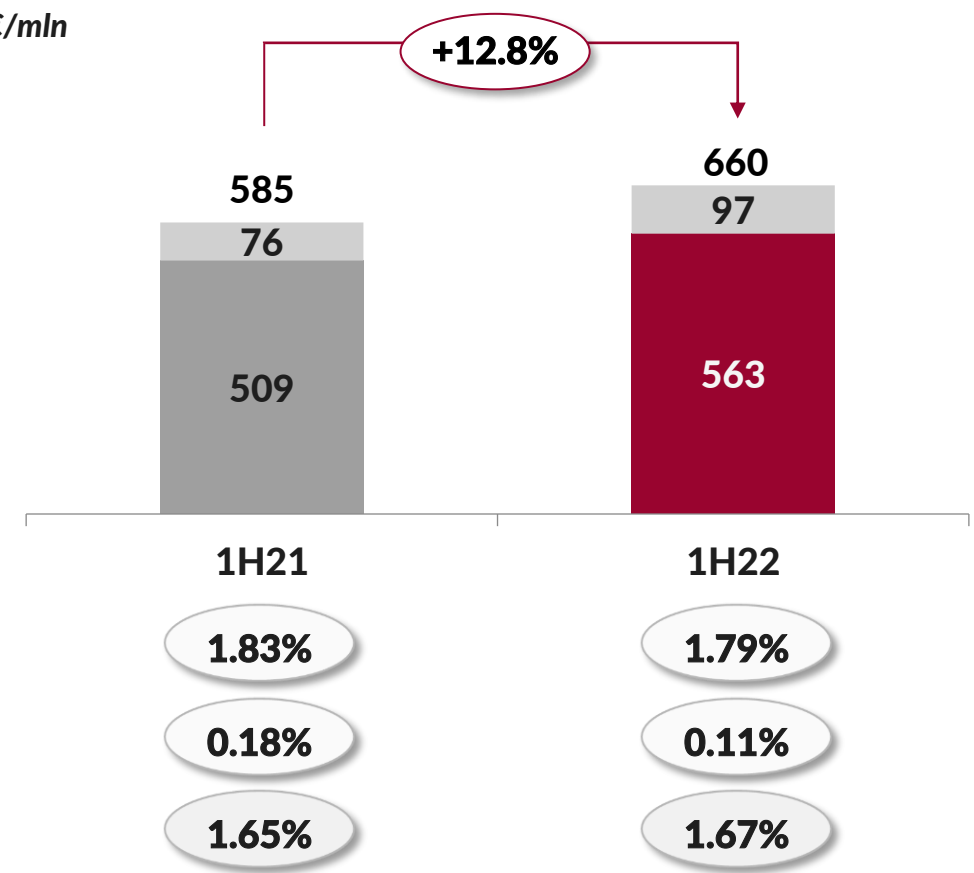
Quarterly evolution

€/mln



Yearly evolution

€/mln

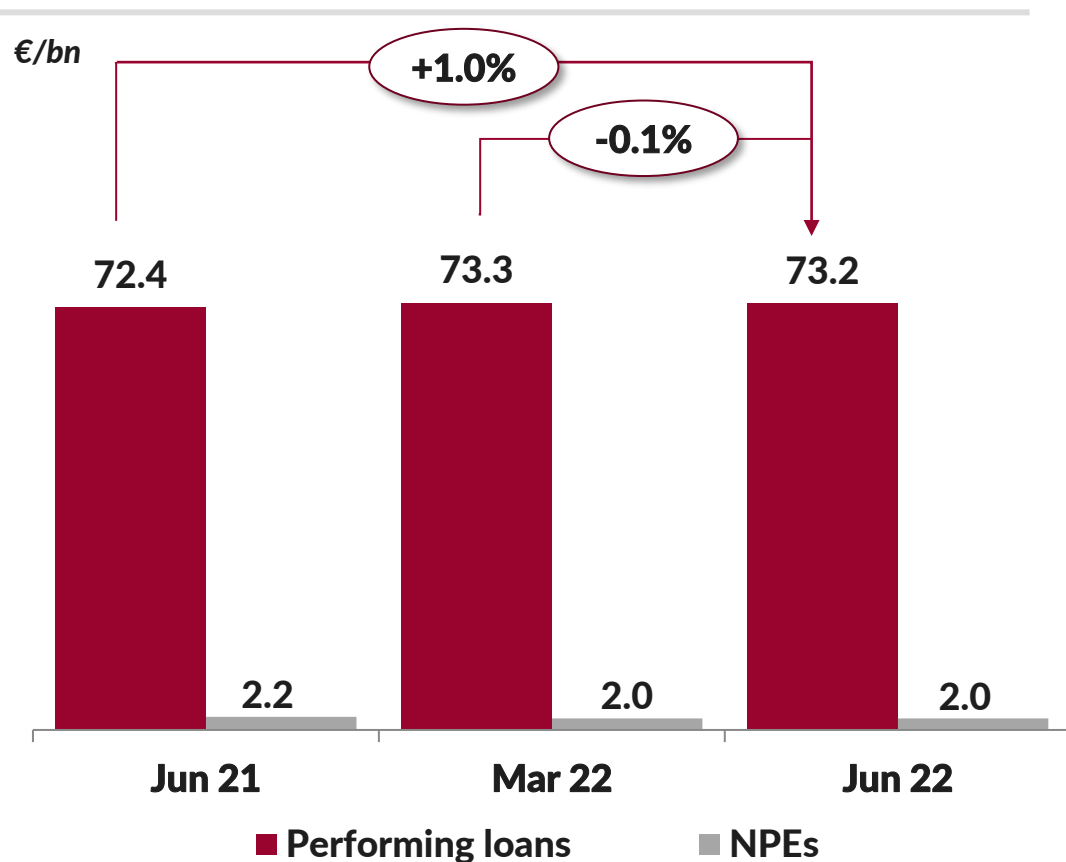


- 2Q22 NII up +10.2% y/y and +4.3% q/q, mainly thanks to better spread
- 1H22 NII up +12.8% y/y, mainly thanks to lower cost of funding

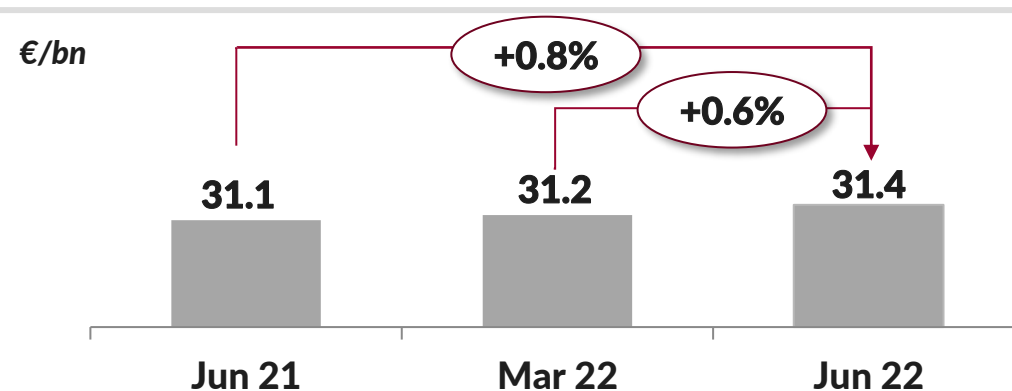


Net customer loans

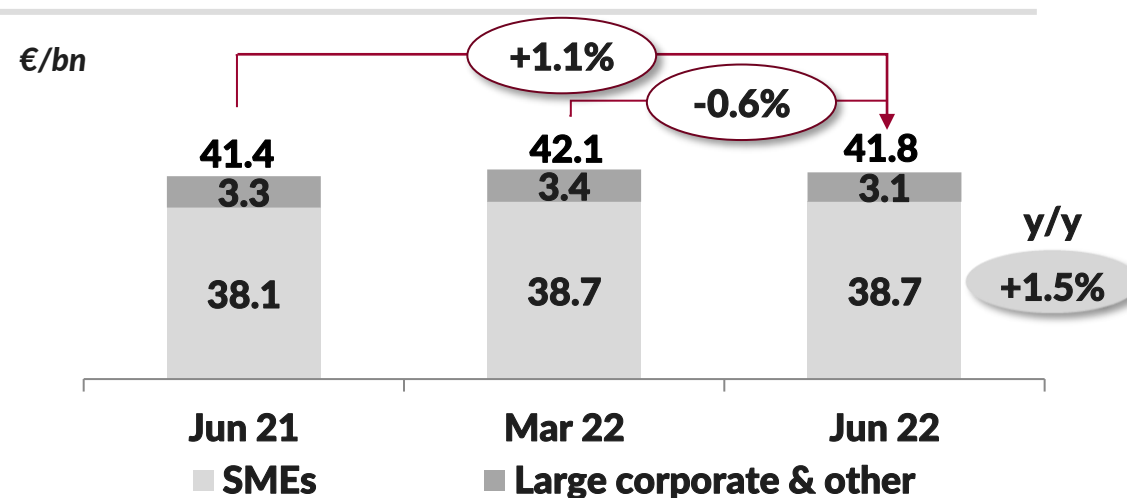
Net loans



Performing loans retail



Performing loans corporate

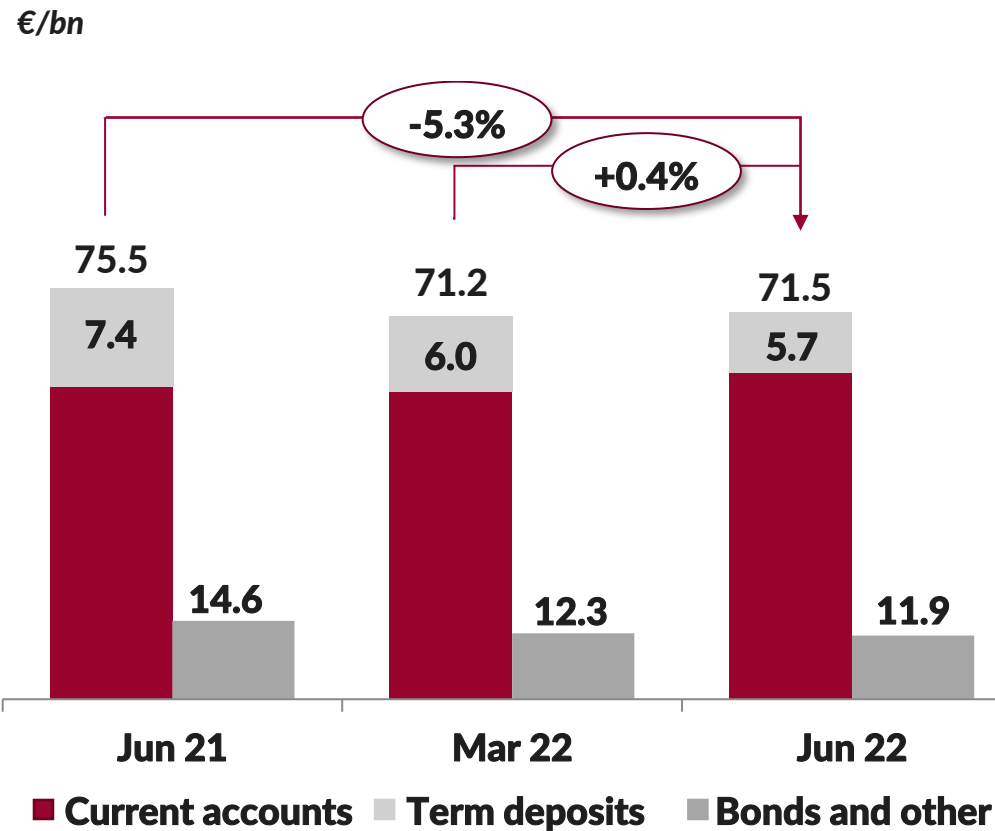


- Performing loans increase by 1.0% y/y, with growth driven by retail (+0.8% y/y) and SME (+1.5% y/y)

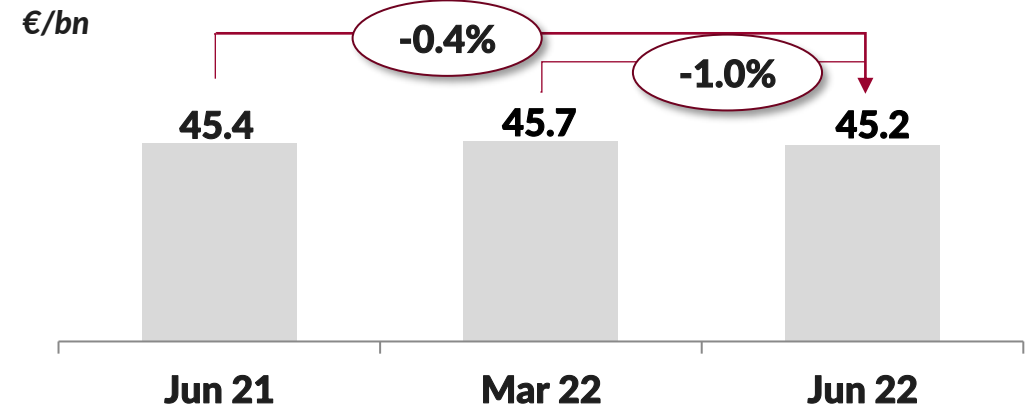


Funding composition

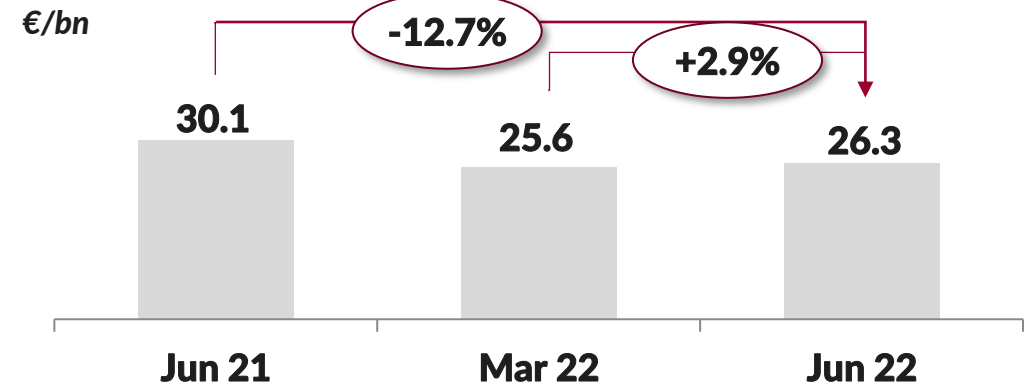
Quarterly evolution



Retail funding



Corporate funding



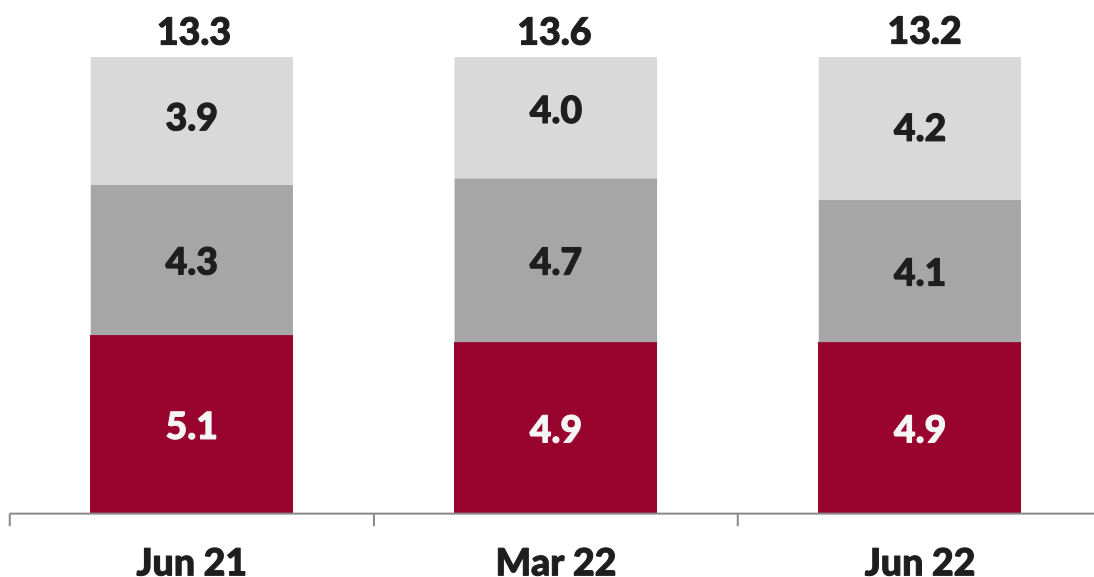
- Total deposit down 5.3% y/y mainly due to corporate funding
- Up in the quarter by 0.4% despite reduction of expensive term deposits



Italian govies portfolio

Italian govies portfolio breakdown

€/bn



- Amortized cost portfolio
- Financial assets FVTOCI
- Financial assets FVTPL

Italian govies portfolio at FVTOCI

	Jun 21	Mar 22	Jun 22
FVTOCI Duration (years)	~2.4	~1.8	~1.7
FVTOCI Credit spread sensitivity (€/mln)	-1.1	-1.1	-0.9

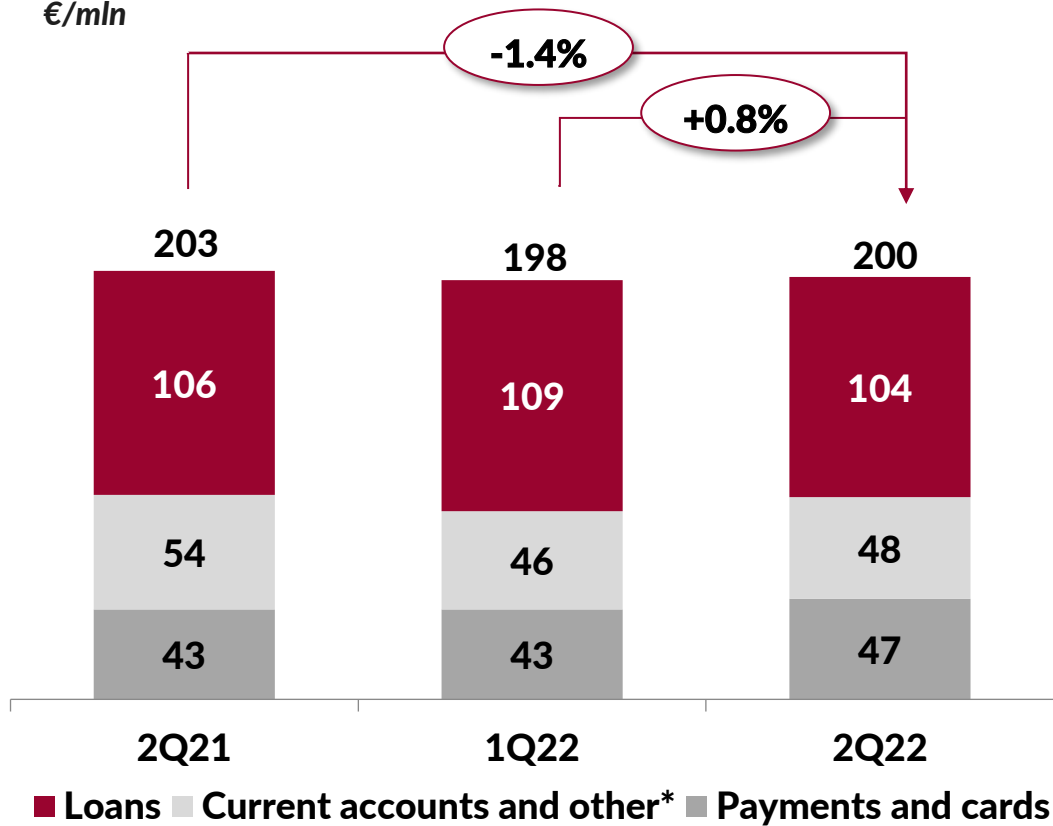
- Q/q decrease of FVTOCI mainly due to bond maturities, with further reduction of duration and credit spread sensitivity
- FVTPL portfolio dynamic driven by MPS Capital Services' market-making activity, with maturity of 80% of the portfolio <9 months



Net fee and commission income quarterly evolution

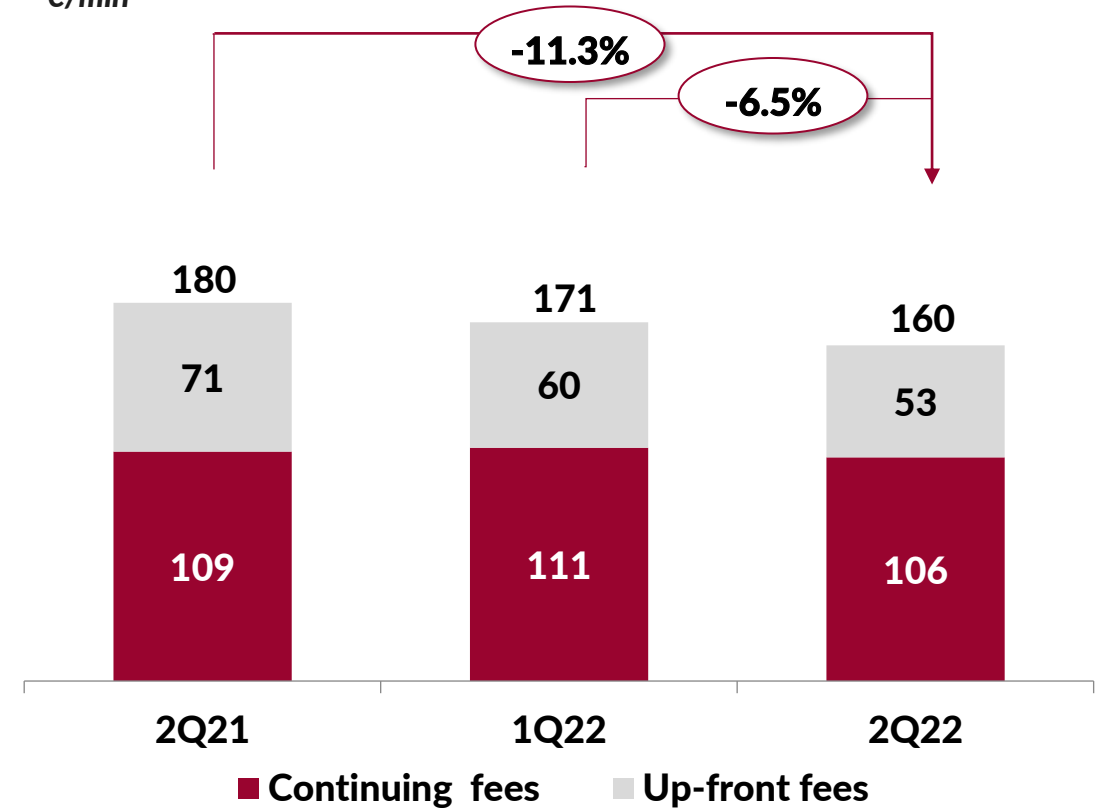
Banking fees

€/mln



Wealth Management fees

€/mln



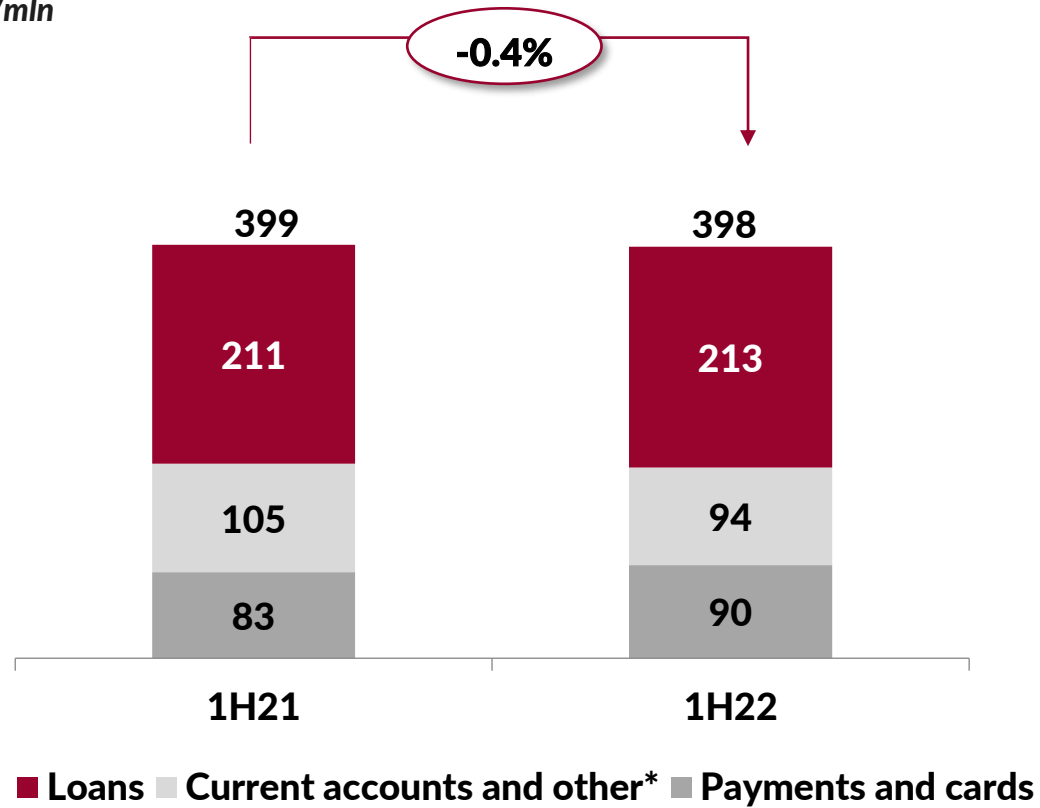
- 2Q22 banking fees at EUR 200mln substantially stable throughout the quarters
- Wealth management fees affected by market conditions, impacting mainly up-front fees



Net fee and commission income yearly evolution

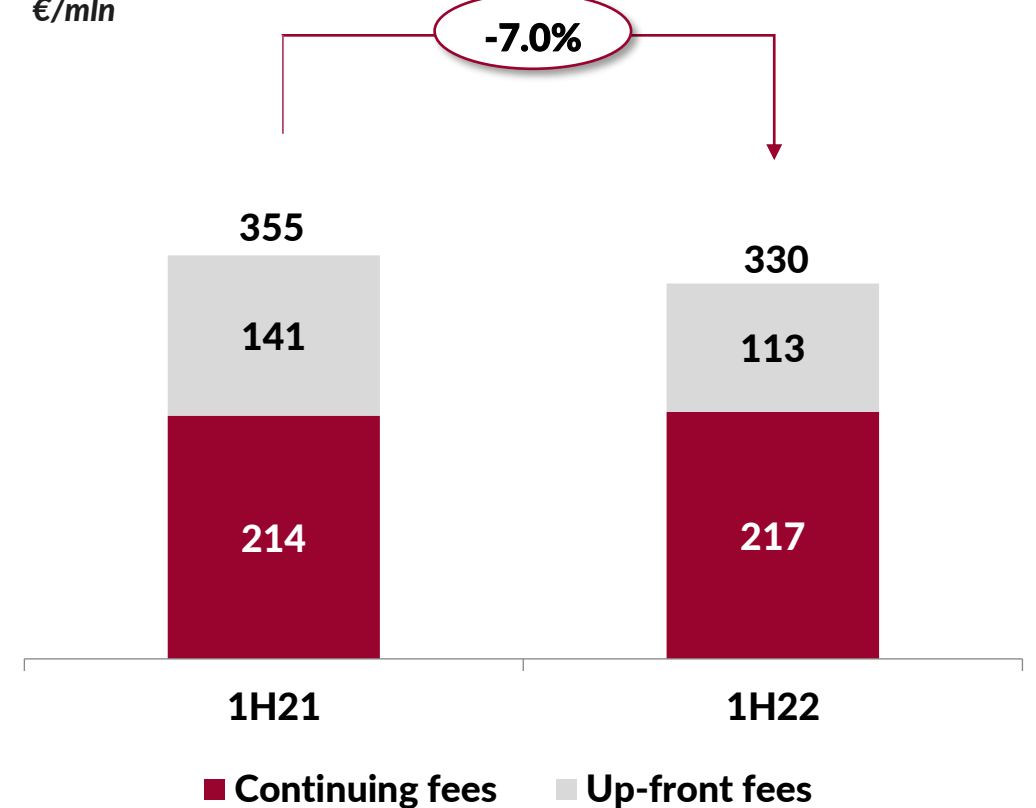
Banking fees

€/mln



Wealth Management fees

€/mln

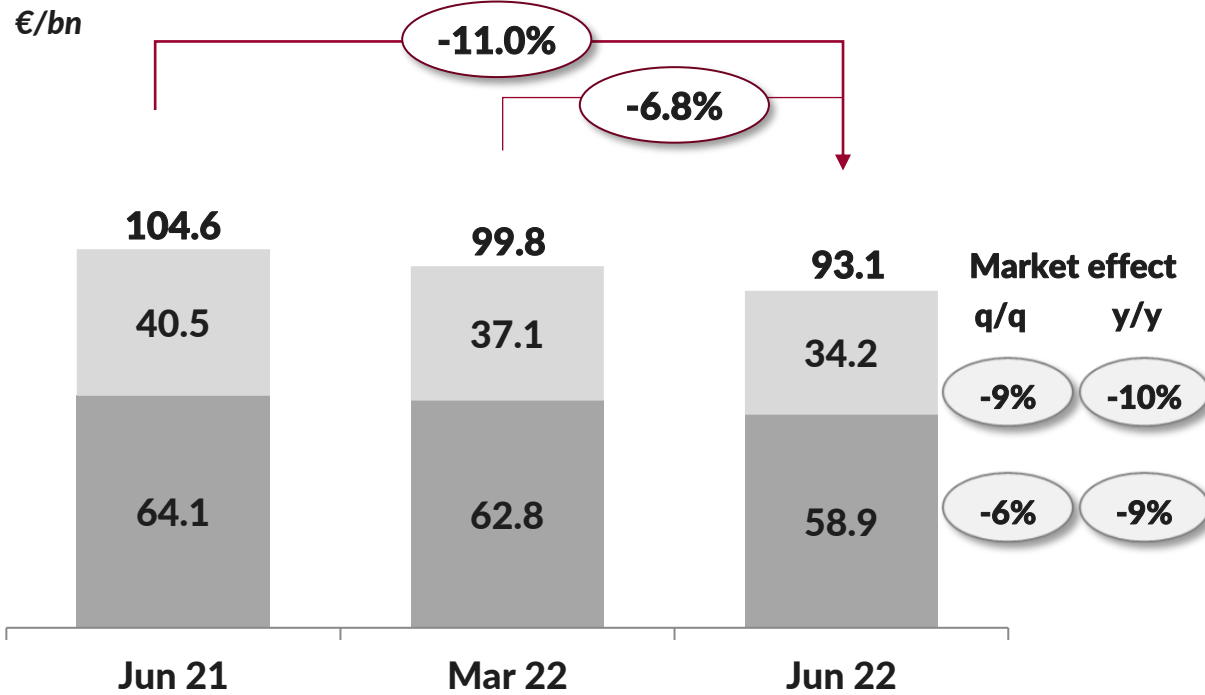


- 1H22 banking fees stable y/y
- Wealth management fees affected by market conditions, impacting mainly up-front fees

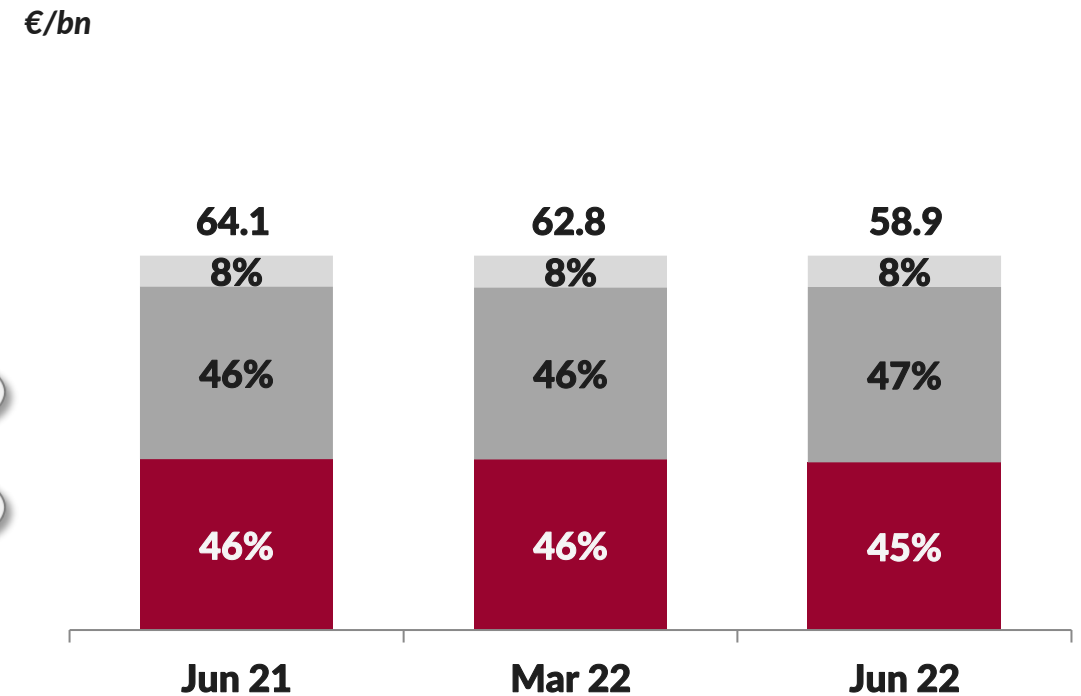


Indirect funding

Indirect funding breakdown



AuM & Bancassurance breakdown



■ AuM & Bancassurance ■ Asset under Custody

Category	q/q	y/y
AuM & Bancassurance	-6%	-8%
Asset under Custody	-8%	-15%

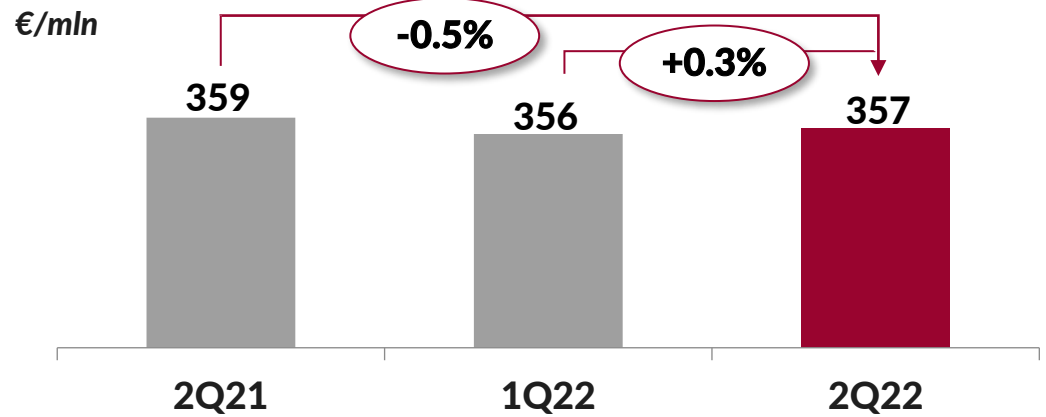
■ Mutual funds ■ Life insurance ■ Individual accounts

- Indirect funding volumes affected by market valuation effects and some single large financial companies outflows in AuC in 2H21

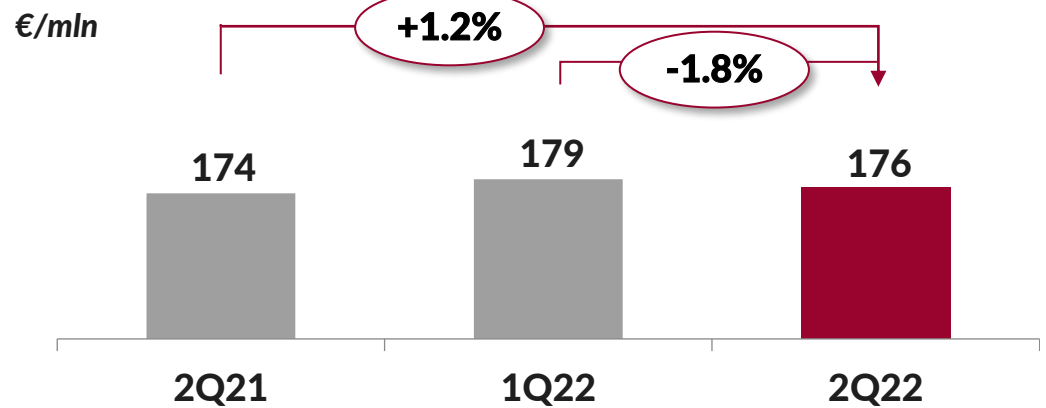


Operating costs quarterly evolution

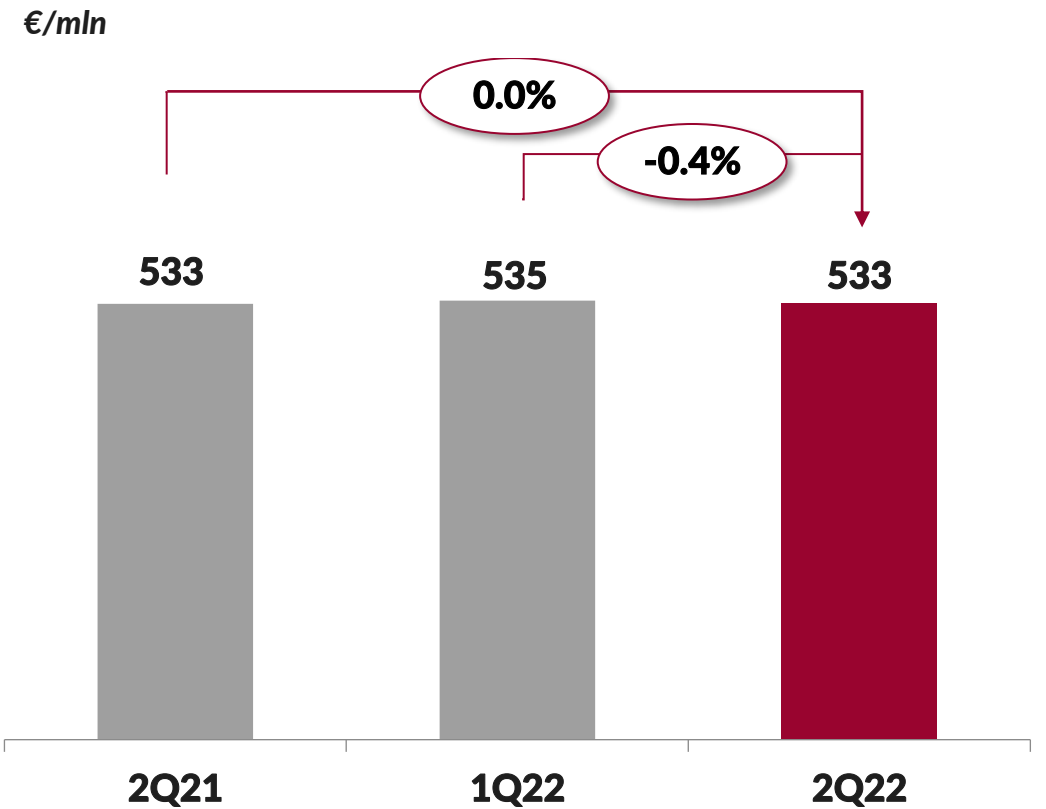
HR costs



Non-HR costs



Operating costs



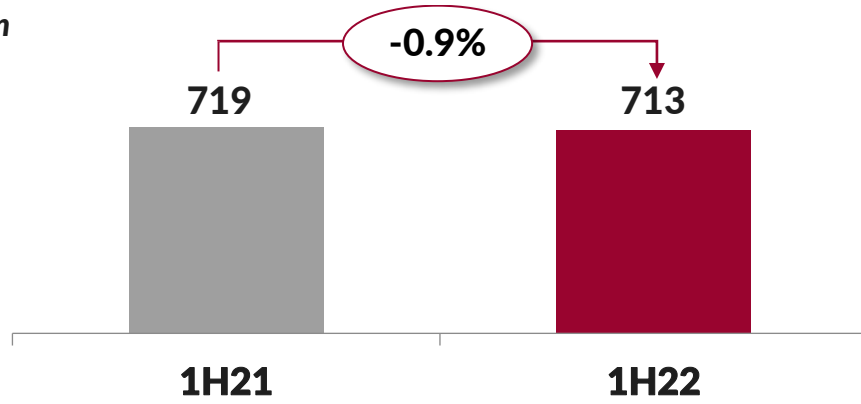
- Cost stable y/y, with non-HR costs up by +1.2% and lower HR costs
- Operating costs down by -0.4% q/q driven by non-HR, down 1.8%.



Operating costs yearly evolution

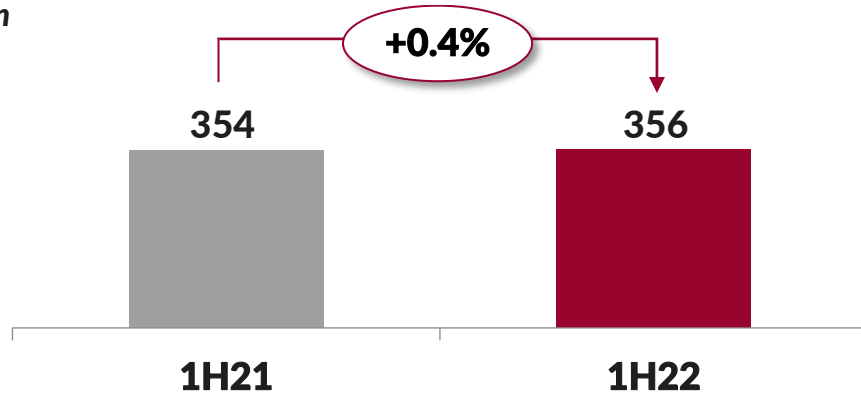
HR costs

€/mln



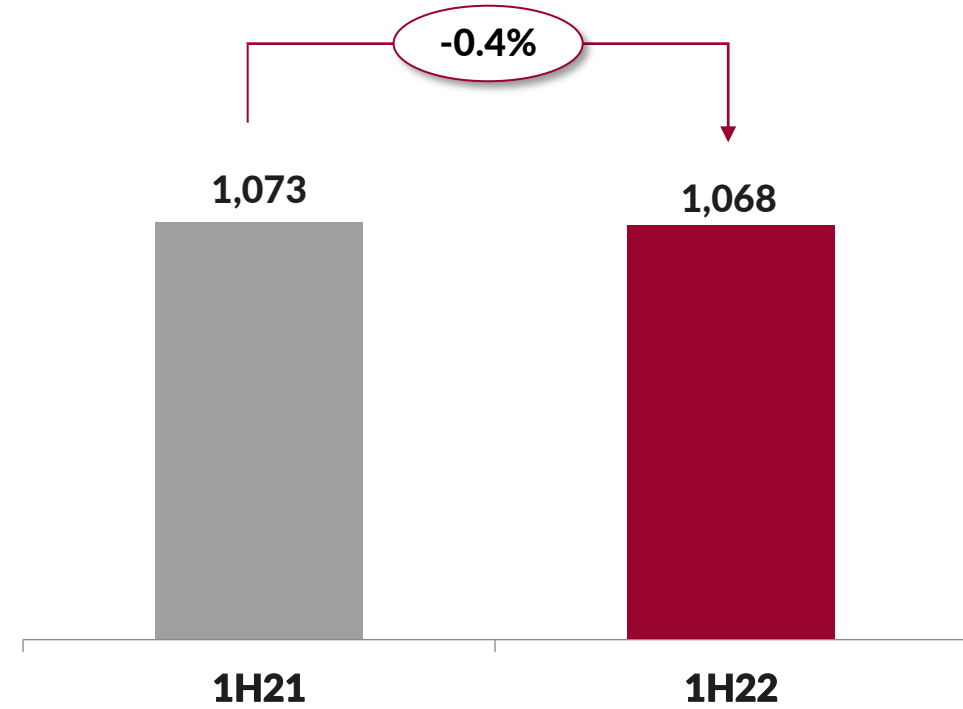
Non-HR costs

€/mln



Operating costs

€/mln

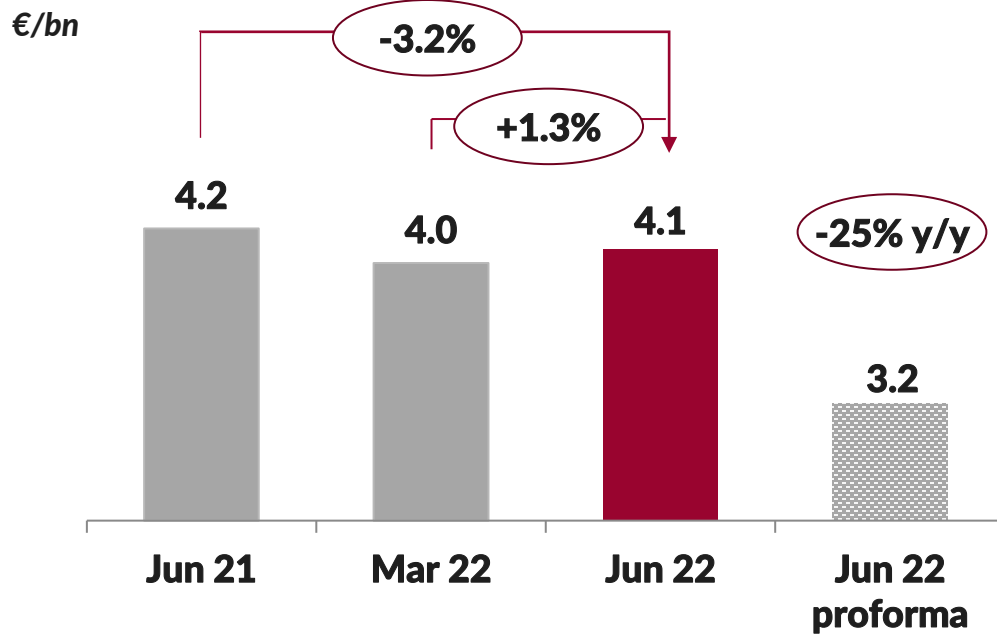


- Operating costs under control, lower by -0.4% y/y despite high inflation
- HR costs lower y/y by -0.9% thanks to FTEs reduction, while non-HR costs up by +0.4% y/y

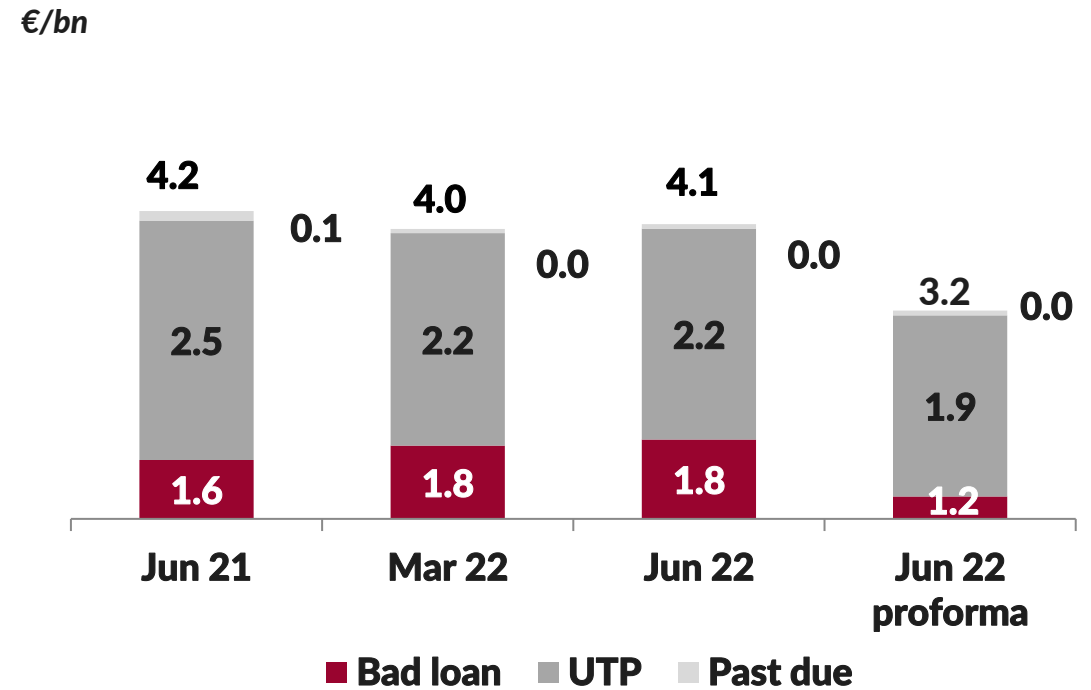


Gross NPE stock

Gross NPE stock



Breakdown by category



Gross NPE ratio

4.9%

4.8%

4.9%

3.9%

Net NPE ratio

2.7%

2.4%

2.4%

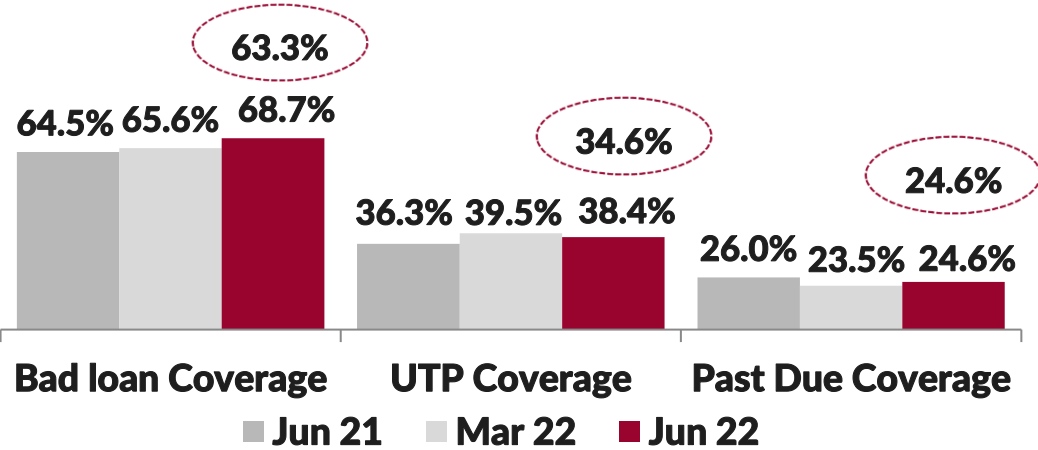
2.2%

- Gross NPE stock proforma down 25% thanks to the sale of EUR 0.9bn NPEs portfolio
- Gross NPE proforma ratio at 3.9% down 100bps, net NPE ratio at 2.2%

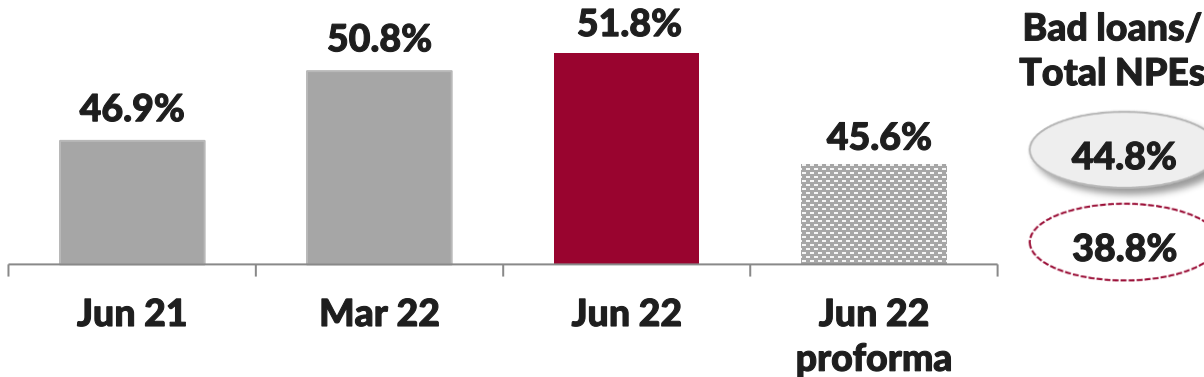


Coverage and cost of risk

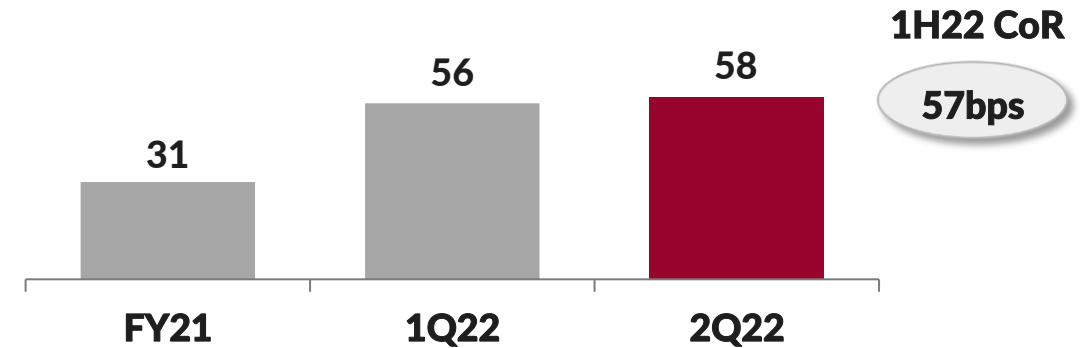
NPE coverage breakdown



Total NPE coverage



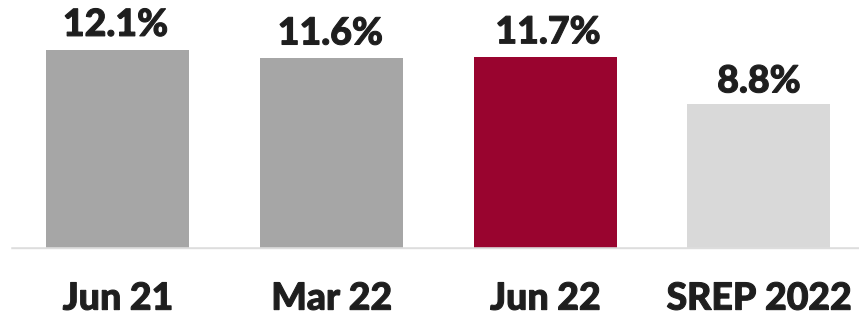
Cost of risk (bps)



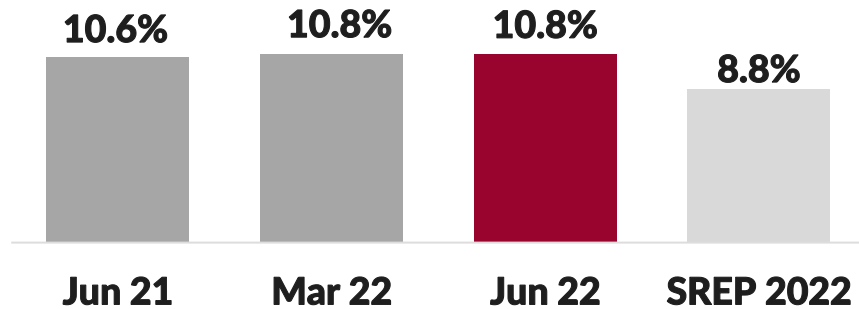
- Proforma coverage after the NPEs sale transaction at 45.6%, almost at the level of last year
- 2Q22 CoR at 58bps, reflecting also the NPEs disposal



CET1 ratio phased-in



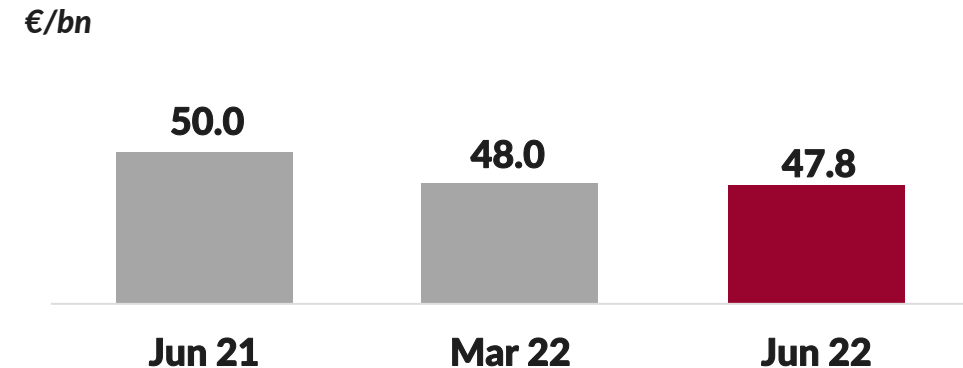
CET1 ratio fully loaded



Regulatory capital ratios phased-in

	Jun 21	Mar 22	Jun 22	SREP
CET1 ratio (%)	12.1%	11.6%	11.7%	8.80%
Tier 1 ratio (%)	12.1%	11.6%	11.7%	10.81%
Total capital ratio (%)	15.5%	15.3%	15.4%	13.50%

RWA phased-in



- Fully loaded CET1 at 10.8%, +18bps y/y, flat q/q. CET1 phased-in down y/y mainly due to IFRS9 FTA
- RWA down y/y and stable q/q



Petitum related to disclosed financial information

€/bn

Gross petitum

	Jun 21	Mar 22	Jun 22	
Claims excluding civil parties	Financial information 2014-2015	0.2	0.3	0.3
	Financial information 2008-2011	0.4	0.5	0.5
	Subordinated bonds mis-selling	0.0	0.0	0.0
	Total	0.7	0.8	0.8
Claims related to civil parties	Financial information 2014-2015	0.2	0.2	0.2
	Financial information 2008-2011	0.1	0.1	0.1
	Total	0.3	0.3	0.3
Extrajudicial claims	Financial information 2014-2015	0.5	0.2	0.2
	Financial information 2008-2011	4.2	0.6	0.6
	Financial information generic claims	0.0	0.0	1.0
	Total	4.7	0.8	1.8

- Increase of extrajudicial serial claims placed by the same consulting company on behalf of institutional investors
- This bucket is characterized in most of cases by lack of documentation, lack of legitimacy and causal nexus
- According to Bank's legal expert such kind of claim generates strong doubts in terms of the accounting obligation for the Bank to make specific provisioning
- Another claim (€ 0.8bn) has been just received at the beginning of August
- The Bank gave mandate to its lawyers to evaluate any legal actions to protect its rights



- Court decisions in 2022 - confirming the positive jurisprudential trend of the precedent years - are all in favour of the Bank:
 - Florence Court decision of February 2nd, 2022
 - Milan Appeals Court of May 6th, 2022
- In May 2022, the Milan Appeals Court judgement fully discharged the former Chairman and General Manager in the criminal court case 2008-2011, which might pave the way for favourable developments in civil cases
- In August 2022, one extrajudicial claim on financial information 2008-2011 (Vigni-Mussari) evolved into court cases



- **Net profit reported at EUR 27mln in 1H22**
- **1H22 gross operating profit up by +12.6% y/y, thanks to NII up by +12.8% y/y, excluding capital gains on securities in both periods**
- **Successful NPE portfolio sale completed ahead of the schedule, allowing to reduce the proforma Gross NPE ratio to 3.9% (-100bps), while keeping the proforma coverage at 45.6%**
- **Stable capital position with CET1 FL at 10.8%**
- **Progressing in the execution of the 2022-2026 Business Plan**



Annexes



Reclassified Income Statement

€ mln	2Q22	1Q22	1H22	1H21	2Q22/ 1Q22(%)	1H22/ 1H21(%)
Net Interest Income	337	323	660	585	+4.3%	+12.8%
Net fees and commission income	359	369	728	755	-2.6%	-3.5%
Profit (loss) of equity-accounted investments (AXA)	-3	14	11	47	n.m.	-75.5%
Core Revenues	694	706	1,400	1,386	-1.8%	+1.0%
Financial revenues	24	80	104	187	-70.5%	-44.5%
Other operating net income	22	-3	18	-13	n.m.	n.m.
Operating Income	739	783	1,522	1,561	-5.6%	-2.5%
Personnel expenses	-357	-356	-713	-719	+0.3%	-0.9%
Other administrative expenses	-132	-136	-268	-266	-2.8%	+0.7%
Depreciations/amortisations and net impairment losses on PPE	-44	-44	-88	-88	+1.4%	-0.6%
Operating Costs	-533	-535	-1,068	-1,073	-0.4%	-0.4%
Gross operating profit	206	248	454	488	-16.9%	-7.1%
Net impairment losses for credit risk	-114	-111	-225	-163	+2.2%	+38.1%
Net impairment losses for other financial assets	2	0	2	2	n.m.	-0.0%
Net operating profit	94	136	230	327	-30.7%	-29.5%
Net gains/losses on equity investments, PPE and intangible assets at FV, and disposal of investments	-11	2	-9	-14	n.m.	-37.9%
Systemic funds contribution	0	-89	-89	-90	n.m.	-1.0%
DTA Fee	-16	-16	-31	-32	-0.5%	-0.6%
Net accruals to provisions for risks and charges	-50	-28	-78	-42	+74.6%	+84.4%
Restructuring costs / one-off costs	-3	0	-3	-4	n.m.	-27.2%
Pre-tax profit (loss)	16	5	20	145	n.m.	-85.9%
Income taxes	3	6	8	59	-52.2%	-86.1%
Post-tax profit (loss)	18	10	29	204	+73.2%	-86.0%
Impairment, PPA & others	-1	-1	-1	-2	-17.4%	-18.2%
Profit (loss) for the period	18	10	27	202	+80.4%	-86.5%



Total Assets (€/mln)

	Jun-21	Dec-21	Mar-22	Jun-22	QoQ%	YoY%
Loans to Central banks	25,571	20,770	15,393	17,627	14.5%	-31.1%
Loans to banks	3,134	3,493	2,425	1,432	-40.9%	-54.3%
Loans to customers	81,356	79,380	79,260	78,622	-0.8%	-3.4%
Securities assets	23,122	22,127	23,382	22,313	-4.6%	-3.5%
Tangible and intangible assets	2,760	2,744	2,719	2,666	-1.9%	-3.4%
Other assets	9,808	9,355	8,831	8,719	-1.3%	-11.1%
Total Assets	145,750	137,869	132,009	131,378	-0.5%	-9.9%

Total Liabilities (€/mln)

	Jun-21	Dec-21	Mar-22	Jun-22	QoQ%	YoY%
Deposits from customers	83,315	79,860	74,992	74,941	-0.1%	-10.1%
Securities issued	10,721	10,441	9,436	9,364	-0.8%	-12.7%
Deposits from central banks	29,306	29,155	29,081	28,948	-0.5%	-1.2%
Deposits from banks	3,854	2,125	1,764	1,695	-3.9%	-56.0%
Other liabilities	12,487	10,114	10,729	10,593	-1.3%	-15.2%
Group net equity	6,065	6,173	6,006	5,837	-2.8%	-3.8%
Non-controlling interests	1	1	1	1	7.7%	0.0%
Total Liabilities	145,750	137,869	132,009	131,378	-0.5%	-9.9%



Total Lending (€/mln)

	Jun-21	Dec-21	Mar-22	Jun-22	QoQ%	YoY%
Current accounts	2,824	2,696	3,085	3,097	0.4%	9.7%
Medium-long term loans	56,971	56,268	56,418	55,808	-1.1%	-2.0%
Other forms of lending	12,655	13,152	13,763	14,267	3.7%	12.7%
Reverse repurchase agreements	6,668	5,126	4,009	3,484	-13.1%	-47.8%
Impaired loans	2,238	2,138	1,984	1,966	-0.9%	-12.2%
Total	81,356	79,380	79,260	78,622	-0.8%	-3.4%

Direct Funding (€/mln)

	Jun-21	Dec-21	Mar-22	Jun-22	QoQ%	YoY%
Current accounts	68,156	66,159	65,186	65,852	1.0%	-3.4%
Time deposits	7,379	6,438	6,040	5,675	-6.0%	-23.1%
Repos	3,934	4,299	904	900	-0.4%	-77.1%
Bonds	10,721	10,441	9,436	9,364	-0.8%	-12.7%
Other forms of direct funding	3,846	2,963	2,862	2,514	-12.2%	-34.6%
Total	94,037	90,300	84,428	84,305	-0.1%	-10.3%

