



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

A Clear and Simple Commercial Bank 9M 22 Financial Results

Siena, 11th November 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.

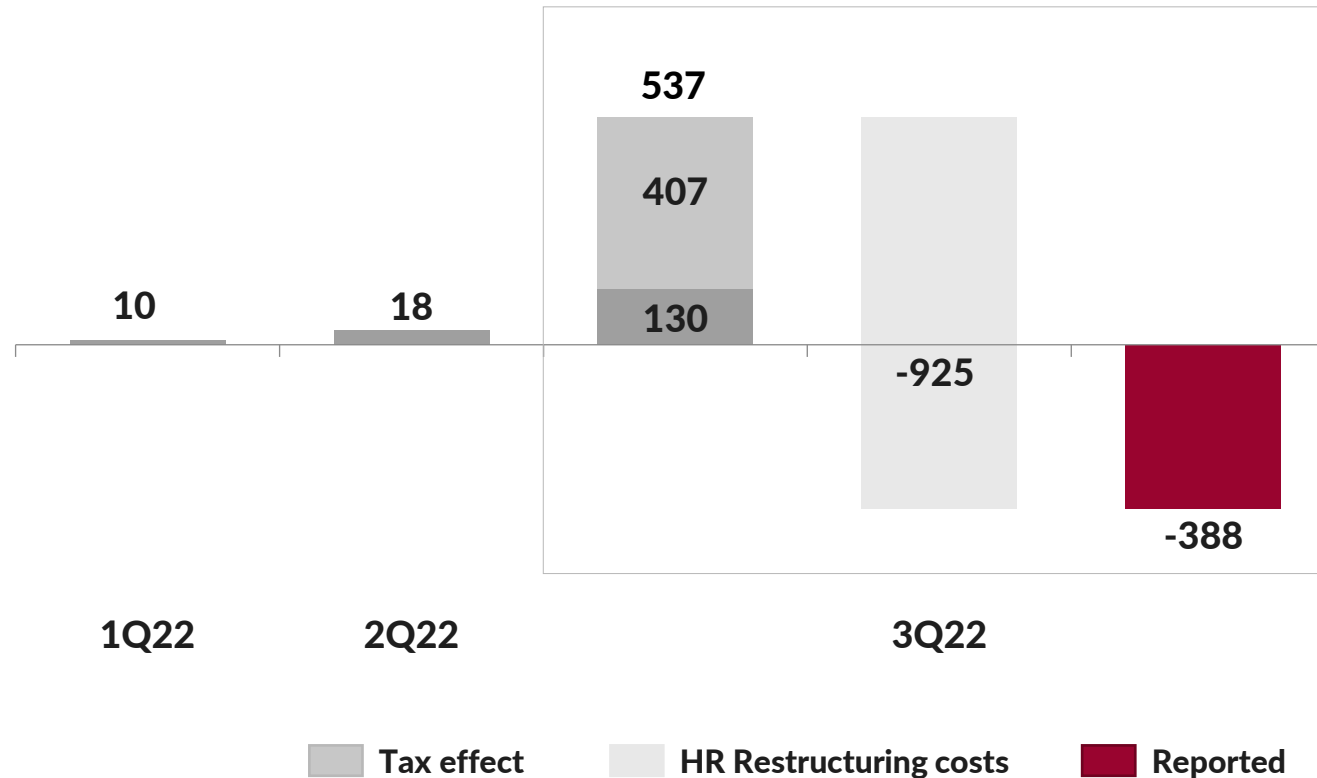


- EUR 2.5bn capital increase successfully completed, bringing fully loaded proforma CET1 ratio to 14.7%
- HR one-off restructuring costs of EUR -925mln relating to over 4,000 early retirements already booked in 3Q22
- 3Q22 net profit excluding HR restructuring costs at EUR 537mln (9M22 at 565mln), driven by pre-tax profit (EUR 130mln) and EUR +407mln positive tax effects. Including EUR -925mln HR one-off restructuring costs, net result at EUR -388mln (9M22 at -360mln)
- 9M22 gross operating profit in double digit growth (+13.5%) excluding gains from securities disposal
- 9M NII up by +15.7%, with strong contribution of 3Q22 up by +12.7% q/q and +21.2% y/y. Fees and commissions income affected by upfront fees on wealth management
- Operating costs under control with HR costs lower by -1.0% y/y after 9 months and non-HR higher by 3.1% y/y due to some positive one-offs in 3Q21. Costs to structurally benefit of 4,000 early retirements starting from December 2022
- 3Q22 proforma gross NPE ratio at 4.0% and net NPE ratio at 2.1% respectively
- 9M22 cost of risk at 55 bps with proforma coverage improving to 47.8% (+1.3 pp y/y and +2.2 pp q/q)



Net profit quarterly evolution

€/mln

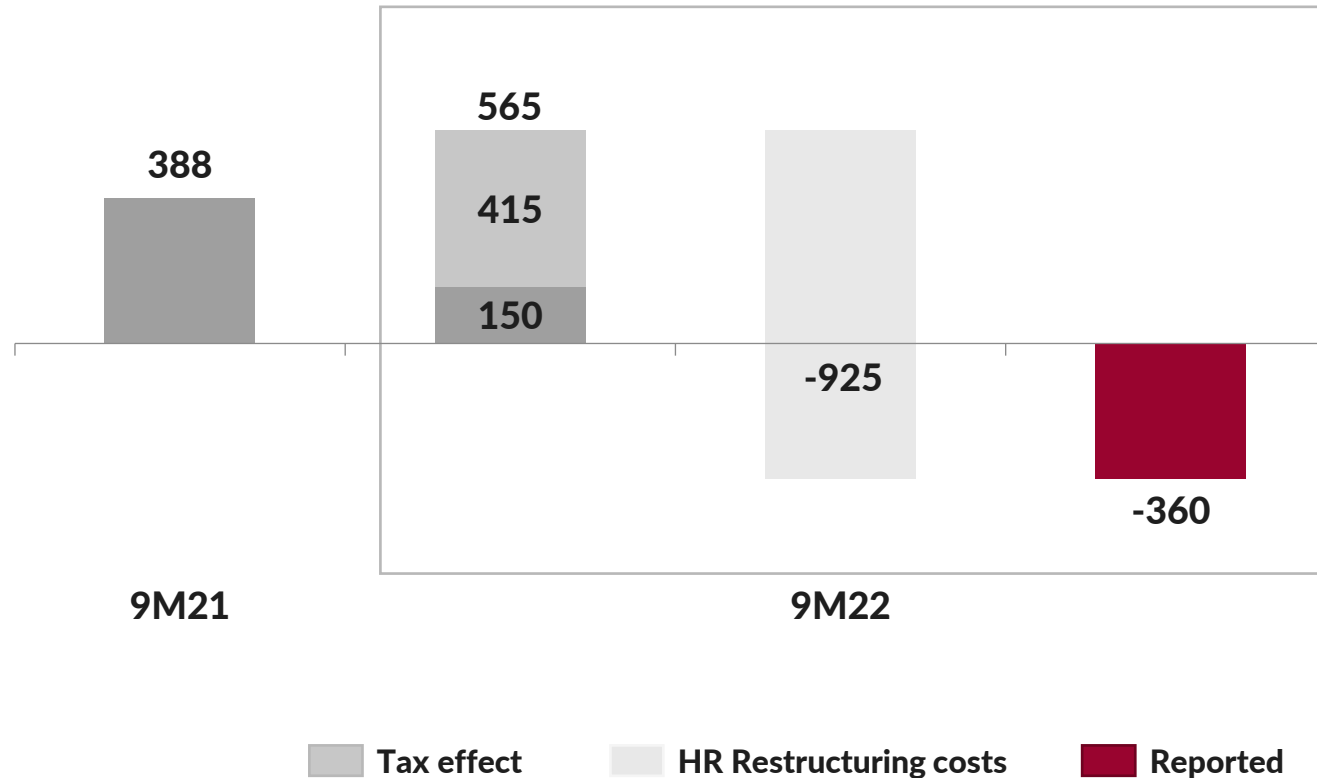


- 3Q22 net profit excluding HR restructuring costs at EUR 537mln, driven by pre-tax profit (EUR 130mln) and EUR +407mln positive tax effect. Including EUR -925mln HR one-off restructuring costs, net result at EUR -388mln



Net profit yearly evolution

€/mln



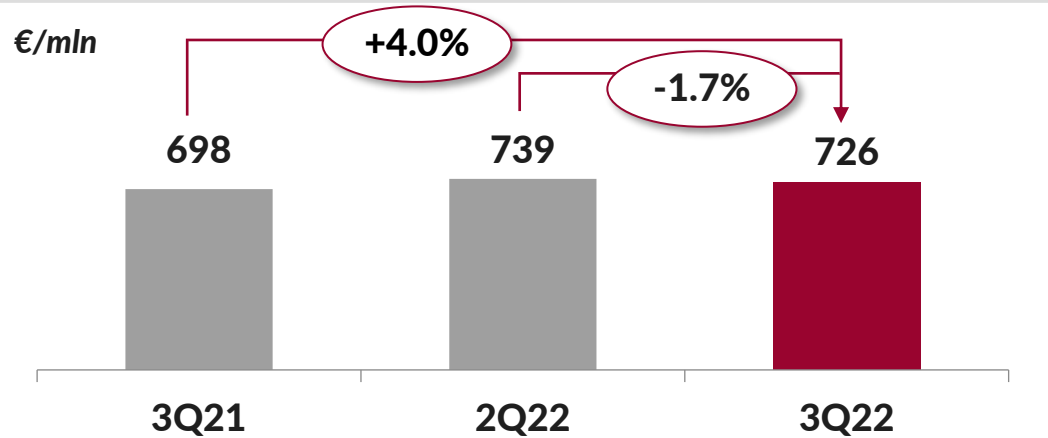
- 9M22 net profit excluding HR restructuring costs at EUR 565mln, driven by pre-tax profit (EUR 150mln) and EUR +415mln positive tax effect. Including EUR -925mln one-off HR restructuring costs, net result at EUR -360mln



Gross operating profit quarterly evolution

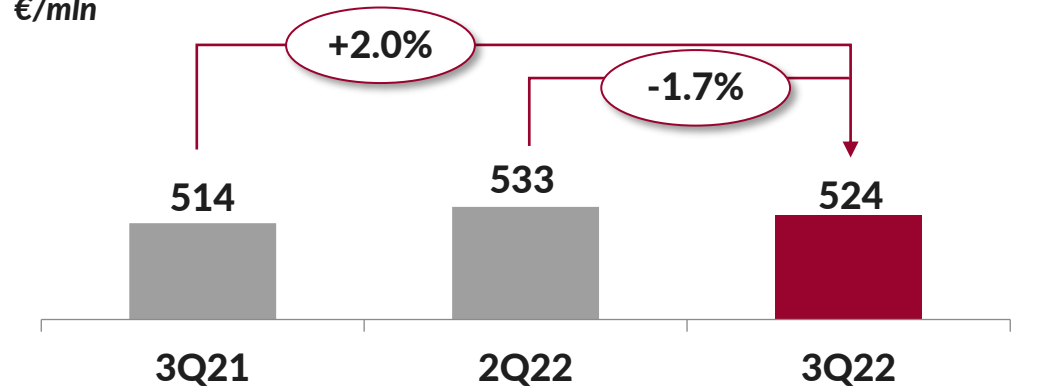
Operating income

€/mln



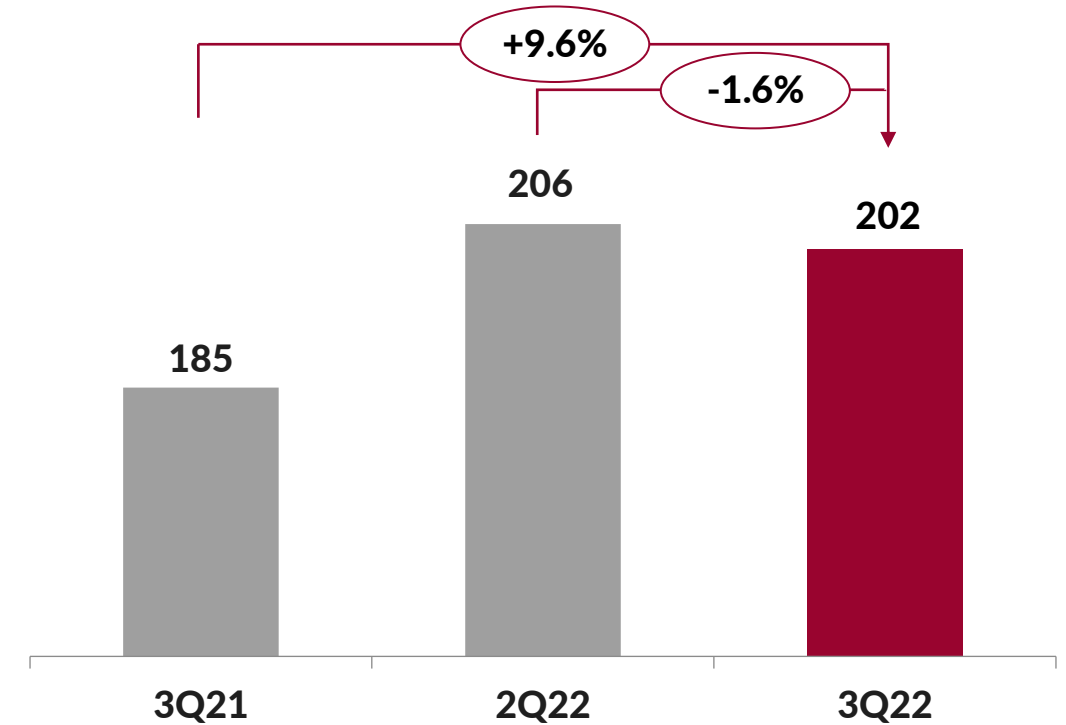
Operating costs

€/mln



Gross operating profit

€/mln



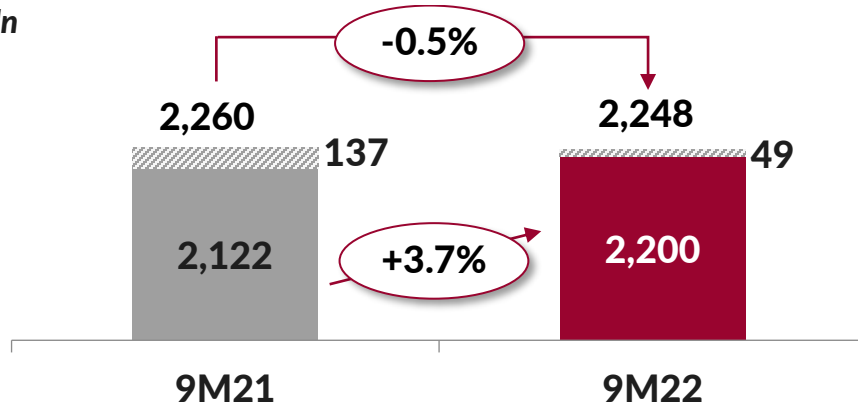
- 3Q22 gross operating profit up by 9.6% y/y thanks to higher operating income, more than offsetting one-off cost release in 3Q21
- Q/q dynamic reflecting some revenues seasonality



Gross operating profit yearly evolution

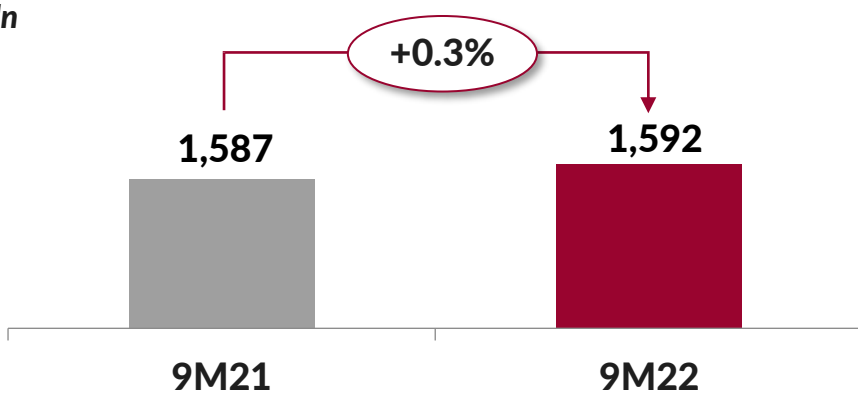
Operating income

€/mln



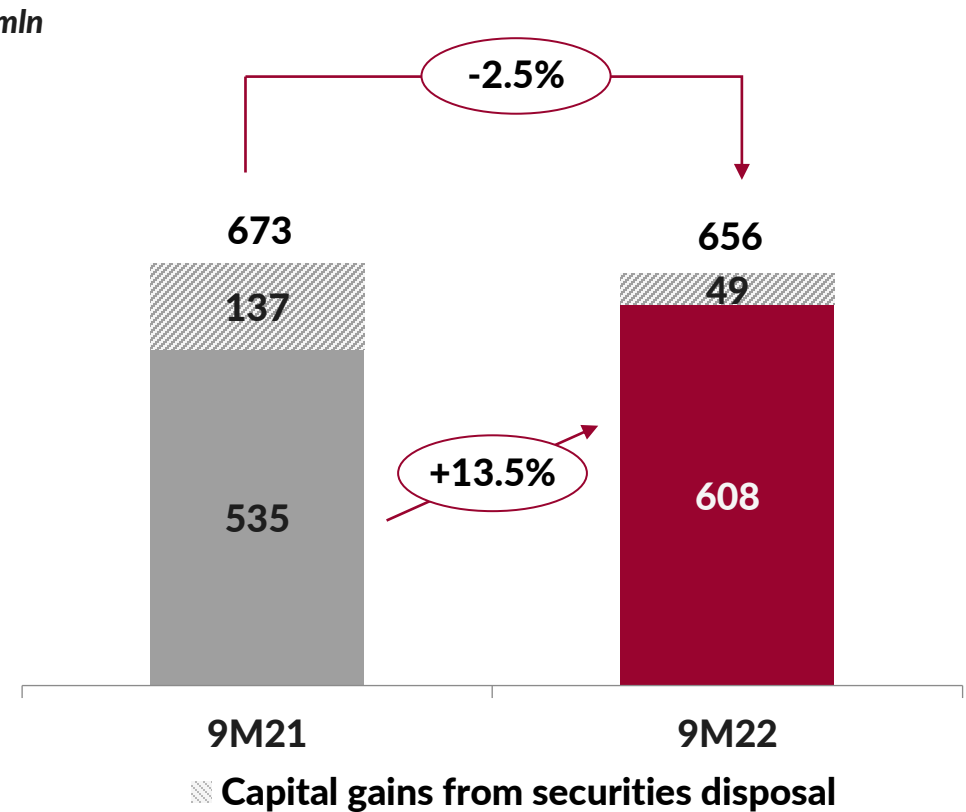
Operating costs

€/mln



Gross operating profit

€/mln

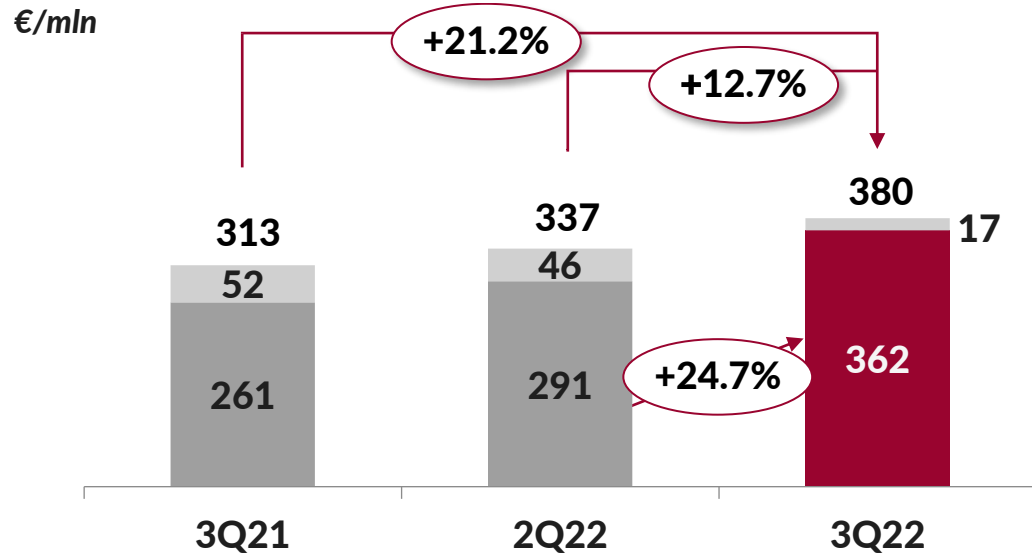


- 9M22 gross operating profit in double digit growth (+13.5%) excluding gains from securities disposal
- Operating income up 3.7% y/y (excluding gains on securities disposal) driven by core revenues, costs under control

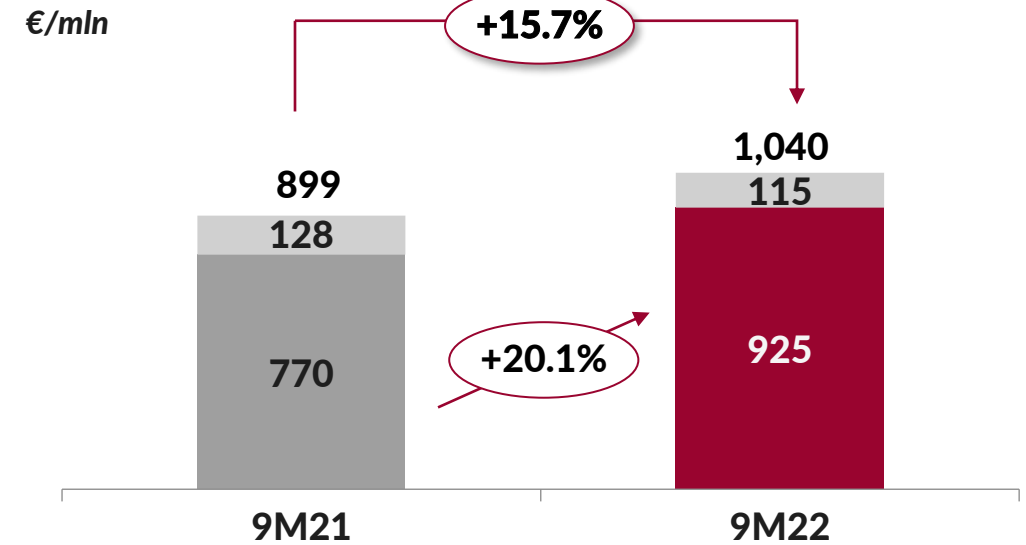


Net interest income

Quarterly evolution



Yearly evolution



	3Q21	2Q22	3Q22
Lending rate	1.79%	1.80%	2.11%
Funding rate	0.13%	0.11%	0.12%
Spread	1.66%	1.69%	1.99%

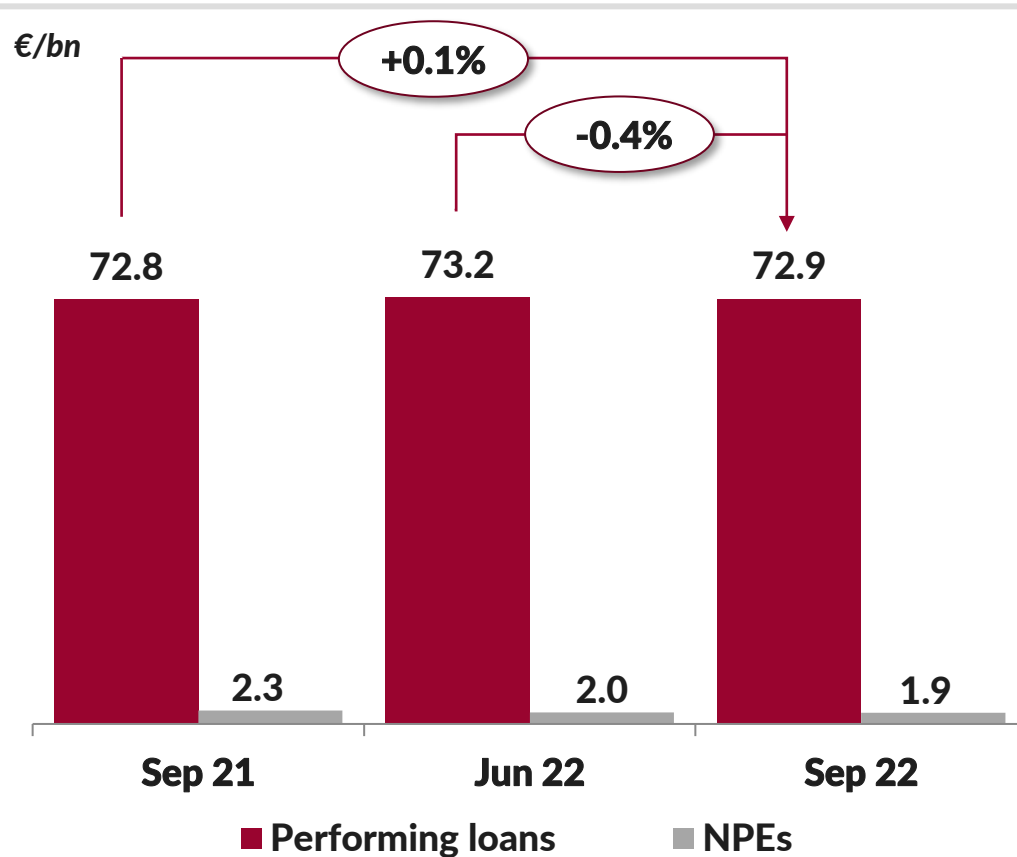
	9M21	9M22
Lending rate	1.82%	1.90%
Funding rate	0.16%	0.12%
Spread	1.66%	1.78%

- 3Q22 NII up by 12.7% q/q (+24.7% q/q excluding TLTRO) and +21.2% y/y thanks to increased spread driven by lending rate
- 9M22 NII up by 15.7% y/y driven by higher spread

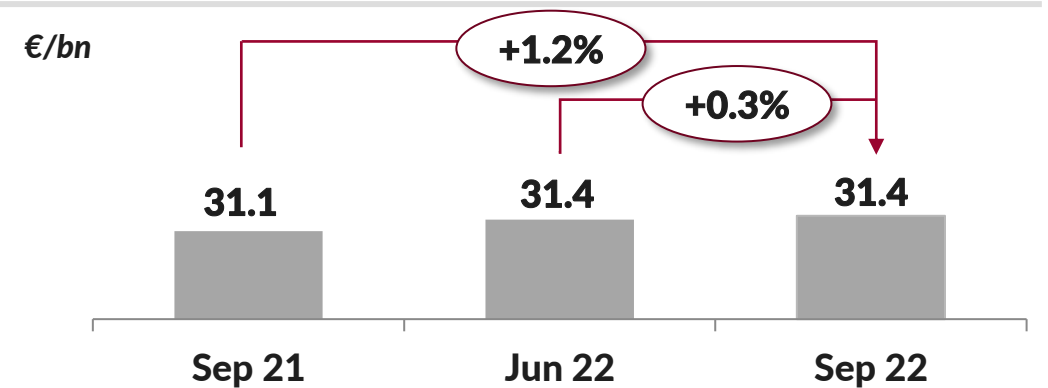


Net customer loans

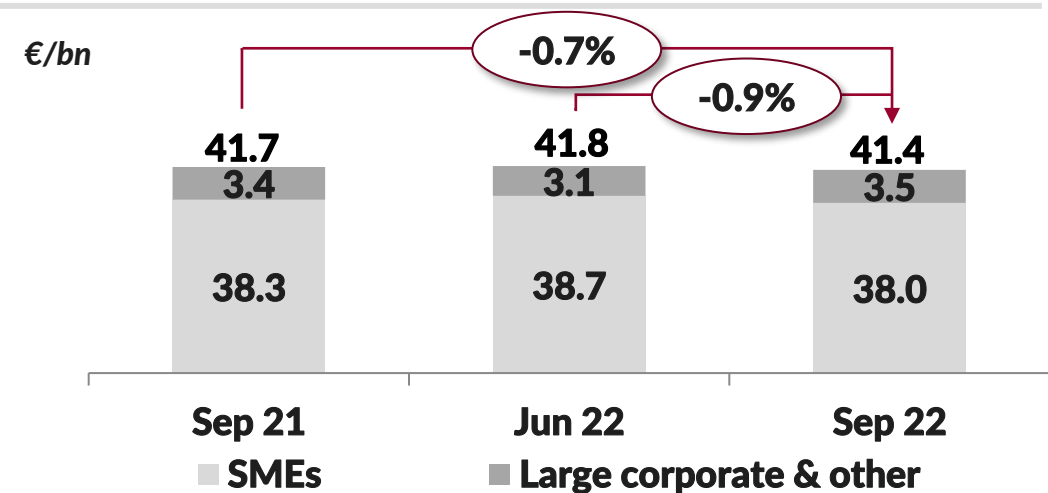
Net loans



Performing loans retail



Performing loans corporate



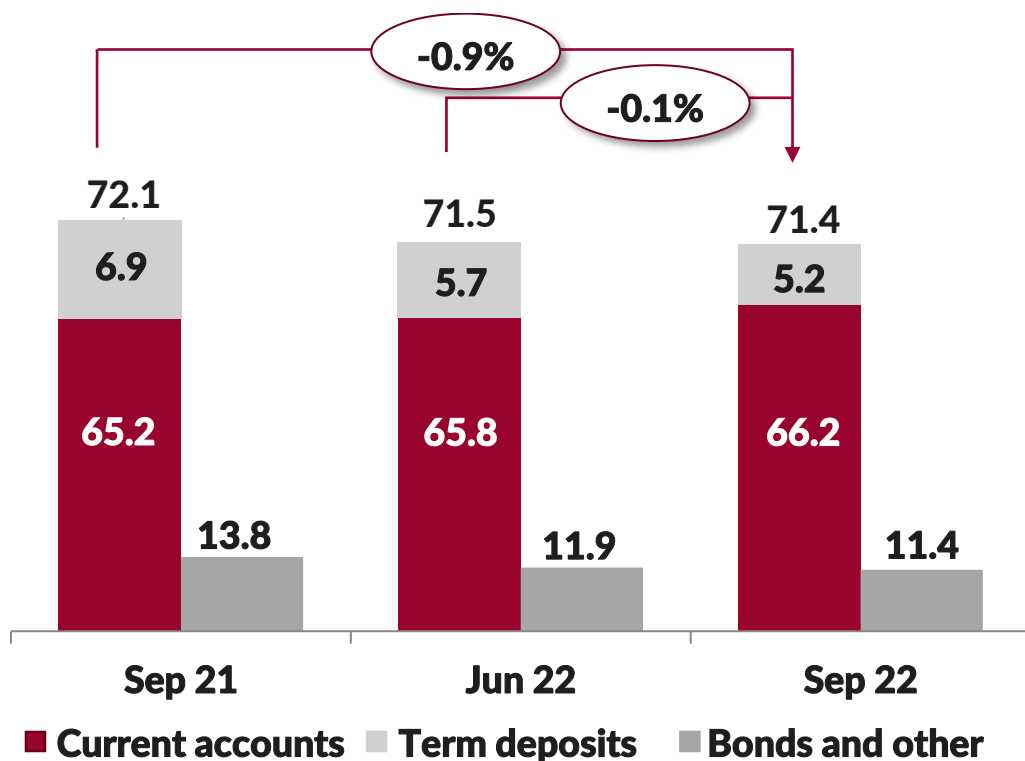
- Performing loans slightly up y/y, driven by retail (up by 1.2% y/y)



Funding composition

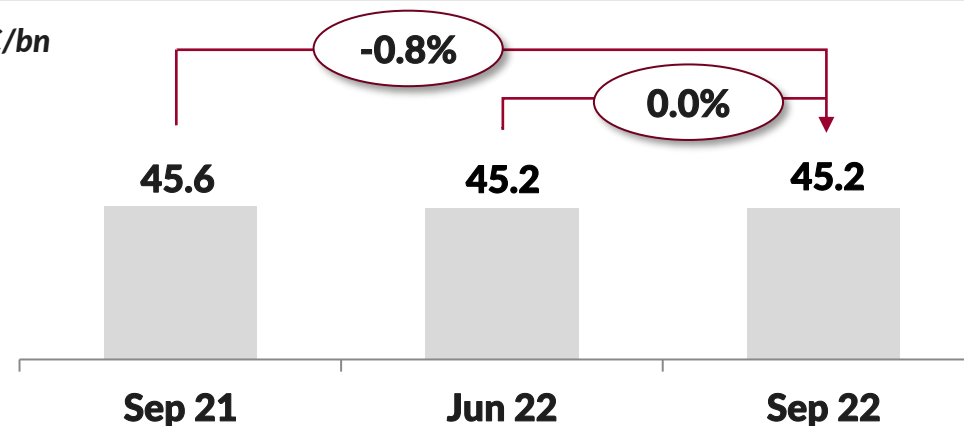
Quarterly evolution

€/bn



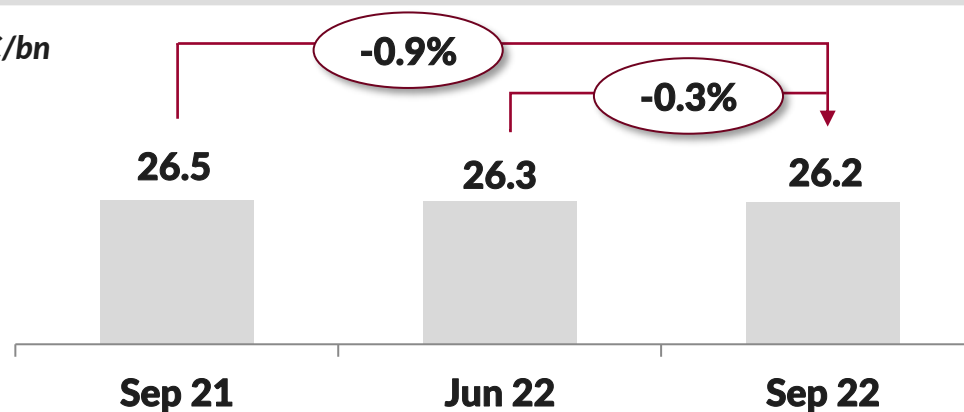
Retail funding

€/bn



Corporate funding

€/bn

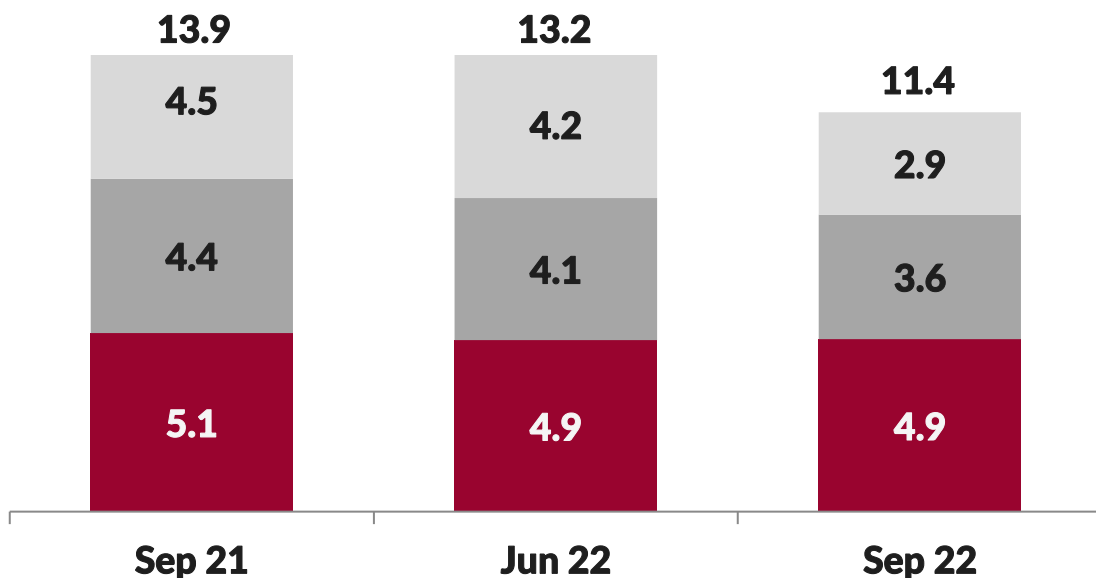


- Total deposits almost flat y/y and q/q despite reduction of expensive time deposits



Italian govies portfolio breakdown

€/bn



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

- FVTOCI portfolio q/q reduction following bond maturities. Credit spread sensitivity further reduced
- FVTPL portfolio reflecting strategy to minimize volatility in P&L, on the basis of market conditions; average maturity of the portfolio <9 months

Italian govies portfolio at FVTOCI

	Sep 21	Jun 22	Sep 22
FVTOCI Duration (years)	~2.2	~1.7	~2.1
FVTOCI Credit spread sensitivity (€/mln)	-1.1	-0.9	-0.8

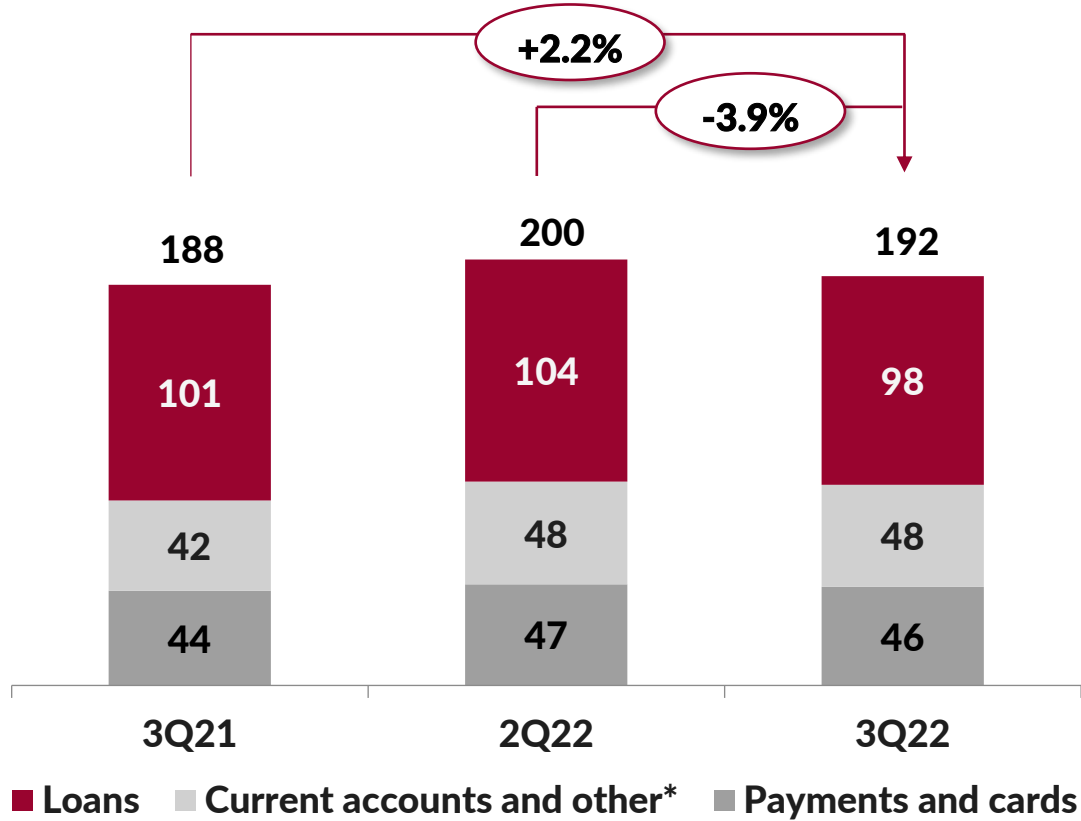


Net fee and commission income quarterly evolution



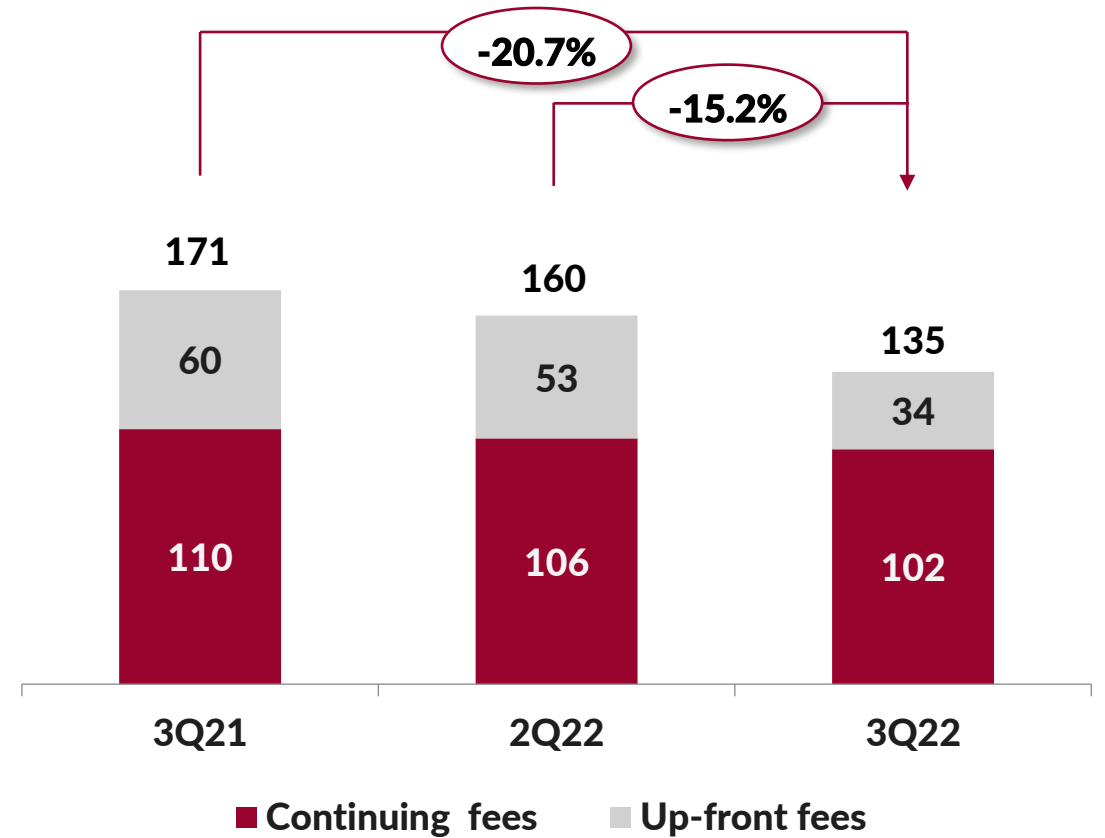
Banking fees

€/mln



Wealth Management fees

€/mln



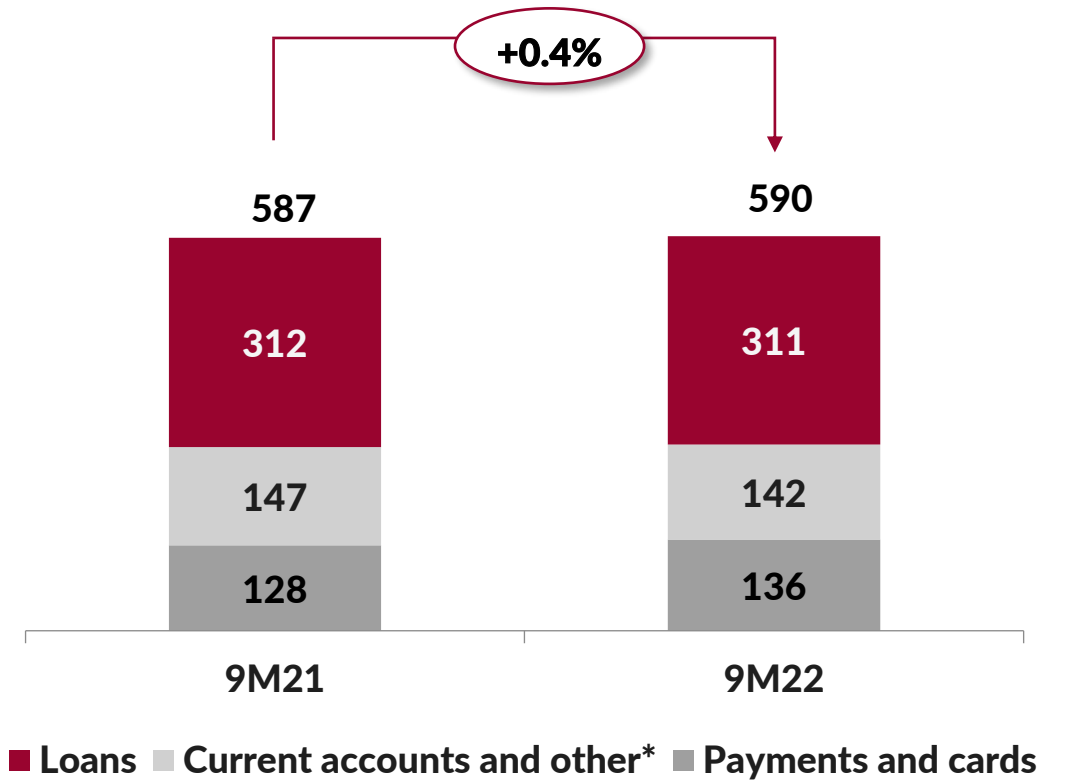
- Banking fees up 2.2% y/y with seasonally lower 3Q
- Wealth Management fees impacted by market conditions, in particular up-front fees



Net fee and commission income yearly evolution

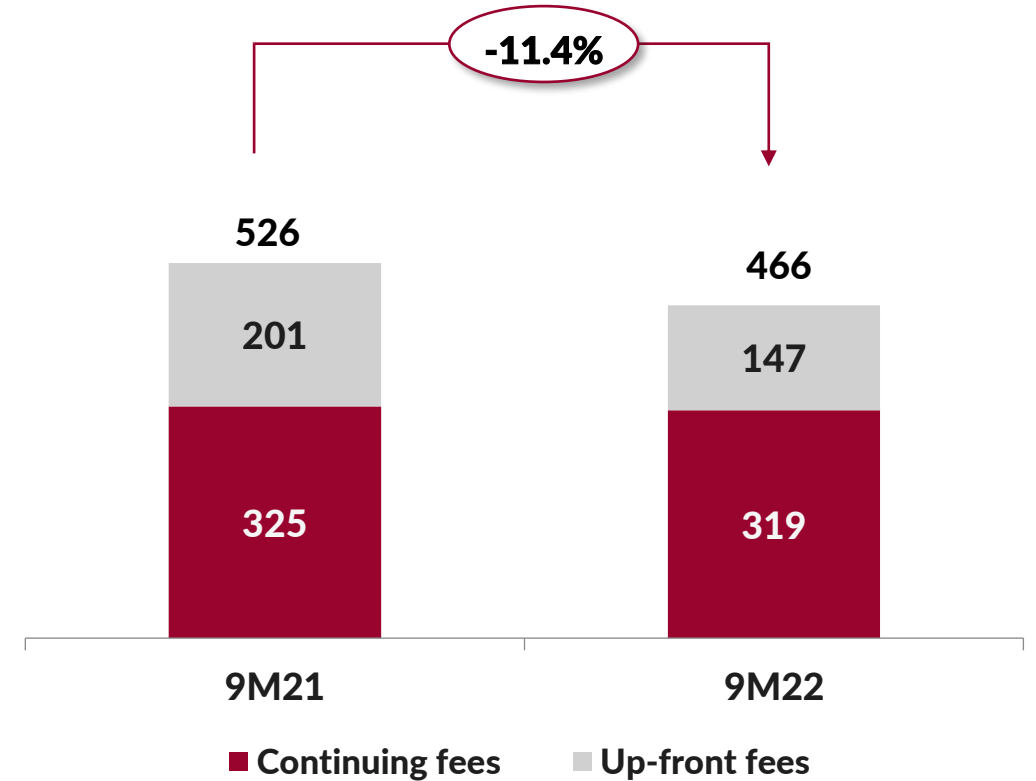
Banking fees

€/mln



Wealth Management fees

€/mln

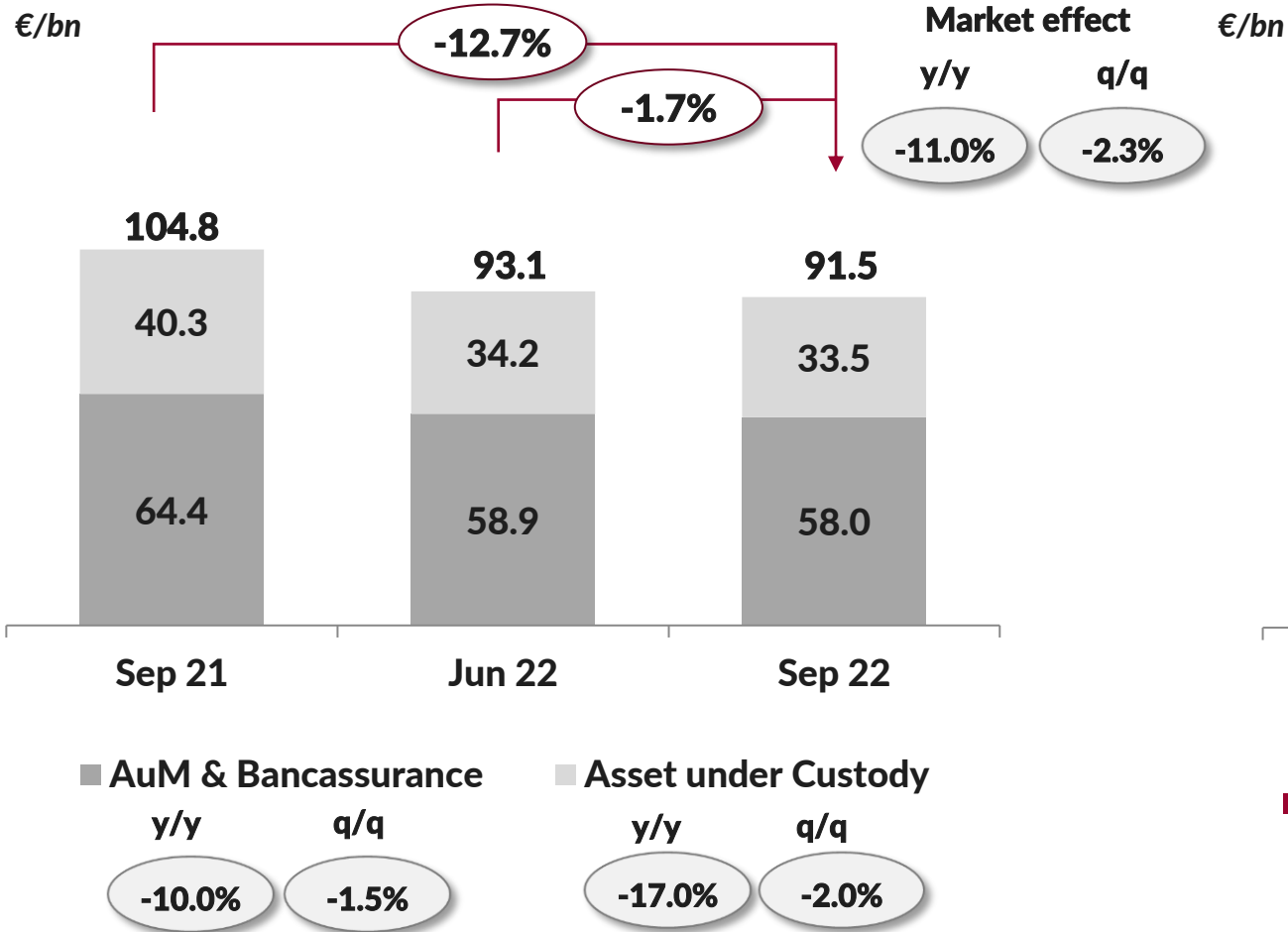


- Banking fees up 0.4% y/y
- Wealth Management fees impacted by market conditions, in particular up-front fees

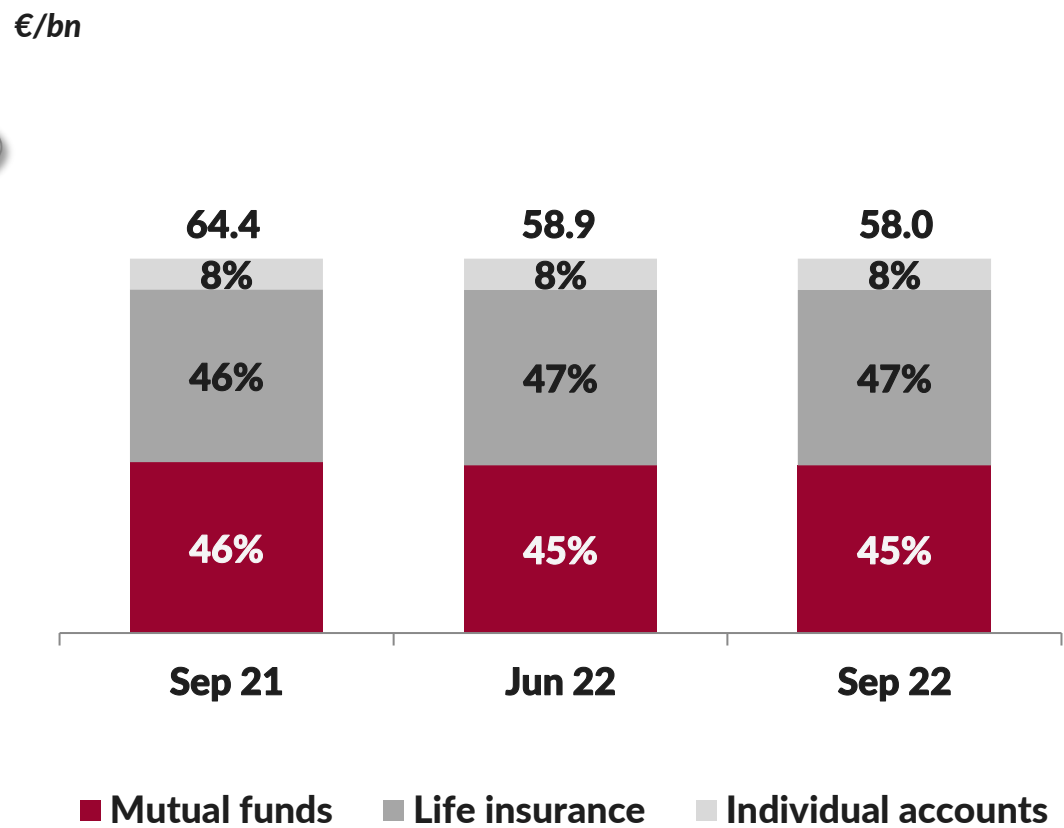


Indirect funding

Indirect funding breakdown



AuM & Bancassurance breakdown

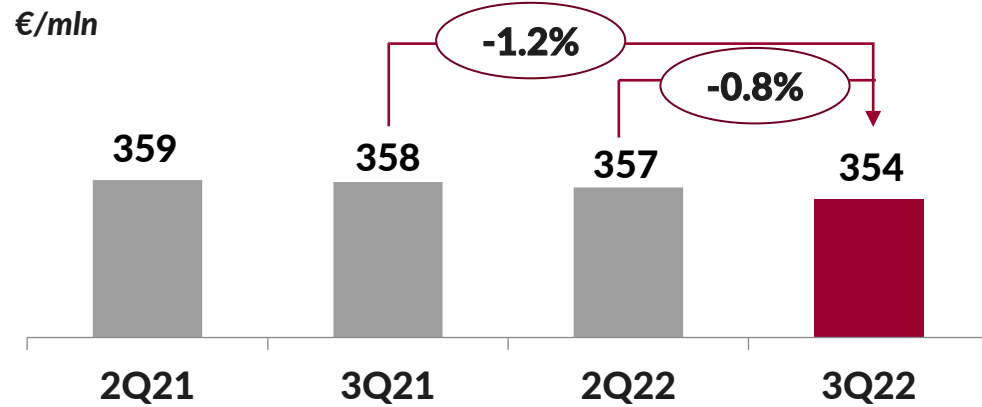


- Resilient indirect funding stock q/q considering market conditions. Y/y dynamic affected by a large customer outflow in Assets under Custody in 4Q21

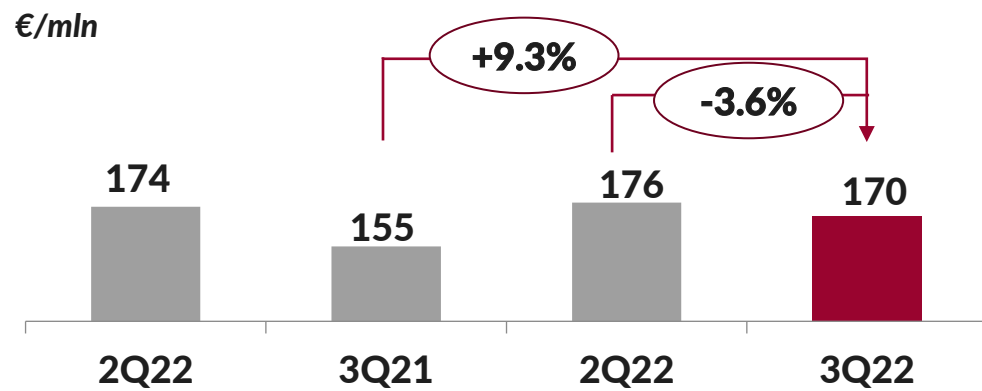


Operating costs quarterly evolution

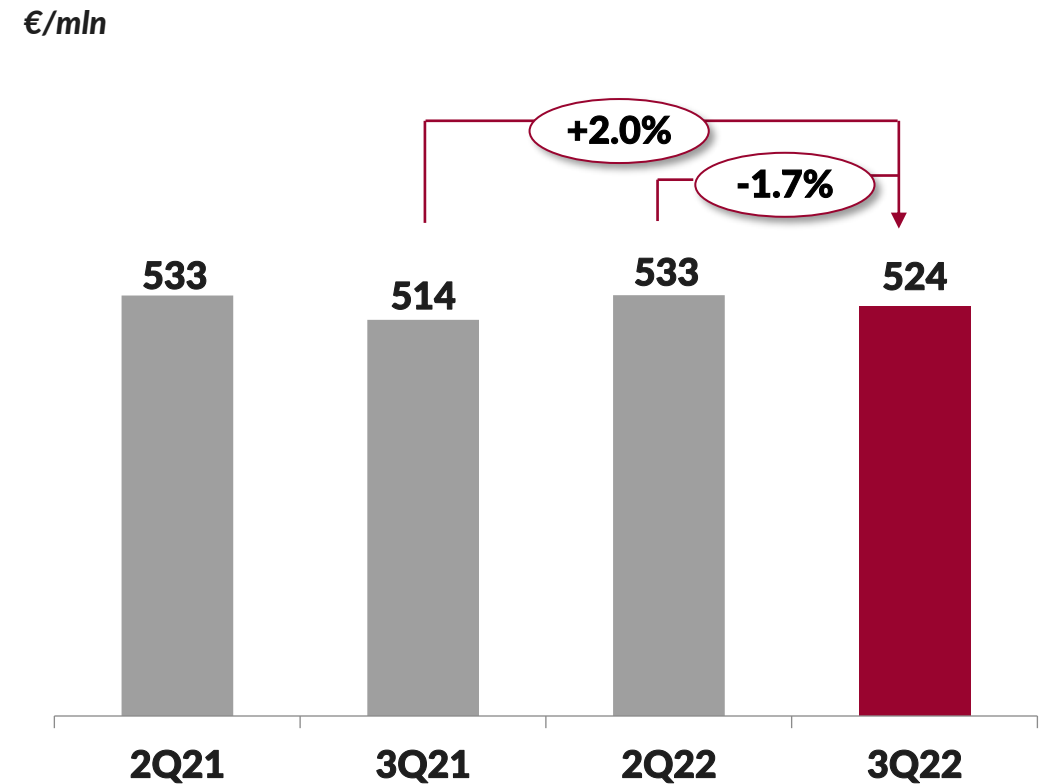
HR costs



Non-HR costs



Operating costs

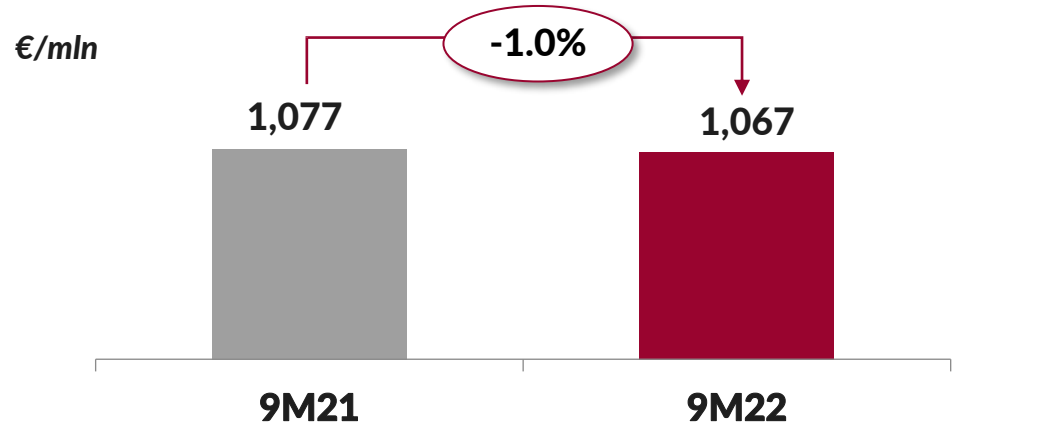


- HR costs lower both q/q and y/y
- Non-HR costs lower 3.6% q/q despite increasing energy costs; y/y dynamic affected by one-off cost release in 3Q21

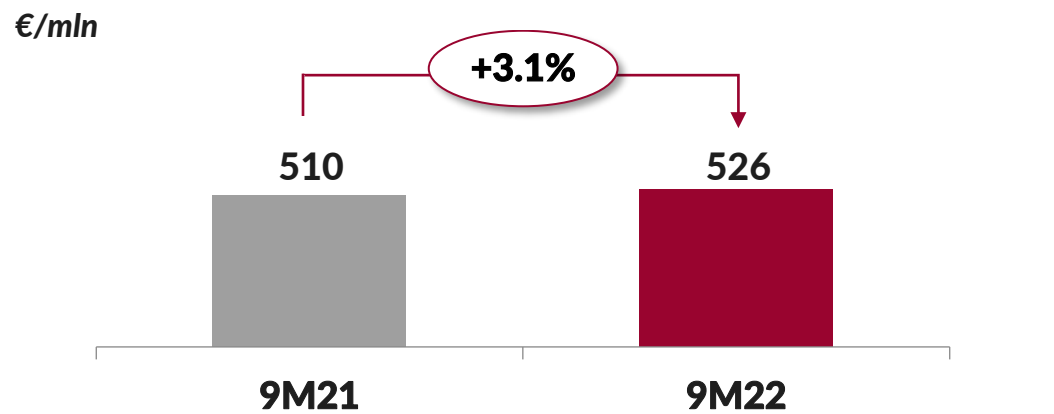


Operating costs yearly evolution

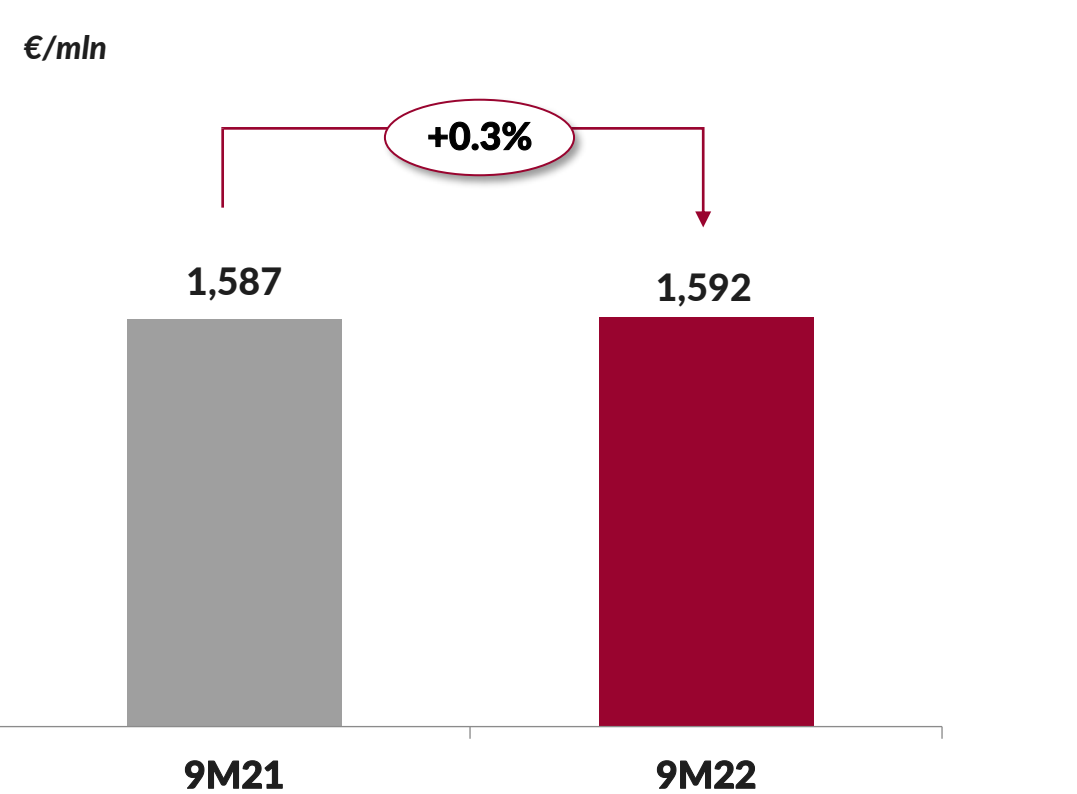
HR costs



Non-HR costs



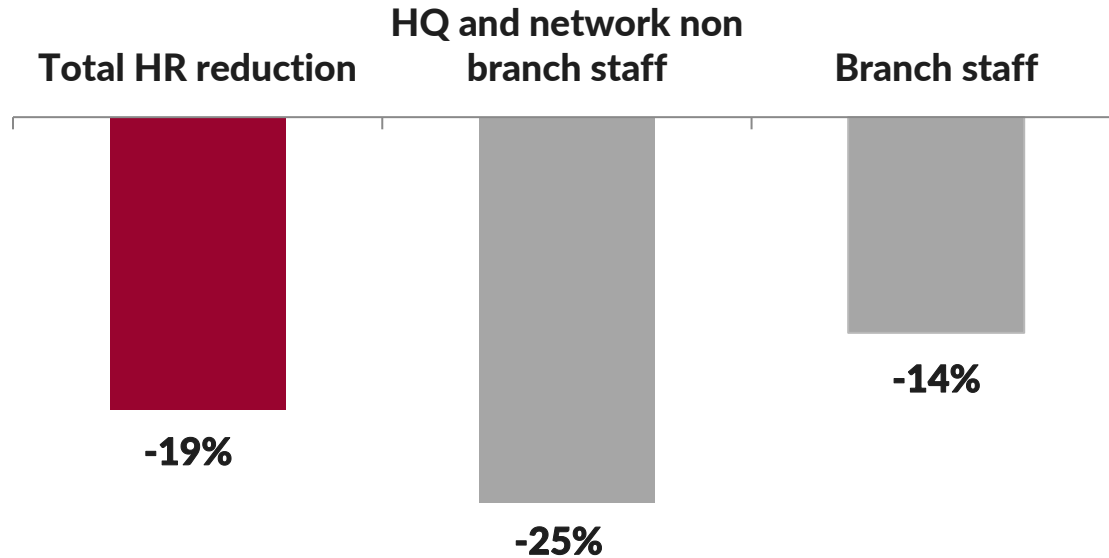
Operating costs



- HR costs down -1% y/y
- Non-HR costs dynamic affected by one-off cost release in 3Q21



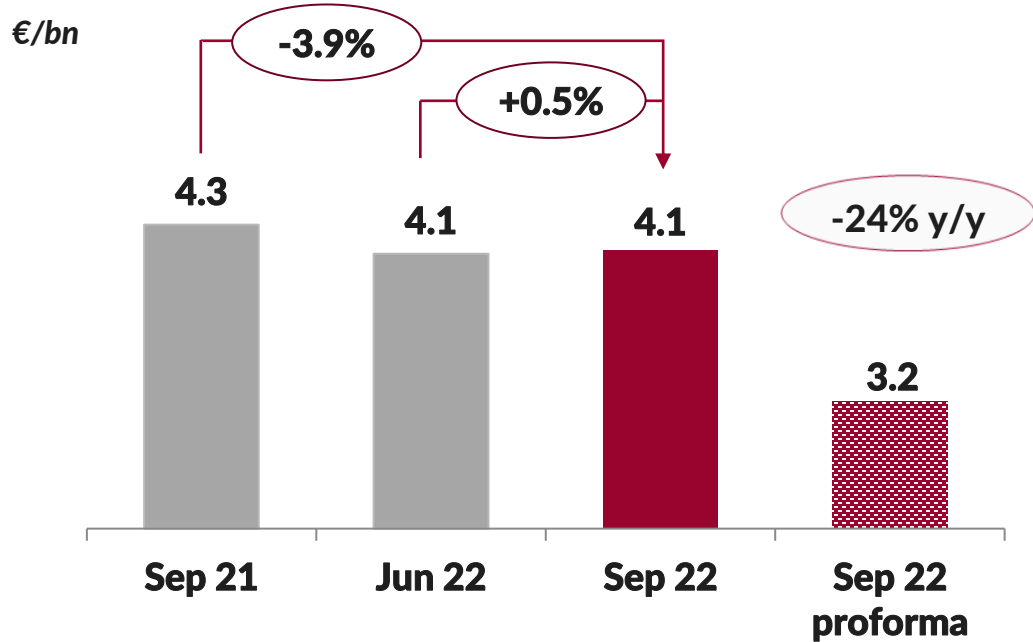
HR manoeuvre: >4k voluntary exits



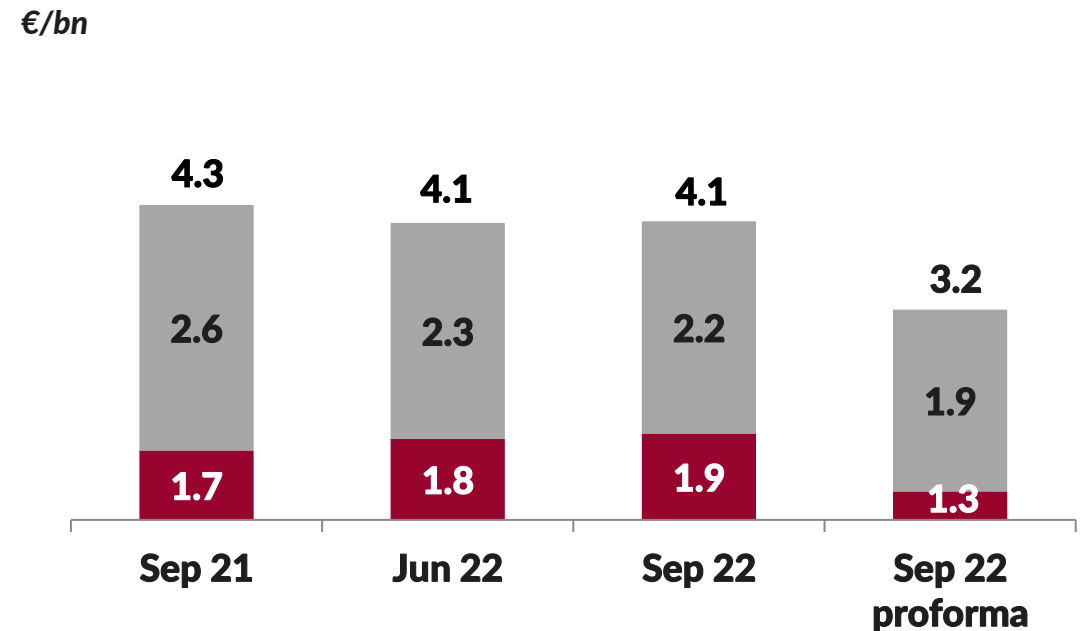
- Optimization of workforce: >4k voluntary exits from 1st December 2022, with expected annual cost savings of more than EUR 300mln
- HR exits skewed towards HQ and non-branch staff
- Operational and managerial plans already in place to ensure effective network operations and full commercial customers coverage on day 1:
 - New operating model
 - Re-skilling and re-deployment

Gross NPE stock

Gross NPE stock



Breakdown by category



■ Bad loan ■ UTP + Past due

Gross NPE ratio

5.0%

4.9%

5.0%

4.0%

Net NPE ratio

2.7%

2.4%

2.4%

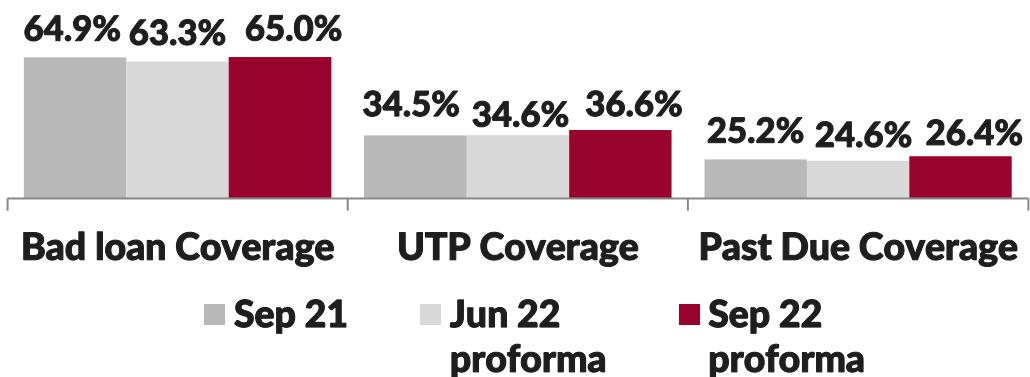
2.1%

- Gross NPE stock proforma down -24% y/y also following the EUR 0.9bn NPE disposal
- Net NPE ratio proforma decreasing to 2.1%

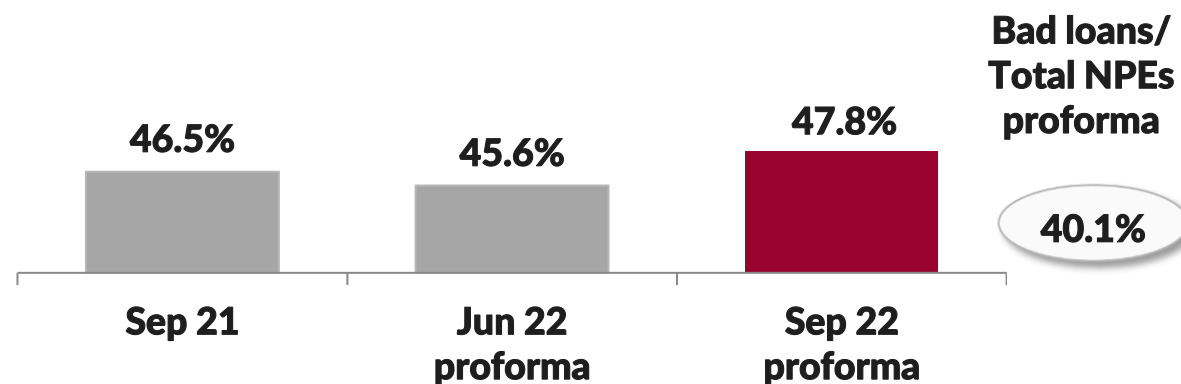


Coverage and cost of risk

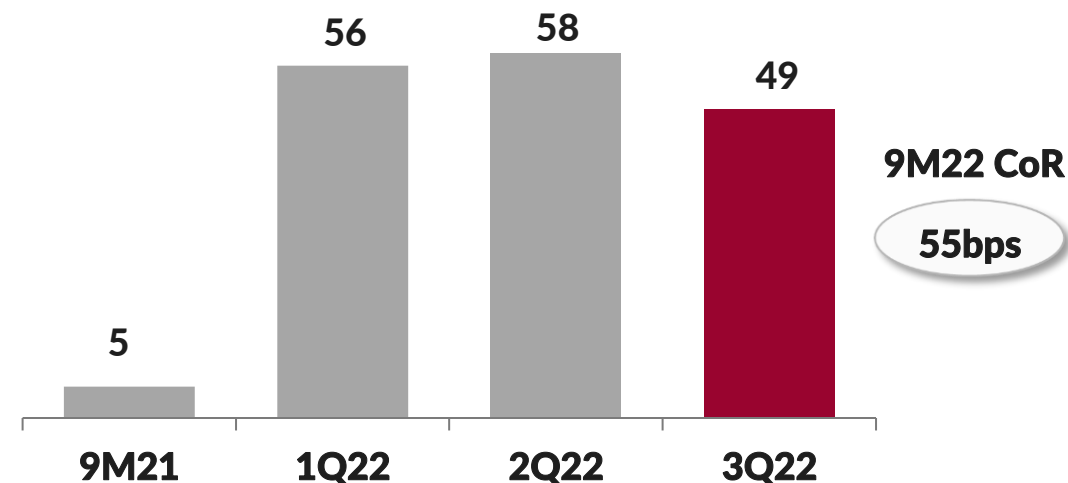
NPE coverage breakdown



Total NPE coverage



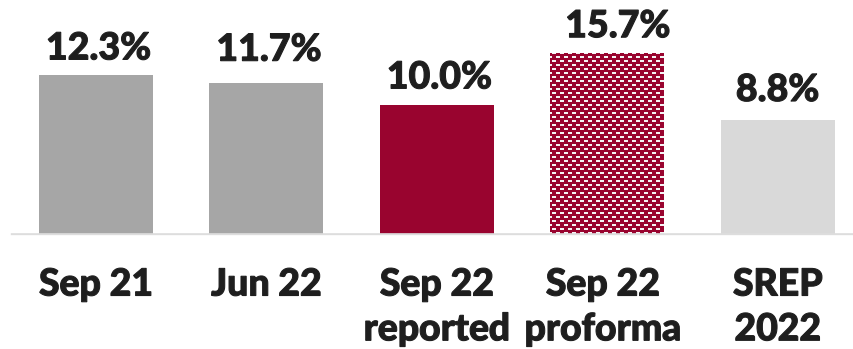
Cost of risk (bps)



- NPE coverage at 47.8% after EUR 0.9bn NPE disposal, ca 220 bps higher than previous quarter
- 3Q22 cost of risk at 49bps in line with Business Plan long term target



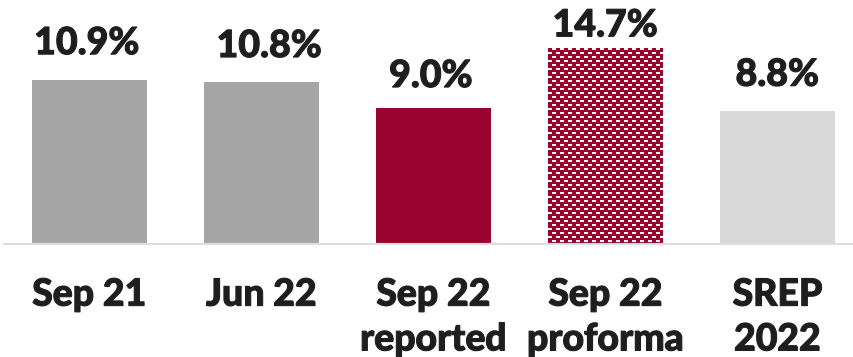
CET1 ratio phased-in



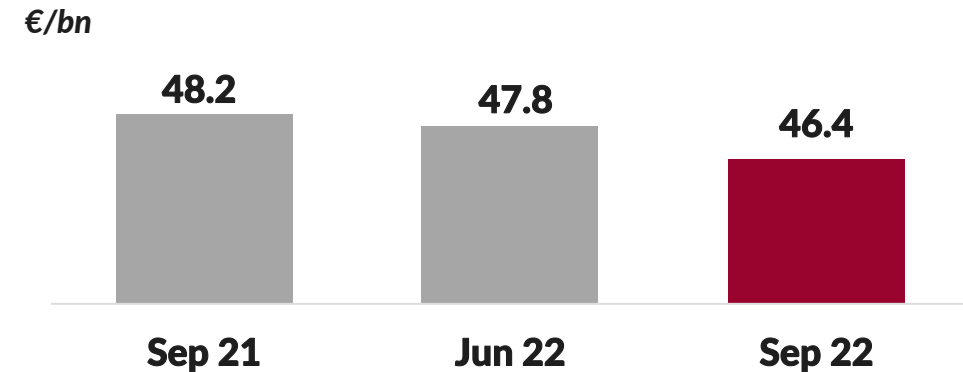
Regulatory capital ratio phased-in

	Sep 21	Jun 22	Sep 22	Sep 22 proforma	SREP
CET1 ratio (%)	12.3%	11.7%	10.0%	15.7%	8.80%
Tier 1 ratio (%)	12.3%	11.7%	10.0%	15.7%	10.81%
Total capital ratio (%)	15.9%	15.4%	13.9%	19.5%	13.50%

CET1 ratio fully loaded



RWA phased-in



- CET1 FL including EUR 2.5bn capital increase at 14.7%; September «reported» ratios do not factor in capital increase
- RWA down q/q and y/y

€/bn

Gross petitem

	Sep 21	Jun 22	Sep 22	
Claims excluding civil parties	Financial information 2014-2015	0.2	0.3	0.3
	Financial information 2008-2011	0.5	0.5	1.2
	Subordinated bonds mis-selling	0.0	0.0	0.0
	Total	0.7	0.8	1.5
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	0.3
	Financial information 2008-2011	4.2	0.6	0.0
	Financial information generic claims	0.0	1.0	1.9
	Total	4.7	1.8	2.2 *

- September 2022 petitem reflects all claims already disclosed in 2Q22 results presentation
- In October 2022 two extrajudicial claims for an amount of EUR 0.8bn were withdrawn (reducing extrajudicial claims to EUR 1.4bn)
- As mentioned in 2Q22 presentation, the majority of the extrajudicial claims was promoted 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
- On the grounds of the positive judgement in the criminal court case 2008-2011 disclosed in early October and the related risk re-assessment, provisions for the period 2008-2011 were released in 3Q22



- **Implementation of business plan in line with targets (key actions on capital increase, HR cost reduction and merger of IT factory effective as of 1 December 22)**
- **Solid balance sheet with strong capital ratios following EUR 2.5bn capital increase**
- **Further upside deriving from net interest income following rate increase**
- **Additional HR cost reduction driven by early retirements higher than planned**
- **Confirmation of positive evolution on legal risks**



Annexes



Reclassified Income Statement

€ mln	3Q22	2Q22	1Q22	9M22	9M21	3Q22/ 2Q22(%)	9M22/ 9M21(%)
Net Interest Income	380	337	323	1,040	899	+12.7%	+15.7%
Net fees and commission income	327	359	369	1,055	1,113	-9.0%	-5.2%
Profit (loss) of equity-accounted investments (AXA)	27	-3	14	38	67	n.m.	-42.7%
Core Revenues	734	694	706	2,133	2,078	+5.8%	+2.7%
Financial revenues	-5	24	80	99	207	n.m.	-52.0%
Other operating net income	-3	22	-3	16	-26	n.m.	n.m.
Operating Income	726	739	783	2,248	2,259	-1.7%	-0.5%
Personnel expenses	-354	-357	-356	-1,067	-1,077	-0.8%	-1.0%
Other administrative expenses	-126	-132	-136	-394	-378	-4.3%	+4.3%
Depreciations/amortisations and net impairment losses on PPE	-44	-44	-44	-132	-132	-1.3%	-0.4%
Operating Costs	-524	-533	-535	-1,592	-1,587	-1.7%	+0.3%
Gross operating profit	202	206	248	656	673	-1.6%	-2.5%
Net impairment losses for credit risk	-95	-114	-111	-320	-28	-16.3%	n.m.
Net impairment losses for other financial assets	0	2	0	1	3	n.m.	-51.7%
Net operating profit	107	94	136	338	648	+13.5%	-47.9%
Net gains/losses on equity investments, PPE and intangible assets at FV, and disposal of investments	3	-11	2	-6	-12	n.m.	-45.7%
Systemic funds contribution	-83	0	-89	-172	-159	n.m.	+8.3%
DTA Fee	-16	-16	-16	-47	-47	+0.3%	-0.6%
Net accruals to provisions for risks and charges	121	-50	-28	43	-66	n.m.	n.m.
Restructuring costs / one-off costs	-925	-3	0	-928	-8	n.m.	n.m.
Pre-tax profit (loss)	-794	16	5	-774	356	n.m.	n.m.
Income taxes	407	3	6	415	35	n.m.	n.m.
Post-tax profit (loss)	-387	18	10	-358	391	n.m.	n.m.
Impairment, PPA & others	-1	-1	-1	-2	-3	-4.7%	-21.3%
Profit (loss) for the period	-388	18	10	-360	388	n.m.	n.m.



Total Assets (€/mln)

	Sep-21	Dec-21	Jun-22	Sep-22	QoQ%	YoY%
Loans to Central banks	20,941	20,770	17,627	4,426	-74.9%	-78.9%
Loans to banks	3,344	3,493	1,432	2,716	89.6%	-18.8%
Loans to customers	81,200	79,380	78,622	77,939	-0.9%	-4.0%
Securities assets	24,961	22,127	22,313	19,794	-11.3%	-20.7%
Tangible and intangible assets	2,758	2,744	2,666	2,640	-1.0%	-4.3%
Other assets	9,914	9,355	8,719	24,277	n.m.	n.m.
Total Assets	143,118	137,869	131,378	131,792	0.3%	-7.9%

Total Liabilities (€/mln)

	Sep-21	Dec-21	Jun-22	Sep-22	QoQ%	YoY%
Deposits from customers	82,389	79,860	74,941	75,164	0.3%	-8.8%
Securities issued	10,512	10,441	9,364	8,641	-7.7%	-17.8%
Deposits from central banks	29,230	29,155	28,948	28,932	-0.1%	-1.0%
Deposits from banks	3,020	2,125	1,695	2,590	52.8%	-14.2%
Other liabilities	11,715	10,114	10,593	11,160	5.4%	-4.7%
Group net equity	6,251	6,173	5,837	5,304	-9.1%	-15.1%
Non-controlling interests	1	1	1	1	-7.1%	-7.1%
Total Liabilities	143,118	137,869	131,378	131,792	0.3%	-7.9%

Other assets include: cash and cash equivalents, derivatives assets, equity investments, tax assets, other assets; from Sep-2022 other assets include also current accounts and sight deposits with banks and central banks, previously included in loans to central banks (according to 7th update of Circular 262 of the Bank of Italy)

Other liabilities include: financial liabilities held for cash trading, derivatives, provisions, tax liabilities, other liabilities



Total Lending (€/mln)

	Sep-21	Dec-21	Jun-22	Sep-22	QoQ%	YoY%
Current accounts	2,871	2,696	3,097	3,062	-1.1%	6.6%
Medium-long term loans	57,014	56,268	55,808	55,702	-0.2%	-2.3%
Other forms of lending	12,935	13,152	14,267	14,105	-1.1%	9.0%
Reverse repurchase agreements	6,095	5,126	3,484	3,166	-9.1%	-48.1%
Impaired loans	2,284	2,138	1,966	1,905	-3.1%	-16.6%
Total	81,200	79,380	78,622	77,939	-0.9%	-4.0%

Direct Funding (€/mln)

	Sep-21	Dec-21	Jun-22	Sep-22	QoQ%	YoY%
Current accounts	65,141	66,159	65,852	66,271	0.6%	1.7%
Time deposits	6,924	6,438	5,675	5,165	-9.0%	-25.4%
Repos	6,998	4,299	900	928	3.1%	-86.7%
Bonds	10,512	10,441	9,364	8,641	-7.7%	-17.8%
Other forms of direct funding	3,326	2,963	2,514	2,801	11.4%	-15.8%
Total	92,902	90,300	84,305	83,805	-0.6%	-9.8%

