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MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

A Clear and Simple Commercial Bank
FY 22 Preliminary Results

Siena, 8th February 2023

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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.

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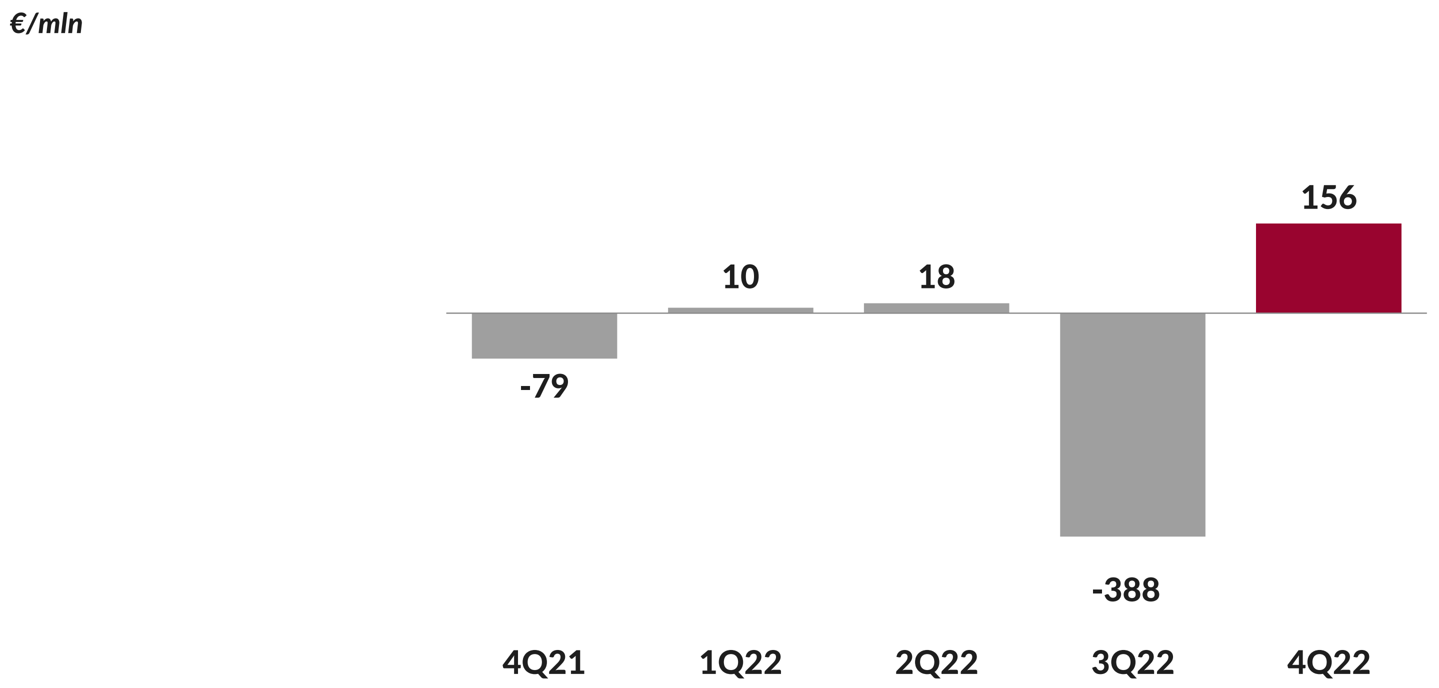
4Q22 & FY22 Executive Summary

- **4Q22 net profit at EUR 156mln vs EUR -79mln in 4Q21, confirming the Bank's achieved capability to generate sustainable returns**
- **FY22 net profit excluding HR restructuring costs at EUR 720mln, driven by net operating profit and supported by EUR +425mln positive tax effect. Including EUR -925mln one-off HR restructuring costs in 3Q22, FY22 net result reported at EUR -205mln**
- **4Q22 gross operating profit at EUR 333mln, up by more than +60% q/q and y/y thanks to increase in NII and lower HR costs reflecting December first month of >4k staff reduction. FY22 at EUR 989mln, up by +13.2% y/y, thanks to both operating income up by +3.6% y/y and lower costs (-0.3%y/y)**
- **4Q22 NII up by 31.4% q/q and +54.5% y/y driving FY22 NII up by 26.0% y/y**
- **Operating costs lower q/q, thanks to HR benefiting from the exit of >4k employees from 1st Dec-22, driving also y/y dynamic to -2.3%. FY 2023 impact expected >EUR-300mln**
- **Gross NPE ratio at 4.2% vs 4.9% in 2021 thanks to NPE disposal in 4Q, net NPE ratio at 2.2%**
- **FY22 cost of risk at 55bps with NPE coverage increasing to 48.1% despite NPEs disposal**
- **CET1 FL ratio at 15.6%, with additional 90bps growth in 4Q22, on top of the capital increase, thanks to RWA reduction and generated profit**

Net profit quarterly evolution



- **4Q22 net profit at EUR 156mln vs EUR -79mln in 4Q21, confirming the Bank's achieved capability to deliver sustainable results**

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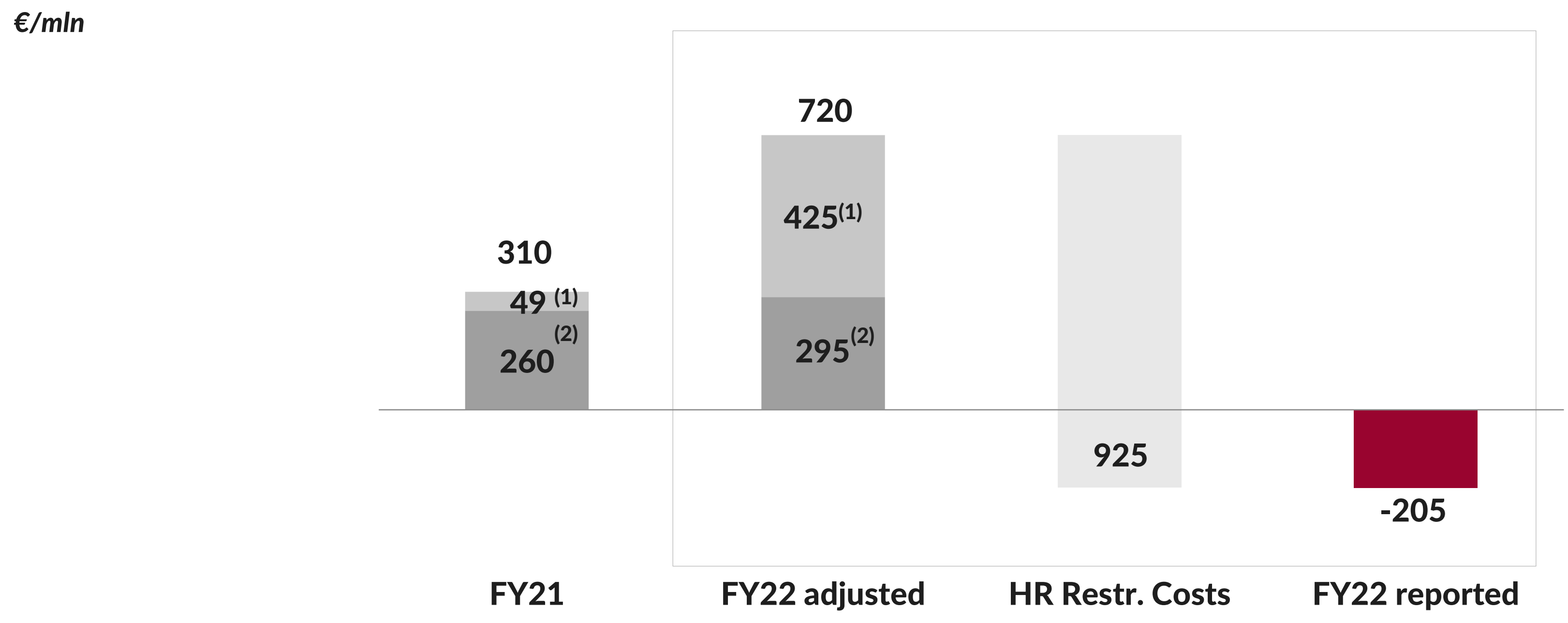
Net profit yearly evolution



- FY22 net profit at EUR 720mln, excluding EUR -925mln one-off HR restructuring costs, driven by gross operating profit and supported by EUR +425mln positive tax effect
- Including EUR -925mln one-off HR restructuring costs booked in 3Q22, FY22 net result reported at EUR -205mln
- Comparison with FY21 affected mainly by higher capital gains on securities disposal and one-off provisions release resulting in lower LLP in 2021

(1) Tax effect
(2) Pre-tax profit deducting other restructuring costs and impairment, PPA & other

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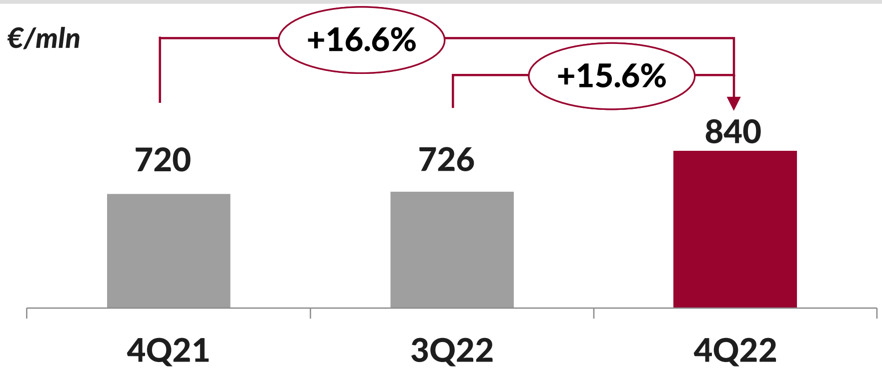
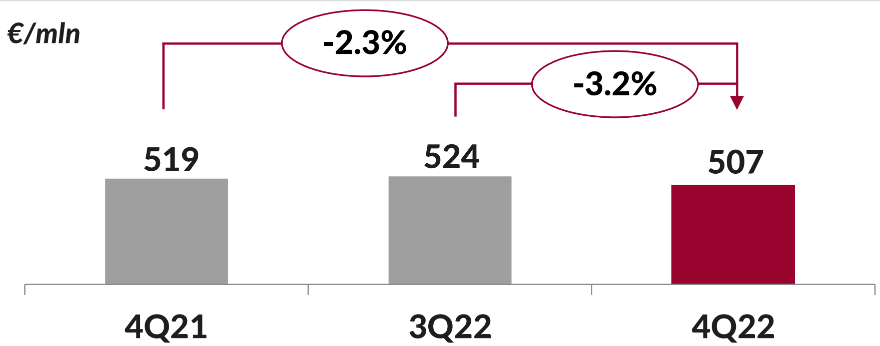
Gross operating profit
quarterly evolution

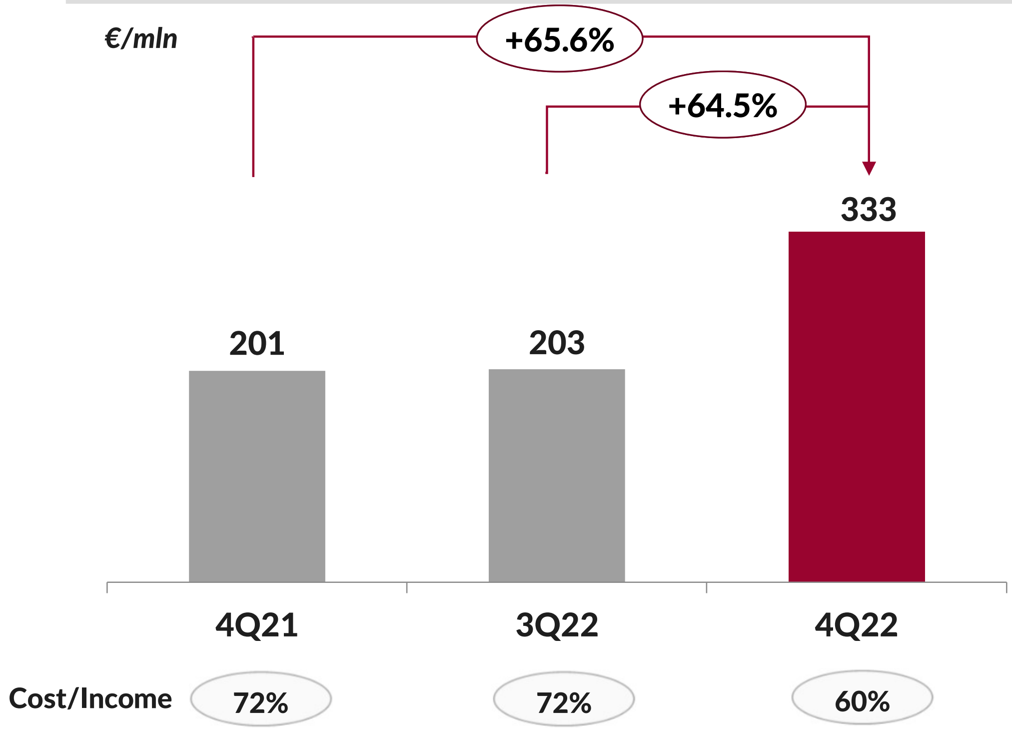
Operating income



Operating costs



Gross operating profit



- 4Q22 gross operating profit at EUR 333mln, up by over +60% q/q and y/y thanks to increase in NII and lower HR costs reflecting December first month effect of staff reduction (>4k FTE)
- Cost / income ratio decreasing from 72% in 4Q21 to 60% in 4Q22

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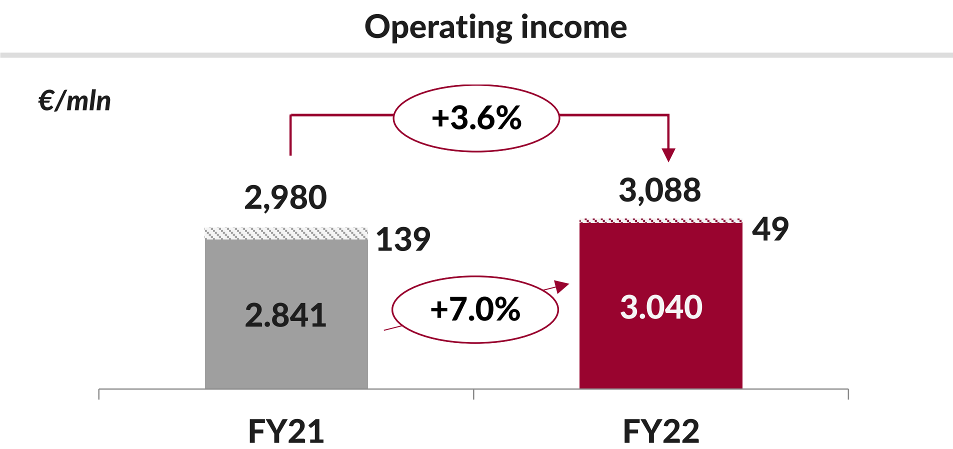
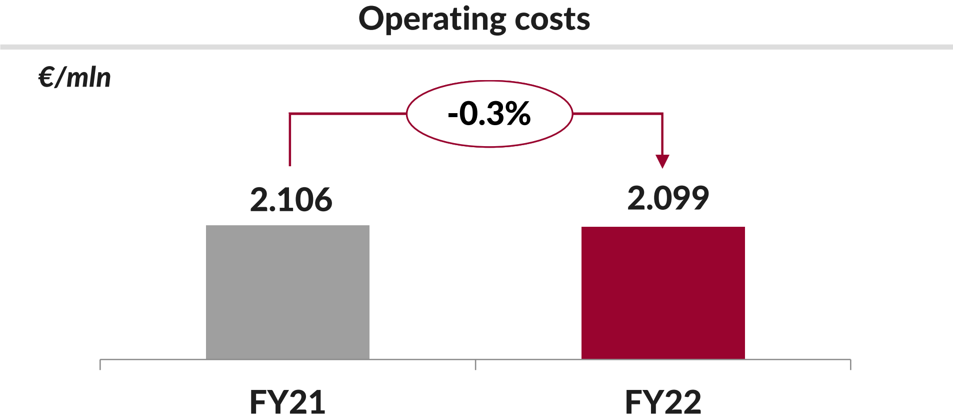
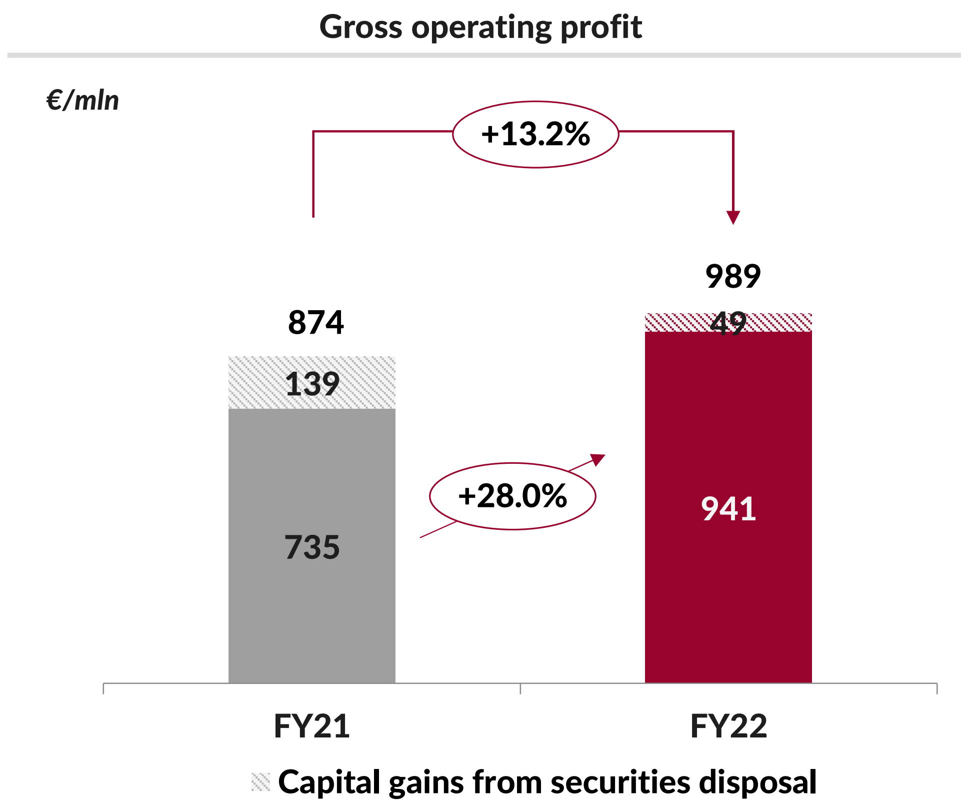
Gross operating profit
yearly evolution







- FY22 gross operating profit at EUR 989mln, up by +13.2% y/y (+28.0% y/y excluding gains on securities disposal), thanks to both operating income up by +3.6% y/y and lower costs (-0.3% y/y)

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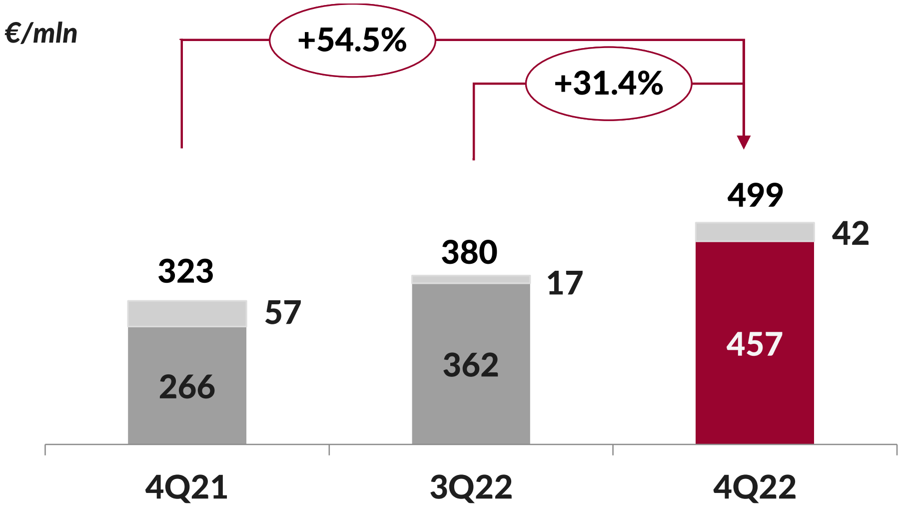
Net interest income

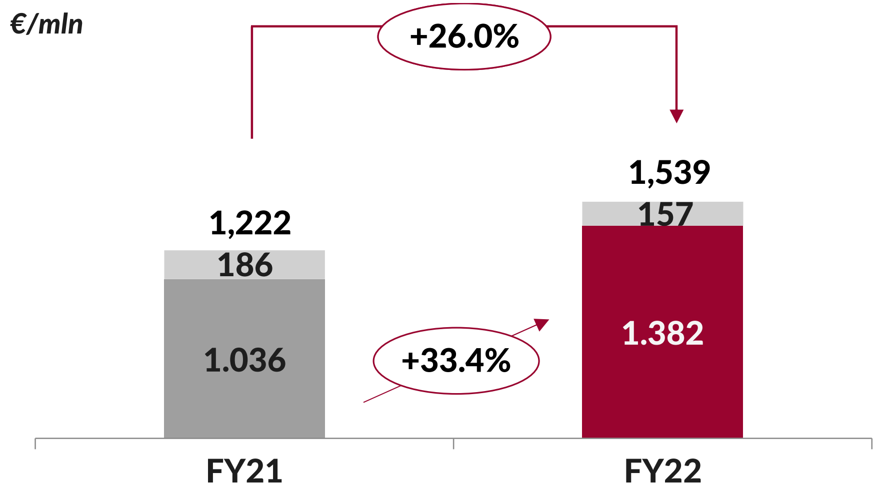
Quarterly evolution



	4Q21	3Q22	4Q22
Lending rate	1.78%	2.11%	2.74%
Funding rate	0.12%	0.12%	0.21%
Spread	1.67%	1.99%	2.53%

+86bps +54bps

Yearly evolution



	FY21	FY22
Lending rate	1.81%	2.11%
Funding rate	0.15%	0.14%
Spread	1.66%	1.97%

- 4Q22 NII up by 31.4% q/q and +54.5% y/y driven by the spread widening (+54bps q/q and +86bps y/y)
- FY22 NII up by 26.0% y/y (+33.4% y/y excluding TLTRO and ECB deposit component), mainly thanks to higher lending rate

TLTRO/RTGS/Depo facility contribution

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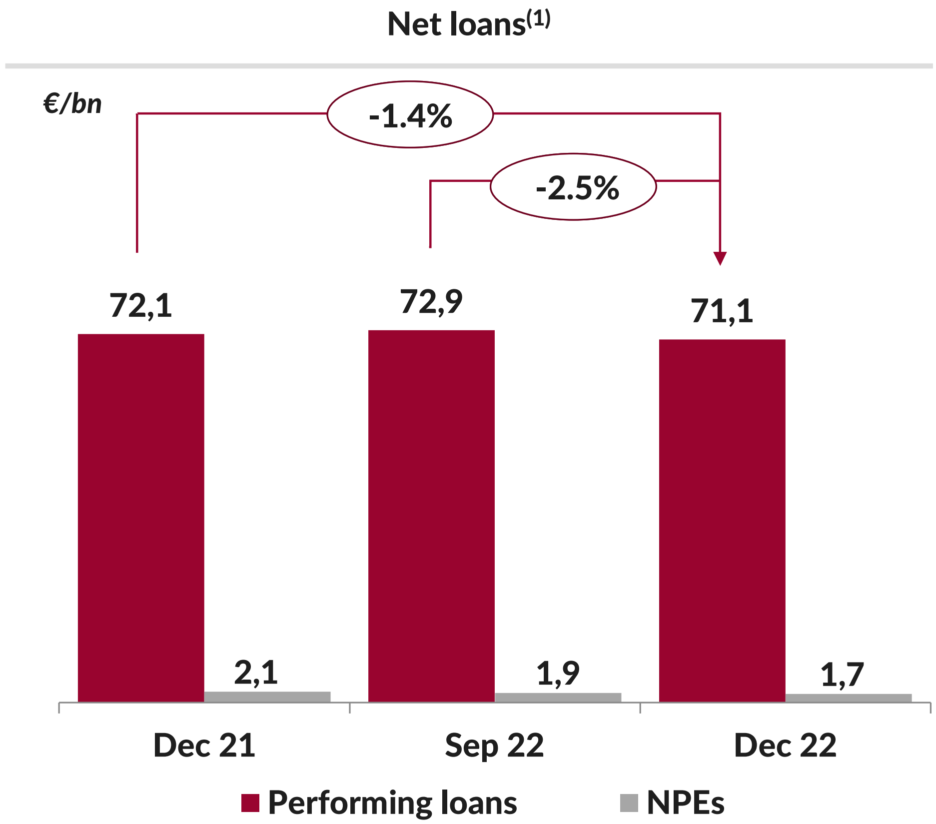
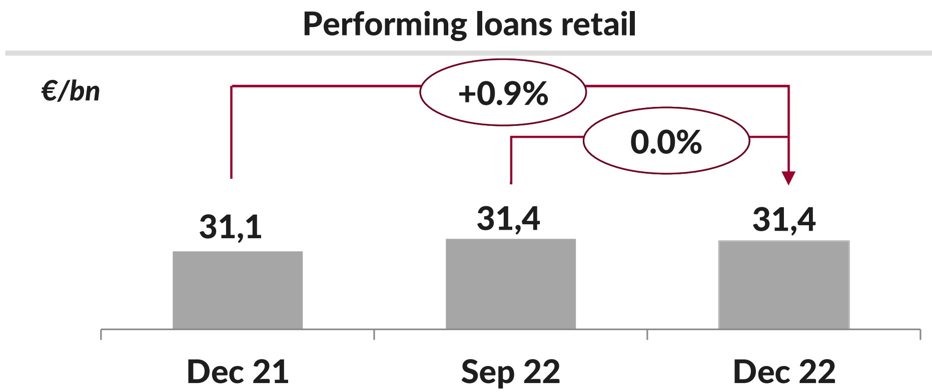
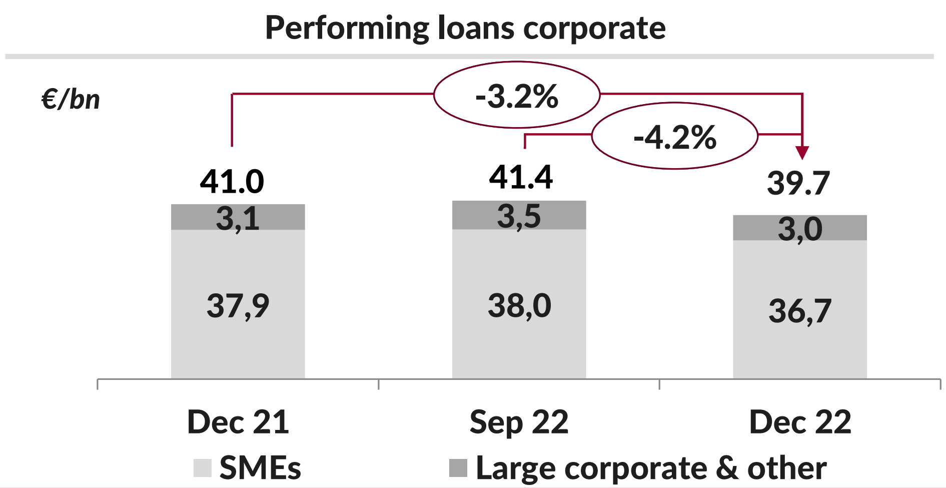
Net customer loans







- Retail lending up by +0.9% y/y, stable q/q while corporate loans are lower by -3.2% y/y reflecting selective approach towards large corporates and restart of post-moratoria SME repayments mainly in 4Q22

(1) Loans presented net of repos

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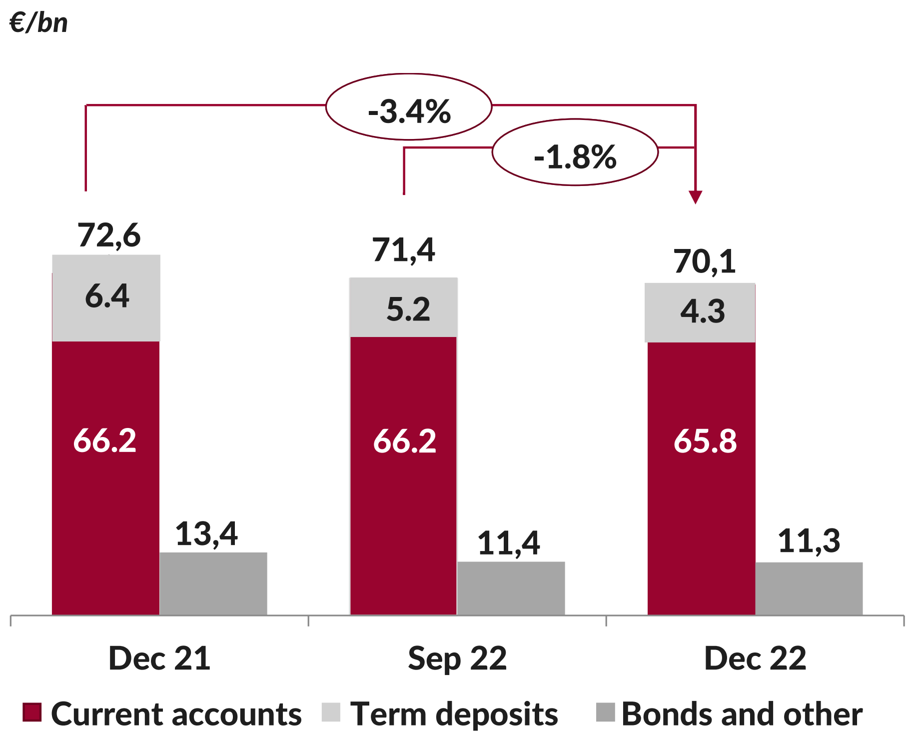
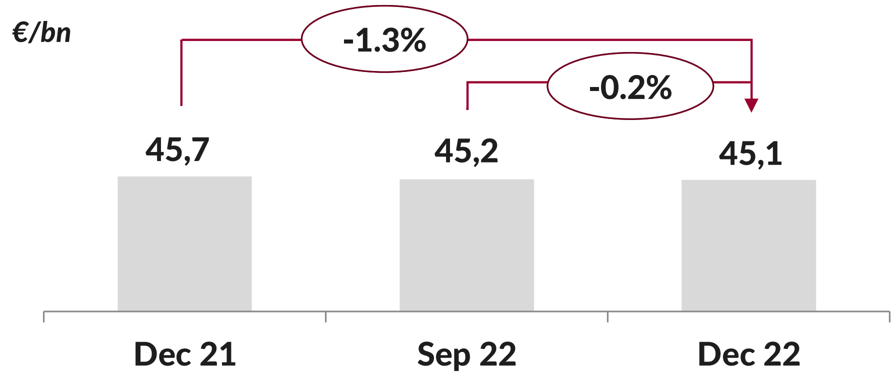
Funding composition

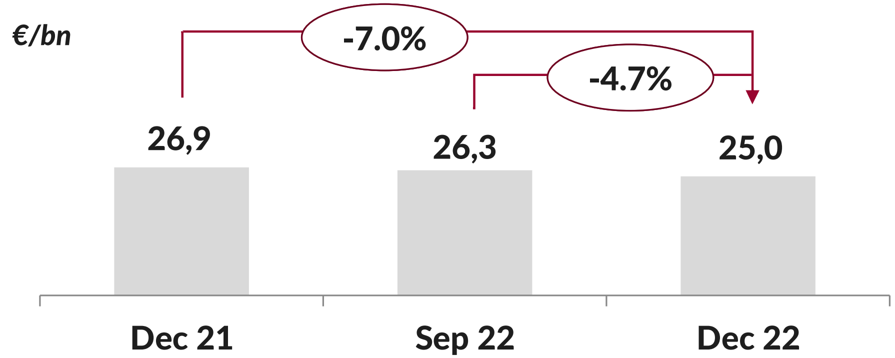
Funding(1)



Retail funding



Corporate funding



- **Total deposits impacted by the reduction of time deposits and corporate funding; stable retail base despite higher client appetite for investment in fixed income securities driven by the rates scenario**

(1) Funding presented net of repos

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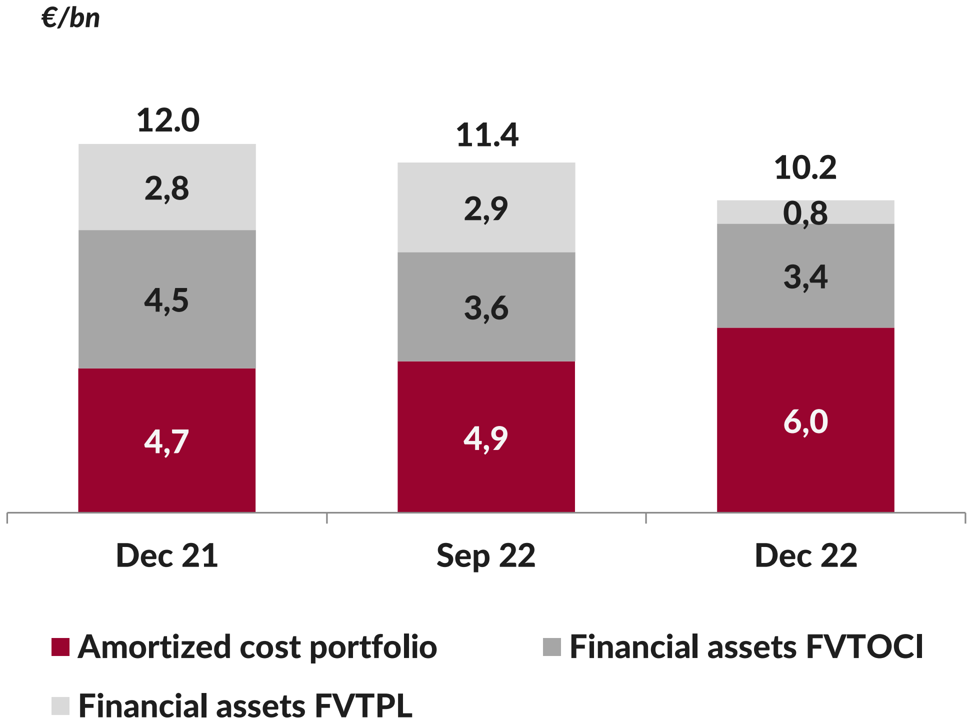
Italian govies portfolio

Italian govies portfolio breakdown



Italian govies portfolio at FVTOCI

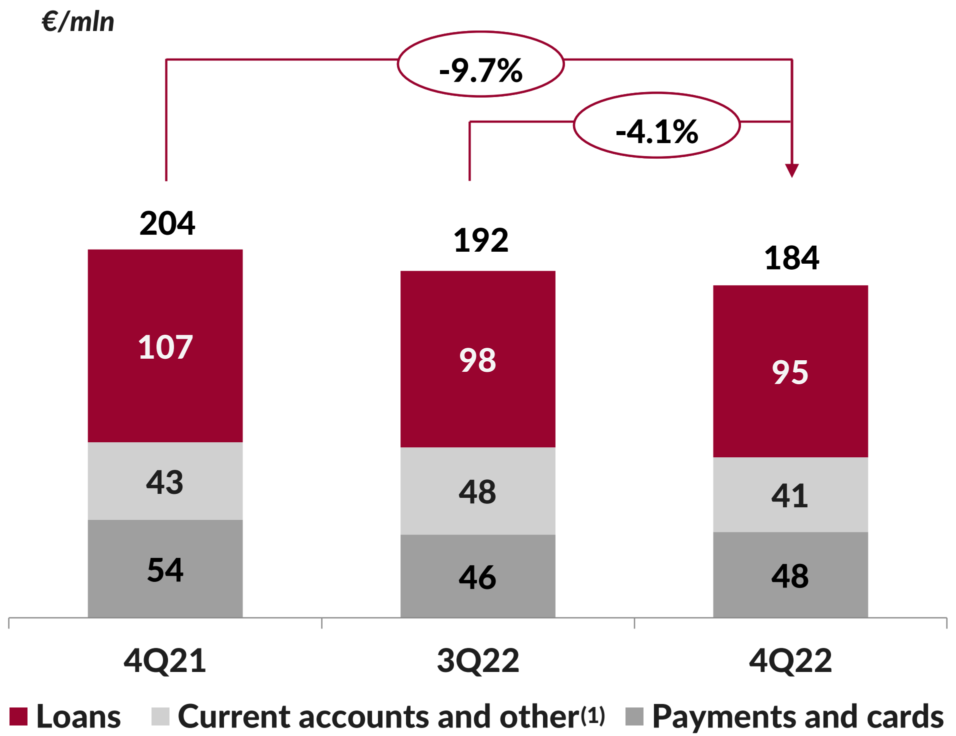
	Dec 21	Sep 22	Dec 22
FVTOCI Duration *(years)*	~2.1	~2.1	~1.9
FVTOCI Credit spread sensitivity *(€/mln)*	-1.1	-0.8	-0.7

- **Total Italian govies portfolio down by ca EUR -1.8bn y/y with AC portfolio reaching approx. 60% share, reflecting strategy to minimize the volatility in P&L (Credit spread sensitivity further reduced to -0.7)**

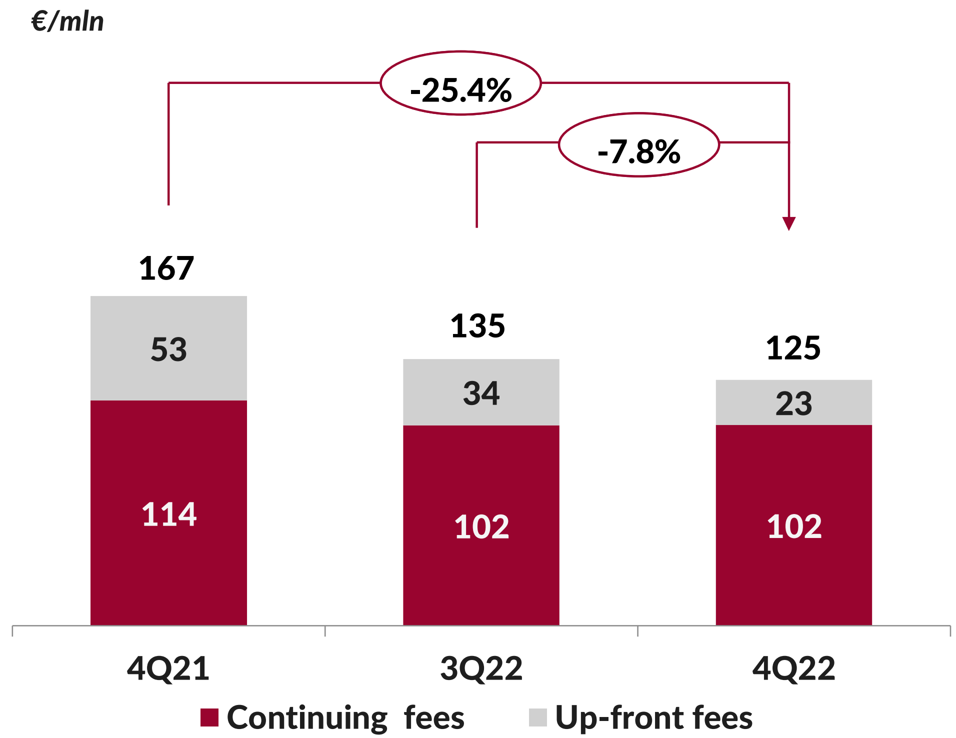
Banking book: Amortized cost portfolio + Financial assets FVTOCI
FVTOCI credit spread sensitivity: before tax, for 1bp increase in the BTP/Bund spread
Figures from operational data management system. Nominal value for Italian govies at amortized cost

Net fee and commission income
quarterly evolution

Banking fees



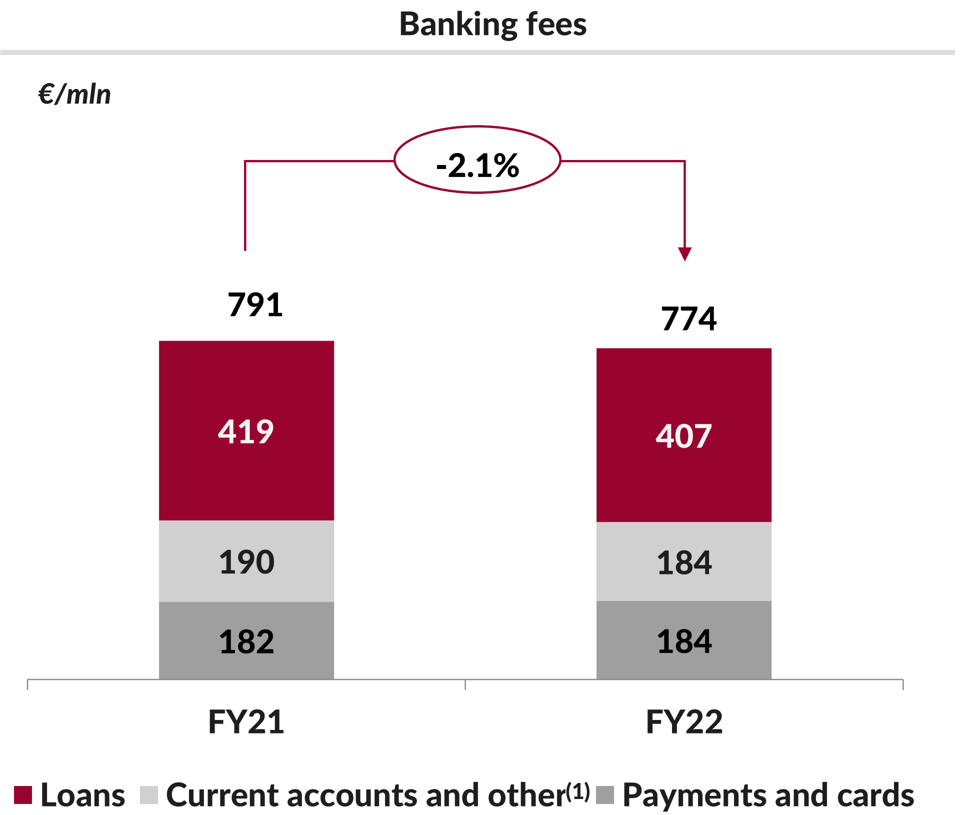
Wealth Management fees

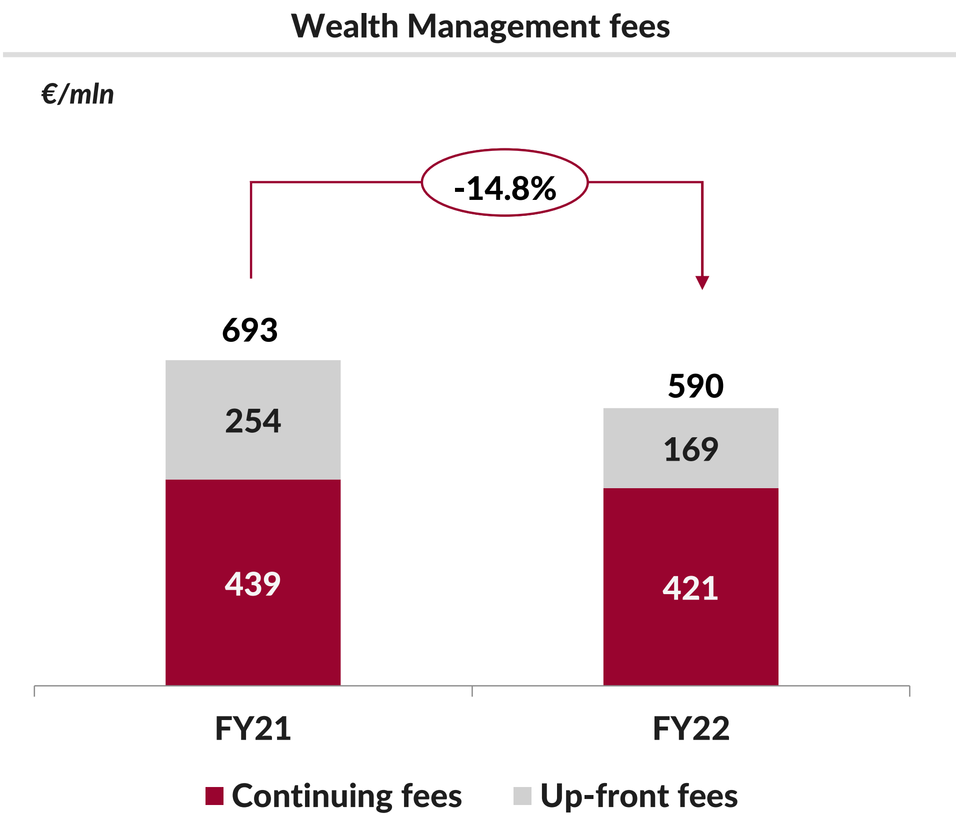


- Banking fees, with positive trend in customers' activity, affected in Q4 by 3rd parties lower lending fees following switch to the in-house business, and yearly settlement of agents' fees. Cards fees in Q4 21 benefited from rappels
- Wealth management fees q/q stable on continuing fees, while upfront fees still impacted by market conditions and higher client appetite towards fixed income securities

(1) Including Protection fees

Net fee and commission income
yearly evolution





- Banking fees in 2022 with positive trend in customers' activity, more than offsetting lower yearly rappel contribution, slightly lower y/y due to 3rd parties lending fees
- Wealth management fees affected by market conditions, especially on upfront fees

(1) Including Protection fees

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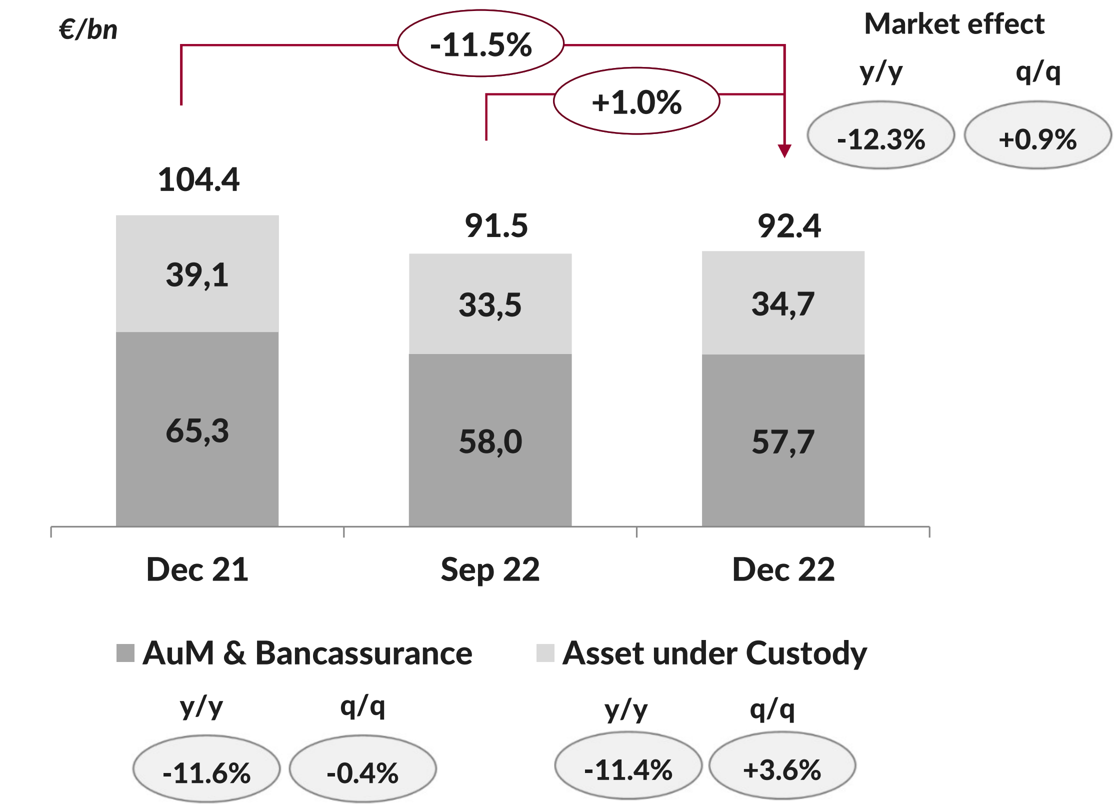
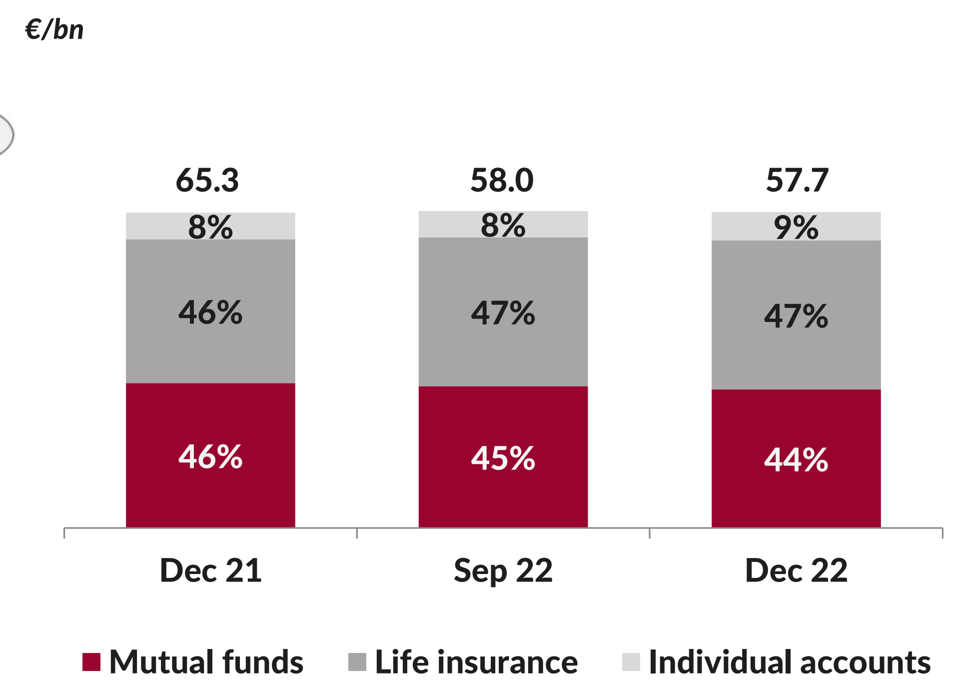
Indirect funding

Indirect funding breakdown

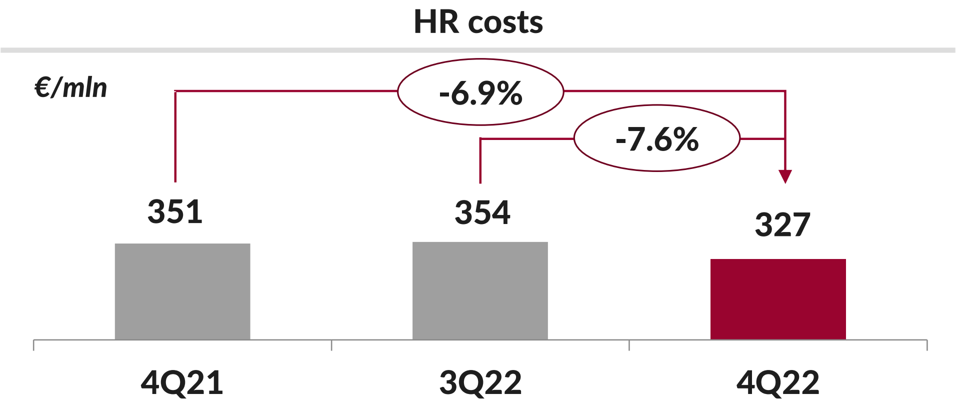


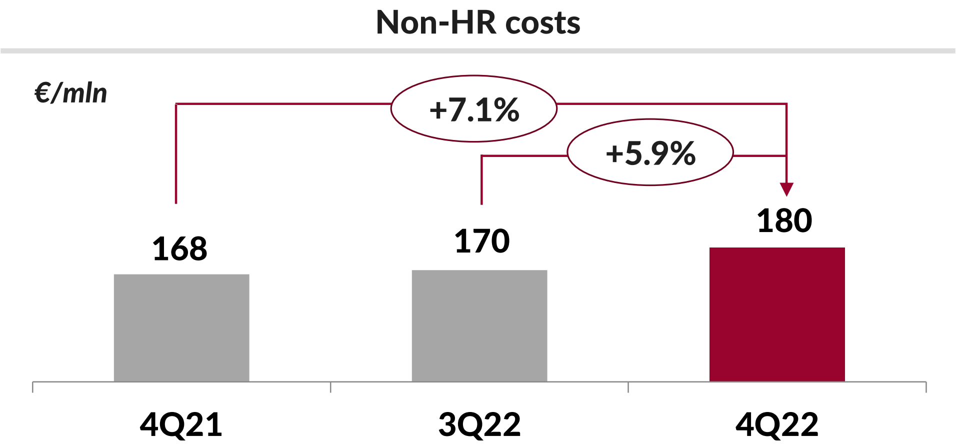
AuM & Bancassurance breakdown

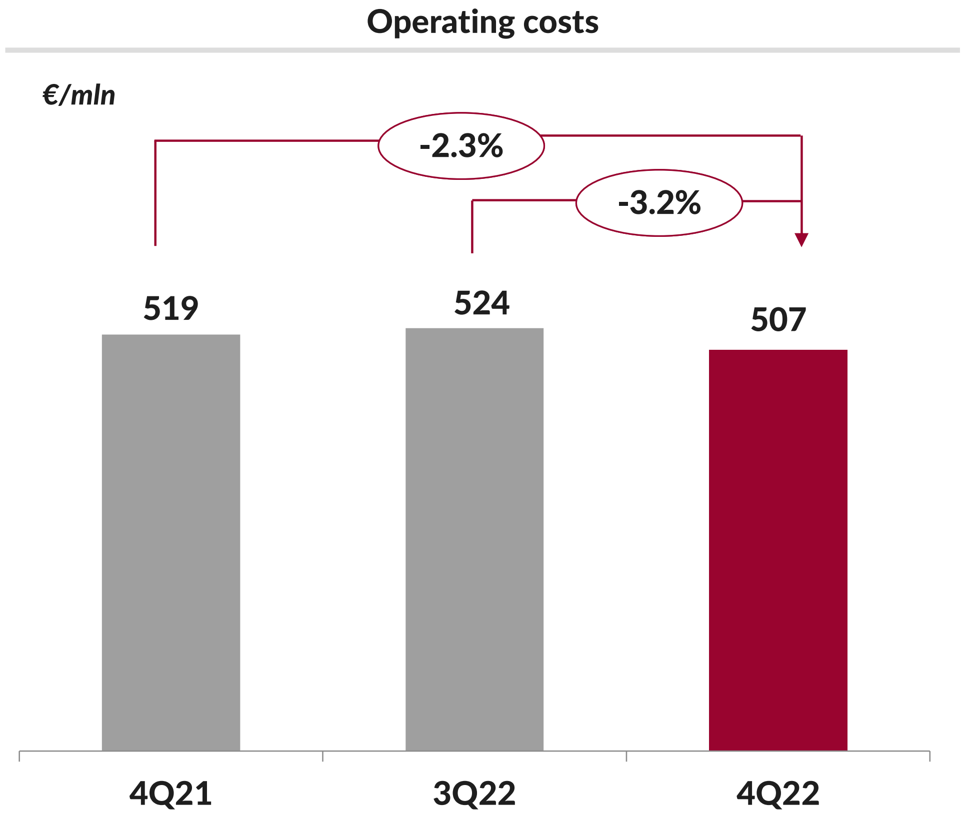


- Increase of indirect funding q/q, thanks to positive flows in AuC with fairly stable AuM stock
- Y/y dynamic affected by market valuation effects

Operating costs
quarterly evolution







- Lower operating costs q/q and y/y, thanks to HR benefiting from the exit of >4k employees from 1st Dec-22
- Non-HR costs higher q/q due to typical seasonality, inflation pressure and pick up in energy costs; Q4 21 positively impacted by one-off cost release affecting y/y dynamics/comparability

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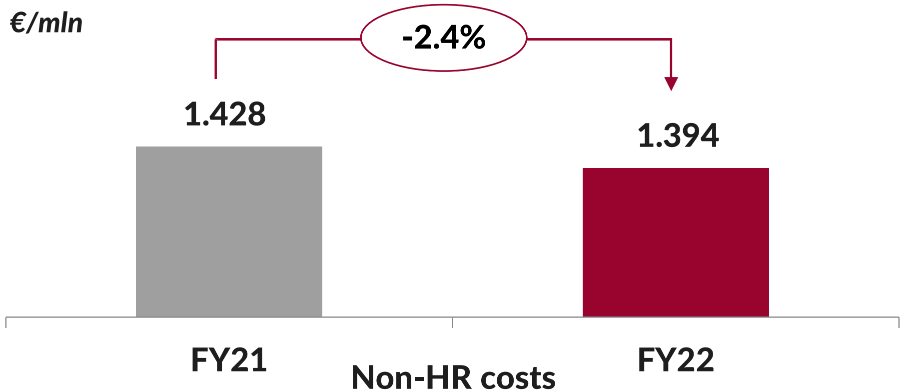
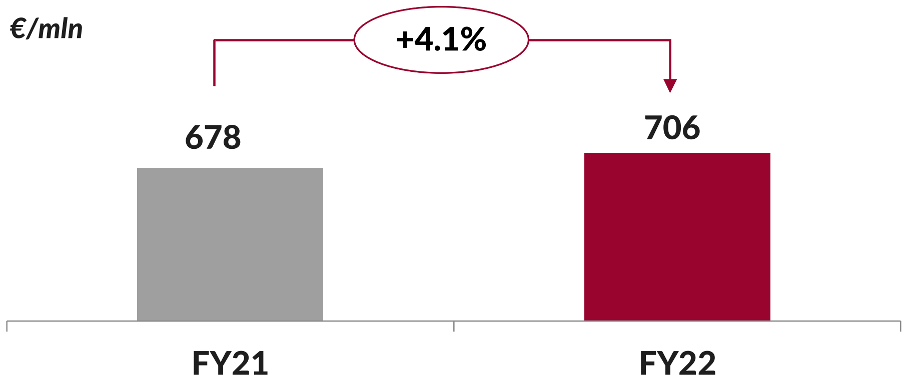
Operating costs
yearly evolution

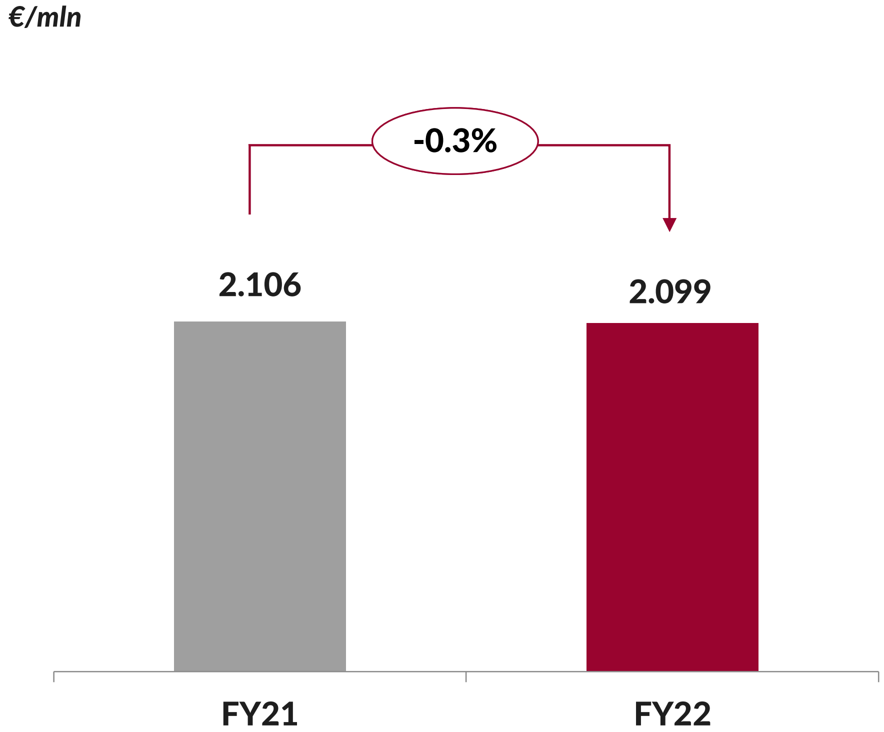
HR costs



Non-HR costs



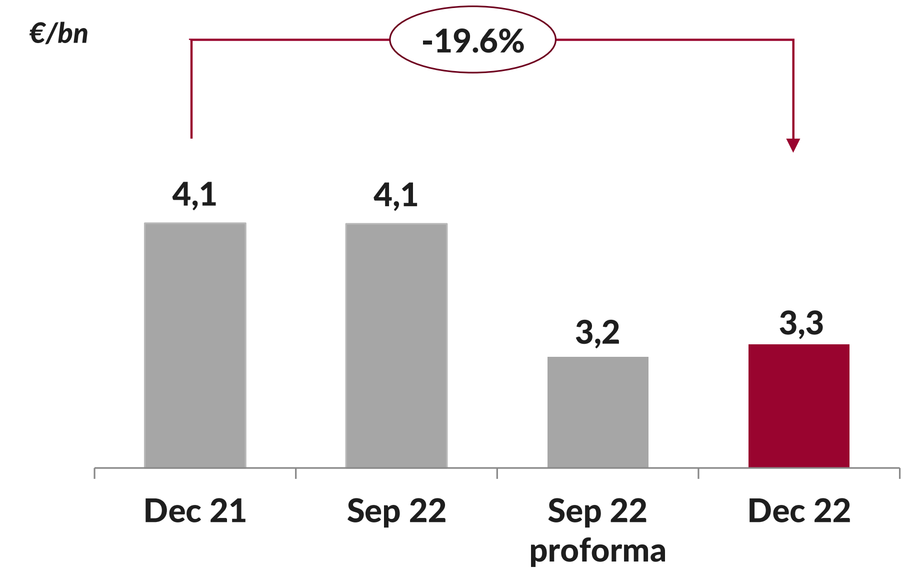
Operating costs



- Operating costs lower by -0.3% y/y, thanks to HR costs benefiting of 1st December >4k FTE reduction
- Non-HR costs y/y dynamic affected by some one-off costs release in 2021

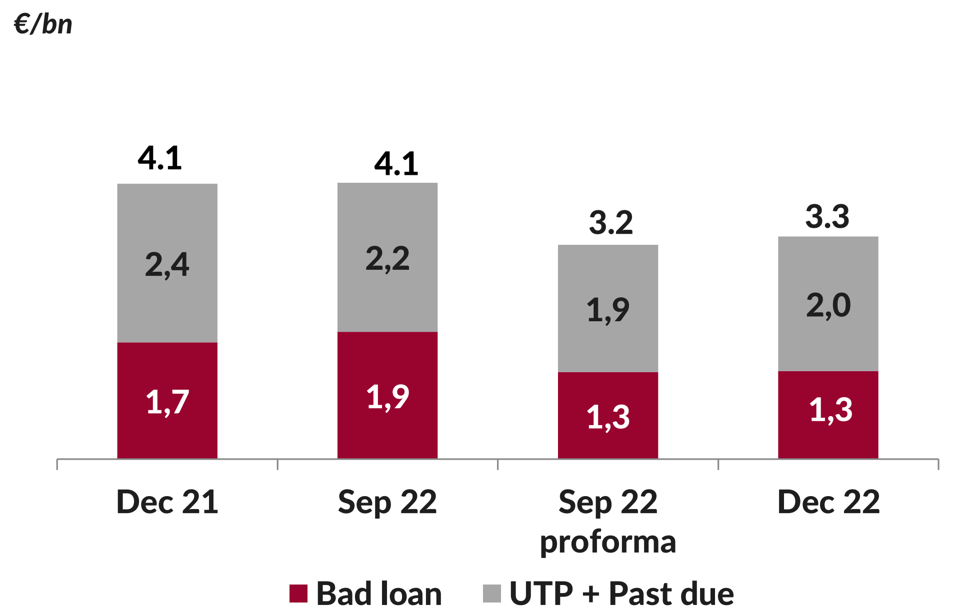
Gross NPE stock

Gross NPE stock



	Dec 21	Sep 22	Sep 22 proforma	Dec 22
Gross NPE ratio[(1)]	4.9%	5.0%	4.0%	4.2%
Net NPE ratio	2.6%	2.4%	2.1%	2.2%

Breakdown by category



- NPE stock down ca. -20% y/y thanks to EUR 0.9bn NPE disposal. Gross NPE ratio post execution of the NPE sale at 4.2% while proactive management of the portfolio allowed to keep new inflows under control also in 4Q

(1) NPE ratio calculated as ratio of gross non-performing exposures to customers on total gross exposures to customers (no government securities)

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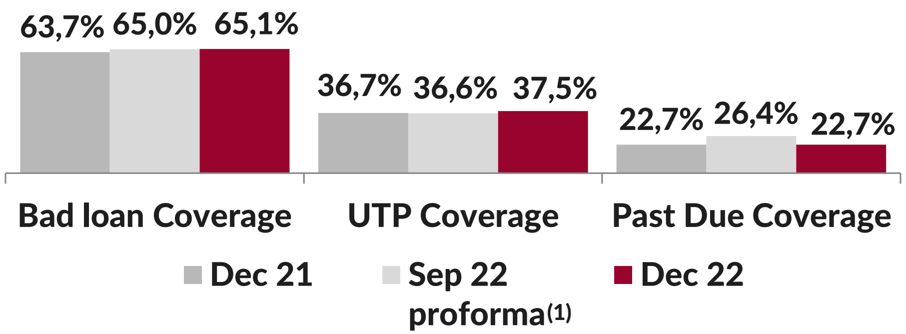
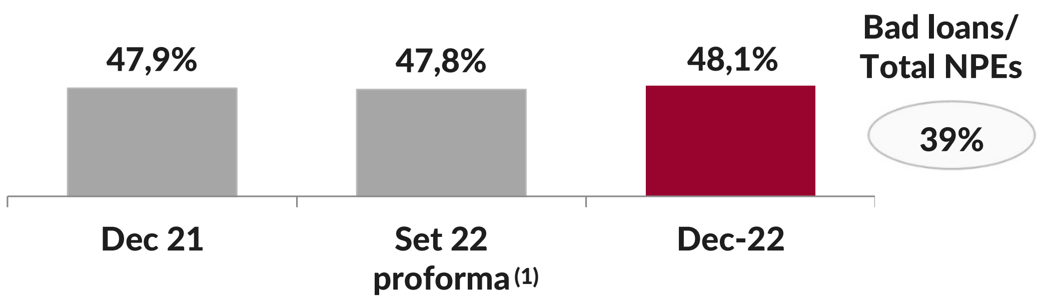
Coverage and cost of risk

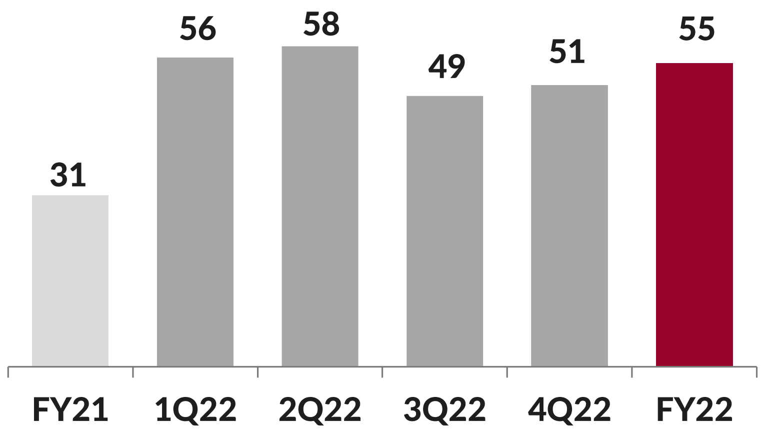
NPE coverage breakdown



Total NPE coverage



Cost of risk (bps)

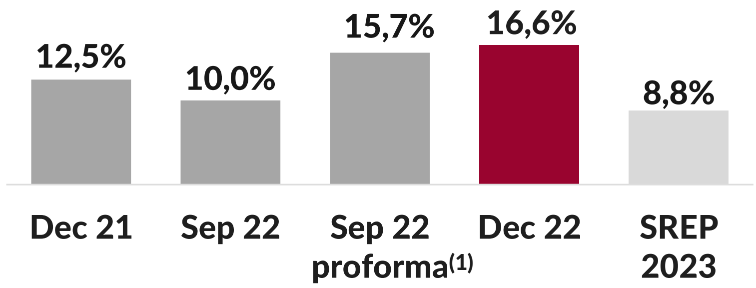


- NPE coverage at 48.1% slightly improved both q/q and y/y despite NPE disposal in 4Q
- 4Q22 cost of risk at 51bps in line with Business Plan long term target, FY22 at 55bps, factoring in also the sale of EUR 0.9bn NPEs

(1) Proforma after EUR 0.9bn NPEs disposal

Capital

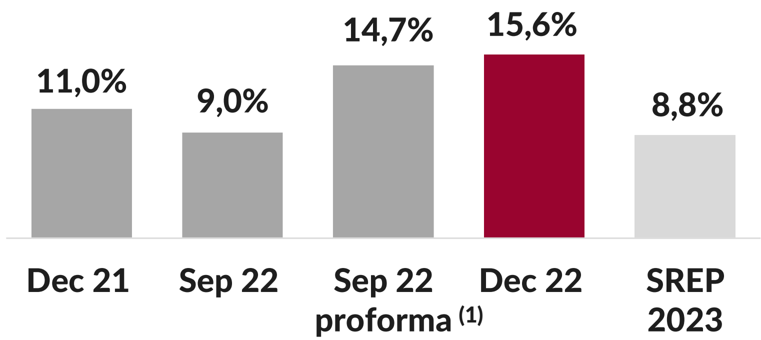
CET1 ratio phased-in



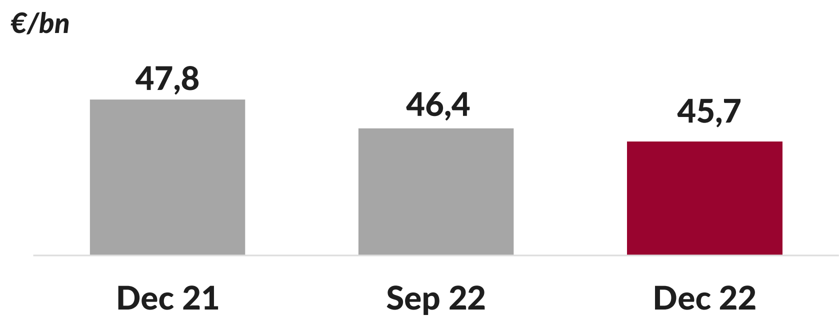
Regulatory capital ratio phased-in

	Dec 21	Sep 22	Dec 22	SREP
CET1 ratio (%)	12.5%	10.0%	16.6%	8.80%
Tier 1 ratio (%)	12.5%	10.0%	16.6%	10.82%
Total capital ratio (%)	16.1%	13.9%	20.5%	13.51%

CET1 ratio fully loaded



RWA phased-in



- CET1 FL at 15.6%, with additional 90bps growth in 4Q22, on top of the capital increase, thanks to RWA reduction and generated profit

(1) September 22 proforma ratios include EUR 2.5bn capital increase completed in November 2022

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Extraordinary litigations and extrajudicial claims

€/bn

Gross petitum

		Dec 21	Sep 22	Dec 22
Litigations excluding civil parties	Financial information 2014-2015	0.3	0.3	0.7
	Financial information 2008-2011	0.4	1.2	0.9
	Total	0.7	1.5	1.6
Litigations 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

- Two new positive judgements in the first weeks of 2023 confirmed the positive jurisprudential trend of the precedent years

		Dec 21	Sep 22	Dec 22
Extrajudicial claims	Total	0.7	2.2	1.5

- The majority of Extrajudicial claims are promoted by the same consulting company on behalf of institutional investors, in most cases characterized by lack of documentation, lack of legitimacy and causal nexus
- Overall amount of EUR 1.5bn at year-end. In January 2023 a letter of complaint for an amount of EUR 0.7bn was presented

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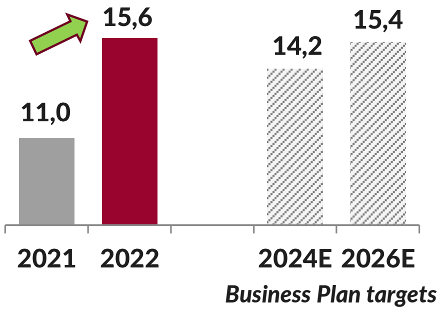
After one year, a stronger, more efficient and profitable Bank, well on track in reaching Business Plan targets

Stronger Solidity: CET1 ratio FL

%

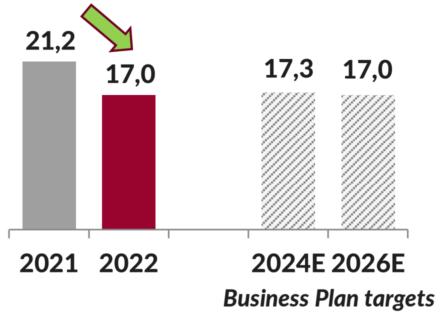
- *CET1 FL stronger thanks to capital increase and 4Q22 organic capital generation*



Cost savings: FTE reduction

#k

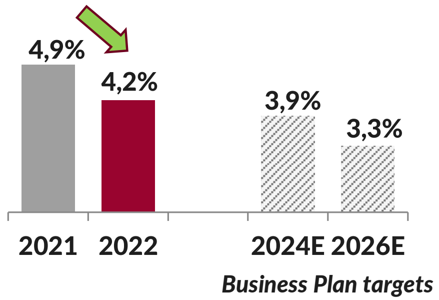
- *FTE optimization with evolution in line with 2026 Plan target, thanks to >4k voluntary FTE exits already implemented*



Improved Balance Sheet: Gross NPE Ratio

%

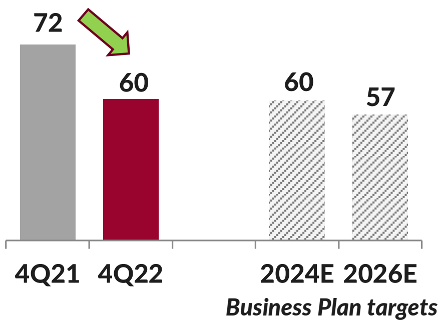
- *NPE stock down ca. -20% y/y, following EUR 0.9bn NPE disposal with NPE ratio, close to Plan target*



Efficiency improvements: Cost/Income Ratio

%

- *Strong improvement in C/I factoring in full benefits of exit of personnel*



Simplification of Group Structure

- *Merger of subsidiaries to be completed within 1H23*

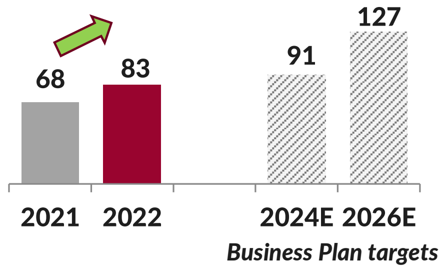
✓ Merger of Consorzio Operativo (IT unit) effective from Dec-22

✓ Merger of MPS Capital Services and MPS Leasing & Factoring expected to be completed within 1H23

Focus on Widiba: Revenues

€/mln

- *Total revenues up 21% y/y*
- *Ongoing investments in communication and in FAs recruiting*



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Outlook 2023

		2023 Outlook	2024 BP Targets Outlook	Memo: 2024 BP Targets
Revenues	▪ NII growth thanks to step up in retail lending improving commercial assets mix, supported by higher rates, despite increased cost of institutional funding. Fees income back to a positive dynamic supported by expected favorable WM market conditions	↑	✓	EUR 3.1 bn
Costs	▪ Operating costs down, driven by personnel costs benefitting from >4k FTE exits from December 1st , 2022 and lower Non-HR cost thanks to already identified costs management initiatives	↓	✓	EUR 1.86 bn
Cost of Risk	▪ Expected not to exceed 2022 level confirming Business Plan trajectory thanks to maintaining high standards in new lending and enhancing monitoring activity, also through the upgraded early warning system	=	✓	<50bps
Pre-tax Profit	▪ On the path to deliver Business Plan target	↑	✓	EUR 700mln[1]
CET1 ratio FL	▪ Capital expected higher than Plan target, ready to absorb the impact of AIRB models, expected to be lower than EUR 5bn	> 14.2%	✓	14.2%

(1) Net profit EUR 1bn after positive tax effect estimated in the Plan

Conclusions

- **Net profit of 4Q22 at EUR 156mln after the capital increase and the completion on December 1st of >4k FTE reduction through the voluntary scheme**

- **FY22 gross operating profit at EUR 989mln, up by +13.2% y/y and C/I at 60% in the quarter, confirming achieved sustainability of results**

- **Solid balance sheet with CET1 ratio FL at 15.6% and strong liquidity position**

- **2023 Outlook gives comfort on Business Plan targets delivery**

Annexes

Reclassified Income Statement

€ mln	4Q22	3Q22	2Q22	1Q22	FY22	FY21	4Q22/ 3Q22(%)	FY22/ FY21(%)
Net Interest Income	499	380	337	323	1,539	1,222	+31.4%	+26.0%
Net fees and commission income	309	327	359	369	1,365	1,484	-5.6%	-8.0%
Profit (loss) of equity-accounted investments (AXA)	26	27	-3	14	64	104	-3.7%	-38.6%
Core Revenues	**834**	**734**	**694**	**706**	**2,967**	**2,810**	**+13.6%**	**+5.6%**
Financial revenues	2	-5	24	80	102	206	n.m.	-50.8%
Other operating net income	4	-3	22	-3	19	-37	n.m.	n.m.
Operating Income	**840**	**726**	**739**	**783**	**3,088**	**2,980**	**+15.6%**	**+3.6%**
Personnel expenses	-327	-354	-357	-356	-1,394	-1,428	-7.6%	-2.4%
Other administrative expenses	-133	-126	-132	-136	-527	-498	+5.2%	+5.8%
Depreciations/amortisations and net impairment losses on PPE	-47	-44	-44	-44	-179	-180	+7.7%	-0.7%
Operating Costs	**-507**	**-524**	**-533**	**-535**	**-2,099**	**-2,106**	**-3.2%**	**-0.3%**
Gross operating profit	**333**	**203**	**206**	**248**	**989**	**874**	**+64.5%**	**+13.2%**
Net impairment losses for credit risk	-97	-95	-114	-111	-417	-250	+1.9%	+66.8%
Net impairment losses for other financial assets	-3	0	2	0	-1	5	n.m.	n.m.
Net operating profit	**234**	**107**	**94**	**136**	**571**	**629**	**n.m.**	**-9.2%**
Net gains/losses on equity investments, PPE and intangible assets at FV, and disposal of investments	-20	3	-11	2	-27	-27	n.m.	-1.2%
Systemic funds contribution	-8	-83	0	-89	-180	-169	-91.0%	+6.1%
DTA Fee	-16	-16	-16	-16	-63	-63	+0.4%	-0.5%
Net accruals to provisions for risks and charges	-41	121	-50	-28	2	-99	n.m.	n.m.
Restructuring costs / one-off costs	-3	-925	-3	0	-931	-7	-99.7%	n.m.
Pre-tax profit (loss)	**146**	**-794**	**16**	**5**	**-627**	**263**	**n.m.**	**n.m.**
Income taxes	10	407	3	6	425	49	-97.6%	n.m.
Post-tax profit (loss)	**156**	**-387**	**18**	**10**	**-202**	**313**	**n.m.**	**n.m.**
Impairment, PPA & others	-1	-1	-1	-1	-3	-4	-14.1%	-23.7%
Profit (loss) for the period	**156**	**-388**	**18**	**10**	**-205**	**310**	**n.m.**	**n.m.**

Financial revenues include: dividends, trading/disposal/valuation/hedging of financial assets

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Balance Sheet

Total Assets (€/mln)

	Dec-21	Sep-22	Dec-22	QoQ%	YoY%
Loans to Central banks	20,770	4,426	628	-85.8%	-97.0%
Loans to banks	3,493	2,716	2,509	-7.6%	-28.2%
Loans to customers	79,380	77,939	76,265	-2.1%	-3.9%
Securities assets	22,127	19,794	18,394	-7.1%	-16.9%
Tangible and intangible assets	2,744	2,640	2,604	-1.3%	-5.1%
Other assets	9,355	24,277	19,773	-18.5%	n.m.
Total Assets	**137,869**	**131,792**	**120,173**	**-8.8%**	**-12.8%**

Total Liabilities (€/mln)

	Dec-21	Sep-22	Dec-22	QoQ%	YoY%
Deposits from customers	79,860	75,164	73,357	-2.4%	-8.1%
Securities issued	10,441	8,641	8,641	0.0%	-17.2%
Deposits from central banks	29,155	28,932	19,177	-33.7%	-34.2%
Deposits from banks	2,125	2,590	2,206	-14.8%	3.8%
Other liabilities	10,114	11,160	8,994	-19.4%	-11.1%
Group net equity	6,173	5,304	7,798	47.0%	26.3%
Non-controlling interests	1	1	1	-30.8%	-30.8%
Total Liabilities	**137,869**	**131,792**	**120,173**	**-8.8%**	**-12.8%**

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

Lending & Direct Funding

Total Lending *(€/mln)*

	Dec-21	Sep-22	Dec-22	QoQ%	YoY%
Current accounts	2,696	3,062	2,883	-5.8%	6.9%
Medium-long term loans	56,268	55,702	54,541	-2.1%	-3.1%
Other forms of lending	13,152	14,105	13,648	-3.2%	3.8%
Reverse repurchase agreements	5,126	3,166	3,483	10.0%	-32.1%
Impaired loans	2,138	1,905	1,711	-10.1%	-19.9%
Total	79,380	77,939	76,265	-2.1%	-3.9%

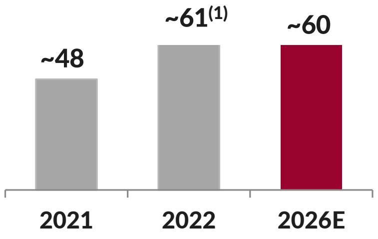
Direct Funding *(€/mln)*

	Dec-21	Sep-22	Dec-22	QoQ%	YoY%
Current accounts	66,159	66,271	65,783	-0.7%	-0.6%
Time deposits	6,438	5,165	4,331	-16.1%	-32.7%
Repos	4,299	928	559	-39.7%	-87.0%
Bonds	10,441	8,641	8,641	0.0%	-17.2%
Other forms of direct funding	2,963	2,801	2,683	-4.2%	-9.5%
Total	90,300	83,805	81,998	-2.2%	-9.2%

ESG objectives and activities increasingly rooted in the Bank to support sustainable transition

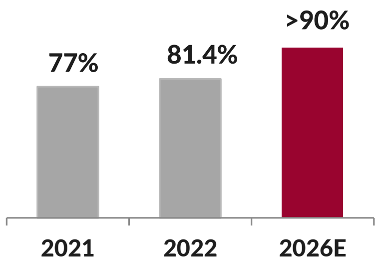
Environmental impact & innovation

% of Scope 1 emissions reduction vs. 2017

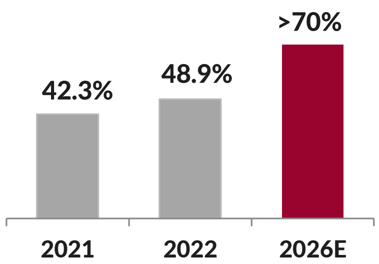


- **100% of renewable energy usage since 2017**
- **100% recycled paper internal use**
- **75% ecologic paper external use**

% of adoption of digital signature

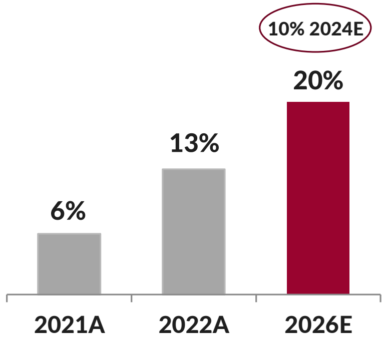


Digititalised communication to clients



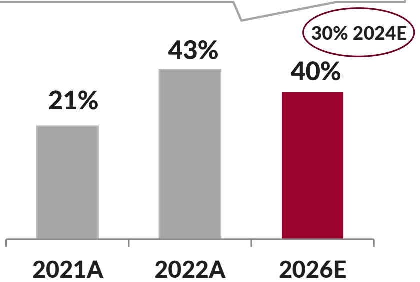
Sustainable Finance

% MLT ESG lending on Total New Lending



AuM invested in ESG products, % of total UCTIS AuM

UCITS: 61% of ESG compliant according to SFDR (art. 8 e art. 9)

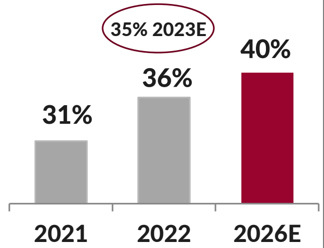


ESG Governance

Diversity & Inclusion

- **Adoption of internal Rules on Inclusion**
- **Board of Directors: 40% female**
- **Unlocking human capital potential**

% of women in roles of responsibility



.......Further ESG target and activities increasingly rooted in the Bank

- **Inclusion of ESG risk factors in the Risk Appetite Framework**
- **ESG criteria embedded in performance management and variable incentive schemes by April 2023**
- **2023 objectives NZBA high priority sector (definition by June 2023)**
- **ESG Risk Programme is underway, with a focus on the climate-environmental risks**
- **Standard Ethics Rating EE with Long Term Expected EE+**
- **Signed agreement for green project and Agri- green**

(1) Including estimated data for December

Completed *On-going*