MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

A Clear and Simple Commercial Bank
1Q 23 Results

Siena, 9th May 2023

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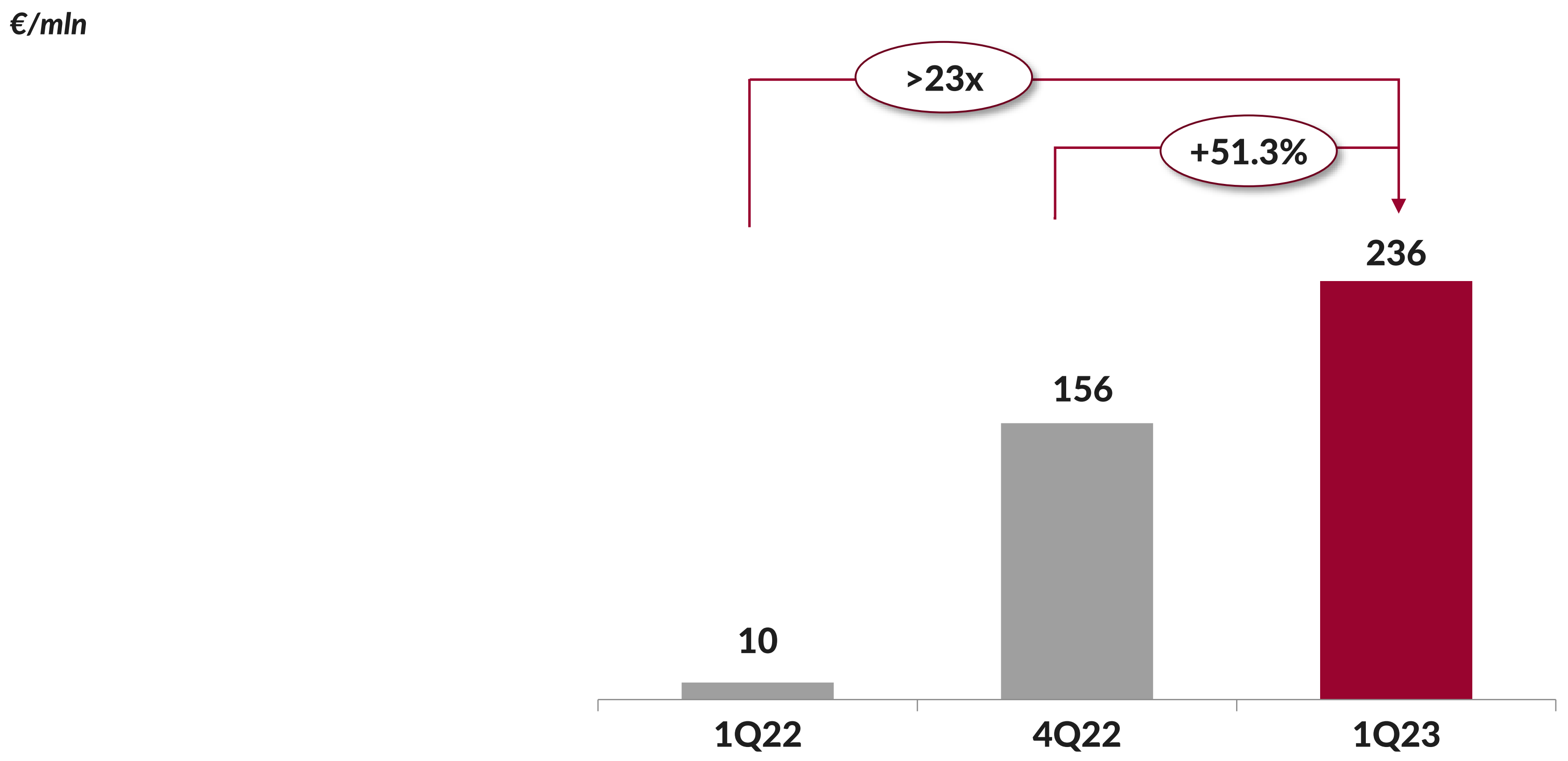
Pursuant to paragraph 2, article 154-bis of the Consolidated Finance Act, the Financial Reporting Officer, Mr. Nicola Massimo Clarelli, declares that the accounting information contained in this document corresponds to the document results, books and accounting records.

1Q23 Executive Summary

- Net profit at EUR 236mln vs EUR 10mln in 1Q22, up +51.3% over previous quarter
- 1Q23 net operating profit at EUR 309mln, +32.5% vs 4Q22 and more than double compared to 1Q22
- Higher revenues and lower costs leading to Gross operating profit at EUR 414mln +24.7% q/q
- NII up by 1.2% q/q and +56.6% y/y driven by increased commercial spread and despite one-off impact of TLTRO; rebound of fees (+7.3% q/q) driven by both WM and traditional banking activity components
- Operating costs down -13.8% y/y with full benefit of the staff exits from 1st Dec-22; HR costs lower by almost -20% y/y; cost/income at 52.9%, down from 60.4% in 4Q22 and 68.6% in 1Q22
- Gross NPE ratio at 4.1% and stable cost of credit at 55bps
- CET1 FL ratio[1] at 14.9% fully factoring regulatory RWA increase; buffer of more than 400 bps on Tier 1 ratio requirement
- Sound deposit base over time, with total commercial savings[2] up 1.3% q/q. LCR above 200% and NSFR above 130%

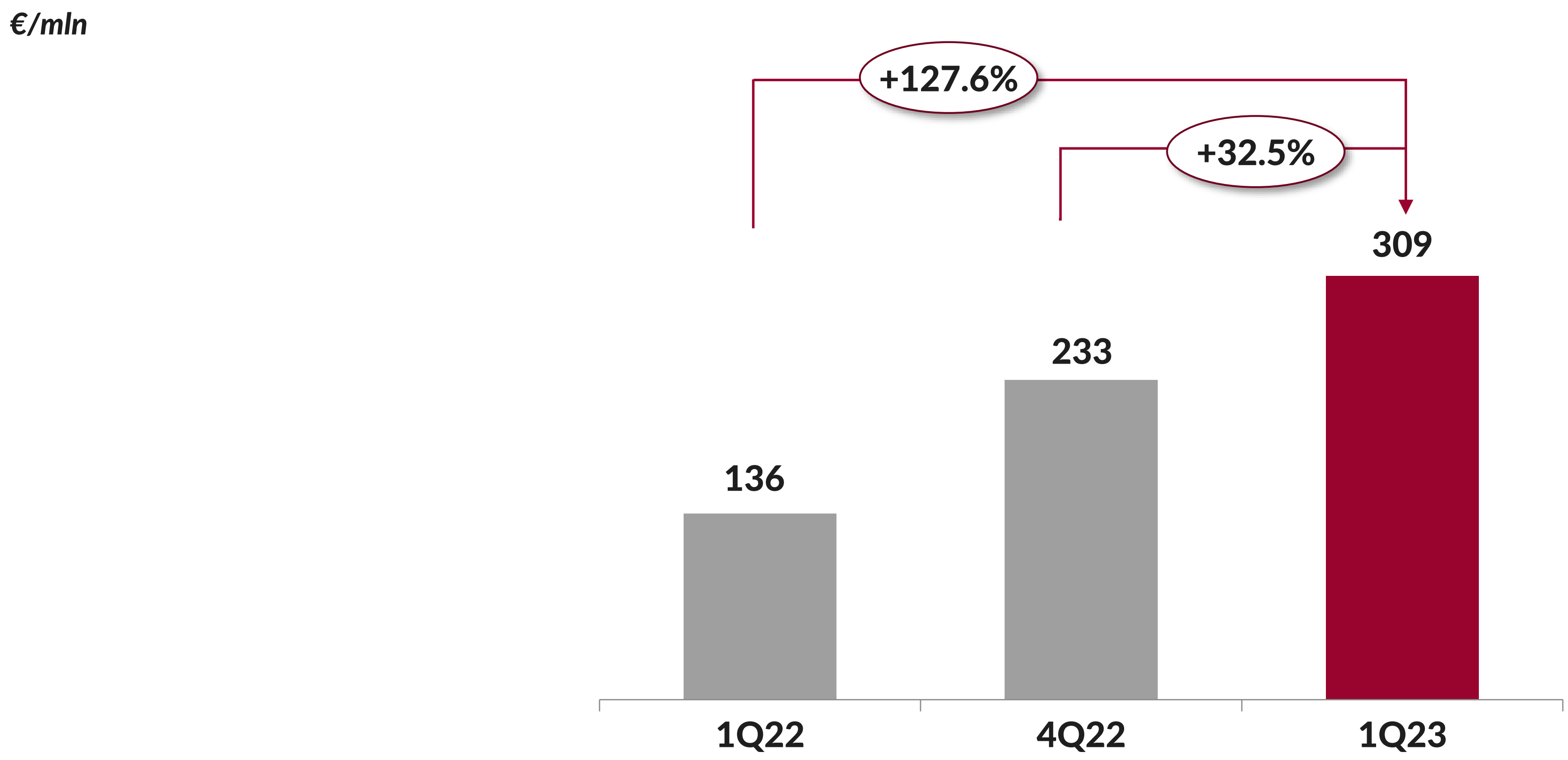
(1) Proforma capital ratio including net profit of the period
(2) Direct and indirect funding

Net profit



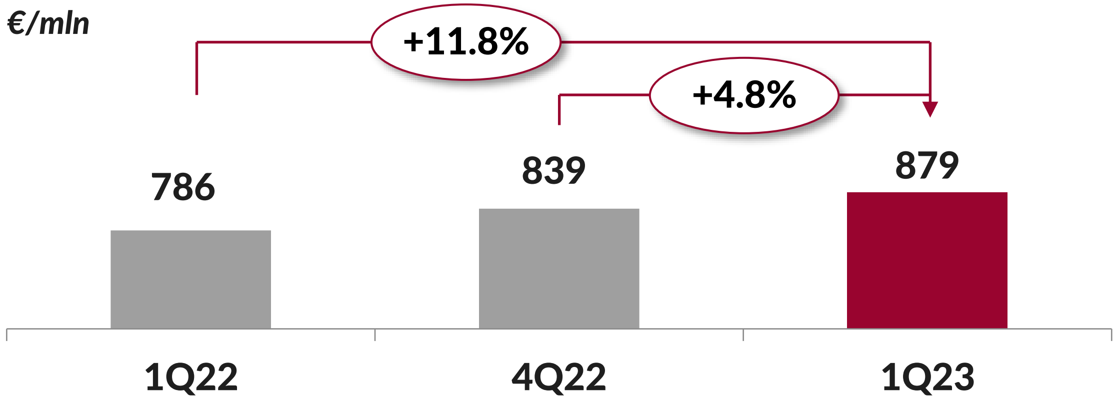
- 1Q23 net profit at EUR 236mln (EUR 10mln in 1Q22), up +51.3% over previous quarter
- Second quarter in a row showing re-built capability of delivering sustainable performance

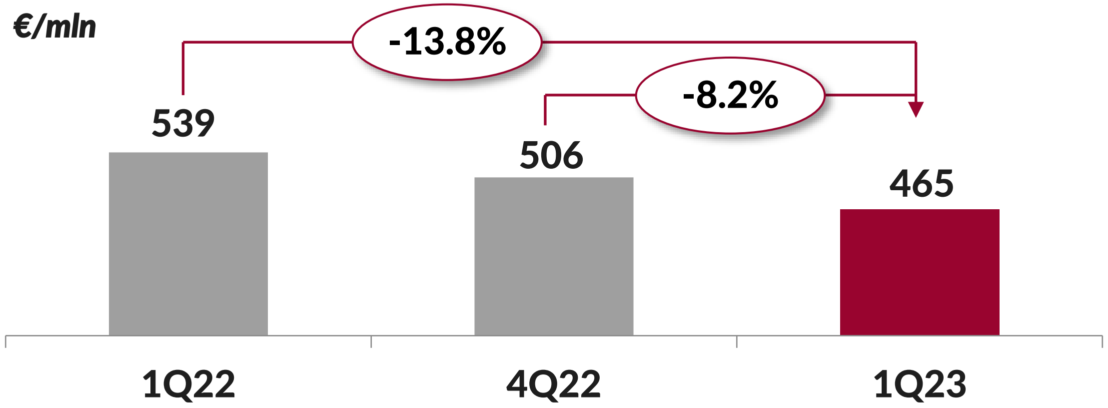
Net operating profit

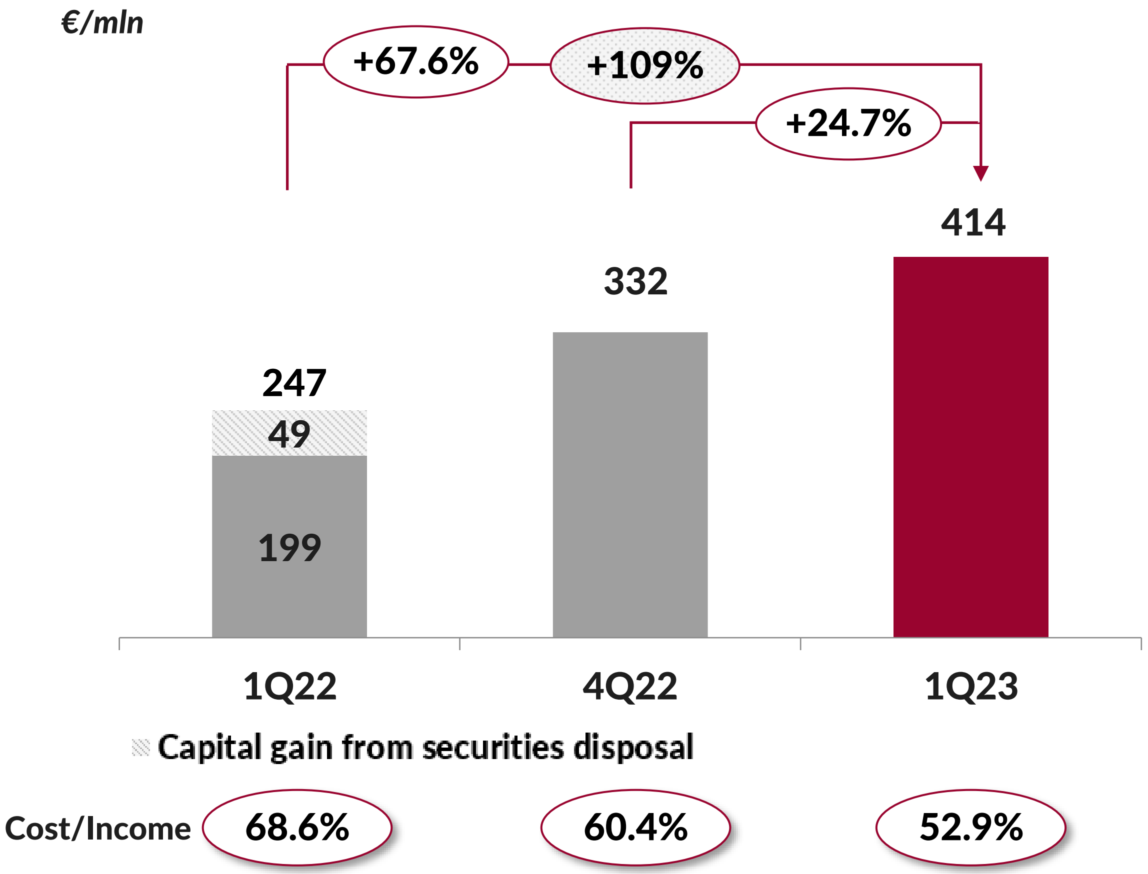


- 1Q23 net operating profit at EUR 309mln, +32.5% vs 4Q22 and more than double compared to 1Q22, thanks to better operating performance and stable cost of risk

Gross operating profit



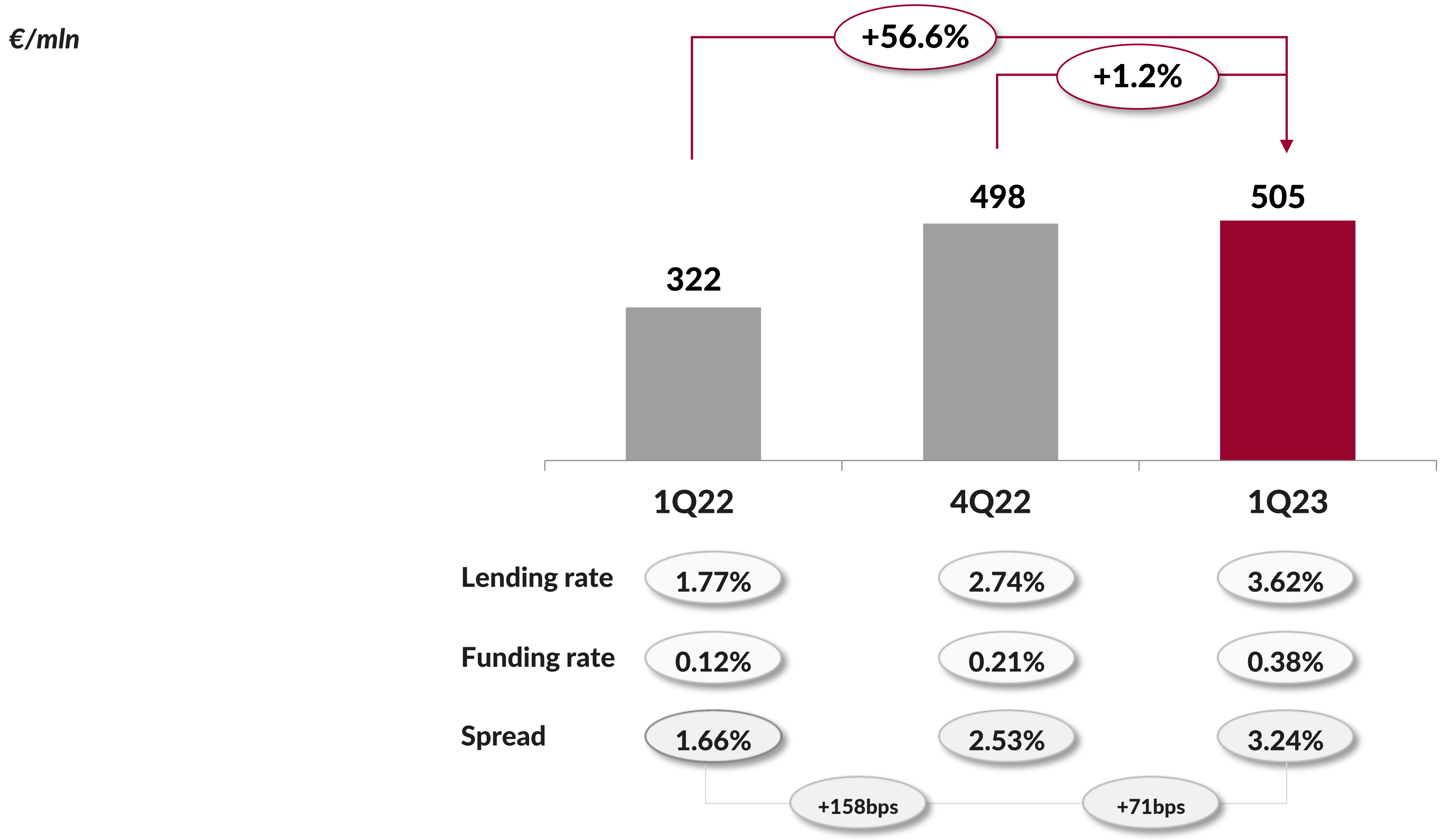




- 1Q23 gross operating profit up by 24.7% q/q and by 67.6% y/y thanks to both higher revenues and lower costs, with improving jaws
- Cost/income ratio down to 52.9% from 60.4% in 4Q22 and 68.6% in 1Q22

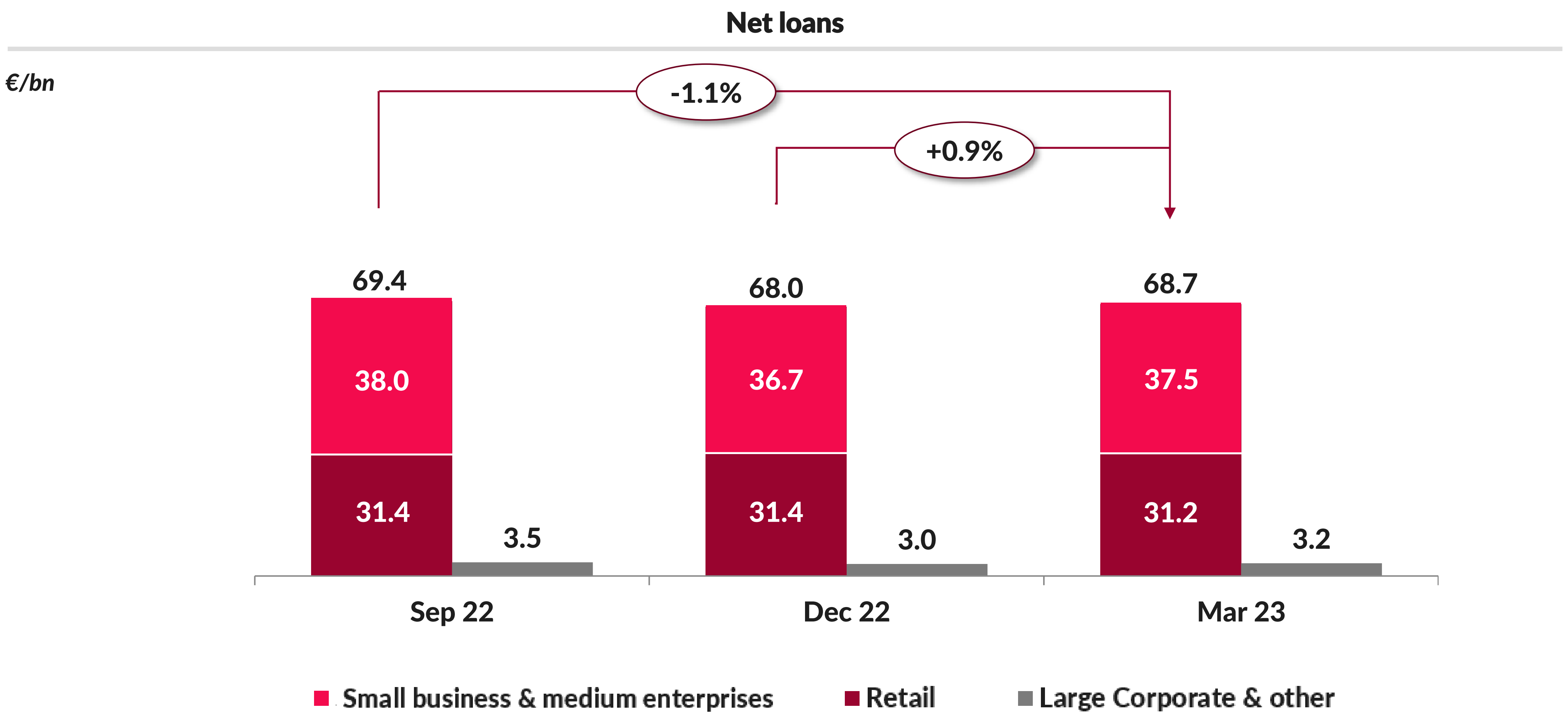
Excluding EUR 49mln in 1Q22

Net interest income



- **1Q23 NII up 1.2% q/q and 56.6% y/y, driven by increasing commercial spread (+71bps q/q and +158bps y/y), despite one-off negative impacts on TLTRO costs**

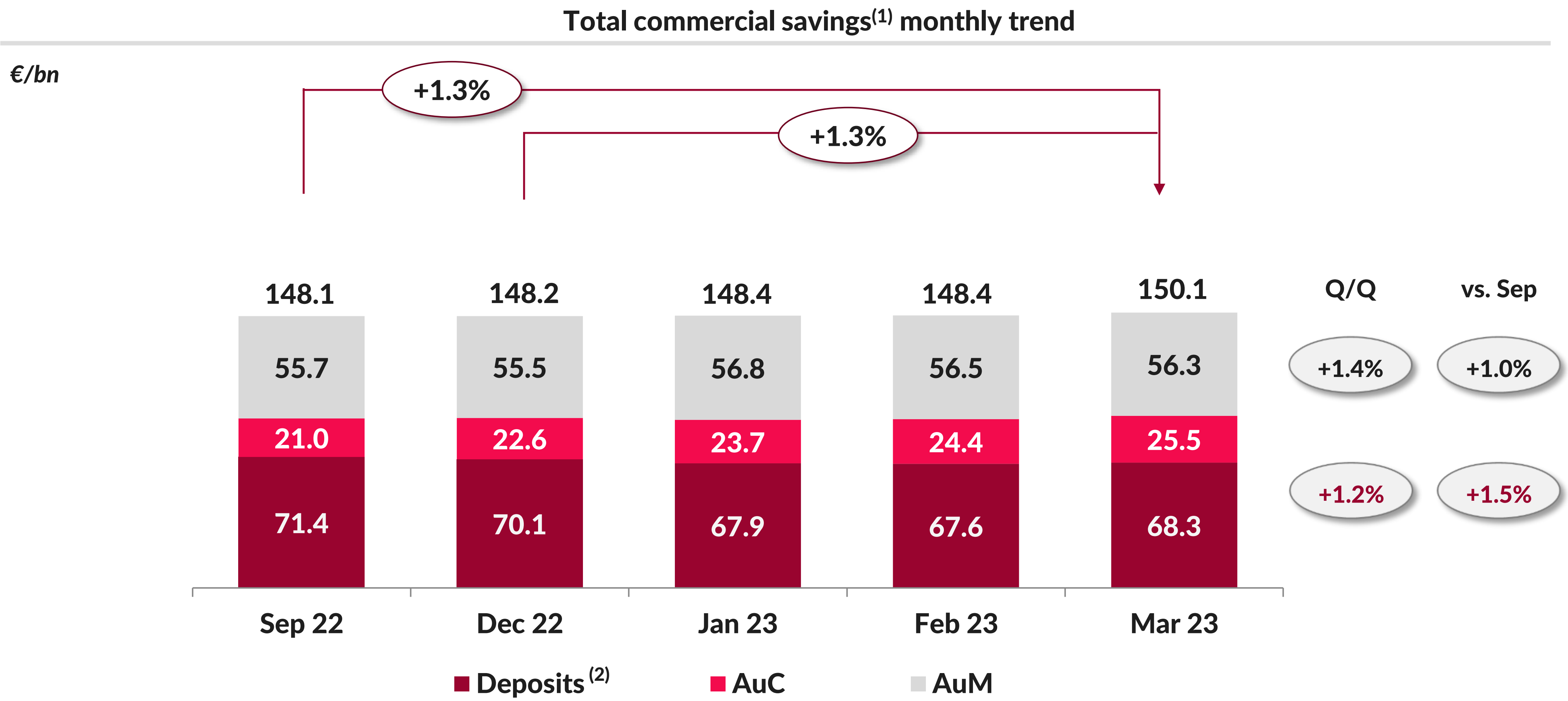
Net customer loans



- Performing loans up q/q by +0.9% in customer focus areas

Loans presented net of repos and NPEs

Total commercial savings

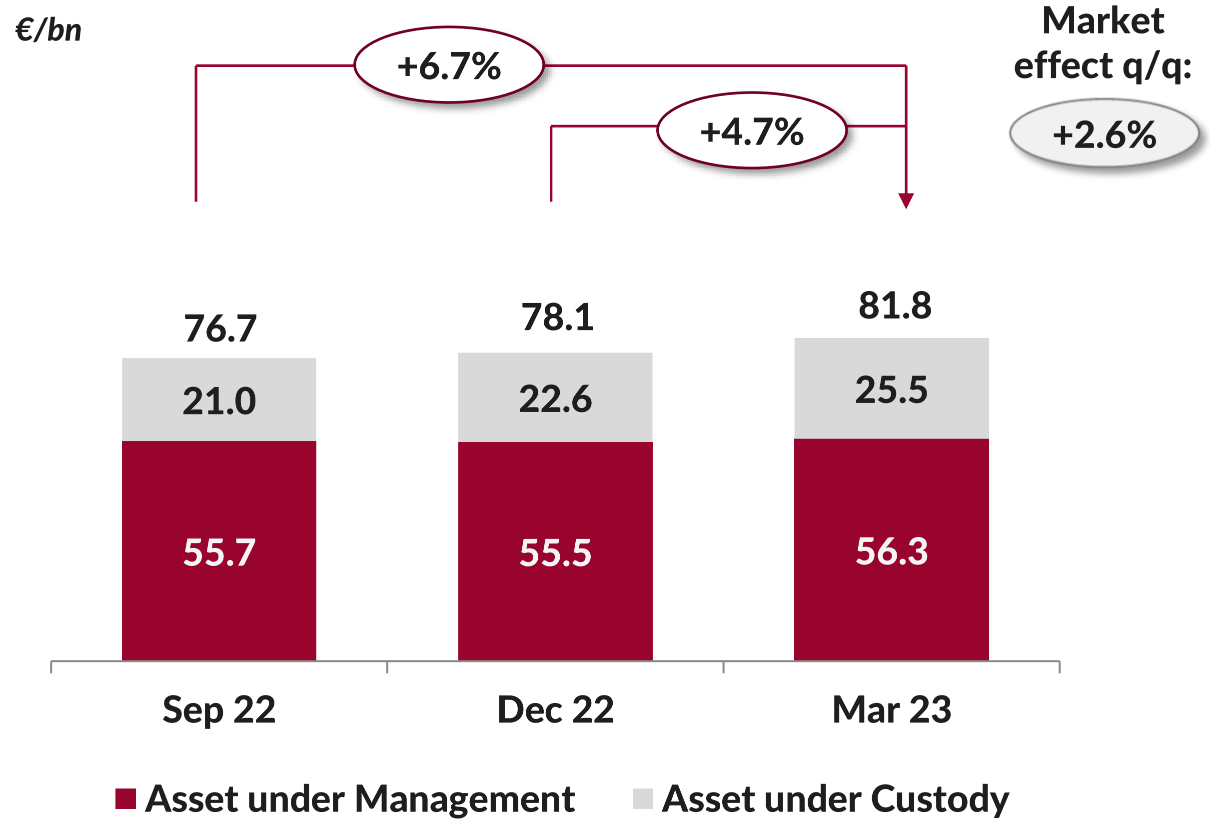


- **Positive trend in total commercial savings, up +1.3% in the quarter and +1.3% on yearly basis, with slight remix between deposits and AuC driven by customers appetite for investment in fixed income securities**
- **Accelerating in March both for deposits and AuC components**

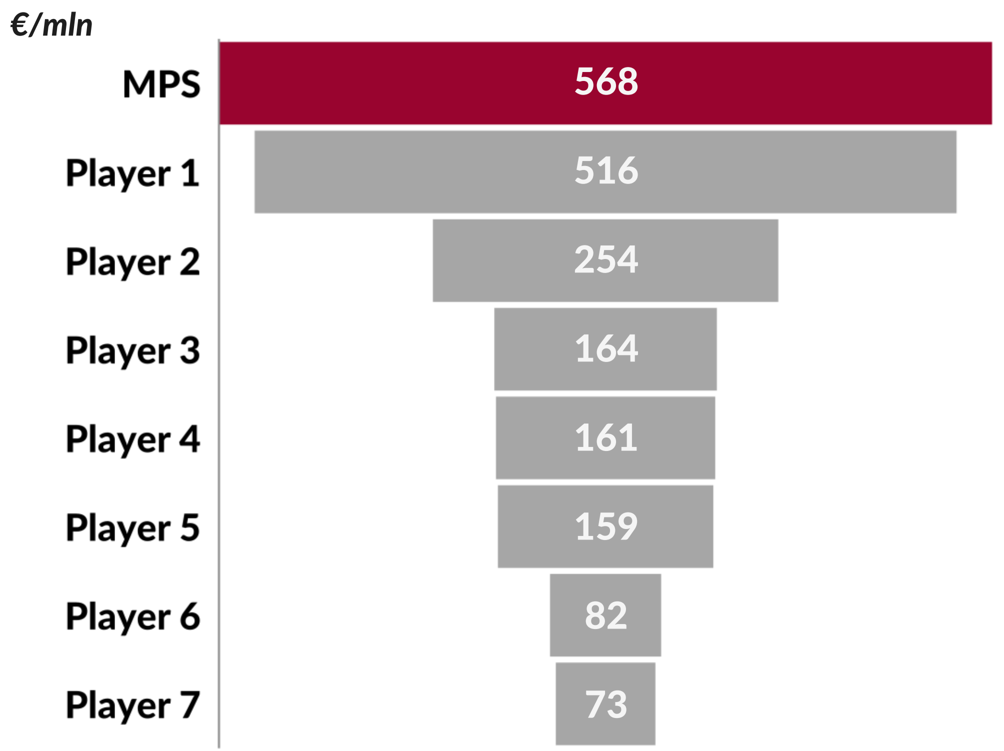
(1) Commercial savings, in indirect funding, not including certain institutional assets under custody, as per business plan targets
(2) Current accounts + Time deposits
Managerial data

Indirect funding[1]

Indirect funding breakdown



1Q23 net inflows from portfolio management[2]

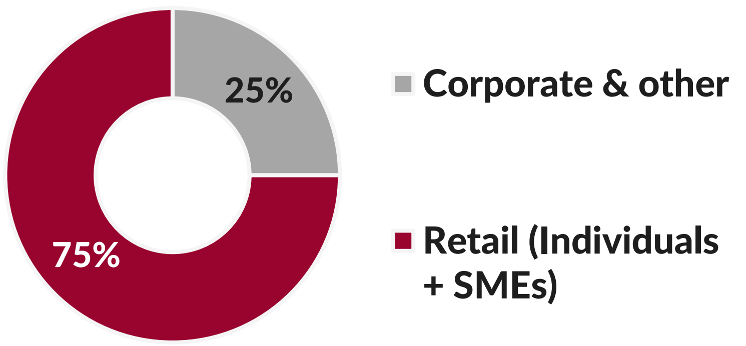


- Positive dynamic of indirect funding q/q thanks to positive flows both in AuC and in AuM, coupled with positive market effect
- In March 2023, MPS ranks 1st in the 1Q23 Assogestioni classification for net inflows from portfolio management (Gestioni Patrimoniali)

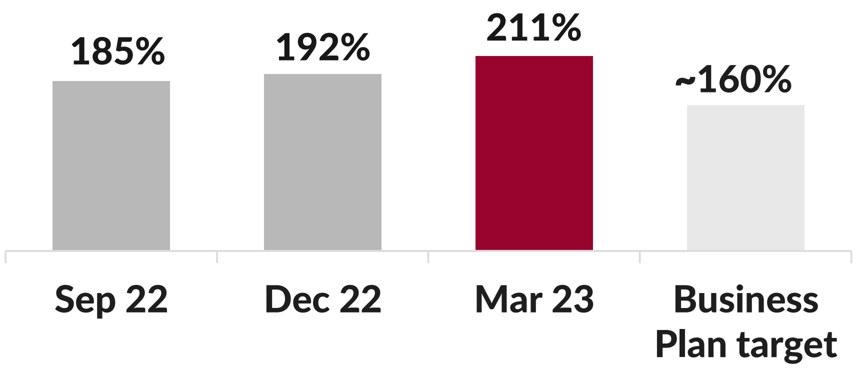
(1) Commercial Indirect Funding
(2) Source: Assogestioni
Managerial data

Funding & Liquidity

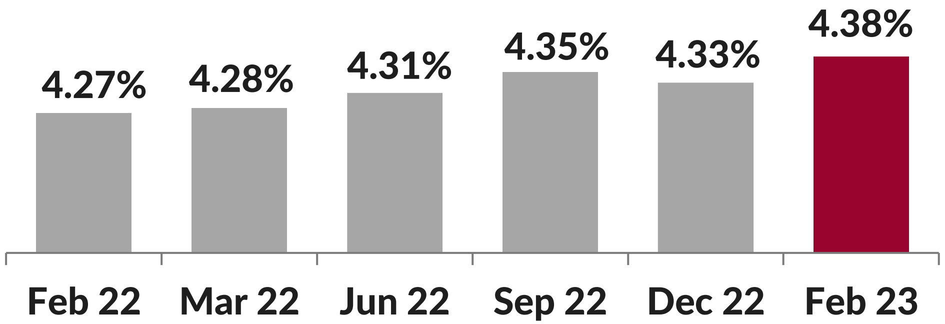
Deposits breakdown[1]



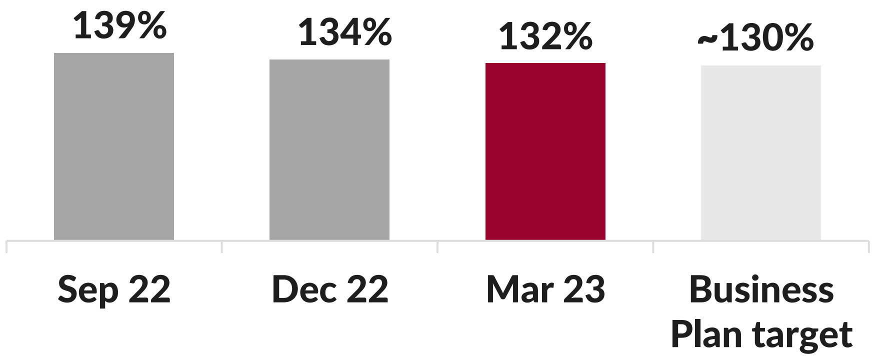
LCR evolution



Sight deposits market share



NSFR evolution

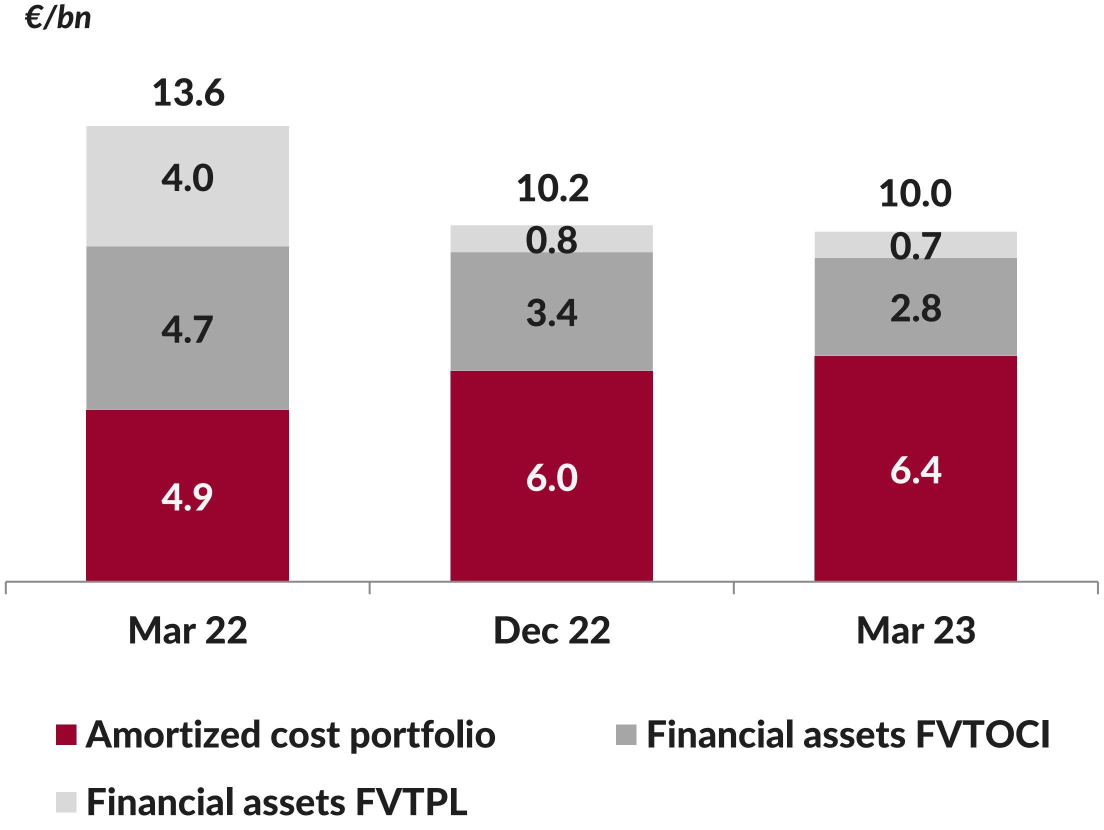


- **Strong client base, resilient over time, with high (75%) retail and SME component**
- **Sight deposits market share steadily growing in the last year**
- **Sound liquidity indicators, well above regulatory levels, with over EUR 25bn of unencumbered counterbalancing capacity**

(1) Breakdown used for LCR reporting

Italian govies portfolio

Italian govies portfolio breakdown



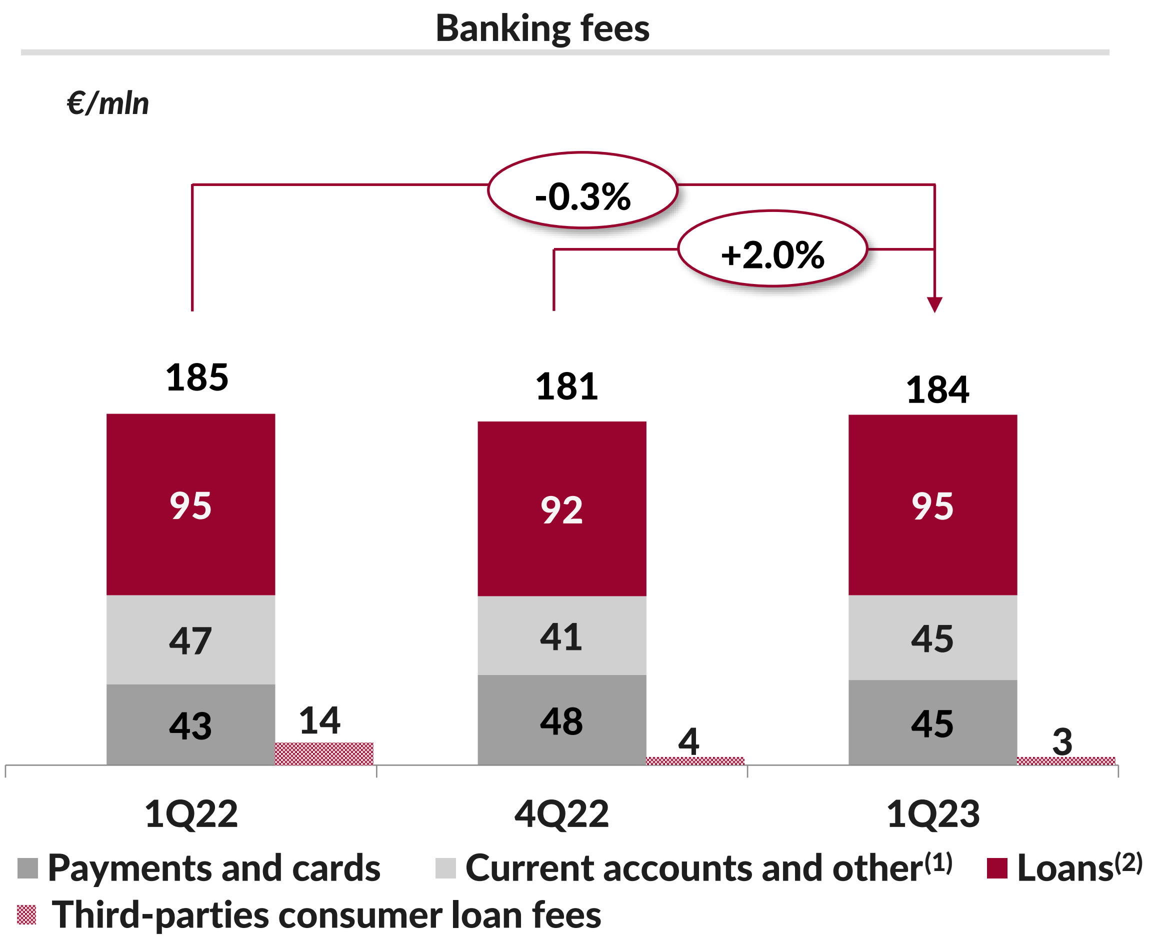
Italian govies portfolio at FVTOCI

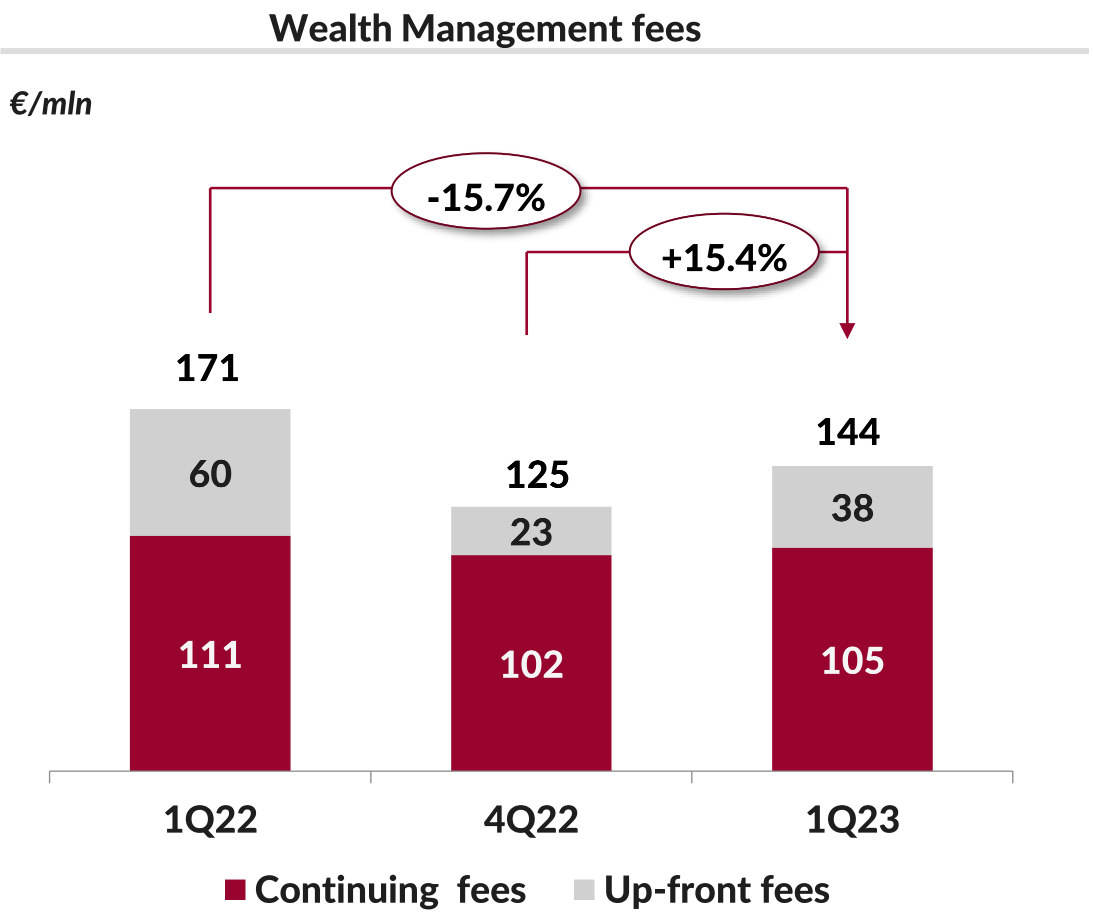
	Mar 22	Dec 22	Mar 23
FVTOCI Duration *(years)*	~1.8	~1.9	~2.1
FVTOCI Credit spread sensitivity (€/mln)	-1.1	-0.7	-0.7

- **Italian govies portfolio down q/q, with ongoing remix between FVTOCI and AC in line with investment strategy**
- **FVTOCI portfolio duration slightly up due to first quarter maturities**

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 position for Italian govies at FVTPL

Net fee and commission income

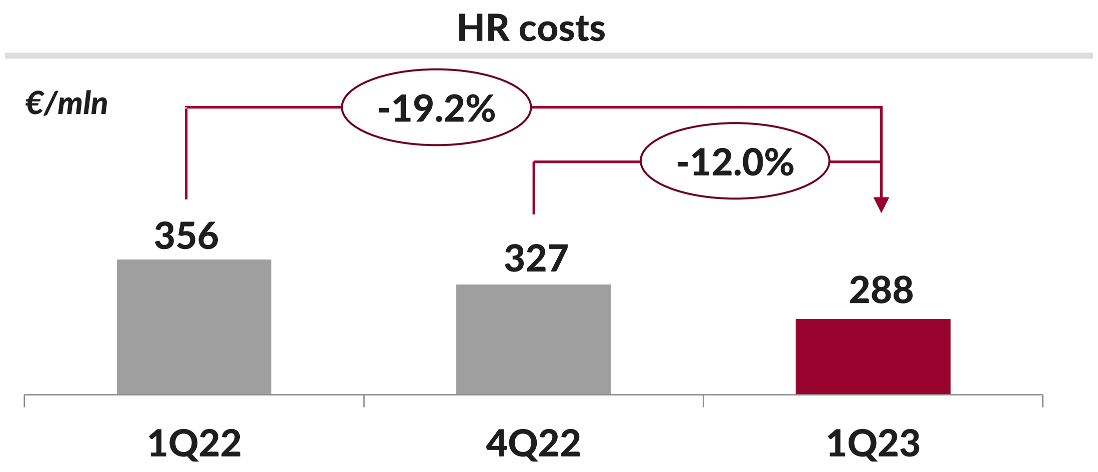


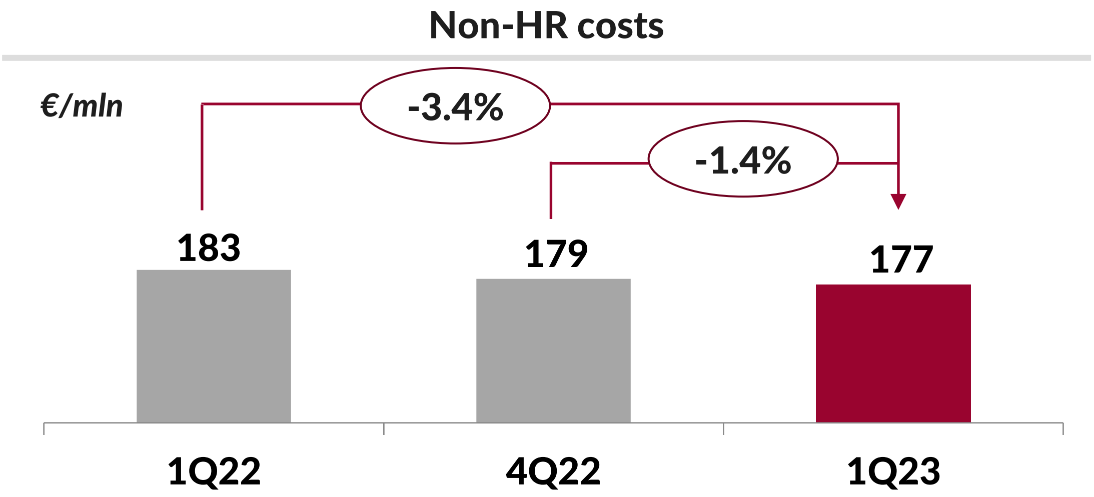


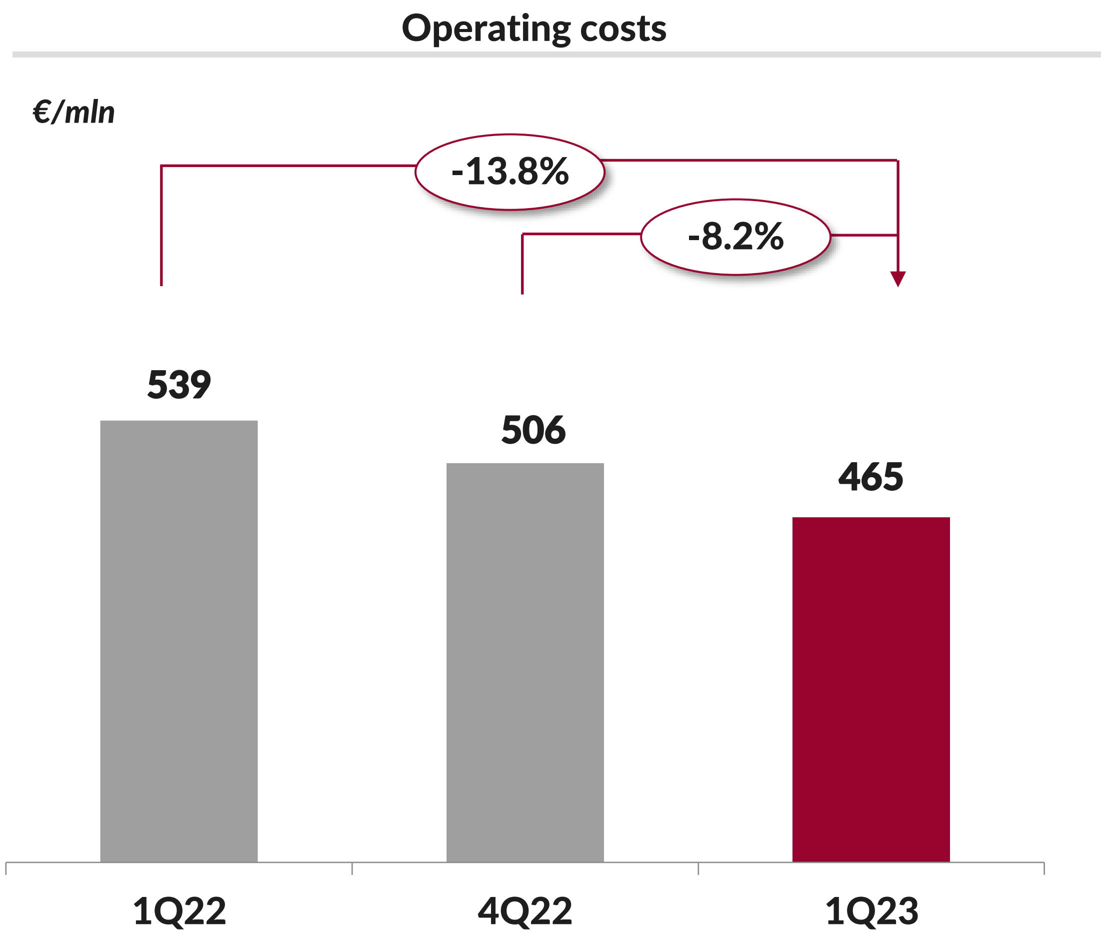
- Banking fees are up 2.0% q/q[2], sustained by lending component and current accounts and other
- Wealth management fees up 15.4% q/q driven by both continuing and up-front fees
- Total fees up 7.3% q/q

(1) Including Protection fees
(2) Excluding third-parties consumer loan fees

Operating costs



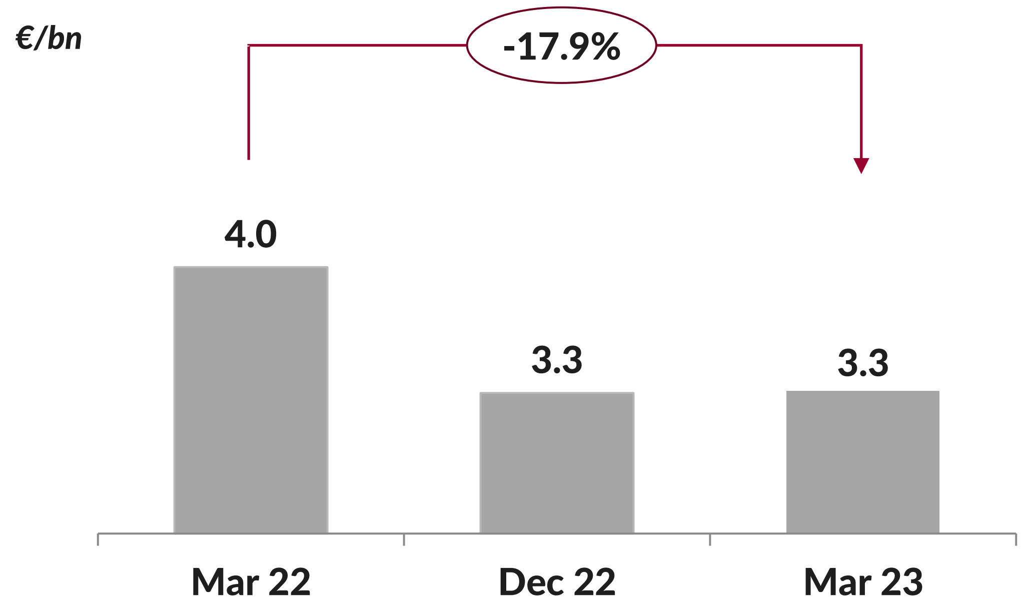




- HR costs reduction by -12.0% q/q and -19.2% y/y thanks to structural 4k FTE reduction completed on 1st December 2022
- Non-HR costs lower both q/q and y/y, despite inflation pressure

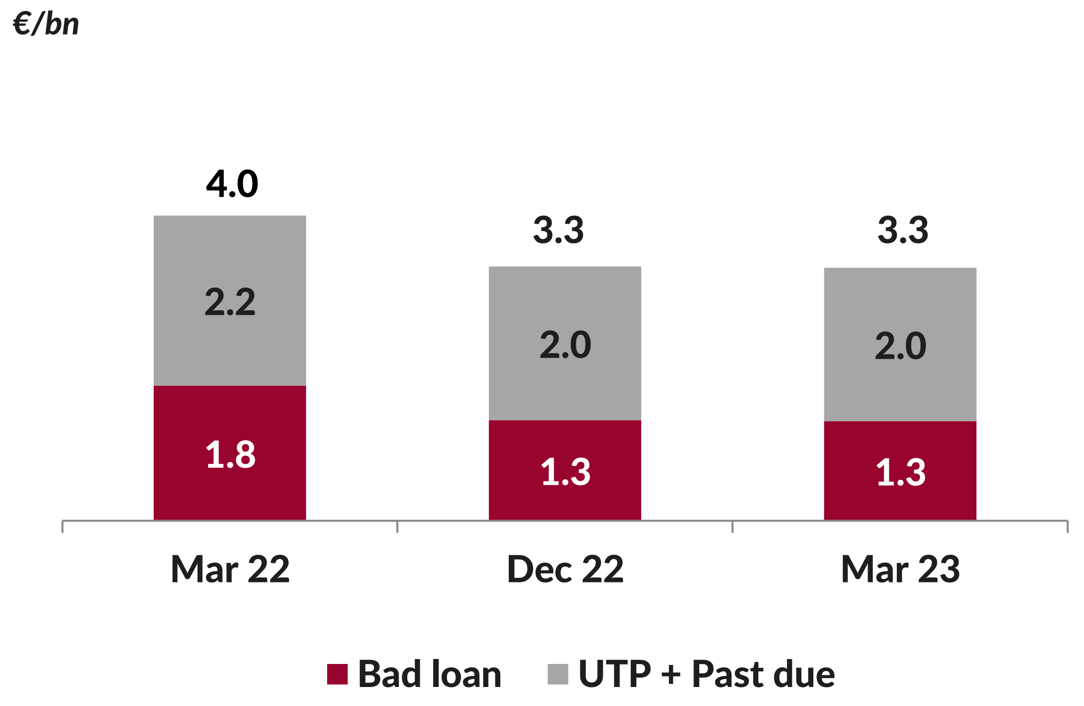
Gross NPE stock

Gross NPE stock



	Mar 22	Dec 22	Mar 23
Gross NPE ratio[1]	4.8%	4.2%	4.1%
Net NPE ratio	2.4%	2.2%	2.1%

Breakdown by category

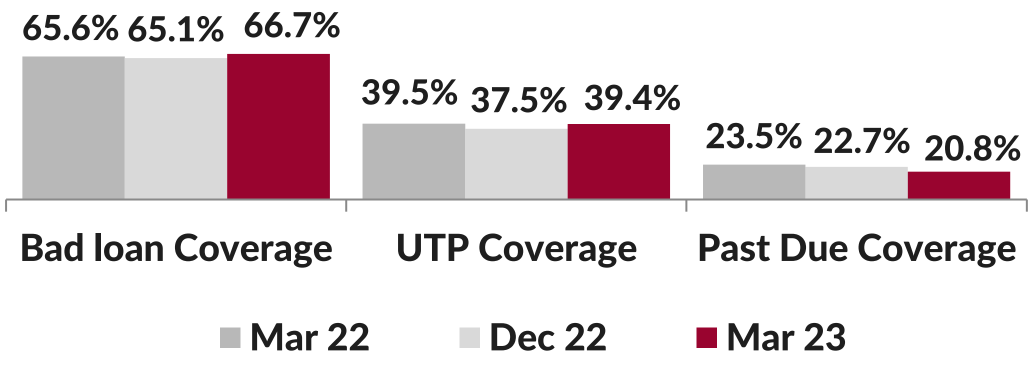


- Gross NPE stock stable at 3.3bn after decrease from 4bn in 2022
- Gross and net NPE ratio both decreasing y/y and q/q

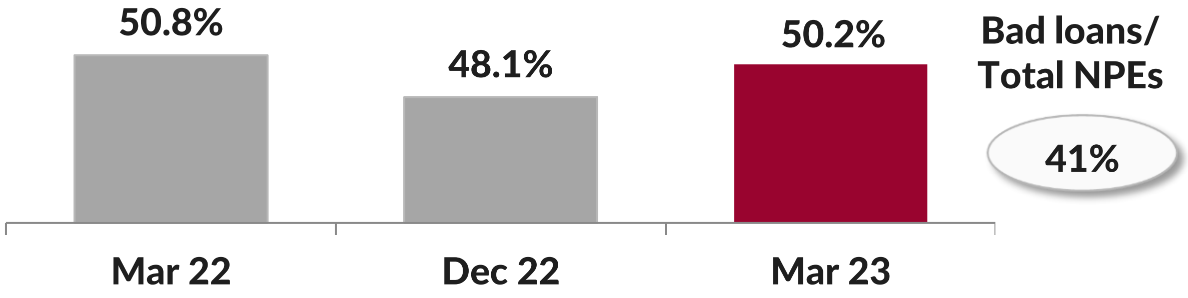
(1) NPE ratio calculated as ratio of gross non-performing exposures to customers on total gross exposures to customers (no government securities)

Coverage and cost of risk

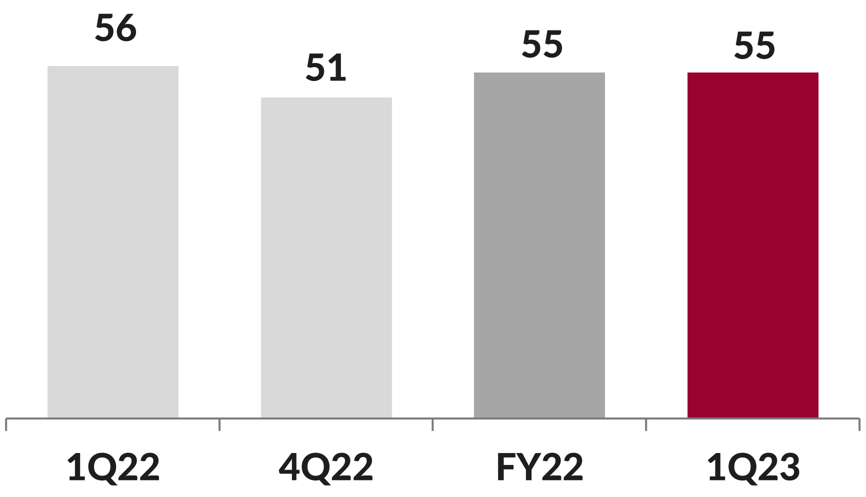
NPE coverage breakdown



Total NPE coverage



Cost of risk (bps)



- NPE coverage increased by 210bps q/q
- 1Q23 cost of risk at 55bps, stable vs 2022 in line with guidance

Extraordinary litigations and extrajudicial claims

€/bn

Gross petitum

		Dec 22	Dec 22 Proforma(1)	Mar 23
Litigations excluding civil parties	Financial information 2014-2015	0.7	0.7	0.7
	Financial information 2008-2011	0.9	0.9	0.9
	Total	**1.6**	**1.6**	**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**

- Petitum stable since FY22 results presentation
- One additional positive judgement, totalling 3 positive judgements in 2023 that confirm the favourable jurisprudential trend of the precedent years

		Dec 22	Dec 22 Proforma(1)	Mar 23
Extrajudicial claims	**Total**	**1.5**	**2.2**	**2.2**

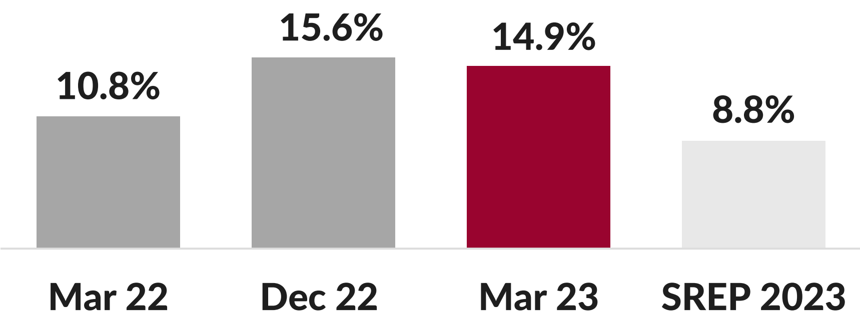
- The majority of extrajudicial claims are promoted by the same consulting company on behalf of institutional investors, in most cases characterized by lack of documentation, lack of legitimacy and causal nexus

- No relevant news compared to FY22 results presentation

(1) Proforma for the claim received in January and disclosed in FY22 results presentation

Capital

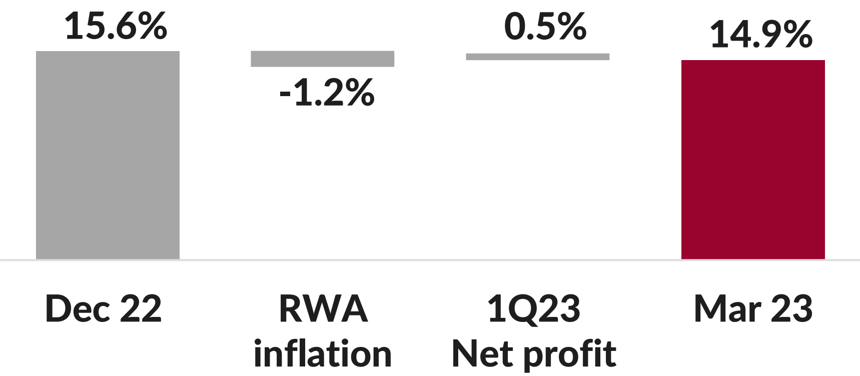
CET1 ratio fully loaded



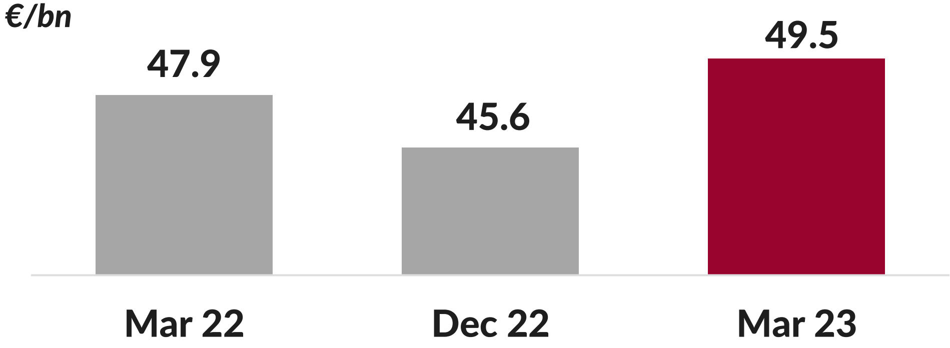
Fully loaded capital ratios

	Mar 22	Dec 22	Mar 23	SREP
CET1 ratio (%)	10.8%	15.6%	14.9%	8.80%
Tier 1 ratio (%)	10.8%	15.6%	14.9%	10.82%
Total capital ratio (%)	14.5%	19.5%	18.5%	13.51%

CET1 ratio fully loaded: quarterly dynamic



RWA fully loaded



- CET1 ratio at 14.9% after EUR 3.7bn RWA increase for regulatory headwinds
- No further regulatory headwinds expected over the Business Plan period
- Buffer of more than 400 bps on Tier 1 ratio requirement

March 2023 proforma capital ratios including net profit of the period. Stated ratios as at March 2023: CET1 14.4%; Total capital 18.0%

Conclusions

- Net profit of 1Q23 at EUR 236mln, after a result of EUR 156mln achieved in 4Q22, confirming a new capability to generate sustainable profitability
- Gross operating profit at EUR 414mln, + 25% q/q and 2x vs 1Q22, thanks to improving revenues and higher efficiency, which factors in a structurally reduced cost base
- Cost/income at 53% (60% in 4Q22), ahead of the Business Plan targets
- CET1 fully loaded, including net profit of the period, at 14.9%, despite a EUR 3.7bn increase in risk weighted assets for regulatory headwinds, highlighting internal capital generation
- Sound funding & liquidity position, also thanks to a solid customer base, stable over time

Annexes

Reclassified Income Statement

€ mln	1Q22*	2Q22*	3Q22*	4Q22*	1Q23
Net Interest Income	322	336	379	498	505
Net fees and commission income	369	359	327	309	332
Profit (loss) of equity-accounted investments (AXA)**	14	-3	27	26	18
Core Revenues	**706**	**693**	**732**	**833**	**854**
Financial revenues	80	24	-5	2	27
Other operating net income	0	24	0	3	-2
Operating Income	**786**	**741**	**728**	**839**	**879**
Personnel expenses	-356	-357	-354	-327	-288
Other administrative expenses	-136	-132	-126	-133	-133
Depreciations/amortisations and net impairment losses on PPE	-47	-47	-47	-47	-44
Operating Costs	**-539**	**-535**	**-527**	**-506**	**-465**
Gross operating profit	**247**	**205**	**200**	**332**	**414**
Net impairment losses for credit risk	-111	-114	-95	-97	-107
Net impairment losses for other financial assets	0	2	0	-3	2
Net operating profit	**136**	**94**	**105**	**233**	**309**
Net gains/losses on equity investments, PPE and intangible assets at FV, and disposal of investments	2	-11	3	-20	-2
Systemic funds contribution	-89	0	-83	-8	-58
DTA Fee	-16	-16	-16	-16	-16
Net accruals to provisions for risks and charges	-29	-50	122	-41	-6
Restructuring costs / one-off costs	0	-3	-925	-3	-6
Pre-tax profit (loss)	**4**	**14**	**-795**	**146**	**220**
Income taxes	6	3	408	10	15
Profit (loss) for the period	**10**	**18**	**-388**	**156**	**236**

* The P&L figures for the quarters of 2022 have been restated compared to those published at the respective reporting dates following the (i) discontinuation of reclassifications to PPAs and rental income and (ii) the introduction of the reclassification to "Net impairment losses for credit risk" of interest and commission repayments to customers relating to previous years, for which allocations to provisions for risks and charges had been made as an offsetting entry to the above P&L items.

** The item related to 2022 quarters has not been restated since at the date of this press release it was impracticable to determine retrospectively the period-specific effects of the adoption of IFR 17 and IFRS 9 by the insurance associates. The comparison is therefore not on a like-for-like basis.

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

Balance Sheet

Total Assets (€/mln)

	Mar-22*	Dec-22**	Mar-23	QoQ%	YoY%
Loans to Central banks	15,393	628	656	4.5%	-95.7%
Loans to banks	2,425	1,950	2,126	9.0%	-12.3%
Loans to customers	79,260	76,265	77,756	2.0%	-1.9%
Securities assets	23,382	18,394	18,652	1.4%	-20.2%
Tangible and intangible assets	2,719	2,604	2,567	-1.4%	-5.6%
Other assets	8,831	20,394	22,529	10.5%	n.m.
Total Assets	**132,009**	**120,235**	**124,286**	**3.4%**	**-5.9%**

Total Liabilities (€/mln)

	Mar-22	Dec-22	Mar-23	QoQ%	YoY%
Deposits from customers	74,992	73,357	74,708	1.8%	-0.4%
Securities issued	9,436	8,641	9,359	8.3%	-0.8%
Deposits from central banks	29,081	19,177	19,317	0.7%	-33.6%
Deposits from banks	1,764	2,206	1,885	-14.6%	6.9%
Other liabilities	10,729	8,994	10,887	21.1%	1.5%
Group net equity	6,006	7,860	8,129	3.4%	35.3%
Non-controlling interests	1	1	1	0.0%	-30.8%
Total Liabilities	**132,009**	**120,235**	**124,286**	**3.4%**	**-5.9%**

* The balance sheet figures as at 31 March 2022 have not been restated compared to those published at the relevant reporting dates since, it was impracticable, at the date of this press release, to determine retrospectively the period -specific effects of the adoption of IFRS 17 and IFRS 9 by the insurance associates. The comparison is therefore not on a like-for-like basis.

** The balance sheet figures as at 31 December 2022 have been restated compared to the data published at the reporting date, following the retrospective application of the new IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" by the insurance associates AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni Vita S.p.A, which are consolidated in the MPS Group financial statements using the synthetic equity method.

Other assets include: cash and cash equivalents, derivatives assets, equity investments, tax assets, other assets; from Dec-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)

	Mar-22	Dec-22	Mar-23	QoQ%	YoY%
Current accounts	3,085	2,883	3,359	16.5%	8.9%
Medium-long term loans	56,418	54,541	54,266	-0.5%	-3.8%
Other forms of lending	13,763	13,648	14,248	4.4%	3.5%
Reverse repurchase agreements	4,009	3,483	4,236	21.6%	5.7%
Impaired loans	1,984	1,711	1,648	-3.7%	-17.0%
Total	**79,260**	**76,265**	**77,756**	**2.0%**	**-1.9%**

Direct Funding (€/mln)

	Mar-22	Dec-22	Mar-23	QoQ%	YoY%
Current accounts	65,186	65,783	63,532	-3.4%	-2.5%
Time deposits	6,040	4,331	4,762	10.0%	-21.2%
Repos	904	559	3,826	n.m.	n.m.
Bonds	9,436	8,641	9,359	8.3%	-0.8%
Other forms of direct funding	2,862	2,683	2,588	-3.6%	-9.6%
Total	**84,428**	**81,998**	**84,067**	**2.5%**	**-0.4%**