MONTE
DEI PASCHI
DI SIENA
BANCA DAL 1472

A Clear and Simple Commercial Bank
2Q 23 Results

Siena, 4th August 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.

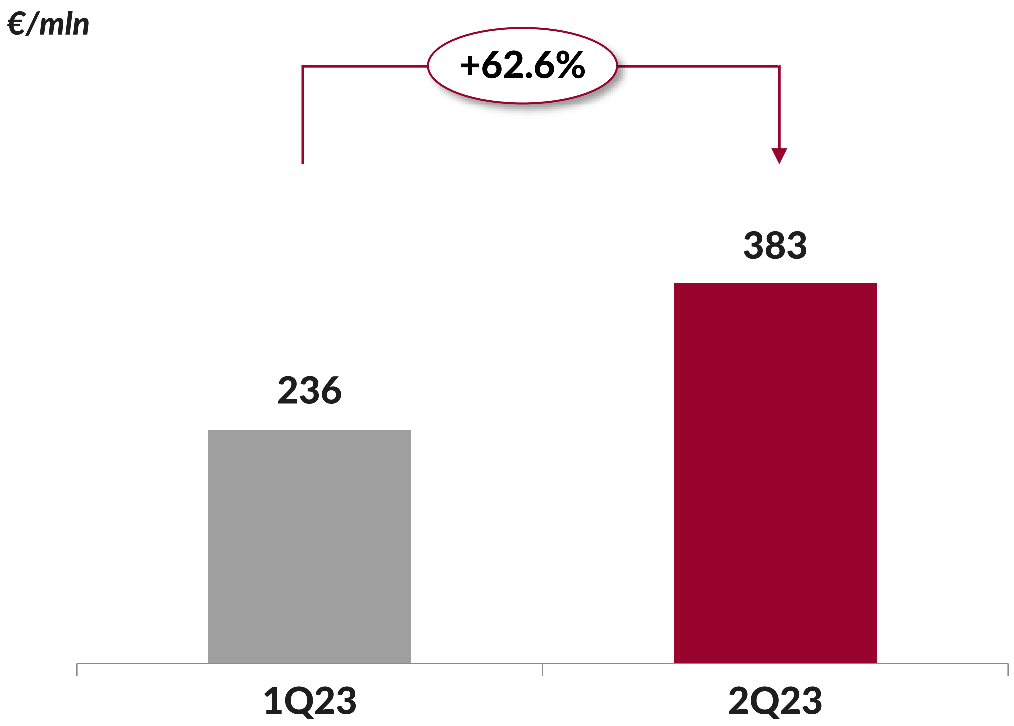
2Q23 & 1H23 Executive Summary

- 2Q23 net profit at EUR 383mln, up 63% q/q underpinned by an acceleration of the operating performance, leading 1H23 net profit to EUR 619mln (~12x vs 1H22)
- 1H23 net operating profit at EUR 734mln, 2.9x vs 1H22, with strong contribution of 2Q23 (EUR 426mln, +37.9% q/q), thanks to higher core revenues, continuous focus on cost discipline and stable cost of risk
- Ongoing NII increase, +14.6% q/q driven by improved commercial spread and lower impact from ECB net position; fees up (+2.0% q/q) thanks to banking fees up 4.4% q/q and resilient wealth management continuing fees
- Structural costs decrease confirmed also in 2Q23 (-3.3% q/q) mainly thanks to savings in Non-HR costs (down 8.2% q/q), 1H23 down 14.9% thanks to both lower HR costs and Non-HR costs; cost/income at 49% in 1H23 (46% in 2Q23)
- Gross NPE ratio proforma at 4.0% (vs 4.1% in 1Q23) following a EUR 0.2bn NPE disposal, with proforma coverage ratio at 49.8%, higher compared to year-end 2022; 1H23 cost of credit stable at 54bps
- CET1 FL ratio at 15.9%, more than 90bps increase vs 1Q23 thanks to organic capital generation; buffer of more than 500bps on Tier 1 ratio requirement
- Sound deposit base over time, with total commercial savings(1) up 0.9% q/q and 2.2% YTD. LCR >180% (post TLTRO June reimbursement) and NSFR >130%

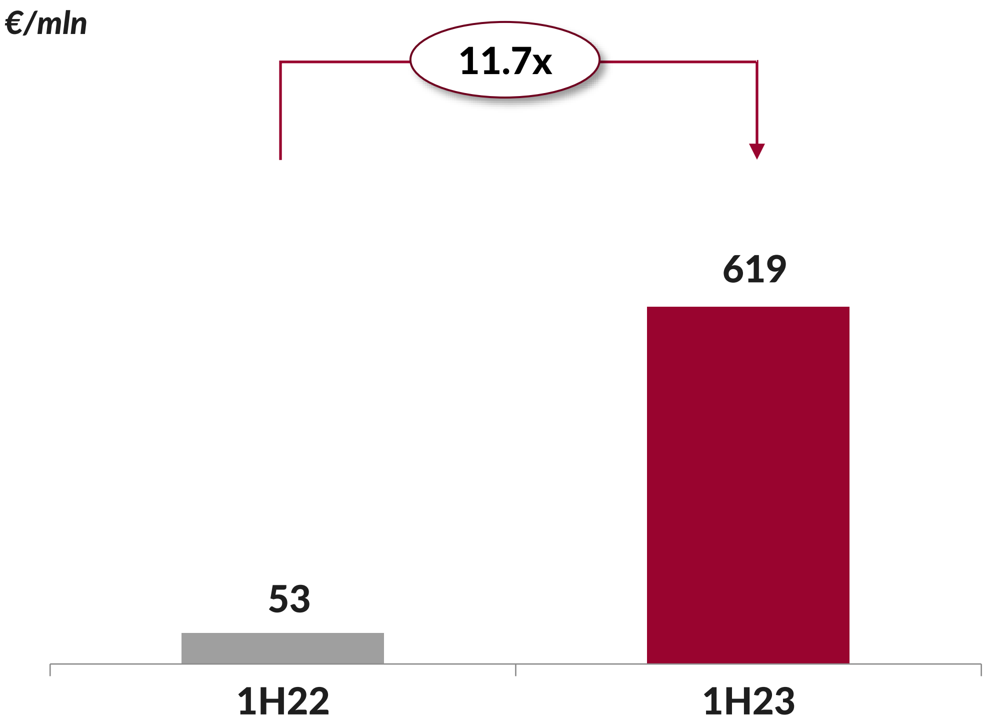
(1) Direct and indirect funding

Net profit

Quarterly evolution



Yearly evolution

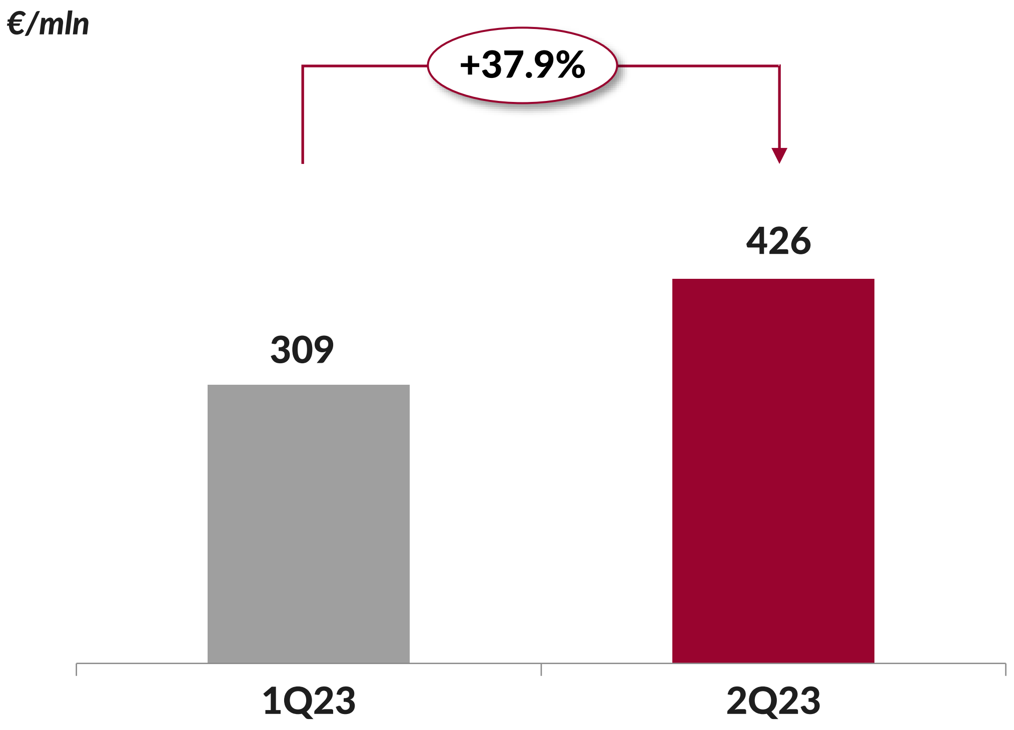


- **2Q23 net profit at EUR 383mln vs EUR 236mln in 1Q23, up 63% q/q, underpinned by an acceleration of the operating performance**
- **1H23 net profit at EUR 619mln, ~12x vs 1H22**

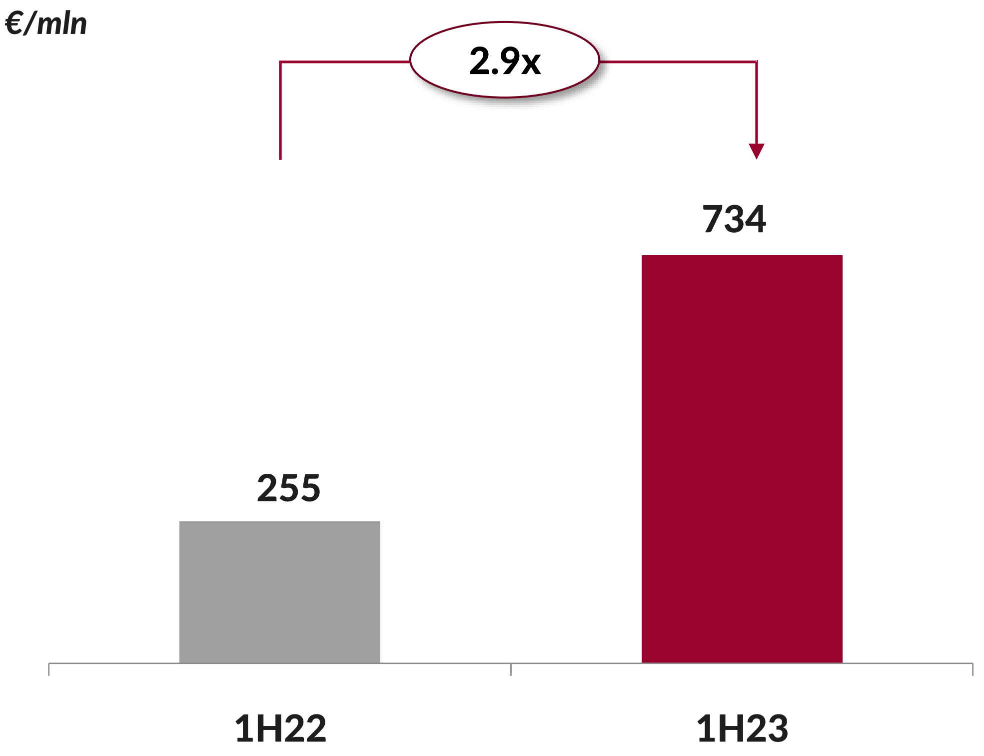
2022 figures has been restated to take into account the effects of the adoption of IFRS 17 and IFRS 9 on the insurance associates

Net operating profit

Quarterly evolution



Yearly evolution

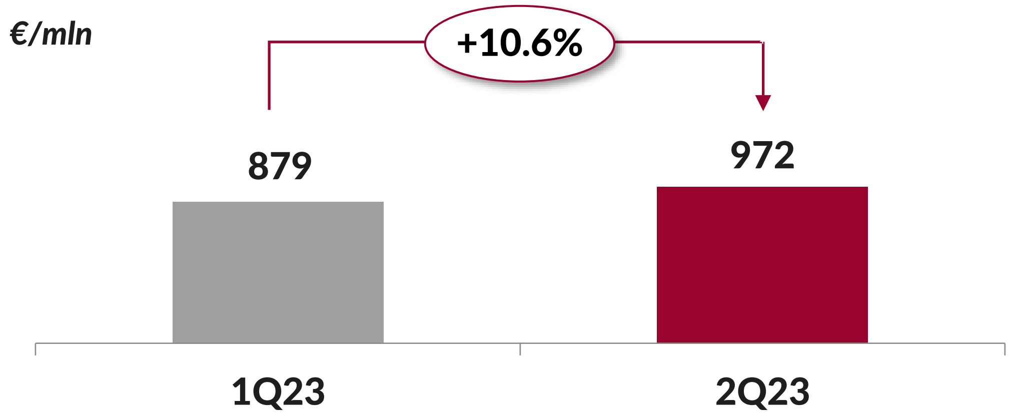


- **2Q23 net operating profit at EUR 426mln, up 37.9% q/q, thanks to higher core revenues, continuous cost discipline and stable cost of risk**
- **1H23 result incorporates more pronounced growth, 2.9x vs 1H22**

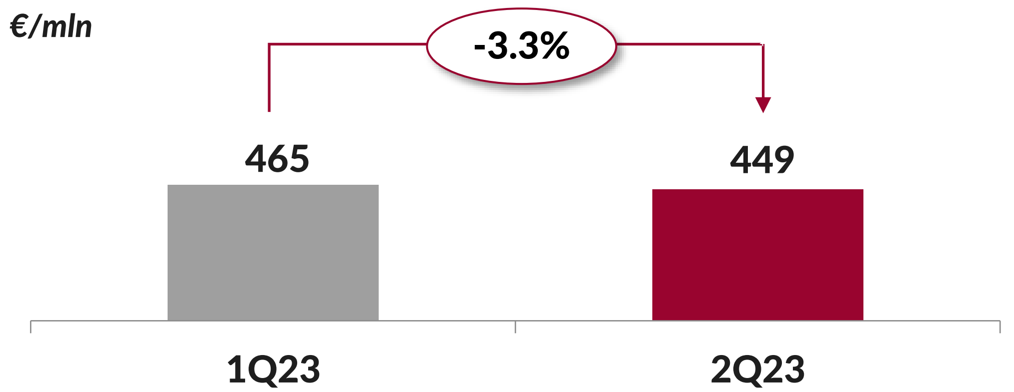
2022 figures has been restated to take into account the effects of the adoption of IFRS 17 and IFRS 9 on the insurance associates

Gross operating profit
quarterly evolution

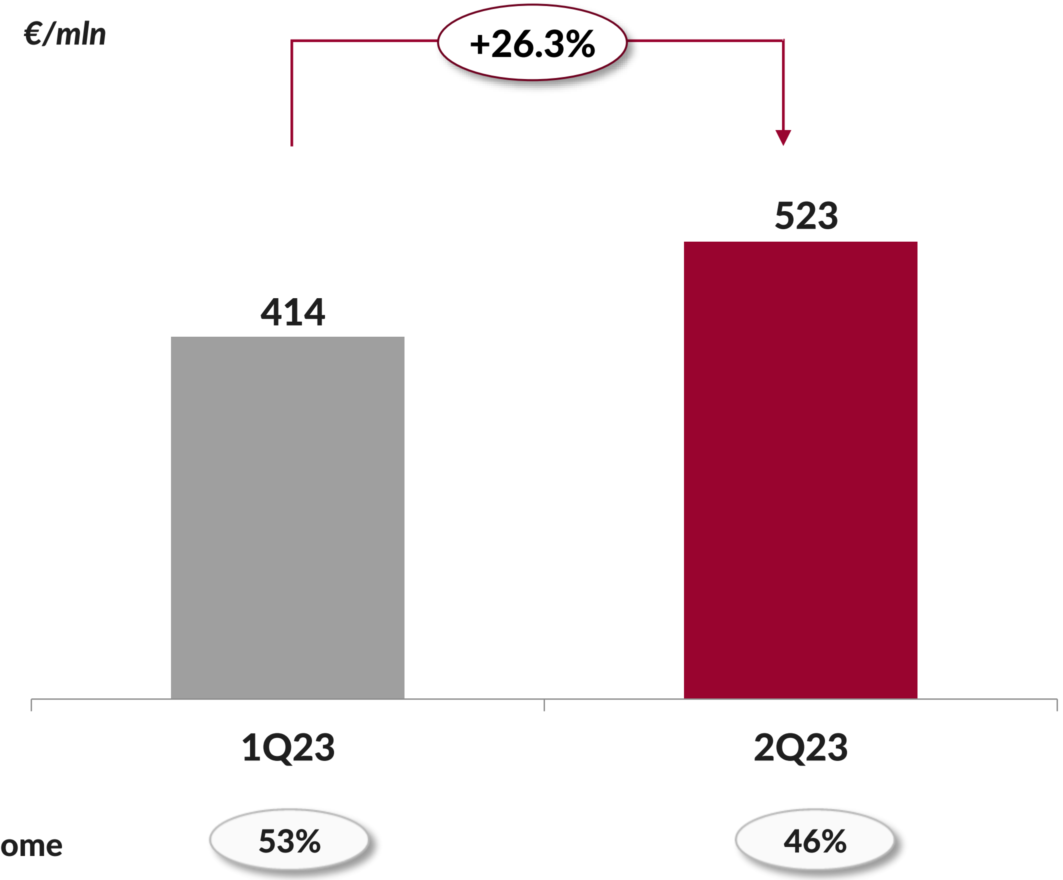
Operating income



Operating costs



Gross operating profit

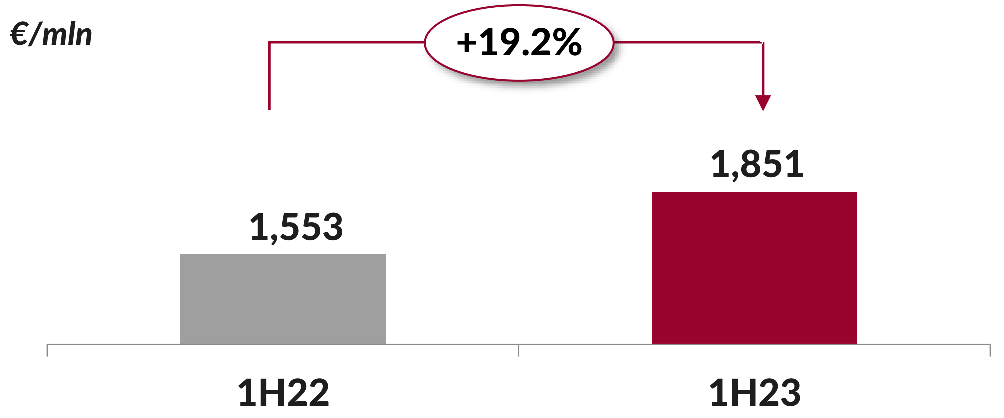


- **2Q23 gross operating profit up by 26.3% q/q, with upward trend of core revenues, driven by NII and fees, and operating costs further decreasing despite inflation**
- **Cost/income ratio further down to 46% from 53% in 1Q23**

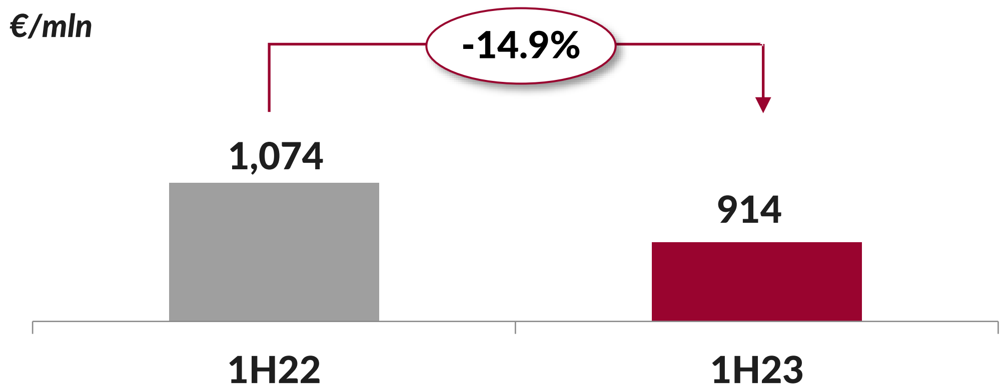
2022 figures has been restated to take into account the effects of the adoption of IFRS 17 and IFRS 9 on the insurance associates

Gross operating profit
yearly evolution

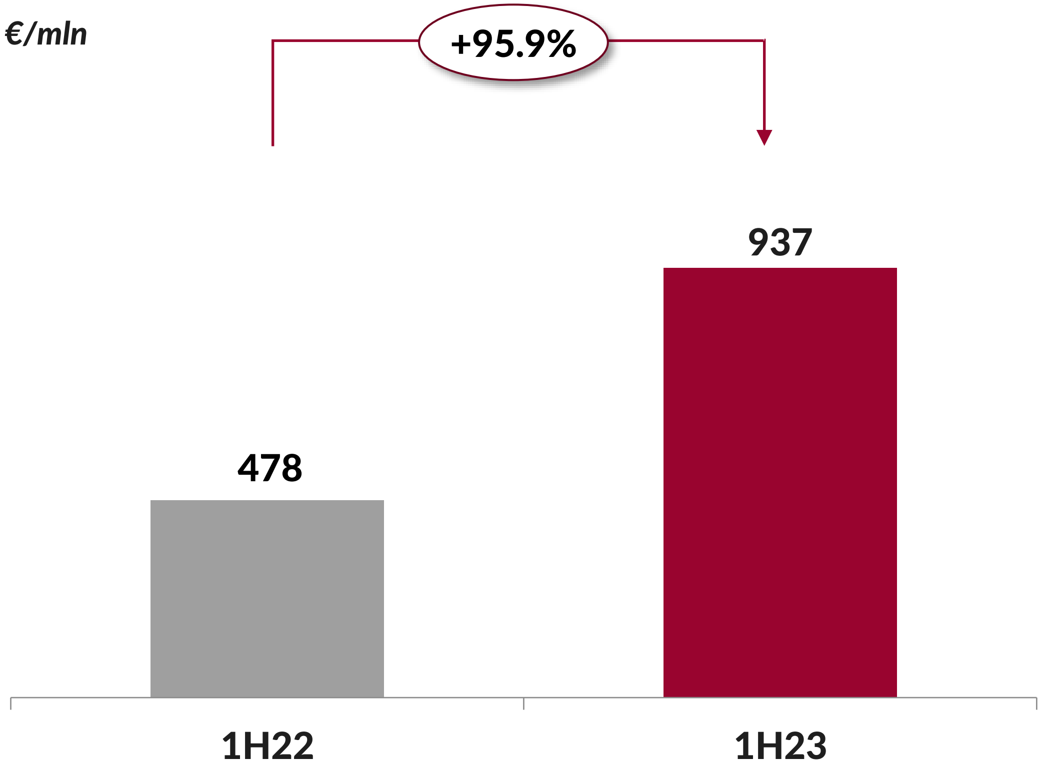
Operating income



Operating costs



Gross operating profit



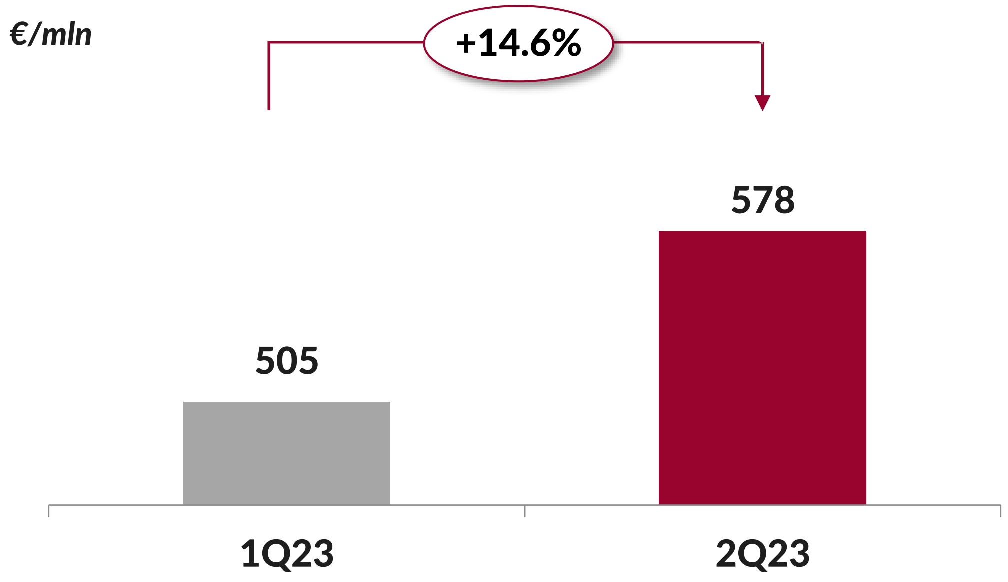
Cost/Income	69%	49%

- 1H23 gross operating profit at EUR 937mln, almost double vs 1H22, thanks to +19.2% higher operating income and -14.9% lower operating costs
- 1H23 cost/income ratio at 49% vs. 69% in 1H22, well in advance vs 2026 Business Plan target

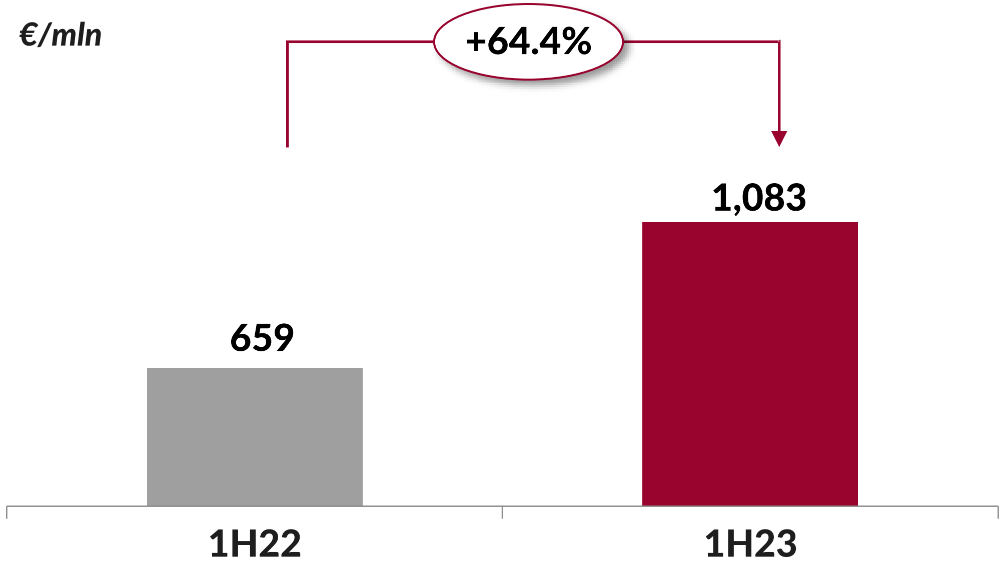
2022 figures has been restated to take into account the effects of the adoption of IFRS 17 and IFRS 9 on the insurance associates

Net interest income

Quarterly evolution



Yearly evolution

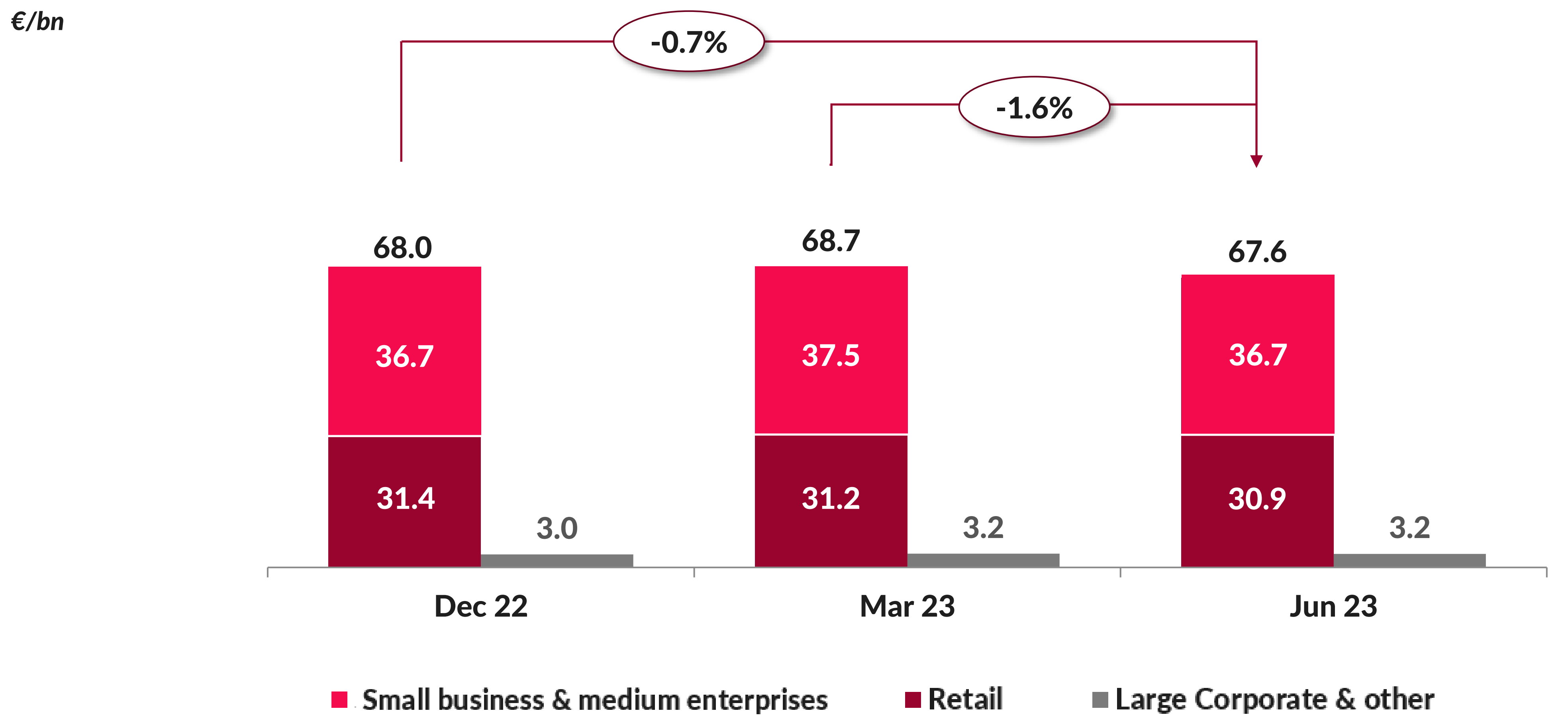


	1Q23	2Q23	1H22	1H23
Lending rate	3.62%	3.98%	1.79%	3.80%
Funding rate	0.38%	0.59%	0.11%	0.49%
Spread	3.24%	3.39%	1.67%	3.32%
	15bps		165bps	

- 2Q23 NII up +14.6% q/q, mainly thanks to improved commercial spread, with lending rate increase and controlled deposit pass-through; lower impact from ECB net position
- 1H23 NII up +64.4% y/y, with a +165bps improvement in commercial spread

Net customer loans

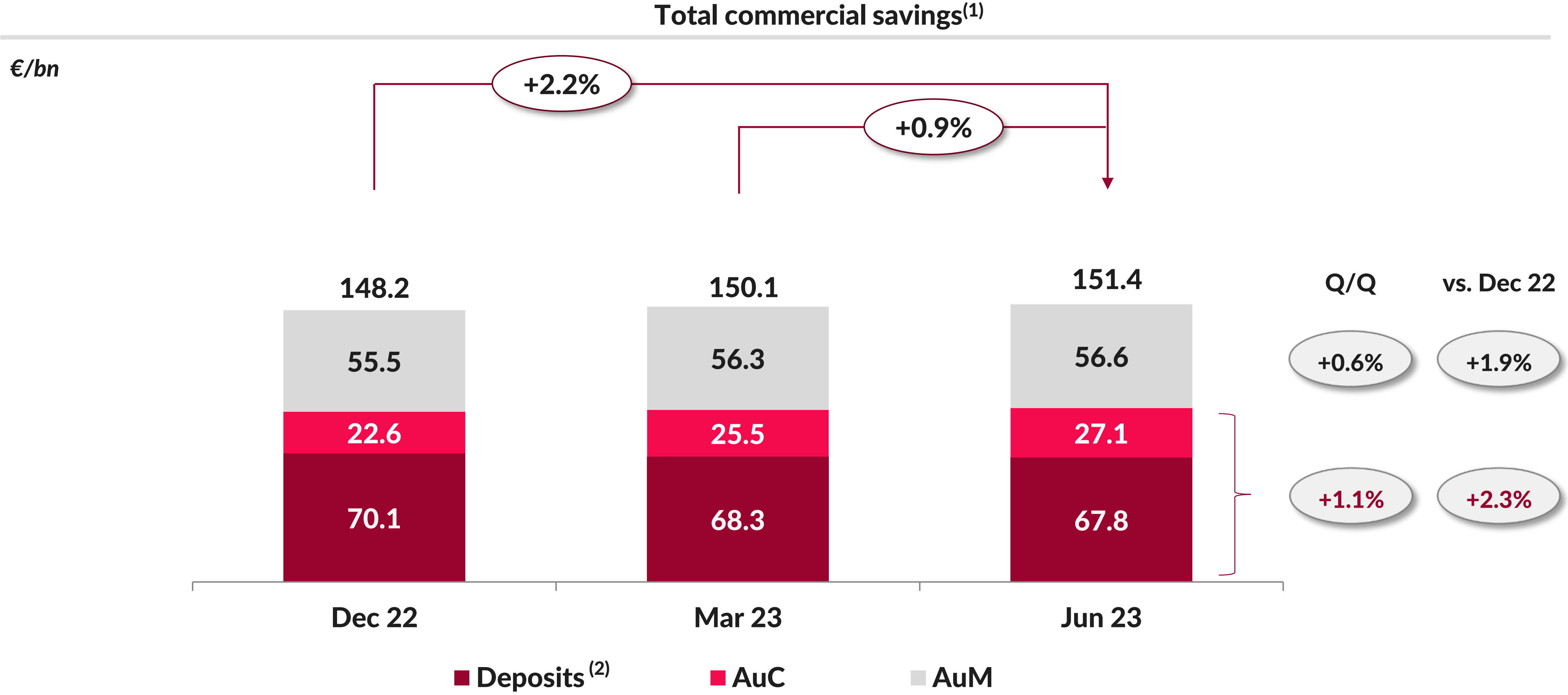
Net loans



- Performing loans almost stable since December 2022 on small business & medium enterprises, retail stock slightly affected by lower new production not fully replacing 1H maturities in the high interest rate environment

Loans presented net of repos and NPEs

Total commercial savings



- **Total commercial savings confirm positive trend, up +0.9% q/q and +2.2% in 2023, with slight remix between deposits and AuC**
- **Increasing stock both in AuM (+0.6% in the quarter and +1.9% YTD) and in Deposits/AuC (+1.1% in the quarter and +2.3% YTD)**

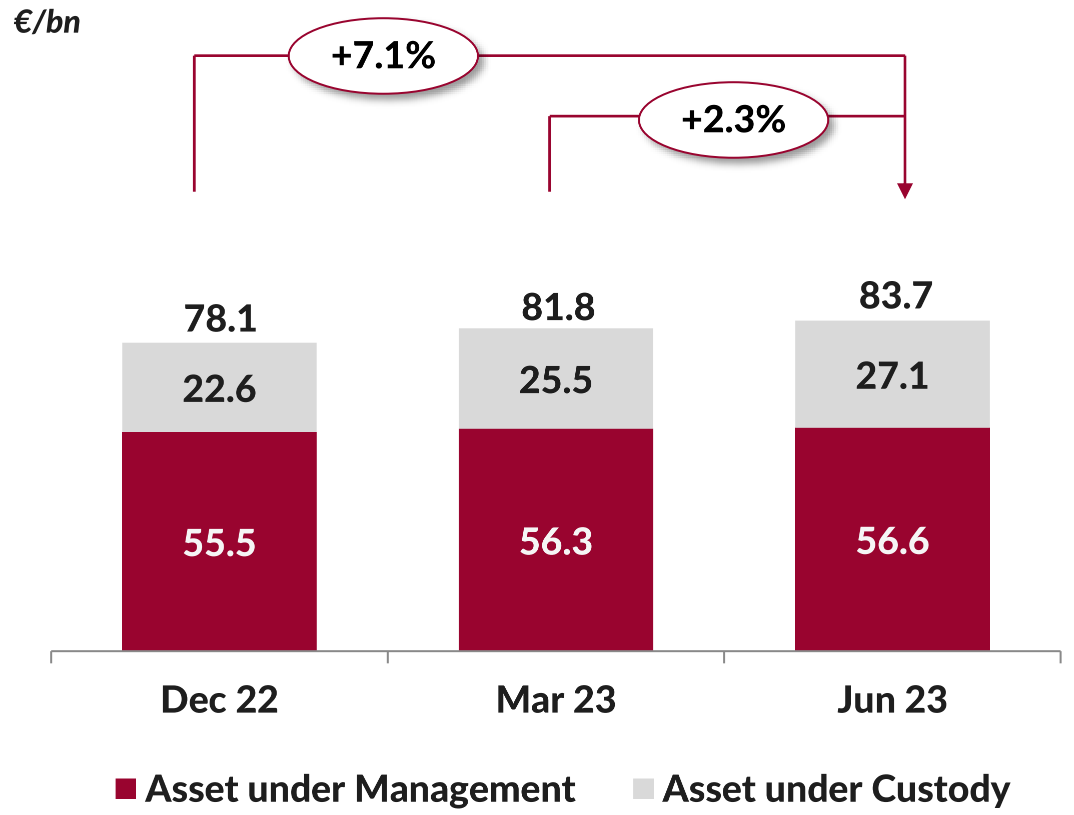
(1) Commercial savings, in indirect funding, not including certain institutional assets under custody, as per business plan targets

(2) Current accounts + Time deposits

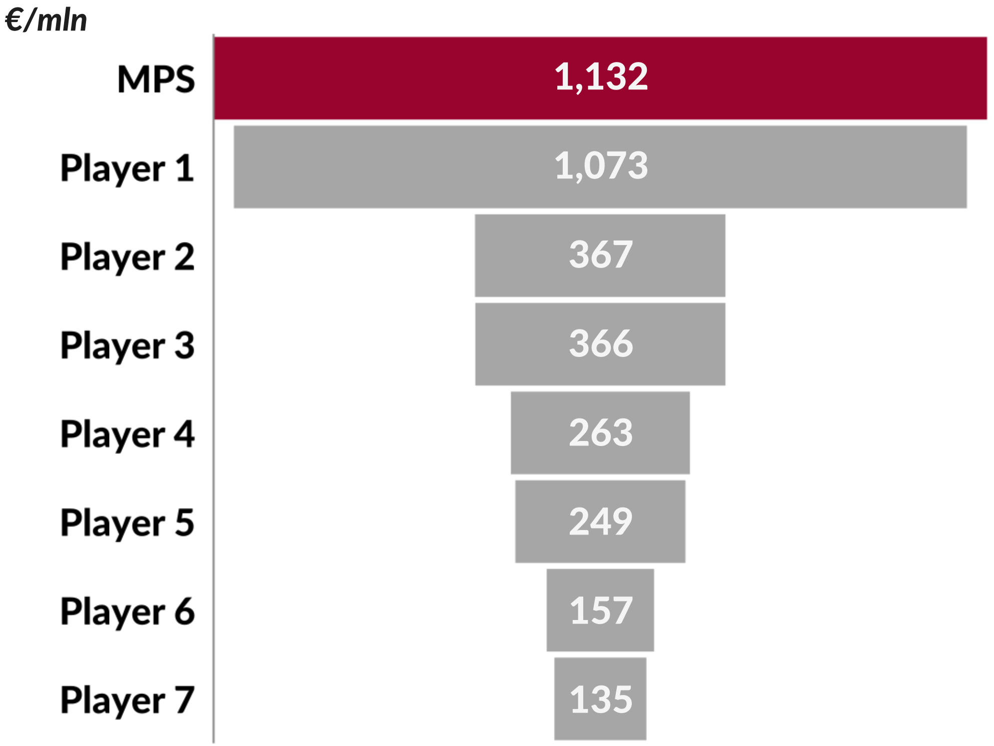
Managerial data

Indirect funding(1)

Indirect funding breakdown



June 23 YTD net inflows from portfolio management(2)



- **Indirect funding reflects positive dynamic both in AuC and in AuM**
- **In 1H2023 MPS confirms 1st rank in 2023 Assogestioni classification for net inflows from portfolio management (Gestioni Patrimoniali), confirming the good performance of the network**

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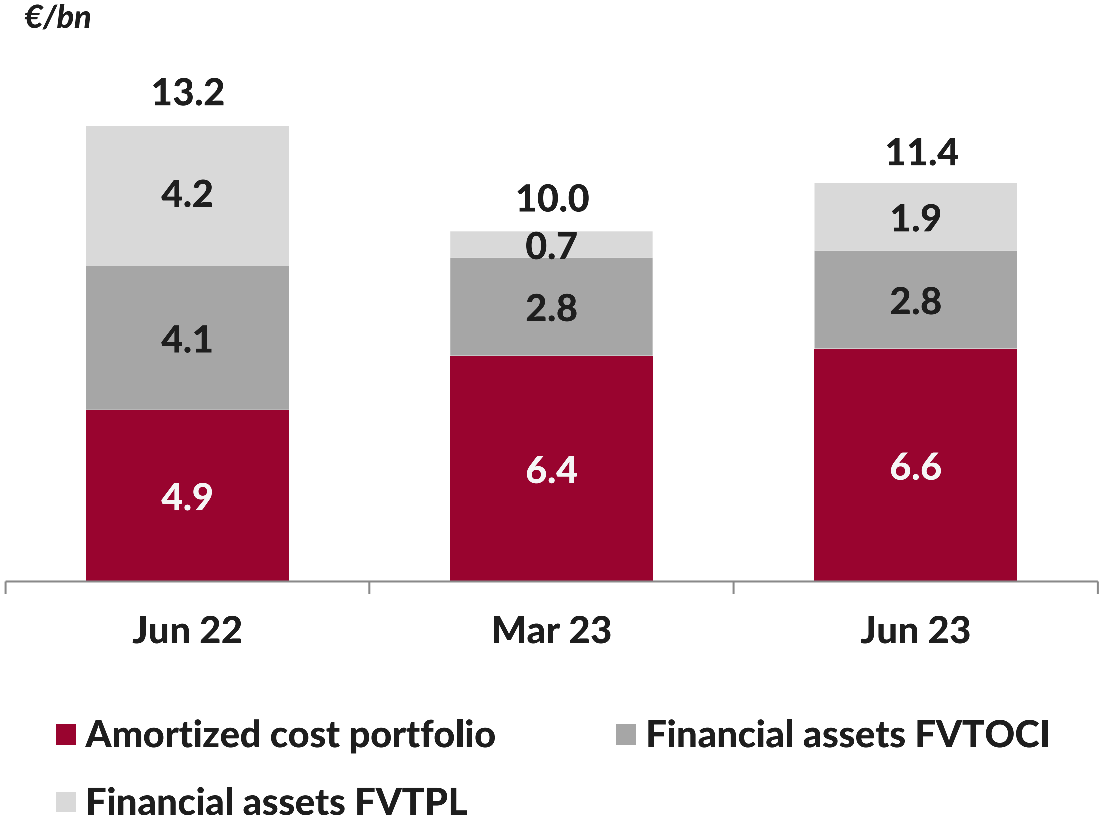
(1) Commercial Indirect Funding, not including certain institutional assets under custody, as per business plan targets

(2) Source: Assogestioni

Managerial data

Italian govies portfolio

Italian govies portfolio breakdown



Italian govies portfolio at FVTOCI

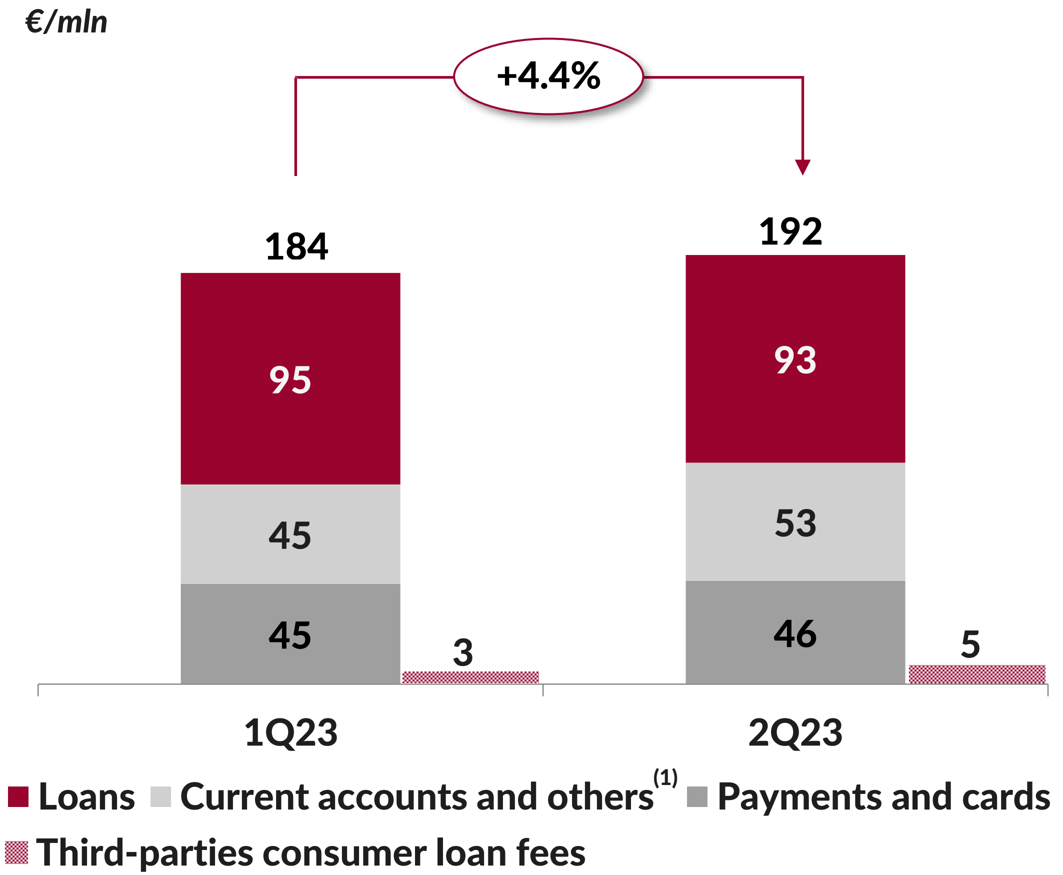
	Jun 22	Mar 23	Jun 23
FVTOCI Duration *(years)*	~1.7	~2.1	~1.9
FVTOCI Credit spread sensitivity (€/mln)	-0.9	-0.7	-0.6

- **Banking book substantially stable q/q, with reduced duration and credit spread sensitivity of FVTOCI portfolio vs March figures**
- **Q/q increase of FVTPL portfolio related to market-making activity on Italian government bonds, FVTPL portfolio at ~EUR 1bn at the beginning of July**

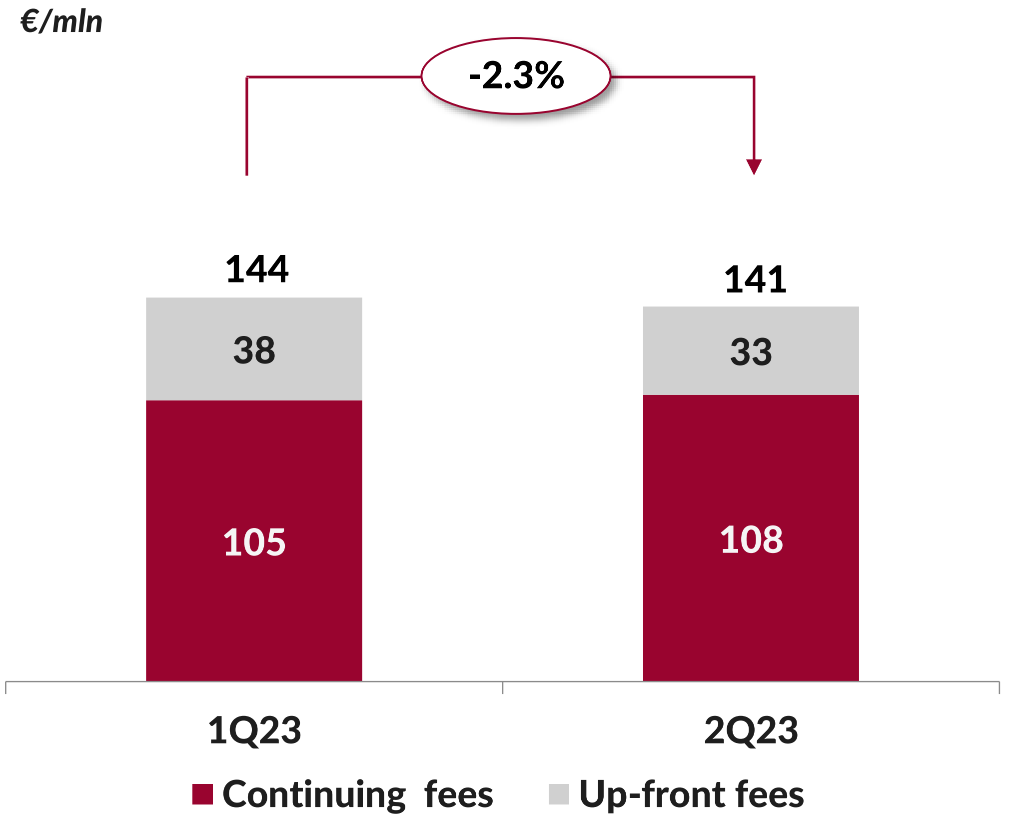
Banking book: Amortized cost portfolio + Financial assets FVTOCI
FVTOCI credit spread sensitivity: before tax, for 1bp increase in the BTP/Bund spread
Figures from operational data management system. Nominal value for Italian govies at amortized cost. Net position for Italian govies at FVTPL

Net fee and commission income
quarterly evolution

Banking fees



Wealth Management fees



- Total fees at EUR 338mln up +2.0% q/q thanks to banking fees up 4.4% q/q
- Wealth management fees sustained by continuing fees, overall resilient

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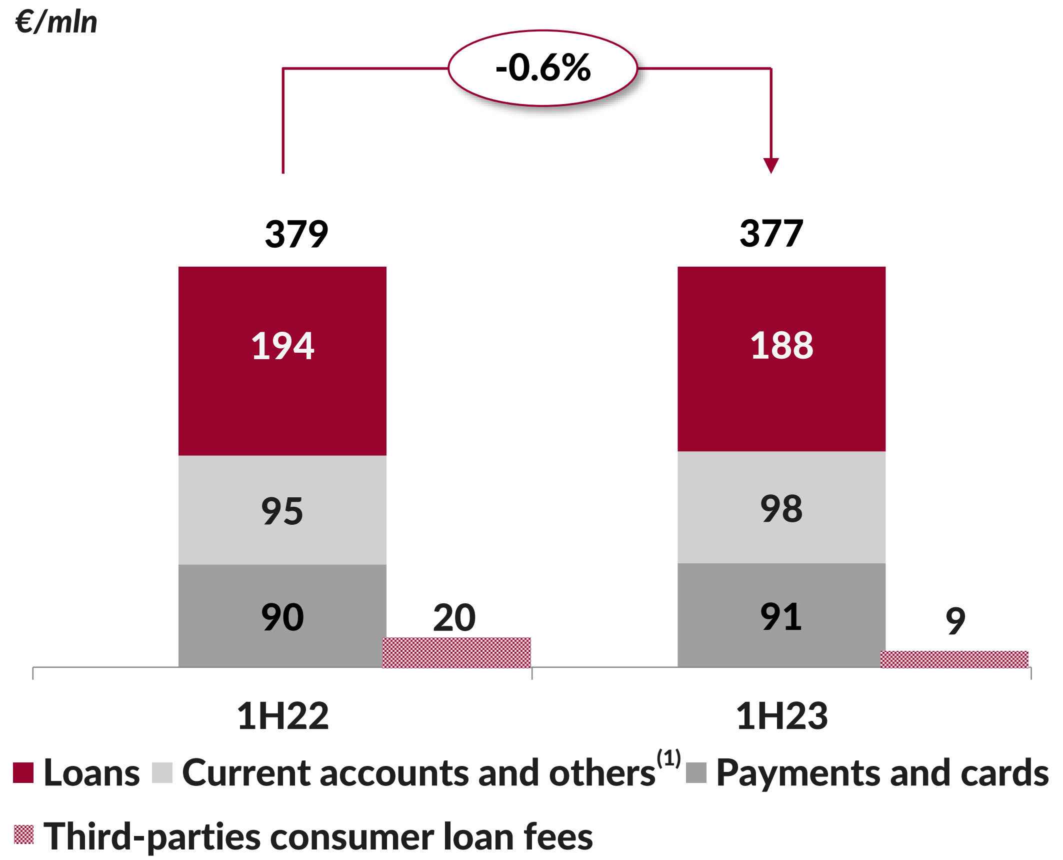
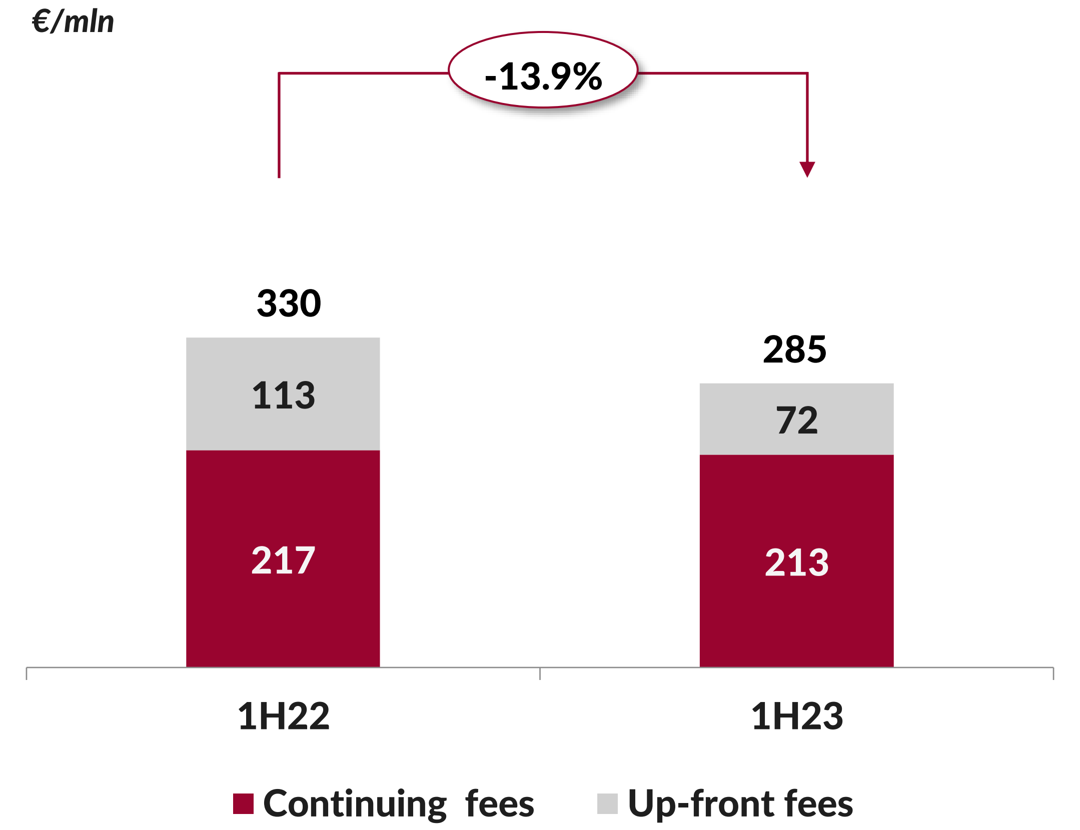
(1) Including Protection fees

Net fee and commission income
yearly evolution

Banking fees



Wealth Management fees



- 1H23 banking fees stable y/y, as well as WM continuing component, while up-front fees still affected by market volatility and customers appetite for investment in fixed income securities

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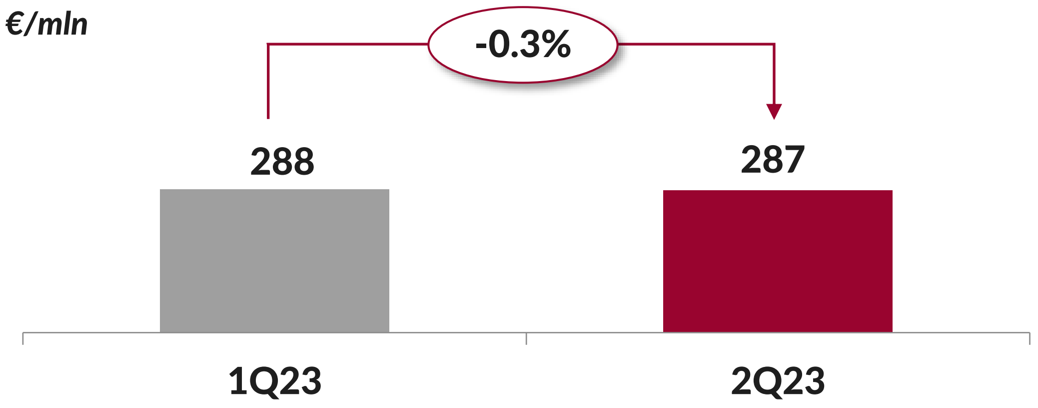
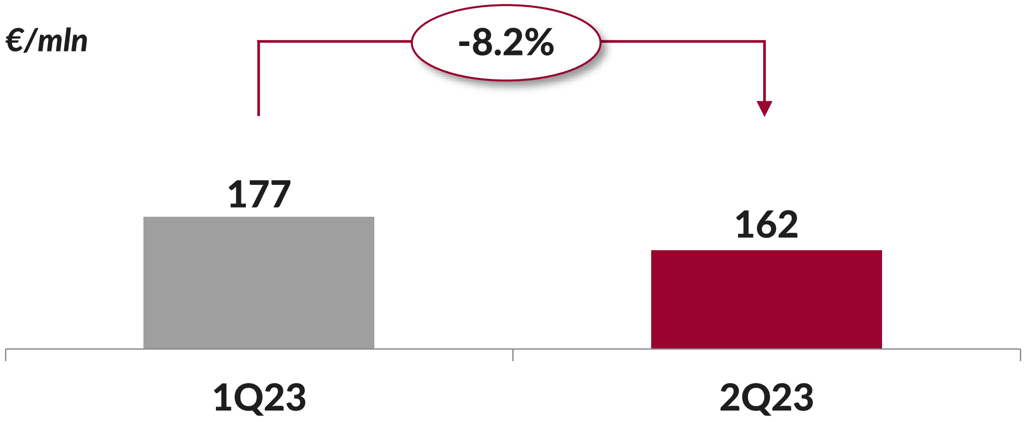
(1) Including Protection fees

Operating costs
quarterly evolution

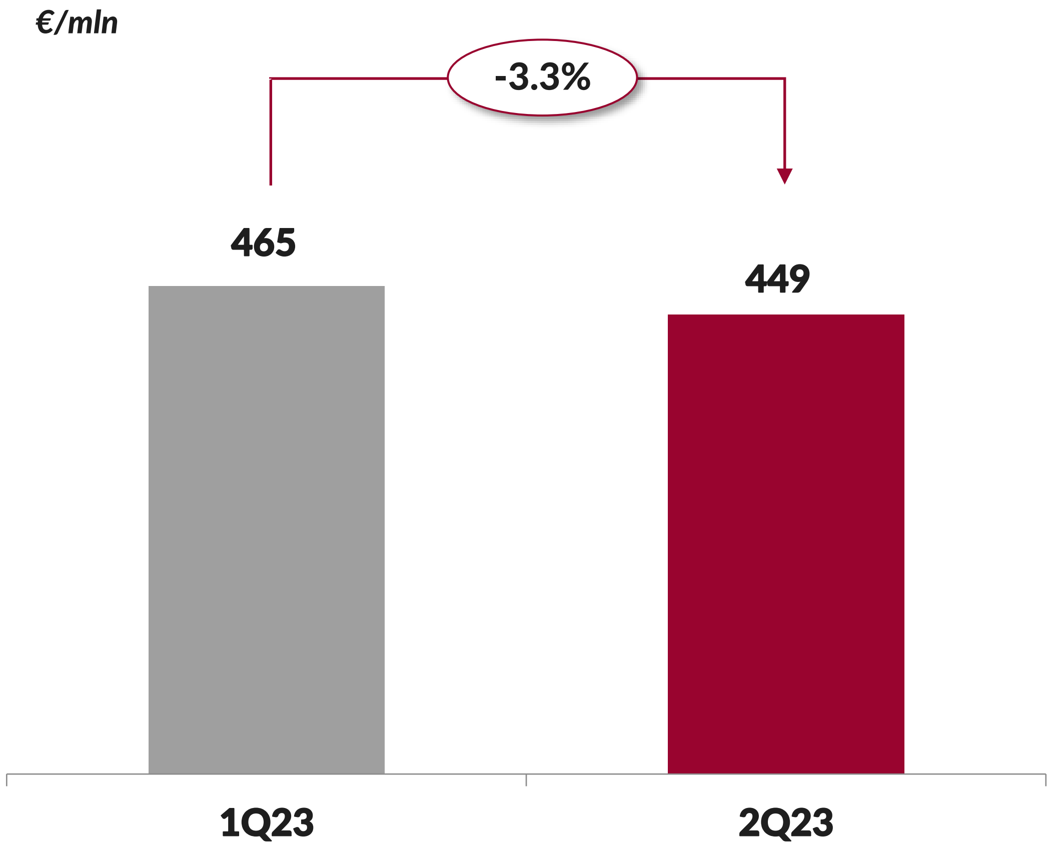
HR costs



Non-HR costs

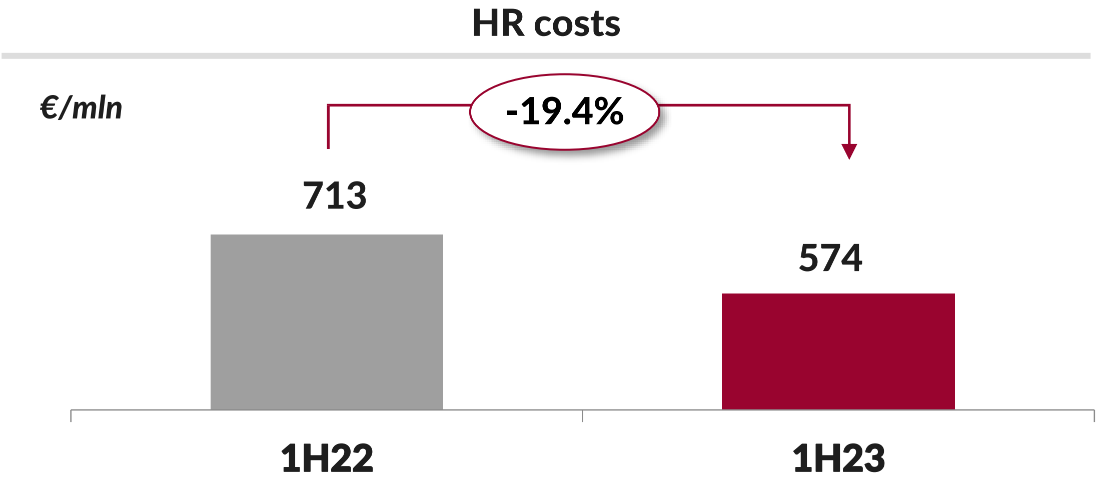


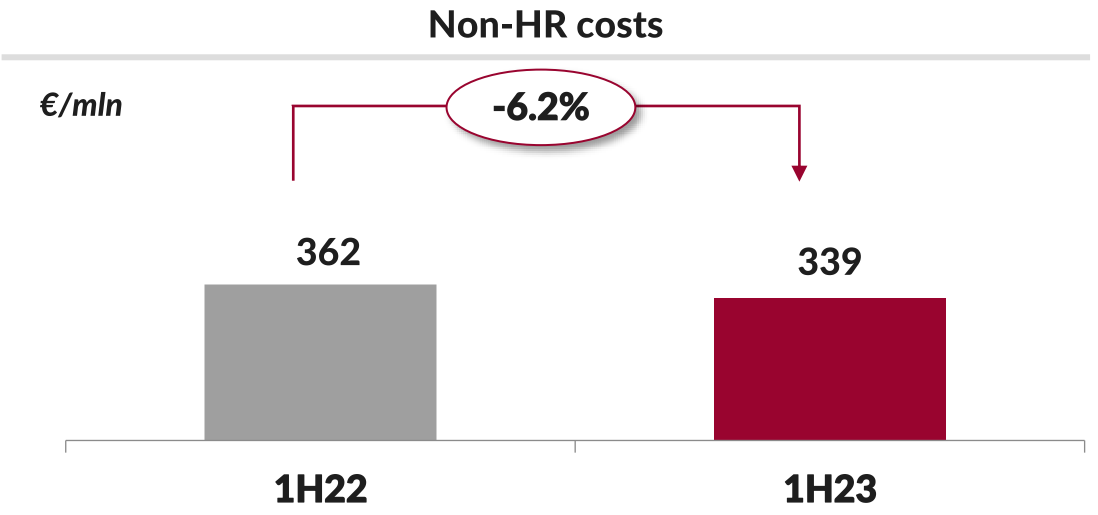
Operating costs

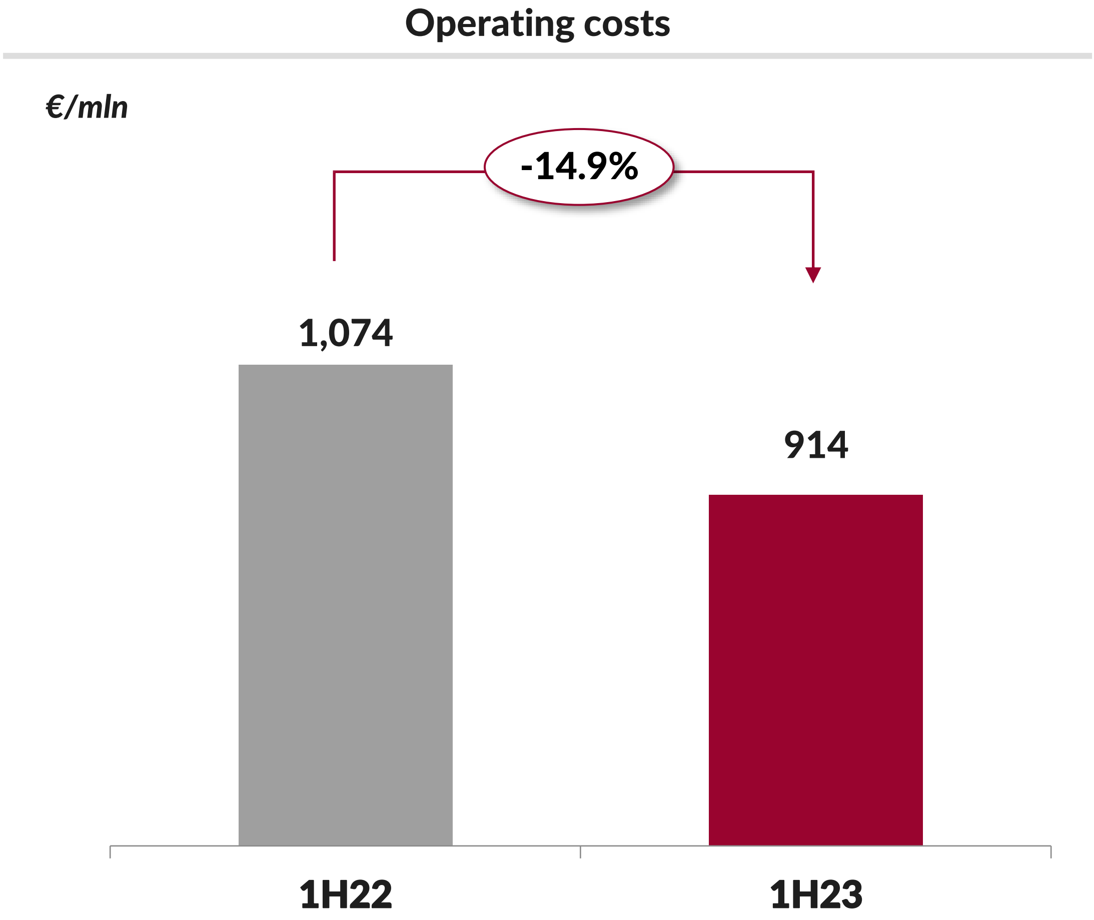


- **Structural costs decrease confirmed also in 2Q23 (-3.3% q/q) after 4k FTE reduction completed in 4Q22 and thanks to further savings in Non-HR costs (down -8.2% q/q)**

Operating costs
yearly evolution





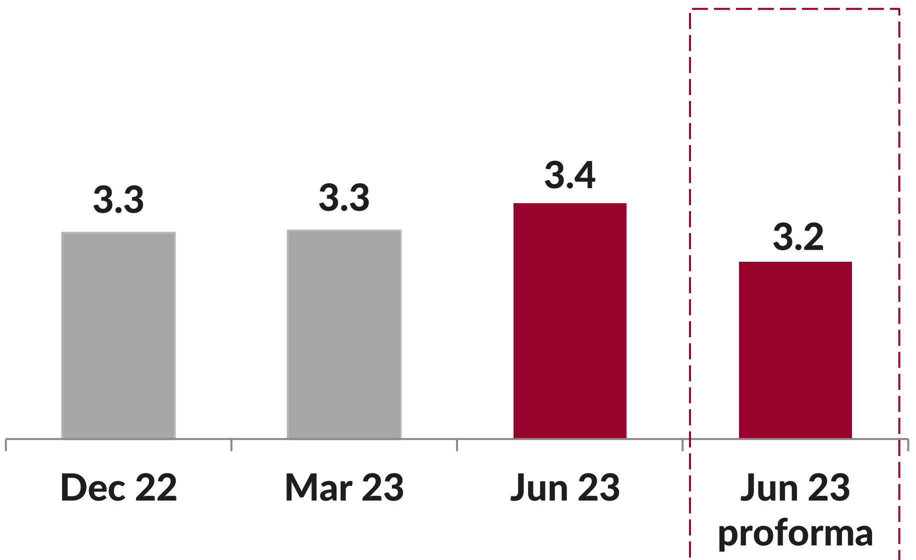


- 1H23 operating costs down by -14.9% vs. 1H22 thanks to both lower HR costs, fully benefitting from FTE reduction, and Non-HR costs decrease due to strict spending control offsetting higher inflation

Gross NPE stock

Gross NPE stock

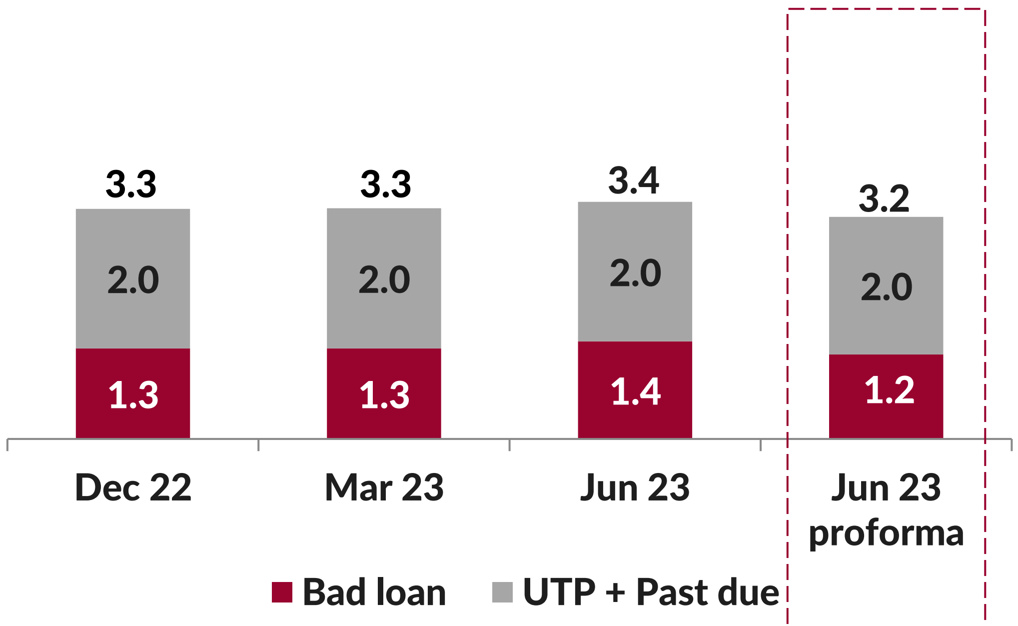
€/bn



	Dec 22	Mar 23	Jun 23	Jun 23 proforma
Gross NPE ratio[1]	4.2%	4.1%	4.3%	4.0%
Net NPE ratio	2.2%	2.1%	2.1%	2.1%

Breakdown by category

€/bn



- Gross NPE stock proforma at EUR 3.2bn, also following the EUR 0.2bn NPE portfolio disposal (down almost EUR 1bn y/y)
- Gross NPE ratio at 4% vs 4.2% in December 2022

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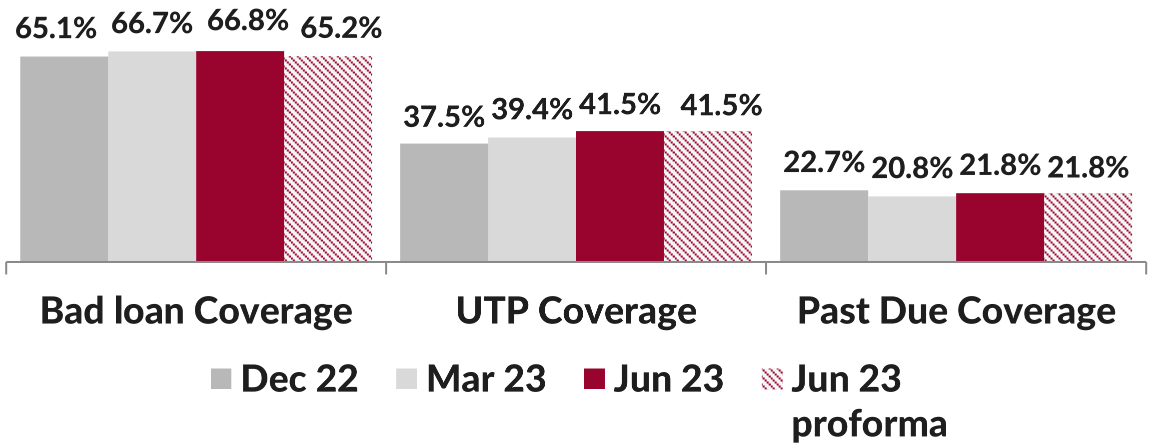
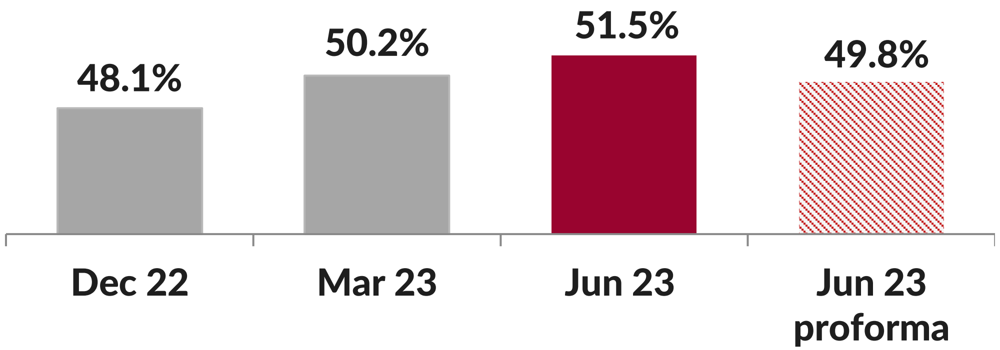
(1) NPE ratio calculated as ratio of gross non-performing exposures to customers on total gross exposures to customers (no government securities)

Coverage and cost of risk

NPE coverage breakdown



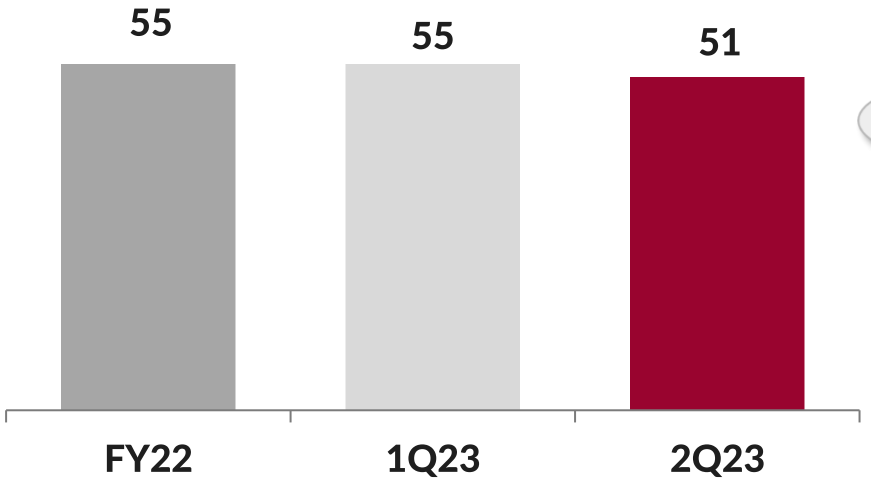
Total NPE coverage



Proforma Bad loans/ Total NPEs

38%

Cost of risk (bps)



1H23 CoR

54bps

- Stable cost of risk at 54bps in 1H23, factoring in both the NPE disposal and an increase in the management overlay
- NPE coverage proforma at 50% almost stable vs March 23, also after EUR 0.2bn NPE disposal

Extraordinary litigations and extrajudicial claims

€/bn

Gross petitum

Litigations excluding civil parties

	Dec 22 Proforma (1)	Mar 23	Jun 23 (2)
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

	Dec 22 Proforma (1)	Mar 23	Jun 23 (2)
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

	Dec 22 Proforma (1)	Mar 23	Jun 23
Total	**2.2**	**2.2**	**2.2**

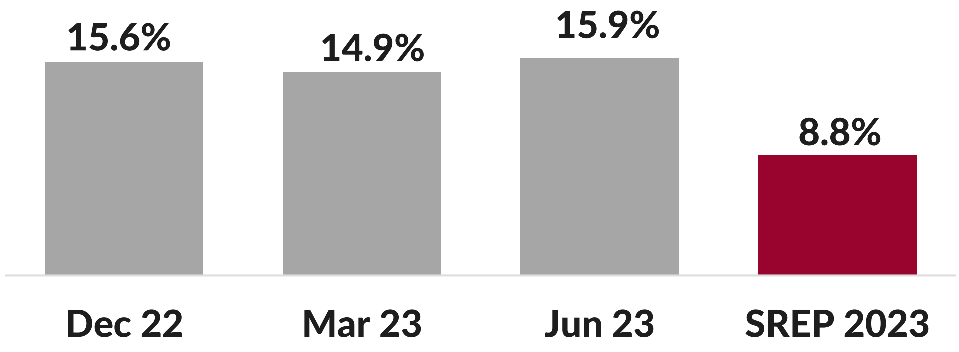
- **Positive development of judgements on related proceedings (six from beginning of the year, last one in July) – including those concerning NPE - building up**
- **New positive comprehensive assessment by third-party experts appointed by the Bank on the merit of the proceeding related to NPE**
- **Important judgements expected by year-end: Supreme Court ruling for criminal court case 2008-11 trial; Court of Appeal ruling for criminal court case 2014-15 trial and new hearing on NPE trial**

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

(2) Figures relating does not include the civil parties that are filing with the NPE criminal proceeding, considering that the relevant documents are not yet in the availability of the Bank which is not part of the criminal proceeding yet

Capital

CET1 ratio fully loaded

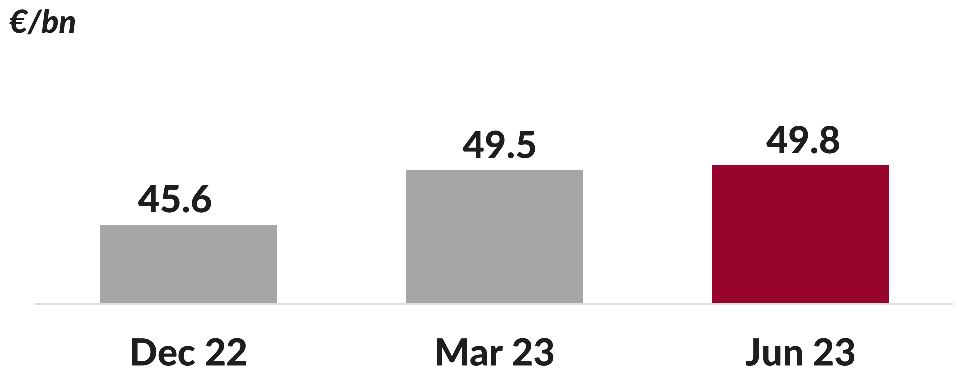


Fully loaded capital ratios

	Dec 22	Mar 23	Jun 23	SREP
CET1 ratio (%)	15.6%	14.9%	15.9%	8.81%
Tier 1 ratio (%)	15.6%	14.9%	15.9%	10.83%
Total capital ratio (%)	19.5%	18.5%	19.4%	13.51%

CET1 ratio fully loaded: quarterly dynamic

RWA fully loaded



- CET1 ratio at 15.9%, confirming the Bank's capability to organically generate capital
- Buffer on Tier 1 ratio requirement increased to more than 500bps

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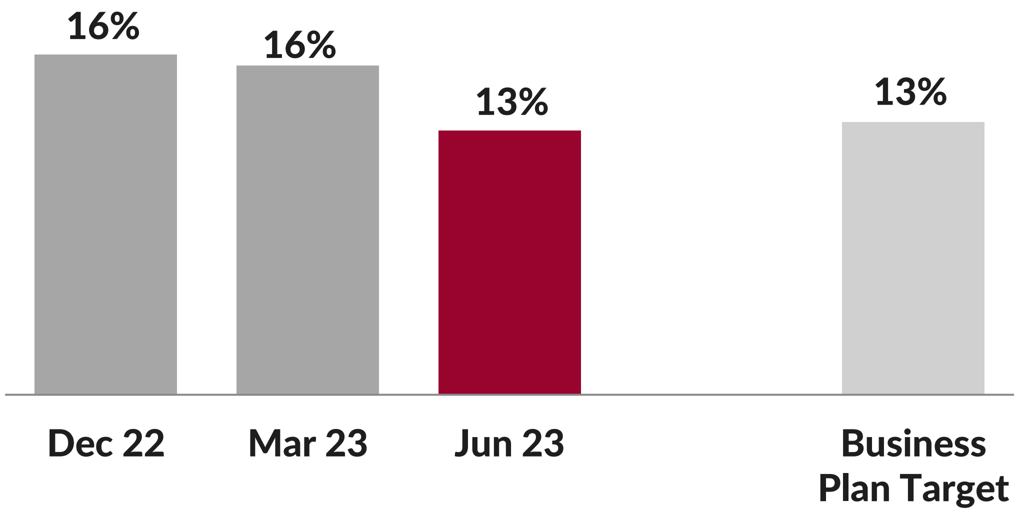
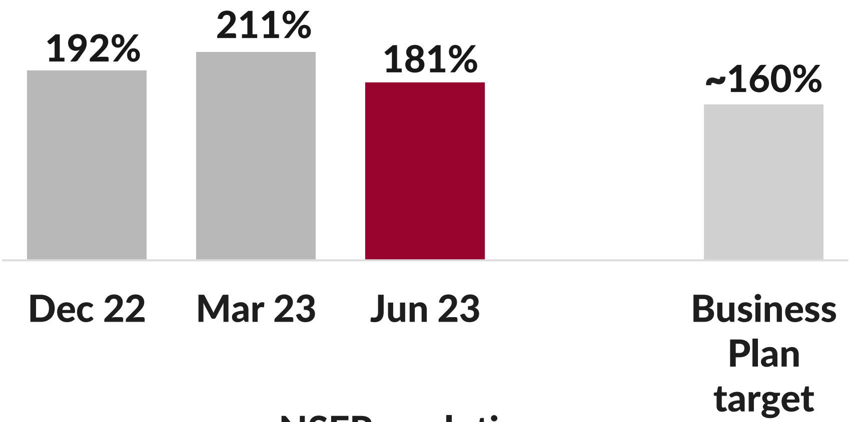
Mar-23 ratios are proforma including 1Q23 net profit
Jun-23 ratios include 1H23 net profit, subject to ECB authorisation

Funding & Liquidity

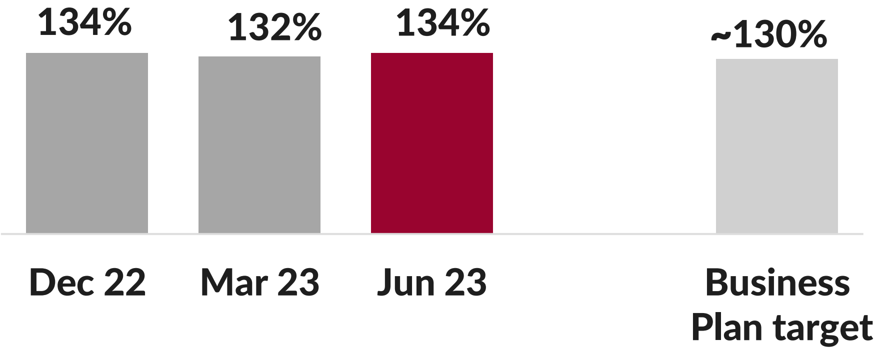
Reduced reliance on ECB funding (ECB funding/Total assets)



LCR evolution



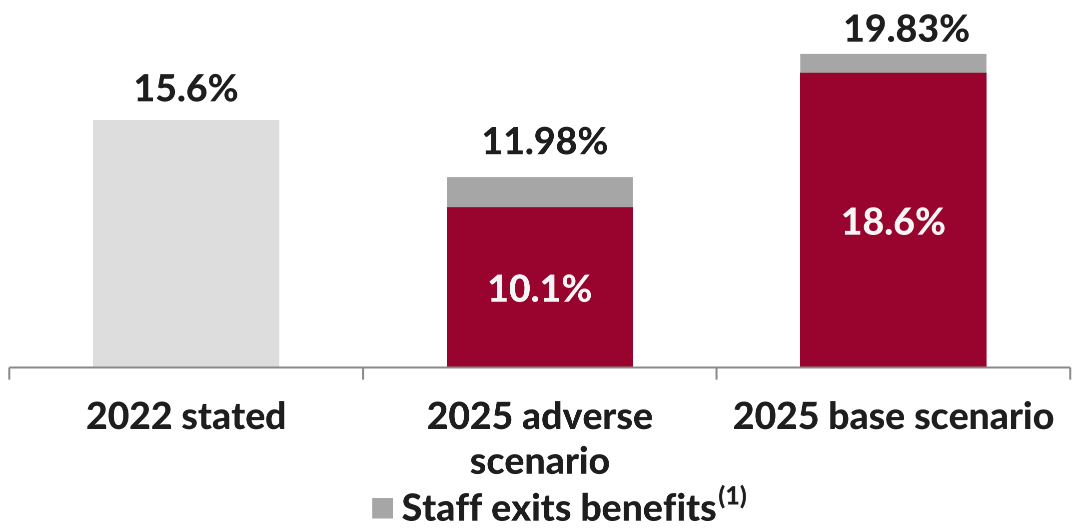
NSFR evolution



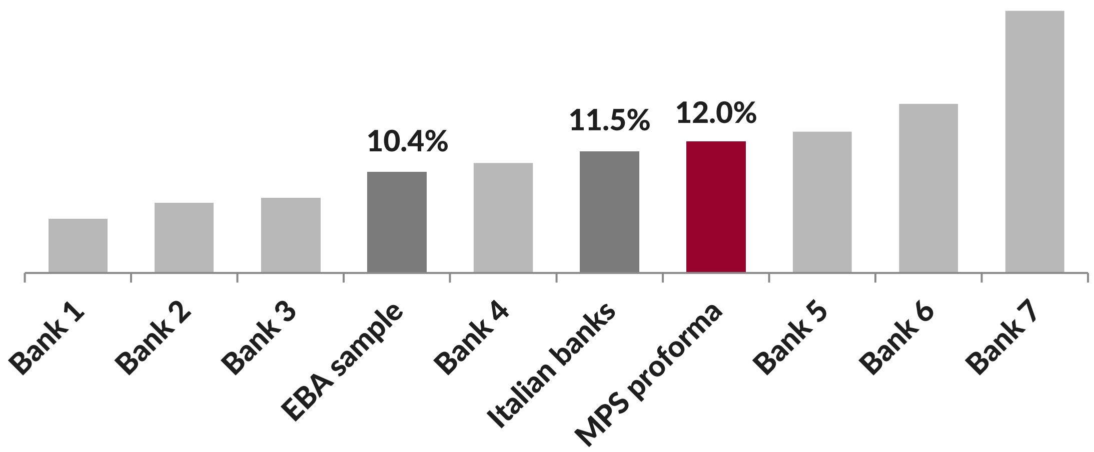
- Sound liquidity position, with unencumbered Counterbalancing capacity above EUR 26bn and LCR >180% after the reimbursement of EUR 11bn of TLTRO in June; LCR target confirmed at 160% also after completion of TLTRO reimbursement
- Progressive reduction in reliance on ECB funding, in line with Business Plan target

2023 EBA EU-Wide Stress Test results

CET1 ratio fully loaded in the Stress Test



2025 CET1 ratio in the adverse scenario: MPS ranking [2]



- **Best ever results in Stress Tests:**
  - **Adverse scenario: 11.98% considering the cost savings stemming from over 4,000 staff exits concluded on 1st Dec 22**
  - **Base scenario: 2025 FL CET1 ratio 19.83% (+419bps vs FY22) considering the benefits of the HR cost savings**
- **Positive net results in years 2024 and 2025 even in the adverse scenario, considering the HR cost savings**
- **Buffer >300bps vs CET1 SREP requirement, best among Italian commercial banks**

- **The MPS ratio of 11.98% in the adverse scenario is above the European and Italian average and above the current regulatory requirements**

(1) As reported in the EBA note, the results under the stress test methodology do not consider the benefits – in terms of higher profits and additional capital – generated by the HR cost savings of EUR 857mln over the 3-year horizon, related to >4,000 staff exits concluded on 1st December 2022

(2) Italian banks that partecipated in the Stress Test: ISP, UCI, BBPM, ICCREA, BPER, CCB, Mediobanca

2023 outlook

	2023 outlook
NII	>2.1 bn
Fees	>1.3 bn
Costs	<1.85 bn
Cost of Risk	~55 bps
Pre-tax profit	>1 bn
CET1 ratio FL	~16.5 %

Conclusions

- 1H23 net profit at EUR 619mln, with 2023 guidance above EUR 1bn anticipating the Business Plan targets
- Accelerating on operating performance, with gross operating profit at EUR 937mln for 1H23, supporting net profit generation thanks to both revenues and costs, with improving jaws, leveraging on its valuable customer franchise
- Cost of risk under control (54bps) with sound asset quality and confirmed guidance
- Strong capital generation, leading to 15.9% CET1 ratio fully loaded, positioning MPS within top rank in the Italian banking sector and with further upside (year-end guidance at 16.5%)
- Business model resilience confirmed by the Stress Test results

Annexes

Net Zero Targets: another important milestone to support the transition of the real economy to net-zero emissions

BMPS joined the Net Zero Banking Alliance in **January 2022 with the aim of achieving Net Zero on own emissions and from own financing portfolio by 2050**

- Metrics and Targets for 2030 aligned with the pathways to Net zero and **the temperature goals of the Paris Agreement**
- **First** Net Zero targets on loan portfolio **set on most material** high-emitting sectors [(1)] and covering a large part of the high-emitting portfolio

Sector and Scope	Metric	Baseline 2022[(2)]	Delta % vs 2030 Targets	2030 Targets
Power Generation *Scope 1, 2*	Financed Emissions	**196** *(Mgl tCO2)*	-77%	**45** *(Mgl tCO2)*
Oil & Gas *Scope 1, 2, 3*	Financed Emissions	**656** *(Mgl tCO2)*	-40%	**391** *(Mgl tCO2)*
Iron & Steel *Scope 1, 2*	Financed Emissions	**1067** *(Mgl tCO2)*	-29%	**762** *(Mgl tCO2)*

- High level of ambition: these targets cover more than 60% of financed emissions and 30% of exposures of non-financial companies, with an average reduction of approximately 40% from 2022 baseline
- During the period 2023-2030 the clients' transition to a decarbonized economy aligned with global Net Zero achievement will be supported by the provision of "green finance" and by targeted partnerships

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(1) Sectors in line with Net-Zero Banking Alliance: target NZBA based on NGSF 2050 scenarios

(2) Where methodological or data improvements occur, the baseline (and all subsequent reported data) could be updated for reasons of accuracy following usual accounting and reporting processes

Reclassified Income Statement

€ mln	2Q23	1Q23	1H23	1H22*	2Q23/ 1Q23 (%)	1H23/ 1H22 (%)
Net Interest Income	578	505	1,083	659	+14.6%	+64.4%
Net fees and commission income	338	332	670	729	+2.0%	-8.1%
Profit (loss) of equity-accounted investments (AXA)	24	18	42	37	+34.5%	+12.2%
Core Revenues	**941**	**854**	**1,795**	**1,425**	**+10.1%**	**+26.0%**
Financial revenues	32	27	58	104	+19.8%	-44.0%
Other operating net income	0	-2	-2	24	-88.2%	n.m.
Operating Income	**972**	**879**	**1,851**	**1,553**	**+10.6%**	**+19.2%**
Personnel expenses	-287	-288	-574	-713	-0.3%	-19.4%
Other administrative expenses	-119	-133	-253	-268	-10.5%	-5.6%
Depreciations/amortisations and net impairment losses on PPE	-43	-44	-87	-94	-1.1%	-7.9%
Operating Costs	**-449**	**-465**	**-914**	**-1,074**	**-3.3%**	**-14.9%**
Gross operating profit	**523**	**414**	**937**	**478**	**+26.3%**	**+95.9%**
Net impairment losses for credit risk	-98	-107	-205	-225	-8.9%	-8.9%
Net impairment losses for other financial assets	0	2	2	2	-93.3%	-5.9%
Net operating profit	**426**	**309**	**734**	**255**	**+37.9%**	**n.m.**
Net gains/losses on equity investments, PPE and intangible assets at FV, and disposal of investments	-28	-2	-30	-9	n.m.	n.m.
Systemic funds contribution	0	-58	-59	-89	-99.7%	-33.9%
DTA Fee	-16	-16	-31	-31	+0.0%	+0.1%
Net accruals to provisions for risks and charges	4	-6	-2	-79	n.m.	-97.0%
Restructuring costs / one-off costs	10	-6	4	-3	n.m.	n.m.
Pre-tax profit (loss)	**395**	**220**	**615**	**44**	**+79.3%**	**n.m.**
Income taxes	-12	15	4	9	n.m.	-59.6%
Profit (loss) for the period	**383**	**236**	**619**	**53**	**+62.6%**	**n.m.**

* The P&L figures as at 30 June 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 and (iii) the retrospective adoption of IFRS 17 "Insurance contracts" and IFRS 9 "Financial Instruments" by the insurance associates.

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

Balance Sheet

Total Assets (€/mln)

	Jun-22 *	Dec-22 *	Mar-23	Jun-23	QoQ%	YoY%
Loans to Central banks	17,627	628	656	544	-17.1%	-96.9%
Loans to banks	1,432	1,950	2,126	2,238	5.3%	56.3%
Loans to customers	78,622	76,265	77,756	76,056	-2.2%	-3.3%
Securities assets	22,313	18,394	18,652	19,590	5.0%	-12.2%
Tangible and intangible assets	2,666	2,604	2,567	2,496	-2.8%	-6.4%
Other assets	8,656	20,394	22,529	19,878	-11.8%	n.m.
Total Assets	**131,315**	**120,235**	**124,286**	**120,801**	**-2.8%**	**-8.0%**

* The balance sheet figures for the quarters of 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

Total Liabilities (€/mln)

	Jun-22 *	Dec-22 *	Mar-23	Jun-23	QoQ%	YoY%
Deposits from customers	74,941	73,357	74,708	74,727	0.0%	-0.3%
Securities issued	9,364	8,641	9,359	9,416	0.6%	0.5%
Deposits from central banks	28,948	19,177	19,317	15,283	-20.9%	-47.2%
Deposits from banks	1,695	2,206	1,885	1,898	0.7%	12.0%
Other liabilities	10,593	8,994	10,887	10,977	0.8%	3.6%
Group net equity	5,774	7,860	8,129	8,500	4.6%	47.2%
Non-controlling interests	1	1	1	1	-11.1%	-42.9%
Total Liabilities	**131,315**	**120,235**	**124,286**	**120,801**	**-2.8%**	**-8.0%**

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)*

	Jun-22	Dec-22	Mar-23	Jun-23	QoQ%	YoY%
Current accounts	3,097	2,883	3,359	3,073	-8.5%	-0.8%
Medium-long term loans	55,808	54,540	54,266	53,328	-1.7%	-4.4%
Other forms of lending	14,267	13,648	14,247	14,343	0.7%	0.5%
Reverse repurchase agreements	3,484	3,483	4,236	3,657	-13.7%	5.0%
Impaired loans	1,966	1,711	1,648	1,656	0.5%	-15.8%
Total	**78,622**	**76,265**	**77,756**	**76,056**	**-2.2%**	**-3.3%**

Direct Funding *(€/mln)*

	Jun-22	Dec-22	Mar-23	Jun-23	QoQ%	YoY%
Current accounts	65,852	65,783	63,532	63,006	-0.8%	-4.3%
Time deposits	5,675	4,331	4,762	4,762	0.0%	-16.1%
Repos	900	559	3,826	4,394	14.8%	n.m.
Bonds	9,364	8,641	9,359	9,416	0.6%	0.5%
Other forms of direct funding	2,514	2,683	2,588	2,565	-0.9%	2.0%
Total	**84,305**	**81,998**	**84,067**	**84,142**	**0.1%**	**-0.2%**