



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

A Clear and Simple Commercial Bank 1H 22 Financial Results

Siena, 5th August 2022

Disclaimer

IMPORTANT: You must read the following before continuing. The following applies to this document, the oral presentation of the information in this document by Banca Monte dei Paschi di Siena S.p.A. (the “Company”) or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the “Information”). In accessing the Information, you agree to be bound by the following terms and conditions.

The Information may not be reproduced, redistributed, published or passed on to any other person, directly or indirectly, in whole or in part, for any purpose. This document may not be removed from the premises. If this document has been received in error it must be returned immediately to the Company.

The Information is not intended for potential investors and does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase securities of the Company, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.

Neither this document, nor any copy of it may be taken, transmitted or distributed, directly or indirectly, into the United States, United Kingdom, Australia, Canada, Japan, or to any persons in any of those jurisdictions or any other jurisdictions where to do so would constitute a violation of the laws of such jurisdiction. The securities referred to herein have not been and will not be qualified under the applicable securities laws of the United States, United Kingdom, Australia, Canada, Japan and, subject to certain exceptions, may not be offered or sold within the United States, United Kingdom, Australia, Canada, Japan or to any resident or citizen of the United States, United Kingdom, Australia, Canada, Japan.

This announcement does not constitute an offer for sale of, or a solicitation of an offer to purchase or subscribe for, any securities in the United States. No securities of the Company have been registered under the U.S. Securities Act of 1933, as amended, and the Company does not intend to register any of the securities in the United States or to conduct a public offering of the securities in the United States. There will be no public offering of the securities in the United States. Any public offering of securities to be made in the United States will be made by means of an offering memorandum that may be obtained from the Company and will contain detailed information about the Company and management, as well as financial statements.

This announcement does not constitute a public offering of securities in the United Kingdom. No prospectus for these securities has been and will be approved in the United Kingdom. In the United Kingdom, this press release is accessible to and is addressed only to “qualified investors” (as defined in Article 2(e) of Regulation (EU) 2017/1129, being part of the laws of England by virtue of the European Union (Withdrawal) Act 2018) who are, among others, (i) persons recognized as professional investors under Art. 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities and other persons to whom disclosure may lawfully be made in compliance with Article 49(2)(a-d) of the Order (all such persons are collectively referred to as “Relevant Persons”). Any investment activity referred to in this Notice will be available to and of interest only to Relevant Persons. Any person who is not a Relevant Person shall not act upon or rely upon this document or any of its contents.

The Information herein contains forward-looking statements. All statements other than statements of historical fact included herein are forward-looking statements. Forward-looking statements give the Company’s current expectations, estimates, forecasts, and projections relating to its financial condition, results of operations, plans, objectives, future performance and business as well as the industries in which the Company operates, as well as the beliefs and assumptions of the Company’s management. In particular, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management and competition tend to be forward-looking in nature. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “goal,” “may,” “anticipate,” “estimate,” “plan,” “project,” “seek,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the Company’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future. Therefore, the Company’s actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. They are neither statements of historical fact nor guarantees of future performance. The Company therefore cautions against relying on any of these forward-looking statements.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.

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



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



Follow up on key steps in the execution of the Business Plan

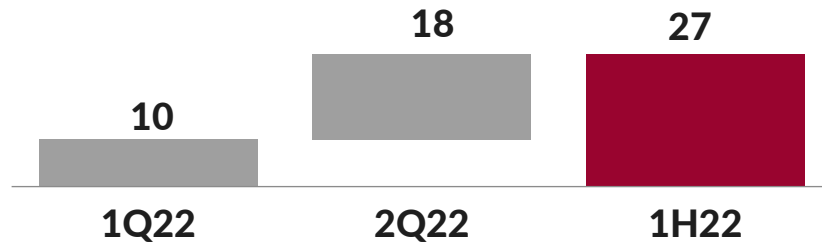
- On 2 August 2022, DG Comp approved the extension of the restructuring period and revised commitments related to the Bank. The commitments are consistent with the MPS Business Plan
- On 4 August 2022, an agreement with Trade Unions Organizations for 3,500 voluntary exits through the Solidarity Fund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



Net profit

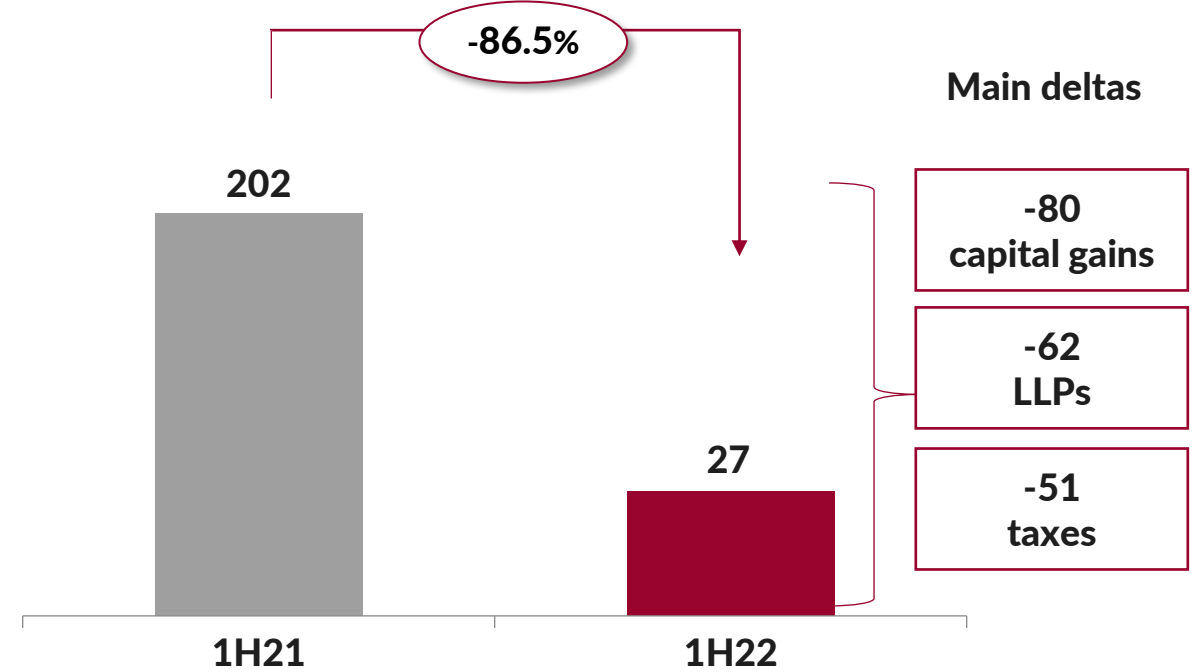
Quarterly evolution

€/mln



Yearly evolution

€/mln



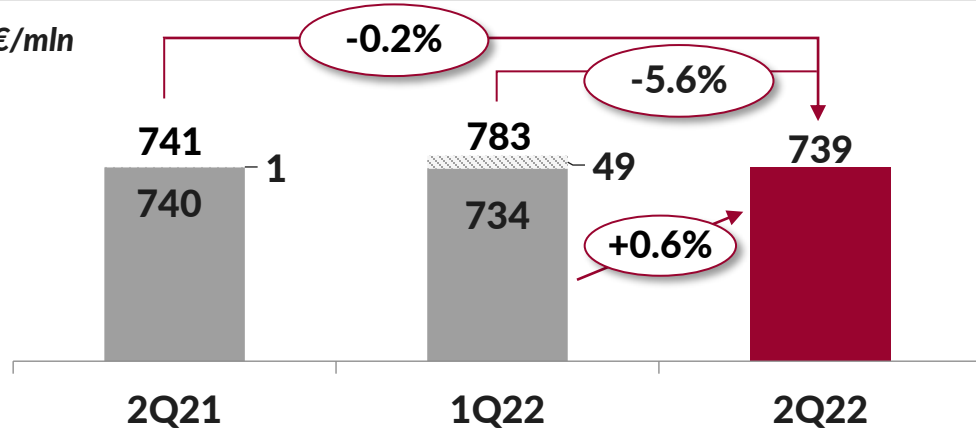
- 1H22 net profit at EUR 27mln, with 2Q22 contribution of EUR 18mln
- Y/y dynamics impacted by higher gains on securities, lower provisions and higher tax benefit in 2021



Gross operating profit quarterly evolution

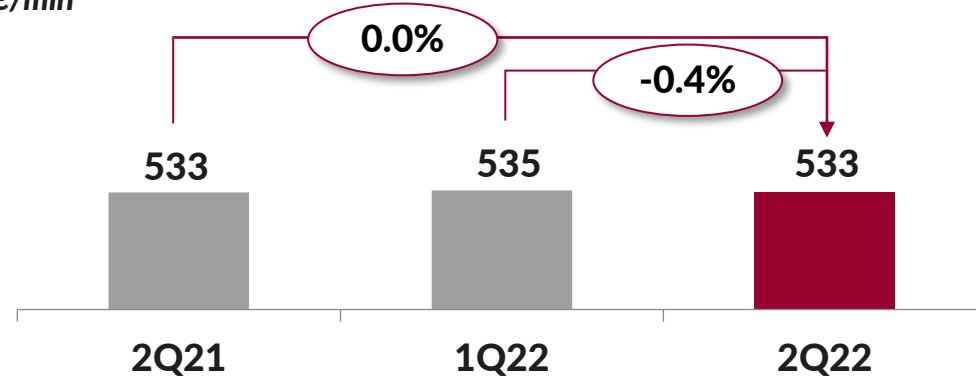
Operating income

€/mln



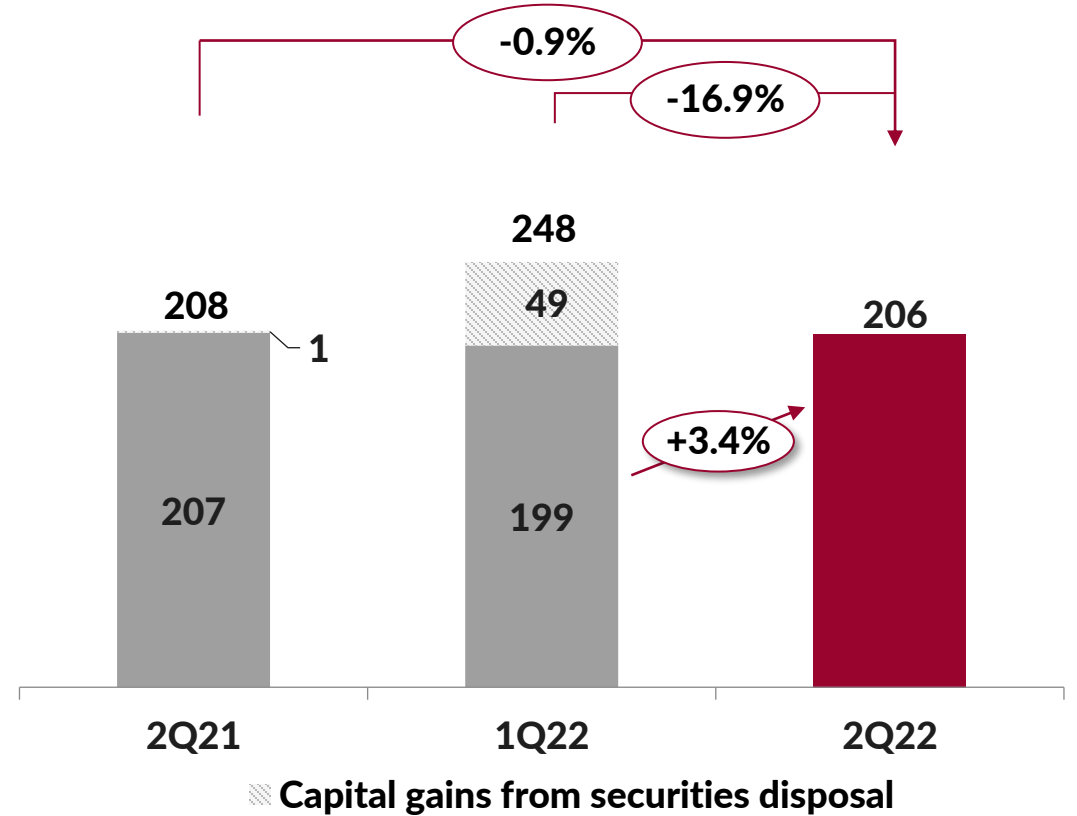
Operating costs

€/mln



Gross operating profit

€/mln



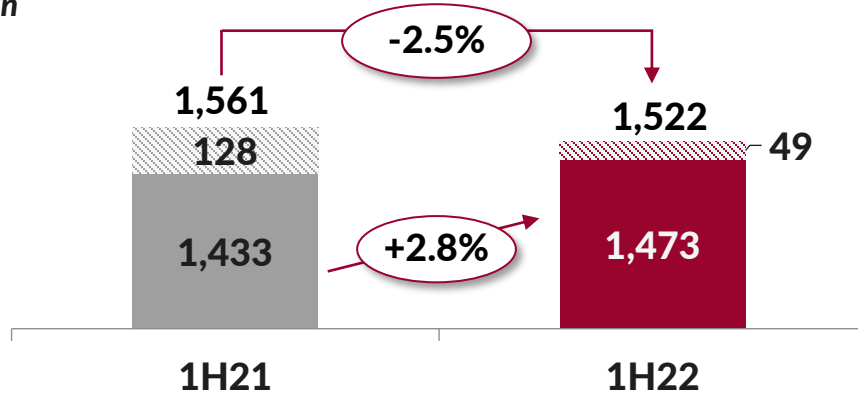
- 2Q22 gross operating profit stable y/y with resilient operating income and flat costs
- Positive q/q dynamics +3.4% (net of capital gains from securities disposal) supported by growing NII and decreasing costs



Gross operating profit yearly evolution

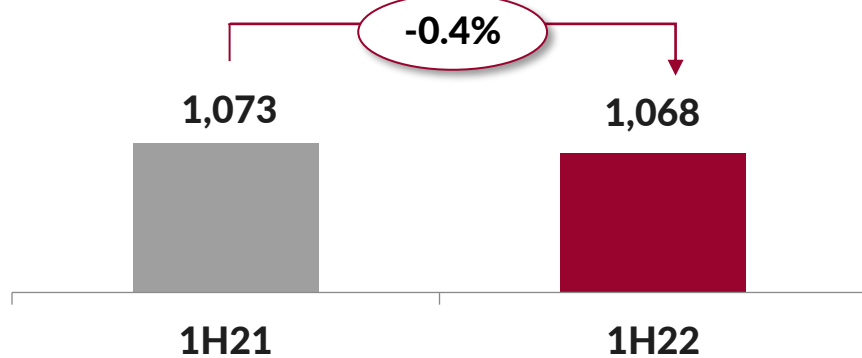
Operating income

€/mln



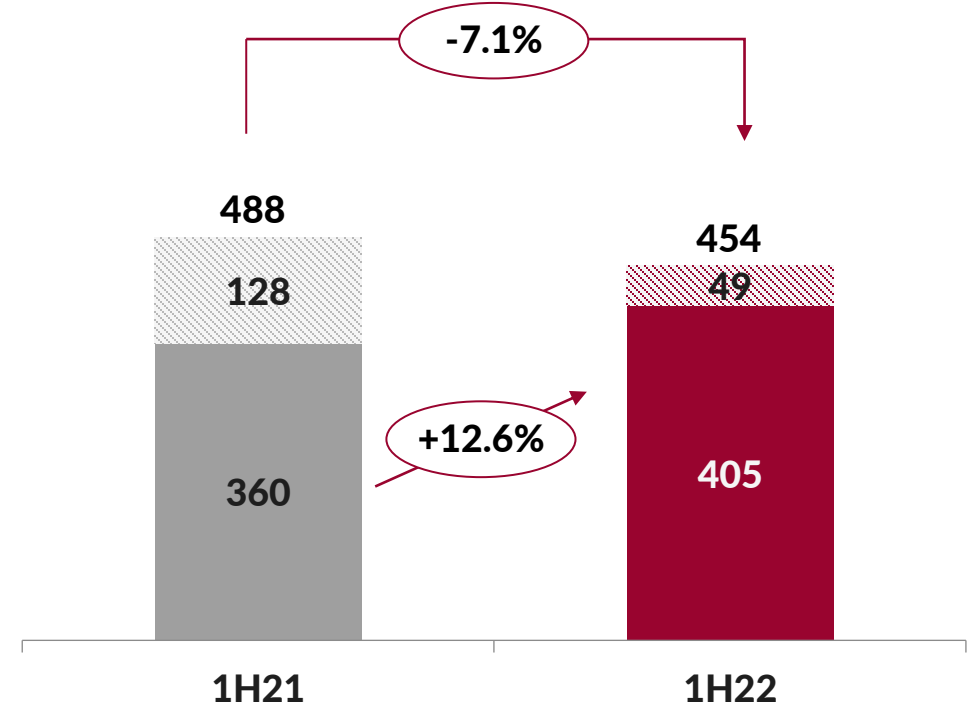
Operating costs

€/mln



Gross operating profit

€/mln



■ Capital gains from securities disposal

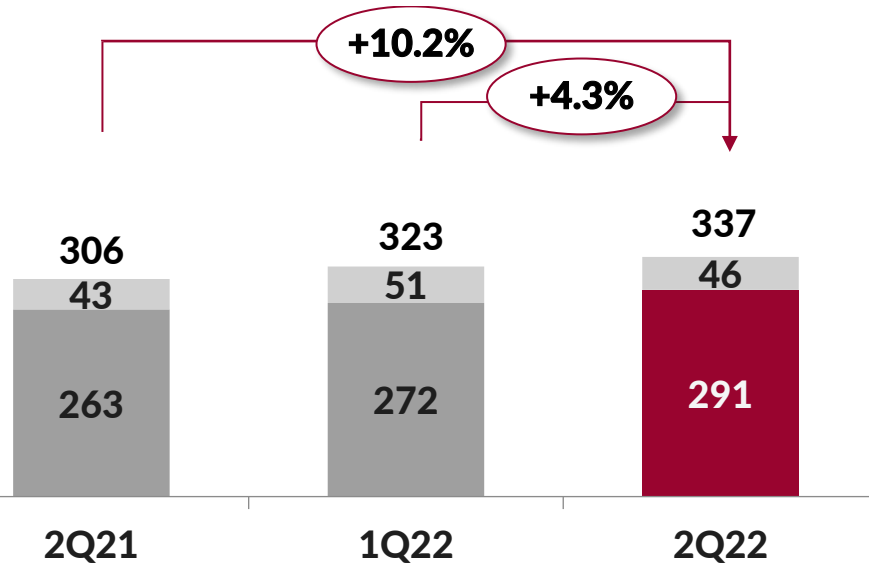
- 1H22 gross operating profit up by +12.6% y/y excluding gains on securities disposal, driven by double digit NII growth
- Costs decreasing by -0.4% y/y



Net interest income

Quarterly evolution

€/mln



Lending rate

1.82%

1.77%

1.80%

Funding rate

0.14%

0.12%

0.11%

Spread

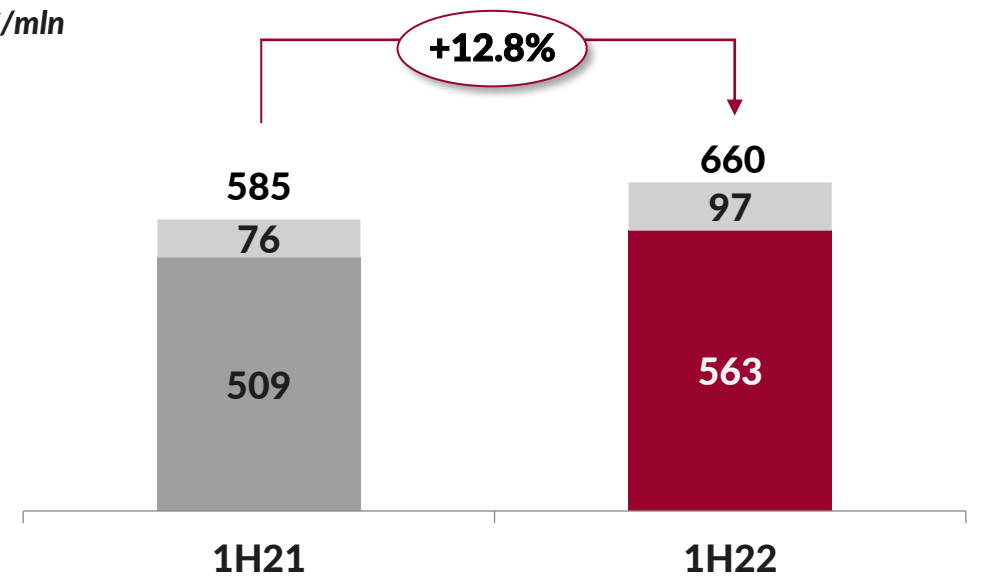
1.67%

1.66%

1.69%

Yearly evolution

€/mln



1.83%

1.79%

0.18%

0.11%

1.65%

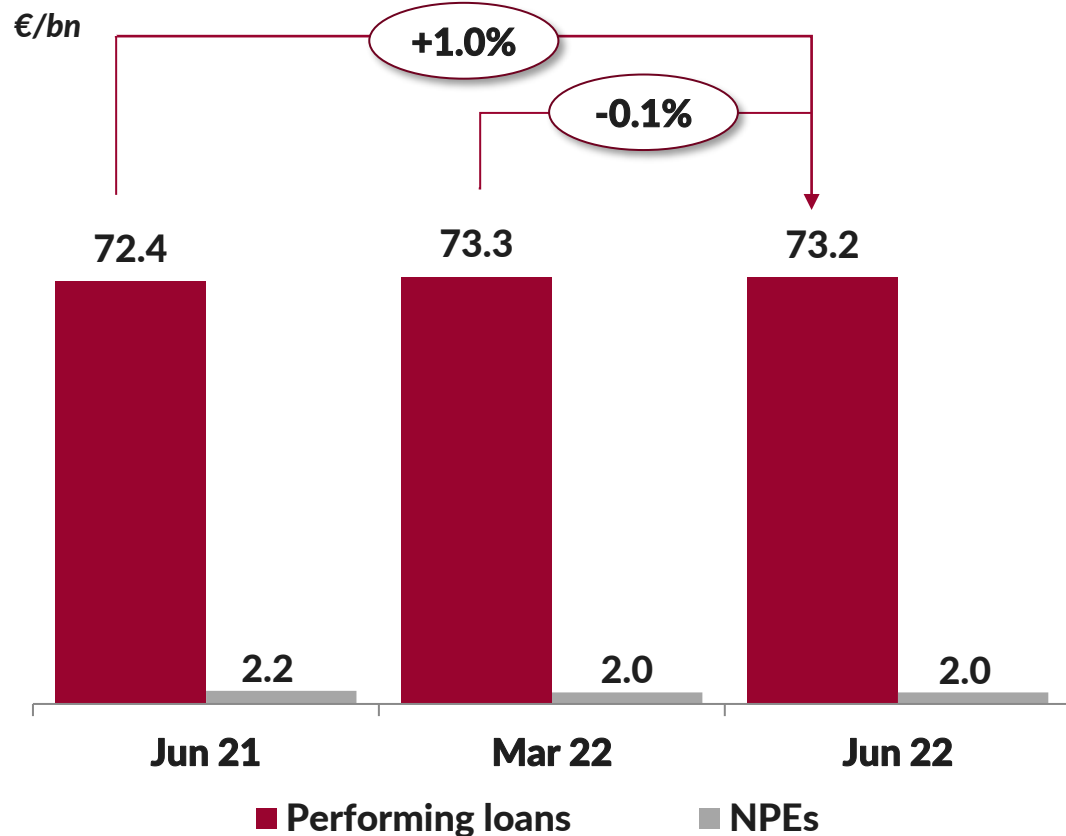
1.67%

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

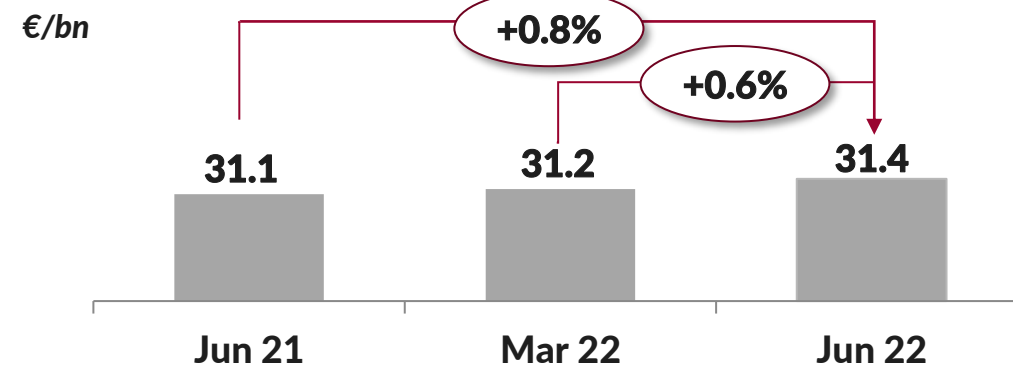


Net customer loans

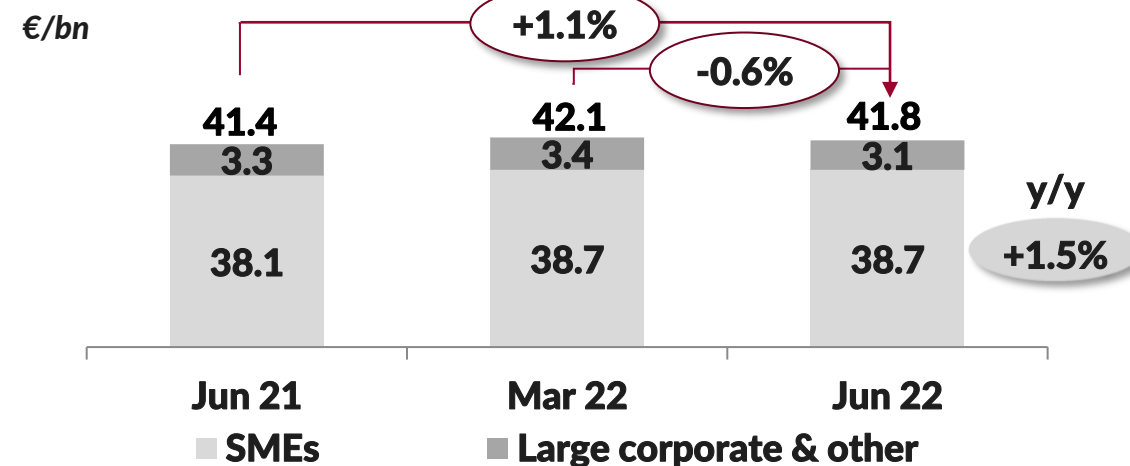
Net loans



Performing loans retail



Performing loans corporate

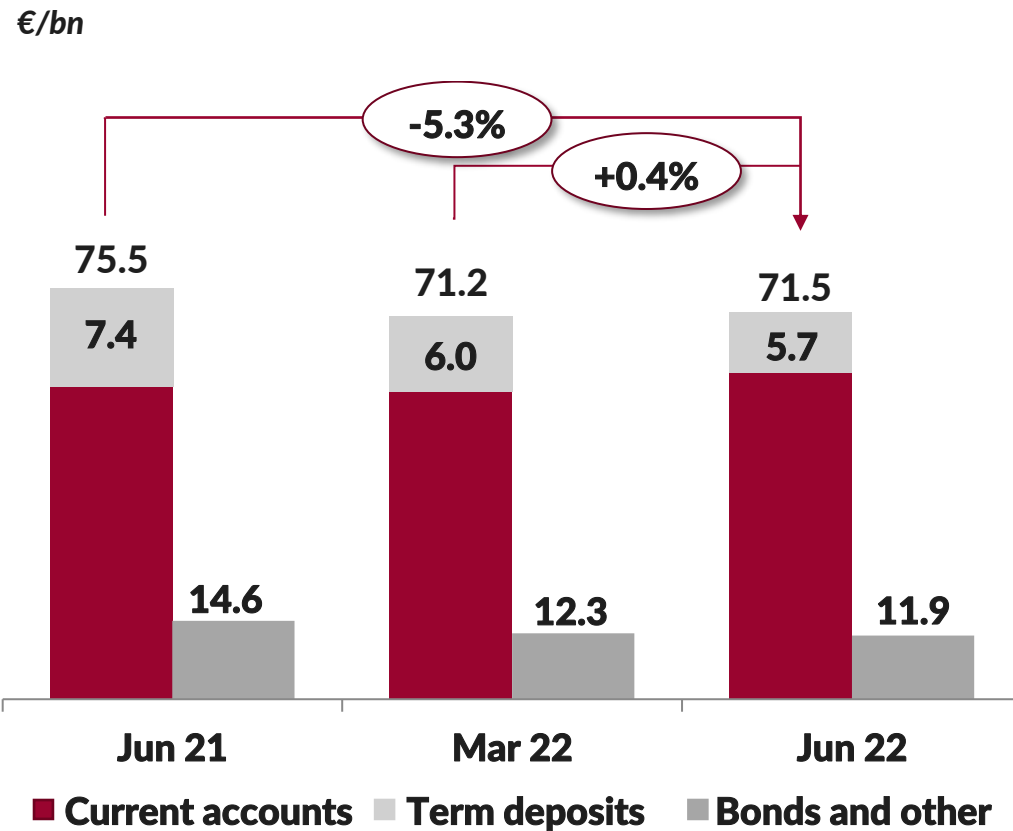


- Performing loans increase by 1.0% y/y, with growth driven by retail (+0.8% y/y) and SME (+1.5% y/y)

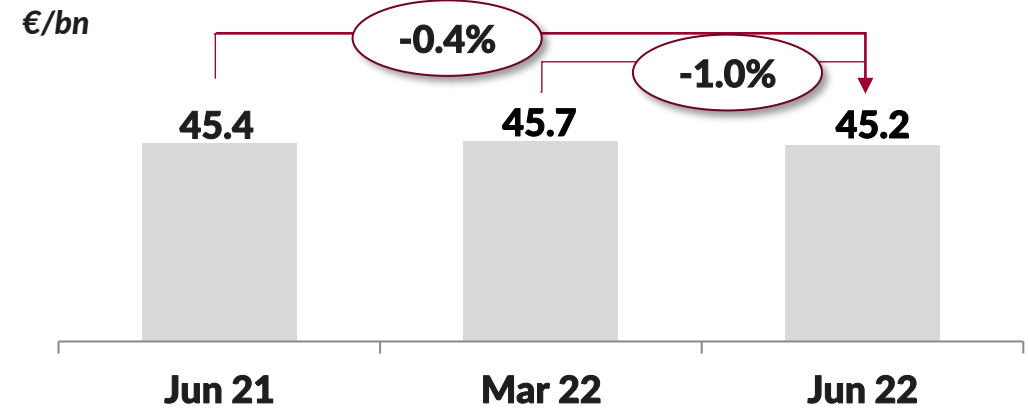


Funding composition

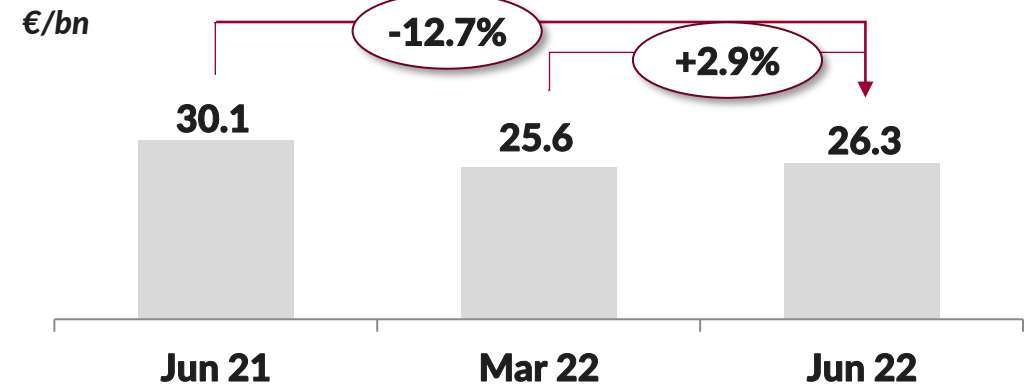
Quarterly evolution



Retail funding



Corporate funding



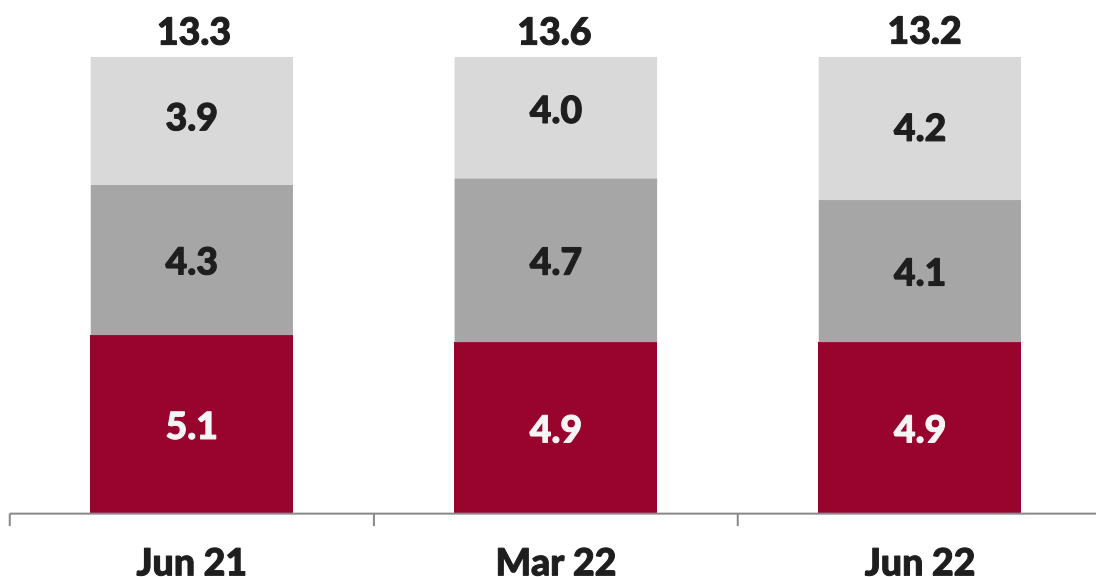
- Total deposit down 5.3% y/y mainly due to corporate funding
- Up in the quarter by 0.4% despite reduction of expensive term deposits



Italian govies portfolio

Italian govies portfolio breakdown

€/bn



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

Italian govies portfolio at FVTOCI

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

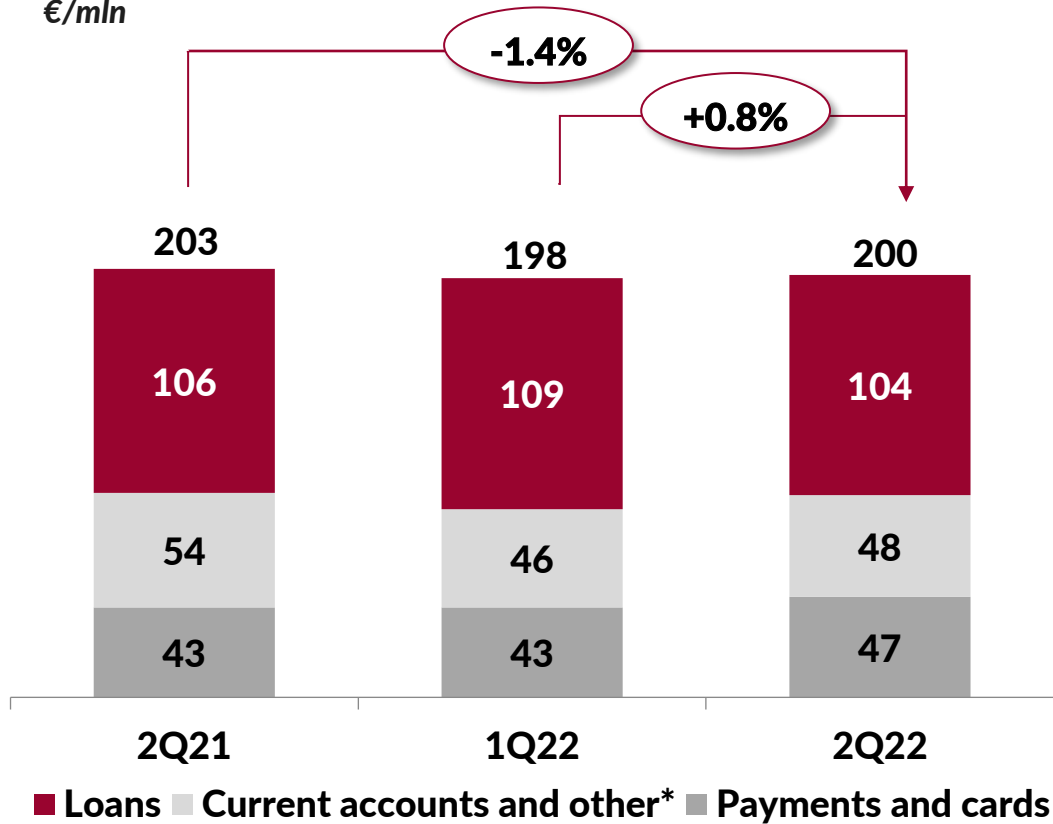
- Q/q decrease of FVTOCI mainly due to bond maturities, with further reduction of duration and credit spread sensitivity
- FVTPL portfolio dynamic driven by MPS Capital Services' market-making activity, with maturity of 80% of the portfolio <9 months



Net fee and commission income quarterly evolution

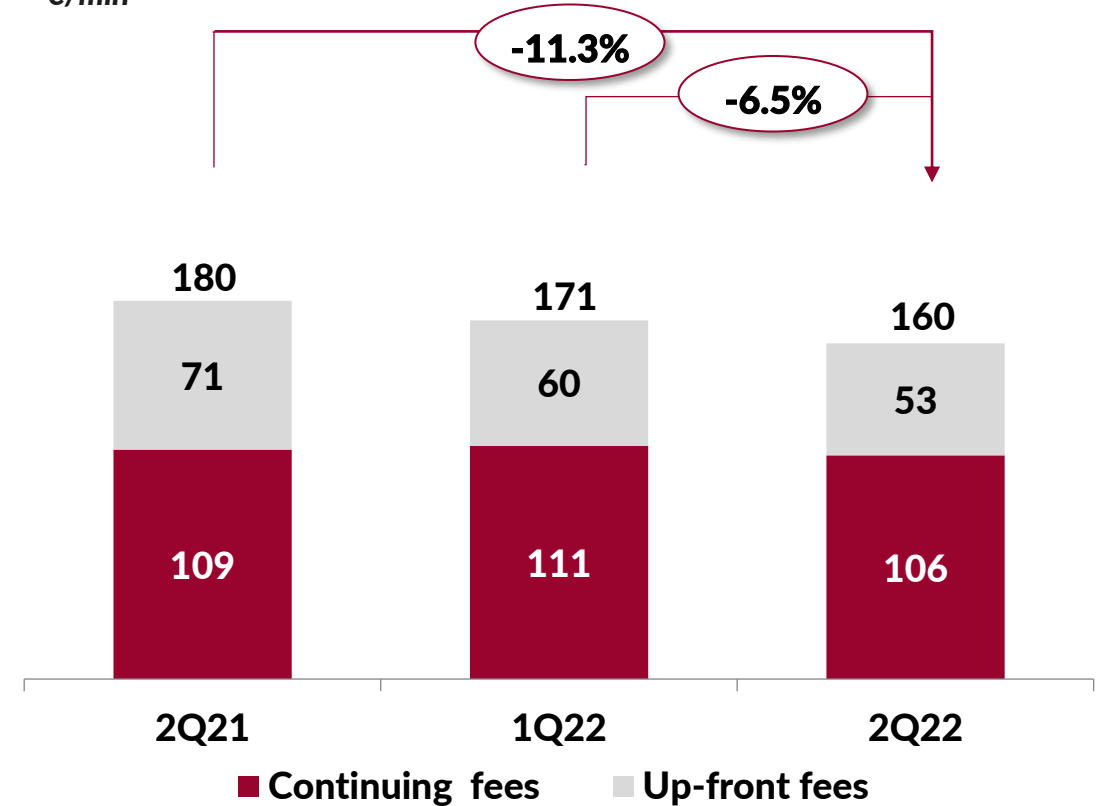
Banking fees

€/mln



Wealth Management fees

€/mln



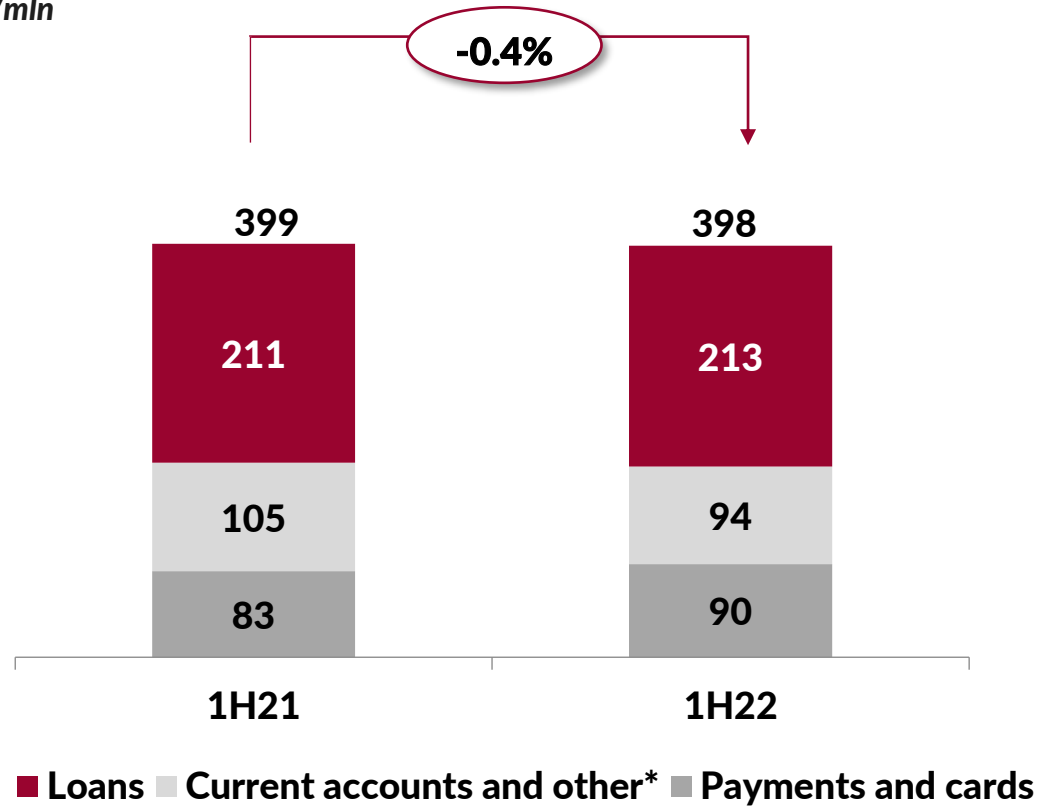
- 2Q22 banking fees at EUR 200mln substantially stable throughout the quarters
- Wealth management fees affected by market conditions, impacting mainly up-front fees



Net fee and commission income yearly evolution

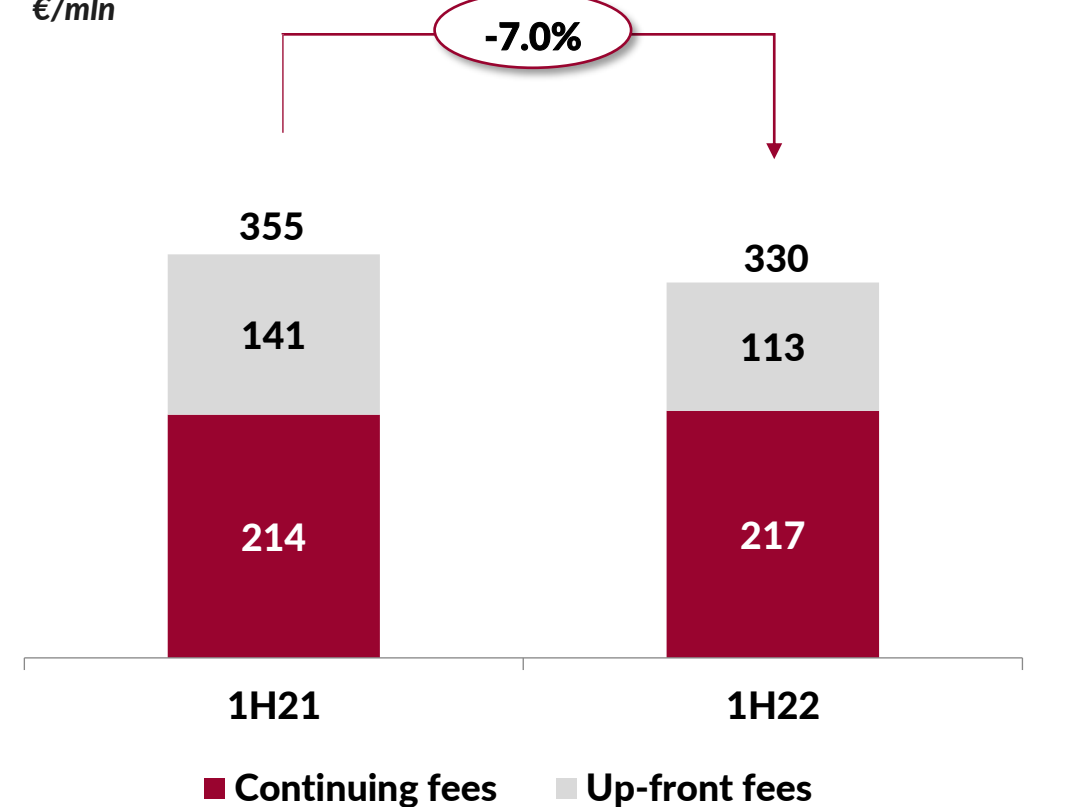
Banking fees

€/mln



Wealth Management fees

€/mln

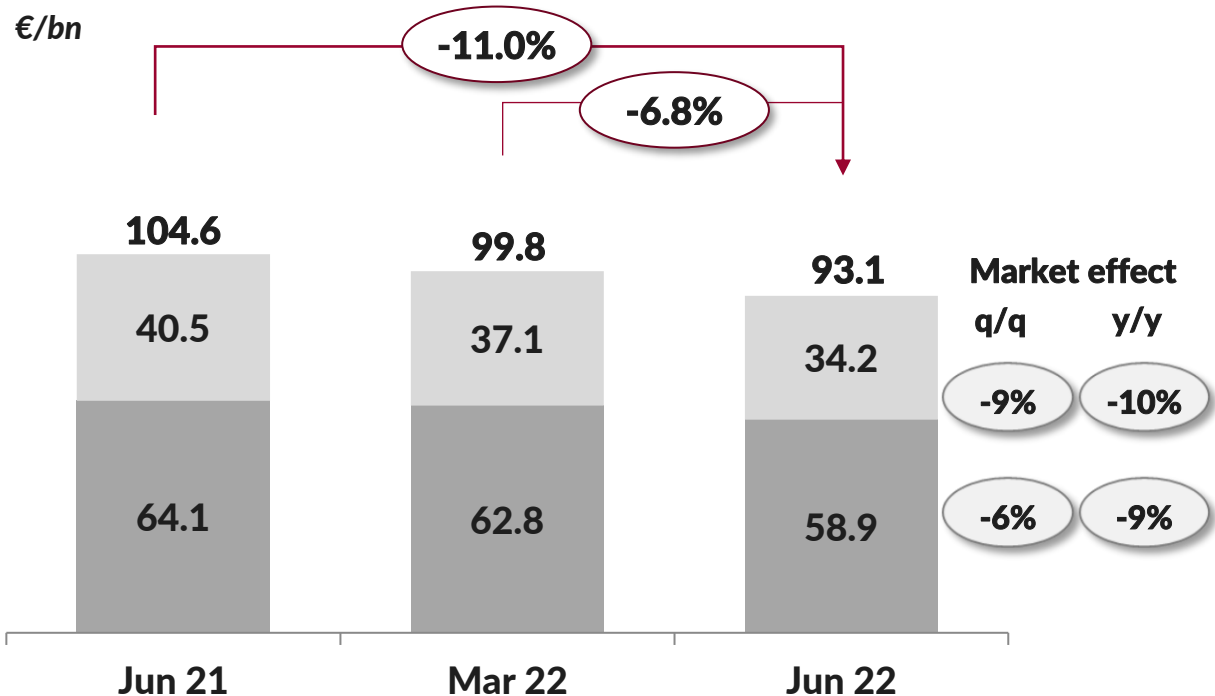


- 1H22 banking fees stable y/y
- Wealth management fees affected by market conditions, impacting mainly up-front fees

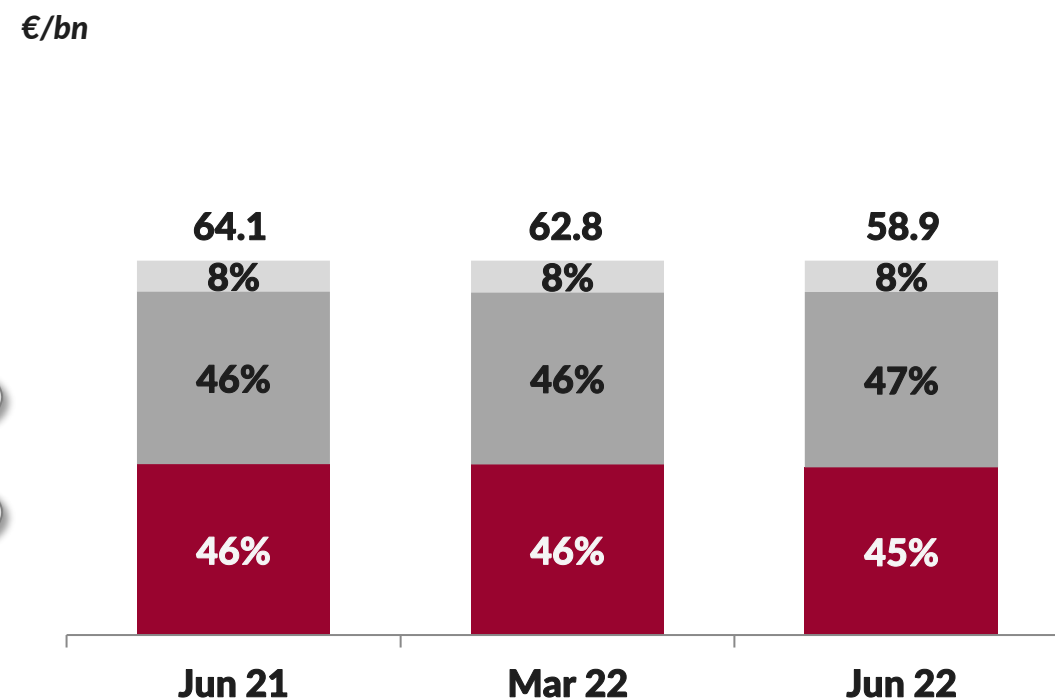


Indirect funding

Indirect funding breakdown



AuM & Bancassurance breakdown



■ AuM & Bancassurance ■ Asset under Custody

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

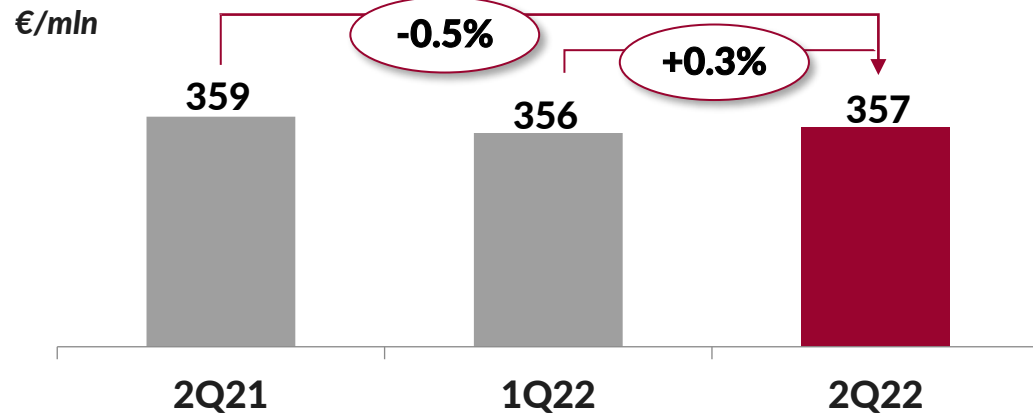
■ Mutual funds ■ Life insurance ■ Individual accounts

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

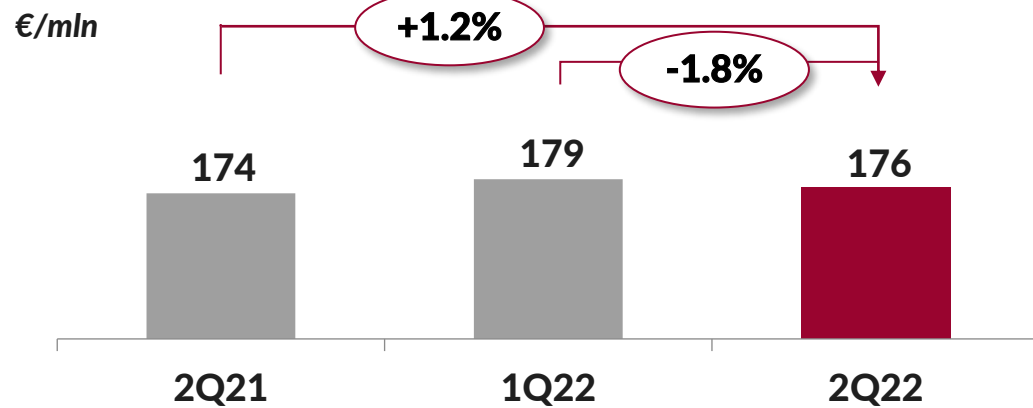


Operating costs quarterly evolution

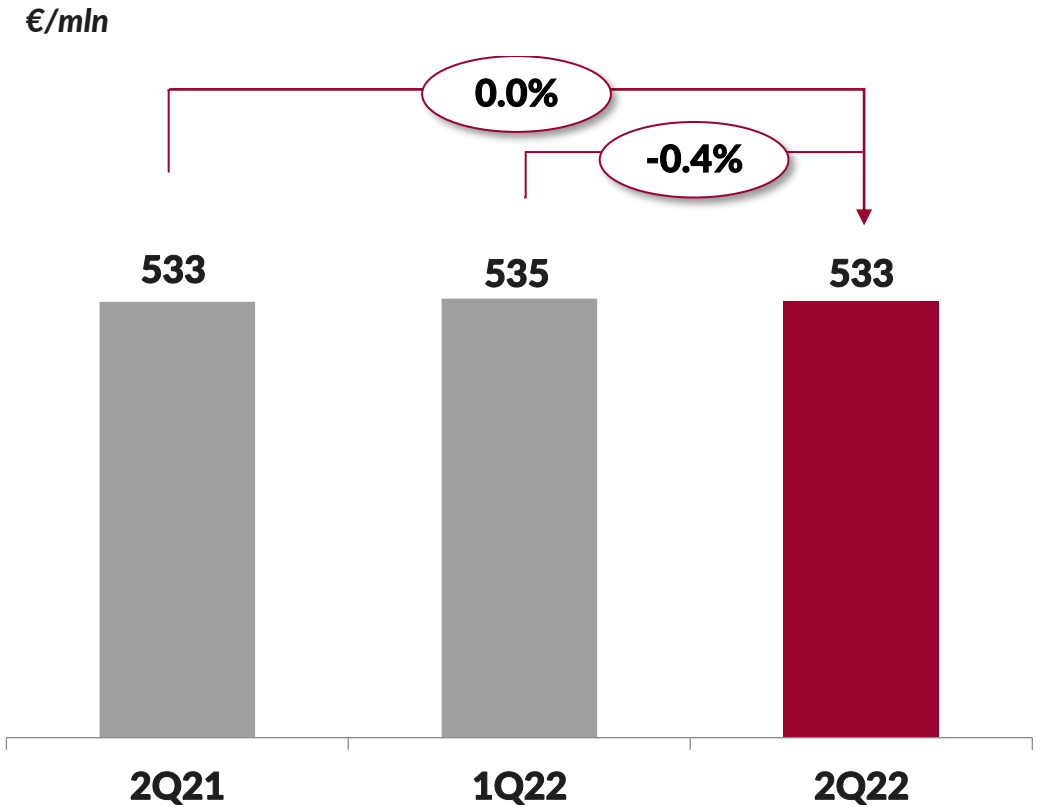
HR costs



Non-HR costs



Operating costs



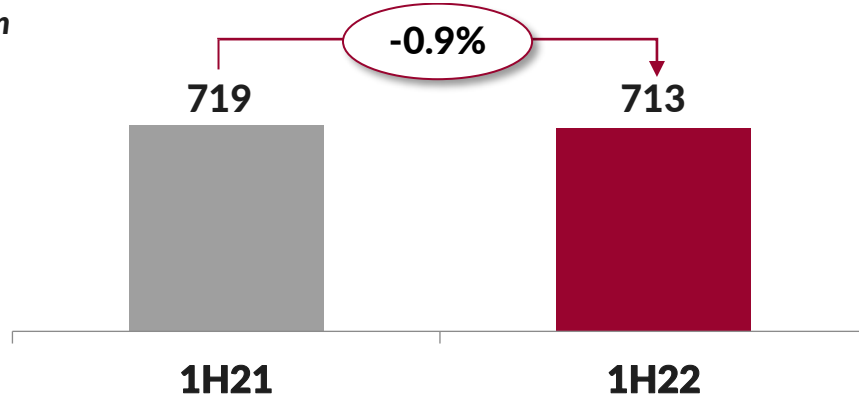
- Cost stable y/y, with non-HR costs up by +1.2% and lower HR costs
- Operating costs down by -0.4% q/q driven by non-HR, down 1.8%.



Operating costs yearly evolution

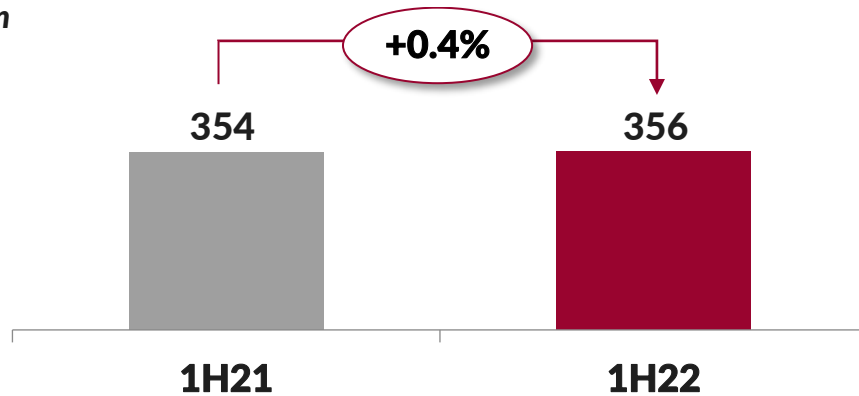
HR costs

€/mln



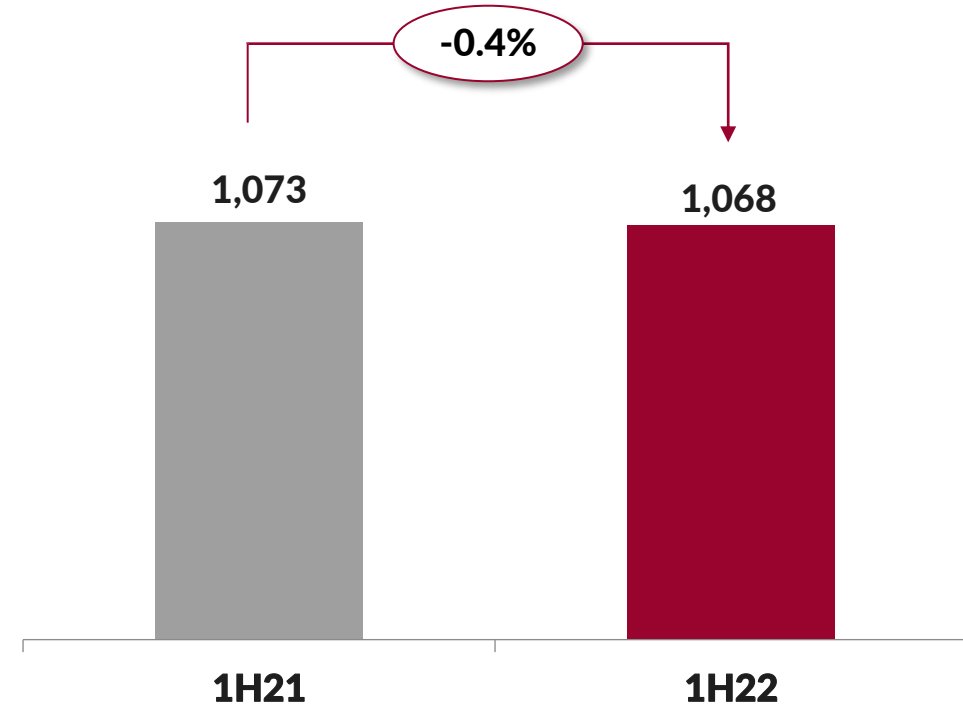
Non-HR costs

€/mln



Operating costs

€/mln

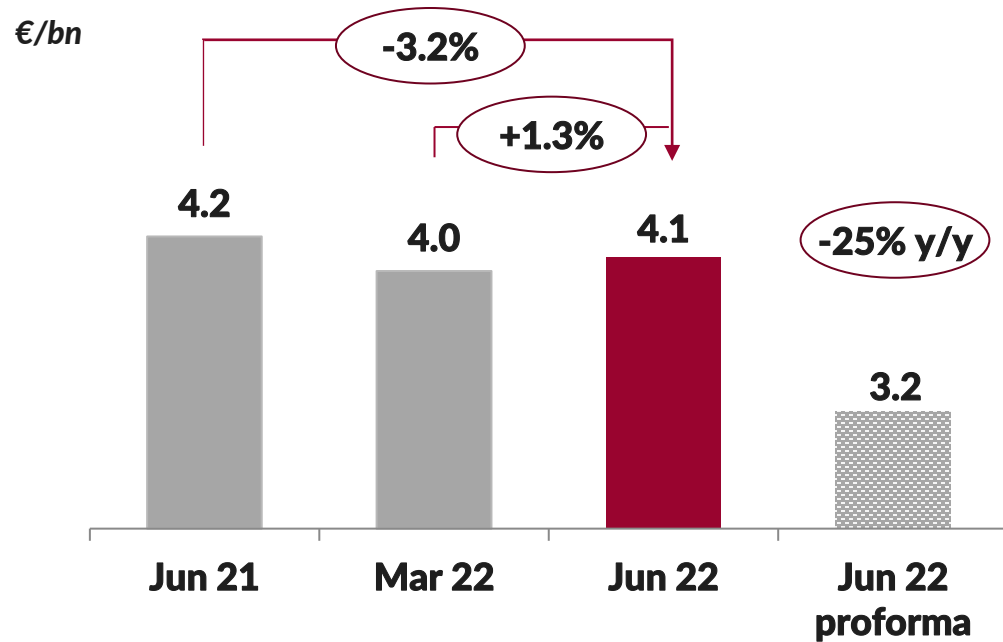


- Operating costs under control, lower by -0.4% y/y despite high inflation
- HR costs lower y/y by -0.9% thanks to FTEs reduction, while non-HR costs up by +0.4% y/y

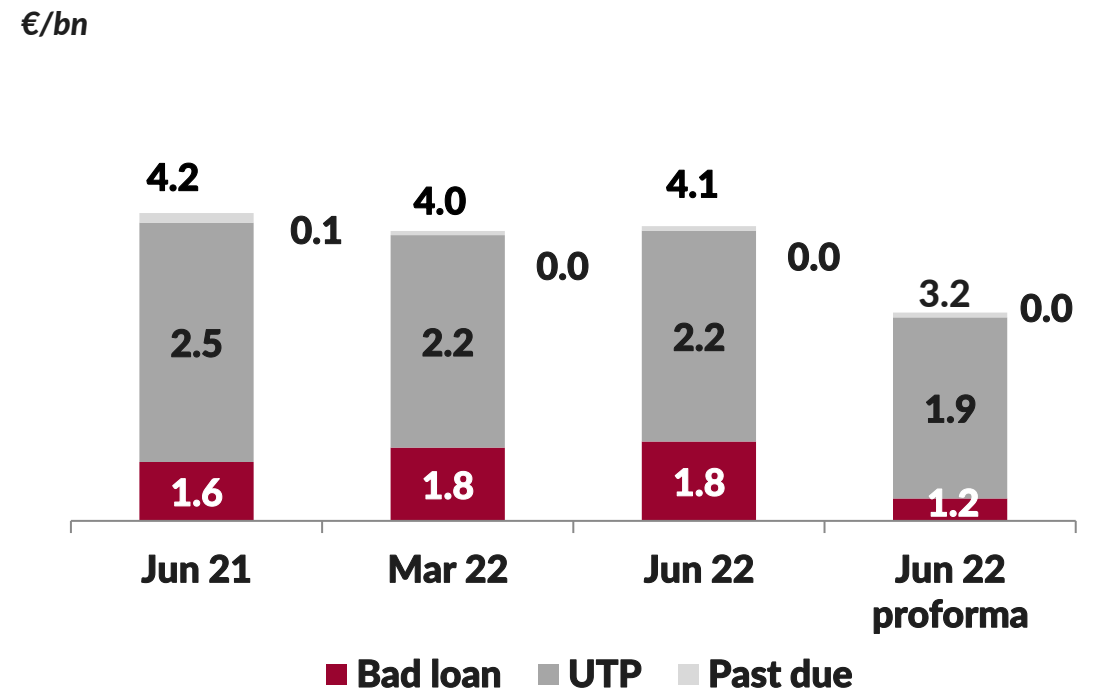


Gross NPE stock

Gross NPE stock



Breakdown by category



Gross NPE ratio

4.9%

4.8%

4.9%

3.9%

Net NPE ratio

2.7%

2.4%

2.4%

2.2%

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

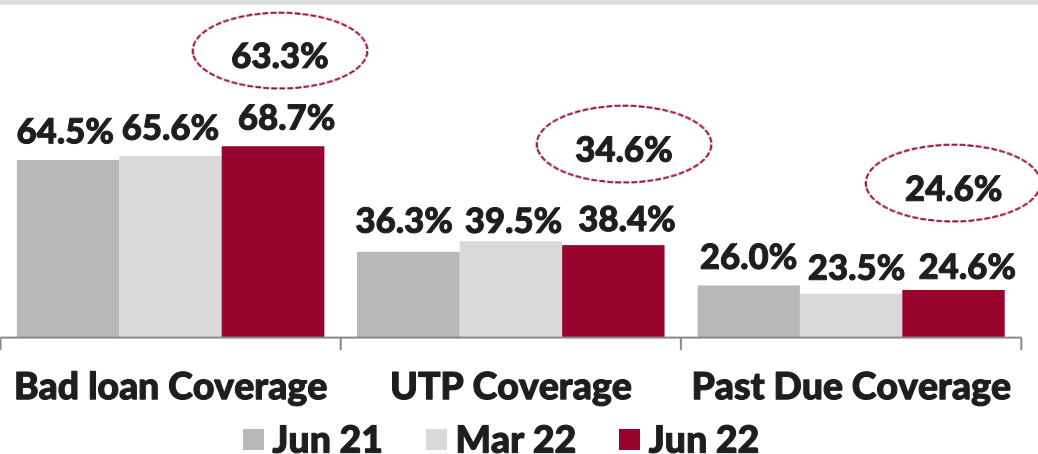


MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

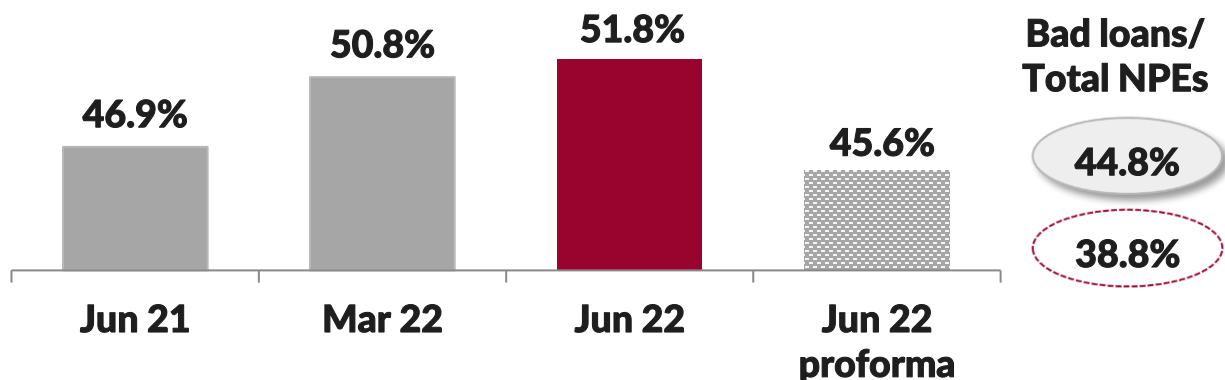
NPE ratio calculated as ratio of gross non-performing exposures to customers and total gross exposures to customers (no government securities)

Coverage and cost of risk

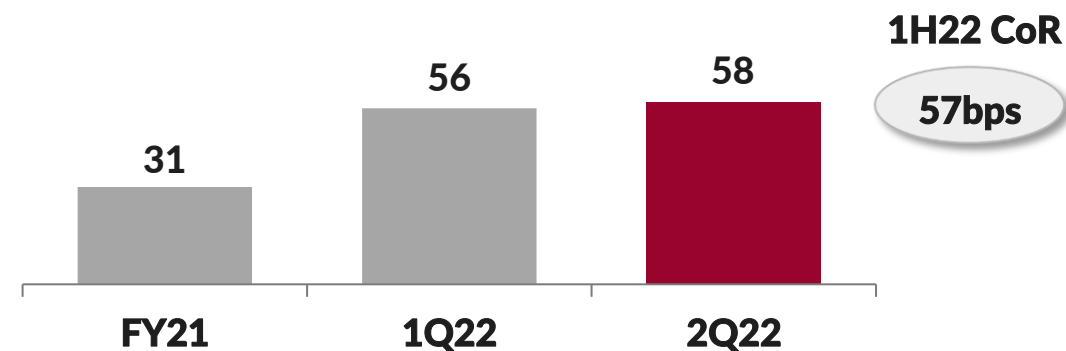
NPE coverage breakdown



Total NPE coverage



Cost of risk (bps)

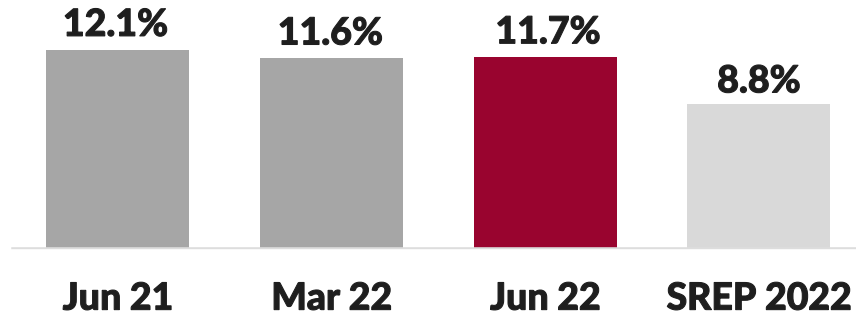


- Proforma coverage after the NPEs sale transaction at 45.6%, almost at the level of last year
- 2Q22 CoR at 58bps, reflecting also the NPEs disposal

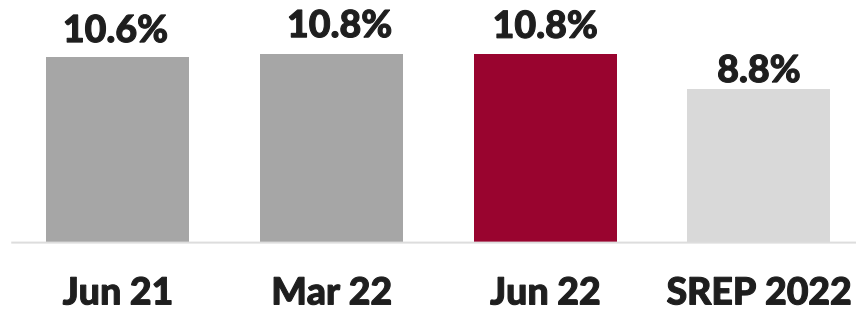


Capital

CET1 ratio phased-in



CET1 ratio fully loaded

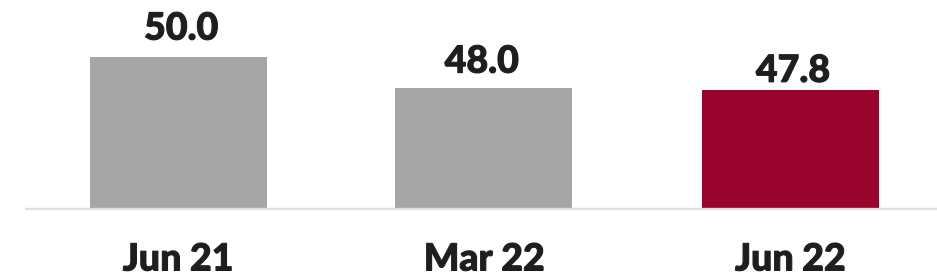


Regulatory capital ratios phased-in

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

RWA phased-in

€/bn



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



Petitem related to disclosed financial information

€/bn

Gross petitem

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

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



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



Conclusions

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



Annexes



Reclassified Income Statement

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



Balance Sheet

Total Assets (€/mln)

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

Total Liabilities (€/mln)

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



Lending & Direct Funding

Total Lending (€/mln)

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

Direct Funding (€/mln)

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

