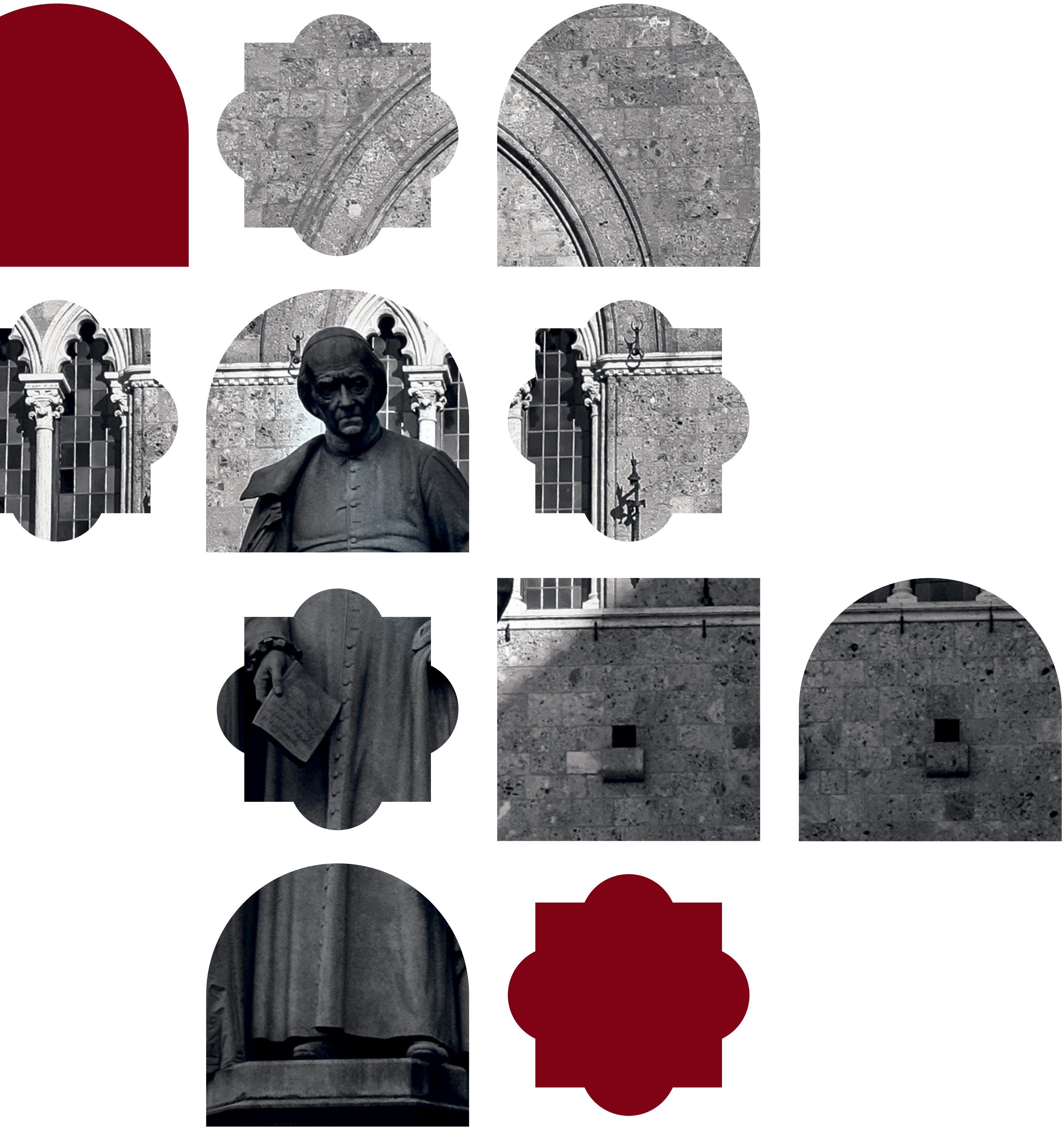

Monte dei Paschi di Siena Group
Consolidated Half-yearly Report
as at 30 June 2022

Consolidated Half-yearly Report
Monte dei Paschi di Siena Group
30 June 2022

Banca Monte dei Paschi di Siena S.p.a.
Share Capital: € 9,195,012,196.85 fully paid in
Registered with the Arezzo-Siena Company Register – registration no. and tax code 00884060526
MPS VAT Group - VAT number 01483500524
Member of the Italian Interbank Deposit Protection Fund. Registered with the Register of Banks under no. 5274
Monte dei Paschi di Siena Banking Group, registered with the Register of Banking Groups

CONTENTS

HALF-YEARLY REPORT ON OPERATIONS

Results in brief

Below are the main economic and financial values of the Montepaschi Group as at 30 June 2022, compared with those for the same period of the previous year and at the end of the previous year, respectively. In addition, the key economic and financial indicators[1] are provided, based on accounting data, corresponding to those used in internal performance management and management reporting systems, and consistent with the most commonly used metrics within the banking industry, thereby ensuring the comparability of reported figures.

The Alternative Performance Measures (APMs) provided in this section take into account the Guidelines provided by the European Securities and Markets Authority (ESMA) on 5 October 2015, which the Italian Stock regulator, Consob, has incorporated in its supervisory practices (Communication no. 0092543 of 3 December 2015). These Guidelines became applicable as of 3 July 2016. Please note that, in line with the instructions set forth in the update to the document "ESMA 32_51_370 – *Question and answer – ESMA Guidelines on Alternative Performance Measures* (APMs)" published on 17 April 2020, no changes have been made to the APMs in use in order to consider the effects of the COVID-19 crisis. It should be noted that, for each APM, information is provided on its definition and calculation methods, and the amounts used in the calculation may be identified through the information contained in the tables below or in the reclassified financial statements in this Half-Yearly Report on Operations.

INCOME STATEMENT AND BALANCE SHEET FIGURES			
MONTEPASCHI GROUP			
INCOME STATEMENT FIGURES (EUR mln)	30 06 2022	30 06 2021	Chg.
Net interest income	660.0	585.2	12.8%
Net fee and commission income	728.2	754.5	-3.5%
Other income from banking business*	115.4	234.0	-50.7%
Other operating income and expenses	18.3	(12.5)	n.m.
Total Revenues*	1,522.0	1,561.2	-2.5%
Operating expenses	(1,068.4)	(1,073.2)	-0.5%
Cost of customer credit*	(224.9)	(162.8)	38.1%
Other value adjustments	1.7	1.7	0.0%
Net operating income (loss)	230.4	326.9	-29.5%
Non-operating items	(209.9)	(181.7)	15.5%
Parent company's net profit (loss) for the period	27.2	202.1	-86.5%
EARNINGS PER SHARE (EUR)	30 06 2022	30 06 2021	Chg.
Basic earnings per share	0.027	0.208	-86.9%
Diluted earnings per share	0.027	0.208	-86.9%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	30 06 2022	31 12 2021	Chg.
Total assets	131,377.9	137,868.6	-4.7%
Loans to customers	78,621.7	79,380.3	-1.0%
Direct funding	84,305.1	90,300.3	-6.6%
Indirect funding	93,069.9	104,429.7	-10.9%
of which: assets under management	58,880.4	65,285.5	-9.8%
of which: assets under custody	34,189.6	39,144.2	-12.7%
Group net equity	5,836.7	6,172.7	-5.4%
OPERATING STRUCTURE	30 06 2022	31 12 2021	Chg.
Total headcount - end of period	21,079	21,244	(165)
Number of branches in Italy	1,368	1,368	n.m.

** Theses items as at 30 June 2021 include the reclassification of economic effects of securities related to Sale/securitization transactions of non performing loans included in the item "Cost of Customer Credit"*[2]

[1] The indicators are calculated using the reclassified data shown in the sections Reclassified Income Statement and Reclassified Balance Sheet.

[2] Please refer to paragraph "Income statement and balance sheet reclassification principles" for more information.

ALTERNATIVE PERFORMANCE MEASURES			
MONTEPASCHI GROUP			
PROFITABILITY RATIOS (%)	30 06 2022	31 12 2021	Chg.
Cost/Income ratio	70.2	70.7	-0.5
ROE (on average equity)	0.9	5.2	-4.3
ROA	0.0	0.2	-0.2
ROTE	0.9	5.3	-4.4
CREDIT QUALITY RATIOS (%)	30 06 2022	31 12 2021	Chg.
Net NPE ratio	2.2	2.6	-0.4
Gross NPL ratio	3.2	3.8	-0.6
Rate of change of non-performing loans to customers	(22.6)	2.5	-25.1
Bad loans to custormers/ Loans to Customers	0.7	0.8	-0.1
Loans to customers measured at amortised cost - Stage 2/Performing loans to customers measured at amortised cost	14.9	16.0	-1.1
Coverage of non-performing loans to customers	51.8	47.9	3.9
Coverage of bad loans to customers	68.7	63.7	5.0
Provisioning	0.57	0.31	0.26
Texas Ratio	44.6	51.6	-7.0

Cost/Income ratio: ratio between Operating expenses (Administrative expenses and Net value adjustments to property, plant and equipment and intangible assets) and Total revenues (for the composition of this aggregate, see the reclassified income statement).

Return On Equity (ROE*):* ratio between the annualised Net profit (loss) for the period and the average between the shareholders' equity (including Profit and Valuation reserves) at the end of period and the shareholders' equity at the end of the previous year.

Return On Assets (ROA*):* ratio between the annualised Net profit (loss) for the period and Total assets at the end of the period.

Return On Tangible Equity (ROTE): ratio between the annualised Net profit (loss) for the period and the average between the tangible shareholders' equity[3] at the end of period and the shareholders' equity at the end of the previous year.

Net NPE Ratio: ratio between net non-performing exposures to customers and total net exposures to customers, both net of assets under disposal (excluding government securities).[4]

Gross NPL Ratio: gross impact of non-performing loans calculated based on the European Banking Authority (EBA)[5] guidelines as the ratio between Gross non-performing loans to customers and banks, net of assets under disposal, and total Gross loans to customers and banks, net of assets under disposal.

Rate of change in non-performing loans: represents the annual rate of growth in gross non-performing loans to customers and banks net of assets under disposal based on the difference between annual balances.

Coverage of non-performing loans to customers and coverage of bad loans to customers: the coverage ratio on Non-performing loans to customers and bad loans to customers is calculated as the ratio between the relative loss provisions and the corresponding gross exposures.

Provisioning: ratio between the annualised cost of customer credit and the sum of loans to customers and the value of securities deriving from sale/securitisation of non-performing loans.

Texas Ratio: ratio between gross non-performing loans to customers (net of assets under disposal) and the sum, in the denominator, of the relative loss provisions and tangible shareholders' equity.

[3] Book value of Group shareholders' equity inclusive of profit (loss) for the period, cleared of goodwill and other intangible assets.

[4] This measure used, starting from 31 March 2022, in place of the previous ratio between net non-performing loans to customer and total net loans to customers (this ratio as at 30 June 2022 would have been 2.5) in order to provide a representative indicator of the overall exposure and not just the loans with the highest risk of deterioration. The value as at 31 December 2021 (equal to 2.7 in 2021 Annual Report) has been restated in order to allow for a homogeneous comparison.

[5] EBA GL/2018/10.

REGULATORY MEASURES			
MONTEPASCHI GROUP			
CAPITAL RATIOS (%)	30 06 2022	31 12 2021	Chg.
Common Equity Tier 1 (CET1) ratio - phase in	11.7	12.5	-0.8
Common Equity Tier 1 (CET1) ratio - fully loaded	10.8	11.0	-0.2
Total Capital ratio - phase in	15.4	16.1	-0.7
Total Capital ratio - fully loaded	14.5	14.6	-0.1
FINANCIAL LEVERAGE INDEX (%)	30 06 2022	31 12 2021	Chg.
Leverage ratio - transitional definition	3.9	4.7	-0.8
Leverage ratio - fully phased	3.7	4.2	-0.5
LIQUIDITY RATIO (%)	30 06 2022	31 12 2021	Chg.
LCR	179.9	172.7	7.2
NSFR	137.0	129.6	7.4
Encumbered asset ratio	37.6	40.7	-3.1
Loan to deposit ratio	93.3	87.9	5.4
Spot counterbalancing capacity (bn of Eur)	26.7	25.4	1.3

In determining the capital ratios, the "phase-in" (or "transitional") version represents the application of calculation rules according to the regulatory framework in force at the reporting date, while the "fully loaded" version incorporates in the calculation the rules as envisaged at full implementation.

Common equity Tier 1 (CET1) ratio: ratio between primary quality capital[6] and total risk-weighted assets (RWA)[7].

Total Capital ratio: ratio between Own Funds and total RWAs.

Financial leverage ratio: indicator calculated as the ratio between Tier 1 capital[8] and total assets, introduced by Basel regulations with the objective of containing the increase in leverage in the banking sector and strengthening risk-based requirements through a different measure based on financial statement aggregates.

Liquidity Coverage Ratio (LCR): short-term liquidity indicator corresponding to the ratio between the amount of high-quality liquid assets and the total net cash outflows in the subsequent 30 calendar days.

Net Stable Funding Ratio (NSFR): structural 12-month liquidity indicator corresponding to the ratio between the available stable funding amount and the required stable funding amount.

Encumbered asset ratio: ratio between carrying amount of encumbered assets and collateral and total assets and collateral (XVII, section 1.6, point 9, of Regulation (EU) 2015/79).

Loan to deposit ratio: ratio between net loans to customers and direct funding (deposits from customers and debt securities issued).

Spot counterbalancing capacity: sum of items that are certain and free from any commitment that the Group can use to meet its liquidity requirements, consisting of financial and commercial assets eligible for purposes of refinancing operations with the European Central Bank ("ECB") and assets deposited in the collateralised interbank market (MIC) and not used, to which the haircut, published on a daily basis by the ECB, is prudentially applied.

[6] Defined by art. 4 of Regulation EU/2013/575 (Capital Requirements Regulation, CRR). It consists of the computable items and capital instruments, net of the envisaged adjustments and deductions.

[7] Risk-weighted assets: the result of the application of certain risk weights to exposures, determined according to supervisory rules.

[8] Sum of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) capital of the entity, as defined by art. 25 of Regulation (EU) no. 575/2013.

Executive summary

Changes in the key items of the Group's main aggregates recorded as at 30 June 2022 are summarised below, noting that the results of the first half of 2022 were affected by the Russia-Ukraine conflict as well as the effects linked to the health emergency created by the spread of the COVID-19 virus (in more detail in the following paragraphs "Russia-Ukraine conflict" and "COVID-19"). The latter, as is well-known, impacted 2021 as well.

- **Net Interest Income** amounted to **EUR 660 mln**, up 12.8% compared to the same period of 2021. This growth was driven primarily by (i) the increased contribution of the commercial segment, thanks to the lower cost of funding, which made it possible to more than offset lower interest on loans; (ii) the positive effects of access to TLTRO III auctions, (iii) the lower cost incurred for the liquidity deposited at central banks, following the reduction in the relative volumes, and (iv) the lower cost of market funding, which benefitted from the maturity of some securities.

- **Net fee and commission income**, totalling EUR 728 mln, declined compared to the same period of the previous year (-3.5%). The decrease is attributable to high market volatility, which resulted in lower income from asset management (-7.7%), mainly due to lower commissions on product placement. Income from protection and securities services decreased, while continuing fees increased. Fees and commissions from traditional banking services had recovered compared to the same period of the previous year.

- **Other income from banking business**, equal to EUR 116 mln, decreased by EUR 119 mln compared to the first half of 2021, mainly attributable to lower profits from the sale of securities. The contribution generated form insurance investments in AXA associated companies was also down compared to the corresponding period of the previous year. The reduction in the result of *trading* activities is partially offset by the improvement in the results of assets and liabilities at *fair value,* thanks to the capital gains recorded in particular on UCIs.

- **Other operating income and expense**, totalling EUR 18 mln, improved compared to the result recorded in the same period of 2021 (equal to EUR -13 mln).

- As a result of the trends described above, **Total revenues** amounted to EUR 1,522 mln, down 2.5% compared to the first half of 2021.

- **Operating expenses** totalled EUR 1,068 mln, down 0.4% compared to the same period of the previous year. This aggregate includes **Personnel expenses**, totalling EUR 713 mln, which were down 0.9% compared to 30 June 2021, benefiting from workforce reduction trends. **Other administrative expenses** amounted to EUR 268 mln, up by +0.7% compared to the same period of the previous year. **Net value adjustments to property, plant and equipment and intangible assets** totalled EUR 88 mln, a slight decrease of -0.6% compared to the first half of 2021.

- The **Cost of Customer Credit** is equal to EUR 225 million, an increase compared to the EUR 163 million recorded in the same period of the previous year, mainly due to the adjustments related to the sale of non-performing loans and, therefore, the use of sales scenarios in the estimation models.

- The **Provisioning *Rate***[9] is **57 bps** (56 bps as at 31 March 2021 and 31 bps as at 31 December 2021).

- The **Net Operating Income** was EUR 230 mln, compared to EUR 327 mln in the corresponding period of the previous year.

- In addition to the changes in these P&L aggregates, there were non-operating items amounting to EUR -210 mln (EUR -182 mln as at 30 June 2021). Notably, **Net provisions for risks and charges**, equal to EUR -78 mln (EUR -42 mln as at 30 June 2021),**Other gains (losses) on investments**, equal to EUR 1 mln (EUR -0.2 mln as at 30 June 2021), **Restructuring/One-off costs**, equal to EUR -3 mln (EUR -4 mln as at 30 June 2021), costs associated with **SRF (Single Resolution Fund), DGS (Deposit Guarantee Systems) and similar schemes**, equal to EUR -89 mln (EUR -90 mln as at 30 June 2021), the **DTA fee** equal to EUR -31 mln (unchanged compared to 30 June 2021), the **Net gains (losses) on property, plant and equipment and intangible assets measured at fair value** amounting to EUR -11 mln (EUR -28 mln as at 30 June 2021) and **gains (losses) on disposal of investments**, equal to EUR 0.8 mln (EUR +14 mln as at 30 June 2021).

- As a result of these trends, together with the positive impact of **Taxes** of **EUR 8 mln** (EUR +59 mln as at 30 June 2021) and the net economic effects of the **PPA**, equal to EUR -1.5 mln (EUR -1.8 mln as at 30 June

[9] Calculated as the ratio between the annualised cost of customer credit and the sum of loans to customers and securities deriving from the sale/securitisation of non-performing loans.

2021), the Group posted a **Profit for the period** attributable to the Parent Company of **EUR 27 mln**, compared to a profit of EUR 202 mln posted in the same period of the previous year.

- **Total funding** volumes at 30 June 2022 amounted to approximately EUR **177.4 bn**, with a decrease in volumes of EUR 6.9 bn compared to 31 March 2022, linked to the decrease in Indirect funding (EUR -6.8 bn) due to the reduction of both components of Assets under management (EUR -3.9 bn) and Assets under custody (EUR -2.9 bn), impacted by a negative market effect. On the other hand, as regards Direct Funding, the volumes are in line with the values at the end of March 2022 due to the combined effect of an increase in Current Accounts (EUR +0.7 bn), offset by the decrease in time deposits. (EUR -0.4 bn) and other forms of funding (EUR -0.3 bn).

  Total Funding compared to 31 December 2021 recorded a reduction in volumes of EUR 17.4 bn, due to the decrease in Direct Funding (EUR -6.0 bn) as well as Indirect Funding (EUR -11.4 bn). More specifically, the decrease in Direct Funding is attributable to all technical forms. In particular, there was a decrease in repurchase agreements (EUR -3.4 bn), due to the lower operations of MPS Capital Services and a reduction in the bond sector (EUR -1.1 bn), mainly deriving from the maturity of covered bonds. Other forms of funding also decreased (EUR -0.4 bn), as well as current accounts (EUR -0.3 bn) and time deposits (EUR -0.8 bn) for the continuation of the actions, implemented by the Parent Company, to optimise the cost of funding. Indirect Funding decreased compared to 31 December 2021 by EUR 11.4 bn, due to the reduction in both the Assets under Management (EUR -6.4 bn) and Assets under Custody (EUR -5.0 bn) components, impacted by a negative market effect.

- **Loans to Customer** stood at around **EUR 78.6 bn** at 30 June 2022, down by EUR 0.6 bn compared to the end of March 2022 due to lower repurchase agreements (EUR -0.5 bn) and to the decline in mortgages (EUR -0.6 bn). On the other hand, other loans increased (EUR +0.5 bn).

  With respect to 31 December 2021, Loans to Customers declined by EUR 0.8 bn primarily due to the decline in Repurchase Agreements (EUR -1.6 bn) and the decrease in mortgages (EUR -0.5 bn) and non-performing loans (EUR -0.2 bn). On the other hand, current accounts (EUR +0.4 bn) and other loans (EUR +1.1 bn) were up.

- As at 30 June 2022, the coverage ratio for non-performing loans stood at 51.81%, up compared to 31 March 2022 (50.8%), thanks to the increase in the coverage ratio of bad loans (from 65.6% to 68.7%) and non-performing past-due loans (from 23.5% to 24.6%). On the other hand, the coverage of unlikely to pay exposure was down (going from 39.5% to 38.4%). This decrease is attributable to a more precise definition of the portfolios being sold in the second quarter of the year.
  The coverage ratio for non-performing loans was up also compared to 31 December 2021 (47.9%) as a result of the increase in the coverage ratio of bad loans (from 63.7% to 68.7%), unlikely-to-pay positions (from 36.7% to 38.4%) and non-performing past-due loans (from 22.7% to 24.6%).

- With regard to capital ratios, as at 30 June 2022 the **Common Equity Tier 1 Ratio** stood at **11.7%** (11.6% at 31 March 2022 and 12.5% as at 31 December 2021) and the **Total Capital Ratio** at **15.4%** (compared to 15.3% recorded at 31 March 2021 and 16.1% at the end of 2021).

Reference context

The international scenario

The world economic cycle is going through a phase of profound uncertainty, slowdown in growth and high inflation. The conflict between Russia and Ukraine, which is destined to continue over time, and the worsening of political relations between Moscow and the West is having serious repercussions on manufacturing production and trade and is fuelling inflation (please see the following paragraph "Russia-Ukraine Conflict"). The high price dynamics reflects, especially in Europe, the tensions/reductions in Russian gas supplies, the fear of rationing and the consequent continuation of the exceptional rise in the price of energy raw materials and, to a lesser extent, food. The dynamics of the global economy are also impacted by the difficulties in the international supply chains of intermediate goods, recently exacerbated by the restrictions introduced by China to combat the spread of COVID-19 infections. Some advanced economies risk experiencing a sharp slowdown; in particular, the United States where the containment of inflation, also caused by a significant increase in aggregate demand and labour costs, required a particularly decisive monetary policy response. Global economic activity also remains exposed to possible resurgence of the pandemic, caused by the spread of variants, to an escalation in the geopolitical tensions between China and the US over Taiwan and to the uncertainty linked to the governance of some important advanced economies.

The **United States** recorded a contraction in growth for two consecutive quarters (-1.6% qoq annualized for GDP in the first quarter of 2022, -0.9% in the second quarter), with inflation rising to a maximum historical at 9.1% trend in June; however, the data on "core" inflation, net of the more volatile components, shows a trend of slowdown in growth which foreshadows a possible overcoming of the inflation peak in the short term. In a context such as the United States, in which price tensions are also fuelled by demand factors[10] (while on the supply side the USA benefits from the availability of nationally and Canadian produced natural gas), the highly restrictive monetary policy of The Fed is more effective in bringing inflation back under control, while presenting the risk of depressing the economy excessively. Tensions remain on the labour market, with supply insufficient to meet demand in practically all macro-sectors and relative wage growth, especially in skilled labour. The dynamics of the real estate market, after having reached very high prices, recently showed a cooling of house prices.

In the **Euro Area**, economic growth was positive in the first two quarters of the year (+ 0.5% qoq in the first quarter and + 0.7% qoq in the second quarter). However, the uncertainty over military escalation has affected the economic environment and further sanctions and counter-sanctions between the EU and Russia have increased fears of a total gas supply shutdown. Inflation thus rose to a maximum of 8.9% on a trend basis in July (preliminary data). The high price level prompted the ECB to change its monetary policy pitch and to raise interest rates by 50 basis points in July. The restrictive interventions introduced by the Authority were more gradual than in the USA, due to the relative greater importance of elements offered in the formation of inflation (such as the cost of energy inputs) which are less controllable by monetary policy and make it less effective in containing the rise in prices. Furthermore, the ECB's action also focused on avoiding the fragmentation of the European financial market which could worsen with the worsening of economic growth expectations, by introducing the Transmission Protection Instrument (TPI).

Considering the return to restrictive budgetary policies, more complex in the current scenario, the EU Commission at the end of May recommended keeping the general safeguard clause of the Stability Pact active also for 2023, following the guidelines already expressed and consistently with the new temporary framework on State Aid introduced in March. With the aim of reducing the Community's energy dependence on imports more rapidly, the EU Commission, on 18 May 18, 2022, proposed the REPowerEU plan, outlining objectives and measures to be financed with common debt up to almost EUR 300 billion; an amendment to the regulation of the NGEU Recovery and Resilience Facility would finance most of it, using loans that have not been requested.

Implementation of the NRPs continued, with 26 countries submitting their NRPs (except the Netherlands) and 25 obtaining their approval (except Hungary), for a total of EUR 490 billion in allocated resources, which have exhausted all the potential funds available for non-repayable subsidies and 42% of those for loans. About EUR 99.7 bn have already been paid by the EU between pre-financing and instalments conditional on the achievement of milestones and planned objectives.

The high international prices of raw materials, food and energy have forced several **emerging economies** (Brazil, India) to raise their *policy* rates to keep their credibility in price control intact, with a consequent slowdown in the economy. Other countries such as Turkey continued to record a depreciation of the domestic currency against

[10] In 2021, with the full reopening of the economy emerging from the pandemic and the extraordinary expansionary measures adopted, US demand was stimulated all too effectively. On the labour market, unemployment was reabsorbed and shortly a shortage of manpower was created, favouring the growth of wages. Supply, with downsizing of manufacturing facilities and staff, inventory erosion due to lockdowns, as well as problems in global supply chains have failed to keep up the expansive pace of demand, causing inflation.

unchanged *policy* rates. Russia, struggling with a heavy drop in production, is seeking the support of other emerging countries in addition to China which, in this context, could expand its basin of influence. The repercussions of the zero-COVID policy, which the central government of Beijing implemented in the spring months with the re-introduction of severe lockdowns on economically relevant areas, were reflected in the growth of GDP in the second quarter of the year (slowing to - 2.6% qoq). The priority of Chinese economic policies remains the support for growth that remains far from the target of GDP expansion, initially set at 5.5% for 2022, and the determination of selective criteria in order not to fuel speculative behaviour, especially in the real estate market. The PBoC[11] still considers domestic inflation under control which, however, rose to 2.5% yoy in June.

Italy: economic context

In Italy, thanks to the growth of the construction and service sectors (especially related to tourism), the trend of economic activity recorded in the first quarter of the year turned out to be higher than expected (+0.1% growth of GDP), as well as in the second quarter (+1% in economic terms, +4.6% in trend terms[12]) once again driven by growth in services and industry, despite the increase in energy costs and difficulties in the procurement of intermediate goods. Geopolitical tensions have a marked impact on the Italian economy which, together with the German one, is among those most dependent on imports of raw materials from Russia. Domestic inflation, which hit 8% in June (a four-fifths increase attributable to the direct and indirect effects of energy and food prices), contributed to curb expansion, significantly squeezing incomes in real terms, only partially offset by the budgetary measures adopted by the Government. The recent resignation of the Draghi government raises further uncertainty on the Italian context and in view of the elections of 25 September, the government will remain in office only for current affairs.

Considerable support for economic activity is coming from the interventions outlined in the National Recovery and Resilience Plan (NRPR), the implementation of which is proceeding in line with the established deadlines. After Italy received the first instalment of EUR 21 billion, on 13 April, following the positive assessment of the payment request presented at the end of December with the achievement of the 51 objectives of 2021, in the coming weeks the EU Commission will evaluate the actual achievement of the 45 goals and objectives agreed for the first half of 2022, the achievement of which is linked to the disbursement of a new loan instalment of EUR 21 billion. For half of the year, the Plan envisaged progress in the context of important reforms, such as that of the code of public contracts and public employment, as well as the launch of various investment programs. The difficulties encountered in awarding some calls for tenders did not compromise the possibility of guaranteeing compliance with the deadlines and the achievement of the expected results.

The government intervened with a number of decrees since the start of the year with a view to combatting the resurgence of the pandemic, supporting the economic recovery and especially limiting the impacts of the conflict and controlling the effects of the exceptional surge in energy prices, accelerating efforts, alongside other EU Member States, to reduce dependence on Russian energy by diversifying and increasing supplies from other countries. At the end of January, the Government approved the **Law Decree Sostegni** ter (Law Decree 27 January 2022 no. 4) which introduced measures to contain electricity costs and further financial support for activities in crisis. The measure also contained corrective measures on the disposal of receivables deriving from the tax bonus and penalties for building fraud pursuant to the "Superbonus Fraud" Law Decree (Law Decree 13/2022). The measure was converted by law no. 25 of 28 March 2022.

On 25 February, the conversion law of the "Milleproroghe" Law Decree (Law 15/2022 converting Law Decree 228/2021) was published in the Official Gazette, which, in the banking area, impacts: the extraordinary operations of the SME Guarantee Fund in 2022, the Solidarity Fund for professional retraining and requalification of credit personnel, limitations on the use of cash and bearer securities.

On 1 March, the "Energy" Law Decree (Law Decree 17/2022), converted with Law 34/2022 of 27 April established measures for energy efficiency and conversion, as well as other interventions in favour of businesses and domestic utilities. The measure also calls for, until 30 June 2022, the SACE guarantee for loans intended to provide liquidity to businesses struck by COVID-19 to be provided to support proven liquidity requirements of companies ensuing from higher costs deriving from energy price hikes.

With the publication of law decree no. 24 of 24 March 2022 ("Reopenings") (converted into law with the approval of Law no. 52 of 19 May) in the Official Gazette, the Government ended the pandemic-related state of emergency as of 31 March, adopting a series of urgent measures to phase out the measures taken to combat the spread of the

[11] People's Bank of China, the People's Bank of China

[12] ISTAT Preliminary estimate of GDP 29 July 2022

epidemic. Specifically, the green pass has been gradually phased out and precautionary quarantines have been eliminated.

The Government adopted the "**Price cut**" (Law Decree 22/2022 converted with Law no. 51 of 20 May) which acts, *inter alia*, to limit the increase in energy and fuel prices, with measures on energy prices, business support and oversight mechanisms to protect national companies. As concerns the financial system, the Decree established, *inter alia*, the transferability to other parties, including banks, of the tax credit benefitting companies with respect to expenses incurred for the purchase of electricity; the issue of guarantees by SACE in favour of banks, national and international financial institutions and other authorised lenders, within a maximum commitment limit of EUR 9 bn, in order to cover liquidity requirements deriving from the breakdown of energy consumption bills into instalments and for a total maximum commitment of up to EUR 5 bn, to back loans granted in any form to companies that manage industrial facilities of national strategic interest. A similar guarantee is provided to finance transactions for the acquisition and reactivation of decommissioned plants for the production of cast iron for use in the steel industry.

The Council of Ministers approved Law Decree no. 50 (so-called **Aiuti Law Decree**) of 17 May 2022, which introduces urgent measures in the field of national energy policies, business productivity and attraction of investments, as well as in the field of social policies and reception and economic support for the benefit of the Ukrainian population. The decree subsequently implemented Legislative Decree no. 80 of 30 June 2022, "Urgent measures to contain the costs of electricity and natural gas for the third quarter of 2022 and to ensure the liquidity of companies that store natural gas", which intervenes on the rates relating to general system charges for some types of users, VAT regime for the supply of methane gas for civil and industrial uses and rates relating to general system charges for natural gas and on the electricity and gas social bonus. Furthermore, the decree extends SACE guarantees to companies that store natural gas.

As concerns European regulations, on 24 March the **European Commission** decided to adopt the Temporary Crisis Framework in order to permit Member States to make use of the flexibility provided by the rules on state aid to support the economy within the current context. The Temporary Crisis Framework provides three types of aid: aid of limited amounts granted in any form, including direct subsidies; liquidity support in the form of state guarantees and subsidised loans; aid to offset the increase in energy costs. The Temporary Crisis Framework also includes a series of protections, calling for a proportional method in the granting of loans, a series of eligibility conditions and sustainability requirements for companies. The temporary crisis framework will be in place until 31 December 2022 for liquidity support measures and measures to cover rising energy costs. Aid to support the roll-out of renewable energy and the decarbonisation of industry can be granted until the end of June 2023.

The European Commission presented the REPowerEU plan in response to the difficulties and disturbances of the world energy market caused by the invasion of Ukraine by Russia. The transformation of the European energy system has the dual objective of ending the EU's dependence on Russia's fossil fuels and tackling the climate crisis. The measures contained in the REPowerEU plan intend to achieve this ambition through: energy saving, diversification of energy supply and a more rapid deployment of renewable energies to replace fossil fuels in homes, industry and electricity generation. The Recovery and Resilience Facility (RRF), at the heart of the REPowerEU plan, supports coordinated planning and financing of cross-border and national infrastructure and energy projects and reforms.

Financial markets and monetary policy

The non-easing of geopolitical tensions, the prolongation of the armed conflict, the price tensions, the actual or announced start of monetary tightening and the fears of recession heavily penalized the markets. From the beginning of the year to 30 June 2022, the S&P500 lost almost 21%, the FTSE Mib lost over 22% and the Euro Stoxx just under 20%; the Japanese Nikkei and the Chinese Shenzhen have contained more losses, recording declines of approximately 8% and 9% respectively. The expectations of more restrictive monetary policies have reflected on the strongly upward *trend* of the long-term yields of *risk-free* countries. Since the beginning of the year, the US ten-year bond-yield has risen steadily to almost 3.5% in mid-June before retracing and closing the half year around 3% (up by about 150 basis points compared to the levels at the end of 2021); similar for the German ten-year bond-yield which, since January, has advanced until reaching 1.8% in mid-June, and then retraces to just under 1.35% at 30 June 2022 (approximately +150 bps compared to last December). Even more decisive was the growth of the Italian ten-year bond-yield which closed the semester at approximately 3.26%, from 1.17% at the end of 2021 (almost +210 basis points) after having also approached 4.2% in mid-June. The growing tensions on Italian debt securities were reflected in a widening of the BTP-Bund *spread* which, starting from May, repeatedly exceeded 200 basis points to exceed 240 basis points in June, before retracing and closing the semester at 193 bps (58 bps more than in December). The announcement by the ECB of the introduction of a new anti-fragmentation instrument contributed to the generalized retreat of long-term European government yields and the spreads of the peripheral areas of the area, recorded at the end of the half-year.

In the first half of 2022, the Fed decisively launched a restrictive monetary policy, adopting a series of measures aimed at avoiding an unanchoring of inflation expectations, in a context in which inflation continues to rise and the labour market remains tense. After raising the Fed Funds Target Rate by 25 bps in March, by 50 bps in May, and by 75 bps in June, the Federal Reserve further raised the policy rate by *75 bps* in the July meeting, bringing it into range 2.25-2.5%. The Authority has also started to reduce its securities portfolio in the balance sheet in line with the repayment plan announced in May (Quantitative tightening), which provides for an initial reduction of USD 47.5 billion per month until August, and USD 95 billion since September.

In its July meeting, the ECB, in line with its commitment to preserve price stability, decided to raise the reference rates by 50 basis points in order to bring inflation back towards its medium-term target of 2%. Therefore, the interest rates on the main refinancing operations, the marginal lending facility and the deposits with the central bank were raised to 0.50%, 0.75% and 0% respectively with effect from 27 July 2022. The intervention was broader than announced at the previous meeting in June, also following the new assessment of inflation risks and following the introduction of the new Transmission Protection Instrument (*TPI*). In particular, the TPI will ensure that the monetary policy stance is transmitted in an orderly manner across all euro area countries. This new instrument consists in the purchase of securities on the secondary market, without quantitative limits established ex ante, activated at the discretion of the ECB which will assess whether the increase in interest rates in the country in question is to be considered "unjustified and disordered" on the basis of certain indicators and whether the country complies with a series of criteria concerning public finance and the macroeconomic condition: the country is not subject to excessive deficit procedures or procedures for excessive macroeconomic imbalances or is adopting corrective measures following recommendations of the European Council, the public debt is considered sustainable, the country respects the commitments presented in the NRRP.

The flexibility in reinvesting the repaid capital, at least until the end of 2024, on the maturing securities of the portfolio of the pandemic Emergency Purchase Program (PEPP) remains the main tool for the ECB to counter risks for the transmission mechanism related to the pandemic. Furthermore, in July, the Authority suspended new purchases as part of its monthly purchase program of securities (Asset Purchase Program - APP), continuing to reinvest "for an extended period of time" the securities that reach maturity. Finally, the ECB announced further normalization of interest rates at its next meetings.

Russia - Ukraine Conflict

As described in the "Reference context" section, on 24 February 2022 Russia announced a military operation in the Donbass region, which began an invasion of Ukraine. This event, along with the reactions of numerous countries and the European Union in terms of economic and financial sanctions, appears to be generating a situation of uncertainty on the macroeconomic level, as well as with respect to exchange rates, energy and raw material costs, trade, inflationary expectations, the cost of debt and credit risk. Uncertainties are also present with respect to the policies that will be followed by central banks and in particular the European Central Bank. More generally, geopolitical tensions appear to be susceptible to influence the expectations and behaviours of economic players and radically alter macroeconomic outlooks.

Within this context, the Group performed an analysis in the first half of 2022 to verify the evolution of the possible impacts of the crisis linked to the conflict between Russia and Ukraine on its financial position. The analyses were performed by distinguishing between direct and indirect impacts and those referring to the general deterioration of the macroeconomic scenario.

Please note that, taking into account their extent, no significant impacts are expected from the direct exposures held by the Group with respect to Russia and Ukraine. In detail, as at 30 June 2022, the exposure is represented by unsecured loans and receivables of around EUR 16 mln, of which EUR 9 mln guaranteed by SACE, which were prudently classified in Stage 2.

Indirect risk is also very limited, and refers to performance bonds issued to back the completion of projects that are nearly finished and export advances.

As regards the potential impacts deriving from rising inflation as well as the higher cost of raw materials, an analysis was conducted on the Group's main exposures exposed to such risks. This portfolio, subject to specific management overlays as at 30 June 2022 (please refer to paragraph "Estimates and assumptions when preparing the Condensed Consolidated Half-Yearly Financial Statements") continues to be subject to careful monitoring and on the date on which this Consolidated half-yearly report was drafted, there were no signs of any deterioration.

As concerns the macroeconomic scenario, simulations with updated macroeconomic forecasts do not show increases in provisioning levels. Likewise, no signs of any deterioration were identified in IFRS 9 risk parameters (PD/LGD/EAD); at the moment, the data of the first half show a very limited default flow (0.9% linearly annualized). The expectations for the second half of the year are for a slight increase, but with an overall forecast for 2022 of a default rate at around 1%.

With reference to other risks, exposures denominated in Russian currency are immaterial, and no negative change has been observed in the main liquidity indicators: LCR, NSFR, GAER.

Furthermore, in order to ensure oversight over the operational risks inherent in the new restrictive measures introduced by the Regulators as of 25 February 2022, a Task Force was established with the duty of verifying existing oversight mechanisms, coordinating risk mitigation measures and identifying any critical issues for the entire Group. In particular, the mitigation measures evaluated as priorities were completed in the first quarter of 2022, while at 30 June 2022, monitoring, analysis and coordination activities continue on the remaining points for attention.

Lastly, please recall that the Parent Company has a Representative Office in Moscow that has been operating since 1986 with a view to helping to channel commercial transactions between domestic customers and Russian counterparties towards the Group. Following Russia's occupation of Crimea in 2014, turnover declined significantly as a result of the application of the first financial restriction packages by the EU as well as OFAC (Office of Foreign Assets Control). Observance of these restrictions limited the possibility of financing Russian banks through post-financing operations. In 2019, in order to streamline its international network, the Group modified its presence in Russia, maintaining a formal Representation Licence managed remotely from Italy, contracts with local staff were terminated and the lease on the Moscow office was cancelled and, after notifying the competent Russian Authorities, the registered office was transferred to an Italo-Russian law firm. As of 24 February 2022, the Office's activities, in line with those of the Parent Company, are compliant with the financial restrictions adopted by the EU and OFAC as a result of the invasion of Ukraine.

COVID-19

Summary of measures to support households and businesses

Type of Loans	Gross exposures – EBA Compliant-moratoria	Gross exposures – EBA Non-compliant moratoria	Gross exposures – Total Gross exposures	Total impairment (losses) 30 06 2022 – EBA Compliant-moratoria	Total impairment (losses) 30 06 2022 – EBA Non-compliant moratoria	Total impairment (losses) 30 06 2022 – Total impairment (losses)	New Loans 30 06 2022 – Gross exposures	New Loans 30 06 2022 – Total impairment (losses)
Performing exposures	15.0	191.0	**206.0**	0.1	8.6	**8.7**	10,509.8	34.3
Non performing exposures	-	46.3	**46.3**	-	14.5	**14.5**	198.5	45.7
Total 30 06 2022	**15.0**	**237.3**	**252.3**	**0.1**	**23.1**	**23.2**	**10,708.3**	**80.0**
Loans measured at FV	0.0	16.6	**16.6**	-	-0.1	**-0.1**	0.0	-0.0
Stage 1	13.6	45.4	**59.0**	0.1	0.2	**0.3**	8,033.8	19.3
Stage2	1.4	129.0	**130.4**	-	8.5	**8.5**	2,494.7	28.8
Stage 3	-	46.3	**46.3**	-	14.5	**14.5**	179.8	31.9
Purchased or originated credit impaired financial assets	-	-	**-**	-	-	**-**	-	-

Gross Performing exposures affected by moratorium measures in place as at 30 June 2022 were equal to about EUR 0.2 bn (EUR 1.9 bn as at 31 December 2021), of which 63.3% classified in stage 2 and 28.6% in stage 1. The total of moratoria amounts to roughly 0.3% of the portfolio of performing loans to Group customers, and consists for the most part of moratoria not compliant with the EBA Guidelines after the 9-month trigger on the total duration of the suspension period was met. The latter were classified as forborne to the extent of 73% following the assessment of the financial difficulty carried out as part of the credit review plans.

Gross Non-performing exposures with current moratoria amounted to around EUR 46.3 mln as at 30 June 2022.

The remaining exposure of the total moratoria granted since the pandemic began amounted to EUR 11.8 bn as at 30 June 2022, of which EUR 0.3 bn still in place at the date of this Consolidated half-yearly report, and shown in the table above, and EUR 11.5 bn with a suspension period that has come to an end ("expired"), EUR 10.7 bn of which classified as performing and EUR 0.8 bn as non-performing. With respect to the expired performing exposure, roughly 95% have instalments that have fallen due and been paid, with some limited overdue amounts, and for the remaining 5% the first instalment subsequent to the suspension has not yet fallen due.

With regard to the actions taken in application of the "Liquidity Decree", the Group continued with the disbursement of loans guaranteed by the State. In detail, in the first half of 2022, additional loans of roughly EUR 1.2 bn were disbursed, so that the total amount of loans guaranteed by the Central Guarantee Fund, Ismea or SACE net of repayments is equal to around EUR 10.7 bn, of which EUR 10.5 bn classified as performing loans.

Around 53% of exposures originating from guaranteed loans have finished their pre-amortisation period, recording payment delays to the extent of 1.2%; for the remaining 47% of exposures, approximately 53% require payment of the first principal instalment in the second half of 2022, while 47% will complete pre-amortisation starting from the first quarter of 2023.

Of the performing guaranteed amounts disbursed, about 23.7% represents exposures classified as stage 2, with roughly 29% representing disbursements made pursuant to letter E of the Liquidity Decree, the latter with exposure totalling EUR 3.1 bn as at 30 June 2022. The guarantee coverage rate compared to the total disbursed is roughly 87%, basically unchanged compared to the end of 2021.

The NPE ratio on total guaranteed loans was equal to around 1,9%, also resulting from preventive UTP assessment actions; limited to the lines with overdrawn amounts beyond the thresholds established for the reporting of risk events, the obligations began being met for the management of the state guarantee.

Security management in the context of the COVID-19 pandemic

In the first half of 2022, the Group continued to work to guarantee the protection of occupational health and safety, the prevention of the risk of contagion and business continuity, always in compliance with the government provisions in force at the time.

In particular, taking into account the termination of the state of emergency and the progress of the health situation, measures aimed at the gradual return to the ordinary have been introduced, while maintaining the need to prevent of infections and compliance with the primary individual and collective behavioural measures.

As part of the initiatives aimed at ensuring safety in the workplace, the main changes at 30 June 2022 consisted as follows:

- <u>COVID-19 measures</u>:
    - from 16 June **lapsing of the obligation to use masks** in the workplace (it remains recommended in locations open to the public, during meetings and training courses, and on occasions when there is crowding and it is not possible to guarantee an adequate interpersonal distance);
    - maintenance of **the interpersonal safety distance (reduced to 1 metre)** in particular during training courses and in canteens;
    - return to use **of all workstations**;
    - **application of the isolation measure only for those who have contracted the virus**. Those who have had close contact the self-surveillance regime applies with the obligation to wear the FFP2 mask for 10 days from the last close contact;
    - **protection of particular categories of workers** for whom agile working methods under the “simplified” regime are confirmed **until 31 August** (“fragile” workers or workers with serious illnesses and colleagues with serious disabilities ascertained pursuant to Law 104; pregnant workers or with children up to 7 months of age; usually up to 4 days a month, for colleagues from the Branches and Specialised Centres, to meet the needs of family care);

- <u>Control of possession and display of the *green pass*</u>:
    - from 1 April **forfeiture of the obligation for customers to show the green pass**;
    - from 1 May **the end of the obligation for all workers to possess a “Basic” Green Pass** for access to the workplace;

- <u>Resumption of activity</u>:
    - return to **ordinary working methods from 1 May 2022** and possible access to agile work according to the provisions of the relevant company regulations;
    - resumption of **ordinary procedures for carrying out business trips**;
    - possibility of **holding meetings in person**;
    - **resumption of face-to-face training activities** (also in subjects other than health and safety at work) **and conferences**;
    - **disabling of the thermal scanners** installed at the entrance of some workplaces for measuring body temperature (even if it is still forbidden to go or access work in cases of high body temperature or in the presence of flu symptoms).

Shareholders

As at 30 June 2022, the Parent Company Banca Monte dei Paschi di Siena's share capital amounted to EUR 9,195,012,196.85, broken down into 1,002,405,887 ordinary shares. On June 13, 2022, as per Consob communication, Assicurazioni Generali SpA sold a part of its own shareholding going from 4.319% to a stake of less than 3%.

According to the communications received pursuant to the applicable legislation and based on other information available, as well as based on information on CONSOB's website, the entities that, as at 30 June 2022, directly and/or indirectly held ordinary shares representing a shareholding exceeding 3% of the share capital of the Issuer and which did not fall under the cases of exemption set forth in art. 119-bis of the Issuers' Regulations are as follows:

Major BMPS shareholders as at 30 June 2022

Declarant	% of shares held on the ordinary share capital
Ministry of Economy and Finance	64.230%

Information on the BMPS share

Share price and trends

In the second quarter, the main international equity markets did not reverse the trend triggered in the first quarter by the outbreak of the war in Ukraine, extending the accumulated losses almost everywhere. The growing energy crisis, combined with the tensions of the ongoing conflict that has amplified its effects, is among the main factors that have determined a decisive increase in inflation, difficult to control for many central banks, and a strong downsizing of the prospects for an increase in the GDP for the main national economies.

In the US, inflation growth figures have alarmed the Federal Reserve, which has implemented a sharp acceleration in rate hikes. The statement by Fed Chairman Jerome Powell, who also promised to be willing to slow down the economy, in order to bring inflation back to the desired levels, contributed, at the end of the quarter, to a marked decline in the S & P500 (-16.4%). In China, the gradual normalization of activities, following the end of a new wave of Covid, allowed in the second half of the quarter a strong recovery of the Shanghai index (SHCOMP), the only one among the main world markets to close with a positive period, equal to +4.5%. The Tokyo stock exchange also closed in negative, with the Nikkei index falling -4.2%, in a quarter that confirmed a sharp rise in inflation and a depreciation of the yen.

In Europe, the proximity to the conflict scenario has largely amplified the same international crisis factors, causing generalized drops on all the main lists. In particular, in a context of rising inflation, the ECB announced its planned rate hike policy and the end of its continental asset purchase policy. At the same time, President Christine Lagarde announced an anti-fragmentation shield, aimed at avoiding increases, deemed excessive, in bond yields in some Eurozone countries. The quarter therefore closed with heavy losses both on the DAX in Frankfurt, which recorded a -11.3% decrease, and on the Paris Stock Exchange (CAC40), which closed at -11.1%; instead, the falls in the IBEX40 index in Madrid (-4.1%) and in the UKX index in London (-4.6%) were more contained.

Italy was one of the countries most affected by the increase in the spread, a figure that accompanied a downward revision of the GDP rates. These factors contributed to making the FTSE MIB index among the worst on the continent, with a quarterly loss of -14.9%. The same elements also had a strong impact on the banking sector, as evidenced by the IT8300 "*All Italian Banks*" index, which also closed the second quarter with decreasing values, down -14.3%.

The BMPS share closed at 30 June 2022 at a value of EUR 0.54, with a decrease -42.2% in the quarter. Also on a quarterly basis, the average volume of trades on a daily basis was around 4.4 million.

SHARE PRICE SUMMARY STATISTICS (from 31/03/2022 to 30/06/2022)	
Average	0.76
Minimum	0.54
Maximum	0.94

Rating

The ratings assigned by the rating agencies are provided below:

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook	Last rating action (as at 30/06/22)
Moody's	(P)NP	-	Caa1	Stable	17/03/22
Fitch	B		B	Evolving	01/12/21
DBRS	R-4	Stable	B (High)	Stable	15/06/22

- On 15 June 2022, during its annual review, **DBRS Morningstar** confirmed all BMPS ratings, including the Long-Term Issuer Rating at "B (high)", the Long-Term Senior Debt at "B (high)" and the Long-Term Deposits at "BB (low)". The outlook for all ratings remained "stable".
- On 17 March 2022, **Moody's Investors Service** concluded the revision period, confirming the Bank's stand-alone and long-term ratings and assigning a "stable" outlook.
- On 1 December 2021, **Fitch Ratings** removed the "rating watch negative" in place on the Bank's main ratings, confirming all ratings, including the stand-alone rating ("Viability Rating") at "b" and the Long-Term Issuer Default Rating ("IDR") at "B" with an "evolving" outlook.

Significant events in the first half of the year

On **7 February 2022**, the Board of Directors of the Parent Company approved: i) the removal of Mr Guido Bastianini, as General Manager, Chief Executive Officer and Director in charge of the internal control and risk management system of Banca MPS, as well as the revocation of all delegated powers, although he remains in office as a member of the Parent Company's Board of Directors; ii) the co-opting pursuant to article 2386 of the Italian Civil Code of Mr Luigi Lovaglio, following the resignation of the Director Olga Cuccurullo, on 4 February 2022, and his appointment as Chief Executive Officer and General Manager of the Parent Company.

On **30 March 2022**, the Parent Company, in compliance with the requirements of the Final SREP Decision received last 2 February, sent the European Central Bank the Capital Plan approved by the Board of Directors on the same date. The Capital Plan was developed according to assumptions consistent with those of the 2022-2026 Business Plan approved by the Parent Company on 17 December 2021, also as concerns the amount of the underlying capital increase.

On **12 April 2022**, the Shareholders' Meeting approved, inter alia, the removal of director Mr Guido Bastianini and the appointment to the role of Director, at the proposal of shareholder Ministry of Economy and Finance (MEF), of Mr Stefano Di Stefano, for integration of the Board of Directors following the revocation of Mr Guido Bastianini.

On **14 June 2022,** the Parent Company's Board of Directors has unanimously resolved the appointment of Andrea Maffezzoni as new Chief Financial Officer who took office following the resignation of Giuseppe Sica.

On **22 June 2022**, the Parent Company's Board of Directors approved the new 2022-2026 Business Plan: "**A Clear and Simple Commercial Bank"** (the "Business Plan" or the "Plan") and the updated *Capital Plan* developed in line with the Plan that was sent to the European Central Bank on 24 June 2022.

In the same board meeting, the Board of Directors of the Parent Company, as part of the initiatives of the Plan, which envisage, inter alia, a capital increase operation to be offered as an option to BMPS shareholders for a maximum amount of EUR 2.5 bn, took note of the availability of the MEF, owner of a shareholding equal to 64.23% of the share capital of Banca MPS, to "support the capital initiatives that the Parent Company will undertake for capital strengthening within the framework of the 2022-2026 Business Plan (…), in proportion to the share held at market conditions and within the framework of the provisions that should be established by the supervisory and control Authorities".

Furthermore, the Board of Directors approved the signing of a *pre-underwriting* agreement for the capital increase concerning the commitment - subject to conditions in line with market practice for similar transactions, including, among other things, the positive *feedback* from institutional investors in relation to the proposed capital increase and the agreement on the final terms and conditions of the same - to sign an underwriting agreement, regarding the newly issued ordinary shares, which may have remained unexercised at the end of the offer of the unexercised rights pursuant to art. 2441, paragraph 3, of the Italian Civil Code. The terms and conditions of the transaction (including the subscription price of the shares) will be determined, in agreement between Banca MPS and the Joint Global Coordinators (as defined below), close to the launch of the offer, taking into account, inter alia, market conditions and feedback from institutional investor. BofA Securities, Citigroup, Credit Suisse and Mediobanca - Banca di Credito Finanziario SpA will act as Joint Global Coordinators.

On **23 June 2022**, the Parent Company, based on the implementation of the development strategies envisaged in the Plan, also announced the division of the *Chief Commercial Officer* Department into three Departments, with the aim of focusing on greater specialisation and offering of a "tailor-made" service for customers. The new configuration makes it possible to operate with faster and more effective decision-making processes. More specifically:

- CCO Retail Department which will have a specific focus on consumer credit, managed savings, bank-insurance and digital banking activities.
- Corporate and Private CCO Department which will deal with Corporate and Private Banking products and markets.
- CCO Large Corporate & Investment Banking Department which will be focused on large companies and with a structure dedicated to investment banking services.

In order to strengthen the control and management of costs with the centralisation of authorisation processes, in line with the initiatives of the Plan, a "Cost Governance" structure was also set up under the responsibility of the Chief Financial Officer, who reports directly to the CEO.

Significant events after the end of the first half of the year

Below are highlighted significant events occurring in the period between the reporting date of this Half-yearly Financial Report (30 June 2022) and the date of its approval by the Board of Directors (4 August 2022), entirely qualifying as "non-adjusting events" in accordance with IAS 10 i.e. events that do not entail any adjustment to the balance in the financial statements, as they are expression of situation occurring after the reporting date, with the exception of what is expressively indicated in relation to mediation/out-of-court claims and legal disputes connected to the 2008-2015 financial statements, as specified hereunder.

In July and up to 1 August 2022, the Parent Company received mediation and out-of-court claims from a consulting firm and a Law firm on behalf of professional investor, related to capital increase transaction and allegedly incorrect financial disclosure in the prospectuses and/or in the financial statements and/or in any price sensitive information for the period 2008 -2015, for a total *petitum* (principal amount), excluding repeated request, of EUR 853.3 mln and EUR 32.2 mln respectively. These events have been assessed for the purpose of the Condensed Consolidated Half-yearly financial statements. In fact, even if notified after 30 June 2022, they provide evidence of existing situations at the reporting date of this Condensed Consolidated Half-yearly financial statements.

On **2 August 2022,** MEF informed that *DG Comp* had approved the revision of the "Commitments" that had been undertaken by the Italian Republic in order to enable the precautionary recapitalisation of the Bank in 2017, in compliance with EU and Italian regulations. The Commitments were revised on the basis of a proposal submitted in July to the EU Commission by the MEF and are consistent with target of the recently approved Business Plan.

On **3 August 2022,** the Parent company received a writ of summons regarding the same case, for a total amount of EUR 741 mln which includes the arguments of certain out-of-court claims notified to the Parent Company in previous years for an amount of EUR 522 mln. The Parent Company, in line with the approach adopted for out-of-court claims, has classified as probable the risk of losing this dispute and has quantified as at 30 June 2022, the estimate of the probable future disbursement, in line with the requirements of the accounting rules on "adjusting events".

On **4 August 2022,** an agreement between the Parent Company and Trade Unions was signed for the management of 3,500 voluntary exits as of 1 December 2022 envisaged in the 2022-2026 Business Plan, thanks to an early-retirement scheme based on the various pension options already accrued and the activation of sector's Solidarity Fund.
On the same date, the Parent Company Board of Directors resolved to expand the underwriting syndicate for the share capital increase, with the participation of other leading banking institutions: Banco Santander SA, Barclays Bank Ireland PLC, Société Générale and Stifel Europe Bank AG, as Joint Bookrunners through the signing of a pre-underwriting agreement in line with the agreement already executed by the other Joint Global Coordinators included in the existing syndicate of banks. Other financial institutions could be invited to join the syndicate before the launch of the rights offering.

2017-2021 Restructuring Plan

As at 31 December 2021, the European Commission completed the formal monitoring of the 2017-2021 Restructuring Plan to verify compliance with the commitments assumed by the Parent Company. The 2017-2021 Restructuring Plan was subject to formal monitoring by the European Commission, through a Monitoring Trustee[13]. This monitoring assumed formal relevance in verifying compliance with the commitments only at specific deadlines agreed with the European Commission. Pursuant to art. 114, paragraph 5 of Italian Legislative Decree 58/1998, the relative implementation status as at 31 December 2021, the last monitoring date, is described below. Of the total of twenty-three commitments made by the Parent Company, the following have some areas requiring attention/critical issues:

- Commitment #9 - Cost reduction measures*:*
  - the Group did not reach the end of Plan targets for several performance measures (Net Margin, Cost Income Ratio, ROE) and for the number of employees. With respect to operating expenses, the Group would have reached the target initially established if this objective had not been subsequently reduced by EUR 100 mln after it failed to achieve the 2019 performance objectives;
  - however, the branch reduction objective was met.
- Commitment #14 - Disposal of equity investments and companies:
  - in line with the objectives of commitment no. 14, the entire interest in Banca Monte dei Paschi Belgio S.A. (BMPB) was sold on 14 June 2019;
  - in compliance with what is specified in commitment no. 14, the Parent Company approved the orderly winding-down procedure of the French subsidiary Monte Paschi Banque S.A. (MPB). This procedure, made necessary after attempts at disposal of the equity investment in MPB with the timing set forth in the commitment were unsuccessful, consists of limiting the subsidiary's activities strictly to those targeted at the deleveraging of loans, excluding the development of new business and entry into new markets. In this context, MPB focused its efforts on existing customers and activities. The performance of the subsidiary in 2021 is substantially in line with the provisions of the Commitment.
  - with respect to the deleveraging of the leasing portfolio, the Bank did not reach the target of EUR 2.6 bn established for the end of the Plan.
- Commitment #17 - Sale of property assets:
  - the commitment calls for the closure of the Perimetro Consortium (concluded in 2019) as well as the disposal over the course of the Plan of owned properties for an equivalent value of EUR 500 mln. From the approval of the Plan (4 July 2017) to 30 June 2022, the Group sold real estate for a value of roughly EUR 332.9 mln, including a large part of the real estate within the scope of the disposal to Ardian. Furthermore, commitments were also signed for the sale of additional real estate assets at the total price of EUR 71.3 mln, against a total carrying amount as at 20 June 2022 of EUR 64.1 mln; of these, the last two properties to be sold to Ardian (Rome, via del Corso 518/520 and Padua, via 8 febbraio). A new public competitive sale process is under way on 29 properties owned by the Group.
- Commitment #18 - Disposal of non-core equity investments:
  - the Parent Company has not completed the sale of the equity investments in the Bank of Italy, MPS Tenimenti Poggio Bonelli and Chigi Saracini SpA and Immobiliare Novoli SpA (on the other hand, the equity investments in Bassilichi SpA., CO.EM SpA and Consorzio Triveneto SpA, Banca Popolare of Spoleto SpA and Intermonte SIM were sold as required by the Commitment).
- Commitment #19 - Sale of art collection:
  - the restriction of the Superintendency of Cultural Heritage has been placed on nearly all works, making them exempt from the sale obligation.

  The remaining Commitments were deemed completed or addressed in line with expectations.

The commitments required by DG Comp also envisage that the MEF must divest its shareholding in the Parent Company by the end of the Restructuring Plan. Thus, the MEF should have submitted to the European Commission by the end of 2019 a plan to sell its stake in the Parent Company's capital. On 30 December 2019, the MEF communicated that, in agreement with the services of the European Commission, the presentation of the plan to sell the equity investment in MPS had been postponed, pending the completion of the Parent Company's derisking transaction (the "Hydra-M" transaction). This transaction was designed and then planned also with the goal of creating the conditions for the sale of the equity investment. On 16 October 2020, by Prime Ministerial Decree, the MEF was authorised to proceed with extraordinary transactions functional to the disposal of the equity investment. In particular, the disposal of the equity investment held by the MEF in Banca MPS was

[13] As Monitoring Trustee the Parent Company confirmed Degroof Petercam Finance, with the positive opinion of the European Commission Directorate General for Competition – hereafter DG Comp.

authorised, which may be carried out in one or more phases through individual or joint recourse to: a public sale offer to investors in Italy and/or Italian and international institutional investors, direct negotiations to be carried out through transparent and non-discriminatory competitive procedures and one or more extraordinary transactions including a merger transaction. In summer 2021, UniCredit carried out due diligence aimed at assessing the acquisition of a selected scope of Banca MPS assets, based on some conditions agreed with the MEF. On 24 October 2021, UniCredit and the MEF announced the suspension of the negotiations.

2022-2026 Group Business Plan

The 2022-2026 Business Plan approved by the Parent Company's Board of Directors on 22 June 2022 aims to strengthen BMPS in its nature as a "simple commercial bank in the operation and interaction with customers" and is developed on three strategic directives:

- **Business model with sustainable profitability**: optimization of the organisational structure in order to make the Bank's operations agile and efficient, accompanied by the relaunch of the commercial platform. The goal is to strengthen the role of BMPS as a point of reference in the territories to which it belongs, through a product offer focused on families and companies and the support of important interventions for digitization, thus guaranteeing a solid generation of revenues.
- **Solid and resilient balance sheet**: significant strengthening of the Bank's capital position following the completion of the capital increase of EUR 2.5 bn expected by the end of 2022, accompanied by the implementation of a sustainable funding strategy and the improvement of the risk by virtue of the credit policies adopted
- **Management of the Bank's *legacy***: approach based on factual elements and the experience gained in the management of extraordinary legal risks.

These strategies will be preliminarily pursued through a capital increase of EUR 2.5 bn, to be carried out in the last quarter of 2022 and supported by three distinctive factors of the Group: the reputation of the brand and of the historical business of BMPS, the employee capabilities and motivation, the Bank's historic ESG culture.

The Business Plan is based on the support previously expressed by the MEF, the controlling shareholder, in compliance with national and European legislation, in supporting the interventions on the capital that the Bank will undertake for capital strengthening within the framework of the Plan, as far as its competence is concerned, at market conditions and within the framework of the provisions that may be established by the Supervisory and Monitoring Authorities. Furthermore, the objectives of the Plan take into account the review of the commitments between the Italian Republic and the European Commission relating to the Bank.

The capital increase will be submitted to the resolutions of the Shareholders' Meeting called for next 15 September. The Shareholders' Meeting may only be held following the successful completion of the authorization process currently underway at the ECB. Regarding DG Comp's assessments, on 2 August 2022 the MEF informed that the aforementioned Authority had approved the revision of the "Commitments" that had been undertaken by the Italian Republic in order to enable the precautionary recapitalisation of the Bank in 2017, in compliance with EU and Italian regulations, and that the revised commitments were consistent with the 2022-2026 Business Plan targets.

Main pillars of the 2022-2026 Business Plan

1. **Business Model with Sustainable Profitability**
   For the Bank, important initiatives are envisaged in the Business Plan aimed at achieving a *business* model characterised by sustainable profitability, thanks to an optimisation of the organisational structure in order to make the Bank's operations agile and efficient, accompanied by the relaunch of the commercial platform, aimed at strengthening the role of BMPS as a point of reference in the territory to which it belongs, through a business model and a product offer focused on families and companies. The push towards digitisation is enabled by a plan focused on key projects to support the engines of revenue rebalancing, with the aim of guaranteeing their effective and timely completion, in order to obtain tangible results over the course of the Plan.
   In particular, the following key actions are envisaged:
   - simplification of the Group structure through mergers by incorporation into BMPS of subsidiaries (MPS Capital Services, MPS Leasing & Factoring and Consorzio Operativo Gruppo MPS) to trigger and enable the rationalization of company's business and operating model. The mergers will produce significant synergies in terms of incremental costs and revenues;
   - disciplined and rigorous control of administrative costs through the optimization of needs through the centralization of the various cost centres in a single unit, renegotiation of existing contracts and review of cost processes and *policies* according to a "zero-based" logic.

- the transformation of the Group's *business* model is also expected to involve a voluntary exit plan through the Solidarity Fund, with cost savings of EUR 270 mln on an annual basis starting from 2023, against restructuring costs equal to approximately EUR 0.8 bn. A reallocation of resources in commercial activity and in customer services is also envisaged;
- optimisation of the distribution network: reduction of 150 branches, which will bring the total number to approximately 1,218. This downsizing will be enabled by (i) a business-minded approach (such as the closure of non-performing or overlapping branches, i.e. at a low distance from another branch); (ii) spread of *lean* models for branches thanks to the introduction of *self* technology (e.g. Advanced ATMs) and (iii) evolution of customer preferences towards digital channels and the consequent reduction in branch activity. Specific customer care initiatives are envisaged to safeguard the customer base.

The Bank will implement, inter alia, the following actions envisaged in the Plan:
- strengthening of the offer of *household financing* products, in particular with regard to consumer credit and mortgages. In support of these objectives, specific actions have been envisaged, such as strengthening the knowledge of its customers with the introduction of new advanced CRM tools, higher levels of activity in consumer credit, in particular on the Group's customers. The achievement of the full potential on consumer credit is closely linked to the very recent launch of the new internal product factory which makes it possible to combine the traditional distribution of third party products with an offer of "*in-house* products";
- enhancement of the role of "*advisor*" for the management of household savings. The Plan aims to: achieve full commercial potential in *wealth management* through the consolidated *partnership* with Anima and the new *advisory* platform to better support the Bank's customers with a complete product offering that perfectly meets the needs and customer risk profile; continue the successful path in *bancassurance*, developed in *partnership* with AXA, both in the Protection and Savings areas. With particular reference to the Protection *business*, the Plan forecasts challenging results that can be achieved thanks to joint work with the AXA for *the upgrade* of the product range and for the innovation of the manager/customer interaction model, with multichannel *customer experience*; fully enhance Widiba, the Group's *challenger bank*, for which major investments of over EUR 30 mln are planned to scale up its *business* model, increasingly oriented towards financial advice;
- new commercial proposition for small and medium-sized enterprises. In this context, initiatives will be put in place to strengthen the supervision and capture the specialisation opportunities of each territory with a view to integrated financing for the entire supply chain;
- expansion of the customer base focused on the household and SME segments through targeted *win-back* initiatives, *referral* programmes, development of a *value proposition* dedicated to specific customer *targets* and strengthening of organizational units dedicated to customer acquisition, both centrally and peripherally.

Finally, the strengthening of the digital strategy through a further enhancement of the internet and mobile banking products and offer, as well as of the automatic tools to support banking operations (for example, advanced ATMs).

For the purpose of relaunching the commercial platform, additional investments will be made to support growth for an amount of approximately EUR 500 mln over the period of the Plan. These investments will be aimed at executing the Plan initiatives, with particular reference to the multi-channel digital offer, the customer development plan through CRM and data analytics tools, the wealth management and consumer finance area, the industrialization of performing and non –performing credit platform.
The initiatives are supported by the evolution of internal document management and data governance platforms and by significant evolutions in the technological platform. Widiba is the subject of ad hoc initiatives aimed at the evolution of its platform in terms of digitization of the user experience, development of the digital offer, evolution of robo-advisory tools and development of data intelligence. Widiba will have its own dedicated growth path by leveraging its specific features and technological excellence.

Finally, the Plan defines the strategic direction of the Group in the ESG area with the aim of contributing positively to development through the integration of sustainability principles within the corporate strategy. The Plan will allow the Group to strengthen its path towards a sustainable development model, which has already begun a few years ago, also with adherence to the international initiatives of the Net Zero Banking Alliance and the Principles for Responsible Banking, and achieve a distinctive positioning on the market in the management of ESG issues by supporting its customers in the green transition path and contributing to the creation of a more sustainable, equitable and inclusive society.

The Plan establishes concrete actions and objectives on all the pillars of sustainability and according to the guidelines of the Internal and External Dimension. In particular:

- contribute to the environment by gradually reducing direct emissions (-60% vs 2017 - scope 1);
- continue in the Diversity & Inclusion program with the objective of 40% of women in positions of responsibility, the adoption of rules on inclusion and gender equality certifications;
- enhance human capital by pursuing the full qualification of agile work and the implementation of welfare initiatives on the emerging needs of resources, as well as spreading the "ESG Culture" through awareness-raising and training programs that will involve the entire company population;
- continue to play an active role in the areas in which the Bank operates, promoting initiatives in support of communities, culture and enhancement of the artistic and museum heritage and financial education and professional guidance;
- actively support the ecological and sustainable transition of Companies and Families through the pursuit of at least 20% of new disbursements for ESG purposes, the issuance of Green and social bonds for EUR 2.5 bn in the period of the Plan, the achievement of 50 % of new purchases of corporate bonds and the expansion of the commercial offer of ESG investment products pursuing the objective of 40% of ESG AuM on the total AuMs placed;
- adopt ESG credit rating systems for the evaluation of counterparties as well as credit policies to support the achievement of the objectives of reducing emissions financed by 2030 for the NZBA priority sectors;
- insert, in the governance area, the ESG criteria in the performance management system, in the management processes of activities, risks and investment and reporting policies;
- strengthen its positioning in terms of ESG rating, acquiring an additional general ESG *rating*.

2. **Solid and Resilient Balance Sheet**

The Plan provides for a significant strengthening of the Bank's capital position following the completion of the EUR 2.5 bn capital increase expected by the end of 2022; fully loaded CET1 14.2% by 2024 and 15.4% by 2026, with significant *buffers* compared to regulatory requirements, despite the expected *regulatory headwinds* and in the hypothesis of dividend distribution from 2025 (*pay-out ratio* of 30% on results 2025-2026).
The capital initiatives are accompanied by the implementation of a sustainable *funding* strategy and the creation of a "virtuous circle" in improving the Bank's risk profile thanks to the adopted credit policies.

As part of the Group's Liquidity and Funding Strategy, the profile of the maturities for the 2022-2024 three-year period is represented primarily by the TLTRO III auctions, to which the Parent Company had access until June 2021, for a total of EUR 29.5 bn: EUR 4 bn maturing in 2022; EUR 20 bn maturing in 2023 and EUR 5.5 bn in 2024. In addition, there are institutional bonds also maturing in the 2022-2024 three-year period for a total of EUR 4.3 bn, of which EUR 1.25 bn in 2022 (EUR 0.75 bn in covered bonds, already repaid in January 2022, and EUR 0.5 bn in senior unsecured bonds) and EUR 3.1 bn maturing in 2024 (EUR 2.3 bn in covered bonds and EUR 0.75 bn in senior unsecured bonds). In 2023, the call of a subordinated Tier 2 security issued in 2018, for a nominal amount of EUR 750 mln, may also be exercised. Lastly, also in the 2022-2024 three-year period, bilateral funding transactions are maturing for a total of EUR 1.6 bn (of which EUR 0.6 bn with non-ECB eligible collateral), of which EUR 0.5 bn already matured in the first quarter of the year.
Against the planned maturities, the Group's funding strategies aim to maintain liquidity indicators at adequate levels, broadly above regulatory limits, as well as to guarantee - as concerns public bond issue plans in particular - the satisfaction of the MREL requirements. These strategies are defined in line with the Group's strategic plans and, to this end, their operating design will be fully defined upon completion of the 2022-2026 Business Plan authorisation processes, which is still pending at the ECB. The achievement of a more stable funding structure involve refocusing on customer deposits and institutional funding (the latter based on a EUR 12 bn programme of new issues over the Plan period) and reducing recourse to funding from central banks (ECB funding on total liabilities expected to be about 13% by 2024, compared to the current approximately 22%).As a result of the funding strategy outlined above, liquidity ratios are expected to be above regulatory requirements (NSFR ~130%, LCR ~160%), also confirming a solid MREL position over the Plan period, with buffers against targets even including the CBR. As regards the improvement of the risk profile, the Plan provides for initiatives to strengthen the supervision of loans, through the establishment of specialised assessment centres in line with the priorities for the development of loans and the monitoring and management system for impaired loans. A reduction of EUR 1.3 bn in the stock of non-performing loans is expected over the course of the Plan (from the current EUR 4.1 bn to EUR 2.8 bn in 2026), of which EUR 0.8 bn of sales of bad loans to be realised in 2022.

3. **Management of the Bank's *legacy***
   Management, through a data driven approach and the experience gained, of extraordinary legal risks.

Status of implementation of the Plan at the date of preparation of this half-yearly financial report

The three new Commercial Departments: Retail, Corporate and Private, *Large Corporate & Investment Banking* were set up as part of the reorganization of the Bank. In addition, a Cost Governance structure was set up to ensure effective spending management and two dedicated units, one for Premium customers and the development of wealth management and another for consumer finance, to support the development of commercial revenues.

On 22 June 2022 the Parent Company's Board of Directors, with a view to simplifying the Group's structure, approved the plans for the merger by incorporation into the Parent Company itself of the three subsidiaries: MPS Leasing & Factoring, MPS Capital Services and Consorzio Operativo Gruppo MPS. The merger transactions are expected to be completed by May 2023 with accounting effects backdated to 1 January 2023 for the first two subsidiaries, while with reference to the Consorzio Operativo Gruppo MPS, the definition of the transaction is expected by the end of the current year with accounting effects backdated to 1 January 2022.

In June 2022, a project for the sale without recourse of non-performing loans called "Fantino" was launched with the aim of reducing the NPE *ratio* at the end of the Plan and of structurally mitigating the impact of *calendar provisioning*. The portfolio being sold consists of non-performing loans originating from the Parent Company and the subsidiaries MPS Capital Services and MPS Leasing & Factoring, for a total gross exposure of EUR 0.9 bn, of which EUR 0.6 bn of secured and unsecured bad loans, and EUR 0.3 bn of unlikely to pay exposures. The competitive process sees the participation of the main market *players*. The negotiation phase is underway between the Group and the counterparties that have formulated their best binding offers, received on 28 July 2022, was concluded on 4 August with the signing of the relevant sale agreements, and effective date deferred to a date falling in the fourth quarter of the year. At 30 June 2022, the receivables falling within the scope of the project in question were classified under asset item 120 of the Balance Sheet - "Non-current assets held for sale and disposal groups" and valued at the expected price of disposal.

On 8 and21 July 2022, the Parent Company conducted the first round tables with the Group Trade Union delegations, for starting the Solidarity Fund procedure, with the purpose of identifying shared solutions able to protect the right of the employees involved in the exit manoeuvre, and the organisational, employment and contractual perspectives of the employees who will continue to work in the Bank and in the Group. The agreement between the Parent Company and the Trade Unions for the management of 3,500 voluntary exits as of 1 December 2022, was signed on 4 August 2022

On 4 August 2022 the Board of Directors of the Parent Company resolved to call the Extraordinary Shareholders' Meeting for 15 September 2022, called, among other things, to resolve on the measures to strengthen the Parent Company's capital by means of a share capital increase by payment for an amount of EUR 2.5 bn and on the decisions referred to in article 2446, paragraph 2 of the Civil Code, relating to the reduction of the share capital.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

Consolidated balance sheet

	Assets	30 06 2022	31 12 2021
10.	Cash and cash equivalents	1,518.8	1,741.8
20.	Financial assets measured at fair value through profit or loss	10,678.0	9,671.0
	a) financial assets held for trading	10,174.1	9,217.0
	c) other financial assets mandatorily measured at fair value	503.9	454.0
30.	Financial assets measured at fair value through other comprehensive income	5,063.8	5,460.7
40.	Financial assets measured at amortised cost	106,257.3	113,060.1
	a) Loans to banks	19,757.5	25,004.4
	b) Loans to customers	86,499.8	88,055.7
50.	Hedging derivatives	783.1	5.6
60.	Change in value of macro-hedged financial assets (+/-)	-559.9	594.5
70.	Equity investments	756.5	1,095.4
90.	Property, plant and equipment	2,428.5	2,490.1
100.	Intangible assets	172.6	185.2
	- of wich goodwill	*7.9*	7.9
110.	*Tax assets*	*1,769.3*	1,774.0
	a) current	654.0	727.6
	b) deferred	1,115.3	1,046.4
120.	Non-current assets held for sale and disposal groups	304.8	72.9
130	Other assets	2,205.1	1,717.3
	Total Assets	**131,377.9**	**137,868.6**

continues: Consolidated balance sheet

Total Liabilities and Shareholders' Equity		30 06 2022	31 12 2021
10.	Financial liabilities measured at amortised cost	114,846.5	121,466.2
	a) due to banks	30,642.2	31,279.9
	b) due to customers	74,931.8	79,478.8
	c) debts securities issued	9,272.5	10,707.5
20.	Financial liabilities held for trading	4,014.2	4,531.1
30.	Financial liabilities designated at fair value	100.8	114.0
40.	Hedging derivatives	372.0	1,259.1
50.	Change in value of macro-hedged financial liabilities (+/-)	(44.4)	15.9
60.	Tax liabilities	6.0	7.0
	b) deferred	6.0	7.0
80.	Other liabilities	4,422.5	2,487.3
90.	Provision for employees severance pay	142.5	159.3
100.	Provision for risks and charges:	1,679.7	1,654.7
	a) financial guarantees and other commitments	148.8	144.0
	b) post-employment benefits	24.9	29.7
	c) other provisions	1,506.0	1,481.0
120.	Valuation reserves	(55.3)	306.8
150.	Reserves	(3,330.2)	(3,638.6)
170.	Share capital	9,195.0	9,195.0
190.	Non-controlling interests (+/-)	1.4	1.3
200.	Net Profit (loss) for the period (+/-)	27.2	309.5
	Total Liabilities and Shareholders' Equity	**131,377.9**	**137,868.6**

Consolidated income statement

Items		30 06 2022	30 06 2021
10.	Interest income and similar revenues	955.4	941.0
	of which interest income calculated applying the effective interest rate method	*776.5*	*790.6*
20.	Interest expense and similar charges	(297.2)	(358.1)
30.	**Net interest income**	**658.2**	**582.9**
40.	Fee and commission income	841.1	851.7
50.	Fee and commission expense	(112.9)	(97.2)
60.	**Net fee and commission income**	**728.2**	**754.5**
70.	Dividends and similar income	18.1	12.0
80.	Net profit (loss) from trading	(4.5)	29.3
90.	Net profit (loss) from hedging	7.8	1.9
100.	Gains/(losses) on disposal/repurchase of:	50.4	130.6
	a) financial assets measured at amortised cost	49.5	121.6
	b) Financial assets measured at fair value through other comprehensive income	0.9	4.0
	c) financial liabilities	-	5.1
110.	Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss	38.4	11.3
	a) financial assets and liabilities designated at fair value	20.3	3.1
	b) other financial assets mandatorily measured at fair value	18.1	8.2
120.	**Net interest and other banking income**	**1,496.6**	**1,522.5**
130.	Net impairment (losses)/reversals on	(223.8)	(161.1)
	a) financial assets measured at amortised cost	(223.7)	(162.0)
	b) financial assets measured at fair value through other comprehensive income	(0.1)	0.9
140.	Modification gains/(losses)	1.1	(5.3)
150.	**Net income from banking activities**	**1,273.9**	**1,356.1**
190.	Administrative expenses:	(1,212.9)	(1,231.4)
	a) personnel expenses	(715.1)	(722.0)
	b) other administrative expenses	(497.8)	(509.4)
200.	Net provision for risks and charges:	(84.6)	(34.6)
	a) commitments and guarantees issued	(6.6)	7.7
	b) other net provisions	(78.0)	(42.3)
210.	Net adjustments to/recoveries on property, plant and equipment	(60.1)	(66.0)
220.	Net adjustments to/recoveries on intangible assets	(33.8)	(33.8)
230.	Other operating expenses/income	133.0	119.6
240.	**Operating expenses**	**(1,258.4)**	**(1,246.2)**
250.	Gains (losses) on investments	12.7	46.3
260.	Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(10.8)	(28.2)
280.	Gains (losses) on disposal of investments	0.8	14.4
290.	**Profit (loss) before tax from continuing operations**	**18.2**	**142.4**
300.	Tax (expense)/recovery on income from continuing operations	8.9	59.6
310.	**Profit (loss) after tax from continuing operations**	**27.1**	**202.0**
320.	Profit (loss) after tax from discontinued operations	-	-
330.	**Profit (loss) for the period**	**27.1**	**202.0**
340.	Net Profit (loss) attributable to non-controlling interests	(0.1)	(0.1)
350.	**Parent company's net profit (loss) for the period**	**27.2**	**202.1**

	30 06 2022	30 06 2021
Basic Earnings per Share (Basic EPS)	**0.027**	**0.208**
of continuing operations	0.027	0.208
Diluted Earnings per Share (Diluted EPS)	**0.027**	**0.208**
of continuing operations	0.027	0.208

Consolidated statement of comprehensive income

	Items	30 06 2022	30 06 2021
10.	**Profit (loss) for the period**	**27.1**	**202.0**
	Other comprehensive income after tax not recycled to profit or loss	**(9.1)**	**167.8**
20.	Equity instruments designated at fair value through other comprehensive income	0.9	4.2
30.	Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)	(1.1)	(5.8)
50.	Property, plant and equipment	(12.9)	164.9
70.	Defined benefit plans	12.3	0.8
90.	Share of valuation reserves of equity-accounted investments	(8.3)	3.7
	Other comprehensive income after tax recycled to profit or loss	**(352.7)**	**(103.5)**
110.	Exchange differences	1.8	0.9
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(118.8)	(12.5)
160.	Share of valuation reserves of equity-accounted investments	(235.7)	(91.9)
170.	**Total other comprehensive income after tax**	**(361.8)**	**64.3**
180.	**Total comprehensive income (Item 10+130)**	**(334.7)**	**266.3**
190.	Consolidated comprehensive income attributable to non-controlling interests	0.1	0.2
200.	**Consolidated comprehensive income attributable to Parent Company**	**(334.8)**	**266.1**

Consolidated Statement of changes in equity – 30 June 2022

	Balance as at 31 12 2021	Change in opening balances	Balance as at 01 01 2022	Allocation of profit from prior year		Changes during the period									Total comprehensive income for 30 06 2022	Total equity as at 30 06 2022	Group equity as at 30 06 2022	Non-controlling interest as at 30 06 2022
							Shareolders' equity transactions											
				Reserves	Dividends and other payout	Change in Reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Change in equity investments					
Share capital:	9,195.7	-	9,195.7	-	-	-	-	-	-	-	-	-	-	-	9,195.7	9,195.0	0.7
a) ordinary shares	9,195.7	-	9,195.7	-	-	-	-	-	-	-	-	-	-	-	9,195.7	9,195.0	0.7
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	(3,639.1)	-	(3,639.1)	309.2	-	(1.1)	-	-	-	-	-	-	-	-	(3,331.0)	(3,330.2)	(0.8)
a) from profits	(3,520.8)	-	(3,520.8)	309.2	-	(1.1)	-	-	-	-	-	-	-	-	(3,212.6)	(3,211.9)	(0.8)
b) other	(118.4)	-	(118.4)	-	-	-	-	-	-	-	-	-	-	-	(118.4)	(118.4)	-
Valuation reserves	308.1	-	308.1	-	-	-	-	-	-	-	-	-	-	(361.8)	(53.7)	(55.2)	1.5
Net profit (loss) for the period	309.3	-	309.3	(309.2)	(0.1)	-	-	-	-	-	-	-	-	27.1	27.1	27.2	(0.1)
Total equity	6,174.0	-	6,174.0	-	(0.1)	(1.1)	-	-	-	-	-	-	-	(334.7)	5,838.1	5,836.7	1.4
Group equity	6,172.7	-	6,172.7	-	-	(1.1)	-	-	-	-	-	-	-	(334.8)	5,836.7	-	X
Non-controlling interest	1.3	-	1.3	-	(0.1)	-	-	-	-	-	-	-	-	0.1	1.4	X	1.4

As at 30 June 2022, shareholders' equity, including non-controlling interests and net income for the period, was equal to EUR 5,838.1 mln, against EUR 6,174.0 mln as at 31 December 2021, with a total net decrease of EUR 335.9 mln. This trend is mainly due to the combined effect of (i) net negative change in valuation reserves equal to EUR 361.8 mln, almost entirely attributable to the write-down of the debt securities of the Group and associated companies valued using the equity method, and (ii) profit for the period of EUR 27.1 mln.

Consolidated Statement of changes in equity – 30 June 2021

				Allocation of profit from prior year		Changes during the period											
							Shareolders' equity transactions										
	Balance as at 31 12 2020*	Change in opening balances	Balance as at 01 01 2021	Reserves	Dividends and other payout	Change in Reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Change in equity investments	Total comprehensive income for 30 06 2021	Total equity as at 30 06 2021	Group equity as at 30 06 2021	Non-controlling interest as at 30 06 2021
Share capital:	9,195.7	-	9,195.7	-	-	-	-	-	-	-	-	-	-	-	9,195.7	9,195.0	0.7
a) ordinary shares	9,195.7	-	9,195.7	-	-	-	-	-	-	-	-	-	-	-	9,195.7	9,195.0	0.7
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	(1,684.4)	-	(1,684.4)	(1,686.7)	-	2.6	(153.1)	-	-	-	-	-	-	-	(3,521.5)	(3,521.1)	(0.5)
a) from profits	(1,836.4)	-	(1,836.4)	(1,686.7)	-	2.6	-	-	-	-	-	-	-	-	(3,520.4)	(3,520.0)	(0.5)
b) other	152.0	-	152.0	-	-	-	(153.1)	-	-	-	-	-	-	-	(1.1)	(1.1)	-
Valuation reserves	261.9	-	261.9	-	-	(0.1)	-	-	-	-	-	-	-	64.3	326.0	324.7	1.3
Treasury shares	(313.7)	-	(313.7)	-	-	-	178.2	-	-	-	-	-	-	-	(135.5)	(135.5)	-
Net profit (loss) for the perio	(1,686.6)	-	(1,686.6)	1,686.7	(0.1)	-	-	-	-	-	-	-	-	202.0	202.0	202.1	(0.1)
Total equity	5,772.9	-	5,772.9	-	(0.1)	2.5	25.1	-	-	-	-	-	-	266.3	6,066.7	6,065.3	1.4
Group equity	5,771.6	-	5,771.6	-	-	2.5	25.1	-	-	-	-	-	-	266.1	6,065.3	-	-
Non-controlling interest	1.3	-	1.3	-	(0.1)	-	-	-	-	-	-	-	-	0.2	1.4	-	1.4

** The figures as at 31 December 2020 were restated, with respect to those published in the 2020 Financial Statement, following the retrospective application of the change in the measurement criterion for investment property (formerly IAS 40).*

As at 30 June 2021, shareholders' equity, including non-controlling interests and net income for the period, was equal to EUR 6,066.7 mln, against EUR 5,772.9 mln as at 31 December 2020, with a total net increase of EUR 293.8 mln. This increase was mainly due to (i) profit for the period equal to EUR 202.0 mln; (ii) net positive change in valuation reserves equal to EUR 64.3 mln, due to the combined effect of the revaluation of operating properties carried out since 31 March 2021 and the write-down of debt securities related to associated companies valued with the equity method, and finally iii) a decrease in treasury shares for EUR 178.2 mln following sales by the Parent Company which led to a trading loss of EUR 153.1 mln recognized under "Reserves-other".

Consolidated cash flow statement - indirect method

A. OPERATING ACTIVITIES	30 06 2022	30 06 2021*
1. Cash flow from operations	**423.9**	**513.5**
Profit (loss) (+/-)	27.1	202.0
Capital gains/losses on financial assets held for trading and on assets/liabilities measured at fair value (+/-)	(112.4)	(1.6)
Net gains (losses) on hedging activities	(7.8)	(1.9)
Net impairment losses/reversals	286.0	200.9
Net adjustments/ recoveries on property, plant and equipment and intangible assets (+/-)	104.7	128.0
Net provisions for risks and charges and other costs/revenues (+/-)	89.2	38.5
Unpaid charges, taxes and tax credits	(8.9)	(59.6)
Other adjustments	46.0	7.2
2. Cash flow from (used in) financial assets	**5,925.1**	**4,052.8**
Financial assets held for trading	(1,058.8)	(1,917.6)
Other financial assets mandatorily measured at fair value	(36.0)	(11.9)
Financial assets measured at fair value through other comprehensive income	(191.5)	311.0
Financial assets measured at amortised cost	6,978.3	5,099.5
Other assets	233.1	571.8
3. Cash flow from (used in) financial liabilities	**(6,650.1)**	**(5,313.4)**
Financial liabilities measured at amortised cost	(6,405.2)	(4,834.7)
Financial liabilities held for trading	(337.0)	(874.4)
Financial liabilities designated at fair value	5.4	(81.4)
Other liabilities	86.7	477.1
Net cash flow from (used in) operating activities	**(301.1)**	**(747.1)**
	-	-

B. INVESTMENT ACTIVITIES	30 06 2022	30 06 2021*
1. Cash flow from	**108.8**	**37.2**
Sales of equity investments	-	1.0
Dividends collected on equity investments	106.2	30.3
Sales of property, plant and equipment	2.6	3.3
Sales of intangible assets	-	2.6
2. Cash flow used in	**(30.6)**	**(42.3)**
Purchase of property, plant and equipment	(9.1)	(7.5)
Purchase of intangible assets	(21.5)	(34.8)
Net cash flow from (used in) investment activities	**78.2**	**(5.1)**

C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-	178.2
Dividend distribution and other	(0.1)	(0.1)
Net cash flow from (used in) funding activities	**(0.1)**	**178.1**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**(223.0)**	**(574.1)**

Accounts	30 06 2022	30 06 2021*
Cash and cash equivalents at beginning of the period	1,741.8	2,319.4
Net increase (decrease) in cash and cash equivalents	(223.0)	(574.1)
Cash and cash equivalents at end of the period	1,518.8	1,745.3

**The 2021 figures limitedly to the items "Cash and Cash equivalents" and "Financial assets measured at amortised cost a) Loans to banks, were reclassified to take into account the provisions set forth in the 7th update of Circular 262 of the Bank of Italy.*

EXPLANATORY NOTES

Accounting Policies

Basis of preparation

The Half-yearly Report as at 30 June 2022 of the Monte dei Paschi di Siena Group, approved by the Board of Directors on 5 August 2022, includes the Half-yearly Report on Operations and the Half-yearly Condensed Consolidated Financial Statements and has been prepared in accordance with financial disclosure requirements set forth in art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), and in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee (IFRIC), as endorsed by the European Commission and effective as at 30 June 2022, pursuant to EC Regulation no. 1606 of 19 July 2002.

The Condensed Consolidated Half-yearly Financial Statements, prepared using the Euro as the reporting currency, drawn up in summary form and in compliance with the IAS 34 standard "Interim financial reporting" comprises the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes; the tables of the Condensed Consolidated Half-yearly Financial Statements and the Explanatory Notes, unless otherwise noted, are prepared in millions of Euro.
In preparing the Condensed Consolidated Half-Yearly Financial Statements, the provisions of Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and rules for preparation", and subsequent updates (most recently, the 7th update, published on 29 October 2021) were applied. The Condensed Consolidated Half-Yearly Financial Statements show, in addition to the amounts pertaining to the relevant period, also the corresponding comparative data as at 31 December 2021 for the Consolidated Balance Sheet and for the first half of 2021 for:

- the Consolidated Income Statement;
- the Consolidated statement of comprehensive income;
- the Consolidated Statement of Changes in Equity; and
- the Consolidated Cash Flow Statement.

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2022 are drafted with clarity and give a true and fair view of the Bank's financial position, results of operations for the period, change in shareholders' equity and the cash flows generated.

With reference to the classification, recognition, valuation and derecognition of the various asset and liability entries, as well as the methods for recognising revenue and costs, the accounting principles used for the preparation of these Condensed Consolidated Half-Yearly Financial Statements are the same as those used for preparation of the Consolidated Financial Statements as at 31 December 2021, to which the reader is referred for more detail.

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2022 are accompanied by the certification of the Financial Reporting Officer, pursuant to art. 154-bis of the Consolidated Law on Finance, and are subject to a review by the Independent Auditors PricewaterhouseCoopers S.p.A.

An illustration of the new accounting standards, or the changes to existing standards approved by the IASB is provided below, as well as the new interpretations or changes to existing interpretations published by IFRIC, with separate reporting on those applicable in 2022 from those applicable in subsequent years.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed whose application is mandatory as of the 2022 financial statements

On 2 July 2021, Regulation (EU) 2021/1080, which endorses the following documents published by IASB on 14 May 2020, was published:
- **"*Reference to the Conceptual Framework (Amendments to IFRS3)*"** which updates the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing amendments to the provisions of the standard;
- ***"Property, Plant and Equipment - Proceeds before Intended Use (Amendment to IAS 16)"*** which prohibits deducting from the cost of property, plant and equipment the amount received from the sale of

items produced in the asset testing phase. These sales revenues and the relative costs will be recognised in the income statement;

- ***"Onerous Contracts — Cost of Fulfilling a Contract (Amendment to IAS 37)"*** which clarifies which costs must be considered in the assessment of the onerousness of the contract. More specifically, the cost to fulfil a contract includes the costs that refer directly to the contract. They may be incremental costs (for example, costs for the direct material used in processing), but also the costs that the company cannot avoid as it has entered into the contract (e.g., the share of the personnel costs and the depreciation of the machinery used to fulfil the contract);
- **"Annual Improvements to IFRS Standards 2018–2020"**, containing amendments to four standards: *IFRS 1 – "Subsidiary as a first-time adopter"; IFRS 9 – "Fees in the '10 per cent' test for derecognition of financial liabilities"*: the amendment clarifies which fees should be considered in performing the test in application of par. B3.3.6 of IFRS 9, to assess the derecognition of a financial liability; *IFRS 16 – "Lease incentives"*: the amendment regards an illustrative example and lastly *IFRS 41 – "Taxation in fair value measurements"*.

The proposed amendments are effective as of 1 January 2022. Early adoption was allowed, but the Group did not make use of this option. The adoption of these amendments did not have any effects on the Group's consolidated financial statements.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations endorsed, the application of which is mandatory as of 31 December 2022

On 23 November 2021, Regulation no. 2021/2036, which endorses **IFRS 17 "Insurance Contracts",** was published, issued by the IASB on 18 May 2017 and subsequently amended on 25 June 2020. The new standard governs the accounting treatment of insurance contracts issued by companies with the objective of ensuring relevant and comparable information that faithfully represents the effects of said insurance contracts on the entity's financial position, financial performance and cash flows.

The key new features introduced by IFRS 17 concern:

- introduction of the concept of the expected profit from insurance contracts (*Contractual Services Margin*), representing the present value of the expected profits that will be recognised over the life of the contracts. This item, involves, at the moment an insurance contract is signed, the company's recognition of a liability whose amount is given by the algebraic sum of the present value of expected contractual cash flows (discounted by also taking account of an appropriate *risk margin*, for non-financial risks) and the expected profit (present value of unearned profits);
- the measurement at the close of each reporting period of the elements indicated above (expected cash flows and profit), to verify the consistency of the estimates with the current market conditions. The effects of any misalignments must be immediately reflected in the financial statements: in the income statement if the changes relate to events that have already occurred in the past; as a reduction of expected profit if the changes relate to future events;
- the reporting in the income statement of profitability "by margins" achieved over the life of the policies, i.e. based on the service rendered by the company to policy-holders instead of at the moment contract is stipulated.

The standard is first applied starting from 1 January 2023, after the June 2020 amendment to the standard by the IASB which postponed its entry into force due to operational complexity. The changes in the book value of the insurance contracts due to the transition to IFRS 17 will therefore be recognised as a balancing entry in shareholders' equity as of 1 January 2023.

The introduction of the new standard assumes indirect significance for the Group since, although it does not carry out insurance activities, it holds shareholdings in the capital of the associated insurance companies "AXA MPS Assicurazioni Danni SpA" and "AXA MPS Assicurazione Vita SpA", which are consolidated in the Group Financial Statements with the equity method (known as "synthetic consolidation"). The first-time adoption of the aforementioned standard will have an impact on the valuation of the investment held by the Group in insurance companies; the impact is presently unforeseeable as it will depend of the methodological decision that are currently being made by the aforementioned companies.

Regulation no. 2022/357 of 3 March 2022 endorsed the amendment to IAS 1 "**Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**" and the amendment to IAS 8 "Definition of Accounting Estimates (Amendments to IAS 8)", both published by the IASB on 12 February 2021. The amendments are aimed at:

- improving the disclosure of accounting policies to provide more useful information to investors and other primary users of financial statements, by replacing the concept of significance with that of materiality and including a guide on the application of this concept to the disclosure of accounting policies;
- distinguishing changes in accounting estimates from changes in accounting policies.

The amendments to IAS 1 and IAS 8 will be effective for financial years starting on or after 1 January 2023, with early application permitted, an option the Group did not take.

IAS/IFRS accounting standards and related SIC/IFRIC interpretations issued by the IASB and still awaiting endorsement by the European Commission

On 23 January 2020, IASB published the document amending IAS 1 "**Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**" with a view to clarifying how to classify payables and other liabilities as either current or non-current. The amendment specifies that the classification is made on the basis of the rights existing at the reporting date, without considering the expectation of exercising payment deferment. The entry into force of the amendments, originally scheduled for 1 January 2022, was then deferred by the IASB with the amendment published on 15 July 2020 to financial years starting on 1 January 2023 or later. Early application is permitted.

On 9 December 2021, the IASB published the amendment to IFRS 17 "**Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**". The document concerns the transition to IFRS 17 for companies that apply IFRS 17 and IFRS 9 simultaneously for the first time and, in particular, introduces an option that allows to improve the usefulness of the comparative information presented on the first-time application of the two standards. The entry into force of the amendments is set for 1 January 2023.

On 7 May 2021, IASB published the amendment to IAS 12 "**Deferred Tax related to Assets and Liabilities arising from a Single Transaction**" **(Amendments to IAS 12)** to specify how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leases and those deriving from decommissioning obligations, must be recognised. The amendments apply as of 1 January 2023, but early adoption is permitted.

In preparing these Condensed Consolidated Half-yearly Financial Statements, the documents providing interpretations and support to the application of the accounting standards in relation to the impacts of COVID-19, issued by the European regulatory and supervisory bodies and standard setters in 2020 and 2021, and described more extensively in the 2021 Financial Statements, to which reference is made, shall also be considered, in addition to the documents issued by ESMA in the first half of 2022, with specific reference to the Russia-Ukraine crisis and the application of IFRS 17, illustrated hereunder.

On 14 March, ESMA published a Public Statement on the impacts of the Russia-Ukraine crisis on the EU's financial markets, which describes the supervisory and coordination activities undertaken in this regard and recommends that issuers offer transparent disclosure, possibly both qualitative and quantitative, on the current and expected direct and indirect effects of the crisis on the following areas: commercial activities, exposure to the markets concerned, supply chains, financial position and profit and loss in the 2021 financial reports, at the Annual Shareholders' Meeting and in interim financial reporting.

Subsequently, again with specific reference to the implications of the Russia-Ukraine conflict, on 13 May ESMA published an additional *Public Statement* with a series of recommendations to encourage the transparency and uniformity of the disclosure to be provided in 2022 Half-yearly financial reports. In particular, ESMA stresses the importance of specifying the current and expected impacts of the Russian invasion on the company's financial position, income and cash flows in addition to providing information on the main risks and uncertainties to which the entity is exposed. Since the war has triggered uncertainty and, consequently, the risk of having to make material adjustments to the carrying amount of assets and liabilities, ESMA underlines the importance of updating the disclosure on the judgment applied, on the material uncertainties to which the entity is exposed and on the risks surrounding business continuity. In addition, an entity must verify whether the effects of the war constitute an indicator of impairment for non-financial assets in relation, for example, to the decision to dispose of investments in the areas affected by the conflict. By contrast, as regards the impairment of financial instruments, ESMA focusses attention on the conflict's effects on the measurement of the significant increase in credit risk (SICR) and on the determination of the forward-looking Expected Credit Loss (ECL), by highlighting the possibility of using the a collective assessment to verify the existence of a SICR for the staging of credit exposures[14], if said measurement is difficult at individual level.

The recommendations contained in ESMA's Public Statement are fully referenced in the documents published by Consob on 18 March 2022 and 19 May 2022.

Lastly, given the expected impact and the importance of the entry into force of IFRS 17 "**Insurance Contracts**", ESMA underlines, in its Public Statement dated 13 May 2022, the need for issuers, especially in the case of insurance firms and financial conglomerates, to provide pertinent and comparable information in their financial statements which makes it possible to assess the impacts of the application of the standard. ESMA expects its recommendations to be taken into consideration in preparing the interim financial statements and the annual financial statements for 2022.

Estimates and assumptions when preparing the Condensed Consolidated Half-Yearly Financial Statements

The application of certain accounting standards necessarily implies the use of estimates and assumptions that impact the values of the assets and liabilities recognised in the financial statements as well as the disclosure provided on contingent assets and liabilities. The assumptions underlying the estimates developed take into consideration all available information at the date on which this Half-Yearly Financial Report was drafted as well as the assumptions considered reasonable, also in light of historical experience. By their very nature, it is therefore not possible to exclude that the assumptions used, albeit reasonable, may not be confirmed in the future scenarios in which the Group will be operating. The results achieved in the future therefore could differ from the estimates developed in order to draft this Half-Yearly Financial Report and, as a result, adjustments may be required, to an extent that cannot be currently predicted or estimated, with respect to the carrying amount of the assets and liabilities recognised in the financial statements. In this regard, please note that estimates could need to be revised following changes in the circumstances on which they were based, the availability of new information or the increased experience gained. In particular, taking account of the elements of extreme uncertainty regarding i) the evolution of the Russia-Ukraine conflict, ii) a new flare-up of the COVID-19 pandemic iii) the growing trend in inflation fuelled, from 2021, by the increase in the prices of energy commodities and some inelasticity of supply, and accentuated in 2022 by the outbreak of the aforementioned conflict, and also taking into consideration the associated consequences on the macroeconomic scenarios which are difficult to predict as things stand, we cannot rule out having to revise the estimated carrying amounts during the second half of 2022, in light of new information becoming available from time to time.

It should be noted that the period subject to disclosure was not characterised by changes in the estimate criteria already applied for the preparation of the Financial Statements as at 31 December 2021, to which full reference is made for a broad description of the most relevant valuation processes for the Group, except for the new aspects that have been introduced during the first half of 2022, as illustrated below.

Quantification of impairment losses on loans and IFRS 9 staging

For the first half of 2022, the regulatory *framework*, comprised of the provisions published in 2020 and 2021 by the various supervisory authorities on the application of IFRS 9 in the pandemic context, remained valid. For a detailed examination of the content of the provisions issued by the various *regulators* and on the methods of application by the Group, please refer to the 2021 Consolidated Financial Statements. In the first half of 2022, the regulations did not undergo significant changes, limited to the updating of the economic scenarios published by the ECB and by the Bank of Italy on 9 and 10 June 2022 respectively and the recommendations on the disclosure relating to the impacts of the war in Ukraine published by ESMA on 13 May 2022; for details, please refer to the section "Basis of preparations".

Macroeconomic forecasts for 2022, 2023 and 2024

On 9 June 2022, the ECB published the periodic update of the macroeconomic forecasts for the Eurozone prepared by its staff with the contribution of the individual national central banks. The baseline scenario of the projections is based on the assumption that the current sanctions against Russia (including the oil embargo imposed by the European Union) will remain valid throughout the entire period under review, that the intense phase of the

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[14] In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5 and IFRS 9 B5.5.18.

war will continue until the end of this year without any further exacerbation, that the disruption in the supply of energy will not lead to any rationing in Eurozone countries and that supply-side bottlenecks will gradually be resolved by the end of 2023. More specifically, the projections point to Eurozone GDP growth in real terms of 2.8% in 2022 (+3.7% forecast in March 2022) and 2.1% in both 2023 and in 2024 (+2.8% and +1.6% expected in March 2022).

Overall inflation measured on the Harmonised Index of Consumer Prices (HICP) would remain extremely high during most of 2022 due to the increase in the prices of energy commodities and foodstuffs, also as a result of the war in Ukraine, sitting at an average of 6.8%[15] (5.1% expected in March 2022), then gradually drop from 2023 to 3.5% (2.1% forecast in March 2020 and decline further in 2024 to 2.1% (1.9% forecast in March 2022) in the assumption of limitation of energy costs, easing of supply-side problems linked to the pandemic and a normalisation of the monetary policy.

In the less favourable scenario, inflation would average 8.0% in 2022 and 6.4% in 2023, then fall below the level predicted in the baseline scenario of the projections, sitting at 1.9% in 2024. GDP in real terms grows by just 1.3% in 2022, falls by 1.7% in 2023 and, despite rising again by 3% in 2024, stays well below the level indicated in the baseline scenario for the entire reference time horizon.

Based on these assumptions, the Bank of Italy's experts, as part of the exercise coordinated by the Eurosystem, indicated, in the document "Macroeconomic projections for the Italian economy" published on 10 June 2022, GDP growth in Italy of 2.6%[16] this year (+3.8% forecast in January), 1.6% in 2023 and 1.8% in 2024 (2.5% and 1.7% expected in January). Consumer inflation would average 6.2% this year[17], driven by the effects of the sharp rise in the prices of energy commodities and supply-side bottlenecks; it would fall to 2.7% in 2023 and 2.0% in 2024.

The baseline scenario described is heavily dependent on the assumptions regarding the development of the conflict in Ukraine, in an adverse scenario characterised by a freeze in supplies from the summer quarter, only partially offset, for our country, through other sources, GDP would increase by about zero on average in 2022, fall by more than 1% in 2023 and start to grow again in 2024. Consumer inflation would undergo a net increase in 2022, approaching 8.0%, and would also remain high in 2023, at 5.5%, then drop markedly only in 2024.

Lastly, it should be noted that, in its Economic Bulletin of 15 July 2022, the Bank of Italy updated the aforementioned projections - also in light of the most recent economic information - estimating, in the baseline scenario, a more sustained increase in GDP in Italy for 2022 (3.2%, an increase of 0.6%), slightly more contained growth for 2023 (equal to 1.3%, down by 0.3 percentage points) and 2024 (1.7%, down by 0.1 percentage points). Inflation would sit at 7.8% in 2022 then drop to 4.0% and 2.0% in 2023 and 2024 respectively.

In the adverse scenario, growth of under 1% would be recorded in 2022, a contraction of almost 2% in 2023, with average annual growth only in 2024. Consumer inflation would reach 9.3% in 2022 and would also remain high in 2023, at 7.4%, then drop markedly only in 2024.

This being said, information is provided below relating to the main macroeconomic and financial indicators included in the "baseline", "severe but plausible" and "extremely severe" scenarios, referring to the 2022-2024 three-year period, developed internally also taking as a reference the forecasts formulated by external providers in April 2022, compared with the same scenarios in use for the 2021 Financial Statements and also used for the assessments as at 30 June 2022 (see below).

[15] According to the rapid estimate of Eurostat, published following completion of the forecasting exercise in June 2022, overall inflation measured on the HICP was 8.1% in May 2022, slightly above the figure outlined in the projections of Eurosystem experts. An automatic update of the projections would indicate an inflation rate of 7.1% in 2022.

[16] According to the data from the quarterly accounts circulated by Istat on 31 May, not included in the growth projections, GDP increased by 0.1% in the first quarter of 2022, 0.3% more than the figure indicated in the flash estimate published on 29 April; this correction and the revisions to the 2021 data automatically involve an increase in the annual average growth for 2022 of 0.4%.

[17] The projection does not include the *flash* estimate of inflation in May, circulated at the end of the month, which surprised on the upside in Italy as in other countries in the Eurozone. Including said estimate, average annual inflation in 2022 would be automatically more than 0.5% higher.

		GDP		Italian residential Property Price Index		Italian non-residential Property Price Index		Unemployment rate		Investments in building constructions	
Scenario	Year	Data used for 31 12 2021 financial statements and Half-yealy financial statements as at 30 06 2022	Update April 2022	Data used for 31 12 2021 financial statements and Half-yealy financial statements as at 30 06 2022	Update April 2022	Data used for 31 12 2021 financial statements and Half-yealy financial statements as at 30 06 2022	Update April 2022	Data used for 31 12 2021 financial statements and Half-yealy financial statements as at 30 06 2022	Update April 2022	Data used for 31 12 2021 financial statements and Half-yealy financial statements as at 30 06 2022	Update April 2022
BASELINE	2022	3.83%	2.25%	1.37%	3.46%	0.81%	1.34%	10.37%	9.89%	7.99%	8.56%
	2023	2.79%	2.55%	1.77%	2.91%	1.64%	2.03%	10.28%	9.87%	7.14%	5.81%
	2024	1.97%	1.89%	1.79%	2.30%	1.80%	1.94%	9.44%	8.95%	3.87%	3.34%
	AVG	2.86%	2.23%	1.64%	2.89%	1.42%	1.77%	10.03%	9.57%	6.33%	5.90%
SEVERE BUT PLAUSIBLE	2022	2.39%	0.83%	0.58%	0.70%	-0.16%	0.01%	10.88%	10.34%	4.49%	5.24%
	2023	1.90%	1.79%	0.40%	0.49%	0.01%	0.00%	11.72%	11.12%	3.70%	3.43%
	2024	1.49%	1.39%	0.61%	0.76%	0.60%	0.60%	11.71%	11.17%	1.25%	1.57%
	AVG	1.93%	1.34%	0.53%	0.65%	0.15%	0.20%	11.44%	10.87%	3.15%	3.41%
EXTREME WORST	2022	0.58%	-0.76%	-0.74%	-0.54%	-1.81%	-1.27%	11.52%	10.83%	0.58%	1.59%
	2023	0.83%	0.37%	-0.95%	-0.74%	-1.33%	-0.99%	13.07%	12.71%	0.32%	0.09%
	2024	0.46%	0.16%	-1.58%	-1.01%	-0.88%	-0.88%	14.02%	14.27%	-1.47%	-1.68%
	AVG	0.63%	-0.08%	-1.09%	-0.76%	-1.34%	-1.05%	12.87%	12.60%	-0.19%	0.00%

Even in the presence of scenarios updated in April which would have entailed recoveries in value, the Group has deemed it appropriate, also from a conservative and prudential perspective, to confirm the scenarios used for the 2021 Financial Statements also for the accounting valuations in the Half-Yearly Financial Report.

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As reported in the paragraph "Audits", to which reference should be made for more details, an "on-site" inspection by the ECB got underway on 28 April 2022, regarding the risk of Corporate and Large SME exposures. More specifically, the inspection concerns the review of the quality of assets vis-à-vis the aforementioned counterparties, an analysis of the statistical models used to support the classification into stage 2 and the estimate of expected credit losses as well as the evaluation of the related management processes and procedures.

At the date of this Half-Yearly Financial Report, the inspection is still in progress and is expected to be completed at the end of August. In spite of this, the new information acquired as a result of dialogue with the inspection team was evaluated and taken into consideration by the Group for the purposes of drafting the Half-Yearly Financial Report. We cannot rule out that, following the audit of the Supervisory Body, additional new information may come to light, not known at the date of drafting of this report, to be considered for the purposes of assessing the credit portfolio.

In particular, the following were analysed and reviewed as part of the estimate of accounting LGD, i) the treatment of massive disposals of *non-performing* loans and ii) the treatment of multiple *defaults*.

As regards the treatment of massive disposals of *non-performing* loans, the Group's LGD accounting models were constructed fully consistently with the regulatory models. More specifically, in order to estimate the accounting value of LGD, up to now mass disposals, have been treated as follows:

1) positions subject to the so-called LGD Waiver - in accordance with the ECB's decision on models for calculating capital requirements, positions under Valentine disposal and, partially, Morgana and Merlino disposals, are excluded from the LGD estimate;
2) positions in the scope of application of art. 500 of the CRR (Capital Requirements Regulation) – in the estimate of the LGD no "loss for disposal" has been considered in relation to all those disposals or other transactions (spin-offs) for which the internal recovery process has not been completed and that have taken place as part of a NPE Strategy in the September 2018 - June 2022 period targeted at significantly reducing the NPE ratio, the "disposal loss" is instead replaced with the best estimate of the recoveries that the Group could have obtained by retaining control of the positions (so-called incomplete work-out);
3) positions subject to other disposals - the value of the disposal is used in the LGD estimate.

Albeit in the absence of a specific guideline, at least at the date of drafting of this Half-yearly Financial Report, it has been deemed appropriate to review the approach applied up until now to incorporate the effect of a higher number of disposals in the estimate of the LGD parameter, with a view to providing a better estimate of expected loss, considering that the Group's NPE Strategy, approved last 22 June, presents a "revolving" programme of disposals of roughly EUR 300 mln per year (also net of the extraordinary disposal planned in 2022). To this end, by way of methodological evolution, the losses realised by "ordinary" disposals over the last few years were included in the data-set for the LGD estimation, in place of the incomplete work-out treatment set forth in the regulatory models. Therefore, so-called "extraordinary" transactions are excluded, i.e. those relating to positions subject to LGD Waiver (Valentine transaction and partially Morgana and Merlino, excluded from the estimate) and the Hydra_M spin-off (which is treated on the basis of a work-out at the net book value, since it is considered as a reorganization transaction not a "real" operating one). The extraordinary nature of said transactions is related to their exceptional size and is proven by the specific decisions made by the Authorities; for said reasons, they cannot be considered representative of the transactions that the Group will carry out in the future, given it has now reached a natural NPE ratio level. The inclusion of "ordinary" disposals in the LGD represents a fine-tuning of the estimate methodologies: in fact, thanks to said initiative, on NPE portfolios subject to statistical evaluation, the impacts of the expected disposals set out in the NPE Strategy (2023-2026) are replaced by the application of the LGD inclusive of the "ordinary" disposals; said LGD is, moreover, extended to performing exposures.

In carrying out the aforementioned modification, the length of the time series underlying the estimation of the accounting LGD was also reviewed. In fact, we have moved from the current 10-year series to a time series of 20 years. The use of a 10-year series would have produced estimates not representative of the actual recovery processes expected by the Group and, in particular, would not have adequately represented the impact of future disposals on internal recovery processes. The use of a 20-year series instead means that the weight of positions subject to disposal included in the LGD is in line with the weight of the disposals expected in the future as part of the NPE Strategy approved recently. The change made therefore meets the need of adjusting the historical balances to make them more consistent with the prospects and, therefore, with expected loss.

The aforementioned change in estimate resulted in net write-backs on the income statement for the half year for a total of EUR 21 mln.

With reference to the topic of multiple defaults (i.e. positions defaulted, cured, then defaulted again in a short space of time), it is important to remember that the regulations make provision for asymmetric treatment of this phenomenon for regulatory purposes, to ensure conservative risk parameters. In fact, in the PD estimate, multiple defaults are all considered as "genuine defaults", in order to ensure a higher estimate of the PD, while in the LGD estimate, they are considered a "single default", in order to contain the effects of the recovery rate of defaulted positions. Up until today, unlike the regulatory models, the accounting models have not incorporated said asymmetry in line with the "unbiased" qualification of expected loss underlying the accounting regulations. In spite of this, the Group decided to "align", from this perspective, the accounting estimates with the regulatory ones, with the goal of greater coherence of the accounting LGD with the recoveries observed. The change in the estimate in question led to greater adjustments to the income statement for the half year of approximately EUR 32 mln.

Overall, therefore, the changes made to the statistical models for accounting purposes described above resulted in greater net adjustments on the cost of credit in the half-year of approximately EUR 11 mln.

The other indications acquired as part of the inspection in some cases highlight areas of improvement for the models, but with an insignificant impact on loan adjustments. In particular, note should be taken of (i) the use of scenarios in determining the EAD and PD parameters and ii) the specific treatment of *bullet* products with respect to instalment-based ones.

Finally, with reference to the perimeter of the positions subject to analytical verification, it should be noted that the observations reported by the inspection *team* have been analysed and substantially incorporated into the assessments behind these condensed consolidated half-yearly financial statements.

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During the first half of 2022 in terms of IFRS 9 measurements, the Group has maintained a prudent approach to the estimate of value adjustments, as it cannot definitively be stated that the COVID-19 emergency has come to an end, and also taking into account the negative effects on the global and Italian economy directly or indirectly associated with the Russia-Ukraine conflict. Therefore, the "management overlays" in place as at 31 December 2021 and 31 March 2022 aimed at including *ad hoc* adjustments have been maintained and appropriately supplemented in order to take into account potential forward-looking deteriorations in credit risk which may not be adequately captured by the modelling in use and to better reflect in credit assessments the specific impacts of COVID-19 and the Russian conflict in Ukraine and the potential emerging economic and financial risks. Overall, the management overlays used for valuations as at 30 June 2022, also taking into account the scenarios updated in April, resulted in additional adjustments on the cost of credit for approximately EUR 124.1 mln (approximately EUR 130 mln as at 31 December 2021 and roughly EUR 147 mln as at 31 March 2022) and higher exposures classified in stage 2 for approximately EUR 866 mln (EUR 1.6 bn as at 31 December 2021 and EUR 1.3 bn as at 31 March 2022).

The overlays as at 30 June 2022 are represented by four main categories:

1) use of asymmetric macroeconomic scenarios - in view of the uncertainty of the economic context and gradual deterioration in progress, the ECL calculation approach was maintained, in line with what was done in December 2021 and March 2022, which involves the use of the most likely scenario (baseline) and two alternatives, both worse (extremely severe and severe but plausible), all three with the same weighting and therefore combined based on a simple average, in place of the traditional approach which calls for the use of a baseline scenario, a better one and a worse one, weighted on the basis of the reference percentiles. The conservatism of this choice can be estimated at just over EUR 60 mln;
2) basic macro-economic scenario - The determination of staging and ECL still takes as a reference, as a baseline, the scenario of Prometeia released in October 2021, neutralising the positive economic impact of approximately Eur 32 mln that would have resulted from the use of latest available scenarios dated April 2022;
3) floor on PDs of positions subject to moratoria - For all those positions subject to COVID-19 moratoria and that have still not resumed payments for at least one year (therefore the COVID-19 moratoria for which the expiry date of the moratoria was after 30 June 2021), a floor is maintained at the PD value as of 31 December 2020. This choice determines greater adjustments for approximately EUR 17 mln;
4) sectors heavily impacted by the trend in the prices of energy and raw materials - On exposures to companies operating in sectors which may be hit hard by the availability/prices of energy and raw materials, greater value adjustments of around EUR 15 mln were carried out. The sectors identified, for an exposure of approximately EUR 1.9 bn, are the following: refining of petroleum products, hauliers, wholesale of fuels and combustibles, logistics and transport, wool industry, maritime transport, milling industry, cold steel processing, sale of electricity, local public transport, air transport, rail transport, chemical fibres.

The total amount of the *overlays* as at 30 June 2022 decreased by approximately EUR 23 mln and EUR 7 mln compared with the figures for 31 March 2022 and 31 December 2021 respectively. The decrease between the two quarters can be explained by two main elements represented below, partially offset by the higher level of conservatism estimated on (i) the failure to update the macroeconomic scenario, equal to EUR 19 mln compared to March 2022 and EUR 32 mln compared to 31 December 2021, and (ii) higher value adjustments on the so-called energy-intensive sectors amounting to EUR 5 mln compared to March 2022 and EUR 15 mln compared to 31 December 2021:

1) CERVED sectoral scenario - Until the reporting as of 31 March, the Group used the scenario produced by CERVED in July 2021 (period characterised by a pandemic context still in progress) and the November 2021 update was not acknowledged, characterised by a recovering context. The update of April 2022 also anticipates an overall improvement in the PDs, apart from a few sectors impacted by the crisis triggered by the Russian war in Ukraine. Since CERVED has also provided a negative scenario in addition to the baseline, the scenario has been updated which, although it anticipates a worsening of the PDs, is in any case less negative than that prevailing in the pandemic phase, therefore also taking into account the exposure of the Group to the various sectors. Therefore, at the reference date of this half-yearly financial report, the level of conservatism of approximately EUR 33 mln (EUR 39 mln at 31 December 2021) referring to this element is no longer in existence;
2) resumption in payments on COVID moratoria - As stated in the previous section, the floor on PDs is only maintained for those positions with expiry of the moratoria after 30 June 2021. For all positions that, by contrast, have resumed payments before said date, and for which the regular resumption in payments has been observed for more than one year, the floor is removed. This change resulted in a reduction in overlays of approximately EUR 12 mln compared to the figures for both December 2021 and March 2022;

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The determination of expected credit losses involves significant elements of judgment, with particular reference to the model used to measure losses and the related risk parameters, to the triggers deemed to express significant credit deterioration and the selection of macroeconomic scenarios. In particular, the inclusion of *forward-looking* factors is a particularly complex exercise, as it requires macroeconomic forecasts to be formulated, scenarios and associated probabilities of occurrence to be selected, and a model to be defined capable of expressing the relationship between the aforementioned macroeconomic factors and the default rates of the exposures subject to valuation.

In order to assess how forward-looking factors may influence expected losses, it is considered reasonable to carry out a sensitivity analysis in the context of different scenarios based on forecasts consistent with the evolution of the various macroeconomic factors. The innumerable interrelations between the individual macroeconomic factors are such as to render a sensitivity analysis of expected losses based on the individual macroeconomic factor of little significance.

The table below highlights the sensitivity for the main credit portfolios of the Group consisting of cash loans to customers, belonging to the corporate and retail segments of the 4 banks (Banca MPS, MPS Capital Services, MPS Leasing & Factoring and Widiba, which represent around 96% of the Group's total gross exposure) net of loans classified in the portfolio of non-current assets held for sale and disposal groups. The analysis shows, in line with the same approach adopted for 2021, the impact from each level of risk on gross exposures, on the adjustments and on the coverage ratio in the cases where a weight equal to 100% of the baseline, severe but plausible and extreme worst scenarios, respectively, is used instead of the scenario defined as weighted - i.e. based on weightings (33.3%) that the Group has attributed to each scenario - used by the Group for estimating the stages of risk and value adjustments as at 30 June 2022.

The weighted scenario used for the accounting valuations as at 30 June 2022 is positioned, in terms of adversity, between severe but plausible and extreme worst. In particular, for performing exposures:

- the sensitivity of the portfolio to the extreme worst scenario would see (i) a sliding of counterparties into stage 2, whose exposure would undergo an increase equal to EUR 404 mln (+ 3.4%), with a consequent increase in the ECL estimated of around 13.2% (around EUR 47 mln euros), and a greater average coverage of around 28 bps, (ii) a slight reduction of counterparties in stage 1, whose exposure would suffer a decrease of EUR 404 mln (-0.6%), an increase in the ECL of around 8.3% (around EUR 5.7 mln) and a substantial unchanged average coverage;
- the sensitivity of the portfolio to the severe but plausible scenario would see (i) a decrease in counterparties in stage 2, whose exposure would decline by approximately EUR 247 mln (-2.1%) with a consequent decrease in the estimated ECL 2021 around 5.4% (around EUR 19.0 mln) with a substantial invariance of the average coverage, (ii) an increase both in terms of exposures equal to around EUR 247 mln (+ 0.4%) and in relative ECL of approximately EUR 3.0 mln (4.3%) for stage 1 and an unchanged average coverage;
- vice versa, the sensitivity analysis of the portfolio to the baseline scenario would see (i) a more marked reduction in the stock of positions in stage 2 equal to EUR 759 mln (reduction of 6.4%) with a potential economic benefit on ECL down by 10.8% (around EUR 38 mln), and consequent decrease in the coverage ratio of around 14 bps (basis points); (ii) an increase in counterparties in stage 1, whose exposure would increase by EUR 759 mln (increase of 1.2%), an increase in ECL of approximately 2% (approximately EUR 1.4 mln euro) and an essentially unchanged average coverage.

The *sensitivity* analysis of the adjustments of impaired exposures would see an increase in the extreme worst scenario of approximately EUR 19.3 mln (+ 1.0%) and a decline of approximately EUR 1.6 mln (-0.2%) and EUR 18 mln (-0.9%) in the severe but plausible and *baseline scenarios, respectively.*

However, it is not possible to rule out that a further deterioration in the credit situation of debtors, also as a consequence of the possible negative effects on the economy directly and indirectly related to the Russian war in Ukraine, could lead to the recognition of further losses, even significant ones, compared to those considered as at 30 June 2022.

	Weighting	Scenario (Delta in EUR/Mln) Extreme Worst	Severe but Plausible	Baseline
STAGE 1 Gross exposure	**62,686.76**	**(404.03)**	**247.43**	**759.19**
of which CORPORATE	34,496.17	(340.38)	220.46	651.18
of whch RETAIL	28,190.60	(63.65)	26.97	108.01
STAGE 1 Value adjustments	**68.58**	**5.69**	**2.96**	**1.40**
of which CORPORATE	49.58	3.21	1.76	0.98
of whch RETAIL	19.01	2.48	1.19	0.42
STAGE 1 coverage ratio (%)	**0.11%**	**0.01%**	**0.00%**	**0.00%**
of which CORPORATE	0.14%	0.01%	0.00%	0.00%
of whch RETAIL	0.07%	0.01%	0.00%	0.00%
STAGE 2 Gross exposure	**11,860.32**	**404.03**	**(247.43)**	**(759.19)**
of which CORPORATE	9,344.96	340.38	(220.46)	(651.18)
of whch RETAIL	2,515.36	63.65	(26.97)	(108.01)
STAGE 2 Value adjustments	**354.26**	**46.83**	**(19.03)**	**(38.43)**
of which CORPORATE	286.64	41.08	(13.95)	(33.64)
of whch RETAIL	67.61	5.74	(5.08)	(4.79)
STAGE 2 coverage ratio (%)	**2.99%**	**0.28%**	**-0.10%**	**-0.14%**
of which CORPORATE	3.07%	0.32%	-0.08%	-0.16%
of whch RETAIL	2.69%	0.16%	-0.18%	-0.08%
STAGE 3 Gross exposure	**3,929.49**	**-**	**-**	**-**
of which CORPORATE	3,062.75	-	-	-
of whch RETAIL	866.74	-	-	-
STAGE 3 Value adjustments	**2,036.34**	**19.38**	**(1.60)**	**(17.79)**
of which CORPORATE	1,709.89	13.24	(0.92)	(12.32)
of whch RETAIL	326.45	6.14	(0.68)	(5.47)
STAGE 3 coverage ratio (%)	**51.82%**	**0.49%**	**-0.04%**	**-0.45%**
of which CORPORATE	55.83%	0.43%	-0.03%	-0.40%
of whch RETAIL	37.66%	0.71%	-0.08%	-0.63%
TOTAL ADJUSTMENTS	**2,459.18**	**71.90**	**(17.67)**	**(54.82)**
of which CORPORATE	2,046.11	57.53	(13.10)	(44.99)
of whch RETAIL	413.07	14.37	(4.57)	(9.83)

Impairment test of equity investments and goodwill

In compliance with IAS 36, at each reporting or interim reporting date, the MPS Group verifies for its equity investments and for the goodwill recognised in the balance sheet assets that there is no objective evidence that could lead it to believe that the book value of such assets is not entirely recoverable.

Specifically with regard to equity investments, the methodology adopted by the MPS Group involves using specific triggers, or key operational indicators which are compared with specific benchmarks (for more details on the indicators used by the Group, please refer to part A of the Notes to the 2021 Consolidated Financial Statements, section "Use of estimates and assumptions - Methods for calculating impairment on equity investments"); if this comparison provides an indication of trends not aligned with expectations, the value of the asset to which they refer may have suffered from impairment and, therefore, in that case the recoverable amount is estimated. Specifically, this value is determined pursuant to IAS 36 as the higher value of its fair value, net of costs to sell, and the value in use, equal to the present value of future cash flows that the company expects from the continuous use of the asset and its disposal at the end of its useful life. If the recoverable amount of an asset is lower than its book value, the asset in question is written down.

The monitoring of the main impairment indicators, carried out by the Group at 30 June 2022, revealed evidence of a potential impairment of the equity investments held in AXA-MPS Assicurazioni Vita and AXA-MPS Assicurazioni Danni. The recoverable value of the equity assets was then calculated using the Appraisal Value method for AXA-MPS Assicurazioni Vita and the Dividend Discount Model (DDM) method for AXA-MPS Assicurazioni Danni. In both cases, the recoverable value was higher than the corresponding book value and the book value of the equity investments was therefore confirmed.

With reference to the goodwill, fully allocated to the Widiba CGU, it should be noted that as at 30 June 2022 the presence of indicators of impairment was noted, calling for the need to conduct the impairment test. The comparison between the recoverable value of the CGU represented by Banca Widiba and the corresponding book value did not reveal any losses in value and the book value of goodwill was therefore confirmed.

Property valuation

The Group applies the revaluation method for the measurement of the value of property assets for business use pursuant to IAS 16 and of the fair value for investment properties pursuant to IAS 40, for measurement subsequent to the initial recognition. The revaluation method requires that the assets for business use, whose fair value can be reliably measured, are recognised at a revalued value, equal to their fair value at the date of the revaluation of value, net of depreciation and any losses for accumulated impairment. For properties held for investment purposes, the Group has chosen the fair value measurement method, according to which, after initial recognition, all investment properties are measured at fair value.

The fair value of the properties, whether they are for business use or investment properties, is determined using the appropriate appraisals prepared by qualified independent companies operating in the specific sector able to provide property valuations based on the RICS Valuation standard, which guarantee that the fair value is determined in line with the indications of IFRS 13 and that the appraisers meet the professional, ethical and independence requirements in keeping with the provisions of international and European standards.

The Group has decided to bring forward the valuation of all property assets with respect to the standard frequency. Therefore, at 30 June 2022, the entire property portfolio owned by the Group was subjected to evaluation, consisting of 1,123 owned assets of which 705 properties for operating use (IAS 16), 8 properties held for sale in the ordinary course of business of for development and resale (IAS 2), 262 investment properties (IAS 40), 142 properties with mixed classification and 6 properties held for sale (IFRS5).

The valuation methodologies applied by the appraiser are aligned with international IVS (International Valuation Standards) practices and with the provisions of the Red Book of the Royal Institute of Chartered Surveyors (RICS) and remained unchanged with respect to the previous valuations of property assets, which took place on 31 December 2021 and 31 March 2021. To learn more about the valuation methods as well as the valuation approach adopted by the Group, please refer to paragraph A.4 - Information on fair value contained in the Accounting Policies of Part A of the 2021 Consolidated Financial Statements.

The appraisals were drawn up in full mode for 188 of the properties included in the perimeter (i.e. for 16.7% of the total number) and on the basis of analysis in desktop mode for the remaining properties (i.e. for 83.3% of the total number). The market value of the portfolio was estimated as a total of EUR 2,048.1 mln which resulted in an overall write-down of the property assets for EUR 29.9 mln, of which EUR 19.8 mln euros referring to properties classified as IAS 16, EUR 8.9 mln relating to properties classified as IAS 40 and EUR 1.2 mln for properties classified as IAS 2. The overall write-down was recognised as a balancing entry:

- item 260 of the income statement - “Net gains (losses) on property plant and equipment and intangible assets measured at fair value” for a total of EUR 10.8 mln gross of the related taxation;
- item 120 of the balance sheet - “Valuation reserve” for a total of EUR 19.1 mln gross of the related taxation.

Estimation and assumptions on recoverability of deferred tax assets

In compliance with the provisions of IAS 12 and the communication of ESMA of 15 July 2019, the initial recognition of the DTAs and their subsequent inclusion in the financial statements require a judgement on the likelihood of recovering the amounts recognised. This valuation was carried out using the same methodological approach used for the 2021 consolidated financial statements, except for the forecast results for 2022, which was updated in consequence of the performance of the first half.

Lastly, it should be noted that the new 2022-2026 Business Plan, approved by the Parent Company's Board of Directors on 22 June 2022, was not used at this juncture, pending the conclusion of the ECB authorisation process and the completion of the capital strengthening transaction. For more information, please refer to par. 11.8 "Other information" in the Notes to the consolidated financial statements - Part B of the 2021 Consolidated Annual Report.

Rights of use in lease agreements

The standard IFRS 16 indicates that assets for rights of use acquired through lease agreements must be checked for indicators of impairment, similar to what takes place for owned assets. If they are identified, a comparison is made between the book value of the asset and the asset's recoverable amount, i.e. the higher of the fair value and the value in use, which is the present value of the future cash flows generated by the asset. Any adjustments are posted to the income statement.

In order to identify events or situations that could lead to impairment, IAS 36 specifies that reference should be made to indicators obtained from:

- internal sources, such as signs of obsolescence and/or physical deterioration of the asset, restructuring plans or branch closures;
- external sources, such as the increase in interest rates or other rates of return on the market for investments that may cause a significant decrease in the recoverable amount of the asset.

As at 30 June 2022, the Group had performed the following checks:

- trend in interest rates used for discounting the payments;
- presence of unused leased properties.

At the reference date of these Condensed Consolidated Half-Yearly Financial Statements, owing to the absence of further indicators of impairment, no critical factors emerged as concerns the stability of the recoverable amount of right of use assets.

Rent concessions

As of 30 June 2022, the Parent Company applied the exemption provided for by the IASB document "Covid-19-Related Rent Concessions" to the assessment of a concession obtained in 2021 as a lessee in a lease, which was extended to the first half of 2022 without other substantial changes to additional terms or conditions being introduced. The expedient, applied from the 2020 financial year, is not a significant case for the Group.

Going concern

The Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2022 were prepared based on a going concern assumption.

The assessment of the Group's ability to continue as a going concern is based essentially on the prospective evolution of the capital and liquidity position over a time span of at least 12 months. With regard to this, it is estimated that a prospective capital shortfall could emerge with respect to overall capital requirements within the evaluation timespan. With regard to liquidity, the position remains strong due to the significant measures implemented by the ECB.

As at 30 June 2022, as in previous quarters, no shortfall of capital occurred against overall capital requirements. At the end of the 12-month time horizon from the reporting date, namely 30 June 2023, assuming the scheduled capital reduction due to the IFRS 9 phase-in and the full implementation of inflation effects on RWAs linked to the alignment of internal credit risk models with EBA Guidelines, a shortfall of EUR 500 mln could emerge on the Tier 1 capital aggregate. On the other hand, on 31 December 2022, i.e. before the *IFRS9 phase-in* effect, the shortfall could be approximately EUR 50 mln.

The projected capital position is estimated assuming confirmation of the current business/operating model, excluding the capital strengthening transaction and the related initiatives (e.g. staff exits).

In order to address the potential capital shortfall, which also emerged in the adverse scenario of the EBA 2021 stress tests, a EUR 2.5 bn capital strengthening transaction through a share capital increase has been planned and will be offered with pre-emption rights to shareholders, at market conditions; this transaction is the basis of the 2022-2026 Business Plan approved by the Board of Directors on 22 June 2022.

The need for capital strengthening is significant and thus determines a potential uncertainty on the use of the going concern assumption. This uncertainty is mitigated by the full support that the controlling shareholder has repeatedly provided and again confirmed within the context of this transaction, as better described below.

The transaction, in the form of a capital increase, will be presented to the Shareholders' Meeting called for 15 September. The Shareholders' Meeting can only be held following the successful completion of the authorisation process currently underway with the ECB. As regard DG Comp's assessments, on 2 August, MEF informed that the Authority approved the revision of the "Commitments" that had been undertaken by the Italian Republic in order to enable the precautionary recapitalisation of the Bank in 2017, in compliance with EU and Italian regulations and that the revised Commitments were considered consistent with the 2022-2026 Business Plan targets.

Regarding the execution of the transaction, as already mentioned, the MEF confirmed its readiness to "*support the capital strengthening measures the Bank will undertake in the framework of the 2022-2026 Business Plan (…), for its relevant share at market conditions, and in accordance with the requirements that may be established by the Supervisory and Control Authorities*". In addition, the Bank has signed a *pre-underwriting* agreement for the Capital Increase concerning the commitment - subject to conditions in line with market practice for similar transactions, including, the institutional investors' positive *feedback* on the proposed capital increase transaction and agreement on its final terms and conditions – to enter into an *underwriting agreement* for the newly-issued ordinary shares that remain unsubscribed at the end of unsubscribed rights offering pursuant to art. 2441, paragraph 3, of the Italian Civil Code.

The Bank is continuing to provide all the necessary clarifications requested by the ECB as part of the relevant preliminary activity, and it is believed that the ECB will conclude the approval processes in the coming weeks, and, in any case, before 15 September, the date on which the Shareholders' Meeting is scheduled.

In the context outlined, it cannot be excluded that, in principle, unforeseeable circumstances and elements may occur that could affect the authorisation process as well as the Parent Company's capital strengthening process; moreover, even in the presence of these authorisations there is no guarantee that there are the market conditions that can allow the effectiveness start and the fully subscription of the capital increase. In principle, said context throws up significant uncertainties.

However, taking into account the discussions held with the Authorities so far, it is believed that the potential capital *shortfall* can be overcome with the execution of the proposed capital strengthening transaction, subject to completion of the authorisation process described above.

With regard to the indications contained in Document no. 2 of 6 February 2009 and Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and ISVAP, and subsequent amendments, the Directors, having considered the significant uncertainty with regard to the execution of the Parent Company's recapitalisation, which may give rise to significant doubts on the Group's ability to continue to operate as a going concern, believe that, taking into account the status of the actions taken, these assessments as a whole support the reasonable expectation that the Group will continue to operate as a going concern in the foreseeable future and therefore the use of the going concern assumption in preparing these condensed Consolidated half-yearly financial statements.

Scope and methods of consolidation

Investments in wholly-owned subsidiaries

	Name	Headquarters	Registered Office	Type of relationship (*)	Ownershp Relationship		Available votes % (**)
					Held by	Shareholding %	
A	**Companies**						
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.a.	Siena	Siena				
	A.1 Companies consolidated on a line-by-line basis						
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	Florence	1	A.0	100.000	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	Siena	1	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1	A.0	100.000	
A.4	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.000	
A.5	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1	A.0	100.000	
A.6	G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.000	
A.7	AIACE REOCO S.r.l. in liquidazione	Siena	Siena	1	A.0	100.000	
A.8	ENEA REOCO S.r.l. in liquidazione	Siena	Siena	1	A.0	100.000	
A.9	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI S.c.p.a.	Siena	Siena	1	A.0	99.760	
					A.1	0.060	
					A.2	0.030	
					A.3	0.030	
					A.4	0.030	
						99.910	
A.10	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	Mantua	1	A.0	100.000	
A.11	MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.000	
11.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris	Paris		A.11	100.000	
11.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.11	100.000	
A.12	MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.13	MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.14	CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1	A.0	60.000	
A.15	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	4	A.0	7.000	
A.16	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.17	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.18	SIENA LEASE 2016 2 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.19	SIENA PMI 2016 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	

(*) Type of relationship:

1. = majority of voting rights at ordinary shareholders' meetings
2. = unified management under art. 39, paragraph 2 of "Leg. Decree 136/2015"

(**) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential

The Condensed Consolidated Half-Yearly Financial Statements include the balance sheet and income statement data of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of their being going concerns or wound-up companies, or of whether the equity investment consists of a merchant banking transaction. The scope of consolidation includes all types of entities, regardless of nature, for which the concept of control introduced by IFRS 10 applies. Structured entities are also consolidated when the requirement of actual control is satisfied, even if there is no stake in the entity.

For further information on the methods of consolidation, reference should be made to the Notes to the 2021 Consolidated Financial Statements, Part A "Accounting Policies".

There are no changes in the consolidation area compared to the situation as at 31 December 2021.

Income statement and balance sheet reclassification principles

The balance sheet and income statement are shown below in reclassified form according to management criteria in order to provide an indication of the Group's general performance based on economic and financial information that can be quickly and easily determined.

A disclosure is provided below on the aggregations and main reclassifications systematically performed with respect to the financial statements established by Circular no. 262/05, in compliance with the requirements laid out by Consob in communication no. 6064293 of 28 July 2006.

Income statement data

The following are the reclassification criteria adopted for drafting the reclassified income statement:

- Item "**Net interest income**" is shown net of the negative contribution of the Purchase Price Allocation (PPA), equal to EUR -1.8 mln, referring to past business combinations, which was reclassified in a special item.
- The item "**Net fees and commissions**" includes the balance of financial statement items 40 "Fee and commission income" and 50 "Fee and commission expense".
- Item "**Dividends, similar income and gains (losses) on investments**" incorporates item 70 "Dividends and similar income" and the relevant portion of profits from related investments in AXA, consolidated using the equity method, equivalent to EUR 11.4 mln, included in item 250 "Gains (losses) on investments". The aggregate was also cleared of dividends earned on equity securities other than equity investments (EUR 4.3 mln), reclassified to item "Net profit (loss) from trading, the fair value measurement of assets/liabilities and gains from disposals/repurchases".
- The item "**Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases**" includes the values of items 80 "Net profit (loss) from trading", 100 "Gains/(losses) on disposal/repurchase", net of the contribution of loans to customers (EUR +1.5 mln), posted to the reclassified item "Cost of customer credit", and 110 "Net profit (loss) from financial assets and liabilities measured at fair value through profit or loss", net of contributions from loans to customers (EUR +5.7 mln) and securities deriving from sale/securitisation transactions of non-performing loans[18] (EUR -1.1 mln) posted to the reclassified item "Cost of customer credit". In addition, the aggregate incorporates dividends earned on equity securities other than equity investments (EUR +4.3 mln).
- Item "**Net profit from hedging**" includes financial statement item 90 "Net profit from hedging".
- Item "**Other operating income (expense)**" includes the balance of item 230 "Other operating expenses/income" net of stamp duties and other expenses recovered from customers, which are included in the reclassified item "Other administrative expenses" (EUR 109.2 mln) and net of the component relating to rental income, which is posted to "Net value adjustments to property, plant and equipment and intangible assets" (EUR 5.6 mln).
- The Item "**Personnel expenses**" includes the balance of item 190a "Personnel expenses" from which an amount of EUR -2.4 mln has been excluded, reclassified under "Restructuring/one-off costs".
- Item "**Other administrative expenses**" includes the balance of financial statement item 190b "Other administrative expenses", reduced by the following cost items:
  - expenses, amounting to EUR 88.7 mln, resulting from the EU Deposit Guarantee Schemes Directive (hereinafter "DGSD") and Bank Recovery Resolution Directive (hereinafter "BRRD") for the resolution of bank crises, recognised in the reclassified item "Risks and charges associated with SRF, DGS and similar schemes";
  - DTA fee, convertible into tax credit, for an amount of EUR 31.4 mln posted to the reclassified item "DTA fee";
  - charges of EUR 0.6 mln, relating to initiatives also aimed at complying with the commitments undertaken with DG Comp, stated under reclassified item "Restructuring costs/One-off charges".

  This item also includes the portion of stamp duty and other expenses recovered from customers (EUR 109.2 mln) posted under item 230 "Other operating expenses/income" in the financial statements.
- Item "**Net value adjustments to property, plant and equipment and intangible assets**" includes the values of items 210 "Net value adjustments to (recoveries on) property, plant and equipment" and 220 "Net value adjustments to (recoveries on) intangible assets" and was cleared of the negative contribution (EUR -0.4 mln)

[18] Starting from December 2021, the economic effects relating to securities deriving from multi-originator sales of non-performing loan portfolios associated with the type of the assignment to (i) a mutual investment fund with allocation of the corresponding shares to the transferring intermediaries or to (ii) a securitisation vehicle pursuant to Law 130/99 with the simultaneous subscription of the ABS securities by the assignor banks, and accounted for in item 110 "Net profit from other financial assets and liabilities measured at fair value through profit or loss", were reclassified to item "Cost of customer credit".

referring to the Purchase Price Allocation (PPA), which was recognised in a specific item, while it incorporates the component of rental income (EUR 5.6 mln) that was recorded in the financial statements under item 230 "Other operating expenses/income".

- Item "**Cost of customer credit**" includes the income statement components relating to loans to customers of items 100a "Gains / losses on disposal or repurchase of financial assets measured at amortised cost" (EUR +1.5 mln), 110b "Net profit (loss) on financial assets and liabilities measured at fair value as per mandatory requirements" (EUR +5.7 mln), 130a "Net impairment (losses)/reversals for credit risk on financial assets measured at amortised cost" (EUR -225.5 mln), 140 "Gains/(losses) on contractual changes without cancellations" (EUR -1.1 mln) and 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -6.6 mln). The item also includes the income statement components relating to securities deriving from the sale/securitisation of non-performing loans recognised in item 110b "Net result of other financial assets measured at fair value as per mandatory requirements" (EUR -1.1 mln).
- The item "**Net impairment losses on securities and bank loans**" includes the portion relating to securities (EUR -0.7 mln) and loans to banks (EUR +2.5 mln) of item 130a "Net impairment (losses)/reversals for credit risk of financial assets measured at amortised cost" and item 130b "Net impairment (losses)/reversals for credit risk of financial assets measured at fair value through other comprehensive income" (EUR -0.1 mln).
- Item "**Other net provisions for risks and charges**" includes the balance of financial statement item 200 "Net provisions for risks and charges", reduced by component relative to loans to customers of item 200a "Net provisions for risks and charges - commitments and guarantees given" (EUR -6.6 mln), which was included in the specific item "Cost of customer credit".
- Item "**Other gains (losses) on investments**" includes the balance of item 250 "Gains (losses) on investments", cleared of the portion of profit relative to the related investments in AXA, consolidated with the equity method, equal to EUR 11.4 mln, reclassified under item "Dividends, similar income and gains (losses) on equity investments".
- Item "**Restructuring/One-off costs**" includes the following amounts:
    - charges amounting to EUR 2.4 mln, recognised in the financial statements under item 190a "Personnel expenses";
    - charges of EUR 0.6 mln, relating to project initiatives, also aimed at complying with the commitments undertaken with DG Comp, accounted for in the financial statements under item 190b "Other administrative expenses".
- Item "**Risks and charges associated with SRF, DGS and similar schemes**" includes expenses deriving from the EU directives DGSD on deposit guarantee schemes and BRRD on the resolution of bank crises, equivalent to EUR 88.7 mln, posted in the financial statements under item 190b "Other administrative expenses".
- The Item "**DTA fee**" includes the expenses related to the fees paid on DTAs that can be converted into tax credit as set forth in art. 11 of decree-law no. 59 of 3 May 2016, converted into Law no. 119 of 30 June 2016, recognised in the financial statements under item 190b "Other administrative expenses", for EUR 31.4 mln.
- Item "**Net gains (losses) on property, plant and equipment and intangible assets measured at fair value**" includes the balance of financial statement item 260 "Net gains (losses) on property, plant and equipment and intangible assets measured at fair value".
- Item "**Gains (losses) on disposal of investments**" includes the balance of financial statement item 280 "Gains (losses) on disposal of investments".
- Item "**Tax expense (recovery)**" includes the balance of item 300 "Tax expense (recovery) on income from continuing operations" cleared of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item for an amount of EUR 0.7 mln.

The overall negative effects of the Purchase Price Allocation (PPA) were reclassified to a specific item, excluding them from affected income statement items (in particular "Net interest income" for EUR -1.8 mln and "Net value adjustments to property, plant and equipment and intangible assets" for EUR -0.4 mln, net of a theoretical tax burden of EUR +0.7 mln which was added to the item).

Balance sheet data

The following are the reclassification criteria adopted for drafting the reclassified balance sheet:

- asset item “**Loans to central banks**” includes the portion relating to operations with central banks of item 40 “Financial assets measured at amortised cost”;
- the asset item “**Loans to banks**” includes the portion relating to loans to banks of financial statement items 40 “Financial assets measured at amortised cost”, item 20 “Financial assets measured at fair value through profit or loss” and item 120 “Non-current assets held for sale and disposal groups”;
- asset item “**Loans to customers**” includes the portion relating to loans to customers of financial statement items 20 “Financial assets measured at fair value through profit or loss”, item 40 “Financial assets measured at amortised cost” and item 120 “Non-current assets held for sale and disposal groups”;
- asset item “**Securities assets**” includes the portion relating to securities of item 20 “Financial assets measured at fair value through profit or loss”, item 30 “Financial assets measured at fair value through other comprehensive income”, item 40 “Financial assets measured at amortised cost” and item 120 “Non-current assets held for sale and disposal groups”;
- asset item “**Derivatives**” includes the portion relating to derivatives of items 20 “Financial assets measured at fair value through profit or loss” and item 50 “Hedging derivatives”;
- asset item “**Equity investments**” includes item 70 “Equity Investments” and the portion relating to investments of item 120 “Non-current assets held for sale and disposal groups”;
- asset item “**Property, plant and equipment and intangible assets**” includes item 90 “Property, plant and equipment”, item 100 “Intangible assets” and the amounts related to property, plant and equipment and intangible assets in item 120 “Non-current assets held for sale and disposal groups”;
- asset item “**Other assets**” includes item 60 “Change in value of macro-hedged financial assets”, item 130 “Other assets”, and the amounts in item 120 “Non-current assets held for sale and disposal groups” not included in the previous items;
- liability item “**Due to customers**” includes item 10b “Financial liabilities measured at amortised cost - deposits from customers” and the component relating to customer securities of item 10c “Financial liabilities measured at amortised cost - Debt securities issued”;
- liability item “**Securities issued**” includes item 10c “Financial liabilities measured at amortised cost - Debt securities issued”, excluding the component relating to customer securities, and item 30 “Financial liabilities measured at fair value”;
- liability item “**Due to central banks**” includes the portion of item 10a “Financial liabilities measured at amortised cost - Due to banks” relating to operations with central banks;
- liability item “**Due to banks**” includes the portion of item 10a “Financial liabilities measured at amortised cost - Due to banks” relating to operations with banks (excluding central banks);
- liability item “**On-balance-sheet financial liabilities held for trading**” includes the portion of item 20 “Financial liabilities held for trading” net of the amounts relating to derivatives for trading;
- liability item “**Derivatives**” includes item 40 “Hedging derivatives” and the portion related to derivatives in item 20 “Financial liabilities held for trading”;
- liability item “**Provision for specific use**” includes item 90 “Employee severance pay” and item 100 “Provisions for risks and charges”;
- liability item “**Other liabilities**” includes item 50 “Adjustment of macro-hedged financial liabilities”, item 70 “Liabilities associated with disposal groups” and item 80 “Other liabilities”;

liability item “**Shareholders’ equity of the Group**” includes item 120 “Valuation reserves”, item 130 “Redeemable shares”, item 150 “Reserves”, item 170 “Share capital”, item 180 “Treasury shares” and item 200 “Profit (loss) for the period”.

Reclassified income statement

Reclassified Consolidated Income Statement				
MONTEPASCHI GROUP	30 06 2022	30 06 2021	Change	
			Abs.	%
Net interest income	660.0	585.2	74.8	12.8%
Net fee and commission income	728.2	754.5	(26.3)	-3.5%
Income from banking activities	**1,388.2**	**1,339.7**	**48.5**	**3.6%**
Dividends, similar income and gains (losses) on investments	25.2	55.4	(30.2)	-54.5%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	82.4	176.7	(94.3)	-53.4%
Net profit (loss) from hedging	7.8	1.9	5.9	n.m.
Other operating income (expenses)	18.3	(12.5)	30.8	n.m.
Total Revenues	**1,522.0**	**1,561.2**	**(39.3)**	**-2.5%**
Administrative expenses:	(980.5)	(984.8)	4.3	-0.4%
a) personnel expenses	(712.7)	(718.8)	6.1	-0.9%
b) other administrative expenses	(267.9)	(266.0)	(1.9)	0.7%
Net value adjustments to property, plant and equipment and intangible assets	(87.9)	(88.5)	0.6	-0.7%
Operating expenses	**(1,068.4)**	**(1,073.2)**	**4.8**	**-0.4%**
Pre-Provision Operating Profit	**453.6**	**488.0**	**(34.4)**	**-7.1%**
Cost of customer credit	**(224.9)**	**(162.8)**	**(62.1)**	**38.1%**
Net impairment (losses)/reversals on securities and loans to banks	**1.7**	**1.7**	**-**	**0.0%**
Net operating income	**230.4**	**326.9**	**(96.5)**	**-29.5%**
Net provisions for risks and charges	(78.0)	(42.3)	(35.7)	84.4%
Other gains (losses) on equity investments	1.3	(0.2)	1.5	n.m.
Restructuring costs / One-off costs	(3.1)	(4.2)	1.1	-27.2%
Risks and charges associated to the SRF, DGS and similar schemes	(88.7)	(89.6)	0.9	-1.0%
DTA Fee	(31.4)	(31.6)	0.2	-0.6%
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(10.8)	(28.2)	17.4	-61.7%
Gains (losses) on disposal of investments	0.8	14.4	(13.6)	-94.4%
Profit (Loss) for the period before tax	**20.5**	**145.1**	**(124.7)**	**-85.9%**
Tax (expense)/recovery on income from continuing operations	8.2	58.7	(50.5)	-86.1%
Profit (Loss) after tax	**28.6**	**203.8**	**(175.2)**	**-86.0%**
Net profit (loss) for the period including non-controlling interests	**28.6**	**203.8**	**(175.2)**	**-86.0%**
Net profit (loss) attributable to non-controlling interests	(0.1)	(0.1)	-	n.m.
Parent Company's Profit (loss) for the period before PPA	**28.7**	**203.9**	**(175.2)**	**-85.9%**
PPA (Purchase Price Allocation)	(1.5)	(1.8)	0.3	-17.2%
Parent company's net profit (loss) for the period	**27.2**	**202.1**	**(174.9)**	**-86.5%**

** These items as at 30 June 2021 include the reclassification of economic effects of securities related to sale/securitization transactions of non-performing loans included in the item "Cost of Customer credit"*

Quarterly trend in reclassified consolidated income statement						
MONTEPASCHI GROUP	2022		2021			
	2°Q 2022	1°Q 2022	4°Q 2021	3°Q 2021	2°Q 2021	1°Q 2021
Net interest income	336.9	323.1	323.0	313.3	305.6	279.6
Net fee and commission income	359.3	368.9	371.2	358.3	382.5	372.0
Income from banking activities	**696.2**	**692.0**	**694.2**	**671.6**	**688.1**	**651.6**
Dividends, similar income and gains (losses) on investments	11.1	14.1	37.7	20.3	34.2	21.2
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	6.9	75.6	(5.9)	14.0	19.7	157.0
Net profit (loss) from hedging	3.2	4.6	4.9	5.8	0.3	1.6
Other operating income (expenses)	21.6	(3.2)	(10.8)	(13.4)	(1.8)	(10.7)
Total Revenues	**738.9**	**783.1**	**720.2**	**698.3**	**740.5**	**820.7**
Administrative expenses:	(488.8)	(491.7)	(471.3)	(470.0)	(491.9)	(492.9)
a) personnel expenses	(356.8)	(355.9)	(351.1)	(358.1)	(358.7)	(360.1)
b) other administrative expenses	(132.0)	(135.8)	(120.2)	(111.9)	(133.3)	(132.7)
Net value adjustments to property, plant and equipment and intangible assets	(44.2)	(43.6)	(47.8)	(43.6)	(41.0)	(47.5)
Operating expenses	**(533.1)**	**(535.3)**	**(519.1)**	**(513.6)**	**(532.9)**	**(540.4)**
Pre-Provision Operating Profit	**205.8**	**247.7**	**201.1**	**184.7**	**207.7**	**280.4**
Cost of customer credit	**(113.7)**	**(111.3)**	**(222.3)**	**135.1**	**(88.9)**	**(73.9)**
Net impairment (losses)/reversals on securities and loans to banks	**2.1**	**(0.4)**	**2.5**	**1.2**	**5.4**	**(3.7)**
Net operating income	**94.3**	**136.1**	**(18.7)**	**321.0**	**124.1**	**202.7**
Net provisions for risks and charges	(49.6)	(28.4)	(32.9)	(23.8)	(50.8)	8.5
Other gains (losses) on equity investments	(0.7)	2.0	(0.0)	2.4	2.6	(2.8)
Restructuring costs / One-off costs	(2.9)	(0.2)	0.8	(3.9)	(4.1)	(0.1)
Risks and charges associated to the SRF, DGS and similar schemes	-	(88.7)	(10.3)	(69.4)	(21.8)	(67.8)
DTA Fee	(15.7)	(15.8)	(15.8)	(15.8)	(15.9)	(15.7)
Net gains (losses) on property, plant and equipment and intangible assets measured at fair value	(10.8)	-	(15.3)	-	(0.4)	(27.8)
Gains (losses) on disposal of investments	0.9	(0.1)	-	-	(2.6)	17.0
Profit (Loss) for the period before tax	**15.5**	**5.0**	**(92.3)**	**210.5**	**31.1**	**114.0**
Tax (expense)/recovery on income from continuing operations	2.6	5.5	14.5	(23.7)	52.6	6.1
Profit (Loss) after tax	**18.1**	**10.5**	**(77.8)**	**186.8**	**83.7**	**120.1**
Net profit (loss) for the period including non-controlling interests	**18.1**	**10.5**	**(77.8)**	**186.8**	**83.7**	**120.1**
Net profit (loss) attributable to non-controlling interests	(0.1)	-	(0.1)	-	-	(0.1)
Parent Company's Profit (loss) for the period before PPA	**18.2**	**10.5**	**(77.7)**	**186.8**	**83.7**	**120.2**
PPA (Purchase Price Allocation)	(0.7)	(0.8)	(0.9)	(0.8)	(0.9)	(0.9)
Parent company's net profit (loss) for the period	**17.5**	**9.7**	**(78.6)**	**186.0**	**82.8**	**119.3**

Revenue trends

As at 30 June 2022, the Group achieved total **Revenues** of **EUR 1,522 mln**, down 2.5% compared to the same period of last year.

This trend is mainly attributable to the decrease in Other revenues from financial management, which in the first half of 2022 are affected by lower profits deriving from the sale of the securities, a lower trading result and a reduced contribution generated by the equity investments in assurance associated companies AXA. On the other hand, we are witnessing year-on-year growth in the Primary net interest and other banking income thanks to the improvement in the Interest Margin which more than offset the reduction in Net fee and commission income.

Revenues for the second quarter of 2022 recorded a decrease of 5.6% compared to the previous quarter. In particular, a decrease was recorded in Other revenues from financial management due to the lower profits from the sale of securities and the worsening of the trading result only partially offset by the capital gains recorded in particular on *UCIs*. The contribution generated by equity investments in assurance associated companies AXA also fell. Primary net interest and other banking income increased compared to the previous quarter (+ 0.6%), thanks to the growth of the Interest Margin (+4.3%) only partially offset by the reduction in Net fee and commission income (-2.6%).

The table below shows the trend in revenues for each of the operating segments identified.

SEGMENT REPORTING	Operating Segments						Corporate Center		Total Montepaschi Group	
Primary segment	Retail banking		Wealth Management		Corporate banking					
(EUR mln)	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Net interest income	159.6	-7.7%	1.5	n.m.	307.8	5.8%	191.1	58.2%	660.0	12.8%
Net fee and commission income, of which:	436.6	-5.6%	59.1	-4.7%	275.0	1.0%	(42.5)	0.9%	728.2	-3.5%
Fee and commission income	*475.9*	-4.7%	*59.6*	-4.7%	*309.4*	3.3%	*(3.8)*	-60.7%	*841.1*	*-1.2%*
Fee and commission expense	*(39.3)*	5.8%	*(0.5)*	0.3%	*(34.4)*	26.5%	*(38.7)*	19.6%	*(112.9)*	*16.2%*
Other Revenues from Banking and Insurance Business	9.5	-72.7%	2.5	-75.6%	9.4	-73.4%	94.0	-38.8%	115.4	-50.7%
Other operating expenses/income	0.6	n.m.	0.1	n.m.	4.6	n.m.	13.1	n.m.	18.3	n.m.
Total Revenue	606.3	-8.9%	63.3	-12.8%	596.8	1.2%	255.6	9.5%	1,522.0	-2.5%

Net Interest Income amounted to **EUR 660 mln** as at 30 June 2022, up 12.8% compared to the same period of 2021. This growth was driven primarily by (i) the increased contribution of the commercial segment, thanks to the lower cost of funding, which made it possible to more than offset lower interest on loans; (ii) the positive effects of access to TLTRO III auctions, (iii) the lower cost incurred for the liquidity deposited at central banks, following the reduction in the relative volumes, and (iv) the lower cost of market funding, which benefitted from the maturity of some securities. It should be noted that the positive effects linked to access to the TLTRO III auctions relating to the first half of 2022 amounted to EUR 145 mln (EUR 128 mln in the first half of 2021 and the cost of liquidity deposited at central banks totalled EUR 48 mln (EUR 52 mln in the first half of 2021).

The interest margin for the second quarter of 2022 increased compared to the previous quarter (+4.3%) mainly thanks to the greater contribution of loans, which benefited from higher volumes and rates compared to the previous quarter, and to the lower cost of funding, with a re-composition of the *stock* on less expensive components.

Items	30 06 2022	30 06 2021	Chg. Y/Y		2°Q 2022	1°Q 2022	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	651.6	613.8	37.8	6.2%	336.2	315.4	20.7	6.6%
Loans to Banks measured at amortised cost	(2.2)	(8.5)	6.2	-73.6%	0.2	(2.4)	2.6	n.m.
Loans to central banks	97.3	76.2	21.2	27.8%	46.3	51.0	(4.7)	-9.3%
Government securities and other non-bank issuers at amortised cost	55.6	63.0	(7.4)	-11.7%	27.9	27.7	0.2	0.7%
Securiries issued	(159.0)	(173.3)	14.3	-8.3%	(79.6)	(79.4)	(0.2)	0.3%
Hedging derivatives	(32.5)	(29.2)	(3.3)	11.3%	(16.6)	(15.9)	(0.7)	4.4%
Trading portfolios	18.9	16.8	2.1	12.5%	7.9	11.0	(3.1)	-28.2%
Portfolios measured at fair value	3.0	2.4	0.6	25.0%	1.5	1.5	-	0.0%
Financial assets measured at fair value through other comprehensive income	21.2	21.7	(0.5)	-2.3%	10.1	11.1	(1.0)	-9.0%
Other financial assets and liabilities	6.1	2.3	3.8	n.m.	3.0	3.1	(0.1)	-3.2%
Net interest income	**660.0**	**585.2**	**74.8**	**12.8%**	**336.9**	**323.1**	**13.7**	**4.3%**
of which: interest income on impaired financial assets	*28.8*	*28.1*	*0.7*	*2.5%*	*14.3*	*14.5*	*(0.2)*	*-1.4%*

Net fee and commission income as at 30 June 2022, totalling **EUR 728 mln,** declined compared to the same period of the previous year (-3.5%). The decrease is attributable to lower income from asset management (-7.7%), mainly due to lower commissions on product placement. Income on protection and the securities service also fell, while *continuing* commissions increased. Commissions from traditional banking services recovered compared to the same period of the previous year, while Other net commissions also decreased due to the effect of synthetic securitisation transactions carried out in the third quarter of 2021.
The contribution of the second quarter of 2022 was down in comparison with the previous quarter (-2.6%) mainly due to the reduction in commissions on asset management (EUR -11 mln). Both commissions on product placement and *continuing* commissions were down, reflecting the decline in volumes deriving from the negative market effect. Compared with the previous quarter, commissions from traditional banking services remained stable.

Services/value	30 06 2022	30 06 2021	Change Y/Y		2°Q 2022	1°Q 2022	Change Y/Y	
			abs.	%			abs.	%
Assets under management fee	**352.0**	**381.5**	**(29.5)**	**-7.7%**	**170.6**	**181.4**	**(10.7)**	**-5.9%**
Product placement	112.9	140.9	(28.0)	-19.9%	53.2	59.7	(6.5)	-10.8%
Continuing fees	199.0	192.3	6.8	3.5%	96.9	102.1	(5.1)	-5.0%
Placement of securities	18.3	21.8	(3.5)	-16.1%	9.4	8.9	0.5	5.9%
Sales of Protection	21.7	26.5	(4.8)	-18.0%	11.0	10.7	0.4	3.5%
Fee and commisions from traditional activities	**428.0**	**416.6**	**11.4**	**2.7%**	**213.9**	**214.1**	**(0.2)**	**-0.1%**
Credit fees	182.0	186.8	(4.8)	-2.5%	87.7	94.3	(6.7)	-7.1%
Fees from foreign service	31.4	24.7	6.7	27.3%	16.5	14.9	1.5	10.4%
Other services	214.6	205.2	9.4	4.6%	109.8	104.8	5.0	4.7%
Other fee and commission income	**(51.9)**	**(43.6)**	**(8.2)**	**18.9%**	**(25.3)**	**(26.6)**	**1.3**	**-4.9%**
Net fees and commission income	**728.2**	**754.5**	**(26.3)**	**-3.5%**	**359.3**	**368.9**	**(9.6)**	**-2.6%**

For an analysis of the fee and commission income and for the disclosure on disaggregation of revenues, as required by IFRS 15.114-115, the table below shows the trend in fees and commissions for each of the operating segments identified.

SEGMENT REPORTING Primary segment	Operating Segments			Corporate Center	Total Montepaschi Group
	Retail banking	Wealth Management	Corporate banking		
	30/06/22	30/06/22	30/06/22	30/06/22	30/06/22
Assets under management fee	**288.4**	**53.6**	**11.3**	-	**353.4**
Product placement	106.3	4.0	2.7	-	113.0
Continuing fees	148.3	46.5	4.5	-	199.2
Placement of securities	15.9	3.0	0.6	-	19.4
Sales of Protection	18.0	0.1	3.6		21.7
Fee and commisions from traditional activities	**180.8**	**3.3**	**276.7**	**-**	**460.8**
Credit fees	35.3	0.9	162.7		198.9
Fees from foreign service	2.6	0.1	31.6	-	34.4
Other services	142.9	2.3	82.4		227.5
Other fee and commission income	6.6	2.7	21.4	(3.8)	26.9
Net fees and commission income	**475.9**	**59.6**	**309.4**	**(3.8)**	**841.1**

A total of 42.0% of the Group's Fee and commission income by Operating segments derives from products (management, placement and custody), 23.6% from loans (granting and utilisation) and 34.3% from services (account maintenance, payments, etc.).

More specifically, 60.6% of Retail banking fee and commission income is attributable to product fees and commissions, 7.4% to income from loans and 32.0% to fees and commissions on services. Wealth Management commission income essentially refers to the product component (90.0%); Corporate banking fee and commission income is instead mainly concentrated on the credit (52.6%) and services (43.7%) components.

Dividends, similar income and gains (losses) on investments totalled **EUR 25 mln** and fell when compared to 30 June 2021, due to lower income generated by the equity investments in assurance associated companies AXA[19]. The contribution for the second quarter of 2022 was down by EUR 3 mln compared to the previous quarter, again due to a lower contribution from the proceeds generated by the equity investments in assurance associated companies AXA.

Net profit (loss) from trading, fair value measurement of assets/liabilities and gains on disposals/repurchase as at 30 June 2022 amounted to **EUR 82 mln**, a decrease of EUR 94 mln compared to the values recorded in the same period of the previous year and with a contribution in the second quarter of 2022 down by EUR 69 mln compared to the previous quarter, mainly due to lower gains on disposal of securities. The analysis of the main aggregates shows the following:

- **Net result of *trading* activity essentially nil,** compared to the value of EUR 32 mln recorded in the same period of the previous year, with a reduction in both the contribution of trading activities and the value of derivatives hedging the bond liabilities at *fair value option*. The reduction in value of derivatives is offset by the benefit generated by the reduction in value of the corresponding hedged bond liabilities and recorded under the item "Net result of other assets / liabilities measured at *fair value* as a balancing entry in the income statement".
  The result for the second quarter of 2022 is down on the previous quarter (EUR -32 mln) which had benefited from a greater contribution from trading results, in particular from MPS Capital Services.
- **Net result of other assets / liabilities measured at *fair value* as a balancing entry to the profit and loss account for EUR 34 mln**, an increase compared to the EUR 14 mln recorded in the same period of the previous year thanks to the capital gains recorded in particular on *UCITs* and the benefit generated by the

[19] AXA-MPS is consolidated in the Group's financial statements using the equity method.

reduction in the value of the bond liabilities which, as mentioned above, offsets the reduction in value recorded by the corresponding hedging derivatives and recognised under the item "Net *trading income*". The contribution of the second quarter of 2022, equal to EUR +23 mln, improved by EUR 12 mln compared to the previous quarter, due in particular to the capital gains recorded on UCITS.

- **Positive results from disposal/repurchase** (excluding customer loans at amortised cost) **of EUR 49 mln**, with a decrease of EUR 82 mln attributable to lower income on the sale of securities. The contribution of the second quarter of 2022 is down compared to the previous quarter (EUR -49 mln), again due to the lower profits deriving from the sale of securities.

Items	30 06 2022	30 06 2021	Chg. Y/Y		2°Q 2022	1°Q 2022	Chg. Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	(268.1)	(33.2)	(234.9)	n.m.	(170.0)	(98.1)	(71.9)	73.3%
Financial liabilities held for trading	223.8	67.6	156.2	n.m.	113.4	110.4	3.0	2.7%
Exchange rate effects	9.0	4.9	4.1	83.7%	3.0	6.0	(3.0)	-50.0%
Derivatives	35.1	(6.9)	42.0	n.m.	37.3	(2.2)	39.5	n.m.
Trading results	**(0.2)**	**32.4**	**(32.6)**	**n.m.**	**(16.3)**	**16.1**	**(32.4)**	**n.m.**
Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	33.8	13.5	20.3	n.m.	23.1	10.8	12.3	n.m.
Disposal / repurchase (excluding loans to customers measured at amortised cost)	48.8	130.8	(82.0)	-62.7%	0.1	48.7	(48.6)	-99.9%
Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases	**82.4**	**176.7**	**(94.3)**	**-53.4%**	**6.9**	**75.6**	**(68.7)**	**-90.9%**

** These items as at 30 June 2021 include the reclassification of economic effects of securities related to sale/securitization transactions of non-performing loans included in the item "Cost of Customer credit"*

The following items are also included in Revenues:

- **Net profit (loss) from hedging** positive for **EUR 8 mln,** an increase compared to the first half of 2021 (EUR +2 mln) and with a contribution of the second quarter of 2022 down on the previous quarter (EUR -1.4 mln);

- **Other operating income/expense,** totalling a positive **EUR 18 mln,** improved compared to the result recorded in the first half of 2021 (equal to EUR -13 mln), and with an improved contribution in the second quarter with respect to the previous quarter (equal to EUR -3 mln).

Management costs: operating expenses

As at 30 June 2022, **Operating expenses** were equal to **EUR 1,068 mln**, a slight decrease compared to the corresponding period of the previous year (-0.4%) and with a contribution in the second quarter of 2022 down slightly compared to the previous quarter (-0.4%). A closer look at the individual aggregates reveals the following:

- **Administrative expenses** amounted to **EUR 981 mln** and declined slightly compared to the first half of 2021 (-0.4%), with a contribution in the second quarter of 2022 down by 0.6% compared to what was recorded in the previous quarter. A breakdown of the aggregate shows:

  - **Personnel expenses**, totalling **EUR 713 mln**, were down 0.9% compared to the first half of 2021, benefiting from workforce reduction trends. The contribution of the second quarter of 2022 shows a slight increase compared to the previous quarter (+ 0.3%).
  - **Other administrative expenses**, which amounted to **EUR 268 mln**, were up compared to the same period of the previous year (+0.7%). On the other hand, the contribution of the second quarter of 2022 was down compared to the previous quarter (-2.8%) thanks also to efficient cost reduction actions.

- **Net value adjustments to property, plant and equipment and intangible assets** totalled **EUR 88 mln** as at 30 June 2022, a slight decrease of -0.6% compared to the same period of the previous year. The aggregate, on the other hand, increased compared to the previous quarter (+1.4%).

Type of transaction	30 06 2022	30 06 2021	Chg Y/Y		2°Q 2022	1°Q 2022	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(512.5)	(520.8)	8.3	-1.6%	(256.3)	(256.2)	(0.1)	0.0%
Social-welfare charges	(140.0)	(142.2)	2.2	-1.5%	(69.8)	(70.2)	0.4	-0.6%
Other personnel expenses	(60.2)	(55.8)	(4.4)	7.8%	(30.7)	(29.5)	(1.2)	4.2%
Personnel expenses	**(712.7)**	**(718.8)**	**6.1**	**-0.9%**	**(356.8)**	**(355.9)**	**(0.9)**	**0.3%**
Taxes	(111.3)	(111.3)	-	0.0%	(56.0)	(55.3)	(0.7)	1.3%
Furnishing, real estate and security expenses	(42.5)	(42.9)	0.4	-0.9%	(19.0)	(23.5)	4.5	-19.1%
General operating expenses	(94.9)	(96.9)	2.0	-2.1%	(42.9)	(52.0)	9.1	-17.5%
Information technology expenses	(65.6)	(67.5)	1.9	-2.8%	(34.6)	(31.0)	(3.6)	11.6%
Legal and professional expenses	(38.3)	(34.3)	(4.0)	11.7%	(23.6)	(14.7)	(8.9)	60.5%
Indirect personnel costs	(2.5)	(2.5)	-	0.0%	(1.6)	(0.9)	(0.7)	77.8%
Insurance	(10.3)	(23.9)	13.6	-56.9%	(5.5)	(4.8)	(0.7)	14.6%
Advertising, sponsorship and promotions	(1.5)	(1.7)	0.2	-11.8%	(0.8)	(0.7)	(0.1)	14.3%
Other	(10.2)	(6.2)	(4.0)	64.1%	(4.8)	(5.3)	0.5	-9.5%
Expenses recovery	109.2	121.2	(12.0)	-9.9%	56.8	52.4	4.4	8.4%
Other administrative expenses	**(267.9)**	**(266.0)**	**(1.9)**	**0.7%**	**(132.0)**	**(135.8)**	**3.8**	**-2.8%**
Property, plant and equipment	(54.5)	(55.1)	0.6	-1.1%	(27.5)	(27.1)	(0.4)	1.5%
Intangible assets	(33.4)	(33.4)	-	0.0%	(16.8)	(16.6)	(0.2)	1.2%
Net value adjustments to property, plant and equipment and intangible assets	**(87.9)**	**(88.5)**	**0.6**	**-0.7%**	**(44.2)**	**(43.6)**	**(0.6)**	**1.4%**
Operating expenses	**(1,068.4)**	**(1,073.2)**	**4.8**	**-0.5%**	**(533.1)**	**(535.3)**	**2.3**	**-0.4%**

As a result of these trends, the **Group's Gross operating profit** was equal to **EUR 454 mln** (EUR 488 mln as at 30 June 2021), with a contribution of the second quarter of 2022 down roughly EUR 42 mln on the previous quarter.

Cost of customer credit

At 30 June 2022 the Group recognised a Cost of Customer Credit equal to EUR 225 mln, an increase compared to the EUR 163 mln recorded in the same period of the previous year, mainly due to the adjustments related to the sale of impaired loans and, therefore, the use of sales scenarios in the estimation models.

As at 30 June 2022, the ratio between the Cost of Customer Credit and the sum of Customer Loans and the value of securities deriving from the sale/securitisation of non-performing loans results in a **Provisioning Rate of 57 bps** (56 bps as at 31 March 2022 and 31 bps as at 31 December 2021).

Items	30 06 2022	30 06 2021	Chg. Y/Y		2°Q 2022	1°Q 2022	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to customers measured at amortised cost	(226.6)	(160.1)	(66.5)	41.5%	(111.5)	(115.2)	3.7	-3.2%
Modification gains/(losses)	1.1	(5.3)	6.4	n.m.	1.2	(0.1)	1.3	n.m.
Gains/(losses) on disposal/repurchase of loans to customers measured at amortised cost	1.5	(0.2)	1.7	n.m.	1.3	0.2	1.1	n.m.
Net change of Loans to customers mandatorily measured at fair value	5.7	(4.9)	10.6	n.m.	(2.8)	8.5	(11.3)	n.m.
Net provisions for risks and charges on commitments and guarantees issued	(6.6)	7.7	(14.3)	n.m.	(1.9)	(4.7)	2.8	-59.6%
Cost of customer credit	**(224.9)**	**(162.8)**	**(62.1)**	**38.1%**	**(113.7)**	**(111.3)**	**(2.4)**	**2.2%**

** These items as at 30 June 2021 include the reclassification of economic effects of securities related to sale/securitization transactions of non-performing loans included in the item "Cost of Customer credit"*

The **Group's Net Operating Income** as at 30 June 2022 was positive and approximately equal to **EUR 230 mln**, against a positive value of EUR 327 mln reported in the same period of the previous year, which included higher gains on disposal of securities. The contribution of the second quarter of 2022, equal to EUR 94 mln, was down compared to the previous quarter, when it had recorded a positive value of EUR 136 mln.

Non-operating income, taxes and profit (loss) for the period

The **Result for the year** included the following items:

- Provisions for risks and charges, **negative and equal to EUR -78 mln** worsened by EUR 36 mln compared to same period of the previous year, mainly due to provisions for legal risk. The aggregate also include reversals of provisions due to the increase in discounting effect as a results of the interest rate dynamics recorded in the first half of the year, and reversals of provisions due to the improvements in the risk profile of some liabilities. The contribution of the second quarter of 2022 was EUR 21 mln worse compared to the previous quarter.

- **Other gains (losses) on investments were equal to EUR +1 mln,** compared to a gain of EUR 0.2 mln in the same period of the previous year, with a contribution of the second quarter of 2022 equal to a negative EUR 0.7 mln compared to a result of EUR +2 mln recorded in the previous quarter.

- **Restructuring charges / *One-off* charges,** equal to **EUR -3 mln**, an improvement on the EUR -4 mln recorded in the first half of 2021. The contribution for the second quarter of 2022 was equal to EUR -3 mln euro, compared to EUR -0.2 mln in the previous quarter.

- **Risks and charges associated with SRF, DGS and similar schemes**, amounting to **EUR -89 mln**, comprised of the contribution due from the Group to the Single Resolution Fund (SRF), accounted for in the first quarter of 2022, compared to the balance of EUR -90 mln recorded in the same period of the previous year.

- **DTA fee**, amounting to **EUR -31 mln**, basically unchanged compared to what was recorded in the same period of the previous year. This amount, calculated according to the criteria set forth in decree-law 59/2016, converted into Law no. 119 of 30 June 2016, represents the fee accrued as at 30 June 2022 on DTA (Deferred Tax Assets) that can be converted into a tax credit.

- **Result of the *fair value* measurement of property, plant and equipment and intangible assets,** equal to **EUR -11 mln** at 30 June 2022, entirely recorded in the second quarter of 2022. As at 30 June 2021, the aggregate was negative for EUR 28 mln.
- **Gains (losses) on disposal of investments of EUR +0.8 mln**. At 30 June 2021, the aggregate was positive for EUR 14 mln following the sale of the properties.

Due to the trends highlighted above, the **Group's Profit before tax** for the period was equal to **EUR 20 mln**, against a profit of EUR 145 mln recorded as at 30 June 2021. The result for the second quarter of 2022 is equal to EUR 16 mln compared to EUR 5 mln in the previous quarter.

Taxes on income from current operations recorded a positive contribution of EUR 8 mln (EUR 59 mln as at 30 June 2021), mainly attributable to the valuation of DTAs.

It should be noted that, in the valuation of the DTAs, the estimate of taxable income for future years was determined on the basis of the income projections used for the 2021 Consolidated Financial Statements and for the Consolidated Interim Report as at 31 March 2022, with the exception of the expected result for 2022 which was updated as a result of the performance of the first half. The income projections included in the new 2022-2026 Business Plan, approved by the Board of Directors on 22 June, were not considered also at this phase, until the ECB authorisation process is finalised and the capital increase is completed.

Considering the net effects of the PPA (EUR -1.5 mln), the **Parent Company's net Profit for the period was equal to EUR 27 mln**, against a profit of EUR 202 mln in the first half of 2021. The result for the second quarter (equal to EUR +18 mln) is up compared to the previous quarter (equal to EUR +10 mln).

In compliance with Consob instructions, following is a statement of the reconciliation of the Shareholders' equity and Net profit and loss for the period of the Parent Company with the consolidated items:

Reconciliation between Parent Company and Consolidated Net Equity and Profit (Loss) for the period

	Shareholders' equity	Net profit (loss) for the period
Parent Company's net equity	5,011.6	97.0
of which Parent Company's valuation reserves	*57.4*	-
Impact of line-by-line consolidation of subsidiaries	(1,772.3)	31.2
Impact of consolidation of jointly controlled entities and associates	460.0	10.1
Reversal of dividends from subsidiaries	-	(106.3)
Reversal of written-down equity investments	2,862.3	0.0
Other adjustments	(612.1)	(4.8)
Subsidiaries' and associates' valuation reserves	(112.7)	-
Consolidated balance	**5,836.8**	**27.2**
of which valuation reserves	*(55.3)*	

Reclassified balance sheet

The (i) reclassified balance sheet as at 30 June 2022 compared with the balances set forth in the financial statements as at 31 December 2021 and (ii) the statement of its quarterly evolution starting from the first quarter of the previous year, are provided below.

Reclassified Balance Sheet

Assets	30 06 2022	31 12 2021	Chg	
			abs.	%
Cash and cash equivalents	1,518.8	1,741.8	(223.0)	-12.8%
Loans to central banks	17,626.5	20,769.7	(3,143.2)	-15.1%
Loans to banks	1,432.1	3,493.3	(2,061.2)	-59.0%
Loans to customers	78,621.7	79,380.3	(758.6)	-1.0%
Securities assets	22,312.7	22,127.1	185.6	0.8%
Derivatives	3,029.2	2,431.6	597.6	24.6%
Equity investments	756.5	1,095.4	(338.9)	-30.9%
Property, plant and equipment/Intangible assets	2,666.1	2,743.5	(77.4)	-2.8%
of which:				
a) goodwill	*7.9*	*7.9*	-	0.0%
Tax assets	1,769.3	1,774.0	(4.7)	-0.3%
Other assets	1,645.0	2,311.9	(666.9)	-28.8%
Total assets	**131,377.9**	**137,868.6**	**(6,490.7)**	**-4.7%**

Liabilities	30 06 2022	31 12 2021	Chg	
			abs.	%
Direct funding	84,305.1	90,300.3	(5,995.2)	*-6.6%*
a) Due to customers	74,940.9	79,859.5	(4,918.6)	-6.2%
b) Securities issued	9,364.2	10,440.8	(1,076.6)	*-10.3%*
Due to central banks	28,947.6	29,154.8	(207.2)	-0.7%
Due to banks	1,694.6	2,125.1	(430.5)	-20.3%
On-balance-sheet financial liabilities held for trading	2,658.7	3,104.1	(445.4)	-14.3%
Derivatives	1,727.5	2,686.1	(958.6)	*-35.7%*
Provisions for specific use	1,822.2	1,814.0	8.2	0.5%
a) Provision for staff severance indemnities	142.5	159.3	(16.8)	-10.5%
b) Provision related to guarantees and other commitments given	148.8	144.0	4.8	3.3%
c) Pension and other post-retirement benefit obligations	24.9	29.7	(4.8)	-16.2%
d) Other provisions	1,506.0	1,481.0	25.0	1.7%
Tax liabilities	6.0	7.1	(1.1)	-15.5%
Other liabilities	4,378.1	2,503.1	1,875.0	74.9%
Group net equity	5,836.7	6,172.7	(336.0)	-5.4%
a) Valuation reserves	(55.3)	306.8	(362.1)	n.m.
d) Reserves	(3,330.2)	(3,638.6)	308.4	-8.5%
f) Share capital	9,195.0	9,195.0	-	-
h) Net profit (loss) for the period	27.2	309.5	(282.3)	-91.2%
Non-controlling interests	1.4	1.3	0.1	7.7%
Total Liabilities and Shareholders' Equity	**131,377.9**	**137,868.6**	**(6,490.7)**	**-4.7%**

Reclassified Balance Sheet - Quarterly Trend

Assets	30 06 2022	31 03 2022	31 12 2021	30 09 2021	30 06 2021	31 03 2021
Cash and cash equivalents	1,518.8	1,791.0	1,741.8	2,121.6	1,745.3	1,853.4
Loans to central banks	17,626.5	15,392.8	20,769.7	20,940.8	25,570.5	26,116.8
Loans to banks	1,432.1	2,424.9	3,493.3	3,344.0	3,133.9	2,975.3
Loans to customers	78,621.7	79,259.7	79,380.3	81,199.8	81,355.8	82,259.0
Securities assets	22,312.7	23,382.2	22,127.1	24,961.0	23,121.9	22,562.0
Derivatives	3,029.2	2,352.6	2,431.6	2,591.8	2,689.5	2,757.5
Equity investments	756.5	985.2	1,095.4	1,041.8	1,027.7	1,069.2
Property, plant and equipment/Intangible assets	2,666.1	2,718.5	2,743.5	2,757.9	2,760.0	2,784.5
of which:						
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Tax assets	1,769.3	1,798.0	1,774.0	1,758.7	1,800.4	1,919.8
Other assets	1,645.0	1,904.2	2,311.9	2,400.5	2,544.7	2,361.3
Total assets	**131,377.9**	**132,009.1**	**137,868.6**	**143,117.9**	**145,749.7**	**146,658.8**

Liabilities	30 06 2022	31 03 2022	31 12 2021	30 09 2021	30 06 2021	31 03 2021
Direct funding	84,305.1	84,428.2	90,300.3	92,901.5	94,036.5	99,053.6
a) Due to customers	74,940.9	74,992.2	79,859.5	82,389.2	83,315.3	87,124.1
b) Securities issued	9,364.2	9,436.0	10,440.8	10,512.3	10,721.2	11,929.5
Due to central banks	28,947.6	29,081.1	29,154.8	29,230.2	29,305.6	26,373.1
Due to banks	1,694.6	1,763.6	2,125.1	3,019.5	3,854.3	3,816.4
On-balance-sheet financial liabilities held for trading	2,658.7	3,174.4	3,104.1	3,325.0	3,819.3	3,179.5
Derivatives	1,727.5	2,081.9	2,686.1	2,819.1	2,730.1	2,759.0
Provisions for specific use	1,822.2	1,820.6	1,814.0	1,969.0	2,017.1	2,011.3
a) Provision for staff severance indemnities	142.5	157.8	159.3	162.2	163.3	164.2
b) Provision related to guarantees and other	148.8	147.8	144.0	121.5	144.6	147.1
c) Pension and other post-retirement benefit	24.9	29.0	29.7	30.7	31.4	32.3
d) Other provisions	1,506.0	1,486.0	1,481.0	1,654.6	1,677.8	1,667.7
Tax liabilities	6.0	6.5	7.1	8.0	8.0	8.1
Other liabilities	4,378.1	3,645.4	2,503.1	3,593.5	3,912.1	3,451.0
Group net equity	5,836.7	6,006.1	6,172.7	6,250.7	6,065.3	6,005.4
a) Valuation reserves	(55.3)	131.6	306.8	302.3	324.7	367.6
d) Reserves	(3,330.2)	(3,330.2)	(3,638.6)	(3,630.7)	(3,521.0)	(3,415.8)
f) Share capital	9,195.0	9,195.0	9,195.0	9,195.0	9,195.0	9,195.0
g) Treasury shares (-)	-	-	-	(4.0)	(135.5)	(260.7)
h) Net profit (loss) for the period	27.2	9.7	309.5	388.1	202.1	119.3
Non-controlling interests	1.4	1.3	1.3	1.4	1.4	1.4
Total Liabilities and Shareholders' Equity	**131,377.9**	**132,009.1**	**137,868.6**	**143,117.9**	**145,749.7**	**146,658.8**

Customer funding

The Group's Total Funding as at 30 June 2022 was equal to EUR **177.4 bn, with a decrease in volumes of EUR** 6.9 bn **compared** to 31 March 2022, due to the decrease in Indirect Funding (EUR -6.8 bn).

The aggregate was down also compared to 31 December 2021 (EUR -17.4 bn), due to the decrease in Direct Funding (EUR -6.0 bn) and Indirect Funding (EUR -11.4 bn).

Background

Following the outbreak of the conflict between Russia and Ukraine, there was an increase in the uncertainty linked to the worsening of the geopolitical and inflationary context; consequently, the deceleration trend of bank deposits held by the private sector, recorded between the end of 2021 and the beginning of the current year, stopped and in the first five months of 2022 deposits continued to grow steadily, with a trend close to 4-5% yoy (+ 4.6% yoy in May). In particular, for the production sector (non-financial companies and income-generating households), after the outbreak of the conflict the growth of deposits was accelerated (+ 8.1% yoy in May compared to + 4.3% in February), while for consumer households, deposits continued along the growth path already outlined, reaching almost EUR 1,180 bn in May (+ 1.3% compared to the year-end figure). With reference to types, trends in current account payables of resident customers are positive, while the deposits redeemable at notice were essentially stable; on the other hand, time deposits continued to fall and in May were marked by a decline of roughly -20% in the first two months of the year compared to the same period of 2021.
In the first five months of the year, bonds continued to contract while funding with the Eurosystem remained stable, in the absence of new auctions and with redemptions of the TLTROIIIs that will begin at the end of 2022.

In May, the interest rate on deposits of non-financial companies and households stood at around 0.31%, substantially stable compared to the figure at the beginning of the year: the rate on current accounts remained close to a minimum (0.02%) while that on deposits with a fixed term falls further to around 0.90%; the rise in the rate on redeemable at notice continues, reaching approximately 1.46% in May (+9 bps since last December). As regards bonds, the rate on balances was down slightly to approx. 1.72% from 1.76% at year end.

On managed savings, the overall balance of net deposits in the first five months of the year recorded a value of EUR +7.6 bn: after a positive first quarter (+10.9 bn), albeit decelerating compared to the last quarter in 2021, in the months of April and May, net inflows were negative (-3.3 bn), also following the greater uncertainty caused by the outbreak of the conflict in Ukraine. In particular, in the first five months of the year, the funds recorded a positive net balance of approx. 15.7 bn, while in portfolio management there are significant outflows of approx. -8 bn net (concentrated on institutional management, with net inflows of -12.6 bn, while retail management recorded a positive balance of +4.6 bn). At the category level, savers have focused their choices on equity funds (+14 bn) and balanced (+7 bn) funds in the face of substantial disinvestments on bond funds, with net inflows in this sector of approx. -11.2 bn. Total assets under management at the end of May amounted to EUR 2,394 bn compared to EUR 2,594 in December 2021, recording a decline of -7.7% also due to the decline in the markets. For the life insurance market, the first five months of the year saw a -14% drop in volumes of new business (equal to 40.2 mln, excluding PIPs) compared to the same period of the previous year: traditional products recorded a -20%, hybrid solutions a -2% (with a significant slowdown starting from March) and also the component with the highest financial content (the classic units) was affected by the consequences of the conflict in Ukraine and the uncertainty of the markets, recording a -25% decline compared to the same period of 2021. With reference to the channels for the placement of life insurance products, in the first five months of the year the financial advisors channel brokered a turnover that was -23% lower than in the same period of the previous year, while the banking and the agency channels fell by -11% and -12% yoy, respectively.

Customer Funding										
					Chg Q/Q		Chg 31/12		Chg Y/Y	
	30 06 2022	31 03 2022	31 12 2021	30 06 2021	Abs.	%	Abs.	%	Abs.	%
Direct funding	84,305.1	84,428.2	90,300.3	94,036.5	(123.1)	-0.1%	(5,995.2)	-6.6%	(9,731.4)	-10.3%
Indirect funding	93,069.9	99,846.6	104,429.7	104,594.6	(6,776.6)	-6.8%	(11,359.7)	-10.9%	(11,524.6)	-11.0%
Total funding	**177,375.0**	**184,274.8**	**194,730.0**	**198,631.1**	**(6,899.7)**	**-3.7%**	**(17,354.9)**	**-8.9%**	**(21,256.0)**	**-10.7%**

The volumes of **Direct** Funding amounted to **EUR 84.3 bn** and are in line with the values at the end of March 2022 due to the combined effect of an increase in current accounts (EUR +0.7 bn), offset the decrease in term deposits (EUR -0.4 bn) and other forms of deposits (EUR -0.3 bn).

With respect to 31 December 2021, the aggregate was down by EUR 6.0 bn, with a decrease across all types. In particular, there was a decrease in Repurchase agreements (EUR -3.4 bn), due to the lower operations of MPS Capital Services, and a reduction in the bond sector (EUR -1.1 bn), mainly deriving from the maturity of *covered bond*. Other forms of funding also decreased (EUR -0.4 bn), as well as current accounts (EUR -0.3 bn) and term deposits (EUR -0.8 bn) for the continuation of the actions implemented by the Parent Company to optimize the cost of *funding*.

The Group's market share[20] of Direct Funding stood at 3.51% (updated in April 2022), up from December 2021 (3.47%).

Direct funding										
Type of transaction	30 06 2022	31 03 2022	31 12 2021	30 06 2021	Change Q/Q		Change 31.12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	65,852.4	65,186.2	66,159.1	68,155.9	666.2	1.0%	(306.7)	-0.5%	(2,303.5)	-3.4%
Time deposits	5,675.0	6,040.3	6,438.3	7,379.0	(365.3)	-6.0%	(763.3)	-11.9%	(1,704.0)	-23.1%
Reverse repurchase agreements	899.6	903.6	4,298.7	3,934.4	(4.0)	-0.4%	(3,399.1)	-79.1%	(3,034.8)	-77.1%
Bonds	9,364.2	9,436.0	10,440.9	10,721.3	(71.8)	-0.8%	(1,076.7)	-10.3%	(1,357.1)	-12.7%
Other types of direct funding	2,513.9	2,862.1	2,963.3	3,845.9	(348.2)	-12.2%	(449.4)	-15.2%	(1,332.0)	-34.6%
Total	**84,305.1**	**84,428.2**	**90,300.3**	**94,036.5**	**(123.1)**	**-0.1%**	**(5,995.2)**	**-6.6%**	**(9,731.4)**	**-10.3%**

Indirect Funding came to **EUR 93.1 bn**, a decrease of EUR 6.8 bn compared to 31 March 2022, due to the reduction in both Assets under Management (EUR -3.9 bn) and Assets under Custody (EUR -2.9 bn) components, both impacted by a negative market effect.

Also in the comparison with 31 December 2021, there was a decline of Indirect Funding of EUR 11.4 bn on both components of Assets under management (EUR -6.4 bn) and Assets under custody (EUR -5.0 bn), impacted by the negative market effect.

Indirect Funding										
	30 06 2022	31 03 2022	31 12 2021	30 06 2021	Change Q/Q		Change 31/12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Assets under managemen	58,880.4	62,785.4	65,285.5	64,125.4	(3,905.1)	-6.2%	(6,405.1)	-9.8%	(5,245.1)	-8.2%
Funds	*26,376.5*	*28,643.1*	*30,002.2*	*29,245.5*	*(2,266.6)*	*-7.9%*	*(3,625.7)*	*-12.1%*	*(2,869.0)*	*-9.8%*
Wealth management	*4,929.2*	*5,326.0*	*5,498.4*	*5,288.8*	*(396.8)*	*-7.5%*	*(569.2)*	*-10.4%*	*(359.6)*	*-6.8%*
Bancassurance	*27,574.7*	*28,816.4*	*29,784.9*	*29,591.2*	*(1,241.7)*	*-4.3%*	*(2,210.2)*	*-7.4%*	*(2,016.5)*	*-6.8%*
Assets under custody	34,189.6	37,061.1	39,144.2	40,469.1	(2,871.6)	-7.7%	(4,954.6)	-12.7%	(6,279.6)	-15.5%
Government securities	*12,171.2*	*12,870.8*	*13,372.0*	*13,770.8*	*(699.6)*	*-5.4%*	*-1,200.9*	*-9.0%*	*(1,599.7)*	*-11.6%*
Others	*22,018.4*	*24,190.3*	*25,772.2*	*26,698.3*	*(2,171.9)*	*-9.0%*	*(3,753.8)*	*-14.6%*	*(4,679.9)*	*-17.5%*
Total funding	**93,069.9**	**99,846.6**	**104,429.7**	**104,594.6**	**(6,776.6)**	**-6.8%**	**(11,359.7)**	**-10.9%**	**(11,524.6)**	**-11.0%**

[20] Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident customers and bonds net of repurchases placed with ordinary resident customers as first-instance borrowers.

Loans to customers

As at 30 June 2022, the Group's Loans to Customers were equal to EUR 78.6 bn, down EUR 0.6 bn compared to the end of March 2022 as a result of the decrease in repurchase transactions (EUR -0.5 bn) and the drop in mortgages (EUR -0.6 mln). On the other hand, other loans increased (EUR +0.5 bn).

The aggregate declines by EUR 0.8 bn in the comparison with 31 December 2021 primarily due to the decline in Repurchase Agreements (EUR -1.6 bn) and the decrease in mortgages (EUR -0.5 bn) and non-performing loans (EUR -0.2 bn). On the other hand, current accounts (EUR +0.4 bn) and other loans (EUR +1.1 bn) were up.

The Group's market share[21] stood at 4.46% (last available figure from April 2022), down 9 basis points from the end of 2021.

Background

After the significant increase recorded in the first half of 2021, as a result of the actions taken by the government to facilitate access to credit, the trend in bank loans slowed but in any event remains positive in the initial months of 2022 as well. Loans to the private sector (net of Repurchase Agreements with central counterparties and adjusted for exposures sold and derecognised) recorded growth of more than +3.1% on a yearly basis in May, accelerating from the approx. +2.1% of last December. The increase in loans to non-financial companies, more contained in the first quarter of the year, showed a + 2.3% on a yearly basis in May. The abundant cash and cash equivalents accumulated during the pandemic years continue to affect business demand; the recourse to sources of financing that are alternative to the banking circuit is beginning to feel the effects of the tensions linked to the conflict. The liquidity position of the companies remains good, with the needs linked to the economic consequences of the war satisfied also by means of loans guaranteed by the state; the new measures to support access to credit launched by the government entail the possibility of requesting them until the end of 2022, in line with the new temporary aid framework defined at European level.
The expansion of household lending was confirmed as more lively, growing by more than 4% yoy in May. The context of high uncertainty and the higher cost of living led to a worsening of the confidence of households, which marginally decreased their spending, directing it to a greater extent towards consumption linked to the real estate market and restructuring; this demand, accompanied by a significant accumulation of savings, supported credit to households in particular for house purchases.

With regard to interest rates, there has been a minimal recovery since the end of 2021, as concerns loans to non-financial companies (1.67% in February; +5 bps since December) as well as to households (2.65% in February, +1 bp since December). On new business transactions, the average rate rises by approx. 2 bps from the values marked at the end of 2021, reaching 1.2% in May. The rate on loans for the purchase of homes is progressively increasing on new household transactions, which stood at 1.92% in May (approximately +52 bps compared to December), reflecting the increase in the cost of fixed-rate mortgages and that on consumer credit, which exceeds 6.73%.

In the first five months of the year, the stock of bad loans in bank balance sheets to residents in Italy decreased by approximately 1.83 bn compared to the levels of last December, due to sales transactions which, at sector level, mainly concerned bad loans to businesses, especially those in the service and construction sectors. In terms of yearly trends, in February the reduction in bad loans to residents neared -16%, a decline that almost reaches zero including bad loans sold and derecognised, analogous to the loan adjustment methodology applied in the European Central Bank System (ECBS).

[21] Loans to ordinary resident customers, including bad loans and net of Repurchase Agreements with central counterparties.

Loans to customers										
Type of transaction	30 06 2022	31 03 2022	31 12 2021	30 06 2021	Change Q/Q		Change 31.12		Change Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Current accounts	3,097.2	3,085.3	2,695.9	2,823.6	11.9	0.4%	401.3	14.9%	273.6	9.7%
Mortgages	55,807.7	56,418.1	56,268.3	56,970.5	(610.4)	-1.1%	(460.6)	-0.8%	(1,162.8)	-2.0%
Other forms of lending	14,267.2	13,763.2	13,152.3	12,655.3	504.0	3.7%	1,114.9	8.5%	1,611.9	12.7%
Repurchase agreements	3,483.9	4,008.9	5,126.4	6,668.1	(525.0)	-13.1%	(1,642.5)	-32.0%	(3,184.2)	-47.8%
Non performing loans	1,965.7	1,984.2	2,137.5	2,238.4	(18.5)	-0.9%	(171.8)	-8.0%	(272.7)	-12.2%
Total	**78,621.7**	**79,259.7**	**79,380.4**	**81,355.9**	**(638.0)**	**-0.8%**	**(758.7)**	**-1.0%**	**(2,734.2)**	**-3.4%**
Stage 1	*65,064.5*	*64,471.3*	*64,808.0*	*64,223.7*	*593.2*	*0.9%*	*256.5*	*0.4%*	*840.8*	*1.3%*
*Stage 2**	*11,404.4*	*12,635.1*	*12,306.3*	*14,754.0*	*(1,230.7)*	*-9.7%*	*(901.9)*	*-7.3%*	*(3,349.6)*	*-22.7%*
*Stage 3**	*1,963.0*	*1,978.3*	*2,124.0*	*2,199.7*	*(15.3)*	*-0.8%*	*(161.0)*	*-7.6%*	*(236.7)*	*-10.8%*
Purchased or originated credit impaired financial assets	*9.6*	*10.5*	*10.6*	*32.4*	*(0.9)*	*-8.6%*	*(1.0)*	*-9.4%*	*(22.8)*	*-70.3%*
Performing loans measured at fair value	*178.3*	*160.5*	*119.7*	*130.2*	*17.8*	*11.1%*	*58.6*	*49.0%*	*48.1*	*36.9%*
Non-performing loans measured at fair value	*1.9*	*4.0*	*11.7*	*16.0*	*(2.1)*	*-52.5%*	*(9.8)*	*-83.8%*	*(14.1)*	*-88.1%*

** Comparative data, respect to those published, were reclassified to take into account the provisions set forth in the 7th update of Circular 262 of the Bank of Italy*

Loans to customers measured at amortised cost		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	**Total**
30 06 2022	Gross exposure	65,136.2	11,775.3	4,068.7	11.3	**80,991.5**
	Adjustments	71.7	370.9	2,105.7	1.7	**2,550.0**
	Net exposure	65,064.5	11,404.4	1,963.0	9.6	**78,441.5**
	Coverage ratio	*0.1%*	*3.1%*	*51.8%*	*15.0%*	***3.1%***
	% on Loans to customers measured at amortised cost	*82.9%*	*14.5%*	*2.5%*	*0.0%*	***100.0%***

Loans to customers measured at amortised cost		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	**Total**
31 03 2022	Gross exposure	64,548.8	12,993.5	3,997.8	20.6	**81,560.7**
	Adjustments	77.5	358.4	2,019.5	10.1	**2,465.5**
	Net exposure	64,471.3	12,635.1	1,978.3	10.5	**79,095.2**
	Coverage ratio	*0.1%*	*2.8%*	*50.5%*	*49.0%*	***3.0%***
	% on Loans to customers measured at amortised cost	*81.5%*	*16.0%*	*2.5%*	*0.0%*	***100.0%***

Loans to customers measured at amortised cost		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired financial assets	**Total**
31 12 2021	Gross exposure	64,884.9	12,663.8	4,054.4	20.7	**81,623.8**
	Adjustments	76.9	357.5	1,930.4	10.1	**2,374.9**
	Net exposure	64,808.0	12,306.3	2,124.0	10.6	**79,248.9**
	Coverage ratio	*0.1%*	*2.8%*	*47.6%*	*48.8%*	***2.9%***
	% on Loans to customers measured at amortised cost	*81.8%*	*15.5%*	*2.7%*	*0.0%*	***100.0%***

Loans to customers measured at amortised cost		Stage 1	Stage 2*	Stage 3*	Purchased or originated credit impaired financial assets	**Total**
30 06 2021	Gross exposure	64,315.5	15,244.1	4,112.5	46.5	**83,718.6**
	Adjustments	91.8	490.1	1,912.8	14.1	**2,508.9**
	Net exposure	64,223.7	14,754.0	2,199.7	32.4	**81,209.7**
	Coverage ratio	*0.1%*	*3.2%*	*46.5%*	*30.4%*	***3.0%***
	% on Loans to customers measured at amortised cost	*79.1%*	*18.2%*	*2.7%*	*0.0%*	***100.0%***

** Comparative data, respect to those published, were reclassified to take into account the provisions set forth in the 7th update of Circular 262 of the Bank of Italy*

The gross exposure of loans classified in stage 1 was equal to EUR 65.1 bn, an increase both compared to 31 March 2022 (EUR 64.5 bn) and 31 December 2021 (EUR 64.9 bn).

Positions classified in stage 2, the gross exposure of which amounted to EUR 11.8 bn, were down compared to EUR 13.0 bn as at 31 March 2022 and to EUR 12.7 bn as at 31 December 2021.

Compared to 31 December 2021, there is an increase in stage 1 that corresponds to a simultaneous decrease in stage 2 mainly due to the improvement in the creditworthiness of some counterparties subject to the moratorium during the pandemic period. Stage 3 slightly increased due to the rising default flows observed in June on a limited number of counterparties with significant exposure.

Non-performing exposures of loans to customers

The Group's **total non-performing loans to customers** as at 30 June 2022 were equal to **EUR 4.1 bn** in terms of gross exposure, up slightly compared to 31 March 2022 (EUR 4.0 bn) and essentially stable compared to 31 December 2021 (EUR 4.1 bn). In particular:

- the gross bad loan exposure, equal to EUR 1.8 bn, was slightly up compared to 31 March 2022 (EUR 1.8 bn) and to 31 December 2021 (EUR 1.7 bn);
- the gross unlikely-to-pay loan exposure, equal to EUR 2.2 bn, was essentially stable compared to 31 March 2022 (EUR 2.2 bn) and slightly down compared to 31 December 2021 (EUR 2.3 bn);
- the gross non-performing past-due loan exposure, equal to EUR 47.5 mln, was up slightly compared to 31 March 2022 (EUR 45.6 mln) and down compared to 31 December 2021 (EUR 60.7 mln).

As at 30 June 2022, the Group's **net exposure in terms of non-performing loans to customers** was equal to **EUR 2.0 bn**, essentially stable compared to 31 March 2022 (EUR 2.0 bn) and slightly down compared to 31 December 2021 (EUR 2.1 bn).

Loans to customers		Bad loans	Unlikely to pay	Non-performing Past due Loans	**Total Non-performing loans to customers**	Perfoming loams	**Total**
30 06 2022	Gross exposure	1,827.8	2,205.6	47.5	**4,080.9**	77,098.7	**81,179.6**
	Adjustments	1,256.6	846.9	11.7	**2,115.2**	442.7	**2,557.9**
	Net exposure	571.2	1,358.7	35.8	**1,965.7**	76,656.0	**78,621.7**
	Coverage ratio	*68.7%*	*38.4%*	*24.6%*	***51.8%***	*0.6%*	***3.2%***
	% on Loans to customers	*0.7%*	*1.7%*	*0.0%*	***2.5%***	*97.5%*	***100.0%***
31 03 2022	Gross exposure	1,762.7	2,220.9	45.6	**4,029.2**	77,711.6	**81,740.8**
	Adjustments	1,156.6	877.7	10.7	**2,045.0**	436.1	**2,481.1**
	Net exposure	606.1	1,343.2	34.9	**1,984.2**	77,275.5	**79,259.7**
	Coverage ratio	*65.6%*	*39.5%*	*23.5%*	***50.8%***	*0.6%*	***3.0%***
	% on Loans to customers	*0.8%*	*1.7%*	*0.0%*	***2.5%***	*97.5%*	***100.0%***
31 12 2021	Gross exposure	1,740.6	2,303.4	60.7	**4,104.7**	77,677.3	**81,782.0**
	Adjustments	1,108.6	844.8	13.8	**1,967.2**	434.5	**2,401.7**
	Net exposure	632.0	1,458.6	46.9	**2,137.5**	77,242.8	**79,380.3**
	Coverage ratio	*63.7%*	*36.7%*	*22.7%*	***47.9%***	*0.6%*	***2.9%***
	% on Loans to customers	*0.8%*	*1.8%*	*0.1%*	***2.7%***	*97.3%*	***100.0%***
30 06 2021	Gross exposure	1,614.7	2,501.0	99.1	**4,214.8**	79,699.7	**83,914.5**
	Adjustments	1,041.5	909.1	25.8	**1,976.4**	582.4	**2,558.8**
	Net exposure	573.2	1,591.9	73.3	**2,238.4**	79,117.3	**81,355.7**
	Coverage ratio	*64.5%*	*36.3%*	*26.0%*	***46.9%***	*0.7%*	***3.0%***
	% on Loans to customers	*0.7%*	*2.0%*	*0.1%*	***2.8%***	*97.2%*	***100.0%***

As at 30 June 2022, the **coverage ratio for non-performing loans** stood at 51.8%, up compared to 31 March 2022 (50.8%), thanks to the increase in the coverage ratio of bad loans (from 65.6% to 68.7%) and Non-performing past-due loans (from 23.5% to 24.6%). On the other hand, the coverage of unlikely to pay was down (going from 39.5% to 38.4%).

The coverage ratio for non-performing loans was up also compared to 31 December 2021 (47.9%) as a result of the increase in the coverage ratio of bad loans (from 63.7% to 68.7%), unlikely-to-pay positions (from 36.7% to 38.4%) and non-performing past-due loans (from 22.7% to 24.6%).

Change in gross exposures

abs/%		Bad loans	Unlikely to pay	Non performing past due exposures	**Total Non-performing loans to customers**	Perfoming loams	**Total**
Q/Q	abs.	65.1	(15.3)	1.9	**51.7**	(612.9)	**(561.2)**
	%	3.7%	-0.7%	4.2%	**1.3%**	-0.8%	**-0.7%**
31.12	abs.	87.2	(97.8)	(13.2)	**(23.8)**	(578.6)	**(602.4)**
	%	5.0%	-4.2%	-21.7%	**-0.6%**	-0.7%	**-0.7%**
Y/Y	abs.	213.1	(295.4)	(51.6)	**(133.9)**	(2,601.1)	**(2,735.0)**
	%	13.2%	-11.8%	-52.1%	**-3.2%**	-3.3%	**-3.3%**

Changes in coverage ratios

	Bad loans	Ulikely to pay	Non performing past due exposures	**Total Non-performing loans to customers**	Perfoming loams	**Total**
Q/Q	3.1%	-1.1%	1.2%	**1.1%**	0.0%	**0.1%**
31.12	5.1%	1.7%	1.9%	**3.9%**	0.0%	**0.2%**
Y/Y	4.2%	2.0%	-1.4%	**4.9%**	-0.2%	**0.1%**

Trend of non-performing loans to customers	30 06 2022		2°Q 2022		1°Q 2022		30 06 2021		Chg. 2°Q 2022/1°Q2022 Total Non-performing loans to customers		Chg. Y/Y Total Non-performing loans to customers	
	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Non-performing loans to customers	*of which Bad loans*	Abs.	%	Abs.	%
Gross exposure, opening balance	**4,104.7**	**1,740.6**	**4,029.2**	**1,762.7**	**4,104.7**	**1,740.6**	**4,012.3**	**1,498.7**	**(75.5)**	**-1.8%**	**92.4**	**2.3%**
Increases from performing loans	360.3	12.2	253.3	8.2	107.0	4.0	521.9	8.7	146.3	n.m.	(161.6)	-31.0%
Transfers to performing loans	(117.7)	-	(50.4)	-	(67.3)	-	(107.4)	(15.0)	16.9	-25.1%	(18.6)	18.8%
Collections (including gains on disposals)	(276.6)	(67.4)	(134.0)	(33.5)	(142.6)	(33.9)	(215.9)	(35.4)	8.6	-6.0%	(60.7)	28.1%
Write-offs (including loss on disposal)	(51.4)	(35.0)	(17.2)	(12.5)	(34.2)	(22.5)	(39.5)	(27.4)	17.0	-49.7%	(11.9)	30.1%
+/- Other changes	61.6	177.4	(0.0)	102.9	61.6	74.5	43.4	185.1	(61.6)	n.m.	26.5	75.5%
Gross exposure, closing balance	**4,080.9**	**1,827.8**	**4,080.9**	**1,827.8**	**4,029.2**	**1,762.7**	**4,214.8**	**1,614.7**	**51.7**	**1.3%**	**(133.9)**	**-3.2%**
Opening balance of overall adjustments	**(1,967.2)**	**(1,108.6)**	**(2,045.0)**	**(1,156.6)**	**(1,967.2)**	**(1,108.6)**	**(1,852.1)**	**(933.7)**	**(77.8)**	**4.0%**	**(115.1)**	**6.2%**
Adjustments / write-backs	(223.1)	(103.2)	(223.1)	(103.2)	(120.3)	(28.8)	(168.0)	(64.7)	(102.8)	85.5%	(55.1)	32.8%
+/- Other changes	75.1	(44.8)	152.9	3.2	42.5	(19.2)	43.7	(43.1)	110.4	n.m.	31.4	71.9%
Closing balance of overall adjustments	**(2,115.2)**	**(1,256.6)**	**(2,115.2)**	**(1,256.6)**	**(2,045.0)**	**(1,156.6)**	**(1,976.4)**	**(1,041.5)**	**(70.2)**	**3.4%**	**(138.8)**	**7.0%**
Net exposure, closing balance	**1,965.7**	**571.2**	**1,965.7**	**571.2**	**1,984.2**	**606.1**	**2,238.4**	**573.2**	**(18.5)**	**-0.9%**	**(272.7)**	**-12.2%**

Other financial assets/liabilities

As at 30 June 2022 the Group's securities assets amounted to **EUR 22.3 bn**, down compared to 31 March 2022 (EUR -1.1 bn) in relation to the decrease in the fair value component with an impact on overall profitability and of the amortized cost component. Note that the market value of the securities in Loans to customers at amortised cost is EUR 7,781.3 mln (with implicit capital losses of around EUR 514.8 mln) and the market value of the securities in Loans to banks at amortised cost is EUR 640.4 mln (with implicit capital losses of roughly EUR 59.9 mln).

The aggregate was up compared to 31 December 2021 (EUR +0.2 bn) due to the increase in financial assets held for trading, attributable in particular to the subsidiary MPS *Capital Services*, only slightly offset by the decrease in financial assets measured at fair value through other comprehensive income and in financial assets measured at amortised cost.

On-balance-sheet financial liabilities held for trading, referring in particular to the subsidiary MPS Capital Services, were equal to **EUR 2.7 bn** as at 30 June 2022 and were down compared to 31 March 2022 (EUR 3.2 bn) and 31 December 2021 (EUR 3.1 bn).

As at 30 June 2022, the **Net position in derivatives, a positive EUR 1,302 mln**, posted an improvement compared to 31 March 2022 (EUR +271 mln) as well as 31 December 2021 (EUR -255 mln).

Items	30 06 2022	31 03 2022	31 12 2021	30 06 2021	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Securities assets	22,312.7	23,382.2	22,127.1	23,121.9	(1,069.5)	-4.6%	185.6	0.8%	(809.2)	-3.5%
Financial assets held for trading	*7,928.1*	*7,838.5*	*6,790.9*	*7,442.1*	*89.6*	*1.1%*	*1,137.2*	*16.7%*	*486.0*	*6.5%*
Financial assets mandatorily measured at fair value	*323.8*	*316.0*	*322.6*	*333.0*	*7.8*	*2.5%*	*1.2*	*0.4%*	*(9.2)*	*-2.8%*
Financial assets measured at fair value through other comprehensive income	*5,063.8*	*5,734.7*	*5,460.7*	*5,313.0*	*(670.9)*	*-11.7%*	*(396.9)*	*-7.3%*	*(249.2)*	*-4.7%*
Financial assets held for sale	*0.0*	*(0.1)*	*0.0*	*(0.0)*	*0.1*	*-100.0%*	*0.0*	*n.m.*	*0.0*	*-100.0%*
Loans to customers measured at amortised cost	*8,296.7*	*8,786.0*	*8,811.6*	*9,306.8*	*(489.3)*	*-5.6%*	*(514.9)*	*-5.8%*	*(1,010.1)*	*-10.9%*
Loans to banks measured at amortised cost	*700.3*	*707.1*	*741.3*	*727.0*	*(6.8)*	*-1.0%*	*(41.0)*	*-5.5%*	*(26.7)*	*-3.7%*
On-balance-sheet financial liabilities held for trading	(2,658.7)	(3,174.4)	(3,104.1)	(3,819.3)	515.7	-16.2%	445.4	-14.3%	1,160.6	-30.4%
Net positions in Derivatives	1,301.7	270.7	(254.5)	(40.6)	1,031.0	n.m.	1,556.2	n.m.	1,342.3	n.m.
Other financial assets and liabilities	**20,955.7**	**20,478.5**	**18,768.5**	**19,262.0**	**477.2**	**2.3%**	**(493.5)**	**-2.6%**	**1,693.7**	**8.8%**

Items	30 06 2022		31 03 2022		31 12 2021		30 06 2021	
	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading	Securities assets	On-balance-sheet financial liabilities held for trading
Debt securities	21,726.7	-	22,795.6	-	21,508.4	-	22,536.6	-
Equity instruments and Units of UCITS	586.0	-	586.6	-	618.7	-	585.3	-
Loans	-	2,658.7	-	3,174.4	-	3,104.1	-	3,819.3
Total	**22,312.7**	**2,658.7**	**23,382.2**	**3,174.4**	**22,127.1**	**3,104.1**	**23,121.9**	**3,819.3**

Interbank position

As at 30 June 2022, the **net interbank position** of the Group stood at **EUR 11.6 bn** of net funding, against EUR 13.0 bn of net funding as at 31 March 2022. The change was attributable to the increase in deposits on the compulsory reserve account.

As at 31 December 2021, the net interbank position was EUR 7.0 bn in deposits. The change was mainly due to the reduction in loans in relation to the decrease in deposits on the compulsory reserve account.

Interbank balances										
					Change Q/Q		Change 31.12		Change Y/Y	
	30/06/22	31/03/22	31/12/21	30/06/21*	Abs.	%	Abs.	%	Abs.	%
Loans to banks	1,432.1	2,424.9	3,493.3	3,133.9	(992.8)	-40.9%	(2,061.2)	-59.0%	(1,701.8)	-54.3%
Deposits from banks	1,694.6	1,763.6	2,125.1	3,854.3	(69.0)	-3.9%	(430.5)	-20.3%	(2,159.7)	-56.0%
Net position with banks	**(262.5)**	**661.3**	**1,368.2**	**(720.4)**	**(923.8)**	**n.m.**	**(1,630.7)**	**-119.2%**	**(0.6)**	**-63.6%**
Loans to central banks	17,626.5	15,392.8	20,769.7	25,570.5	2,233.7	14.5%	(3,143.2)	-15.1%	(7,944.0)	-31.1%
Deposits from central banks	28,947.6	29,081.1	29,154.8	29,305.6	(133.5)	-0.5%	(207.2)	-0.7%	(358.0)	-1.2%
Net position with central banks	**(11,321.1)**	**(13,688.3)**	**(8,385.1)**	**(3,735.1)**	**2,367.2**	**-17.3%**	**(2,936.0)**	**35.0%**	**(7,586.0)**	**n.m.**
Net interbank position	**(11,583.6)**	**(13,027.0)**	**(7,016.9)**	**(4,455.5)**	**1,443.4**	**-11.1%**	**(4,566.7)**	**65.1%**	**(7,128.1)**	**n.m.**

**The comparative values relating to the items "Cash and cash equivalents" and "Bank loan assets" were restated in line with the provisions set forth in the 7th update of Circular 262 of the Bank of Italy.*

As at 30 June 2022 the operational liquidity position shows an **uncommitted *Counterbalancing Capacity*** level of **approximately EUR 26.7 bn**, an increase compared to 31 March 2022 (equal to EUR 25.0 bn) mainly due to the dynamics of the imbalance commercial and compared to 31 December 2021 (equal to EUR 25.4 bn) in relation to the *autocovered* issues that took place in the half year and the higher allocations to Abaco, partly offset by the decline in commercial deposits.

Other assets

Item **Other assets** includes the tax credits related to the "Rilancio" Law Decree, which has introduced tax incentives for specific energy and anti-seismic efficiency initiatives, the installation of photovoltaic systems and infrastructure for recharging electric vehicles in buildings ("Superbonus").

As at 30 June 2022 the nominal value of the total tax credits purchased amounted to EUR 460.5 mln, attributable for EUR 342.7 mln to purchases made in 2021 and for EUR 98.6 mln in 2022. Taking into account offset receivables, totalling EUR 62.3 mln, the residual nominal amount as at 30 June 2022 came to EUR 398.2 mln. The corresponding carrying amount, recognised in the balance sheet item "130. Other assets" at amortised cost, which takes into account the acquisition price and the net amounts accrued as at 30 June 2022, was EUR 356.3 mln.

It should also be noted that the Bank, as at 30 June 2022, received requests for the sale of these receivables for a total amount of approximately EUR 4.5 bn, currently under review/processing.

The total amount of receivables purchased, taking into account the transfer requests in progress, is in line with the estimate of the total tax capacity or the tax/contribution payments that the Group plans to make and that are available for offsetting with the tax credits from "Building Bonuses"

Shareholders' equity

As at 30 June 2022, the **Shareholders' equity of the Group and non-controlling interests** was roughly **EUR 5.8 bn,** down EUR 169 mln compared to 31 March 2022, due to the decrease in valuation reserves, only partly offset by the result for the quarter.

Compared to 31 December 2021, the Shareholders' equity of the Group and non-controlling interests was down by EUR 336 mln, due to the decrease in valuation reserves, only partly offset by the result for the half year.

Reclassified Consolidated Balance Sheet										
Equity	30 06 2022	31 03 2022	31 12 2021	30 06 2021	Chg Q/Q		Chg 31/12		Chg Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Group Net Equity	5,836.7	6,006.1	6,172.7	6,065.3	(169.4)	-2.8%	(336.0)	-5.4%	(228.6)	-3.8%
a) Valuation reserves	(55.3)	131.6	306.8	324.7	(186.9)	n.m.	(362.1)	n.m.	(380.0)	n.m.
d) Reserves	(3,330.2)	(3,330.2)	(3,638.6)	(3,521.0)	-	0.0%	308.4	-8.5%	190.8	-5.4%
f) Share capital	9,195.0	9,195.0	9,195.0	9,195.0	-	n.m.	-	n.m.	-	n.m.
g) Treasury shares (-)	-	-	-	(135.5)	-	n.m.	-	n.m.	135.5	-100.0%
h) Net profit (loss) for the period	27.2	9.7	309.5	202.1	17.5	n.m.	(282.3)	-91.2%	(174.9)	-86.5%
Non-controlling interests	1.4	1.3	1.3	1.4	0.1	7.7%	0.1	7.7%	-	0.0%
Shareholders' equity of the Group and Non-controlling interests	**5,838.1**	**6,007.4**	**6,174.0**	**6,066.7**	**(169.3)**	**-2.8%**	**(335.9)**	**-5.4%**	**(228.6)**	**-3.8%**

Please note that due to the loss recorded as at 31 December 2020 of EUR 1.9 bn, the Parent Company is now in the situation envisaged in art. 2446 of the Italian Civil Code.

The Board of Directors of the Parent Company on 4 August resolved to call the Extraordinary Shareholders' Meeting for 15 September next, called, among other things, to resolve on the measures to strengthen the Parent Company's capital by means of a share capital increase for an amount of EUR 2.5 bn and on the decisions referred to in article 2446, paragraph 2 of the Civil Code, relating to the reduction of the share capital.

Capital adequacy

Regulatory capital and statutory requirements

As a result of the conclusion of the SREP conducted with reference to the figures as at 31 December 2020 and also taking into account the information received after that date, with the submission on 2 February 2022 of the 2021 SREP Decision, the ECB asked the Parent Company to maintain, effective 1 March 2022, a consolidated TSCR level of 10.75%, which includes 8% as a Pillar 1 minimum requirement ("P1R") pursuant to art. 92 of the CRR and 2.75% as Pillar 2 additional requirement ("P2R"), which must be respected at least for 56.25% with CET1 and at least 75% with Tier 1.

With regard to Pillar II Capital Guidance (P2G), the ECB expects the Parent Company to adapt, on a consolidated basis, to a requirement of 2.50%, to be fully met with Common Equity Tier 1 capital in addition to the overall capital requirement (OCR). Failing to comply with this capital guideline is not, at any rate, equivalent to failing to comply with the capital requirements.

Lastly, it should be noted that as of 1 January 2019 the Capital Conservation Buffer has been 2.5%, and effective 1 January 2022 the Group is required to comply with the O-SII Buffer equal to 0.25%, having been identified by the Bank of Italy as a systemically important institution authorised in Italy for 2022 as well.

Accordingly, the Group must meet the following requirements at the consolidated level as at 30 June 2022:

- CET1 Ratio of 8.80%;
- Tier 1 Ratio of 10.81%;
- Total Capital Ratio of 13.50%.

These ratios include, in addition to the P2R, 2.5% for the Capital Conservation Buffer, 0.25% for the O-SII Buffer, and 0.002% for the Countercyclical Capital Buffer[22].

As at 30 June 2022, the Group's capital on a *transitional* basis was as shown in the following table:

Categories / Values	30 06 2022	31 12 2021	Chg. 31 12 2021	
			Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	5,575.7	5,991.8	(416.1)	-6.94%
Tier 1 (T1)	5,575.7	5,991.8	(416.1)	-6.94%
Tier 2 (T2)	1,795.3	1,713.3	81.9	4.78%
Total capital (TC)	**7,371.0**	**7,705.1**	**(334.1)**	**-4.34%**
RISK-WEIGHTED ASSETS				
Credit and Counterparty Risk	33,585.6	33,556.8	28.8	0.09%
Credit valuation adjustment risk	517.7	556.6	(38.9)	-6.99%
Market risks	2,646.7	2,724.1	(77.4)	-2.84%
Operational risk	11,030.5	10,949.4	81.1	0.74%
Total risk-weighted assets	**47,780.5**	**47,786.9**	**(6.4)**	**-0.01%**
CAPITAL RATIOS				
CET1 capital ratio	**11.67%**	**12.54%**	**-0.87%**	
Tier1 capital ratio	**11.67%**	**12.54%**	**-0.87%**	
Total capital ratio	**15.43%**	**16.12%**	**-0.70%**	

[22] Calculated considering the exposure as at 30 June 2022 in the various countries in which MPS Group operates and the requirements established by the competent national authorities.

Compared to 31 December 2021, CET1 decreased by a total of EUR -416 mln, essentially due to the following phenomena:

- decrease in the balance of the Valuation reserve of financial assets at fair value through other comprehensive income, for a total of EUR -362 mln, due in particular to the decline in valuation reserves of debt securities;
- increase in deductions related to prudential filters, DTAs, intangible assets and the insufficient cover for the non-performing loans (EUR -51 mln), in addition to the decrease in non-deductible deductions relating to significant financial investments and DTAs (EUR +255 mln);
- decline in the neutralisation of the impact of IFRS 9 connected to the first-time adoption of the accounting standard as set forth in Regulation (EU) 2017/2935 (inclusive of the positive effect of the relative DTAs), equal to a total of EUR -325 mln, attributable to the transition of the filter from 50% to 25%;
- increase of EUR +43 mln in the prudential filter relating to the Valuation reserve of financial assets at *fair value* through other comprehensive income on securities issued by governments or central administrations, attributable to the decrease in the balance of the Reserve despite the transition of the filter from 70% to 40% in 2022;
- reduction of the additional deduction on CET1 (pursuant to art. 3 of the CRR Regulation) carried out to implement the minimum coverage requirements for non-performing loans in accordance with the ECB Guidelines (equal to EUR +24 mln).

Tier 2 rose by EUR +82 mln compared to the end of December 2021, due primarily to the increase in the contribution to Tier 2 of the excess value adjustments over expected losses.

Hence, the Total Capital Ratio reflects an overall decrease in own funds equal to EUR -334 mln.

The RWAs are in line with the December 2021 figure (EUR -6 mln). Credit and counterparty risk is substantially stable (EUR +29 mln): the slight increase in standard credit risk (EUR +150 mln) is offset by the reduction in the AIRB component (EUR -121 mln). Other risks were also basically unchanged with respect to December 2021: CVA risk (EUR -39 mln), market risks (EUR -77 mln) and operational risk (EUR +81 mln).

As at 30 June 2022, the Parent Company, on a consolidated basis, met the overall capital requirement; on the other hand, on the same date it had a shortfall with respect to the P2G, linked to the increase in the value of the guidance set forth in the 2021 SREP Decision (2.50% vs. 1.30%) and the planned capital reduction linked to the IFRS 9 phase-in (roughly EUR 325 mln).

During 2022, some of the supervisory measures issued by the ECB continue to operate in order to mitigate the impact of COVID-19 on the European banking system. In particular, the ECB announced that until 31 December 2022 it will allow significant banks to temporarily operate below the capital level defined by Pillar II Capital Guidance and the capital conservation buffer (CCB).

As regards the regulatory developments regarding equity requirements, in relation to the revision of internal models, in the course of 2022 an overall increase of roughly EUR 5.5 bn is expected in RWAs, linked in part to the update of the probabilities of default on counterparties subject to the process rating (Large Corporate and SME), linked to the 2019 Model Change, and in part to the re-estimation of models for full alignment with the EBA Guidelines (EBA-GL-2017-16) carried out in the course of 2021, subject to review by the ECB in 2022.

Over the 12-month time horizon as of the reference date, or 30 June 2023, taking into account the planned capital reduction due to the IFRS 9 phase-in and the inflationary effects on risk-weighted assets relating to changes in the credit risk measurement models as a result of the EBA Guidelines, a shortfall of roughly EUR 500 mln could emerge on the Tier 1 capital aggregate. On 31 December 2022, on the other hand, or before the IFRS9 phase-in effect, the shortfall could be around EUR 50 mln.

As at 30 June 2022, the Group had a leverage ratio of 3.95% above the regulatory minimum of 3% on a transitional basis.

MREL Capacity

Pursuant to Article 45 of Directive 2014/59/EU, as amended, banks must at all times respect a minimum requirement for own funds and eligible liabilities (MREL) in order to ensure that, in the event of application of the bail-in, they have sufficient liabilities to absorb losses and to ensure compliance with the Tier 1 Capital requirement envisaged for authorisation to carry out banking activities, as well as to generate sufficient trust in the market.

On 18 February 2022 the Parent Company received Single Resolution Board decision SRB/EES/2021/177 from the Bank of Italy, in its role as the Resolution Authority, on the determination of the minimum requirement for own funds and eligible liabilities ("2021 MREL Decision") which replaces that received in December 2020.

Starting from 1 January 2024, the Parent Company will need to respect an MREL of 23.32% in terms of TREA on a consolidated basis, to which the Combined Buffer Requirement (CBR) applicable at that date will be added, and 7.22% in terms of LRE. In addition, there are subordinated MREL requirements, which must be met with own funds and subordinated instruments, equal to 17.34% for TREA, plus the CBR applicable on that date, and 7.22% for the LRE.

The requirements at 1 January 2024 were increased following the May 2021 update of the "MREL Policy" by the Single Resolution Board (SRB).

Starting from 1 January 2022, during the transition period, the Parent Company needs to respect an intermediate MREL on a consolidated basis of 18.95% in terms of TREA, to which the CBR (equal to 2.75% in 2022) is added, and 6.22% in terms of LRE (intermediate MREL requirement). In addition, there are subordinated MREL requirements ("MREL subordination requirement"), which must be met with own funds and subordinated instruments, equal to 13.5% for TREA, plus the CBR applicable on that date, and 6.22% for the LRE.

At 30 June 2022, the Group had values that exceeded the requirements for the following indicators:

- an MREL capacity of 20.88% in terms of TREA and 7.07% in terms of LRE ("Leverage ratio exposure measure"); and
- an MREL subordination capacity of 15.6% in terms of TREA.

Without prejudice to the foregoing, on 30 June the Group had a temporary breach:

- of the "MREL subordination capacity" in terms of LRE, which is equal to 5.28% (compared to an LRE of 6.22% required by the 2021 MREL Decision); and
- of the CBR, considered in addition to the intermediate MREL requirement (equal to -0.82%) and the intermediate subordination requirement (equal to -0.65%) expressed in terms of TREA.

The violation of such requirements is linked to the deferral to 2022 of the execution of the Capital Increase and the absence of MREL eligible issues in the course of 2021 and the first half of 2022.

As a result of the above-mentioned breach:

- the Parent Company was unable to obtain prior authorisation to operate as a market maker on its senior bonds, requested in accordance with the regulation starting from 1 January 2022, pursuant to art. 77 (2) of the CRR and, therefore, as of that date, the Parent Company and its subsidiaries have suspended this type of operation;
- the Parent Company was prohibited by Single Resolution Board Decision of 2 May 2022 from the:
    i) distribution of CET1 (dividends);
    ii) payment of coupons on AT1 instruments;
    iii) assumption of obligations for the payment of variable remuneration or discretionary pension benefits or payment of variable remuneration against commitments assumed when the combined capital buffer requirement was not respected (breach of the CBR-MREL), beyond the "M-MDA" (or the maximum distributable amount in relation to the MREL) limit.

This breach will be remedied with the execution of the capital increase set forth in the 2022-2026 Business Plan. In this regard, please note that the Group's funding strategies aim, inter alia, to guarantee - as concerns public bond issue plans in particular - the satisfaction of MREL requirements. These strategies are defined in line with the Group's strategic plans and, in that sense, their structuring for operational purposes will be fully defined pending completion of the 2022-2026 Business Plan currently underway whit the ECB.

Disclosure on Fair Value

Qualitative information

The methodologies used to calculate fair values have not changed compared to 2021 and therefore reference should be made, for a comprehensive reading, to the information provided in section A.4 "Disclosure on Fair Value" of the Consolidated Explanatory Notes at 31 December 2021.

Financial assets and liabilities measured at fair value on a recurring basis:

Asset and liabilities measured at fair value	30 06 2022				31 12 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets measured at fair value through profit or loss of which:	7,373.5	2,854.6	449.8	10,677.9	6,164.5	3,144.4	362.2	9,671.1
a) Financial asset held for trading	7,373.4	2,800.7	-	10,174.1	6,164.4	3,052.6	-	9,217.0
c) Other financial assets mandatorily measured at fair value	0.1	53.9	449.8	503.8	0.2	91.7	362.2	454.1
2. Financial assets measured at fair value through other comprehensive income	4,275.1	563.9	224.8	5,063.8	4,632.5	601.4	226.8	5,460.7
3. Hedging derivatives	-	783.1	-	783.1	-	5.6	-	5.6
4. Property, plant and equipment	-	-	1,953.1	1,953.1	-	-	1,989.2	1,989.2
Total assets	**11,648.6**	**4,201.6**	**2,627.7**	**18,477.9**	**10,797.0**	**3,751.4**	**2,578.2**	**17,126.6**
1. Financial liabilities held for trading	2,658.6	1,351.1	4.5	4,014.2	3,104.1	1,422.7	4.3	4,531.1
2. Financial liabilities designated at fair value	-	100.8	-	100.8	-	114.0	-	114.0
3. Hedging derivatives	-	372.0	-	372.0	-	1,259.1	-	1,259.1
Total liabilities	**2,658.6**	**1,823.9**	**4.5**	**4,487.0**	**3,104.1**	**2,795.8**	**4.3**	**5,904.2**

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that requires significant adjustment based on non-observable data, or that requires internal assumptions in the Group and estimations of future cash flows.

Compared to the classification as at 31 December 2021, as at 30 June 2022 there was a deterioration in the *fair value* of some financial assets, particularly bonds for more than EUR 37 mln, from level 1 to level 2. This change in level was essentially due to worsening of the liquidity conditions of the securities (measured in terms of bid-ask spread of the listed price), leading to the level transfer, in accordance with the Group's policy on the valuation of financial instruments.

With reference to financial instruments that have improved from level 2 to level 1 of the hierarchy, please note that this dynamic affected bonds for a value of more than EUR 3 mln. The change in the fair value level during the year is essentially linked to the improvement in the securities' liquidity conditions (measured in terms of bid-ask spread of the listed price), which allowed the level transfer in accordance with the Group's policy on the valuation of financial instruments.

As for OTC derivatives, in compliance with IFRS 13 the Group calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparty. This risk measure, known as Credit Value Adjustment (CVA), is estimated for all positions in OTC derivatives with non-collateralized institutional and commercial counterparties and with counterparties having a Credit Support Annex (CSA) not in line with market standards. The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration. The exposure includes future credit variations represented by add-ons.

Market-consistent probability measurements are employed in the calculation of CVAs in order to gauge market expectations resulting from CDS, also taking into consideration the historical information available within the Group. As at 30 June 2022, the change for the CVA correction was negative and equal to approx. EUR 4.3 mln.

The Group calculates the value adjustment of OTC derivatives in a mirror image fashion and on the same perimeter to take into account its creditworthiness, Debit Value Adjustment (DVA). At 30 June 2022, the DVA was positive and equal to a total of EUR 35.6 mln.

Annual changes in financial assets measured at fair value on a recurring basis (level 3)

30 06 2022

	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income	Property, plant and equipment
	Total	of whichi: c) Other financial assets mandatorily measured at fair value		
1. Opening balances	**362.2**	**362.2**	**226.8**	**1,989.2**
2. Increases	**116.8**	**116.8**	**0.2**	**17.6**
2.1 Purchase	-	-	-	-
2.2 Profits charged to:	17.3	17.3	-	9.1
2.2.1 Income statement	17.3	17.3	-	7.6
- of which capital gains	17.3	17.3	-	7.6
2.2.2 Equity	-	-	-	1.5
2.3 Transfers from other levels	40.3	40.3	-	-
2.4 Other increases	59.2	59.2	0.2	8.5
3. Decreases	**29.2**	**29.2**	**2.2**	**53.7**
3.1 Sales	-	-	0.3	1.0
3.2 Repayments	13.4	13.4	-	-
3.3 Losses charged to:	14.2	14.2	1.9	37.5
3.3.1 Income statement	14.2	14.2	-	17.2
- of which capital losses	14.2	14.2	-	17.2
3.3.2 Equity	-	-	1.9	20.3
3.4 Transfers to other levels	-	-	-	-
3.5 Other decreases	1.6	1.6	-	15.2
4. Closing balance	**449.8**	**449.8**	**224.8**	**1,953.1**

The most significant amounts reported in the column "Other financial assets mandatorily measured at fair value"

- "2.3 Transfers from other levels": the amount of EUR 40.3 mln refers entirely to the mezzanine tranche of the securitization of a portfolio of bad loans of the Group that is downgraded from level 2 to level 3 as part of the fair value hierarchy envisaged by IFRS 13;
- "2.4 Other increases": the amount of EUR 59.2 mln mainly refers to positions that during the year were reclassified from the loan portfolio at amortised cost to the portfolio of other assets mandatorily measured at fair value due to substantial changes not consistent with the SPPI test, as well as new disbursements.

For property, plant and equipment, the other decreases equal to EUR 15.2 mln mainly refer to the depreciation relating to properties classified as IAS 16.

Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

30 06 2022

	Financial liabilities held for trading
1. Opening balances	**4.3**
2.Increases	**1.8**
2.1 Issues	-
2.2 Losses posted to	1.8
2.2.1 Income statement	1.8
- of which capital losses	0.5
2.2.2 Equity	X
2.3 Transfers from other levels	-
2.4 Other increases	-
3. Decreases	**1.6**
3.1 Redemptions	-
3.2 Repurchases	-
3.3 Profits posted to:	1.6
3.3.1 Income statement	1.6
- of which capital gains	0.3
3.3.2 Equity	X
3.4 Transfers from other levels	-
3.5 Other decreases	-
4. Closing balance	**4.5**

Information on “day one profit/loss”

The Group did not recognise “day one profits/losses” on financial instruments pursuant to B.5.1.2A of IFRS 9; therefore, no disclosure is provided pursuant to paragraph 28 of IFRS 7 and other related IAS/IFRS paragraphs.

Fair value levels 2 and 3: measurement techniques and inputs used

The following tables show, respectively, for Level 2 and 3 financial instruments, the accounting portfolio, a summary of the types of instruments in use at the Group, and evidence of the related valuation techniques and the inputs used.

Items	Fair value Level 2 30 06 2022							Type	Valuation technique(s)	Inputs used
	Financial assets held for trading	Other Financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging deivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging deivatives			
Debt securities	592.9	2.5	534.5	X	-	100.8	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
								Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves + inputs necessary to measure optional component
								Notes	Notes	Discounted Cash Flow
								Notes	Market price	Market price
Equity instruments	0.2	-	29.4	X	X	X	X	Share/Equity Instruments	Market price	Market price, recent transactions, appraisals, manager reports
								Equity Instruments	Discount cash flow	Share price, beta sector, free risk rate
								Equity Instruments	Net asset adjusted	Carring Amount Asset/Liabilities
Units of UCITS	-	51.4	X	X	X	X	X	Funds/PE	Nav Investor report	Management report, technical data sheet of assets held in portfolio
Financial Derivatives	2,206.0	X	X	783.1	1,222.6	X	372.0	IR/Asset/Currency Swaps	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and correlation
								Equity swaps	Discounted Cash Flow	Share price, Interest rate curve, Foreing exchange rates
								Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility
								Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility (Surface)
								Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
								Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (Surface), Model imputs
								Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto correlation, Equity/Equity correlation
								Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs, Quanto correlation, Equity/Equity correlatio
								Plain Rate	Option Pricing Model	Interest rate curve, inflation curves,bond prices,foreign exchange rates, Rate volatility, rate correlations
								Spot-Forward	Market price*	Market price, Swap Point
Credit Derivatives	1.6	X	X	-	128.4	X	-	Default swaps	Discounted Cash Flow	CDS curves, Interest rate curve
Total assets	2,800.7	53.9	563.9	783.1	X	X	X			
Total liabilities	X	X	X	X	1,351.1	100.8	372.0			

*prices for identical financial instruments listed in non-active markets (IFRS 13 par. 82 lett. b)

Voci	Fair value Livello 3 30 06 2022			Tipologie	Tecnica di Valutazione	Input non osservabili	Range (media ponderata)
	Altre attività finanziarie obbligatoriamente valutate al fair value	Attività finanziarie valutate al fair value con impatto sulla redditività complessiva	Passività finanziarie di negoziazione				
Titoli di debito	116,3	-	-	Notes	Discounted Cash Flow	Tasso di attualizzazione	10,10%-17,12%
				Strumento Finanziario Partecipativo	Credit Model	Fair value asset	0-23,1 €/mln
Titoli di Capitale	2,7	224,8	X	Titoli di capitale	Pricing esterno	Cet 1 target, Cost of equity, tasso di crescita	12,1%; 10,9%; 1,8%
				Partecipazioni	Discounted Cash Flow	Basi di Liquidità/Equity Risk Premium/Beta	20%/8%/0.4
				Partecipazioni	Costo/Patrimonio Netto	Fair value asset	0-12,3 €/mln
Finanziamenti	180,1	-	-	Finanziamenti	Discounted Cash Flow	NPE spread	1,92% / 4,42%
				Finanziamenti	Discounted Cash Flow	LGD	0,17% / 65,37%
				Finanziamenti	Discounted Cash Flow	PD	0,09% / 31,63%
				Finanziamenti	Discounted Cash Flow	PE spread	0,04% / 1,50%
Quote di O.I.C.R.	150,7	X	X	Fondo Chiuso Riservato	Pricing esterno	FV componenti attivo	9 €/mln
				Fondo chiuso immobiliare	Pricing esterno	FV componenti attivo	3 €/mln
				Fondo Alternativo di Investimento	Discounted Cash Flow	Tasso di attualizzazione	7,81%-10,91%
Derivati Finanziari	X	X	4,5	IR/Asset/Currency Swaps	Discounted Cash Flow	Surrender Rate	Nessuna dinamica/Volatilità Stocastica
Totale Attività	449,8	224,8	X				
Totale Passività	X	X	4,5				

A description of Level 3 financial instruments that show significant sensitivity to changes in unobservable inputs is provided below.

The column "Other financial assets mandatorily measured at fair value" in the category "Debt securities" measured with the Discounted Cash Flow method includes EUR 50.5 mln referring to the notes of the "Norma" multioriginator securitisation, measured with the Discounted Cash Flow method. The change in the discount rate (+/-1%) and forecasted distributions (+/-10%) would result in the following range of values: EUR 44.2 – 55.8 mln.

Finally, the same category includes EUR 27.3 mln referring to some equity instruments acquired by the Parent Company under credit restructuring agreements for which the sensitivity analysis was not carried out as the unit value of the individual exposures is below the minimum materiality threshold established by the Group.

The "Other financial assets mandatorily measured at fair value" column also includes loans (EUR 180.1 mln) that are mandatorily measured at fair value. The unobservable parameters are Probability of Default (PD), Loss Given Default (LGD) and the different spreads for performing and non-performing assets. The change in these parameters, by 10%, 5%, 1%, and 1%, respectively, would have an impact on fair value of approximately EUR -9.4 mln.

The majority of the UCITS units refers, for EUR 134.1 mln, to units of funds received in exchange for the sale of non-performing loans (Back2bonis, IDEA CCR I, II and Nuova Finanza, Efesto, Clessidra). The change in the discount rate (+/-1%) and forecasted distributions (+/-10%) would result in the following range of values: EUR 117.3 – 151.6 mln. The category of units of UCITS also contains the total of contributions, made from June 2016, to the Italia Recovery Fund (formerly Atlante due) for a book value of EUR 8.9 mln. The position is valued based on the latest available NAV.

The "Financial assets measured at fair value through other comprehensive income" accounting portfolio includes the shareholding in Bank of Italy (EUR 187.5 mln), measured using the Discounted Cash Flow method. The shareholding was measured with the methodology identified by the Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy". This document not only details the valuation techniques adopted to reach the end result, but identified the following entity-specific parameters: the market beta, equity risk premium, and the cash flow base. The valuation of that equity investment is also confirmed in market transactions carried out in recent years by certain banks. The range of possible values that can be assigned to these parameters cause the following changes in value: roughly EUR -14 mln for every 100 bps increase in the equity risk premium, roughly EUR -24 mln for every 10 pp increase in the market beta, and roughly EUR -21 mln for every 10 pp increase in the cash flow base.

This category also includes equity securities representing all investments designated at fair value that could not be measured according to a market-based model. These positions amount to approximately EUR 37.4 mln.

Financial liabilities held for trading include financial derivatives (approximately EUR 4.5 mln) included for the correct management of the lapse risk inherent in commission flows deriving from the placement of certain unit-linked policies. Also for these positions no sensitivity analysis was carried out as they are not considered material by the Group.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

Financial asset/liabilities not measured at fair value or measured at fair value on a non -recurring basis	30 06 2022		31 12 2021	
	Book value	Total Fair value	Book value	Total Fair value
1. Financial assets measured at amortised cost	106,257.3	105,435.4	113,060.1	117,391.7
3. Non-current assets held for sale and disposal groups	304.8	65.3	72.9	68.2
Total Assets	**106,562.1**	**105,500.7**	**113,133.0**	**117,459.9**
1. Financial liabilities measured at amortised costs	114,846.5	114,226.1	121,466.2	121,503.9
Total Liabilities	**114,846.5**	**114,226.1**	**121,466.2**	**121,503.9**

With reference to financial assets measured at amortised cost, it should be noted that the gap between fair value and book value as at 30 June 2022, lower than at 31 December 2021, is mainly due to the trend in market interest rates.

With reference to par. 93 letter (i) of IFRS 13, the Group does not hold any non-financial assets measured at *fair value* whose current use does not represent its best possible use.

With reference to par. 96 of IFRS 13, the Group does not apply the portfolio exception provided for in par. 48 of IFRS 13.

Disclosure on risks

Risk Governance

Risk governance strategies are defined in line with the Group's business model, medium-term Restructuring Plan objectives and external regulatory and legal requirements.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the Board of Directors of the Parent Company. Specifically, the Board of Directors periodically defines and approves strategic risk management guidelines and quantitatively expresses the Group's overall risk appetite, in line with the annual budget and multi-year projections.

For 2022, in March, the Parent Company Board of Directors approved the "Group Risk Appetite Statement 2022" (RAS 2022) for the Montepaschi Group and its breakdown by Legal Entity/Business Unit. Subsequently in June, following the approval of the 2022-2026 Business Plan, the Board updated the New 2022 RAS in July.

The Risk Control Function is specifically assigned the task of conducting the monitoring of indicators, drawing up a periodic report for the Board of Directors and implementing the escalation/authorisation processes in the event of overdrawn amounts.

The Risk Appetite Process is structured so as to ensure consistency with the ICAAP and ILAAP as well as with Planning, Budget and Recovery processes, in terms of governance, roles, responsibilities, metrics, stress testing methods and monitoring of key risk indicators.

In addition, the ICAAP and ILAAP packages were sent to the Regulator in accordance with the ECB's regulatory prescriptions set forth in the "ECB Guide to the internal capital/liquidity adequacy process (ICAAP/ILAAP)" of November 2018 and the "Technical implementation of the EBA Guidelines on ICAAP/ILAAP information for SREP Purposes".

The Montepaschi Group is one of the Italian banks subject to the ECB's Single Supervisory Mechanism. In the first half of 2022, the Group has continued to actively support interaction with the ECB-Bank of Italy Joint Supervisory Team (JST).

For additional information, see the Consolidated Report on Operations as at 31 December 2021, available in the Investor Relations section on the website www.mps.it.

Internal Capital

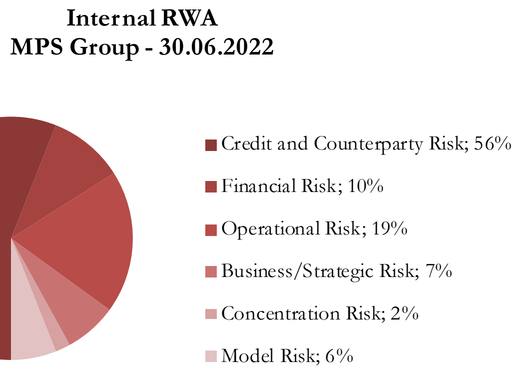
Risk assessment models

The Internal Capital is the minimum amount of capital resources required to cover economic losses resulting from unforeseen events caused by exposure to different types of risk.

With regard to the methods used to measure Internal Capital, compared to what is noted in the Explanatory Notes to the 2021 Consolidated Financial Statements, there are no significant methodological changes to report. The approach used to quantify the risks-to-capital, to which the Group is exposed, is the one referred to in the literature as Pillar 1 Plus. This approach envisages that the Pillar 1 requirements for Credit and Counterparty Risk (which already include those relating to Issuer Risk on the Banking Book, Equity Investment Risk and Real Estate Risk) and Operational Risk, be increased by the requirements from internal models relating to Market Risks, both Trading Book and Banking Book, Banking Book Interest Rate Risk (Financial Risks), Concentration Risk, Business/Strategic Risk and Model Risk.

Overall Internal Capital is calculated without considering inter-risk diversification, therefore simply by adding together the internal capital contributions of the individual risks (Building Block). This approach is consistent with the prudent approach suggested by the SREP (Supervisory Review and Evaluation Process) Guidelines published by the EBA.

Risk exposure



The Group also manages and quantifies Liquidity Risk on an ongoing basis (risk-to-liquidity, as defined in the SREP Guidelines) through internal organisational methodologies and policies.

Main risks and uncertainties

Detailed information on the risks and uncertainties to which the Group is exposed is provided in the Consolidated Financial Statements as at 31 December 2021, to which reference is made.

The most significant risks and uncertainties at the date of this Consolidated Half-yearly financial statements are described below.

Risks linked to the prospective capital shortfall

The expectation of a prospective capital shortfall with respect to the overall capital requirements and the results of the EBA 2021 stress test have highlighted the need for capital strengthening estimated at EUR 2.5 bn.

At the moment, it cannot be excluded that unforeseeable circumstances and elements may emerge that could affect the authorisation process (the one of ECB is still ongoing) and also the process of capital strengthening of the Parent Company; moreover, even in the presence of the authorisation by the Authority, there is no guarantee that the capital increase can be started and fully subscribed.

Credit risk

Lending activity represents the Group's core business and the main risk component, representing approximately 50% of the Group's total RWAs (and more than half of the Pillar 1 RWAs). The classification as high risk remained unchanged compared to the previous year, especially in relation to the current macroeconomic context, which could lead to a significant increase in default flows in the next three years.

In general, a continuation of the situation of uncertainty linked to the effects of the COVID-19 pandemic, as well as international geopolitical tensions deriving from Russia's invasion of Ukraine, could have a negative impact on the ability of the Group's customers to meet their obligations and hence cause a significant deterioration in the credit quality of the Parent Company and/or the Group, with possible negative effects on activities and the financial situation of the Parent Company and/or the Group.

In this context, in 2022 the Group continued to support the companies most impacted by the Covid-19 pandemic by providing new loans and applying forbearance measures, while on non-performing loans, activities continue in order to limit the stock of NPLs.

Operational risk

Exposure to operational risk is confirmed as highly significant. Particularly significant issue with prospects not yet fully outlined include pending disputes, out-of-court claims and the requests for mediation in relation to the share capital increases for the period 2008-2015, as well as the burden sharing carried out in 2017 at the time of the precautionary recapitalisation.

Other important components for the purposes of exposure to operational risk are cyber security risk and IT risk, also due to the extension of the use of web collaboration and smart working tools. These potential risks are subject to continuous monitoring and specific mitigation measures, such as the strengthening of the access authentication system and staff training and awareness-raising measures on cyber *risk*.

Business and strategic risk

The context connected to the COVID-19 pandemic and the ongoing conflict in Ukraine, with the related repercussions on the international and domestic economic cycle, inevitably impacted the business dynamics of the Group in the course of 2021 and in the first half of 2022. A war whose resolution does not appear on the horizon and which contributes to maintaining high tensions on the prices of energy goods, feeds the risk of economic and market dynamics still characterized by high degrees of uncertainty; moreover, despite the absence of a state of emergency and despite the high vaccination coverage, the recent spread of new variants of COVID-19 raises uncertainties on the methods of coexisting with the virus.

From a strategic point of view, on 22 June 2022, the Board of Directors of the Parent Company approved the 2022-2026 Business Plan: “A Clear and Simple Commercial Bank” (see paragraph “2022-2026 Business Plan” to which reference is made for the details).

The implementation of the Business Plan is based on the completion of the capital increase of EUR 2.5 bn to be submitted for the approval of an Extraordinary Shareholders’ Meeting called on 15 September next. The Group’s Plan is also based on the support previously expressed by the Ministry of Economy and Finance, the controlling shareholder, in compliance with national and European regulations, to support the capital initiatives that the Bank will undertake to strengthen capital in the part of the Plan, for the share of its competence, at market conditions and in compliance with the provisions that may be established by the supervisory and control Authorities. In particular, the objectives and fundamentals of the Plan take into account the forthcoming review of the commitments between the Italian Republic and the European Commission relating to the Bank.

Finally, the 2022-2026 Business Plan is based on general and hypothetical assumptions of realization of a set of future events and actions to be taken by the directors, subject to risks and uncertainties characterizing the current macroeconomic scenario, relating to future events and actions of the directors that will not necessarily occur and events and actions on which the directors and management cannot influence or affect only in part.

Funding risk and liquidity risk

In general, during the first half of 2022, the Group’s liquidity profile remained at very strong levels.

With regard to funding risk, the sustainability of the funding profile (understood as the ability to finance banking activities with stable resources) remains high, as evidenced by the levels of medium / long-term liquidity indicators.

With reference to short-term liquidity risk, after having experienced, in the past, phases of stress on liquidity, the Group has maintained short-term liquidity indicators at very high levels in recent years.

Due to its specific nature, despite the demonstrated capital strength, liquidity risk generally continues to be high as “fast-moving”, sudden systematic or idiosyncratic crises may develop, with immediate and strong repercussions on both customer behaviour and market access.

Other risks

Risks linked to regulatory stress-test exercises

As part of its prudential supervisory activities, the ECB in cooperation with EBA and other relevant Supervisory Authorities, periodically conducts stress-test on supervised banks, in order to verify the resilience of the banks against baseline and stressed macroeconomic scenarios. The impact of these exercises depend-on the assessment methodologies, the stress scenarios and the outcome of quality assurance activities used as reference by the Supervisory Authority. The EBA has announced that the next EU-wide stress-test will be conducted in 2023 and, on 21 July 2022 has published EU-wide its draft methodology, models and guidelines for 2023 stress test models.

The Group is subjected to the exercise and is therefore exposed to the uncertainties deriving from the results of the same, consisting in the possibility of incurring in a potential worsening of the capital requirements to be met, if the results show a particular vulnerability of the Group to the stress scenarios envisaged by the aforementioned Supervisory Authorities.

Risks linked to the breach of the MREL requirements

In light of the deferral to 2022 of the share capital increase and the absence of issues of debt securities in the course of the first half of 2022, as at 30 June 2022 the Parent Company has a temporary breach of the combined buffer requirement (CBR) considered in addition to the MREL requirements in force. For a detailed disclosure, please refer to what is described in the section "MREL capacity".

Risks associated with audits by Supervisory Authorities

The Group is exposed to the risk that the measures taken over time to eliminate the critical issues identified by Supervisory Authorities following the audits conducted/to be conducted may not be effective. Furthermore, if the Group is unable to promptly comply with the Supervisory Authorities' requests, it could be subject to penalties, or to various measures restricting its operations, or other measures set forth by supervisory regulations.

Reputational risk

The reputational profile of the Group continues to highlight certain weaknesses linked to media exposure. The main factors are linked to the outcome of some pending proceedings on past events, on which there are still rulings in favour of the Bank, and the closure of some disputes of particular relevance, and to the outcome of the ongoing discussions to authorise the Italian State to stay in the capital of the Parent Company. It cannot be excluded that, despite the mitigation measures implemented, the Group may in the future suffer pressure on its risk situation in relation to the results of the process for the authorization of the 2022-2026 Business Plan, currently ongoing at the ECB.

Risk linked to representations and warranties given in the sales of non-performing loans

The signing of contracts to transfer portfolios of non-performing loans entailed, aside from the primary benefits for which they were carried out, also the resulting assumption of specific contractual commitments, including in particular representations and warranties ("R&W") which are binding for a specific period of time, and the violation of which entails the obligation for the Parent Company and the other Group banks (Transferors) to provide compensation to the transferees for the damage suffered through the disbursement of sums.

The compensation, or that financial amount intended to compensate a party for harm suffered, is an essential part of all disposal agreements as it is the instrument whereby the acquirer protects itself with respect to certain events and, especially, the possible faults that may be present in the credit facilities acquired.

The R&Ws, the violation of which requires the Transferors to provide compensation, always have a pre-established duration (between a minimum of 12 months and a maximum of 36 months) in order to prevent the Transferors from being overly exposed to requests for compensation and the associated disbursement risk. In standard contracts, the R&Ws protect the transferees with respect to the minimum requirements that a transferred loan is supposed to meet, such as its existence, its principal amount, the presence of the minimum documentation required to enforce it, or the elements necessary for the transferees to carry out all necessary judicial and out-of-court recovery activities.

In more exceptional cases (based on the contractual context or the agreed price), as took place for the disposal of the bad loan portfolio as part of the securitisation of loans carried out by the Group in favour of Siena NPL S.r.l. in December 2017, a particularly complex set of R&Ws issued by the Transferors was agreed upon in the contracts, outlined in a specific annex containing 62 R&Ws which govern in a very detailed manner a number of the characteristics of the loans subject to disposal, which the Transferors have represented as true and existing when the contracts were signed.

In any event, the damage subject to compensation can never exceed the price paid for the acquisition of the defective loan plus any expenses incurred and an interest component at a rate set forth in the contract and in any case at overall level a maximum amount (cap) is established beyond which the Transferors are not required to provide any compensation even in the presence of confirmed violations. The cap is generically determined as a percentage of the price paid for a specific portfolio; in particular, for the sale to Siena NPL, already mentioned, it was equal to 28%. The R&W released expired on 31 July 2021. However, there is still a risk in that, at the date of drafting this half-yearly financial report, there is a significant divergence between the counterparty's claims and the results of a reasonableness analysis performed by the Group.

With reference to the sale of secured leasing bad loans, the so-called sale of Morgana, it should be noted that the terms of validity for the declarations and guarantees expired at the beginning of October 2021.

With regard to the disposal of UTP loans, it should be noted that the representations and warranties issued to the various transferees involved in the various transactions carried out by the Group over the last few years, expire, at the latest, in May 2023.

Lastly, it should be noted that, as part of the demerger transaction known as "Hydra M", which became effective on 1 December 2020, the Parent Company issued representations and warranties in favour of AMCO, whose violation can be asserted by the beneficiary company no later than 30 November 2022 and envisage a cap of approximately 10% of the total assets of the demerged complex net of the related assets.

Risks associated with securitisations

The Group has a series of exposures to securitisation transactions and, therefore, with respect to the trend of collections and recoveries of the underlying portfolios. In relation to these exposures, the Group is subject to the risk, in terms of effective return and possibility of recovery of the investment made, that the flows deriving from securitised assets are lower than those expected over the life of the transactions. In this regard, it cannot be excluded that the consequences of the economic crisis caused by the COVID 19 pandemic and the Russian war in Ukraine may have negative impacts on the securitisation exposures held by the Group, due to delays or reductions in expected collections from securitized assets.

Risks related to outsourcing certain services

The Group is exposed to the risks associated with outsourcing certain services and, in particular, to risks deriving from (i) operations and continuity of outsourced services or (ii) any indemnity obligations borne by the Parent Company provided for in the contracts governing the aforementioned delegation of services.

Risks related to the economic-political context

The Group's results are heavily influenced by the general economic context and by dynamics in financial markets and, in particular, by the performance of Italian economy (based on, among other things, factors such as expected economic growth outlooks, domestic energy supply sources, the solidity perceived by investors, creditworthiness and the stability of the political context, the evolution of the Covid-19 contagion), as it is the country in which the Group operates almost exclusively.

Inflation persistently at all-time highs, fuelled by global supply chain disruptions and rising commodity prices, which are also aggravated by the ongoing military conflict (aside from supplying fossil fuels, Russia is one of the top global wheat exporters and one of the main metal manufacturers), is pushing the Monetary Authorities to adopt restrictive monetary policies that impact the expansionary cycle, causing it to slow down and fuelling the risk of recession. The invasion of Ukrainian territory by the Russian armed forces, in addition to Ukrainian opposition, triggered a decisive response from the Western countries which imposed heavy economic sanctions on Moscow and provided support to resistance on the ground. The risk that the conflict will continue for an extended period of time and that the military escalation will involve other countries is possible in a scenario in which counteracting blocks of power will begin to confront each other once again and increasing international political instability[23], with evident repercussions in terms of the economic cycle. The expulsion of several Russian banks from the Swift circuit[24], the freezing of the assets of the Russian Central Bank and the "selective default" on Moscow's foreign debt, could generate tensions in the international financial markets, with higher impacts on the intermediaries most exposed to Russia. At the same time, geopolitical tensions and the cuts imposed by the Kremlin on Russian energy supplies contribute towards maintaining high price pressures, especially on natural gas, with Europe and Italy still dependant on Russian supplies despite the use of alternative suppliers. An inefficient or incomplete implementation of the growth support policies set forth in the National Recovery and Resilience Plan (NRRP) in the medium term and acute political tensions that led to the fall of the Draghi government could further depress the Italian economic recovery. Lower expected growth could fuel fears as to the sustainability of public debt, with repercussions on the BTP-Bund spread.

Risks associated with the COVID-19 pandemic

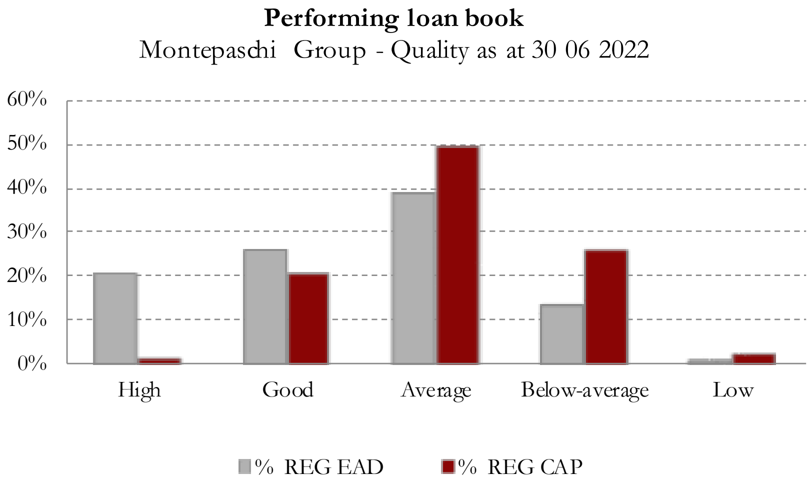
Significant profiles of uncertainty remain in the economic context in which the Group operates. Economic activity remains exposed to possible resurgence of the pandemic, caused by the spread of variants of the latest period. Even if the damages are visible at the level of the entire national economic system, some sectors have been more affected, others less, still others have even achieved significant increases in profits (think of the medical-pharmaceutical sector for COVID-19). The possible continuation of the pandemic, as well as the evolution of virus variants, could have a further negative impact on the Italian economic, social and financial position and therefore, as a result, on the Group's credit quality, capitalisation and profitability.

[23] The defeat of Premier Macron in the French legislative elections, the resignation of British Prime Minister Johnson, the assassination of former Japanese Prime Minister Shinzo Abe and in Italy the fall of the Draghi government

[24] The Society for Worldwide Interbank Financial Telecommunication is a secure messaging system that guarantees very rapid transactions with very high security standards, which in fact settles the vast majority of international financial transactions.

Credit risks

The chart below provides a credit quality breakdown of the Group portfolio as at 30 June 2022 by exposure to risk and Regulatory Capital. It can be seen that about 47% (51% as at 31 December 2021) of risk exposure relates to high- and good-quality customers (positions in financial assets are excluded). It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



Risk assessment model

Credit risk is analysed in-house for management purposes using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss, both management and regulatory. Several inputs are considered: probability of default (PD), obtained through validated and non-validated models, LGD rates (management and regulatory), number and types of guarantees supporting the individual credit facilities, regulatory and management CCF on the basis of which the regulatory and management EAD are estimated respectively.

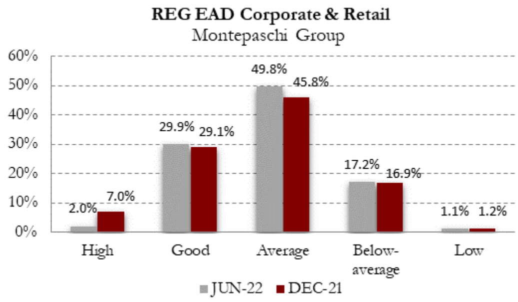
The Group is currently authorised to use the Advanced Internal Rating Based (AIRB) models to determine capital requirements against credit risk on the portfolios of "exposures to businesses" and "retail exposures" of the Parent Company, MPS Capital Services and MPS Leasing & Factoring, and is awaiting validation of the EAD parameter and roll-out of the domestic Non Banking and Financial Institutions (NBFI) portfolio for these counterparties.

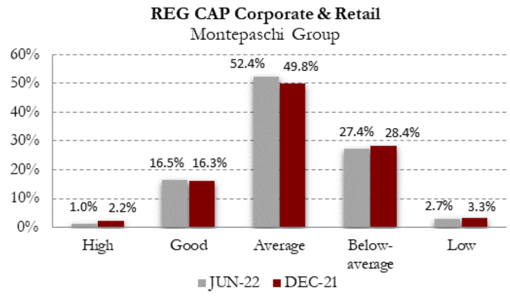
The Group has used PD, LGD and EAD parameters, estimated for regulatory purposes to calculate Risk Weighted Assets, also for other operational and internal management purposes. These provide the basis of calculation for different systems of measurement and monitoring, and specifically for the:

- measurement of internal and regulatory capital for credit risk;
- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- credit direction processes (credit policies);
- across all credit processes (disbursement, review, management and follow-up) which are fully "engineered" in the Electronic Loan File application (Pratica Elettronica di Fido or PEF), under which the borrower's rating is the result of a process which evaluates - in a transparent, structured and consistent manner - all the economic-financial, behavioural and qualitative information regarding customers with whom the bank has credit risk exposures.

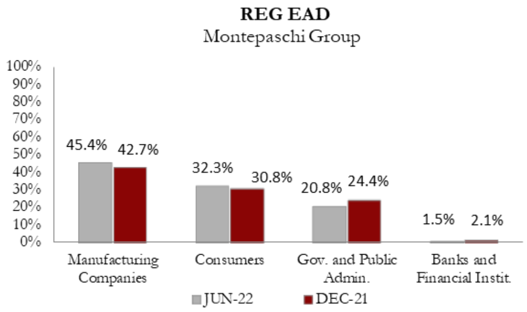
Risk exposure

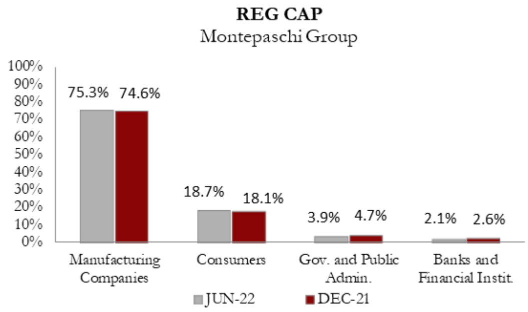
The charts below provide a credit quality breakdown of the MPS Group's portfolio (BMPS, MPS Capital Services, MPS L&F and Widiba) as at 30 June 2022 compared to the end of 2021 for Regulatory Exposure at Default (REG EAD) and Regulatory Capital (REG CAP) of the performing Corporate and Retail portfolios.





The charts below show the distribution of the MPS Group's REG EAD and REG CAP by type of customer as at 30 June 2022 compared to the end of 2021.





Counterparty risk

Risk assessment model

With regard to Counterparty Risk measurement methods, there are no significant changes to report compared to 2021.

- As envisaged by the regulatory provisions, in measuring exposure to counterparty risk the Group used the new regulatory approach defined in CRR2 as "standardised approach for counterparty risk" (SA CCR) to calculate Exposure at Default (EAD) for derivative transactions and LST (Long Settlement Transactions), effective from 30 June 2021, and the comprehensive approach specified in CCR to calculate the EAD for SFTs (Securities Financing Transactions). For management purposes, the MPS Group maintains the market value model for calculating the EAD for the Derivatives and LST sectors and the comprehensive approach for the SFT sector.
- The counterparty risk measurement perimeter comprises all Group banks and subsidiaries, with regard to positions held in the Supervisory Banking Book and Trading Book.
- The capital requirement for Credit Value Adjustment (CVA) along with the insolvency requirement covers unforeseen losses recorded in the OTC Derivatives segment following a change in counterparty creditworthiness, excluding central counterparties and non-financial counterparties below the EMIR clearing threshold. The Group calculates the CVA requirement using the standardised method envisaged by the Basel/CRD IV regulatory framework. For the calculation of this requirement, the regulatory update of the method for calculating the EAD value is taken into account as indicated in the first point of this paragraph.

Exposure to sovereign debt risk

We provide below a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 30 June 2022.

The exposure is broken down by accounting categories.

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets measured at fair value through profit or loss		Financial assets measured at fair value through other comprehensive income		Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets held for trading
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.4	-	-	-	-	-	-
Belgium	-	-	8.0	3.8	-	-	-
France	-	-	15.0	12.1	11.2	-	-
Italy	4,380.3	4,207.0	4,186.0	4,050.6	5,291.8	1,599.5	3,255.0
Mexico	0.1	0.1	15.0	10.3	-	-	-
Peru	-	-	2.0	1.4	-	-	-
Portugal	0.8	0.6	34.6	27.7	3.1	-	-
Romania	-	-	30.0	21.6	-	-	-
Spain	21.8	26.5	10.0	10.0	1,218.1	-	-
United States	-	-	48.1	44.9	-	-	-
South Africa	-	-	5.0	4.7	-	-	-
Other Countries	3.7	2.6	-	0.1	-	-	-
Total 30 06 2022	**4,407.1**	**4,236.8**	**4,353.7**	**4,187.2**	**6,524.2**	**1,599.5**	**3,255.0**
Total 31 12 2021	**2,764.6**	**2,586.9**	**4,566.0**	**4,607.1**	**6,889.4**	**1,655.4**	**3,147.1**

As at 30 June 2022, the residual duration of the exposure to the most significant component of sovereign debt (Italian debt securities) was 5.84 years.

Market risks

Market risk remains a significant risk to which the Group is exposed, given the potential volatility of the underlying market variables, in a context of uncertainty characterized by the conflict in Ukraine and the consequent energy crisis, with rising inflation, restrictive monetary policies and spread tensions due to the government crisis. Particular reference can be made to the sovereign exposures, both in the Trading Book and in the Banking Book, even if the trend of recent years has shown a contraction of the overall exposures in the portfolio on the sovereign sector. Among the points of attention, we highlight the exposure and concentration in Italian government bonds in terms of issuer risk, for positions mainly classified in AC (Amortizing Cost) and the relative vulnerability of the portfolio in the face of unfavourable changes in market conditions, in particular on the Italian credit spread, for securities in FVOCI (Fair Value through Other Comprehensive Income). The assessment considered the prospective effects in relation to the capital requirements relating to the trading portfolio, for the entry into force in the next few years of the new method for calculating capital requirements on market risks (Fundamental Review of the Trading Book).

Risk metrics, in the current market context, are negligibly affected by the impacts deriving from the Covid-19 pandemic, by virtue of the sliding of the time window underlying the VaR model, with the exit in the semester of tail events linked to the crisis on markets triggered in the acute phase of the March 2020 pandemic.

During the second quarter of the year, the general market context characterized by the increase in rates continued, with new tensions in the sector of credit spreads on Italian government bonds. In this context, as a condition of greater capital stability, the Group's decision to apply the temporary prudential filter for the period 2020-2022 to positions in FVOCI[25]is maintained.

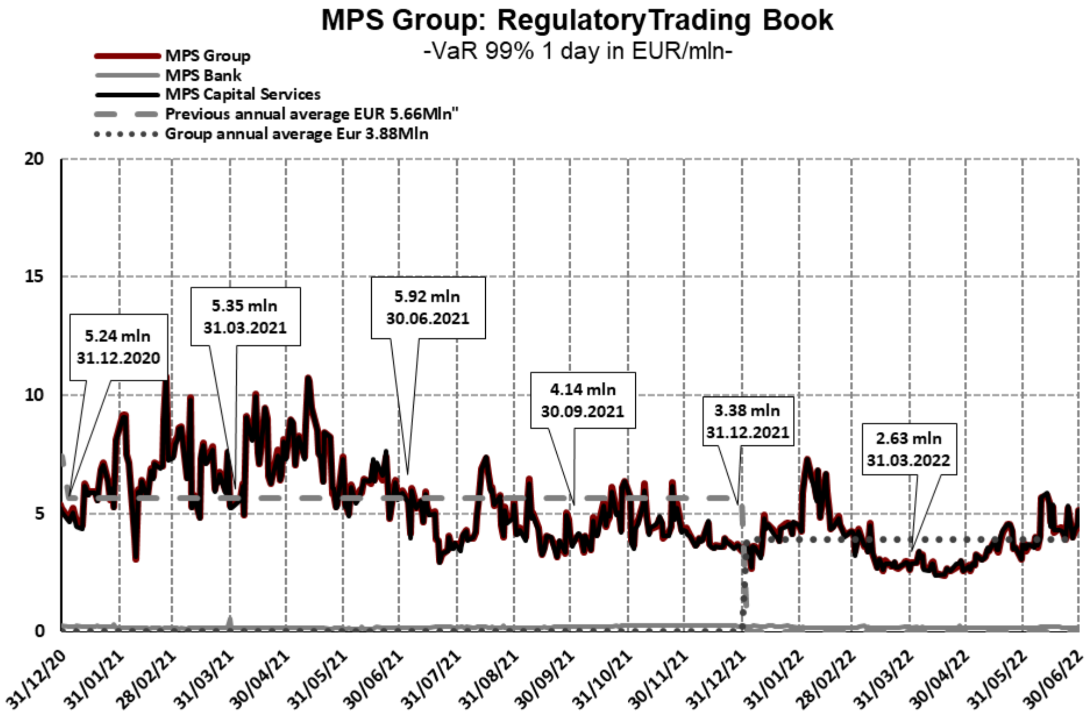
Following the adoption of this treatment, the change in the FVOCI Reserve on government securities of EU States calculated with respect to the level at the end of 2019 is mitigated with the application of the phase-in percentages established by the regulation (100% for 2020, 70% for 2021 and 40% for 2022), resulting in greater stabilisation of the impacts on capital linked to variability in market parameters for the Group's FVOCI portfolio sensitive to Italy credit spread risk and interest rate trends.

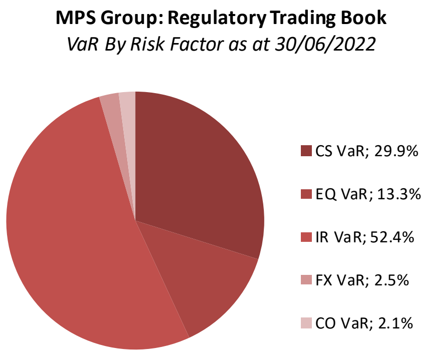
As at 30 June 2022, the market risks of the Group's Regulatory Trading Book, measured as VaR, equal to EUR 5.14 mln, were up on the end of 2021 (EUR 3.38 mln) and higher than the yearly average (EUR 3.88 mln).

During the first half of the year, VaR trends were influenced by the subsidiary MPS Capital Services, mainly for own trading activities in the Credit Spread – Interest Rate segment (transactions in Italian government bonds and long futures) and, to a lesser extent, Client-Driven activities in the Equity segment (options and equity futures on the main market indices). Starting from the month of February, there was a reduction in the VaR, particularly in the Credit Spread (CS VaR) segment following the scrolling of the time window underlying the model, with the exit of tail events linked to the market crisis due to the March 2020 pandemic phase. The trend reversed starting from May with the entry of new tail rate scenarios, in a context of uncertainty generated by the conflict in Ukraine, as mentioned above, with consequent growth in the Interest Rate (IR VaR) segment on the overall VaR.

At the end of the half year, VaR volatility resulted from auctions on Italian government securities by the subsidiary MPS Capital Services for primary dealer activities, with temporary changes in the overall CS Italy risk exposure, primarily short term. In the six months, the average of Italian sovereign bonds held in the Group's trading books amounted to EUR 4.8 bn in nominal terms, up (EUR +0.72 bn) compared to the average of the last six months of 2021.

[25] See art. 468 of Regulation (EU) 2020/873 of the European Parliament and the Council of 24 June 2020 as part of the adjustments in response to the COVID-19 pandemic, effective as of the reference date of 30 June 2020.





The breakdown of the VaR shows that the IR is the main risk factor, accounting for 52.4% of the RTB Gross VaR of the Group, while CS factor accounts for 29.9%, EQ for 13.3%, FX for 2.5% and CO for 2.1%.

MPS Group

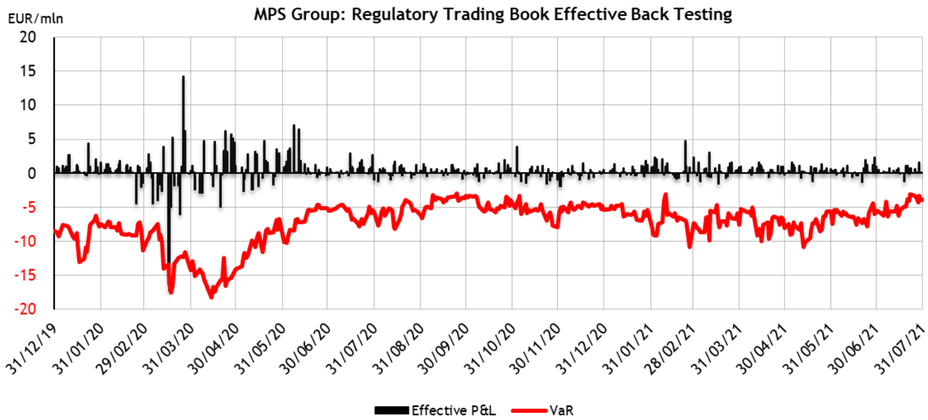
MPS Group
VaR RTB 99% 1 day in EUR/mln

	VaR	Data
End of period	5.14	30/06/2022
Minimum	2.39	19/04/2022
Maximum	7.29	04/02/2022
Average	3.88	

In the first six months of 2022, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 2.39 mln recorded on 19 April 2022 and a high of EUR 7.29 mln on 4 February 2022 with an average value registered of EUR 3.88 mln. The Regulatory Trading Book VaR as at 30 June 2022 was equal to EUR 5.14 mln.

VaR model backtesting

The chart below shows the actual backtesting results of the internal Market Risks model in relation to the Group's Regulatory Trading Book for 2021 and the first six months of 2022:



Three exceptions were recorded in the second quarter of 2022, referring almost entirely to the risk exposure of the subsidiary MPSCS. These exceptions were recorded on 6 May and on 10 and 13 June due to the sudden increase in interest rates, with further pressure in terms of P&L on positions in Italian government bonds in the two sessions of June (temporary widening of the credit spread to short term, returned in subsequent sessions).

Structured credit product

As at 30 June 2022, the securities positions on structured credit products other than own securitisations had a book value of EUR 216.7 mln, compared to EUR 313.5 mln as at 31 December 2021.

This section does not analyse the notes issued by Siena NPL from the disposal of bad loans on 22 December 2017 since, although the loans transferred to the vehicle were originated by the Group. Likewise, the ABS issued by the Norma SPV as part of a securitisation of non-performing loans, also originated by banks outside the Group, are not considered.

With regard to the regulatory classification, the positions in securities on structured credit products are primarily held by the subsidiary MPS Capital Services (96.2%) and allocated mainly to the Regulatory Trading Book (88.1% of the total). The remaining positions are held by the Parent Company. The most common accounting classification is the category "Financial assets measured at fair value through profit or loss" (88.1%), followed by the categories "Financial assets measured at fair value through other comprehensive income" (8.1%) and "Financial assets measured at amortised cost" (3.8%).

The underlying assets transferred are predominantly residential mortgage loans (29.3%), commercial mortgages (22.3%) and non-performing loans (20.9%). It should be noted that, for the latter category, 28.3% of the positions held have benefited from the public guarantee on securitisations (known as Gacs).

Geographically speaking, the countries the loans transferred were granted in are Italy (55.4%), Ireland (9.9%) and the Netherlands (7.9%).

In terms of structured credit product risk, 82.3% of the book value of the exposures consists of investment grade securities (with rating up to BBB- included); they are mostly senior tranches (69.5%), followed by mezzanine (30.5%); there are no junior tranches.

Liquidity risk

Risk assessment model

The Group has used a **Liquidity Risk Framework** for many years now, intended as the set of tools, methodologies, organisational and governance setups which ensures both compliance with national and international regulations and adequate liquidity risk governance in the short (Operating Liquidity) and medium/long (Structural Liquidity) term, under business as usual and stress conditions. The reference Liquidity Risk model for the Montepaschi Group is "centralised" and calls for the management of short-term liquidity reserves and medium/long-term financial balance at Parent Company level, guaranteeing solvency on a consolidated and individual basis for the Subsidiaries.

The management of the Group's **Operational Liquidity** aims at ensuring the capacity of the Group to meet the cash payment obligations within a short-term time frame. The essential condition for a normal course of business in banking is the maintenance of a sustainable imbalance between cash inflows and outflows in the short term. From the operational perspective, the benchmark metric in this respect is the difference between net cumulative cash flows and Counterbalancing Capacity, i.e. the reserve of liquidity in response to stress conditions over a short time horizon, in addition to the Liquidity Coverage Ratio (LCR) regulatory measure. From the extremely short-term perspective, the Group adopts a system for the analysis and monitoring of intraday liquidity, with the goal of ensuring normal development during the day of the bank's treasury and its capacity to meet its intraday payment commitments.

Management of the Group's **Structural Liquidity** is intended to ensure the structural financial balance by maturity buckets over a time horizon of more than one year, both at Group and individual company level. Maintenance of an adequate dynamic ratio between medium/long-term assets and liabilities is aimed at preventing current and prospective short-term funding sources from being under pressure. The benchmark metrics are gap ratios which measure both the ratio between deposits and loans over more-than-1-year and the ratio between deposits and retail loans (regardless of their maturities or for maturities exceeding 3 years), in addition to the regulatory measurement of the Net Stable Funding Ratio (NSFR) in accordance with the CRR2, starting from June 2021. The Group also defined and formalised the asset encumbrance management and monitoring framework with the goal of analysing:

- the overall degree of encumbrance of total assets;
- the existence of a sufficient quantity of assets that may be encumbered but which are free;
- the Group's capacity to transform bank assets into eligible assets (or in an equivalent manner, to encumber non-eligible assets in bilateral transactions).

The liquidity position is monitored under business-as-usual conditions and under specific and/or system-wide stress scenarios based on the Liquidity Stress Test Framework. The exercises have the twofold objective of promptly reporting the Bank's major vulnerabilities in exposure to liquidity risk and allowing for prudential determination of surveillance levels, to be applied to the Liquidity Risk measurement metrics within the scope of the annual Risk Appetite Statement.

Risk exposure

As at 30 June 2022, the Montepaschi Group was adequate in terms of both Operating Liquidity, with an LCR equal to 179.9%, and Structural Liquidity, with an NSFR equal to 137.0%.

It should also be noted that the ratio of 1-month balance to the Group's consolidated assets is equal to 18.1%.

Operational risks

Risk assessment model

The Group has an advanced internal system for operational risk management, which has the following key characteristics:

- Model type: Advanced Measurement Approach (AMA) in combined use AMA/BIA (Basic Indicator Approach). Mixed LDA/Scenario approach with Loss Distribution Approach (LDA) on internal and external historical series and Scenario Analyses (management evaluations of contextual and control factors and on the main operational criticalities);
- Confidence level: 99.90%;
- Holding period: 1 year;
- Scope: all Group companies;
- Risk measures: operating losses and capital absorption.

The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

Risk exposure

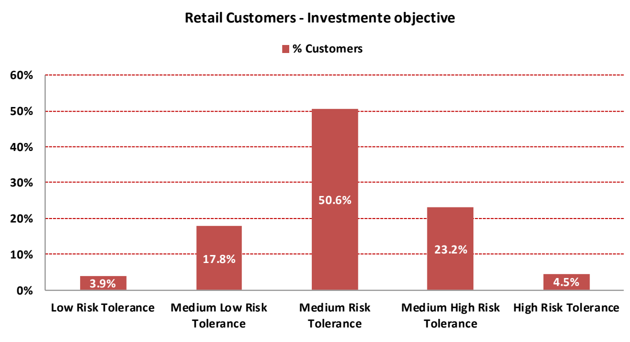
As at 30 June 2022, the number of operational risk events observed in the first half of the year was essentially unchanged compared to those observed in 2021 while the losses were slightly higher. The Regulatory Requirement was essentially stable compared to December 2021.

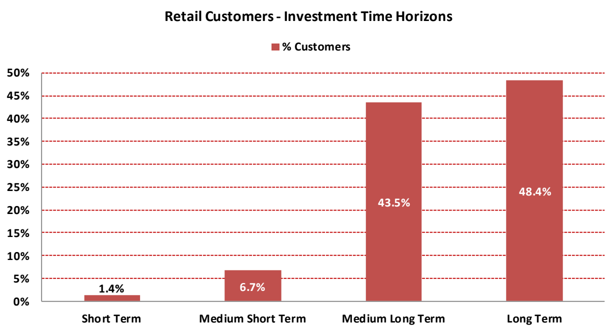
Financial risks of investment services

From 3 January 2018, the MiFID II directive (2014/65/EU) came into force in the entire European Union. Together with MiFIR or Markets in financial instruments regulation (EU Regulation 600/2014), this has changed the reference framework of European legislation.

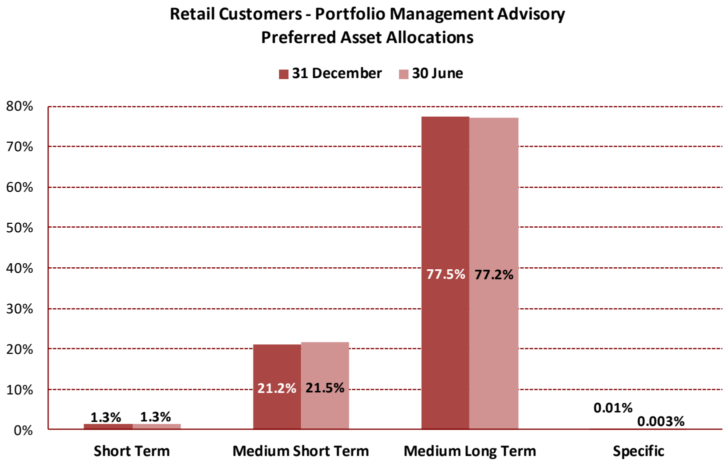
Banca MPS and Banca Widiba have revised the methods of customer profiling and the rules for determining the indicators underlying a customer's risk profile, adopting a new MiFID questionnaire introduced on 2 January 2018.

The graphs below show the distribution as at 30 June 2022 of the Investment Objective and Time Horizon indicators issued by Retail customers of the group who have fully completed the MiFID questionnaire and who hold positions in investment products.





At the end of June 2022, the portfolios held by Retail customers on the basis of formalised "advanced" advisory proposals to obtain optimum asset allocation were mainly distributed into the recommended, long-term, asset allocation macro-classes.



Main types of legal, employment and tax risks

The Group carefully reviews and monitors the risks associated with or connected to legal disputes, i.e. disputes brought before judicial authorities and arbitrators, and out-of-court claims, making specific allocations to provisions risks and charges for disputes and out-of-court claims considered to have a "probable" risk, using statistical or analytical criteria.

Legal disputes and out-of-court claims

The risks associated with legal disputes – i.e. disputes brought before judicial authorities and arbitrators – are carefully reviewed by the Group.
In case of disputes and out-of-court claims for which the disbursement of financial resources to perform the underlying legal obligation is believed to be "probable" and the relevant amount can be reliably estimated, allocations are made to the Provisions for risks and charges using analytical or statistical criteria.
The following were pending as at 30 June 2022:

- legal disputes with a total amount claimed, where quantified, of EUR 4.6 bn. In particular:
    - approx. EUR 2.3 bn in claims regarding disputes for which there is a "probable" risk of losing the case, for which provisions of EUR 0.9 bn have been allocated;
    - approx. EUR 0.7 bn in claims attributable to disputes for which there is a "possible" risk of losing the case;
    - approx. EUR 1.6 bn relief sought in the remaining disputes, for which the risk of losing the case is deemed "remote";
- out-of-court claims totalling, where quantified, approximately EUR 1.8 bn[26], almost exclusively pertaining to disputes classified with a "likely" risk of losing the case.

It should be noted that in July and in the first days of August, no. 72 out-of-court claims and 28 mediation claims were received through a Law firm and a consultancy firm, for a total relief sought per capital settlement, net on any repeated request, of EUR 32.2 mln and EUR 853.3 mln respectively. It should also be noted that on 3 August, a writ of summons was received for a total amount of EUR 741 mln, which repeats the arguments of certain out-of-court claims notified to the Parent Company in previous years for an amount of EUR 522 mln. The writ of summons is related to the financial information shared in the period 2008-2011

Note the Group has exercised the possibility granted by IAS 37 of not providing detailed disclosures on the provisions allocated in the financial statements if such information may seriously jeopardise its position in disputes and in potential settlement agreements.

The main information of the most significant cases, by macro-category or individually, is provided below.

Disputes regarding compound interest, interest rates and conditions

Following the change in orientation by the Supreme Court of Cassation *(Corte di Cassazione*) on the legitimacy of the practice of capitalising on a quarterly basis the interest payable accrued on current accounts, as of 1999 there has been a progressive increase in claims for the return of interest expense resulting from quarterly compound interest. In these lawsuits, the plaintiffs also contest the legitimacy of the interest rate and the methods to determine the commissions applied to the accounts. In this regard, the interpretation introduced since 2010 by the Supreme Court on usury - according to which overdraft fees *(Commissioni di Massimo Scoperto)*, even before Italian Law no. 2/2009 was enforced, should have been calculated on the basis of the effective global rate (*Tasso Effettivo Globale* - TEG), contrary to Bank of Italy guidelines - is frequently the pretext for the actions brought by customers. The plaintiffs most often claim irregularities in current account balances; however, claims concerning compound interest are also increasingly frequent: these cases are based on the alleged illegitimacy of the so-called "French-style amortisation" in mortgage loans, and violation of Italian Law no. 108/1996 on usury in term loans. Aware that the jurisprudential interpretation is often disadvantageous (although not unanimous), at least with respect to certain issues, the Group is committed to maximising the arguments in its defence - which do exist, particularly concerning the statute of limitations - identifiable in the regulatory and interpretative framework. For this type of dispute, provisions for risks have been made equal to EUR 118.7 mln (against total relief sought of EUR 290.1 mln), compared with EUR 122.7 mln recognised as at 31 December 2021 (against relief sought of EUR 293.1 mln).

[26] For more details refer to paragraph "Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A. in relation to the 2008, 2011, 2014 and 2015 share capital increases"

Dispute regarding bankruptcy rescindments

The reform implemented from 2005 has reduced and limited the scope of bankruptcy rescindments, particularly those relating to current account remittances. For those that can still be filed, or already pending at the effective date of the reform, the Group is giving maximum emphasis to all the arguments available in defence. For this type of dispute, as at 30 June 2022, provisions for risks had been made equal to EUR 16.0 mln (total claims equal to EUR 118.5 mln), compared to EUR 17.4 mln recognised as at 31 December 2021 (against claims equal to EUR 116.9 mln).

Disputes concerning bonds issued by countries or companies that have subsequently defaulted, and financial plans

The considerable defensive efforts made in this type of lawsuit resulted over the years in the emergence of some favourable jurisprudential orientations, at least with respect to certain specific cases, which are allowing balanced risk control. It should be noted that starting from 2015, several unfavourable rulings were issued by the Supreme Court – with its latest order no. 6252 published on 14 March 2018 by the Civil Cassation Section 1^ - pursuant to which "the financial product called 4You does not entail an interest worthy of protection, under the regulatory framework, as it does not comply with the general principles set forth in articles 38 and 47 Italian Const.", due to the evident synallagmatic unbalance. Following these judgements, it is considered established that the judicial decisions are likely to be unfavourable with regard to the Parent Company's reasons. For this type of dispute, provisions for risks of EUR 6.1 mln were allocated (against a total claim amount of EUR 19.9 mln), compared to EUR 6.6 mln recognised as at 31 December 2021 (against a claim of EUR 20.2 mln).

Dispute with purchasers of subordinated bonds issued by Group companies

Following the burden-sharing plan implemented in 2017 in application of Decree-Law no. 237/2016, some investors who had purchased subordinated bonds issued by Group companies (later becoming shareholders as a result of the aforementioned measure, with resulting in capital losses compared to the amount initially invested) sued the Parent Company, claiming that, at the time of the investment, it did not inform customers regarding the nature and characteristics of the financial instruments purchased, also raising objections on the proper fulfilment of obligations with which the Parent Company must comply as a financial intermediary.

This dispute is primarily related to investments in Lower Tier II bonds; indeed, in the majority of the cases the investors had their securities converted into ordinary shares pursuant to the law, without being able to benefit from the public offering for settlement and exchange promoted by the Parent Company pursuant to Decree no. 237/2016 (so-called Burden Sharing Decree) intended solely for retail investors.

However, for the sake of comprehensiveness, we would like to point out other cases in which although the counterparties purchased Upper Tier II securities, they claim that they were unable to participate in the public offering due to misselling by the Parent Company, or in any event they had objections relating to the Upper Tier II securities purchased after 31 December 2015 (cut-off date).

Lastly, a limited number of disputes concerns cases in which investors sold their bonds prior to the Burden Sharing pursuant to Decree no. 237/2016.

The focus of the opposing claims is concentrated on the alleged lack of disclosure and/or in any case violations of specific regulations on financial intermediation.

The total relief sought in these disputes as at 30 June 2022 was EUR 37.5 mln (EUR 33.7 mln as at 31 December 2021), whilst allocated provisions totalled EUR 16.5 mln (an increase of EUR 0.7 mln compared to 31 December 2021).

Disputes and out-of-court claims related to financial information distributed in the 2008-2015 period

The Parent Company is exposed to civil action, to the consequences of decisions arising from criminal proceedings (29634/14 and 955/16), and to out-of-court claims with regard to the financial information disclosed during the 2008-2015 period.

As at 30 June 2022, the total relief sought for this type of dispute was equal to approx. EUR 2.8 bn, divided as follows (data in EUR mln):

Type	30/06/22	31/03/22	31/12/21
Civil dispute *	769	763	738
Filed civil claim cp 29634/14**	111	123	125
Filed civil claim cp 955/16	158	158	158
Out-of-court claims ***	1,765	825	713
Total relief sought	**2,803**	**1,869**	**1,734**

(*) The increase in the claim is due to the flow of new disputes, however not particularly relevant per claim except the Folco Finanziaria case with a claim of approximately EUR 5.4 mln.
(**) The decrease in relief sought, with reference to the civil action claims in PP no. 29634/14, is due to the conclusion of settlement agreements with several civil parties.
(***) The increase in the claim with respect to the previous quarter is due for the most part to claims concerning the 2014-2015 capital increases received during the quarter from a number of individuals represented by two law firms.

It should be noted that in July and in the first days of August, no. 70 out-of-court claims and 28 disputes were received through two Law firms, for a total relief sought of EUR 32.2 mln and EUR 853.3 mln respectively. It should also be noted that on 3 August, a writ of summons was received for a total amount of EUR 741 mln, which repeats the arguments of certain out-of-court claims notified to the Parent Company in previous years for an amount of EUR 522 mln. Considering the above, the relief sought on Civil dispute would amount to EUR 1,5 bn, while out-of-court claims would total Eur 2.1 bn.

The main relevant disputes are outlined below.

Banca Monte dei Paschi di Siena S.p.A. vs. Alken Fund Sicav and Alken Luxembourg S.A.

On 22 November 2017, the counterparties (the "Funds") served a complaint on the Parent Company, as well as Nomura International ("Nomura"), Giuseppe Mussari, Antonio Vigni, Alessandro Profumo, Fabrizio Viola and Paolo Salvadori, before the Court of Milan, requesting that the court confirm and declare: (i) the alleged liability of the Parent Company pursuant to art. 94) of the Consolidated Law on Finance *(TUF)*, as well as for the deeds of defendants Mussari, Vigni, Profumo and Viola pursuant to art. 2935 of the Italian Civil Code due to the offences perpetrated against the plaintiffs; (ii) the alleged liability of defendants Mussari and Vigni in relation to investments made by the Funds in 2012 on the basis of false information; (iii) the alleged liability of defendants Viola, Profumo and Salvadori in relation to investments made by the Funds subsequent to 2012; and (iv) the alleged liability of Nomura pursuant to art. 2043 of the Italian Civil Code and, as a result, order BMPS and Nomura jointly and severally to provide compensation for financial damages equal to EUR 423.9 mln for Alken Funds Sicav and EUR 10 mln for lower management fees and reputational damage to the management company Alken Luxembourg SA, as well as jointly and severally with Banca MPS and Nomura the defendants Mussari and Vigni for damages resulting from the investments made in 2012, and Viola, Profumo and Salvadori for damages subsequent to 2012. The counterparties also requested that the defendants be ordered to provide compensation for non-financial damages upon confirmation that they were guilty of the offence of providing false corporate disclosures. The Parent Company duly appeared and set out its defence. In the alternative, for the denied possibility of granting the opposing applications, the Parent Company applied for recourse against Nomura. The first hearing, initially set for 18 September 2018, was deferred to 11 December 2018, in order to allow discussion between the parties on the transversal issues formulated by a number of defendants. It should be noted that in the judgement, four individuals intervened, separately and independently, claiming damages for a total of approx. EUR 0.7 mln. At the hearing of 11 December, the Judge reserved his decision on the preliminary objections raised by the parties. Upon lifting the reservation and accepting the objections raised by all the defendants, the Judge declared Alken's summons null and void, due to failure to specify the dates of the share purchases and the nullity of the powers of attorney, assigning the plaintiffs a deadline of 11 January 2019 to supplement the applications and rectify the defects of the powers of attorney. On the other hand, the Judge considered Alken's claims concerning the alleged incorrect accounting of the claims to be sufficiently specific and rejected the plea of nullity of the acts of intervention. Following the plaintiff's additions, the defendants insisted on the objections of nullity of the summons and powers of attorney. At the end of the discussion on these objections, which took place at the hearing of 30 January 2019, the Judge reserved his decision. Upon lifting the reservation, the Judge - considering that these preliminary questions must be decided together with the merit - granted the preliminary terms pursuant to art. 183, paragraph six of the Italian Code of Civil Procedure and adjourned the hearing for discussion of the preliminary requests to 2 July 2019. At that hearing, the Parent Company requested and obtained a deadline of 8 July to object to the demands submitted by an intervener (intervention whose proposition was learnt by the Parent Company at the hearing), after the parties discussed and illustrated their respective preliminary briefs and the relative petitions. At the end of the discussion, the Judge reserved the right to decide on the preliminary evidence. By order of 24 July 2019, the Investigating Judge

(*Giudice Istruttore, G.I.*) rejected the request for a court-appointed expert witness submitted by Alken, deeming that the case was ready for a decision considering the subjective characteristics of the plaintiff (professional investor) and the operations of Alken on the BPMS shares (with acquisitions which extended also "after October 2014, after 16 December and after 13 May 2016", as reported in the order of 24 July 2019). At the hearing of 7 July 2020, the Judge rejected Alken's request to refer the case to the preliminary investigation and admitted the new documents produced by Alken (reserving all assessment of their relevance to the Panel). With ruling issued on 7 July 2021, the Court of Milan rejected all requests made by the Funds, which were ordered to refund the legal costs of the Parent Company. The request of an intervener was partially accepted, in relation to which the Parent Company was ordered to pay the sum of approximately EUR 52 thousand (for principal and interest) jointly with Nomura and in part with Messrs Antonio Vigni and the lawyer Giuseppe Mussari. Both the Parent Company and Nomura and the Funds appealed against the ruling before the Milan Court of Appeal in which the aforementioned intervener also appeared with an incidental appeal against the Parent Company. On 13 July 2022, the first hearing was held in the three pending appeal proceedings, for which were ordered to be joined. The Court postponed the joined cases to the hearing of 5 July 2023 for closing arguments.

York Funds and York Luxembourg vs. Banca Monte dei Paschi di Siena S.p.A.

On 11 March 2019, the York Funds and York Luxembourg served a writ of summons to the Parent Company's registered office, bringing an action before the Court of Milan (Section specialised in corporate matters) against Banca MPS Spa, Messrs. Alessandro Profumo, Fabrizio Viola, Paolo Salvadori as well as Nomura International PLC, ordering the defendants, jointly and severally, to pay damages amounting to a total of EUR 186.7 mln and - subject to an incidental finding that the offence of false corporate communications has been committed - to compensation for non-monetary damages to be paid on an equitable basis, pursuant to art. 1226 of the Italian Civil Code, plus interest, revaluation, interest pursuant to art. 1284, para. IV of the Italian Civil Code, and interest compound pursuant to art. 1283 of the Italian Civil Code.

The plaintiffs' claim is based on alleged losses incurred as part of its investment transactions in MPS totalling EUR 520.3 mln, carried out through the purchase of shares (investment of EUR 41.4 mln by York Luxembourg) and derivative instruments (investment of EUR 478.9 mln by York Funds). The plaintiffs' quantified their comprehensive losses at EUR 186.7 mln.

The investment transactions challenged began in March 2014, when Messrs. Fabrizio Viola and Alessandro Profumo held the offices of CEO and Chairman, respectively, of Banca MPS S.p.A. The plaintiffs charge alleged unlawful behaviour by top management of the Parent Company in falsifying the financial representation in financial statements, substantially modifying the assumptions used in measurements of financial instruments issued by the Parent Company.

The first hearing, initially scheduled for 29 January 2020, was deferred to 4 February 2020. The Parent Company duly appeared before the court. The parties filed the preliminary briefs and, at the subsequent hearing, discussed the respective preliminary requests, on which the Judge reserved the right to provide for their admission. At the hearing on 15 July 2022, the Court of Milan: (i) declared the witness evidence requested by York, Nomura, Profumo and Viola to be inadmissible and (ii) referred to the panel - following the outcome of the decision regarding the causal link - the assessment of the need to order the accounting court-appointed expert report requested by York. The case was postponed to 23 November 2023.

Criminal proceeding no. 29634/14

With reference to the criminal proceedings connected with the events related to the structured term repo transactions "Alexandria" and "Santorini" carried out by the Parent Company, respectively with Nomura, Deutsche Bank, it should be noted that the criminally relevant conduct ascribed to the persons under investigation for various reasons refer to the financial statements closed at 31 December 2009, 2010, 2011 and 2012 and to the balance sheets as at 31 March 2012, 30 June 2012 and 30 September 2012.

In March 2016 this proceeding was combined with the other legal action pending before the Court of Milan in relation to the investigations concerning the Santorini, FRESH 2008 and Chianti Classico transactions. By an order of 13 May 2016, the Preliminary Hearing Judge (in Italian *Giudice dell'Udienza Preliminare*, hereinafter, also "GUP") authorized the lodging and admissibility of the claims for compensation of the offended parties (for a total of 1,240) against the entities already involved in the proceedings as defendants pursuant to Legislative Decree 231/2001.

On 2 July 2016, with the approval of the Public Prosecutor, the Parent Company filed a request for plea bargain in the criminal proceedings, in relation to the objections made against the Bank in accordance with Legislative Decree 231/2001.

Following the plea bargain, the Parent Company's position was removed, limiting the consequences to a pecuniary administrative sanction of EUR 600 thousand and a confiscation of EUR 10 mln, without exposing itself to the risk of greater penalties.

During the proceedings, by order of 6 April 2017 the Court of Milan decided on the requests for the exclusion of civil parties submitted by the defence teams of the defendants and the civilly liable parties, excluding several civil parties. In addition, the claim of damages as a civil party by the Parent Company with respect to Giuseppe Mussari, Antonio Vigni, Daniele Pirondini and Gian Luca Baldassarri was also excluded on the assumption of its contributory liability with respect to the defendants.

At the hearings on 23 and 30 May 2019, the civil parties that summoned the Parent Company as a civilly liable party formulated their demands for compensation in writing.

The Fondazione MPS, which had not cited the Parent Company as civilly liable, made no direct request to it, but instead formulated demands against the natural person defendants and executives/former executives, as well as the representatives of Nomura. These claims, following the settlement concluded with the Parent Company, were waived in October 2021. The Bank of Italy which, like the Fondazione MPS, did not summon the Parent Company as a civilly liable party, asked for the defendants to be sentenced to pay a sum to be settled on an equitable basis.

As regards CONSOB (the Italian Commission for listed companies and the stock exchange), which summoned the Parent Company as a civilly liable party, for nearly all damage items it requested a quantification on an equitable basis, except for that relating to supervisory costs quantified as a total of roughly EUR 749 thousand. The provisional amount is requested alternatively, to the extent of roughly EUR 298 thousand. At the hearings of 3 June 2019, the lawyer of Banca Monte dei Paschi di Siena discussed the civil liability. On 30 September 2019, the discussions of the foreign defendant entities pursuant to Italian Legislative Decree 231/01, Deutsche Bank and Nomura, were concluded. The trial continued on 31 October 2019 to incorporate possible new revocations of civil party actions, as well as on 8 November, when the final hearing was held.

On 8 November 2019, the Court read the conclusion of the ruling in first instance by convicting all defendant natural persons, and pursuant to Legislative Decree 231/2001, the legal persons of Deutsche Bank AG and Nomura International PLC. The reasons were filed on 12 May 2020.

The Parent Company, in the capacity of civil liable person (not accused pursuant to Legislative Decree 231/2001 and to a previous agreement) was convicted – jointly with the defendant natural persons and the two foreign banks – and ordered to pay compensation for damages in favour of the civil parties that had entered an appearance, in separate civil proceedings, since the Court rejected the request for allowing an amount on a provisional basis and immediately enforceable, pursuant to art. 539 of the Code of Criminal Proceedings.

The Parent Company filed an appeal before the Court of Appeal of Milan against the ruling of first instance, as the civilly liable party, jointly and severally liable with the defendants. The first hearing of the appeal judgment was held on 2 December 2021 where some civil parties revoked their appearance as a result of the transactions that took place with the Parent Company.

At the hearing of 3 February 2022 the appeal in the interest of the Parent Company was discussed.

On 6 May 2022, the Court of Appeal of Milan, Second Criminal Division, acquitted all the defendants in the trial with a broad formula, highlighting that the "fact does not exist." At the date of this document, only the judgment's operative part is available. It will be necessary to carry out a careful examination of the reasons for the judgment as soon as they are made available in order to be able to verify all the implications relating to the acquittal issued by the Court of Appeal.

Criminal proceeding no. 955/16

On 12 May 2017 the committal for trial of the representatives Alessandro Profumo, Fabrizio Viola and Paolo Salvadori was requested within new criminal proceedings before the Court of Milan, in which they were charged with false corporate disclosures (art. 2622 of the Italian Civil Code) in relation to the accounting of the "Santorini" and "Alexandria" transactions with reference to the Parent Company's financial statements, reports and other corporate communications from 31 December 2012 to 31 December 2014 and with reference to the half-yearly report as at 30 June 2015, as well as market manipulation (art. 185 of the Consolidated Law on Finance) in relation to the disclosures to the public concerning the approval of the financial statements and the balance sheets specified above.

At the hearing on 24 November 2017, the Preliminary Hearing Judge handed down an order:

- declaring the nullity of the request for committal for trial with respect to Mr Salvadori;
- ordering the separation of the relative position from the main proceedings (pending against Mr Viola and Mr Profumo, as well as the Parent Company) with reference to the section relating to the alleged offence pursuant to art 185 of the Consolidated Law on Finance.
- reserving any decision concerning issues of jurisdiction until such time as the public prosecutor makes his own determinations in this regard.

At the hearing on 9 February 2018, the Preliminary Hearing Judge acknowledged the filing in the meantime of:

- the Parent Company defence brief concerning jurisdiction;
- the documents submitted by the defence attorney of Mr Viola and Mr Profumo;
- the briefs of Mr Bivona and Mr Falaschi; as well as
- a request for an order for attachment submitted by the latter against Mr Viola and Mr Profumo.

Following the formalisation of the appearance before the court by the Parent Company, the Public Prosecutor requested the issue of a pronouncement of acquittal because there is no case to answer or because the act does not constitute an offence depending on the charge in question.

Following the outcome of the preliminary hearing, the Preliminary Hearing Judge found no grounds for a decision not to proceed to judgement and ordered the committal for trial of the defendants, natural persons (Messrs. Viola, Profumo and Salvadori) and Banca MPS (as entity liable pursuant to Italian Legislative Decree 231/01). Only Mr Salvadori was found not to be subject to proceedings for the charge pursuant to Article 185 of the Consolidated Law on Finance.

At the hearing of 17 July 2018, 2,243 civil parties joined the lawsuit. Some of these have formally requested the mention of the Parent Company as party with civil liability, while most of the defence attorneys only requested the extension of the lawsuit to their clients with regard to the Parent Company, as a party with civil liabilities already called in the lawsuit. Some civil parties brought a lawsuit to the ultimate Parent Company as responsible party in pursuant to Italian Legislative Decree no. 231/2001.

The proceedings were declared open and the hearing was scheduled for 18 March 2019, with reservation of the decision on the request for an order of attachment against Mr Profumo and Mr Viola, submitted by a number of parties. The reserve was lifted with decision dated 3 December 2018, through which the Court rejected the request for an order of attachment against the aforementioned executives.

At the hearing on 16 June 2020, following the indictment, the representatives of the Public Prosecutor's office requested the acquittal of the defendants.

On 15 October 2020, the Court of Milan read the conclusion of the ruling of first instance, registered under number 10748/20, sentencing all accused natural persons and the Parent Company pursuant to Italian Legislative Decree 231/01. The reasons were filed on 7 April 2021.

In its reasons, the Court analysed the conduct with which the defendants were charged with reference to the incriminating circumstances pursuant to art. 2622 of the Italian Civil Code (false disclosure) and pursuant to art. 185 of the Consolidated Law on Finance (market manipulation) and confirmed the grounds of the administrative offences with which the Parent Company was charged pursuant to arts. 5, 6, 8 and 25 ter, letter b) of Italian Legislative Decree 231/01, limited to the offence of false disclosure in relation to the 2012 financial statements and the 2015 half-yearly report, as well as pursuant to arts. 5, 8 and 25 sexies of Italian Legislative Decree 231/01 due to market manipulation relating to press releases concerning the approval of the financial statements as at 31 December 2012, 31 December 2013, 31 December 2014 and the half-yearly report as at 30 June 2015, imposing an administrative fine of EUR 0.8 mln.

With reference to the Parent Company's position as civilly liable party, the grounds of the ruling explained the reasons for the generic sentencing to provide compensation for damages based on which demands for relief from civil parties may be accepted, pursuant to art. 2049 of the Italian Civil Code, in separate civil proceedings.

The Parent Company filed an appeal before the Court of Appeal of Milan against the ruling of first instance, as the civilly liable party, jointly and severally liable with the defendants, having administrative liability under Italian Legislative Decree 231/2001. The appeal proceedings are expected to start starting from the 4th quarter of 2022.

Banca Monte dei Paschi di Siena S.p.A. vs. Caputo + 25 other names

On 4 December 2020, Giuseppe Caputo + 25 other names sued the Parent Company before the Court of Milan to challenge the investments made by them in compliance with the share capital increases ordered by the same, or through purchases on the electronic market between 2014 and 2015.

The plaintiffs complain that they have suffered serious damage as a result of the disclosure discrepancy disclosed on the market by the Parent Company, and also dispute the incorrect accounting of non-performing loans starting from the 2013 financial statements, referring to criminal proceedings 33714/16 underway at the Court of Milan (referred here); they also contest the unfair commercial practices put in place by the Parent Company, the investments in diamonds, a completely unreasonable business plan and non-compliant business organization.

On these grounds, making also reference to art. 185 of the Italian Criminal Code, they ask for full compensation for the damage suffered, equal to the entire amount paid for the purchase of MPS shares, with a final quantification of the relief sought approximately equal to EUR 25.8 mln. Following the appearance of the defendant and the first hearing, the parties filed the preliminary briefs and, at the subsequent hearing, discussed the preliminary requests formulated by the plaintiff, on which the Judge reserved the right to provide for their admission. Upon lifting the reservation, the Judge deemed it necessary to refer the case to the deliberating body in order to settle the dispute or to proceed with any expert investigations, therefore he postponed the case to the hearing on 4 November 2022 for the presentation of closing arguments.

Investigations on the 2012, 2013, 2014 financial statements and the 2015 half-yearly report with reference to "non-performing loans"

In relation to criminal proceedings no. 955/16, in 2019, with a special order of removal, the Parent Company was involved, as the party bearing administrative liability pursuant to Italian Legislative Decree no. 231/2001, with reference to an allegation pursuant to art. 2622 of the Italian Civil Code concerning the 2012, 2013 and 2014 financial statements and the 2015 half-yearly report formulated with reference to an alleged overvaluation of non-performing loans.

On 25 July 2019, the Preliminary Investigations Judge (the Italian *GIP*) of the Court of Milan ruled, on one hand, to dismiss the proceedings against the Parent Company, as a party liable pursuant to Italian Legislative Decree no. 231/2001, but on the other hand, ordered the continuation of the investigations of the defendant natural persons (chairman of the Board of Directors, CEO and pro-tempore Chairman of the Board of Statutory Auditors) thus rejecting the request for dismissal presented by the public prosecutor and also supported by an expert witness report assigned by the Attorney General's office.

The investigations continued in the form of an evidence gathering procedure for which the Preliminary Investigations Judge has appointed two experts who delivered their reports on 6 May 2021.

The Parent Company has taken note of the content of the report and will follow the developments of the proceedings in question with the utmost attention, also to assess any effect on the civil disputes already pending, the subject matter of which is substantially overlapping with the facts described in the report.

The proceedings – even though dismissed as regards the Parent Company as an administrative liable party – continue to be important due to the very likely recognised liability for damages that the credit institution would be called on to assume, should criminal proceedings be initiated.

At the hearing on 8 June 2021, the evidence gathering procedure ended and the Preliminary Investigations Judge sent the documents to the Public Prosecutor's Office, setting a 45-day indicative term for the Public Prosecutor to carry out any other investigations and make a decision. On 25 February 2022, the Preliminary Investigations Judge, upon a request of the Public Prosecutor, ordered the extension of the terms of investigation until 31 May 2022. The order to close the preliminary investigation has not yet been issued.

Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A. in relation to the financial information disclosed in the period 2008 - 2015

In relation to capital increases and the allegedly incorrect financial information contained in the prospectuses and/or in the financial statements and/or in the price sensitive information for the period 2008-2011, as at 30 June 2022 the Parent Company had received out-of-court claims for a total of EUR 574 mln in quantified claims, net of those converted into judicial initiatives.

For some of these out-of-court claims, on 3 August 2022, a writ of summons was received for a total amount of EUR 741 mln, taking up the arguments generically raised within the out-of-court claims notified to the bank during

2017 for a total amount of EUR 522 mln. This claim was assessed for the purpose of the Condensed Consolidated half-yearly financial statements. In fact, although it was notified after 30 June 2022, it provides evidence of situations existing at the reporting date of the Condensed Consolidated half-yearly financial statements.

The writ of summons concerns purchase and sale transactions concluded by the counterparty during the first few months of 2012 and for which, as reported below, the risk of losing the case will be reassessed in light of the analysis of the reasons, once available, of the acquittal for all defendants by the Court of Appeal of Milan.

In addition to these claims, the are also out-of-court claims covering not only the period 2014-2015, but also longer time period, for a claim amount of approximately EUR 1,191 mln, net of those converted into judicial initiatives.

These are largely generic claims, largely received from an advisory firm on behalf of institutional investors, in which the time references are not clarified (they complain about losses that also refer to events that have never been subject of litigations) and which require a particular investigation with reference to both the causal link ad the entitlement to act. In particular these are investors who highlight that they have also made investments in the name and on behalf of third parties whose relations with the claimant are neither clarified nor documented.

Precisely in order to distinguish the weight and incidence of each alleged potential offense and the need for an accurate examination and correct weighting of each individual claim, the Bank has initiated a rigorous process of prior verification. In fact, the information contained in these claims is particularly deficient and characterised by:

a) for being totally generic ore indefinite (i.e. such as not to allow *prima facie* a verification of the same nature and/or the actual content of the claim);
b) for the absence of evidence allowing the prior verification of possible deficiencies in the basic requirements for the formulation of claims for compensation (for example, in cases in which the complainant is not even able to demonstrate that they have made direct investments influenced by alleged misuse of information) to be ascertained in advance;
c) for not make reference to adequate supporting documents that are abstractly suitable to support any *claim*;
d) for the absence of timely and reliable data which allow to place (and distinguish) the investments in time so as to be able to appreciate (and weigh) the unfounded profiles of the claim due to the absence of adequate demonstration of a causal link, also in light of the investment policy followed in practice by the investor.

The grand total amount claimed as at 30 June 2022 was equal to EUR 1,765 mln.

It also should be noted that in July and in the first few days of August, up to the date of approval of the Consolidated Half-yearly report, were received 72 out-of-court claim and 28 mediation claims for a total relief sought, per capital settlement, net of any repeated requests, of EUR 885.5 mln. These claims were also assessed for the purpose of the Condensed consolidated Half-yearly Report, in accordance with IAS 10.

The Parent Company, having assessed the contents of the consulting firm's action as potentially damaging, sent a formal letter of warning to such firm in view of the vagueness of contents of those missives, which as mentioned above, also included periods that were not the subject of any authority's investigations.

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Generally speaking, and in application of the provisions of international accounting standard IAS 37, with regard to legal disputes, the civil action filed in the criminal proceedings 29634/14 and out-of-court claims relating to disputes regarding the period 2008-2011, the Parent Company has assessed from the arising of this first disputes the risk of losing as "probable" and has therefore set aside provisions for risks and charges in the financial statements. The assessments made regarding the risk of losing the case reflect the decision of the Parent Company itself in March 2013 to initiate liability actions against the Chairman and General Manager at the time and the foreign banks involved, and they also take into account the positions taken on the subject - in addition to those of the Milan Public Prosecutor's Office - by the Supervisory Authorities, the relative decisions to appear before the Court as an aggrieve party and the sanctions imposed by them. Also for disputes concerning the period 2012-2015, following the ruling of 15 October 2020 concerning the criminal proceedings 955/2016, the positions are assessed as being at risk of "likely" losing the case and therefore the Parent Company has made provisions for risks and charges in the financial statements. Furthermore, for the civil proceedings relating to the 2012-2015 period, the risks associated with non-performing loans, indicated starting from the half-yearly report as at 30 June 2021 as having a "likely" risk of being lost.

In reference to the criminal proceedings 29634/14 and 955/2016, the first degree rulings of 8 November 2019 and 15 October 2020 did not lead to disbursements in favour of the parties who entered an appearance since the Court rejected their request for granting a provisional amount immediately enforceable pursuant to article 539 of the Italian Code of Criminal Procedure, referring the damage compensation in their favour in a separate civil proceeding to be initiated by the civil parties themselves.

In any case, a settlement was reached with 829 civil parties for a relief sought with reference to criminal proceedings no. 29634/14, where quantified, of around EUR 25.4 mln.

In the context of criminal proceedings 29634/14, the Milan Court of Appeal, with the ruling issued on 6 May 2022, acquitted all the defendants and revoked against the defendants and the Parent Company, which was civilly liable, the decisions relating to compensation for damages and reimbursement of court costs. The risk of losing this line of litigation will be reassessed in the light of the analysis of the reasons of the appeal judgment in criminal case 29634/14, once they are available.

Therefore, for civil and criminal disputes concerning the information disclosed solely in the period 2008-2015, the provisions for risks were determined in such a way as to take into account the amount invested by the counterparty in specific periods of time characterised by the disputed information alterations (net of any disinvestments made during these same periods). The damage subject to compensation was then determined on the basis of the "differential damage" criterion, which identifies the damage as the lowest price that the investor would have had to pay if he had had access to complete and correct information. For the purposes of this determination, econometric analysis techniques have been adopted - with the support of qualified experts - suitable to eliminate, among other things, the component inherent in the performance of the equity securities belonging to the banking sector during the reference period. More in detail, the total damage caused by each event potentially capable of generating information alterations was first quantified and then the amount abstractly attributable to the individual Plaintiff/Civil Party was calculated, taking into account the share of capital held from time to time. From a prudential standpoint, along with the differential damage, the different criterion of "full compensation" was also taken into account (of a minor importance in the prevailing law, including the one that is currently taking shape on this specific subject matter), and that is based on the argument that false or incomplete information may have a causal impact on the investment choices of the investors to such an extent that, in the presence of correct information, they would not have made the investment in question; in this case, the damage is therefore commensurate to the invested capital, net of the amounts recovered from the sale of shares by the Plaintiff/Civil Party.

Instead, with reference to out-of-court claims relating to the period 2008-2011 and, from October 2020, also for those referred to the period 2014-2015, in order to take into account the probability of their transformation into real disputes, the provisions were determined by applying an experiential factor, in line with the Parent Company policies for similar cases, to requests made by counterparties. In any case, the Parent Company has exercised the possibility granted by IAS 37 of not providing disclosures on the provisions allocated in the balance sheet if it believes that such information could seriously jeopardise its position in disputes and in potential settlement agreements.

Furthermore, on 30 June 2022, again with regard to civil lawsuits, settlement agreements were reached, involving the closure of 31 disputes against a total relief sought of around EUR 366 mln.

As for out-of-court claims, as at 30 June 2022, transactions for a relief sought of EUR 4 bn were finalized. In the first half of the year, settlement agreements were reached and finalized, with particular reference to the issue of the alleged information discrepancies, which led to the closure of an additional 21 claims against a total relief sought of approximately EUR 8.1 mln.

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Banca Monte dei Paschi di Siena S.p.A. vs. Fresh 2008 bondholders

Some holders of FRESH 2008 securities maturing in 2099, with writ of summons served on 19 December 2017, initiated proceedings against the Parent Company MPS, the company Mitsubishi UFJ Investors Services & Banking Luxembourg SA (which replaced the Parent Company in issuing the bond loan Banca di New York Mellon Luxembourg), the British company JP Morgan Securities PLC and the American company JP Morgan Chase Bank NA (which entered into a swap agreement with the bond loan issuer) before the Court of Luxembourg to request confirmation of the inapplicability of the Burden Sharing Decree to the holders of FRESH 2008 securities and, as a result, to have it affirmed that such bonds cannot be forcibly converted into shares, as well as that such bonds will continue to remain valid and effective in compliance with the issue terms and conditions, in that they are governed by the laws of Luxembourg and lastly, to ascertain that MPS has no rights, in the absence of the conversion of the FRESH 2008 securities, to obtain the payment of EUR 49.9 mln from JP Morgan in damages for holders of FRESH 2008 securities. The Court of Luxembourg with an order of 5 October 2021, notified to the Bank on 12 January 2022, rejected the requests of the Parent Company aimed at obtaining the suspension of the proceedings pending the decisions of the international justice bodies on the preliminary objections formulated by the Parent Company, while, on the other hand, it accepted the objection formulated by the same on the lack of jurisdiction of the Court appealed in relation to the request relating to the usufruct contract stipulated by the Parent Company with JP Morgan Securities PLC and JP Morgan Chase as part of the 2008 Aucap transaction. In relation to the aforementioned usufruct contract, the Court reserved its judgement pending the decision of the Italian Court, while it declared its jurisdiction in relation to the swap contract similarly stipulated by the Parent Company with the same counterparties in the context of the 2008 Aucap transaction.

In view of completeness it is noted that, following the start of the proceedings in question, the Parent Company, on 19 April 2018, tabled a dispute before the Court of Milan against JP Morgan Securities Ltd, JP. Morgan Chase Bank n.a. London Branch, as well as the representative of the Fresh 2008 securities holders and Mitsubishi Investors Services & Banking (Luxembourg) Sa to ascertain that the Italian Judge is the only one with jurisdiction and competence to decide about the usufruct contract and the company swap agreement signed by the Parent Company with the first two defendants in the context of the operation of the share capital increase in 2008. Consequently, the Bank asked:

i. to ascertain the ineffectiveness of the usufruct contract and the company swap agreement that provide for payment obligations in favour of JP Morgan Securities PLC and JP Morgan Chase Bank Na in accordance with the entry into force of Decree 237;
ii. to ascertain the ineffectiveness and/or termination and / or settlement of the usufruct contract or, in the alternative
iii. to ascertain the termination of the usufruct contract due to the capital deficiency event of 30 June 2017.

The first hearing was held on 18 December 2018 and the Investigating Judge, considering the prejudicial nature of the issue of jurisdiction raised by the defendants, in view of the fact that a dispute is pending before the Luxembourg Court involving the same claim and the same claimant, granted the parties terms to reply only to the procedural objections and adjourned the hearing to 16 April 2019 for assessment of the disputed issue. At the next hearing on 2 July 2019, the decision in the case was deferred to a later date. With order dated 2 December 2019, the Court of Milan has ordered the suspension of the proceedings pending a decision by the afore-mentioned Luxembourg district court. Against this order, the Parent Company has filed a petition with the Supreme Court of Cassation for the referral to a different competent court. The Court has rejected the petition of the Parent Company with ruling dated 31 March 2021. In light of the decision of the Luxembourg Court of 12 January 2022, the Parent Company is considering the need to resume the proceedings before the Milan Court.

In the event of an unfavourable outcome of the dispute, the principle of burden sharing cannot be applied and therefore the bondholders will retain the right to receive the coupon (equal to Euribor 3M + 425 bps on a notional amount of EUR 1 bn) provided that Banca MPS generates distributable profits and pays dividends. Since the Parent Company has not paid dividends since the date of the burden sharing, any unfavourable outcome of the dispute will only produce prospective effects and only in the event of dividend distribution.

Other disputes

Banca Monte dei Paschi di Siena S.p.A. vs. Fatrotek

This case, where the Parent Company was sued together with other credit institutions and companies with the summons of 27 June 2007, seeks the assessment of alleged monetary and non-monetary damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The relative claim amount is EUR 157 mln. The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The Parent Company's defence was based on the fact that the company's extremely severe financial situation fully justified the Parent Company's initiatives.

At the hearing on 31 May 2018, the Judge reserved his decision on the challenges raised by the convened parties. On 5 June 2018, the Company declared bankruptcy. On 25 July 2018, upon lifting of the reservation made during the hearing of 31 May 2018, the case was adjourned to 31 October 2018, for the court-appointed expert to take the oath. In the meantime, the receivership of the Fatrotek S.r.l. bankruptcy again took up the case. The proceedings were adjourned first to the hearing on 4 December 2019 and then to the hearing on 13 February 2020, where a court-appointed expert investigation was ordered and an expert witness was appointed. At the hearing of 25 November 2020 an extension was granted to the court-appointed expert for the filing of the expert opinion and the case was postponed to 5 May 2021.

At this hearing, the Court set a deadline for the court-appointed expert to respond to the objections made by the plaintiff and at the same time scheduled the hearing for the closing arguments for 4 November 2021. At this hearing, the case was adjourned pending decision and legal terms were set for the filing of final statements and answer briefs.

Banca Monte dei Paschi di Siena S.p.A. vs. Marcangeli Giunio S.r.l.

With a writ of summons, notified on 28 November 2019, the claimant Marcangeli Giunio S.r.l. asked the Court of Siena to assess, first and foremost, the contractual liability of the Parent Company for not issuing a loan of EUR 24.2 mln - necessary to the purchase of land and the construction of a shopping mall with spaces to be leased or sold – and subsequently the conviction of the Parent Company with order to pay compensation for damages and loss of profit in the amount of EUR 43.3 mln. As an alternative, in view of the facts specified in the writ of summons, a request is made for the Parent Company to be found pre-contractually liable for having interrupted the negotiations with the company without disbursing the agreed loan, and to be ordered to pay compensation in the same amount asked first and foremost.

With a judgement filed on 6 June 2022, the Court of Siena rejected the claim for compensation for damages by way of contractual and extra-contractual liability proposed by the plaintiff. The Court only upheld the restitution claim brought by the opposing party in respect of alleged unlawful interest applied in connection with the land advances, quantified at EUR 58,038.27, plus legal interest, and awarded costs.

Banca Monte dei Paschi di Siena S.p.A. vs. Riscossione Sicilia S.p.A.

By writ of summons notified on 15 July 2016 Riscossione Sicilia S.p.A. (today the Revenue Agency - Collection, which took over universally in all legal relationships of Riscossione Sicilia starting from 1 October 2021, pursuant to art. 76 of Law Decree no. 73/2021 converted with Law no. 106/2021) had summoned the Parent Company before the Court of Palermo, asking for it to be ordered to pay the total sum of EUR 106.8 mln.

The claim of Riscossione Sicilia S.p.A. falls within the realm of the complex dealings between the Parent Company and the plaintiff, originated from the disposal to Riscossione Sicilia S.p.A. (pursuant to Decree-Law 203/05, converted into Law 248/05) of the stake held by the Parent Company in Monte Paschi Serit S.p.A. (later Serit Sicilia S.p.A.).

In the preliminary phase of the proceedings, a court-appointed technical consultancy was carried out, the results of which were favourable to the parent company. In fact, the expert not only concluded that the Parent Company owes nothing to Riscossione Sicilia S.p.A., but also identified a receivable of the Parent Company of roughly EUR 2.8 mln, equal to the balance of the price for the sale of 60% of Serit Sicilia S.p.A. to Riscossione Sicilia S.p.A. by the Parent Company (dating back to September 2006), a sum that has to date been retained by Riscossione Sicilia S.p.A. by way of escrow account. With judgement no. 2350/22, filed on 30 May 2022, the Court of Palermo, essentially adhering to the conclusions of the court-appointed expert, rejected Riscossione Sicilia's counterclaims and sentenced the latter to pay the Parent Company EUR 2.9 mln plus legal interest and court fees.

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On 17 July 2018, the Finance Department of the Sicily Region sent to the Parent Company an order of injunction pursuant to art. 2 of Italian Royal Decree no. 639/1910 and repayment, pursuant to art. 823, paragraph 2 of the Italian Civil Code, in the amount of EUR 68.6 mln, setting a term of 30 days for the Parent Company to make the payment and warning that, in the event of failure to pay, it would proceed with the forced recovery through the registration of the claim. The Sicily Region filed a petition for the summons of Riscossione Sicilia, resulting in the postponement of the first appearance hearing, which was held on 26 September 2019 and in which the Judge, upon acknowledging the statements provided by the parties, set out the terms for lodging the statements pursuant to art. 183 of the Italian Code of Civil Procedure and adjourned to an evidentiary hearing scheduled for 26 November 2020. On that occasion, the Parent Company asked for the hearing for the closing arguments to be scheduled, requesting the Court to verify the action had become devoid of purpose, as Riscossione Sicilia during the proceedings had proved that the receivable claimed by the Sicily Region had been fully cancelled.

With ruling no. 3649/2021, published on 4 October 2021 and notified on 5 October 2021, the Court of Palermo rejected the opposition of Banca MPS against the aforementioned order with simultaneous condemnation of the Parent Company to pay the litigation costs. The Parent Company filed an appeal against this decision before the Court of Appeal of Palermo. With an order filed on 11 February 2022, the Court of Appeal ordered an additional cross-examination against the Revenue Agency - Collection (ADER), as successor of Riscossione Sicilia spa, setting the collegial hearing of 1 July 2022 for the new appearance, in which the case was postponed to the hearing of 22 November 2024 for the closing arguments. Given the confirmation of the enforceability of the order of injunction, if the Parent Company proceeds with the payment of the roughly EUR 68.6 mln under dispute in response to the request of the Sicily Region, it is entitled to demand the payment of the same amount from the Revenue Agency - Collection (ADER), as the universal successor of Riscossione Sicilia S.p.A.

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For the sake of completeness, it should be noted that the Parent Company has also filed an administrative case before the Regional Administrative Court of Sicily - Palermo office for the declaration of nullity and/or annulment of the injunction order pursuant to art. 2 of Italian Royal Decree no. 639/1910, notified by the Department on 17 July 2018.

The appeal concerns the challenging of the Order of injunction in the part in which, "alternatively, pursuant to art. 823, paragraph 2 of the Italian Civil Code, it orders the Parent Company Monte dei Paschi di Siena (...) to return to the Sicily Region, within the same period of 30 days from receipt of the present, the amount of approx. EUR 68.6 mln plus interest at the rate established by special legislation for late payment in commercial transactions, as provided for in paragraph 4 of art. 1284 of the Italian Civil Code.

Following notification of the appeal on 16 October 2018, the appeal itself was filed by the Parent Company on 12 November 2018. The Department appeared via the *Avvocatura dello Stato* (office of the State Attorney) on 15 November 2018. The decree scheduling the hearing requested by the Parent Company on 28 October 2019 has not yet been issued.

Banca Monte dei Paschi di Siena S.p.A. vs. Nuova Idea

With a writ of summons notified on 21 December 2021, Nuova Idea S.r.l. summoned the Parent Company before the Court of Caltanissetta in order to have it declare that it was obliged to compensate all the damages, financial and non-financial, suffered by the company as a consequence of the protest of a bill of EUR 2,947 domiciled at the Caltanissetta Branch, which according to the plaintiff's prospect would have been raised due to the Parent Company's exclusive negligence.

The plaintiff argues that the illegitimate protest constituted the only causal antecedent of a chain of events described in the writ of summons which resulted in the net reduction of its shareholdings in a Temporary Grouping of Companies awarded a service contract with ASL Napoli 1 Centro, consequently requesting, principally, that the Parent Company was ordered to pay in its favour the amount of EUR 57.3 mln by way of loss of earnings as well as an amount of EUR 2.8 mln by way of loss of profit, and thus a total of EUR 60.1 mln, in addition to compensation for damage to the corporate image and commercial reputation to be paid on an equitable basis.

The first appearance hearing, indicated in the summons as 29 April 2022, has been postponed to 4 May 2022. The Parent Company promptly appeared, stating the correctness of the behaviour taken when the protest was raised and the absence of any causal link between the Parent Company's actions and the alleged damage. At the hearing of 4 May 2022, the Judge withheld his decision on the requests and objections formulated by the parties and subsequently, lifting his reservation, granted the parties a deadline for filing the preliminary briefs, postponing the decision to the hearing of 29 March 2023

MPS Capital Services Banca per le Imprese S.p.A. vs. Etika Esco S.p.A.

The joint-stock company Etika Esco (hereinafter "Plaintiff" or "Company") sued MPS Capital Services S.p.A. before the Court of Florence, contesting the illegitimacy of the Bank's conduct which, upon resolution of a loan of EUR 20 mln in favour of a company to be formed (hereinafter "Newco Sviluppo Marina Velca") which should have been wholly-owned by the Plaintiff, did not proceed with the stipulation of the contract and the consequent disbursements.

It should be noted that the transaction, which was the subject of analysis that concluded with the resolution of 7 September 2016, was structured to allow Newco Sviluppo Marina Velca to complete the project for the construction of a real estate complex of about 300 small villas, as well as renovation and expansion of a golf course, in an area owned by Sviluppo Marina Velca S.r.l., located in the municipality of Tarquinia (hereinafter "Real Estate Project").

The Real Estate Project involved an Italian closed-end investment fund which, through a vehicle company incorporated under Luxembourg law, held 100% of the capital of Sviluppo Marina Velca S.r.l.

MPS Capital Services S.p.A. had already intervened in support of this project by granting a loan of EUR 9.4 mln to Sviluppo Marina Velca S.r.l in 2012 (hereinafter the "2012 Loan"), which expired on 31 July 2014. In September 2016, the period of the resolution on the loan under dispute, approximately EUR 11 mln remained, comprising principal, overdue interest, arrears and accessories.

The Company's takeover of the Real Estate Project assumed the acquisition by Etika Esco of a special purpose vehicle (identified as Rell's Risorse s.r.l.) which should have purchased the quotas of Sviluppo Marina Velca S.r.l. and then proceeded with the merger by incorporation. Purchasing the quotas of Sviluppo Marina Velca S.r.l. would have required the Parent Company's intervention as guaranteed creditor, in order to authorise the transfer of the shares subject to pledge as collateral for the 2012 Loan.

Given the context of the scenario indicated by the Company, the objections raised with regard to the Parent Company's conduct are briefly illustrated below.

The Plaintiff claims that, upon scheduling an appointment with a Notary Public to transfer the quotas of Sviluppo Marina Velca S.r.l., MPS Capital Services S.p.A. notified that it would not be able to participate only the day before said meeting, due to alleged internal delays.

Having missed said appointment, without justification, MPS Capital Services S.p.A. subsequently adopted a closed attitude towards the Plaintiff, no longer responding to the many requests to proceed with the financing transaction until 15 March 2017, date in which MPS Capital Services S.p.A. communicated, with arguments and justifications deemed by the Company to be entirely insufficient, the forfeiture and/or revocation of the resolution of 7 September 2016.

The Plaintiff maintains that the conditions set by the Parent Company for the effectiveness of the resolution of 7 September 2016 were all met and, for those not met, should have been considered as having been fulfilled pursuant to Article 1359 of the Italian Civil Code due to the negligence of the Parent Company.

Failure to complete the acquisition of the quotas of Sviluppo Marina Velca s.r.l., and then the loan agreement with consequent failure to pay the sums, caused enormous damage to the Company, quantified at approximately EUR 96 mln, of which i) approximately EUR 46 mln as loss of profit for not having been able to achieve, as General Contractor, the revenues from implementation of the Real Estate Project and damage from requests for payment of penalties provided for in the contracts signed in view of the above activity and ii) EUR 50 mln in additional damage that will accrue in arrears, namely with regard to the sum decided by the court.

MPS Capital Services S.p.A. duly appeared before the court, replying that none of the conditions detailed in the letter of participation in the loan resolution had been satisfied. It was also pointed out that a few days after the resolution of the transaction (17 October 2016) the Company had asked the Subsidiary for an advance on the first disbursement of EUR 2.6 mln, to be secured by a mortgage issued by the same company to be merged, namely Sviluppo Marina Velca S.r.l. This request indicated a worrying lack of liquidity by the Company, which, however, would have had to inject a significantly higher equity during the implementation of the Real Estate Project.

The change in creditworthiness revealed following the aforementioned request for pre-financing not only led MPS Capital Services S.p.A. to reject said new loan, but also to re-examine, in light of the Company evident lack of liquidity, the transaction already approved, leading to the final decision not to confirm and, therefore, to revoke said resolution granting the loan, also given the failure to comply with the conditions for the stipulation of the loan.

Further investigation by MPS Capital Services S.p.A. revealed that a hidden promoter of the transaction was a person with a very unfavourable track record and who had previously been refused financing by MPS Capital Services S.p.A. for the same project.

In concluding, MPS Capital Services S.p.A. filed a counterclaim asking for the conviction of the Plaintiff for vexatious litigation, pursuant to art. 96 of the Italian Code of Civil Procedure.

The parties filed all the pleadings allowed by the Investigating Judge pursuant to art. 183, VI paragraph of the Italian Code of Civil Procedure.

With the pleading referred to in art. 183, para. VI, no. 1 of the Italian Code of Civil Procedure filed by Etika Esco on 21 February 2019, it was specified that the total claim is not EUR 96.0 mln, as the damages suffered as a result of the facts presented in the summons amount to approx. EUR 46.2 mln, "or in any case to an amount not less than EUR 50 mln or higher, due to the additional damages that will accrue in the meantime for the plaintiff due to the stated reasons, or, in the alternative, the payment of a different amount, even lower, that will be reached over the course of the litigation and/or which the Judge should determine on an equitable basis, as necessary".

At the hearing for the examination of the pieces of evidence, pursuant to art. 184 of the Italian Code of Civil Procedure, the Investigating Judge reserved the decision on the claims of the parties. With an order dated 26 January 2020, the judge stated that the "evidence adduced, based on the allegations, the objections and the documentation presented by the parties, is superfluous for the purpose of a decision. Therefore, a hearing must be scheduled for the presentation of closing arguments."

On 22 March 2022 the conclusions were specified. The Investigating Judge granted the legal terms for the closing and answer briefs that were filed. The Judge is expected to file his ruling.

MPS Capital Services Banca per le Imprese S.p.A. vs. EUR S.p.A.

The company EUR S.p.A. sued MPS Capital Services S.p.A. before the Court of Rome, together with three other lending banks, primarily in order to obtain a declaration of invalidity or, alternatively, the cancellation and/or ineffectiveness of the following contracts: 1) Interest rate swap (IRS) concluded on 24 April 2009; 2) IRS of 29 July 20109; 3) the Novation Confirmation of 15 July 2010, with which the IRS sub 2 was transferred from Eur Congressi Spa to Eur Spa; 4) the close out contract dated 29 July 2010 relating to IRS sub 1; 5) the Termination Agreement of 18 December 2015 relating to IRS sub 2. Again primarily, the plaintiff seeks the condemnation of the banks in the pool, jointly and severally, by way of restitution of the debt and compensation for pre-contractual and/or contractual and/or non-contractual damage, to the payment of approx. EUR 57.7 mln representing the relief sought as indicated by the plaintiff.

Since this amount relates to all the derivatives concluded by the 4 banks of the pool with EUR S.p.A., it should be noted that in the unlikely event of losing the case, MPS Capital Services S.p.A. having been sentenced to pay the compensation, will be able to distribute the amount paid with the other banks in the *pool* due to its stake in the loan, which for MPS Capital Services S.p.A. is 12.61%.

With regard to the first IRS, Eur S.p.A. complains about the lack of the hedging purpose as the derivative would have been concluded in the absence of the disbursement of the loan caused by failure to comply with the conditions precedent for the issue. Furthermore, on the basis ruling of the Supreme Court. Joint Sect. no. 8770/2020 the plaintiff asks for the nullity of the derivatives due to lack of agreement on the subject of the contract and on the extent of the risk, complaining in this regard about the collection by the banks of implicit commissions (not quantified in the writ of summons) and the failure to indicate the probabilistic scenarios and the *mark to market* formula in the contracts.

The cancellation of the derivative due to an “essential error” allegedly committed by EUR S.p.A. in relation to the nature and object of the contract, the cancellation for “omissive intent” of MPS Capital Services S.p.A., pursuant to art. 1349 of the Italian Civil Code, are also challenged, for not having clarified the nature and characteristics of the IRSs offered for subscription, as well as the violation of art. 21 of the “Consolidated Law on Finance” (“*TUF*”) for failing to comply with the obligation to safeguard the customer’s interests.

Among the observations raised by the plaintiff, the arguments expressed by the well-known rulingof the Joint Sections of the Supreme Court no. 8770/2020 are used, pursuant to which it appears necessary to verify - for the purposes of the lawfulness of derivative contracts - whether there is an agreement between intermediary and investor on the extent of the risk, calculated according to scientifically recognized and objectively shared criteria, because the legislator authorizes this kind of “rational bets” in case the customer is made aware of all the useful elements for evaluating the convenience of the risk, therefore the *mark to market* formula and the probabilistic scenarios. Although the judgement in question was ruled on issues relating to derivative transactions entered into by local authorities, it is not uncommon for it to carry out a nomophilactic guidance function in the ruling courts also in relation to derivatives concluded between intermediaries and customers.

MPS Capital Services S.p.A. appeared in court to have the full validity of its actions recognized and to request the rejection of the plaintiff’s claims. In the entry of appearance and statement of defence, MPS Capital Services S.p.A. objected in *limine litis* the lack of jurisdiction of the court, given that the contracts regulating derivative operations between the subsidiary and Eur S.p.A. consist of ISDA *Master Agreements* governed by English law and subject to the jurisdiction of the Anglo-Saxon courts. According to the plaintiff, the Italian Court would have the jurisdiction because of the contractual link of the IRD to the loan agreements, which are governed precisely by Italian law, as well as to the public nature of EUR S.p.A. “as a company wholly owned by public entities”, arguments which appear to be unfounded.

In light of the foregoing, after examining the arguments and documents produced by the opposing party, it is deemed, also supported by the assessment carried out by the appointed lawyer, that the risk of MPS Capital Services S.p.A. losing the case is classifiable as “possible” given of the current status of case before the Supreme Court.

In the only hearing held so far, on 22 November 2021, the Judge deemed that before entering into the merits the preliminary objections presented by the defendant banks, concerning: 1. the suspension of these proceeding, by virtue of the provisions referred to in art. 7 paragraph 1 of Law 218/1995, pending the definition of the separate judgment brought by a bank of the *pool* against EUR S.p.A. in the United Kingdom concerning the verification of the validity and effectiveness of the derivative contracts concluded between the parties; 2) the *lis pendens* between the two proceedings; 3) the lack of jurisdiction of the Italian judge in favour of the English one by virtue of the clauses of exclusive jurisdiction of the English courts contained in the ISDA Agreements between EUR s.p.a. and the defendant banks

To this end, the court granted the parties time limits for pleadings on these preliminary issues with a deadline for the defendant banks of 22 January 2022 and reserved judgment upon the expiration of the time limits granted.

On 24 January, the Court of Florence, dissolving the reservation set out in the minutes of the hearing of 22 November 2021 and considering the case ripe for decision on the objection of jurisdiction of the Italian court raised by the defendants, "taking into account the exclusive jurisdiction of the English court, as well as the lack of application of Italian law to the case in question", adjourned the parties for the definition of the closing of arguments to the hearing of 8 November 2022.

Despite this positive measure for banks, on 1 June the lawyer of EUR Spa forwarded a settlement proposal to the defendant banks in which, basically, EUR would accept a total compensation from the banks of only EUR 37 mln instead of the 57.7 required with the writ of summons. The banks considered this proposal to be unacceptable, while appreciating with favour the willingness of EUR S.p.a. to amicably settle the dispute and reiterating its willingness to discuss in order to reach a reasonable settlement of the dispute.

Banca Monte dei Paschi di Siena S.p.A. vs. Barbero Metalli S.p.A.

The proceedings, with relief sought equal to EUR 37.5 mln, were brought by Barbero Metalli 124 S.R.L. - transferee of the action pertaining to BARBERO METALLI S.P.A. (operating under bankruptcy laws) by virtue of designation pursuant to art. 1401 of the Italian Civil Code operated by Energetyca S.r.l., acting as assumptor in the composition in bankruptcy related to the same procedure - against the directors and auditors of the company, as well as the different credit institutions jointly and severally, for having contributed to the insolvency of the company through the illegal granting of credit. In particular, in regard to the Parent Company, the complaint concerns the connivance with the acts of maladministration of the directors for having advanced sums to the company from 2009 onwards (RI.BA.) without underlying invoices, fictitiously indicated on future issues for a total of approximately EUR 8.8 mln.

The plaintiff asks for the directors, auditors and banks to be found jointly and severally liable for approximately EUR 37.4 mln as additional loss incurred by the company, and in the alternative liable for EUR 22.9 mln, as the value of individual detrimental transactions carried out by the company and expressly listed in the summons.

Given the content of the claims, the share of the risk pertaining to the Parent Company, jointly and severally summoned with the other defendants to pay the entire amount requested in relief, has not been quantified.

Once the appearance of the parties ended and the mediation was unsuccessfully defined, the Judge ordered the postponement of the hearing to 21 December 2022.

MPS Capital Services Banca per le Imprese S.p.A. vs. Parrini S.p.a.

The lawsuit, with relief sought equal to EUR 42.2 mln, is brought against different credit institutions jointly and severally alleged to have contributed to the insolvency of the company through the illegal granting of credit.

Notably, in regard to the position of MPS Capital Services S.p.a., the complaint concerns the connivance with the acts of maladministration of the directors, who made use of credit at a time when the state of crisis of the company was no longer remediable, not in view of a corporate restructuring, but for the sole purpose of continuing the business activity and management, without letting this state of crisis become public, thus delaying the declaration of insolvency, and causing damage to the company and its creditors by granting mortgage loan No. 503259901 on 4 August 2011.

The plaintiff asks for MPS Capital Services S.p.a. (originator of the assigned loan) and the other banks Intesa-UniCredit-B.co Desio to be found liable jointly and severally and to pay damages to the liquidator of the insolvent company, in the amount of approximately EUR 42.3 mln, or in the different amount, greater or lesser, that the Court will deem appropriate, also pursuant to art. 1226 of the Italian Civil Code, as well as interest and revaluation.

Given the content of the claims, the share of the risk pertaining to the subsidiary MPS Capital Services S.p.A., jointly and severally summoned with the other defendants to pay the entire amount requested in relief, has not been quantified.

The first hearing, initially scheduled for 29 July 2021, was postponed to 31 January 2022 where the judge initially reserved. On 3 February 2022, he lifted the reserve by postponing the case to the hearing of 31 October 2022 for the admission of the preliminary briefs. The receivership asked for the appointment of an expert witness.

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Employment law disputes

As at 30 June 2022 employment law disputes were pending for which the relief sought, where quantified, was equal to approximately EUR 91.3 mln. In particular:

- approx. EUR 52.4 mln in relief sought for which there is a "likely" risk of losing the case, for which provisions of about EUR 41.8 mln have been made;
- approx. EUR 19,5 mln as relief sought for disputes for which there is a "potential" risk of losing the case;
- approx. EUR 19.4 mln as relief sought for disputes for which there is a "remote" risk of losing the case.

We provide below the summary information on the most significant dispute pending at 30 June 2022.

Banca Monte dei Paschi di Siena S.p.A. vs. Fruendo

After the sale of the business unit, 634 workers (then reduced to 243 due to waivers and settlements) summoned the Parent Company before the courts of Siena, Rome, Mantua and Lecce to request the continuation of the employment relationship with Banca MPS, subject to the sale agreement with Fruendo being declared ineffective.

As of today, first and/or second instance rulings have been unfavourable to the Parent Company in regard to all workers involved (these rulings have been or are about to be challenged before the competent courts - 46 workers concerned); for 197 workers, a final judgement was issued with the unfavourable ruling of the Supreme Court.

It should also be noted that in the case of a sale of a business unit considered to be unlawful, the Supreme Court with reference to the remuneration obligations of the transferor, has recently handed down a ruling that was not aligned with the case law confirmed over time by the Supreme Court itself: in fact, with its recent rulings, issued starting from July 2019, it was affirmed that, in the event that the transfer of the employment relationship, in the broader context of the transfer of business unit, is declared unlawful, the transferring employer, who does not reinstate the employees, is still liable to fulfil the remuneration obligations in addition to those fulfilled by the transferee employer, since the principle that the payment made by the latter would discharge the former is considered not applicable to the case in question.

Based on this change in case law ("double remuneration"), as of today 210 workers involved in the transfer of the business unit and recipient of the above rulings in their favour, have sued the Parent Company in order to request the remuneration allegedly due. These actions were appealed by the Parent Company before the Courts of Siena, Florence, Mantua and Rome, with hearings currently scheduled between August 2022 and October 2023.

For this group of disputes, 27 first instance rulings and 3 second instance rulings have been issued so far:

- 4 by the Court of Siena, partially unfavourable (with the Labour Court sentencing the Parent Company to pay only 5 months of the final total remuneration);
- 14 by the Court of Rome, unfavourable (with the Labour Court sentencing the Parent Company to pay all the wages claimed by the workers);
- 6 by the Court of Mantua, unfavourable (with the Labour Court sentencing the Parent Company to pay all the wages claimed by the workers);
- 3 by the Court of Rome, favourable (with the Labour Court upholding the objections of the Parent Company and rejecting the workers' appeal).
- 1 issued by the Court of Appeal of Florence which, by reforming the first partially unfavourable ruling of the Court of Siena, recognized the right of workers to receive all the wages claimed;
- 2 issued by the Court of Appeal of Brescia, which confirmed the unfavourable rulings made in the first instance by the Court of Mantua.

The partially unfavourable rulings issued by the Court of Siena, which partially accepted the request relating to the "double remuneration", ordering the Parent Company to pay only 5 months of the last overall salary due to the parties involved, also gave impetus at the start of negotiations for the settlement of disputes which, to date, have led to the completion of 240 transactions.

Please also note that the Court of Siena, Labour Section, with ruling of 25 January 2019, rejected the appeals of 52 Fruendo workers (later reduced to 32 following waivers/settlement) which sued the Parent Company before the Court to request the continuation of the employment relationship with the latter, upon declaration of the unlawful interposition of labour ("unlawful contract") as part of the services outsourced by the Parent Company to Fruendo.

This ruling was challenged by 16 workers before the Court of Appeal of Florence Labour Law Sect. which, on the other hand, ascertained the illegality of the contract, ordering the reinstatement of the parties concerned, which was started with effect from 1 March 2022.

45 workers of Fruendo have started additional legal actions to establish the unlawfulness of the contract:

a) 13 applicants brought action before the Court of Padua - Labour Law Sect.: next hearing 27 September 2022;
b) 32 workers brought action before the Court of Siena - Labour Law Section. The status of the related rulings is summarised below:
    - for two groups of applicants (18 in total) who have introduced collective disputes, favourable rulings were issued at first instance by the Court of Siena Labour Law Sect., which were challenged before the Court of Appeal of Florence: next hearing 17 November 2022;
    - for another group of applicants (13 in total), the appeal was notified to the Parent Company on 29 June 2022 and the first appearance hearing is set for 21 December 2022;
    - for the only applicant who filed an individual claim, the Court set the next hearing on 5 June 2023.

Tax disputes

As at 30 June 2022 tax disputes were pending for which the total claim, where quantified, was equal to approximately EUR 79.5 mln. In particular:

- approx. EUR 12.7 mln in claims regarding disputes for which there is a “likely” risk of losing the case, for which provisions of approx. EUR 12.1 mln have been made;
- approx. EUR 28,2 mln as relief sought for disputes for which there is a “potential” risk of losing the case;
- approx. EUR 38.6 mln in claims regarding the remaining disputes, for which there is a “remote” risk of losing the case.

Risk linked to representations and warranties given in the sale and demerger of non-performing loans

In execution of the 2017-2021 Restructuring Plan, the Group has launched an important destocking plan for non -performing loans with the aim of significantly reducing its NPE ratio. As part of these transactions, indemnities are envisaged to be paid to the transferee counterparties of non-performing loan portfolios if the representations and warranties (R&W) issued are not true. In this regard, note the securitisation transaction carried out by the Group in December 2017 in favour of Siena NPL which resulted in the cancellation of bad loans for a gross exposure of over EUR 22 bn, whose R&W expired on 31 July 2021. By that date, more than 10,000 claims had been received for a relief of approximately EUR 0.7 bn; of those analysed, a limited percentage was assessed as well-founded. Also of note is the “Hydra -M” demerger in 2020 concerning EUR 7.2 bn of gross non-performing loans whose R&W expires in November of the current year, the 2019 ‘Morgana’ transaction, which involved EUR 663 mln of gross exposure of lease secured bad loans whose representations and warranties were due in October 2021 and finally some transactions involving the sale of portfolios of unlikely to pay loans, which took place between 2018 and 2020, with a maximum expiry in May 2023. As at 30 June 2022, approximately 67 claims for EUR 27.9 mln for “Hydra M” had been received and analysed, together with 450 claims for EUR 3.2 mln for Morgana, of which low percentages were considered founded. The risk provisions for this type of transaction, if the claims are not fully analysed and/or the expiry date has not yet matured, are also determined through the use of statistical techniques to take into account the overall expected risk.

Compensation for transactions in diamonds

In 2012, Banca Monte dei Paschi di Siena signed a cooperation agreement with Diamond Private Investment (DPI) to regulate the modalities for the reporting of the offer of diamonds by the company to the customers of Banca MPS. This activity generated total purchase volumes of EUR 344 mln, mainly in 2015 and 2016, with a significant drop already from 2017.

The Antitrust Authority (Autorità Garante della Concorrenza e del Mercato - AGCM) established the existence of behaviours in violation of the provisions relating to unfair trade practices on the part of DPI, imposing a sanction of EUR 2 mln.

This measure was challenged before the Lazio Regional Administrative Court which, with ruling of 14 November 2018, rejected the Parent Company appeal. No appeal has been lodged against the judgement and it has therefore become final.

The compensation process, agreed by Board of Directors since January 2018, envisaged the payment to customers of a consideration up of an amount equal to that originally paid to DPI for the purchase of stones, with the simultaneous transfer of the same to the Parent Company and the completion of the transaction.

Once the necessary authorisations were obtained, the initial transactions with customers were completed in the second half of 2018.

Following the launch of the initiative for a compensation to the customer process by the Parent Company, AGCM, given also the importance of the measures adopted for the mitigation of the financial impact of the communication of the offer of diamonds to the customers, requested to be kept updated on the progress of this initiative. On 2 December 2020, AGCM announced that it had taken note of the information sent by the Parent Company in relation to the initiatives taken in compliance with its provision no. 26758/2017, without requiring further updates on the status of the compensation initiative.

On 19 February 2019, the Parent Company was served a preventive seizure order from the Judge's Office for the Preliminary Investigations of the Court of Milan in relation to this case. The order was served to several natural persons, two diamond-producing companies (Intermarket Diamond Business S.p.A. and Diamond Private Investment S.p.A.), as well as 5 banks, including the Parent Company, and resulted, for Banca MPS, in the preventive seizure order of the profit from the crime of continued aggravated fraud, in the amount of EUR 35.5 mln. In addition, a preventive seizure order was served by equivalence pursuant to art. 53 of Italian Legislative Decree 231/2001, for EUR 0.2 mln for the crime of self-money laundering.

On 6 April 2021, the request for committal for trial by the Public Prosecutor's Office at the Court of Milan was issued against 110 parties, including 5 Executives and 8 branch managers, in relation to the crimes of aggravated and continued fraud, as well as use of money (self-laundering) for the 5 Executives only The Parent Company is accused of the administrative offense pursuant to art. 5 and 25 - octies of Italian Legislative Decree 231/2001 in relation to the crime of self-laundering pursuant to art. 648 ter 1 of the Criminal Code.

At the hearing held on 20 December 2021, the preliminary issues were discussed and at the subsequent hearing held on 21 January 2022, the Judge of the preliminary hearing upheld the case for lack of venue jurisdiction raised by the parties, removing the proceedings from the jurisdiction of the Milan Court and arranging for the transmission of documents:

- to the Public Prosecutor's office of Rome, as regards alleged fraud of the request for committal for trial challenged against the representatives of DPI and BMPS (as well as for the alleged use and self-laundering concerning the defendants representing DPI);
- to the Public Prosecutor's office of Siena, as regards alleged self-laundering attributed to the executives of BMPS and the corresponding administrative offense, charged to the Parent Company in the request for committal for trial. On 8 June 2022, as part of this new proceeding on Siena, the Public Prosecutor issued the notice of conclusion of the preliminary investigations and contextual notice of indictment against 5 former executives already involved in the main proceedings on Milan, for the crime of self-laundering pursuant to articles 81, 110, and 648 ter 1 par. 1, 2 and 5 of the Criminal Code. In the aforementioned notice confirmed, the charge to the Parent Company in relation to the administrative offense referred to in articles 5 par. 1 letter be 25-octies of Italian Legislative Decree no. 231/2001.

On 23 February 2022 and 10 March 2022, respectively, both the Court of Siena and the Court of Rome - Preliminary Investigations Judge's Office - ordered the validation of the preventive seizure order for EUR 0.2 mln, issued against Banca MPS for the administrative offense pursuant to art. 25 octies of Italian Legislative Decree 231/01 in relation to art. 648 ter 1 of the Criminal Code (self-laundering), and EUR 35.5 mln in relation to the crime of fraud.

On 16 June 2022, following a specific request filed by the Parent Company, the Rome Public Prosecutor's Office notified the release from seizure of the aforementioned sum of EUR 35.5 mln.

With reference to the "diamonds" affair, a further criminal proceeding was initiated before the Public Prosecutor's Office at the Court of Milan for the crimes of aggravated fraud, self-laundering and obstruction of regulators, in the context of which, on 28 September 2021, the Public Prosecutor made a request for committal for trial, against 7 former executives (including 5 of the main line of litigation) and the CEO and pro tempore General Manager of the Parent Company.

The preliminary hearing was set for 30 September 2022.

In these new proceedings, the Parent Company is not involved as having administrative liability pursuant to Italian Legislative Decree 231/01.

Against the claims made, the Parent Company has set aside provisions which take into account, among other things, the expected number of claims and the current wholesale value of the stones to be taken back.

As at 30 June 2022, more than 12 thousand claims had been received for a total value of EUR 316 mln; while the settlements carried out were equal to a total of EUR 315 mln (of which approximately EUR 1 mln during the first half of 2022, covered for the total value net of the market value of the stones by the provision for risks and charges allocated in previous years) and represent 91.5% of the total volume of diamond offers reported by the Parent Company. Residual provisions for risks and charges recognised against the compensation initiative amounted to EUR 4.8 mln at the end of June 2022.
As at 30 June 2022 the stones returned were recognised for a total value of EUR 75.2 mln.

Audits

As the Group carries out banking activities and provides investment services, it is subject to comprehensive regulation and supervision, in particular by the ECB, Bank of Italy and CONSOB, each for the respective areas of responsibility. Below are the main activities carried out by the Supervisory Bodies, or with significant updates in the half-year with respect to what was published in the 2021 Financial Statements.

The new inspection activities of the semester are shown below:

Credit and counterparty risk audit (OSI 0198380)

During the first half of 2022 (starting from April 2022 with completion expected in August 2022) the On-Site Inspection "OSI-2022-ITMPS-0198380" was launched by the ECB, part of the campaign on Corporate & Large SME portfolios that intends to:

- identify and quantify any deterioration/cliff effects in specific portfolios at the level of individual borrowers and/or group of exposures;
- review specific parts of the collective provision model of IFRS 9 for the portfolios in question (SICR and LGD for collective provisions);
- identify shortcomings in the credit risk classification and provisioning processes, also leveraging the main results of the previous 2020 and 2021 credit risk campaigns.

The entities of the Group inspected were: Banca Monte dei Paschi di Siena, MPS Capital Services, MPS Leasing & Factoring, Banca Widiba.

The main objective of the OSI is to obtain an in-depth knowledge of the processes within the Corporate and Large SME portfolio and to assess the adequacy of the related classification /*provisioning* processes. The *focus* is on:

- credit risk processes and procedures;
- policies / procedures relating to credit risk monitoring and supervisory expectations;
- company rating monitoring procedures;
- impact on *staging* and *provisioning*, including:
  - migration between IFRS 9 stages and assignment of PD / rating;
  - correct implementation of macroeconomic scenarios and credit risk parameters in IFRS9 models;
  - adequate measurement of the LGD parameter through the assessment of the underlying methodology described in the bank's internal *policies*;
  - forborne classification;
- adequate classification and provision of a sample of counterparties mainly belonging to the Corporate and Large SME portfolio selected with a *risk-based* approach (120 counterparties, 80 Corporate, 40 Large SMEs, for 3.2 mln in use as at 31 December 2021).

The reference date taken into consideration for the purposes of the above checks is 31 December 2021.

Audit on internal models - Internal Model Investigation (IMI-2022-ITMPS-0197502)

In February 2022, the ECB launched an on-site inspection for the approval of the authorization request (sent by BMPS to the ECB on 9 November 2021) to the material changes for the credit risk models. The material changes relate to the adaptation of the AIRB models (PD and LGD) to the new reference regulatory legislation (EBA/GL/*2017/16*), to the resolution of the findings that emerged in previous inspections (IMI 2939, TRIM

3917, IMI 4357, IMI 5258 and IMI 4857) and the roll-out of the EAD parameter. The audit activities were completed on 13 May 2022, the Parent Company is awaiting the related inspection *report*.

With regard to **climate and environmental risks**, on 13 January 2022, the ECB sent the outcome of the gap analysis conducted on the Parent Company on the disclosure, highlighting some points of attention. On the basis of the points of attention indicated, a review of the implementation plans was carried out, and a specific project was developed aimed at addressing in particular the "expectations" relating to the Risk Management framework and that relating to disclosure. The project in question, called "ESG Risk Action", was formally launched on 29 June 2022.
On 18 March 2022 at the request of the ECB, at the opening of the upcoming Thematic Review, a new self-assessment was produced on all expectations on climate and environmental risks, aimed in particular at providing a state of progress of the planning already communicated and any of its revisions.

AGCM inspection procedure on Widiba
In December 2021, the AGCM initiated proceedings for (i) misleading commercial practice, with regard to the unilateral manoeuvre that changed the amount of the settlement costs of current account relations and for (ii) aggressive commercial practice with regard to the recognition of interest in the event of the withdrawal of an account holder holding term deposits following a unilateral change by the Bank. The Authority considered that the commitments proposed by Banca Widiba were suitable for remedying the possible illegitimacy and closed the proceeding, requesting Banca Widiba S.p.A. to give information within 90 days of the commitments being implemented.

Consob Audit on Investment Services
On May 3, 2022, a Consob inspection on Parent Company began, aimed at ascertaining the state of compliance with the new legislation resulting from the adoption of Directive 2014/65/EU (so-called MiFID II) with regard to the following profiles: (i) the procedural arrangement defined in terms of product governance; (ii) the procedures for assessing the adequacy of transactions carried out on behalf of customers.

With regard to the inspections mentioned in the 2021 Financial Statements, the following most important updates are noted:

- Bank of Italy audit on transparency at Banca Widiba. The inspection visit ended in January 2020 and revealed 2 findings raised by the Bank of Italy against Banca Widiba. The specific corrective actions were completed in December 2020.
- Audit on interest rate risk (OSI-2019-3834) In the first half of 2022, the Parent Company implemented the remedial actions according to a program that provides for full completion by the end of the year.
- Bank of Italy's audit on the Parent Company's banking transparency. The inspection ended in January 2020 and, on 6 May 2021, the Bank of Italy imposed a pecuniary administrative sanction of EUR 2.9 mln on the Parent Company for certain shortcomings regarding transparency. A corrective action plan was implemented, completed by 31 December 2020. During 2021, the Parent Company also carried out a follow-up plan with respect to the activities carried out during 2020, which ended on 31 July 2022, with specific activities remaining following the subsequent discussions with the Supervisory Authority.
- Audit on the liquidity allocation process and the internal transfer rate (OSI-2019-4356) In the first half of 2022, the Parent Company implemented the remedial actions according to a program that provides for full completion by the end of the year.
- Internal governance audit (OSI-2020-4834) In 2021 the ECB sent the *final letter* and the Parent Company, in 1Q 2022, activated a specific action plan to mitigate the 4 *points of concern* highlighted (2 to Compliance and 2 to *Internal Audit*). The action plan ended on 31 March, with the sending of a specific communication to the ECB, after passing to the Board of Directors.
- Thematic Review on climate and environmental risks. During the first quarter of 2022, the ECB launched a Thematic Review on the topic of climate and environmental risks, which continued in the second quarter of 2022.

Results by Operating Segment

Identification of Operating Segments

In accordance with the provisions of IFRS 8, the operating segments have been identified based on the main business sectors in which the Group operates. As a result, by adopting the "business approach", consolidated income statement and balance sheet data are broken down and re-aggregated based on criteria including: business area concerned, operating structure of reference, relevance and strategic importance of activities carried out, and customer clusters served.

Based on the Group's reporting criteria, which also take into account organisation structures, the following operating segments were identified:

- ***Retail Banking***, which includes the income statement/balance sheet results of Retail customers (Value and Premium segments) and Banca Widiba S.p.A. (Financial Advisor Network and Self-service channel);
- Corporate Banking, which includes the income statement/balance sheet results of Corporate customers (Corporate Client and Small Business segments), Large Groups, Foreign Branches and the subsidiaries MPS Capital Services, MPS Leasing & Factoring and the foreign bank MP Banque;
- Wealth Management, which includes the income statement/balance sheet results of Private Banking customers (Private Banking and Family Office segments) and the subsidiary MPS Fiduciaria;
- Corporate Centre***, which in addition to the offsetting of intragroup entries, incorporates the results of the following business centres:***
    - service units supporting the Group's business, dedicated in particular to the management and development of IT systems (Consorzio Operativo Gruppo MPS);
    - companies consolidated with the equity method and those held for sale;
    - operating units, such as proprietary finance, treasury and capital management.

The income statement and balance sheet results for each identified operating segment are shown in the following paragraphs.

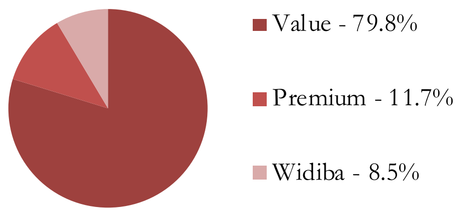
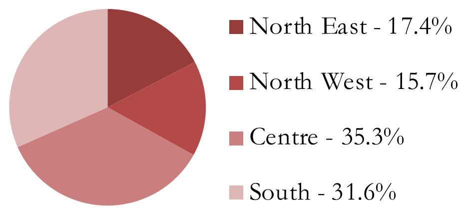
Results in brief

The following table shows the main income statement and balance sheet aggregates for the Group's Operating Segments as at 30 June 2022:

SEGMENT REPORTING	Operating Segments									
Primary segment	Retail banking		Wealth Management		Corporate banking		Corporate Center		Total MPS Group	
(EUR mln)	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y	30/06/22	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Total Revenues	606.3	-8.9%	63.3	-12.8%	596.8	1.2%	255.6	9.5%	1,522.0	-2.5%
Operating expenses	(664.5)	0.9%	(47.1)	-9.6%	(316.0)	-5.1%	(40.7)	39.3%	(1,068.4)	-0.4%
Pre Provision operating Profit	(58.3)	n.m.	16.1	-21.2%	280.8	9.4%	214.9	5.2%	453.6	-7.1%
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(48.6)	85.9%	(4.6)	24.4%	(181.4)	33.6%	11,4	n.m.	(223.2)	38.5%
Net Operating Income	(106.9)	n.m.	11.5	-31.2%	99.4	-17.8%	226.3	8.4%	230.4	-29.5%
	30/06/22	Chg.. % 31/12	30/06/22	Chg.. % 31/12	30/06/22	Chg.. % 31/12	30/06/22	Chg.. % 31/12	30/06/22	Chg.. % 31/12
BALANCE SHEET AGGREGATES										
Gross Interest-bearing loans to customers (*)	31,215	0.6%	585	0.7%	41,801	1.6%	5,751	-21.0%	79,352	-0.9%
Direct funding	42,382	-0.6%	2,922	-7.2%	26,098	-2.7%	12,902	-27.0%	84,305	-6.6%
Indirect Funding	50,262	-9.6%	14,502	-10.7%	12,797	-11.5%	15,510	-14.6%	93,070	-10.9%
Assets under management	*42,858*	*-9.3%*	*11,067*	*-11.3%*	*2,587*	*-6.0%*	*2,369*	*-15.2%*	*58,880*	*-9.8%*
Assets under custody	*7,404*	*-11.0%*	*3,435*	*-8.9%*	*10,210*	*-12.7%*	*13,140*	*-14.5%*	*34,190*	*-12.7%*

(*) The value shown in the Group as well as that in the operating segments is represented by gross interest-bearing loans to customers, therefore not including loss provisions.

Retail Banking

Business areas	Customers
Retail MPS • Funding and provision of insurance products. • Lending. • Financial advisory services. • Electronic payment services. **Widiba** • Banking products and services, deposit account, cards and advanced payment systems; customer self-service through the bank's digital channels or in assisted mode with the support of a Financial Advisor. • Fully customisable online platform that relies on a Network of 542 Financial Advisors present throughout the country. • Funding and Global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network. • Mortgage loans, credit facilities and personal loans. • Innovative interaction through computers, smartphones, tablets, watches and TV.	The number of Retail Banking customers is roughly 3.4 mln and includes 286,300 Widiba customers, of which around 139,600 in the Financial Advisor Network channel, 86,300 in the self-service channel and 60,300 customers migrated from the MPS branch network. **Breakdown by type**  **Breakdown by geography** 

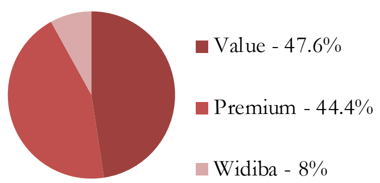
Income statement and balance sheet results

As at 30 June 2022, Total Funding for Retail Banking amounted to approximately **EUR 92.6 bn**, down by EUR 3.5 bn from March 2022 and by EUR 5.6 bn compared to the end of 2021. More specifically:

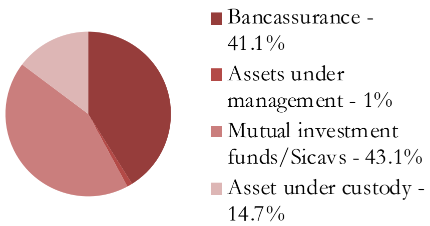
- **Direct Funding** was equal to **EUR 42.4 bn**, down by EUR 0.4 bn compared to 31 March 2022, attributable to the drop recorded on the medium/long-term (EUR -0.2 bn), and short-term (EUR -0.1 bn) component, with a slight decrease also in the on-demand deposits. The aggregate recorded a decrease also in comparison with 31 December 2021 (EUR 0.3 bn), due mainly to the medium/long-term funding (EUR -0.4 bn) and short-term (EUR -0.1 bn) component, which more than offset the increase in the on-demand deposits (EUR +0.3 bn).
- **Indirect Funding**, amounting to approx. **EUR 50.3 bn**, decreased compared to March 2022 levels by EUR 3.2 bn, in both the assets under management (EUR -2.7 bn) and assets under custody (EUR -0.4 bn) components. The aggregate also decreased compared to 31 December 2021 (EUR -5.3 bn), due to the decrease in both assets under management (EUR -4.4 bn) and assets under administration (EUR -0.9 bn) which is essentially impacted by the negative market effect.
- **Gross interest-bearing loans** to Retail Banking customers were **EUR 31.2 bn**, substantially in line with March 2022 and up slightly on December 2021 (EUR +0.2 bn).

RETAIL BANKING - BALANCE SHEET AGGREGATES										
(Eur mln)	30/06/22	31/03/22	31/12/21	30/06/21	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**42,382**	**42,737**	**42,656**	**42,530**	**(355)**	**-0.8%**	**(274)**	**-0.6%**	**(148)**	**-0.3%**
Assets under management	*42,858*	*45,600*	*47,269*	*46,127*	*(2,742)*	*-6.0%*	*(4,411)*	*-9.3%*	*(3,270)*	*-7.1%*
Assets under custody	*7,404*	*7,825*	*8,314*	*8,675*	*(421)*	*-5.4%*	*(911)*	*-11.0%*	*(1,272)*	*-14.7%*
Indirect Funding	**50,262**	**53,425**	**55,583**	**54,803**	**(3,163)**	**-5.9%**	**(5,322)**	**-9.6%**	**(4,541)**	**-8.3%**
Total Funding	**92,644**	**96,161**	**98,239**	**97,333**	**(3,518)**	**-3.7%**	**(5,595)**	**-5.7%**	**(4,689)**	**-4.8%**
Gross Interest-bearing loans to customers	**31,215**	**31,129**	**31,036**	**31,048**	**86**	**0.3%**	**179**	**0.6%**	**167**	**0.5%**

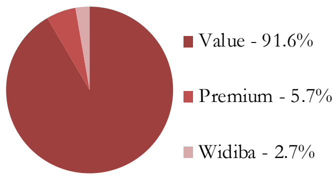
Direct funding



Indirect funding breakdown



Interest-bearing loans to customers



With regard to profit and loss, as at 30 June 2022, Retail Banking recorded total **Revenues** equal to approx. **EUR 606 mln**, down 8.9% compared to the same period of the previous year. A breakdown of the aggregate shows:

- Net interest income was equal to approx. EUR 160 mln, down by 7.7% on an annual basis as a result of the lower contribution of funding deriving mainly from the decline in the internal transfer rate. There was a recovery in the return on commercial assets;
- Net fees and commissions were equal to approx. EUR 437 mln, with a 5.6% decrease on the same period of the previous year, primarily due to lower income from asset management, particularly on product placement.
- Other income from financial and insurance activities amounted to EUR 9.5 mln, down 72.7% compared to the same period of the previous year, due to the lower contribution of income generated by insurance equity investments in AXA associated.

Considering the impact of Operating Expenses, which increased by 0.9% Y/Y, Retail Banking generated a **Gross Operating Loss** of about **EUR -58 mln** (income of EUR 7 mln as at 30 June 2021). The cost of credit was equal to EUR -49 mln (EUR -26 mln as at 30 June 2021).

The **Net Operating Income** recorded since the beginning of the year was **negative and around EUR 107 mln.**

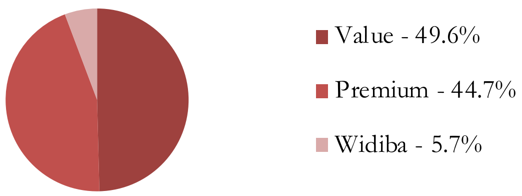
The non-operating components amounted to roughly EUR 1 mln compared to EUR -27 mln of the same period of the previous year due mainly to the reduction in Other net provisions.

Profit (loss) before tax from continuing operations was equal to **EUR -106 mln** (EUR -46 mln as at 30 June 2021).

The **cost-income ratio** of the Operating Segment is **109.6%** (99.0% in the first half of 2021).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/22	30/06/21	Abs.	%
Net interest income	*159.6*	*172.9*	*(13.2)*	*-7.7%*
Net fee and commission income	*436.6*	*462.2*	*(25.7)*	*-5.6%*
Other Revenues from Banking and Insurance Business	*9.5*	*34.7*	*(25.2)*	*-72.7%*
Other operating expenses/income	*0.6*	*(4.4)*	*5.0*	*n.m.*
Total Revenues	**606.3**	**665.4**	**(59.2)**	**-8.9%**
Operating expenses	*(664.5)*	*(658.8)*	*(5.7)*	*0.9%*
Pre Provision Operating Profit	**(58.3)**	**6.6**	**(64.9)**	**n.m.**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(48.6)	(26.2)	(22.5)	85.9%
Net Operating Income	**(106.9)**	**(19.6)**	**(87.3)**	**n.m.**
Non-operating components	**0.9**	**(26.7)**	**27.5**	**n.m.**
Profit (loss) before tax from continuing operations	**(106.0)**	**(46.2)**	**(59.8)**	**n.m.**

Breakdown of revenues



Results for the subsidiary

Banca Widiba S.p.A.: as at 30 June 2022, the Total Funds of Banca **Widiba** amounted to approximately **EUR 9.0 bn**, down by EUR -0.8 bn (-9%) compared to 31 December 2021 and EUR -0.5 bn (-5%) compared to 31 March 2022, absorbing the unfavourable impacts of financial market trends in the first half of 2022 (approximately EUR -900 mln of market effect in the first six months, of which over EUR -500 mln in Q2) which are not offset by net positive inflows of EUR 62 mln in the half year (concentrated on Administered and Managed Savings).

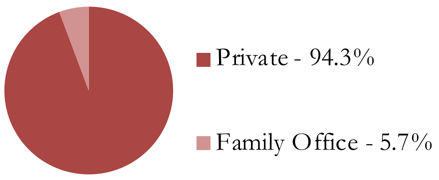
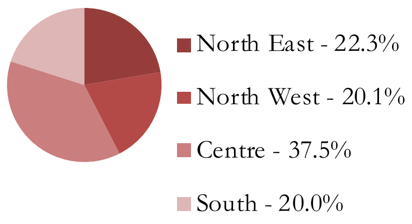
With regard to profit and loss, as at 30 June 2022 Banca Widiba achieved total **Revenues** of approx. EUR 34.7 mln, up by EUR 0.9 mln (+3%) compared to the same period of the previous year, due to an increase in Net interest income (EUR +2.2 mln, an increase entirely attributable to commercial items to customers and the reduction in the cost of funding), while Net fee and commission income (EUR +10.5 mln) recorded a drop of EUR -0.7 mln (-6%), affected by the drop in Assets under Management due to the particularly negative stock market trends.

The **Gross Operating Result,** which includes the **Operating Expenses** figure (EUR 30.7 mln in the half year), up by 1.1 mln (+4%) compared to the first half of 2021 mainly due to the increase in intragroup service fees, to **EUR 4.0 mln**, slightly down by EUR -0.3 mln compared to the same period of the previous year.

The **Net Operating Income**, which includes the **cost of customer credit** (EUR -0.7 mln in the first half of 2022), down compared to the first half of 2021(EUR -1.3 mln), amounted to **EUR 3.3 mln** increasing of EUR 0.4 mln compared to 30 June 2021.

Lastly, as a result of non-operating components that absorb reversals on some items of provisions for risks and charges, the **Result before tax from continuing operations** was **EUR 3.5 mln**, with an increase of EUR 1.3 mln compared to the first half of the previous year.

Wealth Management

Business areas	Customers
• Funding, lending, provision of insurance products, financial and non-financial services to private customers. • Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on not strictly financial services (tax planning, real estate, art & legal advisory). • Fiduciary and trust services (through the subsidiary MPS Fiduciaria).	There are around 37.000 private customers. **Breakdown by type**  **Breakdown by geography** 

Income statement and balance sheet results

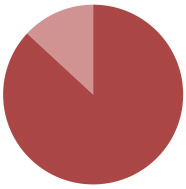
As at 30 June 2022, **Total Funding** for *Wealth Management* amounted to approximately **EUR 17.4 bn**, down by roughly EUR 1.1 bn compared to 31 March 2022 and EUR 2.0 bn compared to the end of 2021. More specifically:

- Direct Funding was equal to EUR 2.9 bn, essentially in line with the levels at March 2022 and down by EUR 0.2 bn compared to 31 December 2021;
- **Indirect Funding**, amounting to about **EUR 14.5 bn**, was down compared to 31 March 2022 (EUR -1.0 bn) and compared to the end of 2021 (EUR -1.7 bn).
- **Gross interest-bearing loans** to Wealth Management customers were essentially in line with both 31 March 2022 and December 2021, amounting to roughly **EUR 0.6 bn**.

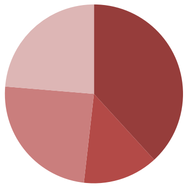
WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES

(EUR mln)	30/06/22	31/03/22	31/12/21	30/06/21	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**2,922**	**3,020**	**3,151**	**2,976**	**(97)**	**-3.2%**	**(228)**	**-7.2%**	**(54)**	**-1.8%**
Assets under management	*11,067*	*11,852*	*12,470*	*12,481*	*(785)*	*-6.6%*	*(1,403)*	*-11.3%*	*(1,414)*	*-11.3%*
Assets under custody	*3,435*	*3,645*	*3,770*	*3,891*	*(210)*	*-5.7%*	*(334)*	*-8.9%*	*(456)*	*-11.7%*
Indirect Funding	**14,502**	**15,497**	**16,239**	**16,372**	**(995)**	**-6.4%**	**(1,738)**	**-10.7%**	**(1,870)**	**-11.4%**
Total Funding	**17,424**	**18,516**	**19,390**	**19,348**	**(1,092)**	**-5.9%**	**(1,966)**	**-10.1%**	**(1,924)**	**-9.9%**
Gross Interest-bearing loans to customers	**585**	**593**	**581**	**516**	**(9)**	**-1.4%**	**4**	**0.7%**	**68**	**13.2%**

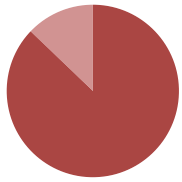
Direct funding



Indirect funding breakdown



Interest-bearing loans to customers



Whit regard to profit and loss as at 30 June 2022, Wealth Management reported total Revenues equal to approximately EUR 63 mln, down 12.8% compared to the same period of last year. A breakdown of the aggregate shows:

- Net Interest Income amounted to approx. EUR 1.5 mln, up EUR 1.1 mln compared to the same period of the previous year, due to the higher contribution from direct funding;
- Net fee and commission income amounted to approximately EUR 59 mln, down by EUR 2.9 mln compared to 30 June 2021.

Considering the impact of Operating Expenses, which were down by 9.6% compared to the same period of the previous year. Wealth Management generated **Gross Operating Income** of about **EUR 16 mln** (EUR -4 mln compared to 30 June 2021). Including Cost of credit equal to EUR -5 mln, the **Net Operating Income** totalled roughly **EUR 12 mln**.

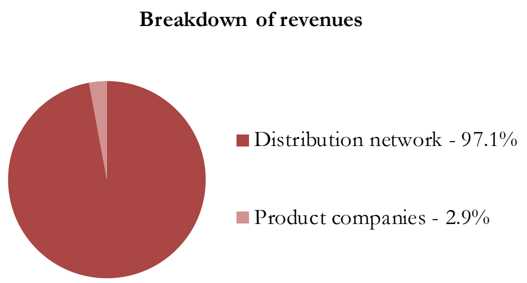
The non-operating components were equal to approx. EUR 0.1 mln, a EUR 1.6 mln improvement compared to the same period of the previous year.

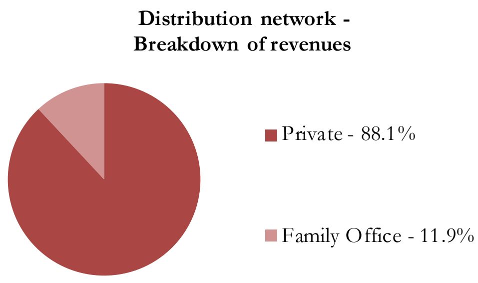
The Profit (loss) before tax from continuing operations was equal to EUR 12 mln (EUR 15 mln as at 30 June 2021).

The ***cost-income ratio*** of the Operating Segment is 74.5% (71.8% at the end of June 2021).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES

			Chg. Y/Y	
(EUR mln)	30/06/22	30/06/21	Abs.	%
Net interest income	*1.5*	*0.4*	*1.1*	*n.m.*
Net fee and commission income	*59.1*	*62.1*	*(2.9)*	*-4.7%*
Other Revenues from Banking and Insurance Business	*2.5*	*10.4*	*(7.9)*	*-75.6%*
Other operating expenses/income	*0.1*	*(0.4)*	*0.5*	*n.m.*
Total Revenues	**63.3**	**72.6**	**(9.3)**	**-12.8%**
Operating expenses	*(47.1)*	*(52.1)*	*5.0*	*-9.6%*
Pre Provision Operating Profit	**16.1**	**20.4**	**(4.3)**	**-21.2%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(4.6)	(3.7)	(0.9)	24.4%
Net Operating Income	**11.5**	**16.7**	**(5.2)**	**-31.2%**
Non-operating components	**0.1**	**(1.4)**	**1.6**	**n.m.**
Profit (loss) before tax from continuing operations	**11.7**	**15.3**	**(3.7)**	**-23.9%**





Results for the subsidiary

MPS Fiduciaria: in the first half of 2022 the subsidiary reported a profit for the year equal to **EUR 0.1 mln.**

Corporate Banking

In January 2022, as part of the "Business Market Revision and Relaunch" project, revisions were introduced as regards the service models relating to the Business and Private Banking Business. In particular, SMEs and Key Clients were unified within a single service model named "Corporate Clients".

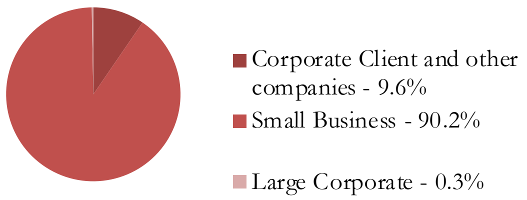
Business areas

- Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi (credit guarantee consortia), with Guarantee Institutions (including public) and Institutional Entities, through which funding is acquired at favourable terms.
- Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring).
- Corporate finance - medium/long-term credit facilities, corporate finance, capital markets and structured finance also through the subsidiary MPS Capital Services.
- Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova S.p.A., which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).

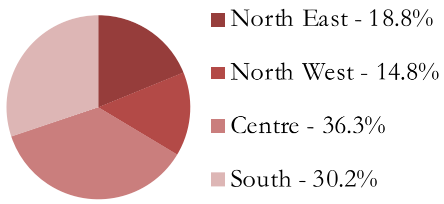
Customers

Corporate Banking directly supports about 325.000 Corporate and Large Group customers of the Parent Company.

Breakdown by type



Breakdown by geography



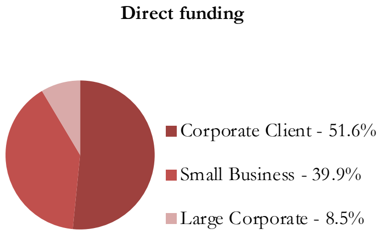
Income statement and balance sheet results

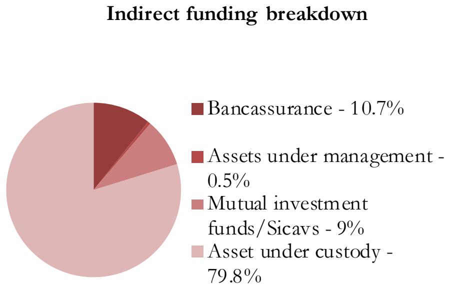
The **Total Funding** from Corporate Banking as at 30 June 2022 amounted to **EUR 38.9 bn**, down by EUR 0.3 bn with respect to 31 March 2022, mainly due to the decrease in Indirect Funding (Eur -1.1 bn), only partly offset by the increase in Indirect Funding (EUR +0.8 bn). There was also a EUR 2.4 bn decrease compared to the end of December 2021, as a result of a decrease in both Indirect Funding (EUR -1.7 bn) recorded mainly on Assets under custody and Direct Funding (EUR -0.7 bn). The decrease in Direct Funding was influenced by the actions taken by the Parent Company to optimise the cost of funding. With regard to Indirect Funding, instead, the decline recorded in the Assets under custody sector was mainly due to the negative market effect.

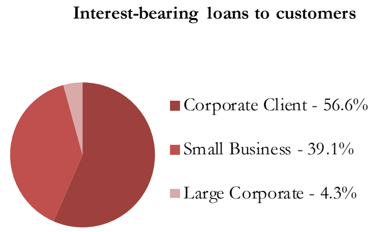
With regard to lending, as at 30 June 2022, Gross interest-bearing loans to customers of Corporate Banking were equal to approx. EUR 41.8 bn (down EUR 0.4 bn compared to 31 March 2022 and up by EUR 0.7 bn compared to 31 December 2021).

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	30/06/22	31/03/22	31/12/21	30/06/21	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Direct funding	**26,098**	**25,326**	**26,818**	**26,993**	**773**	**3.1%**	**(720)**	**-2.7%**	**(895)**	**-3.3%**
Assets under management	*2,587*	*2,696*	*2,753*	*2,819*	*(110)*	*-4.1%*	*(166)*	*-6.0%*	*(232)*	*-8.2%*
Assets under custody	*10,210*	*11,195*	*11,700*	*12,224*	*(985)*	*-8.8%*	*(1,490)*	*-12.7%*	*(2,014)*	*-16.5%*
Indirect Funding	**12,797**	**13,892**	**14,453**	**15,043**	**(1,095)**	**-7.9%**	**(1,656)**	**-11.5%**	**(2,246)**	**-14.9%**
Total Funding	**38,895**	**39,217**	**41,271**	**42,036**	**(322)**	**-0.8%**	**(2,376)**	**-5.8%**	**(3,140)**	**-7.5%**
Gross Interest-bearing loans to customers	**41,801**	**42,161**	**41,144**	**41,727**	**(360)**	**-0.9%**	**656**	**1.6%**	**74**	**0.2%**







For profit and loss aggregates, as at 30 June 2022 *Corporate Banking Revenues* came to approx. **EUR 597 mln** (+1.2% compared to the same period of the previous year). A breakdown of the aggregate shows:

- Net Interest Income was approximately EUR 308 mln, up 5.8% annually due to the increase in the contribution from commercial assets, despite the lower contribution of direct funding;
- Net Fee and Commission income was up 1.0% compared to the same period of the previous year to around EUR 275 mln;
- Other Revenues from Banking and Insurance Business were equal to approx. EUR 9 mln compared to EUR 35 mln in the first half of 2021.

Considering the impact of Operating Expenses, down by 5.1% compared to 30 June 2021, **Pre-provision operating profit** was equal to approx. **EUR 281 mln** (+9.4%) compared to 30 June 2021

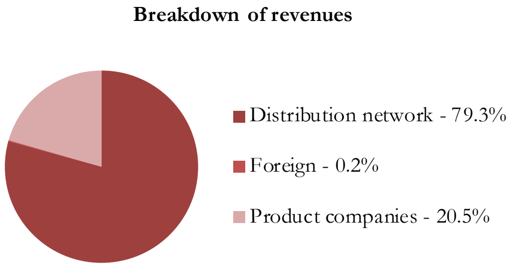
Net Operating Income was equal to **EUR 99 mln** (EUR 121 mln in the same period of the previous year), against a Cost of credit standing at EUR -181 mln (compared to EUR -136 mln as at 30 June 2021).

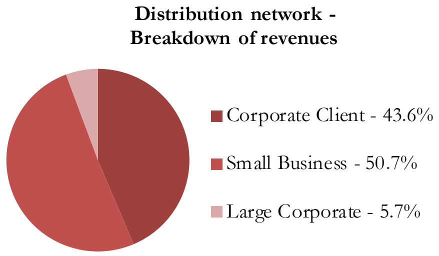
The non-operating components were equal to approx. EUR -22 mln, improved compared to EUR -76 mln in the same period of the previous year.

The **Profit (loss) before tax from continuing operations** was equal to **EUR 77 mln** (EUR 45 mln as at 30 June 2021).

The **cost-income ratio** of Corporate Banking was equal to **53.0%** (56.5% as at 30 June 2021).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/06/22	30/06/21	Abs.	%
Net interest income	*307.8*	*291.1*	*16.7*	*5.8%*
Net fee and commission income	*275.0*	*272.3*	*2.7*	*1.0%*
Other Revenues from Banking and Insurance Business	*9.4*	*35.2*	*(25.9)*	*-73.4%*
Other operating expenses/income	*4.6*	*(8.9)*	*13.5*	*n.m.*
Total Revenues	**596.8**	**589.8**	**7.1**	**1.2%**
Operating expenses	*(316.0)*	*(333.0)*	*17.0*	*-5.1%*
Pre Provision Operating Profit	**280.8**	**256.7**	**24.1**	**9.4%**
Cost of customer loans/Net impairment (losses)-reversals on securities and loans to banks	(181.4)	(135.8)	(45.6)	33.6%
Net Operating Income	**99.4**	**120.9**	**(21.6)**	**-17.8%**
Non-operating components	**(22.4)**	**(75.7)**	**53.3**	**-70.4%**
Profit (loss) before tax from continuing operations	**77.0**	**45.2**	**31.8**	**70.3%**





Results of the main subsidiaries

- **MPS Capital Services**: result before tax of EUR 9 mln, down by EUR 67 mln compared to 30 June 2021, mainly due to the trend in the Cost of Credit and Other income from financial and insurance management. The profit for the period was EUR 16 mln, down compared to a profit of EUR 95 mln as at 30 June 2021 due to the trends described above.
- **MPS Leasing & Factoring**: result before tax of EUR 11 mln, up by EUR 13 mln compared to 30 June 2021. The profit for the period was EUR 13 mln compared to profit for the period of EUR 0.1 mln as at 30 June 2021.
- **MP Banque[27]:** loss of EUR 2.8 mln compared to a loss of EUR 1.9 mln recorded in the same period of the previous year.

Corporate Centre

The Corporate Centre includes:

- head office units, particularly with regard to governance and support functions, proprietary finance, the "asset centre" of divisionalised entities, which comprises in particular: proprietary finance activities, treasury and capital management;
- units providing service and support to the business, particularly with regard to the development and management of information systems (Consorzio Operativo MPS Group).

The Corporate Centre also includes the offsetting of intragroup entries and the results of the companies consolidated under the equity method and those held for sale.

As regards Finance activities, in the first half of 2022 securities from the Parent Company's portfolio were sold, particularly roughly EUR 815 mln classified at amortised cost, which contributed a total profit of roughly EUR 48 mln, down by around EUR 76 mln compared to the same period of the previous year when disposals from the securities portfolio were carried out for a total of around EUR 850 mln. Partially offsetting these sales, to support net interest income in the course of the half around EUR 1 bn in securities, also classified at amortised cost, were repurchased.

[27] The performance indicated above is that calculated on an operational basis. Please recall that in 2018 the Parent Company approved the run-off of MP Banque

Prospects and outlook on operations

The world economy is experiencing a phase of slowdown in growth, linked to the profound uncertainty about the outcome of the conflict between Russia and Ukraine, the record inflation in advanced economies, the growing political and geopolitical tensions and coexistence with the virus. Central banks are adopting restrictive policies that are reflected in the rise in government maturity curves and in the downward adjustments of equity prices. The EU Commission[28] estimates growth in the GDP of the Euro Area at 2.6% annually in 2022, but almost halving it, compared to previous estimates, in 2023 (bringing it to 1.4% annually).

The increase in energy prices exacerbated by dependence on Russian supplies, combined with the growing uncertainty about the outcome of the conflict in Ukraine entails a deterioration of the macroeconomic framework expected for Italy, to which is added the risk that the growing Italian political instability could impact on the correct implementation of the NRRP according to the defined time-table, with repercussions on the perception of the markets. According to the latest forecasts of the EU Commission, Italian GDP is expected to grow by 2.9% annually while expectations are lowered by 2023 with a growth of 0.9%.

As a result of the economic situation, at the moment there are no strong repercussions on the credit quality of Italian banks, even if, with the increase in rates and with the gradual return of support policies, a deterioration is expected starting from next year. The increase in uncertainty supports households' demand for bank deposits, which postpone the reallocation towards more profitable medium and long-term instruments to subsequent years. The deposits of companies, which use liquidity to finance a production cycle penalized by the increase in costs and the difficulties linked to the conflict, are reduced. Indirect deposits are affected by the reduction in the propensity to save and the negative performance of the financial markets, but a recovery is forecast with the expected recovery of disposable income, once inflationary pressures have been recomposed, and the overcoming of market tensions. The growth of credit to the economy, despite being affected by the effects of high inflation, is expected to continue: loans to households benefit from the boost deriving from real estate renovations and, in the medium term, from the expected recovery of disposable income; those to businesses benefit from the growth of investments. The net interest income of the banks benefits from the rise in interest rates, with the progressive improvement in the profitability of the sector which, in any case, in the medium term, is not expected to bridge the gap with the cost of capital, leaving room for further transformations towards greater efficiency and further diversification of revenues.

The greater uncertainty characterising the current economic context may also have effects on the Group's performance over the coming months. In any event, the Group will be committed to supporting businesses by working alongside them as they resume activities in a post-pandemic world, also exploiting the potential offered by the NRRP, supporting development projects and local activities, leveraging their unique features through specific initiatives and products, with a view to supporting and directing the recovery towards a more sustainable development model, integrating environmental, social and governance (ESG) criteria within investment and lending policies and continuously interpreting the Bank's historical role in supporting and promoting local areas and economies. The net interest income will benefit from the recent rate hike and the contribution of the new consumer credit platform. For the second half of the current year, a reduction is expected in the contribution to the net interest income of the liabilities for TLTRO III (equal to EUR 145 mln as at 30 June 2022) following the expiry of the additional special period and the change in the rate of remuneration of these liabilities as a result of the increase in ECB rates. The effects of the Russia-Ukraine conflict are attenuating the growth outlooks of fees and commissions from asset management for this year: the higher financial market volatility and higher uncertainty are increasing the preference for liquidity on the part of households, with the propensity to save also expected to decline.

In the coming months, the Parent Company will be focused on carrying out the EUR 2.5 bn capital increase. The transaction, in the form of a capital increase will be submitted to the resolutions of the Shareholders' Meeting called for next 15 September. The Shareholders' Meeting may only be held following the successful completion of the authorization process currently underway at the ECB. As regard DG Comp's assessments, on 2 August, MEF informed that the Authority approved the revision of the "Commitments" that had been undertaken by the Italian Republic in order to enable the precautionary recapitalisation of the Bank in 2017, in compliance with EU and Italian regulations and that the revised commitments are consistent with the 2022-2026 Business Plan targets.

Furthermore, the Parent Company Board of Directors approved the signing of a pre-underwriting agreement for the capital increase concerning the commitment - subject to conditions in line with market practice for similar transactions, including, among other things, the positive feedback from institutional investors in relation to the proposed capital increase and the agreement on the final terms and conditions of the same - to sign *an underwriting* agreement, relating to the newly issued ordinary shares, which may have remained unexercised at the end of the

[28] European Economic Forecast, Summer 2022, July 2022

offer of the unexercised rights pursuant to art. 2441, paragraph 3, of the Italian Civil Code. The terms and conditions of the transaction (including the subscription price of the shares) will be determined, in agreement between the Parent Company, the *Joint Global Coordinators* and the *Joint Bookrunners* (as defined below), close to the launch of the offer, taking into account, inter alia, market conditions and institutional investor feedback.

The next few months will also be characterized by the implementation process of the 2022-2026 Business Plan approved by the Board of Directors on 22 June 2022. In particular, in the fourth quarter of the year is planned (i) the deconsolidation of a portfolio of non-performing loans of the "Fantino" project- whose sale was finalised on 4 August – for a total gross exposure of EUR 0.9 bn as at 30 June 2022, and a further securitisation of non-performing lease exposures for a gross amount of EUR 0.2 bn; (ii) the finalisation of the merger by incorporation into the Parent Company of the subsidiary Consorzio Operativo Gruppo MPS.

In addition, following (i) the agreement reached on 4 August with the Trade Union related to the voluntary exits plan, thanks to an early-retirement scheme and the activation of the sector's Solidarity Fund, and (ii) of the availability of capital resources as envisaged in the Plan, early-retirement incentive costs are expected for approximately EUR 0.8 bn, with a cost saving starting from 2023, of EUR 270 mln on annual basis.

The figures as at 30 June 2022 confirm the very robust liquidity position of the Group, with indicator levels (LCR/NSFR) that are significantly higher than regulatory and operational limits. The expected institutional maturities for the second half of 2022 are mainly represented by EUR 0.5 bn of unsecured senior bond (already expired in July) and, in the last quarter of the year, by TLTRO III auctions for EUR 4 bn. Against the planned maturities, the Group's funding strategies aim to maintain liquidity indicators at adequate levels, broadly above regulatory limits, as well as reabsorb, with reference to public bond issue plans and also considering the planned capital increase, the breaches of MREL requirements. These strategies are defined in accordance with the 2022-2026 Business Plan.

As concerns capital requirements, in the absence of the capital strengthening transaction, taking into account the planned capital reduction due to the IFRS 9 phase-in and assuming the full implementation of the inflationary effects on risk-weighted assets relating to changes in the credit risk measurement models as a result of the EBA Guidelines, as at 30 June 2023 a shortfall of approx. EUR 500 mln could emerge with respect to the overall capital requirements. On the other hand, as at 31 December 2022, i.e. before the IFRS9 phase-in effect, the shortfall could be around EUR 50 mln.

Related-party transactions

Compensation of key management personnel

Items/Amounts	Total 30 06 2022	Total 30 06 2021
Short-term benefits	2.8	3.5
Termination benefits	0.2	-
Total	**3.0**	**3.5**

In compliance with the instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Group has opted for the disclosure scope to include not only the Directors, Statutory Auditors, the General Manager and the Deputy General Managers, but also other Key Management Personnel.

The information regarding remuneration policies is contained in the 'Remuneration Report pursuant to art. 123 ter of the Consolidated Law on Finance', available on the Parent Company's internet site, which contains the following data:

- a detailed breakdown of compensation paid to the Administration and Control Bodies, General Managers and, in aggregate form, to Key Management Personnel;
- quantitative information on the remuneration of "Key employees";
- monetary incentive plans in favour of members of the Administration and Control Body, the General Managers, the Deputy General Managers and other Key Management Personnel;
- information on the equity investments of members of the Administration and Control Bodies, the General Managers and other Key Management Personnel.

In the first half of 2022, there were 2 terminations of employment contracts of key management personnel and in one case a severance payment was granted.

Related-party transactions

In compliance with the provisions of Consob Resolution no. 17221, 12 March 2010, last updated with the amendments made by Consob resolution no. 21624, 10 December 2020, which came into force on 1 July 2021, as well as art. 53 Consolidated Banking Law (TUB) and its implementing provisions (Bank of Italy Circular 285/2013, Part Three, Chapter 11 "Risk assets and conflicts of interest with respect to associated parties"), the "Committee for Related-party Transactions" was established, composed of between three and five independent directors, carrying out the functions envisaged by the Articles of Association and the current legislative and regulatory provisions on transactions with related and associated parties.

Following the entry into force of the aforementioned Consob resolution no. 21624 of 10 December 2020 (the "Consob Regulation"), the Board of Directors of the Parent Company in the meeting held on 6 July 2021, with the preliminary favourable opinions of the Committee for Transactions with Related Parties and the Board of Statutory Auditors, resolved to adopt a new updated version of the "Group Directive concerning Management of regulatory obligations on related parties, associated parties and obligations of bank representatives" (hereinafter the "Group Directive", accompanied by a "Group Regulation concerning Management of regulatory obligations on related parties, associated parties and obligations of bank representatives" (hereinafter the "Group Regulations"), which include all the obligations envisaged by the regulations applicable to the Bank from 1 July 2021. These internal provisions and procedures, regards related parties, have been revised to implement the new provisions of the Consob Regulation in force since 1 July 2021, which introduce, among other things, a new definition of a Consob related party and the need to define thresholds of small amounts, differentiated at least according to the nature of the counterparty. The Group Directive was most recently updated on 27 January 2022 for the purpose of implementing the additional obligations relating to loans granted to relevant parties pursuant to art. 88 of Directive 2013/36/EU.

The Group Directive defines the organisational model adopted by the MPS Group (principles and responsibilities) for the management process of the provisions applicable to related parties, associated parties and obligations of the bank representatives, and in particular, governs, at the MPS Group level, the principles and rules for the control of risks arising from situations of possible conflicts of interest with some subjects close to the decision making centres of the Parent Company.

Within the Group Directive, the following is also defined:

- the formulation of the responsibilities assigned within the MPS Group (tasks and responsibilities of the top management bodies and corporate functions of the Parent Company and Subsidiaries);
- the scope of the related parties, associated parties ("Group Scope") and other subjects in a potential conflict of interest;
- the criteria for the identification of transactions, level of relevance of the transactions;
- the decision-making procedures and exemption cases;
- the internal policies in the area of control.

For the purpose of the Group Directive, significance is attributed to the transactions carried out with the subjects operating within the Group Scope which involve the performance of risk activities, the transfer of resources, services and obligations, regardless of the requirement of a consideration.

With regard to the type of transactions, these are classified in detail in the aforementioned Group Regulation, as:

- "**most significant transactions**": transactions where at least one of the following relevance indicators, applicable according to the specific transaction, exceeds the 5% threshold (greater relevance threshold):
  - *countervalue significance indicator:* the ratio of the countervalue of the transaction to the total of the own funds resulting from the most recent published consolidated balance sheet;
  - *relevance index of the assets:* the ratio of the total assets of the entity to which the transaction refers, to the total assets of Banca MPS;
  - *relevance index of the liabilities:* the ratio of the total liabilities of the acquired entity to the total assets of BMPS;
- "**transactions of lesser significance**": transactions for an amount greater than a small amount and up to the threshold of greater significance; in the context of transactions of lesser significance, transactions in which the amount exceeds EUR 100.0 mln and up to the threshold of greater significance (significance index of the equivalent value) are considered to be of lesser significance as a "significant amount", or, in the case of acquisitions, mergers and demergers for an amount equal to or less than EUR 100.0 mln, the significance index of the assets and/or liabilities is equal to or greater than the ratio of EUR 100.0 mln and own funds at a consolidated level.
- "**transactions for a small amount**": transactions for an amount equal to or less than EUR 250.0 thousand, in the event that the counterparty is a legal person; transactions for an amount equal to or less than EUR 100.0 thousand, in the event that the counterparty is a natural person.

The provisions and procedures applicable to transactions with related parties, in the versions in force at the time, are published on the website www.gruppomps.it in the section "Corporate Governance - Transactions with related parties".

From 2016, the Parent Company's Board of Directors formally resolved to approve inclusion of the Ministry of Economy and Finance (MEF) and of the relevant directly and indirectly controlled companies within the scope of related parties on a discretionary basis pursuant to the provisions of the Group Directive, excluding the prudential regulation.

Following completion of the Parent Company's precautionary recapitalisation procedure, after which the MEF became the controlling shareholder from August 2017, the Parent Company received notification on 18 December 2017 from the Supervisory Authorities with regard to the methods for the resulting application of limits to risk assets laid out in prudential regulations, pursuant to art. 53 of the Consolidated Law on Banking (TUB) and its implementing provisions (Bank of Italy Circ. 263/06 Title V, Section 5), through application to the Parent Company of the "silo" approach for calculation of the reference limits.

With reference to the MEF scope, the Parent Company has availed itself of the exemption provided by paragraph 25 of IAS 24 on the disclosure of transactions and balances of existing transactions with government-related entities. The main transactions carried out with the MEF and with its subsidiaries, in addition to financing transactions, include Italian government securities recorded in the portfolios "Financial assets measured at fair value through other comprehensive income" for a nominal amount of EUR 4,186.0 mln and "Financial assets measured at fair value through profit or loss" for a nominal amount of EUR 4,380.3 mln as well as "Financial assets measured at amortised cost" for a nominal amount of EUR 5,005.0 mln.

Information is provided below regarding the most significant transactions, in terms of amount, carried out by the Parent Company with related parties in the first half of 2022.

MEF related-party transactions

On 4 January 2022, the Credit Committee resolved to authorize the ordinary review in favour of VALVITALIA S.p.A. with a reduction of the existing credit facilities for a total of EUR 25.0 mln in the following terms: (a) extension with reduction of the mixed concession from EUR 22.2 mln to EUR 21.0 mln usable: (i) for the issue of commercial guarantees both in Italy and abroad; (ii) for credit openings against documents, including those not representative of goods and the issue of Letters of Credit; (b) confirmation of the concession of EUR 3.0 mln that can be used for the purchase and sale of foreign currencies to hedge exchange rate risks; (c) extension with reduction of the concession from EUR 3.0 mln to EUR 1.0 mln that can be used as a multiple credit line by the subsidiary Valvitalia Suzhou Valves Co. Ltd at the Shanghai branch. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 by virtue of the investment in the capital of the parent company Valvitalia Finanziaria S.p.A., of the Fondo Strategico Italiano Investimenti S.p.A., a company owned by CDP Equity S.p.A. of the CDP S.p.A. Group, in turn controlled by the MEF.

On 2 February 2022, the ordinary review of the credit facilities in favour of SO.GIN S.p.A. was authorized with confirmation of the credit lines in place for a total of EUR 19.9 mln, of which: (i) EUR 18.9 mln, which can be used in conjunction with the issuance of endorsement credits (including VAT and *imports*) and (ii) EUR 1.0 mln that can be used in conjunction with forward currency hedges, including flexible ones. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since the MEF, controlling shareholder of the Parent Company, is the sole shareholder of SO.G.I.N. S.p.A.

On 4 February 2022, the Credit Committee authorized the ordinary revision of credit facilities in favour of the PSC S.p.A. Group for EUR 15.2 mln, with an increase in existing credit facilities for a total of approximately EUR 7.8 mln - as a re-proposal, same amount and method, of financing approved in May 2021 and not finalized - through the granting of a new loan of EUR 7.8 mln with a duration of 6 years, of which 2 of financial pre-amortization, aimed at supporting the financial needs of the capital in circulation and backed by an explicit, irrevocable first demand guarantee by SACE S.p.A. equal to 90%, in compliance with the provisions of Legislative Decree no. 23/2020 "Liquidity" (converted into Law no. 40/2020). The disbursement was subject to the acquisition of the consent to postpone the verification of the *covenants* calculated on the data contained in the 2021 Consolidated Financial Statements by the subscribers of the bond loans and the lending banks of the *syndicated* loan stipulated in 2020. Subsequently, on 30 June 2022, the change in the credit classification of the PSC S.p.A. GROUP was authorized, pending the definition of the terms of the plan presented by the Company to the Court of Lagonegro (PZ) for admission to the composition with creditors procedure pursuant to art. 161, paragraph 6, Bankruptcy Law. This significant transaction falls within the scope of application of Consob Regulation no. 17221/2010, since

GRUPPO PSC S.p.A. is owned by Fincantieri S.p.A., in turn controlled by CDP S.p.A., the latter controlled by the MEF.

On 8 February 2022, the Credit Committee authorized the ordinary review of the credit facilities granted to FINCANTIERI S.p.A. with confirmation of the credit facilities in place for a total of EUR 25.2 mln, broken down as follows: (i) credit facility of EUR 25.0 mln usable on a mixed basis up to the entire amount for forward drawing operations, up to the maximum amount of EUR 10.0 mln as a current account overdraft facility and limited to EUR 2.1 mln to issue unsecured loans and (ii) credit facilities of EUR 0.2 mln to issue unsecured loans. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 as the MEF, the controlling shareholder of the Parent Company, is the majority shareholder of CDP S.p.A. which in turn holds 100% of CDP Industria S.p.A., the majority shareholder of FINCANTIERI S.p.A.

On 16 February 2022, the ordinary review of credit facilities in favour of the FONDO ITALIANO DI CONSOLIDAMENTO E CRESCITA was authorized, with confirmation of the credit facility that can be used as a current account overdraft facility of EUR 25.0 mln or the lower of the amount of EUR 25.0 mln and 30% of subscriptions still to be called to investors. This transaction falls within the scope of application of Consob Regulation no. 17221/2010, since FONDO ITALIANO DI CONSOLIDAMENTO E CRESCITA is managed by Fondo Italiano d'Investimento SGR S.p.A., which is controlled by CDP S.p.A., which in turn is controlled by the MEF.

In February 2022, an operation for an amount of EUR 10.6 mln was formalized in favour of the Parent Company's customers, against the granting of a loan of EUR 15.0 mln, aimed at supporting a Group renewable energy investments and divided into two *tranches*, one of which is *unsecured* for EUR 1.7 mln and EUR 13.3 mln, backed by an 80% SACE guarantee, as part of the *"Green New Deal ",* pursuant to Legislative Decree no. 76/2020 ("*Capex Green* Financing") and in the terms of the SACE *GREEN* 2021 framework resolution, already commented on in Part H relating to the Parent Company's financial statements as at 31 December 2021. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as SACE S.p.A. is a wholly-owned subsidiary of CDP S.p.A., in turn a subsidiary of the MEF.

On 8 March 2022, the ordinary revision of credit facilities, in favour of CONSIP S.p.A. with confirmation of the existing credit facility which can be used as a current account overdraft facility, for EUR 10.0 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since CONSIP S.p.A. is a wholly-owned subsidiary of the MEF.

On March 30, 2022, the Board of Directors, subject to the favourable opinion of the Committee for Transactions with Related Parties, resolved to authorize substantial contractual *amendments* to the BACK2BONIS FUND ("Fund" or "B2B", an Italian alternative investment fund of closed type reserved), and in particular the dissolution of the framework agreement establishing the Fund, as part of the *multitarget/multioriginator* transaction of which the Parent Company and its subsidiary MPS Capital Services S.p.A. became unlisted in 2019, as part of the credit transfer transaction called *Project Cuvée - Wave 1*. The value of the shares held by the MPS Group is approximately EUR 40.9 mln, of which EUR 20.6 mln of the Parent Company and EUR 20.3 mln of MPS Capital Services S.p.A. AMCO S.p.A. participates in the transaction; in addition to being a shareholder of the fund, it also holds a plurality of roles within the securitization transaction. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since AMCO S.p.A. is a wholly-owned subsidiary of the MEF.

On 3 May 2022, the Credit Committee authorized the Parent Company's acceptance of the *waiver* request made by ENEL S.p.A., keeping unchanged the Parent Company's share, equal to EUR 90.0 mln, in the *Sustainability-linked syndicated* loan outstanding to favour of ENEL S.p.A.. Acceptance of the *waiver* was necessary to proceed with the increase, up to a maximum of EUR 3.0 bn, of the total amount of the *Sustainability-linked syndicated* loan signed in 2021 for an original EUR 10.0 bn, and for any changes and additions that may be necessary when defining and perfecting the contractual documentation. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as ENEL S.p.A. is a direct subsidiary of the MEF.

On 5 May 2022, the Board of Directors, subject to the favourable opinion of the Committee for Transactions with Related Parties, resolved to renew the "SACE/2021 framework resolution" (expiring on 9 February 2022), already commented on in Part H on the Parent Company's financial statements at 31 December 2021, approving the new "SACE/2022 framework resolution", up to the maximum amount of EUR 350.0 mln (in force 6 May 2022 - 5 May 2023). The "SACE/2022 framework resolution", like the previous one, is aimed at completing homogeneous and sufficiently determined transactions, attributable to the acquisition by SACE S.p.A. of insurance policies, financial guarantees, according to standardized formats at the level of the Italian Banking Association ("ABI "), against credit lines for loans or endorsement credits granted to customers of the Parent Company or of the subsidiaries MPSCS and MPSL&F. Compared to the previous one, the "SACE/2022 framework resolution", in addition to reducing the ceiling amount from EUR 380.0 mln to EUR 350.0 mln, confirms the increase in the exemption threshold from EUR 30.0 mln to EUR 70.0 mln limitedly to buyer's credit operations, as well as the inclusion among the transactions covered by the framework resolution also of the appendices to documentary credit policies and the appendices to buyer credit policies within the terms specified therein. Like its predecessor, also the "SACE/2022 framework resolution" includes a master risk participation agreement with SACE S.p.A., which provides for the option of sharing risks on certain transactions ("risk-sharing"), through the transfer to SACE S.p.A. of portions of the overall risk previously agreed. The non-significant transaction for a significant amount falls within the scope of application of Consob Regulation no. 17221/2020, as SACE S.p.A. is a wholly-owned subsidiary of Cassa Depositi Prestiti S.p.A., in which the MEF has a controlling interest.

On 17 June 2022, the following was authorized in favour of KEDRION S.p.A., as part of the ordinary review of credit facilities: (i) the renewal of the mixed credit facility of EUR 10.0 mln, and (ii) the granting of a new credit facility of EUR 5.0 mln, with a duration of 12 months, usable for term contracts with a maximum duration of 6 months. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as KEDRION S.p.A. is an indirect MEF affiliate though CDP.

In the first half of 2022, the agreement with the health care fund assignee of coverage of the health plans of the staff of Parent Company and some banking companies of the MPS Group was renewed, which provides for a specific insurance policy contracted by the fund with POSTE ASSICURA S.p.A., for a value of EUR 20.6 mln, of which EUR 19.9 mln refer to the Parent Company. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since POSTE ASSICURA S.p.A. is directly controlled by POSTE ITALIANE S.p.A., in turn controlled by the MEF.

In the first half of 2022, the postal services agreement with POSTE ITALIANE S.p.A. was renewed, for a total annual amount of EUR 12.3 mln, for the 2021/2022 period (including VAT), in execution of a framework agreement already commented in Part H on the Parent Company's financial statements as at 31 December 2021. The services provided are necessary to guarantee the regular delivery to customers of the mandatory paper communications provided for by Legislative Decree no. 385/1993 (Consolidated Law on Banking). The agreement is valid for one year with automatic renewal at the same terms and conditions for another year, unless cancelled before the expiration date. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, since the MEF has a controlling interest in POSTE ITALIANE S.p.A.

In the months of May and June 2022, transactions were concluded with SACE S.p.A., in favour of the Parent Company's customers, to issue 90% of Garanzia Italia, to guarantee unsecured medium and long-term credit lines for the respective maximum amounts guaranteed by SACE S.p.A. for EUR 19.5 mln and EUR 10.2 mln, respectively. The transactions were carried out as part of the COVID-19 emergency support initiatives following the Parent Company's adherence to the general conditions of "Garanzia Italia" of SACE S.p.A. These transactions fall within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of CDP S.p.A., in turn controlled by the MEF.

During the first half of 2022, insurance policies were signed with SACE S.p.A. under the "SACE/2022 framework resolution" to cover 50% of the risk of non-payment relating to five documentary credit confirmation operations, concluded by its customers with a bank foreign for a total value of EUR 86.5 mln, in addition to a *risk-sharing* transaction, in favour of the same customers, guaranteed by SACE S.p.A. at 50%, for operations with a foreign bank for a value of EUR 10.1 mln. These transactions fall within the scope of application of Consob Regulation no. 17221/2010, since SACE S.p.A. is a wholly-owned subsidiary of CDP S.p.A., in turn controlled by the MEF.

Transactions with other related parties

On 20 April 2022, the *Chief Lending Officer* authorized in favour of AXA MPS ASSICURAZIONI VITA S.p.A. the ordinary review of the credit lines, with a reduction in credit lines from EUR 23.0 mln to EUR 22.0 mln, as follows: (i) credit line of EUR 20.0 mln, usable as a credit line on a current account; (ii) credit line of EUR 2.0 mln, usable for the issue of Italian unsecured loans of a financial and/or commercial nature, with a duration not exceeding 60 months. The transaction falls within the scope of application of Consob Regulation no. 17221/2010 as AXA MPS ASSICURAZIONI VITA S.p.A. is a direct associate of the Parent Company, which holds 50% of the share capital, while the remaining 50% of the share capital is held by AXA S.A., with which the Parent Company has established a *joint venture.*

On 8 June 2022 the renewal with decrease of the ceiling granted from EUR 170.0 mln to EUR 130.0 mln at MPS Group level was resolved in favour of FIDI TOSCANA S.p.A., which is relevant exclusively for internal purposes and equal to the total amount of the loans that can be taken out, including the transactions already in place and the flows expected for 2022. Furthermore, a new framework resolution concerning the operations of all the banks and companies of the MPS Group was also taken in favour of FIDI TOSCANA S.p.A., for the amount of EUR 15.0 mln, as the total maximum value of the guarantees to be issued by FIDI TOSCANA S.p.A. against loans to be finalised in the next 12 months. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as FIDI TOSCANA S.p.A. is subject to significant influence by the Parent Company, which holds a 27.46% interest of the share capital.

The following tables summarise the relationships and economic effects of transactions carried out in the first half of 2022 with associates, key management personnel and other related parties.

The “MEF Scope” column highlights the balances[29] of the balance sheet and income statement items as at 30 June 2022 relating to the transactions carried out with the MEF and the companies controlled by the MEF, namely companies controlled directly or indirectly by the MEF and their associates.

Related-party transactions: balance sheet items

	Value as at 30 06 2022						
	joint venture	Associated companies	key management personnel	Other related parties	MEF Scope	Total	% on FS item
Financial assets held for trading	-	-	-	21.8	6,876.4	**6,898.2**	67.80%
Other financial assets mandatorily measured at fair value	-	3.3	-	-	32.1	**35.4**	7.03%
Financial assets measured at fair value through other comprehensive income	-	-	-	-	4,103.6	**4,103.6**	81.04%
Lonas to banks measured at amortised cost	-	-	-	-	104.2	**104.2**	0.53%
Loans to customers measured at amortised cost	74.9	62.6	2.7	4.0	6,365.2	**6,509.4**	7.53%
Other assets	-	-	-	-	404.3	**404.3**	18.34%
Total assets	**74.9**	**65.9**	**2.7**	**25.8**	**17,885.8**	**18,055.1**	**-**
Financial liabilities measured at amortised cost	5.8	248.1	2.2	38.9	2,638.6	**2,933.6**	2.55%
Financial liabilities held for trading	-	-	-	4.5	170.6	**175.1**	4.36%
Other liabilities	0.5	7.3	-	2.6	10.8	**21.2**	0.48%
Total liabilities	**6.3**	**255.4**	**2.2**	**46.0**	**2,820.0**	**3,129.9**	**-**
Guaranties issued and Commitments	23.2	26.6	0.2	0.1	2,108.8	**2,158.9**	n.a.

[29] The criteria to fill out the two tables are different from those of the European Securities and Markets Authority (ESMA) used for the table “Exposure to sovereign debt risk”.

Related-party transactions: income statement items

	Value as at 30 06 2022						
	joint venture	Associated companies	key management personnel	Other related parties	MEF Scope	Total	% on FS item
Interest income and similar revenues	0.8	0.1	-	0.1	73.3	**74.3**	7.78%
Interest costs and similar charges	-	-	-	-	(9.4)	**(9.4)**	3.16%
Fee and commission income	0.1	105.3	-	0.1	124.7	**230.2**	27.38%
Fee and commission expense	-	(0.2)	-	-	(17.3)	**(17.5)**	15.49%
Net profit (loss) from other assets and liabilities measured at fair value through profit or loss	-	0.2	-	-	9.2	**9.4**	24.67%
Net adjustments/impaiments	(0.4)	(0.6)	-	(1.7)	(6.0)	**(8.7)**	3.90%
Dividends	-	-	-	1.2	5.2	**6.4**	35.64%
Operating costs	-	(2.4)	(0.1)	-	(0.2)	**(2.7)**	0.22%

Certification of the condensed consolidated half-yearly financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

1. The undersigned, Luigi Lovaglio, as Chief Executive Officer, and Nicola Massimo Clarelli, as Financial Reporting Officer of Banca Monte dei Paschi di Siena S.p.A., also having regard to article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, do hereby certify the:
   - appropriateness with respect to the company's profile, and
   - factual application of administrative and accounting procedures for preparation of the condensed consolidated half-yearly financial statements, in the first half of 2022.

2. The verification of the adequacy and effective application of administrative and accounting procedures for the preparation of the condensed consolidated half-yearly financial statements as at 30 June 2022 was based on methods defined by the MPS Group in line with the COSO models and, for the IT component, COBIT, which constitute the reference framework for the internal control system generally accepted internationally.

3. It is also certified that:
   3.1 the condensed consolidated half-yearly financial statements as at 30 June 2022:
      - were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation No. 1606/2002 of 19 July 2002;
      - are consistent with the underlying documentary evidence and accounting records;
      - are suitable to provide a true and fair representation of the capital, economic and financial situation of the issuer and group of companies included within the scope of consolidation.

   3.2 the half-yearly report on operations includes a reliable analysis of the significant events in the first six months of the financial year and their impact on the condensed consolidated half-yearly financial statements, as well as a description of major risks and uncertainties for the remaining six months of the year. The half-yearly report on operations includes a reliable analysis of information regarding related-party transactions of major relevance.

Siena, 04/08/2022

Signed by	*Signed by*
On behalf of the Board of Directors	*The Financial Reporting*
The Chief Executive Officer	*Officer*
Luigi Lovaglio	*Nicola Massimo Clarelli*

INDEPENDENT AUDITORS' REPORT

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of Banca Monte dei Paschi di Siena SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Banca Monte dei Paschi di Siena SpA and its subsidiaries ("Monte dei Paschi di Siena Group" or "Group") as of 30 June 2022, comprising the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes. The directors of the Monte dei Paschi di Siena Group are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Monte dei Paschi di Siena Group as of 30 June 2022 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Material uncertainty related to going concern

We draw attention to what is reported in paragraph "Going concern" of the explanatory notes to the condensed consolidated interim financial statements, where the directors report the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The directors, taking into account the state of actions put in place and having considered the material uncertainty with regard to the capital strengthening of Banca Monte dei Paschi di Siena SpA, believe that the Group has the reasonable expectation to continue as a going concern in the foreseeable future; accordingly, they have prepared the financial statements under the going concern assumption.

Our conclusion is not qualified with regard to this matter.

Milan, 11 August 2022

PricewaterhouseCoopers SpA

Signed by

Marco Palumbo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

ANNEXES

Reconciliation between the reclassified income statement and balance sheet and the related statutory accounts

Reconciliation between the reclassified income statement as at 30 June 2022 and related statutory accounts

Item	Income Statement accounts	30/06/22	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	Reclassification of dividends on treasury stock transactions	Reclassification of the portion of profits from equity investments	Reclassification provision to BRRD and DGSD funds	Recovery of stamp duty and customers' expenses	DTA Fee	Restructuring costs (Personnel expenses for early retirement)	Securitization, Recapitalization and Commitment Costs	Cost of credit	30/06/22	Reclassified Income Statement accounts
			1.8	-	-	-	-	-	-	-	-	**660.0**	**Net interest income**
10	Interest income and similar revenues	955.4	1.8	-	-	-	-	-	-	-	-	957.2	
	of which interest income calculated applying the effective interest rate method	776.5	-	-	-	-	-	-	-	-	-		
20	Interest expense and similar charges	(297.2)	-	-	-	-	-	-	-	-	-	(297.2)	
			-	-	-	-	-	-	-	-	-	**728.2**	**Net fee and commision income**
40	Fee and commission income	841.1	-	-	-	-	-	-	-	-	-	841.1	
50	Fee and commission expense	(112.9)	-	-	-	-	-	-	-	-	-	(112.9)	
70	Dividends and similar income	18.1	-	(4.3)	11.4	-	-	-	-	-	-	**25.2**	**Dividends, similar income and gains (losses) on equity investments**
			-	4.3	-	**0.0**	-	-	-	-	**(6.1)**	**82.4**	**Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases**
80	Net profit (loss) from trading	(4.5)	-	4.3	-	-	-	-	-	-	-	(0.2)	
100	Gains/(losses) on disposal/repurchase of:	50.4	-	-	-	-	-	-	-	-	(1.5)	**48.9**	
	a) financial assets measured at amortised cost	49.5	-	-	-	-	-	-	-	-	(1.5)	48.0	
	b) Financial assets measured at fair value through other comprehensive income	0.9	-	-	-	-	-	-	-	-	-	0.9	
	c) financial liabilities	-	-	-	-	-	-	-	-	-	-	-	
110	Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	38.4	-	-	-	*0.0*	-	-	-	-	(4.6)	**33.8**	
	a) financial assets and liabilities designated at fair value	20.3	-	-	-	-	-	-	-	-	-	20.3	
	b) other financial assets mandatorily measured at fair value	18.1	-	-	-	0.0	-	-	-	-	(4.6)	13.5	
90	Net profit (loss) from hedging	7.8	-	-	-	-	-	-	-	-	-	**7.8**	**Net profit (loss) from hedging**
230	Other operating expenses/income	133.0	-	-	-	-	(114.7)	-	-	-	-	**18.3**	**Other operating income (expenses)**
190	Administrative expenses:	(1,212.9)	-	-	-	88.7	109.2	31.4	2.4	0.6	-	**(980.5)**	**Administrative expenses**
	a) personnel expenses	(715.1)	-	-	-	-	-	-	2.4	-	-	(712.7)	a) personnel expenses
	b) other administrative expenses	(497.8)	-	-	-	88.7	109.2	31.4	-	0.6	-	(267.9)	b) other administrative expenses
			0.4	-	-	-	5.6	-	-	-	-	**(87.9)**	Net value adjustments to property, plant and equipment and intangible assets
210	Net adjustments to/recoveries on property, plant and equipment	(60.1)	-	-	-	-	5.6	-	-	-	-	(54.5)	
220	Net adjustments to/recoveries on intangible assets	(33.8)	0.4	-	-	-	-	-	-	-	-	(33.4)	
130	Net impairment (losses)/reversals on	(223.8)	-	-	-	-	-	-	-	-	**(2.2)**	**(224.9)**	**Cost of customers credit**
	a) financial assets measured at amortised cost	(223.7)	-	-	-	-	-	-	-	-	(1.8)	(225.5)	*130a) financial assets measured at amortised cost - customers*
	b) financial assets measured at fair value through other comprehensive income	(0.1)	-	-	-	-	-	-	-	-	0.1		
			-	-	-	-	-	-	-	-	1.5	1.5	*100a) Loans to customers measured at amortised cost*
			-	-	-	-	-	-	-	-	4.6	4.6	*110b) Loans*
			-	-	-	-	-	-	-	-	(6.6)	(6.6)	*200 a) Net provision for risks and charges related to financial guarantess and other commitments*
140	Modification gains/(losses)	1.1	-	-	-	-	-	-	-	-	-	1.1	*140 Modification gains (losses)*
			-	-	-	-	-	-	-	-	1.7	**1.7**	**Net impairment (losses)/reversals on securities and loans to banks**
160	Net insurance premiums		-	-	-	-	-	-	-	-	-		
170	Other net insurance income (expense)		-	-	-	-	-	-	-	-	-		
200	Net provision for risks and charges:	(84.6)	-	-	-	-	-	-	-	-	6.6	**(78.0)**	**Net provisions for risks and charges**
	a) commitments and guarantees issued	(6.6)	-	-	-	-	-	-	-	-	6.6		
	b) other net provisions	(78.0)	-	-	-	-	-	-	-	-	-	(78.0)	
250	Gains (losses) on investments	12.7	-	-	(11.4)	-	-	-	-	-	-	**1.3**	**Gains (losses) on investments**
			-	-	-	-	-	-	(2.4)	(0.6)	-	**(3.1)**	Restructuring costs /One-0ff costs
			-	-	-	(88.7)	-	-	-	-	-	**(88.7)**	Risks and charges related to the SRF, DGS and similar schemes
			-	-	-	-	-	(31.4)	-	-	-	**(31.4)**	DTA Fee
260	Net gain (losses) on property, plant and equipment and intangible assets measured at fair value	(10.8)	-	-	-	-	-	-	-	-	-	**(10.8)**	Net gain (losses) on property, plant and equipment and intangible assets measured at fair value
280	Gains (losses) on disposal of investments	0.8	-	-	-	-	-	-	-	-	-	**0.8**	Gains (losses) on disposal of investments
290	Profit (loss) before tax from continuing operations	18.2	2.3	-	-	-	(0.0)	-	-	-	-	**20.5**	Profit (loss) for the period before tax
300	Tax (expense)/recovery on income from continuing operations	8.9	(0.7)	-	-	-	-	-	-	-	-	**8.2**	Tax (expense)/recovery on income from continuing operations
310	Profit (loss) after tax from continuing operations	27.1	1.5	-	-	-	(0.0)	-	-	-	-	**28.6**	Profit (loss) after tax
320	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	
330	Profit (loss) for the period	27.1	1.5	-	-	-	(0.0)	-	-	-	-	**28.6**	Net profit (loss) for the period
340	Profit (loss) attributable to non-controlling interests	(0.1)	-	-	-	-	-	-	-	-	-	**(0.1)**	Net profit (loss) attributable to non-controlling interests
			(1.5)	-	-	-	-	-	-	-	-	**(1.5)**	PPA (Purchase Price Allocation)
	Parent company's net profit (loss) for the period	**27.2**	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	**27.2**	**Parent company's net profit (loss) for the period**

Reconciliation between the reclassified income statement as at 30 June 2021 and related statutory accounts

Item	Income Statement accounts	30/06/21	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	Reclassification of dividends on treasury stock transactions	Reclassification of the portion of profits from equity investments	Reclassification provision to BRRD and DGSD funds	Recovery of stamp duty and customers' expenses	DTA Fee	Restructuring costs (Personnel expenses for early retirement)	Securitization, Recapitalization and Commitment Costs	Cost of credit*	FV of properties -IAS16	30/06/21	Reclassified Income Statement accounts
			2.3	-	-	-	-	-	-	-	-	-	**585.2**	**Net interest income**
10	Interest income and similar revenues	941.0	2.3	-	-	-	-	-	-	-	-	-	943.3	
	of which interest income calculated applying the effective interest rate method	*790.6*	-	-	-	-	-	-	-	-	-	-		
20	Interest expense and similar charges	(358.1)	-	-	-	-	-	-	-	-	-	-	(358.1)	
			-	-	-	-	-	-	-	-	-	-	**754.5**	**Net fee and commission income**
40	Fee and commission income	851.7	-	-	-	-	-	-	-	-	-	-	851.7	
50	Fee and commission expense	(97.2)	-	-	-	-	-	-	-	-	-	-	(97.2)	
70	Dividends and similar income	12.0	-	(3.1)	46.5	-	-	-	-	-	-	-	**55.4**	**Dividends, similar income and gains (losses) on equity investments**
			-	3.1	-	-	-	-	-	-	**2.4**	-	**176.7**	**Net profit (loss) from trading, the fair value measurement of assets/liabilities and Net gains (losses) on disposals/repurchases**
80	Net profit (loss) from trading	29.3	-	3.1	-	-	-	-	-	-	-	-	**32.4**	
100	Gains/(losses) on disposal/repurchase of:	130.6	-	-	-	-	-	-	-	-	0.2	-	**130.8**	
	a) financial assets measured at amortised cost	121.5	-	-	-	-	-	-	-	-	0.2	-	121.7	
	b) Financial assets measured at fair value through other comprehensive income	4.0	-	-	-	-	-	-	-	-	-	-	4.0	
	c) financial liabilities	5.1	-	-	-	-	-	-	-	-	-	-	5.1	
110	Net profit (loss) from other financial assets and liabilities measured at fair value through profit or loss	11.3	-	-	-	-	-	-	-	-	2.2	-	**13.5**	
	a) financial assets and liabilities measured at fair value	3.1	-	-	-	-	-	-	-	-	-	-	3.1	
	b) other financial assets mandatorily measured at fair value	8.2	-	-	-	-	-	-	-	-	2.2	-	10.4	
90	Net profit (loss) from hedging	1.9	-	-	-	-	-	-	-	-	-	-	**1.9**	**Net profit (loss) from hedging**
230	Other operating expenses/income	119.6	-	-	-	-	(132.1)	-	-	-	-	-	**(12.5)**	**Other operating income (expenses)**
190	Administrative expenses:	(1,231.4)	-	-	-	89.6	121.2	31.6	3.2	1.0	-	-	**(984.8)**	**Administrative expenses**
	a) personnel expenses	(722.0)	-	-	-	-	-	-	3.2	-	-	-	(718.8)	a) personnel expenses
	b) other administrative expenses	(509.4)	-	-	-	89.6	121.2	31.6	-	1.0	-	-	(266.0)	b) other administrative expenses
			0.4	-	-	-	10.9	-	-	-	-	-	**(88.5)**	Net value adjustments to property, plant and equipment and intangible assets
210	Net adjustments to/recoveries on property, plant and equipment	(66.0)	-	-	-	-	10.9	-	-	-	-	-	(55.1)	
220	Net adjustments to/recoveries on intangible assets	(33.8)	0.4	-	-	-	-	-	-	-	-	-	(33.4)	
130	Net impairment (losses)/reversals on	(161.1)	-	-	-	-	-	-	-	-	**3.6**	-	**(162.8)**	**Cost of customers loans**
	a) financial assets measured at amortised cost	(162.0)	-	-	-	-	-	-	-	-	(0.8)	-	(162.8)	*130a) financial assets measured at amortised cost - customers*
	b) financial assets measured at fair value through other comprehensive income	0.9	-	-	-	-	-	-	-	-	(0.9)	-		
			-	-	-	-	-	-	-	-	(0.2)	-	(0.2)	*100a) Loans to customers measured at amortised cost*
			-	-	-	-	-	-	-	-	(2.2)	-	(2.2)	*110b) Loans*
			-	-	-	-	-	-	-	-	7.7	-	**7.7**	*200 a) Net provision for risks and charges related to financial guarantess and other commitments*
140	Modification gains/(losses)	(5.3)	-	-	-	-	-	-	-	-	-	-	(5.3)	*140 Modification gains (losses)*
			-	-	-	-	-	-	-	-	1.7	-	**1.7**	**Net impairment (losses)/reversals on securities and loans to banks**
160	Net insurance premiums	-	-	-	-	-	-	-	-	-	-	-		
170	Other net insurance income (expense)	-	-	-	-	-	-	-	-	-	-	-		
200	Net provision for risks and charges:	(34.6)	-	-	-	-	-	-	-	-	(7.7)	-	**(42.3)**	**Net provisions for risks and charges**
	a) commitments and guarantees issued	7.7	-	-	-	-	-	-	-	-	(7.7)	-		
	b) other net provisions	(42.3)	-	-	-	-	-	-	-	-	-	-	(42.3)	
250	Gains (losses) on investments	46.3	-	-	(46.5)	-	-	-	-	-	-	-	**(0.2)**	**Gains (losses) on investments**
			-	-	-	-	-	-	(3.2)	(1.0)	-	-	**(4.2)**	Restructuring costs /One-0ff costs
			-	-	-	(89.6)	-	-	-	-	-	-	**(89.6)**	Risks and charges related to the SRF, DGS and similar schemes
			-	-	-	-	-	(31.6)	-	-	-	-	**(31.6)**	DTA Fee
260	Net gain (losses) on property, plant and equipment and intangible assets measured at fair value	(28.2)	-	-	-	-	-	-	-	-	-	-	**(28.2)**	Net gain (losses) on property, plant and equipment and intangible assets measured at fair value
280	Gains (losses) on disposal of investments	14.4	-	-	-	-	-	-	-	-	-	-	**14.4**	Gains (losses) on disposal of investments
290	Profit (loss) before tax from continuing operations	142.4	2.7	-	-	-	-	-	-	-	-	-	**145.1**	Profit (loss) for the period before tax
300	Tax (expense)/recovery on income from continuing operations	59.6	(0.9)	-	-	-	-	-	-	-	-	-	**58.7**	Tax (expense)/recovery on income from continuing operations
310	Profit (loss) after tax from continuing operations	202.0	1.8	-	-	-	-	-	-	-	-	-	**203.8**	Profit (loss) after tax
320	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-		
330	Profit (loss) for the period	202.0	1.8	-	-	-	-	-	-	-	-	-	**203.8**	Net profit (loss) for the period
340	Profit (loss) attributable to non-controlling interests	(0.1)	-	-	-	-	-	-	-	-	-	-	**(0.1)**	Net profit (loss) attributable to non-controlling interests
		-	(1.8)	-	-	-	-	-	-	-	-	-	**(1.8)**	PPA (Purchase Price Allocation)
	Parent company's net profit (loss) for the period	**202.1**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**202.1**	**Parent company's net profit (loss) for the period**

** Theses items as at 30 June 2021, respect to those published, include the reclassification of economic effects of securities related to Sale/securitization transactions of non performing loans included in the item "Cost of Customer credit"*

Reconciliation between the reclassified balance sheet and related statutory accounts as at June 2022

	Balance-sheet Items - Assets	30/06/22	Other financial assets @ FVTPLM - Loans to banks	Loans to customers	Trading derivatives	Securities	Loans to Banks @ AC - Loans to Central Banks	Non-current assets held for sale and disposal groups	Change in value of macro-hedged financial assets	30/06/22	Reclassified Balance-sheet Items - Assets
10	Cash and cash equivalents	**1,518.8**								**1,518.8**	**Cash and cash equivalents**
20	Financial assets measured at fair value through profit or loss	**10,678.0**								**22,312.7**	**Securities assets**
						14,060.7				14,060.7	
	a) financial assets held for trading	10,174.1			(2,246.1)					7,928.0	
	b) financial assets designated at fair value	-									
	c) other financial assets mandatorily measured at fair value	503.9		(180.1)						324.0	
30	Financial assets measured at fair value through other comprehensive income	**5,063.8**				(5,063.8)					
40	Financial assets measured at amortised cost	**106,257.3**									
							17,626.5			**17,626.5**	**Loans to central banks**
	a) Loans to banks	19,757.5				(700.2)	(17,626.5)	1.3		**1,432.1**	**Loans to banks**
	b) Loans to customers	86,499.8		180.1		(8,296.7)		238.5		**78,621.7**	**Loans to customers**
50	Hedging derivatives	**783.1**			2,246.1			-		**3,029.2**	**Derivatives**
60	Change in value of macro-hedged financial assets (+/-)	**(559.9)**							559.9	-	
70	Equity investments	**756.5**								**756.5**	**Equity investments**
80	Reinsurers' share of techincal reserve	-								-	
90	Property, plant and equipment	**2,428.5**						65		**2,493.5**	**Property, plant and equipment**
100	Intangible assets	**172.6**								**172.6**	**Intangible assets**
	- of which goodwill	*7.9*								*7.9*	*-of which goodwill*
110	Tax assets	**1,769.3**								**1,769.3**	**Tax assets**
	a) current	654.0								654.0	a) current
	b) deferred	1,115.3		-						1,115.3	b) deferred
										1,645.0	**Other assets**
120	Non-current assets held for sale and disposal groups	304.8		-				(304.8)		-	120 Non-current assets held for sale and disposal groups
130	Other assets	2,205.1		-					(559.9)	1,645.0	130 Other assets
	Total Assets	**131,377.9**	-	-	-	-	-	-	-	**131,377.9**	**Total Assets**

Items	Balance-sheet Items - Liabilities	30/06/22	Due to central banks	Due to banks	Debt securities issued - customers	Trading derivatives	Financial liabilities designated at fair value	Provision for staff severance indemnities	Change in value of macro-hedged financial liabilities (+/-)	Group Net Equity	30/06/22	Reclassified balance-sheet items - Liabilities
10	Financial liabilities measured at amortised cost	114,846.5									84,305.1	Direct funding
	a) due to banks	30,642.2	(28,947.6)	(1,694.6)							-	
	b) due to customers	74,931.8			9.1						74,940.9	a) due to customers
	c) debts securities issued	9,272.5			(9.1)		100.8				9,364.2	b) Securities issued
			28,947.6								28,947.6	Due to central banks
				1,694.6							1,694.6	Due to banks
20	Financial liabilities held for trading	4,014.2				(1,355.5)					2,658.7	On-balance-sheet financial liabilities held for trading
30	Financial liabilities designated at fair value	100.8					(100.8)				-	
											1,727.5	Derivatives
40	Hedging derivatives	372.0									372.0	Hedging derivatives
						1,355.5					1,355.5	Trading derivatives
50	Change in value of macro-hedged financial liabilities (+/-)	(44.4)							44.4		-	
60	Tax liabilities	6.0									6.0	Tax liabilities
	a) current	-									-	*a) current*
	b) deferred	6.0									*6.0*	*b) deferred*
70	Liabilities associated with non-current assets held for sale and disposal groups	-									-	
											4,378.1	Other liabilities
									(44.4)		(44.4)	Change in value of macro-hedged financial liabilities (+/-)
											-	Liabilities associated with non-current assets held for sale and disposal group
80	Other liabilities	4,422.5									4,422.5	Other liabilities
90	Provisions for employees severance pay	142.5						(142.5)			-	
100	Provisions for risks and charges:	1,679.7									1,822.2	Provisions for specific use
								142.5			142.5	a) Provision for staff severance indemnities
	a) financial guarantees and other commitments	148.8									148.8	b) Provision related to guarantees and other commitments given
	b) post-employment benefits	24.9									24.9	c) Pension and other post-retirement benefit obligations
	c) other provisions	1,506.0									1,506.0	d) Other provisions
120	Valuation reserves	(55.3)								55.3	-	
150	Reserves	(3,330.2)								3330.2	-	
											5,836.7	Group net equity
										(55.3)	(55.3)	a) Valuation reserves
											-	b) Redeemable shares
											-	c) Equity Instruments
										(3,330.2)	(3,330.2)	d) Reserves
											-	e) Share premium reserve
170	Share capital	9,195.0									9,195.0	f) Share capital
										-	-	g) Treasury shares (-)
										27.2	27.2	h) Net profit (loss) for the period
180	Treasury shares (-)	-									-	
190	Non-controlling interests (+/-)	1.4									1.4	Non-controlling interests
200	Profit (loss) for the period (+/-)	27.2								(27.2)	-	
	Total Liabilities and Shareholders' Equity	**131,377.9**	-	-	-	-	-	-	-	-	**131,377.9**	**Total Liabilities and Shareholders' Equity**

Reconciliation between the reclassified balance sheet and related statutory accounts as at December 2021

	Balance-sheet Items - Assets	31 12 2021	Other financial assets @ FVTPLM - Loans to banks	Loans to customers	Trading derivatives	Securities	Loans to Banks @ AC - Loans to Central Banks	Non-current assets held for sale and disposal groups	Change in value of macro-hedged financial assets	31 12 2021	Reclassified Balance-sheet Items - Assets
10	Cash and cash equivalents	1,741.8	-	-	-	-	-	-	-	1,741.8	Cash and cash equivalents
20	Financial assets measured at fair value through profit or loss	9,671.0	-	-	-	-	-	-	-	22,127.1	Securities assets
		-	-	-	-	15,013.6	-	-	-	15,013.6	
	a) financial assets held for trading	9,217.0	-	-	(2,426.0)	-	-	-	-	6,791.0	
	b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-	
	c) other financial assets mandatorily measured at fair value	454.0	-	(131.5)	-	-	-	-	-	322.5	
30	Financial assets measured at fair value through other comprehensive income	5,460.7	-	-	-	(5,460.7)	-	-	-	-	
40	Financial assets measured at amortised cost	113,060.1	-	-	-	-	-	-	-	-	
		-	-	-	-	-	20,769.7	-	-	20,769.7	Loans to central banks
	a) Loans to banks	25,004.4	-	-	-	(741.4)	(20,769.7)	-	-	3,493.3	Loans to banks
	b) Loans to customers	88,055.7	-	136.1	-	(8,811.5)	-	-	-	79,380.3	Loans to customers
50	Hedging derivatives	5.6	-	-	2,426.0	-	-	-	-	2,431.6	Derivatives
60	Change in value of macro-hedged financial assets (+/-)	594.5	-	-	-	-	-	-	(594.5)	-	
70	Equity investments	1,095.4	-	-	-	-	-	-	-	1,095.4	Equity investments
80	Technical insurance reserves reassured with third parties	-	-	-	-	-	-	-	-	-	
90	Property, plant and equipment	2,490.1	-	-	-	-	-	68.2	-	2,558.3	Property, plant and equipment
100	Intangible assets	185.2	-	-	-	-	-	-	-	185.2	Intangible assets
	- of wich goodwill	*7.9*	-	-	-	-	-	-	-	*7.9*	*-of which goodwill*
110	Tax assets	1,774.0	-	-	-	-	-	-	-	1,774.0	Tax assets
	a) current	727.6	-	-	-	-	-	-	-	727.6	a) current
	b) deferred	1,046.4	-	-	-	-	-	-	-	1,046.4	b) deferred
		-	-	-	-	-	-	-	-	2,311.9	Other assets
120	Non-current assets held for sale and disposal groups	72.9	-	(4.6)	-	-	-	(68.2)	-	0.1	Non-current assets held for sale and disposal groups
130	Other assets	1,717.3	-	-	-	-	-	-	594.5	2,311.8	Other assets
	Total Assets	**137,868.6**	-	-	-	-	-	-	-	**137,868.6**	**Total Assets**

Items	Balance-sheet Items - Liabilities	31 12 2021	Due to central banks	Due to banks	Debt securities issued - customers	Trading derivatives	Financial liabilities designated at fair value	Provision for staff severance indemnities	Change in value of macro-hedged financial liabilities (+/-)	Group Net Equity	31 12 2021	Reclassified balance-sheet items - Liabilities
10	Financial liabilities measured at amortised cost	121,466.2									90,300.3	Direct funding
	a) due to banks	31,279.9	(29,154.8)	(2,125.1)								
	b) due to customers	79,478.8			380.7						79,859.5	a) due to customers
	c) debts securities issued	10,707.5			(380.7)		114.0				10,440.8	b) Securities issued
			29,154.8								29,154.8	Due to central banks
				2,125.1							2,125.1	Due to banks
20	Financial liabilities held for trading	4,531.1				(1,427.0)					3,104.1	On-balance-sheet financial liabilities held for trading
30	Financial liabilities designated at fair value	114.0					(114.0)				-	
											2,686.1	Derivatives
40	Hedging derivatives	1,259.1									1,259.1	Hedging derivatives
						1,427.0					1,427.0	Trading derivatives
50	Change in value of macro-hedged financial liabilities (+/-)	15.9							(15.9)		-	
60	Tax liabilities	7.1									7.1	Tax liabilities
	a) current	-									-	*a) current*
	b) deferred	7.0									7.0	*b) deferred*
70	Liabilities associated with non-current assets held for sale and disposal groups	-										
											2,503.1	Other liabilities
									15.9		15.9	Change in value of macro-hedged financial liabilities (+/-)
											0	Liabilities associated with non-current assets held for sale and disposal groups
80	Other liabilities	2,487.2									2,487.2	Other liabilities
90	Provisions for employees severance pay	159.3						(159.3)				
100	Provisions for risks and charges:	1,654.7									1814	Provisions for specific use
								159.3			159.3	a) Provision for staff severance indemnities
	a) financial guarantees and other commitments	144.0									144.0	b) Provision related to guarantees and other commitments given
	b) post-employment benefits	29.7									29.7	c) Pension and other post-retirement benefit obligations
	c) other provisions	1481									1,481.0	d) Other provisions
120	Valuation reserves	306.8								(306.8)		
150	Reserves	(3,638.6)								3,638.6		
											6,172.7	Group net equity
										306.8	306.8	a) Valuation reserves
											-	b) Redeemable shares
											-	c) Equity Instruments
										(3,638.6)	(3,638.6)	d) Reserves
											-	e) Share premium reserve
170	Share capital	9195.0									9,195.0	f) Share capital
										-	-	g) Treasury shares (-)
										309.5	309.5	h) Net profit (loss) for the period
180	Treasury shares (-)	-								-	-	
190	Non-controlling interests (+/-)	1.3									1.3	Non-controlling interests
200	Profit (loss) for the period (+/-)	309.5								(309.5)	0	
	Total Liabilities and Shareholders' Equity	137,868.6	-	-	-	-	-	-	-	-	137,868.6	Total Liabilities and Shareholders' Equity